News Release

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IHS MARKIT CANADA MANUFACTURING PMI®

Survey-record downturn in Canadian manufacturing output during March

KEY FINDINGS

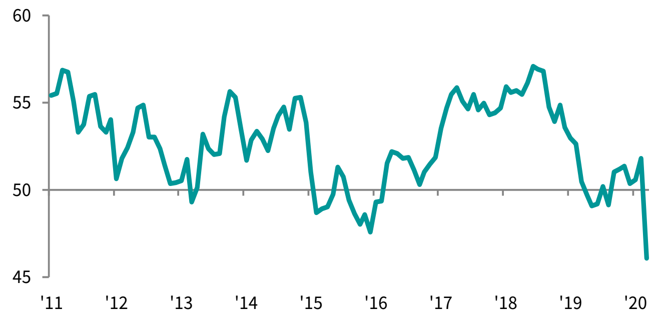
Slump in production amid emergency health measures to halt spread of COVID-19

New orders fall at fastest pace since the survey began in 2010

Strong US dollar pushes up input costs in March

Manufacturing PMI

sa, >50 = improvement since previous month



Manufacturing production fell at the fastest pace for at least nine-and-a-half years in March, according to the latest data compiled by IHS Markit. Survey-record declines in output, new orders and employment reflected shrinking customer demand amid the global public health emergency. Latest data were collected 12-25 March 2020.

Measures to halt the spread of coronavirus disease 2019 (COVID-19) also resulted in shortages of manufacturing inputs and the steepest lengthening of suppliers' delivery times since the survey began in October 2010.

The headline seasonally adjusted IHS Markit Canada Manufacturing Purchasing Managers' Index® (PMI®) dropped from 51.8 in February to 46.1 in March, to register below the 50.0 no-change threshold for the first time since August 2019. Moreover, the latest reading signalled the sharpest downturn in overall manufacturing conditions in nine-and-a-half years of data collection.

Production volumes fell rapidly in March (index at 41.2), which survey respondents overwhelmingly attributed to reduced operating capacity and shrinking demand amid emergency public health measures to slow the spread of COVID-19.

Mirroring the trend for output levels, latest data also indicated the fastest reduction in new business volumes since the survey began in October 2010. Where growth was reported, this was mainly among food producers and those in the pharmaceuticals sector. Meanwhile, some manufacturers noted that the slump in oil prices had been a key factor behind lower customer demand in March.

Lower export sales were almost exclusively attributed to business shutdowns and closed borders in response to the global public health emergency. The rate of decline in new orders from abroad was the fastest since the survey began.

At the same time, production stoppages and supply chain bottlenecks across Asia and Europe were often cited as contributing to longer shipping times in March. The index measuring suppliers' delivery times dropped to a record-low of 34.6, down from 45.3 in February. Any figure below the 50.0 no-change mark indicates longer lead-times for the receipt of manufacturing inputs.

Manufacturing companies responded to shrinking demand and reduced production schedules by streamlining their inventories and cutting employment numbers in March. The latest decline in staffing levels was the fastest since the survey began, slightly exceeding the previous record seen in December 2015. Business expectations for the year ahead also worsened to a considerable degree and hit a survey-record low.

Average cost burdens increased only marginally in March, with higher raw material prices mostly linked to exchange rate depreciation against the US dollar. Meanwhile, factory gate charges rose at the slowest pace since October 2019.

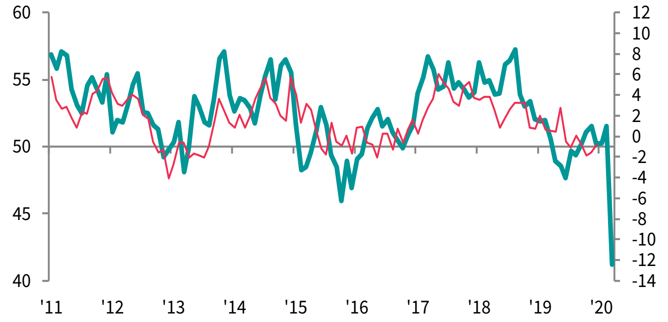
PMI® By IHS Markit

COMMENT

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

"Canadian manufacturers reported the steepest downturns in production, new orders and employment for at least nine-and-a-half years in March. Shrinking customer demand was almost exclusively attributed to production stoppages at home and abroad amid emergency public health measures to halt the COVID-19 pandemic. Some manufacturing companies cited an additional fall in new business related to a sharp drop in spending by clients in the energy sector.

"The latest survey also highlighted by far the steepest lengthening of suppliers' delivery times since the survey began in October 2010, with manufacturers most commonly citing shortages of materials and severe supply chain disruptions across Asia and Europe."



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.

March data were collected 12-25 March 2020.

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

About IHS Markit

IHS Markit (NYSE: 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 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.

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