

News Release

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S&P Global Canada Manufacturing PMI[®]

Manufacturing sector downturn sustained

Key findings

Output and new orders both fall at quicker rates

Tariffs underpin further rise in prices

Modest job losses as confidence softens

The performance of Canada's manufacturing economy worsened again at the end of 2025. Output and new orders fell as tariffs and broad market uncertainty continued to weigh on the sector. Supply-side delays were again apparent, whilst the survey's price indices picked up since November. Job losses were also reported, whilst confidence in the outlook remained historically subdued.

The **S&P Global Canada Manufacturing Purchasing Managers' Index™ (PMI[®])**, a composite index designed to provide an overview of the health of the manufacturing sector, recorded 48.6 in December, little changed on November's 48.4. It was the eleventh successive month in which the PMI has posted below the critical 50.0 no-change mark, although the latest reading was indicative of only a modest deterioration in operating conditions that was weaker than rates seen earlier in 2025.

Solid declines in both output and new orders were recorded in December. Panellists reported that market uncertainty remained a key depressor of sales, especially in relation to tariffs. This was again especially the case for exports, which declined steeply and at the quickest rate since July.

In line with the dominant theme of 2025, tariffs also continued to impact supply chains and prices at year end. Average lead times for the delivery of inputs lengthened to a solid degree amid customs delays, especially in relation to US imports. Due to tariffs, firms in some instances reported sourcing inputs from suppliers based in countries outside of the US, which also led to a deterioration of delivery times.

Meanwhile, input price inflation picked up slightly, therefore remaining marked overall (albeit still below levels typically seen in 2025). Firms noted that metals like steel had increased in price, and tariffs were generally reported to be inflationary. Wherever possible, higher input costs were passed on to firms in the form of increased output charges. Overall, selling price inflation picked up to a six-month high.

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



Source: S&P Global PMI
Data were collected 4-17 December 2025

Comment

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

“Canada’s manufacturing economy ended the year on a subdued note, with output and new orders both falling again – as they have done in each month of 2025 apart from January. Once again, tariffs remained an important theme amongst PMI survey respondents, with a general air of uncertainty continuing to negatively weigh on current and expected output levels for the year ahead.

“This means firms remain naturally cautious, and seeking an operating leanness, either in terms of labour capacity or inventory holdings. Purchasing activity was also cut again in December, although supply-chain delays continue, and the price of inputs shifted higher – which firms once again closely linked to tariffs.”

PMI[®]

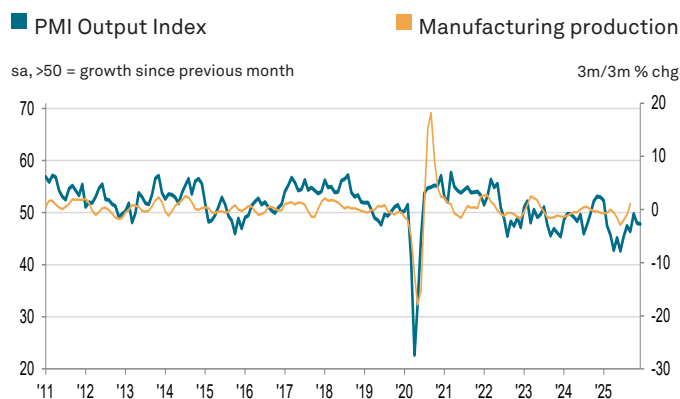
by **S&P Global**

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Given the weakness in trends in both output and new orders, plus increased prices and supply-side delays, manufacturers continued to reduce their buying activity in December. This placed some pressure on inventories, with latest data showing a twelfth successive monthly reduction in stocks of inputs. Firms also signalled a general preference for holding less inventory, both for inputs and finished goods. This preference was driven by weak trends in orders and production, plus a desire to minimise the costs associated with holding excess inventory.

Spare capacity at plants also resulted in another cut in employment, with December's survey showing an eleventh successive monthly fall in job numbers. Firms reported that cuts were largely due to the non-replacement of leavers. Despite the reduction in employment capacity, a reduction in backlogs of work was still achieved, in line with the trend seen throughout much of the past three-and-a-half years.

Finally, confidence in the outlook softened during December to a three-month low and remained well below its historical trend. Based on the survey's anecdotal evidence, tariffs and ongoing uncertainty over future sales and market demand weighed on sentiment.



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