

# News Release

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## S&P Global Canada Manufacturing PMI<sup>®</sup>

### Further falls in output and new orders weigh on manufacturing performance in May

#### Key findings

Accelerated declines in production and demand

Sufficient stock levels weigh on purchasing

Improved confidence supports employment

Canada's manufacturing sector experienced another subdued performance in May. Output and new orders both continued to fall, and at faster rates, whilst firms cut their buying activity given sufficient stock at their plants. More positive however was a rise in employment and a strengthening of confidence to a ten-month high. Prices data showed another solid increase in input costs but the slowest increase in output charges for nearly four years.

The seasonally adjusted **S&P Global Canada Manufacturing Purchasing Managers' Index™ (PMI<sup>®</sup>)** recorded 49.3 in May. That was little-changed on April's 49.4 and extended the current downturn in manufacturing operating conditions to 13 months.

The continued weakness of the headline index principally reflected ongoing falls in both output and new orders. Although modest, rates of contraction picked up since April. Production has now fallen for ten months in a row, and May's drop was the steepest of the year so far. For new orders, the decline was the sharpest in four months. Firms commented on an uncertain economic and political environment, with sales down from both domestic and international clients. New export orders fell for a ninth successive month amid reports of reduced demand from the US.

Lower production and new order requirements inevitably weighed on purchasing activity in May. For the twenty-second month running, input buying was cut. Some firms noted sufficient stock at their plants and were even able to expand their inventory levels in May: there were marginal rises in both input and output inventories in May. For inputs, it was the first increase since July 2022, whilst growth in stocks of finished goods was the first since January.

Despite subdued trends in production and new orders, alongside evidence of sufficient plant capacity – backlogs of work fell noticeably in May – manufacturing employment rose again. Panellists in some instances signalled growth

Canada Manufacturing PMI  
sa, >50 = growth since previous month



Source: S&P Global PMI  
Data were collected 10-24 May 2024

#### Comment

Commenting on the latest survey results, Paul Smith, Economics Director at S&P Global Market Intelligence said:

*“Canada's manufacturing economy remained in a mild downturn during May. Output and new orders continue to fall, and perhaps more worryingly, to stronger degrees than in April. Firms continue to report subdued market demand, characterised by uncertainty and a general unwillingness to commit to new business. Moreover, with sufficient stock noted at their plants, manufacturers saw little need to raise their own buying activity.*

*“Supply chain frictions were again evident and continue to provide a prop to wider inflationary pressures, according to panellists. Input costs indeed rose at a marked pace, but more reassuringly to a degree that remains well below average. With competitive pressures and weak demand, output charges rose only fractionally and point to a more stable inflation environment. This may provide some reassurance to policymakers as they look to finally embark on their widely expected period of monetary policy loosening.”*

PMI<sup>®</sup>

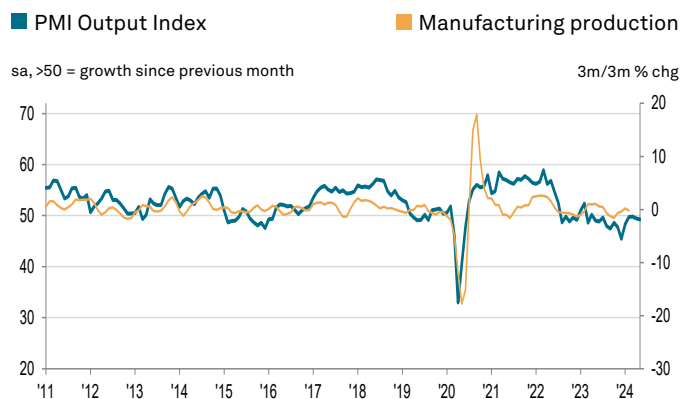
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projections for the coming year, with pipeline new business said to be healthy in several cases. Amid expectations of a more stable economic environment, characterised by reduced interest rates and lower inflation, confidence in the future picked up to its highest for ten months.

On the price front, there was another round of rising input costs in May. Latest data marked the twelfth month running that a rise in input prices has been recorded, with the rate of inflation again solid despite slipping to its lowest level since January. Companies reported that vendors were happy to raise their charges, reflective in part of high global demand. Supply chain delays were also reported as an inflationary factor. Delays in the delivery of inputs related to shipping challenges in the Suez and Panama Canals were noted and reflected in a marginal worsening of supplier performance in May.

Finally, competitive pressures served to limit the degree to which firms could pass on their costs to clients. Although rising again, and thereby extending the current period of increasing charges to 46 months, inflation was fractional and the lowest in the current sequence.



Sources: S&P Global PMI, StatCan via S&P Global Market Intelligence.

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### Survey methodology

The S&P Global Canada Manufacturing PMI® is compiled by S&P Global from responses to questionnaires sent to purchasing managers in a panel of around 400 manufacturers. The panel is stratified by detailed sector and company workforce size, based on contributions to GDP. Data collection began in October 2010.

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. The indices vary between 0 and 100, with a reading above 50 indicating an overall increase compared to the previous month, and below 50 an overall decrease. The indices are then seasonally adjusted.

The headline figure is the Purchasing Managers' Index® (PMI). The PMI is a weighted average of the following five indices: New Orders (30%), Output (25%), Employment (20%), Suppliers' Delivery Times (15%) and Stocks of Purchases (10%). For the PMI calculation the Suppliers' Delivery Times Index is inverted so that it moves in a comparable direction to the other indices.

Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

For further information on the PMI survey methodology, please contact [economics@spglobal.com](mailto:economics@spglobal.com).

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### About PMI

Purchasing Managers' Index™ (PMI®) surveys are now available for over 40 countries and also for key regions including the eurozone. They are the most closely watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends. [ihsmarkit.com/products/pmi.html](https://ihsmarkit.com/products/pmi.html).