BRITISH COLUMBIA

BC STATS

Service BC
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Dan Schrier
(250) 387-0376
Dan.Schrier@gov.bc.ca
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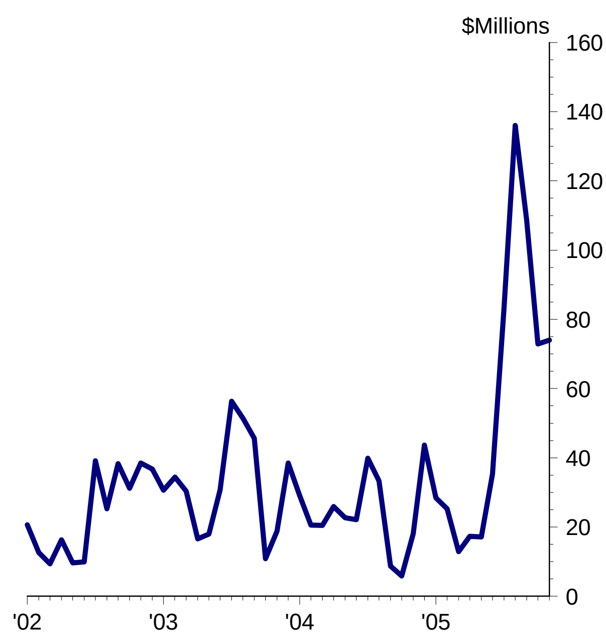
Exports ◆ November 2005

- Soaring energy exports continued to push up the value of BC exports in November. A 16.9% year-over-year jump in November helped boost the year-to-date growth to 9.0% in the first 11 months of 2005 compared to the same period in 2004.
- The year-to-date rise in the value of energy exports (+67.9%) has been due to a combination of price hikes and increased demand. Electricity exports have climbed 147.5% in the January to November period of 2005, compared to the first 11 months of 2004. After starting the year slow, electricity exports have surged in recent months as the effects of the hurricanes in the southern United States have resulted in higher energy prices and increased demand. Natural gas shipments are also well up over last year (+51.6%), as are coal exports (+87.9%).
- There has been a significant increase (+29.4%) in international shipments of metallic mineral products in 2005. The expansion was mainly due to a near doubling (+93.1%) in exports of molybdenum ores and concentrates and strong growth (+63.6%) in exports of copper ores and concentrates.
- Shipments of solid wood products have dropped 6.6% year-to-date. Falling prices for softwood lumber have resulted in a 9.7% slump in exports of that product despite a 3.0% jump in quantity of lumber shipped. On the positive side, exports of valued added wood products have climbed 5.4%. Elsewhere in the forest sector, pulp and paper exports continue to struggle, down 8.2% compared to the January to November period in 2004.
- The value of machinery and equipment exports has risen 4.7%, including a 6.9% boost in shipments of motor vehicles and parts.
- A couple of world regions that have not been significant destinations for BC exports in the past have gained some importance in the last year as shipments to South America climbed 31.6% and exports to Eastern Europe doubled. Exports to Western Europe also showed strong growth, rising 12.1%.

Exports of electricity have soared over the last several months



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.

- After three months of increases, BC origin exports adjusted for seasonality dropped 3.3% in November, mostly due to a 16.9% plunge in energy shipments. However, there was strong growth in exports of industrial and consumer goods (+10.6%) and agriculture and fish products (+4.1%).
- Exports fell both to the US (-1.8%) and all other countries (-6.2%) and in both cases a fall in shipments of energy was the driving factor.

Exports (adjusted for seasonality) dipped in November

BC Exports, Seasonally Adjusted ($Millions)

Month	Agriculture & Fish	Energy	Forest Products	Machinery& Equip, Auto	Industrial, Consumer	Total	Exports to USA
Nov 2003	168	312	1,051	292	416	2,240	1,473
Dec	204	359	1,034	317	442	2,357	1,539
Jan 2004	169	332	1,038	310	399	2,248	1,504
Feb	186	350	1,046	333	455	2,369	1,516
Mar	188	350	1,158	319	451	2,466	1,615
Apr	190	341	1,188	314	498	2,531	1,648
May	196	439	1,328	341	530	2,834	1,763
Jun	198	384	1,307	346	491	2,726	1,786
Jul	203	386	1,270	356	498	2,714	1,764
Aug	188	379	1,272	342	520	2,702	1,761
Sep	201	313	1,269	342	491	2,617	1,738
Oct	209	341	1,182	341	503	2,576	1,658
Nov	199	445	1,099	340	493	2,576	1,678
Dec	186	449	1,144	321	519	2,618	1,689
Jan 2005	189	441	1,142	333	545	2,650	1,698
Feb	184	423	1,179	336	550	2,673	1,744
Mar	182	446	1,136	335	507	2,606	1,742
Apr	186	497	1,123	351	518	2,675	1,760
May	189	540	1,126	357	534	2,746	1,741
Jun	211	615	1,117	362	591	2,896	1,789
Jul	176	684	1,000	359	483	2,703	1,825
Aug	207	807	1,079	363	551	3,007	1,857
Sep	201	826	1,069	364	587	3,047	1,904
Oct	205	879	1,129	371	529	3,112	2,064
Nov	213	731	1,112	369	585	3,010	2,026

Pulp Friction: Challenging Times for BC's Pulp Industry

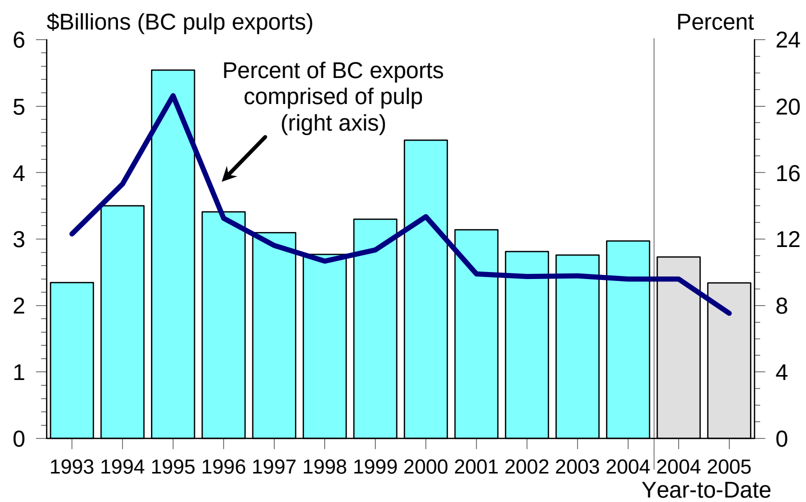
The pulp industry has seen some hard times

The pulp industry in British Columbia has been struggling in recent years due to a combination of low worldwide prices resulting from a glut of supply and falling demand, lower-cost competitors in emerging economies, high energy prices that drive up costs for pulp producers and a high dollar that has had a negative impact on profits. The challenging times for the pulp industry have been reflected in the falling value and declining prominence of pulp exports from the province.

The percentage of total BC exports comprised of pulp has slipped from almost 19% in 1990 to just under 10% in 2004 and data for the first 11 months of 2005 indicate that this share has fallen even further, to less than 8%. The declining export values are mostly due to slumping prices as production levels have been fairly steady and the quantity of pulp shipped has not suffered a significant drop.

The share of total BC exports comprised of pulp has slipped from as high as 21% in 1995 to less than 8% in 2005

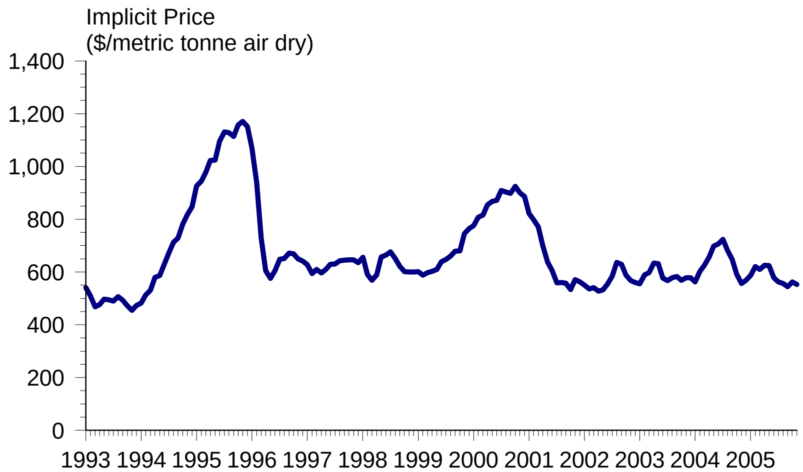
Pulp is comprising a diminishing share of BC's total exports



Excess world supply has been a problem in the pulp sector for years and pulp prices have been depressed as a result. Prices received for pulp exported from BC have undergone extreme fluctuations in the last decade, soaring to highs of over $1,000 per metric tonne, on average, in 1995 and approximately $865 in 2000, and sliding below $600 per metric tonne in other years, including 2005.[1] A significant portion of the price decline in 2005 was due to the jump in the value of the Canadian dollar relative to its American counterpart; however, pulp lost ground even when priced in US dollars.

[1] These figures are implicit prices calculated by taking the total value of pulp shipped and dividing by the quantity shipped, in metric tonnes (air dry).

Prices attained for BC pulp exports have remained at historically low levels in the last few years



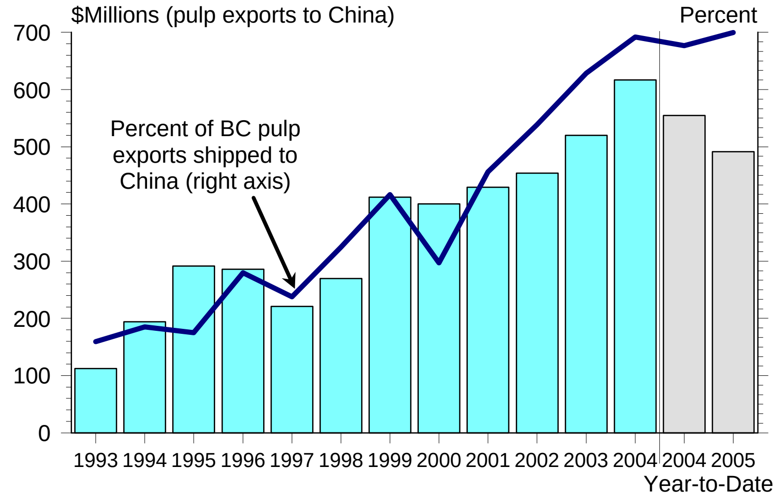
Pulp prices fell even further in 2005

The impact that low prices and increased competition has had on the pulp industry in BC can be seen in the problems experienced at BC pulp mills. A few years ago it was the mill in Prince Rupert that closed its doors and the Port Alice mill shut down in October 2004. The recent announcement of the closure of the Western Forest Products pulp mill in Woodfibre comes as another blow for an already beleaguered industry. This latest shutdown takes some of the shine off of the news that the Port Alice mill is set to re-open in March.

China may be the answer for BC's pulp industry

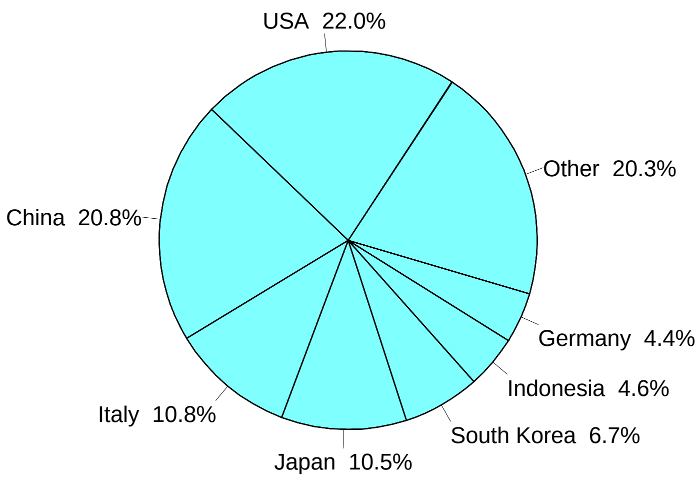
The future of BC's pulp industry is not without hope. Similar to how BC's mining sector was revitalized by China's thirst for raw materials to feed its growing production needs, demand from China may bring the pulp industry in BC back on track. However, while China's contribution to the mining sector was mainly in the form of higher prices for metals as a result of surging demand, its impact on the pulp industry has been more direct. China has substantially increased the amount of pulp it imports from British Columbia over the last several years. The value of pulp exported from BC to China has more than doubled in the last decade and China's share of BC's total pulp exports has expanded from around 5% in 1995 to over 20% in 2004. As a result, China now ranks second as a destination for BC pulp exports with approximately 21% of all pulp exported from BC shipped to China in 2004. Only the United States, which received 22% of the total value of BC pulp exports, ranked ahead of China.

Exports of pulp from BC to China have increased substantially over the last decade



China's share of total BC pulp exports has increased from 5% to 20% in the last decade

China was second only to the United States as a destination for pulp exported from BC in 2004



China ranked second only to the United States in 2004 as a market for BC pulp exports

The outlook is for demand from China to continue to increase over the next five years. According to one projection, the demand for bleached softwood kraft pulp—which comprises the large majority of BC's pulp exports—will rise from 2.8 million tonnes in 2003 to 4.3 million tonnes by 2010, at which point over 70% of China's demand will be supplied by imports.[2] If British Columbia can capture a portion of that market, it could be instrumental in turning the pulp industry in this province around. However, one of the major challenges facing BC producers is that global pulp capacity is expected to grow at a pace even more rapid than the

Demand for pulp in China should continue to grow over the next five years

[2] He, D. and Barr, C. (2004) "China's pulp and paper sector: an analysis of supply-demand and medium term projections," *International Forestry Review*, Vol. 6(3-4), pp. 254-266.

rise in demand, which could result in a further reduction in pulp prices.[3]

The seemingly insatiable demand from China for raw materials may be a light at the end of the tunnel for the BC pulp sector, but global oversupply of the commodity could continue to plague the industry and even with the rise in demand, prices could remain at current low levels, or perhaps fall even further. The challenges faced by the industry today may still be a problem for the pulp industry over the next several years.

3 Ibid.

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

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 May 1, 2004: Austria, Belgium, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, 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).

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
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.