Scotiabank Nowcast: February Canadian GDP Declined Roughly as Expected, Q1-2019 Nowcast at 1.20%

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.

- **Matching expectations prior to the release, Canadian industry-level GDP declined by a relatively mild 0.15% m/m in February, despite very negative February trade data, which showed exports collapsing.**
- **Both goods and services industries showed declines in February, dominated by the weighted declines from mining, oil and gas (-1.6% m/m) and transportation (-1.6% m/m). However, the contraction in the mining, oil and gas sector was smaller than in January, and should be smaller still in March as the oil production cuts start to reverse.**
- **The data we have for March so far has been encouraging, suggesting a rebound of activity after February: hours worked increased 1.0% m/m and housing starts jumped to 192K. Despite that, the industry-level GDP expansion of 0.35% m/m forecasted by the model has significant downside risks as very few other indicators are available for that month.**
- **As a result of the February GDP release, the Q1-2019 nowcast edged down slightly to 1.20% Q/Q SAAR. Barring negative revisions to GDP data and/or a decline in industry-level GDP in March, the BoC's expectations for the first quarter, at 0.3% Q/Q SAAR published in April MPR, seems to be on the low side.**

Table 1: Canadian GDP Nowcast, Q1-2019

	Nowcast Date	Q1-2019 GDP Growth, %	GDP by industry, %m/m		
			Jan actual	*Feb* actual	*Mar*
Previous nowcast	*23-Apr-19*	1.43	0.35	-0.09	0.34
Revisions		-0.06			
GDP by industry, Canada		-0.17			
Current Nowcast	*30-Apr-19*	1.20	0.35	-0.15	0.35

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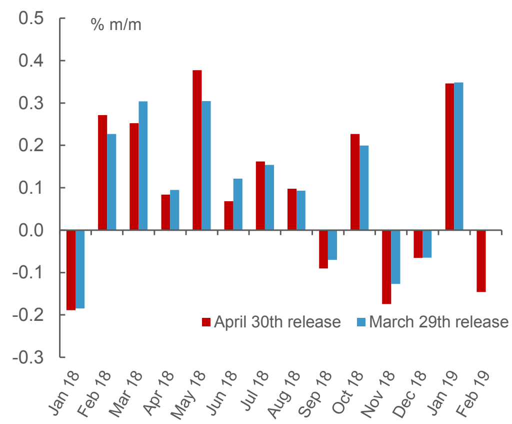
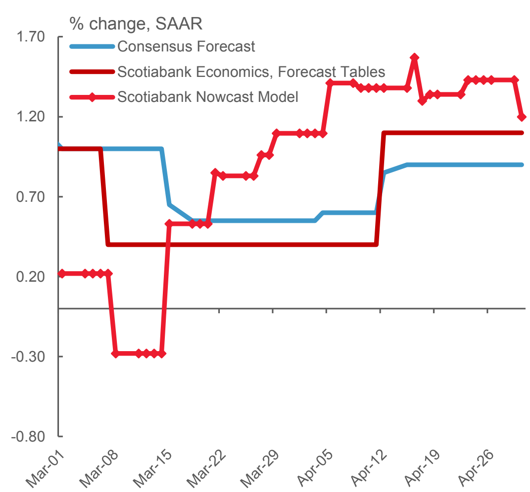
Chart 1: GDP by industry, real, Canada



Sources: Scotiabank Economics, Haver Analytics, Statistics Canada

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



Sources: Scotiabank Economics, Bloomberg, Haver Analytics.