

May 22, 2014

## DLI still depressed in March

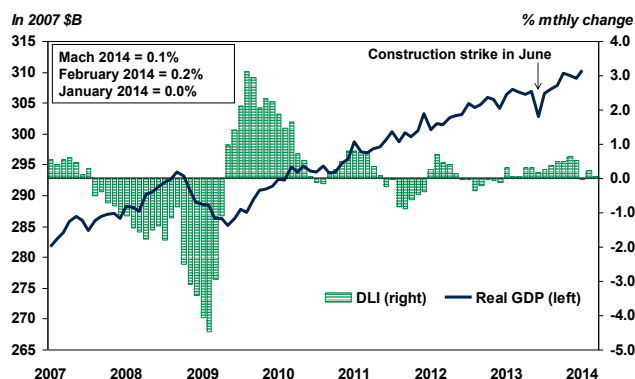
The Desjardins Leading Index (DLI) continued at an anemic pace in March (graph 1). The strength of the “business” component prevented the index from slipping back into negative territory, offsetting the weakness observed in the “consumers” and “housing” components. February’s recovery in exports is good news, as Quebec economic growth will essentially depend on the performance of international trade this year. The expected improvement in the economic conditions of Canada and the United States are positives for Quebec’s economic growth in the coming months.

### CONSUMERS

The “consumers” component continued to be listless in March. Even though retail sales grew slightly in February, furniture and appliance sales fell once again, echoing the slowdown in the residential market. Automobile sales were also down.

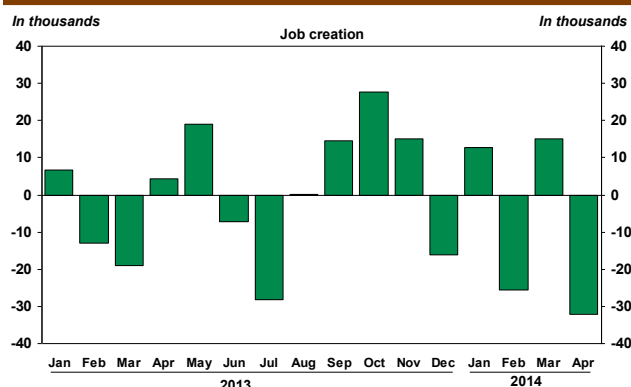
The labour market continued to seesaw, with 32,000 jobs lost in April following a reported 15,100 new workers in March (graph 2). The situation should nonetheless improve, giving the second quarter an opportunity to close on a positive note. According to Bank of Canada and Canadian Federation of Independent Businesses surveys, hiring

**Graph 1 – The Desjardins Leading Index (DLI) is still depressed in March**



Sources: Institut de la statistique du Québec and Desjardins, Economic Studies

**Graph 2 – No clear trend yet in the labour market**



Sources: Statistics Canada and Desjardins, Economic Studies

intentions are positive for the coming months. In addition, the U.S. job market improvement in April should be favourable for Quebec’s economy.

The consumer confidence index is still on the road to recovery. April’s 10-point gain was a particular standout, pushing the index to its highest level since April 2008 (86.1 vs. 86.5, respectively) (graph 3 on page 2). There was another rise in the proportion of households that think the time is right for a major purchase, now at 48.3, or nearly the same level as the average for the last 10 years (48.5). This suggests that retail sales growth will follow suit.

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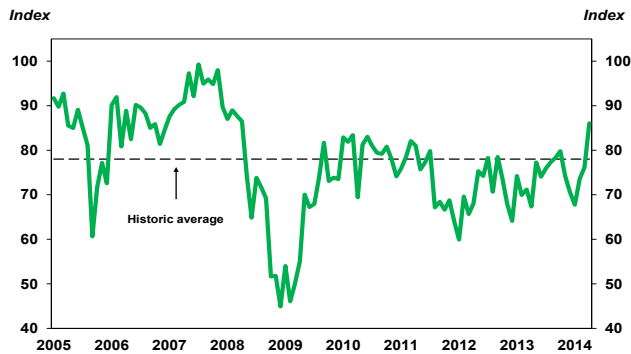
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**Graph 3 – Consumer confidence jumped in April**



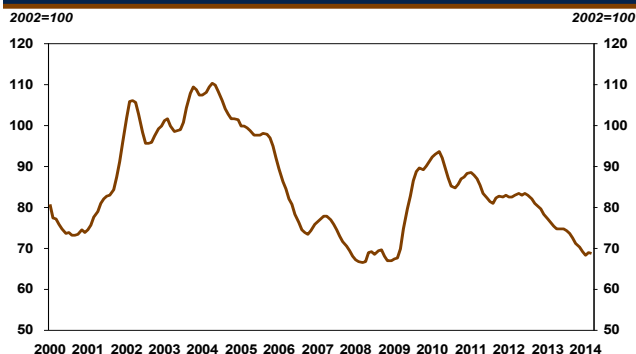
Sources: Conference Board of Canada and Desjardins, Economic Studies

## HOUSING

The “housing” component slipped back into negative territory in March, but the recent trend seems to be toward stabilization (graph 4). In fact, the downturn recorded in the first quarter of the year spilled over into April in the resale market. Since supply was up and demand retreated, growth in average sales prices was tepid.

The yo-yoing movement seen in new construction these past few months continues, while housing starts dropped in March and rose in April. This seesawing should be a mainstay in 2014, while other occasional increases will occur with the launch of large-scale residential projects, particularly in Greater Montreal. As a whole, our scenario of stabilization for this year continues to apply.

**Graph 4 – The housing component seems to be stabilizing**



Source: Desjardins, Economic Studies

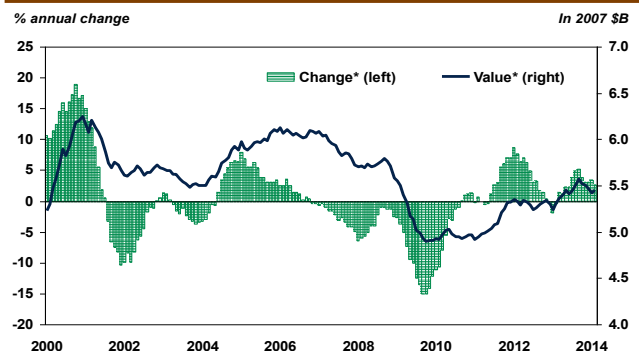
## BUSINESS

The “business” component persisted in its upward trend in March. The good performance of the IQ-30 and the firming up of the U.S. leading indicator both had a hand in this situation.

As we expected, growth in business (industrial and commercial) building permits was weak from January to March compared with the end of 2013, suggesting that investors will make a weaker contribution to the economy this year. However, the good news lies with international trade, which recovered this February (graph 5). This is a welcome improvement, as Quebec’s economic expansion will essentially be dependant on the performance of its international trade in 2014.

The signals coming out of recent movement in entrepreneur confidence are contradictory. In April, a historically low 44% of businesses estimated that they were in good health, yet hiring intentions were relatively high. This continues to reflect the still hesitant economic climate in Quebec.

**Graph 5 – International exports are recovering**



\*Eight-month moving average  
Sources: Institut de la statistique du Québec and Desjardins, Economic Studies

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