

March 12, 2015

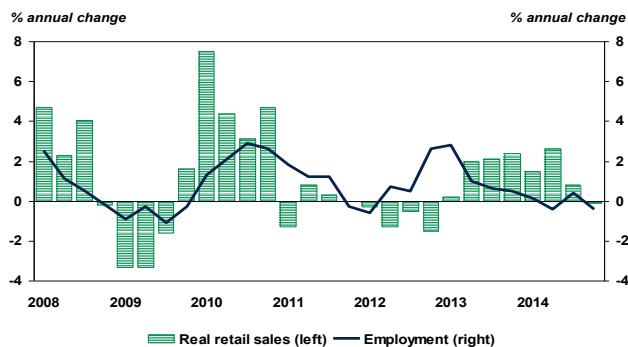
## The DLI edges back 0.3% in January

The Desjardins Leading Index (DLI) fell 0.3% in January on the heels of December's zero growth (graph 1). A single month of decline is not enough to augur a slowing Quebec economy: it should stay on track with growth thanks to international trade. Exports continue to trend up, buoyed by the improved situation in the United States and a loonie that is below parity; besides this, however, there are few supports to stimulate the Quebec economy's growth. Retail sales are lacklustre and business investment remains down. The housing market is sluggish.

### HOUSEHOLDS

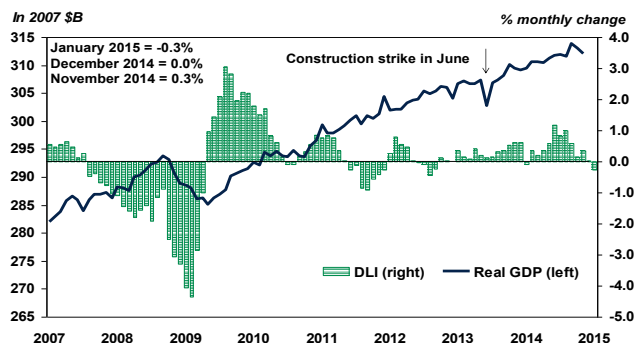
The "households" component fell again in January, for a fifth straight month. After stabilizing in November, retail sales dropped 0.5% in December (seasonally adjusted and annualized). This means the fourth quarter ended on a sour note, ticking down 0.4% from the previous quarter. However, sales are up 2.6% for 2014 as a whole, a pace similar to that set in 2013. Consumer spending therefore showed some resilience last year, although the job market was weak (graph 2).

**Graph 2 – Retail sales rose in 2014 despite the problems in employment**



Sources: Statistics Canada and Desjardins, Economic Studies

**Graph 1 – Desjardins Leading Index (DLI) slides in January**



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

Consumer confidence has been on the rise since December 2014, likely due to the low gas prices. However, the index is still moving below its historic average (graph 3 on page 2), which indicates that consumers remain somewhat cautious. The measures announced by the Quebec government and problems in the labour market, among other things, could sap consumer morale. In this context, we must hope that the job creation noted in January continues and that full-time employment really recovers this year.

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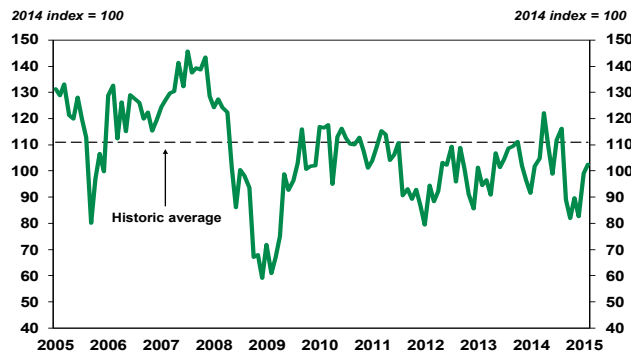
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NOTE TO READERS: The letters K, M and B are used in texts and tables to refer to thousands, millions and billions respectively.

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**Graph 3 – Consumer confidence rises, but stays below its historic average**

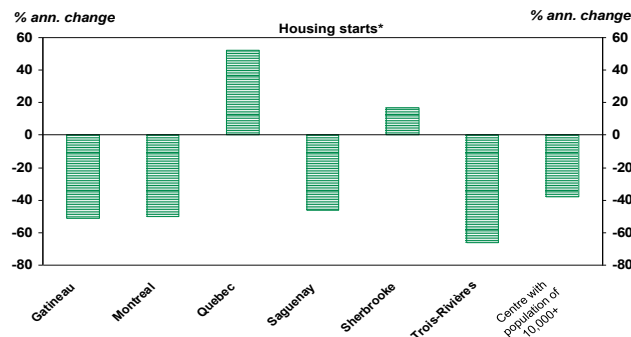


Sources: Conference Board of Canada and Desjardins, Economic Studies

## HOUSING

The housing sector continues to cool, as shown by the “housing” component’s four-month stay in negative territory. In fact, the pace of new construction has been slowing since the start of the year, with half of the province’s CMAs posting declines by housing starts in January and February (graph 4). The Quebec City CMA stands out, however: new construction jumped from 308 to 468 units in the first two months of this year compared with the same period last year, due to intense activity in rental housing.

**Graph 4 – New construction is flagging since the start of the year**



\* Year to date for January to February 2015 over the same period in 2014  
Sources: Canada Mortgage and Housing Corporation and Desjardins, Economic Studies

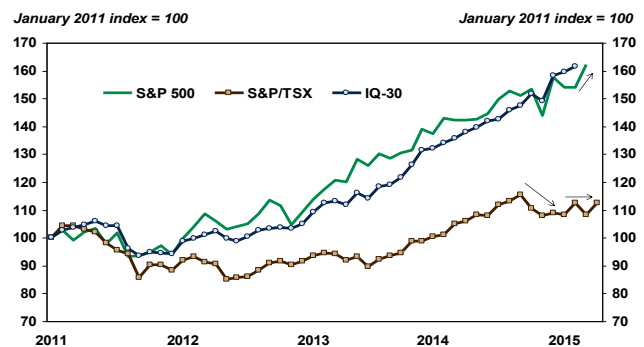
Condos pulled back in most CMAs during this period. The lull is welcome: it will give this market segment sounder underpinnings, given that it still has a relatively large surplus.

In the resale market, transactions for existing properties declined in Quebec in January 2015 from January 2014. The Gatineau, Montreal and Quebec City CMAs all recorded declines, while the Saguenay, Sherbrooke and Trois-Rivières CMAs were relatively stable.

## BUSINESSES

The “business” component stabilized in January, in a context in which business confidence and investment lack strength. On the other hand, the stock markets have been making somewhat of a comeback (graph 5). The Quebec IQ30 stock index turned around in February after January’s slide, posting a cumulative 3.6% rise from December 2014. For their part, the S&P 500 and S&P/TSX indexes were up 2.2% and 4.1% respectively at the end of February from their levels in December 2014.

**Graph 5 – The stock markets have done better recently**



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

In December, the value of goods shipped abroad (in real terms) jumped 20.0% over the previous month. For 2014 as a whole, exports grew 10.9%, the strongest yearly growth Quebec has seen in 15 years.

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