



CANADIAN
MANUFACTURERS
& EXPORTERS

MANUFACTURING OUTLOOK

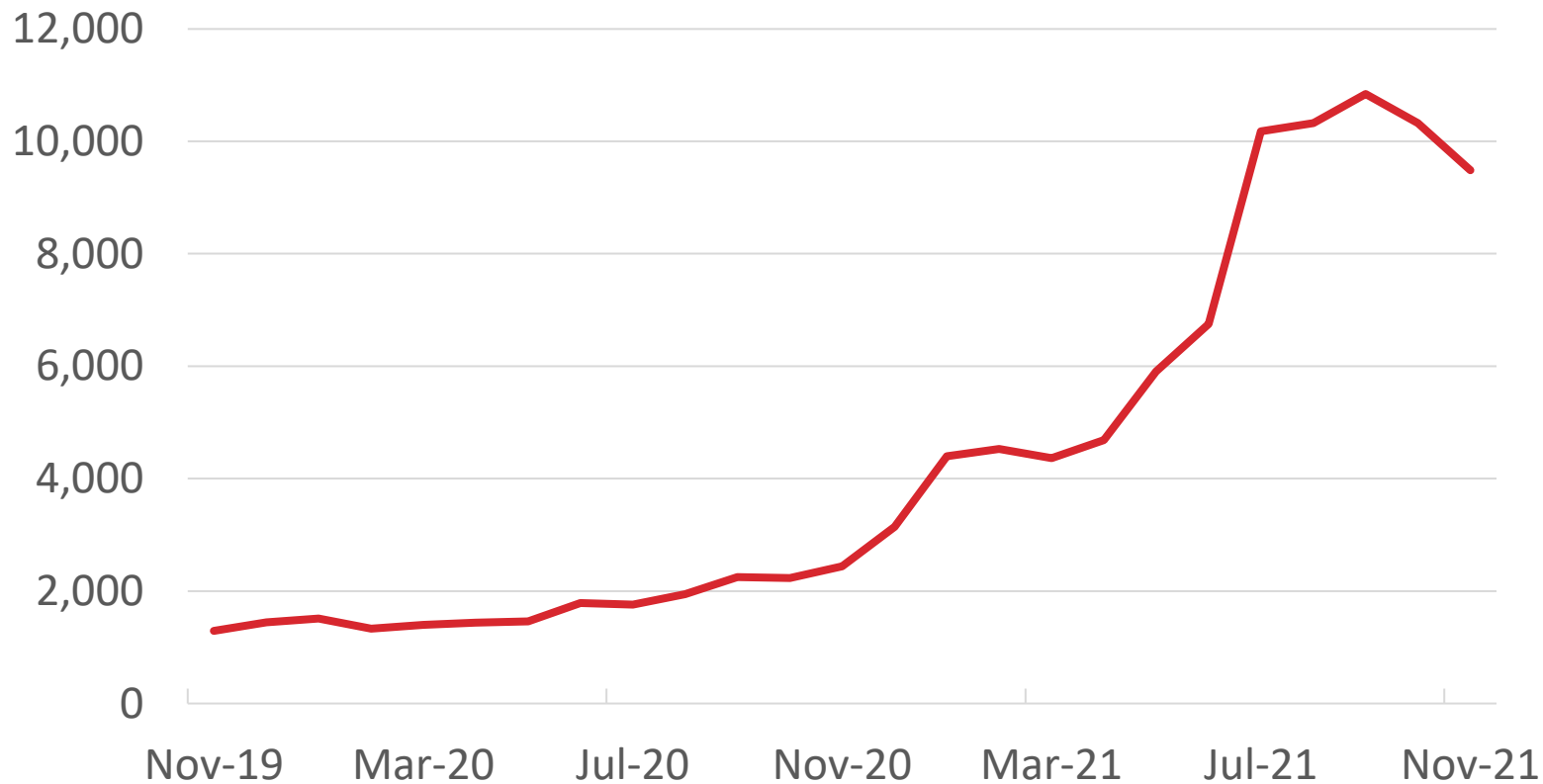
Alan Arcand, Chief Economist

November 16, 2021



GLOBAL CONTAINER FREIGHT INDEX

\$ per 40 ft. container



Source: Freightos.com.

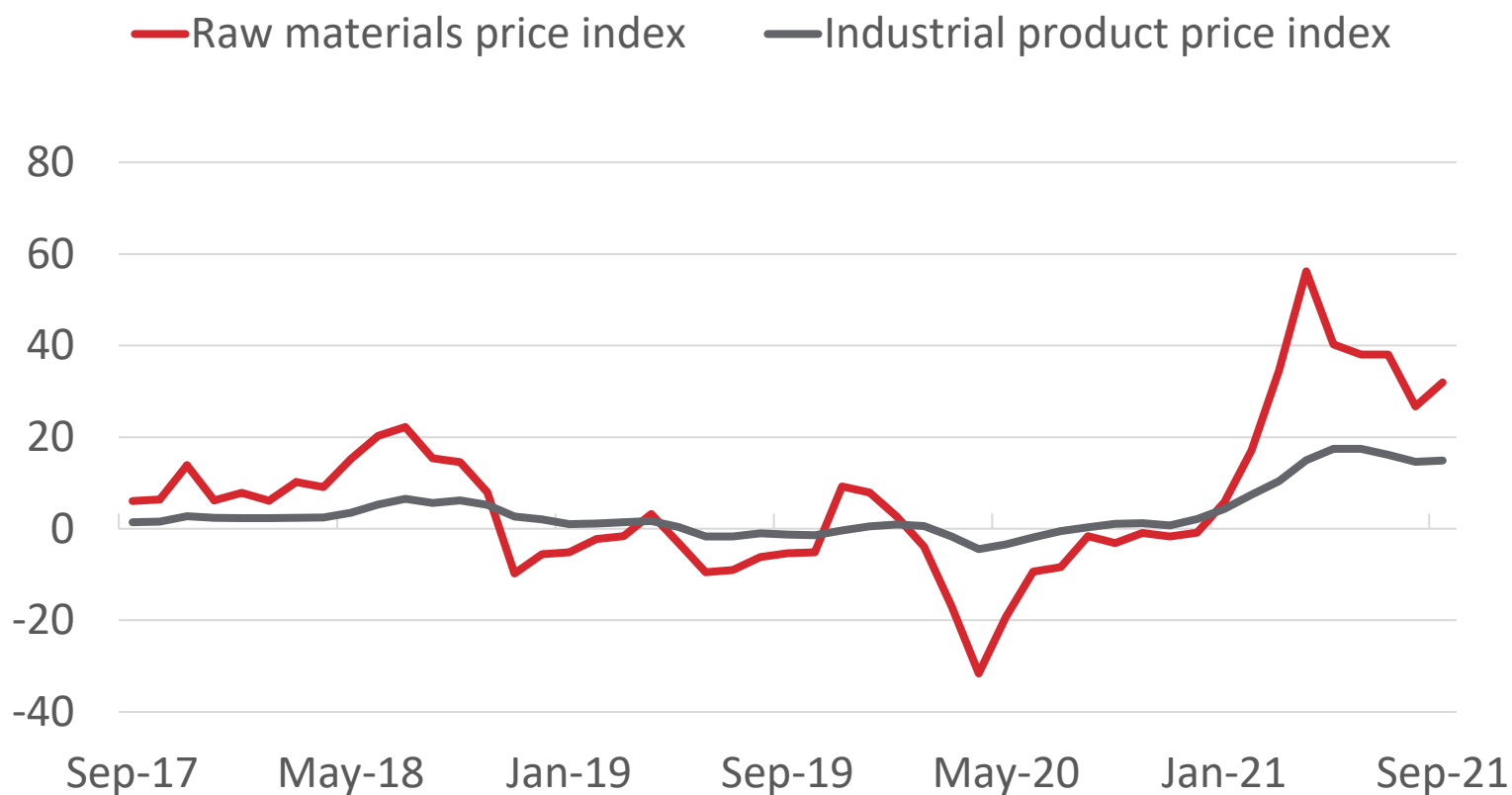


Demand for container shipping has grown during the pandemic. Changes in consumption patterns triggered by the pandemic led to increased import demand for intermediate and final manufactured products.

Although the global container freight index has edged down recently, it remains nearly 300% higher than the same week in 2020.

PRICE PRESSURES PROVING TO BE PERSISTENT

Canada (year-over-year growth)



Sources: CME; Statistics Canada (Table 12-10-0128-01).

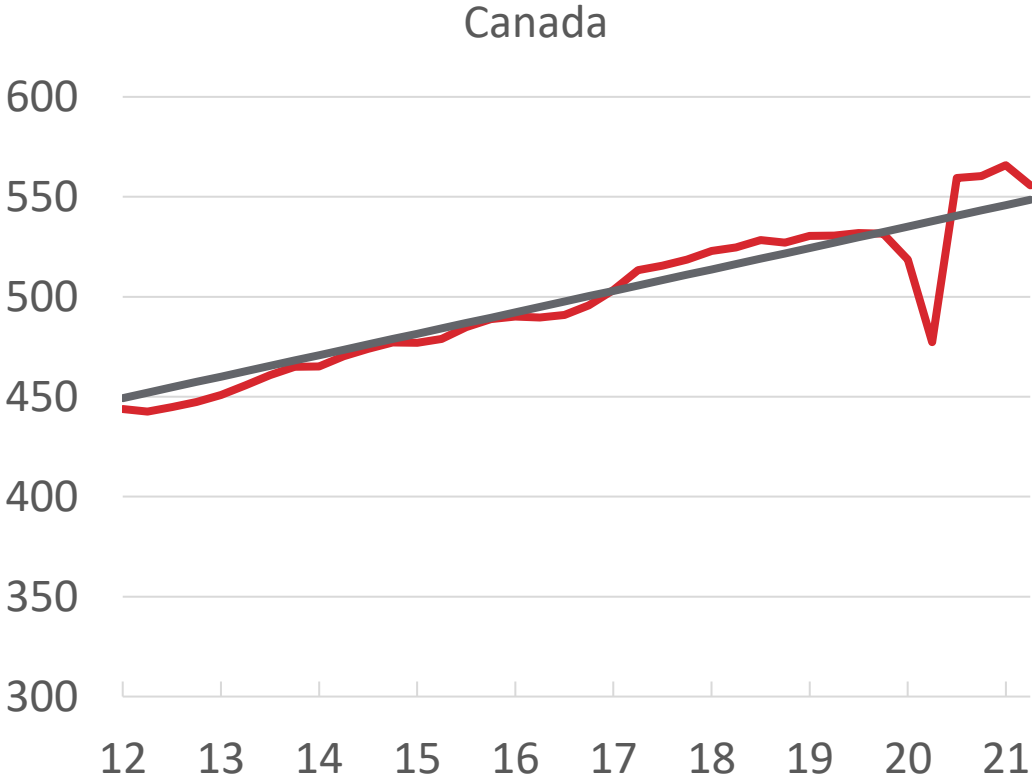
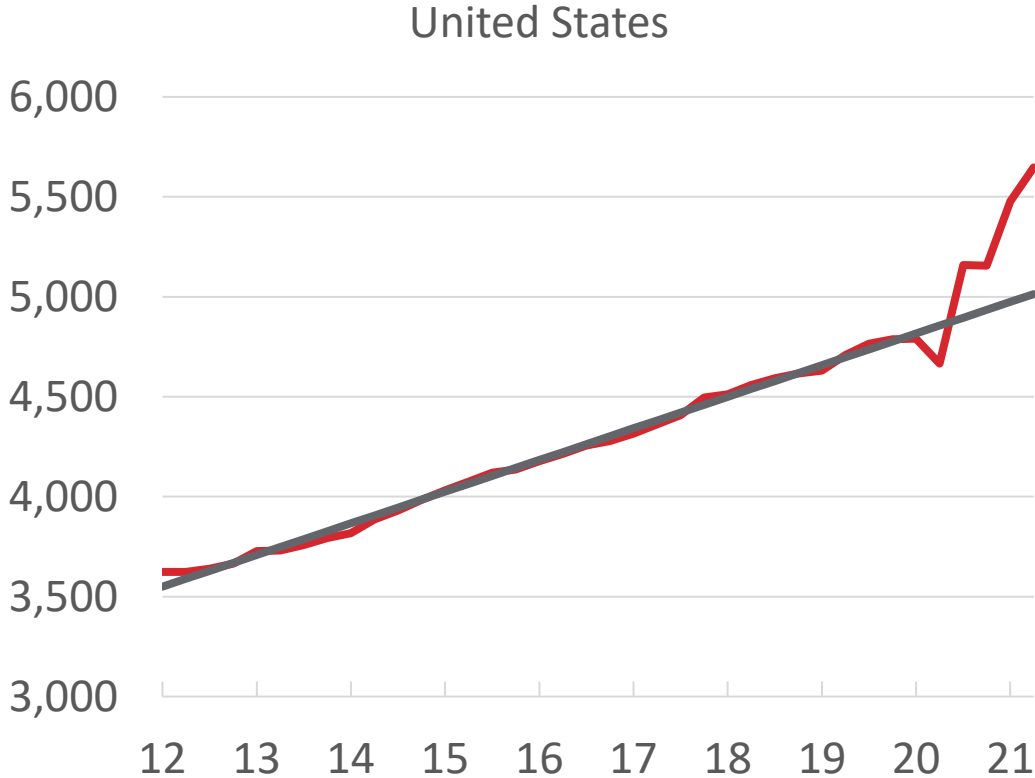


Price pressures are proving to be more persistent than expected. Growth in both the raw materials price index (RMPI) and the industrial product price index (IPPI) remains very high.

The RMPI and IPPI were up 31.9% and 14.9%, respectively, y/y in September 2021. Growth in the recent month was mainly attributable to energy prices.

HOUSEHOLD SPENDING ON GOODS IN NORTH AMERICA

Actual vs. pre-pandemic trend (billions \$ 2021, 2012Q1–2021Q3)

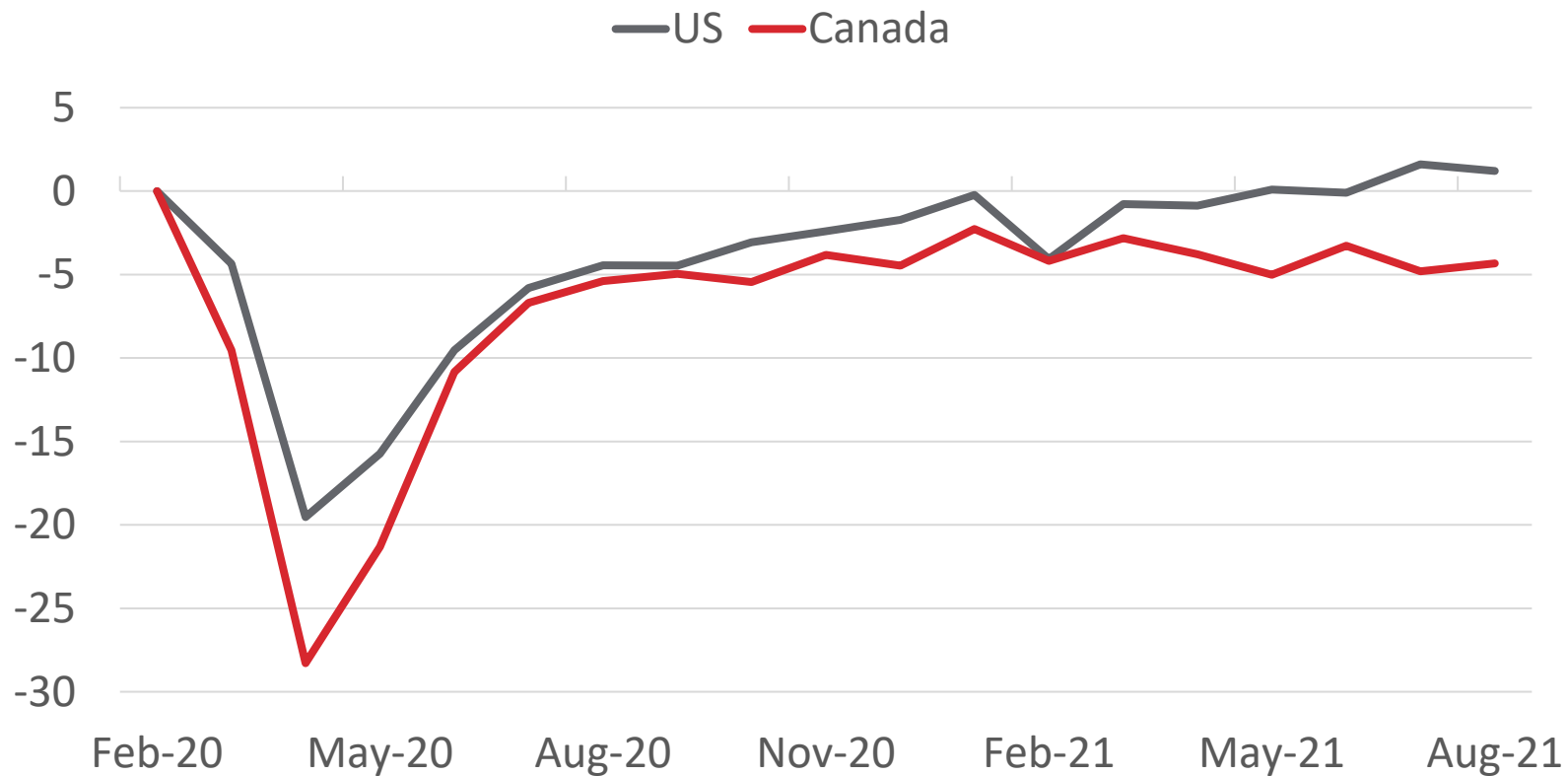


SOURCES: CME; STATISTICS CANADA (TABLE 36-10-0104-01); U.S. BUREAU OF ECONOMIC ANALYSIS.



CANADIAN MANUFACTURING RECOVERY LAGGING THE US

Real manufacturing production (% change since February 2020)



Sources: Statistics Canada (Table 36-10-0434-01), Federal Reserve Board; CME.



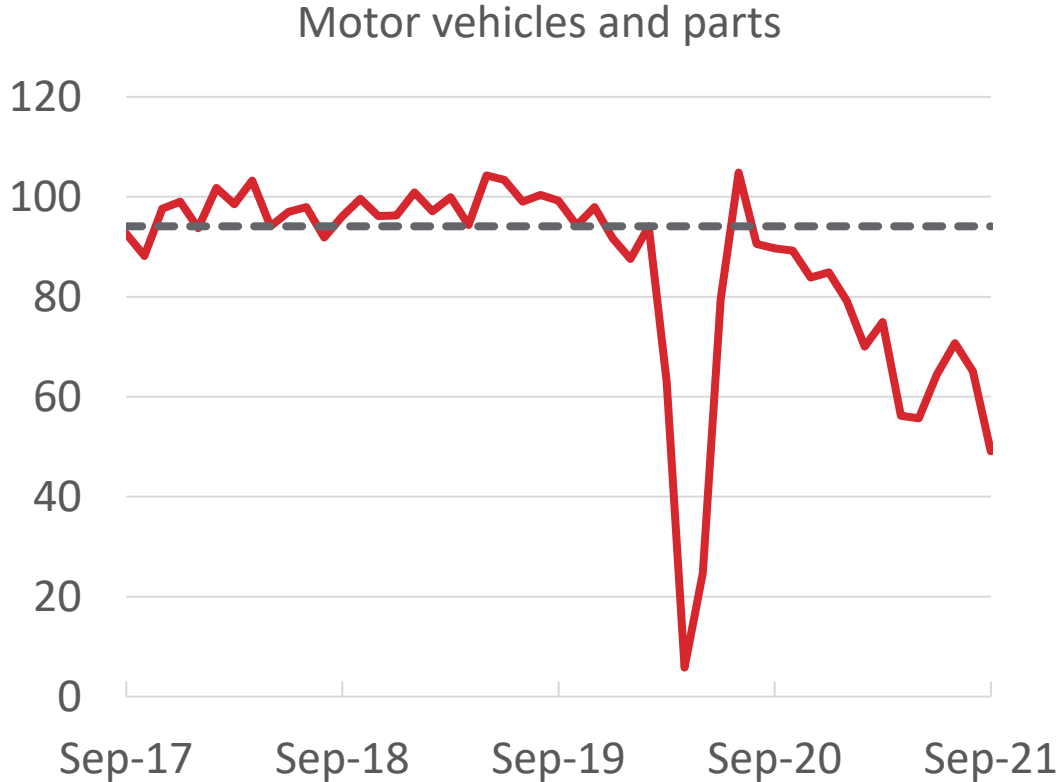
For most of the pandemic, manufacturing activity in Canada has been recovering at a slower pace than in the US.

In August, US manufacturing production was 1.2% above its pre-pandemic level, while output in Canada was 4.3% below this threshold.

In January, manufacturing GDP in Canada was only 2.3% below its pre-COVID level.

MANUFACTURING SALES

Canada (billions \$, seasonally adjusted annual rate)

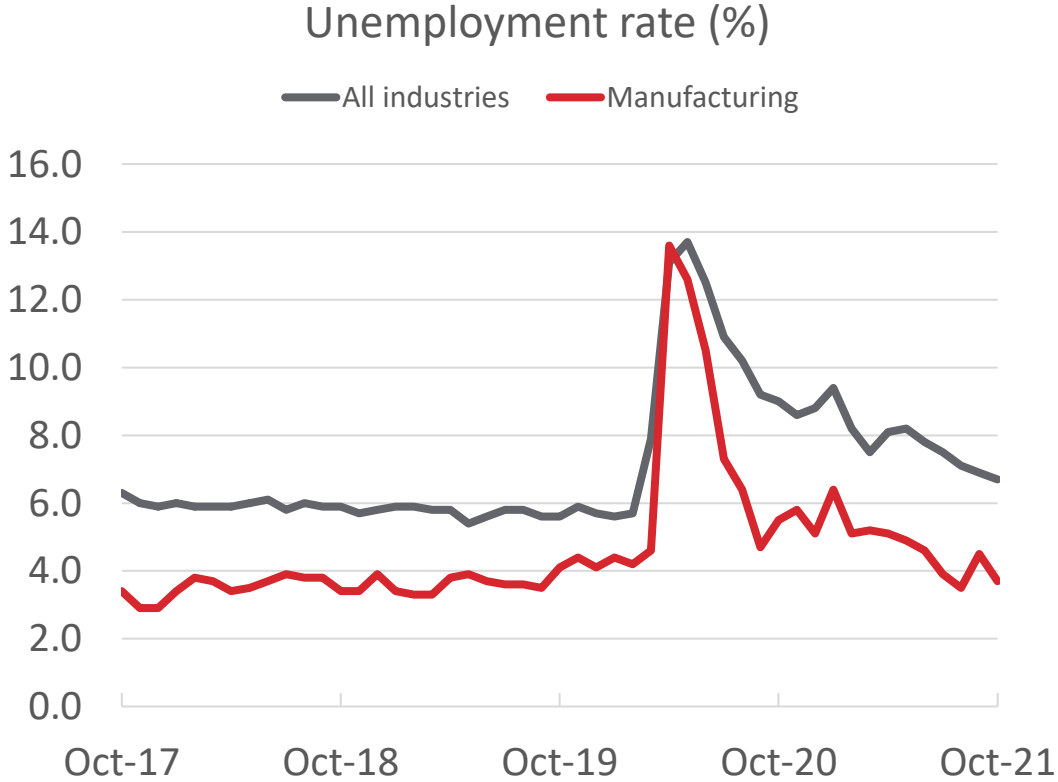


SOURCES: CME; STATISTICS CANADA (16-10-0047-01).



MANUFACTURING LABOUR MARKET

Canada (seasonally adjusted)



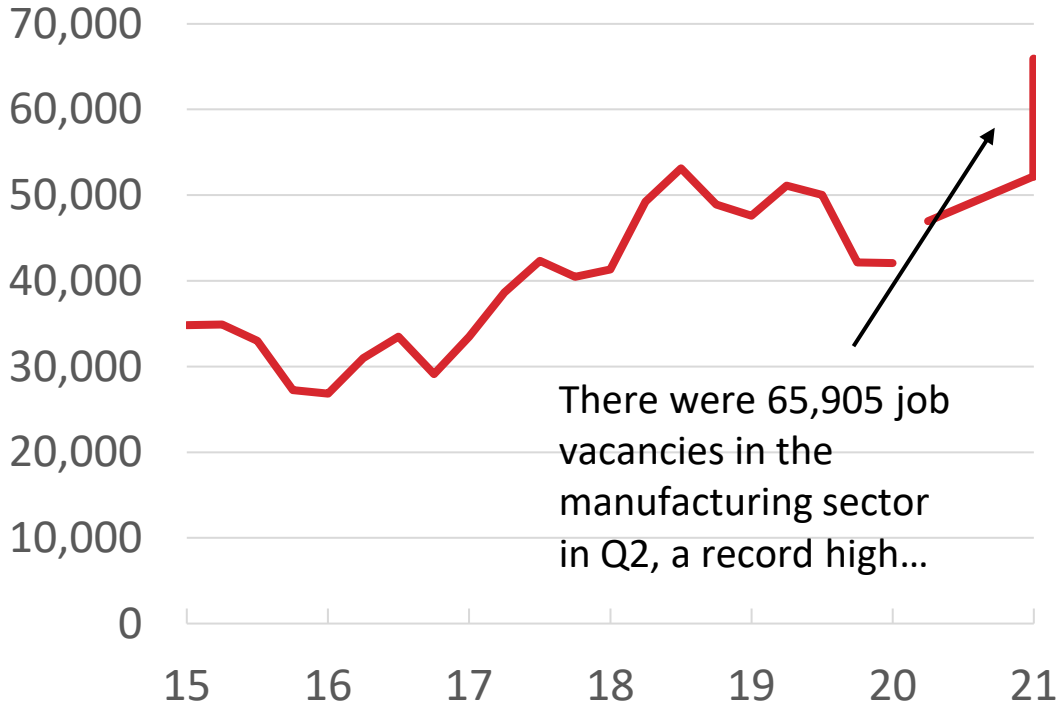
SOURCES: CME; STATISTICS CANADA (TABLES 14-10-0355-01 AND 14-10-0063-01).



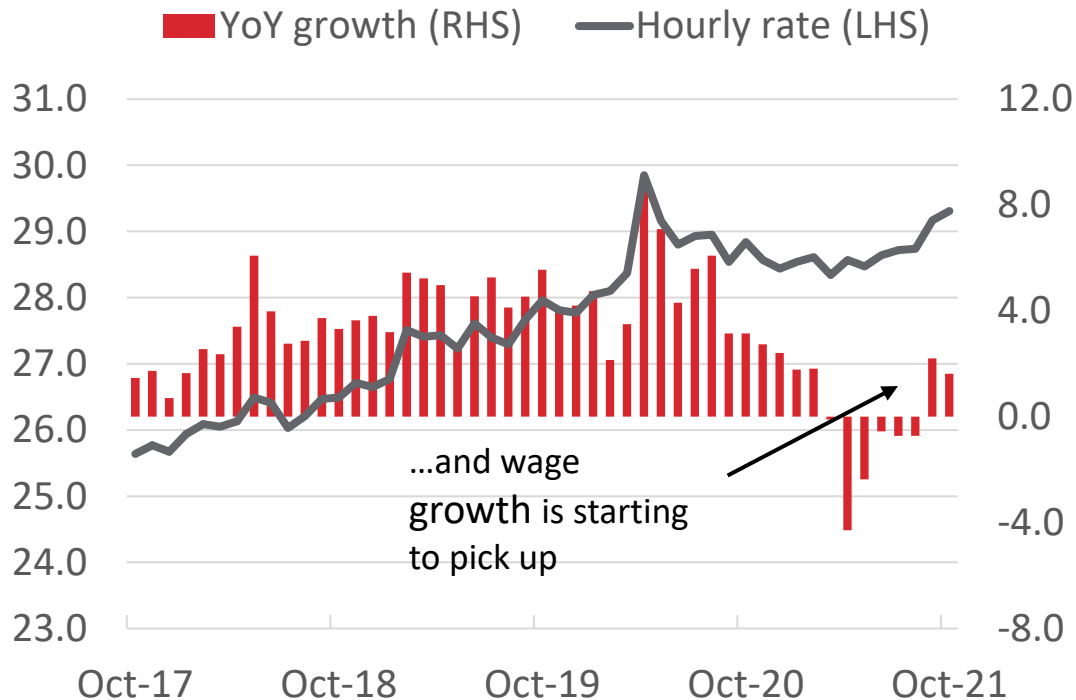
MANUFACTURING LABOUR MARKET

Canada

Job vacancies



Wages

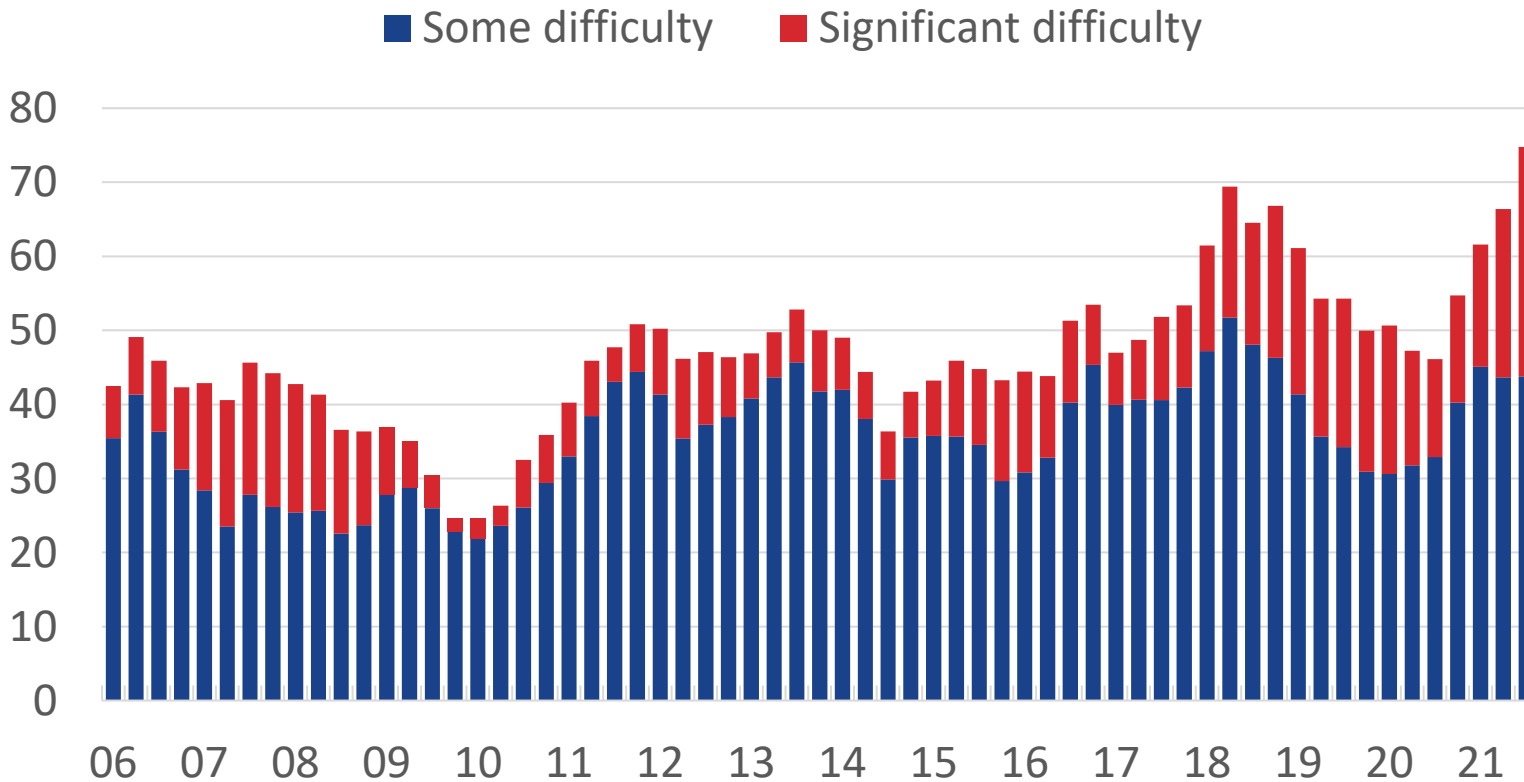


SOURCES: CME; STATISTICS CANADA (TABLES 14-10-0326-01 AND 14-10-0063-01).



MANUFACTURERS FACING INTENSE CAPACITY PRESSURES

Canada (% share of manufacturers, 4MMA, 2006Q1-2021Q3)



Source: Bank of Canada, Business Outlook Survey—Third Quarter of 2021.

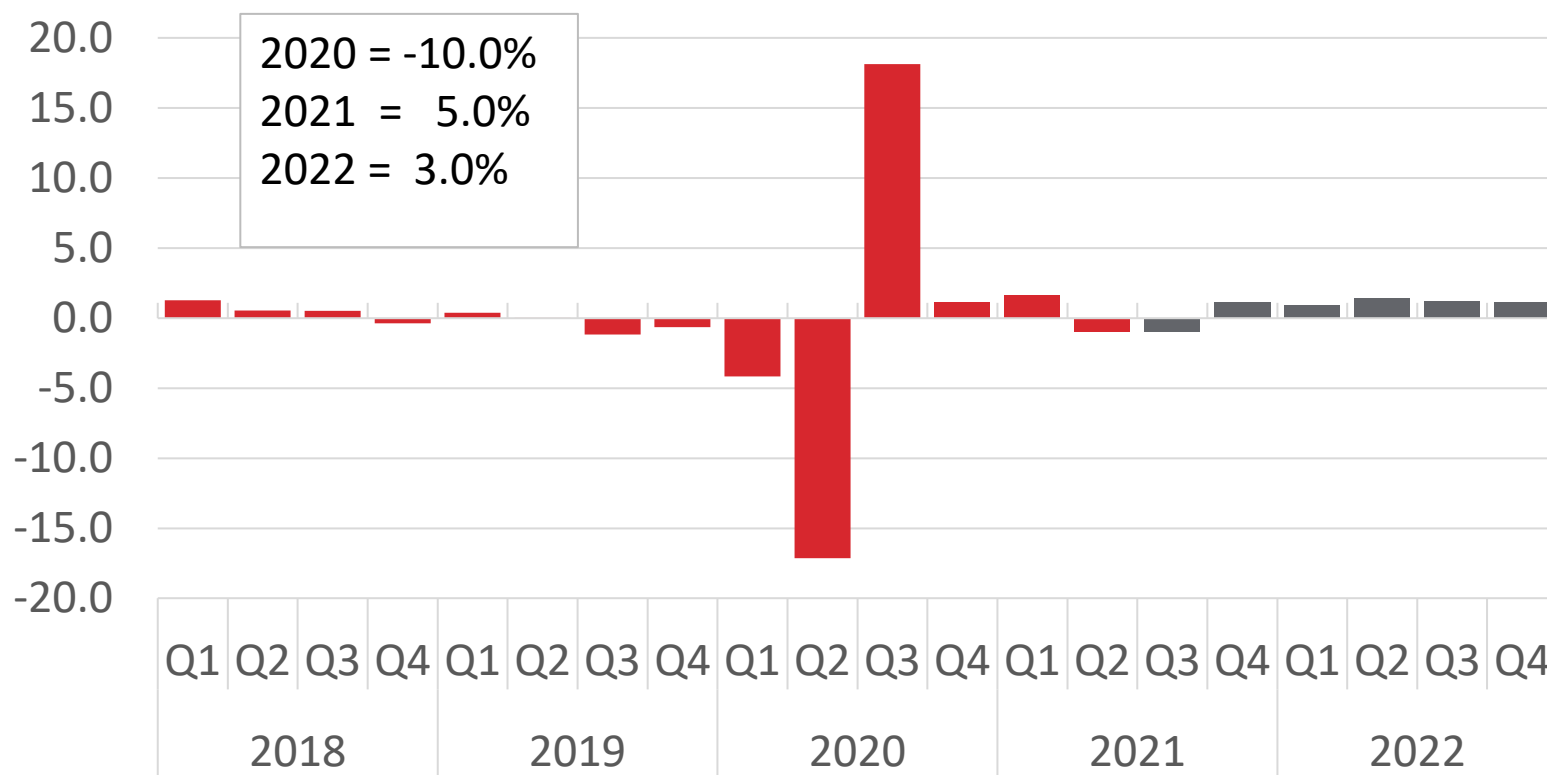


In the 2021Q3 Business Outlook Survey, nearly three-quarters of manufacturers said they would have some or significant difficulty meeting an unexpected increase in demand, a record high.

Two important supply issues—both influenced by the pandemic—largely explain these capacity constraints: supply chain disruptions and labour

MANUFACTURING RECOVERY HELD BACK BY SUPPLY ISSUES

Canada (real manufacturing GDP growth, %)



Sources: CME; Statistics Canada (Table 36-10-0434-01).



Real manufacturing output shrank by 10.0% in 2020, its biggest decline since 2009.

Output is on track to rebound by 5.0% this year, followed by a projected 3.0% gain in 2022.

This year's rebound would be stronger if not for the supply chain disruptions and labour shortages.



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