

more favourable economic environment as the year progresses. In particular, the Japanese market for prefabricated homes shows some signs of strengthening. (See *Construction in Japan* for more details.) Remaining the second largest market for the Canadian prefabricated buildings industry, exports to Japan reached \$16.2 million during the first quarter of 1999, down 37.4 percent when compared to 1998 figures. Similar results were recorded in other Asia-Pacific countries where exports in the first quarter of 1999, were down 38.7 percent from last year. For comparison purposes, first quarter exports to Japan and the Asia-Pacific region in 1997 were valued at \$57.3 million and \$5.9 million respectively. First quarter 1999 exports of Canadian prefabricated buildings to Asia represent a drop of \$46.2 million or 73 percent over the past two years.

Canadian exports to Western Europe grew by 16.3 percent in the first quarter of 1999, reaching \$6.5 million. Leading markets in the region were Germany and France where export sales reached \$2.6 million and \$1.4 million respectively. Ontario and Quebec remain the leading provinces of export to the European market with exports reaching \$3.7 million and \$1.5 million respectively.

Canada realized a net trade balance of \$47.6 million for the first quarter of 1999. This figure is mainly explained by a decline in imports, primarily originating from the US, which reached \$17.3 million in the first quarter. Imports on a year over year basis have decreased 19.5 percent. Illinois, with sales to Canada of \$4.3 million, and Pennsylvania at \$3.1 million, are

Figure 1
Prefabricated Building Exports by Destination
1st Quarter 1999

Destinations	Value of Exports 1st Quarter 1999	Value of Exports 1st Quarter 1998	Value of Exports 1st Quarter 1997	% Change 1999-98 1st Quarter Exports	% of Total Canadian Prefabricated Building Exports 1st Quarter 1999
Total	64,950	67,503	99,520	-3.8	100
United States	37,134	29,149	19,256	27.4	57.2
Japan	16,254	25,968	57,325	-37.4	25.0
Western Europe	6,541	5,625	8,350	16.3	10.1
Asia Pacific (excl. Japan)	761	1,772	5,914	-57.0	1.2
Latin America	2,154	1,616	3,135	33.3	3.3
Former USSR & Eastern Europe	972	1,347	3,859	-27.8	1.5
Others	1,134	2,026	1,681	-44.0	1.7

Source: Industry Canada compilations based on Statistics Canada data

Figure 2
Exports of Prefabricated Buildings to the U.S.
1st Quarter 1999

Destinations	Value of Exports 1st Quarter 1999	Value of Exports 1st Quarter 1998	Value of Exports 1st Quarter 1997	% Change 1998-97 1st Quarter 1999 Exports	% of total Canadian Prefabricated Buildings Exports 1st Quarter 1999
Total - U.S.	37,134	29,094	19,256	27.4	57.2
Midwest	6,206	5,870	2,246	5.7	9.6
Northeast	8,614	6,884	3,143	25.1	13.3
South	10,787	9,286	4,398	16.2	16.6
West	11,527	7,054	9,469	63.4	17.7

Source: Industry Canada compilations based on Statistics Canada data

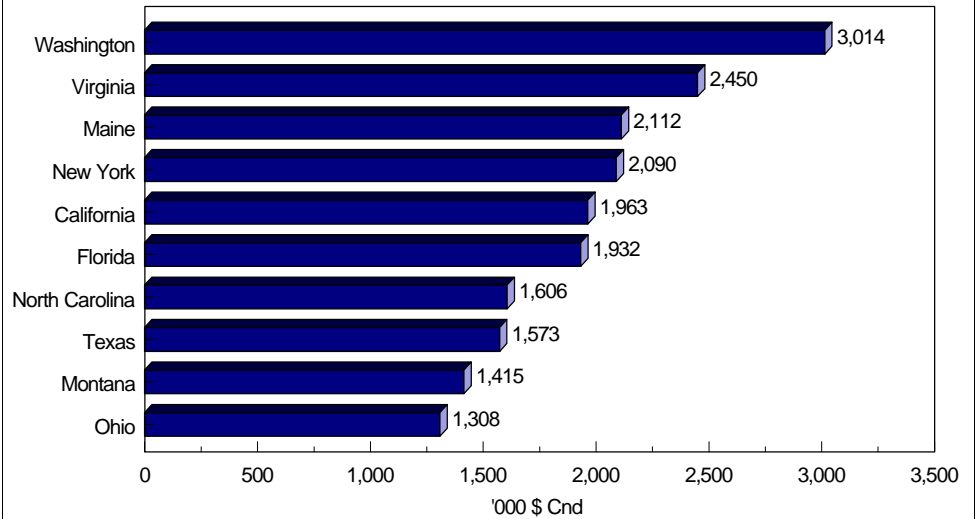
the main source of Canadian prefabricated building imports. With the competitive Canadian dollar, imports do not provide a good measure of the domestic market. Based on construction activity and the overall strong economy, domestic demand for both industrial and residential prefabricated buildings, although much less important than the export market, is expected to increase slightly from 1998 levels. Given the unstable economic environment in some of the industry's established international markets and the resulting negative impact on prefabricated building export sales, increased reliance on the US market as witnessed in 1998 is expected to continue for the foreseeable future.

United States

Exports to the United States, as shown in figure 2, continued to grow on a year over year basis increasing by a strong 27.4 percent in the first quarter of 1999 when compared to the 1998 figures. For the first three months of 1999, exports to the US reached \$37.1 million. Export growth in all US regions was positive. The highest export growth rates were recorded in the West and Northeast regions which grew by 63.4 percent and 25.1 percent respectively, reaching \$11.5 million and \$8.6 million. Exports to the South reached \$10.8 million, up 16.2 percent from the same period last year while exports to the Midwest totalled \$6.2 million, up 5.7 percent. The South and West regions accounted for 60 percent of total Canadian exports of prefabricated buildings for the first quarter of 1999.

Figure 3
Top 10 U.S. Destinations
Canadian Prefabricated Building Exports

1st Quarter 1999



Source: Industry Canada compilations based on Statistics Canada data

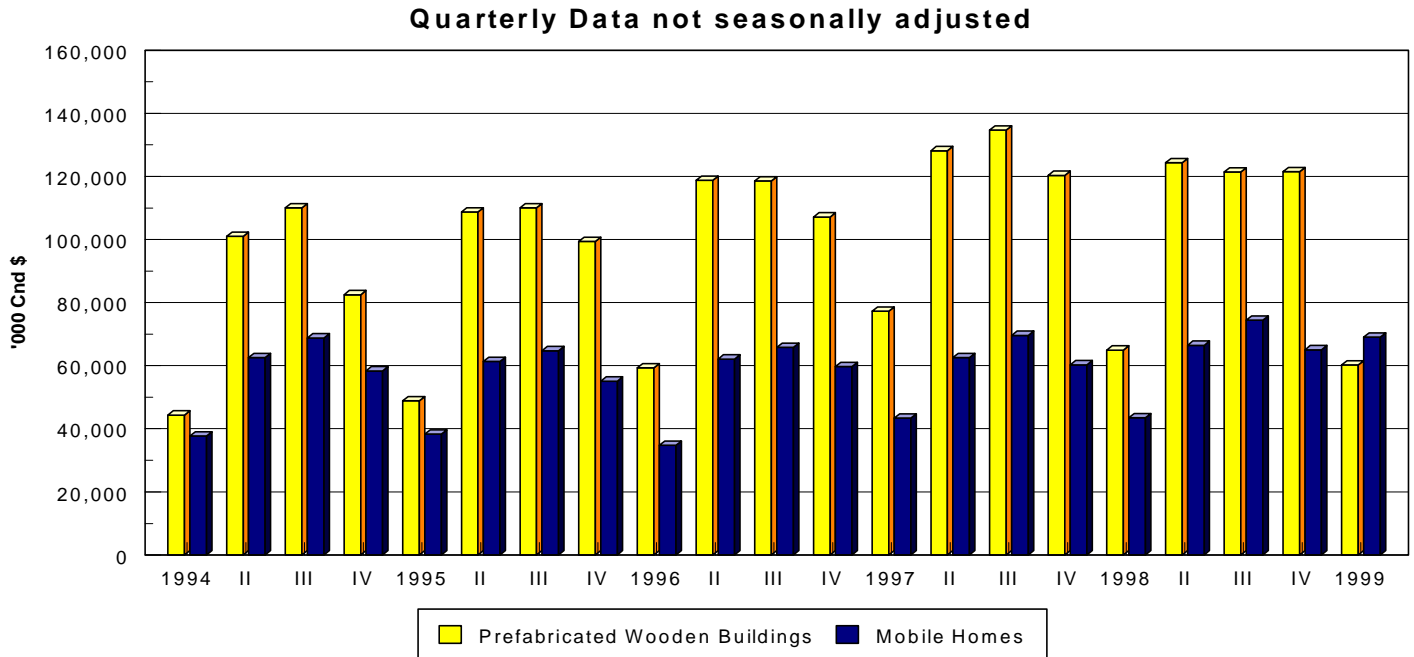
Figure 3 lists the top 10 US states by destination of the Canadian prefabricated building exports for the first quarter of 1999. The states of Washington, Virginia, Maine and New York led the way as major US destinations for Canadian prefabricated buildings. Canadian sales of \$3.0 million and \$ 2.5 million to the states of Washington and Virginia and \$ 2.1 million each for Maine and New York were recorded in the first quarter. Although prefabricated buildings are distributed in all American regions, rounding out the top 10 are the states of California, Florida, North Carolina, Texas, Montana and Ohio. Together, they represented 52

percent of total Canadian exports to the United States accounting for more than \$19 million in exports during the period.

The leading province of export for the first quarter of 1999 was Ontario with exports to the United States reaching \$19 million. British Columbia and Quebec followed with export sales to the US reaching \$6.5 million and \$3.5 million respectively. First quarter results indicate the likelihood of continued growth in the US market which Industry Canada forecasts will increase more than 20 per cent in 1999. The com-

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Figure 4
Canadian Shipments of Prefabricated Wooden Buildings and Mobile Homes



Source: Industry Canada compilations based on Statistics Canada data

combination of strong US demand and the continuing weak Canadian dollar, (although showing signs of strengthening during the first quarter) will continue to benefit prefabricated building manufacturers across Canada.



Shipments

Due to the export nature of the industry, shipments of wooden prefabricated buildings decreased during the first three months of 1999, reaching \$60.2 million, down \$4.7 million when compared to the same period last year. Canadian shipments of prefabricated portable metal buildings reached \$22 million since the beginning of the year, down 7.2 percent from the same period last year. The production of mobile homes was valued at \$69 million in the first three months of 1999.

Industry News

New Trade Show Announced

InterBUILD expositions Inc. has announced it will host "Interbuild 2000", a residential home building and construction industry show May 11 to 13, 2000 at the Toronto Congress Centre. For exhibit space information contact Rick Young at tel: 780 413-6222 or fax: 780 413-6224 or by e-mail at: www.interbuild2000.com

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Construction and Housing Review

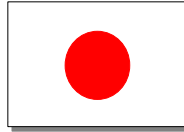
Construction in Canada



Housing starts in the first four months of the year were up slightly from the same period in 1998, reaching roughly 36 500 starts between

January and April. Slower starts in BC and Alberta were offset by modest gains in Ontario, Quebec and Atlantic Canada. By April, these regions were well ahead of their 1998 pace. Starts in Saskatchewan and Manitoba remained stable. Building permits, as a measure of construction activity, fell 1.7 percent for the first four months of the year to 45 808 permits for all of Canada. Toronto and Montreal led the nation, with 11 500 and 4600 permits issued between January and April, an increase of 10.4 and 12 percent respectively. Construction activity in Western Canada, fell in the first four months of the year. Building permits in Calgary, which last year was second behind Toronto in permits issued, were down 27 percent to 3100, while the number issued in the Vancouver area fell 36 percent to approximately 2700. For 1999, Canadian housing starts should end the year at approximately 138 000 units, relatively unchanged from last year's level.

Construction in Japan



The Japanese economy continued to struggle in the first four months

of the year. Housing starts on a year over year basis were down 4.5 percent, to 371 901 units. This compares to 389 457 units for the first four months of 1998. While consumer spending and construction activity remained weak, the first four months of data provided some optimism for the remainder of the year. Although housing starts in January and February were down on a year over year basis, starts in both March and April were strong relative to the same period in 1998. The seasonally adjusted annual rate for starts in March rebounded to 1.299 Million units. By construction type, prefabricated dwellings increased to 57 400 units in the first four months of the year. This represents a slight increase of 1.8 percent over the same period in 1998. Two-by-four construction dwellings rose 5.5 percent for the January to April period, reaching 21 565 units. Prefabricated and two-by-four construction represent 15.4 and 6 percent of total Japanese housing starts respectively thus far in 1999.



Construction in the United States



Construction activity in the US was strong through the first four months of 1999. Housing starts from January to April were up 10.1 percent from a year ago to 517 400 units.

January, February and March were especially strong months. Builders across the US were able get an early start to the construction season due to the unusually warm winter. This trend was particularly evident in the seasonally adjusted and annualized housing start data, where January starts reached 1.82 Million, but had fallen to 1.54 Million by April. Actual starts in the US South grew 15.1 percent to 256 400 units, representing half of all residential construction activity in the US. Housing starts in the US West grew by 6.4 percent to 126 100 units, for the first four months of the year, representing 24 percent of the national total. In the Northeast and Midwest, housing starts were up 4 and 3.1 percent, reaching 41 900 and 90 900 housing starts respectively. These strong housing figures helped the US economy grow by 4.5 percent in the first quarter. While growth in the US economy is expected to slow in the second half of the year, housing starts should still come in at approximately 1.6 million units for 1999.



Special Feature

Electronic commerce is here to stay and it's growing. Recent studies point to dramatic increases in on-line transactions. For example, IDC, a leading private sector forecasting firm, estimates that by 2003, Canadian internet commerce revenues will total C\$80.4 billion. This is an immense opportunity for Canadian businesses.

What is Electronic Commerce?

Electronic Commerce is an inexpensive way of connecting computers in order to accomplish tasks that have traditionally drained a lot of time and money from businesses. Things like selling products, invoicing, controlling inventories, and communicating with suppliers and customers can be done electronically.

Small businesses can now climb on board the Internet, which amounts to a free electronic highway. Once you're hooked up, you can buy, sell, and connect with the people who matter to you: your own employees (in the next office or three thousand miles away), your suppliers, your customers, your bank accounts, your credit information services, your market information sources, and so on,

quickly, cheaply and efficiently.

What is the Internet and why is it important for E-commerce?

The Internet is a vast network of people and information. It won't take you long to figure out how to get to the information you want. Nor will it take you long to figure out how to interact with people who are important to your business.

You can keep yourself constantly informed of what suppliers have available, and at what price, without even talking to them. You can keep chosen suppliers informed of your needs simply by hooking up your own inventory control devices to their supply systems through the use of the Internet.

To learn more about opportunities in E-commerce, visit the Industry Canada Task Force on E-commerce website at

<http://www.e-com.ic.gc.ca>

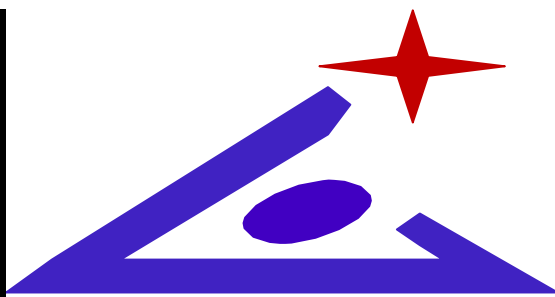
New Internet-based services relating to building products have recently made some inroads in the virtual marketplace. To learn more, visit some innovative websites and see how E-commerce can be used in the building products industry:

<http://www.buildingonline.com/eupdate.shtml>

<http://www.certainteed.com/consumer>

<http://www.intlcode.org/newsletter/apr98-2.htm>

<http://www.mks.net>



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