



China Market Trends & Issues

**ISC 2024, Taormina, Sicily
October 17, 2024**



RUSS TAYLOR GLOBAL
WOOD BUSINESS &
MARKET CONSULTING
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Russ Taylor
B.Sc.F, MBA, RPF
RUSS TAYLOR GLOBAL
Vancouver, B.C., Canada



RUSS TAYLOR GLOBAL: Wood Business & Market Consulting

In the wood-based consulting business in Vancouver since 1988:

- 1988-1992 – Widman Management Consulting
- 1992-2020 – International **WOOD MARKETS** Group Inc. (FEA)
- **2020-** – **RUSS TAYLOR GLOBAL**
- 50 years experience in the wood products industry:
 - 4+ years with **Northwood Timber** – now Canfor (forester in Houston BC in 1970s).
 - 7+ years with **Interfor** (sales mngr, log custom cutting, reman, Vancouver – 1980s).
- 35 Years consulting - International WOOD MARKETS Group, including China office.
- Regular travel to international markets: Europe, Russia, Asia (China), So Hemisphere.

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45 Multi-Client Analysis/Forecasts Reports since 1995

Available June 30, 2013

Produced by International WOOD MARKETS Group Inc.

WOOD MARKETS

RUSSIA

Forest Industry Competitiveness and Export Outlook

2013 Edition

FEATURING:

- Competitive assessment and business-case analysis of the Russian log and lumber sector
- Strategic look at expanding industry capability and investment
- Benchmarking analysis of log and sawmill costs, including delivered costs to market
- Russia's export fit in key global markets, especially China and Europe
- Impact of new Russian log export tax
- Review of current industry status
- Outlook on log and lumber exports
- Assessment of potential risks of doing business in Russia

INCLUDING:
Summary of WOOD MARKETS' ongoing field research and consulting assignments in Russia, and its latest insights into how Russia will impact global trade and markets.

A Strategic Assessment of the Russian Wood Industry & Global Implications

LUMBER, PARTICULATE, TIMBER, ENGINEERED WOOD, ECONOMIC, MARKETS, FORECASTS

From the publishers of WOOD MARKETS MONTHLY INTERNATIONAL REPORT, WOOD MARKETS' CHINA BULLETIN, and many other strategic industry reports

2015 EDITION

WOOD MARKETS

THE SOLID WOOD PRODUCTS OUTLOOK - 2015 to 2019

A Detailed Analysis of the North American Wood Products Market

COVERING: Lumber, OSB, Plywood, MDF and Particleboard

FEATURING: A Five-Year Outlook for Supply, Demand and Prices, including Mill Operating Rates

WOOD MARKETS Prepared and published by International WOOD MARKETS Group Inc.

Global Timber/Sawmill/Lumber COST BENCHMARKING REPORT

2014 ANNUAL BASIS & Q1/2015

Seventh Edition

FEATURING:

- An update of the most comprehensive cost reports in North America, Europe, Russia, the Southern Hemisphere and China
- Most tracking of delivered sawing and processing costs, not just prices, but the cost of material, overhead, and the gross for every 200 kg log, roundwood or logpile
- Includes full cost comparisons for 2014, with a timely update on cost structure also for Q1 2015, based on the latest data
- Assessment of supply potential in various global areas in the U.S., needed for export purposes, with an update on the situation
- Cost assessment and analysis based on current global market trends
- Summary of key sources of regional supply and demand in the U.S., Europe and other parts of the world

WOOD MARKETS **TREND GROUP** Available August 1, 2015

RELEASED (March 2024)

WOOD MARKETS

MONTHLY INTERNATIONAL REPORT

WINTER NUMBER | FEBRUARY 2006

Featuring Lumber, Particle and Wood Products Analysis

Global Competitiveness

Low-Cost Labor Regions Winning

WHAT'S INSIDE

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94. Market Forecast
95. Market Review
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100. Market Review

WOOD MARKETS

CHINA BULLETIN

Featuring Industry Needs & Topics of Interest, Statistics & Prices

CHINA 2007

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WHAT'S INSIDE

Special Report:
Overview on China-EU Wood Products Trade

China is the largest wood products importer in the world and exporter in the Asia region and the second largest port in the China wood products exports. This full volume provides a comprehensive overview on the following wood products trade between China and EU:

- 1) Flooring: China increases share of EU wood flooring imports.
- 2) Cases: China is the largest single supplier for EU wooden case imports.
- 3) Jo: Chinese EU joists imports from China down 14% in 2012.
- 4) Wood: Chinese EU wooden window imports from China fell to negligible levels.
- 5) Plywood: China contributed 35% of EU plywood imports in 2012.

CLICK on page 4

China Market Synopsis

Log markets remain relatively stable with inventories balanced. Softwood lumber prices that started high now trended from uncompetitive levels - as has happened in the U.S. market. Varying log and lumber prices Chinese buyers on the move and that should be good news for exporters even the export tax impact.

MONTHLY CHINA PRICE TRENDS

WOOD MARKETS

Produced by International WOOD MARKETS Group Inc.

THE CHINA BOOK

Wood Products Industry and Market Review

OUTLOOK TO 2017

Available July 2012

FEATURING:

- A comprehensive overview of China's expanding wood products industry and chronic raw material supply
- Assessment of China's imported raw material supply and sources
- Overview of China's domestic plantation and timber harvesting
- Evaluation of China's growing lumber and panel sectors
- Five year outlook on China's wood products industry, exports and regional imports
- Log, lumber and panel price trends and forecast

RUSSELL TAYLOR MARGULIES CHROME

China Forest, Log & Lumber Outlook

SUPPLY, DEMAND & PRICES TO 2030/2035

FEATURING:

- Overview of China's domestic plantation and timber harvesting
- Evaluation of China's growing lumber and panel sectors
- Five year outlook on China's wood products industry, exports and regional imports
- Log, lumber and panel price trends and forecast

FEBRUARY 2024



Presentation Outline

- 1. China Housing Crisis**
- 2. China Softwood Demand Trends**
- 3. China Softwood Log & Lumber Imports**
- 4. China Lumber Price Trends**

Joint report:

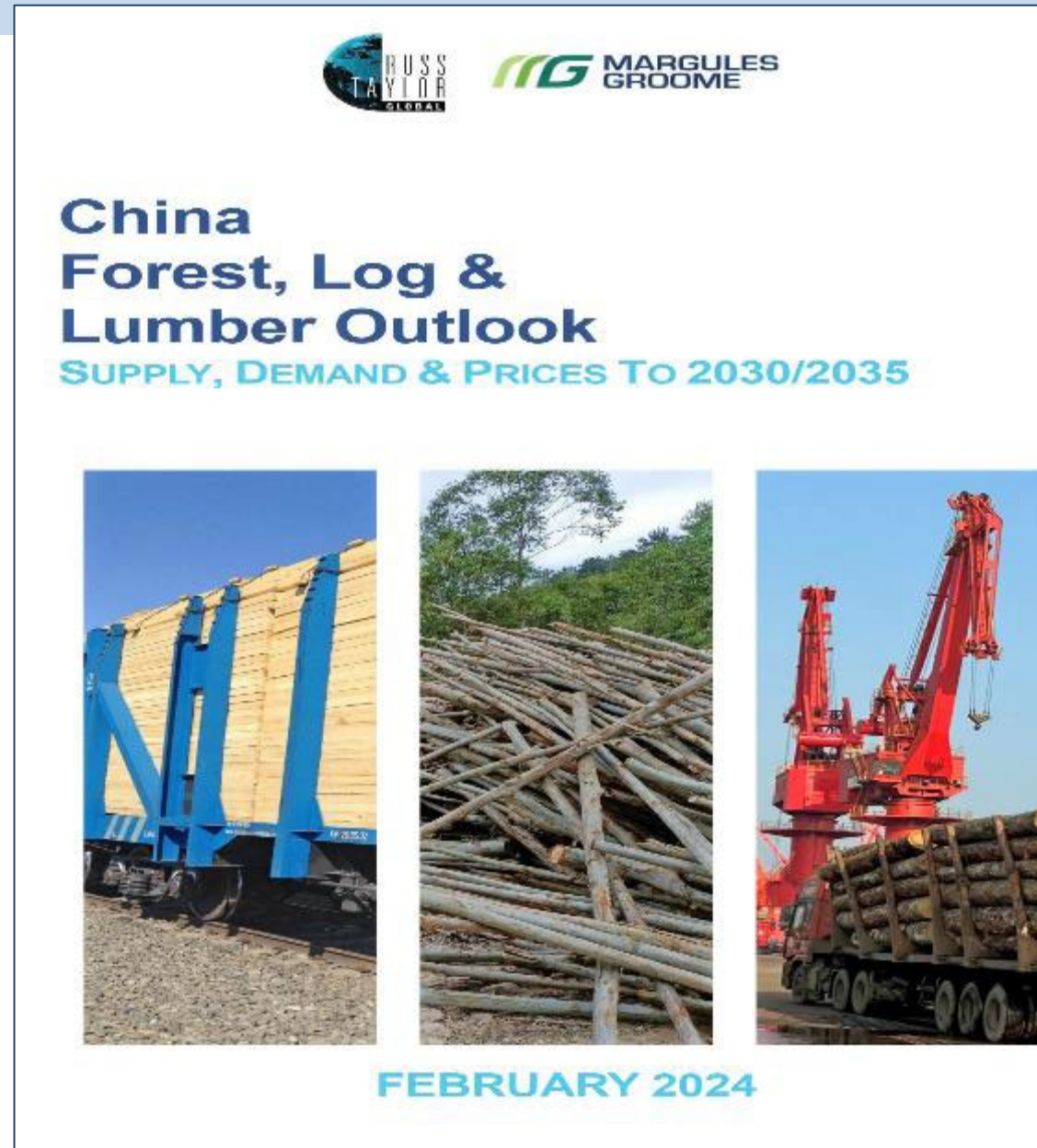
RUSS TAYLOR GLOBAL (Canada)

MARGULES GROOME (Australia/NZ)

Shortages Looming in China by 2030+:

- Log imports
- Lumber imports
- Chip imports
- Pulp logs for pulp mills
- & Despite slow demand growth!

Prices in China will need to increase with demand for lumber imports!

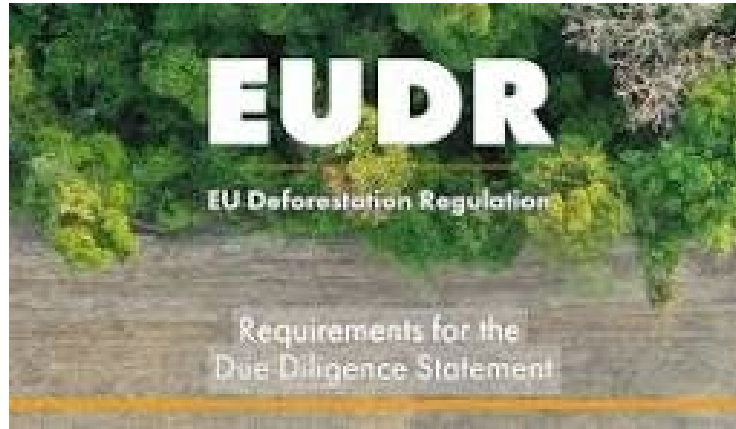




Global Supply Disruptors!



Wars
Logistics
Politics
Climate



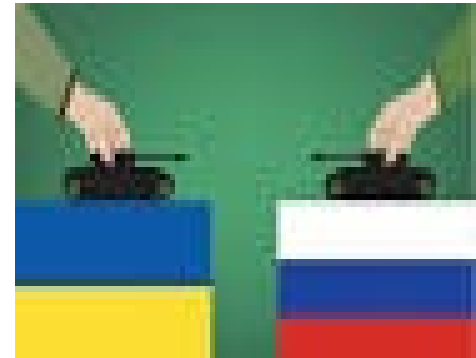
EUDR: Could disrupt global trade in 2026!



Red Sea: US\$200 Billion in global shipments have been impacted



Panama Canal: Drought! from 36 vessels to 24 to 18/day before increasing.



Climate Change:



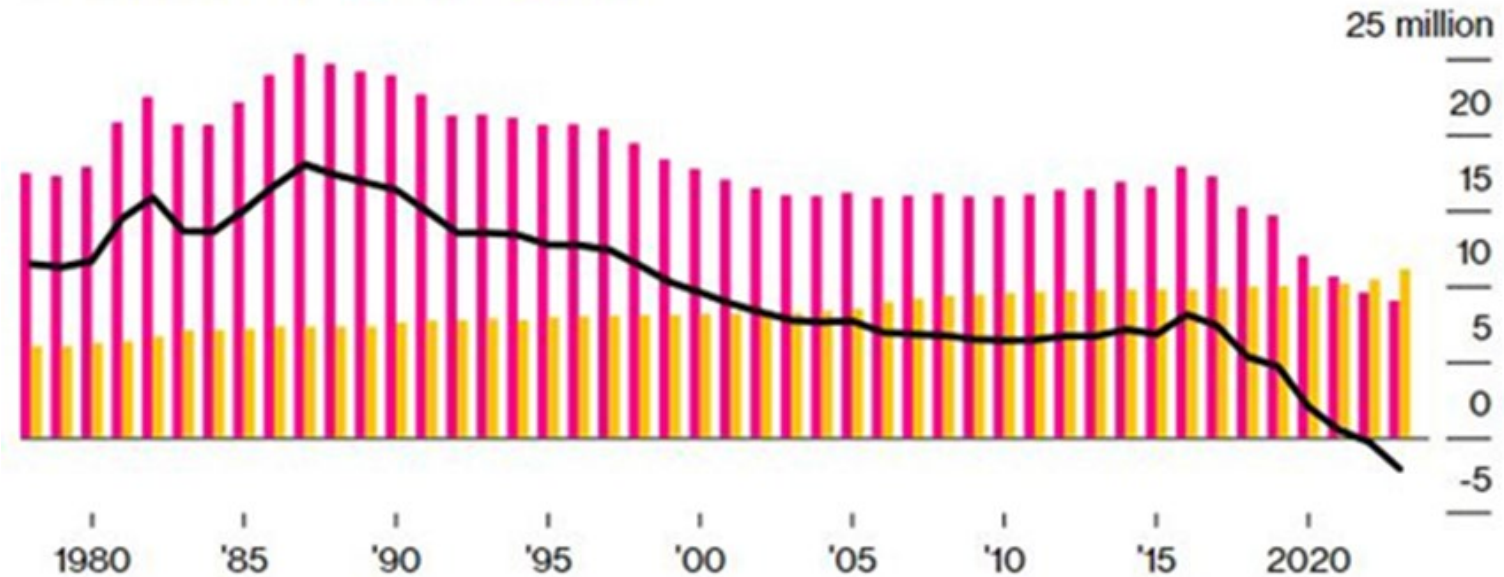
1. China Demographics: Short-term & Long-term Decline

- China's population has been in negative growth since 2022, with people aged 65+ accounting for 14.2% of the total population in 2021.
- The situation is expected to get worse with the number of people aged 60+ set to exceed 400 million, or >30% of the total by ~2035.
- China will slowly raise the retirement age for the first time since 1978 to stem the decline in the labour force.

China's Population Shrinks Faster

Deaths rose while the number of births fell to a record low in 2023

/ Absolute change
 ■ Births
 ■ Deaths

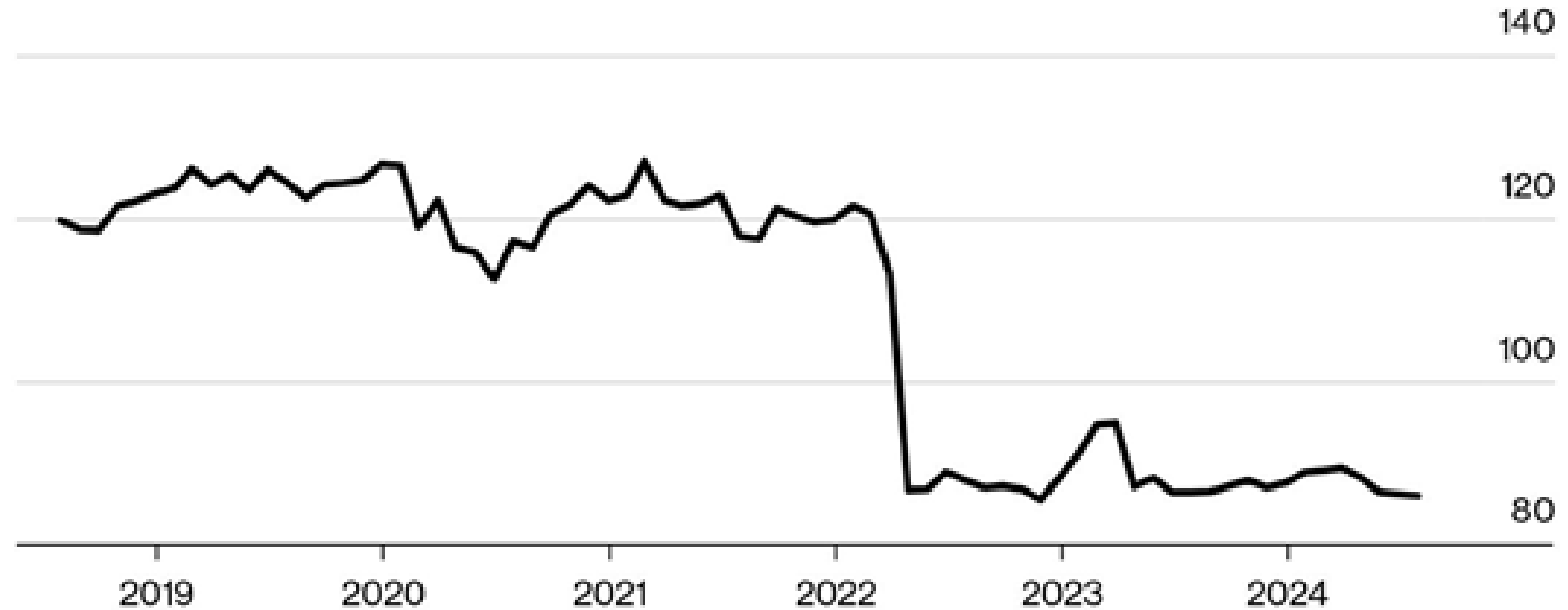


Source: Chinese official data

- **Consumer confidence in China has remained depressed since early 2022's COVID.**
- **Falling home prices eroded the value of biggest assets.**
- **Slowing growth & layoffs made it more difficult to pay mortgages.**
- **Soaring youth unemployment.**
- **= Reduced consumer confidence: households not spending & saving more.**

China's Consumers Remain Depressed Amid Property Slump

China Consumer Confidence Index



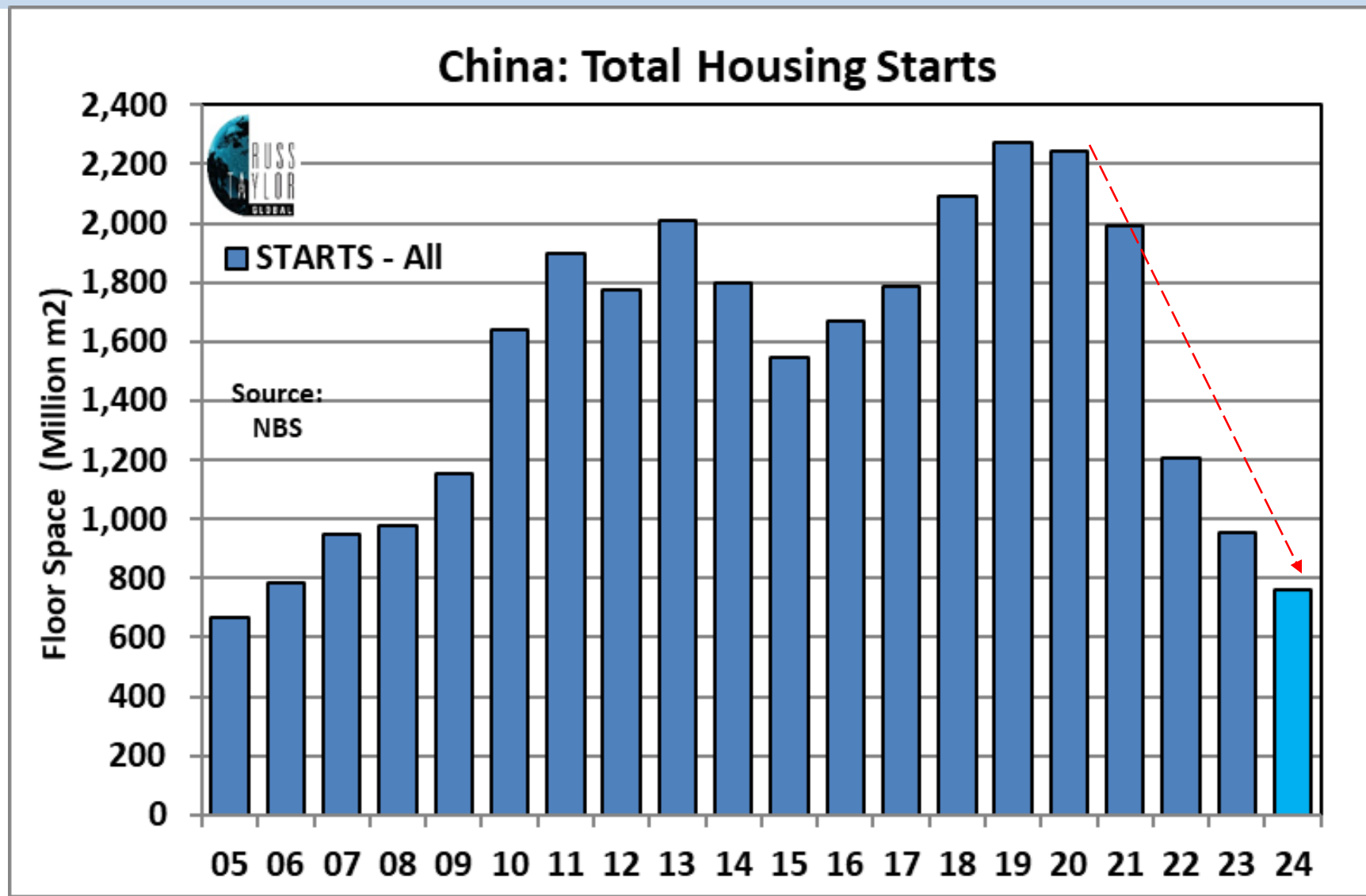
Source: China National Bureau of Statistics

Bloomberg

China Housing Starts: ~70% Decline Since 2019. Is this unprecedented?

Housing remains mired in an epic slump:

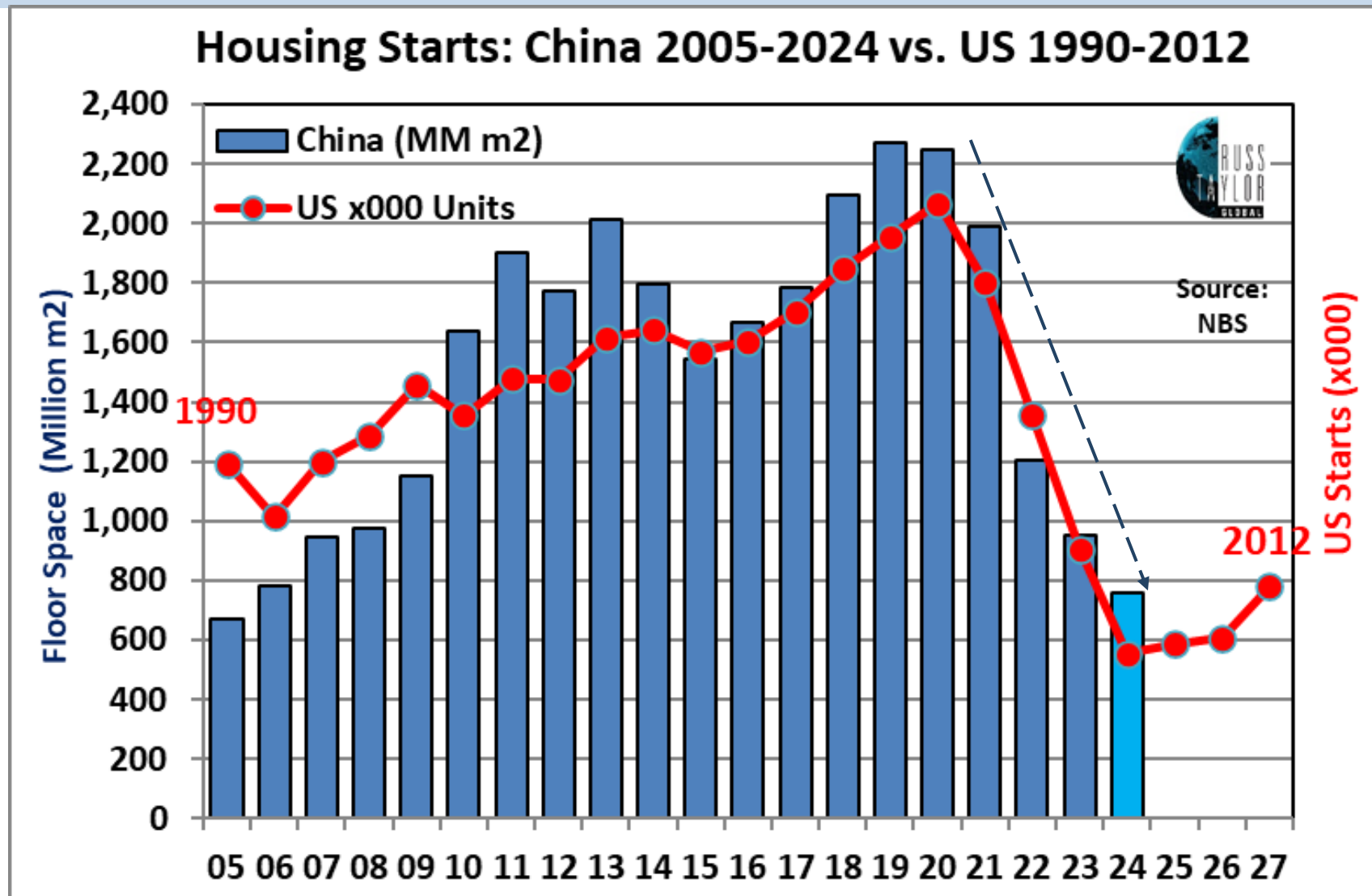
- COVID lock-downs,
 - lack of consumer confidence,
 - high housing inventories,
 - falling property prices,
 - no good government fix yet,
- = weak demand.**



China Housing Starts vs. US Housing Market 1990-2012

China's housing market downturn is NOT unprecedented!

- US housing starts dropped >70% in 4 years
- US recovery was slow after 2009...

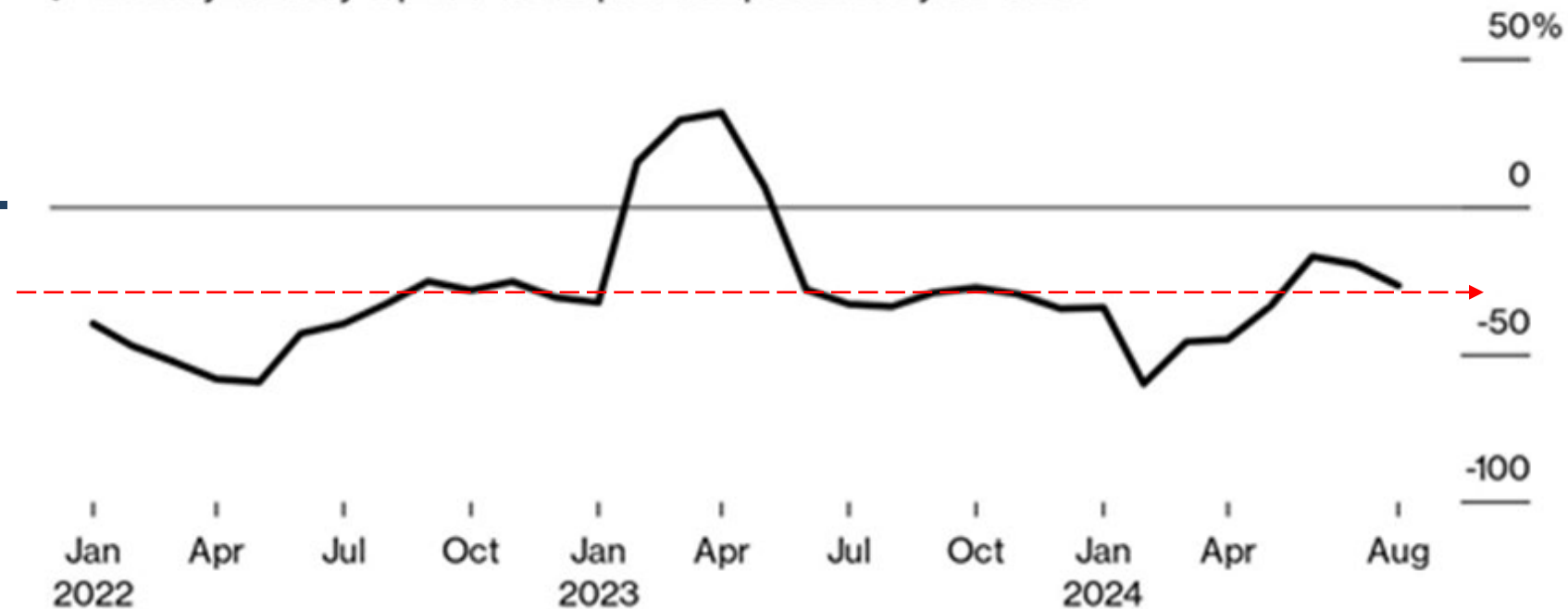


China Homes Sales down by about 35% Y-o-Y

- The value of new-home sales from the 100 biggest real estate companies has fallen ~40% from a year earlier.
- Buying apartments – so far – has made little financial sense, as apartment prices could still drop another 30% in major cities before stabilizing (Jefferies Financial Group Inc.)

China Home Sales Slump Worsens Again

Monthly sales by top 100 developers compared with year earlier



Source: China Real Estate Information Corp.

Bloomberg

- **~ 48 million homes sold but not completed.**
- **At current (slow) pace of completions, it will take 8 years to complete the 48 million units.**
- **Developers' Presales = now a lack of confidence; some may not be developed or completed.**
- **Rescue packages not working.**
- **Increasing mortgage defaults.**
- **Buyers are shifting to cheaper 2nd hand homes (prices falling faster).**
- **New home inventories highest in smaller Tier 3 cities and lowest in larger Tier 1 cities.**

Figure 13: Inventory to sales ratio jumped sharply in the past two years...



Source: CEIC, Wind, CRIC, UBS estimates



China Government Stimulus Blitz - Late September, 2024

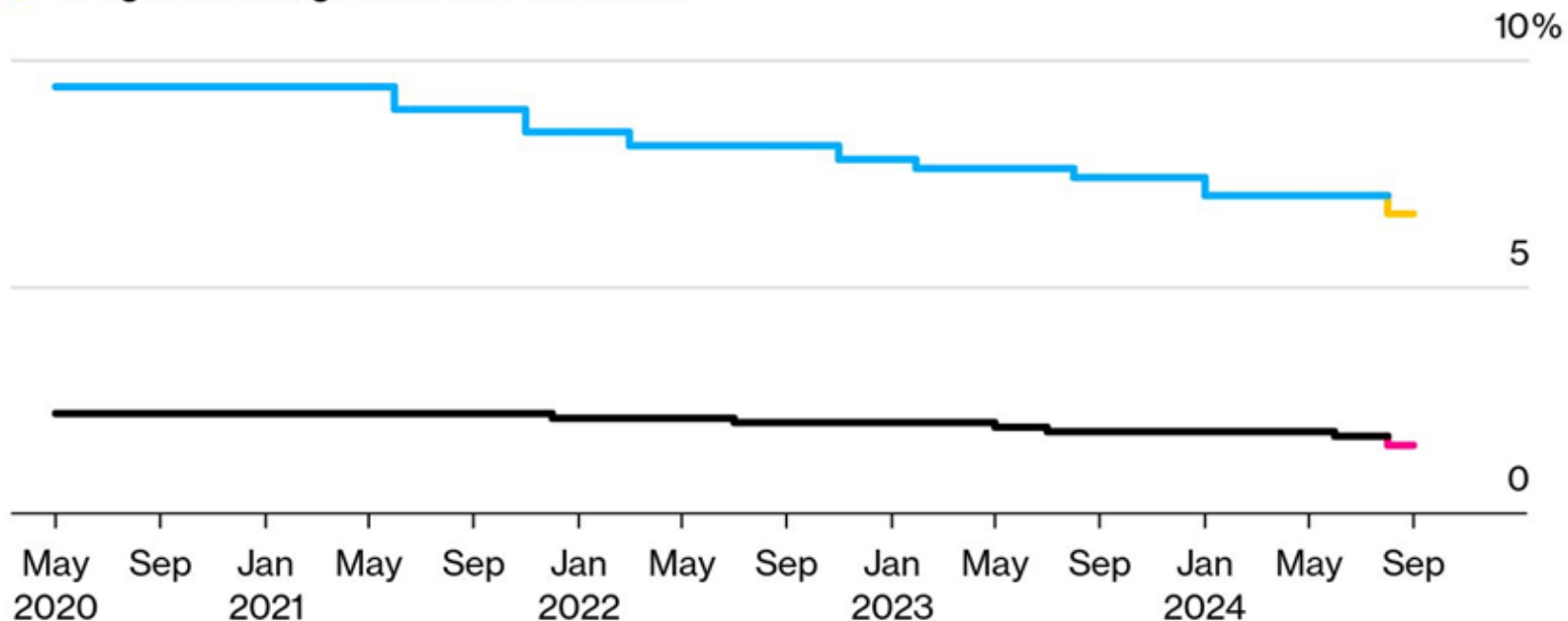
- The 7-day reverse repurchase rate lowered: 1.5% vs. 1.7%.
- RRR lowered by 0.5%, unleashing **1 trillion yuan** in liquidity.
- MLF cut = ~0.3%
- Minimum down-payment ratio cut to 15% for 2nd homes from 25%.
- Possible pledge of **2 trillion yuan** (\$283 billion) in fresh economic stimulus??

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China Unveils Stimulus Blitz

Central bank cuts reserve requirement ratio, key policy rate

● Seven-day policy rate ● Seven-day policy rate after latest cut ● Weighted average RRR
● Weighted average RRR after latest cut



Source: People's Bank of China

Bloomberg

Chinese property shares soar 26% in one day and double in one month to Oct 2!

- Chinese property shares climbed an unprecedented 26% on Wednesday Oct. 2.
- This follows tier-1 cities that further relaxed restrictions for homebuying.
- The central government initiatives are starting to prop up the embattled property sector?
- Policymakers are betting that a recovery in mega cities will spread nationwide...

Real Estate Stock Rally Loses Steam Investors assess impact of latest stimulus

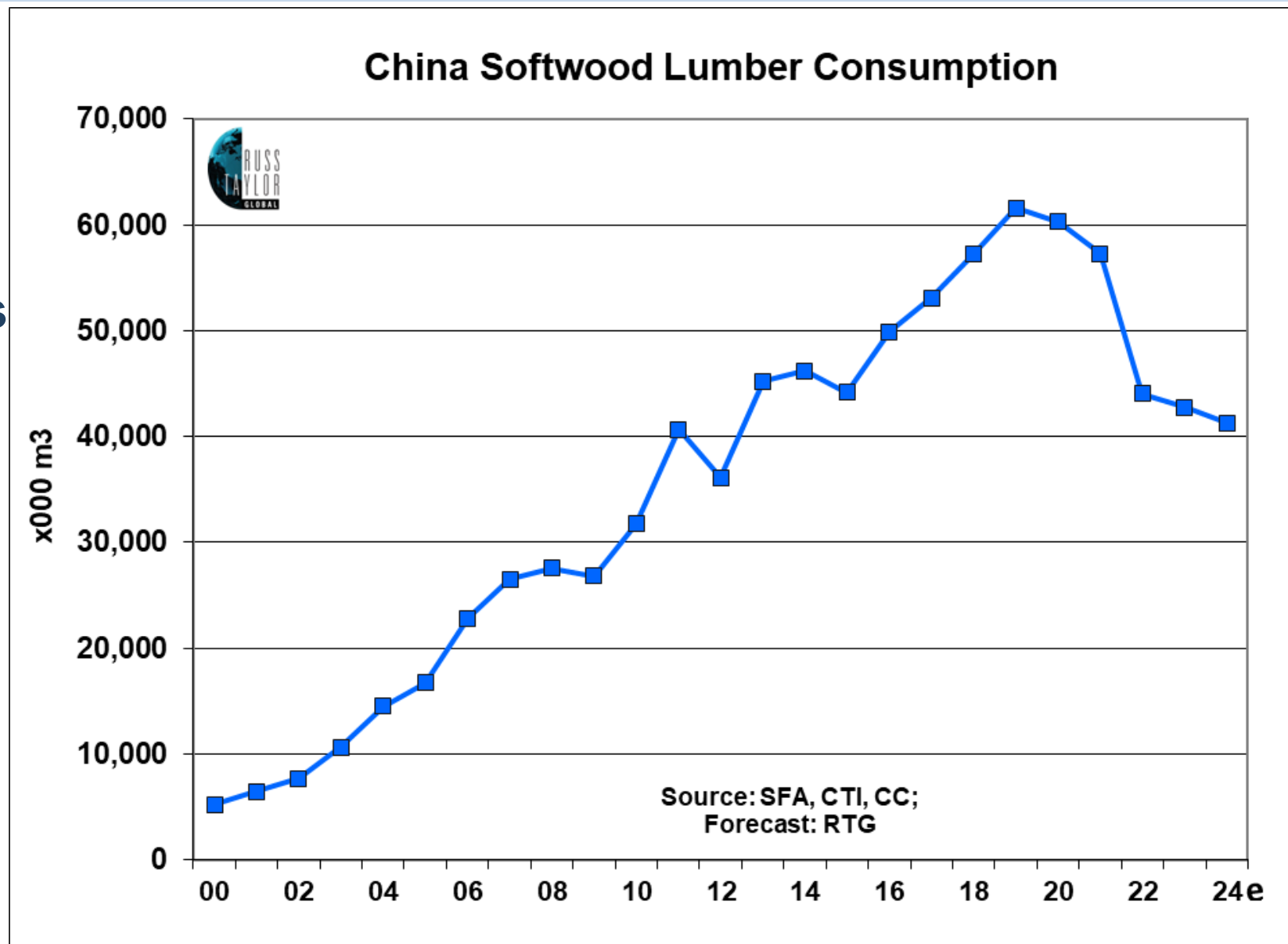


Source: Bloomberg

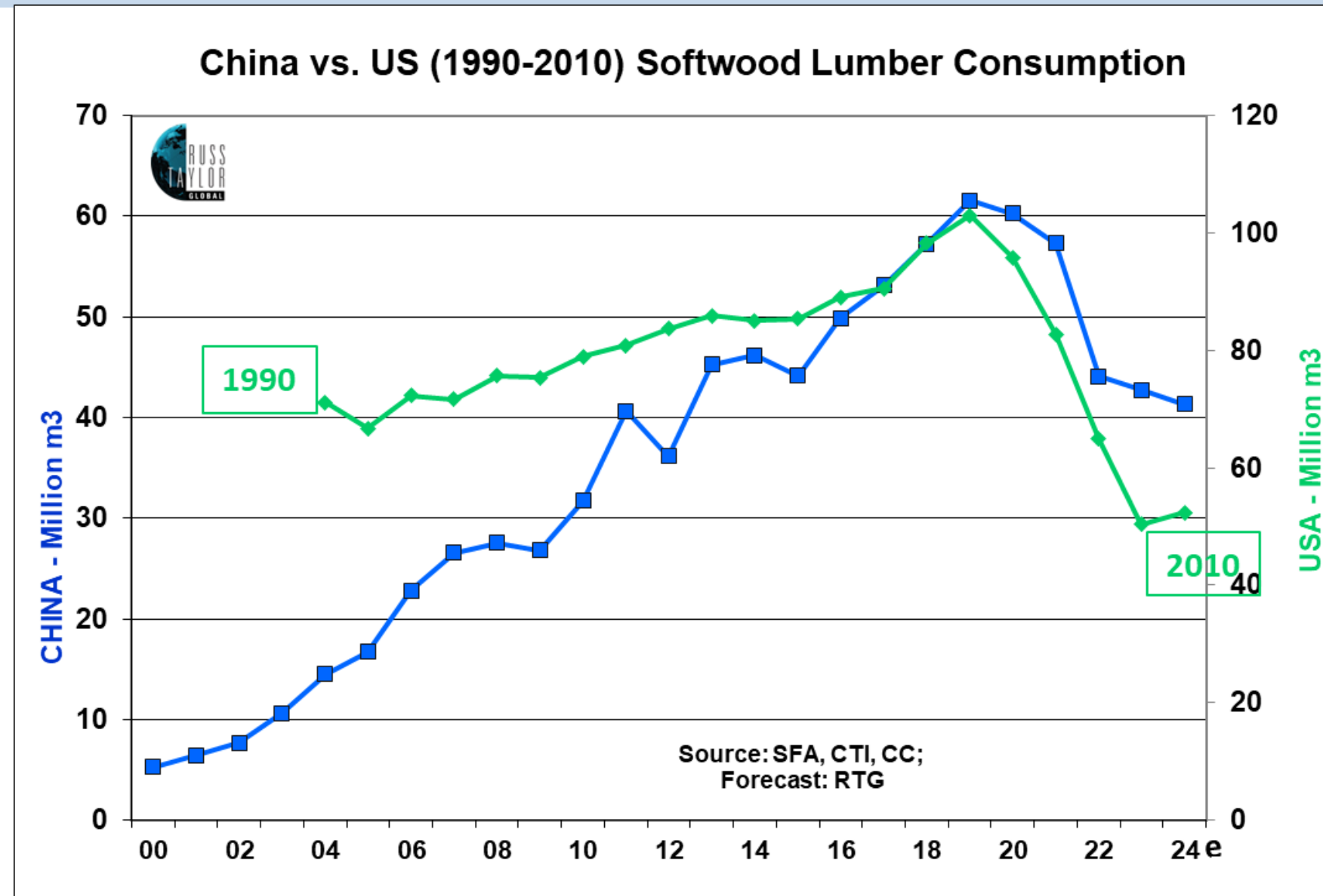
Bloomberg

2. China Softwood Lumber Consumption

- **Almost a one-third plunge in softwood lumber consumption in 5 years (2019-2024).**
- **Rate of decline appears to be slowing (~ good news).**



- US lumber consumption dropped much faster (-50%) from 2005 to 2009 as compared to China's 4-year slump.



- China lumber consumption has been in a free fall since its peak in 2019.
- Since 2020, lumber consumption has declined by 32%.
- However, the rate of decline has slowed in the last two years.

China Lumber Consumption Change by End Use

Year	Construction Lumber	Other Lumber	Total Lumber	Total Consumption
	%	%	%	Million m3
21			-5%	57
22			-23%	44
23			-3%	43
24e			-3%	41

Source: RTG

- Lumber used in **construction lumber** has fallen the most in the last four years.
- New housing starts have declined about **65% since 2020**.
- The loosely corresponds to a decline in construction lumber of **70+%**.
- This means...

China Lumber Consumption Change by End Use

Year	Construction Lumber %	Other Lumber %	Total Lumber %	Total Consumption Million m3
21	-11%		-5%	57
22	-40%		-23%	44
23	-15%		-3%	43
24e	-15%		-3%	41

Source: RTG

- ...”Other” Lumber Consumption in China has been very stable!
- There is still business going on in other end uses, such as in:
 - Furniture,
 - Decoration,
 - Pallet & packaging,
 - Outdoor wood,
 - ‘Green’ building,
 - Engineered wood...
- Probable growth in the last 2 years in “Other”.

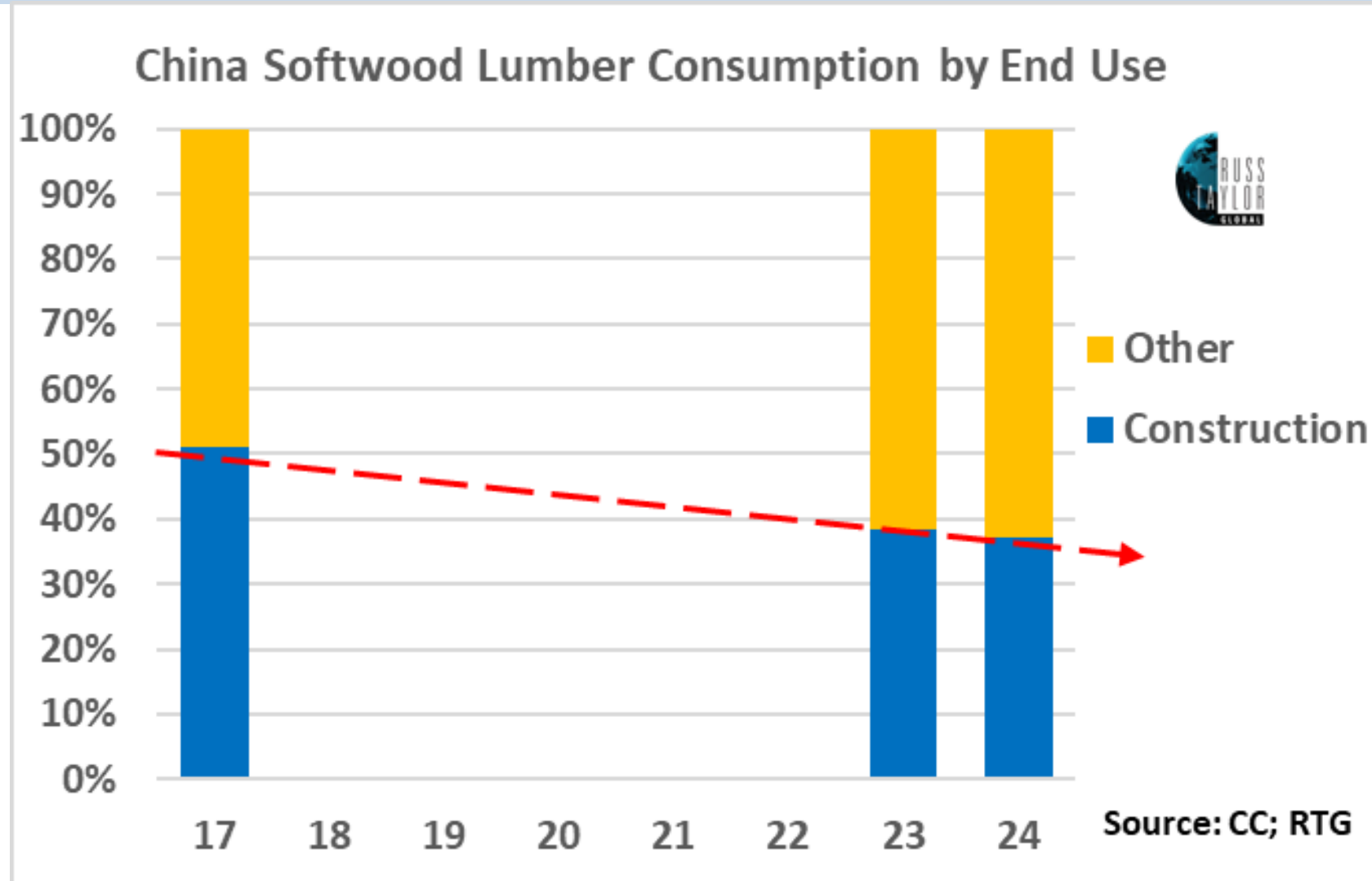
China Lumber Consumption Change by End Use

Year	Construction Lumber %	Other Lumber %	Total Lumber %	Total Consumption Million m3
21	-11%	0%	-5%	57
22	-40%	-7%	-23%	44
23	-15%	5%	-3%	43
24e	-15%	4%	-3%	41

Source: RTG

China Softwood Lumber Consumption: by End Use

- Steady growth in “Other” end uses and increased market share as construction lumber market plunges.





China Softwood Lumber Demand: Market Comments

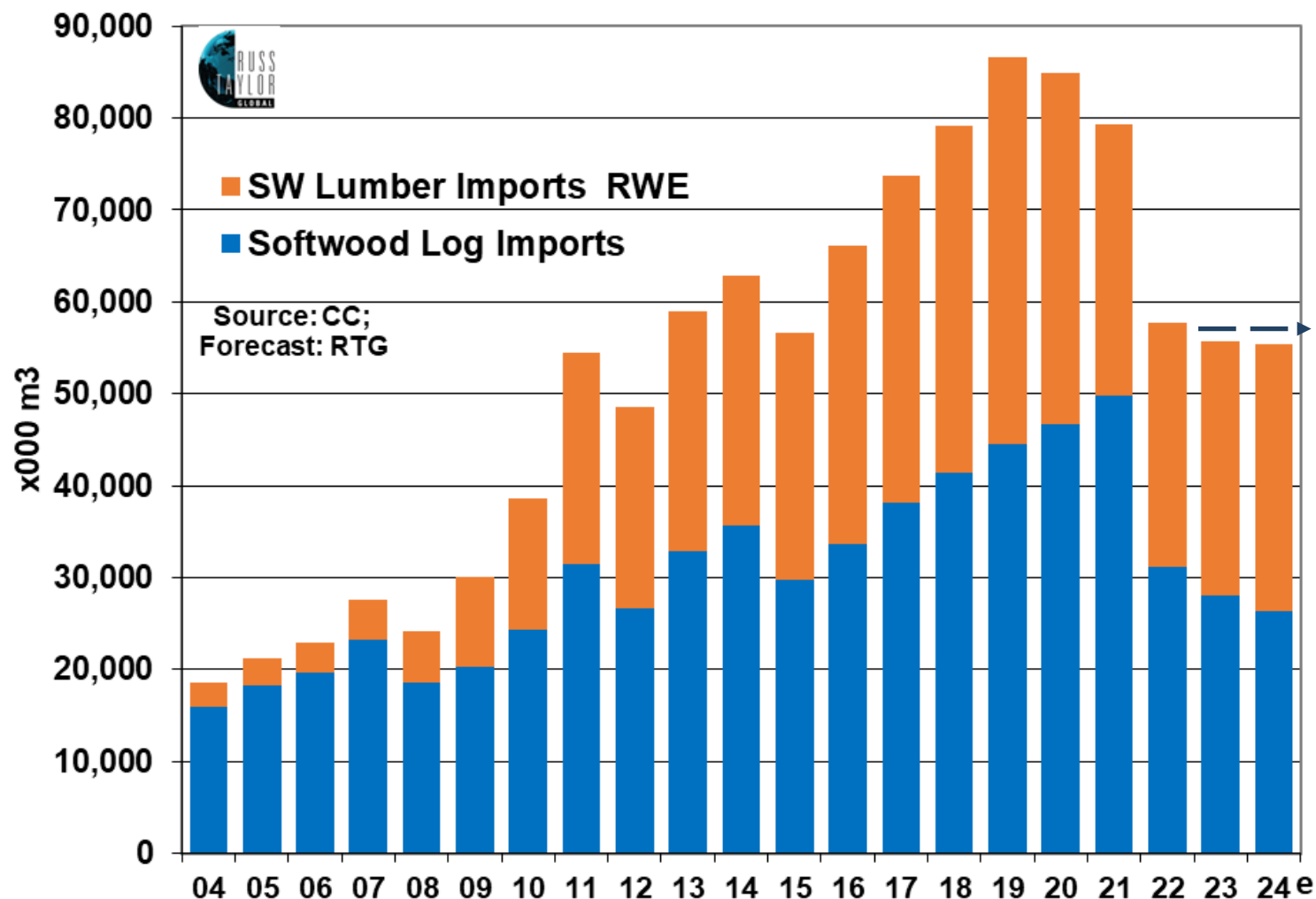
- **Companies – no confidence, have never seen such a market collapse before, so some laying off employees.**
- **Chinese importers afraid to say ‘no’ to sellers, so buy & lose money.**
 - **Smart Ones: not buying, or at least are more patient.**
- **Decoration segment best; furniture = good, but regional & not consistent.**
- **Housing market a disaster - despite ongoing government policies & liquidity.**
- **Little to no consumer spending – no confidence.**
- **There is business out there, but prices are low!**

3. China Softwood Log & Lumber Imports (RWE)

In terms of imported softwood logs and lumber (RWE):

- Major drop in available softwood imports of -30 million m³ (RWE) or 35% from 2019 to 2024.
- However, flat trend between 2022 and 2024.

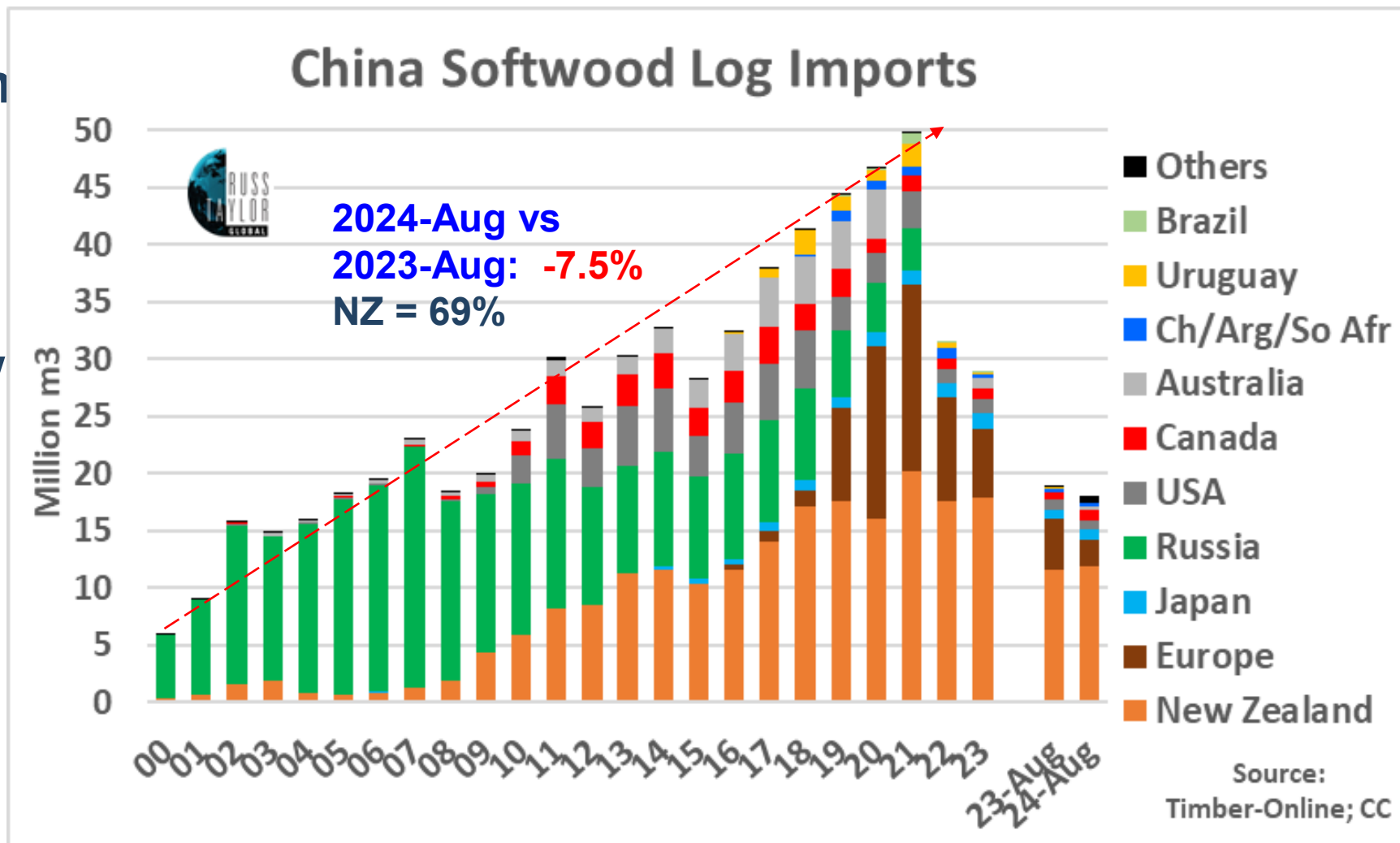
China Softwood Log & Lumber Imports (RWE)



China Softwood Log Imports: Down 45% 2021 to 2023

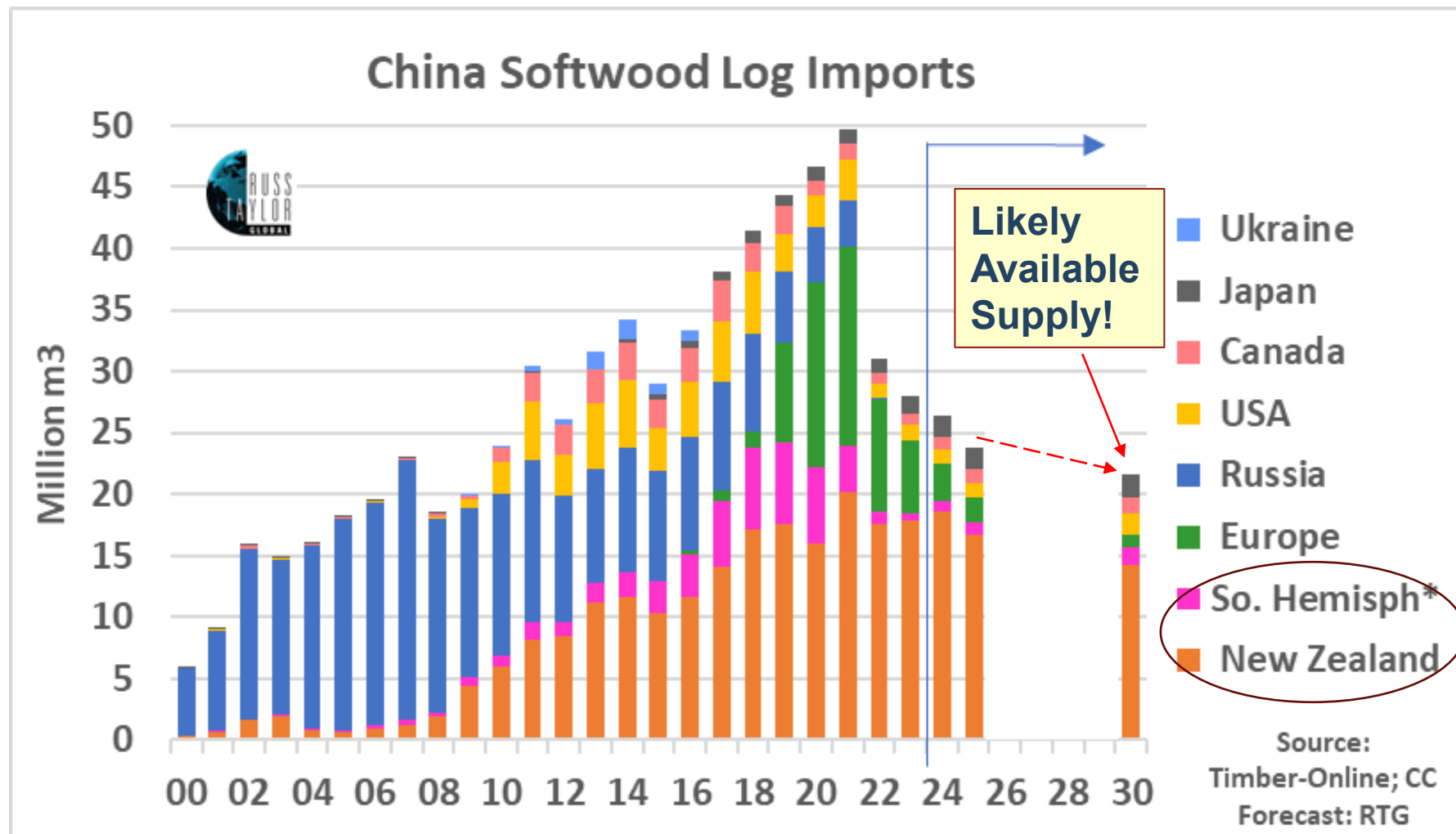
Softwood log imports lower again in 2023 from weak demand & COVID lock-downs:

- **Russia ~0**
- **Australia: no ban now**
- **Europe – beetle logs declining: -51% YTD; Germany: -70%**
- **New Zealand: +4%, & ~70% of imports; but harvest declines looming.**



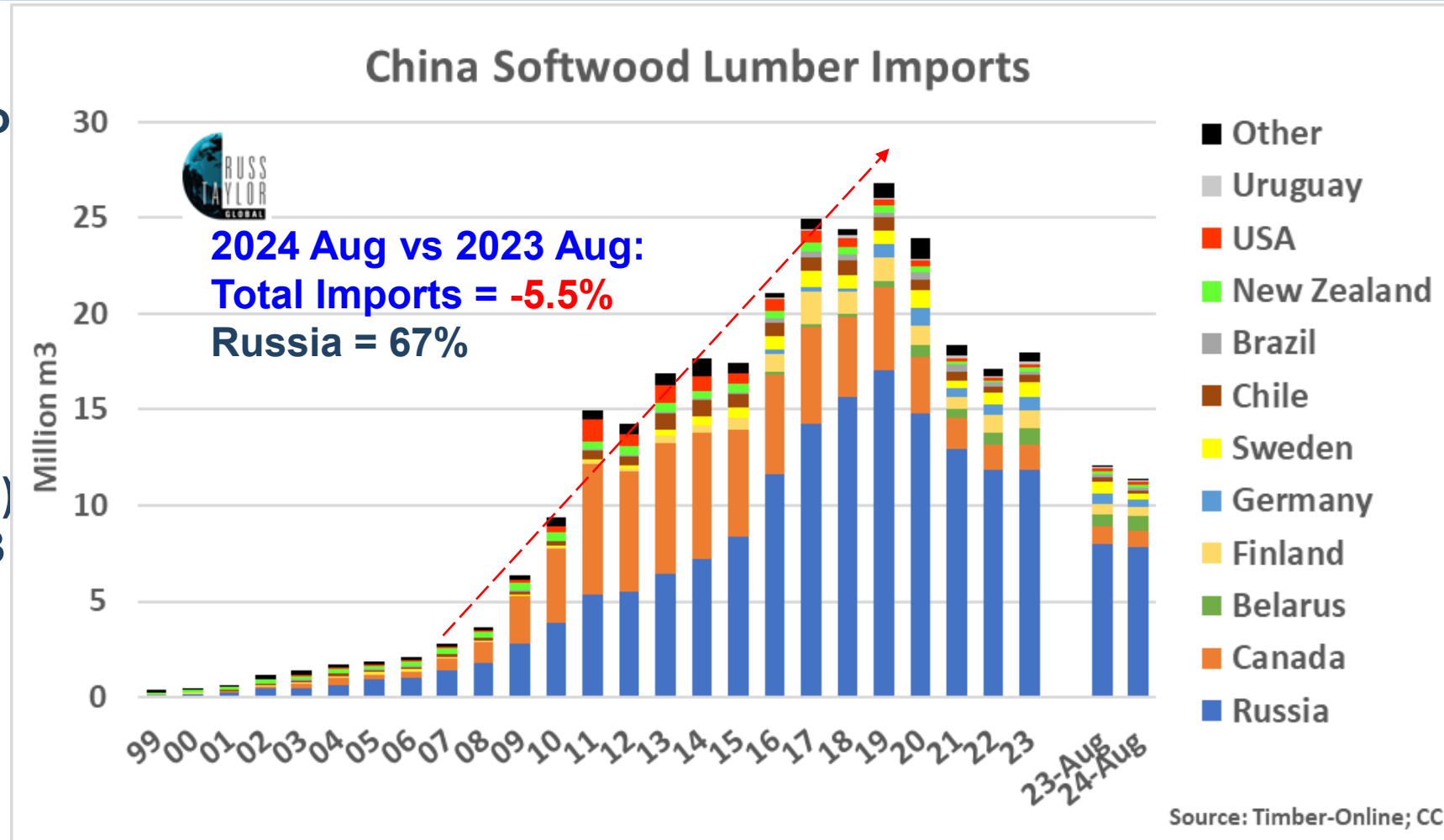
Where Will China Get Its Softwood Logs?

- China imported 50 million m3 in 2021.
- COVID & then housing market collapse has reduced imports.
- **By 2025, most of Europe log exports to stay in Europe.**
- **No more cheap logs for China!**
- **NZ + S. Hemisphere = a key source for China; >65% share!**



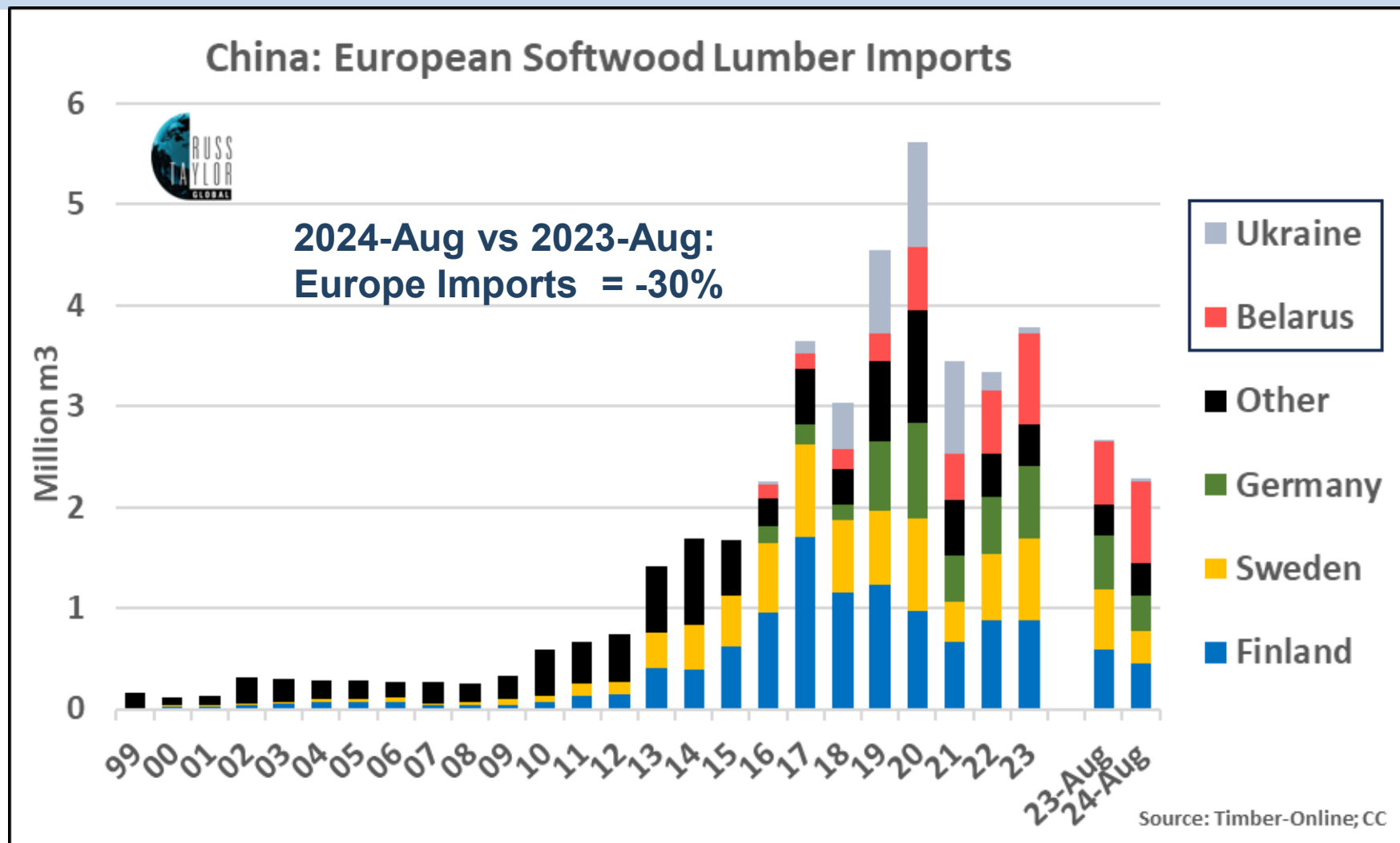
China Softwood Lumber Imports: Lower with Lower Demand

- Sanctions on **Russia** have restricted lumber exports to many countries, so lumber exports to China have remained at high levels – 60-70%.
- **Canada** is 2nd largest lumber supplier, but mainly in construction (low grades)
- **Europe** 2023: 3.2 million m3
- **Southern Hemisphere** plantation pine countries (1.3 million m3), and
- **Belarus** (1.0 million m3).
- Low prices restrict imports from western countries.

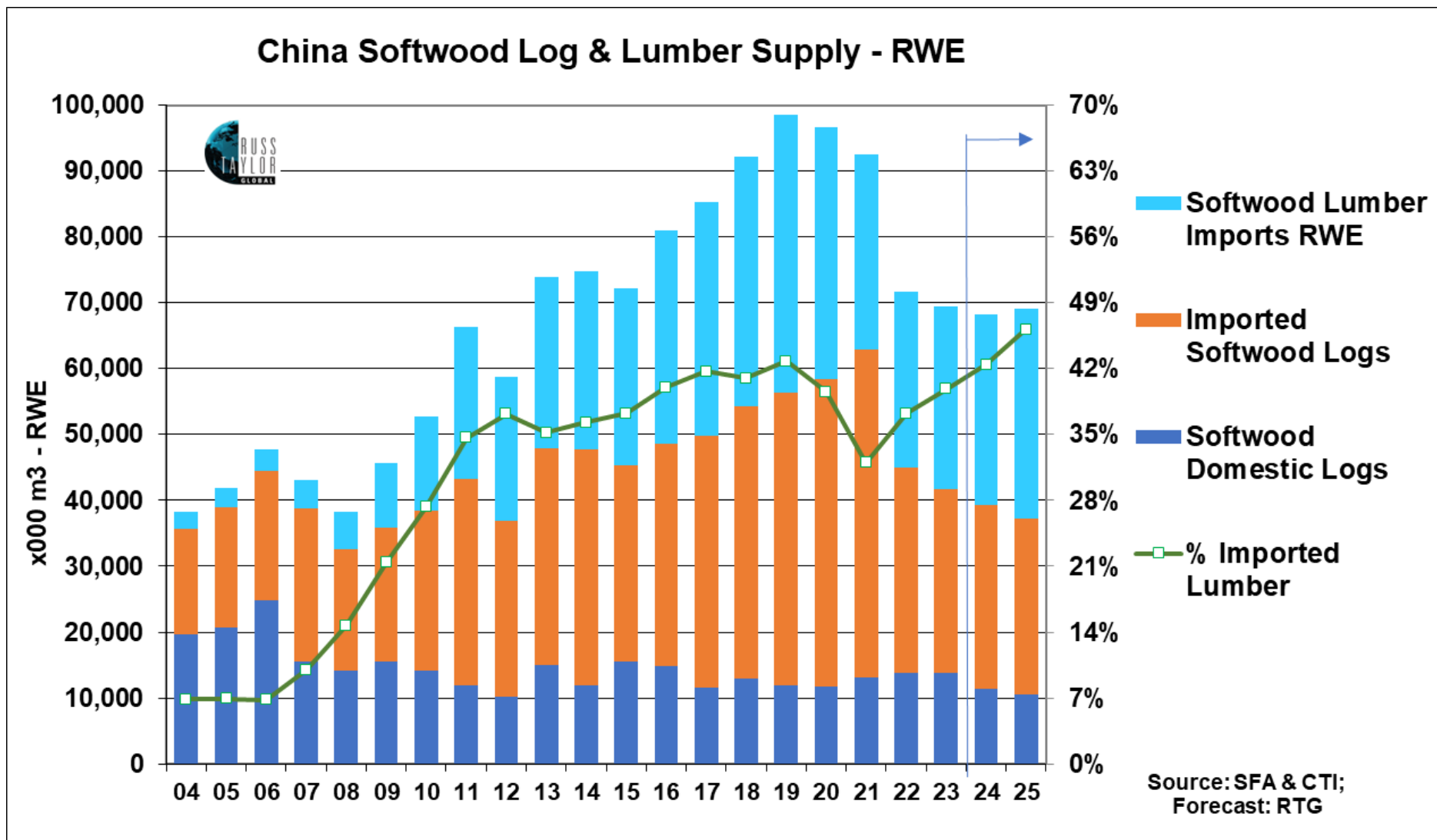


China Softwood Lumber Imports: Europe

- **Belarus** the largest softwood lumber exporter to China from “greater Europe” in 2023.
- = +30% YTD 2024.
- Other European countries lower by 30% YTD 2024.

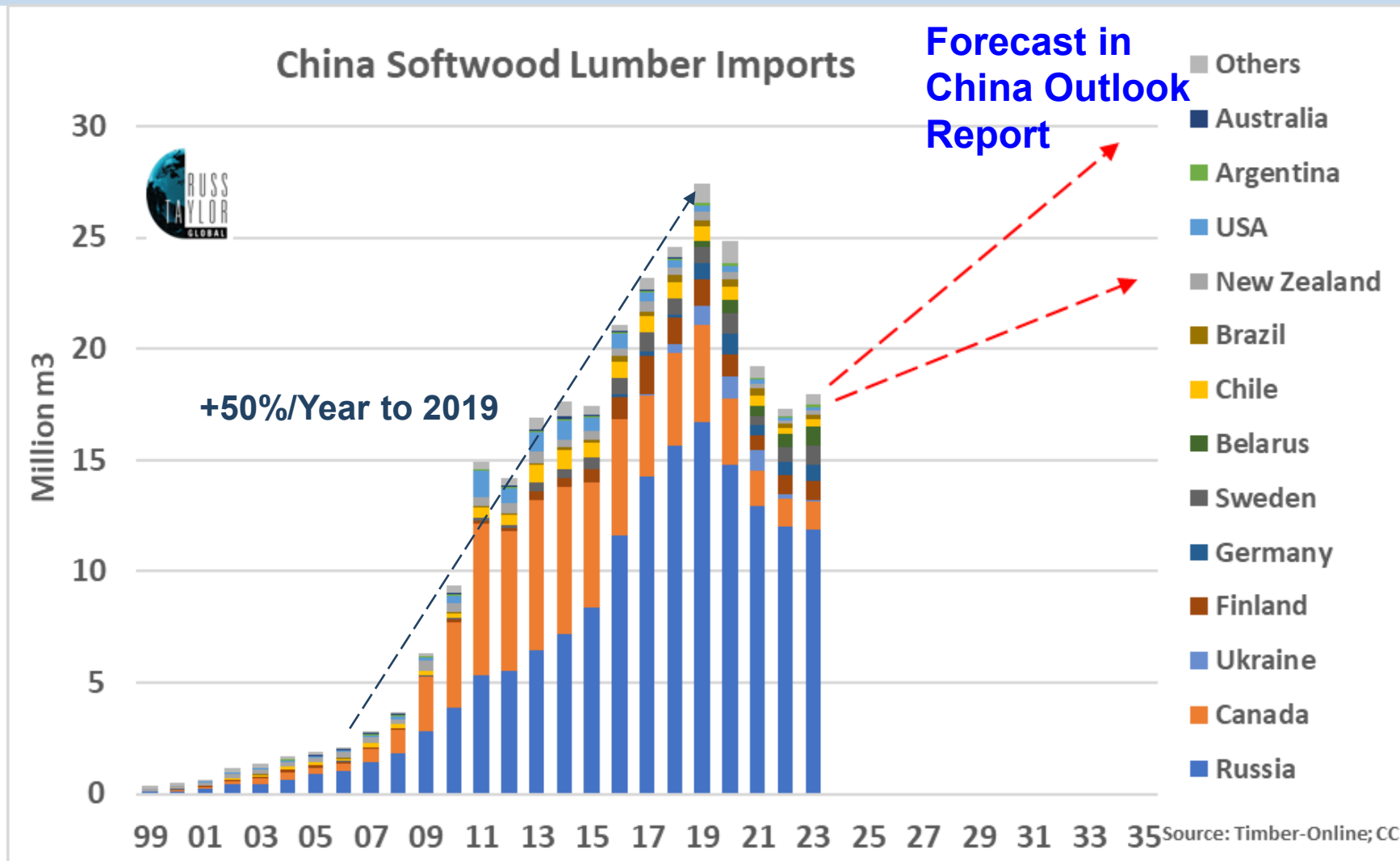


- Imported lumber to replace imported logs!
- China will need softwood lumber to meet >50+% of its softwood needs on a RWE basis after 2025.



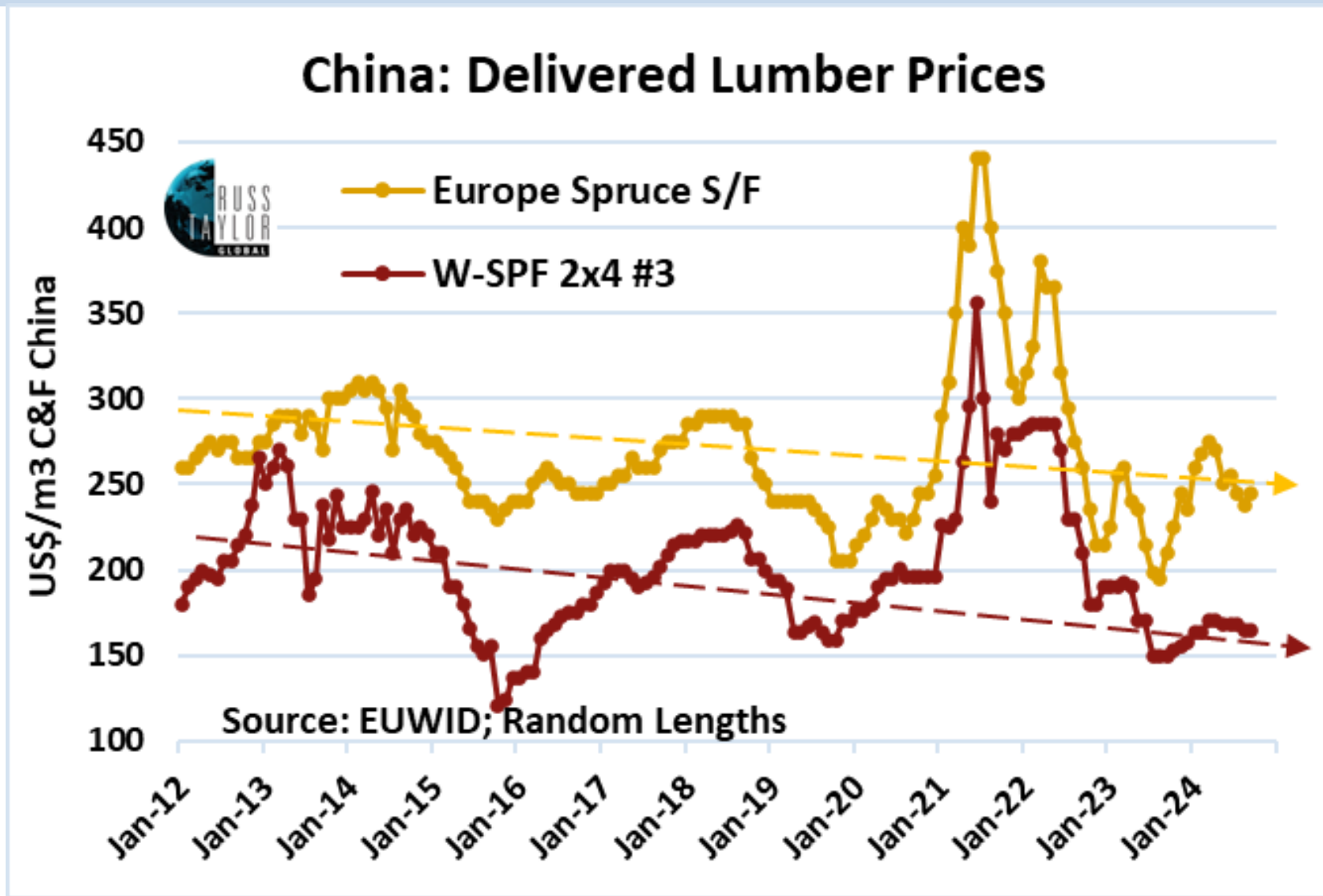
China Softwood Lumber Imports: If a log shortage, is there enough imported lumber to fill the gap?

- China softwood lumber imports will need to increase in 2025-2035 to offset lower log imports & increasing demand.
- Opportunities could be huge!



4. China: Delivered Lumber Prices

- Lumber prices in China have been trending lower for too long!
- Not good for the sawmilling business!





Global Wood Summit

Vancouver BC Oct 28-30

Restart of the industry, market & trade conference organized by Russ Taylor (WOOD MARKETS) from 2010-2019.

Two partners:

- **RUSS TAYLOR GLOBAL &**
- **ERA-Forest Products Research**

Focusing on global and North America market, trade and supply outlooks from a range of industry and market experts!

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GLOBAL WOOD SUMMIT

Sutton Place Hotel, Vancouver, BC, Canada

OCTOBER 29-30, 2024

Timber, Forest Products & Trade

FEATURING

Two days of international presentations and panel discussions on forests, logs, lumber, pulp and paper, industry, trade and global markets.

Experienced North American and international speakers/specialists addressing strategic industry topics.

Two conference partners with expertise on global trends in markets, industry and trade, across a wide range of forest products.

ORGANIZED BY

RUSS TAYLOR GLOBAL
Vancouver, BC

ERA FOREST PRODUCTS RESEARCH
Kelowna, BC





Summary

- **Weak housing & property market – government stimulus ‘fix’ coming?**
- **Weak construction lumber demand.**
- **Stable to increasing lumber demand in “other” segments.**
- **China’s softwood log import supply has peaked!**
- **China’s softwood lumber import supply will need to grow a lot ~2030+.**
- **China’s prices are still very low – bad for mills, but still business for traders!**



Thank You!

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