

B.C. ECONOMIC INDEX

VOL. 5, NO. 1, April 10, 2006

BC ECONOMY REMAINS ON SOLID GROWTH TRACK

According to the latest reading of the BC Economic Index, the provincial economy continues to grow at a healthy pace. While the quarterly increase in the Index did edge back to 0.9% in the first quarter, from a 1.0% rise in the final three months of 2005, this still amounts to an above average gain and points to sustained underlying strength in the BC economy.

On a year-over-year basis, the Index rose 3.6%. Although the Index is designed to reflect current economic conditions (and is not a leading indicator) based on historical performance, an increase of this magnitude suggests the economy is on course to post real GDP growth in the 3.5% to 3.9% range this year.

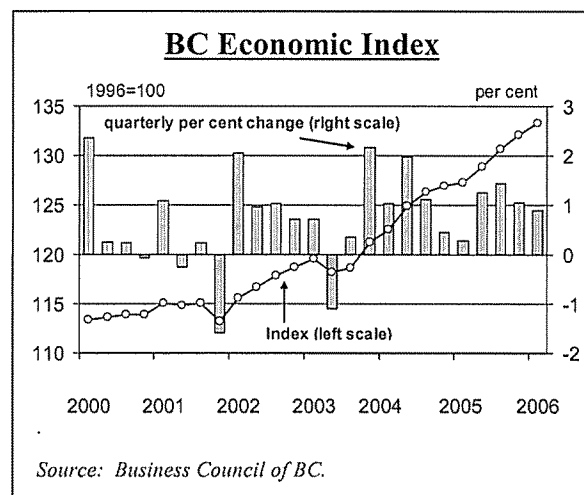
Five of the seven indicators that comprise the BC Economic Index advanced. Employment, manufacturing shipments and the Canadian leading indicator made the biggest (and essentially equal) contributions to the first quarter increase.

With BC leading all provinces in job growth, it is not surprising to see employment driving the Index higher. But given the strength of the Canadian dollar, it is somewhat more surprising that manufacturing shipments have made a notable upturn in recent months.

The national economy is in decent shape and the improvement in the Canadian leading indicator suggests it will pick up in the coming months, which should benefit BC.

Retail sales and housing starts made positive, but more modest, contributions to the latest rise in the Index. Although

consumer spending in BC has generally been strong, retail sales levelled off at the end of 2005 and therefore provided a minimal quarter-to-quarter lift in the Q1 reading. Amid a flat pattern that prevailed over most of 2005, housing construction climbed slightly at the end of the year.



The number of international travellers and non-residential construction permits were the two indicators that dampened the Index's Q1 result. Foreign visitor numbers have slipped due to a downturn in US travellers who now face a less favourable exchange rate when they come to Canada.

Non-residential construction is booming in the province. Here, the recent decrease in this indicator reflects a modest pull-back following a huge surge in permit values in 2005.

Jock Finlayson
Executive Vice President

Ken Peacock
Senior Policy Analyst