

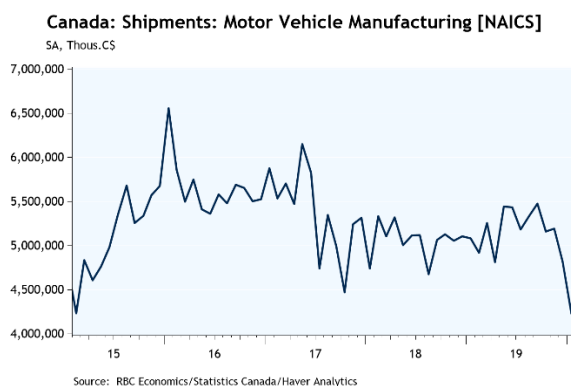
**March 17, 2020**

## Auto closure weighed on manufacturing; virus impact still to come

- Auto production fell by 12% after GM Oshawa plant closed
- But overall manufacturing was only slightly lower in January
- Data predates pandemic, rail blockade impacts

January's manufacturing data gives us little insight into the economic impact of the coronavirus outbreak. That could start to show up in February when factory shutdowns in China created supply chain headaches for manufacturers globally. Chinese industrial production was down 13.5% year-over-year in combined January and February data. The challenges created by the spread of the virus outside China will be more significant in March. Domestically, the manufacturing sector isn't initially facing the same drop-off in business, or being impacted as much by containment measures, as sectors like travel and tourism and non-essential retail. As the outbreak worsens, though, any loss of hours worked due to illness and quarantine could crimp manufacturing output, adding to supply chain disruptions. Loss of demand as the global economic backdrop worsens is also something to watch out for.

As for today's data, it provides a snapshot of Canada's manufacturing sector at the start of the year. The permanent closure of GM's Oshawa assembly plant weighed on motor vehicle output, which fell by double digits. That was actually larger than we expected—production began to wind down in December, which we thought would soften the blow in January. Petroleum and coal manufacturing was also down in the month, with lower prices not helping. That will deepen in the coming months with oil prices plunging. Excluding those two sectors, manufacturing sales posted a solid gain, led by a surge in non-metallic minerals. That will be difficult to sustain with supply chain disruptions from rail blockades and factory shutdowns abroad expected to weigh on activity from here.



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