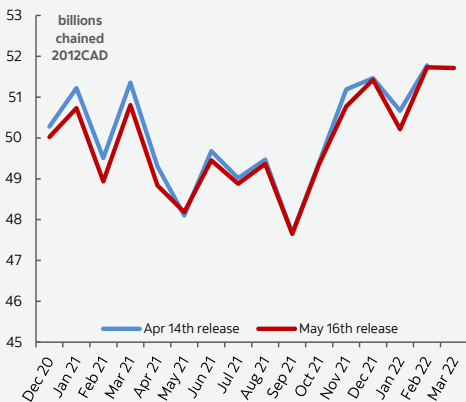


Contributors

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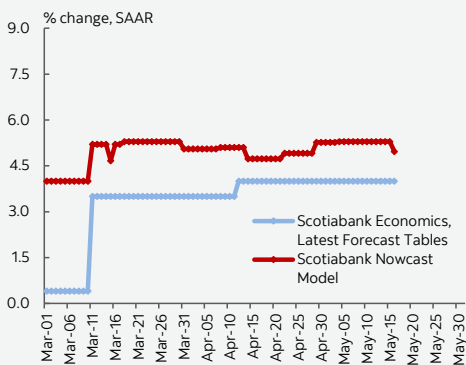
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Chart 1: Manufacturing sales, Canada



Sources: Scotiabank Economics, Haver Analytics, Statistics Canada

Chart 2: The Evolution of the Scotiabank Economics Q1-2022 Nowcast



Sources: Scotiabank Economics, Bloomberg, Haver Analytics.

Scotiabank Nowcast: Weak Wholesale, Manufacturing Sales Push Q1-2022 Down to 4.97%

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](#).

- Today's double-feature from Statistics Canada sowed some doubts about the durability of the Canadian economic growth, with disappointing manufacturing and wholesale sales for March. The two releases showed relatively weak growth after stripping out strong price increases, which might be a reflection of economic conditions more broadly. As a result, the estimate of the overall GDP growth in Q1-2022 slid to +4.97% Q/Q SAAR, still a strong increase despite the setbacks.
- Canadian manufacturing firms saw sales expand by +2.5% m/m in March, the sixth consecutive monthly increase. However, the volumes were flat, with higher prices making up the difference. Higher volumes at nondurable manufacturers (+0.2% m/m) were offset by a corresponding decline at durable manufacturers (-0.3% m/m), where a slide in transportation equipment (-0.3% m/m by volume) and machinery manufacturing (-5.1% m/m) dragged the volumes down. Weak real growth in March was partly expected, given the strong rebound in the previous month, but given the overall context—high prices and fears of weakening growth—it remains to be seen whether March was a one-off or a start of a trend.
- Further down the supply chain, Canadian wholesale sales were up +0.3% m/m in dollar terms in March, again driven entirely by higher prices. In fact, volumes declined by -0.6% m/m in March, as wholesale sales of personal and household goods (-1.5% m/m by volume) and machinery and equipment (-4.8% m/m by volume) were weak enough to offset growth in other sectors. One bright spot, sales of motor vehicles and parts were brisk (+2.9% m/m by volume), turning the corner after two months of declines earlier in the year.
- While the weakness in the data releases this morning could be chalked up to volatility in the context of lockdowns and re-openings during the Omicron wave in Canada, it also fits the overall global macroeconomic narrative where strong price increases for all manner of goods and services combine with a weakening of growth in what is called a “stagflation”. While Canada's strong resource sector might help it escape the outcome, the risks are increasingly tilted in that direction, as the current global geopolitical crisis has led to high prices for consumer and industrial goods and pushed lower the outlook for growth in some of Canada's trade partners (e.g. the European Union).

Table 1: Canadian GDP Nowcast, Q1-2022

	Nowcast Date	Q1-2022 GDP Growth, %
Previous Nowcast	04-May-22	5.29
<i>Revisions and other data</i>		-0.11
<i>Manufacturing sales, Canada</i>		-0.21
<i>Wholesale sales, Canada</i>		-0.05
<i>Manufacturing inventories, Canada</i>		+0.02
<i>Wholesale inventories, Canada</i>		+0.03
Current Nowcast	16-May-22	4.97

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