

# Tropical Timber Market Report

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## Top story

### Japan's log exports to China dropped sharply

China's softwood log imports plummeted 39% to 15 million cubic metres in the first half of this year and exports of cedar logs from Japan to China have dropped sharply despite the lifting of most lockdowns in China.

In May Japan's log exports to China were 69,600 cu.m, 47% less than the same month in 2021.

The JLR reports that over 200,000 cu.m of cedar logs were stocked in Shanghai when the lockdown was lifted so the inventory dropped to around 160,000 cu.m but further log sales were slow.

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## Central and West Africa

### Harvesting and trucking conditions good

Heavy rains continue to disrupt harvesting and milling in Cameroon, fortunately the dry season is approaching when mills can ramp-up production. Producers report order levels as satisfactory for the next 2 months but face a problem getting shipments sent.

It is not only in Cameroon that the weather is a problem, in the DRC the trucking of logs and shipment of sawnwood are disrupted by the rain which makes many roads impassable. The other problem reported is that there has been a rise in the number of illegal road blocks where money has to be paid before trucks can proceed. The DRC exports mainly iroko, sapelli, doussie and sawn ayous, sapelli, sipo and moabi.

In other news, in Gabon it is reported that stocks of unsold okoume logs in the central log park of the GSEZ special zone has risen to about 40,000 cu.m as the Indian veneer mills have lowered production awaiting an end to the rain season when log prices drop as harvesting and trucking problem ease.

Operators in Gabon continue to complain that it takes a very long time to get documents processed by the forestry ministry.

### Invitation to join Commonwealth Organisation

Gabon and Togo are the latest countries invited to join the Commonwealth, a little unusual as both countries are former French colonies. Recently, Patricia Scotland, Secretary General of the Commonwealth Secretariat held discussions with Lee White, Gabon's Minister of Forests, Oceans, Environment and Climate Change.

She commented that Gabon's forestry, marine protection, climate mitigation and carbon-neutral policies had enabled the country to achieve impressive milestones in biodiversity and environmental governance.

See: <https://associatetimes.com/csg-patricia-scotland-meets-forests-minister-of-gabon-prof-lee-white-cbe/>

### New initiative by France

In late July French President Emmanuel Macron began a tour of Central African countries beginning with Cameroon where he spoke of the "exceptional nature of the friendship between our two countries".

The purpose of the visit was reportedly to diversify collaboration beyond infrastructure and to include agriculture, technology, creative industries and sport. Many in Cameroon see this visit as an attempt to counter the influence of China who has a major presence in the timber sector.

## 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)	225	225	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	480
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	620
Scantlings	640
Strips	370
Khaya FAS GMS	450
FAS fixed	500
Moabi FAS GMS	530
Scantlings	550
Movingui FAS GMS	380

## Ghana

### First half year exports

In the first half of 2022 cumulative export of wood products amounted to 165,630 cu.m earning euro 71.61 million. This compared to 145,486 cu.m in the same period in 2021 when euro 70.56 million was earned. Comparative figures for various export products are tabulated below.

### First half export volumes (cu,m)

	Jan-Jun 21	Jan-Jun 22	2022 YoY % Change
AD Sawnwood	70,199	84,245	20
Plywood Reg. markets	11,123	18,668	68
KD Sawnwood	20,818	22,353	7
Billets	26,969	20,535	-24
Sliced Veneer	5,342	4,974	-7
Rotary Veneer	3,801	4,252	12
Mouldings	5,169	4,555	-12
Plywood	1,370	4,346	217
Boules (AD)	359	1,320	267
Others	335	383	14
<b>Total</b>	<b>145,486</b>	<b>165,630</b>	<b>14</b>

Data source: TIDD

Air-dried sawnwood (84,245 cu.m), kiln-dried sawnwood (22,353 cu.m) and billets (20,535 cu.m) accounted for 51%, 13% and 12% of the total first half export volume. The export of plywood (4,346 cu.m) and air-dried boules (1,320cu.m) exceeded those in the first half of 2021 by a big margin.

Plywood exports to regional markets were significant and have been so since the beginning of 2022 with a 68% volume increase to 18,668 cu.m in the first half of 2022 from 11,123 cu.m recorded in the previous first half year.

The total volume of the three leading products during the period under consideration was 24,334 cu.m, representing 15% of 2022 total exports against 12,853 cu.m or 9% in 2021. The markets for these products included Senegal, Togo, Burkina Faso, Niger, Greece and Germany with species shipped including ceiba, gmelina and mixed red wood.

The Timber Industry Development Division (TIDD) data also showed that the number of exporters in the industry increased from 89 in 2021 to 98 in the first half of 2022.

### Bold measures needed to drive domestic manufacturing

The Association of Ghana Industries (AGI) has called on government to take bold and decisive measures aimed at promoting the local manufacturing of products to reverse the current economic crisis facing the country.

This was the proposition made by the AGI President, Dr. Humphrey Ayim-Darke, when speaking at the 5th Edition of the Ghana Industrial Summit and Exhibition 2022, on the theme 'Investing in Ghanaian Industries to Leverage opportunities in the Single African Market'.

He said investment by government in the local industries is the surest way the country can come out of its current challenges.

For the future Dr. Humphrey urged the government to create a business enabling environment through dedicated policies and programmes for businesses in the country can thrive and expand into the AfCFTA regional and international markets.

Minister for Trade and Industries, Alan Kyerematen, assured the AGI of government's efforts through its various flagship programmes to promote the country's economic transformation and industrialisation.

See: <https://gna.org.gh/2022/08/agi-calls-for-aggressive-local-production-to-dampen-economic-downturn/>

### Ghana to start trading in AfCFTA

Ghana and seven other countries including Kenya, Egypt, and Cameroon have agreed to begin trading under the African Continental Free Trade Agreement (AfCFTA). The Deputy Minister of Trade and Industry, Herbet Krapa, disclosed this at a seminar organised by the Africa Export and Import (Afrexim) Bank for trading companies in the country.

In related news, the World Bank's 'Ghana Trade Competitiveness Diagnostic Report to 2035', says the AfCFTA trade in goods and services can boost Ghana's real income by 5.7%. This represents around two third of the Ghana's AfCFTA income boost from trade facilitation measures while reductions in Non-Tariff Barriers (NTBs) will account for almost 2% along with reduction of tariffs.

AfCFTA represents a major opportunity for African countries to boost growth. Some of the countries partnering with Ghana to begin the AfCFTA trading already import wood products such as sawnwood, sliced veneer and plywood from Ghana.

See: <https://www.myjoyonline.com/ghana-7-others-to-begin-actual-trading-under-afcfta/>

### 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	Euro per cu.m	
	Air-dried	Kiln-dried
FAS 25-100mmx150mm up x 2.4m up		
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	Euro per cu.m		
	Ceiba	Ofram	Asanfina
BB/CC			
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

### First half 2022 exports encouraging but slower growth anticipated

Ministry of Plantation Industries and Commodities has released export data which shows timber sector exports rose by 14% to RM13.2 billion between January and June 2022, against RM11.59 billion for the same period last year.

The sector's export value reached RM22.7 billion in 2021 with wooden furniture being the most important component, contributing RM10.4 billion.

Malaysian wood-based furniture are exported to more than 160 countries of which the main markets are the United States, Japan, Singapore, Australia, and the United Kingdom. However, Malaysia's trade performance is showing signs of a slowdown with uncertainties in the global economic landscape starting to take its toll.

The Borneo Post has quoted a report from the RHB Investment Bank which says the Bank sees signs of slowdown in the growth momentum of exports to major economies.

The report says some global indicators point to a slower global growth, for example, the global manufacturing PMI has fallen to a two-year low and the official manufacturing PMI for China has contracted steadily as the country faces sporadic covid lockdowns.

See: <https://www.theborneopost.com/2022/08/21/malaysias-trade-showing-signs-of-a-slowdown/>

### Issue of migrant workers wellbeing to be addressed

In a press release the Malaysian Timber Council (MTC) has taken a step forward in addressing the risk of forced labour in the timber sector to show its commitment towards human rights and upholding labour standards.

A seminar on the effective management of migrant workers, titled "Enhanced Social Compliance Practices in Employment of Migrant Workers in the Malaysian Timber Industry" was addressed by migrant worker rights specialist, Andy Hall, as a keynote speaker together with Arulkumar Singaraveloo, who is the co-founder of the Malaysia Human Right Forum.

"The issue of migrant workers and their well-being is of concern to the MTC said MTC CEO Muhtar Suhaili. Andy Hall said "this seminar was an important step forward for the Malaysian timber industry. Challenges revolving around migrant workers welfare and prevention of forced labour will increasingly become mandatory for doing business globally.

See:

[https://mtc.com.my/images/media/1258/Msian\\_Tmber\\_Industry-Commitment\\_Towards\\_Better\\_Migrant\\_Workers\\_Management.pdf](https://mtc.com.my/images/media/1258/Msian_Tmber_Industry-Commitment_Towards_Better_Migrant_Workers_Management.pdf)

### Strengthening cooperation on SFM

The Sabah media has reported that the State government plans to amend the Forest Enactment 1968 Act to ensure the State's forestry legal framework is in line with the National Forestry Act (APN) 1984 which was passed by the central government recently.

Sabah Chief Minister, Datuk Seri Hajiji Noor, said the proposed amendment covers several aspects including climate change issues, mitigation through carbon trading and biodiversity conservation.

He said the change would strengthen cooperation between holders of Sustainable Forest Management License Agreements and the state government. "Amendments to APN 1984 aim to increase protection of permanent forest in Malaysia and have outlined strict conditions for de-gazetting (changing landuse) for any permanent forest reserves in Peninsular Malaysia.

See: <https://www.thesundaily.my/local/sabah-plans-to-amend-forest-enactment-hajiji-YY9717067>

**Further decline in exports to China anticipated**

Data from the ministry of forestry processed by the Indonesian Forest Concessionaires Association (APHI) shows log production during the first half of 2022 was stable. Timber production from natural forests was recorded at 2.77 million cu.m, a slight decrease (2.8%) compared to the same period last year. Production from plantation forests was recorded at 24.9 million cu.m, also a slight drop (5%) compared to the same period in 2021.

The overall performance of the forestry sector in the first half of 2022 was positive. However, a decline in exports to China needs watching as China is one of the largest markets for Indonesian wood products.

Exports of wood products in the first half of this year reached US\$8.35 billion, an increase of 12% compared to the same period in 2021. When compared to total exports in 2021, which amounted to US\$13.57 billion, first half exports were over 60% of the previous yearly total.

The three main wood products that recorded most growth were paper, pulp and wood panels with a value of US\$2.43 billion, US\$1.94 billion and US\$1.91 billion respectively.

The export performance achieved was due to the growing demand in some of the main destination countries. However, exports to the largest markets, China, declined in the first half of this year.

Indonesia's wood product exports to China in January-July 2022 were recorded at US\$1.78 billion, down 18.5% compared to the same period in 2021. Data from the National Bureau of Statistics (NBS) of China showed that China's economic growth slowed in the second quarter of 2022.

Indonesian enterprises are beginning to diversify markets so not to be dependent on only one country. In the first half of 2022 the value of Indonesia's overall exports to China was US\$28.94 billion, equivalent to 21% of the total value of all Indonesian exports. For wood products China is the main market ahead of Japan and the US.

See: <https://forestinsights.id/2022/08/15/kinerja-ekspor-kayu-masih-bagus-situasi-ekonomi-china-mesti-diwaspadai/>

**Domestic furniture and craft industry face many challenges**

The Minister of Industry, Agus Gumiwang Kartasmita, said the domestic furniture and craft industries are facing a variety of challenges which the government hopes to address.

First, the Covid-19 pandemic, which was followed by Russia's invasion of Ukraine has caused logistical and shipping problems. The scarcity of containers and shipping opportunities are still big issues.

Second, he said the invasion has also caused a market shock, which, with rising inflation in the main markets, has created a domino effect in the form of cancellations and delays of orders, especially from European countries and the United States.

Third, domestic problems related to the availability of raw materials continue. Securing raw materials needed by the furniture industry is now a challenge.

Fourth, technological upgrades in the national furniture and craft industry have not advanced fast enough largely because of cost which SMEs cannot bear.

Fifth, the issue of the implementation of the mandatory Timber Legality Verification System (SVLK). SVLK is intended to maintain the sustainability and traceability in wood products. Agus explained that currently the sustainability and traceability aspects get great attention and have even become a requirement in the global market.

However, implementation of the SVLK in the downstream industry is not seen relevant and it creates a high cost for the furniture and craft industry.

See: <https://www.idxchannel.com/economics/menperin-sebut-industri-furnitur-dan-kerajinan-dalam-negeri-masih-menghadapi-banyak-tantangan>

In related news, the Minister of Industry has said that he will support efforts to achieve furniture and handicraft exports of US\$5 billion in 2024 by working closely with the Indonesian Furniture and Handicraft Industry Association. He is optimistic that the target can be achieved considering that exports of the furniture industry in 2021 reached US\$2.5 billion, up 33% compared to the previous year.

See: <https://en.antaranews.com/news/245181/minister-to-support-achievement-of-us5-bln-furniture-export-target>

**Raising profile of domestic furniture in the local market**

To strengthen domestic demand for furniture the government will support furniture and handicraft businesses by intensifying the absorption of domestic furniture products according to the Minister of Industry. He said this when opening the 2022 Indonesian Furniture Exhibition at JIExpo Kemayoran.

He pointed out that businesses should pay special attention to the domestic component level (TKDN) certification so that they can sell their products through the e-catalog of the Government Goods/Services Procurement Policy Institute (LKPP). The government, on its part, will continue to improve services for domestic businesses by limiting imported products that compete with local products. The Ministry of Industry will also offer a free domestic component level (TKDN) certification program, especially for small and medium-sized furniture and handicraft industries.

See: <https://en.antaranews.com/news/245189/ministry-to-intensify-absorption-of-domestic-furniture-products?amp>

### Forestry sector investment featured in speech by President

President Joko Widodo's State Speech, welcoming the 77th Indonesian Independence Day emphasised the downstream industrialisation process in Indonesia as well as the ongoing energy transition in order to reduce carbon emissions. In addition to non-renewable natural resources, such as minerals and oil and gas, the process of downstreaming the forestry industry, which is a renewable industry, has also been accelerated recently.

From only exporting raw materials from natural forests in the 1970s the forestry sector expanded investment in down-stream industries in the 1980s, especially plywood. The Indonesian forest industry is now moving towards the plantation forest industry producing downstream raw materials.

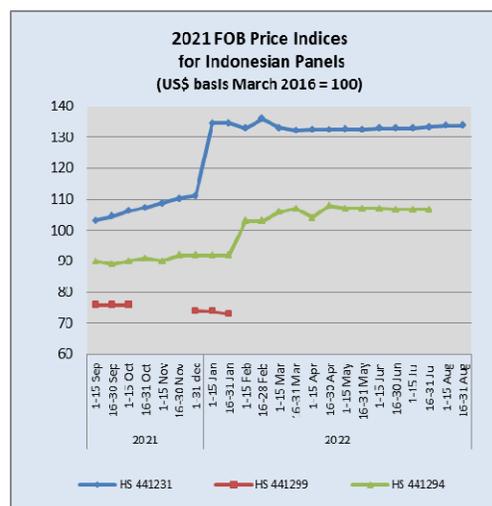
President Jokowi assessed that the upstream-downstream-process in the forestry sector is continuing. On the upstream side, a barcode system has been implemented for forest inventory which is entered into the Forest Product Administration Information System (SIPUHH).

In order to ensure the entry of Indonesian legal timber into the export market, the Timber Legality and Sustainability Verification System (SVLK) is implemented. All of them apply digital technology 4.0. In 2021, Indonesia's upstream-downstream forestry product exports have reached US\$13.5 billion, the highest ever for the Indonesian forestry sector.

Forest industry investment is projected to continue to include biomass for energy power plants of 7 MW as well as plans for the development of a modern forest industry ecosystem in the Special Economic Zone (SEZ) in Maloy, East Kalimantan, which will invest up to US\$ 5 billion for next 10 years.

The SEZ will produce Oriented Strand Board (OSB), laminated veneer lumber (LVL), Cross Laminated Timber (CLT), Glulelam timber (GLT) as well as processing palm oil for oleo-chemical products for the manufacture of glue and coating for wood products.

See: <https://investor.id/business/303783/industri-kehutanan-indonesia-terus-bertransformasi>  
and  
<https://agroindonesia.co.id/jokowi-tekankan-soal-hilirisasi-sda-bagaimana-kondisi-di-sektor-kehutanan/>  
and  
<https://setkab.go.id/pidato-presiden-ri-pada-sidang-tahunan-mpr-ri-dan-sidang-bersama-dpr-ri-dan-dpd-ri-dalam-rangka-hut-ke-77-proklamasi-kemerdekaan-ri/>



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

## Myanmar

### MTE - back to bidding in US dollars

According to the local media the MTE is quoted as announcing that the US dollar will be the currency for log tender sales, this comes after the Kyat (MMK) was used for about two months.

After the Central Bank required all incoming foreign exchange earnings to be converted to MMK within one day in April MTE had changed the currency for business from US dollars to MMK in June 2022. This has now been reversed it appears.

It has been learnt that 701 tons of teak logs have been put up for tender in this month. The MTE postponed log extraction during fiscal 2022-23 but will resume in 2023-24 with the extraction target of 6,000 tons of teak and 200,000 tons of other hardwoods.

After a meeting of the Committee for the Development of Wood-based Industries chaired by the Minister for Natural Resources and Environmental Conservation on 16 August it was reported by the local media that for the conservation of the forest harvesting will only be done to meet the needs of added value product manufacturers and the export of sawnwood will be banned at the end of 2022 with only semi-finished and finished products allowed for export.

See: <https://www.facebook.com/BETVBusiness/photos/a.394304474394253/1405795429911814/>  
and  
[https://www.facebook.com/messenger\\_media/?thread\\_id=100009125575628&attachment\\_id=1286740638727769&message\\_id=mid.%24cAAAABpT93R-I3KVuB2Cq1-3rl8Vg](https://www.facebook.com/messenger_media/?thread_id=100009125575628&attachment_id=1286740638727769&message_id=mid.%24cAAAABpT93R-I3KVuB2Cq1-3rl8Vg)

### **Natural gas exports earn US\$800 million**

The export of natural gas from Myanmar to neighbouring countries such as China and Thailand earned over US\$800 million during the four months of this financial year according to the Ministry of Commerce.

Natural gas was exported mainly by the four offshore natural gas production projects which are Yadana, Yedagun, Shwe and Zawtika natural gas production projects.

During the six months of the 2021-2022 financial year from October to March (mini-budget period), more than US\$1,715 million were collected from natural gas exports and the monthly export was the highest in November, according to the Ministry of Planning and Finance.

See: <https://www.gnlm.com.mm/natural-gas-export-bags-over-us800-million-from-april-to-july/#article-title>

In related news, many Civil Society Organisations have asked the US government to declare sanction against the Myanmar Oil and Gas Enterprise as EU did in the beginning of this year.

### **Fuel prices continue to rise**

Fuel prices have increased after the exchange rate adjustments by the Central Bank. On 5 August the Central Bank increased the rate of exchange to 2,100 kyats per US dollar, the first change after more than four months. It is also learnt that fuel importers are not able to buy US dollar to make payments at the fixed rate of 2100 MMKs and are forced to pay the informal rate at 2700-2800 MMK.

Major-General Zaw Min Tun, spokesperson for the State Administration Council, said about 1.3 million gallons of fuel are set to be unloaded at the Thilawa Port. It is reported that Myanmar is planning to buy fuel oil from Russia.

<https://elevenmyanmar.com/news/fuel-and-diesel-prices-continue-to-higher>

### **Myanmar deeply affected by job losses**

The International Labour Organisation (ILO) says that Myanmar is still deeply affected by job losses 18 months after the military takeover and two and a half years since the start of the COVID 19 pandemic. The ILO estimates that 1.1 million fewer women and men were employed since 2020 in an updated estimate that indicates a small recovery in jobs but well below 2020 levels.

Labour productivity contracted by nearly 8% in 2021 and a further 2% in up to June 2022 reversing the strong gains that had been made in previous years prior to the military takeover

See: <https://myanmar.un.org/sites/default/files/2022-08/ILO%20Brief%20Myanmar%20FINAL.pdf>  
and

<https://www.mizzima.com/article/ilo-myanmar-still-deeply-affected-job-losses>

## **India**

### **Economic activity is slowing**

The president of the Federation of Indian Export Organisations (FIEO) has said the export sector is doing well given the current tough trading conditions including measures to address inflation and the disruption of supply chains due to Covid and the Russia invasion of Ukraine.

However, high-frequency indicators for July suggest that India's economic activity is slowing with most showing a decline from the previous month. Adding to the rather pessimistic outlook is a recent surge in covid infections.

See: <https://www.financialexpress.com/economy/indias-economic-engine-losing-steam-most-activity-indicators-show-weak-sequential-performance/2635906/>

### **MDF supply/demand imbalance**

Ply Reporter has identified that supplies of MDF in the domestic market have increased but there has not been a corresponding increase in consumption.

It was noted the increase in supply has held down prices. This is of concern as manufacturers face rising costs of raw materials. One reason for the increased supply is expanded capacities by major producers and output from new small plants.

See: <https://www.plyreporter.com/article/93091/mdf-segment-witnesses-increasing-supplies>  
Cost C&F Indian ports in USA \$ with freight on Hoppus measure

### **Housing sales growth mainly in upper market segment**

India's residential market is expected to sustain growth despite the rise in mortgage rates and property prices and sales this year in the top 7 cities are likely to regain pre-pandemic levels.

The real estate sector has weathered four major challenges in recent years, demonetisation, the real estate regulation Act (RERA), GST and Covid which have forced structural changes in the sector which it is thought is now beginning a long-term upward trend.

A revival in demand, along with the rise in construction costs, led to a 5% average increase in residential property prices in eight major cities in the second quarter 2022 according to a report with 'Housing Price-Tracker Report 2022' from consultants to Confederation of Real Estate Developers' Associations of India (Credai), Colliers India and Liases Foras.

See: [https://www.business-standard.com/article/economy-policy/2022-housing-sales-to-breach-pre-covid-levels-despite-rate-hikes-industry-122082100355\\_1.html](https://www.business-standard.com/article/economy-policy/2022-housing-sales-to-breach-pre-covid-levels-despite-rate-hikes-industry-122082100355_1.html)

and  
See: <https://www.colliers.com/en-in/news/press-release-housing-price-tracker-report-2022>

The media has reported all major listed real estate developers posted record sales in the last fiscal year and have indicated sales in fiscal 2023 could be even better. However, the sales growth is mostly in the upper market segment. Interest rate rises are being passed on to homebuyers which has slowed sales in the middle income segment of the market.

#### 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

#### Sawn hardwood prices

Sawnwood (Ex-warehouse) (KD 12%)	Rs per cu.ft.
Beech	1,750 - 1,850
Sycamore	1,900 - 2,000
Red Oak	2,100 - 2,200
White Oak	2,700 - 3,000
American Walnut	4,500 - 5,000
Hemlock STD grade	1,350 - 1,600
Western Red Cedar	2,220 - 2,450
Douglas Fir	2,000 - 2,200

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

**Wood exporters urged to prepare for increased trade investigations**

Experts have urged wood exporters to diversify markets, standardise supply chains and be well equipped with trade defense knowledge in the face of increasing trade protectionism.

According to the Việt Nam Administration of Forestry, the stronger the wood export, the higher the risk the wood industry faced with trade defense lawsuits.

Ngô Sỹ Hoài, Vice President of the Việt Nam Timber and Forest Product Association, said that the wood exports of Việt Nam increased sharply in recent years. Việt Nam was currently the fifth largest wood exporter in the world, Hoài said, adding that together with the trend of trade liberalisation with several free trade agreements (FTAs) Việt Nam signed, other countries were increasing trade protection measures against Việt Nam.

Besides the imposition of anti-dumping and anti-subsidy duties, Việt Nam faced other risks, including US investigations into illegal logging and timber trading.

Nguyễn Thị Thu Trang, Director of the WTO and Integration Centre under the Việt Nam Chamber of Commerce and Industry said that the US was the market where Vietnamese products faced a high risk of trade lawsuits, citing statistics that the US initiated 1,159 out of 7,528 trade remedy investigations globally in 1995-2021. However, enterprises were not well prepared in terms of knowledge about trade remedies and resources to deal with investigations.

The trend for investigation was becoming increasingly intensive and rigorous, Chu Thắng Trung, Deputy Director of the Ministry of Industry and Trade Remedies Authority of Việt Nam, said.

Trung said that trade defense was an inevitable trend of the integration process. This also demonstrated that the production and export capacity of the Vietnamese economy was developing and competitive enough to put pressure on the domestic industries of the importing countries, forcing the application of trade remedies to protect domestic industries, he said.

Trung said it was also important that enterprises strictly abide by the laws in production and business and not participate in acts of origin fraud or illegal trans-shipment. If fraud or illegal trans-shipment were detected, the importing country could apply heavy sanctions and enterprises could lose their markets. Trung added that enterprises should also focus on developing the domestic production chain and the origin traceability system, which was a sustainable development direction to reduce the risk of being investigated. — VNS

See: <https://www.chanchao.com.tw/vietnamwood/newsDetail.asp?serno=3986>

**Vietnam’s wood, wood product exports slow down in two consecutive months**

From April 2022 exports of wood and wood products showed signs of slowing down. Between June and July 2022 the growth was negative compared to the same period last year when it decreased by 11% and 5.5% respectively after a long period of growth above double-digit average per year.

This information was provided during a conference at the Vietnam International Furniture & Home Accessories Fair (VIFA-EXPO).

Mr. Nguyen Chanh Phuong, Vice Chairman of Ho Chi Minh City Handicraft and Wood Industry Association (HAWA) pointed out the main reason that the key export markets such as the US and Europe are facing many difficulties due to the impact of the conflict between Russia and Ukraine. Plus, high inflation in many countries has made consumers tighten their spending, leading to a decrease in demand for unnecessary products including wood products and furniture.

Mr. Phuong, said another reason is that the world's importers have not calculated correctly, so, over the past time, commodity congestion with a large amount is at warehouses and ports abroad and in Vietnam. It takes three or four months even 12 months to tackle the inventory of commodities. The Ministry of Agriculture and Rural Development announced that China - one of the three largest importers of wooden furniture products in Vietnam - still thoroughly applied the Zero Covid policy.

These factors interacting with each other reasons have led to supply chain disruptions, increased production costs due to increased raw materials, and transportation costs.

According to HAWA, the market also has positive signals. Many domestic construction projects are starting well. Furthermore, Japan, Korea, and Australia have still placed stable orders in the luxury segment. In addition, from next September, there will be new orders for the year-end shopping season around the world.

See: <https://www.sggpnews.org.vn/business/vietnams-wood-wood-product-exports-slow-down-in-two-consecutive-months-101476.html>

**Falling international demand could be a game-changer in Vietnam**

Kerstin Canby and Phuc Xuan To have raised the question will Vietnam’s declining exports efforts to ensure legal sourcing of its timber imports? Since the beginning of 2022 exports are down significantly with a 38% year-on-year decline in June and a continued drop by 5.5% in July.

Forest Trends supported a Vietnam Timber and Forest Products Association (Vifores) survey of 52 timber companies and found that most reported lower revenues with most expecting international orders to continue to decline throughout this year. In all international markets high inflation and interest rates have reduced demand and increased freight costs have driven up logistic costs.

The key question asked by the authors is whether the strictly regulated markets of the EU, UK, and US will lose importance for Vietnamese exports. If this is the case could this undermine incentive for Vietnamese industry to ensure legality of its imports.

See: <https://www.forest-trends.org/blog/vietnamese-timber-exports-to-the-us-eu-and-uk-are-dropping/>

#### **Institutions and policies being readied for the VPA**

The Centre for Sustainable Rural Development (SRD) and the Vietnam Administration of Forestry co-organised a forum on sustainable forest governance and timber trade monitoring. This forum was part of the project “Promoting forest governance and legal timber trade through the EU – Vietnam Free Trade Agreement (EVFTA)” funded by the EU.

It is one of the annual activities aiming to promote the efficiency of forest governance and review the implementation of the Voluntary Partnership Agreement (VPA) on Forest Law Enforcement, Governance and Trade (FLEGT) and the EVFTA.

Dr. Nguyen Phu Hung, Deputy Director of the SRD under the Vietnam Union of Science and Technology Associations (VUSTA) said Vietnam has been perfecting institutions and policies to realise the VPA.

Associate Prof. Nguyen Ba Ngai from the Vietnam Forest Owner Association proposed the State offer preferential policies and support enterprises in land, credit, tax, infrastructure, market and production capacity development. Other participants suggested solutions relating to management work, and the improvement of domestic materials, technologies and production.

According to Nguyen Van Dien, Director of the Forestry Production Development, a total of 372,140 hectares of forest in 31 Provinces and Cities have been granted sustainable forest certificates.

According to the Ministry of Agriculture and Rural Development, forest cover in Vietnam extended to 42.02% of the total land area at the end of 2021. Vietnam had 14,745,201 ha. of forest area, of which 10,171,757 ha. are natural forests and 4,573,444 ha. are planted forest along with open canopy forests as of December 1, 2021,

See: <https://en.vietnamplus.vn/forum-highlights-sustainable-forest-governance-timber-trade-monitoring/236057.vnp>

## **Brazil**

### **Sustainable Management Plans in the Amazon**

The Brazilian Institute of Environment and Renewable Natural Resources (IBAMA) approved the first Sustainable Forest Management Plan (SFMP) for the National Forest (FLONA) in the state of Amapá, part of the Amazon biome.

Logging will employ reduced impact logging techniques with the objective of extracting logs and forest residues thus enabling the sustainable use of natural resources and bringing social and economic benefits to the state.

The management plan covers 39,300 hectares of Amazon rainforest to be logged under a forest concession regime. Another SFM plan in the same FLONA over 110,700 hectares is under consideration by IBAMA. With the addition of the area in FLONA, IBAMA now has more than 1.0 million hectares of concession management under its responsibility.

An assessment based on data from SINAFLOR (National System for Control of the Origin of Forest Products)/ DOF (Forest Origin Document) indicates that in 2022 15 Annual Operational Plans (POA) were approved by IBAMA over a total area of 33,200 hectares and production of more than 635,000 cubic metres of logs (approx. 19 cu.m/hectare was approved).

See: <https://www.gov.br/ibama/pt-br/assuntos/noticias/2022/ibama-aprova-plano-de-manejo-florestal-sustentavel-inedito-em-flona-no-amapa>

### **Furniture sector feels impact of global instability**

The current global economic instability, aggravated by the Russian invasion of in Ukraine, in addition to high inflation and interest rates in the domestic market has impacted the furniture industry in Bento Gonçalves municipality in the southern region of the country.

The State Department of Finance (SEFAZ) has said the turnover of furniture companies located in Bento Gonçalves and the region showed a small decline in the first half of 2022 totalling about R\$1.5 billion. According to Sindmóveis (Bento Gonçalves Furniture Industry Union) the drop is the result of a combination of factors such as difficulties created by the pandemic in the supply of raw materials and logistics in addition to the impact of high inflation, high interest rates, reduced purchasing power and weakness in the world economy.

There was a sharp decline in furniture exports from the Bento Gonçalves cluster. In the first six months of 2022 the companies in the region transacted sales worth US\$27.3 million, a 21% decline, compared to the same period of the previous year (US\$34. 5 million).

See: <https://www.sindmoveis.com.br/polo-moveleiro-de-bento-sente-impactos-da-crise/>

In related news, the Rio Grande do Sul state furniture sector, one of the largest in the country, ended 2021 with revenues of R\$11.2 billion, generation of 2,623 jobs and US\$293 million in business transactions in foreign markets however the sector is seriously affected by the current global economic instability.

Between January to June 2022 sales were positive, growing 5% compared to the same period in 2021 and totalled R\$5.4 billion, however, exports suffered. In the first six months of 2022, furniture sales from makers in Rio Grande do Sul transacted US\$126.8 million, a drop of over 5%.

Despite the decline in sales about 200 new jobs were generated and the Association of Furniture Industries of the State of Rio Grande do Sul considers that, in general, the current situation is not negative but neutral.

See: <https://emobile.com.br/site/industria/mesmo-com-a-crise-setor-moveleiro-gaucha-se-mantem-estavel/>

#### Export update

In July 2022 Brazilian exports of wood-based products (except pulp and paper) dropped 7.5% in value compared to July 2021, from US\$465.6 million to US\$430.8 million.

Pine sawnwood exports grew 23% in value between July 2021 (US\$73.7 million) and July 2022 (US\$90.6 million). In volume, exports increased 7% over the same period, from 286,100 cu.m to 305,800 cu.m.

Tropical sawnwood exports increased 10% in volume, from 41,200 cu.m in July 2021 to 45,500 cu.m in July 2022. In value, exports grew 35% from US\$15.0 million to US\$20.3 million over the same period.

Pine plywood exports saw a huge 60% decline in value in July 2022 compared to July 2021, from US\$159.9 million to US\$64.4 million. In volume terms exports also fell almost 40% over the same period, from 255,800 cu.m to 156,100 cu.m.

As for tropical plywood, the volume of exports fell around 20% and in value by 10% from 7,300 cu.m (US\$4.2 million) in July 2021 to 5,900 cu.m (US\$3.8 million) in July 2022.

As for wooden furniture the exported value fell from US\$71.7 million in July 2021 to US\$58.1 million in July 2022, a 19% fall.

#### More than US\$35 million transacted in trade mission

In early August 2022 there was a Trade Mission to Peru and the region organised by the Brazilian Furniture Sectoral Project, an initiative of ABIMÓVEL (Brazilian Association of Furniture Industries) and ApexBrasil (Brazilian Trade and Investment Promotion Agency).

The Project aims to increase the participation of the Brazilian industry in the international market through a set of strategic actions based on the pillars of sustainability, competitiveness and design integrated to the industry, aimed at the global market.

Thirty-five Brazilian companies participated in the recent mission and were able to negotiate directly with 24 buyers from several countries in the region: Peru, Colombia, Chile, Costa Rica, Nicaragua, Ecuador, Panama, Uruguay, Dominican Republic and Bolivia.

As a result, more than US\$35 million in business transactions: US\$4.1 million in immediate business orders and US\$31.5 million prospective orders were secured.

Brazil is second only to China as a supplier of furniture and mattresses to Peru with a share that, last year, was close to 24% of the total.

See: <http://abimovel.com/brazilian-furniture-missao-comercial-peru-e-regiao-movimenta-mais-de-us357-milhoes-em-negocios/>

#### 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	577↓
4mm WBP	461↓
10mm WBP	416↓
15mm WBP	531↓
4mm MR.	391↓
10mm MR.	360↓
15mm MR.	

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

#### Full potential of Peruvian forests yet to be recognised

The export of wood products in the first half of the year (US\$75.9 million) showed a growth of 34% compared to the same period in 2021 (US\$56.7 million) and 101% and 24.5% compared to 2020 and 2019 (January-June) according to the Management of Services and Extractive Industries unit of the Association of Exporters (ADEX).

However, Lucía Rodríguez Zunino from ADEX said, when speaking to the weekly newsletter Perú Exporta, the full potential of Peruvian forests is still not recognised and this leads to deforestation through shifting agriculture, illegal mining and illicit coca cultivation.

She added that, according to satellite monitoring carried out by the Ministry of the Environment (Minam) in 2020, deforestation reached 203,272 hectares, the highest figure in the last 20 years.

Due to this situation and Covid-19, which had an unprecedented impact affecting everyone, it is necessary to take action to promote productive conservation based on responsible and sustainable use of forests including the implementation of new processes for forest concessions for commercial purposes.

In the first half of 2022 exports totaled US\$75.9 million of which semi-manufactured products were the most important at US\$39.1 million. Second was sawnwood (US\$26.3 million +90% up year on year) and representing 35% of the total. Furniture and parts (US\$2.4 million), construction products (US\$3 million), firewood and charcoal (US\$2.1 million), veneered and plywood (US\$1.6 million), manufactured products (US\$1.4 million) made up the balance.

See: [https://www.adexperu.org.pe/wp-content/uploads/2022/08/boletin\\_semanal\\_peru\\_exporta\\_n454.pdf](https://www.adexperu.org.pe/wp-content/uploads/2022/08/boletin_semanal_peru_exporta_n454.pdf)

#### 88,000 hectares of forest plantations

The National Forest and Wildlife Service (Serfor) announced that there is a total of 88,944 hectares of registered forest plantations in the country. The Departments with the most are Huánuco, Loreto, Amazonas and Cusco.

Forest plantations on private land must be registered within three years of planting and may be plantations for timber production or non-commercial use such as for protection, recovery or restoration of ecosystems.

See: <https://sniffs.serfor.gob.pe/inicio/>

#### Forest management training in indigenous languages

Through the Intercultural Program for the Training of Trainers in Community Forest Management the Serfor trained more than 250 leaders in indigenous languages from 18 communities in the Provinces of Coronel Portillo and Atalaya in the Department from Ucayali.

The training was carried out by 33 indigenous trainers from the Shipibo-konibo, Ashaninka, Asheninka, Yine and Amawaka peoples who were the first Forest Guides or native trainers trained last year.

This programme is implemented in coordination with the regional indigenous organisations of the Interethnic Association for the Development of the Peruvian Jungle (AIDSESP) Ucayali-ORAU, Regional Coordinator of Indigenous Peoples AIDSESP Atalaya – CORPIAA and the Regional Union of Amazonian Indigenous Peoples of the Province of Watchtower – URPIA.

The training topics included forest management, forest harvesting permits, traceability and quantification of wood, wildlife management, community management and surveillance and laws and regulations.

The training was financed by the International Climate Initiative Fund of the German government. In addition the programme had the support of institutions such as Osinfor and the Regional Forestry and Wildlife Management of Ucayali and cooperating institutions such as WWF, GIZ, the FOREST programme of USAID and the US Forest Service (USFS).

Serfor seeks to replicate the program in more regions of the country and progress has been made in the regions of Junín, Loreto and Madre de Dios and it is expected that this work will continue in 2023.

#### 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	599-629
Dominican Republic	709-726
Marupa 1", 6-11 length KD Grade 1 Asian market	595-615↑

**Domestic sawnwood prices**

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

**Domestic plywood prices (excl. taxes)**

	US\$ per cu.m
Iquitos mills	
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**

	US\$ per cu.m
Peru plywood, FOB Callao (Mexican market)	
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**

	US\$ per cu.m
Veneer FOB Callao port	
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**

	US\$ per cu.m
Peru, domestic particleboard	
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**

	US\$ per cu.m
Peru, FOB strips for parquet	
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****Consumer spending led growth**

Japan's GDP grew at an annualised rate of 2.2% in the second quarter of 2022 and that pulled the economy to above what it was at the end of 2019 as consumer spending rose and as covid restrictions on businesses were ended. Consumer spending, which accounts for more than half of Japan's economic output, led the growth as did capital expenditure.

Economists expect the Bank of Japan to maintain its current easing policy and the government to continue providing support for households hit by both the pandemic and more recently by surging prices. After taking account of inflation, worker spending power has been falling for three consecutive months.

The Norinchukin Research Institute has said it anticipates growth will continue in the third quarter but that the pace may slow as inflation takes a toll on disposable incomes. The way ahead remains uncertain as slowing global growth, rising inflation, supply chain constraints, a weakening yen and the recent surge in covid infections present multiple challenges.

See:

<https://www.japantimes.co.jp/news/2022/08/15/business/economy-business/japan-economy-recovery/>

Despite the good news most experts remain cautious about the future. Consumer prices are rising driven by higher commodity prices. Recently oil prices have begun to decline but consumers are yet to benefit from this. A government survey showed that most people expect prices will remain high or increase.

This consumer pessimism stems from the jump in prices of energy and food. Electricity prices are up almost 20% from a year ago as is the cost of gas and low income families are seriously affected.

Reiko Sakurai, NHK Senior Economic Commentator, writes "For the past 20 years, Japan has neglected to prepare for the future. It has invested far less than other G7 countries in corporate capital expenditure, public- and private-sector research and development and human resource development. The result is weak potential for economic growth, which is why the latest GDP numbers might not be quite the harbinger of recovery that they appear".

See: <https://www3.nhk.or.jp/nhkworld/en/news/backstories/2079/>

**Tax incentives for private forest owners**

In 2023 Japan's Ministry of Environment will offer tax incentives for private forest owners if they are recognised as contributing to biodiversity conservation. The incentives will include real estate acquisition and property tax reductions for forests where habitats for rare plants and animals remain conserved. Details of the plan are to be decided.

At their summit in June 2021 leaders of the G7 including Japan set a goal of protecting at least 30% of their countries' land and oceans as healthy ecosystems by 2030. Currently, the government designates 20.5% of Japan's land area and 13.3% of its sea area as natural preservation zones. Since this will not be enough private sector nature conservation will be encouraged and rewarded.

See:

<https://www.japantimes.co.jp/news/2022/08/24/business/private-sector-satoyama-forest-conservation/>

### Covid travel rules eased further

Japan will enact a series of reduced COVID-19 measures starting 7 September that will make it easier for people to enter the country. The government will scrap the need for a negative COVID test prior to arrival (for all travelers with at least three vaccine shots) and will increase the cap on daily visitors to the country. At present, travelers to Japan must present to airlines a negative Covid PCR test taken within 72 hours of departure for Japan which has been called a “major hindrance” for both international visitors and Japanese citizens.

See: <https://www.travelagentcentral.com/asia/japan-ease-entry-requirements-september-7>

### Japan pledges US\$30 billion for African Development

The Eighth Tokyo International Conference on African Development (TICAD8) held in Tunisia concluded recently. Japan pledged US\$30 bil. in aid for development in Africa saying it wants to work more closely with African countries at a time when the rules-based international order is under threat after Russia’s invasion of Ukraine.

See: [https://www.mofa.go.jp/af2/page1e\\_000469.html](https://www.mofa.go.jp/af2/page1e_000469.html)

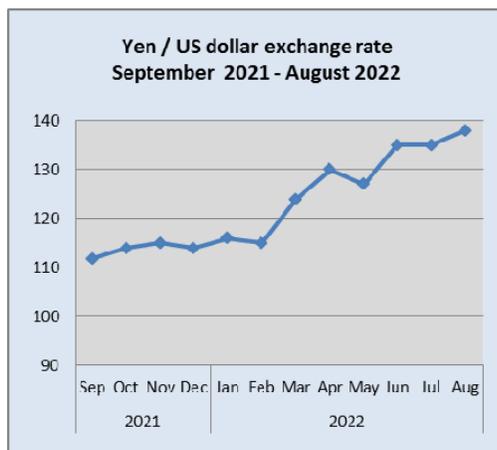
A report on the TICAD8 Joint Press Conference can be seen at: [https://japan.kantei.go.jp/101\\_kishida/statement/202208/\\_00024.html](https://japan.kantei.go.jp/101_kishida/statement/202208/_00024.html)

### Yen likely to dip further

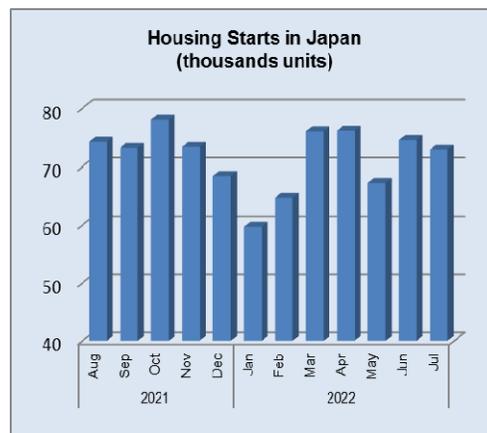
The divergence between Japanese and U.S. bond yields has pushed the yen down 15% so far this year and it may be the yen is heading for its biggest fall against the dollar since 2013 and third steepest since the era of free-floating exchange rates began in the early 1970s.

At the end of August the yen was trading around 137 per dollar and speculation is that uncurbed inflation could push it closer to a 24 year low of yen 140 per dollar.

See: <https://www.asahi.com/ajw/articles/14698540>



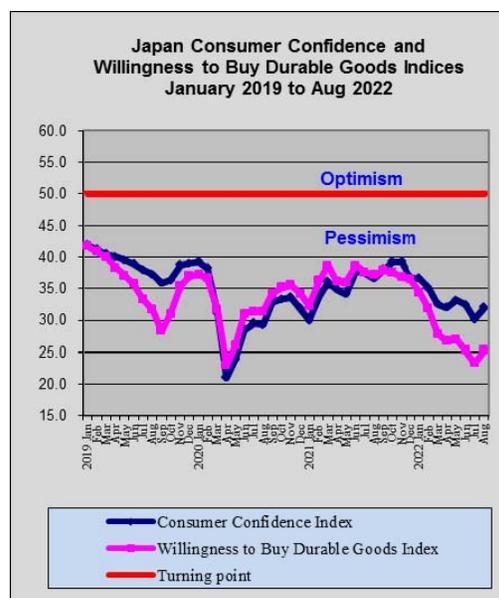
Housing starts in July came in 6% below those of July 2021 and were slightly below the 75,000 starts in June. July is not the main holiday period in Japan and it is likely that August starts will be below the July level.



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

### Up-tick in consumer confidence

The consumer confidence index rose slightly in August which was a welcome change after the continual drop since the beginning of this year. Households expect prices to rise in the next 12 months which could signal a further drop in consumption which has been observed in other countries.



Data source: Cabinet Office, Japan

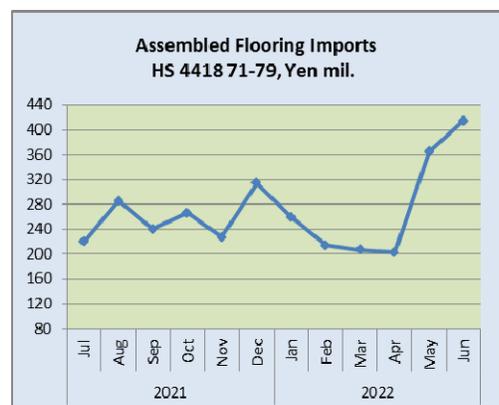
### Import update

#### Assembled wooden flooring imports

The steep rise in the value of assembled wooden flooring imports (HS441871-79) in June this year can be partly explained by the depreciation of the yen which, in June, was down around 7% against the US dollar. But the exchange rate effect cannot explain the 65% year on year rise in the value of imports.

The May surge in the value of imports brought the monthly value back to the average for the preceding months.

Of total assembled flooring imports China was the main supplier in June accounting for around 55% of all HS441871-79 imports. HS441875 is the main category of flooring imports accounting for just over 50% of the total but within this category most in June was shipped from Austria, France and Vietnam. Shipments of HS441875 from China were well below those seen earlier in the year.



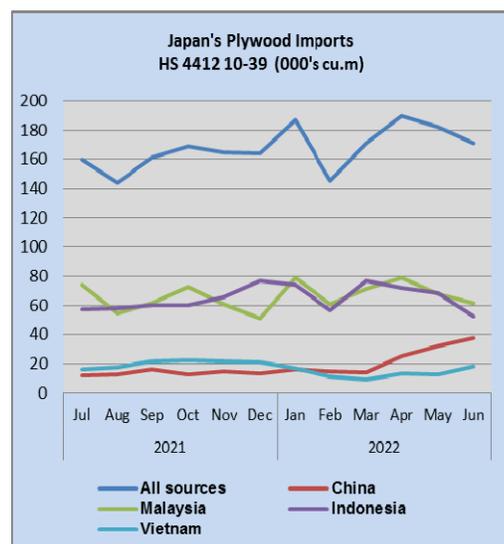
Data source: Ministry of Finance, Japan

### Plywood imports

June imports of plywood stood at 171,465 cu.m up 17% year on year but down 6% from the previous month.

Indonesia and Malaysia are the main suppliers of plywood to Japan and together they accounted for close to 70% of Japan's June imports. Plywood imports from China have been steadily rising since the start of the second quarter and at almost 38,000 cu.m June imports accounted for over 20% of total plywood imports. Shippers of plywood in Vietnam also did well in June seeing an almost 40% increase in shipment.

June shipments from Indonesia fell just over 20% month on month in June and shipments from Malaysia were down slightly in June and well below the average for the year so far.



Data source: Ministry of Finance, Japan

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

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

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/](https://jfpj.jp/japan_lumber_reports/)

#### **Log export to China**

Export of cedar logs for China is sluggish even though the lockdown in China was lifted in June. An export volume in May is 69,592 cbms, 47.3% less than the same month in 2021. This is for the first time with low level since last August. Some reasons are a business downturn and a weak real estate market in China.

Over 200,000 cbms of cedar logs were stocked around Shanghai when the lockdown was lifted then the inventory at ports dropped down around 160,000 cbms. However, a shipment from plants and ports is slow and demand from Chinese importers is inactive.

The present selling prices are around US\$140, C&F per cbm and it is about US\$20 lower than the prices in last spring. The purchase price of logs for exporters is 9,500 yen at ports per cbm and it is 1,500 yen lower than the peak prices. The prices of ocean freights decreased from US\$140,000 per ship to US\$100,000 – 110,000. A weak yen also makes the selling prices decreasing. Weak yen helps exporters' profitability despite drop of dollar export prices.

It has been four years since the U.S.A. imposed a duty on logs to China. If the 25% sanction duty decreases, demand for cedar fences for the U.S. market would be back.

Recently, people have an attention on the prices of NZ logs. The prices are around US\$145, C&F per cbm. It is difficult to lower the export prices of cedar logs now because there will be no profit so New Zealand radiate pine log export prices are concern to Japanese cedar exporters.

Domestic cedar logs markets are good. Inventory at plants for lumber and plywood is enough. However, there are not enough inventory for wooden biomass and the prices are 8,500 yen, delivered a tonne. As long as biomass wood prices stay up high, it is difficult to reduce cedar log export prices. Demand in China is less than supply.

#### **Plywood**

There is still a shortage of domestic softwood plywood. The reasons are that demand decreased and Chinese softwood plywood was imported in May and June with a volume of 19,000 cbms. However, Japanese plywood companies' shipment are very good. The inventory at the end of June was 92,200 cbms. Shipment base is 0.3 month. The prices of 3 x 6 and 12mm thickness of plywood are holding at 2,000 yen, delivered per sheet.

The prices of South Sea plywood are still high. Since it will be in rainy season in South Asia when new contracts are produced, there are not much new orders and product will be started after October. 3 x 6 JAS plywood panel for concrete forming from costs US\$850, C&F per cbm and the yen cost will be higher in Japan due to a weak yen.

A movement of imported South Sea plywood is sluggish. This is an unusual situation in this season. Usually, the sluggish movement occurs at the end of July through August but it has been slow since the beginning of this year.

Future prices of JAS 3 x 6 plywood panel for concrete forming are 2,450 yen, FOB per sheet and this is 50 yen higher than last month. The prices in Japan are 2,300 yen, delivered per sheet and this is also 50 yen higher than last month.

#### **South Sea log and products**

The prices of South Sea lumber and Chinese lumber are skyrocketing due to the high- priced lumber in South Asia and a weak yen. The prices of Merkusii pine lumber in Indonesia are US\$950, C&F per cbm and of red pine lumber in China are US\$1,020 – 1,050, C&F per cbm.

It is a good season to cut down Merkusii pine in Indonesia and Indonesian companies are willing to produce. However, there are enough inventory in Japan so negotiations for new contracts are rough going. Demand in Japan is not lively. Indonesian Merkusii pine lumber in Japan costs around 135,000 yen, delivered per cbm. Chinese red pine lumber costs around 140,000 yen, delivered per cbm. Both kinds of lumber are 2,000 yen more than last month.

The movement of South Sea logs is slow even if there are much demand of South Sea lumber for steelmakers and ship building companies and there are not enough demand for producing trucks. A reason is a lack of semiconductor supply.

## **China**

#### **Decline in sawnwood imports**

In the first half of 2022 China's sawnwood imports totalled 13.04 million cubic metres valued at US\$3.835 billion, down 7% in volume but up 7% in value. The average CIF price for sawnwood rose 16% to US\$294 per cubic metre over the same period of 2021.

Of total sawnwood imports, sawn softwood imports fell 15% to 8.25 million cubic metres, accounting for 63% of the national total, down 6% over the same period of 2021. The average CIF price for sawn softwood fell 4% to US\$244 per cubic metre over the same period of 2021.

Sawn hardwood imports rose 9% to 4.78 million cubic metres because China's sawn hardwood imports from the top sources Thailand, Russia, the Philippines and Gabon rose 13%, 20%, 14% and 11% respectively.

Imports from Austria surged. The average CIF price for sawn hardwood fell slightly to US\$380 per cubic metre over the same period of 2021.

Of total sawn hardwood imports, tropical sawn hardwood imports were 3.16 million cubic metres valued at US\$954 million, up 10% in volume and 4% in value and accounted for about 24% of the national total. The average CIF price for tropical sawn hardwood declined 6% to US\$302 per cubic metre over the same period of 2021.

#### China's sawnwood imports, first half 2022

##### Volume

	Volume (mil. cu.m)	YoY % Change 1st half 2022
Total sawnwood	13.04	-7%
Sawn softwood	8.25	-15%
All sawn hardwood	4.78	9%
of which tropical	3.16	10%

Data source: China Customs

##### Value

	Value (mil. US\$)	Yoy % Change 1st half 2022
Total sawnwood	3,835	7%
Sawn softwood	2,015	7%
All sawn hardwood	1,820	8%
of which tropical	954	4%

Data source: China Customs

#### Average sawnwood prices, first half 2022

	CIF prices (US\$/cu.m)	YoY % Change 1st half 2022
Sawnwood imports	294	16%
Sawn softwood	244	-4%
All sawn hardwood	380	-0.2%
of which tropical	302	-6%

Data source: China Customs

#### Main countries shipping sawnwood to China, first half 2022

##### Volume

Top suppliers	Volume (000'. cu.m)	YoY % Change 1st half 2022
Russia	6,121	-6%
Thailand	2,003	13%
Canada	745	-10%
USA	612	-10%
Finland	435	16%
Germany	322	-1%
Philippines	317	14%
Gabon	298	11%
Sweden	282	29%
Belarus	235	-9%
Ukraine	160	-71%

Data source: China Customs

##### Value

Top supplier	Value (mil.US \$)	YoY % Change 1st half 2022
Russia	1,442	11%
Thailand	500	4%
Canada	225	14%
USA	488	15%
Finland	120	36%
Germany	98	13%
Philippines	28	15%
Gabon	125	12%
Sweden	78	46%
Belarus	55	3%
Ukraine	38	-66%

Data source: China Customs

#### CIF prices for sawnwood imports

CIF prices for China's sawnwood imports from most suppliers rose in the first half of 2022, except for Thailand. Prices for sawnwood imports from Thailand alone fell 8% to US\$250 per cubic metre in the first half of the year.

The CIF prices for China's sawnwood imports from Russia, Canada, USA and Finland increased 18%, 27%, 27% and 18% respectively. Other countries where prices increased were Germany, Sweden, Belarus and Ukraine.

The main reasons for the rise in CIF sawnwood prices in the first half of 2022 were: a shortage of sawnwood supply because some producing countries have reduced harvests; disrupted global logistics and container turn-around was not smooth during lockdowns and strong domestic demand in China where there is a ban on domestic harvesting of natural forests.

### Average CIF prices for sawnwood imports in first half 2022

Supplier	CIF price (US\$/cu.m)	YoY % change
Russia	236	18%
Thailand	250	-8%
Canada	302	27%
USA	798	27%
Finland	277	18%
Germany	304	14%
Philippines	89	0.40%
Gabon	418	1%
Sweden	276	13%
Belarus	233	13%
Ukraine	238	19%

Data source: China Customs

### Decline in the major sawn softwood suppliers

In the first half of 2022 China's sawn softwood imports came to 8.25 million cubic metres, down 15% year on year and accounted for 63% of the total national sawnwood imports, down 6% over the same period of 2021.

Russia was the top sawn softwood supplier to China in the first half of 2022. 67% of China's sawn softwood was imported from Russia. However, China's sawn softwood imports from Russia fell 8% to 5.542 million cubic metres.

Canada, the second largest sawn softwood supplier to China, saw its exports of sawn softwoods fall 9% which drove down the overall import figure.

China's sawn softwood imports from Ukraine and Brazil plunged 72% and 64% respectively. This also resulted in the decrease in the total volume of China's sawn softwood imports in the first half of 2022.

### Main countries shipping sawn softwood to China, first half 2022

Top supplier	Volume (000'. cu.m)	YoY % Change 1st half 2022
Russia	5,542	-8%
Canada	710	-9%
Finland	433	16%
Sweden	282	29%
Germany	257	4%
Belarus	234	-8%
Ukraine	153	-72%
Chile	151	-36%
Brazil	112	-64%
USA	61	-16%

Data source: China Customs

### Main countries shipping sawn hardwood to China, first half of 2022

Top supplier	Volume (000'. cu.m)	YoY % Change first half 2021-2022
Total	4,784	9%
Thailand	2,003	13%
Russia	579	20%
USA	551	-9%
Philippines	317	14%
Gabon	298	11%
Romania	111	-6%
Austria	79	858%
Malaysia	67	-3%
Germany	65	-19%
Cameroon	64	11%

Data source: China Customs

### Thailand, the main country shipping sawnwood to China

China's sawnwood imports from Thailand rose 13% to 2 million cubic metres in the first half of 2022. Thailand has long been the main country shipping sawnwood to China exceeding that from Canada, USA and Finland. In addition, most of the imported sawnwood from Thailand is sawn rubberwood which is included in 'Other' tropical sawn hardwood (HS code 44072990), rubberwood does not have a dedicated HS code.

China's redwood imports from Thailand were just 1,874 cubic metres, down 29% from the same period last year. Teak imports from Thailand amounted to only 2 cubic metres in the first half of 2022.

Rubberwood products are very popular in China. The annual consumption of sawn rubberwood is about 6 million cubic metres of which 80% is imported from Thailand. Imported sawn rubberwood is used in furniture manufacturing (45%), wood doors (24%), bathroom cabinets (26%), wood floors and other woodwork (5%).

Due to Thailand's investment policies Chinese enterprises are attracted to establish sawmills in Thailand to produce for the home market. The CIF price for sawnwood from Thailand declined 8% during the first quarter which boosted imports.

### Species of sawnwood imports from Thailand, first half of 2022

	Volume (cu.m)	Yoy % change
Other tropical sawn hardwood	2,000,072	13%
Chinese 'redwood'	1,874	-29%
Other temperate sawn hardwood	1,107	
Teak	2	
Total	2,003,055	13%

Data source: China Customs

### Rise in China's tropical sawn hardwood imports

Of total sawn hardwood imports, tropical sawn hardwood imports were 3.16 million cubic metres valued at US\$954 million, up 10% in volume and 4% in value and accounted for about 24% of the national total.

The Philippines and Gabon are the second and third largest suppliers of tropical sawnwood imports after Thailand accounting for 10% and 9% of the total tropical sawnwood imports respectively in the first half of 2022. China's tropical sawn hardwood imports from the Philippines and Gabon came to 317,000 cubic meters and 298,000 cubic meters, up 14% and 11% respectively in the first half of 2022.

The top 10 countries supplied 94% of China's tropical sawnwood requirements in the first half of 2022, namely Thailand (63%), the Philippines (10%), Gabon (9%), Malaysia (2.1%), Cameroon (2.0%), Myanmar (1.9%), Indonesia (1.7%), Laos (1.2%), Vietnam (1.0%) and the Republic of Congo (0.9%).

### Main countries shipping tropical sawnwood to China, first half of 2022

Top supplier	Volume (000'. cu.m)	% Change first half 2022
Total	3,157	10%
Thailand	2,003	13%
Philippines	317	14%
Gabon	298	11%
Malaysia	67	-3%
Cameroon	64	11%
Myanmar	59	17%
Indonesia	52	-3%
Laos	37	24%
Vietnam	30	1%
Rep. Congo	30	-8%

Data source: China Customs

### Main countries shipping tropical sawnwood to China, first half of 2022

Top supplier	Value (mil. US\$)	% Change first half 2022
Total	954	4%
Thailand	500	4%
Philippines	28	15%
Gabon	125	12%
Malaysia	28	11%
Cameroon	34	10%
Myanmar	19	39%
Indonesia	22	-30%
Laos	40	18%
Vietnam	13	9%
Rep. Congo	14	-19%

Data source: China Customs

### Average CIF prices of tropical sawnwood shipped to China, first half of 2022

Top supplier	CIF price (mil. US\$)	% Change first half 2022
Total	302	-6%
Thailand	250	-8%
Philippines	89	0.4%
Gabon	418	1%
Malaysia	412	15%
Cameroon	537	-2%
Myanmar	327	18%
Indonesia	424	-28%
Laos	1074	-5%
Vietnam	438	8%
Rep. Congo	479	-12%

Data source: China Customs

### Average imported log prices US\$/cu.m CIF

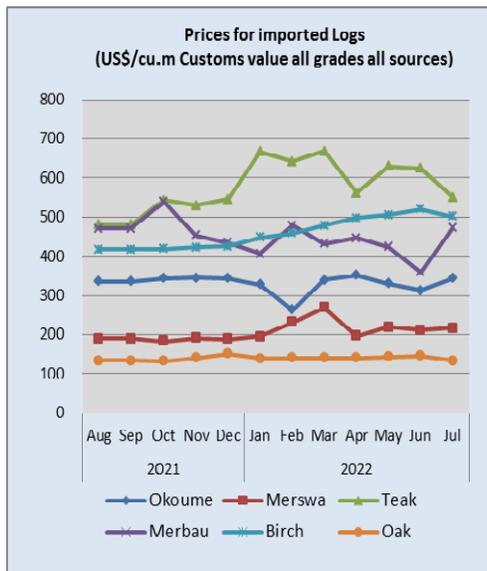
	2022 Jun	2022 Jul
Okoume	313	344
Merswa	211	217
Teak	624	551
Merbau	359	472
Birch	520	501
Oak	146	134

Data source: Customs, China

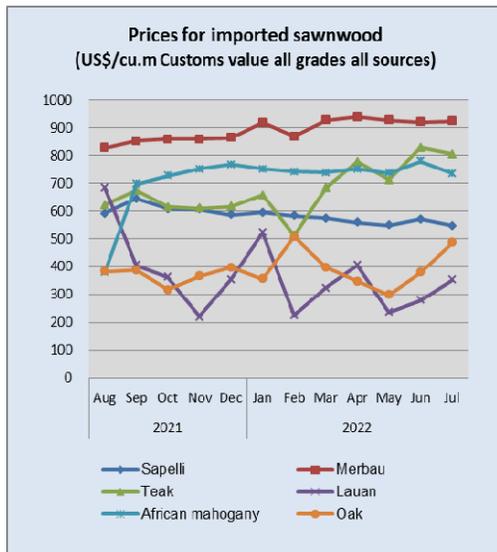
### Average imported sawn hardwood prices US\$/cu.m CIF

	2022 Jun	2022 Jul
Sapelli	571	547
Merbau	920	923
Teak	828	805
Lauan	279	552
African mahogany	779	734
Oak	380	486

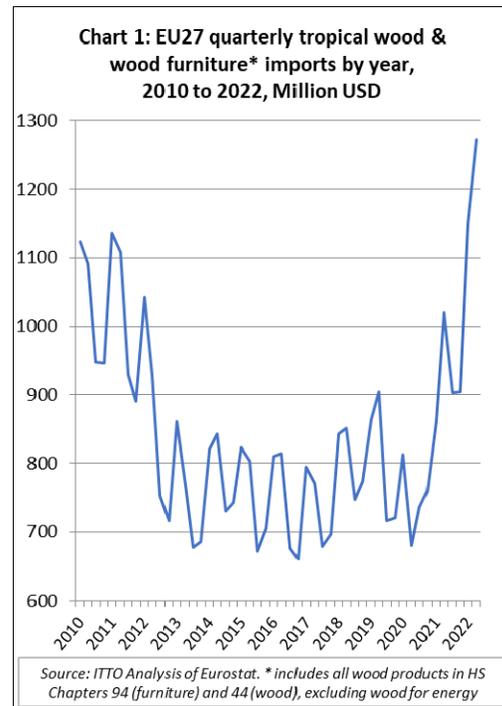
Data source: Customs, China



Data source: Customs, China



Data source: Customs, China



In the first six months of this year, import value of tropical wood and wood furniture totalled US\$2.42B, a gain of 29% compared to the same period last year. Part of the gain in EU27 tropical wood product import value was due to a rise in CIF prices. This was driven by the combination of a sharp fall in the value of the euro against the dollar, continuing high freight rates, and severe shortages of wood and other materials. In quantity terms, EU imports of tropical wood and wood furniture products in the first six months of this year were, at 1,025,300 tonnes, up 15% compared to the same period in 2021.

Since the start of this year, the euro value has declined around 10% against the US dollar and is currently at the lowest level for 20 years. In mid-July, the euro hit parity with the US currency for the first time since 2002. The euro's slide underlines the foreboding in the 19 European countries using the currency as they struggle with an energy crisis caused by Russia's war in Ukraine.

Usually such a sharp decline in the value of the European currency would lead to a reduction in imports as prices for goods from outside the EU escalated. However, this time it is different as importers and manufacturers are struggling in the face of critical wood supply shortages brought on by the lingering effects of the global pandemic and the more recent impact of the war in Ukraine. Importers have been more willing to follow the prices upwards than in previous periods of currency weakness.

The curtailment of wood supplies from Russia and Belarus due to the sanctions imposed by the EU following the invasion of Ukraine in February is opening up new opportunities in the EU market for some tropical wood products, notably plywood and decking for which Russian birch and larch products have been important substitutes.

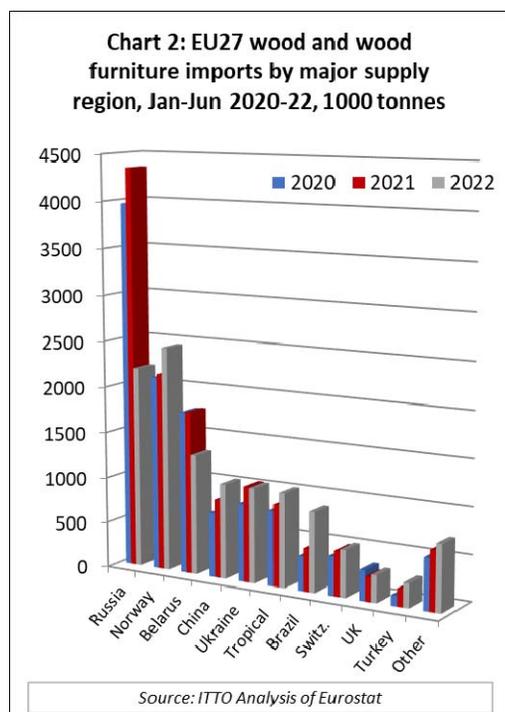
## EU

### EU27 tropical wood import value at highest level since financial crisis

Between April and June this year, EU27 import value of tropical wood and wood furniture products was, in dollar terms, at the highest quarterly level since at least before the 2007-2008 financial crisis (Chart 1). Imports of US\$1.27B during the second quarter of 2022 were 11% more than the previous quarter and 25% more than the same quarter the previous year.

In the first six months of this year, tropical products accounted for 8.8% of the quantity of all wood and wood furniture products imported into the EU27, which compares to 6.8% during the same period in both 2021 and 2020.

The gain in tropical wood share is due mainly to a large reduction in imports from Russia (-50% to 2.19 million tonnes) and Belarus (-26% to 1.31 million tonnes) during this period. After an initial fall in the early months of the war, EU27 imports from Ukraine recovered some ground in the second quarter and by the end of the first six months of this year were, at 1.03 million tonnes, only 1% down on the same period in 2021 (Chart 2).



While tropical wood has made gains in the EU market this year, the largest beneficiaries of the opening supply gap due to the fall in imports from Russia and Belarus have been non-tropical wood products from Norway (+14% to US\$2.45B), China (+21% to US\$1.03B), Brazil (+86% to US\$867M), Turkey (+37% to US\$263M), Chile (+52% to US\$54M), New Zealand (+31% to US\$31M), Uruguay (+242% to US\$23M), and South Africa (+154% to US\$8M).

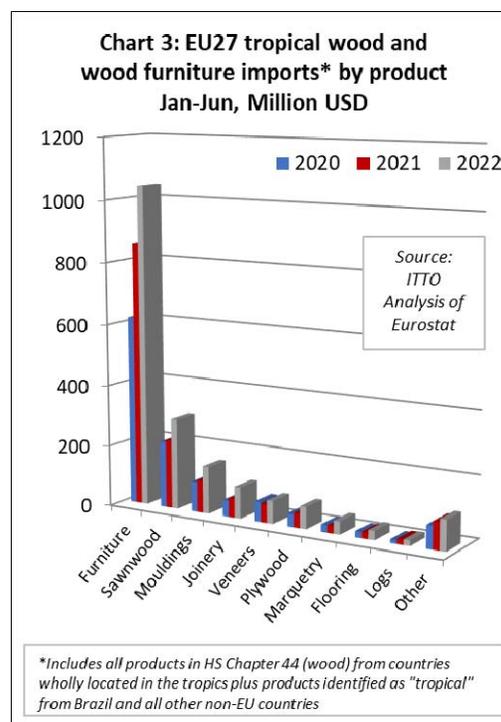
### Rise in EU27 import value across all tropical wood product groups

Nevertheless, there were significant increases in the value of EU27 imports of most wood product groups from tropical countries in the first six months of this year (Chart 3).

For wood furniture, import value of US\$1043M during the January to June period was 22% more than the same period last year. For tropical sawnwood, import value of US\$467M was 30% up on the same period last year.

Import value of tropical mouldings/decking was US\$235M in the first six months of this year, a gain of 40% compared to the same period in 2021.

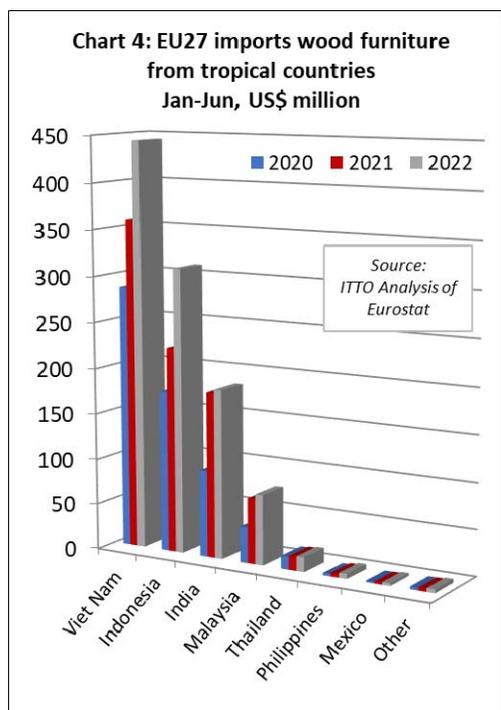
There were also large gains in the value of EU27 imports of tropical joinery products (+49% to US\$155M), tropical veneer (+24% to US\$119M), plywood (+62% to US\$118M), marquetry (+70% to US\$63M) and flooring (+31% to US\$43M) in the first six months of this year. Import value of tropical logs was US\$31M between January and June, 22% more than the same period last year.



### EU27 import value of tropical furniture rises despite fall in quantity

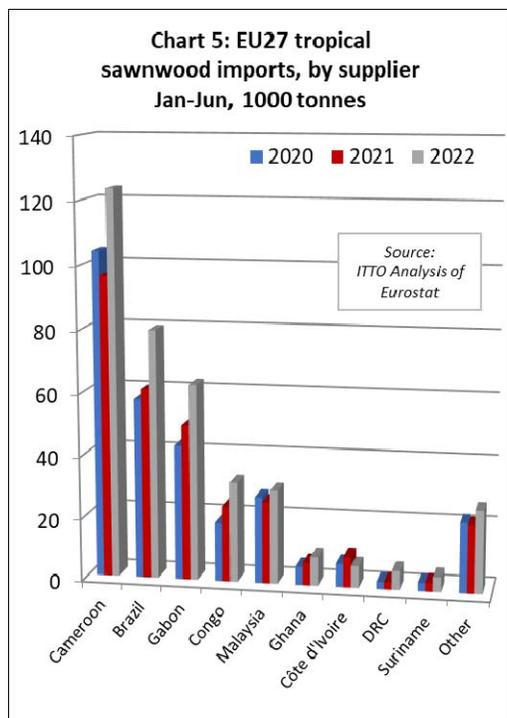
In the first six months of 2022, EU27 import value of wood furniture from tropical countries was US\$1043M, 22% higher than the same period in 2021. However, in the case of furniture, the increase in dollar value is entirely due to the rise in freight rates and prices and the weakness of the euro rather than an increase in export quantity. In tonnage terms, imports actually declined 3% to 211,000 tonnes during the six month period.

In the first half of 2022, there were particularly large increases in EU27 wood furniture import value from Vietnam (+24% to US\$444M) and Indonesia (+38% to US\$311M). More moderate gains were made in import value from India (+2% to US\$184M), Malaysia (+8% to US\$76M), Thailand (+7% to US\$16M) and the Philippines (+36% to US\$6M). EU27 wood furniture imports from all other tropical countries are negligible (Chart 4).



**EU27 imports of tropical sawnwood up 27%**

After two slow years during the global pandemic, EU27 imports of tropical sawnwood have recovered ground this year. Imports of 382,000 tonnes in the first six months were 27% higher than the same period in 2021 and 31% more than the same period in 2020. (Chart 5)

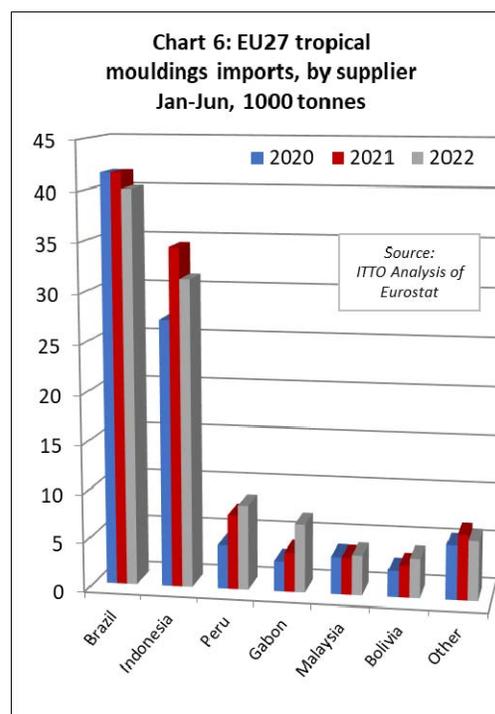


Sawnwood imports increased sharply in the first six months of this year from all the largest tropical suppliers to the EU27 including Cameroon (+28% to 123,700 tonnes), Brazil (+31% to 79,800 tonnes), Gabon (+26% to 62,800 tonnes), Congo (+32% to 32,100 tonnes) and Malaysia (+15% to 30,000 tonnes).

Of smaller supply countries, there were large percentage increases in imports from Ghana (+28% to 9,200 tonnes), DRC (+154% to 6,100 tonnes), Suriname (+68% to 4,700 tonnes), Indonesia (+56% to 3,900 tonnes), Angola (+40% to 3,200 tonnes), Peru (+18% to 2,700 tonnes), and CAR (+307% to 2,000 tonnes). In contrast imports from Côte d'Ivoire fell 29% decline to 7,000 tonnes.

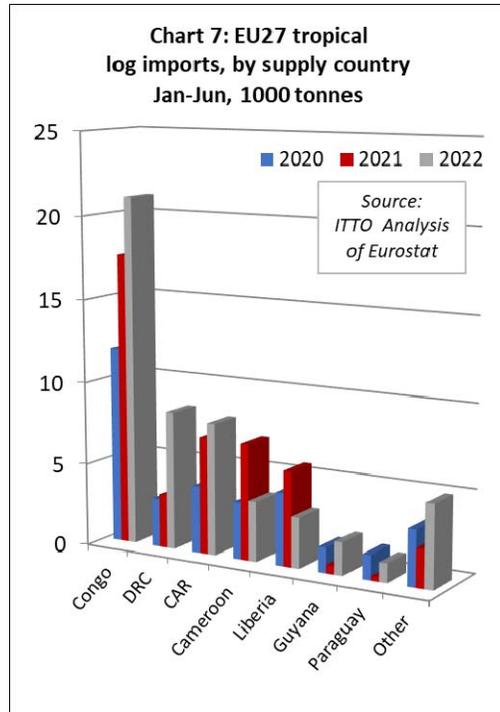
Unlike sawnwood, EU27 imports of tropical mouldings/decking were quite slow in the first half of this year, most likely due to supply shortages rather than to limited demand. Imports of 101,300 tonnes between January and June this year were at the same level as the same period last year.

Falling imports from the two largest supply countries, Indonesia (-9% to 31,300 tonnes) and Brazil (-4% to 40,100 tonnes), were offset by rising imports from Peru (+14% to 8,700 tonnes), Gabon (+72% to 7,000 tonnes), Bolivia (+23% to 4,100 tonnes), and Malaysia (+8% to 4,100 tonnes) (Chart 6).



In the first six months of 2022, the EU27 imported 52,300 tonnes of tropical logs, 19% more than the same period in 2021. EU27 log imports increased from all three of the largest African supply countries in the first six months of this year compared to the same period last year;

Congo (+20% to 21,100 tonnes), DRC (+157 to 8,400 tonnes), and CAR (+13% to 8,000 tonnes). Imports also increased sharply from negligible levels last year from two South American countries, Guyana (+281% to 2,000 tonnes) and Paraguay (+343% to 1,200 tonnes). However, log imports were down 48% to 3,600 tonnes from Cameroon and down 46% to 3,100 from Liberia.

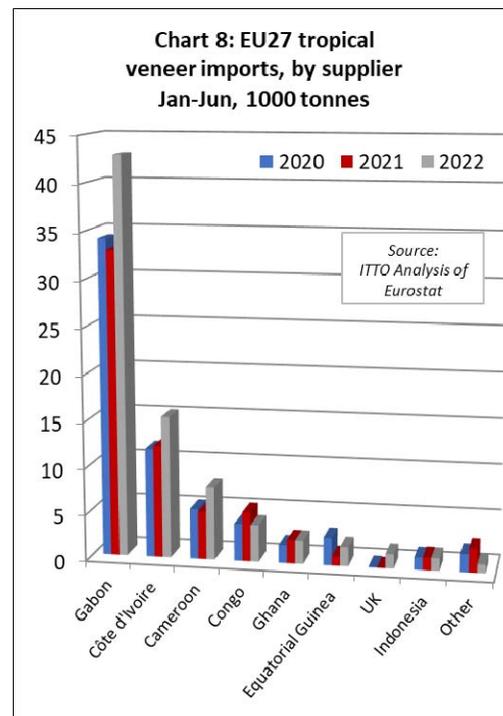


**Gabon drives rebound in EU27 imports of tropical veneer and plywood**

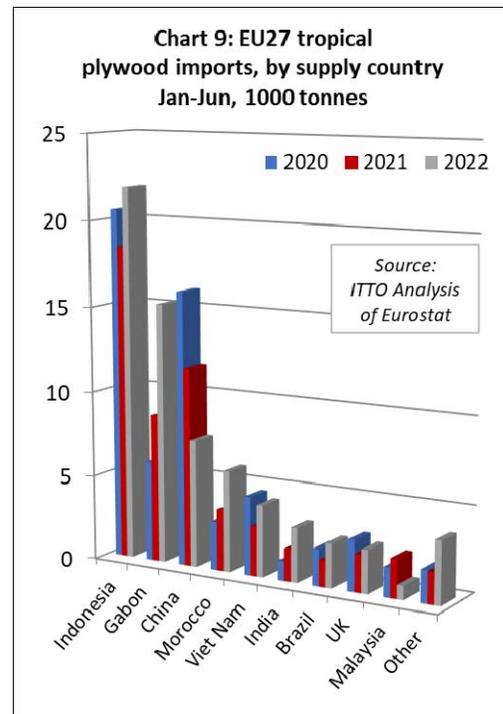
In the first six months of 2022, the EU27 imported 78,500 tonnes of tropical veneer, 24% more than the same period last year. Imports of tropical veneer from Gabon, by far the largest supplier to the EU27, increased 30% to 42,900 tonnes.

There were also large gains in imports from Côte d'Ivoire (+26% to 15,300 tonnes), Cameroon (+53% to 7,900 tonnes) and Equatorial Guinea (+111% to 2,100 tonnes). After virtually no indirect trade in tropical veneer to the EU27 via the UK last year, this trade totalled 1,500 tonnes in the first six months of 2022.

These gains in EU27 tropical veneer imports were partly offset by a 25% decline in imports from Congo to 4,000 tonnes (Chart 8).



In the first six months of 2022, EU27 tropical plywood imports of 67,600 tonnes were 23% more than the same period the previous year. Imports from Indonesia, at 21,900 tonnes, were up 19% compared to the same period last year. However, the biggest percentage increase was in imports from Gabon, rising 76% to 15,300 tonnes.

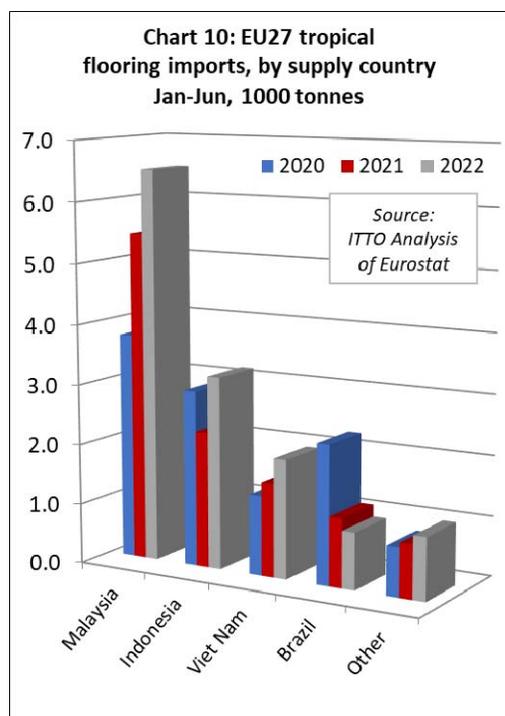


Imports of tropical plywood also increased from Morocco (+64% to 5,900 tonnes), Vietnam (+44% to 4,200 tonnes), India (+66% to 3,200), Brazil (+65% to 2,600 tonnes) and the UK (+15% to 2,100 tonnes). These gains offset a 36% decline in imports of tropical hardwood faced plywood from China to 7,500 tonnes, and a 64% fall in imports from Malaysia to just 800 tonnes (Chart 9).

### Rise in EU27 imports of tropical flooring from Malaysia continues

In the first six months of 2022, the EU27 imported 13,700 tonnes of tropical wood flooring, 21% more than the same period in 2021. The rise in EU27 wood flooring imports from Malaysia, that began in 2020, has continued this year.

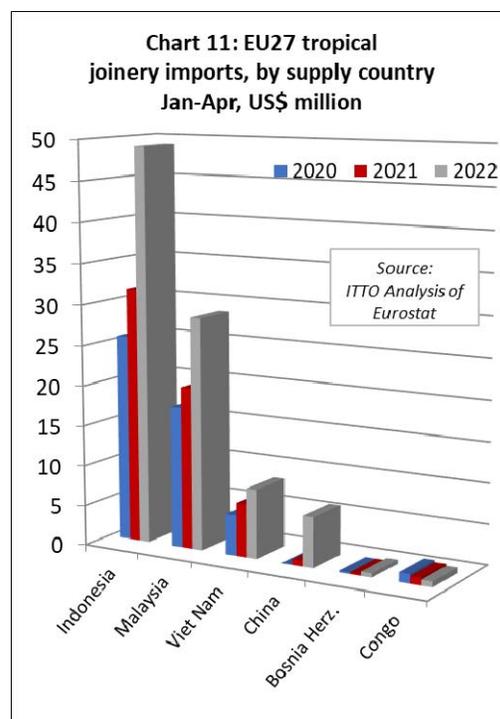
Imports of 6,500 tonnes from Malaysia in the first six months of 2022 were 19% more than the same period in 2021. There were also large gains, from a smaller base, from Indonesia (+41% to 3,200 tonnes) and Vietnam (+27% to 2,000 tonnes). However flooring imports from Brazil have continued to slide this year, at just 900 tonnes in the first six months, 17% down compared to the same period last year (Chart 10).



The dollar value of EU27 imports of other joinery products from tropical countries - which mainly comprise laminated window scantlings, kitchen tops and wood doors - increased 49% to US\$155M in the first six months of 2022.

Import value increased 38% to US\$71M million from Indonesia, 49% to US\$45M from Malaysia, and 45% to US\$15M from Vietnam.

The apparent large increase in imports of this commodity group from China, from negligible levels to US\$9M in the first six months of this year, is due to a change in product codes from the start of this year allowing more joinery products manufactured using tropical hardwood in non-tropical countries to be separately identified (Chart 11).



Unlike for furniture, the rise in import value for joinery this year was not driven entirely by rising prices but was also indicative of an increase in import quantity. In quantity terms, the EU27 imported 58,300 tonnes of tropical joinery products in the first six months of this year, 35% more than the same period last year.

### European Parliament Committee near unanimous on deforestation law

On 12 July 2022, the Environment, Public Health and Food Safety Committee of the European Parliament adopted its position with 60 votes to 2 and 13 abstentions on the Commission proposal for a regulation on deforestation-free products to halt EU-driven global deforestation.

*The text of the Parliamentary Committee position, with their recommendations for amendments to the text proposed by the European Council in November last year, can be downloaded at:*

[https://www.europarl.europa.eu/doceo/document/A-9-2022-0219\\_EN.pdf](https://www.europarl.europa.eu/doceo/document/A-9-2022-0219_EN.pdf)

Following near unanimous endorsement by the responsible Parliamentary Committee, Plenary is expected to officially adopt Parliament's position in September. After that negotiations on the final law will begin with member states.

The negotiation process will aim to agree a final version of the law as a compromise between the Parliamentary text and the text agreed on 28 June by the European Council - which represents the Member States (see ITTO Market Report 1st–15th July 2022, page 29).

According to the European Parliament press release issued on adoption of the Committee's position, the new law would make it obligatory for companies to verify (so-called “due diligence”) that goods sold in the EU have not been produced on deforested or degraded land. This would assure consumers that the products they buy do not contribute to the destruction of forests outside the EU and hence reduce the EU’s contribution to climate change and biodiversity loss globally.

European MEPs also want companies to verify that goods are produced in accordance with human rights protected under international law and the rights of indigenous people in addition to the relevant laws and standards in the country where the products are produced.

The Commission’s proposal covers cattle, cocoa, coffee, palm-oil, soya and wood, including products that contain, have been fed with or have been made using these commodities (such as leather, chocolate and furniture). Parliament wants to include pigmeat, sheep and goats, poultry, maize and rubber, as well as charcoal and printed paper products, and bring the cut-off date one year forward, to 31 December 2019.

The Commission would have to evaluate, no later than two years after the entry into force, whether the rules need to be extended to other goods such as sugar cane, ethanol and mining products, and how feasible this is. MEPs also want them to cover other natural ecosystems such as grasslands, peatlands and wetlands, if deemed appropriate by the Commission, within one year after the entry into force. Finally, MEPs also want financial institutions to be subject to additional requirements to ensure that their activities do not contribute to deforestation.

The European Parliament press release notes that "While no country or commodity will be banned, companies placing products on the EU market would be obliged to exercise due diligence to evaluate risks in their supply chain. They can for example use satellite monitoring tools, field audits, capacity building of suppliers or isotope testing to check where products come from. EU authorities would have access to relevant information, such as geographic coordinates. Anonymised data would be available to the public".

The press release also states that "Based on a transparent assessment, the Commission would have to classify countries, or part thereof, into low, standard or high risk within six months of entry into force of this regulation. Imports from low risk countries will be subject to fewer obligations".

## **American hardwood industry comment on EU deforestation law**

The American Hardwood Export Council (AHEC) has issued a statement on the potential implications of the new EU deforestation-free proposal for the US hardwood trade. It is relevant for the tropical trade, firstly because American hardwoods are key direct competitors in tropical hardwoods in a wide range of European wood applications and secondly because there are close parallels between the supply chains for tropical and American hardwoods, both of which derive primarily from managed semi-natural forest rather than plantations.

Drawing on information on the specific characteristics of these supply chains, the statement raises issues on the practical implications of the “geolocation” requirement specifically for wood sourced from diverse semi-natural forests where forest ownership is highly fragmented. According to the AHEC statement “More than 90% of U.S. hardwood supply derives from low-intensity harvesting of diverse semi-natural forest by non-industrial owners, mainly individuals and families”.

In such circumstances, AHEC suggest that supply of commercial volumes of hardwood of widely different grades, colours and textures requires that wood be aggregated from a large number of smallholders over a lengthy period of time, a process which inevitably involves a lot of mixing from different smallholders.

Although each of these smallholders will generally be within a 25 to 150 mile radius of each mill, a problem arises for American hardwoods because each “geolocation” must refer to a “plot of land” defined in the draft Regulation as “within a single real-estate property”. AHEC notes that “because harvest volumes from each plot of land are so small, a typical hardwood mill needs to purchase logs from as many as several hundred forest owners each year”.

AHEC go on to suggest that “under the current draft legislation, even a small U.S. hardwood mill would likely be under an obligation to provide a list of at least several tens, and probably hundreds, of geolocations to identify the ‘plots of land’ from which wood in each individual consignment might be derived.

An exporter operating a concentration yard – purchasing from a range of sawmills and where additional sorts are often made to ensure each customer is supplied with wood of specific species, quality, size, and color – will be required to provide a list of several hundred, perhaps even thousands, of plots of land with each consignment”.

As a result the AHEC statement suggests that “In practice, linking all these geolocations with individual consignments would quickly overwhelm the management systems of even the largest most sophisticated companies, let alone the relatively small, often family-run, enterprises that predominate in the U.S. hardwood sector”.

AHEC contrasts this situation with “a large industrial operation, dependent on state concessions or company owned lands, where each ‘plot of land’ extends to thousands of hectares, and each harvest comprises single-aged monocultures. It should be obvious this type of large industrial operation gains a clear competitive advantage from the geolocation requirement as currently set out in the draft EU law”.

AHEC also suggest that “If the regulation is adopted in its current form, the only American hardwood lumber likely to be available to EU buyers will be the around 10% of production from state-owned forest and the few areas of large industry lands. Log exports will be less affected, and in fact will be encouraged at the expense of lumber exports as the need for sorting and grading is much less”.

AHEC believe that this potential issue with the law could be “readily resolved through some minor amendments to the EU’s legal text”, specifically that “rather than linking to a single real estate property, the definition of ‘plot of land’ needs to be adaptable to the wide range of circumstances prevailing in the supply of the regulated commodities.

For non-industrial forest owners, a suitable definition would be to a specific jurisdiction, co-operative, or community where there is a demonstrably low risk of illegal harvest or deforestation”.

To link specific products with a low risk jurisdiction, AHEC say that they are “currently facilitating development of a new certification framework specifically designed for low-intensity non-industrial hardwood operations. The framework is based on third party assessment of risk at jurisdictional level (individual state in the case of US) in accordance with a ‘Jurisdictional Risk Assessment’ (JRA) standard which will assess specific risk of illegality, deforestation, forest degradation, plus non-conformance to a wider range of sustainable forestry principles”.

According to AHEC, “The certification system links with ideas pioneered in the EU FLEGT initiative to build robust governance at jurisdictional level. It requires and builds on increasingly accessible and good quality forest inventory data. It also links with a World Forest ID project to prepare a comprehensive database of US hardwood samples from across the US for Stable Isotope Ratio Analysis (SIRA). This will allow a regular check of the overall integrity of the system”.

The AHEC statement is available at:  
<https://www.americanhardwood.org/sites/default/files/reports/download/2022-08/AHEC%20Comment%20on%20EU%20Deforestation%20Law.pdf>

## North America

### Housing starts near 18-month low

Homebuilding fell to the lowest level in nearly 1-1/2 years in July, weighed down by higher mortgage rates and prices for construction materials, suggesting the housing market could contract further in the third quarter.

Housing starts plunged 9.6% to a seasonally adjusted annual rate of 1.446 million units last month, the lowest level since February 2021. Single-family housing starts, which account for the biggest share of homebuilding, dropped 10.1% to a rate of 916,000 units, the lowest level since June 2020. Single-family homebuilding decreased in the Midwest and the South but rose in the West and Northeast.

The National Association of Home Builders/Wells Fargo Housing Market sentiment index fell for an eighth straight month in August, dropping below the break-even level of 50 for the first time since May 2020. Rising construction costs and mortgage rates were largely blamed.

Canadian housing starts surprisingly rose in July compared with the previous month. The seasonally adjusted annualized rate of housing starts rose 1.1% to 275,329 units from a revised 272,381 units in June, according to the Canadian Mortgage and Housing Corporation (CMHC). Analysts had forecasts starts would dip to 262,100.

See: <https://www.census.gov/construction/nrc/index.html> and <https://www.cmhc-schl.gc.ca/en/professionals/housing-markets-data-and-research/housing-data/data-tables/housing-market-data/monthly-housing-starts-construction-data-tables>

### Existing home sales continue to fall

Existing-home sales sagged for the sixth straight month in July, according to the National Association of Realtors. All four major U.S. regions recorded month-over-month and year-over-year sales declines.

Total existing-home sales slipped 5.9% from June to a seasonally adjusted annual rate of 4.81 million in July. Year-over-year, sales fell 20.2% (6.03 million in July 2021).

“The ongoing sales decline reflects the impact of the mortgage rate peak of 6% in early June,” said NAR Chief Economist Lawrence Yun. “Home sales may soon stabilize since mortgage rates have fallen to near 5%, thereby giving an additional boost of purchasing power to home buyers.”

Existing-home sales in the Northeast slid to an annual rate of 620,000 in July, down 7.5% from June and 16.2% from July 2021. Existing-home sales in the Midwest declined 3.3% from the prior month to an annual rate of 1,190,000 in July, dropping 14.4% from July 2021. Existing-home sales in the South waned 5.3% in July to an annual rate of 2,130,000, down 19.6% from one year ago.

Existing-home sales in the West retracted 9.4% compared to last month to an annual rate of 870,000 in July, down 30.4% from this time last year.

Builders are calling the current situation a “housing recession,” and new construction of homes has started to fall. Builders expressed gloominess in an August survey, signaling that construction will continue to slow.

See: <https://www.nar.realtor/newsroom/existing-home-sales-retreated-5-9-in-july>

### **GDP and jobs market tell contradicting stories of U.S. economy**

The U.S. economy is showing pockets of strength while many other indicators have some economists warning of a lurking recession.

Gross domestic product fell at a 0.9% annualized rate last quarter, the government said in its advance estimate of GDP. The unexpected contracted in the second quarter, with consumer spending growing at its slowest pace in two years and business spending declining, raises the risk that the economy was on the cusp of a recession.

While the second straight quarterly decline in GDP largely reflected a more moderate pace of inventory accumulation by businesses due to ongoing shortages of motor vehicles, the economic profile was weak, with exports as the only bright spot.

"There is without doubt an underlying slowdown in domestic demand in evidence here," said Brian Coulton, chief economist at Fitch Ratings in New York. "But this number does not signal the early arrival of the inflation and Fed-tightening induced recession that markets have recently been focused on."

The bright spot in the economy in the second quarter was employment. Job growth averaged 456,700 per month in the first half of the year, while domestic demand continued to grow. The July jobs report was even better as U.S. employers added a booming 528,000 jobs. With the gain, the labor market now has recovered all 22 million jobs lost in the COVID-19 pandemic and continued to defy soaring inflation, rising interest rates, and a slowing economy.

The unemployment rate fell from 3.6% to 3.5%, matching a 50-year low reached just before the pandemic began in early 2020, according to the Labor Department.

"The economy is not falling into recession," says Brian Bethune, an economist at Boston College. "It is actually picking up speed as demand for services accelerates in a post COVID-19 environment."

See: <https://www.usatoday.com/story/money/2022/08/05/july-jobs-report-unemployment-rate-3-5-528-000-jobs-added/10243309002/>

### **Consumer Sentiment Rises to Three-Month High, Topping Forecasts**

Consumer sentiment rose in early August to a three-month high on firmer expectations about the economy and personal finances. The University of Michigan's preliminary sentiment index rose to 55.1 from 51.5 in July. Inflation expectations were mixed, with consumers boosting their longer-term views for prices slightly, while reducing their year-ahead outlook for costs.

"In spite of this strength in the labor market and some signs of improvement in inflation, consumer sentiment remains very low by historical standards," Joanne Hsu, director of the survey, said in a statement. "In the current context, even strong labor markets have been raised as negative news for business conditions, as consumers recognize the challenges businesses may face with hiring."

See: <http://www.sca.isr.umich.edu/>

### **Fewer manufacturers seeing growth, wood products and furniture sectors continue to lag**

Economic activity in the manufacturing sector grew in July, with the overall economy achieving a 26th consecutive month of growth, say the nation's supply executives in the latest Manufacturing ISM Report on Business. The growth, however, was at the weakest rate since June 2020 as new order rates continue to shrink.

For the third consecutive month, the wood and furniture sectors reported contraction while 11 of the ISM's 18 sectors reported growth. Of the seven industries reporting contraction in July, the Wood Products and the Furniture & Related Products sectors reported the largest contraction as well as the largest decline in new orders.

See: <https://www.ismworld.org/supply-management-news-and-reports/reports/ism-report-on-business/pmi/july/>

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

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

## Dollar Exchange Rates

As of 25 August 2022

Brazil	Real	5.1105
CFA countries	CFA Franc	660.32
China	Yuan	6.8596
Euro area	Euro	0.9967
India	Rupee	79.79
Indonesia	Rupiah	14,848
Japan	Yen	137.13
Malaysia	Ringgit	4.4855
Peru	Sol	4.37
UK	Pound	0.8478
South Korea	Won	1,340.96

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

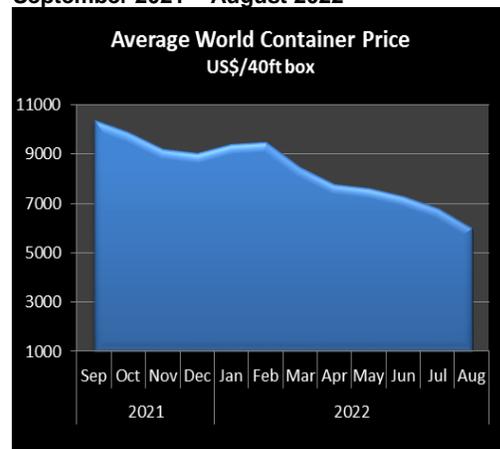


## Abbreviations and Equivalences

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

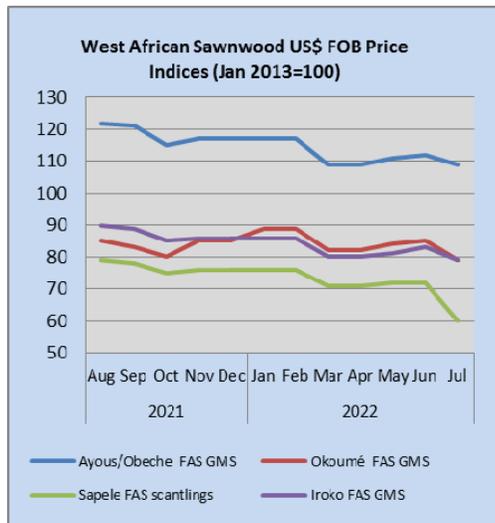
September 2021 – August 2022



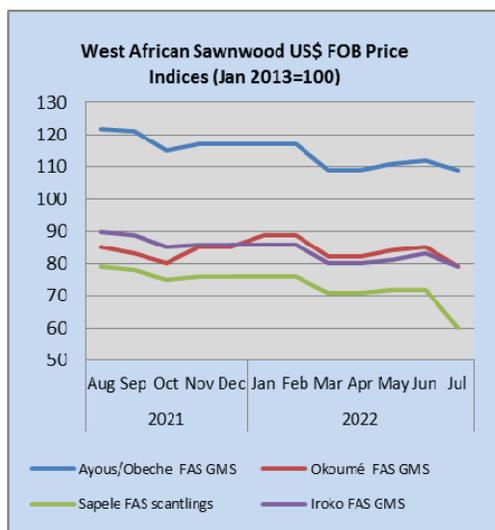
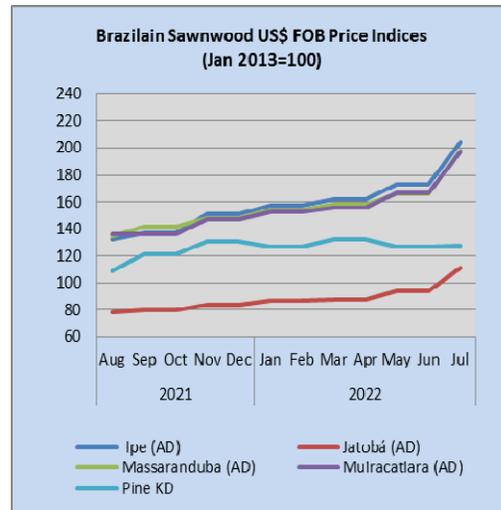
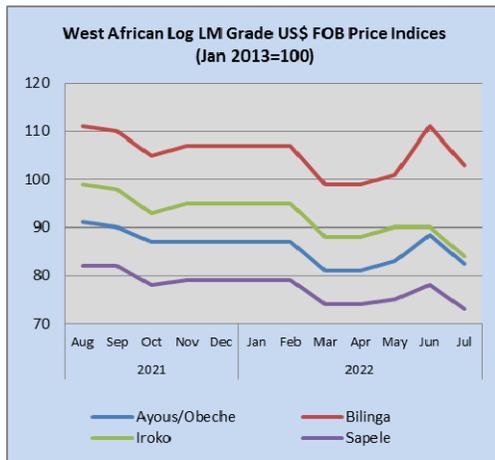
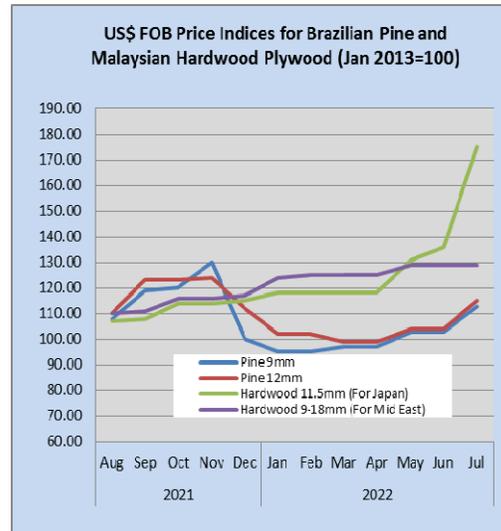
Data source: Drewry World Container Index

**Price indices for selected products**

The following indices are based on US dollar FOB prices



Note: Sarawak logs for the Japanese market



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