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## IHS MARKIT CANADA MANUFACTURING PMI®

### Manufacturing PMI slips to 26-month low amid sharp slowdown in employment growth

#### KEY FINDINGS

Weakest upturn in overall business conditions since December 2016

Softer jobs growth offsets slight rebound in new orders

Production levels rise at moderate pace in February

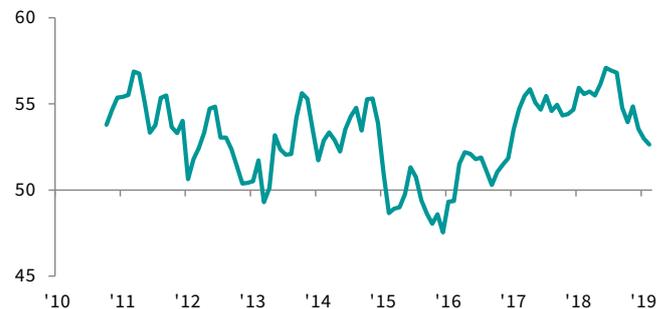
Subdued business conditions persisted across the Canadian manufacturing sector in February, with the latest survey data pointing to the slowest rise in employment numbers since the start of 2017. At the same time, growth of production volumes and incoming new work remained among the weakest seen over the past two years, although the latter accelerated since January.

The headline seasonally adjusted IHS Markit Canada Manufacturing Purchasing Managers' Index® (PMI®) dropped from 53.0 in January to 52.6 in February, which signalled the slowest overall improvement in business conditions since December 2016. A softer rate of job creation and stagnating pre-production inventories were the key factors holding back the Manufacturing PMI in February. A slight rebound in new order growth was the main positive contribution to the headline index.

February data signalled only a modest increase in production volumes, with the rate of expansion only fractionally stronger than January's 25-month low. New business volumes increased at a slightly faster pace than at the start of the year, but the latest rise was still one of the weakest seen since the second half of 2016.

Reports from survey respondents suggested that subdued client demand had held back manufacturing output growth in February. A number of firms noted that global trade frictions and heightened economic uncertainty had led to delayed decision-making among clients. Moreover, some manufacturers commented that higher cost burdens

Manufacturing PMI  
sa, >50 = improvement since previous month



amid rising prices for steel-intensive items had dampened competitiveness in export markets. On a more positive note, there were also reports that strong demand from US clients had helped to support overall new export order volumes in February.

Manufacturers continued to signal an accumulation of unfinished business at their plants in February. Some firms suggested that adverse weather conditions had disrupted supply chains and contributed to increased backlogs of work. That said, the latest downturn in supplier performance was the least marked since April 2017, which manufacturers linked to greater stocks among vendors and softer demand for materials. Input buying increased at the weakest pace for more than one year. Moreover, stocks of purchases dipped slightly in February, which ended 15 months of sustained inventory building.

Staffing levels rose at the slowest rate since January 2017. Manufacturers noted that softer client demand in recent months and tight labour market conditions had held back employment growth. There were also pressure on margins from rising costs had constrained job creation. However, latest data indicated that input price inflation moderated to its lowest since September 2016. Where a rise in costs was reported, this was mainly linked to trade tariffs on metals.

Regional data indicated that Ontario experienced the strongest overall improvement in business conditions during February, while Alberta & British Columbia posted the weakest upturn.

COMMENT

Christian Buhagiar, President and CEO at SCMA said:

“Canadian manufacturers experienced a slowdown in overall business conditions during February, with weaker employment growth the main factor weighing on the headline PMI reading.

“Production growth was relatively subdued, reflecting a sustained soft patch for incoming new work so far this year. Survey respondents noted that trade frictions and heightened global economic uncertainty had led to delayed decision-making among clients on new orders.

“The main positive developments were signs of reduced pressure on supply chains and a fall in input cost inflation to its lowest since September 2016. The latest deterioration in vendor performance was the least marked for almost two years, despite reports that adverse weather conditions had caused some disruption to supply chains in February.”

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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.

February 2019 data were collected 12-22 February 2019.

For further information on the PMI survey methodology, please contact [economics@ihsmarkit.com](mailto:economics@ihsmarkit.com).

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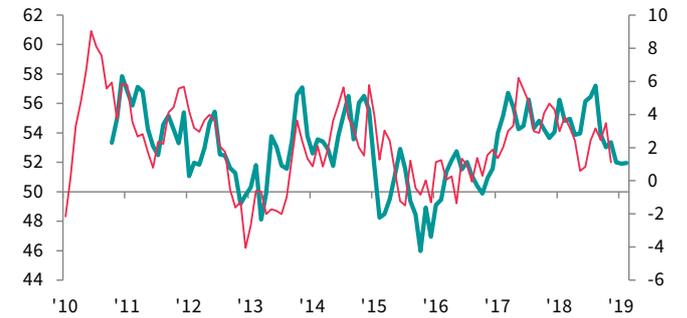
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Output Index

sa, >50 = growth since previous month

Manufacturing production

% yr/yr



Sources: IHS Markit, StatCan.