

Scotiabank Nowcast: Canadian Retail Sales Mixed, Q3-2021 GDP Edges Down to 1.90%

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 Canadian retail sales beat expectations, contracting by -0.6% m/m compared to the preliminary estimate of -1.9% released by Statistics Canada a month ago. The volume of sales was down by only -1.1% m/m, also a better-than-expected result. Despite the positive surprise in September, however, sales volumes in prior months were not as strong as initially reported, leaving the average quarterly volumes weaker than previously expected. As a result, the Canadian GDP growth estimate for Q3-2021 edged down to 1.9% Q/Q SAAR.
- The reopening of the economy following the third wave of the virus pushed retail sales expansion to +11.4% Q/Q SAAR in Q3-2021, although 5 percentage points of this growth were due to higher prices. Widespread supply chain disruptions amidst strong demand have caused consumer prices to soar in recent months: the consumer price index (CPI) rose by +5.5% Q/Q SAAR in Q3-2021, a pace not seen since at least the early 1990s.
- The strong rebound in services following the relaxation of pandemic-related restrictions over the summer, which is not well-captured by the retail sales survey, is likely to drive consumer spending even higher for the quarter.
- In September, sales were down in seven of 11 sectors, but the majority of weakness again came from the sales of motor vehicles and parts (-1.6% m/m), although a significant fall in the sales of clothing (-5.9% m/m) contributed to the weak overall print. Sales at food and beverage stores provided an offset (+1.3% m/m).
- Looking forward to Q4-2021 StatCan estimated that retail sales rose +1.0% m/m in October, a solid start which is likely to be revised up when a fuller set of responses is tabulated by the agency.

Table 1: Canadian GDP Nowcast, Q3-2021

	Nowcast Date	Q3-2021 GDP Growth, %
Previous Nowcast	15-Nov-21	1.94
Revisions		-0.16
Retail sales, Canada		+0.12
Current Nowcast	19-Nov-21	1.90

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Chart 1: Retail sales, Canada

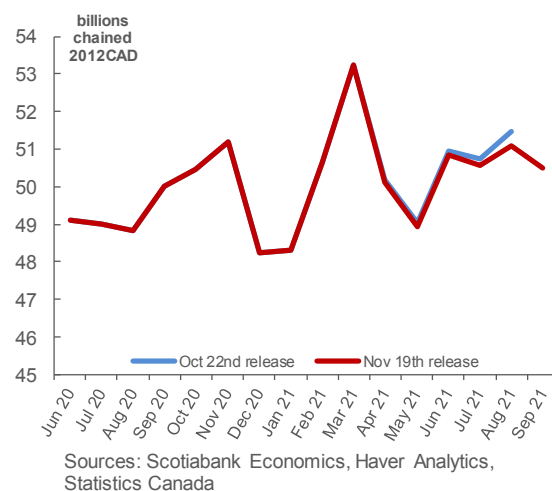
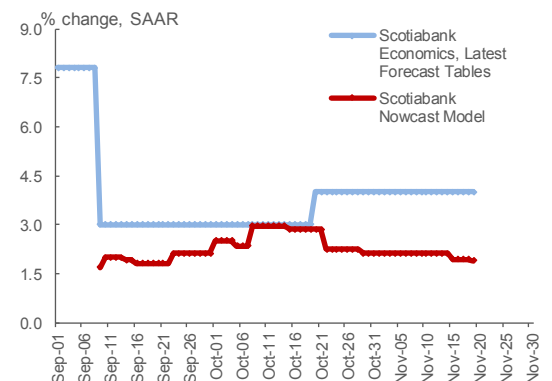


Chart 2: The Evolution of the Scotiabank Economics Q3-2021 Nowcast



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