

Scotiabank Nowcast: Retail Sales Revised Higher, Other Data Raise Q2-2021 to 2.88%

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 retail sales roared back in June as pandemic-related restrictions were relaxed across provinces, growing +4.2% m/m in nominal terms and in line with expectations (volumes: +4.1% m/m). What is more, the volume of retail spending was revised substantially higher over the previous few months, leaving the level in May 2.4% higher than the previous estimate (chart 1). The upward revision to retail sales, as well as stronger-than-expected data received earlier (manufacturing and wholesale sales, as well as merchandise trade) leave the estimate of Q2-2021 GDP growth in Canada at +2.88% Q/Q SAAR.
- Going forward, the signs are not encouraging from the retail spending perspective, with the advance estimate of retail sales for July showing a -1.7% m/m decline, albeit on a very low response rate. No sectoral breakdown was available for this early estimate, but industry data show auto sales pulling back in July following a very strong rise in June.
- The strong expansion in retail spending in June was broad-based, with 8 out of 11 subsectors seeing higher revenues. Consumers took advantage of open clothing and general merchandise stores, which enjoyed +49.1% and 7.4% m/m sales growth, respectively. This puts them in the lead in terms of the weighted contribution to the overall growth, with an assist from a strong rise in sales of autos and parts (+2.7% m/m).
- Along the provincial dimension, Ontario showed a sharp rise in sales in June (+9.8% m/m), second only to Nova Scotia's increase of +16.3% m/m, as both provinces moved to open a progressively larger share of their economies.

Table 1: Canadian GDP Nowcast, Q2-2021

	Nowcast Date	Q2-2021 GDP Growth, %
Previous nowcast	30-Jul-21	2.51
<i>Revisions and other data</i>		+0.40
<i>Retail sales, June, Canada</i>		-0.03
Current Nowcast	20-Aug-21	2.88

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Chart 1: Retail sales, Canada

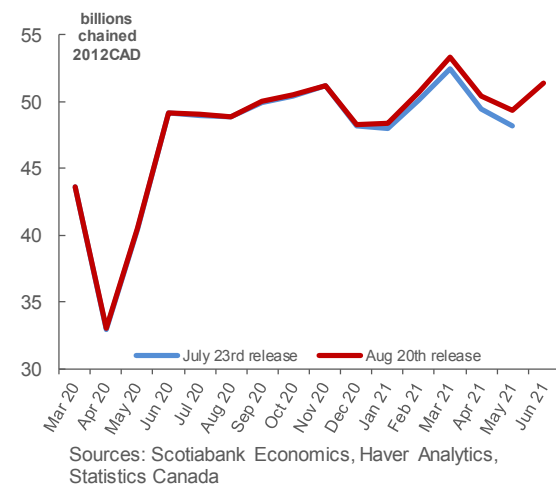
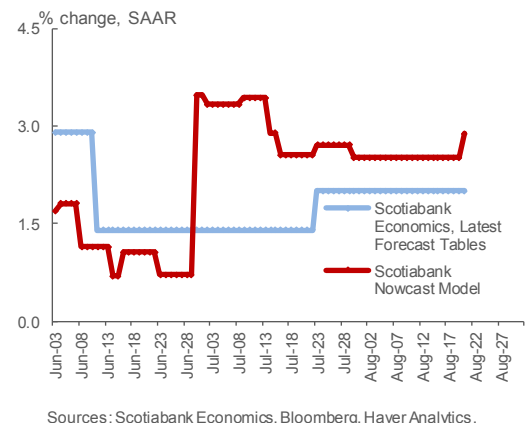


Chart 2: The Evolution of the Scotiabank Economics Q2-2021 Nowcast



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