Canadian Dollar Shrugs Off Canadian Manufacturing With Bigger Concerns Ahead

Canada, manufacturing shipments, m/m %, October:

Actual: -0.1

Scotia: 0.5

Consensus: 0.4

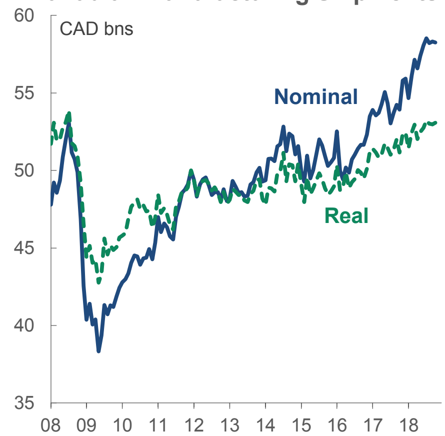
Prior: 0.2 (unrevised)

- While the headline dollar value of sales disappointed, the underlying details were generally better. Nevertheless, it's a stale report that should be looked through as BoC watchers bide their time ahead of the impact of Alberta's production cuts that commence in two weeks. USDCAD was little changed as markets simultaneously considered a mixed US housing starts report. US starts beat for November but primarily on downward revisions while permits rose at the fastest pace since October 2017. In any event, the stale aspect of the manufacturing figures and the focus on the FOMC make for largely irrelevant market noise surrounding the release.
- The volume of shipments was up 0.2% m/m and so the headline dip was all due to lower prices that don't translate into real GDP. This is the first increase in the volume of shipments since July.
- While exports were quite strong during October, this didn't translate well into manufacturing shipments in either value or volume terms. That's likely because it was the domestic side of the manufacturing picture that disappointed.
- Total CDN manufacturing shipment volumes were up a very strong 5% q/q SAAR in Q3 over Q2. That's interesting because the rise was more than just a rebound from Syncrude problems etc.
- Q4 is tracking flat, however, with only a 0.1% q/q SAAR tracking gain.
- December GDP (this Friday) is still tracking about a 0.2% m/m rise, pending retail and wholesale figures due on Thursday and Friday respectively.
- In dollar terms, shipments increased in two-thirds of 21 subsectors and fell in the rest. The decline in one-third of industries representing 40% of output was enough to offset the rise elsewhere.
- Sales were up in seven of ten provinces. They fell in Quebec, BC, and New Brunswick.

CONTACTS

Derek Holt, VP & Head of Capital Markets Economics
416.863.7707
Scotiabank Economics
derek.holt@scotiabank.com

Canadian Manufacturing Shipments



Sources: Scotiabank Economics,Statistics Canada.