

DESJARDINS LEADING INDEX

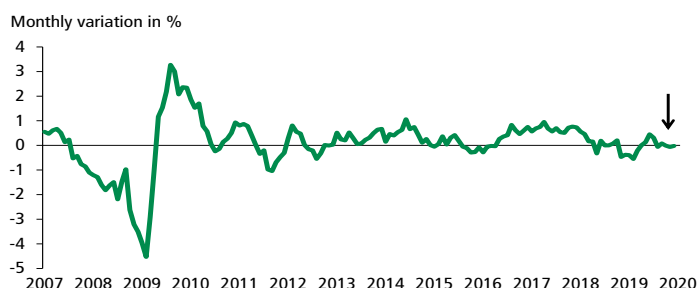
The Desjardins Leading Index (DLI) is a composite index that allows market players to monitor shifts in Quebec's economy that may indicate an imminent recession or recovery in the next three to six months.

DLI Still Showing Signs of Weakness

The DLI was stable in December after ticking down in previous months (graph 1). Several indicators improved, while others fell in December, keeping the DLI from recovering. Positive points included the rise in home sales, high household confidence and the strength of the Québec-30 stock market index (graphs 2 and 3). Factors that were less favourable for December's DLI were the weak leading indicator for the U.S. economy and a downtick in SME confidence. The temporary correction in housing starts and drop in motor vehicle sales also hurt the DLI. Some indicators

GRAPH 1

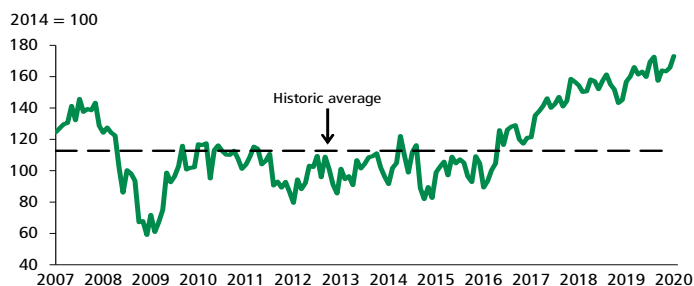
The DLI has lacked strength in the past few months



Source: Desjardins, Economic Studies

GRAPH 2

Confidence among Quebec consumers is high

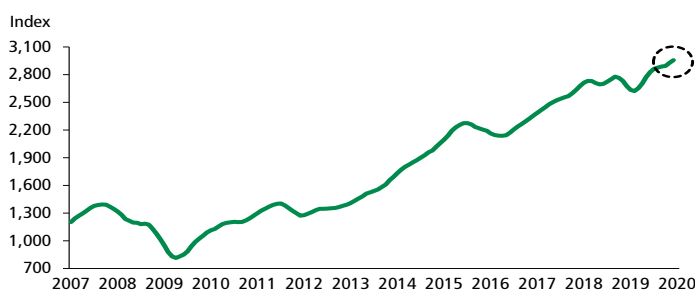


Sources: Conference Board of Canada and Desjardins, Economic Studies

published thus far for January are much better, particularly those related to residential construction. The DLI could therefore recover slightly by the next update.

GRAPH 3

The Québec-30 stock index hit a new peak



Sources: Centre d'analyse et de suivi de l'Indice Québec and Desjardins, Economic Studies

IMPLICATIONS

The ongoing hesitation by the DLI seems to suggest a slightly more subdued pace for Quebec's economy in the next few quarters. Last year, the province contrasted with Canada and the United States in terms of real GDP growth, but it is not completely safe from an economic slowdown. In this context, keep a close eye on how the DLI evolves.

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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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