

The background of the slide is a high-resolution image of the Earth as seen from space, showing the Western Hemisphere with North and South America visible. The image is dark, with the blue of the oceans and the green of the continents standing out.

# **Of Macroeconomy, Housing, Lumber Markets, and the Future of Wood Construction**

**Maritime Lumber Bureau, St-John, NB, June 7<sup>th</sup> 2023**

**Francois Robichaud, Brendan Lowney, and Paul Jannke**

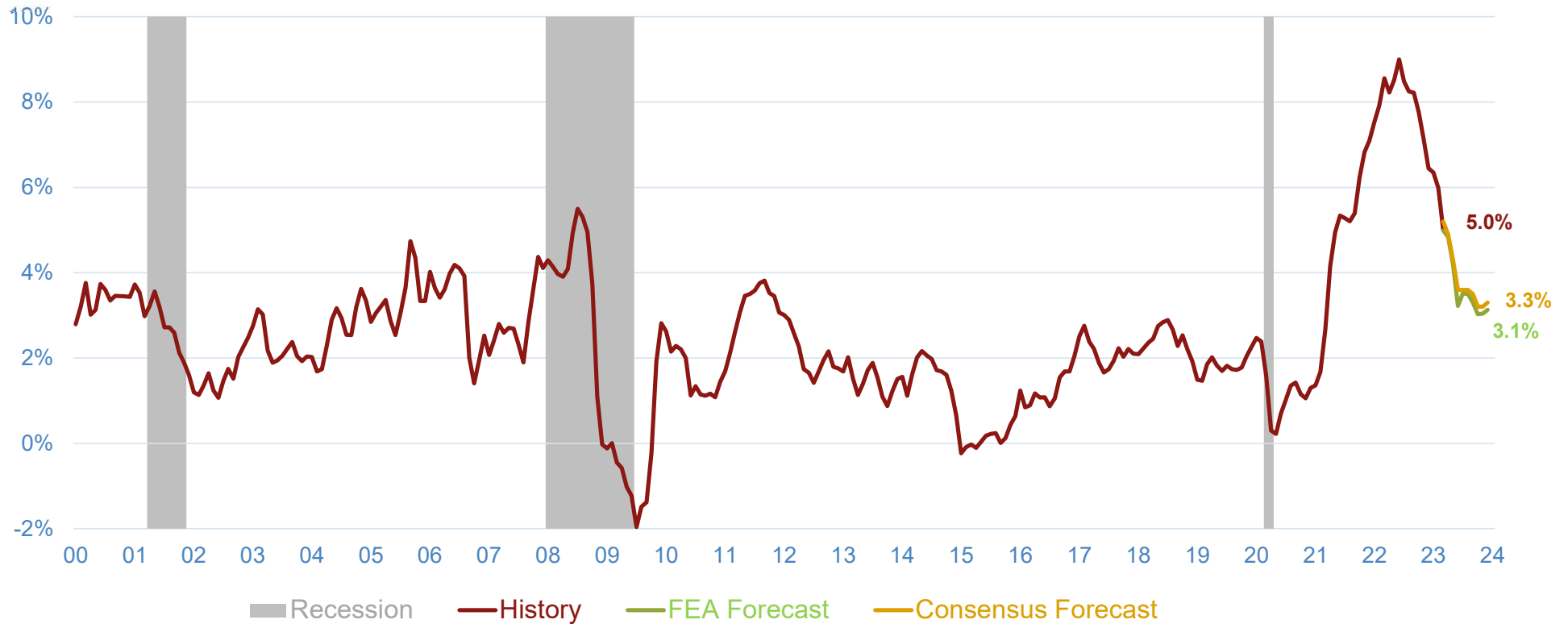
**May 2023**



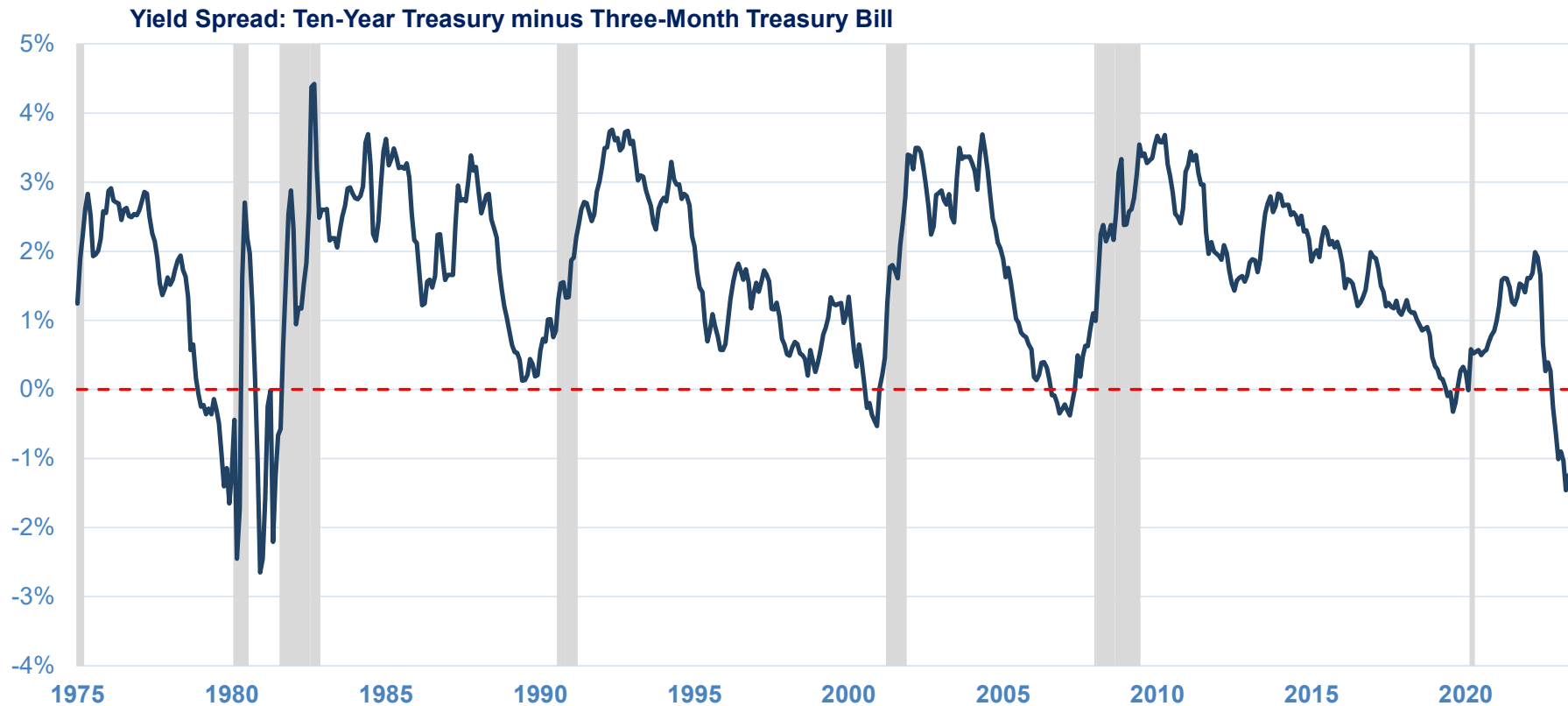
# Macro Outlook

# Inflation is Receding Rapidly

Year-over-Year Change in Consumer Price Index

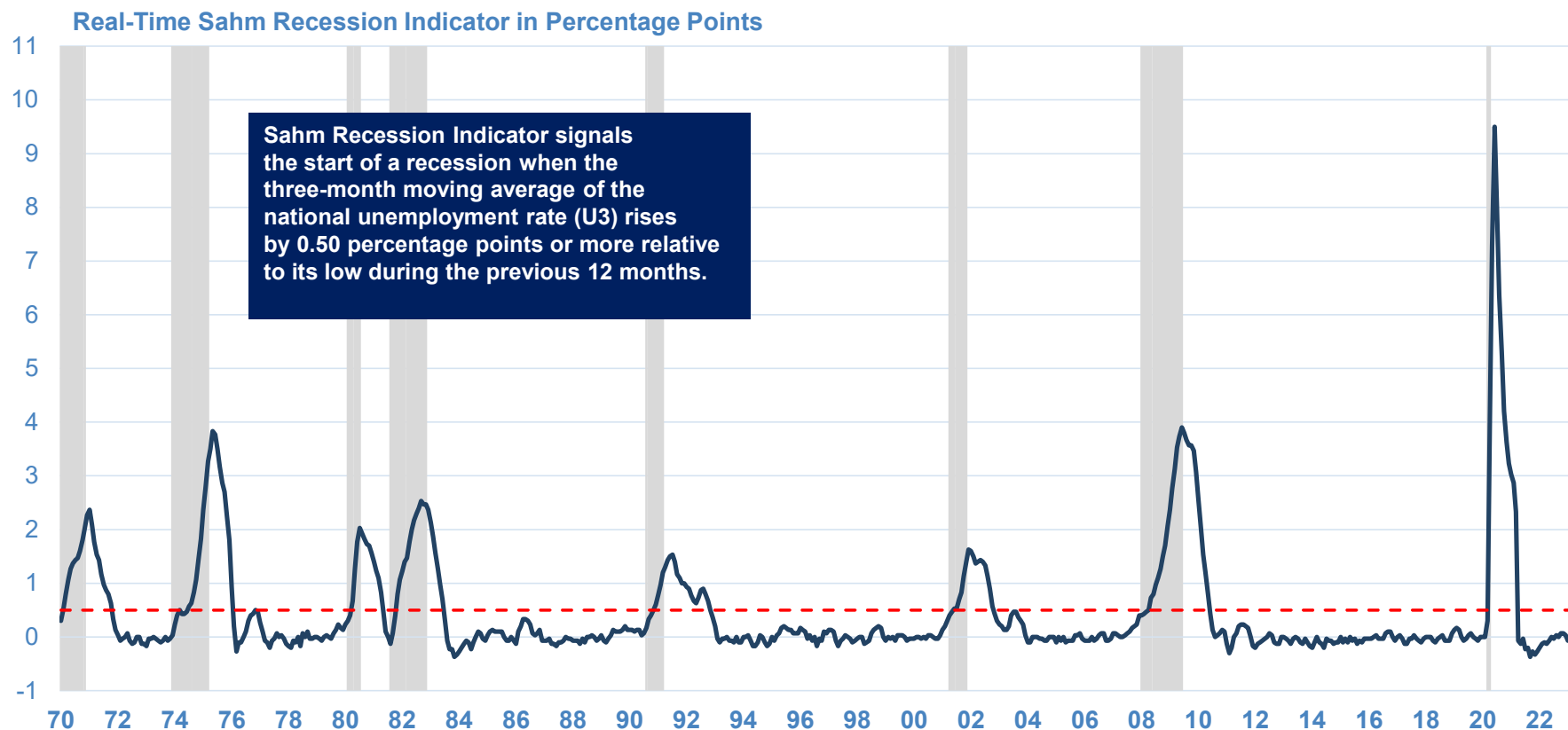


# The 10-Year/3 Month Yield Curve Looking Ominous



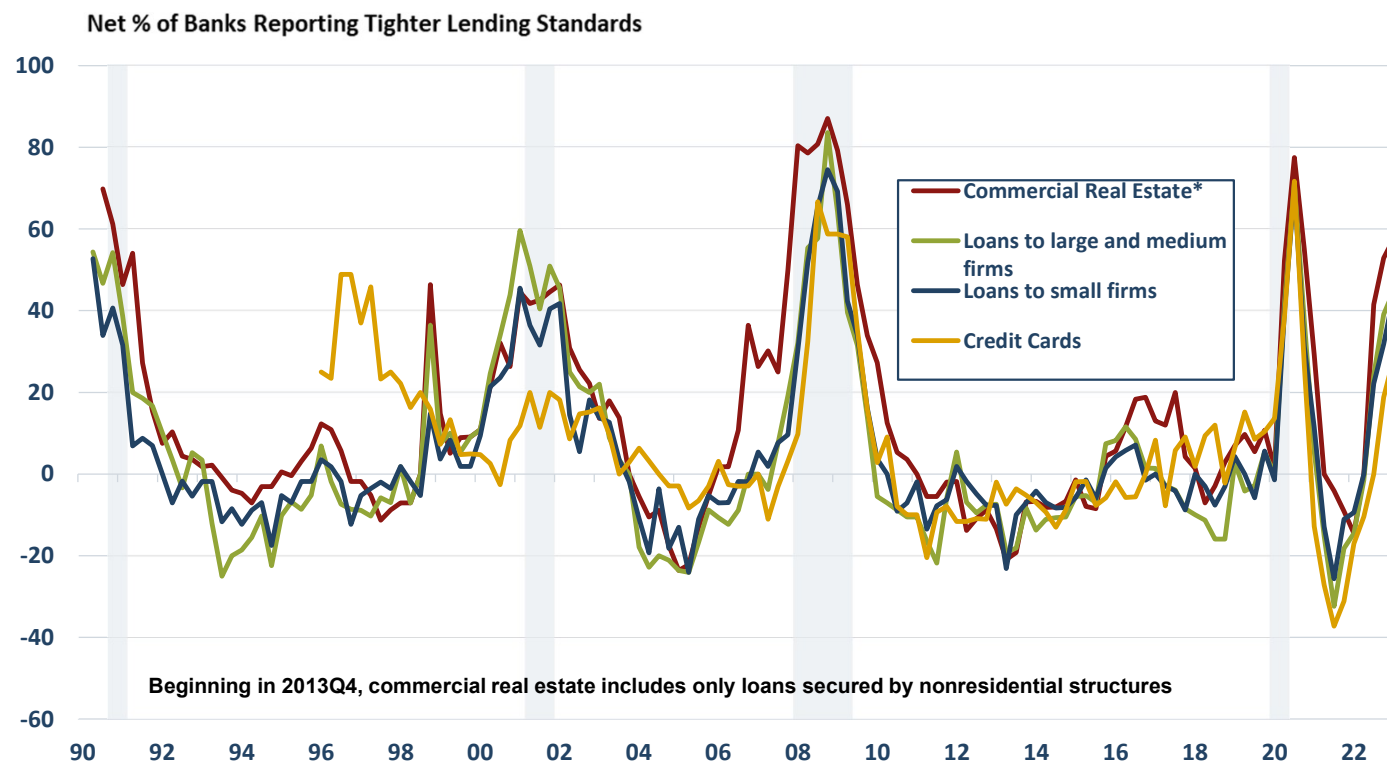
Source: Federal Reserve

# Sahm Rule Not Yet Pointing to Recession



Source: Federal Reserve's FRED2 Database

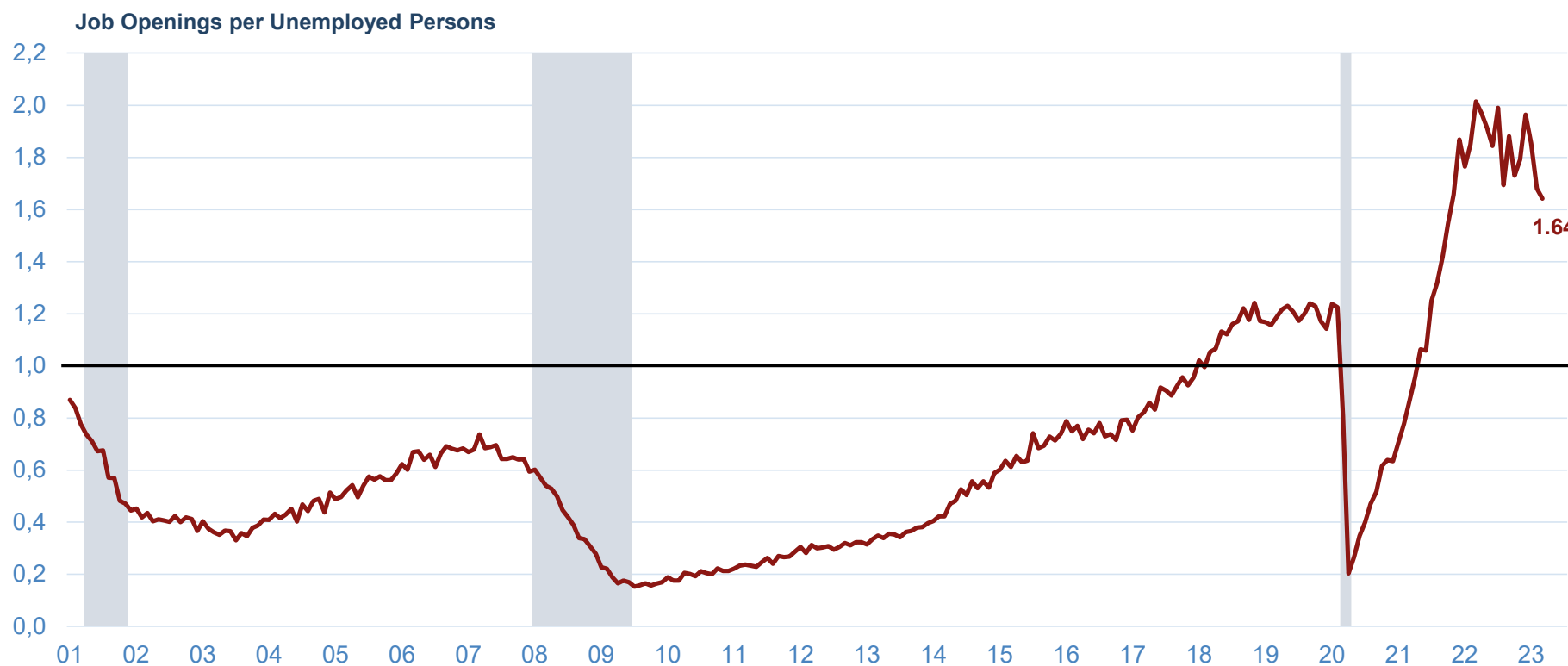
# Lending Standards Are Getting Tighter



Source: Federal Reserve Senior Loan Officers' Survey

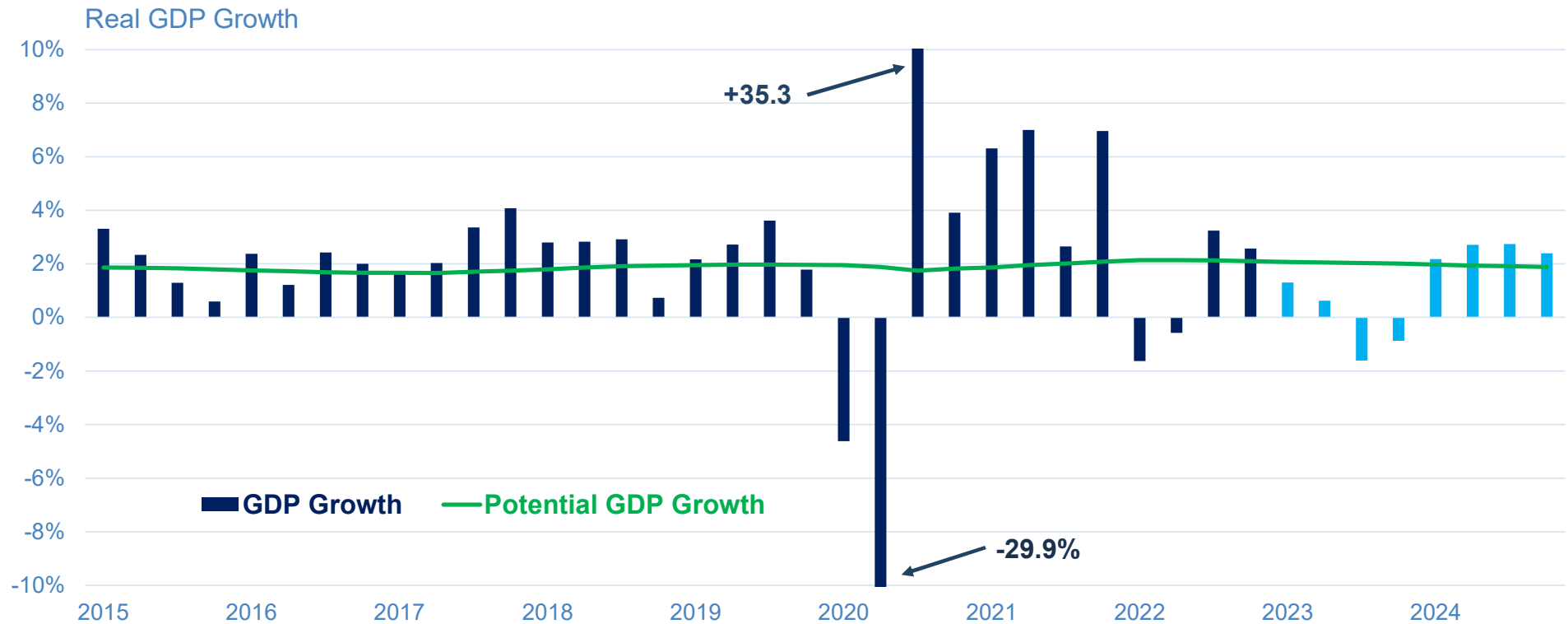
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# Labor Market Remains Tight



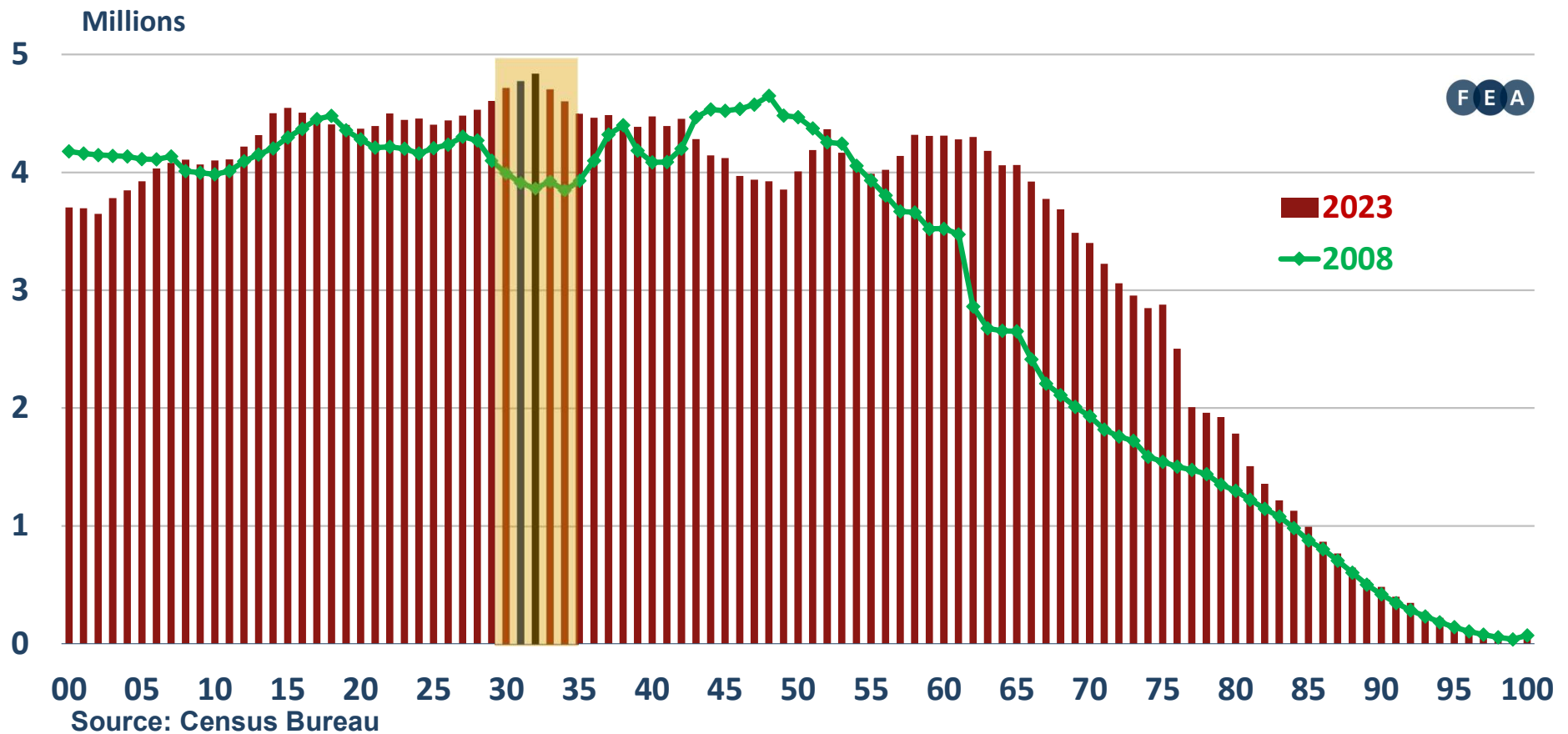
Source: Bureau of Labor Statistics

# We Expect Real GDP to Contract in the Middle of 2023

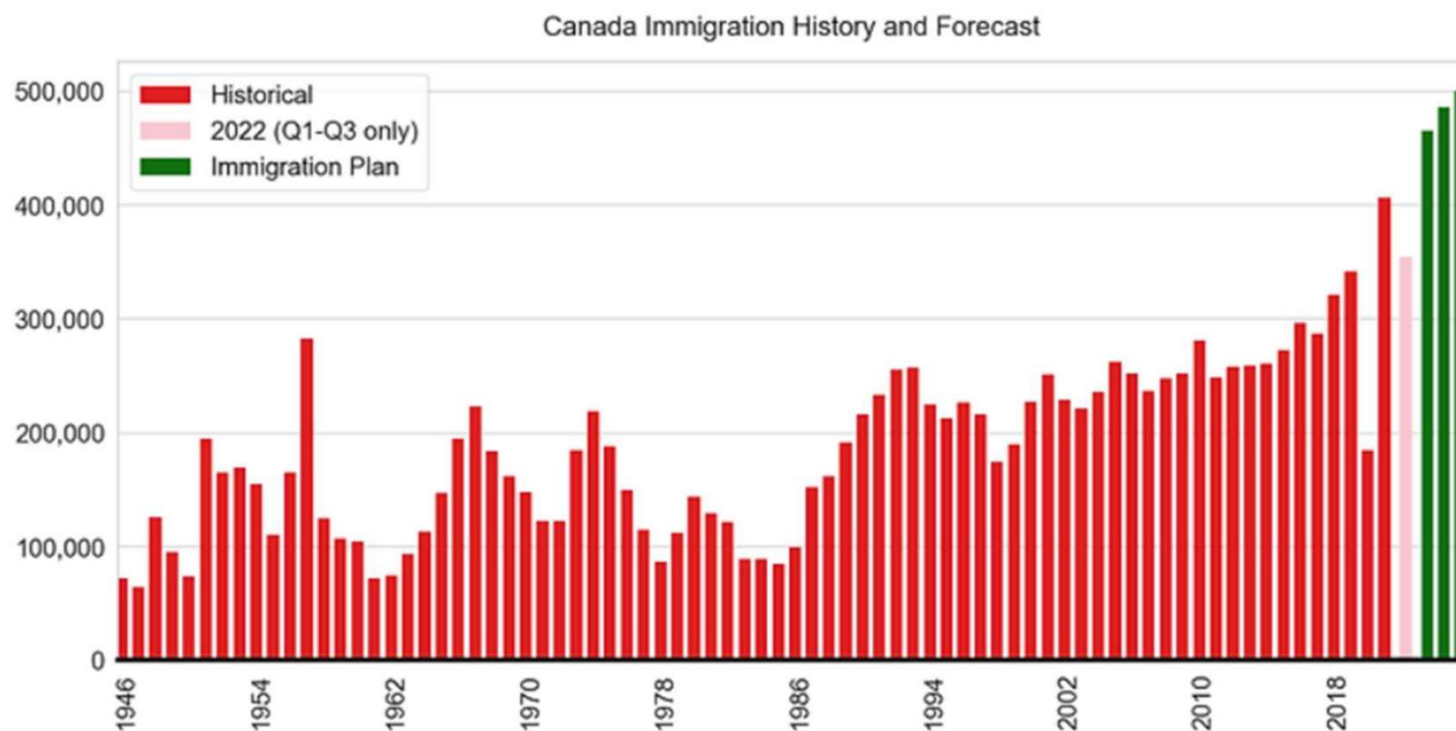




# 2008 – Strong Demographic HEADWIND 2023 – Strong Demographic TAILWIND



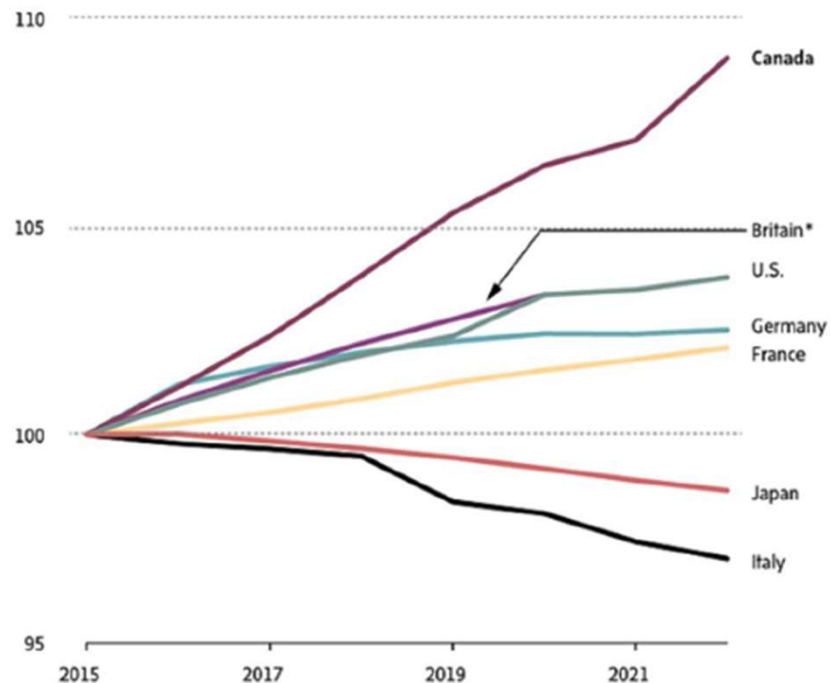
# In Canada, Newcomers in Growing Numbers



Sources:  
1946-2022: Statistics Canada. Table 17-10-0040-01 Estimates of the components of international migration, quarterly  
2023-2025: An Immigration Plan to Grow the Economy - 1-Nov-2022

# Canadian Population Growth, Fastest in G7

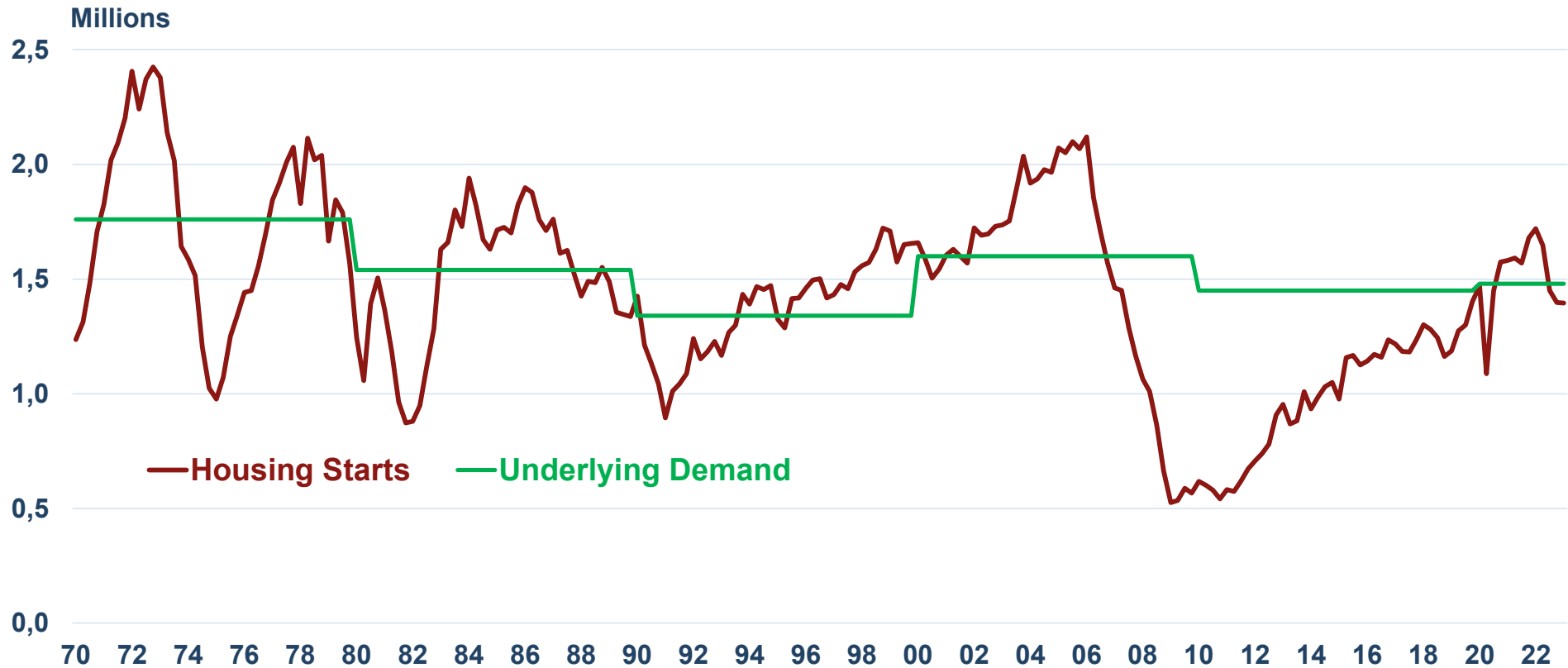
Population growth in G7 countries  
Index 2015=100



\*Last data point is 2020 for Britain and 2022 for other countries. Population estimated as of July 1 for Canada and United States, and as of January 1, for other countries.

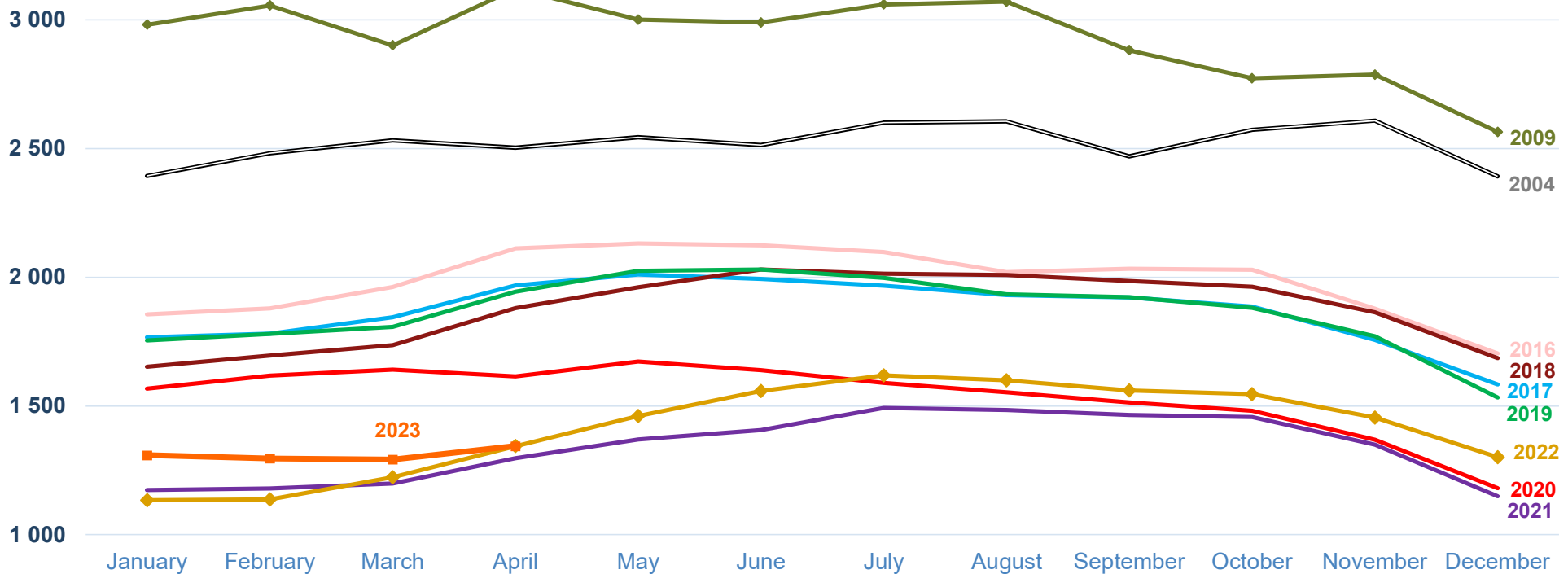
THE GLOBE AND MAIL, SOURCE: STATSCAN; NATIONAL STATISTICS OFFICES; EUROSTAT

# US Housing Starts Exceeded Underlying Demand for Fleeting Moment



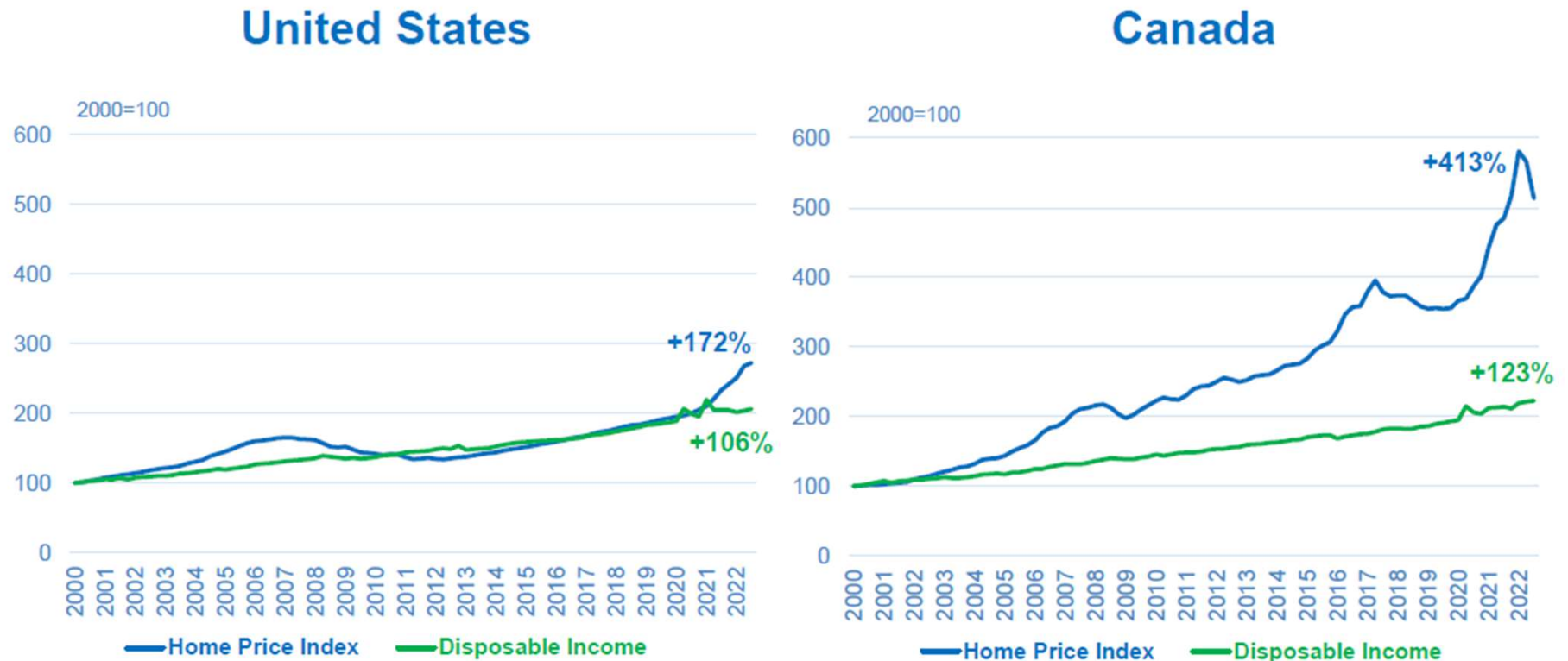
# Home Inventories Return to Low 2022 Level

Existing plus New Single-Family Homes for Sale, Thousands



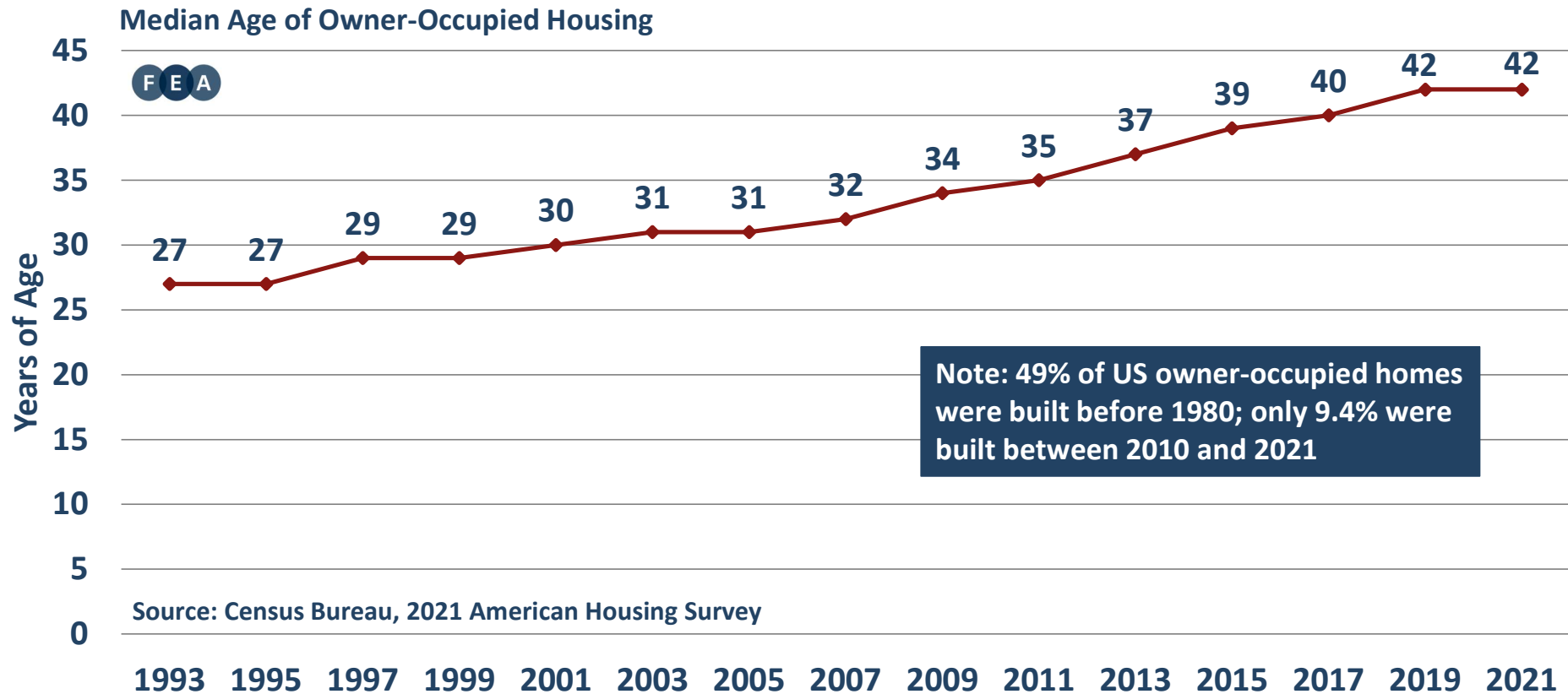
Source: Census Bureau and National Association of Realtors

# Home Affordability Remains an Issue

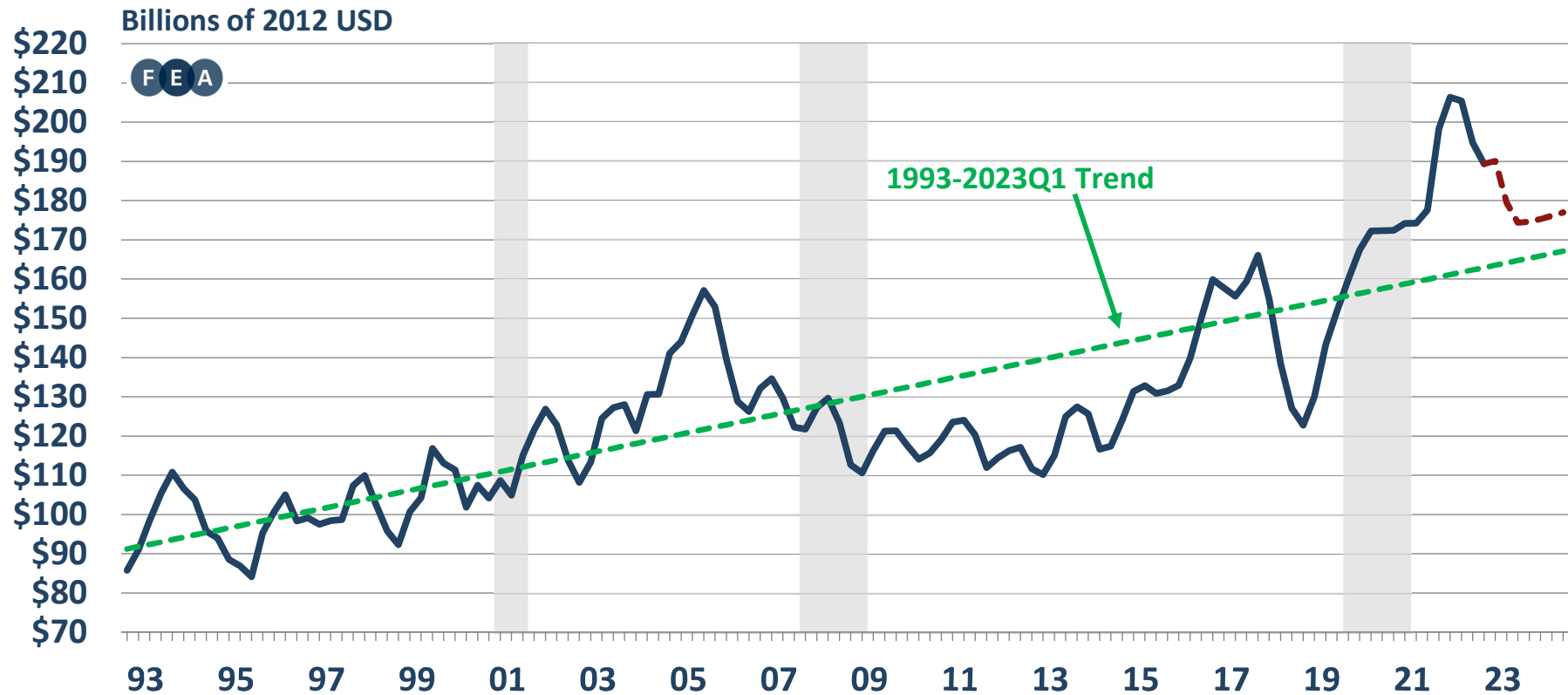


Source: OECD International House Price Database

# The US Housing Stock Has Aged Considerably



# Improvement Expenditures Will Decline from High Level

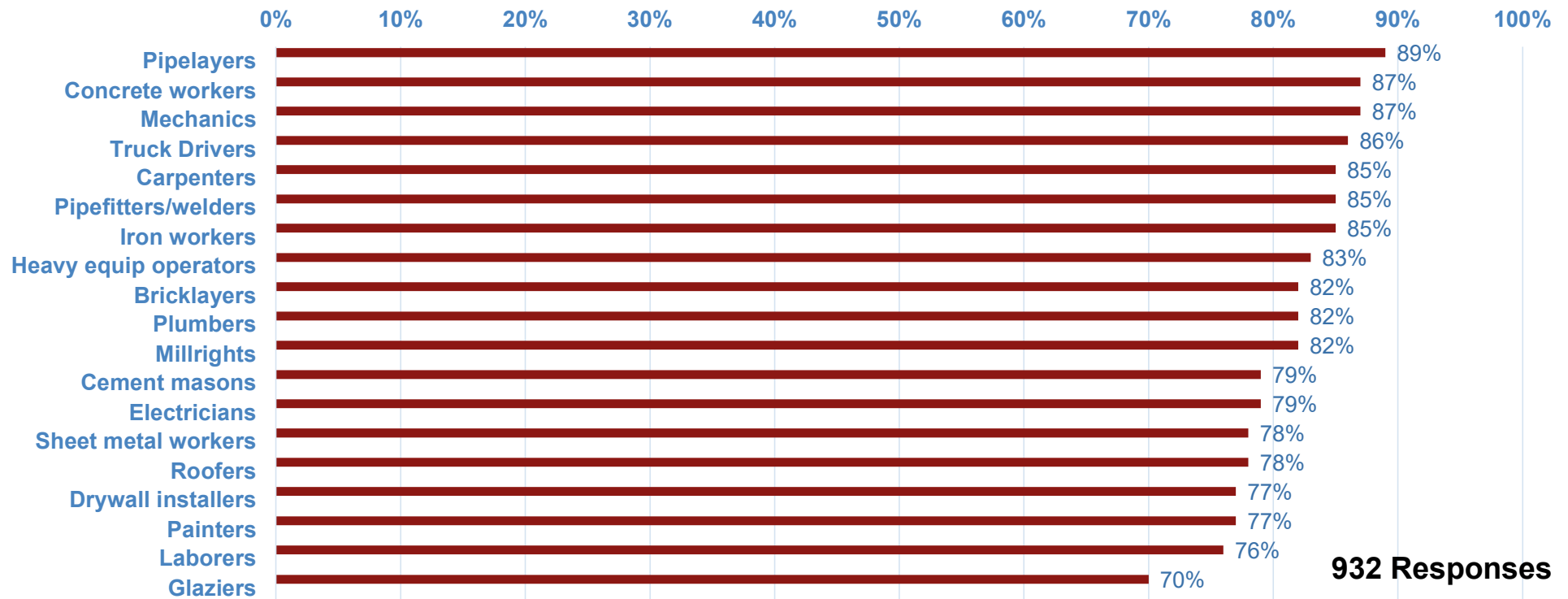


Source: Census Bureau, Bureau of Economic Analysis, FEA calculations



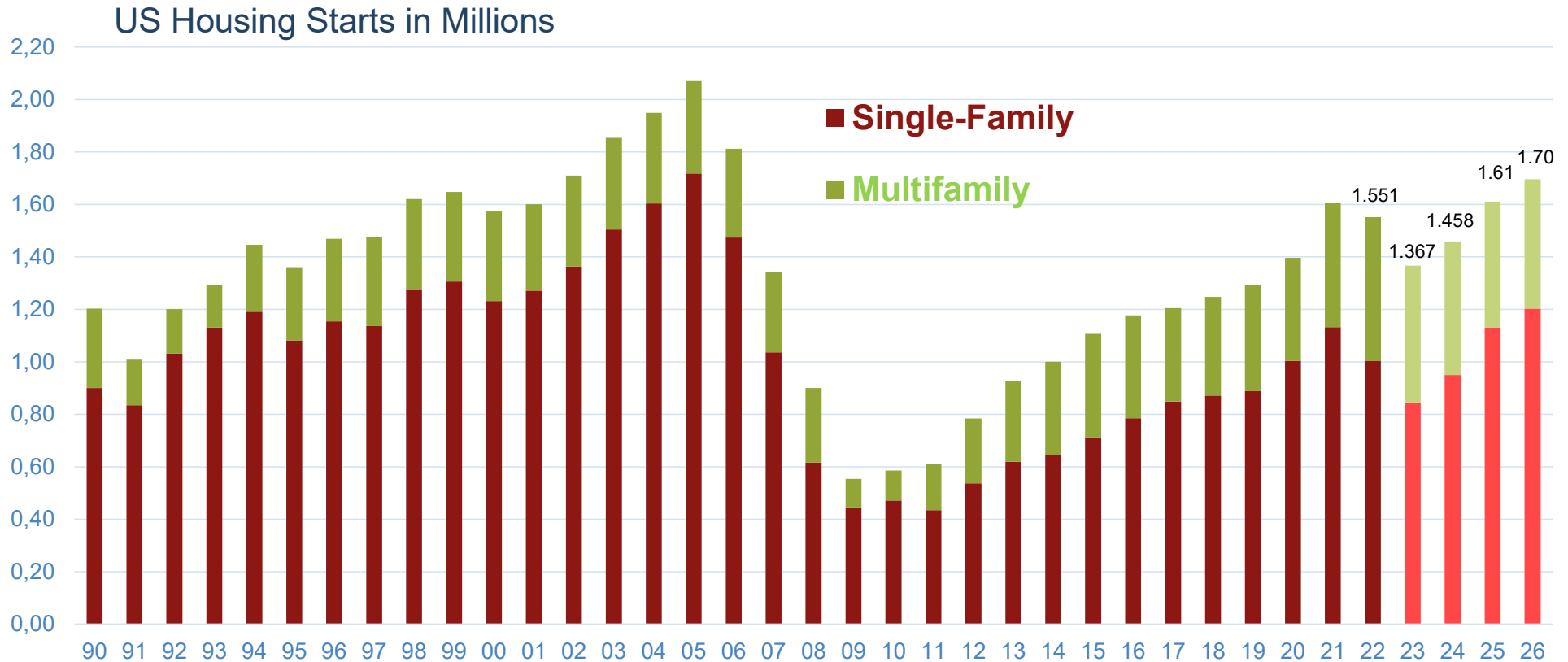
# Construction Firms Are Scrambling for Trades Workers

Is your firm having trouble filling hourly craft positions?



Association of General Contractors 2022 Survey of building construction firms

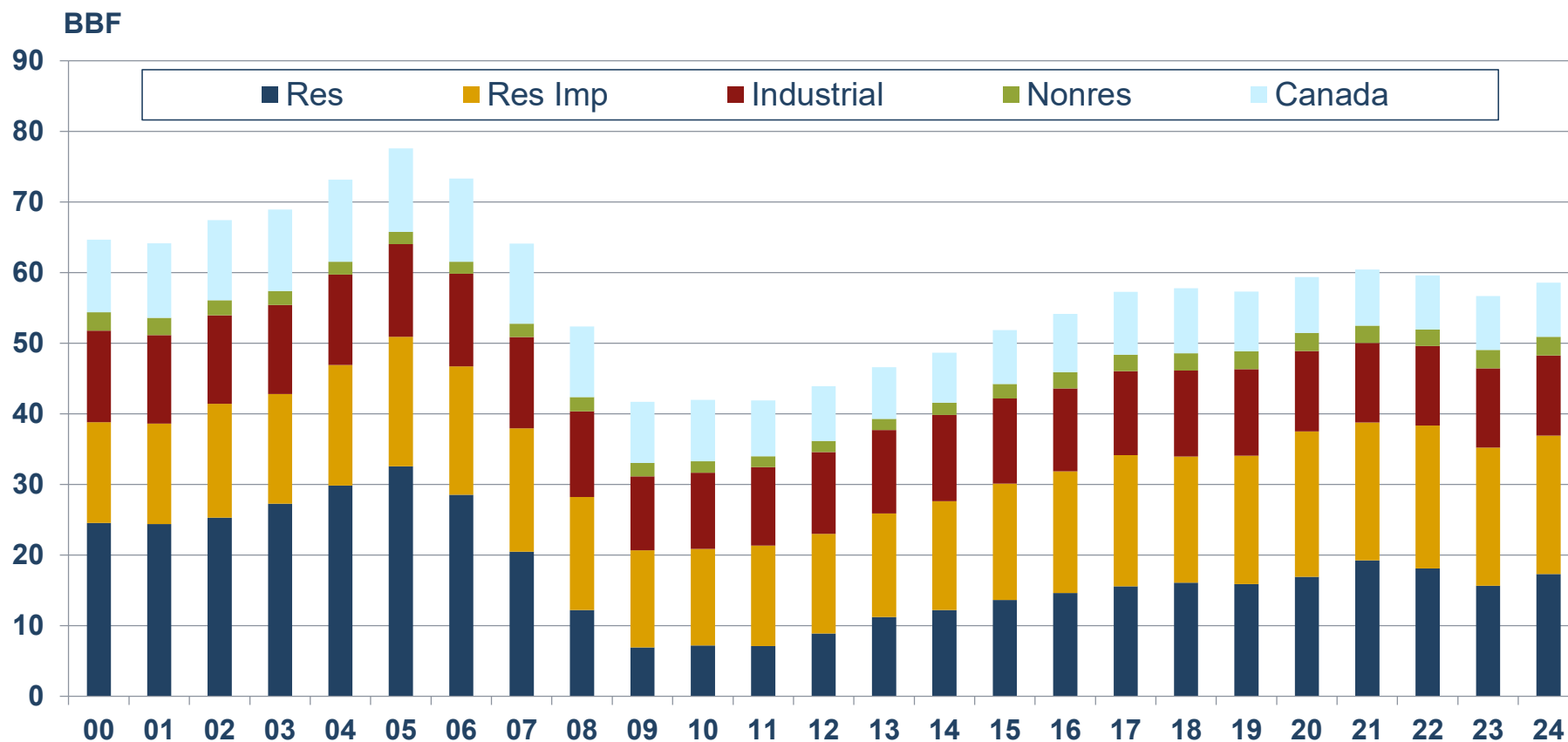
# Housing Starts to Decline by 12% in 2023 But Bounce Back Modestly in 2024



Source: Census Bureau, FEA Forecasts

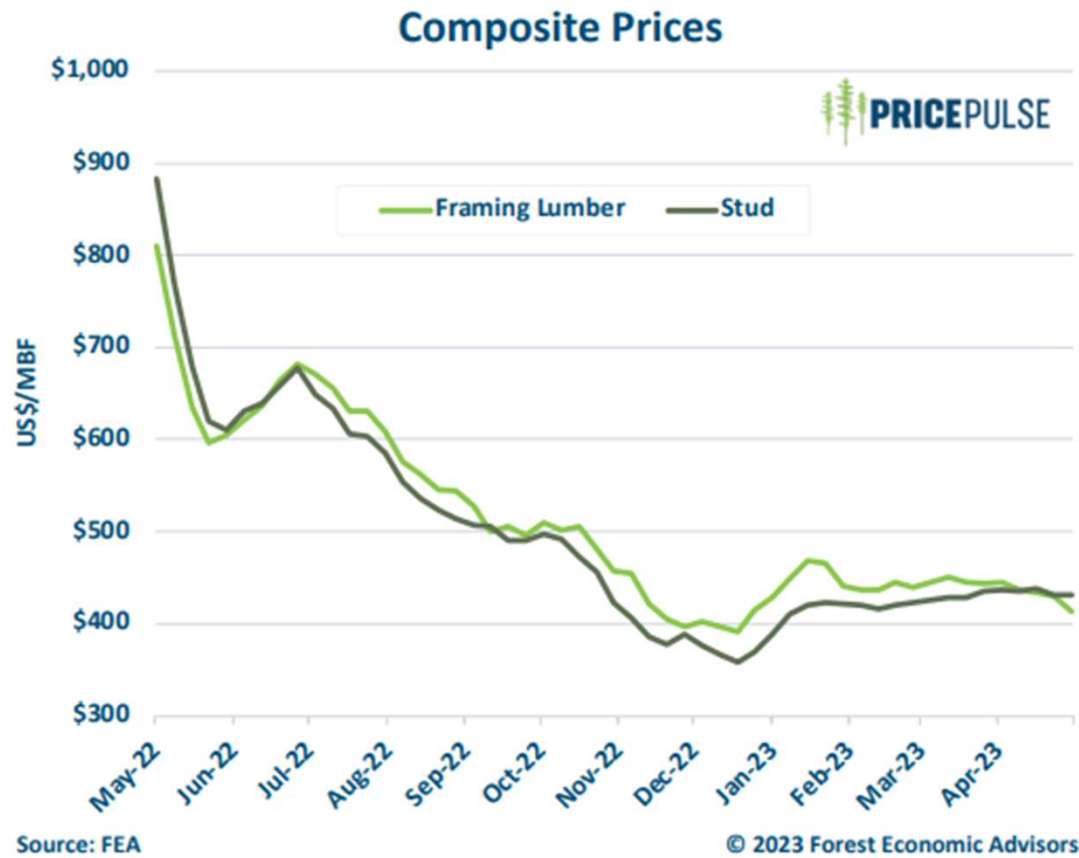
# North American Lumber Markets

# Lumber Consumption Will Decline Modestly

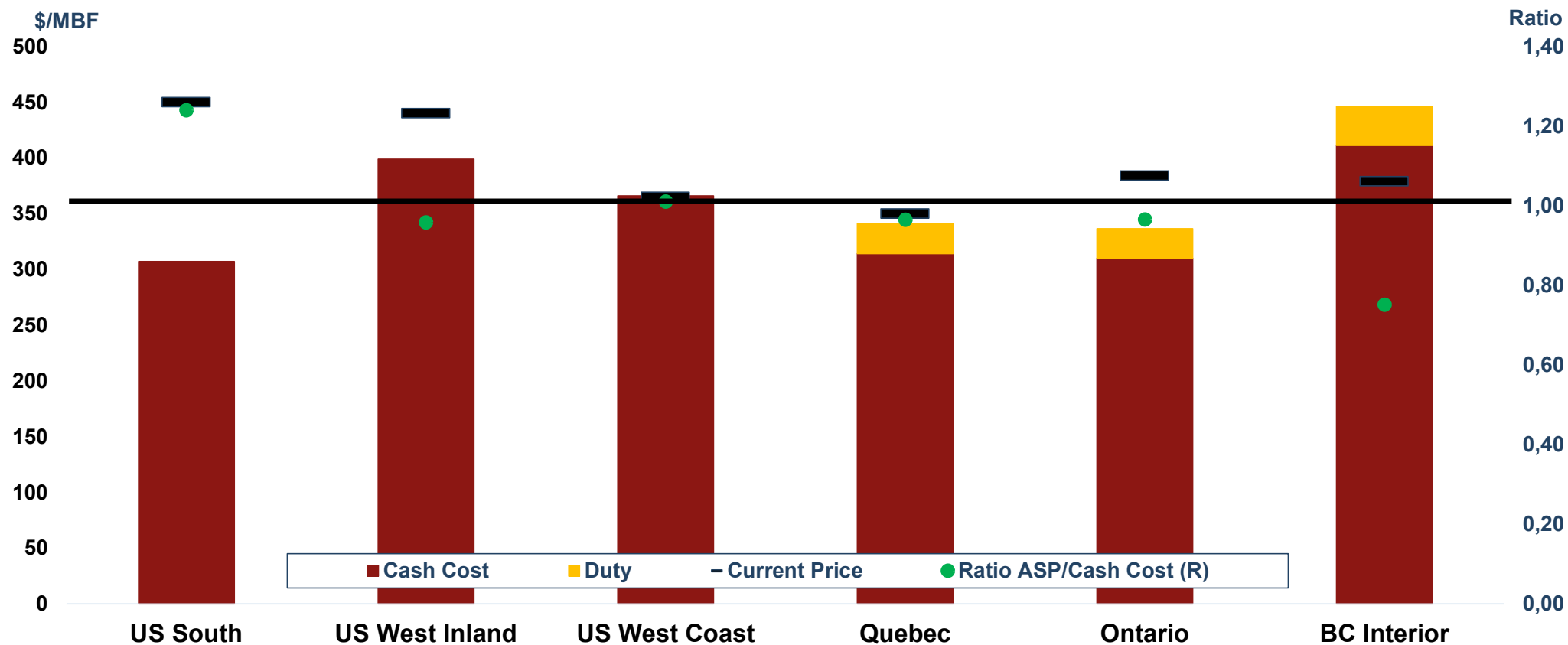




# Prices Are Near A Bottom



# Prices Are Near A Bottom

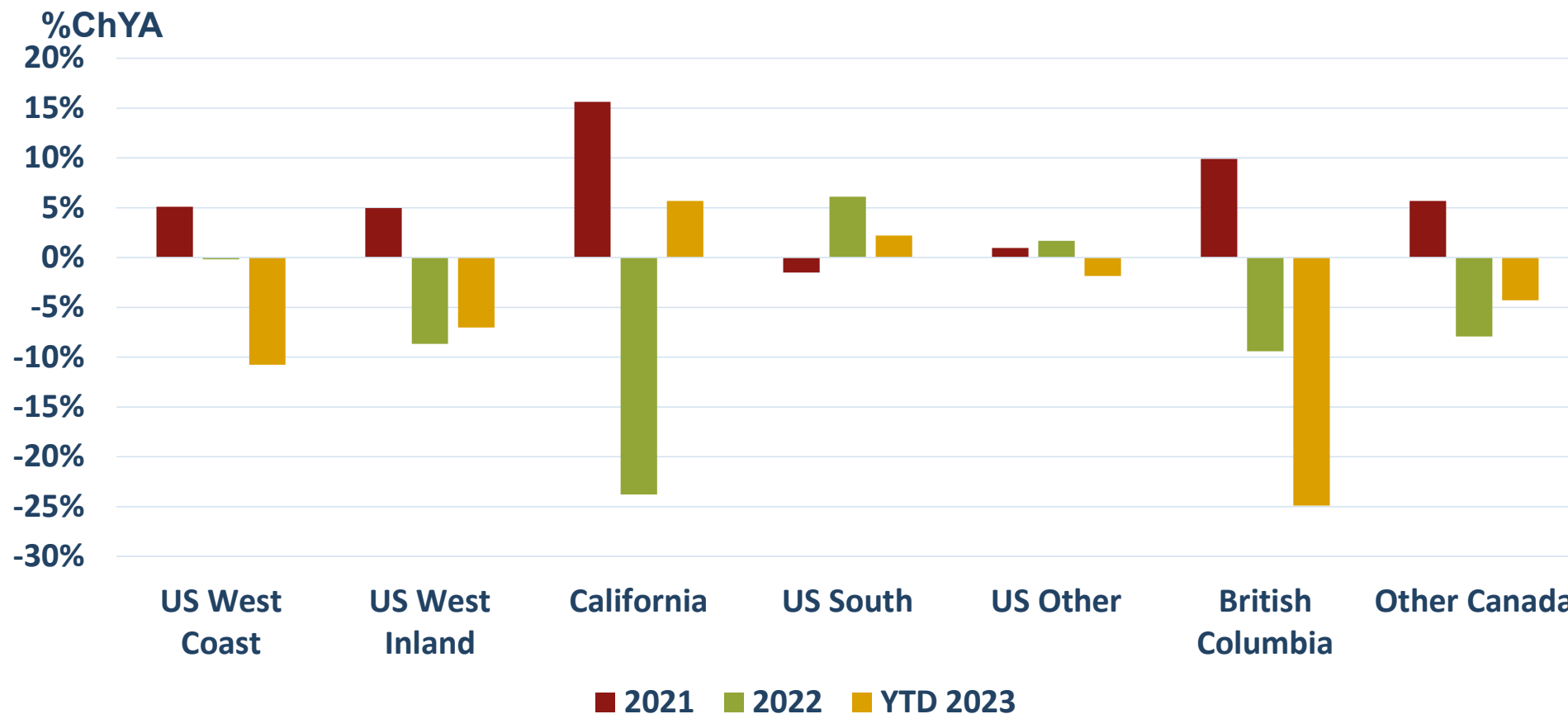


## Prices Are Near A Bottom

MILL GROSS MARGINS	MAR	APR	MAY	2022	YTD	26-MAY	02-JUN
BC dimension	-39%	-49%	-48%	7%	-40%	-47%	-48%
Ontario stud	-4%	2%	2%	28%	-4%	1%	0%
Quebec dimension	3%	5%	2%	34%	5%	1%	2%
Oregon dimension	-9%	-3%	-1%	35%	-6%	-3%	-3%
Montana dimension	-18%	-12%	-7%	33%	-13%	-6%	-6%
Georgia dimension	23%	27%	22%	45%	21%	18%	16%
Alabama dim/timber	38%	35%	25%	46%	28%	20%	18%
Texas dimension	20%	24%	15%	45%	16%	10%	8%

Note: Gross margins are based on ((sales-total costs)/sales)

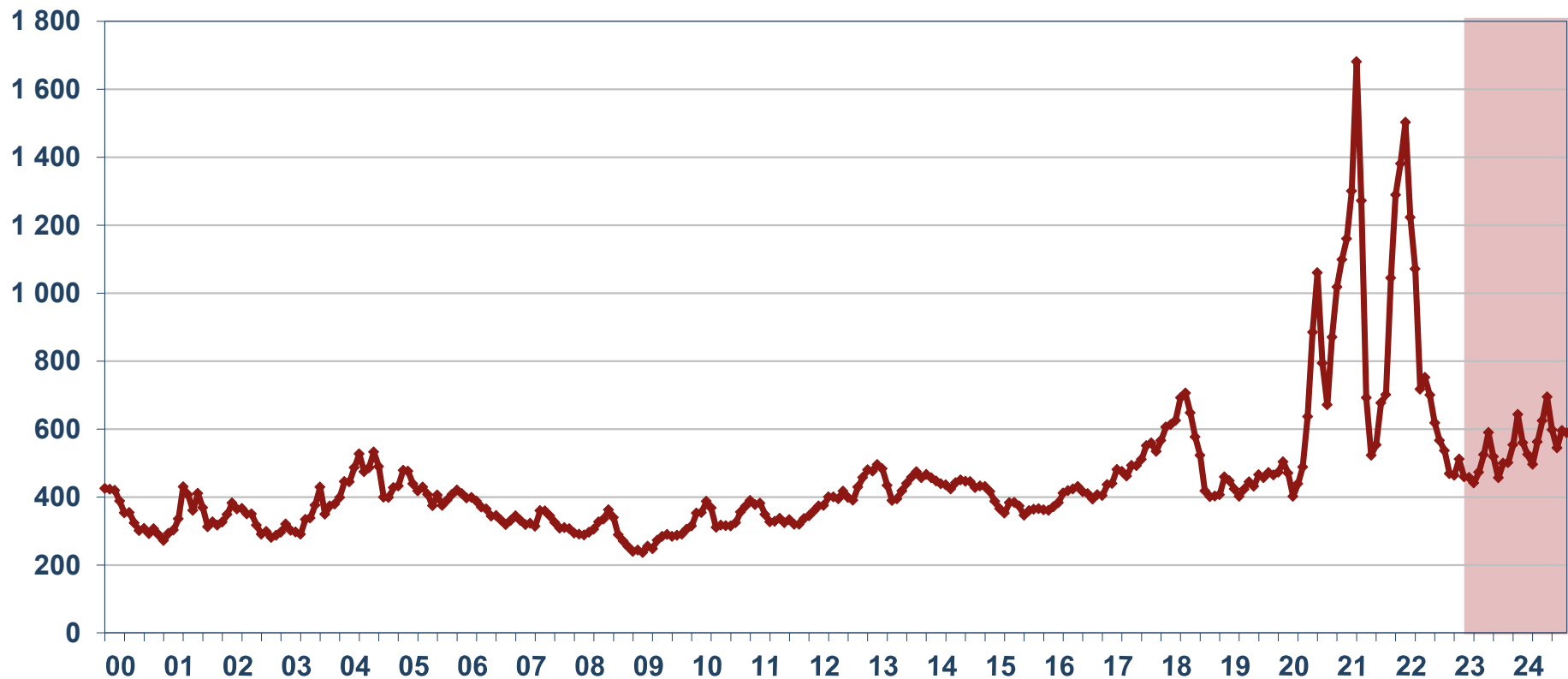
## Lower Prices Are Driving Production Lower Across Most Regions





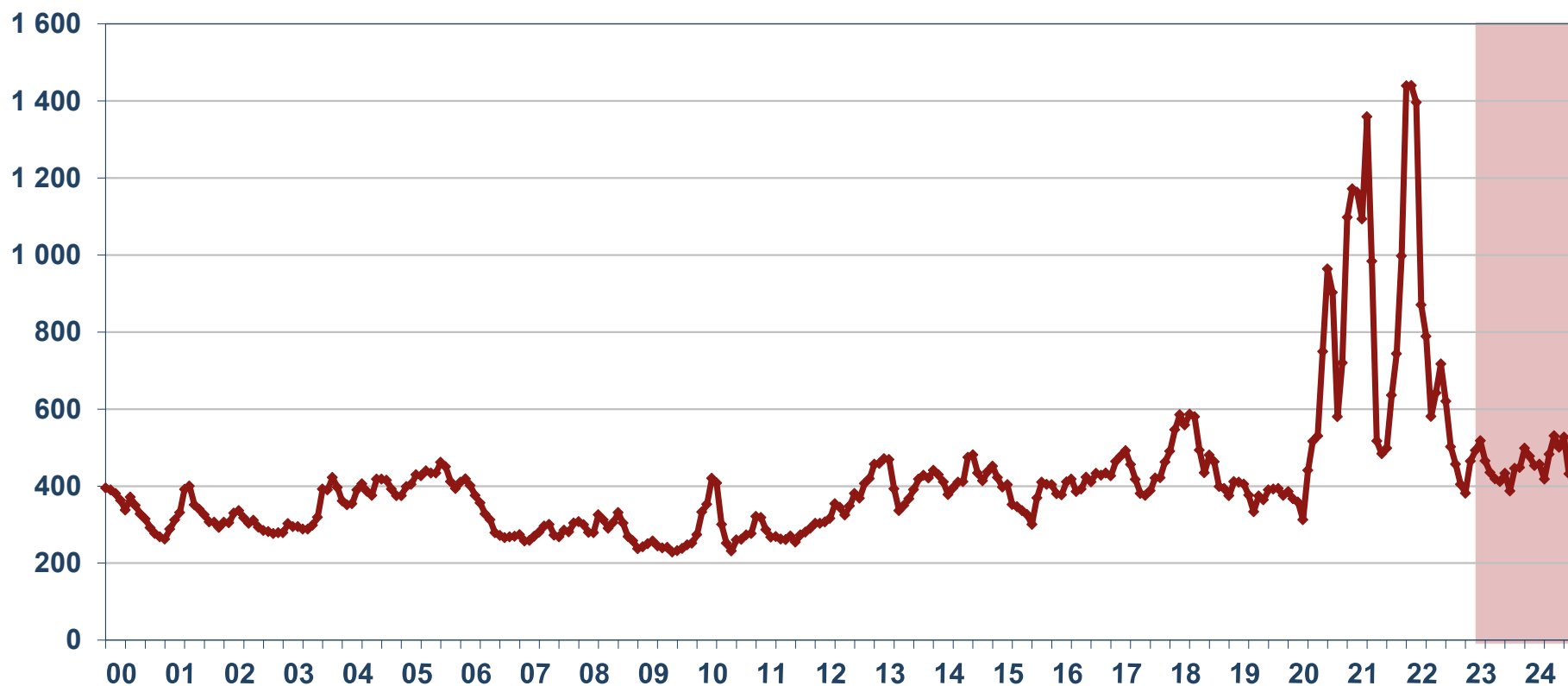
# SPF Prices Will Rise As Supply Contracts

E.SPF 2x4, \$US/MBF



# SYP Prices Will Fall As Production Increases And Treated Demand Slips

SYP Westside 2x4, \$US/MBF



# Capacity Closures/Shift Reductions

Company	Location	Region	Closure Date	Reduction (MMBF)
West Fraser	Perry, FL	US South	Jan-23	100
Vaagan Brothers	Usk, WA	US West	Jan-23	25
Vaagan Brothers	Midway, BC	BC	Jan-23	75
Western Forest Products	Port Alberni, BC	BC	Jan-23	175
West Fraser	Fraser Lake, BC	BC	22Q4	70
West Fraser	Williams Lake, BC	BC	22Q4	100
Canfor	Houston	BC	23Q2	500
Canfor	Chetwynd, BC	BC	23Q2	250
Skeena	Terrace, BC	BC	23Q1	200

Source: FEA

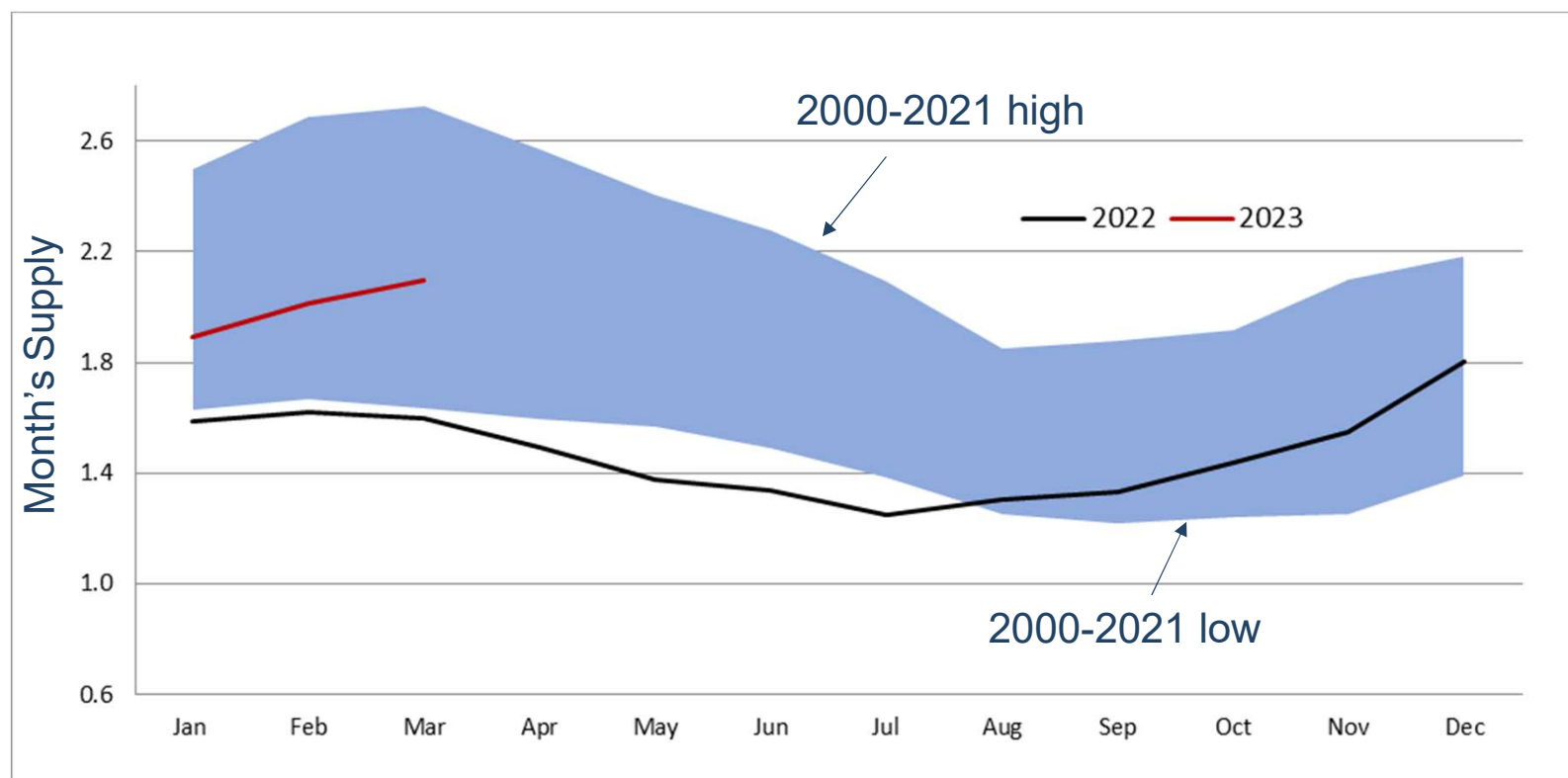
# Capacity Temporary Curtailments

Company	Location	Region	Date	Reduction (MMBF)
Conifex	Mackenzie, BC	BC	10/2022	7
Interfor	All		Q4	200
Canfor		BC and Alberta	12/22-1/23	171
Aspen Planners	Merritt, BC	BC	12/2022	8
Shuqualak Lumber	Shuqualak, MS	US South	12/26/2022	
Tolko		BC	1/2023	35
Anthony Timberlands	Malvern, Arkansas	US South	1/2023	10
Skeena	Terrace, BC	BC	1/2023	12
Interfor		All except US South	23Q1	100
Stimson	Clatskanie, OR	US West	2/2/2023	15.6
Stimson	Forest Grove, OR	US West	2/2/2023	28.8
Sinclar Group	3 Mills	BC	1/30/2023	25
Tolko	Armstrong	BC	4/17/2023	11
West Fraser	Quesnel	BC	May 2023	30

Source: FEA

# Inventories Have Risen

## North American Inventory/Consumption Ratio & Range



Source: FEA

[www.getfea.com](http://www.getfea.com)

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## Industry Was Investing In New Capacity

Company	Location	Region	Date	Capacity (MMBF)
JV: Sierra Institute/J&C Enterprises	Crescent Mills, CA	US West	2022	5
Mission Forest Products	Corinth, MS	US South	2022	250
Idaho Forest Group	Lumberton, MS	US South	Mid 2022	300
Canfor	DeRidder, LA	US South	22Q4	250
Georgia-Pacific	Pineland, TX	US South	Late 2022	215
Tahoe Forest Products	Carson City, NV	Other	2023Q1	50
JV: Hunt/Tolko	Taylor, LA	US South	2023H1	320
Roseburg Forest Products	Weldon, NC	US South	2023	400
Canfor	Axis, AL	US South	24Q3	250
Teal Jones	Bossier Parish, LA	US South	2024	300
CLAW Forestry Services, LLC	Gloster, MS	US South	2024	250

## They Were Investing In Existing Facilities

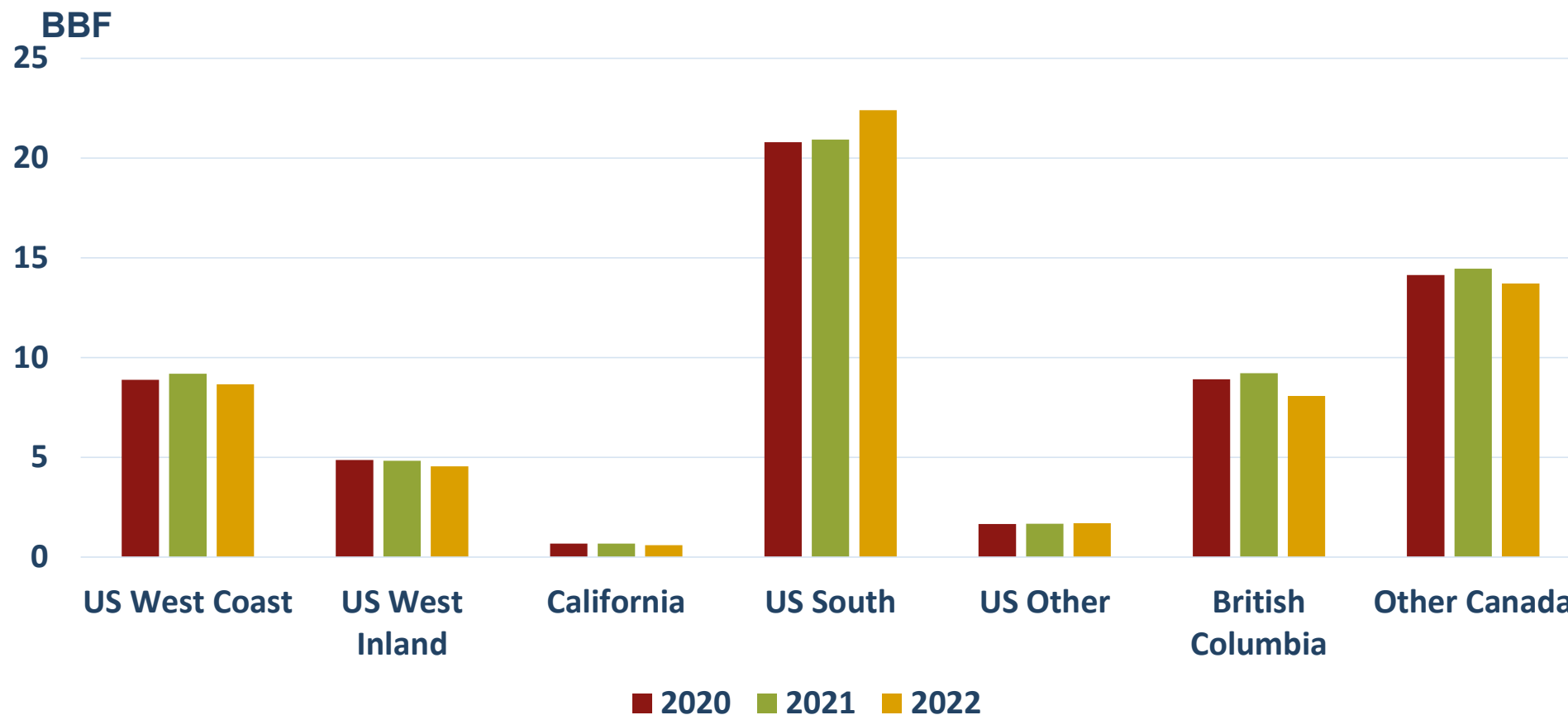
Company	Location	Region	Date	Capacity (MMBF)
Canfor	Estill, SC	US South	2022	20
Interfor	Summerville, SC	US South	2022	75
Charles Ingram Lumber	Effingham SC	US South	2022	120
Jasper Forest Products	W Jasper, AL	US South	2022	130
Resolute	Senneterre, QC	Canada, East of Rockies	22Q3	15
Resolute	Thunder Bay, ON	Canada, East of Rockies	22Q3	40
Resolute	Glenwood, AR	US South	22Q3	10
Resolute	Cross City, FL	US South	22Q3	20
San Group	Port Alberni, BC	BC	2021-2022	30
Interfor	Castlegar, BC	BC	22Q3	25
Interfor	Perry, GA	US South	22Q3	
Sexton Lumber	Bloomfield, NFL	Canada, East of Rockies	2022	25
Interfor	DeQuincy, LA	US South	2022H1	

## They Were Investing In Existing Facilities (Cont)

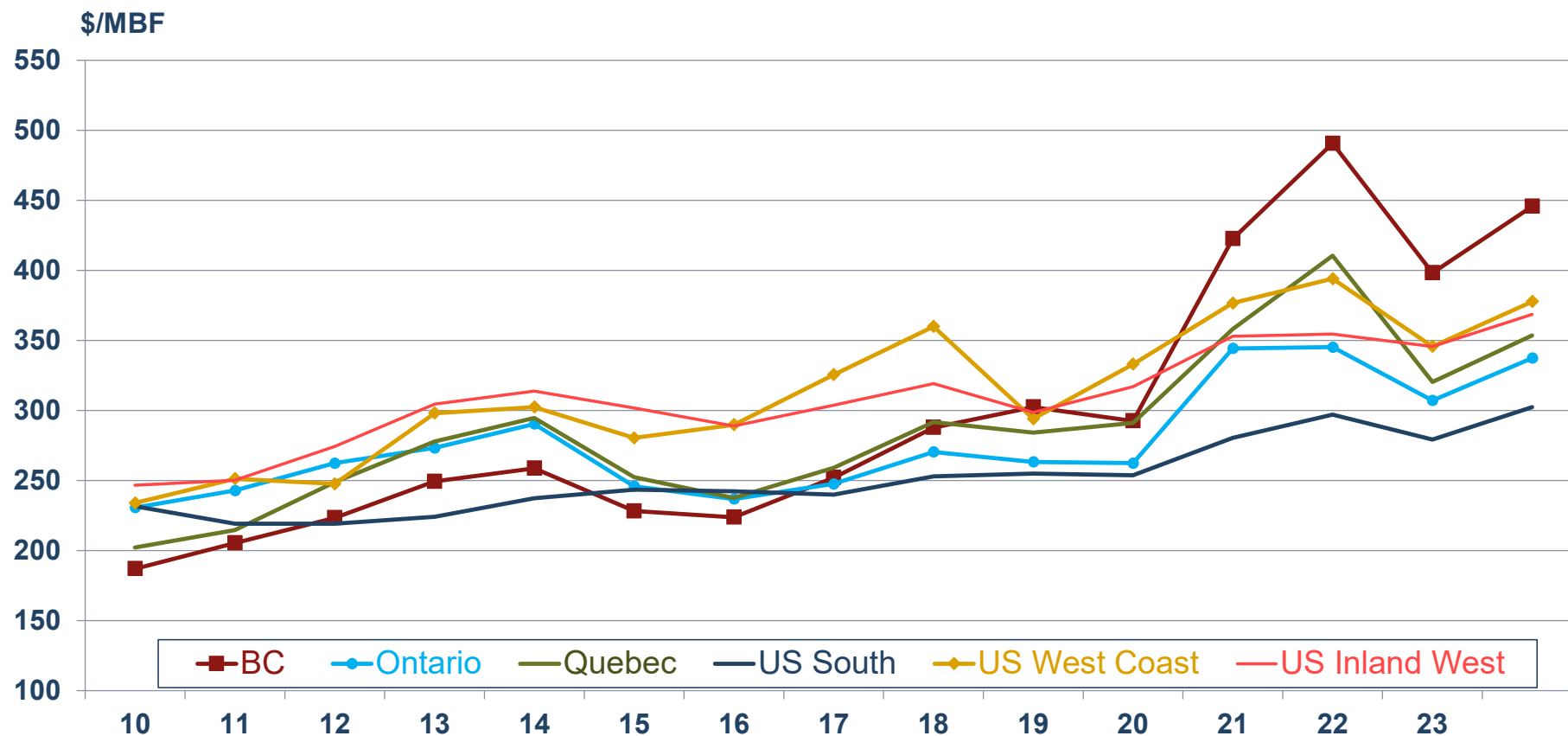
Company	Location	Region	Date	Capacity (MMBF)
West Fraser	Lufkin, TX	US South	2024/2025	85
PotlatchDeltic	Waldo, AR	US South	End 2024	85
Canfor	Urbana, AR	US South	2024	115
JV: Tolko/Southeastern Timber Products	Ackerman, MS	US South	24Q1	130
Weyerhaeuser	Holden, LA	US South	2023	100
Pleasant River Lumber	Moose River/Jackman, ME	Other	2023	20
Pleasant River Lumber	Sanford, ME	Other	2023	3
Pleasant River Lumber	Hancock, ME	Other	2023	2
Western Forest Products	Ladysmith, BC	BC	2023	
Western Forest Products	Nanaimo, BC	BC	2023	
Western Forest Products	Chemainus, BC	BC	2023	
Pleasant River Lumber	West Enfield, ME	Other	Early 2023	70
Dunkley Lumber	Carrot River, SK	Canada, East of Rockies	Early 2023	100
West Fraser	Not Specified	US South	2021-2023	
Interfor	Thomaston, GA	US South	2021-2023	100



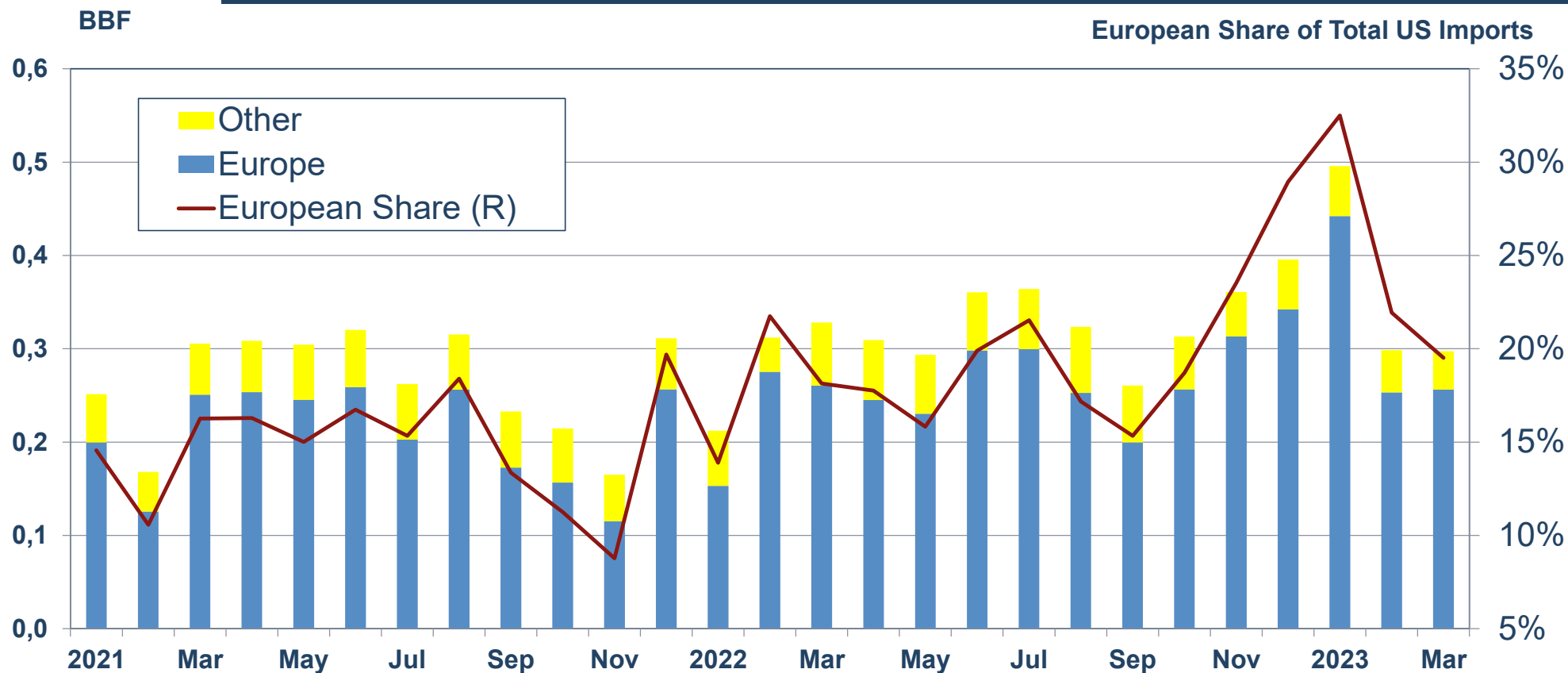
## Despite Record High Prices And Heavy Investment In New Capacity, Production In Most Regions Fell In 2022



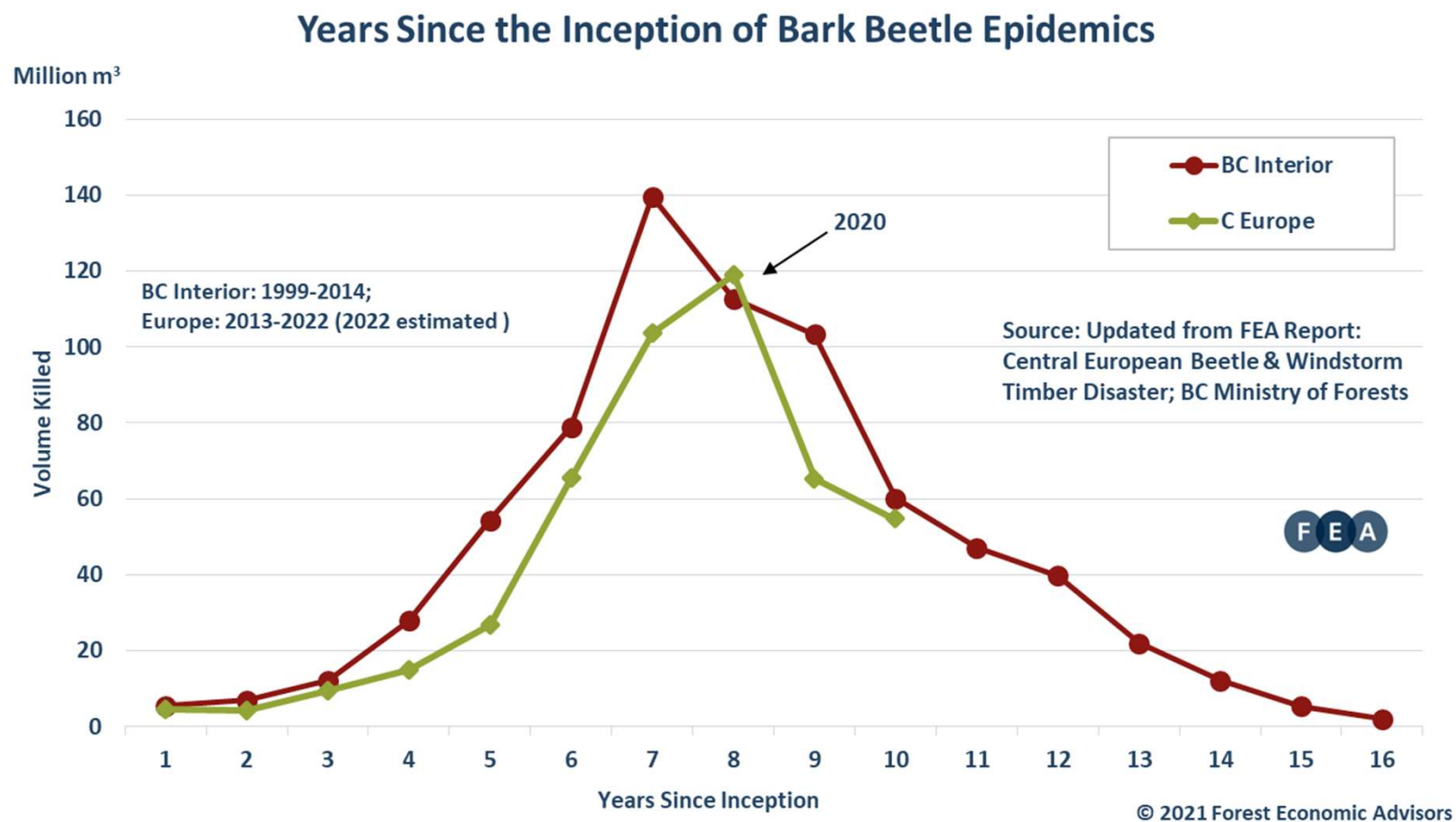
## Higher Costs Will Bolster Prices



# European Imports Will Fall, But Remain Elevated



# European Spruce Bark Beetle Is Following A Similar Path To The Mountain Pine Beetle Epidemic



# European Producers Are At The Low End Of The Cost Curve

\$/MBF, Delivered Houston

600

500

400

300

200

100

0

US South

Germany

Southern  
Sweden

US West Coast

Ontario

Quebec

US West  
Inland

BC Interior

■ Cash Cost ■ Freight ■ Duty

## Lumber Take Home Points

- Lumber markets will slip in 2023, but the downturn will be more mild than previous recessions.
- Costs are elevated, and will hold prices higher.
- Capacity is expanding rapidly, but achieving nameplate output is difficult.
- Exports will remain weak.
- Imports will not fall as much as many expect.



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# Wood Construction

## Potential and Paths Forward

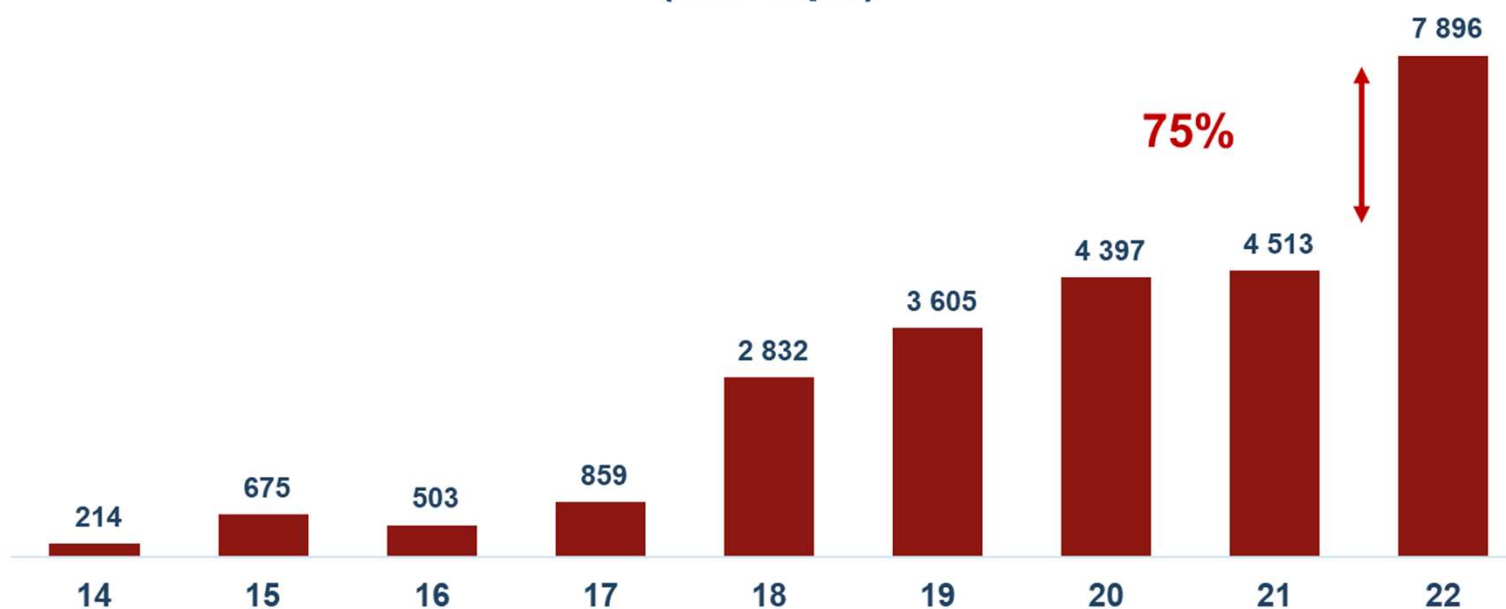
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**Francois Robichaud** | *Partner, Market Research*

**Samuel Guy-Plourde** | *Analyst, Market Research*

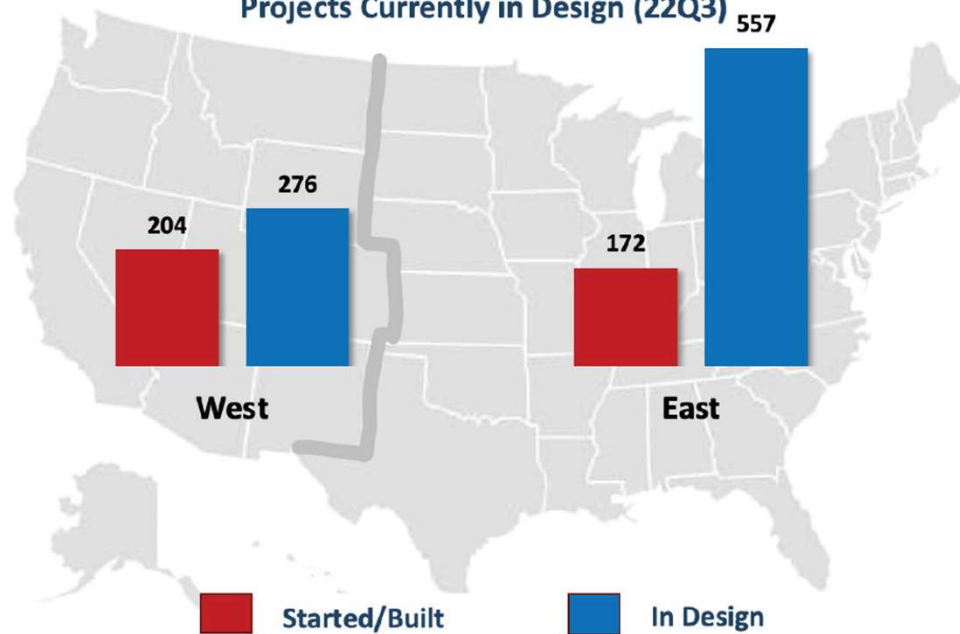
# Mass Timber on a Growth Path

Floor Area of US Mass Timber Projects  
Completed or Started  
(000 sq ft)



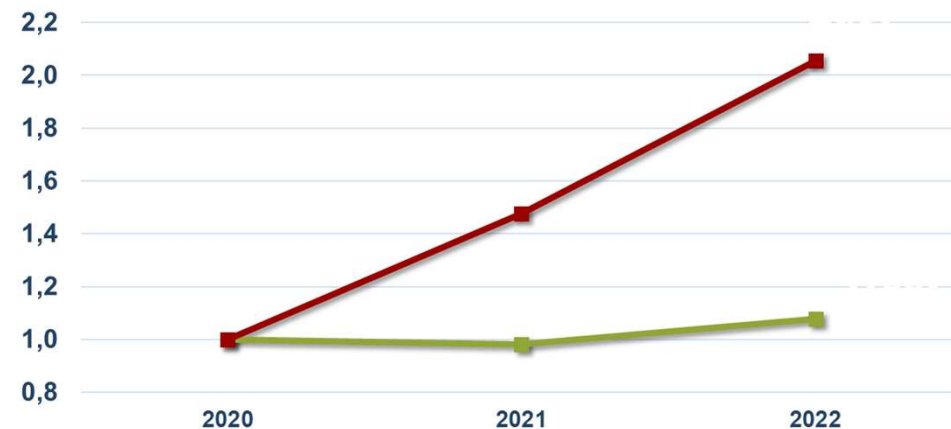


**US Mass Timber Panel Projects Started or Built Since 2013  
vs.  
Projects Currently in Design (22Q3)**



Source: WoodWorks, FEA

**US West vs East  
CLT/DLT/NLT Floor Area  
"InDesign" Growth Index**

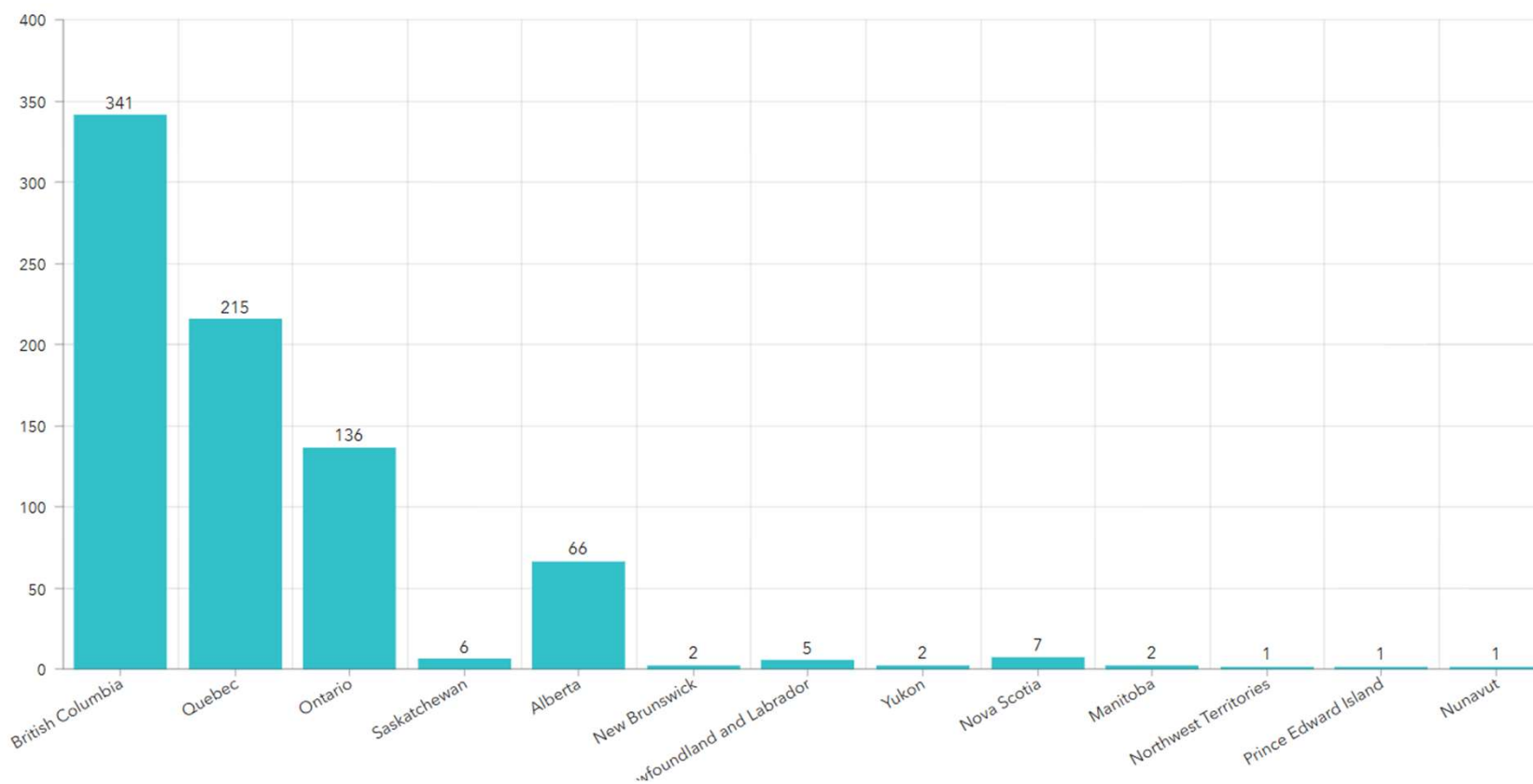




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## A Look at Canada to See the Future in the U.S.

Project count by province/territory



The State of Mass Timber in Canada ([arcgis.com](http://arcgis.com)) – Project led by NRCAN

# IWBC 2023, Washington DC, Sep 26 - 29



The screenshot shows the IWBC 2023 website. The header includes the IWBC logo, the tagline "LEADING OFFSITE WOOD CONSTRUCTION", and navigation links: "About", "Agenda", "Keynotes", "Exhibit", "Sponsors", "Log in", and "Register". The main content area features a large image of the US Capitol building with a dark blue overlay containing the text: "IWBC Comes to Washington, DC. Save the date! Connect with experts in wood-based industrial construction and thousands of green building professionals. Join us as we head to Washington, DC, September 26-28, 2023." A yellow "REGISTER NOW" button is positioned below the text. In the bottom right corner, it says "Featured at Greenbuild" with a small circular logo.

**IWBC** LEADING OFFSITE WOOD CONSTRUCTION

About ▾ Agenda ▾ Keynotes Exhibit ▾ Sponsors ▾ Log in Register

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Save the date! Connect with experts in wood-based industrial construction and thousands of green building professionals.

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NORTH AMERICA'S  
*FIRST* TRANSACTION  
PRICE REPORT FOR  
WOOD PRODUCTS



## Questions?

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