

Scotiabank Nowcast: Manufacturing Sales Decline Unexpectedly, Q2-2021 Nowcast Falls to 2.89%

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](#).

- Despite early estimates suggesting that Canadian manufacturing sales rose 1.0% m/m in May, the final print showed that not only did sales not increase, they in fact declined by -0.6% m/m. The fall in volumes was even worse (-2.5% m/m). The weaker-than-expected output in the manufacturing industry led to a downward revision of the Q2-2021 GDP growth nowcast to 2.89% Q/Q SAAR.
- With about half of the manufacturing industries in reverse in the month of May, the breadth of the decline was considerable. Both durable and non-durable industries saw falling sales (-0.7% and -0.5% m/m, respectively).
- Shipments of machinery tumbled -16.9% m/m, following record sales in April, contributing most to the negative headline number. Shortages of raw materials, including of semiconductors, continued to constrain manufacturing in May.
- Abstracting from falling sales of machinery, overall manufacturing shipments would have been positive in May, although still weaker than initially expected.
- Falling new and unfilled manufacturing orders introduce more uncertainty in the outlook for the next few months, but with the broader economic re-opening in the summer sales should begin to recover, provided supply shortages begin to wane.

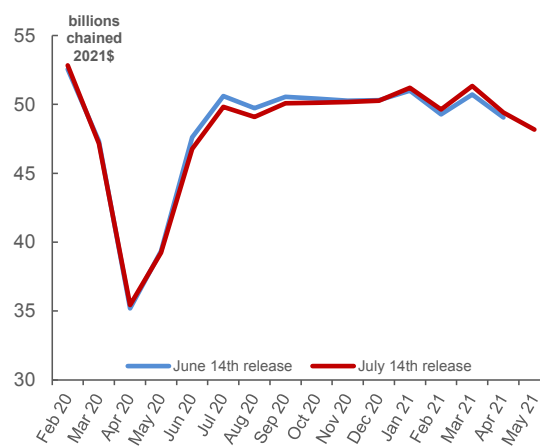
Table 1: Canadian GDP Nowcast, Q2-2021

	Nowcast Date	Q2-2021 GDP Growth, %
Previous nowcast	09-Jul-21	3.43
<i>Revisions, other data</i>		0.00
<i>Manufacturing sales, Canada</i>		-0.43
<i>Manufacturing inventories, Canada</i>		-0.11
Current Nowcast	14-Jul-21	2.89

CONTACTS

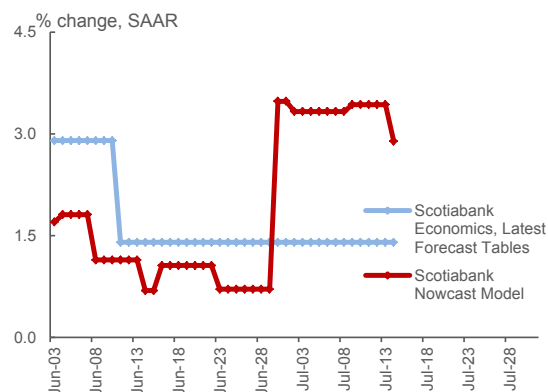
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Chart 1: Manufacturing sales, Canada



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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