

## Scotiabank Nowcast: Retail Sales Decline in December Leaves Q4-2020 GDP at 7.53%

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 retail sales contracted more than expected in December (-3.4% m/m, compared to -2.6% early estimate), with the sector suffering from the imposition of pandemic-related restrictions. On balance, this likely means that the initial estimate of GDP growth in December, +0.3% m/m according to Statistics Canada, might be too optimistic. The retail sales print brings the estimate of Q4-2020 GDP growth down to 7.53% Q/Q SAAR, with a slight downside risk due to likely revisions of GDP growth in July–September.
- With 9 out of 11 sectors contracting, most of the December weakness in retail sales can be attributed to the weighted contributions from lower sales of general merchandise (-7.6% m/m), clothing (-17% m/m) and sporting goods (-22.5% m/m).
- Looking ahead, the early estimate from Statistics Canada points to a retail sales decline of -3.3% m/m in January, which, while significant, reduces the likelihood of a severe contraction in GDP for the month. Coupled with the flash estimate for wholesale sales showing *growth* in January (+5.3% m/m) despite the ongoing closures, the downside risks to growth in Q1-2021 appear to be declining.

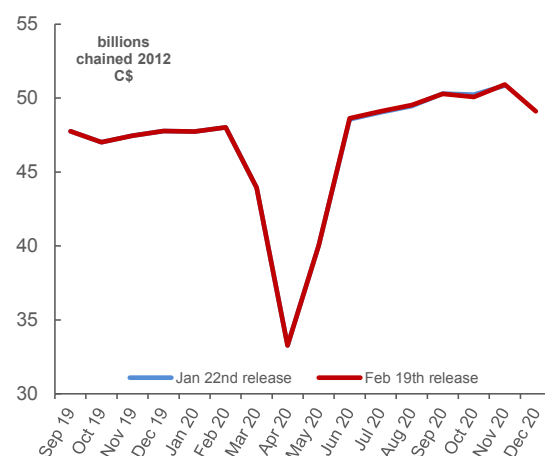
Table 1: Canadian GDP Nowcast, Q4-2020

	Nowcast Date	Q4-2020 GDP Growth, %
Previous nowcast	12-Feb-21	7.84
Revisions, other data		+0.00
Retail sales, Canada		-0.21
Manufacturing sales, Canada		-0.10
Current Nowcast	19-Feb-21	7.53

### CONTACTS

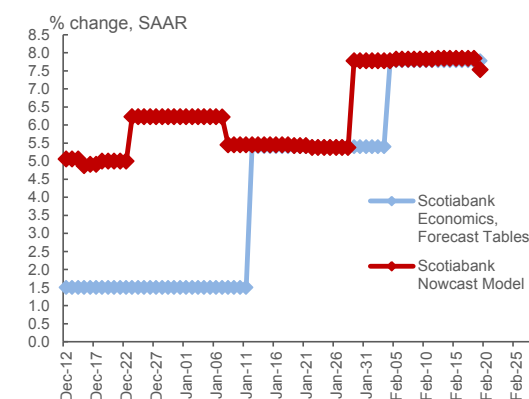
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Chart 1: Retail sales, Canada



Sources: Scotiabank Economics, Haver Analytics, Statistics Canada

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



Sources: Scotiabank Economics, Bloomberg, Haver Analytics.

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