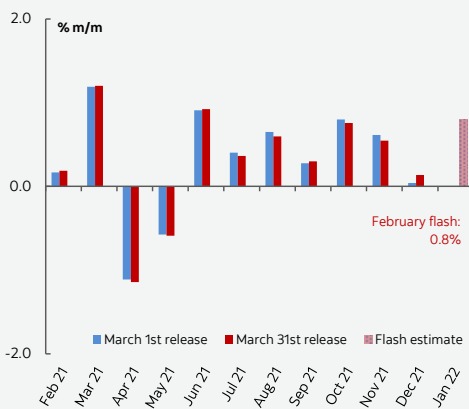


Contributors

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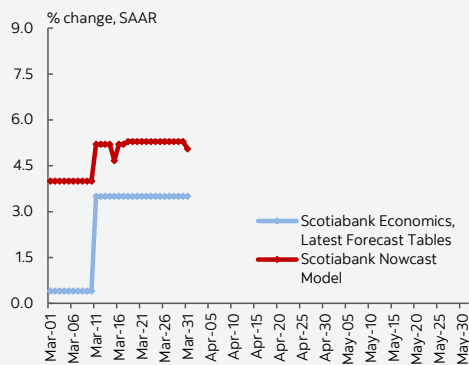
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Chart 1: GDP by industry, Canada



Sources: Scotiabank Economics, Haver Analytics, Statistics Canada

Chart 2: The Evolution of the Scotiabank Economics Q1-2022 Nowcast



Sources: Scotiabank Economics, Bloomberg, Haver Analytics.

Scotiabank Nowcast: Early Take on Canadian GDP in February Lowers Q1-2022 Growth to +5.05%

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](#).

- On this last day of March Statistics Canada released its first official estimate of Canadian GDP growth in January and an early take on the February expansion. While growth in January came in as expected (+0.2% m/m), the print for February was slightly less than anticipated (+0.8% m/m), which led to a modest downgrade for the overall growth in Q1-2022, to +5.05% Q/Q SAAR. Despite the downgrade the data highlights the continued vigour of the Canadian economy, even as a variety of shocks threatened to derail growth in early 2022. This Q1-2022 estimate is also far above the +2.0% that the Bank of Canada published in its January Monetary Policy Report, cementing the case for a rapid monetary policy normalization.
- The details for GDP in January had the imprint of the Omicron variant, which was then spreading rapidly. Because of the virus, the output of service sector industries was flat relative to the prior month, as strong expansion in retail (+2.5% m/m) and wholesale trade (+3.1% m/m) was overpowered by a deep contraction in the industries at the epicentre of the pandemic: accommodation and food services (-11.5% m/m) and arts and entertainment (-10.8% m/m).
- Goods-producing industries surged by +0.8% m/m, as cold weather boosted the output of utilities (+4.0% m/m), and construction rebounded (+2.8% m/m). A decline in GDP of manufacturers (-0.5% m/m) left output over 2% below the February 2020 level, underscoring the difficulty the sector has faced since the pandemic erupted, with scrambled global supply chains exacerbating the pre-existing negative trends in the Canadian auto industry.
- The early print for February provides some basis for optimism, since manufacturing was one of the industries powering the expansion. Mining and quarrying, oil and gas extraction, as well as a rebound in accommodation and food services boosted overall growth.
- Moving into March, the effects of the war in Ukraine, apart from its humanitarian toll, scrambled anew the global supply chains and boosted commodity prices, which will have varying impacts on different sectors of the Canadian economy. In addition, the rising virus case counts in Canada and globally, as well as severe lockdowns in China and their impact on international trade, leave the outlook highly uncertain, with only one thing clear: the risk of even higher and more persistent inflation is growing.

Table 1: Canadian GDP Nowcast, Q1-2022

	Nowcast Date	Q1-2022 GDP Growth, %
Previous Nowcast	18-Mar-22	5.29
<i>Revisions and other data</i>		
		+0.00
		-0.05
		-0.19
Current Nowcast	31-Mar-22	5.05

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