

DEJARDINS LEADING INDEX

DLI Growth Loses Steam

The DLI, a [new version](#) of which was launched in the fall, recorded a monthly gain of 1.1% in January. This is a slower pace than in previous months. The DLI recovered nearly all of the ground lost during the first wave in the spring of 2020 owing to strong housing and business components. These components have remained in positive territory since the fall because the residential sector and most businesses were spared from the targeted closures intended to combat the second wave.

The consumer component, however, declined for a second straight month in January. The shutdown of non-essential businesses from December 25 to February 8, such as car dealerships and furniture stores, hit durable goods sales particularly hard.

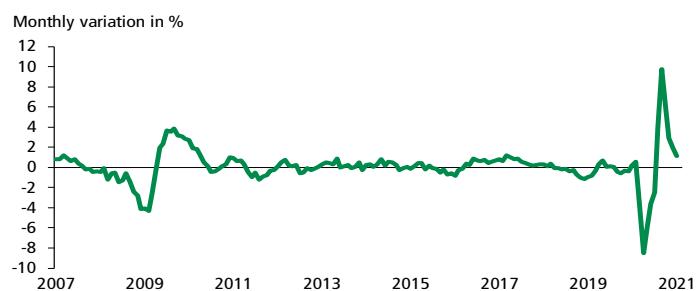
Conversely, the housing component continues on a positive streak, as new construction is going at full tilt. Existing home sales, however, have tended to stabilize over the past few months since the supply of available homes is insufficient to meet buyers' strong demand. In addition, mortgage rates have now stopped dropping, and the upswing in medium- and long-term bond yields is beginning to put slight upward pressure on promotional fixed mortgage rates.

Moreover, global trade has now recouped all its losses, leading to higher exports abroad from Quebec. The progress of the vaccination campaign is fuelling some business optimism, and SME confidence is recovering convincingly. Many conditions appear to be in place for a strong return of investments to Quebec, as indicated by [Statistics Canada's](#) recent outlook.

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 slowdown, recession or recovery in the next six months or so.

GRAPHIQUE

The rise in the DLI subsides after the rebound of previous months



Source: Desjardins, Economic Studies

IMPLICATIONS

The DLI's slower growth is a reflection of the gradual addition of public health measures from October to January. The gradual lifting of restrictions starting in February will revive the economic indicators that have been affected by closures since the fall. Employment also rebounded sharply in February (+112,600), wiping out nearly all the losses that accumulated from October to January.

Just like the economy, which withstood the disruptions caused by the second wave better overall, the DLI is faring relatively well. If a third wave were to lead to tighter public health measures again, despite the successful vaccination rollout, the damage would likely be more limited. For some sectors, however, the blow would be even more difficult to take.

Hélène Bégin, Senior Economist

François Dupuis, Vice-President and Chief Economist • Mathieu D'Anjou, Deputy Chief Economist • Hélène Bégin, Senior Economist

Desjardins, Economic Studies: 418-835-2450 or 1 866-835-8444, ext. 5562450 • desjardins.economics@desjardins.com • desjardins.com/economics

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 such factors 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 © 2021, Desjardins Group. All rights reserved.