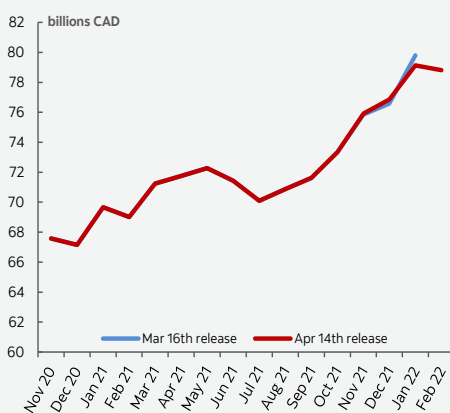


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Chart 1: Wholesale sales, Canada



Sources: Scotiabank Economics, Haver Analytics, Statistics Canada

Chart 2: The Evolution of the Scotiabank Economics Q1-2022 Nowcast



Sources: Scotiabank Economics, Bloomberg, Haver Analytics.

Scotiabank Nowcast: Weaker Wholesale Sales, Revisions, Push Q1-2022 GDP Lower to 4.73%

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](#).

- Two data releases this morning suggest on balance that growth in Q1-2022 was slightly softer than previously expected. Canadian GDP growth estimate for the quarter edged down to +4.73% Q/Q SAAR, which is still a very robust pace of expansion.
- First, manufacturing sales grew +4.2% m/m in February, which was stronger than the early estimate. However, a significant part of the expansion was explained by higher prices, with volumes rising by a more subdued +2.2% m/m. Second, February wholesale sales declined by -0.4% m/m, much weaker than the early estimate of a +0.9% rise. In volume terms the dynamic was even weaker (-1.4% m/m), with downward revisions to sales in January completing the darker outlook for the sector in early 2022.
- For manufacturers, the main driver behind the expansion in February was motor vehicles, sales of which rose +25.0% m/m following an outsized decline in the previous month. The rebound came despite the ongoing semiconductor shortage and protests blocking key border crossings. Other sectors that saw higher sales were food (+5.3% m/m), petroleum and coal (+6.7% m/m) and wood (+8.5% m/m).
- The decline in wholesale sales was concentrated in personal and household goods, building materials and supplies, and motor vehicle accessories, with other sectors rising. However, in level terms dollar sales remain at record levels, in line with strong overall demand and high and rising prices for goods.
- The overall GDP growth estimate for Q1-2022, once it is published by StatCan at the end of May, is likely to be remarkably strong given the various shocks that hit the Canadian economy in early 2022. Whether it is +3.0% Q/Q SAAR that the Bank of Canada projected in its Monetary Policy Report yesterday, or above 4.0%, the fact remains that strong demand, high commodity prices and high inflation will continue to spur the Bank of Canada to withdraw monetary stimulus over the coming months, on top of the 50 basis points hike yesterday.

Table 1: Canadian GDP Nowcast, Q1-2022

	Nowcast Date	Q1-2022 GDP Growth, %
Previous Nowcast	08-Apr-22	5.10
Revisions and other data		-0.10
Manufacturing sales, Canada		-0.11
Manufacturing inventories, Canada		+0.02
Wholesale sales, Canada		-0.12
Wholesale inventories, Canada		-0.06
Current Nowcast	14-Apr-22	4.73

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