

## Canada: Shipments of manufactured goods jumped in Q3

By Kyle Dahms

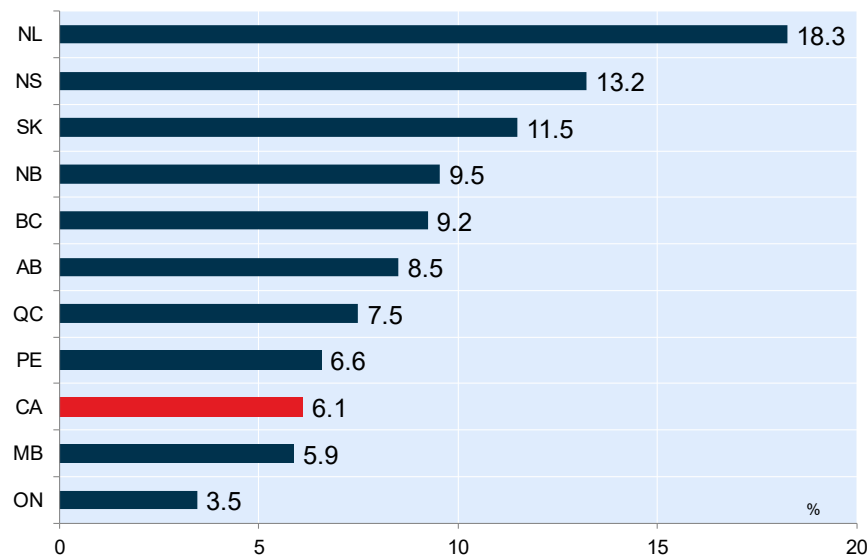
Canadian manufacturing shipments managed to edge in slightly above expectations in September. It is worth noting that the increase was not broad based as shown by the transportation equipment segment accounting for most of the rise. Specifically, manufacturing sales for motor vehicles/parts surged following plant maintenance in July-August. The headline print was also supported by higher prices for chemicals and petroleum/coal products in the month. On the flip side, the machinery segment saw the largest one month decline in over 6 years while wood products fell for a fourth consecutive month on the back of lower demand and prices. At the provincial level, Ontario factory sales were mainly accountable for the increase (+0.6% thanks to the bump in autos/parts), an encouraging development considering this province is the worst performer so far in 2018 (see chart on the left). Looking at the quarterly perspective, after having expanded 0.8% annualized in Q2, real manufacturing shipments jumped 5.5% in annualized terms in the third quarter (see chart on the right). This was the fastest clip in over a year and prolongs the longest streak of uninterrupted quarterly growth since data collection began in 2002 (11 quarters). This combined with firms stockpiling (as shown by inventories rising at a 5.5% annualized pace) should translate into a strong contribution to growth from this sector in Q3.

### HIGHLIGHTS:

- Manufacturing shipments rose 0.2% in September to C\$58.4 billion.
- Sales rose in 8 of the 21 broad industries surveyed including including transportation equipment (+3.1%), chemicals (+1.4%) and petroleum/coal products (+0.9%).
- These increases were more than enough to offset declines in shipments of machinery (-6.2%), wood products (-2.9%) and electrical equipment (-3.0%) among others.
- Nationally, total manufacturing shipments progressed in 6 of the 10 provinces, with Ontario (+0.6%) and Newfoundland (+21.0%) leading the pack. On the other hand, shipments fell in New Brunswick (-9.3%) and Manitoba (-8.8%).
- With the price effect removed, total factory sales retreated 0.1% m/m, while inventories rose 0.2%. As a result, the real inventory-to-sales ratio stayed still at 1.43.

### Canada: Perspective on provincial manufacturing

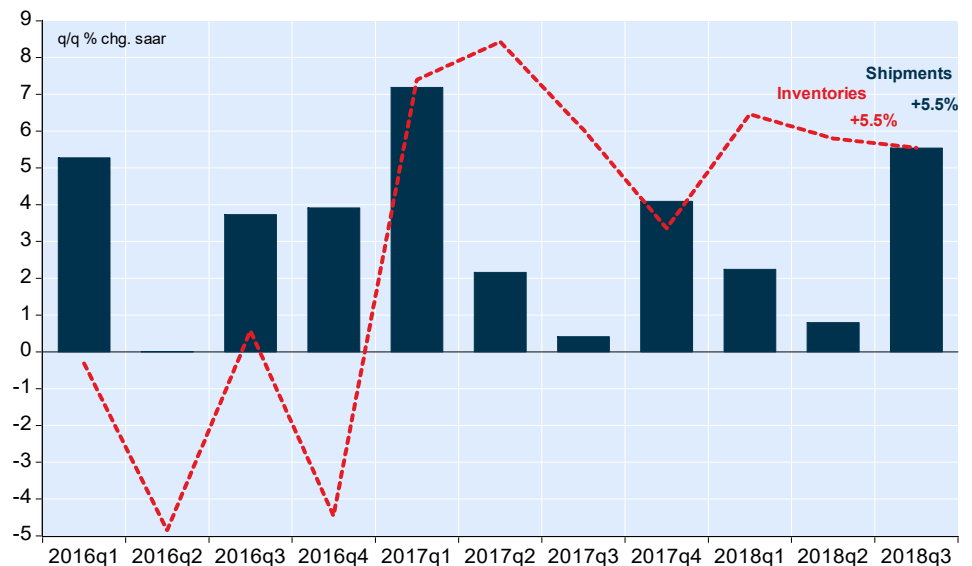
First 9 months of 2018 over the same period in 2017



NBF Economics and Strategy (data via Statistics Canada)

### Canada: Factory output to contribute to Q3 GDP

Real manufacturing shipments and inventories



NBF Economics and Strategy (data via Statistics Canada)

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