INDUSTRY CANADA
Prefabricated Housing Review

Volume 5 Issue 3 Fall 1999

Industry Exports Begin to Recover
Asian Markets Decline Further But US Demand Increases

International Trade

Exports of Canadian prefabricated buildings finally began to grow again in the second quarter of 1999, increasing by 14.6 percent. Export sales reached $109 million compared to $95 million for the same three month period last year. The second quarter represents the first period of prefabricated building export growth since mid-1997. On a cumulative basis, total exports for the first half of 1999 were valued at $175 million, an increase of 7.9 over the same period in 1998. The US accounted for the majority of the increase, at 61.1 percent of total exports, followed by Japan at 22.4 per cent and the European Union (E.U.) countries with 8.3 per cent. These three market regions account for 91.8 % of total Canadian exports. In comparison, Japan represented 50 percent of all prefabricated building exports in 1996, the US 25 percent and the European Union 8 percent.

Second quarter results for individual international markets were mixed with higher growth in some European and Latin American markets. Overall the rate of export growth in the E.U. and Latin America was 28 and 40 percent respectively. In Europe, the growth can be explained by increased exports to Germany with sales of $6.9 million, an

Also in this Issue

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increase of 13.2 percent from the first six months of 1998 and France, which at the mid-year point were valued at $3.3 million, already exceeding the level of exports reached in all of 1998. Similarly, exports to Spain increased accounting for 7.2 percent of total Canadian exports to the European Union for the second quarter of 1999. In Latin American markets, higher sales were recorded in Peru and Chile where exports of Canadian prefabricated buildings reached $2.7 million and $2 million respectively. For comparative purposes, total sales to these two countries in 1998 were valued at $2.4 million and $2 million.

Continuing the downward trend started in 1997, Canadian sales of prefabricated buildings to Asian markets were lower. Exports to Japan dropped by 14 percent in the second quarter of 1999, reaching a level of $22 million. Similarly, exports to other Asia-Pacific markets decreased to $2 million, down 18 percent as compared to the second quarter of 1998. With exports down 24 percent and 46 percent in Japan and the Asia-Pacific region respectively, mid-year results suggest that Canadian producers can expect a further decrease in these markets for the balance of the year.

Prefabricated Building Exports by Destination

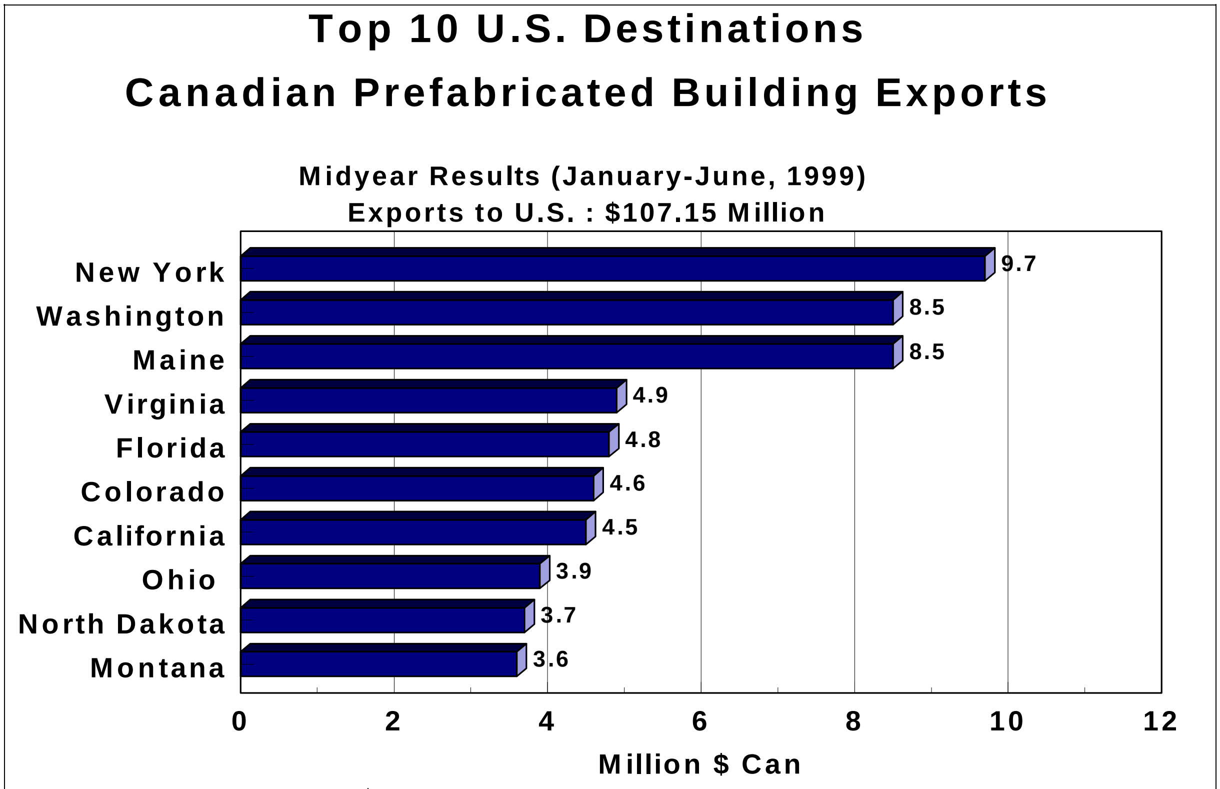
January-June 1999 (Million $ Can)

Regions/ Country	2nd Quarter 1999	2nd Quarter 1998	% Ch 98-99 2nd Quarter	Mid-year Jan.-Jun. 1999	Mid-year Jan.-Jun. 1998	% Ch 98-99 Mid-year Jan.-Jun	% of Total Jan.-Jun. 1999
United States	70.05	49.26	42.2	107.18	78.41	36.7	61.1
Japan	22.26	25.98	-14.3	39.23	51.95	-24.5	22.4
European Union	8.15	6.38	27.7	14.53	11.74	23.8	8.3
Asia-Pacific	2.07	3.57	-17.7	2.88	5.34	-46.0	1.6
Latin America	5.00	3.57	40.4	7.37	5.18	42.2	4.2
Eastern Europe	0.32	4.97	-97.48	1.37	6.32	-78.3	0.8
Others	1.22	1.42	-14.1	2.90	3.71	-21.8	1.6
Total	109.07	95.15	14.6	175.47	162.65	7.9	100

Prefabricated Building Exports to the United States

January-June 1999 (Million $ Can)

U.S. Regions	2nd Quarter 1999	2nd Quarter 1998	% Ch 1998-1999 2nd Quarter	Mid-year Jan.-Jun. 1999	Mid-year Jan.-Jun. 1998	% Ch 1998-1999 Mid-year Jan.-Jun	% of Total Jan.-Jun. 1999
West Region	19.57	13.63	43.6	31.07	20.68	50.2	17.7
South Region	12.62	10.40	21.3	23.44	19.69	19.0	13.4
Mid West Region	16.19	10.59	52.9	22.40	16.46	36.1	12.8
North East Region	21.63	14.64	47.8	30.24	21.52	40.5	17.2
Total U.S.	70.01	49.26	42.1	107.15	78.35	36.8	61.1



United States

Counterbalancing the Asian downturn, Canadian sales of prefabricated buildings to the U.S. continue to increase dramatically. Exports to destinations south of the border have grown steadily since 1997, making it the leading Canadian export market by far. For the second quarter of 1999, exports reached $70 million, up 42 per cent in comparison to the second quarter of 1998. For the first six months of the year, exports to the U.S. were $107 million versus $78 million the preceding year. Mid-year results suggest that exports to United States will reach a new record level this year.

On a regional basis, all U.S. regions posted higher export sales in the first half of the year. They all showed positive export growth rates for the second quarter of 1999 with the rate varying from 21 per cent for the Southern states to 53 percent for the Midwestern states. The two other regions, the West and Northeast, posted export growth rates of 48 percent and 44 percent respectively. The regional mid-year results also demonstrated good export sales increases in the West and Northeast regions with exports reaching $16 million and $22 million respectively. For the first six months of 1999, the U.S. regional markets have become increasingly more important than other traditional established market such as the European Union. Individually, total sales to each U.S. region, when taken separately, exceeded those realized in offshore markets, with the exception of Japan. If the trend persists, we could see the Western U.S. region surpassing Japan in importance. The Japanese market only outpaced the US West by less than $3 million during the period.

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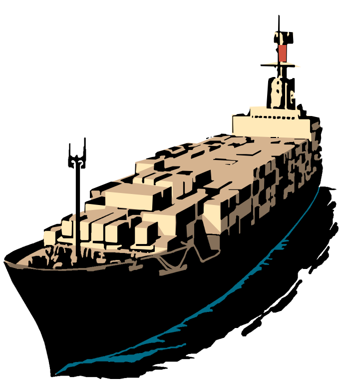
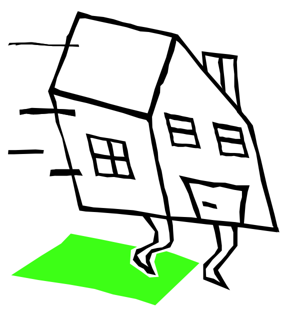
Imports

Since the beginning of the year, Canadian imports reached $44 million, down 9.8 percent from the same period last year. Originating mostly from the United States, the top 5 exporters to the Canadian market were the states of Illinois, Pennsylvania, Iowa, Wisconsin and California. Together, they accounted for $26 million in value and represented 60 percent of total Canadian imports of prefabricated buildings. Most of the Canadian demand for foreign prefabricated buildings came from Ontario where imports was valued at $25.6 million, followed by British Colombia and Manitoba where imports were valued at $7 million and $3 million respectively.



Mobile Homes

Seasonally adjusted shipments of Canadian mobile homes reached $139 million for the first six months of 1999, up 15 percent from the same period in 1998. Second quarter mobile home shipments this year were up significantly reaching $72.6 million as compared to $59 million for the second quarter of 1998. Exports were up 30 percent compared to the first six months of last year, reaching $5 million. The United States, not surprisingly, accounted for 99.8 percent of Canadian exports, with the top state being Washington.



Industry News

CONSTRUCTION SECTOR MISSION TO TURKEY:

January 2000

The Department of Foreign Affairs and International Trade (DFAIT), Industry Canada and the Canadian Embassy in Ankara are organising a business partnering mission to Turkey in the construction sector (building products, engineering and construction contracting services and housing) in January 2000. A trade assessment team is now in Turkey to identify business opportunities that could be of interest to Canadian companies.

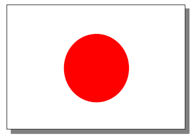
For more information, please contact Jean-Louis Robitaille of DFAIT at (613) 996-4484 or by fax at (613) 995-8783.

Construction and Housing Review

Construction in Canada

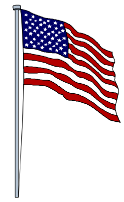
Construction activity in Canada was strong through the first seven months of the year. Canadian housing starts were up 5 percent over the January to July period in 1998. Housing starts in the Atlantic provinces and Ontario have seen healthy increases while starts in Quebec have remained stable. In contrast, housing starts in BC and Alberta are below last year's level. Building permits in Canada increased to 94 688, an increase of 4.4 percent. The results among the various metropolitan areas varied. Building permits in Edmonton saw healthy increases, with 4 470 permits issued over the first seven months, an increase of 25.2 percent. In Toronto, there were 20 700 building permits issued, up 19 percent from a year ago. Strong construction activity and higher building permits issued were also observed in Ottawa and Montreal. Vancouver saw building permits fall 44 percent to 5 200 in the first seven months. Construction activity in Calgary was weaker, with building permits down 29.4 percent to 6 200.

Construction in Japan



After having contracted for five consecutive quarters, the Japanese economy showed signs of coming out of recession in the first two quarters of 1999. Japan experienced economic growth of 8.1 and 0.9 percent in the first and second quarters of 1999. While this is a positive sign, it may be too early to say Japan is on the road to recovery because some sectors have not yet shown signs of recovery. Housing starts continued to lag the overall economy. Japanese housing starts for the first seven months of the year were below 1998 levels and significantly below those of 1997. Housing starts totalled 690 500 for the first seven months, down 1.26 percent from the same period in 1998. Starts in July were 1.153 million on a seasonally adjusted and annualized basis, versus 1.131 million in July of 1998. Prefabricated and 2X4 housing starts both saw gains in the first seven months of the year. Prefabricated starts were up 4.8 percent to 107 165, while 2X4 construction starts were up 9.6 percent to 42 308.

Construction in the United States



A strong job market, low inflation and relatively low interest rates supported the growth of the US economy during the first six months of the year. Construction activity, another key indicator, remained strong, stretching the gains made in the early winter months of the year. Housing starts for the first seven months of the year were 976 400 units, an increase of 5.1 percent over the same period last year. By region, the US South continued to lead all others growing 6.2 percent to 454 900 housing starts between January and July. In the US Midwest, housing starts were 195 200, an increase of 6.8 percent over the same period last year. Starts in West Coast states grew moderately to 237 000 units, a gain of 1.4 percent. In the Northeast, housing starts were up 1.1 percent to 84 600 units. The US South accounts for 47 percent of all housing starts, followed by the US West at 24 percent and the Midwest at 20 percent. The US Northeast represents 9 percent of national housing starts. For July, US housing starts were 1.661 million on a seasonally adjusted and annualized basis, down from the 1.719 million units recorded in July 1998.

Special Feature

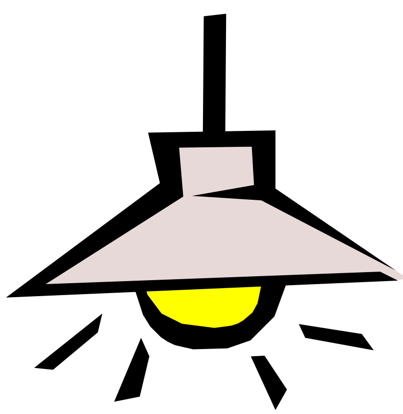
Electronic Commerce...The Future is Now!
Seminar on E-Commerce at Construct Canada '99

Industry Canada is organizing a free seminar on E-Commerce at the next **Construct Canada** exposition which will be held on **December 1, 1999** at the Metro Toronto Convention Centre, Toronto, Ontario. Taking advantage of the unique opportunity offered by this national venue to network with key industry players, Industry Canada will present a half-day seminar focussing on electronic commerce and its potential benefits.

Numerous studies have demonstrated the potential impact that adoption of electronic commerce can have on a business, particularly on the business-to-business side. The audience will have the opportunity to learn from various presenters, from both the private and public sectors, about the what, why and how of electronic commerce. They will also have the chance to network with electronic commerce solution providers, as well as find out about the various Industry Canada sources of information on electronic commerce.

This seminar, focussed toward SMEs in the construction products industry, will attempt to raise electronic commerce awareness, promote the benefits of electronic commerce as a way to increase competitiveness and productivity, and create a networking opportunity for both the potential adopters and providers of electronic commerce.

For more information, contact Sandra Charles at (613) 957-7803 or by Fax: (613) 952-8384 or E-mail: Charles.Sandra@ic.gc.ca



ONLINE EXPORT TRAINING

The Forum for International Trade Training (FITT) has made two of its courses on international trade available on-line. The Global Entrepreneurship and International Marketing courses provide you with invaluable information on preparing and researching export markets, market entry strategies and marketing plans. On-line training offers a number of benefits including updating or improving your knowledge of exporting and international trade skills, at a schedule that best suits you. You can also join on-line discussions with international trade practitioners, to share information and exchange viewpoints with other participants. Those with at least three years of exporting experience can also choose to become certified in international trade.

For more information, visit the FITT website at **www.fitt.ca** or call 1-800-561-FITT (3488) or (613) 230-3553.