

In association with the Supply Chain Management Association

## PMI rises to 15-month high, suggesting solid manufacturing expansion in September

### Key findings:

- Strongest rise in new orders since June 2012
- Employment increases at fastest rate for 15 months
- Average selling prices rise for first time since May

The Canadian manufacturing sector grew at the fastest pace for 15 months in September, with the rates of increase for both output and new orders accelerating since August. In particular, the latest rise in total new work intakes was strong and the fastest since June 2012. This partly reflected the greatest increase in new export orders for two-and-a-half years. Meanwhile, firms hired additional staff in light of increased business activity, with the rate of job creation quickening to a 15-month high.

The headline figure derived from the survey is the RBC Canadian Manufacturing *Purchasing Managers' Index™ (PMI™)*, which is designed to provide timely indications of changes in prevailing business conditions in the Canadian manufacturing sector. PMI readings above 50.0 signal an improvement in business conditions, while readings below 50.0 signal deterioration.

The seasonally adjusted RBC PMI rose to 54.2 in September, up from 52.1 in August, and indicated a further improvement in manufacturing business conditions. Moreover, the headline PMI index, which was above the series average and the highest since June 2012, suggested that the rate of expansion was solid overall.

Incoming new work at Canadian manufacturers increased for the sixth consecutive month in September. Moreover, the rate of new order growth was strong and the fastest in 15 months. Firms generally cited new product launches, as well as greater demand, both domestically and in key export markets such as the United States. Concurrently, new export orders rose at the sharpest rate for

two-and-a-half years in September.

Firms raised production in light of higher new order volumes. Output rose solidly over the month, and at the fastest rate since May. Nevertheless, outstanding business increased for the first time in four months and at the strongest pace for two years, while stocks of finished goods were broadly the same as in August.

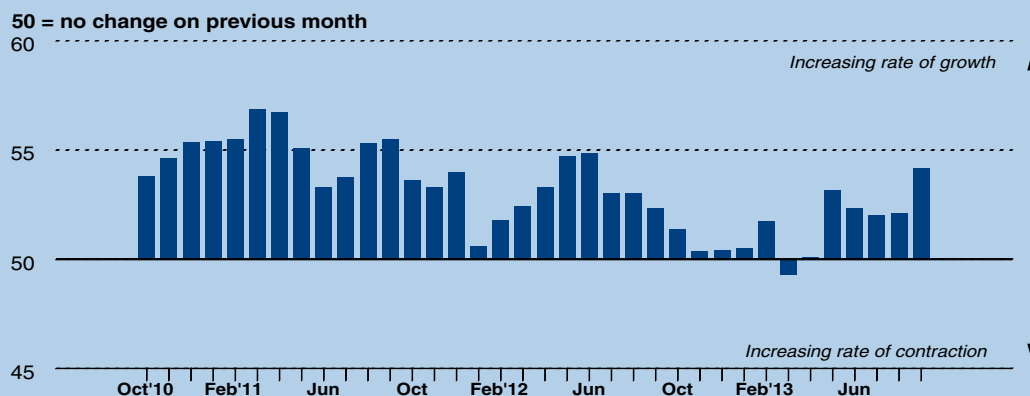
The quantity of inputs bought by manufacturing companies increased for the sixth successive month in September. The rate of growth was solid and the strongest since August 2012. Stocks of purchases also increased, although the rate of accumulation was marginal.

Concurrently, suppliers' delivery times lengthened further in the latest survey period, with panellists suggesting that vendors were generally busier and had leaner inventories. Overall, the latest increase in lead times for inputs was solid and the greatest for 15 months.

Job creation in the Canadian manufacturing sector accelerated to a 15-month high in September. Approximately 17% of firms hired additional staff since August, and generally attributed this to increased business activity.

Manufacturers faced higher input prices in September, with raw materials and transportation costs having increased over the month. That said, the overall rate of inflation eased slightly since August and was weaker than the series average. Firms passed on higher costs to clients by raising their selling prices. On average, output charges rose moderately and for the first time since May.

RBC Canadian *Purchasing Managers' Index™ (PMI™)*



**Components of the RBC Canadian Manufacturing PMI™**

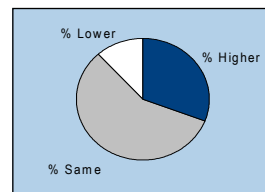
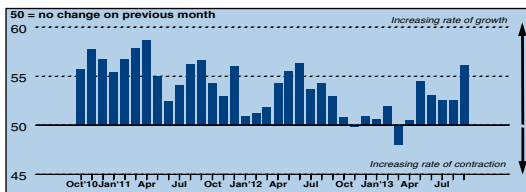
The RBC Canadian Manufacturing *Purchasing Managers' Index™ (PMI™)* is a composite index designed to show a convenient single-figure summary of the health of the manufacturing sector. The five individual indices used in the headline PMI and their weightings are:

New Orders	0.30
Output	0.25
Employment	0.20
Suppliers' Delivery Times (inverted)	0.15
Stocks of Purchases	0.10

In total, the RBC Canadian Manufacturing PMI survey covers eleven individual indicators that are presented as 'diffusion' indices. These are summary measures showing the prevailing direction of change. An index reading above 50.0 indicates an overall increase in that variable, whilst index readings below 50.0 signal an overall decrease. All data are seasonally adjusted.

**New Orders Index (0.30)**

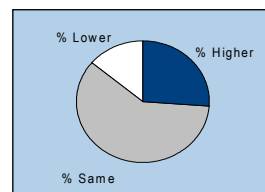
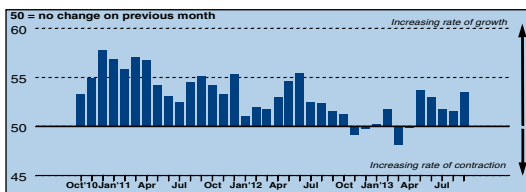
Q. Please compare the state of your new orders (in units) this month with one month ago.



Incoming new work at Canadian manufacturers rose at the sharpest pace for 15 months in September. Moreover, the rate of growth was strong and faster than the series average. Firms that reported an increase in new orders (approximately 31%) commented on greater demand, new product launches and improved market conditions as factors behind the increase in new work intakes.

**Output Index (0.25)**

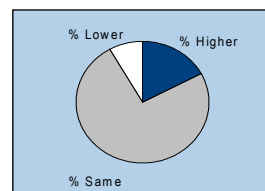
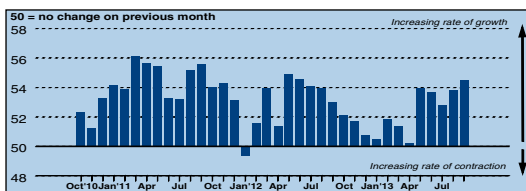
Q. Please compare your production/output this month with the situation one month ago.



Manufacturing production in Canada increased further in September, continuing the trend that has been recorded in each month since May. The rate of growth was solid, having accelerated to a four-month high. Where an increase in output was recorded, panellists generally attributed this to larger volumes of new orders.

**Employment Index (0.20)**

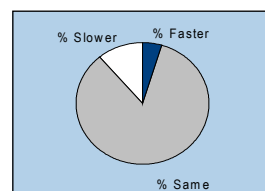
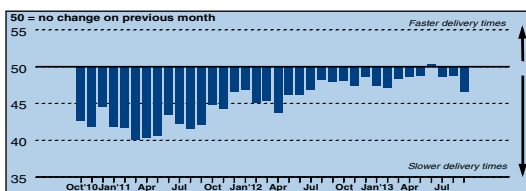
Q. Please compare the level of employment at your unit this month with the situation one month ago.



Manufacturing employment in Canada increased for the twentieth consecutive month in September. Notably, the overall rate of job creation was solid and the fastest since June 2012. Approximately 17% of surveyed companies hired additional staff over the month (while 8% reduced their headcount), and often linked this to increased business activity.

**Suppliers' Delivery Times Index (0.15)**

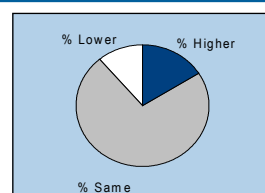
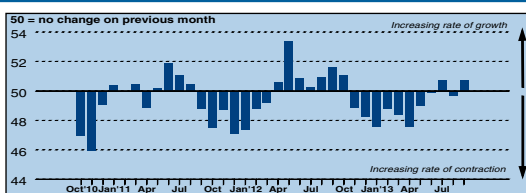
Q. Please compare your suppliers' delivery times (volume weighted) this month with one month ago.



Suppliers' delivery times continued to lengthen in September, with approximately 11% of panellists noting longer lead times for inputs than in August. Anecdotal evidence suggested that suppliers were generally busier, with some also having reduced inventories. Overall, the latest deterioration in vendor performance was solid and to the greatest extent since June 2012.

**Stocks of Purchases Index (0.10)**

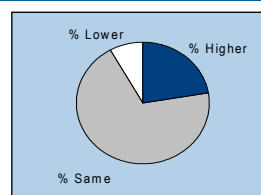
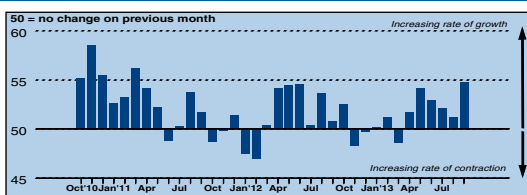
Q. Please compare your stocks of purchases (in units) this month with the situation one month ago.



Input inventories at Canadian manufacturers increased in September, as indicated by the seasonally adjusted Stocks of Purchases Index posting above the 50.0 no-change threshold. Purchasing stock has risen in two out of the past three months, although the rate of increase was marginal. Where higher pre-production inventories were recorded, firms often attributed this to increased production.

**New Export Orders Index**

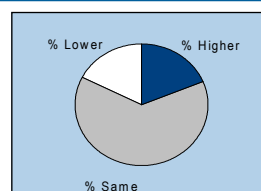
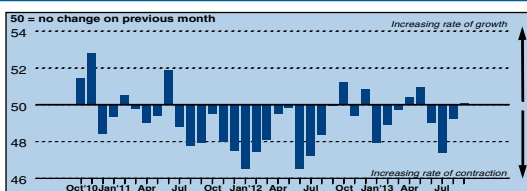
Q. Please compare the state of your new export orders (in units) this month with one month ago.



Canadian manufacturing companies received a larger volume of new export orders in September, taking the current sequence of growth to six months. Notably, the latest rise in new export work was strong and the greatest for two-and-a-half years. Greater client demand, particularly from key export markets such as the United States, were particularly mentioned by respondents when explaining the rise in new export orders.

**Stocks of Finished Goods Index**

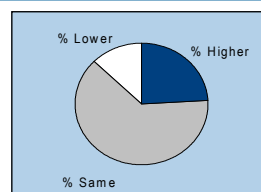
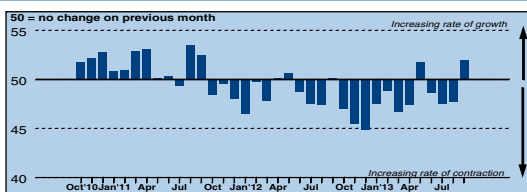
Q. Please compare your stocks of finished goods (in units) this month with the situation one month ago.



The seasonally adjusted Stocks of Finished Goods Index posted fractionally above the 50.0 no-change threshold in September. This suggested that post-production inventories were broadly the same as in August. The majority of monitored companies (almost 64%) reported no change in the level of finished goods stock in the latest survey period.

**Backlogs of Work Index**

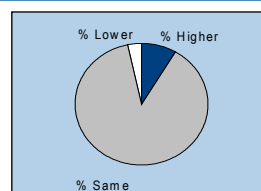
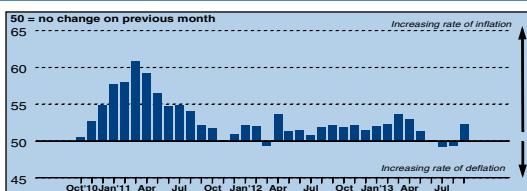
Q. Please compare the level of outstanding business in your company this month with one month ago.



Following a three-month sequence of reductions, outstanding business at Canadian manufacturers increased in September. The rate of backlog accumulation was moderate and the strongest for two years. Firms that reported higher levels of work-in-hand often commented on increased new work intakes, although other companies also cited recent production and transportation issues.

**Output Prices Index**

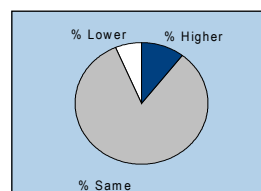
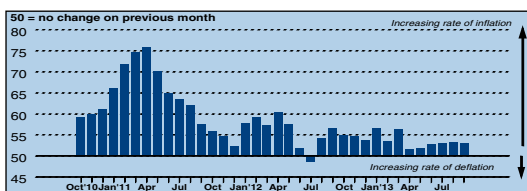
Q. Please compare the average price that you charge per unit of output (volume weighted) this month with one month ago.



Canadian manufacturers raised their output charges for the first time in four months during September. The average increase in selling prices was moderate and the greatest since April. Although a number of companies passed on greater costs to clients by raising their output prices, other firms increased their charges in light of higher demand.

**Input Prices Index**

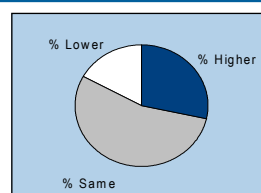
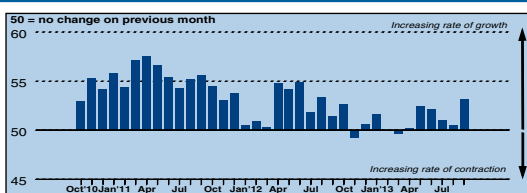
Q. Please compare the average price of your purchases (volume weighted) this month with the situation with one month ago.



Input costs faced by manufacturers increased in September, as has been the case in each month since August 2012. Panellists particularly mentioned higher raw material and transportation costs in the latest survey period. Nonetheless, the overall rate of inflation eased slightly over the month and was weaker than the series average.

**Quantity of Purchases Index**

Q. Please compare the quantity of items purchased (in units) this month with the situation one month ago.



Reflective of higher new order requirements, the quantity of inputs bought by manufacturing companies increased in September. Approximately 29% of respondents raised their purchasing activity in the latest survey period, compared with 17% that noted a reduction. Overall, the rate of growth was solid and the strongest since August 2012.



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As the leading and largest association in Canada for supply chain management professionals, the Supply Chain Management Association (SCMA) is the national voice for advancing and promoting the profession. SCMA sets the standard of excellence for professional skills, knowledge and integrity and was the first supply chain association in the world to require that all members adhere to a Code of Ethics.

With nearly 8000 members working across the private and public sectors, SCMA is the principal source of supply chain training, education and professional development in the country. Through its 10 Provincial and Territorial Institutes, SCMA grants the Supply Chain Management Professional (SCMP) designation, the highest achievement in the field and the mark of strategic supply chain leadership.

SCMA was formed in 2013 through the amalgamation of the Purchasing Management Association of Canada and Supply Chain and Logistics Association of Canada. With a combined history of more than 140 years, today the association embraces all aspects of strategic supply chain management, including: purchasing/procurement, strategic sourcing, contract management, materials/inventory management, and logistics and transportation.

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The RBC Canadian Manufacturing Purchasing Managers' Index™ (PMI™), produced by Markit and in association with PMAC, is based on data compiled from monthly replies to questionnaires sent to purchasing executives in over 400 industrial companies. The panel is stratified geographically and by Standard Industrial Classification (SIC) group, based on industry contribution to Canadian GDP.

Survey respondents 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 reporting '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 50.0 indicates an overall increase in that variable, below 50.0 an overall decrease. All data are seasonally adjusted.

Markit do 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.

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