

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. economy growing again

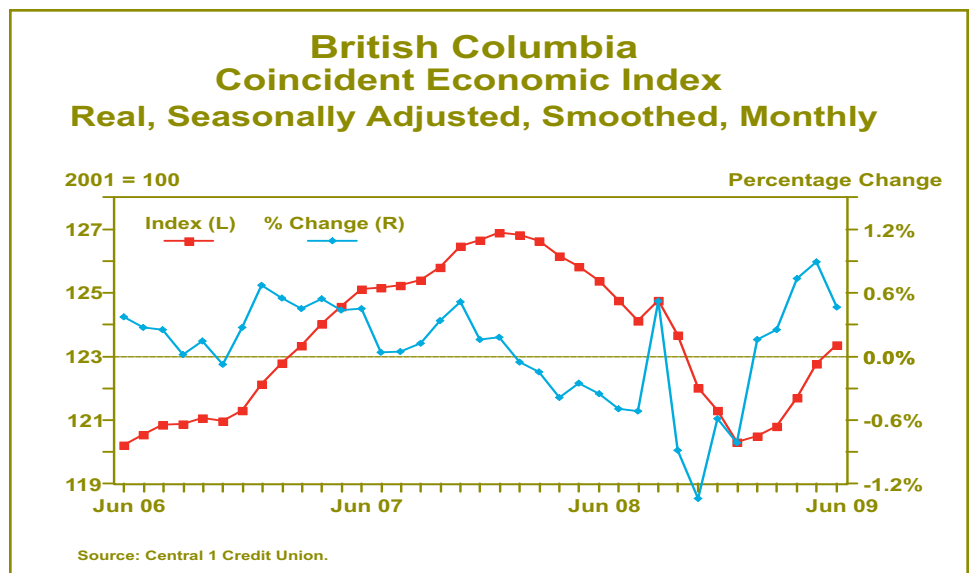
British Columbia's real economy appears to be growing, according to Central 1 Credit Union's latest update of its Coincident Economic Index (CEI). The CEI recorded a 0.5% month-over-month rise in June, seasonally adjusted. The increase resulted from growth in business incorporations, housing sales, retail sales, manufacturing shipments and total hours worked. Gains in these indicators were partly offset by declines in housing construction, international traveller entries and international merchandise exports.

B.C.'s economy likely expanded in the second quarter of 2009, as the CEI recorded a 7.1% increase at a seasonally adjusted annual rate (SAAR). Quarter-over-quarter growth resulted from a lower international merchandise trade deficit (as imports shrank more than exports), as well as growth in business incorporations, housing sales and retail sales. Gains in these indicators were partly offset by declines in housing construction, international traveller entries, manufacturing shipments and total hours worked.

The CEI for B.C. bottomed out in the first quarter of 2009 with a fourth straight quarter-over-quarter decline. The index suggests B.C.'s economic recession lasted for one year, from February 2008 through January 2009. The loss in real economic output during that time is estimated at 5.2%, based on the peak-to-trough change in the CEI. That compares with long-term average growth in B.C.'s real GDP of 2.5% per year.

Metro Vancouver's economy rebounding

Metro Vancouver's real economy also appears to have grown in the second quarter. The region's CEI recorded a 4.9% increase at a seasonally adjusted annual rate (SAAR). The increase resulted from growth in housing



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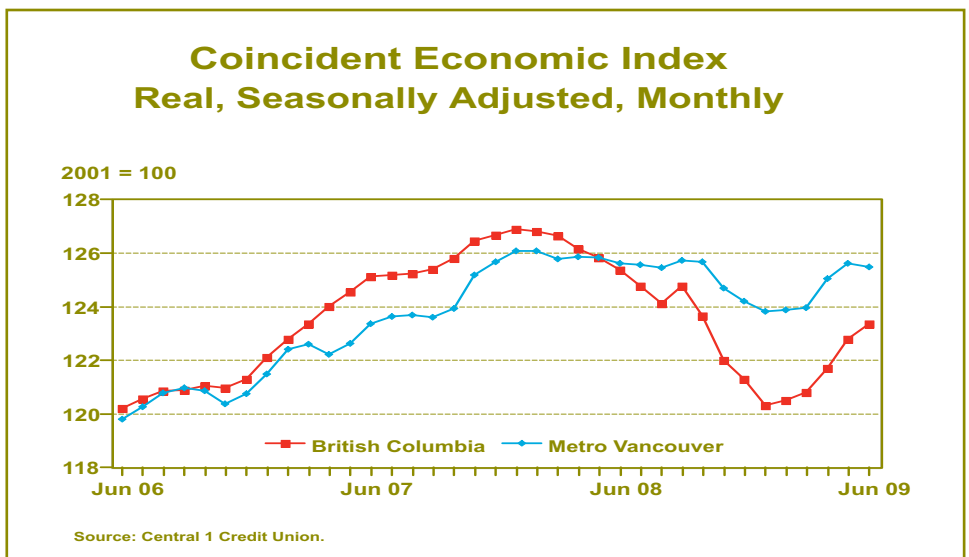
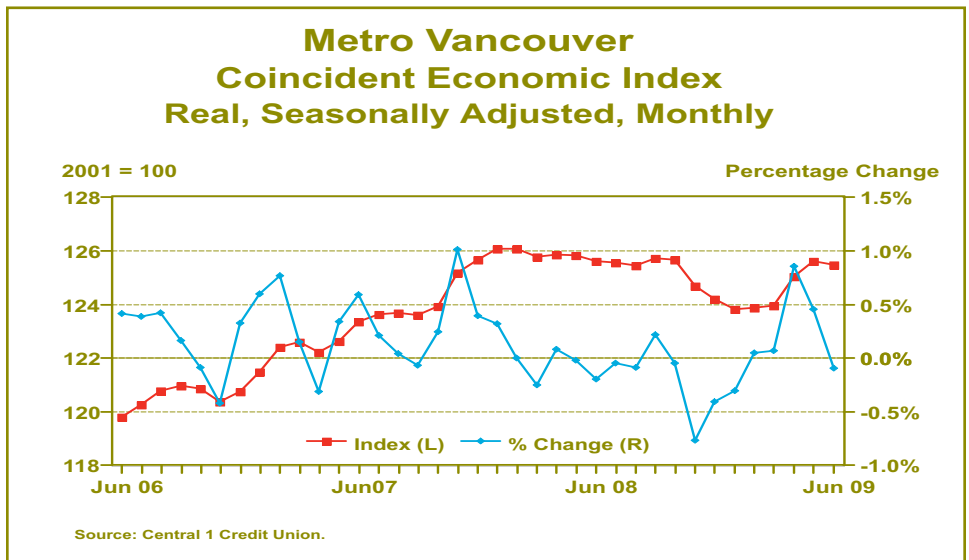
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sales, seaborne cargo volume, total employment and retail sales. Gains in these indicators were partly offset by declines in housing construction and international traveller entries, while non-residential construction was little changed from the first quarter.

Second quarter growth in metro Vancouver's economy was concentrated in April and May. The CEI recorded a 0.1% month-over-month decline in June, seasonally adjusted. The decrease resulted from lower housing construction, international traveller entries, non-residential construction and retail sales. Declines in these indicators were largely offset by growth in housing sales, seaborne cargo volume and total employment.

The CEI for metro Vancouver bottomed out in the first quarter of 2009 with a fourth straight quarter-over-quarter decline. The index suggests the region's economic recession lasted for almost one year, from March 2008 through January 2009. The loss in real economic output during that time is estimated at 1.8%, based on the peak-to-trough change in the CEI. That suggests the metropolitan economy weathered the latest recession better than the province overall.



Coincident Economic Indexes Q2 2009

Coincident Economic Indexes, Quarterly					
Real, Seasonally Adjusted, Annualized Rate of Change (%)					
	Q1	Q2	Q3	Q4	Annual
	2001				2001
British Columbia	--	4.9	1.3	4.2	--
Metro Vancouver	--	5.7	-2.5	-1.3	--
	2002				2002
British Columbia	7.9	2.5	1.8	4.8	4.2
Metro Vancouver	7.4	7.1	8.4	3.6	4.2
	2003				2003
British Columbia	1.3	-1.7	7.6	3.7	2.4
Metro Vancouver	-0.3	-1.8	8.6	6.7	3.1
	2004				2004
British Columbia	6.4	4.5	2.6	3.7	4.5
Metro Vancouver	2.3	6.0	0.5	3.9	4.2
	2005				2005
British Columbia	3.6	4.0	4.1	2.6	3.6
Metro Vancouver	5.5	1.4	1.4	6.0	3.3
	2006				2006
British Columbia	4.6	5.2	3.3	1.2	3.9
Metro Vancouver	-0.3	7.6	4.6	-0.0	3.3
	2007				2007
British Columbia	5.5	6.1	2.3	3.4	4.0
Metro Vancouver	5.1	1.9	3.0	4.2	3.3
	2008				2008
British Columbia	1.5	-3.1	-3.9	-7.0	0.1
Metro Vancouver	3.4	-0.7	-0.7	-2.3	1.8
	2009				2009
British Columbia	-5.7	7.1	--	--	--
Metro Vancouver	-3.1	4.9	--	--	--

Source: Central 1 Credit Union

CEI Indicators		
British Columbia	May to June	Q1 to Q2
	Percentage Change	Percentage Change
Business Incorporations	19.5%	28.2%
MLS® Residential Sales	14.9%	59.9%
BC Trade Deficit (Net Exports)	3.8%	-12.3%
Manufacturing Shipments	1.8%	-0.6%
Total Actual Hours Worked	1.0%	-0.4%
Retail Sales	0.8%	1.5%
BC-Cleared Goods Imports	0.1%	-8.7%
BC-Origin Goods Exports	-2.5%	-6.0%
International Traveller Entries	-4.5%	-2.1%
Housing Under Construction	-8.4%	-12.8%
Metro Vancouver		
MLS® Residential Sales	19.0%	71.5%
Total Port Cargo Handled	6.8%	12.5%
Total Employment	0.2%	1.6%
Retail Sales	-0.4%	0.8%
Non-Residential Construction	-2.8%	0.1%
International Traveller Entries	-6.6%	-1.9%
Housing Under Construction	-7.3%	-11.8%

Source: Statistics Canada, CREA, BC Stats, Port Metro Vancouver