

Purchasing Managers' Index®
MARKET SENSITIVE INFORMATION
EMBARGOED UNTIL 09:30 (EST) / 14:30 (UTC) February 1st 2018

IHS Markit Canada Manufacturing PMI™

Manufacturing PMI signals resurgent growth at the start of 2018

Key findings:

- Sharper rises in production, new orders and employment
- Backlogs of work accumulated at survey-record pace
- Output charge inflation strongest since April 2011

Data collected January 12-25

IHS Markit Canada Manufacturing PMI



Sources: IHS Markit, StatCan.

Canadian manufacturers reported a strong start to 2018, underpinned by faster rises in output volumes, new business intakes and staff recruitment. There were also signs that the resurgence in production schedules would continue in the months ahead, with incomplete workloads accumulating at the fastest pace since the survey began in October 2010. Improved demand conditions and sharp input cost inflation meanwhile led to the largest increase in factory gate prices for almost seven years.

The seasonally adjusted **IHS Markit Canada Manufacturing Purchasing Managers' Index® (PMI™)** picked up to 55.9 in January from 54.7 in

December, to remain well above the 50.0 no-change threshold. Moreover, the latest PMI reading signalled the joint-strongest improvement in business conditions since April 2011.

Production volumes have now increased for fifteen months running, with the rate of expansion accelerating to its fastest since July 2017. A robust rise in manufacturing output was driven by greater demand from both domestic and export clients at their start of the year. Survey respondents commented on more favourable economic conditions and increased spending by US clients in particular.

There were signs that production schedules struggled to keep up with rising order intakes during January. This was reflected in a solid accumulation of incomplete workloads, with the latest rise in backlogs the fastest for over seven years. At the same time, stronger than expected sales contributed to a further reduction in stocks of finished goods across the manufacturing sector at the start of 2018.

Manufacturers responded to pressures on capacity by increasing their staffing numbers at the steepest pace since last August. Input buying also strengthened in January, driven by improved demand and efforts to rebuild warehouse inventories. Increased stocks of purchases have now been recorded for three months running.

Supply chain pressures were evident in January, as signalled by a further marked lengthening of delivery times for raw materials. A number of firms noted squeezed transportation capacity amid strong demand among distributors of manufacturing inputs. Meanwhile, input cost and output charge inflation both picked up again in January. Survey

respondents widely cited rising prices for metals (especially steel) and oil-related items.

Regional highlights:

- Alberta & British Columbia registers survey-record upturn in manufacturing conditions
- Ontario sees the fastest manufacturing growth for almost two years
- Manufacturing job creation was broad-based across all regions monitored in January

Comment:

Tim Moore, Associate Director at survey compilers IHS Markit:

“January data signalled an impressive start to 2018 for the Canadian manufacturing sector, with the latest upturn in business conditions among the fastest seen over the past seven years.

“Strong momentum was recorded for both domestic and export sales, helped by the improving economic backdrop and greater spending by US clients in particular.

“The latest survey provided a clear signal that manufacturers intend to boost capacity over the course of 2018. Efforts to expand production schedules led to a robust and accelerated rise in employment and a sustained accumulation of raw material inventories at the start of this year.

“The fly in the ointment for the manufacturing sector was another steep rise in input costs, driven by higher prices paid for steel, energy and oil-related materials. That said, the resilient demand backdrop meant that manufacturers were able to alleviate some of the pressure on margins by raising factory gate charges to the greatest extent since early-2011.”

Christian Buhagiar, President and CEO, SCMA

“The manufacturing sector is beginning to show signs of firing on all cylinders, as shown by the broad-based improvement in operating conditions during January. Western Canada experienced its strongest performance since the survey began in 2010. Ontario also continued to benefit from a solid upturn in export demand.

“Meanwhile, there were encouraging signs in terms of manufacturing employment in Quebec and the rest of Canada, suggesting an expected rise in production volumes through the months ahead.

“Canada’s manufacturing sector has now seen resurgent new business flows for three months running, underpinned by greater sales at home and abroad. Well balanced demand growth and an ongoing improvement in global economic conditions should help manufacturers sustain a strong rate of expansion in the coming months.

“The main concerns at the start of 2018 were intense supply chain pressures, linked to capacity constraints and transportation disruptions, as well as sharply rising raw material prices. In fact, the latest round of factory gate price inflation was the steepest for several years as firms sought to alleviate the squeeze on operating margins.”

-Ends-

For further information, please contact:**IHS Markit**

Joanna Vickers, Corporate Communications
Telephone +44-207-260-2234
E-mail joanna.vickers@ihsmarkit.com

Supply Chain Management Association

Lynne Coles
Vice President, Growth and Chief Marketing Officer
Telephone 416-542-3860
Email lcoles@scma.com

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.

About IHS Markit (www.ihsmarkit.com)

IHS Markit (Nasdaq: INFO) is a world leader in critical information, analytics and expertise to forge 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 key business and government customers, including 85 percent of the Fortune Global 500 and the world's leading financial institutions. Headquartered in London, IHS Markit is committed to sustainable, profitable growth.

IHS Markit is a registered trademark of IHS Markit Ltd. All other company and product names may be trademarks of their respective owners © 2018 IHS Markit Ltd. All rights reserved.

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 www.ihsmarkit.com/product/pmi.

The intellectual property rights to the IHS Markit Canada Manufacturing PMI™ provided herein are owned by or licensed to IHS Markit. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without IHS Markit's prior consent. IHS Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall IHS Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index® and PMI™ are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited. IHS Markit is a registered trademark of IHS Markit Ltd.

If you prefer not to receive news releases from IHS Markit, please email joanna.vickers@ihsmarkit.com. To read our privacy policy, [click here](#).