Scotiabank Nowcast: Strong March Mfg Sales as Expected, Q1-2019 Nowcast at 1.28%

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, which uses a mix of Canadian and US variables at monthly and quarterly frequencies to predict Canadian GDP growth in the current/most recent quarter, is described in the related note here.

- **Canadian real manufacturing sales rocketed up 1.6% m/m in March, following a pullback in February which was slightly upwardly revised. Both nondurable (+0.5% m/m) and durable goods (+2.7% m/m) contributed to the strong expansion.**
- **Significantly, durable goods industries came back to life after a miserable February, with outsized growth in shipments of transportation equipment (+4.1% m/m), primary metal products (+5.4% m/m), computer and electronics (+3.9% m/m) and machinery (+1.9%). Only electrical equipment underperformed (-4.6% m/m), while fabricated metal products declined slightly (-0.3% m/m).**
- **Even as growth in manufacturing shipments was strong, it is in line with expectations prior to the release and consistent with other data for March which suggest a strong rebound in activity. Thus, industry-level GDP is still expected to grow 0.4% m/m in March, consistent with Q1-2019 GDP nowcast at 1.28% Q/Q SAAR, still stronger than the April forecast from the Bank of Canada at 0.3%.**

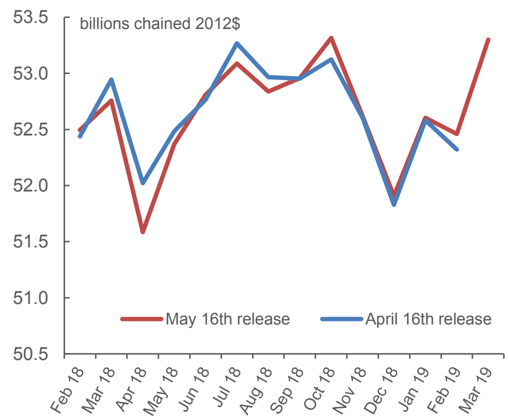
Table 1: Canadian GDP Nowcast, Q1-2019

	Nowcast Date	Q1-2019 GDP Growth, %	GDP by industry, %m/m *Jan actual*	*Feb actual*	*Mar*
Previous nowcast	*09-May-19*	1.26	0.35	-0.15	0.40
Revisions		0.00			
Manufacturing sales, Canada		+0.01			
Manufacturing inventories, Canada		+0.01			
Current Nowcast	*16-May-19*	1.28	0.35	-0.15	0.40

CONTACTS

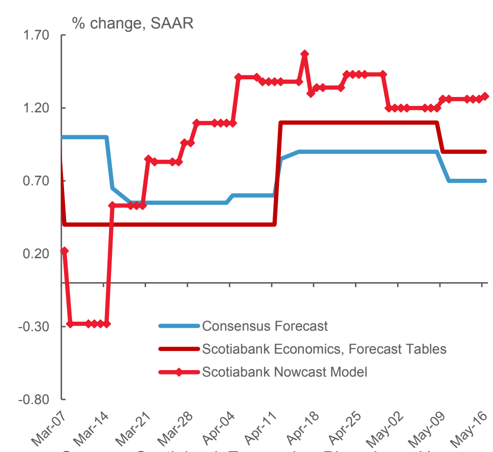
Nikita Perevalov, Senior Economist
416.866.4205
Scotiabank Economics
nikita.perevalov@scotiabank.com

Chart 1: Manufacturing shipments, Canada



Sources: Scotiabank Economics, Haver Analytics, Statistics Canada

Chart 2: The Evolution of the Scotiabank Economics Q1-2019 Nowcast



Sources: Scotiabank Economics, Bloomberg, Haver Analytics.