

# DESJARDINS LEADING INDEX

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.

## The DLI Is Beginning to Falter Again

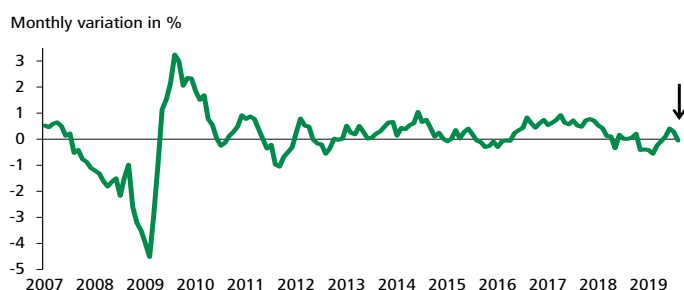
The DLI edged down in August, ending the upturn that seemed to be well underway over the past few months (graph 1). The 0.1% drop is due to a decline in two of the three DLI components, namely those related to households and businesses. The housing component, however, performed well owing to the boom in existing home sales (graph 2) and the reduction in mortgage rates during the summer. Consumers are doing well despite a recent decrease in furniture sales. Even though

unemployment insurance claims saw a monthly increase, they are still close to their all-time low. The unemployment rate in Quebec reached 4.7% in August, the lowest it has been since 1976. Consumer confidence is reaching very high levels. Despite the dip in the DLI households component in August, the economic context remains positive for consumer spending.

With respect to businesses, the Québec-30 stock market index retreated slightly in August. The uncertain international climate is hitting businesses that depend on foreign demand for their products and services particularly hard. Those focused on the domestic market in Quebec and Canada have not been very affected thus far.

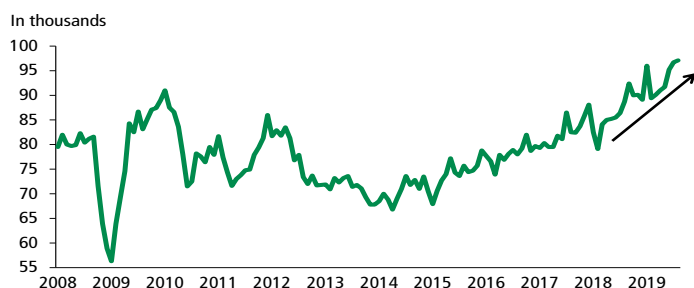
Although the Quebec economy posted real GDP growth of close to 3% (annualized) in the second quarter, risks associated with global trade remain. The exports of many advanced and emerging countries are down, a situation from which Quebec has not been spared. Things could deteriorate in the next few quarters, depending on how the trade dispute between the China and the United States and also Canada evolves. The closure of the Chinese market to Canadian pork producers since the end of June is having a particular effect on Quebec.

**GRAPH 1**  
The DLI slides in August



Source: Desjardins, Economic Studies

**GRAPH 2**  
Existing home sales continue to rise



Sources: Canadian Real Estate Association and Desjardins, Economic Studies

### IMPLICATIONS

The fact that the DLI is soft following a few consecutive increases should not be taken lightly. For the time being, only a handful of DLI statistics are down, but we will have to keep a close eye on developments in the coming months. The province's economy is expected to slow after strong growth in recent quarters.

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