

❖ Kitchen Cabinet Review ❖

Volume 6 Issue 2

Summer 2000

Highlights

- **Exports Push Production Higher**
- **Shipments to US Up 21 %**
- **Imports Rise In 1st Quarter**
- **Higher interest rates expected to slow growth**



Shipments

Solid demand from the Canadian and US markets pushed production of kitchen cabinets higher in the first quarter of 2000. Kitchen cabinet shipments increased by 8.5 percent to \$366.8 million for the first three months of the year. Higher exports accounted for the bulk of the production increase although there was some growth in the domestic market. Exports, which accounted for 42 percent of production in the first quarter, are expected to drive industry growth in 2000. Canadian shipments of kitchen cabinets reached \$1.56 billion for all of 1999.

The industry producer price index (IPPI) for kitchen

cabinets was up 4.5 percent in the first quarter of 2000. The increase in the IPPI was due in part to higher material costs, particularly wood panels. The price of wood panels increased throughout 1999, and remained strong in the first few months of 2000. Wood panel prices have been gradually falling since then.

The strength of first quarter shipments is reflected in the seasonally adjusted and annualize rate data. Shipments were \$1.74 billion (SAAR) for the January to March 2000 period, up 13 percent. This would indicate shipments, and ultimately exports, were very strong in the first quarter, despite the usually weak winter months and initial signs of slowing construction activity in the US due to higher interest rates.

Also in this Issue

Construction and Housing Review

SPECIAL FEATURE

SourceCAN Registry

**Team Canada 2000:
Beijing - Shanghai - Hong Kong**

Market Report : Germany

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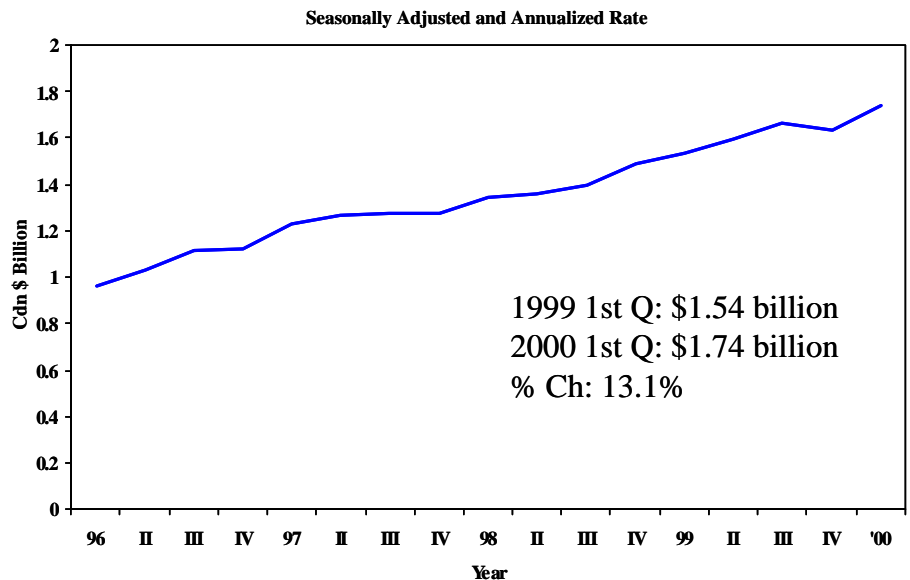
Canadian construction activity remained relatively stable from a year ago and the apparent domestic market (ADM) for kitchen cabinets grew at a modest 2 percent in the first quarter of 2000. Much of the new consumption in Canada was supplied by higher imports, which accounted for 3.7 percent of the ADM. The ADM for kitchen cabinets was valued at approximately \$220 million in the first quarter of 2000.

Exports

Kitchen cabinet exports were \$154.8 million in the first three months of 2000, up 21.6 percent from the same period in 1999. The Canadian kitchen cabinet industry is increasingly export oriented with exports representing 42 percent of production, versus 40 percent a year ago. Exports in the first quarter of 1999 were \$127.3 million on shipments of \$338 million.

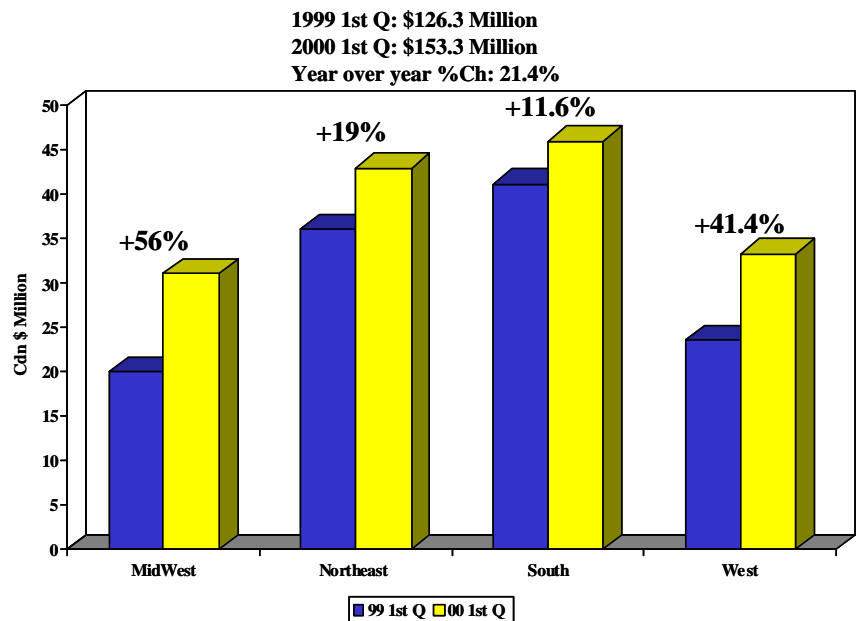
Export to the US, which represented 99 percent of total exports, grew 21.4 percent in the first quarter, reaching \$153.3 million. Demand for Canadian kitchen cabinets from the US remained strong, continuing the trend from the 4th quarter of 1999. Exports to the US were helped by a mild winter through many parts of the country, allowing for an earlier start to the construction season. Construction activity in the US is expected to slow as higher interest rates begin to influence the residential housing market.

Kitchen Cabinet Shipments: 99/00 1st Q



Source: Industry Canada based on Statistics Canada data, 2000

Kitchen Cabinet Exports to the US By Region: 99/00 1st Q



Source: Industry Canada based on Statistics Canada data, 2000

Kitchen cabinet exports to the US Midwest grew the fastest in the first quarter of 2000. Exports were up 56 percent to \$31.1 million, compared to \$20 million a year ago. Illinois and Michigan were the largest

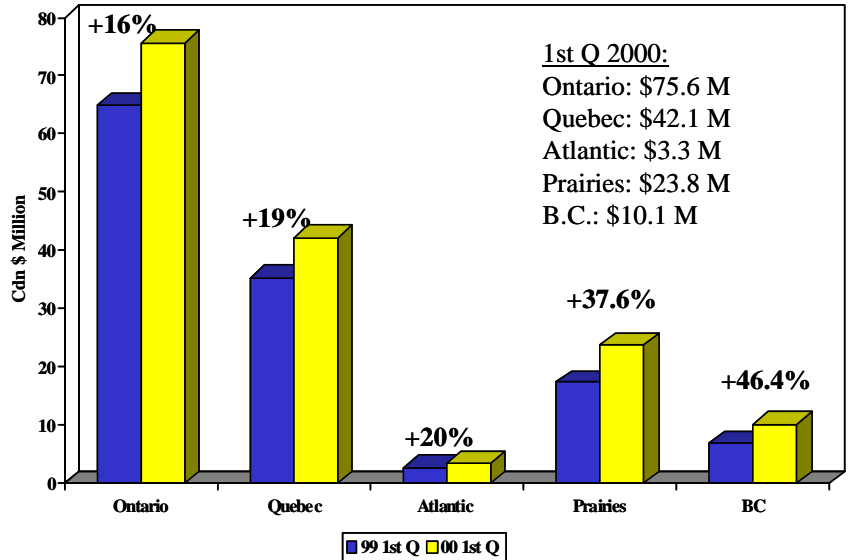
markets in this region, with Canadian exports of \$8.4 and \$8.2 million respectively. In the US West, exports were \$33.3 million in the first quarter of 2000, up 41.4 percent from \$23.6

million in the first quarter of 1999. Demand for building products from states along the US West coast were strong throughout the first three months of the year. Exports to California, the largest market for Canadian kitchen cabinets in the US West, grew 23 percent to \$11.5 million.

The US South and Northeast are the largest markets for Canadian kitchen cabinets in the US. Exports to the US Northeast grew at 19 percent to \$43 million for the first three months. Exports to New York state rose 15 percent to \$13.8 million. The slowing construction activity in the US South impacted on the growth of kitchen cabinet exports to the region. Exports grew by 11.6 percent in the first quarter, reaching \$45.9 million versus \$41.2 million in the first quarter of 1999. Florida was the largest market in the US South, with exports growing 26 percent to \$14.7 million in the first three months of the year. Georgia, with Canadian exports of \$7.3 million, grew at 15.5 percent.



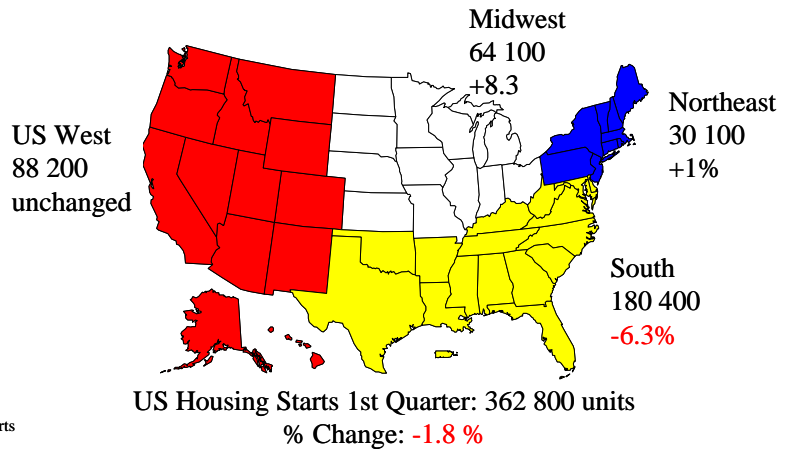
Kitchen Cabinet Exports by Region: 99/00 1st Q



Source: Industry Canada based on Statistics Canada data, 2000

US Housing Starts: 1st Quarter 2000

“... higher mortgage rates are already influencing the construction sector.”



Source: US Dept. of Commerce, 2000

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Top 15 Export Markets for Kitchen Cabinets in the US

In millions of dollars.

	1 st Q 2000	1 st Q 1999	%Ch 99/00
Florida	14.689	11.658	26.0%
New York	13.853	12.022	15.2%
California	11.546	9.404	22.8%
Illinois	10.124	7.829	29.3%
Massachusetts	8.400	5.953	41.1%
Michigan	8.224	7.753	6.1%
Georgia	7.270	6.293	15.5%
North Carolina	7.026	8.761	-19.8%
Washington	6.996	4.386	59.5%
Colorado	6.658	3.488	90.9%
New Jersey	6.233	5.784	7.8%
Ohio	5.683	2.823	101.4%
Pennsylvania	4.836	4.106	17.8%
New Hampshire	3.894	3.197	21.8%
Texas	3.785	3.896	-2.8%

Source: Industry Canada based on Statistics Canada data, 2000

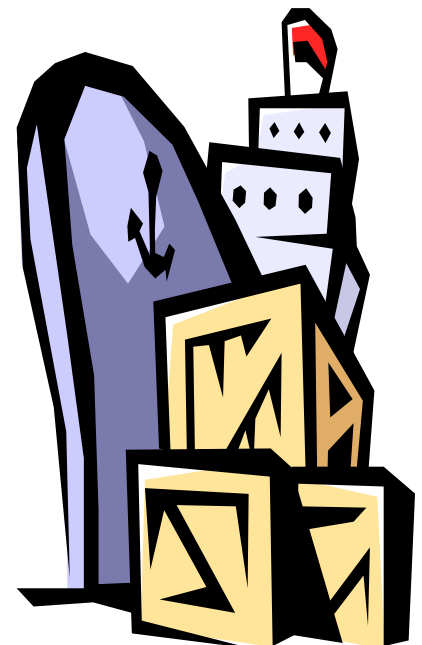
Exports to Offshore Markets

Exports to markets other than the US, were stronger, totalling \$1.5 million. This is up 50.4 percent from a year ago. In comparison, kitchen cabinet exports to the state of Wisconsin alone (\$1.92

million) were greater than all other international destinations. Exports to Japan increased 33 percent to \$544 000 in the first three months of 2000. This compares to \$409 000 in the first quarter of 1999.

IMPORTS

Kitchen cabinet imports increased sharply in the first quarter of 2000 despite little growth in Canadian consumption. Imports rose 59 percent to \$8.06 million for the first three months of the year. Ontario, the largest market for kitchen cabinets in Canada, accounted for the two-thirds of imports (\$5.3 million). Ohio represents the largest source of kitchen cabinet imports, at \$4.3 million between January and March. Canada has a net trade balance of \$146.8 million in the first quarter of 2000, as compared to \$122 million a year ago.



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Construction and Housing Review

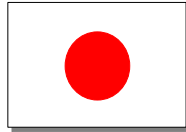
Canada



Housing Starts (Jan-April):
39 605
April Housing Starts (SAAR):
158 300
GDP Growth (1st Quarter):
4.9% annualized

While the Canadian economy remains healthy and robust, inflation and interest rate concerns will influence construction activity throughout the year. Canadian housing starts in April, on a seasonally adjusted and annualized rate (SAAR), fell 5.4 percent as compared to March. Total building permits in Canada were 45 900 through the first four months of the year, unchanged from a year ago. Building permits in Toronto and Vancouver retreated by 6.4 and 5.5 percent for the first four months of the year. Despite possible further increases in mortgage rates later on in the year, new housing starts are expected to remain slightly above last year's level.

Japan



Housing Starts (Jan-April):
398 990
April Housing Starts (SAAR):
1.236 million
GDP Growth (1st Quarter):
2.4% annualized

After shrinking for two consecutive quarters, the Japanese economy grew by 2.4 percent in the first three months of the year. Part of the first quarter growth was due to the solid housing and construction sector. Demand for new housing was up 5.2 percent in first quarter, and reached 398 990 through April. Two by four housing starts rose 14 percent in the first quarter, while prefabricated starts were unchanged from the same period a year ago.



United States



Housing Starts (Jan-April):
515 400
April Housing Starts (SAAR):
1.656 million
GDP Growth (1st Quarter):
5.4% annualized

Despite several interest rate increases, the US economy continues to grow at a brisk pace. The fast economic growth is expected to slow as the effects of previous interest rate hikes are felt. These hikes, through higher mortgage rates, are already influencing the construction sector. Total housing starts for the first four months were down slightly, to 515 400. Starts in all regions have cooled, most notably the important US South where starts have fallen 4 percent from a year ago. Building permits in April were 1.597 million (SAAR), down 1 percent year over year.

Special Feature

SourceCAN Registry

The SourceCAN registry is designed as a single point of entry to the largest, most comprehensive and up-to-date database of Canadian companies available online. It offers services that help companies find customers in export markets. SourceCAN also assists in identifying and developing contacts with domestic or foreign manufacturers for sourcing as well as importing. The **enclosed brochure** provides more details about SourceCAN. To register your company go to: www.sourcecan.com.

Team Canada 2000: Beijing - Shanghai - Hong Kong



A Team Canada trade mission to China, tentatively scheduled for November 18-26, 2000, is being organized by the Department of Foreign Affairs and International Trade. The mission will be led by the Prime Minister and will visit Beijing, Shanghai and Hong Kong. Those interested in joining the mission or wanting more information should visit the Team Canada 2000 China Mission web site at: <http://www.tcm-mec.gc.ca/China/mission-e.asp>

Market Report: Germany

The Market Research Division of the Department of Foreign Affairs and International Trade has published a report titled "The Wood Frame Housing and Associated Parts Market In Germany". The study focuses on the market for prefabricated houses and associated parts including doors, windows, and kitchen cabinets in Germany. You can access this and other country market reports on the Infoexport web site at: <http://www.infoexport.gc.ca/main-e.asp?act=3&nid=565> Visit this site regularly for updates and new market reports.