

News Release

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S&P Global Canada Manufacturing PMI[®]

Canadian manufacturing sector remains in contraction territory

Key findings

Output and new orders down again

Subdued market demand widely reported

Record improvement in delivery times

Amid reports of an underwhelming business environment, the performance of the Canadian manufacturing sector continued to worsen during June. Concurrent falls in output, new orders and employment were all recorded. Firms sought to adapt their operations by cutting any excess input inventory at their plants.

Relatively good news however came in the form of a survey record improvement in average lead times as pandemic related supply-side challenges continued to dissipate. Price stability was also broadly signalled in the latest survey period.

The seasonally adjusted S&P Global Canada Manufacturing Purchasing Managers' Index[®] (PMI[®]) remained below the 50.0-change mark during June. Moreover, falling slightly from 49.0 in May to 48.8, the index signalled its worst performance since March. It was the second month in a row that a deterioration in operating conditions has been registered.

Concurrent falls in both output and new orders were registered in June. Firms commented that market demand was subdued, amid reports that high interest rates and the uncertain macroeconomic outlook were leading to the postponement of spending decisions by clients. Companies noted that new export orders were again down, with some firms noting lower demand from the neighbouring USA.

The overall decline in new orders was steeper than that seen for production. And in a sign that the fall in new work was a little sharper than expected, Canadian manufacturers reported a marginal rise in warehouse inventories for a second month in a row. In contrast, inventories of purchases were reported to have declined for an eleventh successive survey period, and to a stronger degree. Companies signalled a preference of utilising existing inventory, rather than buy in new inputs. This was reflected in another, albeit negligible, decline in purchasing activity over the month.

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



Source: S&P Global PMI
Data were collected 12-26 June 2023

Comment

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

“The Canadian manufacturing sector turned in another subdued performance during June, with the headline PMI remaining inside contraction territory, dragged down by further falls in both output and new orders. Reports of subdued market demand, both at home and abroad, were widespread, with clients reportedly hanging back from committing to new business given the uncertain economic outlook.

“Elsewhere in the last report, the record improvement in vendor delivery times is on the one hand welcome news, adding to a sense of prevailing market stability following the disruptions of the pandemic. This has clearly helped to ensure that inflationary pressure remain under broad control. However, with a lack of market demand the principal factor behind the shortening of lead times, its hard to get away from the sense of subdued industrial performance heading into the second half of the year.”

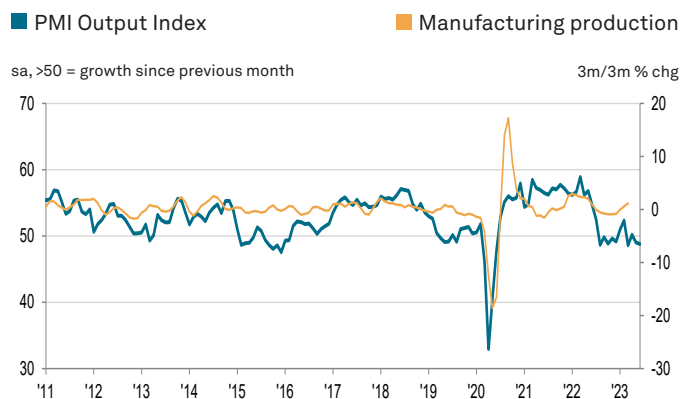
PMI[®]

by S&P Global

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A lack of demand for new inputs continued to reduce pressure on vendors. With reports also that pandemic-related freight challenges and port congestion continued to dissipate, manufacturers signalled that average lead times for the delivery of inputs improved at the greatest degree in the survey history. Amid reports that vendors were less busy, and with less room to raise prices, average input costs increased during June only modestly. A similar development was seen for output charges, which rose modestly but at a rate below down on those seen during much of 2021 and 2022.

Meanwhile, confidence in the outlook remained positive. Firms hoped to eventually benefit from an economic recovery and reap the rewards of past investment in marketing and promotional strategies. However, confidence remained below trend, and with current production and new order volumes subdued, firms on average chose to cut their employment levels. The marginal fall in workforce numbers made little difference in firms' ability to deal with overall workloads as backlogs of work declined for an eleventh successive month in June.



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.

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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.