

Purchasing Managers' Index®
MARKET SENSITIVE INFORMATION
EMBARGOED UNTIL 09:30 (EDT) / 13:30 (UTC) June 1st 2018

IHS Markit Canada Manufacturing PMI™

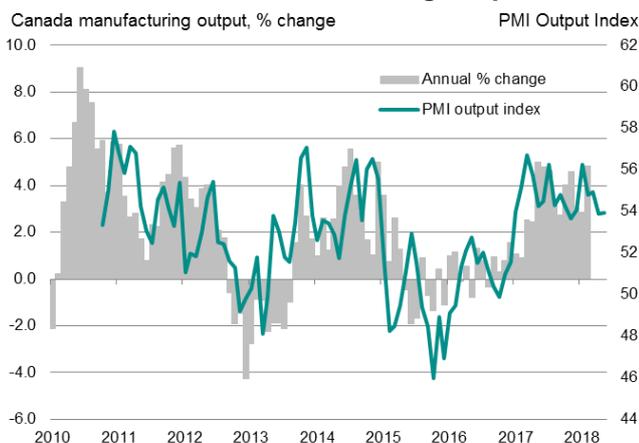
Strongest improvement in manufacturing business conditions since April 2011

Key findings:

- Headline PMI at highest level in over seven years
- Robust rises in output, new orders and employment
- Steepest rate of input cost inflation since March 2014

Data collected May 11-24

IHS Markit Canada Manufacturing Output Index



Sources: IHS Markit, StatCan.

The manufacturing sector experienced a strong improvement in business conditions during May, underpinned by a faster rise in new business volumes. Export sales were a key driver of growth, with the latest increase in new work from abroad the steepest seen since March 2011.

Sustained rises in manufacturing workloads led to capacity pressures and another round of robust job creation. There were also widespread reports that supply chain constraints had led to delays in the receipt of raw materials. Meanwhile, worsening vendor performance and expected rises in input

costs resulted in the sharpest pace of stock accumulation for six years in May.

At 56.2, up from 55.5 in April, the headline seasonally adjusted **IHS Markit Canada Manufacturing Purchasing Managers' Index® (PMI™)** pointed to the strongest overall improvement in business conditions since April 2011. A faster rate of new order growth was a key factor behind the rise in the headline PMI during May, alongside a steeper upturn in pre-production inventories. The headline index has posted above the 50.0 'no-change' value in each month since March 2016.

Production volumes increased at a marked pace in May, but the rate of output expansion remained on a softer trajectory than new order intakes. A number of manufacturers noted that capacity constraints and longer lead-times from suppliers had held back production growth, which resulted in one of the fastest rises in backlogs of work since the survey began in late-2010.

The latest increase in new order volumes was the steepest seen since April 2017, helped by the most marked rise in export sales for just over seven years. Survey respondents commented on improving demand conditions in key external markets, particularly the US. Greater workloads and long-term business expansion plans led to a relatively strong rise in staff hiring in May.

Meanwhile, latest data signalled the second-sharpest downturn in supplier performance since the survey began in late-2010 (exceeded only by April's record low). Anecdotal evidence suggested that rising input buying and logistics constraints among US truck drivers had resulted in stock

shortages among suppliers in May. Concerns about the availability of materials meant that manufacturers build up their stocks of inputs at the quickest pace since May 2012.

Inventory accumulation also reflected efforts to guard against anticipated input prices rises. May data revealed the steepest increase in cost burdens for over four years, partly driven by higher prices for steel-related inputs. Meanwhile, factory gate charges rose at the strongest pace since April 2011.

Regional highlights:

- Quebec experienced the strongest overall improvement in manufacturing conditions
- New order growth in Quebec was the fastest for almost six years
- All regions recorded strong input cost inflation and longer delivery times for materials

Comment:

Tim Moore, Associate Director at survey compilers IHS Markit:

“Canadian manufacturers achieved their strongest overall performance since April 2011, with the headline PMI reading boosted by faster new order growth and the greatest increase in pre-production inventories for six years. The combination of rising workloads and increased stock building bodes well for near-term output growth.

“A number of survey respondents noted that high levels of capacity utilization had meant that production volumes were insufficient to keep up with incoming new work in May. There were also some reports that supply chain disruptions had acted as a brake on output growth, with constraints on transport capacity commonly cited by manufacturers.

“May data highlighted stronger cost pressures across the manufacturing sector, led by rising prices for metals and energy-intensive goods. A combination of higher input costs and robust demand conditions

meant that manufacturers increased their output charges to the largest extent for seven years.”

Christian Buhagiar, President and CEO, SCMA

“Strongly rising sales volumes, ongoing supply chain difficulties and faster input cost inflation were the three key themes reported by Canadian manufacturers in May.

“The latest survey revealed that manufacturing business conditions improved at the fastest pace for just over seven years, fueled by a sharp and accelerated rise in new order intakes. Export-led growth was a key driver of the upturn in manufacturing output during May, helped by greater demand from U.S. markets in particular.

“However, greater workloads continued to place pressure on manufacturing capacity, as highlighted by the second-largest accumulation of unfinished work since the survey began in 2010. Suppliers also struggled to keep pace with demand in May, with logistics bottlenecks and low stocks contributing to longer lead times for materials.”

-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 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 business and government customers, including 80 percent of the Fortune Global 500 and the world's leading financial institutions.

IHS Markit is a registered trademark of IHS Markit Ltd and/or its affiliates. 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 and/or its affiliates.

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