

Scotiabank Nowcast: Retail Sales Surpass February Levels, Lift Q2-2020 to -38.52%

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 jumped +23.7% m/m in June in nominal terms (+22.9% in real or volume terms), a touch slower than the initial “flash” estimate given by Statistics Canada last month. While it was expected, the fact that retail sales have now surpassed the pre-pandemic level reached in February is a remarkable sign of a turnaround in the retail sector.
- Given that the rebound was anticipated, it does not significantly change the overall assessment of Q2-2020 growth, moving the GDP nowcast to -38.52% Q/Q SAAR.
- All major categories saw rising sales, but it was a rebound in purchases of autos, jumping +52.3%, that helped contribute almost half of the gains in the volume of retail sales. The snapback in autos is a persistent theme through the latest major economic data releases in Canada, driving a recovery in manufacturing and wholesale sales, as well as exports.
- Another major contributor was sales of clothing and accessories, which rose +137.1% m/m in June in volume terms, as consumers took advantage of re-opening stores to make purchases that had been delayed due to the lockdowns.
- Overall, June likely constitutes the peak month for overall growth in the recovery from the pandemic. The “flash” estimate for retail sales from Statistics Canada shows only a +0.7% m/m expansion in July, and various other indicators, such as Scotiabank’s high frequency transactions data (see [here](#)), show growth flattening in July and August.

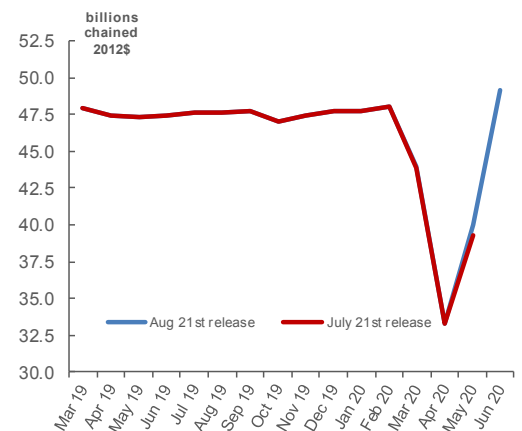
Table 1: Canadian GDP Nowcast, Q2-2020

	Nowcast Date	Q2-2020 GDP Growth, %
Previous Nowcast	19-Aug-20	-38.74
Revisions, other data		0.00
Retail sales, Canada		+0.22
Current Nowcast	21-Aug-20	-38.52

CONTACTS

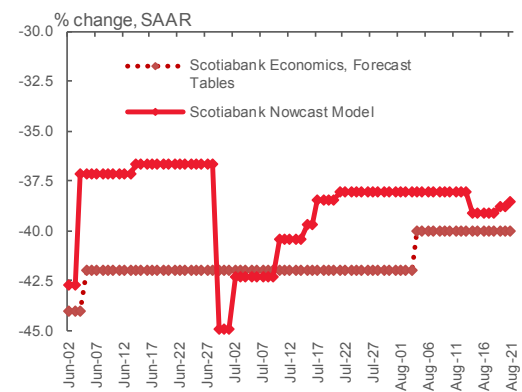
Nikita Perevalov
Director of Economic Forecasting
437.775.5137
Scotiabank Economics
nikita.perevalov@scotiabank.com

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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