

News Release

Embargoed until 0930 EDT (1330 UTC) 2 October 2023

S&P Global Canada Manufacturing PMI[®]

PMI hits lowest level since May 2020

Key findings

Market demand reported to be softer, weighing on sales

Accelerated fall in output

Jobs and purchasing activity deteriorate

Canada's manufacturing sector remained inside contraction territory during September. Output, orders and employment all fell amid reports of softening market conditions. Purchasing activity was subsequently cut as firms focused on reducing any excess inventory at their plants. Cost pressures showed signs of stabilisation following August's upturn.

The seasonally adjusted **S&P Global Canada Manufacturing Purchasing Managers' Index[®] (PMI[®])** is a composite single-figure indicator of manufacturing performance derived from indicators for new orders, output, employment, suppliers' delivery times and stocks of purchases. The PMI fell further below the crucial 50.0 no-change mark in September to 47.5, from 48.0 in August. It was the fifth successive month that a deterioration in operating conditions has been registered, and the latest PMI number was the lowest since May 2020.

Output and new orders both contracted in September. The decline in production was the steepest since August 2022, whilst for sales it was the worst performance since March. Firms widely commented that market demand was slow, and that some clients were waiting for price reductions before committing to new business. Similar factors were reported by panellists to have weighed on international demand. New export orders fell for the first time in three months in September and to the steepest degree since May.

Faced with dwindling workloads, further evidenced by the steepest reduction in backlogs of work for 40 months, manufacturers reduced both their purchasing activity and employment in September. Regarding the latter, staffing numbers have now fallen for five successive months, though the latest rate of contraction was modest. Several firms noted ongoing challenges in recruiting additional staff. For input buying, manufacturers noted an excess of inventory at their plants and signalled a preference for reducing stocks rather than buying in new inputs. Overall, the drop in stocks of purchases was the steepest since June 2020.

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



Source: S&P Global PMI
Data were collected 12-25 September 2023

Comment

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

"In line with the global industrial downturn, the Canadian manufacturing sector continued to experience lacklustre performance during September. Output and new orders both fell to steeper degrees amid evidence of slow market demand. Price levels remain a problem for many clients, especially as Canadian manufacturers continued to hike their charges to a solid degree.

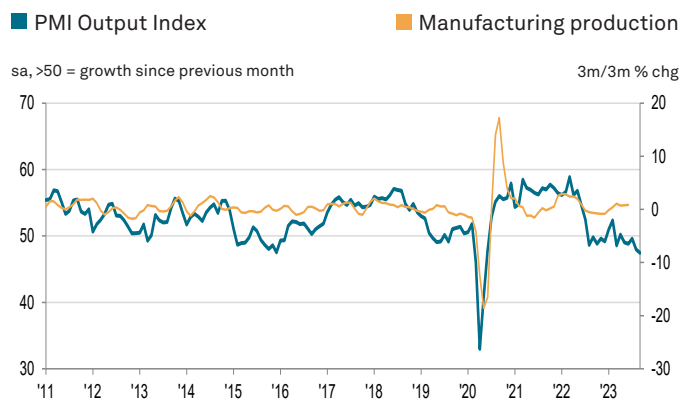
"However, the weakening of cost inflation to a marginal pace may augur well for price developments further down the supply chain in the coming months. With job shedding again reported, these later developments add support to the Bank of Canada's recent decision to hold its main policy rate unchanged."

PMI[®]

by **S&P Global**

Despite lower demand, average lead times worsened marginally for the first time for five months. Manufacturers noted staffing shortages at vendors, whilst in some instances port disruptions led to delivery delays. Suppliers continued to raise prices, although softening market conditions restricted their pricing power. The net impact was the weakest increase in input costs in the current four-month run of inflation. Manufacturers signalled ongoing success in pushing through higher input costs to clients, with output charges rising further in September. The rate of inflation was solid and above that signalled for input prices.

Looking ahead to the coming year, confidence remained positive, improving on August's seven-month low. There were hopes amongst the survey panel of an improvement in economic conditions, which should support growth of demand and sales in the next 12 months.



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

Katherine Smith
Corporate Communications
S&P Global Market Intelligence
T: +1 (781) 301-9311
katherine.smith@spglobal.com

If you prefer not to receive news releases from S&P Global, please email katherine.smith@spglobal.com. To read our privacy policy, click [here](#).

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.

Disclaimer

The intellectual property rights to the data provided herein are owned by or licensed to S&P Global and/or its affiliates. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without S&P Global's prior consent. S&P Global shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall S&P Global be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index® and PMI® are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited and/or its affiliates.

This Content was published by S&P Global Market Intelligence and not by S&P Global Ratings, which is a separately managed division of S&P Global. Reproduction of any information, data or material, including ratings ("Content") in any form is prohibited except with the prior written permission of the relevant party. Such party, its affiliates and suppliers ("Content Providers") do not guarantee the accuracy, adequacy, completeness, timeliness or availability of any Content and are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, or for the results obtained from the use of such Content. In no event shall Content Providers be liable for any damages, costs, expenses, legal fees, or losses (including lost income or lost profit and opportunity costs) in connection with any use of the Content.

About S&P Global

S&P Global (NYSE: SPGI) S&P Global provides essential intelligence. We enable governments, businesses and individuals with the right data, expertise and connected technology so that they can make decisions with conviction. From helping our customers assess new investments to guiding them through ESG and energy transition across supply chains, we unlock new opportunities, solve challenges and accelerate progress for the world.

We are widely sought after by many of the world's leading organizations to provide credit ratings, benchmarks, analytics and workflow solutions in the global capital, commodity and automotive markets. With every one of our offerings, we help the world's leading organizations plan for tomorrow, today. www.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.