

## 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. 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 powerful and sophisticated trending method.<sup>1</sup> 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, 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*.

## Central 1 Credit Union

# Coincident Economic Indexes Second Quarter, 2008



## B.C. economic growth remains below average

Real economic growth in British Columbia in the second quarter of 2008 rebounded from a 16-year low in the first quarter, but remained below the long-term average, according to Central 1 Credit Union's latest update of its Coincident Economic Index (CEI).

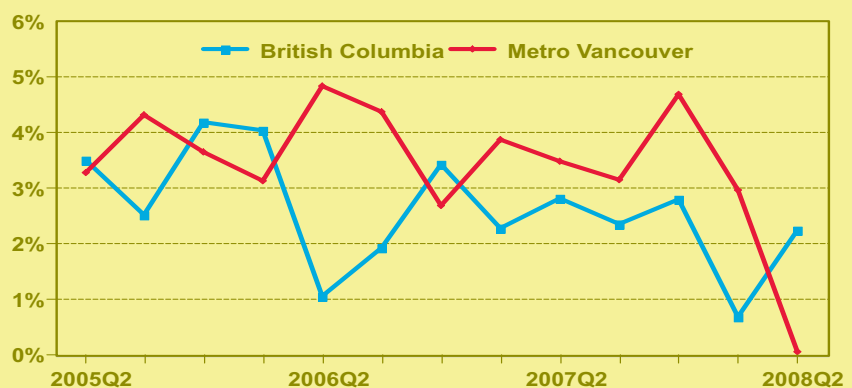
The CEI for British Columbia reached a record high level of 121.7 in the second quarter of 2008, from a base of 100 in 2001. That represents an increase of 2.3% from the first quarter at a seasonally adjusted, annualized rate (SAAR). That is up from modest growth of 0.7% SAAR in the first quarter, but below the long-term average increase of 3.0% SAAR.

Second-quarter growth was driven by an improvement in B.C.'s international trade deficit in goods, along with higher levels of housing under construction and business incorporations. The trade deficit improved as international goods exports increased faster than imports. Gains in these sectors more than offset declines in residential property sales, foreign traveller entries, manufacturing shipments, retail sales and hours worked. Growth in the CEI in the second quarter was concentrated in April, while May and June saw very little change in real economic output.

## Economic growth stalls in Metro Vancouver

Real growth in the economy of Metro Vancouver stalled in the second quarter, according to Central 1's CEI, following below-average growth in the first quarter. Gains in seaborne cargo handling and housing construction were almost entirely offset by declines in residential property sales, non-residential construction, retail sales, foreign traveller entries and employment.

### Coincident Economic Index (CEI), Quarterly British Columbia & Metro Vancouver Real, Seasonally Adjusted, Annualized Rate of Change (%)



Source: Central 1 Credit Union

## Coincident Economic Indexes Q2 2008

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The CEI for Metro Vancouver hit a record-high level of 126.3 in the second quarter of 2008. But that represents a razor-thin increase just 6 basis points from the first quarter. (A basis point is one-one hundredth of one per cent, or 0.01%.) That's by far the lowest quarterly change since the CEI's base year in 2001 and is well below medium-term average growth of 3.4% SAAR. Second-quarter growth was concentrated in April, while June registered a decline in real economic output.

<b>Coincident Economic Indexes, Quarterly</b>					
<b>Real, Seasonally Adjusted, Annualized Rate of Change (%)</b>					
	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>Year</b>
			<b>2001</b>		<b>2001</b>
British Columbia	1.99	2.10	1.19	2.75	2.01
Metro Vancouver	--	3.27	1.97	5.29	3.51
			<b>2002</b>		<b>2002</b>
British Columbia	3.60	4.03	2.30	3.08	3.25
Metro Vancouver	3.70	4.92	1.83	3.22	3.42
			<b>2003</b>		<b>2003</b>
British Columbia	2.73	3.62	4.39	3.38	3.53
Metro Vancouver	2.78	2.36	3.50	3.07	2.93
			<b>2004</b>		<b>2004</b>
British Columbia	3.25	2.38	2.73	2.77	2.78
Metro Vancouver	6.60	2.45	3.80	2.66	3.88
			<b>2005</b>		<b>2005</b>
British Columbia	3.33	3.52	2.54	4.20	3.40
Metro Vancouver	2.53	3.29	4.32	3.65	3.45
			<b>2006</b>		<b>2006</b>
British Columbia	4.04	1.07	1.93	3.44	2.62
Metro Vancouver	3.14	4.84	4.38	2.70	3.77
			<b>2007</b>		<b>2007</b>
British Columbia	2.29	2.83	2.36	2.80	2.57
Metro Vancouver	3.87	3.48	3.15	4.69	3.80
			<b>2008</b>		<b>2008</b>
British Columbia	0.69	2.25	--	--	1.47
Metro Vancouver	2.98	0.06	--	--	1.52

Source: Central 1 Credit Union