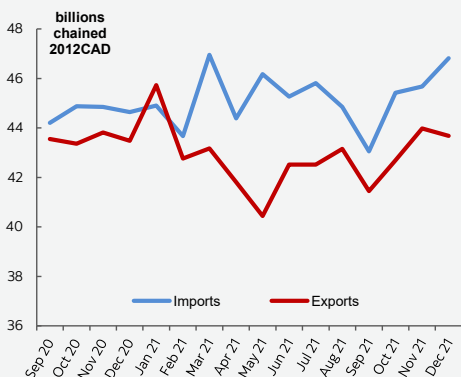


Contributors

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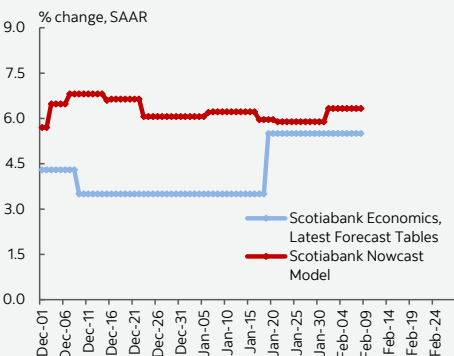
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Chart 1: Merchandise trade, Canada



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: Trade for December Leaves Q4-2021 Growth Estimate Unchanged at +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](#).

- Canadian merchandise trade release for December showed an unexpected decline in exports (-0.9% m/m) and a sharp rise in imports (+3.7% m/m), leaving the trade balance in negative territory (-138 million CAD) for the first time since May 2021. In real terms the picture was similar, with exports down -0.7% m/m and imports up +2.5% m/m (see chart 1).
- Weak exports and strong imports were neutral in terms of the impact on the estimate of the Q4-2021 GDP growth in Canada, which remained at +6.33% Q/Q SAAR.
- Weak exports were mainly due to a large decline in the energy component (-5.9% m/m), mainly on lower crude oil (-5.0% m/m) as oil prices fell sharply in December. On the positive side, the exports of motor vehicles and parts continued to grow (+4.7% m/m), a sign of progress after severe dislocations earlier in 2021 due to the shortage of parts, although there may be less than meets the eye to this increase.
- The rise in imports was relatively broad-based, but there were a few one-off factors that made the headline better than it would have been otherwise. The largest gain was seen in the imports of electronic equipment (+16.2% m/m), which was mostly explained by a sharp rebound in cellphone imports after supply chain-induced weakness in the prior months. The shift in timing of auto plant shutdowns into the earlier months of 2021 meant that the usual seasonal decline seen in December in imports of motor vehicles and parts was not observed in December of 2021, with strong seasonally adjusted growth reported (+5.1% m/m), a reflection of the weakness seen earlier. Despite these factors, strong imports in other components (e.g. industrial machinery and equipment: +3.7% m/m) point to robust activity in the Canadian economy in December.
- Separately reported, Canadian international trade in services rose in December (exports: +0.4% m/m, imports: +2.3% m/m). This supports the narrative of a resumption in service activity in Canada after it stumbled on the Delta variant in the fall, although the rapid spread of the Omicron will pose another temporary challenge to the sector in late December and January.

Table 1: Canadian GDP Nowcast, Q4-2021

	Nowcast Date	Q4-2021 GDP Growth, %
Previous Nowcast	01-Feb-22	6.33
Revisions and other data		+0.00
Merchandise exports, Canada		-0.12
Merchandise imports, Canada		+0.12
Current Nowcast	08-Feb-22	6.33

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