

Scotiabank Nowcast: Slowing Wholesale/Retail Trade, US IP Push Q3-2020 Down to 46.80%

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](#).

- Several new data releases point to growth slowing a bit more than expected in July–August, driving the Q3-2020 Canadian GDP nowcast down to 46.80% Q/Q SAAR.
- In the US, industrial production rose just +0.4% m/m in August, adding to a string of indicators that showed US recovery starting to stall in the final months of summer.
- In Canada, a pair of data releases confirmed that growth is likely to be somewhat weaker in July, compared to initial expectations. Retail sales rose by +0.6% m/m, compared to the flash estimate of +0.7% (+0.4% m/m in volume terms). In volume terms, spending on motor vehicles (+2.9% m/m), gasoline (+5.5% m/m) and clothing (+10.1% m/m) was partly offset by an unexpected drop in spending on building materials (-11.9% m/m), the latter despite a continuing boom in the Canadian housing market.
- Wholesale sales rose +4.3% m/m in July with 6 out of 7 categories rising. However, growth was mainly explained by a strong expansion in sales of motor vehicles (+19.3% m/m) and machinery and equipment (+4.0% m/m). Spending on machinery and equipment may be a tentative sign of firms becoming more comfortable investing.
- While slowing growth was expected, given that the overall retail and wholesale volumes have now surpassed the pre-pandemic levels of February, the continuing reliance on auto sales while other sectors are starting to weaken shows rising risks to growth in the coming months.

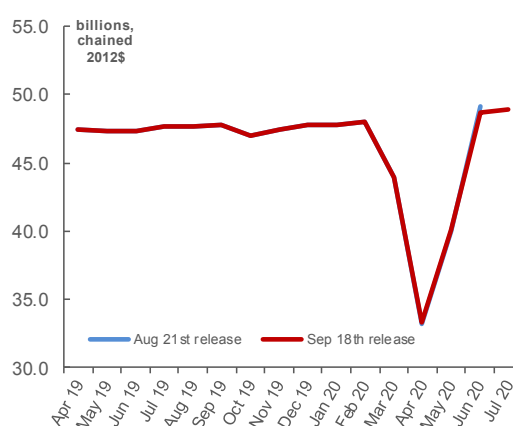
Table 1: Canadian GDP Nowcast, Q3-2020

	Nowcast Date	Q3-2020 GDP Growth, %
Previous Nowcast	15-Sep-20	48.38
Revisions, other data		0.00
Industrial production, US		-1.11
Wholesale sales, Canada		-0.44
Retail sales, Canada		-0.03
Current Nowcast	18-Sep-20	46.80

CONTACTS

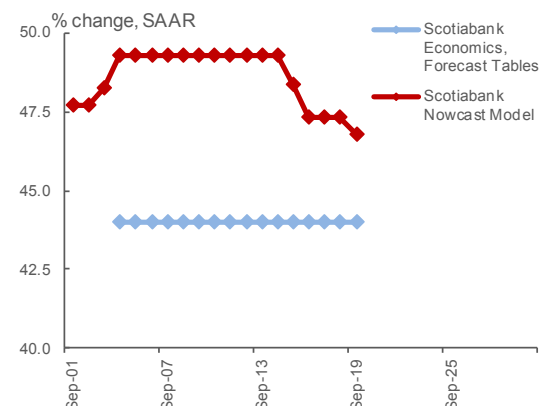
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Chart 1: Retail sales, Canada



Sources: Scotiabank Economics, Haver Analytics, Statistics Canada

Chart 2: The Evolution of the Scotiabank Economics Q3-2020 Nowcast



Sources: Scotiabank Economics, Bloomberg, Haver Analytics.

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