News Release

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S&P Global Canada Manufacturing PMI®

PMI drops into negative territory in February as orders tumble

Key findings

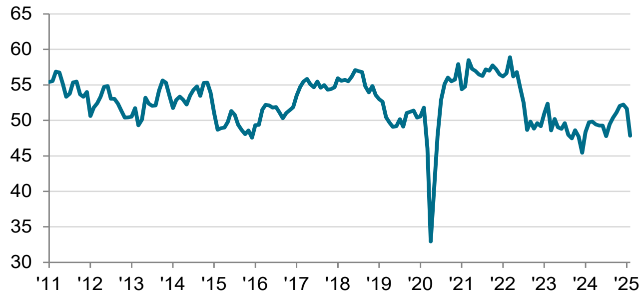
Tariff concerns lead to reduction in market demand

Production and employment both cut

Manufacturers turn pessimistic on uncertain trade outlook

Canada Manufacturing PMI

sa, >50 = growth since previous month



Source: S&P Global PMI

Data were collected 10-24 February 2025

Canada's manufacturing economy suffered a notable deterioration in performance during February. Output and new orders both declined, largely due to considerable market uncertainty related to tariff concerns. Job losses were also recorded, whilst confidence in the outlook turned pessimistic for only the second time in the survey history. Amid some reports of vendor price uplifts in response to anticipated tariffs, input cost inflation rose to its highest level since April 2023.

After accounting for seasonal factors, the S&P Global Canada Manufacturing Purchasing Managers' Index™ (PMI®) declined to 47.8 in February. That was down from 51.6 in January and the lowest level since last July. It was also the first time that the headline index has fallen below the crucial 50.0 no-change mark that separates growth from contraction for six months.

Falling volumes of production and new work weighed heavily on February's PMI. The decline in new work was especially acute, with the contraction the second steepest since the start of 2024 (surpassed only by last July). Panellists widely noted that tariff and trade concerns meant clients were cautious when committing to new orders, preferring instead to adopt a "wait-and-see" approach given the uncertainty around future Canadian and US trade policies. New export orders were hit by similar factors, declining in February to the greatest degree since last September.

Worries over tariffs and trade had a similarly negative impact on manufacturers' confidence during February. Overall, sentiment dropped into pessimistic territory for only the second time in the series history (surpassed only by April 2020), with the month-on-month decline in the respective index amongst the greatest in the series history. The subdued outlook meant firms were broadly unwilling to replace leavers and, with a lack of overall workloads in February, a decline in staffing levels was recorded for the first time since last August. The rate of contraction was also

Comment

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

"The considerable uncertainty related to tariffs being applied on all goods passing across the Canada-United States border weighed heavily on the manufacturing economy during February. Output fell noticeably, driven lower by a steeper decline in new orders as product markets, both at home and abroad, were paralysed by concerns over the applicability and size of tariffs in the coming months.

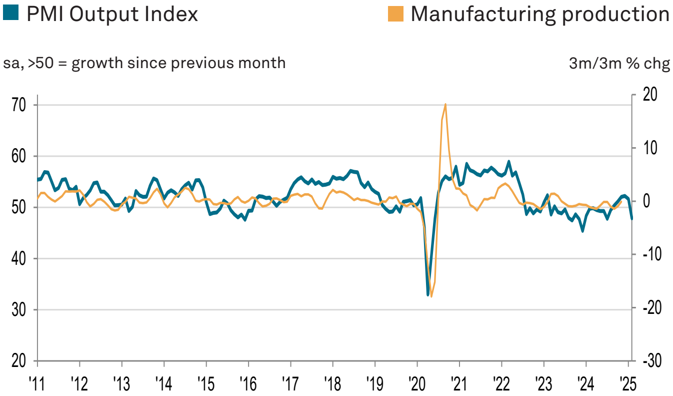
"Understandably, manufacturers grew increasingly downbeat about the future, with confidence at its lowest level since a series record low was registered in April 2020. This meant firms also adopted an increasingly cautious approach to purchasing and employment, with cuts made in each case since January.

"Adding to the general woes was an acceleration in input price inflation to its highest in nearly two years, with costs rising on the back of a stronger US dollar and, in some cases, vendors raising prices ahead of possible changes to tariffs in the months ahead."

the steepest in over a year. Capacity remained more than sufficient, however, with backlogs of work declining again and to the greatest extent for six months.

A lack of new work and dwindling production requirements meant firms were keen to utilise existing inventories of inputs in February rather than buy-in new stock. Latest data showed that input inventories fell for a second month running and to the fastest degree in over a year, whilst purchasing activity was cut at the greatest pace since July 2024.

Despite reduced demand, adverse weather conditions meant average lead times for the delivery of inputs lengthened again in February, albeit to a softer degree than at the start of the year. Vendors were also reported to be raising their charges, sometimes in anticipation of tariffs being applied on goods in the months ahead. With unfavourable exchange rate movements reported to have also raised general prices, average input costs rose sharply and to the greatest degree since April 2023. Output charges were increased in response, with inflation remaining solid and little changed since January.



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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