

Tropical Timber Market Report

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Top story

Indonesia, Malaysia and EU joint task force on supply chain traceability and transparency

A joint Indonesia/Malaysia mission met with leaders of the European Union at the end of May to discuss the EUDR. As a follow-up an agreement has been reached on establishing a Joint Task Force to focus on the relevant commodities in both countries in particular palm oil, wood, rubber, coffee and cocoa.

The Task Force will examine the situation for relevant commodities in Indonesia and Malaysia within the scope of the EUDR for the EU market.

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Central and West Africa

Still awaiting demand rebound in China

Producers report demand is slowing significantly particularly in China and the Philippines. There are rumours that a major customer in the Philippines has a substantial stocks of okoume which has resulted in a slowdown in shipments of okoume.

There are also indications of reduced purchases by buyers for Middle East markets because of high landed stocks. The largest buyer, Iraq, is said to be holding back on new orders.

China, the key market, is also facing an economic slowdown. The anticipated market rebound did not materialise in the first half of the year and prospects look slim for a major bounce back in the second half of this year.

The pace of any recovery is closely tied to China's housing projects which are currently facing challenges but the recent interest rate cut, although small, is aimed at boosting the housing and construction sectors.

Eucalyptus used alongside okoume in S. Africa

Another market experiencing a slowdown is South Africa. There has been a drop in demand as more housing projects are using aluminium and plastic window frames which are cheaper alternatives to timber.

Swartland Municipality, the largest consumers of okoume from Congo and Gabon for government housing projects, has switched from using 100% okoume to incorporating Chilean eucalyptus for some enduses. It appears manufacturers have resolved the issue of gum pockets in eucalyptus and find it to be a cost-effective and durable alternative to okoume.

Regional round-up

Price stability has been maintained but there are regional developments affecting the timber industry. As usual during this time of the year, Cameroon experiences the rain season which impacts timber operations and transportation. Elsewhere in the CAR political tensions surround a potential referendum for the president's third term.

In Gabon there are several developments directly or indirectly impacting the timber sector. An effort is underway to establish demand for carbon credits and the Forestry Minister, along with government officials from Congo Brazzaville is in France to promote sales.

Gabon is currently experiencing a dry period. The railways are operational, primarily transporting manganese and some timber. Road repairs are underway in Gabon to be completed before the return of heavy rains in late August.

The public works and logistics company (TPL), the State concessionaire for the construction and management of weighing stations in Gabon, has called on road users to respect the truck weight limit regulations.

From 19 June action against overloaded trucks will be stepped up and, according to the domestic media, overload trucks may be seized.

See: <https://www.lenouveaugabon.com/fr/transports-logistique/1406-19813-protection-du-patrimoine-routier-le-concessionnaire-des-pesages-sensibilise-contre-la-surcharge-des-gros-porteurs>

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)	200	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	425
Bilinga FAS GMS	580
Okoumé FAS GMS	460
Merchantable KD	380↓
Std/Btr GMS	380↓
Sipo FAS GMS	420
FAS fixed sizes	-
FAS scantlings	520
Padouk FAS GMS	1,100
FAS scantlings	1,100
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

Summit of the Three Basins

ATIBT has provided information on the 'Summit of the Three Basins' to be held in Brazzaville in October 2023.

See: <https://www.atibt.org/en/news/13354/the-summit-of-the-three-basins-will-be-held-in-brazzaville-in-october-2023>

Through the eyes of industry

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

See: <https://www.itto-ggsc.org/static/upload/file/20230615/1686792092163403.pdf>

Ghana

First quarter wood exports record 15% growth

According to the first quarter 2023 Timber Industry Development Division (TDD) report Ghana's timber and wood product exports earned the country Eur34.46 million from a volume of 76,779 cu.m, a 15% year on year increase in value and a year on year increase of 3% in value. In the first quarter 2022 earnings were Eur30.04 million from a total export of 74,853 cu.m.

First quarter exports cu.m

	2022 Q1	2023 Q1	YoY % change
AD Sawwood	33,040	40,346	22%
KD Sawwood	9,726	10,130	4%
Plywood (Overland)	13,680	7,635	-44%
Sliced Veneer	1,992	1,632	-18%
Billets	9,219	3,701	-60%
Mouldings	2,320	2,956	27%
Rotary Veneer	2,320	2,471	7%
Plywood	1,658	3,969	139%
Boules (AD)	753	246	-67%
Briquettes	140	405	189%
Total	74,853	76,779	3%

Data source: TIDD

First quarter exports Euro

	2022 Q1	2023 Q1	YoY % change
AD Sawwood	12,607,238	16,186,559	28%
KD Sawwood	5,613,792	6,443,963	15%
Plywood (Overland)	2,686,259	2,927,456	9%
Sliced Veneer	2,397,952	2,039,482	-15%
Billets	2,799,663	1,177,009	-58%
Mouldings	1,753,257	1,894,483	8%
Rotary Veneer	1,007,891	1,228,737	22%
Plywood	579,664	1,194,358	106%
Boules (AD)	545,312	199,228	-63%
Briquettes	45,191	78,123	73%
Total	30,039,483	34,455,730	15%

Data source: TIDD

The data show that air dried sawwood, kiln-dried sawwood, plywood to the regional market, billets and plywood to other international markets accounted for 53%, 13%, 10%, 5% and 5% respectively of the first quarter export volume.

Products for which significant increases in export volumes were reported were briquettes, plywood and mouldings.

The TIDD reports there were one hundred and forty-three exporters active during the first quarter in 2023 of which the top five leading exporters were Logs and Lumber Limited, Samartex Timber and Plywood Company Limited, Multimodal Freight Services Limited, John Bitar and Company Limited and K Lorvert Company Limited.

The major species that went into the production of export products were teak, ceiba, wawa, denya, and eucalyptus. The main markets were India, Togo, Germany, Belgium and the US.

The TIDD report also indicated that, the overall Average Unit Price increased from Eur401/cu.m in the first quarter of 2022 to Eur449/cu.m in the first quarter of 2023.

GEPA opens 'Ghana Trade House' in Kenya

The Ghana Export Promotion Authority (GEPA) has opened a new trade and business center in Kenya as part of Ghana's first permanent trade mission to that country. The centre named the 'Ghana Trade House' will facilitate the export of Ghanaian goods and services to the East African nation promoting the implementation of the African Continental Free Trade Area (AfCFTA).

According to the CEO of GEPA, Dr. Afua Asabea Asare, the establishment of the Ghana Trade House forms part of the implementation of Ghana's National Export Development Strategy (NEDS) which aims to generate US\$25.3 billion in non-traditional export revenues by 2029. Non-traditional exports include timber wood products

The official opening of the centre coincided with the engagement of the Ghana Standards Authority (GSA) and the Kenya Bureau of Standards (KEBS) to facilitate a Memorandum of Understanding (MoU) between the two organisations to establish a framework for mutual recognition and acceptance of standards to ensure efficient trade and regulatory compliance between the two countries.

See: <https://thebftonline.com/2023/06/22/gepa-opens-ghana-trade-house-in-kenya/> and <https://www.gepaghana.org/gepa-opens-ghana-trade-house-in-kenyas-capital-nairobi/>

Construction sector growth forecast

A report from ConstructionAfrica says the Ghanaian construction industry plays a significant role in Ghana's economic growth contributing more than 15% to the GDP. It also employs approximately 420,000 people.

At present the construction sector is active with significant investment in infrastructure development.

The government's commitment to developing the sector has attracted local and foreign investors, leading to the emergence of several construction companies. The Public-Private Partnerships (PPP) Bill, first drafted in 2016, was finally implemented and was vital to driving growth in the construction industry.

The Ghana construction industry is expected to achieve an average annual growth rate of more than 4% between 2023 to 2026 with new construction companies emerging and existing companies expanding their operations.

See: <https://www.constructafrica.com/news/constructafrica-report-explores-ghanas-construction-industry>

Afrexim funds for AfCFTA Adjustment Fund

The Governor of the Bank of Ghana, Dr. Ernest Addison, has said the African Export-Import Bank (Afreximbank) has provided US\$10 billion in funding to be used as an adjustment fund to support countries under the African Continental Free Trade Area (AfCFTA).

The Governor said this at the 30th Annual General Meeting of the Afreximbank held in Accra, from 18th to 21st June 2023.

According to him, the fund will ensure that African countries under the free trade pact and their respective private sector entities can effectively participate in trading. He further explained that the AfCFTA Adjustment Fund, which is being established by the AfCFTA Secretariat with support from the Afreximbank, follows a directive from the African Union (AU) Summit of Heads of State and Government and the AfCFTA Council of Ministers responsible for trade.

Dr. Addison further noted that the fund would help African countries to effectively adjust to AfCFTA tariff removals and prepare them to participate in the new trading regime.

See: <https://au-afcfta.org/operational-instruments/the-afcfta-adjustment-fund/> and <https://www.ghanaweb.com/GhanaHomePage/business/Afreximbank-earmarks-10-billion-to-support-AfCFTA-Adjustment-Fund-BoG-Governor-1788680>

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		
Afromosia	860	925
Asanfina	465	564
Ceiba	290	311
Dahoma	452	553
Edinam (mixed redwood)	640	721
Emeri	660	779
African mahogany (Ivorensis)	599	896
Makore	560	885
Niangon	800	855
Odum	570	1,004
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

Trade surplus rose in May

According to the Ministry of Investment, Trade and Industry (MITI) Malaysia's trade surplus rose in May 2023 registering the 37th consecutive month of double-digit growth since May of 2020. This was supported by higher exports in petroleum products, electrical and electronic products, machinery, equipment and parts as well as processed food.

Exports to major trading partners, notably China, the United States and Japan recorded expansion. On trade with China, which contributed 17% of Malaysia's total trade, MITI said it declined slightly in May 2023.

See: <https://www.malaymail.com/news/money/2023/06/20/miti-malaysias-trade-surplus-expands-214pc-in-may-in-37th-consecutive-month-of-double-digit-expansion/75359>

MTCC - no new interpretation in C&I for SFM

The Malaysian Timber Certification Council (MTCC) has issued a statement addressing a misleading narrative circulating about the Malaysian Timber Certification Scheme (MTCS) that has caused confusion among stakeholders.

MTCC emphasised that there have been no new interpretations introduced regarding Criterion 6.11 of the MTCS ST 1002:2021 Malaysian Criteria and Indicators for Sustainable Forest Management.

See: <https://mtcc.com.my/clarification-regarding-criterion-6-11-in-the-mci-sfm/>

Sabah forests for carbon trading

Sabah Deputy Chief Minister, Jeffrey Kitingan, has called on the Prime Minister to promote Sabah’s carbon trading opportunities. Kitingan said the state government has already set aside two million hectares for carbon trading.

The Deputy Chief Minister recently held a meeting on carbon trading with the state’s steering committee and said the State is making progress with carbon trading and will start trading on a small scale soon.

See: <https://www.thevibes.com/articles/news/95141/sabah-sets-aside-swathes-of-forests-for-carbon-trading>

In related news the Sarawak Forest Department Director has said Permanent Forest Estates (PFEs) in Sarawak have the potential to deliver carbon storage in addition to timber and environmental services. He reported that around 4 million hectares of the State’s forest cover have been gazetted as PFEs.

The Director is reported as saying “We are making a great effort towards achieving our target of getting all our long-term forest timber licenses certified. To date, 20 Forest Management Units (FMU) and seven Forest Plantation management units (FPMU) with a total area of 1.78 million hectares and 97,966 hectares respectively have been certified under the Malaysian Timber Certification Scheme ”.

See: <https://www.theborneopost.com/2023/06/12/forest-director-pfes-have-potential-to-be-carbon-storage-areas/>

Malaysian exports of wood products, RM millions

	1st Qtr 2022	1st Qtr 2023
Total	6,541.60	4,910.79
Builders joinery	323.58	295.81
Chip/particle board	81.82	58.4
Fibreboard	225.99	201.62
Logs	128.37	126.04
Mouldings	222.68	218.32
Plywood	896.52	510.76
Sawnwood	640.94	549.62
Veneer	19.87	16.62
Wooden furniture	3,093.30	1,984.17
Other products	908.54	949.42

Data source: MTIB

Through the eyes of industry

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

See: <https://www.itto-ggsc.org/static/upload/file/20230615/1686792092163403.pdf>

Indonesia

EU and domestic regulations could weaken furniture exports

The combined impact of the EUDR and the Indonesian government's legality verification system (SVLK) could potentially hurt the domestic furniture industry and erode Indonesia's furniture export competitiveness according to Abdul Sobur, chairman of the Indonesian Furniture and Handicraft Industry Association (Himki).

When the EUDR is implemented this will add to production and delivery costs and if prices do not rise then eventually the regulations will weaken Indonesia's competitiveness, Abdul said. He added, unnecessary costs must be eliminated as restrictive regulations could hamper the target to achieve US\$5 billion in furniture exports.

See: <https://jakartaglobe.id/business/overlapping-deforestation-laws-in-eu-indonesia-hurt-furniture-exports> and <https://investor.id/business/331929/tumpang-tindih-regulasi-tekan-ekspor-furnitur-nasional>

In related news, the Director General of Agro-Industry at the Ministry of Industry (Kemenperin), Putu Juli Ardika, denied that the EUDR will negatively impact exports of products from Indonesia as, according to him, “the majority of exporters already have certificates meeting EU standards ensuring the manufacturing process for exported products does not damage the forest.

See: <https://www.msn.com/id-id/ekonomi/bisnis/uu-anti-deforestasi-disebut-hambat-ekspor-%20%20komoditas-indonesia-kemenperin-dampaknya-tidak-signifikan/ar-AA1chUTK>

Coordinating Minister of Economic Affairs, Airlangga Hartarto, has said that Indonesia has 18 months remaining to act before the implementation of the EUDR, adding that the regulation would label products as originating from high-risk, standard or low-risk countries.

He said Indonesian commodities potentially impacted by the EUDR include palm oil and derivatives, coffee, soya, cocoa, beef and wood products.

Deforestation rate in 2022, a steady decline

The Minister of Environment and Forestry, Siti Nurbaya, reported Indonesia's deforestation rate in recent years to the House of Representatives. According to the Minister, Indonesia's deforestation rate continues to decline year by year. She revealed that in 2015 Indonesia's deforestation rate was recorded at 1.09 million hectares but it had fallen to 460,000 hectares in 2019.

The rate of deforestation fell again in 2021 to 110,000 hectares. The Minister revealed that in 2022 deforestation extended over 107,000 hectares. She explained that, to monitor deforestation, the Directorate General of Forestry Planning and Environmental Management has developed a National Forestry Monitoring System (Simontana) that records the condition of Indonesia's forests.

See: <https://forestinsights.id/laju-deforestasi-indonesia-tahun-2022-menteri-lhk-angkanya-terus-menurun/>

Social forestry creating economic growth in villages

The Minister of Environment and Forestry has said that the concept of social forestry, which gives communities the right to manage forests in a sustainable manner, can create economic growth in villages. Communities can secure social forestry management rights through five schemes: village forest management schemes, community forestry, community plantation forestry, customary forest and partnership schemes.

The Minister said that social forestry has also expanded to the downstream sector so that communities can now develop into productive communities.

See: <https://en.antaranews.com/news/285111/social-forestry-creating-new-economic-growth-in-villages-minister>

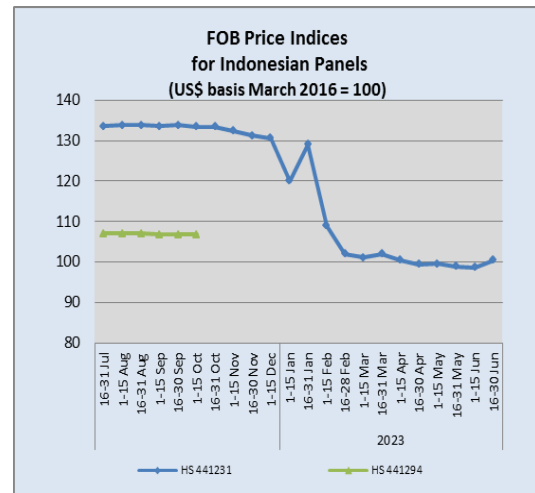
Seek export opportunities from US-China trade dispute

Indonesia must optimise opportunities arising from the ongoing trade dispute between the United States and China according to the Coordinating Minister for Economic Affairs, Airlangga Hartarto. He said that Indonesia has become a member of the first regional cooperation group to focus on supply chain issues namely the Indo-Pacific Economic Framework (IPEF).

The other IPEF members include Brunei, Fiji, Singapore, Thailand, Malaysia, Vietnam, Australia, India, Japan, New Zealand, South Korea, the Philippines and the United States.

IPEF member countries have committed to realising economic cooperation involving the private sector as well as implementing technical assistance and capacity-building programmes.

See: <https://en.antaranews.com/news/285141/indonesia-must-take-advantage-of-us-china-trade-war-minister>



Myanmar

State-owned banks sanctioned further

The Office of Foreign Assets Control (OFAC) in the United States has imposed fresh sanctions on Myanmar's defense ministry and two state-owned banks saying that they facilitated transactions between the military-controlled government and overseas markets, including for weapons and military equipment.

In response to US action a government spokesman said the US was pushing Myanmar toward an economic and political crisis and that the new sanctions won't hurt the economy because international banking services are also provided by local private banks and branches of foreign banks.

See: <https://home.treasury.gov/news/press-releases/jy1555> and

<https://www.thestar.com.my/aseanplus/aseanplus-news/2023/06/24/us-sanctions-myanmar-defence-ministry-two-state-owned-banks-also-get-same-treatment>

According to timber exporters the new OFAC sanctions came as no surprise. The Myanmar Timber Enterprise (MTE), the sole and official suppliers of timber raw material, is already facing sanctions. The new OFAC measures could be a serious blow to the MTE since the US dollar is the currency for tenders.

During the first two months of the 2023-24 fiscal year the value of timber exported was around US\$13 million according to the Myanmar Trade Department website. The timber sector is no longer a top foreign currency earner. Currently, the agricultural sector is top earning followed by marine products and minerals.

Slim hope for quick recovery

In its latest Economic Monitor report the World Bank says "economic conditions in Myanmar have stabilised in the first half of 2023. Exchange rates have remained steady, while inflation in food and fuel prices has eased. Most indicators suggest economic activity is slowly increasing, albeit from a very low base.

Manufacturing output and new orders have risen quickly, sales of domestic products have picked up, while passenger and freight transport volumes are rising. Although agricultural production seems to have weakened, profitability is improving as farmgate prices rise and input costs ease and this is likely to prompt higher production in coming seasons.

Firms across all sectors report operating at higher capacity in the last quarter, with companies in non-retail services performing best. Retail sector performance has also improved, with sales picking up and firms sourcing more goods locally.

However, several factors are constraining the pace of this recovery. Household incomes remain weak, limiting the ability of domestic demand to drive growth. High prices and shortages resulting from import restrictions make it difficult for many businesses to source essential inputs, while power outages have become prominent. Investment remains weak, with new business registrations at a low level. Other than in the agriculture sector, reported profits continue to decline as the conflict raises costs and limits activity in some areas.

Overall, the economy is still operating well below pre-pandemic levels, in sharp contrast to the rest of the region. Policy changes continue to create uncertainty and obstacles for doing business, with further regulations and restrictions introduced on international trade and financial transfers”.

See: <https://www.worldbank.org/en/country/myanmar/publication/myanmar-economic-monitor-june-2023-a-fragile-recovery-key-findings>

India

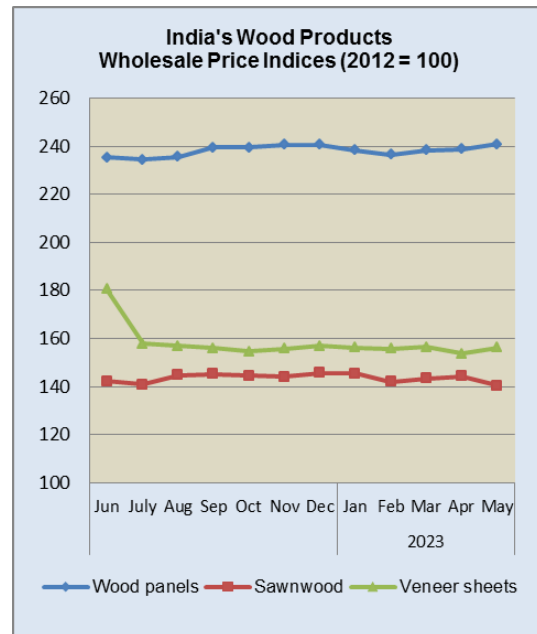
Inflation trends down

The annual rate of inflation based on the India Wholesale Price Index (WPI) in May was minus 3.5% compared to minus 0.9% recorded in April 2023.

The decline in the rate of inflation in May was primarily due to a fall in prices of mineral oils, basic metals, food products, textiles, non-food articles, crude petroleum and natural gas and chemical products. Out of the 22 NIC two-digit groups for manufactured products, 7 groups saw an increase in prices whereas 11 groups saw a decline.

The groups that have recorded major increase in prices were electrical equipment; pharmaceuticals, medicinal, chemical and botanical products; tobacco products; wood and products of wood and cork (except sawnwood); leather and related products and beverages. Some of the groups that say a decrease in prices were basic metals, food products and textiles.

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



Data source: Ministry of Commerce and Industry, India

State Forest Departments to report statistics directly to national database

The Ministry of Environment, Forest and Climate Change has released the “National Working Plan Code-2023 for forest management and this includes a new approach to data reporting. The new Code-2023 requires state forest departments to report data to a national centralised database. This could result in forest data become available much faster than at present.

Code-2023 was announced by Shri. Chandra Prakash Goyal, Director General of Forests and Special Secretary, Ministry of Environment, Forest and Climate Change. The Code-2023 guides State Forest Departments in the preparation of working plan for forest across the country.

See: <https://observoice.com/national-working-plan-code-2023-released-for-scientific-management-of-forests-and-evolving-new-approaches-26261/>

Import update

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

	Hoppus cu.m	US\$ C&F
Brazil	144	268
Colombia	111	326
Costa Rica	-	-
Ecuador	128	224
Ghana	125	260
Ivory Coast	68	488
Nigeria	151	287
South Sudan	84	360
Tanzania	114	287
Laos	115	288

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

	cu.m	US\$ C&F
Benin	79	629
Brazil	-	-
Colombia	112	327
Costa Rica	80	279
Ecuador	155	513
Ghana	151	342
Ivory Coast	96	410
Nigeria	122	321
South Sudan	101	352
Tanzania	125	339
Togo	103	337
Venezuela	118	419

Domestic ex-warehouse prices for locally manufactured MR plywood

Plywood Ex-warehouse	Rs. per sq.ft
4mm	55.00
6mm	70.00
9mm	81.00
12mm	96.00
15mm	129.00
19mm	138.00
5mm Flexible ply	87.00

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	80.00
6mm	92.00
9mm	109.00
12mm	132.00
15mm	170.00
18mm	187.00

Vietnam

Wood and wood product (W&WP) trade highlights April

- Imports of logs and sawnwood from the US in April 2023 stood at 42,760 cu.m worth US\$19.46 million, down 12% in volume and 10% in value compared to March 2023 but up 1.6% in volume and down 8% in value compared to April 2022. In the first 4 months of 2023 imports of raw wood from the US amounted to 147,260 cu.m worth US\$65.05 million, down 5% in volume and 12% in value over the same period in 2022.

- Imports of logs and sawnwood in April 2023 were the lowest level in many years, amounting to 41,330 cu.m at a value of US\$15.85 million, down 37% in volume and down 36% in value compared to March 2023 and down 49% in volume and down 48% in value compared to April 2022.

May

- Vietnam's W&WP exports to the UK in May 2023 reached US\$21 million, up 14% compared to May 2022. In the first 5 months of 2023, exports of wood and wood products to the UK have been estimated at US\$81.3 million, down 32% over the same period in 2022.
- Vietnam's office furniture exports in May 2023 were valued at US\$23 million, down 25% compared to May 2022. In the first 5 months of 2023 office furniture exports earned US\$107.3 million, down 32% over the same period in 2022.
- Vietnam's wood imports in May 2023 were at 6,700 cu.m, worth US\$3.0 million, up 16% in volume and 15% in value compared to April 2023. However, compared to May 2022 imports decreased by 79% in volume and 76% in value. In the first 5 months of 2023 wood imports stood at 58,300 cu.m worth US\$25.9 million, down 51% in volume and 44% in value over the same period in 2022.

- *In May 2023, exports of wood and wood products earned US\$1.05 billion, down 3.4% compared to April 2023 and down 25% compared to May 2022. In particular, WP exports accounted for US\$760.5 million, down 2% compared to April 2023 and down 20% compared to May 2022.*
- *In the first 5 months of 2023 W&WP exports were valued at US\$4.96 billion, down 29% over the same period in 2022. Of this WP exports contributed US\$3.37 billion, down 35% over the same period in 2022.*
- *Vietnam's W&WP exports to the German market in May 2023 reached US\$3.7 million, down 62% compared to May 2022. In the first 5 months of 2023 W&WP exports to Germany earned about US\$27.5 million, down 57% over the same period in 2022.*
- *According to preliminary statistics exports of living-room and dining-room furniture in May 2023 generated US\$191 million, down 28% compared to May 2022. In the first 5 months of 2023 exports of living-room and dining-room furniture accumulated US\$836 million, down 40% over the same period in 2022.*
- *In May 2023 W&WP imports into Vietnam were valued at US\$216.7 million, up 28% compared to April 2023 but down 33% compared to May 2022. In the first 5 months of 2023 W&WP imports totalled at US\$850.1 million, down 33% over the same period in 2022.*
- *Vietnam's imports of poplar wood in May 2023 were 38,700 cu.m, worth US\$16.3 million, up 29% in volume and 28% in value compared to April 2023. Compared to May 2022 imports increased by 14% in volume but decreased by 7% in value. In the first 5 months of 2023 poplar imports reached 119,200 cu.m, worth US\$49.7 million, down 8% in volume and 22% in value over the same period in 2022.*

Declining log and sawnwood imports from Africa

Vietnam's imports of logs and sawnwood from Africa in April 2023 declined to the lowest level in many years with a volume of 41,330 cu.m equivalent to US\$15.85 million, down 37% in volume and 36% in value compared to March 2023 and year-on-year down 49% in volume and 48% in value.

Over the first 4 months of 2023, imports from Africa were recorded at 285,510 cu.m, with a value of US\$113.25 million, down 18% in volume and 11% in value year-on-year.

CITES has listed the entire African population of species under three genera including *Pterocarpus* spp. (padouk), *Azalia* spp. (mahogany/pachy/doussie) and *Khaya* spp. (Acajen) in Appendix 2.

With this CITES decision trade in the newly added species from African countries require licenses issued by the CITES management authority of the supply country in accordance with CITES regulations.

As Africa is the top supplier of tropical hardwood to Vietnam and padouk is the major imported timber from Africa the CITES decision has had a significant impact on the import and use of African wood in Vietnam. Many wood-industry villages which specialise in traditional furniture for the domestic market are suffering a scarcity of wood raw material. Continued imports of species listed in CITES is forecast to decrease in 2023 and thereafter.

African hardwood suppliers

In the first 4 months of 2023 wood imports from Cameroon, the Democratic Republic of the Congo, South Africa, Nigeria, Gabon, the Republic of Congo declined, while imports from Angola increased.

Cameroon remains as the top supplier delivering 24,680 cu.m (equivalent to US\$10.54 million) in April 2023, down 37% in volume and 34% in value compared to March 2023 and down 39% in volume and 40% in value compared to April 2022.

Over the first 4 months of 2023 imports of raw wood from Cameroon reached 169,310 cu.m, with a value of US\$73.16 million, down 4% in volume and 2% in value over the same period in 2022.

Imports from Cameroon in April fell sharply compared to March 2023 and showed a remarkable year-on-year decline. Over the first 4 months of 2023 log imports from Cameroon decreased by 3% in volume but increased by 1.3% in value compared to the same period in 2022. Sawnwood imports fell by 5% in volume and 6% in value.

Angola exported to Vietnam 1,240 cu.m (US\$393,000) in April, down 79% in volume and 34% in value compared to March 2023 and down 39% in volume and 40% in value compared to April 2022.

In the first 4 months of 2023 imports of raw wood from Angola totalled at 20,010 cu.m with a value of US\$5.47 million, up 10% in volume and 16% in value over the same period in 2022. Angola is currently the second largest supplier of African hardwood to Vietnam.

The volume of sawnwood shipped from Angola to Vietnam over the first 4 months of 2023 amounted to 16,650 cu.m, with a value of US\$4.77 million, up 45% in volume and 74% in value over the same period in 2022; In contrast, imports of logs from this market decreased by 50% in volume and 65% in value.

South Africa sold 4,670 cu.m to Vietnam worth US\$1.23 million in April 2023, down 24% in volume and 24% in value compared to March 2023 but up 2% in volume and 14% in value compared to April 2022.

Over the first 4 months of 2023 imports of raw wood from South Africa reached 16,240 cu.m, with a value of US\$4,345 million, down 39% in volume and 35% in value over the same period in 2022.

Nigeria's supply dropped in the first 4 months of 2023. Sawn wood imports from Nigeria to Vietnam were 12,840 cu.m, with a value of US\$3.65 million, down 28% in volume and 26% in value.

African log and sawnwood prices

The average price of logs imported from Africa into Vietnam in April 2023 was US\$372/cu.m, down 3.5% compared to March 2023 but up 3.3% compared to April 2022. In the first four months of 2023 the average price of imported logs was US\$404/cu.m, up 13% over the same period in 2022.

The average price of imported sawnwood in April 2023 was US\$391/cu.m, up 4% compared to March 2023, down 3% compared to April 2022. Overall, in the first 4 months of 2023 the price of sawnwood from Africa averaged US\$387/cu.m, up 2.4% over the same period in 2022.

Serious decline in exports of wood and wood products

At a press conference during the Vietnam ASEAN International Furniture and Home Accessories Fair 2023 (VIFA ASEAN 2023) Tran Ngoc Liem, Director of the Vietnam Chamber of Commerce and Industry, Ho Chi Minh City said that because of the difficult situation in the global economy each month there are hundreds of businesses withdrawing from exporting.

The sharp decline in exports of wood and wood products is due to rising production costs, especially power and fuel. The slow recovery of the world economy and the collapse of some banks in the world has also affected the buying trend of consumers said Tran Ngoc Liem. Consumers have tight budgets for non-essential products such as wood and wood products in some markets such as the USA and EU and this has caused a sharp drop in demand.

Another problem is that wood industry enterprises still have difficulty in accessing capital and bank interest rates are high. Many businesses are short of orders but finding a solution is a challenge but essential if companies want to maintain production and retain workers.

At the current growth rate it is forecast that exports of wood and wood products in the first half of 2023 will have dropped by around 30% compared to the same period in 2022.

According to Mr. Cao Ba Dang Khoa, Acting General Secretary of the Vietnam Coconut Association in the face of the current difficult situation, organising a furniture fair would help Ho Chi Minh City gain an opportunity to become a regional and international furniture centre.

As one of the businesses having great success in finding orders at fairs, Mr. Cao Van Dong, General Director of Kettle Interiors Asia Co., Ltd. said that in March 2023 his business participated in VIFA EXPO 2023 in Ho Chi Minh City and obtained positive results.

Mr. Dang Quoc Hung, Chairman of the Board of Directors of Alliance Handicraft Wooden Fine Art Corporation said that the Vietnam ASEAN International Furniture and Home Accessories Fair 2023 with the theme " Discover the fascination of Vietnamese furniture and handicrafts", is expected to attract 350 domestic and international furniture and handicraft manufacturers.

According to Mr. Hung the fair promises to become an important trade promotion venue of ASEAN's regional stature. The diversity and abundance of product lines displayed by enterprises from participating countries will meet all the demands of the multi-segment interior and exterior of the world market.

The Vietnam ASEAN International Furniture and Home Accessories Fair 2023 (VIFA ASEAN 2023) is hosted by the Alliance Handicraft Wooden Fine Art Corporation in collaboration with Vietnam Chamber of Commerce and Industry - Ho Chi Minh City Branch (VCCI - HCM). The event will take place from 29 August to 1 September at the Saigon Exhibition and Convention Center.

See: <https://vietnamagriculture.nongnghiep.vn/wood-exports-fell-sharply-businesses-found-orders-through-fairs-d351975.html>

Brazil

Pau-Brazil bows seized

Brazil imposes restrictions on the harvesting of brazilwood or pau-brasil (also known as pau-de-pernambuco) (*Paubrasilia echinata*) and sales of artifacts made of brazilwood are strictly regulated.

However, an illegal trade in brazilwood has been a major challenge for authorities for years. The states of Espírito Santo and Bahia are the two major states with remaining natural forest where brazilwood can be found and it is here that there are cases of illegal logging.

At the Guarulhos International Airport the Brazilian Institute of Environment and Renewable Natural Resources (IBAMA) inspectors have since 2016 seized more than 1,500 finished brazilwood bows and also pieces of brazilwood. IBAMA says that, currently, no Brazilian company that is in the bow manufacturing sector has stocks of brazilwood and that exports of brazilwood bows and brazilwood items have ceased.

See: <https://valor.globo.com/agronegocios/noticia/2023/06/12/no-aeroporto-de-cumbica-ibama-ja-apreendeu-1-650-arcos.ghtml>

In Brazil, production of bows is done by few companies. Most of which are located in Espírito Santo state. Many foreign bow manufacturers hold sizeable stocks of sawn brazilwood so they can maintain production for some years.

Development of the forestry sector

About 58% of Brazil is covered by forests and yet the forest economy contributes only a small share of GDP. Brazil accounts for less than 10% of the world production of tropical timber according to the International Tropical Timber Organization.

According to a study by the 2030 Amazon Project the global trade in non-timber forest products is worth more than US\$150 billion but Amazonian companies had less than a 2% share of this total so the potential for growth is enormous.

The 2030 Amazon Project suggests SFM techniques are already applied by many timber companies in the Amazon and if just 5% of the area of the Legal Amazon were under SFM it would be possible to supply 10 million cubic metres of wood per year without deforestation.

See: <https://globo.com/opiniaovozes-do-agro/noticia/2023/06/o-brasil-e-agro-e-florestal.ghtml> and <https://amazonia2030.org.br/project/>

Export update

In May 2023 Brazilian exports of wood-based products (except pulp and paper) decreased 35% in value compared to May 2022, from US\$503.3 million to US\$329.2 million.

Pine sawnwood exports declined 12% in value between May 2022 (US\$84.6 million) and May 2023 (US\$74.5 million). In volume, exports increased 4% over the same period from 295,200 cu.m to 306,300 cu.m.

Tropical sawnwood exports dropped 34% in volume, from 43,900 cu.m in May 2022 to 29,000 cu.m in May 2023. In value exports fell 21% from US\$18.8 million to US\$14.9 million over the same period.

Pine plywood exports faced a 37% decline in value in May 2023 compared to May 2022, from US\$101.9 million to US\$63.8 million. In volume exports fell 18% over the same period, from 239,200 cu.m to 195,900 cu.m.

As for tropical plywood, exports also declined in volume by 46% and in value by 44%, from 5,900 cu.m and US\$3.4 million in May 2022 to 3,200 cu.m and US\$1.9 million in May 2023.

As for wooden furniture the exported value decreased from US\$58.8 million in May 2022 to US\$52.1 million in May 2023, an 11% fall.

Indicators of Brazilian furniture exports

The report "Monitoring of Furniture Exports" is developed for companies associated with the Brazilian Furniture Sector Project, an initiative organised by ABIMÓVEL (Brazilian Association of Furniture Industries / Associação Brasileira das Indústrias do Mobiliário) and ApexBrasil (Brazilian Trade and Investment Promotion Agency).

According to a report published in April 2023, Brazil exported about US\$57 million (FOB) in furniture. This result represented a 10% decrease compared to April 2022. Furniture exports to Germany increased 42% in the 12 months to April this year and grew 21% year on year. However exports to Saudi Arabia dropped 60% over the past last twelve months.

Exports to Chile fell 22% in the last twelve months. In contrast exports to Colombia dropped 23% in the past twelve months and exports to the United Arab Emirates fell over 14% in the last twelve months.

See: <http://abimovel.com/brazilian-furniture-monitoramento-das-exportacoes-traz-indicadores-das-exportacoes-de-moveis-e-colchoes-em-abril/>

New import controls in Argentina impact exports

Recent import regulations adopted in Argentina are having a big impact on Brazilian export sales. In order to secure greater control of supply chains and monitor of foreign trade operations the Argentine government introduced the "Import System of the Republic of Argentina" (SIRA) which came into force in October 2022.

The new system restricts the granting of non-automatic licenses (licenças não automáticas - LNAs). A non-automatic license is an instrument used by countries to control the entry of products into their countries. Brazilian exporters can only ship products when a permit is obtained directly from the Argentine government.

According to a survey conducted by the National Confederation of Industry (CNI) with 252 Brazilian exporters 77% of the companies indicated that there was a negative impact on export operations after the creation of SIRA. Out of these, 84% said there was a reduction in the value exported to Argentina.

Among the exporters that reported a decrease in the value exported after the implementation of the new system, 49% said that the reduction in sales to Argentina in the period was around 40%.

With the implementation of the new system the list of goods subject to non-automatic licenses jumped from 1,474 at the beginning of 2020 to 4,193 by the end of 2022 and 99% of the products are from the manufacturing industry. Considering 2022 trade data, 59% of Brazilian exports to Argentina are subject to this measure.

The three main problems pointed out by exporters are the very long payment terms (79%), the bureaucracy for the release of foreign exchange even after compliance with the established deadline (55%) and the change and extension of deadlines after approval of the SIRA (42%).

See: <https://forestnews.com.br/exportadores-impactos-sistema-argentino-importacao/>

Domestic log prices

	US\$ per cu.m
Brazilian logs, mill yard, domestic	
Ipê	567▲
Jatoba	228▲
Massaranduba	207▲
Muiracatiara	201▲
Angelim Vermelho	200▲
Mixed redwood and white woods	156▲

Source: STCP Data Bank

Domestic sawnwood prices

	US\$ per cu.m
Brazil sawnwood, domestic (Green ex-mill)	
Ipê	2,264▲
Jatoba	1,137▲
Massaranduba	1,056▲
Muiracatiara	922▲
Angelim Vermelho	973▲
Mixed red and white	629▲
Eucalyptus (AD)	355▲
Pine (AD)	264▲
Pine (KD)	336▲

Source: STCP Data Bank

Domestic plywood prices (excl. taxes)

	US\$ per cu.m
Parica	
4mm WBP	651▲
10mm WBP	502▲
15mm WBP	458▲
4mm MR.	623▲
10mm MR.	463▲
15mm MR.	414▲

Prices do not include taxes. Source: STCP Data Bank

Prices for other panel products

	US\$ per cu.m
Domestic ex-mill prices	
15mm MDParticleboard	380▲
15mm MDF	425▲

Source: STCP

Export sawnwood prices

	US\$ per cu.m
Sawnwood, Belem/Paranagua Ports, FOB	
Ipe	3,334
Jatoba	1,734
Massaranduba	1,732
Muiracatiara	1,716
Pine (KD)	190

Source: STCP Data Bank

Export plywood prices

	US\$ per cu.m
Pine plywood EU market, FOB	
9mm C/CC (WBP)	330
12mm C/CC (WBP)	303
15mm C/CC (WBP)	290
18mm C/CC (WBP)	285

Source: STCP Data Bank

Export prices for added value products

	US\$ per cu.m
FOB Belem/Paranagua ports	
Decking Boards	
Ipê	5,263
Jatoba	2,383

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/20230615/1686792092163403.pdf>

Peru

Furniture imports fall in first four months of 2023

In the first four months of 2023 the value of Peruvian imports of wooden furniture was US\$14.1 million which represented a significant decrease of 40% compared to the same period in 2022 (US\$23.6 million).

Brazil, as usual, was the main supplier at US\$9.4 million representing 64% of the total imported despite having fallen 40% compared to the same time during 2022. China was the second largest supplier at US\$1.9 million.

Shipments of semi-manufactured wood products fall

According to the Services and Extractive Industries Management of the Association of Exporters (ADEX) export shipments of semi-manufactured wood products in the first 4 months of the year contracted 41%, earning just US\$16.7 million compared to US\$28.5 million in the same period of 2022.

The drop can be explained by lower demand from the main buyers, France down 6% (US\$8.2 million), Belgium, down 39% (US\$2.2 million) and China down 79% (US\$2.1 million). Among the top ten markets were Mexico (US\$1.1 million), Denmark (US\$1.0 million), USA (US\$0.6 million), New Zealand (US\$0.4 million), Germany (US\$0.2 million), Mauritius (US\$0.19 million) and Australia (US\$0.14 million).

Over the past 10 years (January-April period) shipments of semi-manufactured goods remained relatively stable. In 2014 the amount was almost US\$22.2 million, in 2015 US\$22.14 million, in 2016 about US\$22.3 million, in 2017 US\$23.4 million and in 2018 US\$22.9 million.

In 2019 the amount went to US\$28.4 million, to drop to US\$15.6 million in 2020. In 2021 it recovered and reached US\$23.9 million and in 2022 it closed at US\$28.5 million.

According to figures from the ADEX Data Trade Intelligence System between January and April 2023 the most important item was profiled wood (except ipé) totalling US\$6.8 million.

Other shipments include moulded tropical wood (US\$3.9 million) other longitudinally profiled wood (US\$2.15 million), slats and friezes for parquet (US\$1.4 million) other wood profiled on one or more faces (US \$1.2 million) among others.

Lima was the region from which most semi-manufactured wood products were exported followed by Ucayali (US\$5.5 million) and Madre de Dios (US\$1.2 million).

Semi-manufactured products ranked first among the shipments of this sector surpassing sawn wood (US\$14.5 million), construction products (US\$1.6 million), firewood and charcoal (US\$1.4 million) and furniture and its parts (US\$1.1 million).

ADEX to boost shipments from the Amazon

Over the past five years exports from the Amazon Region represented just 0.8% of total national shipments and were from two sectors, hydrocarbons and agro-industry. This was reported by the Association of Exporters (ADEX) who said that last year shipments from that part of the country totaled US\$809 mil. registering an increase of 65% compared to 2021.

Traditional product shipments amounted to US\$473 mil. and non-traditional at products the balance.

In the first quarter of this year shipments from the Amazon amounted to US\$235.1 million, showing a growth of 6% compared to the same period in 2022 (US\$220.9 million). Primary goods shipments (US\$143.9 million) registered an increase of 22% but value-added shipments (US\$91.1 million) contracted 12%.

Loreto was the leading exporting region with US\$89 million and the main item was crude oil, (95%), as well as ornamental fish, multicellular centrifugal pumps and sawn wood. San Martín, with US\$4 million and an increase of 14% exported cocoa beans, palm oil, lead and its concentrates, and coffee.

Madre de Dios with US\$48 million shipped to the United Arab Emirates, India, Belgium, China and South Korea out of a total of 24 destinations products such as gold, Brazil nuts, sawnwood, profiled wood and others.

For its part, the Ucayali region, with US\$40 million, exported crude palm oil, tropical wood, cocoa beans, and mouldings to 23 countries including Mexico, Colombia, France, China, Dominican Republic and Malaysia.

OSINFOR 15 anniversary

On the occasion of its fifteenth the Forest and Wildlife Resources Supervision Agency (OSINFOR) held an event where they presented the main achievements made in collaboration with important stakeholders in the sector with the aim of contributing to the management, competitiveness and sustainable use of forest resources.

The event programme included three presentations on issues of public interest:

- The contribution of inspection to forest governance for the benefit of forest users and sustainability in the use of resources
- How, through governance and within the framework of Digital Transformation, it is possible to optimise forest supervision to achieve improvements in its results through the efficient use of resources and incorporation of digital technologies.

- Strategic indicators to strengthen the use and trade of legal timber contributing to improving decision-making and the implementation of public policies.

Export prices for added value products

	US\$ per cu.m
Strips for parquet Cabreuva/estoraque KD12% S4S, Asian market	1327-1398
Cumaru KD, S4S Swedish market Asian market	986-1119 1079-1101
Cumaru decking, AD, S4S E4S, US market	1204-1237
Pumaqui 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
Pumaqui 25-50mm AD Mexican market	682-695
Virola 1-2" thick, length 6"-12" KD Grade 1, Mexican market	587-609↓
Grade 2, Mexican market	527-541↓
Cumaru 4" thick, 6"-11" length KD Central American market Asian market	967-980 983-1001
Ishpingo (oak) 2" thick, 6"-8" length Spanish market Dominican Republic	629-645 697-711↓
Marupa 1", 6-11 length KD Grade 1 Asian market	569-588

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 Lupuna plywood	396-419
B/C 15mm	449-495
B/C 9mm	379-399
B/C 12mm	350-360
B/C 8mm	466-487
C/C 4mm	389-425
Lupuna plywood B/C 4mm Central Am.	391-407

Export veneer prices

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

Domestic sawnwood prices

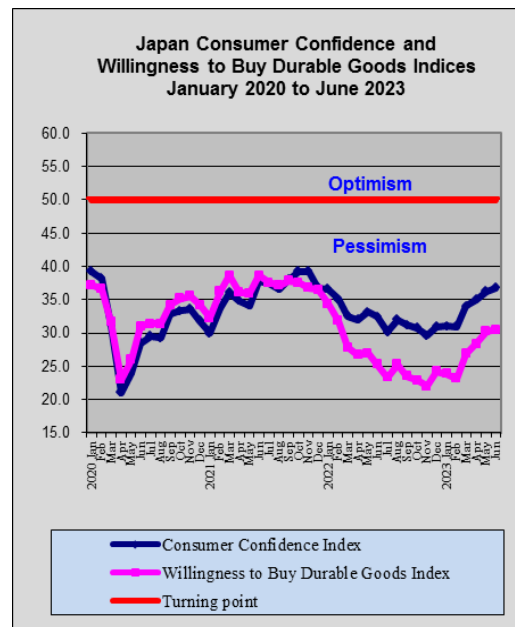
Peru sawnwood, domestic	US\$ per cu.m
Mahogany	218-236
Virola	225-238
Spanish Cedar	182-218
Marupa (simarouba)	192-227

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



Data source: Cabinet Office, Japan

Japan

Business investment and private consumption "picking up"

The Japanese government has retained its view that the economy is recovering moderately. In its Monthly Economic Report the government raised its assessment of employment conditions for the first time in 11 months saying there has been "improvement recently". The Cabinet Office retained its basic assessment of the economy overall as "recovering at a moderate pace" a month after the government upgraded it for the first time in 10 months in May. The June report described both business investment and private consumption as "picking up".

See: <https://mainichi.jp/english/articles/20230622/p2g/00m/0bu/050000c>

Electricity prices set to rise by over 15%

Households in Japan are suffering following 12 months of across-the-board price increases for food and other necessities. Now, in June, electricity bills are set to jump and further price increases for necessities are expected in the coming months. This upward trend is expected to continue through to the end of the year further straining household finances.

Electricity prices are set to rise by over 15% and studies have shown when the cost of power rises there is a decline in overall household consumption. One major issue is that wage increases have not kept pace with price rises. Nominal wages, which measure average pay, increased by only 1.9% in 2022 according to a Health, Labor and Welfare Ministry's 2022 labour survey.

Pollen allergy dents national consumption

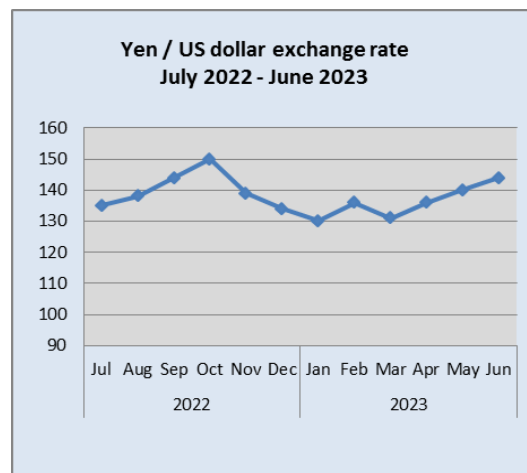
As a result of pollen allergy it has been estimated by a research institute that during the 2023 pollen season consumer spending was reduced by yen 380 billion (around US\$2.5 billion). Very high levels of Japanese cedar pollen can be found in the air from February through to April. During this period the number of people suffering an allergic reaction increases drastically.

The Japanese government aims to cut the pollen count in half over 30 years vowing to accelerate work to fell and replace cedar trees, the main source of pollen known to cause allergies for millions of people in Japan.

See also page 19

Speculation on market intervention to boost yen

The US dollar briefly rose above yen 144 in late June, coming closer to the yen 145 mark when Japanese authorities conducted their first yen-buying, dollar selling market intervention in 24 years last September. Speculation on possible market intervention by the Japanese government and the Bank of Japan is growing.

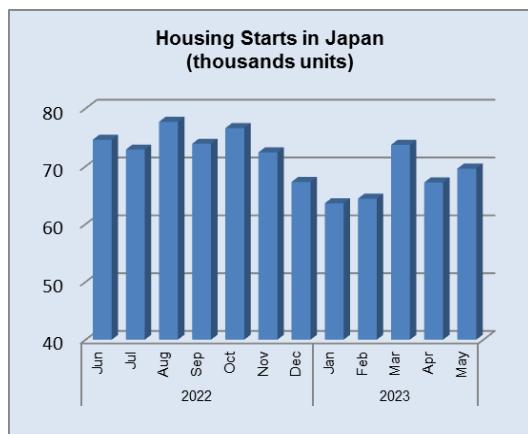


Investment in hotels booming

The booming tourism sector in Japan is attracting investment from foreign buyers looking for real estate opportunities. The hotel segment received nearly yen 98 billion (US\$690 million) in overseas investment between January and mid-June this year, more than five times the yen 17.8 billion in the first half of 2022, according to data from research firm MSCI Real Assets.

The other real estate segments in Japan attracting overseas investment are offices and multifamily properties according to market observers. In the period January to April the office segment saw yen 44.1 billion in foreign investment, while the multifamily segment attracted yen 99.6 billion according to MSCI Real Assets.

See: <https://www.msci.com/our-solutions/indexes/real-estate-indexes>



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

A press release from Research and Markets introduces the updated "Japan Construction Industry Databook Series - Market Size and Forecast by Value and Volume, Q1 2023 Update" report.

The report says the construction industry in Japan is expected to grow by 4.6% to reach yen 35,516 billion in 2023. Despite near-term challenges in certain construction sectors, medium to long term growth story in Japan remains intact.

The growth momentum is expected to continue over the forecast period, recording a CAGR of 3.8% during 2023-2027. The construction output in the country is expected to reach yen 41,240.9 billion by 2027.

See: researchandmarkets.com/reports/4747859/japan-construction-industry-databook-series?utm_source=CI&utm_medium=PressRelease&utm_code=wgz5zw&utm_campaign=1821982+-+Japan+Construction+Industry+Report+2023%3a+Output+is+Expected+to+Reach+JPY+41%2c240.9+Billion+by+2027+from+JPY+35%2c516+billion+in+2023&utm_exec=chdo54prd

Salvage timber business

The problem of abandoned homes is becoming more serious across Japan but one enterprise has seen this issue as an opportunity.

A company in western Japan's Chugoku Region is demolishing old traditional homes to recover valuable timber.

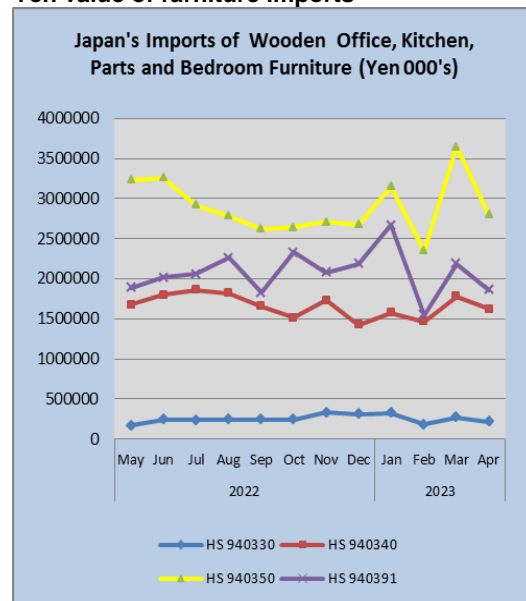
The company pays the home owner a portion of the demolition cost and recovers timber which can be sold on for processing into furniture and modern interior items giving a second life to old timbers.

See: <https://mainichi.jp/english/articles/20230623/p2g/00m/0na/057000c>

Import update

Since the third quarter of 2022 the monthly value of furniture imports has become less predictable. For each of the three of the furniture categories tracked, wooden office, kitchen and bedroom furniture, monthly import values have swung widely, a feature not seen before in Japanese furniture imports. This is likely a reflection of changes in the Japanese economy where rising inflation and the weak yen is pushing up import costs which are being passed on to consumers.

Yen value of furniture imports



Data source: Ministry of Finance, Japan

April wooden office furniture imports (HS 940330)

Year on year the value of wooden office furniture imports in April were little changed from 2022 but there was a slight (2%) decline in the value of imports compared to levels reported for March.

March shipments of wooden office furniture from China to Japan accounted for around 75% of April imports. The other main suppliers were Poland (7% of April arrivals) and Italy (2%).

April shipments of wooden office furniture from China were again lower (31%) than in March which extended the downturn in the value of imports of this product from China.

In contrast April arrivals from Vietnam, while small, more than doubled in April. Exporters in Malaysia and Indonesia maintained the level of exports in April at around the same value as in the previous month.

April imports (HS 940330)

	Imports Apr 2023 Unit, 000's Yen
China	160,058
Taiwan P.o.C	-
Vietnam	17,372
Singapore	538
Malaysia	2,305
Indonesia	1,769
Denmark	3,408
UK	1,496
Ireland	-
Netherlands	-
Belgium	-
France	1,249
Germany	1,497
Switzerland	-
Spain	201
Italy	6,609
Poland	16,120
Austria	-
Hungary	-
Lithuania	-
Czech Rep.	-
Slovakia	597
Canada	-
USA	383
Mexico	-
Total	213,602

Data source: Ministry of Finance, Japan

April kitchen furniture imports (HS 940340)

The Philippines and Vietnam continued as the main suppliers of wooden kitchen furniture (HS 940340) to Japan in April but both recorded declines in the value of exports with the Philippines logging a 20% decline month on month and Vietnam a 10% decline.

Year on year the value of Japan's April wooden kitchen furniture imports were flat but there was a 9% decline in the value of imports compared to March.

In April the Philippines supplied 39% of all wooden kitchen furniture to Japan followed by Vietnam (37%), Italy (8%) and China (4%).

April imports (HS 940340)

	Imports Apr 2023 Unit, 000's Yen
China	84,765
Taiwan P.o.C	1,013
Vietnam	597,338
Thailand	93,079
Malaysia	7,219
Philippines	626,188
Indonesia	26,126
Denmark	992
UK	568
Netherlands	212
Belgium	-
France	-
Germany	47,365
Italy	134,282
Finland	562
Romania	-
Canada	1,521
USA	-
Total	1,621,230

Data source: Ministry of Finance, Japan

April wooden bedroom furniture imports (HS 940350)

The value of Japan's imports of wooden bedroom furniture has oscillated from dips to highs in recent months, a sharp contrast to the steady upward trend seen over the past 12 months.

The sharp upward correction in the value of shipments of wooden bedroom furniture in March was reversed in April. The top supplier, China, saw an 18% drop in the value of April shipments to Japan and there was an over 30% decline in the value of shipments from Vietnam. The other significant shippers, Malaysia and Indonesia both saw a decline in the value of April shipments.

Recent statistics on investment in the real estate sector goes some way to explain the steady upswing in the value of Japan's wooden bedroom furniture imports.

The post pandemic booming tourism sector has attracting investment by foreign buyers looking for real estate opportunities. In particular the hotel segment received nearly US\$700 million in overseas investment between January and mid-June this year, more than five times that in the first half of 2022 and hotel refurbishment has most likely been a driver of demand for beds.

April imports (HS 940350)

	Imports Apr 2023 Unit, 000's Yen
China	1,671,392
Taiwan P.o.C	2,447
Mongolia	-
Hong kong	-
Vietnam	878,028
Thailand	34,412
Malaysia	137,877
Indonesia	28,857
India	1,248
Sweden	2,044
Denmark	-
UK	304
France	-
Germany	978
Italy	17,325
Finland	-
Poland	6,278
Austria	-
Greece	-
Romania	11,061
Turkey	2,830
Latvia	-
Lithuania	228
Bos Herz	-
USA	382
Total	2,795,691

Data source: Ministry of Finance, Japan

April wooden furniture parts imports (HS 940391)

The value of Japan's imports of wooden furniture parts in April was around 15% below that in March but remained little changed from the value of April 2022 imports. The top shippers in April were China (44% of the total), Indonesia (19%), Vietnam (14%) and Malaysia (11%).

In April shipments from the top supplier, China, were down over 20%, shippers in Vietnam saw an increase in parts shipments while shippers in Thailand and Malaysia saw April shipments come in below that in March.

April imports (HS 940391)

	Imports Apr 2023 Unit, 000's Yen
S. Korea	25,890
China	812,098
Taiwan P.o.C	26,993
Vietnam	257,508
Thailand	49,383
Singapore	-
Malaysia	200,683
Philippines	12,895
Indonesia	361,280
Cambodia	791
India	-
Sweden	268
Denmark	3,561
UK	7,983
Ireland	-
Netherlands	-
Belgium	-
France	236
Germany	18,178
Switzerland	465
Portugal	-
Spain	-
Italy	40,004
Finland	8,438
Poland	22,520
Austria	733
Hugary	203
Romania	4,806
Turkey	473
Lithuania	-
Croatia	225
Slovinia	-
Czech Rep.	-
Slovakia	1,251
Canada	2,750
USA	-
Mexico	-
Total	1,859,615

Data source: Ministry of Finance, Japan

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

For the JLR report please see:

https://jfpj.jp/japan_lumber_reports/

Closing account of 4 major building materials trading companies

The four major building materials trading companies in Japan, which are Itochu Kenzai Corporation, SMB Kenzai Co., Ltd., Sojitz Building Materials Corporation and Toyo Materia Corporation, hit the best sales ever in the 2023 fiscal year.

However, three companies of the four companies have a drop in profits because the prices of domestic / imported lumber and laminated lumber, which were skyrocketed by the wood shock in April, 2021, plunged in earlier 2023 and imported plywood caused a bad result at the second half of 2023. However, the profits are still high levels even though there are drops in profits because the profits of the 2022 fiscal year were extremely high.

The new starts are stabilized from the preceding term but the price of imported lumber began to fall because the inventory adjustment is not good. Some of imported lumber are sold at half price.

The price of domestic plywood reached the highest price in June, 2022 due to a decrease in inventory and there was the wood shock in March, 2022 and in March, 2023. During the wood shock in those periods, the movement of lumber was not good due to low demand of houses and also the prices of anything related to energy and petrification-based materials soared due to the invasion in Ukraine by Russia. Therefore, the building material companies raised the selling price at the market for the whole time.

Nisshin's new berth

Nisshin Co., Ltd. in Tottori Prefecture completed construction of a landing place for non-international coastal trading vessels next to the plant. The landing space is located in the west side of the head factory. It is a private berth for the company.

A small vessel carries about 1,300 cbms of domestic cedar logs and domestic larch logs to the Nisshin's private berth. The company plans to accept five vessels in a month. The company used to unload logs at an outer harbor of Sakai port, which is a public port in Tottori Prefecture. However, there has been a problem of confusion at the landing place and many demurrages because volume of wooden pellets and PKS from overseas has been increasing for wooden biomass power generation plants in recent years. It took three years for planning and it took a year and a half for completion of the berth.

The fire occurred at Nisshin's plant in June, 2022 and the company could not produce much long-sized lumber. On 22nd May, the company restarted producing long-sized lumber for the first time in eleven months. By unloading logs at the private berth, it will reduce transportation costs.

Shinakimoku restarted producing plywood

Shinakimoku's plywood plant in Akita Prefecture restarted an operation in April, 2023. The plant had been stopped producing plywood due to the fire in October, 2022.

The plant used to produce 14,000 – 15,000 cbms of plywood but the plant produced 2,000 cbms of plywood in May. The company will expand product gradually. There are three product lines at the plant and one of the product lines was not damaged badly so it was able to fix the product line soon.

Mr. Sasaki, the president of the company, says that the company fixed the product line quickly to keep employees motivated because producing plywood is the fundamental job of the company. It is difficult to ask the employees to come back to the company once the employees leave the company so the president promised to the employees that the company will repair the plant definitely to ease anxiety and to avoid job separations.

The president says that he did not know what to do for restart an operation at first but he could start repairing with a lot of help from people who are involved with the company in the beginning of this year. Fortunately, the company had ordered new machines before the fire and the company could restart producing plywood on 17th April, 2023. The company sent plywood to the market on 27 th, April. Now, the plant produces only 24mm 3 x 6 plywood.

The company will expand the product in June but the company will arrange with clients about volume of plywood because of low demand of plywood recently.

South Sea logs and lumber

There are not enough South Sea logs in South Asia and there would be a delay of supplying South Sea lumber to Japan. Some Japanese trading companies try to purchase the South Sea lumber even though demand of South Sea lumber in Japan is low. 'It is pre-consumption of future demand', a trading company says.

The price of laminated fixture lumber is unchanged from the previous month but there are not many inquiries for laminated fixture lumber because the yen kept falling to 140 yen against the dollar.

Chinese sellers and Indonesian sellers are unable to lower the price because the price of raw materials is high. Additionally, there won't be a lot of orders from Japanese buyers even if Chinese seller or Indonesian sellers lowered the price. Japanese buyers purchase current needs only.

Volume of imported laminated structural lumber

Volume of imported laminated structural lumber has been around 40,000 cbms in almost every month since November, 2022. This is a very low-level volume. In April, 2023, the volume imported laminated structural lumber is 37,305 cbms and this is for the first time thirteen years to be under 40,000 cbms. One of reasons for a decrease in volume is that there was a strike at ports for two weeks in Finland. Lumber from Finland to Japan occupies 40% of total imported lumber volume. A lot of imported laminated structural lumber kept arriving to Japan until September, 2022 and it became an excess supply due to overstocking.

Contracts during the 3Q of 2022 to the 2Q of 2023 have been small and there will be less imported laminated structural lumber until September, 2023.

A special feature on pollen allergy

The Japanese Government recently met to discuss the ailment affecting the whole nation, which is Japanese cedar pollinosis, on 30th, May.

Artificial cedar forests will be removed by 20% in ten years and volume of cedar pollen will be half in thirty years. It is good news for people who suffer with the cedar pollen every year but there is a concern that if many cedar trees were cut down, it would affect demand and supply of cedar lumber.

Measures to combat hay fever are a source measure, a pollen flying measure and the appearance of pollinosis measure. Cedar trees store pollen as the cedar trees grow and spread the cedar pollen. Over twenty years old cedar trees have a lot of cedar pollen.

In Japan, there are 4,440,000 hectares of artificial cedar forests and 4,310,000 hectares of artificial cedar forests are the source to spread the cedar pollen. To reduce the cedar pollen, 50,000 hectares of the cedar trees will be cut down in a year. 70,000 hectares of the cedar trees will be cut down annually in ten years.

Nursery trees or other kind of trees, which have less pollen, will be planted instead of cedar trees. Product of young cedar trees is 28,400,000 trees in 2021 and product of other young trees, which have less pollen, is 15,120,000 trees, 53.2% less than young cedar trees.

The Japanese Government will promote on using more cedar logs for lumber because there will be many cedar logs cut down. Demand of cedar lumber will be 17,100,000 cbms in ten years from 12,400,000 cbms in 2023. There will be a problem of a labor shortage in the future so many high efficiency machines for forestry will be introduced. To prevent spreading cedar pollens, there will be inhibitor for cedar pollen in five years.

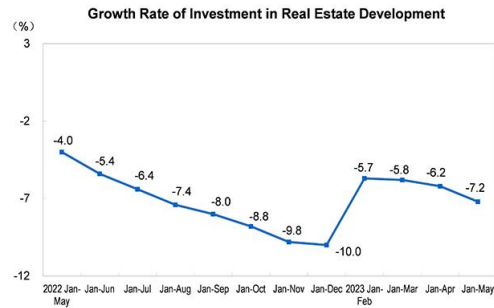
China

Investment in real estate development

From January to May investment in real estate development totalled yuan 4,570.1 billion, a year-on-year decline of 7%. Investment in residential buildings was down 6.4%. In May the national real estate climate index was 94.56. China’s massive property sector is still struggling to turn around despite signs of recovery earlier this year.

The government has eased its pressure on real estate developers over the past 12 months following a crackdown in August 2020 due to their debt levels. The property sector and related industries account for more than a quarter of China’s economy and home construction is a major driver of demand for wood products.

Investment in real estate projects



See:

http://www.stats.gov.cn/english/PressRelease/202306/t20230620_1940781.html

International wood trading centre in Dalian

At the recent International Forest Products Summit Forum held in Dalian the Dalian International Forest Products Trading Center was officially launched. The trading centre offers spot trading of forest products such as bulk imported timber, wood products and forest food and will also form a joint futures and spot trading system within the Dalian Commodity Exchange. This will provide a convenient and efficient platform for the international trade in Dalian forest products.

The trading centre signed a cooperation framework agreement with Zhuanghe Xingang Terminal Co., LTD on warehousing, delivery, supervision and an offline supply chain system. The two sides will also jointly stock imported wood products and promote these to the domestic wood trade and processing enterprises.

In related news, the first China (Dalian) International Forest Products Import and Export Expo recently opened in the Dalian Free Trade Zone International Convention and Exhibition Center.

The Expo include Japanese and South Korean booths, Southeast Asian exhibition booths, European booths, Russia, Canada and Australia booths and an industrial cluster area attracting well-known forest products companies and professional exhibitors from all over the world.

The exhibition covered a wide range of products, including logs, sawnwood, wood panels, semi-finished products and finished products, furniture and custom furniture and bamboo products.

Dalian functions as a major international shipping centre, international logistics centre and international trade centre. The official launch of the trading center boosted the message from the International Forest Products Summit and the opening of the International Forest Products Import and Export Expo.

See: https://www.thepaper.cn/newsDetail_forward_23328424

National programme on green building materials for rural areas

During a ‘Green Building Materials Industry Development Forum’ held in Suqian City, Jiangsu Province a ceremony launching the 2023 project on national green building materials for rural areas was held. In March this year the government decided to further promote green building materials for consumption in rural areas and Jiangsu was a pilot area.

At the same Forum 70 Jiangsu enterprises were awarded the title of "Green Building Materials Promotion Enterprise" and 24 enterprises signed agreements for projects. The Jiangsu Provincial government will focus on the "Jiangsu Year" activities which will included a green building materials tour of the province, special events and online trading and public welfare.

A green building materials development exchange promotion conference and a 2023 energy saving Expo and other large-scale exhibition for a low carbon life are planned.

See: https://baijiahao.baidu.com/s?id=1768860887119222297&wfr=s_pider&for=pc

Beihai Port provides convenient access to SE. Asia

The cross-border industrial chain developed in Beihai involves assembly in Vietnam and sales to international markets and this has increased the annual output of enterprises in the region.

Beihai Port's location provides convenient sea access to Southeast Asia being close to rich local forest resources it has attracted a number of wood processing enterprises, and a concentration of processing activities.

Hepu Wujia Town Industrial Park became the first forest industry demonstration zone in Guangxi Zhuang Autonomous Region in December 2021 with an output value of RMB3.092 billion in 2022. At present it has more than 20 wood processing enterprises mainly targeting overseas markets for plywood and advanced wood panels.

The aim is to achieve a Guangxi's RMB 1 trillion forest. Beihai Customs has formulated "one industry, one enterprise, one policy" assistance measures and problem solving mechanism. It also conducts studies on wood processing enterprises and provides a full range of Customs services.

See: https://www.wood365.cn/Industry/IndustryInfo_277747.html

Average CIF prices

Tropical logs US\$/cu.m

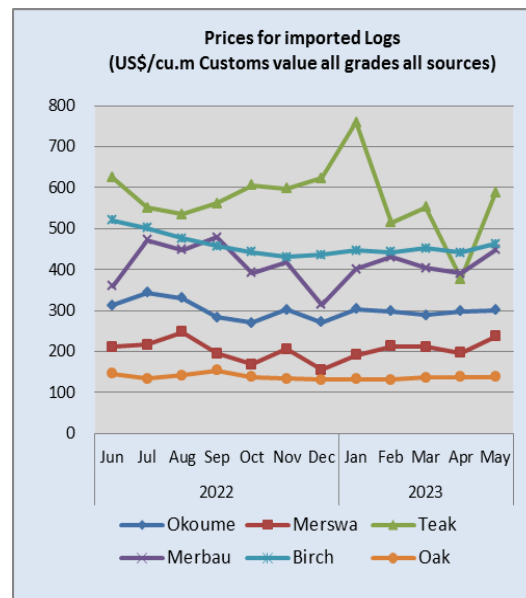
	2023	2023
	Apr	May
Okoume	289	301
Merswa	197	236
Teak	377	587
Merbau	391	448
Birch	441	463
Oak	128	137

Data source: Customs, China

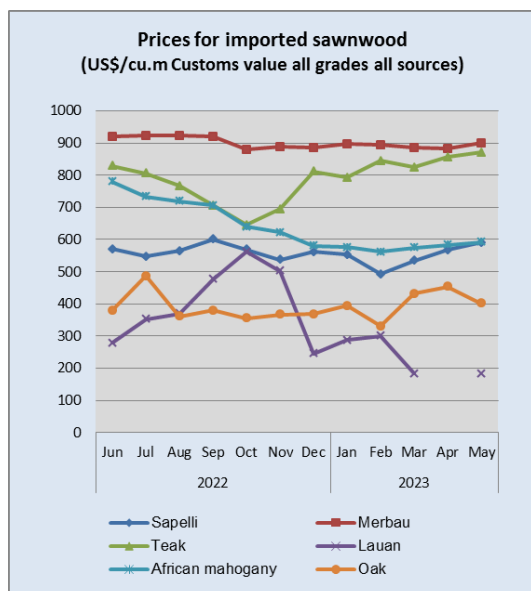
Tropical sawnwood, US\$/cu.m

	2023	2023
	Apr	May
Sapelli	568	590
Merbau	882	899
Teak	856	870
Lauan		184
African mahogany	584	592
Oak	454	402

Data source: Customs, China



Data source: Customs, China



Data source: Customs, China

EU

Sharp decline in European wood flooring demand

After a booming year in 2021, production and consumption of wood flooring in Europe was more resilient than expected in 2022 but has declined sharply in the opening months of this year in the face of increasing costs and higher interest rates.

These are key conclusions from the latest annual statistical report published on 20 June by the European Parquet Federation (FEP), the organisation which unites European parquet manufacturers, national parquet federations and suppliers to the industry.

While the FEP report highlights that tropical timber now accounts for only 2% of the face veneers used for the manufacture of parquet flooring in Europe, the report provides valuable insights into the status of the wider market for hardwoods in Europe. It highlights, for example, the continuing huge preference for the “oak-look” by European consumers.

Last year, 82.1% of parquet flooring manufactured in Europe was faced with oak, an increase compared to 81.9% in 2021. Last year, ash and beech maintained their positions as the second and third most favoured species, with 5.3% and 2.5% respectively.

FEP note that, having forecast a significant decrease in European parquet flooring consumption in 2022 earlier this year, consolidated figures from FEP members reveal a more moderate decline of only 2.8% to 87.1 million square metres. Despite the decline, consumption last year was still at the second highest level in the last ten years.

A decline in parquet flooring consumption was reported in most European countries last year but Germany, the largest single market was a notable exception reporting growth of 8%.

This compares to falls of 11% in France, 1% in Italy, 8% in Spain, 23% in the Netherlands, 12% in Belgium, 12% in Sweden, and 8% in the “Nordic cluster” (Denmark, Finland, and Norway).

According to FEP, the fall in wood flooring consumption which started last year and has continued into 2024 was the result of “staggering energy bills and inflation” which in turn led to very low consumer confidence and spending on building projects being diverted away from interior design towards activities focused on improved insulation. Additionally, most renovation work that began during the pandemic is now complete.

FEP report that European production of parquet flooring decreased by 5% to 92.3 million square metres in 2022. However, this followed a gain of 7% the previous year and was still the second highest level of production since before the 2007-08 financial crises.

In terms of product type, the balance of European parquet flooring production has hardly changed in the last 10 years. Multilayer is dominant, accounting for 83% of production volume, followed by solid (including lamparquet) accounting for 15%, and mosaic accounting for 2%.

Poland consolidated its’ position as the largest location for parquet flooring production in Europe during 2022 with production growth of 4% to 13.9 million square metres last year. Other leading production countries in 2022 were Austria (+1% to 10.8 million square metres), Sweden (-18% to 9.8 million square metres), and Germany (-11% to 7.3 million square metres).

Considering the market outlook in 2023 and 2024, FEP note that “as expected the boost coming from renovation has reached an end while the decrease in new buildings construction, reflecting increasing costs and interest rates, has started to have tangible and negative effects”. FEP estimate that parquet consumption in Europe in the first quarter this year was down 20% to 30% compared to the same period last year.

FEP go on to suggest that “existing issues, which have been reinforced by the Russian invasion of Ukraine and the measures taken by the EU, are still present: supply of strategic raw materials such as wood, inflation, energy crunch... purchasing power and thus consumption have been impacted by the situation as well as the global competitiveness of European industry”. However, FEP “cautiously forecast” that activity “will pick up again after the summer break”.

The following additional details of the current market situation in individual European countries were provided in the report of the FEP Board of Directors meeting held at the BAU 2023 trade fair in Munich in May:

Austria: Inflation, rising interest rates and incomes are hampering activity in Austria where parquet consumption fell by 25% during the 1st quarter 2023. The building sector is not giving any sign of relief.

Benelux: decreases by 15% and 5% of parquet consumption are reported for The Netherlands and Belgium respectively.

France: the parquet market declined by 12% in 2022 with good performance in the first half of the year being followed by a sharp decrease during the third and fourth quarters, which continued and even accelerated during the 1st quarter 2023. Construction starts are falling and this will impact on demand for the next two years 2024-2025. There has also been a 35% reduction in retail sales at DIY stores so far this year.

Germany: consumption of parquet was down 30% in the first quarter of 2023. Activity in the new build sector has fallen dramatically. The renovation wave has also ended and there is considerable uncertainty over future activity in this sector when so much work was brought forward during the pandemic.

Italy: after a decline last year, Italian parquet consumption fell by a further 10% in the first quarter of 2023. Activity has fallen in both the new build and renovation sectors, particularly with a significant reduction in government support through the “super bonus” scheme (which allows owners to deduct “green” home renovation costs from taxes). Lack of supply of birch plywood due to the war in Ukraine and sanctions on Russia is also problematic for Italian parquet manufacturers. Italian manufacturers expect no uptick in activity in the second half of 2023.

Nordic cluster: While the Norwegian market is still in relatively good shape and Finland is stable thanks to ongoing renovation works, Denmark is experiencing a significant decrease in parquet consumption as new build activity has declined significantly.

Spain: parquet consumption in Spain is estimated to have declined 5% in the 1st quarter of 2023. Renovation activity is slowing significantly while construction of new buildings is also now declining fast. Inflation is hampering consumption.

Sweden: the outlook is negative with the parquet market already down 15% in the first quarter and activity continuing to fall. Negative factors are rising interest rates and energy costs, as well as a decline in e-commerce and increase in travel expenses.

Switzerland: one of the very few countries in Europe where the rate of inflation is still relatively low (2.5% - 3.5%). Swiss parquet demand increased by 5% in 2022 with growth continuing into the last quarter of the year. Demand in the first quarter of 2023 is also stable driven by both private and public consumption. Nevertheless, a downturn is now expected.

EU Regulation on deforestation-free products enters into force

On 29 June 2023 the EU Regulation on deforestation-free products entered into force (EUDR). Under the Regulation any operator or trader that places regulated commodities on the EU market, or exports from it, must be able to prove that the products do not originate from recently deforested land or have contributed to forest degradation.

The regulated commodities include wood products alongside soy, beef, palm oil, cocoa, coffee and rubber. The EUDR repeals the EU Timber Regulation. As of 29 June 2023 operators and traders have 18 months to implement the new rules. Operators classified as small or micro enterprises (SMEs) which have up to 250 employees and annual turnover of up to €50 million have 24 months to comply.

The final legal text is available at:

<https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32023R1115&qid=1687867231461>

A summary of the legislation with links to other information sources was previously provided in ITTO Market Report for 1-15 April 2023 (Volume 27 Number 7).

Another useful reference for the tropical timber industry is the brochure comparing the EUDR with the EUTR prepared jointly by ATIBT and LCB which is available at: <https://www.atibt.org/files/upload/BROCHURE-EUTR-EUDR-ENG-BD.pdf>

In addition to providing this guidance the ATIBT report that intensive work will be undertaken during the next 18 months by the European Commission, in consultation with Member States and other stakeholders, to prepare for its implementation. This will include the following activities:

Definition and development of guidelines and tools to comply with the requirements of the EUDR: the European Commission has decided to establish 2 working groups (including at least one representative of the timber sector): "Traceability" group (including due diligence requirements) "Smallholder Inclusion" group

These groups will assist the “multi-stakeholder platform” in gathering information and elements that can be used to interpret the requirements and facilitate the implementation of the regulation. Participants in these groups will be members of the platform. (Note that members of the platform comprise the Commission, Member States Authorities and “stakeholders”, all the latter being identified as “European” or “European/International” trade and business associations and NGOs. Third Country (i.e. non EU) government representatives are also invited to attend sessions of the platform involving stakeholder input. However, trade associations and civil society organisations without specific European representation are not invited to these sessions.)

Country risk benchmarking: the European Commission will classify countries, or certain regions, as low, standard or high risk within 18 months of the regulation coming into force. Products from “low risk” countries will be subject to a simplified due diligence procedure. Controls on operators will vary according to the risk level assigned to the source country of regulated commodities.

The development and operationalization of the information system (Register) to allow operators to submit their due diligence declarations for each consignment of regulated commodities placed or exported from the EU market and to verify declarations that are already registered. This register will be interconnected with the customs, and accessible to the Member State competent authorities to establish their controls.

Preferred by Nature (formerly NEPCon), an NGO and certification organisation, has been organising a series of events, both online and in-person, to dive deeper into the EUDR requirements and how companies can comply with them. More details are available at <https://preferredbynature.org/EUDR>.

Coverage of the most recent event held in June in Berlin is provided at: <https://preferredbynature.org/newsroom/seminar-eu-deforestation-regulation-key-takeaways-compliance-across-supply-chain>

Indonesia, Malaysia and EU to establish joint task force on supply chain traceability and transparency

A joint Indonesia/Malaysia mission met with leaders of the European Union in Brussels at the end of May to discuss the EUDR. As a follow-up to this Dr Florika Fink-Hooijer, Director-General for the Environment of the European Commission, visited Indonesia and Malaysia 26 - 28 June 2023 to meet with government officials.

In a press statement the European Commission says the following: “The meetings resulted in the agreement to establish a Joint Task Force comprising representatives from the governments and relevant stakeholders from both countries, including relevant commodities associations, smallholders, workers associations, and civil society organisations, amongst others to enhance dialogue on supply chain traceability and transparency.

Indonesia and Malaysia agreed that this Joint Task Force with the European Commission will focus on the relevant commodities in both countries in particular palm oil, wood, rubber, coffee, and cocoa. When needed, matters may be addressed based on the country-specific approach in an inclusive and transparent manner under the framework of the Joint Task Force.

The Task Force will examine the situation for relevant commodities in Indonesia and Malaysia within the scope of the EUDR for the EU market.

All three partners will appoint a single point of entry and immediately discuss and conclude the TOR of the Joint Task Force.

With regard to palm oil, the Secretariat of CPOPC will facilitate and coordinate with the respective officials in Indonesia and Malaysia, together with the Directorate-General for the Environment of the European Commission to ensure the progress and advancement of the Joint Task Force to achieve the desired outcomes and a win-win solution for the successful implementation of the regulation by all parties”.

The first meeting of the Joint Task Force is scheduled for early August.

See: https://environment.ec.europa.eu/news/european-commission-indonesia-and-malaysia-agree-joint-task-force-implement-eu-deforestation-2023-06-29_en

North America

May housing starts encouraging

A press release from the US Census Bureau has reported privately-owned housing units authorised through building permits in May were at a seasonally adjusted annual rate of 1,491,000. This is 5.2% above the revised April rate of 1,417,000, but is 12.7% below the May 2022 rate of 1,708,000 units.

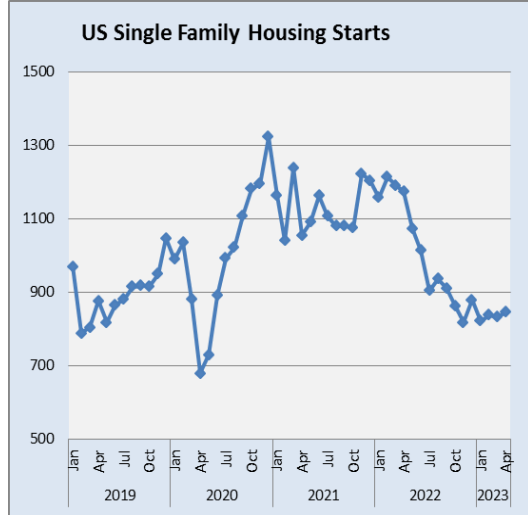
Single-family authorisations in May were at a rate of 897,000; this is 4.8% above the revised April figure of 856,000. Authorisations of units in buildings with five units or more were at a rate of 542,000 in May.

Housing starts in May were at a seasonally adjusted annual rate of 1,631,000. This is 21.7% above the revised April estimate of 1,340,000 and is 5.7 % above the May 2022 rate of 1,543,000.

Single-family housing starts in May were at a rate of 997,000; this is 18.5 % above the revised April figure of 841,000. Housing completions in May were at a seasonally adjusted annual rate of 1,518,000. This is 9.5% above the revised April estimate of 1,386,000 and is 5.0% above the May 2022 rate of 1,446,000.

Single-family housing completions in May were at a rate of 1,009,000. This is 3.9% above the revised April rate of 971,000. Keen interest from would-be home buyers is creating strong demand for new homes. These buyers continue to face a lack of options in the resale market. This is the second month in a row that starts are up. The pace of construction was the highest since last April, when starts hit a 1.8 million pace. The surge in construction this spring was led by the Midwest.

Long-term trend in single family housing starts



Data source: US Census Bureau

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

The Canadian housing market has gained strength since March of this year and analysts anticipate the impact of these recent gains on affordability to last for some time. Housing demand is particularly strong in Canada as surging population growth, a tight labour market and accumulated pandemic-era savings are driving demand according to a Desjardins report.

However steam has been taken out of the market as the the Bank of Canada raised its key interest rate on 7 June 7 and this has put downward pressure on home prices which had rebounded faster than the Bank had expected.

See: <https://www.mpamag.com/ca/mortgage-industry/market-updates/housing-market-recovery-likely-to-negatively-impact-affordability-desjardins/451017>

In related news, US existing-home sales increased in May according to the National Association of REALTORS. Sales were mixed among the four major US regions with the South and West posting improvements and the Northeast and Midwest experiencing pullbacks. All four regions experienced year-over-year decline in sales.

New homes are selling at a pace as in pre-pandemic times because of abundant inventory in that sector. However, existing home sales activity is down as the inventory is roughly half the level of 2019.

Total existing-home sales¹ – completed transactions that include single-family homes, townhomes, condominiums and co-ops – rose 0.2% from April to a seasonally adjusted annual

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

Receding inflation worries lifts consumer sentiment

US consumer sentiment continued to improve through to the end of June while short-term inflation expectations were at a two-year low. The University of Michigan consumer sentiment survey for June showed a 9% surge in overall sentiment and an even stronger surge in expectations for the future. Receding inflation worries are the main driver of this change.

Consumer sentiment rose 9% in June across all demographic groups this striking upswing reflects a recovery in attitudes generated by the resolution of the debt ceiling crisis along with more positive feelings over softening inflation.

Views of their own personal financial situation were unchanged, however, as persistent high prices and expenses continued to weigh on consumers. There are signs June was a turning point in consumer’s gloomy views of the economic situation.

See: <https://www.axios.com/2023/06/30/us-consumer-sentiment-surge> and <http://www.sca.isr.umich.edu/>

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.

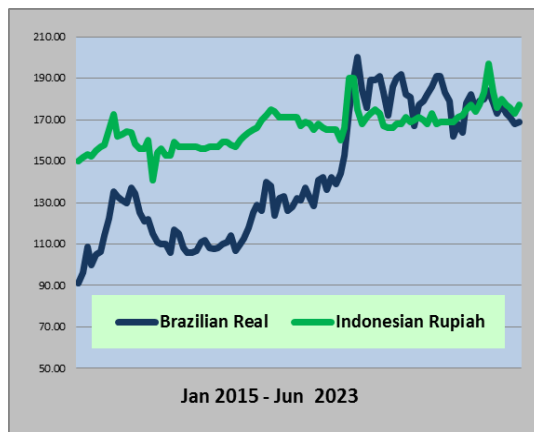
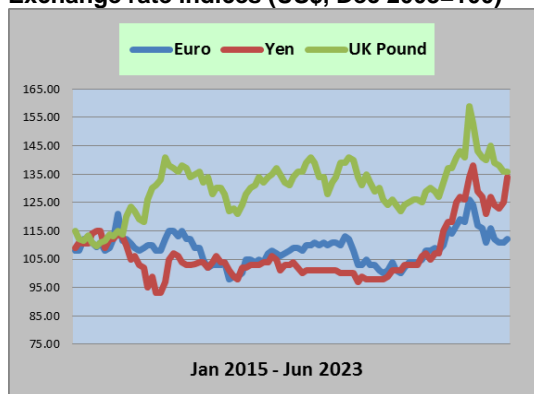
The views and opinions expressed herein are those of the correspondents and do not necessarily reflect those of ITTO

Dollar Exchange Rates

As of 25 June 2023

Brazil	Real	4.79
CFA countries	CFA Franc	602.68
China	Yuan	7.18
Euro area	Euro	0.92
India	Rupee	81.96
Indonesia	Rupiah	15,045
Japan	Yen	143.73
Malaysia	Ringgit	4.68
Peru	Sol	3.75
UK	Pound	0.79
South Korea	Won	1,308.81

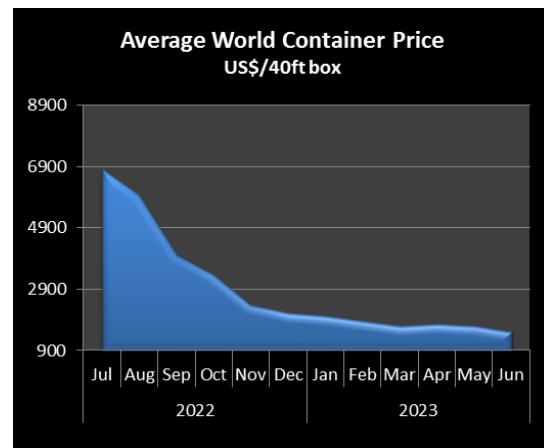
Exchange rate indices (US\$, Dec 2003=100)



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

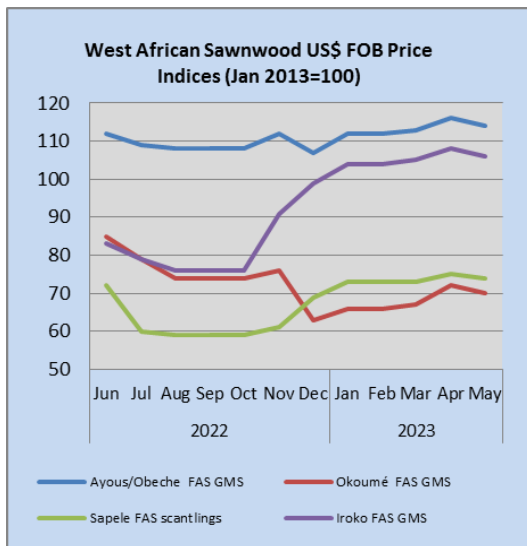
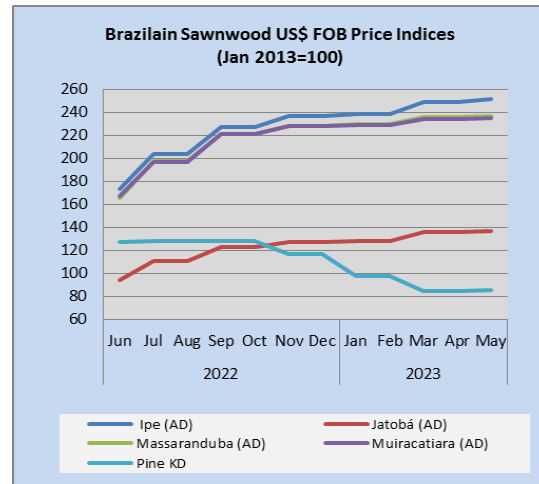
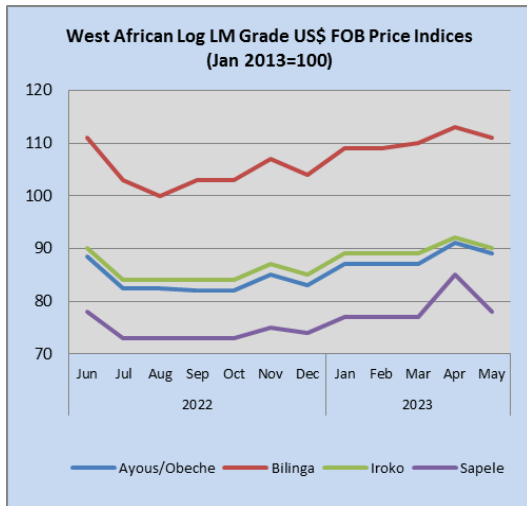


Data source: Drewry World Container Index

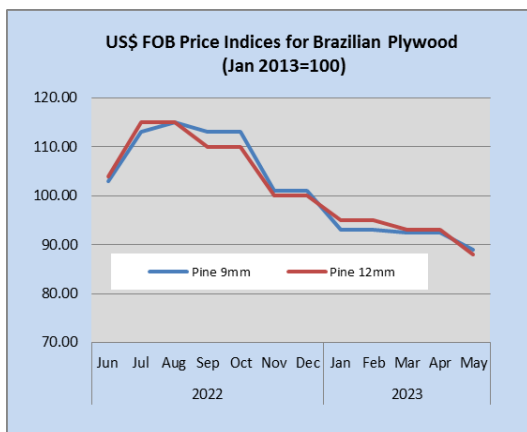
See: <https://www.drewry.co.uk/supply-chain-advisors/supply-chain-expertise/world-container-index-assessed-by-drewry>

Price indices for selected products

The following indices are based on US dollar FOB prices



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



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