

Scotiabank Nowcast: Strong Rise in Merchandise Trade Sends Q4-2021 GDP Estimate to +6.81%

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 merchandise trade showed a sharp rebound in October, with both imports and exports up significantly. The rise is consistent with other data for October with sales in various industries rising sharply after a September slowdown. The strength in data so far supports the view that, at least prior to the BC floods and the emergence of the Omicron variant, economic activity was surging. This view is reflected in the Canadian GDP nowcast for Q4-2021, which stands at 6.81% Q/Q SAAR.
- In October exports were up by +6.4% m/m (+2.3% m/m in volume terms), largely on the back of higher exports of motor vehicles and parts (+30.8% m/m). In an encouraging sign, Statistics Canada reported that the chip shortages were not as severe in October, allowing automakers to send a significantly higher volume of merchandise abroad. Exports of energy products rose sharply as well, (+9.8% m/m) buoyed by higher crude and coal prices.
- Imports rose by +5.3% m/m (+6.3% in volume terms) in October, mainly on much higher imports of motor vehicles and parts (+27.2% m/m) with auto supply chains being less strained by the shortage of parts. Imports of consumer goods such as clothing and footwear also increased (+4.5% m/m).
- With economic activity continuing to rebound, the job market going from strength to strength and inflation creeping higher, the only significant downside risks to the short term outlook is the spread of the Omicron variant and the flooding in BC. Both of these factors, however, are likely to have only a temporary negative impact on growth in the near term but could fan inflation even more if they cause further disruptions to supply chains.

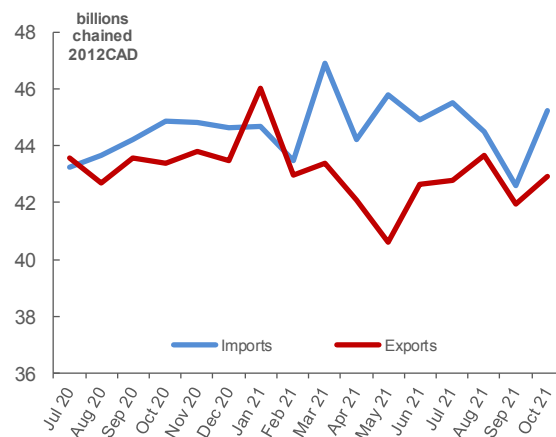
Table 1: Canadian GDP Nowcast, Q4-2021

	Nowcast Date	Q4-2021 GDP Growth, %
Initial Nowcast	03-Dec-21	6.48
Revisions		0.00
Exports, Canada		+0.13
Imports, Canada		+0.20
Current Nowcast	07-Dec-21	6.81

CONTACTS

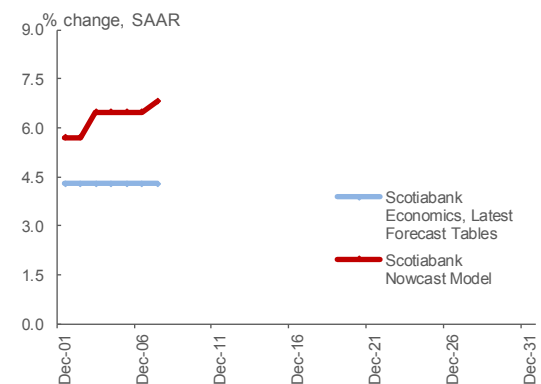
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Chart 1: Merchandise trade, Canada



Sources: Scotiabank Economics, Haver Analytics, Statistics Canada

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



Sources: Scotiabank Economics, Bloomberg, Haver Analytics.

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