

Purchasing Managers' Index[®]
MARKET SENSITIVE INFORMATION
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IHS Markit Canada Manufacturing PMI[™]

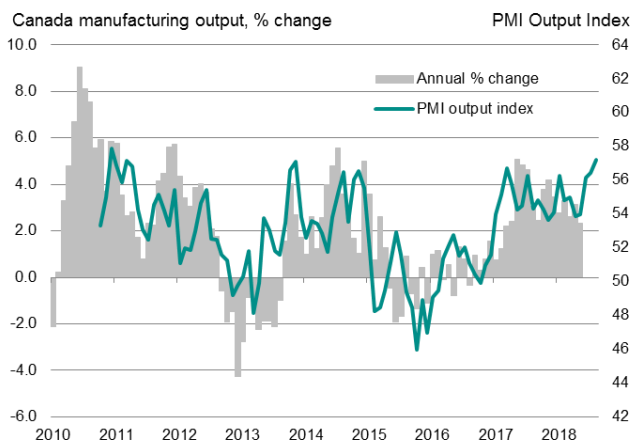
Sharpest rise in manufacturing output since December 2010

Key findings:

- Production volumes increase at robust pace in August...
- ...but new order growth eases to four-month low
- Strongest input cost inflation for almost seven-and-a-half years

Data collected August 13-24

IHS Markit Canada Manufacturing Output Index



Sources: IHS Markit, StatCan.

August data pointed to a sharp and accelerated upturn in Canadian manufacturing output, but the latest survey also revealed a loss of momentum for new business growth. Anecdotal evidence suggested that some clients had adopted a wait-and-see approach to spending in response to heightened business uncertainty and ongoing global trade tensions.

Steel and aluminum tariffs contributed to the fastest rise in manufacturers' input costs since April 2011. At the same time, factory gate charges increased at one of the sharpest rates since the survey began in 2010.

The seasonally adjusted **IHS Markit Canada Manufacturing Purchasing Managers' Index[®] (PMI[™])** dropped fractionally to 56.8 in August, from 56.9 in July, to signal the weakest overall improvement in business conditions since May. Slower new business growth was the main factor weighing on the headline index in August. Nonetheless, the latest reading remained well above the long-run survey average (53.0).

Production volumes increased at a robust pace in August, with the rate of expansion the sharpest since December 2010. Manufacturers commented on increased workloads and successful efforts to boost operating capacity at their plants.

New order growth eased to a four-month low, despite a slightly stronger contribution from export sales. The latest rise in new work from abroad was the greatest since May, partly driven by rising demand from clients operating in the energy sector. However, there were also reports that U.S. trade tariffs had dented competitiveness during the latest survey period.

Concerns about the outlook for export sales acted to dampen business confidence in August. Reflecting this, manufacturers indicated that their output growth expectations had slipped to a five-month low. Despite reporting more subdued growth prospects for the year ahead, latest data indicated a robust and accelerated rise in payroll numbers across the manufacturing sector.

Meanwhile, manufacturing firms continued to boost their stocks of inputs during August, which reflected pre-purchasing of metals ahead of trade tariffs, alongside efforts to mitigate against supply chain delays. The overall increase in pre-production

inventories was the sharpest recorded since the survey began in October 2010.

Strong demand for raw materials contributed to greater input cost pressures and the second-largest lengthening of suppliers' lead-times in the survey history. The latest increase in overall cost burdens was the steepest for almost seven-and-a-half years. At the same time, the introduction of trade tariffs on steel and aluminum resulted in another strong increase in average prices charged by manufacturers in August.

Regional highlights:

- Quebec remained the best-performing region monitored by the survey in August
- Manufacturers in Alberta & BC and Quebec experienced a relatively strong rate of new export order growth
- Ontario was the weakest-performing area in terms of new work from abroad
- All regions recorded sharp increases in their average cost burdens during August

Comment:

Christian Buhagiar, President and CEO, SCMA

“Canadian manufacturers continued to boost their production volumes in August, with the latest upturn the fastest since the end of 2010. However, a slowdown in new business growth meant that the headline PMI dipped to a three-month low.

“The latest survey highlighted that steel and aluminum tariffs pushed up input costs and acted as a headwind to export sales in U.S. markets. The rate of input price inflation was the steepest for almost seven-and-a-half years, which underpinned another strong increase in average prices charged by manufacturing companies.”

-Ends-

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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.

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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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About PMI

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