

China is now the world's largest importer of softwood lumber and logs despite a slowdown in imports during the 4Q/11

*Reduced activities in the housing construction sector in China decreased importation of softwood logs and lumber in late 2011, reports the Wood Resource Quarterly. Despite the decline in the 4Q, total imports during 2011 reached a record high, making China the **largest importer** of logs and lumber in the world.*

Seattle, USA. Importation of softwood logs and lumber to China has increased continuously over the past 15 years, and in 2011 the country was the largest importer of softwood lumber and logs in the world, according to the Wood Resource Quarterly. Total import value equaled almost eight billion US dollars last year, which was an increase of 57 percent from 2010, and up from only 70 million dollars 15 years ago. Annual growth over the past five years has been almost 30 percent, and over the past 15 years, the CAGR has been as high as 36 percent.

Imports of softwood lumber have increased faster than imports of softwood logs over the past few years, but log imports still constitute a higher share of the total import value of softwood products. After having increased for seven consecutive quarters, the importation of softwood logs and lumber fell for the first time in the 4Q/11 because of reduced domestic demand and high inventories at many of the country's ports. The decline was 14 percent from the 3Q/11, but the total import value was still higher than the fourth quarter in 2010.

By volume, importation of softwood log and softwood lumber to China fell 10 percent in the 4Q/11 as compared to the previous quarter. Importation of logs and lumber from Russia decreased the most, while lumber from New Zealand and logs from Canada actually increased slightly during the fourth quarter.

Much of the increased import demand for softwood raw-material has been, and continues to be, driven by the fast expansion in the house construction sector combined with the fact the China lacks domestic forest resources to meet the growing demand for most forest products.

A tightening monetary policy with a restricted money supply resulted in reduced activities in the construction sector in the second half of 2011. It has also been reported that there were overstocked inventories of real estate (over 20 months of unsold inventory in Beijing and Shanghai), and that housing transaction volumes in many big cities fell by more than 50 percent in the fourth quarter. Societe Generale reported that housing starts were down 25 percent in December as compared to the same month in 2010.

It can be expected that the housing market will continue to face headwinds during the first half of 2012 unless the Chinese government steps in to ease the country's monetary policy. As a consequence, the prospects for log and lumber imports will be faced with uncertainty short-term, but will likely continue to trend upward long-term.

*Global timber market reporting is included in the 52-page quarterly publication Wood Resource Quarterly. 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***

Mr. Ekstrom is the President of Wood Resources International LLC, which is an internationally recognized forest industry consulting firm established in 1987. The company also publishes two quarterly timber price reports tracking global forest products markets. The market reports have readers in over 25 countries.

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