

Q4-2018 GDP Growth at 0.4%, Weaker than the Latest Nowcast of 0.84%

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.

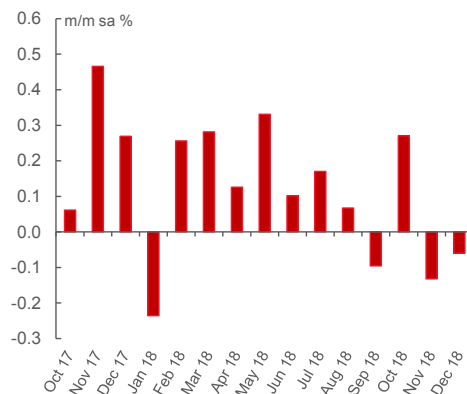
The model, which uses a mix of Canadian and US variables at monthly and quarterly frequencies to predict Canadian GDP growth in the current/most recent quarter, is described in the related note [here](#).

- Statistics Canada reported that real GDP grew by a disappointing 0.4% Q/Q SAAR in Q4-2018, compared to the latest nowcast of 0.84% from February 22. The weak growth is explained by the decline in business investment, exports and slow consumption growth, partly offset by stronger inventory accumulation and weaker imports.
- Compared to the nowcast, most of the downside surprise to quarterly growth in Q4-2018 resulted from revisions to monthly GDP by industry for October and November (table 1 shows revised Statistics Canada numbers as of March 1, 2019 in the left column compared to the January 31st, 2019 release in the middle, as well as the most recent expectation from the nowcast model for December).
- All of the downside surprise to growth for 2018 as a whole, 1.8% reported vs 2.0% expected, is explained by revisions to the quarterly growth pattern prior to Q4 (table 2). Absent those revisions, 0.4% Q/Q SAAR growth in Q4 would still produce 2.0% growth in 2018.
- Growth in Q4-2018 and for the year as a whole are below the Bank of Canada's forecasts from the January 2019 Monetary Policy Report.
- Going forward, a contraction in real GDP in December provides a weak hand-off for Q1-2019.

CONTACTS

Nikita Perevalov, Senior Economist
 416.866.4205
 Scotiabank Economics
nikita.perevalov@scotiabank.com

Chart 1: Real GDP by industry, Canada



Sources: Scotiabank Economics, Haver Analytics.

Table 1: Revisions to GDP by industry, October–December 2018

Release as of:	Monthly real, m/m%		Latest Nowcast
	01-Mar-19	31-Jan-19	
2018 - Oct	0.27r	0.30	
2018 - Nov	-0.13r	-0.10	
2018 - Dec	-0.06		-0.04

r- revised

Source: Scotiabank Economics, Statistics Canada.

Table 2: Revisions to GDP by expenditure, 2018

Release as of:	Real Q/Q SAAR, %		Latest Nowcast
	01-Mar-19	31-Jan-19	
2018 - Q1	1.27r	1.68	
2018 - Q2	2.57r	2.88	
2018 - Q3	2.04r	2.00	
2018 - Q4	0.41		0.84

r- revised

Source: Scotiabank Economics, Statistics Canada.

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