

News Release

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S&P Global Canada Manufacturing PMI[®]

Subdued performance of Canada's manufacturing sector continues in April

Key findings

Marginal fall in production as new orders decline

Weak jobs growth nonetheless sustained

Faster rates of inflation signalled

The performance of Canada's manufacturing economy continued to worsen in April as output and new orders both fell again. Firms cut their purchasing activity in response and sought to utilise inventories instead. However, efforts to keep on top of workloads led to some marginal employment growth as manufacturers retained some confidence in the outlook. Price indices both shifted upwards in April.

The seasonally adjusted **S&P Global Canada Manufacturing Purchasing Managers' Index[™] (PMI[®])** signalled another deterioration in operating conditions during April, extending the current downturn to 12 months. However, the rate of contraction was again marginal, with the PMI registering 49.4. That was slightly down on March's 49.8 and a three-month low.

Output volumes declined during in April for a ninth successive month as lower sales again led firms to reduce their production levels. New orders fell for a fourteenth successive month. Although modest, the decline was the steepest since January amid reports that high prices and soft market demand were weighing on sales. Weak underlying global demand was also reported to have led to a reduction in new export orders during April, extending the current downturn to eight months. The rate of contraction was also marked and the steepest since January.

Manufacturers were understandably reticent when it came to input buying, instead signalling a continued preference to utilise existing inventory wherever possible. Overall, purchasing activity declined for a twenty-first month in a row, though only slightly. Meanwhile, stocks fell again but only modestly and to the weakest degree since January.

In contrast, firms took on additional staff for a third month in a row. The marginal increase in employment reflected efforts to keep on top of workloads, and firms were broadly successful in this regard as backlogs of work declined again. It was the twenty-first successive month in which backlogs

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



Source: S&P Global PMI
Data were collected 11-24 April 2024

Comment

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

"April's survey data revealed another relatively subdued performance of Canada's manufacturing sector, with both output and new orders both falling since March – and perhaps most disappointedly at slightly faster rates. This led firms to again cut their buying activity, and focus on the utilisation of existing inventory, which several panellists noted remain too high.

"Inflation rates are also frustratingly sticky, with supply-side delays noted as a factor pushing up input costs. However, manufacturers' pricing power is being limited by market competition and subdued demand. Firms are subsequently looking to the Bank of Canada to ease interest rates soon given elevated borrowing costs remain a key factor weighing on the outlook."

PMI[®]

by **S&P Global**

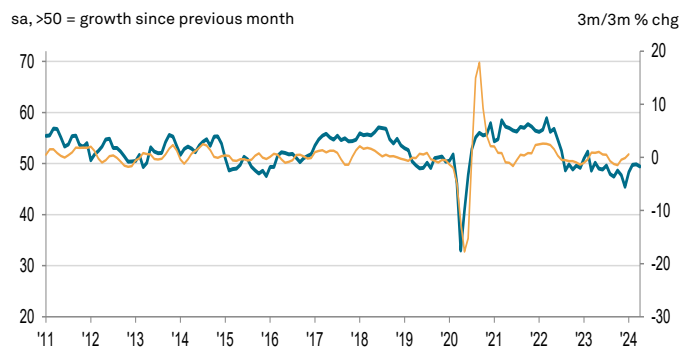
have fallen, with the latest reduction marked.

Meanwhile, the time taken for inputs to arrive at Canadian manufacturers lengthened in April for a fourth month in a row. The modest worsening of delivery performance reflected stock shortages at suppliers and ongoing logistical challenges, especially on shipping routes.

Suppliers were also reported to have raised their prices, and this helped to explain another round of input cost inflation in April. Overall, it was the eleventh successive month that an increase in input prices has been registered, and inflation in April was the highest recorded by the survey since last November. Manufacturers responded by increasing their own charges again, in line with a trend that now extends to nearly four years. The rate of inflation was however modest amid reports that competitive market pressures had limited pricing power.

Finally, manufacturers retained confidence in the outlook, and typically expect to see output rise from present levels in the coming 12 months. Sales volumes are forecast to rise amid hopes of a pickup in demand. However, sentiment remains below trend despite improving to a three-month high. There are concerns amongst the survey panel that high interest rates will continue to weigh on market activity.

■ PMI Output Index ■ Manufacturing 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.

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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.