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TD Economics

Data Release: Canadian manufacturing rebound strongly in November

- Canadian manufacturing sales were up by a consensus-beating 1.5% in November, rebounding from an upwardly revised 0.6% decline in October (previously reported as -0.8% m/m). The gain was also strong in volume terms, with sales up 1.2% after adjusting for price effects.
- Sales were led by non-durable goods, which were up 1.8% on the month. Petroleum (+3.7%), chemical (+3.4%), and nonmetallic mineral products (+3.3%) all had strong months. Durables also contributed positively, up 1.2%, with primary metals (+9.1%), electrical eqpt. (+4.7%), wood products (+3.8%), and electronics (3.1%) all showing strong gains while transport equipment (-2.3%) weighed on the tally as a strong showing in shipbuilding (+9.7%) was not enough to offset the pull-back in both auto (-0.5%) and aerospace (-7.4%) shipments.
- Regionally, manufacturing sales were up in all provinces except for N.B. (-2.4%). Still, the remaining Atlantic Provinces had a good month, with P.E.I. (+9.0%), N&L (+8.3%) and N.S. (+6.7%) leading gains. Ontario's manufacturing sales remained flat while the remaining provinces saw gains between 1.3% (Sask.) and 3.9% (Alb.).
- Inventories were down 0.2% on the month, nudging the inventory-to-sales ratio down to 1.35 (preciously 1.38). Forward looking indicators remained relatively healthy. Unfilled orders remained flat while, new orders increased 0.5%.

Key Implications

- This was a good report, with a solid headline print in both dollar and volume terms and positive revisions to boot. Moreover, the breadth of the gains both geographically and across industries was encouraging, suggesting that Canada's manufacturing sector is finding its footing after several months of uneven performance.
- This morning's report doesn't change our overall assessment as far as GDP growth, with the Canadian economy likely to have expanded by about 2% during the last quarter of 2016. Moreover, the good print suggests the sector will provide a modest support to the Canadian economy over 2017, particularly in an environment of a low Canadian dollar and healthy U.S. growth.
- Despite the relatively constructive environment, the outlook is fraught with uncertainty with U.S. trade policy taking centre stage as far as Canada's manufacturing sector is concerned. This sentiment was highlighted in the January MPR from the Bank of Canada, which highlighted that uncertainty remained "undiminished" – a theme that will alongside the existing economic slack likely keep the Bank of Canada on the sidelines for some time still.

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