



## B.C. ECONOMIC INDEX

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### BC ECONOMIC INDEX REGISTERS STRONGER GAIN IN Q3

The BC Economic Index rose 1.3% in the third quarter of 2002, climbing from 116.2 in the second quarter to 117.7 in the third.<sup>1</sup> The increase was nearly twice as large as that recorded in the second quarter.

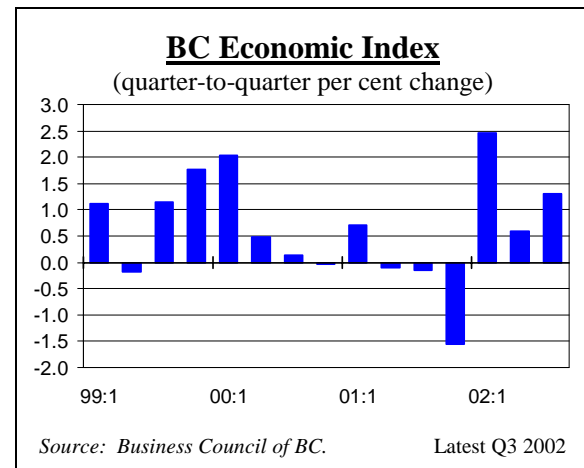
In addition to being stronger, the latest gain in the index was also more broadly based. Five of the seven components that make up the index advanced in the third quarter, whereas in the previous quarter just four of the seven series grew.

The biggest reason for the upward movement of the index in Q3 was robust job growth. Retail sales also posted a healthy gain. Another quarterly rise in single family housing starts also helped to push the index higher.

Unsurprisingly, the manufacturing sector dampened the overall increase in the index. The positive contribution that manufacturing shipments made in the second quarter turned out to be short lived, due to a drop in lumber production in the wake of the full application of the US anti-dumping and countervailing duties. Non-residential permits were also weak and constituted the other negative component of the index.

The improved reading in the index suggests that economic growth in BC was stronger in the third quarter. However, there is little indication that the economy has a great deal of forward momentum. In fact, based on developments in the US economy and in commodity markets, economic growth is likely to slow in next quarter.

<sup>1</sup> The Q2 level was revised up slightly from 116.1 previously reported.



Single family housing starts have already dropped back, which will affect the index in the last part of the year. Growth in the Canadian leading index, while still positive, has slowed substantially. And manufacturing shipments look set to fall because of low lumber prices and the punitive American tariffs. Most importantly, the exceptionally strong job growth seen in BC in recent months likely won't be sustained over the final months of 2002.

So far this year, the evidence from the BC Economic Index points to modest annual growth for the BC economy in the range of 1.5% and 2% for 2002.<sup>2</sup>

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<sup>2</sup> Year-over-year increases in the index in Q1 to Q3 respectively are 0.6%, 1.3% and 2.8%. Although the index is not specifically designed to estimate GDP growth, annual changes in the index are well correlated with the annual changes in provincial real GDP.