
INDUSTRY CANADA

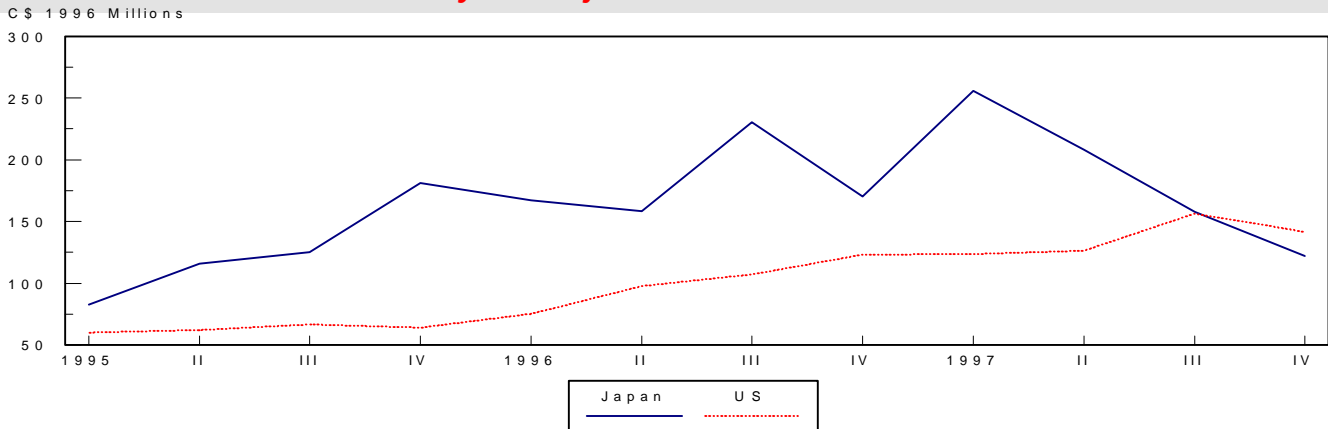
Prefabricated Housing Review

Volume 4 Issue 1

Spring 1998

Exports Reach Record Level in 1997 While Growth Slows Mobile Homes Shipments Increase Japanese Economy Sluggish

**Exports to the US and Japan
Seasonally Adjusted and Annualized**



Source: Statistics Canada, Industry Canada, 1998

For the fifth year in a row, exports of Canadian prefabricated buildings grew in 1997. The rate of growth slowed down considerably from the very rapid rates recorded in the past few years. Exports of prefabricated buildings totalled \$399.2 Million in 1997, up only 8.8 percent from \$367 Million in 1996. The biggest reason for this was a slowdown in exports to Japan, where a sluggish housing market shows few signs of improvement. Fourth quarter results saw exports to Japan decrease for the third consecutive quarter.

While overall industry exports continued to increase, the rate of export growth finished well below levels the industry has seen in the



past. Since 1993, exports have grown by an average of 40 percent annually due mainly to strong exports of prefabricated buildings to Japan. While most international

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### Prefabricated Building Exports by Destination, 1997

| Destination    | Value of Exports (\$000 Cdn) | Pct. Change |
|----------------|------------------------------|-------------|
| Total          | 399 185                      | +8.77       |
| Japan          | 178 934                      | -1.45       |
| US             | 135 366                      | +30.4       |
| European Union | 27 348                       | +3.2        |
| Asia Pacific   | 23 063                       | +44.7       |
| Latin America  | 18 138                       | +62.3       |
| Eastern Europe | 10 469                       | -36.4       |

Source: Statistics Canada

export destinations recorded increases in 1997, exports to Japan and Eastern Europe actually fell.

Japan continued to be the largest destination for Canadian prefabricated building exports, accounting for 45 percent of total exports. Canadian producers shipped \$178.9 Million worth of prefabricated buildings to Japan in 1997, down 1.5 percent from \$181.6 million in 1996. From the third quarter results, exports had been expected to be slightly higher or unchanged from 1996 levels. During the fourth quarter, exports to Japan continued to weaken, falling to a seasonally adjusted annualized rate of \$122 Million, down 22 percent from the previous quarter. Canadian exports to Japan may continue to slide further if the downward trend continues into 1998.

While exports to Japan fell slightly, prefabricated building shipments to the US continued to strengthen. Canadian exports to the US rose 30.4 percent to \$135.4 Mil-

lion in 1997. The strong performance in the US was enough to offset the decrease in exports to Japan and Eastern Europe. For the last two consecutive quarters, exports to the US on a seasonally adjusted and annualized basis were higher than exports to Japan. This indicates the US may become the largest destination for Canadian prefabricated building exports in 1998, especially if the Japanese housing market is slow to recover and US demand remains strong.

Exports to all US regions were up in 1997. Canadian shipments to Northeast states recorded the strongest rate of growth, up 44% to \$37.8 Million, while exports to

states in the West climbed 30 percent to \$49.1 Million. Exports to the US South rose 21.3 percent to \$23.8 Million. Similarly, exports to the Midwest amounted to \$24.6 Million, an increase of 24 percent.



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## International Trade

Exports to other Asian economies such as China and South Korea continued to grow in 1997. In Korea, exports were up more than 120 percent from 1996 levels to \$10.9 Million in 1997. However, due to the economic slowdown in Asia, exports tailed off in the latter part of the year. Looking ahead to 1998, exports to many countries in this region will likely remain unchanged or even decrease. Overall exports to Latin America were up 39 percent to \$18.1 Million in 1997.

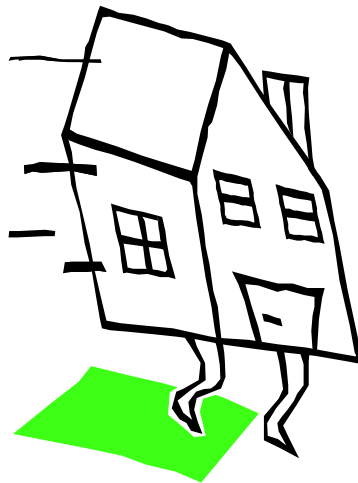
The export figures to this region are misleading due to a large and unprecedented \$7 Million shipment to Argentina in the first quarter of the year, which totalled \$9.4 million in 1997. Canadian prefabricated building exports to the EU increased 3.2 percent, to end the year at \$27.3 Million. Germany has become the most important market in the EU, accounting for 63 percent or \$17.2 Million in 1997 of exports to the EU, up from only 36 percent in 1995.

## IMPORTS

While reliable domestic shipment data is unavailable, imports are a good indicator of the strength of the Canadian market for prefabricated buildings. In 1997, imports were up 30 percent from 1996, to \$108.3 Million. A strong domestic housing and construction market was the engine of growth for imports in 1997.

## Mobile Home Shipments

Mobile home shipments ended 1997 on a positive note reaching \$236 Million, up 6.1 percent from \$222.4 Million in 1996. With the exception of the second quarter, shipments of mobile homes throughout the year were up from 1996 levels. Seasonally adjusted fourth quarter results were up marginally from the third quarter, indicating shipments may grow at a slower pace in the first part of 1998.



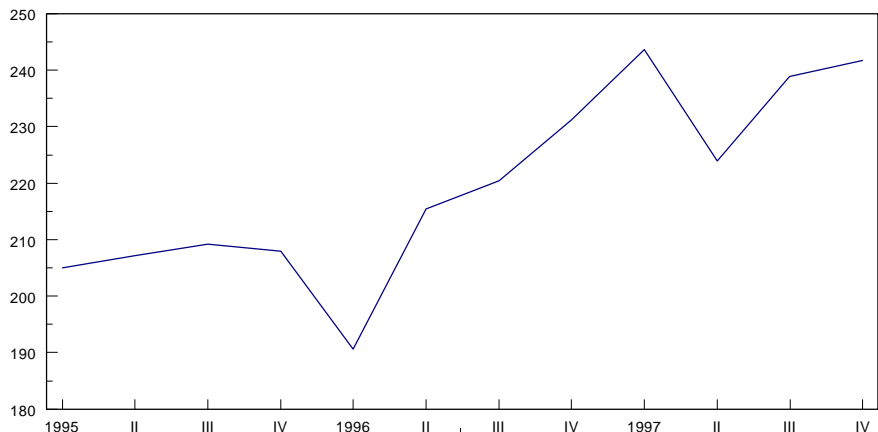
## TOP 50 MARKETS

While shipments overseas account for two-thirds of prefabricated building exports, the US market is becoming more significant to Canadian producers. Over 30 of the 50 top export destinations are US states. Markets such as Washington (\$13 M), Maine (\$12.1 M) and New York (\$11.2 M) are larger importers of Canadian prefabricated buildings than countries such as South Korea (\$10.9 M), Argentina (\$9.4 M), China (\$6.5 M) and Russia (\$4.5 M). In fact, 19 of the 25 largest export destinations were US states.

While the overseas markets account for the majority of exports, shipments to individual US states are just as important to Canadian producers of prefabricated buildings.

### Shipments of Mobile Homes Seasonally Adjusted and Annualized

C\$ 1996 Millions



Source Statistics Canada, Industry Canada, 1998

## **Prefabricated Building Exports By Destinations - 1997**

**In Millions of Dollars**

|    |                     |         |    |                |       |
|----|---------------------|---------|----|----------------|-------|
| 1  | Japan               | 178.934 | 26 | Wisconsin      | 2.779 |
| 2  | US (Total)          | 135.366 | 27 | United Kingdom | 2.698 |
| 3  | Germany             | 17.156  | 28 | France         | 2.559 |
| 4  | State of Washington | 13.009  | 29 | Poland         | 2.336 |
| 5  | Maine               | 12.125  | 30 | Chile          | 2.239 |
| 6  | New York            | 11.253  | 31 | Oregon         | 2.199 |
| 7  | South Korea         | 10.88   | 32 | Tennessee      | 2.168 |
| 8  | Argentina           | 9.39    | 33 | New Hampshire  | 2.067 |
| 9  | Alaska              | 9.363   | 34 | Minnesota      | 1.876 |
| 10 | California          | 8.129   | 35 | Spain          | 1.822 |
| 11 | Montana             | 6.702   | 36 | Cuba           | 1.733 |
| 12 | China               | 6.518   | 37 | Pennsylvania   | 1.601 |
| 13 | New Jersey          | 5.683   | 38 | Switzerland    | 1.525 |
| 14 | North Dakota        | 5.531   | 39 | Singapore      | 1.434 |
| 15 | Florida             | 5.393   | 40 | Arizona        | 1.428 |
| 16 | Michigan            | 4.946   | 41 | Hong Kong      | 1.258 |
| 17 | Russia              | 4.491   | 42 | Czech Republic | 1.249 |
| 18 | Illinois            | 3.77    | 43 | Wyoming        | 1.179 |
| 19 | Massachusetts       | 3.765   | 44 | Vermont        | 1.128 |
| 20 | Colorado            | 3.655   | 45 | Algeria        | 1.118 |
| 21 | Texas               | 3.322   | 46 | Utah           | 1.072 |
| 22 | Virginia            | 2.991   | 47 | Jamaica        | 1.058 |
| 23 | Ohio                | 2.939   | 48 | Philippines    | 0.892 |
| 24 | Georgia             | 2.795   | 49 | Taiwan         | 0.782 |
| 25 | North Carolina      | 2.780   | 50 | Missouri       | 0.767 |

## Construction and Housing Review

### Construction in Canada



In 1997, there were 148,600 housing starts in Canada, an increase of

18 percent from 1996. All regions, with the exception of the Atlantic, recorded increases in starts. Alberta, and Ontario led the country, with housing starts growing 42 percent and 25.6 percent respectively. 1997 was the strongest year in housing starts since 1990. Canadian housing starts are expected to be

strong in 1998, exceeding 1997 levels.

Building permits were also up in 1997, rising 16 percent to 155,000. At the metropolitan level, Toronto, Vancouver and Calgary continued to lead the country. However, Vancouver saw the number of

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## Canadian Building Permits - 1997

- There were 155 709 building permits issued 1997.
- Cities in Alberta, Ontario and Quebec experienced strong increases.
- Canadian housing starts were up 18%, to 147 000 in 1997.

| Rank | Metropolitan Area | Building Permits | % CH Y/Y |
|------|-------------------|------------------|----------|
| 1    | Canada            | 155709           | 16.09    |
| 2    | Toronto           | 28674            | 50.58    |
| 3    | Vancouver         | 15214            | -14.23   |
| 4    | Calgary           | 11700            | 53.58    |
| 5    | Montreal          | 11299            | 35.07    |
| 6    | Edmonton          | 5665             | 45.26    |
| 7    | Hamilton          | 3784             | 43.99    |
| 8    | Ottawa            | 3688             | -0.03    |
| 9    | Kitchener         | 2747             | 19.07    |
| 10   | Quebec            | 2472             | 8.37     |
| 11   | Windsor           | 2311             | 6.25     |
| 12   | Oshawa            | 2129             | 32.15    |
| 13   | Halifax           | 2098             | -13.91   |
| 14   | London            | 1833             | 27.65    |
| 15   | St. Catherines    | 1760             | 47.40    |
| 16   | Winnipeg          | 1558             | 29.40    |
| 17   | Hull              | 1362             | 15.33    |
| 18   | Victoria          | 1230             | -2.61    |
| 19   | Saskatoon         | 1155             | -13.03   |
| 20   | St. Johns         | 931              | -19.53   |

Source: CMHC 1998

building permits issued fall by 14 percent. In contrast, Toronto and Calgary saw building permits increase by over 50 percent each for 1997. Montreal building permits were also strong, having increased 35 percent.

only slightly.

The US South is the largest regional housing market accounting for 44 percent of total housing starts. On a city basis, Atlanta continued to lead all US metropolitan

*(Continued on page 7)*



## Construction in the United States

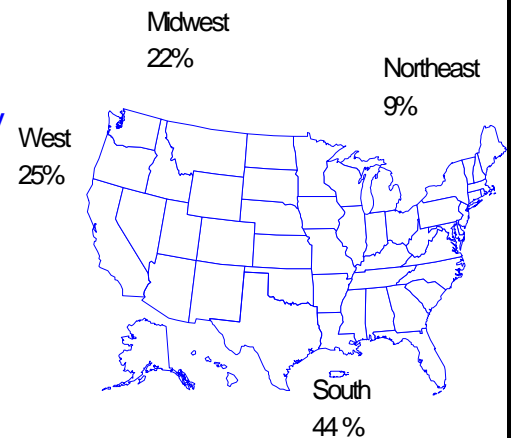


US housing starts totalled 1.474 Million in 1997, down less than 1 percent from 1996. The drop was a result of Midwest housing starts falling 5.5 percent. Regionally, the other regions experienced modest increases in housing starts.

The Northeast saw starts increase by 3.5 percent, while the South saw housing starts rise 1.25 percent from their 1996 levels. Housing starts in the West increased

- Housing market unexpectedly strong in 1997.
- 1.48 million housing starts
- Positive outlook for 1998.

Legend:  
Region  
% of US Housing Starts



Source: U.S. Dept of Commerce, 1998



## Special Feature: What's on the Web

Over the past few years, there has been an explosion in the volume of information available to Canadian manufacturers and exporters on the Internet. To help companies deal with this ever-growing volume of material, several public and private sector organizations have developed sites which are intended to offer single window access to information on specific subjects. These include the federal government's recently launched ExportSource, the Canadian Building Products Directory and Trade-Data On-Line.

### ExportSource:

<http://exportsource.gc.ca>

A federal partnership between Industry Canada, the Department of Foreign Affairs and other federal organizations, this web site is intended to bring the information published by the federal government for exporters together in a single location. It provides information on market research, export financing, export regulations/logistics, trade statistics and export contacts, as well as trade shows and missions. By searching across various federal databases, ExportSource eliminates the run-around that can occur when dealing with many different sources of information.

### Trade Data On-Line

[http://strategis.ic.gc.ca/sc\\_mrkti/tdst/engdoc/tr\\_homep.html](http://strategis.ic.gc.ca/sc_mrkti/tdst/engdoc/tr_homep.html)

Industry Canada's Trade Data On-Line allows you to do detailed searches of Canadian and US export and import trends by industry or product. To access up-to-date trade data free of charge, simply follow the step by step directions offered at the site. Trade Data On-Line can be accessed directly at the address above or through Strategis or ExportSource.

For trade data on the Canadian or US Prefabricated buildings industry, search by HS code 9406. For information on Canadian exports and imports of mobile homes, use SIC code 3244.

### The Canadian Building Products Directory

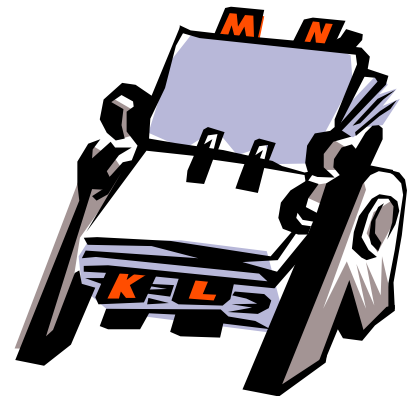
<http://canadabuild.com>

The new "Canadian Building Products Directory Web Site" allows companies to showcase their products to potential customers around the world. From millwork products to pre-fabricated houses, the Canadian Building Products Directory Website is where you'll find export-ready Canadian companies

and their products. The website database is designed to easily locate Canadian manufacturers and suppliers by company, product, and province.

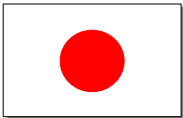
All participants in the recently published Canadian Value Added Building Products Export Directory have already been included on this site. Please visit the site at the address above and see for yourself how this product could improve your sales.

For more information about registering your company with Canada Build, please contact:  
Ken Montgomery  
Phone: (613) 954-3053  
Fax: (613) 952-8384  
E-mail: [montgomery.ken@ic.gc.ca](mailto:montgomery.ken@ic.gc.ca)  
or visit the site to enquire directly.



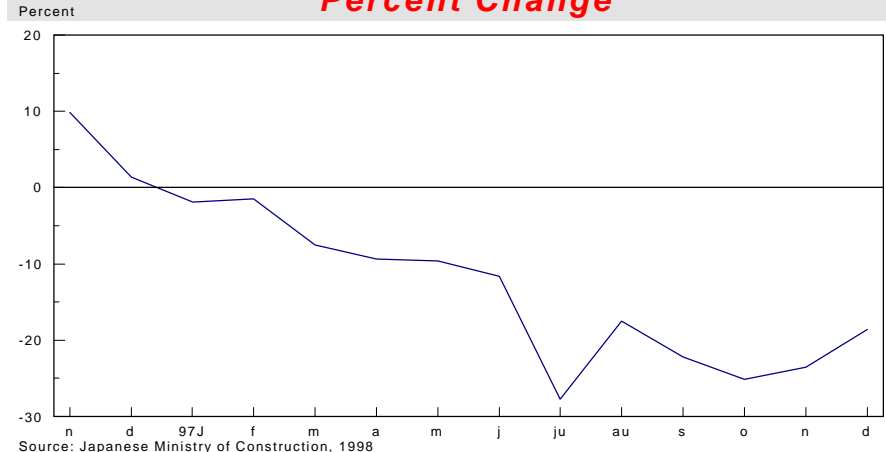
# Construction and Housing Review (cont.)

## Construction in Japan



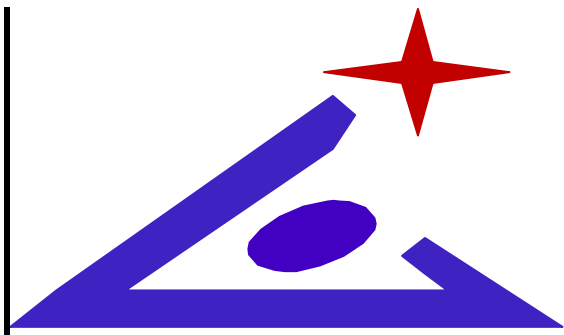
The Asian economic slow-down and the April tax hike proved too much for the Japanese economy. Investment fell and consumer consumption remained relatively unchanged from 1996 levels. The housing construction market was particularly hard hit in 1997 as starts plunged to 1.39 Million in 1997, down from 1.64 Million in 1996. This represents a decrease of 15.2 percent. Housing starts ended the year on a low note, as December starts were down 19 percent from the same period in 1996. The effects of the tax hike, discontinuation of income tax rebates and questions concerning job security will continue to keep housing starts well below their 1996 levels in 1998.

### Japanese Housing Starts / Year over Year Percent Change



*(Continued from page 5)*  
 areas in the number of building permits issued. Metropolitan areas in the Midwest showed a significant decrease, with Chicago reporting a 7.9 percent drop in building permits issued. Southern cities such as Dallas and Houston saw significant increases.

Housing starts in the US are expected to be down slightly for 1998.



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