

Scotiabank Nowcast: Retail Sales, Stronger Early-June Data Pull Q2-2021 Up to 2.71%

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](#).

- Several Canadian data prints from this morning pulled the estimate of Canadian GDP growth in Q2-2021 up to 2.71% Q/Q SAAR. In particular, early indicators for June were broadly positive, and given their tendency to be revised higher in final print, there might still be some upside to Q2-2021.
- As expected, the final estimate of Canadian retail sales for May showed sales retreating on pandemic-related restrictions. However, the decline was somewhat less than StatCan originally reported, at -2.1% m/m actual, compared to the -3.2% m/m early estimate. Abstracting from price changes, retail sales volumes declined by -2.7% m/m in May.
- The decline in May was mainly explained by lower sales of motor vehicles and parts (-2.4% m/m) and a sharp fall in the sales of building materials (-11.3% m/m). Although the latter have now retraced the outsized gains of early spring as home renovation and gardening fever subsided, sales of building materials were slightly above the still-elevated January level.
- With May in the rear view mirror, StatCan's early indicators show a glimpse of the Canadian economy coming back to life in June. Flash estimates for retail sales (+4.4% m/m) and manufacturing (+1.9% m/m) confirm the expectation of a rebound in these sectors. The partial offset was provided by wholesale sales (-2.0% m/m), where building materials and machinery and equipment explained most of the fall in June.
- As vaccination rates continue to rise, summer should see a further strong bounce-back in economic activity, although strains in the global supply chains will constrain activity in some industries.

Table 1: Canadian GDP Nowcast, Q2-2021

	Nowcast Date	Q2-2021 GDP Growth, %
Previous nowcast	16-Jul-21	2.56
Revisions, other data		+0.06
Retail sales, Canada		+0.13
Manufacturing sales, flash, Canada		+0.10
Wholesale sales, flash, Canada		-0.14
Current Nowcast	23-Jul-21	2.71

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Chart 1: Retail sales, Canada

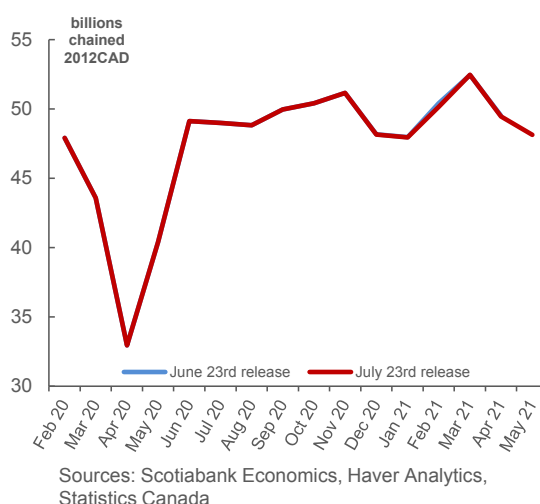
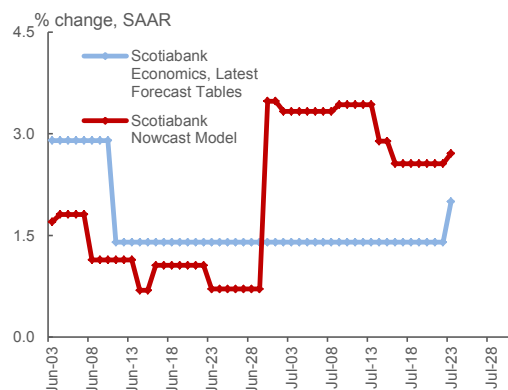


Chart 2: The Evolution of the Scotiabank Economics Q2-2021 Nowcast



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