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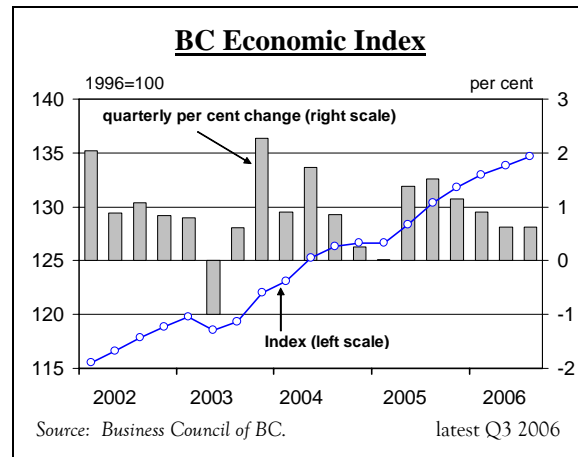
B.C. ECONOMIC INDEX

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Editor: Jock A. Finlayson

THIRD QUARTER POINTS AGAIN TO MORE MODERATE EXPANSION IN BC

The latest reading of the BC Economic Index shows that the provincial economy continues to grow at a reasonable pace. The Index increased by 0.6% in the third quarter of the year, matching the second quarter's gain. This is just below the average 0.7% quarterly rise recorded over the past 10 years. Since 2002, when BC's current economic upswing began, the Index has risen by an average 0.9% each quarter. So within this period, the slightly-below-average increases seen over the past two quarters suggest there has been a modest deceleration in economic activity.



One reason why growth in the Index has slowed is

weaker job creation. In contrast to the past few years when robust job growth was a leading driver of the Index, employment made a negligible contribution to the Q3 advance.

Among the seven indicators that make up the Index, non-residential building permits provided the largest boost in Q3. This reflects additional increases in non-residential building permits over the past few months, amid the longer-term boom in non-residential construction.

Retail spending also provided a sizable lift. Solid wage gains and previous job growth along with widespread consumer optimism are keeping British Columbians spending. A significant jump in the number of international visitors coming to the province also contributed to the latest increase in the Index. After hitting a low point in February (when BC had the fewest visitors in nearly 10 years), the number of international entries has turned higher. Although US visitor numbers are still comparatively low, the overall gains seen in the past six months mark a welcome improvement. The Canadian leading indicator was the final element that made a positive contribution to the Index in the third quarter.

Just two of the Index's seven indicators made a negative contribution in Q3. Housing starts have been trending lower over the past six months, albeit from an elevated level. This is a reversal from the pattern of the previous four years. With the slowing US economy and falling lumber prices, the value of BC's manufacturing shipments has also depressed the Index.

Although the economy continues to expand, two quarters of more moderate growth in the Index suggest that BC is feeling some of the headwinds related to the US economic slowdown as well as the slight easing in the domestic housing market. Still, the province's economy remains on track, with quarterly growth simply returning to more of an average pace.