

Global Timber and Wood Products Market Update

- a news brief from Wood Resources International LLC

Global softwood lumber trade fell 7% in 2018, US lumber prices took a roller coaster ride and China's wood demand slowed in the 2H/18, reports the Wood Resource Quarterly

This is a brief excerpt from the newly released market report Wood Resource Quarterly). To read the full 56-page quarterly report, please visit www.WoodPrices.com to initiate a subscription.

WRQ - 31 Years of Global Wood Price Reporting

Global Softwood Lumber Trade

In 2018, global trade of lumber fell for the first time in five years, with total trade down 7% year-over-year. The four largest importing countries, the US (-18%), China (-5%), the United Kingdom (-13%) and Japan (-6%) all imported less in 2018 than in the previous year. Much of the decline was the result of weaker economic prospects and reduced housing starts.

Lumber markets – North America

US lumber prices have gone through a historical roller-coaster ride over the past 12 months. Random Lengths' composite index for southern yellow pine was at \$420/m³ in January 2018, peaked at \$554/m³ in June and fell to \$372/m³ in January 2019.

2018 softwood lumber exports from Canada were down 5% from 2017, with the biggest decline being in shipments to China. A three-year high of 80% of total exports were destined for the US market in the 3Q/18 despite efforts by Canada's lumber industry to diversify its export shipments. China's share has fallen from 13% in 2017 to 12% in 2018. The average export price from Canada declined by 28% this fall.

Lumber markets – Northern Europe

Sawmills in the Nordic countries had a very good second half of 2018 with lumber prices in the local currencies reaching their highest levels since 2007. Because of the weakening Euro and the Swedish Krona, prices in US dollar terms fell to their lowest levels in almost a year, with average prices in November for Finland and Sweden being \$240/m³ and \$260/m³, respectively.

Export volumes for the first 11 months of 2018 were down 6.3% for Finland and 3.6% for Sweden as compared to the same period in 2017. The biggest declines were in shipments to China, Japan and the MENA region.

Lumber markets – China

Lumber imports to China fell for two consecutive quarters to reach 5.9 million m³ in the 4Q/18. This matches the pattern from previous years of declining import volumes in the third and fourth quarters of the year. Total imports for 2018 were down 2.3% from 2017 but still the second highest volume on record.

Continued uncertainty about the future of the Chinese economy, decade-low GDP growth in the 4Q/18, and reduced investments in housing and construction have all been factors that have led to slowing demand for lumber in late 2018. Import volumes in January 2019 were up by almost 20% from January 2018, but it is still too early to say if that is just a short-term jump.

Russia's share of total imports to China has moved up from 55% in the 4Q/17 to 63% in the 4Q/18 as the sawmilling sectors in Siberia and the Far East continue to expand and deliver competitively priced lumber. Shipments from Finland and Sweden have fallen sharply in the past year, from a total of 624,000 m³ in the 4Q/17 to only 335,000 m³ in the 4Q/18, the lowest volume in three years.

*Global lumber, sawlog and pulpwood market reporting is included in the 56-page quarterly publication Wood Resource Quarterly (WRQ). The report, which was established in 1988 and has subscribers in over 30 countries, tracks sawlog, pulpwood, wood chip, lumber and pellet prices, trade and market developments in most key regions around the world. **To subscribe to the WRQ, please go to www.WoodPrices.com***

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