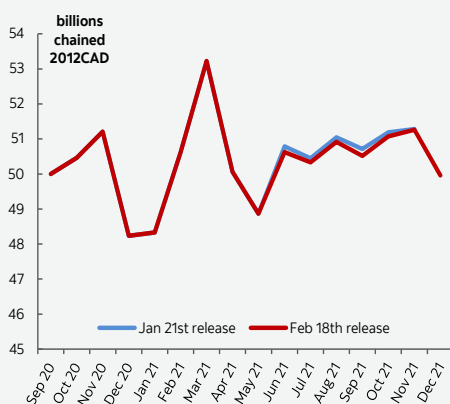


#### Contributors

##### Nikita Perevalov

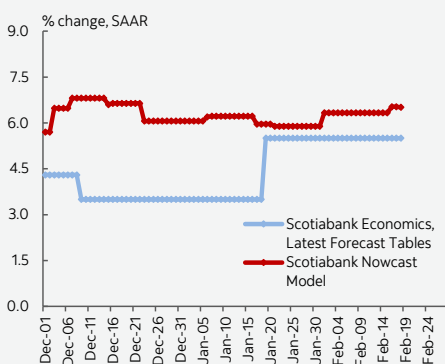
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Chart 1: Retail sales, Canada



Sources: Scotiabank Economics, Haver Analytics, Statistics Canada

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



Sources: Scotiabank Economics, Bloomberg, Haver Analytics.

## Scotiabank Nowcast: December Retail Sales Declined as Expected, Q4-2021 GDP at +6.51%

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](#).

- In the last major release of Q4-2021 data, Canadian retail sales came in roughly as expected in December based on the preliminary information provided by StatCan. Sales fell by -1.8% m/m, compared to the early estimate of -2.1%, although the volumes declined by -2.5% once the impact of higher prices is stripped out. The data received so far still points to a robust increase in overall GDP at +6.51% Q/Q SAAR in the last quarter of 2021, despite several factors that had threatened to derail growth throughout the quarter.
- In December the weakness in sales was broad-based and extended to 8 of 11 subsectors, with clothing and accessories (-9.5% m/m) and home furnishings (-11.3% m/m) leading the decline, all to be expected given the spread of the Omicron variant at the end of 2021. Auto dealers were one of the few sectors that saw sales rise in December (+0.5% m/m). Interestingly, the e-commerce sales fell by -10.3% m/m, which could be due to supply chain disruptions leaving shoppers unable to find goods for purchase online, as well as advance holiday shopping earlier in the quarter aimed at avoiding shipping delays.
- After this last major print of Q4-2021 we can draw some sectoral comparisons. The quarter was not very kind to retailers, with the total sales volumes rising by only +1.4% Q/Q SAAR. However, on balance economic activity was very robust, as other sectors showed strong growth, with manufacturing sales volumes up +15.6% Q/Q SAAR and wholesale volumes rising +13.1% Q/Q SAAR, despite the supply chain disruptions that snarled production and left goods unavailable for purchase.
- Looking ahead, the picture is a bit more murky. While the January labour market data was disappointing, even if expected, the economy losing -200K jobs and hours worked falling by -2.2% m/m, the flash estimate for retail sales released by Statistics Canada this morning showed an increase of +2.4% m/m in the month. Even though the response rate was low, any increase in the midst of the Omicron wave is good news, although the early manufacturing and wholesale sales to be released next week will shed more light on the broader conditions in the Canadian economy in January.

Table 1: Canadian GDP Nowcast, Q4-2021

	Nowcast Date	Q4-2021 GDP Growth, %
Previous Nowcast	16-Feb-22	6.53
Revisions and other data		+0.00
Retail sales, Canada		-0.02
Current Nowcast	18-Feb-22	6.51

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