

II - CONCLUSIONS OF THE PEAT MARWICK STUDY

While the furniture industry in the United States is expected to sustain little real growth over the next few years, there appear to be significant opportunities for expanding Canadian furniture exports in the more than \$3 billion U.S. import market. Canada's major competitors (with respect to Europe and Japan) in this market are Italy, Germany, Denmark and Japan. However, the appreciation of the currencies of these countries against the U.S. dollar may be compelling U.S. companies to change their sources of supply. Certainly, imports from West Germany, Denmark and Japan have declined in the first half of 1987 as compared with 1986.

The survey of U.S. importers conducted early in 1988 supports the observation above. Over 90% of the respondents reported rising costs of their imports due to the devaluation of the U.S. dollar, and expressed interest in looking at Canadian sources of supply. The impact of a Free Trade Agreement is uncertain as a large proportion of purchasers have not considered the repercussions of such an event. About 10% of the respondents did indicate they would increase their purchases from Canada.

U.S. importers would prefer to obtain information on Canadian firms through brochures and product listings from the company and through contact at trade fairs. Participation in trade fairs is crucial as most respondents indicated that information obtained in this manner is often a key input to their purchasing decision. Price and quality are key considerations in the decision to import the product.

The survey of U.S. industry associations connected with the furniture industry indicated that the industry believes that Canadian products are competitive in the U.S. market with strengths in upholstered furniture and the different designs available. Most survey respondents do not expect a Free Trade Agreement between Canada and the United States to have significant impact on the U.S. furniture industry.

Some specific opportunities have been uncovered during the course of the survey of U.S. importers. Sources of supply are being sought for dining room chairs, occasional tables, modern designed upholstered goods, marble dining tables, table bases, office seating furniture and children's furniture. Information on the companies seeking these goods is supplied in