Scotiabank™

GLOBAL ECONOMICS

CANADIAN GDP NOWCAST

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Contributors

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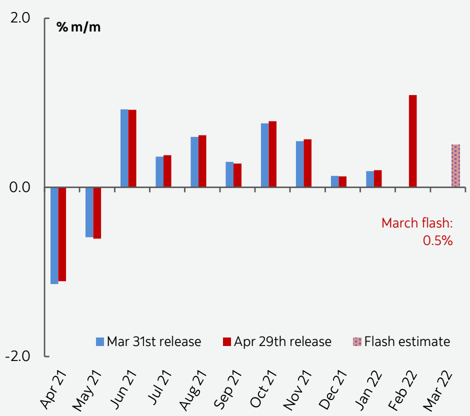
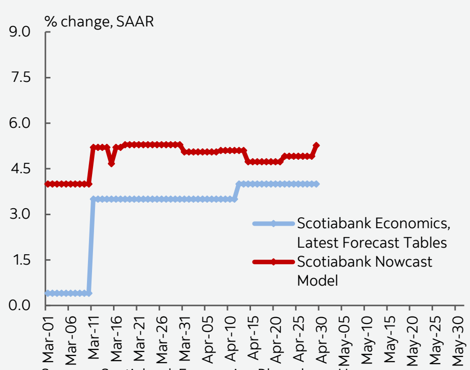
Chart 1: GDP by industry, Canada



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: 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