

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

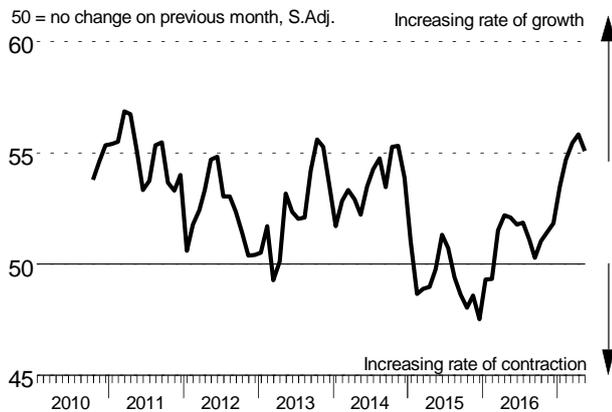
### Strong growth of manufacturing production sustained in May

#### Key findings:

- Headline PMI eases only slightly from April's six-year peak
- Robust rises in output, new orders and employment
- Suppliers' lead-times lengthen to greatest degree since March 2014

Data collected May 12-24

#### IHS Markit Canada Manufacturing PMI



Source: IHS Markit

May data signalled another robust improvement in business conditions across the Canadian manufacturing sector, which continued the strong trend seen during 2017 to date. Output, new orders and employment all increased markedly, although at slightly slower rates than in April.

An ongoing recovery in client demand led to greater input buying and the joint-fastest upturn in pre-production inventories since May 2012. However, the latest survey also revealed intense supply chain pressures, as lead-times from vendors lengthened to the largest extent for just over three years.

The seasonally adjusted **IHS Markit Canada**

**Manufacturing Purchasing Managers' Index™ (PMI™)** posted 55.1 in May, down only slightly from April's six-year peak of 55.9. As a result, the average reading for the second quarter of 2017 so far (55.5) points to the strongest improvement in business conditions since Q1 2011. The headline index has registered above the 50.0 no-change value in each month since March 2016.

Canadian manufacturers recorded another solid upturn in their production volumes in May, although the rate of expansion moderated further from March's recent peak. Survey respondents commented on a supportive economic backdrop and greater willingness to spend among clients, particularly those in the energy sector.

New business levels increased sharply in May, despite the rate of growth easing to a four-month low. Export sales provided a boost to overall workloads, with the latest increase in new orders from abroad the strongest since November 2014. A number of manufacturers commented on rising demand from U.S. clients.

Greater workloads led to pressures on operating capacity in May, as highlighted by a further rise in backlogs of work across the manufacturing sector. Although only modest, the latest increase in unfinished business was the most marked since September 2016. This encouraged staff recruitment in May, as manufacturers reported one of the strongest rates of job creation for five-and-a-half years.

Meanwhile, supply chain bottlenecks and low stocks among vendors resulted in longer delivery times during May. The latest deterioration in supplier performance was the steepest since March 2014. Some manufacturers sought to accumulate

greater pre-production inventories, which further boosted purchasing activity in May.

Strong demand for manufacturing inputs (especially metals), as well as rising prices for imported raw materials, meant that input cost inflation held close to April's three year high. Efforts to alleviate some of the squeeze on operating margins led to a rise in factory gate prices for the seventh month running.

### Regional highlights:

- All regions experienced an improvement in manufacturing sector business conditions
- Quebec continued to outperform in terms of overall new business growth
- Ontario recorded the sharpest rise in new export sales
- Job creation was strongest in Alberta & B.C.

### Comment:

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

*“Canadian manufacturers achieved another strong upturn in their new order books during May, underpinned by rising sales across both domestic and export markets. Higher levels of new work have propelled a sharp and sustained rebound in manufacturing production so far in 2017, which contrasts with the soft patch seen during the previous two years.*

*“The latest survey revealed one of the largest rises in staffing numbers since late-2011, which provides evidence that risk aversion has receded among manufacturing firms in response to greater workloads.*

*“Efforts boost operating capacity led to a continued restocking of manufacturing inputs, with the pace of inventory accumulation one of the steepest since the survey began in 2010. However, there were signs of growing pains during May, as vendor lead times for raw materials and semi-manufactured components lengthened to the greatest degree for over three years.”*

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

*“The manufacturing sector performed solidly during May, with the improvement in business conditions almost matching the six-year peak seen in April.*

*“The energy sector rebound and increased spending by domestic clients continued to drive the recovery, but there were also signs that export sales have started to flourish. The increase in new work from abroad was the strongest for two-and-a-half years during May, led by manufacturers based in Ontario.*

*“Survey respondents reported supply chain pressures and low inventory among vendors, driven by rising demand for inputs and efforts to rebuild inventories across the manufacturing sector. As a result, suppliers’ delivery times lengthened to the greatest extent since March 2014.”*

-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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