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.**

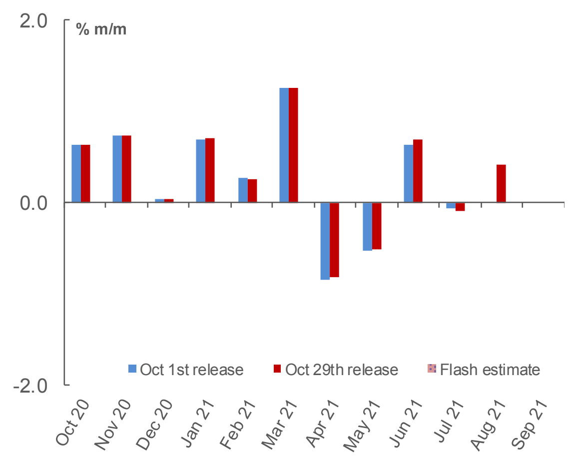
Table 1: Canadian GDP Nowcast, Q3-2021

	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

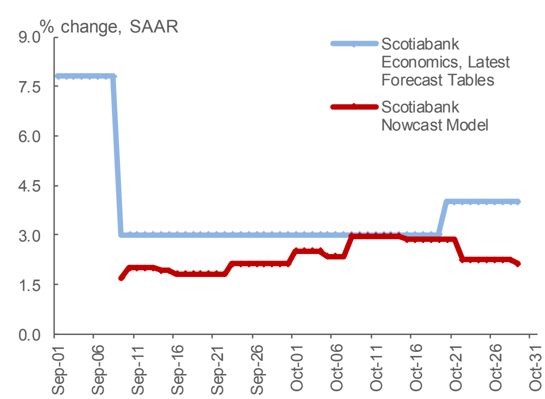
Nikita Perevalov
Director of Economic Forecasting
437.775.5137
Scotiabank Economics
nikita.perevalov@scotiabank.com

Chart 1: GDP by industry, Canada



Sources: Scotiabank Economics, Haver Analytics, Statistics Canada

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



Sources: Scotiabank Economics, Bloomberg, Haver Analytics.