Scotiabank Nowcast: Unexpected Decline in Manufacturing Sales Leaves Q4-2019 at 0.48%

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.

- **Real manufacturing sales declined unexpectedly in October (-0.4% m/m), as a contraction in the real sales of durable goods (-2.0% m/m) outweighed higher sales of nondurables (+1.24% m/m). This weak report does not bode well for the GDP growth in Q4-2019, leaving the nowcast down at 0.48% Q/Q SAAR, significantly below the latest Bank of Canada's forecast (1.3%).**
- **The increase in the nondurables component was driven primarily by a resumption in real shipments of petroleum in October (+5.2% m/m), reversing a decline in the previous month that was driven by refinery shutdowns.**
- **However, the lingering impact of the strike at GM south of the border led to continuing weakness in real sales of transportation equipment (-2.7% m/m). Along with an oversized contraction in real sales of fabricated metal (-8.0% m/m), the two components led durable goods sales into the red.**
- **With new and unfilled orders declining in October, one glimmer of hope was a gradual reduction in inventory levels, which remain elevated but off their peak reached in May of this year.**

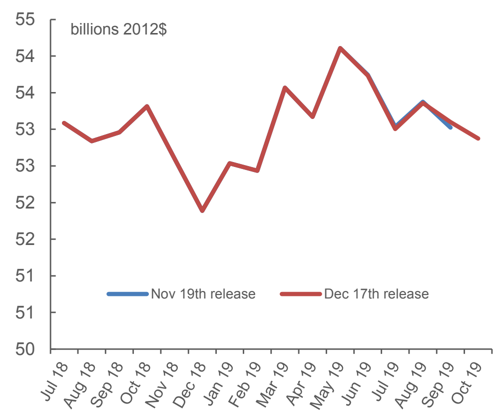
Table 1: Canadian GDP Nowcast, Q4-2019

	Nowcast Date	Q4-2019 GDP Growth, %	GDP by industry, %m/m Oct	Nov	Dec
Previous nowcast	*06-Dec-19*	0.59	-0.01	0.01	0.08
Revisions, other data		+0.04			
Manufacturing sales, Canada		-0.16			
Manufacturing inventories, Canada		+0.01			
Current Nowcast	*17-Dec-19*	0.48	-0.04	0.02	0.08

CONTACTS

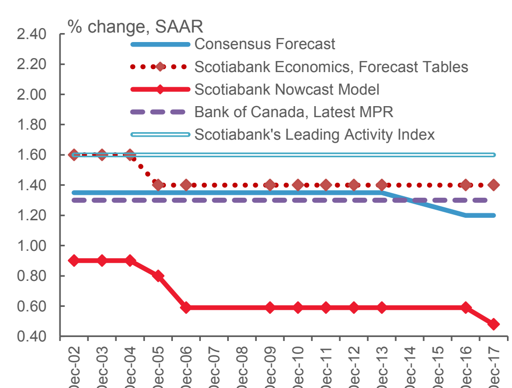
Nikita Perevalov, Senior Economist
416.866.4205
Scotiabank Economics
nikita.perevalov@scotiabank.com

Chart 1: Manufacturing sales, Canada



Sources: Scotiabank Economics, Haver Analytics, Statistics Canada

Chart 2: The Evolution of the Scotiabank Economics Q4-2019 Nowcast



Sources: Scotiabank Economics, Bloomberg, Haver Analytics.