



## B.C. ECONOMIC INDEX

VOL. 3, NO. 3, October 13, 2004

### BC ECONOMIC INDEX REGISTERS ANOTHER HEALTHY GAIN

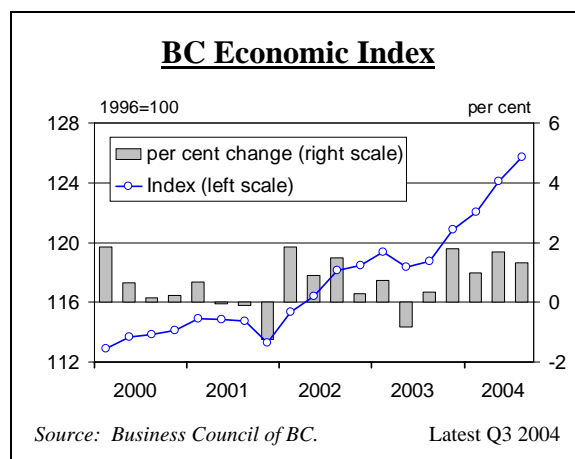
Most people monitoring what's happening in the provincial economy will not be surprised that the Business Council's BC Economic Index, a periodic summary measure of current economic conditions, rose by 1.3% in the third quarter. While this is less than the 1.7% increase seen in the second quarter, it still represents a healthy advance.<sup>1</sup>

Taking a step back from the latest data and looking instead at the trend, it is significant that the latest reading marks the first time since 1994 that the Index has registered four consecutive quarterly increases in excess of 1%. Historically, the Index is closely correlated with real GDP growth, so this stretch of solid gains is compelling evidence that BC is now enjoying a well-rounded economic expansion.

Considering that almost all BC economic data are positive these days, it is also not surprising that six of the seven indicators that make up the Index contributed to the most recent quarterly advance. The one indicator that tempered the third quarter rise was non-residential building permits. This measure actually enters the Index with a short lag, so the slightly negative reading for Q3 relates to a soft spot in permits experienced earlier in the year. More recently, commercial and industrial building permits have climbed higher.

A principal factor behind the rise in the Index was robust growth in retail spending in the province. A hefty increase in

manufacturing shipments was also a significant plus. Here, a big factor has been the soaring value of lumber exports, although shipments in all other manufacturing categories (apart from plastic and rubber products) are also up this year compared to 2003 levels.



Employment, which has been on an upward trend for most of 2004, also played a role in the latest quarterly gain. The number of overseas visitors to BC has jumped over the past several months, suggesting that the tourism industry is growing again after three difficult years. And housing construction remains an important underpinning of BC economic growth.

Building on previous, similar-sized gains, the latest BC Economic Index reading confirms that a broadly-based economic upswing is underway in BC.

Jock Finlayson  
Executive Vice President - Policy

Ken Peacock  
Senior Policy Analyst

<sup>1</sup> The Index grew by 1.7% in Q2, revised down from 1.9% due to data updates. The Q3 year-over-year increase in the Index is 5.9%, the strongest annual gain since Q4 1994.