

Featuring Lumber, Panels
and Wood Products Analysis

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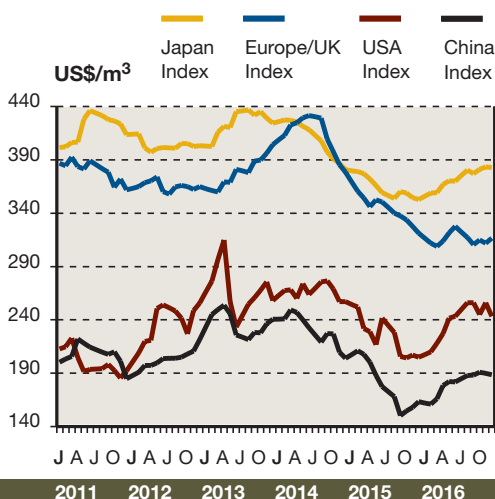
GLOBAL LUMBER OUTLOOK 2017–18

Canadian Export Duties Will Lead to a Volatile U.S. Market

After adjusting to substantial currency devaluations in 2015 against the U.S. dollar, most exporting countries got back to business in 2016, with global lumber prices showing a general improvement in most major markets. A few markets slumped — such as Egypt and others in the Middle East and North Africa — but this seemed to be the exception. The U.S. was again the main growth market in 2016 (the case since 2010), and supported firm to rising prices throughout the year.

As usual, there are many change factors at work that will lead to unpredictable swings in lumber supply, demand and prices in 2017 and beyond. The largest market variable in 2017 is pending export duties on Canadian lumber shipments to the U.S., which consensus opinion estimates will come in at least at 25% starting in about early May. The duties will cause huge disruptions and volatility in 2017 as the market tries to determine the price of lumber imports and U.S. domestic species. The following excerpts from *WOOD MARKETS 2017* — our five-year solid wood products outlook (covering 2017–2021) — address some of the important lumber market changes expected over the next two years.

GLOBAL PRICE TRENDS



Source: WOOD MARKETS
Note: Features structural lumber products from our
Global Prices section

WOOD MARKETS 2017 Outlook for Lumber and Panels • 2017–2021

WOOD MARKETS 2017 • *The Five-Year Outlook for North American Wood Products: 2017–2021* 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 2017–2021, the biggest story continues to be the impact of U.S. export duties on Canadian lumber; our report features four duty scenarios (0%, 15%, 25% and 35%). In addition, we address the very real question of a North American timber and lumber shortage that will witness record-level prices. For OSB, new capacity and curtailed mill restarts will lead to some price uncertainty in 2018 and beyond.

Global Economic Overview

Overall global GDP growth remained muted again in 2016. From a pace of 3.2% in 2015, it is projected to ease to 3.1% in 2016, reflecting slower growth in the U.S. and China. However, growth in 2017 is expected to rise to 3.4% as many countries start to move out of a stagnant period.

Growth in the advanced economies stalled in 2016, influenced by a Q2/2016 slowdown in the U.S., the eurozone and Japan. Growth in the advanced economies is forecasted to improve slightly in 2017, but weak productivity growth and demographic

...continued

SPECIAL REPORT cont'd

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headwinds will have a dampening effect in the medium-term period. Global GDP growth in 2018 and onward is expected to notch up slowly by 2021 to reach 3.8%.

Many change factors at work will lead to unpredictable swings in lumber supply, demand and prices in 2017 and beyond. The largest market variable in 2017 is pending export duties on Canadian lumber shipments to the U.S., which consensus opinion estimates will come in at least at 25% starting in about early May. The duties will cause huge disruptions and volatility in 2017 as the market tries to determine the price of lumber imports and U.S. domestic species. Incremental supplies of logs and lumber will be required by about 2019 (and beyond), and they will need high prices to become available.

The *WOOD MARKETS 2017* five-year outlook incorporates various global supply dynamics and market growth in key countries into its predictions for the supply/demand balance and price trends. We cannot stress enough that the major factor in 2017 and beyond will be the massive implications of export duties on Canadian lumber shipments to the U.S. market. With overall demand growth steady in many key markets, the rebalancing of U.S. lumber demand and reduced Canadian exports to the U.S. (against available/potential domestic and import supply sources) will remain complicated to predict.

Even with expected slow growth in U.S. housing starts, the market is expected to get very active starting in 2019, bringing in European softwood lumber imports as a result of tighter North American supply. Now, a pricing "super cycle" or "record high" prices — potential outcomes that have always had their roots in constrained timber and lumber supply — are a much more feasible scenario by the end of this decade. The obvious catalyst: U.S. trade law and the impact of export duties on Canadian lumber. ■

(Additional details, with graphs, are provided in the full article to offer further insight into the global lumber market.

NEW!

Global Timber/Sawmill/Lumber Regional Cost & Revenue Profiles

Quarterly Log and Sawmill Costs, with Lumber/By-Product Revenues/Prices, Starting from Q1/2015 for 20 Countries/Regions

- Available September 2016
- <https://www.woodmarkets.com/publication/global-cost-benchmarking/benchmarking-quarterly-update-2016h1/>

WHAT'S NEXT

WOOD MARKETS • 2017 Edition

Detailed Analysis and Forecast for the North American Wood Products Industry & Market

- Outlook 2017-2021
- Available December 2016
- <https://www.woodmarkets.com/publication/5-year-outlook/outlook-to-2021/>

SIGN UP:

CHINA BULLETIN (monthly)

- www.woodmarkets.com/publication/china-bulletin/

MARK YOUR CALENDARS FOR 2017:

Annual Global Softwood Log & Lumber Conference

- May 11, 2017
- Hyatt Regency Vancouver
- <https://www.woodmarkets.com/conference/conferences-vancouver/2017-global-softwood-conference/>

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