

## B.C. ECONOMIC INDEX

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### BC ECONOMY REMAINS ON TRACK BUT GROWTH DOWNSHIFTS IN Q2

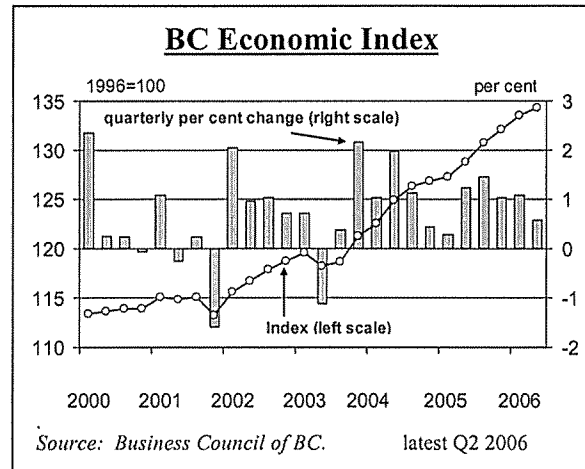
The latest reading of the BC Economic Index suggests that the pace of economic growth in the province moderated somewhat between the first and second quarters of 2006, due largely to weaker conditions in key export-oriented sectors. However, most domestic economic indicators remain positive, with the economy as a whole continuing to expand at a healthy clip.

The Index edged up by 0.6% in the second quarter, down from a quarterly 1.1% rise in the first three months of 2006. Four of the seven indicators that make up the Index contributed to the recent gain. Over the preceding four quarters, five or six of the component indicators were on the plus side of the ledger.

Job growth made the biggest contribution to the second quarter advance, although a recent easing in the torrid rate of job creation meant the gain was not as significant as in the early months of the year. Retail spending was also a positive factor, followed closely by housing starts.

On the retail front, BC's strong economy and job market continue to bolster consumer spending. The boost to the Index provided by housing starts reflects an upturn in new building activity in the first few months of 2006. Starts have pulled back more recently, which will dampen the Index in the next quarter.

The Canadian leading indicator was the final element that made a positive contribution, although it was more muted than usual.



The overall increase in the BC Economic Index was tempered by a decline in the value of manufacturing shipments. While the rising Canadian dollar is likely a factor, much of the decrease in shipments stems from a drop in lumber prices. The number of international visitors to BC also slipped again, continuing a worrisome downward trend evident for the past four years.

Non-residential construction is booming in the province. But as measured in the Index it was a negative factor in Q2 because non-residential permits eased following a surge in the previous three-month period.

Overall, the recent deceleration in the growth of the Index suggests some moderation in economic activity – a pattern often seen during an extended economic upswing. At this point, the year-over-year increases in the Index still look solid and, if anything, point to a pick-up in economic growth this year compared to 2005.

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