

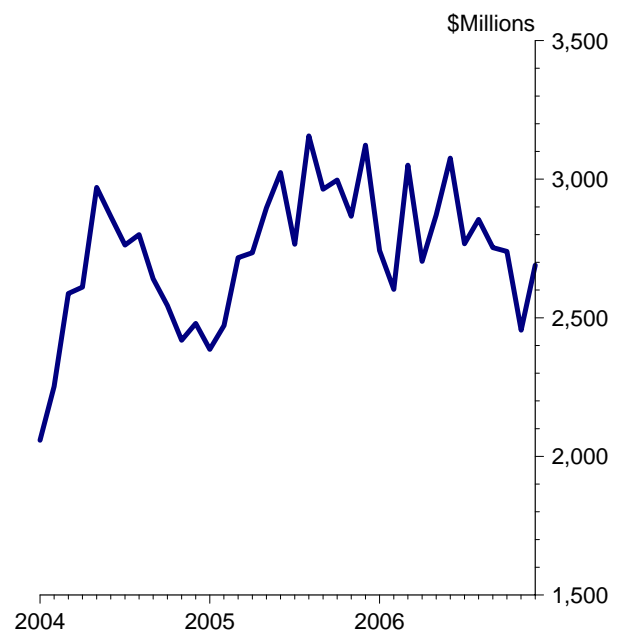
Exports ♦ December 2006

- The value of BC origin exports dropped 2.3% in 2006. The main contributors to the slump were solid wood and energy products, which together comprise approximately 45% of BC exports.
- Exports of solid wood products fell 7.4% in 2006. A decline in shipments of softwood lumber (-6.7%) has been the main contributor to the slump in solid wood exports. Much of the decrease in lumber exports is due to falling prices as volumes shipped fell only 1.4%. Exports of selected value added wood products also experienced a substantial drop in 2006 (-14.8%).
- Energy product exports plunged 18.6% in 2006. Electricity exports plummeted 53.7%, while shipments of natural gas slumped 25.5%. Coal exports also dropped (-4.7%).
- A 32.4% jump in shipments of metallic mineral products helped partially offset the decreases in exports of wood and energy products. Exports of copper ores and concentrates climbed 65.9%, while shipments of unwrought zinc grew 73.6% to lead the way. Exports of unwrought aluminum (+18.0%) and other metallic mineral products (+26.4%) also saw significant growth. Only molybdenum ores and concentrates bucked the trend, with exports falling 29.3% after hitting record highs in 2005.
- Increased exports of machinery and equipment (+6.8%) also helped mitigate the slump in exports of other com-

modities. Strong growth in shipments of electrical, electronic and communications equipment (+2.6%) and other machinery and equipment (+9.4%) offset a 1.8% drop in exports of motor vehicles and parts.

- The destinations for BC's exports became a little more diversified in 2006 as the percentage of goods shipped to the United States dropped 3.5 percentage points to 61.1%. Meanwhile, the share of exports to the Pacific Rim increased 3.4 percentage points to 27.1%. Japan was responsible for most of this jump as it took in 14.1% of BC's exports, up 1.9 percentage points from 12.2% in 2005. China (+0.6 pp to 4.5%) and South Korea (+0.7pp to 4.1%) also saw significant increases in their shares.

The value of BC exports slipped in 2006



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 gained back all the ground lost in November with a 5.6% increase in December. All major commodity groups saw export growth with industrial and consumer goods (+11.4%) leading the way.
- Exports to the US climbed 3.7% despite a significant 8.3% drop in shipments of energy products. Increases in exports of forest products (+6.7%) and industrial and consumer goods (+7.7%) were responsible for much of the growth.

Exports (adjusted for seasonality) bounced back in December to regain the ground lost a month earlier



BC Exports, Seasonally Adjusted (\$Millions)

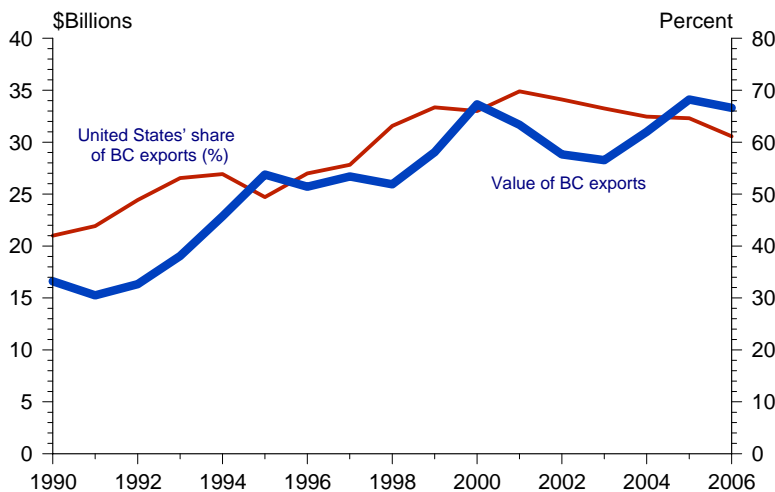
Month	Agriculture & Fish	Energy	Forest Products	Machinery & Equip, Auto	Industrial, Consumer	Total	Exports to USA
Dec 2004	181	426	1,115	325	500	2,546	1,644
Jan 2005	187	450	1,113	333	542	2,626	1,652
Feb	181	451	1,183	339	535	2,689	1,762
Mar	177	474	1,123	336	493	2,603	1,742
Apr	185	535	1,119	358	512	2,710	1,786
May	186	573	1,140	358	519	2,775	1,757
Jun	213	629	1,118	362	562	2,885	1,813
Jul	174	722	1,004	363	470	2,733	1,830
Aug	200	794	1,061	369	558	2,981	1,844
Sep	189	792	1,038	359	583	2,960	1,835
Oct	194	850	1,144	371	488	3,047	2,040
Nov	204	656	1,138	377	580	2,955	1,976
Dec	192	809	1,184	387	565	3,137	1,994
Jan 2006	193	710	1,174	363	529	2,968	1,965
Feb	190	589	1,127	371	555	2,832	1,781
Mar	191	589	1,122	432	585	2,919	1,809
Apr	183	548	1,084	363	526	2,703	1,709
May	191	522	1,080	341	582	2,717	1,684
Jun	186	553	1,108	371	732	2,950	1,691
Jul	193	482	1,050	344	666	2,735	1,668
Aug	194	495	1,073	337	585	2,685	1,650
Sep	208	492	1,035	379	612	2,725	1,617
Oct	202	448	1,016	391	681	2,739	1,592
Nov	197	421	1,002	357	618	2,595	1,567
Dec	213	443	1,022	372	689	2,739	1,625

Year in Review: 2006

The value of BC origin exports dipped in 2006, slipping 2.3% from 2005. The decline was mainly due to a drop in the value of exports of lumber and energy products and could have been much more severe if not for the boom in demand for metallic mineral products and a significant increase in shipments of machinery and equipment. The shift in emphasis on the types of goods exported from the province has resulted in increased variation in the destination of those goods. The United States is still the destination for almost two-thirds of BC's commodity exports, but the share of goods headed to our neighbour to the south has dipped 3.5 percentage points in the last year, from 64.6% in 2005 to 61.1% in 2006. Asia is taking up most of the slack, particularly Japan, which took in 14.1% of BC's goods exports in 2006 compared to 12.2% a year earlier, as well as China, which saw its share increase from 3.9% to 4.5% and South Korea, which boosted its share from 3.4% to 4.1%.

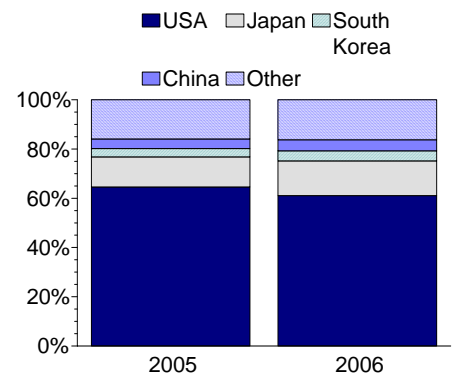
The value of BC origin exports dropped 2.3% in 2006

BC exports fell in 2006 and the share of goods shipped to the United States has dipped as well



Sources: Statistics Canada

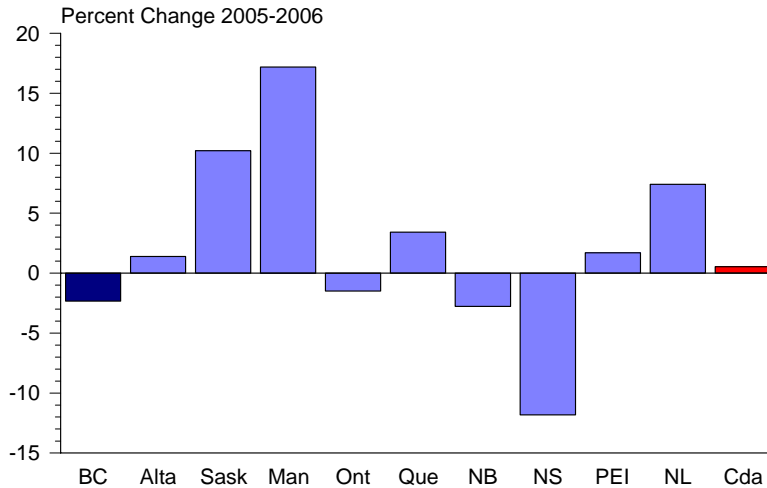
BC's goods exports shifted away from the United States and toward Asia, particularly Japan, China and South Korea



The drop in value of exports from BC was in contrast to a 0.5% rise in overall Canadian commodity exports. The only other provinces to experience a drop in the value of exports were Ontario (-1.5%), New Brunswick (-2.8%) and Nova Scotia (-11.8%). In Ontario, the appreciation of the Canadian dollar was likely the key factor behind a drop in exports of automobiles, machinery and equipment, which was the main driver of the overall decline in Ontario exports. Nova Scotia's substantial decrease was due to slumping demand and falling prices for natural gas, as well as a drop in exports of fish products. The dip in shipments from New Brunswick was mainly the result of a fall in exports of electricity and oil. Conversely, an increase in the value of shipments of crude petroleum was the driving force behind the export growth in the

Prairie Provinces. In Quebec, strong growth in shipments of aluminum, copper and other metallic mineral products helped pave the way toward higher exports in 2006.

BC's exports lagged the Canadian average in terms of growth

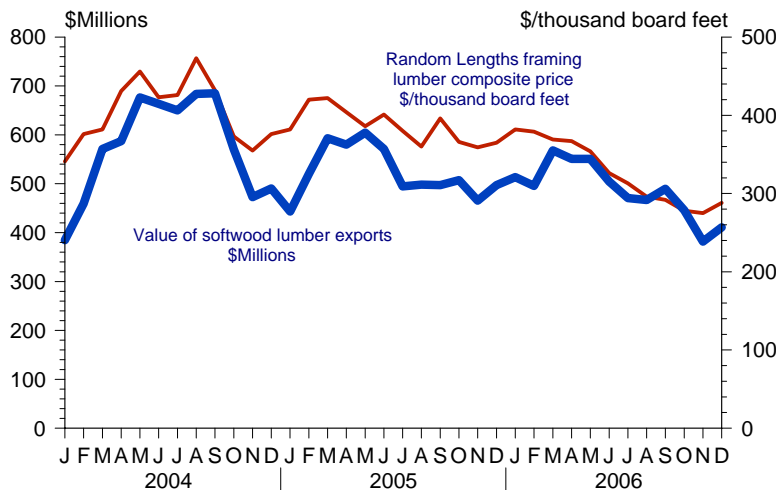


Only three provinces experienced weaker growth in exports than BC in 2006

Source: Statistics Canada

The variation in what was responsible for export increases or decreases in the different provinces demonstrates the diversity of regional economies in Canada. British Columbia's reliance on solid wood products for over a quarter of its exports makes it somewhat vulnerable to downturns in demand for these products.

Softwood lumber exports have been slumping, mainly due to falling prices



Falling prices for softwood lumber have hurt BC's exports

Sources: Statistics Canada and Random Lengths

In 2006, the price of softwood lumber fell markedly, dropping almost \$80 per thousand board feet over the course of the year. As a result, even though quantities of lumber shipped abroad were only 1.4% lower than a year earlier, the value of those exports de-

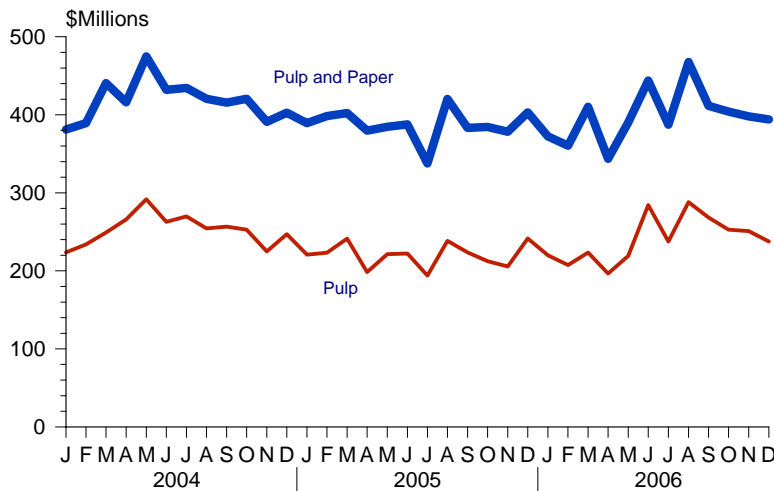
clined 6.7%. The good news for BC lumber producers is that the resolution of the softwood lumber dispute with the United States means that they are getting substantial duty refunds, which will help them weather the market downturn. The bad news is that the low prices mean that the export taxes to be paid by Canadian softwood lumber producers under the agreement are at their maximum.

In addition, home builders in the United States are looking to increase competition in the lumber market by luring producers in Sweden and Russia to export more lumber to the US. The National Association of Home Builders expressed disappointment with the softwood lumber agreement, suggesting it would result in higher prices than would be received in a free market and they are looking for other sources of wood to ensure they can get the price they want. If they are successful in attracting imports from these other countries, it seems unlikely that the current prices for softwood lumber will rise anytime soon. The result would be not only a continuance of export taxes to be paid by Canadian producers, but also a possible loss of market share to the likes of Russian and Sweden.

Home builders in the US are looking to diversify the supply of lumber, which could keep prices lower and hurt BC producers

The news was not all bad for forest sector exports in 2006. Shipments of pulp rose 9.2%, more than offsetting declines in paper products, such that overall pulp and paper exports were 2.9% higher than the value recorded in 2005.

Strong growth in exports of pulp have helped boost overall shipments of pulp and paper products



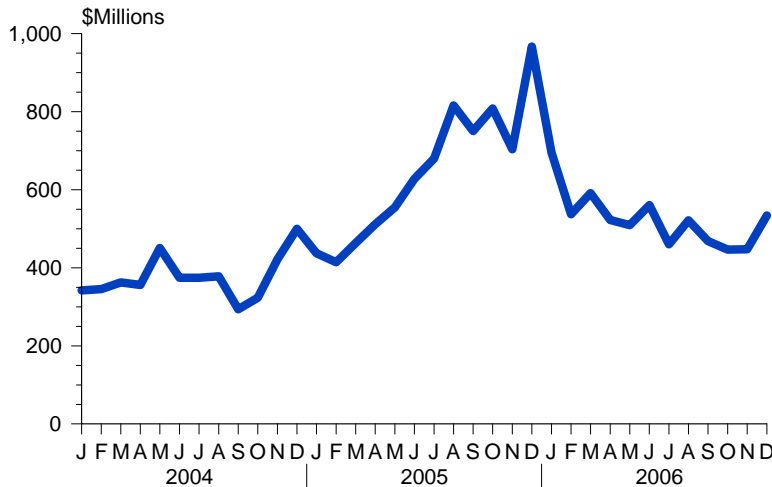
Sources: Statistics Canada

The strong growth in the value of pulp shipments helped offset the drop in exports of paper products

With the exception of pulp products, most of the rest of the forest sector experienced a drop in the value of exports, but declining prices for forest products were not the only factor in an overall dip in BC origin exports in 2006. The other significant contributor was the energy sector, as exports of energy products slumped 18.6% in 2006. Exports of electricity plunged 53.7%, while shipments of

natural gas fell 25.5% as both quantities shipped and the price received for the goods declined. Higher prices for coal helped offset some of the decline in demand for the product as coal exports edged down only 4.7%.

BC exports of energy products slipped steadily in 2006 after flying high in 2005



Sources: Statistics Canada

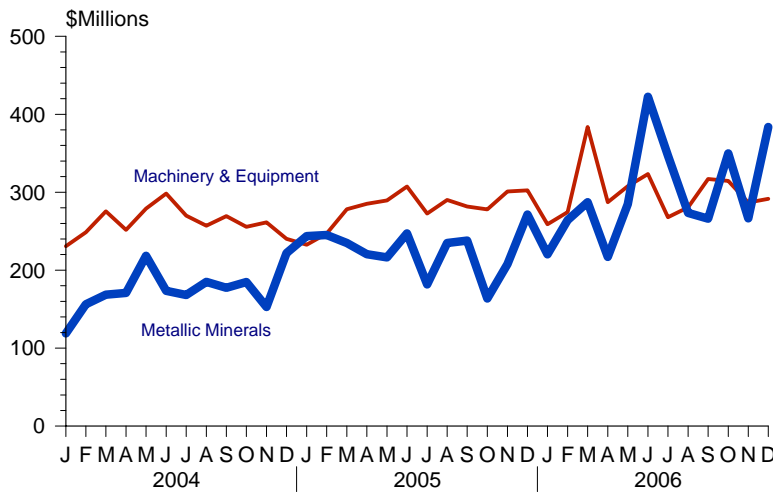
In 2006, energy exports lost most of the ground gained in 2005

With the downturn in the forest and energy sectors, the overall decline in BC origin exports could have been much more severe were it not for the extremely robust growth in shipments of metallic mineral products. In 2006, exports of these goods surged 32.4% as demand from China and elsewhere helped boost the prices of these commodities. Exports of copper ores and concentrates, the most significant metal export from BC, soared 65.9% in 2006, while shipments of unwrought zinc jumped 73.6%. The one exception to the upward trend was molybdenum ores and concentrates, which dropped back 29.3% after hitting record highs in 2005.

Exports of copper ores and concentrates surged 65.9% in 2006

In addition to metallic mineral products, another significant BC export that exhibited strong growth in 2006 was machinery and equipment. Exports of these goods climbed 6.8% in 2006, despite a 1.8% drop in shipments of motor vehicles and parts. Much of the growth was in exports of high technology goods, such as aircraft parts and computers, which indicates that BC's tech sector can continue to compete despite a higher dollar.

A substantial increase in exports of metallic minerals and a healthy rise in shipments of machinery and equipment has partially offset falling exports elsewhere

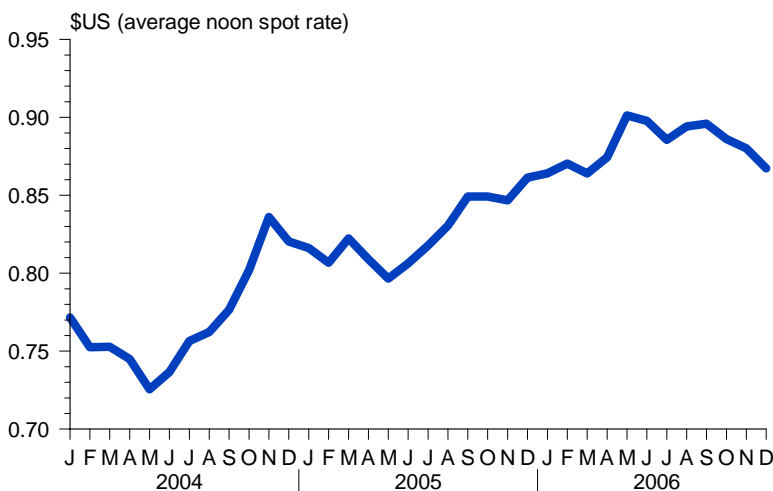


Sources: Statistics Canada

Increased shipments of metallic minerals and machinery and equipment helped offset declines in exports of forest and energy products

China's emergence as a global economic power has been a great boon for BC's mining industry, but China's economy may be starting to cool. This could be good news for manufacturers in Central Canada, which have to compete with lower-cost Chinese producers, but could hurt BC's exports, which are still mainly resource-based. However, as commodity prices fall, it is likely that the Canadian dollar will follow, which should help most exporters. Already, the loonie has contracted somewhat from the 90 cent territory seen in the summer and if prices for goods such as oil and minerals fall, the dollar may slip further.

The Canadian dollar has started to cool off, which could help Canadian exporters



Sources: Bank of Canada

The Canadian dollar has slipped in recent months, which could ease the burden on exporters

While the decline in the value of exports in 2006 compared to a year earlier is disappointing, there were certainly some bright

spots in BC's export performance. It is difficult to say what 2007 will bring as so much depends on how the economies in the United States, Japan, China and elsewhere fare, and how this economic performance affects not only demand for BC products, but also the prices of those goods.

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

06-12	<i>Year in Review: 2006</i> (released February 2007)	05-09	<i>China's Growth Both an Opportunity and a Threat for Exporters</i> (released November 2005)
06-11	<i>Brazil-Canada Trade Getting Over Jet Lag</i> (released January 2007)	05-08	<i>Booming Energy Sector May Give Rise to "Dutch Disease" for Other Exporters</i> (released October 2005)
06-10	<i>Plan B: An APEC Free Trade Region?</i> (released December 2006)	05-07	<i>Laying on the Lumber</i> (released September 2005)
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05-11	<i>Pulp Friction: Challenging Times for BC's Pulp Industry</i> (released January 2006)	04-08	<i>Border Congestion Threatens Trade</i> (released October 2004)
05-10	<i>Japan Aims for Free Trade with Canada</i> (released December 2005)	04-07	<i>NAFTA Panel Finds in Favour of Canada in Softwood Lumber Dispute</i> (released September 2004)

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 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.