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# INDUSTRY CANADA

## Wood Kitchen Cabinets Review

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Volume 5 Issue 4

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### Canadian Market Growth Strong Exports to US Lead Production Higher

#### Production

The value of kitchen cabinet production in Canada saw tremendous growth in the third quarter of 1999. Demand from both the domestic and export markets, primarily from the US, were both higher and pushed kitchen cabinet production to \$423.5 million between the months of July and September. This represents a 15.6 percent increase over the third quarter of 1998. Kitchen cabinet production in Canada was \$1.18 billion for the first nine months of the year, up 14 percent from the same period in 1998. The strength of third quarter results was also expressed in the seasonally adjusted and annualized rate for shipments. Production on this basis reached \$1.67 billion, up 18 percent from the rate observed in the third quarter of 1998 and 4.1 percent higher than second quarter 1999 results.

As in the first and second quarters, a stronger domestic market continued to push shipments higher. Stronger new housing and renovation markets, buoyed by the robust Canadian economy and higher consumer confidence, increased demand for Canadian kitchen cabinets. The apparent domestic market (ADM) in the third quarter reached \$277 mil-



#### Also in this Issue

[Construction and Housing Review](#)

**SPECIAL FEATURE**

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lion, up 10 percent from the same period in 1998. Canadian kitchen cabinets represented 98 percent of the shipments to the domestic market. Total domestic consumption for the first nine months of the year reached \$769 million, up 9.2 percent compared to the same nine months in 1998.

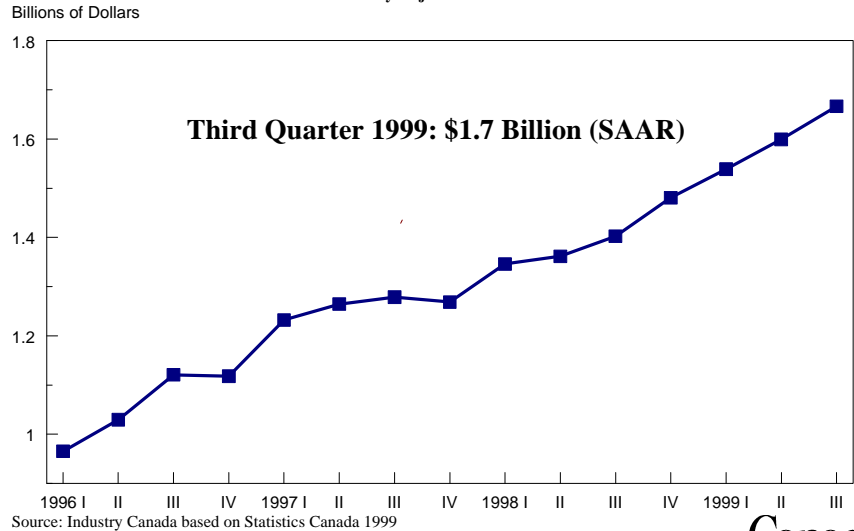
The Industrial Producer Price Index (IPPI) for the kitchen cabinet industry saw a slight increase in the third quarter of 1999. The average IPPI was 114.5 (1992=100) in the third quarter, compared to 111.4 in the third quarter of 1998. Higher demand for wood products has been driving raw material costs up in the past few months for Canadian manufacturers.

## International Trade

Exports of kitchen cabinets reached new record monthly highs in August and then again in September. Total third quarter exports were \$152 million up 26 percent over \$121 million in the third quarter of 1998. Combined with solid performance in the first and second quarters, total exports for the first three quarters reached a record \$425 million. This represents a 23 percent increase from 1998. Exports represented 36 percent of kitchen cabinet production through the first nine months of the year.

### Canadian Kitchen Cabinet Shipments 1996-1999 3rd Quarter

Seasonally Adjusted and Annualized



Source: Industry Canada based on Statistics Canada 1999



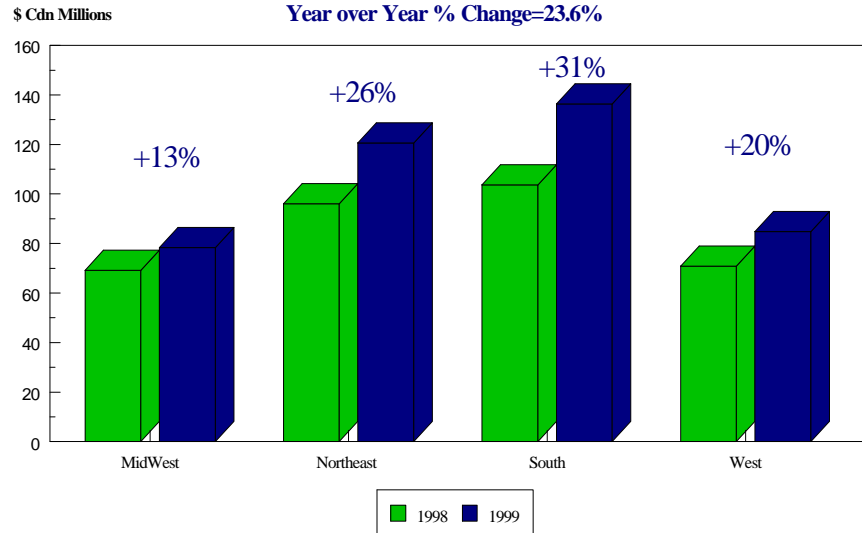
### Kitchen Cabinet Exports to the US:

#### 1998/99 January-September Comparison By Region

1998 (Jan-Sept): \$340 Million

1999 (Jan-Sept): \$421 Million

Year over Year % Change=23.6%



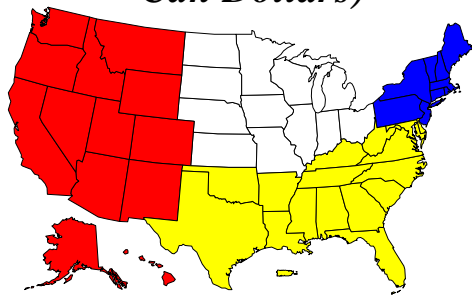
Source: Industry Canada based on Statistics Canada data

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**Exports to the  
Top 20  
US States  
1999  
Jan-Sept**

*(In Thousands of  
Cdn Dollars)*



Source: Industry Canada Based on Statistics Canada data, 1999

		Jan-Sept 99	Jan-Sept 98	% Ch 98/99
1	Florida	41,112	32,208	27.6%
2	New York	40,736	34,824	17.0%
3	California	34,591	29,321	18.0%
4	North Carolina	26,675	16,077	65.9%
5	Illinois	25,233	24,528	2.9%
6	Michigan	22,644	10,988	106.1%
7	Georgia	22,429	19,924	12.6%
8	Massachusetts	21,675	13,778	57.3%
9	New Jersey	17,751	10,886	63.1%
10	Washington	15,833	9,873	60.4%
11	Pennsylvania	13,435	7,150	87.9%
12	Colorado	13,137	11,571	13.5%
13	Texas	11,426	11,302	1.1%
14	New Hampshire	10,735	10,146	5.8%
15	Maryland	10,158	3,532	187.6%
16	Ohio	9,578	6,982	37.2%
17	Virginia	7,610	9,884	-23.0%
18	Wisconsin	7,011	8,179	-14.3%
19	Connecticut	6,702	3,751	78.7%
20	South Carolina	5,604	3,582	56.5%

**Exports to the US**

Exports of kitchen cabinets to the US totalled \$150 million between July and September, an increase of 25.9 percent over the third quarter of 1998. For the first nine months of 1999, kitchen cabinet exports to the US were \$420.7 million, up 24 percent over the January to September period in 1998. Total exports of kitchen cabinets to the US in 1998 were \$469 million. The US represents 99 percent of all kitchen cabinet exports.

The Canadian dollar's exchange rate versus the US dollar continues to make Canadian products, especially building products, particularly attractive to the US construction sector which is experiencing tremendous growth. Renovation and new home construction markets have been particularly strong over the summer months. Higher inter-firm trade has also been a key driver in higher exports.

In the leading markets, the US South and Northeast, export growth continued to be well above average. Exports to the US South were up 35 percent in the third

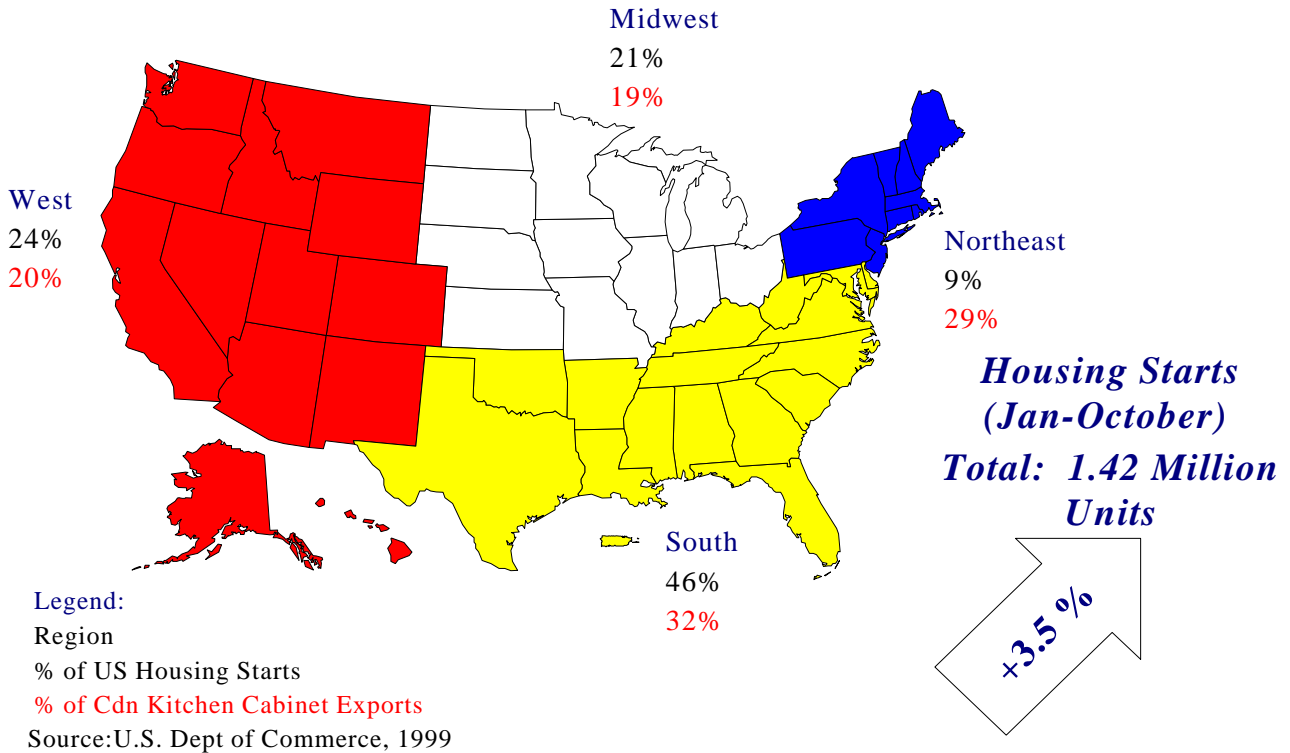
quarter, reaching \$49.7 million between July and September. This brings total exports to the US South to \$136.4 million for the first nine months of the year, up 31 percent. The leading export destination for Canadian manufacturers, both regionally and nationally, was Florida at \$41.1 million for the first nine months of the year.

In the Northeast, exports of Canadian kitchen cabinets rose to \$43 million, up 27 percent for the third quarter. Total exports to this region were \$121 million for the January to September period, up 26 percent from the first nine months

**Please note**

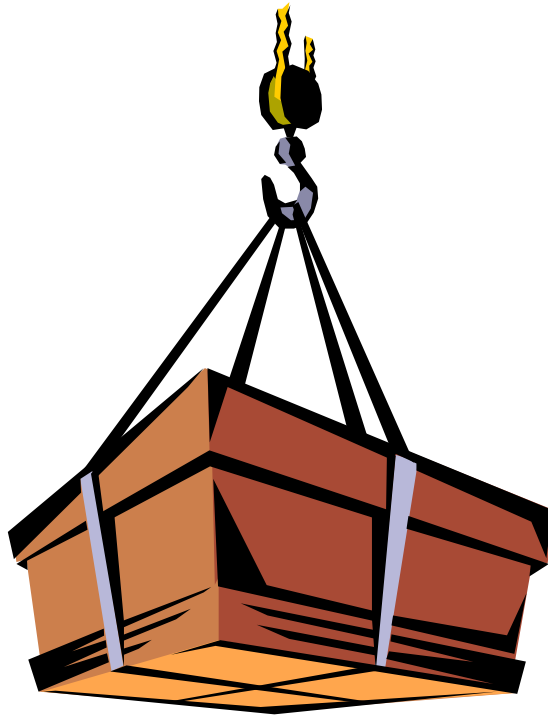
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## US Housing Starts January-October 1999



of 1998. The second largest export destination at the state level was New York at \$41 million.

Shipments of Canadian kitchen cabinets to the US West were \$32 million for the third quarter, an increase of 25 percent. Exports to the US Midwest were up 12 percent to \$25 million for the same period. For the first nine months of 1999, exports were \$85 million to West Coast states and \$78 million to states in the Midwest region. This represents increases of 20 and 13 percent for the first nine months respectively. Exports to California (\$35 million) represent 41 percent of total exports to the West Coast for the first three quarters of the year. California is also the third largest individual export market for kitchen cabinets.



## Offshore Trade

Exports of kitchen cabinets to destinations other than the US were down 7 percent for the first nine months of the 1999. Third quarter exports to Japan began to increase after falling for most of 1998 and the first half of 1999. Exports to Japan rose 24 percent to \$671 000, but were still down 14 percent overall for the first nine months of the year. Offshore markets represent less than 1 percent of total kitchen cabinet exports.



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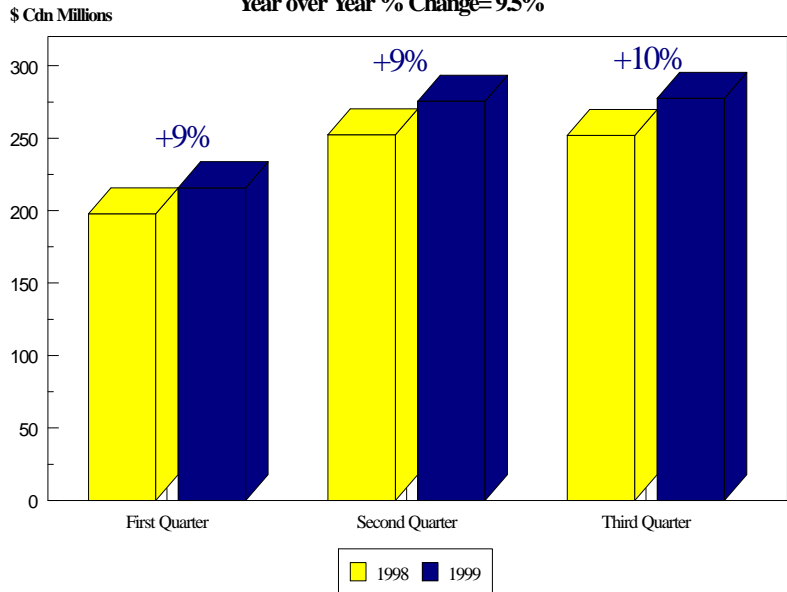
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## Canadian Apparent Domestic Market for Wood Kitchen Cabinets - 1998/99 Comparison by Quarter

1998 (Jan-Sept): \$769 Million

1999 (Jan-Sept): \$704 Million

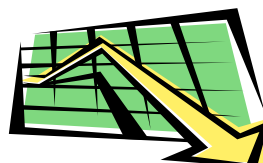
Year over Year % Change= 9.5%



Source: Industry Canada based on Statistics Canada data

## Imports

Imports of kitchen cabinets fell 2 percent in the third quarter to \$6 million. For the first nine months of the year, kitchen cabinet imports fell 7 percent, reaching \$17.5 million. The US remains the largest source of Canadian imports, representing 80 percent of imports. Ohio is the single largest source for kitchen cabinet imports at \$6 million through the first nine months of the year. With the largest construction market in Canada and its close proximity to the large US exporting states, Ontario is the largest destination for 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

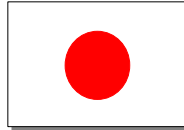
### Construction in Canada



**T**he stronger Canadian economy helped housing construction rebound in 1999. The summer months provided solid housing

starts, leading to an overall increase for the year. In November, the latest available data, housing starts in Canada were 147 500 on a seasonally adjusted and annualized basis. Building permits for the year through to October were 135 700, up 6.7 percent from the previous year. The Toronto area remained the strongest construction market up 28 percent for the first ten months of the year to 29 600 building permits issued. Montreal was the second largest construction market for the first 10 months of 1999, with 10 700 building permits issued so far in 1999. This is an increase of 11 percent over the same period in 1998. Activity in Edmonton, with 5 900 building permits issued, was also strong. Calgary and Vancouver, the third and fourth largest construction markets, were down compared to the same period in 1998.

### Construction in Japan



**T**he Japanese economy has begun to recover from the recession

which severely impacted housing construction in the country. The recovery remains fragile and falling back into recession is a legitimate possibility. To illustrate this, Japan's gross domestic product fell by 1 percent in the third quarter, much greater than most economists had predicted. Housing construction in Japan for the first ten months did see some growth, especially in the latter summer months. Total housing starts in Japan through the first ten months of 1999 were 1.010 million, up nearly 1 percent for the year. Japanese prefabricated and 2x4 housing starts were particularly impressive through October. These sectors saw increases of 65 and 76 percent respectively over the same period last year.



### Construction in the United States



**E**conomic growth in the US continued to be impressive through the late summer and early fall months of 1999. Low unemployment, stable prices

and high consumer spending helped growth in all sectors of the economy. Housing and construction activity remained high across all regions even though on a seasonally adjusted basis, starts were lower than in the same period last year. This was most evident in September and October housing starts, where rates were off last years pace and may point towards a cooling down of housing construction activity in the US. Total housing starts through the first ten months of 1999 were 1.42 million. Building permits in October were 1.584 million on a seasonally adjusted and annualized basis.

#### US Housing Starts

January - October

	Total	% Ch 98/99
Total	1,420,000	3.5%
Northeast	130,100	3.5%
Midwest	303,300	8.2%
South	648,600	2.9%
West	339,100	0.7%

Source: US Department of Commerce