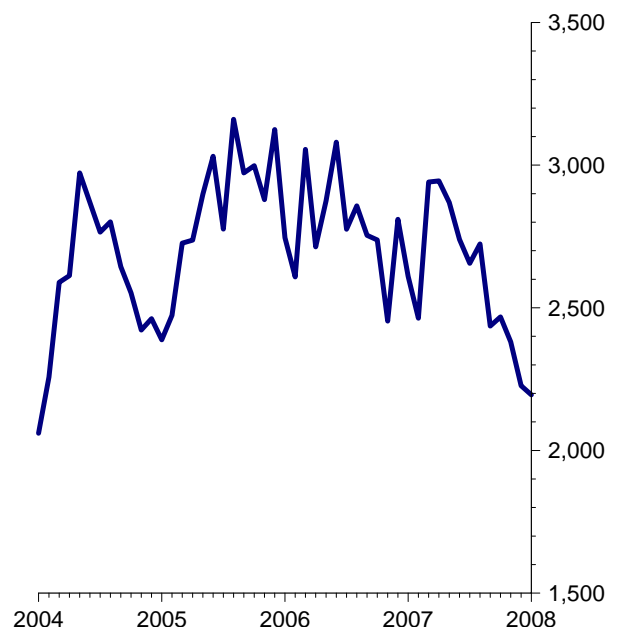


Exports ♦ January 2008

- BC origin exports continued to fall in January, dropping 15.9% compared to the same month a year earlier. The slump in the US housing market and a dollar basically at par with the US greenback has hurt BC exporters. Exports for most major commodity groups were either down from 2007 or basically flat.
- The value of exports of solid wood products plunged 37.7% in January compared to the same period in 2007. Every major wood product group experienced a double-digit decline in shipments. Housing starts in the US are down significantly as a result of falling demand stemming from the sub-prime mortgage crisis, which has severely affected demand for building products from BC.
- Pulp and paper exports also fared poorly in January, slumping 14.0%. Newsprint shipments were 57.5% off last year's pace, while even pulp, which has seen good times recently, took a step back with a 14.6% drop in exports.
- Exports of energy products were fairly flat in January (+0.4%), as increases in exports of coal (+14.9%), electricity (+104.6%) and other energy products (+74.4%) offset a 29.7% decrease in shipments of natural gas.
- The value of metallic mineral product exports dropped 21.3% in January as shipments of copper ores and concentrates (-58.6%), unwrought aluminum (-48.5%) and molybdenum ores and concentrates (-20.2%) all experienced significant declines. However, exports of fabricated metal products bucked the overall trend, climbing 12.0%.
- Machinery and equipment exports slumped 5.0% in January, while shipments of agriculture and food (excluding fish) edged up 0.5% and fish product exports dropped 11.2%.
- BC's commodity exports to its largest trading partner, the United States, dropped 19.3%. Other major trading partners importing significantly fewer BC goods included Japan (-34.2%), India (-42.4%) and Hong Kong (-21.8%). Exports to Western Europe climbed 6.0% despite a 20.1% decline in exports to the United Kingdom and a 13.9% drop in shipments to Germany. Exports to Mainland China continued to climb in January, rising 2.3% and South Korea (+17.6%) and Taiwan (+17.0%) also saw increased shipments from British Columbia.

BC origin exports have been dropping as a result of a high Canadian dollar and a slumping US housing market



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.

- After plunging 10.2% in December, BC exports rebounded somewhat in January, rising 3.0%. A 29.1% jump in exports of energy products was the primary reason for the overall increase. Forest product exports continued to sag, dropping another 5.7%, while shipments of machinery, equipment and automobiles rose 3.1% after slumping 8.0% a month earlier.
- Exports to both the US and the rest of the world climbed at the same 3.0% rate in January. Again, energy was the commodity group driving the increase.

Exports (adjusted for seasonality) rebounded slightly in January



BC Exports, Seasonally Adjusted (\$Millions)

Month	Agriculture & Fish	Energy	Forest Products	Machinery & Equip, Auto	Industrial, Consumer	Total	Exports to USA
Jan 2006	185	686	1,176	363	541	2,950	1,946
Feb	186	594	1,150	368	575	2,873	1,806
Mar	185	597	1,100	415	587	2,884	1,780
Apr	181	548	1,074	359	516	2,678	1,708
May	193	527	1,079	352	579	2,730	1,718
Jun	191	569	1,106	379	718	2,963	1,696
Jul	201	503	1,043	350	660	2,757	1,684
Aug	198	497	1,059	338	595	2,687	1,637
Sep	206	519	1,044	376	594	2,739	1,640
Oct	207	427	1,037	393	679	2,742	1,590
Nov	200	439	1,001	354	615	2,610	1,587
Dec	208	547	1,023	383	695	2,856	1,727
Jan 2007	206	502	1,109	363	626	2,806	1,732
Feb	205	579	997	368	572	2,721	1,699
Mar	211	551	1,059	377	594	2,792	1,720
Apr	201	562	1,118	377	664	2,922	1,723
May	189	557	1,013	335	625	2,719	1,603
Jun	181	521	989	340	606	2,638	1,619
Jul	169	514	982	347	605	2,617	1,592
Aug	180	494	989	351	551	2,565	1,588
Sep	195	462	834	358	586	2,434	1,492
Oct	176	491	872	342	565	2,445	1,467
Nov	169	500	875	346	640	2,530	1,443
Dec	187	380	852	319	533	2,271	1,332
Jan 2008	182	491	804	329	534	2,339	1,373

BC Commodity Exports: Year in Review 2007

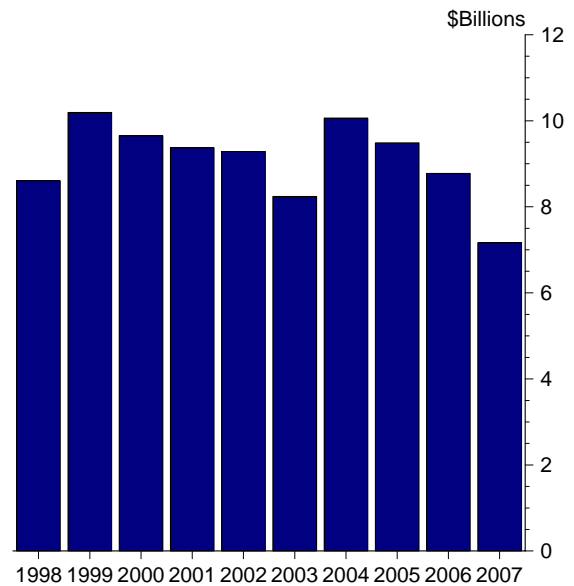
Exporters in British Columbia faced a number of challenges in 2007, including a Canadian dollar that reached par with its American counterpart, a slump in demand for forest products and falling prices for coal and natural gas. Although the dollar was a problem for exporters across the country, particularly in Central Canada’s manufacturing belt, the 6.0% decline in the value of BC origin exports was the worst performance among the provinces.

Quebec (-2.8%) and PEI (-2.5%) were the only other provinces to experience a drop in the value of exports between 2006 and 2007 as overall Canadian exports actually climbed 1.8%. The better performance in manufacturing-intensive provinces such as Ontario (+0.1%) and Quebec was due to stronger exports from the resource sectors. For example, in Ontario, there was an 80% increase in exports of metallic mineral products (mainly nickel), which helped offset much of the decline elsewhere. The story was the same in Quebec where higher mineral and energy exports partially offset falling shipments elsewhere.

One of the main drivers of the slump in the value of BC exports was a double-digit drop in shipments of solid wood products (-18.4%). The most significant component of this decline was falling demand for building products in the United States as a consequence of a collapse in the housing market stemming from the sub-prime mortgage crisis. A significant number of consumers in the United States were encouraged to buy homes beyond their means with mortgages that had initial “teaser” rates below the prime rate. When the term for the temporary rates expired and the higher rates kicked

in, many of these home buyers found they could no longer afford the payments and have subsequently had to default on their homes. The housing market in the US has been flooded with homes as a result of overbuilding due to the demand built up from these sub-prime mortgage deals, as well as the influx of the defaulted homes. As a result, housing prices are down and housing starts have fallen dramatically, which in turn has reduced the demand for building products.

BC exports of wood products slumped dramatically as a result of a fall in demand for building products



Source: Statistics Canada

The outlook for BC’s forest sector in 2008 does not appear to hold much promise of a turnaround as the peak of the expiration of the teaser rates is only just now occurring. Even if there isn’t a further round of loan defaults, housing starts in the United States are not expected to recover any time soon as there is cur-

rently a surfeit of houses on the market. This implies that unless BC wood producers can find alternative markets for their product, they can likely look forward to another lean year.

Elsewhere in the forest sector, a 17.0% surge in shipments of pulp helped offset a 28.2% plunge in exports of newsprint, such that overall pulp and paper exports were up 7.0% in 2007. The outlook for pulp remains positive in 2008 as demand from China, which is now BC's top customer for pulp, persists. However, the prospects for newsprint are rather grim as more advertisers are switching to digital media and demand continues to decline.

Another area where BC's exports have dropped is the energy sector. The value of exports of energy products fell 5.2% in 2007 due to significant reductions for both natural gas (-14.3%) and coal (-13.1%). In both cases, falling prices played a major role in the decline. Some

of the price decline was due to exchange rate effects, but even when priced in US dollars, there was a price reduction. For coal, the price difference was the sole reason for the lower returns from exports as the quantities shipped actually climbed 6.8%. For natural gas, the price drop was only part of the story as volumes shipped also fell (-6.7%).

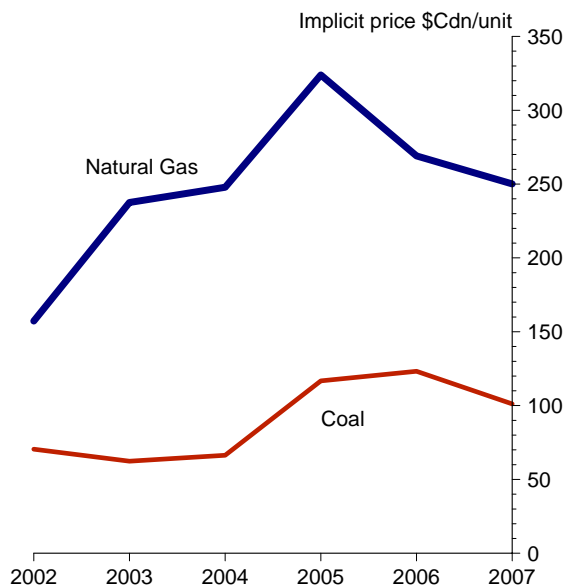
The slump in the value of natural gas and coal shipments was partially mitigated by a 97.8% jump in exports of electricity and a 54.8% increase in other energy product exports (e.g., crude oil, fuel oil, etc.).

For 2008, the forecast is for natural gas prices to rise, which should result in a boost in the value of natural gas exports. For coal, demand remains strong from China, which is pushing global prices higher. As such, BC companies should be able to contract for higher prices, which should push the value of exports higher. As a result, overall BC energy exports should be relatively higher in 2008.

Elsewhere in the mining sector, a 31.3% plunge in shipments of copper ores and concentrates drove down overall exports of metallic mineral products (-4.9%), despite strong growth in the value of shipments of other metals. The slump in copper exports was likely due to a supply issue, rather than demand, which remains strong for the metal.

Production at a couple of BC's bigger mines, including its biggest - Teck Cominco's Highland Valley Copper mine - fell in 2007 as a result of lower ore grades. This could continue to be a problem through 2008, so unless there is increased production elsewhere, copper exports may not see much growth even though prices should remain high as supply continues to lag demand. Demand from China continues to be

Price declines for natural gas and coal have affected the value of BC's exports

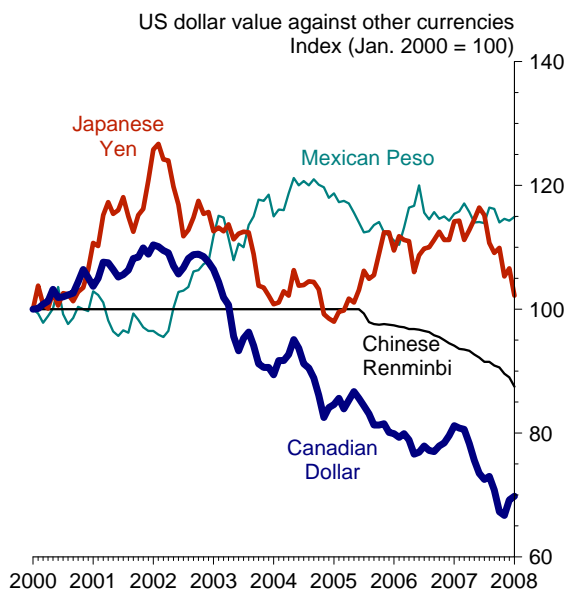


Source: Statistics Canada
 Note: Units are thousands of cubic metres for natural gas, metric tonnes for coal

the driver for global metal prices; however, if the US drops into a recession, there could be some downward pressure on prices, which would affect BC's other metallic mineral exports.

One of the problems that continues to plague metal producers in Canada is that despite the run-up in prices, they are not seeing much benefit due to the appreciation of the Canadian dollar, which wipes out the gains from the higher prices. For Canadian manufacturers the higher dollar is of even greater concern as it will price their goods higher for American importers, which is likely to reduce demand. Given that the United States was the destination for 60% of BC's exports in 2007 and 79% of overall Canadian exports, the higher dollar could have serious repercussions for Canadian manufacturers. Although the US dollar has been depreciating against other currencies as well, the US has seen its currency fall far further relative to the Canadian loonie compared to the currencies of its other top trading partners.

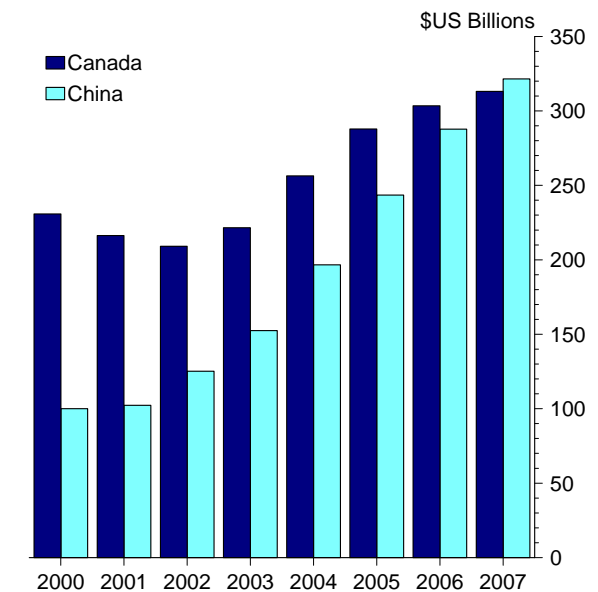
The US greenback has depreciated far more against the Canadian loonie compared to the currencies of the US's other top trading partners



Between January 2000 and January 2008, the US greenback dropped 30% relative to the loonie, while it actually gained 2% against the Japanese yen and 15% against the Mexican peso (although it fell 11% against the yen between January 2007 and 2008). The Chinese renminbi was decoupled from the US dollar in mid-2005 and since that time the greenback has depreciated almost 13% against the Chinese currency. The renminbi is subject to a managed float that allows it to appreciate only so much per month, otherwise its appreciation against the US dollar would almost certainly be much greater given the current trade imbalance between the two countries.

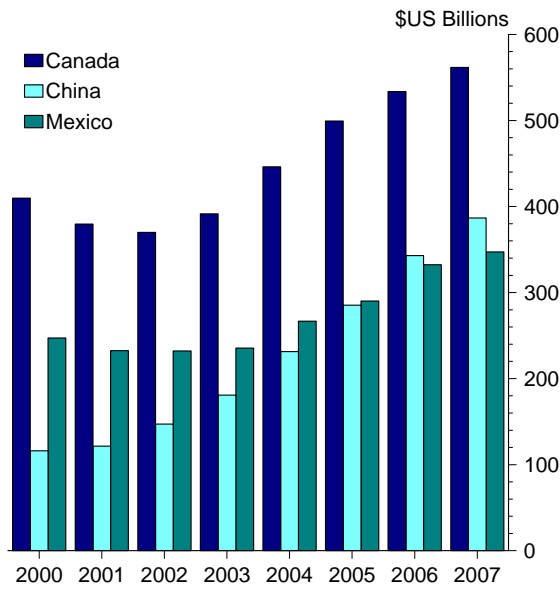
In fact, imports of Chinese goods into the United States have risen at such a substantial rate that, in 2007, China surpassed Canada as the top source for imports into the US. The United States imported \$US 321.5 billion worth of goods from China and \$US 313.1 billion from Canada.

China has surpassed Canada as the top source of imports into the United States...



Source: US Department of Commerce

...but Canada is still top dog when it comes to two-way trade with the US



Source: US Department of Commerce

Nevertheless, Canada remains the United States' biggest trading partner as two-way commodity trade (i.e., exports plus imports) between Canada and the US far exceeds that of China or any other country.

Given Canada's ties to the American market, the relative value of the loonie against the greenback is of particular importance. The balance of opinion among economists appears to be that the dollar will hover at or near par for most of the year, with some predicting a slight decline and others believing there will be marginal growth. While this is quite a change from the rapid pace of growth in the last few years, it is of small consolation to Canadian manufacturers already struggling to compete. Nevertheless, if the dollar remains fairly stable, it will give Canadian producers more of a chance to adjust, by taking steps such as capital improvements or other efficiency measures.

At any rate, the dollar will continue to be a challenge for BC exporters in 2008 and beyond. The downturn in the US housing market will continue to hurt the forest sector, but it is possible that energy exports could pick up some of the slack. It remains to be seen if strength in other sectors will be enough to compensate for the likely weakness in solid wood exports and whether exports can rebound from a poor performance in 2007.

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

08-01	<i>BC Commodity Exports: Year in Review 2007</i> (released March 2008)	06-11	<i>Brazil-Canada Trade Getting Over Jet Lag</i> (released January 2007)
07-12	<i>Canada and Peru Agree on Free Trade</i> (released February 2008)	06-10	<i>Plan B: An APEC Free Trade Region?</i> (released December 2006)
07-11	<i>Over 100 Years of Canadian Exports</i> (released January 2008)	06-09	<i>Success of BC's Mining Industry Helps Boost Exports</i> (released November 2006)
07-10	<i>BC's Commodity Exports Are Still Largely Forest-Based</i> (released December 2007)	06-08	<i>Provincial Export Profile</i> (released October 2006)
07-09	<i>Is Cross-Border Shopping Making a Comeback?</i> (released November 2007)	06-07	<i>Has Doha Gone the Way of the Dodo?</i> (released September 2006)
07-08	<i>Prince Rupert Container Port Open for Business</i> (released October 2007)	06-06	<i>Will BC Miss the Boat on Port Expansion?</i> (released August 2006)
07-07	<i>Canada Weighs Anchor on Free Trade with EFTA</i> (released September 2007)	06-05	<i>Breaking the Interprovincial Trade Barrier</i> (released July 2006)
07-06	<i>BC's Trade with California</i> (released August 2007)	06-04	<i>Deal or No Deal for Softwood Lumber?</i> (released June 2006)
07-05	<i>Appreciating Dollar Not Appreciated by Exporters</i> (released July 2007)	06-03	<i>Will Canada-India Trade Spice Up?</i> (released May 2006)
07-04	<i>The Greening of BC's Exports</i> (released June 2007)	06-02	<i>Log Exports Becoming More of a Private Affair</i> (released April 2006)
07-03	<i>BC's High Tech Trade</i> (released May 2007)	06-01	<i>BC Exports: 2005 in Review</i> (released March 2006)
07-02	<i>Canada-USA Corn Row</i> (released April 2007)	05-12	<i>Electricity Puts a Charge into BC Exports</i> (released February 2006)
07-01	<i>Is the Sun Rising on Trade With Japan?</i> (released March 2007)	05-11	<i>Pulp Friction: Challenging Times for BC's Pulp Industry</i> (released January 2006)
06-12	<i>Year in Review: 2006</i> (released February 2007)	05-10	<i>Japan Aims for Free Trade with Canada</i> (released December 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) as well as with the release of the January and February data.

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:

Dan Schrier
BC STATS

P.O. Box 9410 Stn Prov Govt
Victoria, B.C. V8W 9V1
(250) 387-0376

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.