

# Canada

## Unexpected drop in manufacturing sales

**Canadian manufacturing sales dropped by -0.8% m/m in November, surprising street expectations looking for a modest 0.3% increase. In terms of volumes, sales were down 1.4% m/m.**

### Facts

The transportation sector was an albatross around the neck of the manufacturing report in November with motor vehicle sales falling by 9.2% m/m followed by a drop of 6.5% m/m for motor vehicle parts. X-autos, manufacturing shipments shift positive with a 0.2% m/m gain. A still less than impressive report but greatly improved once the drag of the auto sector is removed. Other areas of weakness included primary metals sales which declined by 1.9% although on a year over year basis, primary metal sales are up by nearly 23%.

On the upside computer and electronic sales jumped by 5.1% m/m followed by petroleum and coal rising 1.0% m/m. Unfilled orders are up 0.5% while new orders increased by 1.6%.

Geographically, given that the auto sector in Canada is largely concentrated in Ontario, sales for the province were understandably down significantly, dropping by -2.3% m/m. Manufacturing sales in the rest of Canada were up 0.6%.

### Implications

Limited by the fact that the trade report had already provided a decent heads up to the potential for soft sales in the auto sector due to the impact of plant shutdowns in order to complete retooling for the 2011 model year. Economically the impact is mitigated by the expectation that this is a transitory dip occurring against an improved global backdrop for manufacturing rather than broader negative trend.

### Bottom line.

We see this as more of a transitory dip coursing through the data set, the result of the temporary auto sector shutdowns for retooling.

# Disclosure appendix

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## Issuer of report

**HSBC Securities (Canada) Inc.**  
70 York Street, 8th Floor  
Toronto, Ontario M5J 1S9, Canada  
Telephone +1 416 868 7523  
Fax +1 416 364 2543  
Website: [www.research.hsbc.com](http://www.research.hsbc.com)

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