

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.

Economy growing

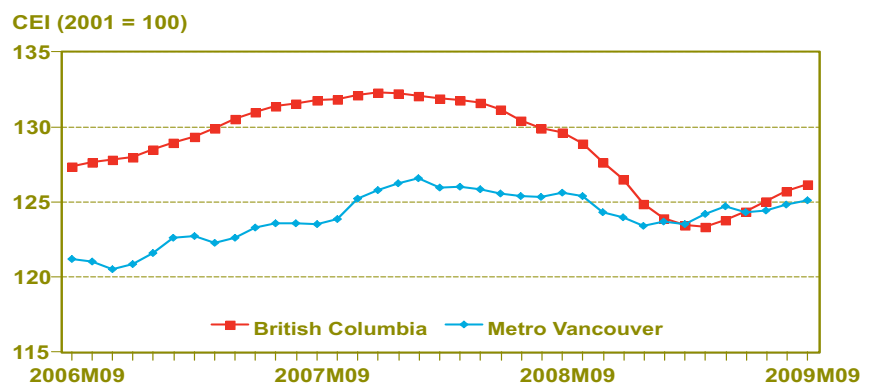
British Columbia's real economy expanded in the third quarter following a year or more of recession, according to Central 1 Credit Union's Coincident Economic Index (CEI). The CEI recorded a 6.0% quarter-over-quarter increase at a seasonally adjusted annual rate (SAAR). Growth resulted from higher housing sales, hours worked, retail sales and manufacturing shipments. Gains in these indicators were partly offset by a higher international trade deficit and declines in housing construction and international traveler entries.

The CEI for B.C. bottomed out in April 2009 and has since resumed growing. The cyclical low ended 16 straight month-over-month declines. The loss in real economic output during the recession is estimated at 6%, based on peak-to-trough changes in the CEI. From May through September 2009, economic growth is estimated at 2%.

Metro Vancouver's real economy also expanded in the third quarter, although the rate of growth slowed from the second quarter. The region's CEI recorded a 1.2% increase at a seasonally adjusted annual rate (SAAR). The slight increase resulted from growth in housing sales, seaborne cargo volume and retail sales. Gains in these indicators were largely offset by declines in housing construction, non-residential building construction and international traveler entries.

The CEI for Metro Vancouver bottomed out in January 2009 and has since resumed growing. The cyclical low ended an 11 month downward trend. The loss in real economic output during the recession is estimated at 3%, based on peak-to-trough changes in the CEI. From February through September 2009, economic growth is estimated at 2%.

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



Source: Central 1 Credit Union.

Coincident Economic Indexes Q3 2009

Coincident Economic Indexes, Quarterly					
Real, Seasonally Adjusted, Annualized Rate of Change (%)					
	Q1	Q2	Q3	Q4	Annual
	2001				2001
British Columbia	--	2.0	-0.4	1.4	--
Metro Vancouver	--	6.7	-2.9	-2.2	--
	2002				2002
British Columbia	8.9	6.1	3.0	4.1	4.3
Metro Vancouver	7.5	8.1	9.4	2.3	4.3
	2003				2003
British Columbia	3.6	1.6	8.9	6.1	4.2
Metro Vancouver	-0.0	-1.5	8.3	7.1	3.2
	2004				2004
British Columbia	4.7	6.9	3.7	4.3	5.6
Metro Vancouver	2.4	6.7	0.3	3.8	4.3
	2005				2005
British Columbia	6.0	5.5	4.5	6.3	5.2
Metro Vancouver	6.1	0.7	1.3	6.4	3.4
	2006				2006
British Columbia	7.7	3.2	2.4	2.1	5.0
Metro Vancouver	-0.4	7.4	4.6	-0.5	3.2
	2007				2007
British Columbia	3.5	4.9	3.4	1.6	3.2
Metro Vancouver	5.1	1.4	2.7	4.7	3.1
	2008				2008
British Columbia	-0.1	-1.7	-4.6	-6.9	-0.4
Metro Vancouver	4.3	-1.5	-1.1	-2.8	1.7
	2009				2009
British Columbia	-10.8	-0.8	6.0	--	--
Metro Vancouver	-3.3	2.9	1.2	--	--

Source: Central 1 Credit Union

CEI Indicators		
	Q2 to Q3	August to September
	Percentage Change	Percentage Change
British Columbia		
MLS Residential Sales	28.4%	5.9%
BC Trade Deficit (Net Exports)	17.6%	3.2%
BC-Cleared Goods Imports	9.4%	-0.4%
BC-Origin Goods Exports	3.7%	-3.3%
Total Actual Hours Worked	2.1%	2.5%
Retail Sales	1.6%	1.8%
Manufacturing Shipments	0.8%	0.5%
Business Incorporations	0.2%	30.5%
International Traveller Entries	-6.0%	-0.1%
Housing Under Construction	-12.0%	-3.1%
Metro Vancouver		
MLS Residential Sales	34.8%	4.0%
Total Port Cargo Handled	4.3%	-2.3%
Retail Sales	2.3%	1.5%
Total Employment	-0.0%	1.0%
International Traveller Entries	-2.4%	-7.6%
Non-Residential Construction	-6.9%	-2.3%
Housing Under Construction	-9.7%	-2.2%

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

Written and produced by Economics, Central 1 Credit Union



David Hobden, Economist, 604 737 5063, dhobden@central1.com

Judy Wozencroft, Economic Services Coordinator, 604 737 5014, jwozencroft@central1.com