



Publication

B.C. ECONOMIC INDEX

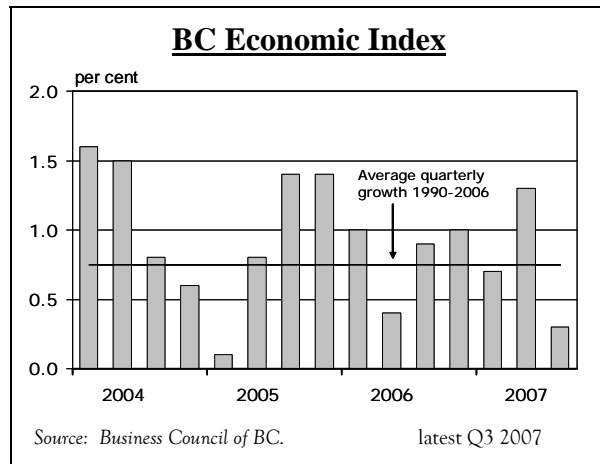
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BC'S EXPANSION CONTINUES BUT EXPORT SECTOR DAMPENS GROWTH

The BC Economic Index registered a modest gain of 0.3% in the third quarter of the year. While the rise indicates the provincial economy continued to expand, it does point to an easing in the pace of BC's economic expansion. It is a substantial retreat from the robust 1.3% increase in the second quarter and is the slowest advance in the Index since early 2005.

The magnitude of the downshift, however, is exaggerated by the fact that all seven component indicators happen to be positive in the second quarter. Having all elements of the Index pointing in the same direction is a very unusual occurrence that worked to boost the Q2 gain. Reverting to a more typically situation with just four of the indicators on the positive side means the rate of growth in the Index was destined to slow.



Underpinned by strong income growth, retail spending was a key factor behind the Index's third quarter increase. A hefty gain in the Canadian Leading Indicator also made a positive contribution. In addition to partly reflecting economic conditions in BC, the Canadian Leading Indicator is included in the BC Economic Index because growth elsewhere in Canada supports interprovincial export activity. Employment also provided a lift, although it was much smaller than usual, which was another reason for the Index's overall modest gain. The number of international visitors coming to the province bucked a longer downward trend and made a small positive contribution.

On the negative side, manufacturing shipments represented the most significant drag on growth, reflecting the ongoing challenge for exporters posed by the higher Canadian dollar and the fallout from the slumping US home building industry for BC's lumber producers. A levelling off a few months back resulted in non-residential building permits also dampening the Index along with BC housing starts.

The pullback in the quarterly growth of the Index likely reflects some moderation in the overall pace of economic growth in BC, due mostly to a weakening export sector. The change from Q2 to Q3, however, exaggerates the extent of the slowing.