

Scotiabank Nowcast: Wholesalers Had a Good October, Q4-2021 GDP Estimate at +6.64%

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](#).

- October's wholesale report met expectations with an increase of +1.4% m/m in the overall sales revenue. As was the case with yesterday's manufacturing sales report, the rise in volumes was significantly less (+0.6% m/m), with strong increases in prices making up the difference. Based on the data available so far, October is showing strong economic momentum, keeping the estimate of GDP growth at a brisk +6.64% Q/Q SAAR so far. This is before the full extent of economic disruption from the Omicron variant and BC floods shows up in the data.
- As has become the norm over the past few months, with the stop-and-go of production and sales in the auto sector dominating monthly dynamics in various economic indicators, wholesale sales in October were boosted significantly by higher shipments of cars and parts (+7.1% m/m). According to StatCan, car makers were able to secure semiconductor chips in October, even though the durable improvement in chip supplies is not expected until mid-2022.
- Other sectors were mixed in October, with food and beverage sales falling -1.3% m/m in October, machinery and equipment roughly flat (-0.2% m/m), while sales of building materials and supplies expanded by +1.9% m/m. The latter were boosted by higher lumber prices.
- Overall, the outlook for Q4-2021 depends critically on the economic impact of the Omicron variant and BC floods. The latter is likely to show up in declining merchandise trade in November, disruptions in the transportation sector (rail and trucking), as well as falling agricultural production. The growth impact should be temporary, but inflationary pressures can be exacerbated due to renewed supply chain disruptions.

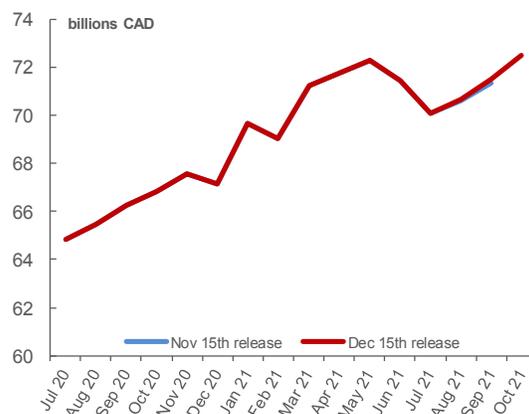
Table 1: Canadian GDP Nowcast, Q4-2021

	Nowcast Date	Q4-2021 GDP Growth, %
Initial Nowcast	15-Dec-21	6.60
<i>Revisions</i>		0.00
<i>Wholesale sales, Canada</i>		+0.03
<i>Wholesale inventories, Canada</i>		+0.01
Current Nowcast	16-Dec-21	6.64

CONTACTS

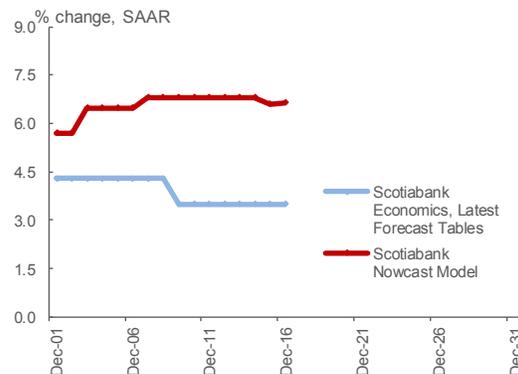
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Chart 1: Wholesale sales, Canada



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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