

Global Timber and Wood Products Market Update

- a news brief from Wood Resources International LLC

China imported 15 percent less sawlogs in the first half of 2012 than in 1H/2011; in addition, prices for domestic and imported softwood logs were lower than last year, reports the Wood Resource Quarterly

The slowing economy in China has reduced the importation of logs from New Zealand, Russia and the US by about 15 percent during the first six months of 2012. Prices for imported and domestic softwood logs in China have fallen this year by 14 percent and 10 percent, respectively as reported in the Wood Resource Quarterly.

Seattle, USA. China's phenomenal GDP growth of between 9 and 14 percent annually over the past decade slowed down last year and is forecasted by International Monetary Fund (IMF) to be "only" 8.25 percent in 2012. Reduced investments in public projects and a cooling residential property market have resulted in a decline in the importation of sawlogs during the first six months of 2012.

Softwood log imports in the first and second quarter this year were 6.2 million m³ and 6.6 million m³, respectively, down from all-time high of 8.6 million m³ seen in the 3Q/11, reports the Wood Resource Quarterly (www.woodprices.com). The total imports for the first half of 2012 were 15 percent lower than during the same period last year, with the biggest declines occurring in shipments from Russia, the US and Australia. Western Canada is the only major supplier that has increased shipments so far this year; annual shipments may reach over 2.5 million m³, which would be a record high.

The reduced demand for logs in China has not only impacted import volumes, but also prices for domestic and imported logs. The average price for imported softwood logs was down 14 percent from 2Q/11 to 2Q/12. Prices for New Zealand radiata pine logs dropped the most, while red pine logs from Russia showed the smallest price drops as compared to other species of imported softwood logs.

Domestic log prices in China have also fallen over the past year, with Chinese-fir prices being down six percent year-over-year in the 2Q/12, according to the WRQ. Mongolian pine and larch prices were also lower by 8 and 16 percent, respectively.

Contrary to the recent downward price trend for softwood log, prices for domestic hardwood logs, including Eucalyptus, birch and poplar, have gone up this year and were close to, or at record-high levels in the 2Q/12.

Much uncertainty surrounds investment activities in the Chinese construction sector, private consumption in the country, and the demand for Chinese forest products in North America and Europe. If the assumption that the Chinese domestic consumption and private investments will improve somewhat in the 2H/12, as IMF forecasts, both

softwood and hardwood log prices are likely to stop falling and instead increase slightly in the second half of 2012.

*Global pulpwood and timber market reporting is included in the 52-page quarterly publication Wood Resource Quarterly (WRQ). The report, established in 1988 and with subscribers in over 25 countries, tracks sawlog, pulpwood, lumber and pellet prices and market developments in most key regions around the world. **To subscribe to the WRQ, please go to www.woodprices.com***

Contact Information

Wood Resources International LLC

Hakan Ekstrom

info@wri-ltd.com

www.woodprices.com