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Recapping “Economic Outlook for the Forest Products Industry”

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Without question, this economic recovery has been subpar, despite aggressive actions by the Federal Reserve to promote growth. Several factors have constrained the economic recovery. Two of the main culprits - cuts in government spending and the lack of the housing recovery.

Factors of particular concern to the Hardwood Industry include:

- the sluggish recovery in single family housing starts due to the lack of household formations and the inability for younger adults to buy a house,
- how stronger growth in industrial production (key to the pallet industry) and the fall in oil rigs after the collapse in oil prices (road and mat timbers) are affecting demand for low value hardwoods,
- the recent events in China and how they are affecting demand for wood products, particularly softwood lumber and log exports.

The **good news** is that after evaluating recent developments, the basic drivers appear to be improving and suggest that overall growth should continue to improve through 2016. And over the next few years, rising wages and employment should bolster housing starts.

Bottom line: The U.S. economy looks poised to grow well over the next few years. This also means that as unemployment falls, business managers need to plan on rising interest rates and higher wages. The biggest risks remain to be international issues, including the strong dollar and weaker growth in China.