

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

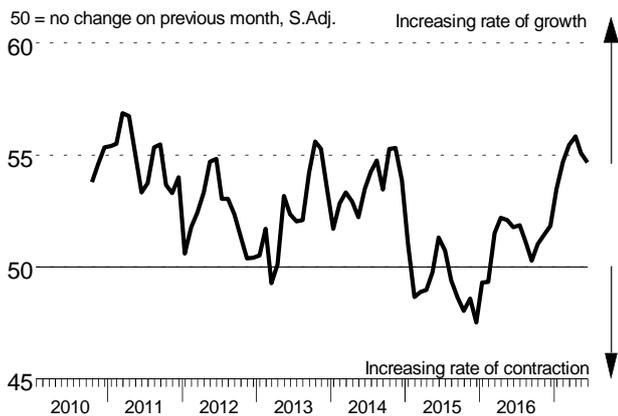
### Manufacturing recovery slows in June

#### Key findings:

- Weakest improvement in business conditions since February
- Supply chain pressures continue in June
- Input cost inflation eases to six-month low

Data collected June 12-26

#### IHS Markit Canada Manufacturing PMI



Source: IHS Markit

June data pointed to a sustained rebound in manufacturing sector business conditions, but the pace of recovery eased to a four-month low amid weaker growth of incoming new work. The latest survey also revealed a further slowdown in job creation from April's six-year peak. However, manufacturing companies remain upbeat about their prospects for growth over the next 12 months, which contributed to a robust rise in purchasing activity and a further accumulation of pre-production inventories.

At 54.7 in June, down from 55.1 in May, the seasonally adjusted **IHS Markit Canada Manufacturing Purchasing Managers' Index®** (PMI™) eased further from April's six-year peak (55.9). Nonetheless, the latest reading was well

above the neutral 50.0 threshold and signalled a solid improvement in overall business conditions. Slower rates of new business and employment growth were the main factors weighing on the headline PMI in June.

Manufacturing production volumes expanded for the eighth month running in June, which marked the longest period of sustained growth since the start of 2015. The rate of output growth picked up slightly since May, but remained softer than the three-year peak recorded in March.

New business growth slowed to its weakest since the start of 2017, with the loss of momentum concentrated in domestic markets. In contrast, export sales growth edged up to its strongest since November 2014. A number of manufacturers commented on rising demand from U.S. clients.

Mirroring the trend for overall new order volumes, latest survey data revealed a softer pace of job creation across the manufacturing sector. Nonetheless, the rate of employment growth remained strong in comparison to the trends seen over the past five years. Increased staffing levels were linked to improving business confidence, greater sales and efforts to rebuild operating capacity. Looking ahead, around 39% of the survey panel forecast a rise in production during the next 12 months, while only 5% expect a decline.

The recovery in manufacturing conditions contributed to another marked rise in purchasing activity and sustained pressure on stocks among vendors. Reflecting this, vendor performance was reported to have deteriorated to one of the greatest extents since early-2014.

Meanwhile, overall input cost inflation across the

manufacturing sector was the lowest so far in 2017, despite widespread reports citing increased prices for raw materials (particularly steel). This contributed to a slowdown in factory gate price inflation to its least marked since February.

### Regional highlights:

- Manufacturing sector business conditions improved in all regions, led by Alberta & B.C.
- Alberta & B.C. recorded the sharpest rises in output, new orders and employment
- Ontario was the best performing region for new export sales, but output growth remained subdued

### Comment:

**Tim Moore, Senior Economist at survey compilers IHS Markit:**

*“The manufacturing sector recovery has started to lose momentum, with new order volumes expanding at the slowest pace since the beginning of 2017. Output growth and job creation also remain softer than recent peaks.*

*“Survey respondents are relatively upbeat about the outlook for the next 12 months, in part reflecting hopes of a sustained recovery in export demand. The latest rise in new work from abroad was the strongest since late-2014, which manufacturers linked to rising sales to U.S. clients.*

*“There was also positive news in terms of input price inflation in June, which eased to a six-month low. However, supply chain pressures persisted as stronger demand for manufacturing inputs led to stretched capacity and low stocks among vendors.”*

### For further information, please contact:

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### Christian Buhagiar, President and CEO, SCMA

*“While June's survey data continued to show improvements in manufacturing sector business conditions, there is a minor concern that the current data reflects the weakest growth in four months. However, it is optimistic that improvements were reported in all regions of Canada, with the greatest gains found in the Alberta and British Columbia region.*

*“Slower rates of new business and employment growth were the main factors for the reduced rate of growth in June. However, an expected increase in export demand has respondents optimistic about greater overall improvements over the next 12 months.”*

-Ends-

**Supply Chain Management Association**

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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](mailto: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](http://www.scma.com).

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