

Scotiabank Nowcast: Wholesale Sales Beat Expectations, Q4-2021 GDP Up to +6.53%

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.

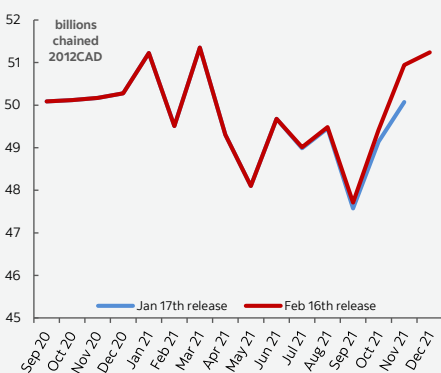
The model is described in a related note [here](#).

Contributors

Nikita Perevalov

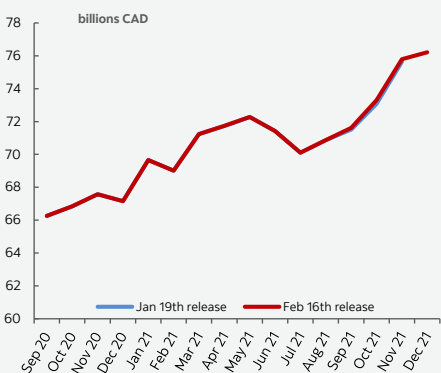
Director of Economic Forecasting
Scotiabank Economics
437.775.5137
nikita.perevalov@scotiabank.com

Chart 1: Manufacturing sales, Canada



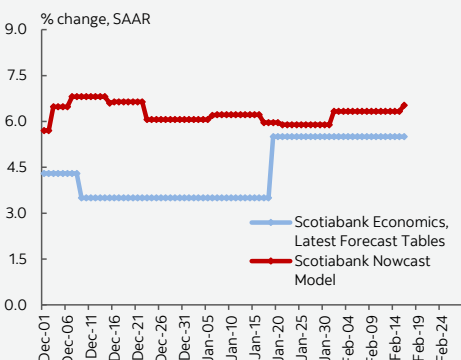
Sources: Scotiabank Economics, Haver Analytics, Statistics Canada

Chart 2: Wholesale sales, Canada



Sources: Scotiabank Economics, Haver Analytics, Statistics Canada

Chart 3: The Evolution of the Scotiabank Economics Q4-2021 Nowcast



Sources: Scotiabank Economics, Bloomberg, Haver Analytics.

- In the lead-up to the release of Q4-2021 Canadian national accounts on March 1st, which will also include the official estimate for GDP growth in the quarter, two data prints from StatCan this morning showed that the Canadian economy had more momentum at the end of 2021 than previously expected. Canadian wholesale sales surprised to the upside, rising +0.6% m/m in December compared to the flat early estimate. In addition, manufacturing sales rose by +0.7% m/m, roughly as expected, but the revisions to October and November were very large (see chart 1), highlighting the risk of revisions to already published monthly GDP growth rates for Q4-2021.
- Using the published monthly GDP data available so far and incorporating the December data released this morning, the GDP nowcast for Q4-2021 rose to +6.53% Q/Q SAAR. If the revisions are taken into account growth could end up topping +7% in the quarter, although it remains to be seen how the service side of the economy performed. The service sector data is not very well covered by monthly releases.
- On the manufacturing side, half of the industries saw increases in December, with plastics (+11.8% m/m) and motor vehicle sales (+8.2% m/m) rising the most. The latter was consistent with exports data released earlier this month and is partly driven by the shift in seasonal patterns of annual plant shutdowns due to parts shortages. The shortage of inputs is expected to persist at least through mid-2022 and continue to put upward pressure on input prices: in December, industrial product price index was up +0.7% m/m.
- Wholesale sales growth was mainly driven by sales of motor vehicles and parts (+3.3% m/m) and machinery and equipment (+1.6% m/m) — in particular of computers and communications equipment, and farm and garden machinery. The rise in sales of machinery and equipment bodes well for business investment in the quarter.
- Despite the ever-present risk of revisions, Q4-2021 is likely to show robust GDP growth even as various shocks threatened to slow the expansion. A strong hand-off from Q4-2021 should help cushion the blow from the Omicron spread and the disruptions related to the blockades of US-Canada trade routes. The flash January GDP growth estimate will show the likely extent of the damage early in Q1-2022.

Table 1: Canadian GDP Nowcast, Q4-2021

| | Nowcast Date | Q4-2021 GDP Growth, % |
|--|--------------|-----------------------|
| Previous Nowcast | 08-Feb-22 | 6.33 |
| Revisions and other data | | +0.00 |
| Manufacturing sales, inventories, Canada | | -0.02 |
| Wholesale sales, inventories, Canada | | +0.22 |
| Current Nowcast | 16-Feb-22 | 6.53 |

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