

Global Timber and Wood Products Market Update

- a news brief from Wood Resources International LLC

Lumber and log imports to China slowed in early 2014 but picked up in the 2Q to reach close to record highs; Russian lumber and New Zealand logs increased the most, reports the Wood Resource Quarterly

Wood buyers in China were more active in the late spring after a slowdown during the winter months. This resulted in increased importation of logs and lumber during the 2Q, reports the Wood Resource Quarterly. The biggest gains were in lumber from Russia and softwood logs from New Zealand.

Seattle, USA. A slowdown in the Chinese economy impacted the construction sector in early 2014 resulting in a decline in lumber import volumes by 16% in the 1Q/14 as compared to the previous quarter. The biggest drop was in Canadian lumber shipments, which fell to their lowest levels in two years, according to the Wood Resource Quarterly (WRQ). The reduced activities in the building sector during the winter months also impacted log import volumes to China, but it was more of a break in the upward trend rather than a decline, with the 1Q/14 imports being about the same as in the 4Q/13.

Later in the spring the economy picked up steam and the GDP rose by 2.0% in the 2Q, up from 1.4% in the 1Q/14. The annual growth rate is now on target to reach close to 7.5%, which would be slightly lower than in 2013 but still considerable growth compared to most other major economies around the world. Most of the positive news in the 2Q came from the industry and retail sectors, while the real-estate market continued to be weak with housing sales being more than nine percent lower the first half of this year compared to the same period in 2013.

Despite the reduction in house sales, China increased the importation of both lumber and logs in the 2Q with lumber volumes climbing 19% from the 1Q/14. Russia, which currently supplies about 40% of softwood lumber to the Chinese market, increased shipments by as much as 32% from the first to second quarter this year. The second largest lumber supplier Canada, only shipped two percent more volume quarter-over-quarter, as reported in the WRQ (www.wodprices.com). Although Canada and Russia are by far the largest suppliers of lumber to China, other countries are expanding their sales to this growing market. The biggest gains have been in shipments from Chile and Europe.

Log importation reached an all-time high in the 2Q/14 with New Zealand, the number one supplier, increasing volumes by 15% from the previous quarter. Shipment from the US and Canada were also higher, while log supply from Australia and Russia fell about five percent in the 2Q. Much uncertainty hovers over how the Chinese economy will do for the rest of the year but it is not likely that we will see the same bump in wood imports in the third quarter as was the seen in the second quarter. Rather, the short-term forecast is for a flat line, or even decline in log and lumber volumes landed at Chinese ports in the 3Q/14.

*Global pulpwood and timber market reporting is included in the 52-page quarterly publication Wood Resource Quarterly (WRQ). The report, which was established in 1988 and has subscribers in over 30 countries, tracks sawlog, pulpwood, 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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