Tropical Timber Market Report

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Top story

Changes to Forestry and Wildlife Law in Peru raise concerns

The Peruvian Congress recently approved substitute text for Bills 649/2021-CR and 894/2021-CR which modify the Forestry and Wildlife Law.

A legal advisor to the Peruvian Society of Environmental Law (SPDA) writes: the new provision would legalise a change of unauthorised land use to land for agricultural purposes.

The change appears to remove the regulatory function of the National Forestry and Wildlife Service (Serfor) in its capacity as the National Forestry and Wildlife Authority.

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Headlines

Central and West Africa

Fuel shortages, mills close

It has been reported that in Cameroon more than 50 mills have stopped production and in Gabon 22 mills, mostly Chinese, have ceased production. In both countries the shut downs are mainly because fuel supplies have run out and operators are unsure on how long this will last. The mill closures have meant a lot of workers have been sent home.

Part of the problem, according to local sources in Gabon, is related to the huge outstanding amounts due to energy companies in the country by the government. These companies say they have not been paid the full amount of VAT rebates for years. It is also reported that the distributors purchase fuel from the refineries at 1,000FCFA per litre but have to sell at 800FCFA as the government is subsiding fuel but has not yet arranged how it will refund the distributors.

The Gabon refinery is producing about 50% of that demanded the balance being bought in Nigeria or Togo however there is not enough supply and the electricity company and railways have priority after which gas stations are supplied and finally the industries.

Some timber operators are sending staff out at night with small containers to collect fuel for which they have to pay a premium.

A bad time to close mills

The disruption of production comes at a time when there is good demand for some species. Belgian buyers are said to be back for doussie, white doussie (Pachyloba) and padouk. The frm demand pits Belgian buyers with those for the Indian market which has been looking for sizeable volumes of doussie and padouk.

For other species demand is very quiet especially in Europe where it is holiday season but producers say interest in the redwoods and okoume for the Middle East is rising.

Transport services operating as normal

Ports in the region are said to be operating with Kribi and Dooula still reporting high stocks. Owendo Port is undergoing regular dredging but shipments are flowing out. Railways services in Gabon have been cut because of the fuel shortages and preference is being given to manganese exporters.

Gabon – power company not to blame for electricity cuts

Gabon's Minister of Energy and Hydraulic Resources, Alain-Claude Bilie-By-Nze, agreed with the General Management of SEEG that the reason for cuts in water and electricity supplies was not the company's fault but the result of a lack of fuel for utility companies. The ongoing disruption of the diesel supply chain has led to the deterioration of the public electricity and drinking water services.

To remedy the situation arrangements are being made for a gradual return to normal with fuel deliveries starting. Supplies have been announced at Oyem (90 000 litres of fuel); Makokou (35,000 l); Bitam (30,000 l) and Ovan (5,000 l) and initially a total of 160,000 litres of fuel to supply the power stations.

See: https://www.lenouveaugabon.com/fr/gestion-publique/1807-18708-eau-et-electricite-le-gabon-subit-des-delestages-du-fait-de-la-penurie-des-carburants-gouvernement

Log export prices

West African logs	FOB Euro per cu.m		
Asian market	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+	300+	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	600
Okoumé FAS GMS	520
Merchantable KD	480
Std/Btr GMS	380
Sipo FAS GMS	420
FAS fixed sizes	-
FAS scantlings	520
Padouk FAS GMS	1,400+
FAS scantlings	1,500+
Strips	500+
Sapele FAS Spanish sizes	460
FAS scantlings	489
Iroko FAS GMS	620+
Scantlings	660
Strips	370
Khaya FAS GMS	450
FAS fixed	500
Moabi FAS GMS	530
Scantlings	550
Movingui FAS GMS	380

Forestry training school

On 19 July 384 students of the National School of Water and Forests (ENEF) graduated after 2 to 3 years of training. The Minister Delegate for Water and Forests, Stéphane Bonda, said the government is placing particular emphasis on the reform of the ENEF by positioning it as a major player in the implementation of the Green Gabon pillar of the Emerging Gabon Strategic Plan.

ENEF was created in 1953 and trains executives in the fields of forestry, fisheries and aquaculture, wildlife management, protected areas and the environment.

See: https://www.lenouveaugabon.com/fr/agro-bois/1907-18711-eaux-et-forets-384-nouveaux-diplomes-de-l-enef-sur-le-marche-de-l-emploi

Ghana

Export volume registered 10% increase

Data on export volumes in the first four months of 2022 published by the Timber Export Development Division (TIDD) show an almost 10% increase to 102,615 cu.m compared to 93,527 cu.m for the same period in 2021.

Of the twelve main wood products exported all registered increased volumes for the period under review against 2021 except billets (-37%) and mouldings (-18%);

Export volumes cu.m

	Volume (cu.m)		
	Jan-Apr 2021	Jan-Apr 2022	Y-O-Y % Change
AD sawnwood	44,341	47,923	8
Plywood (Overland)	6,749	15,428	129
Kd sawnwood	12,907	14,236	10
Billet	19,743	12,346	-37
Sliced Veneer	3,123	3,357	7
Rotary Veneer	2,257	2,981	32
Mouldings	3,620	2,965	-18
Plywood	522	2,297	340
Boules (AD)	141	938	565
Others (3)	124	144	16
Total	93,527	102,615	9.7

Data source: TIDD, Ghana

Air-dried boules, plywood by sea as well as by road to regional markets (overland) recorded significant increases in volumes. Air-dried sawnwood shipments up to April increased by 8% to 47,923 cu.m from 44,341cu.m in the same period in 2021. India was the most significant market.

Plywood exports to regional markets increased from 6,749 cu.m in 2021 to 15,428 cu.m for the period under review. The main markets were Togo, Burkina Faso, Niger, Mali and Benin. Senegal also imported Ghana plywood (1,894 cu.m by sea) with Greece, Dominican Republic and Finland accounting for the rest.

Air-dried boule exports were 938 cu.m, a sharp increase year on year. The main specie shipped as boules was Niangon with the importing countries being France, Italy and Germany.

Asian markets continued to dominate the export trade accounting for almost 60% of all export volumes followed by Africa (18%) and Europe (15%). Shipments to America and the Middle East altogether accounted for the balance.

Lower number of harvesting permits issued

One Hundred and Fifty-Five harvesting permits covering a volume of 97,738 cu.m were vetted and processed by the Forestry Commission in 2021. These permits cover harvesting of plantation timbers such as teak, gmelina, cedrela, cassia, ciba, emire, kusia and ofram.

The Forestry Commission Annual Report for 2020 states the total plantations permits vetted and issued for harvesting in 2019 was one hundred and ninety-nine for 88,150 cu.m. Comparing the two years, the number of permits granted in 2021 declined while the volume allocated increased by 11%.

The Annual Allowable Cut (AAC) from the country’s natural forests is 1 million cu.m, this excludes the harvest from savannah and plantation resources.

The AAC is sub-divided into 500,000 cu.m for on-reserve forest sources and 500,000 cu.m for off-reserve forest sources (remnant forest). The level of the ACC was set after an assessment of the country’s sustainable timber stock.

See: https://fcghana.org/wp-content/uploads/2022/07/2020-FC-ANNUAL-REPORT-FINAL.pdf

Producer price inflation for manufacturing sector over 50%

The Producer Price Inflation (PPI) for June 2022 was 38% a rise on the level in May according to the Ghana Statistical Service.

The PPI for the manufacturing sub-sector for June this year was 51.8%, the highest among the the various sub-sectors. Manufacturers have been lamenting the unfavourable economic conditions post COVID and made worse by disruptions, the result of the invasion of Ukraine by Russia.

According to the Bank of Ghana’s latest Summary of Economic and Financial Data interest rates remained relatively stable over the past few weeks despite the surge in inflation. The 29.8% inflation for June is the highest since 2003 and was driven by Transport (+41.6%), Gas and Electricity (+38.4%). The report indicated that the Cedi lost 19% in value against the US dollar in seven months in 2022. The average cost of borrowing has risen from 20% in January to 24% in June.

The Public Utilities Regulatory Commission (PURC) has announced that it has deferred the date for the announcement of the new utility tariffs. The PURC had planned to announce the new higher tariffs on 1 July 2022.

Source:
https://www.statsghana.gov.gh/headlines.php?slidelocks=Mzk1ODcxMzA1Ni40NzU=/headlines/05sp8qo7rs

Mid-year budget revises growth ratedown to 3.7%

The Finance Minister, Ken Ofori-Atta has projected the country's 2022 economic growth rate to be 3.7%, down from an earlier rate of 5.8%. The Minister disclosed this when he presented the mid-year budget to parliament.

According to the Minister the revision has become necessary due to global developments which have caused revenue to drop and a surge in inflation. Compounding the problem for the timber industry is the depreciation of the cedi against the dollar, high energy prices and the cost of borrowing.The Finance Minister promised to turn the economy round within the next two and half years.

Source:https://mofep.gov.gh/sites/default/files/budget-statements/2022-Mid-Year-Fiscal-Policy-Review.pdf

Boule export prices

	Euro per cu.m
Black Ofram	330
Black Ofram Kiln dry	420
Niangon	825⬆
Niangon Kiln dry	690

Export rotary veneer prices

Rotary Veneer, FOB	Euro per cu.m	
	CORE (1-1.9 mm)	FACE (>2mm)
Ceiba	380⬆	441
Chenchen	341	612
Ogea	473	590
Essa	489⬆	619
Ofram	350	435

Export sawnwood prices

Ghana sawnwood, FOB	Euro per cu.m	
FAS 25-100mmx150mm up x 2.4m up	Air-dried	Kiln-dried
Afrormosia	860	925
Asanfina	465	564
Ceiba	290	320⬆
Dahoma	422⬆	480⬇
Edinam (mixed redwood)	640	660⬇
Emeri	580	707
African mahogany (Ivorensis)	1,239	841⬆
Makore	560	758⬇
Niangon	646⬆	703⬇
Odum	500	866⬇
Sapele	800	810⬇
Wawa 1C & Select	422	445

Export sliced veneer

Sliced face veneer	FOB Euro per cu.m
Asanfina	1,371
Avodire	2,001⬆
Chenchen	814⬇
Mahogany	1,192⬇
Makore	776⬇
Odum	2,167⬆
Sapele	1,139⬇

Export plywood prices

Plywood, FOB	Euro per cu.m		
BB/CC	Ceiba	Ofram	Asanfina
4mm	392⬆	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

Record high trade in June

Malaysia's total trade recorded double-digit growth of 43% year-on-year in June 2022. Exports increased 39% year-on-year in June, growing for the 22nd consecutive month since September 2020. Imports increased 49% year-on-year.

Malaysian wood product exports rose in the first quarter of 2022 driven by global demand. Exports of wood and wood products in the first quarter this year increased by 8% to RM6.54 billion compared to the RM6.04 billion in the same period in 2021.

Wooden furniture remained the big earner at RM3.1 billion or 47% of Q1 exports followed by plywood with RM896.5 million or 14% and sawntimber, RM640.9 million (9.8%). The top three export destinations were the United States (35%), Japan (15%) and China (9%). Malaysia's exports of wooden furniture were mainly to the United States (59%) followed by Japan (6%) and Singapore (4%).

See:
https://mtc.com.my/images/media/1149/MTC_Press_Release_on_Malaysian_Timber_Industry-s_Q1_2022_Performance_-_31_May_2022.pdf

Creating secure wildlife corridors – the 'Central Forest Spine'

A 'Central Forest Spine Master Plan for Ecological Linkages' a policy for town and rural planning has been approved as a guide for forest management in Peninsular Malaysia. The concept connects eight major forest areas in Kedah, Perak, Kelantan, Terengganu, Pahang, Johor, Selangor and Negeri Sembilan. This plan also identified ecological linkages to connect forest areas or forest islands which were separated due to forest fragmentationand are aimed at reducing human-wildlife conflict by creating secure wildlife corridors.

See: https://www.ic-centralforestspine.com.my/central-forest-spine/

Johor furniture makers short of workers

Johor state, the country's largest furniture producer, is facing a shortage of workers in the industry, not only in production but also the supervisory and mid-level managerial roles. The issue of a shortage of foreign workers persists and many Malaysian workers prefer to work in nearby Singapore.

See:
https://www.thestar.com.my/news/nation/2022/07/18/double-blow-for-furniture-makers

Sarawak to create new bamboo resource

Sarawak will create a commercial bamboo resource to support the development of bamboo-related industries. The target is to plant at least 20,000 ha. of bamboo which, it is anticipated, could generate RM200 mil. in export earnings by 2030 according to Sarawak Timber Industry Development Corp (STIDC).

The aim is to attract investment in bamboo industries such as charcoal, pharmaceuticals, cosmetics, textiles, pulp and paper, food, handicraft and engineered bamboo products.

See: https://www.thestar.com.my/business/business-news/2022/07/25/sarawak-embarks-on-bamboo-plantation

Exports of wood products

(million RM)	Jan – Apr 2021	Jan – Apr 2022
Wooden furniture	4,151.71	4,259.38
Plywood	987.21	1,245.82
Sawnwood	859.21	931.96
Builders Joinery	386.58	459.24
Mouldings	270.60	317.45
Fibreboard	240.28	315.82
Logs	182.53	164.33
Particleboard	99.13	114.41
Veneer	32.82	27.44
Other products	1,070.88	1,268.92
Total	8,280.95	9,104.77

Data source: MTIB

Plywood export prices

Plywood traders based in Sarawak reported following export prices:

FB (overlay)	US$1,200 C&F
CP (3' x 6')	US$795 C&F
UCP (3' x 6')	US$855 C&F
Middle East	
DBBCC	US$580 FOB
UTY grade 9 mm and up	US$560 FOB
S. Korea	US$550 C&F
Hong Kong	US$530 FOB

Indonesia

Disrupted global economies but wood product exports still positive

Despite the current global issues due to the prolonged Covid-19 pandemic and the continued aggression by Russia in Ukraine, wood product exports are encouraging. As of June wood product exports totalled US$7.06 billion, an increase of 11% year on year.

The performance up to June was driven by exports of three products, paper, woodbased panels and pulp.

The value of paper product exports was US$2.05 billion (up 6.4% YoY), woodbased panels at US$1.66 billion (up 27% YoY) and pulp at US$1.56 billion. The other product recording growth was prefabricated buildings. The slowest growth was recorded for joinery products.

The upstream sector also experienced a positive trend. Production of logs from natural forests, plantation forests and Perhutani managed areas increased slightly. Until June log production from natural forests was 2.30 million cu.m,, an increase of 0.2% year on year. Log production from plantation forests was 22.44 million cu.m,, up 2.2%.

See: https://forestinsights.id/2022/07/16/ekonomi-global-bergejolak-ekspor-produk-kayu-indonesia-masih-catat-tren-positif/

Breakthrough in exports of Lightwood products

The Minister of Trade, Zulkifli Hasan, said he applauds the efforts being made by the Indonesian Light Wood Association (ILWA) to improve exports through collaboration with a light wood processing company in Austria.

ILWA will work to increase the added value of light wood products through capacity expansion, product adaptation/innovation and technology utilisation.

In 2021 Indonesia's exports of light wood products (plywood and flooring) totalled US$3.2 billion or 45% of Indonesia's total exports of wood products. Indonesia's wood product exports in 2021 reached US$7.94 billion, an increase of 31% compared to the previous year.

See: https://wartaekonomi.co.id/read431253/tingkatkan-kinerja-ekspor-produk-kayu-ringan-mendag-zulkifli-hasan-dukung-terobosan-ilwa

'Redefine, Inspire, Innovation' theme for IFEX 2022

The Indonesian Furniture and Handicraft Industry Association (HIMKI) and Dyandra Promosindo, a leading professional exhibition organiser, are preparing to stage Indonesia's largest B2B furniture and craft exhibition, 'Indonesia International Furniture Expo' (IFEX) 2022 on 18-21 August. Abdul Sobur, chairman of HIMKI, said more than 200 exhibitors (more than 95% of the target exhibitors) will participate in this year's show. The theme for the exhibition is 'Redefine, Inspire, Innovation' and the aim is to redefine the concept of furniture and handicraft products for the international market, inspire local products to compete in the global market and present the latest innovations in furniture and handicraft products.

Indonesian exports of furniture and handicrafts in 2021 were recorded at US$3.46 bil. Up 27% year on year.

See:
https://www.furniturenews.net/events/articles/2022/08/18/32278579-indonesian-exhibition-set-galvanise-local-industry
and
https://ifexindonesia.com/

'NeXT Forest' a technology for peat-forest management

Sumitomo Forestry Co., Ltd. and the IHI Corporation have joined forces to introduce satellite technology via 'NeXT Forest' a project that can guide companies holding Forest Utilisation Permits (PBPH) and oil palm plantations to address the challenges of managing peatlands and tropical forests. The Director General of Sustainable Forest Management at the Ministry of Environment and Forestry (KLHK), Agus Justianto, indicated that he hopes NeXT Forest can support Indonesia's FOLU Net Sink 2030.

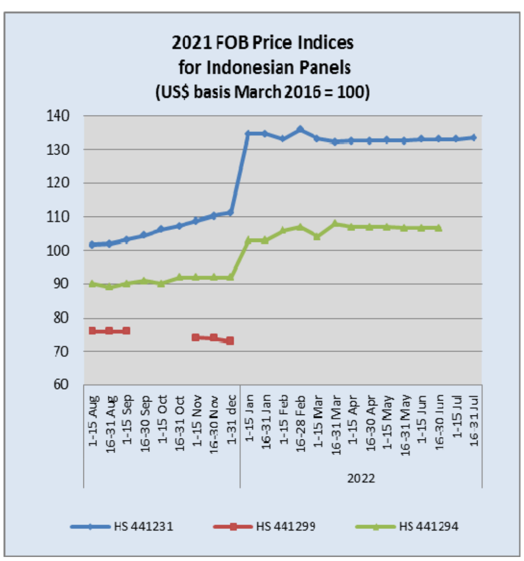
'NeXT Forest' combines Sumitomo's Forestry experience and knowledge of best practices in peat management with satellite technology and weather monitoring system developed by a leading Japanese company, IHI Corporation. NeXT Forest is a tool for oil palm plantation and peatland forest managers and is able to monitor the health of the forest and will support the development of Indonesia's carbon credit market.

See: https://agroindonesia.co.id/sumitomo-forestry-ihi-corporation-perkenalkan-next-forest-tawarkan-solusi-pengelolaan-hutan-gambut-berkelanjutan/
and
https://www.ihi.co.jp/csr/english/nextforest/

Young forest rangers have crucial role in forestry sector: ministry

Bambang Hendroyono, ,Secretary General of the Ministry of Environment and Forestry said young forest rangers who contribute to the management of forests have an important role in the forestry sector. He encouraged young foresters to become initiators, actors, motivators, catalysts and even educators in promoting forestry development. In this quickly changing world imaginative leadership is needed in all sectors and levels of organisations including the forestry sector, he said.

See: https://en.antaranews.com/news/239945/young-forest-rangers-have-crucial-role-in-forestry-sector-ministry



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

Myanmar

Timber drops from list of major exports

Exports of agricultural products earned US$4,624 million in fiscal 2020-2021. The main products were rice, broken rice, beans and pulses. Despite of the depreciation of MMK, exporters did not enjoy a rise in income as earnings had to be exchanged for local currency at the fixed rate of 1850 MMK. In the unofficial market the dollar earns MMK2,500 MMK.

Timber exports were previously among the top three export products since 2000 but the ranking declined from 2014 when the log export ban was introduced. Before 2014 timber exports were worth over US$500 million annually.

Ways to increase foreign reserve holdings

It has been confirmed that the Central Bank ordered the Myanma Timber Enterprise (MTE) to conduct its sales in local currency (MMK) and also to accept the MMK at a fixed exchange rate of MMK1,850 per dollar for logs sold prior the new regulation. Timber exporters are less impacted compared to importers in other sectors relying on imported raw materials, prices of which increased by 40 to 60%.

It is also learnt that the Forest Joint Venture Corporation, an economic institution with a large the government shareholding, has been required to convert its US$ holdings to MMK. According to information from the last General Assembly, FJVC had around US$16-18 million in cash deposits. This new exchange regulation resulted in the FJVC to lose about MMK10 billion because of the government fixed exchange rate.

Currency chaos continues

In a recent press conference a Deputy Minister in the government stated that the government has considerable foreign reserve and there is no possibility of state bankruptcy like Sri Lanka. Despite of these assurances demand for the US dollar is growing as a result of the alarming rate of depreciation rate of MMK.

Recently, the Ministry of Trade said that import license will only be issued if the importer buy dollars from the bank. The result of this is that prices have shot up. For example prices for medicines have increased at 25 to 50% and many essential drugs are no longer avaialble.

In a recent move, the Central Bank has ordered companies and individual borrowers to suspend repayment of foreign loans as foreign reserves fall. In a related development, the Central Bank ordered companies with up to 35% foreign ownership to convert foreign exchange holdings into the local currency.

Myanmar GDP at bottom of ASEAN

Singapore is ASEAN's richest country with a GDP per capita of US$65,233 while Myanmar is at the bottom in ASEAN. Brunei and Malaysia are the second and the third-richest countries with per capita GDP of US$31,087 and US$11,414.

By contrast, Myanmar is among the poorest country in the region, with a GDP per capita of US$1,408. East Timor and Cambodia also have a GDP per capita of less than US$2,000.

India

More trade with Russia

The Reserve Bank of India (RBI) has endorsed use of the rupee for international settlements which will likely increase Russia-Indian trade. Indian imports from Russia jumped 272% in the April-May period this year as Russian companies search for alternative markets.

The Russian oil and gas sectors have been the main exporters to India but it is reported the two countries are seeking ways to diversify trade beyond the traditional areas. India is looking at expanding into new areas such as coking coal, timber, LNG and agricultural products.

See: https://www.russia-briefing.com/news/why-russian-exporters-should-be-looking-to-the-india-consumer-market-for-diversifying-trade.html/

Rising interest rates dampen consumer sentiment

There were signs in June that economic activity was slowing as price increases, rising interest rates and a weakening rupee dampened consumer sentiment. Pent-up demand drove an economic revival but now rising prices are biting. The RBI raised rates recently to slow price growth and is likely to raise rates when it meets again.

See:
https://economictimes.indiatimes.com/news/economy/indicators/indias-economic-recovery-falters-as-high-prices-start-to-bite/articleshow/93015250.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

In mid July the rupee fell to an all-time low of 80.05 against the US dollar. This has pushed up import costs which are hard to pass on currently.

See: https://www.outlookindia.com/business/rupee-below-80-at-what-level-will-it-become-unsustainable-for-indian-economy--news-209585

Declining investment in real estate

As prospects for continued growth in the short term have weaked institutional investments in the Indian real estate sector has fallen. In the second quarter of this year there was a 27% year on year drop in total investments. In the office segment there was an increase in investment but it was the lower investment in the housing segment that pulled down the overall figure.

See: https://www.jll.co.in/en/trends-and-insights/research/pulse-real-estate-monthly-monitor-may-2022

Plywood market sluggish

The slowing of economic growth has impacted sales of wood products and the plywood sector has been affected. Weak sentiment, a reaction to steep inflation, rising costs and labour shortages are major issues. Recent efforts to raise plywood prices have met with little success especially by small producers which need to sustain sales in a down market.

A PlyReporter "Market Sentiment Survey" found that major plywood sales in the tier three cities have been performing well for plywood and laminates thanks to various projects and steady demand for furniture. PlyReporter foresees a pickup in sales during June-July and that the resumption of work-in-office will help drive sales.

See: https://www.plyreporter.com/article/93087/plywood-demand-remain-to-be-sluggish

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	328-520	-
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 free of local taxes.

Domestic ex-warehouse prices for locally manufactured WBP plywood

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

Domestic ex-warehouse prices for locally manufactured MR plywood

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

Vietnam

Wood and wood product (W&WP) trade highlights

Export earnings from W&WPs in June 2022 reached US$1.4 billion, down 10.9% compared to June 2021. Of this WP exports reached US$ 936.5 million, down 25% compared to June 2021. For the first 6 months of 2022 W&WP exports reached US$8.4 billion, up 1.7% over the same period in 2021.

The W&WP exports to Japan in June 2022 reached US$166 million, up 3% compared to June 2021. In the first half of 2022 W&WP exports to Japan reached US$844.3 million. a rise of almost 20% over the same period in 2021.

In June 2022 exports of wooden bedroom furniture earned US$205.2 million, down 12% compared to June 2021. In the first 6 months of 2022 earnings from the export of wooden bedroom furniture reached US$1.28 billion, up 3.4% over the same period in 2021.

W&WP imports in June 2022 reached US$303 million, down 5.4% compared to May 2022 but compared to June 2021 it increased by 13%. In the first 6 months of 2022 imports reached US$1,577 billion, up 2.0% over the same period in 2021.

Vietnam's imports of ash wood in June 2022 are estimated at 36,700 cu.m, worth US$8.8 million, down 2% in volume and 5.4% in value compared to May 2022. Compared to June 2021 imports were up 7.4% in volume and 8.8% in value.

Imports of logs and sawnwood from the US in May 2022 reached 56,310 cu.m, worth US$28.54 million, up 33.8% in volume and 35.6% in value compared to April 2022 but down 2.3% in volume, but up 11.0% in value compared to May 2021.

In general, in the first 5 months of 2022 imports of logs and sawnwood from the US reached 211,285 cu.m, worth US$102.01 million, down 33.9% in volume and 21% in value over the same period in 2021.

W&WP exports to Japan surging

W&WP exports to Japan in June 2022 reached US$166 million, up 34.9% compared to June 2021. In the first half of 2022 exports to Japan totalled at US$844.3 million, up 20% over the same period in 2021.

Exports of woodchips, wood-based panels, flooring, wooden doors and handicrafts increased sharply in May 2022 leading to a significant increase exports to Japan.

Wooden furniture was the second largest export group to Japan in the first 5 months of 2022 and were worth US$ 226.8 million, up 1.3% over the same period last year.

Demand for wooden furniture in Japan has always been high. In the global market Japan is the 5th largest import market after the US, EU, UK and Canada. Japan's import of wooden furniture in the first 5 months of 2022, reached 330,000 tonnes worth 23.2 billion yen , down 8% in volume but up 11% in value over the same period in 2021.

Japan imported the largest volume of wooden furniture from China reaching 150,100 tonnes worth 58.7 billion yen, down 8.5% in volume and 10.5% in value over the same period in 2021.

This was followed by imports from Vietnam reaching 84,400 tonnes, worth 29.7 billion yen, down 7.9% in volume but up 13.4% in value over the same period in 2021.

Amongst the range of wooden furniture exported from Vietnam to Japan in the first 5 months of 2022 living-room and dining-room furniture accounted for 21% , bedroom furniture (34%), wooden seats (25%), kitchen furniture (49%) and the balance was mainly office furniture.

Vietnamese manufacturers exporting to Japan enjoy the advantage of tax reductions under the free trade agreements to which Vietnam and Japan are signatories, such as Vietnam - Japan Economic Partnership Agreement (VJEPA), ASEAN - Japan Comprehensive Economic Partnership (AJCEP), Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), Regional Comprehensive Economic Partnership Agreement (RCEP).

Ash wood imports in the first 6 months of 2022

In the first 6 months of 2022, ash wood imports amounted to 195,400 cu.m, worth US$45.9 million, down 21.6% in volume and 22.2% in value year on year.

Imports of ash from the EU were the largest reaching 152,200 cu.m, worth US$34.5 million down 21.5% in volume and 23.8% in value over the same period in 2021. Imports from Belgium decreased by 29%; France down by 7%; the Netherlands dropped by 18%; Denmark fell by 22%; Croatia minus 9% against the same period in 2021.

Ash imported from the US accounted for 1.4% of total imports, reaching 2,300 cu.m, worth US$1.5 million, down 72% in volume and 51% in value over the same period in 2021. The average import price of ash logs in the first 5 months of 2022 was US$ 234/cu.m, down 1.3% over the same period in 2021.

Wood imports from the US regaining growth

Following many months of decline Vietnam's imports of logs and sawnwood from the US have increased. Imports of log and sawnwood from the US in June 2022 increased for the 4th consecutive month reaching 78,000 cu.m.

In the first 6 months of 2022 imports of logs and sawnwood from the US were estimated at 289,285 cu.m, with the value of US140.01 million, down 23% in volume and 9% in value over the same period in 2021.

To assure the legality of exported wood products in line with VPA/FLEGT requirements Vietnam needs a large quantity of wood imported from low-risk sources such as the US. To satisfy the demands of certain groups of US customers Vietnamese furniture manufacturers have been using American wood to produce furniture for export to the US market. With the lower price of sawnwood sourced in the US imports of log and sawnwood from the US are expected to rise further.

In the first 5 months of 2022, the average price of imported sawnwood from the US was US$645/cu.m, up by 48% over the same period in 2021.

Doubts raised on timber company growth prospects

Wood products sales are rising bringing some relief to manufacturers. However, skyrocketing prices of raw materials and logistic costs will weigh on profits this year.

VNDIRECT Securities Corporation estimated that the total revenue of listed wood and wood products companies in the first quarter (Q1) of 2022 rose by 10.2% year-on-year thanks to the recovery of wood product manufacturers in the south.

After the social distancing order was lifted most wood product manufacturers in the southern region resumed operations at 90% capacity in the first quarter of 2022, in the second half of 2021 it was only 60-65%.

The Market research and consulting firm Grand View Research forecast that the US wooden furniture market value would grow by around 7.9% over the five years from 2022 to 2027 driven by significant growth in single-family houses, while home loans in the US are at the highest level since 2018, with home loan contracts up 8% over last year in April.

Analysts expected that high demand for housing in the US would boost the purchase of wooden furniture products and that Vietnam's timber industry could benefit from China's reduction in production capacity.

Despite countries around the world easing COVID measures, China continued to pursue the zero COVID policy with prolonged lockdowns in many areas such as Jiangsu, Jilin, Guangdong and Shanghai. It has been reported that three of the ten largest wood manufacturers in China have had to close factories in Shanghai and Jiangsu due to the impact of COVID-19.

The securities firm forecast that the real estate market would witness a recovery in the supply side in 2022 as developers would focus on boosting sales to improve cash flow. This was reflected in the prospects of strong growth in sales of listed real estate companies this year.

VNDIRECT believes that the profit margins of wood and furniture companies in 2022 would be affected as the supply shortage would continue to push up the price of wood materials. This year the gross profit margin of wood and furniture companies would continue to fall 0.4-0.6 percentage points, VNDIRECT said.

Container shipping costs have increased from US$1,00 per 40ft container (Shanghai-Los Angeles route) in July 2019 to nearly US$8,850 per 40ft container in March, six times higher over five years.

Although transportation costs have shown signs of cooling in April, down 10% from the previous month, the securities company still expected that logistics costs would remain at a high level.

See: https://en.vietnamplus.vn/rising-costs-cast-doubt-on-wood-companies-growth-prospects/231868.vnp

Investigation into Vietnam's export of wooden cabinets

The Vietnam Timber and Forest Products Association said the US Department of Commerce (DoC) had notified Vietnamese authorities of an application to investigate suspicions of trade remedy tax evasion on wooden cabinets imported from Vietnam and Malaysia.

The products proposed for investigation is wooden cabinets with HS codes 9403.40.9060, 9403.60.8081 and 8403.90.7080. The plaintiff is the American Kitchen Cabinet Alliance representing a number of US wood cabinet manufacturers.

According to the Association the US issued an order to impose anti-dumping and anti-subsidy taxes on the same products originating from China in February 2020. Since then exports of these products from China to the US have plummeted by 54%. Regarding other imported timber products from Vietnam, the DoC announced an extension of the time to issue the final conclusion on the anti-dumping and anti-subsidy tax evasion investigation case with hardwood plywood from Vietnam.

The DoC is expected to issue its final conclusion on October 17, 2022, instead of April 20, 2022, as previously announced. This is the DoC's third renewal of this content.

See: https://vietnamnews.vn/economy/1190387/us-initiates-an-investigation-into-viet-nam-s-export-of-wooden-cabinets.html

Brazil

Proposals for forest preservation in the Northern Region

An expert group for the Amazonia Que Eu Quero (The Amazon I Want) released ten suggestions to address the problems debated in the 'Forests' forum according to the Amazon Network Foundation (FRAM).

The proposals will be included in an agenda with all the others from the five forums; Infrastructure, Clean Energy, Economic Model in the Amazon, Entrepreneurship and Forests, which will be delivered in September 2022 to the Brazilian Congress.

The proposals on forests include the need to value the cultural and economic practices in forest use, strengthen governance, provide resources for R&D, encourage start-ups and company investment, correctly value standing forests, improve production chains and foster public policies for the sustainable multiple use of forest resources.

The objective of the ''Amazônia Que Eu Quero'' initiative is to expand the capacity for analysis of the population of the Northern region by gathering information on public management. The project is developed in the states of Amazonas, Acre, Amapá, Rondônia and Roraima.

See:
https://g1.globo.com/am/amazonas/noticia/2022/07/19/amazonia-que-eu-quero-divulga-10-propostas-de-preservacao-de-florestas-da-regiao-norte.ghtml

National leader in wooden furniture exports

The State leader for exports of wooden furniture, the Santa Catarina furniture industry, achieved earnings of US$166.3 million in exports in the first half of 2022, an almost 5% increase in comparison with the same period in 2021.

The United States was the main destination for Santa Catarina furniture exports with a 58% share followed by the United Kingdom with 9% and France with a 6%. Among the Santa Catarina products sold abroad, the highlight is the wooden furniture. Manufacturers in the State have a competitive furniture industry. The sector has great opportunities to advance in the domestic and international markets by adding value to its products according to the Industry Federation of Santa Catarina (FIESC).

Industrial production of wood products increased almost 5% May 2022 compared to April 2022, this was higher than the national average of 3.2% according to FIESC.
The pace of growth also genered new formal jobs. Between January to May this year the timber and furniture sectors generated 2,800 new jobs.

See: https://visornoticias.com.br/santa-catarina-ja-exportou-mais-de-r900-milhoes-em-moveis-de-madeira-em-2022/

Export update

In June 2022 Brazilian exports of wood-based products (except pulp and paper) increased 222% in value compared to June 2021, from US$395.8 million to US$483.5 million.

Pine sawnwood exports grew 14% in value between June 2021 (US$66.6 million) and June 2022 (US$75.8 million). In terms of volume, exports declined 5% over the same period, from 278,700 cu.m to 264,700 cu.m.

Tropical sawnwood exports increased significantly rising 41% in volume, from 40,000 cu.m in June 2021 to 56,300 cu.m in June 2022. In terms of value, exports grew 91% from US$14.1 million to US$26.9 million over the same period.

Pine plywood exports faced a 29.9% decrease in value in June 2022 compared to June 2021, from US$138.4 million to US$97.0 million. In volume, exports also decreased 7.5% over the same period, from 239,800 cu.m to 221,800 cu.m.

As for tropical plywood, exports increased in volume (3.8%) and in value (25.0%), from 5,300 cu.m (US$2.8 million) in June 2021 to 5,500 cu.m (US$3.5 million) in June 2022.

As for wooden furniture export earnings dropped from US$62.5 million in June 2021 to US$59.3 million in June 2022, a 5% decline.

Participation in Argentine furniture fair

In order to foster trade partnerships with Argentina the 'Orchestra Brazil' project managed by the Furniture Industry Union of Bento Gonçalves (Sindmóveis) with support from the Brazilian Agency for Export Promotion and Investment (ApexBrazil) carried 18 companies to the mid July International Wood and Technology Fair (FITECMA) 2022.

As the second largest economy in South America Argentina is one of the main markets for Brazilian furniture industry suppliers, ranking among the main buyers of accessories, components, machinery, tools, finishes, raw materials and technology made in Brazil. In 2021 alone the Brazilian furniture sector exported approximately US$497.3 million to Argentina placing the country in second position among those that most import from Brazil behind only the United States.

See: https://forestnews.com.br/setor-moveleiro-orchestra-brasil-viaja-para-argentina-durante-fitecma/

Furniture sector registers an increase in sales

The furniture industry in the state of Rio Grande do Sul (one of the main furniture clusters in the country) recorded revenues of R$11.2 billion in 2021. Between January and May this year, the industry reported profits of R$ 4.4 billion. The state accounts for a quarter of the furniture sector revenue in Brazil according to the Association of Furniture Industries of Rio Grande do Sul (Movergs).

In 2021 alone 2,623 new jobs were created in the furniture sector in Rio Grande do Sul and a total of US$293 million was earned from exports up significantly on 2020. Between January and April 2022 companies in the state exported US$83.5 million worth of furniture. The five largest importers of Rio Grande do Sul furniture were the United States, Chile, Peru, Uruguay and the United Kingdom.

See:
https://www.jornaldocomercio.com/economia/2022/07/856179-setor-moveleiro-gaucho-registra-faturamento-de-rs-44-bilhoes-entre-janeiro-e-maio.html

Domestic log prices

Brazilian logs, mill yard, domestic	US$ per cu.m
Ipê	370⬆
Jatoba	161⬆
Massaranduba	147⬆
Miiracatiara	146⬆
Angelim Vermelho	144⬆
Mixed redwood and white woods	113⬆

Source: STCP Data Bank

Domestic sawnwood prices

Brazil sawnwood, domestic (Green ex-mill)	US$ per cu.m
Ipé	1,633⬆
Jatoba	800⬆
Massaranduba	787⬆
Muiracatiara	701⬆
Angelim Vermelho	703⬆
Mixed red and white	464⬆
Eucalyptus (AD)	283⬆
Pine (AD)	209⬆
Pine (KD)	260⬆

Source: STCP Data Bank

Domestic plywood prices (excl. taxes)

Parica	US$ per cu.m
4mm WBP	611⬆
10mm WBP	489⬆
15mm WBP	441⬆
4mm MR.	563⬆
10mm MR.	414⬆
15mm MR.	384⬆

Prices do not include taxes. Source: STCP Data Bank

Prices for other panel products

Domestic ex-mill prices	US$ per cu.m
15mm MDParticleboard	3149⬆
15mm MDF	400⬆

Source: STCP Data

Export sawnwood prices

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

Source: STCP Data Bank

Export plywood prices

Pine plywood EU market, FOB	US$ per cu.m
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

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

Source: STCP Data Bank

Peru

Changes to Forestry and Wildlife Law raise concerns

The Congress in Peru Republic recently approved substitute text for Bills 649/2021-CR and 894/2021-CR which modify the Forestry and Wildlife Law (LFFS) No. 29763. According to the government the objective behind the change in text is "promotion of development" during forest zoning processes in different regions of the country.

According to Patricia Torres Muñoz, legal advisor to the Peruvian Society of Environmental Law (SPDA), the new provision would legalise a change of unauthorised land use to land for agricultural purposes and this has raised concerns as this would bypass the mandatory technical evaluation that is required for land use change without evaluation of the impact on the forest and wildlife heritage.

This change also appears to remove the regulatory function of the National Forestry and Wildlife Service (Serfor) in its capacity as the National Forestry and Wildlife Authority.

See: https://agraria.pe/noticias/congreso-aprobo-sin-sustento-tecnico-propuesta-que-debilitar-28636
and
https://agraria.pe/noticias/serfor-alerta-que-cambio-en-clasificacion-de-tierras-y-regla-28672

High fire frequency in some Departments

The National Forest and Wildlife Service (Serfor) has registered 449 forest fire alerts throughout the country of which the Departments of Junín (52), Puno (50) and Ucayali (49) had the highest number.

Serfor’s Functional Satellite Monitoring Unit (UFMS) forwards fire reports to the Regional Forest and Wildlife Authorities so that timely action can be taken to combat the fires.The UFMS also registered a total of 23,283 heat sources throughout the country. Serfor works with satellites such as TERRA, AQUA and SUOMI NPP that provide information on thermal anomalies and has recently incorporated information from the GOES 16 and GOES 17 satellites for the detection of heat sources with hourly updates.

See:https://agraria.pe/noticias/congreso-aprobo-sin-sustento-tecnico-propuesta-que-debilitar-28636
High fire frequency in Junín, Puno and Ucayali departments

In related news, Serfor together with the Regional Governments and the Ministry of Development and Social Inclusion (Midis), have come together with the aim of reducing forest fires that affect wild flora and fauna resources, forests, means of subsistence and the health of inhabitants.

Serfor, together with 15 GORE, developed training on risk management in the event of forest fires that included 26 virtual courses. Some 1,630 representatives of district and provincial municipalities, prefects and sub-prefects, universities and numerous public institutions participated in this training.

In related news, in order to provide technical advice and support the sustainable management of forest resources by the Regional Government of Ucayali Serfor created a Unit Functional Liaison (UFE).

Ucayali is the Department with the highest wood production in the country making it a key region in the management of forest resources and wildlife. The functions of the UFEs are to guide, advise and serve the users of the services provided by the Serfor in forestry and wildlife matters as well as all the dependencies of the Forestry Authority in the region.

See: https://agraria.pe/noticias/congreso-aprobo-sin-sustento-tecnico-propuesta-que-debilitar-28636
High fire frequency in Junín, Puno and Ucayali departments

Peruvian timber exporter in trouble

The Office of the United States Trade Representative has announced that the Interagency Committee on Trade in Timber Products from Peru has directed the United States Customs and Border Protection agency to continue to block any timber imports from a named Peruvian exporter as illegally harvested timber has been identified in its supply chain.

See: https://www.law360.com/articles/1515575/us-continues-barring-illegally-harvested-peruvian-timber
and
https://ajot.com/news/ustr-announces-enforcement-action-to-block-illegal-timber-imports-from-peru

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	593-611

Domestic sawnwood prices

Peru sawnwood, domestic	US$ per cu.m
Mahogany	-
Virola	249-274⬆
Spanish Cedar	343-351⬆
Marupa (simarouba)	242-249⬆

Domestic plywood prices (excl. taxes)

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

Export plywood prices

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

Export veneer prices

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

Domestic prices for other panel products

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

Export prices for added value products

Peru, FOB strips for parquet	US$ per cu.m
Cabreuva/estoraque KD12% S4S, Asian market	1327-1398
Cumaru KD, S4S Swedish market	986-1119
Asian market	1089-1119
Cumaru decking, AD, S4S E4S, US market	1204-1237
Pumaquiro KD Gr. 1, C&B, Mexican market	479-554
Quinilla KD, S4S 2x10x62cm, Asian market	582-611
2x13x75cm, Asian market	774-831

Japan

7th covid wave rewriting infection records

Health authorities across Japan are reporting record high cases of coronavirus with each day bringing a new record. The daily count hit a new high in 17 of Japan's 47 prefectures in mid July. The number of COVID-19 patients recuperating at home across Japan reached a record high of 612,023 on 20 July, double that from a week earlier. Infections continue to spread due to the highly contagious BA.5 sub-variant.

Lower economic growth forecast – Buiness sentiment dips

Uncertainty over the direction of the global economy, blamed on Russia's invasion of Ukraine and China's strict Covid-19 lockdown, has prompted the Japanese government to lower its economic growth forecast for fiscal 2022 to about 2%. This was based on forecasts from the Bank of Japan (BoJ) that lowered growth expectations because of weakness in private consumption.

See https://www.businesstimes.com.sg/government-economy/japan-to-cut-this-fiscal-years-economic-growth-forecast-nikkei

Ultra-low rate policy maintained

The BoJ has maintained its ultra-low rate policy to support economic recovery. This is in contrast to the trend of monetary tightening as other countries report record inflation.

In its Quarterly Outlook Report after its July meeting the BoJ raised its core consumer inflation forecast to 2.3% for fiscal 2022, up from its earlier 1.9%. This takes account of the surging energy and raw materials costs as well as the effect of a weak yen which pushes up import costs.

See:
https://mainichi.jp/english/articles/20220721/p2g/00m/0bu/030000c

In related news, the BoJ raised inflation forecast but maintained its ultra-low interest rate policy saying the economy is still fragile. This came at around the same time the European Central Bank signaled an increase in interest rates to tackle soaring inflation. Rising fuel and commodity costs have lifted inflation in Japan above its 2% target but the BoJ is no rush to withdraw stimulus saying in its quarterly report "We must be vigilant to financial and currency market moves, as well as their impact on the economy and prices."

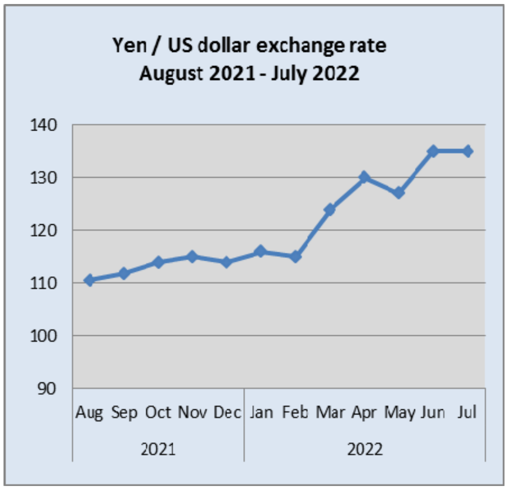
See: https://www.boj.or.jp/en/mopo/outlook/gor2207b.pdf

Weak yen improving Japan's competitive advantage even against China based companies

The yen/dollar exchange rate has jumped from 103 to 135 in less than two years and the July US interest rate hike will drive the yen even lower.

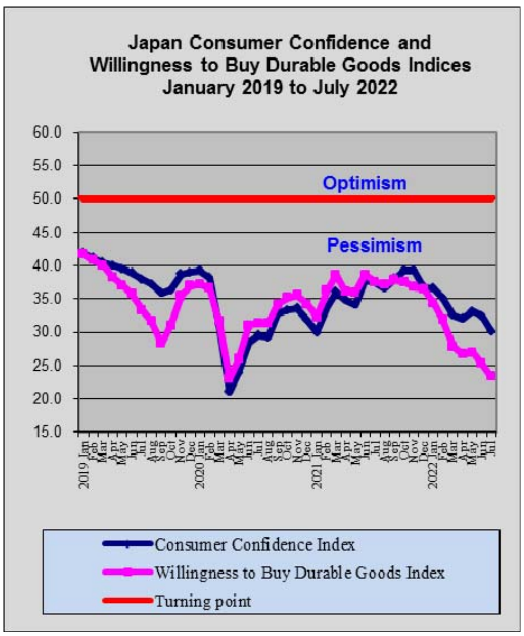
The exchange rate of the yen against the Chinese renminbi is creating a situation in which Japanese corporations are becoming increasingly price competitive even against companies based in China.

See: https://www.etftrends.com/model-portfolio-channel/japans-yen-weakness-has-changed-the-competitive-landscape/



Willingness to buy durable goods at all time low

Households in Japan contine to feel the pressure of rising prices and this, along with the surging rate of covid infections across the country has caused confidence to collapse. The index for willingness to buy durable goods, such as furniture, in June was at an all time low.



Data source: Cabinet Office, Japan

Timber prices soaring – another 'wood shock'

Prices for plywood and sawnwood have risen 10 to 20% in the last three months and this is feeding into the price of new homes. Sawn softwood for construction is in short supply and some in the industry are calling this another 'wood shock'.

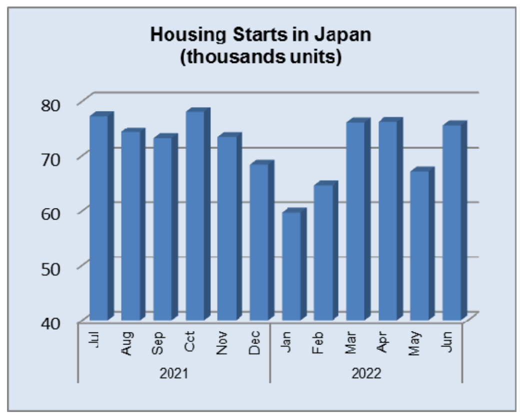
The first wood shock was in the early 1990s, the second in 2000 when logging was restricted in Indonesia. The third is considered to be last year's sawnwood price surge, the result of a rapid recovery in US housing demand. According to the BoJ's corporate goods price index wood product prices rose over 40% year on year in June.

In the face of the rising timber prices there are moves to raise house prices in Japan. In January, Daito Trust Construction raised the price of its homes by 2%. A spokesperson from Sumitomo Forestry is quoted as saying "this is a difficult situation and we are reviewing home prices as necessary."

Attention has turned to domestic timber resources. Currently, planted forests account for 40% of the country's total forests but, according to the Forestry Agency, there is no efficient supply chain in place for the processing and distribution of large volumes of domestic wood.

Small and micro-forestry operators account for 90% of the domestic harvesting and processing industry in Japan and the number of workers in the sector continues to decline. The distribution issues need to be addressed in order for greater use of domestic timber.

See: https://asianews.network/japanese-lumber-prices-soaring-again/



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

June housing starts were up around 12% compared to May. The dip in starts in May was because of the long May holidays. June 2022 stsrts were little changed from June 2021.

Import update

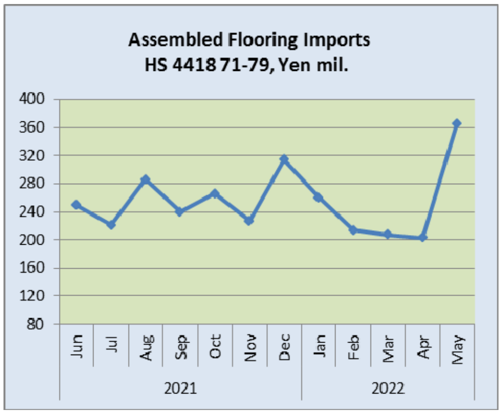
Assembled wooden flooring imports

For three months since the beginning of the year the value in yen of Japan's imports of assembled wooden flooring (HS441871-79) was declining. The decline ended in May when the value of imports shot up, almost doubling. Part of the explanation for this is that the yen has steadily weakened against the dollar and the Chinese yuan.

China is a major shipper of assembled flooring to Japan. However, the exchange rate is only part of the answer, it seems that in May importers anticipated further yen weakness and stocked up early.

Year on year, assembled wooden flooring imports in May 2022 were up around 90% and month on month the value of imports rose 80%.

The main category of assembled flooring imported by Japan continues to be HS441875 and this accounted for 60% of May 2022 imports with the main suppliers being China and Vietnam.

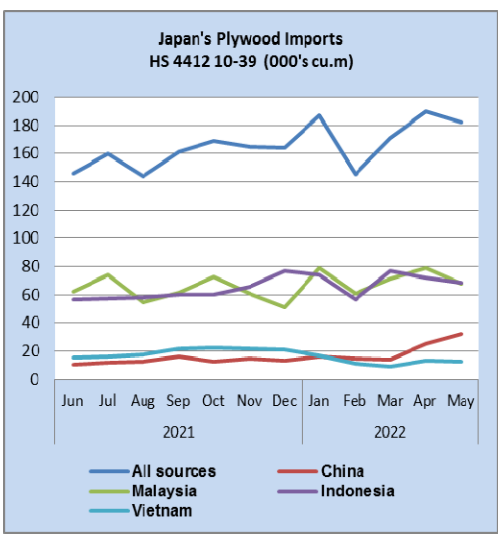


Data source: Ministry of Finance, Japan

Plywood imports

The main news in April was the doubling of plywood imports from China. At 25,000 cu.m April shipments were at a level not seen since 2014/15 and in May the volume of plywood shipments from China increased further. Year on year the volume of May plywood imports from China rose by a factor of 3 to 32,200 cu.m and month on month imports from China jumped by almost 30%.

Malaysia and Indonesia remain the main plywood shippers to Japan but in May this year shipments from both suppliers declined. Of the various categories of plywood imported in May 2022 (as in other months) HS441231 was the most common accounting for almost 90% of total plywood import volumes.



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	32.20	67.2	68.2	12.9

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/

Imported lumber inventory at Tokyo

Imported lumber inventory at Tokyo at the end of June is 192,000 cbms, 8.5% more than May. It is the highest volume in this year and it is 2.1 times of May, 2021. Shipment volume is 67,000 cbms, same volume in previous month and receiving volume is 83,000 cbms, 36.1% more than previous month. The received volume is 16,000 cbms more than shipment.

New contracts and demand are decreasing so it would take time for balancing the inventory. The inventory of North American lumber is 54,000 cbms, 8% increased from last month. European lumber is 59,000 cbms, 3.5% increased from last month. Russian lumber is 41,000 cbms, 24.2% increased from last month. Chinese and other lumber are 30,000 cbms, 3.4% more than previous month.

Wooden boards are 9,000 cbms and it is same volume in May. Compare to June, 2021, the inventory of North American lumber doubled in volume.
European lumber is 2.6 times more. Russian lumber is 2.3 times more. North American and European lumber are 1.6 times from the volume of June, 2020.

Receiving volume of North American lumber in June is 21,000 cbms, 90.9% more than May. European lumber is 21,000 cbms, 16.7% more than previous month. Russian lumber is 22,000 cbms, 100% more than previous month. One of reasons is that the North American lumber, which was supposed to arrive in Japan in July, arrived in June by two bulk ships. It was 13,000 cbms.

The other reason is that a large amount of Russian lumber, which were contracted in the past, arrived in Japan. Since the lockdown in China is lifted, a lot of European lumber piled up in China arrived in Japan. The receiving volume in July will be 14,000 cbms, 33.3% less than June. Russian lumber will be 13,000 cbms, 40.9% less than June. European lumber will be 16,000 cbms, 23.8% less than June.

Receiving volume of North American lumber in January to June, 2022 is 112,000 cbms, 13.1% more than same periods of 2021 and shipment volume is 116,000 cbms, 24.7% more than same periods in 2021. The shipment exceeded 3.6% of receiving. The inventory decreased 2,000 cbms from December, 2021.

European lumber in January to June, 2022 is 132,000 cbms, 46.7% increased from same periods in last year and shipment volume is 119,000 cbms, 40% more than same periods in 2021.

The inventory is 14,000 cbms more than December, 2021. Russian lumber in January to June, 2021 is 98,000 cbms, 14% more than same periods in 2021 and shipment volume is 85,000 cbms, 16.4% more than same periods in 2021.

Receiving is 15.3% more than shipment. The inventory is 13,000 cbms more than December, 2021. Total receiving volume in July will be 59,000 cbms, 28.9% less than June. The inventory at the end of July will be 187,000 cbms. However, the inventory might be 190,000 cbms if the shipment volume would be 2,000 cbms.

Forestry Agency changes hiring policy

The Forestry Agency starts accepting female and foreign workers for forestry work. It plans to secure more workers for replantation and nurturing young trees. Number of forestry business ompany continues declining and majority is small, petty companies.

Harvest has been increasing but only 30% of logged off areas are replanted with workers of replanting and nurturing have been steeply decreasing and it is urgent matter to secure such workers. Presupposition is to provide working condition and safety other industries are providing and to improve stability of workers, it should offer weekly holidays, monthly salary, providing social insurance and give fair evaluation to ability.

Stability of newly hired workers after seven years is less than 50% and labor hazard is more than ten times of other industries so establishing safety measure is also urgent matter. Main points are to hire female, aged and handicapped workers plus to hire foreign workers.

Now in technical learning, foreign workers are allowed to work only one year but in other industries like farming and fishing. Foreign workers are allowed for three years so the Forestry Agency is trying to change the system

Domestic logs

Demand and supply of domestic logs are not lively. The prices are still high but not as high as last year.Cypress logs cost 40,000 – 50,000 yen delivered per cbm in last year but they are now under 30,000 yen delivered per cbm.

Cedar logs cost 30,000 yen delivered per cbm in last year and they are under 20,000 yen delivered per cbm in this year. It was a very short rainy season in this year so there are enough logs.

On the other hand, a movement of domestic lumber was slow in June so demand for logs is not so active. 3 meter cypress logs for posts are around 25,000 yen delivered per cbm and 4 meter cypress logs for sill are around 24,000 yen delivered per cbm. The lowest price is under 20,000 yen in some areas.

3 meter cedar logs for posts are 16,000 – 17,000 yen delivered per cbm in main producing districts. There are 20,000 yen in other areas.

Requests for cedar logs are stronger than 3 m cypress logs. 3.65 – 4 m cedar logs are not really in demand and the prices are 13,000 – 14,000 yen delivered per cbm.

There is no hope for the prices decreasing like before the wood shock because some plywood companies could not buy Russian veneers. However, logging companies are ready to continue harvesting the trees so the future prices are unpredictable.

Chinese softwood plywood
The volume of Chinese softwood plywood has been increasing. It was 19,000 cbms in May and it was 60.3% more than April. This was because of a shortage of domestic plywood. However, a shortage of domestic plywood is now solved slightly and there are less orders for Chinese softwood plywood recently.

One of reasons is the quality of Chinese softwood plywood. Sometimes there are uneven thickness or holes on plywood. Since Japanese companies do not order new plywood, Chinese companies started cutting the prices. It was 2,300 yen delivered per sheet at the peak and now it is 1,950 yen delivered per sheet. The price of domestic softwood plywood for 12mm thickness 3 x 6 is stable at 2,000 yen.

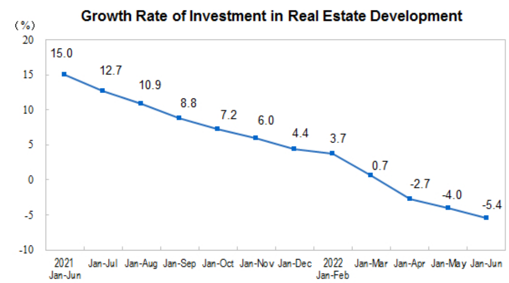
South Sea lumber
Lumber demand for steel and shipbuilding is active but there is not enough imported lumber so inquiries on domestic made lumber is active.

Market prices of laminated free board continue climbing. Export prices of Indonesian mercusii pine lumber are US$950 per CBM C&F and Chinese red pine lumber are US$1,020-1,050 per cbm C&F, both are unchanged from June but the market prices in Japan are being pushed up with weak yen so mercusii pine lumber prices are 138,000 yen per cbm FOB truck and Chinese red pine lumber prices are 143,000 yen, both are 5,000 yen up.

Mercusii pine log supply in Indonesia is steady and lumber production is active particularly high grade but Japanese demand concentrates in lower grade products. products only so new purchase is going slow.

China

National real estate development January to June 2022
Data from the National Bureau of Statistics of China shows that in the first six months of 2022 national real estate development investment was down 5.4% year on year with residential investment dropping 4.5%.



Between January and June this year the area under development was down 2.8% year on year and the area of residential construction was down 2.9%. Housing completions were down 21.5% with completed residential building being down 20.6% year on year.

See:
http://www.stats.gov.cn/english/PressRelease/202207/t20220718_1886646.html

Decline in sawnwood imports in 2021
Sawnwood imports totalled 28.84 million cubic metres valued at US$7.86 billion in 2021, down 16% in volume but up 3% in value year on year.

Data source: Customs, China

Sharp decline in sawnwood imports from Ukraine
In the first five months of 2022 China's sawnwood imports totalled 10.78 million cubic metres valued at US$3.129, down 6% in volume but up 8% in value.

China's sawnwood imports from Ukraine fell 66% to 160,000 cubic metres and the import value fell 58% to US$37 million in the first five months of 2022.

Russia, as the largest provider of China's sawnwood imports, saw its exports to China drop 4% to 4.9 million cubic metres in the first five months of 2022.

However, Thailand, as the second largest supplier of sawnwood to China, saw its export volume and value rise 16% and 6% respectively in the first five months of 2022.

Surge in sawnwood imports from Austria

China's sawnwood imports from Austria surged 162% to 120,000 cubic metres, valued at US$17 million, up 39% in the first five months of 2022.

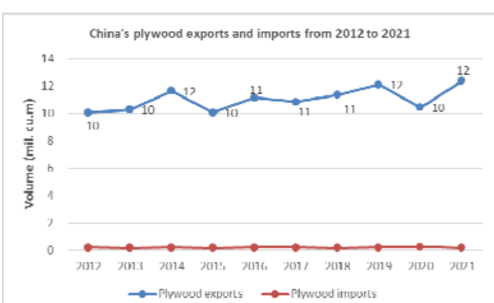
	Volume (mil.cu.m)	% change	Value (mil.$)	% change
Total	10.78	-6%	3,129	8%
Russia	4.9	-4%	1,141	14%
Thailand	1.73	16%	430	6%
Canada	0.64	-16%	192	9%
USA	0.48	-17%	380	7%
Finland	0.37	18%	103	43%
Germany	0.28	-0.3%	84	15%
Philippines	0.27	20%	24	22%
Sweden	0.25	31%	68	50%
Gabon	0.25	3%	104	5%
Belarus	0.18	-10%	43	7%
Ukraine	0.16	-66%	37	-58%
Romania	0.13	-6%	59	20%
Austria	0.12	162%	17	39%

Data source: Customs, China

Strong plywood exports continue

Plywood exports steadily increased between 2012 to 2021. China's plywood exports rose 23% from 10 million cubic metres in 2012 to 12 million cubic metres in 2021. China's plywood exports in 2021 rose 19% to 12.35 million cubic metres year on year.

In contrast, China's plywood imports show an overall declining trend as imports fell 10% from 180,000 cubic metres in 2012 to 160,000 cubic metres in 2021. China's plywood imports in 2021 declined 29% to 160,000 cubic year on year.



Data source: Customs, China

Rise in China's 2022 plywood exports

According to China Customs, plywood exports were 4.80 million cubic metres valued at US$2.481 billion, up 6% in volume and 22% in value in the first five months of 2022. The reason for the increase due to sales to Japan, UAE, Saudi Arabia, Mexico, Australia and Canada. (up 19%, 20%, 82%, 33%, 60%, 56% and 18%) in the first five months of 2022.

However, China's plywood exports to the Philippines, UK, USA and Vietnam declined 21%, 3%, 27% and 14% in the first five months of 2022.

The markets for China's plywood exports are diverse and the top 11 markets account for just 50% of total exports.

Main destination for China's plywood exports, first five months of 2022

	Volume (mil.cu.m)	% change	Value (mil. US$)	% change
Total	4,795	6%	2,481	22%
Philippines	403	-21%	171	-12%
UK	343	-3%	167	9%
Japan	292	19%	177	57%
UAE	244	20%	95	50%
Saudi Arabia	230	82%	86	109%
Belgium	195	33%	117	32%
USA	190	-27%	179	25%
Vietnam	180	-41%	85	-31%
Mexico	167	60%	87	85%
Australia	155	56%	131	62%
Canada	149	18%	145	31%

Data source: Customs, China

Accelerated construction of timber trading centre for One Belt and One Road

A timber trading centre is being established in the Xi'an international port to take advantage of Xi 'an's location with the China-Europe Express. The advantages identified include stable, efficient and convenient international railway logistics and developed industrial projects.

On completion this centreis expected to have a cargo capacity exceeding 1 million cubic metres, at the same time more than 600 jobs can be created. The centre will play a strong role in improving people's livelihood and promoting the development of the forestry industry.

Average imported log prices US$/cu.m CIF

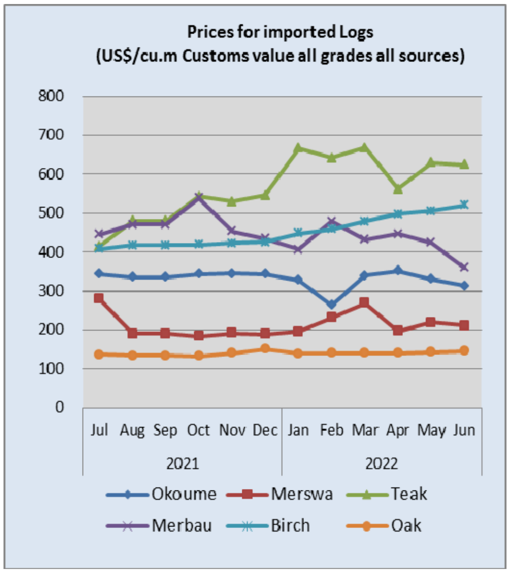
	2022 May	2022 Jun
Okoume	330	313
Merswa	219	211
Teak	630	624
Merbau	424	359
Birch	505	520
Oak	143	146

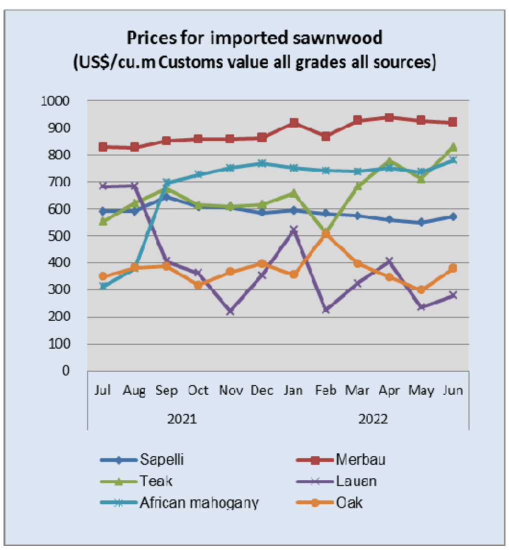
Data source: Customs, China

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

	2022 May	2022 Jun
Sapelli	550	571
Merbau	927	920
Teak	711	828
Lauan	235	279
African mahogany	737	779
Oak	299	380

Data source: Customs, China





Europe

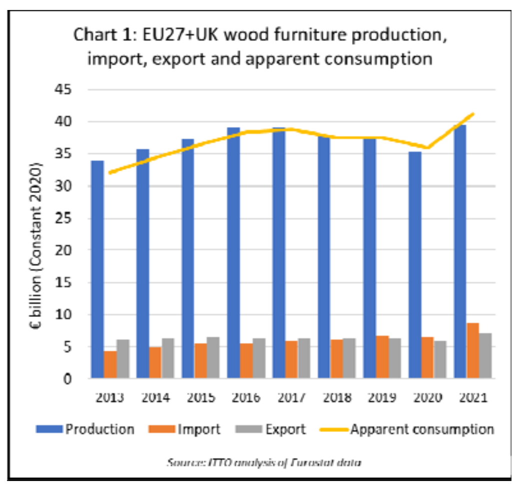
Unprecedented period of change in European wooden furniture sector

The last two and half years, marked from the start of 2020 by the Covid-19 pandemic and from February this year by war in Ukraine, have seen unprecedented changes in Europe's wood furniture sector. The sector has passed through a period characterised by an initial but very short lived fall in demand in the second quarter of 2020, followed by rapid demand escalation at a time when material shortages and other logistical challenges greatly reduced availability.

During this relatively short period, major changes have occurred in patterns of supply and demand, trade flows, consumer preferences and working conditions, distribution channels, design, and fashion trends. Companies throughout the sector are having to evolve new strategies in response to a transformed world.

Recent trends in the value of production trade and consumption of wood furniture in the EU27+UK are shown in Chart 1. This highlights that wood furniture production and consumption was weakening in the years before the onset of the pandemic in response to sluggish growth of the EU27+UK economy and intense competition in global markets, particularly from Chinese manufacturers whose sales in the US market were being diverted elsewhere due to the trade dispute.

Due to the onset of the pandemic, there was an estimated 5% downturn in the euro value of EU27+UK wood furniture production and 4% decline in consumption. However this was followed in 2021 by an unexpectedly strong 12% and 15% rebound respectively in production and consumption.



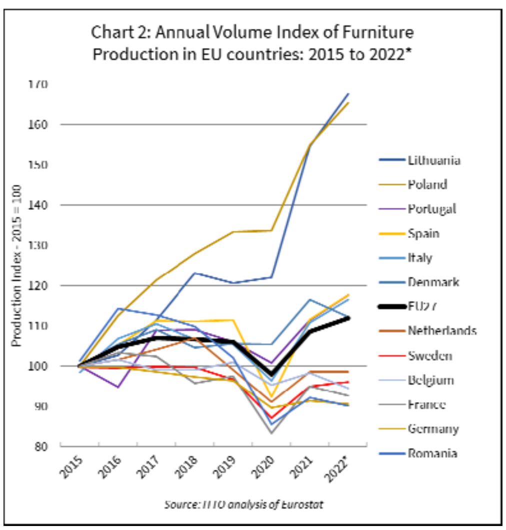
According to CSIL, the Milan based furniture research organisation (www.worldfurnitureonline.com), the last two years of the European furniture sector have been marked by a significant mismatch between supply and demand.

A sharp reduction in production of wood and other essential material inputs, severe logistical problems in international trade, rapidly rising freight rates, shortages of key staff, social distancing measures at manufacturing plants, and a big increase in energy prices all placed limits on production and supply.

This meant that, while furniture production and imports rebounded strongly in many European countries, they failed to keep pace with an even sharper increase in demand. The rise in demand was mainly due to a shift in consumer spending away from travel and leisure towards home-related product categories and to cater for new home offices with the rise in remote working. There was also resumption in export market growth in 2021.

The mismatch between demand and supply caused a general increase in furniture prices, initially at the manufacturing stage and partly absorbed by manufacturers, and then progressively transferred to final consumers.

Furniture sector performance varied widely between European countries. Eurostat data shows that while overall EU27 furniture production had rebounded to pre-pandemic levels before the end of 2021, production was still below these levels in many countries including Germany, France, Sweden, and Romania. In contrast production in some countries, notably Poland and Lithuania, remained strong even during the first year of the pandemic in 2020, and continued to rise in 2021 and the first half of 2022 (Chart 2).



*2022 data is preliminary based on first 5 months only

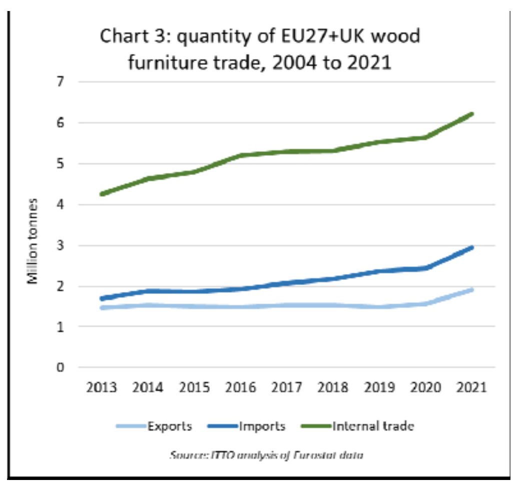
Looking forward, CSIL forecast that after the exceptional rebound in European furniture production in 2021, 2022 is expected to be another strong year on the demand side, although the rebound effect will slow compared to last year. This is partly due to reallocation of household spending back towards travel and other leisure activities. High inflation and soaring furniture prices are also expected to have a dampening effect on down.

On the other hand purchasing in the commercial sector is expected to remain robust.

Supply chain disruptions are expected to persist, particularly due to rising energy prices, lack of qualified workers, and the fallout from the Russia-Ukraine war. The conflict is increasing material supply difficulties, notably for timber products, and commodity prices are expected to remain elevated at least for the remainder of this year. The outlook for European inflation and wider economic growth is heavily dependent on how the war in Ukraine will unfold, the impact of sanctions and other measures, and how these feed through into energy prices and consumer confidence.

According to CSIL there are several positive factors expected to maintain strong demand for furniture in Europe in the coming months including the continuing roll-out of the EU's Recovery and Resilience Facility (RRF), some significant national level support measures, such as a fiscal bonus in Italy which was extended into 2022, growth in residential construction in several European countries, and improved export market prospects for European manufacturers, driven both by increased affluence of consumers in some emerging markets, and by continuing efforts in the US to reduce dependence on imports from China.

Recent trends in the quantity of European wood furniture trade as revealed by Eurostat trade data are somewhat surprising. The long-term rise in European trade which began in 2013 as the European economy gradually recovered from the 2008-09 global financial crises and subsequent eurozone currency crisis, continued apparently uninterrupted by the pandemic. The most notable recent trend is the upturn in trade in 2021, apparent both in EU27+UK external and internal trade (Chart 3).



Overall, the signs are that EU wood furniture manufacturers, while still dominant inside the EU single market, accounting for around 80% of total consumption value in the region, have been gradually losing competitiveness in other global markets.

Exports by EU27+UK manufacturers to other regions of the world were broadly flat in quantity terms and slightly declining in value terms before 2021. Last year, EU27+UK wood furniture exports to countries outside the region increased sharply, rising 21% to both euro value and quantity terms, but it remains to be seen whether this growth can be sustained.

Meanwhile manufacturers outside the region, notably in neighbouring non-EU countries and China, slowly increased their share of the EU27+UK market in the years before 2022. The share of non-EU suppliers in EU27+UK wood furniture consumption increased to 21% in 2021, up from 18% the previous year and 15% five years earlier.

Between 2015 and 2019, EU27+UK imports of wood furniture from outside the region increased fairly consistently at an average rate of 6% per year. In 2020, the onset of the pandemic and related logistical problems led to a slower rate of import growth of only around 3% to 2.44 million tonnes. Last year, import growth accelerated sharply, rising over 20% to 2.93 million tonnes.

In recent years, by far the largest growth in EU27+UK wood furniture imports in quantity terms was from China (Chart 4). In terms of percentage growth rate, the largest growth was from countries neighbouring the EU, notably Turkey, Ukraine, Belarus, Serbia and Russia. EU27+UK wood furniture imports from tropical countries averaged no more than 2.4% per annum between 2015 and 2019, and then fell 10% to 560,000 tonnes in 2020. Last year, imports of tropical wood furniture rebounded 10% to 610,000 tonnes.

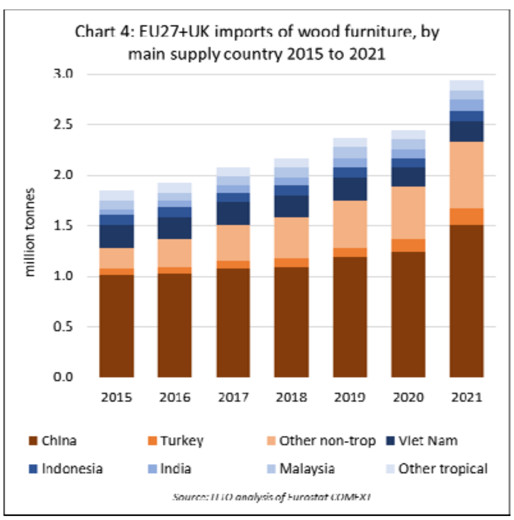


Chart 4: EU27+UK imports of wood furniture, by main supply country 2015 to 2021

Notwithstanding CSIL's prediction of continuing good demand for furniture in Europe in 2022, EU27+UK imports of wood furniture were down 10% in quantity terms, to 950,000 tonnes, in the first four months of this year. Import tonnage decreased from all main supply regions during the first four months of 2022; by 8% from China to 460,000 tonnes, by 3% from the tropics to 230,000 tonnes; and by 17% from other countries to 260,000 tonnes (Chart 4).

The decline is indicative of severe supply problems caused most notably by the renewed COVID lockdown in parts of China, and the war in Ukraine and associated trade sanctions against Russia and Belarus.

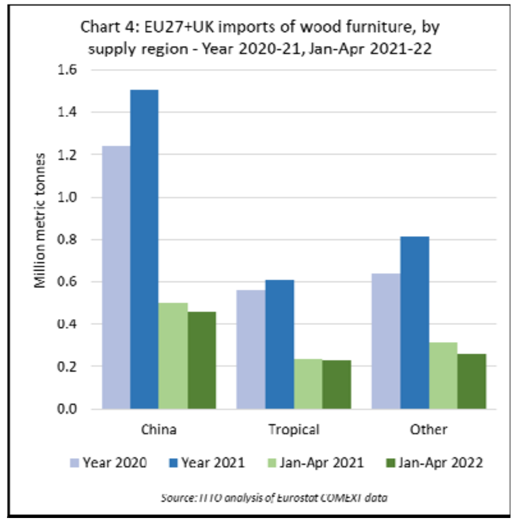


Chart 4: EU27+UK imports of wood furniture, by supply region - Year 2020-21, Jan-Apr 2021-22

Of tropical countries supplying wood furniture to the EU27+UK, Indonesia recorded the largest gain in this market in the first four months of 2022, rising 18% to 42,000 tonnes. Imports also increased from Brazil, by 8% to 22,000 tonnes.

Imports from Vietnam were stable at 82,000 tonnes. Imports from all other leading tropical supply countries declined, including India (-16% to 35,000 tonnes), Malaysia (-15% to 37,000 tonnes), Thailand (-39% to 3,000 tonnes) and Singapore (-53% to 1,000 tonnes) (Chart 5).

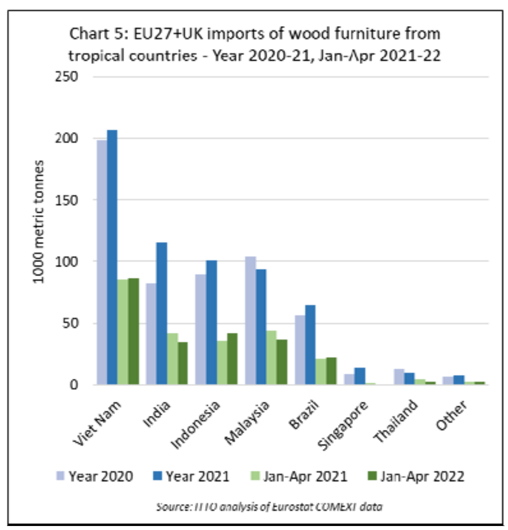
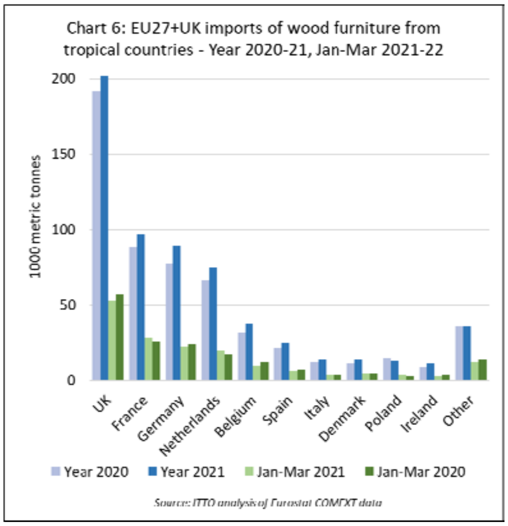


Chart 5: EU27+UK imports of wood furniture from tropical countries - Year 2020-21, Jan-Apr 2021-22

Tropical wood furniture import trends varied very widely between EU27+UK countries in the opening months of this year, with no clear pattern emerging (Chart 6).

In the first quarter of 2022, a rise in imports was recorded in the UK (+8% to 57,500 tonnes), Germany (+6% to 23,800 tonnes), Belgium (+29% to 12,600 tonnes), Spain (+7% to 7,000 tonnes), Italy (+9% to 4,300 tonnes) and Ireland (+24% to 3,500 tonnes). However imports declined into France (-8% to 25,900 tonnes), Netherlands (-16% to 16,900 tonnes), and Poland (-18% to 3,300 tonnes). Imports into Denmark were stable at 4,400 tonnes during the three month period.



Major structural changes in European furniture distribution

A new CSIL report highlights major structural changes in Europe’s furniture sector. Although some of the trends have been underway now for at least a decade, recent events have brought about accelerating change. According to the report, major trends include:

An unprecedented increase in online sales that now account for over 10% of the total European furniture market. The pandemic outbreak accelerated a massive change in consumer behaviour shifting from offline stores to e-commerce. Moreover, the e-commerce channel has bolstered international penetration enabling leading furniture retailers to expand into new markets at lower costs (including countries where they may have a limited network of stores).

A slightly decreasing share of the overall market occupied 'specialist' retailers. This trend is mainly due to the increasing role of the online channel that has eroded market share of organized chains specialized in home furniture and of independent stores. The latter particularly suffered in 2020 during the months of lockdown.

Relative stability of market share of ‘non-specialized’ retailers. During and after the pandemic outbreak, home improvement projects increased particularly benefitting DIY chains. DIY chains were also able to remain open during the months of the lockdowns while other competitors were forced to close.

Changing behaviour of consumers impacting on distribution of big supermarkets and hypermarkets. Shopping districts in large towns and city centres have become a far more attractive place to purchase. Leading international furniture retail chains, such as IKEA and Maisons du Monde are developing new store concepts.

For more than half a decade, IKEA has been a single-format retailer. However it is now investigating new ways of meeting customer needs. For example by establishing stores in inner-city locations and by balancing the big-box superstore format with smaller format stores that use digital technology to provide access to the full product range.

More details are available the 2022 edition of CSIL report “Furniture Retailing In Europe” which provides analysis of home furniture distribution in 13 European countries (Austria, Belgium, Denmark, Finland, France, Germany, Italy, the Netherlands, Norway, Spain, Sweden, Switzerland and the United Kingdom), including trends In home furniture consumption, market forecasts, data by country, analysis by distribution channel, retail formats and sales performances of leading home furniture retailers. See www.worldfurnitureonlIne.corn

Strong outdoor furniture market in Europe

The outdoor furniture market in Europe is one of the best performers in the furniture sector, according to a new report focused on this sector just published by CSIL. Total annual sales of outdoor furniture in Europe are estimated by CSIL to be around €3.3 billion. Following a slight reduction in 2020 the sector recorded a double-digit rebound in 2021, well above the sector average.

The largest outdoor furniture markets within Europe are Germany, the United Kingdom, France, and Italy, accounting for a combined market share of over 50%. According to CSIL, consumption of outdoor furniture in Europe is expected to continue to increase in 2022 and 2023.

During the first part of the pandemic (2020) the drop of the outdoor furniture market was contained. Good retail sales offset a sharp decline in contract sales. However, starting from 2021 most manufacturers also experienced a rebound of the contract sector as many activities put on hold the previous year were restarted.

The hospitality industry is an component of outdoor furniture demand in Europe. Official Eurostat statistics released by Eurostat and reported by CSIL show a significant fall in the number of hotels in Europe in 2020 as a main consequence of Covid-19.

However, with some of the world's most popular tourist destinations, Europe has seen a revival in domestic and inter-regional travel in the past year. International arrivals to Europe increased nearly 75% in 2021.

There is now optimism that delayed projects in the hotel and wider tourist sector will soon be completed.

According to data from Lodging Econometrics at the end of 2021, Europe's hotel construction pipeline stood at 1,824 projects and nearly 300,000 rooms. A further 474 new hotels and 70,000 rooms are expected to open in 2022 and 504 new hotels with 75,015 rooms in 2023.

The outdoor sector is much more dependent on imports than other furniture sectors in Europe. Slightly more than half of all outdoor furniture imported by EU countries is from countries outside the EU, with around 60% of non-EU imports derived from China and 30% from tropical countries in Southeast Asia.

There has been a long term rising trend in European imports of outdoor furniture from outside the region, although CSIL believes that recent factors, such as the raw materials shortages and high freight rates may lead to a partial reshoring of sourcing activities in the next few years.

CSIL note that the outdoor furniture market is served via a wide variety of channels, both specialist and non-specialist distributors, from large scale retail chains to small independent stores, and from 'pure' online players to brick-and-mortar operators.

Overall the role of non-specialist retailers is higher in this sector than for most other furniture sectors such as upholstery, kitchen furniture, and office furniture. DIY chains and garden centres are still pivotal sales channels.

However, there has been some growth in sales via more specialist retailers in recent years, first as the large-scale furniture chains expanded outdoor collections and more recently as more independent retailers are promoting designer outdoor brands.

The e-commerce channel is also growing rapidly. Both manufacturers and retailers are extending their web marketing activity and upgrading their on-line presence. No longer do they only display product pictures and prices, but also seek to guide and inspire customers with design suggestions and case studies.

On design and fashion trends, CSIL highlight the increased focus on the interaction between indoor and outdoor spaces within the home. Already a feature of the market before the pandemic, it has become even more significant during the lockdown period as consumers were encouraged to enhance their home living experience.

More people have been turning outdoor areas into a 'green living-rooms'. The borders between indoors and outdoors are merging and there is more demand for dual purpose furniture items that can be moved inside and out.

With high levels of urbanisation, there is particular demand for furnishings for smaller gardens, roof terraces and balconies.

Manufacturers are responding by producing narrow tables and loungers and more multifunctional items, whose backs, arms and sitting areas can be readily adjusted or repositioned, to offer flexibility. Just as living rooms are moving outdoors, so too are dining rooms. Manufacturers are now developing flexible open-air dining room furnishings such as extendable tables. Teak is still popular, but more often than not it is combined with other materials such as aluminium, ceramic, and waterproof outdoor fabrics. And the strong focus on sustainability, low environmental impact, and use of “natural” and “eco-friendly” materials only grows stronger in Europe.

More details ‘The European Market for outdoor furniture’, CSIL, May 2022, www.worldfurnitureonline.com

Furniture sector needs new strategies in time of uncertainty

An article by Mindaugas Morkunas, Head of Sales Eastern Europe and CIS for Henkel, a German company supplying chemicals to the worldwide furniture industry, highlights key recent trends in the global furniture sector and provides advice on strategic responses.

According to Morkanus, “due to the global pandemic, the international trade system experienced the biggest disruption since the Second World War”. He notes the on-going “turmoil” in the furniture supply chain with additional layers of uncertainty now appearing due to the new COVID-19 outbreaks in China, Russia’s war in Ukraine, and other global challenges.

Morkanus suggests that the biggest risk for the furniture industry in Europe is the possible recession. “Some signs are already there, as huge furniture players are decreasing production since warehouses are already full. Buying furniture while war is around the corner certainly isn’t among customers’ top priorities”.

There are on-going significant changes in the way furniture companies view supply chains and inventory, says Morkanus. “As it is getting difficult to predict consumer demand, the furniture businesses are moving from a Just-in-Time to a Just-in-Case approach.

The goal of this type of inventory management is to minimize the probability that products will go out of stock. Knowing all the challenges in the supply chain, producers are trying their best to build stock with additional raw materials. However, this can increase the backlog in supply even more as demand is still growing”.He suggests that now, more than ever, it is crucial for furniture manufacturers to build a resilient supply chain.

He suggests three main ways to achieve this:

- Moving closer to the market, or “nearshoring” which Morkanus notes from his own experience is already happening. “Geographically closer countries can offer many benefits – from improving control of the supply market to quicker transit for the end consumer”.

- Moving to a lower price segment in production to reach more customers. Morkanus suggests that “as raw material, energy, and transport costs are skyrocketing, furniture becomes more expensive. The only way to still reach low-income customers is to move towards the production of lower-cost furniture using cheaper raw materials. The drawback here is obvious – the quality will decrease. However, quality is not the main focus for many customers nowadays – affordability is often more important”.

- Securing alternative raw materials suppliers. Morkanus observes that “In most cases, producers have one main supplier per raw material. Now it seems like a good idea to move towards having even 3-4 of them”.

See: https://www.mdpi.com/2071-1050/12/11/4343

North America

Hardwood plywood imports retreat, some products return to record levels

Imports of wooden furniture topped US$2.5 billion for the first time in May as imports of some items headed back into record territory.

Imports of hardwood flooring hit a 10-year high while imports of sawn tropical hardwood, hardwood veneer, and hardwood moulding all rose to levels that challenge historical highs. Yet not all is on the rise.

Hardwood plywood imports fell for the second straight month as declining imports from Russia (to be expected) were met by even sharper declines in imports from China and Vietnam. Imports of assembled flooring panels also retreated somewhat in May.

Tropical hardwood imports rise

Imports of sawn tropical hardwood rose 6% in May returning to near historic levels. The 27,451 cubic metres imported in May was the second highest monthly volume on record, just short of the more than 28,000 cubic metres imported in March.

Imports of Mahogany were particularly strong, rising 152% in May and up 66% for the year so far over 2021. Imports of Padauk, Acajou d’Afrique, and Iroko all showed sharp gains in May and are each well outpacing 2021 totals so far this year. Imports of Virola fell 63% and are down 29% year-to-date.

Imports from Peru fell back to more historic levels after an April that saw imports surpassing all of 2021’s volume. Imports from Brazil and Indonesia continued to rise in May and are maintaining a level 10-15 times that of last year.

Imports from both Cameroon and Cote d’Ivoire rose 32% in May and are well ahead of last year’s volume to date. Total imports of sawn tropical hardwood are up 211% so far this year although changes made this year by the US government in how they are classifying tropical hardwoods make direct comparison difficult.

Canada is also setting records for of sawn tropical hardwood imports as totals rose for the fourth straight month in May. Imports rose 32% in May with imports from Cameroon, Indonesia, the United States and Congo (formerly Brazzaville and formerly Zaire) all more than doubling. Overall imports are up 32% year to date through May over 2021 figures.

Hardwood plywood imports continue slide

Imports of hardwood plywood fell for the second month in a row as volume retreated from a record high in March. At 325,924 cubic metres, May volumes slid 18% from the previous month to its lowest volume of the year. Imports from Vietnam plunged 65% to their lowest level in more than a year.

Despite the fall, imports from Vietnam are still more than double 2021 volume year to date through May. Imports from China fell 46% and imports from Russia sank 32% in May, their lowest volume since May 2019.

While we may finally be seeing some impact from U.S.-Russia trade tensions due to the invasion of Ukraine, imports from Russia remain up 25% year to date. Overall hardwood plywood import volume is up 50% year to date over 2021.

Veneer imports bounce back

Imports of tropical hardwood veneer jumped 50% in May after slumping in April. Much of the increase was due to imports from Ghana which rose more than 500% in May to their highest total since September 2019.

Imports from Ghana are now up 70% year to date. Imports from Cote d’Ivoire, Cameroon and India were also up sharply, while imports from Italy (the top supplier to the U.S.) fell 13%. Total tropical hardwood veneer imports are ahead of last year by 47% through May.

Hardwood flooring imports set record high

Imports of hardwood flooring also rebounded in May, rising 53% to their highest total in more than 10 years at more than US$8.4 million. Imports from Malaysia jumped 115% in May to their highest level of the year and are up 31% year to date.

Imports from Indonesia rose 79% in May and now double last year’s imports so far this year. Imports from Brazil (the top U.S. supplier) fell 5% in May but are up 19% year to date. Total imports are ahead of 2021 by 17% so far this year.

Imports of assembled flooring panels, however, fell by 5% in May as imports from China, Indonesia, and Vietnam all fell by more than 20%. Imports from Canada rose 17% in May and are up 38% year to date.

Total imports are ahead of last year 65% to date with imports from most trade partners up by at least 30%. The exception in China, where imports are down 4% year to date.

Moulding imports grow

US imports of hardwood moulding rose 6% in May despite sharp decreases in imports from Brazil and China. A gain of 19% in imports from the U.S. top supplier Canada offset a decline of 45% in imports from China and 34% from Brazil. Despite the weak May numbers, imports from Brazil are ahead 71% year to date over 2021 while imports from China are up 54% year to date. Overall imports are up 40% year to date.

Wooden furniture imports back into record territory

Imports of wooden furniture rose 8% to set a new record, breaking the one set in March. Imports from Vietnam alone came just under the US$1 billion mark as the US imported more than US$2.51 of wooden furniture in May.

Imports from Vietnam jumped 17% in May and moved ahead of 2021 year to date by 1%. Imports from China, Mexico and Canada also saw increases but of less than 10%. Total imports of wooden furniture remained up 11% year to date.

Housing starts fall again

After reporting a steep drop in new residential construction in the US in the previous month the Department of Commerce released a report unexpectedly showing a continued decline in housing starts in the month of June. The report said housing starts slumped by 2% to an annual rate of 1.559 million after plunging by 11.9% to a revised rate of 1.591 million in May.

Single-family housing starts, which account for the biggest share of homebuilding, tumbled 8% to a rate of 982,000 units in June, the first time that category has dropped below the 1 million mark in two years. Single-family homebuilding rose in the Midwest, but fell in the Northeast, South and West, where a 25.4% drop was the largest since January 2021.

Building permits for single-family homes,an indicator of future construction, declined 8% to a rate of 967,000 units, the lowest since June 2020. Meanwhile, a survey showed the National Association of Home Builders/Wells Fargo Housing Market Index suffering its second-largest drop on record in July, with a gauge of prospective buyer traffic falling below the break-even level for a second straight month.

Canadian housing starts in June fell 3% from the previous month on a decline in both multi-unit urban and single-detached starts according to data from the Canadian Mortgage and Housing Corporation. The seasonally adjusted annualized rate of housing starts was 273,841 units in June, beating analyst predictions of 265,000 but coming in below a revised 282,188 units in May.

Existing home sales drop for the fifth straight month

Sales of previously owned homes declined for the fifth straight month in June falling 5.4% from May according to a monthly report from the National Association of Realtors, as prices set records and rates surged. The sales count declined to a seasonally adjusted annualized rate of 5.12 million units last month. Sales were 14.2% lower compared with June 2021. This is the slowest sales pace since June 2020, when sales dropped very briefly at the start of the pandemic. Outside of that, it is the slowest pace since January 2019, and below the annual 2019 total, pre-pandemic.

Existing home sales decreased by 11% in the West, 6.2% in the South, and 1.6% in the Midwest while sales in the Northeast were unchanged from the previous month. The median existing-home sales price climbed 13.4% from one year ago to US$416,000, a new record high.

Sales will likely fall more sharply in the coming months as more recent indicators point to much weaker buyer demand. Mortgage applications fell to a 22-year low in mid-July, with demand from homebuyers down 19% from the same week one year ago, according to the Mortgage Bankers Association.

Jobs market holds firm despite economic fears

The economy added 372,000 jobs in June, an unexpected boost in hiring and a signal that the labour market remains robust despite recession fears, according to the monthly jobs report from the Bureau of Labor Statistics. The unemployment rate held steady at 3.6%, still close to the 52-year low last reached in the months before the pandemic hit. The June job total, slightly down from May's revised 384,000 jobs added, far surpassed expectations.

The strongest job gains for June came from the professional and business services, leisure and hospitality and health care industries, with notable increases in areas such as food services and warehousing and storage. Transportation and warehousing added 36,000 jobs in June while employment in manufacturing increased by 29,000.

Wood Products and furniture sectors continued to contract in June

For the second straight month the wood and furniture sectors reported contraction while nearly all other manufactures saw growth according to the latest Manufacturing ISM Report on Business. ISM reported that economic activity in the manufacturing sector grew in June, with the overall economy achieving a 25th consecutive month of growth. Fifteen of the 18 manufacturing industries tracked by ISM reported growth in June. The exceptions were Paper Products, Wood Products, and Furniture and Related Products.

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

Consumer sentiment rises slightly from June low

The consumer Sentiment Index increased 2.2% on a monthly basis to 51.1 points in July, still near record lows, according to a preliminary report published by the University of Michigan. The index has plummeted 37.1% year over year.

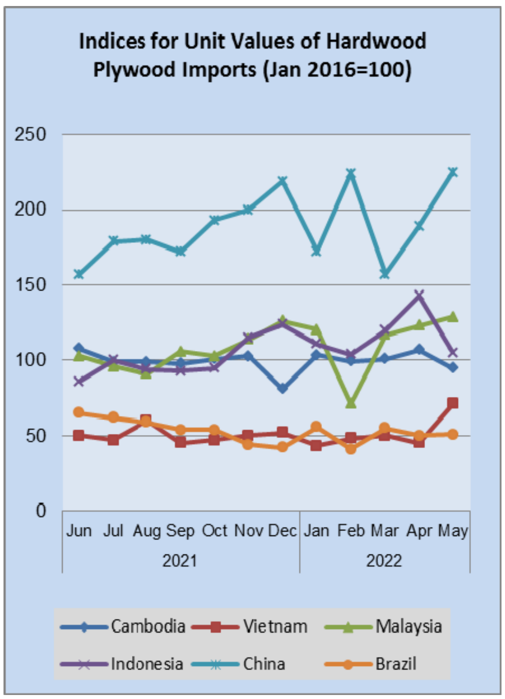
Current assessments of personal finances continued to deteriorate, reaching its lowest point since 2011. The share of consumers blaming inflation for eroding their living standards continued its rise to 49%, matching the all-time high reached during the Great Recession of the 1930s. These negative views endured in the face of the recent moderation in gas prices at the pump.

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

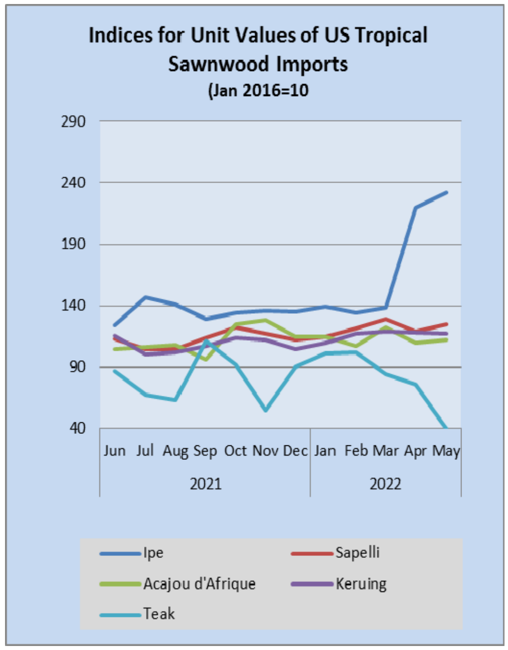
Government to help end freight railroad and union dispute

President Biden named the members of an emergency board tasked with helping resolve disputes between freight rail carriers and their unions. Biden signed an order on 15 July ahead of a deadline to intervene in nationwide railroad labour talks covering 115,000 workers or open the door to a potential strike or lockout that could threaten an already fragile economy and choke supplies of food and fuel.

See: https://www.reuters.com/world/us/biden-names-board-help-end-freight-railroad-union-contract-disputes-2022-07-17/



Data source: US Census Bureau, Foreign Trade Statistics



Data source: US Census Bureau, Foreign Trade Statistics

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

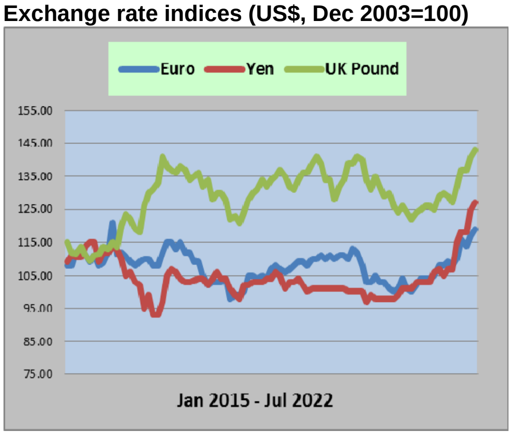
The views and opinions expressed herein are those of the correspondents and do not necessarily reflect those of ITTO

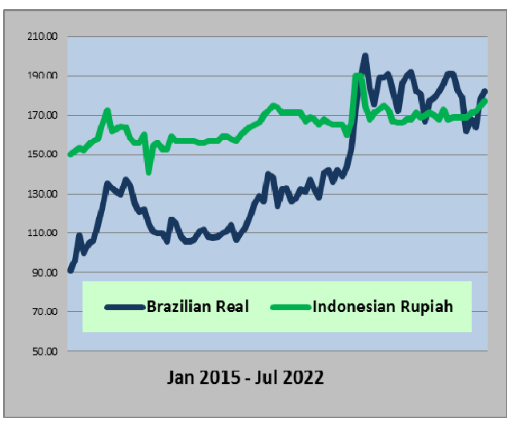
Dollar Exchange Rates

As of 25 July 2022

Brazil	Real	5.3586
CFA countries	CFA Franc	640.83
China	Yuan	6.751
Euro area	Euro	0.9785
India	Rupee	79.72
Indonesia	Rupiah	14,998
Japan	Yen	136.7
Malaysia	Ringgit	4.4535
Peru	Sol	4.38
UK	Pound	0.8302
South Korea	Won	1,311.47

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



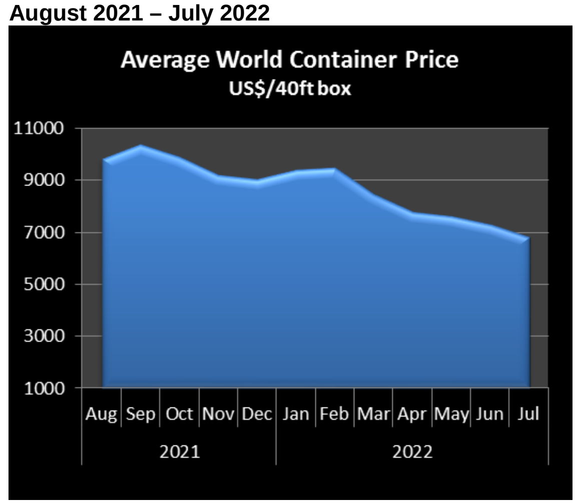


Abbreviations and Equivalences

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

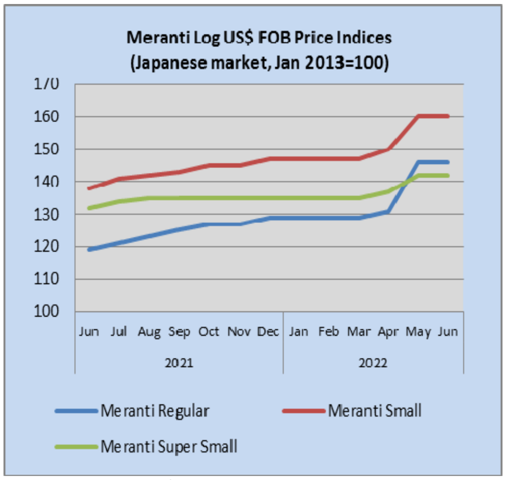
August 2021 – July 2022



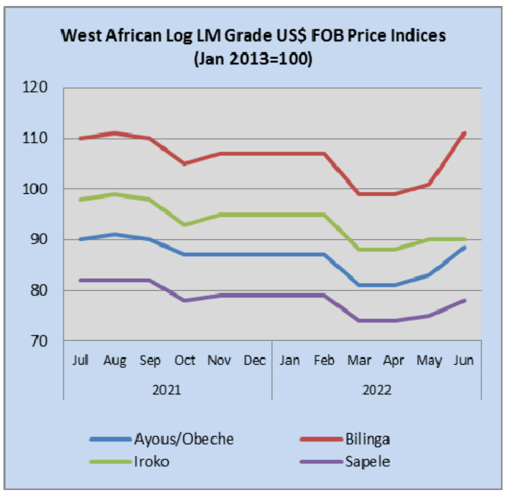
Data source: Drewry World Container Index

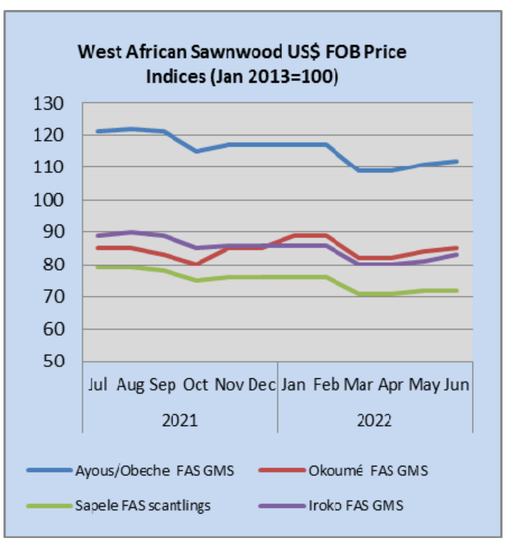
Price indices for selected products

The following indices are based on US dollar FOB prices

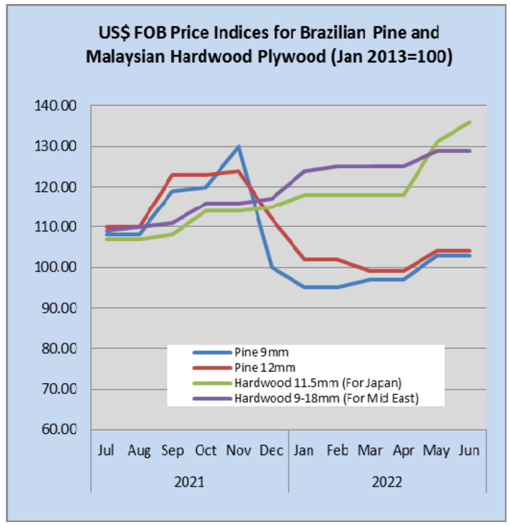


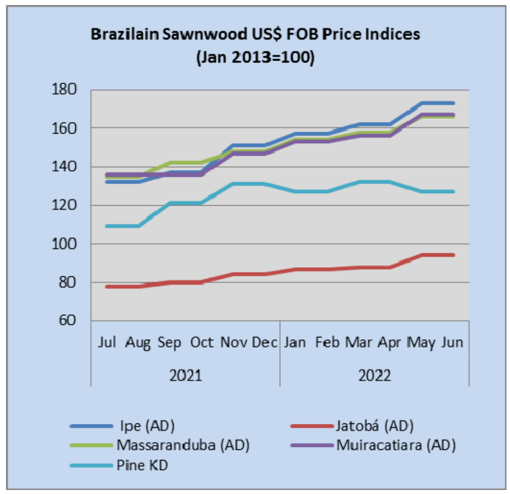
Note: Sarawak logs for the Japanese market





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





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