

Purchasing Managers' Index®
MARKET SENSITIVE INFORMATION
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IHS Markit Canada Manufacturing PMI™

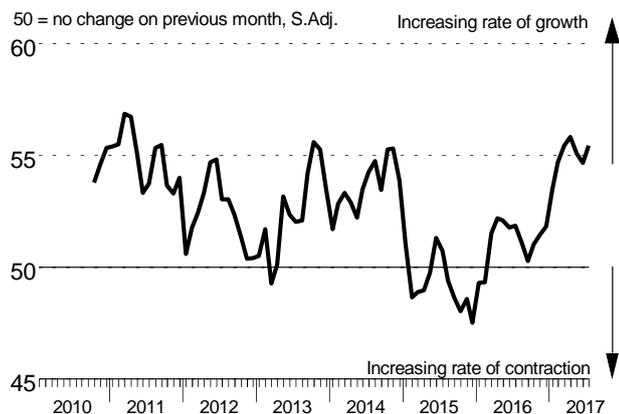
Production rises at fastest pace since March

Key findings:

- Output growth accelerates to four-month high in July
- Robust improvement in new order books
- Input price inflation eases to lowest since October 2016

Data collected July 12-25

IHS Markit Canada Manufacturing PMI



Source: IHS Markit

Canadian manufacturers experienced a robust and accelerated improvement in overall business conditions in July. The latest survey revealed the fastest rate of production growth since March, driven by improved new order books and supported by a further solid rise in employment numbers. At the same time, input cost inflation moderated to a nine-month low, with manufacturers attributing this to a stronger exchange rate against the U.S. dollar. Demand for raw materials continued to strengthen, with the latest increase in purchasing activity the fastest since December 2014.

The headline seasonally adjusted **IHS Markit Canada Manufacturing Purchasing Managers' Index® (PMI™)** registered 55.5 in July, up from

54.7 in June, to remain above the neutral 50.0 threshold for the seventeenth month running. Moreover, the latest reading pointed to the strongest improvement in overall business conditions since April.

Faster output growth was a key driver of the upturn in the headline PMI figure in July. Production volumes were expanded to the largest degree for four months, which survey respondents linked to improved demand and greater willingness to spend among clients.

July data indicated the steepest rise in total new work for three months. There were signs that the accelerated pace of new order growth was driven by domestic spending, as the latest increase in export sales was weaker than in June.

Manufacturing companies responded to rising workloads by hiring additional staff during July. A rebound in employment numbers has been recorded since October 2016, helped by improved business confidence and efforts to rebuild production capacity. Exactly 40% of the survey panel forecast an expansion of output volumes over the year ahead, while only 5% anticipate a reduction.

Increased production schedules resulted in the fastest rise in input buying for just over two-and-a-half years during July. Manufacturers also sought to boost their stocks of purchases, although the rate of inventory accumulation was only marginal.

Greater demand for manufacturing inputs continued to place pressure on supply chains. The latest deterioration in vendor performance was little-changed since June and among the largest seen since early-2014.

Average cost burdens increased sharply in July, but the rate of inflation slowed further from April's recent peak. Softer input price rises contributed to a moderation in output charge inflation for the third month running in July.

Regional highlights:

- Alberta & B.C. remained the best performing area for manufacturing growth in July
- The fastest rises in new orders were recorded in Alberta & B.C. and Ontario
- Manufacturing employment increased in all four regions monitored by the survey in July

Comment:

Tim Moore, Associate Director at survey compilers IHS Markit:

"July data highlighted that Canada's manufacturing sector maintained an impressive growth rate, as production volumes rose to the second-largest extent since November 2014. Stronger domestic demand was the key factor boosting manufacturing growth in July, reflecting improving economic conditions and rising sales to energy sector clients."

"Manufacturers have become more confident that the rebound will be sustained during the next 12 months. The improving business outlook, alongside softer cost pressures, helped to support robust job creation and a renewed focus towards expanding production schedules."

Christian Buhagiar, President and CEO, SCMA

"The manufacturing sector moved back on the right track in July, with business conditions improving at the fastest pace for three months. A sharp rebound in sales growth helped to deliver one of the strongest rises in production seen since late-2014. Once again, manufacturers in the Alberta and British Columbia region experienced the greatest increases in output and new work."

"July's survey data revealed widespread efforts to rebuild and expand operating capacity across the manufacturing sector, underpinned by expectations of a continued demand growth over the next 12 months. Reflecting this, employment numbers rose at a solid pace and input buying increased more quickly than at any time since December 2014."

"Supply chain pressures and low stocks among vendors remained a concern to manufacturers in July. Survey respondents have reported a sharp lengthening of delivery times for raw materials in recent months, suggesting the greatest squeeze on capacity for around three years."

-Ends-

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Note to Editors:

The IHS Markit Canada Manufacturing PMI™ Report is based on data compiled from monthly replies to questionnaires sent to purchasing executives in over 400 industrial companies. The panel is stratified by company workforce size and by Standard Industrial Classification (SIC) group, based on industry contribution to Canada GDP.

Survey responses reflect the change, if any, in the current month compared to the previous month based on data collected mid-month. For each of the indicators the 'Report' shows the percentage reporting each response, the net difference between the number of higher/better responses and lower/worse responses, and the 'diffusion' index. This index is the sum of the positive responses plus a half of those responding 'the same'.

Diffusion indexes have the properties of leading indicators and are convenient summary measures showing the prevailing direction of change. An index reading above 50 indicates an overall increase in that variable, below 50 an overall decrease. The IHS Markit Canada Manufacturing Purchasing Managers' Index® (PMI™) is a composite index based on five of the individual indexes with the following weights: New Orders - 0.3, Output - 0.25, Employment - 0.2, Suppliers' Delivery Times - 0.15, Stock of Items Purchased - 0.1, with the Delivery Times Index inverted so that it moves in a comparable direction.

The Purchasing Managers' Index (PMI) survey methodology has developed an outstanding reputation for providing the most up-to-date possible indication of what is really happening in the private sector economy by tracking variables such as sales, employment, inventories and prices. The indices are widely used by businesses, governments and economic analysts in financial institutions to help better understand business conditions and guide corporate and investment strategy. In particular, central banks in many countries (including the European Central Bank) use the data to help make interest rate decisions. PMI surveys are the first indicators of economic conditions published each month and are therefore available well ahead of comparable data produced by government bodies.

IHS Markit does not revise underlying survey data after first publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series. Historical data relating to the underlying (unadjusted) numbers, first published seasonally adjusted series and subsequently revised data are available to subscribers from IHS Markit. Please contact economics@ihsmarkit.com.

About Supply Chain Management Association

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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