

# News Release

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## S&P Global Canada Manufacturing PMI<sup>®</sup>

### Solid growth in manufacturing production sustained in April

#### Key findings

Headline PMI moderates from March's record high

Near-record expansion in purchasing activity

Output price inflation at second-strongest in series history

April data signalled another robust expansion in operating conditions in the Canadian manufacturing sector, despite a slight moderation since March. Looser COVID-19 restrictions and a general improvement in demand conditions led to strong inflows of new work. Subsequently, output and purchases rose sharply. Meanwhile, strong capacity pressures continued to emerge which firms responded to by raising their staffing levels at an accelerated pace.

As for prices, firms continued to face steep cost pressures with higher charges for transportation, material and fuel reported. Geopolitical tensions were also blamed for elevated rates of inflation, feeding through to sentiment which moderated from March's five month high.

The seasonally adjusted S&P Global Canada Manufacturing Purchasing Managers' Index<sup>®</sup> (PMI<sup>®</sup>) registered at 56.2 in April, down from March's survey-record high of 58.9. The latest reading continued to indicate robust operating conditions and extended the current period of growth to 22-months, but dipped to a joint 14-month low.

Central to the improvement was a solid uptick in new orders. Firms often mentioned securing new clients in the domestic market. Sales to international clients also increased with exports rising for the second successive month.

With strong demand conditions persisting, firms raised their production levels at the start of the quarter. Output rose sharply, though at a softer pace than that seen in March. Consumer goods firms raised their output levels at the strongest rate followed by those in the investment and intermediate goods sectors, respectively.

Vendor performance deteriorated greatly during the month, although to the joint-weakest degree since November 2020. There were widespread reports of material scarcity, truck shortages and freight delays. Consequently, backlogs rose sharply. Firms did, however, seek to tame the rise in incomplete work by adding to headcounts, though this was

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



Source: S&P Global.  
Data were collected 11 - 25 April 2022.

#### Comment

Shreeya Patel, Economist at S&P Global, said:

*"The start of the second quarter of 2022 yielded another favourable month of trading for Canadian manufacturers. Demand conditions were supportive and continued to underpin a solid improvement in operating conditions. As has been the case over the last year or so, consumer demand remains strong despite elevated rates of inflation.*

*"However, capacity constraints have persisted and firms look to be struggling with labour shortages. Recent geopolitical developments have also exacerbated costs, particularly for fuel and raw materials. At the same time, anecdotal evidence often mentioned shortages of trucks which could further impact production in the future.*

*"Nevertheless, Canada's manufacturing sector has performed strongly despite supply bottlenecks, COVID-19 and increasing uncertainty. Firms remain prepared and continue to foresee output growth over the coming months."*

PMI<sup>®</sup>

by S&P Global

not enough to curb an increase in outstanding business. Firms also mentioned that there were still shortages of skilled labour. Subsequently, firms had little capacity to raise post-production inventories, which fell slightly in April.

Raw material scarcity and lengthy lead times prompted Canadian manufacturing firms to raise their pre-production inventories. Stockpiling has now been seen in each of the last 15 months. Purchasing activity, meanwhile, rose substantially, and at the third-strongest rate in the series history.

Turing to prices, input price inflation moderated from March's peak. The rate of increase was still substantial, however, and among the quickest in the series history. A number of reasons were cited for higher input costs including rising fuel, material, transportation and labour expenses. The war in Ukraine also reportedly drove up input costs.

Consequently, selling prices rose sharply. In fact, the rate of inflation was the second-strongest in the series history surpassed only by that seen in March. Firms reported efforts to protect profit margins and pass on higher transportation and material costs.

Looking ahead, favourable demand conditions supported positive sentiment at the start of the second quarter. However, the degree of optimism moderated from March and dipped just below the long-run series average. Steep cost pressures, the geopolitical environment and uncertainty weighed slightly on hopes during April.



Sources: S&P Global, StatCan.

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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](mailto: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](https://ihsmarkit.com/products/pmi.html)