

# IHS Markit Canada Manufacturing PMI®

## Robust growth in manufacturing production sustained in April

### Key findings

Headline PMI eases from March's record high

Supplier delivery delays prompt advance buying

Output price inflation quickens to sharpest in the survey to date

Data were collected 12-26 April 2021.

April data signalled another robust overall expansion in operating conditions at the Canadian manufacturing sector, with the latest result extending the period of growth to ten consecutive months. Despite a surge in COVID-19 cases and a series of tightening restrictions, output and new orders rose sharply, although the rates of growth moderated from those seen in March. Firms responded to the sustained increase in demand by adding to their workforces, however capacity pressures remained evident with backlogs rising markedly. Meanwhile, port congestion and pandemic restrictions led to another lengthening in supplier delivery times. To guard against future delays firms added to their input stocks at a near-record pace.

Turing to prices, higher raw material costs and shortages in the supply of inputs added to costs burdens. Firms consequently raised their selling charges, with the rate of output price inflation the sharpest in the ten-and-a-half year history of the survey.

The headline seasonally adjusted IHS Markit Canada Manufacturing Purchasing Managers' Index® (PMI®) registered 57.2 in April, down from 58.5 in March, to signal the third-strongest growth in operating conditions in the survey to date, which began in October 2010.

Canadian manufactures recorded another solid upturn in their production volumes, although the rate of growth moderated from March's recent peak. Survey respondents commented on supportive demand conditions and greater willingness to spend among clients, particularly those in the construction sector.

Similarly, new orders rose sharply, albeit at a slightly softer pace than that seen in the previous survey period. Panellists widely commented on greater demand from both domestic and foreign markets (mainly the US).

Goods producers in Canada lifted headcount numbers for the tenth

*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 a confident start to Q2 with a tenth successive monthly expansion recorded in the Canadian manufacturing sector. Despite moderating from March's near-survey peaks, output and new order growth were robust, while rising backlogs supported additions to headcounts in April. Firms also added to their stockpiles, suggesting greater production in the coming months.*

*"Although data highlighted a positive overall demand picture, it continued to reveal strong concerns over future supply. Anecdotal evidence continued to link COVID-19 to severe delivery delays and the limited availability of raw materials. As a result, firms rushed to add to their pre-production stock levels, often paying highly inflated prices for inputs.*

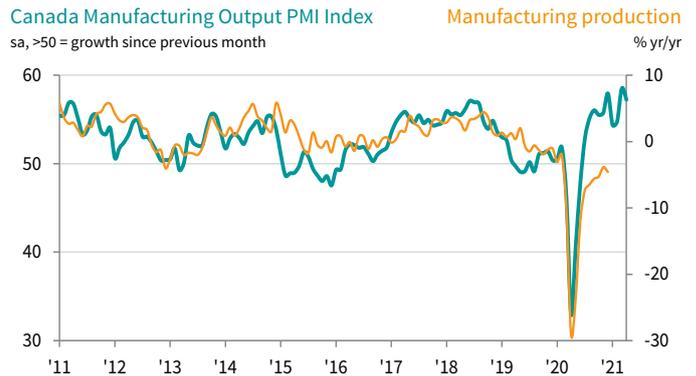
*"Meanwhile, sentiment posted below its long-run trend level with another series of tightening restrictions taking its toll on expectations. Firms expressed their hopes over the vaccination efforts, but interruptions to the global supply of vaccinations have raised alarms."*

month in succession in April. The rate of job creation softened from that in the previous survey period but was still historically strong. Despite this, signs of capacity pressures continued to emerge with incomplete work now accumulating in each month since last August. Panel comments suggested material shortages were the key driver of rising backlogs.

Amid reports of raw material shortages, (particularly resin and metals) average lead times lengthened in April. Transportation bottlenecks were also blamed for the deterioration in vendor performance. In efforts to reduce delays, firms added to their pre-production inventories, with the rate of growth the second-strongest in the series to date.

Raw material scarcity and supply-chain disruption continued to exert upward pressure on firms' costs burdens, with input price inflation reaching a 32-month high. Higher expenses were passed on to clients with the overall rate of selling price inflation climbing to a survey peak.

Amid hopes of increased investments, and greater client demand manufacturers were confident of a rise in production over the coming 12 months. The level of positive sentiment eased to broadly in line with its long-run average, however, as some firms were concerned about the longer-term effects of COVID-19.



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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 12-26 April 2021.

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.  
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