

May 14, 2020

## Canadian manufacturing sales plunged in March

- Nominal sales down 9.2% from February in March - and 8.3% excluding price impacts
- Auto sales down 34%
- Service-sector weakness likely still more pronounced in March

Manufacturing sales plunged almost 10% in March as economic data continues to trickle in for the first part of the period most directly impacted by COVID-19 containment measures. A whopping 34% drop in auto manufacturer sales led the slowdown, but sizeable declines were widespread across industries as plants shut down over the back half of March. The only exceptions were increases in food, beverage & tobacco, and paper manufacturers.

Details of the report suggest that actual manufacturing production fell by less than the 8.3% drop in sale volumes (excluding price changes) alone would imply. Inventories, for example, ticked higher. But the drop in output volume still probably rivaled the largest monthly decline in the 2008/09 financial crisis (a 4.4% drop in December 2008.) And, unlike that earlier downturn, weakness in the services-side of the economy was likely significantly more pronounced. Statistics Canada has already estimated that overall GDP fell by a record 9% in March, and this data is consistent with that. The economic data will also likely get significantly worse in April - and with more spillover to the goods side of the economy with containment measures in place for the entire month. Beyond that, we could see some improvement in May already with social/distancing measures easing in spots, but the drop in activity in March and April is still likely to be staggering, and entirely unprecedented in modern measured economic data.

## Canadian manufacturing sales summary

	m/m %			y/y %
	Jan-20	Feb-20	Mar-20	Mar-20
All mfg industries	-0.8	0.4	-9.2	-12.7
Nondurable	-0.5	-0.1	-4.9	-6.2
Petroleum & coal	-6.5	-1.9	-32.2	-37.8
Durable	-1.2	0.8	-13.1	-18.4
MV & parts	-7.4	8.1	-31.9	-36.0
Aerospace	5.9	-9.9	-4.8	-18.7
Sales volumes	-0.8	0.7	-8.3	-10.9

Source: Statistics Canada, RBC Economics

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