

IHS Markit Canada Manufacturing PMI®

PMI hits seven-month high, but severe delivery delays and supply shortages persist

Key findings

Output and new work continue to expand in October...

...but material scarcity and severe delivery delays threaten growth

Firms raise input stocks at record pace, despite sharp rates of cost inflation

Data were collected 12-25 October 2021.

October PMI® data revealed another robust improvement in the health of Canada's manufacturing sector. Expansions were seen across output, new orders, employment and purchasing activity. However, supply-chain pressures continued to mount with firms registering a record lengthening in lead times. This, paired with greater client demand and concerns of future supply shocks, led companies to raise their pre-production inventories at a record pace. Nevertheless, firms remained optimistic that global economic conditions will improve over the coming 12 months and support expansions in output.

Meanwhile, material scarcity for a wide range of inputs, as well as higher transportation and energy costs led to a near-record rate of input cost inflation. Selling prices also rose, and at the second-most marked rate in the series history.

The headline seasonally adjusted IHS Markit Canada Manufacturing Purchasing Managers' Index® (PMI®) registered at 57.7 in October, up from 57.0 in September. The latest reading extended the period of growth to 16 successive months, with the latest expansion the third-strongest in over 11 years of data collection.

Central to growth was a sharp upsurge in new orders amid improvements in domestic demand and new product launches. Exports also rose at quicker pace with the rate of growth the steepest since May 2018.

Output expanded solidly during the month with the rate of growth little-changed from that seen in September. Larger workforces and rising orders were key drivers of production growth, though some firms did mention that delivery delays and material shortages did soften the overall uptick.

Goods producers continued to register substantial deteriorations in vendor performance with lead times lengthening at the most

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 PMI data revealed that Canada's manufacturing sector performed strongly, continuing 2021's run of robust growth. New orders rose at a quicker pace in October, and firms continued hiring activity to meet their existing orders. Whilst domestic demand conditions were favourable, firms across the regions also recorded a healthy upturn in international demand as restrictions continue to ease across the globe.

"However, concerns surrounding supply were reinforced with severe delivery delays and near-record increases in costs again evident in October. Firms responded by raising their stock levels at the quickest rate on record, which should sustain solid output levels over the next few months.

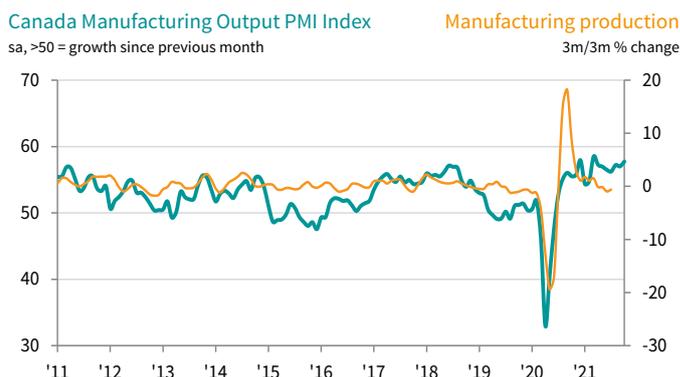
"Nevertheless, Canada's manufacturing sector has performed well over the course of the year, which was reflected in sentiment. Anecdotal evidence suggests firms are gearing up for another busy 12 months of trading."

marked rate in the survey to date. Raw material and container shortages alongside transportation bottlenecks led to extensive delays.

As a result, cost burdens soared once again. Material shortages, especially for metals, packaging, and electronic components, drove the uptick. There were also reports of higher shipping, fuel, and energy costs. The rate of cost inflation was the second-steepest on record, close to September's peak. Fortunately, the relatively strong demand environment allowed firms to raise their selling charges, which they did so at the second-fastest rate on record.

With supply-chain disruption persisting, and lead times especially lengthy, firms increased their input buying. Consequently, stocks of purchases rose, and at the steepest rate on record as firms sought to protect against future supply shocks and delivery delays. Post-production inventories meanwhile fell only marginally, with firms reportedly making active efforts to boost output and prepare for greater demand in the coming months.

Finally, business confidence improved to the strongest since April 2018. Strengthening demand and hopes for improved global economic conditions underpinned optimism.



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 12-25 October 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