

B.C. ECONOMIC INDEX

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NON-RESIDENTIAL CONSTRUCTION DRIVES ECONOMIC INDEX HIGHER

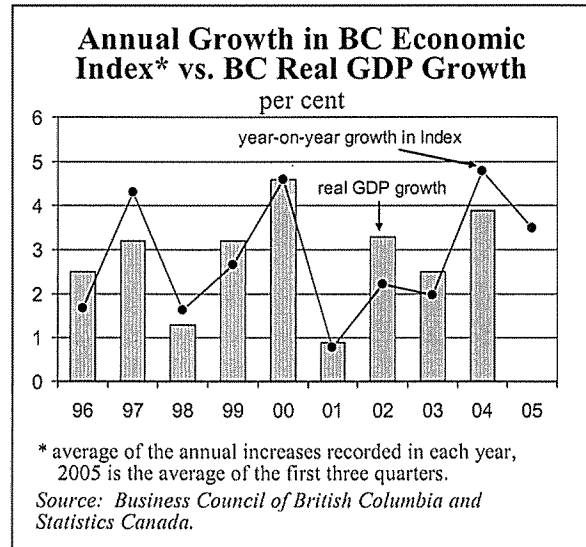
The BC Economic Index posted an above average quarterly increase of 1.4% in the third quarter, following a similar-sized Q2 gain. The most recent Index reading confirms that the provincial economy continues to expand at a healthy clip.¹

As the growth in housing construction has levelled off (albeit at a high level), non-residential construction has stepped up and become a key economic driver. So far this year the value of non-residential building permits has surged by 75% over the 2004 level. Of the seven indicators that make up the Index, non-residential permits alone accounted for more than half of the latest quarterly increase.

The next largest contribution came from a rise in the number of international travellers coming to the province. Over the first seven months of the year the number of visitors has climbed, bucking a general downtrend in tourism activity over the past few years.

Employment has also been a positive factor. Even though job growth has eased recently, the 3-month moving average used to construct the Index was still significantly higher in Q3 thanks to earlier strength.

The Canadian leading economic indicator and retail sales also both made modest contributions to the Index's most recent advance. Although retail sales are still registering strong year-over-year gains, some slowing has occurred in the month-to-month growth rate.



On the downside, manufacturing shipments continue to trend down slightly, under the weight of the stronger Canadian dollar and a pull-back in some commodity prices. The total number of housing starts has also fallen through much of 2005, which dampened the Index in the third quarter.

While growth in some segments has eased, other sectors (notably investment related to non-residential construction) have picked up. As a result, BC's economy remains on a solid growth track. In fact, looking at the average of the year-over-year increases in the Index over the first three quarters of this year (rather than the quarterly gains) suggests the BC economy is on course for growth in the 3.5% to 3.8% range, only a bit below 2004's strong performance.

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¹ The Index climbed to a value of 130.7 in Q3 up from 128.9 in Q2. On a year-over-year basis, the Index grew 3.5% in Q3, up from the annual 3.2% increase recorded in Q2.