

B.C. ECONOMIC INDEX

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BALANCED GROWTH DRIVES ECONOMIC INDEX HIGHER

The Business Council's BC Economic Index registered a solid 1.2% increase in the final quarter of last year. This follows two even bigger advances in the second and third quarters and confirms that the provincial economy ended 2005 on a strong note.¹

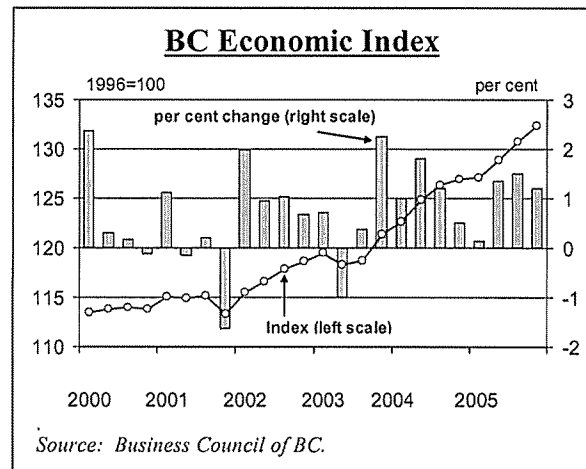
What is especially noteworthy about the most recent reading of current economic conditions is the broadly-based nature of the ongoing economic expansion. Six of the seven indicators that make up the Index were positive, and each made a meaningful contribution to the rise in the Index.

Although no single indicator drove the overall result, employment was the number one contributor to the Q4 gain. Given the strength in BC's job numbers (employment grew by 3.4% last year, more than twice the national rate) this is not surprising.

What is more impressive is that retail spending and non-residential building permits were both strong enough to make contributions almost as large as that flowing from job growth. Retail spending in BC has been on a bit of tear, buoyed by the robust job market and rising real estate prices. Non-residential construction accelerated sharply over the past year and by the final months of 2005 was more than 50% higher than one year earlier.

Housing construction was also a positive factor, but to a lesser extent. The trend in new home building has levelled off over the

past 18 months. Within this longer-term trend, however, the number of starts in Q4 edged higher. Manufacturing shipments also made a small positive contribution to the Index. Here the broader trend has generally been down over the past 14 months, but a recent upturn put shipments on the positive side of the ledger.



The Canadian leading economic indicator also boosted the Index in Q4. The one Index component showing a negative result for the quarter was international visitors to BC.

In short, the latest reading of the BC Economic Index confirms that the provincial economy grew at a healthy pace through most of 2005 and entered the new year with significant forward momentum.

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¹ On a year-over-year basis, growth in the Index accelerated to 4.3% in Q4, up from the 3.5% increase recorded in Q3.