China softwood market
International Softwood Conference
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China sawn softwood consumption

- Near doubling of Chinese consumption in 5 years
- 25.2m m³ in 2010 to 47.3m m³ in 2014

Source: Forest Industries Intelligence Ltd analysis of FAOSTAT & Global Trade Atlas
Per capita sawn softwood consumption

- China per capita wood consumption 0.03 m³/yr

Source: Forest Industries Intelligence Ltd analysis of FAOSTAT, Global Trade Atlas and World Bank data
China sawn softwood production

- 15.2m m3 in 2010
- 28.8m m3 in 2014

Source: Forest Industries Intelligence Ltd analysis of FAOSTAT
China’s forests

- Forest: 191m has.
- 20% land area
- Natural: 122m has.
- Natural Forest Protection Program since 1998
- Natural forest harvest still ~50m m3/yr
- Ban on all natural forest commercial logging effective 2016 (state), 2017 (collective/private)
China’s plantations

- Plantation area 69.33 million ha
- Softwoods: China fir, Dahurian larch, Chinese red pine, Chinese Weeping Cypress, Elliotis pine
- Hardwoods: poplar, eucalyptus, oak
- Management level low
- 80% young to middle age classes
- Small diameter, low quality mainly for paper, panels, packaging or farm use

- Annual production of softwood saw logs in China 2010-2014 - 10-15m m3/yr – how much from plantations?
China softwood log imports

Source: Forest Industries Intelligence Ltd analysis of Global Trade Atlas
China softwood sawn imports

Source: Forest Industries Intelligence Ltd analysis of Global Trade Atlas
Yuan weakened – but not by much

- Yuan has weakened but remains high relative to 2010
- Yuan strength plus higher wages has reduced China’s international competitiveness
GDP growth slowing – and more dependent on domestic consumption

From: http://www.brookings.edu/research/testimony/2015/04/22-sustainable-growth-china-prasad
China’s property downturn

- A decade of frantic building has created overcapacity
- Unsold housing inventories exceed two years of sales.
- Sharp decline in investment in real estate
- New housing starts for the first 9 months of 2015 fell 13.5% year-on-year
- Developers demanding long payment terms from material suppliers
- Wholesalers short of cash to purchase from importers
- Rapid build up of stocks in 2014 & 2015

From article on "Bursting of China's housing bubble" by C.P. Chandrasekhar and Jayati Ghosh, data from BIS 2015 Online Dataset on nominal residential property prices http://triplecrisis.com/the-bursting-of-chinas-housing-bubble/
Now the good news

- Correction may take 2-3 years but has already begun
- Fundamental demand for housing is strong & unsold inventories falling
- Income growth & urban migration continues
- Low household debt & lower real estate prices encourage sales
- No “subprime” issue – mortgages require deposit of at least 20% of property value for first home and 50% on second
- Inflation subdued averaging 1.8% in 2015
- 5 interest rate cuts since November 2014
- Stimulus package targeting infrastructure and construction
- Benign lending conditions for developers
- Real estate market stabilising by third quarter of 2015
- 40 of 70 major cities in China reported month-on-month price increases in September 2015, up from 35 in August 2015
Redirecting growth

- 5 year plans – develop regional city clusters to drive economic growth
- 3 super-clusters existed in 2000 - 19 projected by 2020
- "Develop the West" campaign directs infrastructure funds to interior
Wood in Chinese construction

Wood in construction
Canadawood survey - April 2014
http://canadawood.org

• Total annual wood frame construction 3m m2 (out of 316m m2 of completed space)
• 51% WFC buildings single family dwellings of 2-3 storeys
• 33% were commercial/non-residential structures
• Rarely used for high density town houses or apartments
Wood construction constraints

- Officials & builders unconvinced of wood’s fire, earthquake, rot performance
- Poor historical experience of low quality brick & wood structures
- Codes favour concrete, masonry, steel
- Wood frame seen as inappropriate for vertical high density buildings
- Construction industry not familiar with wood, design, and building techniques
- WFC companies small & poorly resourced
- Design institutes see WFC as small scale and time consuming
Opportunities for WFC in China

• 96% of end users of wood framed buildings were satisfied
• WFC forecast to rise from 3m to 3.5m m²/yr between 2013 and 2017.
• Shift in share from single-family residential to resort and non-residential structures.
• Canada Wood & European Wood focusing on demonstrating WFC benefits including
  – low carbon and energy-saving
  – fast construction
  – less disturbance to nearby residents
  – excellent seismic performance
  – lightweight prefabricated - easy transport & assembly
Chinese Government Directive

- Swedish Wood report - 25 September 2015
- China’s Minister of Housing and Urban-Rural Development Directive to increase use of wood in contexts such as rooftop extensions, curtain walls, tourist facilities, schools, hospitals and other official buildings
- Authorities preparing plan to include tax incentives and financial instruments to promote wood construction.
- Expert committee to be appointed to assess, monitor and take decisions on key projects within wood construction, including demonstration projects
- New codes and standards to facilitate use of wood components in buildings
Thank you!

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