

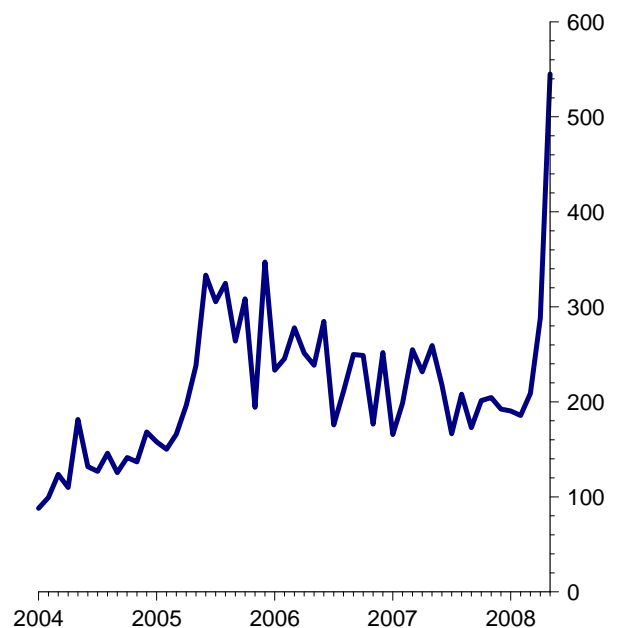
Exports ♦ May 2008

- There was some year-over-year growth in the value of BC origin exports in May (+4.1%), but year-to-date, exports have fallen 8.0% compared to the first five months of 2007.
- The struggling forest sector continues to drag down overall exports, as shipments of solid wood products fell 32.0% and pulp and paper product exports were down 6.5%. BC's most significant export, softwood lumber, has seen shipments drop 33.5%. The slump is not restricted to building products as even raw log shipments are down 37.8%. In the pulp and paper sector, a 5.3% drop in exports of pulp is driving most of the 6.5% decline in pulp and paper shipments. Exports of newsprint have plunged 40.1% as demand for print advertising is falling.
- One of the few positives for BC exports is in the energy sector, where exports climbed 13.1%, mostly on the strength of a 27.7% jump in shipments of coal. So far in 2008, coal ranks as the second largest BC export, after softwood lumber. Elsewhere in the energy sector, natural gas shipments are up 4.5% year-to-date, while electricity exports have slumped 34.9%.
- Shipments of metallic mineral products have dipped 4.7% year-to-date, as exports of copper ores and concentrates have declined 12.1%, unwrought aluminum shipments are down 13.7% and unwrought zinc exports have fallen 9.5%. While raw metallic mineral shipments have fallen, exports of fabricated metal products have jumped 13.4%.
- Exports of machinery and equipment have dropped 8.1% compared to the January to

May period of 2007. Shipments of motor vehicles and parts slumped 11.8%, while exports of scientific, photographic and measuring equipment are down 14.2%.

- BC's commodity exports to its largest trade partners, the United States (-15.5%) and Japan (-9.2%) are well off of last year's pace. Other large declines include India (-45.9%) and Germany (-30.9%). Despite the drop in shipments to Japan and India, overall shipments to the Pacific Rim have climbed 5.1%. A 23.6% jump in exports to Mainland China and a 23.2% increase in shipments to South Korea are two of the main reasons. There was also a significant jump in exports to Hong Kong (+29.9%).

Shipments of Coal have skyrocketed in recent months as a result of strong demand



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.

- BC's exports recorded the second straight month of strong growth in May (+10.4%) as a 32.8% jump in shipments to markets other than the United States more than offset a 7.3% drop in exports to the US itself. The main drivers of the growth to overseas markets were a 58.8% spike in exports of energy products and a 53.0% hike in shipments of industrial and consumer goods.

- The slump in shipments to the US was mainly the result of a 25.4% drop in exports of energy products and the continuing weakness in exports of forestry products (-4.1%).

Exports (adjusted for seasonality) showed strong growth in May



BC Exports, Seasonally Adjusted (\$Millions)

Month	Agriculture & Fish	Energy	Forest Products	Machinery & Equip, Auto	Industrial, Consumer	Total	Exports to USA
May 2006	193	522	1,076	349	573	2,712	1,718
Jun	190	557	1,101	380	716	2,943	1,694
Jul	201	500	1,042	352	660	2,754	1,680
Aug	198	490	1,060	339	595	2,682	1,642
Sep	207	511	1,048	376	595	2,736	1,645
Oct	208	436	1,041	394	682	2,761	1,601
Nov	201	455	1,008	352	613	2,630	1,602
Dec	208	544	1,029	381	700	2,862	1,731
Jan 2007	211	518	1,117	362	628	2,836	1,747
Feb	200	575	972	369	559	2,674	1,656
Mar	211	541	1,074	380	603	2,809	1,720
Apr	198	559	1,112	377	667	2,912	1,717
May	188	558	1,009	332	618	2,705	1,615
Jun	181	511	983	341	604	2,619	1,614
Jul	169	517	980	349	605	2,620	1,595
Aug	180	492	989	351	551	2,565	1,593
Sep	196	460	839	359	588	2,441	1,500
Oct	176	490	876	341	568	2,450	1,464
Nov	170	514	880	344	636	2,544	1,453
Dec	188	462	859	318	539	2,367	1,418
Jan 2008	187	533	811	329	553	2,412	1,412
Feb	196	569	852	325	619	2,562	1,500
Mar	183	568	775	313	527	2,366	1,452
Apr	189	651	818	312	591	2,561	1,435
May	184	746	843	311	742	2,826	1,330

Asia Offers Potential as a Destination for BC Exports

With the rapid economic growth of countries such as China and India, Asia has become a focal point for exporters looking to expand their marketplace. For British Columbia, Asia has long been an important destination for the province's commodity exports, with the share of BC's total goods exports rising above 25% in the 1970s and remaining there since. In 1989, the share of BC's exports shipped to Asia peaked at 37%, but the subsequent slowdown in the economy of Japan saw that ratio bottom out at 21% in 2001, before starting to rise again. In 2007, 27% of BC's total goods exports were shipped to Asian destinations.

Within Canada, British Columbia is by far the province most dependent on Asia as a destination for exports. Overall, only 7% of Canadian exports were shipped to Asian destinations. After BC, Saskatchewan and Manitoba had the next highest share of goods shipped to Asia, at around 17% of total goods exports, a full ten percentage points lower than British Columbia.

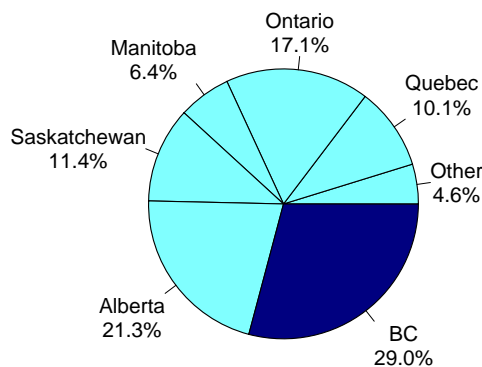
British Columbia shipped more goods to Asia than any other province in 2007. The province was the origin of 29% of Canadian commodity exports destined for Asia. Alberta ranked second, with 21% of the Canadian total.

Within Asia, Japan continues to be the primary destination for goods from British Columbia. Although Japan's share has slipped over the last decade, it was still the destination of almost half (48%) of BC's exports to Asia in 2007. However, this was the first time in at least 60 years that shipments to Japan represented less than half of BC's exports to Asia. In fact, back in the late 1960s and 1970s, Japan's share often exceeded 85% and peaked at 91% in 1973.

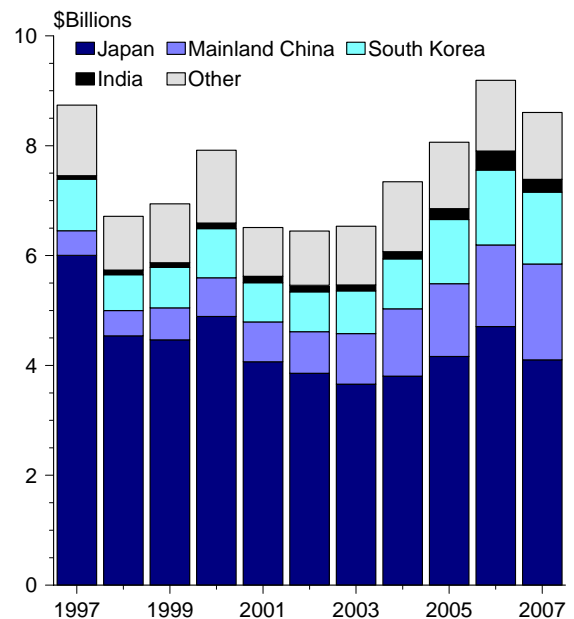
BC's exports to Asia are still largely to Japan

BC ships the greatest volume of goods to Asia

Percent share of Canadian goods shipped to Asia, 2007



Source: Statistics Canada



Sources: Statistics Canada and BC Stats

Over the last decade, countries such as China and South Korea have become important markets for BC's goods. Mainland China now takes in 20% of BC's shipments to Asia and South Korea is the destination for another 15%.

Top 10 Asian Destinations for BC Commodity Exports, 2007

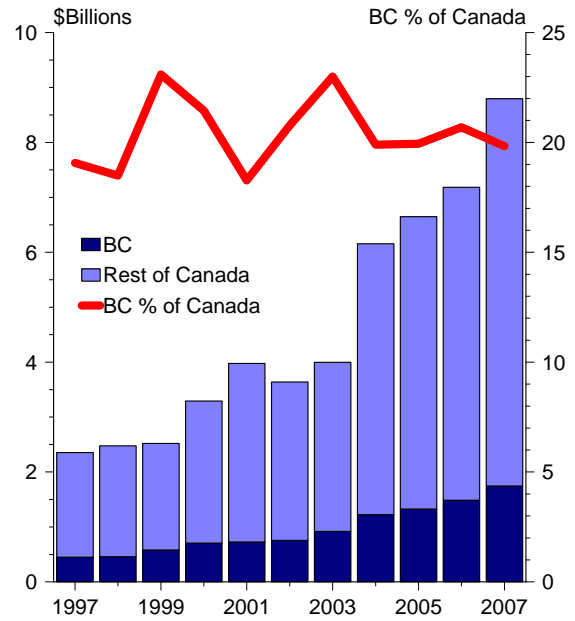
Country	\$Millions	% Share
Japan	\$4,102.0	47.7
Mainland China	\$1,744.4	20.3
South Korea	\$1,307.8	15.2
Taiwan	\$462.4	5.4
India	\$234.3	2.7
Hong Kong	\$166.5	1.9
Indonesia	\$145.0	1.7
Thailand	\$129.7	1.5
Philippines	\$127.0	1.5
Malaysia	\$52.7	0.6
TOTAL	\$8,605.8	100.0

Source: Statistics Canada

In the last ten years, the value of BC's exports to Mainland China has almost quadrupled. British Columbia ranks second only to Alberta as a source of Canadian exports to China. In 2007, Alberta was the origin of almost a third (32%) of Canada's total shipments to Mainland China. British Columbia was the source of a fifth of all Canadian exports to China, followed by Ontario, at 16% and Quebec, at just over 10%.

Over a third (37%) of Alberta's exports to China consisted of ethylene glycol, a component often used in antifreeze. Alberta is the sole province in the country that produces this chemical. For BC, pulp represented over half (59%) of the province's shipments to China, with copper and other ores (10%) being the next largest commodity export.

Canadian exports to Mainland China have more than doubled in just four years



Sources: Statistics Canada and BC Stats

The emergence of China as an economic superpower has created a resource boom, which has benefitted British Columbia, not only through the rise in exports of these goods to China itself, but also through the price increases the extra demand has produced, bringing more revenue from BC exports of those commodities to all markets. On the flip side, rising commodity prices have contributed to the appreciation of the Canadian dollar, which has harmed exporters, and the influx of inexpensive finished goods from China has posed challenges for Canada's manufacturing sector. As noted in a Statistics Canada report, "Overall, the emergence of China on the world economic stage has led to a complex reallocation, resulting in an increase in resource and service sector employment in Canada, and a reduction in manu-

facturing employment, the only non-farm goods sector industry that experienced a loss.”¹

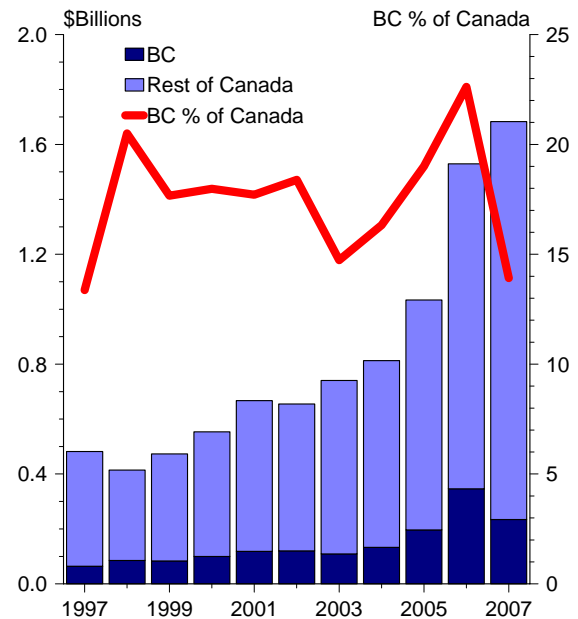
Given that BC’s strengths are in the resource sector, China’s growth is likely more of a blessing than a curse for this province. Considering that Canada’s premiers are working toward a joint trade mission to China, the first ever such cooperative effort between the country’s first ministers, it is clear that there is recognition that China is a huge market that cannot be ignored.

It is less certain that the value of India as a trade partner is universally recognized. Like China, India has become more industrialized and is developing into an economic power. However, unlike China, there appears to be far less of a push to develop trade ties with India. Some of this may be due to India’s historical reluctance to pursue trade deals, as well as a lack of transportation infrastructure in that country. Canada has shown interest in pursuing a free trade agreement and moved a step in this direction when Canada and India arrived at a Foreign Investment Protection and Promotion Agreement in June. Nevertheless, Canada is well behind its competitors in courting India.

The value of Canadian goods shipped to India in 2007 was approximately \$1.7 billion, of which \$234 million originated in British Columbia. This ranked India as the 13th largest export market for Canada as a whole and the tenth largest market for BC. Given the expanse of the Indian market, there are plenty of opportunities to significantly expand upon these figures. However, there has been substantial growth in exports to India, particularly for

Canada as a whole. In the last decade, Canadian exports to India have quadrupled. British Columbia’s commodity shipments to India have also experienced strong growth, but they are still relatively small.

Although still relatively small, Canadian exports to India have quadrupled in the last decade



Sources: Statistics Canada and BC Stats

As with China, BC’s top exports to India are mainly resource products. Copper and molybdenum ores and concentrates top the list, followed by pulp and paper. These goods comprised approximately 90% of BC’s commodity exports to India in 2007. British Columbia (14%) ranked fourth in the country as a source of exports to India, behind Saskatchewan (34%), Ontario (16%) and Quebec (15%). Peas and potash were the prime exports from Saskatchewan.

While Canada may be behind in its efforts to woo India as a trade partner, talks with South Korea have been ongoing for a few years with respect to coming to agreement on a free trade

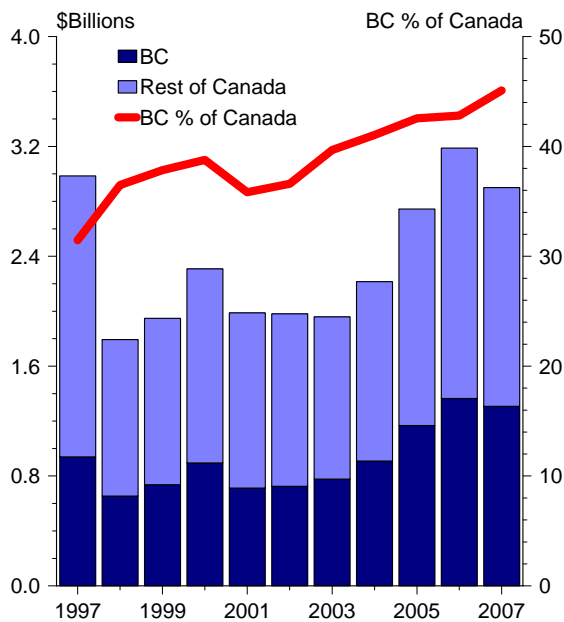
¹ Macdonald, Ryan, *Not Dutch Disease, It's China Syndrome*, Statistics Canada catalogue number 11-624-MIE – No. 017, August 2007.

deal between the two countries. While Canadian auto-makers are reticent of such a deal, complaining that South Korea uses non-tariff barriers to block imports of Canadian vehicles, British Columbia would stand to substantially benefit from a free trade agreement.

South Korea is already BC's fourth largest export destination and almost half (45%) of Canadian exports to South Korea originate in BC. Ontario ranks a distant second, with 22% of Canada's exports to Korea shipped from that province.

The growing economic strength of these Asian nations is providing new marketplaces for exporters worldwide and British Columbia is uniquely placed to take full advantage. The province's location and the types of commodities available for export are a perfect fit for trade with Asia, which should bode well for BC's future economic prosperity.

Almost half of Canadian exports to South Korea originate in British Columbia



Sources: Statistics Canada and BC Stats

Resource exports again dominate the types of goods shipped from BC to South Korea, with coal topping the list (37%), followed by pulp (18%), although aluminum and articles of aluminum (14%) were the third largest export in 2007.

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

08-05	<i>Asia Offers Potential as a Destination for BC Exports</i> (released July 2008)	07-03	<i>BC's High Tech Trade</i> (released May 2007)
08-04	<i>The Price is Right for Coal Producers in BC</i> (released June 2008)	07-02	<i>Canada-USA Corn Row</i> (released April 2007)
08-03	<i>Border Line Threats to Trade</i> (released May 2008)	07-01	<i>Is the Sun Rising on Trade With Japan?</i> (released March 2007)
08-02	<i>Call of the Loonie: American Film and Television Productions Shun BC in 2007</i> (released April 2008)	06-12	<i>Year in Review: 2006</i> (released February 2007)
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)

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.