News Release

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S&P Global Canada Manufacturing PMI®

Operating conditions deteriorate markedly in July

Key findings

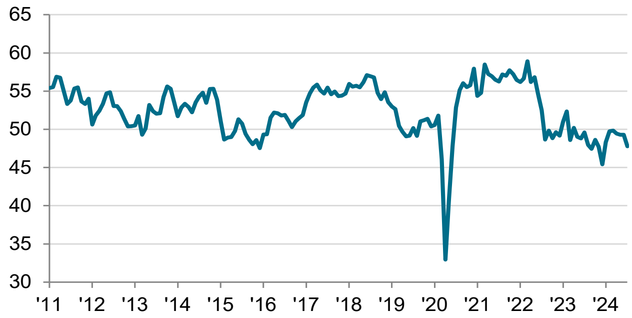
Steeper falls in production and new orders signalled

Confidence in outlook lowest since May 2020

Input price inflation solid, but well below trend

Canada Manufacturing PMI

sa, >50 = growth since previous month



Source: S&P Global PMI

Data were collected 11-25 July 2024

July marked a challenging month for the Canadian manufacturing economy with the health of the sector deteriorating to the steepest degree since December. Output and new orders both fell at sharper rates amid reports of challenging market conditions. Supply chain delays were also noted, whilst firms reduced their purchasing activity and reported a fall in sentiment to its lowest level since May 2020. On the prices front, cost inflation remained solid but well below trend. Charges rose only marginally.

The seasonally adjusted S&P Global Canada Manufacturing Purchasing Managers' Index™ (PMI®) remained below the crucial 50.0 no-change mark in July to extend the current period of deterioration to 15 months. Moreover, a fall in the PMI to 47.8, from 49.3 in June, signalled the steepest worsening of operating conditions in 2024 to date.

Undermining the PMI in July was a reduction in manufacturing production. It was the twelfth successive month in which a decline in output has been registered and the latest fall was the steepest since last December. The downturn was closely linked to a similar sized deterioration in new orders. Panellists noted that market uncertainty – linked to inflation and geopolitical tensions – continued to undermine demand, both at home and abroad. Sales to foreign clients declined in July for an eleventh successive month and to the steepest degree since May 2020.

Panellists responded to the weak trends in output and new orders by cutting back on their purchasing activity. Similarly, the decline in input buying was also the steepest of the year so far, with firms signalling a preference to utilise inventories rather than buy in new inputs. With this in mind, input stocks declined for the first time in three months. In contrast, an excess of production over current workloads led to a modest rise in inventories of finished goods.

Manufacturers were easily able to keep on top of their workloads, with outstanding business declining in tandem

Comment

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

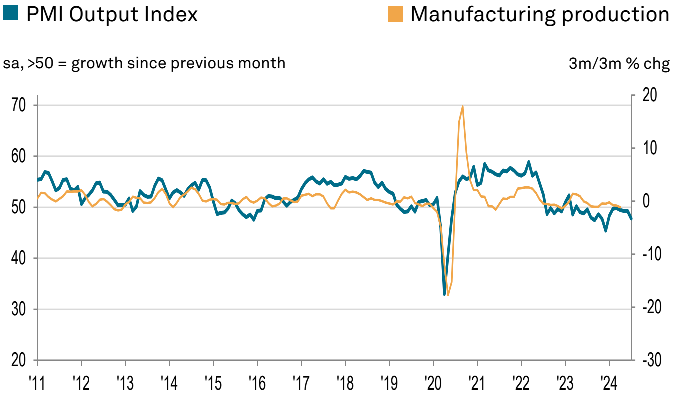
"The latest manufacturing data disappointed in July, with accelerated declines in both output and new orders both recorded as we enter the second half of 2024. Panellists were subsequently circumspect in their purchasing and input inventory management by adjusting these both downwards to reflect the weaker and uncertain operating environment.

"Although employment growth was sustained, this was on the back of what looks like dwindling hopes for future output growth. Confidence about next year's output may remain positive, but sentiment is at its lowest level since May 2020. It seems that the Bank of Canada's recently announced second cut in interest rates could not have come soon enough as firms look to lower borrowing costs and reduced inflation to help reinvigorate demand in the coming months."

PMI® by S&P Global

with the drop in new orders. The rate of contraction was again steep. Despite evidence of spare capacity, firms took on extra staff – albeit marginally – for the fifth time in the past six months. This was in part reflective of expectations for production growth in the year ahead. Confidence indeed remained positive overall, although worries about inflation and high interest rates meant sentiment dropped to its lowest level since May 2020.

Firms also noted supply-side constraints in July, with average lead times deteriorating to the greatest extent since February 2023. There were reports from panellists of delays with sea freight especially on key maritime routes including the Red Sea. Firms linked these constraints to higher input prices, which overall increased again in July to a solid degree. Vendor prices were generally higher, whilst an increase in the price of US-dollar denominated imports was also noted. In response, manufacturers sought to raise their own charges to offset higher costs. However, the rate of charge inflation was again only marginal.



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.

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.

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