

Cdn Wholesale Trade: Whole Lotta Trade

Canadian wholesale trade jumped 3.0% in January, its best gain in three years. The strength was across the board, with every sector up more than 1%. Autos and building materials had the best performance, both climbing over 4%. On a volume basis, wholesale trade was just as solid, up 2.9%, its best advance in two years. Meantime, inventories continued to decline, pushing the inventory-to-sales ratio to a more than four-year low of 1.19, pointing to even stronger activity going forward.

Saskatchewan wholesale trade surged 18.4%, as 9 of 10 provinces recording gains (sorry Nova Scotia). Ontario and Quebec, which account for over 80% of total wholesale activity, both saw solid 2.4% gains. Ontario wholesale trade now sits 15.6% above a year ago, thanks largely to the big rebound in autos.

This report confirms the gain in January manufacturing sales wasn't an outlier and solidifies the view that the Canadian economy is rapidly gaining momentum. While January's retail sales figures (an important component of monthly GDP) have yet to be released (due Friday), the solid data thus far point to real GDP growth of 0.4%-to-0.6% for the month. Taken with December's 0.6% gain in real GDP, that flags 4%-plus annualized growth for Q1. That would nicely surpass the Bank of Canada's latest forecast of 3.5% growth for the quarter. Recall Q4's 5% print was well above the Bank's 3.3% call.

(seasonally adjusted)	(month/month % change)			(% change : a.r.)	
	Jan	Dec	Nov	3-month	12-month
Total	3.0	0.9	2.8	30.6	7.9
Ex. Autos	2.7	0.7	1.8	22.8	1.4
Motor Vehicles, Parts	4.8	1.8	8.1	76.8	54.3
Building Materials	4.2	1.8	1.9	36.6	3.4
Food	1.5	-0.9	2.3	12.4	-0.3
Personal, Household	2.1	-1.0	2.4	14.4	6.3
Machinery & Elec Equip	2.6	2.0	-0.2	18.8	-2.5
Total (volume-terms)	2.9	1.6	2.5	31.9	12.2

The Bottom Line: Canada's recovery is solidly underway. The strength in both wholesale trade and manufacturing sales points to another good gain for monthly real GDP, setting the table for another solid quarter. If this momentum persists, we could see the Bank of Canada raise its policy rate more aggressively once tightening begins.

Benjamin Reitzes, 416-359-5628