

# MADISON'S LUMBER REPORTER

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## News & Updates

### US Log Exports: 2Q 2014

Log exports from Washington, Oregon, northern California, and Alaska totalled 515 million board feet in volume in 2Q 2014, an increase of more than 10 per cent compared to 1Q 2014, the US Forest Service's Pacific Northwest Research Station reported today. During this same period, West coast lumber exports decreased by 4 per cent to 247 million board feet.

The total value of these log exports increased by more than 5 per cent to US\$390 million in the same quarter, while the total value of lumber exports decreased less than 2 per cent to US\$183 million.

China remains a significant market.

"West coast log exports to China remained strong in 2Q 2014, increasing by more than 22 per cent compared to the first quarter of 2014," said Xiaoping Zhou, a research economist with the station who conducted the analysis and compiled the data. "China's demand for West coast lumber, however, continued to decline, dropping by nearly 20 per cent compared to 1Q 2014."

Over 70 per cent of the West coast's log exports was shipped to China in 2Q 2014, compared to 64 per cent in 1Q 2014, while lumber exports to China dropped to 35 per cent of the total compared to 42 per cent during 1Q 2014.

### Manufacturing Index, US

The US manufacturing sector expanded in August, with the rate of growth exceeding expectations and moving at the fastest pace in more than four years, an industry report showed on Thursday.

Financial data firm Markit said its preliminary or "flash" US Manufacturing Purchasing Managers Index rose to 58 in August, which was its highest since April 2010, from 55.8 in July.

A reading above 50 signals expansion in economic activity.

The output subindex jumped to 60.2 from last month's 59.7. CONT'D PAGE 7

### US Pending, New Home Sales: July '14

A gauge of pending home sales rose 3.3 per cent in July to reach the highest level in 11 months, signaling that upcoming closings of existing homes are likely to speed up, the National Association of Realtors reported Thursday.

The index of pending home sales hit a seasonally adjusted 105.9 in July, compared with 102.5 in June. CONT'D PAGE 7

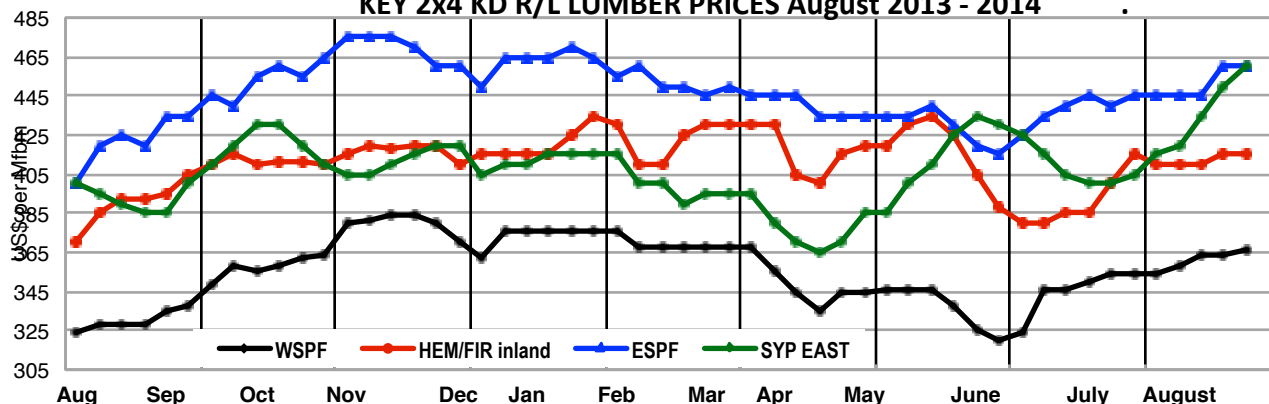
### Canada Export and Trade: First-Half 2014

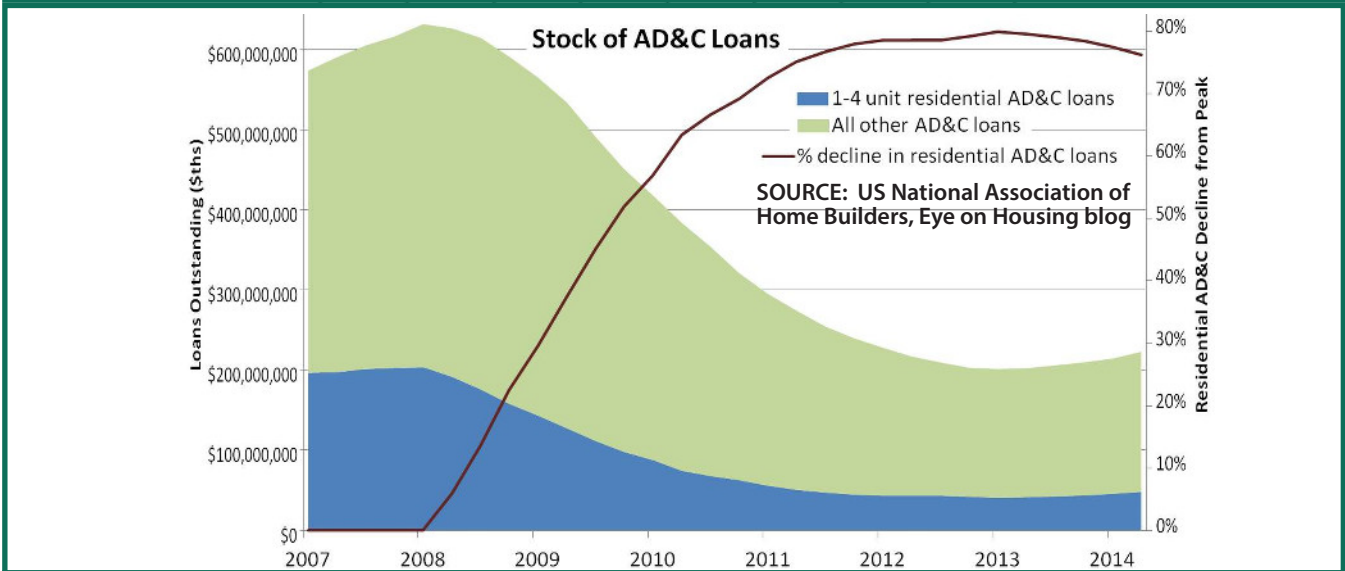
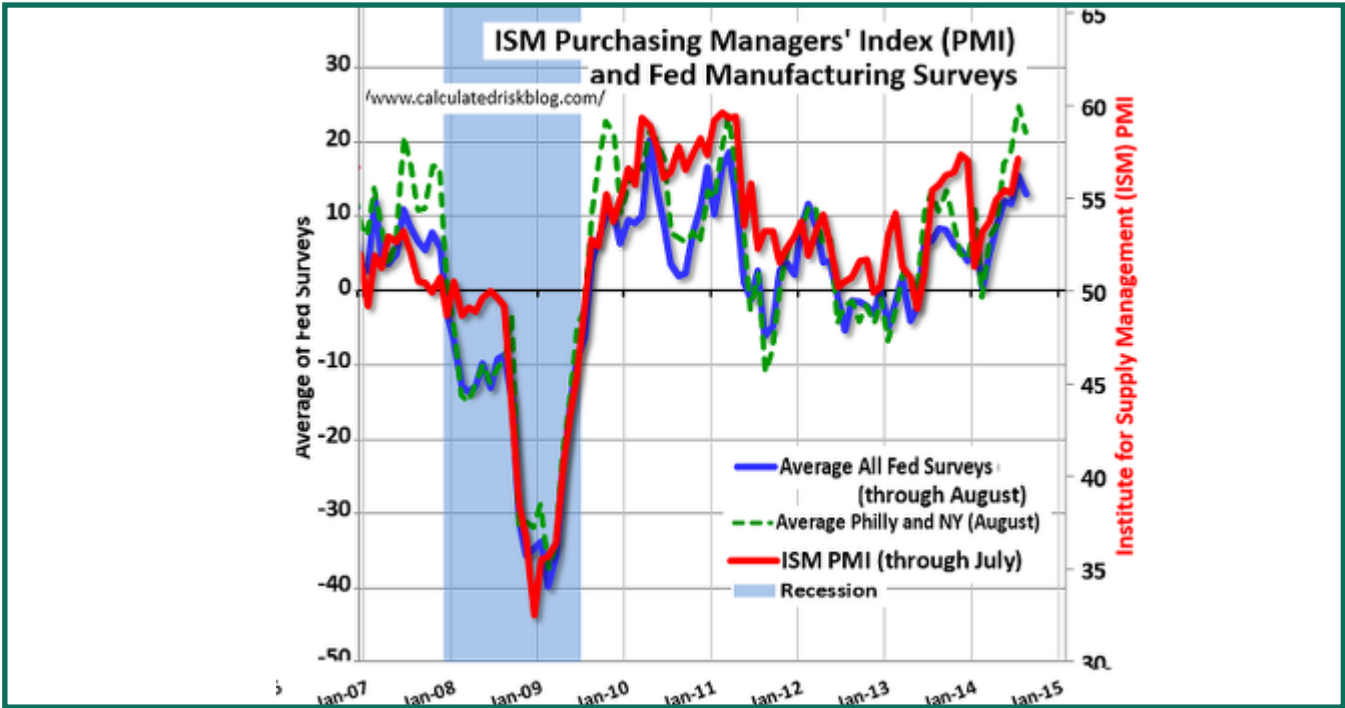
A jump in exports helped the Canadian economy bounce back from a weather-restrained 1Q, with annualized growth of 3.1 per cent in 2Q after a downwardly revised 0.9 per cent in the first.

The Statistics Canada data on Friday showed gross domestic product growing at its fastest pace since 3Q 2011, beating the Bank of Canada's July forecast of 2.5 per cent and exceeding market expectations of 2.7 per cent.

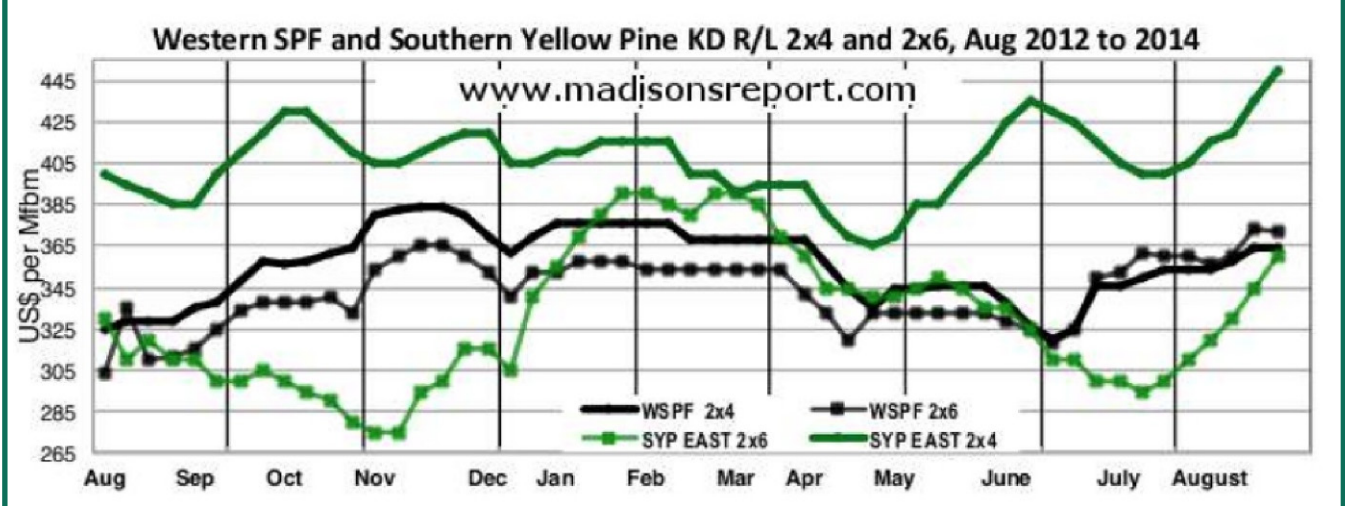
First-quarter growth was originally reported at 1.2 per cent. CONT'D PAGE 9

KEY 2x4 KD R/L LUMBER PRICES August 2013 - 2014





Madison's Weekly Slideshares: <http://www.slideshare.net/KetaKosman>  
 Dimension Lumber Prices vs. US Multi Family Building 2012 - 2014





# Madison's Weekly Lumber Key Prices Table

www.madisonsreport.com

	This Week	Last Week	Change	Month Ago	Change	Year Ago	Change
Prices are in U.S. dollars per 1,000 fbm (net FOB mill)							
WSPF KD R/L 2x4	368	364	+4	354	+14	328	+40
WSPF KD R/L 2x6	376	372	+4	360	+16	312	+64
WSPF KD R/L 2x8	375	370	+5	354	+21	318	+57
WSPF KD R/L 2x10	390	394	-4	402	-12	400	-10
WSPF KD PET 2x4 Stud	365	360	+5	345	+20	305	+60
WSPF KD PET 2x6 Stud	375	365	+10	335	+40	275	+100
Douglas Fir Green R/L 2x4	350	360	-10	340	+10	310	+40
Douglas Fir Green R/L 2x10	390	385	+5	345	+45	410	-20
ESPF KD 2x4 8ft Stud	445	445	0	430	+15	375	+70
OSB Ontario 7/16" (CDN\$)	210	225	-15	225	-15	230	-20
CSplywood Toronto 3/8" (CDN\$)	486	492	-6	447	+39	390	+96

## Madison's Weekly Lumber News

### US Manufacturing Index

CONT'D FROM PG 2 Markit's gauge of employment in the manufacturing sector rose to 54.6 from 51.2, and was at its highest since a matching 54.6 in March 2013.

Markit's "flash" reading is based on replies from about 85 percent of the U.S. manufacturers surveyed.

### Home Sales, Prices, US

CONT'D FROM PG 2 Low mortgage rates, moderating home-price growth and more homes for sale are all supporting deals, NAR said.

The data showed the supply of homes at the current sales rate rose to 6 months, the highest since October 2011, from 5.6 months in June. There were 205,000 new houses on the market at the end of July, the most in almost four years.

In July the pending-sales gauge was down 2.1 per cent from a year earlier. By region, July's gauge of pending home sales rose 6.2 per cent in the Northeast, 4.2 per cent in the South and 4 per cent in the West. Meanwhile, the gauge de-

clined 0.4 per cent in the Midwest. Pending sales typically close within two months. An index reading of 100 equals 2001's average contract activity level.

Meanwhile, new home sales fell another 2.4 per cent to an annual rate of 412,000 in July, down 10,000 from an upwardly revised June figure of 422,000, the US Census said Monday.

The last three months of sales averaged the same as the annual figure for 2013 at 429,000 — but in contrast to the first two months of the year that averaged 445,000 and the last quarter of 2013 that averaged 446,000. Most of the July drop was concentrated in the West, which dropped 16,000 sales on an annual basis.

New home inventory did increase again, rising to 205,000, up 4.1 per cent over June and the highest since September 2010.

Sales prices rose 2.9 per cent year-over-year as the composition of sales in the US\$150,000 to US\$199,999 segment increased and the share of homes sold for over US\$500,000 fell.

This report is in contrast to the

NAHB/Wells Fargo Housing Market Index that rose 2 points to 55 in August for the second consecutive month above 50.

Sales of new properties have averaged 429,000 over the last three months, in line with the 2014 average.

A decline in borrowing costs this year is providing some support. The average 30-year, fixed-rate mortgage was 4.1 per cent in the week ended August 21, down from 4.53 per cent at the start of January, according to data from Freddie Mac.

### Calendar

#### September 2014

Who Will Own the Forest? 10  
September 16 - 18 - Portland, OR  
<http://wwotf.worldforestry.org/wwotf10/>

Alberta Forest Products Association  
71st AGM  
September 25 - 27 - Jasper, AB  
<http://www.albertaforestproducts.ca>



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# Canada Export and Trade

## First Half 2014

CONT'D FROM PG 2

Second-quarter growth was shy of the 4.2 per cent GDP expansion reported in the United States this week. For the first six months of 2014, Canada's economy grew at a faster clip because, while both countries were hurt by bad weather, the US economy shrank in 1Q.

Bank of Canada Governor Stephen Poloz has been looking for exports to take over from consumer spending as a lead driver of growth, followed by business investment as companies regain confidence.

Key to exports is US demand, making the strong recovery there in 2Q all the more important.

Business investment rose by an annualized 3.4 per cent in Canada in 2Q, but that was mostly in residential structures rather than in plants, machinery, and equipment.

Canadian export growth is slated to rise to 4.7 per cent this year and 7.7 per cent in 2015, as global and particularly US demand builds, non-energy shipments rise, and the Canadian dollar weakens, according to the Royal Bank of Canada this week.

That predicted increase in exports comes after outbound shipment growth of just 2.2 per cent in 2013 compared with the previous, said Dawn Desjardins, assistant chief economist at the Royal Bank of Canada, according to JOC.com Thursday. Canadian import growth, however, is expected to take a bit longer to heat up, with inbound shipments slated to expand this year

only 1 per cent from 2013, following a 1.1 per cent gain last year. Desjardins expects Canadian imports in 2015 to rise 5.1 per cent year-over-year.

Global trade volume growth has accelerated, but the pace has been "disappointing" this year. Trade has been expanding at a pace of roughly 2.75 per cent compared to a historical pace of about 4.75 per cent.

That's a result of lower US economic growth in 1Q due to a harsh winter, along with slower economic activity in the Eurozone and China, Desjardins said during a Thursday webinar hosted by JOC.com. Geopolitical crises, ranging from sanctions on Russia for meddling in Ukraine to a sharp uptick in violence in Iraq, have also likely pulled down global trade volumes.

Even so, the US economy bounced back in 2Q and the growth is expected to continue, Desjardins said. The overall strengthening of the global economy is also aiding Canada.

Elsewhere, the Canadian dollar closed slightly higher Thursday as Canada's current account deficit improved slightly in 2Q. The current account is the broadest indicator of trade in goods and services.

Canada's current account deficit in 2Q narrowed slightly to \$11.87 billion on stronger investment income, Statistics Canada said on Thursday.

The balance on international trade in goods posted a surplus of \$1.66 billion, down from \$1.78 billion in 1Q. Exporters have for long struggled with weak markets and a strong Canadian dollar but are showing signs of recovery.

The decline reflected a slight increase in the deficit on trade in goods and services, which was more than offset by a lower deficit in investment income.

The deficit on cross-border investment income flows shrank to \$5.80 billion, from \$6.27 billion in 1Q, as profits of Canadian direct investors on their operations abroad grew by \$370 million.

Total exports rose by 3 per cent to hit a record \$132.35 billion on higher shipments of motor vehicles and parts, grains, and forestry products. Exports of energy products - which accounted for 25.4 per cent of all exports in 2Q - fell by 3.5 per cent to \$33.64 billion.

Total imports rose by 3.2 per cent to \$130.72 billion on greater imports of motor vehicles and parts, consumer goods, and chemical plastic and rubber products.

RBC Economist Nathan Janzen told MNI.com that trade will contribute 2 percentage points to the 2.5 per cent 2Q GDP growth rate.

Canadian GDP did grow 1.2 per cent, largely because imports fell in the same period. Canada's economy picked up speed in 2Q growing 2.5 per cent year-over-year in the April through June period. Part of that increase is the result of a rise in retail sales and manufacturing activity, boding well for what Desjardins expects will be sustained economic growth for the next 18 months. While manufacturing sales shrank 3.7 per cent year-over-year in 1Q, sales rebounded by 8.2 per cent on an annualized basis in the following quarter. Similarly, retail sales inched up 0.3 per cent year-over-year in 1Q only to jump 7 per cent in 2Q compared with the same period a year ago.

Foreign demand for Canadian exports has risen, a positive sign since the country has been dependent on domestic demand following the global recession, she said. Demand is broadening beyond energy exports to non-commodity products, such as aircraft and consumer goods, Desjardins said to JOC.

"The drop in inventory growth and increase in export growth are probably linked as weather-related transportation disruptions during the winter appeared to result in significant inventory stocking with those products being shipped to market as the weather improved," Janzen said.

In its Monetary Policy Report released July 16, the Bank of Canada expected "that the lower Canadian dollar and the projected strengthening of the global economy will lead to a broadening of the composition of growth in Canada."

At the time, BOC projected a 2.5 per cent annual GDP growth in 2Q, before decelerating slightly to a 2.3 per cent increase in 3Q.

by Kéta Kosman

SOURCE: Statistics Canada

