News Release

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S&P Global Canada Manufacturing PMI®

Manufacturing sector downturn intensifies in November

Key findings

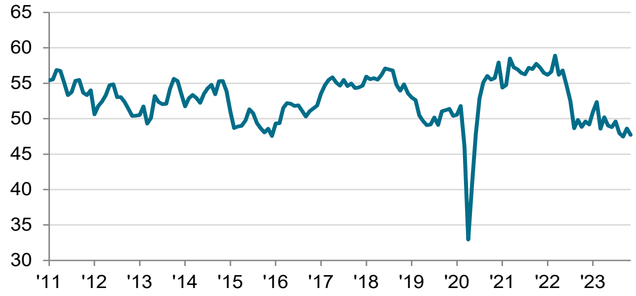
Accelerated declines in both output and new orders

Price indices pick up to signal uplift in inflation

Return to jobs growth signalled

Canada Manufacturing PMI

sa, >50 = growth since previous month



Source: S&P Global PMI

Data were collected 09-24 November 2023

The Canadian manufacturing economy remained in a downturn during November, amid concurrent falls in output, new orders and purchasing activity. Firms continued to utilise existing input inventories wherever possible in the face of faster input price inflation. However, some positive projections for growth meant that manufacturers added to their staffing levels for the first time in seven months.

The seasonally adjusted S&P Global Canada Manufacturing Purchasing Managers' Index™ (PMI®), a composite single-figure indicator of manufacturing performance derived from indicators for new orders, output, employment, suppliers' delivery times and stocks of purchases, posted below the 50.0 no-change mark during November. Recording 47.7, down from 48.6 in October, the index signalled an accelerated rate of contraction that was close to September's 40-month record.

There were concurrent falls in production and new orders during November. Rates of decline accelerated in both cases, with the net reduction in sales the sharpest since August 2022. Panellists commented on client hesitancy in product markets, in part due to global conflicts like the war in Ukraine. Elevated inflation also continued to eat into client budgets, according to panellists. Reflective of the international nature of these factors, new export orders declined during November for a third month running, and to the greatest degree since March.

Manufacturers remained circumspect when it came to buying in new inputs during November. Latest data showed that purchasing activity declined for a sixteenth successive month, against a backdrop of falling orders and production requirements. Firms also signalled a preference for utilising stocks, which were lowered for a sixteenth successive month. This in part reflected the high cost of buying new inputs. Input cost inflation accelerated to the highest since April 2023, but remained below the long-run survey average. Vendors were reported to have raised their list prices for goods like

Comment

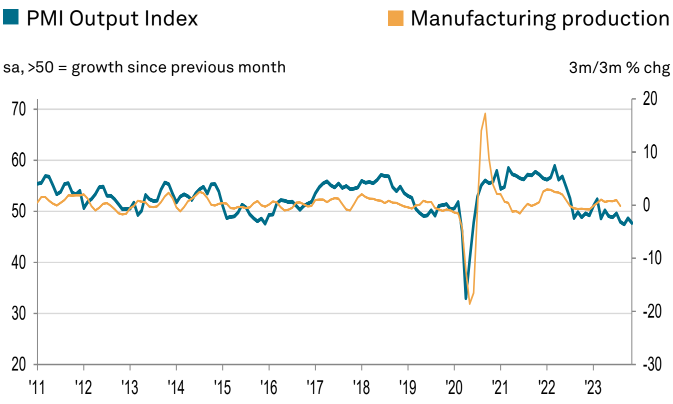
Commenting on the latest survey results, Paul Smith, Economics Director at S&P Global Market Intelligence said:

"Once again, the Canadian manufacturing PMI revealed some of the broad-based challenges facing the economy heading towards the end of the year. On the one hand, output and new orders remain mired in contraction territory, linked in part to a broader-based global industrial weakness which is limiting demand and sales. Destocking remains prevalent across the supply chain, and client budgets are stretched.

"However, inflation remains stubbornly persistent, with both price indices picking up since October. Although inflation rates remain well down on previous year's highs, both vendors and manufacturers alike remain willing to push cost increases downstream to clients. This suggests there remains some work to do to fully eradicate systematic price pressures, a situation made more complicated by a still relatively healthy labour market."

steel, driven in some cases by stock shortages, which in turn contributed to another month of mildly worsening delivery times. Manufacturers sought to protect their margins by raising their own charges to a greater extent. Overall, output price inflation rose to a nine-month high in November.

Despite cost pressures and deteriorating sales demand, manufacturing employment rose slightly in the latest survey period. It was the first time in seven months that a rise in staffing levels has been recorded amid reports that leavers were being replaced and long-held vacancies filled. Positive projections for production also supported employment growth, as seen by a tick-up in confidence about the future. Expectations were underpinned by hopes of a rise in sales demand and broader economic expansion in the next 12 months. However, for several firms the outlook remains unusually uncertain, linked to worries about high interest rates, elevated inflation, and the war in Ukraine. Positive sentiment therefore remained well below its historical trend during the latest survey period.



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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We are widely sought after by many of the world's leading organizations to provide credit ratings, benchmarks, analytics and workflow solutions in the global capital, commodity and automotive markets. With every one of our offerings, we help the world's leading organizations plan for tomorrow, today. www.spglobal.com.

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.