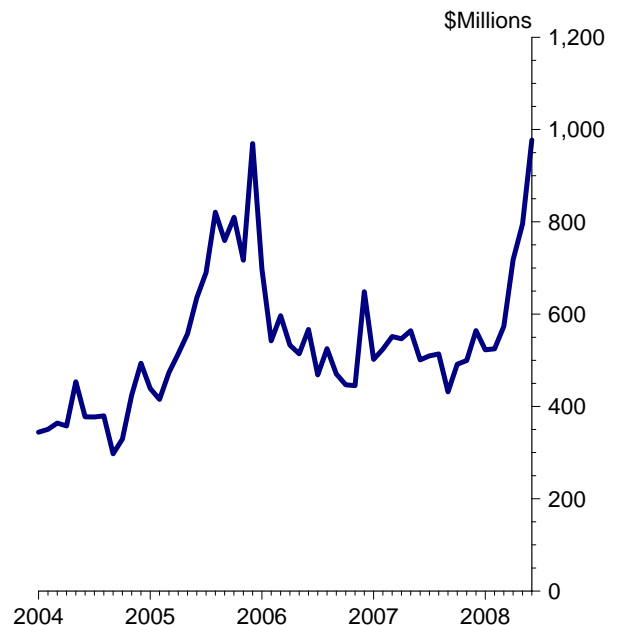


Exports ♦ June 2008

- Over the first half of 2008, BC origin exports are down 4.1% compared to the same six-month period in 2007. However, for the month of June, the value of BC's exports shot up 12.6% compared to the same month a year earlier.
- The largest contributor to the drop in overall exports is the forest sector, particularly solid wood products. Exports of these products fell 31.1% in the January to June period of 2008 compared to the first half of 2007. All the major wood product categories have experienced double-digit declines in the value of exports, including softwood lumber, BC's most significant export, which saw exports fall 32.1%.
- Pulp and paper product exports also fell in the first half of 2008, down 8.2% from the same period in 2007. Newsprint performed worst of all, slumping 40.7%. Pulp also saw a significant decline (-8.1%), but paper and paperboard products (other than newsprint) bucked the trend, climbing 6.9%.
- The energy sector continues to be one of the few bright spots for exports, with shipments jumping 28.9% year-to-date. Coal has experienced the largest increase, with exports of that good rising 52.1%, but natural gas (+14.6%) and other energy products, including oil (+33.2%), have also boosted their international sales. Electricity is the only energy product to go against the flow, as exports of electricity fell 17.1%.
- Metallic mineral product exports edged down 0.5% in the first half of 2008 as drops in shipments of unwrought aluminum (-12.0%) and unwrought zinc (-13.1%) offset increases to exports of copper ores and concentrates (+2.4%), molybdenum ores and concentrates (+15.8%) and other metallic mineral products (+22.9%). However, exports of fabricated metal products jumped 15.6%.
- Exports of machinery and equipment fell 8.2% in the first half of 2008. Shipments of motor vehicles and parts slumped 13.1%, while exports of scientific, photographic and measuring equipment dropped 10.2%.
- Major trade partners that received fewer goods from BC in the first half of 2008 include the United States (-13.4%), India (-47.9%) and Germany (-12.7%). However, shipments to the Pacific Rim jumped 22.4%.

BC exports of energy products have experienced strong growth in 2008



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 continued to rise in June, climbing 3.1% from the value shipped in May. Energy products were the main driver of the increase as exports of these goods jumped 19.7% in June, more than offsetting a 5.7% decline in shipments of forest products and a 2.9% drop in exports of industrial and consumer goods.

- Exports to the US rebounded in June with a 12.1% increase after slumping 10.2% a month earlier. A 54.5% surge in shipments of energy products was the main reason for the increase.

Exports (adjusted for seasonality) climbed for the third straight month in June



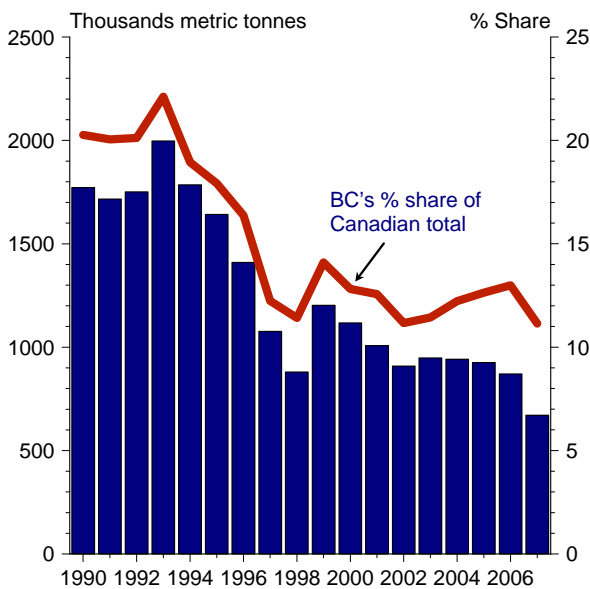
BC Exports, Seasonally Adjusted (\$Millions)

Month	Agriculture & Fish	Energy	Forest Products	Machinery & Equip, Auto	Industrial, Consumer	Total	Exports to USA
Jun 2006	190	555	1,108	380	697	2,931	1,693
Jul	201	492	1,043	351	662	2,749	1,673
Aug	198	504	1,060	338	596	2,697	1,648
Sep	207	506	1,048	375	591	2,727	1,638
Oct	208	443	1,041	394	679	2,765	1,611
Nov	201	452	1,005	352	624	2,635	1,603
Dec	208	550	1,027	381	704	2,870	1,727
Jan 2007	209	519	1,112	360	632	2,834	1,743
Feb	200	573	974	369	563	2,679	1,656
Mar	211	543	1,070	380	603	2,807	1,719
Apr	197	560	1,105	379	677	2,919	1,712
May	188	559	1,012	333	607	2,699	1,622
Jun	181	495	993	341	588	2,598	1,602
Jul	169	529	982	348	605	2,633	1,606
Aug	181	485	991	350	551	2,558	1,582
Sep	196	465	839	358	596	2,453	1,504
Oct	176	493	876	341	577	2,464	1,474
Nov	170	508	879	343	664	2,564	1,453
Dec	188	466	858	319	542	2,372	1,419
Jan 2008	185	545	807	327	557	2,421	1,418
Feb	196	575	853	325	625	2,575	1,503
Mar	183	574	770	313	527	2,368	1,456
Apr	190	739	810	313	600	2,651	1,503
May	184	753	835	312	724	2,808	1,350
Jun	185	901	788	319	703	2,895	1,513

Bad News for Newsprint Exports

British Columbia exports of newsprint have been trending downward for several years, but they hit a low point in 2007 with volumes dropping 23.0% compared to 2006. Since peaking in 1993, the quantity of newsprint shipped abroad has plunged 66.4%.

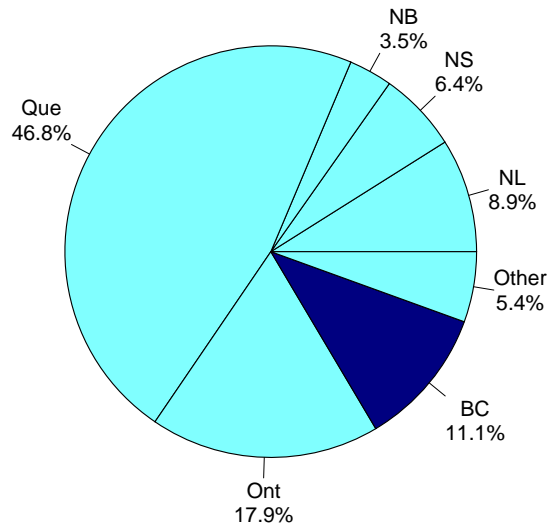
Exports of newsprint from British Columbia have fallen dramatically over the last 15 years



Source: Statistics Canada

The story is much the same across the rest of the country. Overall Canadian exports of newsprint fell 33.3% from 1993 to 2007. The larger decline for British Columbia resulted in a reduced share of total Canadian newsprint exports, from around 20% in the early 1990s, to only 11% in 2007. BC still ranks third among the provinces, behind only Quebec (47%) and Ontario (18%).

BC ranked third in the country in terms of exports of newsprint in 2007



Source: Statistics Canada

Newsprint is used mainly to produce newspapers, of which daily newspapers comprise the bulk of the market, with advertising flyers and non-daily newspapers making up a much smaller portion of the demand for the product. It is the lowest grade of paper manufactured from wood pulp and, consequently, brings the lowest price of any paper product.

The reasons for the slump in exports of the product from Canada include falling demand and foreign competition. The primary market for Canadian newsprint is the United States. In 2007, 56% of newsprint exported from British Columbia was destined for the US.

Circulation of newspapers in North America has been on the decline since the 1980s as competition for news delivery has widened, first with the proliferation of all-news cable television networks, then with the advent of the

Internet. The Internet in particular has had a dampening effect on demand for newspapers. Not only are many of the top daily North American newspapers available on-line, but most can be viewed for free and the information can be updated far more quickly than in the print version.

Recently, some of the largest dailies in the United States have decided to make their Internet-version free, including the *New York Times*, as they realized that they could make more money from advertising on their website if they opened up their readership to a wider audience. It remains to be seen if this will cause further deterioration to the demand for newsprint, but given that advertising dollars are finite and advertisers will likely put their money where it will get the biggest bang for the buck, if on-line news sites continue to increase their readership, it seems inevitable that advertising revenue for print newspapers will likely decline. If this happens, there could be a reduction in the number of newspapers, which would further reduce the demand for newsprint.

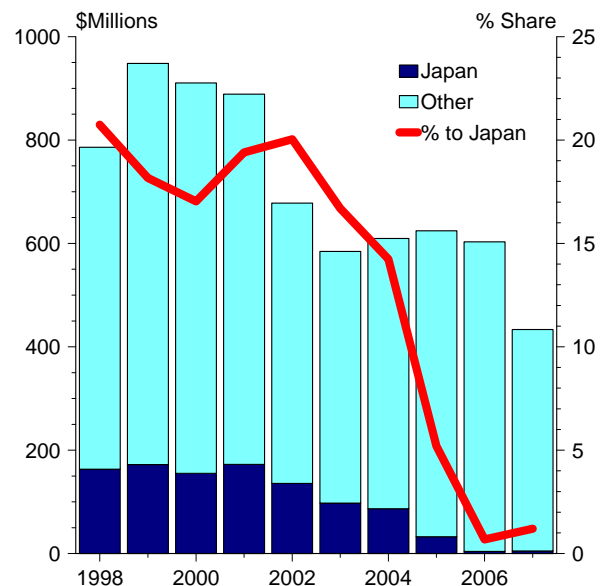
Somewhat surprisingly, falling circulation is not a worldwide trend. In fact, outside of North America and parts of Europe, there have actually been significant increases in newspaper readership. According to the World Association of Newspapers, worldwide newspaper sales climbed 2.6% in 2007 and that excludes free dailies, which boosts the increase in circulation to 3.7% last year and a whopping 14.3% over the last five years.¹ The top three newspaper markets are all in Asia: China (107 million copies per day), India (99 million) and Japan (68 mil-

lion). The United States is next, at almost 51 million copies daily, followed by Germany with just under 21 million. Circulation in Asia jumped 4.7% in 2007, in contrast to the 2.1% decline in North America and the 1.2% drop in Europe.

The rise of readership in India is reflected in the jump in newsprint exports from BC to that country. In the last decade, India has increased its share of BC's newsprint exports from virtually nothing in 1998 to over 13%. Nevertheless, the value of exports of newsprint to India from BC fell 30% from 2006 to 2007.

Increased newsprint production in Asia has usurped a significant portion of BC's newsprint market in that region. A substantial part of the drop in the volume of exports from BC is due to a sharp drop in shipments to Japan. From 1998 to 2007, Japan's share of BC's newsprint exports fell from 21% to only 1%. BC shipped \$163 million worth of newsprint to Japan in 1998, but this dropped to just \$5.2 million a decade later.

BC exports of newsprint to Japan have plummeted in the last decade



Source: Statistics Canada

¹ World Association of Newspapers, "World Press Trends: Newspapers Are a Growth Business," June 2, 2008.

Given the growth in newspaper circulation in Asia, the loss of a significant portion of the Asian market to foreign producers is disconcerting for BC newsprint producers. If BC producers want to recoup some of the ground lost over the last several years, it would seem that Asia would be the most likely market to go after.

There has been significant growth in shipments to Mainland China in recent years and, with the exception of the sharp drop in 2007, India has become a major market for BC newsprint. These two countries could be the key to the health of BC's newsprint industry. Japanese demand for imported newsprint has slumped substantially in recent years, partially due to an increase in domestic production and partly because of a decline in demand. It is less likely that BC producers will be able to recapture that market.

Closer to home, it does not look like the North American demand for newsprint will expand any time soon. In fact, as a result of a recent merger between Abitibi-Consolidated, Inc. and Bowater Inc., there have been some mill closures, which have reduced the supply of newsprint. This, in turn, has led to a rise in price despite declining demand. Newspaper publishers have responded by cutting back on circulation and moving to smaller pages.² This will almost certainly further reduce the North American demand for newsprint. Unless BC producers can manage to boost their share of the Asian market, there could be some tough times ahead for BC's newsprint industry.

² Rabil, Sarah, "Newsprint prices rise even as demand falls," *The Buffalo News*, July 6, 2008.

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

08-06	<i>Bad News for Newsprint Exports</i> (released August 2008)	07-04	<i>The Greening of BC's Exports</i> (released June 2007)
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)

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.