

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

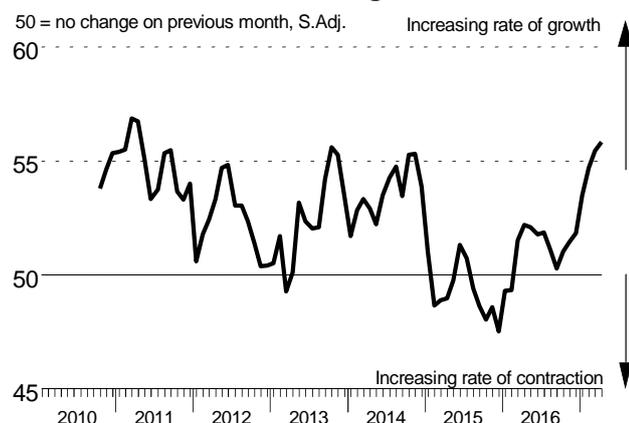
Manufacturing PMI hits six-year peak in April

Key findings:

- Business conditions improve at fastest pace since April 2011
- Headline PMI boosted by steeper rises in new orders and employment
- Sharpest upturn in stocks of inputs for almost five years

Data collected April 11-24

Markit Canada Manufacturing PMI



Source: IHS Markit

Canadian manufacturers signalled a further upturn in growth momentum in April, with overall business conditions improving at the fastest pace for six years. This reflected a steeper rise in new work and greater job creation, alongside another robust increase in production volumes. Higher levels of client spending encouraged a sustained rebound in input buying and inventory building across the manufacturing sector. However, strong demand for inputs contributed to rising raw material prices in April, with cost inflation accelerating to its fastest since May 2014.

At 55.9 in April, up from 55.5 in March, the seasonally adjusted **Markit Canada**

Manufacturing Purchasing Managers' Index™ (PMI™) registered above the 50.0 no-change threshold for the fourteenth month running. Moreover, the latest reading signalled the strongest improvement in business conditions for exactly six years. This mainly reflected faster rises in new orders and employment numbers in April.

Production volumes increased at a robust pace during April, with the latest expansion only slightly slower than the 40-month peak seen in March. There were signs that stronger demand had created renewed pressures on operating capacity, as highlighted by a rise in backlogs of work for the first time since the start of 2017. Greater-than-expected sales growth also contributed to a depletion of finished goods inventories, although the rate of decline was only marginal.

New order growth accelerated to its steepest since November 2013. Manufacturers mainly cited improved domestic sales, supported by a rebound in energy sector spending. April data pointed to a moderate increase in new export orders, with the rate of expansion the fastest since March 2016.

Increased volumes of incoming new work underpinned a robust and accelerated upturn in staff hiring across the manufacturing sector during April. The rate of job creation was the steepest since March 2011. This was partly driven by a continued rebound in business optimism regarding the year-ahead outlook. Reflecting this, the balance of Canadian manufacturers expecting a rise in production requirements over the next 12 months reached its highest level since February 2014.

Meanwhile, the latest survey revealed a robust rise in purchasing activity among manufacturing companies, which fuelled the steepest pace of stock building for almost five years. Stronger

demand for raw materials contributed to a sharp and accelerated pace of cost inflation in April. Higher prices for steel and chemicals were mentioned in particular. Pressure on margins resulted in another robust increase in factory gate prices.

Regional highlights:

- Alberta & B.C. experienced the fastest upturn in manufacturing business conditions during April
- Quebec recorded the greatest rise in production volumes since August 2014
- Output growth in Ontario hit an 11-month high
- All regions recorded a steep increase in average cost burdens

Comment:

Tim Moore, Senior Economist at survey compilers IHS Markit:

“April’s survey highlights that the Canadian manufacturing sector continued to rebound from the soft patch seen over the past two years. The latest manufacturing performance was the strongest since 2011, led by a recovery in demand across the oil and gas sector. Manufacturers also sought to rebuild capacity, as stocks of inputs were accumulated at the fastest pace since May 2012 and job creation reached a six-year peak.”

“Manufacturing growth remained brightest in Alberta & B.C. during April, but there were signs that the recovery has become more broad-based. In particular, manufacturers in Quebec pointed to the strongest upturn in overall manufacturing conditions for almost five years.”

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“The recovery in the Canadian manufacturing sector gathered momentum in April, with the latest survey of supply chain professionals showing the biggest growth in business confidence and employment for six years. A rebound in energy sector spending helped to boost sales for their suppliers in the manufacturing sector, and Western Canada has now posted six consecutive months of job creation. Domestic demand has fueled manufacturing growth so far in 2017, and there were also signs of a revival in export orders in April.”

“With the global economic outlook becoming more positive, Canadian manufacturers are gearing up for stronger growth ahead. Job creation was the fastest since March 2011, while pre-production stock building reached a five-year peak.”

-Ends-

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Note to Editors:

The 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 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.

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 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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About PMI

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