October 23, 2019

Scotiabank Nowcast: Weak Wholesale Trade Lowers Q3-2019 to 1.67%

This note is part of a series that will be published after important data releases, documenting mechanical updates of the nowcast for Canadian GDP coming from the Scotiabank nowcasting model. The evolution of this nowcast will inform Scotiabank Economics' official macroeconomic outlook.

The model is described in a related note here.

- **Canadian wholesale sales tumbled unexpectedly in August (-1.2% m/m), signalling weak downstream demand and shaving off almost 0.2 ppts from Q3-2019 nowcast to leave it at 1.67% Q/Q SAAR, relatively in line with the Bank of Canada's latest forecast.**
- **The drop in sales in August was relatively broad-based, with five out of seven sectors contracting, including such important categories as motor vehicles (-1.2% m/m), machinery and equipment (-2.64%) and personal and household goods (-3.4% m/m). The August contraction in the latter sector reversed a jump in July, however.**
- **In particular, wholesale sales of machinery and equipment—a bellwether of business investment in Canada—have declined so far in Q3-2019 in a sign that the climate of uncertainty may be infecting businesses in Canada.**

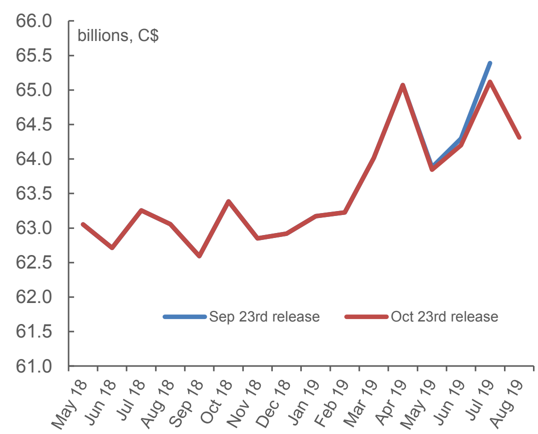
Table 1: Canadian GDP Nowcast, Q3-2019

	Nowcast Date	Q3-2019 GDP Growth, %	GDP by industry, %m/m *Jul* [actual]	*Aug*	*Sep*
Previous nowcast	*22-Oct-19*	1.82	0.02	0.29	0.12
Revisions		0.00			
Wholesale trade, Canada		-0.17			
Wholesale inventories, Canada		+0.02			
Current Nowcast	*23-Oct-19*	1.67	0.02	0.22	0.11

CONTACTS

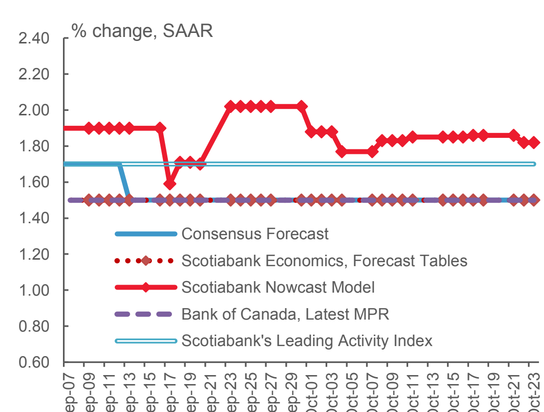
Nikita Perevalov, Senior Economist
416.866.4205
Scotiabank Economics
nikita.perevalov@scotiabank.com

Chart 1: Wholesale trade, Canada



Sources: Scotiabank Economics, Haver Analytics, Statistics Canada

Chart 2: The Evolution of the Scotiabank Economics Q3-2019 Nowcast



Sources: Scotiabank Economics, Bloomberg, Haver Analytics.