

EXECUTIVE SUMMARY

This report addresses one of approximately 80 sectors reviewed as part of a broadly-based study commissioned by the U.S. Trade, Tourism and Investment Development Bureau of the Department of External Affairs. The objective of this study is to provide a preliminary indication of potential opportunities for the expansion of Canadian exports into the United States. The findings in each report are based on an analysis of U.S. trade statistics and a limited survey of U.S. importers and trade associations from a broad cross-section of the U.S. industry.

The purpose of each report is to assist Canadian companies in identifying potential export opportunities that may justify further investigation. While the reports do not provide analyses of Canadian export industries or their international competitiveness, they do provide other kinds of information that should be useful. For example, each report provides information on individual companies that have indicated an interest in new sources of supply, some of which are quite specific. Information on U.S. import market size and shares, and on industry publications and trade fairs that the companies surveyed felt were most useful, are also provided. As such, individual reports in the series should be of particular interest to small and medium-sized Canadian companies that either are not yet exporting, or that would like to increase their level of exports to the United States.

Beauty products is one of the sectors examined during the study. In 1987, U.S. shipments of beauty products amounted to \$14 billion (U.S.), a real increase of 2.7% over the 1986 level. Imports rose 13.5% to \$431 million (U.S.) while exports in the same year (1987) amounted to just \$360 million (U.S.), a rise of 12.4% over 1986 levels. Of the products examined in this survey, Europe alone accounted for over 77% of U.S. 1987 imports (France is the dominant exporter). Canada captured 6% of this same market, matching Japan's share. The value of U.S. shipments is predicted to average real growth of 2.6% annually for the next five years.

The recent devaluation of the U.S. dollar is expected to have a significant effect on the habits of U.S. importers. Beauty products from Europe and, to a lesser extent, Japan will be more expensive. Over 72% of importers surveyed reported increases in prices and expressed an interest in learning more about Canadian sources of supply for possible substitutes of the higher priced imports now being purchased. The importers indicated a preference for receiving information through brochures and industry publications as opposed to personal contact by sales