BRITISH COLUMBIA
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BCStats
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Exports ◆ August 2007

- The value of BC origin exports is down 4.3% over the first eight months of 2007 compared to the January to August period in 2006. Slumping exports of solid wood and energy products have been responsible for much of the decline.

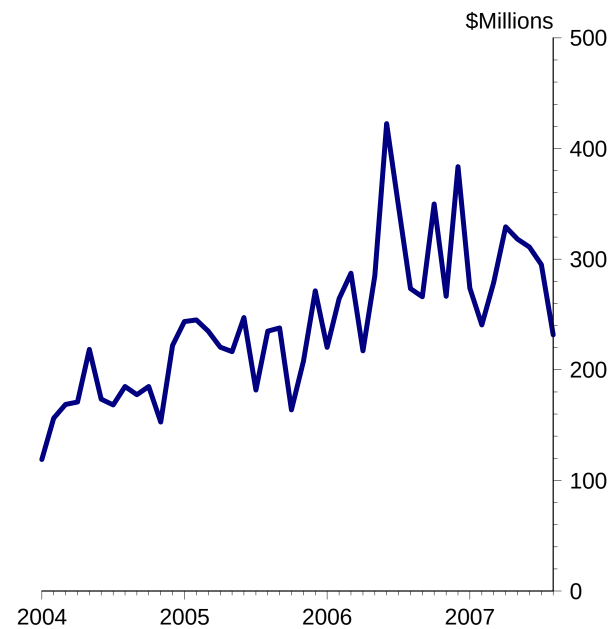
- Wood product exports have fallen 15.1% year-to-date to August compared to the same eight month period last year. A reduction in demand due to a substantial drop in housing starts in the United States is one of the main reasons for the decline. The value of solid wood shipments to the US was 20.2% lower over the January to August period compared to the same eight months in 2006. One positive in the forest sector has been the performance of pulp. Pulp exports are up 17.2% compared to last year and the surge in shipments of pulp has more than offset declines in exports of newsprint (-16.1%) and paper and paperboard (-2.7%), such that overall pulp and paper exports from the province have climbed 7.8%.

- Despite significant increases in exports of unwrought zinc (+69.6%), unwrought aluminum (+11.2%) and molybdenum ores and concentrates (+8.3%), overall shipments of metallic mineral products have dipped 1.7% year-to-date due to a 29.1% slump in exports of copper ores and concentrates.

- Exports of energy products have dropped 6.8% year-to-date, despite a 58.0% jump in exports of electricity and a 40.7% increase in shipments of "other" energy products (i.e., excluding natural gas and coal). A 13.4% plunge in exports of natural gas and an 11.2% drop in shipments of coal have more than offset the increases in electricity and other energy product exports. The decline in the value of coal shipments is entirely due to lower prices as quantities shipped have actually increased 6.6%.

- There has been a decline in shipments to BC's top export markets so far this year. Exports to the US have dipped 4.3%, while shipments to Japan are down 12.7%. As a result, the share of BC exports headed to those destinations has also dropped. The US was the destination for 61.0% of BC's exports over January to August compared to 62.2% in the same period in 2006. Japan's share dropped from 14.4% to 13.1% in the same period. Meanwhile, Mainland China has seen its share of BC exports climb from 4.0% to 5.5% due to a 32.1% increase in shipments to that country.

After experiencing rapid growth throughout 2006, exports of metallic mineral products are slipping



SEASONALLY ADJUSTED EXPORTS

Seasonal adjustment supplies a means of making month-to-month comparisons by removing the regular periodic seasonal fluctuations that occur. Variations from normal seasonal patterns are revealed in the seasonally adjusted data series.

- Exports fell sharply in August (-5.8%) as shipments of energy products plunged 19.6% and exports of industrial and consumer goods dropped 7.9%. Shipments to both the United States (-2.1%) and the rest of the world (-11.3%) were lower in August.
- The overall drop in exports to the United States was the result of a 23.3% slump in energy exports as all other major commodity groups saw an increase in shipments. For shipments to the rest of the world, the only group to experience an increase in exports was agriculture and fish (+12.5%).

Exports (adjusted for seasonality) dropped in August

BC Exports, Seasonally Adjusted ($Millions)

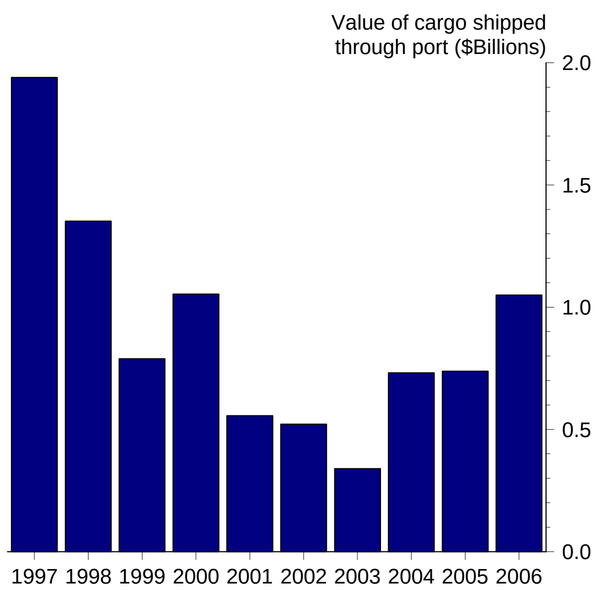
Month	Agriculture & Fish	Energy	Forest Products	Machinery& Equip, Auto	Industrial, Consumer	Total	Exports to USA
Aug 2005	203	804	1,073	371	572	3,023	1,858
Sep	190	797	1,043	357	577	2,964	1,834
Oct	195	856	1,145	371	486	3,052	2,044
Nov	203	695	1,148	379	578	3,003	2,020
Dec	192	802	1,176	384	559	3,111	1,966
Jan 2006	188	708	1,164	364	536	2,960	1,950
Feb	187	583	1,139	370	570	2,850	1,783
Mar	185	588	1,098	417	588	2,875	1,767
Apr	181	547	1,071	360	518	2,676	1,703
May	193	518	1,079	348	582	2,720	1,710
Jun	191	559	1,112	380	716	2,958	1,699
Jul	200	467	1,053	349	666	2,734	1,684
Aug	197	506	1,089	340	603	2,735	1,666
Sep	210	500	1,033	379	609	2,730	1,616
Oct	203	454	1,027	390	678	2,752	1,606
Nov	197	444	1,002	356	615	2,613	1,582
Dec	211	523	1,024	376	682	2,817	1,697
Jan 2007	213	508	1,094	363	619	2,797	1,719
Feb	207	563	987	370	556	2,683	1,672
Mar	213	541	1,054	378	596	2,783	1,707
Apr	203	544	1,116	377	657	2,897	1,699
May	191	563	1,012	331	622	2,718	1,607
Jun	184	503	993	339	606	2,625	1,615
Jul	169	537	975	345	607	2,633	1,574
Aug	181	432	962	347	559	2,480	1,540

Prince Rupert Container Port Open for Business

The surge of imports from China has strained the resources of ports along the Pacific Coast, such that the opening of a new container port in Prince Rupert couldn't come at a better time. The new facility was officially opened on September 12th and the first containers should be moving through the port sometime in late October.

The new container port should help boost a local economy that has seen some lean times over the last decade. The closures of the city's pulp mill, the northeast coal mines and fish packing plants in the region all had a major impact on both the City of Prince Rupert and its port. In recent years, there has been a bit of a resurgence in activity at the port. After bottoming out in 2003, with only $339.3 million worth of goods moved through the port (compared to over $1.9 billion in 1997), strong growth in shipments of coal and grain helped boost the value of goods shipped through the Port of Prince Rupert up over $1 billion in 2006.

The Port of Prince Rupert is on the rebound after years of decline



Source: Statistics Canada

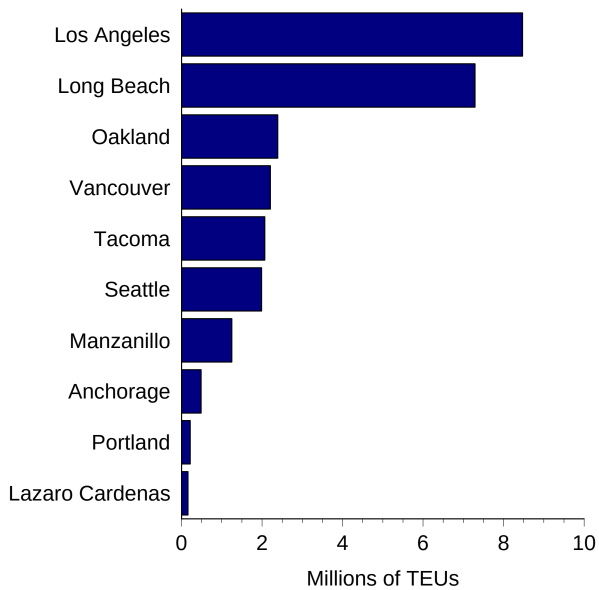
The port should see an even larger increase in activity once the container facility is running at full capacity. The new container port can handle 500,000 TEUs annually and there are plans to expand capacity over the next decade.[1] The next phase of the project will increase the container port's capacity to two million TEUs by 2011. There are plans to further double the capacity to four million TEUs by 2015, which is almost twice that of the Port of Vancouver's current capacity. However, the Port of Vancouver is also looking to expand and has already added a significant amount of container capacity in just the last few years. The plan is to double capacity at the port by 2020 to almost five million TEUs.

Vancouver was ranked fourth in terms of container traffic on the Pacific Coast of North America in 2006, behind only Los Angeles, Long Beach and Oakland and should surpass Oakland in the next couple of years as expansion projects are completed. Prince Rupert should crack the top ten with its new container terminal, but even so, there are some that think the pace of expansion for both the Vancouver and Prince Rupert ports is too slow. Container traffic is expected to continue to grow and the Canadian ports are in a strong position to take advantage of that increase due to their relative proximity to Asia; however, if

[1] A TEU is a twenty-foot equivalent unit, which is the standard measure of container traffic based on the length of a container (e.g., a 40-foot container would be two TEUs).

expansion of the ports proceeds too slowly, they may lose market share to competing ports.

Vancouver ranked 4th in terms of container traffic on the Pacific Coast of North America in 2006



Sources: American Association of Port Authorities, Secretaría de Comunicaciones y Transportes

Several US ports are already considering expansion and the US government has proposed legislation that would offer tax credits of 25% for capital expenditures related to rail infrastructure, which could give American ports and railways a significant competitive advantage compared to their Canadian counterparts.

The ports of Los Angeles and Long Beach are both hoping to move forward with expansion projects that have been delayed for several years due to environmental concerns. The projects include upgraded container facilities, which would add capacity to what are already by far the largest container handling facilities on the west coast of North America.

This is of particular concern to Prince Rupert, as Los Angeles and Long Beach constitute its main competition. The conventional wisdom is that major ports need to be centred around a large metropolitan area that can consume a substantial portion of the products being imported. However, for the Port of Prince Rupert, rather than the local market, the target customer is the American Midwest from the Canadian border to as far south as New Orleans. The port already has the necessary infrastructure in place as there is an established rail system from Prince Rupert to the midwest, which is currently underutilized and could handle a surge in traffic without difficulty. Currently, Los Angeles and Long Beach are the main conduit for containers headed for the midwest, so if their expansion efforts outpace those of the Port of Prince Rupert, the Canadian port could lose out on the opportunity to absorb any available excess capacity.

Prince Rupert does have an advantage over the California ports in terms of trade with Asia in that it is significantly closer to Asian ports. Even with the rail travel taken into account, Prince Rupert is still the faster route, particularly considering the bottlenecks that are occurring due to current capacity constraints at other west coast ports.

While the port has mainly been advertised as an alternative route for imported goods, exporters are also seeing some opportunities. Whether it is fish processors in Alaska looking to ship their product more quickly to the American Midwest or manufacturers in Wisconsin wanting to tap markets in Asia, the new facility in Prince Rupert is seen as having vast potential. The enthusiasm for the port is not restricted to American exporters as facilities have been built, or are being planned, that will be able to fill containers with Canadian product that can be shipped to Asian markets. Specialty grain facilities have already been built in

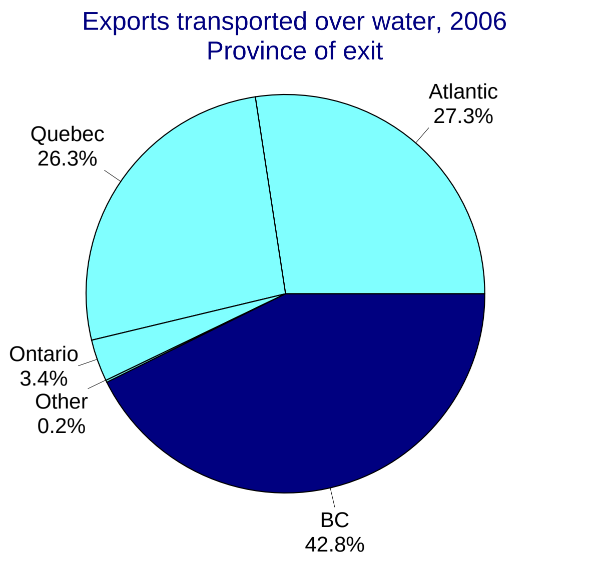
Edmonton and there are plans to construct a facility in Prince George that would fill containers with forest products. The forest industry in Northern BC is hoping to find new markets for its surfeit of pine beetle-killed wood, but the new container facility could create markets for other manufactured goods from that region of the province as well, generating new economic activity for a portion of the province that has not necessarily shared in BC's recent prosperity.

While the Port of Prince Rupert will compete directly with several American ports, it will likely not be a rival for Vancouver's business. Since activity at the Port of Vancouver is mainly concentrated on goods destined for the Canadian market, the new container facility in Prince Rupert should compliment Vancouver, rather than compete with it.

The additional capacity provided by the new container port is an asset not only to BC, but also to the country as a whole as BC ports are the route for a significant amount of marine traffic for goods. In 2006, almost 43% of Canadian exports that were transported over water exited the country through British Columbia ports; however, only 17% of imported goods shipped over water entered Canada through British Columbia.

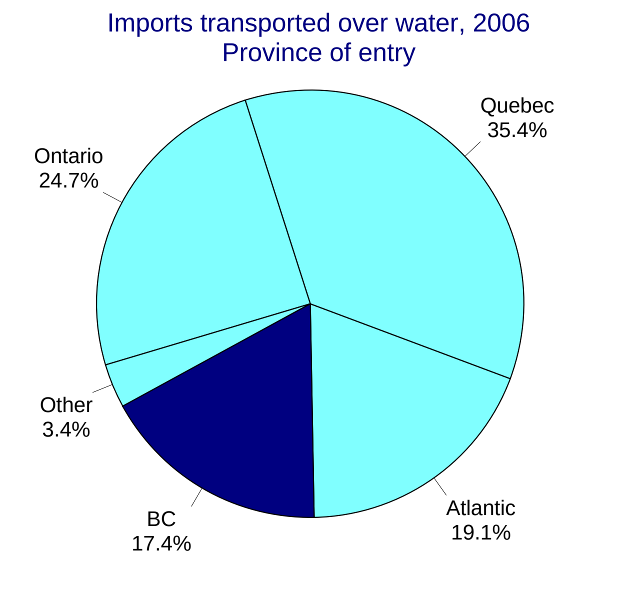
One of the reasons for the smaller share of imports is that a large percentage of water-borne imports originates in Europe and very few of those goods are shipped through BC. However, the proportion of goods shipped from Asia to Canada that moves through BC is substantially higher (30% of goods shipped over water from China, over half of goods from Japan and South Korea), which indicates that as imports from Asia continue to rise, so too will the share of imports entering Canada through British Columbia. The additional container capacity may also result in a redirection of goods that were being shipped through the

A substantial portion of Canadian exports transported over water leave the country via British Columbia ports...



Source: Statistics Canada

...however, goods imported into the country by water transport are far less likely to enter through British Columbia ports



Source: Statistics Canada

Panama Canal to east coast ports due to congestion and delays at ports on the west coast, further boosting BC's share.

The new container port offers many possibilities for Northern BC and could be the beginning of a significant economic expansion for the region. However, there is a danger that British Columbia could miss out on further opportunities if roadblocks to port expansion are not removed. The competition for port business is steep and port expansion activity in California, Mexico and elsewhere could leave BC outside looking in if it moves too slow. There has to be a concerted effort to remove regulatory hurdles, satisfy aboriginal concerns and find solutions to environmental problems to ensure that BC can take full advantage of the opportunities created by the strong economic growth in Asia.

Recent Feature Articles in Exports Release
Listed by Statistical Reference Date of Issue

07-08 *Prince Rupert Container Port Open for Business*
(released October 2007)

07-07 *Canada Weighs Anchor on Free Trade with EFTA*
(released September 2007)

07-06 *BC's Trade with California*
(released August 2007)

07-05 *Appreciating Dollar Not Appreciated by Exporters*
(released July 2007)

07-04 *The Greening of BC's Exports*
(released June 2007)

07-03 *BC's High Tech Trade*
(released May 2007)

07-02 *Canada-USA Corn Row*
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06-11 *Brazil-Canada Trade Getting Over Jet Lag*
(released January 2007)

06-10 *Plan B: An APEC Free Trade Region?*
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06-07 *Has Doha Gone the Way of the Dodo?*
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06-06 *Will BC Miss the Boat on Port Expansion?*
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(released August 2005)

05-05 *Comparative Trade Numbers Don't Add Up*
(released July 2005)

NOTES

Countries Included Within World Regions:

(1) Western Europe: United Kingdom, Ireland, Austria, Belgium, Denmark, Finland, France, Germany, Greece, Iceland, Italy, Luxembourg, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland.

(2) Eastern Europe: other Europe, including all of Russia, Georgia, Kazakhstan, Kyrgyzstan, Moldova, etc.

(3) South East Asia: Malaysia, Brunei Darussalam, Singapore, Myanmar, Kampuchea, Laos, Indonesia, Philippines, Thailand, Vietnam.

(4) Africa: continental Africa, excluding Ethiopia, Libya, Somalia, Sudan, Egypt.

(5) South America: continental South America from Colombia and Venezuela south to Chile and Argentina, including offshore islands, but not Caribbean.

(6) Central America and Caribbean: from Guatemala and Belize to Panama, plus Caribbean Islands.

(7) Pacific Rim (including Japan): Japan, Hong Kong, Malaysia, Brunei Darussalam, Singapore, Laos, Mongolia, China, Indonesia, North Korea, South Korea, Philippines, Macau, Taiwan, Thailand, Vietnam, Australia, Fiji, New Zealand.

(8) Pacific Rim: as above, but excluding Japan.

(9) Middle East: from Turkey and Iran south through the Arabian Peninsula. Excluding Afghanistan and Pakistan, but including Cyprus, Ethiopia, Egypt, Somalia, Sudan and Libya.

The **European Union** is the membership as of January 1, 2007: Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, United Kingdom.

'Selected Value-added Wood Products' category includes prefabricated houses, doors, windows, furniture, moulding, siding, etc. It does not include panel products, shakes, shingles or any pulp and paper products.

Revisions

Statistics Canada revises trade data for the previous three data years with release of the December data. The revision number is indicated in the footer of the tables (e.g., Rev 1 is the first annual revision, etc., and Prelim indicates it is the first release of data to December for that year). In addition to annual revisions, Statistics Canada revises the data for the previous data year every quarter (indicated in the footer by Rev Q1, etc).

Service Offered for Detailed Trade Statistics

For BC government statistics users requiring more detailed information on exports or imports, a special report service is offered through the address below:

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This service is provided through the Trade Research and Inquiry Package (TRIP) computer reporting system. TRIP offers user-defined tabulations of export or import statistics for BC, Canada, the United States and other countries. Tabulations can include information on commodities, countries, US states, years, months, mode of transport, etc.