

# News Release

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

### Manufacturing sector heads closer to stabilisation in March

#### Key findings

Marginal falls in output and new orders

Focus on destocking continues

Confidence in outlook leads to marginal employment growth

Operating conditions in Canada's manufacturing economy remained subdued in March. Output and new orders both continued to fall, albeit at marginal rates. Firms continued to focus on destocking, whilst reports of supply chain delays led to a firmer increase in input prices.

However, confidence in the 12-month outlook improved, leading firms to add to their staffing levels for a second successive month.

The seasonally adjusted **S&P Global Canada Manufacturing Purchasing Managers' Index<sup>™</sup> (PMI<sup>®</sup>)** remained below the crucial 50.0 no-change mark in March for an eleventh successive month to signal another worsening of operating conditions. That said, by posting 49.8, up from 49.7 and an 11-month high, the PMI signalled only a fractional deterioration.

Concurrent declines in both output and new orders were signalled, although rates of contraction were marginal. In the case of new work, the fall was the least pronounced in 13 months. Nonetheless, firms continued to report that market demand was subdued, and characterised by client hesitancy against a backdrop of high prices and steep borrowing costs. Sales to key international markets (like the US) were also reported to be lower, evidenced by a seventh successive monthly decline in new export orders during March.

Subdued trends in production and new orders spilled over into buying and inventory decision-making. Rather than buy in new inputs, firms instead chose to focus on destocking as they sought to better align stock and output requirements. Overall, stocks of purchases declined at the fastest pace in the year-to-date. Firms also sought to meet orders directly out of warehouse inventories, the net result being the sharpest cut in stock for six months.

Production delays were also cited as a factor pushing down on finished goods inventories, which in part reflected the ongoing worsening of supplier performance in March.

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



Source: S&P Global PMI  
Data were collected 12-22 March 2024

#### Comment

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

"Canada's manufacturing economy crawled closer to stabilisation in March, with output and new orders recording only marginal falls. However, firms continued to report that market demand remained subdued, with clients hesitant to commit to new work. Manufacturers subsequently remain focused on destocking as they seek to better align their production and inventory requirements.

"A pickup in input price inflation revealed by the latest survey is a little concerning, although a slow and weaker rate of charge inflation adds to a general feeling that manufacturers continue to operate in a subdued market environment. With interest rates still restrictive, confidence in the outlook equally remains below trend, though firms are nonetheless typically expecting production growth to be recorded in the year ahead."

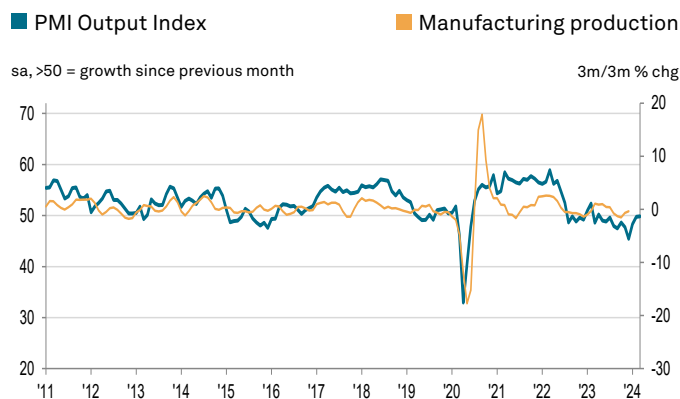
PMI<sup>®</sup>

by **S&P Global**

Average lead times for the delivery of inputs lengthened for a third successive month, and to the greatest degree since last October. These supply-side delays added to some upward pressure on prices. According to the latest data, average input costs rose again, and to the greatest extent since last November. However, the subdued marketplace prevented firms from raising their own charges to a steeper degree. On the contrary, output prices in March rose only modestly and to the weakest degree since June 2023.

Looking ahead, firms remained confident that output will be higher than present levels in 12 months' time. Confidence in the future picked up since February, though did remain below trend. Firms are hopeful that sales volumes will rise in line with better economic conditions and the start up of new projects. However, high interest rates remain a concern for many companies, and are seen as a factor that could depress growth in the coming year.

Nonetheless, positive projections for output meant firms added to their staffing levels for a second month in a row. Although only marginal, growth of labour capacity helped firms to comfortably keep on top of their workloads. Levels of work outstanding fell in March for a twentieth successive month.



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).