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# IHS Markit Canada Manufacturing PMI®

## Record improvement in business conditions during December

### Key findings

Production and new orders volumes increase at sharp rates

Steepest rate of job creation since November 2018

Suppliers' delivery times lengthen markedly

December data were collected 4-17 December 2020.

Canadian manufacturers registered a survey-record overall improvement in business conditions during December. Sharp expansions in new orders and output underpinned the latest growth. Sustained increases in manufacturing workloads contributed to capacity pressures and another round of job creation. There were also widespread reports that supply chain pressures mounted in December, which were often linked to the restrictions imposed to curb the surge in coronavirus disease 2019 (COVID-19) cases. Nevertheless, Canadian manufacturers remained optimistic that their output levels in 2021 will improve.

On the price front, material shortages and higher transportation costs added to inflationary pressures. Both input and output price inflation hit 26-month highs in December.

The headline seasonally adjusted IHS Markit Canada Manufacturing Purchasing Managers' Index® (PMI®) registered 57.9 in December, up from 55.8 in November, signalling the strongest overall improvement in business conditions since the survey began in October 2010. The headline index has now posted above the 50.0 neutral value in each month since July.

Production volumes increased at a marked pace in December, extending the current run of growth to six consecutive months. The latest expansion was the strongest since August 2018, and linked by panellists to greater order books.

Demand conditions continued to improve in both domestic and foreign markets. Canadian manufacturers recorded a substantial increase in order books, with new order growth the strongest in three months. Moreover, the rise in new work from abroad was the greatest since August 2018, driven by rising demand from clients in the US and Asia, according to panellists.

Rising workloads and long-term expansion plans contributed to  
*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:

*"Latest data indicated the Canadian manufacturing sector concluded 2020 with a record month-on-month improvement in business conditions. The headline PMI figure reached 57.9, the highest since the survey began over a decade ago. New orders and output supported the latest rise with robust increases registered. As a result, firms continued hiring efforts, although capacity pressures emerged with incomplete work rising further in December."*

*"Material shortages and strong inflationary pressures partly weighed on profit margins, although firms increased stocked inputs to limit the impact of future shortages."*

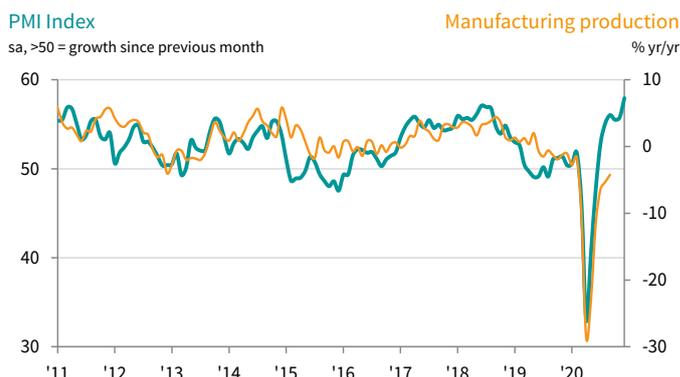
*"Overall, the sector continues to recover from the second quarter downturn, although relatively high virus case numbers still pose a threat to the industry should restrictions tighten again."*

another round of job creation, which was the strongest in over two years. That said, capacity pressures continued to emerge with the rate of incomplete work rising at the joint-fourth fastest pace in the series history.

Meanwhile, manufacturing firms continued to boost their purchasing activity with input buying increasing solidly. However, port congestion and difficulty obtaining materials were reflected in another marked decline in vendor performance. Subsequently, firms built up stock of inputs amid expectations of price hikes and lengthy delivery times in the months ahead.

Higher raw material and transportation costs placed upward pressures on input prices. The latest increase in overall cost burdens was the steepest since October 2018. Sharp rises in operating expenses and resilient demand conditions led to the fastest increase in selling prices for over two years.

Finally, sentiment improved to the strongest since September. Canadian manufacturers remained optimistic that their output volumes in 2021 will improve. Hopes of greater demand, business expansions and promising vaccine developments underpinned expectations.



Sources: IHS Markit, StatCan.

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### 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 4-17 December 2020.

Data were first collected October 2010.

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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)