News Release

Embargoed until 0930 EST (1430 UTC) 1 February 2023

S&P Global Canada Manufacturing PMI®

Return to modest growth of Canadian manufacturing economy

Key findings

Gains in both output and new orders signalled

Employment growth sustained...

...but decline in confidence to lowest since October 2022

Canada Manufacturing PMI

sa, >50 = growth since previous month

Source: S&P Global.
Data were collected 12-25 January 2023

Canada's manufacturing economy registered a return to modest growth during January, underpinned by gains in both production and new orders. Jobs were also added, whilst there were some reports that input goods and labour availability was stabilising after a prolonged period of shortages. Inflationary pressures also continued to soften over the month, although worries over recession persist. Confidence about the future remained positive but slipped to a three-month low at the start of 2023.

The seasonally adjusted S&P Global Canada Manufacturing Purchasing Managers' Index® (PMI®) recorded 51.0 in January, up from 49.2 at the end of 2022. Latest data marked the first time that the index has recorded above the 50.0 no-change mark that separates growth from contraction since last July.

There were concurrent increases in both manufacturing output and new orders during January. Companies reported that market demand was improving, and that the marginal increase in sales seen at the start of the year had encouraged firms to raise their output. However, any growth primarily emanated from the domestic market as new export orders fell for an eighth month in a row. Underlying global demand was reported to have remained soft, according to panellists.

Firms remained suitably encouraged to hire additional workers. Employment growth was modest, but nonetheless the best recorded by the survey since last July. There was evidence that jobs were added to bolster productive capabilities. Positive projections for growth in the months ahead were also noted as confidence about the future remains in positive territory. Firms are hoping that market demand and input supply will continue to stabilise over the months ahead. Although average lead times for the delivery of inputs lengthened again in January, amid residual supply challenges in shipping freight services and border delays, several firms commented that vendors were finally getting on top of the backlog difficulties that have been so prominent since the start of the pandemic.

Comment

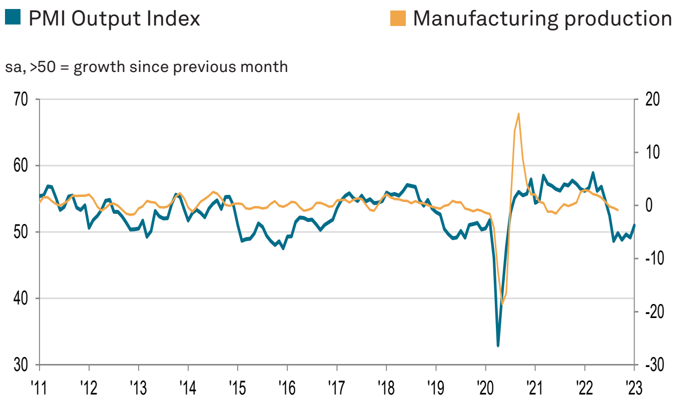
Commenting on the latest survey results, Paul Smith, Economics Director at S&P Global Market Intelligence said:

"The Canadian manufacturing economy began 2023 on a firmer footing than at the end of last year, registering some welcome, albeit modest, growth in both output and new orders. Anecdotal evidence also pointed to some stabilisation in input and staff supply. The emerging dissipation of these factors are heartening given the way they have hobbled manufacturing sector performance at various points since the start of the pandemic.

"Also welcome is the reduction in inflationary pressures and gives additional hope of firmer sector recovery in the months ahead. However, we must remember that growth is modest, and fears of the negative impacts on output of recession persist. For these reasons, confidence overall remains below par and firms retain a cautionary approach to their purchasing activities."

Nonetheless, expectations for output in the year ahead did slip a little in January, falling to a three-month low as firms worry about the possibility of recession in the months ahead. This helped explain why manufacturers continue to take a cautious approach to purchasing activity, which fell for a sixth successive month (albeit to the lowest degree in the current sequence). Firms noted a preference to lean on existing inventories wherever possible, and this meant that stocks of inputs fell again at the start of 2023.

Lower purchasing activity also helped to relieve supply pressure on vendors and ensured that input price inflation resumed the steady downward trend seen throughout much of 2022. Overall, input prices rose markedly – reflective of some persistent, and somewhat systematic, price inflation – but at their lowest pace for nearly two-and-a-half years. Output charges also increased at one of the slowest rates in the past two years during January.



Sources: S&P Global, StatCan.

Contact

Paul Smith
Economics Director
S&P Global Market Intelligence
T: +44-1491-461-1038
paul.smith2@spglobal.com

Katherine Smith
Corporate Communications
S&P Global Market Intelligence
T: +1 (781) 301-9311
katherine.smith@spglobal.com

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@ihsmarkit.com.

About S&P Global

S&P Global (NYSE: SPGI) S&P Global provides essential intelligence. We enable governments, businesses and individuals with the right data, expertise and connected technology so that they can make decisions with conviction. From helping our customers assess new investments to guiding them through ESG and energy transition across supply chains, we unlock new opportunities, solve challenges and accelerate progress for the world.

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.

PMI® by S&P Global