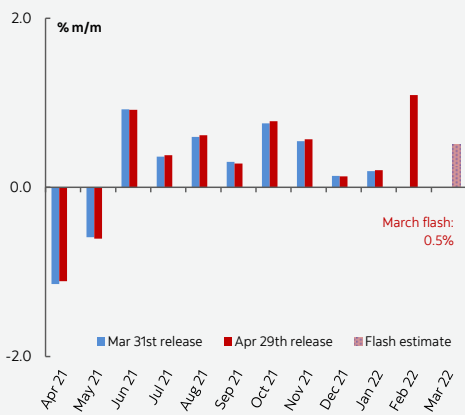


Contributors

Nikita Perevalov

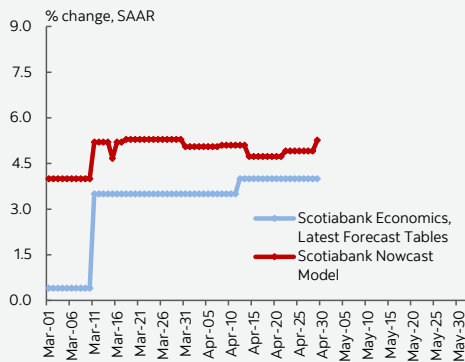
Director of Economic Forecasting
Scotiabank Economics
437.775.5137
nikita.perevalov@scotiabank.com

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: GDP in February Higher than Expected, Overall Q1-2022 Growth Rises to 5.27%

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](#).

- The Canadian economy churned out goods and services at a breakneck speed in February, with industry-level GDP rising +1.1% m/m on loosening public health restrictions. Growth was stronger than the earlier guidance of +0.8% m/m from Statistics Canada, pushing the Canadian GDP nowcast for Q1-2022 growth to +5.27% Q/Q SAAR. This is far higher than the most recent estimate from the Bank of Canada and a testament to the strength of the Canadian economy that continues to outrun even the most optimistic forecasts.
- Growth in February was widespread, with goods (+1.5% m/m) and services (+0.9% m/m) industries raising output significantly. On the goods side, a strong expansion in mining, quarrying and gas (+3.4% m/m) reflected the booming global demand for commodities, which continued to recover and pushed prices higher even before the start of the Russia-Ukraine war. Construction continued to expand in February (+2.7% m/m), a welcome development given the acute housing shortage that Canada is facing. The only contraction in the goods sector was registered by the utilities (-2.3% m/m), as production eased after abnormally high demand in January.
- On the services side, accommodation and food services (+15.1% m/m) and arts and entertainment (+8.4% m/m) were in the lead in February, which is not surprising given the public health restrictions were being lifted throughout the month. The weakness in the service sector was concentrated in the trade industries, with both retail and wholesale declining—as expected based on the data published earlier in the month.
- Going forward, Statistics Canada's early estimate of the GDP growth in March (+0.5% m/m) shows that so far the Canadian economy sustained the strong momentum despite the various shocks that could have derailed growth. In particular, high commodity prices and financial market volatility spurred by geopolitical tensions point to risks in the months ahead, as rising prices for food and energy sap consumers' purchasing power, and rising interest rates lift debt servicing costs.

Table 1: Canadian GDP Nowcast, Q1-2022

	Nowcast Date	Q1-2022 GDP Growth, %
Previous Nowcast	22-Apr-22	4.91
Revisions and other data		+0.00
GDP by industry, Canada		+0.36
Current Nowcast	29-Apr-22	5.27

This report has been prepared by Scotiabank Economics as a resource for the clients of Scotiabank. Opinions, estimates and projections contained herein are our own as of the date hereof and are subject to change without notice. The information and opinions contained herein have been compiled or arrived at from sources believed reliable but no representation or warranty, express or implied, is made as to their accuracy or completeness. Neither Scotiabank nor any of its officers, directors, partners, employees or affiliates accepts any liability whatsoever for any direct or consequential loss arising from any use of this report or its contents.

These reports are provided to you for informational purposes only. This report is not, and is not constructed as, an offer to sell or solicitation of any offer to buy any financial instrument, nor shall this report be construed as an opinion as to whether you should enter into any swap or trading strategy involving a swap or any other transaction. The information contained in this report is not intended to be, and does not constitute, a recommendation of a swap or trading strategy involving a swap within the meaning of U.S. Commodity Futures Trading Commission Regulation 23.434 and Appendix A thereto. This material is not intended to be individually tailored to your needs or characteristics and should not be viewed as a “call to action” or suggestion that you enter into a swap or trading strategy involving a swap or any other transaction. Scotiabank may engage in transactions in a manner inconsistent with the views discussed this report and may have positions, or be in the process of acquiring or disposing of positions, referred to in this report.

Scotiabank, its affiliates and any of their respective officers, directors and employees may from time to time take positions in currencies, act as managers, co-managers or underwriters of a public offering or act as principals or agents, deal in, own or act as market makers or advisors, brokers or commercial and/or investment bankers in relation to securities or related derivatives. As a result of these actions, Scotiabank may receive remuneration. All Scotiabank products and services are subject to the terms of applicable agreements and local regulations. Officers, directors and employees of Scotiabank and its affiliates may serve as directors of corporations.

Any securities discussed in this report may not be suitable for all investors. Scotiabank recommends that investors independently evaluate any issuer and security discussed in this report, and consult with any advisors they deem necessary prior to making any investment.

This report and all information, opinions and conclusions contained in it are protected by copyright. This information may not be reproduced without the prior express written consent of Scotiabank.

™ Trademark of The Bank of Nova Scotia. Used under license, where applicable.

Scotiabank, together with “Global Banking and Markets”, is a marketing name for the global corporate and investment banking and capital markets businesses of The Bank of Nova Scotia and certain of its affiliates in the countries where they operate, including: Scotiabank Europe plc; Scotiabank (Ireland) Designated Activity Company; Scotiabank Inverlat S.A., Institución de Banca Múltiple, Grupo Financiero Scotiabank Inverlat, Scotia Inverlat Casa de Bolsa, S.A. de C.V., Grupo Financiero Scotiabank Inverlat, Scotia Inverlat Derivados S.A. de C.V. – all members of the Scotiabank group and authorized users of the Scotiabank mark. The Bank of Nova Scotia is incorporated in Canada with limited liability and is authorised and regulated by the Office of the Superintendent of Financial Institutions Canada. The Bank of Nova Scotia is authorized by the UK Prudential Regulation Authority and is subject to regulation by the UK Financial Conduct Authority and limited regulation by the UK Prudential Regulation Authority. Details about the extent of The Bank of Nova Scotia's regulation by the UK Prudential Regulation Authority are available from us on request. Scotiabank Europe plc is authorized by the UK Prudential Regulation Authority and regulated by the UK Financial Conduct Authority and the UK Prudential Regulation Authority.

Scotiabank Inverlat, S.A., Scotia Inverlat Casa de Bolsa, S.A. de C.V., Grupo Financiero Scotiabank Inverlat, and Scotia Inverlat Derivados, S.A. de C.V., are each authorized and regulated by the Mexican financial authorities.

Not all products and services are offered in all jurisdictions. Services described are available in jurisdictions where permitted by law.