



## Changes in the Relative Level of Competitiveness in the Sawmilling Sector<sup>1</sup>

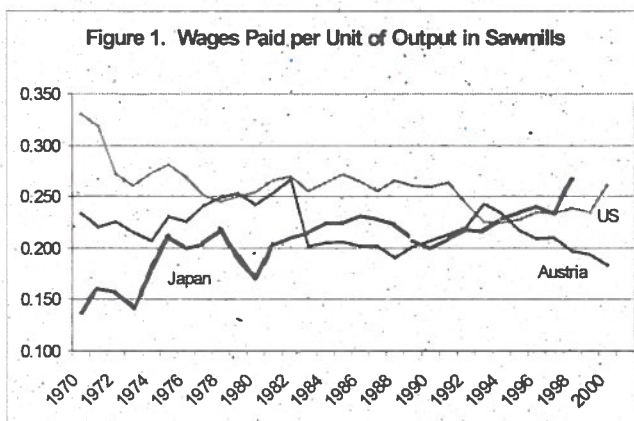
Competitiveness measures are strongly linked to gains and losses in export market shares. The strong US dollar has made US exports more expensive in foreign countries since it takes more foreign currency to purchase a similar amount of US dollars as the dollar strengthens. While a strong currency allows competitors to be less productive, a country with a strong currency must increase productivity to maintain market share. Here we analyze labor productivity for the sawmilling sector over the past three decades for selected countries as an indicator of international competitiveness.

Figure 1 presents wages paid to employees for the US, Japan and Austria per output of wood products for the sawmilling sector. A downward trend in the data indicates that there have been productivity gains made in the production of wood products as less wages are used to produce more products. An upward trending line indicates the opposite; labor has become less productive since more wages are being paid to produce less output. While using this labor productivity measure has some drawbacks, it nonetheless provides useful information on the comparative movements in productivity across regions.

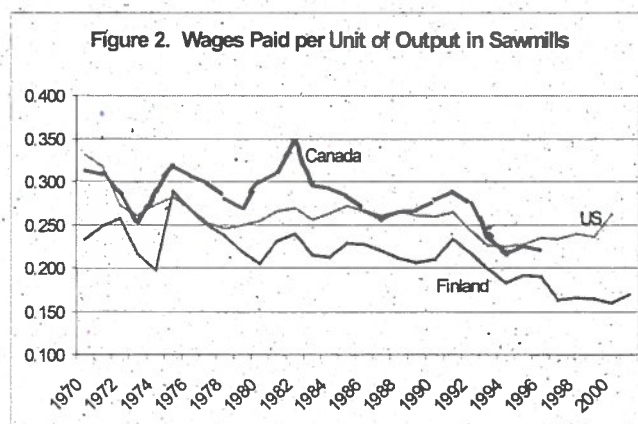
In Figure 1, we observe that the US has made productivity gains in the sawmilling sector as the general trend in the data suggests a downward movement. In contrast, Japan has seen rising wage bills for its wood output from sawmills. This upward trend suggests a loss in labor productivity. An interesting trend is the recent increase in productivity in Austria from about the time of the timber supply shortage in North America to 2002, the last data point.

Figure 2 replicates the US data and adds to it the data for Canada and Finland. The last data point for Canada is for 1996. In general, Canadian productivity has tracked that of the US. Finland's reduction in wages paid (gain in productivity) from the early 1990's is interesting, particularly since it has captured a larger share of the Asian import market over this time period.

This preliminary analysis of competitiveness indicates that the European countries of Austria and Finland are competitive in the trade of lumber products relative to the US. At the same time, Japan has lost competitiveness in this sector over the past three decades, with the indirect consequence that log imports used to feed Japanese sawmills with raw material are losing competitiveness to other lumber producers. European gains in labor productivity also imply a greater market share in the US, given the continued strength of the US housing market and US dollar.



Source: CINTRAFOR, OECD



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<sup>1</sup> John Perez-Garcia, based on a presentation "U.S. Dollar, Exchange Rates and Regional Cost Competitiveness" made at the 19<sup>th</sup> Annual International Forest Products Markets Conference, Seattle, WA, September 2002.