

News Release

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S&P Global Canada Manufacturing PMI[®]

Growth accelerates in February

Key findings

Faster gains in both output and new orders

Employment continues to rise

Inflation rates weaken further

Growth of Canada's manufacturing sector picked up in February, building on the modest gains seen at the start of the year. Both output and new orders rose at their strongest rates since last May, whilst firms continued to add new jobs to their plants. Confidence in the future also improved, whilst inflation rates continued to ease amid reports of greater stability in supply chains.

Overall, the seasonally adjusted S&P Global Canada Manufacturing Purchasing Managers' Index[®] (PMI[®]) recorded 52.4 in February. That was up from 51.0 in January, and the highest reading recorded by the survey since last July. It was also the second month in a row that the index has recorded above the 50.0 no-change mark that separates growth from contraction.

Both manufacturing output and new orders continued to rise during February, with growth rates picking up from relatively modest levels seen in February to their highest since last May. There were reports of firmer market demand, linked in part to lower inflation and growing confidence in the outlook. However, foreign sales remained subdued, with exports down for a ninth successive month and suggestive that the current upturn in overall orders is being predominately led by the domestic market.

Firms nonetheless displayed growing confidence in the outlook, with this optimism expressed in the latest data on future output expectations. Overall, sentiment rose to its highest level since last July, with firms hopeful that the recent returns to growth in production and demand will be sustained. The planned start of new projects and release of new products were also reasons to be confident.

Manufacturers also expected inflation to retain its recent downward trend. In February, input prices rose to the slowest degree since July 2020 amid reports that greater stability in supply chains was placing some downward pressure on costs. That said, underlying inflation remained elevated, and

Canada Manufacturing PMI

sa, >50 = growth since previous month



Source: S&P Global.

Data were collected 10-22 February 2023

Comment

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

“February’s data provided a relatively positive set of data concerning the health of the Canadian manufacturing economy. Growth rates for a range of variables improved, most notably for output and new orders amid reports of firmer market demand.

“Lower inflation was also seen as a supportive demand factor, and firms themselves experienced a drop of cost inflation since the previous month to a multi-year low. Amid signs of more stability in supply chains, these factors all helped to support an improvement in confidence over the month and partly explained another round of job creation in the sector.”

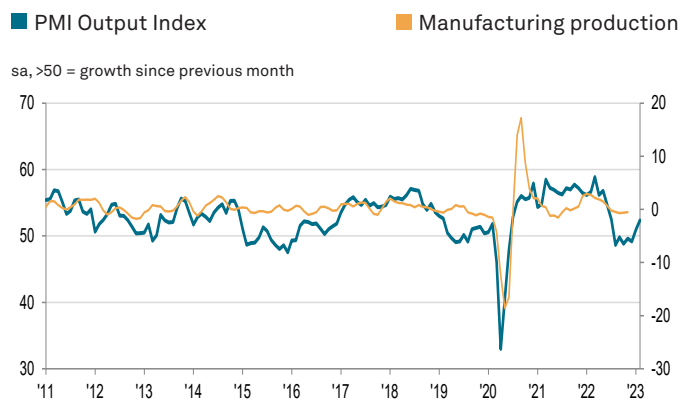
PMI[®]

by S&P Global

firms continued to pass on a significant proportion of their cost bases to clients in the form of increased output charges, albeit to the weakest degree in the past five months.

Perhaps reflective of a growing confidence in the outlook, staffing levels increased for a fourth successive month. Higher current production requirements also supported the modest rise in employment, and this upturn in capacity helped to drive backlogs of work down for a seventh successive month.

Nonetheless, firms retained some caution in purchasing activity, instead signalling a preference to utilise inventories in current production rather than purchase new inputs. As a result, buying activity declined for a seventh month in a row, albeit modestly, whilst there was a similar sized decline in stocks of purchases. Reduced demand for inputs helped to further relieve pressure on vendors. Although average lead times continued to lengthen, reflective of residual raw material shortages at suppliers, they did so again at a historically slow pace.



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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.

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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.