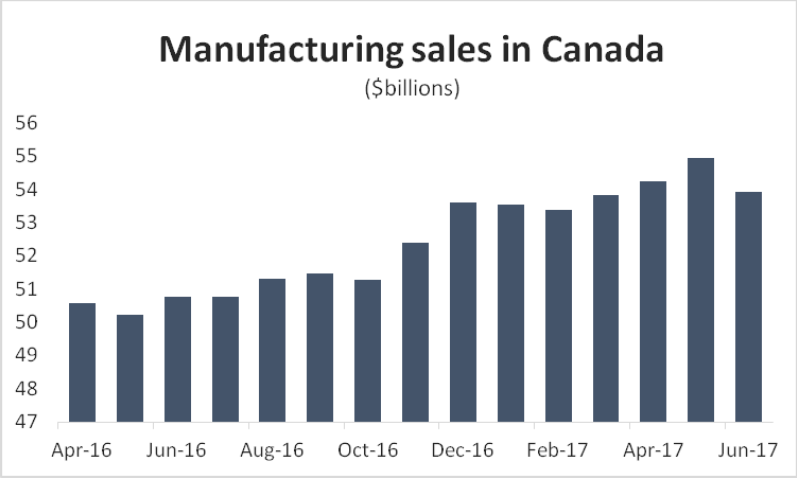
Canadian Fluid Power Association

Association canadienne d'énergie des fluides

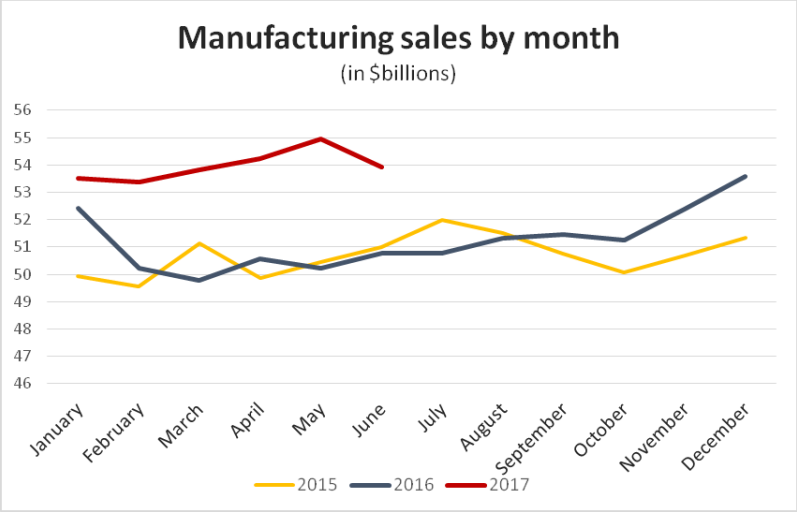
Manufacturing Sales Analysis - June 2017

Petroleum refining leads widespread sales decline in June

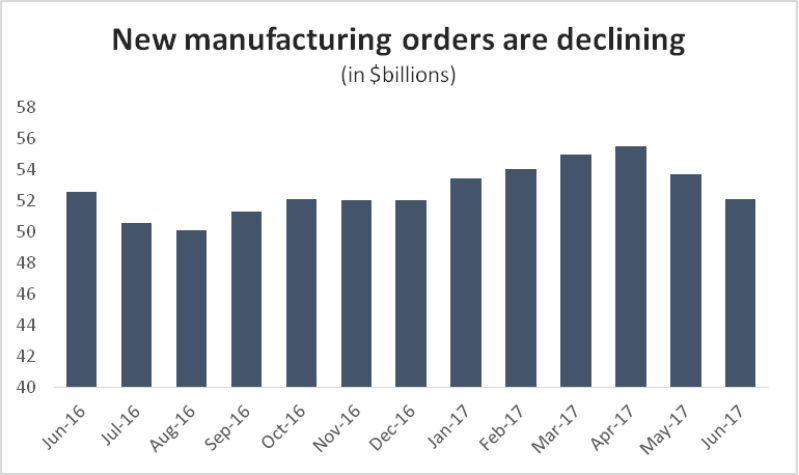
After three consecutive months of record-level activity, manufacturing output dipped in June on weaker sales across a wide range of industries. Monthly sales had reached a new high of $54.9 billion in May but, fell rather significantly in June. The 1.8 % decline brought sales for the month down to $53.9 billion - about the same level as in March of this year.



While it remains to be seen if that decline is an aberration or if it signals the end of a strong growth run, 2017 is still shaping up to be a solid year for manufacturing in Canada. Through six months, sales are tracking 6.5 % higher compared to the first half of 2016.



Even so, forward-looking indicators suggest that we may be in for a slower growth run as data from the summer begins to filter in. After hitting a peak of $55.5 billion in April, new orders for manufactured goods fell in both May and June, dropping to $52.1 billion - their lowest level since December. The 1.6 % decline in June was spread across a range of industries, including fabricated metals, chemicals, motor vehicles, machinery and computers and, electronics.



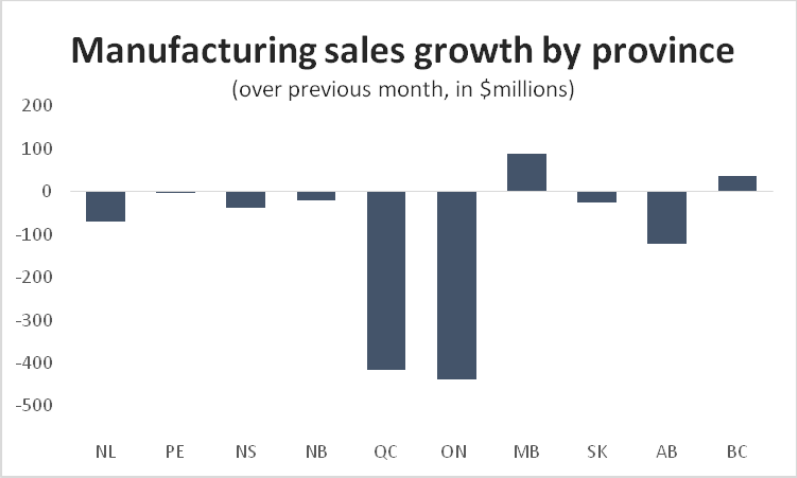
As new orders slow, manufacturers have been whittling down their stock of unfinished work. Unfilled manufacturing orders fell in June for the second month in a row and are down 3.5 % since April. About two-thirds of that decline is the result of completed aerospace projects. Aerospace manufacturing is a unique industry in that it tends to have large new orders that take a very long time to complete. As such, the total value of unfilled aerospace orders across Canada is larger than unfilled orders in every single other manufacturing industry combined.

As noted above, the decline in manufacturing sales in June was spread across a wide range of industries. Of Canada's eleven largest manufacturing industries, only two posted positive growth numbers that month. Machinery production jumped 1.8 % to continue its recent strong performance, while food processing rose by 0.7 % to recover its losses in April and May.

Meanwhile, sales were down in most other industries. By far the largest decline was in petroleum refining, where falling oil prices, combined with an ongoing supply disruption in Alberta, contributed to a 7.1 % drop in sales value in June. Chemicals production also fell by 4.5 % - largely because of a return to more normal output levels after a spike in agricultural chemicals (pesticides and fertilizer) output in May. Motor vehicles and parts sales (-1.5 %) along with aerospace production (-4.1 %) were also down in June.

With the exceptions of Manitoba and BC, manufacturing sales were lower across the country in June. On a dollar-value basis, Ontario and Quebec accounted for most of the decline, with sales falling by $438 million (1.7 %) and $415 million (3.3 %), respectively. In the case of Ontario, the

good news is that June's decline in output came after a particularly strong month in May. Putting May's performance aside, Ontario manufacturing sales in June were still higher than in any other month since January 2016. The situation is slightly different in Quebec, where the province enjoyed a solid six-month growth run beginning last August. Since February, however, sales plateaued and have begun to fall.



Aside from Ontario and Quebec, June also saw relatively steep declines in manufacturing output in Newfoundland and Labrador, as well as in Nova Scotia, and Alberta. On the positive side, widespread growth in Manitoba's manufacturing industries contributed to a 6% spike in output in June, while BC posted a more modest .9% increase.