

# News Release

Embargoed until 0930 EDT (1330 UTC) 1 June 2022

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

### Quicker expansions in output, new orders and jobs in May

#### Key findings

Headline PMI improves from April amid quicker uplift in output

Buying activity expands at record rate

Rates of input cost and output price inflation ease to three-month lows

Operating conditions in Canada's manufacturing sector improved in May amid stronger expansions in output, new orders and employment. Sustained demand growth prompted firms to boost their buying activity, and at a record rate, while capacity pressures continued to build. Despite stronger uplifts in sales, business confidence dipped to a joint ten-month low, largely reflecting concerns surrounding intense cost pressures. That said, the rates of both output charge and input price inflation eased to the softest since February.

The seasonally adjusted S&P Global Canada Manufacturing Purchasing Managers' Index<sup>®</sup> (PMI<sup>®</sup>) registered 56.8 in May, up from 56.2 in April. The latest reading signalled 23 continuous months of growth, with the latest expansion much quicker than the long-run series average.

Central to the uptick was a quicker increase in new orders. Stronger demand, particularly for consumer goods, were recorded during the month. Respondents continued to link growth to the retreat of pandemic restrictions and favourable demand for Canadian manufactured goods. International sales also increased, albeit at a softer pace than in April. Firms mentioned higher demand from the US market.

Companies responded to rising demand by lifting their output levels for the twenty-third month in succession. Larger workforces helped firms to boost their output, while panel comments also suggested some inputs were more readily available in May.

Despite efforts to boost production, and the strongest uplift in headcounts for 17 months, capacity pressures continued to emerge. The overall rate of backlog accumulation was marked, the quickest for six months and among the strongest in the near 12-year survey history. Firms had insufficient capacity to deal with the surge in new orders, but there were also reports of absenteeism due to illnesses. As a result, companies chose to prioritise incoming orders

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



Source: S&P Global.  
Data were collected 12 - 25 May 2022.

#### Comment

Commenting on the latest survey results, Shreeya Patel, Economist at S&P Global Market Intelligence said:

*"Canada's manufacturing sector has recovered well from the pandemic, registering output growth in almost every month for the last two years. Demand continues to flourish while firms are committed to growing their businesses through a variety of different ventures including product development, improving e-commerce, investing in new machinery and expanding their operations. As a result, companies have struggled to keep up with demand, though severe labour and material shortages can also be blamed."*

*"This is likely to persist given recent lockdowns in China and ongoing geopolitical tensions. Firms and their clients can expect to face rising costs for energy as well as other essential inputs. Manufacturing companies in Canada have done well so far in anticipating shortages and price hikes, which will no doubt persist."*

*"Fortunately, rates of inflation are starting to subside, which firms can only hope will continue."*

PMI<sup>®</sup>

by S&P Global

and refrained from adding to post-production inventories, which fell solidly.

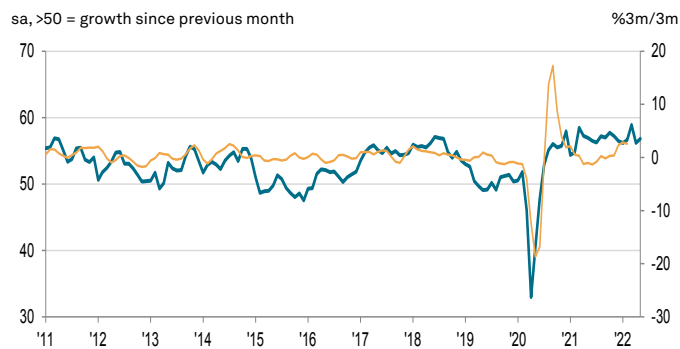
Supplier performance deteriorated once again, with port congestions, material scarcity and lockdowns in China leading to delivery delays. Although marked, the incidence of delays was the second-lowest for 15 months.

Firms continued to add to their pre-production inventories as they sought to mitigate against any future supply-chain issues. In fact, quantity of purchases rose at the quickest rate in the series history, beating the previous record set in July 2018. Meanwhile, pre-production stocks rose at the fourth-strongest rate in the series.

Raw material scarcity, ongoing supply-chain disruption and lockdowns in China continued to exacerbate cost pressures in May. Higher prices were reported for metals, resin, fuel, transportation, machinery and other inputs. The rate of inflation moderated to a three-month low, but was still marked compared to the long-run series average. Higher expenses were passed on to clients with the overall rate of selling price inflation the third-strongest in the series history.

Inflationary concerns weighed slightly on optimism, which moderated to a joint ten-month low in May. That said, firms were still optimistic for output growth over the year ahead amid plans to expand their online presence, greater consumer demand and new client wins.

■ PMI Output Index      ■ Manufacturing production



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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).