

Contributors

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Chart 1: Retail sales, Canada

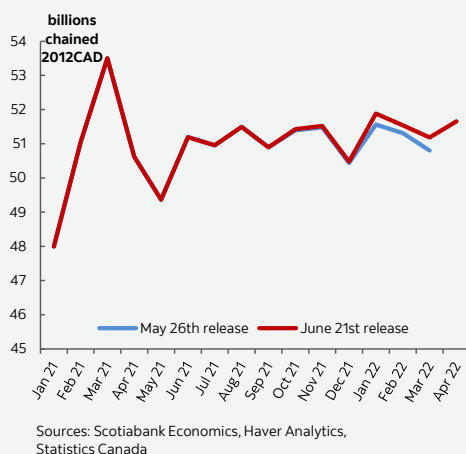
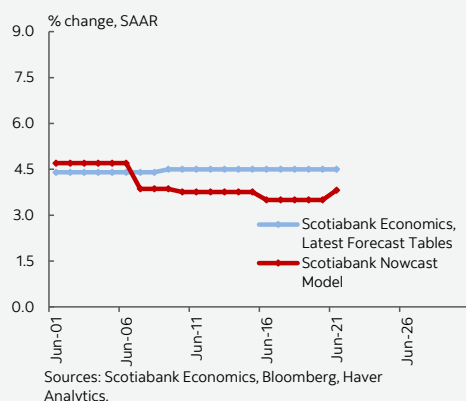


Chart 2: The Evolution of the Scotiabank Economics Q2-2022 Nowcast



Scotiabank Nowcast: Robust Canadian Retail Sales in April–May Boost Q2-2022 GDP Estimate to 3.82%

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 came in as expected in nominal terms (+0.9% m/m) in April, even as the volumes increased by the same amount, which surpassed expectations since strong increases in consumer prices in the month that should have left growth in volumes significantly below that of dollar sales. In addition, early data for May showed even stronger growth in retail sales (+1.6% m/m), although how much of this was due to higher prices was unclear. The retail sales release bodes well for the overall growth in Q2-2022, with the Canadian GDP growth estimate improving to +3.82% Q/Q SAAR.
- The details available for April show that the strength in retail sales was concentrated in a handful of sectors, driven by the expansion at gasoline stations (+3.0% m/m), general merchandise stores (+4.2% m/m) and miscellaneous retailers (+11.3% m/m). Receipts at gasoline stations appear to have benefited from lower gas prices in April, which drove the volume of purchases to +5.4% m/m. Gasoline prices have since risen higher on renewed tensions in the crude market in May, likely clipping sales growth at the pump.
- According to Statistics Canada, general merchandise stores likely benefited from higher purchases of food, which could be due to shoppers hunting for lower-priced alternatives in the face of strong food price inflation.
- The main offset in April was provided by sharply lower sales of building materials and gardening equipment (-4.3% m/m), with lower renovation activity likely reacting to a rapid cooling in the Canadian housing market.
- Thus, the details of the report do not inspire much confidence in the strength of the Canadian consumers going forward, their finances being buffeted by strong increases in the price of staples such as food and gas, rising interest rates globally, financial market volatility, falling house prices and rising rents. As the cost of living increases, higher wage growth is unlikely to compensate for the erosion of spending power, forcing households to tighten their purse strings.

Table 1: Canadian GDP Nowcast, Q2-2022

	Nowcast Date	Q2-2022 GDP Growth, %
Previous Nowcast	16-Jun-22	3.50
Revisions and other data		0.00
Retail sales, Canada		+0.32
Current Nowcast	21-Jun-22	3.82

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