

News Release

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S&P Global Canada Manufacturing PMI[®]

Downturn in manufacturing sector continues in September

Key findings

Production and new work decline at quicker rates

Job losses recorded amid uncertain outlook

Selling price inflation drops to 11-month low

Canada's manufacturing economy experienced a further deterioration in operating conditions during September. Sales and output both fell at quicker rates, with the trading environment characterised by ongoing uncertainty and adverse tariff effects. Amid a challenging outlook, firms made further cuts to employment, purchasing and inventory levels.

Price pressures meanwhile dissipated. Although input costs rose sharply, they did so at a much slower rate. Moreover, selling prices increased only modestly, reflective of competitive pressures and challenging market conditions.

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, remained below the critical 50.0 no-change mark in September for an eighth successive month. Posting 47.7, down from 48.3 in August, the PMI pointed to a solid and slightly faster deterioration in operating conditions.

Both output and new orders contracted in September, and at quicker rates than in August. Panellists continued to bemoan the adverse impact on demand of tariffs and wider economic uncertainty. Production and new orders have now fallen for eight months in a row. New export sales were again especially hard hit due to tariffs, with firms again pointing to continued weakness in sales to the United States.

The lack of overall new orders and cuts to production meant firms generally chose to not replace leavers at their plants. Some firms also reported enforced layoffs. The net result was a decline in employment for an eighth successive month, although the rate of contraction was modest and the softest since February.

Firms nonetheless had sufficient capacity to easily keep on top of their overall workloads. Backlogs of work fell steeply in September to extend the current period of declining outstanding business comfortably above three years.

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



Source: S&P Global PMI
Data were collected 11-24 September 2025

Comment

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

“Latest data showed the continued underperformance of Canada’s manufacturing economy. Output, new orders and exports all continued to fall, with the uncertain trading environment also leading firms to make cuts to purchasing, inventories and employment.”

“Once again tariffs and Canada’s trading relationship with the United States remained a dominant theme amongst survey participants, as firms noted the detrimental impacts on exports and confidence in general. Firms therefore understandably remain cautious, preferring instead to adopt a wait-and-see attitude rather than plan for and commit to new projects.”

“One of the positives from the latest report is a dissipation of price pressures, with both input costs and selling prices rising at slower rates. This will provide reassurance to Bank of Canada policymakers that a reduction in underlying inflation pressures is underway and provide further justification for September’s cut in interest rates.”

PMI[®]

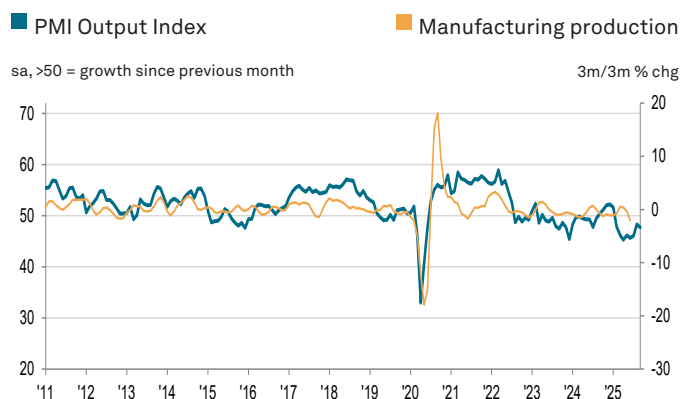
by S&P Global

Manufacturers also sought to minimise stock holdings given the challenging demand environment, cutting both inventories of pre-production and finished goods over the month. Purchasing activity was also reduced solidly, albeit to the weakest degree since January.

Manufacturers' circumspect approaches to employment, inventories and purchasing also reflected in part an uncertain outlook, especially in relation to Canada's future trading relationship with the United States. Whilst some firms are hopeful to kickstart planned new projects in the year ahead, confidence in the outlook remained historically subdued, and fell slightly on August's seven-month high.

Tariffs meanwhile remained an ongoing source of cost pressures in September. Input prices again rose sharply, although the rate of inflation eased noticeably since August and was the second-lowest of the year so far. Prices for metals like steel, plus shipping costs in general, were reported to have increased during the month. Firms also pointed to ongoing delivery delays, especially for imported goods which was again linked to tariffs.

Manufacturers struggled to pass on their higher input costs to clients in the form of increased selling prices during the month. This was highlighted by the latest data on output charges, which increased only modestly in September and to the softest degree in nearly a year. Panellists attributed their lack of pricing power to market competition and a soft demand environment.



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.

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