



## B.C. ECONOMIC INDEX

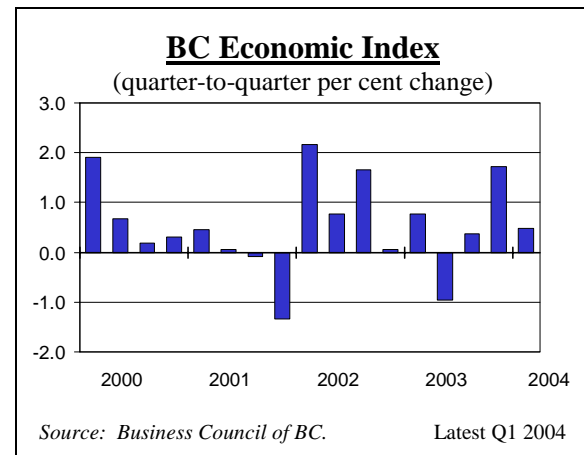
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### BC ECONOMIC INDEX POINTS TO CONTINUED MODEST EXPANSION

The Business Council's BC Economic Index rose 0.5% in the first quarter of 2004.<sup>1</sup> This represents a slowing from the fourth quarter of last year, but is not surprising considering that an unusually large (and unsustainable) jump in employment helped to fuel the well-above-average 1.7% increase in the Index in the final quarter of 2003.<sup>2</sup> The most recent rise in the Index is slightly lower than the average quarterly gain recorded over the past decade.

It is important to note that only one of the Index's seven component indicators declined. At the same time, however, only four moved higher, while two were essentially unchanged. The most significant positive contribution came from construction. Propelled by low interest rates, the boom in home building continued. In the Index this is reflected in the sharp upturn in single family housing starts in recent months. Non-residential construction activity was also a factor. The upward trend in the value of non-residential building permits that started to show up six months ago is now helping to lift the Index.

The Canadian leading economic indicator (as calculated by Statistics Canada) was the other component that showed a decent gain. And in spite of the steep drop in jobs registered in February, employment was also a positive factor in the most recent quarter as a whole. Based on a moving average, employment at the mid point of Q1 2004 was still higher than at the mid point in Q4 2003.



The one negative component in the latest Index reading was manufacturing shipments. After showing tentative signs of recovery in the middle of 2003, the (real) value of BC manufacturing shipments has slipped in recent months.

Making no contribution either way, retail sales (adjusted for inflation) have been flat for a number of months. And after a hefty increase in Q4 2003, the number of international visitors to BC has levelled off.

Overall, the Index suggests that BC's economy continued to grow in the first quarter of 2004, but at only a modest pace. The recent volatility in some of the individual indicators underscores how an index made up of several indicators can provide a more balanced picture of current economic conditions.

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<sup>1</sup> The year-over-year increase in the Index was 1.6%, slightly below the upwardly revised 1.9% annual increase recorded in Q4 2003.

<sup>2</sup> Growth in the Q4 2003 Index was revised upwards from 1.5% as a result of Statistics Canada's historical revisions to manufacturing shipments.