

Scotiabank Nowcast: Brisk Expansion in Retail Sales Pushes Q3-2020 to 47.87%

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](#).

- Rounding out the main Canadian macroeconomic releases for Q3-2020, Statistics Canada's report on retail sales in September showed a brisk expansion for the month with the volume of sales rising by +1.1% m/m.
- With this acceleration compared to August, the more positive outlook for growth in September overall pushed the Canadian Q3-2020 GDP growth nowcast to 47.87% Q/Q SAAR. Statistics Canada will release its estimate of growth for the quarter on December 1 next week.
- The September acceleration of the pace of retail sales expansion is unlikely to last, however, as Statistics Canada released a flash estimate for October that suggested a flat reading. The deceleration would be expected, sales having reached almost 4% above the pre-pandemic levels in volume terms in September. Yet, given that it comes in the context of a growing virus caseload and restrictions across provinces, the expected deceleration may be a sign of more weakness to come.
- By sector, growth was broad-based in September, but 4 categories accounted for most of the growth in terms of weighted contributions to the volume of sales: motor vehicle sales grew +1.1% m/m in volume terms, food and beverage (+1.0% m/m), general merchandise stores (+2.0% m/m) and furniture and home furnishings (+3.9% m/m).
- For the quarter as a whole, the volume of retail sales increased by over 117% in annualized terms. From the national accounts perspective consumption spending consists of spending on goods and services, and the extent of the recovery in the latter, not captured in retail sales estimates, will determine how strong consumption spending was overall in Q3-2020.

Table 1: Canadian GDP Nowcast, Q3-2020

	Nowcast Date	Q3-2020 GDP Growth, %
Previous Nowcast	17-Nov-20	47.72
Revisions, other data		+0.00
Retail sales, Canada		+0.15
Current Nowcast	20-Nov-20	47.87

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Chart 1: Retail sales, Canada

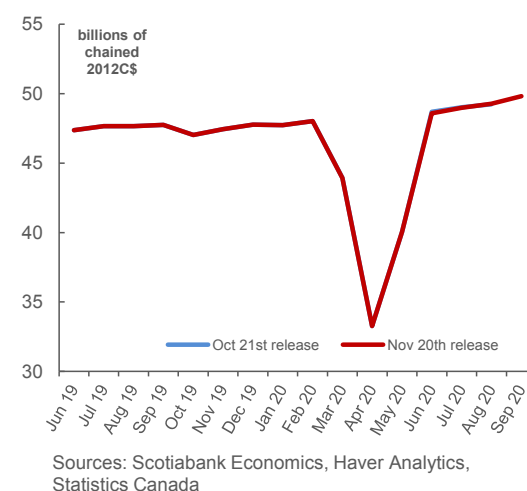
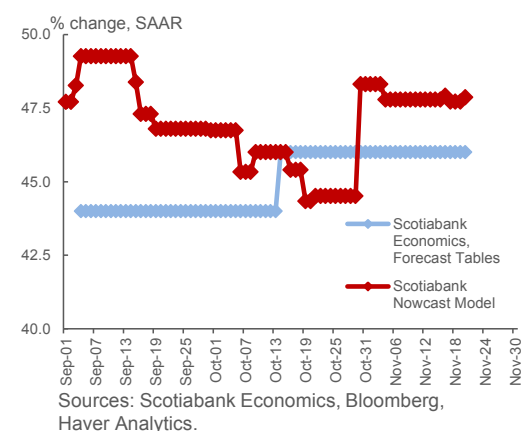


Chart 2: The Evolution of the Scotiabank Economics Q3-2020 Nowcast



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