

# News Release

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

### Manufacturing economy registers subdued performance during December

#### Key findings

Both output and new orders continue to fall

Inflation rates accelerate since November

Slight rise in employment as firms fill long-existing vacancies

The Canadian manufacturing economy remained in mild contraction territory during December, characterised by further falls in output, new orders and purchasing activity. Inventories were drawn down as firms sought to realign stocks with current production requirements. Delivery delays continued, and again contributed to inflationary pressures which strengthened over the month.

More positive was further employment growth, though the latest gains were relatively marginal and slower than in November. Confidence in the future was little changed at a below-par level.

The seasonally adjusted S&P Global Canada Manufacturing Purchasing Managers' Index<sup>®</sup> (PMI<sup>®</sup>) registered 49.2 in December, down from 49.6 in November and below the 50.0 no-change mark for a fifth successive month. This marked the longest sequence of decline since a seven-month run from August 2015 to February 2016.

Once again weakness was primarily centred on production and new orders. Both fell for a sixth month in succession, with output down to the greatest degree since August. Conversely, new orders declined at the weakest pace since July, through the rate of contraction was again solid. Firms widely commented that market demand was subdued as the corrosive effects on sales of inflation and uncertainty persisted.

On the inflation front, prices paid for inputs continued to increase at an elevated rate, and one that was faster than November's two-year low. Similarly, firms chose to pass through a noticeable proportion of these higher costs to clients via a rise in their own charges, which also increased at a stronger pace in December. Panellists continued to attribute rising prices to elevated transportation costs, and generally tight supply conditions. Although not worsening to the same degree seen earlier in the year, average lead times for the delivery of inputs again deteriorated noticeably.

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



Source: S&P Global.  
Data were collected 6-19 December 2022.

#### Comment

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

*“The Canadian manufacturing economy turned in another relatively subdued performance as 2022 closed, with both production and order books falling since the previous month. Firms reported again that weak market demand reflected both ongoing uncertainty and the negative impact of high inflation.*

*“Indeed, cost pressures turned slightly upward during December, arresting the recent easing trend. With supply constraints persisting, price stickiness remains a concern for companies, who remain on average subdued and concerned about the future.*

*“More positive was another month of employment growth, as firms sought to fill long-held vacancies, although even here the rate of expansion was marginal amid reports to a reluctance to hire at a time when production and sales continue to fall.”*

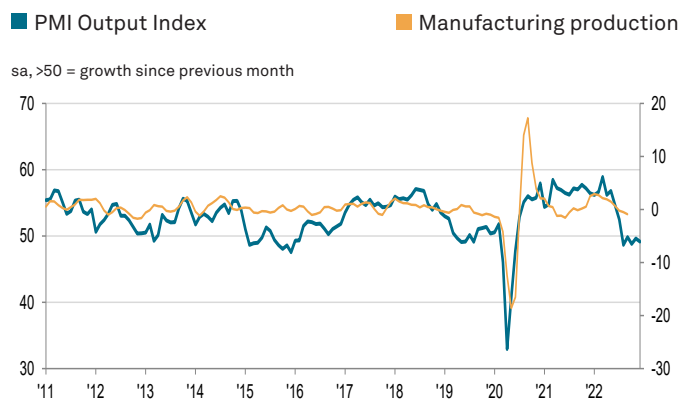
PMI<sup>®</sup>

by S&P Global

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This was despite another solid reduction in purchasing activity as firms reacted to weak trends in output and new orders by lowering their buying of inputs. This was also linked by panellists to ongoing efforts in reducing costs related to the storing of excess inventory. Both stocks of pre-production and post-production goods were reported to be lower during December.

Against the backdrop of underwhelming performances in both production and new orders, manufacturers perhaps somewhat surprisingly added to their staffing levels (albeit slightly) during December. Growth was linked in part to long-held vacancies at plants reflect of general difficulties in recruiting staff. Moreover, firms were also on average upbeat about the future, with confidence in the outlook remaining in positive territory amid hopes of a pick-up in sales, demand, and the broader economy in the coming months. However, worries persist about the negative impact that inflation could have on demand, whilst some firms signal fears of recession. Subsequently, overall sentiment remained below its historical average heading into 2023.



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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@ihsmarkit.com](mailto:economics@ihsmarkit.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).