

Purchasing Managers' Index®
MARKET SENSITIVE INFORMATION
EMBARGOED UNTIL 09:30 (EDT) / 13:30 (UTC) July 3rd 2018

IHS Markit Canada Manufacturing PMI™

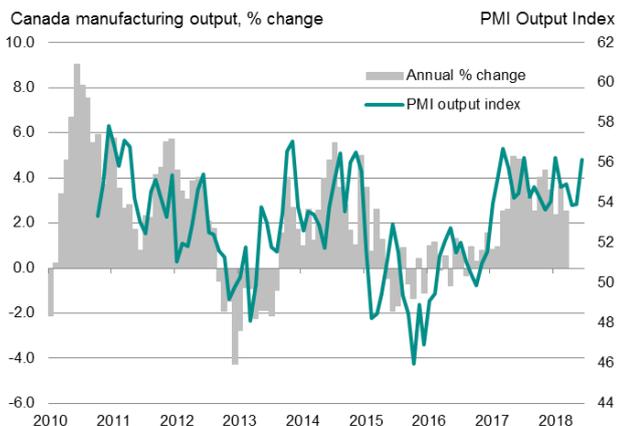
Manufacturing PMI hits survey-record high in June

Key findings:

- Headline PMI at highest level since the survey began in October 2010
- Robust rises in output, new orders and employment
- Backlogs of work increase at survey-record pace in June

Data collected June 12-25

IHS Markit Canada Manufacturing Output Index



Sources: IHS Markit, StatCan.

June data signalled a robust and accelerated improvement in overall business conditions across the Canadian manufacturing sector. Another strong rise in new work helped to boost production volumes and stimulate additional staff hiring in June.

However, intense supply chain pressures continued, which contributed to the greatest accumulation of unfinished work since the survey began in October 2010. Rising demand for inputs and higher prices for metals also led to the fastest increase in average cost burdens for over seven years.

The seasonally adjusted **IHS Markit Canada Manufacturing Purchasing Managers' Index® (PMI™)** registered 57.1 in June, up from 56.2 in May and the highest reading in over seven-and-a-half years of data collection. Stronger output growth, improved sales volumes and a survey-record pace of inventory building were key factors behind the elevated PMI reading in June.

Manufacturers reported the fastest rise in production levels for five months in June, which was linked to increased capacity and rising workloads. Meanwhile, new work expanded at the strongest pace since November 2013. Survey respondents widely commented on greater demand from both domestic and export markets (particularly the US).

There were signs that manufacturing companies struggled to keep up with rising workloads in June. Volumes of unfinished business increased at a survey-record pace, which was mainly linked to high levels of capacity utilization. Some manufacturers also noted that stretched supply chains had also resulted in a build-up of outstanding work at their plants.

Average lead times from vendors lengthened to the greatest extent since the survey began in late-2010. Anecdotal evidence suggested that transportation delays and stock shortages among suppliers had led to worsening vendor performance. Manufacturers again sought to build safety stocks during June, with the latest rise in pre-production inventories the largest in more than seven-and-a-half years of data collection.

Robust demand for raw materials contributed to the strongest rate of input cost inflation since April

2011. Survey respondents commented on higher prices for steel and aluminium in particular. Meanwhile, factory gate price inflation also accelerated to its steepest for over seven years, driven by increased cost burdens.

Manufacturers are upbeat about their growth prospects for the next 12 months, but the degree of optimism eased to its lowest since March. Despite a robust pace of job creation in June, some firms noted that capacity constraints were likely to act as a brake on production growth at their plants.

Regional highlights:

- Quebec remained the best performing region, helped by a survey-record rise in output levels
- Manufacturing employment growth was strongest in Quebec, followed by Alberta & BC
- All regions recorded steep and accelerated rates of input price inflation in June

Comment:

Tim Moore, Associate Director at survey compilers IHS Markit:

“Canadian manufacturers achieved their strongest expansion of sales volumes for over four-and-a-half years in June. Improved domestic orders helped to offset a slight slowdown in export growth from its recent peak.

“Survey respondents commented on a general upswing in customer demand and ongoing efforts to boost production capacity. Manufacturers also suggested that part of the rise in new work reflected efforts by clients to complete orders and boost their inventories in advance of surcharges on steel and aluminium.

“Another robust influx of new work, alongside intense supply chain pressures, led to the sharpest accumulation of unfinished business for at least seven-and-a-half years. Manufacturers continued to build up safety stocks of inputs in response to worsening raw material availability, with the latest data pointing to a survey-record upturn in warehouse inventories.”

Christian Buhagiar, President and CEO, SCMA

“June data signalled impressive growth momentum across the manufacturing sector, with business conditions improving at the fastest pace since the survey began in 2010.

“Strong improvements in new order books in recent months continued to place pressure on production capacity, which led to rising backlogs and greater staff recruitment in June.

“Quebec was the star performer in the latest survey period, with manufacturing production rising at a survey-record pace.

“All parts of the country are experiencing supply chain difficulties, reflecting strong demand for manufacturing inputs and shortages of transport capacity.

“Concerns about raw material availability continues to stimulate efforts to build up inventories in June, with the latest rise in pre-production stocks the fastest in more than seven years of data collection.”

-Ends-

For further information, please contact:

IHS Markit

Joanna Vickers, Corporate Communications
Telephone +44-207-260-2234
E-mail joanna.vickers@ihsmarkit.com

Supply Chain Management Association

Lynne Coles
Vice President, Growth and Chief Marketing Officer
Telephone 416-542-3860
Email lcoles@scma.com

Note to Editors:

The IHS Markit Canada Manufacturing PMI™ Report is based on data compiled from monthly replies to questionnaires sent to purchasing executives in over 400 industrial companies. The panel is stratified by company workforce size and by Standard Industrial Classification (SIC) group, based on industry contribution to Canada GDP.

Survey responses reflect the change, if any, in the current month compared to the previous month based on data collected mid-month. For each of the indicators the 'Report' shows the percentage reporting each response, the net difference between the number of higher/better responses and lower/worse responses, and the 'diffusion' index. This index is the sum of the positive responses plus a half of those responding 'the same'.

Diffusion indexes have the properties of leading indicators and are convenient summary measures showing the prevailing direction of change. An index reading above 50 indicates an overall increase in that variable, below 50 an overall decrease. The IHS Markit Canada Manufacturing Purchasing Managers' Index® (PMI™) is a composite index based on five of the individual indexes with the following weights: New Orders - 0.3, Output - 0.25, Employment - 0.2, Suppliers' Delivery Times - 0.15, Stock of Items Purchased - 0.1, with the Delivery Times Index inverted so that it moves in a comparable direction.

The Purchasing Managers' Index (PMI) survey methodology has developed an outstanding reputation for providing the most up-to-date possible indication of what is really happening in the private sector economy by tracking variables such as sales, employment, inventories and prices. The indices are widely used by businesses, governments and economic analysts in financial institutions to help better understand business conditions and guide corporate and investment strategy. In particular, central banks in many countries (including the European Central Bank) use the data to help make interest rate decisions. PMI surveys are the first indicators of economic conditions published each month and are therefore available well ahead of comparable data produced by government bodies.

IHS Markit does not revise underlying survey data after first publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series. Historical data relating to the underlying (unadjusted) numbers, first published seasonally adjusted series and subsequently revised data are available to subscribers from IHS Markit. Please contact economics@ihsmarkit.com.

About Supply Chain Management Association

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.

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