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TD Economics

Data Release: Manufacturers see a mixed month

- Canadian manufacturing sales fell modestly in February, down 0.2% month-on-month in February, ahead of market expectations for a 0.7% decline. In volume terms it was a better story, with sales up 0.1%.
- Sales were down in 10 of 21 major industries, with the most significant declines seen in the petroleum and coal product and wood product industries (-5.0% and -3.3% respectively). Declines in motor vehicle (-5.3%) and parts (-3.3%) manufacturing were offset by gains in the typically noisy aerospace and railroad sectors, leaving broad transportation equipment sales effectively flat on the month. On the plus side of the ledger, the machinery, fabricated and primary metal products and mineral products all reported solid gains, up 2.9% as a group.
- Looking across the country, the sales declines were fairly widespread. Sales in the Atlantic provinces were down 3.1%, while B.C. (-1.7%), Manitoba (-1.4%), and Ontario (-1.1%) also saw declines. The bright spots were Quebec (+2.1%) and Alberta (+1.4%).
- Inventories were, up 1.6% to $71.9 billion in February, tipping the inventory-to-sales ratio up to 1.34 (January: 1.32). Forward-looking indicators remained solid – with unfilled orders (+0.7%) and new orders (+0.8%) both up, for a second and third straight month respectively.

Key Implications

- Today's sales report may not be a barn-burner, but neither is it cause for concern. Sales volumes managed to eke out a fourth consecutive monthly gain, and firms continue to see decent strength in their order books. If anything, it is promising to see sales volumes holding at current levels given the strong gains seen at the end of last year.
- Indeed, the sales figures do little to alter the near-term growth outlook one way or the other. We continue to track solid first quarter GDP growth of around 3.4% quarter-on-quarter, annualized.
- Looking further ahead, gains in order books are encouraging, but there remains a cloud on the horizon in the form of potential trade barriers south of the border. Whether and how these risks materialize will have an impact on the Canadian economy more broadly; as reinforced yesterday, the Bank of Canada is taking a cautious approach to the outlook, and the persistence (or lack thereof) of economic growth and price pressures will be key to moving their policy interest rate sooner rather than later.

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