

Contributors

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Chart 1: Retail sales, Canada

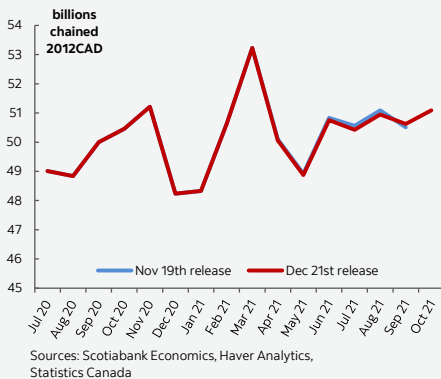
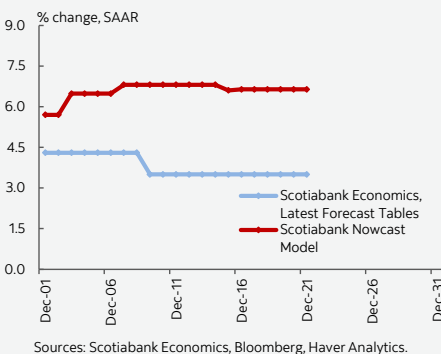


Chart 2: The Evolution of the Scotiabank Economics Q4-2021 Nowcast



Scotiabank Nowcast: October Retail Sales Met Expectations, Q4-2021 GDP Remains at 6.64%

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 consumers were able to spend significant time shopping in October, boosting the fortunes of various retailers according to the Statistics Canada report. Retail sales expanded by +1.6% m/m, with 7 of 11 subsectors registering higher receipts for the month of October. In volume terms the rise was +0.9% m/m, adding to strength in other indicators and leaving Q4-2021 at +6.64% Q/Q SAAR.
- Retail sales were boosted by a rebound in spending on motor vehicles and parts (+2.2% m/m), which made up some of the lost ground after parts shortage-induced declines in the previous two months. In October the chip shortage was less severe, according to StatCan. However, the issue of lack of supplies is expected to persist until mid-2022.
- Purveyors of sporting goods, books and hobby-related items were able to enjoy the return of customers in a big way in October, with sales jumping by +17.5% m/m. Sales were also up at building materials (+3.2% m/m), general merchandise (+2.8% m/m) and clothing and accessories stores (+1.7% m/m). In contrast, receipts at food and beverage stores were down (-0.6% m/m).
- While all the major indicators point to significant strength in October, with manufacturing (+4.3% m/m), wholesale (+1.4% m/m) and retail sales up significantly, in addition to labour market data that showed strong gains in hours worked (+0.7% m/m), the picture later in the quarter becomes murkier.
- First, the spread of the Omicron variant has likely led to a slowdown in economic activity in December, in addition to a reintroduction of capacity restrictions in some provinces. These are likely to continue to impact activity in early 2022.
- Second, the impact of BC floods in November is invisible in the data so far: employment jumped by +154k in November, and early estimates of retail (+1.2% m/m) and wholesale (+2.7% m/m) sales suggest a strong expansion in activity. However, given that the sales estimates are based on low response rates, and that the labour force survey was done just before the floods hit BC in November, we will wait for hard data to make any firm conclusions. Supply chain issues are also expected to be an enduring source of volatility in the data for the next few quarters. One thing is certain: the level of uncertainty around Q4-2021 is extremely high.

Table 1: Canadian GDP Nowcast, Q4-2021

	Nowcast Date	Q4-2021 GDP Growth, %
Initial Nowcast	16-Dec-21	6.64
Revisions		0.00
Retail sales, Canada		+0.00
Current Nowcast	21-Dec-21	6.64

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