The Furniture Industry in Canada

Summary

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.

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.

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.

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