



B.C. ECONOMIC INDEX

VOL. 2, NO. 1, April 1, 2003

BC ECONOMY OFF TO A BETTER-THAN-EXPECTED START IN 2003

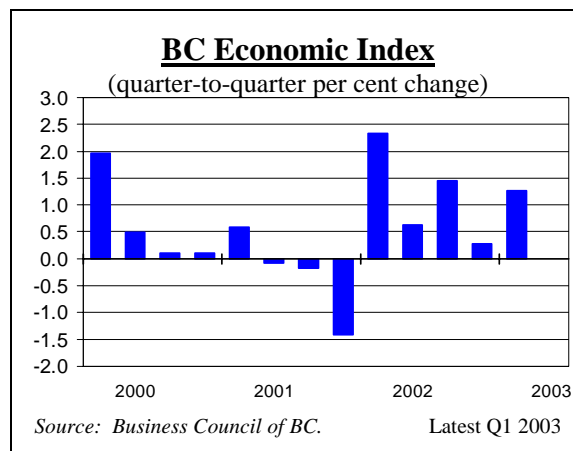
The Business Council's BC Economic Index rose 1.3% in the first quarter of 2003. This represents a much stronger gain than the anaemic 0.3% advance recorded at the end of 2002. As a broad proxy of current economic conditions, it suggests the economy strengthened in the first quarter of 2003. The index rose to a level of 119.7, up from 118.2 in the previous quarter.¹

Five of the index's seven components contributed to the latest quarterly improvement. Consumer spending again provided an important part of the increase in the index (and the province's overall economic health) after stalling in the final months of last year.

A related turnaround came in housing construction. The number of single family starts has surged over the past five months; prior to this, a temporary dip in this indicator had pulled the index lower. An increase in the number of starts was expected, as the fundamentals for housing remain sound. This is positive news going forward because the biggest economic impact from residential construction occurs in the months following the commencement of construction.

Among the individual index components, a notable change was the jump in the number of international arrivals to BC. This latest increase has lifted the number of arrivals to levels last seen prior to the September 2001 terrorist strikes on the US.

Two other positive indicators are non-residential building permits and the Canadian leading economic indicator. The



improvement in non-residential construction activity is consistent with an emerging recovery in capital spending. The Canadian leading indicator has recently moved higher after being flat in the latter part of 2002.

Interestingly, the BC index managed to post a respectable gain in spite of the fact that employment has been soft. Usually employment is a key driver of the index, but in this case it dampened the overall reading for the first quarter. The negative impact was small, however, as a rise in jobs in February offset most of the earlier job losses. The other area of weakness was the export sector – the value of BC's manufacturing shipments continued to move sideways.

In sum, the latest BC Economic Index reading suggests that growth in the provincial economy strengthened modestly in the first quarter. However, with exports still weak, the economy is not firing on all cylinders.

Jock Finlayson
Executive Vice President
jockf@bcbc.com

Ken Peacock
Senior Policy Analyst
kpeacock@bcbc.com

¹ The year-over-year increase in the Index was 3.7%.