

November 21, 2014

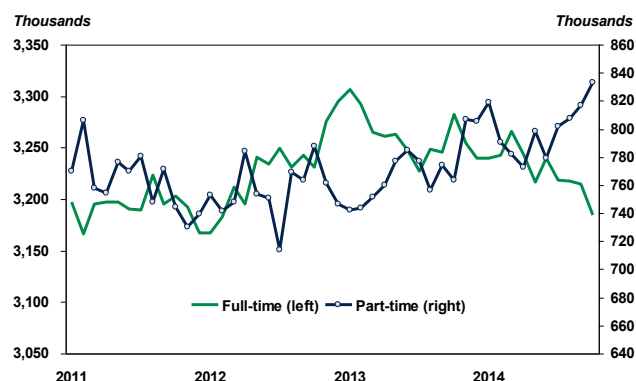
The DLI continued to advance in September

With a 0.7% monthly increase, the Desjardins Leading Index (DLI) continued its upward trend in September (graph 1); this bodes well for Quebec's economic growth for the next three to six months. However, real GDP's pace will, all in all, remain modest from now to the end of the year. Consumer spending and the residential sector will struggle, and it will likely take until 2015 to see an upturn in business investment. The international trade sector will continue to be the main economic growth driver in the province. Real GDP is forecast to increase 1.5% in 2014.

CONSUMERS

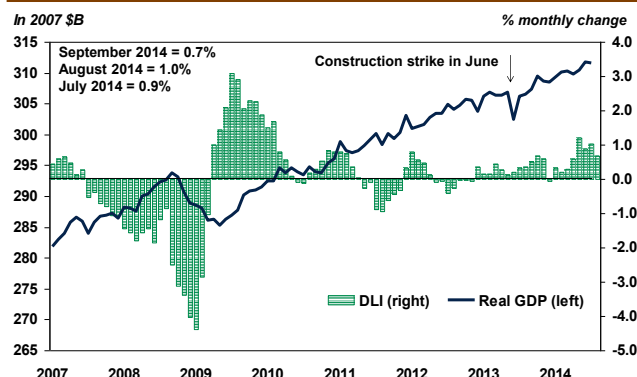
The consumer confidence index disappointed by retreating in September and October. The persisting gloom in the labour market is likely a factor. A loss of 14,200 jobs was recorded in October, following modest gains of 6,500 jobs in September and 4,100 in August. In addition, since the start of the year, the majority of jobs lost were full time (graph 2). And while the Quebec economy is seeking support to sustain growth, retail sales weakened in July and August.

Graph 2 – Full-time employment has been the biggest loser since the start of the year



Sources: Statistics Canada and Desjardins, Economic Studies

**Graph 1 – The Desjardins Leading Index (DLI)
Kept advancing in September**



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

HOUSING

The DLI housing component was up slightly in September, stimulated by the sharp rise in housing starts and, to a lesser extent, transactions in the resale market. However, the dynamic observed since the beginning of the year is different in these two markets. In fact, a 4.0% increase was recorded in the first nine months of the year for new construction as compared with the same period in 2013. In contrast, the fourth quarter started on a negative note, with a 7.7% drop in housing starts in October.

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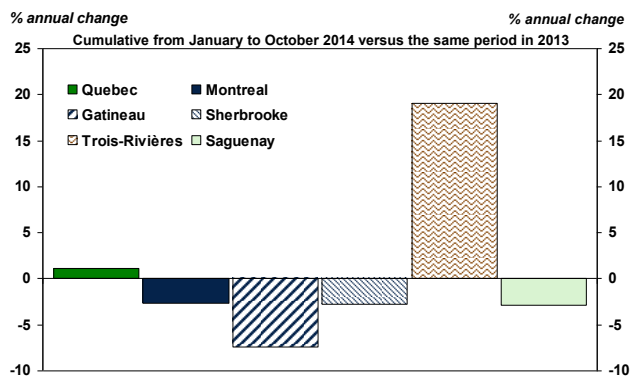
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NOTE TO READERS: The letters K, M and B are used in texts and tables to refer to thousands, millions and billions respectively.

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In the resale market, the results from January to October show a 2.0% dip in transactions compared with the same period in 2013; this is in line with our forecast scenario, which called for a 2.5% decrease this year. The majority of Quebec's six CMAs have posted negative performance since the beginning of the year (graph 3). The fourth quarter started on a positive note, with transactions in Quebec increasing 3.0% from September to October. In addition, the surplus that has been accumulating for several months in this market is a drag on average sales price growth, which only edged up, at around 1%.

Graph 3 – The majority of CMAs have posted negative results for transactions since the start of the year

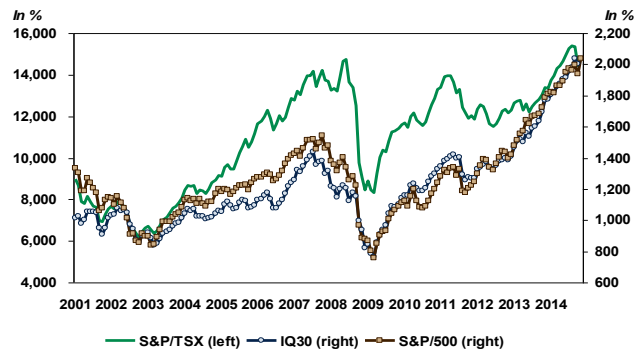


Sources: Fédération des chambres immobilières du Québec par le système Centris® and Desjardins, Economic Studies

BUSINESS

Business confidence fell in October according to the Canadian Federation of Independent Business, but the proportion of entrepreneurs reporting that their overall business conditions improved reached 45%, a high since the beginning of the year. However, due to sliding commodity prices, the economic fragility of the euro zone and emerging countries, North American stock markets turned in lower performances in the third quarter and at the beginning October. However, they quickly corrected and have continued to post positive results since the beginning of the year (graph 4).

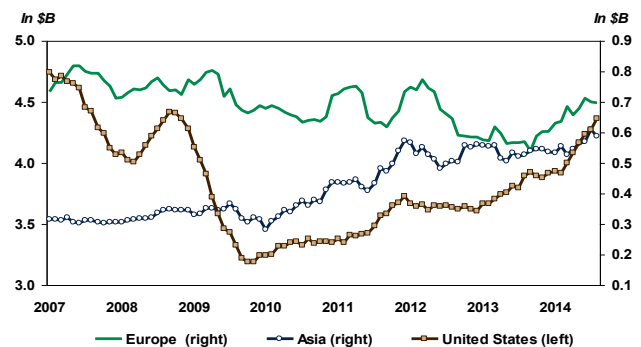
Graph 4 – North American stock markets are staying the course on growth despite the recent dip



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

The U.S. economy is performing well and the loonie's evolution under parity is favourably impacting our international trade, the only real support so far for Quebec's economic expansion. In September, the volume of Quebec's international exports grew (+7.3%) and the performance of the first nine months of 2014 posted 7.7% growth over the same period in 2013. Exports to the United States, Europe and Asia all recorded growth during this period (graph 5).

Graph 5 – Quebec's international exports have posted positive results since the start of the year



* six-month moving averages.
Sources: Institut de la statistique du Québec and Desjardins, Economic Studies

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