

 **CANADA**

Pace slows in October: Manufacturing sales decline

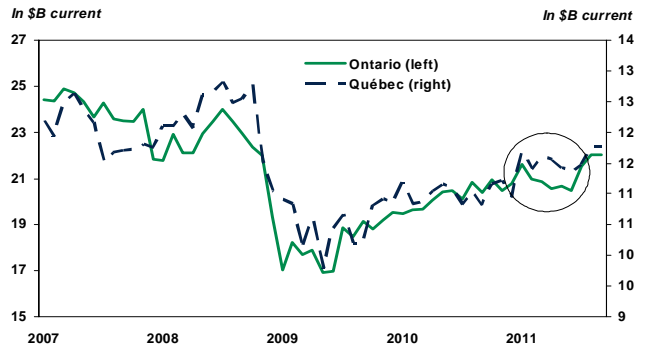
HIGHLIGHTS

- Canadian manufacturing sales fell 0.8% from September to October, after rising for three straight months.
- In constant dollars, the decline is 0.9% for the same period.
- While 13 of 21 industries saw their sales drop, the biggest plunges were posted by petroleum and coal products (-4.3%) and aerospace products and parts (-9.7%).
- Sales fell in seven provinces, but declines affected three in particular: Alberta (-4.2%), New Brunswick (-5.4%) and British Columbia (-1.2%).
- Québec and Ontario only posted slight dips, in both cases -0.1% in October.
- Inventories continued to expand for a 13th straight month, rising 1.4% in October.
- The backlog of orders edged down (-0,3%).

COMMENTS

This morning's figures are no surprise; a change of pace had been anticipated after three straight rising months. The publication of the data on international merchandise trade a few days ago had provided an advance taste of today's numbers. Exports fell 3% in October, reflecting sagging global demand for commodities and manufactured products.

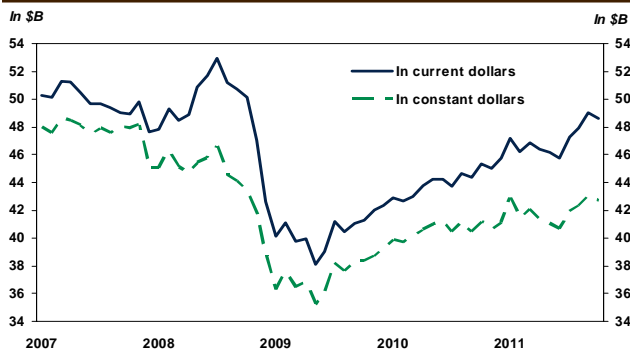
For manufacturing sales, 2011 was a tougher year for Ontario



Sources: Statistics Canada and Desjardins, Economic Studies

Despite the decline, October's sales are the second highest of 2011. For the first 10 months of the year, growth by manufacturing sales compares well with the same period in 2010, up by 7.5% in current dollars. This observation also holds true in constant dollars, although the figure is lower, at 2.6%. The machinery sector stands out, with growth better than 15% in both current and constant dollars. Aside from this sector, IT and electronic products, metal products, electrical products and primary metals are among those that, to date, are showing the best volume growth by percentage for the year.

Canadian manufacturing sales: The anticipated slowdown has materialized



Source: Statistics Canada and Desjardins, Economic Studies

Implications: The current economic situation is fairly uncertain, generating a lot of inertia. It would be surprising to see manufacturing sales post lively growth over the next few quarters. This does not mean we will not see any growth; however, we must expect it to be modest, in keeping with the general condition of North America's economy. In short: no fireworks, but no collapse either.

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