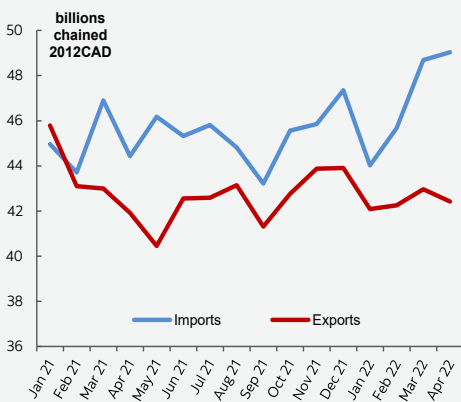


Contributors

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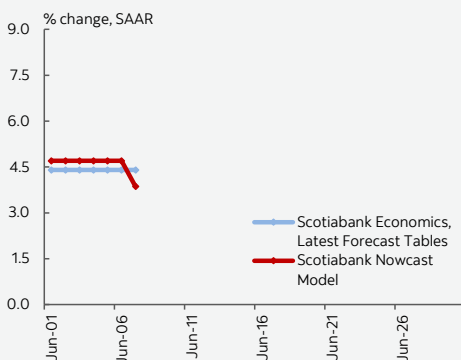
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Chart 1: Merchandise trade, Canada



Sources: Scotiabank Economics, Haver Analytics, Statistics Canada

Chart 2: The Evolution of the Scotiabank Economics Q2-2022 Nowcast



Sources: Scotiabank Economics, Bloomberg, Haver Analytics.

Scotiabank Nowcast: Merchandise Exports Lower than Expected in Volume Terms, Q2-2022 GDP at 3.86%

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](#).

- Following on a disappointing start to the year, when GDP expanded by 3.1% Q/Q SAAR in Q1-2022, with industry-level GDP prints coming in deceptively robust throughout the quarter before being revised away, the Q2-2022 starts with a disappointing print this morning.
- Statistics Canada released its estimates of merchandise trade for April, which showed growth in exports slowing to +0.6% m/m in dollar terms, with the trade balance shrinking unexpectedly. Furthermore, any increase in export revenues was down to higher prices, as volumes fell sharply in the month at -2.1% m/m using the definition in StatCan's Daily. A similar story was seen on the imports side of the ledger, with imports rising +1.9% m/m in April, but once higher prices are stripped out the volumes were down -0.4% m/m. The disappointing fall in exports pushed the GDP nowcast for Q2-2022 from its initial estimate of +4.7% Q/Q SAAR growth down to +3.86% Q/Q SAAR, with more downside risk possible, although it is very early in the quarter.
- On the exports side, the weakness in the volume of trade in chained 2012CAD was relatively widespread, with six out of eleven categories showing declines. Trade related to commodities was the most affected, however, with farm, fishing and food products (-2.9% m/m), energy products (-2.9% m/m) and metal ores and metallic minerals (-11.9% m/m) falling in April. On the energy side, a lower volume of crude oil exports was due to maintenance shutdowns in Alberta. Most other energy subcomponents were stronger in April, with the volume of natural gas rising strongly in the context of a global spike in natural gas prices and rising trade in liquified gas exports.
- On the imports side, seven out of eleven categories were weaker in April in chained dollar terms, with categories related to business investment—machinery and equipment and electronic and electrical equipment—pulling back in April after strong gains in the previous months.
- Finally, Statistics Canada released its estimate of trade in services, where imports rose 5.5% m/m in April, in large part due to the revival of tourism, widening the balance of trade on the services side to -1.3CAD billion. It is likely that the trade deficit in the service category will continue to expand as international travel normalizes despite continuing global shocks.

Table 1: Canadian GDP Nowcast, Q2-2022

	Nowcast Date	Q2-2022 GDP Growth, %
Initial Nowcast	01-Jun-22	4.70
Revisions and other data		0.00
Merchandise exports, Canada		-0.67
Merchandise imports, Canada		-0.17
Current Nowcast	07-Jun-22	3.86

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