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# INDUSTRY CANADA

## ❖ Wood Kitchen Cabinets Review ❖

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Volume 5 Issue 3

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### Exports to US Soar

## Canadian Production Higher Through 2<sup>nd</sup> Quarter

### Production

The Canadian kitchen cabinet industry realized tremendous growth over the first six months of 1999. Shipments of kitchen cabinets rose 13 percent reaching \$383.2 million in the second quarter of the year. Exports were the primary reason for the higher production growth, although the domestic market for kitchen cabinets did improve. Second quarter shipments were \$1.49 billion on a seasonally adjusted and annualized basis.

On a cumulative basis, kitchen cabinet shipments were \$699 million, up 12.7 percent for the first six months of the year. This figure compares to shipments of \$619.7 million for the first half of 1998. Exports accounted for 62 percent of the increase in production, with the remainder accounted for by gains in the domestic market.

The Canadian apparent domestic market (ADM) for kitchen cabinets was \$243.9 million in the second quarter. This represents an increase of 7.4 percent over \$227.9 million in the second quarter of 1998. For the first six months, the ADM increased 7.1 percent to \$437.2 million. Canadian kitchen cabinet manufacturers' shipments



### Also in this Issue

#### Construction and Housing Review

#### SPECIAL FEATURE

#### Electronic Commerce

Seminar on E-Commerce at [Construct Canada '99](#)

On line export training at: <http://www.fitt.ca/>

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accounted for 97.4 percent of the ADM.

The Industrial Producer Price Index (IPPI) for kitchen cabinets saw a slight increase in the second quarter of 1999 due to higher costs of materials. Using 1992 as the base year (1992=100), the IPPI was 114.5 in the second quarter, up 3.1 percent from 111 in the second quarter of 1998. The IPPI reflects the price producers receive as goods leave the plant gate and is influenced by changes in the exchange rate.

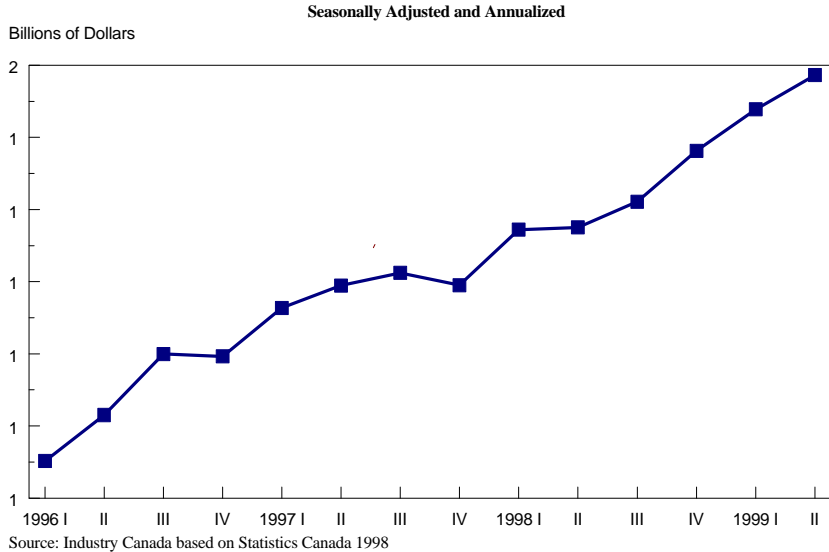
## International Trade

Kitchen cabinet exports during the first six months of 1999 surged to \$272.8 million, an increase of 21.8 percent as compared to \$224 million for the first half of 1998. The US accounted for fully 99.3 percent of all exports and reached \$270.9 million in the first six months of the year, an increase of \$49.6 million. Through the first half of the year, exports represented 39 percent of the Canadian kitchen cabinet industry's production.

## Exports to the US

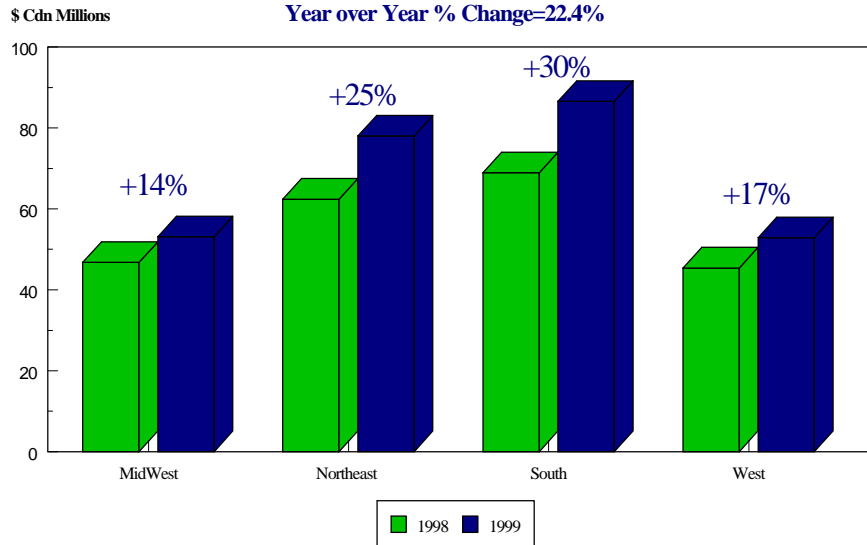
Canadian kitchen cabinet exports to the US were very strong in the second quarter of 1999. Between April and June, exports of kitchen cabinets to the US were valued at \$144.6 million, an increase of 24 percent from \$116.7 million in the second quarter of 1998. Demand from the US remained robust although exports to some individual states did decline. Growth in the sec-

## Canadian Kitchen Cabinet Shipments 1996-1999 2nd Quarter



## Kitchen Cabinet Exports to the US: 1998/99 January-June Comparison By Region

1998 (Jan-June): \$221.3 Million  
1999 (Jan-June): \$270.9 Million  
Year over Year % Change=22.4%



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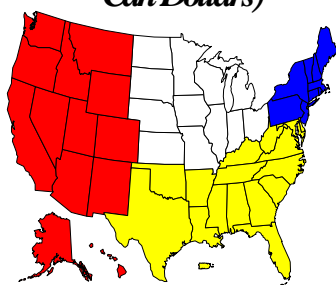
ond quarter is consistent with export growth in the first quarter, which grew 21 percent. Exports to the US during the first six months of 1999 were \$270.9 million.

**B**y region, exports of kitchen cabinets to the US South led all others in both value and growth. Exports to Southern states were \$45.4 million in the second quarter, up 34 percent from the same period a year ago. Combined with a strong first quarter, mid-year exports to the US South reached \$86.6 million, an increase of 29.6 percent. Florida and North Carolina were the largest markets for Canadian kitchen cabinets in the US South. Exports to Florida grew 20.5 percent to \$25 million in the first half of the year. Kitchen cabinet exports to North Carolina, which grew by 79 percent, were \$18 million for the same period.

**E**xport growth to the US Northeast, the second largest US market for Canadian kitchen cabinets, was healthy through the second quarter. Total exports to this region were \$41.9 million in the second quarter, up 24 percent from \$33.8 million a year ago. Even though the US Northeast accounts for the smallest share of US housing starts, export growth to this region has been consistently strong. Exports to this region were \$78.1 million between January and June, an increase of 25.1 percent over \$62.4 million a year ago. New York, with imports of \$26.1 million for the first half of 1999, was the largest single market for kitchen cabinets in the US and grew by a

## *Exports to the Top 20 US States 1999 Jan-June*

*(In Thousands of  
Cdn Dollars)*



Source: Industry Canada Based on Statistics Canada data, 1999

		Jan-June 1999	Jan-June 1998	% Ch 98/99
1	New York	26,136	21,609	20.9%
2	Florida	24,984	20,730	20.5%
3	California	21,612	17,629	22.6%
4	North Carolina	17,950	10,043	78.7%
5	Illinois	16,926	16,414	3.1%
6	Michigan	15,823	6,487	143.9%
7	Massachusetts	14,039	9,386	49.6%
8	Georgia	13,807	13,731	0.6%
9	New Jersey	11,690	6,835	71.0%
10	Washington	9,761	6,674	46.3%
11	Pennsylvania	8,921	4,982	79.1%
12	Colorado	7,955	7,708	3.2%
13	Texas	7,633	7,368	3.6%
14	New Hampshire	6,999	4,723	48.2%
15	Maryland	6,483	2,153	201.1%
16	Ohio	6,398	4,263	50.1%
17	Wisconsin	5,070	6,219	-18.5%
18	Virginia	4,754	6,289	-24.4%
19	Connecticut	3,804	2,334	63.0%
20	South Carolina	3,542	1,921	84.4%

healthy 21 percent.

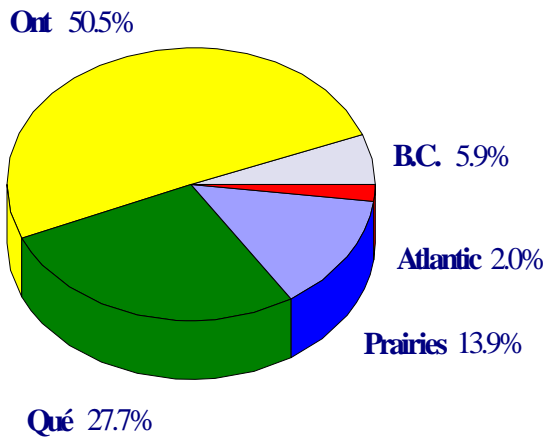
**E**xports to the Midwest grew by 15 percent in the second quarter, reaching \$27.8 million. Illinois and Michigan were the largest markets in this region. Exports to Michigan in the first six months of the year were \$15.8 million, up 144 percent from \$6.5 million a year ago. Kitchen cabinet exports to Illinois grew 3.1 percent in the first six months, totalling \$16.9 million. The US Midwest, where Canadian exports grew 14 percent to \$53 million in the first half of the year, represents 19.6 percent of kitchen cabinet exports to the US. The US West followed closely behind, accounting for 19.5 percent

of Canadian kitchen cabinet exports. Second quarter exports to this region grew 18.5 percent to \$29.4 million. California was the leading market in this region. Exports to this state were \$21.6 million in the first half of 1999, an increase of 22.6 percent over \$17.6 million a year ago. Total exports to the US West Coast were \$52.9 million, an increase of 17 percent from a year ago.

### Please note

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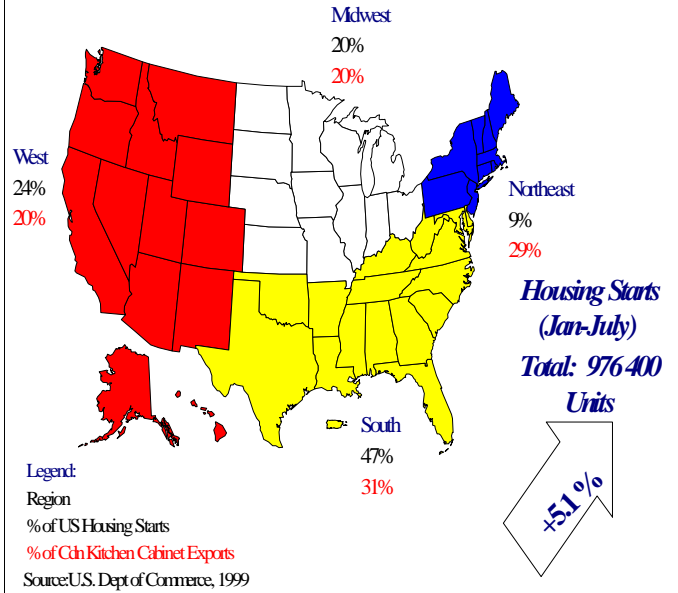
### *Kitchen Cabinet Exports By Province January to June 1999*



**Total Exports (Jan-June 1999): \$272.8 Million**

Source: Industry Canada based on Statistics Canada data

### *US Housing Starts January-July 1999*



## Offshore Trade

The importance of offshore markets further declined during the first half of 1999. Markets other than the US now account for less than one percent of total exports. Exports to all offshore markets decreased 29.3 percent during the January to June 1999 period. Export shipments to offshore markets were valued at only \$1.9 million for the first six months of 1999. Exports to Japan dropped 34.5 percent to \$628 thousand. Those to the European Union were down 18.9 percent to \$146 thousands.

## Imports

Imports of kitchen cabinets into Canada for the first six months of 1999, mainly from the US, were \$11.3 million, down 9.6 percent from \$12.5 million in the same period in 1998. Ontario accounted for 58 percent of imports, followed closely by British Columbia with 15 percent of kitchen cabinet imports and Quebec which represented 9 percent of kitchen cabinet imports.



## Industry News

### **CKCA 6th Annual National Forum**

The Canadian Kitchen Cabinet Association will be holding their annual national forum at the Renaissance Vancouver Hotel, in Vancouver, B.C. on January 27-30, 2000. For more information, contact Suzanne Cardinal at (613) 233-6205 or by Fax: (613) 233-1929.

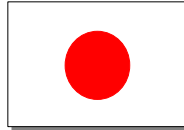
## Construction and Housing Review

### Construction in Canada



Construction activity in Canada was strong through the first seven months of the year. Canadian housing starts were up 5 percent over the January to July period in 1998. Housing starts in the Atlantic provinces and Ontario have seen healthy increases while starts in Quebec have remained stable. In contrast, housing starts in BC and Alberta are below last year's level. Building permits in Canada increased to 94 688, an increase of 4.4 percent. The results among the various metropolitan areas varied. Building permits in Edmonton saw healthy increases, with 4 470 permits issued over the first seven months, an increase of 25.2 percent. In Toronto, there were 20 700 building permits issued, up 19 percent from a year ago. Strong construction activity and higher building permits issued were also observed in Ottawa and Montreal. Vancouver saw building permits fall 44 percent to 5 200 in the first seven months. Construction activity in Calgary was weaker, with building permits down 29.4 percent to 6 200.

### Construction in Japan



After having contracted for five consecutive quarters, the Japanese economy showed signs of coming out of recession in the first two quarters of 1999. Japan experienced economic growth of 8.1 and 0.9 percent in the first and second quarters of 1999. While this is a positive sign, it may be too early to say Japan is on the road to recovery because some sectors have not yet shown signs of recovery. Housing starts continued to lag the overall economy. Japanese housing starts for the first seven months of the year were below 1998 levels and significantly below those of 1997. Housing starts totalled 690 500 for the first seven months, down 1.26 percent from the same period in 1998. Starts in July were 1.153 million on a seasonally adjusted and annualized basis, versus 1.131 million in July of 1998. Prefabricated and 2X4 housing starts both saw gains in the first seven months of the year. Prefabricated starts were up 4.8 percent to 107 165, while 2X4 construction starts were up 9.6 percent to 42 308.



### Construction in the United States



A strong job market, low inflation and relatively low interest rates supported the growth of the US economy during the first six months of the year. Construction activity, another key indicator, remained strong, stretching the gains made in the early winter months of the year. Housing starts for the first seven months of the year were 976 400 units, an increase of 5.1 percent over the same period last year. By region, the US South continued to lead all others growing 6.2 percent to 454 900 housing starts between January and July. In the US Midwest, housing starts were 195 200, an increase of 6.8 percent over the same period last year. Starts in West Coast states grew moderately to 237 000 units, a gain of 1.4 percent. In the Northeast, housing starts were up 1.1 percent to 84 600 units. The US South accounts for 47 percent of all housing starts, followed by the US West at 24 percent and the Midwest at 20 percent. The US Northeast represents 9 percent of national housing starts. For July, US housing starts were 1.661 million on a seasonally adjusted and annualized basis, down from the 1.719 million units recorded in July 1998.

## Special Feature

### Electronic Commerce...The Future is Now! Seminar on E-Commerce at Construct Canada '99

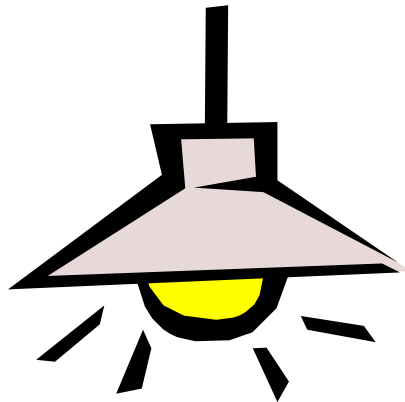
Industry Canada is organizing a free seminar on E-Commerce at the next **Construct Canada** exposition which will be held on **December 1, 1999** at the Metro Toronto Convention Centre, Toronto, Ontario. Taking advantage of the unique opportunity offered by this national venue to network with key industry players, Industry Canada will present a half-day seminar focussing on electronic commerce and its potential benefits.

Numerous studies have demonstrated the potential impact that adoption of electronic commerce can have on a business, particularly on the business-to-business side. The audience will have the opportunity to learn from various presenters, from both the private and public sectors, about the what, why and how of electronic commerce. They will also have the chance to network with electronic commerce solution providers, as well as find out about the various Industry Canada sources of information on electronic commerce.

This seminar, focussed toward SMEs in the construction products industry, will attempt to raise electronic commerce aware-

ness, promote the benefits of electronic commerce as a way to increase competitiveness and productivity, and create a networking opportunity for both the potential adopters and providers of electronic commerce.

For more information, contact Sandra Charles at (613) 957-7803 or by Fax: (613) 952-8384 or E-mail: Charles.Sandra@ic.gc.ca



### ONLINE EXPORT TRAINING

The Forum for International Trade Training (FITT) has made two of its courses on international trade available on-line. The Global Entrepreneurship and International Marketing courses provide you with invaluable information on preparing and researching export markets, market entry strategies and marketing plans. On-line training offers a number of benefits including updating or improving your knowledge of exporting and international trade skills, at a schedule that best suits you. You can also join on-line discussions with international trade practitioners, to share information and exchange viewpoints with other participants. Those with at least three years of exporting experience can also choose to become certified in international trade.

For more information, visit the FITT website at [www.fitt.ca](http://www.fitt.ca) or call 1-800-561-FITT (3488) or (613) 230-3553.