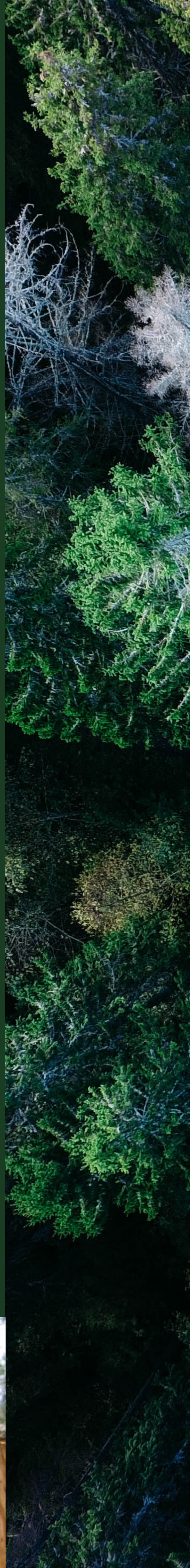
Fastmarkets

# A guide to the North American wood products market

A comprehensive analysis of the 2026 market, including challenges, insights and opportunities shaping the industry’s future.



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# 01 Executive summary

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Dustin Jalbert heads the wood products and timber analytics team at Fastmarkets, leading lumber market analysis and long-term forecasts. His experience spans wood products, packaging and pulp markets, backed by extensive research and industry studies.

The North American wood products market entered 2026 after another weak year for demand. In 2025, weaker housing starts, modest repair and remodeling activity and declining furniture production kept the North American wood products market under pressure. Demand has been falling across major wood product categories, including softwood and hardwood lumber.

We've identified three main pressures shaping the 2026 outlook, including: the energy shock tied to the Iran war, a large wave of AI-related capital spending and renewed policy uncertainty. Together, these factors are affecting inflation, interest rates, builder margins and the pace of housing recovery.

# 02 Market pressures shaping the 2026 outlook

The energy shock is a central part of the near-term outlook in which 20% of global LNG supply and 15% of oil supply have been disrupted. In wood products markets, this is already showing up in higher fuel costs for logging, fuel surcharges for mills and wholesalers, pressure on resin and wax costs and wider freight disruption. Higher energy prices act as a tax on consumers, reduce household wealth and weigh on discretionary spending, including home purchases and repair and remodeling activity.

AI-related investment is also playing a larger role in the broader economy. Consensus estimates suggest around $600-700 billion in AI capital expenditure is slated for 2026. This investment wave is helping to keep inflation and interest rates elevated while also competing with residential construction for real resources in the economy, including land, labor and capital. US GDP growth in 2025 was less broad-based than headline figures suggested, with between one-third and one-half of growth tied to data center construction, suggesting that the health of the US consumer is in question.

Policy uncertainty remains another key headwind. Tariff changes, ongoing Section 301 investigations and a Supreme Court ruling that temporarily lifted IEEPA tariffs are all at play. At the same time, most goods still face tariffs, placing further pressure on builder margins. US housing affordability measures and supply-side reforms proposed by the Trump administration may improve the demand picture in 2026 and help spur supply looking further out over the horizon.

**Our latest end-use forecast reflects these pressures. US housing starts are projected at 1.343 million in 2026, down 1.0% year on year, before rising to 1.390 million in 2027. Fastmarkets proprietary indicator for repair and remodeling, the RRI, is forecast to rise 2% in 2026 and another 3.4% in 2027. We expect the energy shock will support further demand decline in 2026. However, we anticipate a rebound in 2027 if the conflict de-escalates later this year and interest rates reverse their upward trend.**

Learn more

# 03 2025 in review

2025 was another tough year across the North American wood product market. During the year, housing starts softened, repair and remodeling growth remained modest and furniture production declined further. Across major product groups, consumption either fell or remained under pressure.

Fastmarkets estimated that softwood lumber demand declined 0.7%, US hardwood lumber fell 8.7%, OSB and plywood declined 0.3%, particleboard and MDF fell 2.2% and I-joists and LVL declined 0.6%.

## North American consumption growth
2025

| Product category | Growth |
|---|---|
| Softwood lumber | -0.70 |
| Hardwood lumber* | -8.70 |
| OSB & plywood | -0.30 |
| Particleboard & MDF | -2.20 |
| I-joists & LVL | -0.60 |

Source: Fastmarkets

*Hardwood lumber performance is for the USA only.

**The product-level detail shows that weakness was broad, but not uniform.**

- **Softwood lumber:** Stable repair and remodeling activity helped support demand, even as new construction remained weak.
- **Hardwood lumber:** US consumption fell to the lowest level ever recorded in the source dataset.
- **OSB and plywood:** Panel demand was relatively resilient despite firm declines in single-family construction.
- **Particleboard and MDF:** Weakening furniture production and slower housing completions weighed on demand.
- **I-joists and LVL:** Volumes were stabilizing after several years of substitution pressure but still declined 0.6%.

Digging into the largest markets we cover, including softwood lumber, it's clear demand and pricing fluctuations contributed to a challenging year for sawmill operators. Pricing was weak in the third and fourth quarters because demand decreased in the second half of the year and there was a buildup of inventory.

Tariff and duty changes clearly added to the financial pressures for Canadian sawmills. Canadian softwood lumber duties rose sharply, with average duties on Canadian lumber shipped to the US increasing from 14.38% to 35.19% in the summer of 2025. A 10% Section 232 tariff was then implemented in October on all imports to the US, including Canadian supply. Canadian mills pay these duties as deposits to the US Department of Commerce, increasing production costs even if they remain a balance-sheet asset and eventually return the deposits to mill operators.

Further upstream in the industry, loggers are also feeling the pinch from weak product markets but rising diesel costs push inflation. By early 2026, diesel prices had risen sharply from late February to late March, with the US average up 41%, Gulf Coast up 47%, and West Coast up 44%. Our analysis states that $5-6 per gallon of diesel is likely to seriously affect logging activity in the coming quarters. This is significant because rising fuel prices simultaneously increase input costs for the logging, freight and manufacturing sectors, even as consumer demand remains soft.

Taken together, 2025 was marked by weaker consumption, persistent pressure in housing-linked end uses, higher trade costs and rising supply-chain cost burdens. That weak starting point shapes the 2026 outlook.

Production data from Canada shows a clear response after duties more than doubled. Average monthly production fell between January-July 2025 and August 2025-January 2026 by:

- **British Columbia: -12.6%**
- **Quebec: -4.6%**
- **Alberta: -5.0%**
- **Canada total: -8.2%**

# 04 Why early insights are crucial for the 2026 outlook

The 2026 outlook centers on a potential housing recovery that could face renewed headwinds. Economic uncertainty will likely continue to influence inflation, interest rates, discretionary spending and construction activity across the economy.

## Housing and end-use market forecast
2026

| Indicator | 2026 | Change | 2027 | Change |
|---|---|---|---|---|
| US housing starts | 1.343 million | -1.00 | 1.390 million | 3.50 |
| Repair and remodeling | 111.6 | 2.00 | 113.6 | 1.80 |
| Mobile home production | 108,039 | 5.20 | 118,189 | 9.40 |
| Manufacturing index | 0.908 | 1.00 | 0.918 | 1.20 |
| Nonresidential construction | $245.3 billion | 2.60 | $254.4 billion | 3.70 |

Source: Fastmarkets

We expect the energy shock to cause a further decline in demand in 2026. However, a rebound should begin to materialize in 2027, provided the current conflict subsides later this year.

### Energy shock and inflation pressure

A major part of the 2026 outlook is the scale of global energy disruption tied to the Iran war and the headwind it presents in terms of impacts on demand and rising input. This crisis could be the biggest energy supply shock in history.

In wood and timber markets, the effects are already showing up in several ways:

- Logging operations squeezed by higher fuel costs.
- Fuel surcharges introduced by mills and wholesalers.
- Resin and wax costs under further pressure.
- Disruptions to residual income streams from pulp and paper curtailments.
- Shipping disruption from Europe to the Middle East, Africa and Asia as freight rates rise.
- Weaker consumer spending due to higher energy costs and lower household wealth.
- More inflation uncertainty, leading the Federal Reserve to tread lightly on rate cuts.

Fastmarkets' baseline assumes about $100 WTI through the third quarter, with gradual easing as conflict winds down. A downside case of around $150 per barrel would raise recession risk for the US economy.

The hit to GDP would be smaller than the inflation jump because of higher prices on US energy production, but the goods economy will remain fully exposed. For wood products, this matters because housing, repair and remodeling, freight, resin and logging all sit within that exposed portion of the economy.

### AI capex and the broader economy

The second major theme is the AI investment wave, with more than $600 billion expected. While headline GDP growth in 2025 appeared solid, excluding swings in trade and inventories and government spending suggests that between one-third and one-half of that growth came from data center construction. This left the health of underlying household consumption a concern.

This matters for housing and wood products for two reasons.

First, the AI boom is helping to keep inflation and interest rates elevated. Second, it is competing with residential construction for land, labor and capital. This is "crowding out" other sectors, such as residential construction.

In practical terms, this means housing does not face only a demand issue. It also faces competition for resources from another large capital-intensive sector, which is one headwind to a faster housing recovery in 2026.

### Policy uncertainty and housing

Policy and inflation both remain key sources of uncertainty for the 2026 housing outlook, particularly through tariffs and housing-related measures.

#### On tariffs:

- A Supreme Court ruling temporarily lifted IEEPA tariffs.
- Most goods still face tariffs for now, under Section 122.
- Section 301 investigations are still underway, most pertinently against Brazil.
- Tariff pressure continues to affect builder margins.

#### On housing policy:

- The White House has proposed affordability measures aimed at supporting demand.
- Congress is considering more supply-side reforms, including the ROAD to Housing Act.
- These measures are unlikely to materially improve demand in 2026.
- Their impact is more likely to be felt in 2027 and 2028.

This timing matters. It means policy may remain part of the market backdrop without materially improving current-year demand and some policy proposals (such as restrictions on build-to-rent) may even pose further headwinds until a clear picture prevails.

### Supply-side context

North American softwood lumber consumption fell 2.0% to 56.5 BBF in 2025 and is projected to remain flat in 2026 before reaccelerating. Consumption trends include:

- **2025:** down 1.1 BBF
- **2026:** up 0.1 BBF
- **2027:** up 1.5 BBF

At the same time, capacity changes are becoming more important. Canadian production has already dropped after the duty increase, while BC capacity faces longer-term structural pressure from mountain pine beetle damage, duties and old-growth policy.

By 2030, BC is projected to suffer 7 BBF capacity loss from 2017 levels. The buildout of SYP sawmill capacity in the US South is slowing and total North American capacity growth is projected to slow and turn negative in 2026 and 2027.

# 05 Market impact: Who is affected

How these pressures affect you will depend on where you sit in the supply chain and how exposed you are to the broader market shifts.

## Producers

Producers are directly affected by higher operating costs, changing trade measures and weaker demand.

- Logging operations are under pressure from chronically weak demand since the peak of the pandemic and now, surging diesel prices.
- Panel producers face additional pressure through resin costs and stagnant new construction activity.
- Canadian mills face higher effective production costs due to increased duties and tariffs and industry rationalization, particularly in BC, is likely to continue.
- US mill operators will likely continue to gain market share this year due to higher duties and protective measures, despite flat demand.

## Wholesalers, traders and importers

Traders and importers are affected by tariff changes, shifting freight conditions and supply availability.

- There will be continued uncertainty around tariffs, even if less than in 2025, including Section 301 investigations and changes in IEEPA-related measures.
- Section 232 tariffs affect softwood timber and lumber, adding 10% duty.
- Offshore lumber supply, particularly from Europe, is expected to be negatively affected by Section 232 tariffs.
- Fuel surchargers continue to challenge the middle part of the supply chain with downstream users having little ability to absorb these cost increases.
- Freight disruption linked to the energy shock creates additional uncertainty, especially on routes involving Europe, the Middle East, Africa and Asia.

In 2025, US imports of offshore softwood lumber totaled 13.1 BBF, with Canada accounting for 80.1%, Germany 9.8%, Sweden 5.6%, Austria 1.6%, Brazil 1.4% and all others 1.5%. While the US is fairly self-sufficient for lumber supply, over a quarter of US consumption is supplied by imports, meaning higher levies on imports and resulting pullback in supply will be reflected in higher softwood lumber prices in 2026.

## Manufacturers and housing-linked buyers

Manufacturers and housing-linked buyers are exposed mainly through end-use demand, builder margins and input costs.

- We expect weaker housing starts and only modest repair and remodeling growth in 2025.
- For 2026, housing starts are projected to decline 3.9%.
- Most goods still face tariffs, placing further pressure on builder margins, including higher wood products prices.
- Lower real disposable income is expected to undermine residential construction activity.
- Furniture production weakness already affected demand for particleboard and MDF in 2025.

This means that manufacturers tied to housing, interiors, furniture and related categories remain exposed to both slower end-use demand and ongoing cost pressure.

# 06 Looking ahead to a housing recovery

Taken together, the pressures outlined in this report point to inflation and interest rates as the key variables for a housing recovery in 2026. Energy disruption, AI-driven capital spending and policy uncertainty all feed through affordability, builder confidence and mortgage rates for the year ahead and beyond.

To better understand how these macroeconomic pressures impact the demand for North American wood products, talk to our team. Learn how our market intelligence, end-use forecasts and custom analytics can help you track the most critical signals.

**Request a demo**

We provide independent price assessments, market analysis and forecasts across the global pulp, paper and packaging value chain.

Our methodologies are IOSCO-assured, giving you confidence that our price forecasts and insights are robust, transparent and trusted. Market participants have rely on Fastmarkets to navigate volatility, benchmark contracts and manage risk.

**Speak with our experts today to turn market data into a winning strategy and protect your bottom line in 2026**

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