



B.C. ECONOMIC INDEX

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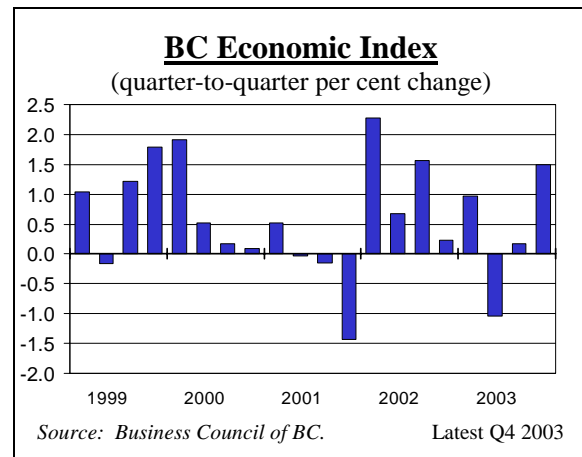
BC ECONOMIC INDEX SUGGESTS HEALTHY FINISH TO 2003

The Business Council's BC Economic Index registered a healthy 1.5% advance in the fourth quarter of 2003.¹ This gain, in combination with the small increase recorded in Q3, is a clear indication the provincial economy has recovered from the barrage of shocks that brought growth virtually to a halt in the first part of 2003. The fact that the improvement in the Index was broadly-based suggests that the economy continued to gain momentum through the latter months of 2003, setting the stage for a relatively healthy pace of growth in the first half of 2004.

Among the seven individual indicators included in the Index, retail sales was the only one to see a decline. Consumer spending has decelerated throughout the year and has been sporadic recently due to sizable fluctuations in automobile sales. After adjusting for inflation, consumer spending activity has slipped in the past few months.

This decline, however, was only a minor setback, as most of the other Index components zoomed ahead. Leading the way was employment, which recorded one of the largest monthly gains on record in September (and was also up strongly in December). Big monthly changes must be viewed with caution, but the employment trend is positive, with total jobs up by a solid 2.5% in 2003 as a whole.

The Index also benefited from a hefty increase in the number of international visitors to BC, as tourism activity continued to recover from the steep drop following the SARS outbreak earlier in the year.



Another positive factor was manufacturing shipments, which managed to grow in spite of the appreciating Canadian dollar and the US softwood lumber tariffs, thanks to a stronger American economy and higher prices for some commodities.

Rising non-residential building permits and a strong gain in the Canadian leading economic indicator also contributed to the latest quarterly jump in the BC Economic Index. Because single family housing starts levelled off, the contribution of residential construction was more muted. (However, multi-family starts, which are not included in the Index, have remained strong.)

To the extent the recent improvements in many key economic indicators carry forward, it will be consistent with forecasts for a noticeable pick up in economic growth in 2004.

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¹ The year-over-year increase in the Index was also 1.5%, up from the 0.3% increase recorded in Q3.