

Canadian manufacturing shipments (Dec) up 1.8% m/m

Autos, aerospace, and the products that power them.

Canadian manufacturing sales for the month of December advanced by 1.6% m/m, running just back of the median at 1.8% (HSBC 1.9%) but well ahead of November's anemic 0.1%. Overall, volume sales were strong, rising by 2.1% m/m.

The story behind the manufacturing sales data had already been well fleshed out with the release of last week's December international merchandise trade report which provided a decent heads up on the things to come in today's release. Front and centre, the profile of the manufacturing sales report mirrored the trade reports strength in the autos and aerospace categories. Manufacturing sales in aerospace jumped by +28.1% m/m, reversing all of the -17.1% m/m decline from November. While motor vehicle sales were up 4.4% m/m. Overall, the transportation component was up 7.6% m/m.

Other areas of strength included the petroleum (refined products) and coal category which rose by 2.2% m/m.

Areas of weakness included plastics and rubber products (-1.5% m/m). We had been looking for a positive knock on effect for the category coming out of the strength noted in the transportation sector. Food sales dropped by -0.7% m/m and nonmetallic mineral sales dropped -6.4% m/m.

Manufacturing sales X-autos were up 1.4%. Although if there is a chink in the reports armor it is in the rather narrow base from which sales gains were generated. Although sales x-autos were still strong, the growth was primarily a product of strength in the aerospace and energy components. Just 11 of 21 categories saw gains in December.

Geographically, hard hit Ontario saw the largest increase in dollar sales, rising 2.3% m/m largely on the back of increases in the auto sector.

Future looks bright. Looking ahead, unfilled orders were up 2.3% m/m led by the transportation sector, while new orders jumped 7.4% m/m. Inventories are down -1.0% or -11.3% y/y. While today's report is a hit, its not a home run given the narrow base (11 of 21 sectors) from which growth has sprung.

Still, the data out on the Canadian economy thus far for the month of December is suggesting that the economy is finishing off the year on a high note after having struggled with the concept of economic recovery during the summer month's.

Disclosure appendix

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