News Release

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S&P Global Canada Manufacturing PMI®

Downturn in manufacturing sector continues in July

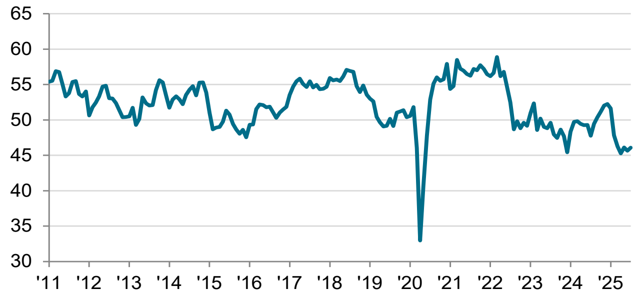
Key findings

Slower, but still marked, falls in production and new orders

Tariffs again weigh on market demand

Inventories reduced at rates not seen since 2020

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



Source: S&P Global PMI
Data were collected 10-25 July 2025

Canada's manufacturing sector landscape continued to be dominated by tariffs and trade uncertainty during July. Although output and new orders declined to weaker degrees, the adverse impact of tariffs on market demand – especially from the neighbouring United States – undermined sales and production. With the outlook remaining especially hard to predict, firms reduced inventories, lowered purchasing activity and cut employment.

Tariffs again served to raise input costs and resulted in further supply chain delays. However, in a relatively positive development, input price inflation softened to an eight-month low. In response, selling charges were raised to a reduced degree.

The **S&P Global Canada Manufacturing Purchasing Managers' Index™ (PMI®)**, a composite index designed to provide an overview of the health of the manufacturing sector, recorded 46.1 in July. That was up slightly since June's 45.6 but remained below the critical 50.0 no-change mark for a sixth successive month and indicative of another deterioration in overall operating conditions.

Slower falls in both output and new orders were registered in July, though the rates of decline remained marked and extended the respective downturns to six months. Panellists widely reported that tariffs and the associated uncertainty had continued to undermine market demand, especially with Canada's largest trading partner, the United States. Indeed, many firms reported that sales to the US fell again. This was reflected in the latest data on new export orders, which showed another severe contraction and an overall decline for a sixth successive month.

The unpredictable nature of US trade policy and uncertainty on how the tariff landscape will develop in the coming year meant confidence amongst manufacturers remained subdued in July. Although planned new product offerings were expected to provide a boost to production, sentiment

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 in the face of tariffs during July, with output, new orders and buying activity all declining at noticeable rates – albeit to lesser degrees than seen in recent months. Unsurprisingly, it was again trade with the United States that remained especially challenging, with firms noting reduced demand and sales volumes from US-based clients.

"Associated supply chain challenges also persisted, and with vendors continuing to pass on tariff related price hikes, manufacturers again experienced an uptick in their overall input costs. That said, there was signs of some inflation relief, with both input costs and selling prices rising at slower rates.

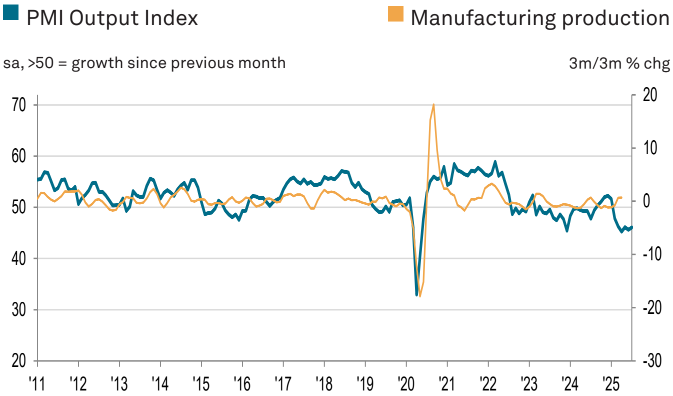
"A key takeaway from the latest survey was destocking, with both inputs and finished goods inventories declining at rates not seen since 2020. For companies facing a hugely unpredictable business environment, it has becoming increasingly important to run operations as lean as possible. And such considerations inevitably led to further cuts to both employment and purchasing activity."

overall remained only just inside positive territory and well below its historical trend.

Firms were understandably circumspect when it came to inventory management and buying activity in July. Inventories of both inputs and finished goods were reduced at rates not seen since 2020 as firms sought to minimise costs associated with holding excess stock. Lower new sales and subdued forecasts for output meant purchasing activity was cut for a seventh month in a row.

Lengthening delivery times also served to place some downward pressure on input stocks amid evidence of tariffs continuing to cause some disruption in supply chains. Suppliers were reported to be holding a lack of inventories at their units, adding to pressure on delivery performance. Tariffs and associated costs were also passed through to manufacturers leading to another steep increase in their input costs. That said, input price inflation softened to its lowest level since last November and was below the long-run survey average. Selling charges followed a similar trend, rising to the weakest degree since February.

Given the highly uncertain business environment, staffing levels were reduced further in July. Overall, employment declined for a sixth successive month and to a greater degree. Despite this reduction in labour capacity, an excess of production over new work inflows, plus in some instances better shipping performance from warehouses, meant backlogs of work were reduced to the greatest degree since April.



Sources: S&P Global PMI, StatCan via S&P Global Market Intelligence.

Contact

Paul Smith
Economics Director
S&P Global Market Intelligence
T: +44-1491-461-1038
paul.smith2@spglobal.com

Corporate Communications
S&P Global Market Intelligence
press.mi@spglobal.com

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.