

# Tropical Timber Market Report

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## Top story

### EU27 tropical timber imports stronger than expected

The value of EU27 imports of tropical wood products up to August this year was just 14% less than in the same period in 2019, a much better performance than forecast. It comes despite the impact of lockdowns and the already cooling trade in tropical wood products.

It remains to be seen whether the recovery in EU27 imports will be sustained as there are, once again, serious challenges emerging for the European economy as the second waves of COVID infection across Europe have grown to be larger than the first and have led to renewed lockdowns

See page 20

## Central and West Africa

### Prices and demand stable in West Africa

There has been little change in prices in West Africa. Demand is stable, both in the West African countries themselves and in other markets – although there are some indications that demand may be rising in the Middle East.

Egyptian importers are looking for timber and have been doing so for a long time now; the Egyptian Timber Federation is inviting offers of sawn timber in the red species and soft species such as ayous and okoume.

Egypt is a large wood consumer in construction and furniture, but it imports little wood from West Africa. The country is importing timber from southern France and from eastern EU countries because delivery is fast and the product cheap.

Demand is steady from China in ovankol, okan, belli and sapelli. It is also stable from Europe, with sufficient stocks and supply but buyers are cautious as winter approaches.

The South African market is still suffering from the impact of the COVID-19 pandemic. Imports of sawn, finger-joint timber are increasing slowly.

In **Cameroon**, some mills that had stopped operations are starting up, although log supply is still erratic. Exporters say a lack of sufficient customs officials is slowing dispatch of orders.

In **the Congo**, the government is still tightly controlling export quotas. Okoume prices are stable, but the export volume to China has dropped by 20%.

### Strikes in Gabon

In Gabon, the Forestry Ministry was closed due to a labour dispute and it has been reported that labour issues have affected operations at SNBG. SNBG has been appointed as the only company that can pack containers but some veneer exporters have been authorised to stuff containers in their own yards.

### Logs still disappearing in Gabon

The Forestry Ministry seized around 8,000 cu.m of illegal logs, which have been sold via tender. The tender has closed but the buyers have not been announced.

More illegal logs, mainly padouk, have been seized in the centre of the country and will be auctioned. It is reported that, in the lake regions, seized okoume logs are being stolen, mainly at night. One problem is that the number of vehicles and boats available to the ministry is limited making policing difficult.

### Efforts to reopen VPA negotiations in Gabon

ATIBT has reported on a study aimed at restarting VPA negotiations in Gabon. ATIBT says in its latest newsletter that the UFIGA (Union des forestiers et industriels du bois du Gabon) requested and directed a review of the situation of the VPA FLEGT process in Gabon in order to contribute to an effective resumption of negotiations of the VPA FLEGT process.

The study noted that “unfortunately, many private sector players in the forest-wood sector operate outside of unions (associations), which does not give them the necessary space to take an active part in VPA FLEGT negotiations and therefore to be heard.”

See: <https://www.atibt.org/en/news/12875/vpa-flegt-gabon-ufiga-works-for-the-resumption-of-vpa-flegt-negotiations-between-gabon-and-the-european-union>

### log export prices

West African logs Asian market	FOB Euro per cu.m		
	LM	B	BC/C
Acajou/ Khaya/N'Gollon	265	265	175
Ayous/Obeche/Wawa	250	250	225
Azobe & ekki	275	275	175
Belli	280	280	-
Bibolo/Dibétou	215	215	-
Bilinga	275	275	-
Iroko	300	280	225
Okoume (60% CI, 40% CE, 20% CS) (China only)	220	220	220
Moabi	350	350	275
Movingui	180	180	-
Niove	160	160	-
Okan	200	200	-
Padouk	250	230	200
Sapele	260	260	200
Sipo/Utile	260	260	230
Tali	300	300	-

### Sawnwood export prices

West African sawnwood	FOB Euro per cu.m
Ayous FAS GMS	440
Bilinga FAS GMS	540
Okoumé FAS GMS	460
Merchantable	310
Std/Btr GMS	320
Sipo FAS GMS	500
FAS fixed sizes	-
FAS scantlings	520
Padouk FAS GMS	640
FAS scantlings	675
Strips	320
Sapele FAS Spanish sizes	450
FAS scantlings	480
Iroko FAS GMS	600
Scantlings	660
Strips	350
Khaya FAS GMS	480
FAS fixed	540
Moabi FAS GMS	620
Scantlings	640
Movingui FAS GMS	420

## Ghana

### Ghana's wood exports sharply down in 2020

Ghana exports of wood products dropped by more than one-third (36%) in the first eight months of 2020, to 133,000 cu.m. Air-dried sawnwood accounted for about half (49%) of total exports, at 65,700 cu.m, but this was only slightly more than half the volume exported in the same period in 2019.

Rotary veneer and processed mouldings were the only two products recording significant increases in export volume in the first eight months of 2020 over the same period in 2019, but these were at very low levels. Teak was the main export species in the air-dried sawnwood and billets destined for India, Viet Nam and the United Arab Emirates.

	Jan–Aug 2019	Jan–Aug 2020	% change, year-on- year
AD sawnwood	126,653	65,736	-48.1
KD sawnwood	30,604	23,089	-24.56
Plywood	16,163	14,048	-13.09
Billet	16,948	10,799	-36.28
Mouldings	5,366	6,843	27.53
Sliced veneer	6,349	5,140	-19.04
Rotary veneer	2,847	5,631	97.79
Others	3,623	1,937	-46.54
<b>Total</b>	<b>208,553</b>	<b>133,223</b>	<b>-36.12</b>

Source: TIDD

	Jan–Aug 2019	Jan–Aug 2020	% change, year-on- year
AD sawnwood	63,375	31,728	-49.94
KD sawnwood	18,263	13,620	-25.42
Plywood	5,460	4,717	-13.61
Billet	6,194	4,041	-34.76
Mouldings	3,787	4,858	28.28
Sliced veneer	6,220	4,664	-25.02
Rotary veneer	1,316	2,519	91.41
Other	1,392	957	-31.25
<b>Total</b>	<b>106,007</b>	<b>67,104</b>	<b>-36.7</b>

### Private Enterprise Foundation advocates tiered tax system for small firms

The Private Enterprise Foundation (PEF) has called on the Ghanaian government to adopt a structured tax system for micro, small and medium-sized enterprises (MSMEs) (i.e. fewer than 100 employees) as a way of ensuring their tax compliance.

The company flat-rate income tax regime (25% of chargeable income) currently applies to all business entities and is considered a constraint on the growth of small businesses.

A survey by the PEF in collaboration with the Open Society Initiative for West Africa found that 69% of small businesses in the country are unaware of their tax obligations, and the sector contributes only 4% to total domestic tax revenue.

Available data show that the MSME sector accounts for 92% of all registered companies in the country. The PEF is proposing three taxpayer categories – for small, medium and large companies. Most of Ghana's timber-processing companies employ 30–99 employees and are therefore categorized as medium-sized enterprises. Meanwhile, the World Bank has announced the provision of US\$200 million to support the Ghanaian government from the first quarter next year to empower micro enterprises.

See: <https://www.pef.org.gh/index.php/en/about-pef/statements-releases>

### Government pays timber royalty fees to traditional landowners

The government has paid GHS 27 million in timber royalties to traditional authorities for logs harvested in their localities for further processing before export.

The Minister of Lands and Natural Resources, Kwaku Asomah-Cheremeh, said this was part of a disbursement of GHS 310 million from the Minerals Development Fund and Stool Lands Administration to traditional authorities, metropolitan, municipal and district assemblies, the Minerals Commission, and the sector ministry. In Ghana, timber royalties are calculated based on the stumpage rate for the harvested species set in timber utilisation contracts, as prescribed by the Timber Resource Management Regulations (1998).

See:

<https://www.ghanaweb.com/GhanaHomePage/business/Government-disburses-over-GHC310-million-royalties-1090630>

### Ghana ready for African free-trade area

Speaking at the second national conference of the Africa Continental Free Trade Area (AfCFTA) held recently, President Nana Akufo-Addo indicated that Ghana is fully ready and committed to the AfCFTA agreement, which becomes operational in January 2021.

The president said the agreement represented another historic step that would benefit all Africans by boosting intra-African trade. He said the country is engaging all sectors of the economy, including the private sector, to achieve the main strategic objectives of the National Export Development Strategy, which is intended to:

- diversify the economy from traditional exports of cocoa, gold and timber;
- expand market opportunities for “made in Ghana” goods;
- create market opportunity for Ghana's growing sector;
- maximize foreign exchange earnings to support national development;
- create job opportunities particularly for youth and women; and
- promote regional value chains.

In his address at the conference, the Minister of Trade and Industry, Mr. Alan Kyerematen, reported that a national steering committee has been set up to coordinate, guide and recommend the needed support that government could give to private companies, which include timber-processing industries and other stakeholders.

AfCFTA Secretary-General Wamkele Mene said he was confident that, with the implementation of the agreement, traders will experience a much more regulated and efficient trade regime backed and administered by law.

Trade barriers would be gradually reduced and then removed by 2030, he said. Currently, only 16% of Ghana's wood exports go to African markets.

See:

<https://www.graphic.com.gh/business/business-news/ghana-news-ghana-ready-for-afcfta-trade-minister.html>

#### Foreign direct investment up dramatically in 2020

Ghana's foreign direct investment (FDI) increased more than fourfold, year-on-year, in the first half of 2020, according to the Ghana Investment Promotion Centre, up from US\$123 million in January–June 2019 to US\$627 million (for 69 projects) in the same period in 2020.

This bucks the global trend of a 40% decline in FDI due to the COVID-19 pandemic, as estimated by the United Nations Conference on Trade and Development (UNCTAD). UNCTAD predicts that, globally, FDI will decline by a further 5–10 percent in 2021.

See:

<https://www.gipcghana.com/press-and-media/news-headlines/780-fdi-inflow-begins-to-rebound-as-ghana-records-fdi-of-785-62-million-dollars-in-first-half-of-2020.html>

#### Boule export prices

	Euro per cu.m
Black Ofram	330
Black Ofram Kiln dry	420
Niangon	540▲
Niangon Kiln dry	660▲

#### Export rotary veneer prices

Rotary Veneer, FOB	Euro per cu.m	
	CORE (1-1.9 mm)	FACE (>2mm)
Ceiba	325	440
Chenchen	540	631
Ogea	443	590
Essa	543	678▲
Ofram	350	435

#### Export sliced veneer

Sliced face veneer	FOB Euro per cu.m
Asanfina	875▲
Avodire	745
Chenchen	1,024▲
Mahogany	700▲
Makore	799▼
Odum	667

#### Export plywood prices

Plywood, FOB	Euro per cu.m		
BB/CC	Ceiba	Ofram	Asanfina
4mm	343▲	580	641
6mm	412	535	604
9mm	377	446	560
12mm	516	476	480
15mm	450	338	430
18mm	450	441	383

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

#### Export sawnwood prices

Ghana sawnwood, FOB	Euro per cu.m	
FAS 25-100mm x 150mm up x 2.4m up	Air-dried	Kiln-dried
Afrormosia	860	925
Asanfina	465	564
Ceiba	404	600
Dahoma	400▼	573▲
Edinam (mixed redwood)	520	583
Emeri	540	590
African mahogany (Ivorenensis)	886▼	974▲
Makore	740	910▲
Niangon	620	656
Odum	649	1,211▲
Sapele	720	800
Wawa 1C & Select	426	436

### Malaysia

#### Sustainability, digitisation, innovation crucial for timber industry

A leading Malaysian economist says timber-based manufacturers should focus on long-term gains rather than short-term demands in emerging from the COVID-19 pandemic. Lee Heng Guie, the Executive Director of the Socio-Economic Research Centre, the think-tank of the Associated Chinese Chambers of Commerce and Industry of Malaysia (SERC), made the comments during the "An Economics Affair" webinar on 8 October.

Mr Lee said that although economies in many ASEAN member countries have slumped due to the pandemic, the rising stars of Viet Nam, Indonesia and the Philippines are showing great economic potential. Malaysia's economy is moving towards the early stages of recovery, having stabilised from initial demand and supply shocks at the onset of the pandemic.

Although a global economic recovery is also underway, its strength is dependent on the future path of the virus, how well it is contained, and the availability of a vaccine.

Mr Lee said that Malaysia's timber industry, which continued operating even during the Movement Control Order (which was implemented by the federal government on 18 March 2020 as a preventive measure against the virus), had benefited from increased demand for home-improvement-based products.

Mr Lee said that the industry could take a longer-term perspective, and it was vital for industry players to produce more sustainable products; incentives should be provided to encourage the manufacturing of such products.

In his presentation, the Malaysian Timber Council (MTC)'s Wong Kah Cane said that, if the timber industry is to maintain its stake in the nation's economic pie, it needed to transform its business operations to centre on digitalisation, technology, innovation and branding.

Mr Wong referred to a study on information and communication technology readiness among timber-based companies, which MTC had commissioned from SERC.

The study's preliminary findings indicated that only 22% of surveyed companies had placed digital technology as a top priority for growing their businesses, while 57% considered innovation and digital technology as important but not urgent. Only 25% of businesses had integrated e-commerce into their business models.

See: [http://mtc.com.my/images/media/740/Press\\_Release\\_-\\_MTC-SPD\\_Economic\\_Affairs\\_Press\\_Release.pdf](http://mtc.com.my/images/media/740/Press_Release_-_MTC-SPD_Economic_Affairs_Press_Release.pdf)

### Home furniture in demand

The government's stay-at-home notice in the face of COVID-19 had prompted a shift in customer preferences in furniture and homeware, according to Johor Furniture Association president Ong Yeou Huan.

Speaking in early October, Mr Ong said that demand had increased in the last four months for home-office furniture as well as ready-to-assemble furniture. Ong said that Johor's furniture industry, which accounts for some 70% of Malaysia's furniture production, also saw increased global spending on furniture, with exports of such goods up by 12.1% in July (to MYR 1.51 million) compared with June (MYR 1.34 million). Johor state is home to about 1,000 furniture producers, mostly in Muar, said Mr Ong.

See: <https://www.thestar.com.my/metro/metro-news/2020/10/02/group-demand-for-home-office-furniture-increased-during-mco>

### Republic of Korea likely to maintain anti-dumping tariff on plywood

The Republic of Korea's Trade Commission has made a preliminary decision to extend anti-dumping duties on Malaysian plywood for another five years. The Star reports that the commission concluded that the elimination of existing tariff barriers would enable the dumping of Malaysian plywood on the local market, thus hurting the Korean plywood industry.

With the decision, the Republic of Korea will impose anti-dumping tariffs on Malaysian plywood of 4.73–38.1%. The commission has notified the Finance Ministry of its decision, and the latter will make a final decision in November.

See: <https://www.thestar.com.my/business/business-news/2020/10/19/south-korea-extends-anti-dumping-duties-on-malaysian-plywood-for-another-five-years>

### Plantation production and exports expand in Sarawak

Sarawak's production and exports of logs from planted forests have been surging as fast-growing commercial timber trees attain maturity at 10–14 years of age.

The state's shipments of plantation logs of Acacia mangium, the most common plantation timber species in Sarawak, jumped to about 395,000 cubic metres in the first seven months of 2020, with a value of nearly MYR 95 million (FOB). The entire export volume went to Indonesian buyers. In 2019, the total export volume of Acacia mangium was 559,000 cubic metres.

Plantation logs made up more than 60% of Sarawak's total log exports of 649,000 cubic metres in the period January–July this year, valued at MYR 289.2 million. Some 254,000 cubic metres of the total was harvested in natural forests, representing a substantial reduction on historical volumes.

See: <https://www.thestar.com.my/business/business-news/2020/09/17/sarawaks-export-of-planted-forest-logs-grows>

### Sarawak exports

Jan – Aug 2020	cu m	Malaysian Ringgit RM
Logs	731,833	340,939,962
Sawnwood	176,316	299,312,593
Plywood	691,932	1,352,435,096
Veneer	23,668	32,749,702
Mouldings	4,180	7,623,089

Data source STA

Jan – Aug 2019	Cu m	Malaysian Ringgit
Logs	937,006	501,982,000
Sawnwood	212,458	392,125,066
Plywood	768,685	1,594,806,423
Veneer	44,130	62,119,579
Mouldings	5,149	11,658,627

Data source: STA

## Indonesia

### Indonesia looks to sign regional trade deal in November

Indonesia expects to sign the Regional Comprehensive Economic Partnership (RCEP) in November According to government officials quoted in the *Jakarta Post*, ASEAN member countries, with Australia, China, Japan, New Zealand and the Republic of Korea as participating countries, had finished negotiating the technical aspects of the deal and had carried out the legal "scrubbing" of the text.

The participating countries, which collectively account for nearly one-third of the global economy, are expected to sign the RCEP in November, about eight years after negotiations began. Around US\$95 billion (61.6%) of Indonesia's total exports were channelled to RCEP countries in 2019.



Anda Nugroho, a researcher at the Fiscal Policy Agency, estimated that the trade deal would raise Indonesia's gross domestic product by 0.05 percent in 2032. The country's timber, paper and electronics industries were projected to benefit, said Mr Nugroho.

The agreement will not come into force until at least six ASEAN countries and three partners have ratified it, a process that could take up to two years.

See:  
<https://www.thejakartapost.com/news/2020/10/27/indonesia-expects-to-sign-rcep-in-mid-november.html>

#### Ministry of Foreign Affairs supports furniture entrepreneurs to explore new markets

Exports of Indonesian furniture and handicrafts to Latin America and the Caribbean amounted to only US\$38.4 million in 2019, which was 0.39% of the region's total imports (valued at US\$9.73 billion). The Ministry of Foreign Affairs will hold an online seminar on 9–11 November 2020 aimed at supporting furniture and handicraft manufacturers and exporters to tap into this largely unexploited market.

The participation of Indonesian entrepreneurs in the event is expected to increase Indonesia's exports in the furniture and handicraft sector, as well as exports of Indonesian products in general, to the 33 countries in the Latin American and Caribbean region.

See: <https://www.radarbangsa.com/ekobis/27767/kemlu-dukung-pengusaha-mebel-tembus-pasar-amerika-latin-dan-karibia>

#### Furniture industry sees increasing demand trend

Export demand for Indonesian furniture and handicraft products is increasing in the last quarter of 2020, according to industry sources, largely because of the ongoing trade dispute between China and the United States.

Deputy Chairman of the Association of Indonesian Furniture and Handicraft Industries Abdul Sobur said there had been an increase in orders since September 2020, especially from the United States.

He said it was now more difficult for Chinese products to enter United States markets, opening up space for others. "It is a good opportunity because US demand is increasing more compared to other countries," said Mr Sobur.

See:  
<https://ekonomi.bisnis.com/read/20201014/257/1305103/industri-mebel-klaim-tren-permintaan-meningkat>

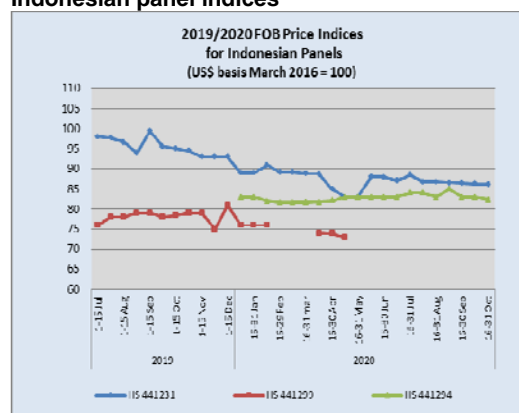
#### Plantation forests the future of Indonesia's biomass energy

Indroyono Soesilo, Chair of the Association of Indonesian Forest Concessionaires (APHI), said that at least 34 APHI member companies are interested in investing in biomass energy through the Energy Plantation Forest Program to increase the country's use of biomass energy in the form of wood pellets, woodchips and sawdust.

According to Mr Soesilo, energy plantation forests constitute the future of Indonesia's biomass energy, offering a sustainable source of biomass energy raw material for local power plants as well as for export.

See:  
<https://ekonomi.bisnis.com/read/20201023/99/1309008/hutan-tanaman-energi-masa-depan-energi-biomassa-indonesia>

#### Indonesian panel indices



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

#### Myanmar

##### MONREC issues order on teak tree ownership

Myanmar's Ministry of Natural Resources and Environmental Conservation (MONREC) recently issued an order clarifying the ownership of teak trees. According to the order signed by Minister Ohn Win, teak trees in private plantations belong to those people and entities who have invested in them.

Under the Forest Law of 1992, teak trees planted and grown anywhere in the country are owned by the state, but this has been a point of contention for private plantation investment and community forestry.

The new Forest Law, enacted in 2018, enables the ownership of teak trees by individuals and organizations under certain conditions. If registered with the Forest Department, teak trees in community forests and the household compounds of individual citizens, and on any other private and public lands, will now belong to those relevant people or groups, according to the order. The change may pave the way for the use of teak trees as collateral for bank loans.

### **MONREC clarifies documents demonstrating legality**

In another development, MONREC has issued a statement clarifying which documents will be available to demonstrate the legality of export consignments under Myanmar's rules and regulations. According to Myanmar exporters, some competent authorities in the EU require all the documents listed in the chain-of-custody (CoC) dossier developed by MONREC in 2018.

According to the recently issued statement, the CoC dossier was published for the purpose of assisting international timber traders to legally complete the timber extraction, milling and marketing process in Myanmar, but it did not necessarily mean that all documents in the CoC dossier would be provided with export shipments.

According to the statement, timber from Myanmar is legal when accompanied by 14 documents in accordance with existing rules and regulations. The 14 documents comprise four from the Forest Department, eight from the Myanmar Timber Enterprise, one from the Trade Department and one from Customs. The statement urged EU operators to buy and import only timbers from Myanmar that meet the requirements of the European Union Timber Regulation.

The statement referred interested parties and operators to the Joint Focal Group (JFG) for further information. The email address of JFG is: [jfgtimbertrademm@gmail.com](mailto:jfgtimbertrademm@gmail.com)

See: <http://www.monrec.gov.mm/news/1230>

### **European Chamber of Commerce signs investment MOU**

Myanmar's investment agency, the Directorate of Investment and Company Administration, has signed a memorandum of understanding with the European Chamber of Commerce with the aim of attracting more investment from the EU.

The signing comes as Myanmar drafts an economic reform and recovery plan to address the impacts of COVID-19. The EU's total investment in Myanmar reached nearly US\$7 billion (MMK 9 trillion) in 2019, accounting for 8.6% of all foreign direct investment (FDI) in the country.

The European Commission said trade between the EU and Myanmar reached €3.4 billion (MMK 5.2 trillion) in 2019. The EU accounted for 11 percent of Myanmar's trade.

### **Foreign investment target achieved despite COVID-19**

According to the Myanmar Investment Commission, the country secured US\$5.7 billion (MMK 7.3 trillion) in FDI in the 2019–20 fiscal year (which ended on 30 September), up by US\$1 billion (MMK 1.3 trillion) compared with the previous financial year.

Under the Myanmar Investment Promotion Plan, the government set a target to attract US\$5.8 billion (MMK 7.46 trillion) in the 2019–20 fiscal year and fell short by US\$110 million.

See: <https://www.irrawaddy.com/news/burma/myanmar-signs-eus-eurocham-investment.html>

## **India**

### **Government to “disengage” from forestry and environment institutions**

The government is considering a proposal to disengage from five institutions currently under the Ministry of Environment and Forests after a review of 16 autonomous bodies under the ministry.

The Department of Expenditure, which conducted the review, recommended that the government phase out its budget support by 25% per year for the Wildlife Institute of India, the Indian Institute of Forest Management, the Indian Plywood Industries Research and Training Institute, the CPR Environment Education Centre and the Centre for Environment Education.

The proposal involves converting the institutes to autonomous institutions or deemed universities; under the plan, the Indian Plywood Industries Research and Training Institute would ultimately be largely funded by the plywood and panels industry.

See:

[http://timesofindia.indiatimes.com/articleshow/78724775.cms?utm\\_source=contentofinterest&utm\\_medium=text&utm\\_campaign=cppst](http://timesofindia.indiatimes.com/articleshow/78724775.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst)

### **Real estate market goes upbeat**

Sentiment in India's real estate industry is turning optimistic, according to an index tracked by Knight Frank. The Real Estate Sentiment Index Q3 2020 Survey of developers, banks, financial institutions and private equity players operating in the sector notched a score of 40 points in July–September, up from a record low of 22 in the previous quarter but still in the “pessimistic” zone (a score above 50 indicates optimism).

Fifty-seven percent of survey respondents thought that the economy would grow in the next six months, thereby improving conditions in the sector. Knight Frank attributed the upbeat outlook to the “remarkable upturn seen in the real estate business, especially in the residential segment, in the third quarter of 2020 as a result of the unlocking process”.

See: <https://www.financialexpress.com/industry/sentiment-in-real-estate-remains-pessimistic-in-jul-sep-outlook-turns-positive-survey/2111540/>

### **Economy picks up**

India's economy gathered pace in September, with five of eight indicators (including exports – see below) tracked by Bloomberg News improving and the other three remaining steady. Economists at the Reserve Bank of India attributed the recovery to the release of pent-up demand after the lockdown imposed in March to contain COVID-19. Nevertheless, the improvement may be insufficient to prevent the economy from contracting overall in the financial year to March 2021.

See:

[http://timesofindia.indiatimes.com/articleshow/78907398.cms?utm\\_source=contentofinterest&utm\\_medium=text&utm\\_campaign=cppst](http://timesofindia.indiatimes.com/articleshow/78907398.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst)

### Exports grow in September

India's exports of goods rose in September for the first time in six months, registering almost 6% growth, year-on-year and hitting US\$27.6 billion. Exports have recovered much faster than imports, indicating operational resilience in a very tough year.

According to the United Nations Conference on Trade and Development (UNCTAD), global trade fell by 5% in the third quarter of 2020 compared with the same period last year, which nevertheless was an improvement on the 19% year-on-year plunge in the second quarter of 2020. UNCTAD expects the frail recovery to continue in the fourth quarter.

See: <https://swarajyamag.com/economy/exports-have-bounced-back-sharply-after-the-covid-19-lockdown-india-needs-the-momentum-to-continue>

and

<https://www.thehindu.com/business/india-recorded-export-growth-of-4-in-september-unctad/article32914365.ece>

### Pre-pandemic prices

#### Plantation teak C&F prices (as of end February 2020)

In light of the pandemic, there is a lack of information on import prices for plantation teak logs at Indian ports.

	US\$ per cu.m C&F
Angola logs	389-574
Belize logs	350-400
Benin logs	290-714
Benin sawn	530-872
Brazil logs	344-540
Brazil squares	333-556
Cameroon logs	405-616
Colombia logs	478-743
Congo D. R. logs	450-761
Costa Rica logs	357-780
Côte d'Ivoire logs	289-756
Ecuador squares	333-454
El-Salvador logs	320-732
Ghana logs	294-452
Guatemala logs	324-646
Guyana logs	300-450
Kenya logs	515-876
Laos logs	300-605
Liberia logs	265-460
Malaysian logs	225-516
Mexican logs	295-808
Nicaragua logs	402-505
Nigeria squares	434-517

Panama logs	335-475
PNG logs	443-575
Sudan logs	358-556
Tanzania teak, sawn	307-613
Thailand logs	511-700
Togo logs	334-590
Trinidad and Tobago logs	603-753
Uganda logs	411-623
Uganda Teak sawn	680-900

Price range depends mainly on length and girth

### Locally milled sawnwood

Prices for imported hardwood sawlogs have become volatile and there is a shortage of containers as well. The prices shown here are as given previously, due to a lack of new information.

### Pre-pandemic prices

Sawnwood Ex-mill	Rs per cu.ft.
Merbau	4,000-4,200
Balau	2,500-2,700
Resak	1,800-2,000
Kapur	2,000-2,200
Kempas	1,550-1,750
Red meranti	1,500-1,650
Radiata pine	800-850
Whitewood	800-850

Price range depends mainly on length and cross-section of sawn pieces.

### Myanmar teak

There is a lack of timber supply from Myanmar. The rates shown here are as given previously, due to a lack of new information. The effects of price rises in Myanmar will be known when conditions normalize.

### Pre-pandemic prices

Sawnwood (Ex-yard)	Rs. per cu.ft
Teak AD Export Grade F.E.Q.	15,000-22,000
Teak A grade	9,500-11,000
Teak B grade	7,500-8,500
Plantation Teak FAS grade	5,000-7,000

Price range depends mainly on lengths and cross-sections.

### Sawn hardwood prices

The market is showing signs of revival and demand will rise when business conditions normalise. The prices shown here are as given previously due to a lack of new information.



**Pre-pandemic prices**

Sawnwood, (Ex-warehouse) (KD 12%)	Rs per cu.ft.
Beech	1,700-1,850
Sycamore	1,800-2,000
Red Oak	2,000-2,200
White Oak	2,500-2,600
American Walnut	5,000-5,500
Hemlock STD grade	2,200-2,400
Western Red Cedar	2,300-2,450
Douglas Fir	1,800-2,000

Price range depends mainly on lengths and cross-sections.

**Plywood market**

Plywood production and sales are improving but plywood imports have not increased. Workers have been returning to their jobs and full operations are expected by year end. Current prices are as given below.

**Pre-pandemic prices****Domestic ex-warehouse prices for locally manufactured WBP plywood**

Plywood Ex-warehouse	Rs. per sq.ft
4mm	76.00
6mm	101.00
9mm	126.00
12mm	157.00
15mm	206.00
18mm	211.00

**Pre-pandemic prices****Domestic ex-warehouse prices for locally manufactured MR plywood**

	Rs. per sq.ft	
	Rubberwood	Hardwood
4mm	39.00	55.00
6mm	57.00	72.50
9mm	72.50	89.00
12mm	89.00	105.00
15mm	105.00	126.00
19mm	121.50	141.00
5mm Flexible ply	77.00	

**Vietnam****Viet Nam looks to tighten legality control on imported timber**

The Vietnam Timber and Forest Product Association (Viforest) convened a seminar on 16 October on the identification and control of risks associated with exporting and importing Vietnamese wood products.

Participants heard that the development and activation of geographic origin and timber species risk categories will be important for ensuring the legality of imported timber.

To fulfil commitments under the Voluntary Partnership Agreement on Forest Law Enforcement, Governance and Trade (VPA/FLEGT), Prime Minister Nguyen Xuan Phuc issued Decree 102/2020/ND-CP on 1 September 2020 stipulating regulations for importing and exporting timber following a risk-based approach.

Under the decree, the management of imported timber will be based on the application of risk management measures to prevent, detect and promptly handle violations, ensuring that timber is imported legally and creating conditions that enable organizations and individuals to comply with the law.

Imported timber will be subject to criteria for categorising countries into positive or non-positive geographic regions and for identifying the types of timber considered risky to import into Viet Nam.

At the seminar, Viforest chair Do Xuan Lap said building and activating a list of geographic region and species risk categories was necessary for maintaining and developing the industry and fulfilling the government's commitments to the international community. In addition to timber from domestically planted forests, Viet Nam still imports raw materials, including from tropical countries in Africa as well as Cambodia, Lao PDR and Papua New Guinea.

See: <https://www.phnompenhpost.com/business/vn-looks-tighten-legality-control-imported-timber>

**Vietnamese acacia farmers suffer sharp drop in woodchip price**

Wood and wood products exported from Viet Nam comprise wooden furniture, woodchips, wood-based panels and wood pellets. In recent years, Viet Nam has emerged as one of the world's top woodchip exporters. In 2019, it exported 13 million bone dry tonnes (BDT) of woodchips, mostly to China and Japan, earning US\$1.67 billion (18% of the total wood and wood product export revenue).

According to VNFOREST, Viet Nam had 192 woodchip companies in 2019 with a production capacity of 14.9 million BDT. Due to the impact of COVID-19 and the consequent decline of paper demand, the price of woodchips exported from Viet Nam declined by US\$15–18 per BDT in the first eight months of 2020.

The raw material for woodchip production in Viet Nam derives from about 1 million farmer households, who collectively maintain around 3 million ha of commercial acacia plantations. These farmers, who stand at the beginning of the acacia wood value chain, are bearing the losses caused by the sharp decline in woodchip price.

Consequently, many Vietnamese woodchip producers have decided to shift to plywood and laminated wood production. These further-value-added products are also expected to incentivize farmers to extend rotations and produce larger logs for high-end woodworking.

See: <https://goviet.org.vn/bai-viet/doanh-nghiep-dam-go-doi-mat-nguy-co-pha-san-9166>

### Exports grow in 2020

Export revenue in the Vietnamese wood and wood products sector was US\$7.3 billion in the first eight months of 2020, up by 9%, year-on-year. Of this, wood product exports were valued at US\$5.5 billion, up by 14% and accounting for 75% of the total (up from 71% in the same period in 2019).

The United States was the top destination for Viet Nam's wood and wood product exports in the first eight months of 2020, at US\$3 billion (up by 27%, year-on-year), which was 55% of total exports.

Exports grew by nearly 11% to both China and Canada in the same period. In contrast, exports to the UK and France declined by 35% and 15%, respectively.

Viforest pointed out that there has been a drop in office and bedroom furniture exports this year compared with the same period last year, but exports of kitchen and bathroom furniture have been on the rise.

Viforest Chairman Do Xuan Lap said that items with strong export growth are benefiting from the US antidumping and antisubsidy duties on similar Chinese products, which have encouraged US firms to switch to Viet Nam to partly make up for supply shortages.

Nguyen Liem, Chairman of the Lam Viet JSC's Board of Directors, said COVID-19 has also given a boost to the wood industry, especially kitchen cupboard and bathroom cabinet sales, because people are spending more time at home during the pandemic and thus have more demand for house repairs and furniture.

See: <https://en.vietnamplus.vn/wood-product-makers-told-to-take-actions-to-optimise-us-market/188571.vnp>

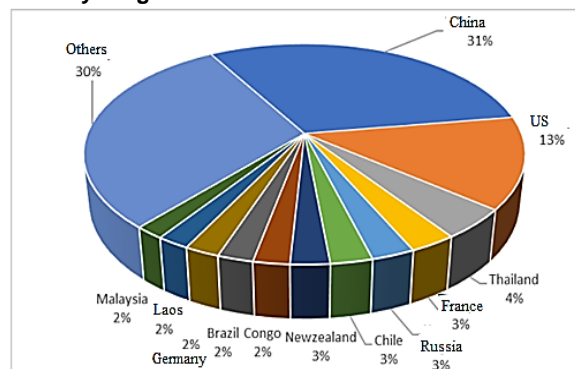
### Imports decrease, improving the trade balance

Viet Nam's imports of wood and wood products in January–August 2020 were valued at US\$1.5 billion, down by 8%, year-on-year. At the end of August 2020, the country's surplus of wood and wood product exports over imports was about US\$5.8 billion.

FDI enterprises spent US\$467 million importing wood and wood products into Viet Nam in the period January–August 2020 (down by 5%, year-on-year).

Thus, net exports by FDI enterprises amounted to US\$2.5 billion over the period.

### Viet Nam's wood and wood product imports, January–August 2020



Data source: Vietnam's General Department of Customs analysed by GoViet Magazine

See: <https://goviet.org.vn/bai-viet/doanh-nghiep-dam-go-doi-mat-nguy-co-pha-san-9166>

### Viet Nam imports more from China

China continues to be the top supplier of wood and wood products to Viet Nam, at US\$475 million in the first eight months of 2020. This amounts to an increase of 30%, year-on-year, and accounts for 31% of Viet Nam's total wood and wood product imports, by value. In contrast, Viet Nam's wood and wood product imports dropped by 11% from the United States, by nearly 6% from Thailand and by just over 7% from France.

### Brazil

### Investments in forest sector will reach BRL 35.5 billion in 2023

The Brazilian Tree Industry (Ibá), which brings together forest-based companies producing bio-products and biomaterials for national and international markets, is predicting that investments in the forest sector will grow to about BRL 35.5 billion in 2023, directed towards the expansion of forest plantations, processing facilities, technology and science.

This investment amount would be almost double that in the four years from 2016 and 2019 (BRL 18.0 billion). According to Ibá, the high level of planned investment shows the confidence of the sector in the growth of the green economy and consumer preferences for traceable products that have originated in renewable sources and that absorb and store carbon dioxide.

In 2019, for the first time, the forest plantation sector achieved a total gross revenue of BRL 100 billion. The contribution to the trade balance was US\$10.3 billion, the second-best result in the last decade.

This industrial value chain represents 1.2% of national gross domestic product and generates 1.3 million jobs across the country. The coming investments for expansion could create a further 36,000 jobs.

#### **Furniture cluster continues recovery after historic losses**

An analysis of revenue for September 2020 by the Furniture Industry Association of Bento Gonçalves (Sindmóveis) has confirmed a continuing recovery in the furniture industry there. Bento Gonçalves is the country's main furniture cluster, with more than 300 companies. The cluster generated revenue of BRL1.31 billion between January and August 2020, which was a nominal growth rate of 2.6% compared with the same period in 2019.

Revenue in the furniture sector reached BRL4.67 billion in the state of Rio Grande do Sul as a whole, a nominal decline of 2.7%, year-on-year.

The Bento Gonçalves furniture cluster added 92 net jobs from January to August, an increase of 1.6%. The furniture industry in the state of Rio Grande do Sul still had a negative balance of 262 jobs, however, down by 0.8% since January.

March and April were the worst months in history for the Bento Gonçalves furniture cluster, but a gradual recovery began in May and is continuing, notwithstanding the many economic uncertainties ahead.

Despite the incipient recovery in revenue, exports from the Bento Gonçalves furniture cluster fell by 7.3% in January–September 2020 compared with the same period in 2019, to US\$31.5 million. In the state as a whole, the drop was 19% in the same period, year-on-year, to US\$116.5 million. Nationwide, furniture exports were down by 10%, year-on-year, at US\$456 million.

In the Sindmóveis analysis, the better performance of the Bento Gonçalves furniture cluster compared with the state overall and nationally was due mainly to exports to the United States, Peru and the United Kingdom. Despite the negative overall export figures, foreign markets have mitigated the effects of the pandemic on the revenue and industrial performance of many furniture-exporting companies.

In addition to the difficulties caused by trade uncertainties and a decrease in purchases, Brazilian furniture manufacturers are suffering from delays in the delivery of raw materials and their rising cost.

#### **Big boost in Brazilian wood exports**

Brazilian exports of wood-based products (except pulp and paper) amounted to US\$286 million in September 2020, an increase of 20.8% compared with September 2019 (when the value was US\$236.6 million).

Pine sawnwood exports increased in value by 35.6%, from US\$38.2 million in September 2019 to US\$51.8 million in September 2020. The export volume increased by 52.9% over the same period, from 192,400 to 294,100 cubic metres.

Year-on-year, tropical sawnwood exports rose by 1.8% in volume in September 2020, to 39,900 cubic metres, and by 7.7% in value (to US\$15.4 million). Pine plywood exports leapt in value by 88% in September 2020 compared with September 2019 (from US\$36.1 million to US\$67.9 million).

In volume terms, pine plywood exports increased by nearly 50% over the same period, from 159,900 to 239,500 cubic metres.

Tropical plywood exports increased in volume by 1.7% in September, year-on-year (from 6,000 cubic metres to 6,100 cubic metres) but decreased in value by 11.5%, from US\$2.6 million to US\$2.3 million.

Wooden furniture exports increased from US\$49.3 million in September 2019 to US\$51.9 million in September 2020, an increase of 5.3% over the period.

#### **Tax incentive for Brazilian exports during the pandemic**

The Brazilian government approved Law No. 14.060 on 24 September 2020, which (according to the Ministry of Economy) allows an exceptional extension, for one year, of deadlines for complying with suspension and exemption drawback regimes.

These regimes make Brazilian exporters more competitive, relieving taxes on imports and local purchases of inputs used in the production of goods destined for international markets. The forest sector is one of the beneficiaries of this law, given the large volume of exports by various segments.

The new legislation originated in Provisional Measure No. 960 issued on 4 May 2020 on the actions taken by the federal government to reduce the impacts of the COVID-19 pandemic on the Brazilian economy. According to the Secretariat of Foreign Trade of the Ministry of Economy, 325 concessionary drawback exemption acts expire this year, and the Secretariat authorized input replacement of inputs in the order of US\$942.3 million.

Of this authorized amount, US\$424.9 million (about 45% of the total) refers to operations that, under the new law, may be carried out in 2021. In 2019, US\$49.1 billion was exported with the use of the drawback mechanism, which was 21% of Brazil's total foreign sales in the period.

The tax exemption includes the Import Tax, the Tax on Industrialized Products, the Contribution to PIS/Pasep and the Contribution for Social Security Financing.

Specifically, in the suspension regime, the exporter does not need to pay the Additional Freight for the Renewing of the Merchant Marine (AFRMM) and the Tax on Operations Related to the Circulation of Goods and on the Provision of Interstate, Intermunicipal and Communication Services imposed on external purchases.

**Domestic log prices**

	US\$ per cu.m
Brazilian logs, mill yard, domestic	
Ipê	161↓
Jatoba	83↓
Massaranduba	75↓
Muiracatiara	80↓
Angelim Vermelho	76↓
Mixed redwood and white woods	63↓

Source: STCP Data Bank

**Domestic sawnwood prices**

	US\$ per cu.m
Brazil sawnwood, domestic (Green ex-mill)	
Ipê	676↓
Jatoba	334↓
Massaranduba	332↓
Muiracatiara	302↓
Angelim Vermelho	298↓
Mixed red and white	196↓
Eucalyptus (AD)	150↓
Pine (AD)	100↓
Pine (KD)	122↓

Source: STCP Data Bank

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

	US\$ per cu.m
Parica	
4mm WBP	381↓
10mm WBP	324↓
15mm WBP	269↓
4mm MR.	309↓
10mm MR.	234↓
15mm MR.	209↓

Prices do not include taxes. Source: STCP Data Bank

**Prices for other panel products**

	US\$ per cu.m
Domestic ex-mill prices	
15mm MDParticleboard	154↓
15mm MDF	186↓

Source: STCP Data Bank

**Export sawnwood prices**

	US\$ per cu.m
Sawnwood, Belem/Paranagua Ports, FOB	
Ipe	1,483
Jatoba	863
Massaranduba	848
Muiracatiara	869
Pine (KD)	157

Source: STCP Data Bank

**Export plywood prices**

	US\$ per cu.m
Pine plywood EU market, FOB	
9mm C/CC (WBP)	248
12mm C/CC (WBP)	243
15mm C/CC (WBP)	222
18mm C/CC (WBP)	210

Source: STCP Data Bank

**Export prices for added value products**

	US\$ per cu.m
FOB Belem/Paranagua ports	
Decking Boards Ipê	3,025
Jatoba	1,450

Source: STCP Data Bank

**Peru****SERFOR launches app to facilitate access to forest regulations**

The National Forest and Wildlife Service (SERFOR) has launched a mobile-phone and web app to provide forest-sector actors with greater access to forestry and wildlife regulations.

SERFOR's executive director said that the app would be especially important given the current situation created by the pandemic, which limits face-to-face meetings between government, the private sector and other actors.

The app was developed in cooperation with the Forest Resources and Wildlife Supervision Agency (OSINFOR), the regional governments of Loreto and Ucayali, the USAID Forest Program and the US Forest Service.

**Exports of veneer, plywood and furniture decrease**

According to Peru's Association of Exporters (ADEX), the country exported veneer and plywood worth US\$1.4 million FOB between January and July, a drop of 9.1% compared with the same period last year. The exported products went mainly to Mexico (94%, with an overall reduction in value of 2.5%, year-on-year) and El Salvador (4.4%).

Peru exported furniture worth US\$1.7 million in the first seven months of the year, a drop of 18% compared with the same period last year. Exports to the United States were down by about 8%, year-on-year, but still accounted for three-quarters of the total.

Exports to Italy, the second-largest destination for Peruvian furniture, plummeted by 40% in the first seven months of the year.

**More than 100 specialists trained in forest fire management**

SERFOR provided virtual training for more than 100 specialists from 20 regions across the country in late August on the prevention and control of forest fire, with an emphasis on financing and methodologies for the training of native communities.

The international forum, "Forest fire risk management against climate change", was also held as part of the training, in which experiences from neighbouring countries in the monitoring centres of Argentina and Brazil were shared.

Further training aimed at strengthening forest fire risk management is planned for coming months.

**Export sawnwood prices**

Peru sawnwood, FOB Callao Port	US\$ per cu.m
Pumaquiro 25-50mm AD Mexican market	647-659
Virola 1-2" thick, length 6'-12' KD Grade 1, Mexican market	576-609
Grade 2, Mexican market	498-523
Cumaru 4" thick, 6'-11' length KD Central American market	973-987
Asian market	1048-1074
Ishpingo (oak) 2" thick, 6'-8' length Spanish market	561-579 ↑
Dominican Republic	689-699 ↑
Marupa 1", 6-11 length KD Grade 1 Asian market	569-598

**Domestic sawnwood prices**

Peru sawnwood, domestic Mahogany	US\$ per cu.m
Virola	241-265
Spanish Cedar	342-355
Marupa (simarouba)	222-232

**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 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

**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	544-577
2x13x75cm, Asian market	756-822

**Japan****Prime Minister makes priority trip to Viet Nam and Indonesia**

Most newly appointed Japanese Prime Ministers make the US their first overseas destination the cement the long-standing strategic partnership between the two countries. However, Japan's new PM opted to focus his first overseas mission on Asia with visits to Vietnam and Indonesia.

This, say analysts, was in response to the changing geopolitical situation in the region especially with Chinese activities in the South China Seas. The purpose was to promote the Japanese policy of securing a "a free and open Indo-Pacific region." Vietnam is central to this policy as, like Japan, it has territorial issues with China.

The other purpose was to advance the reopening of business travel between the two countries. In meetings with the Indonesian President the focus was on expanding exports and providing assistance to Indonesian efforts to revive the economy.

See: <https://www3.nhk.or.jp/nhkworld/en/news/backstories/1340/>

**Stimulus supports economy**

A government report in October painted a more optimistic view of economic prospects saying strengthening demand for electrical items and higher spending on domestic travel is helping revive the economy but cautioned the economy is facing severe risks due to the coronavirus pandemic and associated control measures. The Japanese economy suffered its worst postwar contraction in the second quarter of this year.

In related news, the Japanese government is considering an additional economic stimulus in an effort to boost consumption and officials have been charged with developing new ideas to be included in the government's third supplementary budget for fiscal 2020.

The media anticipate that the 'Go-To' campaigns for domestic tourists, through which the government subsidizes part of the costs of domestic tourist trips and dining out will encourage consumption. In addition, some adjustments to taxes are being considered.



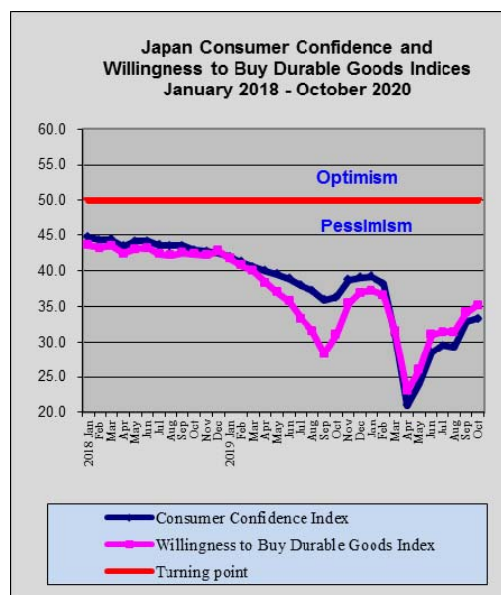
### Household spending declines further

The Ministry of Internal Affairs and Communications has reported that household spending fell for an 11th consecutive month in August as consumers struggled to return to their pre-pandemic purchasing habits. Household spending declined around 7% in August from a year earlier. However, the pace of decline has slowed after hitting a 16% high in May at the height of the lockdown.

In related news consumer prices fell for the second consecutive month in September driven down by weak demand. This will be a continual problem in a country already in recession.

Japan's October consumer confidence marked a second rise reflecting the early signs of economic recovery from the disruption caused by the pandemic.

The index assessing economic expectations in the next six months improved but the pace of recovery slowed compared to the previous month. On willingness to buy durable goods the index also improved on levels in September.



Data source: Cabinet Office, Japan

### Recovery in exports to China

The pace of decline in Japan's exports eased in September, a sign that the pandemic's impact on global trade is easing.

The Ministry of Finance said value of Japan's September exports declined 4.9% from a year earlier, much better than the almost 15% decline in year on year exports in August. Most of this improvement was the result of a recovery in China but analysts warn China's growth rate will be impacted by what is happening in the rest of the world.

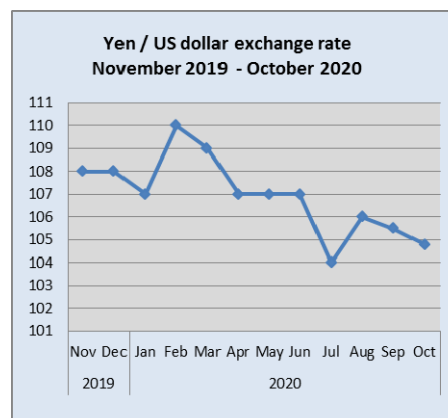
During the six months up to September exports declined over 35%, the sharpest drop since the global financial crisis.

The main problem for the Japanese government is that the pandemic is making Japanese companies cautious about hiring, improving wage growth and investment.

### Yen/dollar steady despite rising uncertainty

Rising Covid-19 infections in the US and Europe, the failure of the US to settle on fresh stimulus measures and uncertainty over how the US election will turn out are currently driving risk aversion in currency markets. Towards the end of October the yen strengthened moderately, much less than could be expected during times of growing uncertainty.

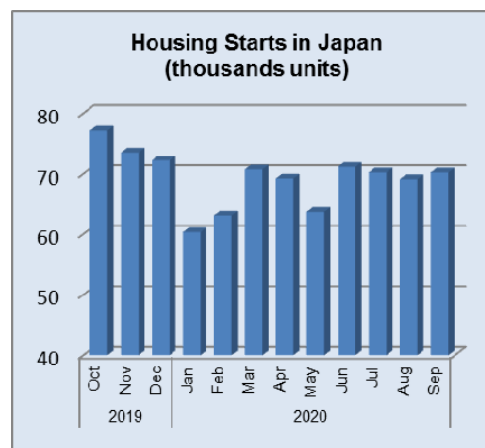
At around yen 104+ to the US dollar the yen has exhibited remarkable stability after a turbulent first quarter.



### Builder's confidence dented as orders slip

Data from the Ministry of Land, Infrastructure, Transport and Tourism shows that housing starts declined almost 10% year-on-year in September following a 9% fall in August.

Projections of annualised starts dropped to 815,000 in September from 819,000 in August. Data also showed that construction orders received by the big 50 contractors fell in September after an increase in August.



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

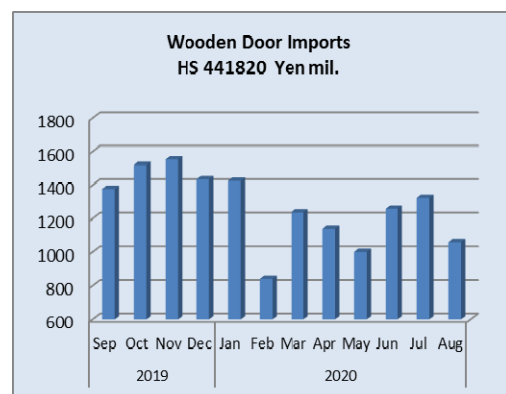
## Import update

### Wooden door imports

August is holiday month in Japan and construction activity is down to about 2 weeks in the month. Given the slow August building activity one could have expected a drop in imports of housing components such as doors in the preceding months but this was not apparent. However there was a decline in the value of wooden door imports in August.

Year on year door (HS441820) imports dropped 28% and compared to July imports in August were down around 20%.

As in previous months the main shippers of wooden doors to Japan were China (58% of August imports) the US 23% and Malaysia 5%, an improvement on shipments delivered to Japan in July.



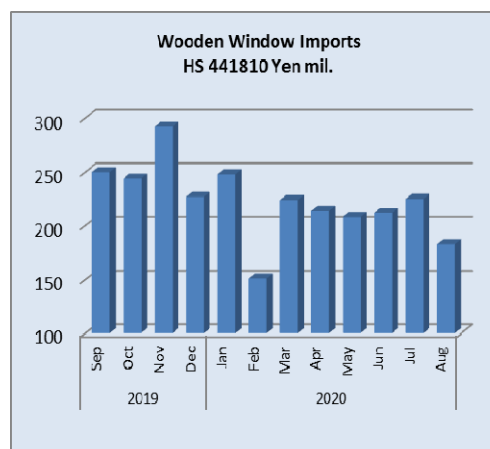
Data source: Ministry of Finance, Japan

### Wooden window imports

Japan's imports of wooden windows (HS441810) have turned out to be erotic during the first 8 months of this year.

The steady increase in the value of window imports that began in May collapsed in August with year on year import values falling 34% and month on month import values declined 19%.

In August the two shippers of wooden windows to Japan, China and the US saw market share fall to around 70%, down from over 80% in July. The new comer, the Philippines secured a 14% of Japan's imports.



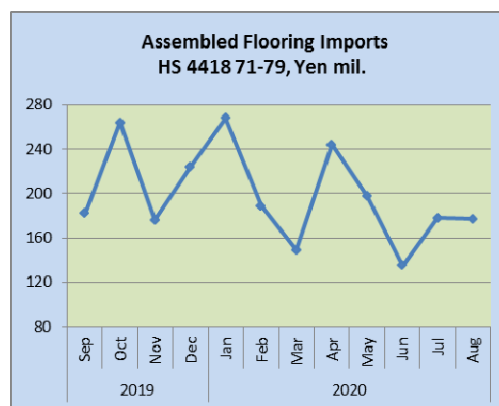
Data source: Ministry of Finance, Japan

### Assembled wooden flooring imports

Of the various categories of flooring imported HS 441875 accounted for 73% of August imports as it has done in past months and was supplied mainly by shippers in China and Vietnam.

Shipments of assembled flooring from China accounted for around 40% of all assembled flooring imports with a further 16% coming from both Malaysia and Vietnam.

Year on year assembled flooring (HS441871-79) dropped 17% but month on month were unchanged from July. Ignoring the peaks and dips in the value of imports there has been a steady decline since the beginning of the year.

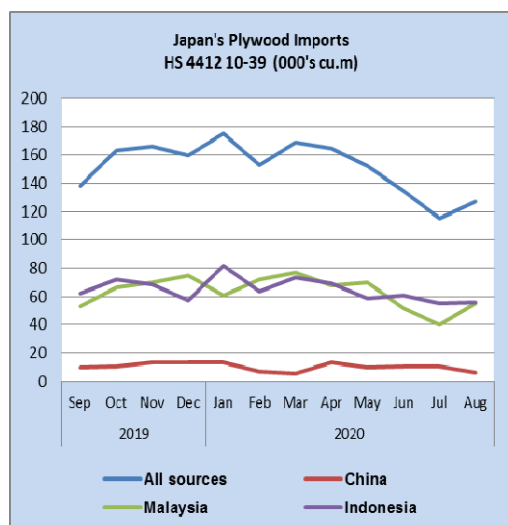


Data source: Ministry of Finance, Japan

### Plywood imports

After sustaining plywood shipments to Japan as the two main shippers, Indonesia and Malaysia experienced a decline in demand in July. In August shipments from China dropped around 35% to just 6,600 cu.m. In contrast, plywood shipments to Japan from both Indonesia and Malaysia rose slightly month on month in August. But this good news was dampened by the 18% year on year decline in August plywood shipments to Japan. Except for July, plywood shipments from Vietnam to Japan exceeded that from China.

Of the various categories reported HS441231 accounted for over 70% of imports with a further 5% each being of HS441233 and HS441234.



Data source: Ministry of Finance, Japan

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

		China	Malaysia	Indonesia	Vietnam
2019	Jan	14	91.2	66.4	11.9
	Feb	11.1	85.3	75	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	12.1
	Aug	12.1	61.8	68.9	11
	Sep	10	53	62	12
	Oct	10.6	66.3	72	12
	Nov	13.1	69.5	68.1	12.6
	Dec	13	74.4	57.4	14
2020	Jan	13.4	61.1	81.6	17
	Feb	6.8	72.2	63.8	9.5
	Mar	5.8	76.5	73	12.2
	Apr	13	68	69	13.6
	May	9.6	69.7	59	12.6
	Jun	10.3	52	61	11.3
	Jul	10.2	40	54.9	8.9
	Aug	6.6	55	56	8.4

Data source: Ministry of Finance, Japan

#### Trade news from the Japan Lumber Reports (JLR)

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

For the JLR report please see:

[https://jfpj.jp/japan\\_lumber\\_reports/](https://jfpj.jp/japan_lumber_reports/)

#### South Sea (tropical) logs and lumber

Arrivals of South Sea logs have been low but demand for both plywood and lumber is weak, there is no shortage. Plywood mills continue production cutback with weak demand. Because of corona virus epidemic, large gathering is prohibitive so many large events are cancelled, which results in drop of demand of plywood for stage and related facilities.

In hardwood lumber, movement of laminated free board is stagnant. There were some spike of demand in late August but it declined again after demand for public facilities and reform of stores died down.

Among lumber, movement of decking lumber is active probably because demand of suburban houses gets busy due to work from home is becoming popular now.

#### Russia further tightens wood export

It is reported that the president Puchin of Russia instructed the government to ban export of unprocessed softwood logs and high grade hardwood totally since January 2022. This is nothing new because export duty of Russian Far East softwood logs is set at 80% since 2021. This was decided back in 2018.

The objective is to promote higher processing of logs. By this instruction of the government will come up with new measures to restrict wood export.

The president also mentioned to stop illegal logging strictly. System to keep track of harvest, processing and ship-out (export) will be made to have high traceability. Also the government helps investment to make higher processing wood to small business. These measures targets to close loop holes of illegal wood trading on border of China, where many illegal acts or crimes are overlooked by the Russian local governments for quick revenue.

Japan imported 105,000 cbms of softwood logs and 2,400 cbms of hardwood logs in 2019. China imported 7,553,000 cbms of Russian logs, 28% less than 2018. After Russia bans log export totally, China needs to buy lumber instead or look for other sources of this much logs. China bought 18,342,000 cbms of Russian lumber in 2019, which is record high volume. This new measures will impact China much more than Japan

#### Wood demand in 2019

Total wood demand in 2019 was 81,905,000 cbms, 0.7% less than 2018, which is the first decline in four years since 2015. While wood demand for fuel increased by 15.1% with 10,386,000 cbms, demand of industrial wood decreased by 2.6% with 71,269,000 cbms. For industrial wood demand, imported wood decreased by 4.1% while domestic wood demand is 0.5% more so that self-sufficiency rate of industrial wood moved up by 1.0 point at 33%.

Self-sufficiency rate of total wood including fuel wood increased by 1.2 points at 37%. This is the highest rate in 34 years since 1985.

Decrease of industrial wood demand continued for last two years. In 2018, increase of fuel wood demand covered shortfall of industrial wood demand so total wood demand was more than 2017 but because of drop of industrial wood demand is so much in 2019, even with increase of fuel wood demand, total is less than 2018.

In industrial wood demand, logs for lumber manufacturing is 1.7% less than 2018. Logs for plywood manufacturing is 4.8% less. Reason is housing starts in 2019 is 4% less than 2018. In particular, wood based units decreased by 16,075 units. In logs for both lumber and plywood manufacturing, imported logs decreased but domestic logs increased so the self-sufficiency rate moved up. The rate of logs for lumber increased to 51%. Domestic logs for plywood manufacturing increased by 4.5 points so the rate is now 45.3%.

The largest drop of industrial wood is logs for pulp and paper manufacturing, which takes about 40% of industrial wood. Both imported and domestic materials decreased at 31,061,000 cbms, 3.0% less. Self-sufficiency rate dropped by 0.9 points to 15%. This hampers increase of self-sufficiency rate of total industrial wood. Reason is decrease of paper demand by decrease of total population and progress of electronic devices. In 2020, paper demand further declines by corona virus incident.

Increase of fuel wood demand is by rapid expansion of wood biomass power generation plants. It started increasing since

2014 and this is the first time that the volume reached 10,000,000 cbms. Imported wood for fuel in 2019 is 3,454,000 cbms, 24.6% more than 2018 while domestic wood is 6,932,000 cbms, 10.9% more.

Volume of imports is only half of domestic wood but rate of increase of imported wood for fuel is far higher so self-sufficiency rate dropped by 2.6 points. Majority of imported fuel wood is wood pellet. There are 78 more power plants, which are authorized but have not started yet so once these start operating, 15,000,000 cbms of wood pellet will be imported. Despite increase of domestic wood, speed of increase of imported wood is faster so self-sufficiency rate of fuel wood will continue declining.

#### **Mitsui Home to build wooden condominium**

Mitsui Home (Tokyo) announced that it will build five stories wooden building as condominium in Inagi city of Tokyo. First floor is reinforced concrete then second to fifth floor are 2x4 wooden floor. Total floor space is about 1,140 square meters. Total units are 51.

Mitsui Home built fifth stories wooden building in 2016 as elderly nursing home with floor space of about 10,000 square meters. It is one hour fire proof 2x4 structure.

For Inagi project, it has developed super strong bearing wall with wall strength factor of 30 times, which is the highest level as 2x4 building. Wall thickness is about half of usual wall to give more inner space.

It will also use nail laminated timber for some part of floor. NLT has been used over 100 years in North America as structural material. Long panel is made with jointed short lumber.

The Japan 2x4 Home Builders Association obtained the Minister's certificate as semi fire proof structural material so that it can be used for floor and roof. It will use 2x10 of domestic larch for floor joist. Normally 2x4 and 2x6 are used so this is the first time that 2x10 is used. It will use Hokkaido wood Mitsui Real Estate group owns for interior and other parts of the building.

## **China**

### **New transport channel in eastern China improves timber import efficiency**

The first "timber train" from Zhangjiagang (Jiangsu province) to the Ganzhou International Dry Port arrived on 29 September. The train was loaded with 40 containers, all of which contained wood imported through Zhangjiagang by Linsentai Furniture Ltd and other local furniture companies in Nankang. The goods were shipped using a new water-rail combination transport channel: from Zhangjiagang to Jiujiang Port by river, and then to the Ganzhou International Dry Port by train.

Zhangjiagang is a traditional port for imports of African and other timbers and one of the most important timber-supply bases for the furniture industry in Nankang, a district situated in Ganzhou city, Jiangxi province. The new transportation channel has increased the ease of shipping African timber and marks a further transition from road transport to rail for timber imported via Zhangjiagang. The new channel will reduce costs and increase efficiency for furniture companies; increase the supply of imported wood; and assist the development of the Ganzhou Dry Port International Timber Trading Center.

Ganzhou International Dry Port is promoting the development of a national trading and distribution centre for imported timber, and it held the Imported Timber Expo in October. Cooperation among ports such as Shenzhen, Guangzhou, Xiamen, Ningbo and Zhangjiagang is expected to open up further logistics channels for the importation and distribution of timber in China and help create a hub for timber import and trade businesses close to the port, with benefits for a wide range of wood-consuming sectors.

See: <https://jx.ifeng.com/c/80A8bkEJrcm>

### **Per capita income rises but spending drops**

Per capita disposable income reached nearly RMB 23,800 in China in the first three quarters of 2020, a nominal increase of 3.9% over the same period in 2019 and a real increase of 0.6%. The median per capita disposable income of Chinese households was RMB 20,500, up by 3.2%, year-on-year.

As disposable income rose, however, household consumption expenditure declined by 3.5% in nominal terms and by 6.6% in real terms, to RMB 14,923. Although expenditure rose on food, tobacco and alcohol over the period, it fell for all other categories, including on housing.

See:  
[http://www.stats.gov.cn/english/PressRelease/202010/t20201020\\_1794986.html](http://www.stats.gov.cn/english/PressRelease/202010/t20201020_1794986.html)

#### China's real estate market heating up again

Meanwhile, however, overall national investment in real estate development was RMB 10,300 billion in the first three quarters of 2020, an increase of 5.6%, year-on-year. This amount comprised RMB 7,660 billion in residential buildings, RMB 437 billion in office buildings and RMB 955 billion in buildings for commercial businesses. The total floorspace under construction was 8,600 million square metres.

See:  
[http://www.stats.gov.cn/english/PressRelease/202010/t20201020\\_1794943.html](http://www.stats.gov.cn/english/PressRelease/202010/t20201020_1794943.html)

#### Sawnwood imports drop in first half

According to China Customs data, China imported 17 million cubic metres of sawnwood in the first half of 2020, a decline of 8% compared with the same period in 2019, at a value of US\$3.7 billion (a drop of 17%, year-on-year). The average price of imported sawnwood was US\$217 per cubic metre, down by 7% over the same period in 2019.

Sawn softwood imports fell by 10% in the first six months of 2020, to 12.7 million cubic metres, which was 75% of the total volume of imported sawnwood. The average price of imported sawn softwood was US\$171 per cubic metre, down by 6% over the same period in 2019.

Sawn hardwood imports fell by 9% to 4.3 million cubic metres in the same period, with volumes falling from Thailand by 7%, from the United States by 15% and from the Russian Federation by 34%. The average price of imported sawn hardwoods in the first half of 2020 was US\$358 per cubic metre, down by 9% over the same period in 2019.

#### China's sawnwood imports, first half of 2020, by volume

Volume	First half 2020 (million cu.m)	% change, year-on-year
Sawnwood imports	16.96	-8
Sawn softwood	12.66	-10
All sawn hardwood	4.30	-9
of which tropical	2.99	2

Data source: China Customs

#### China's sawnwood imports, first half of 2020, by value

	1st half 2020 US\$ mil.	YoY % Change
Sawnwood imports	3,696	-17
Sawn softwood	2,160	-16
All sawn hardwood	1,536	-17
of which tropical	942	-11

Data source: China Customs

#### Russian Federation the major sawn softwood supplier to China

The Russian Federation was the main sawn softwood supplier to China in the first half of 2020, despite a fall in volume of 12%, to 7.63 million cubic metres, which was 60% of the national total.

Meanwhile, China's sawn softwood imports surged from Belarus (up by 147%), Sweden (+50%), Germany (+47%) and Ukraine (25%).

Average prices dropped for almost all sawn softwood suppliers in the first six months of 2020 – including by 28% from the United States, by 22% from Canada and by 20% from Sweden. In contrast, average prices for imported sawn softwood rose by 2% from the Russian Federation.

#### China's sawn hardwood imports increase from Tanzania

China's sawn hardwood imports from the United Republic of Tanzania surged to 174,000 cubic metres in the first half of 2020, from just over 1,000 cubic metres in the first half of 2019; this was the result of a dramatic plunge (-77%) in the average price of hardwood exports from this country. China's sawn hardwood imports also rose significantly from Canada (+32% by volume).

#### Sawn hardwood imports to China, first half of 2020, main suppliers

	First half 2020 (thousand cu.m)	% change, year-on-year
Total	4,295	-9%
Thailand	1,672	-7%
USA	592	-15%
Russia	450	-34%
Gabon	279	3%
Tanzania	174	16,252%
Philippines	141	-8%
Indonesia	93	5%
Romania	92	-28%
Canada	83	32%
Cameroon	66	-15%

Data source: China Customs



In contrast, China's sawn hardwood imports from Viet Nam fell away in the first half of 2020 because most of the production was consumed by Chinese furniture factories in Viet Nam. Some Chinese furniture factories have transferred to Viet Nam due to China's stricter environmental controls and increasing tariffs on Chinese products in the United States.

Average prices for China's imported sawn hardwood declined in all markets in the first six months of 2020.

#### **Slight rise in China's tropical sawnwood import volume**

Of total sawn hardwood imports, tropical sawnwood imports accounted for 2.99 million cubic metres (18% of all sawn hardwood imports) in the first half of 2020, up by 2% compared with the same period in 2019. The value of these imports was US\$942 million, down by 11%, year-on-year.

The average price of imported tropical sawnwood was US\$315 per cubic metre, down by 13% over the same period in 2019.

Thailand was the main supplier of China's tropical sawnwood imports in the first half of 2020, at 1.67 million cubic metres, down by 7%, year-on-year. This volume was worth US\$453 million, down by 15%.

The top ten suppliers of tropical sawnwood to China in the first half of 2020 were Thailand (56% of the total volume), Gabon (9%), the United Republic of Tanzania (6%), Brazil (5.3%), the Philippines (4.7%), Indonesia (3.1%), Cameroon (2.2%), Malaysia (2.0%), Viet Nam (1.98%) and Myanmar (1.94%).

#### **Main countries shipping tropical sawnwood to China, first half of 2020**

Supplier	Volume (thousand cu.m)	% change, year-on-year
Total	2991	2%
Thailand	1672	-7%
Gabon	279	3%
Tanzania	174	
Brazil	160	7%
Philippines	141	-8%
Indonesia	94	5%
Cameroon	66	-15%
Malaysia	60	-37%
Viet Nam	59	26%
Myanmar	58	51%

Data source: China Customs

#### **Average tropical sawnwood import prices to China, top ten suppliers, first half of 2020**

Supplier	Average price (US\$ per cu.m)	% change, year-on-year
Thailand	271	-9
Gabon	433	-11
Tanzania	168	-77
Brazil	223	-12
Philippines	93	-28
Indonesia	593	-20
Cameroon	555	-1
Malaysia	349	-7
Viet Nam	388	-10
Myanmar	291	-15

Data source: China Customs

#### **Correction**

In the early October Market Report it was stated:

*The latest efforts to clean the air will impact wood product manufacturers and it has been reported that 39 companies have been ordered to stop production and some furniture and wood-based panel enterprises are included.*

The text should have said: *companies in 39 industrial sectors, including furniture and wood-based panel enterprises, will stop production.*

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

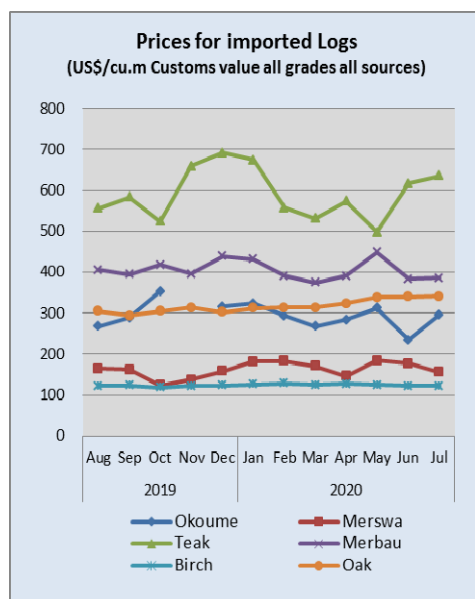
	2020 June	2020 July
Okoume	234	296
Merswa	177	155
Teak	617	635
Merbau	383	385
Birch	122	122
Oak	340	341

Data source: China Customs. Customs value all grades, all sources

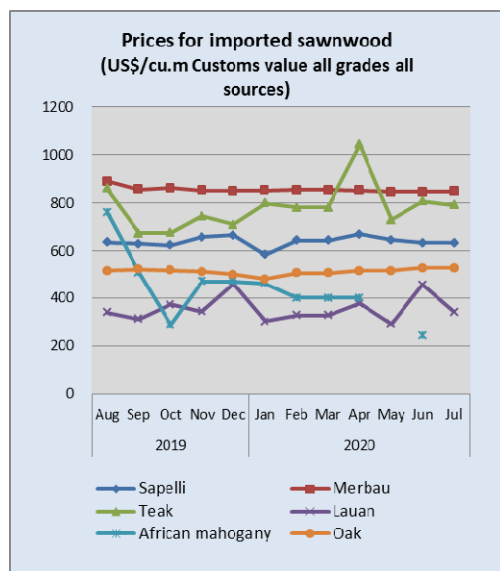
#### **Average imported sawnwood prices US\$/cu.m CIF**

	2020 June	2020 July
Sapelli	633	633
Merbau	845	847
Teak	807	791
Lauan	457	340
African mahogany	242	
Oak	529	530

Data source: China Customs. Customs value all grades, all sources



Data source: China Customs. Customs value all grades, all sources



Data source: China Customs. Customs value all grades, all sources

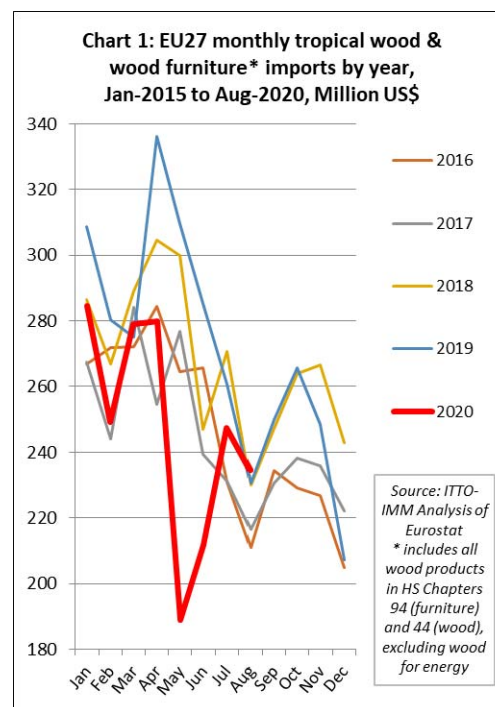
## Europe

### EU27 tropical timber imports stronger than expected so far in 2020

Total EU27 (i.e. excluding the UK) import value of tropical wood and wood furniture products was US\$1.98 billion between January and August this year, 14% less than in 2019. This is a significantly higher level of import than forecast earlier in the year with the “Great Lockdown” having a severe impact on the wider EU27 economy and on the supply side in tropical countries.

The fact that EU27 trade in tropical wood timber products was cooling even before the onset of the COVID-19 pandemic makes this performance even more remarkable.

Chart 1, which shows the value of EU27 imports of tropical wood and wood furniture products each month during the last five years, highlights that while imports fell sharply in May this year there was a very strong rebound in June and July. Although imports declined again in August, they were at a five year high for that month (which is typically very slow during the European summer vacation period).



The continued relative buoyancy of trade is probably partly due to the strength of the DIY sector in the EU27 during the lockdown with many people taking the opportunity to carry out home improvement work. In some EU27 countries with less stringent lockdowns, such as the Netherlands and Sweden, commercial construction and manufacturing activity also continued, at a slower pace but without interruption throughout the spring and summer months.

With the easing of lockdown measures from May onwards and boosted by the introduction of large government stimulus measures, the economy picked up across the EU27 in the third quarter. Official GDP figures have yet to be published (due early November), but according to projections by Barclays an 11.5% rebound of euro area economic activity is expected in the third quarter, led by Spain (17.9% q/q) and France (16.8% q/q). Barclays projections for third quarter rebounds in Italy (12.5% q/q) and Germany (8.2% q/q) are less dramatic but only because the initial downturn in the second quarter was more muted.

EU27 imports have also been given a boost by the relative strength of the euro on international exchange markets, the euro-dollar rate rising sharply from less than 1.10 to nearly 1.20 between May and August.

The dollar's weakness is due to uncertainty in the run up to the presidential elections and the severity of the pandemic in the United States.

### More serious challenges emerging for the EU27 economy

However, it remains to be seen whether the recovery in EU27 imports will be sustained as there are, once again, serious challenges emerging for the European economy. The relative strength of the euro is already creating a headache for the European Central Bank which is becoming alarmed at the impact on export competitiveness of EU27 manufacturers at a time when other factors are weighing down heavily on demand.

Meanwhile, the second waves of COVID infection across Europe have grown to be larger than the first and have led to renewed lockdowns which now threaten a final quarter economic contraction. Assessing the impact of the new lockdown measures is difficult because, unlike six months ago, they are now more regional, or targeted, sector-specific and time-limited. However, they are adding to an already uncertain economic climate.

Forward looking indicators show that economic momentum in the EU27 is likely to get worse before it gets better. October registered a third consecutive monthly decline in the Euro Area Purchasing Managers Composite Output Index, down 1.1 points to 49.4 and taking it back into contractionary territory (any score below 50 indicates that a majority of those surveyed recorded a decline in purchasing).

The latest PMI data for eurozone construction is also not encouraging. IHS Markit, who undertook the survey, commented in their 6th October report that "The PMI results for September show that the eurozone construction sector remained stuck in contraction as builders struggled to secure new work amid the COVID-19 outbreak.

The survey pointed to broad-based declines across housing, infrastructure and commercial projects. In line with increases in coronavirus cases, and the potential for stricter restrictions to be imposed, a rebound in the near-term seems unlikely. In fact, eurozone builders remained pessimistic about growth prospects".

IMF forecasts published in October now suggest that euro area GDP will decline 8.3% this year followed by growth of 5.2% in 2021. Of the largest economies, prospects are strongest in Germany, with a 6% decline forecast for this year to be followed by 4.2% growth next year.

The French economy is forecast to fall 9.8% this year followed by 6% growth next year. Italy's economy is forecast to fall 10.6% this year and to rebound 5.2% next year. Spain's economy is forecast to fall even more drastically this year, down 12.8%, but to rebound more strongly, by 7.2% in 2021.

Also in October, the European contractors' federation FIEC published their annual report which forecast an 8.5% fall in EU27 construction activity in 2020. FIEC said the final months of 2020 would be critical for the industry as new projects were expected to decline during the Autumn.

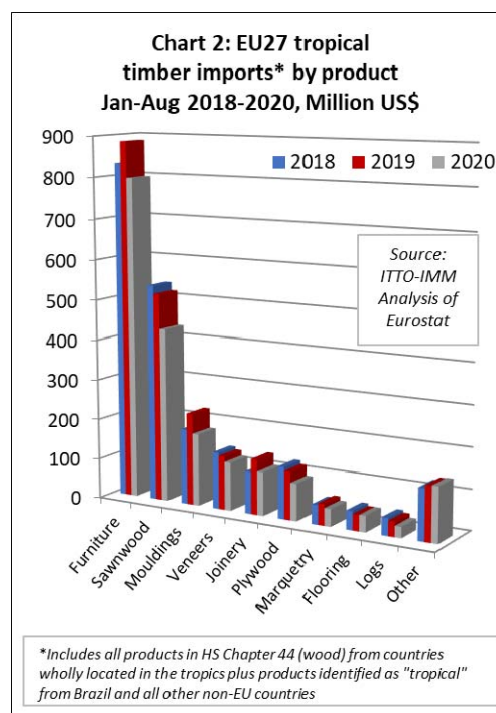
In a sign of the heightened uncertainty, the FIEC report included no forecasts for next year. However, FIEC warned that "The situation might worsen in 2021 if investments in construction, both public and private, do not recover significantly. Moreover, due to losses in equity during the health crisis, companies will find it difficult to embark on new projects."

### EU27 tropical imports hold up reasonably well in all sectors

Unsurprisingly, EU27 imports of all the main tropical wood products fell in the first eight months of this year, but in each case the decline was less dramatic than expected earlier in the year when the scale of the pandemic and associated lockdown measures were becoming apparent.

In the year to August, EU27 imports of wood furniture from tropical countries declined 10% to US\$797 million, while imports of tropical sawnwood declined 17% to US\$432 million, tropical mouldings were down 21% to US\$179 million, veneer down 10% to US\$120 million, joinery down 21% to US\$108 million, plywood down 23% to US\$93 million, marquetry and ornaments down 18% to US\$43 million, and logs down 26% to US\$27 million.

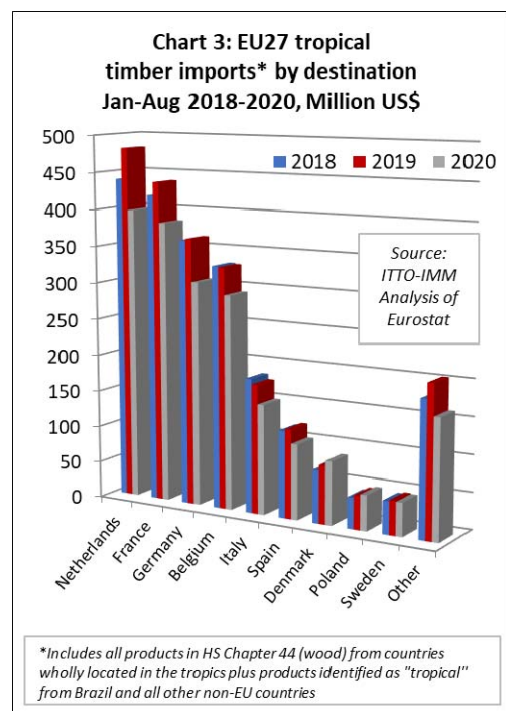
Imports of tropical flooring were stable, but at a historically low level of US\$40 million (Chart 2).



Imports fell into all six of the largest EU27 destinations for tropical wood and wood furniture products in the first eight months of this year.

Imports were down 17% to US\$398 million in the Netherlands, 12% in France to US\$383 million, 16% in Germany to US\$306 million, 11% in Belgium to US\$292 million, 15% in Italy to US\$150 million, and 15% in Spain to US\$103 million.

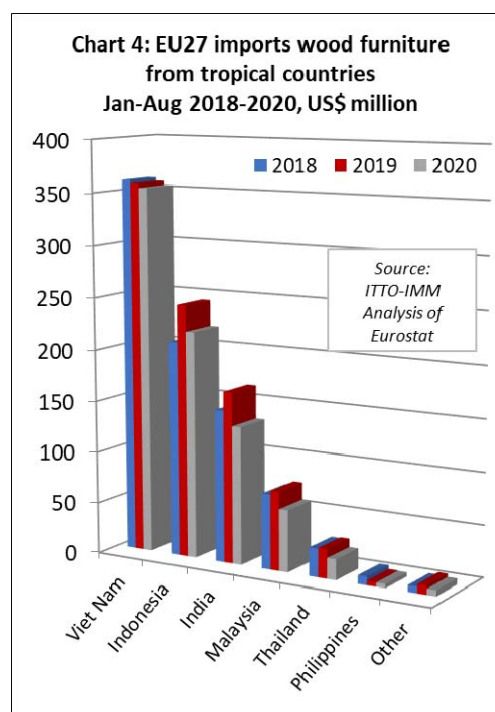
However, imports increased in Denmark, by 9% to US\$86 million, and in Poland, by 5% to US\$48 million. Imports in Sweden fell but only by 2% to US\$45.5 million (Chart 3).



#### EU27 wood furniture imports from Vietnam close to last year's level

In the furniture sector, EU27 imports from Vietnam almost matched last years' level in the first eight months, down only 1% to US\$354 million.

Imports from Indonesia were down 10% to US\$220 million in the first eight months of this year, although this compares with a relatively strong performance in 2019 and imports this year are still higher than in the same period during 2018 (Chart 4).



EU27 imports of wood furniture from the other main South East Asian suppliers declined sharply, including Malaysia (down 22% to US\$60 million), Thailand (down 29% to US\$19 million, and the Philippines (down 9% to US\$4 million)

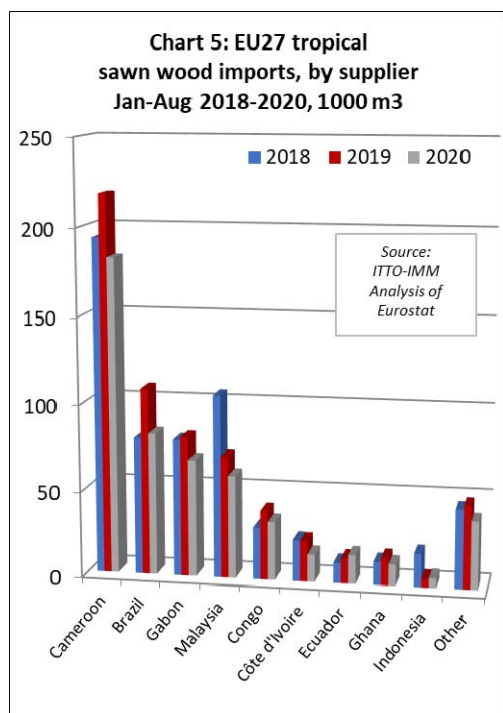
EU27 imports of wood furniture from India were down 20% to US\$133 million in the first eight months. Partly due to supply side issues, imports from furniture from India almost came to a complete halt in May this year, but then rebounded very strongly in July and August to record levels for the summer months.

#### EU27 tropical sawnwood imports down sharply from all major supply countries

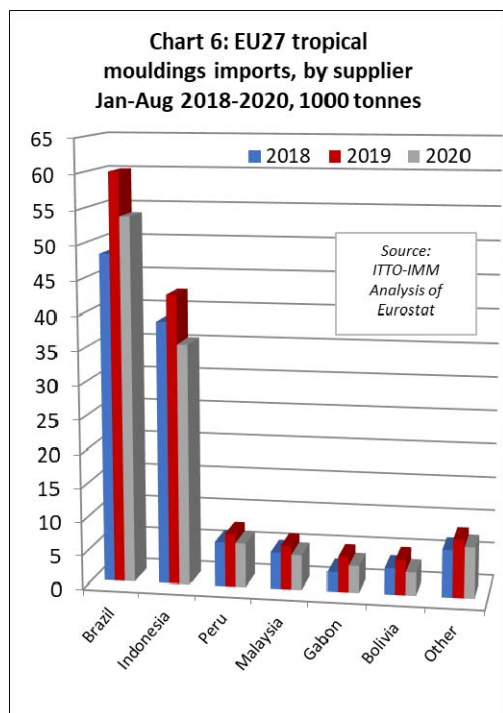
EU27 imports of tropical sawnwood declined sharply from all major supply countries in the first eight months of 2020; down 17% from Cameroon to 182,500 cu.m, 24% from Brazil to 82,200 cu.m, 16% from Gabon to 67,900 cu.m, 15% from Malaysia to 59,600 cu.m, 16% from Congo to 33,800 cu.m, 33% from Côte d'Ivoire to 15,800 cu.m, and 23% from Ghana to 12,200 cu.m.

However Ecuador bucked the downward trend, with EU27 imports from the country rising 15% to 16,600 cu.m, much destined Denmark and likely driven by strong demand for balsa for wind turbines. Imports of sawnwood from Indonesia also increased slightly, by 11% to 5,500 cu.m, but this follows a 74% reduction in 2018 (Chart 5).

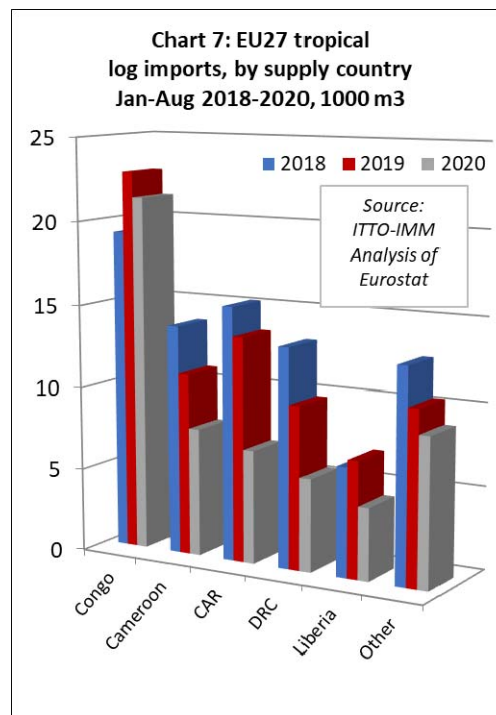




The decline in imports of tropical sawnwood in the first eight months of 2020 was mirrored by a similar decline in EU27 imports of tropical mouldings/decking. Imports of this commodity were down 10% from Brazil to 53,800 tonnes, 17% from Indonesia to 35,500 tonnes, 17% from Peru to 6,500 tonnes, 20% from Malaysia to 5,100 tonnes, 24% from Gabon to 3,900 tonnes, and 35% from Bolivia to 3,400 tonnes (Chart 6).



EU27 imports of tropical logs held up reasonably well from the Republic of Congo in the first eight months of the year, down only 7% to 21,400 cu.m, but fell sharply from all other leading supply countries including Cameroon (-30% to 7,700 cu.m), Central African republic (-50% to 6,800 cu.m), DRC (-43% to 5,600 cu.m), and Liberia (-38% to 4,300 cu.m) (Chart 7).

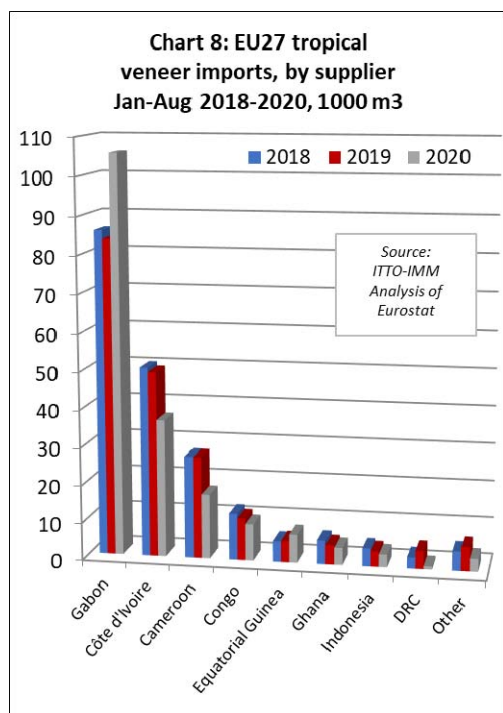


#### EU27 tropical veneer imports from Gabon on the rise despite pandemic

In the veneer sector, imports from Gabon bucked the wider downward trend in EU27 imports in the first eight months of 2020. The EU27 imported 105,700 cu.m of veneer from Gabon between January and August this year, 26% more than the same period in 2019, mainly destined for France. Veneer imports also increased 32% from a small base to 7,500 cu.m from Equatorial Guinea, in this case destined mainly for Spain and Italy.

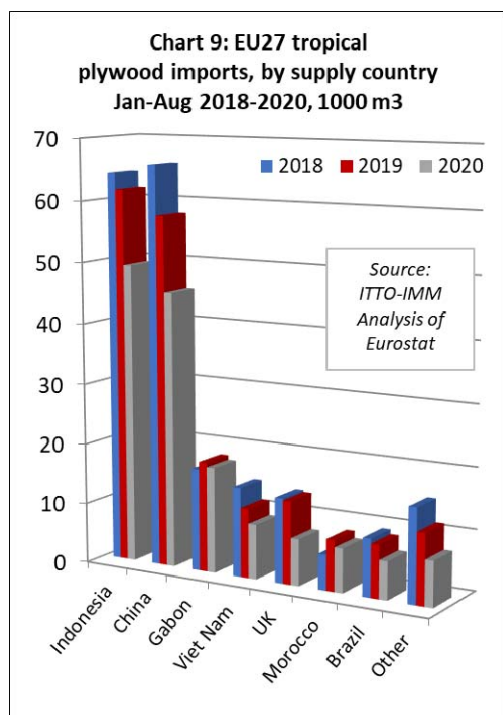
However, EU27 veneer imports were down 26% from Côte d'Ivoire to 36,600 cu.m, 37% from Cameroon to 17,200 cu.m, 13% from Ghana to 4,600 cu.m, 18% from Indonesia to 3,400 cu.m and 84% from DRC to 800 cu.m (Chart 8).





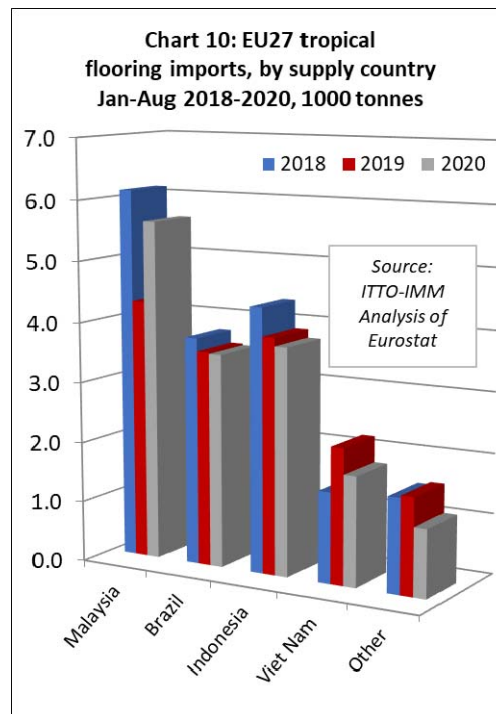
EU27 imports of tropical hardwood faced plywood were down from all the leading supply countries in the first eight months of 2020. Imports fell 20% to 49,400 cu.m from Indonesia, 22% to 45,300 cu.m from China, 4% to 17,400 cu.m from Gabon, 21% to 9,000 cu.m from Vietnam, 14% to 7,200 cu.m from Morocco and 28% to 6,300 cu.m from Brazil. (Chart 9).

EU27 imports of tropical hardwood faced plywood from the UK – a re-export since the UK has no plywood manufacturing capacity - declined 44% to 7,600 cu.m



#### EU27 tropical flooring imports rise while other joinery imports decline

Given the situation in the wider market, one of the least expected trends in EU27 import data is a slight recovery in imports of tropical flooring products in the first eight months of this year after a long and persistent period of decline (Chart 10).

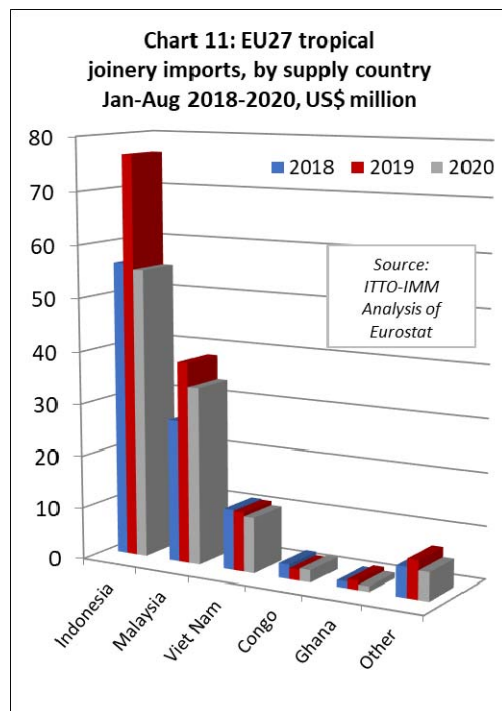


Imports were up 2% to 15,900 tonnes, with the gain due to a 31% rise in imports from Malaysia to 5,600 tonnes, mostly destined for Belgium.

Imports declined only moderately from Brazil, down 1% to 3,500 tonnes, and Indonesia, down 4% to 3,800 tonnes. Imports from Vietnam fell more rapidly, by 19% to 1,800 cu.m.

EU27 imports of other joinery products from tropical countries, which mainly comprise laminated window scantlings, kitchen tops and wood doors, declined from all three of the main supply countries in the first eight months of 2020.

Imports from Indonesia were down 28% to 55,000 tonnes, 12% from Malaysia to 33,800 tonnes, and 7% from Vietnam to 10,600 tonnes. For African countries, EU27 imports of this commodity increased from the Republic of Congo, by 12% to 2,300 tonnes, but fell from Ghana, by 40% to 1,100 tonnes. (Chart 11).



## North America

### US home construction trended up in September

U.S. home construction rose a solid 1.9% in September after having fallen in the previous month, as home building continues to be one of the bright spots of the economy.

The increase last month pushed home construction to a seasonally adjusted annual rate of 1.42 million homes and apartments after a 6.7% drop in August, the U.S. Department of Commerce reported. Applications for building permits, a good barometer of future activity, rose an even stronger 5.2% to 1.55 million units.

Construction of single-family homes surged by 7.8%, offsetting a 14.7% drop in the smaller apartment sector. Single-family construction is now at its highest level since 2007. Construction was up in every region of the country except the Midwest which registered a 32.7% plunge. Construction surged 66.7% in the Northeast with smaller gains of 6.2% in the South and 1.4% in the West.

See:

<https://www.census.gov/construction/nrc/pdf/newresconst.pdf>

### US existing-home sales soar

U.S. existing-home sales grew for the fourth consecutive month in September, according to the National Association of Realtors. Each of the four major regions witnessed month-over-month and year-over-year growth, with the Northeast seeing the highest climb in both categories.

Total existing-home sales rose 9.4% from August to a seasonally adjusted annual rate of 6.54 million in September. Overall sales are up 20.9% from a year ago (5.41 million in September 2019).

September 2020 saw existing-home sales increase by 16.2% in the Northeast, by 9.6% in the West, by 8.5% in the South and by 7.1% in the Midwest.

Sales could be more robust if there were more homes available. The inventory of homes for sale fell 19.2% annually to just 1.47 million homes for sale at the end of September. At the current sales pace that represents a 2.7-month supply. That is the lowest since the Realtors began tracking this metric in 1982. Tight supply continues to push prices higher. The median price of an existing home sold in September was \$311,800, a 14.8% gain compared with September 2019.

See: <https://www.nar.realtor/newsroom/existing-home-sales-hit-highest-level-since-december-2006>

### Builder confidence continues to rise

In a further show of strength for the U.S. housing sector, builder confidence in the market for newly-built single-family homes increased two points to 85 in October, further surpassing the previous all-time high of 83 recorded in September according to the latest NAHB/Wells Fargo Housing Market Index (HMI). These are the first two months the index has ever been above 80.

Buyer traffic remains high and record-low interest rates are keeping demand strong as the concept of 'home' has taken on renewed importance for work, study, and other purposes during and after the virus-induced downturn. However, it is becoming increasingly challenging to build affordable homes as shortages of lots, labor, lumber, and other key building materials are lengthening construction times.

See: <http://eyeonhousing.org/2020/10/builder-confidence-continues-record-climb/>

### Hardwood sawnwood prices stable but sawn softwood prices continue up

Softwood sawnwood prices in the U.S. rose by 27.4% in September, leading the overall price index of materials and components for construction up 2.1% from August, seasonally adjusted, according to the U.S. Bureau of Labor Statistics latest producer price report.

According to the report, the price of softwood sawnwood has risen 81.2% over the last 12 months. In contrast, the price of hardwood sawnwood has fallen by 1.4% from a year ago, although it did rise by 1.7% from August to September.

Softwood sawnwood prices, both for framing sawnwood and for plywood products, rose even more strongly in September than in earlier months. While the accelerating price of sawnwood shown by the report is remarkable, other sources indicate that the worst might be over.

The National Association of Homebuilder's tracking of sawnwood prices indicates that prices peaked in the middle of September and were easing by the end of the month. Still, futures prices for Spring 2021 deliveries remain higher than sawnwood prices early in 2020.

That sawnwood prices are being driven higher by sawmill capacity is indicated by the fact that prices for timber have been relatively stable. They are up only about 5% from the lows they hit in the spring and are trading below the peaks they reached in early 2018.

#### Again wood products sector leads manufacturing growth

Economic activity in the U.S. manufacturing sector grew for the fifth consecutive month in September, according to the nation's supply executives in the latest Manufacturing ISM Report on Business. And for the fourth consecutive month, wood products manufacturers reported the highest growth among manufacturing industries.

However, the wood products sector reported a decrease in inventories and a shortage of sawnwood. One respondent said, "raw material shortages, especially of hardwood logs, are starting to impact overall supply."

According to the report, manufacturing performed well in the month with demand, consumption and inputs registering growth indicative of a normal expansion cycle.

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

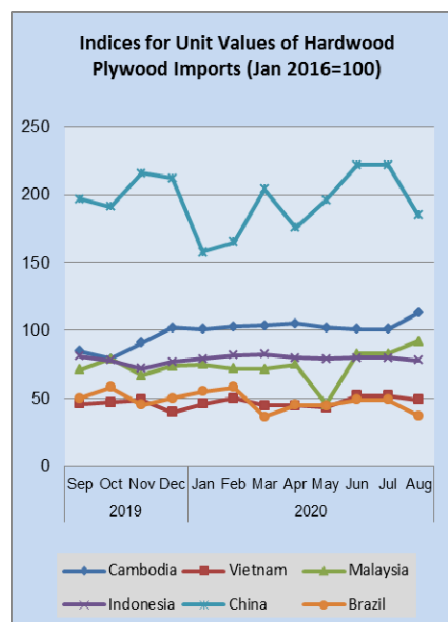
#### USTR once again blocks timber from Peruvian exporter

United States Trade Representative Robert Lighthizer has announced the U.S. will continue to block future timber imports from Inversiones La Oroza SRL (Oroza), a Peruvian exporter, based on illegally harvested timber found in its supply chain.

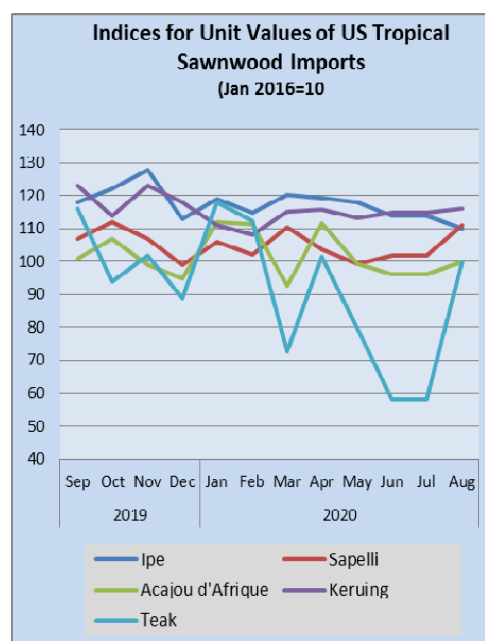
This is an extension of an earlier enforcement action and marks the third time that the U.S. has taken such an enforcement action under the United States-Peru Trade Promotion Agreement's (PTPA) Annex on Forest Sector Governance (Forest Annex).

The PTPA includes a requirement for Peru to conduct audits of particular timber producers and exporters, and upon request from the U.S., perform verifications of particular shipments of wood products. The original verification process conducted three years prior by Peru revealed that significant portions of the Oroza shipment were not compliant with the applicable laws and regulations governing the harvest of and trade in timber products.

See: <https://ustr.gov/about-us/policy-offices/press-office/press-releases/2020/october/ustr-announces-enforcement-action-block-illegal-timber-imports-peru>



Data source: US Census Bureau, Foreign Trade Statistics  
Note: Unit values are based on Customs value and exclude shipping, insurance and duties



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**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.**

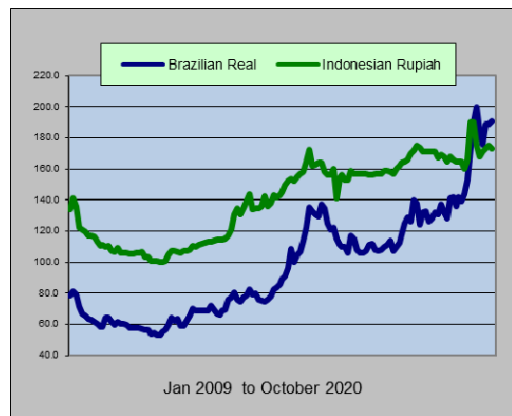
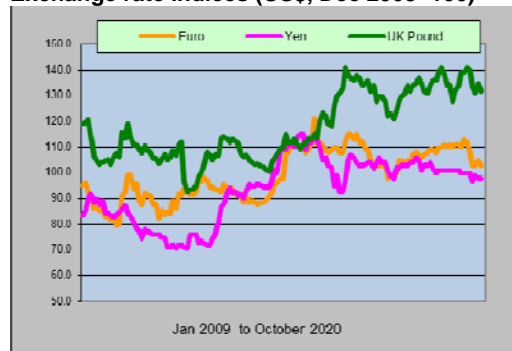
**The views and opinions expressed herein are those of the correspondents and do not necessarily reflect those of ITTO**

## Dollar Exchange Rates

As of 25 October 2020

Brazil	Real	5.6245
CFA countries	CFA Franc	555.00
China	Yuan	6.7122
Euro area	Euro	0.8468
India	Rupee	73.97
Indonesia	Rupiah	14650
Japan	Yen	104.85
Malaysia	Ringgit	4.1655
Peru	New Sol	3.50
UK	Pound	0.7678
South Korea	Won	1132.50

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

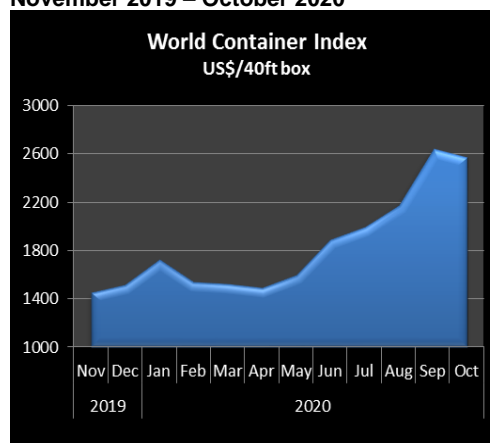


## Abbreviations and Equivalences

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

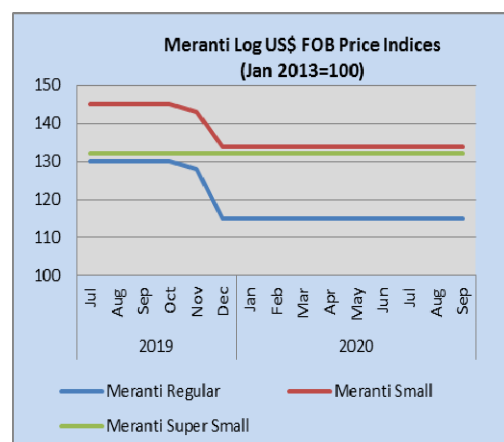
November 2019 – October 2020



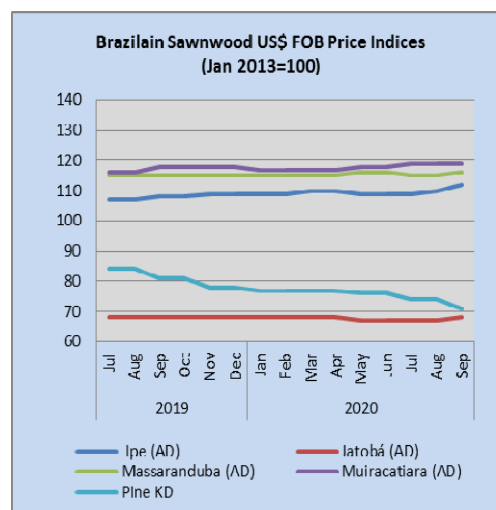
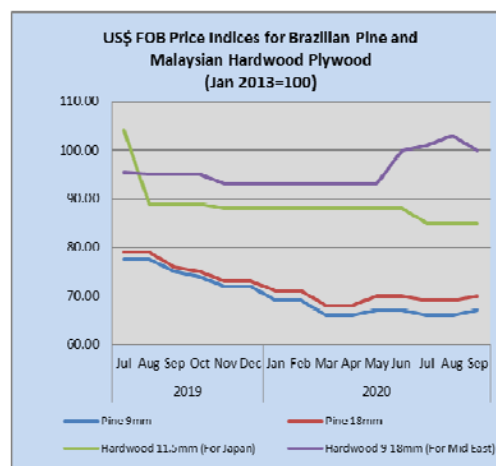
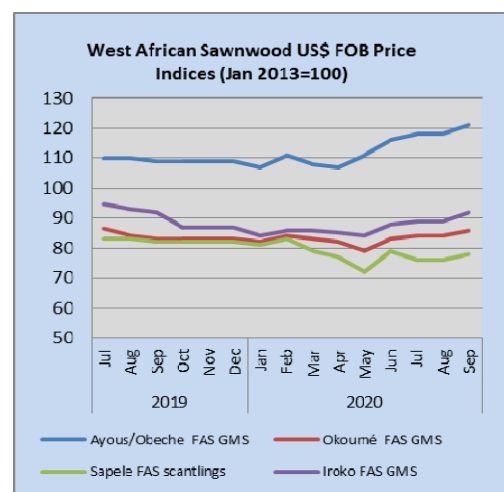
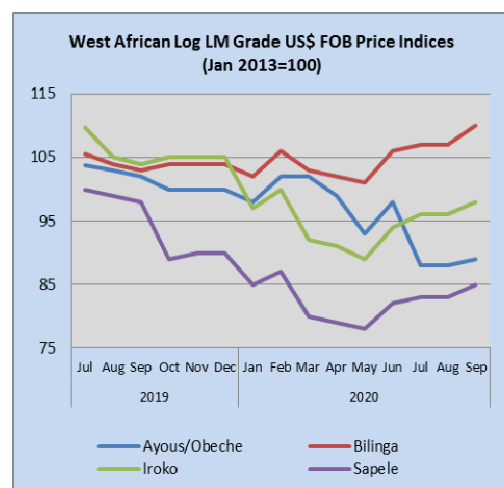
Data source: Drewry World Container Index

## Price indices for selected products

The following indices are based on US dollar FOB prices



Note: Sarawak logs for the Japanese market



Note: Jatobá is mainly for the Chinese market.

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