

Scotiabank Nowcast: Strength in March Retail Sales Lifts Q1-2021 GDP Nowcast to 6.55%

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 took advantage of stores' re-opening in March, pushing retail sales up by +3.6% m/m (+3.2% m/m in volume terms), much stronger than the initial estimate from Statistics Canada. With March included, nominal retail sales were up a decent +1.8% in Q1-2021 despite the lockdowns related to COVID-19, pushing the Q1-2021 GDP growth nowcast to +6.55% Q/Q SAAR.
- The breadth of the March increase was impressive, with sales up in 10 out of 11 subsectors. Food and beverage stores were the only outlier, declining -1.3% m/m in March. At the other end of the spectrum, sales at building materials and garden equipment stores rose +19.8% m/m in March, all on higher volume of sales (+20.0% m/m), underscoring the relentless swell of demand for home improvement and other spending related to the housing market.
- Clothing stores were the other great beneficiary of easing lockdowns in March. In February, 38.8% of stores were closed for six days on average, while in March only 5.1% of stores were closed for an average of one day. This helped drive sales in the sector up by +23.6% m/m in March.
- Going forward, the path for retailers gets murkier. The rising COVID-19 case count through March and April pushed several provinces to re-impose restrictions on non-essential retail and other businesses. A preliminary estimate from Statistics Canada showed that retail sales were down by -5.1% m/m in April, although the low response rate may suggest a risk of an upside revision. Even so, the decline is less than we saw in December when sales declined by -5.5% m/m, which could mean that the impact from the latest round of restrictions might be less severe in the retail space.

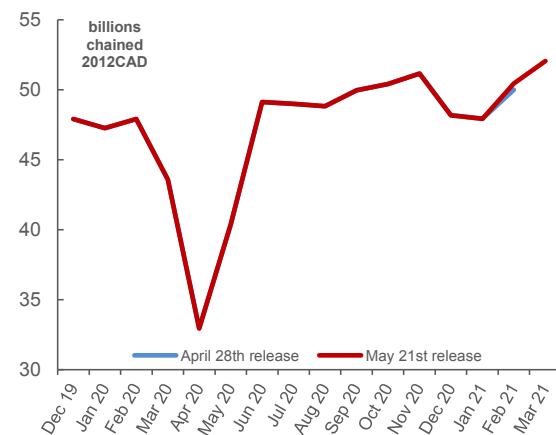
Table 1: Canadian GDP Nowcast, Q1-2021

	Nowcast Date	Q1-2021 GDP Growth, %
Previous nowcast	14-May-21	6.21
Revisions, other data		+0.00
Retail sales, Canada		+0.34
Current Nowcast	21-May-21	6.55

CONTACTS

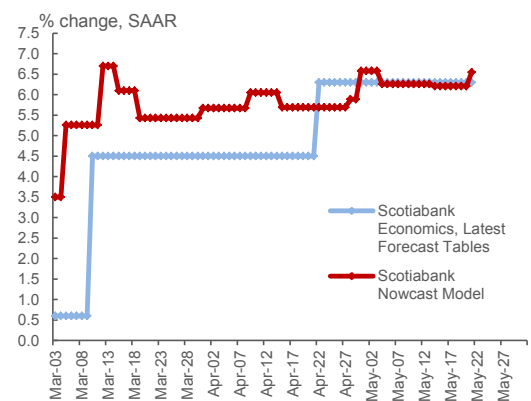
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Chart 1: Retail sales, Canada



Sources: Scotiabank Economics, Haver Analytics, Statistics Canada

Chart 2: The Evolution of the Scotiabank Economics



Sources: Scotiabank Economics, Bloomberg, Haver Analytics.

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