



MANUFACTURING UPDATE

JUNE 2021

UNITED STEELWORKERS CANADIAN NATIONAL OFFICE



UNITED STEELWORKERS
USW
MÉTALLOS

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CANADIAN MANUFACTURING

Employment Highlights

Employment in the manufacturing sector fell by 12 thousand jobs in June 2021 over May. On a year over year basis, however, employment increased by 5.6%. The unemployment rate declined to 4.6% from 4.9% in April. Despite the loss of 12 thousand jobs, the unemployment rate declined because the decline in the sectoral labour force was larger (-16.4k).

Monthly PMI

Canadian PMI fell to 56.5 in June from 57 in May. This is the 12th straight month of expansion in the country's factory activity but the softest in four months. Canadian firms noted stronger demand, domestically and internationally, which supported solid production and hiring levels, although both were seen expanding at the slowest pace since February. On the price front, inflationary pressures remained high on raw material shortages, which fueled the steepest increase in input prices in almost three years.

Capacity Utilization and Inventories

Capacity utilization for May was 77.5%, an increase from 75.6% in March. The ratio of inventory to sales increased to 1.56 from 1.54 in April.

“For the 12th straight month, Canadian factory activity expanded and unemployment in the sector declined to 4.6% ”

Median Manufacturing Wage Growth

The USW Research Department calculates the 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 June 2021 year over year nominal wage growth was just 0.89%. The median wage was \$20.40.

MACROECONOMIC REVIEW

The Canadian economy continued its recovery in June. Key economic indicators such as the unemployment rate (both real and official) declined.

- The unemployment rate decreased to 7.8% in June, from 8.2% in May. The real unemployment rate declined from 11.3% to 10.1%.
Employment increased by 230 thousand jobs, a 1.2% increase from May. On a year over year basis employment was 8.1% higher over June 2020. 48 thousand jobs were lost in June in the goods producing sector, led by construction (-23k). The service sector gained 279 thousand jobs.
- CPI for June 2021 increased by 3.1% down from a 3.6% gain in May. As a result of price increases in June 2020, base-year effects had a downward impact on consumer inflation, contributing to the slowdown in June 2021. Excluding gasoline, the CPI rose 2.2% year over year. The monthly CPI rose 0.3% in June 2021, down from a 0.5% increase in May. On a seasonally adjusted monthly basis, the CPI rose 0.1% in June
- In June, the Bank of Canada maintained the overnight lending rate at 0.25%. While acknowledging the increase in inflation to the top of its inflation band of 1-3%, the BoC maintains that this is largely due to base year effects (decline in price level in 2020 due to the pandemic) and it expects inflation to remain around 3% for the summer. Given that this increase in inflation is not due to economic fundamentals (neither cost push nor demand pull), the BoC *“judges that there remains considerable excess capacity in the Canadian economy, and that the recovery continues to require extraordinary monetary policy support. We remain committed to holding the policy interest rate at the effective lower bound until economic slack is absorbed so that the 2 percent inflation target is sustainably achieved. In the Bank’s April projection, this happens sometime in the second half of 2022.”*

“Employment increased by 230 thousand jobs and the unemployment rate declined to 7.8% in June.”

COMMODITY PRICES

COMMODITY	JUNE	MAY	3 YEAR AVERAGE
Iron Ore	\$211.46	\$205.60	-
Prem. Coal (HCC)		\$126.79	-
Spot			
Aluminum	\$2,439.09	\$2,433.84	\$1,883.91
Nickel (lb)	\$8.14	\$7.99	\$6.45
Copper (lb)	\$4.36	\$4.62	\$2.99
Gold	\$1,833.43	\$1,845.93	\$1,568.31
Lead	\$2,188.98	\$ 2,185.92	\$1,971.42
Zinc	\$2,950.07	\$ 2,970.29	\$2,522.71
Uranium	\$32.25	\$31.4	\$27.98
Potash	\$202.50	\$202.50	-
BCPI*	606.61	601.23	434.34
BCPI (Metals & Minerals only)	720.94	724.17	605.69

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

Steel

USD/per metric tonne	US	CHINA	WESTERN EUROPE	WORLD EXPORT
Hot-rolled band	\$1,938	\$730	\$1,395	\$1,030
Cold-rolled coil	\$2,113	\$824		
Standard plate	\$1,599	\$711		
Rebar	-	\$651		

*Prices for July 14th ,2021

Softwood Lumber



\$/per thousand board feet	JULY 9 2021	JULY 2, 2021	4-WK AVG	52 WK AVG	% CHANGE OVER 52 WK AVG
2X4 Eastern Spruce Pine (CDN)	\$870	\$970	\$1,066	\$1,245	-43%
Composite	\$689	\$770	\$876	\$923	-34%
2x4 Western Spruce #2	\$760	\$760	\$876	\$923	-21%
2x4 Western Spruce pine Utility #3	\$528	\$528	\$691	\$804	-52%

Panel Prices

	JULY 9 2021	JULY 2, 2021	4-WK AVG	52 WK AVG	% CHANGE OVER 52 WK AVG
Composite 15/32" 4-ply ext. (south)	\$1,567	\$1,673	\$1,663	\$1,008	+36%
9.5mm 4-ply exterior (west)(CDN)	\$1,505	\$1,695	\$1,681	\$1,004	+33%
7/16" oriented strand board (north central)(CDN)	\$1,320	\$1,600	\$1,545	\$977	+26%
*USD/\$1000 bd ft	\$1,650	\$1,800	\$1,763	\$1,196	+28%

Additional Forestry Price Information



	JULY 9 2021	JULY 2, 2021	PREVIOUS MONTH AVG	YTD MONTHLY AVG	2020 AVG	2019 AVG
SPF* 2x4	\$760	\$760	\$1,206	\$1,171	\$570	\$372
SPF Stud	\$600	\$685	\$1,138	\$1,128	\$505	\$272
SPF 2x10	\$790	\$800	\$1,249	\$1,142	\$528	\$350
Cedar 2x4	\$1,900	\$1,900	\$1,900	\$1,758	\$1,509	\$1,386

*SPF Prices-US\$/1000 bd ft

	PREVIOUS MONTH (MAY)	2 MONTHS AGO (APRIL)	YTD AVG	2020 AVG	2019 AVG
Hemlock Squares	\$1,743	\$1,422	\$1,212	\$793	\$891

MANUFACTURING AND TRADE INDICATORS

Manufacturing

The Canadian PMI fell to 56.5 in June from 57 in May.

UNEMPLOYMENT RATE 4.6%↓ 4.9% (MAY'21)	MEDIAN WAGE \$20.40 0.89% YOY	PMI 56.5↓ 57 (MAY'21)	CAN/USD EXCHANGE \$0.81
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\$ In billions	RECENT MONTH	PREVIOUS MONTH	YEAR OVER YEAR CHANGE
GDP Goods Producing*	\$581,398	\$578,476	23.2%
GDP Manufacturing*	\$187,091	\$189,056	32.7%
Manufacturing Sales**	\$57.85	\$58.21	42%
Manufacturing Orders**	54.13	\$56.04	39%
Motor Vehicle Sales**	\$2.3	\$2.29	130%
Wood Product Sales**	\$5.42	\$5.11	140%
Petrol and Coal Sales**	\$5.44	\$5.43	0.2%
Ratio Inventory to Sales**	1.56	1.54	-
Manufacturing Employment	1,707.6	1,719.6	5.6%
Weekly Hours of Work*	36.9	36.8	-
Median Manufacturing Hourly Wage	\$20.40	\$20.00	0.89%
Capacity Utilization**	77.5%	75.6%	-

*April 2021; **May 2021;

Trade

In May, Canada's trade balance posted a deficit of \$1.3 billion.

Trade Balance

\$-1,386 billion deficit

Total Exports

\$49,530 billion

Trade Balance with US

\$6.1 billion surplus

Total Imports

\$50,916 billion

"Canada's merchandise imports increased 2.1%, while exports fell 1.6%. As a result, Canada's merchandise trade balance moved from a surplus of \$462 million in April to a deficit of \$1.4 billion in May."

	MAY 2021	PREVIOUS MONTH	PREVIOUS YEAR
Trade Balance	\$-1,386	\$462	-
Total Exports	\$49,530	\$50,333	45.7%
Total Imports	\$50,916	\$49,871	42.2%
Trade Balance with US	\$6,123	\$6,566	-
US Exports	\$36,776	\$37,187	64.8%
US Imports	\$30,653	\$30,728	47.7%
EXPORTS BY TYPE			
Metal Ores and Non-Metallic Minerals	1,866	\$1,964	25%
Metal and non-metallic mineral products	5,908	\$6,091	18.7%
Motor Vehicles and Parts	5,247	\$5,568	172.8%
Energy Products	9,259	\$9,233	158.6%
Forestry Products	5,201	\$4,773	70%
Industrial Machinery, equipment and parts	2,907	\$3,014	10.2%

MACROECONOMIC INDICATORS

Labour Market Indicators

	JUNE	MAY	3 YEAR PEAK
Unemployment Rate	7.8	8.2	13.7%
Employment Rate	60.1	59.4	62.8%
Real Unemployment	10.1	11.3	18.2%
Labour Force		64.6	65.9%
Participation Rate	65.2		
FT/PT	81.0/19.0	82.2/17.8	84.3/15.7

UNEMPLOYMENT RATE

7.8%↓

8.2% (MAY'21)

MEDIAN WAGE

\$27.03

0.24% YOY

CPI

141.4↑

+3.1% YOY

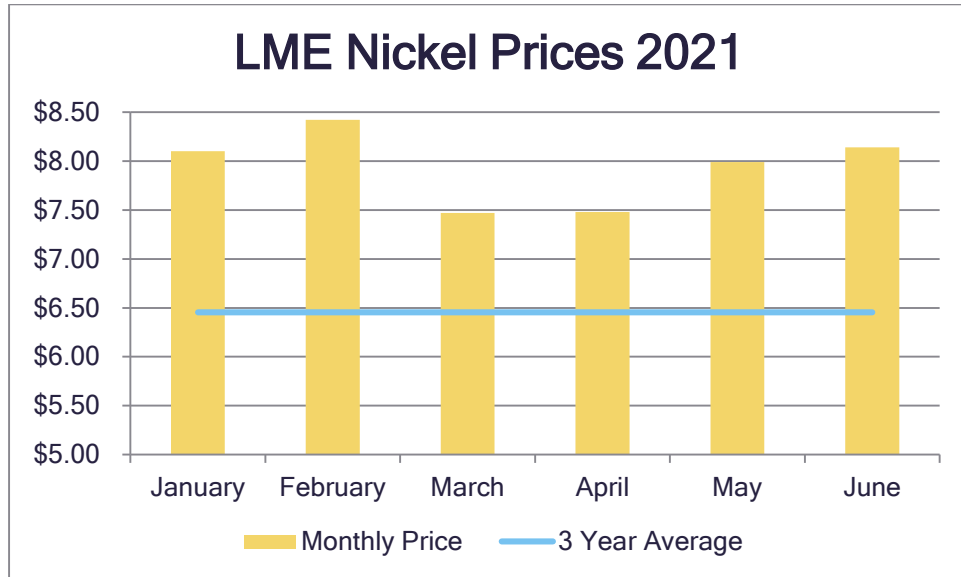
Key Economic Indicators

	Q1 2021	Q4 2020	CHANGE
Real GDP*	\$2.077	\$2.049	1.4%
House hold Consumption	\$1.148	\$1.140	0.7%
Investment	\$156.424	\$157.490	-0.7%
Labour Productivity Index*	110	112	-1.7%
Unit Labour Cost Index*	114	113.9	-

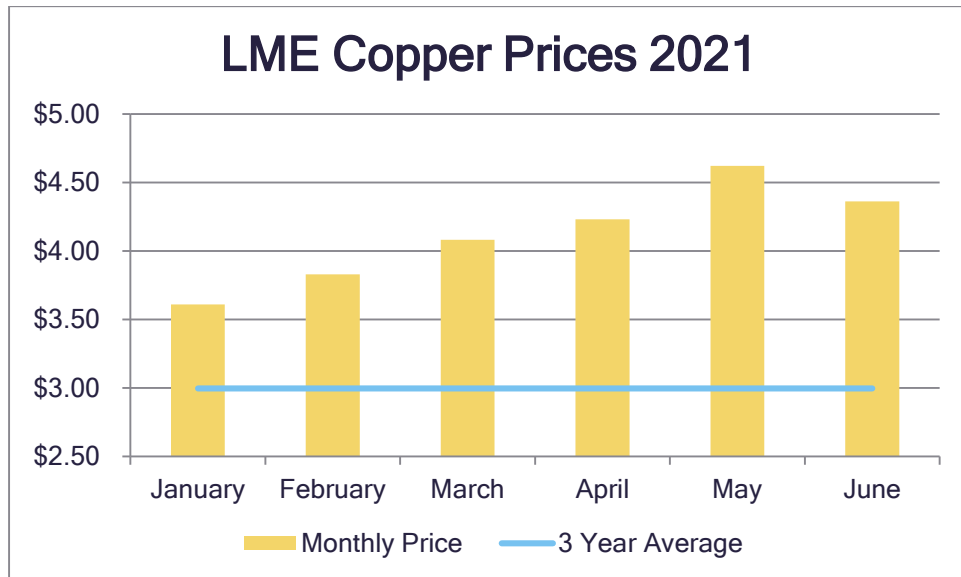
*GDP Expenditure, Productivity and Unit Labour cost data is quarterly; Investment comprises non-residential structures, machinery and equipment

APPENDIX

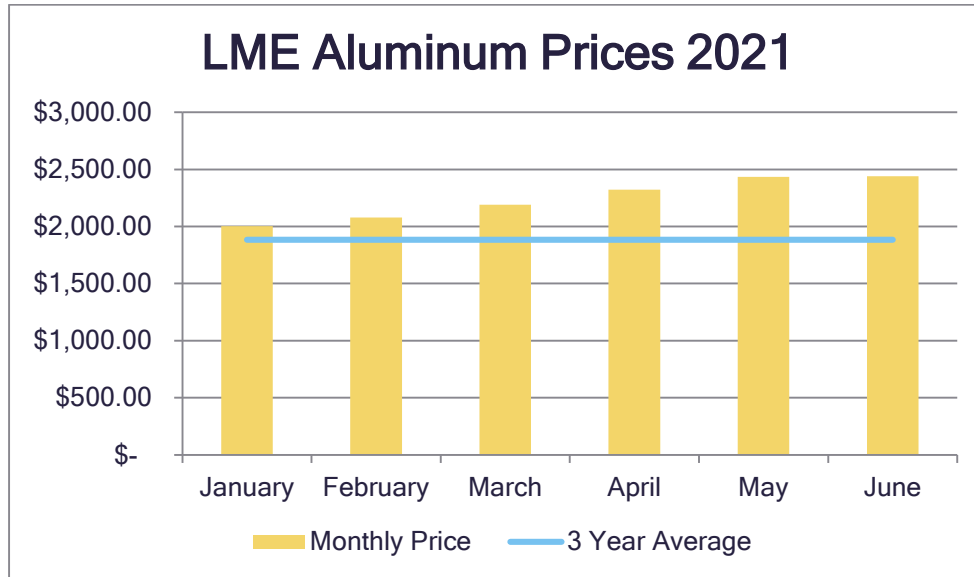
Nickel



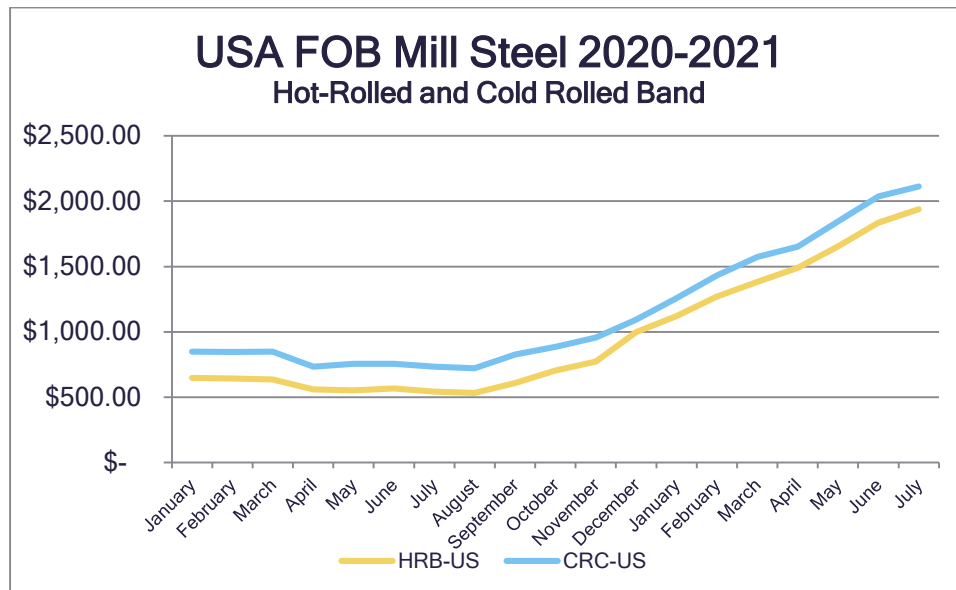
Copper



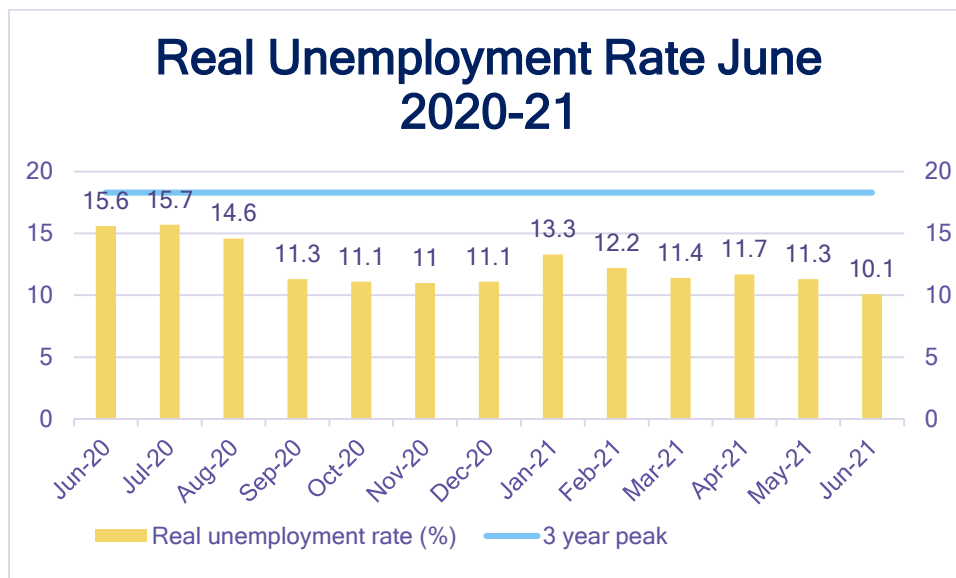
Aluminum



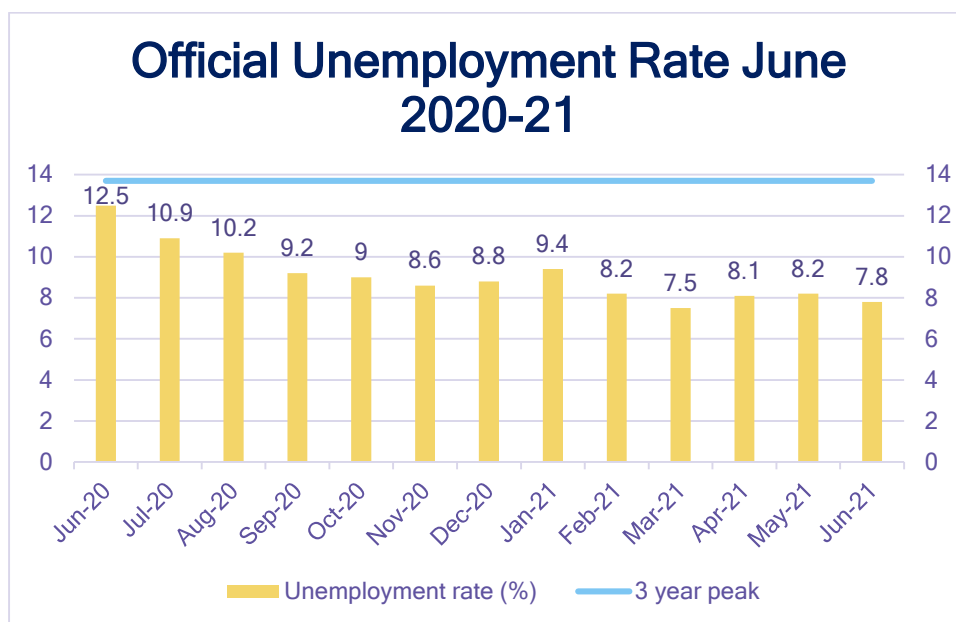
Steel



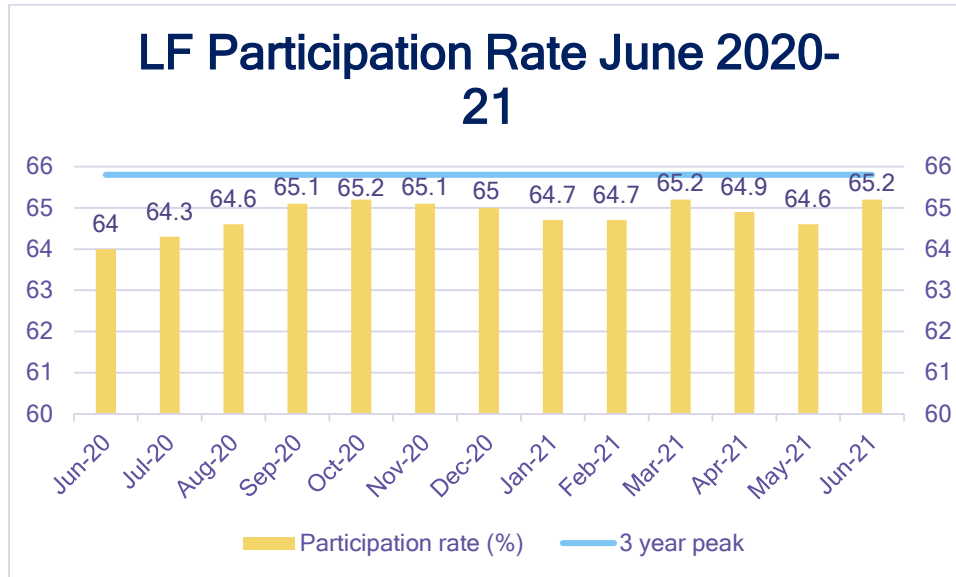
Real Unemployment Rate



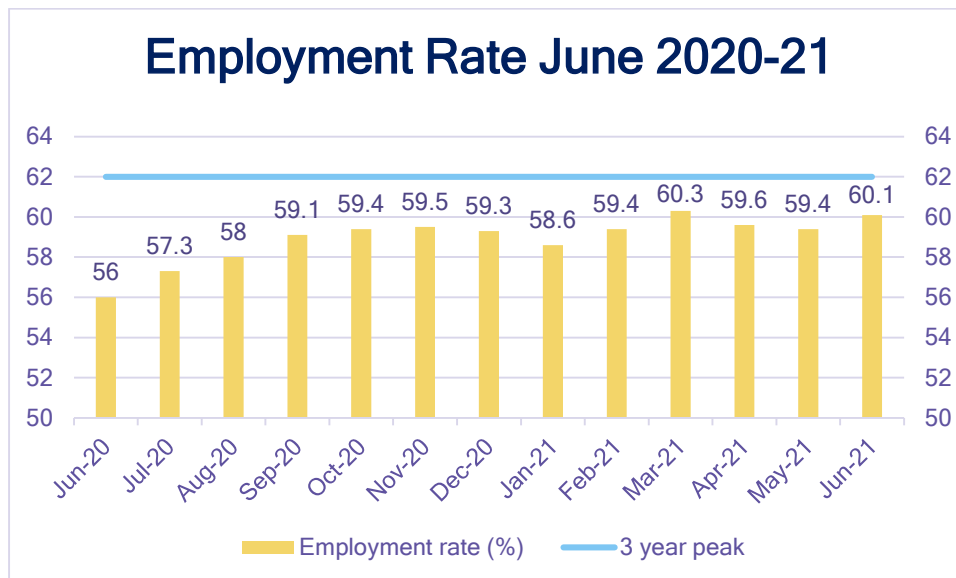
Official Unemployment Rate



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



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