

Tropical Timber Market Report

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Top story

Vietnamese timber exporters struggle to find new markets

In contrast to the full order books at the beginning of this year Vietnamese timber enterprises are facing many difficulties due to the cancellation of international orders because of rising inflation, for example, in the US and the EU. Additionally, enterprises have seen sharp increases in input costs.

Vietnam's wood industry is seeing declining sales overseas.

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Central and West Africa

Demand in China slows

The economic slowdown in China is impacting trade and producers report a noticeable drop in orders for okoume and some redwoods. It is reported that interest in ovankol, belli and okan is steady but species such as dabema are not attracting interest at present.

With fewer shipments to China the container availability has improved and it is no longer necessary to pay premiums to obtain containers.

The container shortage appears to be easing and prices have been dropping. Drewry, an independent maritime research consultancy firm, has said "In the first eight months of the year manufacturers based in China, which account for over 96% of global container output, produced close to half a million teu, which was up almost 64% year on year and 35% up on the corresponding period in 2020. Drewry expects output for the full year to total at least 900,000 teu, up from just below 560,000 teu in 2021.

See: https://www.joc.com/maritime-news/container-lines/drewry-projects-adequate-ocean-container-availability-through-mid-2023_20220906.html

As mills cut back on milling for the Chinese market and even the Middle East markets demand in the Philippines is said to be holding up. Demand in the EU and UK is also reported as steady so far. News is circulating that stocks of azobe are high in the Netherlands and that some timber shipments were diverted from Antwerp to Amsterdam.

Police commander warns on unauthorised road checks

Lenouveaugabon recently carried a story on 'unauthorised' road blocks in Gabon. Following numerous complaints of cases of corruption the Commander-in-Chief of the National Police Force, Serge Hervé Ngoma, issued a warning to police officers saying "all police officers are reminded that untimely roadside checks are prohibited throughout the national territory".

He added, any police officer ignoring this instruction will be immediately presented before an extraordinary council which will rule on his dismissal.

See: <https://www.lenouveaugabon.com/fr/securite-justice/0809-18887-forces-de-police-les-controles-routiers-interdits-sur-l-etendue-du-territoire-gabonais>

October and November brings heavy rain to the CAR but there are reports that the weather has deteriorated already. In Cameroon operators are preparing for the bad weather expected towards year end. When the weather allows forest managers undertake marking trees and taking GPS readings to input information into their operation maps

Correction

Under the headline 'Harvesting and trucking conditions good' in the previous report export species from the DRC were mentioned. The text should have said the Central African Republic not the DRC.

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	310	310	-
Bibolo/Dibétou	215	215	-
Bilinga	275	275	-
Iroko	300	280	225
Okoume (60% CI, 40% CE, 20% CS) (China only)	220↓	220↓	220
Moabi	280	280	250
Movingui	180	180	-
Niove	160	160	-
Okan	250	230	-
Padouk	330	310	240
Sapele	260	260	220
Sipo/Utile	260	260	230
Tali	300	300	-

Sawnwood export prices

West African sawnwood	FOB Euro per cu.m
Ayous FAS GMS	460
Bilinga FAS GMS	580
Okoumé FAS GMS	400↓
Merchantable KD	380
Std/Btr GMS	400
Sipo FAS GMS	420
FAS fixed sizes	-
FAS scantlings	520
Padouk FAS GMS	1,200
FAS scantlings	1,400
Strips	400
Sapele FAS Spanish sizes	460
FAS scantlings	489
Iroko FAS GMS	580↓
Scantlings	620↓
Strips	370
Khaya FAS GMS	450
FAS fixed	500
Moabi FAS GMS	530
Scantlings	550
Movingui FAS GMS	380

Ghana

Added value product exports register growth

According to export data from the Timber Industry Development Division (TIDD) of the Forestry Commission 10 products totalling 165,630 cu.m were exported during the period January to June 2022. Of this volume Primary, Secondary and Tertiary Products accounted for 12% (20,535cu.m), 85% (140,540cu.m) and 3% (4,555cu.m) respectively. The export volume for the first half of 2021 was 145,441 cu.m.

The following tables show product volumes and values for 2022 compared to 2021.

Export volumes first half year 2021/2022

Product	2021 cu.m	2022 cu.m	% Change
Primary	26,969	20,535	-24%
Secondary	113,304	140,540	24%
Tertiary	5,169	4,555	-12%
Total	145,441	165,630	14%

Data source: TIDD

Secondary Wood Product (SWP) amounted to 140,540 cu.m in the first half of 2022 as against 113,304 cu.m in 2021, a growth of 24% while primary and tertiary export volumes declined (-24% and -12%).

The table below shows export earnings for primary, secondary and tertiary products. Exports of SWP registered a 9% growth while the others dipped.

Export earnings first half year 2021/2022

Product	2021 Euro 000s	2022 Euro 000s	% Change
Primary	10,235	6,373	-38%
Secondary	56,584	61,803	9%
Tertiary	3,703	3,435	-7%
Total	70,522	71,611	2%

Data source: TIDD

For the period under review primary product exports, mainly billets, accounted for 12% (20,535cu.m) and earned Euro 6.37 million, around 9% of total exports. Earnings for primary products dropped compared to a year earlier.

Exports of SWPs for the period comprised sawnwood, plywood, veneer, boules and briquettes. These, altogether, contributed 140,540 cu.m, representing 85% of total exports during the first half of 2022. The corresponding earnings were Euro 61.80 million or 86% of total export receipts.

These figures also showed increases of 9% and 244% in value and volume respectively, compared to the SWP export contribution of Euro 56.58 million (80%) and 113,304 cu.m (78%) registered from the period of January to June 2021.

Ghana to boost country's teak industry

Samuel Abu Jinapor, Minister of Lands and Natural Resources (MLNR), has said Ghana is seeking to explore and develop new strategies and initiatives to boost its teak production so as to become a leading teak producing country.

The Minister made the statement when Ghana hosted the 4th World Teak Conference (WTC) which called on participating countries to facilitate the availability of superior planting materials to private companies and local communities to improve the planted teak forest.

The meeting also called on governments to commit more resources to research and development to advance the sustainable management of the planted teak forest.

A total 273 delegates attended the conference from 28 countries across five continents on the theme: 'Global Teak Market: Challenges and Opportunities for Emerging Markets and Developing Economies'. The biennial event was organised by the International Teak Network (TEAKNET), in collaboration with Forestry Commission of Ghana with support from the International Tropical Timber Organisation (ITTO) and other international organisations.

Ghana has an estimated 200,000 ha. of teak plantations. Approximate 5.2 million out of 26 million tree seedlings distributed during the 2022 'Green Ghana Day' initiative were teak seedlings. Plantations are developed to enhance transparency, efficiency and legality in timber traded from Ghana.

Teak is a leading species for the production of air- and kiln-dried sawnwood, billets, sliced veneer and plywood for the country's major markets.

See: <https://thebftonline.com/2022/09/07/ghana-targets-number-one-spot-in-global-teak-production/>

Bank and Chamber of Commerce to support SMEs

The new Development Bank Ghana (DBG), in partnership with the Ghana National Chamber of Commerce and Industry (GNCCI), is undertaking the first phase of a capacity-building workshop targeting 1,000 SMEs throughout the country. This initiative forms part of DBG's commitment to foster strong partnerships to build capacity for SMEs, with 100 workers or less which struggle to secure finance.

The initiative is designed to build knowledge on the various business areas that will enhance SMEs ability to access funding from DBG's partner financial institutions (PFIs) as well as build sustainable businesses. The Bank aims to lend US\$600 million to small businesses over the next one to two years.

The DBG partnership is timely as most woodcraft artisans need funding to boost their businesses and begin exporting.

See: <https://www.myjoyonline.com/development-bank-ghana-gncci-undertake-capacity-building-workshop-for-1000-smes/>

Boule export prices

	Euro per cu.m
Black Ofram	330
Black Ofram Kiln dry	420
Niangon	822
Niangon Kiln dry	690

Export rotary veneer prices

Rotary Veneer, FOB	Euro per cu.m	
	CORE (1-1.9 mm)	FACE (>2mm)
Ceiba	376	441
Chenchen	489	612
Ogea	471	590
Essa	485	619
Ofram	350	435

Export sawnwood prices

Ghana sawnwood, FOB FAS 25-100mmx150mm up x 2.4m up	Euro per cu.m	
	Air-dried	Kiln-dried
Afromosia	860	925
Asanfina	465	564
Ceiba	290	320
Dahoma	437	477
Edinam (mixed redwood)	640	707
Emeri	602	685
African mahogany (Ivorenensis)	1,239	930
Makore	560	780
Niangon	565	862
Odum	634	917
Sapele	800	850
Wawa 1C & Select	422	486

Export sliced veneer

Sliced face veneer	FOB Euro per cu.m
Asanfina	1,682
Avodire	1,325
Chenchen	822
Mahogany	2,595
Makore	979
Odum	2,373
Sapele	1,560

Export plywood prices

Plywood, FOB BB/CC	Euro per cu.m		
	Ceiba	Ofram	Asanfina
4mm	458	580	641
6mm	412	535	604
9mm	370	504	560
12mm	583	476	480
15mm	450	414	430
18mm	460	463	383

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

Malaysia**MTIB DG optimistic on prospects for furniture industry**

Malaysia's wood product exports rose year on year around 14% in the first six months of this year helped by the reopening of the economy post-pandemic. MTIB Director General, Kamaruzaman Othman, said he is cautiously optimistic on prospects for the furniture industry this year but he remains cautious of challenges such as raw material availability and the worker shortage faced by the industry.

See: <https://www.thesundaily.my/home/malaysia-s-timber-exports-in-first-half-2022-climb-to-rm132b-KA9662279>

Third consecutive interest rate increase

Bank Negara Malaysia (the central bank) has raised the overnight policy rate to 2.5% in line with expectations for further normalisation of monetary policy as the country's economic growth and inflation gain momentum. This is the third consecutive increase this year and was in line with expectations.

The Bank indicated "with the positive growth prospects for the Malaysian economy remaining intact it was decided that monetary policy should remain accommodative and supportive of economic growth". The rate rise came as Malaysia's GDP outlook continues to improve.

The value of Malaysia's manufacturing sales in July 2022 grew by almost 24% to RM148.4 billion driven by the electrical goods (+6.7%), wood, furniture, paper products and printing (+5.1%) and transport equipment and other manufacture products (+5.7%).

See: <https://www.theedgemarkets.com/article/bank-negara-raises-opr-25bps-25-expected> and

<https://www.theedgemarkets.com/article/july-manufacturing-sales-value-238-rm1484b-%E2%80%94dosm>

Fast growing eucalyptus

Malaysian Timber Council (MTC) and Malaysian Plywood Manufacturers Association (MPMA) will develop eucalyptus community plantations. Plantation Industries and Commodities Minister, Zuraida Kamaruddin, said the community farm forests concept is practised in many countries and has a place in Malaysia as local communities can earn a good income.

There is a pilot project for the programme comprising 101 ha. involving 78 villagers in Batu Kikir. It is expected that every 0.4 ha. can support 600 eucalyptus trees which can be harvested in six years.

Novel online furniture sales

Selling furniture online may not be novel but one Malaysian company has an interesting and unique selling idea. The shift to the online shopping got a boost during the pandemic and this, along with a rise in direct-to-customer models, a new approach was crafted. The company provides a wide range of furniture designs. By combining 3D visualisation and AI customers are able to view a wide selection of furniture in a home setting.

See:

<https://www.thestar.com.my/business/smebiz/2022/08/27/furniture-sold-online-with-a-twist>

Indonesia**Positive export trend despite downturn in China**

Indonesia's wood product exports continue to grow even though the Chinese market is currently weakening due to the country's economic slowdown.

Based on data from the Ministry of Environment and Forestry (KLHK) which was processed by the Association of Indonesia Forest Concession Holders (APHI), as of 7 September 2022 exports of wood products during January-August 2022 reached US\$9.75 billion dollars. That is an increase of 14% compared to the same period in 2021.

The value of exports up to August 2022 was 72% of the total value of wood product exports in 2021. Exports of furniture products also increased and were recorded at US\$1.68 billion, up 28% compared to last year.

Wood product exports to China fell 17% to US\$2.08 billions from the previous US\$2.51 billion dollars in January-August 2021. The economic slowdown is not only affecting China, a number of other countries, which are main markets for Indonesian wood products, are being impacted. However, exports to the United States rose 15% to US\$1.63 billion and exports to the European Union + the UK rose to US\$868.4 million dollars, a 17% increase.

The Director General of Sustainable Forest Management at the Ministry of Environment and Forestry (KLHK), Agus Justianto, said that, although the China market experienced a slight slowdown, he was optimistic that the positive trend in exports of wood products could be maintained. According to Agus, the Russia-Ukraine crisis has had an impact on global trade. However, for Indonesian wood products the crisis has had little impact so far and the trade restrictions on Russia created new opportunities for Indonesian wood products.

See: <https://forestinsights.id/2022/09/08/meski-pasar-china-melemah-ekspor-kayu-indonesia-lanjutkan-tren-positif/>

Benchmark prices for wood products

The government changed the Export Benchmark Price (HPE) for wood products which took effect in September 2022. This HPE change is contained in the Decree of the Minister of Trade No. 1206 of 2022 which was issued on August 30, 2022.

"For wood products, there are several changes of the HPE," said a press release from the Ministry of Trade, Thursday, September 1, 2022. Meanwhile, the Export Duty for wood products has not changed.

The following are the HPE for wood products that are valid from September 1 to September 30, 2022.

Veneers

Natural Forest Veneer US\$850/cu.m, Plantation Forest Veneer US\$550/cu.m, Wooden Sheets US\$850/cu.m.

Chipwood

Chipwood in the form of particles US\$80/tonne, Chipwood US\$90/tonne (up from previous US\$65/tonne).

Processed Wood

Processed wood products which are leveled on all four sides so that the surface becomes even and smooth with the provisions of a cross-sectional area of 1000 mm² to 4000 mm² (ex 4407.11.00 to ex 4407.99.90)

- Meranti (*Shorea sp*) US\$850/cu.m
- Merbau (*Intsia sp*) US\$1.100/cu.m (up from the previous US\$1050)
- Rimba Campuran (Mixed tropical wood) US\$800/cu.m
- Ebony US\$3,200/cu.m
- Teak US\$1,400/cu.m

- Pinus and Gmelina US\$700/cu.m
- *Acacia sp* US\$650/cu.m
- Rubberwood US\$300/cu.m
- Balsa (*Ochroma sp*), Eucalyptus, US\$550/cu.m
- Sungkai (*Peronema canescens*) US\$350/cu.m

Processed wood product which are leveled on all four sides so that the surface becomes even and smooth from merbau wood (*Intsia sp*) with a cross-sectional area of more than 4000 sq.mm to 10000 sq.mm (ex 4407.29.91 and ex 4407.29.92): US\$1,200/cu.m.

See: <https://forestinsights.id/2022/08/31/harga-patokan-ekspor-hpe-produk-kayu-periode-bulan-september-2022-cek-di-sini/>

Furniture SMEs helped to join International Expo

The Ministry of Industry helped 28 small and medium furniture enterprises participate in the 2022 Indonesia International Furniture Expo Exhibition (IFEX) in Jakarta with the intention of boosting exports. "IFEX has proven to have a huge and positive effect on the Indonesian furniture industry" said the Minister Agus Gumiwang Kartasmita.

Over the past five years Indonesia has recorded an increase of 78% in its furniture exports with the value of furniture exports in 2021 reaching US\$2.8 billion, an increase of 33% compared to 2020. If this increasing trend continues he said he is confident of further growth as first quarter exports were up around 23%.

The Director General of Small, Medium and Multifarious Industries at the ministry, Reni Yanita, reprted that her administration's efforts to bring SMEs to the IFEX exhibition were part of the "I'm Ready to Export Program," which aims at increasing exports of home decoration and furniture products.

See: <https://www.neraca.co.id/article/167684/ikm-berpotensi-kerek-ekspor-furnitur>

Forestry can contribute the largest share of emission reduction target

Forestry can contribute significantly to achieving Indonesia's emission reduction target but to see this will require grassroots action according to an official from the Environment and Forestry Ministry.

The Nationally Determined Contributions (NDC) document says Indonesia is targeting to reduce greenhouse gas emissions by 29% through its own efforts and 41% with international support.

The forestry sector is expected to contribute 17 of the 29% reduction target and 24 of the 41% target. If the emission reduction in the forestry sector cannot be achieved, it will affect the fulfillment of Indonesia's commitment at the international level said the ministry official, Sugardiman.

See: <https://en.antaranews.com/news/246093/forestry-accounts-for-largest-share-of-emission-reduction-target>

Regulation on value of carbon coming soon

The Ministry of Environment and Forestry (KLHK) is preparing a Ministerial Regulation which regulates the economic value of carbon. Secretary General of the Ministry of Environment and Forestry, Bambang Hendroyono, said that the policy process for the carbon economy is currently in the finalisation phase.

Bambang continued that, in the future, all business entities will follow the regulation. Such business entities, which are then called carbon entities, will later be registered and the baseline of each business player will be transparent and there will be an assessment by the institution," explained Bambang.

See: <https://nasional.kontan.co.id/news/peraturan-menteri-lhk-soal-nilai-ekonomi-karbon-akan-rampung-bulan-ini>

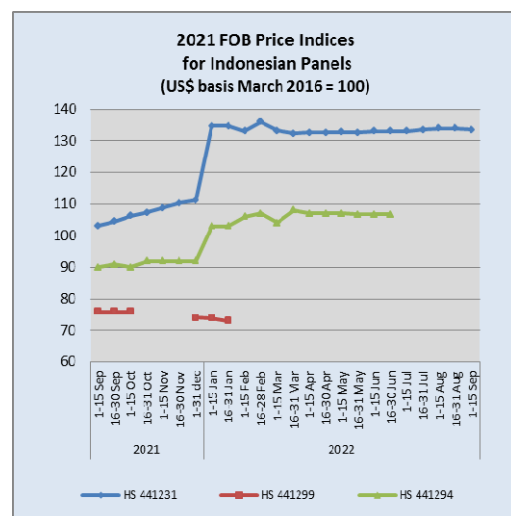
Perhutani readies for exports

Perum Perhutani (a State-Owned Enterprise) is ready to target international markets having succeeded in obtaining international recognition in Sustainable Forest management in the form of a FSC Forest Management Certificate.

The company has expanded production of Non-Timber Forest Product including pine resin and melaleuca leaves so that Perhutani products are able to penetrate the global market.

Director of Development and Planning of Perhutani, Endung Trihartaka, explained that in addition to increasing Perhutani's bargaining position with the issuance of FSC-FM certificates for KPH Banyumas Barat and Lawu Ds, Perhutani could penetrate the pine log market, the wood pellet industry (made from pine branch as raw material) and will trade FSC-FM certified pine resin.

See: <https://www.medcom.id/ekonomi/sustainability/wkB2Q8qk-dapat-sertifikat-hutan-berkelanjutan-perhutani-siap-bidik-pasar-ekspor>



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

Myanmar

FJV plans to enter banking business

The Forest Products Joint Venture Corporation (FJV) has conducted a feasibility study on entering into the banking business according to Deputy Minister of Natural Resources and Environmental Conservation.

The Deputy Minister said that the FJV, which was established in 1993, has paid to the government about US\$5.13 million in taxes since its inception but under the current business environment the corporation cannot rely solely on its timber business. The proposed name of the bank is Forestry and Environmental Development Bank. Few details are available.

Kyat/dollar exchange rate steadies

The Kyat/dollar exchange rate has steadied at MMK3,400-3,500 per US dollar after peaking at 4,000. The official exchange rate still stands at MMK2,100 per US dollar.

Over the past 13 months the Central Bank sold US\$554 million to stabilise the currency market. In order to prevent a further volatility the Central Bank pumped another US\$200 million into the market at the beginning of September.

New protected public forest area

Myanmar has designated a new protected public forest area in the west-central region of Magway's Saw Township. The Ministry of Natural Resources and Environmental Conservation designated an area of 4,827 acres in Saw Township as Phyan Protected Public Forest.

This decision is aimed at conserving watershed areas, protecting biodiversity and wildlife, ensuring soil conservation and fulfilling the needs of local residents. The ministry to establish 30% of the country as forest reserves and 10% protected areas according to local media.

See:

<https://english.news.cn/20220827/d3004f360b61457ba220dcecd1cd379f/c.html>

Power outages drive excessive mangrove cutting

Deforestation of mangroves has increased in Arakan State as power cuts forced people to use wood fuel according to local mangrove conservationists. Since late last year Myanmar has experienced frequent blackouts which worsened in February and continued into the monsoon season despite the fact that hydropower is the country's primary source of electricity.

See: <https://www.bnionline.net/en/news/myanmars-electricity-woes-fueling-mangrove-deforestation-arakan-state>

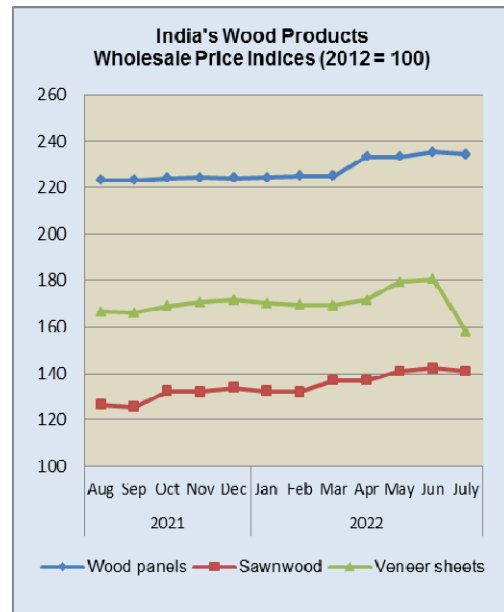
Wholesale price indices

The Office of the Economic Adviser, Department for Promotion of Industry and Internal Trade has published wholesale price indices for July 2022.

The price index for manufactured products, which account for around 65% of the index, declined slightly compared to June 2022. Out of the 22 NIC two-digit groups for manufactured products, 9 groups witnessed an increase in prices while 12 groups witnessed a decrease in prices. Some of the groups that witnessed a decrease in prices were food products, basic metals, textiles, wood and of products of wood and cork, rubber and plastics products, electrical equipment, chemical and chemical products.

The annual rate of inflation in July was up 14% year on year due mainly to the increase in prices of oil, food, crude petroleum and natural gas, basic metals, electricity, chemicals and chemical products.

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



Data source: Ministry of Commerce and Industry, India

GST on ocean freight may be removed

The government is considering removing the Goods and Service Tax (GST) on ocean freight. The matter will be discussed by the GST Council next month. This comes after the Supreme Court struck down the tax on ocean freight, a relief to importers.

The GST Council is the decision making body for the tax and a draft amendment will be presented to the Council. If agreed the move is likely to result in refunds to those who have been charged.

See:

<https://economictimes.indiatimes.com/industry/banking/finance/gst-on-ocean-freight-likely-to-be-scraped/articleshow/93716398.cms?from=mdr>

Bright outlook for housing market

A Reuters poll of property market analysts has found the outlook for the housing market is bright and has barely changed in the last three months despite the Reserve Bank of India tightening, the most aggressive tightening cycle in a decade. But the main problem is price as almost 25% of the population earns less than 15,000 rupees a month.

Mortgage rates are above pre-pandemic levels and this, combined with a lack of supply and rising input costs, will drive house prices higher this year.

See: <https://www.reuters.com/world/india/rate-hikes-unlikely-dent-housing-demand-india-bengaluru-lead-price-rises-2022-09-05/>

Surge in forest fires

A surge in human activity in and around forests after Covid lockdown restrictions were eased led to an all-time record forest fire alerts across India according to the Forest Survey of India. The highest incidences were in Madhya Pradesh, Chhattisgarh, Maharashtra, Jharkhand and Uttarakhand.

During the lockdowns peoples' movements were restricted, however, when restrictions were eased it led to a sudden invasion of forests setting stage for forest fires as the forest floor was full of dry leaves that are otherwise cleared by villagers for fodder or by forest department.

See: <https://timesofindia.indiatimes.com/city/dehradun/highest-forest-fire-alerts-after-ease-in-covid-curbs/articleshow/93686261.cms>

Plant more trees outside forests

The Ministry of Environment, Forest and Climate Change and the US Agency for International Development (USAID) announced the launch of a new programme "Trees Outside Forests in India."

The programme will expand tree coverage outside of forest lands to raise carbon sequestration, support local communities and strengthen the climate resilience of agriculture thereby supporting global climate change mitigation and adaptation goals.

See: <https://indiaeducationdiary.in/u-s-and-india-launch-a-new-initiative-to-increase-tree-coverage-in-india/>

Prices for recent shipments of teak logs and sawnwood

	Logs US\$ C&F per hoppus cu.m	Sawn US\$ C&F per c.um
Benin	-	325-712
Brazil	313-600	489-777
Cameroon	-	974
Colombia	245-615	-
Costa Rica	350-652	-
Ecuador	246-495	-
Gabon	370	-
Ghana	270-559	485
Guatemala	277-594	-
Iv. Coast	263-458	375-752
Mexico	322-439	373-585
Panama	252-539	-
PNG	389-595	492-677
Tanzania	344-930	471-1,068
Togo	259-532	-
S. Sudan	367-676	342-633
Nigeria	290-630	-
El Salvador	320-520	-
Nicaragua	-	328-564
Solomon Is.	248	-
Surinam	222	-
Myanmar	-	791-980

Locally milled sawnwood prices

Sawnwood Ex-mill	Rs per cu.ft.
Merbau	3,800 - 4,200
Balau	2,500 - 2,700
Resak	-
Kapur	-
Kempas	1,455 - 1,750
Red meranti	1,500 - 1,800
Radiata pine	900 - 1,050
Whitewood	900 - 1,050

Price range depends mainly on lengths and cross-sections

Plywood

Please note plywood prices are now shown below free of local taxes.

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 Vietnam's General Department of Customs W&WP exports in August 2022 are estimated at US\$1.35 billion, up 65% compared to August 2021.

Overall, in the first 8 months of 2022 W&WP exports amounted to US\$11.07 billion, a year-on-year rise of 6%. The export of WP alone, reached US\$7.77 billion, a year-on-year decline of 3%.

In the first 8 months of 2022 wood imports stood at 4,088 million cu.m worth US\$1,575 billion, down 12% in volume but up 3% in value over the same period in 2021. In the first 8 months of 2022, exports of all NTFFPs reached US\$592.05 million, up 1.7% over the same period in 2021.

W&WP exports to members of the CPTPP (Comprehensive and Progressive Trans-Pacific Partnership) market in August 2022 reached US\$203.1 million, up 51% year-on-year. In the first 8 months of 2022, W&WP exports to this market were for US\$1.7 billion, year-on-year up 25%.

Exports of bedroom furniture to the EU market in July 2022 reached US\$3.3 million, down 15% compared to July 2021. In the first 7 months of 2022 exports of this category of furniture to EU reached US\$31.5 million, up 13% year-on-year.

Vietnamese timber exporters struggle to find new markets

In contrast to the full order books at the beginning of the year Vietnamese wood and wooden furniture enterprises are currently facing many difficulties due to the cancellation of orders by customers because of inflation in countries such as the US and the EU and the sharp increase in input material costs.

In fact Vietnam's wood industry is seeing declining sales overseas. The export value in July was estimated at US\$1.41 billion, down 5.5% against June and down 1.6% year-on-year according to a report of the General Department of Forestry under the Ministry of Agriculture and Rural Development (MARD). This was the second month that the export of wood and timber products decelerated.

Earlier, figures from the General Department of Customs showed exports of wood and wood products in June were down nearly 11% year-on-year. Through the first seven months of the year, wood and wood product exports were US\$10.4 billion, up just 1% year-on-year.

According to market insiders the wood industry will face a big challenge due to a decline in export orders in the latter half of this year.

A quick survey of 52 timber businesses conducted by the Vietnam Timber and Forest Products Association (Vifores) in collaboration with Forest Trends showed that most companies witnessed decreasing revenues in the US, EU and UK markets.

Thirty-three out of 45 firms exporting to the US said their revenues decreased by nearly 40% compared to the first months of this year. A similar trend is seen in the EU and the UK, with two-thirds of the surveyed enterprises reporting revenue drops of over 41%.

Moreover, about 71% of businesses said that orders will continue to drop towards the end of the year. Under the current market situation, 44% of businesses expect revenue will fall by over 40% for the whole year.

Phùng Quốc Mẫn, General Director of Bảo Hưng Wooden Furniture Export Company, said the number of orders canceled in July was more than 30%. In response to the decline in purchasing power in the EU and the US markets business is looking to boost furniture exports to Japan and South Korea where inflation has had less of an impact than in other countries.

There are also a few businesses that have turned to the domestic market in order to maintain production, Mẫn said.

Vietnam's wood industry is integrated deeply with international markets so high inflation and tightening credit policies in major markets is driving down demand for non-essential products including wood and wood products.

High inflation in major markets such as the US, EU and UK is having a direct negative impact on the production and business activities of wood processing enterprises. They are currently facing many difficulties in terms of capital, labour costs and input materials.

Switching or finding new markets is not easy but this helps wood and wooden furniture manufacturers to minimise losses when a series of orders are delayed, reduced, or even canceled by international partners, Mẫn said.

In addition, in order to reduce the import price of raw materials to increase competitiveness, experts said wood businesses should diversify their supply of timber, reducing the proportion of imports from tropical countries and increasing the proportion from low-risk sources.

Vietnam has become the world's sixth largest exporter of wood and wood products, the second largest in Asia and biggest in the Southeast Asia and this has attracted scrutiny from major trading partners.

Besides sourcing locally, Vietnam also imports timber raw material from tropical countries. The volume of tropical wood imported annually is around 1.5 million cubic metres or 30% of total imports, mostly from Africa.

According to the General Department of Customs, despite the impact of the COVID-19 pandemic, exports of wood and wood products grew by 18% last year to US\$14.12 billion.

Vietnam is targeting US\$20 billion in total timber exports by 2025, an increase of more than US\$9 billion compared to now.

The value of timber and wood products for domestic consumption will reach US\$5 billion in 2025 and over US\$6 billion in 2030.

The industry aims to have more than 80% of wood processing and preservation establishments equipped with advanced technology and all timber and wood products for export and domestic consumption will be made from verified legal raw material.

By 2030, the domestic wood processing industry will become an important economic sector and develop a reputable brand for Vietnamese wood products in domestic and export markets.

Vietnam aims to become one of the leading countries in the world's production, processing and export of timber and wood products.

Another task of the industry is to develop infrastructure and expand production scale. Specifically, the industry will form five forestry zones with high technology applications to attract investment from wood processing enterprises and enterprises producing auxiliary materials.

Vietnam plans to build an international furniture exhibition centre and encourage the development of research centres to design wood products.

See: <https://vietnamnews.vn/economy/1312851/timber-exporters-struggle-to-find-new-markets.html>

VIFA EXPO 2022 returns

With Covid-19 now largely under control the Vietnam International Furniture & Home Accessories Fair (VIFA EXPO) - the biggest and most prestigious trade event in the country for wood products and furniture returned 31 August to September 3, 2022 in Ho Chi Minh City. With outstanding growth over recent years, Vietnam's wood and furniture industry is still concentrating on becoming the world's factory.

In March, the Prime Minister approved the "Project on the Sustainable, Efficient Development of the Wood Processing Industry in the 2021-2030 Period" through Decision No. 327/QĐ-TTg.

In this context, VIFA EXPO 2022 aimed to be a trade connection and platform that helps Vietnamese wood and furniture manufacturers get back into global supply chains, seek new potential export markets and promote products to the world.

Participants at VIFA EXPO 2022 had have opportunities to connect with and introduce brand-new products and trends to domestic and international importers, buyers, and traders looking for new supply sources.

The slogan of the fair is "Discover the Fascination of Vietnamese Furniture & Handicrafts" which encouraged exhibitors to display brand-new and diverse products.

Domestic and international visitors to VIFA-EXPO 2022 had the opportunity to meet and discuss partnerships with leading furniture manufacturers from Vietnam and the world. Beside the physical exhibition, the organisers also arranged business matching sessions to help international buyers who could not visit Vietnam to connect with exhibitors.

In 2023, VIFA EXPO will be held twice a year, in March (from 8 - 11) and in August.

See: <https://vneconomy.vn/vifa-expo-2022-the-most-significant-event-for-vietnamese-furniture-is-back.htm>

Collection of payment for forest environmental services

According to Vietnam Forest Administration (VNFOREST), building on the success and experience derived from efforts in the first 7 months of 2022 the Forest Protection and Development Fund (FPDF) of Vietnam has provided advice to VNFOREST on many issues as well as executive instructions such as the draft Government Decree on piloting the transfer of emission reduction results and financial management of the Agreement on Payment of Emission Reduction in the North Central Region (ERPA Decree), draft version of amending and supplementing Decree No. 156/2018/ND-CP dated 16/11/2018 of the Government detailing the implementation of a number of articles of the Law on Forestry (Decree No. 156).

In addition, inspection, supervision and understanding of local practices, communication and international cooperation are always given attention by the FPDF Management Board to contribute to uphold the efficiency of the national forest protection and development policies.

With 1,371 trust contracts for FPDF signed over the first 7 months of 2022 the forest sector has collected VND 2,215 billion (equivalent to US\$95 million), up 11% over the same period in 2021.

The growth of FPDF collection has relied mainly on the increase in power output of hydropower plants. The FPDF revenue from hydropower has been reported at VND2,113 billion (US\$90 million), accounting for more than 95% of total revenue.

In 2021 the forest area under the FPDF covered 7.28 million hectares, accounting for almost 50% of the total forested area nationwide.

More than VND2,726 billion collected by FPDF has been paid to 2,270 forest owners who are organisations, commune people's committees and other organisations engaged in forest management and 251,244 forest owners who are individuals, households, communities, villages and groups of households.

The FPDF fund has been transferred to forest management actors mainly through bank accounts, electronic and postal transactions to ensure openness, transparency and efficiency of the FPDF.

Established over ten years ago the FPDF money has provided substantial funds for forest owners to improve forest protection and management; help forestry companies and forest management boards have financial resources to maintain operations in the context of radical banning of natural forest logging and contributing to improve livelihoods of upland people who rely much on forests for subsistence.

At a national conference on further development of FPDF, participants identified shortcomings and obstacles in the policy implementation process such as the potential of FPDF has not been fully exploited due to the lack of specific regulations and guidelines on FPDF on ecotourism, industrial production facilities and carbon sequestration services.

Conference participants also emphasised a number of tasks that need to be addressed to accomplish the goal such as the enlargement of FPDF scope to be proposed in the draft Decree amending and supplementing Decree No. 156, with specific attention to forest carbon sequestration and storage services. This is expected to diversify the revenue sources and enlarge the coverage of this payment scheme.

See: <https://tongcuclamnghiep.gov.vn/LamNghiep/Index/thu-tien-dich-vu-moi-truong-rung-tang-11-so-voi-cung-ky-nam-truoc-4601>

Brazil

ABIMCI 'Timber Industry Sectoral Study'

In August the Brazilian Association of Mechanically-Processed Timber Industry (Abimci) published its Sectoral Study - 2022. The study covers activities in the national timber industry sector and presents updates of the main segments of processed wood products, socio-economic data, the sector's contributions to the national economy as well as specific information for each product segment.

The study describes the contribution of the mechanically processed timber industry to the national economy. When the entire solid wood industry was analysed, which also includes the furniture industry, the number of jobs created was 334,388. As for the forest-based sector as a whole, which includes the wood industry, furniture, forestry, pulp and paper industries, the job creation jumped to 612,527 as of August this year.

See:
https://abimci.com.br/gestor?redirect_to=%2F%3Fpost_type%3Dpublicacao%26p%3D28594

and
For a summary see: <https://forestnews.com.br/industria-madeira-abimci-lanca-estudo-setorial-com-numeros-do-setor-no-brasil/>

Increase in timber exports

Wood product exports from Pará State in the Amazon Region grew more than 100% in value between January and July this year compared to the same period in 2021. In total, international sales traded more than 170,000 tonnes of wood products generating about US\$250 million in value. Besides the growth in value, which more than doubled, the quantity exported registered an increase of around 23%. Export prices have risen and another factor responsible for the high export value, besides the appreciation of the US dollar, was the shipment of large volumes of profiled wood (flooring, decks, parquet and friezes), a product that has a high added value and high prices.

The main destination for wood product exports from Pará State continued to be the United States, accounting for almost 50% of total exports in the period, followed by France, the Netherlands, Denmark and Belgium. The large North American share is mainly due to the revival of civil construction in that country after the stagnation caused by the Covid-19 pandemic.

Despite the positive results of the first seven months of the year, the Association of Timber Industries Exporters of Pará State (AIMEX) sounded a warning that timber exports from Pará state may face challenges in the coming months especially due to the monetary policy of the world's main economies where interest rates are being raised to combat inflation

See: <https://redepara.com.br/Noticia/227203/exportacoes-de-madeira-atingem-alta-de-mais-de-100>

In related news, the forest sector accounted for 58% of Acre State exports in 2021. With exports of wood products along with Brazil nut exports Acre earned almost R\$140 million according to the State Secretariat of Planning and Management of Acre (SEPLAG) and the Federal University of Acre (UFAC).

It has been forecast that a similar export performance will be achieved in 2022. According to SEPLAG and UFAC some challenges need to be overcome in order to move forward. These include updating of laws and regulations; the enforcement of control of the volume produced from sustainable managed forest areas; the lack of added value to wood and biodiversity products; the low productivity of the forest industry; difficulties in access to credit lines among others.

See: <https://ac24horas.com/2022/08/22/setor-florestal-responde-por-58-da-balanca-comercial-e-gerou-r-140-milhoes-no-acre/>

Rainforest experiment moves forward

In late August a test phase of AmazonFACE began. This is a project that will simulate an increase in carbon dioxide emissions by 50% in the current atmospheric composition to measure the impact caused by this change on the Amazon rainforest. This will be done by means of "CO2 towers" and the first of these has just been completed.

The aim of the project is to better understand how an increase in atmospheric CO2 can affect the resilience of the Amazon forest and the biodiversity it shelters. It is both an assessment of the contribution of the Amazon to the global climate (through the regulation of carbon and water cycling for the production of rainfall), but also of verifying whether the Amazon forest will have the capacity to sustain itself in the future.

See:
<https://www.unicamp.br/unicamp/noticias/2022/08/26/experimento-sobre-floresta-tropical-comeca-em-campinas>

Domestic log prices

	US\$ per cu.m
Brazilian logs, mill yard, domestic	
Ipê	349
Jatoba	152
Massaranduba	139
Muiracatiara	137
Angelim Vermelho	135
Mixed redwood and white woods	106

Source: STCP Data Bank

Domestic sawnwood prices

	US\$ per cu.m
Brazil sawnwood, domestic (Green ex-mill)	
Ipê	1,540
Jatoba	755
Massaranduba	742
Muiracatiara	661
Angelim Vermelho	663
Mixed red and white	437
Eucalyptus (AD)	267
Pine (AD)	197
Pine (KD)	245

Source: STCP Data Bank

Domestic plywood prices (excl. taxes)

	US\$ per cu.m
Parica	
4mm WBP	577
10mm WBP	461
15mm WBP	416
4mm MR.	531
10mm MR.	391
15mm MR.	360

Prices do not include taxes. Source: STCP Data Bank

Prices for other panel products

	US\$ per cu.m
Domestic ex-mill prices	
15mm MDParticleboard	296
15mm MDF	377

Source: STCP Data

Export sawnwood prices

	US\$ per cu.m
Sawnwood, Belem/Paranagua Ports, FOB	
Ipe	2,703
Jatoba	1,410
Massaranduba	1,442
Muiracatiara	1,436
Pine (KD)	282

Source: STCP Data Bank

Export plywood prices

	US\$ per cu.m
Pine plywood EU market, FOB	
9mm C/CC (WBP)	428
12mm C/CC (WBP)	396
15mm C/CC (WBP)	368
18mm C/CC (WBP)	353

Source: STCP Data Bank

Export prices for added value products

	US\$ per cu.m
FOB Belem/Paranagua ports	
Decking Boards Ipê	4,980
Jatoba	2,225

Source: STCP Data Bank

Peru**Loreto - first region to implement public purchases of legal wood**

The Loreto Region became the first region in the entire country to implement a regulation that requires only purchases of verified legal wood products. This came after the Directory of Regional Managers in Iquitos approved the regulation, Regional Ordinance 008-2020, whose purpose is to guarantee the legal origin of the wood in the processes of public purchases in the Regional Government of Loreto.

This ordinance, first promulgated in 2020, guarantees the legality of wood used and will benefit the processes of acquisition of wood products. The regulation was presented by the Loreto Forestry and Wildlife Development Management (Gerfor) with the technical assistance of USAID Pro-Bosques.

Among the advantages is the implementation of procedures to verify the legal origin of the wood. In addition it will offer Loreto contracting opportunities with the State for formally registered wood supply companies.

Logging entrepreneurs improve technical skills

Within the framework of the implementation of the PROCOMPITE 2020 Business Plan of the Association of Wood Industrialists of Padre Abad (AIMPA) the CITEforestal Pucallpa began training in semi-serial production of wooden doors aimed at the members of the association.

This was undertaken by the CITEforestal Pucallpa Technological Institute of Production (ITP) of the Ministry of Production (Produce). This year the programme (Fordefor) together with CITE, has been undertaking efforts in training MYPES and associations in the Ucayali region on intermediate technologies.

As part of this training entrepreneurs produced a batch of solid wooden doors from cachimbo (*Cariniana decandra*) and cumala (*Virola sebifera*) species which were exhibited at the Expoamazónica 2022 Fair.

SERFOR supports SFM in four Amazonian regions

With the favorable technical opinion of the National Forestry and Wildlife Service (SERFOR), the Executive branch finalised the transfer of budgetary resources to the regional governments of Loreto, Madre de Dios, San Martín and Ucayali for US\$5.15 million to strengthen management and the sustainable use of forest resources.

Through Supreme Decree No. 191-2022-EF the Ministry of Economy and Finance authorised the items for the Regional Government of Loreto for a total of US\$1.72 million; to Madre de Dios US\$1.26 million; to San Martín US\$0.94 million and to Ucayali US\$1.26 million.

The actions to be carried out are related to the implementation of zoning and forest management, the traceability instruments that determine the legal origin of the wood, the granting of rights and administrative acts for access to resources.

The transfer of these resources was also possible thanks to the support of international cooperation projects such as the Peru-Norway-Germany Joint Declaration of Intent, DCI, the UNDP Sustainable Productive Landscapes Project and the USAID Forest Project, which, together with the SERFOR, provided specialised technical assistance.

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	1044-1077
Asian market	1129-1147
Ishpingo (oak) 2" thick, 6"-8" length Spanish market	622-642↑
Dominican Republic	709-726
Marupa 1", 6-11 length KD Grade 1 Asian market	595-615

Domestic sawnwood prices

Peru sawnwood, domestic	US\$ per cu.m
Mahogany	-
Virola	249-274
Spanish Cedar	343-351
Marupa (simarouba)	246-251

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

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

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

Domestic prices for other panel products

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

Export prices for added value products

Peru, FOB strips for parquet	US\$ per cu.m
Cabreuva/estoraque KD12% S4S, Asian market	1327-1398
Cumaru KD, S4S Swedish market	986-1119
Asian market	1089-1119
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

Japan

Industrial output improves again

Japan's industrial output in July grew 1% from the previous month, the second consecutive month of increase. The improvement was helped by an easing of parts shortages following the relaxation of covid restrictions in China.

The Ministry of Economy, Trade and Industry reported the seasonally adjusted index of production stood at 97.1 against the 2015 base of 100. The July improvement followed an upwardly revised increase of 9.2% in June.

In related news, the media have suggested that to revive the Japanese economy the focus should be on the profitability of small and medium size companies as these are the biggest employers. There are 3.6 million small and medium size companies in Japan, accounting for more than 90% of all companies and employing 70% of the workforce.

However, Japanese small and midsize companies are said to have lower productivity than their overseas counterparts and improving their productivity has been highlighted as a major issue. In order to spread wage increases widely, it is necessary for small and midsize companies to strengthen their financial base.

See:

<https://mainichi.jp/english/articles/20220831/p2g/00m/0bu/029000c>

and

<https://japannews.yomiuri.co.jp/editorial/yomiuri-editorial/20220906-56447/>

Pay rise eaten away by inflation

Workers in Japan saw increased take-home pay beginning in July but the gains have been eroded by inflation. The average monthly wage for July was around 375,000 yen, up 1.8% from a year earlier in yen terms. Despite the gains the average real wage dropped 1.3%, the fourth-straight month of decline as increases in consumer prices outpaced the pay rise.

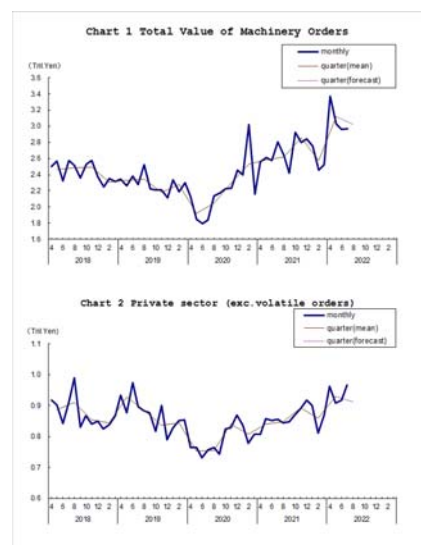
Wholesale prices in Japan rose 9% in August from the previous year, the same rate as in July, because of high raw material costs which are being passed on. Against this background and with consumer spending making up a large part of GDP it is not surprising that the economy is weakening.

See: https://www3.nhk.or.jp/nhkworld/en/news/20220906_13/

Business investment signals optimism in near term

It came as a surprise to many that July core machinery orders, which reflect company forecasts of the direction of the economy, added to the increase seen in June. This is encouraging as business spending will help offset the current economic challenges from the global economic slowdown and the weaker yen.

The increase in core orders, a barometer of capital expenditure, could provide temporary relief for policymakers hoping corporate investment will to spur domestic consumption.



Source: Cabinet Office, Japan

Covid restrictions for arrivals may be eased

The government is considering further relaxing border controls for incoming travellers as a way to boost the economy through taking advantage of the weak yen to attract visitors. The yen dropped to its lowest point against the US dollar in 24 years recently at yen 142 to the US dollar making Japan an attractive destination for tourists..

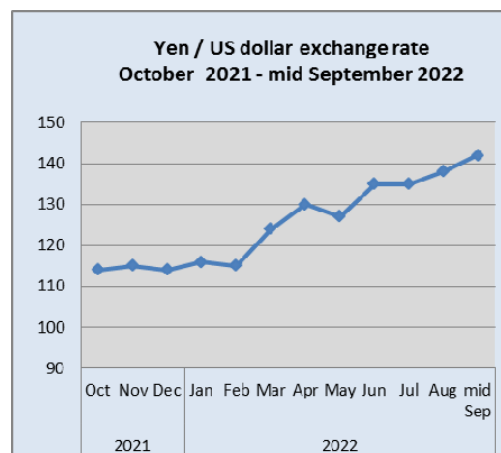
See: <https://pragativadi.com/japan-likely-to-relax-travel-restrictions-on-foreign-tourists-to-lift-economy/>

Call for action on weak yen

Deputy Chief Cabinet Secretary, Seiji Kihara, has urged action against the steep decline in the yen/dollar exchange rate warning about the currency's decline to a 24-year low.

The yen weakness is the result of currency traders focus on the widening divergence between the US interest rates and the Bank of Japan's (BOJ) pledge to maintain ultra-low rates.

See: <https://www.ctvnews.ca/business/japan-must-take-steps-against-excessive-yen-moves-government-spokesman-1.6063926>

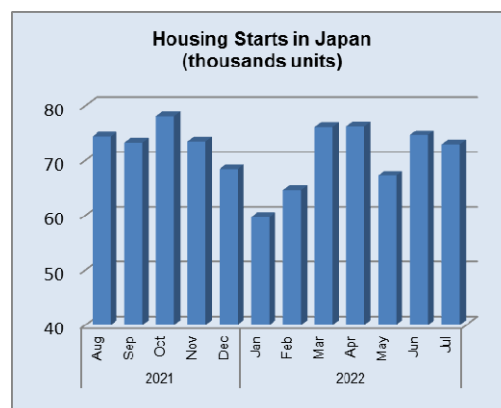


Renovate and let vacant homes

The number of vacant houses continues to rise even in good locations in urban areas. But now owners can take advantage of leasing services that renovate such homes and let them as residences or shops.

The leasing service businesses can make a profit by rehabilitating properties and transforming them into income-producing assets on behalf of the owners. The central government and local administrations are imposing more measures to address the vacant home problem and hope the growth of such leasing/renovation companies will help reduce the number of empty homes.

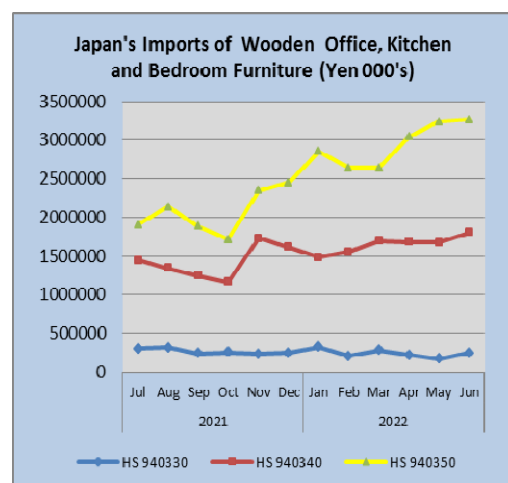
See: <https://japannews.yomiuri.co.jp/business/companies/20220905-56015/>



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

Furniture imports

For the first time in three months there was an up-tick in the value of wooden kitchen furniture (HS940340) imports. In contrast for the first time in 2 month imports of wooden bedroom furniture levelled off.



Data source: Ministry of Finance, Japan

June 2022 imports (HS 940330)

	Imports Jun 2022 Unit, 000's Yen
S. Korea	-
China	185,644
Taiwan P.o.C	4,077
Vietnam	2,451
Thailand	4,108
Malaysia	3,166
Indonesia	3,753
Sweden	-
Denmark	19,277
UK	1,075
Netherlands	265
France	1,243
Germany	991
Switzerland	-
Italy	6,572
Poland	6,018
Turkey	-
Lithuania	2,043
Czech Rep.	711
Slovakia	1,385
Canada	-
USA	4,421
Mexico	-
Total	247,200

Data source: Ministry of Finance, Japan

June office furniture imports (HS 940330)

Year on year the value of wooden office furniture imports declined 20% in June but compared to a month earlier there was an over 40% surge driven by increased shipments from China which accounted for 75% of all wooden office furniture and by a jump in imports from Denmark.

For the first time shippers in Denmark have made it into the list of top 20 shippers. Denmark accounted for around 8% of June arrivals followed by Italy and Poland at about 2.5% and Thailand, Malaysia and Indonesia at 1.5% each.

June 2022 imports (HS 940340)

	Imports Jun 2022 Unit, 000's Yen
S Korea	-
China	140,570
Taiwan P.o.C	450
Vietnam	724,218
Thailand	126,298
Malaysia	5,792
Philippines	730,327
Indonesia	16,924
India	-
Denmark	-
UK	-
Netherlands	4,345
France	253
Germany	27,020
Italy	11,367
Austria	-
Romania	3,146
Canada	9,254
USA	553
New Zealand	-
Total	1,800,517

Data source: Ministry of Finance, Japan

June kitchen furniture imports (HS 940340)

In June there was a 7% rise in the value of month on month imports of wooden kitchen furniture and a significant 21% increase in year on year imports.

The Philippines and Vietnam compete for the top spot in wooden kitchen furniture deliveries to Japan and in June each accounted for around 40% of all imports of HS940340. The remaining 20% of the value of imports was taken up by China (8%) and Thailand (7%). All of these shippers of wooden kitchen furniture saw gains in June compared to a month earlier.

June bedroom furniture imports (HS 940350)

As has been the case throughout the year shipments of wooden bedroom furniture from manufacturers in China accounted for the bulk of June arrivals (65%). The value of June shipments from China was little changed from a month earlier. Vietnam was the second largest shipper of wooden bedroom furniture to Japan in June and accounted for around 25% of all shipments. The other two shippers of note in June were Malaysia and Indonesia.

Year on year, June shipments of wooden bedroom furniture were up 31% but month on month the value of June shipments was much the same as in May.

June imports (HS 940350)

	Imports Jun 2022 Unit, 000's Yen
S Korea	5,161
China	2,144,499
Taiwan P.O.C	-
Vietnam	809,320
Thailand	55,715
Malaysia	156,448
Philippines	-
Indonesia	61,736
India	-
UAE	-
Sweden	2,411
Denmark	1,264
Italy	6,331
Poland	16,939
Romania	222
Latvia	2,436
USA	964
Total	3,263,446

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/

Sojitz to transfer its business to a subsidiary company

Sojitz Corporation decided to transfer log import business to a subsidiary company, Sojitz Building Materials Corporation as of the 1st of October. There are several reasons such as export restrictions in overseas, a shortage of logs and less demand in Japan. The import log business is at Forestry & Circular Business Development Dept. of Sojitz Corporation.

There are ten people working and they import logs and lumber from South Sea, Russia, New Zealand, and North America. They also do business with domestic lumber.

They sell South Sea logs and lumber to plywood companies or wholesalers in Japan. They used to import Russian logs and larch veneers until last year but now they are unable to import due to prohibited exporting logs and veneers from Russia by an invasion in Ukraine by Russia. There is no restriction on trading with New Zealand but major lumber companies in Matsunaga in Hiroshima prefecture do not need NZ logs much because they started producing domestic logs instead.

Lumber companies, which use North American logs for producing, withdrew and North American logs are sold to wholesalers.

The import log business is not the only business but also biomass and circular business at Sojitz Corporation. The biomass business is about selling imported woodchips, which are from Vietnam, PKS and pellets. The circular development business is about developing biomass business in Hokkaido prefecture, fast growing trees and investment in forestry business in overseas.

Sojitz Building Materials Corporation will reorganize formation in September to accept the import log business from Sojitz Corporation. Sales of March, 2022 was about 197 billion yen, 35.7% more than last year and recurring profit was about four billion yen, 398.5% more than last year. Today, conglomerates concentrate on controlling business such as investments, system developing and transfer trading business to its subsidiary companies.

Trading companies controlled everything about lumber and structural lumber by the head office at an early period but in 1980's, there was a winter era of trading companies. Then, they changed the business style. Trading companies import logs or lumber and building materials companies sell those products. Now, it changed again, subsidiary companies start importing logs too. There are no more conglomerates which do integrated management for selling imported logs in Japan.

A price hike on adhesive

Oshika Corporation raises prices over 10% on any type of adhesive as of 21st August. This is the second time for raising the prices in this year. It was in April for the first time. A reason for this time is a price hike of crude oil and natural gas caused by an invasion in Ukraine by Russia.

The future price of Brent crude oil for a barrel is between \$90-100 and it is over \$10 higher than the prices in January, 2022. The prices of 1kg naphtha also increased to 86,000 yen in April to June from 60,000 yen in January to May. Other production costs such as distribution cost or subsidiary materials cost increased so the company had no choice but raising the prices.

Log demand for the first half of the year

Logs for lumber manufacturing at the 1st half of 2022 are 8,639,000 cbms, 5.9% more than the same periods in 2021. For plywood manufacturing, an amount supplied is 3,045,000 cbms, 19.3% more. Production activities have been lively since last year because the volume of imported lumber decreased.

Domestic logs account for 80% out of 100% and supply smoothly which make the prices lower than before. However, if there were not enough logs due to the damages by torrential rains, the prices would rise again. A volume of domestic logs for lumber is 6,695,000 cbms, 7.2% more than the same periods in last year and of imported logs for lumber is 1,944,000 cbms, 1.9% more.

Domestic logs occupy 77.5% of all and it is 0.9 point increase. Domestic softwood log is 6,685M cbms, 8.4% higher than the same periods in last year. Domestic hardwood logs are 10,000 cbms, 87.7% lower. This is because the prices of softwood logs were high so the harvest is heavy to softwood.

The amount of consumption of logs for lumber is 8,252,000 cbms, 2.4% more than last year. Since the supply is bigger than consumption, the inventory at the end of June was 3,769,000 cbms, 12% more than June, 2021. This is increase for the first time in three years. Domestic log for plywood is 2,751,000 cbms, 17.4% increased from last year. Imported log for plywood is 294,000 cbms, 40.7% increased. A rate of domestic log is 90.3%, 1.5 points decrease. An amount of consumption of logs for plywood is 2,630,000 cbms, 2.9% increased.

The inventory at the end of June was 823,000 cbms, 95.5% increased. It was double volume compared to June, 2021. Orders by the manufacturers in Japan calmed down because the amount of imported lumber increased in January to June. There are enough logs at lumber and plywood mills so inquires for domestic logs also slowed down. However, the prices could soar if the heavy rain at Tohoku and Hokuriku region in August affects the volume of logs and the typhoon season is coming soon, which is another concern.

Domestic lumber and logs

Demand and supply of domestic lumber is inactive through the nation. The prices in Kanto region especially weakened. However, the lumber does not move, even if the prices are low. The prices of a cedar post, 3m x 105mm, are 90,000 yen, delivered per cbm. If this movement continues after September, 90,000 yen would be hard to maintain.

A movement has been inactive since June. A quantity from some lumber plants to the markets stayed in same volume in July and it decreased 10% in August. The sales at the markets in Kanto region have been declining. The time for auctions became an hour shorter than it used to be before due to the terrible heat and buyers did not buy much lumber. This movement of lumber influenced a movement of domestic logs.

It has been slow since June or July. The prices of domestic cedar and cypress logs decreased in every place except Kyushu area and Akita prefecture. It is 18,000 – 20,000 yen for a 3m cedar log, delivered in Kyushu area and Akita prefecture. The prices in other regions are 15,000 – 16,000 yen, which are 1,000 – 2,000 yen lower than last month. In some places, the prices decreased to around 13,000 yen. The prices of 4m medium size logs are 12,000 – 13,000 yen.

However, some people expect that demand for logs would be back as demand for lumber increases because it will be a good season to harvest trees. A shipment of logs was good for summer in this year and this movement made a difference between a shipment of lumber and logs. Logs cut in summer is not popular because of heavy moisture so sawmills are not anxious to purchase summer logs that is why the log market prices decreased.

Plywood

A shortage of domestic softwood plywood has settled down. The situation is almost back to normal except in Western Japan. There is still a shortage of long sized plywood due to a fire at Nisshin Co., Ltd. in Tottori prefecture. A reason for settled down is that structural plywood from China arrived to Japan. However, manufacturers' carry small inventory, which was 0.3 month, at the end of July.

There is no rush for selling the inventory because there are still many orders. As manufacturers, it is better to keep the inventory when a movement of plywood starts to be lively. If the prices of domestic softwood plywood decreased in the future, it would be possible to reduce production or produce other plywood, like non- structural panels.

There is a different atmosphere in South East Asia and Japan. Since other materials, logs and adhesive are high-priced in South East Asia, 3 x 6 of plywood for concrete forming is \$850, C&F per cbm. It levels off since last month.

There are no thoughts about lowering the prices because it will be a rainy season in October and there will be less logs until March, 2023 in South East Asia. A movement of South Sea plywood at Japanese markets is dull. Construction companies have enough inventory. In distribution business, there is a shortage of plywood for concrete forming so there is a need to get plywood even if the movement is dull.

China

Logs imports via China-Europe railway

The China-Europe freight railway serves China, Europe and the countries in between. As the Belt and Road Initiative (BRI) develops this train service has become a key channel for economic cooperation between China and other countries along the BRI routes.

High value-added products are transported by the China-Europe freight trains such as electronic equipment, automobiles and parts. However, in the early stage of development, in order to alleviate no return load problem and share the freight costs, the return freight trains mostly transported timber back to China.

Thanks to the growth of the timber trade between China and European countries, as well as Russia and the geographical advantages of rail links; business is booming.

According to a Development Report on the China-Europe Railway Express (2021), 82 transport routes connecting 196 cities in 24 European countries have been established making an extensive network for trade.

The products transported have expanded from mobile phones, computers and other IT products in the early days to more than 50,000 varieties in 53 categories such as clothing, shoes and hats, cars and accessories, grain, wine, coffee beans and wood products.

Many cities have opened special timber trains such as Wuwei in Gansu Province, Chengdu, Rizhao in Shandong Province, Chongqing and Changsha and the timber centres that have been opened include Manzhouli, Erenhot, Alashankou and Suifenhe.

In order to transport and distribute products more efficiently some cities have invested heavily. For example, Chengdu Qingbaijiang Wood Trading Center implements a "freight train plus park" mode with Chengdu International Railways. It operates a special timber train between Russia allowing timely and effective responses to changes in the supply and demand market.

According to Suifenhe Customs data 462 China-Europe freight trains with 47,133 TEUs were handled between January and July this year, a year-on-year growth of over 70%.

According to Manzhouli Customs data there were 2,215 inbound and outbound China-Europe freight trains handled through Manzhouli port in the first half of 2022, an increase of 34% year-on-year. About 180,000 TEUs were transported, an increase of 40%.

The total value of goods was about RMB25 billion, an increase of 56%. Of the total, there were 1,239 inbound freight trains and 976 outbound freight trains.

The travel time for timber between China and Europe is about 30 days usually. Compared with sea transportation the freight train is the most time-efficient and the most cost competitive mode of transportation.

See:

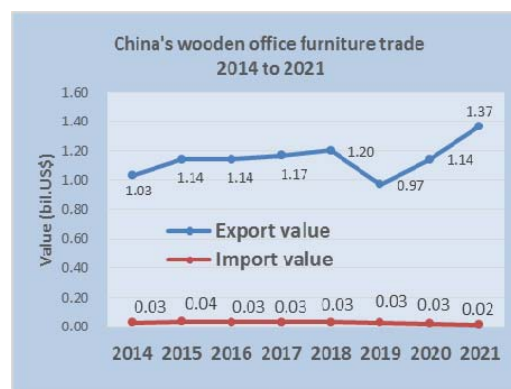
<https://www.ndrc.gov.cn/fzggw/jgsj/kfs/sjdt/202208/P020220818311703111697.pdf>

and

https://www.wood365.cn/Industry/IndustryInfo_274980.html

China exports more office wooden furniture than it imports

According to the data from China Customs, China exported far more wooden office furniture than it imports between 2014 to 2021.



Data source: China Customs

The value of China's wooden office furniture exports grew 17% and 20% year-on-year in 2020 and 2021 respectively after a decline of 19% in 2019.

The rise in production has been spurred by a growth in manufacturing capacity to serve the international and domestic markets such that imports of wooden office furniture have fallen steadily in recent years. It is estimated that the market for China's office furniture industry is expected to grow to RMB350 billion next year.

See:

https://baijiahao.baidu.com/s?id=1742278802161547016&wfr=s_pider&for=pc

and

<https://new.qq.com/rain/a/20220829A0511600>

In the first half of 2022 the value of China's wooden office furniture exports reached US\$603 million, but imports were valued at just US\$4.9 million, down 13% and 43% respectively. The US is the largest market for China's wooden office furniture followed by Japan accounting for 43% and 10% of total exports.

The value of China's office wood furniture exports fell recently mainly because of a decline in imports by both major markets.

Main markets for China's wooden office furniture, first half 2022

Destination	Value (mil.US\$)	Year on year % change
Total	603	-13%
USA	257	-18%
Japan	62	-9%
South Korea	23	-5%
Australia	20	17%
Canada	18	-27%
Saudi Arabia	17	2%
UAE	15	24%
Philippines	15	57%
UK	10	-68%

Data source: China Customs

Surge in China's wooden office furniture imports from Finland

According to China Customs the value of China's wooden office furniture imports fell 43% to US\$4.9 million in the first half of 2022. Poland was the largest supplier and Italy the second, down 32% and 36% respectively. It is worth noting that the value of almost all main suppliers of China's wooden office furniture fell in the first half of this year except for imports from Finland.

Main suppliers for China's wooden office furniture imports, first half 2022

Supplier	Value (000s US\$)	Year on year % change
Total	4,905	-43%
Poland	1916	-32%
Italy	683	-36%
Germany	332	-37%
Lithuania	256	-74%
USA	245	-10%
Japan	192	-8%
Czech Rep.	177	-48%
Finland	166	824%
Slovakia	163	-36%
Malaysia	146.8	-67%
Vietnam	146.5	-32%

Data source: China Customs

Investment by Chinese companies in Mexico at record high

Investment by Chinese companies in Mexico has reached a record high as companies take advantage of US tariff structures on imports from Mexico. Most of the Chinese companies investing in Mexico are electrical appliance and furniture manufacturers.

Mexico had attracted investment from 1,289 Chinese companies by mid-2022.

Man Wah Holdings, a Hongkong furniture manufacturer, has invested US\$300 million to build a factory in Mexico. Zhejiang-based Kuka Home announced in March 2022 that it would expand its production capacity in Mexico and ZOY Living built a new factory in Nuevo Leon of Mexico in April 2022.

Thanks to the US-Mexico-Canada agreement Mexico is very attractive for Chinese companies. The trade agreement, which took effect in 2020, allows Mexican companies to export goods to the United States tariff-free if they meet requirements such as using a certain percentage of components made in North America.

See: <http://www.wood168.net/src/newsdetail.asp?this=56048>

GGSC-CN Index Report (August 2022)

In August 2022 the impact of the pandemic was reduced but China's economic growth was still under great pressure as demand had contracted and other problems such as raw material costs were still affecting many industries.

China's PMI rose to 49.4% in August as signs of recovery began to emerge but the PMI is still below the critical value of 50 indicating that a long-term downward pressure on the economy still existed.

Production by wood processing and manufacturing enterprises had started to recover. Orders and production were higher than the previous month and new orders were rising.

The GGSC-CN comprehensive index for July registered 51.4% (43% for last August and 47.0% for August 2020) an increase from the previous month and it rose above the critical value of 50% after five months. See below..



Challenges

Poor quality of raw materials, difficulty in securing raw material

Erratic production

Some inputs in short supply: hardwood flooring blanks of oak and birch.

Commodity of which the price has been increased:

Hardware, metal, plate.

Commodity of which the price has been decreased:

Dipteryx spp, Chorophra spp, taun, teak.

For the August 2022 GGSC-CN index, four sub-indexes increased and one declined.

The production index value was 50.0% an increase over the previous month and returned to the critical value after four months indicating that production by wood product enterprises represented by GGSC-CN index was basically flat compared with the last month.

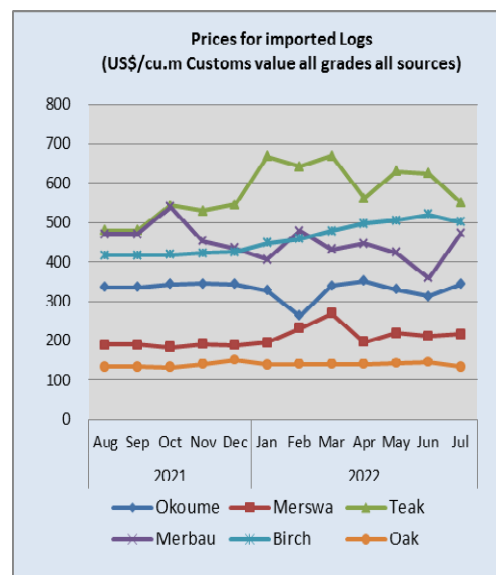
The new order index was 55.56%, an increase from the previous month and returned to above the critical value after five months reflecting a significant recovery in the ability of enterprises to obtain orders.

Among these the new export order index, which reflects the situation of foreign trade, was 57.14%, an increase over the previous month indicating that the continuous decline of export orders had halted.

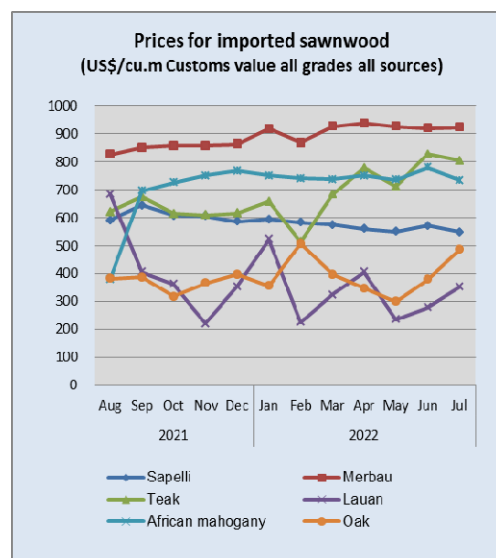
The main raw material inventory index was 44.4%, a decline from the previous month reflecting the increase in the number of orders and the acceleration of raw material consumption.

The employment index was 55.6%, an increase over the previous month indicating that the employment of forest products enterprises represented by GGSC-CN index increased compared with last month.

The supplier delivery time index was 44.4%, an increase over the previous month indicating that the supply time of raw material suppliers of forest products enterprises represented by GGSC-CN index decreased compared with last month.



Data source: Customs, China



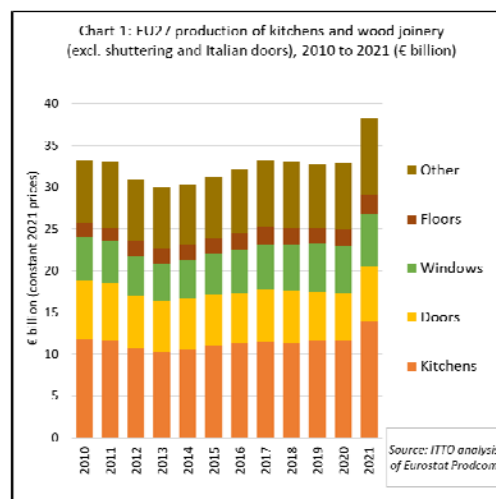
Data source: Customs, China

EU

Post-pandemic revival in EU joinery manufacturing during 2021

After the dislocation caused by the COVID-19 pandemic, the performance of the EU27 wood joinery sector was transformed in 2021. The main long-term trends in previous years were a continuous increase in joinery production in Germany offsetting a large decline in Italy and wood's loss of share to other materials – particularly plastics – in windows and doors manufacturing.

However, 2021 saw a sharp revival in wood joinery activity across the continent. Following three years of stagnation, production value of wood joinery and related products in the EU27 increased 16% to €38.22 billion in 2021. Last year, in value terms, total wood joinery activity across the EU27 was at the highest since before the 2008 financial crises (Chart 1). This is the main conclusion to be drawn from analysis of newly released Eurostat PRODCOM data which provides a snapshot of the production and consumption value of wood joinery products in the EU27 in 2021.



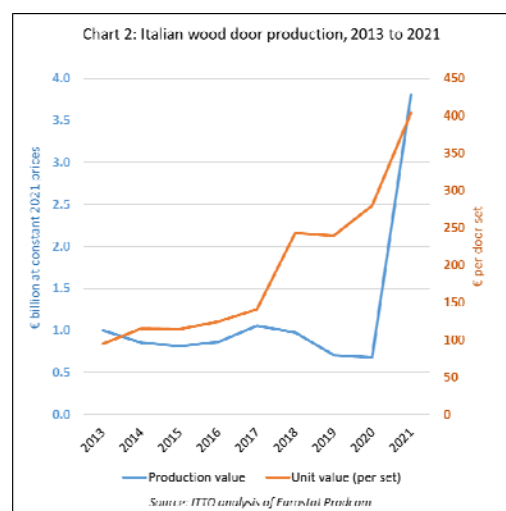
In 2021, the impact in the COVID-19 recovery plans on long-term economic and social “resilience” was felt particularly strongly in the joinery sector. NextGenerationEU, the €750 billion (\$888 billion) economic recovery instrument rolled out across the EU from 2021 in response to the pandemic, is explicitly linked to the EU Green Deal, a radical project to cut EU emissions by 55% compared to 1990 levels by 2030 on the way to making the EU climate neutral by 2050.

37% of NextGenerationEU finance is earmarked for achievement of European Green Deal objectives with activities including a large program of building renovation and support for the “circular economy” and sustainable investment. The projected costs of these Green Deal measures are enormous, requiring an additional €82 billion to €147 billion in spending every year until 2030, about half a percentage point of the EU’s GDP. Beyond 2030, the additional investments are 1% to 2% of GDP, about €4.6 trillion between 2031 and 2050.

Nowhere has the impact of these measures been greater than in Italy. In fact the effect is so strong that the Eurostat PRODCOM data for Italian door manufacturing in 2021 is so high as to suggest it may be exaggerated. For this reason it is not included in the EU-wide analysis (which it would otherwise distort) and is considered separately below.

Eurostat reports fivefold increase in value of Italian wood door production

According to Eurostat data the value of wood door production in Italy increased nearly five fold from €680 million in 2020 to €3.8 billion in 2021 (Chart 2). If accepted at face value, this would imply that Italy alone accounted for around 40% of the total value of all wooden doors manufactured in the EU last year. In terms of quantity, Italy’s production is recorded as increasing from just 2.4 million door sets in 2020 to 9.4 million door sets in 2021.



There is, possibly, a legitimate explanation for such a huge increase in Italian wood door production.

A key feature of Italy’s post-COVID support measures in the construction sector, partly financed through NextGenerationEU, was the so-called “Superbonus” scheme for building renovations.

This was originally introduced in May 2020 as part of Italy’s ‘Relaunch Decree’ adopted in the wake of the pandemic. It aimed to boost the Italian economy by providing incentives aimed at improving building energy efficiency. The scheme allows homeowners to set 110% of the costs building renovation against tax, effectively allowing them to renovate at no cost. The scheme is due to end in 2025.

Given that Italian door production was at a level of around 10 million units per year in 2013, before declining during the long period of stagnation in Italy’s joinery sector to around 3 million units in 2019 before the pandemic, a production figure of 9.4 million units last year is just about conceivable.

This is particularly true when it is considered that replacing old doors with new modern energy efficient designs is probably one of the most immediately effective measures to reduce energy consumption in the existing housing stock. Indeed, this is the type of measure that led the EU to praise Italy’s Superbonus scheme for boosting the decarbonisation of the building sector, which is estimated to account for around 40% of energy use and 36% of CO2 emissions in Europe.

As of 31 July 2022, more than 220,000 renovation projects with a total value of €40 billion had been accepted under Italy’s Superbonus scheme, according to data from the Italian National Agency for New Technologies, Energy, and Sustainable Economic Development (ENEA).

The scheme had a “formidable positive impact” on the Italian economy, according to the National Council of Engineers (CNI). By the end of 2021, the subsidies contributed to the generation of more than €12 billion in Gross National Product (GDP) and the creation of 153,000 jobs, the association said in a study.

The Superbonus scheme, which likely lies behind the sharp rise in Italian door production, therefore has had some very positive effects. On the other hand, the extremely rapid rise in unit costs of wood doors in Italy last year hints at some potential problems due to such large subsidies. The average unit cost of wood door production in Italy last year was €404 per set, 70% more than before the COVID crises.

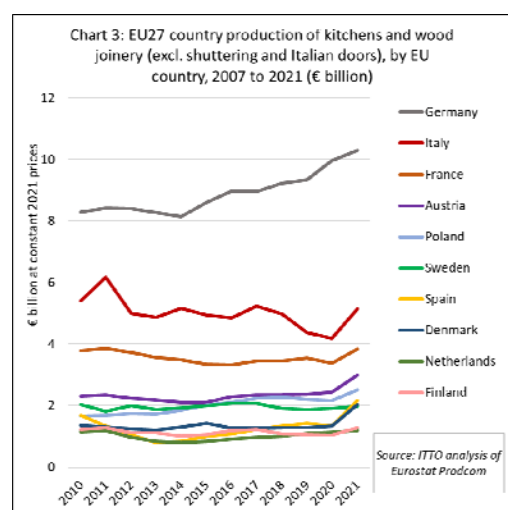
A significant increase in the costs of door production can be expected due to sharply rising costs of materials, energy, and other business since the start of the pandemic. However, the rise in the unit cost of doors in Italy is out of line with other EU countries. Last year, the unit value of a wood door produced in Italy was more than seven times the average (€57 per set) of wood doors produced in other EU countries.

This lends weight to comments by Prime Minister Mario Draghi to the European Parliament in May this year when he suggested that the Superbonus scheme had led to market distortions. “The cost of improving efficiency has more than tripled due to the 110% scheme.

The prices of the investments needed to perform the renovations have more than tripled because the 110% eliminates the incentive to negotiate on price,” he remarked.

Slow but steady rise in German wood joinery sector

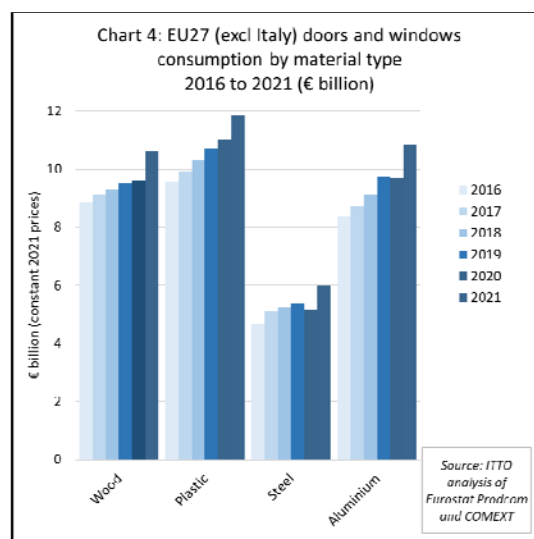
Last year’s rise in the value of joinery manufacturing in other EU countries, and in joinery sectors other than doors in Italy, was less dramatic but still significant. (Chart 3). The value of joinery production in Germany, which unlike other leading joinery manufacturing countries in Europe continued to grow in 2020, increased by 3% to €10.30 billion in 2021.



In all the other large joinery manufacturing countries there was a sharp increase in joinery production value last year following a decline in 2020. Gains were made in France (+23% to €5.14 billion), Austria (+23% to €2.99 billion), Poland (+16% to €2.51 billion), Sweden (+4% to €1.98 billion), Spain (+61% to €2.16 billion), Denmark (+53% to €2.05 billion), and the Netherlands (+6% to €1.20 billion). Production value of all joinery products other than doors in Italy increased 23% to €5.14 billion in 2021.

No sign of an increase in wood’s share of the EU door and windows sector

While wood joinery activity increased significantly last year across the EU, there is little evidence to suggest that wood products increased their overall share of the EU market for doors and windows. Eurostat PRODCOM data provides comparable data on the total value of doors and windows manufactured in the EU27 in wood, plastic, steel and aluminium respectively. This shows that the value of metal and plastic door and window production in the EU27 increased alongside production of equivalent products in wood (Chart 4).



The share of wood in the total value of EU27 door and window production was 27% in 2021, the same proportion as the previous year. The share of steel also remained the same last year, at 15%. The share of aluminium marginally increased, from 27% to 28%, while plastics share declined slightly, from 31% to 30%.

The continuing rise in aluminium follows a longer-term trend.

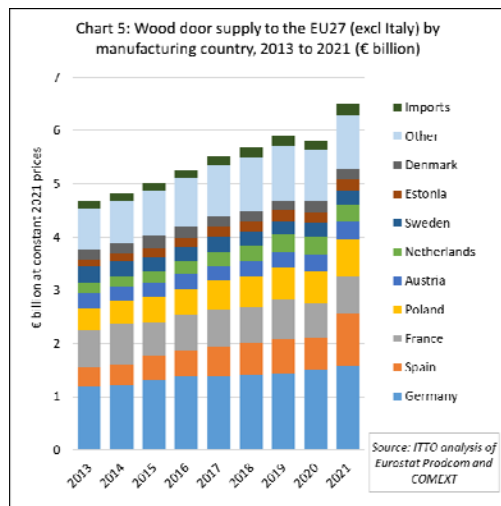
Aluminium has always remained the default windows product in the commercial market but has enjoyed considerable resurgence within the residential window and door market. An important driver behind this has been aluminium bi-fold and sliding doors as consumers demand greater space and light within living areas. Another factor is the demand for lower maintenance and greater strength in light weight frames for high energy efficiency double and triple glazed units.

A limitation of the PRODCOM data is that it does not distinguish products made wholly in wood or metals from those that are composites of both materials. The development of wood-aluminium composite window frames has been a key growth area in the EU27 in recent years. These products combine the strength and efficiency of aluminium with the thermal insulation and aesthetic properties of wood.

EU market for wooden doors rebounded 12% last year

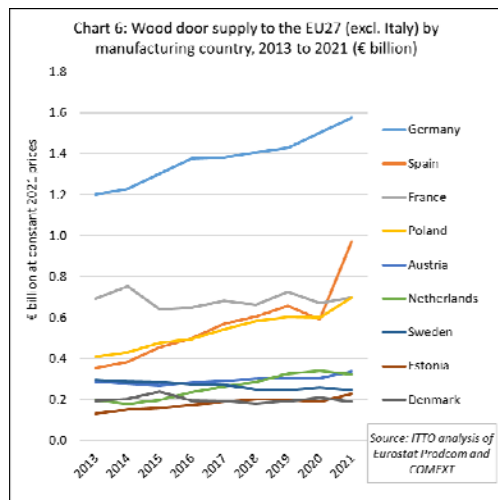
Eurostat PRODCOM data shows that the total value of wood doors supplied to the EU27 (excluding Italy) increased 12% to €6.50 billion in 2021 following a 1% decline the previous year.

In 2021, 96.6% of the value of all new doors installed in the EU27 were manufactured inside the single market, only 3.4% were imported from outside (Chart 5).

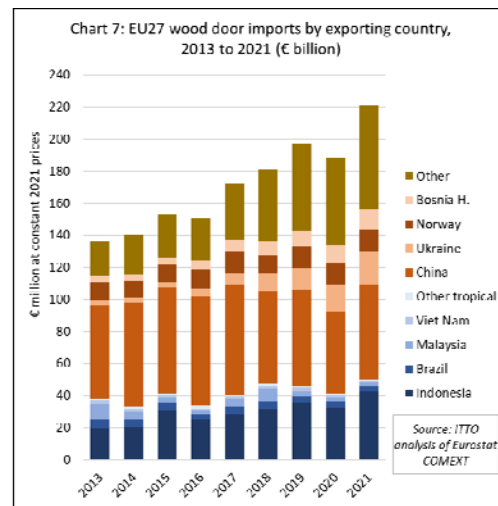


Although the trend was generally upwards, there was variation in the performance of the wood door sector in EU27 countries in 2021 (Chart 5). Production in Germany increased 5% to €1.50 billion during the year, continuing an uninterrupted rise since 2009. Production in Spain rebounded very strongly, by 64% to €970 million in 2021 after a 10% fall in 2020.

Production in France also rebounded, but less strongly by only around 4% to €700 million after an 8% decline in 2020. Elsewhere in 2021 there was a robust rise in wood door production in Poland (+16% to €700 million), Austria (+10% to €340 million), and Estonia (+20% to €230 million). Production fell in the Netherlands (-5% to €330 million), Sweden (-4% to €250 million) and Denmark (-9% to €200 million). (Chart 6)



Following a 4% decline in 2020, wood door imports into the EU27 increased by 17% to €221 million in 2021 (Chart 7).



Total EU27 wood door imports from the tropics were €49.8 million in 2021, 21% more than in 2020. This compares to a 16% increase in imports from temperate countries to €172 million in 2021. The share of EU27 wood door imports sourced from tropical countries increased slightly, from 21.9% in 2020 to 22.5% in 2021. This redresses the loss of share during 2020 when tropical suppliers were particularly hard hit by rising freight rates and other supply problem in the early stages of the pandemic.

In 2021, wooden door imports from Indonesia, by far the largest tropical supplier, rebounded 31% to €42.5 million, after falling 8% the previous year. Imports from Brazil also rebounded, but by only 7% to €3.9 million after also falling 8% the previous year. In 2021, EU27 imports of wood doors fell sharply to negligible levels from Malaysia (-30% to €1.8 million) and Vietnam (-49% to €0.8 million).

EU27 imports of wooden doors from China, still the largest single external supplier, rebounded 19% to €59.6 million in 2021 after falling 14% the previous year. Imports from Ukraine increased 24% to €20.2 million in 2021 building on a 22% increase the previous year.

EU27 wood door imports from the UK fell 14% to €12.0 million in 2021 owing to changing distribution networks after the UK left the EU single market at the start of the year.

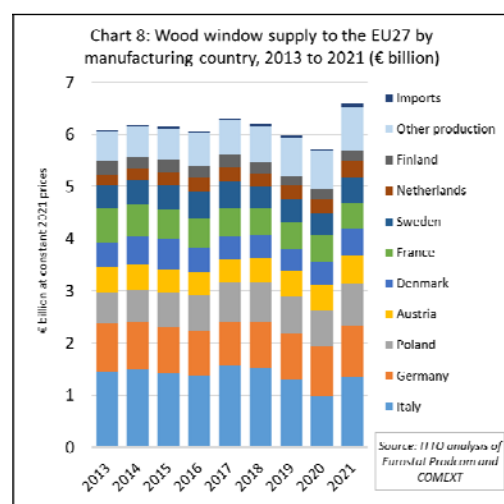
The European wood door industry is now dominated by products manufactured using engineered timber driven by requirements to comply with higher energy efficiency standards and efforts to provide customers with more stable products and long-life time guarantees.

Another key trend is towards composite doors with a steel-reinforced uPVC outer frame with an inner frame combining hardwood and other insulation material. These products are designed to combine strength, security, durability, high energy efficiency, with a strong aesthetic.

There may be a place for tropical hardwoods in the design of these products with manufacturers looking to combine high quality, consistent performance, regular availability, and good environmental credentials with a competitive price.

EU market for wood windows up 15% in 2021

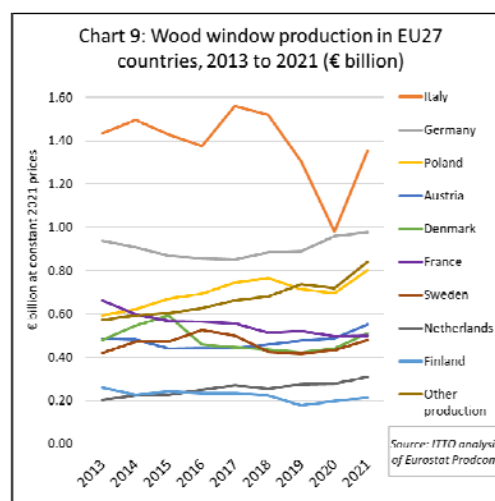
The total value of wood windows supplied to the EU27 increased 15% to €6.59 billion in 2021 following a 4% decline the previous year. This was the first annual increase since 2017 in a market which had been effectively static since before 2008 financial crises (Chart 8).



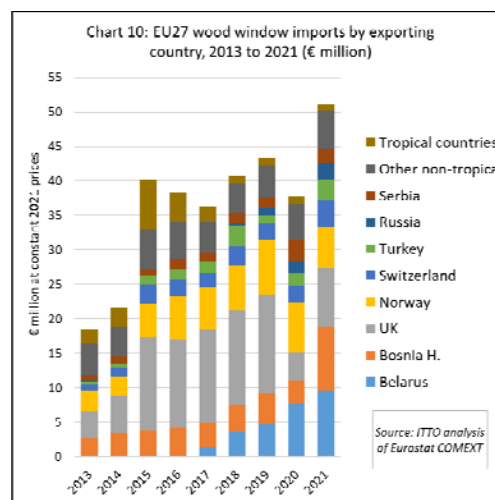
Supply of wood windows to the EU27 is overwhelmingly dominated (over 99%) by domestic production which increased 15% to €6.54 billion in 2021. The strongest rebound was in Italy where the value of wood window production increased 38% to €1.35 billion after a 25% fall the previous year (although the scale of the rebound in the Italian windows sector may, to some extent, be inflated for the same reasons as in the Italian door sector).

Wood window production in Germany increased by 2% to €980 million in 2021, continuing a rising trend ongoing since 2018. Production in Poland increased 15% to €800 million after a 2% decline the previous year.

Gains were also made in all other leading wood window manufacturing countries in 2021 including Austria (+13% to €550 million), Denmark (+16% to €510 million), France (+1% to €500 million), Sweden (+11% to €480 million), and the Netherlands (+11% to €310 million) (Chart 9).



EU imports of wood windows from outside the EU increased by 36% in 2021 to €51.2 million (Chart 10). Imports from Belarus, the largest external supplier last year, increased 26% to €9.7 million in 2021, continuing a rising trend that started in 2017. Imports also increased sharply from Bosnia (+170% to €9.1 million), and the UK (+107% to €8.5 million). However imports from Norway fell 16% to €6.1 million.



Only a tiny quantity of wood windows is imported into the EU from tropical countries. After a spike in imports of €7 million in 2015, mainly from the Philippines, imports from tropical countries fell to less than €1 million in 2019 and remained at that level in 2020 and 2021.

While tropical countries are not significantly engaged in the EU market for finished windows, this sector is of interest as a source of demand for tropical wood material. From this perspective, a notable long-term trend in the EU window sector – as in the door sector – is towards use of engineered wood in place of solid timber. This is particularly true of larger manufacturers producing fully-factory finished units that buy engineered timber by the container load.

Increased use of engineered wood is closely associated with efforts by window manufacturers to meet rising technical and environmental standards, provide customers with long lifetime performance guarantees and recover market share from other materials.

Increased focus on energy efficiency means that triple-glazed insulating window units with very low U-factors are now more common than double-glazed units in Europe. These units demand thicker, more stable and durable profiles that in practice can only be delivered at scale using engineered wood products or by combining wood with aluminium and steel in composite products.

The quality and engineering of wood windows has undergone a revolution in the EU in recent years so that manufacturers are now able to deliver products with many of the benefits previously reserved only for the best quality tropical hardwood frames using softwoods and temperate hardwoods.

Factory-finished timber windows are given a specialist spray-coated paint finish for even and durable coverage which might only need redoing once a decade. The lifespan of factory-finished engineered softwood frames is now claimed to be about 60 years, while thermally or chemically modified temperate woods can achieve around 80 years.

Nevertheless, smaller independent joiners producing bespoke products in low volumes still tend to rely on solid timber purchased from importers and merchants to manufacture window frames. Tropical woods such as meranti, sapele and iroko continue to supply a high-end niche in this market sector.

Sharply declining prospects for European wood joinery sector in the third quarter

Joinery sector activity in the EU27 was still quite high in the first half of 2022; the Eurostat manufacturing index for joinery (excluding flooring) indicated activity during this period at around 15% above the level prevailing in 2019 before the onset of the COVID pandemic. However, prospects for the rest of this year have declined sharply in the third quarter.

The S&P Global Eurozone Construction Total Activity Index was below the no-change mark of 50.0 for the fourth successive month in August and fell to 44.2 from 45.7 in July. The latest figure signalled the fastest decline in activity in the building sector since January 2021. The three largest euro economies all posted steeper contractions with Italy (41.2) seeing the fastest overall decline, followed by Germany (42.6) and France (48.2) respectively.

Broken down by sector, all three categories recorded faster and similar rates of contraction. Civil engineering registered the steepest decline, and housing the weakest, although the latter still posted the fastest drop in activity since May 2020.

Commenting on the latest results, Trevor Balchin, Economics Director at S&P Global Market Intelligence, said: "Construction companies in the eurozone endured a deepening downturn in August, with seasonally adjusted activity dropping the most than in any month since January 2021.

"Whereas the previous period of decline reflected COVID-19 restrictions, the latest downturn is being driven by a darkening economic outlook amid high inflation and uncertainty caused by the ongoing war in Ukraine. All three of the largest euro economies recorded lower activity, new orders, employment and purchasing in August.

"There was further evidence that cost pressures may have peaked but this failed to arrest weakening confidence in the 12-month outlook, which in August was the worst since the first COVID lockdown in spring 2020."

The increasingly negative outlook in the construction sector reflects mounting problems in the wider European economy. A recent article in the Economist commenting on European prospects notes that "Every single warning light is flashing red. Russia's war on Ukraine, an uneven recovery from the covid-19 pandemic and a drought across much of the continent have conspired to create a severe energy crunch, high inflation, supply disruptions—and enormous uncertainty about Europe's economic future. Governments are rushing to try to help the most vulnerable. Amid the nervous confusion, there is broad agreement on one thing: a recession is coming".

According to the Economist, quite how bad the downturn turns out to be depends on how the energy shock plays out, and how policymakers respond to it. At the end of August, energy prices reached once-unimaginable heights: more than €290 (US\$291) per megawatt hour (mwh) for benchmark gas to be delivered in the fourth quarter of the year (the usual pre-pandemic price was around €30); and more than €1,200 per mwh for daytime electricity for the same quarter in Germany (up from around €60). Because gas is the marginal fuel in most European electricity markets, it sets the price for power more broadly.

With energy costs so high and the outlook uncertain, both business and consumer confidence are declining sharply. Concern is heightened by the fact that Europe will almost certainly see the energy shock coincide with rising interest rates. According to the Economist "Having underestimated price increases along with many other of the world's central banks, the ECB [European central Bank] is now determined to bring annual inflation back to its target of 2%, from the alarming 9.1% recorded in August.

Economists therefore expect the ECB to try to buttress its inflation-fighting credentials with a substantial interest-rate rise in its next policy meeting on September 8th, possibly lifting rates by three-quarters of a percentage point".

The Economist concludes “all this suggests that the European economy is certain to enter a recession, led by Germany, Italy, and central and eastern Europe. Analysts at JPMorgan Chase, a bank, expect annualised growth rates of -2% for the euro area overall in the fourth quarter of this year, -2.5% for France and Germany and -3% for Italy”.

North America

Tropical hardwood imports slide, Canadian imports plummet

Imports of sawn tropical hardwood fell for a second straight month. The 23,608 cubic metres imported in July was down 3% from the previous month. Imports of Ipe fell 15% to their lowest level of the year while imports of Cedro and Balsa also hit a yearly low by falling 79% and 40% respectively.

Gainers included Iroko imports, which more than quadrupled in July to their highest level of the year, and Sapelli imports, which also had their best month of the year after rising 63%. Imports of most woods remain up sharply for the year so far, however imports of Anigre and Balsa are both down more than 50% year to date.

Imports from Cameroon and Peru both more than doubled in July while imports from Malaysia surged by 70%. Imports from Indonesia dropped by 46% to their lowest total of the year while imports from Cote d'Ivoire tumbled 69%.

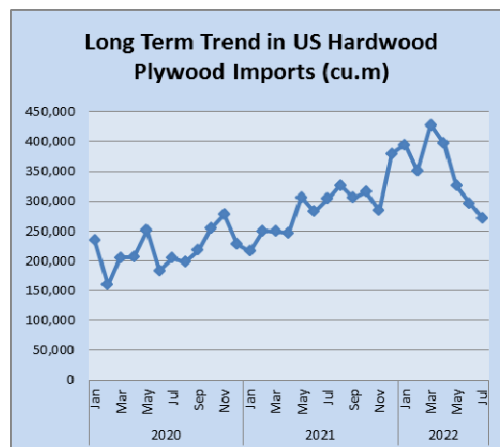
After five months of solid growth, Canada's imports of sawn tropical hardwood plunged by 52% in July. At US\$1.24 million, imports were 10.8% lower than the previous July. Imports of Sapelli fell by 38%, imports of Mahogany dropped 72%, and after smashing an all-time record for Iroko imports in June, absolutely zero Iroko was imported into Canada in July. Despite the tumble, total imports remain ahead of last year by 33% through July.

Hardwood plywood imports down again

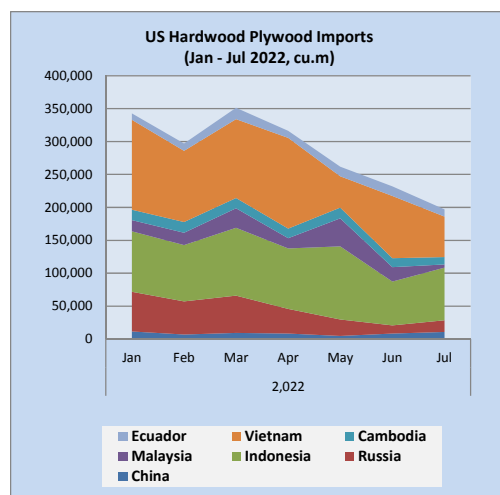
Imports of hardwood plywood fell for a fourth straight month, declining by 8% in July. The 271,697 cubic metres imported was the lowest volume month since April 2021 and was 10.5% less than the previous July.

Imports from Malaysia fell 78% in June to their lowest level since November 2017, while imports from Cambodia, Vietnam, and Ecuador also retreated by more than 10%.

Imports from Russia rebounded somewhat in July rising 44% from the previous month, but they were still only one-third of the volume compared with last July. Despite the continued slide, total imports are up 33% over last year through July.



Data source: US Census Bureau, Foreign Trade Statistics



Data source: US Census Bureau, Foreign Trade Statistics

Veneer imports see best month in three years

US imports of tropical hardwood veneer jumped 18% by volume in July for their strongest month since July 2019. Imports from Ghana more than doubled, imports from China and Cote d'Ivoire more than tripled, and imports from India rose more than sixfold, bouncing back from a very poor June.

Weak import figures from Italy (down 23% from June and 45% from the previous July) tempered some of the growth. Year to date, tropical hardwood veneer imports from Italy are only 4% better than last year while overall imports are up 32%.

Hardwood flooring imports improve

Imports of hardwood flooring rose 6% by volume in July, not quite returning to their May peak, but still a hearty 22% higher than the previous July. Imports from Brazil fueled the gain, rising 29% in July. The gains from Brazil more than made up from declines in imports from Indonesia and China as well as a sharp 51% drop in imports from Malaysia. Overall imports of hardwood flooring are up 16% over 2021 year to date.

Imports of assembled flooring panels were down 14% in July. Imports from Indonesia fell by 40%, imports from Brazil fell by 33%, and imports from Canada fell 18%. Imports from China rose 14% in July but were still 41% less than that of the previous July. Overall imports of assembled flooring panels this year are up 46% over 2021 through July.

Moulding imports dip

Imports of hardwood moulding dropped by 19% by volume in July even though imports from Canada, the top supplier, went up. Despite the 12% bump in imports from Canada and a 64% increase in imports from Brazil, large declines in imports from emerging suppliers like Indonesia, Vietnam and Mexico dragged down the monthly total. Imports from China also fell by 41%.

However, imports have been strong all year as July's imports still manage to beat July 2021 imports by 10.2% and total imports are up 34% year to date.

Wooden furniture imports cool

Imports of wooden furniture fell for a second consecutive month in July. At US\$2.1 billion, July imports were down 10% from June and were 4.8% less than that of the previous July. Imports from Indonesia, Malaysia and Vietnam all saw declines of more than 10%. Imports from India were the only riser, gaining 10%. Despite the pullback, wooden furniture imports remain up 8% over 2021 through July.

Exports of sawn hardwood expanded in first half of 2022

In January-June, U.S. exports of hardwood lumber expanded to 1.9 million cubic metres, a 12% increase over the same period last year. The value of exports jumped 21% to US\$1.3 billion. In first half of 2022, the average price of hardwood lumber expanded 8% to US\$679 per m3, according to Lesprom Analytics.

In June, the average price for exported hardwood lumber edged down 0.9% compared to the previous month at US\$690 per m3, according to Lesprom. This is 4.9% more than a year ago when it was US\$657.

Tropical sawnwood exports increased 10% in volume, from 41,200 m3 in July 2021 to 45,500 m3 in July 2022. In value, exports grew 35% from US\$15 million to US\$20.3 million over the same period. As for tropical plywood, the volume of exports fell around 20% and in value by 10% from 7,300 m3 (US\$4.2 million) in July 2021 to 5,900 m3 (US\$3.8 million) in July 2022. The exported value for wooden furniture value fell from US\$71.7 million in July 2021 to US\$58.1 million in July 2022, a 19% decline.

See:

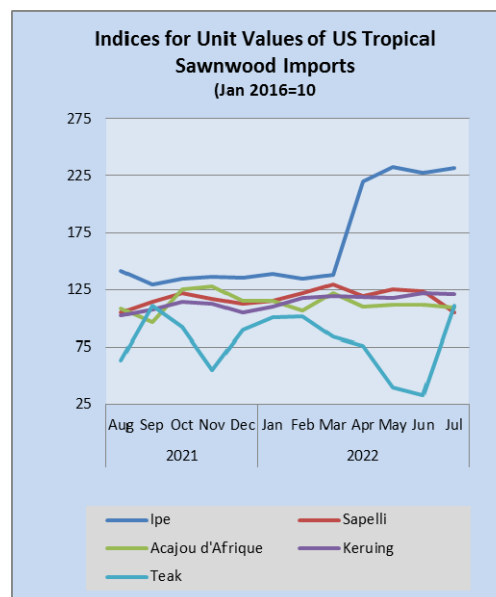
<https://www.woodworkingnetwork.com/news/woodworking-industry-news/us-exports-hardwood-lumber-expand-12-first-half-2022>

Lumber prices decline to new 2022 low

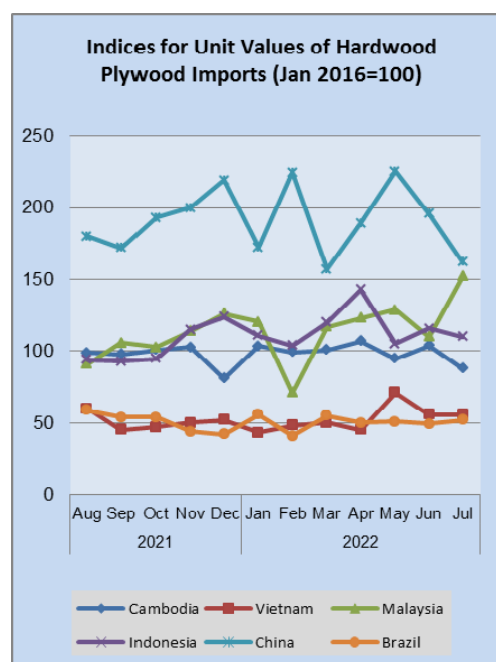
Prices for softwood lumber in the US fell to a new 2022 low heading into September, according to Markets Insider. The essential building commodity fell as much as 4% the last week of August to US\$465 per thousand board feet, decisively below the low seen in early August of US\$470. The price decline may be seen by some as a positive sign, but Goldman Sachs believes that is also indicative of a housing market slowdown that may last longer than expected.

See:

<https://markets.businessinsider.com/news/commodities/lumber-prices-new-low-housing-market-warning-mortgage-rates-goldman-2022-8>



Data source: US Census Bureau, Foreign Trade Statistics



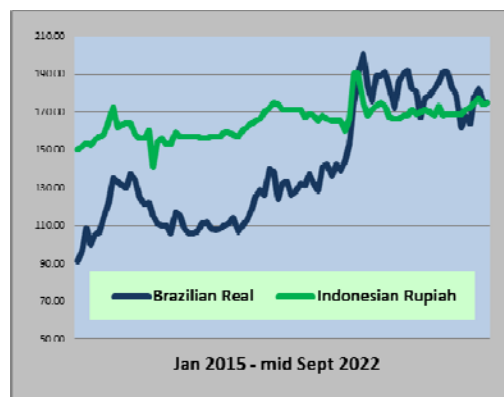
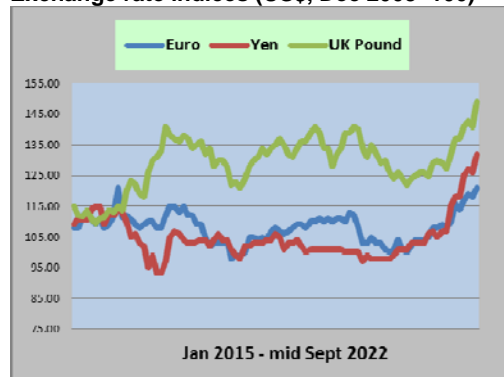
Data source: US Census Bureau, Foreign Trade Statistics

Dollar Exchange Rates

As of 10 September 2022

Brazil	Real	5.1478
CFA countries	CFA Franc	652.76
China	Yuan	6.9265
Euro area	Euro	0.9954
India	Rupee	79.67
Indonesia	Rupiah	14,830
Japan	Yen	142.58
Malaysia	Ringgit	4.498
Peru	Sol	4.36
UK	Pound	0.863
South Korea	Won	1,380.06

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

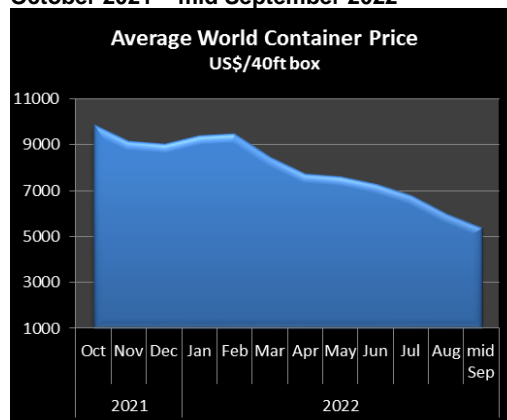


Abbreviations and Equivalences

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

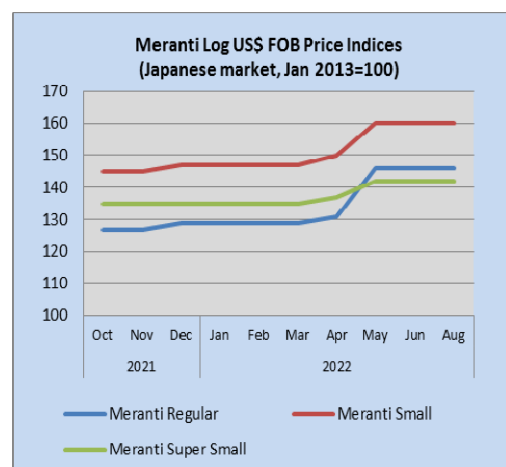
October 2021 – mid September 2022



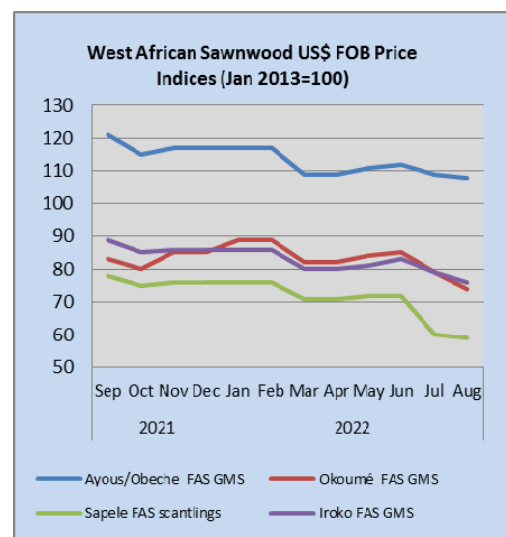
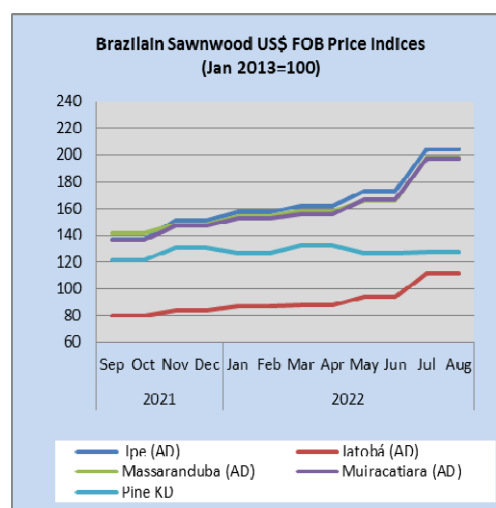
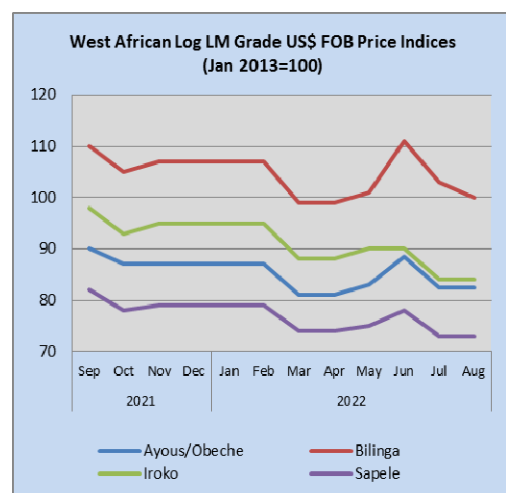
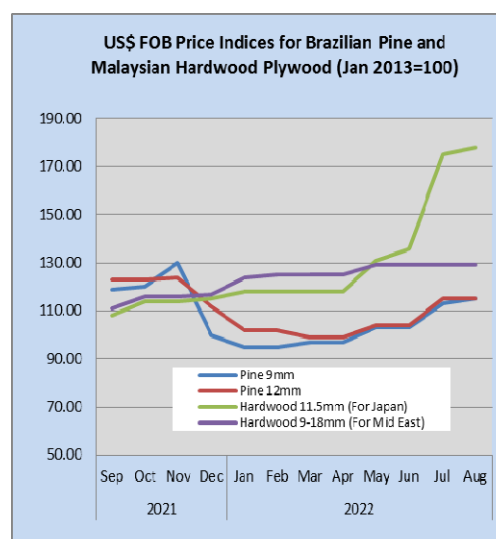
Data source: Drewry World Container Index

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 sawnwood are recalculated from Euro to US dollar terms.

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.

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