

MADISON'S LUMBER REPORTER

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News & Updates

Madison's Timber Preview

This week's issue of *Madison's Timber Preview* examines containerboard and box inventories and shipments in the US and Europe in advance of an expected improved holiday shopping season.

The market fundamentals of Boise Inc, a large US paper and packaging producer with currently under-rated share prices is also discussed.

Contact us any time for a subscription.

Housing Starts, Japan

Revised July and August Japan housing starts surpassed 900,000 units annualized due to delayed demand after the Great Eastern Earthquake and Tsunami, according to the *Japan Lumber Reports*.

Seasonally adjusted September starts were 745,000, a 20.2 per cent drop over August. Actual starts in September were 64,206 units, a 10.8 per cent decline over the same month in 2010, says the *Reports*.

The percentage of wood-based units remained stable at 57.1 per cent, a 0.1 per cent drop from August.

Floor area for September was 5.91 million square metres, down 10.3 per cent from a year earlier, according to the *Japan Lumber Journal*.

[READ MORE](#)

Canada Manufacturing Sales

Canadian manufacturing sales were up more than expected in September, marking a third straight monthly gain for this part of the economy, data showed Tuesday.

Statistics Canada said sales from factories were up 2.6 per cent, on a seasonally adjusted basis, to \$49.2 billion. Economists polled by Bloomberg had expected a rise of 1.3 per cent, following August's growth of 1.4 per cent.

Starting off this three-month streak was a 3.3 per cent jump in factory sales in July. That followed three straight declines, all of which were less than 1 per cent. [READ MORE](#)

US Economy, Housing Starts, Mortgages

A massive amount of data out of the US this week from various agencies seems to indicate an economic recovery. Housing starts in particular surprised most people with an unexpected spike in new apartment building.

US builders started slightly fewer homes in October but submitted plans for a wave of apartments, a mixed sign for the struggling housing market.

Builders broke ground on a seasonally adjusted annual rate of 628,000 homes last month, the Commerce Department said Thursday. But building permits rose nearly 11 per cent. The increase was spurred by a 30 per cent increase in apartment permits, which reached its highest level in three years.

Over the past year, apartment permits have surged roughly 63 per cent. Single-family permits have increased just 6.6 per cent in that span. [READ MORE](#)

US HOUSING STARTS

	Oct-11	Sep-11		Oct-11	Sep-11
Starts			Permits		
Actual	54,000	57,600	Actual	51,200	51,800
SAAR*	628,000	630,000	SAAR*	653,000	589,000
1 Unit	430,000	414,000	1 Unit	434,000	413,000
2-4 Units	(8)	(8)	2-4 Units	17,000	20,000
5+ Units	183,000	211,000	5+ Units	202,000	156,000
Starts by Region			Permits by Region		
Northeast	68,000	58,000	Northeast	63,000	64,000
Midwest	102,000	93,000	Midwest	103,000	107,000
South	326,000	321,000	South	350,000	288,000
West	132,000	158,000	West	137,000	130,000

*Seasonally adjusted annual rate

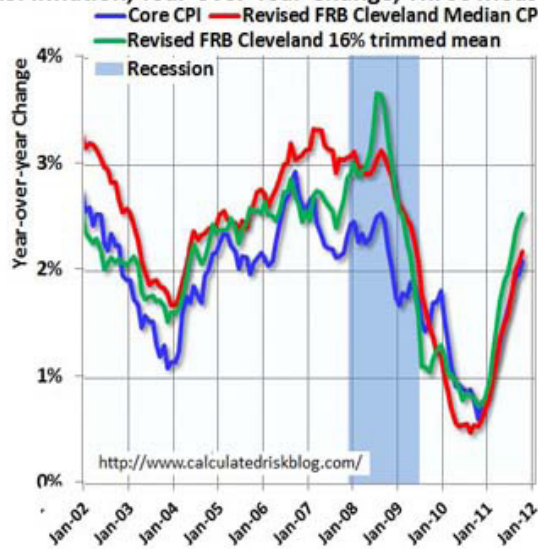
Source: U.S. Census Bureau

JAPANESE HOUSING STARTS

Month	TOTAL	Non-Wood	Wood	%Wood
Sep-11	64,206	27,525	36,681	57
Aug-11	81,986	35,085	46,901	57
Jul-11	83,398	35,238	48,160	58
Jun-11	72,687	32,438	40,249	55
May-11	63,726	29,600	34,126	54
Apr-11	66,757	31,475	35,282	53
Mar-11	63,419	27,994	35,425	56
Feb-11	62,252	28,720	33,532	54
Jan-11	66,709	30,969	35,740	54
Dec-10	74,517	30,917	43,600	59
Nov-10	72,838	31,384	41,454	57
Oct-10	71,930	30,939	40,991	57

Source: Japan Wood-Products Information and Research Center

U.S. Inflation, Year-over-Year Change, Three Measures



US Consumer Price Index

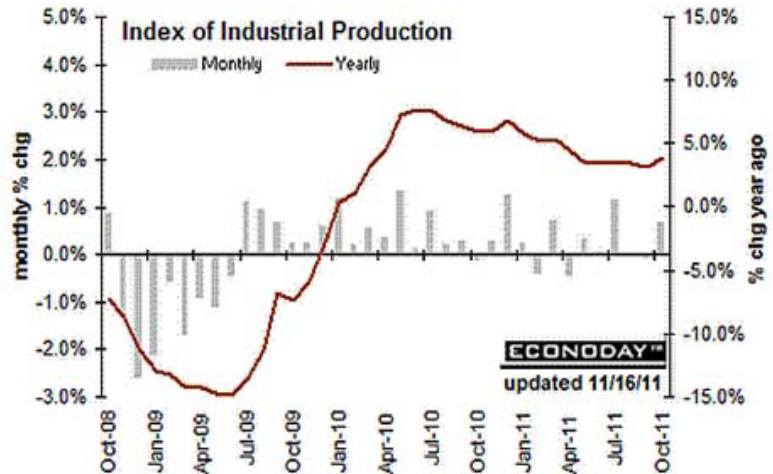
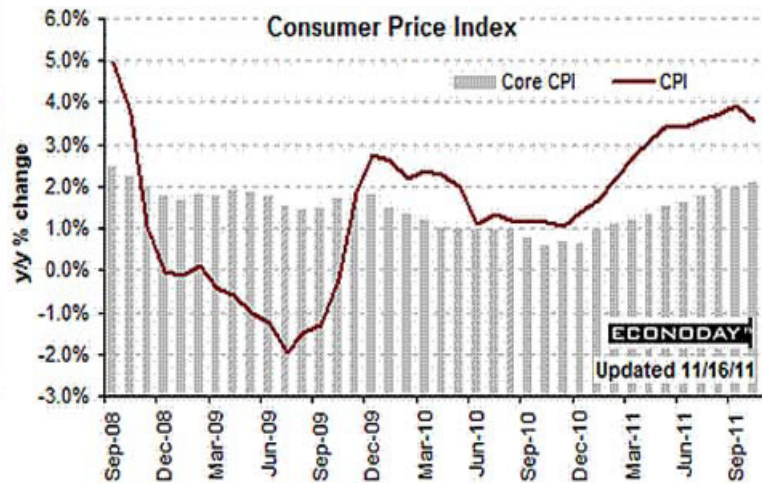
Costs for consumer goods in the US decreased slightly in October, according to a report released Wednesday by the Labor Department.

The consumer price index edged down by 0.1 per cent for the month, driven largely by a drop in energy prices, which fell by 2.0 per cent. Most economists had expected consumer prices to come in essentially unchanged.

Food prices increased slightly, climbing by 0.1 per cent, with a drop in prices for fresh fruits and vegetables largely offsetting increases in other food prices.

Excluding the volatile food and energy sectors, "core" consumer prices increased slightly, rising by 0.1 per cent for October, in line with the expectations of most economists.

US Consumer Price Index and Index of Industrial Production



Scoreboard

	July - September 2011		July - September 2010		SALES 2009-10 (%)
	Sales (\$,million)	Earnings (\$,million)	Sales (\$,million)	Earnings (\$,million)	
AbitibiBowater (Resolute FP)	1,200.0	(44.0)	1,200.0	(829.0)	+0%
Ainsworth	71.8	(59.2)	81.1	10.4	-12%
Canfor	602.1	(9.6)	588.7	37.2	+2.3%
Cascades	974.0	(19.0)	832.0	24.0	+14%
Catalyst	340.3	(205.7)	322.3	6.0	+5.3%
Conifex (2Q June 30)	26.9	(3.6)	12.6	(2.4)	-53%
Eacom	61.4	(0.6)	71.9	(9.1)	-15%
Interfor	200.2	14.3	188.2	10.6	+6.0%
Norbord (US \$)	242.0	(1.0)	229.0	(4.0)	+5.4%
Taiga (2Q Sept 30)	278.0	3.3	260.8	1.9	+6.6%
Tembec (4Q)	421.0	(17.0)	444.0	2.0	-5.2%
Western Forest Products	233.5	7.6	175.5	2.1	+25%
West Fraser	705.0	6.0	707.0	49.0	-1.0%

Key Prices

	This Week	Last Week	Change	Month Ago	Change	Year Ago	Change
WSPF KD R/L 2x4	240	218	+22	232	+8	276	-36
WSPF KD R/L 2x6	250	240	+10	248	+2	275	-25
WSPF KD R/L 2x8	268	252	+16	260	+8	280	-12
WSPF KD R/L 2x10	250	240	+10	260	-10	322	-72
WSPF KD PET 2x4 Stud	235	215	+20	230	+5	260	-25
Douglas Fir Green R/L 2x4	230	220	+10	230	0	235	-5
Douglas Fir Green R/L 2x10	315	310	+5	290	+25	315	0
ESPF KD 2x4 8ft Stud	300	300	0	280	+20	310	-10
OSB Ontario 7/16" (CDN\$)	195	195	0	195	0	200	-5

Weekly News

Japan Housing Starts

CONTINUED By utilization, housing starts of owner-occupied houses, rental houses and built-for-sale houses were lower than the same month in the previous year, says the *Journal*. Especially in built-for-sale houses which had led the growing momentum, the number dropped for the first time in 19 months. In built-for-sale houses, those of condominiums largely dropped to 9,095 units, down 13.9 per cent. Those of single-family houses also decreased for the first time in four months with 9,396 units, down 0.9 per cent.

Regionally, housing starts of all areas decreased as follows: by 15.4 per cent in the Tokyo metropolitan area, by 15.3 per cent in the Chubu area, by 7.1 per cent in the Kinki area, and by 5.5 per cent in other areas. The reduction in metropolitan Tokyo and the Chubu area surprised analysts, according to the *Journal*.

Japan's Research Institute of Construction and Economy released housing starts projections for 2011, says the *Japan Lumber Reports*.

Units built for sale are expected to maintain a high pace due to demand for condominiums. 126,200 condominiums, seasonally adjusted, will be built in Japan in December and January, a 28 per cent increase over one year earlier.

In total, housing starts for fiscal year 2011, ending in March 2012, should exceed 900,000 units, the highest in four years, says the *Reports*.

For fiscal year 2012, the Research Institute is projecting 903,300 new units, a 3.6 per cent increase over the projections for 2011.

Manufacturing Sales, Canada

CONTINUED Higher sales were reported in 10 of 21 industries, representing 60.5 per cent of total manufacturing, said Statistic Canada. Sales in the area of petroleum and coal products were up 13.7 per cent, the largest percentage gain in this sector since March 1999.

In the transportation equipment industry, sales rose 7.1 per cent to \$8 billion. The increase reflected gains in the aerospace product and parts, and motor vehicle industries. Sales in the motor vehicle industry advanced 6.2 per cent to \$3.8 billion in September as several plants returned to full production.

Inventory levels edged up 0.4 per cent to \$63.9 billion in September. Inventories have been trending upwards since the spring of 2010 and are at their highest level since March 2009. Gains were reported in 12 of 21 industries.

The main contributors to the rise in inventories in September were a 3.1 per cent increase in the machinery industry and a 4.7 per cent advance in the aerospace product and parts industry. The gains were partly offset by declines in the primary metal, paper, electrical equipment, and petroleum and coal product industries.

Broken down provincially, Stats Can found that manufacturers in Alberta reported a 5.9 per cent rise in sales to \$6.3 billion, the largest percentage increase since May 2008. Gains in September were focused in petroleum and coal products as well as in machinery industries.

Sales in Quebec increased 2.3 per cent

to \$11.9 billion in September as advances were reported in 12 of 21 industries. Approximately three-quarters of the gain came from the aerospace product and parts industry, which reported a 25 per cent increase in production to \$1 billion.

Sales rose for the third consecutive month in New Brunswick, up 13.3 per cent to \$1.9 billion, reflecting substantial gains in the non-durable goods industries.

Manufacturers in Ontario reported a 1 per cent increase in sales to \$22.1 billion in September. This was the third monthly rise after a 1.1 per cent decline in June. The largest gains occurred in the motor vehicle and petroleum and coal products industries. These gains were partly offset by declines in the miscellaneous and food industries.

In other Canadian economic news, The composite leading index rose 0.2 per cent in October, after a gain of 0.1 per cent in September. In October, 5 of the 10 components increased, the same as the month before, while 4 declined, 1 fewer than in September. Household spending remained the strongest sector of the economy, while manufacturing remained the weakest.

The housing index advanced 1.6 per cent, as the continued increase in housing starts since the spring was reinforced by a rebound in existing home sales in the last two months. Durable goods sales were mixed, with a dip in furniture and appliance sales offset by an increase in demand for other durable goods. Almost all of the growth in services employment was in the personal sector, as jobs in the business sector continued to post modest gains.

US Economy

Housing, Stock Market, Jobs

A wealth of data out Thursday, November 17, paints an encouraging picture for the US economy. US stock-index futures trimmed losses after initial jobless claims decreased and housing starts topped forecasts, bolstering optimism in the economy, according to *Bloomberg*.

by Kéta Kosman

Applications for US jobless benefits decreased by 5,000 in the week ended November 12, to 388,000, the lowest level since April, Labor Department figures showed Thursday. The four-week average, a less volatile measure, dropped to 396,750, the first time the average had been below 400,000 in seven months. Applications need to consistently drop below 375,000 to signal sustained job gains, according to the *New York Times*. They have not fallen that low since February.

The number of people receiving benefits fell 57,000 to 3.6 million in the week ended November 5 in figures that are one week behind the application data. That number is the lowest since September 20, 2008.

The Labor report doesn't say whether companies are stepping up hiring, but it indicates that they are at least slowing the pace of layoffs. That is an important development that could help chip away at the unemployment rate, which ticked down to 9 per cent in this month's report from 9.1 per cent a month earlier, says the *Wall Street Journal*.

Factory output grew in October for the fourth straight month, the US Federal Reserve said Wednesday. Production of trucks, electronics and business equipment all rose.

The Federal Reserve Bank of Philadelphia's general economic index decreased to 3.6 from 8.7 last month. Readings greater than zero indicate expansion in the area covering eastern Pennsylvania, southern New Jersey and Delaware.

The Bloomberg Consumer Comfort Index's monthly expectations gauge climbed to minus 32, the best reading since July, from minus 45 the previous month. The weekly measure of current conditions was minus 50 for the period ended November 13, climbing for a second week after sinking to an almost three-year low.

Initially, US stocks had turned lower Thursday as losses for European equity markets intensified on worries about rising borrowing costs for France and Spain. But later Dow stock futures rose 22 points to 11,877 and Nasdaq futures rose five

points to 2318.75, while S&P 500 stock futures climbed 2.2 points to 1233.2.

US housing starts decreased 0.3 per cent to a 628,000 annual rate from September's downward adjusted 630,000 pace, said Commerce Department figures released Thursday. Building permits increased 10.9 per cent. Construction starts of single-family homes, which make up about 70 per cent of residential home construction, rose nearly 4 per cent last month. Starts for apartments, a more volatile category, fell more than 13 per cent. But the number of permits to build apartments jumped to a three-year high in October. In 12 months, they've surged 63 percent. The growth in apartment construction is, however, coming off extremely low levels. In 2010, only 146,000 apartments were built, the fewest since 1993. By comparison, in 2005, just before the housing market went bust, 258,000 apartments were built. Some signs suggest that builders could match that level over the next few years, according to *Associated Press*.

More apartment building has contributed to the overall economy's growth for two straight quarters. And many economists expect apartment construction to grow for at least the next 12 months, as long as the economy avoids another recession.

Also Thursday, the National Association of Home Builders/Wells Fargo Housing Market index rose three points in November, to 20. A reading above 50 indicates an overall positive take on the real estate market, but this month's reading of 20 is the highest level on the index since May 2010.

Other data released Thursday suggests home ownership in the US continues challenging.

US lenders started foreclosures on more properties in 3Q, the first increase in a year, as a backlog stemming from claims of faulty home seizures began to ease. New foreclosures rose to 1.08 per cent of all loans from 0.96 per cent in the prior three months, according to a report Thursday from the Mortgage Bankers Association. In addition, 8 per cent of mortgage borrowers were at least one month past due on their payments during 3Q, down from 8.4 per cent in the 2Q and 9.1 per cent one year ago. The backlog remains high in part because lenders eased up on foreclosures for much of 2011 after revelations that they had mishandled legal paperwork and procedures when repossessing homes in the past. The Mortgage Bankers Association report also showed that a key gauge of refinancing activity decreased more than 12 per cent for the week ending November 11 from the previous week. The refinance index is down 24 per cent compared with the same period last year, despite lower interest rates.

However, the Center for Responsible Lending, a nonpartisan advocacy group that accurately predicted a foreclosure tidal wave in 2006, issued its own assessment Thursday, saying that 2.7 million American households had lost their homes as of February, with an even greater number to come. The advocacy group, which analyzed 27 million home loans made from 2004 through 2008, estimated that an additional 3.6 million mortgages were in foreclosure or likely to fail.

In related news, the US House of Representatives decided Thursday not to raise the loan level for Fannie Mae and Freddie Mac which have soaked up about US\$169 billion in taxpayer aid, as they sought to strike a balance between supporting the market and starting to shrink the government's housing footprint, according to Reuters. Lawmakers did, however, approve a bill to raise the maximum size of mortgages the Federal Housing Administration can insure, sending it to the Senate for final approval. The measure would push the so-called FHA conforming loan limit in the highest-priced real estate markets back up to US\$729,750 through 2013, from US\$625,500, a sign of concern over the still-depressed state of the housing sector. The limits, which vary from market to market, were temporarily raised for FHA and Fannie Mae and Freddie Mac during the financial crisis when banks became reluctant to lend. They automatically dropped back on October 1, when the previous increase expired.

FHA, which does not make loans, provides mortgage insurance to borrowers without enough of a down payment to qualify for prime loans. With an FHA loan, home buyers can put down as little as 3.5 per cent. The agency, which is mainly funded through insurance premiums it brings in, backed about one-third of loans used to purchase homes last year.

Elsewhere, California's investigators will be looking at Freddie and Fannie's involvement in more than 12,000 foreclosed properties in that state where they served as landlords, according to the Los Angeles Times. They also want to find out what role the two agencies played in selling or marketing mortgage-backed securities. California's Attorney General, Kamala Harris, has subpoenaed mortgage giants Fannie Mae and Freddie Mac while looking into their lending practices in the state.

Harris also recently announced that her office would not agree to a planned 50-state settlement over foreclosure abuses that federal officials and other state attorneys general are negotiating with major US banks. She called the deal "inadequate for California homeowners," arguing that it gave bank officials too much immunity from civil litigation.