

# WOOD MARKETS



HIGHLIGHTS

MONTHLY INTERNATIONAL REPORT

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Featuring Lumber, Panels and Wood Products Analysis

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## Global Lumber Outlook '11 Slow Recovery Expected in Most Markets

**T**he global lumber market showed a modest increase in 2010 after two years of negative growth. While global consumption inched higher, there were surprising price increases as lumber inventories in North America and log supply shortages in Europe created higher lumber prices versus 2009.

Any hope for a strong rebound in global lumber consumption appears muted, as major markets in the U.S., Canada, Europe and Japan are all anticipating only mild growth in 2011. The fallout from the global economic crisis that began in late 2008 is expected to limit the upside until 2012 at the earliest. However, price volatility is probable, and this will create some interesting scenarios going forward despite slow growth in lumber consumption.

### GLOBAL ECONOMY

The global economy has made a strong correction in 2010 after enduring some heart-stopping declines in 2009 (the year global GDP came in at -0.6%). Economic recovery continued to strengthen during the first half of 2010, with an annual rate of expansion of about 5.25%. A surge in inventory — and, lately, fixed investment — has accounted for a dramatic rise in manufacturing rates and global trade. However, low consumer confidence, reduced household incomes and wealth, and turmoil in sovereign debt markets continue to hold down con-

### WOOD MARKETS 2011–2015: Outlook on Lumber & Panels

**O**ur strategic outlook report, *WOOD MARKETS 2011 — The Five-Year Outlook for the North American Wood Products: 2011–2015* is almost ready! This is the follow-up to previous WOOD MARKETS' five-year outlook reports for North America and complements ongoing analysis provided in our newsletter.

The 2011 edition addresses the rebounding North American economy and housing market, plus provides our standard five-year forecasts on supply, demand and prices for softwood lumber, plywood, OSB, MDF and particleboard. Based on an in-depth assessment of the risks and obstacles to an economic/housing recovery, the outlook for each commodity wood product matches the expected market demand with the supply base to offer a forecast of pricing direction.

The report features an assessment of mill operating rates by product line, as price trends will be particularly sensitive, not just to demand trends but also to the supply response as companies restart curtailed (and even closed) capacity.

With the five-year forecasts now completed, there is some incredible good news ahead, but the timing/results for some products will not necessarily be as soon as some might think! Amid the current weak global market conditions, an independent perspective can be valuable in getting your business ready for 2011 and beyond. Please contact us for more information.

sumption in many advanced economies (where growth slowed in the first half of 2010).

The IMF is forecasting global economic activity to expand by 4.8% overall in 2010, and 4.2% in 2011, well below historical levels. The global recovery remains fragile, ...continued

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### Global Statistics

## GLOBAL PRICE TRENDS

International WOOD MARKETS Group Inc. is pleased to provide you with an overview of our monthly 12-page WOOD Markets newsletter. The excerpts displayed in this two-page summary showcase why, since 1996, WOOD MARKETS has been the leading report addressing strategic issues and global topics that impact the solid wood products sector.

WOOD MARKETS (full 12-page report) is available by annual subscription for US\$530 (international US\$565) or Cdn\$565 per year. Call 1-604-801-5996, by e-mail at [info@woodmarkets.com](mailto:info@woodmarkets.com), or visit [www.woodmarkets.com](http://www.woodmarkets.com).

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WHAT'S NEW:

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## Global Lumber Outlook '11 cont'd

Slow Recovery Expected in Most Markets

## GLOBAL SUPPLY/DEMAND

Global softwood lumber/sawnwood demand bottomed out in 2009 by 24% from 2006 peak. Consumption is estimated to grow by 5.7% in 2010 and looks to add another 3.8% in 2011. Output has grown by 5.3% in 2010 and is forecast to climb by another 4.2% next year.

## EUROPEAN SUPPLY/DEMAND

Overall, the European wood products market recovered in 2010. Little increase is foreseen for housing starts in 2011. Construction is the key market driver for consumption of sawn softwood, and the housing sector in Europe is expected to remain very fragile in 2011.

The outlook is for a 2% increase in European sawnwood output. Bio-energy continues to offer another revenue stream.

## RUSSIA

The building boom in Russia came to an abrupt halt by the end of 2009. Despite falling production, exports increased by 5.5% in 2009 and are expected to record further increases in 2010, with exported sawn softwood heading to China to replace expensive logs. Lumber output is forecast to increase in 2011 at the same pace as in 2010.

(The full *WOOD MARKETS* article provides further details, graphs, and analysis.)

## NORTH AMERICAN SUPPLY/DEMAND

Based on excerpts from the *Softwood Lumber* chapter of our upcoming *WOOD MARKETS 2011*. U.S. lumber consumption continues to be in a slump and is not forecast to return to peak rates for over five years.

Canadian consumption is expected to bounce back to peak levels by 2013. Canada's production is forecast to increase steadily in both 2011 and 2012.

## JAPAN

Housing starts are not expected to ever return to previous highs.

The Japanese government has introduced new forestry legislation, allowing for increased share of inexpensive domestic logs and lumber versus imports at the expense of Russian and North American logs.

## CHINA

Domestic demand, consumption and production have been in the double digits over the past year. However, they continue to import more logs/lumber to keep up with demand, with the main beneficiaries being Russia, Canada, the U.S., and Southern Hemisphere radiata pine producers. ■

## MARK YOUR CALENDARS:

## WOOD MARKETS' Global Wood Products Industry/Market Conference

- Westin Bayshore Hotel, Vancouver, B.C., Tuesday, May 10, 2011. Save this date!
- Assessing the Inter-Connectiveness of Global Supply Chain Dynamics and Emerging Market Opportunities and Constraints.
- In conjunction with the PwC Annual Forest Industry Conference and the Global Forest Products Leadership Summit, May 8–11, 2011.
- [www.woodmarkets.com/conf\\_conferences.html](http://www.woodmarkets.com/conf_conferences.html).

## WOOD MARKETS 2011 Outlook to 2015

- Covering lumber, OSB, plywood, MDF & particleboard.
- Featuring a five-year outlook for supply, demand and prices, including operating rates.
- Includes economic analysis of U.S. housing-market recovery and the key demand drivers.
- Go to [www.woodmarkets.com/p\\_wmbook.com](http://www.woodmarkets.com/p_wmbook.com) for details and order options.

## U.S. Moulding Market Outlook 2011–15

- Executive summary analysis report
- U.S. shop & better lumber supply and price outlooks
- U.S. moulding market and price outlooks
- Click here: [www.woodmarkets.com/p\\_mouldingmarket.com](http://www.woodmarkets.com/p_mouldingmarket.com) for detailed options.

## NOW AVAILABLE:

## China Book • Outlook to 2015

## Wood Products Industry and Market Review

- Outlook on wood products industry, exports & imports.
- Log, lumber and panel price trends/softwood forecast.
- Full brochure available at [http://www.woodmarkets.com/p\\_chinabook.html](http://www.woodmarkets.com/p_chinabook.html).

## NOW AVAILABLE: B.C. Interior:

## Mountain Pine Beetle Attack

## Impact and Outlook on B.C. Timber Availability and Wood Products Production

- Order form and pricing details can be viewed at [www.woodmarkets.com/p\\_specialreports.html](http://www.woodmarkets.com/p_specialreports.html).

Note: Please contact us for *WOOD MARKETS* Monthly International Report pricing details.

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