

May 14, 2015

## The DLI heats up in March

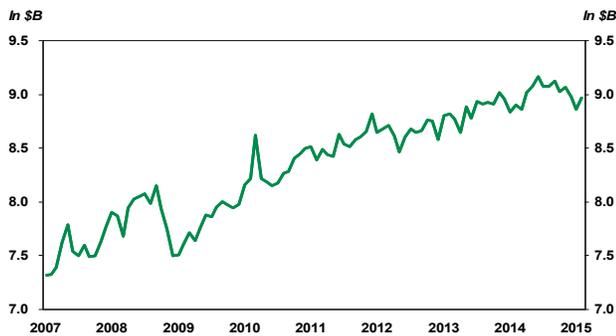
The Desjardins Leading Index (DLI) accelerated in March, advancing 0.3% following stagnation in February and a 0.3% dip in January (graph 1). This is an encouraging result, as it suggests the Quebec economy improved over the last three to six months. Employment continued to grow and the increase in exports will keep on positively impacting growth in the province's real GDP. However, consumption is still weak, the residential market is sluggish and business investment is slow to recover, which is a reminder that the Quebec economy is still fragile.

### CONSUMERS

The "Consumers" component rose again in March, sharply stimulated by improvement in consumer sentiment. However, consumer confidence lost 8.8 percentage points in April, a reflection of their continued vulnerability. Retail sales have also been weaker since the beginning of the year (graph 2). Automobile sales posted a downward trend, as did furniture, electronics and appliances (graph 3).

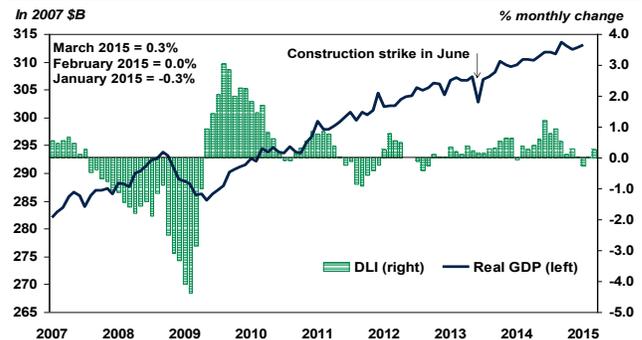
In contrast, employment is up in April for the fourth consecutive month, with a net creation of 11,700 new jobs.

Graph 2 – Retail sales remain sluggish



Sources: Statistics Canada and Desjardins, Economic Studies

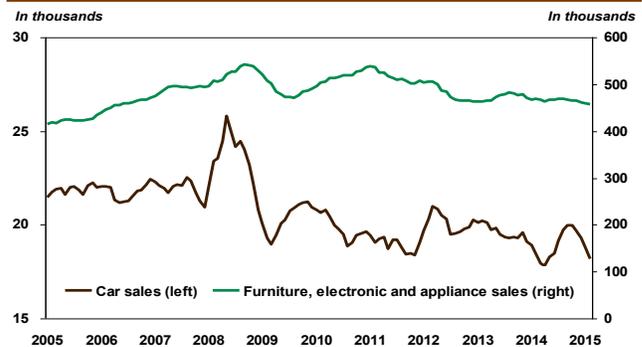
Graph 1 – Growth firmed up in March for the Desjardins Leading Index



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

Full-time employment continued to rise, but part-time employment fell again. The unemployment rate slipped somewhat to 7.4% in April, close to the level seen in recent months.

Graph 3 – The value of sales\* of automobiles and furniture, electronics and appliances is down



\* : 5-month moving average  
Sources: Statistics Canada and Desjardins, Economic Studies

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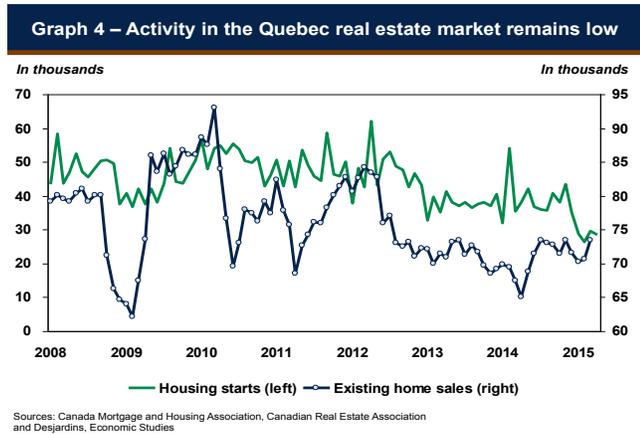
NOTE TO READERS: The letters K, M and B are used in texts and tables to refer to thousands, millions and billions respectively.

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**HOUSING**

The “Housing” component continued to languish, with new construction plummeting since the beginning of the year and resales sputtering along (graph 4). At 28,602 units in April, housing starts decreased 2.9% monthly, following a 12.0% rebound in March. Results for January to April report a 29.1% decrease, and the unusually cold winter most likely had a hand in this contraction.

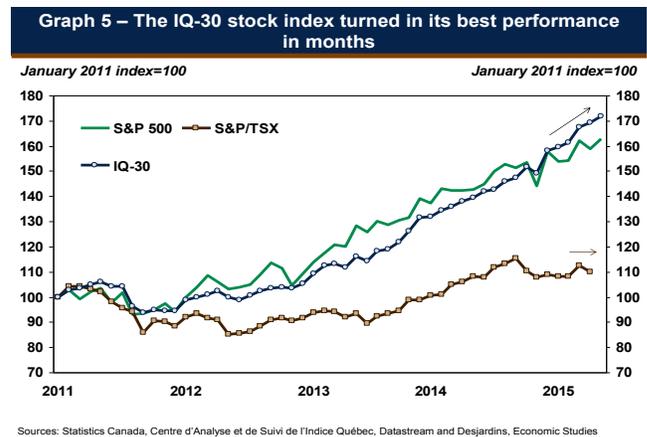
Existing home sales spiked in March 2015, but the first quarter of the year still ended on a negative note with a 1.1% decrease in transactions compared with the previous quarter. The average sales price was up a monthly 0.8% in March after holding steady in February and falling in January. The resale market is in a surplus situation in several of Quebec’s main urban centres, and given this, the average time to sell continues to lengthen, and the average sales price continues to grow modestly.



**BUSINESSES**

The “Businesses” component weakened again in March 2015. Exports have done more poorly recently, while the value of exported goods plummeted in January and February. The tough North American winter weather likely had a negative impact on trade. This bad start to the year does not call into question our projection on the contribution of international trade to Quebec’s real GDP growth in the coming months. The loonie will continue to hover below parity and the U.S. economy should accelerate in the second quarter.

However, SME confidence dropped drastically in April, according to the Canadian Federation of Independent Business, although 44% of entrepreneurs believe their businesses are in good financial health. In addition, one of the rare encouraging signs for coming changes in business investment in Quebec is the strong progression of the IQ-30 Quebec stock index since the beginning of the year, which shows that, overall, investor profit expectations are positive. Meanwhile, weak oil prices continue to apply downward pressure on the performance of the Canadian stock market, whereas the U.S. stock market successfully stayed the course (graph 5).



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