

Scotiabank Nowcast: Manufacturing Sales Declined Further in November, Q4-2019 Down at -0.12%

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 significantly in November (-0.8% m/m), pushing the Q4-2019 growth estimate firmly into negative territory at -0.12% Q/Q SAAR and putting the Bank of Canada's latest growth forecast (1.3%) further out of reach.
- Most of the weakness in November was due to real shipments of nondurables, with food (-2.4% m/m) and chemical manufacturing (-3.8% m/m) accounting for the bulk of the decline.
- Durable goods manufacturing sales were expected to rebound following the resumption of GM production south of the border, but a strong pickup in real sales of transportation equipment (+4.4% m/m) was offset by the largest decline in primary metal products since the financial crisis (-11.4% m/m),
- As sales fell in November, the level of inventories increased, showing the difficulties faced by manufacturers in getting the elevated inventory levels under control.
- On a positive note, real shipments for October were flat compared to the month prior, revised up from a -0.4% m/m decline reported previously. This may point to positive revisions to the reported GDP growth for October, but even so should not move the overall Q4-2019 estimate into positive territory given all the other data, including today's print.

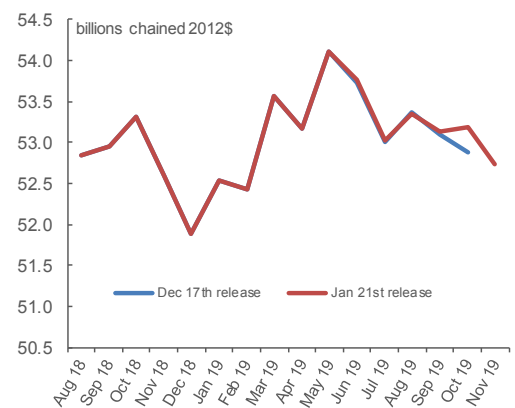
Table 1: Canadian GDP Nowcast, Q4-2019

| | Nowcast Date | Q4-2019 GDP Growth, % | GDP by industry, %m/m | | |
|-----------------------------------|--------------|-----------------------|-----------------------|-------|------|
| | | | Oct ^{actual} | Nov | Dec |
| Previous nowcast | 10-Jan-20 | 0.03 | -0.13 | 0.02 | 0.16 |
| Revisions and other data | | -0.04 | | | |
| Manufacturing shipments, Canada | | -0.13 | | | |
| Manufacturing inventories, Canada | | +0.02 | | | |
| Current Nowcast | 21-Jan-20 | -0.12 | -0.11 | -0.01 | 0.07 |

CONTACTS

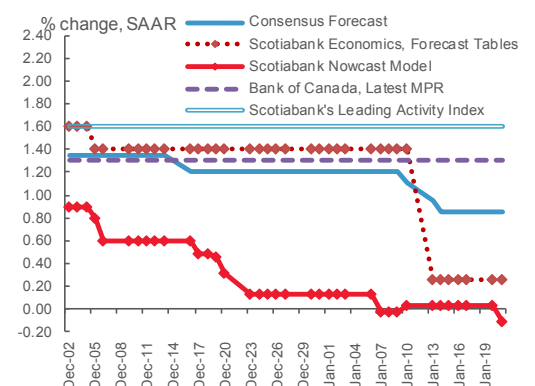
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Chart 1: Manufacturing shipments, Canada



Sources: Scotiabank Economics, Haver Analytics, Statistics Canada

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



Sources: Scotiabank Economics, Bloomberg, Haver Analytics.

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