

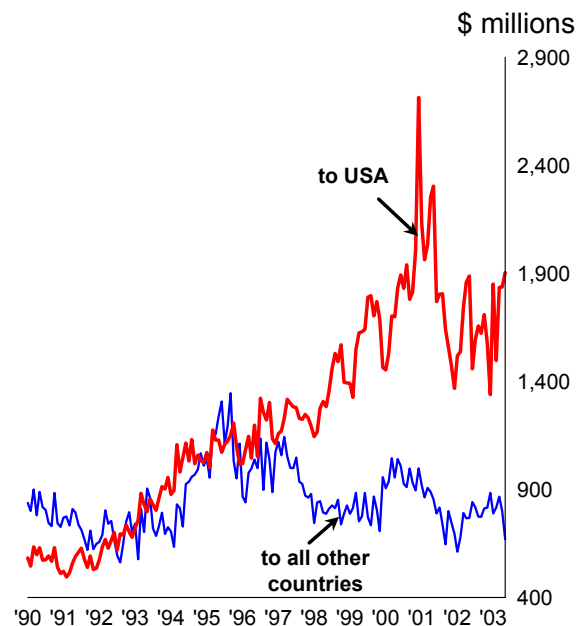
Exports ♦ May 2003

- The value of BC origin exports is up 6% year-to-date compared to the first five months of last year. The phenomenal inflation in the energy sector continues to fuel the export growth. The value of BC origin natural gas exports is over three times what it was in the January to May period of 2002 and the value of electricity transmissions has more than doubled. The only soft area in energy is in exports of coal, which are down 11% year-to-date.
- Performance in the forest sector is mixed as exports of solid lumber products are 22% off the pace of the first five months of 2002, but pulp and paper shipments have increased over 2%. Rapid appreciation of the Canadian dollar combined with the effects of the softwood lumber dispute and low lumber prices due to oversupply have seriously hurt lumber exports. Conversely, higher prices for pulp have helped boost the value of pulp exports almost 7%. However, low prices for newsprint have tempered growth for pulp and paper exports overall. The implicit price for newsprint (i.e., the value divided by quantity) is at its lowest point in almost nine years, which is why the value of exports of newsprint from January to May is down almost 13% from the same period a year ago.
- The closure of the Western Star Trucks assembly plant last fall continues to affect year-over-year comparisons of

machinery and equipment exports. Exports of these products have fallen 9% year-to-date. More specifically, exports of motor vehicles and parts have dropped 43%.

- Exports in May were 3% lower than May 2002, due mostly to a significant drop in the value of exports to Japan (-26%). However, year-to-date, exports to Japan are still almost 3% higher than in the same period last year. Exports to other Pacific Rim countries are up 27% year-to-date. The improvement in value of exports to Asian destinations has been partially offset by a 3% drop in exports to the European Union.

Exports to the USA are up over last year mainly on the strength of high prices for energy products



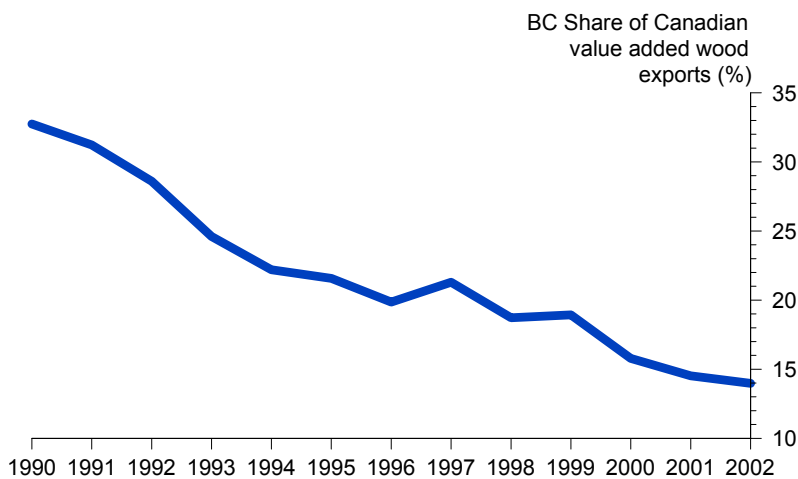
Value Added Wood Production in BC Logging Rest of Canada

There is no universally accepted definition of value added wood products, but the term is usually applied to products made from lumber such as mouldings, siding, engineered wood and completed articles constructed primarily from wood. Engineered wood products include glued laminated timber (or glulam) and laminated veneer lumber. Articles made from wood could include doors, windows, prefabricated houses and furniture. The definition of value added wood used here is constructed by BC Stats and is consistent with the data published in the tables of the Exports release (as "selected value added wood products"). Included are most wood products that might be considered value added. Excluded from the definition are shakes and shingles, and panel products such as plywood, oriented strand board and medium density fibreboard.

Although BC origin exports of value added wood products have increased significantly in the last decade, compared to the rest of the country, BC is falling behind. This is reflected in the province's share of total Canadian value added wood exports, which has been halved over the last ten years. In 1990, BC was the source of almost 33% of all Canadian exports of value added wood, ranking first in the country, but by 2002, this proportion dropped to 14% and BC slipped to third behind Ontario (35%) and Quebec (34%) as an exporter of value added wood products.

BC's growth in value added wood exports has been strong, but not nearly as strong as in the rest of the country

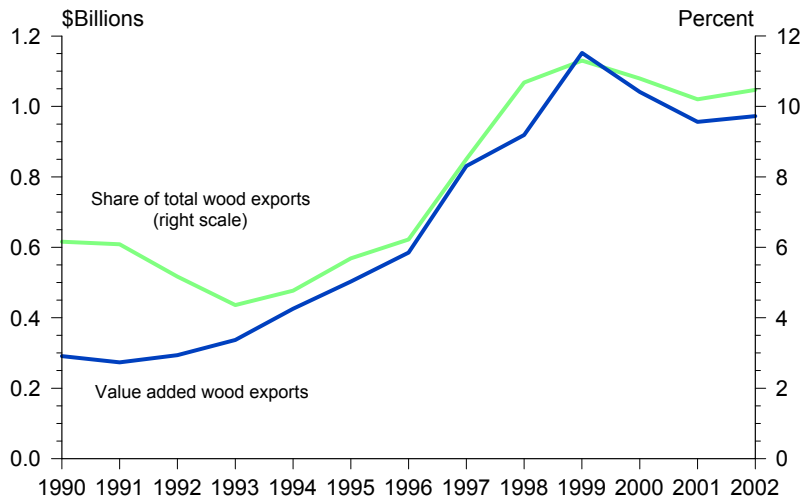
BC's share of Canada's value added wood exports has been in a steady state of decline over the last decade



BC's share of Canada's total value added wood exports has fallen from 33% in 1990 to 14% in 2002

The drop in share is not due to falling shipments of value added wood from British Columbia; rather, the value of these exports more than tripled from 1990 to 2002. Not only did value added wood exports increase dramatically in that period, but so too did their share of total wood exports. In BC, this share jumped from 6.2% in 1990 to 10.5% in 2002.

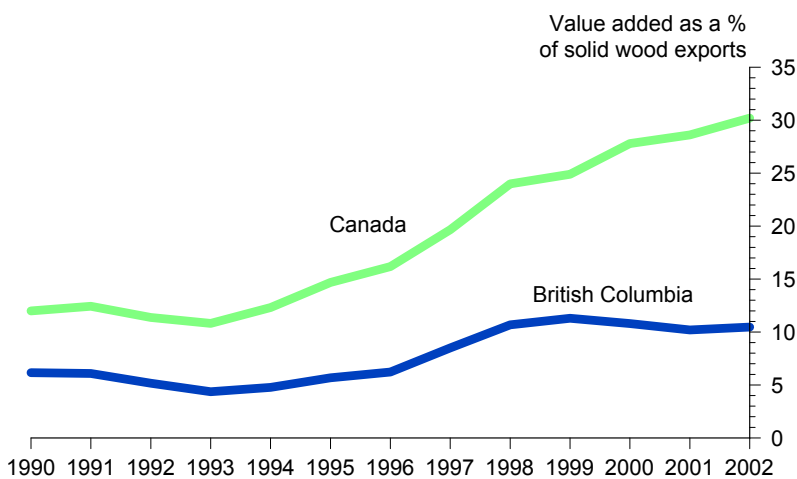
BC origin value added wood exports



BC's value added wood shipments have grown both in value and as a proportion of total wood exports

While the share of BC wood exports that is comprised of value added wood has increased markedly in the last decade, it is still quite small relative to other provinces. In fact, with the exception of Newfoundland and Labrador, BC had the smallest ratio of value added wood to total wood exports of any province in the country in 2002. By comparison, almost three-quarters of all wood exports from Manitoba (74%), over half of Ontario's wood shipments (52%) and 44% of Quebec's exported wood products were value added. The Canadian average was about 30%.

British Columbia lags well behind the rest of the country in terms of the proportion of wood exports that are value added

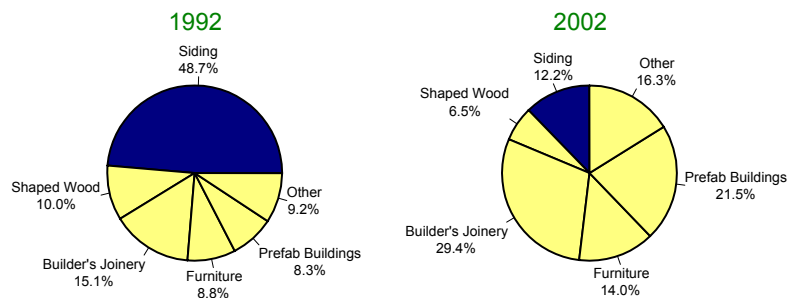


BC has a far smaller ratio of value added wood to total wood exports compared to the rest of the country

Over the last decade, the types of value added wood products shipped from British Columbia have changed substantially. In 1992, almost half of all value added wood exported was in the form of siding. By 2002, siding represented only 12% of value added wood exports. Most of the siding produced in BC is of the softwood variety, particularly western red cedar. Limited supply and competition from similar products made of cement, vinyl and metal has kept this industry from expanding. While the siding industry has remained fairly static, production of other value added wood products has increased significantly, resulting in a reduced share for siding. In addition, in the last couple of years, the siding industry has been severely affected by the softwood lumber dispute because softwood siding exported to the United States is subject to duties. Western cedar is a high-priced item and therefore pays a high premium when the 27% duty is applied. This, combined with competition from non-wood products, has resulted in a significant drop in BC siding exports.

BC's siding industry has been hit hard by the softwood lumber dispute

The distribution of British Columbia value added wood exports changed dramatically between 1992 and 2002



The BC value added wood product mix has changed significantly over the last decade

Meanwhile, exports of builder's joinery and carpentry of wood have experienced substantial growth. These are products like doors, windows, panels and other structural components of buildings. These products represented 15% of value added wood exports in 1992, but grew to a peak of 48% in 1999 before slipping to 29% in 2002. At the peak in 1999, exports of builder's joinery and carpentry of wood were valued at \$549 million, up from \$44 million in 1992. However, since that time, the value of exports of these goods has dropped to \$286 million. Part of the reason for this may be increased competition from other provinces, particularly Quebec and Ontario. In 1992, Quebec exported only \$15 million worth of these goods and Ontario shipped \$39 million. By 2002, these numbers increased to \$554 million for Quebec and \$442 million for Ontario. Since these goods can be produced from a variety of tree species, including engineered wood made of chips and other wood by-products glued together, BC's abundance of larger, old growth trees is less of an advantage with respect to these products.

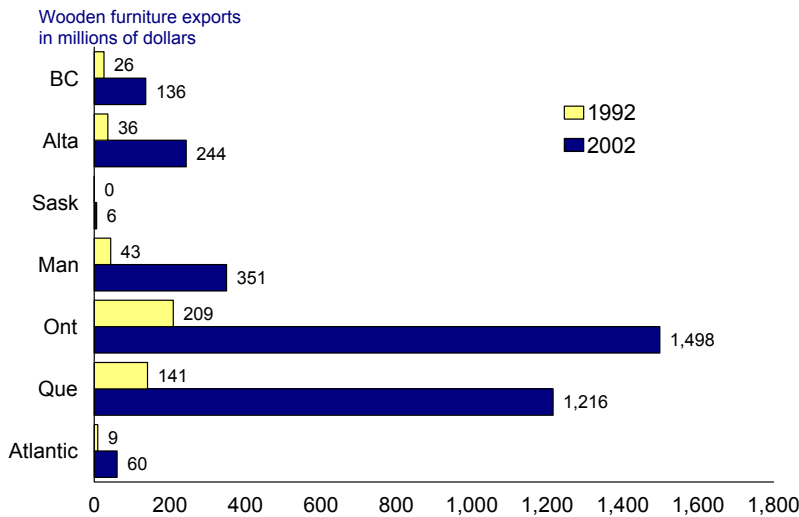
BC exports of builder's joinery and carpentry of wood expanded rapidly in the nineties, but has since dropped off somewhat

Taking up the slack left by the decline in builder's joinery exports was exports of prefabricated buildings. This product increased its share of value added wood exports from 8% in 1992 to 22% in 2002. Although these products usually have some non-wood components, they are mainly constructed of wood and are therefore considered a value added wood product.

BC exports of prefabricated buildings have more than doubled in the last decade

Furniture is another significant value added wood export from BC. In 2002, wood furniture surpassed siding in terms of value of exports. Furniture shipments have increased significantly in the last decade, rising from \$26 million in 1992 (9% of value added wood exports) to \$136 million in 2002 (14%). However, growth in BC has been overshadowed by the phenomenal increase in other provinces, particularly Ontario and Quebec, but also Manitoba and Alberta. For each of these provinces, furniture shipments represent well over half of all value added wood exports in 2002. With most wood furniture manufactured out of hardwood species and the majority of BC lumber being of the softwood variety, perhaps it should come as no surprise that BC is not a more significant producer of wood furniture.

The explosion of furniture exports from Ontario, Quebec, Manitoba and Alberta has overshadowed growth in BC



BC's exports of wooden furniture have increased significantly over the last decade, but nowhere near as much as in other provinces

Although British Columbia has significantly increased its exports of value added wood products over the last decade, it has not kept pace with other provinces. With the continued friction with the United States regarding shipments of softwood lumber, expansion of value added products may be one way to help the forest industry diversify and reduce its dependence on lumber exports.

**Recent Feature Articles in British Columbia Origin Exports Release
Listed By Statistical Reference Date of Issue**

03-05	<i>Value Added Wood Production in BC Lagging Rest of Canada</i> (released July 2003)	02-02	<i>The Threat of American Protectionism</i> (released April 2002)
03-04	<i>Exports and the Rising Dollar</i> (released June 2003)	02-01	<i>Canada Seeks to Increase Trade With India</i> (released March 2002)
03-03	<i>Canada Talks Trade With Turkey</i> (released May 2003)	01-12	<i>Is "Runaway" Film Production in Canada Harming the U.S. Industry?</i> (released February 2002)
03-02	<i>Rising Log Exports Fuel Controversy</i> (released April 2003)	01-11	<i>Team Canada Scouts Russia and Germany for New Trade Ties</i> (released January 2002)
03-01	<i>Review and Outlook for BC Exports</i> (released March 2003)	01-10	<i>Exploring China as a Market for BC's Wood Products</i> (released December 2001)
02-12	<i>Team Canada Returns to Europe</i> (released February 2003)	01-09	<i>Is Trade Threatened by Security?</i> (released November 2001)
02-11	<i>Canada Courts the European Union for Freer Trade</i> (released January 2003)	01-08	<i>Thirst for Energy Powers British Columbia's Exports</i> (released October 2001)
02-10	<i>Lumber Battle Takes an Unexpected Turn</i> (released December 2002)	01-07	<i>International Trade in High Technology Goods and Services</i> (released September 2001)
02-09	<i>Canada Looking to Shed Light on Trade With the Dark Continent</i> (released November 2002)	01-06	<i>Interprovincial and International Trade in Goods and Services</i> (released August 2001)
02-08	<i>Canada's Share of US Softwood Lumber Market Slipping</i> (released October 2002)	01-05	<i>Buy Low, Sell High: Trade in Electricity</i> (released July 2001)
02-07	<i>FTAA: Free Trade for the Western Hemisphere?</i> (released September 2002)	01-04	<i>Attack of the Canadian Tomatoes</i> (released June 2001)
02-06	<i>The Changing Face of BC Exports</i> (released August 2002)	01-03	<i>The Softwood Lumber Dispute</i> (released May 2001)
02-05	<i>Japan's Economic Woes Translate to Reduced Trade for BC</i> (released July 2002)	01-02	(no article)
02-04	<i>Team Canada Promotes Trade With Mexico</i> (released June 2002)	01-01	(no article)
02-03	<i>Chile Warms Up to Trade With Canada</i> (released May 2002)	00-12	(no article)
		00-11	<i>After Much Economic Diversification, B.C. Exports Are Still Mainly Resource Based</i> (released January 2000)

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.

'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).

Service Offered for Detailed Trade Statistics

For B.C. government statistics users requiring more detailed information on exports or imports, a special report service is offered through the address below:

Dan Schrier - Trade Statistics**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 British Columbia, Canada, the United States and other countries. Tabulations can include information on commodities, countries, U.S. states, years, months, mode of transport, etc.