



Canada: Furniture Industry

Industry Sector Analysis Report

Elizene Osores
July 2008

SUMMARY

Note: As the U.S. and Canadian dollar are currently at par, and it is forecasted to remain that way over the next year, we have used an equal U.S. and Canadian dollar for all figures in this report.

U.S. and Canada are the largest trading partners in the world and share a mutually healthy trade relationship. The furniture industry is proof of this trading relationship. The U.S. has been one of the top ten developed countries from which Canada imports its furniture and furnishing products. Despite the rising Canadian dollar and increases in Chinese home furnishing imports, Canada has realized an increase in imports from the U.S.

This report analyzes the sub-sectors and highlights opportunities within them for the U.S. furniture industry interested in exporting to Canada. It contains data on market size, market trends, U.S. – Canada import/export statistics, best prospects, market demand, market entry, export opportunities, trade shows, and important industry contacts.

MARKET DEFINITION

The Canadian Furniture Industry comprises household furniture including mattresses (38.5%), office and institutional furniture (40.8%), wooden kitchen cabinets and counter tops, (17.9%) and blinds and shades (2.8%). The Furniture Industry is made up of a number of sub-sectors: furniture and related product manufacturing (**NAICS 337**), household and institutional furniture (**NAICS 3371**), institutional furniture manufacturing (**NAICS 3377**), office furniture (**NAICS 3372**), and other furniture related to product manufacturing (**NAICS 3379**).

Products included in NAICS 337 are wooden furniture, metal furniture, contract furniture, office furniture, household furniture, kitchen furniture, upholstered furniture (sofas and armchairs), living room furniture, dining room furniture, non-upholstered seats (chairs), bedroom furniture, beds, wardrobes, outdoor furniture, ready-to-assemble furniture, seat parts, parts of furniture, sawn wood, wood-based panels, plywood, veneer sheets, particle board panels, fiberboard panels, MDF (medium density fiberboard), and woodworking machinery.

MARKET DEMAND

In 2007, the total value of the NAICS 337 industry in Canada was estimated to be \$12.6 billion. Over the past two decades, the sector has been outperforming its U.S. counterpart, however, the economy will likely face a slowdown in 2008, reaching approximately \$11.7 billion. Experts predict a growth of 5.6% for 2009 and they anticipate that market valuation will reach \$12.3 billion.

The Canadian furniture industry is the 5th largest exporter of furniture in the world. Between 1995 and 2007, the U.S. furniture market (at retail prices) grew by 82% but the Canadian

market grew by a staggering 141%. In 2007, that gap has increased due to the economic slowdown and the shrinking U.S. housing market.

Apart from the United States being the top exporter, other countries like China, Vietnam, and Italy are also major exporters of furniture and other furnishing materials into the Canadian furniture market. For 2007, the Canadian furniture industry encountered strong growth in imports arriving from China, Mexico, Italy, and Malaysia. This shift may be occurring as more manufacturers relocate production facilities to take advantage of lower labor costs. Ultimately, this result in better prices for consumers, making it harder for U.S. manufacturers to compete based on price.

Canada's strong economy and the movement of furniture imports is the driving force behind the Canadian furniture market. The Canadian dollar reached parity with the U.S. dollar in late 2007. At the current moment, the Canadian economy is performing well due to a higher Canadian dollar, an increase in Canadian exports, increased consumption, and aided by the Canadian housing boom; particularly in Western Canada.

The Canadian Economic Press reports that Canadian retail sales spiked in January 2008 and that furniture sales increased by 2.5%. This may be due to the reduction in the GST¹ by the federal government from 7 to 5%, increasing the purchasing power of the Canadian consumers. Statistics Canada reported that Canadian consumers spent one of every \$10 towards fixing, furnishing, and decorating the home. The participation rate among Canadians has been steadily increasing since 2006 due to the high value of the Canadian dollar, lower sales tax, strong Canadian economy, and the array of furniture and other home products that retailers continue to offer.

The Canadian Home Furnishing Alliance (CHFA) and the Canadian government have taken a proactive approach to increase awareness in the furniture and furnishing products market and to promote a modern lifestyle to Canadians. The CHFA held the Trend Display Launch Party that attracted 700 people, and was sponsored by the Furniture Style magazine. The party was held to inform people about the latest in Canadian furniture trends. The Canadian Government fulfilled its promise of lowering the GST this year and that has helped the furniture manufacturers to offer their products at a better price while also helping Canadian consumers increase their purchasing power. Furthermore, the Bank of Canada has helped the government by exercising monetary policy that resulted in the reduction of interest rates to 4.75%, which in turn means cheaper borrowing costs for Canadians. The combination of fiscal and monetary policy have resulted in an increase in consumer confidence, which then increases consumer demand for goods, including furniture and furnishing products.

The industry will see huge changes in the near future as Canada changes demographically. Canada's population of baby boomers are being upstaged by the younger generation of Canadians who are becoming increasingly interested in home designing, interior decoration, and furnishings. Young consumers are influenced by newer trends, want fewer choices and their products faster. In the long run, with lower birth rates in Canadian families, Canada will become dependant on immigration. AKTRIN Furniture Information Center stated that the Canadian furniture market will have a favorable outlook over the next 10 years. As Canada's total population is expected to grow at a rate of 8.7% by 2013, propelled mainly by a net in-flow of immigrants, total households will grow by 14.2% over this period.

¹ GST is a tax term used in Canada for the Government Sales Tax

Statistics Canada predicts one in five Canadians will be a visible minority by 2017. These two groups will undoubtedly have an immense impact on changing demands for the furniture industry.

In the household and personal goods group in 2007, sales rose 7.3% to just over \$33 billion, fed by a strong housing market. According to the Canada Mortgage and Housing Corporation (CHMC), housing starts remained robust for the seventh straight year, while the Canadian Real Estate Association announced record sales in the resale market. It has forecasted a slight downturn in units sold in 2008 after a record high of 8.1% or 523,000 units sold in 2006/2007. Canadian REALTORS® predict it will still be a busy year with an estimated 512,705 units expect to sell. The Canadian residential construction industry will still show a modest positive growth and the total number of households is expected to grow at a steady pace. Opportunities for U.S. furniture manufacturers increase as new owners or people who move tend to spend more on household goods than other consumers, especially during the three years following their move.⁵

Although market valuation is expected to drop, the Canadian furniture industry has excellent prospects for U.S. firms as it displays positive participation growth rates both in consumer sales, production, high volume of imports and several other opportunities.

MARKET DATA

Industry Statistics

Recent information obtained from representatives of the Canadian Furniture Industry (CFI) indicates that the value of the household, institutional furniture, and related furniture industry in late 2007 was approximately \$12.6 billion. The total value of imports in furniture market has increased by 65% since 2003, to a total of \$5.45 billion in 2007. Imports from the U.S. were the largest at \$2.11 billion and considered to be one of the top ten exporting countries to Canada. Due in part to the higher value of the Canadian dollar, Canadian exports have been declining the past two years.

The Canadian furniture market (at retail prices) has been advancing continuously but a slowdown to 5.3% is expected in 2008 and 5.6% growth is predicted for 2009. Experts anticipate that market valuation will reach approximately \$11.7 billion this year and climb to \$12.3 billion in 2009.

In 2007, Canada exported approximately \$5.15 billion of household furniture, institutional furniture, upholstered household furniture, other wood household furniture, wood kitchen cabinets and counter products around the world, with 95% of the exports going to the U.S. and the rest being exported to the United Kingdom, Mexico, Japan, and China.

Number of Companies

According to CFI representatives, few establishments that specialize in the forming materials and assembling industry sector have closed down in the last two years. Based on Industry Canada reports in 2007 there are approximately 104 such establishments in operation.

Location Concentration

Ontario had the highest performance of the provinces in 2007 with approximately \$3.79 billion worth of furniture exports. This was followed by Quebec, Alberta, Manitoba and British Columbia. All five provinces specialize in forming materials and the assembling process.

Table 1: NAICS 337 Total Exports – Distribution by Province, Canadian Dollar Figures

	2005	2006	2007
Ontario	4,253,889,523	4,110,462,026	3,796,352,397
Quebec	1,515,885,372	1,369,029,103	1,057,168,664
Alberta	333,583,782	328,958,201	219,860,623
Manitoba	289,918,696	246,581,273	199,553,763
British Columbia	249,073,148	238,471,955	198,902,283
Nova Scotia	57,809,804	45,834,771	18,830,162
New Brunswick	21,081,249	18,598,590	18,246,057
Saskatchewan	19,905,254	19,031,010	16,118,703
Prince Edward Island	4,921,509	6,650,360	5,439,405
Newfoundland and Labrador	721,153	809,088	368,250
Nunavut	100,672	17,835	89,652
Northwest Territories	3,489	--	11,355
Yukon Territory	90,921	19,340	6,521

Labor and Employment issues and statistics

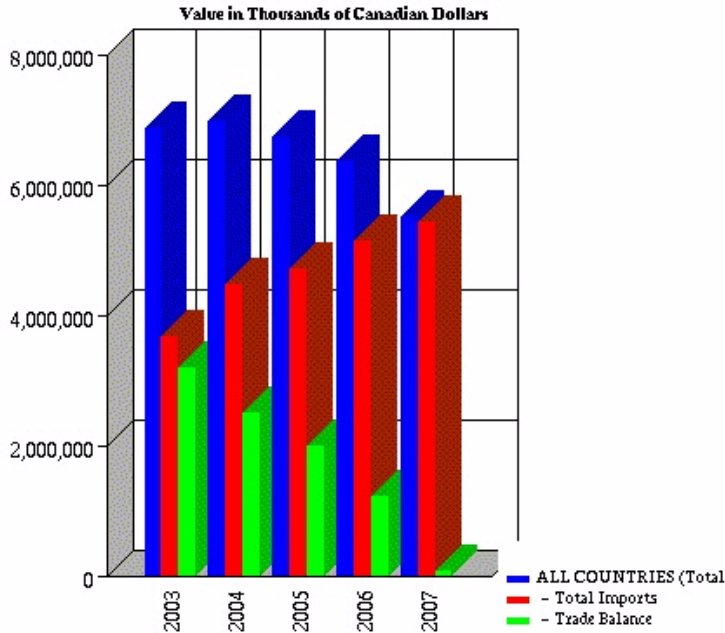
The furniture industry is dominated by a very few giants and a large number of very small companies. Medium sized firms shrank relatively more than large or small firms. This suggests that you either have to be big to compete internationally, or small and flexible to carve out a niche and survive.

The industry has experienced employment reductions in both the Household & Institutional manufacturing and Office Furniture manufacturing sectors. Statistics Canada reports March 2008 employment figures for NAICS 3371 and NAICS 3372 at 49,800 and 27,800 employees, respectively. Household and Institutional furniture employment is highest in Quebec, 18,500 employees, and followed by Ontario with 16,000. Office furniture employment in Ontario is the highest at 15,800 employees with Quebec lagging behind at 6,500 employees. The furniture retail section employs approximately 45,000 in furniture stores and 30,000 in home furnishing stores across Canada. Once again, Ontario and Quebec dominate in these categories. The remaining employment is scattered throughout Western Canada.

Trade Statistics

Statistics Canada reported that in 2007 Canada had a surplus of \$80 million in its trade balance for the furniture sector with all countries. Canada imported \$5.45 billion of these products, and exported approximately \$5.53 billion.

Graph 1: NAICS 337 Trade balance between Canada and all its trading partners



KavaChart Servlets from VE.com

Table 2: Total Canadian Exports - Top 5 countries – Valued in Thousands of Canadian Dollars

	2005	2006	2007
United States (U.S.)	6,455,166	6,089,167	5,240,999
Mexico	31,169	42,750	59,894
United Kingdom (U.K.)	38,325	34,616	41,127
Japan	16,797	17,668	17,192
China	14,378	11,365	11,654

Import Market

In 2007, United States was Canada’s largest supplier of furniture. Canada imported \$5.45 billion of furniture products, of which \$ 2.1 billion (approximately 39%) came from the United States, \$1.79 billion from China (approximately 33%); followed by Mexico with \$478 million (less than 10%).

Table 3: NAICS 337 Imports - Valued in Thousands of Canadian Dollars

	2005	2006	2007
United States (U.S.)	2,107,441	2,138,806	2,114,297
China	1,236,834	1,564,241	1,792,144
Mexico	393,458	425,367	478,260
Italy (includes Vatican City State)	153,638	122,914	122,539
Malaysia	99,685	117,406	122,514
TOTAL (ALL COUNTRIES)	4,731,152	5,157,007	5,450,197

Imports from the United States

According to Statistics Canada, the majority of U.S. furniture imports to Canada originate in Michigan, Ohio, Tennessee, North Carolina and Indiana.

Table 4: NAICS 337 Imports - Distribution by U.S State, Canadian Dollar Figures

	2005	2006	2007
MICHIGAN	587,133,163	543,145,093	491,565,307
OHIO	194,094,317	198,525,683	215,682,534
TENNESSEE	114,368,763	159,543,550	170,021,603
NORTH CAROLINA	89,251,743	85,879,699	114,728,883
INDIANA	95,582,012	112,059,092	100,109,609

Imports by Province

Ontario is by far the largest import destination for NAICS 337 products. Of the \$5.45 billion in imports to Canada, approximately 51% or \$3.14 billion were imported to Ontario. British Columbia and Quebec are the second and third largest import destinations with \$833 million and \$751 million, respectively.

Table 5: NAICS 337 Imports - Distribution by Province, Canadian Dollar Figures

	2006	2007
Ontario	2,945,721,059	3,142,715,883
British Columbia	843,062,278	833,404,947
Quebec	709,263,123	751,215,383
Alberta	253,276,757	314,833,186
Manitoba	242,654,522	235,542,814
Saskatchewan	91,118,539	98,928,471
Nova Scotia	39,928,142	37,539,128

	2006	2007
New Brunswick	31,040,081	35,738,308
Newfoundland and Labrador	602,028	247,826
Prince Edward Island	80,358	30,612
Northwest Territories	321	181
Yukon Territory	259,586	81
Nunavut	--	--

BEST PROSPECTS

Eco-friendly furniture products - Canadian consumers are becoming very environmentally conscious when purchasing furniture and furnishing products. U.S. firms seeking to sell 'green' products can take the advantage of setting their own standards since Canada presently does not have official environmental guidelines that apply. 'Green' products are defined as products made from sustainable or reclaimed hardwoods from certified forests to water-based glues and stains that are formaldehyde-free and also include eco-friendly fibers such as wool, hemp, organic cotton, linen, silk, bamboo and recycled fibers.

Wood Household Furniture - Household furniture remains the highest selling item in a majority of the retail stores in Canada. The growth of the Canadian housing market, along with the ownership of existing houses, triggers the demand for wood household furniture products. New homeowners are very selective when it comes to choosing wood furniture products that match with their existing home décor and interior design. Furthermore, U.S. firms have recently had great success in the non-wood and non-upholstery market, which includes baby seats and rattan, brass, wrought iron and wicker furniture.

Showcase, partition, shelving and locker products - This furniture industry sub-sector is engaged in manufacturing fixtures for offices, store and other applications; such as point-of-sale display cases, partitions, furniture frames, shelving, office storage, lockers, and showcases. The increasing participation of Canadian businesses in showcases and other related products will offer opportunities to U.S. manufacturers for institutional services.

Institutional Furniture -The demand for institutional furniture has been steadily increasing as commercial offices purchase furniture that can change their corporate image and are conducive to a productive work environment. According to Furniture Global, corporate earnings are a significant driving force for office furniture purchases. Hospitals around Canada are moving patients by using state-of-the-art beds, and also purchase front desks for reception counters, chairs and furniture for use in various waiting room areas.

PROSPECTIVE BUYERS

Generation Y

The eco-friendly furniture market encompasses consumers between the ages of 18-32. Recent global issues related to global warming and natural disasters have focused consumer

attention to this sector of the market. According to market research firm Ipsos Reid, these homeowners are willing to pay a premium for environmentally friendly features. Consumers are looking for furniture retailers that carry products like urban tree salvage products such as dining room tables and desks. They may also look for less expensive hybrid products where cushion foam, for example, may consist of half soy and half petroleum.

These consumers mainly look for sleek, classic designs, while incorporating mobility and affordability. Customization and multifunction is an expected trend as the number of space conscious condo and loft homeowners increase. Ready-to-Assemble furniture is also becoming increasingly popular among these individuals. Demand for upholstered household furniture is typically higher for armchairs, sofas, and modular furniture. The current trend, which leans towards the transformable and the versatile, introduces the market to more modular or variable shape furniture whose components can be modified to change a room's overall allure and function.

New Homeowners

Since the real estate boom, the level of home renovation activity has increased significantly and is expected to increase for a couple more years. Consumers are spending more money on fixing, renovating, or decorating their homes and this offers a growing and productive market for potential suppliers and manufacturers. With the changes in consumer trends, and adaptations by large department stores there is an opportunity for U.S. companies to expand their business into Canada.

Commercial Offices

Office furniture is witnessing a proliferation of products that address fundamental challenges when it comes to where, when, and how people work. Present day offices need more than workstations; they need furniture that can serve various purposes. Many companies invest in functional furniture that allows optimum utilization of minimal space while enhancing worker productivity.

The 'green' office/institutional segment is predicted to become a very important sector in coming years with manufacturers focusing on office furniture with recycled or alternative materials that are environmentally sound and are healthier for users. The opportunity arises for U.S. firms to find raw materials that could be used to make eco-friendly furniture products and use them to promote in retail stores. Venturing into this new line of products will increase the financial prospects for U.S. firms.

MARKET ENTRY

Canada's distribution and sales channels for furniture and furnishing products are similar to those in other industrialized countries. Sales of furniture and related accessories are handled through short marketing channels and, in some cases, the products move directly from manufacturers to end-users. Some manufacturers prefer to sell directly to clients with their own sales force and distribution operations, while others use a different blend of representatives, general sales agents, and distributors.

Sales Agent/Distributor: When setting up a distribution network in Canada, U.S. manufacturers should strongly consider establishing representation in different regions of the country. The U.S. Commercial Service can work with the company to provide a list of distributors of furniture and furnishing products across Canada.

Print Media: Toronto- based Canadian Business Press publishes a few magazines titles within furniture lifestyle media and reaches various audiences. Two of their publications are Wood Industry and Wood Working. Numerous other publications cater specifically to the Canadian furniture and furnishing market. The proximity of Canada to the U.S also allows for recognition of American products through U.S. print and television media and so U.S. firms have the opportunity to reap benefits from a strong U.S. branding of furniture products.

Internet: Internet sales are one of the largest channels of distribution in furniture goods in Canada. Many consumers prefer to shop online, rather than meet with sales representatives, as it becomes more flexible, convenient, and less time consuming. Consumers use it to compare products as well as look for bargain prices including free shipping. However, the customs clearance fees may make it less expensive for consumers to purchase products directly from Canadian retail outlets. The Direct Marketing News and the Canadian Market association are the two leading sources of information about direct marketing in Canada and they have stated that Canadian audiences are targeted using the same approaches that are used in the United States.

Trade Shows: The U.S. and Canadian furniture markets are more integrated than others because of their shared geography and similar marketing models. Most U.S. exporters of household furniture can gain entry in the Canadian market by exhibiting at U.S. furniture trade shows since most Canadian buyers attend these events. In Canada, there is one annual trade event for the industry, The Canadian Home Furnishings Market. With 400 exhibitors, the Toronto show is the place to find a wide range of Canadian manufacturers, plus manufacturers from the United States and other countries – all under one roof. (See Upcoming Trade Shows/Event for details)

MARKET ISSUES AND OBSTACLES

The Toronto Star reported that economists warn that high gasoline prices, a high dollar and restructuring manufacturing sector will continue to squeeze the Canadian economy and produce little growth for most of this year before a rebound in 2009 and beyond. The rise of the Canadian dollar is unfavorable to Canadian export-based corporations, specifically to the forest industry because the costs are largely denominated in Canadian dollars. Moreover, the U.S. is the destination for approximately 80% of the Canadian forest industry products and, due to the recent appreciation of Canadian dollar against the U.S. dollar, pricing constrains the Canadian forest industry.

When it comes to household consumption one factor that may be an impediment to the Canadian furniture industry is the soaring price of gas and energy. In general, rising gas prices and other increasing prices negatively impact consumers' spending abilities, implying they may spend less on discretionary items such as electronics, home improvement projects and furniture as well.

The appreciation of the Canadian dollar, high-energy costs, and the shrinking newsprint market have combined to create the crisis in the Canadian forest industry. Even more damaging is the global shift of production from traditional centers of lumber and paper production to countries that have a cheaper cost of production and labor. This change may pose a problem in the future to the Canadian forest industry along with the production of wood furniture products in Canada.

TRADE EVENTS

For U.S. companies, attending key industry trade shows and exhibitions will increase visibility of their products and services and find potential distributors/agents or end-users.

The Toronto Summer Furniture Show

Date: 11-AUG-08 to 13-AUG-08

Location: International Center, Mississauga, Canada

Website: <http://www.ofma.ca/i-tsfs.html>

Edmonton Home and Interior Design Show

Date: 03-OCT-08 to 05-OCT-08

Location: Northlands Agricom, Edmonton, Canada

Website: <http://www.showswork.com/EFHS.html>

Vancouver Home and Interior Design Show

Date: 16-OCT-08 to 19-OCT-08

Location: BC Place Stadium, Vancouver, Canada

Website: <http://www.vancouverhomeandinteriordesignshow.com>

Canadian Home Furnishing Market

Date: 12-JAN-09 to 15-JAN-09

Location: International Center, Mississauga, Canada.

Website: <http://www.tchfm.com>

BC Home and Garden Show

Date: 20-FEB-09 to 24-FEB-09

Location: BC Place Stadium, Vancouver, Canada

Website: <http://www.vancouverhomeandinteriordesignshow.com>

MAGAZINES

Canadian Interiors Magazine

Website: <http://www.canadianinteriors.com/>

Style Magazine

Website: <http://www.stylemanitoba.com/>

RESOURCES & CONTACTS

Canadian Furniture Industry

Website: <http://www.canadianfurniture.com/>

Canadiana Antique Furniture

Website: <http://www.canadianaantiquefurniture.com/publish.php>

Aktrin Furniture Information center

Website: <http://www.furniture-info.com/>

Industry Canada

Website: http://www.ic.gc.ca/ic_wp-pa.htm

Statistics Canada

Website: <http://www.statcan.ca/>

ASSOCIATIONS

Canadian Home Furnishing Alliance

Website: <http://www.chfaweb.ca/>

The Quebec Furniture Manufacturers Association

Website: <http://www.qfma.com/en/>

Interior Designers of Canada

Website: <http://www.interiordesigncanada.org/>

For More Information:

This report was drafted by: Elizene Osore, Commercial Assistant, Fahim Sayeed and Charlene D'Souza, Trade Assistants.

The U.S. Commercial Service in Toronto, Canada, can be contacted via e-mail at: Eli.Osore@mail.doc.gov; Tel: 416/595-5412, Ext. 221; Fax: 416/595-5419; or visit our website: www.buyusa.gov/canada

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