

News Release

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S&P Global Canada Manufacturing PMI[®]

Manufacturing sector performance softens again in June

Key findings

Output and new orders both down again

Return to job shedding signalled

Price pressures broadly contained

Canada's manufacturing economy experienced a further deterioration in operating conditions during June, according to the latest PMI[®] data from S&P Global. Both output and new orders declined, whilst firms registered a mild drop in employment – the first reduction in net staffing levels since January. Purchasing activity was cut to a stronger degree, whilst firms experienced unexpected growth in their inventory levels. Confidence in the future was the lowest of the year so far.

Meanwhile, price pressures were broadly contained, with input prices rising to the weakest degree since January and output charge inflation only modest.

The seasonally adjusted **S&P Global Canada Manufacturing Purchasing Managers' Index[™] (PMI)** was unchanged at 49.3 in June to signal a further, albeit marginal, deterioration in operating conditions. Moreover, it was the fourteenth successive month in which the PMI has posted below the crucial 50.0 no-change mark to signal a sustained period of worsening manufacturing performance.

Output and new orders both continued to fall in June. For output, latest data marked the eleventh successive month in which production has declined, though the latest reduction was only marginal. Comparatively, the decline in new orders was greater than for output, reflective of high prices and a generally soft demand environment. Sales from both at home and abroad were reported to be down, with the reduction in new export orders steepening since May.

Several panellists reported that sales had been unexpectedly weak in June and had led to the accumulation of post-production inventories at their warehouses. Overall, inventories of finished goods rose modestly but nonetheless to the fastest degree since April 2014. Firms were also able to significantly reduce their backlogs of work, which fell overall for a twenty-third successive month and to the greatest degree since last October. That was despite a marginal cut

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



Source: S&P Global PMI
Data were collected 12-24 June 2024

Comment

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

“The performance of the Canadian manufacturing economy remained subdued in June, with output, new orders, employment and purchasing all falling since the previous month. Panellists noted that underlying market demand remained soft, whilst also commenting that sales were perhaps weaker-than-expected – resulting in the accumulation of some excess inventory at their plants.

“A positive from the latest survey is that price pressures appear broadly contained, with costs rising at a softer pace than in recent months and charges increasing only modestly. However, limited pricing power is broadly a function of weak demand and a competitive marketplace, and with firms noting that prices remain too high for many clients, confidence in the future has subsequently softened to its lowest level of the year so far.”

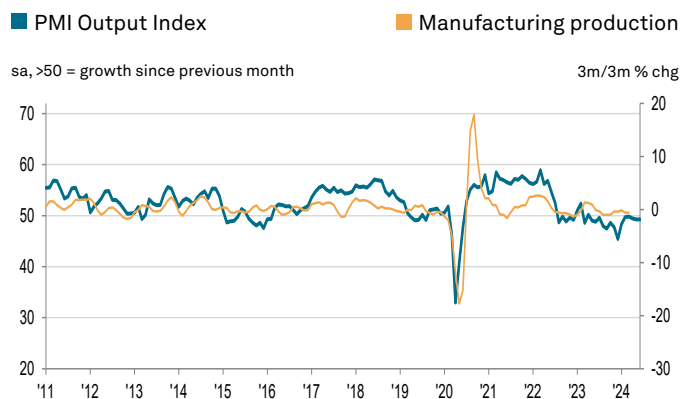
PMI[®]

by **S&P Global**

in employment as firms sought to realign their capacity and bolster productivity. June marked the first time that staffing levels have declined since January.

Latest data also revealed a reduction in purchasing activity, the fastest of the year so far. Panellists signalled that a lack of fresh new orders and production requirements had led to the reduction in buying. This in turn helped to alleviate pressure on vendors and help to contain price pressures. According to the latest data, there was a marginal improvement in supplier performance over the month, the first since last December. Meanwhile, input costs rose again in June but to the weakest degree since January. Output charges increased only modestly, with pricing power limited by market competition, according to panellists.

Finally, looking ahead to the coming 12 months, firms retained a reasonable degree of confidence that output will be higher than present levels. There were hopes that the introduction of new products will help to bolster demand. That said, some worries over the high cost of goods persisted. Sentiment was subsequently the lowest recorded by the survey in the year-to-date.



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.