❖ INDUSTRY CANADA ❖
Prefabricated Housing Review

Volume 4 Issue 3 Fall 1998

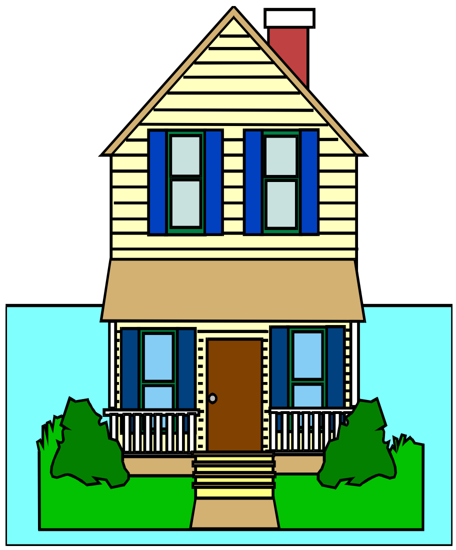
Exports to U.S. Continue to Grow
Many Offshore Markets Slump
New Export Directory to be Published

International Trade

For the first six months of 1998, Canadian prefabricated building exports were $152.4 million, down 28.4 percent when compared with the first six months of 1997. Based on the mid-year results, annualized and seasonally adjusted exports of prefabricated buildings will reach $327.9 million in 1998, a decrease of $71.1 million from the $399 million reached last year.

Figure 1 shows that the mid-year export performance of prefabricated buildings is due mainly to increased shipments to the United States. Exports for the first six months of 1998 declined in all offshore markets, posting a decrease of 58 percent for Japan, 34 percent for the European Union, 59 percent for the Asia-Pacific region, 70 percent for Latin America and 17 percent for Eastern Europe. On a quarter-to-quarter basis, shipments of prefabricated buildings in the second quarter of 1998 slightly increased in Eastern Europe and Latin America, but remained only a small share of total Canadian prefabricated building exports. Significant declines were recorded for exports to Japan, Asia-Pacific and the European Union, with exports only reaching $20.3 million, $3.1 million and $5.2 million respectively, for the second quarter of 1998.The latter results represent a decrease of more than 30 percent for each of these markets when compared to the second quarter of 1997. Despite the slight rise of Canadian exports in some individual offshore markets, for the second quarter of 1998, the mid-year results of prefabricated building exports suggest that the Canadian prefabricated building industry's reliance on the American market is expected to continue as a result of the persisting financial and economic crisis impacting negatively on most of Canada's established markets.

Canadian prefabricated building exports reached $86 million during the second quarter of 1998,



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Construction and Housing Review

Special Features:

- ***Canada's Commercial Officers in the U.S.***
- ***The Year 2000 Challenge***
- ***Canada Business Service Centres***
- ***Canadian Window Technology Transfered to Japan***

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Figure 1
Prefabricated Building Exports by Destination
Mid-Year Results

Destinations	Value of Exports 2nd Q 1998	Value of Exports Jan-June 1998	Value of Exports Jan-June 1997	% Change 1998-97 Jan-June Exports	% of Total Canadian Prefabricated Buildings Jan-June
	($ '000)	*($ '000)*	*($ '000)*		
Total	86,338	152,447	212,983	-28.4	100
United States	49,027	78,176	50,985	53.3	51.3
Japan	20,322	45,636	108,816	-58.1	29.9
European Union	5,237	10,306	15,600	-33.9	6.8
Asia-Pacific (ex. Japan)	3,125	4,897	12,091	-59.5	3.2
Latin America	3,129	4,427	14,746	-70.0	2.9
Eastern Europe	4,508	5,735	6,952	-17.5	3.8
Others	0,990	3,270	3,793	-13.8	2.1

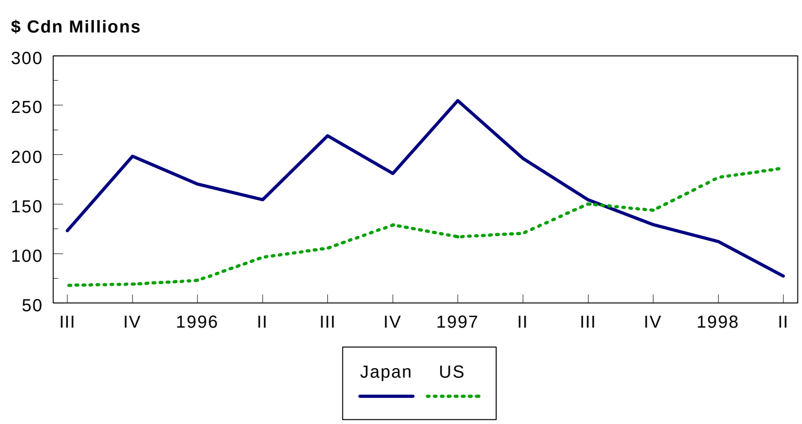
Source: Compilations based on Statistics Canada data

down 16.7 percent from the 2nd quarter of 1997. As shown in Figure 2, for the fourth consecutive quarter, exports to the United States increased while exports to Japan continued to decline. If the present trend persists, prefabricated building exports to United States will reach $186 million this year on a seasonally adjusted and annualized basis in comparison to the $77 million worth of prefabricated building exports to Japan expected in 1998. For comparison purposes, exports to Japan in 1997 were $179 million while those to the U.S. were $135 million.

US Market

Exports to United States have increased by 53.3 percent in the first six months of 1998. Strong growth in all regions, particularly the Midwest with an increase of 101.8 percent and the South with 88.2 percent have contributed to the higher performance of Canadian prefabricated building exports to the U.S. market. On a quarter-to-quarter basis, sales to Canada's leading export market increased in all regions for the 2nd quarter of 1998. The Midwest and South regions posted the highest rate of growth with more than a 70 percent increase when compared to the same quarter last year. Exports

Figure 2
Exports to US and Japan
Seasonally Adjusted and Annualized



Source: Compilations based on Statistics Canada data of prefabricated buildings reached $10.6 million to the Midwest and $10.4 million to the South. Growth in housing starts in the South and Midwest help explain this improved performance as they account for 66% of total housing starts in United States. Canadian prefabricated building exports to the Northeast reached $14.6 million, up 34 percent from the second quarter of last year while exports to the West were valued at $13.3 million, an increase of 51 percent during the 2nd quarter of 1998.

Overall, as shown in Figure 3, exports to the US continued to increase, attaining $78 million for the first six months of 1998, up $27 millions from the same period last year. Mid-year results show a similar trend for all American regions, forecasting the likelihood of good performance in the U.S. market for the balance of 1998.

Figure 3
Exports of Prefabricated Buildings to the U.S.
2nd Quarter 1998

Destinations	Value of Exports 2nd Q 1998	Value of Exports Jan-June 1998	Value of Exports Jan-June 1997	% Change 1998-97 Jan-June Exports	% of Total Canadian Prefabricated Buildings Exports Jan-June 1998
	($ '000)	*($ '000)*	*($ '000)*		
Total- U.S.	49,027	78,176	50,985	53.3	100
Midwest	10,594	16,463	8,159	101.8	21.1
Northeast	14,637	21,521	18,319	17.5	27.5
South	10,401	19,687	10,463	88.2	25.2
West	13,395	20,449	14,044	45.6	26.2

Source: Compilations based on Statistics Canada data

Major Canadian Export Markets

Figure 4 shows major markets for the Canadian prefabricated building industry in 1998.The major European market for Canadian prefabricated building exports has been Germany, reaching some $5.4 million in the first six month of 1998, followed by the United Kingdom and France, with sales exceeding a million dollars each. Shipments to Germany had already reached $9.9 million in June 1997, suggesting a decline of Canadian exports to Germany in 1998. Prefabricated building shipments to China, Poland, Russia and Cuba also posted the highest performance in their respective regions. However compared to the first six months of 1997, industry exports to the four regions have decreased by more than 30 percent, except for Eastern Europe which posted a decrease of 17 percent. Global economic instability and financial insecurity will probably prevent Canadian exports from reaching the 1997 performance level posted in the previous year.

SHIPMENTS

Total Canadian production of prefabricated wooden buildings reached $102.7 million for the second quarter of 1998, down $3.1 million from the second quarter of 1997. Domestic consumption accounted for 15.7 percent while exports accounted for 84.3 percent. On a seasonally adjusted and annualized basis, Canadian prefabricated building Production should reach $411 million in 1998, a decline of 10 percent over last year results. Note that shipments data does not include steel-based building production.

IMPORTS

During the first six months of 1998, Canadian imports of prefabricated building reached $50 million, up 17 percent from the same period last year. Shipments from the United States accounted for 91 percent of total Canadian imports of prefabricated building, for a value of $45 million. Most American prefabricated buildings shipments were to Ontario (41 percent) and British Colombia (22 percent). Illinois was the largest ex-

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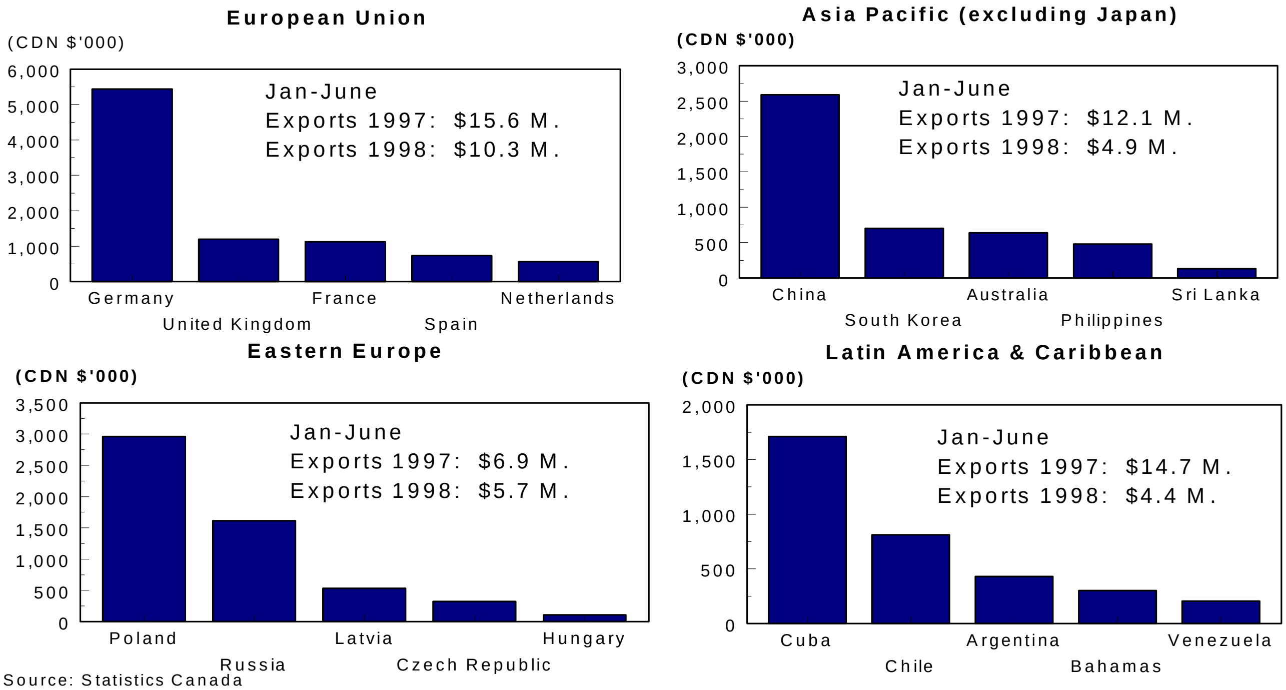
Figure 4: Regional Distribution of Canadian Exports of Prefabricated Buildings, Jan-June 1998

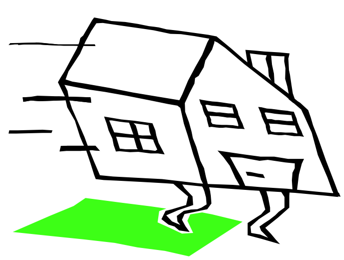


Source: Statistics Canada

porting state, accounting for 35 percent of Canadian imports. Import growth demonstrated a growing domestic demand for prefabricated buildings in Canada even though building permits and housing starts fell during the 2nd quarter of 1998.

Mobile Homes

While Mobile home shipments in the first quarter barely grew, there were some signs of growth in the second quarter. The effects of any slowing in the domestic economy had not made any noticeable impact on the industry in the first half of the year. Mobile home shipments were $110 million in the first six months of the year, up 3.7 percent from the same period last year. Shipments in the second quarter, on a seasonally adjusted and annualized basis, were up 10 percent to $249.83 million. In contrast, second quarter 1997 shipments were $226.7 million on a similar basis. Exports for the first six months were up 4.8 percent to $4 million versus $3.8 million in the first six months of 1997. Much of the export growth occurred in the second quarter, up 19 percent to $2 million for the months April to June.



Industry News

1999 CMHI Annual Meeting March 4-6, 1999

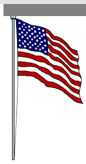
The Canadian Manufactured Housing Institute will be holding their Annual Meeting on March 4-6, 1999 in Ottawa, Ontario. For more information contact Cliff Youdale of the CMHI at 613-563-3520.

Construction and Housing Review

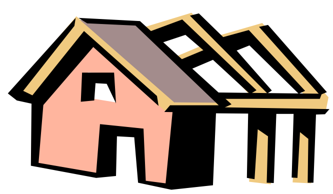
Construction in Canada

During the second quarter of the year, the Asian economic crisis along with other global economic factors, began to have a more dramatic impact on the Canadian economy, highlighted by weaker commodity prices and a sliding dollar. Labour disruptions, most notably the GM strike, also added to the economy's slowing performance. Consequently, housing starts on a year over year basis, fell by 4 percent to only 42 093 units in the second quarter. Ontario and the Prairies were the only regions to record an increase in housing starts, up 3 and 17 percent respectively. Building permits totalled 46 960, down 6 percent in the second quarter. In Calgary, building permits increased 27 percent, while Edmonton saw a healthy 15 percent increase in permits issued. Toronto saw building permits fall by 5 percent from the second quarter 1997 level. BC was the hardest hit province, with housing starts down 32 percent and building permits down 20 percent from a year ago. The BC economy is more tied to trade with Asian economies than any other part of Canada.

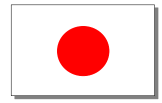
Construction in the United States



The global economic turmoil also began to have a more pronounced impact on the US economy between April and June. A sharp decrease in US exports and the prolonged GM strike, which lasted into July, had a negative impact on real GDP growth which fell to 1.6 percent in the second quarter from 5.5 percent in the first three months of the year. Even with these shocks to the economy, the construction sector in the US remained robust. Spurred by low unemployment and higher consumer spending, housing starts rose 7 percent in the second quarter, and were 8 percent higher for the first six months of the year. Housing starts in the Northeast and Western regions were particularly strong, up 10 percent in the second quarter. Housing starts in the Midwest and South, which accounted for 26 and 46 percent of all US housing starts, were up 5 and 6 percent respectively. There were some 773 000 housing starts in the first six months of the year.

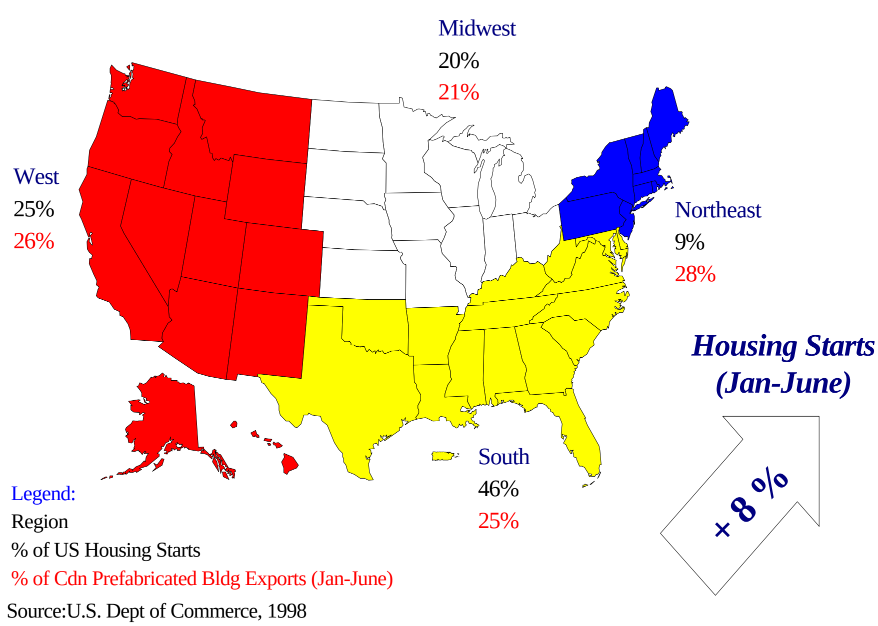


Construction in Japan



Japan's GDP in the second quarter of 1998 fell by approximately 3 percent, further signalling the ailing state of the economy. This was the third consecutive quarter in which GDP shrank. Housing starts on a year over year basis were down 15 percent to 315 219 units for the period April to June. Unemployment has reached a record high 4.3 percent, the highest it has been in the post-war era. Japan is effectively in a liquidity trap where the real economy is insensitive to interest rates, and the country has turned to government spending to boost the economy. This has been ineffective to date and has had no affect on improving the dim residential construction situation.

US Housing Starts Jan-June 1998



Special Features

Canada's Commercial Officers in the United States

Over the past few years, Canadian companies have make significant gains in the US market. Given the current state of the world's economy, the US market presents some of the best opportunities for Canadian building product manufacturers.

Canada's commercial officers in the US help to promote the economic interests of Canadian firms abroad. They help companies, be they new or experienced exporters, prepare for the challenges of doing business outside of Canada by providing market information, trade leads, and contact names.

The current list of Canada's commercial officers responsible for building products in the US can be found on the next page.

For more information visit the web site:
http://www.infoexport.gc.ca/section3/menu-e.asp

Canadian Business Service Centres

An important CBSC role is to help reduce the complexity of dealing with various levels of government by providing a single point of contact for a wide range of information on government services, programs and regulations. The CBSC initiative is the result of co-operative arrangements among 28 federal business departments, provincial governments and in some cases, private sector, associations, academic and research communities.

Currently there are twelve CBS Centres, one in every province, the Northwest Territories and the Yukon. The participants and designated federal managing partners who are responsible for the development and management of the CBSCs vary from province to province.

Each CBS Centre offers a variety of products, services and export referrals to help you obtain quick, accurate and comprehensive business information. The CBS Centres minimize telephone runaround, inadequate or incorrect information, and duplication of government services. This help enables you to make well-informed business decisions in an increasingly global economy.

For more information visit the Web site:
http://www.cbsc.org

Canadian Window Technology Transfered to Japan

Two window manufacturing operations have recently been established in Japan using Canadian window manufacturing equipment and components.

IMS Canada, a Japanese distributor of Canadian building products, has established a window manufacturing plant in the Kyushu region of Japan. This plant assembles windows using Canadian made components, machinery and manufacturing technology. The second plant is in Toyoma City. These developments signal an increased opportunity for the transfer of Canadian building product technology, equipment and components.

More information on opportunities abroad and contact names can be found at:
http://www.infoexport.gc.ca/menu-e.asp

Canadian Consulate and Commerical Officers

Location	Name	Telephone	FAX	E-Mail
Atlanta, Georgia	William Stolz	404-532-2017	404-532-2050	william.stolz@atnta01.x400.gc.ca
Boston, Massachusetts	Martin Robichaud	617-262-3338 Ext. 3356	617-262-3415	martin.robichaud@bostn01.x400.gc.ca
Buffalo, New York	Jay Mileham	716-858-9559	716-852-4340	jay.mileham@bfalo01.x400.gc.ca
Chicago, Illinois	Rock Dustchin	312-616-1860 Ext. 3366	312-616-1878	dustchin.rock@chcgo01.x400.gc.ca
Dallas, Texas	Cate Lisak	214-922-9812 Ext. 3357	214-922-9815	cate.lisak@dalas01.x400.gc.ca
Detroit, Michigan	Tom Quinn	313-567-2340 Ext. 3364	313-567-2164	tom.quinn@dtrot01.x400.gc.ca
Los Angeles, California	Brantley Haigh	213-346-2761	213-346-2767	brantley.haigh@lngls02.x400.gc.ca
Minneapolis, Minnesota	Margaret Mearns	612-332-7486 Ext. 3357	612-332-4061	td.mnpls@mnpls01.x400.gc.ca
New York, New York	Matt Toner	212-596-1654	212-596-1793	td.cngny@cngny02.x400.gc.ca
Seattle, Washington	James Sheehan	206-443-1777 Ext. 3358	206-443-9735	james.sheehan@seatl01.x400.gc.ca
Washington D.C.	Manuel Ellenbogen	202-682-7766	202-682-7619	manuel.ellenbogen@wshdc01.x400.gc.ca

The Year 2000 Challenge

On January 1, 2000, the Year 2000 problem —known as the millennium bug—could affect any computer and any kind of data-activated device such as the embedded technology used in production, maintenance, field operations and telecommunications. There is also a good possibility that the effects will be experienced before the Year 2000—in either case, costly errors or computer failures will result if no action is taken.

"We urge all Canadian business leaders, chief executive officers, presidents and business owners to implement immediately a formal action plan for Year 2000 preparedness—if they have not yet done so. Firms that are prepared for the Year 2000 computer challenge could gain a significant competitive advantage in the marketplace at home and abroad. Those that are not prepared could inflict business losses on themselves and on others.

We urge those firms actively pursuing their Year 2000 formal action plans also to enquire into the preparedness of their key domestic and international trade partners, and to plan accordingly. Correcting the Year 2000 problem now is a matter of crucial importance and a national priority."

Task Force Year 2000, February 1998

For more information
Call toll-free: 1-800-270-8220
(08:00 to 20:00 EST Monday to Friday)
or visit our Web site:
http://strategis.ic.gc.ca/sos2000
The toll-free number for the Telecommunications Device for the Hearing Impaired is:
1-800-465-7735.

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