

## Scotiabank Nowcast: Strong Retail Sales Rise in February Pushed Q1-2021 GDP Growth to 5.89%

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](#).

- Canadian shoppers returned to stores in February in a significant way, boosting the dollar value of retail sales by +4.8% m/m (+4.3% m/m in volume) as some of the public health measures enacted in December and January started to be relaxed.
- Retail sales growth in February was even stronger than the initial estimate of +4.0% m/m published by the Statistics Canada. As a result, the nowcast for the Canadian GDP growth in Q1-2021 rose to +5.89% Q/Q SAAR.
- Growth in February was broad based, as 9 out of 11 retail sectors saw a rise in sales, but four sectors—motor vehicles and parts (+5.0% m/m), clothing (+23.7% m/m), general merchandise stores (+6.1% m/m) and gasoline stations (+12.3% m/m)—accounted for most of the expansion.
- Prior to February, the data has been revised significantly (chart 1), with a deeper contraction in December and a flat January, compared to previous estimates of falling sales in both months. This will likely mean revisions to consumption spending and GDP in Q4-2020, which might also affect Q1-2021.
- Going forward, retail sales are estimated to have risen by +2.3% m/m in March (preliminary estimate), showing resilience in the face of the rising third wave of COVID-19 in Canada. Beyond March, the more severe restrictions on store operations, closing of non-essential businesses, as well as the transition to online schooling in several provinces are likely to take a bite out of economic activity in the lead-up to summer.

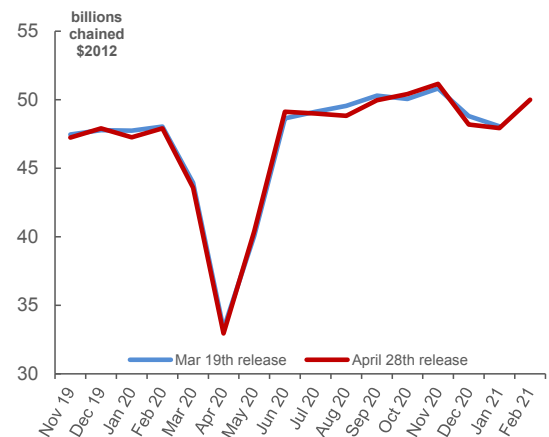
Table 1: Canadian GDP Nowcast, Q1-2021

|                       | Nowcast Date | Q1-2021 GDP Growth, % |
|-----------------------|--------------|-----------------------|
| Previous nowcast      | 15-Apr-21    | 5.69                  |
| Revisions, other data |              | +0.00                 |
| Retail sales, Canada  |              | +0.20                 |
| Current Nowcast       | 28-Apr-21    | 5.89                  |

### CONTACTS

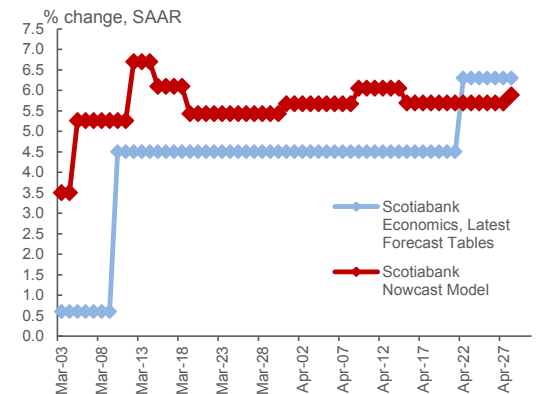
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Chart 1: Retail sales, Canada



Sources: Scotiabank Economics, Haver Analytics, Statistics Canada

Chart 2: The Evolution of the Scotiabank Economics Q1-2021 Nowcast



Sources: Scotiabank Economics, Bloomberg, Haver Analytics.

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