May 23, 2019

Scotiabank Nowcast: Canadian Wholesale Trade Rebounds in March, Q1-2019 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.

- **The Canadian wholesale trade release is the last piece of evidence of growth in March we get before the GDP release on May 31st, and it was consistent with all the other data received so far. Growing at 1.4% m/m it points to an acceleration of GDP growth in March. Echoing the retail sales report of yesterday, the sales of building materials (+4.5% m/m) and machinery and equipment (+2.9% m/m) accounted for most of the increase, while sales of motor vehicles declined (-2.0% m/m).**
- **This release continues to imply a strong acceleration of industry-level GDP growth in March (+0.4% m/m), consistent with real expenditure-level GDP growing at 1.28% Q/Q SAAR in Q1-2019.**
- **One note of caution: the release incorporated significant revisions (see chart 1), which might lead Statistics Canada to revise GDP numbers for January and February. Still, nominal wholesale sales averaged 2.8% annualized growth in the quarter (1.9% real), which should support GDP growth in Q1-2019.**

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	*22-May-19*	1.27	0.35	-0.15	0.40
Revisions		0.00			
Wholesale trade, Canada		+0.01			
Wholesale inventories, Canada		0.00			
Current Nowcast	*23-May-19*	1.28	0.35	-0.15	0.40

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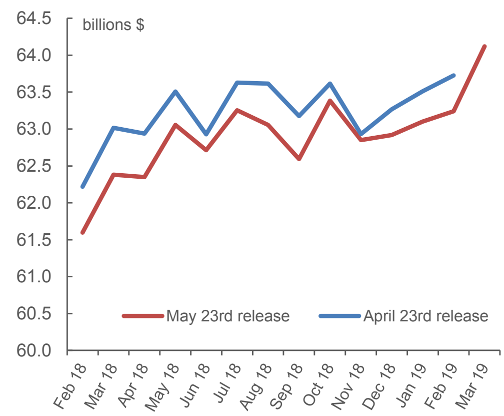
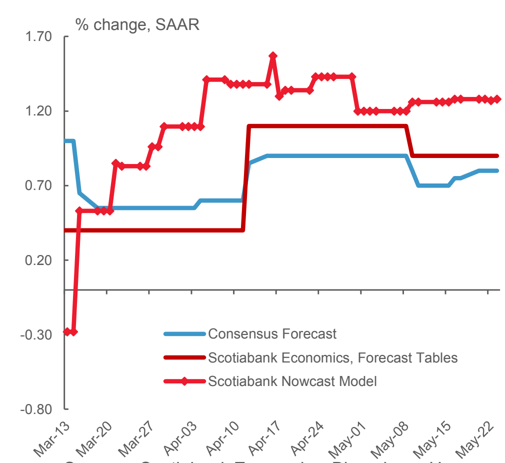
Chart 1:Wholesale Trade, Canada



Sources: Scotiabank Economics, Haver Analytics, Statistics Canada

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



Sources: Scotiabank Economics, Bloomberg, Haver Analytics.