

News Release

Embargoed until 0930 EDT (1430 UTC) 2 January 2024

S&P Global Canada Manufacturing PMI[®]

Manufacturing downturn deepens in December

Key findings

Rapid and faster falls in output and new orders

Return to job losses signalled

Costs and charges increase again

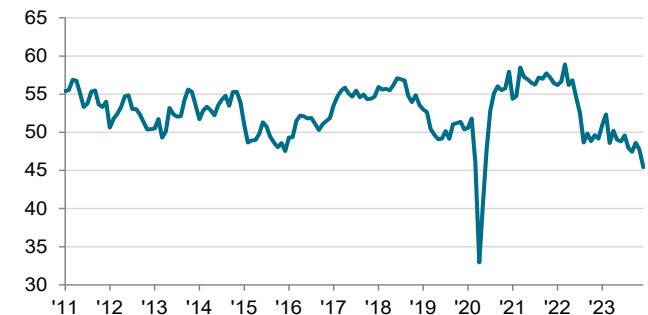
The downturn in Canada's manufacturing sector intensified during December, with accelerated declines in both output and new orders signalled. There was also a return to job shedding, whilst confidence in the future remained subdued in the context of the survey history. Prices rose again, despite further evidence of deteriorating demand for inputs and improved supply.

The seasonally adjusted **S&P Global Canada Manufacturing Purchasing Managers' Index™ (PMI[®])**, a composite single-figure indicator of manufacturing performance derived from indicators for new orders, output, employment, suppliers' delivery times and stocks of purchases, registered 45.4 in December. That was down from 47.7 in November and the lowest reading since May 2020. The PMI has now posted below the crucial 50.0 no-change mark for eight months in a row.

Concurrent and accelerated falls in both output and new orders were signalled during December. The declines were also the steepest since May 2020 and reflected subdued market conditions. Firms commented that high prices were weighing heavily on demand, both at home and abroad. Latest data showed that new export orders declined to the greatest degree for three-and-a-half years, with various conflicts around the world also reported to be negatively impacting global manufacturing demand.

Firms remained reticent when it came to purchasing and employment decisions in December. In both instances, cuts were made. The fall in input buying was especially severe, with firms signalling a strong preference for using existing stocks in production against the backdrop of weak order book trends. The drop in input inventories was the steepest for three-and-a-half years. Similarly, job numbers fell to the greatest degree since June 2020. An unwillingness to replace leavers at a time of deteriorating order books was noted by several panellists. Another factor behind reduced job numbers was the presence of excess capacity, which was

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



Source: S&P Global PMI
Data were collected 06-18 December 2023

Comment

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

"Canada's manufacturing economy endured a difficult end to 2023 and with that rounded off a challenging year for the sector overall. The respective PMI posted below the 50.0 no-change mark for the ninth time in 2023, and comfortably registered its worst reading in the post-pandemic period. Accelerated declines in both production and new orders were registered, amid reports that demand for manufactured goods remains subdued.

"Firms noted that clients remain burdened by high prices, and these continued to rise throughout the supply chain over the month. However, at least rates of inflation eased according to the PMI data, and given the increasingly weak demand environment, are likely to continue to fall in the months ahead. With employment also down quite noticeably, there are also signs of a loosening of the industrial labour market. This development will add to hopes that the Bank of Canada remains firmly on its stated path of restoring price stability in 2024."

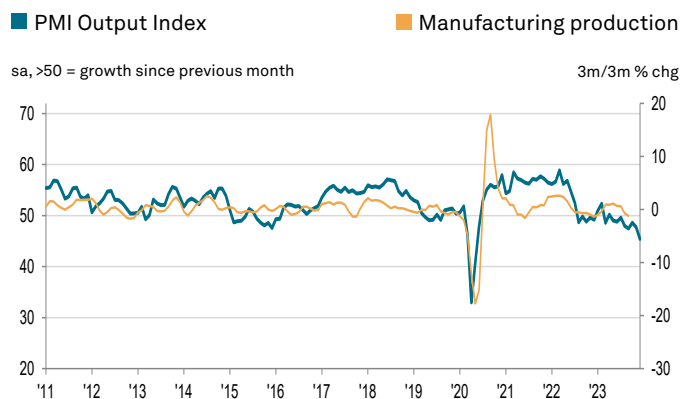
PMI[®]

by **S&P Global**

highlighted by another steep reduction in backlogs of work.

Despite lower demand and evidence of improving supply – average vendor times improved for the first time in four months during December – companies continued to report higher input prices during December. The rate of inflation remained marked, though was the lowest for three months. A wide range of goods were reported to have risen in price, with steel commonly said to be up in cost. Firms saw little choice but to raise their own charges, although competitive pressures meant the degree to which output prices increased was slower than November’s nine-month high.

Finally, looking ahead to the coming 12 months, firms are on average confident of experiencing a rise in production. There are hopes that market demand will improve over the coming months but worries over elevated prices and interest rates persist. Overall confidence subsequently remained below trend in December despite rising to a three-month high.



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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.