

## About the Coincident Economic Index

The purpose of the Coincident Economic Index (CEI) is to provide a summary measure of the current level and velocity of the economies of British Columbia and Metro Vancouver. Estimates of economic growth provide a benchmark to gauge performance and compare well-being over time and place.

The most widely recognized measure of the value of goods and services produced in an economy is Gross Domestic Product (GDP). However, there are no official, published estimates of GDP for any sub-provincial area. Official GDP estimates are available for B.C., but they are neither frequent nor current.

Various current and frequent economic indicators are available at the provincial and sub-provincial levels, such as counts of people employed, dwellings under construction and dollars of retail sales. The idea behind the CEI is that the co-movement in many such economic indicators has a common source that can be measured by a single unobserved variable, or index, that represents the general state of the economy. The CEI methodology employs a state-of-the-art statistical method to estimate such an index of the general economic state.<sup>1</sup>

The CEI is an information product developed by the Economics Department of Credit Union Central of British Columbia. It is estimated on a monthly frequency, reported on a quarterly frequency and lags real time by one to two months owing to processing lags in the input data. Each update revises the entire history of the index and the latest estimates always take precedence over earlier estimates. The CEI is based on real, seasonally adjusted data and therefore changes over time are generally not attributable to price changes or recurring seasonal patterns.

<sup>1</sup> Stock, James H. and Mark W. Watson, 1989, *New Indexes of Coincident and Leading Economic Indicators*, in *NBER Macroeconomics Annual*.

Credit Union Central of B.C.

## Coincident Economic Indexes First Quarter, 2008



### B.C. economic growth sluggish

Real economic growth in British Columbia in the first quarter of 2008 was the slowest in at least 16 years, according to Central's latest update of their Coincident Economic Index (CEI).

The CEI for British Columbia reached a record high level of 120.9 in the first quarter of 2008 from a base of 100 in 2001. But that represents a razor-thin increase of only 0.6% from the fourth quarter of 2007 at a seasonally adjusted, annualized rate (SAAR). That is down sharply from moderate growth of 2.8% SAAR in the fourth quarter of 2007 and well below the long-term average increase of 3.0% SAAR.

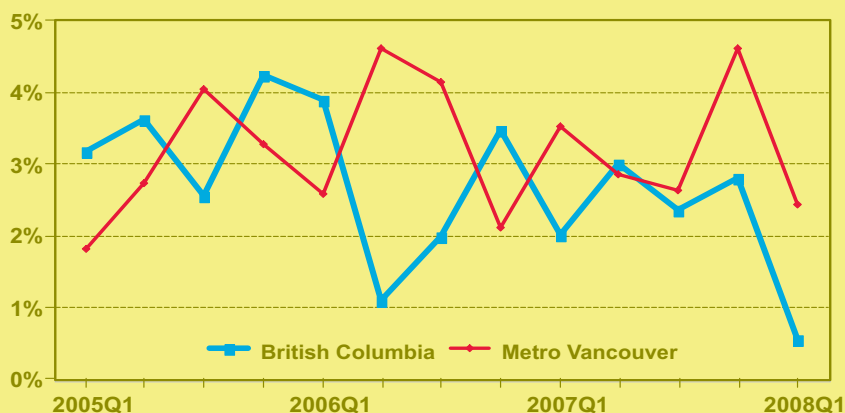
The first quarter's modest growth was driven entirely by gains in housing construction, which more than offset declines in residential property sales, manufacturing shipments, business formation, hours worked, net exports and foreign traveller entries. Retail sales were little changed. Growth in the CEI in the first quarter was concentrated in January and February, while March saw a near-record decline for a single month.

### Moderate economic growth in Metro Vancouver

The real economy of Metro Vancouver grew at a moderate pace in the first quarter, according to the CEI. Growth was driven by gains in housing construction, foreign traveller entries and employment, which more than offset declines in residential property sales, seaborne cargo handling and non-residential construction. There was little change in retail sales.

## Coincident Economic Indexes (CEI), Quarterly British Columbia & Metro Vancouver

Real, Seasonally Adjusted, Annualized Rate of Change (%)



Source: Credit Union Central of B.C.

## Credit Union Central of B.C. Coincident Economic Indexes First Quarter, 2008

As with the province as a whole, the CEI for Metro Vancouver hit a record-high level in the first quarter of 2008. It reached 112.5, an increase of 2.5% SAAR from the fourth quarter of 2007. That is slightly below the medium-term average gain of 3.1% SAAR and down sharply from robust growth of 4.6% SAAR in the fourth quarter of 2007. The first quarter's growth was concentrated in January, while March registered a near-record monthly decline.

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Credit Union Central 

### Coincident Economic Indexes, Quarterly

#### Real, Seasonally Adjusted, Annualized Rate of Change (%)

	Q1	Q2	Q3	Q4	Year
			2001		2001
British Columbia	--	2.07	1.19	2.78	2.02
Metro Vancouver	--	2.74	1.11	5.27	3.04
			2002		2002
British Columbia	3.59	4.07	2.27	3.08	3.25
Metro Vancouver	3.29	4.82	0.93	2.69	2.93
			2003		2003
British Columbia	2.65	3.75	4.47	3.36	3.56
Metro Vancouver	2.14	1.62	3.01	2.51	2.32
			2004		2004
British Columbia	3.19	2.4	2.76	2.75	2.77
Metro Vancouver	6.91	1.74	3.37	2.01	3.51
			2005		2005
British Columbia	3.17	3.63	2.55	4.24	3.4
Metro Vancouver	1.82	2.74	4.04	3.28	2.97
			2006		2006
British Columbia	3.9	1.11	1.99	3.49	2.62
Metro Vancouver	2.58	4.63	4.15	2.11	3.37
			2007		2007
British Columbia	2.01	3.01	2.35	2.8	2.54
Metro Vancouver	3.52	2.87	2.64	4.61	3.41
			2008		2008
British Columbia	0.57	--	--	--	0.57
Metro Vancouver	2.45	--	--	--	2.45

Source: Credit Union Central of B.C.