

Challenges and Opportunities in International Wood Products Trade

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International Wood Products Association

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Presentation Overview

❖ **Overview of IWPA**

- Mission
- Members
- Priorities

❖ **Assessing Key Economic Factors**

- Demand for Wood Products
- Inflation
- Supply Chain Disruptions



Overview of IWPA



About IWPA

- Leading North American trade association for the international wood products industry
 - Established in 1956; based in Alexandria, Virginia, USA
- Members include North American importers, overseas suppliers and producers, and service providers (e.g. insurance, brokers, ports)
- Mission is to build acceptance and demand in North America for globally sourced wood products from sustainably managed forests.



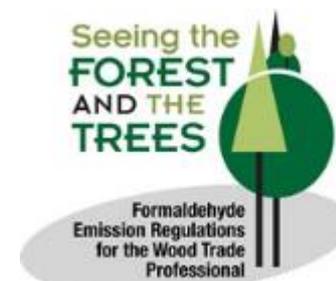
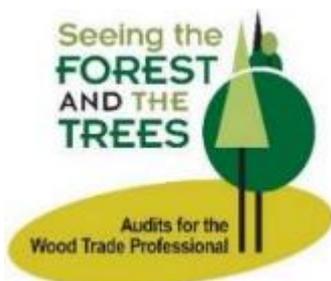
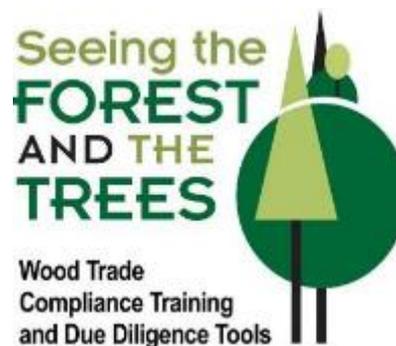
Core Activities



- Promote globally sourced wood products
- Advocate with U.S. and foreign governments for fair trade policies
- Annual International Wood Magazine (left)
- Annual convention & fall Washington fly-in – beneficial networking
- Weekly E-News – valuable industry insights

Wood Trade Compliance Training

- Assist and train companies in wood trade compliance
- Currently building online and in-person (U.S.) training offerings



Leadership & Priorities

- Committed to supporting the legal and sustainable harvesting of wood products from around the world
- New Executive Director in September 2021
 - Bradley McKinney succeeds Cindy Squires
- Priorities
 - 1) Recruit and Retain Members
 - 2) Sustain Excellence in Member Service
 - 3) Reinforce Public Affairs Activity





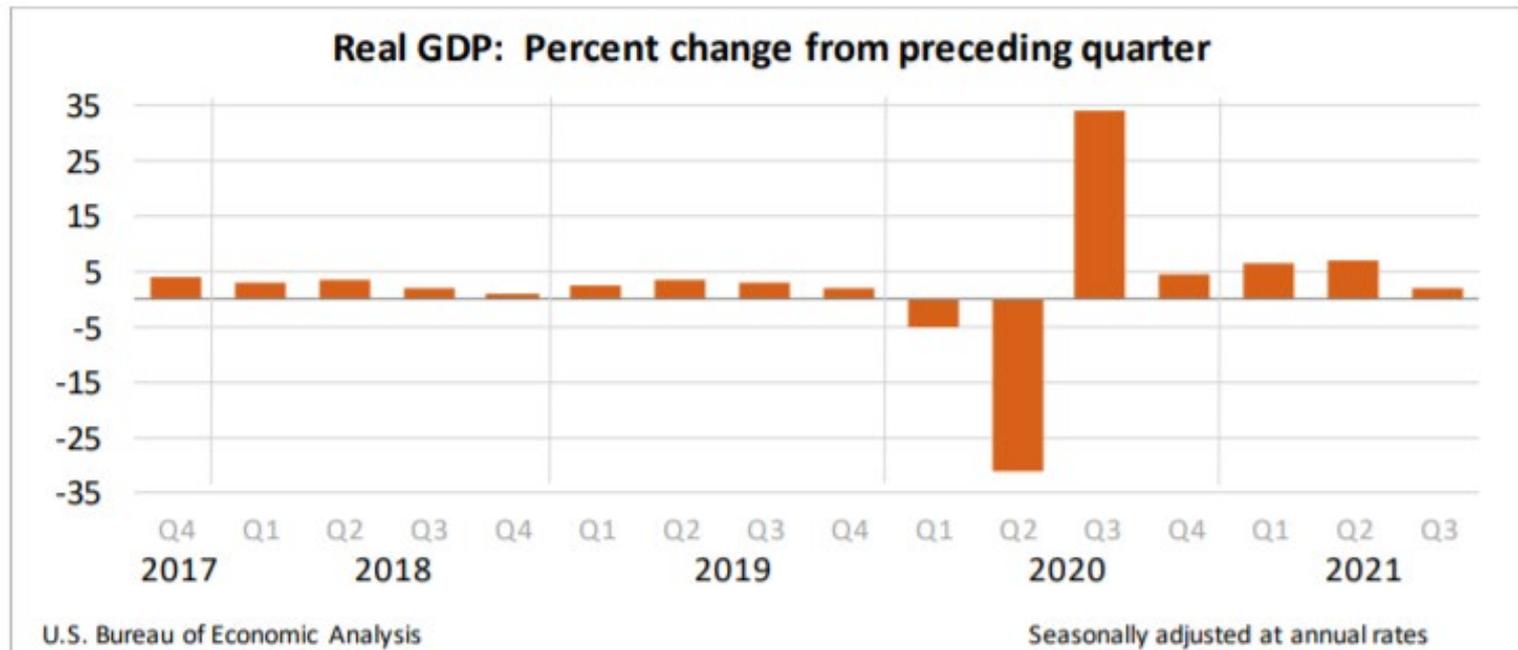
Assessing Key Economic Factors



Key Economic Factors

- U.S. GDP
- North American Demand
- Inflation
- Supply chain challenges

U.S. Economy at a Glance



- U.S. real GDP increased 2.1% in Q3 of 2021
- It had increased 6.7% in Q2 and 6.4% in Q1

North American Demand

- Demand for imported wood products is high
- **First Indicator**: Home Construction
 - Spending jumped 37.4% on the year through September
 - Annualized rate of \$452B is second-highest total on record
- **Second Indicator**: Home Repairs and Remodeling
 - Annualized rate of \$259.3B up nearly 12% over record 2020
- Americans' inflation-adjusted wages are high, and rising

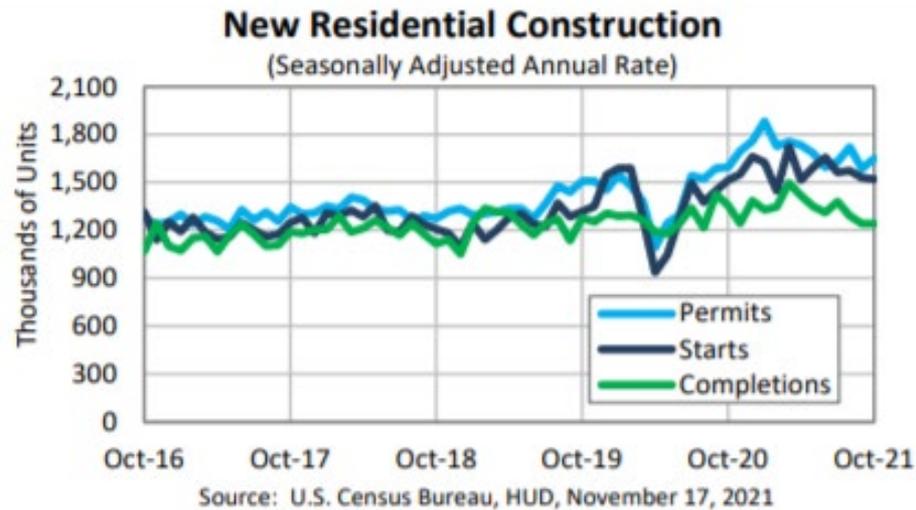
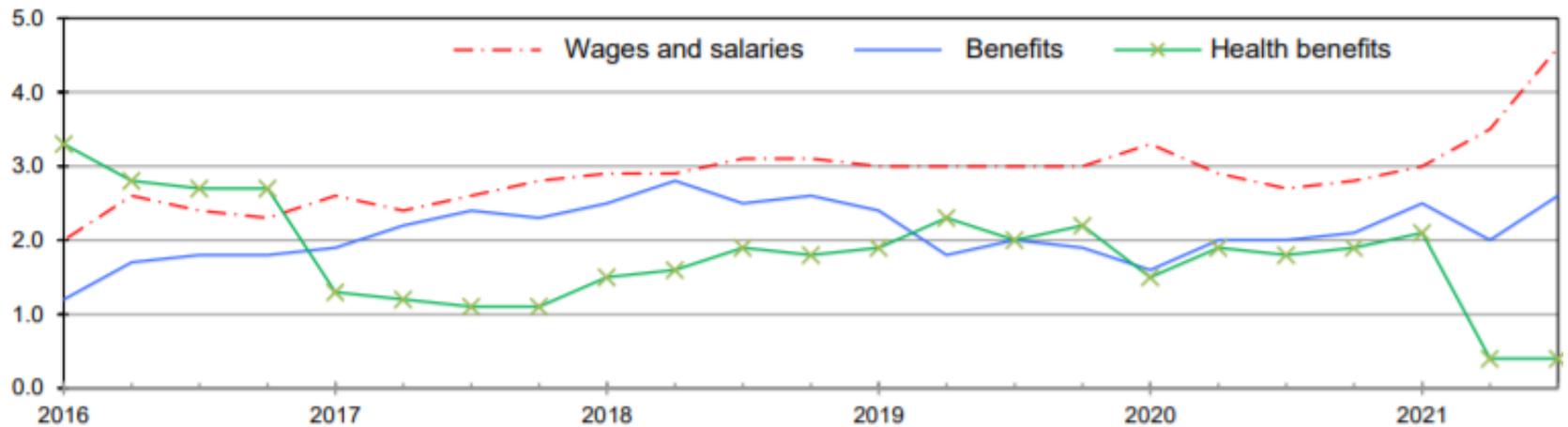


Chart 3. Twelve-month percent change, not seasonally adjusted, private industry workers

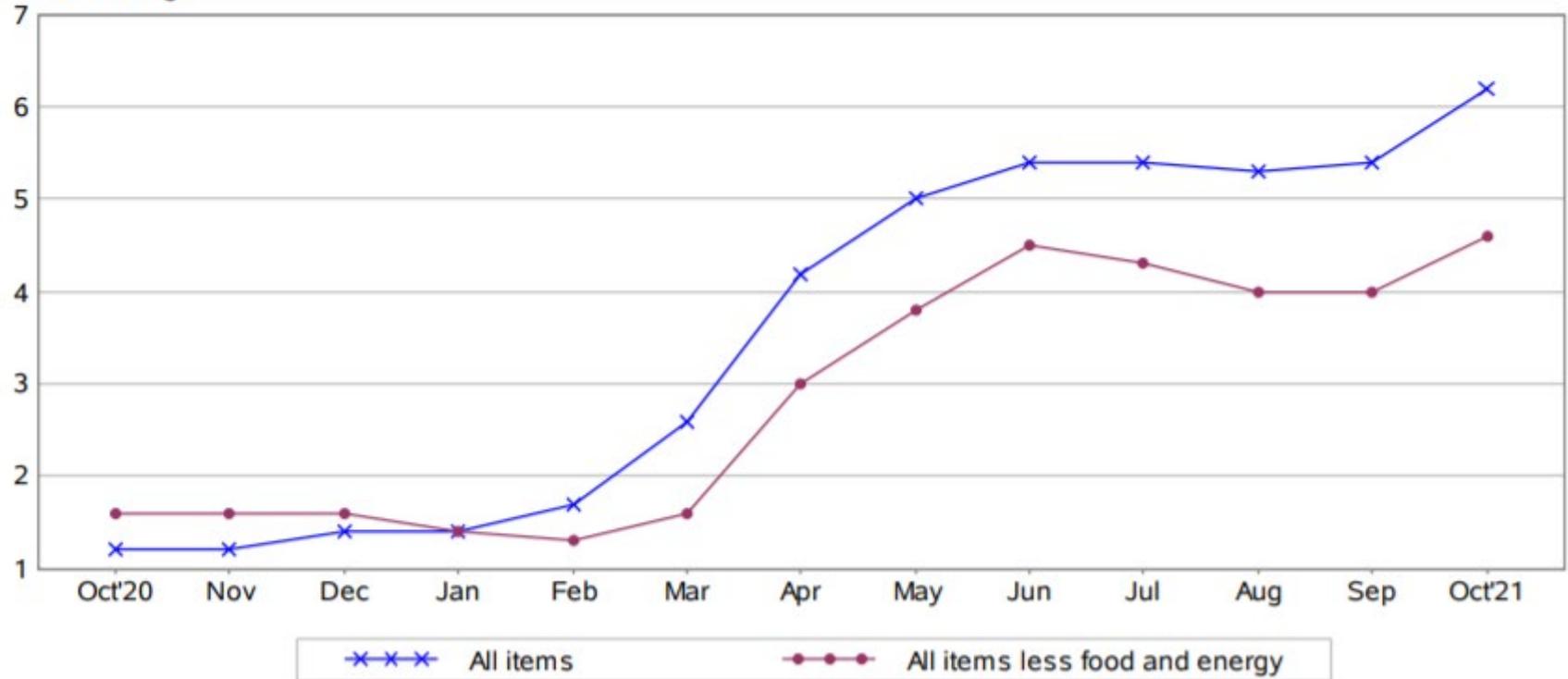


Source: Bureau of Labor Statistics, EMPLOYMENT COST INDEX, September 2021

Inflation

- U.S. annual inflation rate is 6.2%
 - Highest in over 30 years
- Main indicator of inflation is the **Consumer Price Index (CPI)**
 - CPI measures of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services.
- Inflation eats into consumer purchasing power, and can lead to rising costs for companies, eating into margins and profitability

Chart 2. 12-month percent change in CPI for All Urban Consumers (CPI-U), not seasonally adjusted, Oct. 2020 - Oct. 2021
Percent change



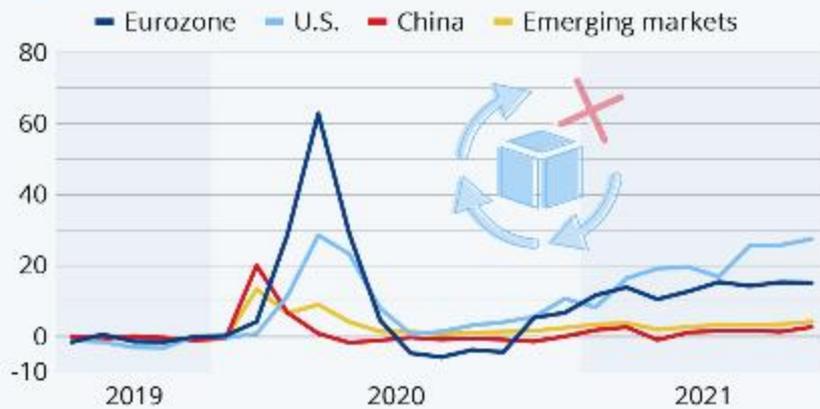
Source: Bureau of Labor Statistics, [CONSUMER PRICE INDEX](#), October 2021

Supply Chain Disruptions

- Sales of tropical hardwood lumber in North American limited mostly by supply chain constraints
- Low supply of tropical hardwoods makes it difficult to meet the high demand
 - Inventories low, lumber hard to come by
- White House Supply Chain Disruptions Task Force

Supply Chain Disruptions Make a Comeback

Index of global supply chain disruptions (100=most disrupted)



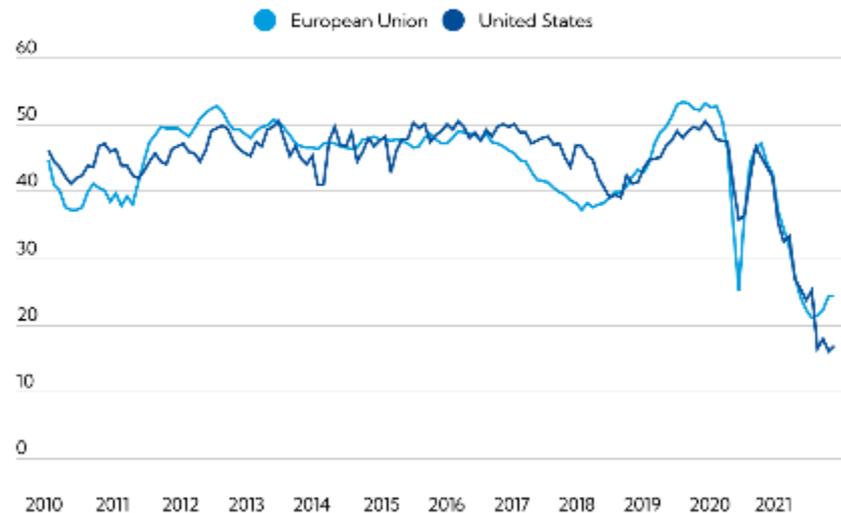
Based on the difference between the supply delivery times subindex and the supply delivery times based on manufacturing output subindex (both part of the PMI)

Source: IMF



Backlogs and bottlenecks: supply chain turmoil

Suppliers' delivery times in the US and EU have slowed considerably – a lower index reflects longer delivery times. (Manufacturing PMI, suppliers' delivery times)



Sources: IHS Markit.

Note: PMI=Purchasing Managers' Index. Readings above 50 indicate faster delivery times, readings at 50 signal no change, and readings below 50 indicate slower.



Source: Statista, <https://www.statista.com/chart/25960/supply-chain-disruption-index/>

Source: International Monetary Fund, IMF Blog, Longer Delivery Times Reflect Supply Chain Disruptions, Oct. 25, 2021, <https://blogs.imf.org/2021/10/25/longer-delivery-times-reflect-supply-chain-disruptions/>

Conclusion

- ❖ Demand is high, but supply chain disruptions complicate meeting that demand
- ❖ Inflation eating into purchasing power and profitability, but incomes and sales are strong
- ❖ Supply chain disruptions likely to continue, challenging global value chains

Thank You

Contact Me Directly

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