



Publication

B.C. ECONOMIC INDEX

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B.C. ECONOMIC INDEX DECLINES IN FIRST QUARTER

The B.C. Economic Index slipped from 139.5 in Q4 2007 to 139.3 in the first quarter of this year. The small 0.2% decline comes on the heels of two previous weak quarterly gains. This pattern indicates that, buffeted by tough external conditions, BC's economy has slowed more sharply than anticipated. If GDP data were tabulated on a quarterly basis at the provincial level, it would show economic growth flat at best or perhaps even a slight contraction between Q4 2007 and Q1 2008.¹

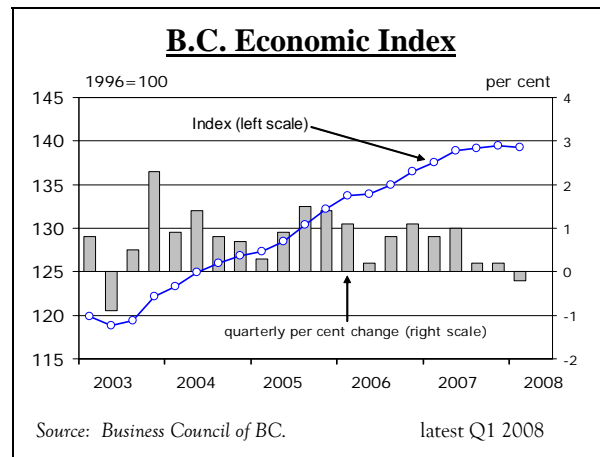
Four of the Index's seven component indicators contributed to the decline. The biggest drag came from another drop in the number of international visitors to the province. The combination of higher gas prices and the strong Loonie continues to take a toll on American visitors to BC. Exporters are also struggling under the weight of the currency, which in the Index is reflected in a further decrease in the value of BC manufacturing shipments. The Canadian Leading indicator was also down in the first quarter of the year, suggesting softening economic conditions in Canada as a whole.

One indicator that tracks the strength of domestic demand also fell: non-residential building permits. While non-residential construction activity remains at a high level, permit values have eased in recent months.

On the other side of the ledger, employment, retail spending and housing starts all made positive contributions to the latest Index reading.

The outright decline in the Index confirms that deteriorating external conditions are weighing down the province's economy. It provides some early evidence that annual GDP growth for the year will be in the 2.0% to 2.5% range (probably closer to 2%). Based on its strong correlation with economic growth over that past 25 years, if the Index declines again next quarter, BC's economy will be looking at a very weak performance for 2008.

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¹ Statistics Canada only produces annual estimates of GDP.