

## Scotiabank Nowcast: Canadian Wholesale Sales Underwhelm, Q2-2021 Edges Down to 2.56%

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 data releases for May continued to disappoint, with wholesale sales coming in weaker than initially expected (+0.5% m/m compared to an early estimate of +1.1% m/m). Volumes declined in May (-0.3% m/m), with higher prices accounting for all of the overall gain.
- Given that wholesalers occupy an intermediate position between producers and retail or final demand, the activity in that sector is a broad indicator of the overall economy. Thus, a relatively subdued expansion in May led to another downward revision to the Canadian GDP growth nowcast, leaving it at 2.56% Q/Q SAAR.
- The breadth of the overall rise in sales was poor, with only 4 out of 7 industries reporting higher revenues. Moreover, without a sharp increase of +2.7% m/m in the food, beverage and tobacco subsector, which was driven by the loosening of restrictions in the month of May, the overall sales would have been flat.
- Some of the weaker outturn could be explained by the strike in the port of Montreal, which held back sales by \$230 million, according to Statistics Canada.
- The value of inventories rose in May (+2.1% m/m), with an increase in the motor vehicles and parts sector (+3.6% m/m) perhaps an encouraging sign that cars were starting to move through the supply chain disruptions due to the global chip shortage.
- The picture in the provinces was mixed, with increases in Ontario (+1.3% m/m) and BC (+5.3% m/m) being partly offset by declines in Quebec (-1.2% m/m), Saskatchewan (-4.4% m/m) and the Atlantic provinces.

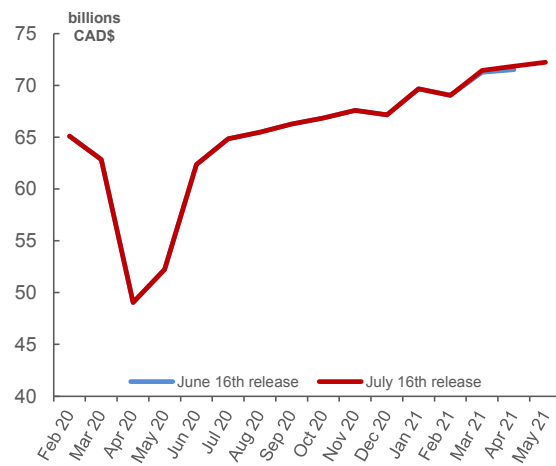
Table 1: Canadian GDP Nowcast, Q2-2021

	Nowcast Date	Q2-2021 GDP Growth, %
Previous nowcast	14-Jul-21	2.89
Revisions, other data		-0.02
Industrial production, US		-0.07
Wholesale sales, Canada		-0.18
Wholesale inventories, Canada		-0.06
Current Nowcast	16-Jul-21	2.56

### CONTACTS

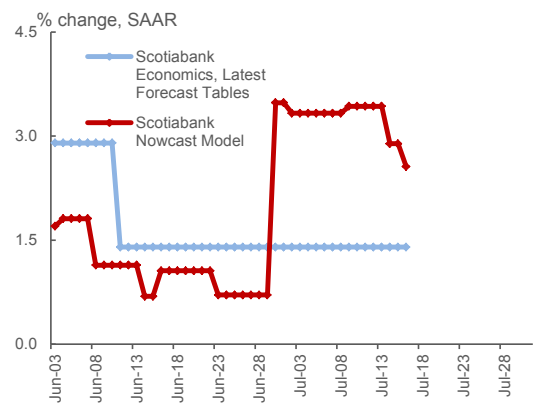
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Chart 1: Wholesale sales, Canada



Sources: Scotiabank Economics, Haver Analytics, Statistics Canada

Chart 2: The Evolution of the Scotiabank Economics Q2-2021 Nowcast



Sources: Scotiabank Economics, Bloomberg, Haver Analytics.

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