

News Release

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S&P Global Canada Manufacturing PMI[®]

Modest expansion of Canadian manufacturing economy

Key findings

Threat of US tariffs brings forward orders...

...but also leads to sharp drop in sentiment

Inflation rates accelerate

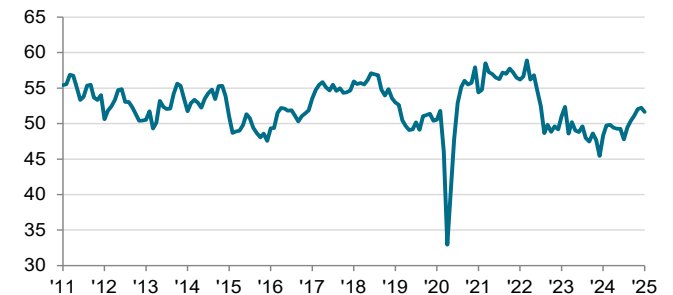
Operating conditions in Canada's manufacturing economy improved in January, albeit only modestly. Growth rates for both production and new orders both softened, whilst confidence in the outlook sank to its lowest level since last July. Whilst the potential for tariffs on Canadian manufactured goods exported to the United States was reported in some instances to have led to the bringing forward of orders, uncertainty over the scale and extent of tariffs led to hesitation and doubt within the marketplace and amongst manufacturers themselves.

The seasonally adjusted S&P Global Canada Manufacturing Purchasing Managers' Index™ (PMI[®]) recorded 51.6 in January. That was indicative of a modest rate of expansion, and down since December when the PMI registered 52.2. That said, the headline index has now recorded above the crucial 50.0 no-change mark for five months in a row.

Production rose again in January, in line with the trend since last October. The latest expansion was partially linked to higher sales. Latest data showed that new orders rose, supported by an increase in new export sales for the first time since August 2023. Anecdotal evidence suggested that the threat of US tariffs had led to some clients bringing forward orders. However, uncertainty and hesitation were also widely reported across product markets, largely over the extent of US tariffs and how the possibility of a global trade war could impact economic activity. Subsequently, new work overall rose only modestly and to the weakest extent in three months.

Tariff concerns also weighed on the confidence of manufacturers. Although firms are hoping to bolster output in the year ahead as they plan to release new products, business expectations were at their lowest since last July. Such uncertainty led firms to take a circumspect approach to purchasing activity, with firms reducing their input buying to the greatest extent since last August.

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



Source: S&P Global PMI
Data were collected 09-27 January 2025

Comment

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

"January's survey highlighted the complex impact that possible US tariffs are presently having on the Canadian manufacturing economy. Firms noted that clients in some instances were bringing forward their orders to get ahead of these potential tariffs, and output amongst manufacturers was being raised in response. Firms even took on additional staff to help service additional workloads, and this helped them to keep on top of their current orders.

"However, the threat of tariffs from the US is leading to a huge amount of uncertainty in product markets, and firms are growing increasingly concerned about a potential trade war with a key trading partner. Subsequently, confidence in the outlook dropped quite noticeably in January, whilst growth rates for both output and new orders deteriorated since the end of 2024."

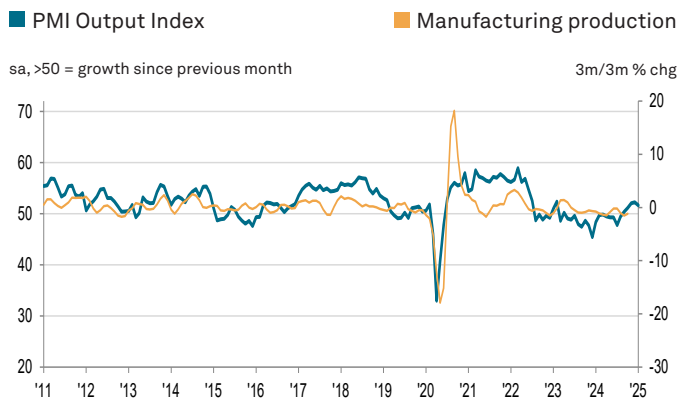
PMI[®]

by S&P Global

With production rising to a greater extent than new orders, manufacturers added to their warehouse inventories during January. Growth was modest and down on December's record increase, however. Some firms noted challenges in shipping out goods, due to ongoing difficulties in sourcing transportation and poor weather conditions.

A modest increase in staffing levels was recorded in January, extending the current period of growth to five months. Open positions were reported to have been filled, whilst there was some recruitment in reaction to higher sales and production requirements. Firms were subsequently able to keep on top of their workloads as signalled by another cut in work outstanding. Backlogs have now been reduced consistently throughout the past two-and-a-half years.

Finally, input price inflation accelerated in January to a 21-month high. A stronger US dollar was reported to have raised the price of imported goods, according to panellists. Output charges rose in response, with inflation also picking up to its highest level since last August.



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.