

February 14, 2014

## CANADA

### Manufacturing sales pulled back in December

#### HIGHLIGHTS

- Canadian manufacturing sales slipped 0.9% in December, performing sharply below expectations.
- The decrease is fairly widespread, with 15 of the 21 primary sectors giving up ground during the month.
- Drops were recorded in seven provinces, including Quebec (-0.7%) and Ontario (-0.8%).
- Real manufacturing sales fell 1.9%, while inventories dropped 0.5%.

#### COMMENTS

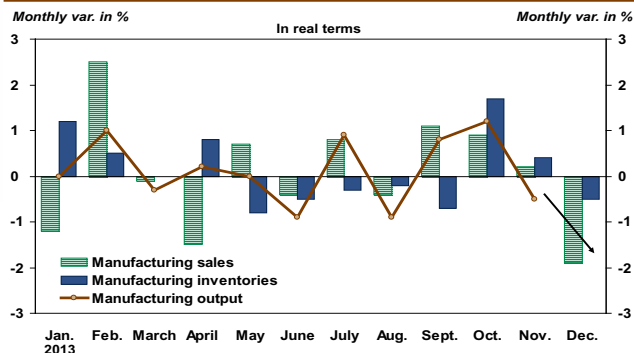
This morning proves disappointing as manufacturing sales fell hard in December. Our first instinct in analyzing these results is to blame the challenging weather conditions experienced in some Canadian regions in December.

However, some signs suggest that the challenges were much greater. Sales were down in central Canada, where weather problems were more significant, but some Atlantic Provinces and western Canada also saw drops. In addition, fluctuations resulting from seasonal effects were not particularly high as the difference between the non-seasonally adjusted and seasonally adjusted data is similar to that of other years. It is therefore clear that the drop in sales is a reflection of real obstacles faced by manufacturers.

Yet, not all is lost for the coming months. For one thing, data on manufacturing sales is very volatile and the previous months stood out with significant growth in sales. In fact, even after December's dip, sales volume was up 1.0% for the fourth quarter of 2013. For another, new orders also grew sharply in December (+3.8% in real terms), something that should support activity in the manufacturing sector in the coming months.

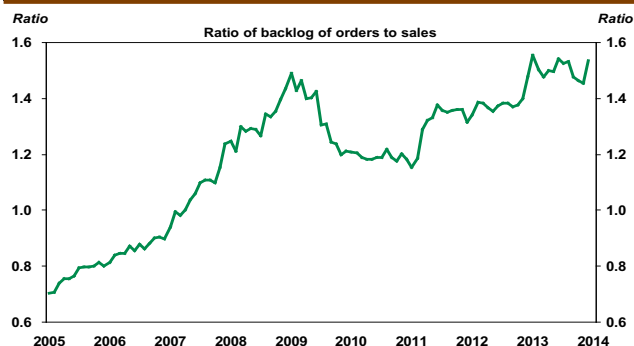
**Implications:** In real terms, lower sales and inventories will have a significant impact on real GDP growth by industry in December. We will have to wait for the results of other

#### Manufacturers will make negative contribution to economic growth in December 2013



Sources: Statistics Canada and Desjardins, Economic Studies

#### The backlog of orders is particularly high



Sources: Statistics Canada and Desjardins, Economic Studies

economic indicators before making a conclusion, but a negative bias would be in order after today's news.

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