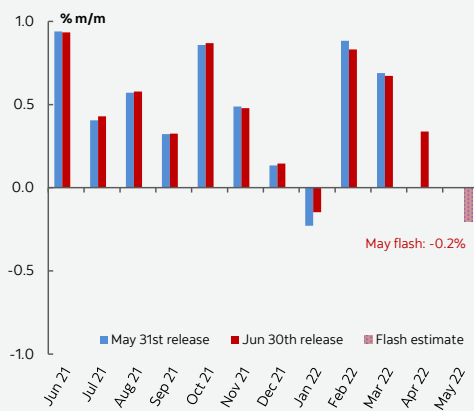


Contributors

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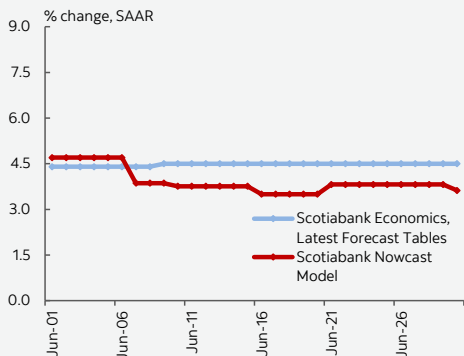
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Chart 1: GDP by industry, Canada



Sources: Scotiabank Economics, Haver Analytics, Statistics Canada

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



Sources: Scotiabank Economics, Bloomberg, Haver Analytics.

Scotiabank Nowcast: GDP Growth in April Offset by Likely Weakness in May, Q2-2022 Eases to 3.62%

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 published its take on Canada's economic growth over the past few months. What emerged was a portrait of the Canadian economy that started Q2-2022 at a brisk pace, with GDP growing +0.3% m/m in April, but then reversed abruptly in May (-0.2% m/m). On balance, the new information drove the Canadian GDP nowcast for Q2-2022 weaker to 3.62% Q/Q SAAR, although the uncertainty around this figure is extremely high, due in no small part to the significant risk of revisions to industry-level GDP.
- In April, growth in economy-wide output was based on the expansion in 13 out of 20 industrial sectors, with the largest contribution coming from mining, quarrying and oil and gas extraction (+3.3% m/m), as the sector continued to benefit from elevated energy prices and supply concerns in other regions. In particular, the oil and gas extraction and the associated support activities expanded at a record pace in April.
- Client-facing activities, such as accommodation and food services (+4.6% m/m) and arts and entertainment (+7.0% m/m) continued to recover as pent-up demand from consumers has provided a powerful tailwind for the industry over the past several months. The main offset in April came from housing-related sectors, with construction remaining unchanged, real estate and rental and leasing contracting by -0.8% m/m and financial sector down -0.7% m/m.
- The unexpected weakness in May, with an early estimate pointing to a contraction in GDP of -0.2% m/m, was mainly attributed to weaker activity in construction, mining quarrying and oil and gas, and manufacturing.
- Overall, while growth in April surprised slightly to the upside, the weakness in May and uncertain prospects for June put a question mark over the trend of Canadian growth in the coming months. With high inflation taking a bite out of Canadian household finances, it is becoming increasingly unlikely that consumers can prop up growth going forward, while higher borrowing rates have led to a rapid cooling in the Canadian housing market. Thus, while Q2-2022 should show a relatively healthy expansion in the Canadian GDP, partly due to the strong momentum from the previous quarter, it is becoming difficult to identify drivers for growth in Q3-2022, especially if the current geopolitical crisis continues unabated.

Table 1: Canadian GDP Nowcast, Q2-2022

	Nowcast Date	Q2-2022 GDP Growth, %
Previous Nowcast	21-Jun-22	3.82
Revisions and other data		-0.04
GDP by industry, Canada		-0.16
Current Nowcast	30-Jun-22	3.62

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