

MADISON'S LUMBER REPORTER

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News & Updates

Canada Wholesale Trade, Manufacturing: Jan 2016

Wholesale sales in Canada were unchanged at \$57.0 billion in January as gains in the machinery, equipment and supplies subsector were offset by lower sales in the motor vehicle and parts subsector, according to Statistics Canada Thursday.

In volume terms, wholesale sales decreased 0.2 per cent in January.

The machinery, equipment and supplies subsector increased 2.6 per cent to \$11.5 billion. The construction, forestry, mining, and industrial machinery, equipment and supplies industry led the gain, increasing 6.4 per cent to its highest level since May 2015. A rise of 2.4 per cent in the other machinery, equipment and supplies industry also contributed to the increase.

Meanwhile, Canadian manufacturing sales rose 2.3 per cent in January to \$53.1 billion, the highest level on record, said StatsCan Wednesday.

Higher sales of motor vehicles, food, and motor vehicle parts were largely responsible for the gains. More than 85 per cent of the increase in January came from these three industries. Conversely, sales of petroleum and coal products fell 5.9 per cent as prices continued to decline in the industry. **CONT'D PAGE 7**

British Columbia Lumber Exports: January 2016

British Columbia forest product exports totalled \$1.10 billion, up 13.3 per cent from \$0.97 billion, said the Competitiveness and Innovation Branch, BC Ministry of Forests, Lands, and Natural Resource Operations Thursday.

Share of export value by market were: U.S. (50.2 per cent, up from 48 per cent), China + Hong Kong (25 per cent, down from 29.7 per cent), Japan (8.8 per cent, down from 10 per cent) and other destinations (15.9 per cent, up from 12.3 per cent). **CONT'D PAGE 7**

US Housing Starts, Home Equity: January 2016

US housing starts for February 2016 were up 31 per cent, and — most important for softwood lumber manufacturers in Canada and the US — is US single-family starts are up 24 per cent, both compared to February 2015.

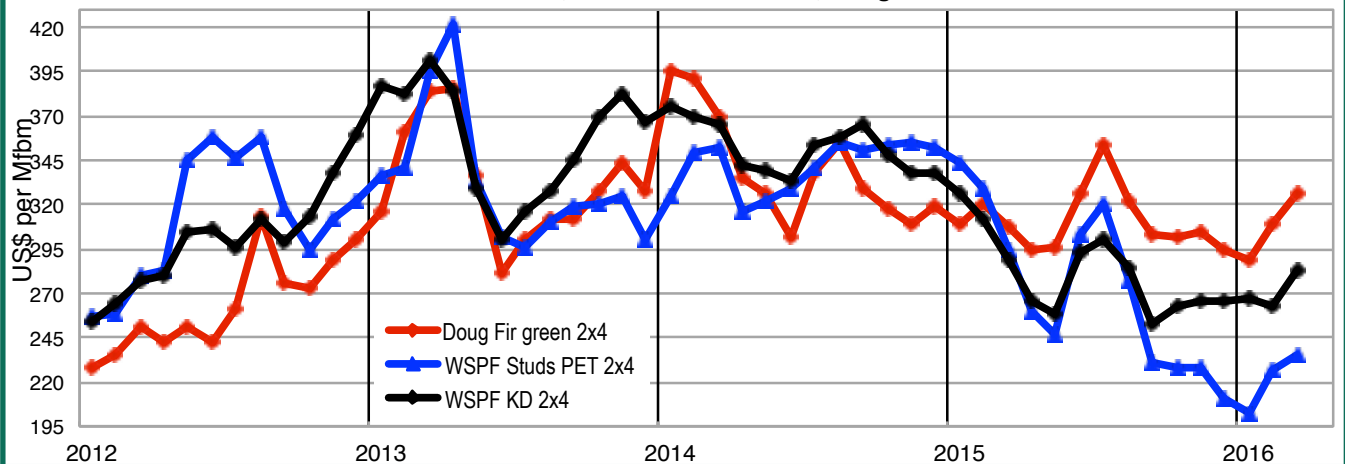
Housing starts rose 5.2 per cent from a month earlier to a seasonally adjusted annual rate of 1.178 million in February, the Commerce Department said Wednesday.

Starts on single-family homes, which account for roughly two-thirds of the market, rose 7.2 per cent in February to 822,000, their highest level since November 2007. Permits for single-family homes rose 0.4 per cent to 731,000, the second-highest level since the end of December 2007.

Multifamily units, which include apartments and condominiums, rose 0.8 per cent to 356,000.

But new applications for building permits fell 3.1 per cent to 1.167 million, from a revised January rate of 1.204 million, driven by a 8.4 per cent fall in multifamily units. Some of that slowdown could be due to rising prices for land; home builders have been reporting shortages of land and labor for months. **CONT'D PAGES 8 & 9**

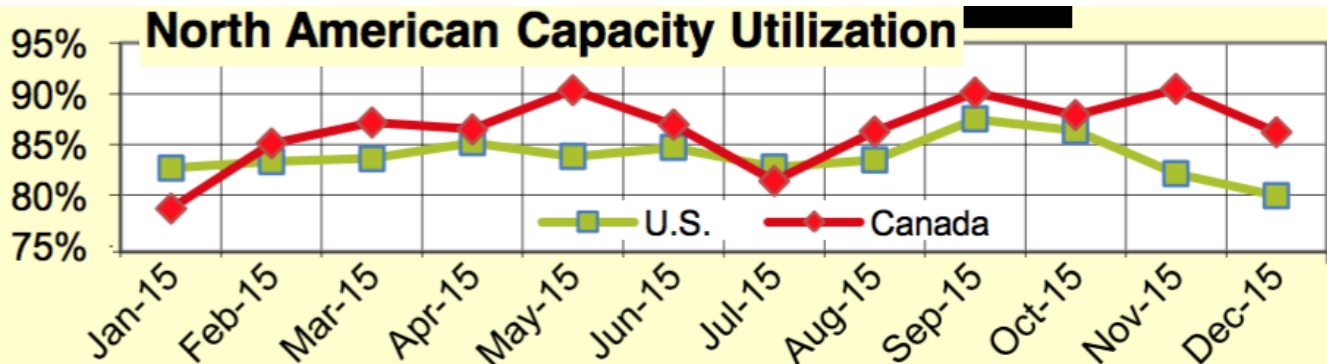
2x4 Prices : WSPF KD R/L #2&Btr, WSPF KD PET Studs, Douglas fir Green - 2012 - MAR 2016



North American Sawmill Capacity Utilization, Softwood Lumber Production Full Year 2015

Lumber production as a per cent of practical capacity in the US was 84 per cent for 2015, an increase of 1 per cent from the previous year when it was 83 per cent, according to the **Western Wood Products Association's Lumber Track**, released Tuesday.

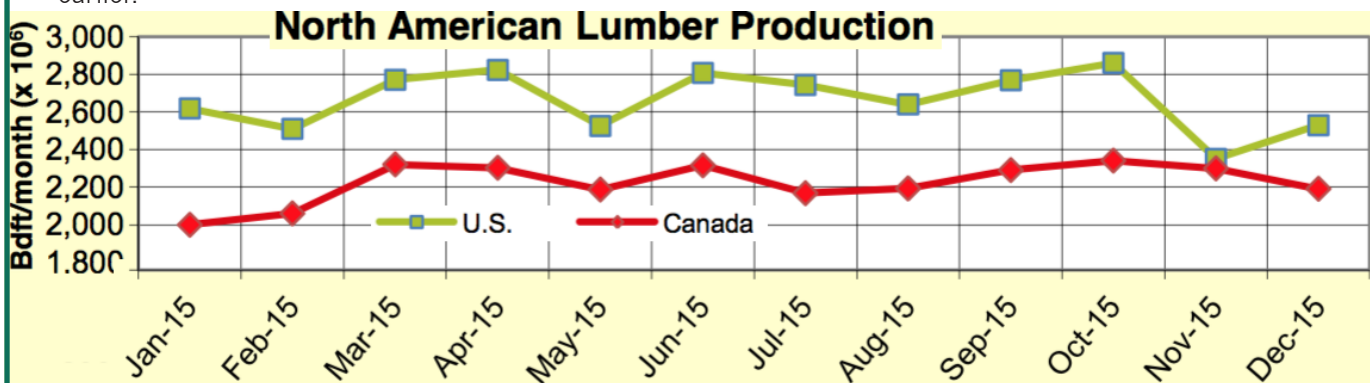
Canadian sawmill capacity utilization improved by 3 per cent last year, to 86 per cent from 83 per cent in 2014.



Sources: FEA, LLC: Softwood Sawmills in the United States and Canada, WWPA

Lumber production in the US totalled 32 BBF for full-year 2015, an increase of 1.5 per cent from 2014 when it was 31.5 BBF, said *Lumber Track*.

Canadian lumber production improved by 8.3 per cent for last year, to 26.7 BBF from 24.6 BBF the year earlier.



Source: Southern Forest Products Association, U.S. Census Bureau, Council of Forest Industries-CAN, WWPA

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Madison's Weekly Softwood 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	298	290	+8	266	+32	280	+18
WSPF KD R/L 2x6	282	268	+14	264	+18	285	-3
SYP KD R/L East Side 2x4	405	395	+10	400	+5	400	+5
SYP KD R/L East Side 2x6	305	300	+5	300	+5	330	-25
ESPF KD R/L 2x4	375	370	+5	360	+15	380	-5
WSPF KD PET 2x4 Stud	240	235	+5	235	+5	275	-35
WSPF KD PET 2x6 Stud	205	210	-5	220	-15	285	-80
Douglas Fir Green R/L 2x4	335	322	+13	310	+25	305	+30
Douglas Fir Green R/L 2x10	400	380	+20	370	+30	330	+70
ESPF KD 2x4 8ft Stud	310	300	+10	295	+15	345	-35
OSB Ontario 7/16" (CDN\$/msf)	315	310	+5	320	-5	215	+100
CSplywood Toronto 3/8" (CDN\$/msf)	390	384	+6	402	-12	428	-38

Madison's Weekly Softwood Lumber News

Manufacturing and Trade, Canada

CONT'D FROM PG 2 Wholesale inventories rose 0.3 per cent in January to \$72.9 billion, the first advance in three months. Increases were recorded in three of seven subsectors, accounting for 51 per cent of total wholesale inventories.

The inventory-to-sales ratio increased from 1.27 in December to 1.28 in January. This ratio is a measure of the time in months required to exhaust inventories if sales were to remain at their current level.

Elsewhere, motor vehicle sales in Canada increased 9.6 per cent in January to \$6.6 billion, the highest level since November 2000, according to Statistics Canada. This was the largest increase in the industry since March 2015. The gains in the motor vehicle industry were the result of two key factors: changes in the industry toward

higher-end models and the lower value of the Canadian dollar.

Inventories rose 0.6 per cent in January, the third increase in four months. Inventories rose in 16 of 21 industries, led by the transportation equipment industry. In 11 of the 16 industries with higher inventories, the gain was less than 2.0 per cent.

The inventory-to-sales ratio fell from 1.39 in December to 1.36 in January, the lowest level since December 2014. This ratio measures the time, in months, that would be required to exhaust inventories if sales were to remain at their current level.

BC Lumber Exports

CONT'D FROM PG 2 Share of export value by product: Softwood Lumber (46.4 per cent, up from 44.2 per cent), Pulp (25.9 per cent, down from 28 per cent), Other Wood Products (16.2 per cent, up from 12.6 per cent), and Logs (3.9 per cent, down from 6 per

cent), said the Competitiveness and Innovation Branch, Ministry of Forests, Lands, and Natural Resource Operations Thursday.

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>

B.C. Forest Product Export Value (C\$ billion) and Share (%) by Product Current Month (December) and YTD, 2015 and 2016

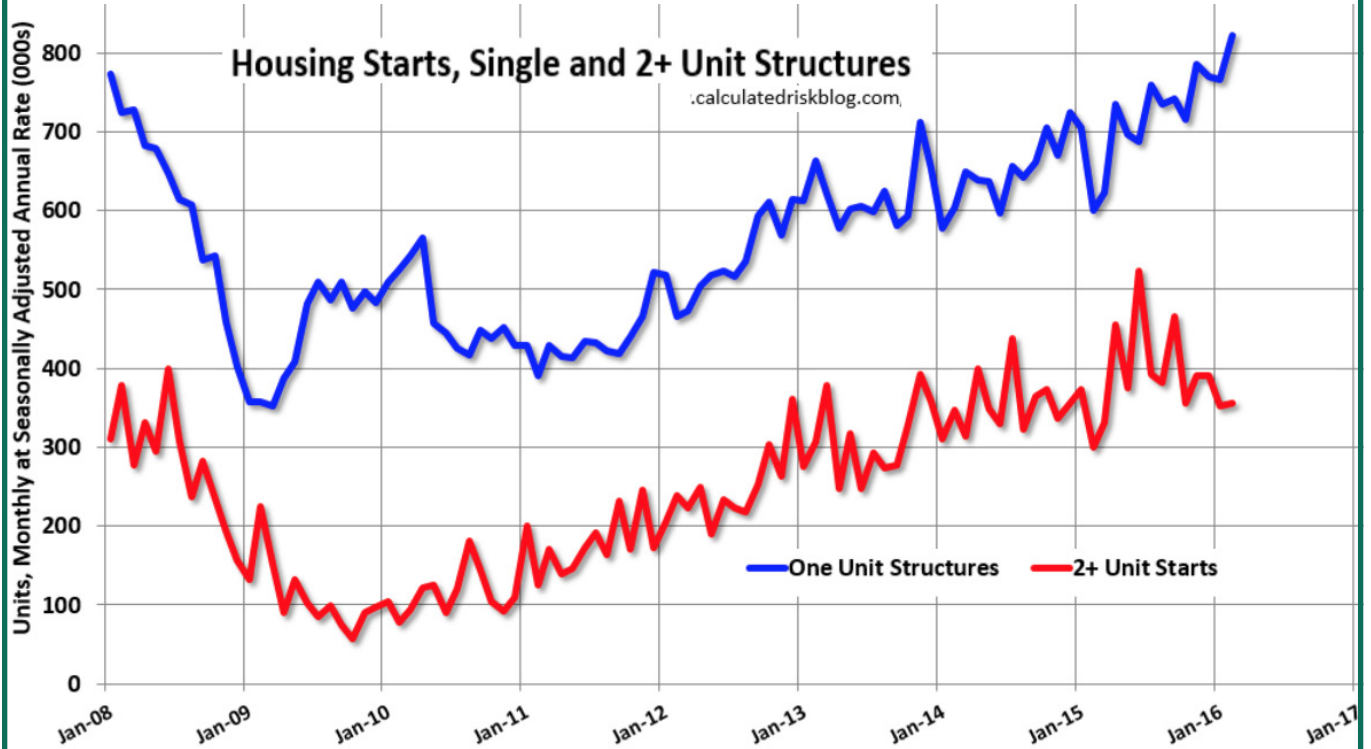
Products Category	Current Month 2015		Current Month 2016		Change %	YTD 2015		YTD 2016		Change %
	\$	Share %	\$	Share %		\$	Share %	\$	Share %	
Lumber (softwood)	0.43	44.2%	0.51	46.4%	19.1%	0.43	44.2%	0.51	46.4%	19.1%
Pulp	0.27	28.0%	0.28	25.9%	5.1%	0.27	28.0%	0.28	25.9%	5.1%
Other Wood Products	0.12	12.6%	0.18	16.2%	45.6%	0.12	12.6%	0.18	16.2%	45.6%
Other Paper Products	0.09	9.2%	0.08	7.5%	-8.1%	0.09	9.2%	0.08	7.5%	-8.1%
Logs	0.06	6.0%	0.04	3.9%	-26.1%	0.06	6.0%	0.04	3.9%	-26.1%
Total	0.97	100%	1.10	100.0%	13.3%	0.97	100.0%	1.10	100.0%	13.3%

CONT'D FROM PAGE 2

US Housing Starts, Construction Employment: January 2015

Three of four regions had an increase in starts in February, paced by a 26.1 per cent advance in the West, according to the report. Construction sank 51 per cent in the Northeast, the report showed.

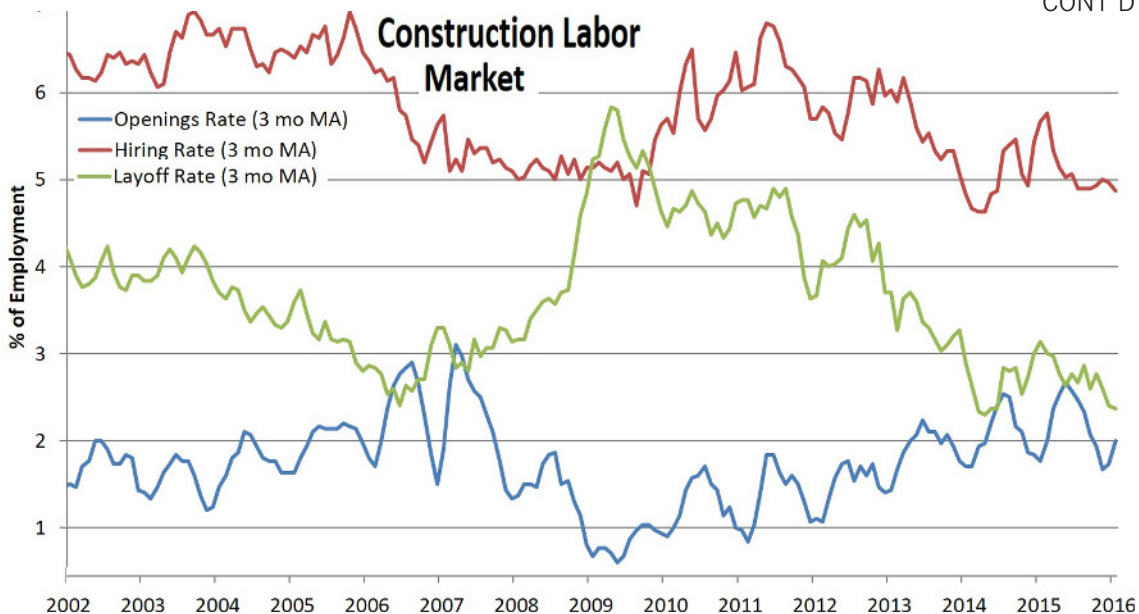
A report Tuesday showed builder confidence held at a nine-month low in March as the sales outlook dimmed. The National Association of Home Builders/Wells Fargo said its sentiment gauge was unchanged 58, receding further from a decade-high reached in October.



According to the BLS Job Openings and Labor Turnover Survey (JOLTS) and NAHB analysis, the number of open construction sector jobs (on a seasonally adjusted basis) increased to 185,000 in January from 124,000 in December. The January estimate beat the previous cycle high of 177,000 open positions set last May and represents the highest monthly count of job openings since July 2007.

US residential construction employment now stands at 2.584 million, broken down as 716,000 builders, and 1.869 million residential specialty trade contractors.

SOURCE: NAHB Eye on Housing
CONT'D PAGE 9



US Debt Service Ratio, Home Equity: 4Q 2015

CONT'D FROM PAGE 8

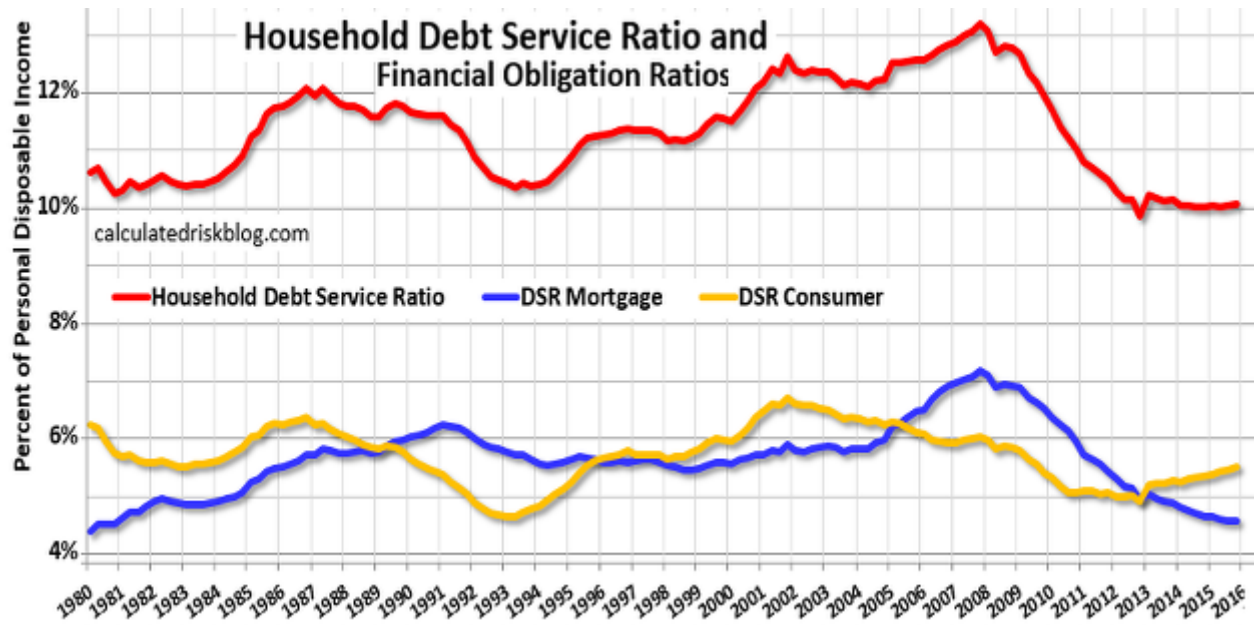
The graph below shows the Total US Debt Service Ratio (DSR), and the DSR for mortgages (blue), and consumer debt (yellow).

The overall Debt Service Ratio increased slightly in Q4, and has been moving sideways and is near a record low. Note: The financial obligation ratio (FOR) increased slightly in Q4 and is also near a record low (not shown).

The DSR for mortgages (blue) are near the low for the last 35 years. This ratio increased rapidly during the housing bubble, and continued to increase until 2007. With falling interest rates, and less mortgage debt (mostly due to foreclosures), the mortgage ratio has declined significantly.

The consumer debt DSR (yellow) has been increasing for the last three years.

This data suggests aggregate household cash flow has improved.



According to the Federal Reserve Board's 4Q 2015 release of its Financial Accounts of the United States report, household holdings of real estate, measured on a not seasonally adjusted basis, totaled US\$22.029 trillion in 4Q 2015, US\$1.255 trillion higher than its level in 4Q 2014, US\$20.774 trillion. At the same time, home mortgage debt outstanding, US\$9.491 trillion in 4Q 2015, rose by US\$90.0 billion over the same four-quarter period. Since the total value of household-held real estate rose faster than the aggregate amount of mortgage debt outstanding, then home equity held by households grew. Over the year, total home equity held by households grew by US\$1.165 trillion, 10.2 per cent, to US\$12.539 trillion. Household's home equity is now 56.9 per cent of household real estate.

