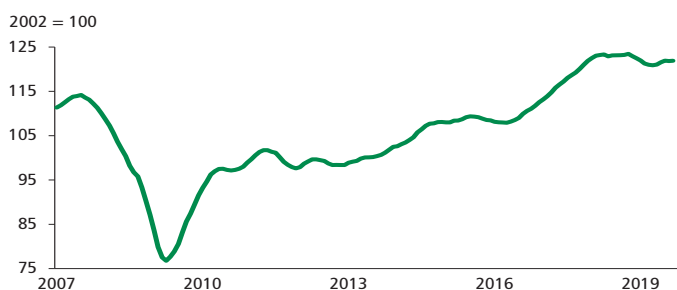


# DESJARDINS LEADING INDEX

## A Small DLI Increase

The DLI firmed up slightly in September after inching down the month before (graph 1). The decline observed in August therefore appears to have been temporary, although a relapse cannot be ruled out in the coming months. What is certain is that September's 0.1% increase in the DLI is not enough to end the period of weakness.

**GRAPH 1**  
DLI slightly up in September



Source: Desjardins, Études économiques

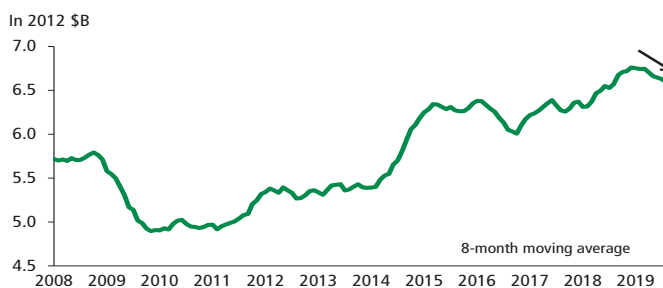
The improvement in the DLI in September is due to an acceleration in the housing component. This component is being driven by strong home sales, which are on an uptrend in nearly all parts of the province. The low unemployment rate, which has been hovering around 5% for a number of months in Quebec, and employment growth are having a positive effect on the residential real estate market.

The consumers component fared better in September than in previous months. Even though motor vehicle and furniture sales are lacking momentum, retail sales are doing well and household confidence is at a record high.

With respect to businesses, the Québec-30 stock market index and SME confidence firmed up in September. However, the slowdown in the global economy is putting downward pressure

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.

**GRAPH 2**  
Quebec's international exports continue to wane



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

on the exports of many countries, a situation from which Quebec is not being spared (graph 2). Developments in trade conflicts, particularly between China and the United States, will be a determining factor for the international trade of many countries. The reopening of the Chinese market to Canadian meat producers in early November, putting an end to the ban imposed in late June, is definitely positive for Quebec.

### IMPLICATIONS

Although the Quebec economy posted real GDP growth of close to 3% (annualized) in the second quarter, risks associated with global trade remain. We will have to continue to watch movements in the DLI closely over the coming months. The current weakness suggests that the province's economy is expected to slow after strong growth in recent quarters.

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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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