



# Publication

## B.C. ECONOMIC INDEX

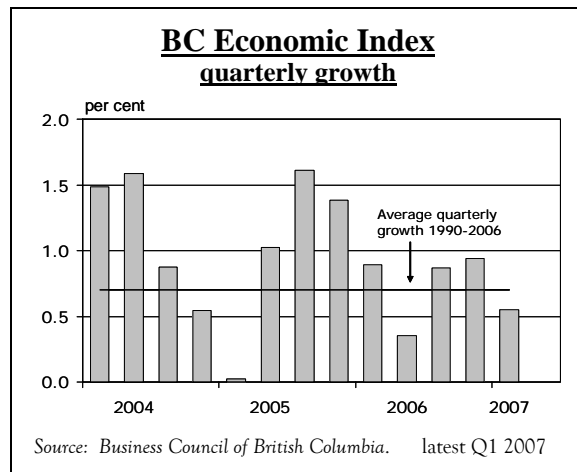
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### B.C. ECONOMIC EXPANSION CONTINUES, BUT U.S. SLOWING TRIMS GROWTH

An easing in the Business Council's barometer of current economic conditions in the province confirms that BC's economic health is still shaped by developments south of the border. While the domestic economy remains on a solid growth track, the sharp downturn in US home building is reverberating through the province's lumber sector, while further decreases in US visitors are dampening activity in the tourism sector.

Although most of the elements of the BC Economic Index were positive, these external factors and a levelling-off of home building in the province pulled the Index down to a below average quarterly gain of 0.5%.



Among the seven indicators that comprise the Index, job growth was the strongest. The pattern of strong multi-year job gains in BC continued in the first quarter of the year.

Given the hot job market, it is not surprising retail sales also made a positive contribution. A temporary dip in consumer spending at the close of 2006 kept retail spending from having a more significant impact. Non-residential construction was again a positive element. The ongoing surge in non-residential building remains a key underpinning of BC's current economic expansion.

New home construction was a soft spot. The trend in housing starts in BC has flattened out over the past year, so even though home building is still running at an elevated level, its impact in the Index was neutral in the most recent quarter.

On the downside, manufacturing shipments were a clear drag. Much of this is due to a 20% drop in the value of wood shipments from year-ago levels (both prices and volumes are lower), but other categories such as non-metallic minerals and computer and electronic components also weakened. Under the weight of the higher dollar and recently instituted US passport requirements, the number of foreign visitors to BC also fell.

Overall, the Index suggests a downshift in the pace of economic growth in the province. This is consistent with the consensus private sector forecast for 2007, which sees real GDP growth slowing to a still-strong 3.4% from an estimated 4% advance in 2006.