

Scotiabank Nowcast: Manufacturing Sales Hurt by Parts Shortage, Q3-2021 Retreats to 1.94%

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](#).

- September proved to be another tough month for the Canadian manufacturers, as overall sales slid by -3.0% m/m (slightly better than the initial estimate of -3.2% m/m from Statistics Canada). However, when price changes are stripped out the volumes were down by -4.2% m/m. The weaker-than-expected volume of sales in September explains a downgrade to the Q3-2021 Canadian GDP nowcast to +1.94% Q/Q SAAR.
- Most of the weakness in September was seen again in the transportation industry, where sales were down by -18.6% m/m on a seasonally adjusted basis, with sales of motor vehicles declining by -35.6% m/m. So far there is very little evidence to suggest that the situation with input shortages will improve in the near future, with the most recent industry data showing sales were relatively flat in October (see [here](#)).
- However, with twelve out of twenty-one sectors showing declines in September, the pain was not confined to the makers of transportation equipment. The primary metal industry saw a large decline in the month (-6.3% m/m), which StatCan explained by a maintenance shutdown at a Quebec plant, a one-off factor that should not influence the trend for the industry going forward.
- Today's report is disappointing, as it continues to suggest that not only do logistical issues still weigh on various industries in Canada, but that there is very little evidence of improvement so far. In fact, StatCan reported that the disruptions—shortages of input parts and shipping containers, along with port congestion—are expected to stretch into 2022. For Q3-2021, however, we still expect a meaningful pickup in services to pull growth higher compared to the current estimates, but likely not as high as +5.5% Q/Q SAAR in the Bank of Canada's October MPR.

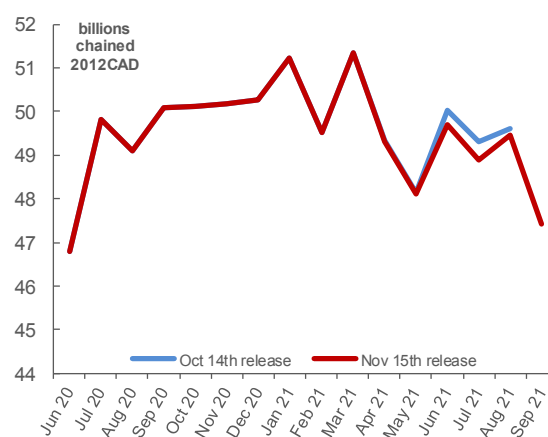
Table 1: Canadian GDP Nowcast, Q3-2021

	Nowcast Date	Q3-2021 GDP Growth, %
Previous Nowcast	29-Oct-21	2.13
Revisions		-0.03
Manufacturing sales, Canada		-0.15
Manufacturing inventories, Canada		-0.01
Current Nowcast	15-Nov-21	1.94

CONTACTS

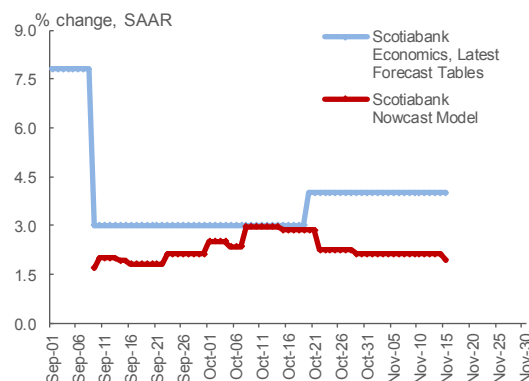
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Chart 1: Manufacturing sales, Canada



Sources: Scotiabank Economics, Haver Analytics, Statistics Canada

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



Sources: Scotiabank Economics, Bloomberg, Haver Analytics.

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