

Scotiabank Nowcast: Merchandise Trade Grew Less Than Expected, Q3-2020 Nowcast at 47.79%

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 merchandise trade for September showed growth was weaker than expected, with both exports and imports expanding by just +1.5% m/m in nominal terms. In real terms, measured in chained 2012\$, exports grew just +0.9% m/m following a decline in August (see chart 1) which, together with a subdued rise in imports, pushed the Q3-2020 GDP growth nowcast down to 47.79% Q/Q SAAR.
- On the exports side, eight out of eleven sectors showed growth in September. The main contributions came from real exports of transportation equipment, which retraced some of the decline in August, including motor vehicles (+2.6% m/m in chained \$2012) and aircraft (+13.0% m/m). Real exports of metal ores and nonmetallic minerals (+7.8% m/m) provided a strong boost as well. In contrast, the largest decline was seen in real exports of consumer goods (-7.2% m/m), as exports of pharmaceutical products fell sharply.
- Real import growth was relatively tepid (+0.4% m/m), as a strong pickup in imports of energy products (+33.3% m/m in real terms) was partly offset by weaker imports of electronics (-11.2% m/m).
- Overall the release is consistent with the Canadian economy transitioning into a slower growth phase in the fall. The initial rebound over the summer, limited to sectors less dependent on social proximity and those benefiting from pent-up demand, has likely run its course, while the remaining sectors continue to struggle under the weight of the pandemic.

Table 1: Canadian GDP Nowcast, Q3-2020

	Nowcast Date	Q3-2020 GDP Growth, %
Previous Nowcast	30-Oct-20	48.31
Revisions, other data		+0.01
Merchandise exports, Canada		-0.33
Merchandise imports, Canada		-0.20
Current Nowcast	04-Nov-20	47.79

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Chart 1: Merchandise exports, Canada

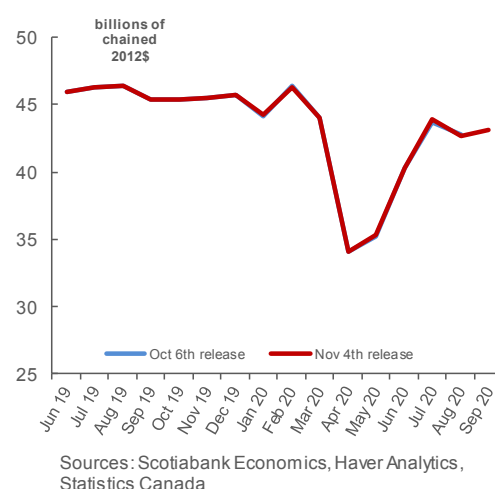
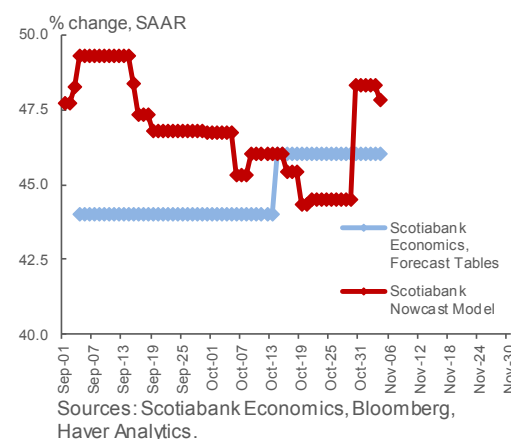


Chart 2: The Evolution of the Scotiabank Economics Q3-2020 Nowcast



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