

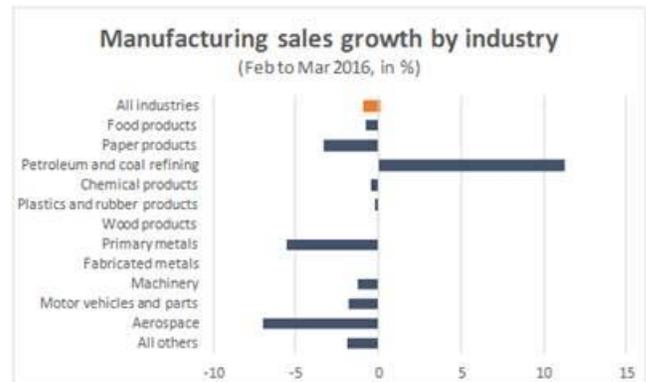
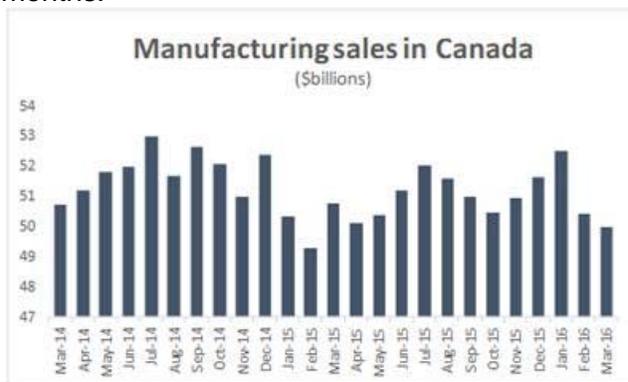


## Manufacturing Sales Analysis – April 2016

### Oil price recovery helps manufacturing advance in April

After enduring two months of steep declines, Canadian manufacturing sales enjoyed a turnaround in April. Overall sales were up 1.0 per cent compared to March (reaching \$50.4 billion), offsetting a similar-sized decline the previous month. April's increase was led by refined petroleum production, where output values are being lifted by a recovery in crude oil prices.

April's manufacturing sales report also had some positive signals for future production activity. New orders for manufactured goods jumped 7.9 per cent, led by an uptick in aerospace requisitions. However, non-aerospace orders were also up, reaching their highest level since January. On top of that, manufacturing inventories continued to trend downward in April, as businesses drew down on their stockpile of warehoused goods. The combination of higher new orders and lower inventory levels could point to additional production activity in the coming months.



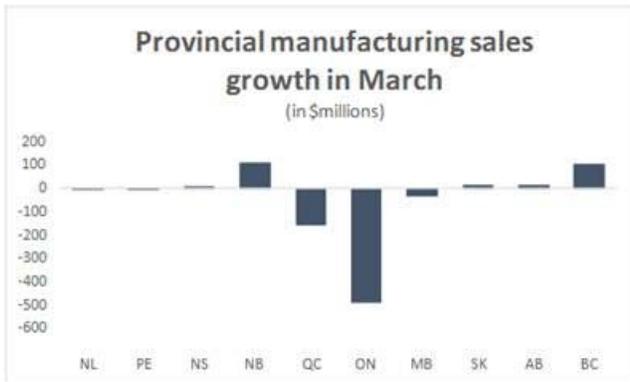
The negative side to April's manufacturing sales report is that growth was effectively limited to a few specific areas. Of the eleven major manufacturing industries in Canada, only four recorded higher sales that month, while the rest were lower.

Leading the way on the positive side was refined petroleum, where sales values are benefiting from an uptick in crude oil prices. The price of a barrel of West Texas Intermediate (WTI) jumped from about US\$30 per barrel in February to just under US\$41 per barrel in April. That, in turn, has a direct impact on the value (and price) of gasoline and other refined petroleum products. Oil prices averaged US\$47 in May, suggesting that refinery output values will also be higher in May, notwithstanding the impact of supply disruptions stemming from the Ft. McMurray-area forest fires.

Outside of petroleum refining, the biggest gains came in primary metals production and in aerospace. Primary metals producers saw sales jump by 3.9 per cent, compared to March, largely offsetting a sharp drop in production a month earlier. Similarly, aerospace output rose 6.3 per cent in April, recovering most of the 8.0 per cent decline in March.

Some of Canada's smaller manufacturing industries also enjoyed a solid month in April. In particular, rail rolling stock and shipbuilding both saw a tremendous spike in activity. Shipbuilding sales were up 29.3 per cent to reach their highest level since December. Meanwhile, railcar production hit a nine-year high in April, as total output jumped 39.5 per cent.

On the negative side, production of plastics and rubber products was lower in April, declining by 2.1 per cent compared to March. Sales of wood products (-1.7 per cent), fabricated metals (-1.0 per cent) and machinery (-0.9 per cent) were also down for the month.



At the provincial level, the increase in manufacturing sales was led by New Brunswick and Alberta - home to most of Canada's refining capacity. New Brunswick's manufacturing sales were up 7.5 per cent, while Alberta saw production values increase by 3.5 per cent. Manitoba's manufacturers had a solid month as well, as output of food products, machinery, fabricated metals and aerospace parts were all higher. For their part, Canada's two largest manufacturing provinces also saw higher output levels; sales in Quebec

and Ontario were up by 1.4 per cent and 0.4 per cent, respectively. On the negative side, sales were down in BC and in Atlantic Canada outside New Brunswick.

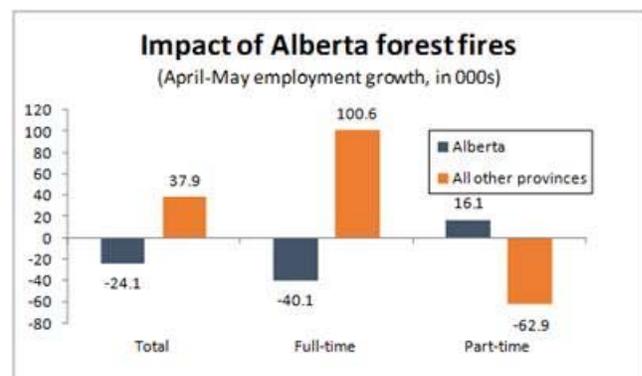
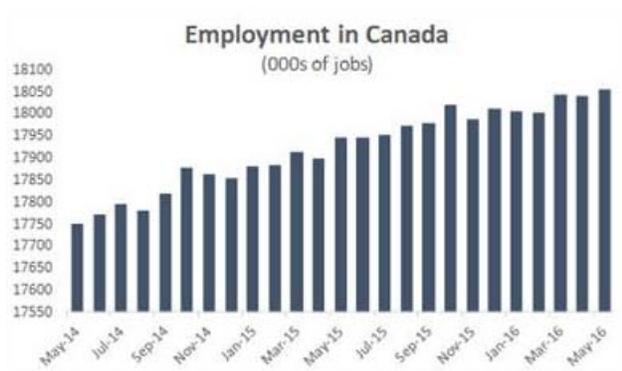
On a year-to-date basis, however, it is Ontario where the largest manufacturing gains are taking place. Although sales are down since January, overall manufacturing activity through the first four months of 2016 is 8.2 per cent higher compared to the same period last year.

## Labour Force Survey Analysis – May 2016

### Fort McMurray wildfires dampen job gains in May

#### Canadian Labour Market

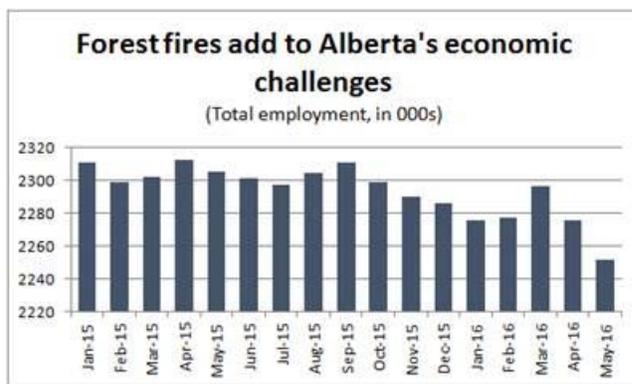
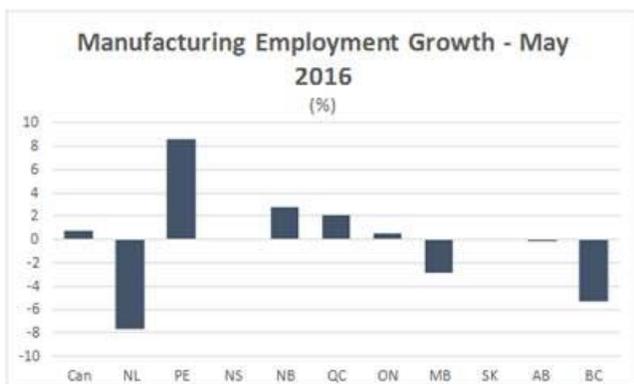
The release of May's labour force data provided the first glimpse into the economic impact of the devastating wildfires that swept through Fort McMurray that month. As expected, the fires had a major effect on employment in Alberta, offsetting what otherwise would have been a solid month of job gains across Canada. Overall, the Canadian economy created 13,800 net new jobs for the month, a modest 0.1 per cent increase over April. With nearly 23,000 Canadians leaving the labour force, however, the unemployment rate fell from 7.1 per cent to 6.9 per cent in May.



The gain of 13,800 jobs nation-wide came in spite of a loss of more than 24,000 positions in Alberta, largely due to the disruption of oil and gas extraction and other business activity in the northeast of the province. Removing that one-time impact, employment outside Alberta grew by 0.24 per cent in May - still a relatively small figure, but the largest month-over-month gain in a year.

Another positive note for the Canadian economy was the nature of the new jobs created in May. In total, 60,500 net new full-time positions were added for the month, offset by a decline of 46,800 part-time positions. These solid numbers also come in spite of the impact of the forest fires in Alberta. The 60,500 figure includes the loss of over 40,000 full-time jobs in Alberta, meaning that full-time jobs gains outside the province were in the triple digits.

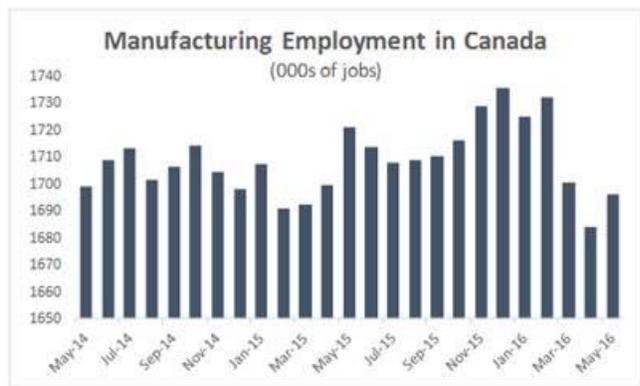
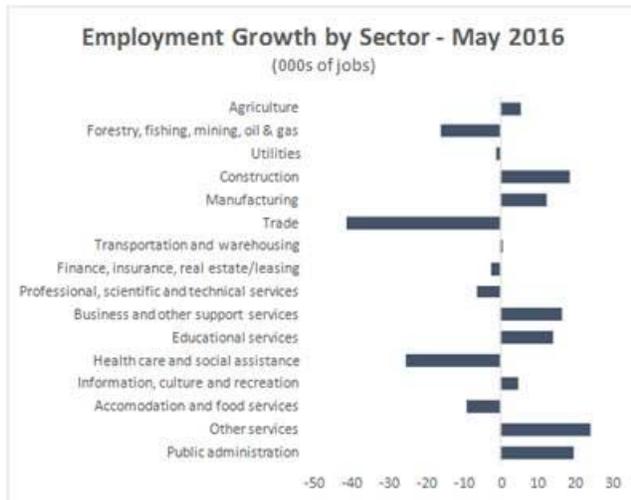
Canada's labour market strength in May was concentrated in Quebec and Ontario, which each added 21,600 net new jobs compared to April - an increase of 0.5 per cent and 0.3 per cent, respectively. There were also good jobs numbers coming out of PEI, Newfoundland and Labrador, Manitoba and Saskatchewan.



On the down side, Alberta was obviously the big story in May, losing 1.1 per cent of its total employment in a single month. That figure represents the largest job losses in the province in 34 years - dating all the way back to the end of the 1979 Energy Crisis and the years of the National Energy Program.

On an industry basis, mining and energy extraction were the hardest-hit industries as the wildfires forced production shutdowns and evacuation of oil sands facilities. Across Canada, there were 15,900 fewer resource-extraction jobs in May, of which 11,500 were in Alberta. There was also a sharp drop in wholesale and retail trade employment (41,200), following an equally unusual spike in employment in that sector in April. Last month's CME labour force analysis suggested that these numbers might reflect an anomaly in the survey data - a view that seems more likely given May's numbers.

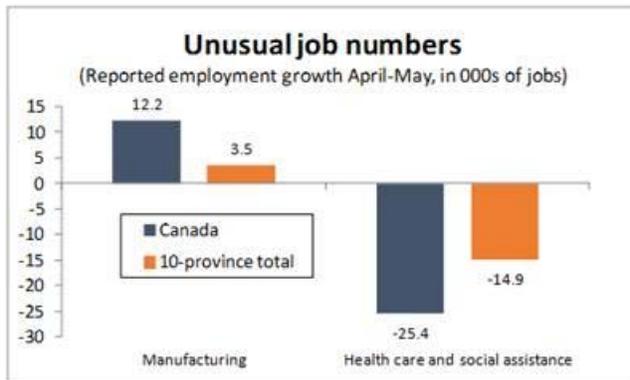
Lastly on the negative side, there was a notable drop in health care employment in May (25,400 net jobs lost). However, these figures also appear to reflect some survey or data collection problems. Across the ten provinces, there were only 14,900 health care jobs lost. The remaining 10,500 are unaccounted for. There are similar issues regarding provincial employment numbers in manufacturing (see below).



### Manufacturing Sector Labour Market

Last month it was reported that, after reaching a 3-year high in January, manufacturing employment suddenly plunged to its lowest level since before 1976 - all without increasing the number of unemployed workers in the sector. It was suggested that survey measurement or classification problems may be responsible for the strange trends.

May's job numbers in manufacturing are somewhat more plausible, but problems clearly remain. On the whole, Canada added 12,200 manufacturing jobs compared to April - an increase of 0.7 per cent for the month. With that gain, manufacturing employment is now at about the same level as in March (1.7 million jobs).



The problem is that, like in health care above, the combined data for the ten provinces does not come close to the headline national numbers. While Statistics Canada reports that the country gained 12,200 manufacturing jobs in May, there were only 3,500 jobs created across the provinces (the three territories are not included in most Labour Force Survey data).

According to those figures, Quebec was far and away the leader in manufacturing jobs growth in May, adding 10,100 net new jobs - an increase of 2.1 per cent compared to April. Ontario added 4,100 manufacturing positions last month, while there were also strong gains in New Brunswick and PEI.

Perhaps surprisingly, manufacturing jobs numbers in Alberta were flat in May. They were not flat in BC, however. That province reportedly lost 5.3 per cent of its manufacturing jobs in a single month (9,200 net positions), bringing sector employment to its lowest level since December 2014. Manitoba and Newfoundland and Labrador also posted lower manufacturing jobs numbers in May.