

Scotiabank Nowcast: Merchandise Trade Rebounds on Energy Exports, Q4-2019 at 0.16%

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](#).

- The merchandise trade report for December added some optimism to the outlook for growth in the quarter, with a strong rebound in exports pushing the nowcast of Canadian GDP growth to 0.16% Q/Q SAAR, in line with the Bank of Canada's most recent estimate of 0.3%.
- Real exports grew by 1.8% m/m, with 10 out of 13 categories expanding in real terms. The main driver behind the strength was a sharp rebound in real exports of energy products (+7.8% m/m), which were boosted by the Keystone pipeline coming back online following a rupture in November.
- Apart from energy products, real exports of metal ores and non-metallic minerals rebounded in December (+14.6% m/m), likely benefiting from the resolution to the rail strike that started in the previous month. Tempering export growth was a decline in real exports of metal products (-9.8% m/m), mainly on weaker exports of precious metals.
- Imports grew by 0.6% m/m, with real imports of consumer goods (+4.1% m/m) being partly offset by lower real imports of industrial machinery (-3.9% m/m) and electronic products (-2.2% m/m).
- Overall, the report is consistent with our interpretation that part of the weakness in Q4-2019 was temporary. Exports recovered after the resolution of a slew of special factors which depressed export levels in November. On the imports side, consumer goods point to resilient consumption spending in the quarter, but investment-related categories show that businesses might be loath to spend in this uncertain environment.

Table 1: Canadian GDP Nowcast, Q4-2019

	Nowcast Date	Q4-2019 GDP Growth, %	GDP by industry, %m/m		
			Oct ^{rev}	Nov ^{actual}	Dec
Previous nowcast	31-Jan-20	+0.06	-0.11	0.07	0.05
Revisions and other data		0.00			
Merchandise exports, Canada		+0.08			
Merchandise imports, Canada		+0.02			
Current Nowcast	05-Feb-20	+0.16	-0.11	0.07	0.14

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Chart 1: Merchandise exports, Canada

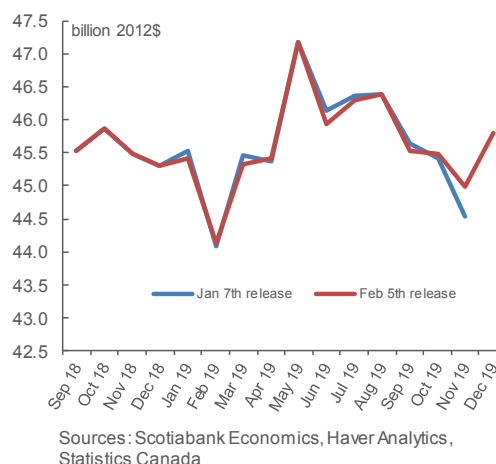
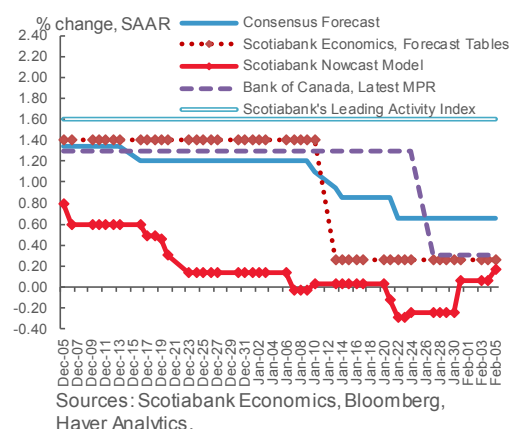


Chart 2: The Evolution of the Scotiabank Economics Q4-2019 Nowcast



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