



# Publication

## B.C. ECONOMIC INDEX

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Editor: Jock A. Finlayson

### STRONG EXPANSION CONTINUES IN SECOND QUARTER

The BC Economic Index rose by a hefty 2.3% in the second quarter. This marks the fourth consecutive increase since the province's economy emerged from recession in mid 2009 and suggests the economic expansion picked up from the first quarter of the year. The Index clearly shows that the economy remained on a relatively robust growth track over the April to June period. While the Canadian economy also enjoyed healthy Q2 growth, our sense from the most recent reading of the Index is that BC's economy continues to outperform the national benchmark.

Consistent with the previous two quarters, the most recent Index advance was fuelled by a broadly-based increase in six of the seven component indicators. Strength in manufacturing shipments was an important contributor to the overall gain. Some of this is due to stronger lumber prices, but the value of paper shipments and manufactured food items also jumped in Q2. Housing starts were also a positive factor. Although new home construction provided a boost this quarter, the most recent monthly data suggest housing starts will be a drag on growth in Q3. Steady job growth in the province provided another lift to the Index. A recent moderation in consumer spending meant that retail sales provided only a minor lift. One of the largest boosts came from the Canadian Leading Indicator, which has recorded strong growth for 14 months now.

The number of international visitors was also up. Clearly visitors have fallen since the staging of the Olympics in February. But the monthly data on international visitors in the Index is smoothed using a moving average, so the impact of the Olympics still affects the second quarter data. The one negative factor in the Index was non-residential building permits which have trended lower since the beginning of the year.

The BC Economic Index is a measure of current economic conditions. While the Q2 reading is positive, we believe the pace of economic expansion will moderate in the second half of 2010. Some of the earlier rebound in manufacturing activity is poised to slow (lumber prices have eased significantly), home building will continue to downshift, and there are lingering questions around the durability of job growth. Slower economic growth in the second half of 2010 would also be consistent with most current published forecasts for the Canadian and US economies.

Ken Peacock  
Director Economic Research

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