

## Scotiabank Nowcast: Canadian Manufacturing Shipments Pull Q2-2021 Down to 0.69%

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](#).

- April turned out to be a more difficult month for Canadian manufacturers compared to prior expectations, as the value of manufacturing shipments retreated by -2.1% m/m (-3.3% m/m in volumes), a much sharper decline compared to the preliminary estimate of -1.1% m/m from Statistics Canada. The additional weakness pulled the GDP growth nowcast for Q2-2021 down to 0.69% Q/Q SAAR.
- The larger-than-expected decline in shipments was partly foreshadowed by the weak merchandise trade numbers for April released last week, where transportation equipment was the main culprit behind a contraction in the overall trade.
- Manufacturing shipments of transportation equipment, including motor vehicles and parts, fell by -23.6% m/m due to the ongoing semiconductor supply shortages. Supply chain disruptions are expected to constrain activity in the sector in the next few months.
- On a brighter note, outside of transportation equipment, shipments in other sectors picked up in April (+1.5% m/m), driven higher by expanding sales of chemical products (+5.0% m/m) and machinery and equipment (+14.6% m/m). The latter is encouraging as a sign of renewed demand for investment-related goods.
- Moving forward, manufacturing should benefit from the lifting of COVID-related restrictions in seeing a pickup in growth, even as supply chains remain under strain and some sectors continue to struggle.

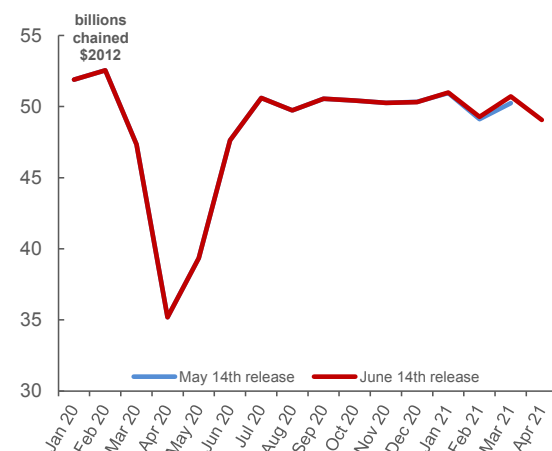
Table 1: Canadian GDP Nowcast, Q2-2021

	Nowcast Date	Q2-2021 GDP Growth, %
Previous nowcast	08-Jun-21	1.14
Revisions, other data		+0.00
Manufacturing sales, Canada		-0.48
Manufacturing inventories, Canada		+0.03
Current Nowcast	14-Jun-21	0.69

### CONTACTS

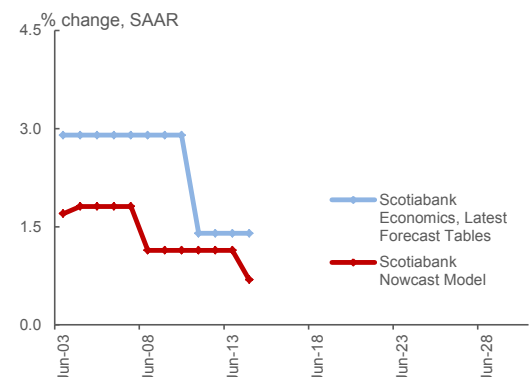
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Chart 1: Manufacturing shipments, Canada



Sources: Scotiabank Economics, Haver Analytics, Statistics Canada

Chart 2: The Evolution of the Scotiabank Economics Q2-2021 Nowcast



Sources: Scotiabank Economics, Bloomberg, Haver Analytics.

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