

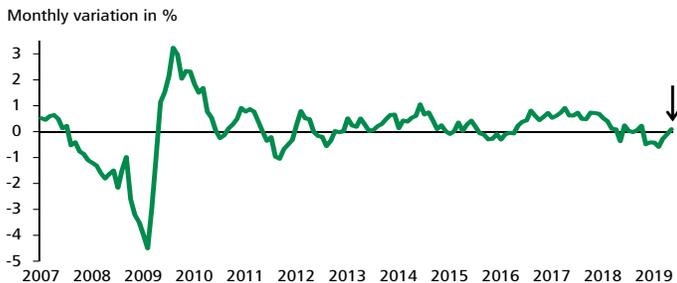
# DESJARDINS LEADING INDEX

## DLI Sees Upswing in May

The DLI posted growth of 0.1% in May, following several week months (graph 1). This improvement was mainly due to the business component, which was bolstered by the turnaround in SME confidence in Quebec and the progression of the IQ-30 stock market index. Certain consumer indicators continue to hold up well: home sales are trending up and employment insurance claims are close to an all-time low (graphs 2 and 3). However, more negative figures are preventing the DLI from making

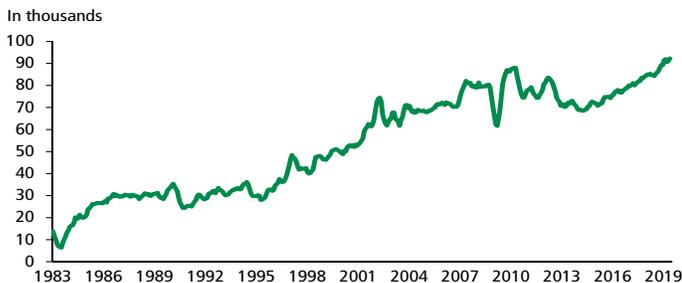
The Desjardins Leading Index (DLI) is a composite index that allows market players to monitor shifts in Quebec's economy that may indicate an imminent recession or recovery in the next three to six months.

**GRAPH 1**  
The DLI recovers after several months of decline



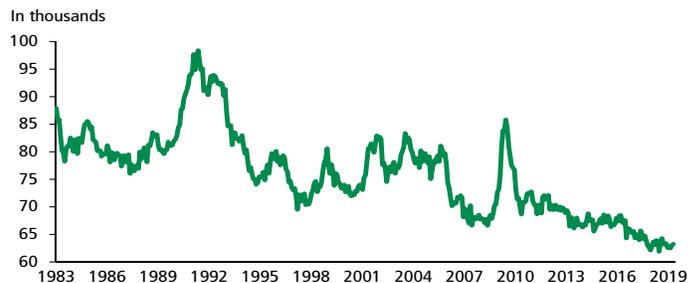
Source: Desjardins, Economic Studies

**GRAPH 2**  
Residential real estate market: Home sales are at a peak



Sources: Canadian Real Estate Association and Desjardins, Economic Studies

**GRAPH 3**  
Low number of employment insurance claims reflects the healthy labour market



Sources: Statistics Canada and Desjardins, Economic Studies

further gains. Automobile sales continue to trend downwards and furniture and appliance sales are lacklustre. Although key interest rates hikes appear to be over for now, five increases have nevertheless been applied since mid-2017, which have put a damper on sales of durable goods often purchased on credit.

### IMPLICATIONS

The DLI's return to growth in May is good news. We will need to see further increases in the coming months before we can conclude that the DLI's weak period is truly over. Quebec's economy is growing at a slower pace than in 2018, but is still maintaining a good pace. Real GDP rose an annualized 2.4% in Q1 2019, compared with 3.0% for the previous quarter. There are still a number of expansion risks, however, such as the slowdown of the global economy linked to trade conflicts, such as the one between China and the United States. Canada has not been spared, as meat exports to China have been prohibited since the end of June. While the DLI is recovering and Quebec's economy is doing well, the period of uncertainty persists at the international level.

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](mailto:desjardins.economics@desjardins.com) • [desjardins.com/economics](http://desjardins.com/economics)

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