

Scotiabank Nowcast: GDP Growth in August Better Than Expected, Q3-2020 Jumps to 48.3%

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](#).

- GDP growth in August came in at a surprisingly strong +1.2% m/m, despite a string of indicators on both the goods and services side that were consistent with a more subdued pace. GDP grew stronger than the initial flash estimate of +1.0% m/m from Statistics Canada. As a result of the positive surprise, the nowcast for GDP growth in Q3-2020 jumped to 48.3% Q/Q SAAR (see table 1).
- Along with the August estimate, Statistics Canada released a preliminary assessment of growth in September, +0.7% m/m, and for the quarter as a whole (+10% Q/Q non-annualized or +46.4% annualized). The flash estimate for September would imply a relatively robust Q4-2020 growth of 3.5% Q/Q SAAR even with flat October–December.
- The surprising growth in August was mainly driven by a robust expansion of the services sector. While goods-producing industries expanded by just 0.5% m/m in August, in line with preliminary indicators, the service industries powered ahead with a 1.5% m/m gain, despite much weaker growth in retail and wholesale at +0.4% m/m each (see table 2 for a summary table of economic indicators).
- What drove growth on the services side was a strong expansion in the educational sector as schools began to ramp up for the school year (+3.4% m/m), professional services (+2.2% m/m) and accommodation and food (+7.3% m/m). The strong housing market powered the real estate industry to a +0.8% m/m gain.
- The bottom-line is that the Canadian economy continues to expand at a rapid pace, slowing gently towards the end of Q3-2020. It remains to be seen whether the re-imposition of limited restrictions across provinces dents growth in October, absent which Q4-2020 may surprise on the upside.

Table 1: Canadian GDP Nowcast, Q3-2020

| | Nowcast Date | Q3-2020 GDP Growth, % |
|-------------------------|--------------|-----------------------|
| Previous Nowcast | 21-Oct-20 | 44.51 |
| Revisions, other data | | 0.00 |
| GDP by industry, Canada | | 3.80 |
| Current Nowcast | 30-Oct-20 | 48.31 |

CONTACTS

Nikita Perevalov
Director of Economic Forecasting
437.775.5137
Scotiabank Economics
nikita.perevalov@scotiabank.com

Chart 1: GDP by industry Canada

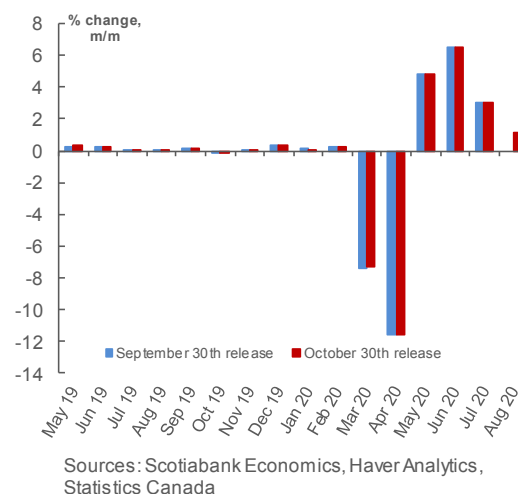


Chart 2: The Evolution of the Scotiabank Economics Q3-2020 Nowcast

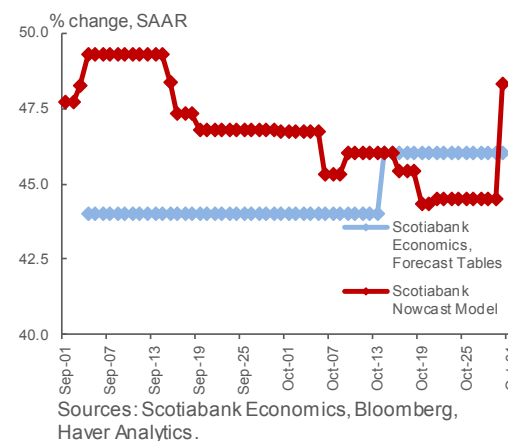


Table 2: Key Economic Indicators

| | February level | Trough, % decline relative to Feb. | Latest, % decline / increase relative to Feb. | m/m % change, unless noted otherwise | | |
|---|----------------|--|--|---|--------|-----------|
| | | | | July | August | September |
| CANADA | | | | | | |
| Real GDP, mil ch. 2012 C\$ | 1,995,120 | -18.1 | -4.6 | 3.1 | 1.2 | — |
| Employment, SA, 000s, | 19,189 | -3004.5*** | -719.5 | 419** | 246 | 378 |
| Hours worked, SA, 000s hours | 632,366 | -27.7 | -6.9 | 5.3 | 2.9 | 1.9 |
| Unemployment rate, SA, %* | 5.6 | 13.7 | 9.0 | 10.9 | 10.2 | 9.0 |
| Manufacturing sales, SA, mil. 2012 C\$ | 52,366 | -32.4 | -6.2 | 6.4 | -2.2 | — |
| Wholesale sales, SA, mil. 2012 C\$ | 59,222 | -21.7 | 1.9 | 5.3 | 0.1 | — |
| Retail sales, SA, mil. 2012 C\$ | 48,027 | -30.7 | 2.5 | 0.7 | 0.4 | — |
| Vehicle sales, SA, units | 170,514 | -69.4 | -3.1 | 18.9 | 1.6 | 8.0 |
| Housing starts, SAAR, 000s units* | 211.1 | 164.7 | 209.0 | 245.8 | 261.5 | 209.0 |
| Building permits, SA, 000s units* | 20.6 | 16.4 | 22.6 | 19.1 | 22.2 | 22.6 |
| Average house price, SA, C\$ | 533,987 | -10.9 | 13.0 | 8.6 | 3.9 | 0.4 |
| Merchandise exports, SA, mil. ch. 2012 C\$ | 46,345 | -26.5 | -7.7 | 8.6 | -2.1 | — |
| Merchandise imports, SA, mil. ch. 2012 C\$ | 44,590 | -28.4 | -3.5 | 11.0 | -0.4 | — |
| US & INTERNATIONAL | | | | | | |
| US Industrial production, SA, 2012=100 | 109 | -16.5 | -7.1 | 4.2 | 0.4 | -0.6 |
| US Retail Sales, SA, mil US\$ | 527,273 | -21.7 | 4.2 | 1.1 | 0.6 | 1.9 |
| US Nonfarm Payrolls, SA, 000s | 152,463 | -22160*** | -10743.0 | 1761** | 1489 | 661 |
| US Manufacturing PMI, SA* | 50.1 | 41.5 | 55.4 | 54.2 | 56.0 | 55.4 |
| Global Manufacturing PMI, SA* | 47.1 | 39.6 | 52.3 | 50.6 | 51.8 | 52.3 |
| US Mfg. New Orders, SA mil. US\$ | 71,483 | -35.4 | -2.4 | 11.0 | 8.0 | 10.4 |
| US Mfg. Shipments, SA, mil. US\$ | 72,313 | -12.8 | -3.0 | 2.5 | 3.3 | 0.1 |
| Financial Markets and Commodities | | | | | | |
| WTI, USD bbl, Spot, Cushing, monthly (eop)* | 44.8 | 18.8 | 40.2 | 40.1 | 42.6 | 40.2 |
| S&P 500 Index, monthly (eop) | 2,954 | -12.5 | 13.8 | 5.5 | 7.0 | -3.9 |
| S&P/TSX Composite Index, monthly (eop) | 16,263 | -17.7 | -0.9 | 4.2 | 2.1 | -2.4 |
| USDCAD, monthly (eop)* | 1.34 | 1.42 | 1.33 | 1.34 | 1.30 | 1.33 |

* Level values shown.

** Change in 000s.

*** Change since February, jobs, 000s.

Sources: Scotiabank Economics, Haver Analytics.

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