

Scotiabank Nowcast: Weak Hours Worked in Canada Leave Q1-2019 at -0.28%

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](#).

- A pair of employment reports started off the day with a disappointing take on the Canadian outlook in Q1-2019. The Canadian Labour Force Survey showed hours worked declining for the third consecutive month in February (-0.7% m/m), despite employment growing by 58K jobs in the same month. For real GDP, it is the labour input that matters, as summarized by hours worked economy-wide. Note that Statistics Canada uses the Survey of Employment, Payroll and Hours—usually published shortly before GDP—to estimate GDP in some service industries.
- In the US, nonfarm payrolls expanded by a modest 20K in February, adding to concerns of a slowing US economy.
- In addition to the continuing weakness in the housing market in Canada, with housing starts falling to 173K in February from 207K in January, weakness in hours worked and a slowing in the US labour market drop the Q1-2019 nowcast to -0.28% (Q/Q SAAR).

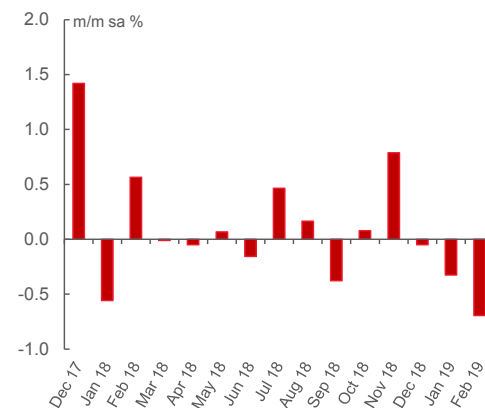
Table 1: Canadian GDP Nowcast, Q1-2019

	Nowcast Date	Q1-2019 GDP Growth, %
Initial nowcast	1-Mar-19	0.22
<i>Revisions</i>		0.00
Nonfarm payrolls, US		-0.18
Housing starts, US		+0.03
Commodity price index, BoC		+0.05
Hours worked, Canada		-0.31
Housing starts, Canada		-0.16
Building permits, Canada		+0.07
Current Nowcast	8-Mar-19	-0.28

CONTACTS

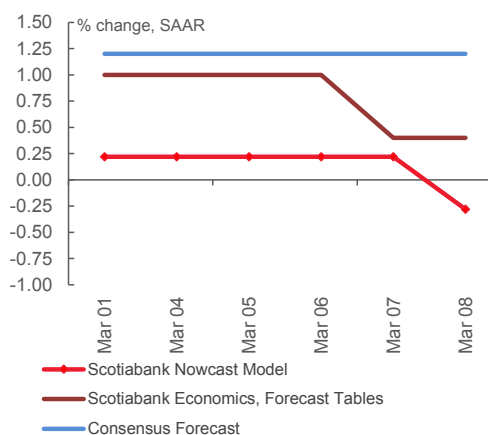
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Chart 1: Actual Hours Worked, Canada



Sources: Scotiabank Economics, Haver Analytics.

Chart 2: The Evolution of the Scotiabank Economics Q1-2019 Nowcast



Sources: Scotiabank Economics, Bloomberg, Haver Analytics.

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