

• Excerpts & Abstracts •

T I M B E R

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The first quarter of this year has been marked by gloomy predictions about consumption prospects for timber in 1956. As usual, these forecasts have been exaggerated but the important point to note is that such forebodings are having an effect on the international market, far out of proportion to their actual truth. This has added to the inactivity of markets making it certain that sales this year will be well below last year's levels.

The main cause of all the trouble is the United Kingdom where fears of a slump have recently strengthened. At the first sign of a firmer economic policy, many sectors of the timber trade have automatically assumed that a depression is inevitable and have acted accordingly. Importers, many of whom were holding embarrassingly large stocks, have been running them down and any purchases which have taken place, have been on a hand-to-mouth basis. Forward buying has been almost nonexistent. Fortunately, suppliers have in the main, remained confident of an eventual rush of new orders and consequently prices have stayed comparatively firm. How long situation can last is anybody's guess. Already some West African hardwoods and Japanese oak are showing signs of weakness under the strain of this reduced buying and it is more than likely that suppliers will soon be forced to ease their prices somewhat to accommodate British sentiment.

There may not be any significant change in this situation until after April 17th, the day on which the Chancellor of the Exchequer will outline his budget proposals. Once these are known it will be easier to estimate future demand from the main timber consuming industries—the building and furniture industries. Present indications all suggest that the budget will bring no relaxation to these sections of the economy at present hardpressed by higher purchase restrictions and high interest rates. As yet building activity shows no sign of abating but many people are saying that the level of building will begin to fall off towards the end of this year. The gloom which has already hit the furniture trade will not lift this side of the budget, if at all this year and substantial cuts have

been made in output in the radio and television industries.

All this does not add up to anything very promising for timber consumption. But it must be remembered that any decline in timber imports in 1956 will also be partly a corrective to the heavy buying of last year, which so much exceeded consumption. Moreover, fears of mass unemployment and depression are not justified on the present evidence. No Government in the United Kingdom can afford to allow any recession to get out of hand, and in this fact lies hope for anxious sellers to the British market. Thus, while the timber trade will not have such an easy time this year as last, it should not really be in the doldrums.

Throughout Western Europe, trade has also been only moderate during the past few weeks. The severe winter in this region reduced building activity almost to a standstill, lowering the anticipated demand for all types of timber. Credit restrictions, high interest rates and large stocks as in Britain, have been hindering importers. However, there is hope that with improved weather conditions more timber will be needed in the coming months.

The American scene, in spite of some pessimistic utterances, remains reasonably bright. There is every prospect that incomes will not only be maintained but even improved during 1956. Business plans—an important determinant of economic trends—suggest an even higher expenditure on new plant and equipment than was previously thought possible and Government spending will continue to increase as the year goes on. Only the motor industry and housebuilding have shown any serious decline from 1955 boom levels. The number of new houses built has been falling since last September but the prevailing view is that housing starts will begin to rise again in the spring, or at worst will fall no lower than recent levels. In aggregate, building construction will only be slightly below last year's level because so far the slump in residential building has been offset by the construction of offices, shops, roads and schools.

Elsewhere, demand does not appear to be flagging. New orders for durable consumer goods such as furniture, continue to outpace sales. In fact retail sales are a full 4 per cent above the levels of a year ago. All in all, fears of a slump in

the American economy in 1956 are premature. What is taking place is probably no more than a flattening out of production and consumption, followed by a slow recovery at a later stage. For timber this means a steady, but not excessive, demand throughout this year possibly at a level slightly below the 1955 consumption total.

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United States construction activity in April was only slightly below last year's record. While private house building has declined, large advances continue to be made in industrial and commercial building. In normal circumstances this fact would be enough to calm the prophesiers of doom. But in recent weeks, with evidence of continuing increasing difficulties in the automobile industry, serious doubts have been expressed again about the future of the American economy. Output has been more or less static since September and business inventories have been rising sharply. The real danger of a slump, it is argued, lies in the fact that once manufacturers begin to live on stocks this could precipitate a general downward slide.

Of course, the danger is exaggerated. Business inventories have certainly been rising but they are by no means excessive in relation to current sales. Only at the retailers' level is there any real sign of congestion and this is especially so in the motor industry—stocks held by dealers today exceed 900,000 car units. If this recession in the motor industries spread to other industries the situation

could become out-of-hand. But as yet there is no indication that this is happening. Supplies of raw materials which would normally go into car production have been diverted to other sectors of the economy. And most metals are still not in easy supply.

For the present, then, the economy is steady and demand for timber is satisfactory. The building industry prospers and there is no let-up in consumer buying of items such as furniture. But it is worth recalling that 1956 has, so far, proved to be a year full of apprehension about future trends. Much may yet happen to change the course of events before the year is out.

The only fact worthy of note in Britain is the continued lack of activity in hardwoods. There has been a considerable amount of business done, but this has been mainly from stocks and little attention has yet been paid to replacement.

The truth is that little change can be expected in this situation for some time to come. Furniture manufacturers do not now sales to the public until the autumn. And this means that they will be purchasing their timber requirements on a hand-to-mouth basis until then. On top of this, short-time working in the radio and T.V. industries is also depressing demand for timber.

But building activity remains surprisingly steady. Earlier forecasts of a considerable decline are now seen to have been unjustified. In fact, building output in 1956 will probably be only slightly below last year's total.

Even with requirements declining, however, the time must come when stocks are too low and need to be replenished. Firms with good varied stocks always do better than most, even when business generally is at a low ebb. Moreover it is dangerous for importers and wholesalers to rely too long on existing stocks to supply current needs. A sudden improvement in trade might cause a rapid increase in the demand for timber which could not be immediately met. Before very long, then, British importers will probably be forced to enter the market.

As in Britain, the European timber market has been quiet but is showing signs of renewed activity. The basic features are also similar; internal buying has been brisk and stocks have been eaten into. In some countries there are even indications of a growth in demand for the products of some timber consuming industries. In Holland the furniture industry is expected to need more timber in the coming months. Overall, however, the situation is characterised by hesitancy; but as stocks get lower, importers are certain to become braver. Perhaps, then, the desultory trading of the past few months is gradually drawing to a close, and from now on, the timber market may be more active.—June 8, '56.

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