



Publication

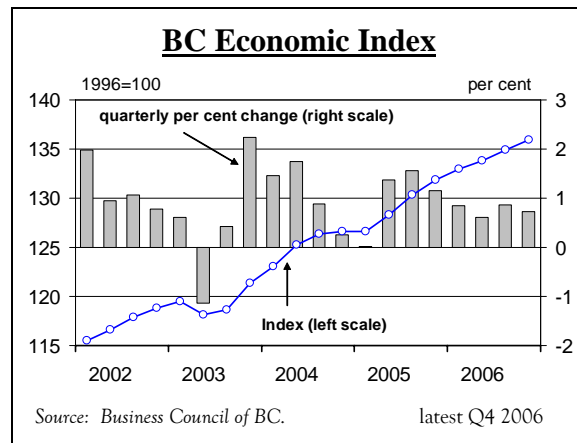
B.C. ECONOMIC INDEX

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INDEX INDICATES BC ECONOMIC GROWTH IS HOLDING UP

BC Economic Index rose 0.7% in the final quarter of 2006. A quarter-to-quarter gain of this magnitude points to a provincial economy that continues to grow at a healthy clip, albeit at a slower pace than at the close of 2005. The latest reading represents a slight easing from the upwardly revised 0.8% Q3 gain. Similar-sized advances over the previous three quarters suggest the BC economy remains on a solid footing. Although the Index is a barometer of current economic conditions, the current result points to a similar performance through the first half of 2007.



In tabulating the coincident indicator, the weak spots were new home construction and the tourism sector. Housing starts continued on a slow downtrend and shaved the Index's growth. On the tourism front, the drop in the number of international visitors coming to the province was a more significant drag. Amid a longer downtrend, foreign entries slipped again in Q4, after showing some improvement in the first half of 2006.

Another factor contributing to the modest increase in the Index was less robust growth in retail spending than in the recent past. While the year-over-year increase in retail sales remains strong, quarter-to-quarter growth slowed to the point where, adjusted for inflation, the retail sales indicator was essentially flat in Q4.

The ongoing strength in the provincial job market provided the biggest boost to the Index in Q4. Following a mid-year lull, the number of people working in BC surged ahead in the final months of 2006. Some of this stems from the boom in non-residential construction, which is reflected in the Index in the hefty increase in the value of non-residential building permits. The other significant lift came from the Canadian Leading Economic Indicator, which is included in the BC Index to capture the national economic setting. Manufacturing shipments also made a small, but positive, contribution. Here, gains in shipments of transportation equipment, beverages, chemicals and plastic and rubber products are helping to offset a drop in the value of lumber exports.

Three consecutive readings of "average" quarterly growth in the BC Index confirm that the province is feeling some of the headwinds of a slowing US economy, weaker natural gas, lumber and metals prices, and a softening in home construction. At the same time, the generally strong domestic economy is sustaining BC's economic expansion.