

## Scotiabank Nowcast: July Manufacturing Data Leaves Q3-2019 Nowcast at 1.60%

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](#).

- Canadian data for the last few weeks has had a largely offsetting impact on our Canadian GDP nowcast for Q3-2019.
- Earlier in the month the Labour Force Survey for August surprised on the upside, with jobs growing by 81K mostly in the private sector. The positive surprise came after signs of a souring labour market in the previous few months, reducing financial market bets on the Bank of Canada's interest rate cut and leaving our nowcast at close to 2.0% Q/Q SAAR.
- Today's Canadian manufacturing sales for July should temper that optimism, with shipments declining by 1.6% m/m in real terms. Even though some of the decline can be explained by temporary factors—the extended shutdown at an assembly plant left motor vehicle sales down 4.7% in July—the data points to an unquestionably weak start to the quarter.
- Further sign of weakness came in the form of still-rising inventory levels and a decline in unfilled orders. Taking into account all data, the nowcast for Q3-2019 is at 1.60% Q/Q SAAR, just slightly above the Bank of Canada's July forecast of 1.5%.

Table 1: Canadian GDP Nowcast, Q3-2019

	Nowcast Date	Q3-2019 GDP Growth, %	GDP by industry, %m/m		
			Jul	Aug	Sep
Previous nowcast	04-Sep-19	1.40	0.07	0.05	0.10
Revisions		0.00			
Labour Force Survey, Canada		+0.52			
Manufacturing sales, Canada		-0.32			
Manufacturing inventories, Canada		+0.00			
Current Nowcast	17-Sep-19	1.60	-0.02	0.26	0.12

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Chart 1: Manufacturing Shipments, Canada

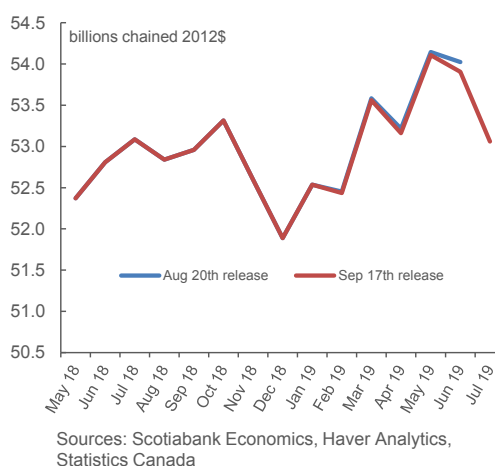
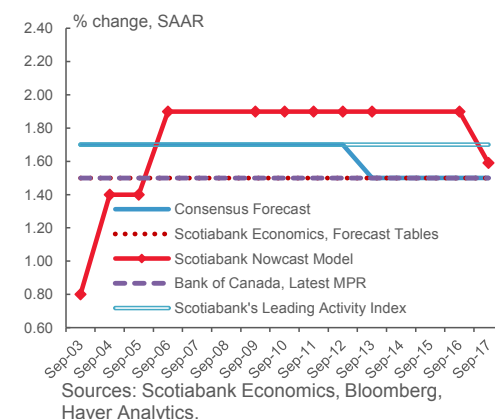


Chart 2: The Evolution of the Scotiabank Economics Q3-2019 Nowcast



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