



# Publication

## B.C. ECONOMIC INDEX

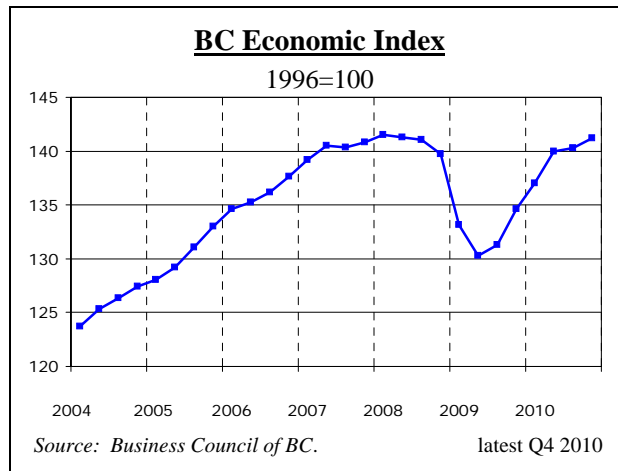
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### MODERATE ECONOMIC GROWTH IN FOURTH QUARTER

According to the BC Economic Index, the provincial economy posted moderate growth in the final months of 2010. The Index advanced by 0.6% in Q4, which is slightly above the average quarterly increase recorded over the past decade, but on the softer side for a recovery phase of the economic cycle. The third quarter reading was also revised upwards owing to revisions in the component data series that make up the Index. The good news is the Index shows the economy strengthened in Q4, after a fairly slow third quarter.

Consistent with the modest Q4 increase, four of the seven component indicators in the Index were positive. The biggest contribution came from a hefty jump in non-residential building permits. Employment made the second largest contribution to the increase in the Index growth, although job growth has eased somewhat in recent months. Retail sales and the Canadian leading indicator were also in positive territory. That said, retail sales were relatively flat throughout 2010 and made only a small contribution to the Q4 advance of the Index. Similarly the Canadian leading indicator was also a small positive factor.



The number of international visitors coming to BC has been flat since the wrap-up of the Olympics, and as a result this indicator did not add or detract from the Index in Q4. On the downside, manufacturing shipments and housing starts were slightly negative in the most recent quarter. Looking beyond the past 2-3 months, manufacturing shipments have been trending higher for some time and should continue to rise as the global and US economies strengthen. What happened in Q4 was really a small dip amid a gradual uptrend in shipment values.

Overall, the second half of 2010 was choppy and quite weak for both the BC and Canadian economies, especially considering the magnitude of the 2008-09 downturn. It is worth noting the Index is only now returning to its pre-recession levels, underscoring the fact that, in common with the rest of North America, there is still a fair amount of slack in the BC economy.

The stronger Q4 reading for the Index does signal some momentum going into 2011. With manufacturing shipments expected to resume their upward climb and non-residential investment on the rise, 2011 is shaping up to be a bit better than we anticipated a few months ago.

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