Scotiabank Nowcast: Flat Real Retail Sales Leave Q3-2019 Roughly Unchanged 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 is described in a related note here.

- **Canadian retail sales were flat in September (-0.1% m/m when measured in chained 2012$), in the latest sign of an economic deceleration in the final month of Q3-2019. GDP growth is expected to be slightly negative for the month overall, and leaves our Q3-2019 at 1.20% Q/Q SAAR, relatively in line with the latest BoC forecast (1.3%).**
- **While real sales of motor vehicles were the largest contributor to the decline in September (-0.9% m/m), the majority of the sectors were in the red. Lower real sales at gas stations (-1.1% m/m), furniture (-2.4% m/m) and clothing stores (-0.7% m/m) weighed on the overall spending.**
- **On the other hand, consistent with the pick-up in housing activity, real spending on building materials rose sharply (+3.9% m/m). Together with higher spending on food (+1.2% m/m) these were the only sectors providing a meaningful offset to the lacklustre picture overall.**
- **Despite the weak September print, real retail sales are up a decent 1.9% Q/Q SAAR for the quarter, showing a modest recovery from the weakness in the spring.**

Table 1: Canadian GDP Nowcast, Q3-2019

	Nowcast Date	Q3-2019 GDP Growth, %	GDP by industry, %m/m *Jul actual*	*Aug actual*	*Sep*
Previous nowcast	*19-Nov-19*	1.21	0.01	0.14	-0.04
Revisions		0.00			
Retail sales, Canada		-0.01			
Current Nowcast	*22-Nov-19*	1.20	0.01	0.14	-0.04

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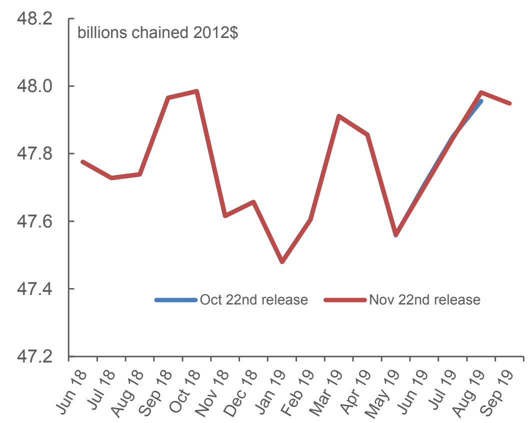
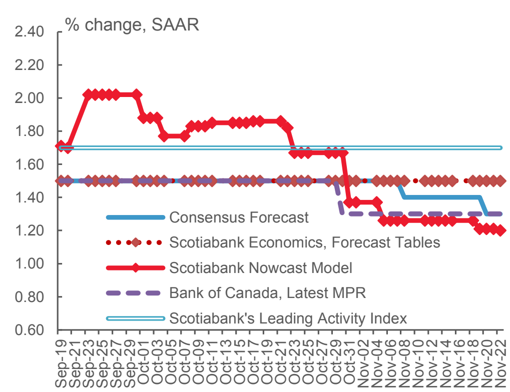
Chart 1: Retail Sales, Canada



Sources: Scotiabank Economics, Haver Analytics, Statistics Canada

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



Sources: Scotiabank Economics, Bloomberg, Haver Analytics.