

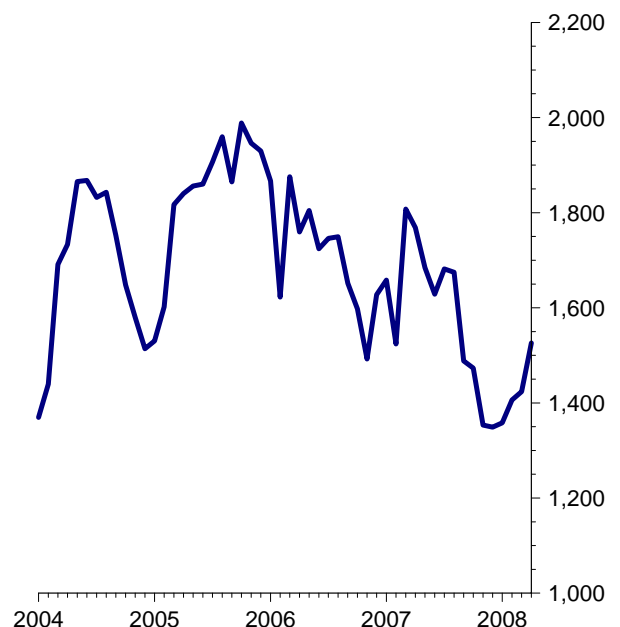
## Exports ♦ April 2008

- The value of BC origin exports was down 12.1% in the January to April period compared to the first four months of 2007.
- The forest sector continues to be the largest drain on BC's exports as shipments of solid wood products fell 33.7% and pulp and paper product exports were down 7.7%. Every major wood product group has experienced a double-digit decline in exports year-to-date to April compared to the same period last year. Shipments of softwood lumber, the most significant export from BC, dropped 34.7%. For pulp and paper products, slumping demand for newsprint has pushed the value of exports down 43.5% year-to-date, but pulp shipments have also declined (-6.5%).
- The value of energy exports edged up 2.0%, despite a 30.9% slump in exports of electricity. Natural gas (+5.8%), coal (+2.3%) and other energy products (+8.4%) have all seen an increase in exports.
- Metallic mineral exports have slumped 13.6% year-to-date, largely driven by significant reductions in exports of copper ores and concentrates (-35.3%) and unwrought aluminum (-20.5%). The decline in copper is due to a drop in supply rather than a lack of demand as a couple of BC's larger mines are working through ore with lower copper content. While raw metallic mineral shipments have fallen, exports of fabricated metal products have shown strong growth (+13.9%).
- A Canadian dollar at par with its American counterpart is likely part of the reason for the 9.0% decline in exports of machinery and

equipment. Shipments of motor vehicles and parts fell 8.1%, while exports of scientific, photographic and measuring equipment were down 17.5%. On the positive side, electrical, electronic and communications equipment shipments increased 6.5%.

- BC's commodity exports to its largest trade partner, the United States, have fallen 15.5% over the January to April period compared to the first four months of 2007. Shipments to Japan, BC's second most significant export destination have slumped 21.2% and exports to the European Union have dropped 7.1%. On the positive side, exports to Mainland China have climbed 7.4% and Hong Kong (+22.4%) and Taiwan (+7.2%) have also seen an increase in shipments from BC.

*Falling demand for lumber and a dollar at par have negatively affected BC's exports to the US*



## 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.

- There was a rebound in BC exports in April (+9.4%) with growth in all major commodity groups with the exception of machinery, equipment and automobiles, for which exports were flat. The largest jumps were for energy (+23.9%) and industrial and consumer goods (+9.5%). Forest products (+5.0%) also contributed significantly to overall export growth.
- Growth in exports to the US was more moderate (+4.0%), while exports to the rest of the world soared 17.8%, with energy (+47.7%) being the largest contributor.

*Exports (adjusted for seasonality) rebounded in April*



## BC Exports, Seasonally Adjusted (\$Millions)

Month	Agriculture & Fish	Energy	Forest Products	Machinery & Equip, Auto	Industrial, Consumer	Total	Exports to USA
Apr 2006	179	542	1,066	357	511	2,654	1,697
May	192	521	1,077	351	578	2,719	1,711
Jun	191	570	1,104	380	721	2,966	1,698
Jul	201	494	1,044	351	661	2,751	1,675
Aug	198	509	1,060	338	596	2,702	1,651
Sep	207	513	1,048	375	596	2,739	1,638
Oct	208	445	1,040	394	683	2,770	1,611
Nov	201	447	1,008	354	612	2,622	1,602
Dec	208	541	1,028	381	700	2,858	1,724
Jan 2007	211	506	1,115	363	627	2,821	1,742
Feb	199	552	974	368	556	2,650	1,650
Mar	211	555	1,071	380	604	2,820	1,728
Apr	198	557	1,101	376	654	2,886	1,709
May	188	569	1,012	334	625	2,728	1,616
Jun	181	510	989	340	609	2,629	1,607
Jul	169	532	982	348	606	2,637	1,610
Aug	180	490	992	351	553	2,566	1,585
Sep	196	470	839	358	590	2,452	1,505
Oct	175	495	877	341	569	2,457	1,475
Nov	170	502	881	347	636	2,536	1,451
Dec	188	458	858	318	539	2,360	1,415
Jan 2008	186	528	809	330	552	2,405	1,417
Feb	196	542	854	325	615	2,531	1,489
Mar	183	513	770	311	528	2,305	1,391
Apr	189	636	808	311	579	2,523	1,446

## The Price is Right for Coal Producers in BC

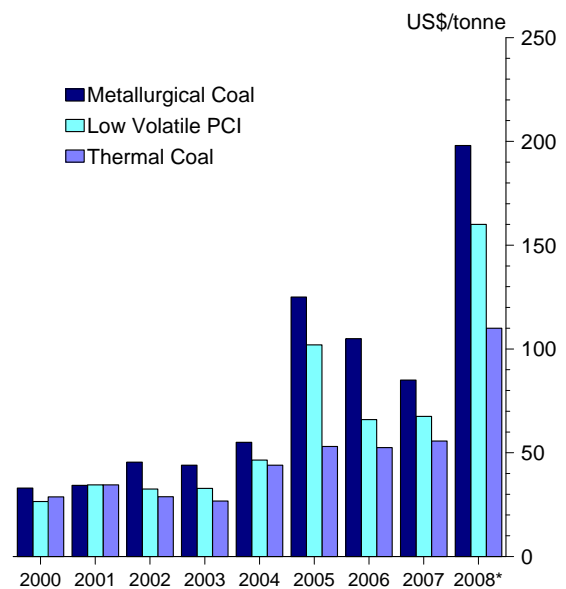
BC's coal producers went through a tough period in 2007, with the value of exports of coal slumping 13% compared to a year earlier; however, surging prices are offering brighter prospects for 2008 and beyond. The price inflation is due to a combination of both increasing demand and difficulties on the supply side.

Demand from steel-manufacturing countries, such as Japan, South Korea, Brazil, China and India has already been affecting prices, but a tightening of the supply at the same time that demand is high is really driving prices through the roof. Australia, the world's largest exporter of coal, was hit by monsoonal rains late in 2007 that flooded mines, leading to reduced output. Australia's coal exports were already restricted prior to the flooding due to constraints at the country's railways and ports. In Russia, production was suspended at 30 mines due to safety concerns and severe snowstorms in China have both affected coal output and caused transportation problems.<sup>1</sup>

The problems occurring in these countries could be an opportunity for BC coal producers to increase their market share in major coal markets. However, similar to Australia, there are rail and port constraints to deal with that could limit the volume of trade. Nevertheless, the substantial price spikes are good news for an industry that was struggling only last year. Estimates from the Ministry of Energy, Mines and Petroleum Resources have prices more than doubling in 2008 for all types of coal. The price of metallurgical coal, which is mainly

used in steel production, is forecast to rise from a per tonne average of \$85 in 2007 to \$198 (all prices in US\$). The price for low volatile PCI, which is pulverized coal that is injected into blast furnaces and used as a replacement for coke in the production of pig iron, for example, is projected to jump from a per tonne average of \$67.50 to \$160. Thermal coal, which is primarily used to produce electricity, is expected to see an average price of \$110 per tonne in 2008, up from \$55.65 a year earlier.

### Prices for all types of coal are expected to soar



\*Estimate

Source: Ministry of Energy, Mines and Petroleum Resources

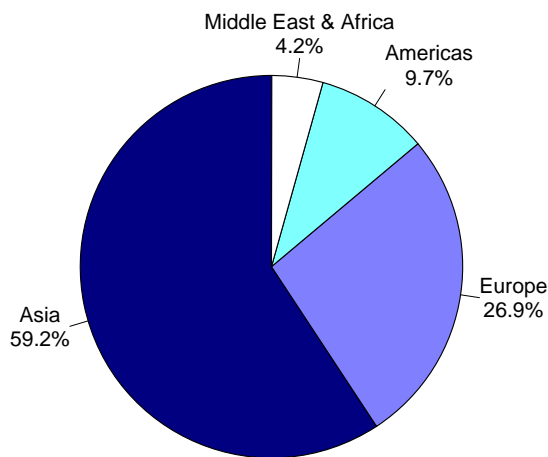
The price of coal is dependent on its quality and, in some cases, BC producers have already contracted prices for high quality coal at over \$300 per tonne, which is triple the value received last year.

The most common type of coal exported from BC is metallurgical coal. In 2007, 97% of the coal

<sup>1</sup> Mohr, Patricia, *Scotiabank Commodity Price Index*, February 25, 2008, p. 2.

shipped from BC to international destinations was comprised of metallurgical coal. Asia was by far the prime destination for coal from BC (59%), but Europe was also a significant recipient of BC coal exports (27%).

**Asia and Europe were the destination for the bulk of BC's coal exports in 2007**



Source: Statistics Canada

Japan (33% of BC's coal exports in 2007) and South Korea (20%) top the list of markets for BC-produced coal. Taiwan (5%) is the only other major Asian market, although China could be looking to BC in the short-term, given their current problems with domestic production and India is another possible market for BC to explore.

**Top 5 Destinations for BC Coal Exports (Metric Tonnes)**

Destination	2005	2006	2007
Japan	6,466,444	6,800,681	8,219,319
South Korea	4,515,873	4,222,646	5,040,161
Germany	1,757,343	1,661,358	1,691,687
Brazil	1,718,266	1,584,246	1,544,854
United Kingdom	1,677,264	1,355,276	1,267,716

Source: Statistics Canada

In Europe, Germany (7%), the United Kingdom (5%), the Netherlands (4%) and Italy (4%) are the primary markets for BC's coal. Other significant consumers of BC-produced coal include Brazil (6%) and Turkey (4%).

The spike in coal prices should spur not only a boost in production at current mines, but could also hasten the development of new coal mines in the province. As can be seen on the map on the following page, there is a wealth of coal deposits spread throughout the province. Although current activity is concentrated in the East Kootenay and Peace River South areas, with only one other mine currently operating elsewhere (on Vancouver Island), there are also substantial coalfields in Northwest British Columbia, on Vancouver Island and in the southern part of the province.

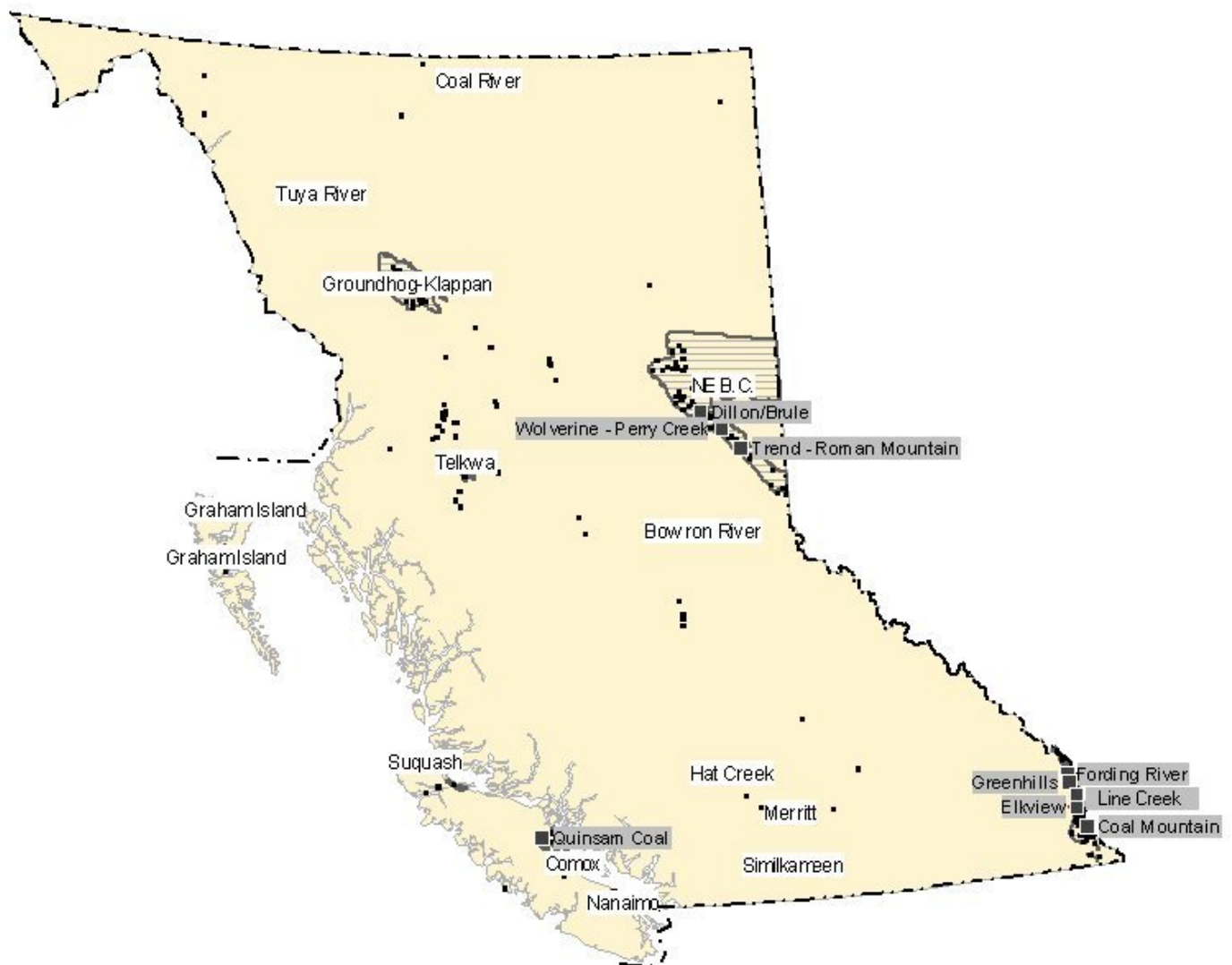
According to PriceWaterhouseCoopers annual reports on the mining industry in BC, production in 2007 increased marginally (+1.6%) over output from 2006, despite a decline in plant capacity. However, BC's mines produced only 69% of their rated capacity, meaning there is room for growth even without new mines.

**BC Coal Production in 2007 (Metric Tonnes)**

Mine	Capacity	Actual Production	% of Capacity
Coal Mountain	3,500,000	2,145,000	61%
Elkview	7,000,000	5,047,000	72%
Fording River	10,416,000	7,867,000	76%
Greenhills	5,300,000	4,143,000	78%
Line Creek	3,600,000	2,394,000	67%
Quinsam Coal	1,560,000	698,000	45%
Western Canadian Coal (North-east mines)	3,000,000	1,379,132	46%
<b>TOTAL (2007)</b>	<b>34,376,000</b>	<b>23,673,132</b>	<b>69%</b>
<b>TOTAL (2006)</b>	<b>35,670,000</b>	<b>23,298,000</b>	<b>65%</b>

Source: PriceWaterhouseCoopers

There are coal deposits spread throughout the province, but the East Kootenay and Peace River South regions are home to most of BC's current operating mines



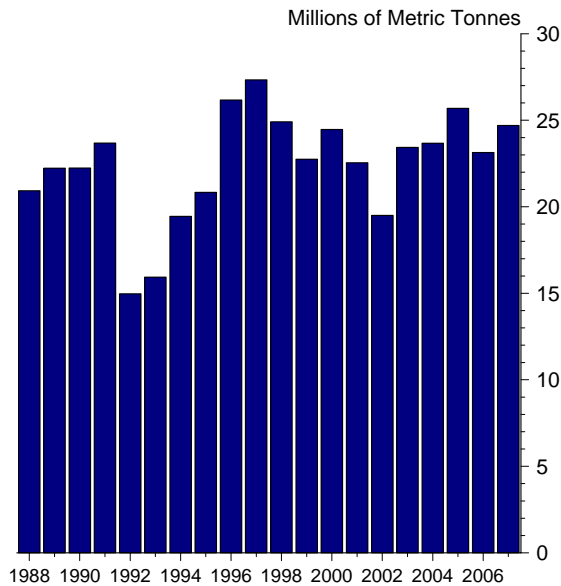
Note: Labels for operating coal mines are highlighted with a grey background and those for coalfields with a white background.

Map source: Ministry of Energy, Mines and Petroleum Resources "MapPlace" thematic maps:  
<http://www.em.gov.bc.ca/Mining/Geolsurv/MapPlace/themeMaps.htm>

Coal exports from British Columbia have experienced some volatility over the last two decades, with lean years in the mid-nineties and a sub-par year in 2002, but the volume of exports has been relatively flat over the last five years. Based on early data from 2008, it appears that this year could be one of strong growth. Shipments to international destinations are already up 20% over the first four months; however the value of exports is only up 2% so far, as the contracted price increases have yet to kick in.

source of energy that contributes to greenhouse gases. The industry could be susceptible to costs from initiatives such as carbon taxes or cap and trade schemes, which could in turn affect the bottom line for companies producing coal. However, there is research currently being conducted to develop clean coal technology that will significantly reduce greenhouse gas emissions. The high demand and high prices for coal should continue to keep the sector financially viable for the short-term, at least, but these types of technologies may be critical to the sustained success of the coal industry given the push toward more environmentally-friendly fuels.

BC's coal exports have experienced some volatility over the last 20 years



Source: Statistics Canada

It is likely that 2008 will be a peak year for coal prices as many of the problems that have beset the industry worldwide are unlikely to reoccur. Nevertheless, demand for the mineral remains strong, particularly from countries such as China and India, which are continuing to develop their industrial sectors. As such, prices should remain strong for some years to come, which should help keep BC's industry healthy.

One issue that could negatively affect the coal industry is the perception that it is a "dirty"

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

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

## 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.