

IHS Markit Canada Manufacturing PMI®

Manufacturing growth picks up in February

Key findings

Solid expansion in new order volumes

Marked lengthening in supplier delivery times

Input price inflation intensifies amid material shortages

Data were collected 11-22 February 2021.

A robust expansion in new orders helped underpin another solid improvement in operating conditions across the Canadian manufacturing sector during February. The improving demand environment and a rise in backlogs encouraged firms to add to workforces, while sustained growth in output led to another increase in purchasing activity. However, the latest survey data continued to reveal intense supply chain pressures, with delivery times lengthening markedly. Firms often mentioned that restrictions, implemented to curb the spread of the coronavirus disease 2019 (COVID-19), had often led to material shortages and transportation delays. As a result, manufacturers incurred higher costs through supplier surcharges.

The headline seasonally adjusted IHS Markit Canada Manufacturing Purchasing Managers' Index® (PMI®) registered 54.8 in February, up from 54.4 in January, indicative of a strong improvement in overall operating conditions.

A boost to domestic demand underpinned another solid increase in new orders. That said, foreign demand for Canadian manufactured goods rose only fractionally at the start of the year as pandemic restrictions continued to hinder exports.

Output volumes rose in the latest survey period, although the rate of expansion eased to the softest in the current eight-month sequence of growth. Production schedules were supported by higher new order volumes, although pandemic restrictions weighed slightly on output, according to panellists.

To cater for a sustained rise in production, firms added to their workforces for the eighth month in a row. The overall rate of job creation was solid and accelerated from that seen in January. That said, a further increase in outstanding work added to signs of capacity pressures with firms citing a combination of rising

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 highlights another solid improvement in the overall health and resilience of Canada's manufacturing sector. An improving domestic demand picture, greater purchasing activity and a sustained period of employment suggests firms expect greater output in the months ahead."

"That said, COVID-19 continues to pose its threats with severe transportation bottlenecks impacting the supply of inputs. As a result, firms faced sharper cost pressures which were consequently passed on to customers."

"Meanwhile, foreign demand for Canadian goods was relatively weak as international markets continue to face business closures amid restrictions."

"Nevertheless, Canada's manufacturing sector extended its uninterrupted sequence of expansion to eight months. Moreover, firms remain widely upbeat about their growth prospects with vaccination news underpinning optimism during February."

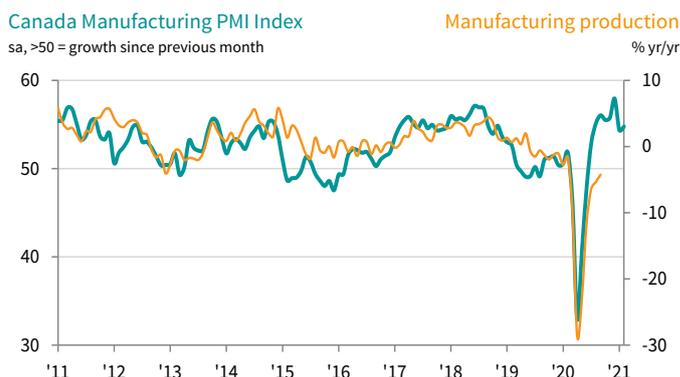
new orders and difficulty obtaining inputs contributed to the accumulation.

Higher backlogs also reflected another marked lengthening in delivery times during February. Firms suggested that transportation bottlenecks and stock shortages led to another deterioration in vendor performance. The degree to which lead times lengthened was among the greatest in the series history (since late-2010).

Eight consecutive months of rising new orders contributed to a further increase in purchasing activity. That said, stocks of inputs grew only fractionally, which firms attributed to material shortages. Meanwhile, post-production inventories were depleted markedly.

On the price front, intense cost pressures persisted with the rate of input price inflation accelerating in February. Higher material (mainly metals) and transportation costs were often mentioned. Firms reported passing on cost burdens to customers, with the rate of output price inflation quickening during the month.

Finally, sentiment regarding production over the next 12 months remained upbeat, with the degree of optimism reaching a five-month high. Panellists mentioned hopes of the complete easing of virus-related restrictions following a largely successful vaccine rollout programme.



Sources: IHS Markit, StatCan.

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 11-22 February 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