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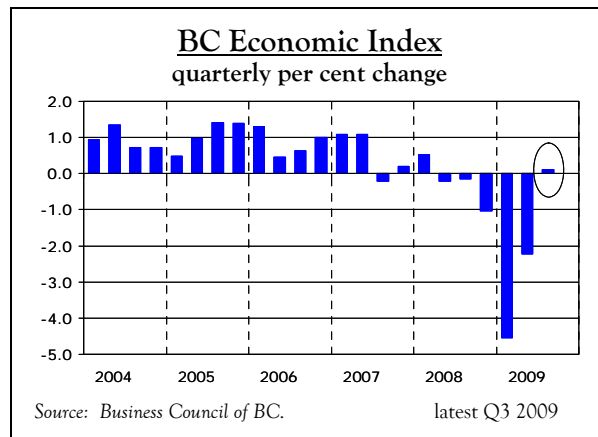
INDEX EDGES HIGHER IN Q3, BC RECESSION OVER

Following a steep downturn in the first half of 2009, the BC Economic Index registered a slight gain in the third quarter. Although the 0.1% quarter-to-quarter increase is small, context is important. Against the backdrop of five consecutive contractions punctuated by outsized declines in the first and second quarters, the recent upturn represents a substantial improvement and, from our perspective, provides a clear indication that the recession in BC ended sometime in the third quarter.¹

It is also worth noting that four of the seven component indicators contributed to the gain, meaning that some improvement was evident in a number of segments of the economy. This too represents an improvement compared to the first and second quarters of 2009 when seven and six (respectively) of the individual indicators in the Index were on the negative side of the ledger.

The biggest lift came from the Canadian Leading Indicator (which is included because the rest of Canada is an important export market for BC), rather than in indicators that more directly reflect activity within the province. The next largest contribution stems from a recent pick up in BC retail sales. Employment also edged higher, but the job market remains weak and the contribution from this component was very modest. There was also an increase in the number of people from other countries visiting the province.

The small quarterly advance does not reflect a strong economic expansion but it does signal a return to growth sooner than most forecasters were expecting. And although the Index is not designed to be a leading indicator, we believe the province's economy will continue to gather momentum in the coming quarters. But the pattern of economic growth is likely to be uneven and may stumble during the recovery process. The still weak job market will have to strengthen before the economy shifts to a solid growth path.



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¹ Because of the steep drop in economic output, on a year-over-year basis the Index is still down 7.5%.