



MANUFACTURING REPORT

AUGUST 2021

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

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CANADIAN MANUFACTURING

Employment Highlights

Employment in the manufacturing sector declined by 5.8 thousand jobs in August 2021 over July. On a year over year basis, employment increased by 2.1%. The unemployment rate in the sector declined to 3.5% from 3.9% in July.

Monthly PMI

Canadian PMI rose to 57.2 in August from 56.2 in July. This is the 14th straight month of expansion in the country's factory activity. New orders, output and employment rose sharply, underpinned by improved domestic demand and internationally, particularly in the US and Europe.

Capacity Utilization and Inventories

Capacity utilization for July was 76.7%, a decrease from 79.4% in June. The ratio of inventory to sales increased to at 1.58 in July.

“The unemployment rate in the manufacturing sector declined to 3.5% in August from 3.9% in July, while the sector posted its 14th straight month of expansion.”

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 August 2021 year over year nominal wage growth was -1.22%. The median wage was \$20.41.

MACROECONOMIC REVIEW

The Canadian economy continued its recovery in August. Recent inflationary pressures remain of a temporary nature and are expected to subside to the target of 2% in 2022.

- The unemployment rate decreased to 7.1% in August, from 7.5% in July. The real unemployment rate also declined to 10.2% from 11%.
Employment increased by 90.2 thousand jobs, a 0.5% increase from July. On a year over year basis employment was 5.3% higher over August 2020. 2.6 thousand jobs were lost in August in the goods producing sector, led by agriculture (-10.6k) The service sector gained 92.9 thousand jobs.
- CPI for August 2021 increased by 4.1% up from a 3.7% gain in July. Excluding gasoline, the CPI increased to 3.2% year over year. Shelter (4.8%), transportation (8.7%) and Energy (20.7%) were the highest contributors on a year over year basis.
- The big story of August 2021 is without a doubt the “sticker shock” of the inflation numbers. As we have been indicating for the past few months in this report, the short term inflationary environment is expected to remain temporarily higher than normal and above the Bank of Canada’s inflation target. As the Bank of Canada claims, “*CPI inflation remains above 3 percent as expected, boosted by base-year effects, gasoline prices, and pandemic-related supply bottlenecks. These factors pushing up inflation are expected to be transitory, but their persistence and magnitude are uncertain and will be monitored closely. Wage increases have been moderate to date, and medium-term inflation expectations remain well-anchored. Core measures of inflation have risen, but by less than the CPI.*” In other words, the current inflationary uptick remains driven by temporary factors (base year effects, supply bottlenecks) as opposed to structural factors (high capacity utilization, tight labour markets).

“The Governing Council judges that the Canadian economy still has considerable excess capacity, 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.”
-Bank of Canada, September 2021 Policy Rate Announcement

COMMODITY PRICES

COMMODITY	AUGUST	JULY	3 YEAR AVERAGE
Iron Ore	\$166.73	\$214.76	-
Aluminum	\$2,610.64	\$2,491.95	\$1,904.55
Nickel (lb)	\$8.69	\$8.54	\$6.56
Copper (lb)	\$4.24	\$4.28	\$3.06
Gold	\$1,784.74	\$1,805.87	\$1,588.87
Lead	\$2,428.52	\$2,336.98	\$1,974.44
Zinc	\$2,988.90	\$2,942.98	\$2,527.61
Uranium	\$34.25	\$32.40	\$28.47
Potash	\$221.00	\$202.50	-
BCPI*	568.19	593.87	439.90
BCPI (Metals & Minerals only)	738.36	730.52	614.50

**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	\$2,078	\$768	\$1,325	\$945
Cold-rolled coil	\$2,295	\$871		
Standard plate	\$1,856	\$755		
Rebar	-	\$711		

*Prices for September 15th ,2021

Softwood Lumber

\$/per thousand board feet	SEPT 10 2021	SEPT 3 2021	4-WK AVG	52 WK AVG	% CHANGE OVER 52 WK AVG
2X4 Eastern Spruce Pine (CDN)	\$630	\$575	\$583	\$1,777	-46%
Composite	\$418	\$396	\$401	\$870	-52%
2x4 Western Spruce #2	\$480	\$430	\$430	\$913	-47%
2x4 Western Spruce pine Utility #3	\$365	\$355	\$331	\$769	-52%

Panel Prices

	SEPT 10 2021	SEPT 3, 2021	4-WK AVG	52 WK AVG	% CHANGE OVER 52 WK AVG
Composite	\$601	\$595	\$592	\$1,020	-41%
15/32" 4-ply ext. (south)	\$518	\$495	\$491	\$985	-47%
9.5mm 4-ply exterior (west)(CDN)	\$525	\$525	\$545	\$990	-46%
7/16" oriented strand board (north central)(CDN)	\$585	\$600	\$599	\$1,208	-51%

*USD/\$1000 bd ft

Additional Forestry Price Information

	SEP 10 2021	SEPT 3, 2021	PREVIOUS MONTH AVG (AUG '21)	YTD MONTHLY AVG (AUG' 21)	2020 AVG	2019 AVG
SPF* 2x4	\$480	\$430	\$447	\$1,012	\$570	\$372
SPF Stud	\$285	\$290	\$276	\$947	\$505	\$272
SPF 2x10	\$445	\$395	\$364	\$978	\$528	\$350
Cedar 2x4	\$1,900	\$1,900	\$1,900	\$1,794	%1,509	\$1,386

*SPF Prices-US\$/1000 bd ft

	PREVIOUS MONTH (AUG'21)	2 MONTHS AGO (JULY '21)	YTD AVG	2020 AVG	2019 AVG
Hemlock Squares	-	\$1,796	\$1,295	\$793	\$891

MANUFACTURING AND TRADE INDICATORS

Manufacturing

The Canadian PMI rose to 57.2 in August from 56.2 in July.

UNEMPLOYMENT RATE 3.5%↓ 3.9% (JULY'21)	MEDIAN WAGE \$20.41 -1.22% YOY	PMI 57.2↑ 56.2 (JULY'21)	CAN/USD EXCHANGE \$0.79 \$0.79 (JULY'21)
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\$ In billions	RECENT MONTH	PREVIOUS MONTH	YEAR OVER YEAR CHANGE
GDP Goods Producing*	\$574,617	\$569,599	7.4%
GDP Manufacturing*	\$187,768	\$185,272	8.1%
Manufacturing Sales**	\$59.5	\$60.4	12%
Manufacturing Orders**	\$60.1	\$61.6	17%
Motor Vehicle Sales**	\$2.5	\$3.1	-37%
Wood Product Sales**	\$4.0	\$5.1	48%
Petrol and Coal Sales**	\$5.8	\$5.9	65%
Ratio Inventory to Sales**	1.58	1.51	1.61
Manufacturing Employment	1,710.6	1,716.4	2.1%
Weekly Hours of Work*	36.9	36.5	-
Median Manufacturing Hourly Wage	\$20.41	\$20.07	-1.22%
Capacity Utilization**	76.7%	79.4%	-

* June 2021; ** July 2021;

Trade

In July, Canada's trade surplus narrowed from \$2.6 billion to \$778 million.

Trade Balance

\$778 million

Total Exports

\$53,749 billion

Trade Balance with US

\$6.672 billion

Total Imports

\$52,971 billion

"In July, Canada's merchandise imports rose 4.2% and exports increased 0.6%.... In real terms, total imports rose 1.9% in July, while exports edged down 0.3%. Higher prices therefore had a significant impact on import and export values in July."

	JULY 2021	PREVIOUS MONTH	PREVIOUS YEAR
Trade Balance	\$778	\$2.56B	-
Total Exports			
Total Imports	\$52.9B	\$50.8B	9.4%
Trade Balance with US	\$6.6B	\$7.8B	-
US Exports	\$40.8B	\$39.3B	20.6%
US Imports	\$34.1	\$31.4	9.5%
EXPORTS BY TYPE			
Metal Ores and Non-Metallic Minerals	\$2.15	\$2.18	24.8%
Metal and non-metallic mineral products	\$6.6	\$6.7	26.7%
Motor Vehicles and Parts	\$6.33	\$5.95	-23.2%
Energy Products	\$10.97	\$10.76	72.2%
Forestry Products	\$4.77	\$5.46	44.4%
Industrial Machinery, equipment and parts	\$3.12	\$2.99	\$6.8

MACROECONOMIC INDICATORS

Labour Market Indicators

	AUGUST	JULY	3 YEAR PEAK
Unemployment Rate	7.1%	7.5%	13.7%
Employment Rate	60.5%	60.3%	62.8%
Real Unemployment	10.2%	11%	18.2%
Labour Force			
Participation Rate	65.1%	65.2%	65.9%
FT/PT	81/19	81/19	84.3/15.7

UNEMPLOYMENT RATE 7.1%↓ 7.5% (JULY'21)	MEDIAN WAGE \$26.84 1.01% YOY	CPI 142.6↑ +4.1% YOY
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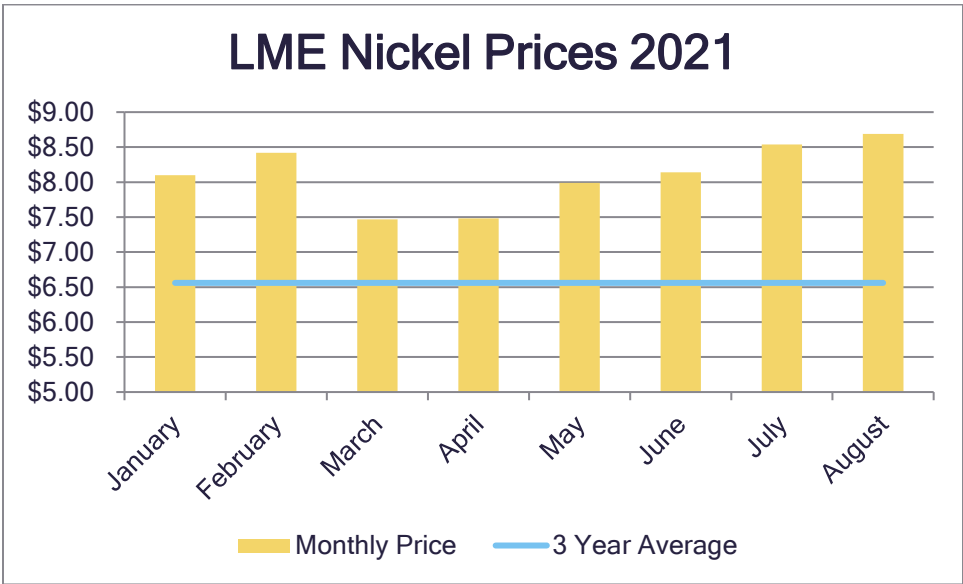
Key Economic Indicators

	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*			

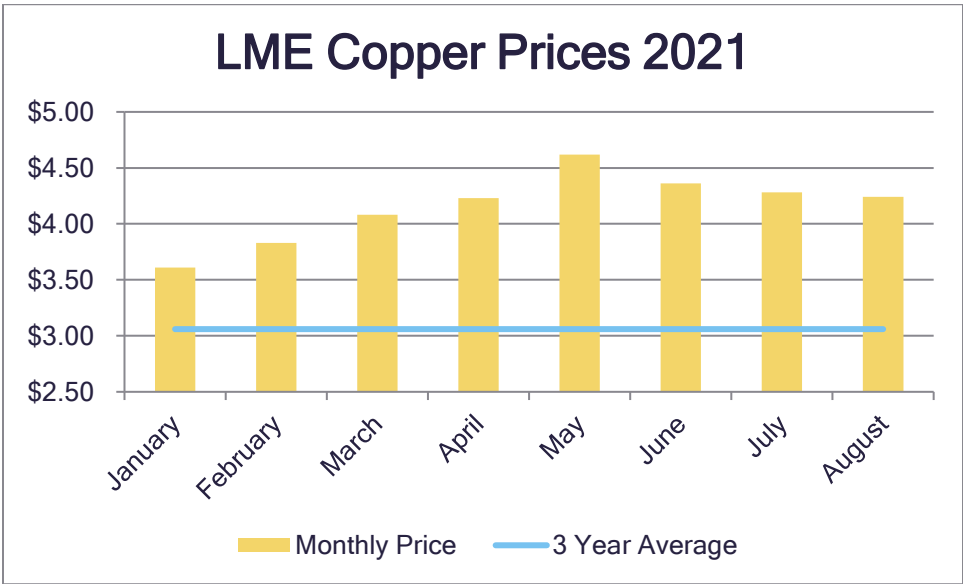
*GDP Expenditure, Productivity and Unit Labour cost data is quarterly; Investment comprises non-residential structures, machinery and equipment

APPENDIX

Nickel



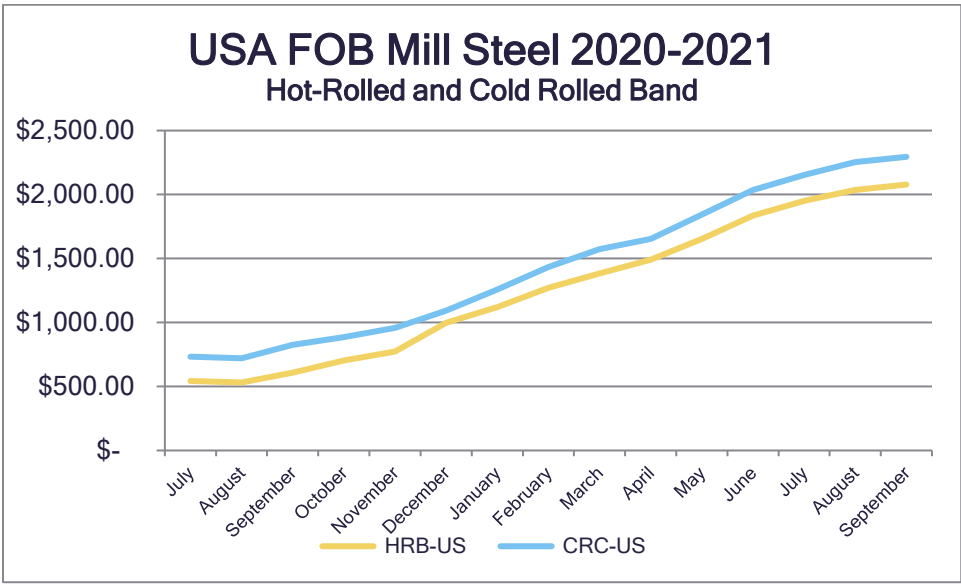
Copper



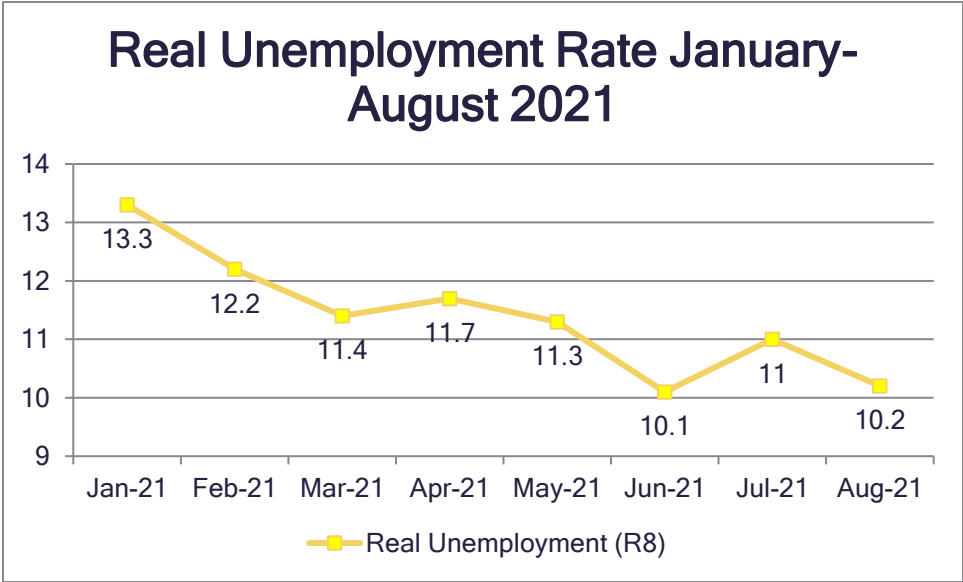
Aluminum



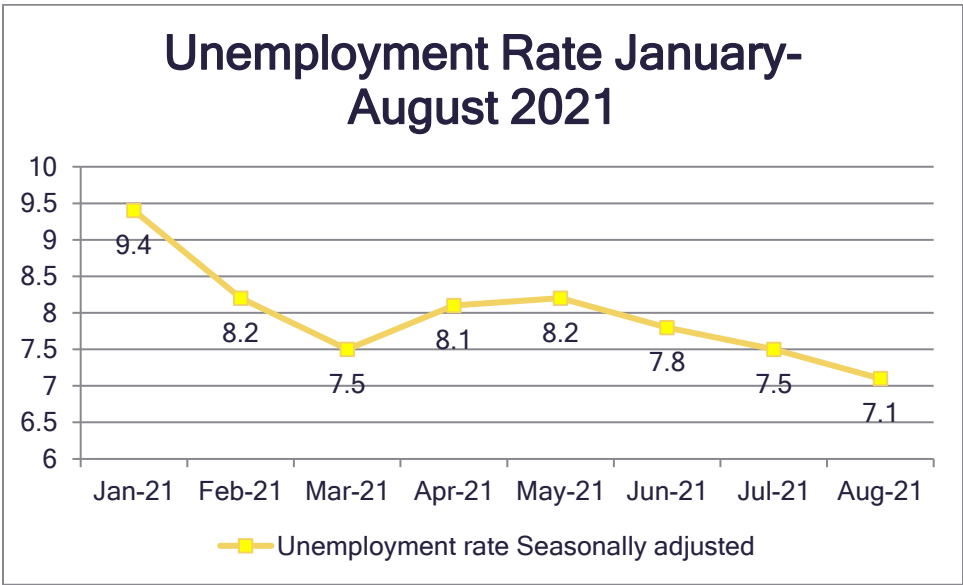
Steel



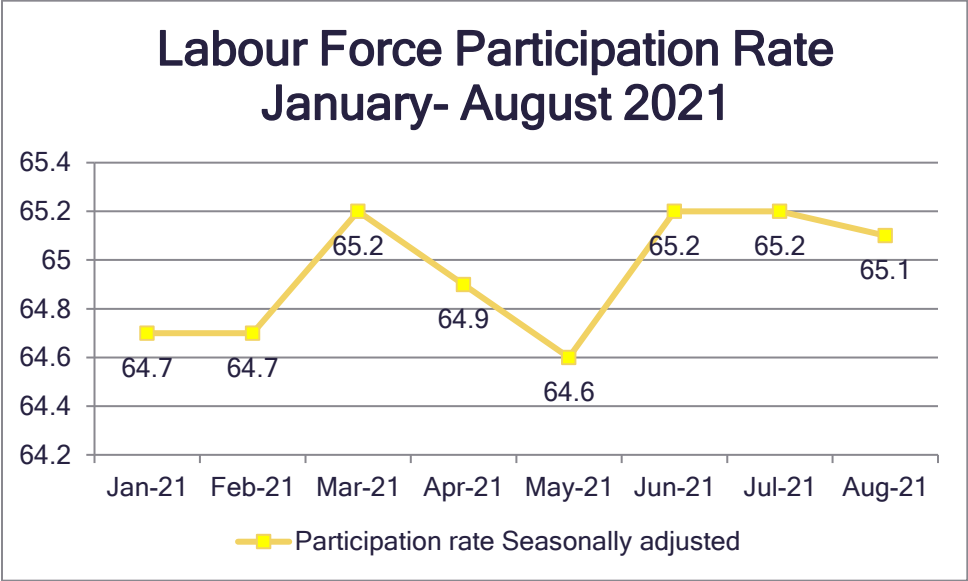
Real Unemployment Rate



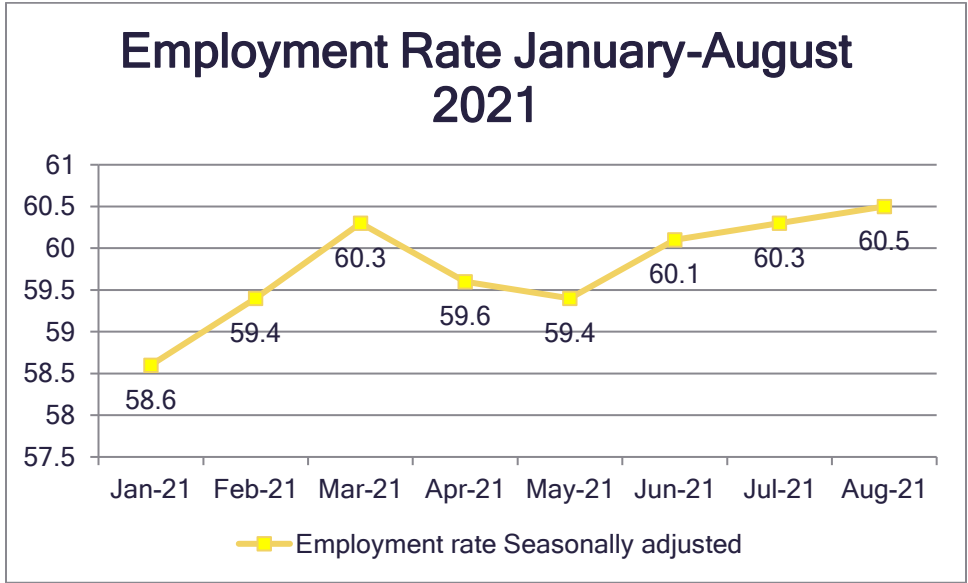
Official Unemployment Rate



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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