CANADA

Manufacturing sales disappoint

HIGHLIGHTS

- Manufacturing sales dropped 3.1% in December.
- Sales fell in 16 of the 21 primary activity sectors. The automobile industry stands out with a 15.4% tumble.
- Most provinces saw sales decline in December, with Ontario posting a notable 4.6% drop. Quebec did better, with a 0.7% gain, thanks to a rise by aerospace, among others.
- In real terms, sales declined 3.8% while inventories pulled back 0.8%.

COMMENTS

Disappointing results this morning, as manufacturing sales fell much more than expected. What’s more, the automobile industry seems to have been hit harder than usual by December’s seasonal closures. That being said, sales still tumbled 1.8% excluding automobiles, suggesting widespread weakness in manufacturing.

We must keep in mind, however, that the data on manufacturing sales is especially volatile. The drop recorded in December was preceded by a 1.7% rise, which had followed a 2.7% decrease. So, as the graph opposite shows, manufacturing sales have remained around the same level since the end of 2011. This clearly reflects anaemic growth by exports (with a recession in Europe and a very soft U.S. economy) and less robust domestic demand.

Implications: The lowered volume of manufacturing sales and inventories leaves no doubt about the possibility of a manufacturing sector pullback in real GDP by industry for December 2012. We will have to see how the other economic indicators do before coming to more specific conclusions about economic growth for December 2012. Note that our most recent forecast called for a gain of around 0.1% for December, meaning that the entire fourth quarter would finish with a 1.0% increase.