INDUSTRY CANADA Windows and Doors Review

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Export Markets Push Canadian Production Higher
Domestic Market Grows Slightly

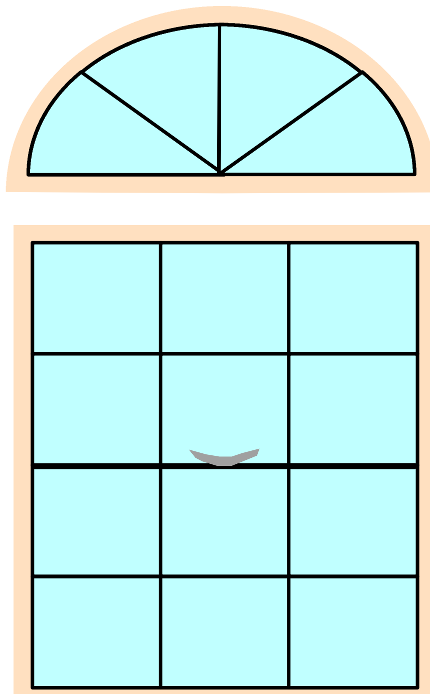
Production

Canadian production of windows and doors increased in the third quarter of 1999. While there was an increase in domestic demand, exports were the primary reason for the considerable growth in production during the period. In actual terms Canadian window and door industry shipments to the domestic market increased by 2.7 percent, while shipments to export markets rose 20.5 percent. This demonstrates the industry's continued dependence on export markets for growth.

Wood and metal window and door shipments in the third quarter of 1999 were $768 million, up 9.8 percent from the same period in 1998. Total wood and metal window and door shipments were $2.69 billion on a seasonally adjusted and annualized basis in the third quarter.

By product type, wood window and door shipments saw tremendous growth in the third quarter. Production jumped 23 percent to $387 million between July and September. Total wood window and door shipments for the first nine months of the year reached $971 million. This represents an increase of 14.3 percent over the $850 million in the first nine months of 1998. Third quarter wood window and door shipments, on a seasonally adjusted and annualized basis totalled $1.34 billion.

For their part, metal window and door shipments were virtually unchanged from the same period a year ago. After having previously led shipment growth, metal window and door production went down slightly from the third quarter of 1998 to $382 million. For the first nine months of the year, metal window and door shipments were up 3 percent to $1.02 billion. Metal window and door shipments were $1.35 billion in the third quarter on a seasonally adjusted and annualized basis.



Also in this Issue

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SPECIAL FEATURE

Trade Commissioner Service Contacts

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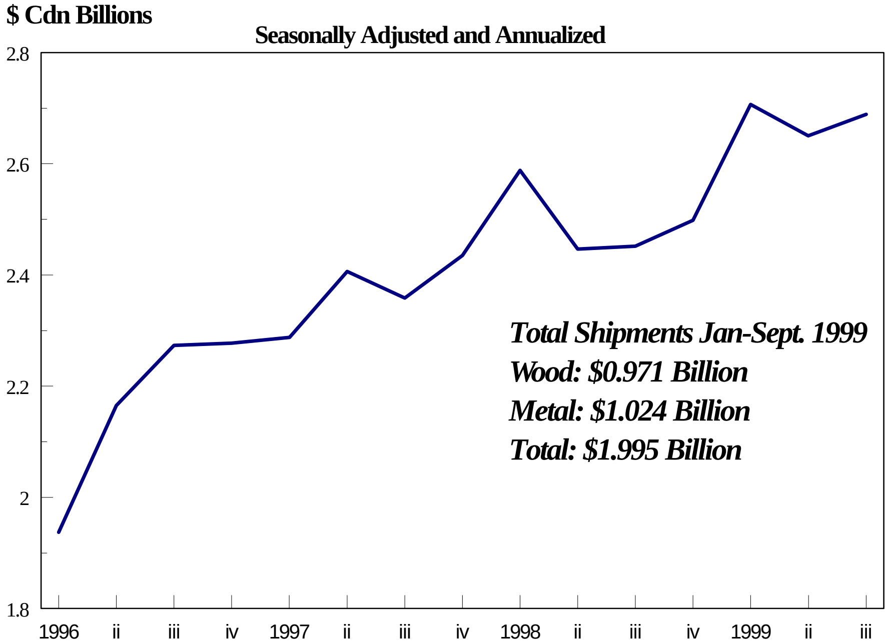
The apparent domestic market for metal and wood windows and doors grew by 3.3 percent in the first nine months of 1999, reaching $1.6 billion. This compares to $1.55 billion recorded in the January to September period in 1998.

International Trade

Canadian producers of windows and doors continued to see growth in their key export markets. Strong demand from the booming US market and increased exports to Europe helped push total industry exports 16.5 percent higher to $241 million for the three month period ending in September. While the rate of export growth in the third quarter is down from previous quarters, the overall outlook for window and door exports remains positive. Total Canadian exports of windows and doors were $658 million for the January to September period. This represents an increase of 22 percent over the $539 million in the first nine months of 1998. Total industry exports for 1998 were $743 million.

Among the product types, metal windows and doors make up the largest share of all window and door exports. Metal window and door exports rose 16 percent to $286 million over the first nine months of 1999. Wood products led export growth, increasing 26 percent to $269.7 million over the same time period. Exports of PVC windows and doors also remained strong through the first nine months. PVC exports were $102.4 million for the year through to September, an increase of 24.6 percent.

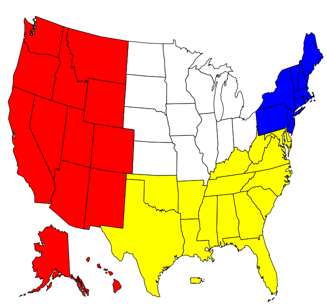
Shipments of Metal and Wood Windows and Doors



Source: Industry Canada Based on Statistics Canada Figures

Window and Door Exports to the Top 20 US States Jan-September 1999

In Thousands of Canadian Dollars



		Jan-Sept 99	Jan-Sept 98	% Ch 98/99
1	New York	90,555	71,093	27.4%
2	Michigan	40,355	40,429	-0.2%
3	California	34,179	23,099	48.0%
4	Washington	32,956	18,780	75.5%
5	Massachusetts	30,850	25,719	19.9%
6	Minnesota	23,691	23,694	0.0%
7	Illinois	21,698	21,713	-0.1%
8	North Carolina	19,217	9,575	100.7%
9	Virginia	18,847	26,291	-28.3%
10	New Jersey	18,617	15,029	23.9%
11	Ohio	17,599	14,912	18.0%
12	Connecticut	16,703	10,127	64.9%
13	Pennsylvania	16,218	15,766	2.9%
14	Georgia	15,919	7,986	99.3%
15	Florida	15,106	19,571	-22.8%
16	Wisconsin	13,356	12,336	8.3%
17	New Hampshire	12,782	9,157	39.6%
18	Texas	11,596	9,891	17.2%
19	Oregon	10,636	9,778	8.8%
20	Maine	9,730	6,918	40.6%

Source: Industry Canada based on Statistics Canada data

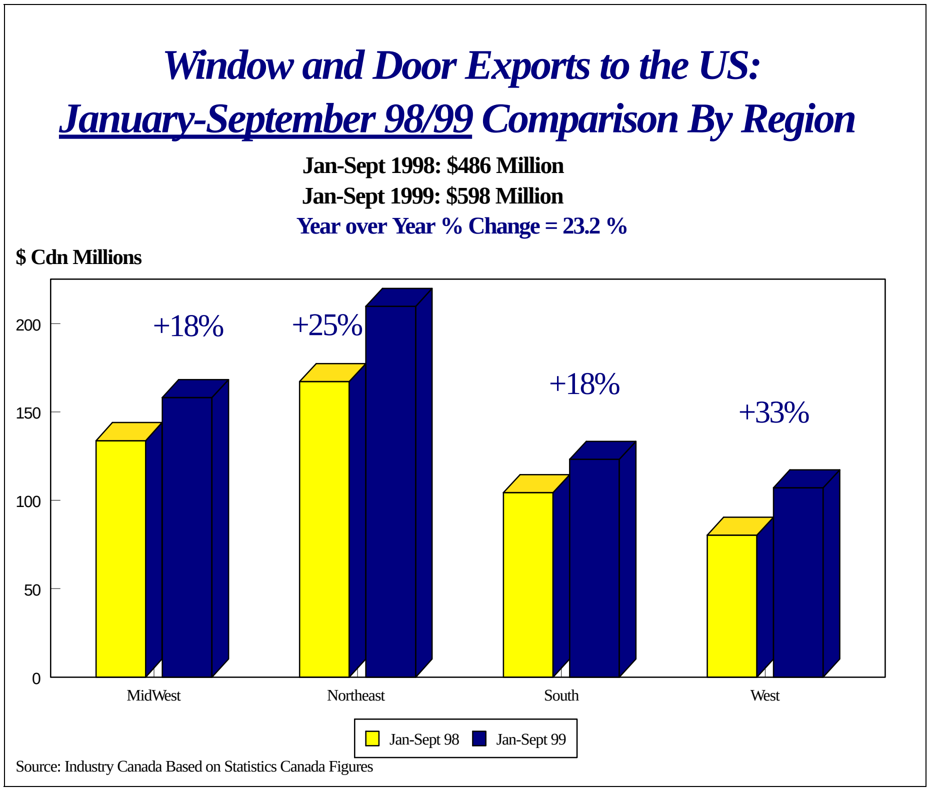
Exports to the U.S.

The US market for windows and doors continued to be the driving force behind Canadian exports. While the new construction market appears to be levelling off, demand from the repair and remodelling sector appears to be remaining solid. This sector of the economy is particularly important for window and door exports to the Northeast region.

Third quarter exports to the US were $221 million, up 16 percent from the same period in 1998. While growth was not spread evenly across all regions due to varying demand, growth rates remain quite impressive. Total exports to the US were $599 million for the first nine months of the year, up 23 percent from the same period in 1998. The US accounts for 91 percent of total Canadian window and door exports.

The US West led all other regions in growth. Third quarter exports to this region rose 36 percent to $41 million. For the first nine months of the year, total exports to this region were $107 million. This represents a 33 percent increase over the January to September period in 1998. California, to which exports rose 48 percent, was the leading market in the region, with Canadian exports reaching $34 million for the first nine months of 1999.

The US Northeast continues to be the primary destination for Canadian window and door exports. Exports to this region in the third quarter reached $76 million, an increase of 18 percent from the same period in 1998. For the first nine months of the year, exports to the US Northeast were



$210 million. This represents an increase of 25 percent from a year ago. Exports to New York, the leading export market both nationally and regionally, were up 27 percent for the January to September period, reaching $90.5 million in value.

Exports to the US South and Midwest grew by 7.2 and 9.3 percent respectively in the third quarter. Weakness in some key states dragged the window and door export growth rates for these regions down. In the US South, Virginia and Florida recorded decreases in the double digits. Michigan, the largest market in the Midwest, recorded zero growth compared to the same period in 1998. Despite a weaker than expected third quarter, overall window and door exports to these regions were up 18 percent each through the first nine months of the year. Window and door exports to the US South were $123 million between January and September. Exports to the US Midwest reached $128 million in the same time frame.

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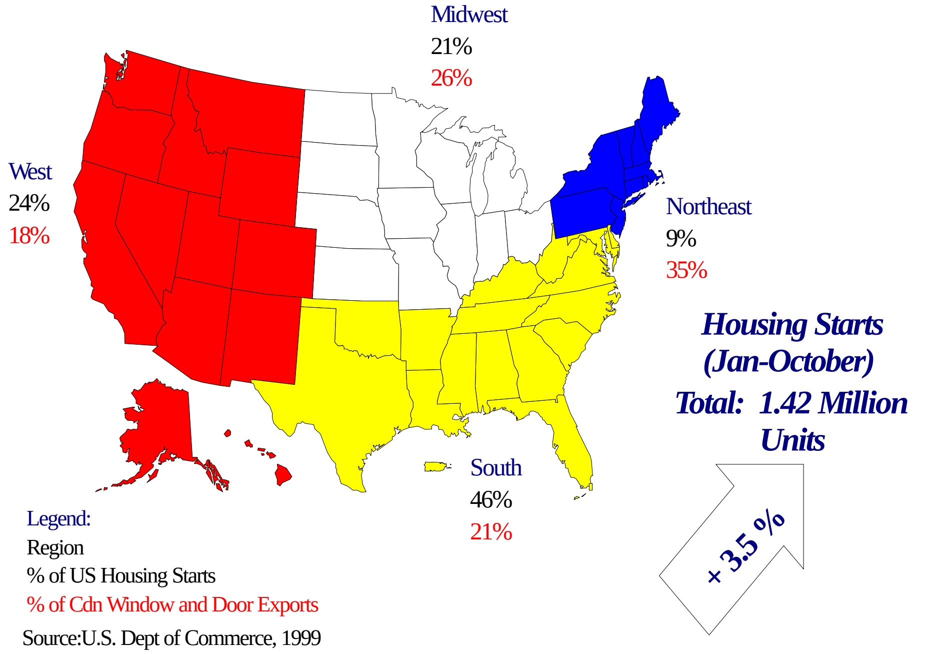
Offshore Trade

Exports to overseas markets reached $19.7 million in the third quarter. Stronger economic conditions in these markets helped to push window and door exports up 23 percent from a year earlier. Window and door exports to offshore markets were $59 million in the first nine months of the year, up 11 percent from the previous year. Offshore markets represent 9 percent of total Canadian window and door exports.

The Japanese market for Canadian windows and doors saw a significant increase in the third quarter. As housing starts and overall economic conditions improved in that country, Canadian window and door exports also saw improvement, rising 18 percent in the third quarter. Total window and door exports to Japan were $15.1 million for the first nine months of 1999. This is a 30 percent increase from $11.6 million in the same period in 1998.

The European Union window and door market continued strong through the third quarter of 1999. Exports to the EU rose 12 percent in the third quarter, reaching $6.3 million for the three months ending in September. Key European markets, particularly the United Kingdom and the Netherlands, recorded solid gains. European demand, led by these two markets, is showing steady growth due in large part to the present healthy economic climate. Canadian window and door exports to the EU for the first nine months of the year were $20 million, an increase of 27 percent from a year earlier.

US Housing Starts January-October 1999



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IMPORTS

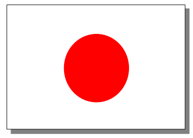
Imports of windows and doors were up again in the third quarter of 1999. The robust Canadian construction sector spurred the increase in product from outside Canada's borders. Imports in the third quarter rose 13.6 percent to $75 million. Total imports of windows and doors for the first nine months of the year reached $193 million. This represents an increase of 8 percent over imports of $178.6 million in the January to September period in 1998. The US continues to represent the largest source of Canadian imports. Imports of windows and doors account for approximately 10 percent of the domestic market.

Construction and Housing Review

Construction in Canada

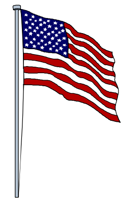
The stronger Canadian economy helped housing construction rebound in 1999. The summer months provided solid housing starts, leading to an overall increase for the year. In November, the latest available data, housing starts in Canada were 147 500 on a seasonally adjusted and annualized basis. Building permits for the year through to October were 135 700, up 6.7 percent from the previous year. The Toronto area remained the strongest construction market up 28 percent for the first ten months of the year to 29 600 building permits issued. Montreal was the second largest construction market for the first 10 months of 1999, with 10 700 building permits issued so far in 1999. This is an increase of 11 percent over the same period in 1998. Activity in Edmonton, with 5 900 building permits issued, was also strong. Calgary and Vancouver, the third and fourth largest construction markets, were down compared to the same period in 1998.

Construction in Japan



The Japanese economy has begun to recover from the recession which severely impacted housing construction in the country. The recovery remains fragile and falling back into recession is a legitimate possibility. To illustrate this, Japan's gross domestic product fell by 1 percent in the third quarter, much greater than most economists had predicted. Housing construction in Japan for the first ten months did see some growth, especially in the latter summer months. Total housing starts in Japan through the first ten months of 1999 were 1.010 million, up nearly 1 percent for the year. Japanese prefabricated and 2x4 housing starts were particularly impressive through October. These sectors saw increases of 65 and 76 percent respectively over the same period last year.

Construction in the United States



Economic growth in the US continued to be impressive through the late summer and early fall months of 1999. Low unemployment, stable prices and high consumer spending helped growth in all sectors of the economy. Housing and construction activity remained high across all regions even though on a seasonally adjusted basis, starts were lower than in the same period last year. This was most evident in September and October housing starts, where rates were off last years pace and may point towards a cooling down of housing construction activity in the US. Total housing starts through the first ten months of 1999 were 1.42 million. Building permits in October were 1.584 million on a seasonally adjusted and annualized basis.

US Housing Starts

January - October

	Total	% Ch 98/99
Total	1,420,000	3.5%
Northeast	130,100	3.5%
Midwest	303,300	8.2%
South	648,600	2.9%
West	339,100	0.7%

Source: US Department of Commerce