News Release

Embargoed until 0930 EDT (1330 UTC) 1st October 2018

IHS MARKIT CANADA MANUFACTURING PMI®

Weakest improvement in manufacturing business conditions in 2018 so far

KEY FINDINGS

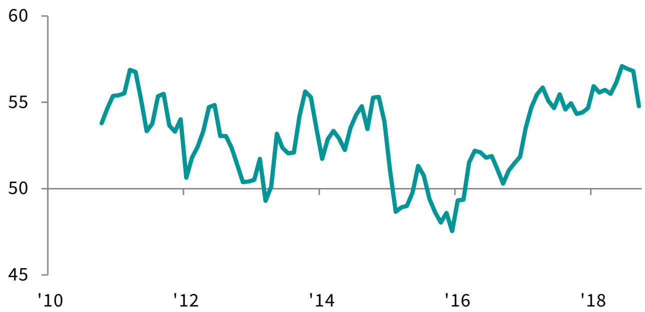
Headline PMI dips to nine-month low

Slower rates of output and new order growth

Input cost inflation moderates

Manufacturing PMI

sa, >50 = improvement since previous month



September data pointed to slower overall growth across the Canadian manufacturing sector, largely reflecting weaker rises in production volumes and incoming new work. A robust rate of job creation was maintained in September as manufacturers sought to boost operating capacity and reduce their backlogs of work. Meanwhile, longer delivery times from suppliers continued to influence purchasing strategies, as highlighted by another marked rise in stocks of inputs at manufacturing firms.

The seasonally adjusted IHS Markit Canada Manufacturing Purchasing Managers' Index® (PMI®) dropped from 56.8 in August to 54.8 in September, to signal the slowest improvement in overall business conditions since December 2017.

Production growth was the weakest for five months in September, which survey respondents attributed to a combination of capacity constraints and subdued demand conditions. New work expanded at the least marked pace for 11 months. Manufacturers noted that global trade frictions continued to hold back export sales growth.

Backlogs of work declined for the first time since August 2017. This contrasted with the survey-record rise in unfinished business seen in June. Manufacturers noted that additional staff recruitment in recent months had helped to alleviate capacity pressures at their plants.

Staffing levels increased at a robust pace in September, which marked two years of sustained job creation across the manufacturing sector. Survey respondents linked higher payroll numbers to greater business investment and forthcoming new product launches.

September data signalled another marked deterioration in vendor performance, which was attributed to stretched transport capacity and shortages of stock at suppliers. That said, the latest lengthening in input delivery times was the least severe since January.

Manufacturers responded to longer lead times from suppliers by increasing their stocks of inputs in September. The rate of inventory building eased only slightly from August's survey-record high.

A strong rate of input cost inflation continued in September, with manufacturers reporting higher prices for steel, aluminum and electronic components. That said, the overall rise in cost burdens was the least marked since February. At the same time, surcharges for metals contributed to another robust increase in average prices charged by manufacturers in September.

Meanwhile, manufacturers indicated that their near-term growth expectations slipped to the lowest in 2018 so far. Survey respondents frequently cited concerns about global trade frictions, alongside a lack of suitably skilled candidates to fill vacancies at their plants.

Regional data indicated that only Alberta & British Columbia bucked the overall slowdown recorded in September, with business conditions improving at a robust pace. Ontario and Quebec both recorded softer overall rates of expansion, largely reflecting a weaker contribution from new order growth.

Produced in association with the Supply Chain Management Association.

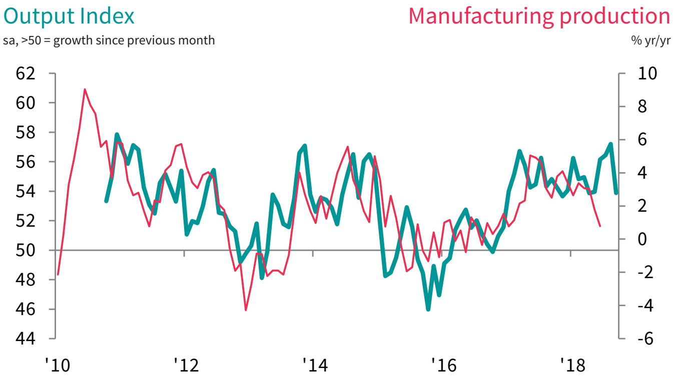
COMMENT

Christian Buhagiar, President and CEO at SCMA said:

“Canadian manufacturers reported a loss of momentum in September as new order growth eased back to its lowest since October 2017. Survey respondents noted that global trade frictions had held back export sales and resulted in more cautious spending patterns among clients.

"Supply chains remained under pressure in September as vendors struggled to keep up with demand. Manufacturers' efforts to build safety stocks added to the squeeze on supply chain capacity.

"The regional breakdown of data revealed that Ontario and Quebec bore the brunt of the slowdown in September. Alberta & British Columbia experienced the strongest improvement in business conditions, which suggests that greater demand from the energy sector has helped to moderate the overall slowdown in manufacturing growth."



Sources: IHS Markit, StatCan.

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Methodology

The IHS Markit Canada Manufacturing PMI® is compiled by IHS Markit from responses to questionnaires sent to purchasing managers in a panel of around 400 manufacturers. The panel is stratified by detailed sector and company workforce size, based on contributions to GDP.

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of ‘higher’ responses and half the percentage of ‘unchanged’ responses. The indices vary between 0 and 100, with a reading above 50 indicating an overall increase compared to the previous month, and below 50 an overall decrease. The indices are then seasonally adjusted.

The headline figure is the Purchasing Managers’ Index® (PMI). The PMI is a weighted average of the following five indices: New Orders (30%), Output (25%), Employment (20%), Suppliers’ Delivery Times (15%) and Stocks of Purchases (10%). For the PMI calculation the Suppliers’ Delivery Times Index is inverted so that it moves in a comparable direction to the other indices.

Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

September 2018 data were collected 12-24 September 2018.

For further information on the PMI survey methodology, please contact economics@ihsmarkit.com.

About PMI

Purchasing Managers’ Index® (PMI®) surveys are now available for over 40 countries and also for key regions including the eurozone. They are the most closely watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends. To learn more go to ihsmarkit.com/products/pmi.html.

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About SCMA

The Supply Chain Management Association (SCMA) is Canada’s largest association for supply chain management professionals. We represent 7,500 members as well as the wider profession working in roles that cover sourcing, procurement, logistics, inventory, and contract management. SCMA sets the standards for excellence and ethics, and is the principal source of professional development and accreditation in supply chain management in Canada. www.scma.com.