Scotiabank Nowcast: Flat Real Retail Sales Slightly Offset Better US Data, Q3-2019 at 1.70%

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.

- **Having been boosted by the US IP data earlier in the week, the Q3-2019 nowcast edges down to 1.70% Q/Q SAAR on disappointing Canadian real retail sales.**
- **Canadian retail sales were flat in July once price effects are taken into account. Excluding motor vehicles real retail sales declined (-0.4% m/m), as real spending on building materials (-3.25% m/m), gasoline (-1.47% m/m) and clothing (-1.89% m/m) weighed on activity.**
- **The counterweight was provided by a rebound in real motor vehicle sales (+1.24% m/m) and electronics (+1.50% m/m), which offset the weakness in other sectors. Real auto sales advanced by the highest margin since February and are a welcome sign of the resilience of Canadian consumer spending.**

Table 1: Canadian GDP Nowcast, Q3-2019

	Nowcast Date	Q3-2019 GDP Growth, %	GDP by industry, %m/m *Jul*	*Aug*	*Sep*
Previous nowcast	*17-Sep-19*	1.60	-0.02	0.26	0.12
Revisions		0.00			
Industrial production, US		+0.11			
Retail sales, Canada		-0.01			
Current Nowcast	*20-Sep-19*	1.70	-0.02	0.30	0.13

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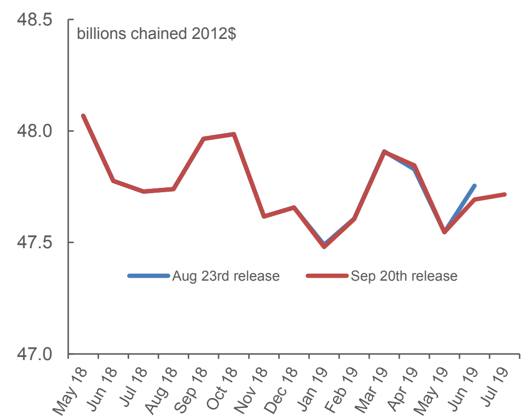
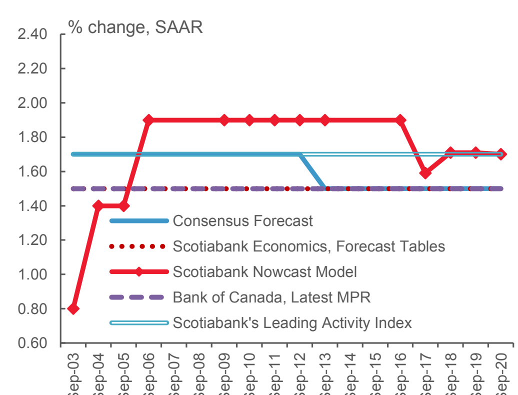
Chart 1: Retail Sales, Canada



Sources: Scotiabank Economics, Haver Analytics, Statistics Canada

Chart 2: The Evolution of the Scotiabank Economics Q3-2019 Nowcast



Sources: Scotiabank Economics, Bloomberg, Haver Analytics.