News Release

Embargoed until 0930 EST (1430 UTC) 2nd January 2019

IHS MARKIT CANADA MANUFACTURING PMI®

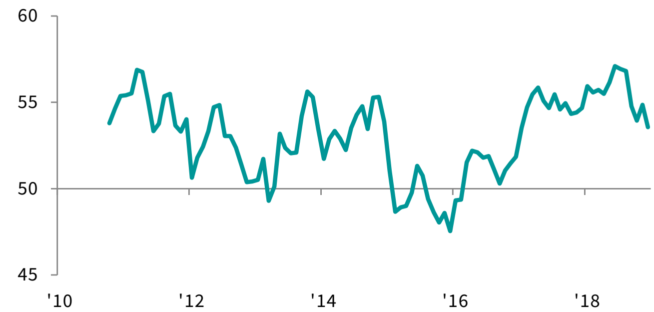
Weakest improvement in manufacturing conditions for almost two years in December

KEY FINDINGS

Headline PMI eases to its lowest since January 2017

Softer rates of output and new order growth

Export sales stagnate at the end of 2018



Canadian manufacturers experienced a renewed slowdown in growth at the end of 2018, with both production volumes and incoming new work expanding at softer rates than in November. The pace of manufacturing job creation also moderated in December, partly reflecting a drop in business optimism to its weakest since February 2016.

At 53.6 in December, down from 54.9 in November, the headline seasonally adjusted IHS Markit Canada Manufacturing Purchasing Managers' Index® (PMI®) signalled the weakest improvement in overall business conditions since January 2017.

A moderation in output growth to its slowest for two years was a key factor weighing on the headline PMI in December. Survey respondents commented on less favourable demand conditions, particularly in the energy sector. There were also reports that global trade frictions had held back export sales during the latest survey period.

New business volumes continued to rise in December, but at one of the slowest rates seen over the past two years. This partly reflected a stagnation in export sales.

Latest data indicated that new work from abroad was broadly unchanged in December, which ended a 12-month period of sustained expansion. Some firms noted a drag on export competitiveness from higher raw material costs (particularly steel). There were also reports that export demand from US clients had lost momentum.

Despite softer rates of output and new business growth, the latest survey revealed an accelerated rise in unfinished work. Higher backlogs of work have been recorded for three months running, driven by ongoing capacity pressures.

Manufacturers continued to add to their workforce numbers in December, but the rate of job creation slowed from the survey-record peak seen in the previous month. Anecdotal evidence suggested that less upbeat projections for output growth had acted as a brake on staff hiring at some firms.

Business optimism moderated to its weakest for almost three years in December. Reports from survey respondents indicated that concerns about the domestic economic outlook had weighed on business expectations for 2019. Some manufacturers also noted that global trade tensions had the potential to hold back growth in the next 12 months.

Meanwhile, input cost inflation eased to its lowest since August 2017. Manufacturers noted that lower oil-related prices had helped to offset pressure on costs from rising prices for metals. Factory gate charges also increased at a slower pace in December. There was an alleviation of pressure on supply chains at the end of 2018, with lead times for manufacturing inputs lengthening to the least marked extent since April 2017.

Regional data highlighted broad-based manufacturing growth across Canada, with Quebec recording the fastest improvement in business conditions. However, there was a marked loss of momentum in Alberta & British Columbia as manufacturers indicated the weakest overall growth since late-2016.

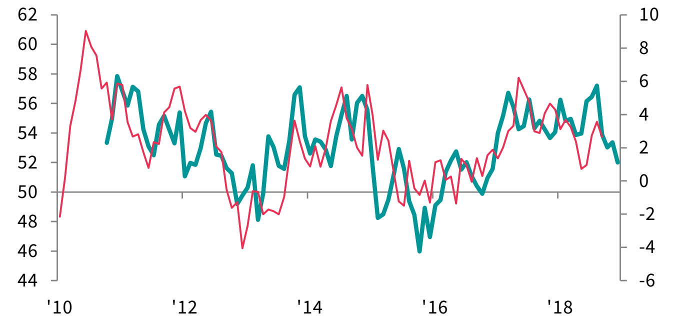
Produced in association with the Supply Chain Management Association.

COMMENT

Christian Buhagiar, President and CEO at SCMA said:

"December data signalled a loss of momentum for manufacturers at the end of the year, with stagnating export sales and softer energy sector demand the key factors behind an overall slowdown in production growth. Survey respondents also commented that global trade tensions has led to greater risk aversion among clients. As a result, manufacturing companies have curtailed their expectations for output growth in 2019, with business optimism easing to its lowest for almost three years.

"Quebec was a notable outperformer in December as manufacturing conditions improved at the fastest pace for four months. Meanwhile, manufacturers in Ontario saw softer overall growth than in November, while those based in Alberta & British Columbia experienced the weakest upturn for just over two years."



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.

December 2018 data were collected 5-17 December 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

IHS Markit (Nasdaq: INFO) is a world leader in critical information, analytics and solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 business and government customers, including 80 percent of the Fortune Global 500 and the world's leading financial institutions.

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.