

Featuring Lumber, Panels
and Wood Products Analysis

WHAT'S INSIDE...

Features

- 1 China Industry & Market Dynamics
- 5 Structural Panels: Outlook 2016–17

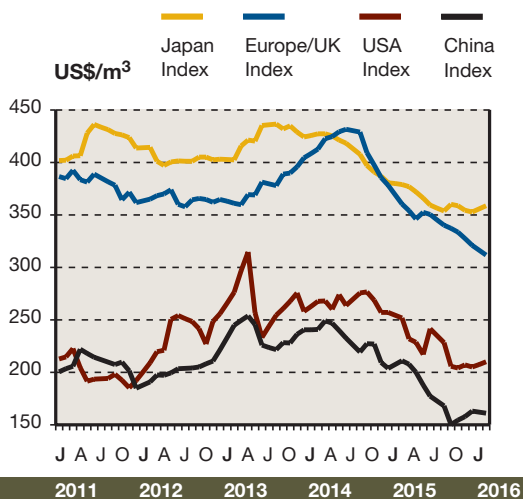
Global Statistics

- 7 Australia, New Zealand, USA, Canada
- 9 U.S. & Canada Housing
- 10 U.S. & Canada Monthly

Analysis

- 12 Price Forecasts: One-Year Price Outlooks
- 14 Monthly Prices: World Lumber & Panel Prices

GLOBAL PRICE TRENDS



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

CHINA INDUSTRY & MARKET DYNAMICS

Outlook: 2016 Will Be Challenging!

While the log market in China still has some major issues to overcome — mainly in terms of inventories and slower demand — some of the same symptoms are being faced in the lumber market (along with various other challenges). Everything still hinges on Chinese demand, and that's become more difficult to both understand and predict.

Chinese Housing Market & Government Initiatives

There is no question that growth prospects for log and lumber exporters are tied to the construction and furniture markets in China. Maintaining any further growth appears to be more challenging in China's two main wood products-consuming sectors, i.e.,

- There are high housing inventories in most cities, except in the larger tier 1 cities. High inventory levels mean reduced building construction, less credit to buy building materials, and lower demand for logs, lumber and plywood. This translates into more competition between exporters and lower prices for construction-grade logs and lumber — trends witnessed since Q2/2014 (at least in U.S.-dollar prices).
- Furniture exports have continued to drop, but domestic consumption is growing. The drop in exports is due in part to trends in global demand, but is predominantly the result of a strengthening Chinese currency (like the U.S. dollar) against almost all currencies, decreasing China's competitiveness in export markets.

Offsetting these structural market issues are some potentially optimistic signs:

- The decline in housing prices within the non-tier-1 market (i.e., outside of Shanghai, Beijing and Guangzhou) is expected to continue stimulating sales, and this will lower housing inventories. More housing sales should also kickstart sales of items used in the renovation/finishing of resold apartments, as well as furniture.
- The Chinese government is expected to further develop the northwestern sector of the country. This will involve infrastructure projects — including high-speed trains and highways — all of which require more wood products.
- The Chinese government's affordable housing plan and redevelopment of slum areas should allow for some further gains in wood products demand.
- Eventually, the new second-child policy will help by fostering sales of children's furniture and creating a need for larger apartments.
- The concept of "green building" is being touted by the government.
- Wood-frame housing construction is also being promoted by government, although it appears that any initial developments may be more focused in tourist areas and/or public buildings.

...continued

SPECIAL REPORT

CHINA INDUSTRY & MARKET DYNAMICS

Outlook: 2016 Will Be Challenging

Among the dozens of trips our consultants have taken to China since 2000, the market outlook that emerged from discussions during our last trip is the most negative we've ever heard. So, with almost other global markets (with the exception of the U.S.) showing few prospects for material growth, the 2016 log and lumber market outlook for China looks very challenging. As a result, global log and lumber exporters to China are expected to compete on price (and currency) for much of the year.

Further discussions will be held about the Chinese market and its offshore suppliers during our **6th Annual Global Softwood Log & Lumber Conference** scheduled for May 5-6, 2016 in Vancouver. May 6 will be dedicated to market discussions around China and Russia. As well, our upcoming Siberia and China industry tours (September 11-23, 2016) will provide some real hands-on perspectives! ■

(The full *WOOD MARKETS* article expands on the Chinese wood market/industry, with tables and graphs to tell the whole story.)

MARKET REPORT

WOOD USE IN NEW RESIDENTIAL CONSTRUCTION

Review of APA Building Materials Report

With OSB operating rates likely to rise only slightly, and supply and demand constantly shifting to achieve balance, any sudden surges in OSB supply (due to the start-up of curtailed mills) will have the greatest impact on market and price volatility. In 2016-2017, structural panels will benefit from both production growth and price appreciation as the housing/R&R markets continue to perform well. The strong U.S. dollar has had a big impact on exports to the U.S., causing more competitive pricing and attracting increased supply to that market and putting downward pressure on prices in U.S.-dollar terms. This situation will persist. ■

(The full *WOOD MARKETS* article adds much more depth to this topic.)

MARK YOUR CALENDARS:

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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CHINA BULLETIN (monthly)

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

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Publisher & Editor
Associate Editors

Russell E. Taylor
Peter Butzelaar
Tony Marra

Managing Editor/Layout
Research
Subscriptions

Jane Keyes
Chari Gimenez
Barb MacDonald

Mailing Address

Suite 603-55 E. Cordova Street
Vancouver, BC, Canada V6A 0A5

Phone: 604-801-5996 (country code 1)

Fax: 604-801-5997

Email: info@woodmarkets.com

Website: www.woodmarkets.com

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