



The industrial producer price index (IPPI) for kitchen cabinets showed little movement over the same period a year ago. The IPPI reflects the price producers receive as goods leave the plant gate and is influenced by changes in the exchange rate. It excludes indirect taxes, transportation and other retail costs.

## Exports

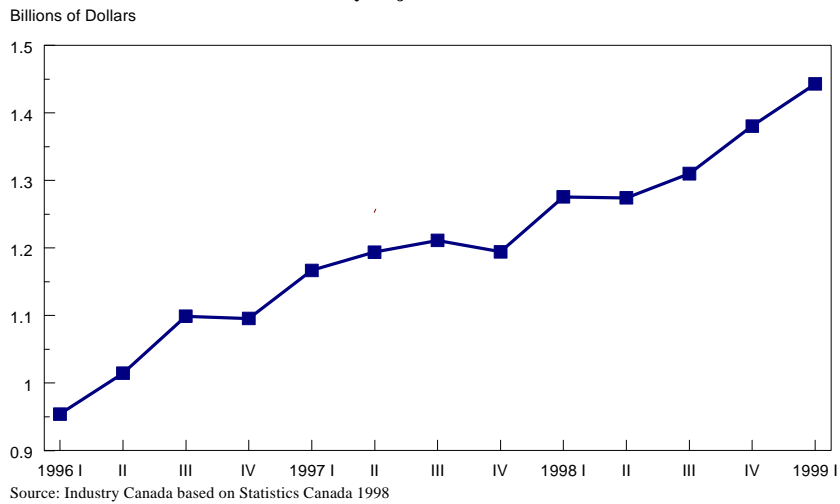
Exports of kitchen cabinets rose 20 percent to \$127.2 million in the first quarter of 1999. This compares to exports of \$106 million in the first three months of 1998. Based on first quarter exports, Industry Canada estimates 1999 exports will be approximately \$550 million. The US, accounting for fully 99 percent of total exports, remains the only export market of any significance to Canadian kitchen cabinet exporters. The poor economic climate in Japan and other Asia-Pacific nations limited Canadian exports to these countries during the first three months of the year. Exports during the first quarter of 1999, accounted for 40 percent of Canadian kitchen cabinet shipments. In comparison, 36 percent of production was accounted for by exports in all of 1998.

## Exports to the US

US demand for Canadian kitchen cabinets remained strong through the first quarter of 1999. Between January and March, kitchen cabinet exports to the US reached \$126.3 million, an increase of 20.8 percent over the \$104.5 million in the first three

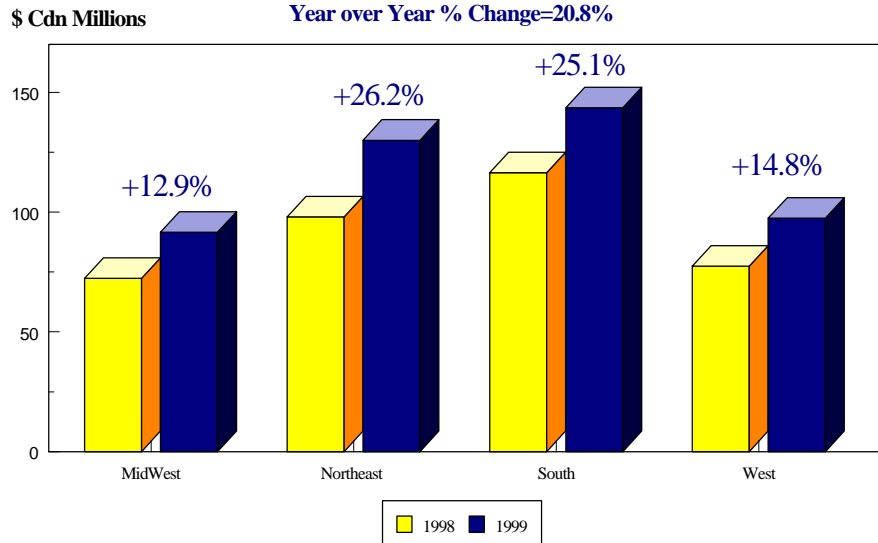
### Canadian Kitchen Cabinet Shipments 1996-1999 1st Quarter

Seasonally Adjusted and Annualized



### Kitchen Cabinet Exports to the US: 1998/99 1st Quarter Comparison By Region

1998 (Jan-March): \$104.5 Million  
1999 (Jan-March): \$126.3 Million  
Year over Year % Change=20.8%



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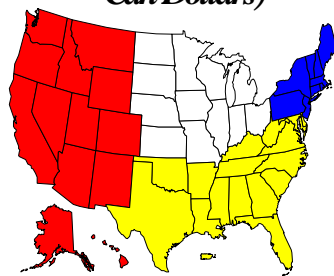
months of 1998. Strong exports to the US were buoyed by the robust US residential construction and renovation markets, which benefitted from an abnormally warm winter in some key regions. Traditionally important regions to Canadian kitchen cabinet exporters experienced particularly strong growth.

The US Northeast led all other regions in growth for the first quarter of 1999. Canadian exports to this region totalled \$36.1 million, an increase of 26.2 percent from the \$22.5 million in the first quarter of 1998. New York, the single largest market in the US Northeast, and in fact the US in general, received \$12.02 million worth of Canadian kitchen cabinets and accounted for almost 10 percent of all kitchen cabinet exports to the US. Exports to the US South also continued strong in the first three months of the year. Shipments to the US South grew 25.1 percent, reaching \$41.6 million between January and March. Florida, North Carolina, and Georgia were the key markets among Southern states with Canadian exports of \$11.7, \$8.8 and \$6.2 million respectively. The US South, which accounts for half of all construction activity in the US, represented 33 percent Canadian kitchen cabinet exports.

In the US Midwest, export growth was more modest. Exports were \$25.4 million, an increase of 12.9 percent over the same period in 1998. By state, shipments to Illinois worth \$7.8 million, edged out Michigan as the largest market for

*Exports to the  
Top 15  
US States  
1999  
1st Quarter*

*(In Thousands of  
Cdn Dollars)*



Source: Industry Canada Based on Statistics Canada data, 1999

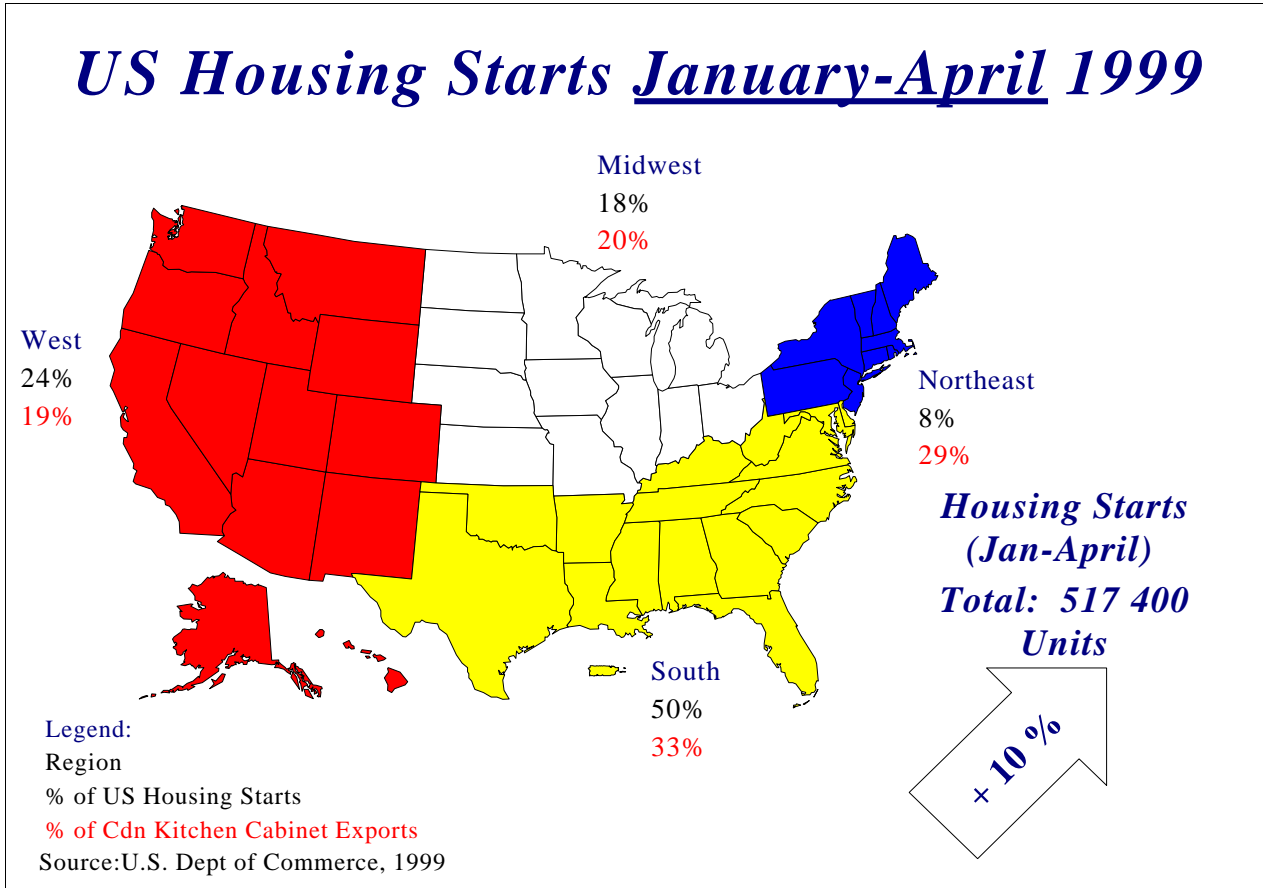
	State	99	98	% Ch
-	<b>Total US</b>	<b>126,278</b>	<b>104,524</b>	<b>21%</b>
1	<b>New York</b>	<b>12,021</b>	<b>9,348</b>	<b>29%</b>
2	<b>Florida</b>	<b>11,658</b>	<b>10,460</b>	<b>11%</b>
3	<b>California</b>	<b>9,404</b>	<b>7,988</b>	<b>18%</b>
4	<b>North Carolina</b>	<b>8,760</b>	<b>4,708</b>	<b>86%</b>
5	<b>Illinois</b>	<b>7,828</b>	<b>7,214</b>	<b>9%</b>
6	<b>Michigan</b>	<b>7,752</b>	<b>2,818</b>	<b>175%</b>
7	<b>Georgia</b>	<b>6,293</b>	<b>6,610</b>	<b>-5%</b>
8	<b>Massachusetts</b>	<b>5,926</b>	<b>4,820</b>	<b>23%</b>
9	<b>New Jersey</b>	<b>5,783</b>	<b>3,512</b>	<b>65%</b>
10	<b>Washington</b>	<b>4,385</b>	<b>3,223</b>	<b>36%</b>
11	<b>Pennsylvania</b>	<b>4,106</b>	<b>2,272</b>	<b>81%</b>
12	<b>Texas</b>	<b>3,895</b>	<b>3,456</b>	<b>13%</b>
13	<b>Maryland</b>	<b>3,544</b>	<b>942</b>	<b>276%</b>
14	<b>Colorado</b>	<b>3,487</b>	<b>3,191</b>	<b>9%</b>
15	<b>New Hampshire</b>	<b>3,196</b>	<b>2,057</b>	<b>55%</b>

Canadian kitchen cabinets in this region. Exports to Michigan totalled \$7.7 million for the first three months of the year. The Midwest accounts for 20 percent of kitchen cabinet exports, while the US West represents 18 percent. California was the leading market among states in the US West region. Exports to California were \$9.4 million, followed by exports to the State of Washington which reached \$4.4 million. Canadian shipments to the US West grew by 14.8 percent to \$23.6 million for the first quarter.



**Please note**

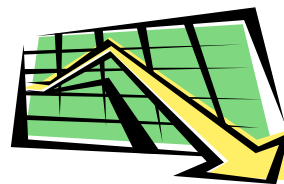
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### Imports

Kitchen cabinet imports in the first three months of the year were \$5.1 million, down 20.3 per cent from \$6.4 million observed in the first quarter of 1998. Imports from the US accounted for 82 per cent of all kitchen cabinet imports. Ohio, with shipments to Canada of \$1.6 million, was the largest source of imports. The lower Canadian dollar is the main reason for the fall in imports. Ontario was the largest destination for imports, representing 56 percent or \$2.9 million of total Canadian imports of kitchen cabinets. In the first quarter, Canada had a net trade balance of \$122.2 million. This compares to

the net trade balance of \$98.2 million in the first quarter of 1998.



### Industry News

#### New Trade Show Announced

InterBUILD expositions Inc. has announced it will host "Interbuild 2000", a residential home building and construction industry show May 11 to 13, 2000 at the Toronto Congress Centre. For exhibit space information contact Rick Young at tel: 780 413-6222 or fax: 780 413-6224 or by e-mail at: [www.interbuild2000.com](http://www.interbuild2000.com)

## Construction and Housing Review

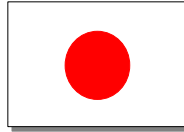
### Construction in Canada



**H**ousing starts in the first four months of the year were up slightly from the same period in 1998, reaching roughly 36 500 starts between

January and April. Slower starts in BC and Alberta were offset by modest gains in Ontario, Quebec and Atlantic Canada. By April, these regions were well ahead of their 1998 pace. Starts in Saskatchewan and Manitoba remained stable. Building permits, as a measure of construction activity, fell 1.7 percent for the first four months of the year to 45 808 permits for all of Canada. Toronto and Montreal led the nation, with 11 500 and 4600 permits issued between January and April, an increase of 10.4 and 12 percent respectively. Construction activity in Western Canada, fell in the first four months of the year. Building permits in Calgary, which last year was second behind Toronto in permits issued, were down 27 percent to 3100, while the number issued in the Vancouver area fell 36 percent to approximately 2700. For 1999, Canadian housing starts should end the year at approximately 138 000 units, relatively unchanged from last year's level.

### Construction in Japan



**T**he Japanese economy continued to struggle in the first four months

of the year. Housing starts on a year over year basis were down 4.5 percent, to 371 901 units. This compares to 389 457 units for the first four months of 1998. While consumer spending and construction activity remained weak, the first four months of data provided some optimism for the remainder of the year. Although housing starts in January and February were down on a year over year basis, starts in both March and April were strong relative to the same period in 1998. The seasonally adjusted annual rate for starts in March rebounded to 1.299 Million units. By construction type, prefabricated dwellings increased to 57 400 units in the first four months of the year. This represents a slight increase of 1.8 percent over the same period in 1998. Two-by-four construction dwellings rose 5.5 percent for the January to April period, reaching 21 565 units. Prefabricated and two-by-four construction represent 15.4 and 6 percent of total Japanese housing starts respectively thus far in 1999.



### Construction in the United States



**C**onstruction activity in the US was strong through the first four months of 1999. Housing starts from January to April were up 10.1 percent from a year ago to 517 400 units.

January, February and March were especially strong months. Builders across the US were able to get an early start to the construction season due to the unusually warm winter. This trend was particularly evident in the seasonally adjusted and annualized housing start data, where January starts reached 1.82 Million, but had fallen to 1.54 Million by April. Actual starts in the US South grew 15.1 percent to 256 400 units, representing half of all residential construction activity in the US. Housing starts in the US West grew by 6.4 percent to 126 100 units, for the first four months of the year, representing 24 percent of the national total. In the Northeast and Midwest, housing starts were up 4 and 3.1 percent, reaching 41 900 and 90 900 housing starts respectively. These strong housing figures helped the US economy grow by 4.5 percent in the first quarter. While growth in the US economy is expected to slow in the second half of the year, housing starts should still come in at approximately 1.6 million units for 1999.

## Special Feature

**Electronic commerce is here to stay and it's growing. Recent studies point to dramatic increases in on-line transactions. For example, IDC, a leading private sector forecasting firm, estimates that by 2003, Canadian internet commerce revenues will total C\$80.4 billion. This is an immense opportunity for Canadian businesses.**

### *What is Electronic Commerce?*

Electronic Commerce is an inexpensive way of connecting computers in order to accomplish tasks that have traditionally drained a lot of time and money from businesses. Things like selling products, invoicing, controlling inventories, and communicating with suppliers and customers can be done electronically.

Small businesses can now climb on board the Internet, which amounts to a free electronic highway. Once you're hooked up, you can buy, sell, and connect with the people who matter to you: your own employees (in the next office or three thousand miles away), your suppliers, your customers, your bank accounts, your credit information services, your market information sources, and so on,

quickly, cheaply and efficiently.

### *What is the Internet and why is it important for E-commerce?*

The Internet is a vast network of people and information. It won't take you long to figure out how to get to the information you want. Nor will it take you long to figure out how to interact with people who are important to your business.

You can keep yourself constantly informed of what suppliers have available, and at what price, without even talking to them. You can keep chosen suppliers informed of your needs simply by hooking up your own inventory control devices to their supply systems through the use of the Internet.

To learn more about opportunities in E-commerce, visit the Industry

Canada Task Force on E-commerce website at:

<http://www.e-com.ic.gc.ca>

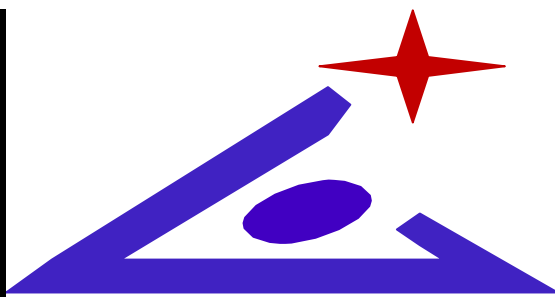
New Internet-based services relating to building products have recently made some inroads in the virtual marketplace. To learn more, visit some innovative websites and see how E-commerce can be used in the building products industry:

<http://www.buildingonline.com/eupdate.shtml>

<http://www.certainteed.com/consumer>

<http://www.intlcode.org/newsletter/apr98-2.htm>

<http://www.mks.net>



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