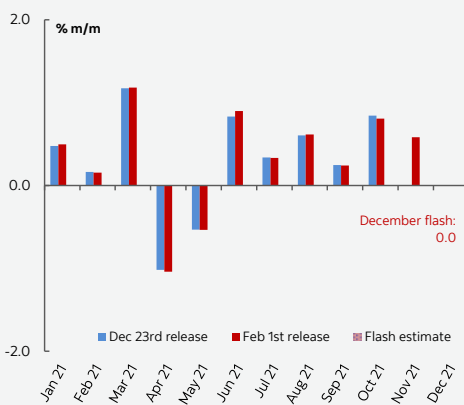


Contributors

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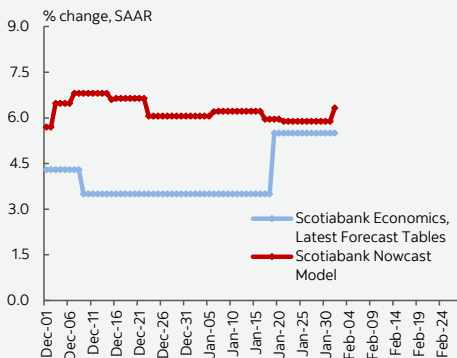
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Chart 1: GDP by industry, Canada



Sources: Scotiabank Economics, Haver Analytics, Statistics Canada

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



Sources: Scotiabank Economics, Bloomberg, Haver Analytics

Scotiabank Nowcast: GDP Growth in November Beats Expectations, Q4-2021 Estimate Rises to +6.33%

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](#).

- Statistics Canada released its estimate of GDP growth in November 2021 this morning, and it turned out the economy was stronger than we and Statistics Canada expected. Monthly expansion of +0.6% m/m was seen in the Canadian GDP, compared to the early estimate of +0.3% m/m published a month ago by StatCan. The surprise was less significant for the nowcast, as the string of positive data released in January boosted the estimate of growth in November beyond StatCan's flash number. Including an early estimate for GDP growth in December (flat) released this morning, the overall Q4-2021 GDP nowcast moves up to +6.33% Q/Q SAAR.
- Note that the estimates of monthly GDP growth should be treated with caution, since StatCan routinely revises them at the time of the full quarter's growth release as it incorporates new data ranging from service spending that is not well-captured in the monthly releases, to often-revised construction activity.
- Despite the caveats, the data available up to now shows the economy continuing to power ahead in November on broad-based strength with 17 of 20 industries expanding. Output in the service industries was up +0.6% m/m on a brisk expansion in wholesale trade (+2.8% m/m) as almost all of the subsectors increased. Sales of machinery and equipment were up +2.9% m/m, which could be a sign of business investment picking up.
- On the goods side (+0.5% m/m), the strength in manufacturing (+1.4% m/m) was partly offset by the decline in the output of mining, oil and gas (-1.8% m/m), where crude extraction and coal mining contracted in November. The latter was due to the disruptions in exports through the Port of Vancouver after the devastating floods cut off large parts of the province from the rest of Canada.
- Overall growth in Q4-2021 was likely very strong, currently estimated at +6.33% Q/Q SAAR, with caveats around the risk of revisions and a possible downside risk in December on the rapid spread of the Omicron variant. However, January is likely to be hit hard by the public health restrictions and absenteeism, before the re-openings and the ebbing of the Omicron wave set up a rebound in growth later in Q1-2022.

Table 1: Canadian GDP Nowcast, Q4-2021

	Nowcast Date	Q4-2021 GDP Growth, %
Previous Nowcast	21-Jan-22	5.89
<i>Revisions and other data</i>		+0.00
<i>GDP by industry, Canada, November</i>		+0.21
<i>GDP by industry, Canada, December flash</i>		+0.23
Current Nowcast	01-Feb-22	6.33

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