

## **South Africa – September Report**

### **Imports hit by falling rand**

Market demand in South Africa has been soft mainly driven down by the slow economic growth (forecast at 1.5%) and by the weakening currency. The rand has been under a lot of pressure which has mitigated against imports.

Additionally, there have been some structural issues in the market with the liquidation of Ellerines, one of the major furniture retailers, which resulted in the sudden increase in stocks available at low prices. This was compounded by the collapse of African Bank one of the largest providers of unsecured credit which has taken liquidity away from the retail market in particular.

Imports of American hardwoods were slower early in the year but millers have started to adjust their prices down wards which helped lift demand. In related news some EU hardwoods have enjoyed buoyant demand especially where these have been priced in the euro.

SE Asian meranti sawnwood imports have been struggling to hold market share against substitutes such as okoume and red eucalyptus. Additionally, there has been an increasing interest on the part of house builders for steel and aluminium as a substitute for wood in windows for low cost housing.

African hardwoods are trading easier and the lifting of the ban on sales of kiaat, rosewood and teak sales has boosted demand.

Hardwood prices have eased recently and there is considerable substitution of West African timbers because shipping remains a major challenge. Some South American species are being used instead of wawa and okoume and even the popular meranti as mills in SE Asia are no longer cutting all the sizes popular in South Africa.

### **Winter season a boost to decking**

The South African decking market is active since winter is a good time to enjoy outdoor events as there is less rain at this time of year. However the construction market is flat but pine sales on in coastal areas are steady but on the Highveld pine is facing increasing competition from steel in the truss market.

### **Pine market holding its own**

The pine market has been reasonably strong over the past 12 months with a total of 2,326,477 cubic metres having been sold of which 1,726,754 cubic metres was for structural enduses the balance being mainly crating/pallet/mining timbers. In addition to domestic supplies 43,507 cubic metres was imported; 19,000 cubic metres from Zimbabwe and 13,000 cubic metres from three countries Brazil, Argentina and Chile. In the domestic market prices are firming a bit especially as 3 mills have been on strike and one has had breakdowns.

### **Implementation of infrastructure projects to boost demand**

The local producers of panel products are enjoying steady demand in the domestic market as the weak rand is discouraging imports of panel products. Analysts point out that demand for plywood has not risen as much as forecast primarily because implementation of government infrastructure projects has been slow.

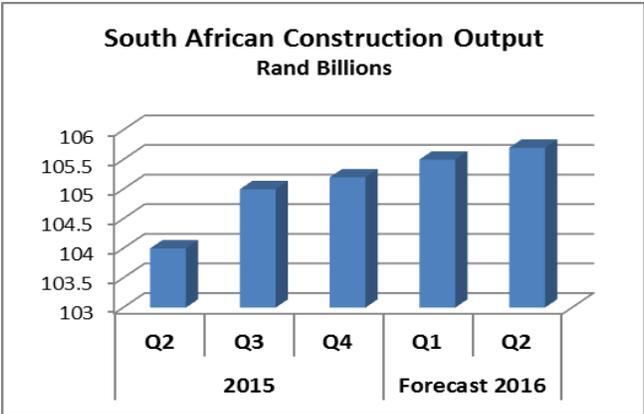
Sentiment in the manufacturing sector is not robust at the moment due mainly to the electricity supply problems where the continuous load-shedding blackouts are affecting production.

The local power company, Eskom is also soaking up a lot of the government funding whilst it runs diesel generators at high unbudgeted costs and this is diverting funds away from the infrastructure projects.

**Hotel refurbishments delayed as tourist numbers drop**

In August/September the market in South Africa enters its traditional busy season but trading activity is lower than last year.

A number of refurbishment projects have been announced by the government and these will require wood products but funds have not been allocated. Similarly, hotel refurbishments, a good market for high end wood products as well as construction materials have been put on ice due to the negative impact on this industry of new visa regulations – visitors from China are down over 40%!!



Source: Analysis of Trading Economics data