

April 14, 2015

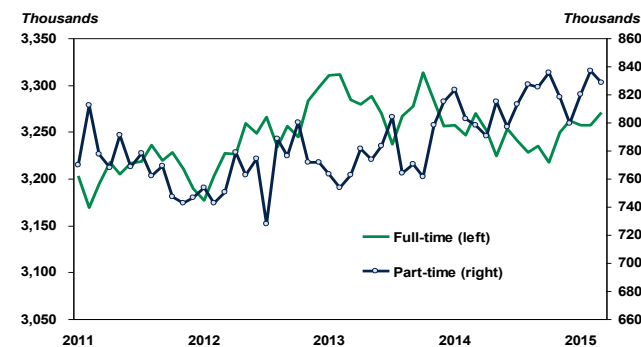
## The DLI goes back into positive territory in February

The Desjardins Leading Index (DLI) only ticked up in February, rising 0.1% after January's 0.3% slide (graph 1). The DLI's lacklustre performance should be temporary, as the strength in exports should allow Quebec's economy to accelerate in the next three to six months. However, more positive signs from business are needed to kick start private investment. The contribution from households will be subdued, and the housing sector will be sluggish.

### CONSUMERS

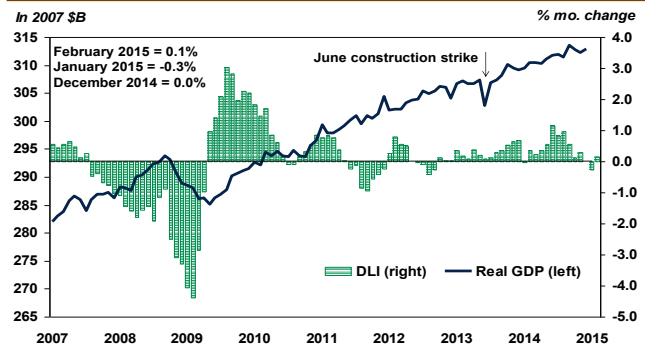
The "consumers" component is back in positive territory after declining for five straight months. The labour market is still improving. Employment advanced again in March, rising by a monthly 5,300 jobs. The first quarter of 2015 therefore wraps up on a good note, adding 38,100 workers from December 2014. Full-time work also rebounded in March, while part-time work fell (graph 2). However, most of the gains made in the last three months were focused in part-time work. The unemployment rate stood at 7.5% in March, similar to where it was in December.

**Graph 2 – In March, full-time employment recovered while part-time work fell**



Sources: Statistics Canada and Desjardins, Economic Studies

**Graph 1 – The Desjardins Leading Index edged up in February**



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

Consumer confidence continues to rise, but the recent improvement is fragile. Announcements from the Quebec government could sap consumer morale and thus have an adverse impact on their spending. Retail sales showed weak growth in 2014 from 2013 and, in January 2015, they were down.

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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.

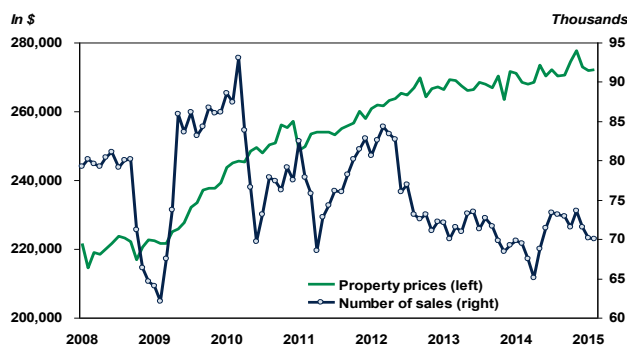
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## HOUSING

The “housing” component continues to drag. Housing starts have been heading down since the start of the year, and some of the bigger-than-anticipated decline by new construction can be chalked up to the winter’s unusually cold weather. The first quarter of 2015 posted a drop of 27.7% from the last quarter of 2014, despite March’s monthly 13.1% rise.

In February 2015, existing home sales and the average sale price were fairly stable after falling in January and December (graph 3). On average, the time to sale was 122 days in February 2015 compared with 114 a year ago.

**Graph 3 – The resale market stabilized in February**



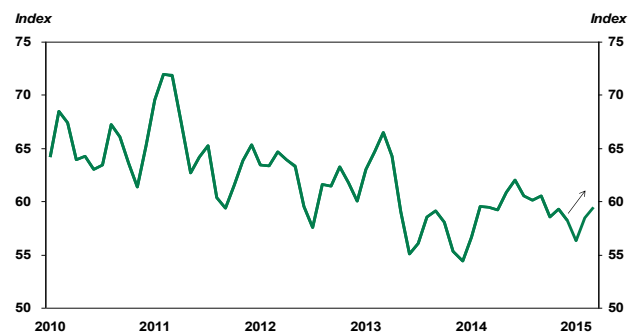
Sources: Québec Federation of Real Estate, Centris® system and Desjardins, Economic Studies

## BUSINESS

The “business” component remained sluggish in February, but some indicators suggest an upswing. According to the Canadian Federation of Independent Business, SME confidence rose in March (graph 4) and hiring intentions for the next three months have improved, sending an encouraging signal about the economy. However, business confidence will have to firm up further before we can hope to see private investment take off. Meanwhile, the improvement recorded in other indicators is helping create a climate more conducive to a recovery by investment in 2015.

Exports are advancing, as the international sector is benefiting from the ongoing improvement to the U.S. economy and the loonie remains below parity. Moreover, the IQ-30 stock index and U.S. leading index are still trending up, indicating that, all in all, investor expectations for corporate profits are positive.

**Graph 4 – SME confidence climbs**



Sources: Canadian Federation of Independent Business and Desjardins, Economic Studies

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