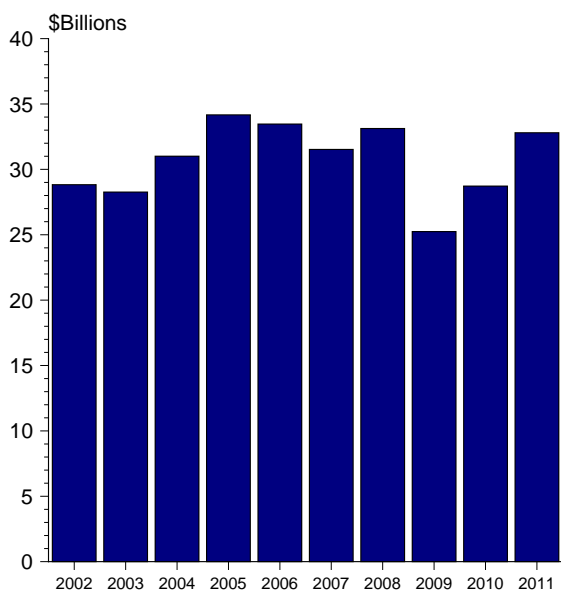


Year in Review: BC Export Growth Concentrated in Pacific Rim

By Dan Schrier

The value of BC's commodity exports climbed 14.2% in 2011, the second straight year of double-digit growth following on the heels of a 23.8% slump in 2009. The value of exports was almost back to the levels seen prior to the global economic downturn.

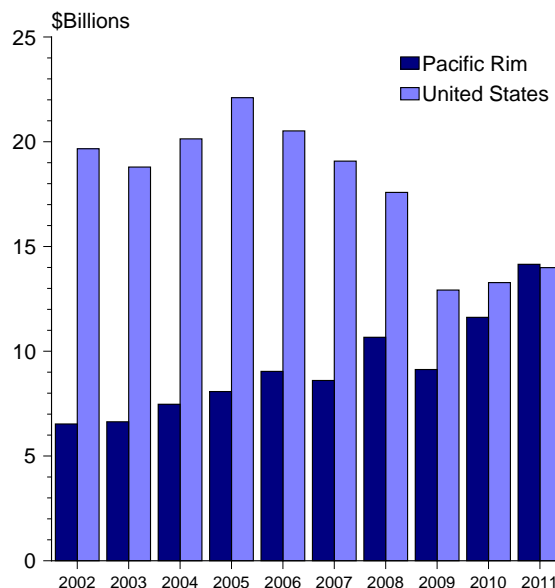
BC's exports have almost fully recovered from the global economic downturn



Source: Statistics Canada

While shipments to BC's largest trading partner, the United States, have experienced some growth, including a fairly strong expansion of 5.4% in 2011, it has been the countries of the Pacific Rim that have been responsible for the lion's share of BC's export growth. In fact, the share of BC's exports shipped to the United States has fallen from 53% in 2008 to under 43% in 2011, while the Pacific Rim has seen its share of BC's exports climb from just over 32% in 2008 to just over 43% in 2011.

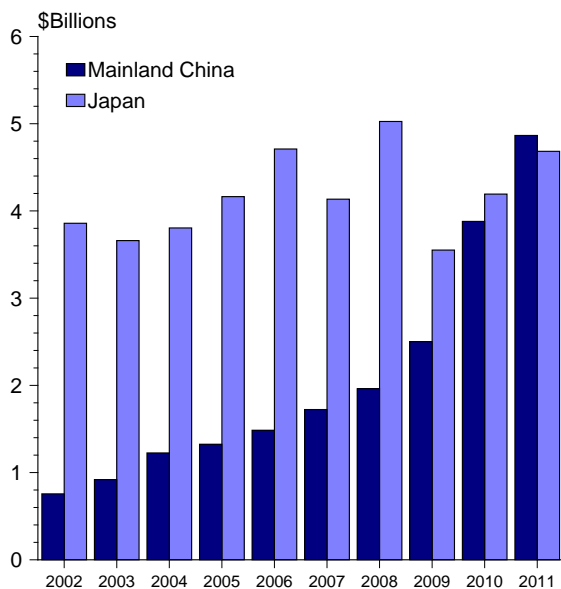
BC exports to the Pacific Rim have grown to the point where they are now of a similar magnitude as BC's shipments to the United States



Source: Statistics Canada

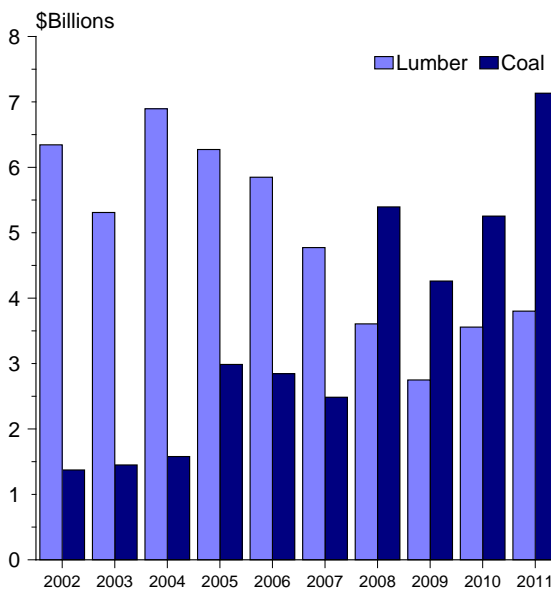
Almost all the main markets for BC's exports in the Pacific Rim experienced strong growth in shipments in 2011. Taiwan saw the largest percentage increase, with growth of 46.5%, followed by South Korea at 45.0%. In dollar terms, the largest jump in BC exports was to Mainland China, as shipments grew by almost \$1 billion, an increase of 25.4%. In fact, the boost in shipments to Mainland China was enough to push that country ahead of Japan to rank second as a destination for BC exports. This despite the fact that exports to Japan also saw strong growth in 2011, climbing 11.7%.

Mainland China has overtaken Japan as BC's second largest export market



Source: Statistics Canada

BC's exports of coal have exceeded those of lumber for the last four years



Source: Statistics Canada

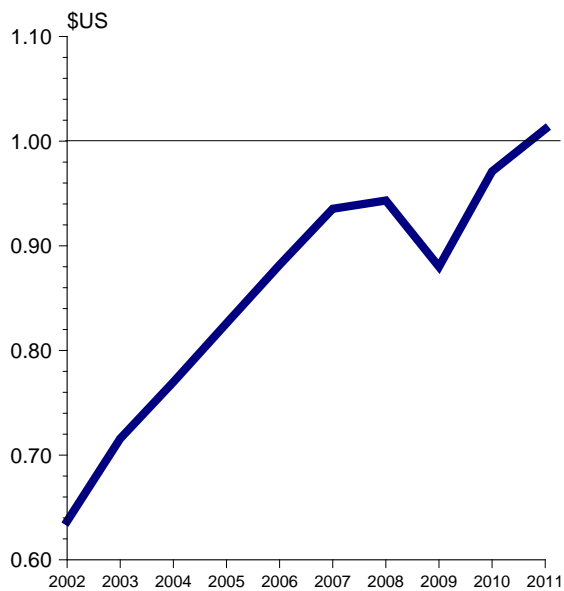
The change in destination of BC's exports has also affected the types of goods being shipped. Prior to 2008, softwood lumber was by far BC's top exported good. However, the economic downturn and the collapse of the housing market in the United States resulted in a steep decline in lumber shipments. At the same time, exports of coal experienced dramatic growth, such that coal surpassed lumber as BC's top export. Most of the growth in demand for BC's coal came from Japan, South Korea and China.

Shipments of coal continued to grow in 2011, rising 35.7% in value compared to the previous year. By comparison, softwood lumber shipments climbed 6.9%, which is a fairly robust growth rate, but still pales in comparison to the growth in coal exports.

In addition to coal, there was strong growth in exports of other energy products as well, with overall energy shipments rising 24.9%. Natural gas bucked the trend as lower prices resulted in a 4.7% decline in the value of exports, but electricity (+43.9%) and other energy products (+20.4%) experienced strong growth in exports.

The strong Canadian dollar has made it difficult for exporters, particularly manufacturers, as a strong exchange rate translates to higher prices for foreign customers. However, despite the fact that the Canadian dollar averaged over par for 2011, the first time this has happened since 1976, British Columbia exporters on the whole managed to improve their performance in 2011, including those that export manufactured goods. For example, exports of machinery and equipment climbed 6.5% in 2011 and fabricated metal product shipments expanded 17.6%. Exports of chemicals and chemical products rose 27.3%.

In 2011, the Canadian dollar averaged over par with its American counterpart for the first time since 1976



Source: UBC Sauder School of Business

British Columbia's mining sector continued to see some positive developments as well. In addition to the jump in coal exports, shipments of metallic mineral products also experienced robust growth, climbing 11.6%. A 20.6% jump in exports of copper ores and concentrates was the main driver of the overall increase.

In the forest sector, there was strong growth in exports of solid wood products (+11.1%), and shipments of pulp and paper goods grew 6.0%.

Exports of agricultural products and food other than fish grew 8.0%, but fish product shipments dropped 4.9%.

For the most part, British Columbia's export picture improved in 2011, with shipments increasing to most of BC's major trade partners and most commodity types managing to record export growth. The Pacific Rim continues to be a growing market for BC's products and this is likely to continue to be the case for some time

to come. If the United States housing market rebounds, there could be a significant boost in exports to that country as well; however, it may be several years before that occurs. Nevertheless, the diversification into other markets such as those in the Pacific Rim is a positive development for BC exporters.