INDUSTRY CANADA
Wood Kitchen Cabinets Review

Volume 5 Issue 1 Spring 1999

1998 Year In Review
Exports to US Drive Shipments Higher
Overseas Trade Stumbles

Shipments

In 1998, kitchen cabinet production in Canada reached a new record level. Shipment growth was healthy throughout the year, particularly in the latter months where shipments were higher than expected. Strong fourth quarter results pushed shipments to $1.304 billion, up 9.34 percent from $1.2 billion in 1997. Whereas growth in 1997 was spurred on by strong demand in both the domestic and export markets, growth in 1998 was driven almost entirely by increased demand from export markets.

Shipments to the domestic market increased by only 2 percent but may have been higher had it not been for the weak Canadian construction market (see Construction in Canada for more). The weakness in new home construction translated into a domestic market for kitchen cabinets that remained almost unchanged in 1998 from that in 1997. The apparent domestic market (ADM) for kitchen cabinets was $860.9 million, up only 0.85 percent from $853.6 million in 1997. Canadian kitchen cabinets represented 97 percent of the ADM in 1998. Imports accounted for the remaining 3 percent.

Also in this Issue

Link directly to these websites by visiting the Spring 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 were the only area to see any substantial growth in 1998. Kitchen cabinet exports rose 25.5 percent to $467 million, up from $374 million in 1997. Exports in the fourth quarter, the strongest period in all of 1998, were $124.1 million, up 32 percent from the same period in 1997. Exports represented 36 percent of total Canadian production in 1998, as compared to 31 percent in 1997 and just 4.2 percent in 1990.

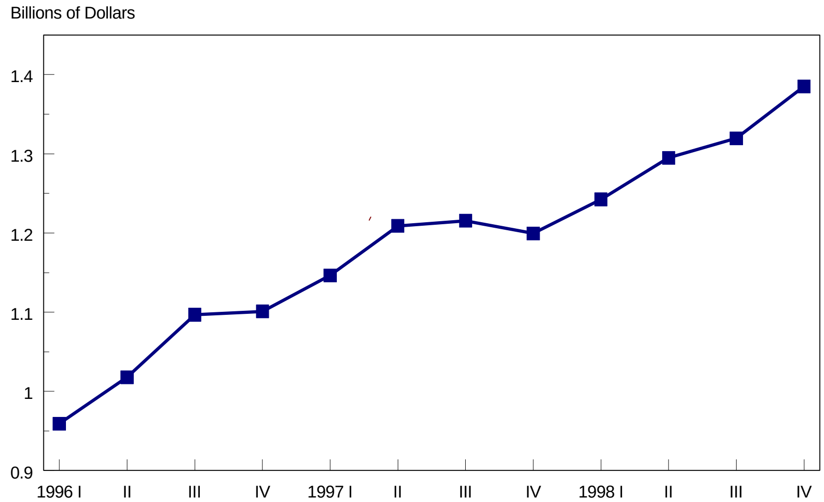
Exports to the US

Exports of kitchen cabinets to the US soared 27 percent to $463 million in 1998, up from $364.8 million in 1997. Unlike the Canadian sector, the US construction industry continued to boom and pushed demand for Canadian kitchen cabinets higher. Growth in the Northeast, South and Midwest actually slowed, as compared to growth between 1996 and 1997, but was nonetheless impressive. Strong housing starts and exports to the US through to end of the fourth quarter of 1998 would tend to indicate the strong demand will continue into the first half of 1999. The US accounted for 98.7 percent of Canadian kitchen cabinet exports in 1998.

By region, the US South was the largest destination for Canadian exports, with shipments of $143.6 million, an increase of 23.2 percent over $116.6 million in 1997. A favourable construction market throughout the region pushed demand higher, especially in Florida and Georgia where exports to these

Canadian Kitchen Cabinet Shipments 1996-1998

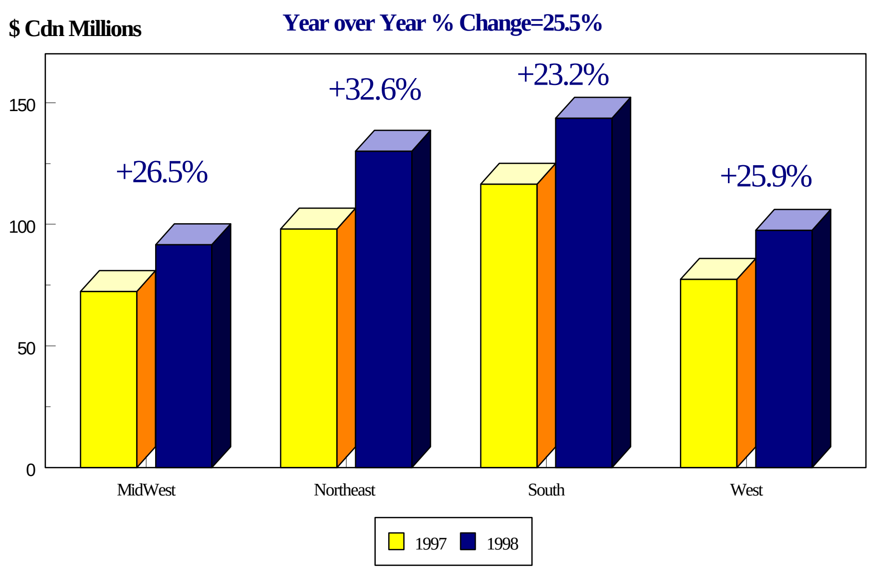
Seasonally Adjusted and Annualized



Source: Industry Canada based on Statistics Canada 1998

Kitchen Cabinet Exports to the US: 1997/98 Comparison By Region

1997: $364.8 Million
1998: $462.9 Million
Year over Year % Change=25.5%



Source: Statistics Canada

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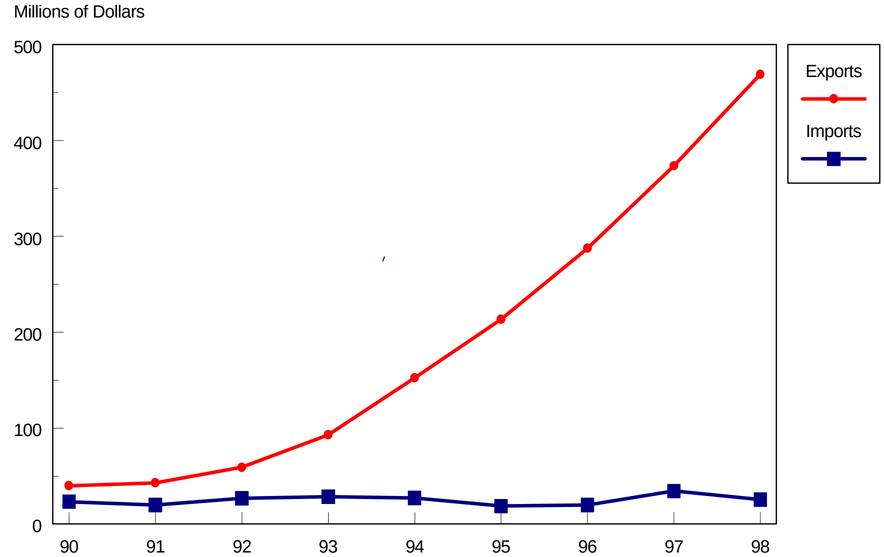
states reached $46 million and $26.6 million respectively. Exports to the US Northeast grew the fastest, reaching $130 million, up 32.6 percent from $98 million in 1997. New York was the largest market for Canadian kitchen cabinets in 1998, with exports of $47.2 million.

Exports to states in the US Midwest rose 26.5 percent to $91.7 million, a gain of $19.2 million from $72.4 million in 1997. The largest market for Canadian kitchen cabinets in this region was Illinois, at $32.4 million. In the US West, exports to this region gained 26 percent over the 1997 results to reach $97.5 million. California was the largest export market among the West Coast states with Canadian exports of $39.7 million.

Offshore Trade

Overseas exports of kitchen cabinets were $6.1 million, down 40.5 percent from $10.25 million in 1997. By far the largest decrease was observed in exports to Japan which fell 61 percent to $1.9 million in 1998, from $5 million in 1997. Weak demand throughout Asia, which is expected to continue in 1999, caused exports to this region to plummet. A poor fourth quarter meant exports to other offshore markets fell 21 percent to $4.1 million from $5.2 million a year ago. Exports to markets other than the US represented only 1.3 percent of total exports in 1998 as compared to 2.8 percent in 1997.

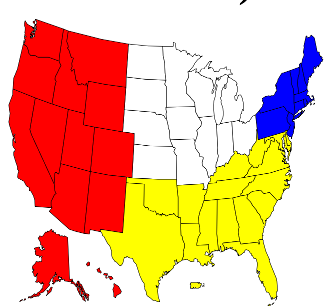
Canadian Kitchen Cabinet Exports Versus Imports 1990-1998



Source: Industry Canada based on Statistics Canada 1998

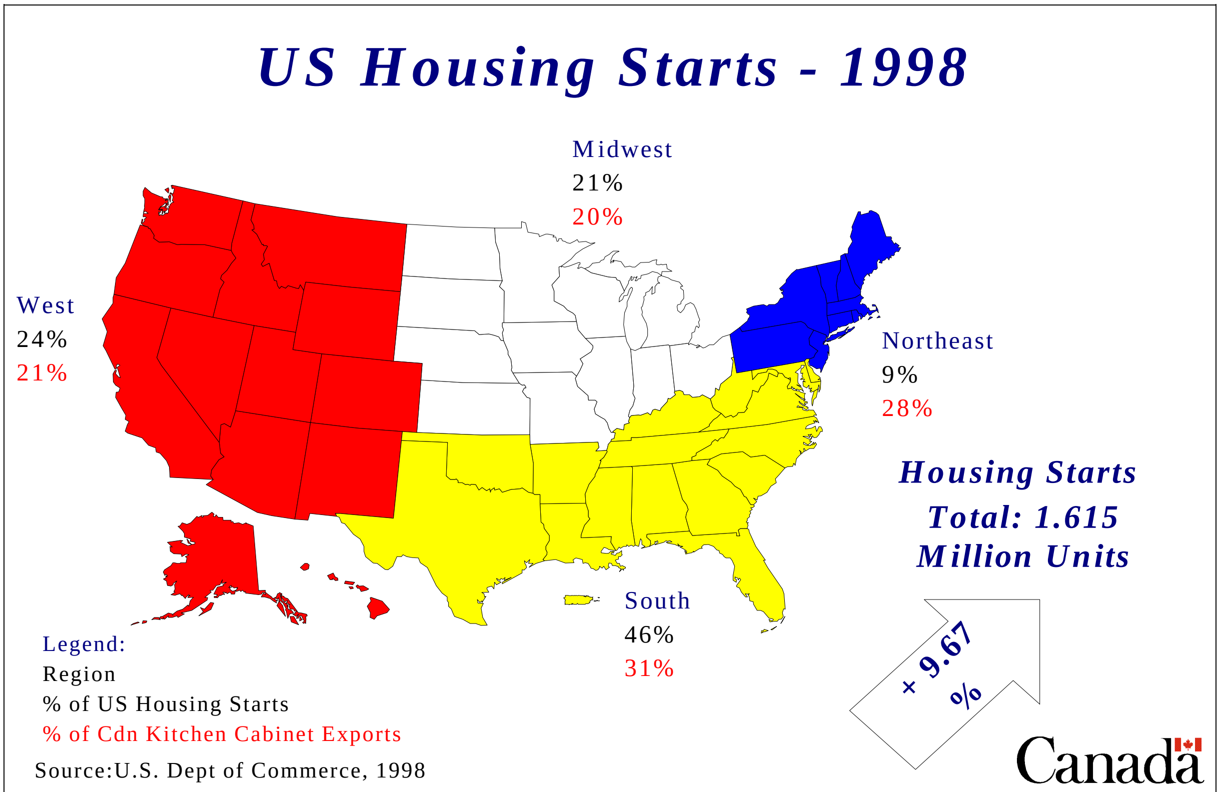
Exports to the Top 25 US States 1998

(In Thousands of Cdn Dollars)



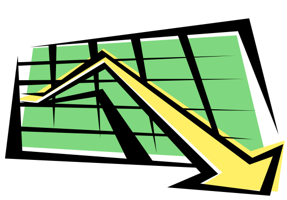
Source: Industry Canada Based on Statistics Canada data, 1999

	State	98	97	% Ch
-	Total US	462,898	364,789	26.9%
1	New York	47,242	32,060	47.4%
2	Florida	45,972	31,239	47.2%
3	California	39,696	33,987	16.8%
4	Illinois	32,484	20,702	56.9%
5	Georgia	26,605	22,252	19.6%
6	North Carolina	23,313	15,685	48.6%
7	Massachusetts	19,219	16,706	15.0%
8	Colorado	15,506	13,802	12.3%
9	New Jersey	15,252	9,414	62.0%
10	Vermont	15,191	13,506	12.5%
11	Michigan	15,061	12,565	19.9%
12	Texas	14,590	14,202	2.7%
13	Washington	14,520	10,366	40.1%
14	New Hampshire	14,042	7,099	97.8%
15	Virginia	12,109	12,510	-3.2%
16	Wisconsin	10,603	12,043	-12.0%
17	Indiana	9,794	3,800	157.7%
18	Pennsylvania	9,374	10,060	-6.8%
19	Ohio	9,287	9,179	1.2%
20	Nevada	8,088	5,195	55.7%
21	Arizona	7,822	5,184	50.9%
22	Maryland	6332	4,117	53.8%
23	Connecticut	4985	4,688	6.3%
24	South Carolina	4885	4,039	20.9%
25	Minnesota	4217	3,368	25.2%



Imports

Kitchen cabinet imports into Canada fell 26 percent to $25.6 million in 1998, down from $34.4 million in 1997. The falling value of the Canadian dollar and weak construction markets hurt kitchen cabinet imports. The US accounted for $19.7 million or 77 percent of kitchen cabinet imports from abroad. Ohio and California were the largest source of imports from the US, with cabinets from these states worth $6.6 and $2.4 million respectively. Imports from Thailand, although inconsistent throughout the year, were up 188 percent to $2.7 million and represented 11 percent of all imports.



Industry Notes

Ontario Building Products Exporters' Association

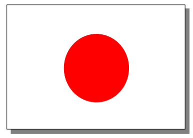
On March 11, 1999, the OBPEA held its first general meeting in Toronto. At the well attended meeting members were given presentations on shows and initiatives in Japan, USA, Germany and India and a copy of the first newsletter. It is anticipated that the Association will become a major force for concentrating the international marketing efforts of Ontario based companies. For more information on the general meeting, contact Hank Delmas at (905) 859-4622.

Construction and Housing Review

Construction in Canada

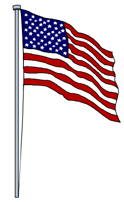
The Canadian economy finished 1998 on a mixed note. While the overall economy managed to grow by 3 percent, most of this was due to a stronger than expected fourth quarter where GDP increased 4.6 percent. Housing starts in 1998 were 137 400, down 6.5 percent from 147 000 in 1997. Weak starts were observed in almost every region, in particular British Columbia where housing starts fell 32.1 percent to 19 900. Construction activity through most of the Atlantic region was weak, with the exception of PEI. Ontario, the largest housing market in the country, was down marginally, at 53 800 starts. Housing starts in Quebec fell 10.7 percent to 23 100 starts. The Prairie provinces, led by strong growth in Alberta, was the only region to see significant growth. Starts in Alberta, were up 14.6 percent to 27 100 starts. Most analysts expect housing starts to remain unchanged from 1998 levels and GDP to grow by about 2.1 percent this year.

Construction in Japan



The Japanese economy hit a low point in 1998 as GDP shrank by an estimated 2.9 percent. This compares to the modest growth of 1.7 percent experienced in 1997. Most economic indicators, such as industrial production, consumer spending and housing starts, pointed towards a continuation of the Japanese recession. Government efforts to stimulate the economy, aside from adding to the government's large debt, have done little to encourage domestic demand. There were 1.198 million housing starts in 1998, down 10.7 percent from 1997. In the last two years, housing starts have fallen 26 percent. By construction type, prefabricated housing starts were down 8.8 percent, while 2X4 construction homes were 10.4 percent off their 1997 pace. Most analysts are forecasting Japanese housing starts to under perform in 1999 with approximately 1.15 to 1.2 million starts.

Construction in the United States



The US economy experienced strong growth in 1998. Demand, as measured by US gross domestic product, increased 3.9 percent. The continued strength of the economy extended itself in US demand for new housing. Housing starts were 1.62 million in 1998, up 9.67 percent from 1997 levels. All regions observed healthy increases, with the booming US South leading all regions. Housing starts in Southern states, which account for 46 percent of the US national total, were 740 300, up 10.4 percent from 1997. Housing starts in the Midwestern states grew 9.4 percent to 332 000, while West coast states managed an 8.8 percent increase to 394 800 housing starts for the year. The Northeast, the smallest construction market in the US, grew at 8.6 percent to 148 500 starts. For 1999, most analysts are predicting the US economy will continue to grow, albeit at a more modest pace of 3 percent. Housing starts are expected to be moderately weaker than 1998, but nonetheless strong, at approximately 1.55 million units.

US Building Permits by Metropolitan Area				
Rank	Metropolitan Area	1998	1997	%Ch Y/Y
-	Total US (millions)	1.604	1.441	11.3%
1	Atlanta GA	57,481	49,774	15.5%
2	Dallas-Fort Worth TX	54,278	44,289	22.6%
3	New York-Northern NJ, NY-NJ	51,350	44,529	15.3%
4	Washington-Baltimore DC-MD-VA	49,661	42,082	18.0%
5	Phoenix-Mesa AZ	47,884	43,224	10.8%
6	Houston-Galveston-Brazoria TX	47,210	32,333	46.0%
7	Los Angeles CA	42,423	39,614	7.1%
8	Dallas TX	39,540	33,479	18.1%
9	Chicago-Gary-Kenosha IL-IN-WI	38,233	35,378	8.1%
10	Las Vegas NV-AZ	32,173	30,876	4.2%
11	Seattle-Tacoma-Bremerton WA	30,432	25,347	20.1%
12	Denver-Boulder-Greeley CO	30,246	24,774	22.1%
13	San Francisco-Oakland-San Jose CA	29,424	26,528	10.9%
14	Detroit-Ann Arbor-Flint MI	28,638	24,883	15.1%
15	Orlando FL	25,733	21,391	20.3%

Source: US Department of Commerce, 1999

Canadian Building Permits				
Rank	Metropolitan Area	1998	1997	% Ch
-	Canada	148,593	155,720	-4.6%
1	Toronto	28,563	28,674	-0.4%
2	Calgary	12,914	11,700	10.4%
3	Montreal	11,715	11,299	3.7%
4	Vancouver	11,103	15,214	-27.0%
5	Edmonton	6,100	5,665	7.7%
6	Ottawa	3,787	3,688	2.7%
7	Hamilton	3,708	3,784	-2.0%
8	Kitchener	2,422	2,747	-11.8%
9	London	2,256	1,833	23.1%
10	Quebec	2,231	2,472	-9.7%
11	Windsor	2,110	2,311	-8.7%
12	Halifax	1,930	2,098	-8.0%
13	Winnipeg	1,858	1,558	19.3%
14	Oshawa	1,834	2,129	-13.9%
15	Hull	1,393	1,362	2.3%

Source: Statistics Canada 1999

Special Features

Links to Useful Websites

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

The Canadian Building Products Directory

canadabuild.com

Canadabuild has been online for just under a year and has proven itself as an invaluable promotional tool. It is an online building products directory which allows companies to showcase their potential to customers around the globe. Current product groups include windows, doors, kitchen cabinets, flooring, millwork, and manufactured buildings. New product groups, such as lumber, will be added in time. The website database is designed to easily locate Canadian manufacturers by company, product and province.

For more information on **Canadabuild.com**, contact Ken Montgomery at (613) 954-3053 or by email at montgomery.ken@ic.gc.ca

Standards Council of Canada

http://www.scc.ca

The Standards Council of Canada promotes efficient and effective standardization. Through their website, you can access information on international standards. One of the features of the SCC site is Export Alert!, which allows Canadian companies to stay a step ahead of changing foreign government requirements, standards and regulations in 41 separate fields including construction materials and buildings.

Guide to Canadian Industries

http://strategis.ic.gc.ca/sc_indps/gci/engdoc/homepage.html

The Guide to Canadian Industries (GCI) provides a useful, one stop link to information on Canadian manufacturing sectors. Broken down along Standard Industrial Classification codes, the GCI connects you to company and product directories, contacts, statistical data, analyses, trade shows and much more.

For the GCI for the Canadian Kitchen Cabinets and Bathroom Vanity Industry, search under SIC 2542.

For the GCI for the Canadian Wood Windows and Doors Industry, search under SIC 2543. For the Canadian Metal Windows and Doors Industry, search under SIC 3031.

For the GCI for the Canadian Prefabricated Wooden Buildings Industry, search under SIC 2541. For the Canadian Pre-engineered Metal Buildings Industry, search under SIC 3023.

SOS 2000

http://strategis.ic.gc.ca/sos2000

The SOS2000 site is one of the federal government's main vehicles used to deliver information and solutions to the fast approaching Millenium Bug. On the site, you can find updates on the status of Year 2000 readiness in Canada, publications, links to programs and a list of service providers who can help solve Year 2000 computer problems.

Upcoming Events

NOVA SCOTIA IDEAL HOME SHOW April 8-11, 1999
HALIFAX, NOVA SCOTIA
Features building products, home improvement, financial and investment consultants.
For more information phone (902) 468-4999.

NATIONAL HOME SHOW
April 9-18, 1999
TORONTO, ONTARIO
Features building materials, plumbing and heating supplies, roofing, insulation, floor coverings, hardware, home renovation products & services, etc.
For more information phone (416) 385-1880.