

## Scotiabank Nowcast: Strong Rebound in Retail Sales Pushes Q2-2020 GDP Estimate Up to -38.0%

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](#).

- Retail sales rounded out the main suite of data releases from Statistics Canada for May. It was a strong print, with overall retail sales up by 17.8% m/m in May, when measured in chained 2012 dollars, leaving sales 18% below the February level. Thus, as of May, real retail sales recouped 40% of the total decline that the sector suffered in March–April in the depth of the pandemic, despite 23% of retailers remaining closed in May.
- The rebound pushed the Q2-2020 GDP nowcast to -38.02% Q/Q SAAR. This sets up a strong hand-off for Q3-2020, as May and June are likely to see robust expansion in economic activity, which should boost the average Q3-2020 growth rate.
- Among the subsectors, almost half of the growth in May came from a sharp rebound in real motor vehicle sales (+64.7% m/m). The auto sector has been one of the worst-affected during the pandemic, but recent data on manufacturing sales, wholesale sales, exports and now retail sales show a strong pickup in activity.
- Real sales at general merchandise stores (+19.4% m/m), clothing (+95.7% m/m) and gas stations (+11.1% m/m), together with auto sales, accounted for more than three-quarters of the overall growth in May.
- In addition, Statistics Canada reported a flash estimate for growth in nominal retail sales in June (+24.5% m/m), which would leave sales above the 2019 levels, in line with rapid improvement observed in the Scotiabank's retail transactions data (see [here](#)).
- Despite the relatively positive string of releases lately, a sustained improvement in economic activity in 2020H2 depends on a complex combination of policy choices, the virus evolution in Canada and developments at our trading partners, among other factors.

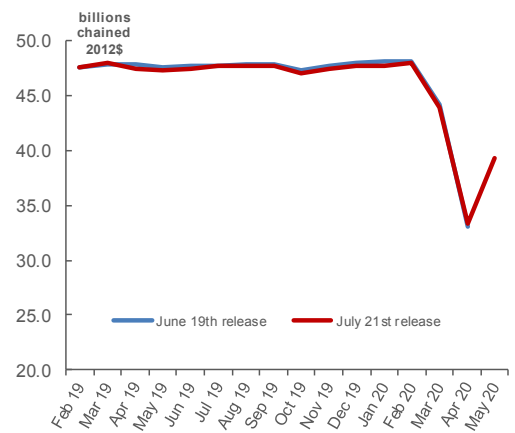
Table 1: Canadian GDP Nowcast, Q2-2020

	Nowcast Date	Q2-2020 GDP Growth, %
Current Nowcast	17-Jul-20	-38.48
Revisions, other data		0.00
Retail sales, Canada		+0.46
Current Nowcast	21-Jul-20	-38.02

### CONTACTS

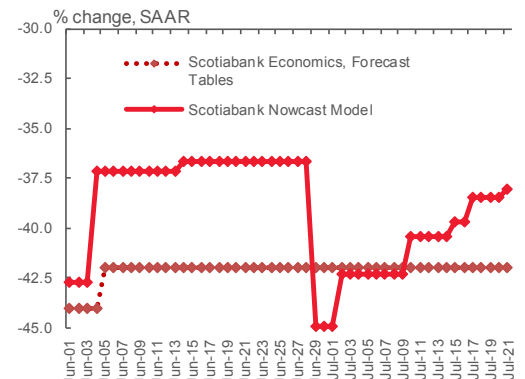
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Chart 1: Retail sales, Canada



Sources: Scotiabank Economics, Haver Analytics, Statistics Canada

Chart 2: The Evolution of the Scotiabank Economics Q2-2020 Nowcast



Sources: Scotiabank Economics, Bloomberg, Haver Analytics.

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