

News Release

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S&P Global Canada Manufacturing PMI[®]

Output and new orders fall sharply again as tariffs continue to weigh on sector

Key findings

Demand hit again by tariffs

Job losses steepest in nearly five years

Outlook remains subdued

The downturn in Canada's manufacturing economy continued in May. Output and new orders both fell again, largely due to tariffs, whilst employment was reduced at the fastest rate in nearly five years. Confidence in the outlook remained subdued, and inflation rates picked up since April. Delays related to the delivery of inputs intensified and further inventory reductions were recorded.

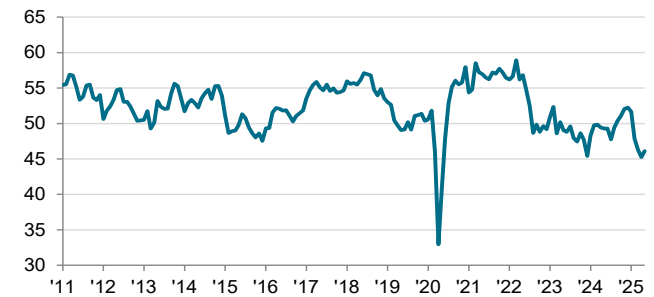
The **S&P Global Canada Manufacturing Purchasing Managers' Index™ (PMI[®])**, a composite index designed to provide an overview of the health of the manufacturing sector, posted 46.1 in May. That was slightly up on April's 45.3 but nonetheless below the critical 50.0 no-change mark for a fourth month in a row. Readings above 50.0 signal an improvement in operating conditions, whilst those below are indicative of contraction.

The latest weak performance of the manufacturing economy reflected ongoing cuts in production and new order volumes. Although softer than in April, rates of contraction remained steep. Panellists widely blamed tariffs, noting an ongoing malaise in product markets with clients generally reluctant to commit to new contracts given the uncertainty of trade policies. International demand remained especially hard hit, with new export business again declining to a steeper degree than overall sales. Trade with the neighbouring United States was again reported to be weak.

Poor underlying trends in output and new work resulted in further spare capacity in the manufacturing sector. Backlogs of orders declined sharply (albeit to a noticeably lesser degree than in April), whilst job losses mounted. Overall, employment fell for a fourth successive month and at the steepest pace since June 2020.

Firms also made further cuts to their purchasing activity, extending a trend that began in January. Although easing since April, the rate of contraction was again steep and reflected reduced production requirements and a lack of

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



Source: S&P Global PMI
Data were collected 12-23 May 2025

Comment

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

"With manufacturers continuing to be hit by tariffs and trade uncertainty, May saw the sector experience a further significant contraction. Although declines were softer than in April, both production and new orders again fell to noticeable degrees amid reports that market demand was weak – again largely because of tariffs.

"Moreover, the hard to predict nature of trade policies means the outlook for production remains extremely uncertain and given the recent scale of the downturn in the sector, job losses are mounting. Indeed, latest data showed the steepest decline in employment since the height of the COVID pandemic in 2020 with spare capacity and rising costs also an increasing problem for many firms.

"Unsurprisingly, tariffs remain the primary source of price pressures, whilst also leading to an intensification of supply side delays. No wonder firms therefore remained circumspect in their purchasing and inventory management decisions during May, with the survey again revealing declines in both input buying and stocks."

PMI[®]

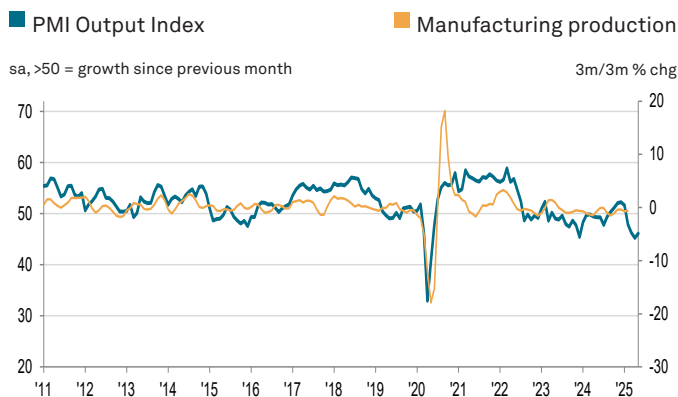
by **S&P Global**

new orders. Similarly, firms sought to reduce input and finished goods inventories at their plants, partly in a bid to reduce stocks management costs. Some panellists also noted having to dip into stocks due to delays in the delivery of ordered inputs. This was highlighted by average vendor times deteriorating again in May amid port congestion and challenges with international goods passing through customs.

Price data meanwhile showed an acceleration of input cost inflation. There was again evidence that tariffs had led to a general uplift in input costs, with vendors reportedly raising their charges. Livestock, metals and plastics were amongst the products noted to have increased in price. Overall, input price inflation was broadly in line with March's 31-month peak.

In response to rising input costs and tariff challenges, many firms saw little choice but to raise their own charges. Latest data showed a marked overall increase in output charges, despite the rate of inflation dropping to a three-month low.

Finally, confidence in the outlook remained subdued overall. Whilst there are some hopes of an improvement in underlying market conditions and greater macroeconomic stability, worries over trade dominated the outlook.



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.

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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