

## Scotiabank Nowcast: GDP Grew 1.3% in Q3-2019, Matching Expectations

*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 GDP growth decelerated to 1.3% Q/Q SAAR in Q3-2019, broadly matching our expectations (Scotiabank Economics: 1.20%, latest Nowcast: 1.25%) and that of the Bank of Canada (1.3%). Historical revisions were positive for GDP (+0.3% as of Q2-2019), likely implying less excess supply than previously thought.
- With both growth and its composition being broadly in line with the BoC's forecasts, the Bank can afford to wait until next year to re-assess its policy stance.
- The tepid overall expansion masked a resurgence in domestic demand in Q3-2019 (+3.2% Q/Q SAAR) following a flat reading in the previous quarter.
- All components of final domestic demand grew, but it was business investment in structures (+11.1% Q/Q SAAR) and M&E (+7.0% Q/Q SAAR), as well as a revival in residential investment (13.3% Q/Q SAAR) that led the way.
- A rise in business investment is a particularly welcome sign, demonstrating that businesses were comfortable with spending on machinery and equipment and structures, despite the persistent uncertainty around global trade policy. However, it is unclear whether the strength will last, as some survey measures have started to turn more negative after the closing of Q3 (see the report on CFIB [here](#)).
- On a less positive note, household consumption expanded by only 1.6% Q/Q SAAR in Q3-2019, despite strong employment and wage growth in the quarter. As a result the household saving rate rose to 3.2% in Q3-2019.
- The domestic strength was tempered by falling exports (-1.5% Q/Q SAAR) and inventory de-stocking which subtracted 1.6 ppts from GDP growth. Despite that, the economy-wide stock-to-sales ratio remained constant at 0.84.
- Separately, GDP at the industry level grew by 0.1% m/m in September, led by the service sector (+0.16% m/m).

### CONTACTS

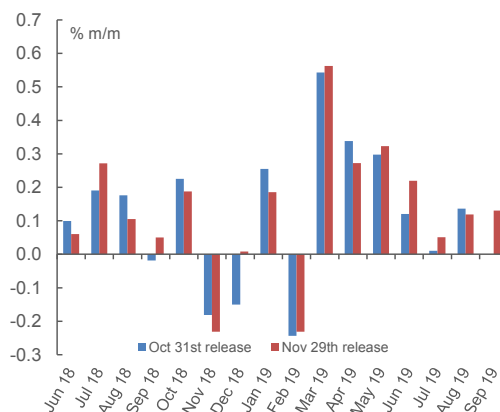
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Table 1: Real GDP and its components, expenditure-based, Q/Q SAAR (%)

	Q2-2019	Q3-2019
GDP	3.5	1.3
Household consumption	0.5	1.6
Government consumption spending	2.4	0.8
Residential structures	5.5	13.3
Business investment	-5.1	9.0
Nonresidential structures	4.4	11.1
Machinery and equipment	-21.8	7.0
Intellectual property	6.1	6.0
Exports	12.9	-1.5
Imports	-3.5	0.1
Final domestic demand	0.3	3.2

Sources: Statistics Canada, Scotiabank Economics

Chart 1: Monthly real GDP at basic prices, Canada



Sources: Scotiabank Economics, Haver Analytics, Statistics Canada

**Table 2: Real GDP at basic prices by industry, % change m/m**

	Q2-2019			Q3-2019		
	Apr	May	Jun	Jul	Aug	Sep
All industries	0.27	0.32	0.22	0.05	0.12	0.13
Goods	0.19	0.77	-0.06	-0.62	0.15	0.06
Agriculture, forestry and others	0.14	1.11	0.83	-0.22	0.13	-0.41
Mining, oil and gas	4.75	-0.97	0.77	-4.11	-0.13	0.18
Utilities	-0.29	-0.11	0.53	0.42	-1.36	-0.54
Construction	-0.59	1.05	1.35	0.35	0.00	0.59
Manufacturing	-0.90	1.41	-1.65	-0.21	0.69	-0.15
Services	0.30	0.16	0.32	0.29	0.11	0.16
Wholesale trade	1.19	-1.42	1.25	0.75	-1.22	0.87
Retail trade	-0.05	-0.62	0.70	0.13	0.20	0.01
Transportation	0.33	1.13	-0.21	-0.45	-0.58	-0.87
Information	0.35	0.20	0.42	-0.05	0.29	0.13
Finance	0.21	0.35	0.28	0.45	0.48	-0.17
Real estate	0.27	0.47	0.25	0.40	0.28	0.23
Professional	0.48	0.17	0.53	0.84	0.66	0.36
Management	0.06	-0.18	0.11	-0.24	-0.17	-0.05
Administration	-0.37	-0.06	0.08	0.44	0.14	0.39
Education	0.41	0.19	0.03	0.09	0.21	0.23
Health care	0.25	0.37	0.34	0.45	0.41	0.23
Arts and entertainment	-0.76	0.16	0.68	-0.24	-0.43	1.20
Accommodation	0.54	0.16	0.28	-0.09	0.25	0.55
Other services	0.18	0.22	0.16	0.11	0.04	0.05
Public Administration	0.16	0.33	-0.02	0.09	-0.10	-0.05

Sources: Statistics Canada, Scotiabank Economics

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