

Scotiabank Nowcast: Flat March Merchandise Exports Pare Q1-2021 Growth Estimate to 6.26%

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 merchandise trade release for March continued a pattern of significant volatility as a string of special factors and rolling lockdowns affected trade shipments over the past few months. A large rebound in the dollar value of exports seen in January gave way to a large decline in February and a relatively flat March (+0.3% m/m), while imports surged (+5.5% m/m) in March. Overall the release leaves the contribution from net exports in Q1-2021 weaker than previously expected by the model, with the nowcast edging down to 6.26% Q/Q SAAR.
- Canada's exports in March totalled \$50.6 billion, 0.3% higher than in February. While the total was relatively flat month-on-month, there was a sharp divergence across sectors, with a strong rise in exports of motor vehicles and parts (+10.2% m/m) and metal ores and minerals (+33.0% m/m) being offset by a pullback in energy exports (-6.7% m/m) and a decline in aircraft shipments (-23.8% m/m). Lower energy exports were due to the decline in prices for natural gas, which normalized in March after more than doubling in February on extreme weather conditions in the US.
- Canadian imports surged in March as all sectors posted increases. To the extent that higher imports are reflected in higher domestic spending or inventory accumulation, it is a positive sign for Q1 growth. For example, higher imports of motor vehicles and parts (+4.6% m/m) signal a tentative improvement in auto production which experienced supply chain disruptions in winter. On the other hand, one of the significant drivers was a large jump in energy imports (+54.7% m/m), partly on the resumption of imports from Texas which was hit by severe weather in February.

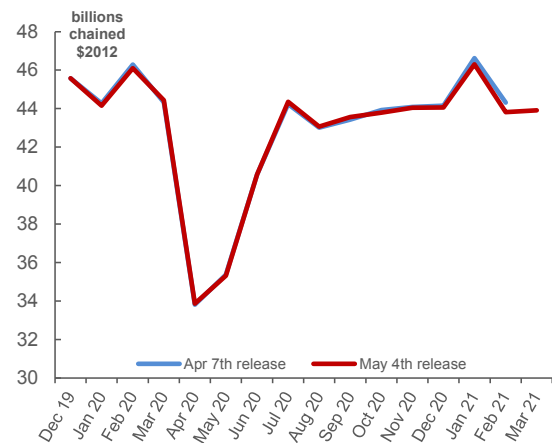
Table 1: Canadian GDP Nowcast, Q1-2021

	Nowcast Date	Q1-2021 GDP Growth, %
Previous nowcast	30-Apr-21	6.58
Revisions, other data		+0.00
Merchandise exports, Canada		-0.63
Merchandise imports, Canada		+0.31
Current Nowcast	04-May-21	6.26

CONTACTS

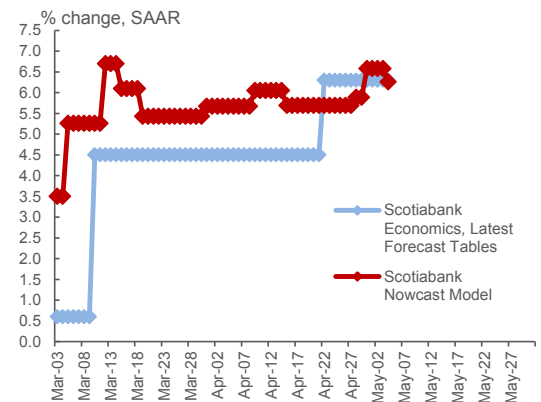
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Chart 1: Merchandise exports, Canada



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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