News Release

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IHS MARKIT
CANADA MANUFACTURING PMI®

New orders rise for first time in seven months

KEY FINDINGS

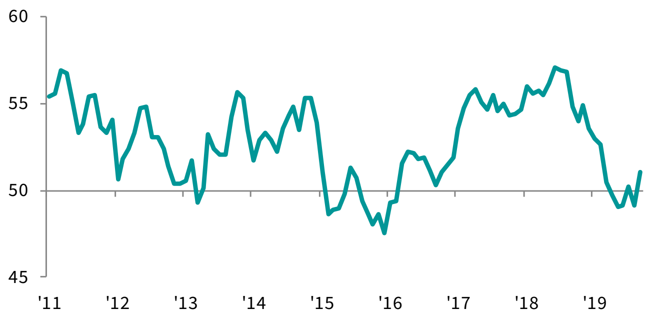
Slight increases in new orders and production

Rate of job creation gathers pace

Slowest rise in input costs in more than seven years

Manufacturing PMI

sa, >50 = improvement since previous month



There were some signs of positivity in the Canadian manufacturing sector at the end of the third quarter, with output, new orders and exports all returning to growth in September. Meanwhile, the rate of job creation picked up to a seven-month high.

A further slowdown in the rate of input cost inflation was recorded, with price pressures among the weakest in the survey's history. As a result, output prices also continued to rise only modestly.

The seasonally adjusted IHS Markit Canada Manufacturing Purchasing Managers' Index® (PMI®) rose back above the 50.0 no-change mark in September, posting 51.0 from 49.1 in August. The rate of improvement in the health of the sector this signalled was modest, but the most marked in seven months.

All five constituents of the headline PMI contributed to the upwards movement, with renewed growth seen in output, new orders and stocks of purchases.

There were tentative signs of a pick-up in customer demand in September. New orders rose slightly, ending a six-month sequence of decline. New export business also ticked up during the month.

The slight rise in new orders encouraged some firms to expand their production, the first rise in six months. That said, demand remained fragile, leading other manufacturers to lower output and meaning that the overall rate of expansion was only fractional.

Employment rose in September, as has been the case in all but one month over the past three years. Moreover, the rate of job creation quickened to the fastest since February. As well as responding to an uptick in new orders, panellists also indicated that staffing levels had been raised as part of business expansion plans. Backlogs of work, meanwhile, continued to fall, albeit at a reduced pace.

The aforementioned plans to expand operations, coupled with expected increases in new orders, meant that firms were confident that output will expand over the coming year. Sentiment improved slightly from the previous month.

The rate of input cost inflation slowed for the third month running in September and was the weakest in the current period of rising input prices which began more than seven years ago. A number of panellists cited reductions in steel prices. A similarly modest rise in output prices was registered as firms passed on cost increases to their customers.

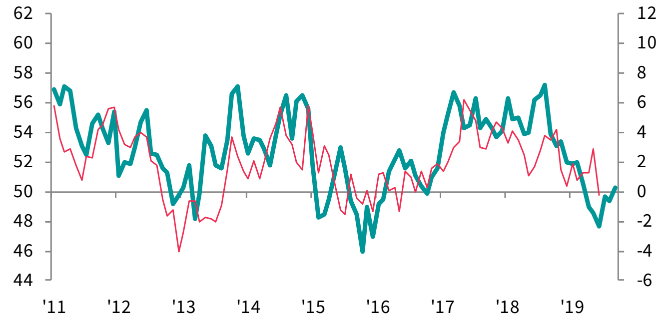
The scaling back of production in previous months meant that firms were still able to meet output requirements without needing to raise purchasing activity. Input buying continued to fall in September, but stocks of purchases rose as some panellists reported starting efforts to restock.

Input delivery times faced by manufacturers lengthened amid shortages of certain materials at suppliers and transport issues.

COMMENT

Commenting on the PMI data, Andrew Harker, Economics Associate Director at IHS Markit said:

"The latest PMI figures for Canada provide some cause for optimism at the end of the third quarter. Tentative signs of demand improving helped firms secure greater volumes of new business and increase production slightly, though conditions clearly remain challenging. Further respite was provided to manufacturers in terms of input costs, with the latest rise in prices of inputs the slowest in over seven years. This meant that firms were able to keep selling price inflation relatively low in what is a competitive marketplace."



Sources: IHS Markit, StatCan.

CONTACT

IHS Markit

Andrew Harker
Associate Director
T: +44-1491-461-016
andrew.harker@ihsmarkit.com

Katherine Smith
Corporate Communications
T: +1 (781) 301-9311
katherine.smith@ihsmarkit.com

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.

September 2019 data were collected 12-24 September 2019.

For further information on the PMI survey methodology, please contact economics@ihsmarkit.com.

About IHS Markit

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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.