

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

### Rate of jobs growth hits series-record peak

#### Key findings:

- Firms take on new workers to the greatest extent in survey history...
- ...buoyed by further expansion in new business
- Production continues to rise at robust pace

Data collected August 11-24

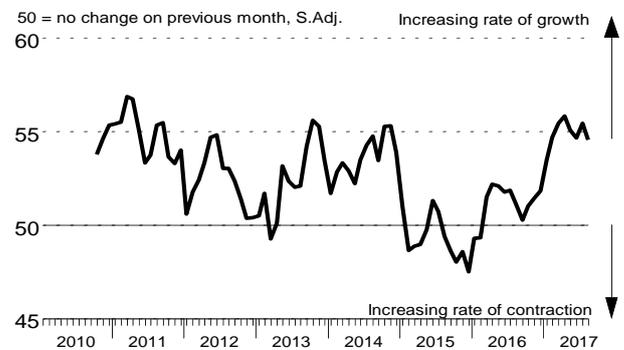
The rate of improvement in business conditions at Canadian manufacturers lost some momentum in August, but remained marked nonetheless. The latest data signalled further robust expansions in production and new business, which in turn contributed to the sharpest round of job creation in the series history. Meanwhile, input price inflation softened to a ten-month low but remained steep overall, leading to another sharp rise in average selling prices amid rising client demand.

The headline seasonally adjusted **IHS Markit Canada Manufacturing Purchasing Managers' Index® (PMI™)** registered 54.6 in August, to remain above the neutral 50.0 threshold for the eighteenth consecutive month. Although down slightly from 55.5 in July, the index signalled a rate of improvement that remained above the long-run series average.

Central to the latest overall improvement was an eleventh successive monthly expansion in **new orders**. Although the weakest recorded in 2017 so far, the rate of growth remained strong and above the long-run series average. **New export order** growth meanwhile weakened from the previous month and was only modest.

In line with a softer rise in new business, manufacturers raised their **production** at a weaker, albeit still-above-average pace in August. The expansion failed to prevent a further fall in **post-production inventories** as firms depleted their stocks to meet client demand.

**IHS Markit Canada Manufacturing PMI**



Source: IHS Markit

Firms responded to rising workloads by hiring additional **staff members** for the eleventh successive month. Moreover, the latest round of job creation was the most marked since data collection began in October 2010. This contributed to a fall in **unfinished work**, thereby ending a four-month period of backlog accumulation.

**Demand for raw materials** among manufacturers continued to strengthen, albeit at the weakest pace since May. **Pre-production inventories**, however, stagnated after five months of growth.

Higher raw material costs contributed to a further round of **input price** inflation, albeit the least marked in 11 months. Some firms passed higher costs on to their customers in the form of increased **charges**.

Average **lead times**, meanwhile, continued to lengthen as strong demand for inputs caused supply chain bottlenecks.

Finally, manufacturers' **sentiment** towards future output remained firmly positive in August amid upbeat sales forecasts.

**Regional highlights:**

- Alberta & B.C. continued to be the best performing region for manufacturing growth in August
- New order growth softened in Ontario, Alberta & B.C.
- Rate of jobs growth accelerated in all monitored regions

**Comment:****Alex Gill, Economist at survey compilers IHS Markit:**

*“The latest PMI data pointed to a slight moderation in the overall rate of growth of the Canadian manufacturing sector. The slowdown largely reflected weaker rises in output and new orders, which in turn led to a softer expansion in purchasing activity. Nonetheless, growth rates remained impressive and above their respective long-run averages.*

*“Manufacturers remained firmly optimistic that the resurgence in output growth seen so far in 2017 would be maintained over the coming 12 months. This, combined with robust client demand, contributed to the sharpest round of job creation in the series history, thereby providing a strong indication that the renaissance in the Canadian manufacturing sector has far from run its course.”*

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

*“After last month’s pick-up, the manufacturing sector lost some growth momentum during August, with operating conditions improving to the weakest extent in seven months. The overall slowdown was driven by a slight moderation in new order growth. Once again, Alberta and British Columbia remained the best performing region across a number of indicators, including output, new orders and employment.*

*“In spite of the general slower pace of growth, the latest data pointed to the sharpest rise in staffing numbers since data collection began almost seven years ago. Reflecting this, firms worked through their backlogs for the first time since March, suggesting that we may see a slight moderation in the rate of jobs growth next month.”*

-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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