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## IHS MARKIT CANADA MANUFACTURING PMI®

### Rapid manufacturing downturn amid COVID-19 pandemic in April

#### KEY FINDINGS

Survey-record falls in output, new orders and employment

Severe disruptions across manufacturing supply chains

Lower energy sector spending adds to concerns about the business outlook

April 2020 data were collected 7-24 April 2020.

April data signalled by far the steepest downturn in manufacturing conditions since the survey began in October 2010. Survey respondents almost exclusively attributed lower production, new orders and employment to shutdowns amid emergency public health measures to halt the spread of coronavirus disease 2019 (COVID-19).

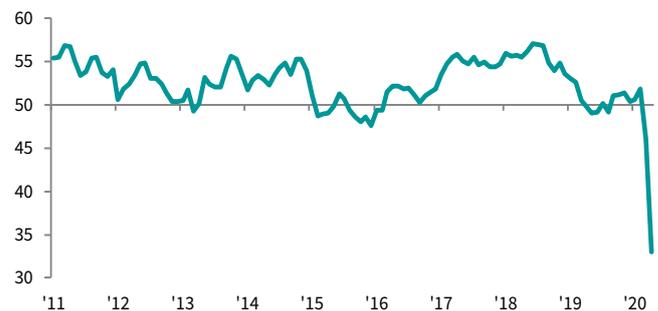
At 33.0 in April, the headline seasonally adjusted IHS Markit Canada Manufacturing Purchasing Managers' Index® (PMI®) was down sharply from 46.1 in March, to signal a rapid decline in manufacturing sector business conditions. This reflected survey-record declines in output (index at 22.6), new orders (23.9) and employment (25.1), alongside a severe reduction in stocks of purchases.

The fall in the Manufacturing PMI since March was softened to some extent by a steep lengthening of suppliers' delivery times (which has an inverse contribution to the headline index). However, longer lead-times were not demand-driven in April, but instead simply reflected severe distress across global supply chains amid widespread business closures and delays at international borders.

Around 66% of the survey panel reported a drop in production volumes in April, while only 10% signalled an expansion. Canadian manufacturers cited factory shutdowns or reduced production capacity, alongside severely reduced customer demand. Where growth was reported in April, this was mainly linked to consumer essentials and production for healthcare supply chains.

The survey-record decline in new orders reflected a rapid

Manufacturing PMI  
sa, >50 = improvement since previous month



decline in sales to both domestic and export clients in April. Lower demand was almost exclusively linked to the COVID-19 pandemic and subsequent cutbacks to customer spending. Manufacturers often commented on severe reductions in sales to clients in the automotive and energy sectors.

Manufacturers reported severe cash flow challenges during April, which resulted in rapid declines in purchasing activity, staffing numbers and inventories. The latest fall in employment levels was by far the sharpest seen since the survey began just over nine-and-a-half years ago. There were also survey-record declines in stocks of finished goods, pre-production inventories and input buying across the manufacturing sector in April.

Average cost burdens increased only fractionally during the latest survey period, helped by falling commodity prices and weak demand for raw materials. The rate of overall input cost inflation was the slowest since July 2012. Meanwhile, manufacturers reported a return to price discounting in April, with factory gate charges cut for the first time in three-and-a-half years.

Looking ahead, manufacturers are the more pessimistic about their prospects for the next 12 months than at any time since this index began in July 2012, reflecting uncertainty about the length of customer shutdowns and an expected slump in energy sector spending.

## COMMENT

Commenting on the PMI data, Tim Moore, Economics Director at IHS Markit said:

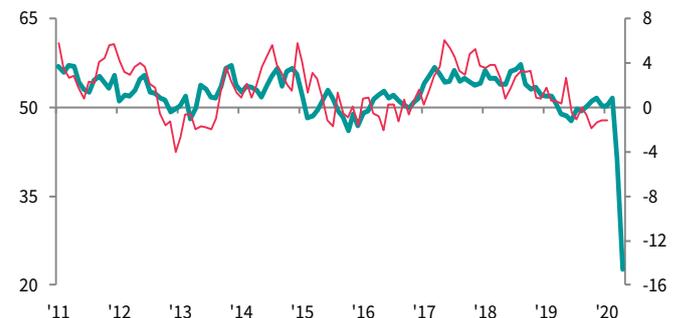
*"Canadian manufacturers unsurprisingly recorded a survey-record drop in output during April as the COVID-19 pandemic led to either complete factory shutdowns or reduced production schedules, alongside rapidly shrinking customer demand. Only a small minority of survey respondents indicated a rise in output volumes, which was almost exclusively linked to consumer essentials and production to support healthcare supply chains.*

*"With manufacturers facing a drop in output of historic proportions, the latest data also highlighted by far the fastest reductions in both employment numbers and input buying since the survey began in late-2010.*

*"Business sentiment worsened to a considerable degree in April, with the largest fall seen across the investment goods category. Manufacturers widely commented on concerns about the outlook for capital spending in the energy sector, as well as uncertainty about the length of customer closures and worries about a protracted downturn in global economic conditions."*

## Output Index

sa, >50 = growth since previous month



Sources: IHS Markit, StatCan.

## CONTACT

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## Methodology

The IHS Markit Canada Manufacturing PMI® is compiled by IHS Markit 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.

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.

April data were collected 07-24 April 2020.

For further information on the PMI survey methodology, please contact [economics@ihsmarkit.com](mailto:economics@ihsmarkit.com).

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