



MANUFACTURING REPORT

SEPTEMBER 2021

UNITED STEELWORKERS CANADIAN NATIONAL OFFICE



UNITED STEELWORKERS
USW
MÉTALLOS

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TABLE OF CONTENTS

CANADIAN MANUFACTURING	4
Employment Highlights	4
Monthly PMI	4
Capacity Utilization and Inventories	4
Median Manufacturing Wage Growth	4
MACROECONOMIC REVIEW	5
COMMODITY PRICES	6
Steel	6
Softwood Lumber	7
Panel Prices	7
Additional Forestry Price Information	8
MANUFACTURING AND TRADE INDICATORS	9
Manufacturing	9
Trade	10
Trade Balance	10
Trade Balance with US	10
Total Exports	10
Total Imports	10
MACROECONOMIC INDICATORS	11
Labour Market Indicators	11
Key Economic Indicators	11
APPENDIX	12
Nickel	12
Copper	12
Aluminum	13
Steel	13
Real Unemployment Rate	14
Official Unemployment Rate	14
Labour Force Participation Rate	15
Employment Rate	15
GLOSSARY	16

CANADIAN MANUFACTURING

Employment Highlights

Employment in the manufacturing sector increased by 22.1 thousand jobs in September 2021 over August. On a year over year basis, employment declined by -0.8%. The unemployment rate in the sector increased to 4.5% from 3.5% in August.

Monthly PMI

Canadian PMI slightly declined to 57 in September from 57.2 in August. This is the 15th straight month of expansion in the country's factory activity. Output, new orders and employment growth rates softened but remained historically elevated, despite a rise in COVID cases. Meanwhile, global supply shocks persisted, leading to lengthier delivery times and a subsequent joint-record increase in backlogs. As a result, firms raised their stocks of purchases at the joint-fastest rate in the survey to date. On the price front, higher costs for steel, oil and transportation underpinned record rates of input and output price inflation.

Capacity Utilization and Inventories

Capacity utilization for August was 77.5%, an increase from 76.7% in June. The ratio of inventory to sales increased to 1.59 in August.

“The manufacturing sector added 22k jobs in September although the unemployment rate increased to 4.5%. Meanwhile the sector posted its 15th straight month of expansion.”

Weighted Average Median Manufacturing Wage Growth

The USW Research Department calculates the weighted average median manufacturing wage of non-management/supervisory occupations in manufacturing, such as processing, machine operators, production workers, assemblers and labourers. It covers approximately 600,000 workers. In September 2021 year over year nominal wage growth was 0.60%. The average median wage was \$20.69.

MACROECONOMIC REVIEW

The Canadian labour market continued to improve in September, with the unemployment rate declining to 6.9%, and the labour force participation jumping 0.4% to 65.5%.

- The unemployment rate declined to 6.9% in September, from 7.1% in August. The real unemployment rate also declined to 8.3% from 10.2%.
Employment increased by 157 thousand jobs, a 0.8% increase from July. On a year over year basis employment was 4% higher over September 2020. The goods producing sector added nearly 15k jobs, led by manufacturing (22k) and forestry (6.6k) The service sector gained 142.4 thousand jobs. **Employment in the services-producing sector surpassed its pre-COVID level in September, while employment in the goods-producing sector remained 3.2% (-128,000) below its February 2020 level.**
- CPI for September 2021 increased by 4.4% up from a 4.1% gain in August. Excluding gasoline, the CPI increased by 3.5% year over year. While prices rose in every major component, transportation (9.1%) was the greatest contributor. Food prices also rose by 3.9%.

The Bank of Canada released its third quarter Business Outlook Survey and Survey of Consumer Expectations this month. The BOS confirms a lot of what we have been hearing in the media; firms experiencing supply chain issues and intensifying labour shortages, and predictably, plans to increase wages as a means to attract and retain workers. While business sentiment remains positive with plans for further investments (which they may have shelved as a result of the pandemic) and hiring, over half of respondents noted that they expect inflation to be in the 3-4% range over the next two years. You can access the surveys in their entirety [here](#).

“A greater share of firms... plan to invest more in machinery and equipment. This is especially true among large firms. Intentions to increase capital expenditures are due to strengthening demand—both domestic and foreign—and the need to alleviate capacity pressures, including labour shortages. About one-quarter of businesses plan to increase investments after delaying or postponing them early in the pandemic.”

-BOC Business Outlook Survey Q32021

COMMODITY PRICES

COMMODITY	SEPTEMBER	AUGUST	3 YEAR AVERAGE
Iron Ore	\$127.22	\$166.73	-
Aluminum	\$2,839.68	\$2,610.64	\$1,926.01
Nickel (lb)	\$8.80	\$8.69	\$6.64
Copper (lb)	\$4.23	\$4.24	\$3.10
Gold	\$1,780.85	\$1,784.74	1,603.94
Lead	\$2,257.25	\$2,428.52	\$1,979.64
Zinc	\$3,042.02	\$2,988.90	\$2,541.98
Uranium	\$42.60	\$34.25	\$28.91
Potash	\$221.00	\$221.00	-
BCPI*	595.83	568.19	-
BCPI (Metals & Minerals only)	746.23	738.36	-

**The Bank of Canada Commodity Price Index is an index of the spot price in US Dollars of 26 commodities produced in Canada and sold in world markets.*

Steel

USD/per metric ton	US	CHINA	WESTERN EUROPE	WORLD EXPORT
Hot-rolled band	\$2,105	\$757	\$1,249	\$911
Cold-rolled coil	\$2,298	\$865		
Standard plate	\$1,882	\$754		
Rebar		\$741		

*Prices for September 27th, 2021

Softwood Lumber

	OCT 1 2021	SEPT 24 2021	4-WK AVG	52 WK AVG	% CHANGE OVER 52 WK AVG
\$/per thousand board feet					
2X4 Eastern Spruce Pine (CDN)	\$740	\$710	\$689	\$1,147	
Composite	\$494	\$469	\$457	\$844	
2x4 Western Spruce #2	\$540	\$510	\$503	\$887	
2x4 Western Spruce pine Utility #3	\$385	\$365	\$370	\$751	

Panel Prices

	OCT 1 2021	SEPT 24, 2021	4-WK AVG	52 WK AVG	% CHANGE OVER 52 WK AVG
Composite	\$638	\$626	\$620	\$1,011	
15/32" 4-ply ext. (south)	\$585	\$565	\$553	\$973	
9.5mm 4-ply exterior (west)(CDN)	\$525	\$525	\$525	\$979	
7/16" oriented strand board (north central)(CDN)	\$585	\$585	\$585	\$1,186	

*USD/\$1000 bd ft

Additional Forestry Price Information

	OCT 8 2021	OCT 1, 2021	PREVIOUS MONTH AVG (SEPT '21)	YTD MONTHLY AVG (SEPT 21)	2020 AVG	2019 AVG
SPF* 2x4	\$580	\$540	\$475	\$952	\$570	\$372
SPF Stud	\$380	\$370	\$305	\$876	\$505	\$272
SPF 2x10	\$495	\$495	\$435	\$918	\$528	\$350
Cedar 2x4	\$1,900	\$1,900	\$1,900	\$1,806	\$1,509	\$1,386

*SPF Prices-US\$/1000 bd ft

	PREVIOUS MONTH (SEPT'21)	2 MONTHS AGO (AUG '21)	YTD AVG	2020 AVG	2019 AVG
Hemlock Squares	\$1,780	-	\$1,356	\$793	\$891

MANUFACTURING AND TRADE INDICATORS

Manufacturing

The Canadian PMI slightly fell to 57 in September from 57.2 in August.

UNEMPLOYMENT RATE 4.5%↑ 3.5% (AUG'21)	MEDIAN WAGE \$20.69 0.60% YOY	PMI 57↓ 57.2 (AUG'21)	CAN/USD EXCHANGE \$0.79 \$0.79 (AUG'21)
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\$ In billions	RECENT MONTH	PREVIOUS MONTH	YEAR OVER YEAR CHANGE
GDP Goods Producing*	\$562,183	\$570,358	3.2%
GDP Manufacturing*	\$185,966	\$187,768	2.3%
Manufacturing Sales**	\$60.3	\$59.9	15%
Manufacturing Orders**	\$60.5	\$59.7	18%
Motor Vehicle Sales**	\$3.0	\$3.3	-34%
Wood Product Sales**	\$3.2	\$3.9	7%
Petrol and Coal Sales**	\$6.6	\$6.1	82%
Ratio Inventory to Sales**	1.59	1.57	-
Manufacturing Employment	1,732.7	1,710.6	-0.8%
Weekly Hours of Work*	36.1	36.9	-
Median Manufacturing Hourly Wage	\$20.69	\$20.41	0.60%
Capacity Utilization**	77.5%	76.7%	-

*July 2021; **August 2021;

Trade

In August, Canada's trade surplus widened from \$736 million to \$1.9 billion.

Trade Balance

\$1.9 billion

Total Exports

\$54,444 billion

Trade Balance with US

\$8.622 billion

Total Imports

\$52,506 billion

Canada's merchandise exports increased 0.8% in August, while imports decreased 1.4%. As a result, Canada's merchandise trade balance with the world remained in a surplus position, widening from \$736 million in July to \$1.9 billion in August.

	AUGUST 2021	PREVIOUS MONTH	PREVIOUS YEAR
Trade Balance	\$1.9	\$736	-
Total Exports	\$54,444	\$54,013	20.6%
Total Imports	\$52,506	\$53,277	8.2%
Trade Balance with US	\$8,622	\$6,762	-
US Exports	\$40,773	\$41,057	20.4%
US Imports	\$32,152	\$34,295	3.8%
EXPORTS BY TYPE			
Metal Ores and Non-Metallic Minerals	\$2,295	\$2,162	30.4%
Metal and non-metallic mineral products	\$6,947	\$6,678	32.5%
Motor Vehicles and Parts	\$5,619	\$6,059	-24.1%
Energy Products	\$12,010	\$11,426	81.1%
Forestry Products	\$4,435	\$4,813	23.8%
Industrial Machinery, equipment and parts	\$3,098	\$3,132	5.9%

MACROECONOMIC INDICATORS

Labour Market Indicators

	SEPTEMBER	AUGUST	3 YEAR PEAK
Unemployment Rate	6.9%	7.1%	13.7%
Employment Rate	60.9%	60.5%	62.8%
Real Unemployment	8.3%	10.2%	18.2%
Labour Force			
Participation Rate	65.5%	65.1%	65.9%
FT/PT	81/19	81/19	84.3/15.7



Key Economic Indicators

	Q2 2021	Q1 2021	CHANGE
Real GDP*			
House hold	\$1,161,716	\$1,160,780	0.08%
Consumption			
Investment	\$158,296	\$155,296	1.9%
Labour Productivity	110.731	110.113	negligible
Index*			
Unit Labour Cost	117.142	114.097	+2.7%
Index*			

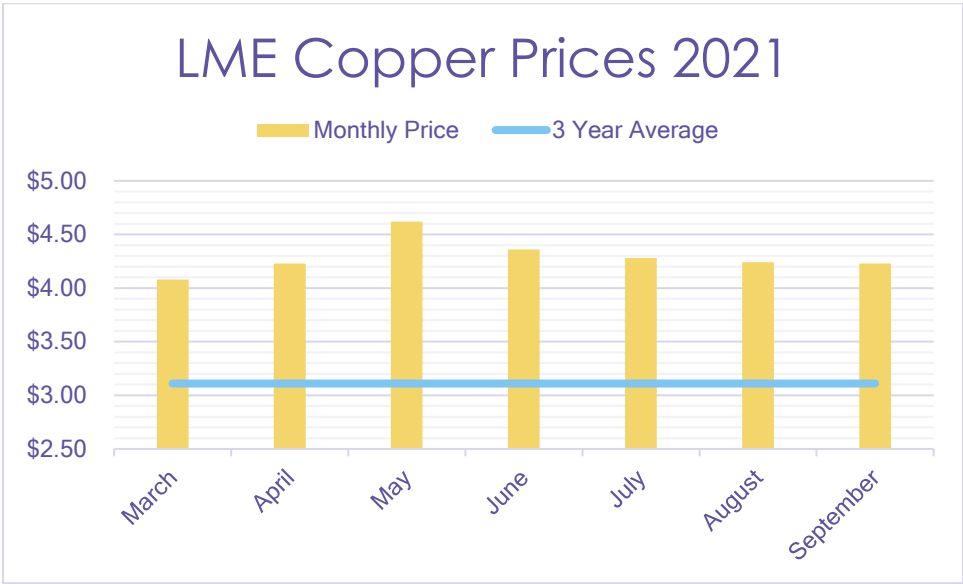
*GDP Expenditure, Productivity and Unit Labour cost data is quarterly; Investment comprises non-residential structures, machinery and equipment

APPENDIX

Nickel



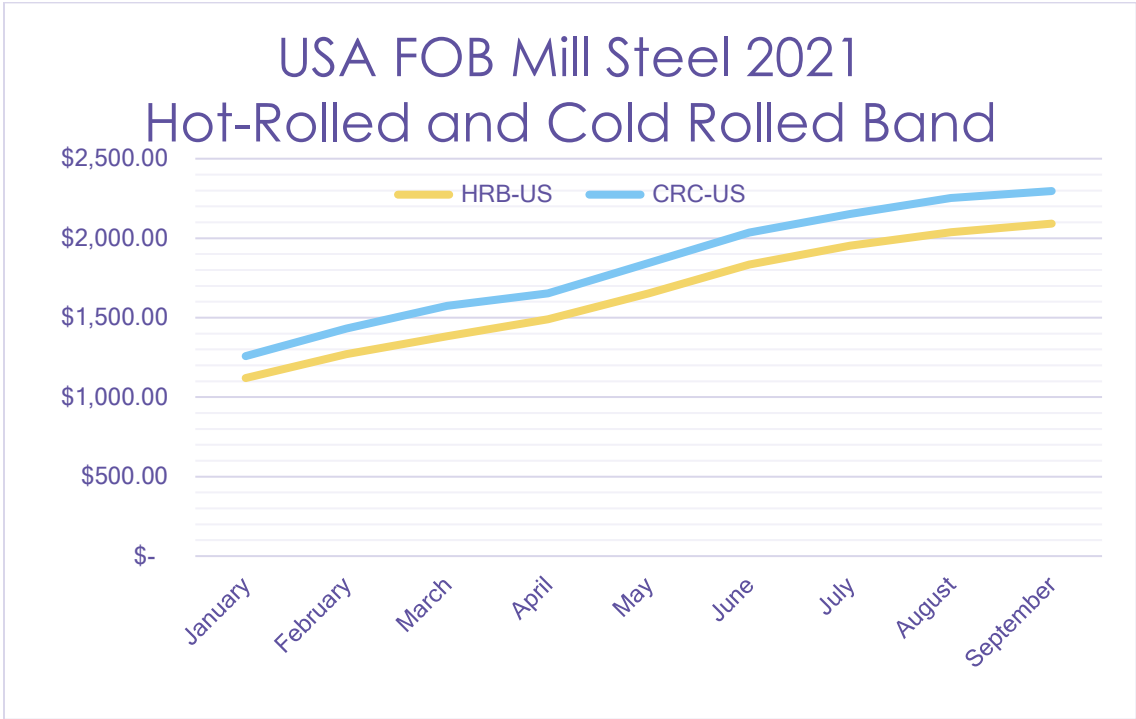
Copper



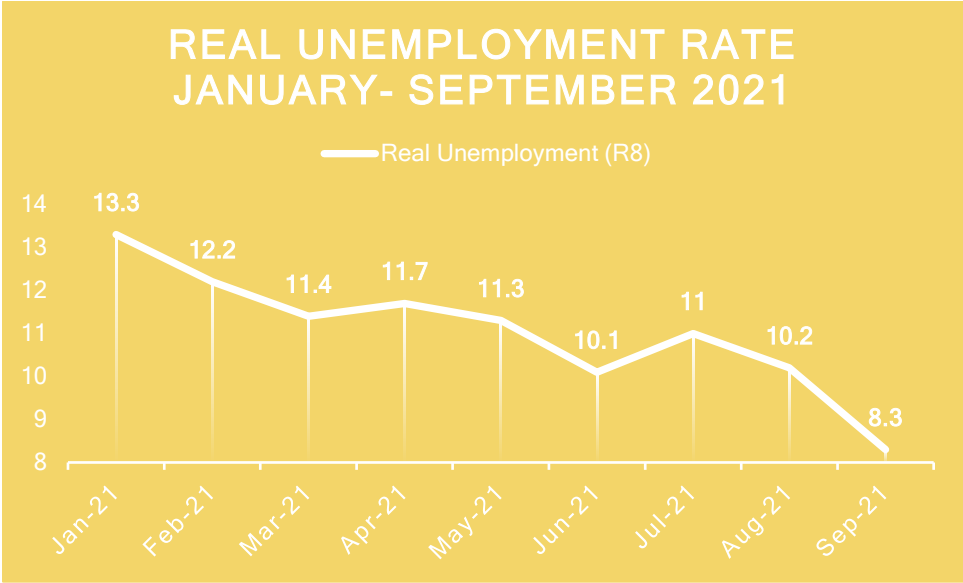
Aluminum



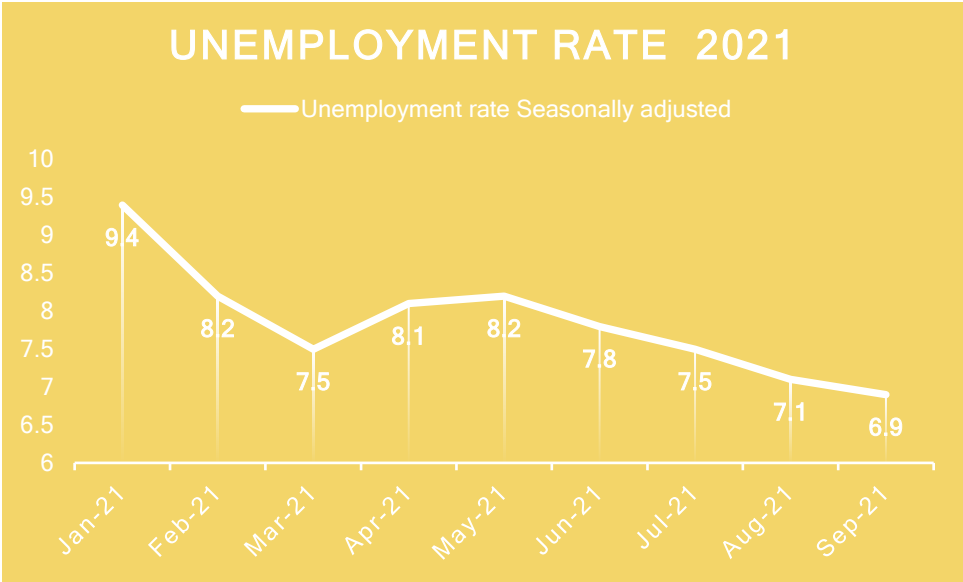
Steel



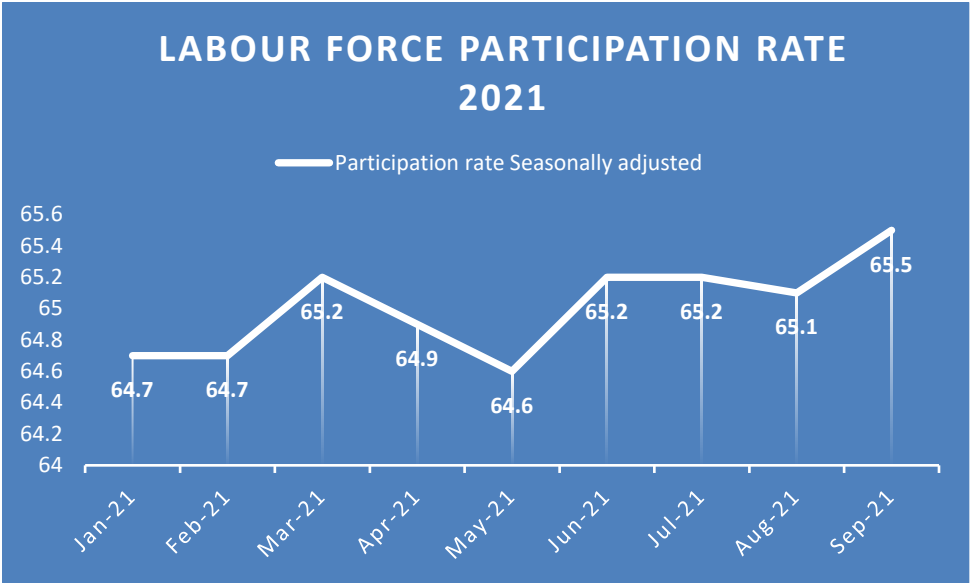
Real Unemployment Rate



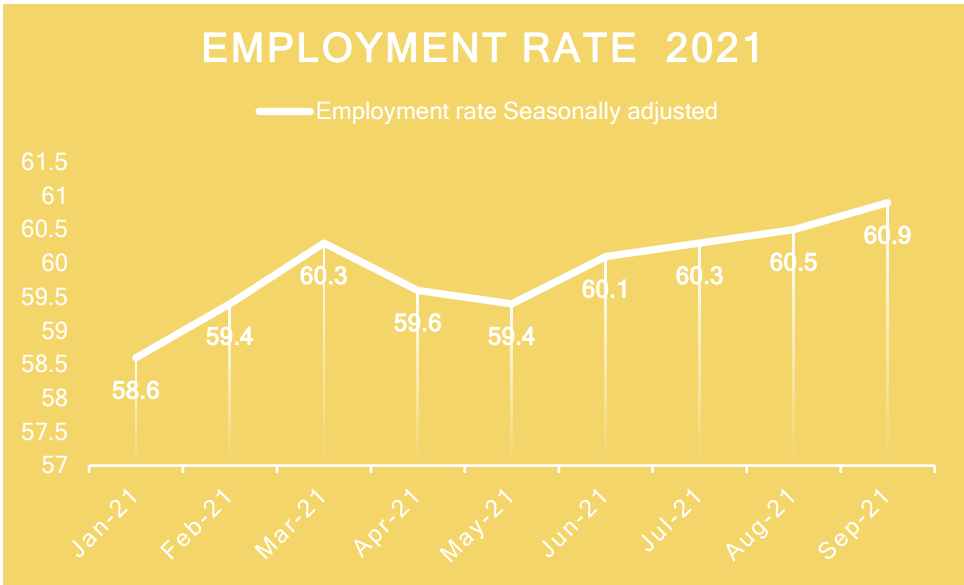
Official Unemployment Rate



Labour Force Participation Rate



Employment Rate



GLOSSARY

Purchasers Manager Index (PMI) - An indicator of economic health in the manufacturing sector. The PMI index is based on five major indicators: new orders, inventory levels, production, supplier deliveries and the employment environment. A PMI of more than 50 represents expansion of the manufacturing sector, compared to the previous month. A reading under 50 represents a contraction, while a reading of 50 indicates no change.

Inventory to Sales Ratio- measures the amount of inventory you are carrying compared to the number of sales orders being fulfilled. Calculate inventory to sales using the following formula:

(Inventory value \$) ÷ (Sales value \$); an increasing ratio indicates an increasing level of inventory

Real Unemployment Rate - refers to StatsCan's R8 supplementary unemployment rate, which includes discouraged searchers, waiting group, portion of involuntary part-time

Manufacturing Workers- category is composed of non-management/supervisory occupations in manufacturing, such as processing, machine operators, production workers, assemblers and labourers. It covers approximately 600,000 workers.

Capacity Utilization- measures the proportion of potential economic output that is actually realized. Displayed as a percentage, the capacity utilization level provides insight into the overall slack that is in an economy or a firm at a given point in time

Median Wage- captures the wage at the midway point of the distribution.

Labour Force Participation Rate- Percentage of population 15 or older that are unemployed or employed (Employed +Unemployed/Population=Labour Force Participation rate)

Employment Rate- Percentage of population 15 or older that are employed (Employed/Population=Employment Rate)

*Monthly data: Statistics Canada revises its data on a monthly basis. As a result, there are almost always some changes to the published data from the previous month. This will likely explain the discrepancies between the stats can data from the previous report and what is available in their tables [for example, we use the most recent monthly data available, which is the preliminary data; when we prepare the next month's report, the source data used in the previous report may have changed slightly, which will not be reflected in these updates.

Sources: Statistics Canada, SteelBenchmarker, Trading Economics, Global Steel Trade Monitor, Natural Resources Canada, Government of British Columbia, World Steel Association, Financial Post, BNN Bloomberg, Market Insider, Inside U.S. Trade



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