



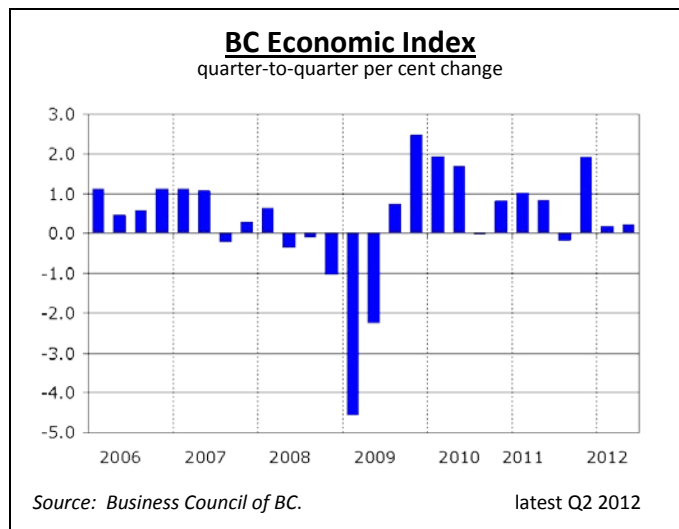
Modest Growth Trajectory Continues for BC

According to the latest reading of the Business Council’s BC Economic Index, the provincial economy continued to grow in the second quarter of 2012. The pace of growth was moderate, with the Index advancing by a comparatively tame 0.2% from the previous quarter. To provide some context, the Index on average grows by about 0.6% on a quarter-to-quarter basis. While the Index is only a proxy for current economic conditions and the current reading does not necessarily mean recent economic growth is just one-third the “normal” pace, it is fair to say that the latest results point to a BC economy that is expanding at a sub-par rate.

There is some good news in the most recent update, however. As a result of data revisions, the first quarter reading for the Index was revised up slightly. So although growth is still on the softer side, the upward revision does reinforce the fact that the province’s economy continues to expand.

The other bit of good news is that, although quite subdued, the economic expansion is quite broadly-based. Of the Index’s seven component indicators, five are positive. The job market improved in recent months, with employment growth serving as the main factor behind the Index’s Q2 gain.

Retail spending was also positive, but the lift from the consumer was small. Similarly, new home construction provided a slight increase. The broader trend in home building has been sideways, with some month-to-month fluctuations for the past



couple of years; given the recent softening in the housing market, this pattern is unlikely to change. Manufacturing shipments were slightly positive and have been generally flat over the past year. The final positive component is the Canadian Leading Indicator. On the other hand, the number of international visitors coming to BC and non-residential construction both tempered the gain in the Index in Q2.

With the Index recording two slim quarterly increases so far in 2012, GDP growth for the year is on track for a subpar performance. Consecutive soft readings lend support to our base forecast that BC will see only modest real economic growth of around 2% this year, with some downside risk if the Index does not strengthen in Q3.

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