

Scotiabank Nowcast: Preliminary December Retail Sales Nudge Q4-2020 Down to 5.38%

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 major releases for November in the lead-up to the GDP print next week, Canadian retail sales rose by more than expected at +1.3% m/m in November despite the tighter restrictions imposed during that month to arrest the rise of COVID-19 cases. However, most of the strength was seen in at grocery stores, where purchases could have been boosted by consumers stocking up ahead of coming lockdowns. About 3% of retailers were closed for an average of one day during the month because of restrictions according to Statistics Canada.
- November retail sales were stronger than the preliminary guidance of relatively flat sales from Statistics Canada, as shoppers flocked to grocery stores (+5.9% m/m), general merchandise stores (+1.6% m/m) and sellers of building materials (+2.2% m/m). In contrast, sales of motor vehicles and parts suffered in November (-0.9% m/m), and reduced travel led to lower spending on gasoline (-1.6% m/m).
- Going forward, however, retail sales are expected to sour on even tighter restrictions imposed in December across provinces, with Statistics Canada providing a preliminary "flash" estimate of a -2.6% m/m decline in December, the first since sales cratered in the depth of the pandemic in the spring of 2020.
- On balance, the retail sales print leaves the Canadian GDP nowcast for Q4-2020 slightly weaker, at 5.38% Q/Q SAAR due to a more pronounced expected contraction in GDP in December.

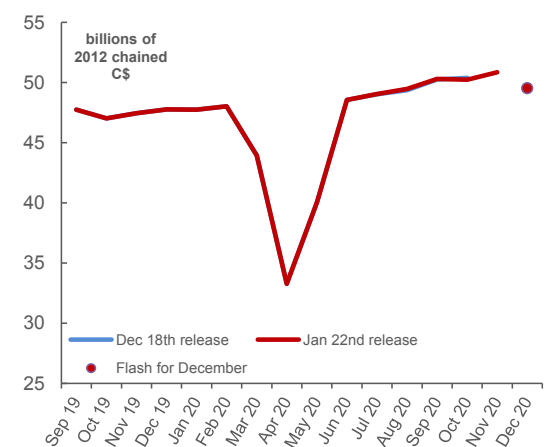
Table 1: Canadian GDP Nowcast, Q4-2020

	Nowcast Date	Q4-2020 GDP Growth, %
Previous nowcast	19-Jan-21	5.43
Revisions, other data		+0.00
Retail sales, November, Canada		+0.05
Retail sales, December Flash, Canada		-0.10
Current Nowcast	22-Jan-21	5.38

CONTACTS

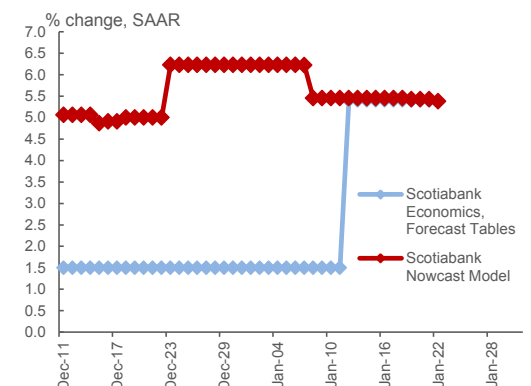
Nikita Perevalov
Director of Economic Forecasting
437.775.5137
Scotiabank Economics
nikita.perevalov@scotiabank.com

Chart 1: Retail sales, Canada



Sources: Scotiabank Economics, Haver Analytics, Statistics Canada

Chart 2: The Evolution of the Scotiabank Economics Q4-2020 Nowcast



Sources: Scotiabank Economics, Bloomberg, Haver Analytics.

This report has been prepared by Scotiabank Economics as a resource for the clients of Scotiabank. Opinions, estimates and projections contained herein are our own as of the date hereof and are subject to change without notice. The information and opinions contained herein have been compiled or arrived at from sources believed reliable but no representation or warranty, express or implied, is made as to their accuracy or completeness. Neither Scotiabank nor any of its officers, directors, partners, employees or affiliates accepts any liability whatsoever for any direct or consequential loss arising from any use of this report or its contents.

These reports are provided to you for informational purposes only. This report is not, and is not constructed as, an offer to sell or solicitation of any offer to buy any financial instrument, nor shall this report be construed as an opinion as to whether you should enter into any swap or trading strategy involving a swap or any other transaction. The information contained in this report is not intended to be, and does not constitute, a recommendation of a swap or trading strategy involving a swap within the meaning of U.S. Commodity Futures Trading Commission Regulation 23.434 and Appendix A thereto. This material is not intended to be individually tailored to your needs or characteristics and should not be viewed as a "call to action" or suggestion that you enter into a swap or trading strategy involving a swap or any other transaction. Scotiabank may engage in transactions in a manner inconsistent with the views discussed this report and may have positions, or be in the process of acquiring or disposing of positions, referred to in this report.

Scotiabank, its affiliates and any of their respective officers, directors and employees may from time to time take positions in currencies, act as managers, co-managers or underwriters of a public offering or act as principals or agents, deal in, own or act as market makers or advisors, brokers or commercial and/or investment bankers in relation to securities or related derivatives. As a result of these actions, Scotiabank may receive remuneration. All Scotiabank products and services are subject to the terms of applicable agreements and local regulations. Officers, directors and employees of Scotiabank and its affiliates may serve as directors of corporations.

Any securities discussed in this report may not be suitable for all investors. Scotiabank recommends that investors independently evaluate any issuer and security discussed in this report, and consult with any advisors they deem necessary prior to making any investment.

This report and all information, opinions and conclusions contained in it are protected by copyright. This information may not be reproduced without the prior express written consent of Scotiabank.

™ Trademark of The Bank of Nova Scotia. Used under license, where applicable.

Scotiabank, together with "Global Banking and Markets", is a marketing name for the global corporate and investment banking and capital markets businesses of The Bank of Nova Scotia and certain of its affiliates in the countries where they operate, including; Scotiabank Europe plc; Scotiabank (Ireland) Designated Activity Company; Scotiabank Inverlat S.A., Institución de Banca Múltiple, Grupo Financiero Scotiabank Inverlat, Scotia Inverlat Casa de Bolsa, S.A. de C.V., Grupo Financiero Scotiabank Inverlat, Scotia Inverlat Derivados S.A. de C.V. – all members of the Scotiabank group and authorized users of the Scotiabank mark. The Bank of Nova Scotia is incorporated in Canada with limited liability and is authorised and regulated by the Office of the Superintendent of Financial Institutions Canada. The Bank of Nova Scotia is authorized by the UK Prudential Regulation Authority and is subject to regulation by the UK Financial Conduct Authority and limited regulation by the UK Prudential Regulation Authority. Details about the extent of The Bank of Nova Scotia's regulation by the UK Prudential Regulation Authority are available from us on request. Scotiabank Europe plc is authorized by the UK Prudential Regulation Authority and regulated by the UK Financial Conduct Authority and the UK Prudential Regulation Authority.

Scotiabank Inverlat, S.A., Scotia Inverlat Casa de Bolsa, S.A. de C.V., Grupo Financiero Scotiabank Inverlat, and Scotia Inverlat Derivados, S.A. de C.V., are each authorized and regulated by the Mexican financial authorities.

Not all products and services are offered in all jurisdictions. Services described are available in jurisdictions where permitted by law.