Introduction

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This outlook for the major nonferrous metals was prepared by staff of the International and Domestic Market Policy Division in early November 2001 and reflects the market conditions and expectations at that time.

Canada's economy again registered strong growth in 2000 but is now expected to slow over the near-term forecast period. Overall real Gross Domestic Product (GDP) increased by 4.4% in 2000. The total value of all domestically mined mineral commodities produced in Canada, including metals, nonmetals, structural materials and mineral fuels, increased by 55.9% from $54.0 billion in 1999 to reach an estimated $84.2 billion[1] in 2000, its highest value ever. Most of this increase was due to the upsurge in the value of production of the mineral fuels group. The value of metal production increased 13.1% from $9.8 billion in 1999 to $11.1 billion in 2000. The increase was mainly attributed to the sharp rise in the values of production for nickel and the platinum group metals and a modest rise in the value of copper. The value of zinc production remained steady at $1.6 billion and the value of lead production dropped from $115.9 million in 1999 to $95.8 million in 2000, reflecting the drop in lead mine output.

Exports of crude minerals, coal, smelted and refined outputs, and mineral products contributed $49.1 billion (an increase of 10.0% over 1999) to the value of Canada's total domestic exports of $384.1 billion. Metallic mineral and mineral product exports accounted for 77.3% ($37.9 billion) of the total non-fuel (including coal) value; nonmetal exports accounted for 16.5% ($8.1 billion), structural materials for 2.5% ($1.2 billion), and coal for 3.7% ($1.8 billion). The United States remains Canada's principal trading partner with exports to that destination valued at $38.3 billion, followed by Japan ($1.9 billion) and the United Kingdom ($1.2 billion).

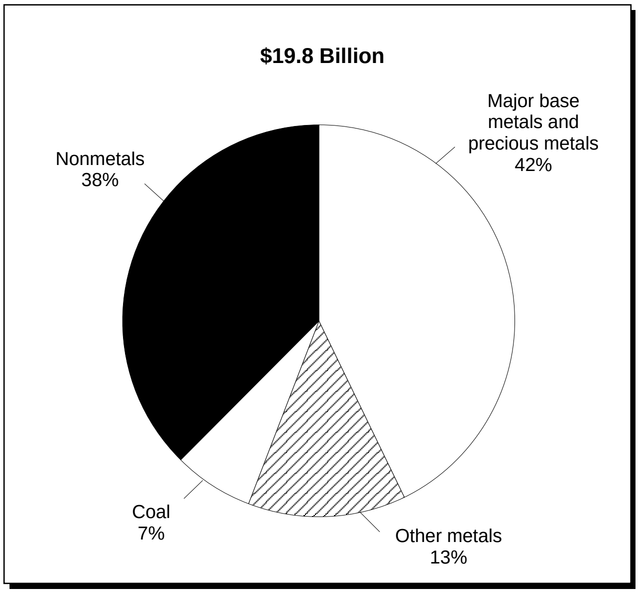
During the first half of the year, an overhang of inventories and excess capacity (especially in the auto and information technology sectors), the related contraction in industrial production, and the overall slowing of the global economy resulted in negative effects on most Canadian export-oriented industries and commodity prices (excluding energy). In the second quarter of 2001, GDP increased 2.1% compared to the second quarter of 2000, following a 2.5% annual increase in the first quarter of the year. Declining foreign demand, most notably in the United States, slowed the pace of growth as real exports dropped 3.1%. Overall, Canada's economic growth is expected to decline as the economy in the United States and elsewhere continues to slow. As a result of the expected lower U.S. GDP growth following the tragic events of September 11, the Canadian economy is projected to register little growth in the second half of the year for a total of about 1.5% in 2001 and about 1.6% in 2002.

The mining industry remains a vital contributor to Canada's economy. Employment in the non-fuel sector recorded a 3.7% increase in 2000, growing to an estimated 401 400 and accounting for roughly 3.3% of total Canadian full-time employment. Direct employment in metal mining, nonmetal mining, quarrying and coal mining was estimated at 54 000, up from the 1999 level of about 53 300. Mine openings and re-openings, including several gold mines and an asbestos tailings operation to recover magnesium, offset closures, particularly in the coal mining sector. Employment in the smelting and refining and primary steel industries, estimated at about 60 200 in 1999, increased by about a thousand in 2000 to 61 200. As was the case last year, the major gains in employment occurred in the mineral manufacturing industries as employment rose from 273 700 in 1999 to 286 300 in 2000, an increase of 4.6%.

In 2000, nonferrous metals generated a net trade surplus equivalent to about 23% of that of mineral fuels (excluding coal). Canada's overall merchandise export surplus was due in large part to the net

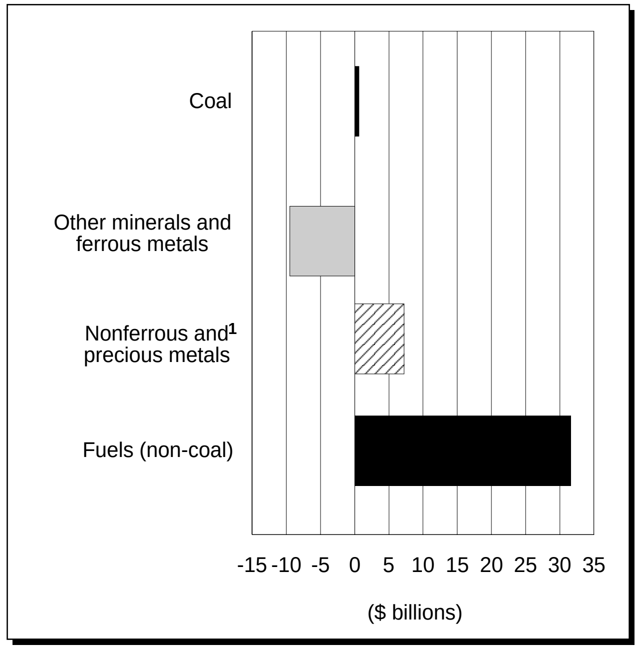
[1] This value represents the value of production from Canadian mines and therefore does not include production from imported ores and concentrates or recycled metals.

Figure 1
Value of Mineral Production From Canadian Mines, 2000



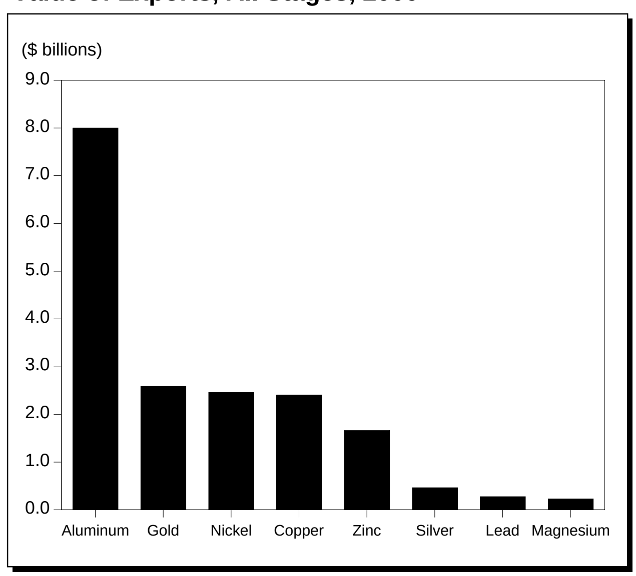
Source: Natural Resources Canada.

Figure 2
Net Export Earnings, 2000
Mineral Commodities Net = $30 Billion



Source: Natural Resources Canada.
[1] Includes aluminum.

Figure 3
Value of Exports, All Stages, 2000



Source: Natural Resources Canada.

surplus generated by the Canadian mining and metals industry. Non-coal fuel minerals generated a net surplus of $31.6 billion. The major nonferrous and precious metals (including scrap), with exports of $18.4 billion and imports of $11.2 billion, generated a net Canadian trade surplus of $7.2 billion. Other mineral products generated a combined net trade deficit of $9.5 billion.

Reviews and forecasts for aluminum, copper, gold, lead, magnesium, nickel and zinc are included in the following pages. Trade tables covering 1999, 2000 and the first nine months of 2001 follow these commodity reviews. Note that throughout this document the term “consumption” has been replaced by “use” to reflect the fact that metals are not “consumed” but, rather, can be repeatedly recycled back to their original quality, unlike other materials such as fuel oil, natural gas, food or wood.

We would appreciate your feedback and encourage you to contact the specialists directly with your comments by telephone, facsimile or e-mail.