

MADISON'S LUMBER REPORTER

Publisher
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Annual Subscription Prices
E-mail/Fax: US\$408.45
Discounts available for multiple
subscriptions
Published 50 times a year

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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 Housing Starts: November 2015

Canadian housing starts rose unexpectedly in November and building permits surged in October, fueling Canada's prolonged housing boom even as the nation's weak economy contributed to underlying softness in some regions, reports showed on Tuesday.

Groundbreaking on new homes jumped to 211,916 units last month from a downwardly revised 197,712 units in October, bucking expectations for a softening to 197,300 starts, a report from the Canadian Mortgage and Housing Corp showed.

The gain is driven by multiple units, which are up 14 per cent to 114,965. Detached home construction is down 8 per cent to 53,092.

Multiples made up 68.4 per cent of all new construction, the highest level since 1971 over the first 11 months of the year, the data show. **CONT'D PAGE 6**

US Southern Pine Lumber Exports: October 2015

For the fourth consecutive month, export volumes of Southern Pine lumber have established an upward trend, said the Southern Forest Products Association in the press release Wednesday. During October, US pine exports to be just over 58 million board feet. This volume represents a boost of 7 per cent above the same month last year, contributing to a year-to-date increase of 8 per cent when compared with the first ten months of 2014. **CONT'D PAGE 6**

Interfor Restarts Sawmill

Interfor Corporation, out of Vancouver, BC, has resumed operations at its sawmill in Georgetown, SC, following record rainfalls and extensive flooding in the area over the past two months, as the company said in the press release Thursday.

During the height of the rainstorms from October 1-5, two feet of rain fell in Georgetown County. The subsequent flooding damaged thousands of homes and businesses and caused the closure of roads and bridges across the state. The rainfall also softened the forest ground making it difficult for logging equipment to operate. **CONT'D PAGE 6**

US Economy and Economic Indicators

This week new research was released on the current makeup of the US middle class, the continuing commodities price slump, other — more general — US economic indicators provide a somewhat less murky, if still muted, projection of the health of the US economy over the next year or two.

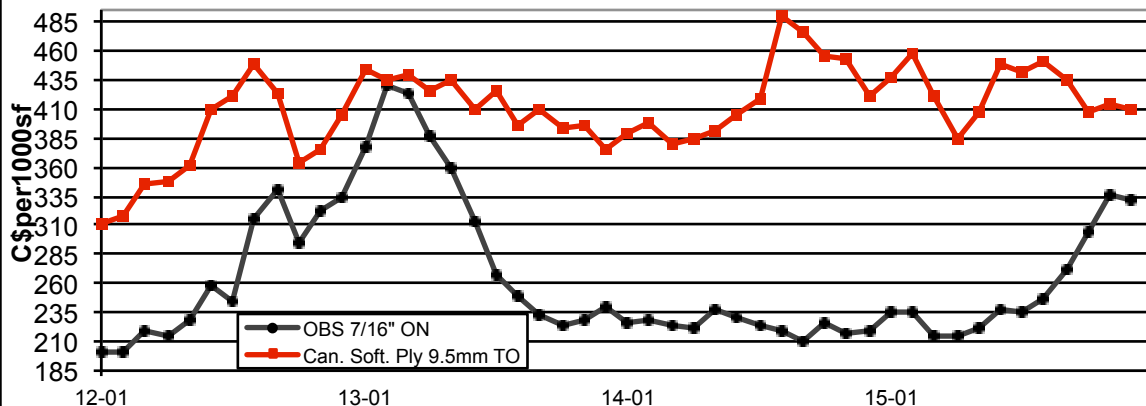
Said Bill McBride in his highly-regarded economics blog, CalculatedRisk.com Tuesday, "Last year, 2014, was the best year for employment since the '90s, and 2015 will be the 2nd or 3rd best year since the '90s."

McBride goes on to look at US single-family housing starts, federal and state employment data, budget surplus, household debt, and architecture billings to update his 2005 US economic analysis.

Other reports out this week are less equivocally bullish.

CONT'D PAGE 8

OSB Ontario 7/16" vs Can. Softwood Plywood 9.5mm Toronto 2012 - DEC 2015



Madison's **new** Interactive Web Price Graphing Tool

Madison's web-based interactive lumber price graphing tool is beta testing!
 This extremely useful tool is driven by the historical dimension lumber and panel prices listed in your weekly *Madison's Lumber Reporter*. To access simply visit: <http://mlrdemo.gobi.ca>

Username: **portland**
 Password: **Pine2014**

Instructions:

All commodities listed in your weekly *Madison's Lumber Reporter* (except Cedar for the time being) are available from the pull-down menu.

Simply start typing the species name of the desired item then select grade and size.

Click "update".

Select "view" for yearly, quarterly, monthly, or weekly.

Click "Graph Tools" at the top left to return to the previous screen and enter a different selection of commodities.

[For more information please contact our office.](#)

Enter Lumber Commodity

1: WSPF KD Econ 2x8	Average ▾ #e0642e
2: Hem/Fir KD Coast Utility 2x4	Average ▾ #e0d62e
3: Douglas Fir Green #2&Btr 2x6	Average ▾ #2e97e0
4: SYP (East) KD S4S #2&Btr 8ft 2x4	Average ▾ #b02ee0
5: SYP (West) KD S4S #2&Btr 8ft 2x8	Average ▾ #e02e75

Enter Graph Options

Show by: Year ▾

To: 2010-12-31

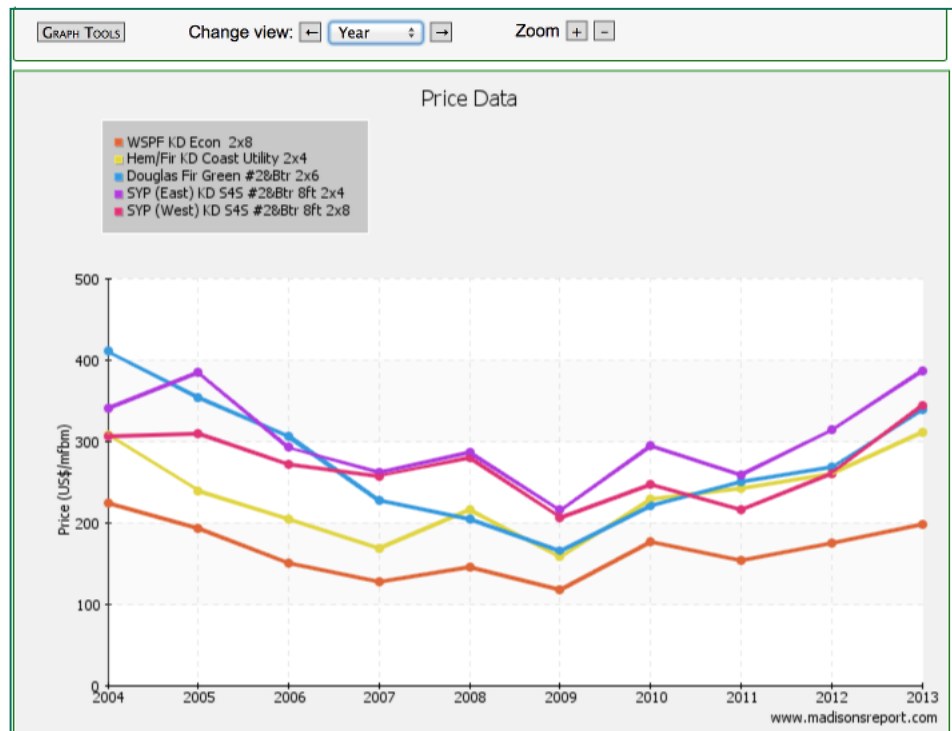
UPDATE
Search Tips

Tips

Use the starting letters of the lumber commodity you are looking for in the search.

For example - Species:

- WRC: Western Red Cedar
- WSPF: Western Spruce-Pine-Fir
- ESPF: Eastern Spruce-Pine-Fir
- DF: Douglas Fir
- LARCH: Fir/Larch
- HEM: Hem/Fir
- SYP: Southern Yellow Pine
- ENG: Englemann Spruce
- PON: Ponderosa Pine
- EAS: Eastern White Pine
- FIR: Fir
- HEML: Hemlock



*This is a demo version of the interactive graph.

**It is stable in the current versions of Firefox and Chrome web browsers

Madison's Weekly Lumber Key Prices Table

www.madisonsreport.com



	This Week	Last Week	Change	Month Ago	Change	Year Ago	Change
<small>Prices are in U.S. dollars per 1,000 fbm (net FOB mill)</small>							
WSPF KD R/L 2x4	270	260	+10	270	0	340	-70
WSPF KD R/L 2x6	266	260	+6	262	+4	348	-82
SYP KD R/L East Side 2x4	400	395	+5	415	-15	420	-20
SYP KD R/L East Side 2x6	300	305	-5	335	-35	345	-45
ESPF KD R/L 2x4	365	360	+5	370	-5	430	-65
WSPF KD PET 2x4 Stud	210	210	0	230	-20	350	-140
WSPF KD PET 2x6 Stud	225	225	0	235	-10	375	-150
Douglas Fir Green R/L 2x4	300	290	+10	310	-10	320	-20
Douglas Fir Green R/L 2x10	360	370	-10	410	-50	410	-50
ESPF KD 2x4 8ft Stud	280	280	0	305	-25	405	-125
OSB Ontario 7/16" (CDN\$/msf)	325	338	-13	337	-12	220	+105
CSplywood Toronto 3/8" (CDN\$/msf)	409	409	0	412	-3	454	-45

Madison's Weekly Lumber News

Housing Starts, Canada

CONT'D FROM PG 2 A separate report from Statistics Canada showed the value of Canadian building permits surged by a higher-than-expected 9.1 per cent in October, to \$7.7 billion, from September, the first increase in three months.

The value of residential building permits totalled \$4.8 billion in October, up 15.5 per cent from September, while permits for non-residential buildings slipped 0.2 per cent to \$2.9 billion in October.

Construction intentions for multi-family dwellings and institutional buildings in Alberta led the gain.

US Southern Pine Exports

CONT'D FROM PG 2 Offshore shipments during October roughly

break down as follows: 32.2 MMbf dressed, 12.1 MMbf rough, and 13.7 MMbf treated lumber, said the SFPA.

Softwood lumber imports to the US during October reached 1.28 billion board feet, up 10 per cent from the volume imported during October of 2014. When compared with last year, year-to-date softwood imports remain up 8 per cent.

Interfor Sawmill Reopens

CONT'D FROM PG 2 The area of South Carolina near Interfor's Georgetown mill was among the hardest hit and the operations at the mill have been severely impacted. During October and November, the mill ran a total of 11 days. While it started back up on November 30, the ability to maintain operations is dependent on log supply.

A Company-wide campaign in partnership with the American Red Cross raised \$47,766 to assist the employees whose homes were damaged or destroyed.

Biomass Fuel Production

Cellufuel moved into the former Bowater Mersey paper plant in Brooklyn, NS, after the plant closed in 2012, throwing around 2,000 people out of work, according to CBC Friday.

Since then, Cellufuel has been developing biofuel that could be used in vehicles and for heating.

The plant transforms otherwise low-value wood fibre into renewable diesel fuel for the refinery market.

Cellufuel sources its raw material from Freeman's Lumber in Greenfield, NS.



Changing Dynamics

of the Asia-Pacific Wood Trade

01 & 02 March 2016 | Portland, Oregon, USA | At the World Forestry Center

Join us for this 2-day event featuring an international roster of speakers from the forest industry, covering logs, lumber, and wood biomass trade in Asia.

Approved for SAF 10.5 CFE Cat.1 Hours



WORLD FORESTRY CENTER

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International Forest Industry Advisors

<http://apwoodtrade.worldforestry.org/>

Pew Research Center Analysis of Current US Middle Class

[DOWNLOAD REPORT](#)

After more than four decades of serving as the nation's economic majority, the American middle class is now matched in number by those in the economic tiers above and below it. In early 2015, 120.8 million adults were in middle-income households, compared with 121.3 million in lower- and upper-income households combined, a demographic shift that could signal a tipping point, according to a new Pew Research Center analysis of government data.¹

In at least one sense, the shift represents economic progress: While the share of US adults living in both upper- and lower- income households rose alongside the declining share in the middle from 1971 to 2015, the share in the upper-income tier grew more.

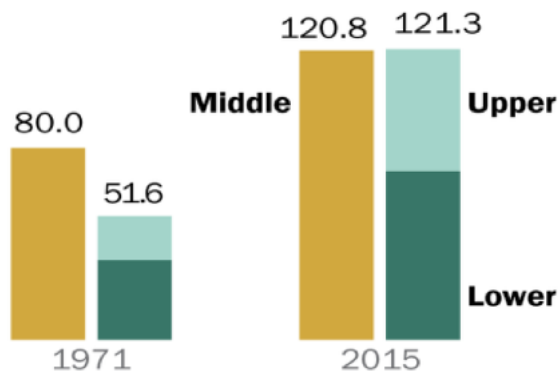
Over the same period, however, the nation's aggregate household income has substantially shifted from middle-income to upper-income households, driven by the growing size of the upper-income tier and more rapid gains in income at the top. Fully 49 per cent of US aggregate income went to upper-income households in 2014, up from 29 per cent in 1970. The share accruing to middle-income households was 43 per cent in 2014, down substantially from 62 per cent in 1970.²

And middle-income Americans have fallen further behind financially in the new century. In 2014, the median income of these households was 4 per cent less than in 2000. Moreover, because of the housing market crisis and

The middle class is losing ground

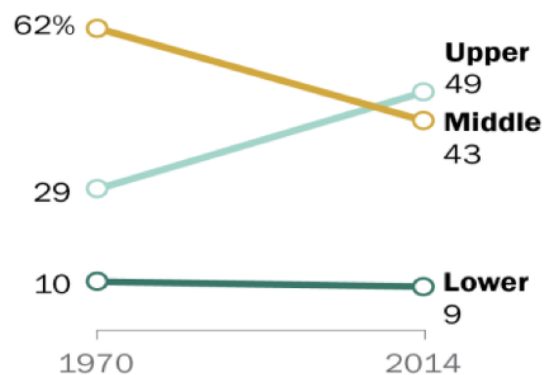
Middle-income Americans are no longer in the majority ...

Adult population by income tier (millions)



... and share of aggregate income held by middle-income households has plunged

% of U.S. aggregate household income



Note: The assignment to income tiers is based on size-adjusted household incomes

Meanwhile, the far edges of the income spectrum have shown the most growth. In 2015, 20 per cent of American adults were in the lowest-income tier, up from 16 per cent in 1971. On the opposite side, 9 per cent are in the highest-income tier, more than double the 4 per cent share in 1971. At the same time, the shares of adults in the lower-middle or upper-middle income tiers were nearly unchanged.

Middle-income Americans are defined as adults whose annual household income is two-thirds to double the national median, about US\$42,000 to US\$126,000 annually in 2014 dollars for a household of three. Under this definition, the middle class made up 50 per cent of the U.S. adult population in 2015, down from 61 per cent in 1971.

¹ The difference between the two population estimates is not statistically significant.

² The key data source for the report is the Current Population Survey, Annual Social and Economic Supplement for 1971 to 2015. In the survey, respondents provide household income data for the previous calendar year. Thus, income data in the report refer to the 1970-2014 period and the demographic data from the same survey refer to the 1971-2015 period.

US Economy and Economic Indicators

CONT'D FROM PAGE 8

The US dollar slipped against the yen and the euro this week after fresh data showed that American consumers picked up their spending and US business prices rose last month, but not sufficiently to shift thinking on the pace of Fed tightening.

The dollar weakened against the common currency, as one euro bought US\$1.0965, from US\$1.0955 ahead of the data, up 0.2 per cent versus the buck for the session.

Meanwhile, Another month of strong jobs growth (up 211,000 in November, unemployment at an eight-year low) highlighted the continued good health of the US economy.

by Kéta Kosman

US Trade Deficit

The US trade deficit widened to US\$43.9-billion in October, largely as a result of sliding exports, which fell 1.4 per cent in the month and were down nearly 7 per cent from year-earlier levels. The combination of weak foreign demand and a rising U.S. dollar – pushed up by the relative strength of the US economy and the prospects of Fed interest rate increases – have slammed the brakes on US exports.

Meanwhile, U.S. imports fell for a third consecutive month – suggesting the lack of export growth may be moderating economic activity at home. That surfaced in the trade numbers also released on Friday for Canada, which relies on the U.S. market for about three-quarters of its own exports. Canada's trade deficit ballooned to \$2.8-billion (Canadian) in October – and the culprit was a 2.8-per-cent slump in exports to the United States.

Avery Shenfeld, chief economist at Canadian Imperial Bank of Commerce, said the U.S. economy's reliance on exports is small enough – exports are equivalent to just 13 per cent of GDP, compared with 33 per cent in Canada – that its economy can weather weak demand outside its borders fairly well, as long as its job-creation engine is still humming.

US Purchasing Managers' Index

At the root of the slowing is the export-intensive manufacturing sector. The Institute of Supply Management's manufacturing purchasing managers' index, a closely watched indicator of U.S. factory activity, fell to a post-recession low of 48.6 in November. Any reading below 50 indicates a contraction – implying that U.S. manufacturing output has actually slipped into decline.

US Employment

Another month of strong jobs growth (up 211,000 in November, unemployment at an eight-year low) highlighted the continued

good health of the U.S. economy, and likely gave the Federal Reserve the last piece of evidence it needs to raise interest rates at its meeting on Wednesday.

Full employment is consistent with a 5 per cent unemployment rate, which has already been achieved, and a 9 per cent underemployment rate. Underemployment includes the unemployed, part-timers who want more hours, and potential workers that have stepped out of the workforce and thus are not counted as unemployed but say they want a job. This is the so-called U-6 unemployment rate, which currently stands at 9.8 per cent. On a full-time equivalent basis -- translating the part-timers into full-timers -- it is about 9.6 per cent.

US Wage Growth

Wage growth is up nearly half a percentage point over the past year, well over the near 2 per cent year-over-year growth that had prevailed since the recession.

Wage growth is even stronger than indicated by the BLS wage data. The BLS calculates wages based on reports from establishments that average pay across all their employees. Measured wage growth is being depressed as many lower-paid millennials are coming into the workforce, while higher-paid boomers are leaving it. The tighter labor market also means that those now finding jobs are likely less productive and thus lower-paid.

Said Mark Zandi in *TheStreet.com* Wednesday, "Wages are ultimately expected to reach a 3.5 per cent

growth rate. This is equal to the sum of inflation, which is expected to be near the Federal Reserve's 2 per cent target, and 1.5 per cent trend labor productivity growth. At this pace of growth, labor's share of national income will stabilize; labor's share has been shrinking more or less since the early 1980s."

US Construction Activity

Demographics and household formation suggests starts will increase to around 1.5 million over the next few years, said *CalculatedRisk* Tuesday. That means starts will probably increase another 40 per cent or so from the October 2015 level of 1.06 million starts (SAAR).

Residential investment and housing starts are usually the best leading indicator for the economy, so this suggests the economy will continue to grow in 2016.

Even though starts have more than doubled from the bottom, starts are still way below the average level of 1.5 million per year from 1959 through 2000.

US Household Debt

The New York Fed announced that household debt increased by a robust US\$212 billion in 3Q 2015. Both mortgage and auto loan originations increased, as auto originations reached a ten-year high and new mortgage lending appears to have finally recovered from the very low levels seen in the past year.

The overall Debt Service Ratio has been moving sideways and is near the record low.