Service de l’Actualité des Marchés

Récents développements sur les marchés des produits bois africains

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Le Service de l’actualité des marchés (MNS) est le résultat d’un projet de l’OIBT

(PD 700/13(I) Rev1 Phase1) financé par le Gouvernement japonais.Le MNS constitue seulement l’un des éléments de ce projet qui a pour objectif général d’éliminer les contraintes limitant l’expansion de la fabrication et du commerce de produits bois chez les producteurs africains.

South Africa

End of year construction holidays impact imports

Although this is the busy time of the year in the construction industry the flow of imports has virtually ended for the year. The South African construction industry traditionally closes on the 16 Dec and will resume work again in the second week of January. Importers place orders for shipment around the end of September so as not to hold too much stock during the quiet period of the year. Exporters will resume shipments in December for January arrival. Traditionally the mills and factories use this summer close-down period for annual maintenance.

Production problems affect pine market

The pine market has been reasonably firm due to the normal end of year demand as people try and finish contracts before the construction work ends to avoid penalties. The risk of penalties for late completion has been compounded by a lack of stocks at the mills due to strikes, electricity shortages (affects kiln output in particular) and some breakdowns. Millers will be carefully watching the market when business begins next year to see if this trend continues. The delays in construction completions have resulted in many mills having over full order books and, as a result, are missing delivery dates.

Tropical hardwoods face growing competition

Meranti’s market share seems to be shrinking both because of substitutes as well as the exchange rate. The South African rand has fallen to an all-time low of R14.40 traders are trying to pass on the currency losses but there is a lot of resistance from buyers.

Meranti import volumes have fallen and stockists are reducing the number of sizes they are holding to make their stockholdings more efficient. FOB prices for meranti has dropped about US$30/cu.m due to the weak ringitt but still substitutes such as aluminium are eating into market share.

The market for wawa is in turmoil as producers especially in Ghana are falling behind on deliveries due to electricity problems. Slow delivery is also affected by the extended shipping/transit times. Alternatives to wawa from S. America are gaining ground because shipping times shorter. The story is the same for other African timbers such a acajou and edinam.

The market has been more activity for species such as Okoume which exporters price in euro’s which has been weak against the dollar. There has been an improvement in demand and sales of other African species such as the mahoganies for the same reasons. Market interest in imported timbers such as Kiaat, (a protected tree in S. Africa) teak and rosewood is steady

Strengthening US – importers brace for end-user resistance to higher prices
Overall, the market for the American hardwoods remains steady despite the firming US dollar. Prices for US hardwoods seem to be bottoming out and importers anxiously wait to see the reaction of the market to rising US hardwood prices.

Panel market trends
The South African board markets remains firm except for concrete shutter-ply. A local producer, York, is expanding production capacity and has been actively importing shutter-ply during their mill expansion period. However, demand is not as robust as anticipated because of the delays in the government issuing their promised infrastructure contracts.

MDF and particleboard markets are showing the typical seasonal downward trend and this has been exaggerated by very competitive pricing of panel imports from Brazil and Europe.

The thin board market for hardboard and HDF has firmed mainly on the back of production problems at Masonite so sellers have been able to get some price increases through.

Quiet decking market
The domestic decking market is currently softening. South Africa is in the midst of a vicious drought so some maintenance is being postponed and the hospitality industry is also postponing refurbishments due to the low tourist arrivals caused by the visa regulations despite them being eased it is probably too late for the summer season as a lot of tourists have already booked to go elsewhere.

South Africa Economic Overview
The South African economy has run into a barrage of headwinds over the past 24 months which have had a substantial impact on demand for manufactured goods and capital investment specifically. Testament to this, the most recent Bureau for Economic Research (BER) Barclays Purchasing Managers' Index (PMI) fell to 48.1 in October, compared with a revised reading of 49.9 in September. This marked the third consecutive sub-50 reading.

In fact, the PMI has averaged 49.7 so far this year, suggesting the manufacturing industry contracted during this period. While electricity supply issues were to blame for the weak performance during the first half of the year, weak demand – both locally and from abroad – is to blame for the manufacturing sector not being able to gain traction in recent months even though the electricity situation improved since August. Looking forward, analysts expect demand conditions to remain constrained going into 2016 as the Chinese economic transition continues.

Municipal infrastructure expenditure to grow despite tough times for economy
Finance Minister Nhlanhla Nene delivered the Medium-Term Budget Policy Statement (MTBPS) to Parliament on October 21. The pressure mounting on the economy as a whole has put the finances in a difficult situation. In fact, between February when the 2015/16 Budget was tabled and now, the National Treasury has revised their real GDP growth forecast for the period 2015-17 down 0.6 percentage points on average, with the largest downward revision made to 2016 (2.6% to 1.7%).

These issues were compounded by substantial public sector wage increases that had been granted this year. Despite the government wage increases, Mr Nene reaffirmed his commitment to fiscal consolidation in the MTBPS, stating that no resources will be added to the spending ceiling over the next two years.

This meant that there was some reallocation of funds, including capital expenditure. The consolidated government expenditure outline proposes that spending on human settlement and municipal infrastructure will grow by 7.6% p.a. during 2015/16 – 2018/19. Overall, the medium term budget will see R542bn allocated to projects including roads, public transport, housing, water, education and health infrastructure.

The main expenditure categories are roads and public transport (R130bn), public housing (R60bn) and water infrastructure (R55bn). National Treasury also highlighted that in addition to the aforementioned outlay, infrastructure plans by large state-owned companies exceed R400bn over the next three years.

Healthy expansion of private sector construction
As for private sector construction, Statistics South Africa (StatsSA) data showed that the real value of recorded building plans passed by larger municipalities rose by 5% y-o-y during the January to August period this year. Residential buildings (which make up almost a half of total outlays) showed a 7.1% y-o-y increase during this period, while private sector spending on non-residential construction and additions & alterations respectively rose by 2.1% y-o-y and 4.3% y-o-y.

In turn, the real value of building reported as completed by larger municipalities were 2.9% y-o-y higher during the first eight months of the year as a 12.7% y-o-y increase in the residential category offset a 12.1% y-o-y drop in the non-residential sector.

To put the situation in a longer term perspective, the real value of building plans passed for the South African private sector grew at an average of 18.7% p.a. during the 2002-07 period on the back of the commodity super cycle. This was followed by four years of annual contractions as the global financial crisis took hold. Since then, the construction sector's nascent recovery has come under pressure amid a general environment of slowing GDP growth.

Nigeria

Construction industry under pressure
The construction industry represents one of Nigeria's main economic growth drivers. However, the industry has come under increasing pressure of late, and real value-added growth slowed to just 6.4% y-o-y in in the second quarter, down from 11.2% y-o-y in the first quarter.

This slowdown is ascribed to various factors, one of which relates to markedly lower fiscal capital expenditure. Nigeria's persistent electricity supply woes will also continue to hamper growth in the construction industry.

On November 10, the president of the National Union of Civil Engineering, Construction, Furniture and Wood Workers confirmed that the industry had already lost roughly 70,000 jobs due to there being "no major ongoing capital projects in the country."

Unfortunately, with crude oil prices projected to remain near current lows next year, there is very little scope for an improvement over the short term. Another factor that may well contribute to a decline in activity in the construction industry relates to the central bank's staunch support for naira stability.

To shield the local unit and Abuja's level of foreign reserves from the adverse effects of the crude oil price shock, the Central Bank of Nigeria (CBN) has tightened forex liquidity significantly and introduced various forex restrictions and capital controls, which adversely impact on the business environment as traders struggle to acquire foreign currency to import materials and goods.

Economic overview
The non-manufacturing Purchasing Managers Index (PMI) increased to 51.9 in October, up from a reading of 50.1 the month before. While most of the industries incorporated in the headline index reflected increased activity during October, the construction industry continued to perform poorly.

More specifically, the construction PMI stood at 40.6 in October, and although this represents a slight improvement from September's reading of 37.5, construction continues to record the weakest PMI figure of all non-manufacturing industries. Also, the fact that the construction PMI remains below the 50-mark suggests that the industry remains well within contraction territory.

Turning to the construction-related sub-indices, business activity increased by one point to 40.6 in October, while new orders rebounded by 9.9 points following a particularly disappointing reading of 29.2 in September. The employment and inventory sub-indices reflected relatively small improvements in October. Regardless, when taking all of the above into consideration, it is clear that the construction industry remains under immense pressure.

Public Capital Expenditure – Nigeria's fiscus is heavily dependent on crude oil – the commodity usually accounts for roughly 70% of fiscal revenue. As a result, Abuja was forced to revise its fiscal budget following the sharp decline in global crude oil prices. The allocation for public capital expenditure was more than halved in the 2015 fiscal budget.

Figures from the central bank suggest that fiscal capital spending has declined in every quarter since the third quarter of 2014. Fiscal capital expenditure totaled a mere N118bn during the first half of 2015, 53.6% y-o-y lower compared to the value recorded a year earlier. Public spending on infrastructure projects often represents a key driver for industries such as construction and manufacturing. As such, the sharp decline in fiscal capital spending certainly does not bode well for these industries.

Algeria

Government plans to lower energy subsidies will increase housing costs
The outlook for the construction sector is mixed, with significant downside risk. On the positive side, the government adopted a supplementary budget in July in which it reduced tax rates on manufacturing companies from 23% to 19% as well as the tax rate on professional activities (or TAP) for manufacturers from 2% to 1%.

In addition, the government kept the tax rate on construction companies unchanged at 23%, but lowered their TAP from 2% to 1.5%. On the downside, though, the government is set to cut capital spending significantly, which will have a marked impact on the construction sector. Specifically, in

October, the government announced that it plans to cut fiscal spending by 8.8% to DZD7.98trn in 2016, mainly via a 16% cut in capital spending.

This comes as little surprise, as the government will need to reduce capital spending significantly in response to falling oil revenues. We forecast that capital spending as a percentage of GDP will continue to decline over the long term – it is set to fall to 9% of GDP by 2023, down from 15.8% of GDP on average over the past eight years.

Another potential concern is the possibility that domestic energy prices could increase. In this regard, the Economist Intelligence Unit (EIU) wrote in October that the Algerian government plans to cut subsidies on electricity, gas, petrol and diesel for industrial companies and other large-scale consumers.

Although this is long overdue, it may well have a significant short-term impact on industrial investment as low fuel prices are among Algeria's few competitive advantages. The authorities have also not provided any details regarding the proposed subsidy cuts and given how slow reforms tend to happen in Algeria, it might still be a long time before subsidy cuts are actually implemented.

A more immediate target has been to increase the tax rate on fuel products. Specifically, Algerie Presse Service (APS) reported that the value-added tax (VAT) rate has been increased from 7% to 17% on fuel, natural gas (for consumption levels exceeding 2,500 British thermal units [BTU] per quarter) and electricity (for consumption exceeding 250 kilowatt-hours per quarter).

Despite these potential risks, analysts expect the government to continue encouraging companies to invest in the steel and cement industries as part of their plans to reduce the import bill. As a potential signal of this, APS reported that the government plans to offer investment incentives by facilitating access to funding, to simplify tax procedures, and to set up preferential tax and customs procedures for the industrial sector.

Nevertheless, it is not clear that there will be sufficient domestic demand for the planned increased supply of construction materials if the government (which plays a large role in overall investment in the economy) is forced to cut capital spending.