November 25, 2019

Scotiabank Nowcast: Wholesale Trade Rebounded in September, Q3-2019 GDP Up at 1.25%

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.

- **Rounding out the data releases for Q3-2019, wholesale trade rebounded in September (+1.0% m/m), erasing the large contraction seen in the preceding month. Having now incorporated all major data for the quarter, the Q3-2019 nowcast stands at 1.25% Q/Q SAAR, with no growth expected in September.**
- **Wholesale sales rose in five of seven sectors, but the main driver behind the rebound was a large expansion in the machinery and equipment component, where sales rose by 4.4% m/m, reversing weakness observed in July and August.**
- **Wholesale sales of motor vehicles provided an offset, declining by 0.8% m/m in September in a sign of persistent headwinds facing the sector amidst the unsettled global trade policy environment in addition to industry-specific factors.**
- **Weak motor vehicle wholesale sales also meant a flat print for Ontario, which together with Manitoba (-1.4% m/m) were the only two provinces not to show growth for the month.**
- **Finally, with strong sales, stock-to-sales ratio declined again in September—a welcome development for future growth.**

Table 1: Canadian GDP Nowcast, Q3-2019

	Nowcast Date	Q3-2019 GDP Growth, %	GDP by industry, %m/m *Jul* actual	*Aug* actual	*Sep*
Previous nowcast	*22-Nov-19*	1.20	0.01	0.14	-0.04
Revisions		0.00			
Wholesale sales, Canada		+0.04			
Wholesale inventories, Canada		+0.01			
Current Nowcast	*25-Nov-19*	1.25	0.01	0.14	-0.00

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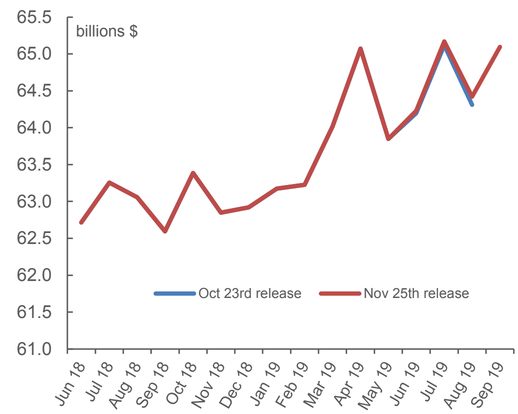
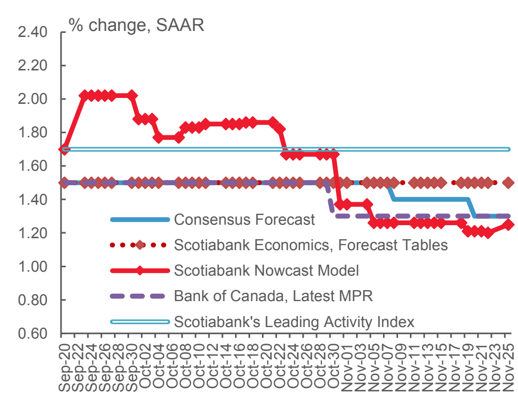
Chart 1: Wholesale sales, Canada



Sources: Scotiabank Economics, Haver Analytics, Statistics Canada

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



Sources: Scotiabank Economics, Bloomberg, Haver Analytics.