Economic News

CANADA

Manufacturers benefit from a rebound in transportation

HIGHLIGHTS

• Manufacturing sales rose 1.7% in November.
• About two thirds of the manufacturing sector saw sales rise during the month. The automotive product industry stands out, posting an increase of 3.6%, along with aerospace, which jumped 6.5%.
• New orders are up 6.2%, while order backlogs advanced 3.6%.
• In real terms, sales increased 1.6% while inventories shrank by 1.0%.

COMMENTS

A nice surprise this morning, with growth by manufacturing sales handily beating expectations. Note that the month’s 0.9% dip in exports had suggested that Canadian manufacturers were having some trouble. Of course, there are still weak patches, particularly in the machinery industry (-0.4%), as well as in rubber and plastic products (-1.7%), but the upswings in many other sectors (including motor vehicle and aerospace) easily made up for these losses.

Let’s not get too excited, however. Despite November’s upswing, the trend is stable, with sales not significantly higher than they have been since the end of 2011. Canadian manufacturers are clearly still having some difficulties. However, with signs of recovery increasingly evident in the United States, a little more optimism is allowed for the months to come. The Bank of Canada survey released last Monday also pointed to some acceleration by growth in business sales over the next few months. After 2012’s stagnation, it is thus likely that 2013 will see a return of the uptrend in manufacturing sales.

Implications: The increase in the volume of manufacturing sales was much greater than the decline in inventories, so output by the manufacturing sector no doubt increased over the month, a situation that will make a positive contribution to real GDP by industry. However, we are still missing too much monthly data (particularly wholesale and retail sales) to make any certain pronouncements on the final growth of November’s real GDP by industry.

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