

# Introduction

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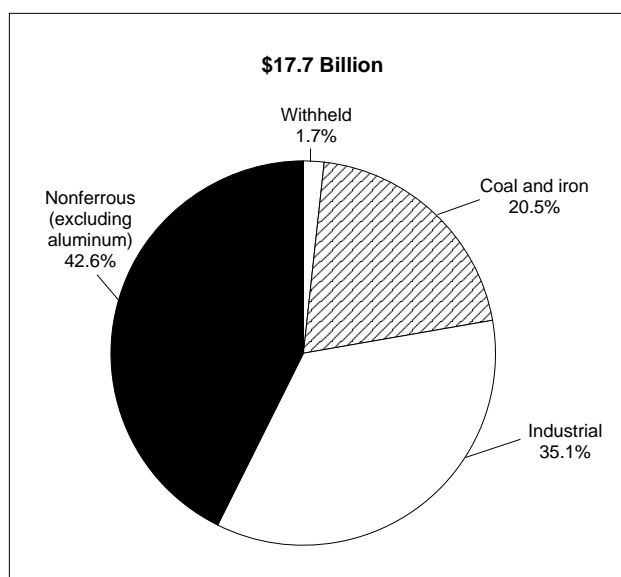
This outlook for the major nonferrous metals was prepared by staff of the International and Domestic Market Policy Division in early November 1999 and reflects the market conditions and expectations at that time.

Canada's economy registered strong growth in 1998 and is expected to continue to grow over the near-term forecast period. Overall real Gross Domestic Product (GDP) increased by 3.1% in 1998. The mineral industry (excluding the petroleum and natural gas industries) accounted for \$26.5 billion, or 3.7% of Canadian GDP. Despite the overall growth registered in the Canadian economy, low commodity

prices, brought about largely by reduced demand in Asia, resulted in a decline in the total value of Canadian mineral production to \$44.3 billion in 1998, a 12.3% decrease from the \$50.5 billion recorded in 1997. The value of metal production declined to \$10.3 billion from \$11.5 billion, a decrease of 10.7%, due mainly to a sharp drop in the values of production of zinc (-20.5%), nickel (-20.1%), lead (-20.0%), copper (-17.4%) and gold (-8.1%).

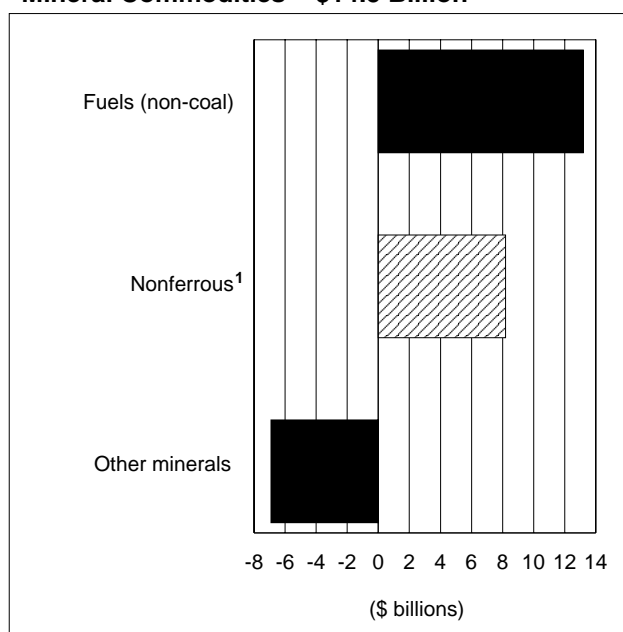
The value of all minerals and mineral product exports also declined to \$69.3 billion in 1998, a 5.1% drop compared to 1997. The value of fabricated metal product exports increased by about 15% in 1998 as exports to the United States increased significantly. In spite of the decline in the value of exports and an increase in mineral product imports, Canada's overall trade surplus for these products stood at a healthy \$15.6 billion.

**Figure 1**  
1998 Canadian Mine Production



Source: Natural Resources Canada.

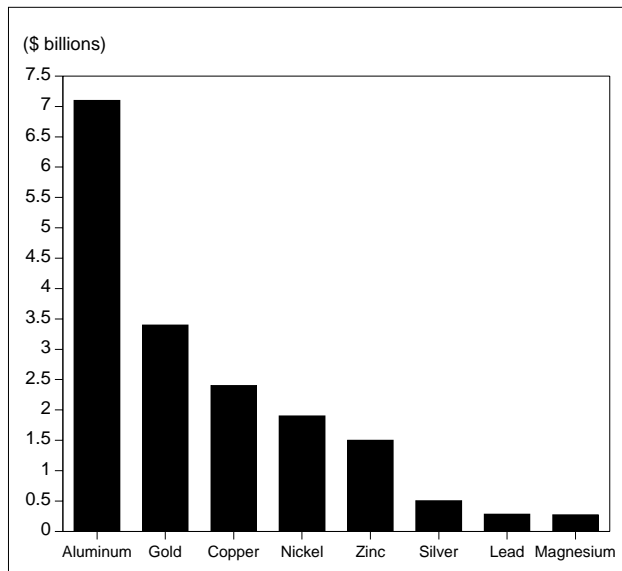
**Figure 2**  
1998 Net Export Earnings  
Mineral Commodities = \$14.5 Billion



Source: Natural Resources Canada.

<sup>1</sup> Includes aluminum.

**Figure 3**  
**1998 Value of Exports (Stages I to IV)**



Source: Natural Resources Canada.

In the first six months of 1999, GDP grew by an annualized 3.7%. Overall, Canada's economic growth is expected to be higher than previously expected in 1999, mainly because of stronger investment in both residential construction and machinery and equipment. Government fiscal policies aimed at reducing deficits and debt, and monetary policies aimed at keeping inflation under control, have contributed to this environment and provide a sound basis for continued strong growth in Canada. The Canadian economy is projected to expand by 3.5% in 1999 and by 2.5% in 2000.

Despite the fall in commodity prices and values of production and exports in 1998, the mining industry remains a vital contributor to the Canadian economy. The mining and mineral processing industries directly employed some 367 200 Canadians in 1998, a 4.1% increase over the 1997 level of 352 900. Losses in employment in the mining sector were offset by increases in the smelting and refining, semi-manufacturing and manufacturing sectors. Of these, 55 700 were employed in mining, 59 600 in smelting and refining, and nearly 251 900 in the manufacture of mineral and metal products.

Nonferrous metals are the second most important sector in terms of value of Canadian mineral production after non-coal fuels (crude oil, natural gas and uranium). With a total value of \$7.6 billion in 1998, nonferrous metals (excluding aluminum, which is not mined in Canada) accounted for 43% of the value of non-fuel mineral production. When aluminum production is added, the value of Canada's non-ferrous metal production increases to an estimated \$12.4 billion.

In 1998, nonferrous metals generated a net trade surplus equivalent to about 62% of that of mineral fuels (excluding coal). Canada's overall merchandise export surplus was due in large part to the net surplus generated by the Canadian mining industry. Non-coal fuel minerals generated a net surplus of \$13.2 billion. Nonferrous metals (including scrap), with exports of \$18.8 billion and imports of \$10.7 billion, generated a net Canadian trade surplus of \$8.2 billion. Other mineral products generated a combined net trade deficit of \$6.9 billion.

Reviews and forecasts for aluminum, copper, magnesium, nickel and zinc are included in the following pages. Trade tables covering 1997, 1998 and the first nine months of 1999 follow these commodity reviews.

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