

## Scotiabank Nowcast: Available Data Show Strong Growth in Q4-2021 at 6.48%

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](#).

- Following the release of the Q3-2021 Canadian national accounts at the end of November, available data show a very strong start to Q4-2021. The Labour Force Survey released today, which showed the Canadian employment expanding by +154K m/m in November, the unemployment rate falling to 6.0%, and hours worked jumping by +0.7% m/m, is just the latest piece of evidence of economic strength in Q4-2021. At least until the Omicron variant began to spread around the world and November floods shut down large parts of BC's economy. The timing of the LFS survey in November, from the 7th to the 13th, means that the responses missed capturing the devastation in BC by just a few days.
- In addition to the labour market data, early indicators for October, such as manufacturing (+4.1% m/m), wholesale (+1.4% m/m) and retail sales (+1.0% m/m), as well as industry-level GDP (+0.8% m/m) all point to the economy continuing to expand significantly in early Q4-2021. As a result, the nowcast for the Q4-2021 GDP growth stands at +6.48% Q/Q SAAR, with the ongoing bounce-back in high-contact service industries posing a further upside risk, albeit less significant than in the previous quarter.
- However, this short-term outlook is now clouded by the impact of BC floods and the spread of the Omicron variant. While the impact of the BC disaster will likely start to show up in the industry-level data for November, the impact of the Omicron variant will be more difficult to see if it leads to caution on the part of consumers and workers without explicit public health measures being introduced.
- For the Bank of Canada, this confluence of temporary factors weighing on the short term outlook is likely irrelevant, unless it has durable implications for the inflation outlook.

Table 1: Canadian GDP Nowcast, Q4-2021

	Nowcast Date	Q4-2021 GDP Growth, %
Initial Nowcast	01-Dec-21	5.70
Revisions		0.00
Employment, Canada		+0.47
Hours worked, Canada		+0.31
Current Nowcast	03-Dec-21	6.48

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Chart 1: Employment, Canada

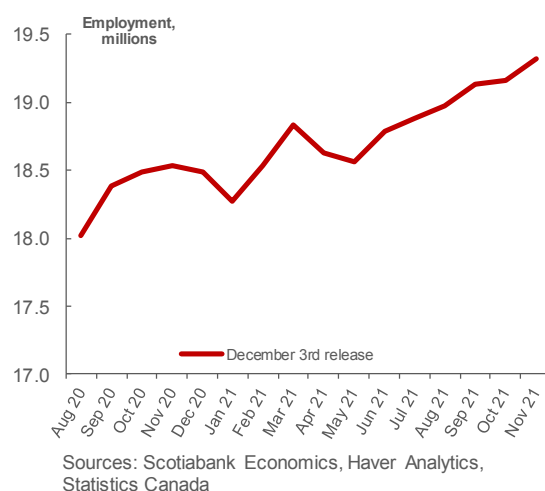
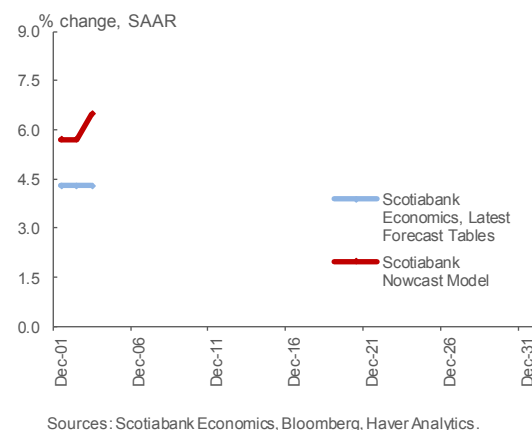


Chart 2: The Evolution of the Scotiabank Economics Q4-2021 Nowcast



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