

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

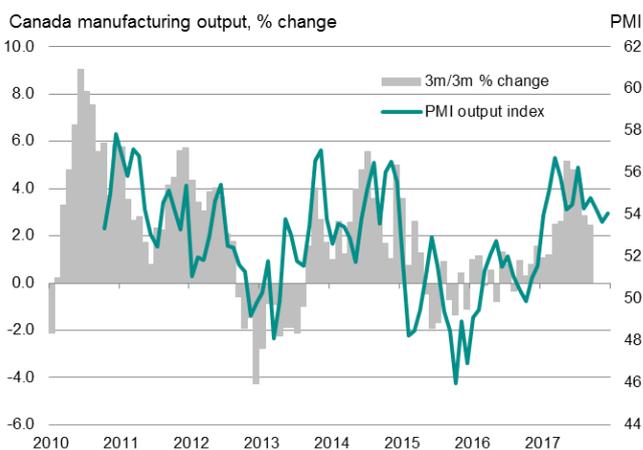
### Manufacturing PMI hits three-month high, led by faster new order growth

#### Key findings:

- Business conditions improve at fastest pace since September
- New orders rise amid improved domestic and export demand
- Suppliers' delivery times lengthen sharply in December

Data collected December 5-15

#### IHS Markit Canada Manufacturing PMI



Sources: IHS Markit, StatCan.

Stronger new order growth helped to underpin the sharpest improvement in business conditions across the manufacturing sector for three months in December. There were also positive signs for near-term growth, with survey respondents recording upbeat sentiment regarding the outlook for production levels in 2018.

Moreover, a number of firms cited efforts to boost operating capacity, in response to an accumulation of outstanding business. The latest increase in backlogs of work was the fastest for almost three-and-a-half years in December.

At 54.7, up from 54.4 in November, the seasonally adjusted **IHS Markit Canada Manufacturing Purchasing Managers' Index® (PMI™)** pointed to the strongest improvement in business conditions since September. The headline index has posted above the 50.0 no-change threshold in each month since March 2016. Stronger business conditions were driven by the fastest rise in new business volumes for three months in December.

Higher levels of incoming new work contributed to a rebound in output growth from the 11-month low seen in November. Survey respondents linked rising demand to increased energy sector spending, alongside greater sales to export clients in December. A solid upturn in production schedules resulted in additional staff recruitment across the manufacturing sector, which extended the current period of jobs growth to 15 consecutive months.

Higher levels of employment partly reflected renewed pressures on operating capacity in December. This was highlighted by another rise in unfinished work, with the latest accumulation of backlogs the strongest recorded since July 2014.

December data pointed to an increase in purchasing activity across the manufacturing sector, which was linked to rising new order levels and subsequent efforts to boost pre-production inventories. The latest increase in stocks of inputs was the fastest since May.

Greater demand for raw materials continued to exert pressure on supply chains. Average lead times from vendors lengthened sharply in December, with a number of firms citing transport delays and low stocks among suppliers. Meanwhile, input prices increased sharply, but the rate of

inflation eased from the three-and-a-half year peak seen in November.

Looking ahead, manufacturing companies are upbeat overall about their growth prospects for 2018. Around 36% of the survey panel forecast a rise in output volumes in the next 12 months, while only 7% expect a decline. Business optimism was linked to hopes of a sustained improvement in domestic demand and a supportive global economic backdrop over the course of next year.

### Regional highlights:

- Manufacturing business conditions continued to improve sharply in Alberta & British Columbia
- Ontario experienced its strongest upturn in manufacturing conditions since May 2016
- Quebec also recorded an improved manufacturing performance during December
- New export order growth was strongest at manufacturers in Ontario

### Comment:

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

*“Canadian manufacturers experienced the sharpest improvement in business conditions for three months during December, driven by a sustained rebound in order book growth.*

*“Survey respondents generally noted that increased sales and a recovery in production schedules are expected to continue in 2018. Additional staff hiring and a faster accumulation of input stocks were clear signals of a pivot towards capacity expansion across the manufacturing sector in December.*

*“Regional data highlighted a broad-based upturn in business conditions at the end of 2017. Manufacturers in Alberta & British Columbia continued to outperform, reflecting an ongoing recovery in demand from the oil and gas sector.*

*“At the same time, goods producers in Ontario saw an export-led rebound in manufacturing growth in December, with operating conditions improving at the sharpest pace for around a year-and-a-half.”*

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

*“December’s survey indicates a positive end to the year for the manufacturing sector, underpinned by the fastest upturn in new order volumes for three months. Stronger sales to both domestic and export clients helped to boost production growth from the 11-month low seen in November. Survey respondents cited greater spending by energy sector clients, alongside support to new order books from the improving global economic backdrop.*

*“There are signs that robust growth momentum will be sustained into 2018, with manufacturers reporting stronger business optimism in December and the sharpest rise in backlogs of work for almost three-and-a-half years. However, supply chain disruptions persisted across the manufacturing sector, reflecting rising input buying and low stocks and among vendors. Greater demand for raw materials contributed to another sharp rise in input prices, although the rate of inflation eased from its recent peak to a four-month low.*

*“Manufacturing growth remained strongest in Alberta & British Columbia, but there were also improvements in Ontario and Quebec at the end of 2017. The latest increase in manufacturing conditions in Ontario was the strongest since May 2016, with higher export sales helping to support a sharp and accelerated improvement in overall new order books.”*

-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).

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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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