INDUSTRY CANADA Windows and Doors Review

Volume 4 Issue 3 Fall 1998

Shipments Growth Decreases in Second Quarter
Exports Remain Strong Despite Global Economic Problems
Canadian Housing Market Weakens Domestic Shipments

The Canadian window and door industry performance to the mid-year point has demonstrated continued growth. This optimism is tempered somewhat by the slowdown in the rate of growth during the second quarter of 1998. Industry Canada analysis would suggest a levelling off in domestic consumption for the balance of the year coupled with a moderation in window and door exports in the short to medium term.

Shipments

Through the first six months of the year, shipments of wood and metal windows and doors increased beyond their 1997 levels. While industry growth continued to be strong, there were initial signs of weakening in the second quarter of 1998. While first quarter shipments grew at a healthy 13.2 percent, the second quarter saw growth cut in half to only 6.6 percent. Shipments of metal and wood windows and doors from April to June were $653.2 Million, up from $608.6 Million in the same period in 1997. Total metal and wood shipments for the January to June period were $1.2 Billion, up 9 percent against $1.08 Billion for the first half of 1997.

While both wood and metal window and door shipments were higher, metal shipments continued to

grow at a faster pace than those of wood windows and doors. Metal windows and doors grew at 8.4 percent in the second quarter, as compared to 6.3 percent growth in wood shipments. Industry Canada believes the PVC sector of the window and door industry has, at the very least, grown at the same pace as the wood sector. Prices, according to the industrial producer price index for windows and doors, have remained stable through the first six months of the year. Shipments for wood windows and doors, on a seasonally adjusted and annualized basis were $1.28 Billion. Metal shipments were $1.22 Billion on a similar basis.

Since the Summer 98 Industry Canada Windows and Doors Review, significant events have changed the economic environment within Canada, which appears to have led to a slowdown in growth. In addition to more pronounced

Also in this Issue

§§§§§§§§§§§§§§§§§§§§

If you have any comments or suggestions or want to be added to the Industry Canada mailing list, call:

Murray Hardie at Tel: (613) 954-3037
Fax: (613) 952-8384
E-Mail: hardie.murray@ic.gc.ca
or
Patrick Hum at Tel: (613) 954-3048
Fax: (613) 941-8048
E-Mail: hum.patrick@ic.gc.ca

affects from events in Asia, slower than expected Canadian housing starts have directly affected the window and door industry. The Construction in Canada section in this report reveals more on this subject.

International Trade

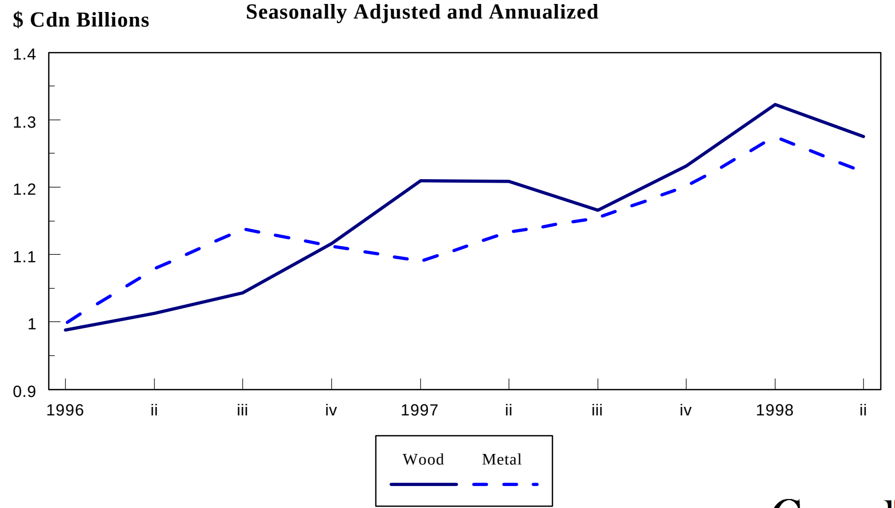
Canadian window and door exports increased during the first half of the year recording an increase of 32 percent over the same period in 1997. For the first six months, exports of windows and doors rose to $327.3 Million, up from $247.7 in the first six months of 1997. Exports of wood and metal windows and doors now account for some 24 percent of industry production, up from 19 percent a year ago.

In the second quarter, export growth was led by metal windows and doors which grew by 53 percent to $84.6 Million. Metal, which accounts for 45 percent of all exports, has displaced wood as the largest export by material. PVC exports in the second quarter were $27 Million, growing by 35 percent from the same period in 1997. Wood export growth lagged behind at a more modest 9 percent, with exports of $69.4 Million.

EXPORTS TO THE U.S.

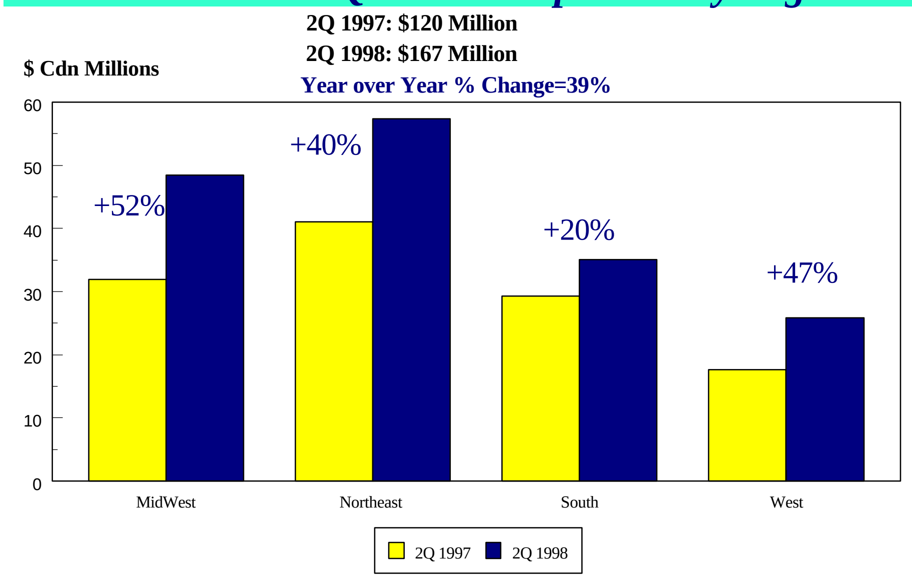
US demand was the main driving force behind exports. The United States, always a major market for Canadian exports, now accounts for 90 percent of window and door exports, up from 83 percent in 1997. For the period April through June,

Shipments of Metal and Wood Windows and Doors



Source: Statistics Canada

Window and Door Exports to the US: 1997/98 Second Quarter Comparison By Region



Source: Statistics Canada

ALSO AVAILABLE ON THE INTERNET

Internet Address: http://strategis.ic.gc.ca/foreind

STRATEGIS

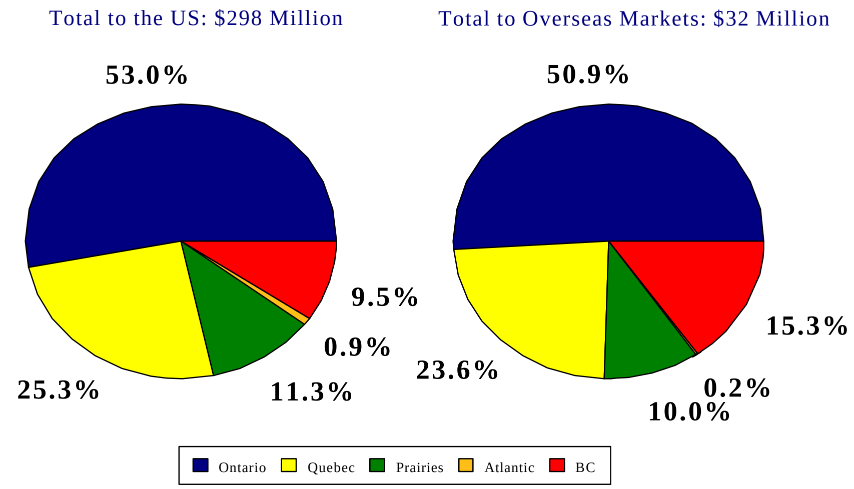
Forest industries and Building Products

Bookmark us!

June 1998 period were $296 Million compared to $208 Million for the corresponding period in 1997, a 42 percent increase.
US consumer confidence remained strong, and housing starts continued to climb during the spring and summer construction seasons. Total exports to the US for the January to
The lower value of the Canadian dollar has made windows and doors more attractive to buyers throughout the US. Exports to the Midwest region were the strongest, growing 52 percent between April and June to $48.4 Million versus $32 Million a year ago. Canadian shipments to the West grew by 47 percent to $26 Million for the period April through June. Window and door exports to Northeast states grew 40 percent to $57.3 Million in the second quarter. The Northeast accounts for 31 percent of all window and door exports to the US. Exports to Southern states were up 20 percent to $35 Million for the April to June period.

Ontario remains the largest exporter of windows and doors in Canada. In the first six months of 1998, it accounted for 53 percent of all exports to the US and 51 percent

Window and Door Exports By Province
Jan-June 1998



Source: Statistics Canada 1998

of all overseas exports. BC accounted for 9.5 percent window and door exports to the US, and 15 percent to overseas markets, primarily to Japan and the rest of Asia.

Overseas Exports

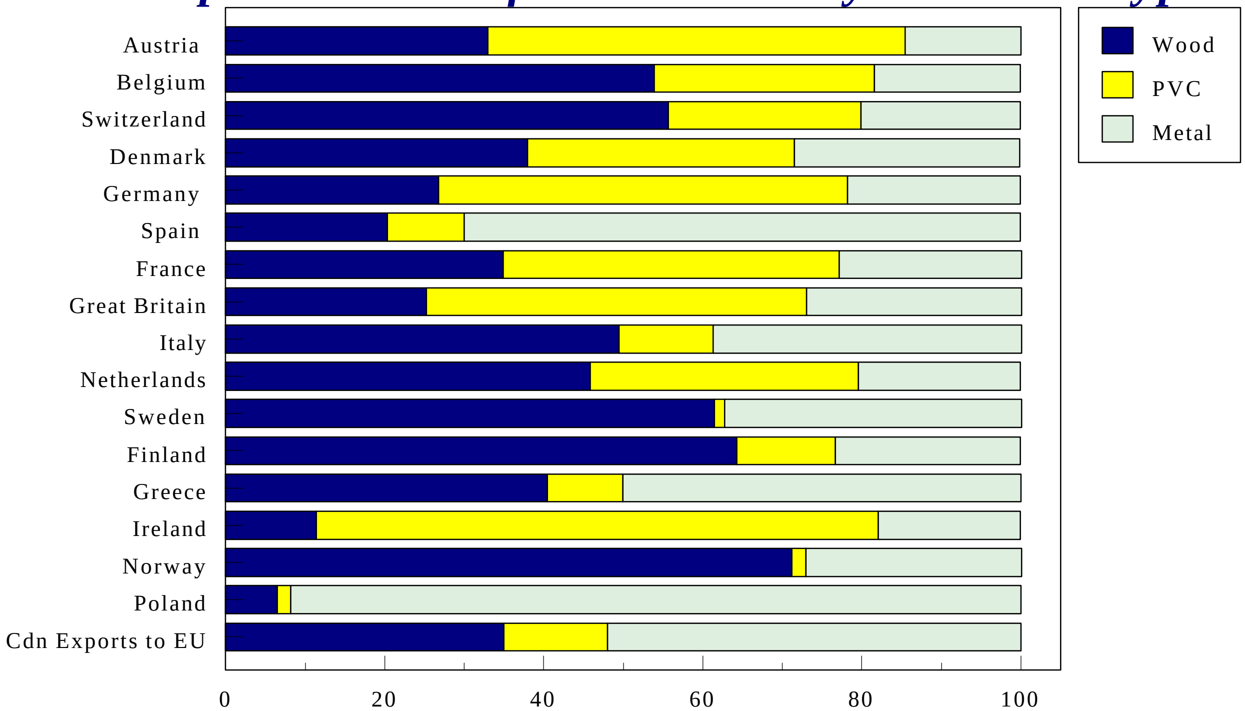
Economic uncertainty in the Japanese, Eastern European and Latin American markets have had a mixed affect on Canadian exports of windows and doors to offshore markets. Offshore exports totalled $31.7 Million for the first six months of the year versus $39.5 Million in 1997. Exports to Japan decreased 59 percent to $6.8 Million. Exports to other Asian markets recorded a 93 percent increase to $6.7 Million while exports to other markets fell by 20 percent to $9 Million. In dollar terms exports to markets other than the US now account for 10 percent of total exports, down from 17 percent in 1997.

Exports to European Union member countries were up 15 percent to $9.1 Million. By material type, metal (steel and aluminum) windows and doors led all other material types exported by Canadian producers with a 52 percent share. Wood and PVC windows and doors represent 35 and 13 percent respectively, of exports to the EU. The following chart shows the market share each of the material types represent in selected European countries for windows.

Window and Door Exports 1998 (Jan-June) By Region (In Thousands of Dollars)

	Jan-June 1998	Jan-June 1997	% Change 97-98	% Total 1998
Total	327,344	247,693	32%	100%
US	295,598	208,188	42%	90%
EU	9,181	8,006	15%	3%
Japan	6,847	16,746	-59%	2%
Other Asia	6,713	3,477	93%	2%
Other	9,005	11,276	-20%	3%

European Market for Windows by Material Type



Source: Timber and Wood Products International, July 1998

IMPORTS

Signs of weakening domestic demand for windows and doors was observed in the import figures for the second quarter of 1998. Imports from April to June, on a year over year basis, were up only 4.6 percent to $62.4 Million. In comparison, imports in the first quarter were up 30.6 percent from the same period in 1997. Much like with domestic shipments, metal window and door imports continued to grow the fastest, up 30 percent in the second quarter, and 38 percent for the first half of the year. The Canadian window and door industry had a net trade balance of $265 Million for the first half of the year. Imports from the US account for 97 percent of Canadian imports. By province, Ontario accounts for 41 percent, British Columbia 36 percent, and Quebec 9 percent of window and door imports.

Industry News

CWDMA 1998 Fall Meeting and WIN-DOOR 98
November 18-20, Toronto

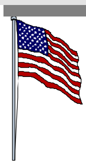
The Canadian Window and Door Manufacturers Association will be holding their Fall 1998 meeting in conjuction with WIN-DOOR 98 on November 18 to 20 at the Toronto Congress Centre. The meeting will include technical committee meetings, presentations on the state of the economy, and updates from working committees of the association. For more information on the Fall 98 Meeting or on attending WIN-DOOR 98, contact Richard Lipman of the CWDMA at 613-223-9804.

Construction and Housing Review

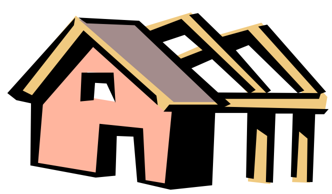
Construction in Canada

During the second quarter of the year, the Asian economic crisis along with other global economic factors, began to have a more dramatic impact on the Canadian economy, highlighted by weaker commodity prices and a sliding dollar. Labour disruptions, most notably the GM strike, also added to the economy's slowing performance. Consequently housing starts, on a year over year basis, fell by 4 percent to only 42 093 units in the second quarter. Ontario and the Prairies were the only regions to record an increase in housing starts, up 3 and 17 percent respectively. Building permits totalled 46 960, down 6 percent in the second quarter. In Calgary, building permits increased 27 percent, while Edmonton saw a healthy 15 percent increase in permits issued. Toronto saw building permits fall by 5 percent from the second quarter 1997 level. BC was the hardest hit province, with housing starts down 32 percent and building permits down 20 percent from a year ago. The BC economy is more tied to trade with Asian economies than any other part of Canada.

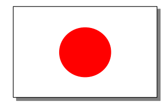
Construction in the United States



The global economic turmoil also began to have a more pronounced impact on the US economy between April and June. A sharp decrease in US exports and the prolonged GM strike, which lasted into July, had a negative impact on real GDP growth which fell to 1.6 percent in the second quarter from 5.5 percent in the first three months of the year. Even with these shocks to the economy, the construction sector in the US remained robust. Spurred by low unemployment and higher consumer spending, housing starts rose 7 percent in the second quarter, and were 8 percent higher for the first six months of the year. Housing starts in the Northeast and Western regions were particularly strong, up 10 percent in the second quarter. Housing starts in the Midwest and South, which accounted for 26 and 46 percent of all US housing starts, were up 5 and 6 percent respectively. There were some 773 000 housing starts in the first six months of the year.

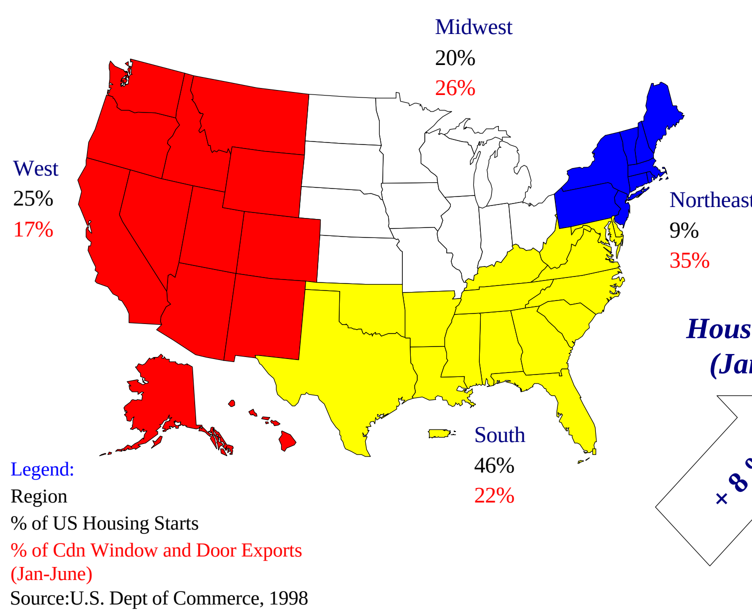


Construction in Japan



Japan's GDP in the second quarter of 1998 fell by approximately 3 percent, further signalling the ailing state of the economy. This was the third consecutive quarter in which GDP shrank. Housing starts on a year over year basis were down 15 percent to 315 219 units for the period April to June. Unemployment has reached a record high 4.3 percent, the highest it has been in the post-war era. Japan is effectively in a liquidity trap where the real economy is insensitive to interest rates, and the country has turned to government spending to boost the economy. This has been ineffective to date and has had no affect on improving the dim residential construction situation.

US Housing Starts Jan-June 1998



Special Features

Canada's Commercial Officers in the United States

Over the past few years, Canadian companies have make significant gains in the US market and given the current state of the world's economy, the US market presents some of the best opportunities for Canadian building product manufacturers.

Canada's commercial officers in the US help to promote the economic interests of Canadian firms abroad. They help companies, be they new or experienced exporters, prepare for the challenges of doing business outside of Canada by providing market information, trade leads, and contact names.

The current list of Canada's commercial officers responsible for building products in the US can be found on the next page.

For more information visit the web site:
http://www.infoexport.gc.ca/section3/menu-e.asp

Canadian Business Service Centres

A role of CBSC is to help reduce the complexity of dealing with various levels of government by providing a single point of contact for a wide range of information on government services, programs and regulations. The CBSC initiative is the result of cooperative arrangements among 28 federal business departments, provincial governments and in some cases, private sector, associations, academic and research communities.

Currently there are twelve CBS Centres, one in every province, the Northwest Territories and the Yukon. The participants and designated federal managing partners who are responsible for the development and management of the CBSCs vary from province to province.

Each CBS Centre offers a variety of products, services and export referrals to help you obtain quick, accurate and comprehensive business information. The CBS Centres minimize telephone runaround, inadequate or incorrect information, and duplication of government services. This help enables you to make well-informed business decisions in an increasingly global economy.

For more information visit the Web site:
http://www.cbsc.org

Canadian Window Technology Transfered to Japan

Two window manufacturing operations have recently been established in Japan using Canadian window manufacturing equipment and components.

IMS Canada, a Japanese distributor of Canadian building products, has established a window manufacturing plant in the Kyushu region of Japan. This plant assembles windows using Canadian made components, machinery and manufacturing technology. The second plant is in Toyoma City. These developments signal an increased opportunity for the transfer of Canadian building product technology, equipment and components.

More information on opportunities abroad and contact names can be found at:
http://www.infoexport.gc.ca/menu-e.asp

Canadian Consulate and Commerical Officers

Location	Name	Telephone	FAX	E-Mail
Atlanta, Georgia	William Stolz	404-532-2017	404-532-2050	william.stolz@atnta01.x400.gc.ca
Boston, Massachusetts	Martin Robichaud	617-262-3338 Ext. 3356	617-262-3415	martin.robichaud@bostn01.x400.gc.ca
Buffalo, New York	Jay Mileham	716-858-9559	716-852-4340	jay.mileham@bfalo01.x400.gc.ca
Chicago, Illinois	Rock Dustchin	312-616-1860 Ext. 3366	312-616-1878	dustchin.rock@chcgo01.x400.gc.ca
Dallas, Texas	Cate Lisak	214-922-9812 Ext. 3357	214-922-9815	cate.lisak@dalas01.x400.gc.ca
Detroit, Michigan	Tom Quinn	313-567-2340 Ext. 3364	313-567-2164	tom.quinn@dtrot01.x400.gc.ca
Los Angeles, California	Brantley Haigh	213-346-2761	213-346-2767	brantley.haigh@lngls02.x400.gc.ca
Minneapolis, Minnesota	Margaret Mearns	612-332-7486 Ext. 3357	612-332-4061	td.mnpls@mnpls01.x400.gc.ca
New York, New York	Matt Toner	212-596-1654	212-596-1793	td.cngny@cngny02.x400.gc.ca
Seattle, Washington	James Sheehan	206-443-1777 Ext. 3358	206-443-9735	james.sheehan@seatl01.x400.gc.ca
Washington D.C.	Manuel Ellenbogen	202-682-7766	202-682-7619	manuel.ellenbogen@wshdc01.x400.gc.ca

The Year 2000 Challenge

On January 1, 2000, the Year 2000 problem —known as the millennium bug—could affect any computer and any kind of data-activated device such as the embedded technology used in production, maintenance, field operations and telecommunications. There is also a good possibility that the effects will be experienced before the Year 2000—in either case, costly errors or computer failures will result if no action is taken.

"We urge all Canadian business leaders, chief executive officers, presidents and business owners to implement immediately a formal action plan for Year 2000 preparedness—if they have not yet done so. Firms that are prepared for the Year 2000 computer challenge could gain a significant competitive advantage in the marketplace at home and abroad. Those that are not prepared could inflict business losses on themselves and on others.

We urge those firms actively pursuing their Year 2000 formal action plans also to enquire into the preparedness of their key domestic and international trade partners, and to plan accordingly. Correcting the Year 2000 problem now is a matter of crucial importance and a national priority."

Task Force Year 2000, February 1998

For more information
Call toll-free: 1-800-270-8220
(08:00 to 20:00 EST Monday to Friday)
or visit our Web site:
http://strategis.ic.gc.ca/sos2000
The toll-free number for the Telecommunications Device for the Hearing Impaired is:
1-800-465-7735.