

March 2025 Market Update

And just like that summers' over. I'm not sure if time goes faster as you age but it only feels like summer began last month. Maybe it's because I especially dislike winter. All the firewood you diligently cut, split and stacked disappears, trucks start getting stuck, road maintenance costs climb and the export market generally tanks – you can pretty much set your watch by it. It would be good to be like the Americans and park the logging gear up during the wet season, go play ice hockey and drink whiskey. Unfortunately, our system isn't set up like that and the finance companies and staff wouldn't see the humour in not getting paid for 4 months of the year.

Having said that, summer has been very forest owner friendly in terms of both weather and prices. We have seen some reasonably consistent price increases for the past 6 months and A grade has now maintained its magical \$130/m³ level for the past couple of months. Considering the uncertainty the globe is facing at present, we're doing better than was generally expected. Probably not the time to go trotting off to the travel agent yet though as we enter the snipers' alley of export price corrections.

Other than 2021, the past 6 years have seen falls of between \$20 and \$30/JAS between April and July as the post Chinese New Year (CNY) hangover sets in good and proper. The 64-million-dollar question is will 2025 be different? Post CNY the on-port inventory is sitting slightly over 4 million m³ and uplift has increased to between 60 and 65,000 m³ per day which is solid, FOREX is playing the game at \$US0.57 and shipping is in the high \$US20's to early \$US30's. There are reports of pressure on the in-market sales prices (even though some exporters pushed for increases in March) and the general consensus is a softening of some sort in coming months.

Then there's the Trump tariffs. Put them on, take them off, postpone them, change them, drop them, increase them, it's like a tariff lollie scramble but no one wants to catch one. There's been some retaliation from larger players and quite coincidentally, China has found quarantine pests in a load of logs from the USA subsequently suspending any imports – sheesh, who would have thought? NZ can take that as a very small win as the USA accounts for 5% of the total softwood imports into China and every bit of competition taken out of the market helps.

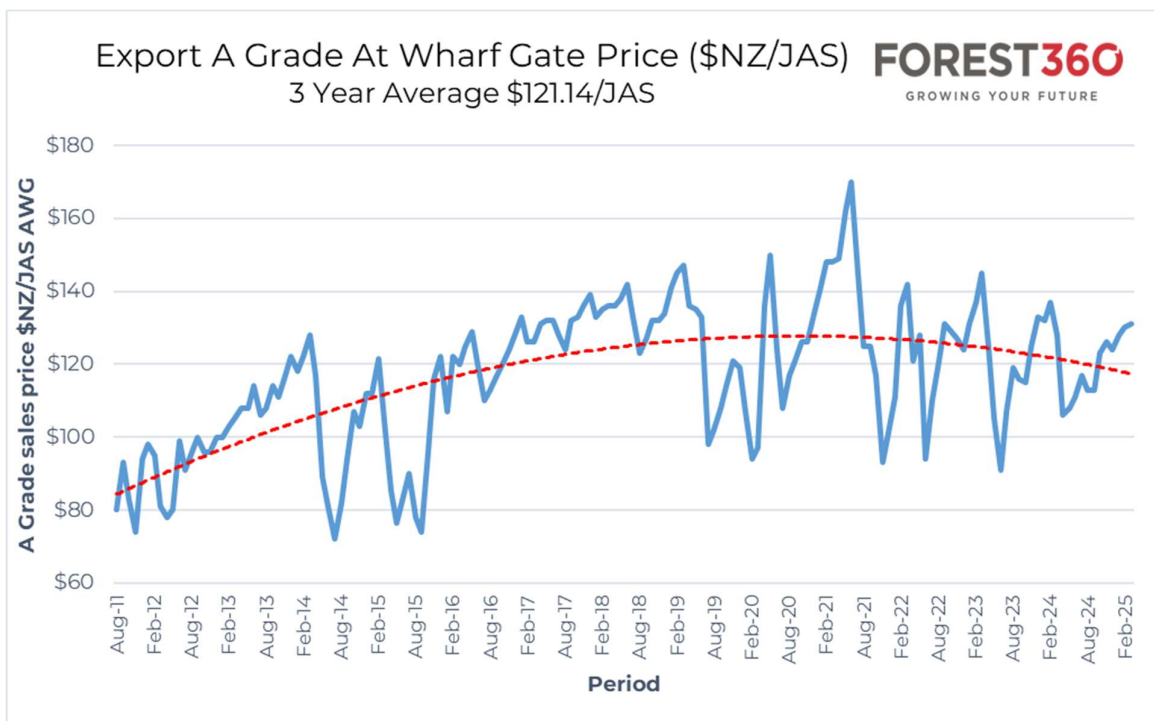
A recent Reuters post stated that the China Communist Party Housing Minister, Ni Hong, announced that China's property sector is showing positive changes, and that market confidence is improving. Hong said that “since January and February, the real estate market maintained a positive trend of stopping declines and returning to stabilization”. This, however, goes against what most analysts polled by Reuters thought and the expectation is that a recovery is not going to kick in until 2026. Let's hope that the Chinese populus starts drinking Hong's Kool-Aid sooner rather than later.

India continues to be a non-event with prices softer than a mango lassi due to high deliveries and low demand. This has been the primary market for Australian export logs since their very own 'quarantine pest problem' in China. Many Australian exporters are once bitten twice shy and very unlikely to want to take the risk of China on again.

Expectations that NZ can be large players in the Indian market are a bit far fetched as there are countries with ample supply that are much closer, fumigation is difficult and Indian port infrastructure is sub-par to say the least.

Back home, construction stats don't paint a very good picture. They're still a Monet compared to the Chinese construction sector but not the da Vinci that was the NZ construction boom in 2021 & 2022. Statistics NZ has just released data showing residential construction was down 4.9% in Q4 2024, a whopping 25% behind Q3 2022. The non-residential numbers aren't much better with negative growth of 7.1% in Q4 2024. It's likely we'll see a reversal of this trend in the first half of 2025 with lowering interest rates and boosted confidence from the departure of the Reserve Bank Governor. Interestingly, weakness in the construction sector hasn't manifested into too many sawmill demand issues with both sawlog prices and demand relatively stable.

Carbon hit a 2-month low last week at an NZU spot price of \$61.55. The next Govt NZU auction is on the 19th of March with 1.5M units available. There's more chance of people making their own school lunches as there is of a partial or full clearance at the auction.



So here we are, enjoying what BBQ weather is left before it starts raining, and rain it will. Having had an extremely dry summer in many parts of the country, the law of averages will more than likely kick in and balance the rain gauge which will have a knock-on effect with lower NZ supply levels. Meanwhile, I'm off to buy a hockey stick, some ice skates and a case of Jack Daniels.