

October 14, 2014

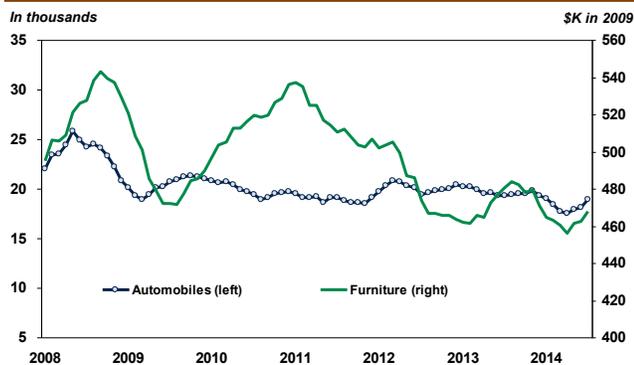
The DLI continued to be up in August

The Desjardins Leading Index (DLI) was up 1.0% in August, marking a seventh increase in a row (graph 1), which is an encouraging sign for the Quebec economy's expansion cycle over the next three to six months. Household consumption expenditure accelerated in the second quarter, while expenditure in the residential sector and business investment picked up. International merchandise trade also improved. But the modest annualized increase of 0.7% in real GDP in the second quarter essentially stems from unfavourable inventory movement. Even though the DLI has been on the rise for several months, this less-than-anticipated increase is disappointing.

CONSUMERS

The "consumer" component picked up in August. Automobile and furniture sales have posted increases for a few months now, which props up consumer spending (graph 2). Retail sales also accelerated in the second quarter in comparison with the first three months of the year.

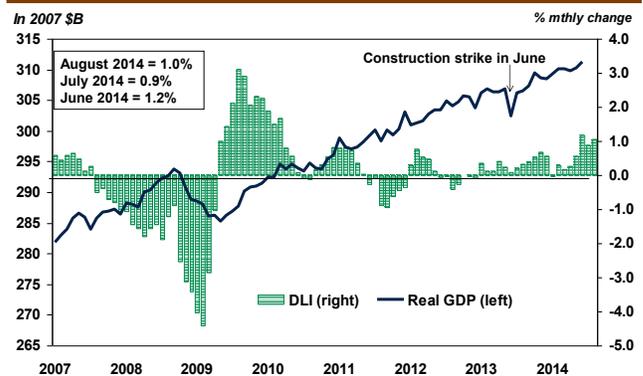
Graph 2 – Automobile and furniture sales are trending up



Sources: Statistics Canada and Desjardins, Economic Studies

In addition, the proportion of Quebec households that think that the time is right to make a major purchase is 43.5%, lower than the average for the last ten years (graph 3 on page 2). A sluggish job market probably had a hand in these results. Job growth continues to disappoint, despite a slight acceleration in September with a gain of 6,500 jobs (+4,100 in August), which was solely due to an increase in part-time jobs. However, the data on average monthly job creation

Graph 1 – The Desjardins Leading Index (DLI) continues to advance



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

shows that the third quarter was the best so far this year (+4,167 jobs per month from July to September). In contrast, the figures since December 2013 remain negative (-14,500).

HOUSING

The "housing" component of the DLI remained fairly stable in August. After recording decreases in June, July and August, housing starts in the province accelerated strongly in September (+14.2% annualized and seasonally adjusted), stimulated by the strength of the rental segment. New construction figures for the first nine months of the year show an increase of 4.0% compared with the same period in 2013. In the single-family homes segment, additional supply in the resale market and the weak labour market were felt in housing starts, which also dipped during this period.

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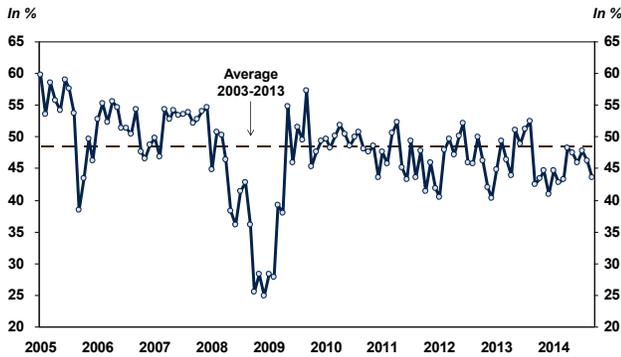
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NOTE TO READERS: The letters K, M and B are used in texts and tables to refer to thousands, millions and billions respectively.

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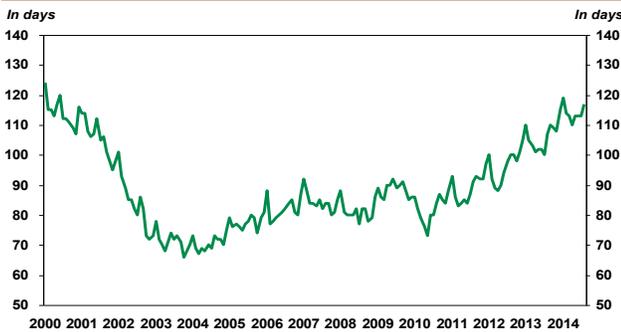
Graph 3 – The proportion of households that think that the time is right to make a major purchase sagged



Sources: Conference Board and Desjardins, Economic Studies

Demand for housing continues to fall in the existing homes market, while supply continues to grow. A 10% increase in the number of properties for sale was observed in the second quarter, which is the sixteenth consecutive quarterly increase to take place, according to the Québec Federation of Real Estate Boards. In July and August, current listings continued to grow at a similar pace. The average time-to-sell for a property also culminated at 117 days in August, the second-highest level in 13 years (graph 4). In this context, the average price grew very slightly, at around 1%.

Graph 4 – The average time-to-sell remains at a historic high



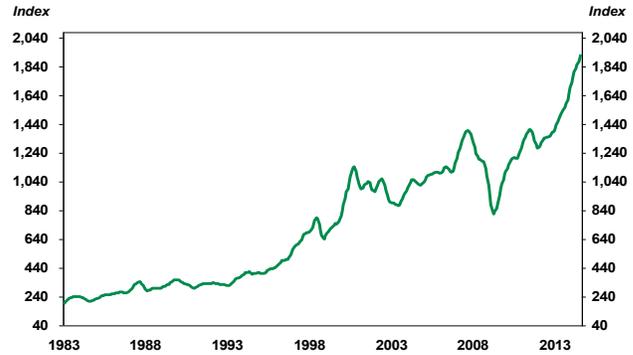
Sources: Fédération des chambres immobilières du Québec par le système Centris® and Desjardins, Economic Studies

BUSINESS

Business confidence has held fairly steady since July according to the Canadian Federation of Independent Business. In contrast, the proportion of entrepreneurs who mentioned that the general business situation is good has been rising for a few months, reaching 42% in September. The portion of those judging the situation as mediocre shrank to 13%.

The stock market performed less well in recent weeks, but the figures since the start of the year remain positive. The Quebec stock index, the IQ-30, stands out through its sustained growth (graph 5). From December 2013 to August 2014, the index posted growth of 12.3%. For Canada, the S&P/TSX continues to make up lost ground, and that is largely due to the industrial sector. The Canadian exchange posted 14.7% growth, which slightly edged out growth of 14.5% in the U.S. at the end of 2013.

Graph 5 – The Quebec stock index turned in a strong performance



Sources: Centre d'Analyse et de Suivi de l'Indice Québec and Desjardins, Economic Studies

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