



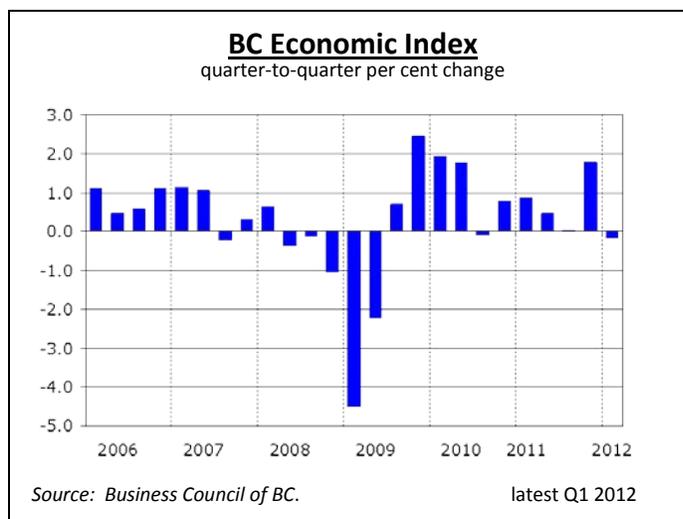
Economic Index Suggests 2012 Off To A Slow Start

In the first three months of the year, the Business Council's BC Economic Index registered a slight 0.2% quarterly contraction. This is a small decline reflecting the fact that, in the wake of the global financial crisis and recession, overall economic conditions remain somewhat uncertain and growth in the province remains choppy. The Q1 dip follows a strong advance in the Index in the fourth quarter of 2011, which in turn came after almost no increase in the Q3 2011.

Of the Index's seven component indicators, three are negative while four are positive. The overall reading for the Index is negative, however, because the indicators in positive territory made small advances which were outweighed by the negative components. Although the job market is improving, employment growth in BC is not particularly strong and provided a less-than-typical lift to the Index in the most recent quarter. Housing starts also made a positive contribution, although again the magnitude was small given continued month-to-month fluctuations amid a longer-term sideways trend in new home construction. The number of international visitors coming to BC is a positive factor and is one segment where a more solid upward trend is evident. The Canadian leading indicator was the other positive element.

The value of non-residential building permits has jumped in recent months, but because this indicator affects the Index with a relatively long lag, prior declines mean it is still a negative factor for 2012Q1. We do

expect that non-residential construction will provide a sizable lift for the province in the coming quarters. Retail sales are a slight negative factor, as retail spending growth remains tepid. And finally a downward trend in manufacturing shipments over the past five months pulled the Index down.



The small decline in the Index is not a major cause for concern but is a reminder that the underlying trend in provincial economic growth is modest, meaning that a downturn in a few sectors can curtail overall growth. The weak showing in Q1 is likely to prove temporary, as we believe the Index will turn positive in Q2. However, the latest soft reading does lend support our base forecast that BC will post only modest economic growth of around 2% (after inflation) in 2012.

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