SECTOR COMPETITIVENESS PROF...

OFFICE FURNITURE

1. STRUCTURE AND PERFORMANCE

The Canadian office furniture manufacturing sector includes establishments engaged in the production of metal, wood and other office furniture. The sector is identified as (1980) SIC 264 - Office Furniture Industries - and is further divided into SIC 2641 - Metal Office Furniture Industry - and SIC 2649 - Other Office Furniture Industries.

Metal office furniture products consisting mainly of desks, chairs and filing equipment currently account for 55% of the sector's shipments, wood, and other office furniture 30% and screens and panel systems about 15%. Purchasers of these products are mainly corporations, institutions and governments for all types of office space. Demand, therefore, depends upon new commercial construction, retrofitting and large scale replacements.

In total, the sector accounts for annual shipments of $530 million with employment of 7,800 persons. Exports play an increasingly significant role and in 1983 amounted to $225 million or 42% of factory shipments. Imports satisfy about 8% of the domestic market demand.

In terms of the overall Canadian manufacturing sector, office furniture activity is minimal representing less than one half of one per cent of total manufacturing shipments and employment.

As in other sectors of the furniture industry, the bulk of office furniture manufacturers can be classified in the small to medium size category when viewed from the aspect of the number of employees per establishment. However, when compared with the household furniture industry, there are about twice as many employees per establishment. In 1982, of the total of 145 establishments, 102 or 70% employed less than 50 and accounted for about 20% of shipments. Fifteen per cent of the establishments employed more than 100 and accounted for 62% of shipments.

The sector is mainly Canadian owned although a number of the large U.S. office manufacturers operate subsidiaries in Canada. In addition, some of the more successful Canadian exporters have established plants in the U.S.

The Provinces of Quebec, Ontario and Alberta have traditionally supplied the bulk of office furniture with Ontario and Quebec being the major factors. In 1960, Quebec produced 33% of total shipments, Ontario 64% and Alberta 2%. By 1971, the proportions were 37%, 61% and 2% respectively and in 1982 were 21%, 72% and 5%. In all of the provinces, most of the industry is located in metropolitan areas.

Over the period 1971-1981, the office furniture industry experienced a relatively strong rate of growth. In constant 1971 dollars, shipments increased from $79 million to $350 million for an annual average change of +9%. This rate of growth was higher than the increase of the domestic market as the portion of exports grew from 11% to 42% of sector shipments.

The period of strong growth ended with the recession in 1982 as commercial construction was cut back. As a result, it is estimated that companies are now operating at 70% to 75% of capacity.

The industry has regularly generated annual profits and in recent years the after tax returns have been improving. The debt to equity ratio for the sector is about 0.15.

2. STRENGTHS AND WEAKNESSES

a) Structural

The office furniture industry is similar to many other Canadian industries in that it is strongly influenced by activities in the U.S.A. and to a

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