

## Scotiabank Nowcast: Exceptionally Strong Employment Pulls Q1-2021 Growth to 6.05%

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](#).

- The incredible strength of GDP growth in January and February (the latter according to preliminary estimates by Statistics Canada), and now the second straight month of blockbuster employment growth show that the Canadian economy largely shrugged off the challenges posed by the turbulence of the winter months, including inclement weather, COVID-related restrictions and other shocks.
- With +303K net jobs generated in March of this year, partly due to relaxing containment measures across provinces, the overall employment was within 1.5% of its pre-COVID level. The gain was split between full-time (+175K) and part-time (+128K) workers, and industries that were the most affected during the winter lockdowns saw the highest increases in employment: +95K in the retail sector alone. The unemployment rate fell to 7.5% in March, now already below the level of March 2020.
- Such a stellar jobs report moved our estimate of the Canadian GDP growth for Q1-2021 to 6.05% Q/Q SAAR, after a partial offset by a fall in February merchandise trade. The latter retreated slightly from a very high level reached in January, partly as the shortage of semiconductor chips slowed motor vehicle production and hence trade.
- Despite the overall positive outlook for Q1-2021 in Canada, the renewed restrictions imposed in Ontario and other provinces will likely hamper the continued recovery in the labour market in April and potentially beyond, especially in the most affected industries like retail and food services.

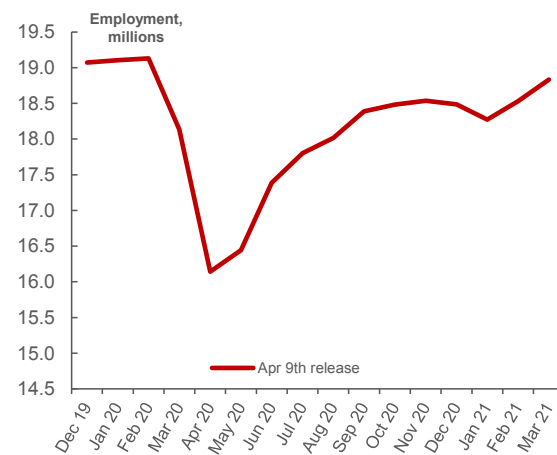
Table 1: Canadian GDP Nowcast, Q1-2021

	Nowcast Date	Q1-2021 GDP Growth, %
Previous nowcast	31-Mar-21	5.67
Revisions, other data		+0.03
Merchandise trade, Canada		-0.32
Employment, Canada		+0.44
Hours worked, Canada		+0.23
Current Nowcast	09-Apr-21	6.05

### CONTACTS

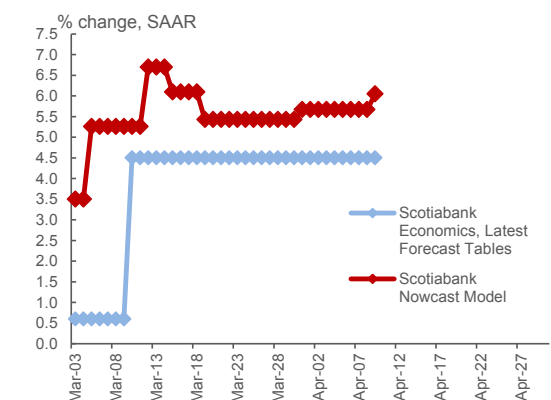
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Chart 1: Employment, Canada



Sources: Scotiabank Economics, Haver Analytics, Statistics Canada

Chart 2: The Evolution of the Scotiabank Economics Q1-2021 Nowcast



Sources: Scotiabank Economics, Bloomberg, Haver Analytics.

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