Economic News
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CANADA

Manufacturing sales rebound

HIGHLIGHTS

- After sliding for two straight months, manufacturing sales went on the rise again, gaining 1.7% in December.
- The increase is fairly widespread among the various sectors. Unsurprisingly, however, sales of petroleum and coal products fell 9.3%. Without this drop, total manufacturing sales would have grown 3.2%.
- The upswing benefited Ontario (+2.3%), Quebec (+1.5%), Manitoba (+6.2%) and British Columbia (+2.9%) the most.
- In real terms, manufacturing sales rose 2.9% while inventories fell 0.3%.

COMMENTS

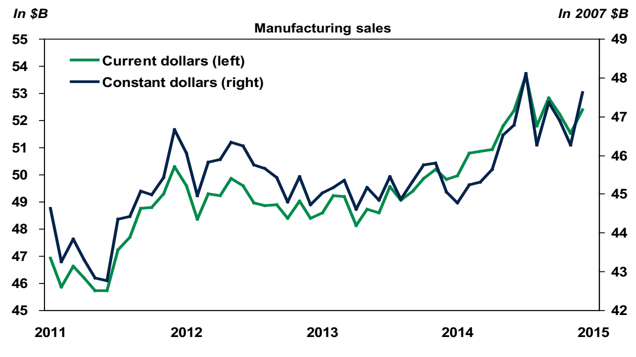
A lot of hope is pinned on manufacturing to support the country's economic growth and partially offset the adverse effects of the drop in oil prices. Note that the conditions are very favourable, given the Canadian dollar's depreciation and livelier U.S. demand.

However, manufacturing sales seemed to be struggling somewhat in recent months, raising some concern. December's rebound by sales sets the record straight. Among other things, the value of manufacturing sales excluding petroleum and coal products (hard hit by the drop in prices) reached $46.6B in December, its highest point since the end of 2006. This attests to fairly strong output in most sectors of manufacturing.

Implications: December's surge in the volume of manufacturing sales will make a major contribution to real GDP growth by industry. Although it is too early to be certain, the monthly change in real GDP could be back in positive territory in December.

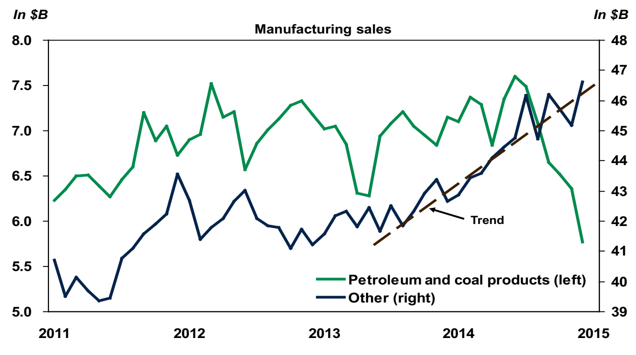
This good news should not, however, keep the Bank of Canada from ordering another key interest rate cut at its next meeting, as the concerns that drove it into action in January remain. Among other things, we do not yet know how much of an adverse impact the drop in oil prices will have on Canada's economy.

Manufacturing sales are fairly high



Sources: Statistics Canada and Desjardins, Economic Studies

Excluding petroleum and coal products, sales are still trending up



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