

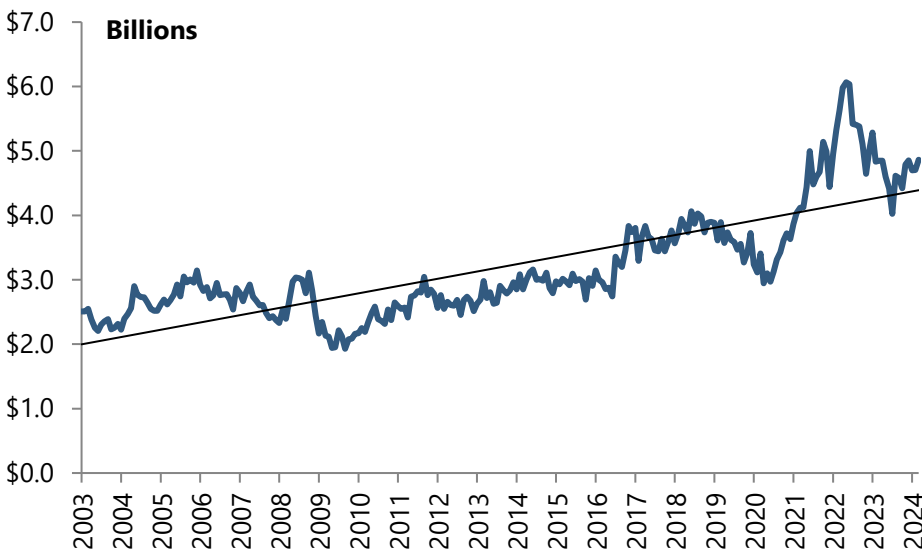
British Columbia Export Report: 2023

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Near the start of every month, BC Stats posts new data on British Columbia’s (B.C.’s) international trade to [our website](#). These data products provide an overview of month-to-month and year-over-year changes in the value, quantity and destination of goods traded, with some specific data related to commodities of interest like softwood lumber. This data is used by other Provincial ministries to inform policy decisions and budgeting and is freely available to anyone with an interest in the topic.

With the full year of trade data for 2023 now available, it is worthwhile to step back and look at some of the driving forces which have shaped B.C.’s output to the global market over the past few years.

Figure 1: Total B.C. exports, seasonally adjusted



Source: BC Stats, Statistics Canada

Figure 1 shows the total dollar value of B.C.’s international exports over time. While the total value of exports has been trending upwards over the past two decades, the dramatic increases in 2021 and 2022 stand out immediately. What caused this? Some potential reasons spring to mind:

The COVID-19 pandemic:

The dip in export value in 2020 is common to many indicators, as global economic activity slowed during the COVID-19 pandemic. [Research](#) by the Organization for Economic Co-operation and Development (OECD) indicates that the decline in global trade was of a similar scale to that caused by the global financial crisis after 2008, which can also be seen in Figure 1. The OECD also points out that the economic recovery post-pandemic was much faster than the 2008 crisis, as industry and governments were quick to make up for lost time and money, reflected in the steep increase in economic activity in the years following 2020.

Inflation:

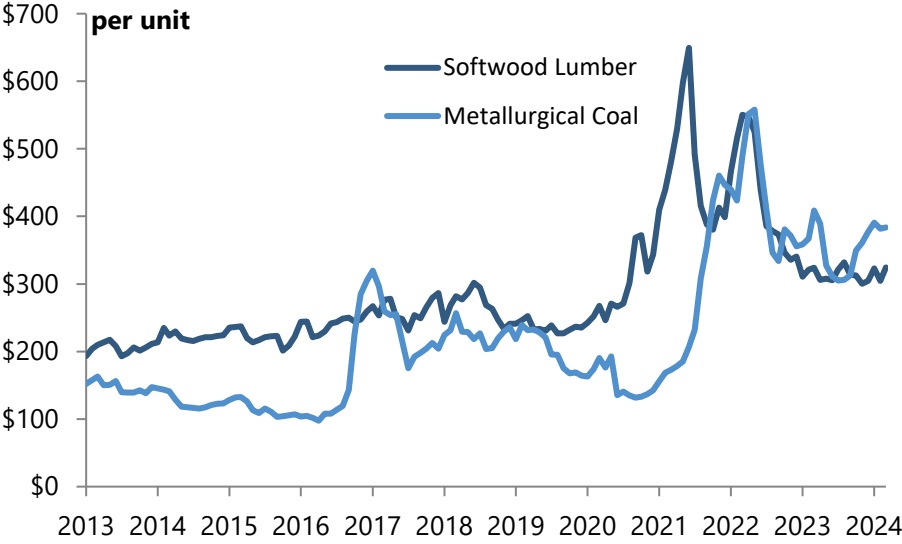
The scourge of the post-pandemic era, inflation enters our export valuation directly, as values are presented in nominal dollars, not adjusted for inflation. Global prices increased for many of B.C.'s main commodity exports, contributing to inflation worldwide but bringing more dollars for B.C. exports. For example, The cause of the above-average inflation of the past several years is hotly debated by academics and politicians alike; the [Bank of Canada](#) notes the impact of global supply line disruptions during the pandemic and an increased global demand for goods contributed significantly. Government spending to jumpstart post-pandemic economies and any number of other factors may also play some part.

Global conflict:

This may be a less obvious contributor to the leap in B.C. export value over the past few years than those given above but is likely just as influential. Ongoing sanctions by Western nations against Russia following its invasion of the Ukraine in 2022 have reduced the global supply of at least two of B.C.'s largest trading commodities, softwood lumber and metallurgical coal¹, leading to increased prices.

¹ Metallurgical coal is used as an input for smelting steel, not for generating electricity.

Figure 2: Implicit price per unit of major B.C. export commodities



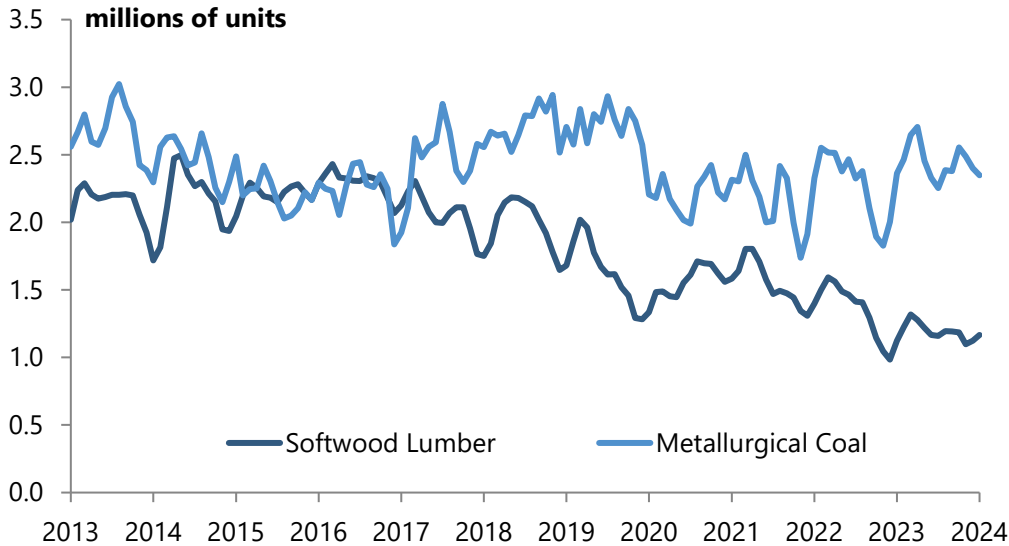
Source: BC Stats, Statistics Canada

Focusing in on softwood lumber and metallurgical coal, Figure 2 provides the per unit price² of coal (tons) and softwood lumber (cubic meters) received by B.C. exporters of these commodities. Softwood lumber and metallurgical coal both saw a significant price spike in 2022; this may be a result of the trade restrictions on Russia mentioned above. But what about the large spike in softwood lumber prices in 2021? According to the trade publication Wood Industry.ca, this was caused by a wave of new construction and home renovation spurred by low interest rates intended to encourage spending as economies recovered post-pandemic.

Looking again at Figure 1, following the leap in export value from 2021 and 2022, in 2023 we see the value dip and revert closer to the historical trend of the past 20 years. In Figure 2, prices for softwood lumber and metallurgical coal both decline from their 2022 values through 2023 and stabilize at a point still somewhat higher than their pre-pandemic value. These lower prices likely contributed significantly to the decline in the value of B.C.'s total exports in 2023 relative to 2022, but they do not give us the whole picture.

² Derived as the total value of exports of the commodity divided by the quantity exported.

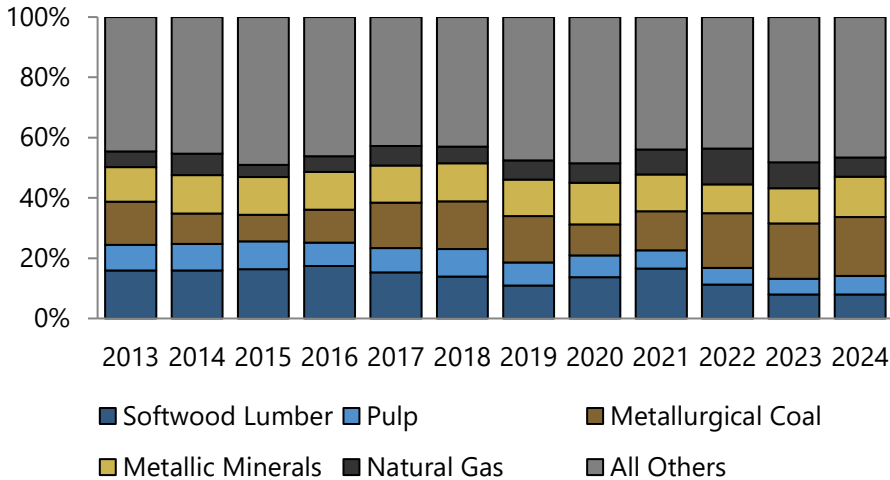
Figure 3: Export volumes of two major B.C. export commodities, 3 month moving average



Source: BC Stats, Statistics Canada

Figure 3 shows the number of units of softwood lumber (cubic meters) and metallurgical coal (tons) exported by B.C. over time. We see that coal exports, while more volatile, have remained at a relatively consistent quantity over the past decade. On the other hand, despite an upturn between 2020 and mid-2021, the quantity of softwood lumber exported by B.C. has been gradually declining, starting around 2017. This means that even with a relatively high, stable price as seen in Figure 2, the total amount of money B.C. receives from its softwood lumber exports gradually decreases along with the quantity exported.

Figure 4: Share of the total value of B.C. exports among commodities



Source: BC Stats, Statistics Canada

While coal is probably not the first thing that comes to mind when thinking about B.C.'s resource economy, one of the most significant outcomes from the trends we've discussed is that metallurgical coal has overtaken softwood lumber as B.C.'s largest source of export value for the past two years, and the trend has held strong into 2024 thus far. Figure 4 shows the relative proportion of the total value of B.C.'s exports of its top trading commodities; we can see that metallurgical coal was B.C.'s largest trading commodity in 2018 and 2019 as well, but after the surge in demand for softwood lumber in 2020 and 2021, coal has taken a larger share of the total and softwood a much smaller one.

We can't say for certain whether the shakeups of the past five years have created a permanent shift in B.C.'s trade profile. With trade data for only the first quarter of 2024 available to us, it would appear so far that 2023 saw a transition to a new normal following the dramatic lows of 2020 and the highs of 2022. We economists are often asked to forecast the future, but these past five years have shown that you can never tell what new and surprising events will arise to shift the trajectory of global trade.