

Scotiabank Nowcast: Industry-level GDP Disappoints Slightly, Q3-2021 at 2.13%

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 industry-level GDP growth of +0.4% m/m in August was relatively in line with the nowcast. However, this was weaker than the initial estimate from StatCan (+0.7% m/m), and once the flat early September GDP estimate is taken into account, the industry-level output is now seen expanding by +2.13% Q/Q SAAR over Q3-2021.
- While the data for September that will be released over the next month may modify the full-quarter growth outlook, all eyes will be on the expenditure-side national accounts release at the end of November. The additional information it will contain will require reconciliation with the industry-level GDP data we are tracking, likely leading to positive revisions to the latter. On balance, growth is likely to be higher than the roughly 2.0% estimate we are tracking now once the reconciliation is complete, given the difficulty in capturing the growth impulse expected on the services side of the economy, among other factors. That said, the 5.5% Q3 growth the Bank of Canada projected on Wednesday is probably out of reach now.
- Looking back to August, GDP growth was mainly driven by the close contact industries that benefited from easing of health restrictions. Accommodations and food services saw output expand +7.0% m/m, while that in arts and entertainment was up +6.4% m/m. This helped propel service industries to a +0.6% m/m gain for the month.
- In contrast, output in the goods-producing industries declined in August (-0.1% m/m). While most of the weakness was explained by the agriculture and forestry sector contracting by -5.7% m/m on continuing drought conditions in Western Canada, the unchanged production in the mining and oil and gas, and construction industries left it to manufacturing (+0.5% m/m) and utilities (+1.5% m/m) to provide a partial positive offset for the month.

Table 1: Canadian GDP Nowcast, Q3-2021

	Nowcast Date	Q3-2021 GDP Growth, %
Previous Nowcast	22-Oct-21	2.24
Revisions		-0.06
GDP, Canada, August		-0.05
GDP, Canada, September, flash		0.00
Current Nowcast	29-Oct-21	2.13

CONTACTS

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

Chart 1: GDP by industry, Canada

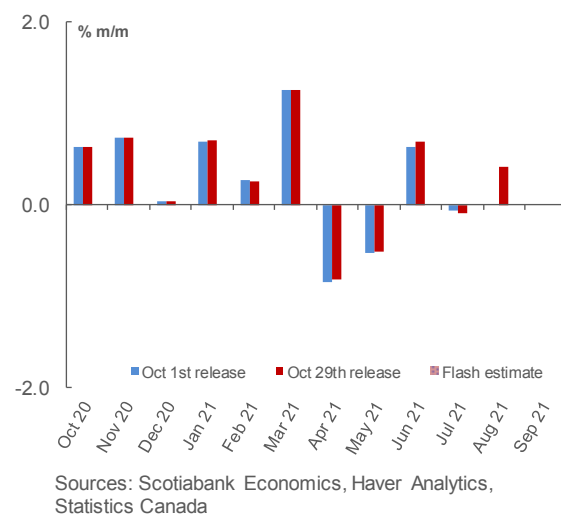
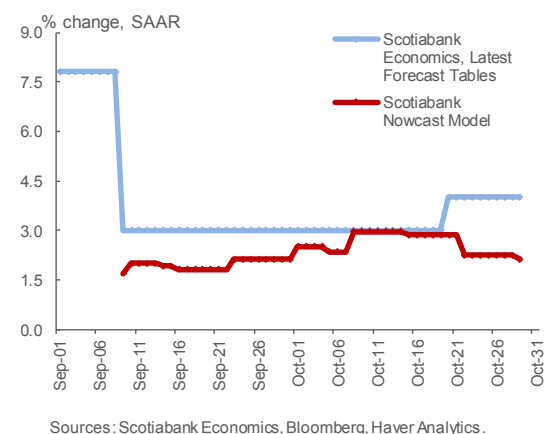


Chart 2: The Evolution of the Scotiabank Economics Q3-2021 Nowcast



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.