

Tropical Timber Market Report

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Top story

Vietnam's timber exports down sharply

In the first 4 months of 2023 forecasts suggest that Vietnam's wood and wood product (W&WP) exports will total US\$4.0 billion. This would be down 28.5% against the same period in 2022. Wood product (WP) exports alone are thought to have declined by over 35% year on year.

With the current growth rate W&WP exports in the first half of 2023 are predicted to drop around 30% compared to the same period in 2022

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Central and West Africa

Fuel shortages now the issue

Operators in Southern Congo and Gabon are struggling to maintain production due to heavy rain. In contrast, in Cameroon and the RCA it is the dry period which is expected to run to the end of June.

Operators in the RCA and Cameroon continue to suffer shortages of fuel which is affecting road transportation. In Gabon there is no fuel problem however, operators have to pay CFA1,050 per litre while at gas stations the price is CFA675 per litre.

Trucking is especially tough at present where the rain is heavy and because of the long distances to the ports, shipments can be delayed. Some operators in Congo are trucking about 1,400KM to Pointe Noire or by river to Maloukou and from there by train to Pointe Noire.

Independent operators suffer even when rail service resumes

The disruption of the rail service in Gabon has created a major problem for the independent operators. When the rail service resumes priority will be given to the mining companies and millers in the GSEZ, other operators, if they cannot secure rail wagons, are faced with trucking logs to Owendo Port, which sometimes means trucking for 650 km.

Substantial okoume business with the Philippines

Mills in the Philippines are major buyers of sawn okoume and their purchases are substantial and the flow of orders is steady. Buyers for the Chinese market are slow to return in force but there continues to be a steady flow of orders for ovankol, beli and okan sawwood but demand for okoume is weak. Importers in Vietnam are still buying tali but the volumes requested have been declining.

Pre-ban log stocks almost shipped out

The authorities in Congo allowed the export of logs cut before 1 January under tight supervision but the expectation is that around June there will be no more log stocks to ship. Equatorial Guinee continues to allow the export of logs and sawnwood through Port Bata.

Concession termination report now official

Reuters has reported on, what is now, an official DRC ministerial commission report which recommended terminating several forest concession contracts. The commission report recommends the termination of 30 out of 82 logged forest concessions. Of these, 22 are contracts for logging and eight are conservation contracts.

Another 36 contractors were given three months to regularise their business after the commission found certain taxes had not been paid.

See: <https://www.reuters.com/world/africa/congo-commission-recommends-terminating-30-forest-concessions-2023-04-11/>

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	250	250	-
Bibolo/Dibétou	200	200	-
Bilinga	275	275	-
Iroko	300	280	225
Okoume (60% CI, 40% CE, 20% CS) (China only)	205	200	-
Moabi	280	280	250
Movingui	180	180	-
Niove	160	160	-
Okan	210	210	-
Padouk	330	310	240
Sapele	260	260	220
Sipo/Utile	260	260	230
Tali	260	260	-

Sawnwood export prices

West African sawnwood	FOB Euro per cu.m
Ayous FAS GMS	450
Bilinga FAS GMS	580
Okoumé FAS GMS	380
Merchantable KD	400
Std/Btr GMS	420
Sipo FAS GMS	420
FAS fixed sizes	-
FAS scantlings	520
Padouk FAS GMS	1,200
FAS scantlings	1,200
Strips	400
Sapele FAS Spanish sizes	460
FAS scantlings	489
Iroko FAS GMS	750
Scantlings	820
Strips	400
Khaya FAS GMS	450
FAS fixed	500
Moabi FAS GMS	530
Scantlings	550
Movingui FAS GMS	380

Through the eyes of industry

The latest GTI report lists the challenges identified by the private sector in Congo and Gabon.

See <https://www.itto-ggsc.org/static/upload/file/20230414/1681442042214477.pdf>

Ghana

Port activity slow - import volumes down

The Executive Secretary of the Importers and Exporters Association of Ghana (IEAG), Samson Asaki Awingobit, has expressed concern over the recent low volume of traffic at the country's ports. According to port agents, they have little business at present and that there has been a decline of activities at the ports since mid-last year.

The IEAG attributed this to the new policies of the Ministry of Finance and the Ghana Revenue Authority (GRA) which included the revisions of the benchmark policy in March 2022, increased value added taxes in the 2023 budget statement, the introduction of new taxes and the increased shipping costs.

Data from the port authority showed that container traffic dropped by 20% to 1.24 million 20-foot equivalent units (TEUs) in 2022 from the 1.56 million TEUs recorded in 2021.

See: <https://thebftonline.com/2023/04/19/ports-traffic-drop-is-affecting-our-businesses-freight-forwarders/>

Economy expanded but manufacturing contracted

Provisional estimates from the Ghana Statistical Service (GSS) indicate that Ghana's economy expanded by 3.1% in 2022, lower than the 3.7% forecast by government. This is below Ghana's average GDP growth of 5.0% pre-Covid-19. In 2021, during the Covid-19 pandemic the economy grew by 0.9%.

In 2022 the manufacturing sub-sector contracted (-2.5%), while the Agriculture sub-sector expanded by 4.2% with Forestry recording the lowest growth at 1.7%.

The Director at the Institute of Statistical, Social and Economic Research, (ISSER) Professor Peter Quartey, attributed the poor performance of the industrial sector to high inflation and the high cost of doing business in the country in 2022. Industries in Ghana face high interest rate, high utilities tariffs and these undermine - competitiveness.

See: <https://www.myjoyonline.com/poor-industry-performance-in-2022-due-to-high-cost-of-doing-business-prof-quartey/> & <https://www.myjoyonline.com/economy-expands-by-3-1-in-2022-gss/>

Secondary wood products export climb

According to the Timber Industry Development Division (TIDD) wood product exports in the first two months of 2023 totalled 45,312 cu.m compared to the 44,238 cu.m over the same period in 2022. Export earnings in the first two months of this year were Eur19.92 million compared to Eur19.26 million over the same period in 2022.

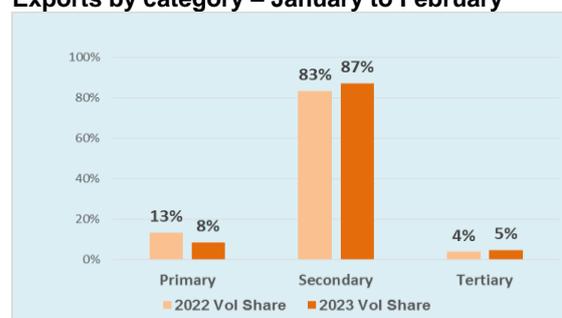
Wood product exports, Jan to Feb, cu.m

	2022	2023	% change
Primary	5,809	3,766	-35.20%
Secondary	36,809	39,482	7.30%
Tertiary	1,620	2,064	27.40%
Total	44,238	45,312	2.40%

Data source: TIDD

The data showed that the contribution of primary products, secondary products and tertiary wood products in the first two months of the year were 8.3%, 87.1% and 4.6% respectively.

Exports by category – January to February



Data source: TIDD

Primary Products, comprising billets and teak logs earned Eur1.23 million from exports of 3,766cu.m in the first two months of 2023. This was a decline of almost 30% in value and a drop of 35% in volume.

Secondary wood products which comprised sawnwood, plywood, veneer, boules and briquettes formed the bulk of the country's wood export generating Eur17.60 million from a volume of 39,482 cu.m in the first two months of this year. There was a 7.4% increase in the value of exports and a 7% increase in volumes.

Tertiary wood products such as mouldings and dowels earned Eur1.08 million from a volume of 2,064 cu.m in the period reviewed. This represented a growth of 27% in value but a drop of almost 4% in volume.

The leading exporters in early 2023 included Samartex Wood and Plywood, Multimodal Freight Services, Logs and Lumber, Benediction Company and Miro Forestry Ghana.

The top export markets were India, United Arab Emirates, United States, Belgium and Egypt.

Ghana's Carbon market ripe for investment

Ghana became the second country in Africa after Mozambique to receive payments (US\$4.8 mil.) from the World Bank's Forest Carbon Partnership Facility (FCPF) for reducing 972,456 tonnes of carbon emissions from deforestation and forest degradation.

This followed a successful study in 2020 after which the country has started operating a Carbon Market Office (CMO) to trade. Dr. Daniel Tutu Benefoh, Ghana's Focal Point at the United Nations Framework Convention on Climate Change, made this known to the media.

He said the mandate of the CMO is to ensure that public and private project developers are provided the regulatory support and guidance on the rules and requirement of the business.

The CMO Secretariat was established to provide administrative and technical services to the public and support the implementation of the Ghana international carbon market and non-market approaches framework.

See: <https://gna.org.gh/2023/04/ghanas-carbon-market-ripe-for-investment/>

Boule export prices

	Euro per cu.m
Black Ofram	330
Black Ofram Kiln dry	420
Niangon	850+
Niangon Kiln dry	910

Export rotary veneer prices

Rotary Veneer, FOB	Euro per cu.m	
	CORE (1-1.9 mm)	FACE (>2mm)
Ceiba	385+	441
Chenchen	477	612
Ogea	513	590
Essa	648-	722
Ofram	350	435

Export sawnwood prices

Ghana sawnwood, FOB	Euro per cu.m	
	Air-dried	Kiln-dried
FAS 25-100mmx150mm up x 2.4m up		
Afrormosia	860	925
Asanfina	465	564
Ceiba	290	311-
Dahoma	452	553-
Edinam (mixed redwood)	640	721+
Emeri	660+	779+
African mahogany (Ivorenensis)	599	896-
Makore	560	885+
Niangon	800	855
Odum	570	1004-
Sapele	770-	824-
Wawa 1C & Select	454	520+

Export sliced veneer

Sliced face veneer	FOB
	Euro per cu.m
Asanfina	1,133-
Avodire	2,999
Chenchen	1,131+
Mahogany	1,762-
Makore	1,046
Odum	2,315+
Sapele	1,574+

Export plywood prices

Plywood, FOB	Euro per cu.m		
	Ceiba	Ofram	Asanfina
BB/CC			
4mm	501	580	641
6mm	412	535	604
9mm	320	504	560
12mm	758+	476	480
15mm	450	385	430
18mm	460	444	383

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

Malaysia

Positive outlook for economy

Malaysia's trade surplus will continue to support the country's growth this year despite the expectations of softening exports in the months ahead according to Nazmi Idrus at CGS-CIMB Securities a research firm. Idrus said his company remained positive on Malaysia's 2023 full-year trade balance outlook in the months ahead. CGS-CIMB maintained its 4.4% year-on-year GDP growth forecast for 2023.

See: <https://www.pressreader.com/malaysia/the-borneo-post/20230424/282497187971386>

Sustainable Timber Towards 2030 and Beyond

An international conference was organised by the Malaysian Timber Certification Council (MTCC) and the Institute for Environment and Development (LESTARI), Universiti Kebangsaan themed "Exploring future frontiers as platforms to share research outcomes on timber certification". The Conference focused on three main themes:

- (i) Mainstreaming Timber Certification for Sustainable Forest Management, Industry and Trade
- (ii) Initiative for Sustainable Future with Timber Certification focused on other initiatives that support meeting the requirements for certification of forest management and chain of custody as well as to ensure the effectiveness of sustainable practices in the forestry and timber industry in Malaysia.
- (iii) Complementarity in Certification for Sustainable Timber Towards 2030 and Beyond

See: <https://www.responsiblewood.org.au/highlights-from-the-international-conference-on-timber-certification-in-malaysia/>

EU withdrawing from the global marketplace - Minister

After the EU member states voted to approve the negotiated deal on the EU's Deforestation Regulation, Fadillah Yusof, the Malaysian Plantation and Commodities Minister, said it is disappointing to witness the EU withdrawing from the global marketplace and erecting protectionist barriers.

He is reported as saying "This move is woefully misguided, especially as the Asean and Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) groupings are gaining in influence and attracting new partners from around the world".

See: <https://www.theedgemarkets.com/node/664210>

Sarawak first quarter exports

	2022 cu.m	2023 cu.m
Logs	132,190	112,446
Sawnwood	36,132	41,637
Plywood	220,566	122,909
Veneer	438	4,219
Mouldings	485	559
Particleboard	4,286	2,968
MDF	53,613	42,160
Laminated board	2,475	1,328
Door skins	9,783	7,903
Door panes & frames	2,875	3,202
Other wood products	4,958	4,534

Data source: STA

In addition to the exports reported above, in the first quarter 2023 there were exports of furniture and parts, 429,000 units compared to 626,000 units in 2022.

Indonesia

Contribution from forestry to GDP can be increased

The Minister for the Economy, Airlangga Hartarto, has stated that the forestry sector's contribution to GDP at 0.66% in 2022 should be increased and the carbon trade may offer opportunities. He added that Indonesia's forestry development policies are aimed at maximising benefits for people while maintaining forest functions.

He said the government continues to implement its Social Forestry policy that opens up opportunities for communities living around the forest to apply for forest area management rights.

In related news, Airlangga met with German Minister for Economic Affairs and Climate Action, Robert Habeck, to discuss a 'green economy' sector. Airlangga said Indonesia and Germany had sealed business agreements in various sectors such as energy transition, downstream industries and accelerating the completion of the Indonesia-EU Comprehensive Economic Partnership Agreement (IEU-CEPA) especially related to flexibility in sustainability issues.

One of the issues discussed with Minister Habeck was related to the European Union's deforestation regulation.

According to Airlangga this will make it more difficult for Indonesia to export commodities such as palm oil, cocoa, coffee and timber to the EU. Airlangga asked Germany to help encourage cooperation in recognising standards that have been implemented in Indonesia.

In terms of industrial downstreaming, especially mining, Airlangga emphasised that Indonesia is open to foreign investment in order to increase added value.

See: <https://en.antaranews.com/news/278475/contribution-from-forestry-sector-to-gdp-can-be-increased-minister> and <https://www.msn.com/id-id/ekonomi/ekonomi/menko-airlangga-temui-menteri-iklim-jerman-bahas-aturan-deforestasi-ue/ar-AA19ZCDF#image=1>

Philippines and Indonesia partnership on reforestation

Indonesia and the Philippines are working on a bilateral partnership for a major reforestation project which may catalyze net zero and carbon market development in the ASEAN region.

Indonesian Chamber of Commerce and Industry (Kadin) chairman and ASEAN-BAC 2023 chairman, Arsjad Rasjid, said the reforestation partnership was among the projects being pushed by the ASEAN Business Advisory Council (ASEAN-BAC) this year.

Indonesia has 91.2 million hectares of forest while the Philippines has 23.3 million hectares. With the growing demand for carbon credits globally the reforestation partnership presents an opportunity for both countries.

See: <https://dinsights.katadata.co.id/read/2023/04/13/indonesia-philippines-work-on-large-scale-reforestation-project>

Exports topped US\$23 bil. in March

The value of Indonesia's exports in March 2023 reached US\$23.50 billion, up 10% month-on-month according to Statistics Indonesia (BPS).

At a press conference Deputy for Methodology and Statistical Information at BPS, Imam Machdi, reported that in each of the past three years month-to-month export growth in March has always increased. However, the increase in March this year was not as high as in 2022 and 2021. The growth in March was supported by an increase in the exports of raw minerals as well as the iron and steel industry.

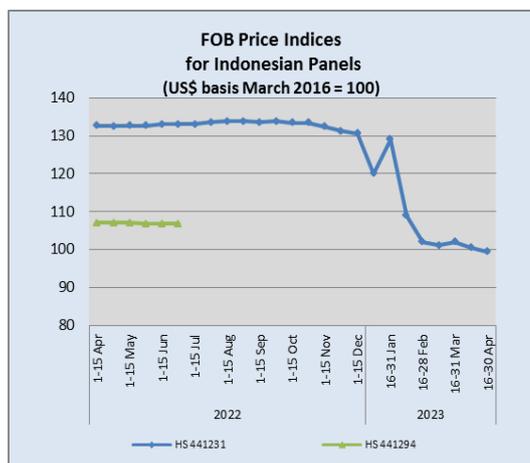
See: <https://swa.co.id/swa/trends/economic-issues/ekspor-indonesia-maret-2023-capai-us2350-miliar>

Economic growth below 5% in first quarter

The Executive Director of the Center of Reform on Economics (CORE) Indonesia, Mohammad Faisal, forecast that Indonesia's economy will record less than 5% growth in the first quarter of 2023.

According to CORE the projected growth will be supported by household consumption and investment. Household consumption is estimated to still account for half of the economic growth while investment is projected to contribute more to economic growth this year.

See: <https://en.antaranews.com/news/278559/see-economic-growth-dipping-below-5-in-q1-core>



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

Through the eyes of industry

The latest GTI report lists the challenges identified by the private sector in Indonesia.

See: <https://www.itto-ggsc.org/static/upload/file/20230414/1681442042214477.pdf>

Myanmar

Efforts to de-escalate violence

24 April marked the second anniversary since ASEAN agreed on a Five Point Consensus in response to the military coup in Myanmar, sadly the Myanmar military has ignored this opportunity for peace in the country. Amnesty International has assessed ASEAN's five point consensus and its conclusions have been published; "Myanmar: ASEAN needs to address its failing approach to the crisis in Myanmar following the military coup"

In relate news, the Bangkok Post has reported that government representatives from Myanmar and its neighbours met recently in New Delhi in an effort de-escalate the violence in the country. The New Delhi talks were a follow-up to an earlier meeting held in Thailand, the so-called Track 1.5 dialogue.

See: <https://reliefweb.int/report/myanmar/myanmar-asean-needs-address-its-failing-approach-crisis-myanmar-following-military-coup>

and

See:

<https://www.bangkokpost.com/world/2557711/secretive-talks-on-myanmar-held-in-india>

Power supply a challenge

Prime Minister, General Min Aung Hlaing, has been reported as saying that securing an adequate electricity supply is a major challenge

An editorial in the state run newspaper lays the blame on those who have destroyed power plants and power lines. All sectors, including the timber industries are facing a serious power shortage and operating generators for industrial production is far too expensive.

Most of the industries in Yangon area are supplied only four hours in a day. The residential areas in Yangon are faced with interrupted power supplies sometimes for eight to twelve hours daily.

The long term power issue in Myanmar has now become problematic as the Swedish/Finnish engineering services supplier AFRY has withdrawn from Myanmar's hydropower projects. AFRY was working on 13 hydropower projects.

See: <https://www.irrawaddy.com/news/burma/european-dam-specialists-withdraw-from-myanmar-amid-rights-concerns.html>

Trade deficit

According to the Ministry of Economy and Commerce the trade deficit was over US\$774 million at the end of the fiscal year despite the target of having a trade surplus of US\$1,500 million dollars in the 2022-2023 fiscal year.

In the 2022-2023 fiscal year (April to March) exports were valued at US\$16.575 billion. The value of imports was US\$17.349 billion. Myanmar exports agricultural products, animal products, fishery products, mining equipment, forest products and industrial goods.

India

Surge in Covid infections

India recorded over 18,450 new Covid cases in the period 26 March to 1 April, a doubling of the number in the previous seven days and the number of cases continues to rise. A new variant of Covid-19 named "Arcturus" is said to be behind the surge of infections. But an Omicron sub-variant strain is on the verge of devastating the country as cases have soared 13-fold in the last month.

India's health ministry launched drills this week in an attempt to see if hospitals are prepared to deal with a possible influx of patients following the rise in cases.

See: <https://www.independent.co.uk/news/health/arcturus-new-covid-variant-india-uk-b2319005.html>

Timber price indices trend up

The annual rate of inflation based on all India Wholesale Price Index (WPI) in March was 1.34% compared to 3.85% recorded in February 2023. The decline in the rate of inflation in March was due to a fall in prices of basic metals, food products, textiles, non-food articles, minerals, rubber and plastic products, crude petroleum and natural gas and paper and paper products.

Out of the 22 NIC two-digit groups for manufactured products 12 groups saw increased prices while 9 saw a decline and one group remained unchanged.

The increase in prices was mainly contributed by machinery and equipment, other transport equipment, leather and related products, electrical equipment; fabricated metal products and other manufacturing.

The indices for wood panels, sawnwood and veneer sheets all rose in March.

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



Data source: Ministry of Commerce and Industry, India

Growing demand for US hardwoods

US hardwood exports to India were at an all-time high in 2022 with the value of hardwood sawnwood and veneer exports totalling US\$8.62 million according to the American Hardwood Export Council (AHEC).

The value of sawn hardwoods shipped from the US to India increased by 13% US\$6.902 million (up from US\$6.120 million in 2021) but were down by around 4% in volume compared to 2021. Direct exports of US hardwood veneers to India were worth US\$ 1.716 million. India has seen a growing demand for US hardwoods in recent years. AHEC participated at Delhiwood high included 12 US based sawn hardwood exporters.

The top six American hardwood species exported to India last year were Hickory (2,581cu.m), White Oak (3,173cu.m), Red Oak (2,334 cu.m), Ash (514 cu.m), Walnut (214 cu.m) and Maple (428 cu.m). Significant increases were seen in the value and volume of exports of Red Oak, Maple, White Oak and Walnut.

Roderick Wiles, AHEC Regional Director, is quoted by Miller Wood Trade as saying “Increasing certification requirements and the restricted and deteriorating quality of supply of domestic species is driving Indian furniture manufacturers to look at viable alternative hardwood species not only for the domestic furniture and interiors market but also for re-exports of value-added product.”

See: <https://millerwoodtradepub.com/u-s-hardwood-exports-to-india-reach-all-time-high/>

Plywood sales steady despite weakening housing market

Despite weakened demand for plywood new construction is sustaining production by door and film faced shuttering plywood factories. PlyReporter says demand has improved in all product categories including LVL, H beams, non-densified and densified plywood.

Since the end of 2022 construction work slowed in many cities with 37 districts in the Indo-Gangetic Plain (IGP) being identified as air pollution ‘hotspots’, including nine districts in Delhi and those of Noida, Gurgaon, Faridabad and Ghaziabad and there was a considerable drop in orders placed with plywood manufacturers. PlyReporter says as the air quality has improved construction work has resumed helping lift demand for plywood.

In other news, PlyReporter has said the 2023 government budget will boost demand for plywood in the construction sector as plywood has been accepted for use tier 3 and rural markets as traditional shuttering wood has become more expensive.

See: <https://www.plyreporter.com/article/123486/booming-real-estate-helping-film-faced-plywood-demand>

Urban housing shortage

According to a report from the Ministry of Housing and Urban Poverty Alleviation (MHUPA), the urban housing shortage in India is currently estimated at around 19 million. This gap is expected to further widen to an estimated 38 million homes by 2030, largely due to the rising population and increased urbanisation.

India built 5.28 million houses through the ural housing scheme in fiscal 2023, up 25% from a year earlier. The country proposes to build 5.73 million houses under the Pradhan Mantri Awas Yojana (PMAY-G) in order to meet the overall target of building 29.5 million houses under the scheme. Under the PMAY-G, the central government bears 60% of the construction cost in most states. However, this contribution goes up to 90% for north-eastern and hilly states and to 100% for Union territories.

See: https://economictimes.indiatimes.com/industry/services/property/-construction/rural-housing-under-flagship-scheme-rises-25-in-fy23/articleshow/99648976.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

India-made containers

The Covid pandemic disrupted global trade and also impacted the supply of shipping containers. Because there were only a few companies manufacturing containers and because global output dropped demand exceeded supply. India, as other countries, faced problems securing containers and exports were delayed.

In response a decision was made by the government to help Indian container manufacturers by providing them with advance orders channelled through the Container Corporation of India (COCOR) which previously relied on China for most of its containers. Now, CONCOR will be sourcing 8,000 containers from domestic companies.

See: <https://www.oneindia.com/india/india-made-containers-a-success-story-3510171.html?story=3>

Import update

Teak log prices, C&F US\$/Hoppus cu.m April 2023

	Hoppus cu.m	US\$ C&F
Brazil	144	298
Colombia	120	314
Costa Rica	69	492
Ecuador	178	193
Ghana	148	240
Ivory Coast	82	468
Nigeria	-	-
South Sudan	89	292
Tanzania	-	-

Teak sawnwood prices, C&F US\$/cu.m April 2023

	cu.m	US\$ C&F
Benin	52	673
Brazil	142	497
Colombia	74	333
Costa Rica	95	285
Ecuador	72	338
Ghana	180	324
Ivory Coast	-	-
Nigeria	80	341
South Sudan	7	388
Tanzania	96	378
Togo	118	346
Venezuela	84	455

Locally milled sawnwood prices

Sawnwood Ex-mill	Rs per cu.ft.
Merbau	4,000 - 4,300
Balau	2,700 - 3,000
Resak	-
Kapur	-
Kempas	1,455 - 1,750
Red meranti	1,700 - 2,000
Radiata pine	900 - 1,050
Whitewood	900 - 1,050

Price range depends mainly on lengths and cross-section

Sawn hardwood prices

Sawnwood (Ex-warehouse) (KD 12%)	Rs per cu.ft.
Beech	1,500 – 1,600
Sycamore	1,900 - 2,000
Red Oak	1,800 - 2,000
White Oak	2,200 - 2,500
American Walnut	4,500 - 5,000
Hemlock STD grade	1,350 - 1,600
Western Red Cedar	2,220 - 2,450
Douglas Fir	2,200 - 2,400

Price range depends mainly on lengths and cross-sections

Domestic ex-warehouse prices for locally manufactured WBP plywood

Plywood Ex-warehouse	Rs. per sq.ft
4mm	78.00
6mm	90.00
9mm	106.00
12mm	130.00
15mm	166.00
18mm	184.00

Domestic ex-warehouse prices for locally manufactured MR plywood

Plywood Ex-warehouse	Rs. per sq.ft
4mm	53.00
6mm	67.00
9mm	79.00
12mm	94.00
15mm	126.00
19mm	135.00
5mm Flexible ply	87.00

Import cost driven up by weak rupee

The Indian rupee ended 2022 as the worst-performing Asian currency having fallen 11% against the US dollar, its biggest annual decline since 2013. The rupee is anticipated to weaken against the US dollar in the first half of 2023 because of concerns about global inflation and the risk to the Indian economy. However, recovery prospects appear brighter in the second half as crude oil and other commodity prices should fall.

See: <https://www.comparereemit.com/money-transfer-tips/usd-to-inr-forecast-2023/>

Falling productivity caused by high temperatures

Extreme heat as well as air pollution are health hazards and a recent study from the University of Cambridge warns that heatwaves are weakening India's efforts to meet its Social Development Goals as extreme heat could lead to a 15% decline in outdoor working capacity, reduce the quality of life for up to 480 million people and cost 2.8% of GDP by 2050.

Falling productivity caused by extremely high temperatures could already be costing India 5.4% of its GDP according to the Climate Transparency Report.

See: <https://www.aljazeera.com/news/2023/4/20/indias-heat-putting-economy-development-goals-at-risk-study> and <https://www.climate-transparency.org/>

Vietnam

Wood and Wood Product (W&WP) trade highlights

- Over the first 4 months of 2023 W&WP exports were valued at US\$4 billion, down 28.5% against the same period in 2022. In particular, WP exports contributed at US\$2.6 billion, down 36.7% over the same period in 2022.
- Vietnam's imports of wood raw material (logs and sawn-wood) in April 2023 is estimated at 432,300 cu.m worth US\$155.6 million, up 15.4% in volume and 15.0% in value compared to March 2023.
- However, compared to April 2022 imports are down 16% in value and down 22% in value.
- In the first 4 months of 2023, imports of wood raw material reached 1,309 million cu.m, worth US\$474 million, down 25.4% in value and down 29% in value over the same period in 2022.
- Vietnam's exports of NTFPs in March 2023 earned US\$62.53 million, up 10.4% compared to February 2023 but down 30% compared to March 2022.

Overall, in the first quarter of 2023 Vietnam's exports of NTFPs amounted to US\$164.95 million, down 37.7% over the same period in 2022.

W&WP exports declining

W&WP exports during April 2023 are forecast to reach US\$1.2 billion, up 5.5% compared to March 2023 but down 24.5% compared to April 2022.

WP exports, in particular, are estimated at US\$820 million, up 6% compared to March 2023 but down 28% compared to April 2022. Over the first 4 months of 2023 W&WP exports are estimated at US\$4.0 billion, down 28.5% against the same period in 2022. Of this, WP exports are estimated at US\$2.6 billion, down 36.7% over the same period in 2022.

With the current growth rate W&WP exports in the first half of 2023 are predicted to drop around 30% compared to the same period in 2022.

Export categories

In the first 3 months of 2023 wooden frame chairs were the leading export product, contributing US\$593.3 million, year-on-year down 36%; followed by wood chips reaching US\$526.3 million, up 14.6%; living and dining room furniture US\$446.2 million, down 46%; wood-based panels and flooring US\$359.8 million, down 28%; bedroom furniture US\$330.6 million, down 43.4%.

Amongst product categories exported in the first 3 months of 2023, only wood chips and wood pellets had a positive growth rate.

Export growth of these types of wooden products is due to the increased demand. However, the expansion of wood chip and pellet exports cannot compensate for the downturn in the entire sector.

Wood product exports, March and first quarter of 2023

Products	3/2023 (1,000 US\$)	Compared to 3/2022 (%)	3 months 2023 (1,000 US\$)	Against same period 2022 (%)	Share (%)	
					3 months of 2023	3 months of 2022
Total	1,137,482	-26.8	2,813,404	-30.0	100.0	100.0
Wooden frame chair	242,891	-30.9	593,315	-36.1	21.1	23.1
Woodchip	180,898	-2.2	526,279	14.6	18.7	11.4
Living-room and dining-room furniture	190,387	-39.9	446,237	-45.7	15.9	20.4
Wood-based panels and floorings	156,247	-14.2	359,829	-28.0	12.8	12.4
Bed-room furniture	147,489	-36.0	330,636	-43.4	11.8	14.5
Kitchen furniture	85,708	-32.1	212,987	-31.7	7.6	7.8
Wood pellet	58,068	-6.9	177,858	15.4	6.3	3.8
Office furniture	24,052	-39.2	56,426	-40.6	2.0	2.4
Wooden door	3,669	-30.7	8,043	-25.8	0.3	0.3
Handicraft	2,015	-18.9	5,156	-32.6	0.2	0.2
Mirror frame	335	-44.5	694	-46.5	0.0	0.0

Source: Vietnam General Department of Customs

US imports down - Japanese imports up

Since W&WP exports to the US account for around half of the total W&WP exports the decline in demand in this market led to the serious drop of total exports in the first 3 months of 2023. Statistics show that in the first 3 months of 2023 W&WP exports to US were valued at US\$1.4 billion, down 42.3% year-on-year.

The second largest market, Japan, imported W&WPs worth US\$428.5 million in the first quarter of 2023, up 8.8% compared to the same period in 2022. Against the background of a sharp decline in global demand growth in the Japanese market is highly appreciated.

However, to boost further the exports to the Japanese market Vietnamese companies have been advised to create links with Japanese partners to diversify furniture designs and strengthen trade promotion. W&WP produced in Vietnam are exported to a number of other markets including China (US\$374.2 million, up 6% over the same period in 2022), South Korea (US\$207.7 million, down 17%), EU (US\$121.1 million, down 40%); UK (US\$41.7 million, down 42%).

Wood sources in the first quarter 2023

Domestic sourcing

In the first 3 months of 2023 the area of newly planted forest plantations is estimated at 38,700 hectares, up 5% over the same period last year. Harvested wood volumes reached 3,349,200 cu.m, up 4%.

Imports

According to preliminary statistics, Vietnam's imports of logs and sawnwood) in April 2023 are forecast at 432,200 cu.m worth US\$155.6 million, up 15.4% in volume and 15.0% in value compared to March 2023;

However, compared to April 2022 imports are forecast to be down by 16% in volume and 22% in value.

In the first 3 months of 2023 the volume of wood imported from major sources including the EU, China, USA, Thailand, Laos, Chile and New Zealand declined year on year while imports of tropical hardwoods from Cambodia, Congo, Malaysia, Angola and Indonesia increased.

Wood imported from the EU accounted for 14.4% of total wood imports reaching 134,300 cu.m, worth US\$40.8 million, down 18% in volume and 20% in value over the same period in 2022.

Imports of wood from China decreased by 31% in volume and 36% in value over the same period in 2022, reaching 105,900 cu.m, worth US\$51.7 million and accounted for 11% of total wood imports.

Imports of wood from other markets fell compared to the same period in 2022: from the US decreased by 7%; Thailand decreased by 25%; Laos decreased by 12%; Chile decreased by 22.7%; New Zealand fell 21%.

In contrast, imports of tropical hardwood from Cameroon increased by 6% in volume and 10% in value over the same period in 2022, reaching 144,600 cu.m, worth US\$62.6 million and accounting for 16% of total wood imports.

Imports from Congo were up 3%; Malaysia increased by 89%; imports from Angola increased by 26%; Indonesia increased by 67% and imports from Canada increased by 17%.

Imported species

In the first 3 months of 2023 the volume of major species imported into Vietnam, such as tali, pine, ash, oak, rubberwood, teak birch, doussie and padouk declined compared to the same period in 2022

Tali dominated imports with a 13% share of total imported wood in the first 3 months of 2023 reaching 121,300 cu.m, worth US\$49.6 million, down 7.3% in volume and 6.7% in value over the same period in 2022.

Pine imports decreased by 51% in volume and 61% in value over the same period in 2022 (101,300 cu.m, worth US\$22.7 million), accounting for 11% of the total wood imports.

Ash imports decreased by 1% in volume and 12% in value over the same period in 2022, reaching 86,600 cu.m, worth US\$22.3 million.

In addition imports of some other species dropped in the first quarter of this year (birch decreased by 26%, doussie by 22%, padouk by 8%, eucalypt by 74%, spruce decreased by 35%).

In contrast, oak imports in the first 3 months of 2023 increased by 1% in volume but decreased by 7% in value over the same period in 2022, reaching 51,800 cu.m, worth US\$29.0 million or 5.5% of total imports.

Exporters faced a severe challenge in the first quarter 2023

Vietnam's exports of wood and wood products are faced severe challenge in the first 3 months of the year with a year-on-year drop of 30%.

To promote W&WP exports, wood businesses have been advised to look for new customers available in various markets, such as Japan, China, South Korea, the Middle East rather than just focus on the US and EU markets.

In this recessionary time Vietnamese wood product manufacturers have been recommended to re-structure production lines, invest in new equipment and technology to reduce labour costs. They have been advised to increase the use of supplementary materials, including metal, stone, glass, fabric etc. to diversify their raw material inputs and increase product aesthetics towards meeting customer demands.

Fortunately, freight and logistic rates have been significantly reduced which could help the wood industry in Vietnam regain export momentum from the third quarter of 2023.

Preparing for the EUDR

The United Nations Development Programme (UNDP) and the Vietnam Forestry Development Department under the Ministry of Agriculture and Rural Development, jointly organised an event on deforestation-free agricultural production and trade.

The workshop was a part of the fourth Global Conference of the One Planet Network's Sustainable Food Systems Programme. A side event brought together the experience and expertise of various institutions as well as introduced case studies of emerging good practice interventions to adapt to the requirements of deforestation free commodity production and trade.

See: <https://vir.com.vn/deforestation-free-agricultural-production-and-trade-101434.html>

Teak in Brazil

Teak (*Tectona grandis*) plantations have become profitable in the State of Mato Grosso due to the favorable soil and climatic conditions. Brazil is the largest teak producer in South America with 88,000 ha. according to the Brazilian Tree Industry (IBÁ).

Of this total, 77% of the teak plantations are in Mato Grosso State. A survey carried out by the Mato Grosso Institute of Agricultural Economics (IMEA) shows that the area of teak forests in the state is around 68,000 ha.

According to a Brazilian company, Teak Resources Co. (TRC) plantation technology has advanced considerably since the first afforestation efforts. Productivity has risen and the form of the bole has improved. TRC reports it has a traceability system and the products are FSC certified.

See: <https://www.canalrural.com.br/mato-grosso/reflorestamento-com-madeira-nobre-e-visto-como-solucao-sustentavel/>

African mahogany in Brazil

African mahogany (*Khaya Grandifoliola*) wood, currently traded mainly in the domestic market, comes from thinnings. Rough sawn timber is classified into A+, A, B+ and B according to quality and size.

The measurement of A+ class is over 15 cm in width without defects and trades at R\$4,500.00/cu.m, The A class wood is between 11 cm and 15 cm wide without defects and is traded at R\$,800.00/cu.m.

The B+ class wood is over 15 cm in width with defined defects and is traded at R\$2,800.00/cu.m. B class is between 11 cm and 15 cm in width with defects and traded at R\$2,100.00/cu.m. All graded timber is sawn to order and kiln-dried.

See: <https://abpma.org.br/jornais-abpma-2023/>

Export update

In March 2023 Brazilian exports of wood-based products (except pulp and paper) decreased 19% in value compared to March 2022, from US\$423.2 million to US\$341.9 million.

Pine sawnwood exports decreased 19% in value between March 2022 (US\$73.9 million) and March 2023 (US\$60.1 million). In volume, exports decreased 6% over the same period, from 275,000 cu.m to 258,900 cu.m.

Tropical sawnwood exports fell 38% in volume, from 43,400 cu.m in March 2022 to 27,000 cu.m in March 2023. In value, exports decreased 18% from US\$17.9 million to US\$14.6 million over the same period.

Pine plywood exports experienced a 22% decline in value in March 2023 compared to March 2022, from US\$86.6 million to US\$67.5 million.

In volume, exports dropped 0.4% over the same period, from 214,300 cu.m to 213,500 cu.m.

As for tropical plywood, exports decreased in volume by 45% and in value by 44%, from 6,200 cu.m and US\$3.2 million in March 2022 to 3,400 cu.m and US\$1.8 million in March 2023.

As for wooden furniture the export value fell from US\$59.5 million in March 2022 to US\$54.4 million in March 2023, an almost 9% drop.

IBAMA -CITES regulations on ipê and cumaru to be implemented from 2024

Two timber species from the Brazilian Amazon ipê (*Handroanthus* spp.) and cumaru (*Dipteryx odorata*) were included in Appendix II of CITES (Convention on International Trade in Endangered Species of Wild Flora and Fauna) in November 2022. IBAMA (Brazilian Institute of Environment and Renewable Natural Resources) has set November 2024 as the date for implementing the CITES requirement for the export of these timber species, thus applying the maximum timeframe allowed by CITES.

Ipê is used to for decks, flooring, furniture and construction and is in great demand. According to CITES, 469,600 cu.m of ipê from the Amazon were legally exported between 2017 and 2021, of which 96% from Brazil. During this period the international consumption of ipê from Brazil grew 126%, according to IBAMA. The United States is the largest market for ipê accounting for 36% of exports.

Pará State is the largest exporter of timber from natural forests in Brazil according to IBGE (Brazilian Institute of Geography and Statistics); 212,000 cu.m of timber were exported between 2020 and 2021, of which 4% was ipê.

For Imaflora (Institute of Agricultural and Forest Management and Certification), the inclusion of the two species in CITES Appendix II is important to lower the risk of these species becoming endangered.

See: <https://noticias.uol.com.br/politica/ultimas-noticias/2023/04/08/sob-governo-do-pt-ibama-adia-restricao-a-exportacao-de-madeira-nativa.htm>

Furniture exports dropped at the beginning of 2023

Brazilian furniture exports started 2023 with a 25% decline in January compared to a month earlier. The US\$45 million in January 2023 exports were sharply down on the US\$68 million exported in January 2022.

The US continues to be the main international market for Brazilian furniture, US\$14.4 million in January 2023 or 32% of all January exports. Exports to Uruguay, second placed in the ranking of the main importing countries, grew in 2023.

There are four major export categories in the sector, wooden furniture, upholstered furniture, metal furniture and mattresses. Wooden furniture represented 81%, upholstered furniture (12%), mattresses (4%) and metal furniture (3%). In January this year wooden furniture exports were down 3% year on year.

See: <https://emobile.com.br/site/industria/exportacoes-de-moveis-e-colchoes-abrem-2023-em-queda/>

Domestic log prices

	US\$ per cu.m
Brazilian logs, mill yard, domestic	
Ipê	505▲
Jatoba	214▲
Massaranduba	192▲
Muiracatiara	184▲
Angelim Vermelho	190▲
Mixed redwood and white woods	141▲

Source: STCP Data Bank

Domestic sawnwood prices

	US\$ per cu.m
Brazil sawnwood, domestic (Green ex-mill)	
Ipê	2,051▲
Jatoba	1,034▲
Massaranduba	990▲
Muiracatiara	850▲
Angelim Vermelho	887▲
Mixed red and white	582▲
Eucalyptus (AD)	335▲
Pine (AD)	241▲
Pine (KD)	316▲

Source: STCP Data Bank

Domestic plywood prices (excl. taxes)

	US\$ per cu.m
Parica	
4mm WBP	630▲
10mm WBP	484▲
15mm WBP	439▲
4mm MR.	608▲
10mm MR.	455▲
15mm MR.	399▲

Prices do not include taxes. Source: STCP Data Bank

Prices for other panel products

	US\$ per cu.m
<i>Domestic ex-mill prices</i>	
15mm MDParticleboard	351▲
15mm MDF	400▲

Source: STCP

Export sawnwood prices

	US\$ per cu.m
Sawnwood, Belem/Paranagua Ports, FOB	
Ipe	3,3005
Jatoba	1,725
Massaranduba	1,720
Muiracatiara	1,70
Pine (KD)	186

Source: STCP Data Bank

Export plywood prices

	US\$ per cu.m
Pine plywood EU market, FOB	
9mm C/CC (WBP)	343
12mm C/CC (WBP)	321
15mm C/CC (WBP)	308
18mm C/CC (WBP)	305

Source: STCP Data Bank

Export prices for added value products

		US\$ per cu.m
FOB Belem/Paranagua ports		
Decking Boards	Ipê	5,207
	Jatoba	2,374

Source: STCP Data Bank

Through the eyes of industry

The latest GTI report lists the challenges identified by the private sector in Brazil.

See: <https://www.itto-ggsc.org/static/upload/file/20230414/1681442042214477.pdf>

Peru

Export shipments of sawnwood up slightly

Exports of sawnwood in the first two months of this year were worth US\$6.3 million, a slight increase (1.2%) year on year. Sawnwood accounted for 35% of the value of wood product exports according to the Association of Exporters (ADEX).

This was the highest amount (January - February period) since 2014 when exports reached US\$10.6 million. In the past five years export shipments have not been stable, in 2019 they totalled US\$3.1 million, in 2020 US\$6.1 million, in 2021 US\$4.0 million and in 2022 US\$6.2 million.

Despite a 26% decline in the value of imports the Dominican Republic was the top buyer of Peruvian sawnwood importing US\$1.9 million in the first two months of 2023. China was the second destination at US\$1.5 million but for China there was an over 80% increase in the value of shipments year on year.

The other markets were Mexico (US\$1.1 million), Ecuador (US\$0.61 million), USA (US\$0.30 million), Vietnam (US\$0.19 million), South Korea (US\$0.15 million), Jamaica (US\$0.11 million), Canada (US\$0.10 million) and Australia (US\$0.07 million).

In the first two months of the year the main regions from which sawnwood was exported were Lima (US\$2.8 million) and Ucayali (US\$2.3 million). These two regions had a share of 81% of the total shipments. Other exporting regions were San Martín (US\$0.54 million), Madre de Dios (US\$0.23 million), Loreto (US\$0.18 million), Junín (US\$0.16 million) and Huánuco (US\$0.06 million).

New communication tool - the 'Electronic Box'

A Regulation on the Electronic Box Notification System published on 25 April this year by the Forestry and Wildlife Resources Supervision Agency (OSINFOR) provided that holders of forest titles will have an individual account in the 'Electronic Box' that will be provided by OSINFOR to facilitate communications, the sending of alerts and notifications in order to improve the exchange of documentation and enhance coordination.

According to OSINFOR the 'Electronic Box' is a digital tool that will guarantee the efficiency, confidentiality, authenticity, integrity and availability of the information sent and received between holders, entities, the general public and OSINFOR. In addition, it will contribute to saving time in procedures and other administrative actions both for OSINFOR and for forest owners and agent as well as other entities related to the sector.

SERFOR works with regional governments to verify the legality

With the technical assistance of the National Forestry and Wildlife Service (SERFOR) the regional governments of Madre de Dios, Loreto, Ucayali San Martín and the Central Forestry and Wildlife Technical Administration have developed digital tools that will help verify the legal origin of wood.

There are three applications that are part of the Control Module of the National Forest and Wildlife Information System (MC-SNIFFS), the Issuance and Registration of Forest Transport Guide, the Electronic Operations Books of Authorising Titles and the Electronic Operations Books of Primary Transformation Centers.

The new tools provide a means for recording information on the traceability of the wood from its origin, tracking the location and movement of forest products throughout the production chain in order to be able to corroborate the legal origin and promote competitiveness.

Export prices for added value products

	US\$ per cu.m
Strips for parquet Cabreuva/estoraque KD12% S4S, Asian market	1327-1398
Cumarú KD, S4S Swedish market Asian market	986-1119 1079-1101
Cumarú decking, AD, S4S E4S, US market	1204-1237
Pumaquiro KD Gr. 1, C&B, Mexican market	479-554
Quinilla KD, S4S 2x10x62cm, Asian market	582-611
2x13x75cm, Asian market	774-831

Export sawnwood prices

Peru sawnwood, FOB Callao Port	US\$ per cu.m
Pumaquiro 25-50mm AD Mexican market	682-695
Virola 1-2" thick, length 6"-12" KD Grade 1, Mexican market	592-618
Grade 2, Mexican market	533-552
Cumarú 4" thick, 6"-11" length KD Central American market	989-1000
Asian market	983-1001-
Ishpingo (oak) 2" thick, 6"-8" length Spanish market	629-645
Dominican Republic	712-731
Marupa 1", 6-11 length KD Grade 1 Asian market	595-615

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

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 sawnwood prices

Peru sawnwood, domestic	US\$ per cu.m
Mahogany	218-236
Virola	225-238
Spanish Cedar	182-218
Marupa (simarouba)	192-227

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

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

Japan

Bank of Japan to review ultra-low interest rate policy

The decision by the Bank of Japan (BoJ) to maintain ultra-low interest rates under its new Governor Kazuo Ueda was widely expected, however, it was the statement from the BoJ that core consumer prices are likely to rise further that had an immediate impact on the exchange rate with the yen dropping to a seven-week low against the US dollar at the end of April.

The statement from the BoJ said it will spend about 12 to 18 months to review its monetary policy.

See:

<https://mainichi.jp/english/articles/20230428/p2g/00m/0bu/040000c>

Covid downgraded

All COVID-19 border control measures will be removed on 8 May and the legal classification of the coronavirus will be downgraded to become the same as seasonal flu. Incoming travelers will no longer be required to show proof that they have been vaccinated.

This will encourage a resumption of business travel and should boost inbound tourism which is an important element in Japan's economy.

However, warnings have been given that there is a risk that a "ninth wave" of infections is possible because of a recent rise in cases of a new, contagious, sub-variant of the virus.

See: <https://english.kyodonews.net/news/2023/04/99539cd54a0f-japan-eyes-shift-to-quality-experiences-as-inbound-tourism-recovers.html>

Fast up-tick of consumer price index

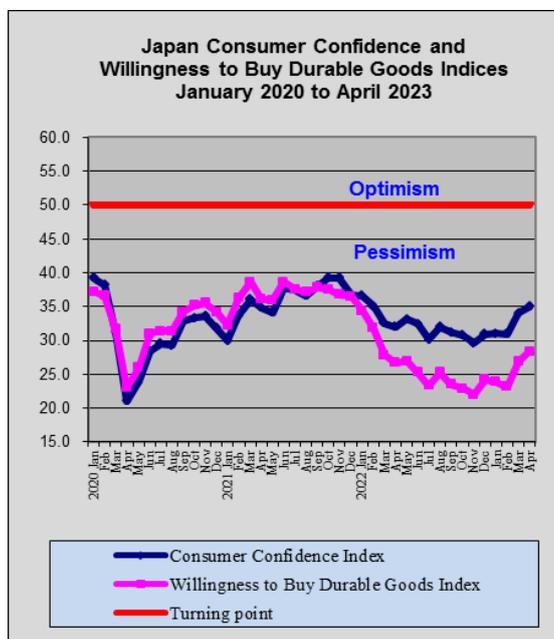
Consumer prices in fiscal 2022 rose 3% from the previous year, the fastest gain in 41 years and the consumer price index, which excludes fresh food prices, stood at 103 in fiscal 2022 (2020+100). The pace of increase was the fastest since 1981.

Private consumption improving but spending on durable goods weak

The April economic report from the Cabinet Office says "the economy is picking up moderately, although some weaknesses are seen." The report said private consumption is improving but spending on durable goods remains weak. Most of the rise in spending in April was on services. As a result of the recent increases in wages and the lifting of covid rules social and economic activities have picked up.

The April report revised up the assessment on imports for the first time since July 2022, saying the sector is basically flat. The March report said imports were "in a weak tone". Once again the report referred to slowing foreign economies because of rising interest rates and financial market fluctuations as risks for the Japanese economy.

See: <https://japannews.yomiuri.co.jp/business/economy/20230426-105752/>



Data source: Cabinet Office, Japan

Prices continued to increase in the first quarter of 2023, however, the government programme to support electricity and gas prices helped slow the rise in the price index. The new Bank of Japan (BoJ) Governor, Kazuo Ueda, said Japan's consumer inflation is likely nearing its peak and any further rise will be small.

See: <https://japannews.yomiuri.co.jp/business/economy/20230421-104970/>

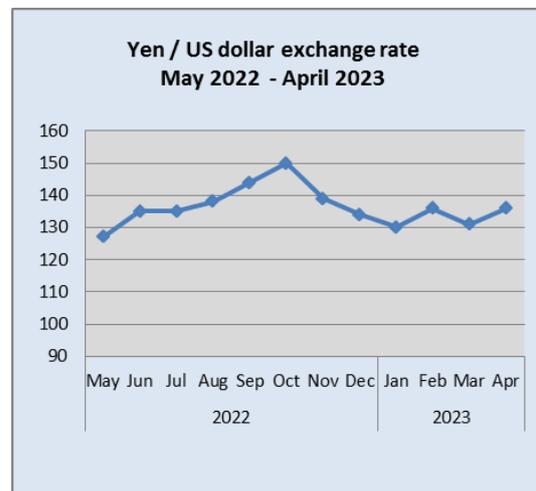
Long-term employment of foreign workers

It has been reported that the government plans to expand number of sectors in its programme that allows foreign workers with specific skills to live in the country long term. The change will mean that the accommodation, agriculture and food service industries will be included. The plan is aimed at promoting long-term employment of foreign workers to help resolve worker shortages.

See: <https://www.japantimes.co.jp/news/2023/04/24/national/foreign-workers-program-planned-expansion>

Yen weakens

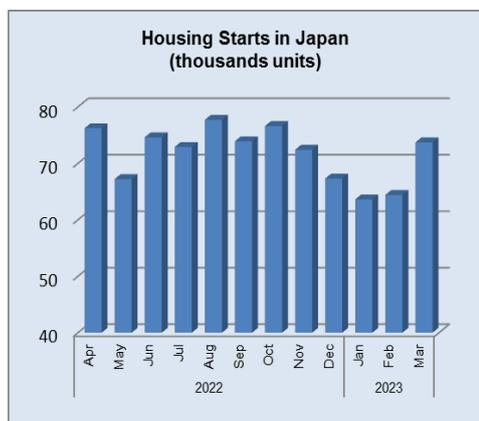
Over the past weeks the yen/dollar exchange rate remained rather stable as inflation data was at forecast levels however, the suggestion from the BoJ that inflation will continue to rise for some time drove down the yen .



Investment in real estate slows

Over the past 12 months the inflow of money from international investors helped drive up Japanese property values. This has helped drive up land prices which, according to the Ministry of Land, Infrastructure and Transport, have risen at the fastest rate in 15 years with the main cities seeing most of the gains. However, recently the inflow of off shore funds has slowed.

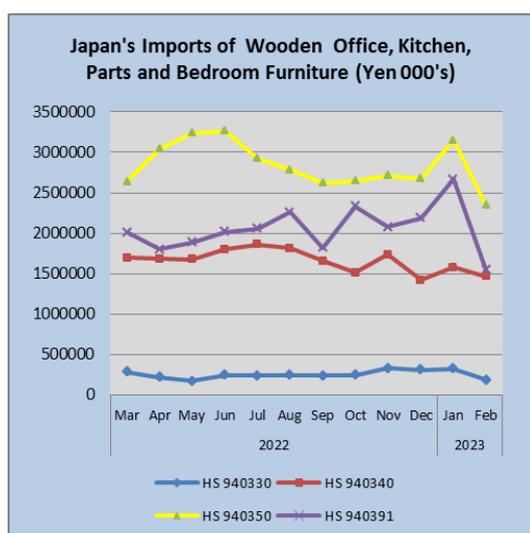
See: <https://asia.nikkei.com/Business/Markets/Property/Japan-real-estate-sees-signs-of-global-investors-shying-away>



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

Import update

Massive correction in value of wooden bedroom furniture and wooden furniture parts imports.



Data source: Ministry of Finance, Japan

February 2023 wooden office furniture imports (HS 940330)

The value of Japan's wooden office furniture (HS940330) imports in February was down 11% year on year and by 43% compared to January this year. The biggest losers were shippers in China who saw their share of imports of HS 940330 drop from the over 90% in January to 77% in February. In February the other major suppliers were Indonesia and Poland.

February imports (HS 940330)

	Imports Feb 2023 Unit, 000's Yen
China	141,889
Vietnam	3,632
Malaysia	2,554
Indonesia	10,461
Denmark	309
UK	3,444

France	422
Germany	395
Switzerland	1,621
Spain	554
Italy	2,561
Poland	7,081
Hungary	1,264
Lithuania	1,088
Czech Rep.	-
Slovakia	382
Canada	290
USA	6,060
Mexico	-
Total	184,007

Data source: Ministry of Finance, Japan

February 2023 kitchen furniture imports (HS 940340)

As was the case in January, over 70% of the total value of wooden kitchen furniture (HS940340) imported by Japan in February this year was from just two sources, the Philippines (43%) and Vietnam (23%).

Shipments of HS940340 from Vietnam in February were over 20% below that in January. On the other hand there was an increase in the value of shipments from Italy, Thailand and Germany.

Year on year Japan's the value of imports of wooden kitchen furniture was down 6% while compared to January there was a 7% decline.

February 2023 imports (HS 940340)

	Imports Feb 2023 Unit, 000's Yen
China	63,198
Taiwan P.o.C	686
Vietnam	402,605
Thailand	102,887
Malaysia	9,073
Philippines	662,502
Indonesia	28,143
Denmark	-
UK	547
Netherlands	217
Belgium	265
France	1,374
Germany	44,814
Italy	126,953
Romania	7,703

Canada	7,094
USA	6,292
Total	1,464,353

Data source: Ministry of Finance, Japan

February 2023 wooden bedroom furniture imports (HS 940350)

After the surge in the value of January imports of wooden bedroom furniture there was a massive downward correction in February. It is likely that this decline was due to the impact on trade of the New Year celebrations in both China and Vietnam.

The value of arrivals of HS940350 from China in February was down 11% while compared to January there was a 25% decline. Shipments from China were down 40% in February while shipments from Vietnam dropped 15% in February.

February 2023 imports (HS 940350)

	Imports Feb 2023 Unit, 000's Yen
China	1,003,433
Taiwan P.o.C	479
Mongolia	3,146
Hong kong	290
Vietnam	970,824
Thailand	20,438
Malaysia	270,977
Indonesia	19,773
India	-
Sweden	3,940
Denmark	2,121
France	828
germany	603
Italy	8,305
Finland	218
Poland	31,079
Austria	3,991
Greece	227
Romania	5,222
Latvia	891
Bos Her	730
USA	-
Total	2,347,515

Data source: Ministry of Finance, Japan

February 2023 wooden furniture parts imports (HS 940391)

The impact of factory closures in China and Vietnam around the time of the New Year is evident in the steep decline in the value of wooden furniture parts (HS940391). Shipments from China and Vietnam were down by half in February compared to a month earlier.

The top suppliers in February were China, Indonesia, Malaysia and Vietnam and the value of shipments from each was down from a month earlier except Indonesia for which the value of imports was little changed from January.

Year on year the value of Japan's imports of wooden furniture parts dropped 12% while month on month there was an over 40% decline.

February 2023 imports (HS 940391)

	Imports Feb 2023 Unit, 000's Yen
S. Korea	31,117
China	593,151
Taiwan P.o.C	40,419
Vietnam	100,339
Thailand	53,266
Singapore	1,640
Malaysia	186,093
Philippines	15,475
Indonesia	328,148
Cambodia	-
India	-
Sweden	9,432
Denmark	4,004
UK	52,982
Belgium	-
France	-
Germany	15,342
Switzerland	3,595
Spain	307
Italy	56,445
Finland	9,303
Poland	22,713
Austria	-
Hugary	206
Romania	1,528
Turkey	9,745
Lithuania	-

Slovinia	214
Czech Rep.	466
Slovakia	5,708
Canada	1,665
USA	2,568
Mexico	-
Total	1,545,871

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://ifpi.jp/japan_lumber_reports/

JAS certification on fixture materials of LVL

Woodland Joint Stock Company in Hanoi, Vietnam got the certification of JAS (Japanese Agricultural Standards) on LVL fixture materials on 28th, February in this year. Styra and acacia are used to produce LVL and production is 2,000 – 3,000 cbms in a month. Sojitz Building Materials Corporation will be in charge of finding a market for studs for apartment buildings, cradling, core materials for fittings and materials for prefabricated houses. About 2,000 – 2,500 cbms will be supplied in a month.

The company got the JAS certification for its first plant. The first plant has the ability of producing over 2.7 meters of LVL for 2,000 cbms and under 2.7 meters of LVL for 3,000 cbms. The company used to produce acacia building materials to Australia but the company started to look for a new market due to intensification of competition in Australia. There are about 30,000 hectares of an afforestation area owned by the company.

About 6,000 hectares of the afforestation area has the FM (Forest Management) of FSC (Forest Stewardship Council) for acacia. This certificated acacia will be supplied to Japan. However, it would take time to expand the use of acacia in Japan because many Japanese prefer white colored LVL without burls such as styra. Therefore, the company will expand styra LVL in Japan at first, then the company will see how the styra LVL move in Japan and propose acacia LVL.

Use more domestic lumber for 2 x 4 construction

Daito Trust Construction Co., Ltd. in Tokyo Prefecture finished testing the strength of domestic red pine lumber for 2 x 4 construction and confirmed that the strength is enough to use.

The company had been working with Forest Research and Management Organisation and several other cooperative business associations to build 100% domestic lumber structures by 2 x 4 construction since 2022.

Japanese red pine from Iwate prefecture was used for testing the bending strength and tensions. Results of tests and analyses, Japanese red pine lumber is strong enough to use as floor joists and taruki of 2 x 4 construction. The company also designed a structure by using Japanese red pine lumber as testing. For example, domestic cedar lumber for floor joists on the 1st floor and Japanese red pine lumber for floor joists or taruki on the 2nd floor. Moreover, domestic cedar lumber and Japanese red pine lumber are for ceiling joists.

Purposes of the company are to curb climate change, to make forestry and wood industry more active in Japan, to supply domestic lumber stably and to promote using more domestic lumber. The company has been working on using domestic lumber since 2009. Now, the company procures cedar mainly from Kumamoto Prefecture, Iwate Prefecture and Kagoshima Prefecture.

UPM withdrew from Russia

UPM sold all its operations in Russia, including Chudovo plywood mill, to Gungnir Wood Products Trading and completed withdrawal of its business from Russia. Details of transaction are not open to the public.

South Sea logs and lumber

South Sea logs have been exported from Sabah, Malaysia to Japan for the first time in five years. Actually, a banned export of logs was lifted a year ago and logs had been exported to China until this year. Demand in Japan remains strong at shipbuilding companies and steelmakers and there are a lot of inquiries from South Sea lumber companies in Western Japan. Demand seems good so far but it depends on the economy because prices are up in the world.

The price movement of South Sea lumber and Chinese lumber in overseas and Japan are having a temporary lull. Shippers in Indonesia would not lower the prices because they were fasting for Ramadan at the end of March and they had an Islamic New Year's holiday at the end of April so the product will be reduced.

A new platform for the J-credit Scheme

Sumitomo Forestry Co., Ltd. and NTT Communications Corporation work together for creating a new platform for the J-credit scheme and start the new platform in April. The J-credit Scheme is designed to certify the amount of greenhouse gas emission reduced and removed by sinks within Japan. Under the J-Credit Scheme, the government certifies the amount of greenhouse gas emissions, such as CO₂, reduced or removed by sinks through efforts to introduce energy-saving devices and manage forests, as 'credit'.

Credits created under the scheme can be used for various purposes, such as achieving the targets of Japan Federation of Economic Organizations to a Low Carbon Society, and carbon offset.

Those two companies start with PoC (Proof of Concept) for credit suppliers and credit users. The new cloud service platform provides information about forest resources or location of forest to the credit suppliers such as owners of forest or examining authorities and the credit users by using GIS (Geographic Information System). The services are:

- Managing information of forest business, afforesting, or reforestation with maps or pictures.
- To support forest owners or forestry organizations to create the credit.
- To support creating documents for applying certifications of the credit.
- To provide any information about the credit for the credit suppliers and the credit users for their transparency business.
- Able to search good credit suppliers.

China

Market for 'Green' wood home furnishing outside of urban centres

Efforts are being made to develop markets for 'green' home furnishings in rural areas to create new opportunities for manufacturers in the post pandemic era.

There has been an increase in awareness of health issues since the end of the pandemic and the marketing of environmentally safe wood products across the country will add momentum to this trend.

According to a recent survey by the China Wood Production Industry Association (CWPIA) 50% of home decoration users are most concerned about formaldehyde, 30% are concerned about "energy saving and environmental protection" in the choice of home decoration, 20% choose "close to nature" as the theme style for home decoration. In light of this survey it is anticipated the 'green' household products will find a ready market.

The advantages of wooden frame buildings in the context of global energy conservation and emission reduction are gaining attention as wood frame buildings have natural advantages as carbon is fixed for a long period.

Modern wood frame building materials have been included in the Green Building Materials Certification Directory. 2023 will be the year for promotion year of green building materials to the countryside and promotion will be 5 pilot regions. With promotion more consumers can gain a clear understanding of the concept of green building materials.

Sales of green building materials in rural areas has played a positive role in improving the productivity of building material product manufacturers by lifting the consumption of green building materials, improving the quality of rural housing construction and promoting a good atmosphere for green consumption.

Experience suggests it can take two years of practical experience to realise comprehensive promotion. 2022 was the first year that green building materials were sold in rural areas. Although some achievements have been made, many supporting activities and implementation plans have not been implemented in pilot regions due to the impact of the epidemic. This year, as the impact of the domestic epidemic dissipates, the campaign to send green building materials to the countryside is expected to expand.

See: <https://www.163.com/dy/article/I31972O30556124B.html>

Nankang furniture at Milan Furniture Fair

Nankang Furniture made its debut at the Milan International Furniture Fair in April this year with the opening of a "Nankang Furniture Pavilion". The aim was to further penetrate the EU market, expand communication and links between Nankang furniture makers and overseas enterprises and extend industrial services to overseas markets.

The Nankang Furniture Exhibition Pavillion extended over an area of about 800 square metres. A large number of Italian enterprises showed interest in investing in Nankang district of Ganzhou City.

Nankang District has signed a tripartite strategic agreement with Milan Polytechnic University and a design company on the construction of an Italian/Chinese Design Research Center. According to the agreement Nankang send Chinese college students and design talents to Italy for training to further enhance the brand influence of Nankang Furniture.

See:

https://baijiahao.baidu.com/s?id=1763963100259187704&wfr=s_pider&for=pc

Particleboard project by Yalun Machinery and Pakistan ZRK Group

China Yalian Machinery and ZRK Group, the largest wood-based board supplier in Pakistan, will jointly build one of the largest particleboard plants in Asia.

See: <http://www.cndoornet.com/news/detail-20230418-5061724.html>

Rizhao has become the largest timber import port for the first time

Rizhao in southeastern Shandong Province is situated on the coastline along the Yellow Sea and features a major seaport, the Port of Rizhao. This is one of the main modern port cities and is known for its handling of timber imports. Rizhao Port handled nearly 10 million cubic metres of wood in 2022 becoming the largest timber import port in China for the first time.

In the future, Rizhao will continue to take advantage of its Port facilities and expand the handling of imported wood, promote the healthy and efficient development of the whole industrial chain including production and processing, logistics and sales and attract wood enterprises to Rizhao.

See: <https://baijiahao.baidu.com/s?id=1762931197028236117&wfr=spider&for=pc>

2023 Global Wood and Wood Products Conference in Rizhao

In July this year a Global Wood and Wood Products Conference (GWT China) will be held in Rizhao City. The China National Wood Products Distribution Association and Rizhao Municipal People's Government signed a cooperation agreement to hold this event.

This conference will invite government agencies, enterprises, international organisations from New Zealand, Russia, the United States, Canada, Japan, Germany, Poland and Brazil, as well as wood traders from all over the world to gather in Rizhao City for discussions on the international wood industry and the market situation of wood products, the development pattern of wood port economic circle and other issues.

Business matchmaking meetings will be held to promote the complementary chain of Rizhao's imported wood processing industry, promote its high-quality development and promote Rizhao City as a wood industry port with international connections.

See: <https://www.wood888.net/news/show-26009.html>

Average log price, (US\$/cu.m Customs value, all grades, all sources)

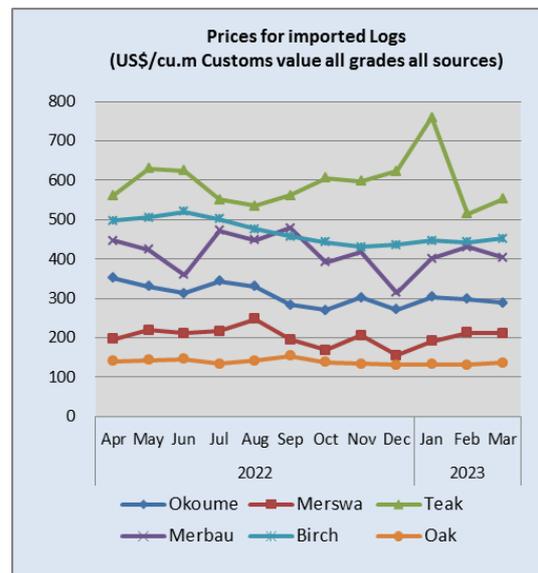
	2022 Feb	2023 Mar
Okoume	298	289
Merswa	212	211
Teak	515	552
Merbau	430	404
Birch	443	452
Oak	131	136

Data source: Customs, China

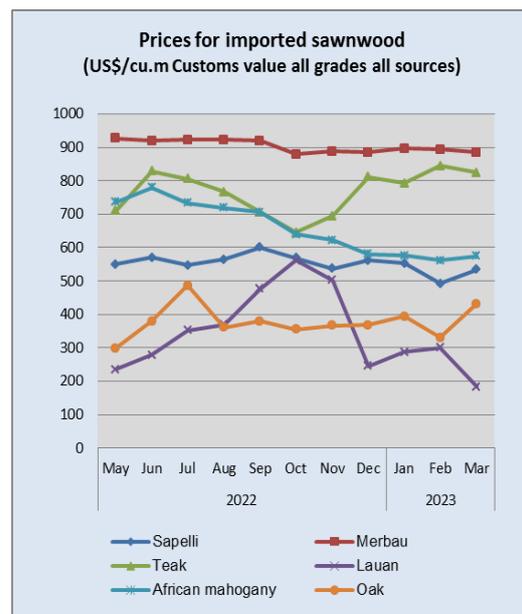
Average sawnwood price, (US\$/cu.m Customs value, all grades, all sources)

	2022 Feb	2023 Mar
Sapelli	493	534
Merbau	894	885
Teak	844	825
Lauan	681	183
African mahogany	561	574
Oak	331	431

Data source: Customs, China



Data source: Customs, China



Data source: Customs, China

EU

Milan furniture fair takes sustainability focus to another level

After several years of disruption during and in the aftermath of the COVID pandemic, this year the Milan Salone del Mobile furniture fair returned to its traditional April slot for the first time since 2019. Although visitor numbers were still down on pre-pandemic figures of around 400,000 in 2018 and 2019, at 307,418 they were 15% more than in 2022.

During the pandemic, overseas visitors to the fair fell dramatically. However, the continuing influence of the show in the global furniture sector was once again apparent from the numbers this year. Fully 65% of visitors came from 180 countries outside Italy.

There were 2000 exhibiting brands of which 34% came from 37 different countries. There were 550 young designers exhibiting at the show from 31 countries. Also present were 28 design schools and universities from 18 countries.

Over 5,400 accredited journalists attended, 47% of whom came from abroad. China formed the largest contingent of visitors to the show after Italy, followed by Germany, France, the United States, and Spain. Visitors from Brazil and India were prominent amongst tropical furniture supplying countries.

One lasting effect of the pandemic has been to encourage an even bigger focus on the show's digital presence to further expand its influence on global furniture design trends. The international design community responded enthusiastically to the show's social media which reached 30 million users, notched up 6 million video views, and around 80 million page impressions.

There were around a million visitors to the show's website site and more than 7 million page views. The show's mobile app registered more than 350,000 sessions during the fair and enabled more than 750,000 scans through the matchmaking service supporting the visitor experience and promoting effective interface with the exhibitors.

Sustainable furniture design has been a key theme of past Milan shows. However, the extent to which this theme pervaded the show was taken to another level this year.

Reuse, regeneration, circularity, sustainable materials, and innovative energy saving and efficient production methods were at the very heart of the event. This extended not only to the products and processes on display, but also to the exhibition stands.

As the event organisers observed "Goodbye to monumental stands with a short life cycle. The new installations are lightweight, modular and reusable, made from wood and recycled cardboard". The heightened focus on sustainability at the Milan show reflects the considerable policy and public concern for climate change that now pervades society nearly everywhere.

In Europe, the need for furniture designers, manufacturers and traders to adapt has been given added impetus by a whole raft of new regulations now passing through the EU law-making process as part of the European Green Deal (see sections on new EU regulations below).

While the organisers of the Salone del Mobile and many exhibitors were keen to emphasise the sustainability message, some commentators were more cynical.

An article in the London Times conceded that "this was the year that designers acknowledged that flying to Milan and launching annual collections was not optimal, environment-wise".

The article went on to suggest that "Milan's annual design week was beamed to us from the future but, this being Milan, it was more of an arty, cinematic sci-fi future than one where design experts had fathomed how to house, feed and furnish the world with zero carbon emissions".

Nevertheless, some exhibitors communicated powerful messages about the challenges and opportunities to furniture manufacturers and their suppliers of tackling environmental issues head on. This was true of the 'Wood You Believe?' installation for the Italian wood panels company Gruppo Saviola by designers Carlo Ratti Associati (CRA) and Italo Rota.

The exhibit transformed four tons of post-consumer wooden objects into a structure that questions how design can act to reduce waste and at the same time be inspired by it. "The use-and-dispose consumption pattern is one of the main underlying causes of the environmental problems we are facing now," says Carlo Ratti, "Wood You Believe? taps into an enormous pool of resources that have always been available to us."

Passing into the structure, visitors enter a space constructed out of more than one hundred panels from the Gruppo Saviola 'pannello ecologico' technology. Made of fully recycled wood, these panels are digitally treated to display a wide range of textured finishes that complement different designs. Gruppo Saviola manages the whole process from the collection of waste wood, to recycling, and transformation into a new and functional product.

Other exhibitors were willing and able to spell out a strategic vision for furniture companies to move towards more sustainable practices. In an interview with the Salone show organisers, Anna Pellizzari, Executive Director of Materially, a company that helps other companies innovate their products starting from materials, summarised the various strategies now being adopted by Italian companies.

Materially is a partner of FLA-PLUS, a project led by the Italian wood furniture industry association FederlegnoArredo (<https://fla-plus.it>) to develop and implement a strategic plan on sustainability to support and respond pragmatically to the needs of manufacturing companies.

Ms. Pellizzari noted that "with respect to sustainability, one of the central points of the wood-furniture sector – in my opinion already very virtuous because of the type of materials it uses – is the durability of the product.

The Italian supply chain in particular is focused on durable products that the consumer can use for a very long time, so contributing positively to reducing the environmental impact of an object".

Ms. Pellizzari went on to identify three approaches to circularity that can be adopted by furniture and wood product manufacturers:

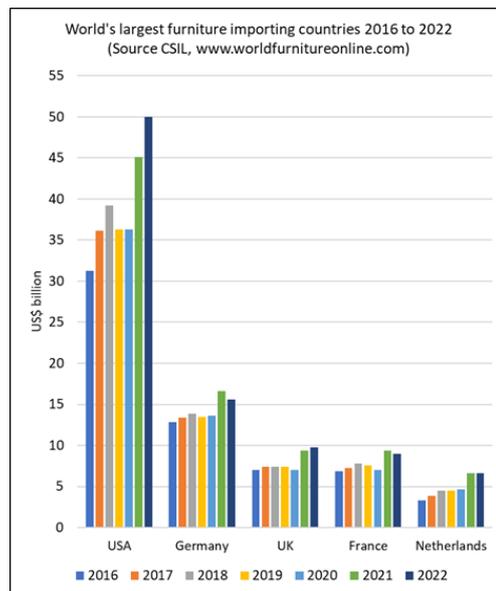
1. Design for disassembling, “a principle that, from the early stages, guides the design of objects that are easily dismantled: eliminating glues and adhesives, using joints and adopting all the solutions that allow easy replacement and repair of the components, so lengthening the product’s lifespan. This also simplifies end-of-life disassembly, which facilitates recycling”.
2. ‘Systemic’ design involving detailed measurement of the company’s environmental impacts, developing actions dealing with the production process as a whole and identifying hotspots of environmental harm and tailored mitigation measures. These might include the use of renewable energies, increasing energy efficiency of processes, the elimination of pollutants, and much else.
3. The approach centered on recycling and closing the circle of the material. According to Ms. Pellizzari this “is a supply chain approach encompassing the whole world of recycled panels, and includes the main Italian players in the sector.

These absorb the waste from the wood supply chain and recycle it to make panels to be reintroduced into the production cycle”.

World furniture trade stagnated in 2022

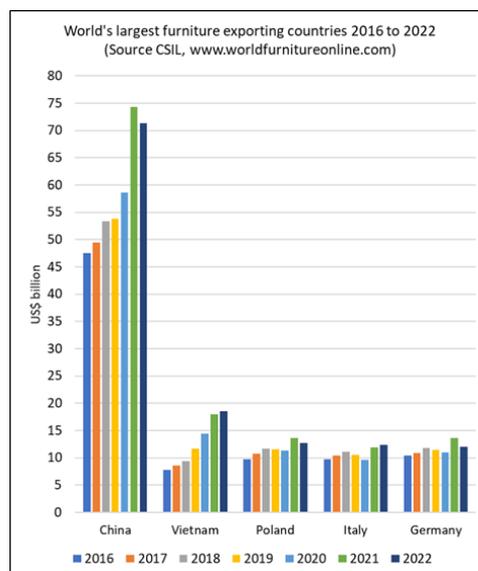
The latest issue of the World Furniture magazine (freely available at www.worldfurnitureonline.com/magazine/) from CSIL, the Italian furniture research organisation, provides a lot of information on recent trends in the global furniture sector and links to more detailed reports (available for a fee). Highlights include:

- CSIL’s update on the world furniture outlook which notes that “after the 2020 stall, 2021 was a year of very strong growth [for global furniture trade], reaching US\$ 189 billion. The uncertainties caused by the war in Ukraine, the supply chain constraints, logistics problems, and strong inflationary pressures, together with the devaluation of major currencies in relation to the US\$, are countervailing factors that resulted in a stagnation in 2022”.
- CSIL’s ‘World Furniture Outlook’ report identifies the leading importers of furniture in 2022 as the United States, Germany, the United Kingdom, France and Netherlands (a trading hub) which together accounted for about one half of total imports. Preliminary CSIL data for 2022 show a substantial increase in imports into the US and virtual stagnation for European countries (in current US\$) (see chart right).



- CSIL’s ‘World Furniture Outlook’ report notes that China, the main furniture producing and exporting country, alone accounted for more than one third of world furniture production and of exports in 2022, followed at a distance by Vietnam, Poland, Italy and Germany.

After a major increase in 2021, China’s exports decreased in 2022 (see chart below) mostly as a consequence of continuing production difficulties caused by COVID. China’s struggling real estate sector also contributed an economic slowdown in the country last year, impacting on Chinese furniture production and consumption and on global supply chains and trade.



- CSIL's 'World Furniture Outlook' report suggests that global prospects will result in a declining consumer confidence and in the weakening of furniture demand during 2023. For the world as a whole (100 countries), CSIL forecast furniture consumption to decrease slightly in real terms in 2023 but that growth should resume in 2024.
- An article by Mindaugas Morkunas, Regional Sales Head of the German company Henkel on "current trends in the European furniture supply chain and the influences behind them" observes that "currently, the furniture industry is still exposed to significant uncertainty" and that "having recently travelled around multiple furniture factories, I have seen manufacturers in countries like Poland and Sweden suffering from decreased demand. The decrease is drastic.... Some major manufacturers admit having never faced such a fall. The numbers vary, but I have personally been told that certain orders have been reduced by 43%, 50% or even 73%".
- Mr Morkunas notes that companies are adapting to the changed market situation by: a "focus on product improvement....to maximize lean manufacturing.

This means minimizing unnecessary expenses while retaining product quality"; "energy saving" since "highly increased energy prices are forcing manufacturers to look for ways to save on energy....popular methods include performing professional audits on energy consumption, using state aid, regular unit maintenance, and so on"; and "changes in people management....Many employees are being laid off or sent on holiday for a week or even a month.

It comes as no surprise that the furniture industry has faced multiple protests from dissatisfied employees".

- CSIL's latest report on the "200 largest furniture companies worldwide" shows that this group of companies has turnover of nearly USD 120 billion related specifically to the furniture sector. Concentration in the global furniture sector continues to increase year-on-year, the top 200 accounting for more than 20% of world furniture production in 2022. The Top 200 have headquarters in 30 countries, with companies in Asia and the Pacific accounting for nearly 40% of Top 200 turnover and European and Americas companies accounting for 30% each.
- According to CSIL, since the start of the pandemic in 2020, the Top 200 have consistently outperformed the global furniture sector as a whole driven by larger financial capabilities that allowed leading companies to quickly re-align business strategies, implement new sales channels (e.g. online), and reposition their supply chain. Large Asian manufacturers have grown particularly rapidly over the last five years. European players have also shown promising results, particularly in 2021 (surpassing the pre-pandemic level). North American manufacturers experienced significant development in 2019 and stabilized in 2021.
- CSIL note that the strategies of the Top 200 have evolved in recent years with a growing focus on "delocalization", that is expanding activities outside the companies headquarters country to reduce logistical and transport costs and the time-to-market. About half of the Top 200 companies now have manufacturing activities outside their headquarters country. Companies specializing in outdoor furniture have been particularly prone to delocalize production (80% of the companies selected opened manufacturing plants abroad), followed by companies specializing in office furniture and upholstered furniture manufacturing.
- CSIL latest report on ecommerce in the global furniture sector has grown rapidly in recent years and in 2022 the global value of furniture sold online was worth about USD 96 billion, representing about 11% of the worldwide furniture consumption at enduser prices. While global consumption of furniture decreased on average by 3% each year between 2019 and 2022, e-commerce consumption increased by 18% on average each year during the same period. Most of the growth was concentrated in 2020 and 2021, while in 2022 the trend was broadly flat.
- CSIL note that the market for online furniture is a highly competitive and rapidly changing one. An overarching trend is a move by retailers towards an "omnichannel strategy". Consumers "expect a seamless experience that is joined up between physical stores, online, or phone, and where they can switch among channels easily". This has rewritten the rules of traditional retailing. According to CSIL "a retailer's success no longer depends on its ability to provide many products. It no longer depends on offering promotions. And the number of stores is less relevant now....brick-and-mortar retailers are establishing a strong

online presence. But, at the same time, we are seeing e-commerce platforms moving towards brick-and-mortar”.

CSIL’s free magazine and all CSIL reports can be purchased online and downloaded from: www.worldfurnitureonline.com

Raft of EU Green Deal measures set to impact on furniture sector

A raft of EU regulatory measures designed to reduce carbon emissions and other environmental impacts are set to have a significant impact on Europe’s furniture sector.

The high political priority attached to such measures as the EU Deforestation Regulation (EUDR), the Ecodesign for Sustainable Products Regulation (ESPR), and the EU-single use Plastics Directive is due to EU-wide commitment to the European Green Deal. This aims to make the EU's climate, energy, transport and taxation policies fit for reducing net greenhouse gas emissions by at least 55% by 2030 and to achieve zero net emissions by 2050.

A large proportion of the EU’s long-term budget and NextGenerationEU, the temporary instrument designed to boost the post-COVID recovery, which together form the largest stimulus package ever financed in Europe, are tied to Green Deal initiatives.

One measure now starting to impact on the wood products sector, including furniture, is designed to directly raise funds for the Green Deal.

Since January 1st, 2021, every EU member state has had to pay a plastic tax of 80 cents per kilogram of non-recycled plastic waste. Due to that, some EU countries are now introducing their own plastic taxes which impose new requirements on all product suppliers to provide data on the quantity of plastic packaging with each consignment before it can be placed on the market.

The EUDR, reported on in the previous Tropical Timber Market Report, was passed by the European Parliament in a vote on 19 April and looks set to have a particularly immediate effect on the trade in wood furniture.

The text now just needs to be formally endorsed by the European Council, expected in May. It will then be published in the EU Official Journal and enter into force 20 days later. The requirements are estimated to be enforced for large operators from 18 months after the law enters into force (i.e. from around December 2014) and twelve months later (i.e. from around December 2015) for SMEs.

The EUDR will likely have a major impact on supply of some materials to the furniture sector - including wood, textiles and leather. It will also impact significantly on manufacturers of wood furniture both inside and outside the EU.

Under the terms of EUDR, both importers and exporters of wood furniture in the EU – together with large operators even if only engaged in internal EU trade - will be obliged to gather and provide geolocation data for all the harvest sites from which all wood components have been derived with each individual consignment before it can be placed on, or exported from, the EU market.

This applies to all wood furniture including items such as wood seating not formerly covered by EUTR. The same applies to wood-based textile fibres and to leathers derived from cattle contained in furniture products.

The geolocation requirement will apply irrespective of risk of illegal harvest, deforestation, or forest degradation in the region of supply. Furthermore, if regulated material components of furniture products derive from harvest sites in any country or region except those identified by the EC as “low risk”, these operators will be obliged to undertake due diligence to identify and mitigate these risks.

Ecodesign for Sustainable Products Regulation (ESPR)

In the absence of other factors, a far-reaching regulation such as EUDR would likely lead more manufacturers to switch away from wood and increase their use of other materials such as plastics and metals.

However, this tendency should be offset by the ESPR which aims, according to the EC, to “make sustainable products the norm in the EU by increasing their durability, reusability, repairability, recyclability and energy efficiency”. Wood products are inherently well adapted to delivering against most of these goals.

Presented as a proposal by the European Commission on 30th March 2022, the ESPR is currently working its way through the legislative process and, if adopted by the EU, will set out a general framework imposing ecodesign requirements on products intended for sale on EU markets. The proposal builds on the existing Ecodesign Directive which currently only covers energy-related products.

The process towards passage of the ESPR is currently some way behind the EUDR. The Commission’s proposal for the ESPR was discussed by the European Parliament’s Environment Committee on 12 January 2023 when MEPs tabled 628 amendments. The vote in the committee is now expected on 5 June 2023. Beyond that the law will need to be agreed by both the full Parliament and the European Council.

The ESPR proposal establishes a framework to set ecodesign requirements for specific product groups to significantly improve their circularity, energy performance and other environmental sustainability aspects. It will enable the setting of performance and information requirements for almost all categories of physical goods placed on the EU market including furniture.

Any organisation placing goods for sale on the European market, whether or not they are based within Europe, will be required to comply with the requirements of the regulation. Furniture products, alongside various other product groups such as iron, steel, aluminium, textiles, and cement have been identified as priority products for the establishment of eco-design requirements.

The ESPR framework will allow for the setting of a wide range of requirements, including on

- product durability, reusability, upgradability and reparability;
- presence of substances that inhibit circularity;
- energy and resource efficiency;
- recycled content;
- remanufacturing and recycling;
- carbon and environmental footprints;
- information requirements, including a Digital Product Passport.

The new “Digital Product Passport” will provide information about products’ environmental sustainability. It should help consumers and businesses make informed choices when purchasing products, facilitate repairs and recycling and improve transparency about products’ life cycle impacts on the environment. The product passport should also help public authorities to better perform checks and controls.

The specific requirements to be imposed on different product groups are not yet clear. The EU’s approach has been to start with a big picture proposal for a framework and a process — via which the Commission (“working in close cooperation with all those concerned”) will gradually set out requirements for each product or group of products, developing specific stipulations down the line.

This approach also suggests there could end up being a degree of variability in ESPR requirements across different types of products, as various trade-offs (perhaps product longevity vs energy efficiency of manufacture, say) are weighed up and variously assessed in each specific product context.

EU taxes on plastic packaging

While there is still some way to go before the ESPR requirements will be imposed in the EU market, the EU’s decision to require all EU Member States to make a national contribution to the EU budget in support of the Green Deal based on the amount of plastic packaging waste that is not recycled within their territory, is already being felt in some countries.

The mechanisms by which Member States raise the money to pay this EU-wide levy are not harmonised. Each Member State designs its own regulation to capture the underlying taxes and contributions from market players and industries.

Spain has moved faster than other EU countries to implement specific legislation to implement a tax at national level to fund the EU levy. Starting on 1 January this year, Spain began enforcement of a new tax (referred to as IEPNR) on “non-reusable plastic packaging”. The tax applies throughout Spain, including Ceuta, Melilla, and the Canary Islands, and taxes both the import and manufacture of non-reusable plastic in the country.

The definition of “packaging” taxed under the Spanish law includes not only that used directly for selling products but also packaging required in transport. Items such as plastic straps around packs of lumber or shrink wrapped plastics to protect veneer, flooring and furniture are therefore subject to the tax. The IEPNR applies the rate of €0.45 per kilogram of plastic in packaging.

Recycled plastics are not subject to the tax. However, to avoid paying the tax, the importer must demonstrate that plastics are certified by an ISO 17065 accredited Certification Body as containing only recycled material in accordance with UNE EN 15343:2008. This is the European standard for “plastics recycling traceability and assessment of conformity and recycled content”.

At present, there is no clear information on how widely this standard is applied by plastic packaging suppliers, but it is understood to be not widespread. In practice therefore, as things stand, most Spanish importers are likely to be obliged to pay the tax.

While Spanish manufacturers and traders operating in the EU single market have to self-assess and pay the tax in the same periods (monthly or quarterly) as their VAT self-assessment, Spanish importers are required to settle the tax through the Single Administrative Document (SAD) used for customs declarations. The taxable amount of non-recycled plastic in kg (to two decimal places) is required to be entered into box 47 of the SAD.

Further details on customs formalities for importing goods subject to the tax are provided by the Spanish government at:

https://sede.agenciatributaria.gob.es/Sede/en_gb/impuestos-especiales-medioambientales/impuesto-especial-sobre-envases-plastico-reutilizables/formalidades-aduaneras-impuesto.html

Some other EU Member States are expected soon to adopt a similar approach. In fact Italy planned to introduce a very similar tax - known as MACSI - from 1st January 2023, but a decision was taken in November last year to suspend application until further notice.

While the tax was not imposed, since the start of this year all suppliers placing packaged product on the Italian market must indicate material type using an alphanumeric code (which is defined in EC Decision 97/129/EC). The code may be provided on the packaging itself or, if this is not possible, it should be available via the website or similar documentation of the supplier.

Elsewhere, Poland, Germany, and Sweden have already announced that they will implement new plastic-related legislation soon. Other EU countries may adopt a different approach, for example by imposing so-called “extended producer responsibility” (EPR) fees and obligations on manufacturing companies, or developing new deposit-return systems. Some EU countries may go so far as to completely ban single-use plastics.

North America

US manufacturing sector weakest in nearly three years

US manufacturing activity slumped to its lowest level in nearly three years in March as new orders continued to contract and activity could decline further amid tightening credit conditions. The Institute for Supply Management (ISM) said that its manufacturing PMI fell to 46.3 last month, the lowest reading since May 2020, from 47.7 in February. Economists polled by Reuters had forecast the index dipping to 47.5.

It was the fifth straight month that the PMI remained below 50, which indicates contraction in manufacturing. But other data suggests that manufacturing, which accounts for 11.3% of the economy, continues to grow moderately.

Manufacturing expanded at a 4.5% annualized rate in the fourth quarter, the government reported last week. Reports last month also showed orders for capital goods excluding aircraft eking out a small gain in February as did manufacturing output.

Of the 18 manufacturing industries surveyed by ISM, 12 reported contraction in March with the Furniture and Related Products sector reporting the biggest contraction.

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

US and Canadian new home starts declined in March

US home building pulled back in March, having fallen 0.8% in February when multifamily home construction failed to keep pace with an increase in construction of single-family homes.

Housing starts, a measure of new home construction, was down 17% from a year ago according to data released by the US Census Bureau. After surging in February following five consecutive months of decline March housing starts fell to a seasonally adjusted annual rate of 1.420 million, down from the revised February estimate of 1.432 million. Single-family housing starts in March rose 2.7% from the revised February figure, at a seasonally adjusted annual rate of 861,000.

US housing starts recorded big drops in May and July last year when spiking mortgage rates pushed many prospective home buyers to the sidelines. Starts bounced back slightly in August but fell through January. Since then, with more positive economic news, building has perked up.

As mortgage rates trended lower, builders have begun to feel more optimistic that conditions may improve in 2023.

Building permits, which track the number of new housing units granted permits, also fell in March following two months of gains, falling 8.8% from the revised February rate, and were down 24.8% from a year ago. In March, building permits were at a seasonally adjusted annual rate of 1.413 million.

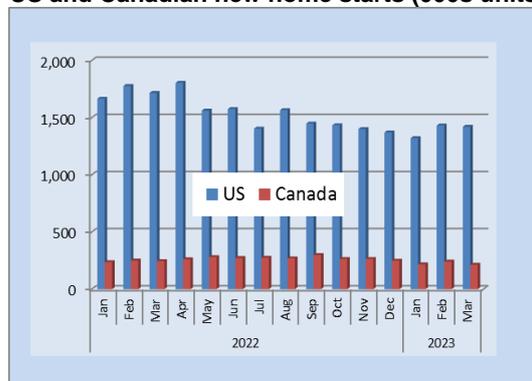
Canadian housing starts fell more than expected in March compared with the previous month as groundbreaking decreased on multiple unit and single-family detached urban homes.

The seasonally adjusted annualised rate of housing starts fell 11% to 213,865 units from a revised 240,927 units in February, the Canadian Mortgage and Housing Corporation said.

See: <https://www.census.gov/construction/nrc/index.html> and

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

US and Canadian new home starts (000s units)



Data sources: US Census Bureau, Canadian Mortgage and Housing Corp

Sales for existing homes slumped in March

Existing-home sales in the US edged lower in March according to the National Association of Realtors. Total existing-home sales fell 2.4% from February to a seasonally adjusted annual rate of 4.44 million in March. Year-over-year sales dipped 22% (down from 5.69 million in March 2022).

Data on mortgage applications was lower as well. The Mortgage Bankers Association reported that higher lending rates have led to a 10% decline in loan applications as would-be buyers face affordability challenges.

"Home sales are trying to recover and are highly sensitive to changes in mortgage rates," said NAR Chief Economist Lawrence Yun. "Yet, at the same time, multiple offers on starter homes are quite common, implying more supply is needed to fully satisfy demand. It's a unique housing market."

Existing-home sales in the Northeast were unchanged from February at an annual rate of 520,000 in March, but down 21.2% from March 2022. In the Midwest, existing-home sales retracted 5.5% from one month ago to an annual rate of 1.03 million in March, falling 17.6% from the previous year.

Existing-home sales in the South decreased by 1.0% in March from February, to an annual rate of 2.07 million, a 20.4% decrease from the prior year. In the West, existing-home sales declined 3.5% from the previous month to an annual rate of 820,000 in March, down 30.5% from the prior year.

The median price for an existing home fell by 0.9% from last March, dropping to US\$375,700 this year. This drop is the largest since January 2012, when home prices fell 2% year on year. It's also the second month in a row that home prices fell.

See: <https://www.nar.realtor/research-and-statistics/housing-statistics/existing-home-sales>

US hiring remains steady

The US Department of Labor's report on US employment for March showed hiring slowed more than expected but remained steady. The jobs report showed that American employers added 236,000 jobs last month, a slowdown from February's 326,000 and slightly below economists' expectations. Wages, meanwhile, grew 0.3% from February to match expectations. But year-on-year wage gains slowed to 4.2% from 4.6%. Employment continued to trend up in leisure and hospitality, government, professional and business services and health care but showed little change over the month in other major industries, including construction and manufacturing.

A cooler job market is exactly what the US Federal Reserve (Fed) is trying to achieve. Raising rates is one of the Fed's most effective ways to undercut inflation but it's a notoriously blunt tool that works only by slowing the entire economy.

Many economists fear a recession later this year. But some say a narrow possibility still exists where the Fed could raise rates just enough to get inflation fully under control without causing a severe recession.

See: <https://www.bls.gov/news.release/empsit.nr0.htm>

Consumer sentiment picked up in April

American consumers appear as uncertain over the state of the economy as professional pundits and the Fed. The University of Michigan's estimate of consumer sentiment released in April found consumers slightly more optimistic with its overall index rising to 63.5 from 62 in March.

However, expectations for inflation a year from now rose sharply, to 4.6% from 3.6% a month earlier while staying in the same range of 2.9% to 3.1% they have been in 20 months. That comes even as recent reports on inflation have shown it dropping markedly.

"Consumer sentiment was essentially unchanged this month, inching up less than two index points from March," said Joanne Hsu, Michigan survey Director. "Sentiment is now about 3% below a year ago but 27% above the all-time low from last June." Hsu added that sentiment rose among lower-income consumers while falling among consumers with higher incomes. "While consumers have noted the easing of inflation among durable goods and cars, they still expect high inflation to persist, at least in the short run," Hsu said.

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

Growth of large national home

While the US construction industry remains one of the economy's most fragmented industries large national home builders have seen growing levels of concentration in market share. Of the 65,000 or so single-family home builders in the US the 100 largest builders now account for more than 50% of all single-family home sales, up from one third back in 2001.

The 10 largest builders now account for about a quarter of all single-family homes sales nationally while the top two (D.R. Horton and Lennar) account for about one in every six new single-family homes sold. A recent Joint Center for Housing Studies at Harvard University working paper suggests that these large builders are increasing their scale through strategic acquisitions and by concentrating their activities in select major metropolitan areas across the country.

The Center's Kermit Baker writes that for the flooring industry this increased concentration means that securing just a few new customers can yield a significant increase in market share. With large builders looking to fuel their growth by concentrating in key metro areas flooring suppliers need not have a robust national footprint to service these customers in selected markets.

See: <https://www.floorcoveringweekly.com/main/features/builder-concentration-the-flooring-industry-40991>

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.

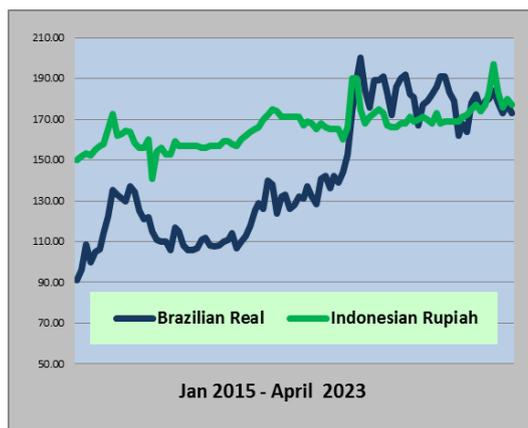
The views and opinions expressed herein are those of the correspondents and do not necessarily reflect those of ITTO

Dollar Exchange Rates

As of 25 April 2023

Brazil	Real	5.04
CFA countries	CFA Franc	596.22
China	Yuan	6.89
Euro area	Euro	0.91
India	Rupee	81.86
Indonesia	Rupiah	14,934
Japan	Yen	132.40
Malaysia	Ringgit	4.44
Peru	Sol	3.77
UK	Pound	0.80
South Korea	Won	1,332.92

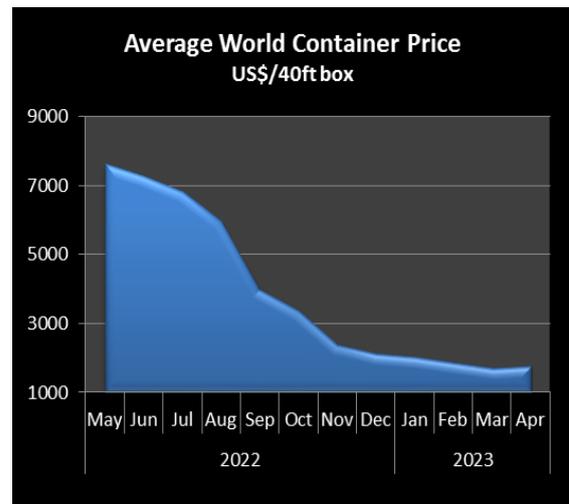
Exchange rate indices (US\$, Dec 2003=100)



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

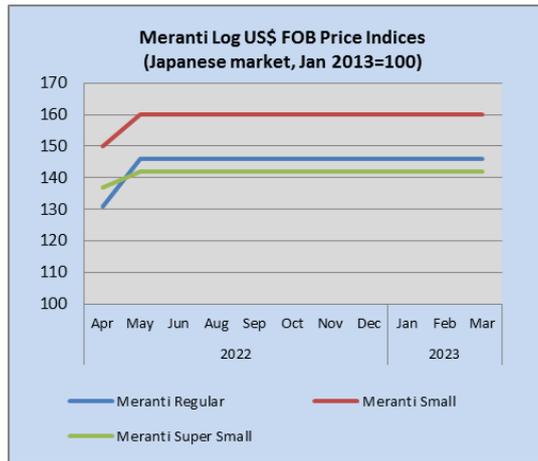


Data source: Drewry World Container Index

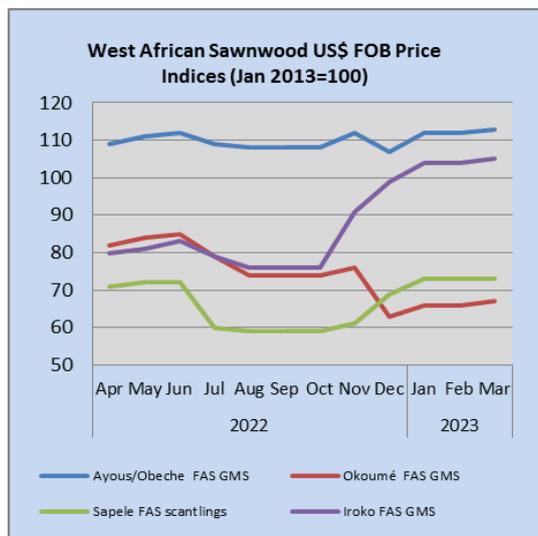
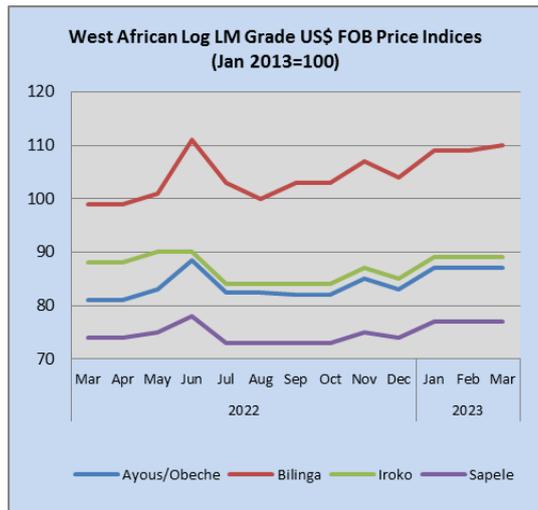
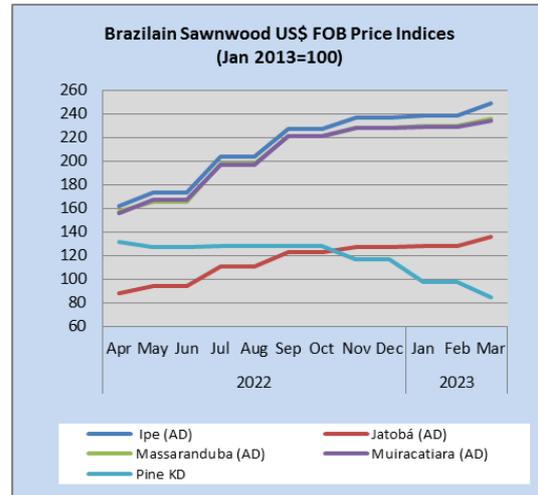
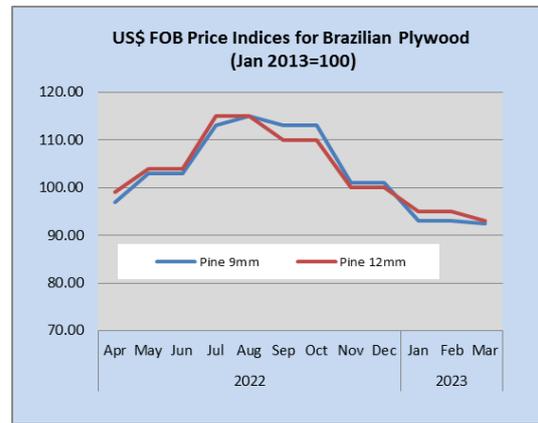
See: <https://www.drewry.co.uk/supply-chain-advisors/supply-chain-expertise/world-container-index-assessed-by-drewry>

Price indices for selected products

The following indices are based on US dollar FOB prices



Note: Sarawak logs for the Japanese market



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

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