

## IHS Markit Canada Manufacturing PMI®

# Sharp expansion in manufacturing output maintained in November

### Key findings

Rate of production growth holds at two-year high

Supplier delivery times lengthen markedly during November

Output price inflation quickens to 21-month high

November data were collected 12-24 November 2020.

A robust expansion in new orders helped underpin another sharp improvement in business conditions across the Canadian manufacturing sector during November. Output and purchasing activity rose solidly, and firms added to workforces for the fifth straight month. Despite efforts to increase workforce numbers, backlogs rose again at manufacturers, signalling capacity pressures. Meanwhile, sentiment remained positive with firms expecting the passing of the coronavirus disease 2019 (COVID-19) in the year ahead.

Output prices increased at the fastest pace since February 2019, as higher raw material and transportations costs were passed onto consumers.

The headline seasonally adjusted IHS Markit Canada Manufacturing Purchasing Managers' Index® (PMI®) registered 55.8 in November, up slightly from 55.5 in October, signalling another robust expansion in business conditions. The headline index has now posted above the 50.0 no-change threshold in each month since July.

Output growth at Canadian manufacturers remained strong midway through the final quarter of 2020. Survey respondents linked rising production volumes to improving domestic demand conditions, and higher unit orders. Demand from export markets rose only fractionally than that seen in the previous period, however. Travel and border restrictions weighed on the overall level of exports.

A solid uptick in production schedules was supported by additional staff recruitment across the manufacturing sector, which extended the current period of job creation to five successive months. Despite the rise in staffing, there were signs that manufacturing companies struggled to keep up with increasing workloads with backlogs rising solidly in November.

At the same time, vendor performance deteriorated amid

*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 survey data shows encouraging signs at the Canadian manufacturing sector as it continues to recover from the second quarter downturn. New orders, output and employment all continue to expand in November. At the same time, businesses foresee an improvement in production levels in the year ahead after a sustained period of growth was recorded in domestic demand."*

*"That said, supplier delivery times lengthened markedly with material shortages and travel restriction often mentioned."*

*"Looking ahead, the increasing number of COVID-19 cases has led to tightening lockdown restriction in major manufacturing regions. With a resurgence in case numbers, and further lockdown measures announced, the sector could face softer growth prospects or a second dip in the coming months."*

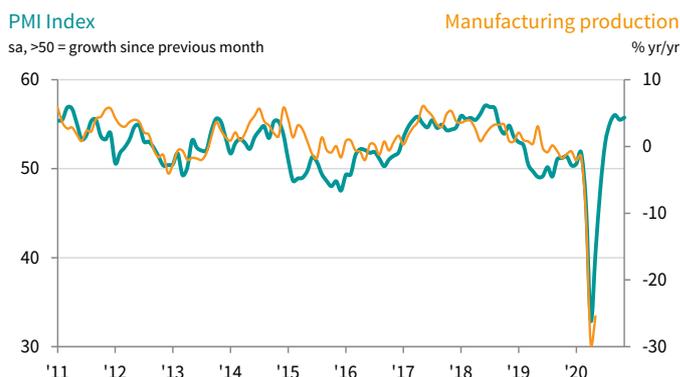
transportation delays and difficulty sourcing materials. Overall, delivery times lengthened to the third- greatest extent since the survey began over a decade ago.

In line with higher output volumes, manufacturers sought to increase pre-production inventories by raising input buying. That said, stocks of purchases were depleted in November with firms often mentioning more precise measures of ordering.

Insufficient capacity pressures were also reflected in stock of finished goods, which were diminished again. Although the rate of depletion eased from the previous survey period, it remained among the fastest in the series history.

Meanwhile, intense cost pressures persisted with the rate of input price inflation sharp in November. Higher raw material prices were overwhelmingly linked to the latest rise. Firms reportedly passed cost burdens on to clients, with output price inflation quickening to a 21-month high.

Finally, sentiment improved in November, with hopes that domestic demand will improve in the year ahead. Panel comments suggest expectations that COVID-19 will pass, and spending habits will return to normal.



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 12-24 November 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)