

Scotiabank Nowcast: Q1 Growth at 0.4% Weaker Than Expected On Significant Revisions

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](#).

- The initial picture of relatively robust economic activity painted by Statistics Canada had been a mirage. Despite monthly GDP growth in March coming in slightly stronger than expected, significant data revisions drove actual Q1-2019 GDP growth to 0.4% Q/Q SAAR, weaker than the latest nowcast (see Table 1).
- The lower-than-expected growth is mostly explained by revisions to January and February, which account for -0.36 and -0.22 ppts of Q1 growth undershoot (Tables 1). Absent all revisions, GDP growth would have come in around 1.1% in Q1-2019.
- On the expenditure side, the report shows significant strength outside of international trade. While net trade subtracted almost 4ppts from growth in the first quarter, the contribution of the final domestic demand, at 3.4ppts, was the highest since Q4-2017.

Table 1: Impact of Revisions and New Data on the Q1-2019 GDP Growth

| | Date | Q1-2019 GDP Growth, % | GDP by industry, %m/m | | |
|---------------------------------|-----------|--------------------------|-----------------------|-----------------------|-----------------------|
| | | | Jan ^{actual} | Feb ^{actual} | Mar ^{actual} |
| Latest nowcast | 23-May-19 | 1.28 | 0.35 (p) | -0.15 (p) | 0.40 |
| Revisions to monthly GDP | | | | | |
| Through Dec 2018 | | -0.15 | -- | -- | |
| Jan 2019 | | -0.36 | 0.26 (r) | | |
| Feb 2019 | | -0.22 | | -0.23 (r) | |
| New GDP data | | | | | |
| March GDP | | 0.13 | | | 0.50 |
| Production vs Expenditure GDP | | -0.30 | -- | -- | -- |
| Actual data | 31-May-19 | 0.40 | 0.26 (r) | -0.23 (r) | 0.50 |

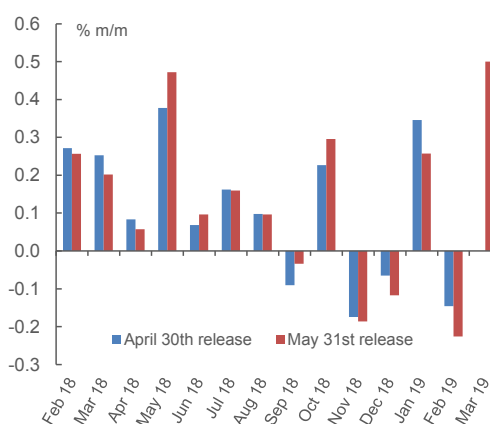
Source: Scotiabank Economics.

Note: (r) is revised

CONTACTS

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

Chart 1: GDP by industry, chained 2012 dollars, Canada



Sources: Scotiabank Economics, Haver Analytics, Statistics Canada

Table 2: GDP by industry, Canada

| | | % change m/m | | |
|--|--------------|--------------|------|------|
| | Vintage | Jan | Feb | Mar |
| All Industries | 31-May-19 | 0.3 | -0.2 | 0.5 |
| | previous est | 0.3 | -0.1 | |
| Goods-Producing Industries | 31-May-19 | 0.4 | -0.7 | 0.7 |
| | previous est | 0.9 | -0.2 | |
| Agriculture, Forestry, Fishing and Hunting | 31-May-19 | 0.0 | 0.1 | -0.3 |
| | previous est | 0.1 | 0.0 | |
| Mining, Quarrying, & Oil & Gas Extraction | 31-May-19 | -3.2 | -1.6 | 2.0 |
| | previous est | -3.3 | -1.6 | |
| Utilities | 31-May-19 | 0.8 | 2.0 | -1.8 |
| | previous est | 1.0 | 1.5 | |
| Construction | 31-May-19 | 1.1 | -0.9 | 0.5 |
| | previous est | 2.2 | 0.2 | |
| Manufacturing | 31-May-19 | 1.5 | -0.8 | 0.9 |
| | previous est | 2.1 | -0.4 | |
| Service-Producing Industries | 31-May-19 | 0.2 | -0.1 | 0.4 |
| | previous est | 0.1 | -0.1 | |
| Wholesale Trade | 31-May-19 | 0.4 | 0.2 | 1.1 |
| | previous est | 0.2 | 0.1 | |
| Retail Trade | 31-May-19 | -0.3 | 0.5 | 0.4 |
| | previous est | -0.4 | 0.2 | |
| Transportation and Warehousing | 31-May-19 | 0.0 | -1.3 | 1.4 |
| | previous est | -0.2 | -1.6 | |
| Information and Cultural Industries | 31-May-19 | 0.1 | 0.1 | 0.0 |
| | previous est | -0.1 | -0.1 | |
| Finance and Insurance | 31-May-19 | 0.4 | -0.7 | 0.9 |
| | previous est | 0.3 | -0.6 | |
| Real Estate and Rental and Leasing | 31-May-19 | 0.4 | -0.1 | 0.3 |
| | previous est | 0.4 | -0.2 | |
| Professional, Scientific and Technical Services | 31-May-19 | 0.2 | 0.2 | 0.5 |
| | previous est | 0.1 | 0.4 | |
| Management of Companies and Enterprises | 31-May-19 | 0.1 | 0.3 | 0.1 |
| | previous est | 0.3 | 0.3 | |
| Adminis & Support, Waste Mgmt & Remediation Svcs | 31-May-19 | 0.2 | 0.1 | -0.1 |
| | previous est | 0.2 | 0.1 | |
| Educational Services | 31-May-19 | 0.3 | 0.0 | 0.2 |
| | previous est | 0.2 | 0.0 | |
| Health Care and Social Assistance | 31-May-19 | 0.2 | 0.4 | 0.2 |
| | previous est | 0.1 | 0.2 | |
| Arts, Entertainment and Recreation | 31-May-19 | -0.3 | -0.1 | 0.6 |
| | previous est | 0.0 | -0.1 | |
| Accommodation and Food Services | 31-May-19 | -0.1 | -0.2 | 0.4 |
| | previous est | -0.3 | -0.1 | |
| Other Services (Ex Public Administration) | 31-May-19 | 0.4 | 0.3 | 0.4 |
| | previous est | 0.1 | 0.1 | |
| Public Administration | 31-May-19 | 0.4 | 0.0 | 0.1 |
| | previous est | 0.2 | 0.1 | |

Source: Statistics Canada, Haver, Scotiabank Economics.

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