Canadian GDP: Nowcast (Mar & Q1)

Statistics Canada unveiled a brand new flash measure of economic activity this morning, but maybe they wish they hadn't because the readings weren't pretty at all. According to the new indicator, the economy shrank 9% in March and for the first quarter activity declined 2.6%, which at an annualized rate would suggest a decline of more than 10% in Q1. Both the monthly and quarterly readings were materially worse than expected. It was no surprise, however, that industries including travel/tourism, restaurants/accommodation, and retailing were among the hardest hit. Given that social distancing and government mandated shutdowns were really only being heavily utilized during the second half of the month, data on April are almost surely to reveal a further decline in economic activity.

That being said, this reading is only meant to be a rough draft to tide economic decision makers over until the regular releases are produced. The data could be heavily revised given that it relied on only very partial numbers from Statistics Canada’s usual sources and apparently had to use media sources and government announcements to fill in some of the gaps. Still, if the Bank of Canada’s expectations are in line with this estimate of GDP, expect further action from the central bank later today.