

Manitoba Manufacturing: The Good, the Bad and the Recovery

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September 18, 2020

Bottom Line

Statistics Canada released the July 2020 survey of manufacturing on September 15, 2020. **Canada's manufacturing sales were \$53 billion in July, down 7 per cent year-over-year.** Petroleum and related sales are down significantly (y/y index of 61), driven by the continuing low price of North American crude oil (WTI benchmark trading sideways since June 1 at US\$34 – 44/bbl).

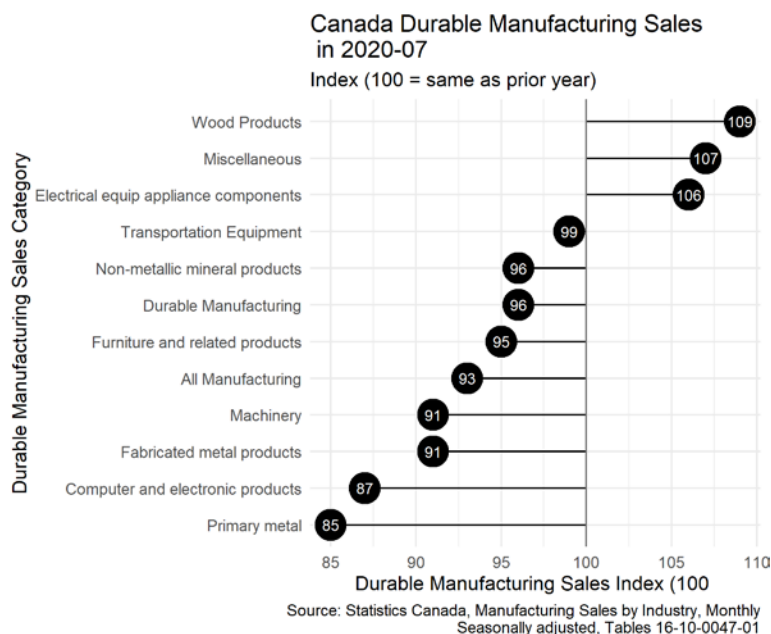
Manitoba's July 2020 manufacturing sales have recovered to \$1.54 billion. This is only 1.6 per cent below February 2020, and off 5 per cent year-over-year.

Transportation equipment (index of 84) and chemical (index of 84) year-over-year indicators are still down year-over-year. Food (index of 119), and wood products (index of 118) have outperformed year-over-year. As food manufacturing is Manitoba's single largest manufacturing category, this growth is particularly encouraging for the provincial economy.

The recovery of manufacturing sales is well underway in Manitoba and Canada as a whole. Some industry categories continue to struggle. Understanding changing market trends, supply chain issues and opportunities will be important in determining how to help the firms that are represented by these categories in recovery.

Analysis of July 2020 Manufacturing Sales - Canada

Figure 1: Index of Canada's Durable Manufacturing Sales in July 2020 (100 = same as prior year)

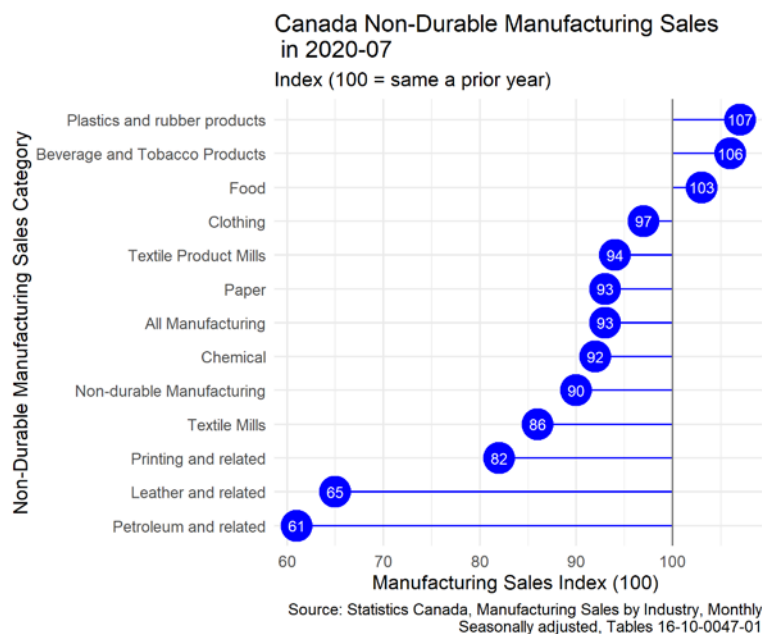


Canada's manufacturing sales continued their recovery in July 2020, reaching \$53 billion. This is only 5 per cent below February 2020 levels, and 7 per cent below the year prior.

The aggregate of industries manufacturing durable goods are down 4 per cent y/y (**Figure**

1).¹ Transportation equipment is only down 1 per cent y/y, after earning the status of worst performer in April 2020.²

Figure 2: Index of Canada's Non-Durable Manufacturing Sales in July 2020 (100 = same as prior year)



The aggregate year-over-year sales of industries manufacturing non-durable goods are still down 10 per cent (Figure 2), with an index value of 90. Only four industries have index values below this value.

Manufacturing sales by textile mills (index 86), printing & related (index 82), and leather and related (index of 65) raise concerns due to a slow bounce back.³

The value of sales of petroleum and related (index of 61) are down sharply. Nearby

futures price of WTI, the benchmark price of North American crude oil, is down about 1/3 from Jan 2020 (Figure 3). It is reasonable to assume that the lower value of sales is tied to the reduced cost of this key feedstock.

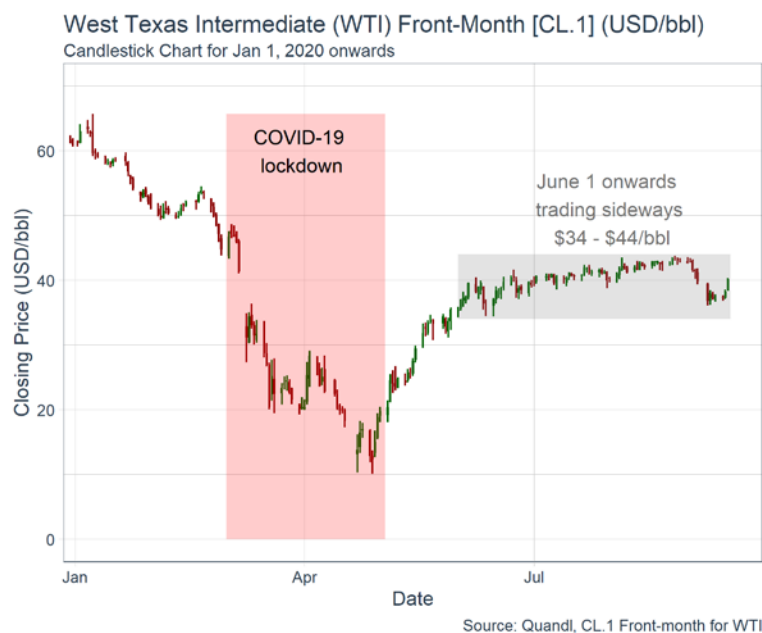


Figure 3: WTI Front-Month (USD/bbl)

Note that in early January 2020, WTI was hovering around US\$60/bbl. After the lockdowns and the oil price war kicked off by a dispute within OPEC+, prices have only managed to trade sideways between US\$34 – 44/bbl since the start of June.

Total manufacturing sales excluding petroleum and related, are down only 3 per cent in July 2020, vs 7 per cent when petroleum and related sales are included.

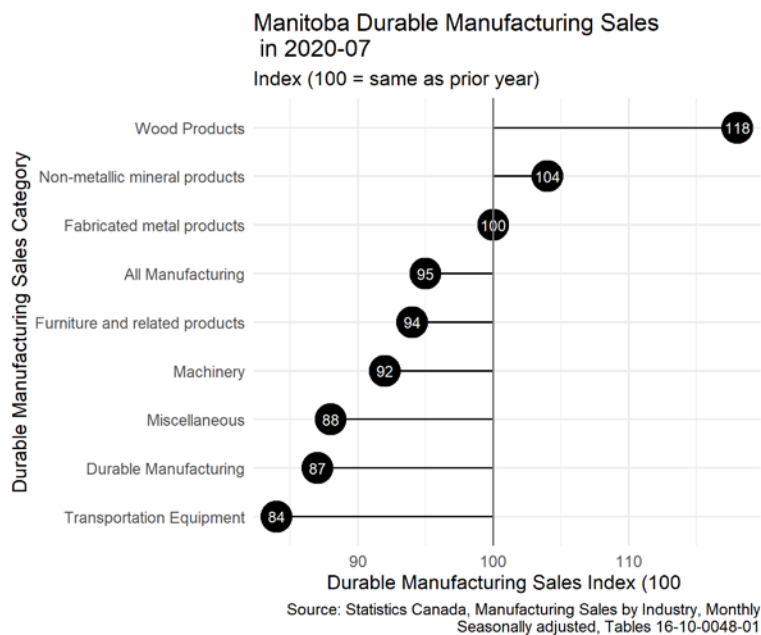
¹ The index value is for manufacturing sales of durable goods in July 2020 is 96, or down 4 per cent.

² The year-over-year index for transportation equipment in April 2020 was 19, or down 81 per cent y/y.

³ These three industry categories are relatively small, particularly leather & related.

Analysis of July 2020 Manufacturing Sales - Manitoba

Figure 4: Index of Manitoba's Durable Manufacturing Sales in July 2020 (100 = same as prior year)



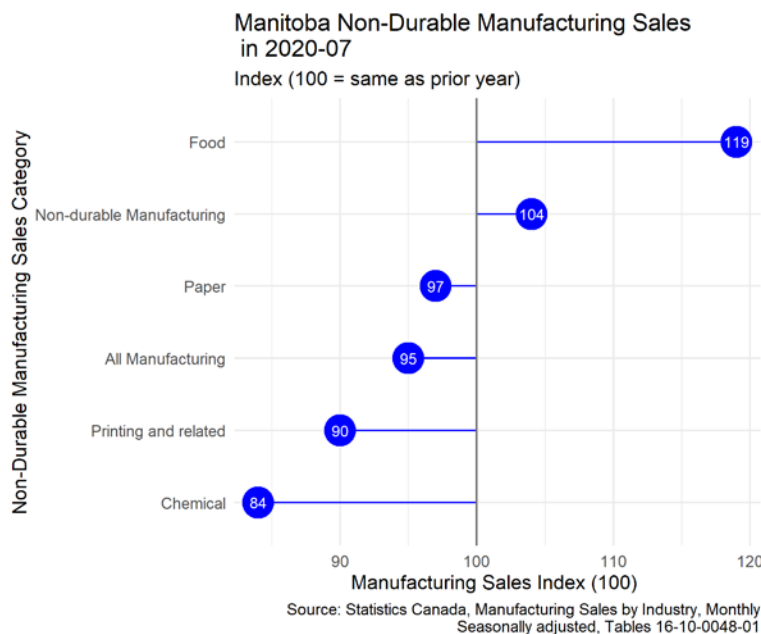
As of July 2020, Manitoba's overall manufacturing sales have recovered to \$1.54 billion dollars. Total Manufacturing sales for Manitoba are down only 1.6 per cent from their level in February 2020, and down 5 per cent year-over-year.

Durable goods manufacturing

In Manitoba, transportation equipment manufacturing (index of 84) is slightly behind the durable manufacturing aggregate (index of 87). Wood products (index of 118) is outperforming its level in July

2019 (Figure 4).

Figure 5: Index of Manitoba's Non-Durable Manufacturing Sales in July 2020 (100 = same as prior year)



Non-Durable Goods Manufacturing

With Manitoba's food sales strongly outperforming the year prior (index of 119), and this being Manitoba's single largest manufacturing category, this has pulled the non-durable aggregate higher (index of 104).

Compared to the year prior, printing & related, and chemical manufacturing sales are lagging overall manufacturing sales (Figure 5).

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- For general inquiries please email wpginfo@edwinnipeg.com.
- For Marketing & Communications Inquiries, please email marketingandbranding@edwinnipeg.com.