

Embargoed until 0930 EDT (1330 UTC) 2 July 2020

# IHS Markit Canada Manufacturing PMI®

## Manufacturing PMI hits four-month high in June

### Key findings

Slower falls in output, new orders and employment

Sharp lengthening of suppliers' lead times

Business expectations continue to rise from April's low

June data were collected 12-24 June 2020.

June data provided signs of a turnaround in momentum across the Canadian manufacturing sector, with the slides in output, new orders and employment all easing to considerable degrees in the latest survey period.

The headline seasonally adjusted IHS Markit Canada Manufacturing Purchasing Managers' Index® (PMI®) registered 47.8 in June, up from 40.6 in May and well above the survey-record low seen during April (33.0). That said, the latest reading remained below the neutral 50.0 threshold.

Production volumes dropped to the weakest extent since the downturn began in March. Around 30% of the survey panel reported a fall in output during June, while approximately 27% signalled an expansion. Manufacturers reporting a decline in production overwhelmingly attributed it to weaker underlying demand conditions. Where growth was recorded, panel members mostly cited a phased restart of factory operations and reopening among clients after stoppages due to the COVID-19 pandemic.

Mirroring the trend for output, the latest data signalled the slowest fall in new work since the start of the downturn in March. Manufacturers reporting lower sales mostly commented on cautious spending by clients and worsening global economic conditions in the wake of the COVID-19 pandemic. Export sales continued to decrease at a faster pace than total new orders in June.

A lack of pressure on business capacity and concerns about the outlook for customer demand continued to hold back staff hiring in June. Latest data indicated a fall in employment for the fourth month running, but the rate of decline was the least marked over this period. Some manufacturers noted that they had begun to add to their payrolls in response to more stable demand conditions, but this was more than offset by those signalling continued job cuts in

*continued...*

Canada Manufacturing PMI

sa, >50 = improvement since previous month



Source: IHS Markit.

### Comment

Commenting on the latest survey results, Tim Moore, Economics Director at IHS Markit, said:

"The latest Canada Manufacturing PMI highlights a vastly improved situation in comparison to that seen over the previous three months. June data signalled that the overall downturn in output, order books and jobs eased to its least marked since the COVID-19 pandemic took hold.

"The proportion of survey respondents indicating a monthly drop in production has eased from 66% in April and 47% in May to only 30% during June. This shift in momentum has been driven by a phased reopening of factory operations and the restart of business activity among clients.

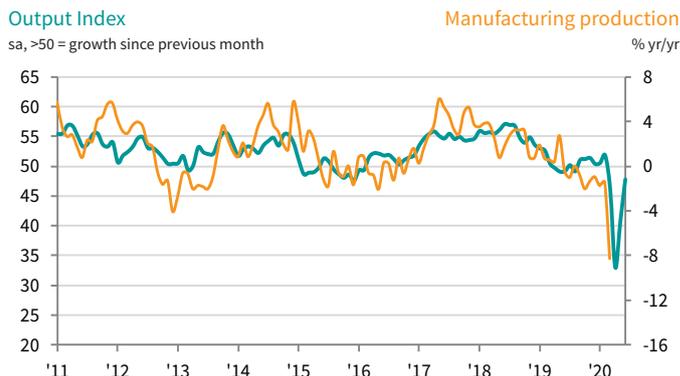
"Despite another improvement in their expectations for production during the year ahead, manufacturers continued to report highly subdued underlying demand in June, alongside widespread concerns about the global economic outlook."

June.

Manufacturing supply chains remained under severe pressure in June, which led to a further sharp lengthening of lead times for raw materials. More than one-third of the survey panel (35%) noted that supplier performance had worsened in June. This was often linked to stretched transportation capacity, especially for items shipped from the US.

Meanwhile, input cost inflation accelerated to its fastest for four months in June. Higher purchasing prices were attributed to exchange rate depreciation against the US dollar and, in some cases, surcharges from vendors linked to the COVID-19 pandemic and supply shortages. Canadian manufacturers reported an increase in their factory gate charges in June, but the pace of inflation was only modest.

Looking ahead, around 42% of the survey panel anticipate a rise in production volumes over the next 12 months, while 16% forecast a reduction. As a result, the index measuring business expectations for the year ahead remained in positive territory, and reached its highest level since February. Manufacturers typically commented on an expected boost to client demand and production schedules associated with a gradual easing of COVID-19 measures.



Sources: IHS Markit, StatCan.

### Contact

Tim Moore  
 Economics Director  
 IHS Markit  
 T: +44-1491-461-067  
[tim.moore@ihsmarkit.com](mailto:tim.moore@ihsmarkit.com)

Katherine Smith  
 Public Relations  
 IHS Markit  
 T: +1 781 301 9311  
[katherine.smith@ihsmarkit.com](mailto:katherine.smith@ihsmarkit.com)

#### Survey 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.

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

#### Survey dates and history

Data were collected 12-24 June 2020.

Data were first collected October 2010.

#### Disclaimer

The intellectual property rights to the data provided herein are owned by or licensed to IHS Markit. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without IHS Markit's prior consent. IHS Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall IHS Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index® and PMI® are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited. IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates.

#### About IHS Markit

IHS Markit (NYSE: INFO) is a world leader in critical information, analytics and solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 business and government customers, including 80 percent of the Fortune Global 500 and the world's leading financial institutions.

IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates. All other company and product names may be trademarks of their respective owners © 2020 IHS Markit Ltd. All rights reserved.

If you prefer not to receive news releases from IHS Markit, please contact [katherine.smith@ihsmarkit.com](mailto:katherine.smith@ihsmarkit.com). To read our privacy policy, click [here](#).

#### 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).