

Hiccup.

Canada: Wholesale trade (Feb) stumbles. -1.2% m.m

Some disappointment in the wholesale trade report coming in at -1.2% m/m vs the median looking for 1.0% and our own forecast at 0.6%. A downward revision to the previous month from 3.0% to 2.4% is not overly helpful but given the frenetic pace of activity, not entirely unexpected. To be certain, any disappointment in February is tempered by the sheer strength of the number set in the past months. Higher prices helped to even out a soft number set. In terms of volume, sales were down -1.8% m/m.

Front and centre, motor vehicle sales fell by a whopping -5.3% m/m, accounting for ~60% of the overall decline in wholesale dollar sales. Although this comes on the back of four months of gains averaging 4.9% m/m. By luck of the draw, Canada has been shipping some of the better selling domestic vehicle lines.

Machinery and equipment declined by -2.8%, rounding out the bulk of the remaining downside of the report in terms of dollar sales. Of course January's machinery sales jumped by 6.4% m/m in January, so this may simply be some settling in demand rather than a testament on the state of business investment.

For the month of February, this is another report holding some economic disappointment, pointing to the potential for monthly GDP to come off the pace set over the last 3-months which have averaged increases of 0.5% m/m.

Does the report change the view on the BoC? Not the slightest. The broader economic trends support the supposition that the BoC is coming off the monetary sidelines in June with a 25bp rate hike. In that February may seem to come up short on growth is not taken to be an upset of the current economic trends that have supported the economic recovery story in Canada.

Net, net, most, including ourselves will be inclined to chalk today's softness in the wholesale number set to some over due moderation in what has been a frenetic pace of activity for many months now.

Disclosure appendix

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Issuer of report

HSBC Securities (Canada) Inc.
70 York Street, 8th Floor
Toronto, Ontario M5J 1S9, Canada
Telephone +1 416 868 7523
Fax +1 416 364 2543
Website: www.research.hsbc.com

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