

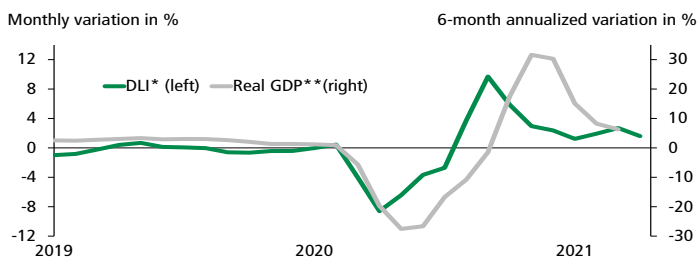
# DESJARDINS LEADING INDEX

## Pace of DLI Slows

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The DLI grew at a slower pace in April, with growth posting 1.6%, from 2.7% the previous month. Since Quebec’s economy completed its general recovery phase in March 2021, it was to be expected that the DLI would lose some steam (graph 1). The catch-up period is over, and exceptional results are making way for more limited gains. The sources of growth in economic activity will also shift in the months to come.

**GRAPH 1**  
DLI and real GDP back to a more normal rate after an exceptional period

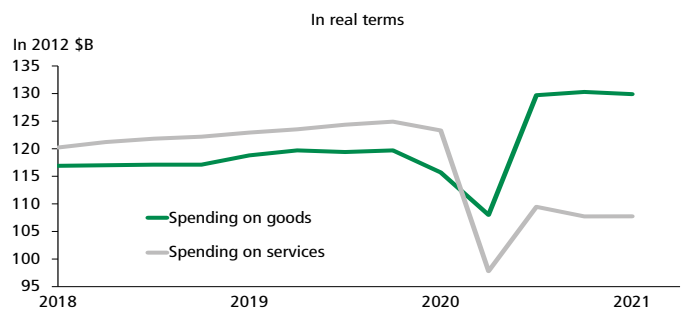


\* 5-month moving average; \*\* 3-month moving average.  
Sources: Institut de la statistique du Qu ebec and Desjardins, Economic Studies

The residential sector, which saw unprecedented activity after the forced stop in spring 2020, is starting to tail off. The DLI’s housing component ebbed in April, with sales of existing properties and building permits on the decline. The consumers component is also beginning to falter. The proportion of consumers who decided the time was right to purchase high-ticket items fell off abruptly in April, suggesting less enthusiasm in this regard. Spending on services should take over, however, thanks to the gradual reopening of restaurants, bars and entertainment venues. Quebecers’ high savings rate of 17.2% in the first quarter of 2021 and the low unemployment rate, hovering around 6.5%, are shoring up consumers’ financial foundations, which will support an upswing in spending on services (graph 2).

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.

**GRAPH 2**  
Consumer spending: Service rebound ahead



Sources: Institut de la statistique du Qu ebec and Desjardins, Economic Studies

The DLI’s business component is maintaining excellent cruising speed. All indicators are green, which bodes well for the months ahead. The leading indexes for the Canadian and U.S. economies are sustaining good momentum, and SME confidence continues to solidify. The Qu ebec-30 stock market index again posted growth in April, as did the international trade index, which has topped the pre-pandemic level for several months now.

### IMPLICATIONS

The DLI’s slowdown in April can be explained by a lull in several statistics in the housing and consumers components. This indicates that the buoyancy in the residential sector is settling into a quieter period and also suggests that the concentration of consumer spending on goods will soften. The gradual opening of the economy will pave the way to an increase in spending on services. This phenomenon is not fully captured by the DLI, as its indicators focus mainly on the purchase of durable goods. Now that real GDP is back to the pre-pandemic level, economic growth is still on the table, but it will nevertheless slow in the second half of 2021. The fact that the DLI is increasing less quickly definitely points in that direction.