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Declining dwelling approvals, steady softwood timber imports and softening MGP10 and MGP12 timber prices over the December quarter 2011

Today URS released the December quarter 2011 edition of the Australian Timber Market Survey (TMS) report. The TMS reports on timber price movements collected through a quarterly survey of the buying price of timber products by timber wholesalers and merchants in eastern Australia.

The Australian housing market continued to soften over the December quarter 2011. There were approximately 33,500 new dwelling approvals, a fall of around 12.8% from the September quarter. Any influence of lower interest rates on new dwelling approvals are likely to be realised over the first half of 2012. The value of alterations and additions, which relate to the home renovation market, remained steady at around $1.6 billion over the December quarter (an increase of around 1.1%).

Weaker conditions in the housing market have contributed to lower prices for timber products used in housing construction. This quarter's TMS results showed prices for MGP10 and MGP12 structural softwood products falling by around 0.4% to 1.0%. MGP10 and MGP12 product prices showed varying trends at the state level. Prices remained steady over the quarter in New South Wales. However, there were mixed price movements in Victoria (ranging from -1.9% to 0.7%) and widespread price falls in Queensland (ranging from -2.3% to -0.8%). In contrast to structural product prices, outdoor timber product prices have been relatively steady over 2011, particularly for treated sleepers.

Imports of softwood sawn timber rose to around 158,000 cubic metres over the December quarter, a moderate increase of around 1.1% since the previous quarter. This continues a period of relative steadiness for softwood timber imports, despite a downturn in the housing construction market. Imports of softwood plywood and veneer timber products rose to around 82,400 cubic metres over the December quarter, an increase of around 7.7% from the previous quarter. This continues a general upward trend for plywood and veneer imports that started over the second half of 2009. Over this same period, the TMS has recorded a downward trend in the price of Plywood C/D grade products.

Prices for kiln dried hardwood structural products F17 and F27 increased by around 0.7% and 1.2%, respectively, over the six months to December 2011. Meanwhile, price movements were mixed for hardwood flooring and joinery appearance grade products. Prices for Victorian Ash and Tasmanian Oak flooring products continued on a general upward trend, while price movements for some Spotted Gum and Blackbutt flooring products showed moderate price falls.

Unlike recent trends in softwood timber imports, hardwood timber imports have not experienced significant increases following the global financial crisis. Imports of hardwood sawn timber fell to approximately 20,500 cubic metres over the December quarter 2011, a decrease of around 9.5% from the September quarter. The majority of hardwood sawn timber imports were sourced from Malaysia (35%) and Indonesia (33%).

About the Timber Market Survey

The quarterly Timber Market Survey report provides comprehensive information on timber price movements and market trends in Australia. It contains national price indexes for a range of timber products, as well as an update on economic conditions influencing wood product markets and the latest trade data. Price data presented in the report are collected through quarterly surveys of a representative sample of timber market participants in eastern Australia. All Timber Market Survey reports contain pricing information for softwood timber, panel and engineered wood products. In addition, the June and December quarter editions include pricing information for hardwood timber products.

The Timber Market Survey is prepared by URS. As one of the largest and longest established forest sector consultancies in Australia, New Zealand and Asia, URS has an extensive understanding of the forest sector in our region. URS provides professional services to the forest sector for all components of the forest product chain including forest management and technical forestry skills, due diligence, economics, policy, community and regional development, business management and market intelligence.