



Publication

BC ECONOMIC INDEX

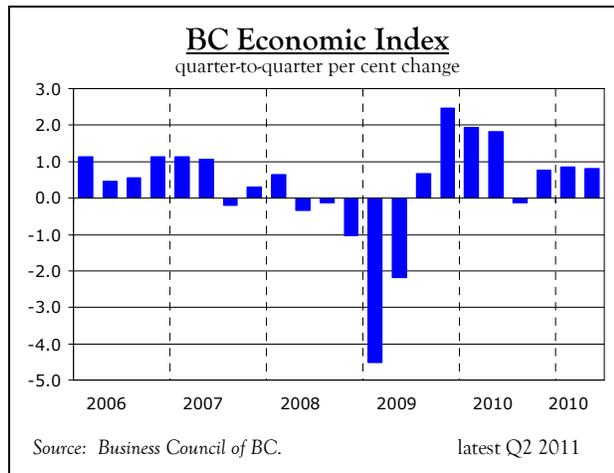
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Editor: Jock A. Finlayson

ANOTHER QUARTER OF MODEST GROWTH FOR BC

In the second quarter of 2011 the BC Economic Index posted a 0.8% quarterly increase. As an indicator of current economic conditions, this reading suggests the provincial economy is growing at a modest pace following similar performances in both the first quarter and the fourth quarter of 2010. Given the economic recovery is just two years old, this rate of expansion is not particularly strong. But against the backdrop of rising global uncertainty and ongoing malaise in the US, another interpretation is that BC's economy is holding up relatively well.

In terms of what is driving the Index, a few points are worth noting. One is the strength in the export sector. Manufacturing shipments, one of the Index's seven component indicators, have risen steadily over the past two years and are again a significant factor behind the most recent gain. A strong rise in the Canadian Leading Indicator also gave the Index a boost. While this is not directly a measure of export activity, it does point to strength in the Canadian economy, which helps BC as some 40% of our exports (goods and services) go to other provinces.



On the other hand, construction activity tempered the Index's Q2 gain. In the residential segment, housing starts have eased in recent months, while non-residential building permits, when averaged over a number of months, have also trended lower since early in the year.

The total number of international visitors (which includes same-day visitors and overnight stays) continued its long-term downward trend and also helped trim the gain in the Index.

Despite a recent setback, the number of jobs in the province has increased this year. As a result employment helped lift the Index in the second quarter.

At the mid point of 2011, the Index suggests the BC economy is on course for an average expansion in the 2.0% to 2.5% range for the year. If the economy remains on a similar growth trajectory in the second half of the year, annual growth will be at the higher end of the range; if it softens over the next six months, growth will come in closer to the lower end.