



MANUFACTURING REPORT

JANUARY 2022

UNITED STEELWORKERS CANADIAN NATIONAL OFFICE



UNITED STEELWORKERS
USW
MÉTALLOS

Guio Jacinto:
gjacinto@usw.ca
Patrick Rodrigues:
prodrigues@usw.ca

United Steelworkers Canadian National Office
Research, Public Policy, Collective Bargaining Support
Department
234 Eglinton East, 8th Floor, Toronto, Ontario, M4P 1K7
Tel: 416-487-1571

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 decreased by 10.4 thousand jobs in January 2022 over December. On a year over year basis, employment increased by 0.9%. The unemployment rate in the sector increased to 3.3% from 3.1% in December.

Monthly PMI

Canadian PMI slightly declined to 56.2 in January from 56.5 in December. This is the 19th straight month of expansion in the country's factory activity. Output rose less significantly, despite strong domestic demand, in line with foreign sales. Outstanding business grew at one of the fastest rates in the survey's history due to lengthened lead times, raw material scarcity, poor weather conditions, and truck shortages due to COVID-19 border restrictions. Both input and output price inflation rates eased.

Capacity Utilization and Inventories

Capacity utilization for December was 77.1%, a decline from 78.2% in November. The ratio of inventory to sales increased to 1.63 in December.

“Despite manufacturing employment declining by 10k jobs in January, on a year over year basis employment remains 0.9% higher, and unemployment in the sector remains relatively low at 3.3%.”

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 January 2022 year over year nominal wage growth was 2.26%. The average median wage was \$20.87.

MACROECONOMIC REVIEW

The Canadian labour market took a step back in January, with the unemployment rate edging up to 6.5%.

- The unemployment rate increased to 6.5% in January, from 6% in December. The real unemployment rate increased as well to at 9.1%
Employment declined by 200 thousand jobs, a 1% decline from December. On a year over year basis, however, employment was 4.9% higher over January 2021. The goods producing sector added 23k jobs, led by construction (22k). The service sector lost 223k jobs- the majority in accommodation and food services (-112k)
- CPI for January 2022 increased by 5.1% up from a 4.8% gain in December. Excluding gasoline, the CPI increased by 4.3% year over year. Food prices increased 5.7%. Goods prices increased by 7.2%, while service prices increased by 3.4%.
- Although the Bank of Canada held its target for the overnight interest rate at 0.25% in January, Governor Macklem's tone was hawkish. Macklem was clear in his messaging that "Canadians should expect a rising path for interest rates" over the course of 2022 in the BoC's attempt to control inflation. Although recognizing the "unique circumstances" contributing to rising inflation- supply chain bottlenecks- the Governor noted specifically that "with Canadian labour markets tightening and evidence of capacity pressures increasing. The Governing Council expects higher interest rates will be needed to bring inflation back to the 2% target." While unsurprising, the tone by the BoC is frankly disappointing. Wage growth remains moderate (2.4% Jan '22), and while tightening, unemployment still remains relatively high. It should be no surprise that the BoC has capitulated to pressure to put itself on the path toward increasing interest rates; it is unfortunate though because such a path risks choking the economic recovery and once again stalling much needed wage and employment growth.

"...we want to clearly signal that we expect interest rates will need to increase. A lot of factors are contributing to the uncomfortably high inflation we are experiencing today, and many of them are global and reflect the unique circumstances of the pandemic. As the pandemic fades, conditions will normalize, and inflation will come down. However, with Canadian labour markets tightening and evidence of capacity pressures increasing, the Governing Council expects higher interest rates will be needed to bring inflation back to the 2% target.

-Governor Macklem, January 26th, 2022

COMMODITY PRICES

COMMODITY	JANUARY	DECEMBER	3 YEAR AVERAGE
Iron Ore	\$127.25	\$109.40	-
Aluminum	\$3,003.08	\$2,695.36	\$2,017.06
Nickel (lb)	\$10.13	\$9.11	\$7.06
Copper (lb)	\$4.43	\$4.33	\$3.28
Gold	\$1,816.31	\$1,788.63	\$1,667.65
Lead	\$2,342.70	\$2,304.79	\$2,017.90
Zinc	\$3,609.95	\$3,407.88	\$2,633.38
Uranium	\$43.08	\$42.05	\$30.64
Potash	\$221.00	\$221.00	-
BCPI*	692.86	622.85	-
BCPI (Metals & Minerals only)	774.98	750.45	-

**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/metric tonne	US	CHINA	WESTERN EUROPE	WORLD EXPORT
Hot-rolled band	\$1,653	\$646	\$1,040	\$800
Cold-rolled coil	\$2,041	\$743	-	-
Standard plate	\$2015	\$626	-	-
Rebar	-	\$668	-	-

*Prices for January 24th, 2022

Softwood Lumber

\$/per thousand board feet	FEB 22, 2022	FEB 4, 2022	4-WK AVG	52 WK AVG	% CHANGE OVER 52 WK AVG
2X4 Eastern Spruce Pine (CDN)	\$1,560	\$1,450	\$1,506	\$1,117	33%
Composite	\$1,217	\$1,183	\$1,216	\$877	39%
2x4 Western Spruce #2	\$1,230	\$1,220	\$1,223	\$915	34%
2x4 Western Spruce pine Utility #3	\$976	\$956	\$956	\$760	28%

Panel Prices

	FEB 11, 2022	FEB 4, 2022	4-WK AVG	52 WK AVG	% CHANGE OVER 52 WK AVG
Composite	\$1,218	\$1,170	\$1,147	\$1,036	18%
15/32" 4-ply ext. (south)	\$1,085	\$1,050	\$1,058	\$1,008	8%
9.5mm 4-ply exterior (west)(CDN)	\$995	\$960	\$938	\$958	4%
7/16" oriented strand board (north central)(CDN)	\$1,525	\$1,450	\$1,344	\$1,161	31%

*USD/\$1000 bd ft

Additional Forestry Price Information

	FEB 11 2022	FEB 4 2022	PREVIOUS MONTH AVG (JAN 2022)	YTD WEEKLY AVG (AS OF FEB 22)	2021 AVG	2020 AVG
SPF* 2x4	\$1,230	\$1,220	\$1,178	\$1,193	\$881	\$567
SPF Stud	\$1,070	\$1,030	\$950	\$983	\$776	\$502
SPF 2x10	\$1,105	\$1,065	\$1,080	\$1,082	\$836	\$526
Cedar 2x4	\$2,100	\$2,100	\$2,050	\$2,067	\$1,828	\$1,507

*SPF Prices-US\$/1000 bd ft

	PREVIOUS MONTH (JAN-22)	2 MONTHS AGO (DEC '21)	YTD AVG	2021 AVG	2020 AVG
Hemlock Squares	\$1,723	\$1,723	\$1,748	\$1,507	\$793

MANUFACTURING AND TRADE INDICATORS

Manufacturing

The Canadian PMI slightly fell to 56.2 in January from 56.5 in December.

UNEMPLOYMENT RATE 3.3% 3.1% (Dec'21)	MEDIAN WAGE \$20.87 2.26% YOY	PMI 56.2↓ 56.5 (Dec'21)	CAN/USD EXCHANGE \$0.79 \$0.78 (Dec'21)
--	---	---	---

\$ In billions	RECENT MONTH	PREVIOUS MONTH	YEAR OVER YEAR CHANGE
GDP Goods Producing**	\$571.1	\$568.3	3.8%
GDP Manufacturing**	\$189.5	\$186.8	1.4%
Manufacturing Sales***	\$61.8	\$65.4	17%
Manufacturing Orders**	\$63.6	\$66.4	18%
Motor Vehicle Sales***	\$3.6	\$3.7	-11%
Wood Product Sales***	\$3.2	\$3.4	-
Petrol and Coal Sales***	\$7.1	\$7.1	65%
Ratio Inventory to Sales***	1.63	1.54	-
Manufacturing Employment	1,755.5	1,765.9	0.9%
Weekly Hours of Work**	37.2	36.9	-
Median Manufacturing Hourly Wage	\$20.87	\$20.72	2.26%
Capacity Utilization***	77.1%	78.2%	-

*October 2021; **November 2021; December, 2021***

Trade

In December, Canada's merchandise trade balance returned to a deficit position.

Trade Balance

\$137 million deficit

Total Exports

\$57.6 billion

Trade Balance with US

\$8.1 billion

Total Imports

\$57.7 billion

"In December, Canada's merchandise imports rose 3.7%, while exports were down 0.9%. As a result, after posting six consecutive monthly surpluses, Canada's merchandise trade balance returned to a deficit position"- Statistics Canada

	DECEMBER 2021	PREVIOUS MONTH	PREVIOUS YEAR
Trade Balance	-\$137.5	\$2.46	-
Total Exports	\$57.61	\$58.14	-
Total Imports	\$57.74	\$55.68	-
Trade Balance with US	\$8.10	\$9.46	-
US Exports	\$44.28	\$44.90	-
US Imports	\$36.17	\$345.44	-
EXPORTS BY TYPE			
Metal Ores and Non-Metallic Minerals	\$2.32	\$2.44	27.3%
Metal and non-metallic mineral products	\$6.70	\$6.66	8.2%
Motor Vehicles and Parts	\$6.69	\$6.39	-3.3%
Energy Products	\$13.61	\$14.47	80.1%
Forestry Products	\$4.33	\$4.42	9.2%
Industrial Machinery, equipment and parts	\$3.32	\$3.27	9.8%

MACROECONOMIC INDICATORS

Labour Market Indicators

	JANUARY	DECEMBER	3 YEAR PEAK
<u>Unemployment Rate</u>	6.5%	6%	13.7%
<u>Employment Rate</u>	60.8%	61.5%	62.8%
<u>Real Unemployment</u>	9.1%	7.6%	18.2%
<u>LF Participation Rate</u>	65%	65.3%	65.9%
FT/PT	81.9%/18.1	81.6%/18.4%	84.3%/15.7%

UNEMPLOYMENT RATE 6.5% 6% (DEC'21)	MEDIAN WAGE \$26.98 2.04% YOY	CPI 145.3 +5.1% YOY
--	---	---

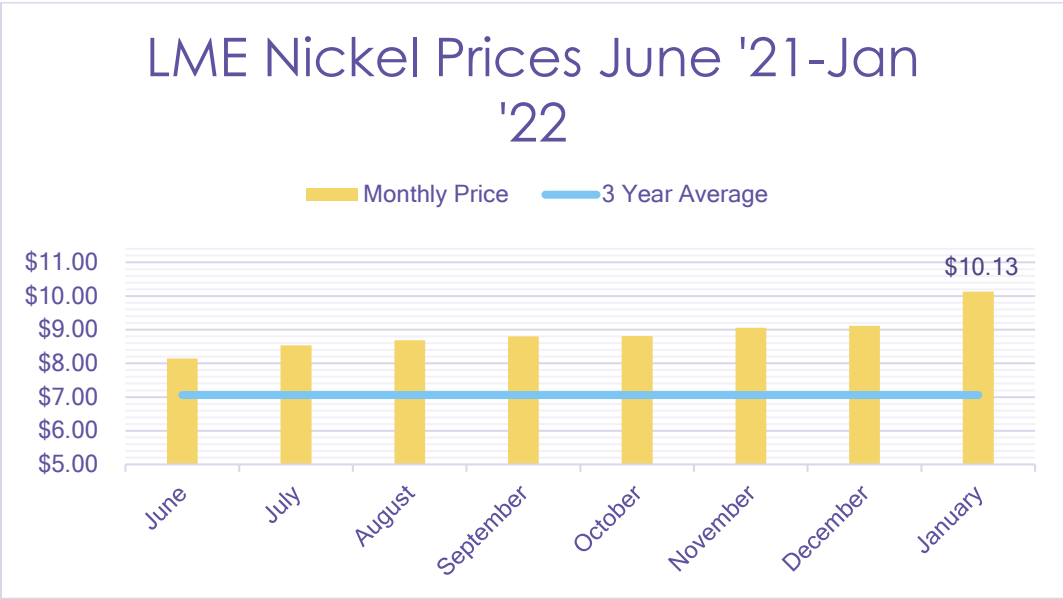
Key Economic Indicators

	Q3 2021	Q2 2021	CHANGE
Real GDP*	2,130,208	2,096,220	1.6%
House hold	1,204,304	1,155,288	4.2%
Consumption			
Investment	165,484	165,652	negligible
Labour Productivity	109	110.66	-1.5%
Index*			
Unit Labour Cost	120.63	118.40	1.9%
Index*			

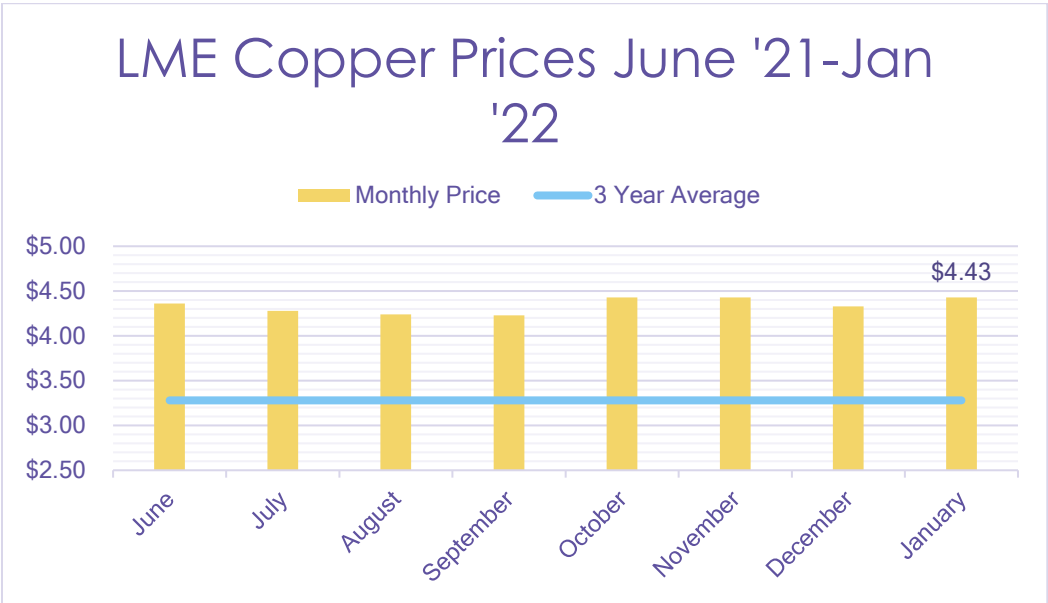
**GDP Expenditure, Productivity and Unit Labour cost data is quarterly; Investment comprises non-residential structures, machinery and equipment*

APPENDIX

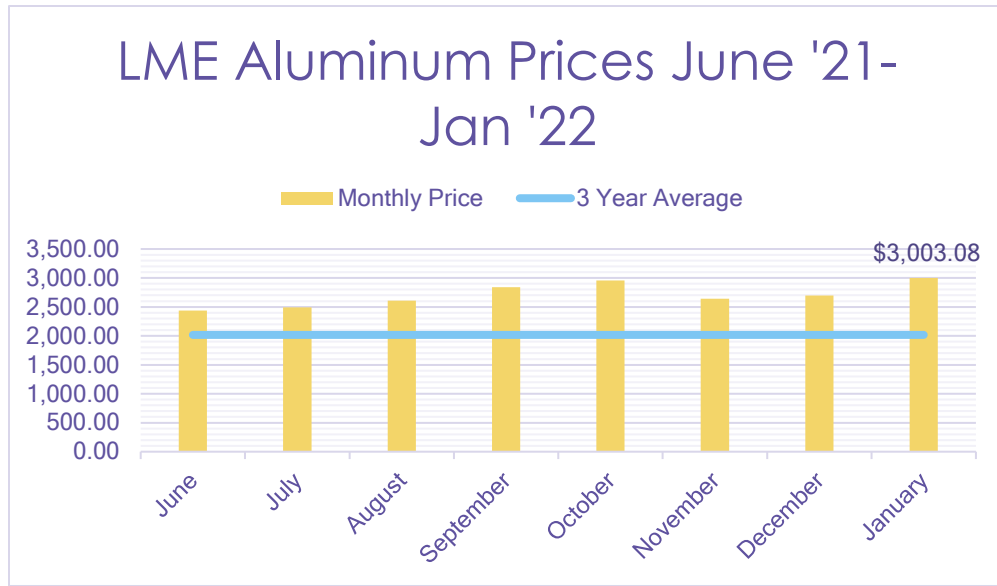
Nickel



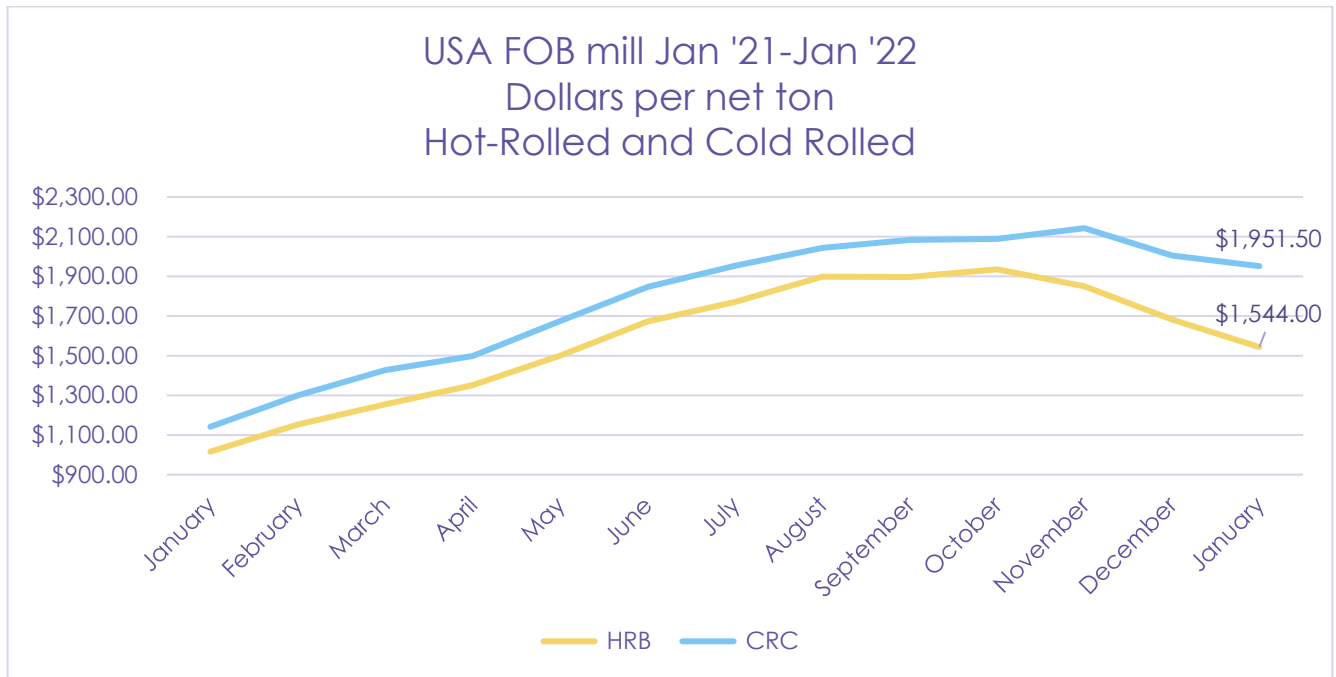
Copper



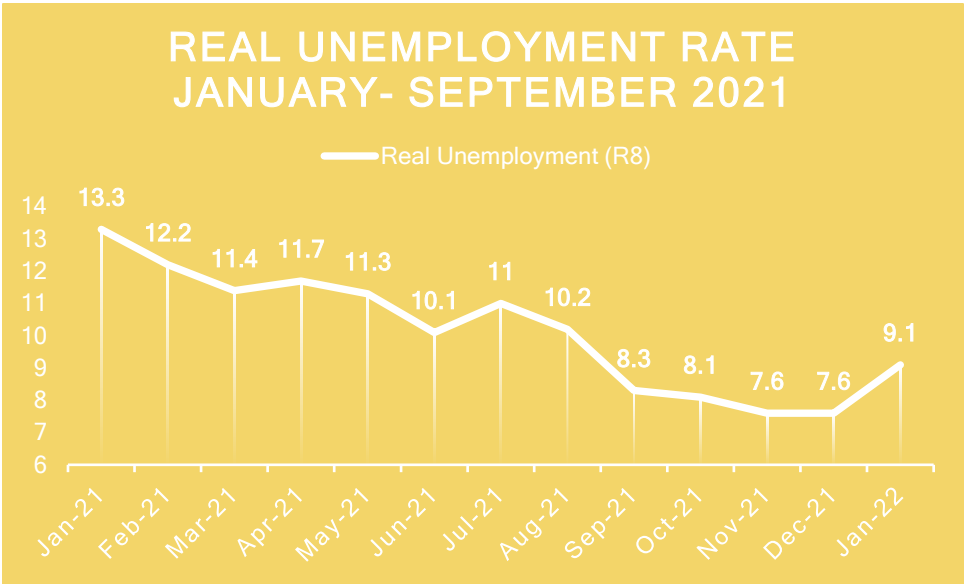
Aluminum



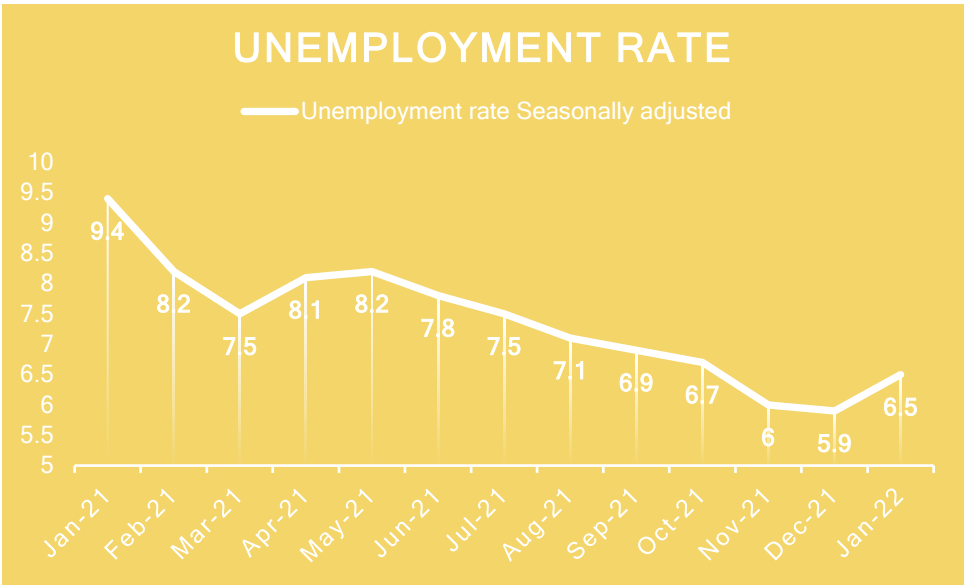
Steel



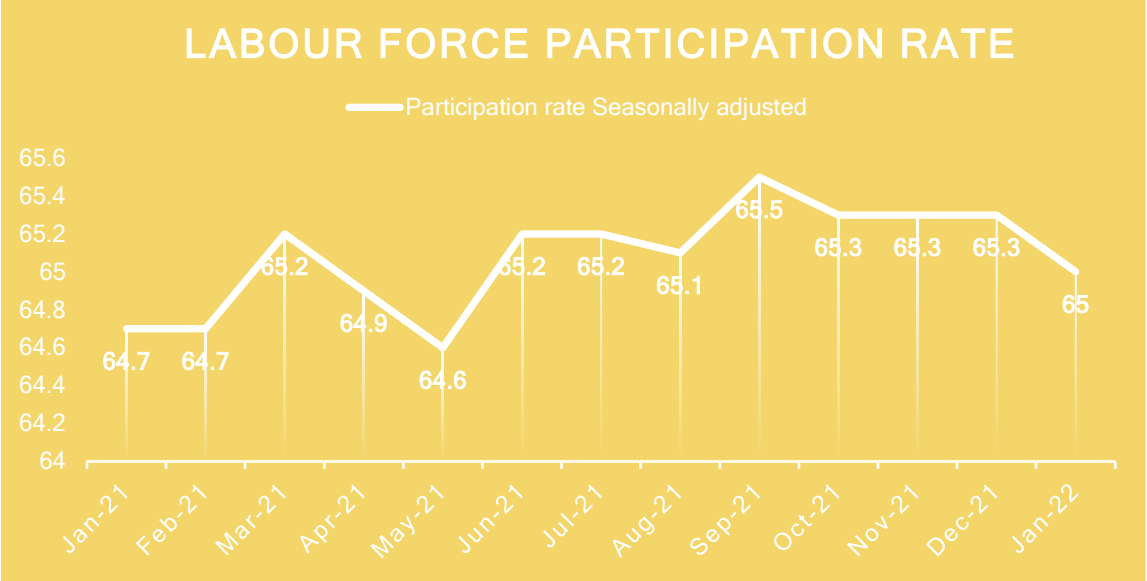
Real Unemployment Rate



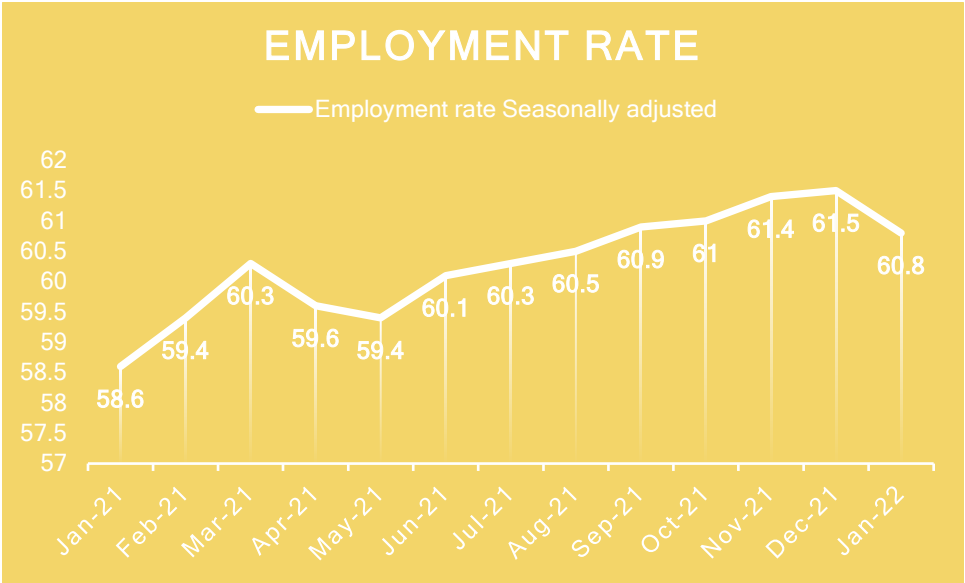
Official Unemployment Rate



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:

$(\text{Inventory value } \$) \div (\text{Sales value } \$)$; 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 $(\text{Employed} + \text{Unemployed} / \text{Population} = \text{Labour Force Participation rate})$

Employment Rate- Percentage of population 15 or older that are employed $(\text{Employed} / \text{Population} = \text{Employment Rate})$

*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



www.usw.ca

Unity and Strength for Workers