The increase in the industrial capacity utilization rate is particularly encouraging for some industries

HIGHLIGHTS

- The industrial capacity utilization rate climbed to 82.0% in the third quarter.
- With the exception of forestry and electric power generation and distribution, the utilization rate in all other sectors was up.
- The manufacturing utilization rate went from 82.4% to 83.1%.

COMMENTS

With the technical recession, the industrial capacity utilization rate was down two quarters in a row at the beginning of 2015. The third quarter therefore marks a return to the uptrend observed since the end of the Great Recession of 2008–2009. The third-quarter gain is no surprise and stems from a significant advance in industrial production during the period.

Manufacturing’s performance particularly captures our attention. With the third-quarter increase, the utilization rate in manufacturing is now 1.9 percentage points above its historical average. Several manufacturing industries stand out with utilization rates well above their average. This is particularly the case with transportation equipment, textiles, wood products and furniture manufacturing.

Implications: Companies operating in certain manufacturing industries with relatively high industrial capacity utilization rates could invest more in the coming quarters. This boom should add to the increase in public administration investment expected in 2016 from the impact of the new Canadian government’s infrastructure program. The combination of these two factors should eventually lead to an increase in investment across the country. That said, new reductions in investment are forecast for the short term with the ongoing adjustments to falling commodities prices. For example, mining posted a utilization rate well below its average, resulting in conditions unfavourable to investment in this sector.

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Sources:
Statistics Canada and Desjardins, Economic Studies

Graphs:
The utilization rate is climbing toward the average
The utilization rate is above the average in forestry and manufacturing

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