

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.¹ 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.

¹ 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 Third Quarter, 2008



B.C. economic growth at half speed

Real economic growth in British Columbia in the third quarter of 2008 slowed to about half the average historical rate, according to the latest update of Central 1 Credit Union's Coincident Economic Index (CEI).

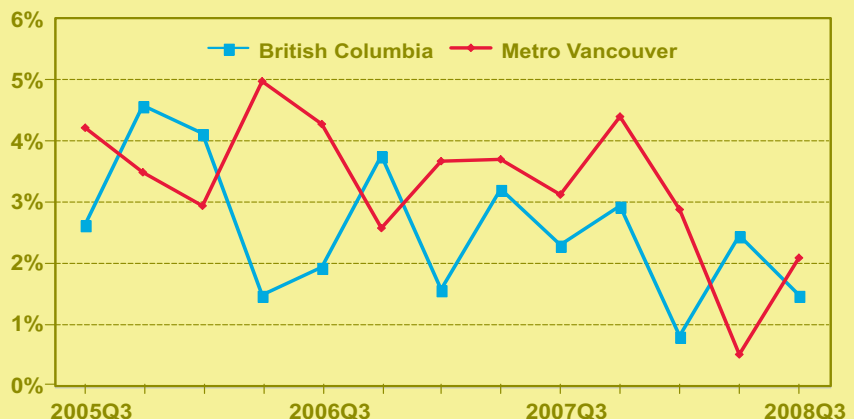
The CEI for British Columbia reached a record high level of 123.0 in the third quarter of 2008, from a base of 100 in 2001. That represents an increase of 1.5% from the second quarter at a seasonally adjusted, annualized rate (SAAR). That is down from moderate growth of 2.5% SAAR in the second quarter and well below the average increase of 3.0% SAAR since the beginning of 1992.

Third-quarter growth was driven by a decrease in B.C.'s international trade deficit in goods as well as a slight increase in total hours worked. The trade deficit improved as international goods exports increased while imports declined. Gains in these sectors more than offset declines in residential property sales, business formations, foreign traveller entries, manufacturing shipments, housing construction and retail sales. Third-quarter growth was concentrated in September and July, while August saw a decline.

Economic growth at two-thirds of normal rate in Metro Vancouver

Real growth in the economy of Metro Vancouver rebounded in the third quarter according to Central 1's CEI, following record-low growth in the second quarter. Average employment held more or less steady while most other economic indicators showed declines, especially housing sales.

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



Source: Central 1 Credit Union

Coincident Economic Indexes Q3 2008

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The CEI for Metro Vancouver hit a record-high level of 126.6 in the third quarter of 2008, up 2.1% SAAR from the second quarter. That is a rebound from second- quarter growth of just 0.5% SAAR, but well below the average increase of 3.3% SAAR since the beginning of 2001. Third-quarter growth was concentrated in July and September.

Coincident Economic Indexes, Quarterly						
Real, Seasonally Adjusted, Annualized Rate of Change (%)						
	Q1	Q2	Q3	Q4		Year
			2001			2001
British Columbia	2.1	2.21	1.2	2.79		2.07
Metro Vancouver	--	3.36	2.07	5.11		3.51
			2002			2002
British Columbia	3.71	4.21	2.37	3.23		3.38
Metro Vancouver	3.41	4.96	1.94	3.2		3.38
			2003			2003
British Columbia	2.72	3.81	4.62	3.47		3.65
Metro Vancouver	2.52	2.67	3.47	3.04		2.92
			2004			2004
British Columbia	3.06	2.41	2.7	2.75		2.73
Metro Vancouver	6.03	2.79	3.75	2.61		3.79
			2005			2005
British Columbia	3.77	3.64	2.63	4.59		3.66
Metro Vancouver	2.32	3.56	4.22	3.49		3.4
			2006			2006
British Columbia	4.11	1.47	1.93	3.75		2.82
Metro Vancouver	2.93	4.97	4.26	2.58		3.69
			2007			2007
British Columbia	1.56	3.22	2.31	2.93		2.51
Metro Vancouver	3.68	3.7	3.12	4.4		3.72
			2008			2008
British Columbia	0.81	2.45	1.49	--		1.58
Metro Vancouver	2.88	0.5	2.07	--		1.82

Source: Central 1 Credit Union