

Tropical Timber Market Report

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The ITTO *Tropical Timber Market (TTM) Report*, an output of the ITTO Market Information Service (MIS), is published in English every two weeks with the aim of improving transparency in the international tropical timber market. Its contents do not necessarily reflect the views or policies of ITTO. News may be reprinted provided that the ITTO *TTM Report* is credited. A copy of the publication should be sent to ti@itto.int.

Contents

Central/West Africa	2
Ghana	3
Malaysia	4
Indonesia	6
Myanmar	7
India	7
Vietnam	9
Brazil	11
Peru	12
Japan	14
China	17
UK	19
North America	24
Currencies and Abbreviations	27
Ocean Freight	27
Price Indices	28

Headlines

	Page
Congo suspends log exports	2
Free and fair trade at risk -Malaysian Deputy PM	4
Fading prospects for Myanmar’s forest product exports	7
Vietnamese furniture brands unknown to global consumers	11
SERFOR promotes production for public purchases	12
Japan’s cedar log exports to China, prices down	16
Record high output of woodbased panels in China	17
US hardwood plywood imports fall 21%	23

Top story

Slowdown in UK tropical wood product imports

The import value of tropical wood and wooden furniture from tropical countries into the UK in the first ten months of 2022 was 13% more than the same period in the previous year. However, following the strongest start to the year the value of imports fell sharply between July and October

Data published in December show the UK economy contracted by more than first estimated in the third quarter of last year. The manufacturing and construction sectors performed worse than expected.

Page 19

Congo suspends log exports

Boris Ngounou, writing for Afrik21, reports that the Republic of Congo suspended log exports as of 1 January 2023. This decision is despite guidelines from the Council of Ministers of the Central African Economic Union (UEAC) which decided on 28 October 2022 to postpone, to an unspecified date, the entry into force of the log export ban. Cameroon continues to export logs say Ngounou.

Pointe-Noire Port officials are following instructions from the Congolese Minister of Forest Economy, Rosalie Matondo, who announced in a letter dated 21 October 2022 that from 1 January 2023 wood product exports from Congo would be restricted to semi-finished or finished products.

While not adopting a log export ban it is reported that the government in Cameroon has significantly increased duties and export taxes on logs which prompted some operators to stop production as of 2 January 2023

See: <https://www.afrik21.africa/en/congo-ban-on-export-of-timber-in-log-form-comes-into-force/>

Buyers tighten demands for CITES documentation

Producers in other CEMAC countries are seeking clarification as there has been no official announcement on whether the export restrictions are in place. Similarly, producers are yet to learn of the implementation plans for the latest CITES regulations but report that already European authorities are asking for CITES documents without which shipments will be detained until all papers are cleared. It has been learned that the authorities in Antwerp are particularly strict which has resulted in some cargo to be redirected to Amsterdam.

The challenge of added value manufacturing

With the lifting of most COVID restrictions in China producers in the region are optimistic that demand in China will pick up after the Chinese New Year holidays.

What has many concerned is how to contribute to the efforts in expanding domestic processing of added value products. There has been an increase in processing in Congo and Cameroon and efforts are being made to manufacture furniture, mainly for the domestic market, to compete with imports.

Weak demand – mills cut production

It has been reported that in Gabon there are some 234 mills of which 167 are Chinese owned but due to the weak demand in China 34 peeler mills has ceased production. However most of the Indian mills are still operating and production rates have increased as efforts to diversify markets are paying off.

Demand for ovankol, padouk, belli for the Chinese market is holding up and buyers for the Philippines and Middle East markets are active. However, demand for tali for the Vietnamese market is said to be soft.

The high stock of okoume in the Gabon SEZ has not been resolved and there are reports of additional and massive log stocks in the forest concession areas.

Log transport is a constant issue in Gabon. Most logs are transported by rail but log shipment take second place after manganese shipments. Transportation delays will continue as landslides have damaged large stretch of the rail line and repairs will take months.

See: <https://www.lenouveaugabon.com/fr/transports-logistique/2812-19328-transport-ferroviaire-la-date-de-reprise-du-traffic-sur-le-transgabonais-toujours-pas-connue>

In other news from Gabon, the local media has report the President as announcing that retirement pension arrears will be fully paid from January 2023. This may ease the tensions in the Forest authority which has been plagued by strike action in recent months.

See: <https://www.lenouveaugabon.com/fr/social/0201-19336-ali-bongo-promet-de-regler-integralement-les-arrieres-de-pensions-de-retraite-des-ce-mois-de-janvier>

What prospects for certified tropical timber in 2023?

The 5th ATIBT 'Think Tank' on 7 and 8 December addressed three themes: Carbon finance and Biodiversity, Improving the image of tropical timber in Europe and Exploring new markets for tropical timber. To find the presentations see:

<https://www.atibt.org/fr/resource-categories/29/atibt-think-tank-n5-2022>

EU timber regulation (EUDR)

The ATIBT has reported that Preferred by Nature is organising 2 webinars on the new EU deforestation regulation, one in French on Wednesday, 25 January from 12:00 to 13:15 CET, the other in Spanish on Thursday, 26 January from 15:00 to 16:15 CET.

Registration: contact Julie Thirsgaard Hansen jhansen@preferredbynature.org.

See: <https://www.atibt.org/en/announcements/159/preferred-by-nature-is-organizing-two-new-webinars-in-french-and-spanish-on-the-eudr>

Also, the ATIBT has carried out 12 Life Cycle Impact Assessments (LCIA) for the main certified wood products from the Congo Basin. The results of these 12 LCIA's are now available in English.

See: <https://www.atibt.org/en/resource-categories/28/life-cycle-assessment-of-congo-basin-timber>

Log export prices

West African logs Asian market	FOB Euro per cu.m		
	LM	B	BC/C
Acajou/ Khaya/N'Gollon	265	265	175
Ayous/Obeche/Wawa	250	250	225
Azobe & ekki	275	275	175
Belli	250	250	-
Bibolo/Dibétou	200	200	-
Bilinga	275	275	-
Iroko	300	280	225
Okoume (60% CI, 40% CE, 20% CS) (China only)	205	200	-
Moabi	280	280	250
Movingui	180	180	-
Niove	160	160	-
Okan	210	210	-
Padouk	330	310	240
Sapele	260	260	220
Sipo/Utile	260	260	230
Tali	260	260	-

Sawnwood export prices

West African sawnwood	FOB Euro per cu.m
Ayous FAS GMS	450
Bilinga FAS GMS	580
Okoumé FAS GMS	380
Merchantable KD	380
Std/Btr GMS	400
Sipo FAS GMS	420
FAS fixed sizes	-
FAS scantlings	520
Padouk FAS GMS	1,200
FAS scantlings	1,200
Strips	400
Sapele FAS Spanish sizes	460
FAS scantlings	489
Iroko FAS GMS	750↑
Scantlings	820↑
Strips	400
Khaya FAS GMS	450
FAS fixed	500
Moabi FAS GMS	530
Scantlings	550
Movingui FAS GMS	380

Ghana

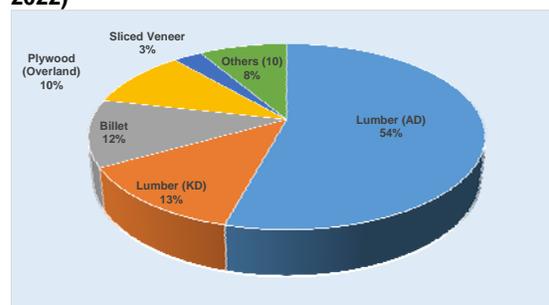
First 9-months wood exports up in volume and value

Wood product exports in the first nine months of 2022 were 267,512 cu.m with a cumulative revenue of Eur117.14 million according to data from the Timber Industry Development Division (TIDD) of the Forestry Commission (FC). This is a jump of 19% in volume and 13% in value compared to the same period in 2021.

The data show that, of the 15 wood products exported, the top five were air and kiln dried sawnwood (68%), billet s(12%), plywood for the regional market (10%) and sliced veneer (3%) with 10 other products accounting for the balance.

The graph below shows the wood export by product;

Leading wood product exports (Volumes, Jan-Sep 2022)



Data source: TIDD

According to the TIDD report there were eighty-two exporters in September 2022 of which the top five exported ten different wood products from forty species to thirty-eight countries.

The leading species in terms of volume were teak, ceiba, wawa, denya, and black ofram. The main markets were India, Togo, Burkina Faso, Germany and Vietnam. Chenchen recorded the highest decline in volume in the first three quarters of 2022 dropping by over 45%.

The average unit price of products exported for the period January to September 2022 decreased to Eur438 per cu.m, from the previous Eur460 per cu.m recorded in January to September 2021.

Product exports by category

The table below shows the breakdown of the wood products exported from Ghana as primary, secondary and tertiary which accounted for tall shipments for the period.

	Primary	Secondary	Tertiary
Vol (cu.m)	31,302	229,055	7,155
Value (Eur'000)	10,067	101,763	5,306

Data source: TIDD

Primary products, mainly billets, contributed 31,302 cu.m (12%) and Eur10.07 million (9%) in volume and value respectively in the first three quarters of 2022. Secondary products being the largest group comprised of sawnwood, boules, veneers, plywood and briquettes and contributed 229,055 cu.m (86%) and Eur101.76 million (87%) to earnings in the period January to September 2022.

Exports of tertiary products, consisting of moulding and dowels, contributed 7,154 cu.m and Eur5.31million in volume and value respectively in the first three quarters of 2022. For the period under consideration the volumes of primary and tertiary products dipped in 2022 when compared to 2021. However, the proportion of secondary products increased to 86% in 2022 from 80% recorded in 2021.

It is the aim of government to transform the industry away from exports of primary to exports of value added products and this could explain the higher volumes for

secondary products which account for over 80% of total export volumes. Tertiary product exports have been lower than expected due to the general economic operational and technical bottlenecks affecting the manufacturing sector.

Government to support private plantation developers

Government has assured the private sector that support and cooperation will be provided if they participate in establishment of commercial forest plantations to create an industrial timber resource and help restore degraded forest landscapes.

The Minister for Lands and Natural Resources, Samuel A. Jinapor, said this during a forum on loan scheme awareness for private plantation developers in the Ashanti Region of Ghana. The Forum was organised by the Ghana Forest Investment Programme (GFIP) under the auspices of the Ministry of Lands and Natural Resources,

Mr. Jinapor assured participants of the government's full backing and encouraged developers to actively get involved.

In a related development, Ghana has obtained US\$486.2 million as first payment from carbon sales.

See:

<https://www.ghanaweb.com/GhanaHomePage/business/Ghana-gets-486-2-million-from-carbon-sale-1680389>

Ghana/UK Business Council supports bilateral trade

The Vice President, Dr. Mahamudu Bawumia, has hailed the efforts of the UK-Ghana Business Council (UKGBC) established to enhance trade and cooperation between the Governments of Ghana and the United Kingdom.

Speaking at the 7th session of the Council Dr. Bawumia said the UKGBC has helped Ghana benefit from the funding for major infrastructure projects. He emphasised that both the UK and Ghana continue to deepen and increase bilateral ties on trade and investment. The UK is a leading importer of Ghana's wood products including sawnwood, mouldings, veneers and briquettes.

See: <https://www.myjoyonline.com/bawumia-hails-impact-of-uk-ghana-business-council-on-ghanas-infrastructure-development/>

Boule export prices

	Euro per cu.m
Black Ofram	330
Black Ofram Kiln dry	420
Niangon	760
Niangon Kiln dry	810

Export rotary veneer prices

Rotary Veneer, FOB	Euro per cu.m	
	CORE (1-1.9 mm)	FACE (>2mm)
Ceiba	388	441
Chenchen	477	612
Ogea	519	590
Essa	585	629
Ofram	350	435

Export sawnwood prices

Ghana sawnwood, FOB	Euro per cu.m	
	Air-dried	Kiln-dried
FAS 25-100mmx150mm up x 2.4m up		
Afromosia	860	925
Asanfina	465	564
Ceiba	290	312
Dahoma	456	489
Edinam (mixed redwood)	640	687
Emeri	655	706
African mahogany (Ivorenensis)	599	1,121
Makore	560	768
Niangon	600	750
Odum	862	959
Sapele	800	867
Wawa 1C & Select	455	526

Export sliced veneer

Sliced face veneer	FOB
	Euro per cu.m
Asanfina	1,461
Avodire	1,325
Chenchen	923
Mahogany	1,602
Makore	1,785
Odum	2,030
Sapele	1,436

Export plywood prices

Plywood, FOB	Euro per cu.m		
	Ceiba	Ofram	Asanfina
BB/CC			
4mm	501	580	641
6mm	412	535	604
9mm	300	504	560
12mm	583	476	480
15mm	450	385	430
18mm	460	444	383

Grade AB/BB would attract a premium of 10%, B/BB 5%, C/CC 5% and CC/CC 10%.

Malaysia

Moderate growth forecast

The economy is expected to grow by only 4% this year due to the negative impact of moderating exports but could be held up by normalisation of domestic demand and success in taming domestic inflation. However, the impact of higher interest rates will eventually have an impact on consumption. It is expected that Bank Negara is unlikely to shift from monetary tightening policies in 2023.

See: <https://www.thestar.com.my/business/business-news/2023/01/10/moderate-growth-for-2023>

Free and fair trade at risk

The Malaysian Timber Council has reported Deputy Prime Minister, Datuk Seri Fadillah Yusof's concerns on the European Council's decision on the EU Deforestation-Free Products Regulation as this will include commodities including palm oil, timber, cocoa and rubber.

The Deputy Prime Minister said the unilateral initiative is detrimental to free and fair trade and could result in adverse effects on the global supply chain.

See: https://mtc.com.my/images/media/1350/DPM_Fadillah_states_Malaysia---s_concern_over_new_EU_green_law_targeting_commodities___Malay_Mail.pdf

The Malaysian Prime Minister, Anwar Ibrahim, recently met his Indonesian counterpart and discussed economic cooperation and regional security issues. Indonesia and Malaysia have decided to work together to defend their exports of palm oil, a commodity included in the EUDR (European Union Deforestation Regulation). The leaders agreed to work to promote the commodity through the Council of Palm Oil Producing Countries.

See: <https://www.trtworld.com/magazine/why-indonesia-and-malaysia-are-calling-out-eu-discrimination-64314>

In related news, Sabah Timber Industries Association (STIA) president Tan Peng Yuan has warned the timber industry will be facing challenges in the coming year, one of which is timber certification.

The STIA is concerned that the EU will be enforcing additional requirements under the EUDR that may limit Sabah's products access into the market. If market access is restricted the impetus for investment in both planting and manufacturing could be lost, he said. According to Tan, Sabah is well advanced with the state's TLAS certification system which was developed through a well-defined Chain-of-Custody process.

See: <https://www.theborneopost.com/2023/01/08/sabah-timber-industry-to-face-certification-challenge/>

Rules covering recruitment of foreign workers eased

The government has eased the rules for covering recruitment of foreign workers. The Prime Minister (PM) said the new 'Plan to Facilitate the Hiring of Foreign Workers' (Pelan Kelonggaran Pengajian Pekerja Asing) will allow employers to hire foreign labour without constraints or any preconditions or quotas.

A Malaysian delegation will be organised to visit countries to discuss matters related to the safety and wellbeing of foreign workers in Malaysia according to the PM.

See: <https://www.theborneopost.com/2023/01/10/pm-anwar-putrajaya-eases-rules-on-the-hiring-of-foreign-workers>

Plantations the future for Sabah industry

The timber industry is still one of the main contributors to Sabah's economy. Exports generated by the timber sector in the first half of 2022 totalled RM588 mil., an increase of 22% in value compared to the same period in the year 2021. In terms of volume, there was an increase of over 9%. The main products exported included plywood, sawn timber and moulding-related products.

Sabah Deputy Chief Minister Dr. Joachim Gunsalam, said the Sabah government has been managing the state's forest in a sustainable manner since the establishment of the Sustainable Forest Management (SFM) Policy in 1997. In addition to this, he said the timber industry in Sabah will see significant changes in the future with plantation timber taking over as the primary source of raw material for both the upstream and downstream sectors.

To achieve this transformation the State government launched the Action Plan on Forest Plantation Development (2022-2036) in March 2022 under which it is planned to establish 400,000 hectares of forest plantations by 2035 to reduce dependence on timber from natural forest reserves.

The Forestry Department has also deemed it important to ensure there is a reduction in the number of logging concessions allocated. It is forecast that 400,000 hectares of forest plantations will produce 200 cubic metres of timber per hectare per year, a significant volume which will attract investment in processing.

See: <https://www.theborneopost.com/2023/01/08/timber-industry-still-main-contributor-to-sabahs-economy/>

Unconventional funding for Agarwood

Agarwood, the resinous part of the Aquilaria tree, is a valuable commodity and has been traded for millennia for medicine and fragrances. The global agarwood market trade is estimated at US\$32 billion. Malaysia is a leader in the cultivation of Aquilaria.

DAdvance Agarwood Solutions is one of Malaysia's leading firms involved in bio-serum engineering for agarwood inoculation and has had success in unconventional fund raising to expand its business. It recently raised RM1.92 million through an equity crowdfunding (ECF) campaign. ECF is a method of raising capital often used by start-ups

See: <https://www.freemalaysiatoday.com/category/highlight/2022/12/30/agarwood-firm-opts-for-equity-crowdfunding-to-raise-funds/>

Furniture exports to the US

The furniture industry is assessing how inflation, the rising cost of living and energy disruptions will impact international trade.

US imports of furniture from Malaysia slowed in recent months as US importers liquidated their over-inventoried positions. This trend is expected to continue as a slowdown in the US housing sector amid rising interest rates and the higher cost of living will adversely impact purchases of furniture.

See: <https://www.thestar.com.my/business/business-news/2023/01/04/poh-huat-to-see-slow-furniture-demand-from-the-united-states>

Bamboo charcoal

A company in Sarawak has signed a memorandum of understanding with the Sarawak Timber Industry Development Corp (STIDC) to establish the bamboo plantations for the production of charcoal.

It is planned that a technical team will be established and efforts will be directed to collaborate with communities for bamboo contract farming and production of bamboo-based handicrafts. Under the STIDC Bamboo Industry Development Masterplan drawn up in 2019, Sarawak targets to plant at least 20,000 ha of bamboo for industrial purposes to generate RM200 mil. in export earnings by 2030, apart from creating 5,000 jobs.

See: <https://www.thestar.com.my/business/business-news/2023/01/02/pertama-ferroalloys-to-invest-in-green-bamboo-plantation>

Indonesia

Association warns of recession risk

Exports of Indonesian wood products increased in 2022 but the Ministry of Environment and Forestry (KLHK) quoting the Association of Indonesian Forest Concession Holders (APHI) has warned of a possible global recession.

Up to November 2022 exports of processed wood products reached US\$13.27 billion, close to the total value of export in 2021 which was the highest on record for processed wood products.

The 2022 performance (as of November) was supported by paper products US\$3.98 billion, up 18% (YoY) followed by pulp products US\$3.31 billion an increase of 13% (YoY). Plywood exports were US\$2.67 billion, down 1.6% YoY and furniture US\$2.11 billion, up 14% YoY.

Wood product exports to Japan up to November 2022 recorded an increase of 13% YoY while exports to the Republic of Korea increased 6% YoY. Exports to the European Union + UK increased by 10% YoY to US\$1.16 billion and exports to India increased by 38% YoY to US\$471.5 million. However, demand in Indonesia's main market, China, was weak.

In related news the KLHK revealed that the 2022 export value of industrial forest products was good being almost one and a half times above the target of US\$10 billion.

See: <https://forestinsights.id/2022/12/23/kinerja-ekspor-kayu-olahan-indonesia-dekati-rekor-tapi-resesi-mulai-membayangi/> and <https://wartaekonomi.co.id/read470381/realisasi-ekspor-produk-industri-hasil-hutan-capai-us14-milyar-klhk-kami-masih-butuh-terobosan?page=2>

Development of non-timber forest products

The KLHK is promoting the development of non-timber forest product enterprises according to Agus Justianto, Director General of Sustainable Forest Management. Forest utilisation business permit (PBPH) holders are being asked to optimise the utilisation of non-timber forest products and not just focus on timber. Agus said "we have a policy called forestry multi-business to encourage PBPH holders to explore, even utilise non-timber forest products".

See: <https://www.medcom.id/english/business/RkjegRWb-ministry-pushes-development-on-non-timber-forest-product-businesses-in-indonesia>

Social Forestry generates IDR 1.98 Trillion

The total area of community managed forests covers 5.3 million hectares spread across the entire country and involves over than 1.2 million households.

Bambang Supriyanto, Director General of Social Forestry and Environmental Partnerships (PSKL) in the KLHK, said that this achievement was supported by cross-sector collaboration adding that almost 10,000 Social Forestry Business Groups (KUPS) have been formed. The economic transaction value in the KUPS reached IDR 117.59 billion as of November 2022.

Bambang said "innovations in developing economic-scale businesses and product down-streaming through Integrated Area Development (IAD) programmes are carried out in collaboration with many stakeholders.

See: <https://www.gatra.com/news-561696-lingkungan-klhk-klaim-akses-kelola-perhutanan-sosial-capai-53-juta-hektare-di-2022.html>

Towards new climate partnership

According to a newly-released joint statement by the Governments of Indonesia and the United States reported by the KLHK, Indonesia and the US will formulate a framework agreement aimed at launching a new climate partnership worth up to US\$50 million.

The joint statement follows the release of a White House Fact Sheet, titled 'Strengthening the U.S.-Indonesia Strategic Partnership' related, among other things, to the "Preserving Biodiversity" component, decided during the G20 bilateral meeting between President Jokowi and President Biden.

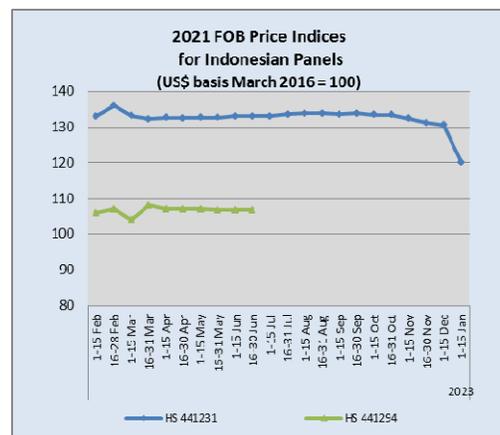
See: <https://id.usembassy.gov/id/klhk-dan-usaid-umumkan-kerjasama-perubahan-iklim-baru-untuk-dukung-rencana-operasional-folu-net-sink-2030-indonesia/>

Trade surplus to reach US\$38.5 billion in 2023

Head of the Trade Policy Agency of the Indonesian Ministry of Trade, Kasan, has projected a trade surplus of US\$38.3 billion to US\$38.5 billion in 2023.

The Ministry of Trade is targeting non-oil and gas export growth to lie in the range of 4-5%. Meanwhile, oil and gas exports are projected to grow 7-8%. The ministry launched two priority programmes aimed at strengthening the domestic market and increasing non-oil and gas exports.

See: <https://en.antaranews.com/news/266570/indonesias-trade-balance-projected-to-reach-us385-billion-in-2023>



Data source: License Information Unit. <http://silk.depht.go.id/>

Myanmar

UNSC expresses “deep concern”

In December 2022 the United Nations Security Council (UNSC) yesterday adopted its first resolution on Myanmar in more than seven decades, expressing “deep concern” at the situation that has engulfed the country since the military take over in February 2021. The resolution was adopted with 12 of the 15 members of the UNSC in favor, while India, China and Russia abstained.

See: <https://press.un.org/en/2022/sc15159.doc.htm>

Fading prospects for forest product exports

As a result of the ongoing international pressure and restrictions on trade in products from Myanmar exports of timber have been affected.

The cumulative result of the US Burma Act (recently revised), OFAC and FATF resolutions on financial transactions and action by the EU parliament have had a striking impact, not only timber trade but also the entire business sector.

In addition to external action there are also internal factors which have slowed the timber trade. The Myanmar Timber Enterprise (MTE) is the sole and official supplier of logs to the sector but the MTE is facing difficulties to transport logs from the extraction sites to Yangon where many processing mills are located because of the security threat from the anti-government forces.

Changes to export regulations have also undermined exports of wood products. In August 2022 an order was issued revising the definition of type of wood products.

It was decreed that sawnwood greater than a cross-sectional area of more than 24 square Inch (for example width 8-inch and thickness 3-inch or width 12-inch and thickness 2-inch) shall be regarded as rough sawn and exports are prohibited. As a result squared logs and veneer flitches cannot be exported and this has cut into export earnings.

Annual export earnings from timber exports have fallen to around US\$10 million over the past three years according to data from the Ministry of Commerce.

See: <https://myanmar-now.org/en/news/us-house-passes-burma-act-with-new-amendments>,

and

<https://www.en.etemaaddaily.com/world/international/fatf-adds-myanmar-to-list-of-high-risk-countries:121346#:~:text=Mon 24 Oct 2022>

Foreign investment flows

The Myanmar Investment Commission has reported it approved 59 foreign investment projects from eight countries between April and December of the current financial year 2022-2023.

The country attracted capital of US\$1.46 billion which included expansions by existing enterprises. The sectors that attracted most investment were agriculture, manufacturing, power, real estate and services.

Singapore was the top source of FDI with 14 Singapore-listed enterprises investing US\$1.154 billion into Myanmar. Hong Kong SAR was the second largest investor with an estimated investment of around US\$165 million for 12 projects. China was the third largest investor at US\$95.6 million for 27 projects.

From 1 February 2021 the Thilawa SEZ attracted capital flows for expansions, around US\$100 million and from one new enterprise. The majority of the investments are for cement and pharmaceutical manufacturing.

See: <https://www.gnlm.com.mm/mic-bags-59-foreign-projects-worth-1-46-bln-in-nine-months/>)

India

GDP set to slow

The Indian government expects economic growth to have slowed in the financial year ending March. GDP is forecast to rise 7% this fiscal year compared with 8.7% the previous year, according to the Ministry of Statistics. This is much lower than the government's earlier forecast of 8%-8.5% but above the central bank's projection of 6.8%.

India's economy rebounded after COVID-19 restrictions were eased around mid-2022 but the Russian invasion of Ukraine has spurred inflationary pressures prompting the Reserve Bank of India (RBI) to reverse the ultra-loose monetary policy it adopted during the pandemic years.

The RBI increased interest rates by 2.25% between May and December in an aggressive response to rising inflation which hit a high of 7.79% in April. In other news, higher commodity costs and a weaker rupee have caused a deterioration of the trade balance. The rupee hit record low last year, plunging more than 11% against the US dollar.

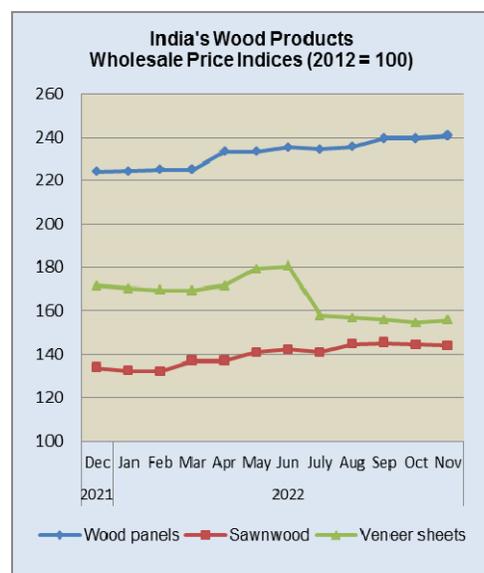
See: <https://www.hurriyetdailynews.com/india-gdp-growth-forecast-to-slow-to-7-percent-179954>

According to the OECD, despite slower growth, India is set to be the second-fastest growing economy in the G20 in FY 2022-23, even with decelerating global demand and the tightening of monetary policy to manage inflationary pressures.

See: <https://www.oecd.org/economic-outlook/november-2022/>

Welcome dip in inflation

The annual rate of inflation based on the Wholesale Price Index was 5.85% in November 2022 compared to 8.39% in October 2022. The decline in November inflation was primarily contributed by fall in prices of food, basic metals, textiles, chemicals and paper products.



Data source: Ministry of Commerce and Industry, India

The wholesale price index for manufacturing declined in November to 141.5. Out of the 22 NIC two-digit groups for manufactured products, 11 groups saw an increase in prices while 10 groups declined. The increase in price was mainly contributed by food, fabricated metal products, non-metallic mineral products and machinery and equipment.

Declines were recorded for basic metals, textiles, chemicals, paper products along with rubber and plastics products.

See: https://eaindustry.nic.in/pdf_files/cmonthly.pdf

Trade deficit widens

The latest trade data released by the Ministry of Commerce and Industry show India's exports were worth almost US\$32 billion in November 2022 while imports were valued at almost US\$56 billion. Exports grew by 0.6% over November 2021 while imports grew by 5.4%.

The rise in the value of imports could have been higher if it was not for the rise in imports of Russian crude oil produced in the Arctic region offered at steep discounts after Europe stopped oil imports from Russia.

Bio-fuel from planted degraded land

India is looking to replicate global models to commercially grow cactus on degraded land to produce bio-fuel, food, fodder and bio-fertiliser. This has been discussed in the Ministry of Rural Development. Government estimates show degraded land increased to 97.84 million hectares in 2018-19 from 96.32 million hectares in 2011-13.

The government is committed to increased farmers' income and cultivation of cactus could significantly lift the economies in states which have vast tracts of degraded land. Rajasthan, Maharashtra and Gujarat are the top three states with most degraded.

See: <https://economictimes.indiatimes.com/news/india/govt-mulls-cactus-plantation-on-degraded-land-for-biofuel-food/articleshow/96407372.cms?from=mdr>

Teak logs, C&F US\$, Hoppus cu.m

	Hoppus cu.m	US\$ C&F
Brazil	84.8	247
Columbia	-	-
Costa Rica	34.2	389
Ecuador	102.3	288
Ghana	88.3	267
Ivory Coast	-	-
Nigeria	149.0	276
South Sudan	-	-
Tanzania	-	-

Teak sawnwood, C&F, US\$ cu.m

	cu.m	US\$ C&F
Benin	29.2	553
Brazil	177.6	450
Colombia	-	-
Costa Rica	-	-
Ecuador	31.1	296
Ghana	78.9	335
Ivory Coast	217.0	422
Nigeria	-	-
South Sudan	-	-
Tanzania	-	-
Togo	80.1	335
Venezuela	82.0	471

Locally milled sawnwood prices

Sawnwood Ex-mill	Rs per cu.ft.
Merbau	4,000 - 4,300
Balau	2,700 - 3,000
Resak	-
Kapur	-
Kempas	1,455 - 1,750
Red meranti	1,700 - 2,000
Radiata pine	900 - 1,050
Whitewood	900 - 1,050

Price range depends mainly on lengths and cross-section.

Sawn hardwood prices

Sawnwood (Ex-warehouse) (KD 12%)	Rs per cu.ft.
Beech	1,750 - 1,850
Sycamore	1,900 - 2,000
Red Oak	2,000 - 2,200
White Oak	2,500 - 2,800
American Walnut	4,500 - 5,000
Hemlock STD grade	1,350 - 1,600
Western Red Cedar	2,220 - 2,450
Douglas Fir	2,200 - 2,400

Price range depends mainly on lengths and cross-sections.

Plywood

The current prices are as follows.

Domestic ex-warehouse prices for locally manufactured WBP plywood

Plywood Ex-warehouse	Rs. per sq.ft
4mm	76.00
6mm	88.00
9mm	104.00
12mm	129.00
15mm	164.00
18mm	180.00

Domestic ex-warehouse prices for locally manufactured MR plywood

Plywood Ex-warehouse	Rs. per sq.ft
4mm	52.00
6mm	65.00
9mm	77.00
12mm	92.00
15mm	122.00
19mm	131.00
5mm Flexible ply	85.00

Vietnam**Wood and Wood Product (W&WP) Trade Highlights**

According to data provided by Vietnam General Statistics Office, Vietnam's W&WP exports in December 2022 reached US\$1.16 billion, down 1.2% compared to November 2022 and down 19% compared to December 2021. Of this, export of wood products (HS 94) accounted for US\$782 million, up 2.8% compared to 11/2022, but down 27% compared to December 2021.

In 2022 the accumulated W&WP exports totalled US\$15.8 billion, up 7% year-on-year. WP exports alone amounted to US\$10.9 billion, down 1.3% compared to 2021. Over US\$1 billion was contributed by exports of NTFPs. The total export earnings from forest products is reported at US\$16.8 billion.

Vietnam's W&WP export to South Korea in December 2022 reached US\$102 million, up 11% compared to December 2021. In 2022 the W&WP exports to the Korean market are estimated at US\$1.02 billion, up 15% compared to 2021.

Exports of woodchips in December 2022 were valued at US\$220 million, up 58% compared to December 2021. In 2022 the total export of wood chips is estimated at US\$2.7 billion, up 55% compared to 2021.

W&WP imports in December 2022 totalled at US\$230 million, up 4% compared to November 2022. In 2022 Vietnam spent US\$3.052 billion to import W&WPs from over 100 sources with the year-on-year growth of 4%. With the great surplus of export over import the forestry and wood industry has been greatly appreciated for substantial contribution to the national economic balance and sustainable growth.

According to Vietnam General Statistics Office in the first 11 months of 2022 the area of newly planted forests is estimated at 26,600 hectares, up 5% over the same period last year.

The number of scattered trees planted during the year is reported at 96.5 million, up 5%; the volume of harvested wood is estimated at 34.6 million cu.m, up 7%; the loss of forests due to violations and forest-fires was reported at 1,047.6 ha, year-on-year down 58%, of which burnt forest area was 37.9 ha, down 97%; the violated area was 1,009.7 hectares, down 2%.

Woodchip export increase significantly

In the first 11 months of 2022 woodchip exports to China, the top destination, were worth US\$.7 billion, up 62% over the same period in 2021 followed by the Japanese market (US\$634.6 million, up 38%), South Korea (US\$56.3 million, up 55%), Taiwan P.o.C (US\$17.1 million, up 19%).

China increased imports of wood chips from Vietnam not only for the pulp and paper industry, but also for pellet production. In addition to Chinese market, the growth of woodchip export to South Korea and Japan also increased as these 2 countries continue to have the transition from coal power to clean electricity, including biomass power.

Woodchip exports

	Jan-Nov 22 US\$ 000s	2021-22 YoY change	Market Share
Total	2,460,725	54.4	100
China	1,700,914	61.8	69.1
Japan	634,574	37.7	25.8
S. Korea	86,260	55	3.5
Taiwan P.o.C	17,128	18.8	0.7
Andora	9,593	297.4	0.4

Data source: General Customs

Log and sawn wood imports in 2022

In December 2022 Vietnam imported 505,700 cu.m of logs and sawnwood, worth US\$177.0 million, up 4.4% in volume and 4% in value compared to November 2022. Compared to December 2021 there was an increase of 35% in volume and 20% in value.

In 2022, in total, the imports of logs and sawnwood to feed manufacturing industries are estimated at 6.04 million cu.m, worth US\$2.28 billion, down 4.5% in volume and down 6% in value compared to 2021.

Due to the decreased demand for interior and out-door furniture in the US and EU markets Vietnam's imports of non-tropical softwood and hardwood, including pine, poplar, oak, ash, birch, beech declined. In the contrast, the imports of tropical hardwood, such as tali, padouk, pachy, mahogany to meet local demand increased.

Log and sawnwood imports in the first 11 months of 2022

In the first 11 months of 2022 log and sawnwood imports amounted to 4,552 million cu.m worth US\$1.72 billion.

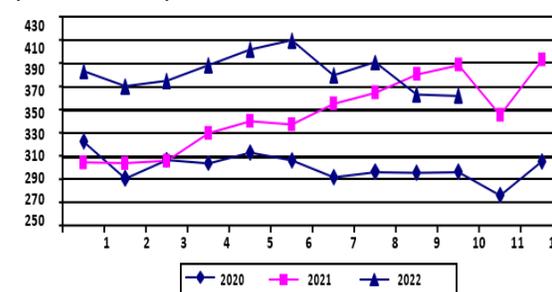
Log and sawnwood imports, 11 months of 2022

	cu.m	US\$ 000s	% change vol.	% change Value
Sawnwood	2,352,471	1,055,363	-9.7	3.7
Logs	2,199,958	661,424	22.4	36.1

Data source:

In 11 months of 2022 the mean price of imported logs and sawn wood was US\$380.5/cu.m CIF, up 12% year-on-year.

Average combined log and sawnwood price (US\$/cu.m CIF)



Log and sawn wood suppliers

In the first 11 months of 2022 the volume of raw material imported from major suppliers such as the US, China, Thailand, Brazil, Chile and New Zealand decreased compared to the same period in 2021. In the contrast, imports from several sources such as the EU, Cameroon, Papua New Guinea, Laos, Nigeria and Congo increased.

Log and sawnwood imported from the US accounted for 12% of total imports in the first 11 months of 2022, reaching 645,300 cu.m worth US\$307.9 million, down 0.5% in volume but up 3% in value over the same period in 2021.

Imports from China decreased by 35% in volume and 12% in value and amounted to 613,500 cu.m, worth US\$333 million equal to 11% of total imports.

In addition, imports from some other markets decreased: from Thailand imports dropped 2%, Brazil by 32%, Chile by 25%, New Zealand by 33% and Uruguay by 8%.

Conversely, imports from the EU increased by 1.5% in volume and 15% in value over the same period in 2021 reaching 775,600cu.m, worth US\$258 million and accounting for 14% of total imports.

The imports of tropical hardwood from traditional suppliers experienced significant growth with Cameroon up by 36%, Papua New Guinea by 88%, Laos by 73%, Nigeria by 64%, Congo by 86%, Hong Kong by 85% and Argentina by 27%.

Positioning Vietnamese brands on the global map

Vietnamese made wooden furniture brands are still almost "unknown" in the international market since they are mainly traded through foreign enterprises. Changing this can bring higher value to wood and furniture products and contribute to the positioning of Vietnamese wood and furniture brands on the global map.

Brands unknown to global consumers

According to the Department of Forestry more than 2,600 enterprises are exporting wood products. Of these, there are 750 FDI units and 1,850 domestic units. Vietnamese wood product brands are well positioned in the domestic market but building brand image in international markets is a challenge.

The domestic market has identifiable wooden furniture brands such as Dong Ky Wood Village - Bac Ninh; Ho Nai - Bien Hoa furniture craft village and the brands owned by enterprises such as Hoang Anh Gia Lai Wood JSC (Gia Lai); An Cuong Wood JSC (Binh Duong); Hoa Phat Furniture JSC (Hung Yen); and Thuan An Wood JSC (Binh Duong).

In addition to meeting domestic consumption of about US\$3-4 billion/year Vietnam's wood industry exports, on average, generate more than US\$15 billion per year making Vietnam the 5th largest suppliers in the world, 2nd in Asia, 1st in Southeast Asia. The export markets for Vietnamese furniture have expanded from 60 countries and territories in 2008 to more than 120 countries and territories by 2022.

However, in export markets Vietnamese wood and wood products have only won the trust of traders, wholesalers and agents but have not yet made an impression on, or attracted individual consumers.

According to the Department of Forestry the reason for this situation is that a branding policy in the wood processing industry has not been implemented. Vietnamese wood and wood product enterprises do not have experience and lack resources to develop overseas sales systems which are the foundation for building a brand image. In addition, developing overseas markets requires large-scale production capacity but few Vietnamese enterprises can meet this requirement.

Branding to add value

According to Nguyen Quoc Khanh, Chairman of the Handicraft and Wood Industry Association of HCM City (HAWA) and AA Company, Vietnamese enterprises need to change their mindset of making money by being diligent in production but need to build their brand.

Building a brand helps businesses develop their vision and orientation, increase the customer base, ease access to international markets and optimise profits.

A brand will increase a product's commercial value contributing to the increase in export earnings and position the furniture industry of Vietnam on the global map.

Nguyen Van Dien, Director of the Forestry Production Development Department - Ministry of Agriculture and Rural Development, said that the Ministry of Agriculture and Rural Development is assigning the Department of Agricultural Product Processing and Market Development to develop a decree on the branding of essential agricultural products. "When this decree is issued enterprise a branding process will be possible because it can be done methodically and scientifically thereby achieving better results," said Dien.

Additionally, to support businesses in developing their brands, the Department of Forestry proposed the Ministry of Foreign Affairs direct overseas trade counsellors to support wood processing enterprises in building and developing Vietnamese wood brands abroad.

See: <https://antidumping.vn/position-vietnamese-wood-and-furniture-brands-on-the-global-map-n25277.html>

Brazil

Confidence rises in the furniture sector

The Industrial Business Confidence Index (ICEI) is the weighted average of two components: the businesses assessment of the current and future state of their own companies and the assessment of the current state and future prospects for the Brazilian economy.

A total of 2,033 companies were consulted in December 2022 to prepare the index of which 803 were small-sized, 737 medium-sized and 493 large companies.

According to entrepreneurs' assessment the Brazilian economy affected industrial confidence in December. While four sectors made the transition from a state of confidence to lack of confidence however enterprises in the furniture sector made a transition from lack of confidence to confidence.

See: <http://abimovel.com/confianca-do-empresario-sobe-no-setor-de-moveis-mas-cai-nos-demais/>

Multiplier training in community forest management

Forest Management for timber production has been carried out for over twenty years by traditional community associations in the state of Amazonas with the support of the Mamirauá Sustainable Development Institute (IDSM).

In November 2022, 15 professionals from different regions of the State participated in training of multipliers on community forest management in the municipality of Tefé, in the Amazon Region.

Participants discussed the history of occupation of the Mamirauá Sustainable Development Reserve; the organisation of the riverine populations and their involvement in management activities; forest management techniques, environmental legislation, stock survey among other topics.

The event aimed to expand the experience with community forest management in floodplain areas through training multipliers who expand knowledge of methodologies adopted by the Mamirauá Institute to other regions of the Amazon. Mamirauá is a social organisation backed by the Ministry of Science, Technology and Innovation (MCTI).

See: <https://www.mamiraua.org.br/noticias/instituto-mamiraua-realiza-curso-multiplicadores-manejo-florestal-comunitario->

Furniture association - prospects for 2023 are uncertain

The Bento Gonçalves Furniture Industry Union (Sindmóveis) has warned of likely impacts from the effects of global political and economic instability. According to Foreign Trade Statistics the revenue generated by the more than 300 furniture companies in the region will end 2022 with a nominal retraction of 3.5% compared to that of 2021. Yet, this performance is 40% higher than registered in 2020 and 55% above 2019 (the year before the pandemic).

According to Sindmóveis the reason behind the drop in revenue was weak international demand. Sales between January and November 2022 fell over 25% year on year.

The Bento Gonçalves furniture cluster represents more than 300 companies, generating 6,646 jobs and revenues of R\$2.6 billion between Jan-Oct/2022; R\$3.2 billion in 2021, R\$2.2 billion in 2020 and R\$2.0 billion in 2019.

Prospects for 2023 are uncertain because a great deal will depend on the measures adopted by new government such as credit expansion, more competitive interest rates and unemployment rate reduction which are factors that can foster sales in the domestic market.

See: <https://www.sindmoveis.com.br/como-o-polo-moveleiro-de-bento-devera-encerrar-2022/>

Domestic log prices

	US\$ per cu.m
Brazilian logs, mill yard, domestic	
Ipê	437
Jatoba	191
Massaranduba	168
Muiracatiara	161
Angelim Vermelho	165
Mixed redwood and white woods	128

Source: STCP Data Bank

Domestic sawnwood prices

	US\$ per cu.m
Brazil sawnwood, domestic (Green ex-mill)	
Ipê	1,826
Jatoba	895
Massaranduba	903
Muiracatiara	778
Angelim Vermelho	793
Mixed red and white	519
Eucalyptus (AD)	308
Pine (AD)	220
Pine (KD)	293

Source: STCP Data Bank

Domestic plywood prices (excl. taxes)

	US\$ per cu.m
Parica	
4mm WBP	605
10mm WBP	474
15mm WBP	429
4mm MR.	588
10mm MR.	444
15mm MR.	380

Prices do not include taxes. Source: STCP Data Bank

Prices for other panel products

	US\$ per cu.m
Domestic ex-mill prices	
15mm MDParticleboard	325
15mm MDF	388

Source: STCP Data

Export sawnwood prices

	US\$ per cu.m
Sawnwood, Belem/Paranagua Ports, FOB	
Ipê	3,141
Jatoba	1,620
Massaranduba	1,665
Muiracatiara	1,662
Pine (KD)	257

Source: STCP Data Bank

Export plywood prices

	US\$ per cu.m
Pine plywood EU market, FOB	
9mm C/CC (WBP)	375
12mm C/CC (WBP)	344
15mm C/CC (WBP)	329
18mm C/CC (WBP)	315

Source: STCP Data Bank

Export prices for added value products

	US\$ per cu.m
FOB Belem/Paranagua ports	
Decking Boards	
Ipê	5,122
Jatoba	2,296

Source: STCP Data Bank

Peru

SERFOR promotes production for public purchases

SERFOR (National Forestry and Wildlife Service) recently exhibited a variety of locally made wood products such as doors and school furniture. It also provided a series of technical specifications for wood products acceptable for government procurement.

The technical sheets have been approved by the Central de Compras Públicas (Perú Compras), a public body attached to the Ministry of Economy and Finance and whose mission is to optimise public procurement of domestically made products.

The specifications include species that can be used. SERFOR, through the Directorate of Promotion and Competitiveness, is also supporting production by small and medium-sized companies for government purchases.

OSINFOR and GERFOR Loreto exchange experiences in forest inspection

Specialists from the Forestry and Wildlife Resources Supervision Agency (OSINFOR) and the Forestry and Wildlife Development Management (Gerfor) recently participated in an event to share experiences on inspection and sanctioning in the forestry sector.

The specialists were able to share their experiences in the activities under their jurisdiction, the execution of complementary measures directed by OSINFOR and the difficulties that arise in complying with the various regulations.

Action Plan for the shihuahuaco and tahuari

SERFOR has published its "Action Plan" for the implementation of CITES regulations pertaining to shihuahuaco (*Dipterix* genus) and tahuari (*Handroanthus* genus). At the Nineteenth meeting of the CITES Conference of the Parties held in Panama City last November the genera *Dipteryx* and *Handroanthus* were added to CITES Appendix II.

The Action Plan presents four components to be implemented by SERFOR:

- Regulatory improvements to enable the proper incorporation of these two species into CITES
- Collection of information on the species for sustainable management decision-making
- Evaluation of the existence stocks in the forest, in mill yards and in storage.
- Strengthening capacity for the sustainable management of these resources.

See: <https://www.gob.pe/institucion/serfor/informes-publicaciones/3770000-propuesta-del-plan-de-accion-para-la-adecuada-implementacion-de-la-inclusion-del-shihuahuaco-and-tahuari-in-appendix-ii-of-the-cites-years-2023-and-2024>

Communities in Ucayali learning to use drones

OSINFOR has reported that 36 leaders of native communities in Ucayali have been trained in the use of drones and in community forest control and surveillance in order to strengthen the prevention of forest crimes.

OSINFOR specialists traveled to Ucayali to provide theoretical and practical training to the communities on the topics of Forest Crimes, Surveillance and Community Forest Control. Community leaders were instructed on the use of drones in order to use them for forest surveillance..

In related news, OSINFOR has conducted a course to facilitate the identification of the main timber forest species in the Amazon for 20 regional forest authorities in Ucayali regions in order to contribute in the planning, review and execution of forestry activities.

Course participants were trained by specialists to understand the dendrological characteristics of the main families, genera and forest species. The course "Identification of timber forest species" had the technical support of the German International Cooperation, GIZ, through the ProAmbiente II programme.

Export prices for added value products

Peru, FOB strips for parquet Cabreuva/estoraque KD12% S4S, Asian market	US\$ per cu.m 1327-1398
Cumaru KD, S4S Swedish market	986-1119
Asian market	1079-1101
Cumaru decking, AD, S4S E4S, US market	1204-1237
Pumaquiro KD Gr. 1, C&B, Mexican market	479-554
Quinilla KD, S4S 2x10x62cm, Asian market	582-611
2x13x75cm, Asian market	774-831

Export veneer prices

Veneer FOB Callao port	US\$ per cu.m
Lupuna 3/Btr 2.5mm	221-249
Lupuna 2/Btr 4.2mm	234-266
Lupuna 3/Btr 1.5mm	219-228

Export sawnwood prices

Peru sawnwood, FOB Callao Port	US\$ per cu.m
Pumaquiro 25-50mm AD Mexican market	682-695
Virola 1-2" thick, length 6"-12" KD Grade 1, Mexican market	589-615
Grade 2, Mexican market	507-538
Cumaru 4" thick, 6"-11" length KD Central American market	989-1000
Asian market	988-1002
Ishpingo (oak) 2" thick, 6"-8" length Spanish market	622-642
Dominican Republic	712-731
Marupa 1", 6-11 length KD Grade 1 Asian market	595-615

Export plywood prices

Peru plywood, FOB Callao (Mexican market)	US\$ per cu.m
Copaiba, 2 faces sanded, B/C, 8mm	349-379
Virola, 2 faces sanded, B/C, 5.2mm	487-511
Cedar fissilis, 2 faces sanded, 5.5mm	766-783
Lupuna, treated, 2 faces sanded, 5.2mm	396-419
Lupuna plywood	
B/C 15mm	449-495
B/C 9mm	379-399
B/C 12mm	350-360
B/C 8mm	466-487
C/C 4mm	389-425
Lupuna plywood B/C 4mm Central Am.	391-407

Domestic sawnwood prices

Peru sawnwood, domestic	US\$ per cu.m
Mahogany	218-236▲
Virola	343-351
Spanish Cedar	182-218
Marupa (simarouba)	

Domestic plywood prices (excl. taxes)

Iquitos mills	US\$ per cu.m
122 x 244 x 4mm	512
122 x 244 x 6mm	519
122 x 244 x 8mm	522
122 x 244 x 12mm	528
Pucallpa mills	
122 x 244 x 4mm	503
122 x 244 x 6mm	511
122 x 244 x 8mm	516
122 x 244 x 8mm	521

Domestic prices for other panel products

	US\$ per cu.m
Peru, domestic particleboard	282
1.83m x 2.44m x 4mm	230
1.83m x 2.44m x 6mm	204
1.83m x 2.44m x 12mm	

Japan

No clear direction on new recruitment

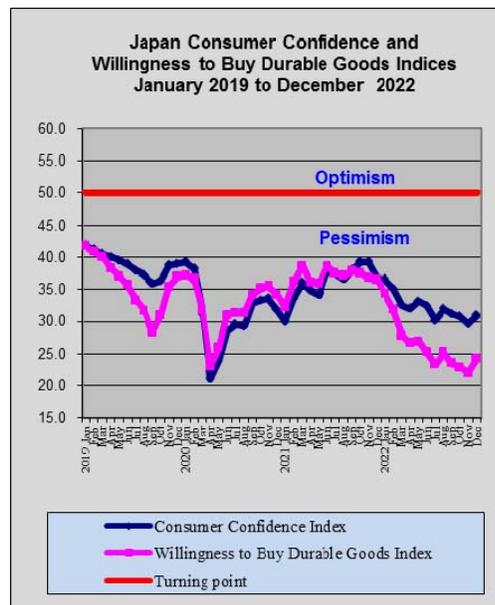
A recent survey commissioned by kyodonews showed 85% of companies were undecided on whether to hire more students graduating university in 2024. Another 4% indicated they are likely to cut back on hiring students. Despite the rather pessimistic views the latest figures were an improvement on the last survey a year ago. The survey covered 7,200 private companies with five or more employees between October and November 2022.

See: <https://english.kyodonews.net/news/2023/01/22be9ab66cf8-over-15-of-japan-firms-plan-to-hire-more-univ-graduates-in-2024.html>

Consumer sentiment remains low

The consumer confidence index in Japan increased in December 2022 from November's low point for the year as the government lifted all pandemic restrictions. However, overall sentiment remains lower as price rises hurt households and the eighth wave of the pandemic is yet to reach its peak.

In December household sentiment strengthened for all components with the willingness to buy durable goods rising month on month for the first time in 2022.



Data source: Cabinet Office, Japan

New power capacity based on wood pellets

Wood pellet demand in Asia is likely to diverge in 2023, with Japanese consumption set to rise as new capacity is brought on line, while South Korean demand could remain stable.

Tight wood pellet supplies and firm demand are likely to persist in the Japanese market through 2023 as more biomass capacity is brought on line under the country's FiT scheme. Vietnamese wood pellets that meet the requirements of Japanese utilities under the country's feed-in-tariff (FiT) scheme rose to historical highs in 2022.

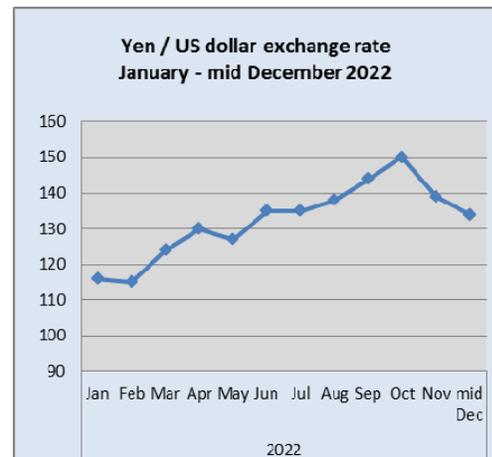
See: <https://www.argusmedia.com/en/news/2406850-viewpoint-asian-wood-pellet-demand-to-diverge>

Yen likely to strengthen in 2023

There is a widespread view that the yen is set to strengthen in 2023 reversing the plunge to a 32-year low against the U.S. dollar in late 2022. Forecasts suggest the yen could rise to 120 against the dollar from its current 133 yen. The outlook contrasts with the currency's drop of more than 30% from around 115 yen at the beginning of 2022 to the year's low near 152 yen in October.

The outlook for the yen exchange rate will be dictated by the direction of Japan's monetary policy which now seems less predictable. The Bank of Japan Governor, Haruhiko Kuroda, is likely to be replaced in April which is adding to the uncertainty of policy direction.

See: <https://japantoday.com/category/business/Yen-set-for-turnaround-in-2023-after-slide-to-32-year-low-vs-dollar>

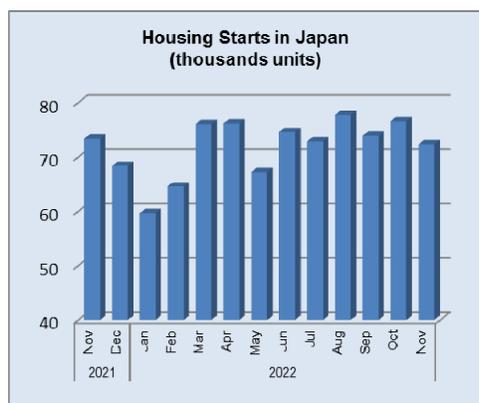


Attempts to lower population in Tokyo

The government has increased the payment being offered to families who move out of greater Tokyo in an attempt to reverse urban drift. The incentive, more than double the amount previously offered, will be introduced in April.

The population in Tokyo declined for the first time in 2022 last year, due to pandemic related relocations spurred by remote working but efforts continue to lower the population density in Tokyo and encourage people to start new lives in other parts of the country.

See: <https://asia.nikkei.com/Politics/Japan-to-raise-financial-support-for-moving-out-of-Tokyo>

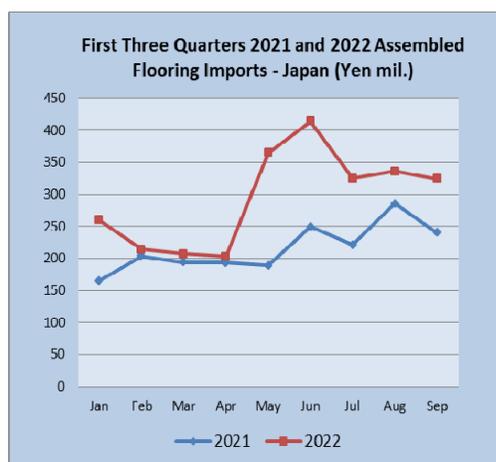


Data source: Ministry of Land, Infrastructure, Transport and Tourism, Japan

Assembled wooden flooring imports

In the first half of 2022 Japan's imports of assembled wooden flooring (HS441871-75) were at around the same level as in the first half of 2021 but in May and June 2022 there was a surge in the value of imports which pushed up total imports for the year to September by around 36%.

Throughout 2022 the top supplier of assembled wooden flooring was China followed by Vietnam and Austria. HS441875 was the main category of assembled flooring imports in the first three quarters of 2022.



Data source: Ministry of Finance, Japan

Plywood imports

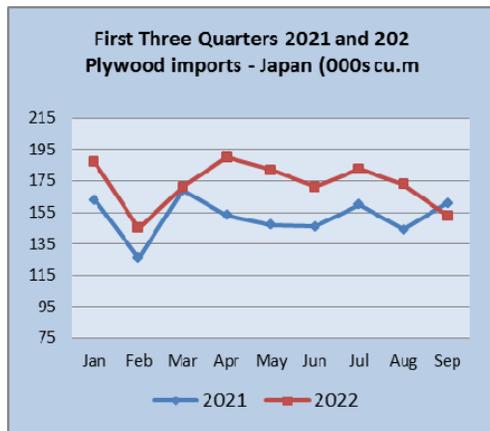
The volume of Japan's plywood imports in the first three quarters of 2022 were around 35% up year on year. Indonesia and Malaysia are the main suppliers of plywood to Japan and together they accounted for over 75% of the volume of imports between January and September 2022.

Compared to the volumes imported in the first three months of 2021 shippers in Malaysia, Indonesia and Vietnam saw gains in the first three months of 2022. However shipments from suppliers in China did not pick up until later in the year. More plywood manufactured from domestic resources is on the market in Japan but the supply of domestic panels fell for seven consecutive months in 2022 because there was a surge in stocks.

Main sources of Japan's plywood imports (000's cu.m)

		China	Malaysia	Indonesia	Vietnam
2019	Jan	14.0	91.2	66.4	11.9
	Feb	11.1	85.3	75.0	4.2
	Mar	4.4	70.1	61.2	9.8
	Apr	11.4	94.2	65.9	8.5
	May	12.4	61.8	48.9	10.6
	Jun	9.3	59.6	62.8	11.3
	Jul	9.8	65.1	59.0	12.1
	Aug	12.1	61.8	68.9	11.0
	Sep	10.0	53.0	62.0	12.0
	Oct	10.6	66.3	72.0	12.0
	Nov	13.1	69.5	68.1	12.6
	Dec	13.0	74.4	57.4	14.0
2020	Jan	13.4	61.1	81.6	17.0
	Feb	6.8	72.2	63.8	9.5
	Mar	5.8	76.5	73.0	12.2
	Apr	13.0	68.0	69.0	13.6
	May	9.6	69.7	59.0	12.6
	Jun	10.3	52.0	61.0	11.3
	Jul	10.2	40.0	54.9	8.9
	Aug	6.6	55.0	56.0	8.4
	Sep	6.8	42.2	37.8	8.7
	Oct	8.3	62.4	52.7	10.1
	Nov	8.6	43.1	50.0	10.9
	Dec	9.2	60.5	43.9	10.8
2021	Jan	9.7	76.9	59.3	15.7
	Feb	6.8	53.5	50.1	13.0
	Mar	5.7	89.4	61.5	11.5
	Apr	11.4	65.9	58.2	17.3
	May	10.3	72.0	51.0	13.0
	Jun	10.5	61.9	56.6	15.6
	Jul	11.8	74.1	57.1	16.4
	Aug	12.8	54.7	57.8	17.5
	Sep	16.0	61.8	60.4	21.8
	Oct	12.6	72.8	60.4	22.5
	Nov	14.6	60.6	66.0	21.8
	Dec	13.6	51.2	76.5	21.0
2022	Jan	15.9	78.6	73.9	16.8
	Feb	14.7	61.0	56.8	11.4
	Mar	13.7	71.0	76.9	8.8
	Apr	25.0	79.3	72.0	13.1
	May	32.2	67.6	68.2	12.9
	Jun	37.5	61.4	52.4	18.4
	Jul	27.7	70.6	67.8	15.2
	Aug	19.0	63.0	70.8	18.5
	Sep	16.5	58.4	60.4	16.2

Data source: Ministry of Finance, Japan



Data source: Ministry of Finance, Japan

Trade news from the Japan Lumber Reports (JLR)

The Japan Lumber Reports (JLR), a subscription trade journal published every two weeks in English, is generously allowing the ITTO Tropical Timber Market Report to reproduce news on the Japanese market precisely as it appears in the JLR.

For the JLR report please see:

https://jfpj.jp/japan_lumber_reports/

Export logs for China, prices down

Cedar logs for China cost around US\$110, C&F per cbm. A peak of the prices was around US\$160 in March, 2022. It is about US\$50, 31.3% lower than March, 2022. The reasons are the dull world economy and low demand in China. The prices of NZ logs declined to around US\$120, C&F per cbm.

The weak yen changed to the strong yen suddenly while the export cost was low so the Japanese exporters did not get profits. The Japanese exporters get cedar logs for 15,000 yen, delivered to a port per cbm and the prices have not changed from September. A peak of freight was in summer and the price was US\$100,000 – 110,000 for 2,500 cbms size ship and the price is now US\$60,000.

The export costs are now 25% lower than the export costs in March because the yen became 150 yen from 115 yen against the dollar. However, the yen is 135 yen recently. The export costs are US\$5 higher than before and are US\$110, C&F per cbm. It shows an over US\$10 loss.

There is a slump in real estate business, a zero COVID-19 policy and low demand for logs in China. Therefore, it is difficult to raise the log export prices for a while. If the freight decreases by US\$5, then the export costs would be US\$5 lower but still it does not make profit. Demand of logs for wooden biomass in Japan is very active so the log prices will not decrease.

Volume of exporting logs to China in 2021 was 1,218,775 cbms, 5.3% more than the result of 2020. It was straight nine years increasing until last year. In this year, volume of exporting logs during January to September is 823,445 cbms, 11.1% less than the same period in 2021.

The volume of 2022 will be lower than 2021's result certainly for the first time in ten years.

Japanese cedar logs are used for crating, public works and fences for the United States in China. Once, the exporting costs exceeded the NZ log prices and the freight to the United States increased and it became below the cost after the COVID-19 spread. Also, demand of logs for fences are low. The container freight was US\$20,000 for 40 feet container, from Asia to North America and it is now US\$4,000. New housing starts in the United States are sluggish and the North American markets are falling.

South Sea logs and lumber

Demand and supply of South Sea logs are balanced in Japan. Shipbuilding and steel manufacturers got enough South Sea lumber and so did lumber and plywood manufacturers. It has been already a rainy season in South Asia and there are fewer logs available. However, there are no concerns about inventory because there is 2.45 months inventory in Japan.

The prices of South Sea and Chinese lumber are decreasing in overseas and Japan. In China, the lunar New Year holiday usually begins at the end of January but some manufacturers will have the lunar New Year holiday in the middle of January, 2023 because there is a policy for zero-COVID in China. Indonesian manufacturers have enough raw materials so they hope to get many orders from Japan.

Sodra to expand supplying to Japan

Sodra Wood, which is a Sweden's largest forest owners association and an international forest industry group, will expand supplying lumber to Japan of 90,000 cbms as a total volume in a year or two years. About 60,000 cbms of 90,000 cbms will be JAS (Japanese Agricultural Standards) lumber.

The company got a certification of JAS for 2 x 4 lumber in 2020. Since the prices of Canadian SPF lumber are high, Sodra expanded supplying lumber to Japan. In this year, a supply of DIY will be 30,000 cbms and of JAS lumber will be 30,000 cbms. Sodra is an international forest industry group owned by 54,000 forest owners and produces not only lumber but also pulps and biomass fuels.

There are six lumber plants in Sweden and is one lumber plant in Finland. The plants produce 2,200,000 cbms lumber annually. 70% of the annual product is whitewood lumber and 30% of the annual product is redwood lumber. The products are all planed lumber. The company supplies 30% lumber in Sweden, 30% in the United Kingdom, the United States, China, Japan and other areas in Europe.

For Japan, Monsteras plant produces DIY lumber and Varo plant produces JAS lumber. Varo plant is available to produce 700,000 cbms JAS lumber in a year and to consume afforested trees from FSC (Forest Stewardship Council) and PEFC (Programme for the Endorsement of Forest Certification Schemes) so a yield rate for lumber is very high.

The sizes of JAS lumber for 2 x 4 and 2 x 6 are 6 – 16 feet. The company plans to produce 300mm genban made of whitewood and long or wide lumber as the market in Japan expands. The prices of logs and electricity are extremely high in Europe but not in Scandinavia.

Mokko Land Co., Ltd. in Yamanashi prefecture, Japan, which imports exterior lumber from overseas, is now in charge of doing business for Sodra.

The vice president of Mokko Land says that there are not many enquiries for DIY recently because high demand during COVID-19 is over now. There is a possibility of expanding supply of JAS lumber for 2 x 4 because the market size is over 800,000 cbms of 2 x 4 lumber annually. Mokko Land tries to import 5,000 cbms JAS lumber in a month and will expand importing 60,000 cbms of JAS lumber annually

China

Adjustments to tariffs

The State Council has announced adjustments to tariffs for 2023. According to the Customs Tariff Commission this year China will impose tariffs on 8,948 tax items and the overall tariff level will be reduced from 7.4% to 7.3% to spur demand and growth. These adjustments include tariff waivers for key medical goods, tariff increases on certain commodities to protect domestic industries and the addition of new tax items.

Beginning 1 January 1,020 items, including anti-COVID drugs, will be subject tariff rates which are lower than the most favored nation (MFN) tariffs. Tariffs on some commodities will be raised to assist with the development of the domestic industry.

Starting from 1 July 2023 China will implement the eighth step of the MFN tariff rate reduction on 62 information technology (IT) products further lowering China's overall tariff level. This is will support high-quality development and 'opening' under the so-called 'dual circulation strategy'.

See:
<https://global.chinadaily.com.cn/a/202212/30/WS63ae7d39a31057c47eba7003.html>
and
<https://www.china-briefing.com/news/china-import-export-tariffs-in-2023/>

Wood product tariff reductions

The import tariffs on some wood products, paper and printing products will be reduced in 2023.

The wood products involved include charcoal, woodwool and wood powder, laminated wood, particleboard, fibreboard, plywood, wooden wares, wooden doors and windows, cork products, bamboo and rattan products.

See:
<http://gdfs.customs.gov.cn/customs/302249/2480148/4764270/index.html>

Tariff exclusions for US imports

China issued a notice extending tariff exemptions for US imports for the ninth time recently. The Customs Tariff Commission of the State Council released the ninth tariff exclusion extension list of additional tariffs on 95 kinds of commodities subject to tariff countermeasures against the US Section 301 measures.

The ninth tariff exclusion extension list will allow China to extend tariff exemptions on the commodities listed in the attachment from 1 December 2022 until 31 May 2023.

See:
http://gss.mof.gov.cn/gzdt/zhengcefabu/202211/t20221128_3853670.htm

Real estate market will stabilise and recover - Minister

The Minister of Housing and Urban-Rural Development has been quoted as saying that the government has full confidence that in 2023 the real estate market will recover, adding that support for those buying their first home will be provided. Additionally, support could be given to those who sell old houses for new ones, small houses for larger ones and families with multiple children.

In principle the government does not support the purchase of more than three homes which is aimed at reducing real estate speculation. At the same time, government intends to increase the supply of low-income rental housing and the development of the long-term rental housing market.

See:
https://baijiahao.baidu.com/s?id=1754254187684457658&wfr=s_pider&for=pc

Record high output of woodbased panels

A 'China Wood-based Panel Industry Report 2022' has been released by the China Forest Products Industry Association and Industry Development Planning Academy under the National Forestry and Grassland Administration.

The report discusses production, consumption, layout, international trade, technology and equipment, standard and quality, environmental protection, production safety and recent industry policies and hot spots of China's wood-based panels and adhesives in 2021, and looks into the future development.

According to the report, the total output of China's wood-based panel sector was 337 million cubic metres in 2021, a year-on-year increase of 8.3%. The output of particleboard products increased by 32% year on year and the consumption of wood-based panels was about 318 million cubic metres, a year-on-year growth of 7.5%.

The growth of particleboard consumption is the main factor driving the total consumption growth of wood-based panel. By the end of 2021 there were more than 13,200 wood-based panel manufacturers in China, including nearly 190 large manufacturers and enterprise groups, with a total annual output capacity of about 57 million cubic meters and accounting for 18% of the total output capacity.

Low-tech production capacity is being eliminated in China's wood-based panel industry and this has accelerated in recent years. There are 142 continuous flat-pressed fibreboard production lines in China with a total annual production capacity of 30.37 million cubic metres.

There are 79 continuous flat-pressed particleboard production lines with a total annual production capacity of 20.1 million cubic metres. Particleboard production capacity continues to rise and the capacity of continuous press lines for fibreboard and particleboard both exceeded 50%.

See:

https://baijiahao.baidu.com/s?id=1752698530577957929&wfr=s_pider&for=pc

And

<http://www.forestry.gov.cn/main/4423/20221214/155433591725668.html>

China-Gabon enterprises promote forestry development

A seminar on forestry policy was jointly hosted by the Chinese Embassy in Gabon, the Ministry Water and Forests in Gabon and the Asian Timber Association. Ambassador Li Jinjin and Stéphane Bonda, a representative of the Ministry of Gabon Water and Forests, attended opening ceremony and addressed the meeting. Nearly 100 participants attended the seminar

China and Gabon have deepened cooperation in forest harvesting, wood processing, forest products trade and forestry investment in recent years. Chinese companies have harvesting rights over more than 50% of Gabon's 16.4 million hectares of production forests.

China is the main export market for Gabon wood products. There are 167 Chinese forestry enterprises in Gabon accounting for more than 70% of the total number of forestry enterprises.

See:

http://www.focac.org.cn/chn/zfgx/rwjl/202212/t20221225_10994842.htm

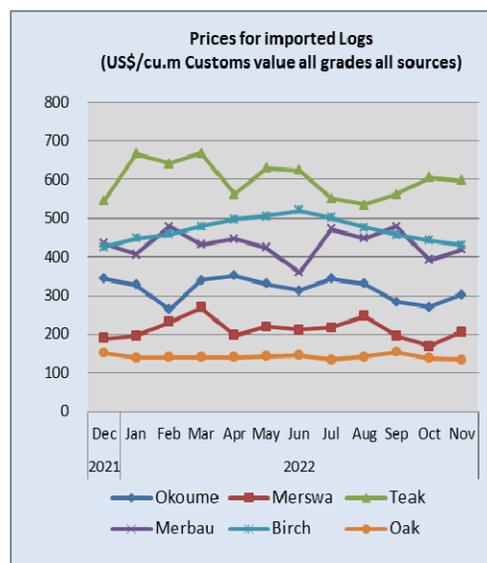
and

https://baijiahao.baidu.com/s?id=1753445909707974870&wfr=s_pider&for=pc

Average log price, (US\$/cu.m Customs value, all grades, all sources)

	2022 Oct	2022 Nov
Okoume	270	302
Merswa	168	206
Teak	606	598
Merbau	392	419
Birch	442	431
Oak	137	133

Data source: Customs, China

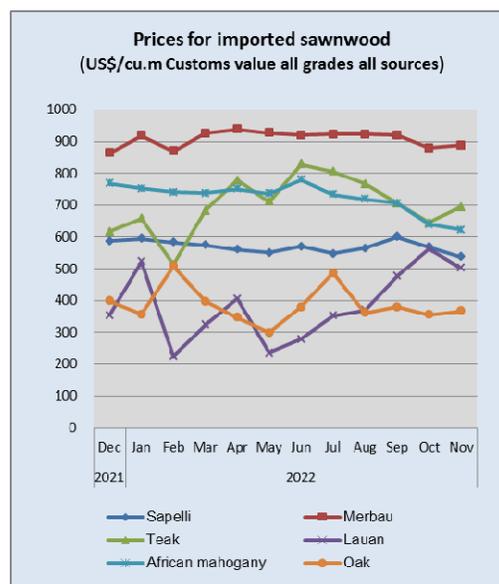


Data source: Customs, China

Average sawnwood price, (US\$/cu.m Customs value, all grades, all sources)

	2022 Oct	2022 Nov
Sapelli	569	537
Merbau	879	888
Teak	646	694
Lauan	561	502
African mahogany	640	622
Oak	355	367

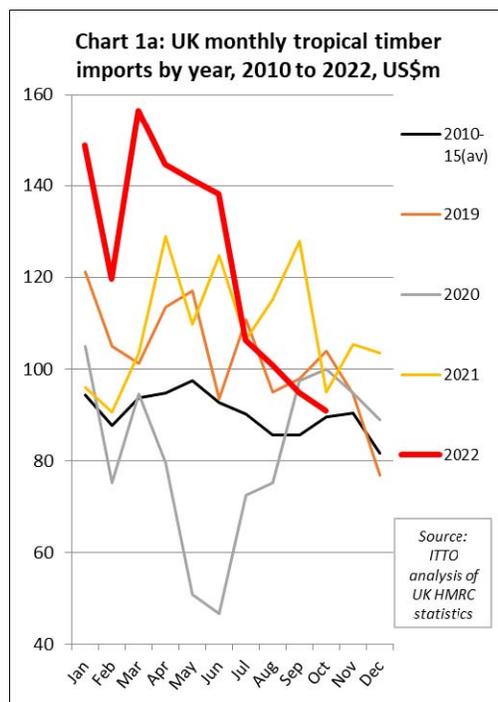
Data source: Customs, China



Data source: Customs, China

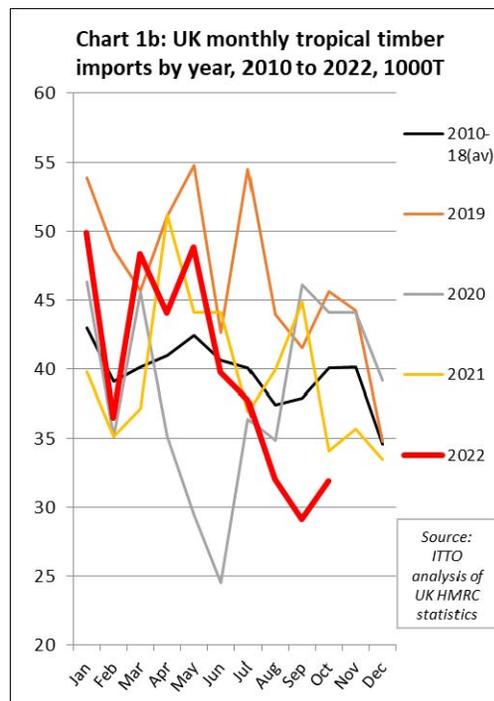
Slowdown in UK tropical wood product imports

The import value of tropical wood and wood furniture into the UK in the first ten months of last year was USD1.24B, 13% more than the same period last year. Following the strongest start to the year in terms of UK import value since before the 2008 financial crises, imports fell sharply between July and October (Chart 1).



The trend looks different in quantity terms (Chart 1b). Import quantity of tropical wood and wood furniture into the UK in the first ten months of 2022 was 398,000 tonnes, 2% less than the same period last year.

In quantity terms, imports were at around the pre-covid level in the first half of 2022 but fell to well below that level between July and October. This suggests that price inflation was the major factor behind relatively high UK import value last year, driven both by historically high material and freight prices and extreme weakness of sterling against the US dollar.



UK economy expected to be worst performing amongst G7 next year

According to UK government figures published on 22 December, the economy contracted by more than first estimated in the third quarter of last year. GDP fell by a revised 0.3% against the 0.2% decline initially estimated from July to September, the Office for National Statistics (ONS) said. The manufacturing and construction sectors performed worse than expected. Manufacturing activity contracted 2.8%, worse than the 2.3% contraction previously announced, while construction activity actually shrank 0.2% compared to earlier estimated growth of 0.6%.

According to ONS, household incomes continued to fall during the third quarter of 2022, though the rate of decline slowed compared to the first two quarters of the year, and household spending fell for the first time since the final spring lockdown of 2021. The level of households' disposable income fell by 0.5% in the quarter, the fourth consecutive drop.

Household spending fell by a revised 1.1% in the quarter as declines in tourism, transport, household goods and services, and food and drink spending were seen.

A slowing in real consumption expenditure in the UK was seen during 2022 including in restaurants and hotels, and recreation and culture as a result of that reduced disposable income and a cost of living crisis, fuelled by high inflation. The UK government blamed the disappointing figures on high inflation caused by the invasion of Ukraine.

More positively, ONS recorded GDP growth of 0.5% in October, a stronger performance than expected by economists.

However this was explained by the number of working days returning to normal rather than any real surge in output.

The UK economy is still expected to be confirmed as having entered a recession at the end of 2022 as the fourth quarter as a whole is forecast to have experienced negative growth.

The Confederation of British Industry (CBI) has also forecast that the economy will contract 0.4% next year. The UK is expected to be the worst performing than any of the other G7 countries that form the group of the world's largest industrialised democracies, according to forecasts from the Organisation for Economic Cooperation and Development (OECD).

Construction activity slows sharply in December

Overall, the UK construction sector was performing quite well in the year to November. According to comments by Timber Development UK, the UK trade association, new house construction performed well. Housing completions in the third quarter of 2022 were at the highest level since 2007. However, there was mounting uncertainty towards the end of last year about future prospects in the residential construction sector because of rising interest rates.

While new residential construction was still strong in 2022, activity in the renovation and refurbishment sector - which is particularly important for the hardwood sector - was slowing from the heights achieved during and immediately following the pandemic when a lot of money was invested in home improvement. This sector is expected now to slow much further, possibly by as much as 10% in 2023.

The latest data from the S&P Global/CIPS UK Construction Purchasing Managers' Index (PMI) – which measures month-on-month changes in total industry activity - mirrors these trends. Overall UK construction activity was growing between September and October last year - driven mainly by the new residential sector - but then activity recorded the fastest rate of decline since May 2020 in December.

Also in that month, sentiment amongst construction firms towards activity in the year ahead dipped into negative territory for only the sixth time on record, reflecting fears around the near-term economic outlook. Pessimistic expectations were reflected in the first round of job shedding in the UK construction sector since January 2021.

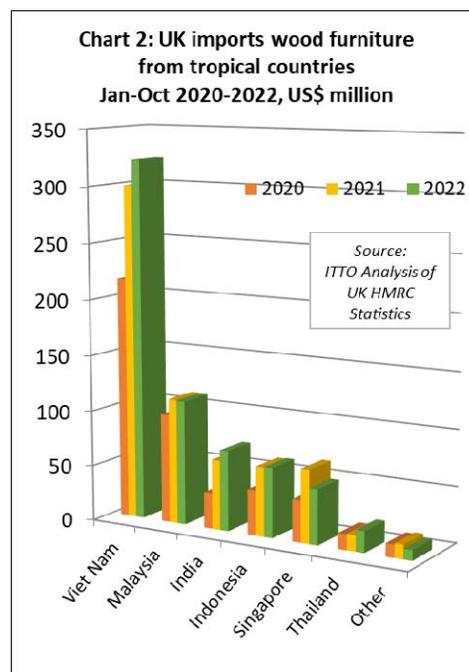
At 48.8 in December, down from 50.4 in November, the headline Construction PMI registered below the 50.0 mark to signal the first contraction in construction sector output since last August. Commercial construction activity continued to rise in the final month of the year, but only marginally, and this growth was outweighed by contractions across the residential and civil engineering sectors.

December PMI data also highlighted a reduction in new orders placed with UK constructors, following a modest uplift in November. According to survey respondents, the fall was driven by weak client demand, linked in turn to higher prices. Construction firms pared back on their purchasing in December for the first time in three months, reportedly due to lower workloads. Notably, the rate of reduction was the steepest for over two-and-a-half years.

Imports of tropical wooden furniture much lower in third quarter

The UK imported US\$647 million of tropical wood furniture products in the first ten months of 2022, which is 3% more than the same period in 2021. In quantity terms, wood furniture imports were 133,000 tonnes during the ten month period, 9% less than the same period the previous year. This indicates that the rise in value was driven more by price inflation than strong demand. Imports between June and October 2022 were much lower than the same period in 2021.

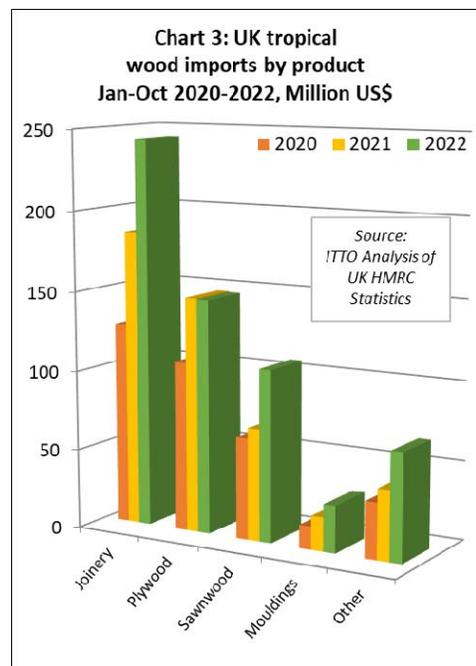
In the first ten months of 2022 compared to the previous year, UK import value of wood furniture increased 8% from Vietnam to US\$323 million, 15% from India to US\$72 million, 1% from Indonesia to US\$63 million, and 30% from Thailand to US\$19 million. Import value of US\$111 million from Malaysia was 1% less than the previous year, while import value of US\$49 million from Singapore was 25% down compared to 2021. (Chart 2).



Import quantity of tropical wood products flat overall in 2022

Total UK import value of all tropical wood products in Chapter 44 of the Harmonised System (HS) of product codes was US\$595 million between January and October last year, 27% more than the same period in 2021. However in quantity terms imports increased just 1% to 265,000 tonnes during the period.

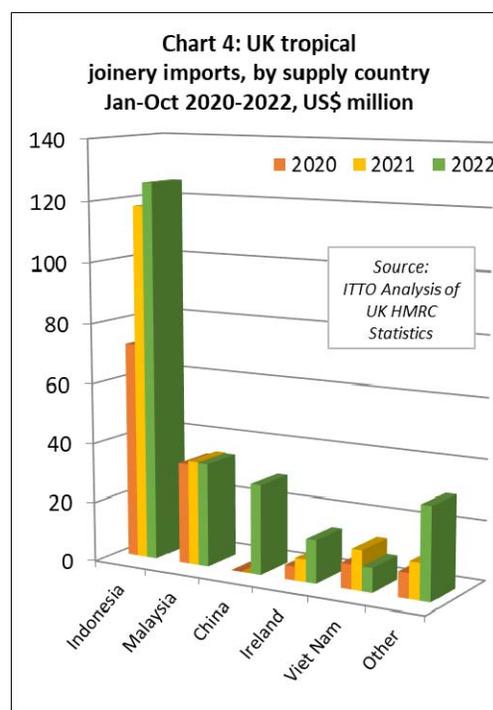
Compared to the first ten months of 2021, UK import value of tropical joinery products increased 31% to US\$243 million, import value of tropical sawnwood increased 53% to US\$108 million, and import value of tropical mouldings/decking increased 39% to US\$29 million. Import value of tropical plywood was unchanged at US\$147 million (Chart 3).



Slowing pace of imports of wood doors from Indonesia

The pace of increase in UK import value of tropical joinery products slowed sharply between July and October 2022. Import value from Indonesia, by far the largest supplier of tropical joinery products to the UK (in this case mainly doors), was at US\$126 million still up 7% year-on-year in the first ten months of 2022 (Chart 4).

In quantity terms, UK joinery imports from Indonesia were 40,650 tonnes in the first ten months of last year, 6% less than the same period in 2021.



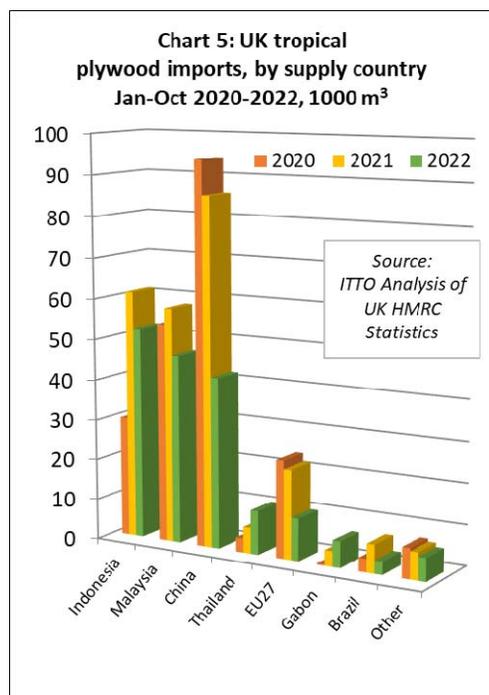
UK imports of joinery products from Malaysia and Vietnam (mainly laminated products for kitchen and window applications) were slow from the start of last year. Import value from Malaysia was US\$35 million between January and October last year, 1% less than the same period in 2021. In quantity terms, imports from Malaysia were 8,900 tonnes, 28% less than the same period in 2021. Joinery imports from Vietnam of 2200 tonnes valued at USD8 million were respectively 40% and 39% less than the same period in 2021.

UK imports of Chinese tropical joinery products, nearly all comprising doors, were 11,900 tonnes with value of USD30 million in the first ten months of 2022, up from negligible levels in previous years. The recorded rise was due to introduction from 1st January 2022 of new product codes which identify wood doors and windows manufactured using a wider range of tropical wood species in UK and EU trade statistics.

This may also explain the apparent rise in UK imports of tropical joinery products from Ireland which were 1,400 tonnes with value of US\$14 million in the first ten months of 2022, respectively 53% and 91% more than the same period in 2021.

Tropical hardwood plywood imports decline from all leading sources

In the first ten months of 2022, the UK imported 177,600 cu.m of tropical hardwood plywood, 29% less than the same period the previous year, with significant decline in imports from all the main traditional supply sources including Indonesia, Malaysia, and China (Chart 5).



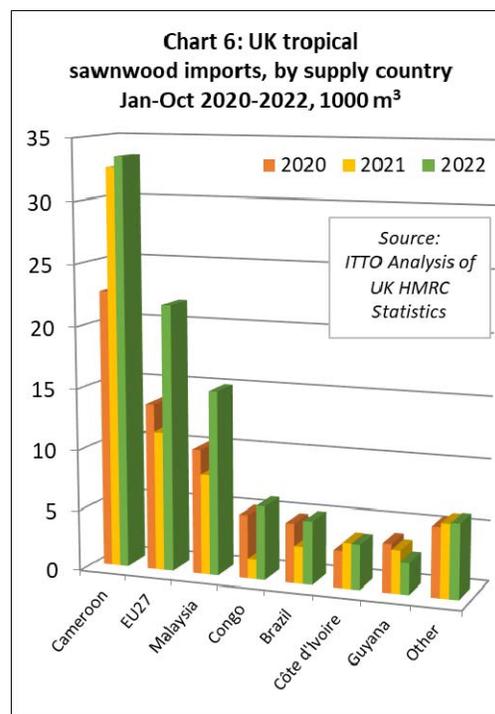
After a strong start to 2022, UK tropical hardwood plywood imports from Indonesia and Malaysia slowed dramatically between June and October last year. After the first ten months, imports from Indonesia were, at 52,400 cu.m, 15% less than the same period the previous year. The UK imported 46,500 cu.m of plywood from Malaysia in the first ten months of 2022, 20% less than the same period the previous year.

The UK imported 42,100 cu.m of tropical hardwood plywood from China in the first ten months of 2022, 51% less than the same period in 2021. Probably the biggest shift in the UK hardwood plywood trade in the last two years has been a rapid decline in imports of Chinese products faced with tropical hardwoods in favour of Chinese products faced with temperate hardwoods. Chinese temperate hardwood plywood has been the largest beneficiary of UK sanctions against all trade in Russian wood products since the start of the Ukraine conflict.

Meanwhile, the combined effects of Brexit, supply shortages and rising energy and other material costs on the European continent is impacting on UK imports of tropical hardwood plywood from EU countries which were just 10,400 cu.m in the first ten months of 2022 compared to over 20,000 cu.m during the same period in the previous two years.

Bouyant UK imports of tropical sawnwood during 2022

Unlike tropical hardwood plywood, UK imports of tropical sawnwood were buoyant last year. Total UK imports of tropical sawnwood were 93,800 cu.m in the first ten months of 2022, 34% more than the same period in 2021. In addition to making gains overall, there were some significant changes in the countries supplying tropical sawnwood to the UK last year (Chart 6).



UK imports of tropical sawnwood from Cameroon were 33,400 cu.m in the first ten months of 2022, 3% more than the relatively high level in the same period in 2021. UK imports of tropical sawnwood from the Republic of Congo recovered lost ground last year, with imports of 6,000 cu.m in the first ten months, a 274% gain compared to the same period the previous year.

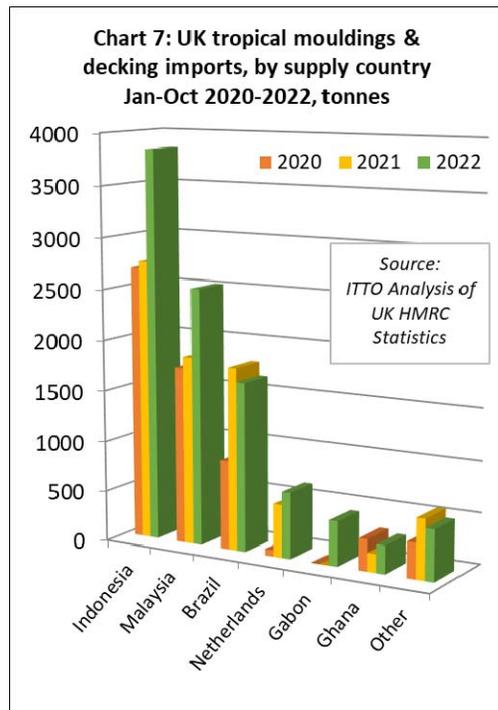
UK imports from Côte d'Ivoire were 3,700 cu.m in the first ten months of last year, a 1% decline compared to the same period in 2021.

UK imports of sawnwood from Malaysia, which had fallen to little more than a trickle in previous years, were 15,000 cu.m in the first ten months of 2022, 83% more than in the same period in 2021. UK imports of tropical sawnwood from Brazil were 5,200 cu.m in the first ten months of last year, 71% more than the same period in 2021.

Indirect UK imports of tropical sawnwood via the EU also recovered ground last year despite the Brexit disruption, increasing 91% to 22,000 cu.m in the first ten months of 2022.

UK imports of tropical hardwood mouldings/decking were high in the first ten months of 2022, at 9,900 tonnes, 28% more than the same period in 2021. This commodity group has benefited in the UK market from shortages of non-tropical products, particularly since the start of the war in Ukraine and sanctions on Russian decking products that directly compete with tropical decking. Imports of 3,800 tonnes from Indonesia were 40% more than the same period in 2021.

Imports of 2,500 tonnes from Malaysia were 37% up on the same period in 2021. However mouldings/decking imports from Brazil of 1,650 tonnes were 8% less than the same period in 2021. (Chart 7).



Tropical hardwood imports expected to remain low over winter months

UK hardwood contacts suggest that imports from tropical countries are likely to remain low over the winter months. Conditions on the demand side are uncertain and, in the case of sawnwood and decking products, importers are now carrying a lot of expensive stock following the high levels of import in the first half of the year.

The supply side situation is also challenging, particularly as the UK is not such an attractive market as in the past with buyers elsewhere in the world generally willing to pay more and to be more flexible with regard to species and grade.

For African wood, UK importers report very difficult supply conditions, with many logistical challenges, problems of cash flow, and high energy costs. Lack of kiln drying capacity in the UK and a preference for certified products makes it even more challenging for UK importers to place contracts in Africa.

The UK market for tropical sawnwood is very focused on sapele, for which demand was still reported to be quite good in the final quarter last year. However, as one importer noted, “there is lot of sapele about in the UK at the moment”. Demand for sapele benefited in the early months of last year from difficult supply conditions for accoya and other modified temperate woods, but supply of those alternatives is now improving again.

For Southeast Asian hardwoods, decline in global demand and the rapid falloff in freight rates that occurred in the second half of last year has helped ease the supply situation, and there are more opportunities to buy product at competitive prices, but UK buyers are wary given current market uncertainty and existing high stock levels.

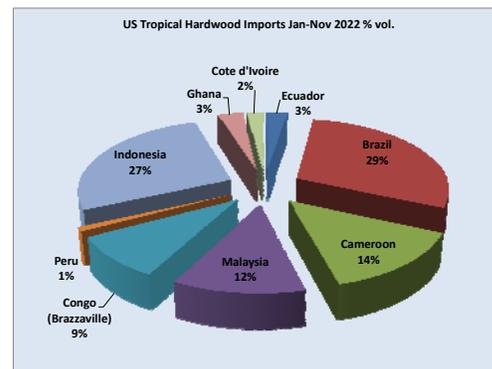
North America

Tropical hardwood imports dip

US imports of sawn tropical hardwood fell 10% in November. The 18,578 cubic metres imported was the lowest monthly total of the year except for August. Volume of the most-imported woods all declined as imports of Ipe fell 12%, Sapelli dropped 19%, and Keruing plunged 52%.

Imports of Mahogany and Balsa both showed impressive gains over October’s numbers. Imports were down for the month from most trading partners yet imports from Cameroon rose 38% and imports from Ecuador rose 68% to both reach their strongest month of the year.

While direct year to year comparisons are difficult due to changes in measurements by the US Department of Agriculture, the total volume of sawn tropical hardwood imported into the US in 2022 through November appears to already be more than double that for all of 2021.



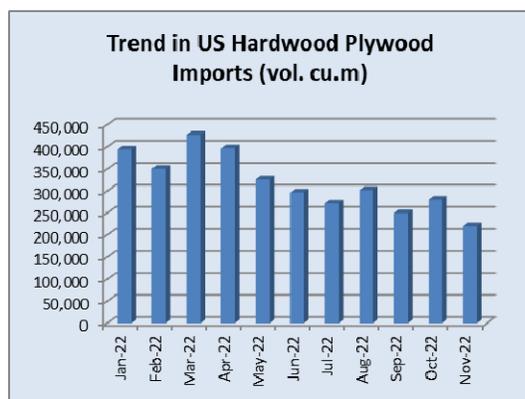
Data source: US Census Bureau, Foreign Trade Statistics

Hardwood plywood imports fall 21%

US imports of hardwood plywood declined by 21% in November, falling to their lowest level since January 2021. The 220,249 cubic metres imported was 22.5% less than that of November 2021.

Imports from Russia, which inexplicably inflated in October, crashed in November falling 90% to their lowest level in nearly 12 years. Imports from Malaysia, Cambodia, China and Vietnam also fell sharply.

Despite the declines, total imports from nearly all trading partners remain ahead of 2021 totals through November. Total US imports of hardwood plywood are up 14% over last year through November.



Data source: US Census Bureau, Foreign Trade Statistics

Veneer imports gain

US imports of tropical hardwood rose 9% in November as imports from Africa soared. Imports from Cameroon rose 695% in November to an all-time record level while imports from Cote d'Ivoire doubled to reach their highest level since September 2018. These gains more than offset sharp declines in imports from China and India.

Total imports for November were 65% higher than the previous November while year to date imports are up 55% over 2021. Imports from all major trading partners are well ahead of 2021 year to date through November.

Hardwood flooring imports decline

US imports of hardwood flooring fell by 24% in November to a level 27% less than that of November 2021. Imports from Brazil declined 66% while imports from Malaysia slid 23%.

Imports from Indonesia continued their recent gains, rising 33% to top US\$1 million for the first time since 2016. Imports from Indonesia are nearly tripling 2021 totals year to date through November. Despite the poor November numbers, total imports of hardwood flooring remain ahead of 2021 year to date, but now by only 8%.

Imports of assembled flooring panels continued to slide in November, falling 3% from October to a level 17% lower than that of last November. Imports from Brazil nearly disappeared, falling 98%, while imports from Thailand also fell sharply for the second straight month. Despite the decline, total imports of assembled flooring panels year to date are ahead of 2021 by 26% through November.

Moulding imports fall slightly while imports from China rebounded

While US imports of hardwood moulding decreased in November by 4%, the month was still 21% better than the previous November.

Imports from China, which dropped sharply in October, rebounded in November gaining 99% while imports from Brazil showed a 27% increase. Imports from Brazil are ahead 81% year to date over 2021 through November. Total US imports of hardwood moulding are up 25% year to date.

Wooden furniture imports fall in November

US imports of wooden furniture fell again in November, declining for the fifth time in the last six months. At US\$1.80 billion, November imports were 11% below that of October, but were 8% higher than that of November 2021. Imports from most suppliers were down, with imports from Malaysia (down 23%) and Vietnam (down 14%) declining the most. With the exception of China, imports from most countries remain up more than 10% over 2021 year to date. Total wooden furniture imports are ahead of 2021 by 7% year to date through November.

Meanwhile, residential furniture orders continued to plummet, falling 30% in October 2022 from the same month in 2021, according to Smith Leonard's latest Furniture Insights survey. Year to date, orders are down 29%. These declines were seen for nearly all survey respondents—88% reported a decline in orders for the month, while 91% reported a decline for the year.

Smith Leonard's Ken Smith wrote that he's concerned with receivable levels, as many dealers are seeing big slowdowns at retail. Inventories were flat from September but up 47% from last year.

"We knew that the good business in late 2020 and 2021 would not continue," said Smith. "As the slowdown happened, the results have been a bit harsh as to how slow it has become. Maybe it does not feel so bad for some since backlogs were built so high, (as) production and shipping have been able to keep things moving, but it is beginning to feel not so good as backlogs have declined significantly for so many."

See: <https://www.furnituretoday.com/financial/furniture-orders-fall-30-in-october-has-the-recession-begun/>

Month on month value of wooden furniture imports

	Oct-Nov 2022 % change
World	-11%
China	-7%
Vietnam	-14%
Canada	-9%
Malaysia	-23%
Mexico	-5%
Indonesia	-9%
India	20%
Others	-9%

Data source: US Census Bureau, Foreign Trade Statistics

US furniture industry faced multiple problems in 2022

Furniture retailers and suppliers alike saw big swings in supply and demand throughout 2022, making it difficult to properly adjust. Much of the turmoil was a result of the waning COVID pandemic.

Here are five of the biggest problems the industry faced over the year according to Furniture Today:

Ocean container rates -- Perhaps the most infamous issue during the latter half of the pandemic was soaring container rates, which saw unprecedented rises. In September 2021, average spot rates reached their peak at US\$10,377 per 40-foot container according to Drewry World Container Index. That number is nearly 10 times higher than pre-pandemic 2019's average of US\$1,420.

Low demand -- The home furnishings industry saw record demand in 2021 and the first quarter or so of 2022, before the faucet was shut off with a thud. Inflation then reared its head, along with a slowing of the overall economy, soaring gas prices and more. Since then, the industry has been in steady decline. Manufacturing orders have dipped every month since May and show no signs of ceasing that pattern any time soon.

Labour -- The labour shortage – particularly for domestic manufacturers – has been a problem affecting the industry for some time. It hasn't shown much of an improvement this year.

Inland freight -- Domestic manufacturers and importers alike struggled more with inland freight and trucking, especially in the latter half of the year.

"Inland freight is awful," said Rusty Morris, vice president of sales and marketing at American Woodcrafters, which imports from Indonesia. "Pricing is ridiculous. Fuel and labor costs are up. It's making it difficult to hit our strategy of expanding west of the Mississippi."

The issue, at least on the price side, may be improving. Transportation capacity rose in November, pushing prices downward at their fastest rate on record.

Inventory -- Through most of 2021, retailers were buying what they could simply to have available product, due to supply delays and disruptions. As 2022 hit, supply improved and demand lessened, and many retailers found themselves with a glut of product. Inventory still sits high for many as 2023 comes into the fold, but the situation may be improving.

See: <https://www.furnituretoday.com/industry-issue/the-top-5-issues-affecting-the-furniture-industry-in-2022/>

Housing tough time ahead for builders

According to experts interviewed by US News and World Report, several factors may make building a house or buying a new construction home more expensive – or harder to find – in 2023.

The biggest obstacle for homebuilding in 2023 is the more pessimistic outlook coming from builders themselves – and it's been low for some time. "Homebuilder sentiment has been down in every month of 2022," says Orphe Divounguy, senior economist for Zillow.

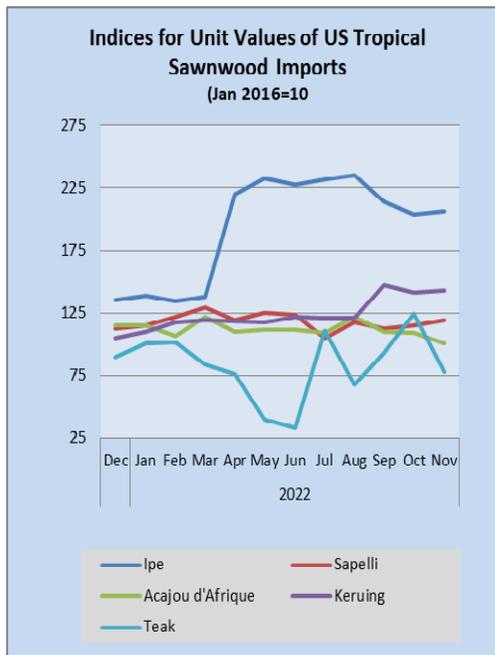
The continued decline in builder confidence and subsequent builder slowdown means catching up on the millions of housing units the US needs is further in the distance. This means a continued housing shortage that will keep prices higher.

Further, the rise in interest rates, combined with already sky-high home prices, has led to many buyers opting to hold off on shopping for a home. "The buyer's purchasing power has decreased 25% to 30%, ... and that rapid decrease (in affordability), or increase in interest rates, has caused ... a disruption in the housing market," says Noah Breakstone, CEO of BTI Partners, a Florida real estate and land developer.

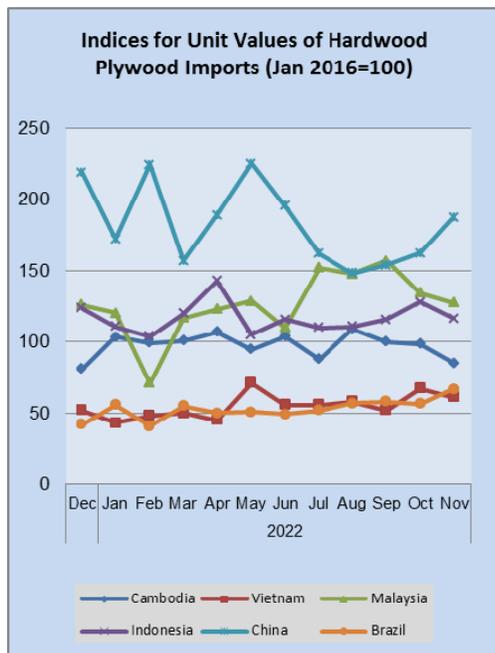
On the positive side, structural lumber is significantly cheaper than it was in 2021 – less than one-third the price in December 2022 compared to December 2021, according to Trading Economics. Other construction materials, from concrete to ceramic tile and asphalt roofing, have all risen moderately since 2021. Also, properties planned, permitted and sold months prior are still being delivered as completed houses, and the rate at the end of 2022 shows growth compared to the same time in 2021, when materials availability and supply chain issues were more exacerbated.

See:

<https://www.forbes.com/sites/brendarichardson/2022/12/19/experts-predict-what-the-housing-market-will-look-like-in-2023/?sh=596a08eabfc0>



Data source: US Census Bureau, Foreign Trade Statistics



Data source: US Census Bureau, Foreign Trade Statistics

Disclaimer: Though efforts have been made to ensure prices are accurate, these are published as a guide only. ITTO does not take responsibility for the accuracy of this information.

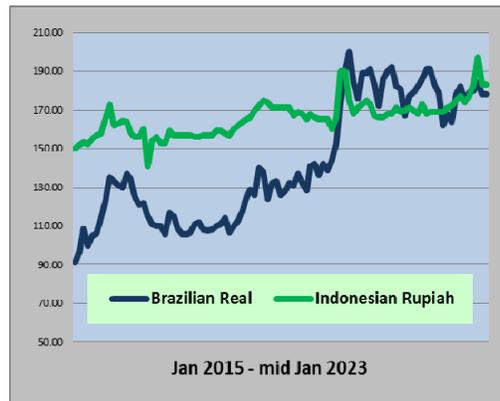
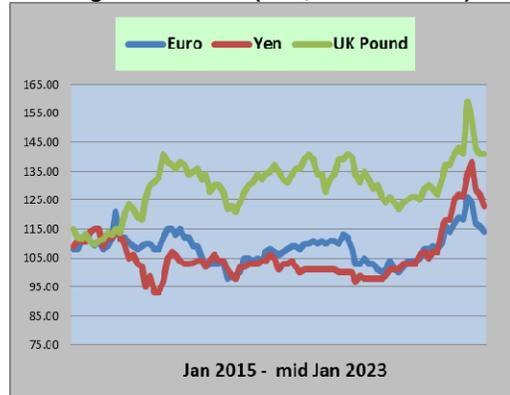
The views and opinions expressed herein are those of the correspondents and do not necessarily reflect those of ITTO

Dollar Exchange Rates

As of 10 January 2023

Brazil	Real	5.20
CFA countries	CFA Franc	611.73
China	Yuan	6.7785
Euro area	Euro	0.9316
India	Rupee	81.64
Indonesia	Rupiah	15,573
Japan	Yen	132.25
Malaysia	Ringgit	4.3725
Peru	Sol	3.86
UK	Pound	0.82
South Korea	Won	1,241.23

Exchange rate indices (US\$, Dec 2003=100)

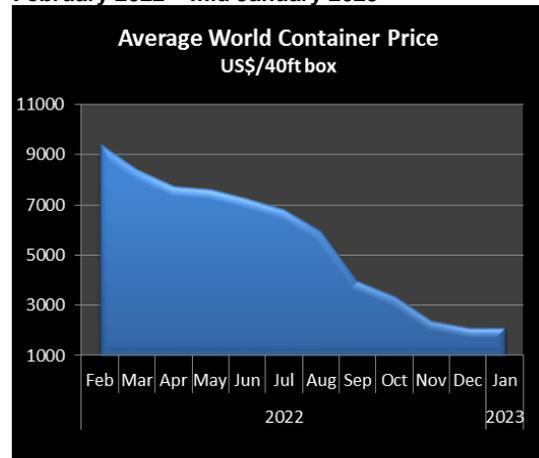


Abbreviations and Equivalences

Arrows ↓↑	Price has moved up or down
BB/CC etc	quality of face and back veneer
BF, MBF	Board foot, 1000 board foot
Boule	bundled boards from a single log
TEU	20 foot container equivalent
CIF	Cost insurance and freight
C&F CNF	Cost and freight
cu.m cbm	cubic metre
FAS	First and second grade of sawnwood
FOB	Free-on board
Genban	Sawnwood for structural use in house building
GMS	General Market Specification
GSP	Guiding Selling Price
Hoppus ton	1.8 cubic metre
KD, AD	Kiln dried, air dried
Koku	0.28 cubic metre or 120 BF
LM	Loyale Merchant, a grade of log parcel
MR., WBP	Moisture resistant, Weather and boil proof
MT	Metric tonne
OSB	Oriented Strand Board
PHND	Pin hole no defect
QS	Qualite Superieure
SQ,SSQ	Sawmill Quality, Select Sawmill Quality

Ocean Container Freight Index

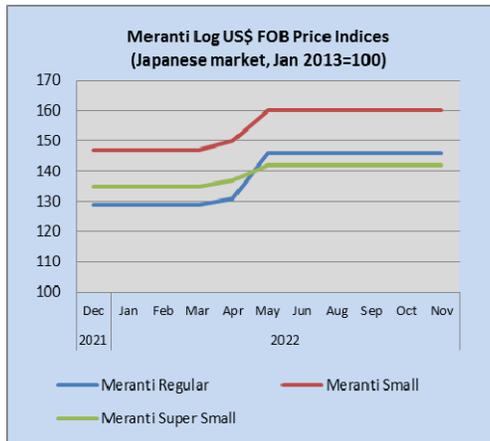
February 2022 – mid January 2023



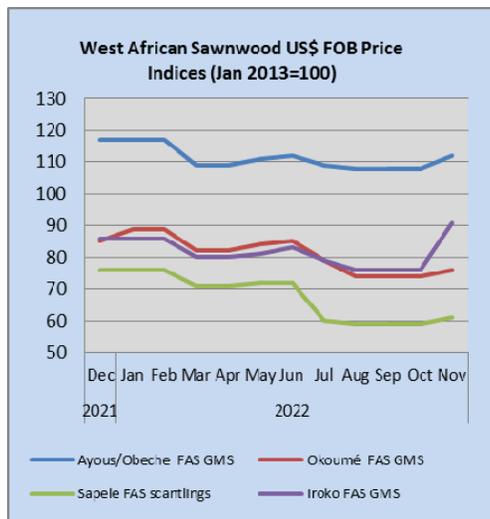
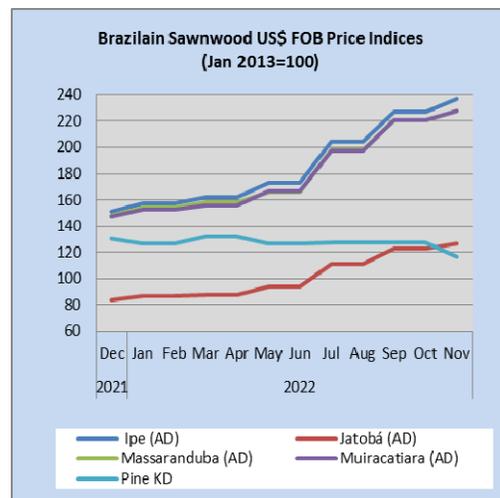
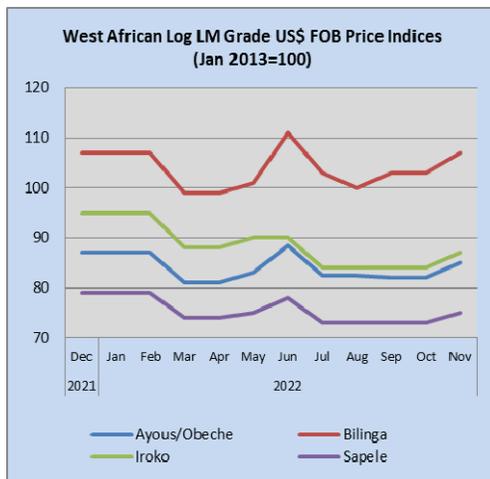
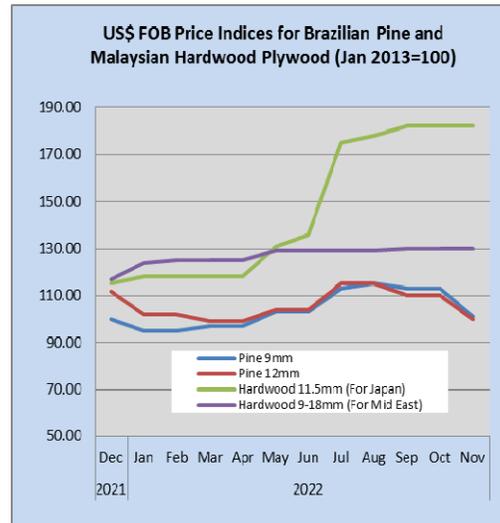
Data source: Drewry World Container Index

Price indices for selected products

The following indices are based on US dollar FOB prices



Note: Sarawak logs for the Japanese market



Note: Indices for W. African logs and sawwood are recalculated from Euro to US dollar terms.

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