

# News Release

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## S&P Global Canada Manufacturing PMI<sup>®</sup>

### PMI drops to lowest level for over three years

#### Key findings

Domestic market weakness weighs on sector performance

Output and orders both down in August

Job losses signalled again

The Canadian manufacturing sector remained in contraction territory during August, with both output and new orders declining since the previous month. Job cuts were also apparent, whilst confidence in the outlook fell to its lowest since January. Price data showed that both input and output price inflation picked up since July.

The seasonally adjusted **S&P Global Canada Manufacturing Purchasing Managers' Index<sup>®</sup> (PMI<sup>®</sup>)**, a composite single-figure indicator of manufacturing performance derived from indicators for new orders, output, employment, suppliers' delivery times and stocks of purchases, remained stuck below the crucial 50.0 no-change mark for a fourth successive month in August. Moreover, dropping to 48.0, from 49.6 in July, the index registered its lowest reading since June 2020 and was consistent with a modest deterioration in operating conditions.

Sub-par performance in August reflected similar sized reductions in both production and new orders. The decline in output was the steepest of the year so far, for orders the sharpest since March. Firms widely commented that elevated inflation and clients retaining a cautious attitude to spending was negatively impacting demand. However, sales weakness was primarily focused on the domestic market; new export orders rose modestly and for the second month in a row during August.

Against the backdrop of a subdued market for their products, Canadian manufacturers understandably adopted cautious approaches to purchasing and employment decisions during August. Buying activity was reduced for a thirteenth successive month, and to the greatest degree since March. Firms signalled a preference for utilising existing stocks, with inventories of inputs cut at the sharpest pace for over three years in August.

Meanwhile, staffing levels were lowered for a fourth month in a row, also at a rate not seen since mid-2020. Panellists

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



Source: S&P Global PMI  
Data were collected 10-24 August 2023

#### Comment

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

*“Canada’s manufacturing sector continued to struggle during August, with output and new orders falling at solid rates. Firms responded by cutting purchasing and utilising existing inventories, and signalled some worries over the potential for demand weakness to linger in the months ahead.*

*“Despite further signs of product supply stability and a further drop in demand for inputs, inflationary pressures picked up as firms throughout the supply chain continued to push higher operating expenses onto their clients.*

*“Such persistence in inflation, albeit at much lower levels than typically seen since the onset of the pandemic, will naturally be a concern for policymakers. However, such worries are somewhat offset by the news that job shedding continued in August – and to the greatest degree since June 2020. This latest sign of weakness in the labour market may well therefore be enough for the Bank of Canada to take a pause in its monetary policy tightening cycle.”*

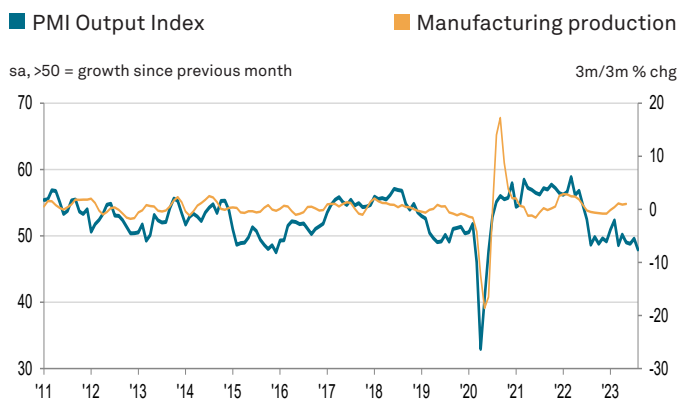
PMI<sup>®</sup>

by **S&P Global**

signalled the non-replacement of leavers given concurrent falls in both production and new orders. Despite lower employment, capacity remained sufficiently high for firms to easily cope with overall workloads. Latest data showed that backlogs of work fell for a thirteenth month in a row.

On the price front, average input costs rose for a third successive month in August. The rate of inflation also picked up, accelerating to a four-month high amid reports of vendors raising list prices to cover their own cost increases. Manufacturers adopted a similar attitude, pushing up their own average tariffs to the greatest degree since March.

Finally, confidence in the outlook remained positive. Firms are hoping for more evidence of supply stability in the coming months and were buoyed again in August by another marginal improvement in average delivery times. Some manufacturers also expect sales to improve, and that economic conditions will be more conducive to growth compared to present levels. However, others are worried that present market instability will linger and continue to weigh on production. Subsequently, confidence slipped to its lowest since January 2023.



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@ihsmarkit.com](mailto: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](https://ihsmarkit.com/products/pmi.html).