INDUSTRY CANADA

# Windows and Doors Review

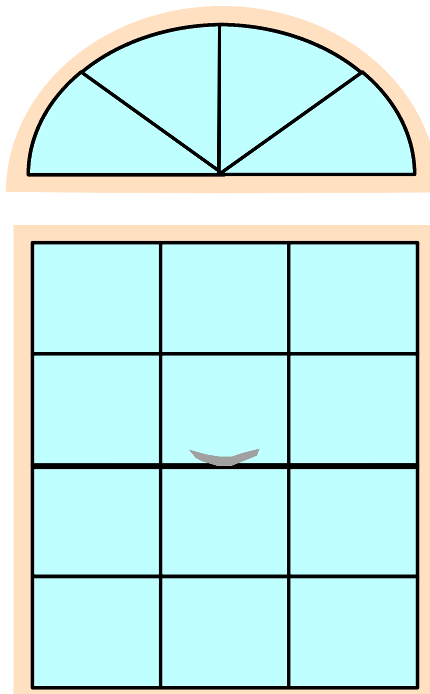
Volume 5 Issue 2 Summer 1999

## First Quarter Signals Steady Growth for 1999
## Exporters Benefit From Higher US Demand
## Canadian Market Contracts In First Three Months

### Shipments

Shipments of wood and metal windows and doors reached $522.4 million in the first quarter of 1999, an increase of 4.4 percent from a year ago. Production growth appears to be slowing when compared to the 13.2 percent growth in shipments observed in the first three months of 1998. On a seasonally adjusted and annualized basis, wood and metal window and door production was $2.58 billion, an increase of 1.7 percent over the fourth quarter 1998 result. The increase was driven by higher demand from Canadian export markets as the domestic market for windows and doors continued flat and is not expected to increase significantly in 1999. Based on first quarter trends, Industry Canada estimates window and door production to finish in the $3.2-3.3 billion range for 1999.

Wood window and door production between January and March was $256 million, a 5.2 percent gain over the same period a year earlier. Metal window and door shipments reached $267 million, a 4.5 percent gain over shipments in the first quarter of 1998. PVC window and door production, according to Industry Canada, was approximately $105 million for the first three months of the year. The industrial producer price index (IPPI) for both wood and metal windows and doors has remained unchanged for the last six months, however price pressures from exchange rate fluctuations may influence future prices. The IPPI reflects the price producers receive as goods leave the plant gate and is influenced by changes in the exchange rate. It excludes indirect taxes, transportation and other retail costs.



***Also in this Issue***

**Construction and Housing Review**

**SPECIAL FEATURE**

**Electronic Commerce**

Link directly to websites by visiting the Summer 1999 Quarterly Reviews under the **WHAT'S NEW!** heading on our website at: http://strategis.ic.gc.ca/foreind

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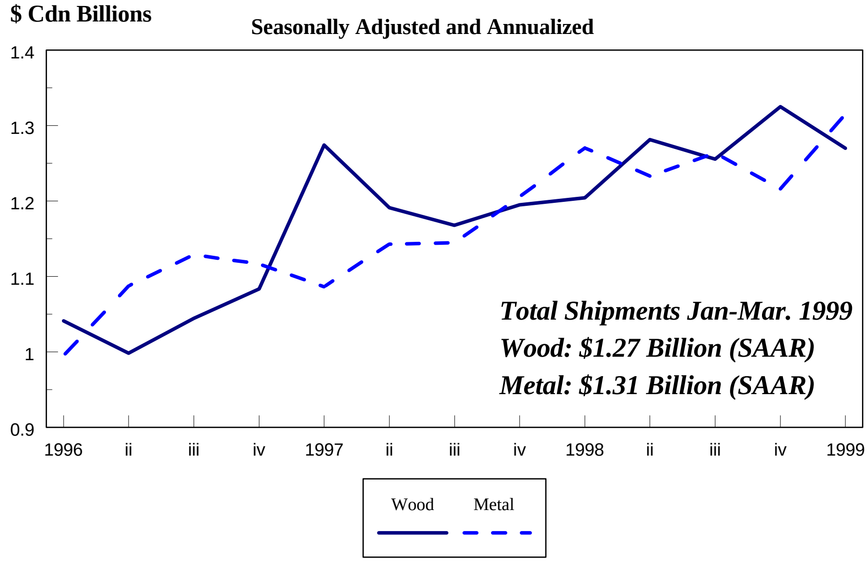
# International Trade

Exports of Canadian windows and doors in the first quarter of the year were $193.2 million, up 32 percent from $146.6 million in the first quarter of 1998. Wood window and door exports grew by 36.5 percent, reaching $85.8 million in the first three months of the year. PVC exports were $25.7 million, an increase of 29.5 percent over $19.8 million observed in the first quarter of 1998. Exports of iron, steel and aluminum windows and doors increased by 27.9 percent to reach $81.7 million for the first quarter. Wood exports represented 44 percent of total window and door exports, followed closely by metal products which account for 42 percent of the total. PVC windows and doors represent 14 percent of the industry's exports. Exports, should they continue to grow at approximately 30 percent for the rest of year, should exceed $960 million for 1999.

## *Shipments of Metal and Wood Windows and Doors*




Source: Industry Canada Based on Statistics Canada Figures

## Window and Door Exports Jan-Mar 1999, By Region
*(In Thousands of Cdn Dollars)*

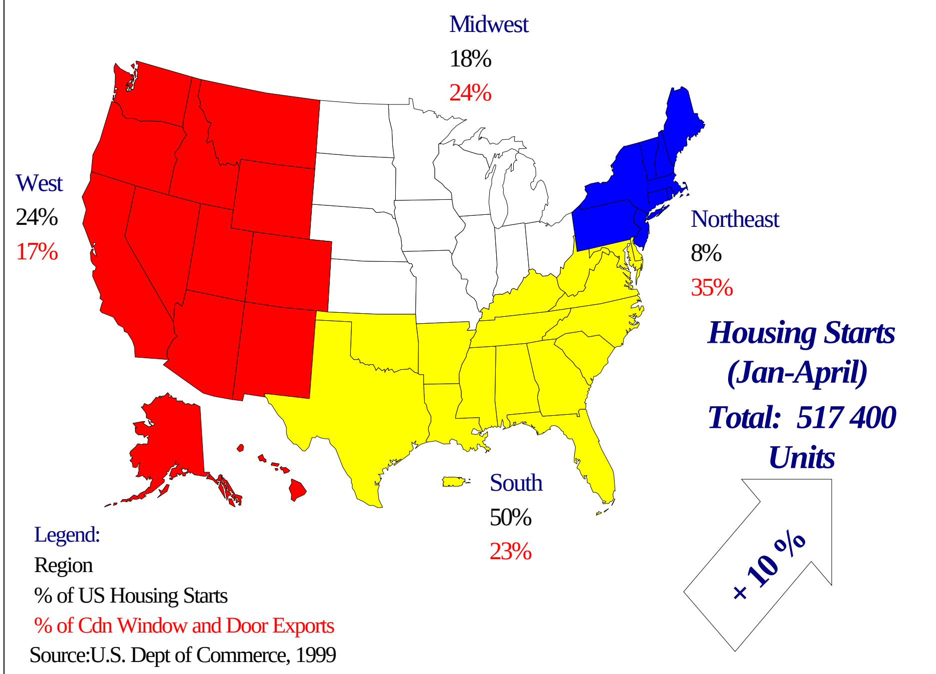
| | Jan-Mar 99 | Jan-Mar 98 | % Ch | % Total |
|---|---|---|---|---|
| **Total** | 193,226 | 146,614 | 32% | 100% |
| **US** | 175,209 | 128,740 | 36% | 91% |
| **Japan** | 6,391 | 4,319 | 48% | 3% |
| **EU** | 4,446 | 4,810 | -8% | 2% |
| **East Europe** | 2,763 | 4,136 | -33% | 1% |
| **Other Asia** | 1,336 | 3,457 | -61% | 1% |
| **Other** | 3,081 | 1,152 | 167% | 2% |

## Exports to the U.S.

Exports to the US continue to be the main driving force behind the industry's growth. The combination of strong US demand and the early start to the construction season (see *Construction in the US* for more details) gave Canadian window and door exports to the US a boost. Exports increased 36.1 percent from $128.7 million to $175.2 million for the first three months of 1999. Trade with the US represented 90.6 percent of all window and door exports. Exports of wood doors ($55.2 Million) and iron/steel windows and doors ($52.2 million) were the leading products heading toward the US from Canada.

Export growth to all US regions was strong, particularly in the US Midwest where Canadian window and door exports grew 53.4 percent, reaching $42.9 million, up from $28 million for the same period in 1998. Michigan accounted for 29 percent or $12.3 million of exports to Midwestern states. Exports to the US Northeast, the largest market for Canadian windows and doors, increased to $61.9 million for the January through March period, an increase of 36 percent. Shipments of $27.6 million to New York led all other states in the Northeast. New York accounted for 16 percent of all exports to the US. Window and door exports to the US South were $40.3 million, gaining $9.4 million or 30.5 percent over exports in the first quarter of 1998. Virginia, Georgia and North Carolina were the largest markets for Canadian producers in the US South, with exports of $6.4, $6.2 and $6 million respectively. Exports for the first three months to the US West were up 22.4 percent to $29.9 million. California and Washington were the largest markets in the US West with Canadian exports of $10.5 and $9 million respectively.

### US Housing Starts January-April 1999




## Exports to Offshore Markets

In the first three months of the year, trade to offshore markets began to stabilize at just under 10 percent of total window and door exports. However the economic crisis gripping Asian countries continued to impact negatively on Canadian exports, although some regions such as Japan showed mixed signals on where demand for 1999 was heading. Canadian

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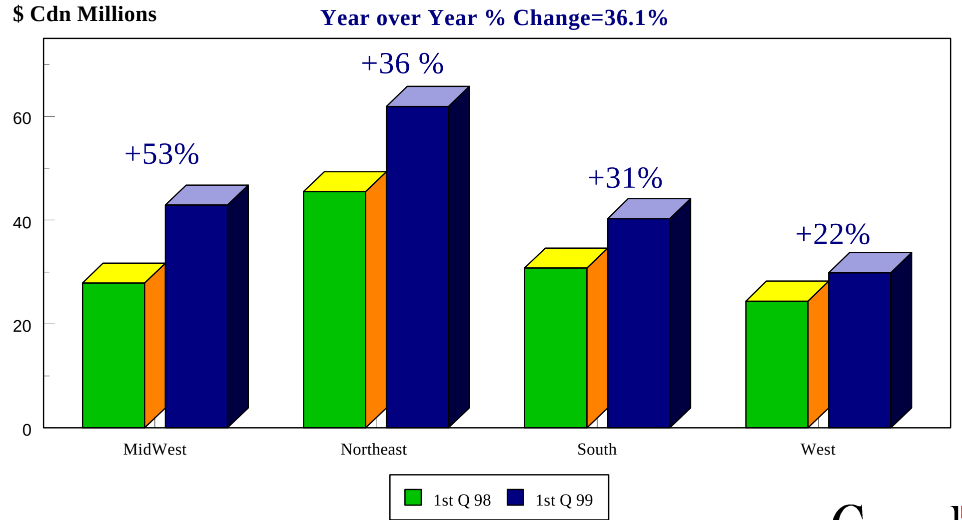
window and door exports to Japan increased 48 percent to $6.4 million, however 84 percent of this came in the January to February period. Japan, in the first quarter, was the second largest export market for Canadian producers. In contrast, window and door exports to the Asia-Pacific region, excluding Japan, fell 61 percent to $1.3 million. Exports the European Union fell 7.6 percent to $4.4 million. Exports to the UK, worth $2.1 million in the first quarter, led all other EU countries. Window and door exports to France, which totalled $2 million for all of 1998, were valued at $850 000 for the first three months of the year.

## IMPORTS and the APPARENT DOMESTIC MARKET

Imports of windows and doors, 94 percent of which originated from the US, barely grew between January and March. Valued at $50.2 million, imports grew a modest 1.1 percent as compared to the first quarter of 1998. Imports of wood doors and iron/steel windows and doors totalled $17 million and $14.3 million respectively. The state of Washington ($8 million) and Oregon ($5.9 million) were the leading sources of window and door imports.

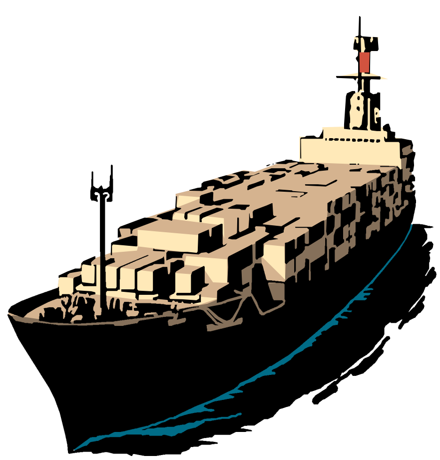
### *Window and Door Exports to the US: First Quarter 98/99 Comparison By Region*

**1st Quarter 1998: $128.7 Million**
**1st Quarter 1999: $175.2 Million**
**Year over Year % Change=36.1%**




Source: Industry Canada Based on Statistics Canada Figures

The apparent domestic market for metal and wood windows and doors shrunk slightly in the first three months of the year. The $397 million Canadian market in the first quarter was 3.8 percent smaller than the $413 million observed a year ago.



## Industry News

### New Trade Show Announced

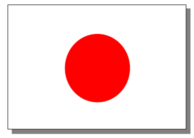
InterBUILD expositions Inc. has announced it will host "Interbuild 2000", a residential home building and construction industry show May 11 to 13, 2000 at the Toronto Congress Centre. For exhibit space information contact Rick Young at tel: 780 413-6222 or fax: 780 413-6224 or by e-mail at: www.interbuild2000.com

# Construction and Housing Review

## Construction in Canada

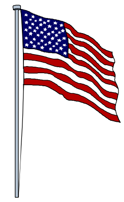
Housing starts in the first four months of the year were up slightly from the same period in 1998, reaching roughly 36 500 starts between January and April. Slower starts in BC and Alberta were offset by modest gains in Ontario, Quebec and Altantic Canada. By April, these regions were well ahead of their 1998 pace. Starts in Saskatchewan and Manitoba remained stable. Building permits, as a measure of construction activity, fell 1.7 percent for the first four months of the year to 45 808 permits for all of Canada. Toronto and Montreal led the nation, with 11 500 and 4600 permits issued between January and April, an increase of 10.4 and 12 percent respectively. Construction activity in Western Canada, fell in the first four months of the year. Building permits in Calgary, which last year was second behind Toronto in permits issued, were down 27 percent to 3100, while the number issued in the Vancouver area fell 36 percent to approximately 2700. For 1999, Canadian housing starts should end the year at approximately 138 000 units, relatively unchanged from last year's level.

## Construction in Japan



The Japanese economy continued to struggle in the first four months of the year. Housing starts on a year over year basis were down 4.5 percent, to 371 901 units. This compares to 389 457 units for the first four months of 1998. While consumer spending and construction activity remained weak, the first four months of data provided some optimism for the remainder of the year. Although housing starts in January and February were down on a year over year basis, starts in both March and April were strong relative to the same period in 1998. The seasonally adjusted annual rate for starts in March rebounded to 1.299 Million units. By construction type, prefabricated dwellings increased to 57 400 units in the first four months of the year. This represents a slight increase of 1.8 percent over the same period in 1998. Two-by-four construction dwellings rose 5.5 percent for the January to April period, reaching 21 565 units. Prefabricated and two-by-four construction represent 15.4 and 6 percent of total Japanese housing starts respectively thus far in 1999.

## Construction in the United States



Construction activity in the US was strong through the first four months of 1999. Housing starts from January to April were up 10.1 percent from a year ago to 517 400 units. January, February and March were especially strong months. Builders across the US were able get an early start to the construction season due to the unusually warm winter. This trend was particularly evident in the seasonally adjusted and annualized housing start data, where January starts reached 1.82 Million, but had fallen to 1.54 Million by April. Actual starts in the US South grew 15.1 percent to 256 400 units, representing half of all residential construction activity in the US. Housing starts in the US West grew by 6.4 percent to 126 100 units, for the first four months of the year, representing 24 percent of the national total. In the Northeast and Midwest, housing starts were up 4 and 3.1 percent, reaching 41 900 and 90 900 housing starts respectively. These strong housing figures helped the US economy grow by 4.5 percent in the first quarter. While growth in the US economy is expected to slow in the second half of the year, housing starts should still come in at approximately 1.6 million units for 1999.

# Special Feature

**Electronic commerce is here to stay and it's growing. Recent studies point to dramatic increases in on-line transactions. For example, IDC, a leading private sector forecasting firm, estimates that by 2003, Canadian internet commerce revenues will total C$80.4 billion. This is an immense opportunity for Canadian businesses.**

## *What is Electronic Commerce?*

Electronic Commerce is an inexpensive way of connecting computers in order to accomplish tasks that have traditionally drained a lot of time and money from businesses. Things like selling products, invoicing, controlling inventories, and communicating with suppliers and customers can be done electronically.

Small businesses can now climb on board the Internet, which amounts to a free electronic highway. Once you're hooked up, you can buy, sell, and connect with the people who matter to you: your own employees (in the next office or three thousand miles away), your suppliers, your customers, your bank accounts, your credit information services, your market information sources, and so on, quickly, cheaply and efficiently.

## *What is the Internet and why is it important for E-commerce?*

The Internet is a vast network of people and information. It won't take you long to figure out how to get to the information you want. Nor will it take you long to figure out how to interact with people who are important to your business.

ou can keep yourself constantly informed of what suppliers have available, and at what price, without even talking to them. You can keep chosen suppliers informed of your needs simply by hooking up your own inventory control devices to their supply systems through the use of the Internet.

To learn more about opportunities in E-commerce, visit the Industry Canada Task Force on E-commerce website at ***http:// www.e-com.ic.gc.ca***

New Internet-based services relating to building products have recently made some inroads in the virtual marketplace. To learn more, visit some innovative websites and see how E-commerce can be used in the building products industry:

***http:// www.buildingonline.com/eupdate.shtml***

***http://www.certainteed.com/consumer***

***http://www.intlcode.org/newsletter/apr98-2.htm***

***http://www.mks.net***

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