

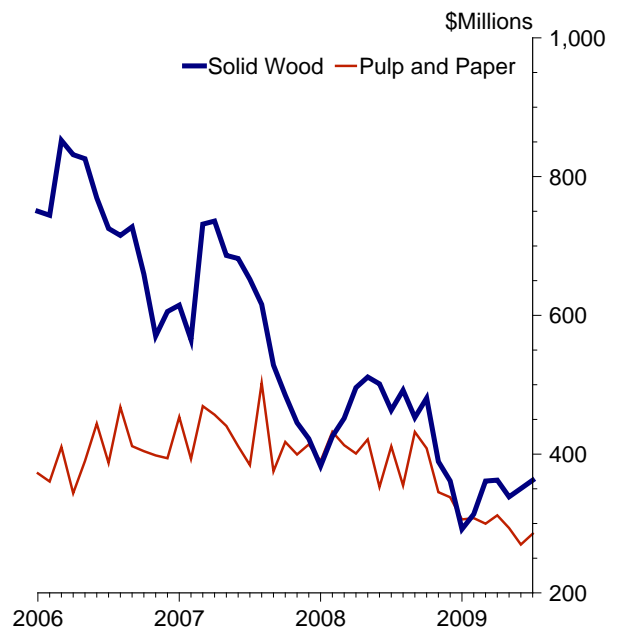
## Exports ♦ July 2009

- The value of British Columbia origin exports fell 23.2% over the first seven months of 2009 compared to the same period a year earlier. Shipments to most major destinations are well down from last year, including BC's most significant trading partner, the United States (-26.7%). The largest percentage declines were for exports to Mexico (-64.7%), Germany (-57.0%) and the United Kingdom (-51.1%). The one bright spot for BC exports was an increase of 20.5% in shipments to Mainland China.
- In the forest sector, both solid wood (-26.3%) and pulp and paper exports (-26.5%) have dropped substantially year-to-date to July, compared to the same seven-month period a year earlier. Housing starts in the United States have been hitting record lows in 2009, which is one of the main reasons for reduced demand for building materials from BC.
- Exports of metallic mineral products have also experienced substantial declines, falling 33.7% year-to-date compared to the same period in 2008. Shipments of copper ores and concentrates (-15.6%), molybdenum ores and concentrates (-57.2%), unwrought aluminum (-37.6%), unwrought zinc (-39.8%) and other metallic minerals (-37.5%) have all slumped as the global economic slowdown has affected demand for these goods. Exports of fabricated metal products have also fallen, dropping 31.5%.
- Exports of energy products have dropped 24.5% year-to-date, driven mainly by a 44.1% dive in shipments of natural gas and a 65.9% plunge in exports of electricity. Coal shipments, which were the one bright spot earlier

in the year, dipped 3.6%. The drop is the result of new, significantly lower contract prices for coal, which came into effect in the second quarter. The previous contract prices were record highs and even though current prices are substantially lower, they still represent the second highest prices ever.

- Another significant export from BC, machinery and equipment, also experienced a large decline in shipments (-15.6%), led by a 37.5% slump in shipments of motor vehicles and parts.
- Among the few bright spots in BC's export picture are shipments of agriculture and food (+7.4%) and seafood products (+7.5%).

The forest sector has experienced significant declines in exports of both solid wood products and pulp and paper



## 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 grew 10.8% in July, the first increase after four consecutive monthly declines. All major commodity groups contributed to the growth, but energy product exports led the way, climbing 27.3%.
- The overall increase was due to a 22.8% jump in shipments to overseas destinations as exports to the United States actually dipped 0.1%. Strong growth in exports of energy (+42.7%) and industrial and consumer goods (+18.4%) were the main contributors to the increase in shipments to overseas markets.

*Exports (adjusted for seasonality) rebounded in July*



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

Month	Agriculture & Fish	Energy	Forest Products	Machinery & Equip, Auto	Industrial, Consumer	Total	Exports to USA
Jul 2007	174	530	954	347	586	2,591	1,600
Aug	181	485	998	343	542	2,548	1,557
Sep	189	462	817	357	594	2,418	1,486
Oct	169	492	848	325	546	2,380	1,438
Nov	169	504	861	339	620	2,493	1,444
Dec	182	470	850	316	568	2,385	1,417
Jan 2008	182	468	822	336	584	2,392	1,367
Feb	199	554	875	331	649	2,607	1,501
Mar	179	587	792	326	553	2,436	1,491
Apr	193	741	816	321	618	2,689	1,535
May	188	867	862	324	793	3,035	1,424
Jun	188	1,002	794	330	696	3,009	1,535
Jul	184	1,102	807	324	592	3,009	1,649
Aug	196	844	758	343	784	2,926	1,415
Sep	200	832	803	321	615	2,770	1,379
Oct	220	994	830	350	641	3,035	1,572
Nov	204	893	739	347	601	2,785	1,430
Dec	203	783	695	323	469	2,473	1,304
Jan 2009	208	616	637	305	469	2,234	1,252
Feb	213	694	632	285	485	2,310	1,216
Mar	205	591	602	271	543	2,213	1,113
Apr	198	551	602	269	439	2,059	1,061
May	195	475	574	274	414	1,932	1,059
Jun	197	482	565	256	425	1,925	1,008
Jul	209	613	583	272	454	2,132	1,007

## Energy Exports are Powering Down...for Now

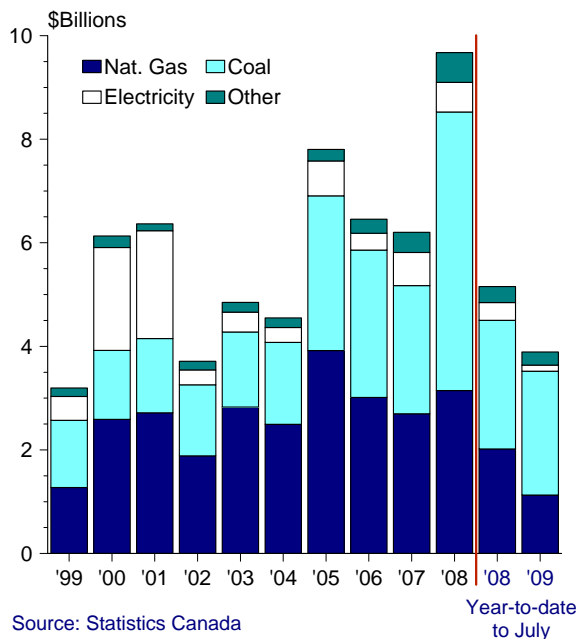
In 2008, despite the sagging fortunes of the province's forest sector, there was growth in the value of total British Columbia commodity exports, largely due to increased shipments of energy products. Most of the growth was in exports of coal, which more than doubled from 2007; however, natural gas and petroleum products also contributed to the overall increase in energy shipments.

The value of lumber shipments has dropped for four consecutive years, such that, at \$3.6 billion in 2008, the value was just over half that of the comparable figure in 2004. Meanwhile, exports of coal grew 117.4% between 2007 and 2008 to \$5.4 billion, pushing that commodity ahead of softwood lumber as BC's most significant export.

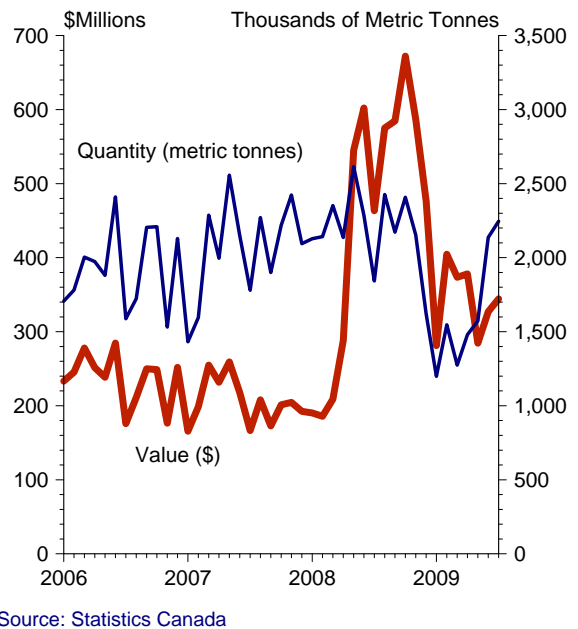
of energy exports down 24.5% in the first seven months of the year compared to the same period in 2008. Given that forest sector exports have slumped even further, in the absence of offsetting increases in energy shipments overall BC origin exports have slumped 23.2% compared to the January to July period in 2008.

Of the major categories of energy products exported from the province, coal remains the top performer. The outstanding performance in 2008 was the result of a combination of shortage of supply and strong demand. The supply constraints were the consequence of flooding and other problems with mines in Australia and Russia, in particular. As a result, British Columbia coal producers were able to obtain record contract prices for their coal.

Energy products helped boost BC exports in 2008, but have slipped back in 2009



High prices drove up the value of BC coal exports in 2008, but a slump in demand brought it back down



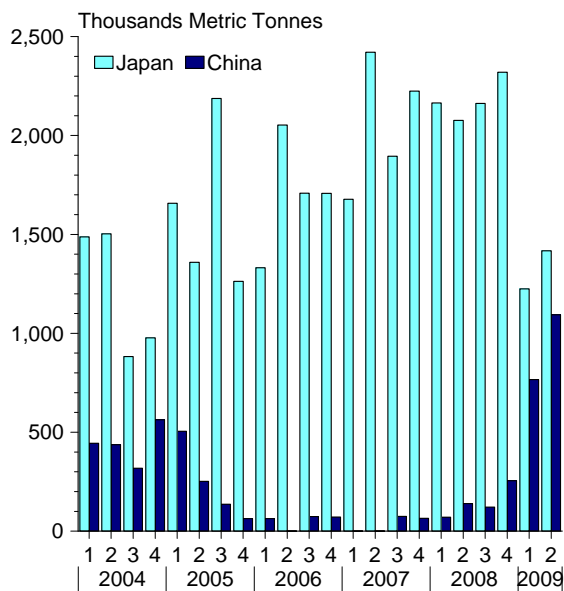
Year-to-date in 2009, the energy sector is not faring nearly as well as last year, with the value

The demand for coal has slumped somewhat in the face of the global recession. As a result, the contract prices for coal arrived at in April were

around half the value of those from 2008. Nevertheless, the 2009 contract prices are still the second highest ever and remain substantially higher than those from two years earlier. Over the first half of 2009, the value of coal exports exceeded the level attained in the first six months of 2008, but given the lower prices, it is likely that the remainder of the year will see export values significantly lower than those achieved in the second half of 2008, as is already evident with the addition of data for July.

The destination for coal mined in British Columbia has changed significantly over the first half of 2009. The volume of coal shipped to Japan has experienced a substantial decline, while exports to Mainland China have taken off.

While BC origin exports of coal to Japan have fallen off over the first two quarters of 2009, shipments to China have skyrocketed



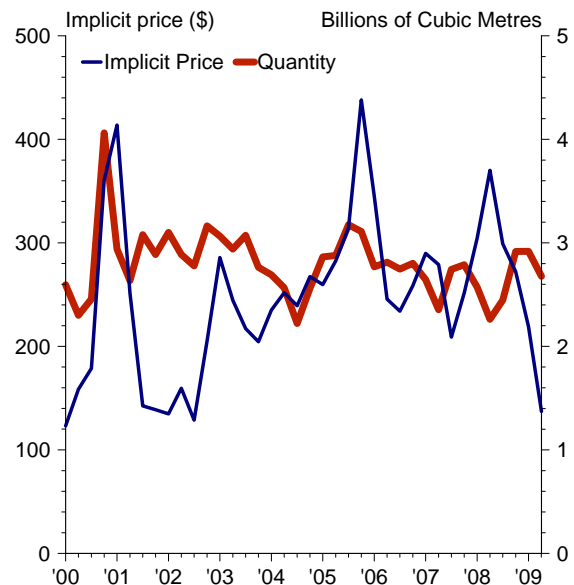
Source: Statistics Canada

China has been stockpiling coal, as well as a number of other commodities, but China’s reserves are nearing full capacity and it is likely

that the country will start to scale back on its purchases.<sup>1</sup> If this occurs, BC coal producers could see a further drop in the volume of coal shipped. On the other hand, there are signs that the global economy is beginning to recover from the recession, which could boost demand for coal from other countries, such as Japan. The high price of coal has spurred exploration activity in British Columbia, particularly in the northeast, such that the province could be well positioned to respond to any uptick in demand over the next several years.

While coal prices have remained strong, the same cannot be said for the price of natural gas. A number of new discoveries across North America have boosted the supply of natural gas well above the level of demand, which has fallen as a result of the recession. Consequently, prices for natural gas have plunged.

Demand for natural gas has remained fairly stable, but the price has dropped considerably



Source: Statistics Canada

<sup>1</sup> Doran, D’Arcy, “China-driven commodities rally nearing end,” AFP news wire, June 20, 2009.

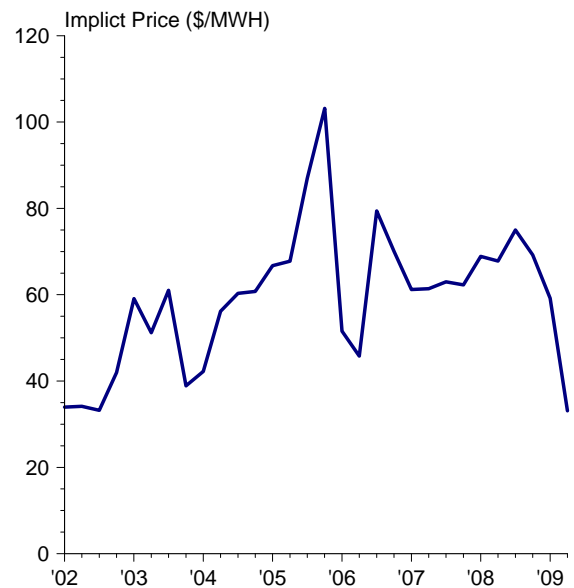
The precipitous drop in the price of natural gas has resulted in a sharp decline in the value of natural gas exports, with shipments dropping 44.1% in the first seven months of 2009 compared to January to July of 2008. This has also had a deleterious effect on government revenues. Revenue projections in the February budget were based on an estimated price for natural gas of \$5.87 per gigajoule; however, prices have since fallen to almost half that figure. The cost to British Columbia's treasury is in the neighbourhood of \$275 to \$325 million for each dollar of decline in the price of natural gas.<sup>2</sup>

While the outlook for the remainder of 2009 appears challenging for the natural gas sector, there is at least one promising development on the horizon. The prospects for the construction of a liquefied natural gas export terminal in Kitimat are looking encouraging. Several major gas producers have signed deals to provide natural gas for export through the proposed terminal, such that there is enough supply committed to meet almost 100% of the terminal's capacity. This makes it likely that the project will go ahead, which is a complete turnaround from a year ago when the facility was being designed to import natural gas. The flood of new discoveries in North America made imports unnecessary and the project looked to be dead; however, given the prospects of oversupply in North America, it now makes economic sense to look at exporting the gas to other markets. While it will be a few years before the terminal will be online, it will provide an opportunity for increased exports of natural gas in the long term.

<sup>2</sup> Source: British Columbia Ministry of Finance, *Budget and Fiscal Plan 2009/10 – 2011/12*, February 17, 2009.

Similar to natural gas, the price of electricity has also experienced a significant decline in recent months. The biggest single reason for the drop is likely reduced industrial consumption related to the economic downturn. The low price of natural gas is also a factor, because gas can sometimes be substituted for electricity and also because natural gas is sometimes used to generate electricity.

The price for exported electricity has slumped substantially over the last year



Source: Statistics Canada

Due to the combination of reduced prices and less demand, the value of BC electricity exports has dropped by almost two-thirds (-65.9%) year-to-date to July compared to the same seven-month period in 2008. While an immediate turnaround is unlikely, demand for electricity is likely to pick up once the economy gets rolling and industrial consumption increases.

With the exception of 2000 and 2001, when the energy crisis in California sent electricity prices soaring and the value of BC's electricity exports hovered around \$2 billion in each of those

years, electricity has generally taken a back seat to natural gas and coal as a generator of export revenues. Nevertheless, electricity constitutes a significant export for British Columbia. From 1994 to 2007 the value of electricity exports exceeded that of all energy products in the "other" category, which primarily includes petroleum products. Last year, the value of electricity exports was virtually equal to that of petroleum and miscellaneous other energy products, and year-to-date, exports of other energy products have exceeded those of electricity.

Despite the better performance compared to electricity, other energy exports have still slumped 17.8% year-to-date to July compared to the same period in 2008. Most of the decline is due to a 38.3% drop in the value of shipments of crude petroleum. As a consequence of the recession, demand for crude oil has fallen, which has resulted in a build-up of inventories worldwide and is likely the main reason for the drop in exports from BC.

The outlook for the remainder of the year does not look overly promising for energy exports, but once the global economy starts to pick up and industrial production gathers momentum, demand for energy will also grow. The prospect of a natural gas export facility and increased production of coal and natural gas, in particular, should ensure that energy continues to play a large role in BC's exports for many years to come.

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

<b>09-07</b>	<i>Energy Exports are Powering Down...For Now</i> (released September 2009)	<b>08-05</b>	<i>Asia Offers Potential as a Destination for BC Exports</i> (released July 2008)
<b>09-06</b>	<i>Adding Some Heat to Trade with India</i> (released August 2009)	<b>08-04</b>	<i>The Price is Right for Coal Producers in BC</i> (released June 2008)
<b>09-05</b>	<i>Trade with the Other Americas</i> (released July 2009)	<b>08-03</b>	<i>Border Line Threats to Trade</i> (released May 2008)
<b>09-04</b>	<i>The State of Canada's Trade with the USA</i> (released June 2009)	<b>08-02</b>	<i>Call of the Loonie: American Film and Television Productions Shun BC in 2007</i> (released April 2008)
<b>09-03</b>	<i>British Columbia's Trade Balance Tipped in Favour of Imports</i> (released May 2009)	<b>08-01</b>	<i>BC Commodity Exports: Year in Review 2007</i> (released March 2008)
<b>09-02</b>	<i>Fifteen Years of Free Trade with Mexico</i> (released April 2009)	<b>07-12</b>	<i>Canada and Peru Agree on Free Trade</i> (released February 2008)
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<b>08-12</b>	<i>Canada Seeks Trade Deal with the European Union</i> (released February 2009)	<b>07-10</b>	<i>BC's Commodity Exports Are Still Largely Forest-Based</i> (released December 2007)
<b>08-11</b>	<i>Adversity Leads to Diversity</i> (released January 2009)	<b>07-09</b>	<i>Is Cross-Border Shopping Making a Comeback?</i> (released November 2007)
<b>08-10</b>	<i>Import Content of BC's Exports</i> (released December 2008)	<b>07-08</b>	<i>Prince Rupert Container Port Open for Business</i> (released October 2007)
<b>08-09</b>	<i>BC's Trade in High Technology Goods</i> (released November 2008)	<b>07-07</b>	<i>Canada Weighs Anchor on Free Trade with EFTA</i> (released September 2007)
<b>08-08</b>	<i>Milking the System: Is Canada's Supply Management System an Impediment to Free Trade?</i> (released October 2008)	<b>07-06</b>	<i>BC's Trade with California</i> (released August 2007)
<b>08-07</b>	<i>Charting BC's Exports</i> (released September 2008)	<b>07-05</b>	<i>Appreciating Dollar Not Appreciated by Exporters</i> (released July 2007)
<b>08-06</b>	<i>Bad News for Newsprint Exports</i> (released August 2008)	<b>07-04</b>	<i>The Greening of BC's Exports</i> (released June 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.