News Release

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S&P Global Canada Manufacturing PMI®

Canadian manufacturing PMI remains below par in November

Key findings

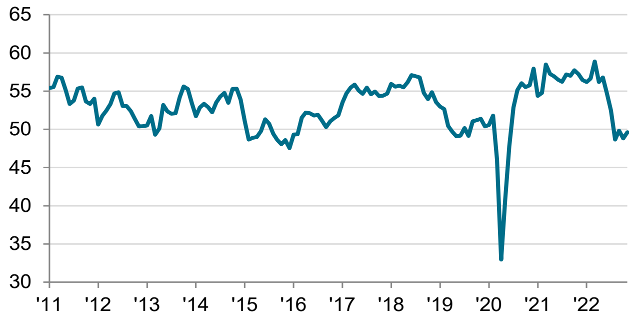
Slower falls in output and new orders

Modest growth in employment

Confidence up to three-month high as inflation weakens

Canada Manufacturing PMI

sa, >50 = growth since previous month



Source: S&P Global.

Data were collected 11-24 November 2022.

Canada's manufacturing economy remained inside contraction territory during November, but only just as both output and new orders fell at slower rates compared to October. Moreover, several firms addressed staff shortages at their plants by registering a net increase in employment amid positive growth projections. That said, underlying conditions remained challenging, with high inflation and worries over recession again undermining sales and demand which, alongside shipping delays, led to a modest rise in inventories of finished goods.

The seasonally adjusted S&P Global Canada Manufacturing Purchasing Managers' Index® (PMI®) recorded 49.6 in November. That was up from 48.8 in October to signal a slower rate of contraction. Nonetheless, the PMI has now posted below the 50.0 no-change mark for four months in a row.

Underlying what was an underwhelming PMI reading was another contraction in levels of new orders. Amid reports that market demand was subdued, and negatively impacted by high inflation, November marked the fifth successive month that new orders have fallen. Foreign sales were also down, as global macroeconomic uncertainties continued to weigh on product sales.

Negatively impacted by reduced orders, manufacturing production also fell over the month, but only slightly and to the lowest degree in the current five-month sequence of contraction. Support to production came in the form of an increase in staffing levels as firms sought to address the labour shortages that have at times hampered sector performance in recent months. This enabled companies to make some decent inroads into their backlogs of work, which fell for a fourth month in succession.

Although a net rise in employment was seen for the first time in four months, growth was however marginal as some firms expressed concern over elevated costs at their

Comment

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

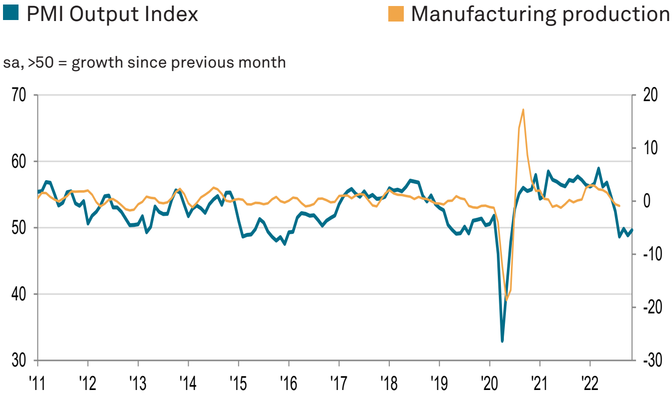
"Against a backdrop of high inflation and ongoing macroeconomic uncertainty in product markets, November's PMI data signalled that operating conditions in Canada's manufacturing sector remained challenging. Both output and new orders continued to fall, although perhaps of some comfort is that the degrees of decline were softer than in October.

"Moreover, cost inflation continues to ease as lower prices for several goods slowly make their way down the supply-chain, whilst several firms added to their staffing numbers as they sought to address labour shortages at their plants. Confidence in the future has also edged higher, adding to hopes that the current downturn in the sector is passing its trough."

plants. November's survey revealed another sharp rise in overall input prices amid reports that fuel, shipping, and general goods shortages continued to underpin elevated cost inflation. However, with metals such as steel reported to be coming down in price, overall input costs rose at their slowest pace for two years. Similarly, output price inflation also softened, moving down to a level close to September's 22-month low.

Input goods shortages on global product markets were again reported to have negatively impacted the ability of vendors to deliver goods to manufacturers in November, with average lead times lengthening and extending the current sequence of below par performance to well over three years. However, in a sign of loosening supply-chain pressure, the incidence of delays was the weakest since early 2020 and below the long-run survey average. Sourcing transportation for deliveries remains a problem for both manufacturers and suppliers, however, and this was reported to be a factor leading to a modest rise in warehouse stocks in November.

Finally, manufacturers remained on average upbeat about their prospects for the coming year, although sentiment remained below its historical trend which was linked in many cases to worries over inflation and economic growth. That said, several respondents were confident about a pick-up in the economy over the next 12 months and subsequently planned fresh investment and the start of new projects at their plants. Overall, expectations were their highest since August.



Sources: S&P Global, StatCan.

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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.

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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.

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