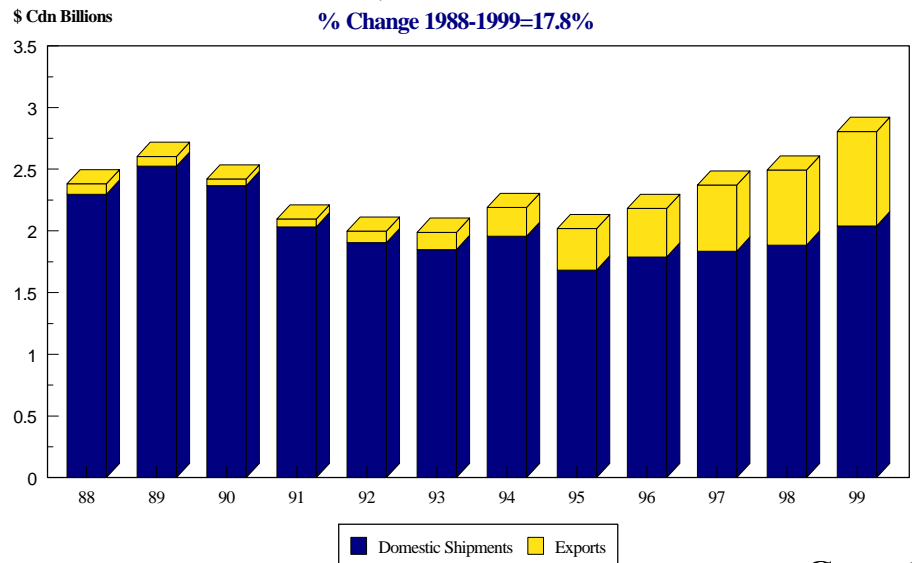


raw material prices, as the industrial producer price index (IPPI) for these products rose 0.6 percent through the year. In contrast, the IPPI for wood windows and doors remained flat as compared to 1998.

The apparent domestic market (ADM) for wood and metal windows and doors grew significantly in the fourth quarter, increasing 20 percent to \$649 million. The ADM for 1999 was \$2.26 billion, an increase of 8 percent for the year. For 2000, the ADM should remain close to the 1999 level as housing starts and overall construction activity is expected to remain at or near last year's level. Although 1999 represented an important increase in the size of the ADM versus 1998, it is unchanged from the level observed in 1988.

Wood and Metal Windows and Doors: Canadian Shipments 1988-99

1988: \$2.4 Billion
1999: \$2.8 Billion
% Change 1988-1999=17.8%



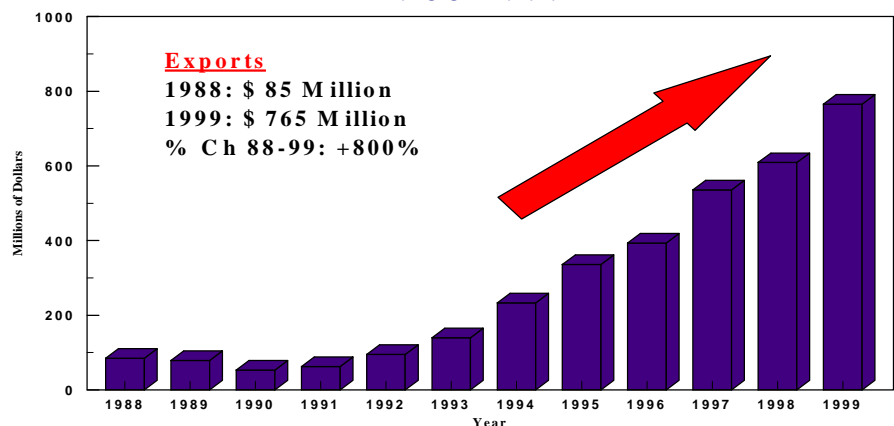
Source: Industry Canada based on Statistics Canada data



International Trade

Canadian window and door exports rose to \$907.6 million in 1999, an increase of 22 percent from 1998. Strong demand from all major export markets pushed exports higher. Wood windows and doors, the fastest growing segment in 1999, were \$376.7 million, up 28 percent. Exports of PVC windows and doors grew 23.6 percent to \$142 million. Metal window and door exports were \$389 million, up 15 percent. Metal, at 43 percent, represents the largest export product group. Throughout 1999, monthly exports pushed higher and peaked in November at \$91.4 million, a record for window and door exports in a single month. Industry exports have grown continuously since 1990 and now represent approximately 27 percent of Canadian production. Should construction and renovation activity continue strong in 2000, especially in the US, exports are expected to be higher.

Wood and Metal Window and Door Exports 1988-1999



Source: Statistics Canada 2000

Exports to the U.S.

Window and door exports to the US continued to soar in 1999, much as they have in the past several years. Strong new housing and renovation activity in the booming US

economy were the primary driving force behind higher Canadian exports. While the Canadian dollar did gain versus its US counterpart, Canadian windows and doors remained attractive to American builders. Exports to the US represent 91 percent of Canadian window and door exports.



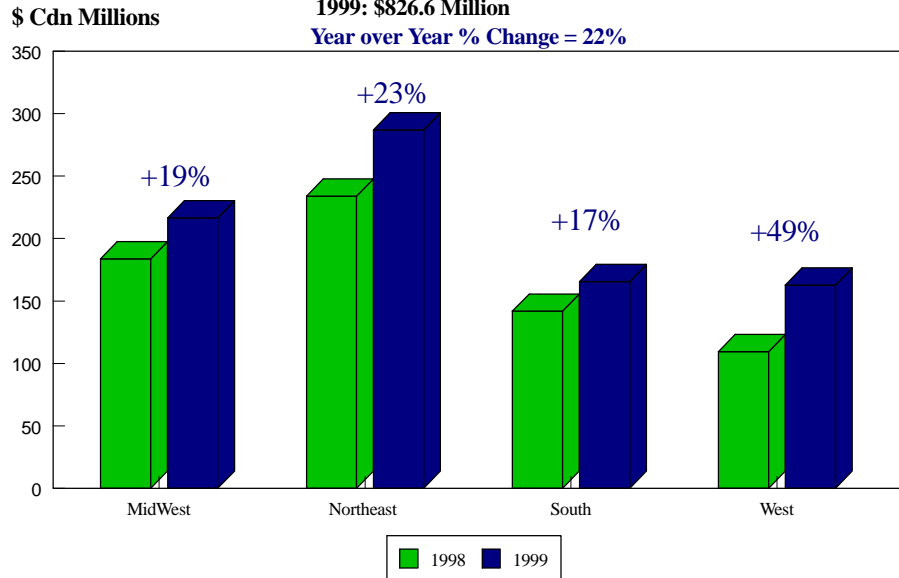
Total window and door exports to the US were \$826.6 million in 1999, an increase of 23.5 percent over 1998. While exports to all regions were strong, shipments of Canadian windows and doors to the US West Coast increased significantly, jumping 49 percent for the year. Total exports to this region were \$162.7 million in 1999, versus \$109.4 million in 1998. Washington State and California were the primary destinations for Canadian window and door exports to the US West. Shipments to these states were \$52.7 and \$47.7 million respectively in 1999.

Canadian shipments to the US Northeast were \$287 million in 1999, an increase of 22.7 percent from \$234 million in 1998. Exports to New York, the largest Canadian window and door market in this region and the US, were up 25 percent to \$128.9 million for 1999. Exports to the Northeast region accounted for 35 percent of Canadian window and door exports to the US. In the US Midwest, Michigan and Minnesota were the leading export markets for Canadian producers. Exports to these states in 1999 were \$69.5 and \$34 million respectively. Total shipments to the US Midwest from Canadian window and door manufacturers were \$218.6 million in 1999, up 19 percent from 1998.

Exports to the US South were \$165.5 million, an increase of 16.6 percent from \$109.4 million in 1998. Although the US South accounts for 46 percent of all US housing starts, the region represents just 19 percent of Canadian exports. Leading markets include Virginia and North Carolina, with Canadian exports to these states of \$26.5 and \$25.8 million respectively.

Window and Door Exports to the US: 1998/1999 Comparison By Region

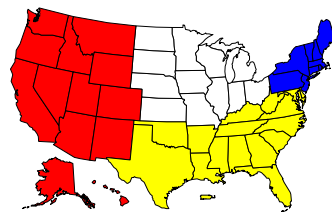
1998: \$669.2 Million
1999: \$826.6 Million
Year over Year % Change = 22%



Source: Industry Canada Based on Statistics Canada Figures

Canadian Window and Door Exports to US States Top 20 Markets

Total to US: \$826.6 Million (1999)
% Ch 1998/1999=22%
In Thousands of Canadian Dollars



		1999	1998	% Ch 98/99
1	New York	128,873	103,365	24.7%
2	Michigan	69,565	54,825	26.9%
3	Washington	52,740	33,450	57.7%
4	California	47,735	32,962	44.8%
5	Massachusetts	42,603	37,980	12.2%
6	Minnesota	34,037	31,655	7.5%
7	Illinois	29,386	29,957	-1.9%
8	New Jersey	28,962	23,849	21.4%
9	Ohio	26,787	24,062	11.3%
10	Virginia	26,497	36,282	-27.0%
11	North Carolina	25,788	17,091	50.9%
12	Florida	23,350	26,654	-12.4%
13	Pennsylvania	22,727	22,157	2.6%
14	Georgia	22,301	11,249	98.3%
15	Connecticut	21,659	14,216	52.4%
16	Wisconsin	18,646	18,182	2.6%
17	New Hampshire	18,157	13,061	39.0%
18	Texas	16,233	12,659	28.2%
19	Oregon	14,491	12,733	13.8%
20	Maine	13,902	10,122	37.3%

Source: Industry Canada based on Statistics Canada data

 ★
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Exports to Offshore Markets

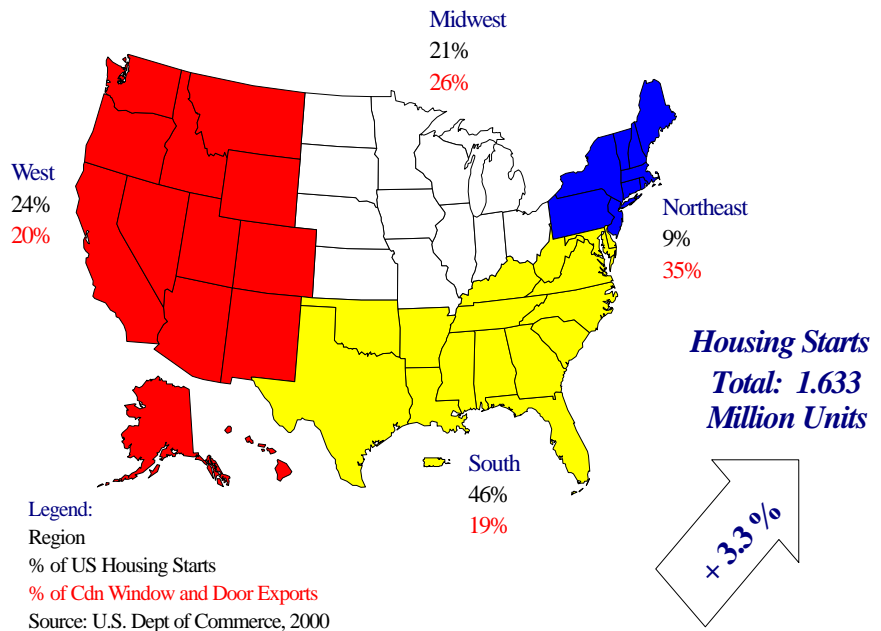
Offshore markets accounted for 9 percent of window and door exports. The European Union and Japan were the largest offshore markets. Exports to the EU rose 12 percent to \$25.7 million in 1999. Exports to the United Kingdom were \$14.3 million, making it the largest market for Canadian windows and doors in the EU. The UK was followed by the Netherlands and France with exports to these countries reaching \$4.8 and \$3.4 million respectively.

After suffering from weak economic demand throughout 1998, window and door exports to Japan increased 37.6 percent to \$21 million. Exports to Japan remain short of the \$27 million recorded in 1996. Despite improving economic conditions, exports to the Asia-Pacific region, excluding Japan, fell 48.5 percent to \$5.25 million in 1999. Window and door exports to this region were \$18.3 million in 1997.

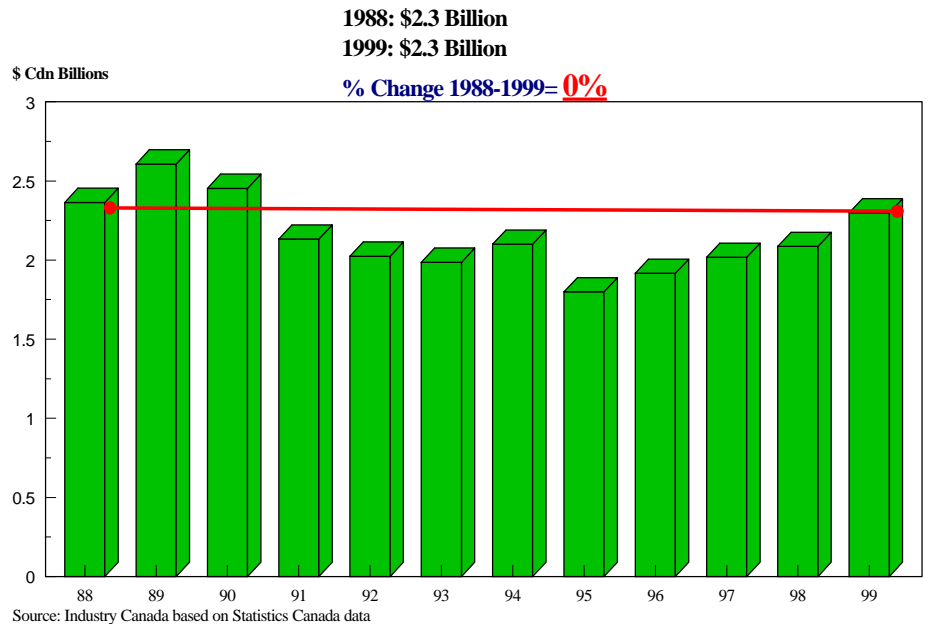
IMPORTS

As the Canadian market for windows and doors continued to improve throughout 1999, imports also increased. Imports were \$258 million in 1999, an increase of 7.7 percent. Much as in 1998, the US was the overwhelming source of window and door imports, accounting for 96 percent of imports.

US Housing Starts - 1999



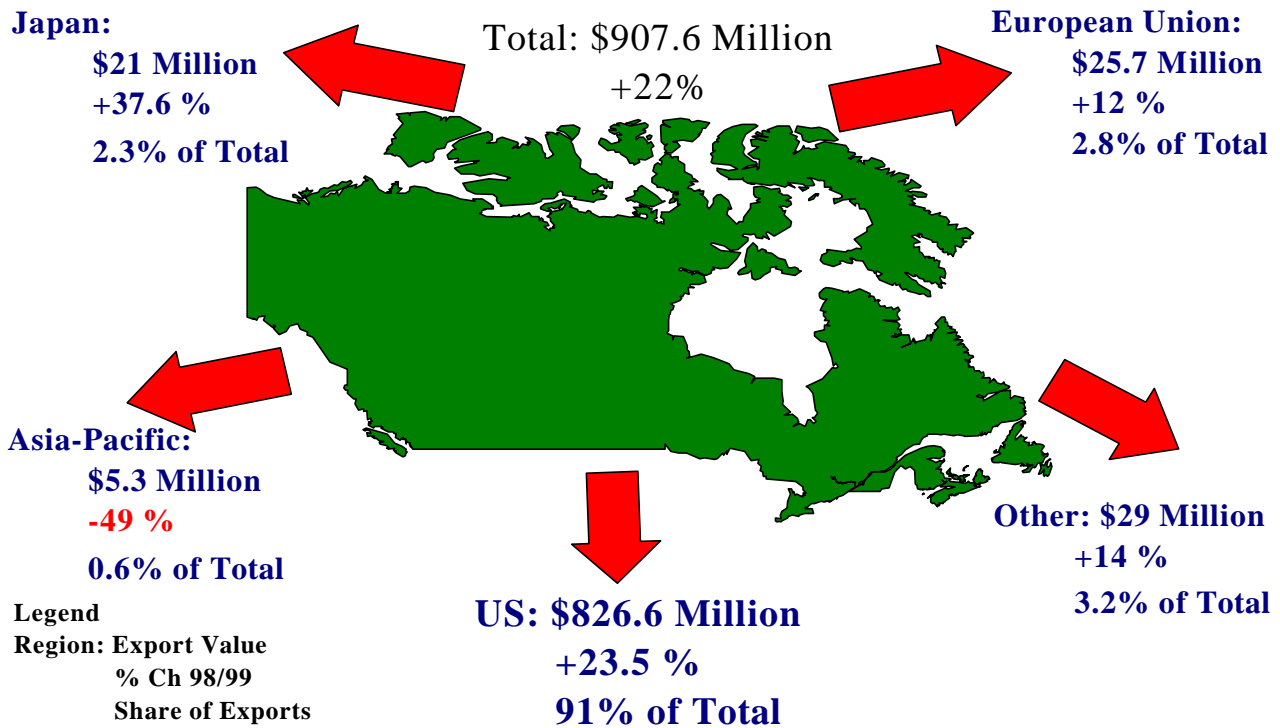
Wood and Metal Windows and Doors: Canadian Apparent Domestic Market 1988-99



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Canadian Window and Door Export Markets 1999



Industry News

The [Canadian Window and Door Manufacturers Association](#) will be holding their Annual General Meeting, June 1-3, 2000 at the Delta Whistler Resort in Whistler, British Columbia. For more information contact: Jennifer Reid of the CWDMA at tel: 613 233-6205 fax: 613 233-1929. E-Mail: jreid@cwdma.ca

Top 15 US Construction Markets by Metropolitan Region

Metropolitan Region: Number of building permits issued 1999	
1. Atlanta, GA	60,477
2. Phoenix-Mesa, AZ	47,994
3. Chicago, IL	38,616
4. Washington, D.C.	37,866
5. Dallas, TX	35,950
6. Houston, TX	32,573
7. Las Vegas, NV	28,800
8. Tampa-Clearwater-St. Petersburg, FL	23,218
9. Minneapolis-St. Paul, MN	23,010
10. Denver, CO	22,957
11. Raleigh-Durham-Chapel Hill, NC	21,554
12. Riverside-San Bernardino, CA	20,714
13. Seattle-Bellevue-Everett, WA	19,694
14. Detroit, MI	19,370
15. Austin-San Marcos, TX	16,677

Source: US Census Bureau, 2000

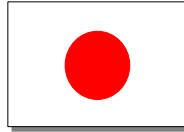
Construction and Housing Review

Construction in Canada



Following healthy economic growth, Canadian housing starts increased more than 12,500 units in 1999, representing a 9 percent annual gain over 1998. Total housing starts in 1999 were 149,968. The fourth quarter was particularly strong for the construction industry. During the same period, inflation remained low and the Canadian currency witnessed marginal gains. Over 11,000 more building permits were issued as compared to 1998. Toronto continues to be the largest construction market, increasing its annual total of building permits by 22 percent to 36,585 in 1999. With totals around 13,000, Montreal also issued more permits this year than last, establishing itself as the second largest market in an industry traditionally dominated by western cities. Some smaller markets such as Halifax, Oshawa and Kitchener experienced substantial gains. Their respective increases were 32, 37 and 35 percent over last year's totals. Although they are still large markets, Calgary and Vancouver suffered minor losses. While Vancouver had a very strong last few months of 1999, Calgary has remained at lower levels in comparison with 1998. The new housing market in 2000 will look to match sustained growth numbers with the rest of the economy, benefiting from mutual prosperity with the United States. Based on analysts' estimates, the short-term outlook for housing starts is favourable.

Construction in Japan



Despite strong November housing starts, December of 1999 indicated a relapse to a level below that of 1998. While Japanese GDP growth was positive at 0.6 percent, this is relative to last year's weak performance where GDP fell 2.8 percent from 1997. The number of housing starts rose from 1.179 million to 1.214 million representing a growth of nearly 3 percent in 1999. Two-by-four housing starts experienced a growth of nearly 11 percent this past year and prefabricated houses rebounded from 1998's totals by 2 percent. This growth may be attributed to deflation, as well as, falling interest rates, led by the Bank of Japan lowering its interest rate to 0 percent. Although most economic analysts are predicting a modest growth in GDP, as well as, housing starts, another consecutive quarter of negative GDP growth will mean Japan will fall back into recession. However, housing starts in 2000 are anticipated by some analysts to grow slowly in the short term as the government looks to encourage investment in the economy.



Construction in the United States



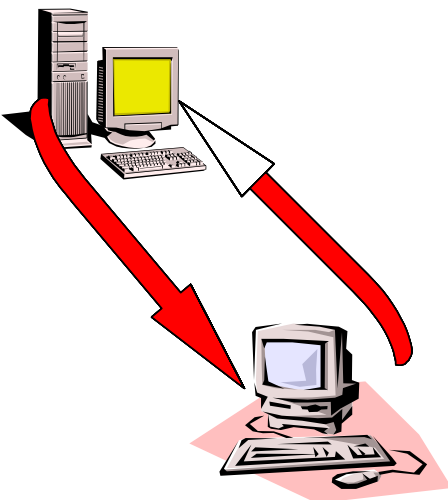
Housing starts in the U.S. for 1999 grew at a rate of 3.3 percent from the previous year, despite falling slightly off pace in the final two months. The rate of growth in building permits issued was slightly under par; growing just under 2 percent from 1.6123 million in 1998 to 1999's figure of 1.6402 million. The US increase in housing starts remained proportionate to the country's strong economic growth: the GDP grew by 4 percent in 1999. Overall, housing starts increased from 1.617 million in 1998 to 1.665 million in 1999. After a particularly strong November, the US Midwest finished the year with an 8 percent growth over the previous year's number of issued building permits, while the South and Northeast Regions experienced growth rates of 2.5 and 3.6 percent, respectively. The West encountered a slight drop from last year. As in previous years, much of the US construction activity has been concentrated in the South and Midwest regions. The threat of inflation in the first half of 2000, combined with rising producer and consumer prices, are expected to impact housing starts. Most analysts anticipate a decrease in construction market activity for the current year.

Special Feature

DISPELLING THE MYTHS ABOUT E-COMMERCE IN THE BUILDING PRODUCTS

In November, 1999, Industry Canada commissioned Decima Research Inc., a leading research firm, to identify the perceived barriers to the adoption of e-commerce in the building products industry. Decima conducted focus group sessions with 22 executives (in Toronto and Montreal) whose firms had yet to undertake an e-commerce initiative. Here is a summary of their results.

Decima found that while many of these firms had their own website, all of the participants perceived the Internet as mostly a marketing tool, providing universal and real-time access to information about their company's products and services. Many participants felt that their web site was an effective business tool, and brought them clients that they might not have otherwise.



Participants said that important barriers to introducing e-commerce in their firm included:

- many of their suppliers, clients and end-users don't have computers;
- many senior executives were unfamiliar with Internet technology and its capabilities;
- the financial cost of adopting e-commerce;
- the customized nature of their products did not lend itself well to selling their products on the Internet, and
- many participants were afraid that they did not have the manufacturing capacity to handle the increased demand that the Internet would bring.

Many participants also felt that buying and selling on the Internet would eliminate the personal relationship with buyers, and that their products could not be sold on-line using a credit card. There were also concerns about on-line fraud, hackers and computer viruses.

Here's what Decima had to say about these perceived barriers:

Several of the perceived barriers to the adoption of e-commerce expressed by focus group participants are **more imagined than real**. Current e-commerce solutions can be tailored for B2B (Business to Business) transactions and processes are not limited to B2C (Business to Consumer)

buying and selling. Detailed production designs and build-to-order price quotations can now be transmitted securely over the Internet...E-commerce is not limited to standard, fixed price items. Not all customers and suppliers in a firm's value network need be connected to realize substantial benefits from adopting e-commerce. E-commerce can be used to enhance person-to-person communication with suppliers and customers, rather than eliminate "the personal touch". On-line credit verification is possible, and standard industry delayed payment terms can be accommodated in current B2B e-commerce solutions... [E-commerce] can dramatically reduce costs, increase profits, reach new customers, increase business with existing customers, attract and keep valued employees and build competitive advantage for Canadian firms."

If you would like copies of the report, or have questions about adopting e-business, please contact our E-business Analyst, George Schoenhofer.
E-mail: schoenhofer.george@ic.gc.ca
Tel: 613-954-3127.

Visit our E-Commerce website at:
<http://strategis.ic.gc.ca/SSG/fb01296e.html>