

Featuring Lumber, Panels
and Wood Products Analysis

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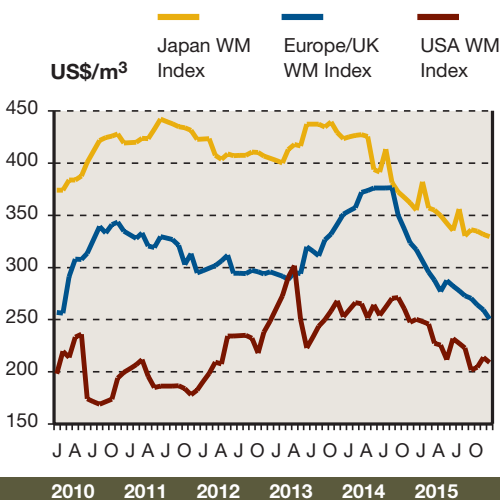
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GLOBAL PRICE TRENDS



Source: WOOD MARKETS

Note: Features structural lumber products from our Global Prices section

GLOBAL LUMBER OUTLOOK 2016–17

Market Growth Variable; Currency Dynamics Create Volatility!

The major global event in 2015 has been the devaluation of most exporting countries' currencies against the U.S. dollar (and, to a slightly lesser degree, the Chinese renminbi). These plunging currencies created some major competitive advantages at first, i.e., at the same U.S.-dollar price, exporters could pocket the difference. The situation was short-lived, however, as most major markets (including China, Japan, Europe, the Middle East/North African countries and Canada) were experiencing flat growth. The only major market that showed sizeable demand growth in 2015 was the U.S. — about +4.5%. As a result, most exporters were searching for the markets that would provide the highest margins for their respective currencies. This became a race to the bottom: U.S.-dollar prices crashed in most major export markets as exporters gave away their currency exchange-rate gains in order to hold onto market share given the lower prices. The net result has been a global mess marked by too much supply versus demand. It does not bode well for 2016.

As usual, there are many change factors at work that will create unpredictable swings in lumber supply, demand and prices in 2016 and beyond. The following excerpts from *WOOD MARKETS 2016* — our five-year solid wood products outlook (covering

2016–2020) — address some of the major lumber market changes expected in the next two years.

WOOD MARKETS 2016 • Outlook 2016–2020 for Lumber and Panels

WOOD MARKETS 2016 • The Five-Year Outlook for North American Wood Products: 2016–2020 has just been released! The report features our standard five-year forecasts on supply, demand, trade, and prices for softwood lumber, plywood, OSB, MDF and particleboard. For 2016–2020, the big story continues to revolve around the dynamics of global currency devaluations and their impact on costs and prices. Many variables are now in place, and things will not be the same in the U.S. or export markets for some time. In addition, we address the question of the much-discussed potential for a North American timber and lumber shortage to stimulate prices...or not. (See the end of this article for further details.)

Global Economic Overview

The overall global GDP growth remained muted in 2015. From a pace of 5.2% in 2010, it slid gradually to 3.3% in 2013 and to 3.4% in 2014, and is expected to remain at slightly lower levels through 2015 before moving higher in 2016.

The more advanced countries' economies continued their slow turnaround in 2014, with European GDP growth at 0.2% in 2013 and 1.5% in 2014. Further improvements (+1.9%) expected in 2015–16.

...continued

SPECIAL REPORT cont'd

GLOBAL LUMBER OUTLOOK 2016–17

Market Growth Variable; Currency Dynamics Create Volatility!

Our recently published report predicts relatively slow demand growth against too much production capacity over the next two years. With European lumber demand coming back slowly and North America's housing recovery anticipated to accelerate at times, more softwood lumber demand should be the result, leading eventually to a tightening of the supply chain. However, the trends in China's economy and construction markets are still key to driving global export demand, as is steady market demand in Japan. Plus, the political volatility in the MENA countries needs to stabilize to enable export growth.

A growing U.S. housing market is forecasted over the next five years; in combination with stronger global demand, this could be a catalyst for higher prices.

As export markets faltered and global currencies devalued against the U.S. dollar in 2015, exporters began giving away their foreign currency gains by cutting U.S.-dollar prices in export markets. U.S. demand then became partially imbalanced relative to available supply, and prices tumbled for most of this year. By 2017, with an improved housing and export market expected, the average annual price of North American W-SPF is estimated at over US\$300/Mbf — much lower than in 2013 and 2014.

The ruble's dramatic weakening in late 2014 (currently 50% below that level), gives Russian lumber exporters a huge competitive advantage. The devaluation contributed to a reduction in the supply of softwood log exports to China, as more logs are being processed in Russia in lumber (where lower ruble-based costs yield lower log processing costs versus other countries — and there is no export tax on lumber).

The WOOD MARKETS' outlook calls for rising European lumber exports to the U.S. to help balance out flat Canadian supply, with higher prices required. This scenario is not expected to occur in any meaningful way until 2017, as a higher threshold price is needed to assure more sustained lumber supply to the U.S. Consequently, gradually rising prices are called for in our five-year outlook. ■

(The full article examines the global lumber industry in detail, with graphs to paint the picture.)

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NEW 2-Day Global Softwood Log & Lumber Conference

May 5–6, 2016 at Fairmont Hotel Vancouver

- <https://www.woodmarkets.com/conference/conferences-vancouver/2016-global-softwood-conference/>

NOW AVAILABLE:

WOOD MARKETS 2016 • Outlook to 2020

- www.woodmarkets.com/publication/5-year-outlook/outlook-2019/

Global Timber/Sawmill/Lumber Cost Benchmarking 2014 Annual Basis & Q1/15

- www.woodmarkets.com/publication/global-cost-benchmarking/benchmarking-report-2014/

U.S. Clear Pine Lumber & Moulding Market Outlook to 2020

- <http://www.woodmarkets.com/publication/us-moulding-market-report/u-s-clear-pine-lumber-moulding-market-outlook-2015-2020/>

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Vancouver, BC, Canada

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Subscription Rates (1 year, 10 issues):

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US\$565

(+GST/HST in Canada)

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