



## B.C. ECONOMIC INDEX

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### JUMP IN INDEX SHOWS STRONG GROWTH CONTINUES IN BC

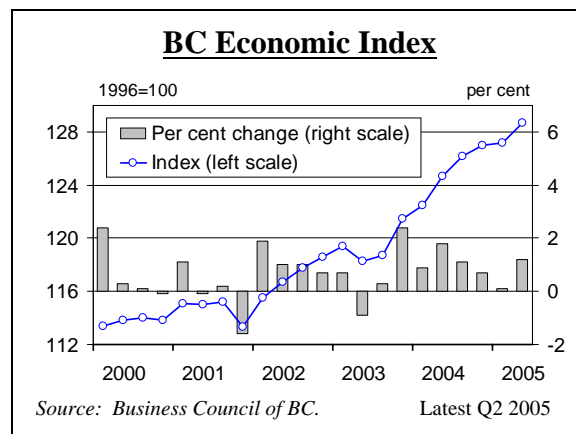
According to the Business Council's BC Economic Index, after a slow beginning growth in the provincial economy picked up noticeably in the second quarter of 2005. The Index posted a quarterly increase of 1.2% which is nearly twice the average gain registered between 1990 and 2004.<sup>1</sup> The hefty rise comes in the wake of a small 0.1% gain in the first quarter of the year. The latest reading confirms that the lull experienced at the outset of 2005 was simply a reflection of the fact that the growth process is uneven, with periods of economic expansion typically interspersed with slower quarters.

One reason for the solid Q2 advance is that five of the seven indicators that comprise the Index were in positive territory. The indicators that reflect domestic economic activity were particularly strong, while those that capture the economy's export side tempered the second quarter result.

Consumer spending led the way, with retail sales making the largest contribution to the Index's Q2 rise. This was followed closely by job growth, which picked up in the second quarter amid a general upward trend that has been in place since the end of 2001.

Non-residential building permits were another significant positive factor. Building activity in all three segments (commercial, industrial and institutional) has turned up over past six months, especially in early 2005. Because non-residential building permits enter the Index with a lag, their

more recent surge means they will be an even bigger factor in the third quarter.



Housing starts were also a plus as the number of new homes being built edged higher compared to the outset of the year. The Canadian Leading Economic Indicator also helped to lift the Index.

On the downside, the stronger Canadian dollar and a pull-back in some commodity prices contributed to another decline in manufacturing shipments. The number of international visitors to the province also eased in recent months, in part because BC's tourism industry has also been forced to contend with the impact of the stronger dollar.

The latest BC Economic Index reading shows that BC's economic upswing is still firmly in place. If there are any soft spots in the economy, they are concentrated on the export side, while domestic economic activity remains unusually robust.

Jock Finlayson  
Executive Vice President

Ken Peacock  
Senior Policy Analyst

<sup>1</sup> The Index climbed to a value of 128.7 in the second quarter of 2005, up from 127.2 in Q1. Year-over-year, the Index was up 3.2% in Q2, down from a 3.8% rise in the first quarter of the year.