News Release

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IHS MARKIT CANADA MANUFACTURING PMI®

Slowest improvement in manufacturing conditions for two-and-a-half years

KEY FINDINGS

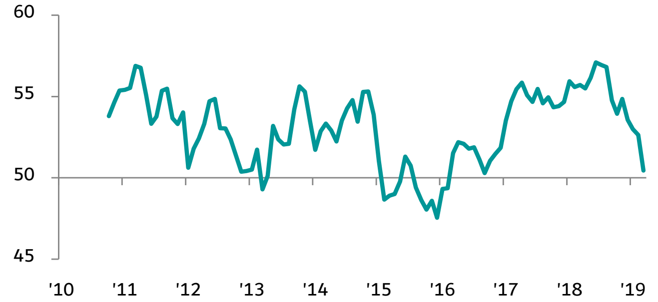
March data reveal weaker output and jobs growth

New export orders fall at fastest rate since February 2015

Input price inflation continues to moderate in March

Manufacturing PMI

sa, >50 = improvement since previous month



Canadian manufacturers signalled another slowdown during March, with overall business conditions improving at the weakest rate for two-and-a-half years. The latest survey revealed softer rises in manufacturing output and employment levels in response to subdued demand conditions. Export sales were a particular drag on the sector in March, with new work from abroad falling to the greatest extent since February 2015.

At 50.5 in March, the headline seasonally adjusted IHS Markit Canada Manufacturing Purchasing Managers' Index® (PMI®) was down from 52.6 in February and only slightly above the neutral 50.0 mark. The latest reading signalled the slowest upturn in operating conditions across the manufacturing sector since September 2016.

Weaker production growth was a key factor behind the fall in the headline PMI during March. Output volumes increased at the slowest pace for almost two-and-a-half years. Survey respondents cited fragile customer demand, especially from export markets. Some manufacturers also noted efforts to streamline their inventories of finished goods by cutting back on production schedules.

March data pointed to a fractional decline in new orders received by manufacturing firms, which ended a 29-month period of sustained expansion. The overall reduction was driven by the sharpest fall in new export work for just over four years. A number of respondents cited weaker global trade flows and pressure on export competitiveness from rising domestic raw material costs (particularly steel).

Subdued client demand resulted in a lack of work to replace completed projects during March. This was highlighted by a reduction in backlogs of work across the manufacturing sector for the first time in six months. Some goods producers responded to softer business conditions by paring back staff hiring at their plants. The rate of employment growth was only marginal and the weakest for almost two-and-a-half years.

A slowdown in new work also weighed on manufacturers' assessment of the year-ahead business outlook. The degree of positive sentiment towards future production growth was the second-weakest since August 2016.

The latest survey indicated greater efforts to reduce stocks in line with softer demand conditions. Post-production inventories declined to the largest extent since November 2017. At the same time, stocks of purchases fell at the fastest pace for just over three years.

Input buying decreased for the first time in 16 months, which mirrored the downward trend reported for stocks of purchases and in March. Softer demand for raw materials helped to alleviate pressure on supply chains, with vendor lead times lengthening to the least marked extent since November 2016. Moreover, input cost inflation eased again in March and reached its lowest for two-and-a-half years.

Regional data signalled a broad-based loss of momentum during March, with Alberta & British Columbia posting the weakest overall manufacturing performance. Moreover, all four monitored regions reported a drop in new export sales.

Produced in association with the Supply Chain Management Association.

COMMENT

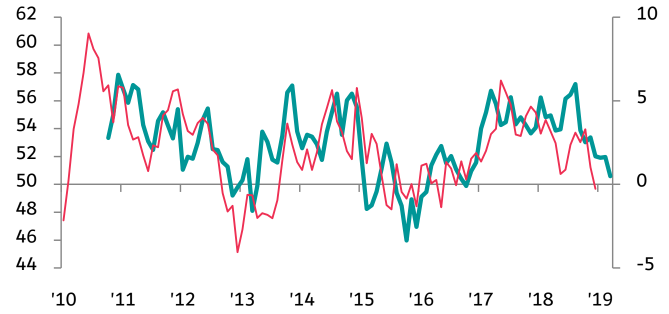
Christian Buhagiar, President and CEO at SCMA said:

"The latest survey provides a clear signal that the recent global manufacturing slowdown has impacted on Canadian goods producers, with export sales falling to the greatest extent for just over four years in March.

"Subdued demand conditions placed a brake on both production growth and staff hiring across the manufacturing sector, which led to the slowest overall improvement in business conditions since September 2016.

"March data also pointed to a reduction in input buying and intensified efforts to streamline inventories in response to concerns about the near-term business outlook.

"A gradual slowdown in input cost inflation from the peaks seen last summer is a welcome development. However, manufacturers' operating margins remain under pressure amid weaker order flows and intense competition in key export markets."



Sources: IHS Markit, StatCan.

CONTACT

IHS Markit

Tim Moore
Associate Director
T: +44-1491-461-067
tim.moore@ihsmarkit.com

Joanna Vickers
Corporate Communications
T: +44-207-260-2234
joanna.vickers@ihsmarkit.com

SCMA

Lynne Coles
416-542-3860
lcoles@scma.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.

March 2019 data were collected 12-25 March 2019.

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

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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.

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