

News Release

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S&P Global Canada Manufacturing PMI[®]

Slight improvement in operating conditions during April

Key findings

Output up, but order books decline

Jobs growth sustained

Input price inflation accelerates

Operating conditions in Canada's manufacturing sector were little-changed during April. Although output and employment both increased, order books fell modestly, and firms were cautious with regards their purchasing and stock management policies. Confidence in the future was a little lower, whilst input prices increased at a sharper rate. Output prices, however, rose to the weakest degree in nearly three years.

The seasonally adjusted S&P Global Canada Manufacturing Purchasing Managers' Index[®] (PMI[®]) posted 50.2 during April, up from March's 48.6. Posting just above the crucial 50.0 no-change mark that separates growth from contraction, the index signalled a marginal improvement in operating conditions since the previous month.

Growth was linked to a marginal rise in output. Firms attributed this in part to a rise in capacity capabilities, with some panellists signalling better stability in labour provision. Employment growth was sustained, and the rate of increase accelerated since March to reach its highest level since June 2022. Companies reported that jobs were added in anticipation of higher sales, but also to help to keep on top of workloads. Levels of work outstanding declined for a ninth successive month, and the rate of contraction was again solid.

Firms were able to make cuts to backlogs due to extra capacity and increased output, but also because incoming new orders fell modestly for a second successive month. Export sales were also down again, extending the current sequence of contraction to just under a year. Firms reported hesitancy amongst clients in decision-making, reflective in part ongoing concerns over elevated inflation and the future direction of the economy. These factors also weighed on confidence amongst Canadian manufacturers themselves, with optimism down on March's 11-month high and to a level just below trend.

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



Source: S&P Global.
Data were collected 12-24 April 2023

Comment

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

“Although Canada’s manufacturing sector returned to growth in April, it did so only marginally with underlying data suggesting the recovery remained on shaky ground. Output and employment growth were sustained, but another drop in new orders is probably the most notable development. Clients are hesitant in their spending decisions, unsure of the direction of the economy at a time when prices remain high.”

“Cost inflation especially remains stubbornly high, with prices increasing to the strongest degree of the year so far. But manufacturers found themselves facing a tricky dilemma: although margins are under pressure from elevated costs, equally underwhelming demand is bearing down on their pricing power. No wonder then that firms continued to adopt cautious approaches to purchasing and stock management, and that confidence in the future took a knock in April.”

PMI[®]

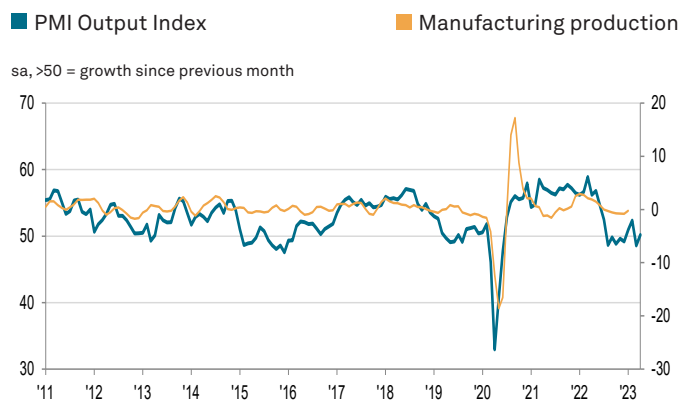
by S&P Global

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Prices paid for inputs rose sharply in April, with the rate of inflation accelerating to its highest level of the year so far. Companies signalled costs were rising generally across a wide range of goods. Higher transportation costs were also cited as a factor driving inflation. There were also reports of higher supplier surcharges being applied. This was despite some signs of improved stability in the supply of inputs. Latest data showed that average lead times worsened again in April, but only slightly and to the smallest degree in over three-and-a-half years of worsening supplier performance.

Reduced demand also lowered pressure on vendors. Manufacturers cut their purchasing activity for a ninth successive month. Companies were hesitant in their spending against a backdrop of underwhelming sales and demand. Firms instead chose to utilise stocks wherever possible, cutting their inventories of purchases for a ninth successive month. However, the rate of contraction was modest, and much lower than in March.

With manufacturers facing the opposing forces of sharply rising input costs but soft sales, output charges continued to be increased during April. However, the rate of inflation was the lowest recorded by the survey in just under three years.



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

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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.