

## Scotiabank Nowcast: Canadian GDP for April Revised Lower, Q2-2021 Ticks Down to 2.51%

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.

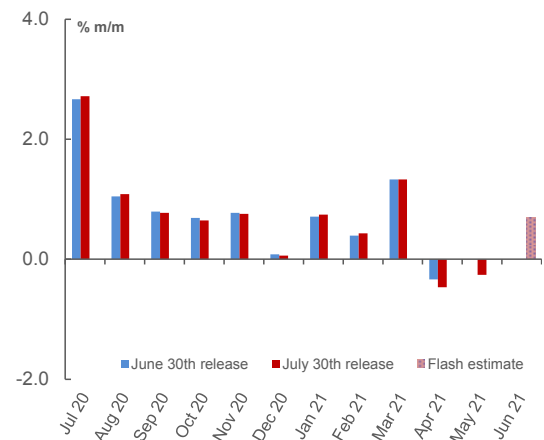
The model is described in a related note [here](#).

- This morning Statistics Canada provided a glimpse of the broad performance of the Canadian economy in Q2-2021 with a trio of GDP growth estimates that painted a picture of the economy in transition, with pandemic restrictions sending it into reverse in April and May before a re-opening boost in June.
- Industry-level Canadian GDP in April was revised lower (-0.5% m/m vs -0.3% m/m reported initially), as the pandemic-related restrictions seemed to take a larger bite out of economic activity than previously estimated. According to the newly-released data GDP continued to decline in May (-0.3% m/m), with growth resuming in June (flash: +0.7% m/m). A deeper-than-expected contraction in April and a slightly less deep one in May left the Q2-2021 GDP nowcast slightly weaker at +2.51% Q/Q SAAR and in line with the early full-quarter estimate of growth from Statistics Canada. Data revisions and the conversion between industry and expenditure GDP remain an ever-present risk when the final Q2 estimate is released in a month's time.
- In May, economic output declined in 12 of 20 sectors, with both goods (-0.4% m/m) and services-producing industries (-0.2% m/m) falling. Slowing housing market pushed construction lower (-2.3% m/m) after five straight months of strong growth, the largest contribution to the weakness on the goods side. Chip shortages continued to put a brake on manufacturing output (-0.8% m/m). However, automakers were able to expand their production in May (+1.9% m/m) and June is expected to show overall growth in manufacturing, perhaps a sign that the parts shortages were not getting worse at least. Strong commodity prices continued to underpin activity in mining and oil and gas which grew +2.0% m/m in May.
- The retail sector suffered a -2.7% m/m decline in May, but the re-opening in June is likely to bring a change of fortunes to retailers, with an early sales estimate showing an expansion of +4.4% m/m.
- Following two months of declines, a gain of +0.7% m/m in June would only bring GDP back to the level of March 2021. However, with further lifting of restrictions and the likelihood that some of the lost activity in the midst of the third wave will be recouped, growth is poised to pick up significantly in Q3-2021.

### CONTACTS

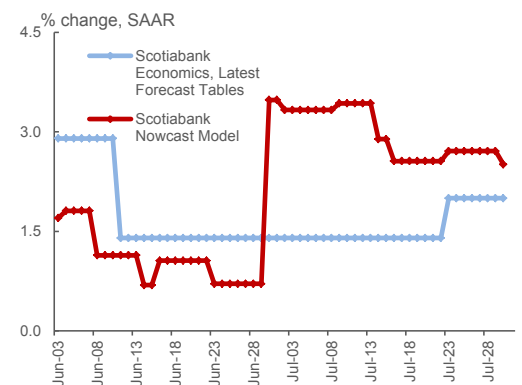
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Chart 1: GDP by industry, Canada



Sources: Scotiabank Economics, Haver Analytics, Statistics Canada

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



Sources: Scotiabank Economics, Bloomberg, Haver Analytics.

Table 1: Canadian GDP Nowcast, Q2-2021

	Nowcast Date	Q2-2021 GDP Growth, %
Previous nowcast	23-Jul-21	2.71
Canadian GDP by industry, revision to April		-0.44
Canadian GDP by industry, May		+0.24
Current Nowcast	30-Jul-21	2.51

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