



B.C. ECONOMIC INDEX

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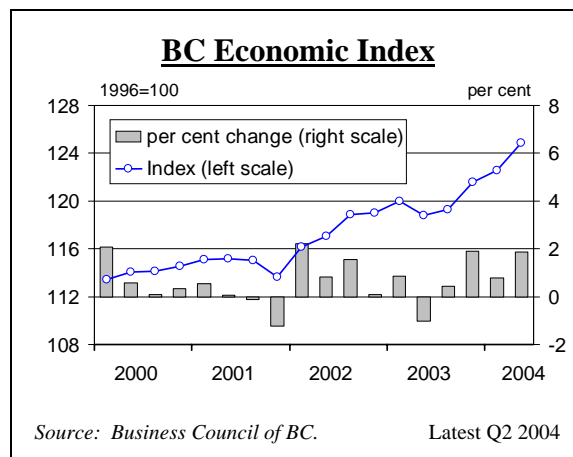
BC ECONOMIC INDEX CONFIRMS A SOLID EXPANSION IS UNDERWAY

The latest reading of the BC Economic Index suggests that growth in the provincial economy has picked up. The Index, which is a proxy for current economic conditions, posted a healthy 1.9% gain in the second quarter of 2004.¹ This marks an improvement from the upwardly revised 0.8% quarterly advance recorded in the first three months of the year.² It is also the fourth consecutive increase since the provincial economy was buffeted by a number of external shocks (including SARS) at this time last year.

Of the seven individual indicators that make up the Index, five were higher in the second quarter while two were weaker. The biggest boosts came from the Canadian leading indicator, retail sales and manufacturing shipments. The surge in the Canadian leading indicator signals an acceleration in the pace of national economic activity after a generally disappointing 2003. Amid this broad improvement, BC retail sales jumped noticeably, with consumers on a bit of a spending spree in recent months, especially for automobiles. And perhaps most significantly, the increase in manufacturing shipments in Q2 shows that the export sector is receiving a lift from a more competitive provincial business climate, stronger commodity prices, and continued economic expansion in the US.

With housing activity still frothy, the residential construction component of the Index (single family starts) also contributed

to the rise. Non-residential construction was also a positive factor, albeit just slightly.



The two indicators that fell in Q2 are employment and international tourist entries. While BC has added some jobs in the past few months, the sizable one-time drop in February left average employment for the second quarter lower than it was in the first quarter. International tourist entries have slipped after a partial recovery in the second half of 2003.

Overall, the latest reading of the Index confirms that a solid economic expansion is underway, and supports our view that the province's economy is poised to grow by at least 3% in 2004, ahead of most projections for the national economy.

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¹ The year-over-year increase in the Index in Q2 2004 was 5.1%, the strongest advance since Q2 2000.

² Statistics Canada recently revised retail sales to be consistent with NAICS.