

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

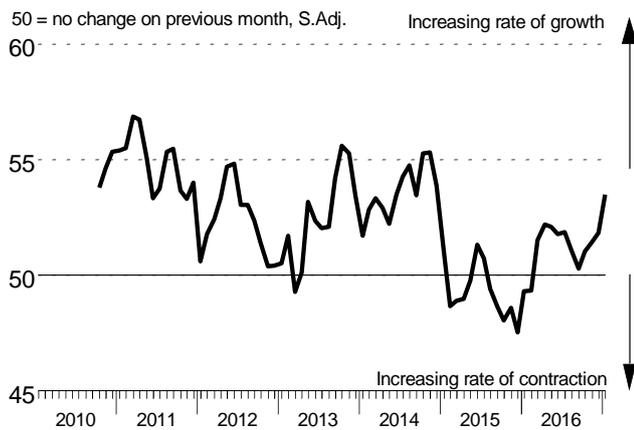
Manufacturing PMI signals fastest growth since December 2014

Key findings:

- Headline PMI rises from 51.8 to 53.5 in January
- Fastest rates of output and new order growth for over two years
- Input price inflation accelerates to strongest since June 2014

Data collected January 12-25

Markit Canada Manufacturing PMI



Source: IHS Markit

Canadian manufacturers reported a strong start to 2017, with business conditions improving at the fastest pace for just over two years. The upturn reflected robust rates of output and new order growth in January, alongside a sustained rise in staffing levels. Looking ahead, around 41% of the survey panel anticipate an increase in production volumes over the next 12 months, while only 6% forecast a reduction. As a result, this signalled one of the most upbeat expectations for output growth since early-2014.

The seasonally adjusted **Markit Canada Manufacturing Purchasing Managers' Index™ (PMI™)** registered 53.5 in January, up from 51.8 in December and above the neutral 50.0 threshold for

the eleventh consecutive month. Moreover, the headline PMI pointed to the strongest upturn in operating conditions for just over two years.

A robust and accelerated expansion of overall production volumes was the key factor boosting the manufacturing sector in January. Higher levels of output have been recorded in each of the past three months, with the latest rise the strongest since December 2014. Survey respondents commented on efforts to boost production in response to greater client demand. Some firms also noted that output growth had been helped by a reduced desire to streamline inventories.

January data signalled the sharpest upturn in new order volumes for just over two years, which largely reflected stronger demand from domestic sources. A number of manufacturers cited rising sales to energy sector clients in particular. Meanwhile, new export orders picked up at only a moderate pace, although the rate of expansion was the most marked seen since March 2016.

Higher levels of incoming new work contributed to another increase in staffing numbers across the manufacturing sector in January. The latest survey indicated that the rate of job creation was the fastest since last July, which was linked to greater production requirements and improved confidence towards the business outlook. Despite efforts to boost payroll numbers, manufacturers reported a rise in backlogs of work for the first time in three months during January.

Meanwhile, input buying increased at a solid pace at the start of 2017, while inventories declined for a further month. Supplier delivery times lengthened to the greatest degree since November 2014, although this was partly attributed to transportation delays following extreme weather.

On the price front, the latest survey revealed a sharp and accelerated pace of cost inflation. This was linked to higher commodity prices and rising imported raw material costs. Pressures on margins resulted in one of the fastest rates of factory gate price inflation since early-2014.

Regional highlights:

- Manufacturing growth was the strongest for over three years in Alberta & B.C.
- Business conditions deteriorated again in Quebec, partly reflecting weaker export sales
- All regions reported a marked deterioration in supplier performance at the start of 2017

Comment:

Tim Moore, Senior Economist at survey compilers IHS Markit:

“January’s survey data highlights an impressive rebound in manufacturing output growth to its strongest since the end of 2014. Alberta & BC led the way at the start of the year, with manufacturers reporting the fastest upturn in production for just over three years and another robust improvement in new order books.

“Higher levels of incoming new work were mainly driven by domestic sales at the start of 2017, especially to the oil and gas sector. This contributed to a sustained rise in staffing numbers, which was also centred upon manufacturers in Alberta & BC.”

Mike Whelan, Chair, SCMA National Board:

“Canada’s manufacturing sector has started 2017 on a strong footing, with business conditions improving at the fastest pace for just over two years. The turnaround in manufacturing growth has been fuelled by stronger domestic demand and a rebound in sales in the energy sector. However, a surge in input costs has placed pressure on margins, which resulted in one of the fastest rate of factory gate price inflation for almost three years in January.

“The latest survey of Canada’s purchasing managers revealed that the manufacturing recovery remained centered on Alberta & B.C., where growth was the fastest since late-2013. Ontario also had a good month in January, while softer export sales in Quebec continued to weigh on the manufacturing sector.”

-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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