

# Daily Economic Update

March 17, 2017

## Canadian Manufacturing sales Up Again in January

### Our Take

An unexpected third consecutive gain in manufacturing sale volumes in January brought the latest three-month cumulative increase to 4.5% with the latest monthly reading up an annualized 11% from its Q4 average. Inventories also rose, suggesting that monthly production growth may have slightly outpaced the 0.7% increase in January sales volumes which, in turn, suggests that overall monthly GDP growth likely remained in positive territory after posting solid above-trend gains in each of November (0.5%) and December (0.3%). The monthly manufacturing data is notoriously volatile but sales growth has generally been outpacing production in recent months—with the inventory-to-sales ratio in January retracing little of a drop to an almost 6-year low in December— suggesting there is still room for near-term production to rise further. Survey based measures (eg. the Markit Canada Manufacturing PMI and CFIB’s Business Barometer) of manufacturing activity have also generally improved to-date in 2017. Challenges in the sector still remain. It remains the case that much of the competitive boost from a weak Canada versus U.S. dollar as oil prices declined has been offset to-date by strength relative to other competitors for the U.S. import market (in particular, Mexico). As well, uncertainty about the future of Canada’s trading relationship with the U.S. has likely been weighing on manufacturer’s investment plans, which generates concern about the future of the sector over the longer-term. Nonetheless, recent trends are encouraging with early data for 2017 (including strengthening labour markets through February) suggesting that improved momentum in the economy over the second half of 2016 may have carried over into early 2017.

### Highlights

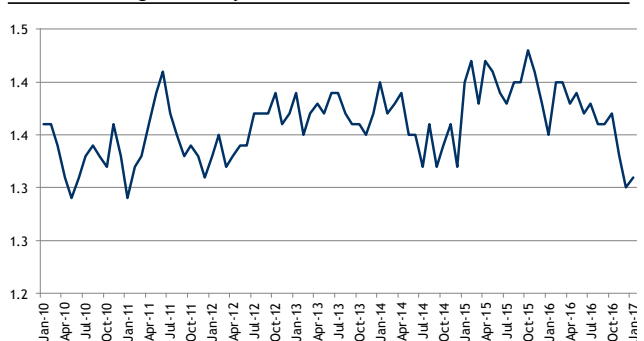
- Nominal manufacturing sales rose 0.6% to build on 2.1% and 2.3 % gains in December and November, respectively.
- Gains were broadly-based with 14 of 21 industries posting increases in January
- Sale volumes rose 0.7% following a 2.1% December gain and 1.6% rise in November.
- Inventories increased 1.0% but the inventory-to-sales ratio was little-changed from the almost 6-year low posted in December.

Canada Manufacturing Shipments Summary

	Oct-2016	Nov-2016	Dec-2016	Jan-2017	Jan-2017
					y/y percent change
<b>Manufacturing sales</b>	<b>-0.4</b>	<b>2.2</b>	<b>2.1</b>	<b>0.6</b>	<b>2.7</b>
<b>Non-Durable industries</b>	<b>0.4</b>	<b>2.4</b>	<b>1.6</b>	<b>2.3</b>	<b>10.3</b>
Food	-0.4	0.4	-0.3	0.7	4.0
Beverage and Tobacco	-2.1	2.4	2.8	1.2	10.7
Textiles and products, clothing, leather	2.4	-0.4	-0.3	-4.7	-6.8
Paper	1.1	0.9	0.6	0.7	-1.8
Printing	-4.1	1.9	-1.0	1.0	-3.8
Petroleum & Coal	0.0	5.4	9.8	7.0	37.4
Chemical	2.1	3.9	-0.5	2.5	10.8
Plastics	2.1	3.6	-1.6	1.1	5.6
<b>Durable Industries</b>	<b>-1.0</b>	<b>1.9</b>	<b>2.5</b>	<b>-0.8</b>	<b>-3.4</b>
Wood products	0.8	3.1	-0.1	0.2	6.5
Nonmetallic Mineral	0.8	4.7	-2.4	0.5	-0.3
Primary Metal	-3.4	9.2	-0.4	0.4	6.1
Fabricated Metal	-1.0	-0.3	1.4	2.4	-2.4
Machinery	-1.7	5.2	-0.3	1.1	4.5
Computer & Electronics	-2.0	4.0	-6.0	0.0	-0.4
Electrical Equipment	-4.9	4.5	6.9	-2.3	2.8
Transportation	-0.3	-1.5	7.3	-2.9	-10.9
Furniture	0.2	1.2	-1.9	1.1	-0.9
Miscellaneous	-0.6	0.4	-1.2	-1.6	-9.4
<b>Manufacturing sales volume</b>	<b>-1.3</b>	<b>1.6</b>	<b>2.1</b>	<b>0.7</b>	<b>1.2</b>

Source: Statistics Canada, RBC Economics Research

Manufacturing Inventory-to-Sales Ratio



Source: Statistics Canada, RBC Economics Research

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