

Featuring Lumber, Panels  
and Wood Products Analysis

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## GLOBAL LUMBER OUTLOOK 2019–20

### Most Prices Stalling, But Demand is Still Growing

**A**fter surviving a global slowdown in 2015, world lumber markets became favourable as a general trend of rising prices took hold — up until the second half of 2018, that is, when the trend reversed in almost all markets. What happened?

Many factors combined to cause two contrasting scenarios: too little supply with rising prices in H1/2018, followed by too much supply with declining prices by the end of the year. Delayed shipments occurred first in the U.S. market, mainly the result of weather delays from B.C. (and other factors); this inelastic supply led prices to soar to record levels by mid-year. In H2/2018, the opposite occurred: shipments swamped the market, plunging prices by 50%. While average prices for U.S. structural lumber in 2018 were the highest ever recorded, it is still a tale of two half-years. The outcome is that higher-cost mills in western North America are now curtailing production to contend with below-cost prices, but overall supply and demand fundamentals continue to look reasonable for 2019. **As a result, both the Canadian and U.S. divisions of FEA are forecasting a pleasant surprise in lumber pricing in 2019; in fact, the second-highest average annual levels could be seen!** This may be a difficult scenario to fully grasp given the lows of this December, so in this article we present the analysis behind our conclusions.

All global markets — including the U.S., Canada, most of Europe, Japan, China and much of Asia — were good to strong in 2017, and even better for the first two to three quarters of 2018. As in previous years, the only one that remained consistently unsettled was North Africa (particularly Egypt and Algeria). The U.S. saw solid growth again in 2018 (the case since 2010), but supply dislocations — forest fires, hurricanes, cold winters, railcar delays, etc. — and other developments led to extreme volatility in both lumber supply and prices throughout the year.

There are always various change factors at work that can lead, either directly or indirectly, to unpredictable swings in lumber supply, demand and/or prices, and this was precisely what happened in 2018. Until the point at which prices crashed, import duties on Canadian lumber shipments to the U.S. had shown no effect on Canadian mills; by Q4, though, many western Canadian mills had been curtailed due both to the duties and higher log costs in British Columbia. Of course, markets can be complicated, and 2018 proved this yet again.

### Key Global Trends

The steady expansion underway since mid-2016 continues, with global growth for 2018–19 projected by the International Monetary Fund (IMF) to remain at

...continued

## GLOBAL PRICE TRENDS



Source: WOOD MARKETS

\*Europe/UK Index revised

Note: Features structural lumber products from our Global Prices section

## SPECIAL REPORT cont'd

## GLOBAL LUMBER OUTLOOK 2019–20

## Most Prices Stalling, But Demand is Still Growing

its 2017 level of 3.7%. At the same time, the expansion has become less balanced and may have peaked in some major economies. The downside risks have risen in the past six months, while the potential for upside movement has receded. The U.S. saw solid growth again in 2018, but supply dislocations and other developments led to extreme volatility in both lumber supply and prices throughout the year. FEA is forecasting prices to be close to the second-highest average annual levels in 2019 — only 2018 was higher!

The U.S., Canada, Europe and China are all expected to post gains in lumber consumption in 2018, with estimated global growth coming in at 2.1%. In 2019 as well, all major consuming regions are likely to see increases, led by the U.S. and China at up to 7% growth each; however, certain countries (Canada and some European nations) might show only moderate growth. Japan and the CIS countries, conversely, are projected to show small demand declines due to their softer economies and an easing of activity in their respective housing markets. In both 2019 and 2020, total global softwood demand is projected to expand by 2.8%.

In terms of global softwood lumber production, 2.4% growth is estimated for 2018 (closely mirroring the pace of consumption), with 2.2% projected for 2019. This will be led by an impressive gain of up to 4.5% in the U.S. (amid its ongoing rebound) that will tend to have a sustaining influence on output around the world. Smaller gains are more probable in other regions, with Japan perhaps even recording a negative result.

North American production in 2020 is predicted to show a similar trend to 2019, with the U.S. exceeding 5% as its mills ramp up while Canadian production erodes (-1%). In Europe, output is expected to expand slowly: the estimated increase of just over 3% in 2018 should be followed in 2019–20 with growth of just 1% as lumber exports to the U.S. and China slow. One of the wild cards in the next two years will be export markets in Asia (including China and Japan), the Middle East and North Africa; the ability of these regions to sustain demand growth and further tighten the global supply base will need to be watched closely. ■

(The full article contains in-depth details, with comprehensive graphs to tell the story.)

## MARK YOUR CALENDARS:

## 9th Annual Global Softwood Log &amp; Lumber Conference

- Wednesday, May 8 and Thursday, May 9, 2019
- Hyatt Regency Hotel, Vancouver, BC, Canada
- <https://www.woodmarkets.com/conference/conferences-vancouver/2019-global-softwood-conference/>

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## China's Import Demand for Softwood Logs and Lumber to 2023

- Examines the changing supply chain in China, with a focus on Russia's industry/export potential
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- <https://www.woodmarkets.com/publication/china-book/outlook-to-2023/>

## Russia Forest Industry Competitive &amp; Export Outlook to 2025

## Focus on China

- Scheduled for January 2019
- <https://www.woodmarkets.com/publication/russian-reports/russia-forest-industry-competitiveness-export-outlook-to-2025>

## CHINA BULLETIN (monthly)

- <http://www.woodmarkets.com/publication/china-bulletin/>

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