

News Release

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S&P Global Canada Manufacturing PMI[®]

Growth of manufacturing sector sustained in December

Key findings

Solid rises in output and new orders registered

Employment growth sustained; confidence improves

Cost inflation up to highest level since April 2023

Canada's manufacturing sector continued to expand at a solid pace in December. Growth was supported by concurrent gains in both output and new orders, whilst employment also continued to rise. Although some evidence of firmer demand from US clients ahead of expected tariffs in 2025 was provided by the survey, overall exports were little-changed. Postal and port strikes meanwhile led to a worsening deterioration in vendor performance, whilst also resulting in a survey-record rise in stocks of finished goods.

The seasonally adjusted S&P Global Canada Manufacturing Purchasing Managers' Index™ (PMI[®]) remained above the crucial 50.0 no-change mark in December to signal growth of the sector for a fourth successive month. The PMI edged up to 52.2, from 52.0 in November, just below its long-run average of 52.4.

Supporting the PMI in December were concurrent rises in output and new orders. Growth rates were again solid, with firms noting a general uplift in demand. In some instances, panellists reported better sales to US clients in line with inventory accumulation ahead of expected tariff imposition on Canadian goods by the US in 2025. A weaker Canadian dollar also helped to support sales. However, export demand overall remained underwhelming according to several panellists and foreign sales ended fractionally lower in December.

Manufacturers remained suitably encouraged by production and new order trends to raise their purchasing activity (albeit marginally) for the first time since July 2022. Input inventories rose marginally as a result, but increased demand for goods placed some pressure on vendors. Average lead times deteriorated to the greatest degree since August amid reports that postal and port strikes were adding stress to internal supply chains. These factors also meant firms struggled to ship their own products and helped explain why inventories of finished goods rose in December at a survey-record pace.

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



Source: S&P Global PMI
Data were collected 5-17 December 2024

Comment

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

“Canada’s manufacturing sector enjoyed a relatively positive end to 2024, with overall growth ticking up to its best level in nearly two years. Panellists reported a general uplift in demand and hinted at some sales growth to US clients given the expectation that President elect Trump will impose tariffs on Canadian goods in 2025 (although overall exports in December were broadly unchanged).

“Panellists are forecasting a near-term boost to sales ahead of these possible tariff changes, which helped bolster production expectations. However, the shape and extent of these tariffs remains unknown and led to considerable uncertainty amongst firms when assessing the outlook.

“Finally, bottlenecks in domestic supply chains remained prevalent in December, with various port and postal strikes leading to considerable challenges for inbound production inputs and outbound shipping from manufacturers’ warehouses. The result was a noticeable lengthening of vendor delivery times and a record increase in inventories of finished goods in December.”

PMI[®]

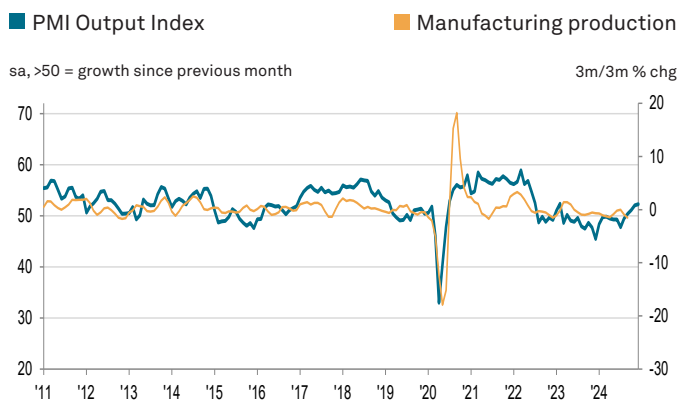
by S&P Global

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Firms sought to recruit additional workers, especially skilled roles, during December. This meant that employment rose for a fourth successive month overall, though growth was marginal and the softest since September. Extra capacity helped firms to keep on top of overall workloads, with backlogs of work falling slightly over the month.

On the cost front, input price inflation accelerated during December, reaching its highest level since April 2023. Panellists commented that a range of goods had risen in cost, with vendors willing to increase their charges given stronger demand. A weaker Canadian dollar increased the cost of imported goods, according to panellists. In response, average output charges rose again. Although solid, output price inflation was down slightly on November's three-month high.

Finally, confidence in the outlook was positive in December, with confidence overall reaching its highest level in nearly a year-and-a-half. Firms are forecasting an increase in US exports ahead of expected tariff imposition in 2025. However, the timing and scope of these tariffs meant the outlook was unusually uncertain for manufacturers at the end of 2024.



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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.