

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

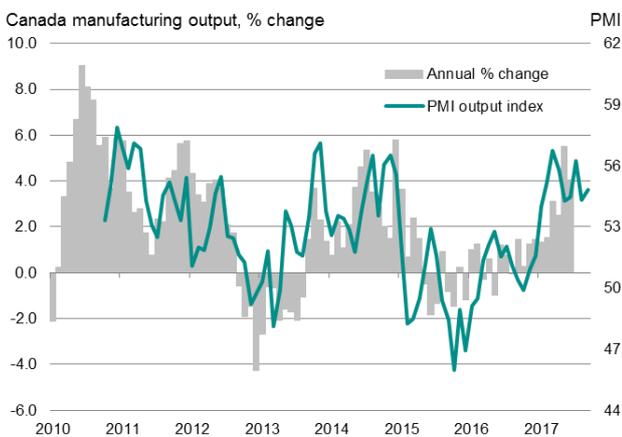
### Manufacturing growth picks up, but inflationary pressures intensify

#### Key findings:

- Production volumes and new orders rise at robust rates in September
- Suppliers' delivery times lengthen to greatest extent since May 2011
- Factory gate price inflation hits three-and-a-half year peak

Data collected September 12-25

#### IHS Markit Canada Manufacturing PMI



Sources: IHS Markit.

September data revealed a positive month overall for the Canadian manufacturing sector, with output and new business growth regaining momentum after August's slowdown. Manufacturers are also more confident about the year ahead business outlook than at any time since April.

However, the latest survey indicated a sharp and accelerated rise in input costs, alongside the strongest increase in factory gate charges since March 2014. Some firms attributed rising raw material prices (especially chemicals) to supply chain disruptions in the U.S. following Hurricane Harvey.

At 55.0 in September, up from 54.6 in August, the seasonally adjusted **IHS Markit Canada Manufacturing Purchasing Managers' Index® (PMI™)** posted above the 50.0 no-change value for the nineteenth consecutive month. The index signalled a robust improvement in manufacturing business conditions, although the strength of the recovery remained slightly softer than April's six-year peak.

A key factor behind the rise in the headline PMI since August was faster rates of **output** and **new order** growth. Reports from survey respondents cited improving client demand, a supportive economic backdrop and successful product development. While manufacturing companies generally commented on resilient domestic demand, some also noted that subdued **export sales** had held back growth in September. Latest data indicated only a marginal rise in new orders from abroad, which was partly linked to weak demand from U.S. clients.

Canadian manufacturers indicated a solid degree of **job creation** in September, although the rate of employment growth eased from August's survey-record high. Survey respondents commented on renewed efforts to boost capacity in response to rising demand, although some noted that skill shortages had made it more difficult to fill vacancies. Looking ahead, manufacturers are confident about their **prospects for output growth over the next 12 months**, with the degree of positive sentiment the strongest since April.

Meanwhile, **input cost inflation** reached its highest level for four months in September, which manufacturers overwhelmingly linked to rising raw material prices. A number of firms noted that U.S. supply disruptions had pushed up prices for chemicals, fuel and metals.

Transport delays and intense pressure on supplier capacity meant that **delivery times for manufacturing inputs** lengthened to the greatest degree since May 2011.

**Stocks of purchases** were broadly unchanged in September, which contrasted with the modest inventory building in the first half of 2017.

### Regional highlights:

- Manufacturers in Alberta & B.C. saw by far the steepest improvement in business conditions
- Ontario was the weakest performing area, with manufacturing production broadly unchanged
- All regions recorded rises in new order volumes and employment during September

### Comment:

**Tim Moore, Associate Director at survey compilers IHS Markit:**

*“Manufacturers enjoyed a rebound in production volumes and new work during September, meaning that business conditions continued to improve at one of the fastest rates since late-2014. Western Canada recorded the strongest growth trajectory, as manufacturers sought to expand production schedules in response to recovering demand from the oil and gas sector.”*

*“September data revealed that manufacturers depleted their stocks of finished goods at the fastest pace for 14 months. Inventory drawdown is likely to diminish as capacity comes back on line and supply chain issues alleviate, which should provide an additional boost to output growth. Meanwhile, business optimism among manufacturing firms reached its highest level since April, which provides another positive sign for manufacturing conditions in the final quarter of 2017.”*

### For further information, please contact:

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#### **Christian Buhagiar, President and CEO, SCMA**

*“Canada’s manufacturing sector achieved another month of strong output expansion and job creation during September. Greater demand from domestic sources and a rebound in energy sector spending remained key factors boosting production schedules.”*

*“Provincial figures suggest that manufacturers based in Alberta and British Columbia continue to lead the pack. This outperformance of western Canada looks well entrenched over the near-term, as new order growth, input buying and staff hiring all remained stronger than elsewhere.”*

*“Supply chain disruptions emanating from the U.S. were a prominent feature throughout the manufacturing sector in September. Delivery times for manufacturing inputs lengthened to the largest extent for over six years, partly reflecting transportation delays and stretched supply following Hurricane Harvey. This had a knock-on effect in terms of raw material prices, with manufacturing cost inflation accelerating sharply since August.”*

-Ends-

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### 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](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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