

November 18, 2013

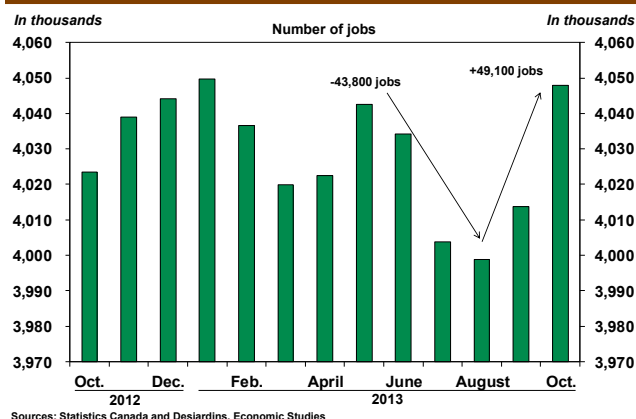
The DLI even firmer in September

The 0.5% rise in the Desjardins Leading Index (DLI) in September is slightly higher than the increase in the previous two months (graph 1). The “consumer” and “business” components were more lively, but the housing component continues to point down. Despite a cooling residential sector, there are a few positive signs for consumers and businesses. Recently published economic statistics on this point are rather mixed, tempering expectations for economic growth. Real GDP will only grow about 1% this year due to the temporary downswing recorded in the second quarter. The DLI’s upward trend suggests that the Quebec economy will post positive growth in the coming quarters.

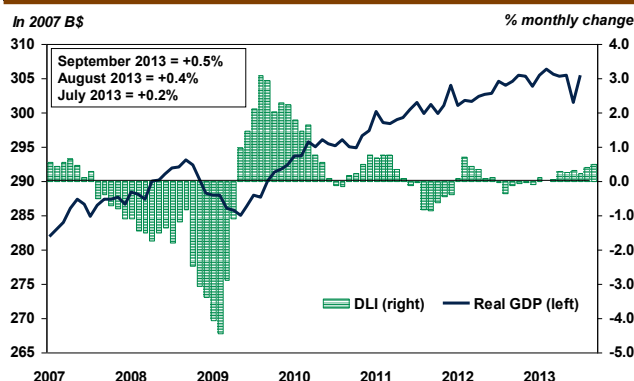
CONSUMER

The variation of the “consumer” component remained positive in September, but not all indicators pointed up. Consumer confidence slipped again and furniture sales weakened some. Employment insurance claims slowed in August after picking up in July, which is a positive sign for the labour market. For its part, automobile sales have increased recently.

Graph 2 – Jobs lost over the summer have been recovered



Graph 1 – Desjardins Leading Index (DLI) rises



These divergences in the indicators in the “consumer” block clearly reflect the current climate of the labour market. Summer 2013 was especially difficult, with 43,800 layoffs recorded from June to August. Conversely, jobs were added in September and October, which put things back on track after the summer’s losses (graph 2). The 34,100 jobs added in October also helped to somewhat ease worries about the labour market. The unemployment rate is now 7.5% after slipping for the last few months.

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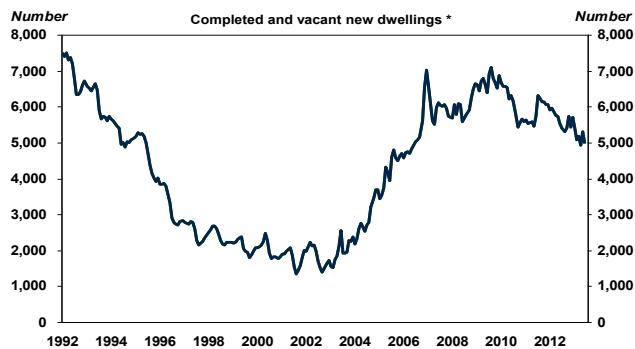
NOTE TO READERS: The letters K, M and B are used in texts and tables to refer to thousands, millions and billions respectively.

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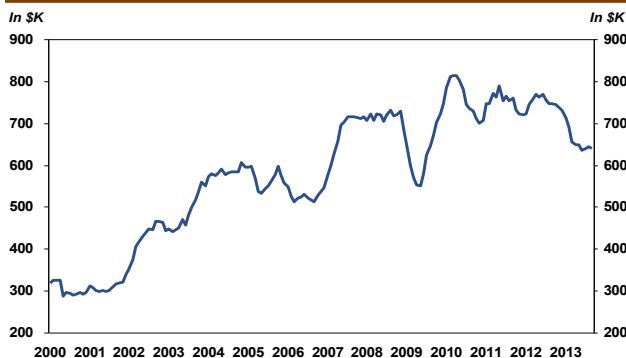
HOUSING

The “housing” component continued its slide into negative territory in September, confirming that the Quebec housing market is cooling off. Economic conditions remained challenging in 2013, and in addition to tighter mortgage rules introduced in 2012, other factors are putting downward pressure on growth in the residential sector. Employment has barely grown since the beginning of the year, and the supply of new dwellings continues to be higher than the historical average (graph 3). After pointing down for several months, the value of residential building permits seems inclined to stabilize, but at a level far from its 2010 high (graph 4). In this context, the activity level of the housing market should continue at a slower pace over the next few months.

Graph 3 – Inventory of new dwellings dropping but still high



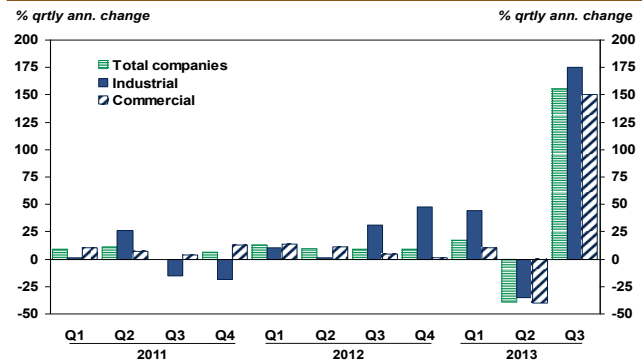
Graph 4 – Value of residential building permits levels off



BUSINESS

The “business” block recorded a third straight increase in September. The IQ-30 stock index grew stronger while U.S. and Canadian leading indicators were stable. Overall, investor expectations on corporate profits are positive. Non-residential investment data abound on this front, while a 10.9% hike in building construction was recorded from January to September, compared with the same period in 2012. The rebound in the third quarter banished the summer’s construction strike from memory (graph 5).

Graph 5 – Investments in non-residential building construction bounced back in the third quarter of 2013



However, the drop in the business confidence index in September is a reminder that businesses continue to be circumspect about the future of the economy. In the United States, growth of real GDP accelerated in the third quarter, but some indicators still disappoint, particularly for investments and consumption. The budget impasse there also produced uncertainty. The end of the recession in Europe suggests its economy is turning around, but the situation continues to be fragile. Globally, conditions appear to be improving and exports should be more convincing in the coming quarters.

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