

ECONOMIC NEWS

Quebec: Consumer Confidence is High and Inflation Remains Low

HIGHLIGHTS

- ▶ The consumer confidence index ascended further in May, going to 146.2, a peak that goes back at least 10 years.
- ▶ The value of retail sales retreated 0.8% in March.
- ▶ The annual change in the consumer price index (CPI) was 0.8% in April, a second month in a row below the 1% mark.

COMMENTS

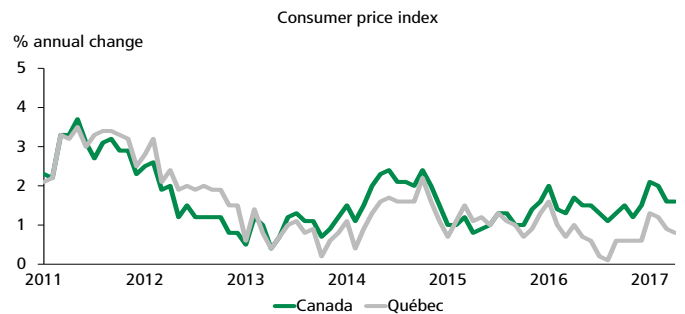
The recent statistics on consumers remain good in Quebec. While the value of retail sales fell in March, the performance for the first quarter is positive. Aside from monthly fluctuations, retail sales are still trending up.

The poor weather in April and May, along with flooding in numerous Quebec municipalities, will have an impact on upcoming statistics on retail sales. We can expect a pullback during this period.

After that, consumers will get support from fundamental factors, such as the job market's solid performance—with an unemployment rate in the neighbourhood of 6.5%—the surge in consumer confidence and tax relief.

Quebec's inflation rate remains low, moreover. The annual change in the CPI, which is holding below 1%, is well below the 1.6% seen for Canada as a whole in March and April.

GRAPH 2
Quebec's inflation rate is below Canada's



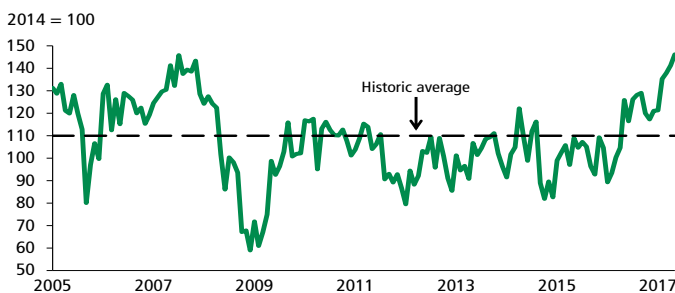
Sources: Statistics Canada and Desjardins, Economic Studies

IMPLICATIONS

Despite March's pullback in retail sales, the economic context remains positive for households, as shown by their high confidence level. However, the second quarter will be tough for merchants, as the poor weather and flooding in several areas have no doubt delayed summer purchases.

Hélène Bégin, Senior Economist

GRAPH 1
Confidence firms up in Quebec



Sources: Conference Board of Canada and Desjardins, Economic Studies

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