Tropical Timber Market Report

Volume 24 Number 10, 16th – 31st May 2020

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Headlines

Top story

No pandemic impact in March EU trade data

The EU tropical timber trade was highly volatile in the last quarter of 2019 and first quarter of this year.

Trade in March was significantly stronger than in February. But this trade data only captures the very beginning of the EU lockdown period.

Indices of economic activity in the EU27+UK plunged in April and were only recovering slowly in May as the lockdown was eased in most European countries

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Central and West Africa

Market developments seem a distant dream
It is becoming increasingly difficult to get trade news from the region. Communication channels have not been affected by pandemic control measures and many logging and milling operations are continuing, the main issue seems to be that correspondents are so distracted trying to survive financially and pay wages that their time horizon has become very short, market developments seem a distant dream at present.

EU buyer interest wanes as their stocks rise
As could be expected there have been few price movements with importers and shippers sticking to previously negotiated prices.

Producers report some adjustments have been made in prices for the EU market, for example prices for ayous for the Italian market have started to ease and buyers in France have stepped back from orders for moabi and douka as their stocks are higher than usual and the summer vacation season is fast approaching.

Shippers say the only moderately active market is China where demand for okoume sawnwood is holding up. Also there has been some interest in ovangkol which, say importers, is an alternative,, although quite different, for kevazingo in the Chinese home market.

It is reported that exporters in Equatorial Guinea are shipping bubinga with CITES certificates to China but prices are falling.

Kevazingo issues to be discussed to provide some clarity on a complex issue
Trade sources in Gabon report that there are some 10,000 cubic metres of kevazingo logs and sawnwood waiting for milling and further transformation. Producers say the kevazingo trade issue is becoming more and more difficult to understand.

To address this it appears the Minister will meet with the trade so they can hear directly from him what the current thinking is. Recently the Minister approved a large shipment (said to be 24,000 cubic metres) of sawn okoume, ovangkol, padouk and okan to China.

Producers in Gabon face new challenges to get export documents cleared by the Ministry as they must submit to temperature scans and provide contact address and telephone numbers. Also, when visiting the ministry, everyone must now make an appointment so crowding can be avoided.

Log export prices

West African logs	FOB Euro per cu.m		
Asian market	LM	B	BC/C
Acajou/ Khaya/N'Gollon	265	265	175
Ayous/Obeche/Wawa	250	250	225
Azobe & ekki	275	275	175
Belli	270	270	-
Bibolo/Dibétou	215	215	-
Bilinga	275	275	-
Iroko	300	280	225
Okoume (60% CI, 40% CE, 20% CS) (China only)	220	220	200
Moabi	365	355	285
Movingui	210	210	-
Niove	160	160	-
Okan	200	200	-
Padouk	250	230	200
Sapele	260	260	200
Sipo/Utile	260	260	230
Tali	300	300	-

Sawnwood export prices

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

Ghana

Roadmap to ease COVID-19 restrictions
The government is expected to soon announce a detailed 'roadmap' on lifting restrictions that ensures safety as 'new normal' socio-economic lives and business activities resume.

Restrictions to curb the spread of virus were first imposed mid-March with a 3-weeks lockdown in the major cities of Accra and Kumasi where extensive contact tracing and testing was conducted following a surge in infections.

On 1 May domestic flights resumed with strict travel protocols but the ban on public gatherings were still restricted and the borders remained closed until end of May.

The President said the country has to adjust to living with this virus and urged the public to continue the wearing of face masks, adhere to social distancing and adopt hygiene protocols.

In the light of government plans to ease some restrictions it is expected the announcement on the roadmap will coincide with the new policy guidelines on existing restrictions.

Ghana – infections among the lowest in Africa

As of 25May Ghana had recorded 6,683 infections from a total of 194,763 tests conducted with 1,998 recoveries and 31 deaths. The data shows that the mortality rate and positive test rates for the entire population stood at 0.0001% and 3.43% respectively, considered one of the lowest rates in Africa.

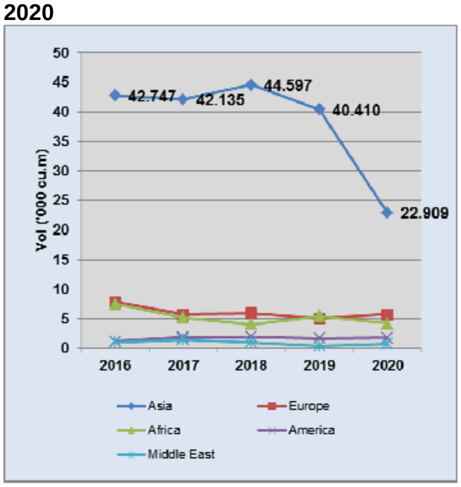
Representatives from various sectors of the economy held discussions with government on how to transition the country into living with this virus as the government's stimulus to cushion the impact of the pandemic comes to an end

Exports to leading markets dip

An analysis of timber export data shows that countries in Asia had consistently purchased around 40,000 cu.m of wood products from Ghana in the first 2-months of each year from 2016 to 2019.

However, export volumes dipped sharply in 2020 such that for the same January and February period only 23,000 cu.m was shipped.

Export volumes for January and February, 2016 to 2020



Data source: TIDD

The steep decline clearly illustrates the impact of the pandemic especially on demand from China where businesses were seriously affected.

Exports to other markets such as Europe, America, the Middle East and regional African markets were sustained in January and February this year relative to previous years.

Business activity slow but bounce-back to come

The President has assured businesses that the government will do everything it can to ensure a post-corona business bounce-back. The President gave this assurance when he launched a GH¢1 billion corona virus alleviation programme and business support scheme.

The beneficiary sectors include agriculture and agro-businesses as well as manufacturing. The domestic media has reported that loans with an interest rate of 3% requiring no collateral will be offered and that there will be a moratorium on repayments.

The hardest hit sectors are the Micro, Small and Medium Enterprises (MSMEs) which account for 70% of Ghana's GDP. MSMEs represent around 90% of businesses in the country.

See: http://presidency.gov.gh/index.php/briefing-room/news-style-2

Boule export prices

	Euro per m^3
Black Ofram	330
Black Ofram Kiln dry	420
Niangon	576↓
Niangon Kiln dry	617↓

Export rotary veneer prices

Rotary Veneer, FOB	Euro per m^3	
	CORE (1-1.9 mm)	FACE (>2mm)
Ceiba	380	440
Chenchen	540	631↓
Ogea	472↓	590
Essa	578↓	634
Ofram	350	435

Export sliced veneer

Sliced face veneer	FOB Euro per m^3
Asanfina	1,135↑
Avodire	667
Chenchen	1,089↑
Mahogany	704↓
Makore	794↓
Odum	70↓

Export plywood prices

Plywood, FOB	Euro per m^3		
BB/CC	Ceiba	Ofram	Asanfina
4mm	339↑	580	641
6mm	412	535	604
9mm	377	446	560
12mm	510	450	480
15mm	450	352	430
18mm	450	441	383

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

Export sawnwood prices

Ghana sawnwood, FOB	Euro per m^3	
FAS 25-100mm x 150mm up x 2.4m up	Air-dried	Kiln-dried
Afrormosia	860	925
Asanfina	465	564
Ceiba	404	600
Dahoma	413	444
Edinam (mixed redwood)	520	651
Emeri	465	591
African mahogany (Ivorensis)	930	1,016
Makore	740	768⬇
Niangon	620	667
Odum	649	832
Sapele	720	902⬆
Wawa 1C & Select	420	458

Malaysia

Government support for workers

The government has announced that 7.6 million Malaysians received financial assistance from the government amounting to RM3.41 billion. Contributors to the national employee provident fund have been allowed to withdraw part of their savings while the Movement Control Order (Lockdown) prevents them from working. A total of 4.4 million contributors applied for withdrawals and 3.9 million were approved.

In a Wage Subsidy Programme, 267,752 employers were involved with about two million employees. A total of RM2.24 billion has been allocated to this Programme in addition a SME Soft Loan Fund has been accessed by over 14,000 SMEs and RM5.8 billion has been disbursed.

See:
https://www.bernama.com/en/infographics/index.php?v=7005

Private sector contributions for people in need

The Ministry of Plantation Industries and Commodities has reported that the Malaysian Timber Council (MTC) has, through its Covid-19 Humanitarian Fund initiative, raised RM895,550 out of the targeted RM1 million. The MTC launched this fund-raising effort with the cooperation of timber associations and companies nationwide.

More than 100 logging companies and seven associations have contributed to the fund even though their businesses, especially SMEs, are affected. Another 30 contributing companies are from the furniture sector and 71 from other timber sectors. Contributions will be channeled to the Ministry of Health to be delivered to people in need according to the Ministry.

Sarawak – procedures to be adopted in forest operations

The Forest Department Sarawak has prepared a Standard Operating Procedure (SOP) for forestry activities to serve as guidance for forest timber licensees who are still allowed to operate despite the Movement Control Order.

For camps and log pond areas the SOP requires the company to prepare and implement an internal plan to ensure all employees remain safe and healthy.

This will involve adjusting operating hours; the number of workers in quarters provided by the company; the number of workers commuting from home and the number of log truck hauls from forest to mills.

The company must practice good hygiene and undertake and record daily temperature screening of workers.

The SOP for transportation of logs requires all truck drivers to obtain a permit from the nearest police station in the case of the transportation of logs on public roads. A maximum of two people are allowed in a truck during log transportation. The operating time for transportation of logs on public roads is from 7am to 7pm.

For more details see:
https://www.theborneopost.com/2020/05/15/forest-dept-prepares-sop-as-guide-for-forest-timber-licensees-operating-under-cmco/

MTCC realigns technical procedures

The Malaysian Timber Certification Council (MTCC) has revised its technical documents to ensure they are in line with the latest organisational, procedural and technical developments related to the Malaysian Timber Certification System (MTCS).

The latest updates also took into account the revisions made by PEFC to its corresponding standards and technical documents.

The revised documents are:

- SSP 4/2020 – Standard Setting Procedures for Development of Forest Management Certification Standards
- GFMC 3/2020 – Group Forest Management Certification – Requirements
- NCB 7/2020 – Procedure for PEFC Notification of Certification Bodies Operating Forest Management System or Chain of Custody Certification
- LG 8/2020 – Procedure for Issuance of PEFC Trademarks by MTCC
- MTCS 10/2020 – The Malaysian Timber Certification Scheme (MTCS) and Its Implementation Arrangement

Documents are available at: http://mtcc.com.my/revised-mtcs-technical-documents-2020/

The MTCS has been endorsed by the Programme for the Endorsement of Forest Certification (PEFC) the largest forest certification programme, representing more than 300 million ha. of certified forests worldwide. The MTCS is also the first tropical timber certification scheme in the Asia Pacific region to be endorsed by the PEFC.

Currently, there are 4.62 million ha of PEFC – MTCS certified forests in Malaysia, representing 18 Forest management units (FMUs) and 6 FPMUs. Some 381 PEFC certificates for Chain of Custody have been issued.

Sarawak forest revenue down

The Sarawak Forest Department Director, Hamden Mohammad, has reported that revenue generated by Sarawak's forestry sector dropped by over 15% in the first quarter this year and it is likely to drop much lower.

To mitigate the impact of the decline in revenue the Forest Department has allowed timber sector to continue operations even during the early phase of the MCO but Hamden said he is aware production depend on companies receiving orders and these are just not arriving.

He urged companies in the sector to try and avoid laying off workers even though the industry is currently facing a challenging environment. The forestry sector in Sarawak employs over 100,000 direct workers.

Indonesia

Output from timber sector fell around 10% in April

The current pandemic has put enormous pressure on timber companies which have found the flow of orders from international markets has collapsed.

The Chairman of the Association of Indonesian Forest Concessionaires (APHI), Indroyono Soesilo, said that output from the timber sector fell around 10% in April and that he expects a steeper decline in May.

He commented that action by the government in relaxing a range of regulations to ease the burden on companies is helping with maintaining the work force.

He proposed some further steps including expanding the implementation of the Timber Legality Verification System (SVLK) at the global level, strengthening market intelligence for Indonesian manufacturers, arranging business meetings and trade missions, and boosting the function of the Indonesia Timber Exchange (ITX).

The Indonesian Ambassador to South Korea, Umar Hadi said the potential for expansion of Indonesian processed wood products sales based on SVLK to South Korea offers opportunities as South Korea has a law on 'Sustainable Use of Timber'. In addition, he said South Korea's economic growth depends heavily on international trade.

https://ekonomi.bisnis.com/read/20200518/99/1242254/dampak-virus-corona-pengusaha-hutan-berharap-pemulihan-pada-paruh-kedua-2020

Upstream/Downstream integration would benefit furniture sector

Wang Sutrisna, Finance Director of PT Integra Indocabinet Tbk (WOOD), has said furniture sector companies in Indonesia feel that government policies are not encouraging growth in the sector and should be reviewed.

See:
https://entrepreneur.bisnis.com/read/20200510/263/1238481/pentingnya-optimalisasi-industri-mebel-dari-hulu-ke-hilir

Wang said that despite having a huge potential there is a lack of upstream/downstream integration in the sector which in other countries delivers many benefits

SVLK important for boosting exports

The Coordinating Minister for Maritime Affairs and Investment, Luhut Binsar Pandjaitan, stressed the importance of the Timber Legality Verification System (SVLK) related to sustainable forest management to meet export market demand for verification of legality.

In related news the Minister of Industry, Agus Gumiwang Kartasasmita, proposed that SVLK be mandatory in the upstream wood processing industry but voluntary in the downstream wood processing industry as this would ease the burden on SMEs.

The Secretary General of the Ministry of Environment and Forestry, Bambang Hendroyono, said the Ministry plans to make it easier for SMEs to comply with the SVLK regulations and would be providing incentives for the SME sector.

51 million hectares of protected areas

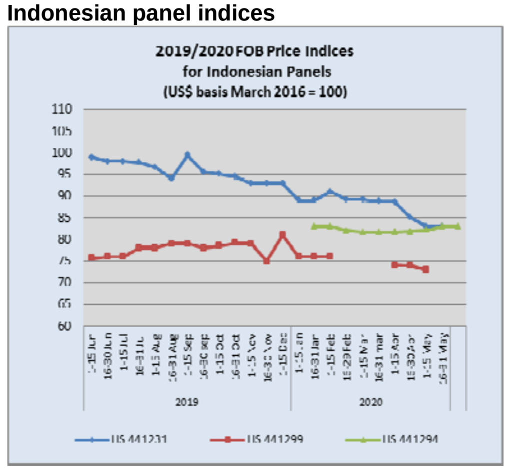
Siti Nurbaya, Minister of Environment and Forestry said, at a panel discussion during the 'World's Forests 2020' (SOFO 2020) hosted by FAO, that while Indonesia's annual deforestation was over 3.5 million hectares in the period 1996 to 2000 it has fallen sharply to 0.44 million and will continue to fall.

Deforestation rates have declined sharply during the period of the present government which is committed to meeting global targets for forest security.

The Minister said Indonesia has 51 million hectares of protected areas or more than 28% of the land and her ministry is working hard to develop a protected area policy to connect fragmented animal habitats separated due to concession allocations.

See: https://republika.co.id/berita/qar1o5330/deforestasi-menurun-bukti-komitmen-pemerintah-lindungi-hutan

Indonesian panel indices



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

Myanmar

Pandemic update

As of 27 May 2020 there were 206 confirmed cases out of 21,593 tested since the first case was confirmed on 23 March. Yangon is the 'hot-spot' with 161 cases, of which 82 are being treated in hospital.

The authorities in Myanmar warn that the country is likely to face a surge in cases because of the scheduled repatriation of about 30,000 migrant workers from Thailand. All returnees will be required to stay at quarantine centres for 21 days.

Myanmar has not implemented a lockdown as yet but transportation between Yangon and other cities remains restricted and only a few domestic air routes are operating.

In Yangon only some areas have 'stay home' restrictions. Other measures in the city include a ban on gatherings of more than five people and social distancing. Restaurants remain closed but shopping malls have re-opened but with limited operating hours.

Tender sale postponed again – millers fear log shortage

As a result of the suspension of the Myanma Timber Enterprise (MTE) log tender sales for the three months from March to May, manufacturers have started to worry about a hardwood and teak log shortage.

Usually the tender sale in April is suspended because of the Myanmar New Year Holiday but this year the extended suspension of sales is likely to cause a problem for export millers.

The MTE also suspended tender sales for logs and sawnwood destined for domestic consumption which are priced in Myanmar Kyats. Analysts comment that the MTE must be facing financial problems as there has been no income for three months. According to manufacturers in Myanmar, MTE has, in an effort to assist timber buyers, extended the repayment schedule for at least another one month from end of May.

According to The Confederation of Trade Unions in Myanmar (CTUM), 47 factories in Yangon have either closed or reduced their workforce, making 6,355 factory workers redundant. Most are from the garment sector and so far there have been no shut-down in the wood products sector.

CTUM says at least 10 more factories have reduced their workforce since it compiled its figures, some of them temporarily but others permanently

Some of wood industries have reduced their workforce laying off mainly daily wages workers, the most susceptible in this downturn. A few timber plants have reduced the number of working days and some have allowed voluntary resignation.

State Counsellor Daw Aung San Suu Kyi has said rebuilding employment opportunities will be at the top of the agenda in the post-coved period.

See: http://www.mizzima.com/article/over-6300-factory-workers-yangon-region-lose-jobs

Illegal timber seized

The local media has quoted the Director of the Forest Department in the Mandalay Region as reporting seizure of over 1,400 tons of illegal timber in the region in the first five months of this year. The seized timbers comprised over 200 tons of teak, over 200 tons of other hardwoods and close to 1,000 tons of other timber products.

Zaw Win Myint, Director of the Forest Department, said concerted action in cooperation with other Departments against smugglers can greatly reduce illegal logging and smuggling.

This year there have been 421 smuggling cases in which 120 smugglers were arrested and 66 various types of machinery seized.

Ethnic groups urged to conduct virus health education

The Peace Commission and Committee for Coordination with Ethnic Armed Organizations has presented medical supplies to the Ethnic Armed Organizations (EAO) in Yangon.

Dr. Tin Myo Win, Chairman of Peace Commission and Committee for Coordination with Ethnic Armed Organizations, urged the ethnic groups to conduct virus health education based on the medical advice from the Ministry of Health and Sports. Dr. Tin Myo Win urged the ethnic groups to effectively use the medical supplies for fighting against the virus.

IMF Loan

Myanmar's Union Parliament approved a proposal to seek US$700 million in loans from the International Monetary Fund (IMF) to plug budget deficits resulting from increased spending on economic recovery, health sector improvements and social security.

Myanmar has forecast the budget deficits to widen this fiscal year made worse by the extra spending needed to mitigate the impact of pandemic on the economy.

U Maung Maung Win, Deputy Union Minister for Planning, Finance and Industry, said the government needs to increase stimulus spending to revive the economy, upgrade the health sector and provide cash and food for low-income households even as government income declines.

In related news Myanmar will also receive some US$1.8 billion in financial support for development projects from the Asian Development Bank.

February 2020 teak log tender prices

Grade	H.tons	Average US$/H.ton
SG-1	13.6	5,633
SG-2	28.7	4,883
SG-4	85.3	3,781
SG-5	122.5	2,998
SG-6	96.3	2,852
SG-7	805.4	1.913

India

Powerful cyclone causes immense damage

The powerful cyclone (Amphan) that slammed into the coastal region on the India/Bangladesh boarder is said to have caused damage estimated at US$13.2 billion dollars in West Bengal alone according to the state government.

Pandemic update

There were 66,330 serious coronavirus patients in India as of 20 May. Happily around 40% of the total had recovered. Maharashtra is badly affected and continues to report high numbers of cases. It was the first state to confirm over 40,000 coronavirus cases. Delhi, the national capital reported 11,659 cases.

However Tamil Nadu had the highest number of coronavirus cases (13,967) after Maharashtra. The Lockdown in India was extended until 31May 2020.

Analysts write "the public and trade are tired as the economy suffers for want of action. Workers have been frustrated and millions of them have left their work sites and returned to their home states. The industry feels that their return, even when the lockdown ends, will take time so it is very doubtful the industry can return to normal quickly".

The government has announced plans for a further easing of restrictions. From 8 June, restaurants, hotels, shopping centres and places of worship will be allowed to re-open in the least affected areas but in areas with a high numbers of infections the lockdown will remain.

Over half the timber mills in Kandla remain closed

The timber industries in Kandla import annually around 4 million cubic metres of timber accounting for approximately 65% of India's total timber imports. There are nearly 2,000 saw mills and more than 100 plywood units in the proximity of Kandla port where 80,000-100,000 direct labourers are employed.

Despite the central government's easing of restrictions of work it is estimated that well over half the mills in Kandla remain closed and commentators in India say it could take years for industrial output to get back to pre-crisis levels as demand has collapsed.

When the timber mills closed thousands of workers were laid-off and headed back to their home states to wait out the crisis. Navneet Gajjar, president of Kandla Timber Association has been reported in Financialexpress.com as saying it could take at least a year to bring normalcy in the industry as those labourers who have gone back to their states will not return for 5 months.

The other problem facing the industry is the huge stock of imported timber at the ports awaiting collection. Importers say, currently, they cannot pay the 18% GST and 5% import duty in which case the timber the timber would go to Custom bonded warehouses. Eventually the importers will have to collect the timber and at that time will be presented with a extra bill for storage.

For more see:
https://www.financialexpress.com/industry/asias-largest-timber-industry-incurs-rs-1500-crore-loss-due-to-coronavirus/1958302/

US urged to relocate from China to India

The US is currently exploring with India, Australia, Japan, New Zealand, South Korea and Vietnam options on diversifying supply chains to eliminate dependence on China to create what has been dubbed an "Economic Prosperity Network" of trusted partners.

To drive this initiative the Indian government has been discussing with US companies amendments to the tax and labour laws that would make India a favoured destination for companies. Several Indian states have taken the initiative to streamline investment procedures and are looking for the central government to keep up the momentum on this initiative.

Read more at:
https://economictimes.indiatimes.com/news/economy/foreign-trade/india-looks-to-lure-more-than-1000-american-companies-out-of-china/articleshow/75595400.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

Plantation teak

Due to current international situation new business transactions are at a stand-still. C&F prices have not been updated as there has been no trade.

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

	US$ per cu.m C&F
Angola logs	389-574
Belize logs	350-400
Benin logs	290-714
Benin sawn	530-872
Brazil logs	344-540
Brazil squares	333-556
Cameroon logs	405-616
Colombia logs	478-743
Congo D. R. logs	450-761
Costa Rica logs	357-780

Côte d'Ivoire logs	289-756
Ecuador squares	333-454
El-Salvador logs	320-732
Ghana logs	294-452
Guatemala logs	324-646
Guyana logs	300-450
Kenya logs	515-876
Laos logs	300-605
Liberia logs	265-460
Malaysian logs	225-516
Mexican logs	295-808
Nicaragua logs	402-505
Nigeria squares	434-517
Panama logs	335-475
PNG logs	443-575
Sudan logs	358-556
Tanzania teak, sawn	307-613
Thailand logs	511-700
Togo logs	334-590
Trinidad and Tobago logs	603-753
Uganda logs	411-623
Uganda Teak sawn	680-900

Price range depends mainly on length and girth.

Locally sawn hardwood prices
Production and imports have ceased.

Sawnwood Ex-mill	Rs per cu.ft.
Merbau	4,100-4,250
Balau	2,600-2,750
Resak	1,800-2,000
Kapur	2,250-2,400
Kempas	1,550-1,750
Red meranti	1,500-1,650
Radiata pine	850-950
Whitewood	850-950

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

Myanmar teak prices
Production and imports have ceased.

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

Price range depends mainly on lengths and cross-sections.

Sawn hardwood prices

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

Price range depends mainly on lengths and cross-sections.

Plywood
Production and sales have ceased due to the Lockdown in heavily affected areas and most of the workers have moved back to their states. But in some states where the virus spread is minimal, resumption of production has been permitted but few mills are taking advantage of this.

Recently the Karnataka and Kerala Plywood Manufacturers Associations meet to consider how to respond to the current situation and announced the intention to increase plywood prices to cover the anticipated increased cost of labour, timber and chemicals.

As most other states are under lockdown price adjustments are still under consideration and the final picture will emerge only after the Lockdown is lifted over the entire country.

Domestic ex-warehouse prices for locally manufactured WBP plywood

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

Domestic ex-warehouse prices for locally manufactured MR plywood

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

Vietnam

COVID 19 update

As of 25 May Vietnam's Ministry of Health confirmed a total of 325 cases of the corona virus of which 267 have recovered and been discharged from hospital. No deaths have yet been reported. Between 16 April and 25 May no new cases caused by community transmission have been recorded.

The government is maintaining its suspension on entry into Vietnam by non-nationals, including people with a Vietnamese visa exemption certificates. Only Vietnamese nationals, diplomats and designated highly skilled workers are allowed to enter the country. All persons entering Vietnam must undergo medical checks and 14-day quarantine upon arrival.

Economic growth prospects

The International Monetary Fund has stated that Vietnam's economic growth may slow to belowr 3% this year but may pick up to 7% in 2021. Vietnam has entered a "new normal" as the Government has allowed the reopening of businesses including non-essential services except for entertainment businessses.

Timber industry among those most affected by pandemic

According to VIFOREST, the timber sector is expected to resume its growth momentum from the third quarter of 2020.

At a recent meeting to decide on support for the timber sector, Dr. Nguyen Xuan Cuong, Minister of Agriculture and Rural Development, highlighted 4 measures to boost post-covid recovery in the timber industry.

- Policy interventions to support over 5,000 sector enterprises in accessing the government's US$10.8 billion credit support package, lower interest rates, delay in the collection of taxes and land fees and financial assistance for employers and employees.

- As Vietnam has emerged as one of a few countries effectively managing the impact of the virus support will be provided to capture market opportunities in those consumer countries that are resuming business activities. Encouragement will be given to initiatives such as trade fairs and other forms of off-line trade development as well as online marketing of wood products.

- The industries in the sector will be assisted to review and revise their business strategy to adapt to the "new normal" as preparation for the anticipated economic 'take off' beginning in the third quarter of this year.

- Support for restructuring of the sector toward sustainable development through promoting large timber plantation establishment, diversification of export markets and intensifying value adding of made-in-Vietnam wood products and developing Vietnam as a world leader in wooden products.

Vietnam intends to deepen integration into the global wood product supply chain with well-developed brands and highly ethical corporations. The Minister also mention the opportunities in the domestic market of almost 100 million wage earners.

For more see:
http://tongcuclamnghiep.gov.vn/LamNghiep/Index/bon-nhom-giai-phap-lon-khoi-phuc-nganh-go-4183

First Vietnam Forest Certification certificates granted.

On 17 May 2020, the Vietnam Administration of Forestry (VNFOREST) granted the first domestic forest certification certificates to 3 companies in the Vietnam Rubber Group (VRG). These first certificates cover 11,400 ha. of rubber plantations managed by Binh Long, Phu Rieng and Dau Tieng Rubber Companies.

In 2019, Vietnam became 50th member of PEFC and the Vietnam Forest Certification Scheme (VFCS) was recognised worldwide. Achieving these first VFCS has marked a turning point in the cooperation between Vietnam and PEFC.

See: https://en.nhandan.com.vn/business/item/8676602-first-114-000-ha-of-rubber-recognised-with-sustainable-forest-management-certificate.html

Brazil

Pandemic control measures by Federal government and action by companies in the forest sector

The increase of corona virus cases in Brazil has put pressure on the Federal Government to adopt more active measures to contain the spread. However, the most effective procedure, according to the Ministry of Health, is social isolation.

The role of the Federal Government in support of businesses has, so far, been limited to the release of credits, financial resources and the temporary suspension of some taxes while the State Governments are responsible for effective control measures.

As for the forest sector, the main measures adopted by the Federal government are as follows:

“Corona-voucher”: Law 13.982/20 provides an emergency basic income of R$600 to informal, self-employed and those workers without fixed income.

Credit for employment maintenance: Provisional Measure no. 935/2020 releases a credit of R$51.6 billion for employment maintenance. The amount is earmarked for the implementation of the "Emergency Benefit for Employment and Income Maintenance".

This programme aims to reduce the social impacts related to the pandemic through the payment of financial aid to workers who have reduced working hours or suffered contract suspension.

A measure to support those whose working hours and wages have fallen (Provisional Measure no. 936/2020) aims to prevent mass layoffs due to the virus. This arrangement allows companies to negotiate with employees for up to 70% of the employee's working hours and wages without the intervention of labour unions and will run for three months. This measure creates a top-up benefit paid by the government and provides employment stability.

According to Provisional Measure No. 938/2020, ‘Release of financial resources for states and municipalities’ the Federal government will release up to R$16 billion to states and municipalities for four months. The funds guarantee the maintenance of funding made available last year even with the fall in Federal and State revenues.

Administrative Ordinance n° 897/2020,’ Suspension of FGTS payment’ provides for the suspension of FGTS payment (Fund for Employment Time Guarantee/Fundo de Garantia do Tempo de Serviço) for March, April and May.

Zero IOF on credit: Decree n° 10.305/2020 reduces to zero the ‘Tax on Financial Operations’ (IOF - Imposto sobre Operações Financeiras) charged on credit operations. Currently, the IOF for credit operations is 3% per year.

Some companies in the forestry sector have been helping the public. For example Suzano Papel e Celulose, a Brazilian pulp and paper conglomerate announced that it will start distributing 159 respirators and 1 million face masks.

Klabin, the biggest paper producer, exporter and recycler in Brazil started construction and purchased equipment for the immediate installation of 10 ICU beds and 40 infirmary beds at the Telêmaco Borba regional/ Campaign Hospital.

Veracel Celulose joined with partner companies to donate more than 86,000 health and hygiene items to the health departments of the municipalities of Porto Seguro and Eunápolis.

Bracell, another pulp sector company donated 18 respirators, 350,000 face masks, 40,000 medical aprons, 33,500 surgical gloves, 680 face shields, 250 medical goggles, 164 protective coveralls and 4,000 cleaning and hygiene items to states where it operates.

Crisis in the Bento Gonçalves furniture cluster

With revenues of R$384 million in the first quarter 2020 the Bento Gonçalves furniture cluster recorded a 3.3% decrease in revenue compared to the same period in 2019. However, the decline in revenue at 1.38% in the first quarter for all sectors in the state of Rio Grande do Sul was not as high as in the furniture sector.

The March figures were particularly bad according to the Secretariat of Finance in Rio Grande do Sul. March data was negative and it is likely that this will continue into April.

The performance of the international trade sector also weakened dropping over 7%, driven down by the over 35% quarter on quarter drop in trade with the US in 2020.

According to the Furniture Industry Association of Bento Gonçalves (Sindmóveis) an improvement is expected from the second half of the year, with economic activity recovering from the 3rd and 4th quarter of this year but job recovery will extend into 2021.

According to the Furniture Industry Association of Bento Gonçalves (Sindmóveis) the Bento Gonçalves furniture cluster includes about 300 industries in the municipalities of Bento Gonçalves, Monte Belo do Sul, Pinto Bandeira and Santa Tereza and many are already feeling the effect of the pandemic on their businesses.

First quarter exports are not encouraging says Sindmóveis and there have been around 2,600 layoffs by furniture companies in Bento Gonçalves and around 40% of the companies have introduced reduced working hours.

The Brazilian Association of Furniture Industry (ABIMÓVEL) commented that the furniture sector was the eighth largest production sector in the country and is a major employer with some 260,000 direct jobs in the sector.

ABIMÓVEL expects that things could worsen if there is no quick recovery of the economy, if trade does not resume, if credit lines are not made available and if support for micro, small and medium-sized companies is not provided.

Export update

The value of April 2020 exports of wood-based products (except pulp and paper) declined around 3% compared to April 2019, from US$245.8 million to US$239.0 million.

April pine sawnwood export values were slightly down year on year from US$46.0 million to US$45.6 million this year. In contrast export volumes increased 11.0% over the same period, from 221,300 cu.m to 245,600 cu.m.

The volume of tropical sawnwood exports decreased year on year a massive 30% in April, from 45,200 cu.m in April 2019 to 31,400 cu.m in April 2020. The value of exports also dropped by about the same percentage US$18.5 million to US$12.6 million over the same period.

Pine plywood exports bucked the downward trend increasing 24% in value in April 2020 compared to April 2019, from US$40.1 million to US$49.9 million. The volume of exports also rose jumping over 35% from147,800 cu.m in April 2019 to 200,900 cu.m in April this year.

However. Both the volume and value of tropical plywood exports dropped in April. The volume was down 29%) and the value dropped 19% from 8,600 cu.m (US$3.2 million) in April 2019 to 6,100 cu.m (US$2.6 million) in April 2020.

The export market for wooden furniture has weakened sharply and the value of exports declined from US$44.4 million in April 2019 to US$25.8 million in April 2020, almost a 42% drop.

Brazil-US trade facilitation

The Brazilian timber industry, represented by the Brazilian Association for Mechanically Processed Timber (ABIMCI), recently sent a written request to the governments of Brazil and the United States urging both sides to facilitate trade and good practices between the two countries.

This came about because of the joint initiative of the Business Coalition for the Facilitation of Trade and Barriers (CFB), led by the Brazilian National Confederation of Industry (CNI), the US Chamber, Amcham and 28 other entities, including ABIMCI.

The request includes binding commitments in priority areas such as customs modernisation and trade facilitation, good regulatory practices, electronic commerce and combating corruption. The Coalition believes that a proposal for a trade modernisation agreement could be reached without the need for the involvement of Mercosur or legislation of the United States.

The document also states that, if implemented, the proposal would reduce costs, increase trade and bilateral investment and would also represent a first step towards a more comprehensive future trade agreement.

According to ABIMCI, this initiative is timely due to a close relationship between the two countries and because the current pandemic is affecting the economies of both countries significantly. Joint action in areas that enable better synergy for businesses would be beneficial, says ABIMCI.

Domestic log prices

Brazilian logs, mill yard, domestic	US$ per m^3
Ipê	167
Jatoba	88⬇
Massaranduba	81⬇
Miiracatiara	86⬇
Angelim Vermelho	81⬇
Mixed redwood and white woods	69⬇

Source: STCP Data Bank

Domestic sawnwood prices

Brazil sawnwood, domestic (Green ex-mill)	US$ per m^3
Ipé	712⬇
Jatoba	359⬇
Massaranduba	348⬇
Muiracatiara	320⬇
Angelim Vermelho	315⬇
Mixed red and white	205⬇
Eucalyptus (AD)	157⬇
Pine (AD)	105⬇
Pine (KD)	128⬇

Source: STCP Data Bank

Domestic plywood prices (excl. taxes)

Parica	US$ per m^3
4mm WBP	413⬇
10mm WBP	341⬇
15mm WBP	285⬇
4mm MR.	327⬇
10mm MR.	243⬇
15mm MR.	220⬇

Prices do not include taxes. Source: STCP Data Bank

Prices for other panel products

Domestic ex-mill prices	US$ per m^3
15mm MDParticleboard	161⬇
15mm MDF	200⬇

Source: STCP Data Bank

Export sawnwood prices

Sawnwood, Belem/Paranagua Ports, FOB	US$ per m^3
Ipe	1,446⬇
Jatoba	853⬇
Massaranduba	847⬆
Muiracatiara	862⬆
Pine (KD)	168⬇

Source: STCP Data Bank

Export plywood prices

Pine plywood EU market, FOB	US$ per m^3
9mm C/CC (WBP)	248⬆
12mm C/CC (WBP)	241⬆
15mm C/CC (WBP)	230⬆
18mm C/CC (WBP)	228⬆

Source: STCP Data Bank

Export prices for added value products

FOB Belem/Paranagua ports		US$ per m^3
Decking Boards	Ipê	2,956⬆
	Jatoba	1,457⬆

Source: STCP Data Bank

Peru

January exports down 20%

The Exporters Association (ADEX) has reported that in January Peruvian timber exports were worth US$9.1 million FOB, this represents an almost 20% decline from the US$11.2 million export earnings in January 2019. In January 2020 exports of semi-manufactured products accounted for 54% of total exports while sawnwood accounted for a further 37% share. The export value of both groups of products was down year on year.

Of the US$9.1 million exported in January, China was the main market with a 43% share which was up significantly year on year. Mexico was the second largest market in January with 12% share but here export earnings dropped. Other markets of note were France and Denmark.

Expansion of certified forests

Despite the difficult times the world is facing due to the pandemic initiatives to protect and responsibly harvest tropical forests continue. FSC forest management certification has expanded steadily in Peru as companies and communities adopt more responsible harvesting strategies. This year two new certified areas located in the Ucayali region have been reported.

Online legal timber information system

The National Forest and Wildlife Service (Serfor) has announced that in early 2021 its online system to help verify the legal origin of Peruvian timbers will be operational. The National Forest and Wildlife Information System (MC-SNIFFS) will collect and report the information generated at each stage of the production chain from origin to market.

Recently a review was conducted with managers and specialists from Serfor and the regions with technical support provided by the USAID Pro-Bosques Project. To ensure efficiency and transparency efforts are being made to develop an effective and integrated computer system.

In the coming months a review processes will be conducted with forest managers in the Loreto, Ucayali, San Martín and Madre de Dios regions in order to consolidate a proposal for Serfor and the regional authorities in the Peruvian Amazon.

Export sawnwood prices

Peru sawnwood, FOB Callao Port	US$ per m^3
Pumaquiro 25-50mm AD	
Mexican market	637-651
Virola 1-2" thick, length 6'-12' KD	
Grade 1, Mexican market	561-603
Grade 2, Mexican market	492-509
Cumaru 4" thick, 6'-11' length KD	
Central American market	973-987
Asian market	1009-1052
Ishpingo (oak) 2" thick, 6'-8' length	
Spanish market	552-573
Dominican Republic	671-681
Marupa 1", 6-11 length KD	
Grade 1 Asian market	552-595

Domestic sawnwood prices

Peru sawnwood, domestic	US$ per m^3
Mahogany	-
Virola	273-284
Spanish Cedar	342-355
Marupa (simarouba)	233-242

Export veneer prices

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

Export plywood prices

Peru plywood, FOB Callao (Mexican market)	US$ per m^3
Copaiba, 2 faces sanded, B/C, 8mm	349-379
Virola, 2 faces sanded, B/C, 5.2mm	487-511
Cedar fissilis, 2 faces sanded, 5.5mm	766-783
Lupuna, treated, 2 faces sanded, 5.2mm	396-419
Lupuna plywood	
B/C 15mm	449-495
B/C 9mm	379-399
B/C 12mm	350-360
B/C 8mm	466-487
C/C 4mm	389-425
Lupuna plywood B/C 4mm Central Am.	391-407

Domestic plywood prices (excl. taxes)

Iquitos mills	US$ per m^3
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 m^3
1.83m x 2.44m x 4mm	282
1.83m x 2.44m x 6mm	230
1.83m x 2.44m x 12mm	204

Export prices for added value products

Peru, FOB strips for parquet		US$ per m^3
Cabreuva/estoraque KD12% S4S, Asian market		1327-1398
Cumaru KD, S4S	Swedish market	986-1119
	Asian market	1089-1119
Cumaru decking, AD, S4S E4S, US market		1204-1237
Pumaquiro KD Gr. 1, C&B, Mexican market		479-554
Quinilla KD, S4S 2x10x62cm, Asian market		544-577
	2x13x75cm, Asian market	756-822

Japan

Businesses consider four day week, a radical experiment for Japan

The Japanese government has now lifted the state of emergency in Hokkaido and the Tokyo metropolitan area where it had been maintained even after it was lifted over the rest of the country.

Industry groups have announced wide ranging corona virus safety prevention measures that their members are expected to implement before reopening. Fundamental in the guidelines is implementation of stricter hygiene standards, improved ventilation in work areas and more stringent social distancing measures.

In an effort to reduce congestion, especially during the morning and evening rush hours, continuation of 'work from home' is encouraged and the country's main business lobby group has asked member companies to consider introducing three-day weekends, a radical experiment for Japan.

For more see:
https://www.japantimes.co.jp/news/2020/05/15/business/japan-industry-guidance-covid-19/#.Xsx4CtUzbIU

Technical recession but worst to come

Japan's Cabinet Office has reported that the economy contracted in the first quarter of 2020 at an annualised rate 3.4%, piling pressure on policy makers as the economy was in a technical recession even before the state of emergency was declared over the coronavirus outbreak.

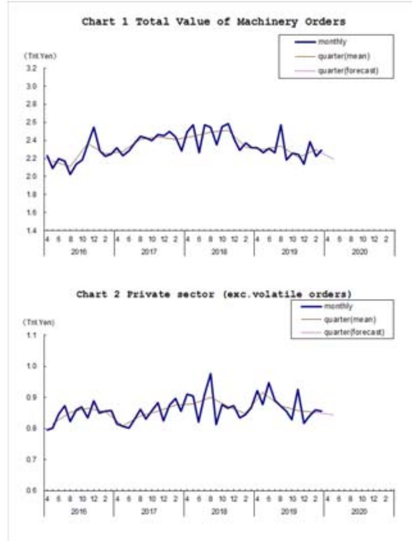
In the October-December 2019 quarter GDP dipped a massive annualised 7.4% driven down by a collapse of private consumption, the result of the increase in consumption tax and the impact of natural disasters in October.

While the first quarter 2020 contraction was anticipated it came as a timely reminder of the need for action to prevent the pandemic from ruining the economy. All segments of the private sector experienced declines, from private consumption and housing to business investment, inventories and trade. According to a survey of economists by the Japan Center for Economic Research the worst is still to come. Japan's economy is expected to decline 5.8% in the April-June quarter, equivalent to a 21% annualised decline.

Machinery orders better than expected in Q1 2020

In the first quarter of 2020 January-March private-sector machinery orders, excluding those from ship builders and power companies, rose by 3.9% compared with the previous quarter. However, there was a sharp drop in March orders and a further decline of around 5% is forecast by the Cabinet Office for the second quarter.

See: https://www.esri.cao.go.jp/en/stat/juchu/2020/2003juchu-e.html

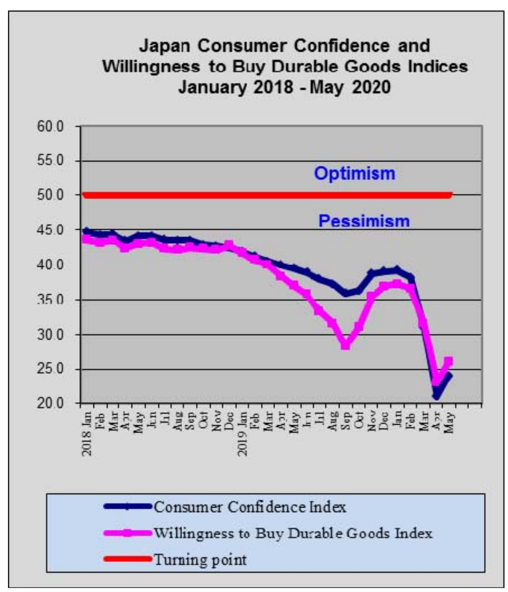


Uptick in consumer confidence as pandemic restrictions eased

Japan's Consumer Confidence index published by the Cabinet Office rose in May, the first upward movement in five months. Analysts put the rise down to the lifting of the national state of emergency.

The overall sentiment index for households of two or more people stood at 24, up from the all-time low of 21.6 set in April. However, the May figure is the second-lowest since April 2004 and even lower than at the start of the 2008/9 financial crisis.

The index is intended to provide an indication of consumers' expectations for the coming six months. A reading below 50 indicates that pessimists outnumber optimists. The index for willingness to purchase durable goods (such as household furniture) trended higher but is still deeply in negative territory.



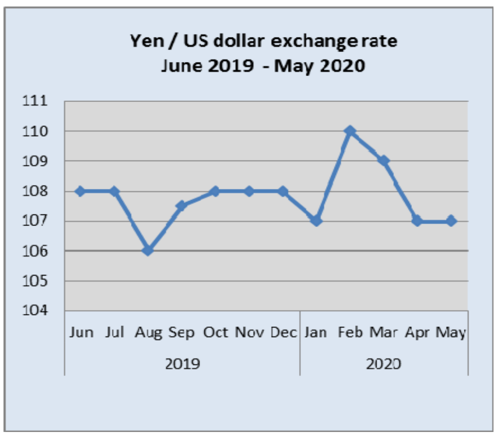
Data source: Cabinet Office, Japan

Yen/dollar exchange rate steady while other major currencies fall

While many emerging market currencies have depreciated sharply the major currencies, despite the pummeling of their economies by the pandemic, have continued to trade in a narrow band unlike the volatility during the 2008 financial crisis. Nowhere is the stability of a major currency more apparent than with the yen/dollar exchange rate.

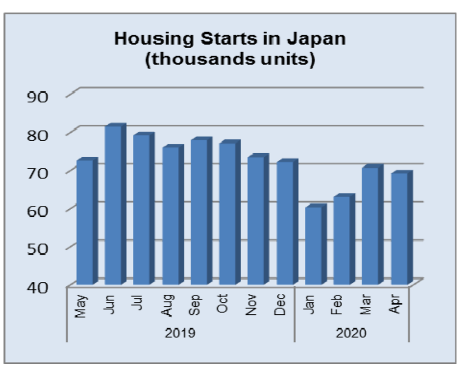
After Lehman's collapse the yen swung to 89 to the dollar from around yen 110, an appreciation of 24%. But during the first quarter of the current pandemic the yen/dollar exchange rate has remained remarkably stable in a range from yen 106 to yen 109 to the dollar. In contrast, the euro, sterling, and Australian dollar exchange rates have all declined steeply.

The strength of the yen has happened despite the overall weakness of the Japanese economy, a weakness that was apparent even before the coronavirus pandemic.



Housing starts beat expectations

Housing starts across Japan fell almost 10% year on year in April, the ninth consecutive decline but this was much less of a fall than had been expected. Compared to the 76,600 units completed in March there were only 69,200 completions in April.



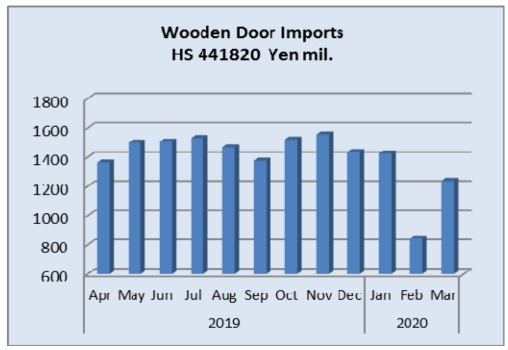
Data source: Ministry of Land, Infrastructure, Transport and Tourism, Japan

Import update

Wooden door imports

While the sharp drop in imports of wooden door (HS441820) in February the rebound in the value in March was more of a surprise. Year on year, the value of wooden door imports in March dropped a further 18% adding to the year on year decline seen in February. For the first quarter 2020 there was a 22% decline in the value of wooden door imports.

As in previous months shippers in China and the Philippines dominated Japan's March 2020 imports of wooden doors (HS441820). The main shipper, China, accounted for 47% of all door imports. Shippers in the Philippines saw a decline in market share in March, slipping to 24% from the 35% in February. The other major shipper was Indonesia which accounted for 7.5% of the value of imports in March.

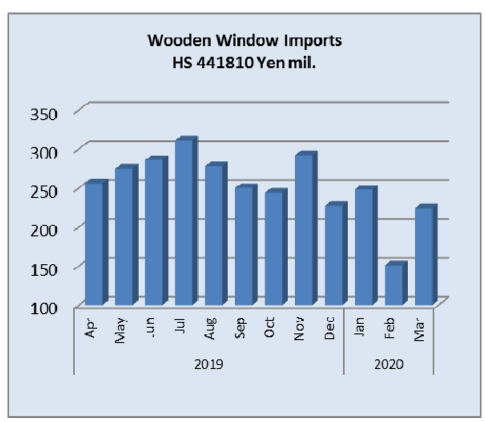


Data source: Ministry of Finance, Japan

Wooden window imports

As was the case with door imports, the value of wooden window imports (HS441810) in March 2020 was significantly up on February rising almost 5% month on month. However, year on year March wooden window import values were down 12% and for the first quarter Japan's wooden window imports were down 21% compared to the first quarter 2019.

As in previous months the main suppliers of wooden windows in March 2020 were China (39% of imports), the US (32%) and the Philippines (18%). Month on month March 2020 import values surged almost 50%.



Data source: Ministry of Finance, Japan

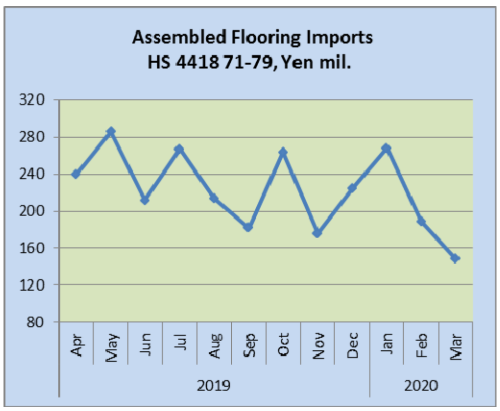
Assembled wooden flooring imports

Japan's imports of assembled flooring (HS441871-79) in February followed the regular peak and dip scenario and did not showing any signs of decline which was something of a surprise. Although orders delivered in February would have been placed before the pandemic there could have been some disruptions due to shipping delays but this appears not to have been the case.

However, the impact of shipping and production delays in China feed through into the March import data where, instead of maintaining the peaks and dips observed over the years, there was a double dip in February and March.

Month on month March import values dropped 21% but year on year there was little change. Remarkably, there was a slight rise in the value of first quarter flooring imports compared to the first quarter 2019.

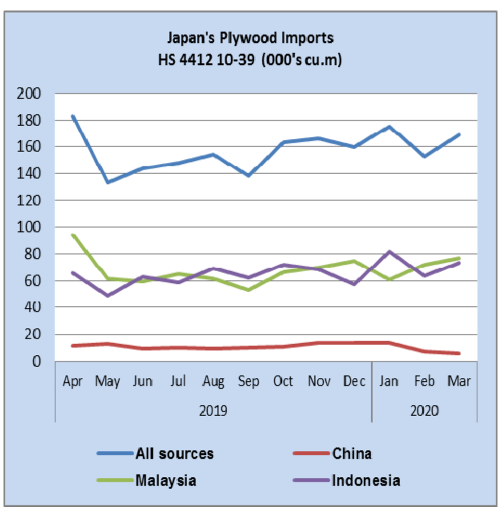
Of the four categories of flooring tracked, HS441875 made up almost 80% of all wood flooring imports and of the China shipped 57% with another 21% arriving from Malaysia.



Data source: Ministry of Finance, Japan

Plywood imports

Year on year the volume of Japan's March 2020 imports of plywood (HS441210-39) rose 21% and there was a 10% month on month increase in import volumes.



Data source: Ministry of Finance, Japan

Of the various categories of plywood being tracked HS441231 accounted for over 90% of March imports. Year on year, shipments from the main suppliers Malaysia, Indonesia, China and Vietnam increased but the month on month change was more variable. Month on month shipments from China dropped while for all of the other main suppliers there was an increase.

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

		China	Malaysia	Indonesia
2017	Jan	16	130	80
	Feb	7.5	93.3	59
	Mar	11.5	99	76.5
	Apr	11.2	92.6	58
	May	12.9	99.2	73.8
	Jun	11	74.8	65.0
	Jul	10.6	100.0	54.8
	Aug	12.3	91.8	64.5
	Sep	9.9	86.7	56.6
	Oct	12.2	86.4	63.7
	Nov	10.7	112.4	82.0
	Dec	12.0	95.2	50.0
2018	Jan	12	100.5	80.0
	Feb	12.5	83.0	69.0
	Mar	4.9	79.4	66.5
	Apr	13.4	92.4	84.4
	May	15.2	94.0	82.0
	Jun	12.4	77.5	79
	Jul	14.3	79.2	58.3
	Aug	12.4	86	70.5
	Sep	9.7	68.6	62.6
	Oct	12.3	108.2	75.6
	Nov	14.5	97.1	81.1
	Dec	13	68	74.7
2019	Jan	14	91.2	66.4
	Feb	11.1	85.3	75
	Mar	4.4	70.1	61.2
	Apr	11.4	94.2	65.9
	May	12.4	61.8	48.9
	Jun	9.3	59.6	62.8
	Jul	9.8	65.1	59
	Aug	12.1	61.8	68.9
	Sep	10	53	62
	Oct	10.6	66.3	72
	Nov	13.1	69.5	68.1
	Dec	13	74.4	57.4
2020	Jan	13.4	61.1	81.6
	Feb	6.8	72.2	63.8
	Mar	5.8	76.5	73

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:
http://www.n-mokuzai.com/modules/general/index.php?id=7

Increasing bankruptcies due to corona virus pandemic

Tokyo Research, credit standing investigating company, disclosed on May 1 about bankruptcies related to corona virus pandemic. It reports that total bankruptcies are 114. By business categories, hotels and restaurants are the hardest hit by dropped cash revenue as people stay at home and many shops closed voluntarily. There are three bankruptcies in wood related industry.

Number of bankruptcies was two in February, 23 in March and soared to 84 in April so total exceeded 100 in 2020.

By the regions, Tokyo is the most with 26 then 11 in Hokkaido. Hotels are 26, restaurants are 16 and apparel related business is 10 by sudden stop of visitors from overseas. These are all with liabilities of over 10 million yen and there are many bankruptcies of privately owned small business with smaller liabilities and the number will increase month after month.

In wood business, one in Hokkaido is Kususe lumber, whose liabilities are 140 million yen. In Tokyo, Pan Living, disaster prevention plywood processor went bankruptcy with total liabilities of 820 million yen.

In early May, there was a series of holidays, which is the most busy season for hotels, restaurants and tourist visiting places but this year, there was strong request by the authorities to stay home to prevent infections of corona virus and crowd decreased by 70-80% in the most bustling part of town in the first week of May. Many shops and stores immediately face shortage of cash flow without any sales.

In wood related industry, sales of building materials would drop for sure as many housing and building construction works stopped so sharp drop of sales cause difficulty of financing and there will be more bankruptcies in coming months.

Japan's log export to China

In China, operational rate of sawmills were down to 20% in late February because of corona virus pandemic but in April it recovered to 70-80% while radiate pine log export stopped by corona virus infections in New Zealand so China looks for logs elsewhere and showed more interest to Japanese cedar logs and April export log prices were about 7,500 yen per cbm or US$118-120 C&F and there are contracts through June.

However, future is uncertain since New Zealand restarts log export after lockdown is partially cancelled and economic activities are getting active.

Domestic demand has priority for log supply in New Zealand so active log export to China may not start so soon yet but China prefers radiate pine logs to Japanese cedar so Japanese log export depends on New Zealand log supply.

Also if Chinese export business dwindles, demand for export crating lumber and pallet would decrease then demand for Japanese cedar logs would decline.

Problem of overseas market is not all for future cedar log supply. In Japan, low grade log demand for export recovered but demand for higher grade A and B class logs for lumber and plywood manufacturing continues slow. In total harvest, A and B class logs take about over 50% so if higher grade log prices drop, total harvest would decrease as log suppliers lose money then low grade logs supply decrease. In short, there are many uncertain factors in this business.

Plywood

Movement of plywood is stagnating because of uncertain future of the market after corona virus outbreak. Users are limiting purchase volume at minimum.

In April, orders from precutting plants were normal so the movement was rather firm but after the state of emergency declaration on April 6, housing companies' activities slowed down and orders for precutting are declining.

Plywood manufacturers have been curtailing the production since last March to stop skidding of market prices and hoped to increase the prices. Declining trend stopped but price increase was impossible.

Softwood plywood inventory increased to nearly 30,000 cbms in February but it dropped down to 17,300 cbms so the manufacturers feel confident of production curtailment and they will maintain the same program or increase degree of production cutback after June.

Demand for imported plywood is hard to read as large construction companies stopped construction works in early May temporarily but after the works restarted schedule is difficult to judge. Management of workers is difficult due to corona virus infections among workers.

Port inventories continue decreasing and it is time new orders should be placed but with uncertain market future, it is risky to commit high priced hardwood plywood.

Maruwa Forest exports logs to Vietnam

Maruwa Forest Group (Kochi prefecture) shipped out first export of logs to Vietnam on April 29. This is sample shipment with two 40'containers. The ship will arrive at Haiphong, Vietnam on May 23. Logs are 28 cbms of cypress of 2 and 3 meters with top diameter of 28 cm or larger and cedar of 4 meter with 40 cm or larger with 27 cbms.

Cypress is preferred species but cedar is sample shipment. Consignee is Vinafor, former government owned company and manages 43,400 hectares of forestland with more than 10,000 employees. Maruwa will accept two Vietnamese workers in fall this year to cover labor shortage.

2019 wood panel and plywood review

Total supply of wooden board including plywood in 2019 was 8,842, 226 cbms, 3.3% less than 2018. This is first decline of less than nine million cbms after three years. In this, domestic panel was 5,171,539 cbms, 2.1% more and imported panel was 3,670,687 cbms,10% less so share of domestic and imports was 58.5 vs 41.5%.

The largest reason of decline of imported panel is decreases supply of South Sea hardwood plywood, which was 13.3% or 383,000 cbms less than 2018. The demand in Japan stagnated while plywood producers in South East Asian countries suffered high cost of logs and manufacturing cost so that the orders decreased. Log supply has been dropping by environmental restrictions so the supply is unlikely to increase.

The producers are trying to use planted species like eucalyptus and falcate to cover shortage of hardwood logs. Supply of imported wooden board in 2019 was almost flat with 2018.

Particleboard increased by 8.0% but OSB decreased by 16.0% due to supply drop from Canada. Canadian volume was 167,462 cbms, 20.3% less while German' supply was up by 51.1% with 38,523 cbms.

MDF supply was almost flat. In imported MDF, New Zealand was 305,508 cbms, 10.5% less while Malaysia was 185,947 cbms, 5.6% more. Indonesia was 64,966 cbms, 72.7% more. Demand for thin MDF is active as domestic floor manufacturers have been replacing imported hardwood thin plywood as floor base to combination of MDF and domestic plywood floor base.

Meantime, domestic plywood supply increased by 3.3%, four straight years' increase. Share of domestic plywood is over 55% now.

Two new plywood mills started in 2020 and log supply was steady. The shipment of plywood was also firm and the supply and demand were well balanced so that mills' inventories had kept tight. Actually since 2016, the inventories had been less than 0.5 month every month so the market prices stayed firm.

Domestic wooden board supply was almost flat with only 1.8% less. There were some fluctuations of demand and supply but the market was steady.

China

Real estate sales in the first four months of 2020

China's National Bureau of Statistics has reported that investment in real estate development in the first four months of 2020 was down 3.3% year on year and investment in residential buildings dropped over 4% in the same period. The value of land purchased for real estate development in the first four months of 2020 was 12% lower than in the same period in 2019

See:
http://www.stats.gov.cn/english/PressRelease/202005/t20200518_1745962.html

Source: National Bureau of Statistics, China

Dramatic decline in log imports from ASEAN

China Customs data is showing that China's log imports from ASEAN in the first quarter of 2020 were 14,209 cubic metres valued at US$16.5 million, a drastic decline of over 90% in both value and volume compared to the same period in 2019.

First quarter 2020 log imports from the main ASEAN countries; Laos 7,417 cubic metres, Vietnam 1,753 cubic metres, Cambodia 1,733 cubic metres and Indonesia 1,286 cubic metres were over 90% less than a year earlier.

2019 log imports from ASEAN

Trade partners	Import volume (cu.m)	% change yoy
Laos	84,500	-30%
Cambodia	21,947	41%
Malaysia	20,665	-56%
Vietnam	19,053	-62%
Indonesia	13,276	-24%
Myanmar	11,245	-19%
Singapore	6,059	4%
Thailand	2,190	24%
Philippines	533	-71%
Total	**179,468**	**-34%**

Data source; China Customs

China's log imports from ASEAN in 2019 totalled 179,468 cubic metres valued at US$174 million, down 34% in value and 29% in value respectively over 2018. In 2019 China's log imports from Laos dropped 30%, Cambodia (-56%), Malaysia (-62%) and Vietnam (-62%).

Sharp decline in sawnwood imports from ASEAN

According to China Customs sawnwood imports from ASEAN countries in the first quarter of 2020 totalled 862,056 cubic metres valued at US$254 million, down 81% in volume and 82% in value respectively over the same period of 2019.

Over 75% of China's sawnwood imports are sourced from Thailand alone and in the first quarter of 2020 they totalled 675,457 cubic metres valued at US$186 million, down 81% in volume and 82% in value respectively. A further 7% of China's sawnwood imports come from the Philippines (62,712 cubic metres valued at US$6 million) but here too there was an over 80% decline in the first quarter.

Trade partners	Import volume (cu.m)	% change yoy
Thailand	3,592,067	-19%
Philippines	378,619	18%
Malaysia	206,853	-23%
Indonesia	187,821	-44%
Vietnam	131,672	-12%
Myanmar	78,367	24%
Laos	52,243	-14%
Cambodia	11,510	-57%
Total	**4,639,152**	**-18%**

Data source; China Customs

China's sawnwood imports from ASEAN in 2019 came to 4.64 million cubic metres valued at US$1.43 billion, down 18% in value and 28% in value over 2018.

In 2019, 77% of China's sawnwood imports were imported from Thailand (3.59 million cubic metres valued at US$1.04 billion) but there was a year on year decline of 19% in volume and 26% in value. In 2019 a further 8% of China's sawnwood imports were sourced in the Philippines and amounted to 378,619 cubic metres valued at US$46 million, up 18% in volume and 5% in value year on year.

Rise in plywood imports from Vietnam in 2019

China's plywood imports from ASEAN in 2019 fell to 49,424 cubic metres valued at US$26.28 million, down 26% in value and 23% in value over 2018.

Imports from the main supply countries of ASEAN, Malaysia and Indonesia declined in 2019. Imports from Malaysia dropped 39% and from Indonesia there was a decline of 24% (22,948 cubic metres and 21,074 cubic metres respectively).

However, China's plywood imports from Vietnam in 2019 rose substantially in 2019 to 5,273 cubic metres.

Due to the impact of the pandemic, China's plywood imports from ASEAN in the first quarter 2020 fell dramatically to 9,840 cubic metres valued at US$4.66 million, down 80% in volume and 82% in value over the same period of 2019.

Plywood imports 2019

Trade partners	Import volume (cu.m)	% Change yoy
Malaysia	22,948	-39%
Indonesia	21,074	-24%
Vietnam	5,273	792%
Thailand	85	166%
Myanmar	39	-88%
Cambodia	3	-91%
Singapore	2	
Laos	0	
Philippines	0	
Total	**49,424**	**-26%**

Data source; China Customs

Dramatic rise in plywood exports to Myanmar in 2019

China's plywood exports rose to ASEAN countries in 2019 and totalled 4.5 million cubic metres valued at US$1.01 billion, up 79% in volume but only 1% in value over 2018.

Plywood exports to ASEAN

Trade partners	Excport volume (cu.m)	% Change yoy
Myanmar	1,874,855	2750%
Philippines	1,006,303	-2%
Vietnam	615,585	23%
Thailand	323,202	0%
Malaysia	298,376	24%
Cambodia	163,803	-4%
Singapore	124,649	9%
Indonesia	85,777	25%
Laos	9,159	547%
Brunei	1,544	-9%
Total	**4,503,253**	**79%**

Data source; China Customs

Over 75% of China's plywood exports to ASEAN countries were shipped to Myanmar, the Philippines and Vietnam. Shipments to Myanmar rose dramatically to 1.87 million cubic metres, to Vietnam shipments rose 23% to 615,585 cubic metres.

However, China's plywood exports to the Philippines fell 2% to 1 million cubic metres in 2019.

In the first quarter 2020 China's plywood exports to ASEAN fell dramatically to 418,415 cubic metres valued at US$163 million, down 91% in volume and 84% in value over the same period of 2019.

The main ASEAN importers (84%) of China's plywood were the Philippines (130,812 cubic metres), Vietnam (105,299 cubic metres), Malaysia (60,007 cubic metres) and Thailand (57,235 cubic metres).

Furniture trade with ASEAN

The value of China's furniture imports from ASEAN suddenly declined over 85% to US$30.95 million in the first quarter of 2020. The main supply countries in ASEAN, such as Vietnam, Malaysia, Thailand, Indonesia and Laos saw exports plummet; Vietnam -90%, Malaysia -87%, Thailand -84%, Indonesia -85% and Laos -87%.

The value of China's furniture imports in 2019 from ASEAN countries also fell year on year dropping 19% to US$2.62 billion. The main shippers in ASEAN, such as Vietnam, Malaysia, Thailand, Indonesia and Laos saw declines of 26%, 1%, 2%, 32% and 15% respectively. Vietnam is the top furniture supplier to China accounting for 42% in the first quarter of 2020 and 51% in 2019.

The value of China's furniture exports to ASEAN also dropped sharply (-81%) to US$210 million in the first quarter of 2020. Exports to Malaysia fell 75%, to the Philippines -82%, to Singapore -86%, to Indonesia -79%, to Thailand -81% and to Vietnam -89%.

In 2019 the value of China's furniture exports to ASEAN were down 9% to US$1.115 with 96% of shipments being made to Malaysia US$297 million, Singapore US$230 million, the Philippines US$193 million and Indonesia US$122 million. However, the value of China's furniture exports to Thailand and Vietnam rose 5% and 10% respectively.

China/ASEAN particleboard trade

China's particleboard imports from ASEAN in the first quarter of 2020 were 49,828 tonnes valued at US$11.29 million, down 83% both in volume and in value. Thailand and Malaysia were the main ASEAN suppliers accounting for 65% and 33% of all imports from ASEAN countries.

In 2019 China's particleboard imports from ASEAN were 297,651 tonnes valued at US$67.59 million, down 26% in volume and 31% in value. The suppliers were Thailand (158,340 tonnes) and Malaysia (117,650 tonnes).

In contrast, China's particleboard exports to ASEAN in 2019, at 46,989 tonnes valued at US$25.72 million, were up 60% in volume and 21% in value year on year. China's particleboard exports to ASEAN amounted to 9,840 tonnes valued at US$5.73 million, down 79% in volume and 78% in value respectively in the first quarter of 2020.

Average imported log prices US$/cu.m CIF

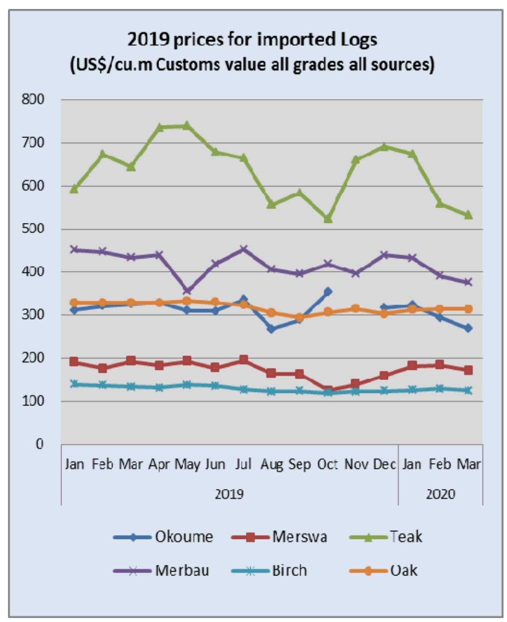
	2020 Feb	2020 Mar (unchanged)
Okoume	293	268
Merswa	183	171
Teak	557	531
Merbau	390	375
Birch	128	124
Oak	313	313

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

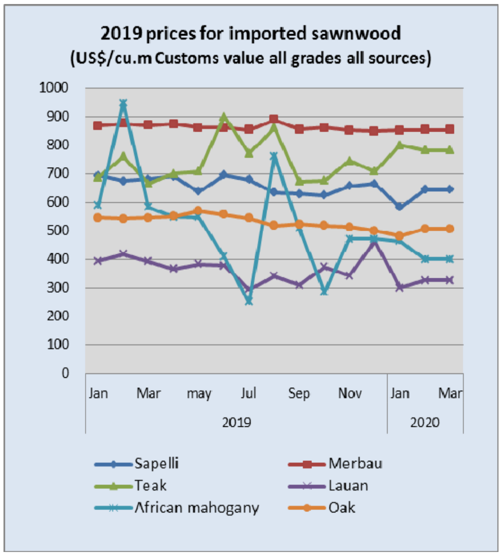
Average imported sawnwood prices US$/cu.m CIF

	2020 Feb	2020 Mar
Sapelli	644	644
Merbau	853	853
Teak	782	782
Lauan	326	326
African mahogany	401	401
Oak	507	507

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



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



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

Europe

EU tropical timber trade weakened before COVID lockdown

Having reached the highest level in more than a decade in October 2019, EU27+UK trade in tropical wood and wood furniture products slowed in the last two months of the year, a trend which accelerated in January and February this year. Contrary to expectations, with the large western European countries implementing COVID-19 lockdown measures during the month, EU imports of tropical wood products picked up again in March this year.

However, the rise in March is almost certain to be followed by a very large downturn in April and May with the shutdown of large sections of the European economy. During March, widespread reports emerged of timber importers putting existing orders on hold for 30 to 60 days and refraining from making new orders.

By the end of the month, importers were already struggling to deal with a build-up of stock that could not be shifted as manufacturers, retailers and construction sites went into lockdown. The only question now is just how far and for how long will trade decline in the months following March.

Given current uncertainty, the market position reported here cannot be taken as providing any real insight into future trends. Instead, it is better viewed as a picture of the baseline to measure the size of the expected fall when it inevitably comes.

Chart 1 shows twelve monthly rolling total US$ value of imports (to iron out seasonal fluctuations) from tropical countries into the EU27+UK of all wood and wood furniture products listed in HS Chapters 44 and 94 (excluding fuelwood, wood waste and chips).

After hitting a high of US$4.64 billion in October 2019, the 12-month rolling total fell to US$4.45 billion in February this year, a level maintained into March.

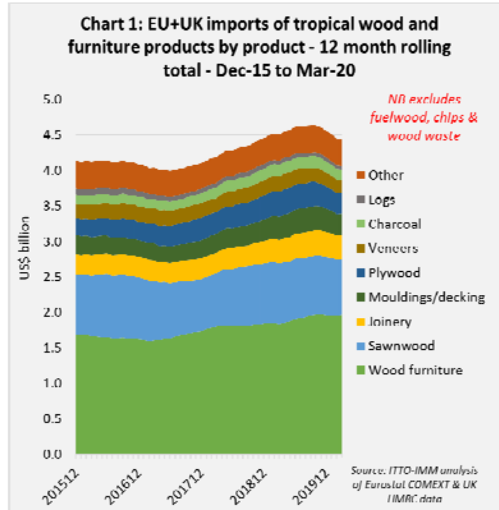
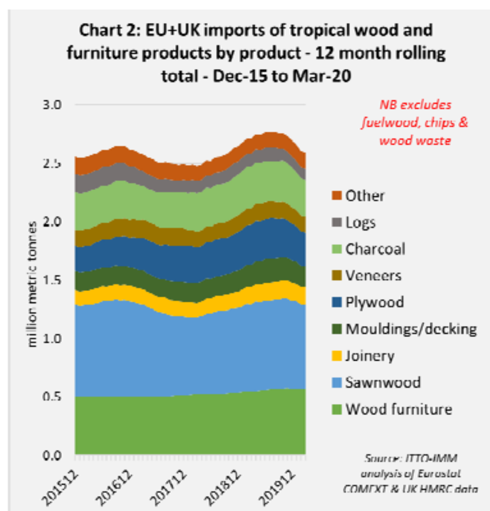


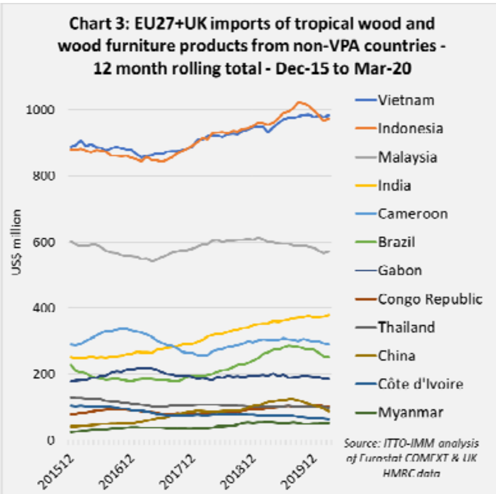
Chart 2 shows that the trend in import tonnage closely matches the US$ value trend (implying it is not only due to exchange-rate fluctuation). The 12-month rolling total quantity of EU27+UK tropical wood and wood furniture imports increased to a peak of 2.77 million tonnes in August 2019 before slipping back to 2.60 million tonnes in February this year, a level maintained into March.



The decline in European imports in the last quarter of 2019 and first two months of this year of course predates any COVID-19 influence and coincides with a period of broader slowdown in the EU economy. Both the eurozone and the EU27+UK grew only 0.1 percent during the last three months of 2019 compared with the previous quarter, according to official statistics, the EU's worst performance since the beginning of 2013.

All of Europe's largest economies deteriorated at the end of last year, Germany and the UK recording flat growth, and Italy and France seeing a 0.3% and 0.1% contraction, respectively.

Various factors contributed including continued Brexit uncertainty, slumping global trade, which hit European exports, widespread strikes in France over President Macron's pension reforms, and weaker domestic demand for goods and services in Italy, alongside continuing political difficulties. During this period, the euro also continued to weaken against the US dollar, eroding the purchasing power of European importers.



Considering EU27+UK imports of tropical wood and wood furniture from individual tropical countries key trends in the period just prior to the onset of COVID-19 pandemic (in declining order of significance in total EU trade – see Chart 3) include:

Imports from Vietnam, which were flat in 2016 and 2017, increased consistently throughout 2018 and in the first nine months of 2019, before levelling off in the last quarter of 2019 and first quarter of this year. While EU27+UK imports from Vietnam continue to be dominated by wood furniture (HS 94), more recently there has also been growth in imports of a range of other wood products in HS Chapter 44, notably charcoal and other energy wood, plywood, laminated wood, planed sawnwood, and doors.

Imports of wood furniture from Indonesia made large gains in the second and third quarter of 2019 and maintained the high level through to the end of March 2020. In contrast to furniture, EU27+UK imports of plywood, wooden doors, and mouldings/decking from Indonesia slowed dramatically in the second half of 2019 after strong growth during the previous two years.

Imports of wood furniture from Malaysia also strengthened in the 12 months to March 2020, but at slower pace than for Indonesia and Vietnam. However, the gains made by Malaysian furniture were offset by a significant decline in EU27+UK imports of Malaysian sawnwood and plywood. Malaysia was losing ground to both Cameroon and Brazil in the EU27+UK market for tropical sawnwood, and to China, Indonesia and Russia in the market for hardwood plywood.

Imports from India were rising without interruption in the period before the onset of the COVID pandemic in Europe, hitting an all-time high of US$379 million in the year to March 2020. Import growth has been continuous in Germany, now the largest EU destination for Indian products.

Imports from India mainly consist of wood furniture made from local plantation species such as mango, sheesham, acacia and rubberwood, often in rustic styles which are hand-crafted.

EU27+UK wood imports from Cameroon, mainly sawnwood destined for Belgium, continued their rollercoaster ride, the volatility brought on by supply side problems, notably shipment delays caused by bureaucratic red tape and poor infra-structure after many years with little or no investment at Douala, the country's only major port. Between March 2018 and June 2019, imports from Cameroon were rising, but then declined for the next nine months to end March 2020.

EU imports of tropical wood products from Brazil, comprising mainly of sawnwood and decking destined for France, Belgium and the Netherlands, increased strongly to a peak of US$286 million in the year ending August 2019 before falling back to US$251 million in the year ending March 2020. Slow growth in the domestic economy and the weak currency have encouraged exports from Brazil in recent years.

However, EU27+UK imports began to weaken from the middle of last year in response to Europe's slowing economy and to tougher EUTR requirements imposed on operators to demonstrate negligible risk of illegal harvest for products originating in the Brazilian Amazon.

EU27+UK imports from Gabon were very volatile on a monthly basis during 2019 and first quarter of 2020, but overall, on an annual basis, were flat at around US$190 million. Imports into the EU from Gabon comprise mainly veneer, mostly rotary veneer used to manufacture plywood in France; sawnwood, much imported via Belgium; and plywood, which goes mainly to the Netherlands and Italy. EU27+UK imports of decking/mouldings from Gabon are still low but have been strengthening.

EU27+UK imports from the Republic of Congo (RoC), comprising sawnwood, logs and veneers, which were rising consistently throughout 2018 and 2019, were easing back in the first quarter of 2020 even before the onset of the COVID pandemic. Much of the recent growth in European trade with RoC has comprised logs and sawnwood destined for Belgium and veneers destined for France.

EU27+UK imports of timber products from Thailand consist primarily of furniture, with smaller quantities of plywood, fibreboard, and charcoal. The main European destinations are the UK, Germany and France.

Total EU imports from Thailand were stable at an annual level of just over US$100 million between June 2017 and January 2020 but showed signs of slowing in February this year even before the full effects of the pandemic became apparent.

There was uninterrupted increase in EU27+UK imports of plywood with a tropical hardwood face from China between January 2017 and September last year, with US$ value rising from US$50 million to over US$120 million during this period.

However, with a sharp deterioration in the European market for plywood at the end of last year, imports had fallen back to only US$88 million in the year to March 2020. Around two thirds of all EU27+UK imports of Chinese tropical hardwood faced plywood are destined for the UK.

After a period of stability in 2018 and the first half of 2019, the long-term decline in EU27+UK imports from Côte d'Ivoire resumed in the second half of 2019 and continued into the first quarter of 2020.

The recent decline has been particularly pronounced for veneers into Italy and Spain, and sawnwood into Belgium and the UK.

EU27+UK imports of wood products from Myanmar, after rising from US$35 million in 2017 to US$53 million in 2018, remained at this higher level throughout 2019 and the first quarter of 2020. Imports from Myanmar comprise mainly sawnwood with smaller volumes of mouldings/decking and veneer.

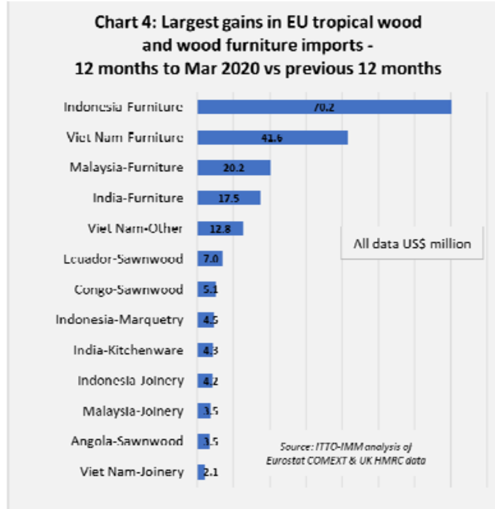
Imports from Myanmar have continued despite high profile EUTR prosecutions of importers of Myanmar teak (in Sweden and the Netherlands) and the conclusions of the EC's FLEGT-EUTR expert group (most recently reiterated at their 12 December 2019 meeting) that "it is not possible to come to a negligible risk of illegally harvested timber from [Myanmar], in particular due to a lack of sufficient access to the applicable legislation and documentation from governmental sources".

While imports from Myanmar into Germany, Belgium and the Netherlands fell to negligible levels in 2019, these declines were more than offset by a big rise in imports by Italy, Greece and Croatia.

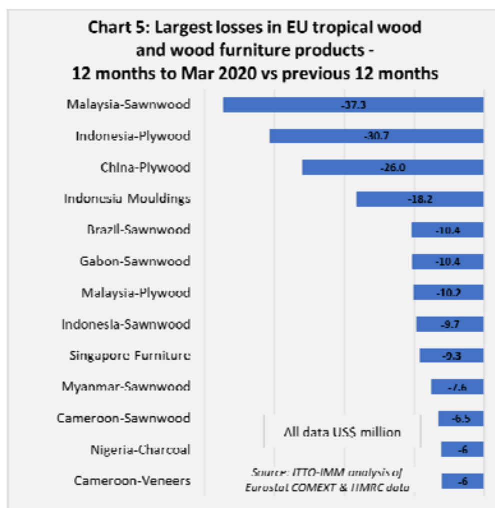
Overall shift to value-added products in EU 27 +UK tropical imports

Overall, the biggest gains in EU27+UK tropical timber product trade in the year to March 2020 are all in the wood furniture sector, from Indonesia, Viet Nam, Malaysia and India (Chart 4). Many of the other large gains during this period were made in value-added product groups such as marquetry, kitchenware, and joinery products.

Sawnwood from Ecuador also appears in the list of largest gainers, probably balsa wood, an assumption made more likely by the fact that most of the increase was destined for Denmark and Germany, large manufacturers of wind turbine blades for which balsa is a key raw material.



There is more evidence that the European tropical timber trade in the period just prior to the COVID pandemic was shifting towards more value-added products in the list of the largest losers (Chart 5). The biggest declines in EU27+UK imports in the 12 months to March 2020 were almost exclusively in more traditional secondary processed products such as sawnwood, plywood, and mouldings/decking.



No pandemic impact in March trade data

The lack of any strong COVID signal in the tropical timber trade data to the end of March is more obvious from the monthly data. The period of COVID-19 lockdown in Europe began in Italy with an emergency decree on 9th March covering the Lombardy region, Italy's financial and industrial powerhouse. The Spanish government followed with a general confinement order for most of the country from 14th March. Then came lockdowns in France (17th March), Belgium (18th March), and the UK (23rd March).

The German Federal government did not implement a nationwide lockdown in response to Covid-19, but during March state governments across the country progressively tightened restrictions on movement, prohibiting large gatherings, calling on people to stay at home, and asking that they observe other social distancing measures in an effort to stop spread of the virus. However, the German government also stressed the need to keep key sectors of the national economy functioning and issued a decree allowing construction activity to continue.

The Netherlands also stopped short of a complete lockdown. Instead, in a series of measures issued on 12 March, the Dutch government asked that people stay at home as much as possible, banned gatherings except those “necessary to ensure the continued daily operations of institutions, businesses and other organisations”, and encouraged other social distancing measures.

In March and April, according to a report by Bollore Logistics, European ports continued to operate despite difficult conditions and containers were being processed for onward movement, although clearances by some customs authorities was slower and there were border bottlenecks. Most shipping companies continued to operate, although they were adding surcharges and available space and equipment had become very restricted.

Chart 6 highlights that while EU27+UK monthly trade was highly volatile in the last quarter of 2019 and first quarter of this year, trade in March was significantly stronger than in February, and not noticeably slower than the same month in the previous year. Imports from Indonesia were particularly strong in March this year, at US$96 million, the third best monthly import performance from Indonesia in the last 5 years.

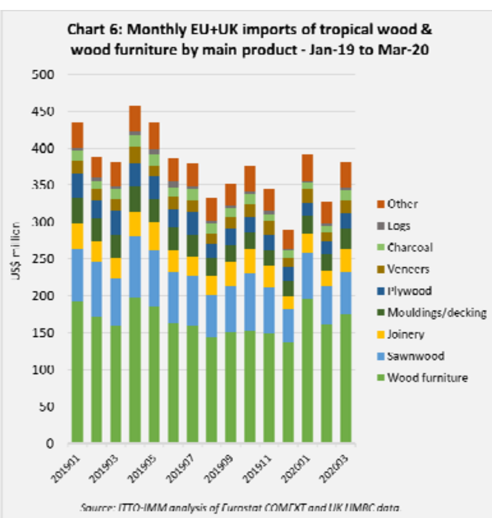


Chart 7 shows that EU27+UK imports of all tropical wood and wood furniture products were higher in March than in February this year.

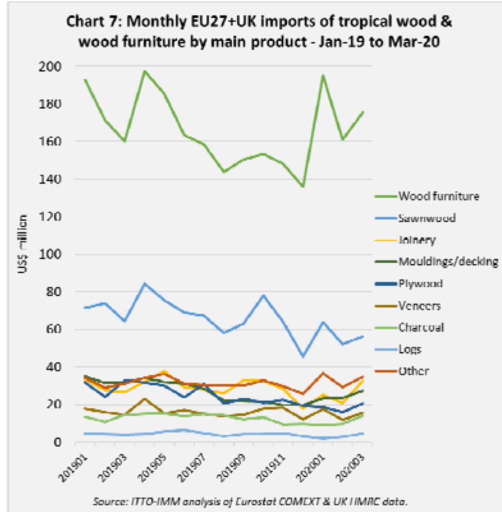


Chart 8 highlights that in March 2020, EU27+UK imports of tropical wood and wood products from Indonesia and India were particularly strong, while imports from most other countries, with the possible exception of Vietnam, were yet to show any signs of weakness brought on by the COVID lockdown measures.

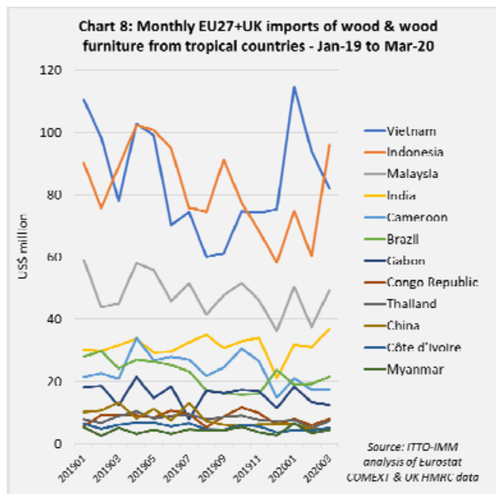
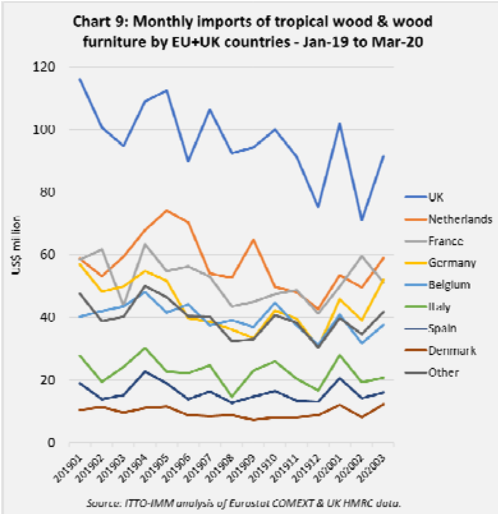


Chart 9 shows that nearly all the major European markets imported more tropical wood and wood furniture products in March this year compared to the previous month. France was the only significant market to record a decrease, but this followed a strong rise in imports in February.



It would be wrong to read too much into this trade data which only captures the very beginning of the lockdown period. Indices of economic activity in the EU27+UK plunged in April and were only recovering slowly in May as the lockdown was eased in most European countries.

On 6th May, the EC predicted a decline in EU economic activity this year of 7.5%, and slightly more than that for the eurozone. The EC also warned the outcome could be worse if the pandemic turns out to be longer or more severe than currently envisaged.

The EC report outlines sharp falls in hard-hit countries such as Italy, Spain and France — all of which will see their GDP drop by more than 8% this year. In Greece and Spain, the fall is forecast to be well over 9%. Even in Germany, which has won praise for its handling of the coronavirus crisis, the downturn is expected to 6.5% in 2020.

According to European Commissioner for the Economy, Paolo Gentiloni, "in 2021 we expect a rebound of 6.1% in the EU and 6.3% in the euro area — not enough to fully make up for this year's loss". UK GDP growth this year

On 7th May, the Bank of England forecast that UK GDP would fall 14% this year and tentatively predicted a 15% rebound next year if coronavirus restrictions can be lifted without a causing a second wave of the virus.

North America

Housing starts plunge by the most ever recorded

The Commerce Department reported that US housing starts in April plunged by the most ever recorded as sweeping lockdowns to contain the pandemic continued to slam the housing market. Residential starts slumped 30% from the previous month to a seasonally adjusted annual rate of 891,000, the lowest level since 2015.

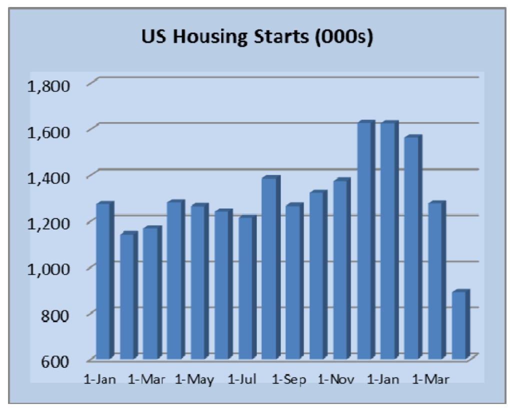
Building permits fell 21% from March to a seasonally adjusted annual rate of 1.07 million, a five-year low.

The slump in applications to build was the biggest since July 2008. Single-family housing starts dropped 25% to a rate of 665,000, also a five-year low. Home building fell in all four regions last month.

Next month's report may show a rebound in construction as the housing market begins to stabilise. US homebuilder sentiment rose by more than expected in May following a record drop in April. In addition, mortgage applications increased in the last weekly survey from the Mortgage Bankers Association.

In related news, US Existing-home sales dropped in April, continuing what is now a two-month drop in sales brought on by the pandemic, according to the National Association of Realtors. Each of the four major regions experienced a decline in month on month and year on year sales, with the Western US seeing the greatest dip in both categories.

Total existing-home sales dropped 18% from March to a seasonally adjusted annual rate of 4.33 million in April. Overall, sales decreased year on year by 17% from a year ago (5.23 million in April 2019). April’s existing-home sales are the lowest level of sales since July and the largest month on month drop since July 2010.



Source: US Census Bureau,

Homebuilder confidence posts solid gains

After the sharpest one-month drop in the history of the index in April, homebuilder sentiment bounced back slightly in May as US builders saw a quick rebound in interest from buyers.

Confidence in the market for single-family, newly built homes drove the index 7 points higher in May to 37 according to the National Association of Home Builders/Wells Fargo Housing Market Index. Anything above 50 is considered positive, so sentiment remains in negative territory. The index stood at 66 in May 2019 and hit a recent high of 76 in December 2019.

Sentiment plunged an unprecedented 42 points in April, as the pandemic shut down much of the economy and job losses soared. Homebuilding continued, deemed an essential business but buyers pulled back decisively.

Now, buyers appear to be shopping again, in person and virtually. Record low mortgage rates are also helping with affordability.

Cabinet Sales up 5.4% for March

According to a press release from the Kitchen Cabinet Manufacturers Association (KCMA)'s monthly 'Trend of Business Survey', participating cabinet manufacturers reported an increase in cabinet sales of 5.4% for March 2020 compared to the same month in 2019. Sales of custom cabinets increased 2.7%, semi-custom increased slightly at 0.5%, and stock sales were up 9.4%.

The March numbers were strong as well. Cabinet sales overall were up 12% compared to February with custom up 11%, semi-custom sales up 10%, and stock sales up 14% compared to the previous month. Year-to-date cabinet sales increased 6.4% overall with custom sales up 5.4%, semi-custom sales up 0.8%, and stock sales up 10.6%.

Survey participants include stock, semi-custom, and custom companies whose combined sales represent approximately 70 percent of the US kitchen cabinet and bath vanity market.

See: https://www.kcma.org/news/press-releases/march-2020-trend-of-business

Sawn hardwood prices fall then reverse direction

The cost of many construction materials has trended down recently and hardwood sawnwood prices in April were down almost 9% from a month earlier according to the Bureau of Labor Statistics (BLS) Producer Price Index Report for April. Falling energy prices were said to account for much of the decline.

The April BLS price index of materials and components for construction was down 0.3 percent from March, before seasonal adjustment but still it was 0.5 percent higher than a year ago.

However, rising demand stemming from a surge of do-it-yourself projects by consumers working at home coupled with restricted supply due to mills operating at a lower capacity led to an upsurge in sawnwood prices in April according to the National Association of Home Builders.

Pandemic hits hardwood exports to China

In the first two months of 2020 the total export value of US hardwoods to China and Southeast Asia was US$241.5 million, down 7.6% compared to the same period of 2019.

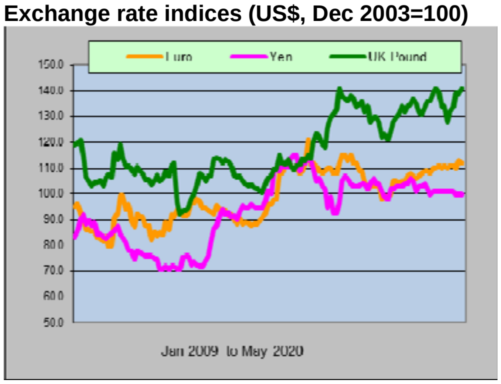
In the first two months of this year the value of hardwood exports to China declined almost 15% year on year to US$167 million. On the other hand, US hardwood exports to the Southeast Asian markets showed a promising growth despite the pandemic as export value reached US$74.4 million, up 14% year on year with Vietnam accounting for 84% of total hardwood exports.

Dollar Exchange Rates

As of 25th May 2020

Brazil	Real	5.2733
CFA countries	CFA Franc	596.51
China	Yuan	7.1693
EU	Euro	0.9084
India	Rupee	75.873
Indonesia	Rupiah	14710
Japan	Yen	107.72
Malaysia	Ringgit	4.3505
Peru	New Sol	3.37
UK	Pound	0.8158
South Korea	Won	1238.26

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

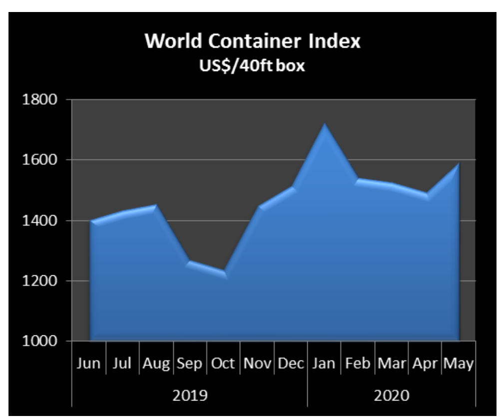


Abbreviations and Equivalences

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

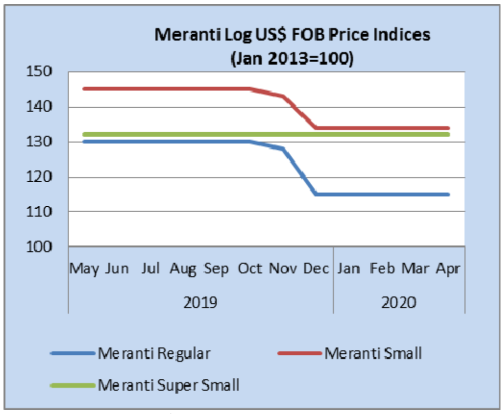
June 2019 – May 2020



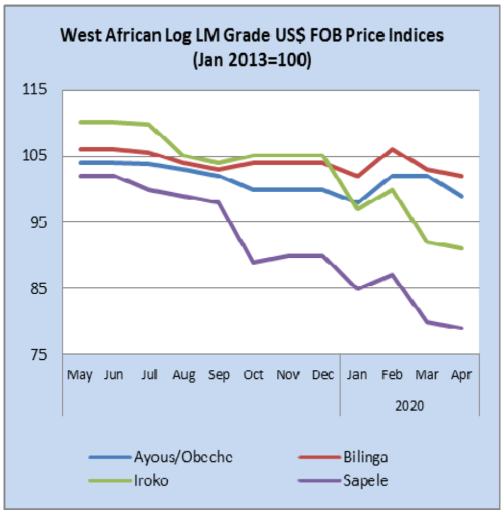
Data source Drewry World Container Index

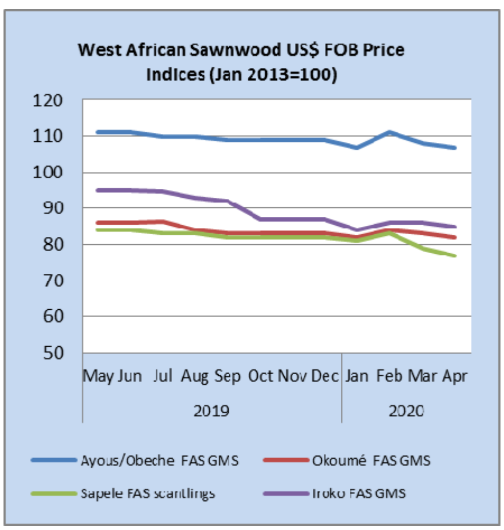
Price indices for selected products

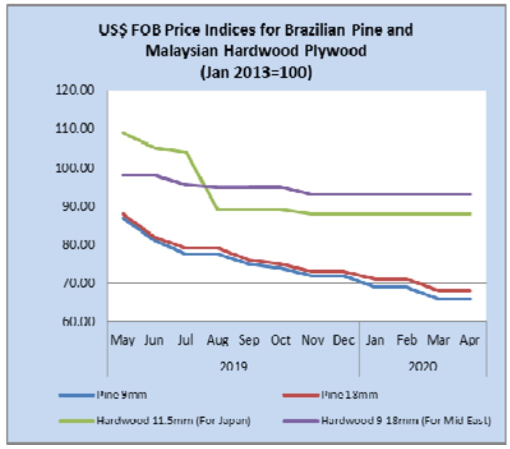
The following indices are based on US dollar FOB prices

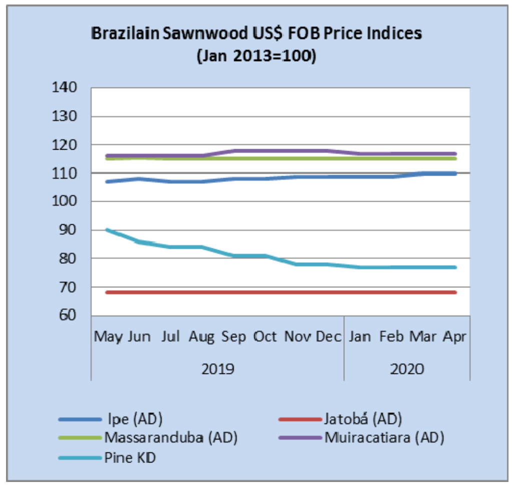


Note: Sarawak logs for the Japanese market









Note: Jatobá is mainly for the Chinese market.

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