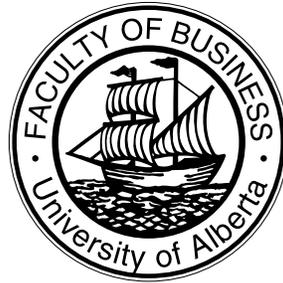


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ALBERTA AND WESTERN CANADA EXPORTS FOR THE FIRST HALF OF 1995/96: AN UPDATE AND COMPARISON

This report is a quarterly update of an annual series on Western Canadian merchandise exports by the Western Centre for Economic Research (WCER).¹ Previous reports have employed 1988, the year prior to the Canada-U.S. Free Trade Agreement (FTA), as a benchmark against which to assess growth in aggregate exports as well as in 98 specific categories of shipments from the western provinces.² The reports contain market shares of exports from the provinces to the United States and to other parts of the world.

Also included here are detailed tables comparing both aggregate exports and the 98 categories of shipments from each province for the first halves of 1995 and 1996. The data provide a snapshot of the most recent export performance for each province. Analysis is confined to merchandise exports and does not include any discussion of service exports.

Further, export price data is limited. Price data is not available for specific merchandise categories, nor is it available for the exports of a province. Another complication is the fact that the higher the value added content of an export, the more limited is the availability of specific price information. However, for certain raw material exports, such as crude oil, natural gas, and wheat, and for some commodity grade manufactures such as sawn lumber and wood pulp, inferences can be drawn from published export price data. Estimates of the effect of price and volume changes on the value of exports are included where applicable.³

AGGREGATE PROVINCIAL EXPORT VALUES

Tables 1 and 2 contain data on the value of Alberta and other Western Canadian merchandise exports. Table 1 shows that aggregate merchandise exports from Western Canada in the first half of 1996 rose \$703.3 million over the first half of 1995, an increase of 2.1%. The annual increase for 1995 over the previous year amounted to 20.5%. The aggregate experience in the first half of 1996 suggests that the growth in merchandise exports from Western Canada as a whole has slowed measurably over the last two quarters.

There was substantial variation in the experience of individual provinces. Alberta and Manitoba recording increases in aggregate shipments while British Columbia and Saskatchewan both recorded decreases. Alberta's exports grew by 12.3% and Manitoba's by 10.3%. To put this performance into perspective, exports from Alberta, excluding grains, as a share of Western Canadian exports were a hefty 44.4% in the first half of 1996 compared with 40.7% in the first half of 1995. Saskatchewan recorded a slight decline of 1.0% in aggregate exports, while British Columbia exports fell by 9.0%.

Table 1. Comparison of Half Year Exports from the Provinces (\$ millions), and Shares to the U.S. market 1995/96

<i>Province</i>	<i>'95 First Half exports</i>	<i>'96 First Half exports</i>	<i>Change 1995-96</i>	<i>% change 1995-96</i>	<i>95 U.S. market share %</i>	<i>96 U.S. market share %</i>
	<i>(1)</i>	<i>(2)</i>	<i>(3)</i>	<i>(4)</i>	<i>(5)</i>	<i>(6)</i>
<i>AB</i>	13,356.4	14,997.2	1,640.8	12.8	77.6	79.5
<i>ex HS10</i>	12,943.0	14,266.3	1,323.3	10.2	80.2	82.9
<i>BC</i>	13,214.5	12,023.1	-1,191.4	-9.0	48.2	54.3
<i>ex HS10</i>	13,201.7	12,007.3	-1,194.4	-9.0	48.2	54.3
<i>MB</i>	2,757.2	3,041.6	284.4	10.3	74.2	73.8
<i>ex HS10</i>	2,450.8	2,700.9	250.1	10.2	81.3	81.2
<i>SK</i>	4,552.3	4,521.8	-30.5	-1.0	48.1	51.6
<i>ex HS10</i>	3,232.0	3,143.5	-88.5	-2.0	62.5	69.2
<i>Total</i>						
<i>West</i>	33,880.4	34,583.7	703.3	2.1	62.2	66.6
<i>ex HS10</i>	31,827.5	32,118.0	290.5	1.0	65.2	70.7

Table 1 shows the continuing significance of the the US market to Western Canadian exporters. In the case of Alberta, excluding grains (HS10), some 83% of exports went to the US. Over the last two years the trade data have suggested the possibility of a plateau in US market share for Alberta and Saskatchewan. First half numbers question this inference. Over the first half of 1996, the U.S. market became more important for each of the western provinces, except Manitoba. Resurgent dependence on the American marketplace is a result of several factors including the highly competitive value of the Canadian dollar, the higher rate of growth in the US compared with Japan, the Europe Union, and Korea, and rising energy prices.⁴

Table 2, a counterpart to Table 1, shows the annualized compound rate of growth over the 1988-95 period and the change in the half year value of exports between 1995 and 1996.

Table 2. Rate of Growth of Western Province Exports 1988-95, and Change in the Half Year Value of Exports to the United States, to the Rest of the World, and in Total, 1995-1996

<i>Provincial Export destination</i>	<i>annual % growth 1988-95</i>	<i>% change 1st half 1995-96</i>
Alberta to non-U.S.	6.1	1.0
Alberta to the U.S.	11.8	13.6
<i>Alberta Total exports</i>	10.2	10.8
British Columbia to non-U.S.	4.4	-19.7
British Columbia to the U.S.	8.4	2.4
<i>British Columbia Total exports</i>	6.2	-9.0
Saskatchewan to non-U.S.	2.6	-7.2
Saskatchewan to the U.S.	11.0	6.4
<i>Saskatchewan Total exports</i>	6.0	-0.7
Manitoba to non-U.S.	2.6	12.0
Manitoba to the U.S.	12.2	9.7
<i>Manitoba Total exports</i>	8.9	10.3
Western Canada to non-U.S.	4.3	-10.8
Western Canada to the U.S.	10.5	9.1
<i>Western Canada Total exports</i>	7.8	2.1

Source: WCER and Appendix 1; the column titled "% change 1st quarter 1995-96" compares Statistics Canada's first-run data released in February of each respective year.

WESTERN CANADIAN EXPORT HIGHLIGHTS AND PRICE CHANGE VS. VOLUME CHANGE

All our trade reports point out that there are no price indexes specifically applicable to a provinces' exports, nor does Statistics Canada publish indexes of export prices for specific HS categories. Applying published indexes to manufactured exports is also problematic since it is difficult to make sense of multiple input prices for these types of shipments. For some raw materials (crude oil, natural gas and wheat) and commodity grade exports (various meats, sawn lumber, and pulp and paper), inferences may be drawn from available export price data. There is obvious interest in lumber, pulp, crude oil, natural gas and wheat (HS44, 47, 27 and 10, respectively) since these exports make up about one-half of the value of exports from western Canada.

WOOD PRODUCTS EXPORTS (HS44 AND 47)

During the the first half of 1996 the value of HS44 and 47 exports from British Columbia fell by some \$1.3 billion over the first half of 1995, or by 18.2%. Most of the shipments in these categories represent construction lumber and pulp.

Forest product price indexes moved in different directions and at different rates over the two periods under consideration. For example, pulp prices fell over 10.0% while lumber prices lost only 1.5%, other wood products declined, on average, by 3.0%.

In general, price movements over the first half of 1995 and 1996 lead to the inference that the export value decreases shown in the tables below are, to some degree, a price rather than a volume effect. Weakening prices for various chemicals and ores have also hindered B.C.'s export performance over the first half of 1996 (see Appendix).

Table 3.

B.C. Exports of HS44 and 47: Selected Categories, 1st Half 1995/96 (\$ millions)

HS	Description	1st 1/2 1995	1st 1/2 1996	% Change
4407	Wood sawn, chipped	3,866.6	3,486.5	-9.8%
4410	Particle board	97.8	140.0	43.1%
	<i>Total of the above</i>	<i>3,964.4</i>	<i>3,626.5</i>	<i>-8.5%</i>
	<i>Total HS44</i>	<i>4,516.9</i>	<i>4,157.6</i>	<i>-8.0%</i>
4703	Chemical wood pulp	2,411.0	1,613.1	-33.1%
4705	Semi-chemical pulp	193.9	81.3	-58.1%
	<i>Total of the above</i>	<i>2,604.9</i>	<i>1,694.4</i>	<i>-35.0%</i>
	<i>Total HS47</i>	<i>2,757.1</i>	<i>1,792.0</i>	<i>-35.0%</i>

Alberta's forest products exports (Table 3.1 below) also suffered from weakening prices. Unlike British Columbia, however, the absolute value of these exports and their importance to Alberta's economy is substantially less. The effect of the new agreement under NAFTA regarding the quantity of sawn lumber shipments to the American market has not yet being established.

Table 3.1.

Alberta Exports of HS44 and 47: Selected Categories, 1st Half 1995/96 (millions \$)

HS	Description	1st 1/2 1995	1st 1/2 1996	% Change
4407	Wood sawn, chipped	107.5	223.3	107.7%
4410	Particle board	119.4	108.4	-9.2%
	<i>Total of the above</i>	<i>226.9</i>	<i>331.7</i>	<i>46.2%</i>
	<i>Total HS44</i>	<i>257.0</i>	<i>369.9</i>	<i>43.9%</i>
4703	Chemical wood pulp	549.2	315.5	-42.6%
4705	Semi-chemical wood pulp	165.4	87.9	-46.9%
	<i>Total of the above</i>	<i>714.6</i>	<i>403.4</i>	<i>-43.5%</i>
	<i>Total HS47</i>	<i>722.5</i>	<i>408.4</i>	<i>-43.5%</i>

ENERGY AND RELATED EXPORTS (HS27 and 39)

Table 4 reveals that the value of exports from the oil and gas sector increased 11.2% over the same period last year. In the case of crude oil, a 6-7% increase in price since mid-1995 is reflected in the half year data. Natural gas prices remained weak, but on average they were 23.0% higher than during the first half of 1995. As a consequence, the rise in the value of oil and gas exports, shown below in Table 4, is almost entirely a price effect.

Table 4.

Alberta Exports of HS27 and 39: Selected Categories, 1st Half 1995/96 (\$ millions)

HS	Description	1st 1/2 1995	1st 1/2 1996	% Change
2701	Coal	369.6	314.8	-14.8%
2709	Crude oil	3,509.1	3,760.2	7.2%
2710	Oils other than crude	126.3	148.9	17.9%
2711	Natural gas	3,662.2	4,298.1	17.4%
	<i>Total of the above</i>	<i>7,667.2</i>	<i>8,522.0</i>	<i>11.1%</i>
	<i>Total HS27</i>	<i>7,688.4</i>	<i>8,546.2</i>	<i>11.2%</i>
3901	Polyethylene	567.9	469.5	-17.3%
3903	Polystyrene	20.7	13.1	-36.7%
	<i>Total of the above</i>	<i>588.6</i>	<i>482.6</i>	<i>-18.0%</i>
	<i>Total HS39</i>	<i>635.4</i>	<i>536.4</i>	<i>-15.6%</i>

Conversly, exports of plastics, a processed product closely related to the energy sector—and a promising category highlighted in the WCER's last annual report—have weakened considerably since 1995.

MEAT EXPORTS

Table 5 indicates that the export value of Alberta's processed meats (HS02) increased by 22.6%, or \$64.0 million in the first quarter of 1996 over 1995. A relatively slight increase in the overall animal product price index over this period suggests that this growth was primarily due to increase in shipments. The US market continues to be of prime importance to the expansion of these exports.

Table 5.

Alberta Exports of HS02: Selected Categories, 1st Half 1995/96 (millions \$)

HS	Description	1st 1/2 1995	1st 1/2 1996	% Change
0201	Meat of bovine animals	162.5	191.6	17.9%
0203	Meat of swine	54.0	69.2	28.1%
0206	Edible offal of livestock	19.8	30.2	52.5%
	<i>Total of the above</i>	<i>236.3</i>	<i>291.0</i>	<i>23.1%</i>
	<i>Total HS02</i>	<i>282.7</i>	<i>346.7</i>	<i>22.6%</i>

SELECTED HIGHER VALUE-ADDED EXPORTS

For Alberta we have been following four HS categories: HS84, 85, 90 and 94. The half year data for machinery (Table 6), reflects the fact that the growth in these categories remains strong. Price/volume comparisons employing the prevailing national export price indexes are tenuous for these higher value-added categories, but a slight decrease in the price index for industrial goods suggests that the sharp value increases shown in Table 6 are real rather than nominal. In comparison, for Canada as a whole, the year to date increase in HS categories 84 and 85 was in the order of 10%.

Table 6.

Alberta Exports of HS84 and 85: Selected Categories, 1st Half 1995/96 (millions \$)

HS	Description	1st 1/2 1995	1st 1/2 1996	% Change
8411	Turbo-jets, turbo props etc.	6.8	16.9	148.6%
8412	Engines and motors, nes	28.3	29.8	5.3%
8419	Machinery, plant or lab	11.2	18.2	62.5%
8431	Parts for large machinery	25.8	37.8	46.5%
8473	Parts for office machines	29.7	41.4	39.4%
8479	Specialized machines	20.2	34.4	70.3%
	<i>Total of the above</i>	<i>122.0</i>	<i>178.5</i>	<i>46.3%</i>
	<i>Total HS84 categories</i>	<i>232.6.</i>	<i>326.3</i>	<i>40.3%</i>
8517	Telephone sets, related mat.	130.7	355.3	171.8%
8524	Tapes, software, record mat	7.5	7.9	5.3%
8525	Transmission equipment	160.0	159.4	-0.4%
8529	Antennae for radio + T.V.	5.4	10.4	132.0%
8537	Electrical boards and panels	5.3	9.0	92.6%
	<i>Total of the above</i>	<i>308.9</i>	<i>542.0</i>	<i>67.4%</i>
	<i>Total HS85 categories</i>	<i>345.6</i>	<i>615.2</i>	<i>78.0%</i>

¹The most recent publication in the annual series is S. Stephen Janzen and Edward J. Chambers, Alberta, *Western Canada and the FTA/NAFTA: 1988 - 1995*. (Western Centre for Economic Research: Edmonton, 1996).

²This report uses merchandise trade data released by Statistics Canada in August of 1995 and 1996, respectively — it is essentially 'first draft data' that will be refined or finalized in the following year.

³The first draft volume data supplied by Statistics Canada has not proven itself as reliable as the value data. The WCER uses a combination of value data and price indexes to establish export trends.

⁴See Julie K. Fujimura, "Trade in the '90s: An Overview of Canada's Performance", Policy Staff Commentary No. 15, Economic and Trade Policy [CPE] Policy Staff, Government of Canada. (Ottawa, June, 1996). Some analysts believe that the increased market share to the U.S. reflects a higher level of re-exports. Statistics Canada has recently initiated investigations into re-exports from the U.S. but has yet to publish any results. For a brief discussion of the issue, see "Soaring Surplus", *The Financial Post*, Sept. 27, 1996, pp. 12, 14.