

News Release

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S&P Global Canada Manufacturing PMI[®]

Manufacturing sector close to stabilising in February

Key findings

Slower falls in both output and new orders

Return to employment growth

Input costs rise at stronger pace

Canada's manufacturing downturn slowed in February. Both output and new orders fell only slightly, and employment rose as firms remained confident in the outlook. That said, there were further cuts to purchasing and inventories. Price trends meanwhile showed an accelerated rate of cost inflation. Output charges rose in response, but at the slowest pace since June 2023.

The seasonally adjusted **S&P Global Canada Manufacturing Purchasing Managers' Index[™] (PMI[®])** remained below the crucial 50.0 no-change mark in February. It was the tenth successive month that a deterioration in operating conditions has been recorded. However, by rising to 49.7, from 48.3 in January, the index signalled only a marginal decline that was the slowest in the current sequence.

The relative improvement in the PMI reflected slower falls in both output and new orders. Production was only down slightly, and the decline in orders modest. That said, there remained many reports that client demand was subdued, characterised by hesitant decision-making and a reluctance to commit to new contracts. This was especially the case for international demand, where sales declined for a sixth month running.

A similar trend to output and new orders was seen for purchasing activity. Latest data showed a nineteenth successive monthly fall, but one that was modest and the weakest since June 2023. There remained a preference amongst some firms to lean on inventories wherever possible, as highlighted by another drop in stocks of purchases. Several panellists also signalled a reticence to purchase new inputs given elevated prices. In fact, input costs rose again in February, in line with the trend throughout much of the survey history. Panellists commented that suppliers were raising prices, linked in part to ongoing supply chain frictions (highlighted by a modest lengthening of average lead times). Higher input costs were passed on wherever possible to clients in the form of increased charges. However, the degree

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



Source: S&P Global PMI
Data were collected 12-23 February 2024

Comment

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

"Canada's manufacturing PMI moved closer to the crucial break-even 50.0 mark during February amid slower falls in both output and new orders. Although continuing to decline, reflective of some ongoing client hesitancy, rates of contraction were small in the context of recent months and reflect a steady underlying improvement in global market conditions.

"Moreover, firms expressed their optimism about the future by adding to their staffing levels for the first time in three months. This in part may be the result of relative price stability; although costs continued to rise in February, the net increase was broadly in line with the trend seen over the past half-year or so. Still, margins remain under a little pressure, with factory gate prices continuing to rise only modestly and at a slower pace than costs."

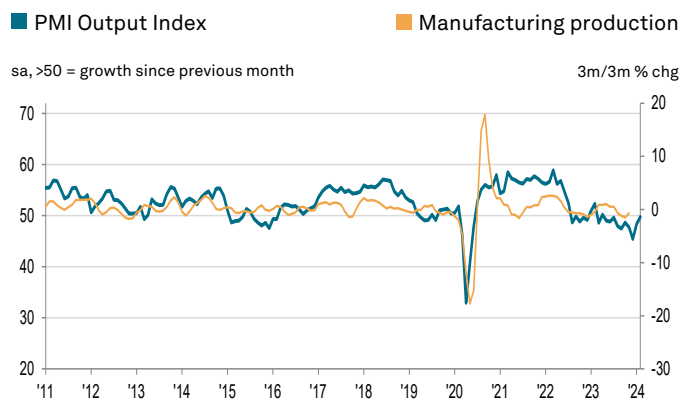
PMI[®]

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to which average output prices rose was modest and the lowest recorded by the survey since mid-2023.

A lack of incoming new work placed with manufacturers ensured they could comfortably keep on top of overall workloads in February. Latest data showed that backlogs of work declined for a nineteenth successive month, though modestly and to the slowest degree for a year. Extra capacity helped firms to clear work outstanding. Employment growth was registered for the first time in three months (albeit marginal). Staff were hired in part due to positive output expectations, although these were a little lower when compared to the start of the year. Firms are hopeful that a strengthened economic climate will bolster sales and output over the coming 12 months.



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.

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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.