TD Economics

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Data Release: Canadian manufacturing sales extend gains in September

- Canadian manufacturing sales were up 0.3% in September, marking the fourth straight month of gains. However, the gain was entirely a price story, as the volume of sales slipped 0.2%.
- Higher sales of transportation equipment (+1.5%) accounted for the bulk of the gains, with railroad rolling stock, motor vehicles and aerospace products all rising on the month. Following two months of declines, fabricated metal products (+2.4%) bounced back, recording the strongest gain in 18 months. Providing some offset was a decline in primary metal products (-3.4%).
- Regionally, manufacturing sales were up in half the provinces, led by Quebec (+1.7%) and Ontario (+0.3%). The Maritime Provinces recorded the largest declines.
- Inventories were up 0.5% during the month, nudging the inventory-to-sales ratio up to 1.37 (preciously 1.36). Forward looking indicators were mixed. Unfilled orders slid 0.2% during the month; however, new orders increased 2.3%.

Key Implications

- Despite the slight dip in volumes in September, manufacturing sales were up 0.6% in real terms during the third quarter. As such, the sector will provide a boost to economic growth. We expect real GDP to advance by around 3.0% in the quarter.
- Going forward, we expect manufacturing sales to remain healthy. Indeed, ongoing growth in the U.S. economy, along with the loonie hovering in the mid-70 US cent range, should bode well for Canadian manufactured goods over the remainder of the year and into 2017.
- While these developments will support the rotation of growth towards non-energy exports, the Bank of Canada is unlikely to move off the sidelines anytime soon, particularly given the new layer of uncertainty presented by the outcome of the U.S. elections.

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