

IHS Markit Canada Manufacturing PMI®

Robust rate of growth maintained in November, but severe supply constraints persist

Key findings

Output and new orders increase solidly

Backlogs of work rise at survey record pace

Supply-chain issues and material shortages prompt longer lead times

Data were collected 12-24 November 2021.

Latest PMI® data continued to reveal a robust expansion in Canada's manufacturing sector. Output growth accelerated while new orders rose at a solid pace. Firms continued to engage in advance ordering to protect against shortages, but transportation bottlenecks led to another marked lengthening in lead times. Consequently, backlogs of work rose at a survey record pace.

Rising demand and higher transportation fares led to a sharp increase in costs. The favourable demand environment allowed firms to partly pass on higher expenses, however.

The headline seasonally adjusted IHS Markit Canada Manufacturing Purchasing Managers' Index® (PMI®) registered at 57.2 in November, down slightly from 57.7 in October. Growth has been seen in each month since July 2020, with the latest expansion among the strongest in over 11 years of data collection.

Manufacturers recorded the fastest rise in production levels for three months, which was linked to increased workloads. The overall rate of expansion was strong, and in line with the average seen for 2021 so far.

Meanwhile, new work expanded solidly, but at a softer pace during November. Survey respondents widely commented on improved demand and higher customer numbers. There were also reports that companies broadened their product offerings. At the same time, greater demand from US and Asian markets supported a tenth monthly uptick in exports.

There were further signs that manufacturing companies struggled to keep up with workloads during the month. Unfinished business increased at a survey-record pace which was largely linked to stretched supply chains and component shortages.

Average lead times from vendors lengthened to the second-

continued...

Canada Manufacturing PMI

sa, >50 = improvement since previous month



Source: IHS Markit.

Comment

Commenting on the latest survey results, Shreeya Patel, Economist at IHS Markit, said:

"The penultimate month of 2021 continued to indicate strong growth in Canada's manufacturing sector. Operating conditions have improved in each of the last 17 months, with the latest expansion among the strongest in the series history. Production volumes increased strongly while sustained increases in domestic and international demand contributed to the sector's strong performance.

"Firms meanwhile continue to adopt advance buying strategies which have served them well so far. That said, companies struggled once again with shortages, resulting in a record accumulation of incomplete work.

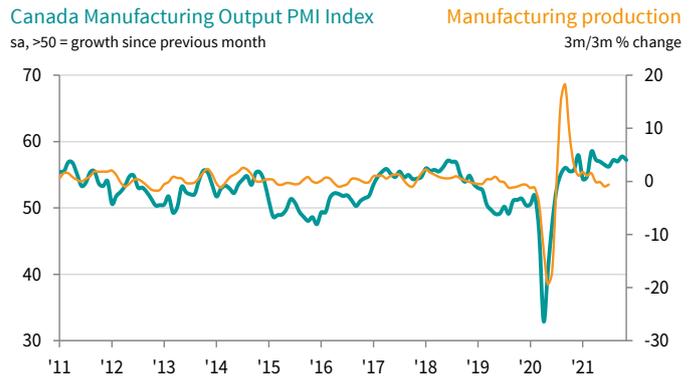
"Overall, Canada's manufacturing sector performed well in November. Growth has certainly been hindered by transportation bottlenecks, material scarcity and intense cost pressures, but firms remain confident that such issues will subside in 2022."

greatest extent since the survey began in October 2010. Anecdotal evidence suggested that transportation delays, material scarcity, port congestion and virus-related restrictions had led to worsening vendor performance. In response, manufacturers sought to build their safety stocks during November, with the latest rise in pre-production inventories the joint second-steepest in the series history.

Robust demand for raw materials, along with higher transportation, fuel and energy costs led to a marked rate of input cost inflation. Survey respondents commented on difficulties sourcing semiconductor chips and higher prices for steel, rubber, aluminium and electrical components. Firms opted to pass on part of the burden to customers by raising their selling charges. The rate of output price inflation moderated but was the fourth-steepest in the series history.

With prices elevated and capacity pressures persisting, stocks of finished goods were depleted. The decline was only fractional, however.

Manufacturers were upbeat about their growth prospects for the next 12 months. The degree of positivity moderated to the lowest since July, but was still above the long-run series average. Panel comments indicated that hopes of improving supply and customer demand supported optimism.



Sources: IHS Markit, StatCan.

Contact

Shreeya Patel
Economist
IHS Markit
T: +44 134 432 8196
shreeya.patel1@ihsmarkit.com

Katherine Smith
Public Relations
IHS Markit
T: +1 781 301 9311
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.

Survey dates and history

Data were collected 12-24 November 2021.

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 © 2021 IHS Markit Ltd. All rights reserved.

If you prefer not to receive news releases from IHS Markit, please contact joanna.vickers@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