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|| BUSINESS ENVIRONMENT REPORT G127

# Price of sawmill lumber

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April 2021

## Key Statistics

Estimated value in 2021: 276.1 index points

2016-2021 Compound Growth: 10.43%

Forecast value in 2026: 214.2 index points

2021-2026 Compound Growth: -4.95%

## Current Performance

The main use for sawmill lumber is in the building and remodeling of residential homes. Therefore, the demand for sawmill lumber is closely tied to the demand for new home construction. As the residential construction industry shrank following the bursting of the housing bubble in 2008, demand for sawmill lumber tumbled and the price index fell along with it, from a 152.0 average in 2007 to a 124.9 average in 2009. Not only were people putting off new home construction, they were also putting off major remodeling projects, which represent the other major use of sawmill lumber. However, the price rebounded in 2010 as the economy stopped its free fall. New housing construction remained anemic in 2011 and 2012 as foreclosed homes threaten to flood the market. Still, slow economic recovery pushed the price up slightly (1.6% and 3.5%, respectively).

In 2013, a further recovery of the economy helped release pent up demand, causing the price of sawmill lumber to rise an estimated 13.3%. Rising housing starts and increased expenditure of renovations put upward pressure on the price of lumber, which caused it to increase a further 8.0% over 2014. Since reaching a peak in 2014, lumber prices declined over 2015 due to a global economic slowdown and weak demand growth especially from the Chinese market. In 2015, the price of sawmill lumber fell 7.9% due to overcapacity and weak demand. However, as global demand picks up and Canadian production flattens out, the price of lumber returned to growth and increased gradually to 2018. In 2019 alone, however, the price of lumber decreased 10.1%, primarily due to the bad weather and a decline in homebuilding.

In 2020, amid the COVID-19 pandemic, a lumber shortage and a second-half surge in residential investment has led to an estimated 19.2% price increase. Multiple factors contributed to the price spike. Tariff increases on Canadian wood raised domestic prices and pandemic concerns led to many mills and building materials producers to temporarily close. However, domestic construction markets did not decrease demand proportionately. Instead, consumers opted to improve their homes that they have been spending more time in during the public health crisis. As social distancing restrictions have eased, producers have not been able to ramp up production as quickly as demand has increased, leading to a spike in the price of sawmill lumber. These trends are expected to persist in 2021, with prices increasing an additional 34.0%.

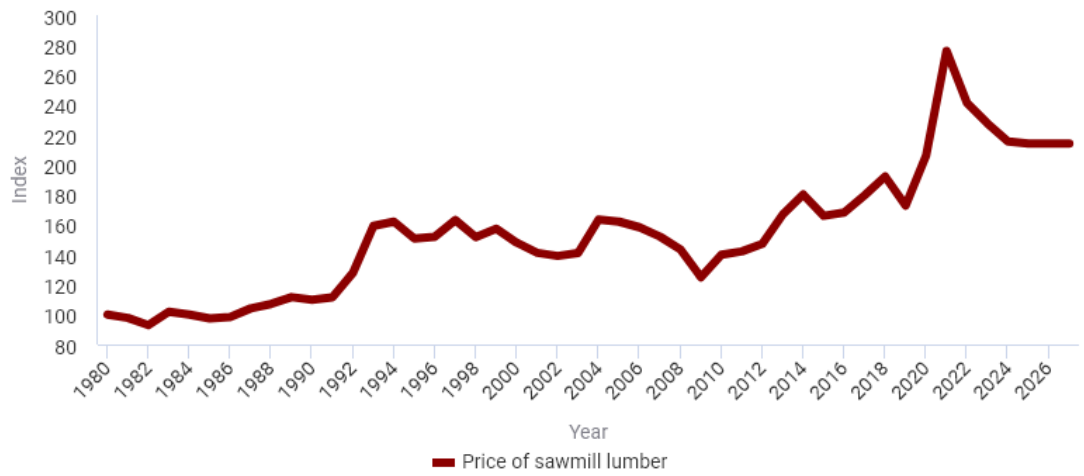
The price of sawmill lumber is represented by the producer price index for sawmills in the United States with base year 1980. Data is sourced from the Bureau of Labor Statistics.

## Outlook

Over the five years to 2026, the price of lumber is expected to recover, exhibiting a moderate correction as the vaccine rollout enables producers to increase production. Due to the likely full reopening of developed economies, lumber prices are expected to ease through 2024. Thereafter, however, prices are projected to increase much more marginally, returning to its broader upward trajectory. Additionally, since the price of lumber has reached a historical-high level, producers are expected to expand supply to capitalize on the high price. As a result, the price of lumber will likely face headwinds in the future. Less than expected demand from residential construction markets, however, would lead to less price appreciation than expected, with potential price declines also possible.

Data Volatility

Price of sawmill lumber



Year	Index	Change	Year	Index	Change
1980	100.00	N/A	2004	163.39	22.3
1981	97.73	-2.3	2005	162.04	-1.4
1982	92.93	-4.8	2006	158.26	-3.8
1983	101.82	8.9	2007	152.04	-6.2
1984	100.03	-1.8	2008	143.48	-8.6
1985	97.33	-2.7	2009	124.90	-18.6
1986	98.30	1.0	2010	140.00	15.1
1987	104.08	5.8	2011	142.18	2.2
1988	107.08	3.0	2012	147.23	5.0
1989	111.63	4.5	2013	166.83	19.6
1990	109.93	-1.7	2014	180.17	13.3
1991	111.55	1.6	2015	165.94	-14.2
1992	127.94	16.4	2016	168.08	2.1
1993	159.18	31.2	2017	179.63	11.5
1994	162.02	2.8	2018	192.22	12.6
1995	150.79	-11.2	2019	172.78	-19.4
1996	152.01	1.2	2020	206.03	33.3
1997	163.08	11.1	2021	276.09	70.1
1998	151.68	-11.4	2022	241.27	-34.8
1999	157.38	5.7	2023	227.66	-13.6
2000	148.03	-9.4	2024	215.60	-12.1
2001	141.22	-6.8	2025	214.30	-1.3
2002	139.13	-2.1	2026	214.20	-0.1
2003	141.11	2.0	2027	214.21	0.0

The logo for IBISWorld, featuring the company name in a white serif font inside a black rounded rectangle. The background of the entire advertisement is a teal-tinted image of a person in a white lab coat looking at a laptop screen, with various documents and charts scattered around.

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