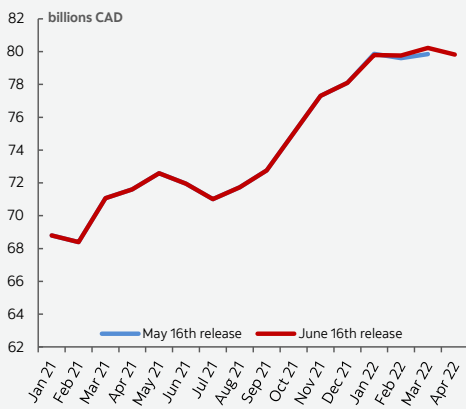


Contributors

Nikita Perevalov

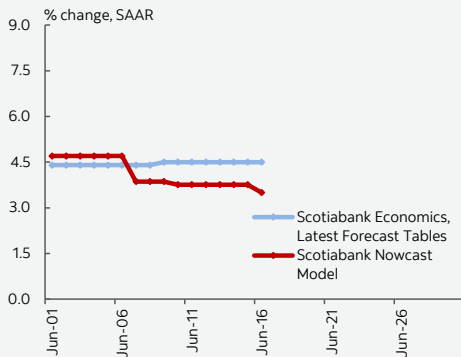
Director of Economic Forecasting
Scotiabank Economics
437.775.5137
nikita.perevalov@scotiabank.com

Chart 1: Wholesale sales, Canada



Sources: Scotiabank Economics, Haver Analytics, Statistics Canada

Chart 2: The Evolution of the Scotiabank Economics Q2-2022 Nowcast



Sources: Scotiabank Economics, Bloomberg, Haver Analytics.

Scotiabank Nowcast: Wholesale Sales' Slide Leaves Q2-2022 GDP Growth Estimate at 3.50%

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](#).

- Following the Canadian manufacturing sales release on Tuesday, Statistics Canada published its estimate for wholesale sales in April, showing continued lack of momentum in the sector with sales down -0.5% m/m (volumes down -0.6% m/m). This was weaker than the early estimate released at the end of May ($+0.2\%$ m/m), leaving the GDP nowcast for Q2-2022 lower at $+3.5\%$ Q/Q SAAR.
- The estimate for the average growth in the quarter is significantly dependent on the momentum carried over from Q1-2022, with relatively subdued monthly GDP estimates for April–June. In fact, assuming no growth in monthly GDP in any of the months in Q2-2022 would still give $+3.0\%$ Q/Q SAAR for the quarter. The uncertainty remains high, however, with significant positive and negative risks to the nowcast.
- For the month of April, wholesale sales were down in five of the seven subsectors, with building materials (-1.4% m/m) and miscellaneous supplies (-3.4% m/m) leading the decline. A fall in spending on building materials likely reflects the slowdown in renovation activity and the housing market more generally, as overheated housing sales cooled in recent months following a series of rate hikes by the Bank of Canada which lifted its policy rate by 125 basis points.
- One positive sign in the print this morning was an increase in sales at machinery and equipment wholesalers ($+1.8\%$ m/m), in particular in the farming, lawn and garden component, as well as other machinery, equipment and supplies. The subsector bears watching closely for signs of strength in investment spending persisting into Q2-2022.
- Next week's retail sales print will provide a checkup on the Canadian consumer, with the early estimate from Statistics Canada of $+0.8\%$ m/m growth in April. However, most of this increase looks likely to be due to higher prices (e.g. gasoline), with CPI rising $+0.7\%$ m/m in the month. Thus, abstracting from price effects, the early estimate for spending was relatively weak, adding to the signs that inflation has started to eat into the spending power of households and businesses.

Table 1: Canadian GDP Nowcast, Q2-2022

	Nowcast Date	Q2-2022 GDP Growth, %
Previous Nowcast	10-Jun-22	3.76
Revisions and other data		0.00
Wholesale sales, Canada		-0.25
Wholesale inventories, Canada		-0.01
Current Nowcast	16-Jun-22	3.50

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