

# MADISON'S LUMBER REPORTER



Publisher  
**KetaDesign Productions**

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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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In Canada, add GST or HST  
ISSN 0715-5468

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## News & Updates

### US Housing Starts

Home builders in the US cut back slightly on new construction in the final month of 2015, though they built the most homes last year since 2007. Housing starts fell 2.5 per cent last month to an annual rate of 1.15 million, the US Commerce Department said Wednesday.

For the full year home builders started work on 1.11 million new houses, the largest number since the Great Recession. Starts climbed nearly 11 per cent compared to 2014. **CONT'D PAGE 8**

### Japan Wood Import Projection 2016

The Timber Supply and Demand Conference of Japan, comprised of five groups of imported wood products, came up with the projection for demand for 2016, said the *Japan Lumber Reports* Friday.

The projection does not expect any significant change in the import of both logs and lumber. **CONT'D PAGE 6**

### Canada Investment in Construction: 4Q and Nov 2015

Investment in Canadian non-residential building construction reached \$12.6 billion in 4Q, down 1.7 per cent from the previous quarter, according to Statistics Canada Monday.

Investment in Canadian residential construction rose 2.2 per cent to \$4.3 billion in November compared with the same month in 2014, said StatsCan Thursday. Higher construction spending on apartment and apartment-condominium buildings largely explained the advance. **CONT'D PAGE 7**

### North America Structural Panel Production: 2015

Structural panel production and apparent consumption in North America decreased by 4.9 per cent and 4.5 per cent in 4Q 2015 from 3Q, as The Engineered Wood Association reported Wednesday. Structural panel production increased by 1 per cent, compared to 4Q 2014, and apparent consumption went up by 1.6 per cent. Numbers from 2015 show that structural panel production increased 1.2 per cent and apparent consumption rose 2.9 per cent. **CONT'D PAGE 7**

### US Leading Economic Index: December 2015

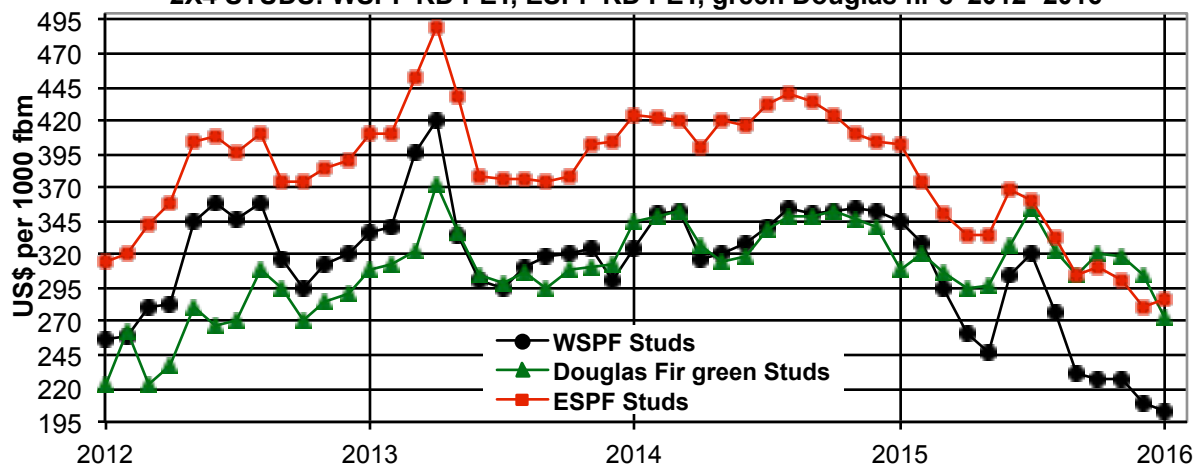
The index of US economic indicators decreased in December for the first time in three months, weighed by slowing factory orders and fewer building permits.

The Conference Board's measure of the economic outlook for the next three to six months fell 0.2 per cent in December after rising 0.5 per cent the month before, the New York-based research group said Friday. **CONT'D PAGE 7**

### US Real Estate and Economic Update

The latest data of US real estate activity and general macroeconomic conditions are examined. **CONT'D PAGE 9**

2X4 STUDS: WSPF KD PET, ESPF KD PET, green Douglas fir 8' 2012- 2016



## Japan Wood Product Import Projection

### Demand of imported wood products

	Supply Region	2014	2015	2016	'16/'15
Logs	South Sea	276	255	250	97.9
	North America	3,073	2,612	2,680	102.6
	Russia	189	154	160	103.9
	New Zealand	539	431	410	95.1
	Europe	8	8	8	--
	Total logs	4,086	3,461	3,508	101.4
Lumber	South Sea	576	530	530	100.0
	North America	2,430	2,291	2,250	98.2
	Russia	641	597	620	103.9
	NZ/Chile	352	302	300	99.3
	Europe	2,500	2,439	2,400	99.1
	Total lumber	6,499	6,158	6,100	99.1
Total		10,585	9,619	9,608	99.9

Unit : 1,000 cbms Comparison : %

2014 is actual. 2015 is estimate. 2016 is projection.

Japan housing starts 2016 are expected to exceed 2015 then to decline again in 2017, said the Timber Supply and Demand Conference according to *Japan Lumber Reports* Friday.

New housing starts in Japan are estimated at about 940,000 units, as opposed to 910-920,000 last year, an approximately 2-3 per cent increase.

Total demand for imported logs and lumber is expected to be 9,608,000 cubic metres, almost the same as 2015.

There is expected a noticeable change in the import of North American logs, which is estimated to increase by 2.6 per cent. This had decreased by 15 per cent in 2015 from 2014, which was too much for the market so this bump in 2016 seems to be a recovery.

The decrease in North American log imports was due to a deliberate shifting to use of domestic species as well as production curtailment by plywood mills last year.

The import of radiata pine from New Zealand will decline further in 2016 due to log export prices driven by

the Chinese market.

Demand for Russian logs continues shrinking as saw-mills cutting Russian logs continue decreasing. Russian lumber volume is stabilizing at about 600 M cubic metres annually.

### Japan Housing Starts

Housing starts in Japan increased by 1.7 per cent in November of 2015 over the same month of the previous year, reversing from a 2.5 per cent drop in October.

The number of dwelling units rose for all categories: individual houses (+3.5 per cent from a month earlier to 25,310 units in November), rental housing (+2.6 per cent to 33,505 units), built for sale (+2.5 per cent to 20,503 units), prefabricated (+1.5 per cent to 12,789 units) and two-by-four (+2 per cent to 10.711 units).

Housing Starts in Japan averaged 2.54 per cent from 1961 until 2015, reaching an all time high of 67.63 per cent in March of 1972 and a record low of -43.96 per cent in September of 2007.

## Japan Wood Olympic Stadium Roof

A new plan has been selected in Japan for the new National Stadium, to be built for the 2020 Tokyo Olympic Games, according to *Japan Lumber Reports* Friday.

The theme of the new stadium will be 'wood and green', with the roof made of a hybrid steel and wood structure.

The wood will be laminated lumber produced from domestic Japanese cedar.

A total of 1,800 cubic metres of laminated lumber will

be procured, while more of the necessary wood will be inherited from the London Olympics.

The plan includes traditional Japanese design. Wood materials used will be medium size laminated lumber, 120 x 450 mm and less than 6 m length, manufactured at any domestic lumber plant.

The use of such a large amount of wood is hoped to trigger building of more wooden structures and increase common use of certified wood in Japan, says the *Reports*.

## 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	266	265	+1	270	-4	324	-58
WSPF KD R/L 2x6	268	265	+3	266	+2	334	-66
SYP KD R/L East Side 2x4	405	415	-10	400	+5	415	-10
SYP KD R/L East Side 2x6	295	305	-10	300	-5	350	-55
ESPF KD R/L 2x4	350	360	-10	365	-15	415	-65
WSPF KD PET 2x4 Stud	200	205	-5	210	-10	340	-140
WSPF KD PET 2x6 Stud	215	215	0	225	-10	355	-140
Douglas Fir Green R/L 2x4	292	290	+2	300	-5	305	-13
Douglas Fir Green R/L 2x10	337	335	+2	360	-23	388	-51
ESPF KD 2x4 8ft Stud	275	290	-15	280	-5	395	-120
OSB Ontario 7/16" (CDN\$/msf)	320	325	-5	325	-5	210	+110
CSplywood Toronto 3/8" (CDN\$/msf)	404	412	-8	409	-5	417	-13

## Madison's Weekly Lumber News

### Canada Construction Investment

CONT'D FROM PG 2 Nearly two of every five dollars spent on residential investment was dedicated to apartment and apartment-condominium building construction, said Statistics Canada Wednesday. Investment spending on apartment and apartment-condominium buildings increased 26.6 per cent year over year to \$1.6 billion.

The investment for row-house dwelling construction was \$416 million in November, up 3.4 per cent compared with the same month in 2014.

Construction spending on single-family dwellings declined 9.6 per cent to \$2.1 billion, while construction spending on semi-detached dwellings was down 17.9 per cent to \$178 million from November 2014 levels.

Meanwhile, nationally, investment in non-residential building construction was down in six provinces in the fourth quarter. The largest declines occurred in Quebec and Ontario, said Statistics Canada Monday.

### Structural Panel Production, North America

CONT'D FROM PG 2 The OSB production decreased in North Ameri-

ca by 4.8 per cent in 4Q of 2015, APA states, but was up by 3 per cent from 4Q 2014. For 2015, 20.357 billion square feet came from production, which was up by 2.4 per cent from 2014.

In 4Q, North America's production decreased by 6.4 per cent and Canada's production went the same way, dropping 1.6 per cent.

Total US production for 2015 was 13.283 billion square feet, which was actually 2.1 per cent more than 2014. Canada also increased production by 2.9 per cent from 2014, to 7.074 billion square feet in 2015 said the APA.

### US LEI: December 2015

CONT'D FROM PG 2 Five of the 10 Leading Economic Indicators of the Conference Board's composite gauge decreased. Those also included an increase in jobless claims, the drop in stock prices and waning consumer confidence about the economic outlook.

The November reading was revised up from a prior estimate that showed a 0.4 percent increase.

The Conference Board's coincident economic index, a measure of current economic activity, increased 0.1 per cent in December for a second month. The gauge is determined by growth in industrial production, sales, payrolls

and incomes -- the measures used by the National Bureau of Economic Research to determine the beginning and end of US recessions.

The index is showing resilience compared to the volatility that's rocked financial markets since the start of the year, indicating that troubles in equities may have a more tenuous link to actual developments in the economy.

The gauge of lagging indicators rose 0.2 per cent in December after a 0.3 per cent gain the month before.

### Calendar

May 2016

#### International Pulp Week 2016

May 1 - 4, 2016 - Vancouver, BC

<http://www.forestproductssummit.com>

#### PwC's 29th Annual Global Forest, Paper & Packaging Industry Conference

May 4, 2016 - Vancouver, BC

<https://www.pwc.com/ca/en/industries/forest-paper-packaging/publications/annual-global-forest-paper-industry-conference.html>



29th Annual Forest & Paper Industry Conference

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## US Housing Starts, Home Sales

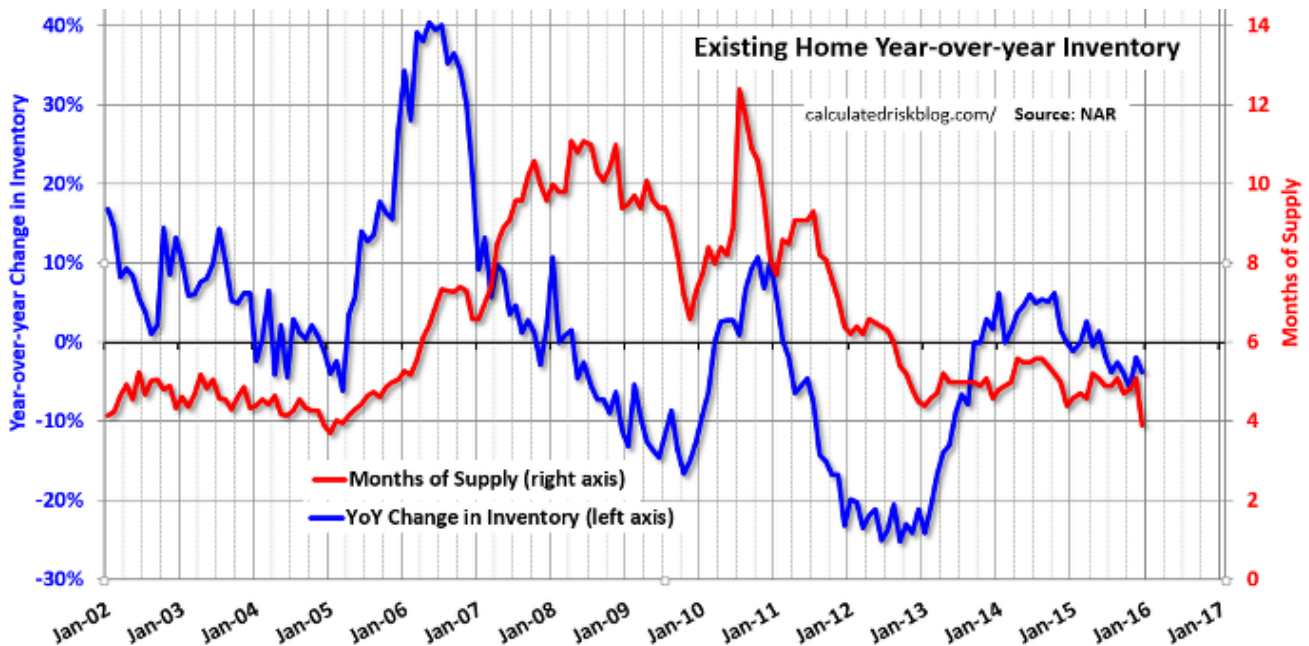
New housing construction in the US tapered off last month in all regions except the Northeast, where starts rose 24.4 per cent.

Requests for new building permits, meanwhile, slipped 3.9 per cent to an annual rate of 1.23 million in December. But the increase in permits was also the strongest in 2015 since the Great Recession. Permits rose 12 per cent in 2015 to an estimated 1.18 million units. Permits reflect how many new homes that companies plan to build in the near future.

## US Existing Home Sales

Meanwhile, US home resales rebounded strongly in December from a 19-month low and prices surged, indicating the housing market recovery remained intact despite signs of a sharp deceleration in economic growth in recent months.

The National Association of Realtors said Friday existing home sales jumped a record 14.7 per cent to an annual rate of 5.46 million units, after being temporarily held back by the introduction of new mortgage disclosure rules, which had caused delays in the closing of contracts in November.



November's sales pace was unrevised at 4.76 million units. Economists had forecast home resales rebounding 8.9 per cent to a 5.20-million rate in December. Sales rose 6.5 per cent to 5.26 million units in 2015, the strongest since 2006.

At December's sales pace, it would take 3.9 months to clear the stock of houses on the market, the fewest since January 2005, and down from 5.1 months in November. A six-months supply is viewed as a healthy balance between supply and demand.

With inventories still tight, the median house price jumped 7.6 per cent from a year ago to US\$224,100. House prices increased 6.7 per cent in 2015. Although higher prices could sideline potential buyers, especially those wanting to purchase a home for the first time, they are boosting equity for homeowners, which could encourage them to put their homes on the market.

## US Home Construction Up for 2015

With the December report on housing starts and permits, preliminary totals for 2015 are now available. Total housing starts at 1.11 million were up 10.8 per cent in 2015 compared to 2014, said the National Association of Home Builders Wednesday. Single-family starts were up 10.4 per cent to 715,300 and multifamily starts were up 11.4 per cent to 396,000. All four census regions also experienced increases in single-family starts for 2015. The monthly change for December starts was down 2.5 per cent to 1.15 million and December single-family starts were down 3.3 per cent to 768,000.

Housing permits were up for the year by 12 per cent to 1.18 million with increases in both single-family (up 7.9 per cent) and multifamily (11.4 per cent). December single-family permits were also up from November by 1.8 per cent to 740,000. Total permits, however were down from November to December by 3.9 per cent to 1.232 million.

# US Private Investment and the Business Cycle

CONT'D FROM PAGE 2

## Calculated Risk

Bill McBride

“Discussions of the business cycle frequently focus on consumer spending (PCE: Personal consumption expenditures), but the key is to watch private domestic investment, especially residential investment. Even though private investment usually only accounts for around 15% of GDP, the swings for private investment are significantly larger than for PCE during the business cycle, so private investment has an outsized impact on GDP at transitions in the business cycle.

Usually residential investment is a strong contributor to GDP growth and employment in the early stages of a recovery, but not this time Residential investment turned positive in 2011, and made a positive contribution to GDP through 2015.

What does this mean for the business cycle? Usually residential investment would turn down before a

recession, and that isn't happening right now. Instead residential investment is starting to increase.

The below graph shows residential investment as a per cent of GDP. Residential investment as a percent of GDP is still very low, and it seems likely that residential investment as a percent of GDP will increase further in 2016.

Nothing is perfect, but residential investment suggests further growth. Add in the improvement in household balance sheets, some contribution from Federal, state and local governments, and a further increase in non-residential structures in 2016 (ex-energy) - and the economy should continue to grow.”

