

Purchasing Managers' Index™
MARKET SENSITIVE INFORMATION
EMBARGOED UNTIL 09:30 (EDT) / 13:30 (UTC) April 3rd 2017

Markit Canada Manufacturing PMI™

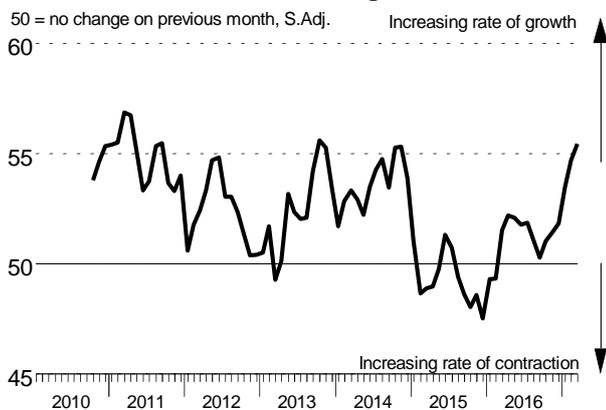
Manufacturing business conditions improve at fastest pace since October 2013

Key findings:

- Headline PMI at highest level for almost three-and-a-half years
- Robust rises in output, new orders and employment
- Input cost inflation accelerates to its fastest since May 2014

Data collected March 13-27

Markit Canada Manufacturing PMI



Source: IHS Markit

March data signalled a robust and accelerated improvement in business conditions across the Canadian manufacturing sector, driven by faster rises in production, new orders and employment. Survey respondents widely commented on a boost from stronger domestic demand in March, especially among energy sector clients. Manufacturers also reported positive sentiment regarding the year-ahead outlook, which underpinned the greatest rise in payroll numbers since June 2012.

Meanwhile, cost pressures intensified in March. Efforts to alleviate pressures on margins meant that factory gate prices were raised at the steepest pace

for exactly three years.

The seasonally adjusted **Markit Canada Manufacturing Purchasing Managers' Index™ (PMI™)** rose from 54.7 in February to 55.5 in March, to remain above the crucial 50.0 no-change value for the thirteenth consecutive month. Moreover, the latest reading signalled the fastest improvement in manufacturing business conditions since October 2013.

Manufacturing output growth continued to strengthen in March, with the latest upturn the steepest recorded for over three years. Survey respondents noted that greater production volumes reflected a robust improvement in new orders, as well as expectations that clients will remain in expansion mode during the months ahead.

New work received by manufacturing firms expanded at the strongest rate for almost two-and-a-half years in March. A number of survey respondents commented on a supportive economic backdrop and a recovery in spending by clients in the oil and gas sector. However, subdued exports sales growth persisted in March, with the latest rise in new orders from abroad only marginal.

Despite rising volumes of new work and reports citing increased capacity utilisation, manufacturers signalled a fractional decline in backlogs of work at their plants. Lower levels of unfinished business were mostly linked to productivity improvements and greater staff hiring. Reflecting this, latest data signalled the strongest rate of employment growth for almost five years.

Meanwhile, supply chain pressures persisted in March, as highlighted by a further marked lengthening of delivery times for purchased items.

Worsening vendor performance was attributed to greater demand for inputs and low stocks among suppliers.

A combination of the strong US dollar and generally rising raw material prices resulted in a sharp increase in manufacturers' cost burdens in March. The rate of input price inflation was the steepest since May 2014, which led to a robust and accelerated rise in factory gate charges.

Regional highlights:

- All regions experienced an improvement in manufacturing conditions during March
- Alberta & B.C. was by far the strongest performing area
- New orders rose in all regions during March
- Ontario recorded the sharpest rise in export sales

Comment:

Tim Moore, Senior Economist at survey compilers IHS Markit:

"Canada's manufacturing sector appears to have gained momentum throughout the first quarter of this year. March's survey highlighted that business conditions improved at the fastest pace since late-2013, helped by the supportive economic backdrop and a rebound in energy sector spending.

"Manufacturers reported the largest rise in new orders for almost two-and-a-half years, which led to a robust increase in employment levels and renewed efforts to boost inventories.

"However, stronger demand for raw materials and rising commodity prices led to another sharp increase in manufacturing input costs during March. Greater cost pressures have started to feed through to the factory gate, with manufacturers reporting the steepest pace of output charge inflation for exactly three years."

Christian Buhagiar, President and CEO, SCMA

"According to feedback from Canadian supply chain professionals, Canada's manufacturing sector posted the strongest improvement in business conditions for over three years, with Western Canada doing particularly well. Supply chain professionals surveyed widely pointed to a boost in production driven by higher demand from the oil and gas sector.

"Greater workloads and a recent recovery in business optimism has encouraged a revival in job creation across the manufacturing sector. The latest upturn in payroll numbers was the largest since mid-2012, reflecting a desire to bring capacity back on line. Export sales growth in March was subdued, but cushioned by strong domestic demand.

"Alberta and British Columbia were the clear stars in March, with production growth the strongest for over six years. There were also signs that manufacturing rebounded elsewhere, with Ontario, Quebec and the rest of Canada reporting improved new order volumes in March, which is a good sign to expect growth in the months ahead."

-Ends-

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Note to Editors:

The 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 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.

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 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.

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