

January 14, 2015

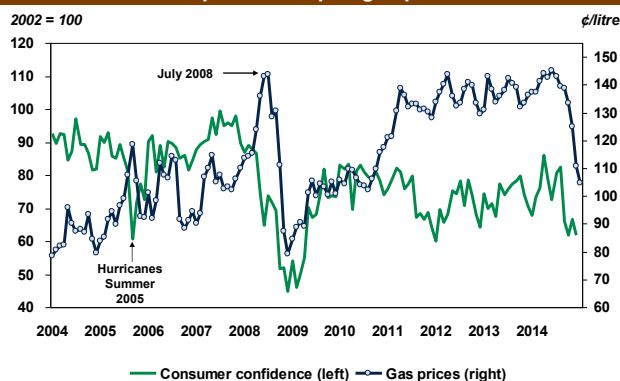
## The DLI accelerates in November

The Desjardins Leading Index (DLI) firmed up in November, rising 0.4% (graph 1). The index's uptrend is a positive signal for Quebec's real GDP growth in the coming months. In 2015, the weak loonie, which will help kickstart exports, particularly to the United States with its much better economic situation, and low oil prices will offset some of the weakness in domestic demand. Quebec's real GDP should advance 1.7% in 2015 after increasing about 1.5% in 2014.

### CONSUMERS

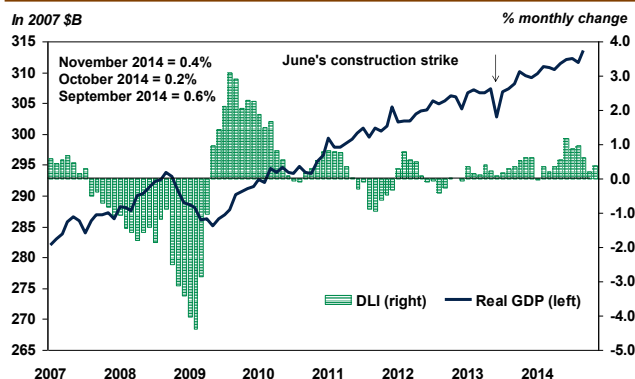
The DLI's "Consumers" component remained in negative territory in November, attesting to some fragility in their situation. Consumer sentiment did not improve, despite the recent drop in gas prices. In fact, after edging up in November, the consumer confidence index relapsed again in December (graph 2). The labour market remains disappointing, losing 6,700 jobs from November to December. The interim report also notes a loss of 15,800 jobs from December 2013 to December 2014. A total of 9,700 full-time jobs were slashed during this time. The unemployment rate ended the year at 7.7% compared with 7.6% in 2013.

**Graph 2 – Consumer confidence still soft despite the drop in gas prices**



Sources: Conference Board, Statistics Canada and Desjardins, Economic Studies

**Graph 1 – Moderate growth by the DLI in November**



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

Retail sales, which ticked down 0.3% in the third quarter of 2014 from the previous quarter, dropped again in October, by a monthly 0.5%. The value of motor vehicle sales rose in October 2014 from October 2013, while the value of furniture and appliance sales fell.

**François Dupuis**  
Vice-President and Chief Economist

**Hélène Bégin**  
Senior Economist

**Chantal Routhier**  
Economist

418-835-2450 or 1 866 835-8444, ext. 2450  
E-mail: [desjardins.economics@desjardins.com](mailto:desjardins.economics@desjardins.com)

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

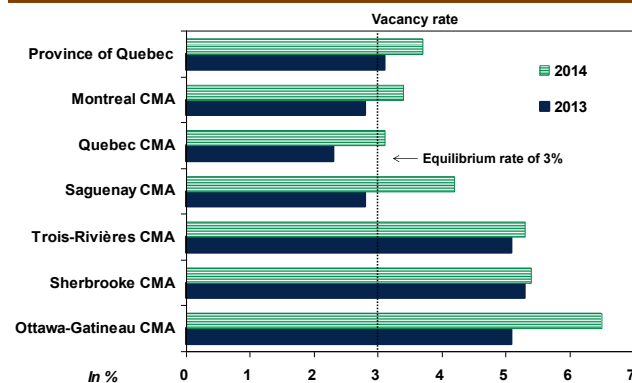
IMPORTANT: This document is based on public information and may under no circumstances be used or construed as a commitment by Desjardins Group. While the information provided has been determined on the basis of data obtained from sources that are deemed to be reliable, Desjardins Group in no way warrants that the information is accurate or complete. The document is provided solely for information purposes and does not constitute an offer or solicitation for purchase or sale. Desjardins Group takes no responsibility for the consequences of any decision whatsoever made on the basis of the data contained herein and does not hereby undertake to provide any advice, notably in the area of investment services. The data on prices or margins are provided for information purposes and may be modified at any time, based on factors such as market conditions. The past performances and projections expressed herein are no guarantee of future performance. The opinions and forecasts contained herein are, unless otherwise indicated, those of the document's authors and do not represent the opinions of any other person or the official position of Desjardins Group. Copyright © 2015, Desjardins Group. All rights reserved.

## HOUSING

The "Housing" component's change remained negative in November. Transactions in the resale market fell from the previous month, while new construction was up, boosted by starts on seniors' residences in Montreal. However, housing starts were down for the year, due to a 17.5% drop in December. For 2014 as a whole, the report from the Canada Mortgage and Housing Corporation (CMHC) indicates that 38,810 units were started, up 2.8% from 2013.

In Quebec, the vacancy rate for rental units reached 3.7% in October 2014, from 3.1% in October 2013. The increase is due to, on one hand, a drop in demand, likely tied to a weaker job market, and a pullback by net migration and, on the other, a supply boosted by a rise in new construction and an injection of condo units being rented out. Vacancy rates rose in all six Quebec CMAs, and all of them were above the 3% equilibrium rate (graph 3).

**Graph 3 – In all Quebec CMAs, vacancy rates are now above equilibrium**



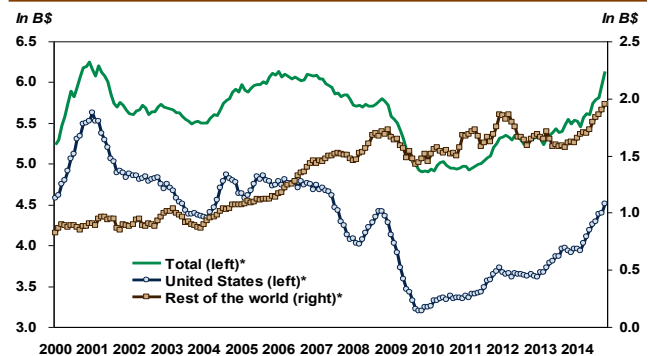
Sources: Canada Mortgage and Housing Corporation and Desjardins, Economic Studies

## BUSINESS

The "Business" component advanced further in November. The recent acceleration by U.S. real GDP is still having a positive impact on growth by Quebec's international exports. The volume of merchandise shipped abroad even oustripped where it was before the 2008–2009 recession.

The loonie's slide also helped the surge. Note that exports to other countries were also up (graph 4). These factors are also helping create an environment conducive to an upswing by business investment in 2015. Business leader confidence should also firm up. According to the Canadian Federation of Independent Business, small and mid-size business confidence waned in December, but three-month hiring plans swung up, an encouraging signal.

**Graph 4 – Exports to the United States and the rest of the world are on the rise**



\* 6-month moving average  
Sources: Institut de la statistique du Québec and Desjardins, Economic Studies

However, the retreat by oil prices put downside pressure on the Canadian stock market's performance, with the S&P/TSX's energy sector plunging 30% since last summer. The year overall was positive, nonetheless, with the index up 7.4%. The S&P 500's growth also vacillated in the last quarter; however, for 2014, the U.S. stock market still posted a 12.1% rise over 2013. Quebec's IQ-30 stock index, for its part, maintained its advance over the last few months and posted a relatively strong 22.7% annual increase for 2014. This augurs well for future growth by Quebec business investment.

**Chantal Routhier**  
Economist

"Indice Québec-30", "Indice Québec-120", "Indice IQ-30", "Indice IQ-120" and "Indice Québec" are trademarks of the Institut de recherche en économie contemporaine (IREC), or as the case may be, are intellectual property of IREC, which has filed trademark applications in this regard.