

DESJARDINS LEADING INDEX

The DLI Picked Up Steam in June

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DLI growth got a boost in June after losing some steam the month before (graph 1). It grew 1.7% compared to 0.7% the previous month. That is due to the rebound in the consumers component, which had been adversely affected by the restrictive health measures imposed last spring. An incremental rise in consumer spending pushed retail sales back up in June, especially new motor vehicles. The housing component dipped further in June, while the business component held steady.

GRAPH 1
DLI continues to show good growth

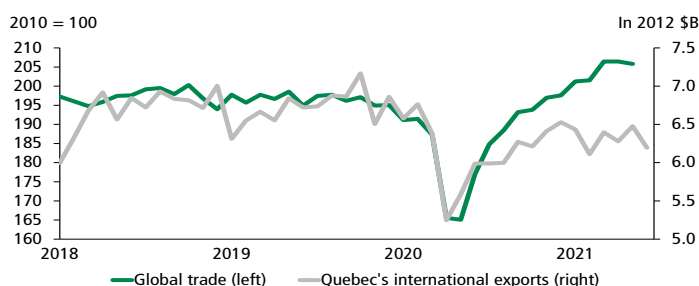


Source: Desjardins,   tudes   conomiques

The business block stood out because all indicators that make it up have a positive trend, including the SME confidence and the Qu  bec-30 stock market index. The international trade index is now losing steam after catching up to pre-pandemic levels. Several obstacles, like skyrocketing shipping costs and the limited availability of containers, are no doubt putting a damper on international trade. Quebec's international exports, which have not fully recovered yet, are also affected (graph 2).

The residential real estate market, which made such a strong contribution to the economic recovery after the freefall in spring 2020, has changed course. Sales of existing properties continue to decline and prices finally seem to have stabilized.

GRAPH 2
International exports of goods have not fully recovered



Sources: CPB - Netherlands Bureau for Economic Policy Analysis, Institut de la statistique du Qu  bec and Desjardins, Economic Studies

New construction has also been less robust since spring. The high prices of new and existing properties are now scaring several buyers away. That is calming the residential sector down after so much unprecedented activity.

IMPLICATIONS

The DLI's temporary uptick in June is due to the gradual easing of health measures and should not be seen as a sign that Quebec's economy is heating up. Real GDP is still up and down, but the trend is definitely upward. As the DLI keeps rising, economic activity should follow suit, but at a more moderate pace for the second half of 2021. The high vaccination rate and the newly introduced vaccine passport should prevent another lockdown of some types of businesses this fall.