

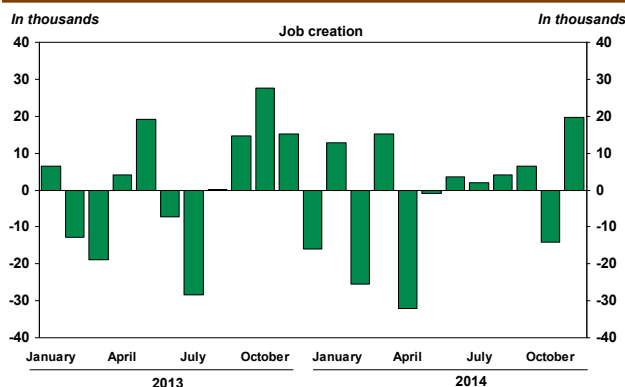
## The DLI loses steam in October

The Desjardins Leading Index (DLI) continued to advance in October, but at a more modest 0.3%. This follows the increases of 0.6% recorded in September and 1.0% posted in August (graph 1). Nonetheless, the DLI's upward trend has persisted for nine months now, giving hope that economic growth will be somewhat more solid in the coming six months. However, the year is coming to a close with disappointment on many fronts: real GDP growth remains under the 2% mark, business investment was weak and the labour market barely posted a gain. However, the upswing in exports levelled things off and allowed the Quebec economy to continue to expand.

### CONSUMERS

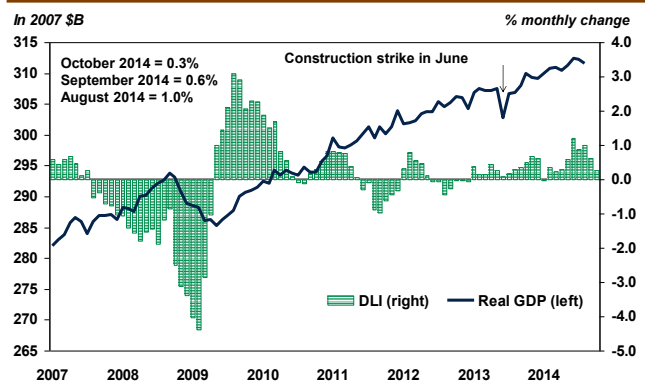
Despite the consumers component's fall in September and October, there was positive growth of 3% in retail sales for the first nine months of 2014 compared with the same period in 2013. While furniture and appliance sales remained relatively stable during this period (-0.1%), the value of car sales grew 5.8%.

**Graph 2 – In November, the labour market posted its best performance since the beginning of 2014**



Sources: Statistics Canada and Desjardins, Economic Studies

**Graph 1 – The Desjardins Leading Index continues to rise in October, but at a more modest pace**



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

In November, the labour market posted its strongest job creation since the beginning of 2014 with an increase of 19,600 jobs (graph 2). Since the labour force bounced back with 15,500 people, the unemployment rate remained fairly stable from October to November, moving from 7.7% to 7.6%. The employment picture has remained negative since December 2013, as 9,100 jobs were lost in Quebec.

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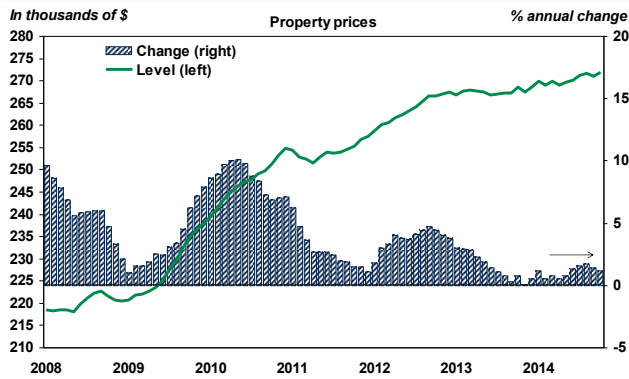
NOTE TO READERS: The letters K, M and B are used in texts and tables to refer to thousands, millions and billions respectively.

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**HOUSING**

The DLI's housing component was stable in October. However, the Quebec residential market turned in mitigated results this year. Total housing starts were up around 5% from January to November over the same period in 2013, while sales of existing properties fell 1%. The annual average sales price for a property grew by around 1% (graph 3).

**Graph 3 – Average property sales price growth stabilizes at around 1%**



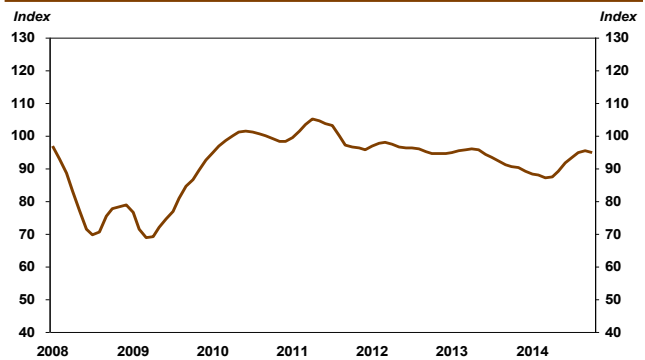
Sources: Canadian Real Estate Association and Desjardins, Economic Studies

Housing starts for condos have recorded an increase of approximately 20% in Montreal and Gatineau since the beginning of 2014. In Quebec City, there was a drop of around 32%, putting a market with a rising surplus back on sounder footing. Since the beginning of the year, existing condo sales have dropped by around 17% in Gatineau and 4% in Montreal, while Quebec City has posted a slight increase of 1%. Since condo construction in Montreal and Gatineau continues in a context of softening demand, the average sales price should remain fairly stable. The risk of prices falling is therefore still present for condos.

**BUSINESS**

Despite the surge in North American stock markets in mid-October and the firming of U.S. economic conditions, entrepreneur confidence only grew modestly in November, according to the Canadian Federation of Independent Business (graph 4). In addition, the proportion of entrepreneurs who mentioned that overall business conditions are good deteriorated to a historic low of 40%, according to the organization. Meanwhile, investment intentions are disappointing. The value of building permits for businesses (commercial and industrial sectors) was down by around 7% from January to October 2014 compared with the same period in 2013.

**Graph 4 – Entrepreneur confidence is slow to firm up**



Sources: Centre d'Analyse et de Suivi de l'Indice Québec and Desjardins, Economic Studies

Nonetheless, the business component has stayed the course on growth for several months now, representing one of the rare encouraging signs for the Quebec economy since the beginning of 2014. This advance particularly stems from the good performance of U.S. and Canadian leading indicators and the Quebec IQ-30 stock index. International trade should keep improving in 2015 and will continue to be a pillar of growth for the provincial economy.

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