

ECONOMIC NEWS

Canada: Manufacturer Confidence Hits Historic Low

HIGHLIGHTS

- ▶ The seasonally adjusted global PMI IHS Markit index for the Canadian manufacturing sector fell to 46.1 in March, down from 51.8 in February.
- ▶ An index below the 50 mark signals a contraction of the manufacturing sector.
- ▶ Not only did the index post its worst monthly decline in March, but it also hit its lowest level since it was first introduced nine and a half years ago.
- ▶ The lowest level was in British Columbia and Alberta, at 44.4, followed by Quebec, at 45.9. The index is currently sitting at 48.8 in Ontario, but at 46.6 in the other six provinces.

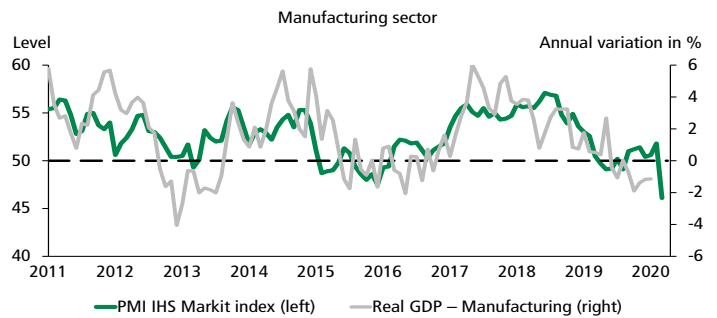
COMMENTS

In light of all of the restrictions that governments have imposed to stop the spread of COVID-19 throughout the country, manufacturer confidence in March was expected to worsen significantly. Despite reaching historic proportions, the drop in the PMI IHS Markit is not as low as had been feared. It must be noted that the survey was conducted between March 12 and 25, a time when the most restrictive measures had not yet been fully implemented. Under the circumstances, the index is expected to continue to slide until the next survey in April.

The index's fall in March nonetheless speaks volumes. It suggests that the manufacturing sector will see business decrease significantly. Still, different sectors are expected to post extremely uneven results. On the one hand, producers of essential goods are unlikely to see output drop; on the contrary. On the other hand, other manufacturers may see output slow significantly, whether due to the isolation measures, disruptions in the global supply chain or a drop in demand. Furthermore, the energy-related sectors will have to face the problems arising from the sharp drop in oil prices.

GRAPH

The manufacturing sector's struggles are expected to intensify



Sources: IHS Markit, Statistics Canada and Desjardins, Economic Studies

IMPLICATIONS

The economic data for March are just starting to be released, but they're already painting a fairly bleak picture of the health of the Canadian economy during the month. Additional data will become available in the coming days, which will help determine the extent of the correction to real GDP in March.

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