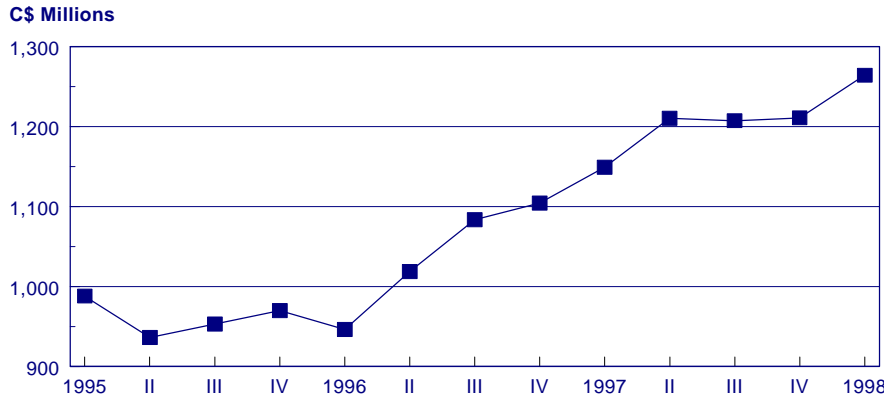


Canadian Kitchen Cabinet Shipments

Seasonally Adjusted and Annualized
(1996=100)



regions with 13.4 percent for the first months of 1998.

With U.S. housing starts, up 8.7 percent for the quarter, strong U.S. demand should continue to drive exports for the rest of the year. On a regional basis, the U.S. South accounts for 48.3 percent of total U.S. housing starts. The West, Midwest, and Northeast account for 26, 17.3 and 5.4 percent respectively. It should be noted, despite the good performance

International Trade

Accounting for 98.8 percent of total exports of kitchen cabinets, exports to the U.S. reached \$104.6 million during the first quarter of 1998, up 29.1 percent from its 1997 level. The fastest growing region was the Northeast, posting a growth rate of 41.4 percent with shipments of \$28.6 million. This was followed by the West with a growth rate of 40.9 percent and the Midwest at 31.4 percent. Respective shipments to the West and Midwest were valued at \$20.5 million and \$22.5 million for the first quarter of 1998. Exports to the South were \$33 million. The U.S. South, which accounted for 31.5 percent of total Canadian shipments to the U.S., did not manage to keep up with the high rate of growth of 57.4 percent recorded last year, and posted the slowest growth rate of all U.S.

Kitchen Cabinet Exports to United States by Region

Region	1st Q 1997 (\$ '000)	1st Q 1998 (\$ '000)	% Change* 1998-1997	% Change* 1997-1996	% Total 1998 (1st Q)
Total U.S.	81,006	104,592	29.1	42.9	100.0
Midwest	17,125	22,499	31.4	47.4	21.5
Northeast	20,231	28,600	41.4	50.4	27.3
South	29,081	32,967	13.4	57.4	31.5
West	14,569	20,526	40.9	11.0	19.7

Source: Compilation based on Statistics Canada data
U.S. Dept of Commerce, 1998
* % change on a year-to-year basis (Jan-Mar)

during the first quarter of 1998, all regions posted decreasing marginal rates of growth implying a slower rate of growth than in the first quarter of 1997.

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The strong Canadian export growth to the U.S. market has been only marginally offset by a decrease in exports to the European and Japanese markets where exports of Canadian kitchen cabinets experienced a significant decline during the first quarter of 1998, down 65.2 percent and 71.6 percent respectively. Still suffering from the economic downturn, Canadian shipments to Japan dropped \$1.1 million from their 1997 level. Competition in Europe, combined with a strong Canadian dollar have contributed to the lower first quarter 1998 performance in the European market. During the quarter, exports accounted for 38 percent of total industry shipments.

Canadian Exports of Kitchen Cabinets by Destination

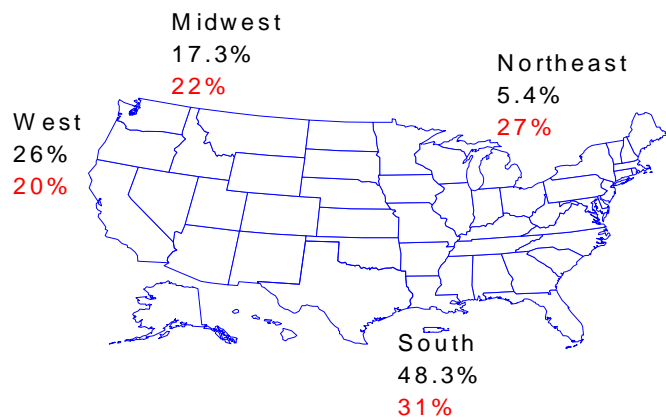
	Exports 1Q1998 (\$ '000)	% Change* 1997-1998	% Change* 1996-1997	% Total 1998
United States	104,592	29.1	42.9	98.8
Japan	605	-65.2	51.0	0.6
Western Europe	161	-71.2	228.3	0.1
Latin America & Caribbean	315	21.7	-34.5	0.3
Other	225	70.5	-134.3	0.2
Total	105,898	26.5	42.7	100

Source: Compilation based on Statistics Canada data
* % change on a year-to-year basis (Jan-Mar)

The US Housing Market: 1998 1st Quarter Housing Starts

- On a year over year basis, housing starts were up 8.7% from 1997.
- Total housing starts at a SAAR totaled 1.57 million.
- Strong US economy (especially in the South) continues to drive housing activity.

Legend:
Region
% of US Housing Starts
% of Cdn Kitchen Cabinet Exports



Source: U.S. Dept of Commerce, 1998

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Construction and Housing Review

Construction in Canada



Housing starts in the first quarter totalled 23 570 units, up 3.5 percent on a year over year basis. Building permits gained a modest 1.5 percent. January's ice storm had a negative impact on housing starts in Quebec and resulted in a 13.6 percent decrease from the first quarter of 1997.

Construction in Ontario and Alberta continued to be strong, with starts up 20.7 percent and 14.2 percent respectively. With the exception of Manitoba, the Prairie provinces continued to show growth in the residential construction sector. The Atlantic region experienced a 59 percent decline in housing starts from the same period in 1997. Starts in BC were down 7.8 percent for the first three months of 1998.

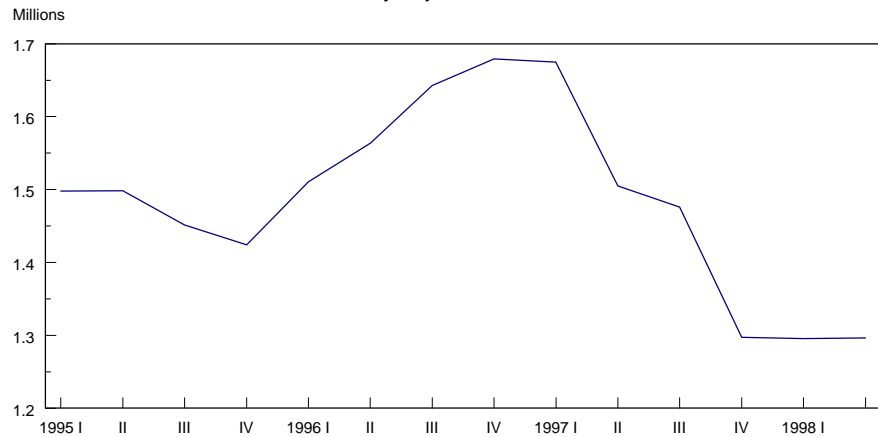
Construction in the United States



The strong US economy continued to move along relatively unscathed by the turmoil in Asian economies. Housing starts in the first quarter reached a seasonally adjusted annualized rate of 1.57 million, up 8.7 percent from

Japanese Housing Starts Signal Weak Construction Activity

Japanese Housing Starts
Seasonally Adjusted and Annualized

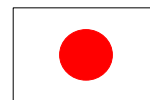


Source: Japanese Ministry of Construction, 1998

the same period in 1997. Construction in the Southern states continued to lead all regions, with over 155 000 housing starts in the first three months alone. Starts in the Midwest increased 13.6 percent to 49 000 units. Residential construction in the West was up 5.2 percent to 83 700 units. In contrast to the other regions, the Northeast region recorded a 32 percent drop in housing starts, falling to 25 800 units in the first three months of the year accounting for 5.4 percent of US housing starts.



Construction in Japan



In the first quarter of 1998 Japan officially entered a recession, as the economy contracted for a second consecutive quarter. With unemployment near 4 percent and a depreciating currency, Japanese consumer spending remained low. While the first three months are usually slow for the construction sector, the housing market continued to slide in the first quarter of 1998. Housing starts in the first three months totalled only 283 400, down 13.8 percent from 329 100 starts in the first quarter of 1997.



NAFTA TEMPORARY ENTRY PROVISIONS

In the past few months, Industry Canada has received requests for information concerning Canadian business persons entry to the US.

Chapter 16 of the North American Free Trade Agreement (NAFTA) contains provisions that facilitate the cross-border movement of four categories of business persons (Business Visitors, Intra-Company Transferees, Traders and Investors, Professionals). To qualify for facilitated entry under the NAFTA, a person must clearly demonstrate that their qualifications and/or their work-related duties directly relate to one of the categories of business persons listed in the NAFTA.

To assist in clarifying some of the NAFTA cross-border procedures and criteria, the Department of Foreign Affairs and International Trade (DFAIT) produced a brochure entitled *Cross-Border Movement of Business Persons and the North American Free Trade Agreement*. Copies are available from the departmental InfoCentre at 1-800-267-8376 or electronically, through the departmental website at: www.infoexport.gc.ca/nafta/cross-border/16006-e.asp (english)

Given the vast number of border crossings made by business

people, it is inevitable that problems will periodically occur. Accordingly, Canadian officials continue to monitor the application of the NAFTA temporary entry provisions by border officials of NAFTA Parties.

If instances of specific cross-border difficulties are known that may be inconsistent with U.S. (or Mexican) NAFTA obligations, details should be directed to the Services Trade Policy Division (EBS) of the department (tel: 613-944-2046, fax: 613-944-0058). This information will assist trade officials in assessing whether there have been any NAFTA violations and in determining appropriate courses of action. Details of any incident should be as specific as possible including the location of the U.S. Port of Entry, the name of the officer, the time of the incident and copies of any documentation used at the time a border crossing was attempted.

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.

Trade Team Mission to Eastern Europe January 1999

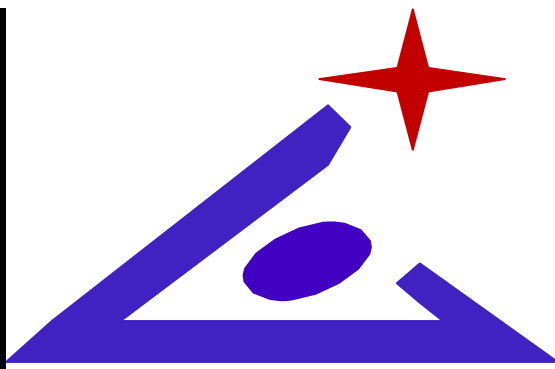
The first ever Trade Team Canada Mission to Russia, the Ukraine and Poland will take place January 16 to 27, 1999. It will focus on a number of sectors including construction products and services. These missions have led to a large number of business deals and have helped open doors for Canadian businesses to important contacts and opportunities, creating and sustaining employment in Canada. Companies interesting in getting further information on this Team Canada mission can contact the Team Canada Task Force in Ottawa at tel: 613 995-2194 or fax: 613 996-3406.

CONSTRUCT CANADA

Industry Canada and the Department of Foreign Affairs & International Trade will again be participating in Construct Canada being held December 2-4, 1998 at the Metro Toronto Convention Centre. The 10th annual Construct Canada is being held concurrently with PM Expo and Home Builder Expo.

The joint IC/DFAIT booth will highlight government programs and services aimed at assisting building products and services firms access foreign markets. It is anticipated a number of foreign delegations will again visit the show, which covers a wide spectrum of design, construction, retrofit and renovation with 800 exhibits of products, materials, technologies, and services. Special exhibit areas will focus on advanced construction technologies, roofing, concrete, building performance, security & life safety, prefabricated building systems, and computer applications.

To obtain exhibitor information for **Construct Canada** or **Home Builder Expo**, fax a request to (416) 512-1993 or call (416) 512-1215, ext. 229.



Secteur de l'industrie
Direction générale des
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