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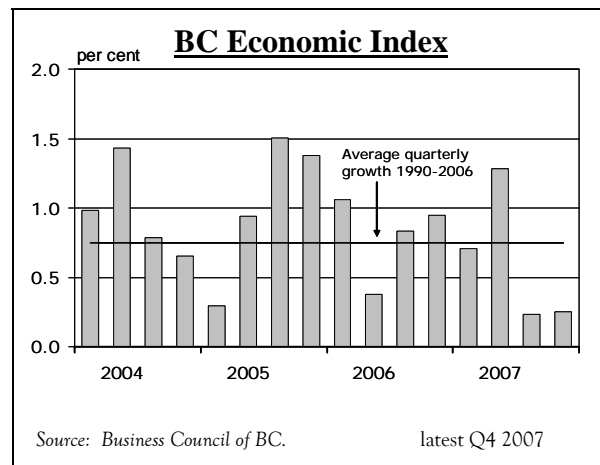
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CONSECUTIVE QUARTERS POINT TO WEAKER ECONOMIC GROWTH

The BC Economic Index registered another small gain of just 0.3% in the fourth quarter of 2007. Although this result confirms that the economy continued to expand, two back-to-back below average quarterly gains suggest that the faltering export sector is acting as a significant drag on the province's economy.

Taken together, the last two readings are the weakest six-month period for the Index since 2001.

The fall-off in US homebuilding, a Canadian dollar hovering near parity, and more recently a growing threat of recession in the US are all taking a toll on BC's export sector. In the Index this is reflected in a sharp drop in manufacturing shipments. These same factors also continue to impact tourism, as the number of international visitors to the province fell again in Q4.



Somewhat surprisingly, the third negative indicator in the Q4 Index was retail spending (adjusted for inflation). In recent years consumer spending in BC has been robust. But over the past five months spending in retail stores has levelled off and, in real terms, has declined slightly. Some of this may reflect the decline in international visitors and the fact that the strong dollar is prompting more British Columbians to shop south of the border or online.

Three indicators were behind the Index's latest modest gain. Employment growth was healthy throughout the year and provided the largest boost to the Index in Q4. Although non-residential building permits have been volatile recently, they were sufficiently strong over the latter part of 2007 to also provide a sizable lift. Housing starts in the province also edged higher making a smaller, but still positive, contribution. The final component in the Index - the Canadian Leading Indicator - was essentially flat in Q4. This is another worrisome sign for BC's export sector considering that interprovincial exports amount to 15% of all economic activity.

Despite a healthy domestic economy, weak growth in the Index for two straight quarters confirms that the US headwinds are being felt in BC. It also points to a comparatively soft handoff for the start of 2008.