

Embargoed until 0930 EDT (1330 UTC) 1 October 2021

## IHS Markit Canada Manufacturing PMI®

# PMI continues to signal strong growth, but global supply shortages force record rates of inflation

### Key findings

Solid rates of growth in output, new orders and employment

Backlogs rise at joint-fastest rate in survey history

Record rates of output and input price inflation

Data were collected 13-24 September 2021.

Canada's manufacturing sector concluded the third quarter of 2021 with another robust expansion. Despite a rise in COVID cases, output and new orders rose at historically elevated rates. However, global supply shocks persisted, leading to lengthier delivery times and a subsequent joint-record increase in backlogs. Amid efforts to protect against future shortages, firms raised their pre-production inventories at the joint-quickest rate in the survey to date.

Meanwhile, higher prices for steel, oil and transportation underpinned record rates of input and output price inflation.

The headline seasonally adjusted IHS Markit Canada Manufacturing Purchasing Managers' Index® (PMI®) registered 57.0 in September, little-changed from 57.2 in August. The latest reading extended the period of growth to 15 successive months, with the latest expansion among the sharpest in the 11-year history of the survey.

Canadian manufacturers recorded another solid upturn in their production volumes, although the rate of growth moderated from August's four-month peak. Surveyed respondents commented on supportive demand conditions, new product launches and increased efforts to boost output.

Similarly, new orders rose sharply, but at a softer pace than that seen in August. Firms mentioned strong demand conditions in both domestic and international (particularly the US) markets, despite a rise in COVID-19 cases.

To cater for the sustained increases in output and new orders, firms recorded a fifteenth monthly uptick in employment levels. The latest expansion was the softest since February, however. Anecdotal evidence suggested that labour shortages and difficulties finding skilled workers weighed heavily on hiring activity.

With the continuation of virus-related restrictions, as well as

*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:

*"Canada's manufacturing sector recorded another healthy improvement in operating conditions in September, despite infection rates rising in key provinces. Consumer demand remained strong and in turn supported output growth."*

*"However, while we can draw many positives from the latest data, issues surrounding global supply remain. Material scarcity led to higher prices, shipping delays, and subsequent increases in incomplete work. Anecdotal evidence suggests firms sought to clear their backlogs, but a lack of skilled workers hindered productivity."*

*"Firms will experience shortages and price hikes for some time but, by building their input stocks over the last eight months, they should be prepared for another busy quarter."*

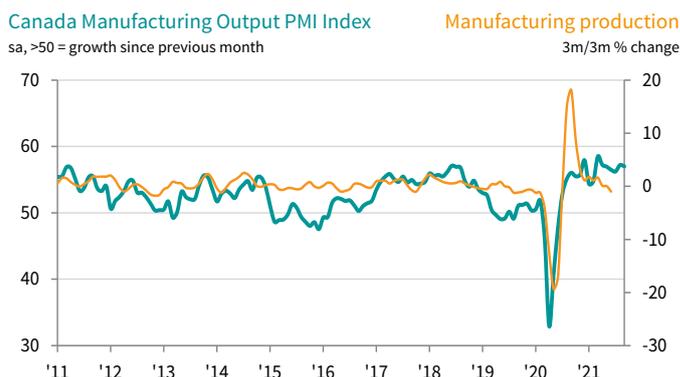
*"On the COVID-19 front, the vaccination effort, which was slow to start off with, nears completion. The majority of the population has been inoculated against COVID-19 which should protect against a tightening of measures."*

material scarcity, container shortages and freight delays, supplier’s delivery times lengthened at the second-most marked rate in the series history, surpassed only by that seen in April 2020. This, paired with difficulties finding staff, led to a joint-record rate of backlog accumulation. Incomplete work has now risen for the fourteenth month running.

Amid efforts to mitigate against future delays, firms raised their stocks of purchases at the joint-fastest rate in the survey to date. Capacity pressures resulted in another decline stocks of finished goods, however.

Material scarcity and robust demand for inputs led suppliers to hike their fees in September. Survey members noted greater prices for oil, steel and transportation. The overall rate of cost inflation accelerated from August’s previous peak to a new series high. Factory gate charges also rose at a survey record rate with the strong demand environment allowing firms to pass on a large proportion of the burden.

Goods producers expect output to increase over the coming 12 months, with the overall level of positive sentiment improving to the highest recorded since May 2019. Optimistic growth projections reflected forecasts of an improvement in economic conditions and wider material availability.



Sources: IHS Markit, StatCan.

## Contact

Shreeya Patel  
Economist  
IHS Markit  
T: +44 134 432 8196  
[shreeya.patel1@ihsmarkit.com](mailto:shreeya.patel1@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 13-24 September 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](mailto: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](https://ihsmarkit.com/products/pmi.html)