Volume 6 Issue 2 Summer 2000

❖ Windows and Doors Review ❖

Highlights

- **Shipments soar in first quarter**
- **Exports increase 23% on strong US and EU demand**
- **Imports increase as Canadian market grows**
- **Higher interest rates expected to slow growth**

Shipments

Production of windows and doors soared in the first quarter of 2000. Continued growth in both the domestic and export markets pushed demand higher, despite initial signs of a slowing construction sector. Unlike in previous years where the export sector led shipment growth, the first quarter of 2000 saw significant gains in the apparent domestic market (ADM). The ADM grew by approximately 27 percent to $499.6 million in the first three months of the year.

Combined, wood and metal window and door shipments were $656 million for the first quarter, an increase of 26.5 percent. Wood and metal window and door shipments, on a seasonally adjusted and annualized basis, were $3.31 billion. This represents an increase of 9.4 percent from the fourth quarter of 1999, and a 22.7 percent rise over the first quarter of 1999. This would tend to demonstrate the industry experienced solid gains through the January to March period of 2000.

Shipments of metal windows and doors were up 29.6 percent to $371 million for the first three months of the year. Part of the strong gain was due to increased producer prices as measured by the Industry Producer Price Index (IPPI) for metal windows and doors. It was up 5.5 percent in the first quarter versus the first quarter of 1999, most likely due to higher primary metal prices. Metal win-

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SPECIAL FEATURE

SourceCAN Registry

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Comments or suggestions?
Contact us:
Murray Hardie at
Tel: (613) 954-3037
Fax: (613) 952-8988
E-Mail: hardie.murray@ic.gc.ca
or
Patrick Hum at
Tel: (613) 954-3048
Fax: (613) 952-8988
E-Mail: hum.patrick@ic.gc.ca

dow and door shipments, readjusted for changes in prices, increased 16 percent.

Wood window and door shipments were up 22 percent for the first three months, reaching $284.5 million. Unlike with metal products, the IPPI for wood windows and doors remained unchanged for the ninth consecutive quarter.

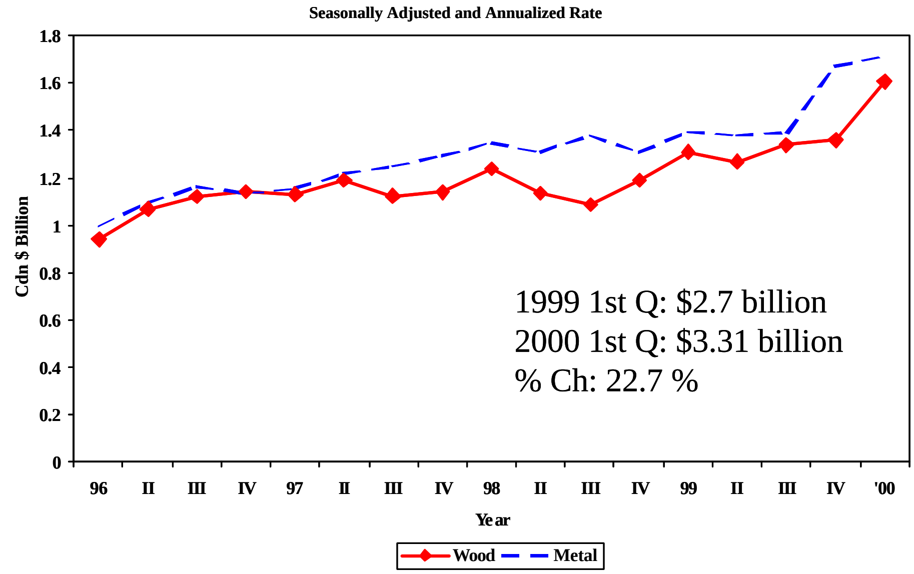
Industry Canada analysis would indicate PVC window and door production has increased at a pace greater than both wood and metal. This is based primarily on the strength of the PVC export data. Production of plastic windows and doors was estimated to be $500 million in 1999.

International Trade

Window and door exports showed considerable resilience in the first quarter of 2000. The first quarter traditionally sets the tone for the upcoming year. Canadian window and door exports reached $239.7 million for the first three months of the year, up 23.2 percent from a year ago. Should this pace continue, window and door industry exports should surpass $1 billion in 2000.

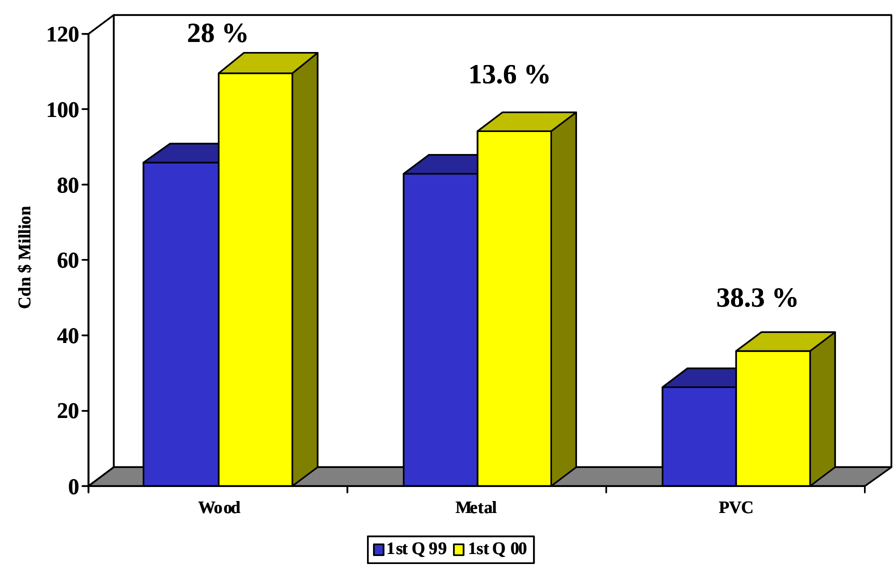
Among product groups, PVC windows and doors led all sectors in growth. Exports grew 38.3 percent to $35.8 million for the first quarter. Wood window and door exports followed with growth of 28 percent, and exports of $109.8 million for the January to March period. Metal door and window exports were $94 million, an increase of 13.6 percent from the first quarter of 1999.

Wood and Metal Window and Door Shipments: 99/00 1st Q



Source: Industry Canada based on Statistics Canada data, 2000

Window and Door Exports by Material Type: 1st Quarter 2000



Source: Industry Canada based on Statistics Canada data, 2000

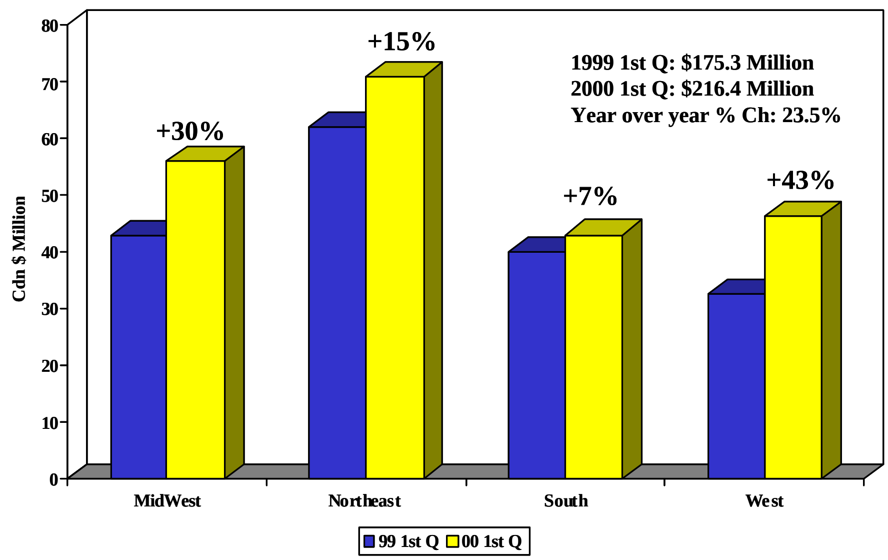
Exports to the U.S.

Canadian window and door exports to the US continued to grow in the first quarter of 2000. Despite early signs of a slowing US construction sector, exports grew 23.5 percent to $216.4 million through the first three months of the year. A slight decline in the value of the Canadian dollar continued to make Canadian windows and doors attractive to US buyers. Exports to the US have been the driver to the industry's growth over the past few years, and is expected to remain an important element through 2000. The US represents 90 percent of total industry exports.

Exports to the US West saw the most significant gain, increasing 42.7 percent in the first quarter to reach $46.3 million. Much of the gain was as a result of strong exports to the State of Washington, where exports increased 96 percent to $17.8 million for the first three months of the year. In the US Midwest, exports were up 30.4 percent to $55.9 million. Exports to this region were buoyed by strong gains in Michigan, up 53 percent to $18.8 million through March, and to a lesser extent Minnesota. Window and door exports to this state were up 67 percent to $8.7 million.

The US Northeast, the largest destination for Canadian windows and doors, saw moderate growth in the first quarter. Exports to states in this region increased 15 percent to $71.1 million. New York, the largest export market for Canadian producers, saw little increase in window and door exports,

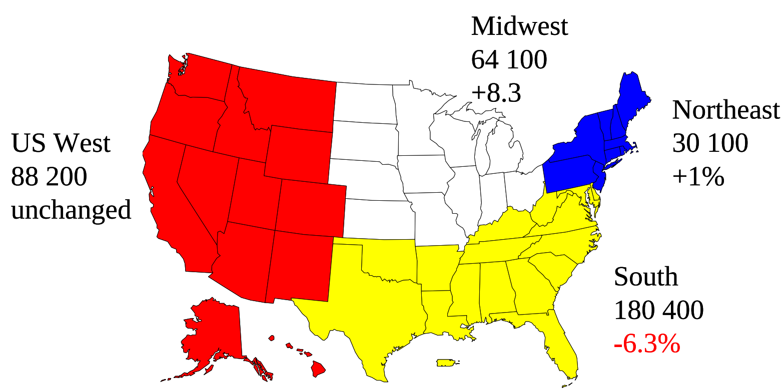
Window and Door Exports to the US By Region: 99/00 1st Q



Source: Industry Canada based on Statistics Canada data, 2000

US Housing Starts: 1st Quarter 2000

"... higher mortgage rates, are already influencing the construction sector."



Legend:
Region
Actual Starts
% Ch

US Housing Starts 1st Quarter: 362 800 units
% Change: -1.8 %

Source: US Dept. of Commerce, 2000

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up 1.8 percent for the first three months of the year. The slowing of construction starts in the US South was also felt in window and door exports to that region. Exports to the US South, the largest construction market in the US, grew by just 6.8 percent to $43 million for the first three months of the year.

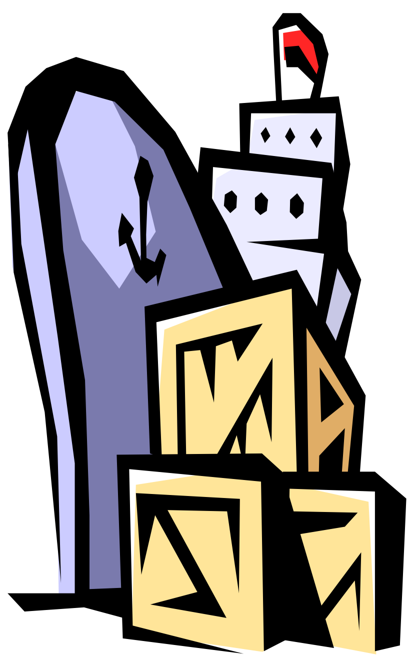
Exports to Offshore Markets

First quarter exports to offshore markets were mixed. Exports to the European Union (EU) saw solid gains, increasing 23.6 percent to $6 million for the three months ending in March. Demand in Europe has strengthened considerably because of the stronger economies in most European countries including the United Kingdom and France. The United Kingdom is the leading export market for Canadian windows and doors in the EU. Exports to this country increased 13 percent to $2.8 million through the first three months of the year.

Despite making significant gains in 1999, Canadian window and door exports to Japan fell 13 percent in the first quarter of 2000 to $5.6 million. Exports to the Asia-Pacific region continued to tumble, dropping 77 percent for the first three months of the year.

IMPORTS

The improving Canadian window and door market resulted in higher imports. Imports increased 11.7 percent to $56.3 million in the first quarter. Not surprisingly, Ontario accounts for the largest percentage of window and door imports (31 percent or $17.5 million). Washington State was the largest source of window and door imports at $8.6 million for the first three months of 2000. The US accounts for 97 percent of all imports. Wood doors account for 34 percent of all imports.



Industry News

CWDMA 2000 Fall Meeting and WIN-DOOR '00 November 15-17, Toronto

The Canadian Window and Door Manufacturers Association (CWDMA) will be holding their Fall 2000 meeting in conjunction with WIN-DOOR 00 on November 15 to 17 at the Metro Convention Centre. WIN-DOOR will include technical committee meetings, presentations on the state of the economy, and updates from working committees of the Association. For more information on WIN-DOOR 00, contact Jennifer Reid of the CWDMA at 613-233-6205, or by email at: jreid@cwdma.ca.

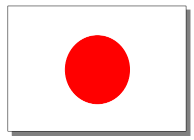
Construction and Housing Review

Canada

Housing Starts (Jan-April):
39 605
April Housing Starts (SAAR):
158 300
GDP Growth (1st Quarter):
4.9% annualized

While the Canadian economy remains healthy and robust, inflation and interest rate concerns will influence construction activity throughout the year. Canadian housing starts in April, on a seasonally adjusted and annualized rate (SAAR), fell 5.4 percent as compared to March. Total building permits in Canada were 45 900 through the first four months of the year, unchanged from a year ago. Building permits in Toronto and Vancouver retreated by 6.4 and 5.5 percent for the first four months of the year. Despite possible further increases in mortgage rates later on in the year, new housing starts are expected to remain slightly above last year's level.

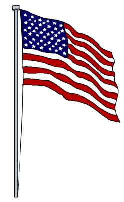
Japan



Housing Starts (Jan-April):
398 990
April Housing Starts (SAAR):
1.236 million
GDP Growth (1st Quarter):
2.4% annualized

After shrinking for two consecutive quarters, the Japanese economy grew by 2.4 percent in the first three months of the year. Part of the first quarter growth was due to the solid housing and construction sector. Demand for new housing was up 5.2 percent in first quarter, and reached 398 990 through April. Two by four housing starts rose 14 percent in the first quarter, while prefabricated starts were unchanged from the same period a year ago.

United States



Housing Starts (Jan-April):
515 400
April Housing Starts (SAAR):
1.656 million
GDP Growth (1st Quarter):
5.4% annualized

Despite several interest rate increases, the US economy continues to grow at a brisk pace. The fast economic growth is expected to slow as the effects of previous interest rate hikes are felt. These hikes, through higher mortgage rates, are already influencing the construction sector. Total housing starts for the first four months were down slightly, to 515 400. Starts in all regions have cooled, most notably the important US South where starts have fallen 4 percent from a year ago. Building permits in April were 1.597 million (SAAR), down 1 percent from a year ago.

Special Feature

SourceCAN Registry

The SourceCAN registry is designed as a single point of entry to the largest, most comprehensive and up-to-date database of Canadian companies available online. It offers services that help companies find customers in export markets. SourceCAN also assists in identifying and developing contacts with domestic or foreign manufacturers for sourcing as well as importing. The **enclosed brochure** provides more details about SourceCAN. To register your company go to: www.sourcecan.com.

Team Canada 2000: Beijing - Shanghai - Hong Kong

A Team Canada trade mission to China, tentatively scheduled for November 18-26, 2000, is being organized by the Department of Foreign Affairs and International Trade. The mission will be led by the Prime Minister and will visit Beijing, Shanghai and Hong Kong. Those interested in joining the mission or wanting more information should visit the Team Canada 2000 China Mission web site at: http://www.tcm-mec.gc.ca/China/mission-e.asp

Market Report: Germany

The Market Research Division of the Department of Foreign Affairs and International Trade has published a report titled “The Wood Frame Housing and Associated Parts Market In Germany”. The study focuses on the market for prefabricated houses and associated parts including doors, windows, and kitchen cabinets in Germany. You can access this and other country market reports on the Infoexport web site at: http://www.infoexport.gc.ca/main-e.asp?act=3&nid=565 Visit this site regularly for updates and new market reports.