

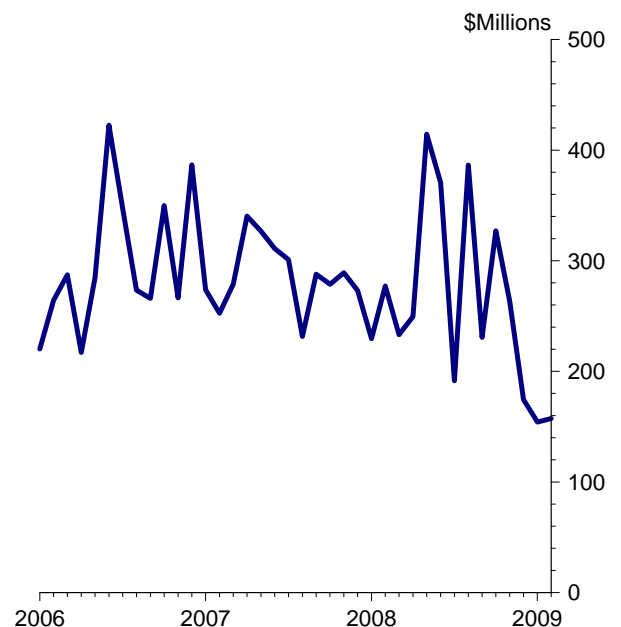
Exports ♦ February 2009

- The value of BC origin exports fell 9.0% in the first two months of 2009 compared to the same period a year ago. Reduced exports of forest products, metallic mineral products and machinery and equipment were mainly responsible for the drop.
- The struggles in the forest sector continued as exports of both solid wood (-25.5%) and pulp and paper (-25.4%) suffered substantial declines. Shipments of softwood lumber, which have traditionally been BC's top export, have so far this year trailed exports of both coal and natural gas.
- Demand for coal has dropped significantly, but record high prices continue to fuel growth in BC coal exports; however, this situation may be short-lived as new contract prices are expected to drop substantially. The value of BC's coal exports shot up 82.4% year-to-date to February compared to the same two-month period in 2008, but quantities of coal shipped have fallen 35.7%. Elsewhere in the energy sector, shipments of natural gas are up 7.1%, but exports of electricity have slumped 27.3%.
- There was a 38.5% drop in the value of metallic mineral exports in the first two months of 2009 compared to the same period a year earlier. Shipments of copper (-46.7%) and molybdenum (-42.6%) ores and concentrates plunged, while unwrought zinc exports were more than halved (-51.7%). However, exports of unwrought aluminum bucked the trend, climbing 21.4%.
- Shipments of machinery and equipment were down 14.5%. Exports of motor vehicles and

parts plunged 41.5%, shipments of scientific, photographic and measuring equipment fell 19.6%, exports of electrical, electronic and communications equipment dropped 6.6% and other machinery and equipment exports slumped 10.6%.

- Exports to most of BC's main trading partners have fallen year-to-date, including a 12.8% drop in shipments to the United States, BC's most significant trading partner. On the positive side, exports to Mainland China (+16.8%), Hong Kong (+47.1%) and South Korea (+19.5%) have experienced strong growth. Shipments to India, an emerging economy with which Canada is attempting to deepen trade ties, have fallen off the map, diving 60.2%.

Exports of metallic minerals are falling

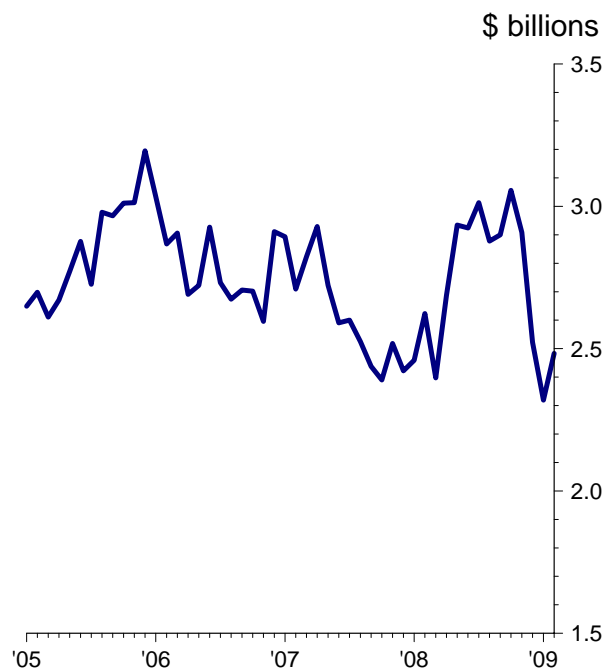


SEASONALLY ADJUSTED EXPORTS

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 exports rebounded from three consecutive months of declines with a 7.1% increase in February. A 22.1% jump in exports of energy products led the way, but most other major commodity groups also experienced export growth, with the exception of machinery, equipment and automobiles, which saw a 6.0% drop in shipments.
- Exports to the US edged up 0.6%, while shipments to the rest of the world climbed 15.2%, mostly on the strength of a 42.8% jump in exports of energy products.

Exports (adjusted for seasonality) rebounded somewhat in February



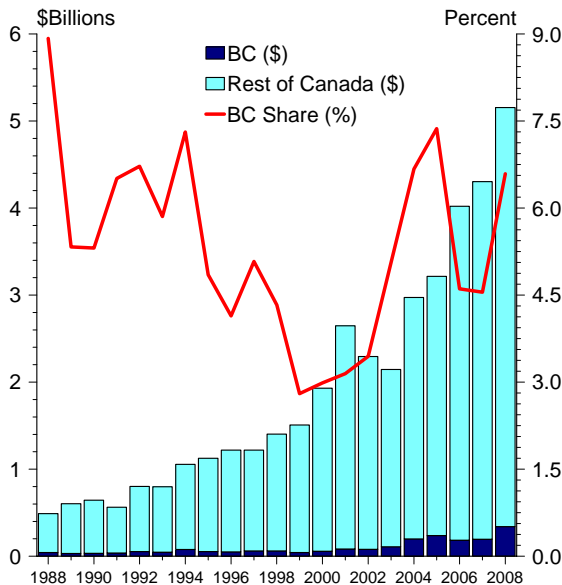
BC Exports, Seasonally Adjusted (\$Millions)

Month	Agriculture & Fish	Energy	Forest Products	Machinery & Equip, Auto	Industrial, Consumer	Total	Exports to USA
Feb 2007	196	575	994	373	571	2,709	1,667
Mar	210	540	1,086	383	604	2,823	1,734
Apr	197	555	1,121	380	677	2,929	1,716
May	188	553	1,017	341	624	2,722	1,629
Jun	183	486	999	344	579	2,591	1,600
Jul	168	517	962	348	604	2,600	1,588
Aug	179	480	982	345	538	2,525	1,562
Sep	196	471	816	359	595	2,438	1,497
Oct	170	481	853	327	559	2,390	1,435
Nov	165	513	871	338	630	2,518	1,448
Dec	188	490	862	316	566	2,422	1,440
Jan 2008	182	523	823	343	588	2,459	1,414
Feb	191	583	877	332	639	2,623	1,510
Mar	182	578	785	316	535	2,397	1,468
Apr	191	754	819	317	605	2,687	1,517
May	186	808	844	324	772	2,934	1,409
Jun	188	924	792	324	697	2,924	1,524
Jul	181	1,068	816	327	621	3,013	1,637
Aug	197	827	738	343	773	2,878	1,399
Sep	200	957	807	318	618	2,900	1,483
Oct	220	992	831	356	657	3,056	1,562
Nov	212	972	755	348	621	2,908	1,484
Dec	207	815	705	326	470	2,522	1,326
Jan 2009	209	691	635	309	475	2,319	1,289
Feb	214	843	644	291	491	2,483	1,297

Fifteen Years of Free Trade with Mexico

Canada has enjoyed free trade with Mexico for fifteen years, ever since the North American Free Trade Agreement (NAFTA) came into force on January 1, 1994.¹ Between 1993 and 2008, bilateral trade between Canada and Mexico has soared by over 400%, rising from approximately \$4.5 billion to almost \$23.8 billion.²

Canadian exports to Mexico have increased substantially since NAFTA was signed, but BC's trade with Mexico remains small



Source: Statistics Canada

Canadian commodity exports to Mexico have grown from less than \$0.8 billion in 1993 to almost \$5.2 billion in 2008. British Columbia's share of Canadian merchandise shipments to Mexico has fluctuated significantly over the last two decades, initially dropping for the first several years after the NAFTA was signed, then rebounding in more recent years. There has been significant growth in BC origin exports to Mexico in the last five years; nevertheless, BC's commodity shipments to Mexico remain relatively small with Mexico ranked eleventh as a destination for BC's goods. By comparison, it was ranked fifth as a destination for Canadian exports.

Although still relatively small, BC exports to Mexico have grown substantially in recent years



Source: Statistics Canada

¹ For a profile of Canada's trade with its other NAFTA partner, the United States, see the January 2009 *Exports* feature article, "Twenty Years of Free Trade with the United States."

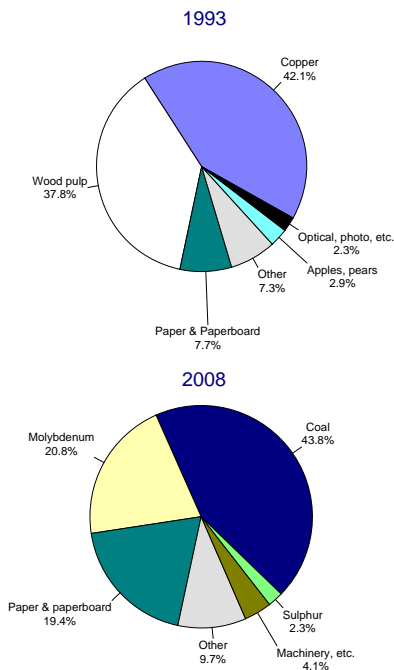
² Note that these figures may be underestimated. Studies performed by Statistics Canada indicate that trade figures compiled by Canada differ significantly from those compiled by Mexico. See the May 2005 *Exports* feature article, "Comparative Trade Numbers Don't Add Up" for more information.

In 2008, British Columbia was the source of less than seven percent of Canada's commodity exports to Mexico. Ontario was the top province

in terms of goods shipped to Mexico, with almost 40% of Canadian exports to that country originating in Ontario. Alberta (21%), Quebec (15%) and Saskatchewan (10%) also ranked ahead of British Columbia.

Vehicles and parts were the top export from Ontario to Mexico, followed by other manufactured products. Alberta's main exports to Mexico consisted of food products, particularly rape or colza seeds, but machinery and equipment and plastics were also significant export items. Quebec's top shipments to Mexico were aluminum and articles of aluminum, iron and steel, and chemical products.

BC's commodity exports to Mexico have changed significantly in the last 15 years



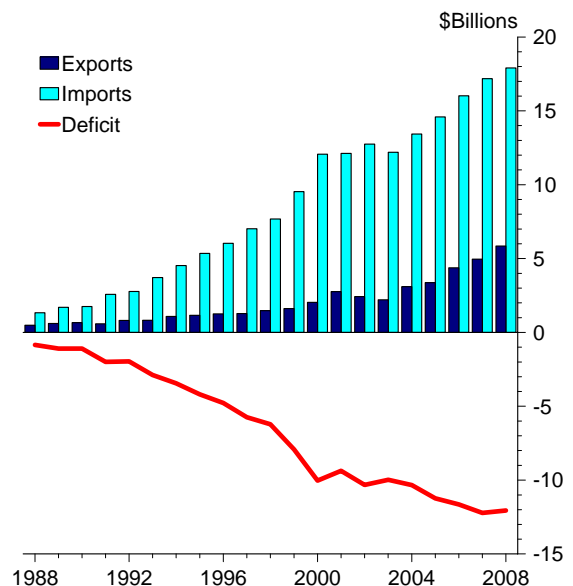
Source: Statistics Canada

The types of goods exported from British Columbia to Mexico have changed dramatically over the last 15 years. Before NAFTA, in 1993, BC's top commodity export to Mexico was copper ores and concentrates, followed by wood pulp. In 2008, coal was the most significant ex-

port, followed by molybdenum ores and concentrates. The one constant is that the province's mining and forestry sectors are still responsible for the bulk of shipments to Mexico.

Canada's top exports to Mexico in 2008 were vehicles and parts, rape or colza seeds and machinery and equipment. While resource products, particularly agricultural goods, represent a large portion of Canadian shipments to Mexico, the same is not true of Mexican goods imported into Canada. The bulk of these goods are machinery and equipment, vehicles and parts and other manufactured goods. Canada did import close to one billion dollars worth of crude petroleum from Mexico in 2008, but this comprised less than six percent of total imports from that country.

Canada's trade deficit with Mexico has expanded since NAFTA was signed



Source: Statistics Canada

Overall, imports from Mexico far outnumber exports to that country, such that Canada's bal-

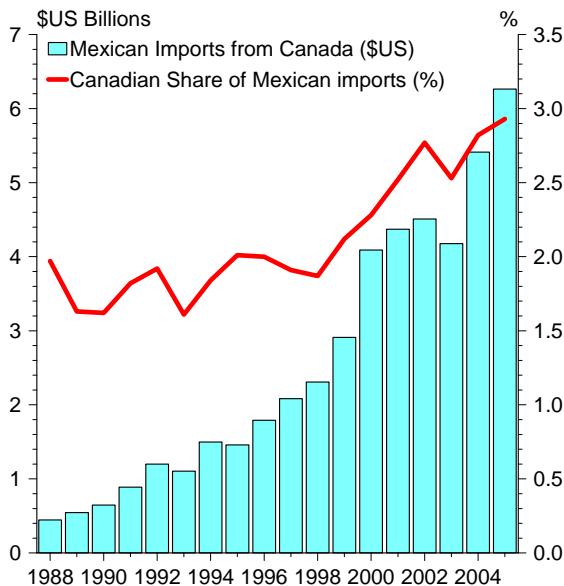
ance of trade with Mexico is substantially in deficit. Although the value of Canada's exports to Mexico has grown faster than imports from that country over the last 15 years, the relative size difference has resulted in the trade deficit expanding considerably over that period, such that, in 2008, the commodity trade deficit with Mexico stood at more than \$12 billion. Mexico ranks third after the United States and China as a source for Canadian imports.

Although Canada's share of the Mexican market has increased since NAFTA came into effect, it is still relatively small (around three percent as of 2005). For both Canada and Mexico, the United States remains by far the largest source of imports into those countries. Nevertheless, Canada and Mexico are important to each other as trade partners.

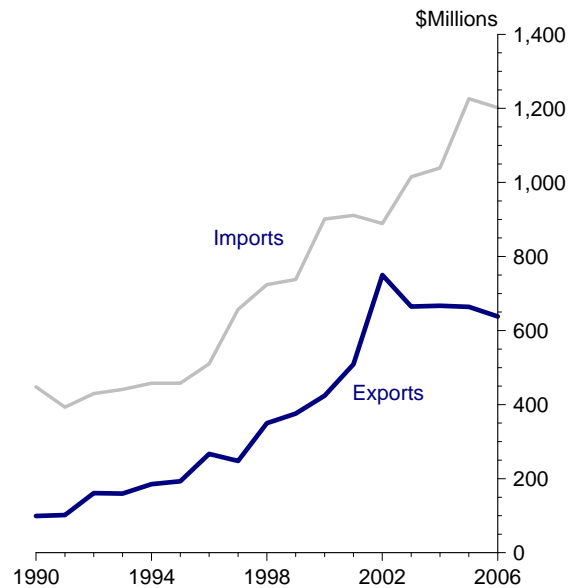
trade in services between Canada and Mexico. However, the value of two-way trade in services is around \$2 billion, or only about one tenth that of trade in goods. As with goods, Canada also has a deficit in trade in services with Mexico. The large majority of Canada's service imports from Mexico are services provided to travellers. This could be attributed to Mexico's popularity as a destination for Canadian tourists.

Trade in services between Canada and Mexico has experienced significant growth since the signing of the free trade agreement

Canada's share of the Mexican market has risen since the signing of NAFTA, but remains relatively small



Source: Statistics Canada



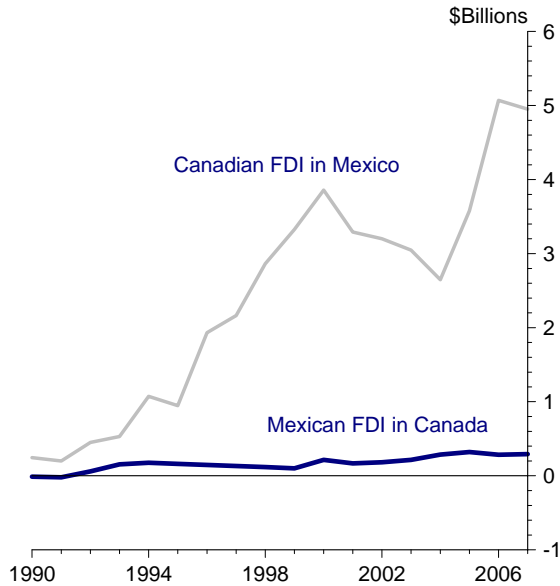
Source: Statistics Canada

In addition to the growth in merchandise trade, there has also been a significant expansion in

Canada has a surplus in trade in commercial services, which is mainly the result of the significant amount of Canadian direct investment in Mexico. Since NAFTA came into force, Canadian foreign direct investment in Mexico has taken off, climbing from approximately \$530 million in 1993 to a shade under \$5 billion in 2007. There has also been some growth in Mexican foreign direct investment in Canada, but it remains relatively insignificant at less than \$300 million in 2007.

Canadian foreign direct investment in Mexico has increased dramatically over the last 15 years, but Mexican investment in Canada is still minimal

in 2008 may be an indication that BC exporters are finding new markets in Mexico.



Source: Statistics Canada

While trade between Canada and Mexico has experienced some strong growth over the last 15 years, there are still opportunities for further development. Market opportunities in Mexico that the Government of Canada have identified as a good match to Canadian exporters' strengths include manufacturing technologies; agriculture, food and beverages; building products and construction; environmental industries such as water treatment, solid waste management and renewable energy; and information and communication technology.

British Columbia has experience in some of these areas: Building products have long been a staple of BC's exports, while industries developing environmental technologies and high technology products have experienced significant growth in recent years and are becoming more important in the provincial economy. The strong growth in shipments from BC to Mexico

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

09-02	<i>Fifteen Years of Free Trade with Mexico</i> (released April 2009)	07-12	<i>Canada and Peru Agree on Free Trade</i> (released February 2008)
09-01	<i>Twenty Years of Free Trade with the United States</i> (released March 2009)	07-11	<i>Over 100 Years of Canadian Exports</i> (released January 2008)
08-12	<i>Canada Seeks Trade Deal with the European Union</i> (released February 2009)	07-10	<i>BC's Commodity Exports Are Still Largely Forest-Based</i> (released December 2007)
08-11	<i>Adversity Leads to Diversity</i> (released January 2009)	07-09	<i>Is Cross-Border Shopping Making a Comeback?</i> (released November 2007)
08-10	<i>Import Content of BC's Exports</i> (released December 2008)	07-08	<i>Prince Rupert Container Port Open for Business</i> (released October 2007)
08-09	<i>BC's Trade in High Technology Goods</i> (released November 2008)	07-07	<i>Canada Weighs Anchor on Free Trade with EFTA</i> (released September 2007)
08-08	<i>Milking the System: Is Canada's Supply Management System an Impediment to Free Trade?</i> (released October 2008)	07-06	<i>BC's Trade with California</i> (released August 2007)
08-07	<i>Charting BC's Exports</i> (released September 2008)	07-05	<i>Appreciating Dollar Not Appreciated by Exporters</i> (released July 2007)
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)

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.