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## IHS MARKIT CANADA MANUFACTURING PMI®

### Modest recovery in manufacturing performance continues in November

#### KEY FINDINGS

Manufacturing PMI hits nine-month high

Output and employment increase at slightly faster rates

Softer business expectations in November

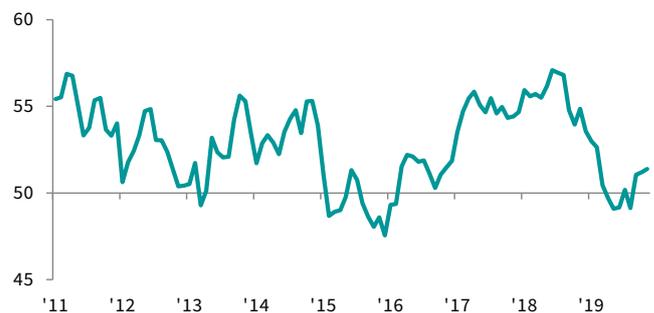
Canadian manufacturers signalled an improvement in their overall business conditions during November, which marked three months of sustained recovery. However, the degree of growth momentum remained relatively subdued. Falling export sales was a key factor acting as a headwind to manufacturing performance during the latest survey period. Business optimism regarding the year ahead outlook also dipped in November, with this index reaching its joint-lowest level since February 2016.

The headline seasonally adjusted IHS Markit Canada Manufacturing Purchasing Managers' Index® (PMI®) posted 51.4 in November, up slightly from 51.2 in the previous month and the highest reading since February. The modest improvement in business conditions was underpinned by continued increases in output, new orders and employment.

Mirroring the trend for overall manufacturing performance, growth in production was the fastest for nine months in November. Survey respondents often noted that rising domestic demand had led to greater output requirements. By sub-category, the strongest pace of expansion was reported by consumer goods producers, while investment goods once again signalled the weakest output trend.

November data pointed to a modest increase in new work received by manufacturers in Canada, although the pace of expansion eased slightly from the eight-month high seen in October. The loss of momentum largely reflected a weaker contribution from export sales, with new work from abroad dropping to the largest extent since July. Manufacturers cited

Manufacturing PMI  
sa, >50 = improvement since previous month



intense competitive pressures and some firms commented on softer demand from clients in the US.

There were signs that manufacturing capacity remained sufficient to meet both new and existing orders. This was signalled by a reduction in backlogs of work for the ninth month in a row during November.

A lacklustre degree of job creation persisted across the manufacturing sector. Subdued optimism towards the year ahead business outlook also held back employment growth in November. The level of confidence was the joint-weakest since February 2016 (equalling the low point seen in August).

Stocks of finished goods were trimmed to the largest extent for seven months in November, which manufacturers overwhelmingly linked to deliberate inventory reduction. In contrast, a modest rebound in purchasing led to rising stocks of inputs and longer delivery times from suppliers during the latest survey period. There were also some reports that rail strikes had contributed to supply chain disruption.

Input cost inflation meanwhile picked up to a seven-month high. Rising operating expenses were partly offset by an increase in factory gate charges, with the pace of inflation reaching its highest since May.

## COMMENT

Commenting on the PMI data, Tim Moore, Economics Associate Director at IHS Markit said:

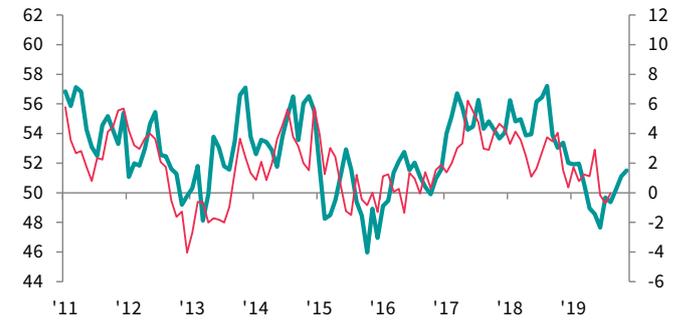
*"The manufacturing sector has started to find its feet again after a soft patch during the third quarter of the year. November data reveals another modest recovery in manufacturing performance, led by faster growth among consumer goods producers.*

*"New orders and production volumes have now risen in tandem for three months running. However, underlying growth momentum remains lacklustre in comparison to historic trends and this continues to hold back job creation as well as near-term business optimism.*

*"Lower export sales were the main source of concern in November, especially within the investment goods category. That said, Canadian manufacturers often noted that they expect improving US demand and a reduction in global trade frictions to help deliver a turnaround in export demand."*

## Output Index

sa, >50 = growth since previous month



Sources: IHS Markit, StatCan.

## CONTACT

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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 2019 data were collected 12-25 November 2019.

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

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## 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](http://ihsmarkit.com/products/pmi.html).