

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 economic rebound continues

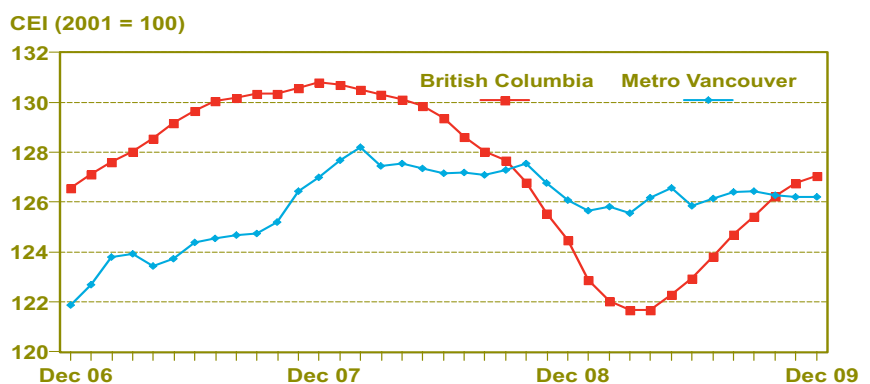
British Columbia's economy expanded in the fourth quarter of 2009, the second straight quarter of robust growth, according to Central 1 Credit Union's Coincident Economic Index (CEI). The CEI recorded a 6.7% quarter-over-quarter increase at a seasonally adjusted annual rate (SAAR). Growth resulted from higher housing sales, business incorporations, international traveller entries and retail sales, as well as a lower international trade deficit. Gains in these economic indicators were partly offset by declines in housing under construction and total hours worked.

Relative changes in the CEI and real gross domestic product (GDP) are positively correlated. Statistics Canada will release its latest GDP estimates for B.C. in late April. Based on the CEI, B.C.'s real GDP is estimated to have declined 3.5% in 2009, marking the worst recession since 1982. Statistics Canada's latest estimate of B.C.'s real GDP growth in 2008 is 0.0%, or no change year-over-year. The CEI suggests this estimate could be revised downward and that the recession began earlier than GDP estimates indicate.

The CEI indicates that metro Vancouver's economy performed differently than the overall provincial economy during this recession. The metro economy began to recede a few months later than the provincial economy and did not decline or rebound with anywhere near the same magnitude. The difference results mostly from the metropolitan Vancouver economy being much less dependent on international trade flows, which were hard-hit by the recession.

Metro Vancouver's economy ebbed very slightly in the fourth quarter of 2009 according to the CEI, which recorded a 0.3% decrease at a seasonally adjusted annual rate (SAAR). This follows two straight quarters of weak growth. The slight decrease in the fourth quarter resulted from lower construction investment, international traveller entries and seaborne cargo volume. Declines in these economic indicators were mostly offset by higher housing and retail sales.

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



Source: Central 1 Credit Union.

Coincident Economic Indexes Q4 2009

There are no official, published estimates of metro Vancouver's GDP. Based on the CEI, real GDP is estimated to have declined 0.9% in 2009, much less than the provincial economy. The CEI also suggests metro Vancouver's real GDP grew 2.2% in 2008, while the provincial economy declined. The latest CEI estimates suggest a material upward revision of Central 1's latest estimates/forecasts of real economic growth over the past two years in metro Vancouver.

CEI Indicators		
	Q4 from Q3	December from November
	Percentage Change	Percentage Change
British Columbia		
MLS Residential Sales	13.0%	-0.2%
Business Incorporations	9.4%	12.6%
International Traveller Entries	2.6%	1.0%
Retail Sales	2.3%	0.2%
BC-Origin Goods Exports	1.0%	2.7%
Manufacturing Shipments	-0.0%	-2.9%
Total Actual Hours Worked	-0.6%	1.2%
BC-Cleared Goods Imports	-1.0%	-0.4%
Housing Under Construction	-8.0%	-3.1%
Metro Vancouver		
MLS Residential Sales	10.4%	-1.7%
Retail Sales	3.0%	1.2%
Total Employment	0.0%	0.1%
Total Port Cargo Handled	-0.3%	-1.7%
International Traveller Entries	-2.8%	4.5%
Non-Residential Construction	-5.6%	-1.1%
Housing Under Construction	-9.0%	-4.3%

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

Coincident Economic Indexes, Quarterly					
Real, Seasonally Adjusted, Annualized Rate of Change (%)					
	Q1	Q2	Q3	Q4	Annual
2001					2001
British Columbia	--	2.2	-0.3	1.2	--
Metro Vancouver	--	6.2	-3.7	-2.1	--
2002					2002
British Columbia	9.0	5.4	2.6	4.0	4.1
Metro Vancouver	7.9	8.6	9.2	2.9	4.3
2003					2003
British Columbia	3.5	1.0	9.0	5.8	4.0
Metro Vancouver	0.2	-1.6	7.5	8.2	3.4
2004					2004
British Columbia	4.5	6.5	3.3	4.1	5.3
Metro Vancouver	2.3	7.2	1.1	3.5	4.6
2005					2005
British Columbia	5.8	5.4	4.4	5.8	5.0
Metro Vancouver	6.4	0.7	1.4	5.8	3.5
2006					2006
British Columbia	7.5	3.2	2.3	1.9	4.8
Metro Vancouver	0.5	7.7	5.4	-0.9	3.4
2007					2007
British Columbia	3.7	5.0	3.4	1.1	3.2
Metro Vancouver	5.4	1.2	2.6	5.1	3.2
2008					2008
British Columbia	-0.2	-2.2	-5.0	-7.6	-0.7
Metro Vancouver	5.0	-1.3	-0.5	-1.2	2.2
2009					2009
British Columbia	-10.4	0.3	7.9	6.7	-3.5
Metro Vancouver	-3.5	1.7	0.4	-0.3	-0.9

Source: Central 1 Credit Union

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