



MANUFACTURING UPDATE

MAY 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 36 thousand jobs in May 2021 over April. On a year over year basis, employment in the sector increased by 12%. The unemployment rate, however, declined to 4.9% from 5.1% in April. Despite the loss of 36 thousand jobs, the unemployment rate decreased because the decline in the sectoral labour force was higher.

Monthly PMI

Canadian PMI fell to 57 in May from 57.2 in April. Despite the fall this is the 11th straight month of expansion in the country's factory activity. Solid growth in new orders, output was maintained. Meanwhile, backlogs of work accumulated for the tenth straight month, reflecting insufficient staff as well as material shortages and shipment delays. On the price front, inflationary pressures intensified

Capacity Utilization and Inventories

Capacity utilization for April was 75.6%, a decline from 80.1% in March. The ratio of inventory to sales increased to 1.56 from 1.52 in April.

“For the 11th straight month, Canadian factory activity expanded and unemployment in the sector declined to 4.9%”

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 May 2021 year over year nominal wage growth was -3.13%. The median wage was \$20.00.

MACROECONOMIC REVIEW

The Canadian economy took a small step back in the recovery in May. Key economic indicators, such as the unemployment rate slightly inched upwards.

- The unemployment rate slightly increased to 8.2% in May, from 8.1% in April. The real unemployment rate declined from 11.7% to 11.3%.
Employment decreased by 68 thousand jobs, a % -0.4 fall from April. On a year over year basis employment was 12.9% higher over May 2020. 46 thousand jobs were lost in May in the goods producing sector, led by manufacturing (-35k). The service sector lost -21.8 thousand jobs.
- CPI for May 2021 increased by 3.6%. Although base-year effects continue to impact the 12-month price movement for some specific consumer goods, such as gasoline, furniture and beef products, the increase in year-over-year price growth in May was led by rising prices for shelter and passenger vehicles.
- 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.”*

“The Bank of Canada believes there remains considerable excess capacity in the economy which therefore continues to justify extraordinary monetary policy.”

COMMODITY PRICES

COMMODITY	MAY	APRIL	3 YEAR AVERAGE
Iron Ore	\$205.60	\$173.23	-
Prem. Coal (HCC)	\$126.79	\$113.5	-
Spot			
Aluminum	\$2,433.84	\$2,323.75	\$1,879.90
Nickel (lb)	\$7.99	\$7.48	\$6.40
Copper (lb)	\$4.62	\$4.23	\$2.96
Gold	\$1,845.93	\$1,758.65	\$1,553.17
Lead	\$ 2,185.92	\$ 2,006.33	\$1,976.15
Zinc	\$ 2,970.29	\$ 2,827.35	\$2,525.62
Uranium	\$31.4	\$28.90	\$27.72
Potash	\$202.50	\$202.50	-
BCPI*	572.1	541.73	422.88
BCPI (Metals & Minerals only)	716.21	683.02	597.41

**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	\$1,680	\$753	\$1,344	\$1,100
Cold-rolled coil	\$1,890	\$861	-	-
Standard plate	\$1,421	\$773	-	-
Rebar	-	\$696	-	-

*Prices for May 24th ,2021

Softwood Lumber



	11-JUNE-21	4-JUNE-21	4-WK AVG	52 WK AVG	% CHANGE OVER 52 WK AVG
\$/per thousand board feet					
2X4 Eastern Spruce Pine (CDN)	\$1,645	\$1,850	\$1,886	\$1,212	-
Composite	\$1,324	\$1,446	\$1,445	\$894	-
2x4 Western Spruce #2	\$1,275	\$1,600	\$1,539	\$931	-
2x4 Western Spruce pine Utility #3	\$1,160	\$1,440	\$1,370	\$778	-

Panel Prices

	11-JUNE-21	4-JUNE-21	4-WK AVG	52 WK AVG	% CHANGE OVER 52 WK AVG
Composite	\$1,699	\$1,679	\$1,664	\$916	-
15/32" 4-ply ext. (south)	\$1,773	\$1,755	\$1,739	\$917	-
9.5mm 4-ply exterior (west)(CDN)	\$1,630	\$1,630	\$1,615	\$900	-
7/16" oriented strand board (north central)(CDN)	\$1,840	\$2,100	\$2,030	\$1,091	-

*USD/\$1000 bd ft

Additional Forestry Price Information



	11-JUN-21	4-JUN-21	PREVIOUS MONTH AVG	YTD MONTHLY AVG	2020 AVG	2019 AVG
SPF* 2x4	1,275	1,600	1,618	1,164	570	372
SPF Stud	1,266	1,526	1,489	1,126	505	272
SPF 2x10	1,400	1,610	1,612	1,121	528	350
Cedar 2x4	1,900	1,900	1,900	1,730	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	1,422	1,118	1,106	793	891

MANUFACTURING AND TRADE INDICATORS

Manufacturing

The Canadian PMI fell to 57 in May from 57.2 in April.

UNEMPLOYMENT RATE 4.9%↓ 5.1% (APRIL'21)	MEDIAN WAGE \$20.00 -3.13% YOY	PMI 57↓ 57.2 (APRIL'21)	CAN/USD EXCHANGE \$0.82
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\$ In billions	RECENT MONTH	PREVIOUS MONTH	YEAR OVER YEAR CHANGE
GDP Goods Producing*	\$575.40	\$569.12	3.7%
GDP Manufacturing*	\$186.02	\$186.94	4.1%
Manufacturing Sales**	\$57.09	\$57.84	57%
Manufacturing Orders**	\$56.97	\$57.80	64%
Motor Vehicle Sales**	\$2.29	\$4.06	57722%
Wood Product Sales**	\$4.87	\$4.5	152%
Petrol and Coal Sales**	\$5.12	\$4.5	161%
Ratio Inventory to Sales**	1.56	1.52	-
Manufacturing Employment	1,719.6	1,755.5	15.9%
Weekly Hours of Work*	36.8	36.4	
Median Manufacturing Hourly Wage	\$20.00	\$20.06	-3.13%
Capacity Utilization**	75.6%	80.1%	

*March 2021; **April 2021;

Manufacturing Wage Settlements

	APRIL 2021	MARCH 2021	FEBRUARY 2021
Number of Agreements	0	1	0
Number of Employees	0	600	0
Duration of Agreements in Months	0	36	0
First Year % Adjustment*	0	3.0%	0
Annual % Adjustment*	0	2.5%	0

*includes COLA; major wage settlements 500+employees

Trade

In April, Canada's trade balance posted a surplus of \$594 million.

Trade Balance

\$594 million surplus

Total Exports

\$50,206.6 billion

Trade Balance with US

\$6.4 billion surplus

Total Imports

\$49,612.7 billion

“Canada's merchandise trade balance went from a deficit of \$1.3 billion in March to a surplus of \$594 million in April. The surplus in April was the third in 2021,”

	APRIL 2021	PREVIOUS MONTH	PREVIOUS YEAR
Trade Balance	\$593.9	-\$1,347	-
Total Exports	\$50,206	\$50,700	-
Total Imports	\$49,612	\$52,047	-
Trade Balance with US	\$6,401.3	\$4,195	-
US Exports	\$37,129	\$36,612	-
US Imports	\$30,728	\$32,417	-
EXPORTS BY TYPE			

Metal Ores and Non-Metallic Minerals	\$1,933	\$2,076	13.2%
Metal and non-metallic mineral products	\$6,126	\$6,147	22.5%
Motor Vehicles and Parts	\$5,456	\$6,665	402%
Energy Products	\$9,260	\$9,502	208%
Forestry Products	\$4,742	\$4,541	57%
Industrial Machinery, equipment and parts	\$3,026	\$2,999	28.2%

MACROECONOMIC INDICATORS

Labour Market Indicators

	MAY	APRIL	3 YEAR PEAK
Unemployment Rate	8.2	8.1	13.7%
Employment Rate	59.4	59.6	62.8%
Real Unemployment	11.3	11.7	18.2%
Labour Force	64.6	64.9	65.9%
Participation Rate			
FT/PT	82.2/17.8	82/18	84.3/15.7

UNEMPLOYMENT RATE 8.2%↑ 8.1% (APRIL'21)	MEDIAN WAGE \$27.16 -1.63% YOY	CPI 3.6%↑ % YOY
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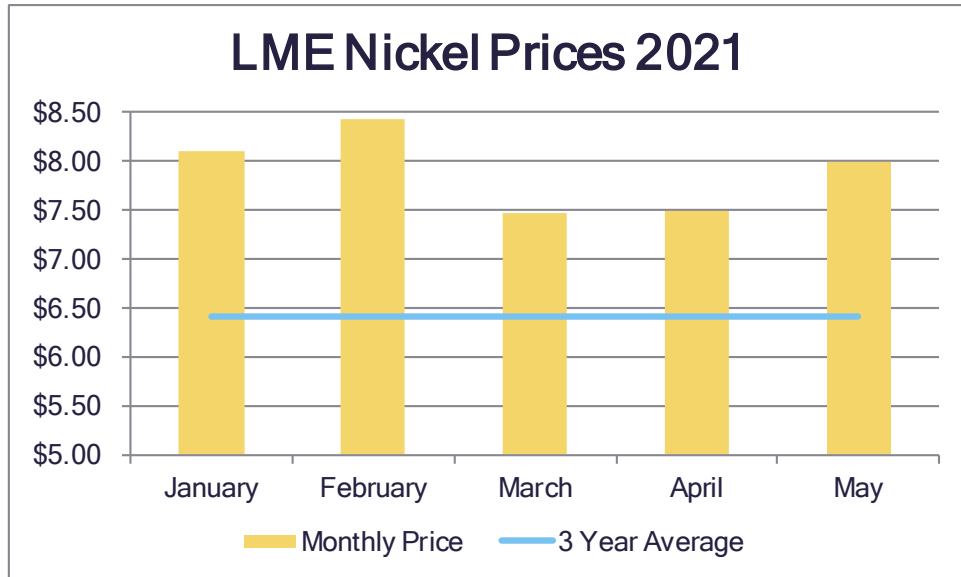
Key Economic Indicators

	Q1 2021	Q4 2020	CHANGE
Real GDP* Q42020	\$2.092	\$2.065	1.3%
House hold Consumption	\$1.160	\$1.152	0.7%
Investment	\$370.5	\$355.	4.4%
Net Exports			
Labour Productivity Index*	110	112	-1.7%
Unit Labour Cost Index*	114	113.9	-

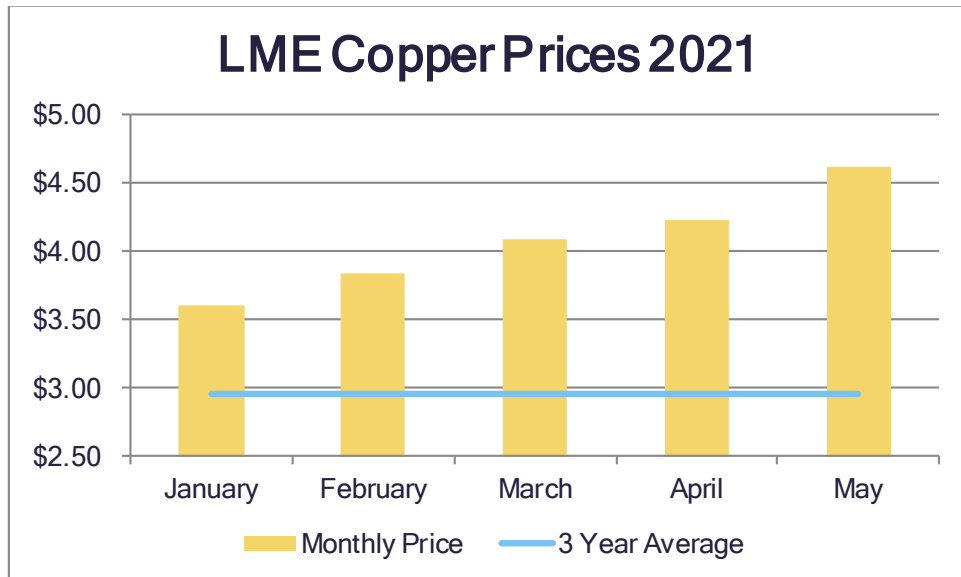
*GDP Expenditure, Productivity and Unit Labour cost data is quarterly; Investment comprises non-residential structures, machinery and equipment

APPENDIX

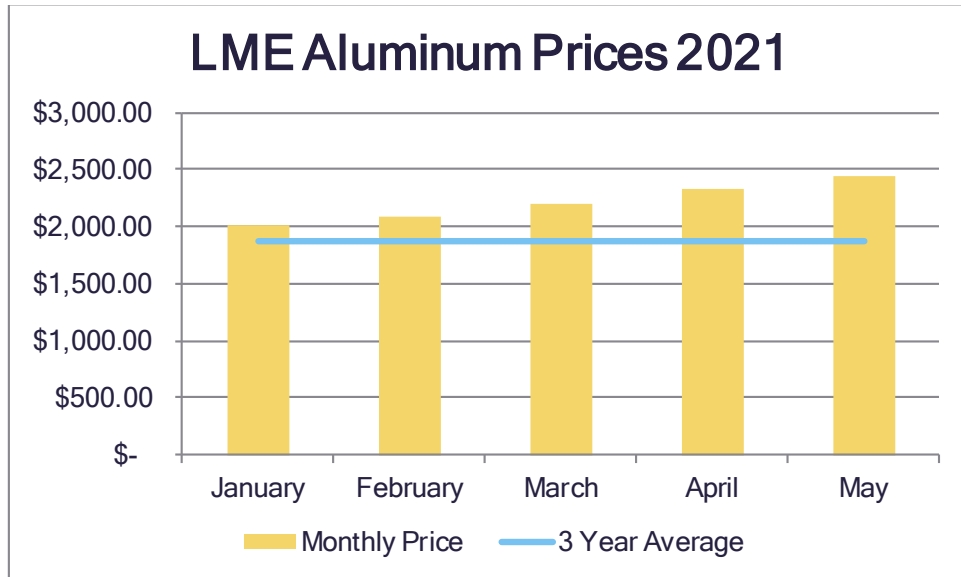
Nickel



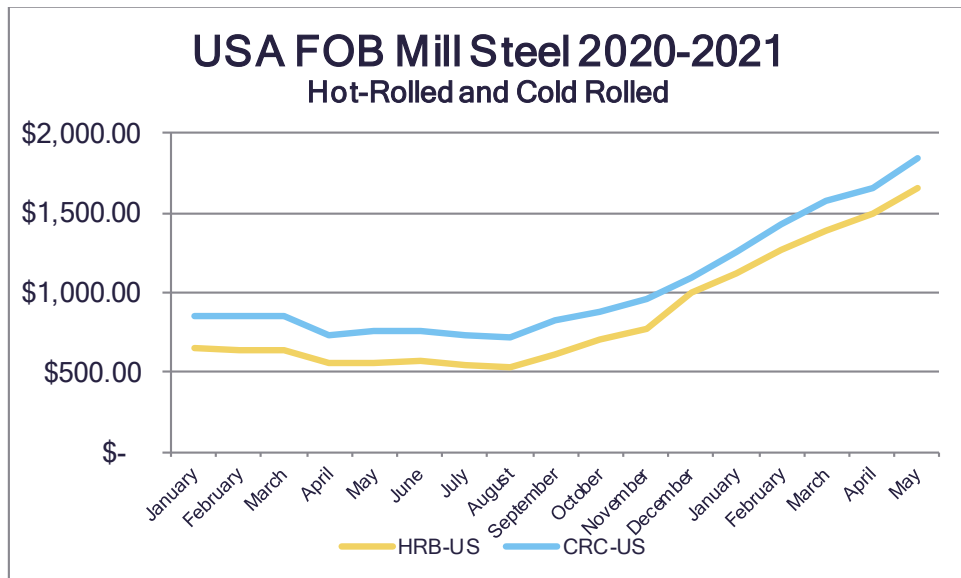
Copper



Aluminum



Steel



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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