

MADISON'S LUMBER REPORTER

Publisher
KetaDesign Productions

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Annual Subscription Prices
E-mail/Fax: C\$389
Discounts available for multiple
subscriptions
Published 50 times a year

www.madisonsreport.com
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604 319-2266
PO Box 2486 Vancouver, BC
V6B 3W7 Canada

In Canada, add GST or HST
ISSN 0715-5468

Printed in Canada © 2015

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News & Updates

Canada Lumber Production at Sawmills: April 2015

Compared with April 2014, Canadian lumber production rose by 6.9 per cent, to 5,617 thousand cubic metres.

Lumber production by sawmills in Canada decreased 0.7 per cent from March, said Statistics Canada Thursday.

Sawmills shipped 5,434 thousand cubic metres of lumber in April, down 0.9 per cent from March.

Construction Spending US: May 2015

The Census Bureau reported Wednesday that overall construction spending in the US increased in May:

The US Census Bureau of the Department of Commerce announced that construction spending during May 2015 was estimated at a seasonally adjusted annual rate of US\$1,035 billion, 0.8 per cent above the revised April estimate of US\$1,027 billion. The May figure is 8.2 per cent above the May 2014 estimate of US\$957.6 billion. CONT'D PAGE 7

US ISM Manufacturing Index: June 2015

From the Institute for Supply Management: June 2015 Manufacturing ISM® Report On Business®

The ISM manufacturing index suggested expansion in June.

The PMI was at 53.5 per cent in June, up from 52.8 per cent in May.

The employment index was at 55.5 per cent, up from 51.7 per cent in May, and the new orders index was at 56 per cent, up from 55.8 per cent. CONT'D PAGE 7

Apartment Vacancy Rate, US: 2Q 2105

Reis reported Thursday that the US apartment vacancy rate was unchanged at 4.2 per cent during the second quarter with construction and net absorption effectively in balance.

This is compared to 4.2 per cent in 1Q. In 2Q 2014 the rate was also 4.2 per cent.

The vacancy rate peaked at 8 per cent at the end of 2009 and is mostly moving sideways now.

As completions catchup with starts, the vacancy rate will probably start increasing, said Reis.

International Trade Conditions

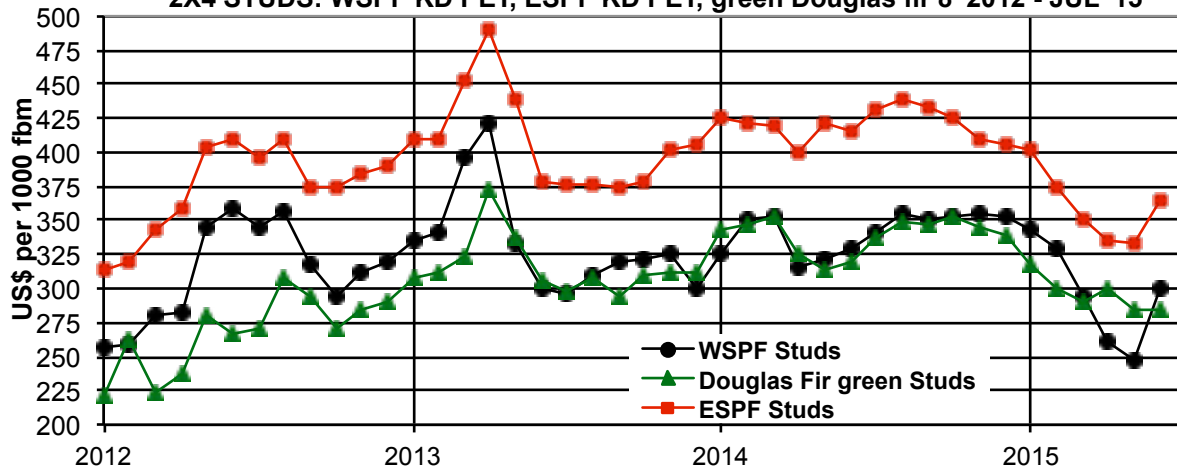
Canada posted its second-biggest trade deficit on record in April partly due to a weak performance by nonenergy exports.

Canada's trade deficit for April narrowed to \$2.97 billion from a revised \$3.85 billion in March, Statistics Canada said Wednesday.

The consensus is that the US trade deficit, to be released Tuesday, will be at US\$42 billion in May, from US\$40.9 billion in April.

A strong and strengthening US dollar is being blamed by several analysts for continued weak export volumes globally. CONT'D PAGE 9

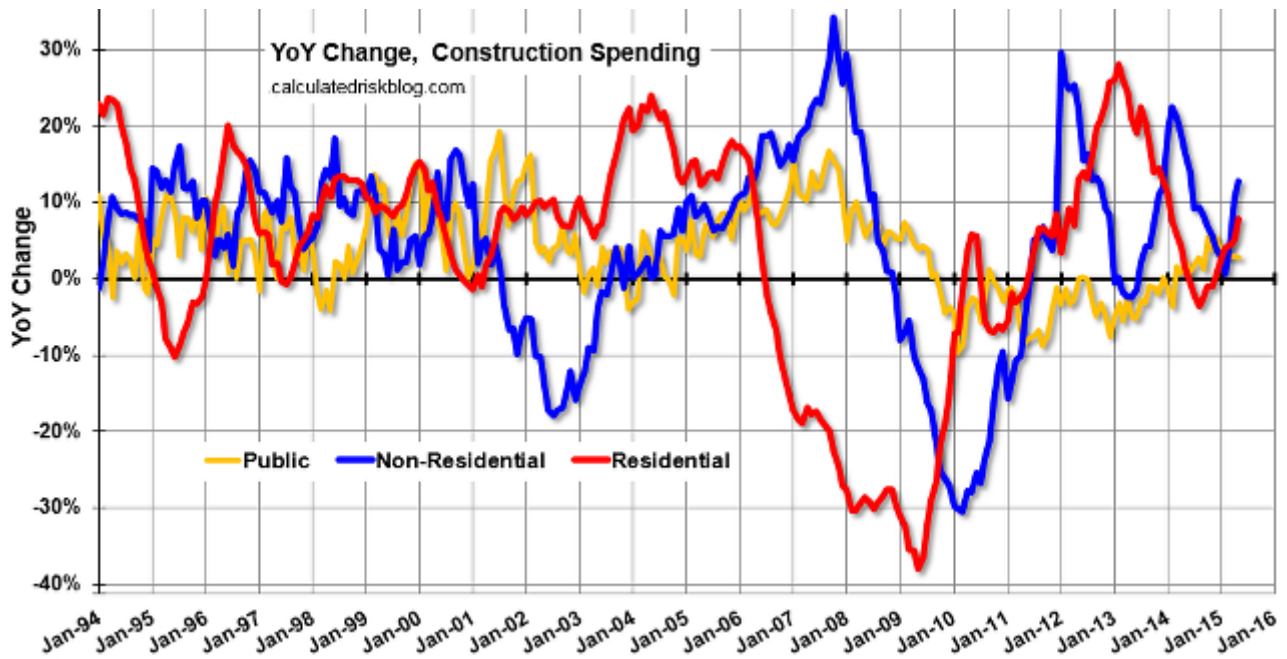
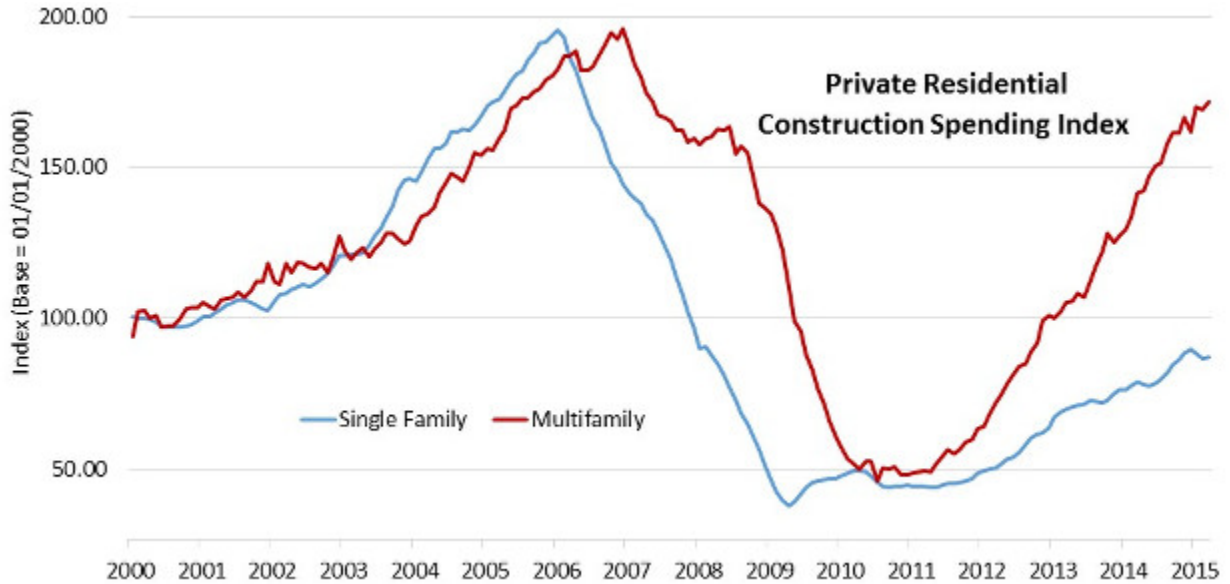
2X4 STUDS: WSPF KD PET, ESPF KD PET, green Douglas fir 8' 2012 - JUL '15



US Construction Spending Index

National Association of Home Builders' analysis of Census Construction Spending data shows that total residential construction spending for May increased to a seasonally adjusted annual rate of US\$366.1 billion. On a month-over-month basis, multifamily spending was US\$48.7 billion, up by 0.2 per cent over the revised April estimate, while the single-family spending was US\$209.4 billion, an increase of 0.03 per cent from April. Annually, multifamily spending rose 20.8 per cent from the revised 2014 estimate and the spending on single-family construction was 11.2 per cent higher than May 2014.

The pace of nonresidential construction spending was also up by 1.1 per cent monthly in May, and the annual increase from the revised May 2014 data was around 8.2 per cent. The largest contribution to this year-over-year nonresidential spending gain was made by the class of manufacturing-related construction (69.5 per cent increase), followed by lodging (30.6 per cent increase) and amusement/recreation (29.8 per cent increase).



Madison's Weekly Lumber Key Prices Table

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	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	300	300	0	280	+20	346	-46
WSPF KD R/L 2x6	305	305	0	280	+25	352	-47
WSPF KD R/L 2x8	315	315	0	290	+25	346	-31
WSPF KD R/L 2x10	370	370	0	340	+30	392	-22
WSPF KD PET 2x4 Stud	315	315	0	280	+35	335	-20
WSPF KD PET 2x6 Stud	295	295	0	270	+25	325	-30
Douglas Fir Green R/L 2x4	355	340	+3	310	+45	340	+15
Douglas Fir Green R/L 2x10	390	375	+5	355	+35	345	+45
ESPF KD 2x4 8ft Stud	375	370	+5	360	+15	435	-60
OSB Ontario 7/16" (CDN\$/msf)	235	235	-2	240	-5	225	+10
CSplywood Toronto 3/8" (CDN\$/msf)	421	421	-19	455	-34	414	+7

Madison's Weekly Lumber News

US Construction Spending

CONT'D FROM PAGE 2 Spending on private construction was at a seasonally adjusted annual rate of US\$752.4 billion, 0.9 per cent above the revised April estimate of US\$745.6 billion.

In May, the estimated seasonally adjusted annual rate of public construction spending was US\$283.4 billion, 0.7 per cent above the revised April estimate of US\$281.5 billion.

Private residential spending has been increasing recently, and is 47 per cent below the bubble peak.

Non-residential spending is only 5 per cent below the peak in January 2008 (nominal dollars).

Public construction spending is now 13 per cent below the peak in March 2009 and about 7 per cent above the post-recession low.

On a year-over-year basis, private residential construction spending is up 8 per cent. Non-residential spending is up 13 per cent year-over-year. Public spending is up 3 per cent year-over-year.

Manufacturing, US

CONT'D FROM PAGE 2 US manufacturers ended the second quarter on stable footing, reporting a strong flow of orders that could help support the overall economy in coming months.

Manufacturing growth has accelerated for the past two months, evidence that U.S. factories are beginning to ADAPT and overcome the drags caused by a rise in the dollar's value and cheaper oil prices, two trends that date back to last fall.

The index's measure of production fell, but it remained above 50. The gauge of new ORDERS ROSE slightly to 56 from 55.8. But manufacturers are responding to the increased demand by hiring more workers, as the employment measure increased to 55.5 from 51.7, a sign that many companies expect additional orders in the coming months and are hiring in advance.

The ISM report showed factory orders and employment in June stood at their highest readings since December 2014. The June production index held close to its solid May level. The export index showed a small contraction in June, but foreign demand picked up slightly for the second quarter as a whole after contracting in the winter. A gain in the ISM employment index suggests employers were hiring last month "in anticipation for future production, now that order books are filling up," said Bradley Holcomb, who oversees the ISM Survey.

The dollar, too, has steadied in recent months. While U.S. currency will continue to be a drag on exports, manufacturers say they can at least adjust production schedules to account for it.

This leaves manufacturers dependent on greater demand domestically from consumers.

Rayonier Completes

Rayonier Inc. announced Tuesday the company has acquired approximately 18,000 acres of high-quality timberlands in southwest Louisiana and northwest Oregon in two separate transactions from BTG Pactual Timberland Investment Group. Both

properties are located near existing Rayonier landholdings.

Skeena Sawmill Closes

Hot weather and cool markets in China have resulted in the almost total closure of Skeena Sawmills, Terrace, BC's, only large sawmill, according to the *Terrace Standard* Friday.

A skeleton crew of 10 people from what was a 90-person workforce is left working. The mass layoff will last at least a month, said Mill official Roger Keery.

About 15 per cent of the mill's production was planned for specialty timber markets in North America, but the forest fire hazard has meant that the logging company which supplies the raw logs had to shut down operations on June 17.

"Our logging sites right now are under a severe fire hazard threat, so we don't have enough wood coming in to run the business right now," said Veery.

"The planer mill is shut down completely. Some of the office staff have also been laid off. The remaining crew is doing some chipping and limited sawing of lumber," detailed Keery to the *Standard*.

Without the fire hazard, he said 25 per cent of the workforce could be at work milling wood for the specialty markets, but strong markets in China dictate the operation of the mill in the long term.

Skeena Sawmills has an ownership structure rooted in China through a company called Roc Holdings Ltd. and represented locally through Vancouver, BC, businessperson Teddy Cui.

US Construction Employment

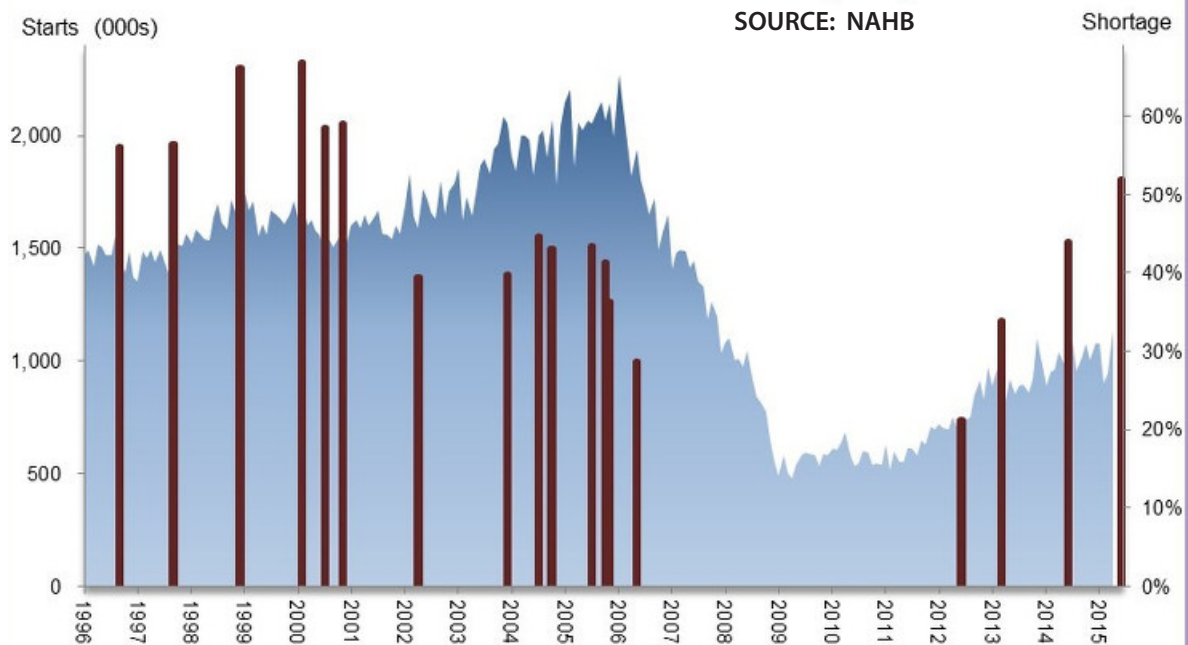
A survey of single-family builders conducted by the National Association of Home Builders in June 2015 shows that shortages of labour and subcontractors—already quite widespread in mid-2014—have become even more widespread during the past year.

The shortages are most acute for basic skills like carpentry, which are needed during the construction of any home. For example, in the 2015 survey 69 per cent of builders reported a shortage (either serious or some) of construction workers willing and able to do rough carpentry.

Builders, however, may be even more concerned about the availability of subcontractors than of workers to employ directly. In building a single-family home, three-quarters of the construction work is typically done by subcontractors (documented in a 2012 NAHB survey).

The 9 consistently covered trades are carpenters-rough, carpenters-finished, electricians, excavators, framing crews, roofers, plumbers, bricklayers/masons and painters.

**HOUSING STARTS (AREA) AND LABOR SHORTAGE (Directly employed):
AVERAGE PERCENTAGE FOR 9 TRADES (BARS)**



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North America Solid Wood Product Exports: 2Q 2015

Nearly half of exporters and investors say they are optimistic about growing their businesses over the next six months, according to a survey by Export Development Canada, the federal lending and credit agency.

“In spite of weak data and increasing concern about the US economy, Canadian exporters still seem to be expecting improvement in the global trade arena,” Peter Hall, EDC’s chief economist, said Thursday.

Just when many analysts appeared to be losing hope of a turnaround in Canada’s export sector, many of the companies shipping their goods outside the country are seeing better times ahead — notwithstanding current economic headwinds, said the *Financial Times* June 25.

by Kéta Kosman

Canadian Exports

- About 45 per cent of respondents expect business opportunities to improve in the coming months, up from 33 per cent in the EDC’s fall 2014 survey — and the highest percentage in the past 10 years — based on the agency’s semi-annual report.
- However Canadian exports declined 0.7 per cent in April, said StatsCan, as prices fell 1.2 per cent while volumes rose 0.5 per cent. Imports fell 2.5 per cent, as volumes fell 1.8 per cent and prices declined 0.8 per cent. Nonenergy exports fell 2 per cent in April, on a 1.8 per cent decline in volumes. By contrast, energy sales abroad increased 5.9 per cent, mostly on an 8.3 per cent gain in volumes. Prices fell 2.2 per cent.

Lumber

- Total exports by Canadian Sawmills (except Shingle and Shake Mills) to all countries was \$3 billion, a 15.3 per cent increase over \$ 2.6 billion for the first four months of 2014.
- Canadian sawmill product exports to the US rose 13.3 per cent to \$2 billion, from \$1.8 billion in January to April the previous year.
- Exports to China were up 20.1 per cent to \$481 million.

British Columbia Exports

- BC forest product exports totalled \$4.28 billion in April, up 12.7 per cent from \$3.80 billion one year ago.

