

About the Coincident Economic Index

The purpose of the Coincident Economic Index (CEI) is to provide a summary measure of the current state of the economy in 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. The B.C. CEI is composed of hours worked, business incorporations, retail sales, goods exports, goods imports, housing construction, housing sales, manufacturing shipments and foreign travelers. The Metro Vancouver index is composed of employment, non-residential construction, housing construction, retail sales, housing sales, seaborne cargo and foreign travelers.

The idea behind the CEI is that these economic indicators share a common influence that can be measured by a single unobserved variable, or index, that represents the general state of the economy. The coincident index is identified as this common factor and is a weighted average of current changes in the economic indicators. The weights sum to one and are estimated by a sophisticated trending method. The index is scaled to match the mean and variance of estimated GDP.

The CEI is an information product developed by the Economics Department of Central 1 Credit Union. It is estimated on a monthly 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.

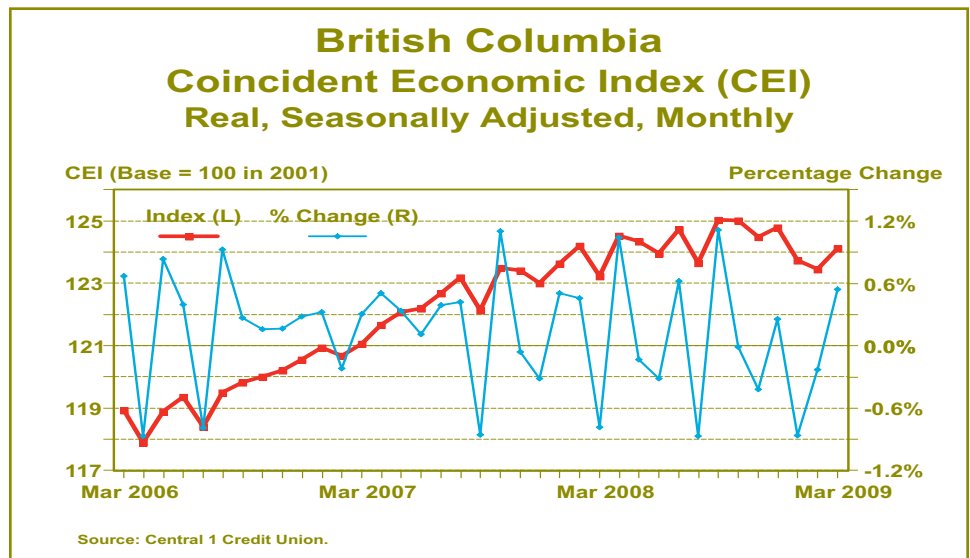
- *B.C.'s economy grew in March on lower trade deficit and higher home sales*
- *Metro Vancouver's economy shrank in March on lower housing construction, retail sales, employment and foreign visitors*
- *Recession continues in both B.C. and Metro Vancouver in the first quarter*

British Columbia's real economy expanded by a seasonally adjusted (SA) estimate of 0.5% in March, according to Central 1 Credit Union's latest update of its Coincident Economic Index (CEI), which now stands at 124.1 (2001 = 100). The gain was partly due to a lower deficit in international merchandise trade, as imports declined more than exports. The reduced trade deficit reflects weak domestic demand, but it improves overall income by slowing leakage to other countries.

March's gain in real output also resulted from increased residential property sales and manufacturing shipments. Housing sales have increased as mortgage rates have declined along with housing prices. Manufacturing shipments showed a small rebound following five consecutive month-over-month declines.

Positive changes in international merchandise trade, property sales and manufacturing shipments more than offset declines in incorporations, hours worked, housing construction, retail sales and foreign traveler entries. Declines in these indicators reflect a lower propensity to consume and invest among households and businesses. That, in turn, is the result of 2008's financial crisis, which sharply lowered net worth and expected income as asset prices tumbled.

B.C.'s real economy shrank by an estimated 3.2% in the first quarter of 2009 at a seasonally adjusted annual rate (SAAR), as March's uptick in the CEI followed two consecutive month-over-month declines. The quarter-over-quarter decline resulted from lower incorporations, manufacturing shipments, housing construction, hours worked, retail sales and foreign traveller entries. Negative changes in these economic indicators more than offset gains from a lower international merchandise trade deficit and increased residential property sales.



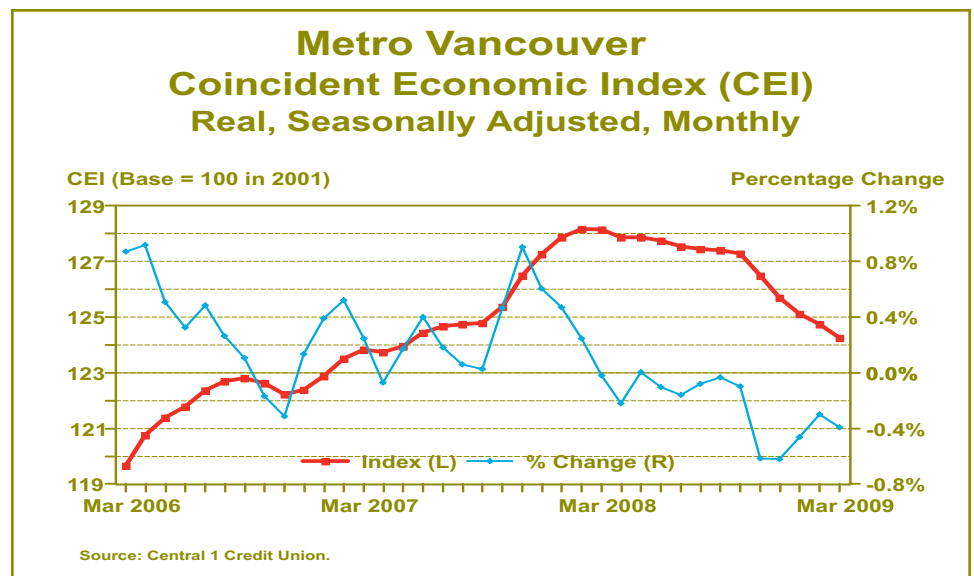
The CEI for B.C. peaked in September last year, suggesting B.C.'s economy has been in recession since then. The loss in real economic output in the six months from October 2008 through March 2009 is estimated at 0.7% SA. That compares with average growth of 1.4% per six-month span since January 2001. In 2008, the CEI increased 1.7% year-over-year, suggesting Statistics Canada's preliminary estimate of a 0.3% decline in B.C.'s real GDP in 2008 will be revised upward.

Metropolitan Vancouver's real economy shrank by 0.4% SA in March, according to Central 1 Credit Union's CEI, which now stands at 124.3 (2001 = 100). The decline was due to lower housing construction, retail sales, employment and foreign traveller entries. Negative changes in these economic indicators again reflect generally lower propensities to consume and invest among households and businesses.

Negative changes in retail sales, employment and foreign visitors more than offset a sharp increase in residential property sales, a partial rebound in seaborne cargo volume and a slight uptick in non-residential construction. Housing sales increased on lower mortgage rates and housing prices. Non-residential construction edged up as infrastructure spending continued and businesses moved to complete buildings already under construction. Seaborne cargo volume partly rebounded for the second straight month following sharp declines from November 2008 through January 2009.

Metro Vancouver's real economy shrank by an estimated 5.5% in the first quarter of 2009 at a seasonally adjusted annual rate (SAAR), as the CEI steadily declined. The quarter-over-quarter decline resulted from lower seaborne cargo, housing construction, retail sales, employment and foreign travellers. Decay in these economic indicators more than offset growth in residential property sales and non-residential construction. That the CEI declined more in Metro Vancouver than in B.C. as a whole suggests that the non-metropolitan, provincial economy may have expanded in the first quarter.

The CEI for Metro Vancouver peaked in February last year, suggesting this region's economy has been in recession since then. At first, the decline was very gradual but in November it turned sharply downward. The loss in real economic output in the 13 months from March 2008 through March 2009 is estimated at 3.1% SA. That compares with average growth of 3.1% per 13-month span since January 2001. The CEI indicates that Metro Vancouver's real economic output grew 2.3% in 2008.



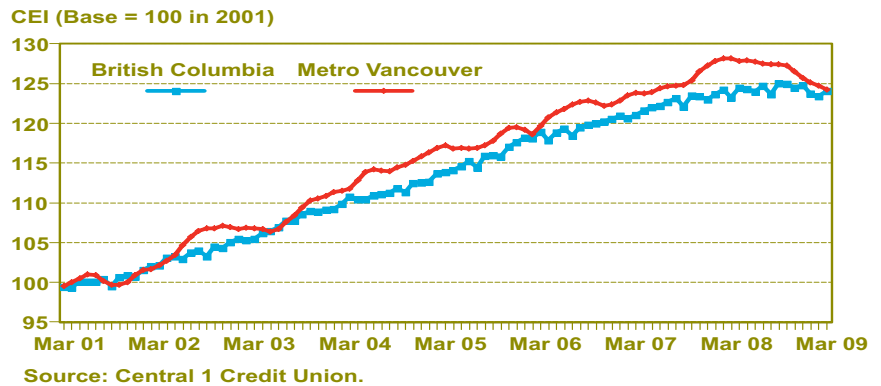
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Coincident Economic Index (CEI) Real, Seasonally Adjusted, Monthly



Coincident Economic Indexes, Quarterly					
Real, Seasonally Adjusted, Annualized Rate of Change (%)					
	Q1	Q2	Q3	Q4	Annual
			2001		2001
British Columbia	--	2.1	0.7	3.1	--
Metro Vancouver	--	6.1	-0.9	-0.3	--
			2002		2002
British Columbia	4.5	4.9	2.3	3.7	3.3
Metro Vancouver	6.4	7.5	10.8	2.4	4.7
			2003		2003
British Columbia	2.9	4.4	5.7	3.6	3.8
Metro Vancouver	-0.7	-0.6	7.1	8.0	3.3
			2004		2004
British Columbia	3.6	2.4	2.9	2.6	3.5
Metro Vancouver	3.6	7.6	1.9	4.1	5.1
			2005		2005
British Columbia	4.7	4.5	2.8	4.9	3.7
Metro Vancouver	5.4	0.2	1.5	6.5	3.4
			2006		2006
British Columbia	5.5	1.0	1.8	3.4	3.5
Metro Vancouver	-0.1	7.4	4.4	-0.7	3.3
			2007		2007
British Columbia	2.1	3.6	2.3	2.1	2.6
Metro Vancouver	3.3	2.1	2.2	5.4	2.7
			2008		2008
British Columbia	1.3	1.9	0.6	1.0	1.7
Metro Vancouver	5.4	-0.7	-1.2	-3.0	2.3
			2009		2009
British Columbia	-3.2	--	--	--	--
Metro Vancouver	-5.5	--	--	--	--

Source: Central 1 Credit Union