

News Release

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S&P Global Canada Manufacturing PMI[®]

PMI moves closer to stabilisation in August

Key findings

Noticeably weaker falls in output and new orders recorded

Modest reduction in employment

Inflation rates accelerate

Operating conditions in Canada's manufacturing economy continued to deteriorate during August, albeit only marginally and to the softest degree since March. This reflected slower falls in both output and new orders. However, there was a return to modest job shedding following marginal growth in July.

Shipping delays, especially related to ocean freight, led to another deterioration in vendor performance. On the price front, input cost inflation accelerated to its sharpest since April 2023, helping to drive the steepest increase in output charges for nine months.

The seasonally adjusted S&P Global Canada Manufacturing Purchasing Managers' Index[™] (PMI[®]) registered below the critical 50.0 no-change mark during August for a sixteenth successive month. However, by rising to 49.5, from 47.8 in July, the PMI signalled only a marginal deterioration in operating conditions that was the weakest since March.

August's survey revealed weaker contractions in both output and new orders. Panellists nonetheless continued to report a subdued economic environment, both at home and abroad. Clients were said to be hesitant in committing to new work linked to some uncertainty in the geopolitical and global economic outlooks. New export orders declined for a twelfth successive month, although the rate of contraction also softened noticeably to its slowest since May.

The lack of incoming new work and reduced production requirements meant firms cut their staffing levels for the second time in the past three months. The decline was also the steepest in 2024 so far, with reports of the non-replacement of leavers and some concerns about the economic outlook leaving firms reticent to hire new workers. Although confidence in the outlook remained positive, linked in part to projections of a better economic environment and a rise in new work, sentiment was again below trend in August. Some firms remained concerned over the impact on

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



Source: S&P Global PMI
Data were collected 12-23 August 2024

Comment

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

"Although the performance of Canada's manufacturing economy continues to disappoint, slower falls in output and new orders point to a relatively better performance in July than in August, thereby providing some hope of the sector heading towards stabilisation after a prolonged downturn.

"Still, reduced employment and cuts in purchasing activity point to continued uncertainty amongst firms, and this was reflected in their assessment of the outlook, with confidence remaining below its trend level. Firms continue to worry about price levels, and in this regard the latest data on inflation remained concerning. Cost pressures picked up to their highest in nearly a year-and-a-half year, whilst output charge inflation accelerated noticeably."

PMI[®]

by S&P Global

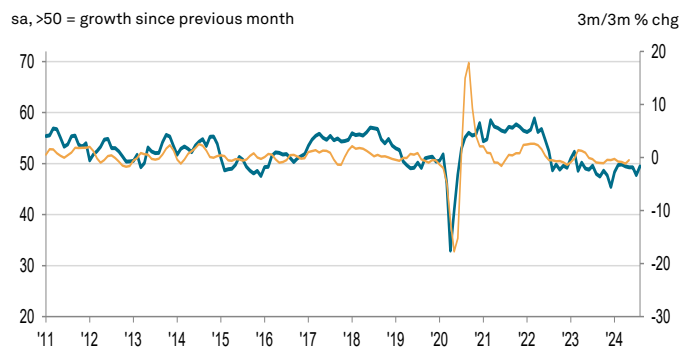
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demand of elevated prices and high interest rates.

Price pressures intensified during August. Input price inflation accelerated to its steepest level since April 2023, linked to higher prices for a variety of inputs (plastics were especially noted). There were also reports that unfavourable exchange rate movements and high shipping costs had raised overall input prices. In response, manufacturers raised their own charges to the greatest degree since last November.

Meanwhile, firms also reported ongoing sea freight delays. With low inventories at suppliers noted as well, firms signalled that average lead times deteriorated to the greatest degree for 18 months. Firms sought to mitigate these risks by bolstering input stocks wherever possible. Overall, input inventories rose modestly, but nonetheless at the strongest pace since May 2022. That was despite purchasing activity being cut again in August, extending the current downturn to just over two years.

■ PMI Output Index ■ Manufacturing production



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. ihsmarkit.com/products/pmi.html.