News Release

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IHS MARKIT CANADA MANUFACTURING PMI®

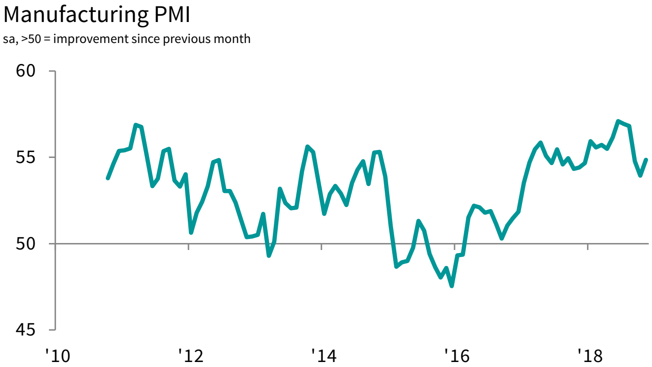
Manufacturing PMI hits three-month high, driven by survey-record rise in employment

KEY FINDINGS

Slight rebounds in output and new order growth

Strongest job creation since survey began eight years ago

Input cost inflation eases to nine-month low



November data pointed to a positive month overall for the Canadian manufacturing sector, although growth rates for output and new orders remained softer than seen on average in the third quarter of 2018. The most encouraging aspect of the latest survey was a strong and accelerated upturn in job creation, which manufacturers attributed to rising business investment in plant capacity.

Additionally, input cost inflation moderated in November, with lower oil-related prices helping to offset higher costs for imported materials (particularly metals).

The headline seasonally adjusted IHS Markit Canada Manufacturing Purchasing Managers' Index® (PMI®) registered 54.9 in November, up from 53.9 in October, to signal the sharpest improvement in business conditions since August.

Manufacturing production growth edged up from October's 22-month low, helped by a stronger upturn in new order books. Latest data also signalled a solid rise in export sales, with survey respondents mainly commenting on rising sales to U.S. clients. Nonetheless, the overall rate of new export order growth remained much softer than seen in the first half of 2018.

Despite a slowdown in demand conditions relative to earlier in the year, manufacturers reported a renewed acceleration of employment growth in November. The latest expansion of payroll numbers was the fastest since the survey began in October 2010. Anecdotal evidence suggested that efforts to alleviate capacity constraints had encouraged greater business investment and additional staff recruitment.

Intense supply chain pressures continued in November, as signalled by another sharp lengthening of delivery times for raw materials. Survey respondents cited low stocks among suppliers and ongoing shipping delays for items imported from Asia. Concerns about raw material availability led to another moderate increase in stocks of purchases across the Canadian manufacturing sector during November. However, latest data signalled the weakest rise in input buying since the end of 2017, partly reflecting more subdued projections for client demand.

Manufacturers remain optimistic overall about their growth prospects for the next 12 months. However, the degree of confidence was up only slightly since October and still among the weakest seen over the past two years. Some firms noted that slower economic growth in Europe had weighed on business sentiment in November.

Meanwhile, there were positive developments in terms of inflationary pressures during November. Input costs increased at the slowest rate since February, which meant that factor gate price inflation remained much softer than the survey-record highs seen during the summer.

Regional data indicated that Alberta & British Columbia was the best-performing area for manufacturing growth in November, followed by Ontario. Meanwhile, the latest survey pointed to a sustained fall in production volumes at manufacturers in Quebec.

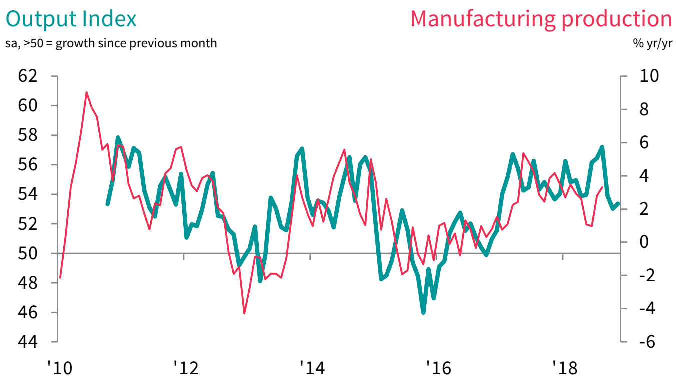
Produced in association with the Supply Chain Management Association.

COMMENT

Christian Buhagiar, President and CEO at SCMA said:

"Canadian manufacturers enjoyed an overall rebound in growth during November, with business conditions improving at the strongest pace for three months. Stronger rises in output and new orders were supported by the fastest upturn in employment numbers since the survey began in October 2010. The latest robust increase in staffing levels was widely linked to capacity pressures and a subsequent rise in investment spending across the manufacturing sector.

"Survey respondents commented on a boost to sales from improving U.S. economic conditions. However, there were also signs that worldwide trade frictions continued to hold back client demand, with new export order growth still weaker than seen on average in the first half of the year. Canadian manufacturers signalled that business optimism remained close to the lowest seen over the past two years, which many linked to heightened global economic uncertainty."



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.

November 2018 data were collected 12-26 November 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.

About IHS Markit

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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.