

# An Accelerating DLI Points to Continued Growth for Quebec's Economy

November 4, 2024

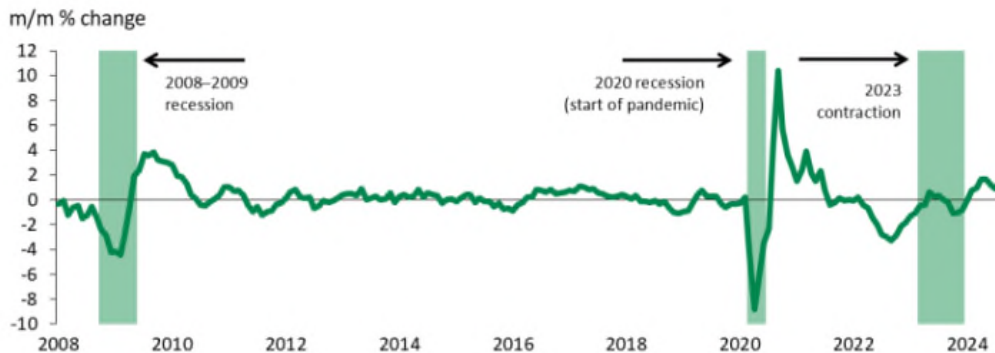
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## 📣 Highlights

- ✓ The Desjardins Leading Index picked up speed to rise 1.4% in August (graph 1) after increasing 0.9% in July.
- ✓ Compared to the month prior, nearly all the economic data improved, particularly those related to household spending and the housing market.
- ✓ Business indicators are progressing more slowly. SMEs remain hesitant due to persistent challenges surrounding skilled labour and wage costs.
- ✓ The outlook remains favourable for the Quebec economy, which returned to growth in early 2024. However, downside risks are ever-present in Canada and elsewhere in the world.

## Graph 1

### The DLI Is Advancing at a Solid Pace, Just like Quebec's Economy



DLI: Desjardins Leading Index  
Desjardins Economic Studies

## 🗨️ Comments

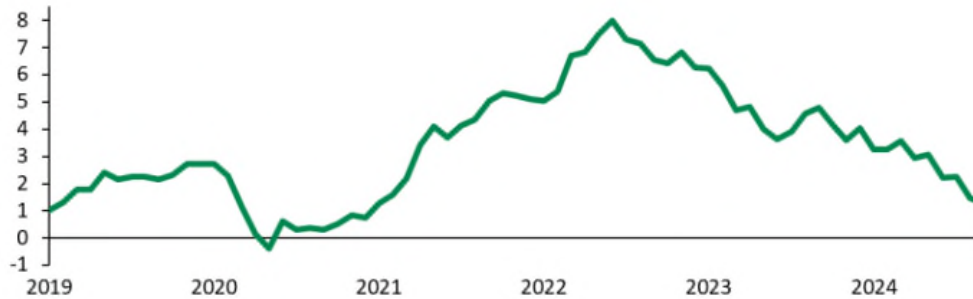
Positive signals from households are more convincing than they were a few months ago. Retail sales rose 1.3% in July and 1.0% in August, in what were the best back-to-back gains in several months. Motor vehicle purchases also advanced in the third quarter, and year-to-date numbers are up 12.2% compared with the same period last year. The share of consumers who believe it's a good time to make a major purchase increased, and this is reflected in higher household spending.

Many borrowers are feeling less financial pressure now that interest rates are coming down. In fact, the [Bank of Canada \(BoC\)](#) accelerated the pace of cuts in October with a 50-basis-point reduction. Interest rates for personal lines of credit and variable mortgages come down in lockstep with the BoC's policy rate, which reduces the amount of interest borrowers owe each month. However, even though interest rates have been trimmed, most households renewing a fixed-rate mortgage in 2025 or 2026 will end up with a higher rate than they had before.

## Graph 2 Inflation Has Cooled to Below 1.5%

### Quebec – Consumer price index

y/y % change



Statistics Canada and Desjardins Economic Studies

Cooling inflation is also helping. In Quebec, it slowed convincingly to 1.3% in September, easing households' concerns about where consumer prices are headed (graph 2).

After rebounding swiftly in the first half of 2024, the residential sector continued to see improvements during the third quarter, but progress has been uneven. Housing starts seem to have stalled while existing home sales have pushed steadily higher. On December 15, the maximum amortization period for first-time homebuyers will increase from 25 to 30 years, which should give the resale market an added boost (see our [Spotlight on Housing](#)).

On the business side, SME confidence is waning (graph 3) despite falling interest rates and inflation. Investments in machinery and equipment have started to pick up, but exports have been losing steam in recent months. What happens next will largely depend on the outcome of the US election, as outlined in our [recent analysis](#).

## Graph 3 The SME Confidence Index Is Struggling to Push Higher

### Quebec – Business Barometer\*

Index = 100



\* Outlook for the next three months.

Canadian Federation of Independent Business and Desjardins Economic Studies

## 🔗 Implications

According to the latest DLI results, the outlook is mainly improving for household spending and the residential sector. With various figures trending positively, it's clear that the economy has regained its vigour and [real GDP](#) is rising. But businesses have yet to feel the effects of Quebec's economic recovery, and there are still a number of uncertainties to contend with.