

# News Release

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

### Manufacturing downturn sustained in October

#### Key findings

Output and new orders continue to fall

Jump in cost inflation

Confidence sinks to lowest level since May 2020

Operating conditions in Canada's manufacturing sector continued to worsen during October. Output and orders both fell, whilst companies continued to engage in reduced purchasing and destocking. Job cuts were sustained, albeit at a negligible pace. Worryingly for firms, input price inflation jumped, and concerns that high prices will persist combined with the possibility of recession meant confidence in the outlook slipped to its lowest level for nearly three-and-a-half years.

The seasonally adjusted S&P Global Canada Manufacturing **Purchasing Managers' Index™ (PMI<sup>®</sup>)**, a composite single-figure indicator of manufacturing performance derived from indicators for new orders, output, employment, suppliers' delivery times and stocks of purchases, remained stuck below the crucial 50.0 no-change mark in October for a sixth successive month. The rate of contraction signalled by the PMI was however weaker, with the index rising to 48.6, from 47.5 and a three-month high.

The relative improvement in the headline PMI reflected softer contractions in both output and new orders. That said, production continued to fall at a marked pace, reflective of not just an absence of new work but also a lack of skilled staff and delays in the delivery of inputs. Firms commented on challenges in recruiting suitable workers, and this was a factor behind another (albeit negligible) drop in staffing volumes during October. Similarly, product shortages and delays in transport were reported by firms to have led to the greatest lengthening in average lead times for eight months.

Market conditions were also reported to have worsened in October, and this was the primary factor behind the eighth successive monthly fall in new work. Global demand for goods was generally lower, according to panellists, and this ensured that new export orders also declined for a second month running. Against this backdrop, firms continued to cut their buying activity markedly, instead preferring to utilise existing stocks in production wherever possible. Overall,

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



Source: S&P Global PMI  
Data were collected 12-25 October 2023

#### Comment

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

*"It was another disappointing month for the Canadian manufacturing sector, with output and new orders continuing to fall amid reports of underwhelming market demand. Sales to both domestic and international customers were again lower, and firms remain engaged in a cycle of destocking, seeking to cut any excess inventory that built up during the pandemic."*

*"Perhaps most worrying is the pickup in input price inflation since September, which added to pressure on firms at a time of dwindling demand. Such pipeline pressures only reinforce the potential for interest rates to remain higher for longer, and companies seem aware of this, noting in their survey responses the potential for these factors to lead to an economic recession over the next year."*

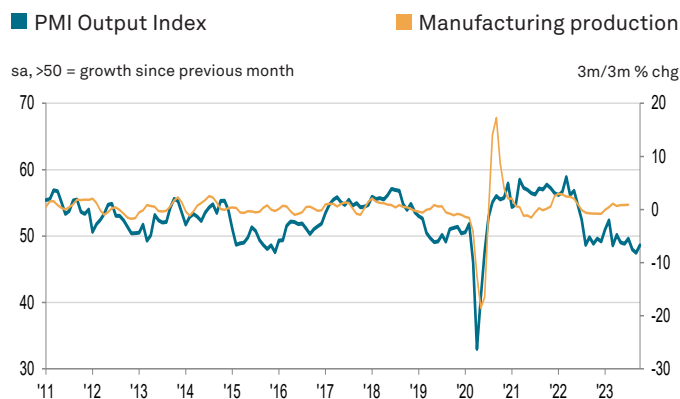
PMI<sup>®</sup>

by S&P Global

inventories of inputs declined for a fifteenth successive month and again at an elevated pace.

On the price front, October's survey revealed a noticeable jump in cost inflation. Overall, input prices rose to the steepest degree since April. There were reports that an increase in the price of fuel was the principal contributing factor behind higher input costs. That said, firms also noted that suppliers were again willing to raise their charges despite weaker demand for their goods. Once again, manufacturers responded by passing on a proportion of their increased costs to clients in the form of higher charges. Output price inflation was solid overall, and a little firmer than September's three-month low.

Finally, manufacturers remained confident on average that output will rise over the coming 12 months. However, optimism was down noticeably compared to September, sinking to its lowest level since May 2020. There are worries that high inflation and elevated interest rates will push economies into recession, leading to a further contraction of new orders and production.



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).