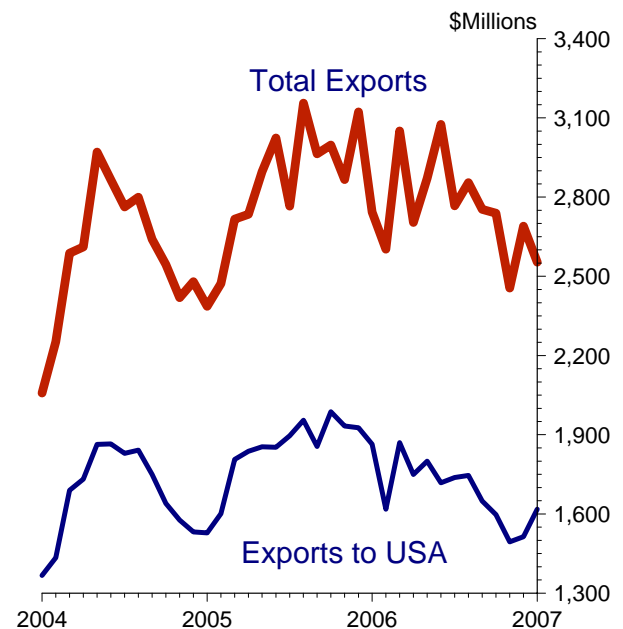


Exports ♦ January 2007

- Commodity exports from BC started the year in an inauspicious fashion, dropping 6.9% compared to January of 2006. The main contributors to the decline were energy products, which slumped 33.5%, and solid wood products, which fell 17.9%.
- A drop in shipments of natural gas (-44.5%) and coal (-29.0%) was responsible for the decline in energy exports. For solid wood products, dwindling demand for softwood lumber, mainly as a result of a significant dip in housing starts in the United States, continues to drive down exports. Softwood lumber exports fell 18.7% in January compared to the same month a year earlier, but, with the exception of cedar shakes and shingles (+13.4%), all other solid wood products saw shrinking exports as well.
- Elsewhere in the forest sector, pulp and paper exports jumped 18.5% as shipments of pulp continue to rise, climbing 29.4% in January. Other paper products also experienced an increase in exports, with the exception of newsprint, which slipped 1.3%.
- Metallic mineral products from BC remain in demand as exports of these goods soared 24.3% in January. Shipments of copper ores and concentrates increased 34.7%, while unwrought zinc (+66.6%) and aluminum (+26.4%) also saw significant increases. Only molybdenum ores and concentrates (-15.2%) bucked the overall trend.
- Exports of machinery and equipment climbed 9.0%, despite a 4.9% drop in the value of shipments of electronic and communications goods. Exports of motor vehicles and parts expanded 15.2%, while shipments of other machinery and equipment jumped 11.9%.
- Exports to the United States slumped 13.2% in January and shipments to Canada's other NAFTA partner, Mexico, also dropped (-16.0%). Commodity shipments from BC to Western Europe fell 9.1% as exports to the United Kingdom (-29.9%) and Germany (-18.9%) decreased. However, shipments to the Pacific Rim grew 16.0%, including a 58.7% surge in exports to Taiwan.

Declining shipments to the United States have driven down the overall value of BC exports

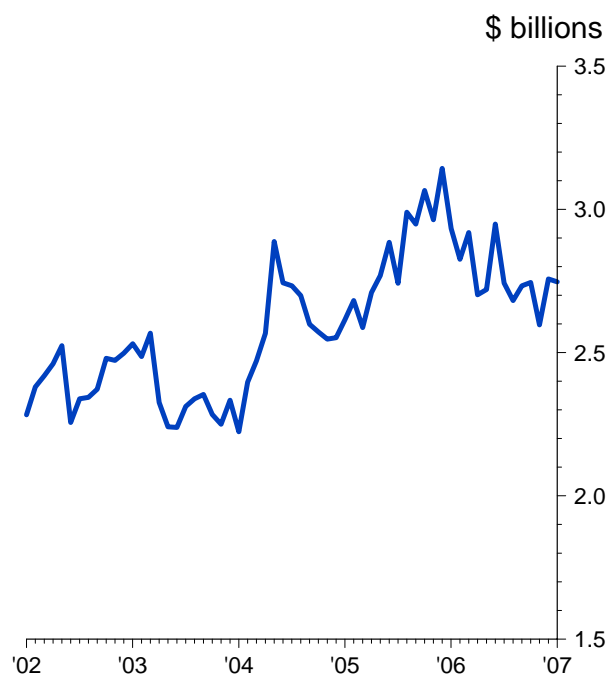


SEASONALLY ADJUSTED EXPORTS

*Exports (adjusted for seasonality)
were flat in January*

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.

- A 4.3% drop in exports to countries other than the United States resulted in overall BC exports inching down 0.4% in January. Shipments of forest products surged 4.5% and energy exports also increased, rising 2.6%, but an 8.7% plunge in shipments of industrial and consumer goods drove down overall exports.
- Exports to the US climbed 2.3% on the strength of a 16.9% jump in exports of energy products and a 3.1% bump in forest product shipments.



BC Exports, Seasonally Adjusted (\$Millions)

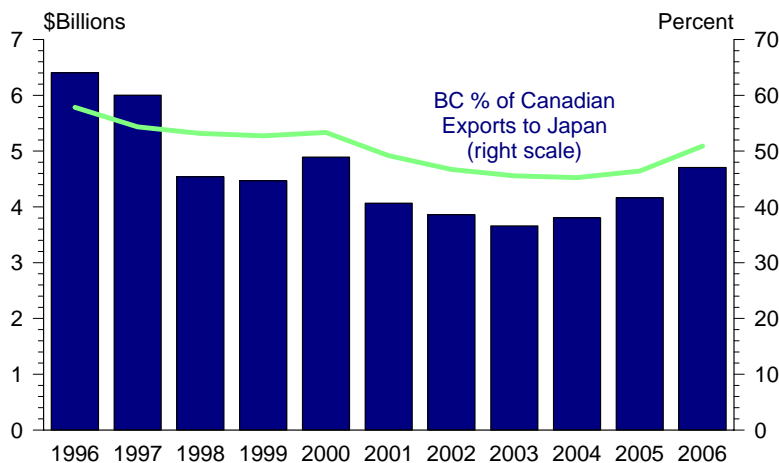
Month	Agriculture & Fish	Energy	Forest Products	Machinery & Equip, Auto	Industrial, Consumer	Total	Exports to USA
Jan 2005	185	448	1,093	335	554	2,615	1,635
Feb	181	453	1,173	339	535	2,682	1,757
Mar	177	455	1,126	336	493	2,587	1,728
Apr	185	548	1,109	357	511	2,710	1,789
May	186	557	1,149	358	518	2,769	1,751
Jun	213	622	1,126	363	562	2,885	1,814
Jul	174	728	1,008	364	469	2,742	1,839
Aug	200	795	1,068	369	557	2,990	1,853
Sep	189	780	1,042	359	579	2,949	1,824
Oct	194	865	1,149	371	487	3,066	2,058
Nov	204	664	1,141	376	578	2,964	1,986
Dec	192	819	1,184	385	563	3,143	2,001
Jan 2006	190	677	1,158	365	543	2,933	1,924
Feb	189	594	1,116	372	555	2,826	1,779
Mar	191	596	1,114	431	586	2,919	1,810
Apr	183	544	1,088	363	524	2,702	1,710
May	191	522	1,082	342	582	2,720	1,688
Jun	186	556	1,105	371	731	2,949	1,691
Jul	193	485	1,055	345	665	2,743	1,677
Aug	195	485	1,081	337	584	2,682	1,646
Sep	209	504	1,034	379	608	2,733	1,625
Oct	202	444	1,028	391	679	2,745	1,599
Nov	197	430	999	355	617	2,597	1,569
Dec	213	454	1,032	370	687	2,757	1,642
Jan 2007	214	466	1,079	360	627	2,747	1,680

Is the Sun Rising on Trade with Japan?

Japan's economy has undergone somewhat of a resurgence in the last few years and there are some positive signs that the country may finally be climbing out of its economic doldrums. If so, this would be good news for British Columbia exporters. In the early 1990s, Japan was the destination for over a quarter of BC's commodity exports, but an economic downturn in the mid-1990s reduced Japan's demand for the raw materials that comprised the majority of BC's exports to that country. In 2005, the share of BC's total exports that was destined for Japan dropped to a low of 12.2%, less than half of what it was just a decade earlier. However, in 2006, exports to Japan were on the rebound, with Japan's share of BC's exports rising to 14.1%.

If Japan's economy takes off, it should be good news for BC exporters

British Columbia exports to Japan are starting to rebound



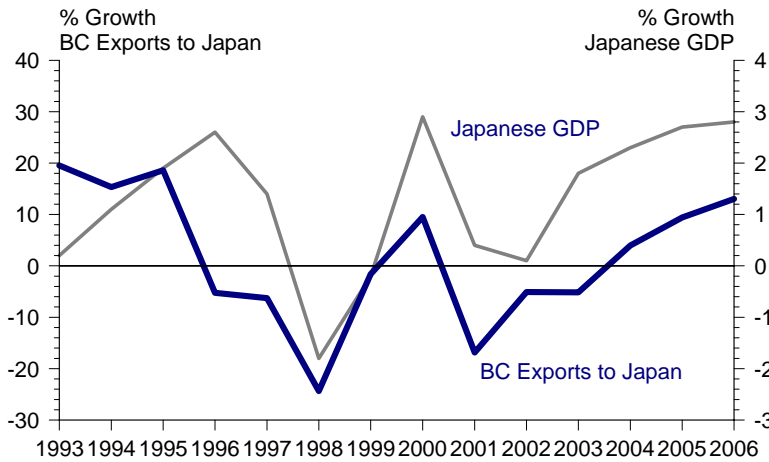
Source: Statistics Canada

BC commodity exports to Japan climbed 13% in 2006

Goods shipments from BC to Japan jumped 13.0% in 2006, coinciding with a fairly strong increase of 2.8% in Japanese GDP. Over the last decade, the change in value of BC exports to Japan has followed the trend in growth of Japan's GDP fairly closely. When Japan's economy went into recession in 1998, there was a substantial 24.4% plunge in the value of Japanese imports of goods from British Columbia. When the Japanese economy appeared to turn the corner in 2000, BC exports to Japan jumped 9.5%; however they slumped again when Japan's GDP growth hovered near zero for the next couple of years.

The concentration of raw materials in BC's exports to Japan is the main reason why the volume of shipments is so closely tied to production in Japan. When the Japanese economy is booming, the manufacturing sector is usually thriving. As a result, there is more demand for the materials used in manufacturing goods. These materials comprise the large majority of goods exported from BC to Japan.

Japan's economic performance has a direct effect on Japanese demand for goods from British Columbia

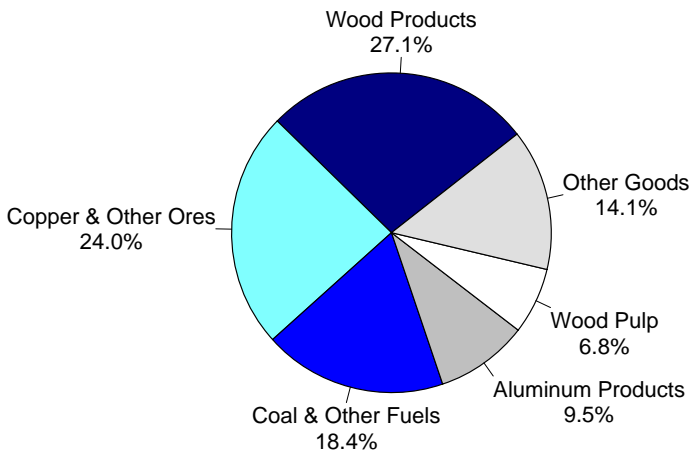


Sources: Statistics Canada, IMF

The volume of exports from BC to Japan is tied to the performance of Japan's economy

In 2006, just over half of all goods shipped from BC to Japan consisted of either wood products (27%) or copper and other metallic ores and concentrates (24%). Coal and other mineral fuels made up another 18% of BC's goods shipments to Japan, while aluminum and products made from aluminum comprised another 10%.

BC exports to Japan are dominated by a handful of commodities



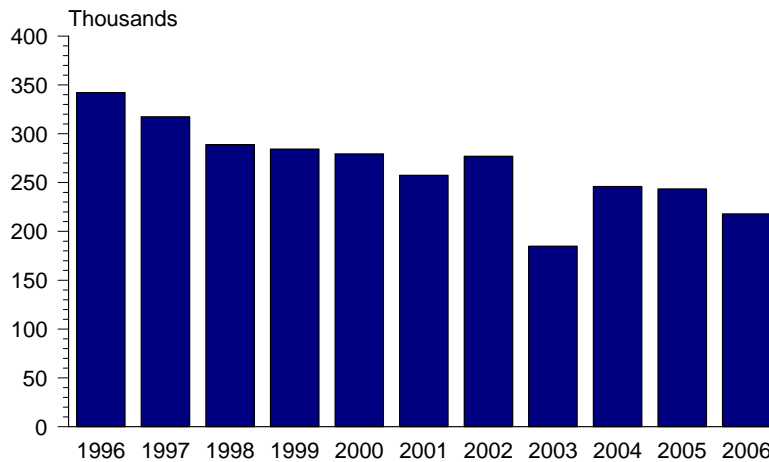
Source: Statistics Canada

Resource-based goods make up most of BC's commodity exports to Japan

The connection between growth in BC exports to Japan and the strength of the Japanese economy is fairly clear, but it is less apparent whether or not there is the same influence on service exports. While there is not a lot of data available on BC's trade in services with Japan, the figures for visits to British Columbia by Japanese tourists seem to indicate that the value of service exports is likely down from what it was in the early 1990s. Over the last decade, the volume of Japanese tourists visiting the province has steadily declined. With the exception of 2003, when the SARS

scare kept many Japanese travellers at home, 2006 marked the lowest level for Japanese tourist traffic through BC since 1992.

The volume of tourists from Japan to BC has been in decline over the last decade



Source: Statistics Canada

Japanese tourists are coming to BC in smaller numbers

Of course, it is possible that exports of other services offset declines in tourism revenue, but based on data for Canada as a whole, this seems somewhat unlikely. Although Canadian service exports to Japan rose significantly in 2000 and 2001, they slumped back down to mid-1990s levels by 2004. At best, British Columbia service exports to Japan have likely remained flat over the last decade and, at worst, they may have declined somewhat.

If there is a revitalization of Japan's economy, it may have a positive effect on tourism to BC as well as other trade in services. Even if service exports do not grow, it is almost a certainty that a more robust economic performance for Japan will translate into an increase in commodity exports from BC to that country. However, there are some signs that may indicate that the talk of economic resurgence in Japan is premature.

Although Japan has finally raised interest rates up from zero, they are still extremely low. Nevertheless, consumer spending and retail sales are basically flat. While the business sector appears to be doing better, it appears that consumers haven't bought into the recovery yet. If this signals that Japan's economy still has a way to go before a complete recovery, BC exporters may have to wait before recapturing that market. However, if Japan's economy begins to take off, BC exporters will benefit and the province could be partially sheltered if there is a downturn in the United States.

Consumer spending in Japan is flat, indicating the country may still have a way to go before complete economic recovery

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

07-01	<i>Is the Sun Rising on Trade With Japan?</i> (released March 2007)	05-10	<i>Japan Aims for Free Trade with Canada</i> (released December 2005)
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)
06-09	<i>Success of BC's Mining Industry Helps Boost Exports</i> (released November 2006)	05-06	<i>Removal of Textile Quotas Tailor-Made for Protectionist Fervour</i> (released August 2005)
06-08	<i>Provincial Export Profile</i> (released October 2006)	05-05	<i>Comparative Trade Numbers Don't Add Up</i> (released July 2005)
06-07	<i>Has Doha Gone the Way of the Dodo?</i> (released September 2006)	05-04	<i>South Korea Seeks Trade Deal with Canada</i> (released June 2005)
06-06	<i>Will BC Miss the Boat on Port Expansion?</i> (released August 2006)	05-03	<i>Any BC Port in a Trade Storm</i> (released May 2005)
06-05	<i>Breaking the Interprovincial Trade Barrier</i> (released July 2006)	05-02	<i>American Protectionism: Backfiring on All Cylinders</i> (released April 2005)
06-04	<i>Deal or No Deal for Softwood Lumber?</i> (released June 2006)	05-01	<i>Commodity Prices, Exchange Rates and Exports</i> (released March 2005)
06-03	<i>Will Canada-India Trade Spice Up?</i> (released May 2006)	04-12	<i>The Internet Pharmacy Debate</i> (released February 2005)
06-02	<i>Log Exports Becoming More of a Private Affair</i> (released April 2006)	04-11	<i>Canada's Trade With China</i> (released January 2005)
06-01	<i>BC Exports: 2005 in Review</i> (released March 2006)	04-10	<i>Legitimate Border Threat or Reefer Madness?</i> (released December 2004)
05-12	<i>Electricity Puts a Charge into BC Exports</i> (released February 2006)	04-09	<i>Canada is Hoping Trade with Brazil will Take Off</i> (released November 2004)
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)

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.