



TEXAS

“The Texas economy continued moving forward at a strong pace.”

“Record job openings suggest that while the economy is still short of pre-COVID employment levels, it is not due to insufficient labor demand. **Joblessness fell despite hiring challenges** like childcare, the lingering pandemic, early retirement, and the possibility people are rethinking their career paths.”

“Oil prices increased substantially accompanied by strong gas price growth, triggering job recovery in the oil and gas sector.”

“Containment of the pandemic is vital, because additional waves of infection can weigh on consumer behavior and slow the return to pre-pandemic conditions.” – Feb 2022 – Outlook for the Texas Economy for Oct 2021– Real Estate Research Center

AUSTIN

“The Austin economy continued to expand in November. The Austin Business-Cycle Index increased, led by solid employment gains and a lower unemployment rate. **The labor force also posted strong growth.** Since mid-December, however, COVID-19 hospitalizations have surged. Housing affordability improved in the third quarter, and **existing-home sales were positive in November.**” – Jan 2022 – Austin Economic Indicators – Dallas Fed

UNITED STATES

“The unemployment rate fell, real consumer spending was unchanged, **and inflation remained elevated.**

Real disposable income fell in November. The level was unchanged over the year, putting it below its trend growth path.

Core PCE inflation over the year increased in November, with prices for durable goods rising twice as fast as prices for services. Core CPI inflation picked up in December.

The 10-year Treasury yield rose, with estimates attributing the increase to a higher term premium.

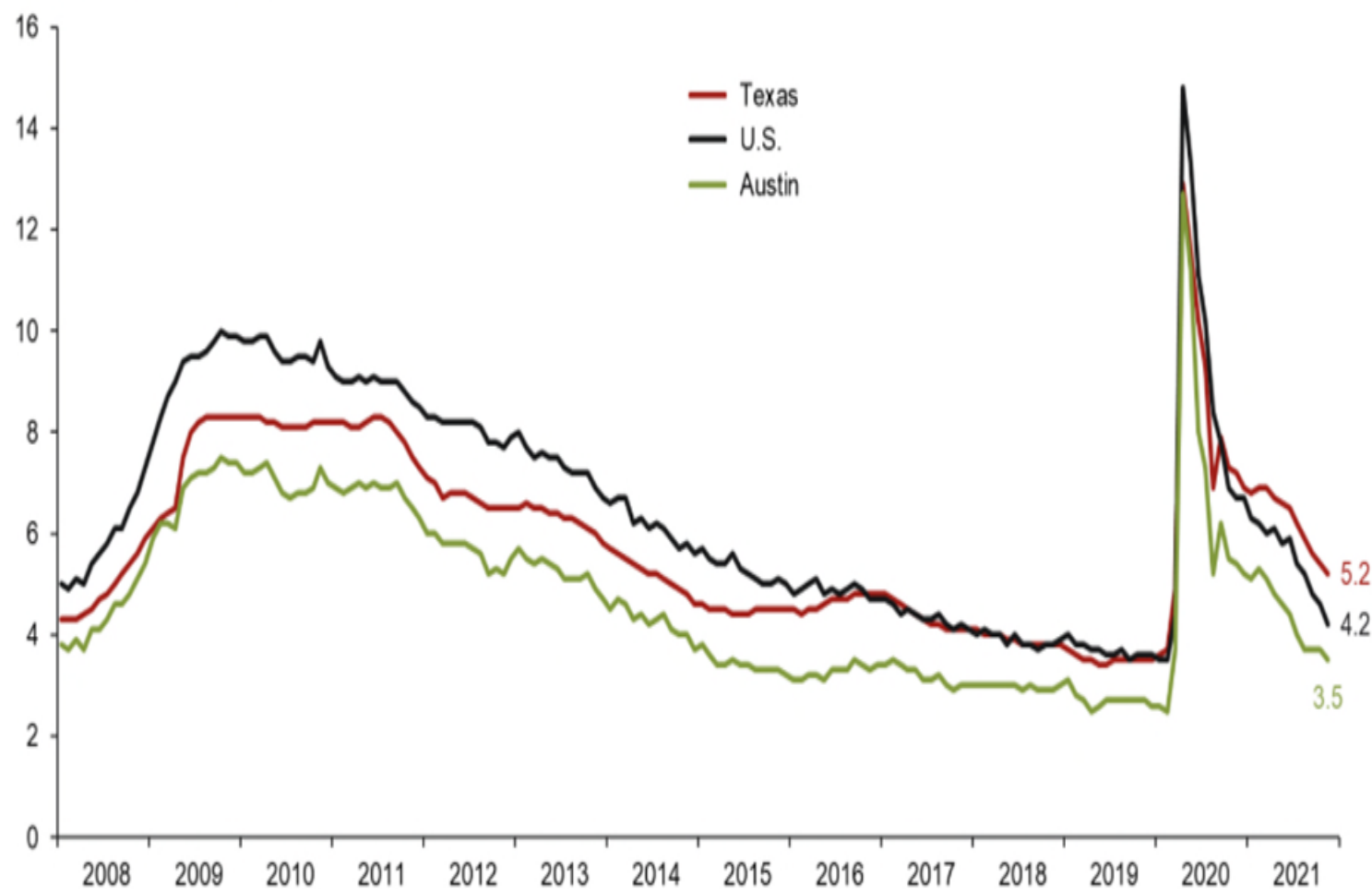
The market-implied federal funds rate path shifted up over the month.” – Dec 2021 – U.S. Economy in a Snapshot – NY Fed

JOBS - UNEMPLOYMENT RATES – AUSTIN MSA, TEXAS, U.S.

“Austin’s unemployment rate dropped to 3.5 percent in November, the lowest since February 2020. This is well below the state’s jobless rate of 5.2 percent and the nation’s rate of 4.2 percent.” – Jan 2022 – Austin Economic Indicators – Dallas Fed

Unemployment Rate

Percent, seasonally adjusted



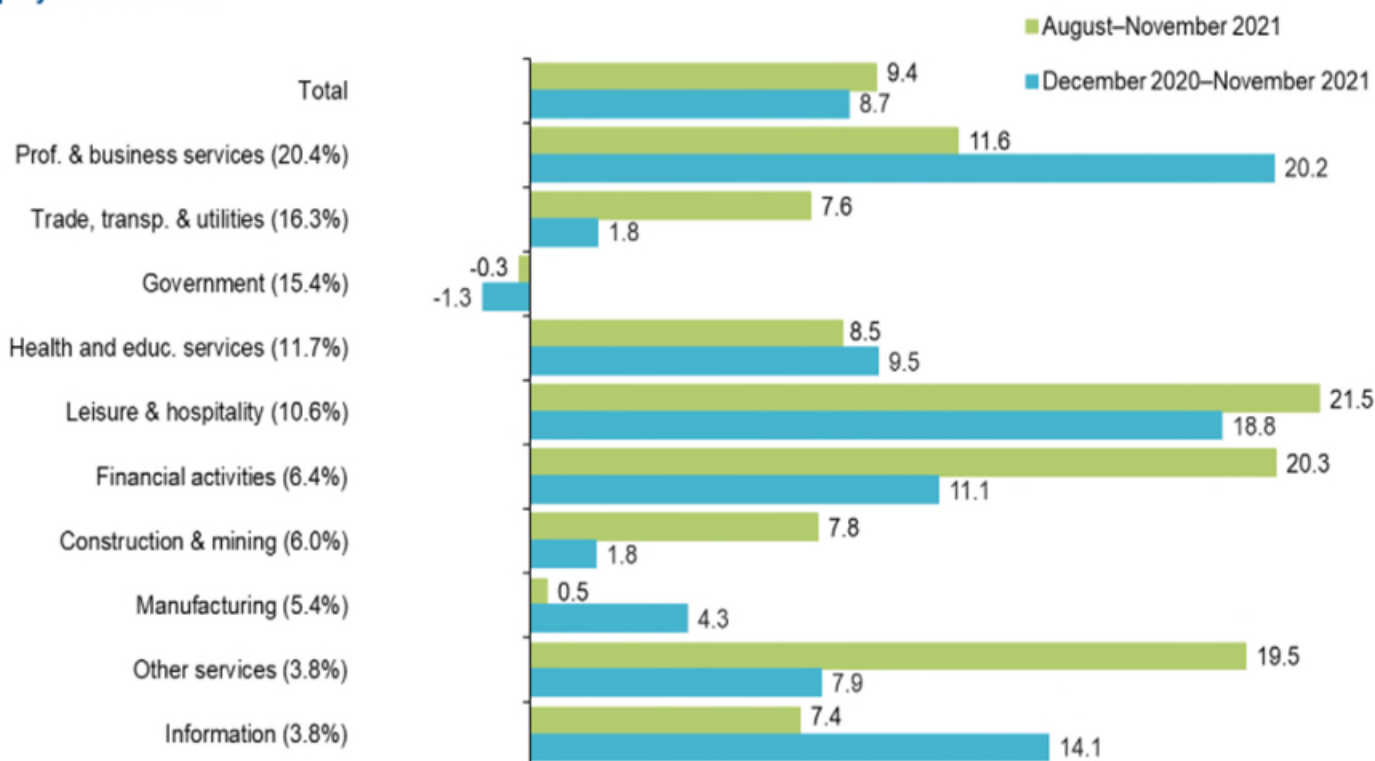
SOURCE: Bureau of Labor Statistics.

Provided by Federal Reserve of Dallas – Austin Economic Indicators – Jan 2022

JOBS – EMPLOYMENT GROWTH RATE – AUSTIN

“Austin employment strengthened an annualized 9.4 percent, or by 26,671 net jobs, in the three months ending in November. Leisure and hospitality led the growth (up 21.5 percent, or 6,062 jobs) and was followed by financial activities (up 20.3 percent, or 3,485 jobs) and other services (up 19.5 percent, or 1,976 jobs). The only sector with a net contraction was government (down 0.3 percent, or 128 jobs). As of November 2021, Austin payrolls were 4.7 percent above February 2020 levels; by May 2021, the region had recovered all 140,707 jobs lost at the onset of the pandemic.” – Jan 2022 – Austin Economic Indicators – Dallas Fed

Employment Growth



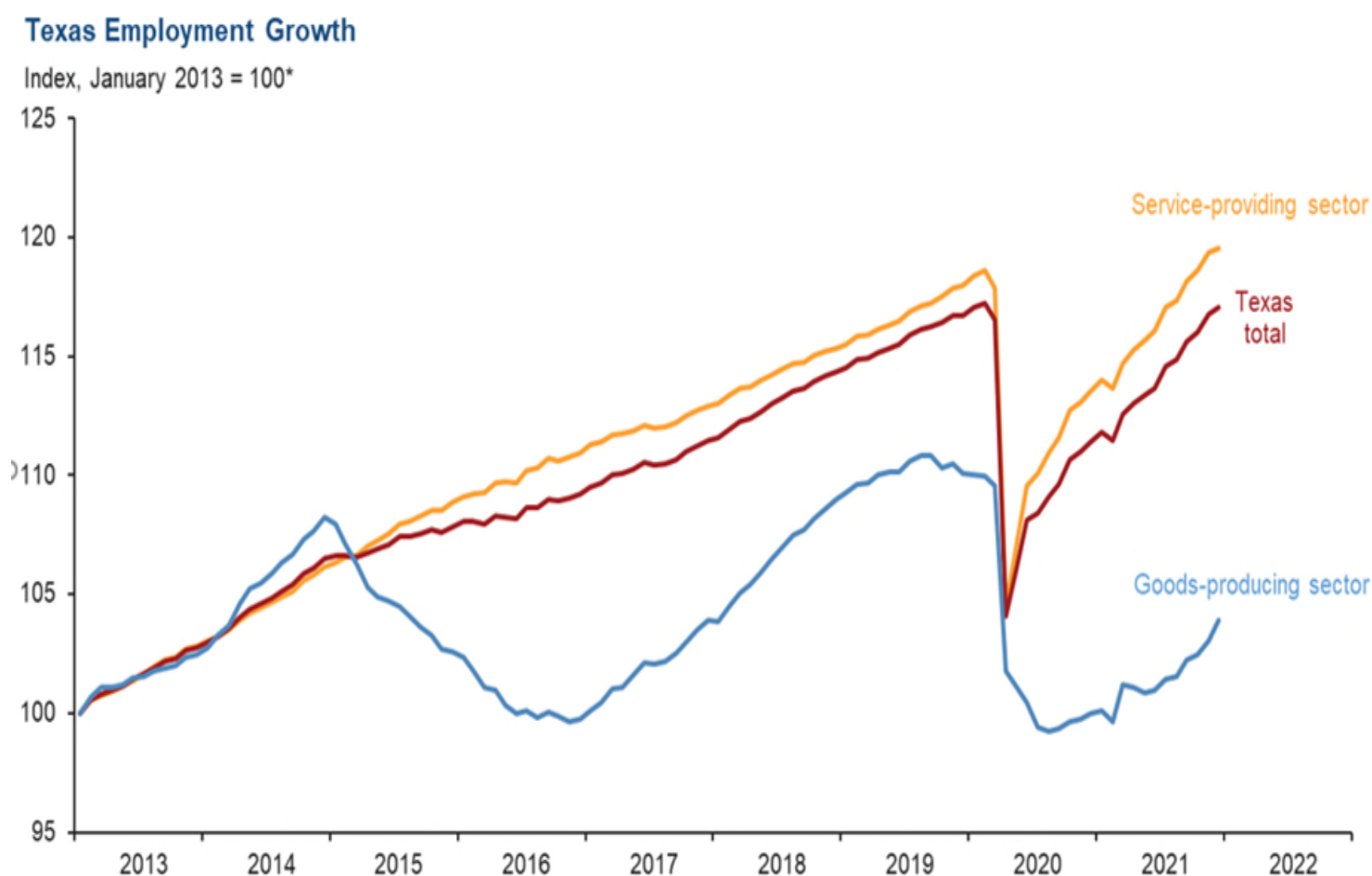
NOTE: Data show seasonally adjusted and annualized percentage employment growth by industry. Numbers in parentheses represent the share of total employment and may not sum to 100 due to rounding.

SOURCE: Bureau of Labor Statistics; Texas Workforce Commission; adjustments by the Dallas Fed.

Provided by Federal Reserve of Dallas – Austin Economic Indicators – Jan 2022

JOBS – EMPLOYMENT GROWTH – TEXAS

“**Texas employment expanded an annualized 3.1 percent** in December after growing an upwardly revised 7.9 percent in November. For 2021, job growth in the service sector was 5.3 percent, surpassing the goods-producing sector’s 3.9 percent increase. **The service sector is now 0.8 percent above prepandemic levels in February 2020**, and the goods-producing sector is inching closer at 5.5 percent below prepandemic levels.” – Jan 2022 – Texas Economic Indicators – Dallas Fed



*Seasonally adjusted.

SOURCE: Bureau of Labor Statistics; Texas Workforce Commission; adjustments by the Dallas Fed.

Provided by Federal Reserve of Dallas – Texas Economic Indicators – Jan 2022

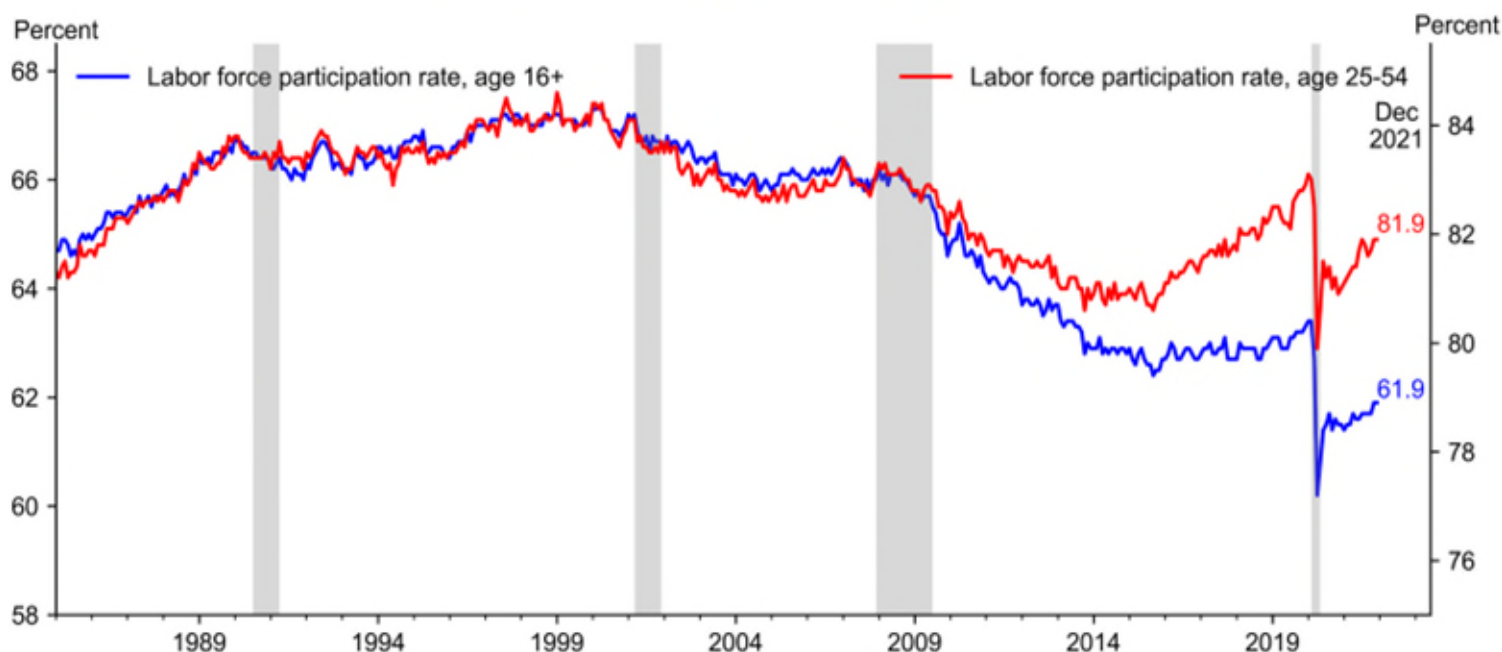
JOBS – LABOR PARTICIPATION RATE IN THE U.S.

“The labor force participation rate was unchanged at 61.9 percent in December but remains 1.5 percentage points lower than in February 2020. The employment-population ratio increased by 0.2 percentage point to 59.5 percent in December but is 1.7 percentage points below its February 2020 level. Over the year, these measures have increased by 0.4 percentage point and 2.1 percentage points, respectively.

The number of persons employed part time for economic reasons, at 3.9 million in December, decreased by 337,000 over the month. The over-the-year decline of 2.2 million brings this measure to 461,000 below its February 2020 level. These individuals, who would have preferred full-time employment, were working part time because their hours had been reduced or they were unable to find full-time jobs.

The number of persons not in the labor force who currently want a job was little changed at 5.7 million in December. This measure decreased by 1.6 million over the year but is 717,000 higher than February 2020.” – Jan 2022 – News Release – Bureau of Labor Statistics

Labor Force Participation



SOURCES: Bureau of Labor Statistics.

Provided by Federal Reserve of Dallas – U.S. Economy Charts – Jan 2022

HOUSING – EXISTING HOME SALES – AUSTIN MSA

“November existing-home sales in Austin expanded 2.3 percent after posting a 6.2 percent contraction in October. This compares with the state’s 1.9 percent gain in November and 0.8 percent decline in October. In the first 11 months of 2021, home sales were up 3.4 percent in the metro and 7.3 percent in the state relative to the same period in 2020. In November, the median price of homes sold was a record high of \$480,873 in the metro, a 21.6 percent rise year over year. At the state level, the median price of homes sold was \$318,922, a 9.8 percent jump.” – Jan 2022 – Austin Economic Indicators – Dallas Fed

Existing-Home Sales

Index, January 2009 = 100*



*Seasonally adjusted.

NOTE: Data measure sales of residential units (single-family homes, condominiums and townhomes).

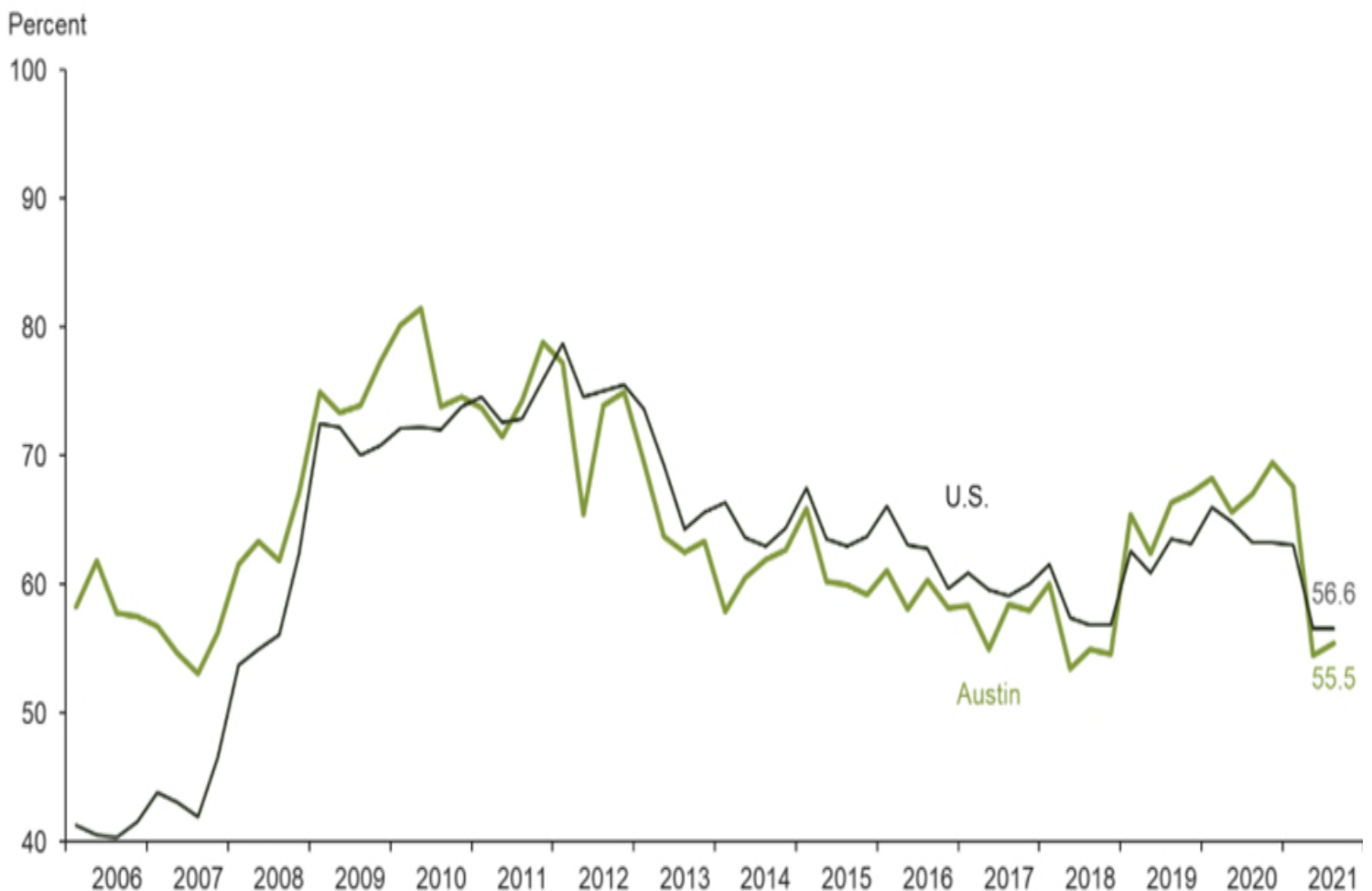
SOURCE: Multiple Listing Service; Real Estate Center at Texas A&M University; adjustments by the Dallas Fed.

Provided by Federal Reserve of Dallas – Austin Economic Indicators – Jan 2022

HOUSING AFFORDABILITY – AUSTIN

“Housing affordability in Austin, defined as the percentage of homes sold that the median-income household can afford, improved slightly to 55.5 percent in the third quarter after falling 13.1 percentage points in the second quarter. Affordability was unchanged at the national level at 56.6 percent. Since the pandemic hit (first quarter 2020), housing affordability has retracted 12.8 percentage points in Austin and 9.4 percentage points in the nation.” – Jan 2022 – Austin Economic Indicators – Dallas Fed

Housing Affordability

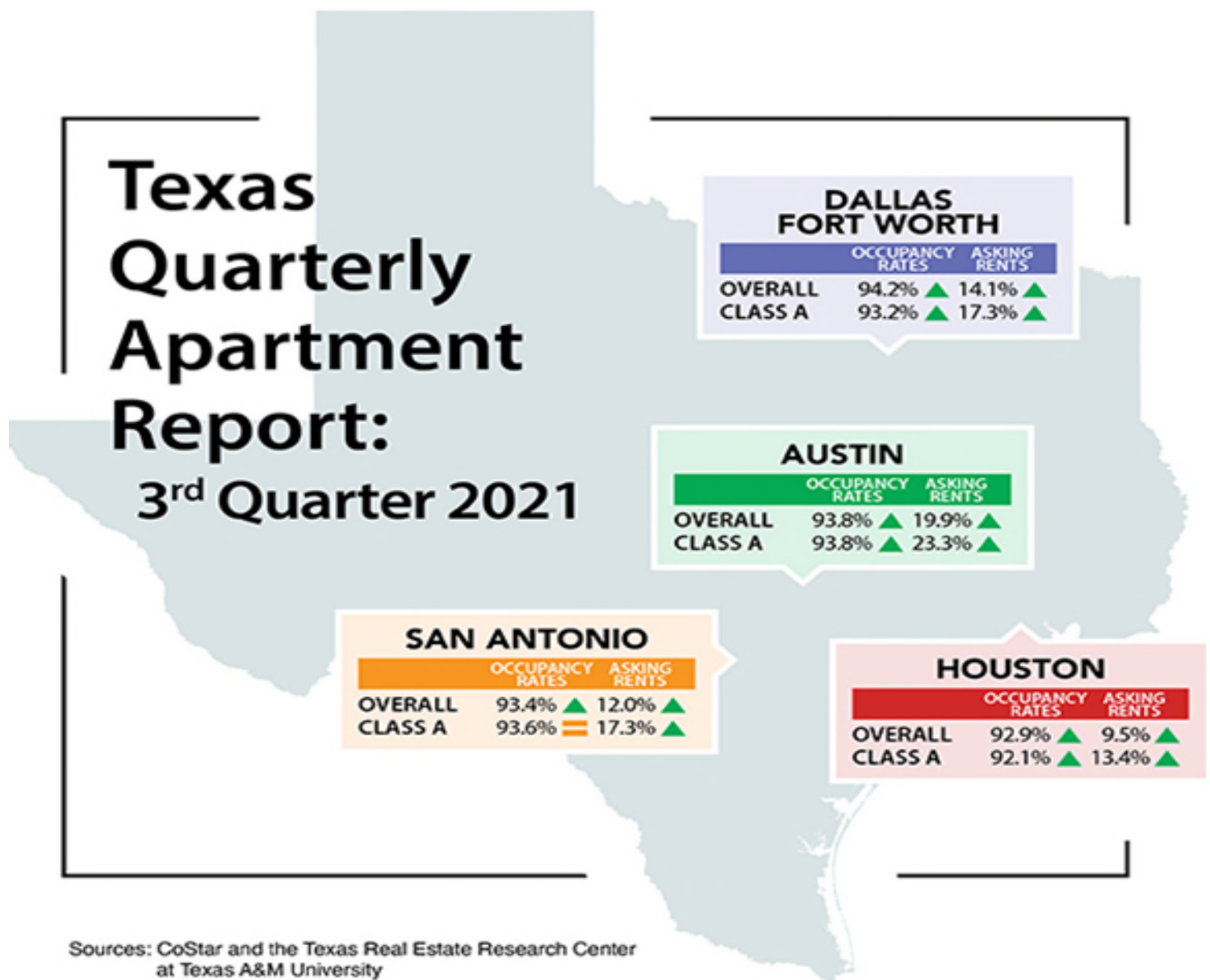


SOURCE: National Association of Home Builders/Wells Fargo.

Provided by Federal Reserve of Dallas – Austin Economic Indicators – Jan 2022

TEXAS QUARTERLY APARTMENT REPORT

The chart below was included in the Texas Quarterly Apartment Report prepared by the Texas Real Estate Research Center in December 2021.

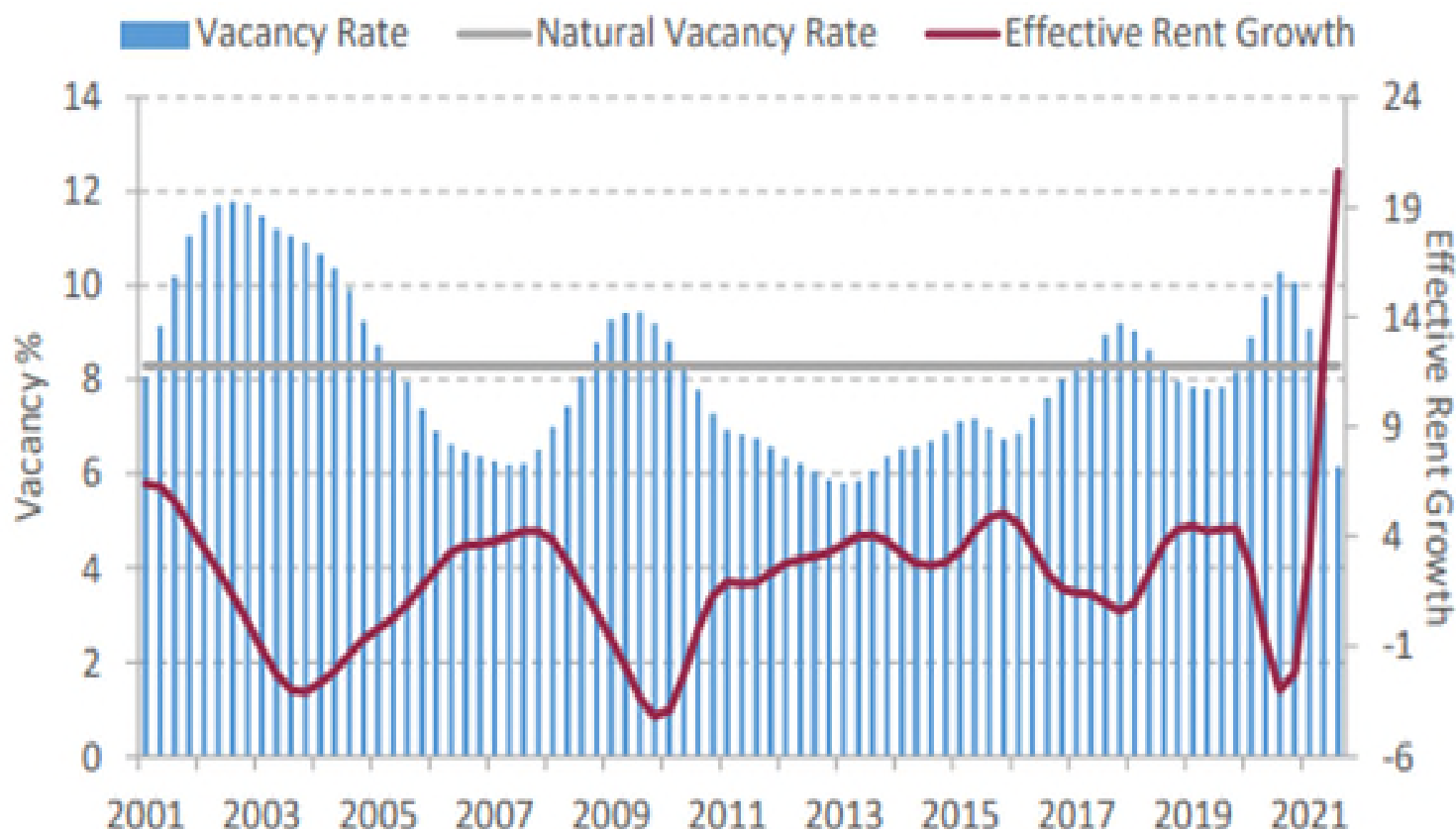


Class A properties represent highest quality apartments. “They are usually less than 10 years old and are often new, upscale apartment buildings. Average rents are high, and they are generally located in desirable geographic areas.” – multifamilypro.com

TEXAS QUARTERLY APARTMENT REPORT

The Austin-Round Rock Class A apartment market's actual vacancy rate continues to fall. It has remained below pre-pandemic levels since the beginning of 2021. Now at 6.2 percent, the vacancy rate has shrunk by more than half since 2Q2020 and is 2.8 percent below the natural vacancy rate of 9 percent. In line with overall data for Austin, **effective rents have presented a strong growth trend for Class A apartments this year. They are the highest they've been in nearly 20 years and are 23.3 percent higher than last year.** It remains the city with the largest effective rent growth rate among the four MSAs." – Dec 2021 - Texas Quarterly Apartment Report prepared by the Texas Real Estate Research Center.

Austin Overall Vacancy and Effective Rent Growth

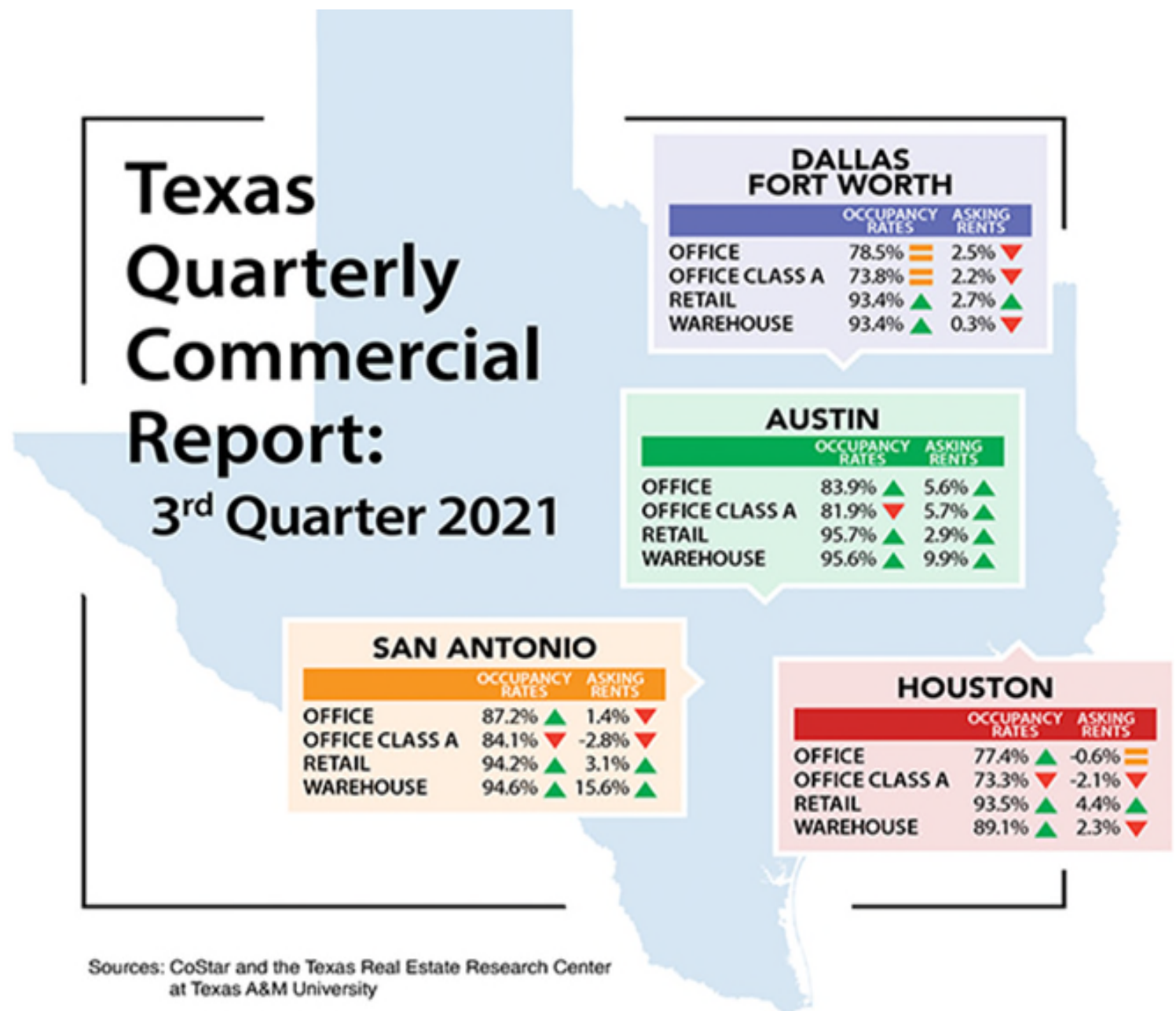


*Note: Seasonally adjusted and trend-cycle component.

Sources: CoStar and Texas Real Estate Research Center at Texas A&M University

TEXAS QUARTERLY COMMERCIAL REPORT

The chart below was included in the Texas Quarterly Commercial Report prepared by the Texas Real Estate Research Center in December 2021.



TEXAS QUARTERLY COMMERCIAL REPORT

Below are excerpts from Texas Quarterly Commercial Report prepared by the Texas Real Estate Research Center in December 2021.

OFFICE: “The office market has been exposed to some pervasive underlying changes in the work environment that will not be fully evident until employees return safely to the office. The appearance of the Delta and Omicron variants has delayed this return further.

Uncertainty surrounding the future hybrid work landscape will probably cause vacancies to remain high, resulting in **subdued rent growth in the coming years.**

The relationship between business employment growth and office demand has changed. **The pandemic showed firms can hire employees without increasing their demand for office space.** Office space will still be needed in sectors such as technology, life sciences, professional business, and financial activities.”

RETAIL: “The pandemic has accelerated the shift to e-commerce from brick-and-mortar retail. Still, some purchasing experiences cannot be duplicated online.

Retailers are increasingly using a hybrid store model that integrates the on-site experience with the online one.

The following factors will aid the retail sector: 1) the reopening of the economy due to the vaccines, which has led to strong economic growth and solid consumer demand; 2) and household preference for social interaction after being locked up during the pandemic.”

INDUSTRIAL: “This space has benefited greatly from the shift to e-commerce and need for distribution and warehousing centers.

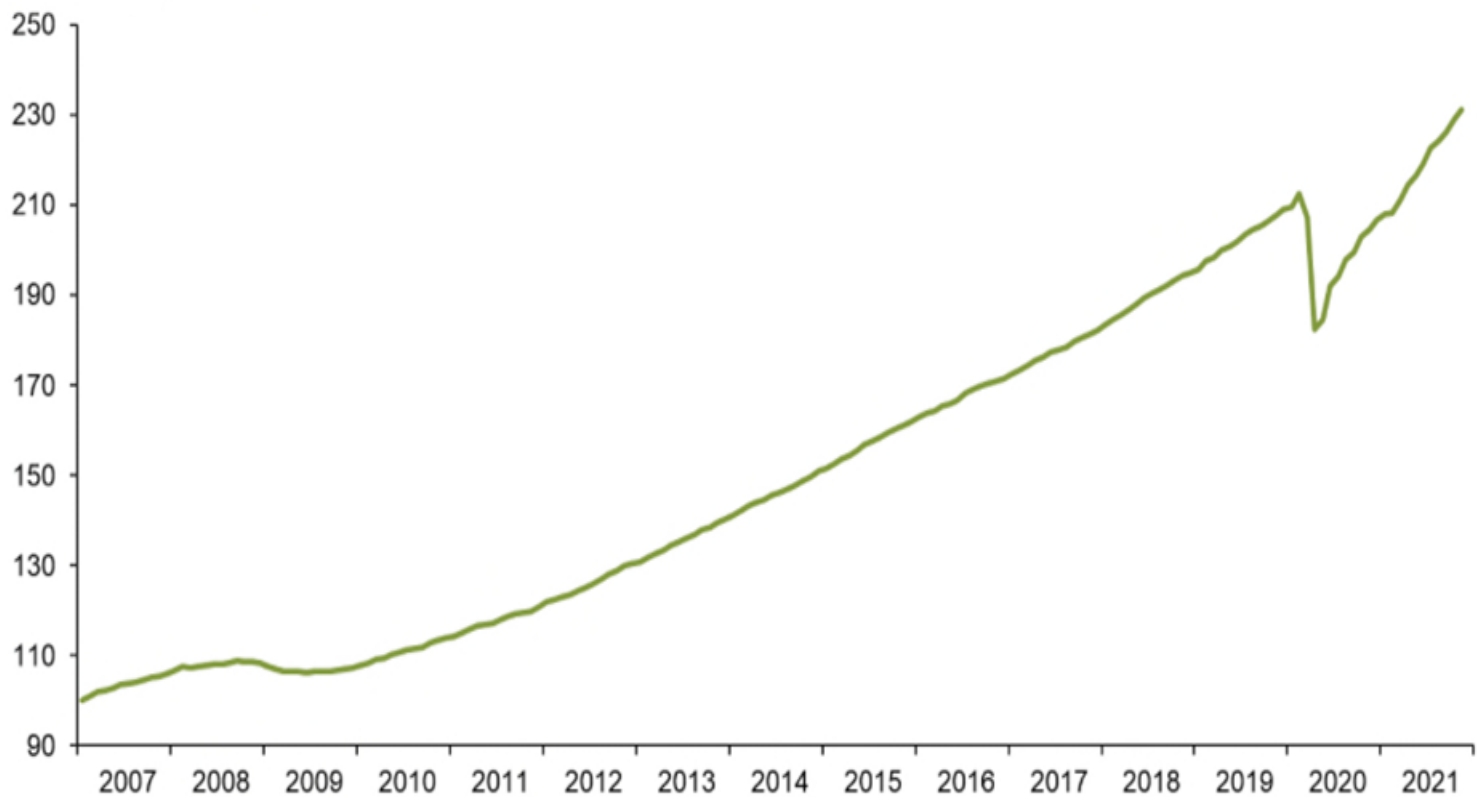
Industrial space will continue to be aided by the shift to e-commerce, increased inventory requirements and supply chain diversification in the coming years.”

BUSINESS CYCLE INDEX – AUSTIN MSA

“The Austin Business-Cycle Index – a broad measure of economic activity – rose an annualized 12.0 percent in November after growing a robust 16.8 percent in October.”– Jan 2022 – Austin Economic Indicators – Dallas Fed

Austin Business-Cycle Index

Index, January 2007 = 100



SOURCE: Dallas Fed.

Provided by Federal Reserve of Dallas – Austin Economic Indicators – Jan 2022

Business Cycle Indexes are meant to reflect broad movements in local economic conditions. The Dallas Fed states that “the [local area] indexes are constructed based on the aggregated movements in the local area unemployment rate, nonagricultural employment, inflation-adjusted wages, and inflation-adjusted retail sales. The weights of the components are statistically optimized for each metropolitan area in order to best capture the underlying cyclical movements in the local area economy.”

CONSUMER CONFIDENCE AND SENTIMENT – U.S.

“Consumer confidence improved further in December, following a very modest gain in November,” said Lynn Franco, Senior Director of Economic Indicators at The Conference Board. **“Expectations about short-term growth prospects improved, setting the stage for continued growth in early 2022. The proportion of consumers planning to purchase homes, automobiles, major appliances, and vacations over the next six months all increased.”**– December 22, 2021 – The Confidence Board

Surveys of Consumers, Chief economist, Richard Curtin, commented **“The Sentiment Index improved in December. The uptick was primarily due to significant gains among households with incomes in the bottom third of the distribution.”** **“There have only been five times in the past half century that income expectations among low-income households have exceeded the December 2021 level. The announced increase in Social Security payments of 5.9% in 2022 was partly responsible for the gain, and 5.0% increases in expected wage among the youngest workers.”** **“Consumers' evaluations of their current finances remained unchanged at lower levels due to the erosion of their living standards from rising inflation. One-in-four households specifically cited the negative impact of inflation on their living standards.”**

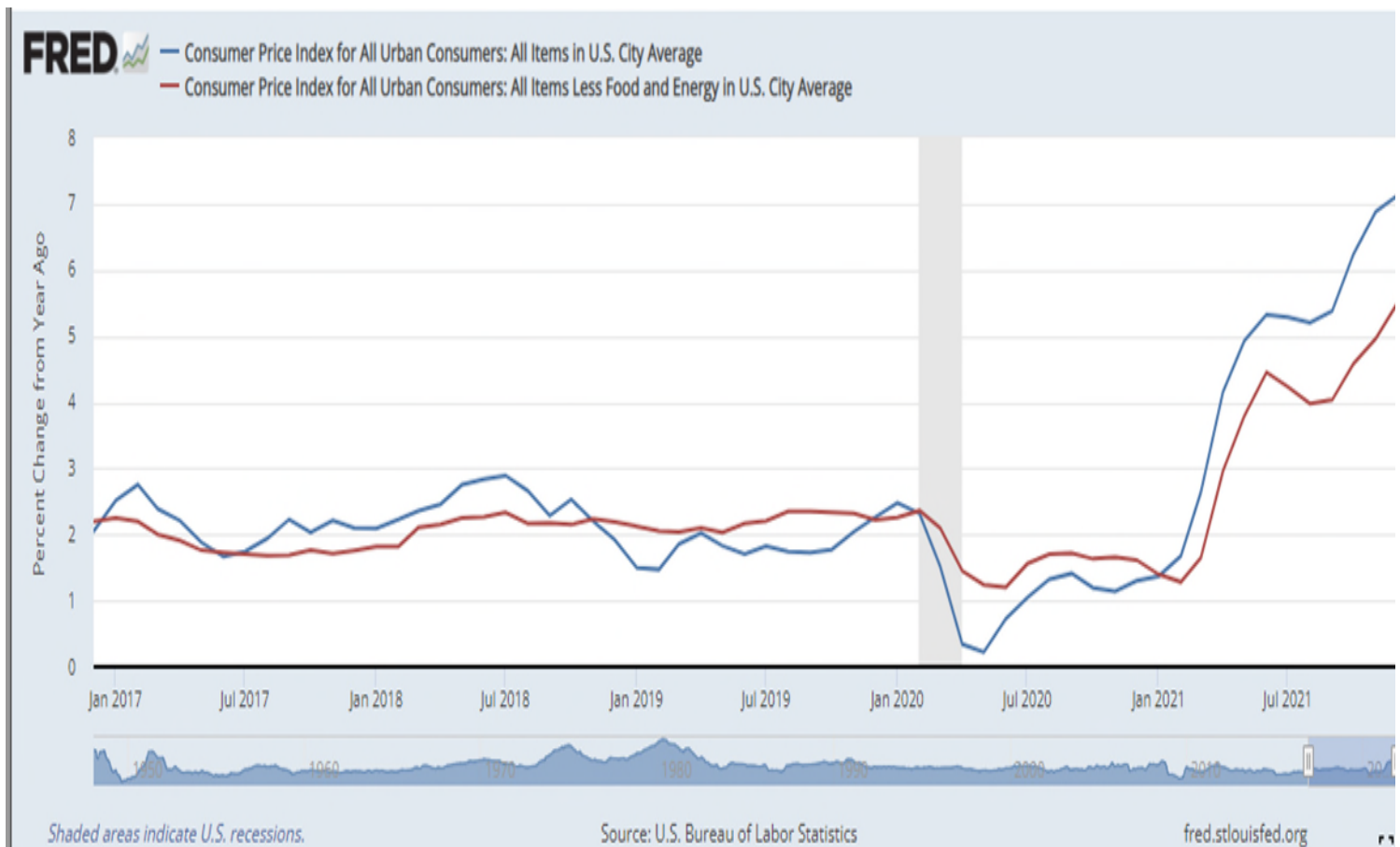
Consumer Confidence



U.S. consumer **confidence** index (CCI) is defined as **“the degree of optimism on the [current] state of the economy** that consumers are expressing through their activities of savings and spending.” – Wikipedia U.S. **consumer sentiment** is defined as **“the indicator of the future course of the national economy.”** – Investopedia

CONSUMER PRICE INDEX

“The all items index rose 7.0 percent for the 12 months ending December, the largest 12-month increase since the period ending June 1982. The all items less food and energy index rose 5.5 percent, the largest 12-month change since the period ending February 1991. The energy index rose 29.3 percent over the last year, and the food index increased 6.3 percent.” – Jan 2022 – Economic News Release – Bureau of Labor Statistics



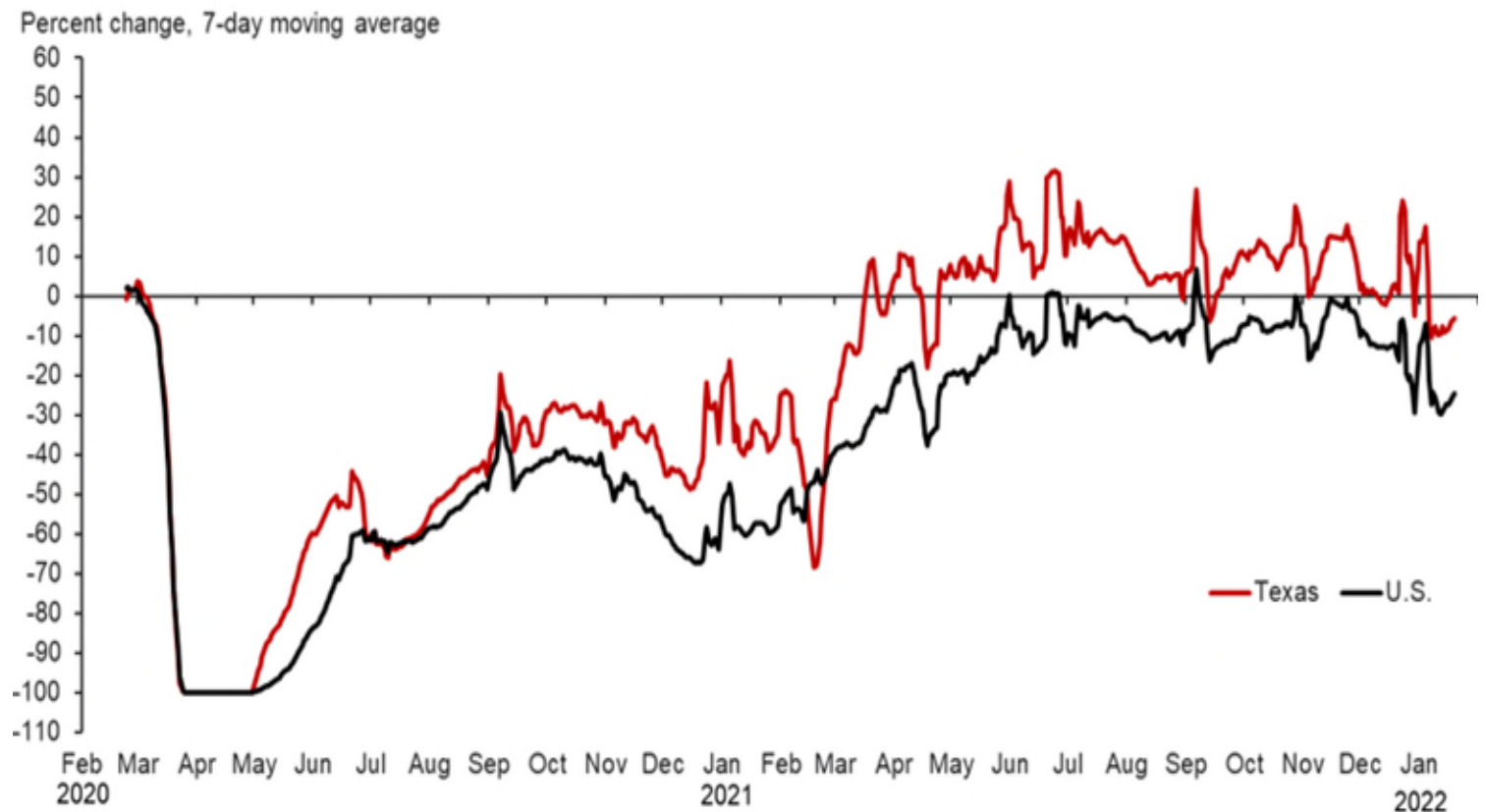
Source: Bureau of Labor Statistics, not seasonally adjusted, 1982-84=100 Provided by the St. Louis Fed

According to the Bureau of Labor Statistics (BLS), “There are a variety of CPI numbers generated each month. In the graph above, two numbers are compared. The first is the **Official CPI Number** that is reported to the media. It is the broadest and most comprehensive CPI and is called the **All Items CPI for All Urban Consumers**. The second one is called the **All items less food and energy**.” The BLS mentions that “Some users of CPI data use this index because food and energy prices are relatively volatile, and these users want to focus on what they perceive to be the ‘core’ or ‘underlying’ rate of inflation.”

DINING OUT

“As of Jan. 19, the number of seated-diner reservations at restaurants edged up in both the U.S. and Texas based on a seven-day moving average. Although activity increased, the state and national figures are still below 2019 levels by 5.6 percent and 24.6 percent, respectively. The Texas figure, which had been primarily above prepandemic levels since spring 2021, turned negative at the start of the new year as the omicron variant surged.

Among major Texas metros, Austin and Dallas were hit the hardest, with dining out 12.2 percent below 2019 levels in Austin and 11.2 percent below in Dallas. Houston was 9.1 percent below 2019 levels. Seated-diner reservations eased in San Antonio but remained positive and were 5.2 percent above 2019 levels.” – Jan 2022 – Texas Economic Indicators – Dallas Fed



NOTE: Data are seven-day moving averages through Jan. 19, 2022. Data refer to the percent change in seated diners at restaurants from the corresponding day in 2019 on the OpenTable network across all channels: online reservations, phone reservations and walk-ins.

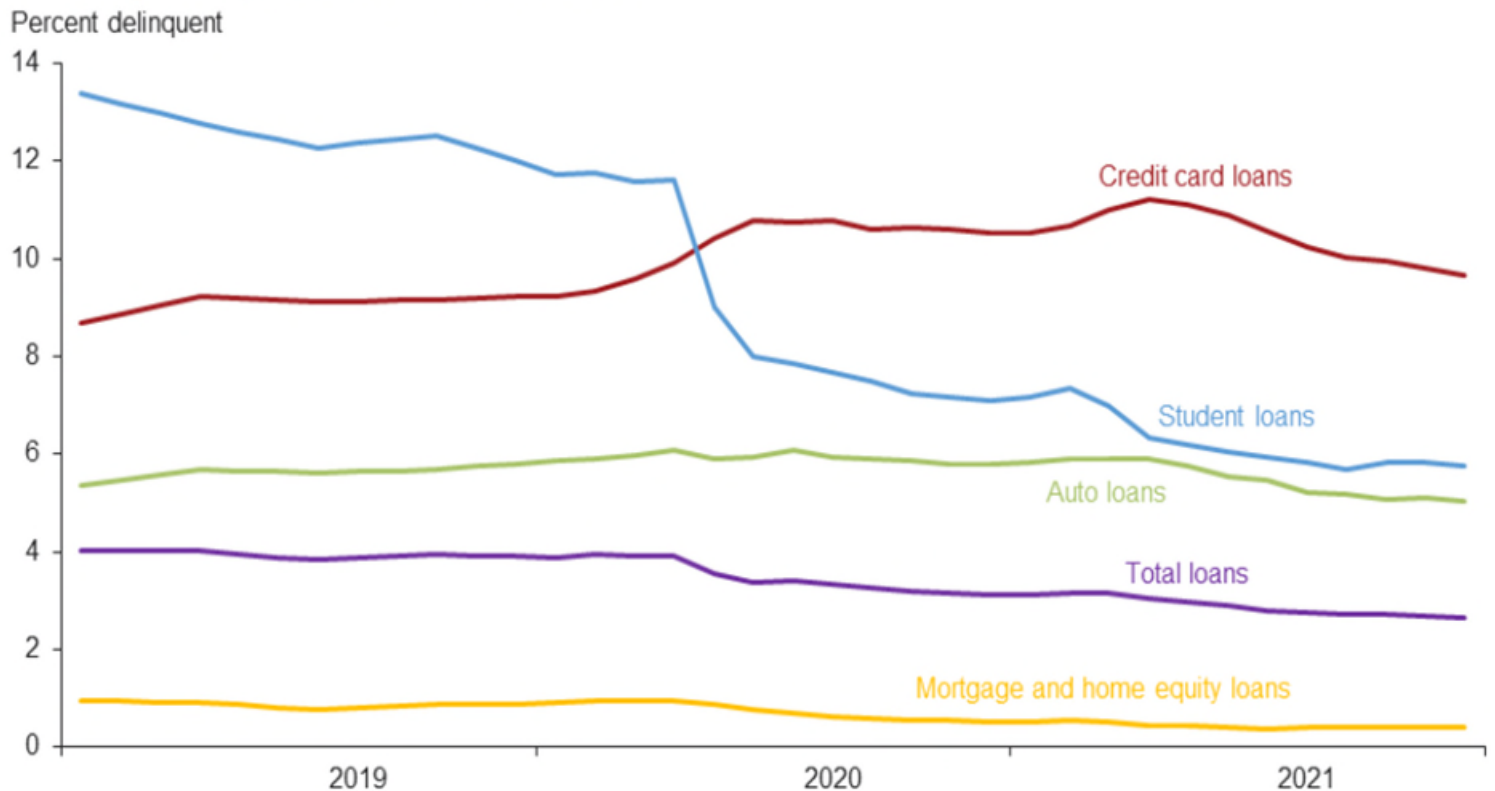
SOURCE: OpenTable.

Provided by Federal Reserve of Dallas – Texas Economic Indicators – Jan 2021

SERIOUSLY DELINQUENT TEXAS CONSUMER LOANS

“Overall delinquency rates for consumer loans in Texas decreased in November. Credit card delinquencies, which fell from 9.8 percent in October to 9.6 percent in November, remain the highest among the four types of consumer loans and slightly above prepandemic levels. Delinquency rates for student, auto and mortgage and home-equity loans continued to dip, remaining below prepandemic levels. **Student loan delinquencies, which have steadily declined** amid the administrative forbearance, edged down to 5.8 percent. Auto loan delinquencies slightly declined to 5.0 percent. **Mortgage and home-equity loan delinquency rates inched down to 0.4 percent and remained the lowest among the four consumer loan types.**” – Dec 2021 – Texas Economic Indicators – Dallas Fed

Seriously Delinquent Texas Consumer Loans



NOTE: Data are through November 2021. Seriously delinquent loans are loans that are 90-plus days late.
SOURCE: Federal Reserve Bank of New York Consumer Credit Report; Equifax.

Provided by Federal Reserve of Dallas – Texas Economic Indicators – Dec 2021

OIL AND NATURAL GAS

“As of the week ending Jan. 21, **the rig count dipped while oil prices increased**. The number of rigs fell from 281 to 280 and remained well below prepandemic levels. **Oil prices were \$85.93 per barrel**, an increase of \$4.41 from the prior week.” – Jan 2022 – Texas Economic Indicators – Dallas Fed

Energy Activity



NOTE: Data are through the week ending Jan. 21, 2022. The oil price is for West Texas Intermediate crude.

SOURCE: Baker Hughes; Energy Information Administration.

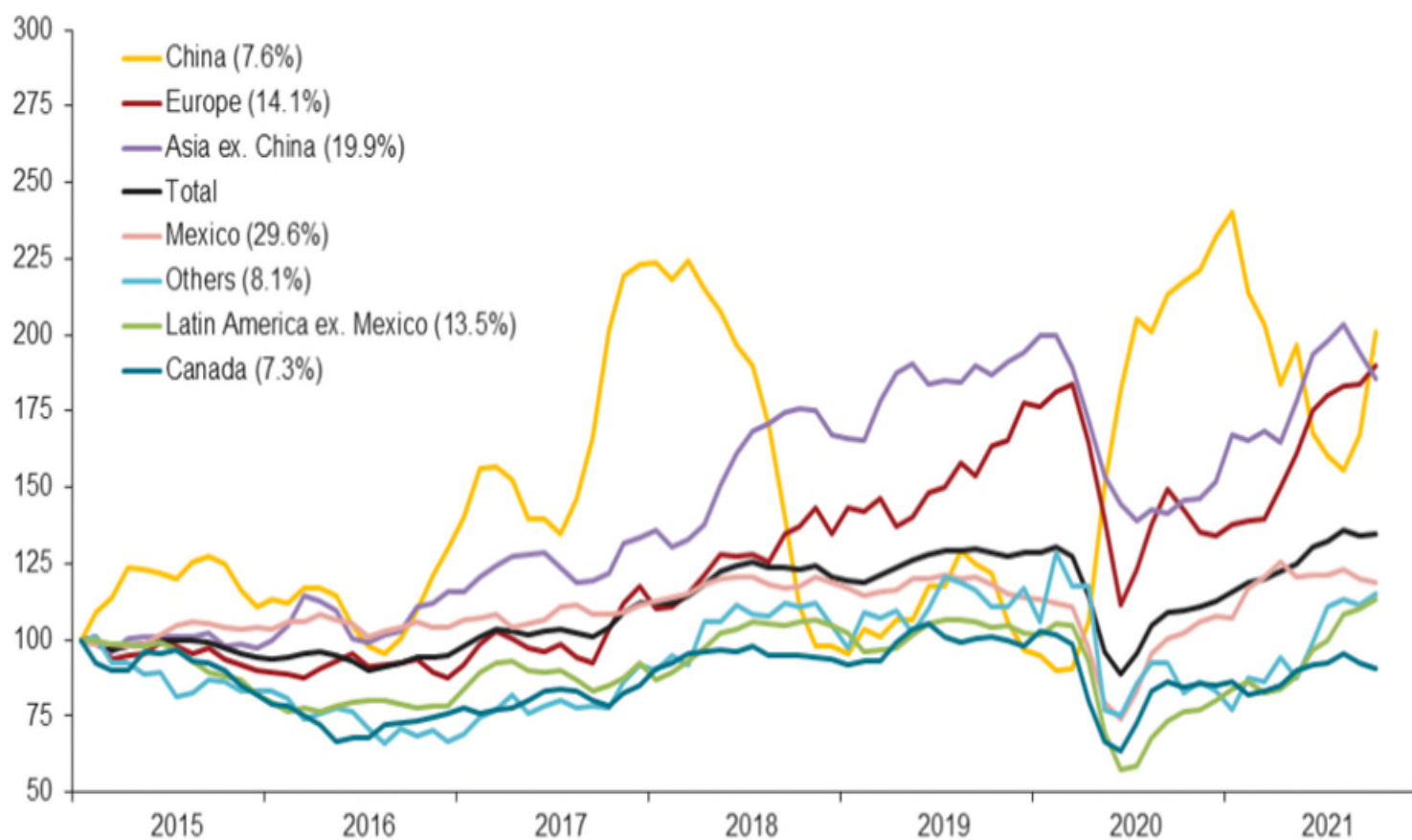
Provided by Federal Reserve of Dallas – Texas Economic Indicators – Sep 2021

TEXAS EXPORTS

“In October, the three-month moving average of Texas exports climbed 0.3 percent. **The three-month average of Texas exports to China saw vigorous growth of 20.2 percent in October**, while exports to Europe and the rest of Latin America rose 3.4 and 2.7 percent, respectively. Through October, Texas exports to most major regions were up relative to 2020, with **Texas exports to Mexico, its largest trading partner, and to the rest of Latin America soaring nearly 25 percent.**” – Dec 2021 – Texas Economic Indicators – Dallas Fed

Texas Exports by Region

Index, January 2015 = 100*



*Three-month moving average, real dollars, seasonally adjusted.

NOTE: Numbers in parentheses refer to share of October 2021 Texas exports.

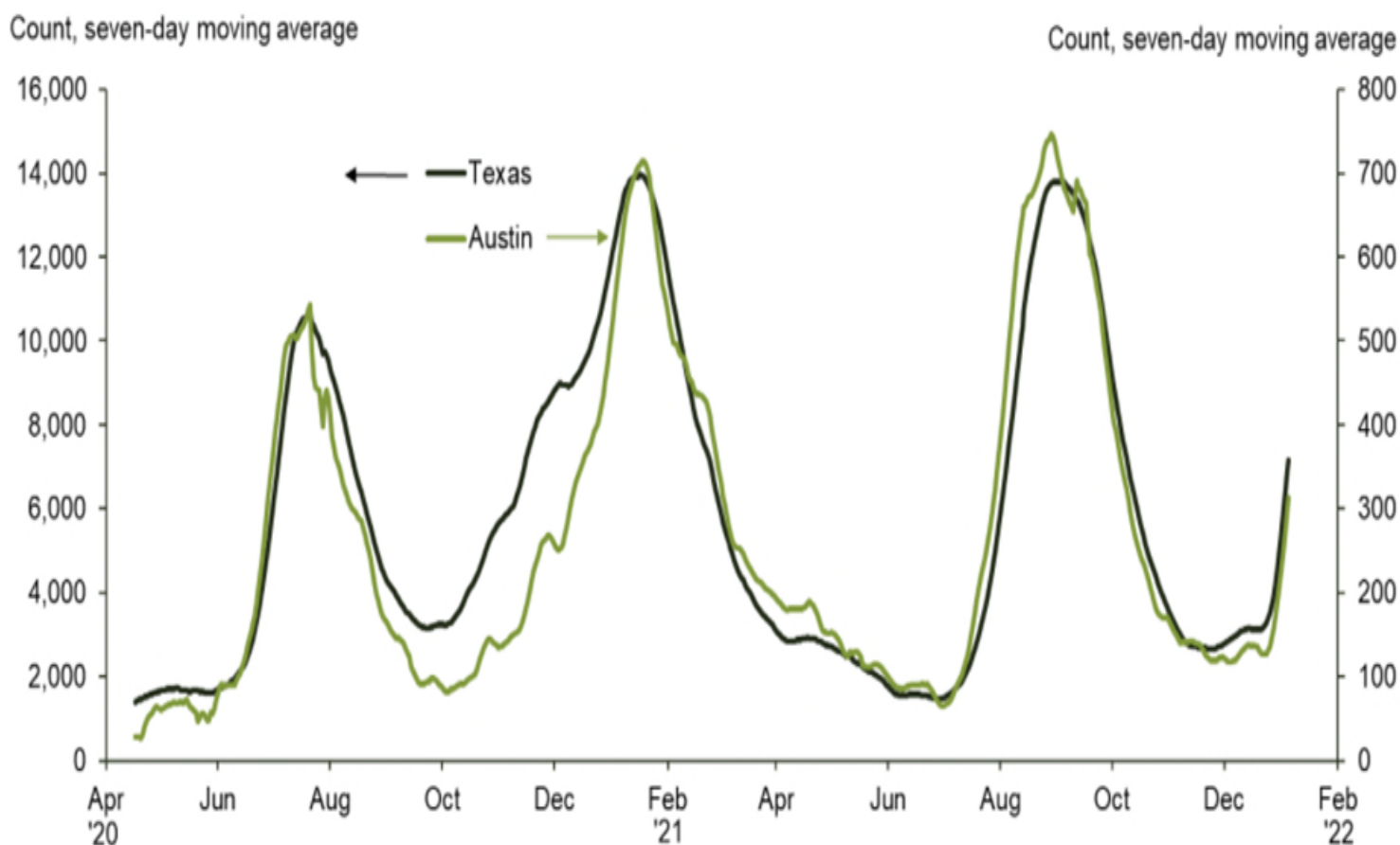
SOURCE: Census Bureau; Bureau of Labor Statistics.

Provided by Federal Reserve of Dallas – Texas Economic Indicators – Dec 2021

COVID-19 HOSPITALIZATIONS – AUSTIN

“The number of people hospitalized with COVID-19 in Austin started to flatten out in mid-November but has increased sharply since mid-December. At the state level, hospitalizations increased steadily in mid-November and surged in mid-December. As of Jan. 5th, 314 people in Austin and 7,173 in the state were hospitalized with COVID-19.” – Jan 2022 – Austin Economic Indicators – Dallas Fed

COVID-19 Hospitalizations



NOTE: Data for Austin refer to the area covered by the Austin Trauma Service Area. Data are daily, seven-day moving averages through Jan. 5, 2021.
SOURCE: Texas Department of State Health Services.

Provided by Federal Reserve of Dallas – Austin Economic Indicators – Jan 2022

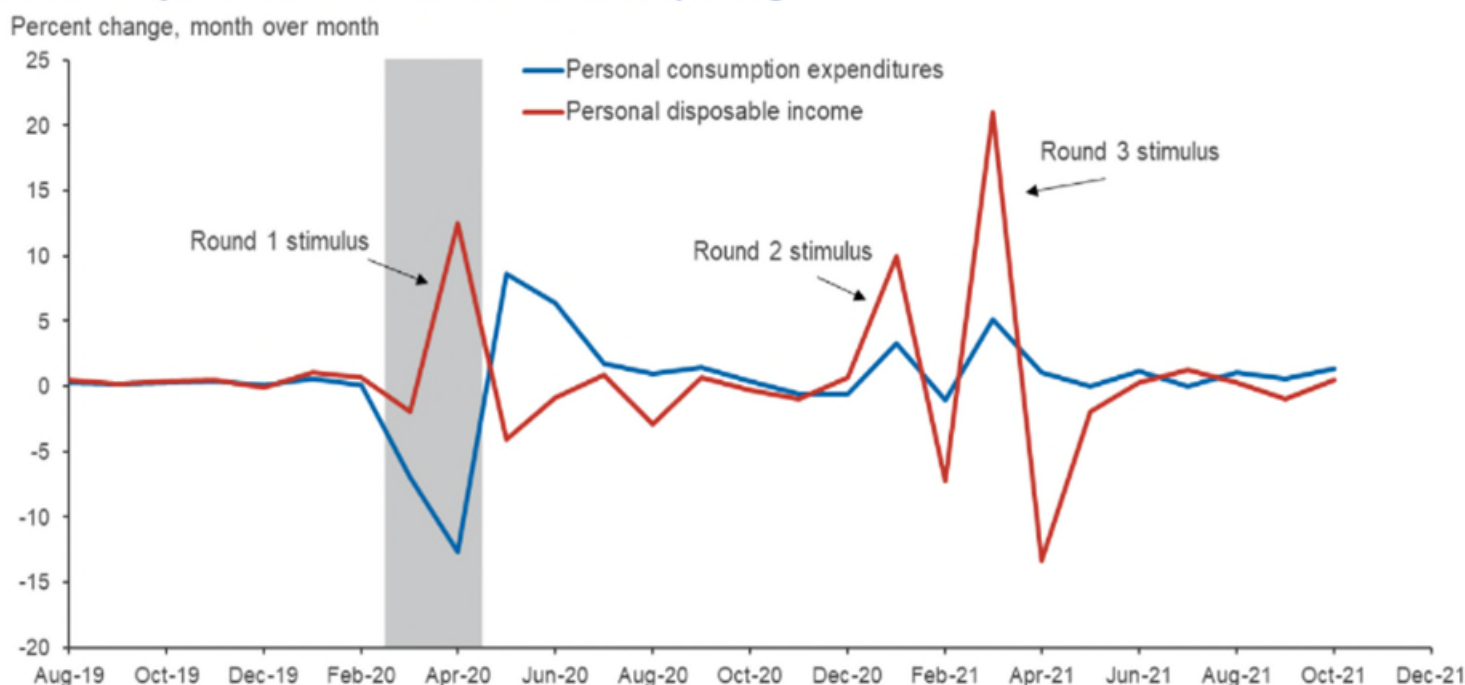
IMPACT OF FEDERAL STIMULUS ON CONSUMER INCOME AND SPENDING?

“When the COVID-19 pandemic hit, the unemployment rate jumped from 3.5 percent in February 2020 to 14.8 percent two months later amid fears that the ensuing recession would be deep and long lasting.

To boost incomes and support the spending needs of low- and moderate-income groups, three rounds of stimulus checks, or Economic Impact Payments, were distributed. The bulk of the first round of stimulus checks was sent in April 2020, followed by round 2 in January 2021 and round 3 in March 2021. The first-, second- and third-round payments were \$1,200, \$600 and \$1,400, respectively, for a fully qualifying single adult, and \$3,400, \$2,400 and \$5,600 for a married couple with two dependent children.”

“The stimulus payments provided a substantial boost to disposable personal income, consumer spending and personal savings. As intended, the payments significantly increased household incomes. **The payments accounted for about 18.6 percent of personal disposable income in March 2021 (round 3), compared with 13.7 percent in April 2020 (round 1) and 8.7 percent in January 2021 (round 2).**” – Jan 2022 – Dallas Fed

Stimulus Payments Boosted Consumer Incomes, Spending



NOTES: Shown is the monthly change in expenditures and income, expressed in 2012 constant prices. The gray bar indicates recession.
SOURCES: Bureau of Economic Analysis, personal income and outlays; National Bureau of Economic Research.

HOW DID STIMULUS RECIPIENTS USE OF PAYMENTS CHANGE OVER TIME?

“Almost three-quarters (73.0 percent) of first-round stimulus recipients reported that they mainly spent their payments, compared with about a quarter or less of second-round recipients (25.8 percent) and third-round recipients (22.5 percent) (Table 1). Between the first and subsequent rounds, the share of recipients who mostly saved their stimulus payments roughly doubled, from 12.5 percent (round 1) to 22.4 percent (round 2) and 25.3 percent (round 3).” – Jan 2022 – Dallas Fed

Table 1: Main Use of Stimulus Payments Varied by Stimulus Round

Primary use of stimulus payments	Mostly spent (%)	Mostly saved (%)	Mostly paid down debt (%)
Round 1	73.0	12.5	14.6
Round 2	25.8	22.4	51.8
Round 3	22.5	25.3	52.3

NOTES: Round 1: survey weeks 7-12 (June 6 to July 21, 2020); round 2: survey weeks 22-26 (Jan. 6 to March 15, 2021); round 3: survey weeks 28-33 (April 14 to July 5, 2021). Percentages do not sum to 100 percent due to rounding.

SOURCE: Census Household Pulse Survey, weighted responses.

“The share of respondents reporting that they mostly used stimulus payments to pay down debt increased sharply from less than one in seven (14.6 percent) in the first round to more than half in the second and third rounds (51.8 percent and 52.3 percent, respectively). It’s likely that as people felt more confident about the economic outlook and their financial positions, they chose to reduce future payments and avoid future evictions or foreclosures by paying down debt.”

“Overall, Table 1 suggests that the first-round stimulus payments were very effective in supporting the spending needs of credit-constrained and/or low- and moderate-income groups. The round 2 and 3 stimulus payments were less effective in supporting spending and probably could have been better targeted despite helping many people pay down debt.” – Jan 2022 – Dallas Fed

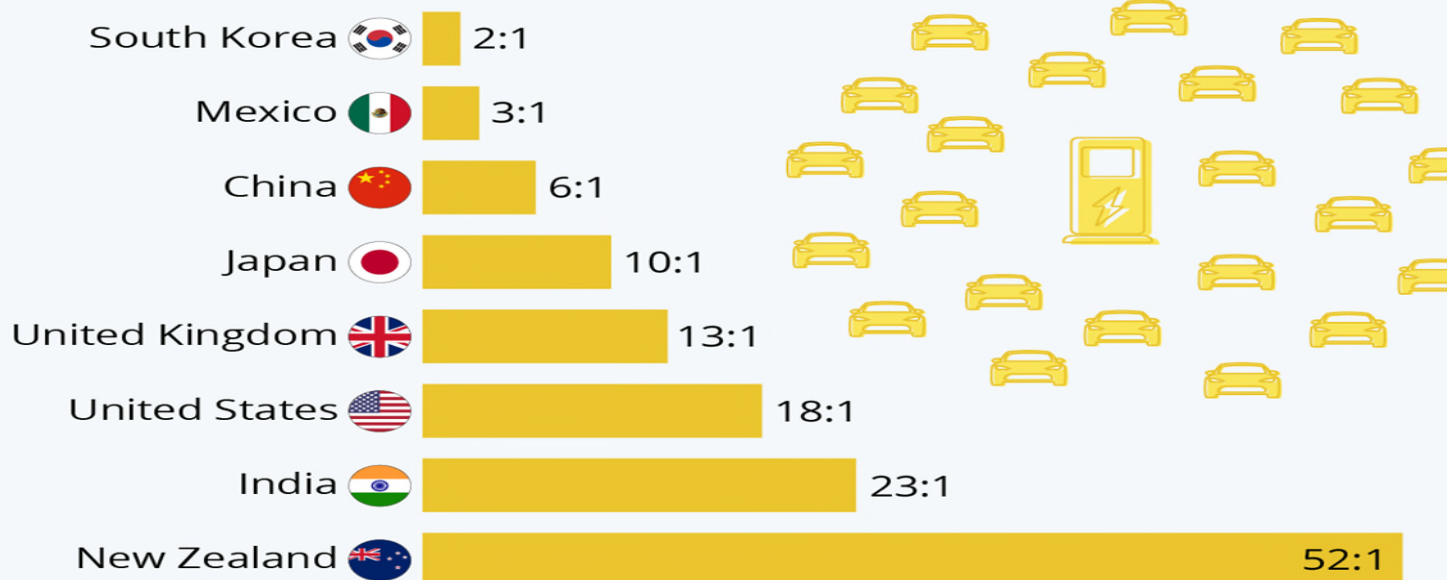
ELECTRIC CARS BUT NO CHARGERS?

“In a lot of respects, progress regarding sustainability and climate change is still far too slow for what the world needs. One area where the pace is really picking up however is that of electric vehicles. That is, the production and purchase of them. When it comes to public infrastructure to match this growing demand, a lot of countries are still a long way behind in providing charging points.

As this infographic using International Energy Agency data shows, **there is a large discrepancy in countries like New Zealand, where there were 52 electric vehicles [EV] for every one public charging point in 2020.** It doesn't have to be like this though, as exemplified by South Korea where fighting over the parking space at the charging station is surely a very rare [occurrence]. Here, there is a public charger for every two EVs in the country.” – Dec 2021 – Statista

Electric Cars But No Chargers?

Ratio of electric vehicle stock to public charging points in selected countries in 2020



Source: International Energy Agency



IN-DEPTH – WHY ARE LUMBER PRICES SOARING?

“Strategic thinking in the industry was that demand for lumber would plummet because of the prolonged closures and restricted economic activity. All of these factors led sawmills to let lumber inventories shrink. **Developments on the demand side were precisely the opposite of what the industry anticipated, however. Many homeowners had bank accounts padded by stimulus checks and savings from foregoing normal spending during the pandemic. The homebound found joy in “repair and remodeling”: building home offices, constructing additions, and improving outdoor spaces with decking. **Suddenly lumber yards faced unprecedented demand. Exploding lumber prices resulted** as dealers paid panic-induced prices to fill orders.”** – Nov 2021 – Institutional Investor

“The current cost of the lumber package for a typical single-family home is about \$30,000 – \$13,000 [or 75%] more than it was in April 2020.” – Jan 2022 – The Seattle Times

The next few pages will examine some of the many reasons that contributed to the recent spike in lumber prices.



Residential single-family homes under construction in California. PHOTO: MIKE BLAKE/REUTERS; Provided by The Wall Street Journal

IN-DEPTH – WHY ARE LUMBER PRICES SOARING?

HOUSING SUPPLY AND DEMAND



*The Idaho housing market boomed during the pandemic, including in Nampa, 20 miles west of Boise
PHOTO: KYLE GREEN/BLOOMBERG NEWS; Provided by The Wall Street Journal – Dec 2021*

“The main reason for the high demand in lumber is the unprecedented demand for housing in the United States. People want to buy new homes, and new homes require lumber (and lots of it). Unfortunately, the shortage of housing is something experts predict will not go away any time soon.

‘Of all the shortages afflicting the U.S. economy, the housing shortage might last the longest,’ researchers from Goldman Sachs wrote in a recent report.

According to the Wall Street Journal, **the United States’ housing market is just under four million single-family homes short of what it needs to meet the current level of housing demand.** As long as massive demand for housing (and provided current construction techniques do not change drastically) exists there will be a similarly high demand for lumber. Unless the issues causing supply constraints are ironed out, it will be tough for lumber supply to catch back up to demand any time soon.” – Nov 2021 – Family Handyman

IN-DEPTH – WHY ARE LUMBER PRICES SOARING?

U.S. DOUBLED TARIFFS ON CANADIAN SOFTWOOD LUMBER

“There is no getting around the fact that the U.S. must rely on Canada to fully meet its lumber needs. **Roughly 30% of the lumber consumed in the U.S. last year was imported, and more than 85% of the imports came from Canada.**” – Jan 2022 – The Seattle Times

“With America in the midst of a housing affordability crisis, the Biden administration has delivered a body blow to American home buyers, renters and businesses that rely on lumber products by **effectively doubling tariffs on Canadian lumber shipments into the U.S. from [8.99%] to 17.9%.**” – Jan 2022 – Chuck Fowke – Chairman, National Association of Home Builders – The Seattle Times



Provided by the Institutional Investor – Nov 2021



“‘While lumber is much more important to single-family construction than multifamily, it is a significant cost element for many projects, such as remodeling projects and decks or other additions to restaurants,’ said Ken Simonson, chief economist for the Associated General Contractors of America. **‘A doubling of this tariff will only prolong the extreme price increases that have hit lumber repeatedly over the past 18 months.’**”

However, **U.S. lumber producers welcomed the stiffer penalties on what they have alleged for more than a decade was unfair competition** due to government subsidies by Canada to its mills and producers.” – Nov 2021 – Engineering News-Record

IN-DEPTH – WHY ARE LUMBER PRICES SOARING?

HEAVY RAINS IN BRITISH COLUMBIA

“While the vast majority of the lumber supplies in this country originate from within the United States, a portion of our lumber market is supported by imports from British Columbia. And for those who might have missed the headlines, **British Columbia was severely impacted by flooding** and rain earlier this year, which was bad news for the region's lumber industry.



The Trans-Canada highway was flooded after rainstorms lashed British Columbia last month. PHOTO: JENNIFER GAUTHIER/REUTERS; Provided by The Wall Street Journal – Dec 2021

The floods disrupted highways and rail routes, which, in turn, impacted lumber and pulp shipments. Local forestry officials said in late November that weekly lumber shipments had fallen by as much as 30%. What's more, pulp shipments to a key export location in Vancouver averaged less than 20% of their normal.

‘The US imports more than \$5 billion worth of lumber from Canada, which is around 83% of our imports. With access to this stock cut off, local production has been under a lot of pressure,’ says Alex Williams, a certified financial planner and CFO of FindThisBest, a comprehensive guide for shopping retail products. ‘Unless the supply shortages and rising demand issues are sorted out, prices will likely increase well into 2022.’

The rain and flooding were just the latest challenge for British Columbia's lumber industry and the supply of wood the province sends to the United States, notes Todd Morgan, director of forest industry research at the University of Montana's Bureau of Business and Economic Research.” – Dec 2021 – Better Homes and Garden

IN-DEPTH – WHY ARE LUMBER PRICES SOARING?

MOUNTAIN PINE BEETLE

“A plague of tiny mountain pine beetles, no bigger than a grain of rice, has already destroyed 15 years of log supplies in British Columbia, enough trees to build 9 million single-family homes, and are chewing through forests in Alberta and the Pacific Northwest.”

“The wily insects chew through the bark and convert the tree’s only defense mechanism – a toxic sticky, resin – into pheromones to alert thousands of their friends to join in on the mass attack, using it as a place to lay their eggs and eventually killing it.”



Ronald F. Billings

Dead trees stretch as far as the eye can see in Prince George, British Columbia. Provided by Union of Concerned Scientist



Provided by Prairie Post – Jan 2022

“The bugs are thriving as climate change warms winters that would normally keep them at bay, destroying a swath of the world’s timber supplies. That may eventually spur shortages for the global housing market.”

“All told, the beetles felled 730 million cubic meters of pine between 2000 and 2015 in British Columbia, Canada’s largest exporter of timber to the U.S. housing market. That’s erased more than a decade of lumber supplies and will reduce the allowable production in the B.C. Interior by a staggering 40%, said David Elstone, owner of Vancouver-based Spar Tree Group.” – Aug 2020 – Bloomberg Green

IN-DEPTH – WHY ARE LUMBER PRICES SOARING?

WILDFIRES IN CANADA AND THE PACIFIC NORTHWEST

“The past year has been brutal for Canadian forests, particularly in British Columbia where hundreds of wildfires raged over the summer. This was particularly bad news for the lumber supply in North America, as three of the continent’s six largest lumber producers are located in British Columbia. The wildfires significantly stifled lumber production across the province. One major lumber producer, Canfor, was forced to cut back on the production of approximately 115 million board feet of lumber due to the fires.

‘The wildfires burning in Western Canada are significantly impacting the supply chain and our ability to transport product to market,’ said Stephen Mackie, executive vice president of North American Operations at Canfor. ‘As a result, we are implementing short-term production curtailments at our Canadian sawmills beginning July 26.’

Wildfires are not only impacting Canadian lumber production. The entire Pacific Northwest, including Oregon and Washington, also saw large areas hit by wildfires for most of the summer. **By Aug. 15, 2021, more than one million acres of land across Washington and Oregon were on fire.”** – Nov 2021 – Family Handyman



Wildfires, such as this one in Genesee, Calif., in August, cut off Western sawmills from forests and customers. PHOTO: ALLISON DINNEN/GETTY IMAGES; Provided by The Wall Street Journal – Dec 2021

IN-DEPTH – WHY ARE LUMBER PRICES SOARING?

LABOR SHORTAGES AT SAWMILLS

“Wildfires were not the only factor that limited sawmill production in 2021. While sawmills in the northwest contended with wildfires, mills in the southern United States had an entirely different logistical issue to contend with: the **labor shortage**.” – Nov 2021 – Family Handyman

“At their onset, coronavirus lockdowns seemed to derail the housing recovery. Lumber prices plunged in March 2020. Dealers liquidated inventories. Speculators dumped lumber futures and took short positions, betting prices would fall further. Mills sent workers home and curtailed production. **By April [2020], roughly 40% of North America’s sawmill capacity was shut down.** Wood was in short supply when the remodeling bonanza began. Then the housing market picked up. Restaurants around the country had to build outdoor decks. Sawmills ramped up to capacity but couldn’t catch up.” – Feb 2021 – WSJ

Sawmills have had an especially hard time convincing workers to come back in the wake of the pandemic.” – Nov 2021 – Family Handyman



The Canfor Southern Pine sawmill in Moultrie, Ga., in February. PHOTO: CHARLOTTE KESL FOR THE WALL STREET JOURNAL

“Much of the job market is reckoning with wages and working conditions in a post-pandemic economy right now, and **working in a sawmill is not particularly lucrative.** It's also dangerous.” – Jul 2021 – Vice

“Sawmill owners are starting to pay workers more to compensate for shortages, and **weekly paychecks have increased by an average of 10.4 percent since before the pandemic,** the Washington Post recently reported.” – Jul 2021 – Vice

IN-DEPTH – WHY ARE LUMBER PRICES SOARING?

TRANSPORTATION COSTS

“The cost of transporting lumber has also gotten more expensive in 2021 thanks not only to rising fuel costs but also a shortage of truck drivers. Like other industries experiencing labor challenges, the trucking industry has been struggling to find qualified drivers and has had to increase the wages it pays. All of these pressures are reflected in the sticker price for lumber.

‘Domestically, **trucking is definitely a challenge and that can affect hauling the logs out of forest to sawmill and then taking lumber from the mill to Home Depot or some other merchant,**’ says [Todd] Morgan[director of forest industry research at the University of Montana’s Bureau of Business and Economic Research].” – Dec 2021 – Better Homes and Garden



Pine logs are loaded for transport in Charlton County, Ga. Provided by The Wall Street Journal

IN-DEPTH – WHY ARE LUMBER PRICES SOARING?

WHAT'S AHEAD FOR 2022?

“Lumber prices were sky-high in 2021, and this challenging economic reality might not improve much as the new year kicks off.

At this point, experts predict it is entirely possible lumber prices will be far higher this coming spring and summer than they are right now.

‘Lumber futures, which are traded on the Chicago Mercantile Exchange, are about \$200 per thousand board feet for March and May 2022, or 30% higher than they are now, suggesting some traders expect lumber price increases,’ says [Todd] Morgan [director of forest industry research at the University of Montana's Bureau of Business and Economic Research]. **‘Spring and summer are usually the busier home building and repair and remodel season, which can add to seasonal demand and drive up prices.’**

This fact combined with an expected doubling of duties that the U.S. pays on lumber from Canada **does not bode well for the year ahead.**” – Dec 2021 – Better Homes and Garden



Demand for lumber has skyrocketed during the pandemic, sending prices to all-time highs. Illustration: Liz Ornitz/WSJ; Provided by The Wall Street Journal – Jul 2021

IN-DEPTH TOPICS LOCATED ON THE COUNTY AUDITOR'S WEBPAGE

5G Network	4th Qtr 2018
Afterpay	4th Qtr 2020
Alibaba	3rd Qtr 2017
Bitcoin	4th Qtr 2016
Cashless Society	4th Qtr 2017
Chatbots	1st Qtr 2019
Deep Sea Mining	3rd Qtr 2020
Facial Recognition	1st Qtr 2018
Labor Participation Rate	4th Qtr 2015
Libra, Calibra, Facebook	2nd Qtr 2019
Lumber Prices Soaring	4th Qtr 2021
Money Market Fund Reform – New Rules	3rd Qtr 2016
Natural Gas – U.S. 3rd Largest Exporter of LNG	4th Qtr 2019
Negative Interest Rate Policy (NIRP)	2nd Qtr 2016
New Silk Road	2nd Qtr 2017
Non-Fungible Tokens	1st Qtr 2021
Pandemic – Possible Impact	1st Qtr 2020
Quantitative Easing	1st Qtr 2016
Repurchase Agreements – Repo Market in Crisis	3rd Qtr 2019
Small Business Reorganization Act	2nd Qtr 2020
Texas Imports and Exports	2nd Qtr 2018
Universal Postal Union	3rd Qtr 2018
Vehicle Shortage	2nd Qtr 2021

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