

# 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 slowdown, recession or recovery in the next six months or so.

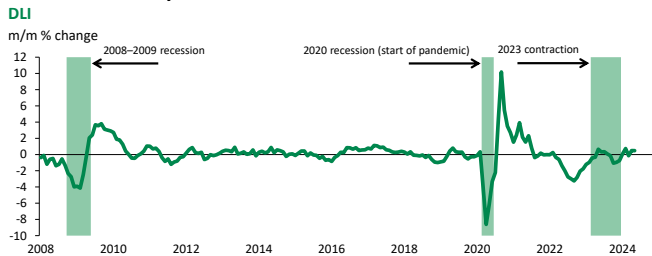
## The DLI Continues to Rise, and the Quebec Economy Is Back on Track

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### HIGHLIGHTS

- ▶ The DLI rose 0.5% for the second month in a row, and the foundations of May's gain look very solid (graph 1).

**Graph 1**  
The DLI Has Been in Positive Territory for a Few Months Now, and Quebec's Economy Returned to Growth in 2024



DLI: Desjardins Leading Index  
Desjardins Economic Studies

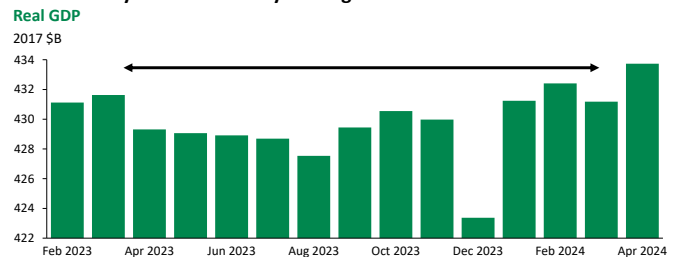
- ▶ Nearly all the economic indicators that make up the DLI are trending up, suggesting that Quebec's economy will see more broad-based growth in the coming months.
- ▶ The DLI's household component, which in the past has quite successfully predicted the impending trend in total consumer spending, posted a stunning 2.2% gain in May.
- ▶ The DLI's housing component has been on a positive trend for several months and also appears very solid, rising 1.7% in May.
- ▶ Quebec's [housing market](#) has been on the rebound since the beginning of 2024. The current cycle of interest rate cuts in Canada will give the housing market recovery renewed momentum in the quarters ahead.

- ▶ However, the DLI's business component has been declining in recent months. According to the [Institut de la statistique du Qu ebec](#), business conditions remain challenging. Some economic indicators such as SME confidence are improving though, which points to a more positive outlook.
- ▶ In short, the recent DLI trend is encouraging and in line with Quebec's remarkable progress over the past few months.
- ▶ According to the [most recent real GDP release](#), the recovery period is now over and has given way to a new expansion cycle.
- ▶ Quebec's period of economic decline, which began in the spring of 2023 and lasted until the end of the year, now seems to be behind us.

### COMMENTS

There are clear signs that Quebec's economy is back on track, and real GDP also returned to growth in the first half of 2024 (graph 2). After a few bouts of volatility due to strikes in the

**Graph 2**  
Quebec's Economic Weakness Gave Way to A Rapid Rebound in Real GDP: The Recovery Phase Is Already a Thing of the Past



Institut de la statistique du Qu ebec and Desjardins Economic Studies

healthcare and education sectors, Quebec’s economy now looks to be on more solid ground.

Economic indicators that recovered following a challenging period for many consumers include sales of big-ticket durable goods such as automobiles (graph 3), and furniture, appliance and electronics sales (table 1).

**Table 1**  
Recent Trend in Economic Indicators\* in Quebec

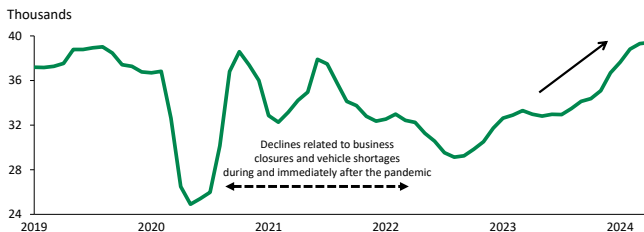
**DLI “consumption” component**

	Economic signal	Recent trend
Furniture, appliance and electronics sales	Positive	↗
New motor vehicle sales	Very positive	↑
Employment insurance claims	Negative	↗
“Right time to make a major purchase according to consumers”	Positive	↗

DLI: Desjardins Leading Index; \* All indicators apply to Quebec. Desjardins Economic Studies

**Graph 3**  
New Motor Vehicle Sales Are Up

**Quebec – Number of new vehicles sold\***



\* 5-month moving average. Statistics Canada and Desjardins Economic Studies

The housing market also improved (table 2) thanks to a rebound in existing home sales and the ongoing recovery in residential building construction (graph 4).

**Table 2**  
Recent Trend in Economic Indicators\* in Quebec

**DLI “housing” component**

	Economic signal	Recent trend
Existing home sales	Positive	↗
Fixed mortgage rates (1-year and 5-year), and key interest rates	Positive	↘
Residential building permits	Positive	↗
Full-time employment among those ages 25 to 54	Neutral	→

DLI: Desjardins Leading Index; \* All indicators apply to Quebec except interest rates, which apply to Canada. Desjardins Economic Studies

**Graph 4**  
The Volume of Residential Building Permits Granted by Municipalities Has Risen Slightly since Last Year

**Quebec – Building permits\***



\* 5-month moving average. Institut de la statistique du Québec and Desjardins Economic Studies

Finally, on the business side, SME confidence is improving (table 3) but remains relatively low from a historical standpoint (graph 5).

**Table 3**  
Recent Trend in Economic Indicators\* in Quebec

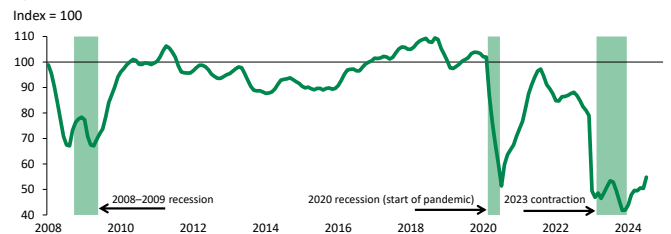
**DLI “business” component**

	Economic signal	Recent trend
Québec 30 stock index	Positive	↗
SME confidence index	Positive	↗
Leading indicator – United States (OECD)	Basically neutral (slight upward bias)	→
Leading indicator – Canada (OECD)	Basically neutral (slight upward bias)	→
International trade index	Negative	↘

DLI: Desjardins Leading Index; OECD: Organisation for Economic Co-operation and Development; \* The Québec 30 stock index and the SME confidence index are the only variables that apply to Quebec. Desjardins Economic Studies

**Graph 5**  
The SME Confidence Index Is Improving Very Slowly

**Quebec – Business Barometer\***



\* Outlook for the next three months. Canadian Federation of Independent Business and Desjardins Economic Studies

Now that the [Bank of Canada](#) has started cutting interest rates and should continue easing its monetary policy this year and next, [we expect](#) Quebec’s economy and residential real estate market to improve further in the coming quarters.

## IMPLICATIONS

The DLI's trend is encouraging and in line with Quebec's remarkable progress over the past few months. According to the most recent real GDP release, the recovery period is now over and has given way to a new expansion cycle. The period of economic decline, which began in the spring of 2023 and lasted until the end of the year, now seems to be behind us. Once again, the DLI helped us identify Quebec's long-awaited economic recovery a few months in advance. Recent developments also confirm that the province's short-term economic path is positive.