

# DESJARDINS LEADING INDEX

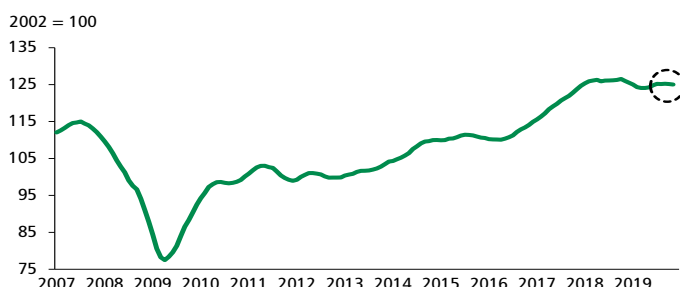
The Desjardins Leading Index (DLI) is a composite index that allows market players to monitor shifts in Quebec's economy that may indicate an imminent recession or recovery in the next three to six months.

## DLI Begins Slight Downward Trend

The DLI decreased 0.1% in November, the third decline in the space of a few months (graph 1). Although many economic indicators are looking up, such as home sales, household confidence and the Québec-30 stock market index, this is not enough to offset the decrease in some statistics. Building permits and housing starts are moving away from the peak reached recently, motor vehicle and furniture sales are sliding, and the leading indicators for the Canadian and U.S. economies are down (graph 2).

### GRAPH 1

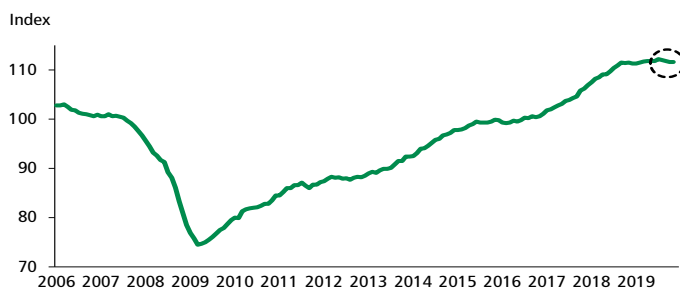
The DLI has been lacking momentum over the past few months



Source: Desjardins, Economic Studies

### GRAPH 2

The U.S. leading indicator has edged down since the summer

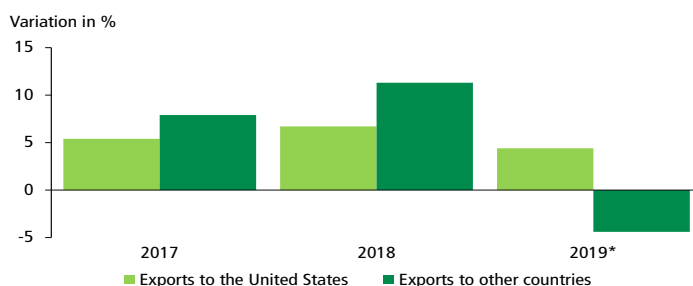


Sources: Datastream and Desjardins, Economic Studies

South of the border, the weak leading indicator is due mainly to the fall in the new orders component of the ISM manufacturing index. Difficulties in the industrial sector continue to drag the pace of the U.S. economy down to around 2%. Quebec exports to the United States are therefore slower to rise (graph 3). Shipments to other countries have been down since the global economy began to idle.

### GRAPH 3

The slowing global economy is affecting Quebec's international exports



\* Average for the first ten months of 2019 compared with the same period in 2018.  
Sources: Institut de la statistique du Québec and Desjardins, Economic Studies

## IMPLICATIONS

The DLI signal is in tune with that of the Canadian and American leading indicators. Given that global trade continues to struggle, North America is also feeling the consequences. Although tensions appear to have subsided between China and the United States with the first phase of a trade agreement, high tariffs are still in place. While Quebec's economy posted real GDP growth of 3.6% (annualized) in the third quarter of 2019, the recent DLI trend suggests a less sustained pace for the coming quarters.

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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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