INDUSTRY CANADA
❖ Prefabricated Housing Review ❖

Volume 4 Issue 4 Winter 1998

Continued Strong Export Growth to the U.S.
Mobile Home Shipments Up
Domestic Demand Remains on Target

International Trade

As shown in Figure 1, total Canadian exports of prefabricated buildings, for the first nine months of 1998, were valued at $265.7.7 millions, a decrease of $ 56.6 million when compared to 1997 figures. With total industry exports down 17.6 percent from the same period last year, exports to Japan, the Asia Pacific region, the European Union and Latin America continued to decrease while shipments across the border increased. Canadian exports to the U.S. have offset most of the adverse effects that lower offshore export sales would have had on Canadian companies. The U.S. now accounts for 50.3 percent of prefabricated building exports.

Despite the difficult time for the industry, sales to Japan reached $67.3 million since January, representing 25 percent of total exports of Canadian prefabricated buildings. Sales to the European Union were down $5.3 million for the first nine months of 1998 reaching $ 24.1 million, maintaining its place as the third largest market for Canadian exporters of prefabricated buildings. The Asia Pacific region and Latin America reached $7.1 million and $ 6.7 million respectively since the beginning of the year, down by 61.6 percent and 60.0 percent respectively when compared to the same period in 1997.

Also in this Issue

Results on a quarterly basis show a similar picture, with exports for the third quarter of 1998 reaching $104.3 million, down 4.6 percent from the third quarter of 1997. Again, exports during the third quarter of 1998 to Japan, the Asia Pacific region and Latin America decreased, particularly to Japan and the Asia Pacific region which posted declines of 62.6 percent and 71.4 percent respectively when compared to the same quarter last year. Exports to Eastern Europe grew by 7.0 percent this quarter, reaching $1.7 million. Shipments to the Other countries reached $3.9 million, more than the combined exports to the Asia Pacific region, the European Union and Latin America. This increase is explained by larger shipments to Algeria and Cuba although

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If you have any comments or suggestions or want to be added to the Industry Canada mailing list, call:
Murray Hardie at Tel: (613) 954-3037
Fax: (613) 941-8048
E-Mail: hardie.murray@ic.gc.ca
or
Sandra Charles at Tel: (613) 954-7803
Fax: (613) 952-8384
E-Mail: charles.sandra@ic.gc.ca

Figure 1

Prefabricated Building Exports by Destination

January to September 1998

Destinations	Value of Exports 3rd Quarter	Value of Exports Jan.-Sept. 1998	Value of Exports Jan.-Sept. 1997	% Change 1998-97 Jan.-Sept. Exports	% of Total Canadian Prefabricated Building Exports Jan.-Sept.
Total	104,259	265,714	322,314	-17.6	100
United States	71,944	150,251	98,068	53.2	57
Japan	15,808	67,356	150,921	-55.4	25
European Union	7,084	18,778	24,074	-22.0	7
Asia Pacific (excl. Japan)	1,851	7,136	18,567	-61.6	3
Latin America	1,903	6.751	16,887	-60.0	3
Eastern Europe	1,723	7,965	8,559	-6.9	3
Others	3,946	7,477	5,238	42.7	3

Source: Industry Canada compilations based on Statistics Canada data

the value of exports remained relatively low. Preliminary results for the month of October indicate that the trend for the industry is for a slight increase in the last quarter of 1998 with exports reaching $34 million in October compared to $30 million in October 997.

Exports to the US

Canadian exports to the U.S. remained strong, posting an increase of $52.2 million during the first nine months of 1998. All American regions posted good trade performance results, particularly the Midwest and the South which were up 90.2 percent and 82.4 percent respectively. Canadian exports since January to the Northeast reached $43.5 million, up 57 percent while the West reached $41.3 million, up 17.2 percent. Taking advantage of the robust housing activity in the United States, Canadian companies

Figure 2

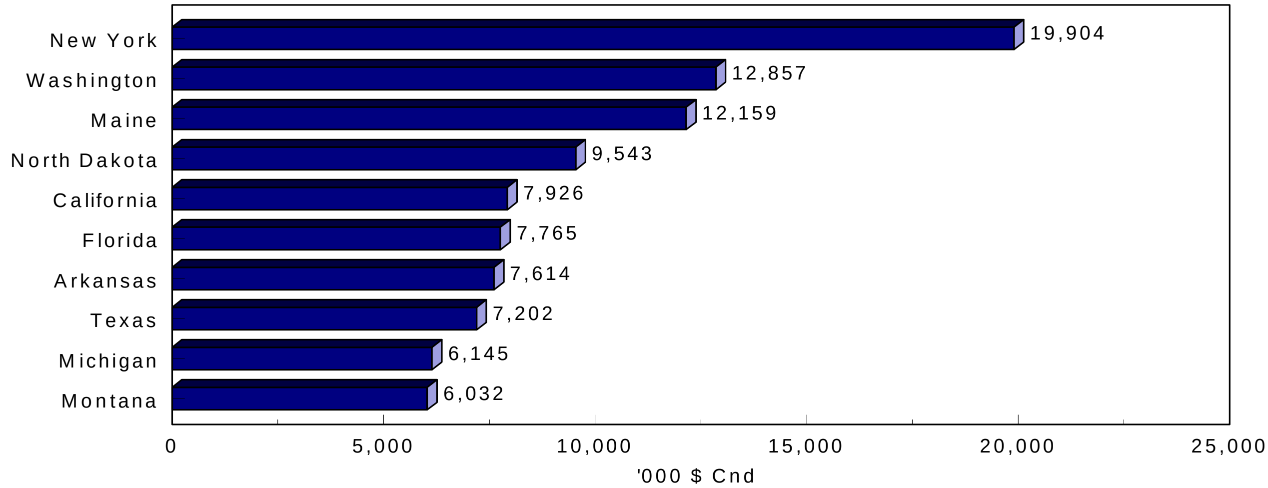
Exports of Prefabricated Buildings to the U.S.

January to September 1998

Destinations	Value of Exports 3rd Quarter 1998	Value of Exports Jan.- Sept. 1998	Value of Exports Jan.- Sept. 1997	% Change 1998-97 Jan.-Sept. Exports	% of total Canadian Prefabricated Buildings Exports Jan.-Sept. 1998
Total - U.S.	71,944	150,251	98,068	53.2	100
Midwest	18,278	34,739	18,262	90.2	23
Northeast	22,031	43,549	27,738	57.0	29
South	10,841	30,525	16,734	82.4	20
West	20,769	41,350	35,289	17.2	28

Source: Industry Canada compilations based on Statistics Canada data

Figure 3
Top 10 U.S. Destinations
Canadian Prefabricated Building Exports
Jan. - Sept. 1998



Source: Industry Canada compilations based on Statistics Canada data

increased their sales to this market by 53.2 percent since the beginning of the year.

Shown in figure 2, exports of Canadian prefabricated buildings to the Midwest reached $18 million for the third quarter of 1998, posting the highest increase of all regions when compared to the third quarter of 1997. Exports to the Northeast, the South and the West reached $22 million, $ 10.8 million and $20.8 million respectively.

Top 10 U.S. Destinations

Figure 3 shows the top 10 U.S. states by destination for Canadian prefabricated building exports. From January to September, Canadian exports to New York reached $19.9 million, leading the way as the major U.S. destination for prefabricated housing, followed by Washington state and another state of the Northeast region, Maine with $12.8 million and $12.1 million respectively. Although prefabricated buildings are distributed in all American regions, the top U.S. destinations rounding out the top ten are North Dakota, California, Florida, Arkansas, Texas, Michigan and Montana. Together, those states represented 56 percent of total exports of prefabricated buildings to the United States with sales of more than $97 million since the beginning of the year.

SHIPMENTS

Shipments of prefabricated wooden buildings decreased during the first nine months of 1998, reaching $ 310.7 million, down $29.4 million when compared to the same period time last year. Domestic sales represented 17 percent of total sales while exports to the U.S. and offshore markets accounted for 83 percent of total industry shipments. On a seasonally adjusted and annualised basis, shipments of wooden prefabricated buildings for 1998 will reach $ 408.7 million, down $ 51.8 million from the level in 1997.

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IMPORTS

Canadian imports of prefabricated buildings reached $94.2 million for the first nine months of 1998, up 2.6 percent from the same period in 1997. Buying largely from the U.S., which represents 92.1 percent of total Canadian imports, the results indicate that Canadian demand for prefabricated buildings is up slightly in 1998. Since the beginning of the year, top exporting states remain Illinois with sales of $27.9 million, followed by Pennsylvania with sales reaching $ 9.3 million. Major Canadian destinations were Ontario, British Columbia and Manitoba with imports valued at $38.4 million, $ 21 millions and $12.5 million respectively. The vast majority of imports were steel buildings.

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.

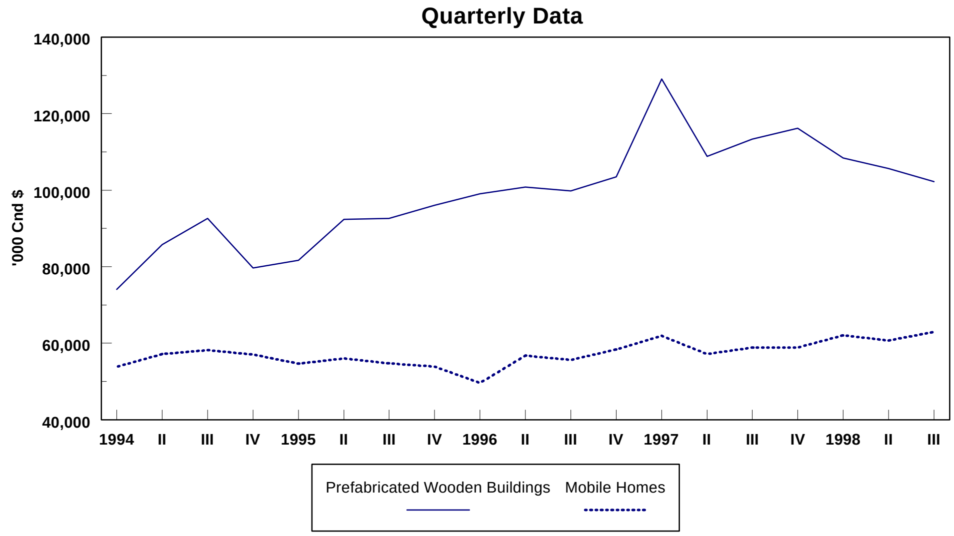
1999 MHAC Annual Meeting April 1999

The Manufactured Housing Association of Canada will be holding their annual meeting this April, 1999, in Niagara Falls, Ontario.

For more information contact Hank Starno by phone at 613-747-7460 or by fax at 613-747-6264.

Figure 4

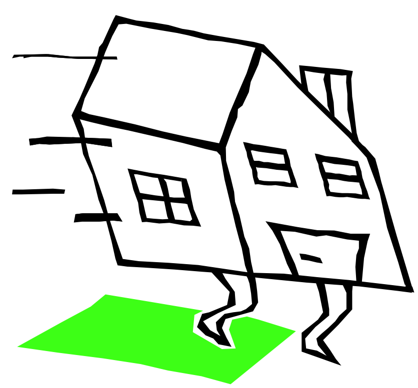
Canadian Shipments of Prefabricated Wooden Buildings and Mobile Homes



Source: Industry Canada compilations based on Statistics Canada data

Mobile Homes

Canadian shipments of mobile homes reached $184 million for the first three quarters of 1998, up 5 percent from the 1997 level. On a quarterly basis, shipments for the mobile home industry were valued at $66 million for the third quarter of 1998. If the trend persists, seasonally adjusted and annualized shipments for the year will reach $251 million, a 6 percent increase year over year. Exports of mobile homes during the quarter were valued at $ 1.5 million. Since the beginning of the year, mobile home exports totalled $ 5.5 million, an increase of 1.7 percent over the same period in 1997. Main export markets for the Canadian mobile home industry are the states of Florida, Maine and Michigan.



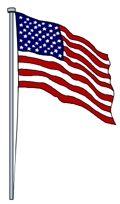
Please note

Construction and Housing Review

Construction in Canada

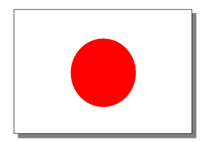
The Canadian economy grew at an annualized rate of 1.8 percent in the third quarter, down from 3.1 in the first quarter, but up from 1.4 percent growth experienced in the second quarter. While the economic situation improved slightly, labour disputes and weak domestic demand continued to plague the economy. Housing starts continued weak in the third quarter, reaching 131 300 on a seasonally adjusted annualized rate (SAAR), down 11.5 percent from the same period in 1997. Starts in British Columbia and Quebec were particularly depressed, down 32 and 22.5 percent respectively. Ontario, which accounts for approximately 38 percent of all starts in Canada, was down 11.7 percent to 48 300 starts (SAAR). The Prairies, boosted by strong construction markets in Alberta, continued to outperform the rest of Canada with starts up 17.4 percent to 32 400 units (SAAR). In Calgary, building permits rose 21 percent in the first 11 months of the year. In the recently released Homeowner Repair and Renovation Expenditure Survey from Statistics Canada, renovation and repair expenditures increased 7.3 percent to $12.8 billion in 1997. Average spending per household was $1 712, of which 38 percent was for building materials.

Construction in the United States



In late summer and early fall, the very public retreat of the US equity markets and the poor economic news from around the globe gave the impression of a weakening and fragile US economy. Fortunately, the reality was not quite so bleak. US gross domestic product in the months between July to September grew at a healthy annualized rate of 3.9 percent. This growth spread into the construction sector as new housing starts continued very strong across all regions. Housing starts were up 9.5 percent for the first 11 months of 1998, totalling some 1.498 million units. This surpasses the 1.474 million units started in all of 1997. The US south led all regions with 688 400 housing starts, up 11.1 percent from 1997 levels and accounted for 46 percent of all housing starts in the US. The Northeast, Midwest and West regions all experienced growth and accounted for 9, 20, and 25 percent of national housing starts respectively. The recent easing of interest rates by the Federal Reserve should have a positive effect on housing construction in 1999.

Construction in Japan



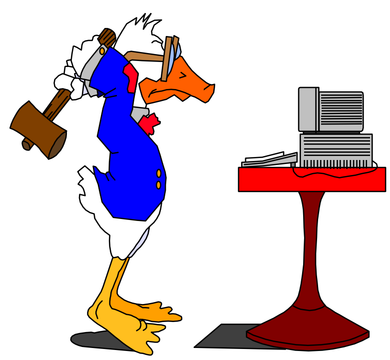
The economic situation in Japan has gone from bad to worse. By October, the economy had contracted for a fourth consecutive quarter. The situation is so dire, the Japanese government is preparing a fiscal stimulus package worth 24 trillion Yen. Weak consumer confidence and worries about their own employment situation have caused consumer spending to drop. The bleak outlook for the Japanese economy extends to the construction sector. Housing starts for the first 11 months were 1.098 Million units, down 14 percent from 1997. This represents 176 600 fewer housing starts from a year ago. Data from Japan's Ministry of Construction indicates the number of prefabricated housing starts and 2X4 homes were down 8.7 and 10.7 percent respectively from 1997 levels. In a recent Toronto Star article of interest to manufacturers, a Canadian firm's prefabricated 2X4 homes built in Japan were reported to have a $66 per sq.ft. advantage over a steel framed Japanese built prefabricated home.

Special Features

The Building Products Industry and the Year 2000 - Are you ready?

The Canadian Building Products Industry has undergone tremendous growth in the last few years. To sustain this growth, the building products industry must be sure it is prepared to meet the challenge of the millennium bug which is only a few months away. On January 1st, 2000, the Year 2000 problem could affect any computer and software used in business, such as integrated accounting software and information technology systems. The Millenium bug may also affect any kind of data-activated device such as the embedded technology used in production, maintenance, field operations and telecommunications. The effects of the Millenium bug may be experienced before the Year 2000—in either case, costly errors or computer failures will result if no action is taken.

Being prepared for the Year 2000 computer challenge extends to domestic and international building product producers, suppliers, retailers, and consumers. If the industry can address the Year 2000 problem, the millennium bug challenge can become a competitive advantage for Canada's building products industry in global markets. Correcting the Year 2000 problem is now a matter of crucial importance and a national priority.



For more information on the Year 2000 Challenge:
Call toll-free: 1-800-270-8220 (08:00 to 20:00 EST Monday to Friday)
or visit the SOS2000 Website at: http://strategis.ic.gc.ca/sos2000
The toll-free number for the Telecommunications Device for the Hearing Impaired is:
1-800-465-7735.

Adding Value to Canada's Building Products Industry

As part of the federal contribution to promote the value-added wood building products sector, Industry Canada in consultation with the Canadian Forest Service is undertaking consultations with firms and associations to develop an action-oriented strategy to support the future growth and development of this important sector. For this purpose, Industry Canada has published a consultation paper which provides an objective and factual diagnostic of recent trends and the current challenges and opportunities which are influencing the performance and future growth prospects of the value-added wood building products industry in Canada.

The consultation paper has been designed to summarize and build on past and current federal government initiatives to facilitate discussions with the industry. To obtain a copy of the paper , please contact Brian Eyford (613) 954-3505. Industry participation in the consultation process will ensure industry's needs are met.