

Embargoed until 0930 EST (1430 UTC) 1 February 2021

IHS Markit Canada Manufacturing PMI®

Manufacturing growth softens to six-month low, but remains solid

Key findings

Output and new order growth both moderate in January

Supplier delivery times lengthen markedly

Input price prices continue to rise sharply

Data were collected 12-25 January 2021.

January data pointed to a solid expansion in overall operating conditions in the Canadian manufacturing sector. Growth moderated from that seen in December, however, as restrictions linked to the coronavirus pandemic 2019 (COVID-19) persisted. Growth in jobs and purchasing both softened at the start of the year while stocks of both inputs and finished goods were depleted. At the same time, border restrictions and port congestion led to longer input delivery times and a rise in backlogs. Nevertheless, firms remained optimistic that output in the year ahead will improve, although the longer-term impact of COVID-19 weighed slightly on the degree of optimism.

On the price front, sharp cost pressures continued to mount with higher raw material costs often mentioned as the main driver of inflation. Panellists reported to pass on cost burdens in efforts to protect profit margins.

The headline seasonally adjusted IHS Markit Canada Manufacturing Purchasing Managers' Index® (PMI®) registered 54.4 in January, down sharply from 57.9 in December. Despite moderating, the latest reading signalled a solid expansion in business conditions in the Canadian goods-producing sector.

Production volumes increased solidly in January, extending the current run of growth to seven-months. The uptick eased to softest in the aforementioned sequence, however, as ongoing restrictions had reportedly weighed on new order inflows.

Similarly, new orders rose at the start of the year, although the rate of expansion softened to a six-month low. Firms partly linked growth to greater demand for virus-related products such as Personal Protection Equipment (PPE). That said, exports were broadly unchanged as tighter restrictions in external markets led to subdued foreign demand.

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 signalled another month of expansion in the Canadian manufacturing sector with a solid uptick registered in January. Both output and new order volumes rose for a seventh successive month and firms continued to increase their purchasing activity."

"That said, signs of fragility emerged as all five of the PMI components moderated at the start of the year. Ongoing restrictions and border closures continue to pose a threat to exports and factory operations. At the same time, higher material prices and transportation costs added to the rate of input price inflation."

"Until vaccines are widely administered the sector can expect to see measures extend in pursuance of controlling case numbers."

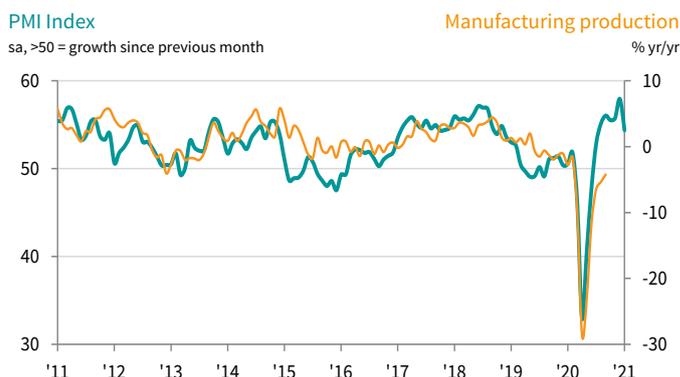
Softer increases in workloads led to a slower round of job creation. Some firms mentioned cost saving pressures had prompted restructuring efforts at the start of 2021.

Manufacturing firms continued to boost their purchasing activity with input buying increasing modestly. However, border restrictions and port congestion contributed to deteriorating vendor performance, which was among the sharpest in the series history. At the same time panellists linked rising backlogs to delays in the receipt of inputs.

Uncertain demand conditions, a moderation in optimism and efforts to better control cash flows, led to decreases in stocked inputs and post-production inventories at the end of the year.

Input cost inflation meanwhile remained robust with manufacturers reporting higher prices for aluminium, steel, and transportation. Surcharges for metals contributed to another sharp increase in selling prices.

Finally, manufacturers in Canada remained optimistic about their output levels in the year ahead. Firms had mentioned hopes of easing virus-related restrictions, although concerns surrounding the longer-term impact of COVID-19 weighed slightly on 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 January 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 katherine.smith@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