

**SURGE IN NON-RESIDENTIAL CONSTRUCTION AND EXPORTS  
ROUNDS OUT BC GROWTH PICTURE**

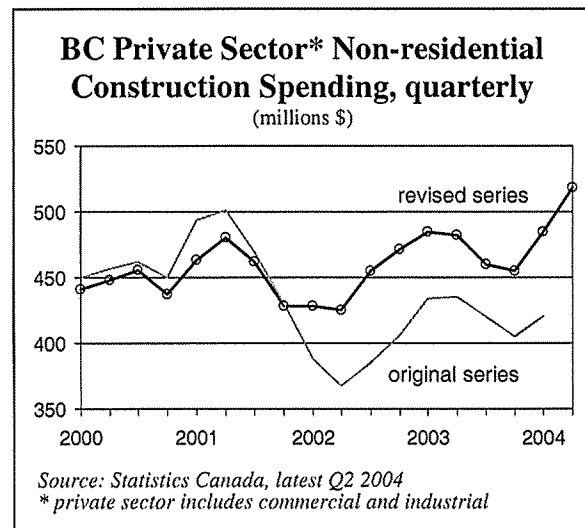
Good news about the BC economy continues to roll in. The most recent involves two segments of the provincial economy that have been somewhat slow to recover – business investment and exports. Both have now staged a sharp turnaround. The extent of the improvement is significant enough that forecasts calling for the BC economy to grow by around 3.0% in 2004 will probably turn out to be too low.

Dealing first with business investment, the latest Statistics Canada figures show that **private sector non-residential construction spending** in the province jumped to \$518 million in the second quarter of this year. This represents a 7% quarterly increase, and follows a similar gain in the first three months of the year. **These back-to-back quarterly increases helped to push private sector spending on non-residential buildings to its highest level in six years.**

The most recent increase was led by a 7.2% quarterly advance in investment spending on commercial buildings, but capital outlays for industrial structures were also up a healthy 6%.

Revisions to the historical data also played a role in the brighter investment picture. Statistics Canada recently updated its estimates of non-residential investment in BC going back to 2000. The changes are sufficient to alter the trend in investment spending over the past few years. Previously, it appeared that non-residential capital spending had fallen significantly over the course of 2001 and staged only a modest recovery in 2002-03. The revisions coupled

with the most recent gains, however, show both a higher level of non-residential investment spending by the private sector and a generally rising trend since 2002.



While the revisions are substantial, the shift in the overall investment picture is not surprising. Over the past 18 months or so, we have been puzzled that (at least until now) the official series tracking non-residential construction spending had not strengthened in a manner consistent with other data sources, anecdotal evidence, and the demonstrated improvements in the province's business climate. Now, the mystery has been solved: non-residential construction investment has in fact been on an upward trend since the beginning of 2002.

The other notable turnaround has been in **international exports**. The value of the province's monthly merchandise exports rose again in May to \$2.94 billion, the highest level since the first half of 2001. If energy exports (which are influenced by

large swings in natural gas prices) are excluded, the increase is even more impressive. **Non-energy exports** have surged since the beginning of 2004 to the point where they have fully reversed the declines seen over most of the past three years and reached their highest monthly level ever.

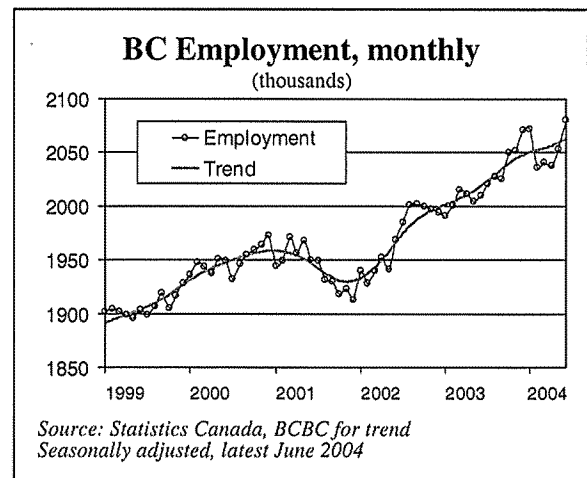
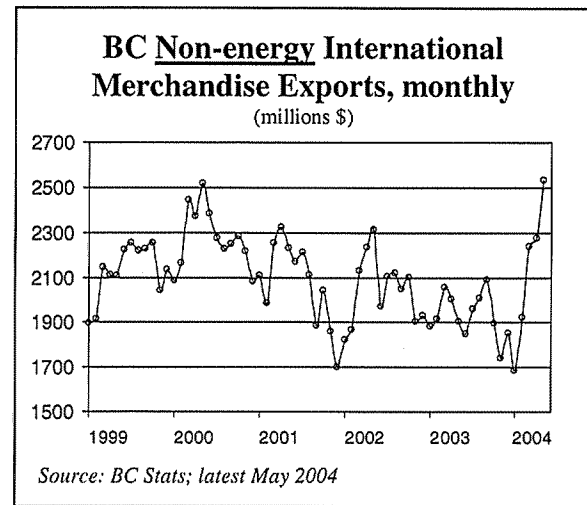
For the first five months of 2004, BC's total exports are up 3.6% compared to the same period last year, while non-energy exports are up a solid 8%.

**Employment** in BC climbed by a hefty 25,000 in June. The unemployment rate edged down to 7.5%, from 7.8% the previous month. June's gain comes on the heels of 15,000 net new jobs in May and confirms that our economy continues to generate jobs at a good clip. During the first six months of the year, employment in the province averaged 2.053 million people, up nearly 50,000 from the same period in 2003, and producing a respectable 2.4% annual growth rate. Using the same six-month, year-over-year comparison, at the midpoint of 2004 BC has the second strongest job growth among the ten provinces, just slightly behind Alberta.

The details on employment also indicate that the jobs being created are widely dispersed across the economy and balanced between the private sector, public sector and self employment classes. In the first six months of the year private sector employment has grown 2%, while the number of jobs in the public sector (including health care and education) is up 1.8%. The number of self-employed has risen by 4.3%, making up some of the ground lost last year.

Even more revealing is that all the new jobs have been in the full-time category – suggesting that the quality of employment growth has been fairly high. On average over the first half of the year, full-time employment is up nearly 4% from the same

period in 2003, while the number of part time employees has fallen by 2.6%. This pattern suggests that stronger economic conditions have prompted some companies to increase the number of hours their employees are working, shifting some workers into the full-time category.



In summary, rising exports and higher than previously reported non-residential construction spending mean that BC's economy is close to "firing on all cylinders".

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