

Scotiabank Nowcast: Weaker December Manufacturing Sales Push Q4-2019 to 0.12%

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](#).

- Canadian manufacturing sales declined in December (-0.4% m/m in real terms), the second consecutive monthly decline. While we would have expected some of the temporary factors constraining growth in November to reverse and provide a boost to growth, an outsized fall in real shipments of transportation equipment (-6.7% m/m) led the overall shipments lower.
- This was despite a sharp rise in primary metal manufacturing (+8.9% m/m in real terms) which bounced back from the weakness seen in November.
- As a result, the nowcast edged down to 0.12% Q/Q SAAR, consistent with the Canadian economy grinding to a halt at the end of 2019 and roughly consistent with the BoC's latest estimate of 0.3% growth.
- Together with flat real shipments of nondurable goods, the release highlights continued weakness in the manufacturing sector in Canada. While one could point to special and possibly temporary factors disrupting production at the end of 2019—the GM strike south of the border, the CN rail strike in November and auto plant shutdowns for maintenance—the succession of these negative shocks is starting to resemble a trend.
- There is not much reason for optimism in the short term due to the continuing CN rail network disruption and the coronavirus impacts on the supply chains, travel and business confidence. In addition, despite declining in December, the level of inventories remains at a record high, adding another negative factor looming over growth prospects in the sector.

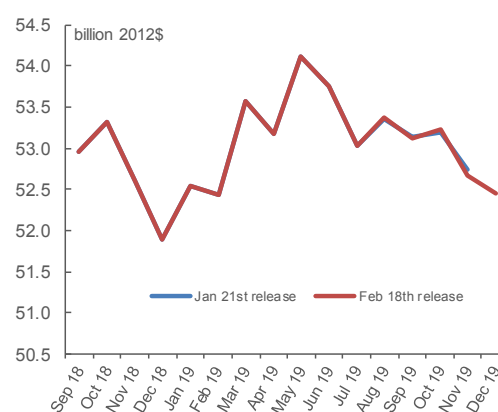
Table 1: Canadian GDP Nowcast, Q4-2019

	Nowcast Date	Q4-2019 GDP Growth, %	GDP by industry, %m/m		
			Oct ^{rev}	Nov ^{actual}	Dec
Previous nowcast	05-Feb-20	+0.16	-0.11	0.07	0.14
Revisions and other data		0.00			
Manufacturing sales, Canada		-0.04			
Manufacturing inventories, Canada		-0.00			
Current Nowcast	18-Feb-20	+0.12	-0.11	0.07	0.10

CONTACTS

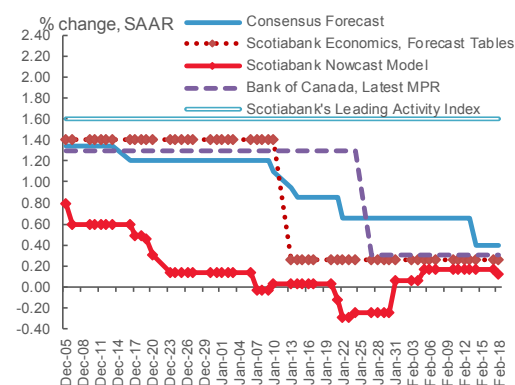
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Chart 1: Manufacturing shipments, Canada



Sources: Scotiabank Economics, Haver Analytics, Statistics Canada

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



Sources: Scotiabank Economics, Bloomberg, Haver Analytics.

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