

Solid, Albeit Easing Provincial Manufacturing Gains

- **Manufacturing shipments through October this year** indicate broad-based regional strength. Seven provinces are witnessing gains over 7% (nsa, y/y) (table 1), with increases across multiple industries. Shipments of food, wood, machinery and fabricated metal products are up more than 4% (nsa, y/y) in a majority of provinces (table 2, p.2).
- **The momentum in sales reported at points during the first half of 2017 has moderated** in a number of provinces since June. On a seasonally adjusted basis, the volatile month-to-month gains indicated for national shipments reflect considerable provincial shifts. BC is an exception, standing out for a relatively steady upward path to date this year.
- **Rising oil prices in 2017** have boosted the value of shipments in the provinces with refineries, notably Newfoundland & Labrador, New Brunswick, Quebec, Ontario, Saskatchewan, Alberta and to a lesser extent BC. Excluding petroleum & coal products, Ontario's cumulative ten-month gain (nsa) slows from 1.8% to 1.0% y/y and Alberta's growth cools from 13.8% to 10.6% y/y.
- **Motor vehicle assembly and parts**, which accounted for over 30% of the Ontario's shipments during 2014–16, are complicating the province's manufacturing profile this year. Shipments weakened with a production line in Oshawa discontinued late in the summer and a strike starting in September and lasting into October. Excluding motor vehicles & parts and petroleum & coal products, Ontario's shipments are up 5.1% y/y through October.
- **Machinery shipments** represent one area of significant growth, up a torrid 19.2% y/y through October, with gains across most provinces. In dollar terms, Ontario leads with a 38% share of the Canadian increase (chart 1). Alberta, however, is punching above its weight given repairs and new investment in the oil & gas sector and related industries (chart 2).

CONTACTS

Marc Desormeaux
416.866.4733
Scotiabank Economics
marc.desormeaux@scotiabank.com

Table 1

Manufacturing Shipments

% change

	2016	Jan.-Oct., 2017
		nsa, y/y
Canada	1.2	6.2
NL	-15.4	28.2
PE	4.8	7.3
NS	4.2	3.7
NB	-3.8	13.2
QC	-0.1	9.4
ON	4.0	1.8
MB	1.3	5.7
SK	0.8	12.6
AB	-8.0	13.8
BC	4.7	8.2

Source: Statistics Canada.

Chart 1

Machinery Shipments: Central Canada...

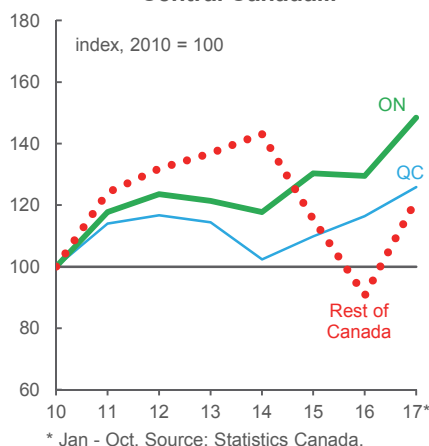


Chart 2

... And the Other Provinces

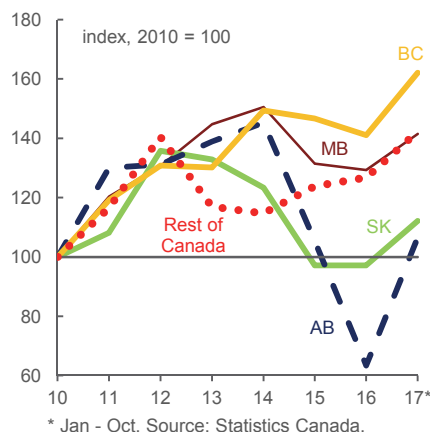


Table 2 Manufacturing Shipments by Industry, January-October, 2017*

not seasonally adjusted, year-over-year % change

	Canada	NL	PE	NS	NB	QC	ON	MB	SK	AB	BC
Total Manufacturing	6.2	28.2	7.3	3.7	13.2	9.4	1.8	5.7	12.6	13.8	8.2
<u>Non-Durable Goods</u>	8.6	31.5	8.8	4.0	15.2	9.0	6.3	5.5	14.3	10.9	5.5
Food	5.2	-	-	-3.5	-	5.4	5.9	4.8	9.7	3.2	4.8
Textile Product Mills	1.3	-	-	-	-	-	-3.9	-	-	-	-
Clothing	1.0	-	-	-	-	-	-	-	-	-	-
Paper	5.8	-	-	-	-	5.0	4.7	-	-	14.6	8.0
Printing & Related	-1.2	-	-	-	-	-3.4	1.0	7.4	-12.4	-9.7	-2.3
Petroleum & Coal	23.8	-	-	-	-	-	20.3	-	-	26.8	-
Chemical	4.9	-	-	-	-	8.5	1.7	4.8	-	5.4	6.0
Plastics & Rubber	9.8	-	-	14.8	-	14.6	6.4	-	-	12.2	-
<u>Durable Goods</u>	4.1	10.3	3.4	3.2	4.8	9.7	-0.7	5.8	8.8	21.0	10.2
Wood Product	9.9	-	-	3.7	7.1	8.1	15.8	-0.3	26.1	11.8	8.1
Non-Metallic Mineral Product	10.5	-	-	2.0	-	9.2	13.1	12.3	-	2.4	15.1
Primary Metal	11.5	-	-	0.0	-	13.6	7.9	6.5	-	-	20.1
Fabricated Metal	5.7	-	-	-4.0	24.7	9.4	4.2	9.2	1.5	7.4	5.7
Machinery	19.2	-	-	-16.5	-	8.1	14.6	9.4	15.4	68.1	14.9
Computer & Electronic Product	-0.3	-	-	-3.3	-	7.9	-2.5	-17.3	-	14.7	-4.6
Electrical Equipment & Appliances	3.3	-	-	-	-	3.9	0.1	8.9	-	0.0	19.0
Transportation Equipment	-2.2	-	-	-	-	9.7	-5.1	10.5	-	18.3	13.0
Furniture	0.3	-	-	-	-	8.4	-4.7	-	-	0.9	2.9
Miscellaneous	-9.8	-	-	-	-	2.4	-17.9	-23.4	-	-	8.7

* Hyphen (-) where data not available. Source: Statistics Canada.

This report has been prepared by Scotiabank Economics as a resource for the clients of Scotiabank. Opinions, estimates and projections contained herein are our own as of the date hereof and are subject to change without notice. The information and opinions contained herein have been compiled or arrived at from sources believed reliable but no representation or warranty, express or implied, is made as to their accuracy or completeness. Neither Scotiabank nor any of its officers, directors, partners, employees or affiliates accepts any liability whatsoever for any direct or consequential loss arising from any use of this report or its contents.

These reports are provided to you for informational purposes only. This report is not, and is not constructed as, an offer to sell or solicitation of any offer to buy any financial instrument, nor shall this report be construed as an opinion as to whether you should enter into any swap or trading strategy involving a swap or any other transaction. The information contained in this report is not intended to be, and does not constitute, a recommendation of a swap or trading strategy involving a swap within the meaning of U.S. Commodity Futures Trading Commission Regulation 23.434 and Appendix A thereto. This material is not intended to be individually tailored to your needs or characteristics and should not be viewed as a "call to action" or suggestion that you enter into a swap or trading strategy involving a swap or any other transaction. Scotiabank may engage in transactions in a manner inconsistent with the views discussed this report and may have positions, or be in the process of acquiring or disposing of positions, referred to in this report.

Scotiabank, its affiliates and any of their respective officers, directors and employees may from time to time take positions in currencies, act as managers, co-managers or underwriters of a public offering or act as principals or agents, deal in, own or act as market makers or advisors, brokers or commercial and/or investment bankers in relation to securities or related derivatives. As a result of these actions, Scotiabank may receive remuneration. All Scotiabank products and services are subject to the terms of applicable agreements and local regulations. Officers, directors and employees of Scotiabank and its affiliates may serve as directors of corporations.

Any securities discussed in this report may not be suitable for all investors. Scotiabank recommends that investors independently evaluate any issuer and security discussed in this report, and consult with any advisors they deem necessary prior to making any investment.

This report and all information, opinions and conclusions contained in it are protected by copyright. This information may not be reproduced without the prior express written consent of Scotiabank.

™ Trademark of The Bank of Nova Scotia. Used under license, where applicable.

Scotiabank, together with "Global Banking and Markets", is a marketing name for the global corporate and investment banking and capital markets businesses of The Bank of Nova Scotia and certain of its affiliates in the countries where they operate, including, Scotiabanc Inc.; Citadel Hill Advisors L.L.C.; The Bank of Nova Scotia Trust Company of New York; Scotiabank Europe plc; Scotiabank (Ireland) Limited; Scotiabank Inverlat S.A., Institución de Banca Múltiple, Scotia Inverlat Casa de Bolsa S.A. de C.V., Scotia Inverlat Derivados S.A. de C.V. – all members of the Scotiabank group and authorized users of the Scotiabank mark. The Bank of Nova Scotia is incorporated in Canada with limited liability and is authorised and regulated by the Office of the Superintendent of Financial Institutions Canada. The Bank of Nova Scotia is authorised by the UK Prudential Regulation Authority and is subject to regulation by the UK Financial Conduct Authority and limited regulation by the UK Prudential Regulation Authority. Details about the extent of The Bank of Nova Scotia's regulation by the UK Prudential Regulation Authority are available from us on request. Scotiabank Europe plc is authorised by the UK Prudential Regulation Authority and regulated by the UK Financial Conduct Authority and the UK Prudential Regulation Authority.

Scotiabank Inverlat, S.A., Scotia Inverlat Casa de Bolsa, S.A. de C.V., and Scotia Derivados, S.A. de C.V., are each authorized and regulated by the Mexican financial authorities.

Not all products and services are offered in all jurisdictions. Services described are available in jurisdictions where permitted by law.