

Tropical Timber Market Report

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Contents

Central/West Africa	2
Ghana	3
Malaysia	4
Indonesia	5
Myanmar	6
India	7
Vietnam	9
Brazil	10
Peru	11
Japan	13
China	17
Europe	20
North America	24
Currencies and Abbreviations	26
Ocean Freight Index	26
Price Indices	27

Headlines

	Page
Asian buyers slowly returning to W. Africa	2
Indonesian furniture association aims for reorientation to domestic market	5
Effectiveness of Myanmar's dual currency log payment system debated	6
India's Public Works Department reverses ban on timber for construction of buildings	7
Acacia plantations in Vietnam at risk from fungus attack	9
Exports can revive Peru's the economy says ADEX	12
Germany the second-largest log supplier to China	18
UK tropical sawn hardwood imports down 24% in year to May	22
Survey signals optimism in US manufacturing	25

Top story

Brazilian businesses seek sustainable development agenda for Amazon

A group Brazilian CEOs and heads of business organisations have submitted a written statement to the Vice-Presidency and the National Council for the Legal Amazon supporting a sustainable development agenda and for combating deforestation in the Amazon.

The document was signed by the CEOs of about 40 companies and business groups in the industrial, agricultural and services sectors.

See page 10

Central and West Africa

Asian buyers slowly returning

It has been reported that buyers for the Chinese and other Asian markets are slowly returning. The current emphasis is on a few species such as ovankol, okan and belli. There is a steady but low demand for okoume, iroko, sapelli movingui, dabeme and padauk.

Buyers for the Chinese market are looking for okoume, ovankol, belli and sapelli, reportedly for the furniture sector. Producers say, despite the buyer interest, prices are stable which is seen as a good sign in these tough trading conditions.

Buyers in the Philippines concentrate on okoume and for this market there has been some welcome interest. Tali is the favourite of Vietnam but recently there has been interest in padauk, belli and dabema.

The South African market has not yet shown signs of recovery as the pandemic is taking its toll on manufacturing output in the country. The South African market for finger jointed okoume has weakened. The interest of South African importers in door fabrication in Gabon appears to be still alive and negotiations are ongoing.

Purchases for the Middle East markets are slow, say producers and demand is well below pre-pandemic levels. This market is very price conscious and there are reports that low priced timbers from Russia are gaining market share.

There is a good market for okoume and sapelli sawnwood in Egypt but the payment process for imports into the country is said to be complicated with all transactions having to secure Central Bank approval which causes delays.

Prices edging up for EU market

Europe has started its holiday season which has dampened demand even further, however, there are reports that some prices have started to move in the right direction for timbers such as movingui and acajou, not big sellers at the best of times. A common comment from producers across the region is that payments from buyers are now slower than previously and 60 days is now becoming the norm.

Export volumes down as even as recovery plans developed

Timber exports from Cameroon have fallen sharply by as much as 45% and reports indicate some 60% of sawmills in the country have stopped operations.

The government is preparing a package of support for industries in the country but support will only be provided once companies can show their licenses and arrangements with the government are in order.

The industry is looking forward to the government assistance so they can begin the process of rehiring workers.

Even if mills wish to resume operations they will face logs shortages, especially for timbers that are now in demand as markets are beginning to revive.

There are reports of a large volume of, mainly secondary, peeler logs for the Chinese market held up in the port and they are deteriorating fast.

Timber exports from the Congo have also fallen, the result of the combined impact of the pandemic and tough implementation of the export quota system. Control on exports is very tight in the Port of Pointe Noire. There are reports of several Chinese mills ceasing operations.

Most mills cut okoume for the Chinese and other Asian markets. There are reports of some timber shippers taking advantage of deals offered by conventional vessels looking for return cargos after delivering cement.

Log export prices

West African logs Asian market	FOB Euro per cu.m		
	LM	B	BC/C
Acajou/ Khaya/N'Gollon	265	265	175
Ayous/Obeche/Wawa	250	250	225
Azobe & ekki	275	275	175
Belli	270	270	-
Bibolo/Dibétou	215	215	-
Bilinga	275	275	-
Iroko	300	280	225
Okoume (60% CI, 40% CE, 20% CS) (China only)	230▲	230▲	220▲
Moabi	350▼	350▼	275▼
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

'Redwood' exploitation in eastern DRC

Josué Aruna of the Societe Civile Environmantale et Agro-Rurale du Congo recently presented a report (Trade in redwood from the Lwama-Kivu and Itombwe nature reserve in Eastern DRC) at policy dialogue on natural resources in South Kivu involving a wide participation of local stakeholders especially from the South Kivu Province (DRC)

Aruna alerted the participants on harvesting in the protected areas in South Kivu saying "Hundreds of tons of redwood are cut from these forest landscapes in eastern DRC and sent directly to countries bordering the DRC. These tons of redwood are transported directly to Tanzania, Zambia and Burundi."

Aruna continued, saying the harvesting ban on 'redwood' and other species ordered by the Minister of Environment and Sustainable Development for the Congo River Basin does not cover South Kivu and Maniema. Aruna requested the ministry investigate the situation.

See: <https://cbcscongbasin.org/alerte-sur-le-commerce-illegal-du-bois-rouge-provenant-les-paysages-des-reserves-naturelles-lwama-kivu-ngandja-et-itombwe-a-lest-de-la-republique-democratique-du-congo/>

Ghana

Export volume and value dip by 50%

The Timber Industry Development Division (TIDD) has reported that Ghana's export volumes and values in April 2020 declined by around 50% against April 2019. Exports comprised 9 main products from 36 species which were exported to 29 countries. Compared to exports in March the performance in April was down 38%.

The cumulative export volumes and values for the period January to April 2020 are shown below.

Export Volumes, cu.m

Product	Jan-Apr 2019	Jan-Apr 2020	Y-o-Y % Change
Sawnwood (AD)	62,513	32,781	-47.6
Sawnwood (KD)	13,781	11,934	-13.4
Plywood (OL)	8,206	6,420	-21.76
Billets	9,906	5,177	-47.7
Sliced Veneer	2,425	2,510	3.5
Mouldings	2,480	3,277	32.1
Rotary Veneer	1,288	3,018	134.3
Sliced Veneer (OL)	120	6	-95
Boules (AD)	148	121	-18.2
Boules (KD)	29	79	172.4
Other	991	53	-94.7
Total	101,887	65,376	-35.83

Data source: TIDD

Export values (Euro 000s)

Product	Jan-Apr 2019	Jan-Apr 2020	Y-o-Y % Change
Sawnwood (AD)	32,859	15,064	-54.2
Sawnwood (KD)	8,129	7,042	-13.4
Plywood (OL)	2,797	2,105	-24.7
Billets	3,693	1,868	-49.4
Sliced Veneer	2,264	2,345	3.6
Mouldings	1,742	2,432	39.6
Rotary Veneer	679	1,175	73.1
Sliced Veneer (OL)	92	4	-95.6
Boules (AD)	87	70	-19.5
Boules (KD)	19	49	157.9
Others	242	0	-100
Total	52,603	32,152	-38.88

Data source: TIDD

Products that performed well in terms of export volumes and value for the period included sliced veneer, mouldings, rotary veneer and kiln dried boules. Exports of the other main products declined. The weak export performance came as no surprise as the country was under a lockdown and international demand was disrupted.

Guarantee Facility to support business

The government has committed two billion Ghana cedis (approx. US\$345 million) as a Guarantee Facility to support businesses and industries affected by the impact of the corona virus.

The Finance Minister, Ken Ofori-Atta, explained that the facility is part of a GHc100Billion investment the government plans to support the economy under the Coronavirus Alleviation and Revitalisation of Enterprises Support (CARES) Programme.

The Minister said discussions are being held on plans to provide free water to consumers along with free electricity to so-called 'life-line' consumers (those whose consumption unit fall between 0 - 50KW per month). The Consumer Protection Agency (CPA) is encouraging the government to adopt these measures. Workers laid off as a result of COVID-19 control measures will also be provided with income from a scheme to be known as National Unemployment Insurance Scheme.

For more see:

<https://www.ghanaweb.com/GhanaHomePage/business/Mid-year-review-to-focus-on-industry-support-economic-recovery-Ken-Ofori-Atta-1010917>

Discussions on National Biodiversity Policy close to completion

The Ministry of Environment, Science, Technology and Innovation (MEST) has reported that the government is finalising a National Biodiversity Policy aimed at ensuring the protection, restoration and sustainable use of terrestrial ecosystems, the sustainable management of forests and the combating of desertification.

The MEST Minister, Prof. Kwabena Frimpong-Boateng, stressed the need for people to adopt positive lifestyles to reverse biodiversity loss to help preserve, protect and promote natural resources for the benefit of future generations.

Biodiversity loss is a key element under the implementation of the Forestry Development Master Plan (2016 – 2036) that will contribute to the attainment of the Sustainable Development Goal (SDG) to manage forests and combat desertification and halt and reverse land degradation and halt biodiversity loss.

See: <https://mesti.gov.gh/national-biodiversity-policy-offing/>

Ghana's COVID-19 news

According to the Ghana Health Service website Ghana has recorded a total of 32,969 cases of the coronavirus with 29,494 people recovered and 168 deaths. The data also shows that the country's recovery rate has surged to 89.5% from 75% in the previous month while deaths related to the virus are at a low rate of 0.5% of confirmed cases.

The restrictions on church and mosque prayer services and the transport sector have been lifted as has the ban on visits to tourist sites and attractions. The government has refurbished and expanded 10 treatment centres across the country and distributed PCR test kits to all COVID-19 centres to boost testing.

See:

<http://www.presidency.gov.gh/index.php/briefing-room/speeches/1624-update-no-14-measures-taken-to-combat-spread-of-coronavirus>

Boule export prices

	Euro per cu.m
Black Ofram	330
Black Ofram Kiln dry	420
Niangon	583▲
Niangon Kiln dry	619

Export rotary veneer prices

Rotary Veneer, FOB	Euro per cu.m	
	CORE (1-1.9 mm)	FACE (>2mm)
Ceiba	336▲	440
Chenchen	540	631
Ogea	443	590
Essa	543	638▲
Ofram	350	435

Export sliced veneer

Sliced face veneer	FOB Euro per cu.m
Asanfin	850▲
Avodire	667
Chenchen	877▼
Mahogany	1,016
Makore	2,034▲
Odum	966▲

Export plywood prices

Plywood, FOB		Euro per cu.m	
BB/CC		Ceiba	Ofram Asanfin
4mm		324	580 641
6mm		412	535 604
9mm		377	446 560
12mm		516▲	476 480
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 cu.m	
FAS 25-100mm x 150mm up x 2.4m up		Air-dried	Kiln-dried
Afrormosia		860	925
Asanfin		465	564
Ceiba		404	600
Dahoma		413	423▼
Edinam (mixed redwood)		520	569▼
Emeri		465	591
African mahogany (Ivorenensis)		930	986▼
Makore		740	840
Niangon		620	625▼
Odum		649	758▼
Sapele		720	909▲
Wawa 1C & Select		426▲	454▲

Malaysia

Crunch time as loans to be repaid

The negative effects of the corona control measures are still being felt and this is reflected in the unemployment rate which rose above 5% this year with a total of 826,100 workers without a job.

At a company level there is a looming problem as the six-month moratorium on bank loan repayments announced in late March ends in September such that borrowers will need to start repaying loans. Analysts say, while the moratorium will end, it is in the interest of the banks to help with loan payment rescheduling.

The Malaysia Central Bank has indicated it is ready to stand with the commercial banks to assist borrowers.

Pandemic dents demand for particleboard

In this period of economic uncertainty consumers are delaying unnecessary purchases such as furniture and this has impacted demand for particleboard.

The weak demand has impacted earnings of board manufacturers and one large company in Malaysia. HeveaBoard has reported that first quarter earnings suffered.

HeveaBoard Managing Director, Yoong Hau Chun, said that during the period of lockdown the company was able to run at around 50% capacity which kept the company afloat and enabled it to pay workers as well as maintain links with customers, especially important buyers in Japan.

Commercialisation of bamboo

The Minister of Plantation Industries and Commodities, Dr Khairuddin Aman Razali, said his ministry is exploring bamboo as a future commodity upon which to build an industry

To develop a bamboo industry the ministry had listed bamboo as one of the forest crops that could be commercialised through the Forest Plantation Development Programme along with eight other species, namely rubberwood, acacia, kelampayan/laran, batai, teak, binuang, khaya and sentang. The ministry, through the Malaysian Timber Industry Board, will produce a Malaysian Bamboo Industry Development Action Plan 2021-2030.

The Minister said bamboo can be used to produce plywood, furniture, food, fabric, handicraft, cutlery, construction products, charcoal and pellets for which there is international and domestic demand.

Sarawak certified SFM by 2022

Forest Department Director, Hamden Mohammad, has indicated that by 2022 all long term timber licence-holders in Sarawak must obtain Forest Management Certification.

So far, 10 Forest Management Units (FMU), covering 955,676ha, have obtained certification. Based on satellite images Sarawak has 63% or 7.79 million hectares of forest cover compared to its total land mass of 12.45 million hectares.

Plywood export prices

Traders based in Sarawak reported the following export prices:

FB (11.5 mm) US\$580 C&F
CP (3'x 6') US\$450 – 475 C&F
UCP (3'x 6') US\$550 C&F

Indonesia

Timber sector may be seeing a recovery

Bambang Hendroyono, Secretary General in the Ministry of Environment and Forestry, has reported that wood product export figures for June are suggesting that the timber sector may be at the beginning of a recovery phase despite the impact of the global COVID-19 pandemic. This view was supported by Indroyono Soesilo, Chairman of the Association of Indonesian Forest Concessionaires (APHI), who said looking at the trend there is optimism that a year on year increase in export earnings from the timber sector could be possible in the second half of the year.

See: <https://foresthints.news/indonesias-forestry-exports-begin-to-recover-despite-covid-19/>

A boost to the overall export performance came from an increase in exports to the US explained the Head of the Indonesian Trade Promotion Center in Los Angeles, Bayu Nugroho. The Ministry of Trade has reported that there was an increase in furniture exports to the US in the first five months of the year. When half year data becomes available the full picture will become clear.

Furniture exports from Indonesia to the US between January and May 2020 earned US\$582 million well above the US\$385 million in the same period in 2019.

Indonesia's furniture exports to the US in 2019 were recorded at US\$1.04 billion, an increase of almost 30% compared to the US\$809 million in 2018.

See: <https://pressrelease.kontan.co.id/release/ekspor-furnitur-indonesia-ke-amerika-serikat-melonjak-513-di-tengah-pandemi-covid-19>

While overall the export performance was solid, APHI Executive Director, Purwadi Soeprihanto, has expressed concern that exports of Indonesian wood products to the EU have not grown as much as anticipated. In trying to explain this he said markets in the EU are very sensitive to environmental considerations and product standards are demanding.

He added that although Indonesia and the European Union have concluded the Forest Law Enforcement, Governance and Trade (FLEGT) Voluntary Partnership Agreement (VPA) and Indonesia enforces its Timber Legality Verification System (SVLK) Indonesian products have a hard time competing with FSC labelled products. To examine this he said that a joint audit was being conducted between the SVLK and FSC certification schemes.

See: <https://industri.kontan.co.id/news/ini-penyebab-ekspor-produk-kehutanan-indonesia-ke-uni-eropa-kurang-maksimal>
<https://industri.kontan.co.id/news/begini-kata-pelaku-industri-produk-kehutanan-soal-prospek-ekspor-uni-eropa>

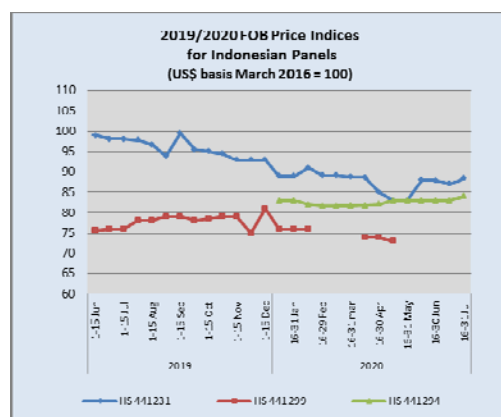
Furniture association reorientation to domestic market

The Indonesian Furniture and Crafts Industry Association (HIMKI) is optimistic that the challenges faced by the furniture industry will ease during the second half of the year. Behind this view is the assumption that the Chinese economy will improve which will lift demand for wood products.

Looking to the future, HIMKI Secretary General, Abdul Sobur, has indicated the second half of the year will witness a transition period for the furniture sector.

He said the association plans to stimulate a change in the orientation of the national furniture sector industry away from a concentration on exports to one where the domestic market is the main target to guard against any further shocks to external demand.

Indonesian panel indices



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

Myanmar

Pandemic update

As of 25 July there were only 353 reported corona virus cases in Myanmar and none required intensive care. The testing capacity in the country has increased to around 2,000 daily. All returnees from overseas are required to mandatory quarantine for 21 days and for a further for seven days at home. International flights are closed until 31 August but relief flights to bring home citizens continue.

Restrictions on business operations have undermined company finances and resulted in many having to lay-off workers. For mills that were able to operate, the slow-down in orders from EU was and remains a problem and a potential risk to the survival some companies. It appears there is a growing sense in the domestic industry that the timber trade in Myanmar has become overly politicalised especially in the EU, the major market for Myanmar teak. This has prompted the private sector to urge the government to take action.

Orders from US importers have also fallen and this, it is assumed, is because of the seriousness of the virus spread in the US and the impact on manufacturing and sales.

Orders drying up

Myantrade, under the Ministry of Commerce, surveyed 226 export companies in the country. The survey found that 19% of companies are experiencing a decline in orders by up to 20% while 36% said they have not received any orders from their buyers for the next three months.

According to the survey, more than 50% of companies saw a drop in orders with 18% reporting orders being cancelled. More than half of the export companies surveyed expect further declines in orders for the next three months.

In related news, the Ministry of Labour, Immigration and Population said that in June more than 140,000 workers lost their jobs due to the closure of 5,658 micro, small and medium-sized enterprises and 270 large factories as well as shops and restaurants.

See: <https://www.irrawaddy.com/business/business-roundup/irrawaddy-business-roundup-28.html>

Support for households

To alleviate the hardship faced by households the government will provide K40,000 to each of the 5.4 million households with irregular incomes according to U Zaw Htay, Director-General of the Ministry of State Counsellor Office. In remote areas pilot mobile payments will be tested. In April, the government provided essential food to over 4 million families and then the government provided K15,000 to each of the 1.4 million families who did not get the food supplies from the government.

To fund the Covid-19 Economic Relief Plan the government is working on acquiring US\$1.5 billion in loans from international organisations such as IMF, World Bank and the Asian Development Bank.

Thousands of jobs in tourism sector at risk

During a recent National Tourism Development Committee's meeting, U Tin Let, Deputy Minister of the Ministry of Hotels and Tourism, said there is a risk that a large number of hotels and tourism related businesses will not survive without help. If they collapse, he said, this could result in around 75,000 directly employed workers and thousands of indirect workers in the sector being without an income.

Harvesting and transport

As is normal during the rain season from May to Oct only pre-harvest work, such as the tree markings and road maintenance, is undertaken. This year the harvesting target is far below the Annual Allowable Cut (AAC).

For log hauling the Myanma Timber Enterprise (MTE) is using private operators in some areas. MTE is very carefully working to ensure private operators comply with harvesting rules and regulations under the eyes of environmental watchdogs which also ensures that MTE is transparent in its contract assignment procedure. Some critics do not understand well the difference between the previous private sector logging sub-contracts and the current new system of using the private service providers.

Effectiveness of dual currency log payment system debated

The issues of the log export ban and the dual currency system for log sales by the Myanma Timber Enterprise (MTE) has again been discussed in the domestic press (The Voice Journal).

Logs sold for the manufacture of export products must be paid for in US dollars while logs to be used to produce items for the domestic market only can be paid for in the local currency, the Kyat.

The recent article pointed out that the two currency payment system appears to contradict government regulations and, this aside, allowing payments in local currency could exaggerate the impact of fluctuations in exchange rates.

Commenting on the suggestion for a single payment system an exporter said the two currency system should be maintained because logs in the so-called 'conflict areas' should be only for domestic use. If these logs are not separated from other supplies then importers would face problems satisfying the Due Diligence Requirements in their market.

The article also urged a discussion on reconsideration of the log export ban which was introduced in 2014 saying the export of non-teak logs should be allowed because local industries are not geared up to produce exportable items from non-teak logs and the resumption of non-teak log exports would be beneficial for the country.

Another miller/exporter commented the log export ban is intended to support domestic industries secure log supplies, something that was always a problem when log exports were allowed.

July teak log tender prices

Grade	H.tons	Average US\$/H.ton
SG-1	8.1	5,312
SG-2	17.6	4,413
SG-4	66.3	3,912
SG-5	173.0	2,903
SG-6	155.5	2,869
SG-7	970.6	1,929

India

Pandemic update

The Indian Ministry of Health has reported that as of 25 July there are around 1.3 million corona virus cases in the country and 456,071 active cases. Some 849,431 people have been treated and discharged bringing the percent recovery to around 64%.

The government has advised against large gatherings and has asked states and local bodies to use technology to ensure everyone is aware of how to protect themselves.

Economy improved in June

Measures adapted to slow the spread of the virus resulted in severe disruption of industrial production and consumer spending during April and May but the IHS Markit Purchasing Managers' survey for India illustrates that the economy improved in June as restrictions were eased. Looking ahead the survey forecasts the Indian economy could rebound in the second half of this year.

India imposed a total lockdown in March and restrictions were gradually eased from May. There was a sharp decline in GDP in the second quarter of this year driving a recession in the 2020-21 financial year.

Despite the short-term shock to the economy, foreign investment into India remained buoyant.

See:

<https://www.markiteconomics.com/Public/Home/PressRelease/b8e264c35c704290af1b7ac8d4227203>

and

https://economictimes.indiatimes.com/news/economy/indicators/indian-economy-set-for-post-covid-19-rebound-as-fdi-remains-buoyant-ihs-markit/articleshow/77127090.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

Despite the overall dim prospects there is some encouraging news. Analysts write "the monsoon has set well and the Festival of trees is in full swing. Day by day more people and also those in government are realising the importance of green cover and ambitious projects have been launched".

After 25 years Public Works Department reverses ban on timber in construction of buildings

The Indian Public Works Department under the Union Housing and Urban Affairs Ministry, the government's construction agency which undertakes major construction projects on behalf of the Central Government as well as the state governments, has changed its stance on the use of timber in construction.

After 25 years the Public Works Department has reversed the ban on use of timber in construction of buildings and housing projects. This decision came about as the Ministry of Environment, Forest and Climate Change pushed for the change because this will increase demand for wood-based products that would encourage investment and create jobs.

The Ministry of Environment stated that as India has committed to contributing to a carbon sink of 2.5-3 billion MT through additional forest and tree cover by 2030, raising the demand for forest products will give a boost to efforts to expand forest cover.

See:

<https://realty.economictimes.indiatimes.com/news/industry/cpwd-removes-ban-on-use-of-timber-in-construction-of-buildings/76758331>

Plans to expand domestic furniture production and reduce imports

In the inaugural address at the India Global Week 2020, a virtual conference organised in the UK with the theme of Aatmanirbhar Bharat (translated to: self-reliant India) the Indian Prime Minister stressed that the government's policy of self-reliance was key to protecting the country from future economic shocks while remaining integrated with the rest of the world.

As a follow-up the government has identified 20 sectors where India can satisfy more of its domestic demand through import substitution. One target for this approach will be furniture.

Speaking at a Federation of Indian Chambers of Commerce & Industry webinar the Minister of Commerce and Industry highlighted the focus on expanding domestic furniture production and reducing imports.

The Minister said the government has identified sectors where India can not only meet its domestic needs but also become globally competitive and become a global leader by supplying to the world.

Reports suggest the government is considering restrictions on imports of 371 items ranging from toys and plastic goods to sports gear and furniture.

2020 survey – first half year housing sales plummeted

The near complete shutdown of all activity in the housing and construction sectors as a result of the unprecedented disruptions caused by the pandemic control measures has had a devastating effect. The KnightFrank 2020 survey shows that home sales plummeted in the first half of the year.

Some companies managed to secure some business through innovative online marketing, refundable deposits and help for buyers seeking financing but, despite this, it has been a disastrous period quarter for the market.

The impact of the lockdown resulted in over 80% declines in sales and new starts in most regional markets. Companies in Delhi, Chennai and Hyderabad reported almost no sales in the second quarter. As restrictions are being eased the problem has now become one of a shortage of workers.

The Indian residential market has been sluggish for a few years but of concern now is that affordable housing sector is also showing signs of weakness and the share of affordable housing in the overall market has fallen below 50% for the first time. The affordable housing segment saw a strong expansion in 2014 and 2015 driven by the governments promise of housing for all by 2022.

For more see:
<https://content.knightfrank.com/research/2028/documents/en/india-real-estate-residential-office-h1-2020-indian-real-estate-residential-office-7302.pdf>

Plantation teak

The trickle of teak imports has continued and traders report no problems with domestic transport from the ports. C&F rates for Indian ports from various other sources continue within the same range as given earlier.

Locally sawn hardwood prices

The sawnwood markets are yet to reopen. Pre-pandemic prices are shown below.

Pre-pandemic prices

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

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

Myanmar teak prices

Teak log sales have resumed in Myanmar allowing millers to build stocks ready for when demand in India recovers.

Pre-pandemic prices

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

Price range depends mainly on lengths and cross-sections.

Sawn hardwood prices

Imports of timber from the US are beginning to recover and analysts suggest there will be a growth in imports of US hardwoods as furniture import substitution efforts take hold. However, production at most manufacturing units is hampered by slow demand.

Pre-pandemic prices

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

Price range depends mainly on lengths and cross-sections.

Plywood

There has been a recent focus on increasing domestic log production and discussion have centred on how to encourage tree planting by the States, the Central Government, entrepreneurs and farmers. There has been an emphasis on commercial planting of local species which were being used but have now been depleted.

Among exotic species, eucalyptus, poplar and melia dubia are being considered. Analysts write “if India wants to be self-sufficient in wood products active support to increase plantations will be necessity from the Government side.”

Although restrictions on business operations and on domestic travel have been eased it appears many migrant workers have not yet returned to work and this is undermining efforts to boost industrial output.

It has been reported that in the Krishna district in Andhra Pradesh less than 25% of workers are returning to take up their industrial jobs which, with the weak consumer demand has put industrial recovery at risk.

As domestic demand for plywood begins to recover the biggest hurdle is still the availability of workers. Plywood prices remain unchanged despite the desire of manufacturers to lift prices.

Pre-pandemic prices

Domestic ex-warehouse prices for locally manufactured WBP plywood

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

Pre-pandemic prices

Domestic ex-warehouse prices for locally manufactured MR plywood

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

Vietnam

Acacia plantations at risk from fungus attack

Under the “Doi moi” (renewal policy) land tenure reform, which provided land to farmers, along with the robust development of wood processing in the country has been a key driver of commercial plantation development. Immense areas of denuded hills and barren land left after Vietnam War have been re-greened with acacia (mostly acacia mangium and acacia hybrid – a variety of acacia created by cross-breeding of acacia mangium and acacia auriculiformis).

Wood harvested from over 3 million ha. of short rotation (4–7 years) acacia and rubberwood play a vital role in supporting the development of wood industry sector and improvement of farmers’ livelihood.

In recent months many plantation owners have reported the presence of disease in the acacia plantations which, it has been identified, is caused by a leaf fungus, *Ceratocystis manginecans*.

The Vietnam Academy of Forest Science (VAFS) has warned this fungus, if not checked, could damage all acacia species planted in Vietnam, including acacia mangium, acacia hybrid, acacia auriculiformis and acacia crasiparva. The Academy noted the damage caused to acacia plantations in Indonesia and along with the Vietnam Administration of Forestry (VNFOREST) is urging local authorities to take immediate action to treat infected acacia plantations.

VNFOREST has reported on the current outbreak specifically mentioning the infection in Tuyen Quang, where almost 100 ha. of plantations (2019 planting) have withered and the infection rate is over 70%. VNFOREST has recommended the clearing and replanting. Tuyen Quang is not the only place experiencing infection as the disease is scattered in many places but there are no statistics on the extent of damage.

In long term, developing disease-tolerant varieties of acacia and diversification of planting species rather than acacia alone are seen as possible solutions.

Export and import update

Vietnam earned just over US\$5 billion from wood product exports in the first half of this year, up 2.4% year on year according to the Vietnam Administration of Forestry. In June alone export earnings topped US\$900 million.

In the first half of the year Vietnam imported wood products valued at US\$1.1 billion, some 8.5% down on the first half of 2019.

Business leaders have indicated that prospect for increased wood product exports in the third quarter this year are not yet certain as the effect of the pandemic on businesses in Vietnam's key markets, the United States, the European Union and Japan is fragile.

New investment law

On 17 June 2020 the National Assembly of Vietnam passed the new Law on investment set to take effect 1 January 2021. This replaces Decree 118/2015/ND-CP (Decree 118).

The New Investment Law contains notable changes that will impact investment activities in Vietnam. Further refinement of the regulations in the law is expected.

See: <https://www.lexology.com/library/detail.aspx?g=75ce815f-0e3f-4f5f-94f8-e719fb053ac4>

Brazil

Bento Gonçalves furniture cluster feels the pain

The Brazilian furniture sector is still feeling the negative impact of the pandemic. According to Portal Móveis de Valor, sector revenues in May 2020 fell in the Bento Gonçalves, Rio Grande do Sul State furniture cluster.

Revenue for the furniture cluster in the first five months of 2020 was R\$656.9 million, down 7.9% compared to the same period last year. The recent decline comes on top of the recent decline in cumulative earnings.

Despite the negative trend the Furniture Industry Association of Bento Gonçalves (Sindmóveis) considers that the May figures may be a turning point, a scenario which can be confirmed when the June data are released.

Furniture manufacturers in Rio Grande do Sul experienced a 14% drop in revenue between January and May this year, compared to the same period in 2019.

The furniture sector in Brazil has been for some time struggling to recover from the weak domestic economic growth in 2018 and 2019. In Bento Gonçalves furniture sales did not fall last year but stagnated in real terms.

For 2020 only January and February sales were positive that is before the pandemic impact. Sales in March and April were the lowest in the history of the furniture industry.

Businesses demand sustainable agenda for Amazon

A large group of business leaders have submitted a written statement to the Vice-Presidency and the National Council for the Legal Amazon supporting a sustainable development agenda and for combating deforestation in the Amazon.

The document was signed by the CEOs of about 40 companies and business groups in the industrial, agricultural and services sectors.

In addition four organizations: the Brazilian Business Council for Sustainable Development (CEBDS); Brazilian Agribusiness Association (ABAG); the Brazilian Tree Industry (IBÁ) and the Brazilian Association of Vegetable Oil Industries (ABIOVE) were also signatories.

In the statement the executives point out that it is desirable that the federal government gives assurances to the Brazilian sector that some of the actions and commitments that are presented in the statement are adopted and implemented. Regarding the Amazon and other Brazilian biomes the group supports the fight against illegal deforestation.

According to IBÁ, for the business sector that operates within the law (in compliance with national laws), there is no inconsistency between production and preservation and conservation. The business sector also claims that some of the signatory companies are already developing bio-economy business solutions with added-value and product traceability.

In addition to the effective fight against illegal deforestation the following issues are also identified as priority areas for action:

- social and economic inclusion of local communities to ensure the preservation of forests; minimizing environmental impacts in the use of natural resources
- seeking efficiency and productivity in the economic activities
- valuing and preserving biodiversity as an integral part of business strategies
- adoption of carbon credit trading mechanisms
- shifting financing and investments to a circular and low carbon economy
- incentive packages for the economic recovery from the effects of the Covid-19 pandemic, conditioned to a circular and decarbonized economy.

See: <https://iba.org/eng/business-sector-demands-action-from-the-brazilian-government-on-the-sustainability-agenda>

Export update

In June 2020, Brazilian exports of wood products (except pulp and paper) declined 8.5% in value compared to June 2019, from US\$237.0 million to US\$216.9 million.

The value of June pine sawnwood exports fell 13.5% (June 2019, US\$44.4 million and June 2020, US\$38.4 million). In volume terms, June exports dropped 7.5% over the same period, from 242,800 cu.m to 224,500 cu.m.

There was a sharp drop in tropical sawnwood exports in June, 43% in volume, from 42,300 cu.m in June 2019 to 24,200 cu.m in June 2020. In terms of value June exports also dropped 43% year on year, from US\$16.0 million to US\$2.2 million.

The depressing news continued with pine plywood exports falling 11.5% in value in June 2020 in comparison with June 2019, from US\$39.3 million to US\$34.8 million. Exports volumes dropped slightly less (8.6%) over the same period, from 159,500 cu.m to 145,800 cu.m.

The decline in exports was more pronounced for tropical plywood where exports volumes fell 48% and export values fell by 45% from 7,500 cu.m (US\$2.9 million) in June 2019 to 3,900 cu.m (US\$1.6 million) in June 2020.

There was a 14% decline in wooden furniture exports in June, US\$44.3 million in June 2019 to US\$38.1 million in June 2020.

Furniture from China - almost half of total imports

Furniture exports from Brazil are not doing well this year, mostly because of the pandemic and the consequent weak global demand. The furniture trade balance improved in the first half of the year with a surplus of almost 10% compared to just 4.5% in the first half of last year.

Between January and June 2020 furniture imports dropped over 20% to US\$250 million compared to US\$318 million in the first half of 2019. However, imports from China fell just 16% and accounted for more than 45% of total furniture imports in the first half of the year.

The largest declines were in imports from countries that export high-end quality furniture to Brazil such as Germany (-45%), Italy (-39%) and France (-34%). Overall, Brazil imported furniture from 64 countries in the first half year with the top 10 shipping over 86% of the total.

The Brazilian state that imports most furniture is São Paulo, representing more than 40% of the total imported. This is followed by Santa Catarina, Goiás but none surpassed the growth in Ceará state where, year to June, imports jumped from US\$1.9 million in 2019 to US\$4.2 million this year.

Domestic log prices

	US\$ per cu.m
Brazilian logs, mill yard, domestic	
Ipê	160▲
Jatoba	84▲
Massaranduba	77▲
Muiracatiara	81▲
Angelim Vermelho	76
Mixed redwood and white woods	65

Source: STCP Data Bank

Domestic sawnwood prices

	US\$ per cu.m
Brazil sawnwood, domestic (Green ex-mill)	
Ipê	674▲
Jatoba	340▲
Massaranduba	327
Muiracatiara	303▲
Angelim Vermelho	296
Mixed red and white	195▲
Eucalyptus (AD)	149▲
Pine (AD)	99
Pine (KD)	122▲

Source: STCP Data Bank

Domestic plywood prices (excl. taxes)

	US\$ per cu.m
Parica	
4mm WBP	388
10mm WBP	322▲
15mm WBP	269▲
4mm MR.	309▲
10mm MR.	230▲
15mm MR.	209▲

Prices do not include taxes. Source: STCP Data Bank

Prices for other panel products

	US\$ per cu.m
Domestic ex-mill prices	
15mm MDParticleboard	154▲
15mm MDF	189▲

Source: STCP Data Bank

Export sawnwood prices

	US\$ per cu.m
Sawnwood, Belem/Paranagua Ports, FOB	
Ipê	1,460▲
Jatoba	858▲
Massaranduba	841▼
Muiracatiara	869▲
Pine (KD)	163▼

Source: STCP Data Bank

Export plywood prices

	US\$ per cu.m
Pine plywood EU market, FOB	
9mm C/CC (WBP)	245▼
12mm C/CC (WBP)	239▼
15mm C/CC (WBP)	227▼
18mm C/CC (WBP)	223▼

Source: STCP Data Bank

Export prices for added value products

	US\$ per cu.m
FOB Belem/Paranagua ports	
Decking Boards	
Ipê	2,972▲
Jatoba	1,462▲

Source: STCP Data Bank

Peru

Forest authority operates virtually

In response to the pandemic remote working has become the norm but those responsible for field activities and inspections have faced major challenges. OSINFOR has shifted operations to the virtual world with the help of the USAID FOREST programme and the US Forest Service.

One of the first tasks was to find ways to maintain the so-called "Operations Book for Forest Enabling Titles". Before the pandemic control measures this administrative process was implemented on a face to face basis but it has now been adapted with SERFOR to a remote system.

For some years SERFOR has operated a virtual training platform in support of its field activities and last year the a virtual version of some training programmes were developed. With the resumption of business activities in the timber sector the new virtual initiatives will be maintained for the benefit the sector.

Peru – one of the hardest hit countries

The 199th anniversary of Peru's independence was marked on 28 July but there was little to celebrate as the country faces the biggest challenge in recent history. Peru has reported about 18,500 deaths from COVID-19 and 390,000 confirmed cases making it one of Latin America's hardest-hit nations just behind Brazil and Mexico and the seventh highest globally.

The pandemic exposed weaknesses in Peru's healthcare system which has prompted the President to announce sweeping reforms. He also said the pandemic had exposed serious underinvestment in healthcare.

There has been progressive improvement in economic output since mid-May and the pace of decline in GDP has slowed. The decline in GDP in April was -40% but May data came in at -33%.

Everyone now hopes the worst economic impact has ended. The slower pace of decline could be explained by the start of Phase 1 of the Economic Reactivation Plan in May when work restarted in the mining, construction and commercial sectors.

Exports can revive the economy says ADEX

The president of ADEX, the exporters association, has stressed the importance of exports in reviving the economy saying, "although the external market is still lagging, exports offer many opportunities if the right strategies are designed". He called for a streamlining of investment processes and implementation of sectoral economic support funds since each economic sector has its own characteristics.

He concluded "Just as there is a government-to-government programme with the objective of overcoming the obstacles of bureaucracy and corruption, we should also seek new paths of action through a government-to-company programme to add public resources with the executive capacity of companies.

See: <https://gestion.pe/economia/pacto-peru-anunciado-por-el-presidente-vizcarra-debe-convocar-a-todos-los-actores-del-pais-senala-adex-nndc-noticia/>

In related news, ADEX has said in March, April and May, when pandemic isolation measures were in effect, 2,282 Peruvian companies stopped exporting. In the timber sector those most affected were micro-enterprises as well as 255 small companies, 8 medium-sized companies and 48 large companies. The micro and small sized enterprises are in urgent need of assistance, said the president of ADEX.

Export sawnwood prices

Peru sawnwood, FOB Callao Port	US\$ per cu.m
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	569-598▲

Domestic sawnwood prices

Peru sawnwood, domestic	US\$ per cu.m
Mahogany	-
Virola	241-265▼
Spanish Cedar	342-355
Marupa (simarouba)	233-242

Export veneer prices

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

Export plywood prices

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

Domestic plywood prices (excl. taxes)

Iquitos mills	US\$ per cu.m
122 x 244 x 4mm	512
122 x 244 x 6mm	519
122 x 244 x 8mm	522
122 x 244 x 12mm	528
Pucallpa mills	
122 x 244 x 4mm	503
122 x 244 x 6mm	511
122 x 244 x 8mm	516
122 x 244 x 8mm	521

Domestic prices for other panel products

Peru, domestic particleboard	US\$ per cu.m
1.83m x 2.44m x 4mm	282
1.83m x 2.44m x 6mm	230
1.83m x 2.44m x 12mm	204

Export prices for added value products

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

Japan

Lockdown lifted but weak global demand hammers growth prospects

Japan's economy is expected to have contracted almost 24% on an annualised basis in the second quarter of 2020 driven down by falling exports and the impact of the state of emergency which encouraged work from home and businesses to close. Preliminary second quarter GDP data will be available mid-August.

The Bank of Japan said it expects the Japanese economy to shrink 4.7% and the consumer price index to fall 0.5% in fiscal 2020 ending March 2021.

Japan's industrial activity contracted for the 15th consecutive month in July suggesting the economic damage from the pandemic will linger as there is little hope for a quick recovery in global demand. The lifting of most lockdown restrictions gave a boost to the domestic economy but it is still negatively affected by weak international trade. Japan's exports crashed in June, the fourth month of declines.

Subsidised relocation of manufacturing from China

The Ministry of Economy, Trade and Industry has released the names of the first group of Japanese companies being subsidised to relocate manufacturing out of China. The first 87 companies will benefit from the yen 70 billion fund to move production lines. The Japanese government's aim is to reduce reliance on China and build diversified supply chains. The Ministry said 30 of the 87 companies will shift production to Southeast Asia.

The government has allocated yen 220 billion in the fiscal 2020 supplementary budget to create this subsidy programme to encourage companies to move. Of the total, yen 23.5 billion is for those shifting to Southeast Asia.

See: <https://asia.nikkei.com/Economy/Japan-reveals-87-projects-eligible-for-China-exit-subsidies>

'Go to' tourism boost off to a rocky start

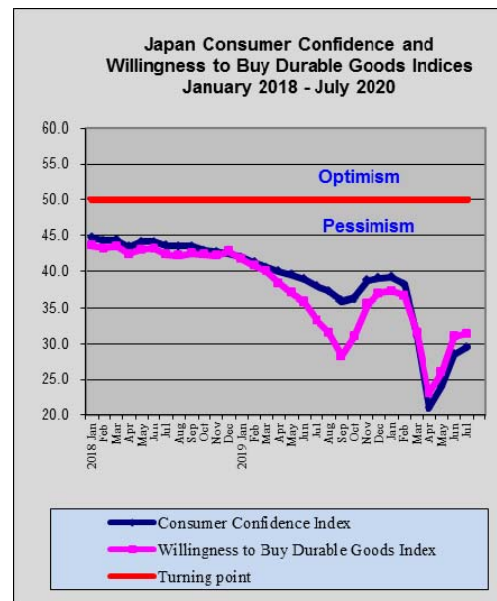
In an effort to boost domestic tourism the government launched what has been called the 'Go To' subsidised travel campaign but there are growing concerns on whether encouraging travel at this point of time as a second wave of infections is expanding.

This yen 1.35 trillion campaign was originally designed to promote domestic travel by anyone to any destination with discounts via deals and vouchers but after a rise in coronavirus cases, particularly in Tokyo, the government announced travel to and from Tokyo is not included.

The recent nationwide surge in infections has promoted suggestions that the government may re-impose a state of emergency as there is a risk the health care system could be overwhelmed.

Consumer confidence

Japan's consumer confidence index rose slightly in July, improving for a third consecutive month. While the overall index rose that for 'willingness to purchase durable goods' was flat.



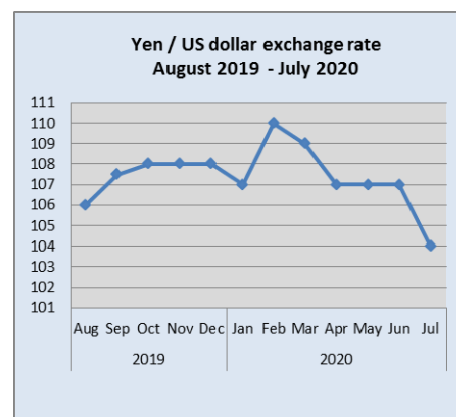
Data source: Cabinet Office, Japan

Yen may continue to strengthen against the dollar

Two issues affected the dollar yen exchange rate at the end of July, US/China tensions and the rise in infections in the United States.

The 'safe-haven' yen recently strengthened to its highest against the US dollar in more than four-months due to a host of negative news including the rise in coronavirus cases in the US, a delay in the US stimulus package bill and the rapidly deteriorating US/China relationship.

The Japanese yen was well below the 107 mark to the dollar in late July dipping to yen 104 to the dollar. Some commentators have suggested the yen may rise to 102 if tensions between the US and China worsen and that this will be the point at which the Bank of Japan will be viewing its options.



Working from home opens opportunities to move out from city

As employees are being encouraged to work from home to help stem the virus spread many young people are seizing the opportunity to move to the suburbs where rents are lower, homes tend to be bigger and the environment more appealing.

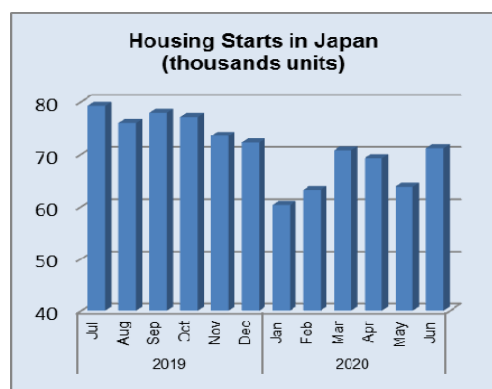
The proportion of those working remotely dropped to 20% after the state of emergency was lifted dropping down from 31% in the earlier period. This seems to indicate that the idea of flexible working faded but now, as a second wave of infection is on the rise home work has risen. Interestingly, the survey conducted on working from home found respondents reporting their work efficiency had improved.

See:

<https://www.japantimes.co.jp/opinion/2020/03/05/editorials/use-coronavirus-crisis-promote-teleworking/#.XyajHbozbIU>

Housing starts

June housing starts were better than expected. Compared to a month earlier June starts were up 12% but year on year there was a 13% decline which, given the tough economic situation, was not so bad.



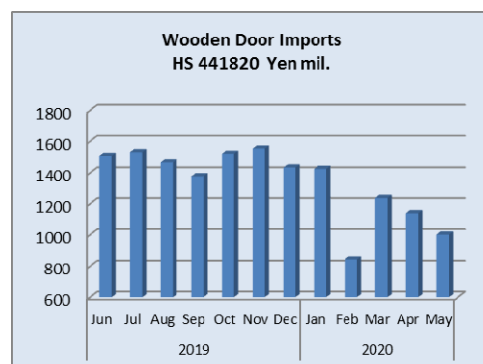
Data source: Ministry of Land, Infrastructure, Transport and Tourism, Japan

Import update

Wooden door imports

The value of Japan's imports of wooden doors (HS441820) has fallen for three consecutive months up to May 2020. From March to May there was an almost 20% drop in the value of wooden door imports.

Year on year, the value of wooden door imports in May declined 30% adding to the year on year declines seen in March and April. Of the other shippers, only the US and Malaysia featured significantly in May imports of doors.

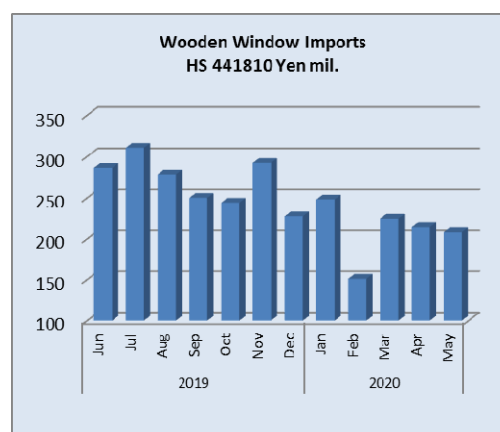


Data source: Ministry of Finance, Japan

Wooden window imports

The pattern of imports of wooden windows (HS441810) mirrors that of door imports. Wooden window imports in May were down 24% year on year but compared to April there was only a small dip in the value of imports.

Japan's May wooden window imports in terms of source were split between shipments from China (44% of the total) and shipments from the US (almost 30% of the total). Shippers in Sweden and Malaysia each accounted for around 8% of the value of imports of wooden windows.



Data source: Ministry of Finance, Japan

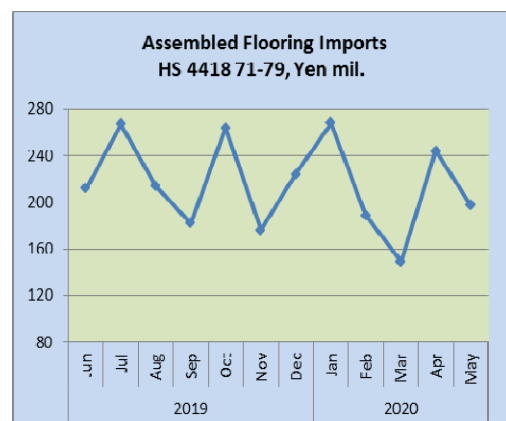
Assembled wooden flooring imports

Over the past 12 months the value of wooden assembled flooring imports have see-sawed every 2 months but from the graphic below an overall downward appears to be emerging which would fit with the trend in import values of other woodwork items such as doors and windows.

Year on year the value of May imports of assembled flooring dropped 30% and month on month imports were down 19%.

Two categories of imports HS441875 and HS441879 accounted for most of Japan's flooring imports. The largest category in May, as in other months, was HS441875 (71% of imports) followed by HS441879 (22% of imports).

Manufacturers in China accounted for most (60%) of the HS441875 followed by Vietnam (28%). Imports of HS441879 in May were fairly even split between Indonesia and Thailand.

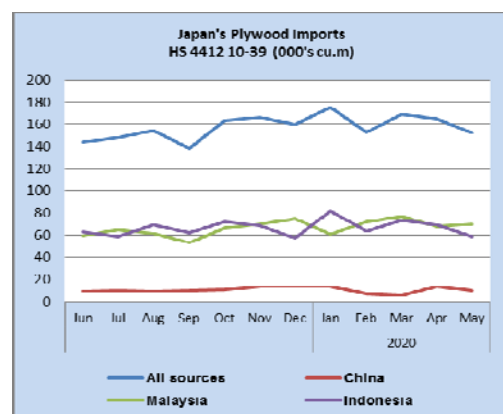


Data source: Ministry of Finance, Japan

Plywood imports

Up to March this year there was a slight increase in Japan's imports of plywood from the top three shippers, Indonesia, Malaysia and China. However, first in April and then again in May import volumes trended lower. Plywood imports from China in May were over 20% down year on year.

Indonesia and Malaysia are the top shippers of plywood to Japan accounting for over 80% of all plywood imports. In May arrivals from Malaysia were up 13% year on year and imports from Indonesia were up 21% year on year. Despite the better year on year performance, overall, import volumes have started to decline.



Data source: Ministry of Finance, Japan

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
	Jul	10.6	100	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	95.2	50
2018	Jan	12	100.5	80
	Feb	12.5	83.0	69
	Mar	4.9	79.4	66.5
	Apr	13.4	92.4	84.4
	May	15.2	94.0	82
	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
	Apr	13	68	69
	May	9.6	69.7	59

Data source: Ministry of Finance, Japan

Trade news from the Japan Lumber Reports (JLR)

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

*For the JLR report please see:
https://jfpj.jp/japan_lumber_reports/*

Softwood plywood manufacturers continue curtailment program

Major plywood manufacturers in Japan tie-up and collaborate to maintain the market by production curtailment and are determined not to follow down trend of the market. In the past, to reduce production cost, the manufacturers over produced and drop the sales prices to dispose of surplus inventory.

They know that reducing the sales prices does not generate any new demand and after one reduces the prices, others steal a march and drop the prices one notch further and vicious circle continues without any end. This time for the first time, they communicate with each other and control the supply volume. They produce only for what the market needs and wait for recovery of the market.

Seihoku group has been reducing the production by 20% since last April and some plants curtail more than 20% in June. Nisshin group plans to expand degree of reduction to 30% in August. Hayashi Plywood has no idea of reducing the sales prices to promote sales.

Construction works stagnated for three month during April and June and they will start activating probably in fall after corona virus problem settles down somewhat and once things gets moving, man power and distribution works may get tight toward end of this year.

Sales activities stagnated for almost three months since last March and dealers' marketing activities are back in June and they are trying to catch up short fall of sales but buyers buy small volume only by uncertain future market. Precutting plants also face the same uncertain future so that they try to reduce the inventory as much as possible and buy on spot basis.

Present market prices of 12 mm 3x6 panel in Tokyo market are 950 yen per sheet, 40 yen lower than last month.

National forest plan for 2020

The plan for 2020 is publicised on June 12. Sales plan of timber and logs is 4,602,000 cbms, 2% more than 2019 but the demand is likely to decline this year by corona virus epidemic.

Size of business of national forest depends on the budget. Initial budget for 2020 is 75.8 billion yen, 1.4 billion yen less than 2019 but supplementary budget is 1.6 billion yen so it is about the same as 2019.

Based on the budget, the harvest plan is 7,112,000 cbms of main cut, 4% more and thinning is 6,958,000 cbms, 1% more. Sales plan is 2,770,000 cbms of logs, 2% more and 1,832,000 cbms of timber, 2% more.

Both are more than 2019 but by impact of wide spread corona virus infection, actual management will be flexible. Particularly as to timber sales, Kyushu regional office held supply adjustment meeting in May and it decided to hold some of timber sales.

Hokkaido regional office held the same meeting in May and decided to postpone time of public auction for timber. Seven regional offices have decided to extend expiry time of timber sale by one year without any penalty. It is unusual that all the regional offices take the same measure to reduce the supply uniformly.

Time of harvest depends on timber purchaser but there are request for extension from the purchasers as log prices keep dropping and some lumber and plywood mills stopped accepting logs.

New experimental deal is to sell much larger lot of timber for longer harvesting period. It will designate about ten locations in Japan in three years from 2020 and each has 200-300 hectares with ten years' time limit.

It will investigate demand in various regions to see where the most suitable location is but log supply will increase all of a sudden by this and likely to collapse balance of supply and demand so it will keep watching the market before actual plan is made.

Plywood

Movement of both domestic and imported plywood is getting stagnating. Domestic manufacturers have been curtailing the production and are determined to hold the prices but the market prices are weakening as buyers buy minimum volume only because of uncertain future market.

Precutting plants also limit the purchase volume by unpredictable future market. Regular orders are now less and spot base purchase is increasing.

Imported plywood market continues suffering inactive movement.

In Tokyo market, large construction works were estimated to postpone until the summer Olympic Games are over and they would start up in September but by corona virus outbreak makes future demand much obscure now so the importers hesitate to place orders to the suppliers in South Sea countries.

In middle of March after Malaysia restricted movements to stop corona virus infection, some placed orders in fear of total disruption of the supply but the supply actually continued.

Contracted volume is in Japan now and they are up for sale but in demand slow market, it is pushing the market prices down.

Marutama curtails the plywood production

Marutama Industry Co., (Hokkaido), plywood manufacturer, decided to make every Friday as holiday at the Tsubetsu plant from June to September so the operation is four days a week to adjust supply volume.

Marutama's sales in first half of June was about 5% less than normal pace and the decrease seems to keep widening month after month so it decided to quit prospect production and manufacture by orders only. Curtailment program will continue for four months through September.

Marutama says it takes two days from accepting order to actual production. Delivery would take seven days. With five to six days to spare, the inventory would be reduced down to two weeks. Log inventories are about two months so it started to restrict accepting logs now.

The plant produces about 8,000 cbms of both structural and non-structural plywood but it is preparing to have lower sales like 20% compared to last year. June's working days are 22 so production should drop by 13%.

Closing account of wood building materials manufacturers

Earnings performance of seven major wood building materials manufacturers for the term ended March 2020 shows sales are almost unchanged from previous term and some marked record high sales. Majority enjoyed rush-in demand before the consumption tax hike in October 2019 then suffered plunged market on the rebound.

Demand of building materials was active in the first half then dropped sharply in the second half as housing starts declined.

On profit, there is difference among companies. While cost of raw materials and transportation continue to increase, some succeeded to pass higher cost onto sales prices and rationalization of manufacturing cost and others failed.

Daiken Corporation registered the highest profit. Sales of interior materials like flooring was active for not only residential but for public and commercial buildings.

Then in June 2019, two of subsidiary companies in the U.S.A. and Teio Flooring in October participated as consolidation group, which contributed high profit.

Nihon Flush Company marked higher sales and profit for three straight terms. It expanded the business in China and started dealing with seventeen new developers in China.

Noda Corporation marked higher sales and higher profit. It switched floor base material from imported South Sea hardwood plywood to domestic softwood plywood and now share of domestic floor base is more than 50%, which contributed to reduce impact of high cost of imported

plywood. Nankai Plywood enjoyed busy sales of cabinet and marked higher sales and profit for four consecutive terms.

Wood One Co. Ltd. pushed price hike of the products so marked higher sales after three terms. Also by reduction of sales and general administrative expenses, ordinary profit and operating profit recovered.

Eidai Co. Ltd. suffered damages by typhoons in 2018 then closed particleboard plant in Yamaguchi so sales dropped in two terms and loss but with all-out effort to improve the performance, loss amount is less than previous term.

Asahi Woodtech Corporation had firm sales in the first half then dropped some in the second half. Marketing cost increased after it expanded showrooms and increase of transportation and ware house so the profit was lower than previous term.

China

Drop in first half GDP

The State Council Information Office has reported that GDP in the first half of 2020 declined 1.6% year on year. , GDP fell 6.8% in the first quarter and expanded 3.2% in the second quarter.

In the first half of 2020 investment in fixed assets (excluding that by farmers) fell 3.1% to RMB28.1603 trillion, down 3.2% between January and May and down 13% compared to the first half of 2019.

In the first 5 months investment in infrastructure fell 2.7%, investment in manufacturing fell 11.7% which on a year on year basis translates to a 17% and 13.5% decline respectively. In contrast, investment in real estate development grew almost 2% but was still down around 8% year on year.

See:

<http://www.scio.gov.cn/xwfbh/xwfbh/wqfbh/42311/43250/index.htm>

Decline in foreign trade

China's foreign trade declined 3.2% year-on-year to RMB14.24 trillion in the first half of 2020 according to data released by the General Administration of Customs. Exports dropped by 3% on a yearly basis to RMB7.71 trillion and imports fell by 3.3% year-on-year to RMB6.53 trillion.

The administration said that foreign trade in the first half of 2020 was better than expected with both imports and exports registering positive growth in June. China's foreign trade surged 5.1% on a yearly basis in June, with exports and imports growing 4.3% and 6.2% respectively.

See:<http://www.chinadaily.com.cn/a/202007/14/WS5f0d18b8a310834817259464.html>

Germany the second-largest log supplier

China Customs data shows that in the first half of this year China's log imports totalled 19.68 million cubic metres valued at US\$2.83 billion, a year on year decline of 68% in volume and 70% in value.

The volume of China's log imports from Germany exceeded those from Russia in the first half of 2020. Countries supplying more than 1 million cubic metres were New Zealand (5.25 million cu.m -70%), Germany (2.71 million cu.m -36%), Russia (2.68 million cu.m -65%), Australia (1.65 million cu.m -68%), Papua New Guinea (1.17 million cu.m -64%) and Czech Republic (1.10 million cu.m -52%).

The average price for imported logs from Germany was US\$106 per cubic metre lower than from Russia (US\$122 per cubic metre) giving shippers in Germany an advantage.

Top 10 suppliers for China's imported logs in the first half of 2020 – volume cu.m

Source	cu.m	% Change
New Zealand	5,249,820	-70%
Germany	2,714,714	-36%
Russia	2,677,541	-65%
Australia	1,654,046	-68%
PNG	1,165,756	-64%
Czech Rep.	1,100,134	-52%
Solomon Is.	800,753	-66%
USA	796,176	-82%
Japan	380,200	-59%
Canada	364,685	-86%

Data source: China Customs

Value US dollars

Source	US\$	% Change	Av. Price
New Zealand	605,198,042	-73%	115
Germany	288,607,845	-48%	106
Russia	327,185,823	-64%	122
Australia	181,394,906	-69%	110
PNG	210,326,166	-65%	180
Czech Rep.	119,506,802	-57%	109
Solomon Is.	126,437,227	-69%	158
USA	184,151,910	-75%	231
Japan	46,725,284	-63%	123
Canada	64,540,441	-86%	177

Data source: China Customs

Russia – the largest supplier of sawnwood

China's first half 2020 sawnwood imports totalled 13.83 million cubic metres valued at US\$2.90 billion, a year on year decline of 64% in volume and 66% in value in the first half of 2020. Most suppliers saw a sharp fall in sawnwood exports to China in the first half of 2020.

Thailand was ranked the main sawnwood supplier for several years but in the first half of 2020 Russia became the largest supplier of sawnwood to China.

The volume of China's sawnwood imports from Russia exceeded that from Thailand in the first half of 2020. The suppliers with more than 1 million cubic metres were Russia (6.43 million cu.m -65%), Thailand (1.34 million cu.m -63%) and Canada (2.68 million cu.m -72%).

The average price for imported sawnwood from Russia was US\$177 per cubic metre which was lower than from Thailand (US\$272 per cubic metre)

The top 10 suppliers for China's imported sawnwood in the first half of 2020, volume and value

Source	cu.m	% Change
Russia	6,426,074	-65%
Thailand	1,344,293	-63%
Canada	1,283,050	-72%
USA	921,366	-44%
Finland	421,806	-66%
Sweden	404,446	-76%
Germany	383,980	-57%
Ukraine	356,996	-59%
Chile	232,746	-65%
Gabon	232,417	-57%

Data source: China Customs

Source	US\$	% Change	Av. Price
Russia	1,139,285,262	-65%	177
Thailand	366,034,805	-65%	272
Canada	210,654,531	-76%	164
USA	236,115,248	-71%	256
Finland	79,051,585	-71%	187
Sweden	70,632,356	-54%	175
Germany	75,284,881	-61%	196
Ukraine	60,494,680	-62%	169
Chile	47,857,933	-68%	206
Gabon	101,884,775	-61%	438

Data source: China Customs

Intensified log inspection at Manzhouli Port

Russian logs are allowed to be imported into China if fumigation certificates are provided. Recently, China Customs has intensified inspection of logs imported from Russia through Manzhouli P because some logs were found to have pests and had to be retreated, an additional cost for the importer. Only after fumigation were these logs transported to the processing mills. This increases the cost of enterprises.

See:
<http://www.mzlmcmxh.com.cn/tzDetails.htm?newsID=25&type=notice>

Northwest International Timber Trading Center established

It has been reported that a Northwest International Timber Trading Center has been established in the Zhongchuan North Station Logistics Zone in the Lanzhou New Area. This is a national level logistics hub.

The completion of the trading centre has created a new service platform and industrial supply chain for imported wood products integrating warehousing, distribution, sales and processing, which has injected new strength into the promotion of the "hub economy" and spurred the development of further investment in wood processing in the Lanzhou New Area.

See: <https://baijiahao.baidu.com/s?id=1672787779820331846&wfr=spider&for=pc>

Zhuangzhai the national wood-based panel production base

Zhuangzhai Town, Cao County, Heze City in Shandong Province is one of the important wood-based panel production bases in the country and the largest candlenut (Aleurites moluccanus or moluccana) processing, trading and distribution centre for candlenut wood products.

Wood processing is the leading industry in Zhuangzhai Town. There are more than 600 enterprises and 37 industrial enterprises with annual main business income of RMB20 million. It is estimated that around 60,000 direct and indirect jobs have been created employees. The annual wood processing capacity is said to be 3 million cubic metres.

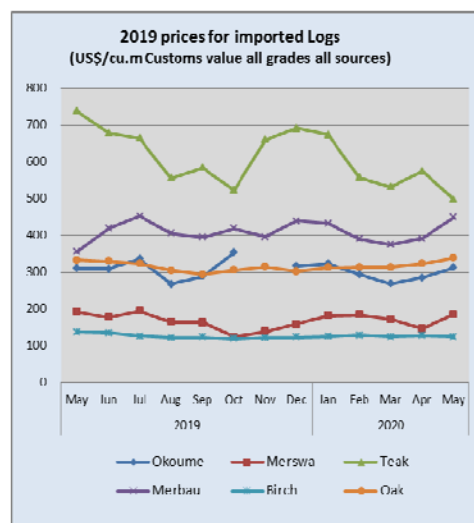
Almost all the enterprises in Zhuangzhai Town started as sawmills and gradually moved to added value processing. Today they are leading the industry in the manufacturing of candlenut coffins, children's furniture and toys and shutters. Products are marketed in Europe, America and Australia along with around 40 other countries.

See: https://www.sohu.com/na/408877041_120640653

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

	2020 Apr	2020 May
Okoume	284	312
Merswa	145	184
Teak	574	498
Merbau	391	449
Birch	127	124
Oak	323	338

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

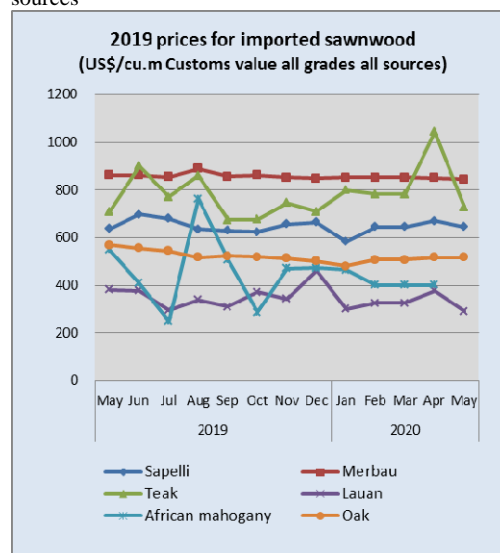


Data source: China Customs. Customs value all grades, all sources

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

	2020 Apr	2020 May
Sapelli	670	645
Merbau	851	845
Teak	1044	729
Lauan	377	291
African mahogany	1046	na
Oak	518	518

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

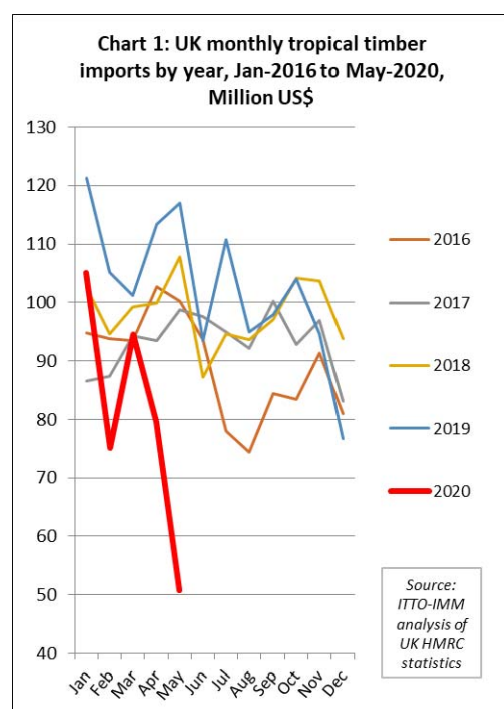


Data source: China Customs. Customs value all grades, all sources

Europe

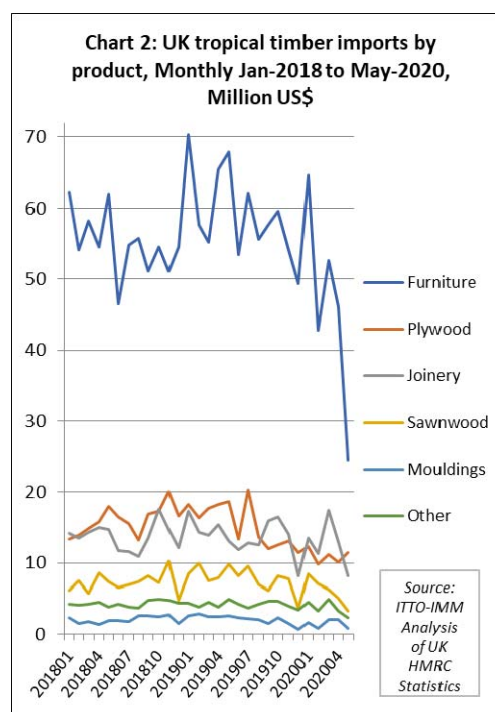
Half UK tropical timber trade value lost in May

As expected, following the UK lockdown in response to COVID-19 introduced on 24 March and allowing for the long lead time in the tropical trade, there was a very sharp decline in UK imports of tropical timber products in May. The total value of UK imports of all tropical wood (HS 44) and wood furniture (HS 94) products during the month was just over US\$50 million, only half the value typical in what is usually one of the busiest months of the year for the UK trade (Chart 1).



There was a large downturn in UK imports of all tropical timber products in May. Imports of tropical wood furniture were US\$24.5 million during the month, compared to an average of US\$61.6 million for the same month in the previous 5 years.

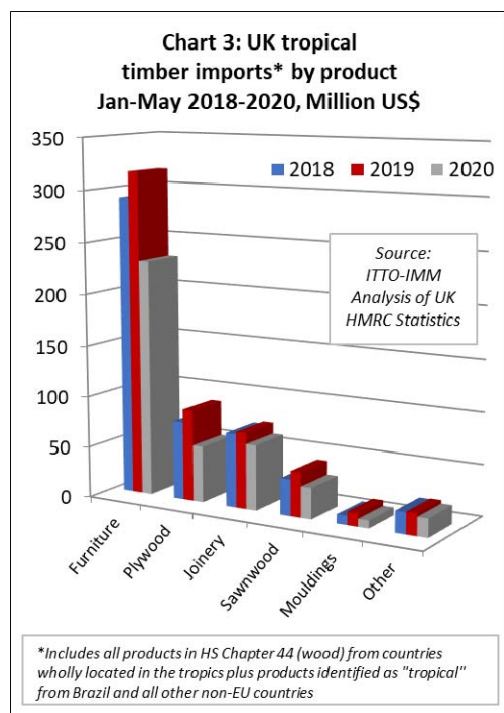
The same comparison for tropical plywood is US\$11.5 million in May this year against the 5-year average of US\$14.3 million, for tropical joinery US\$8.2 million in May this year against the 5-year average of US\$13.0 million, for tropical sawnwood US\$3.3 million in May this year against the 5-year average of US\$8.3 million, and for tropical mouldings/decking US\$0.9 million in May this year against the 5-year average of US\$2.2 million (Chart 2).



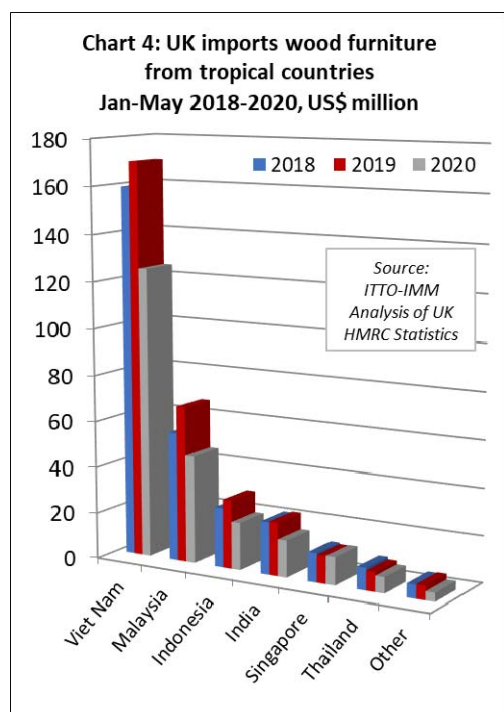
The sharp downturn in May, a direct result of the COVID-19 lockdown measures, follows a period of more gradual decline in UK imports of tropical timber products. UK wood furniture imports from tropical countries have been weakening since the start of 2019 and were particularly slow in February this year. Imports of tropical plywood and sawnwood have also been sliding since the middle of 2019.

Comparing the first five months of 2020 with the same period in 2019, total UK import value of tropical timber products fell 27% to US\$405 million.

Import value of wood furniture from tropical countries fell 27% to US\$230.6 million, while imports of tropical plywood were down 39% at US\$54.9 million, tropical joinery products were down 14% at US\$63.4 million, tropical sawnwood fell 31% to US\$30.3 million, and mouldings/decking declined 41% to US\$7.7 million (Chart 3).



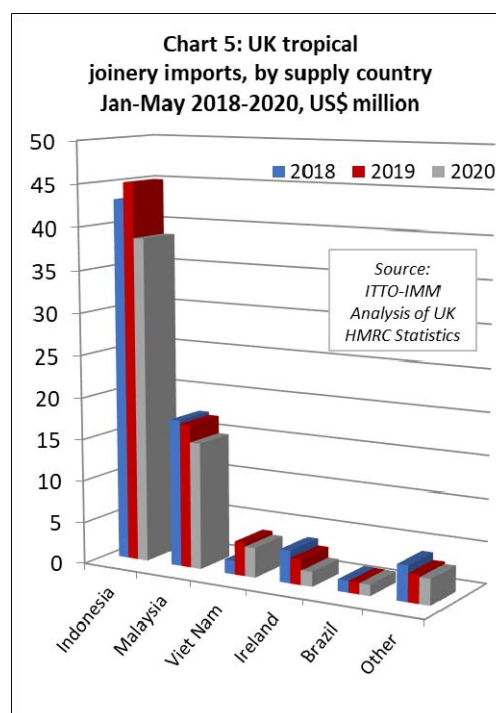
UK imports of wood furniture declined sharply from all the leading tropical supply countries in the first five months of this year (Chart 4). Imports from Vietnam were down 26% at US\$125.1 million, imports from Malaysia fell 31% to US\$46.5 million, imports from Indonesia declined 31% to US\$20.5 million, and imports from India fell 31% to US\$15.9 million.



Indonesia loses ground in UK joinery market

After making gains in 2019, UK imports of tropical joinery products from Indonesia, mainly consisting of doors, fell 14% to US\$38.6 million in the first five months of this year. After a strong start to the year, UK imports of joinery products from Malaysia and Vietnam (mainly laminated products for kitchen and window applications) stalled almost completely in May.

Total joinery imports in the first five months were down 12% to US\$15.1 from Malaysia and down 11% to US\$3.5 million from Vietnam. UK trade in joinery products manufactured from tropical hardwoods in neighbouring Ireland have also fallen dramatically this year, down 42% to US\$1.8 million in the first five months. (Chart 5).



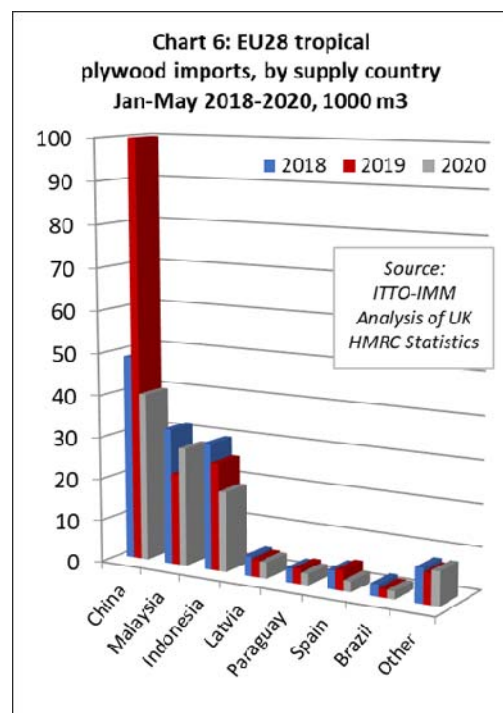
UK imports of tropical hardwood plywood from China fall 60%

The UK imported 40,000 cu.m of tropical hardwood faced plywood from China in the first five months of this year, 60% less than the same period last year. UK imports of this commodity from China were at unusually high levels in the first half of 2019 after a period of slow buying in 2018 due to Brexit uncertainty.

However, the market suffered from over-stocking in the second half of last year as consumption slowed. This year, UK imports have been further dampened by COVID related supply problems in China.

Likely due to supply problems elsewhere, UK imports of plywood from Malaysia, which have been in long term decline, were recovering ground in the opening months of 2020. Despite significant slowing in May, imports from Malaysia were still up 30% at 28,100 cu.m for the first five months of the year.

However, imports from Indonesia were down 26% to 19,000 cu.m during this period, while imports from Paraguay were 24% less at 2,700 cu.m. In recent years, the UK has been importing small volumes of tropical hardwood faced plywood from Latvia and Spain. In the first five months of 2020, imports declined 8% to 3,800 cu.m from Latvia and 47% to 2,600 cu.m from Spain (Chart 6)



UK tropical sawn hardwood imports down 24% in year to May

The UK is now a relatively minor market for tropical sawn hardwood, importing less than 100,000 cu.m in each of the last two years, making it only the fifth largest European importer for this commodity (after Belgium, Netherlands, France and Italy).

With the UK trade stagnating in May this year, imports were well down from nearly all the major supply countries by the end of the first five months. Total imports of 34,000 cu.m during this period were 24% less than the same period in 2019.

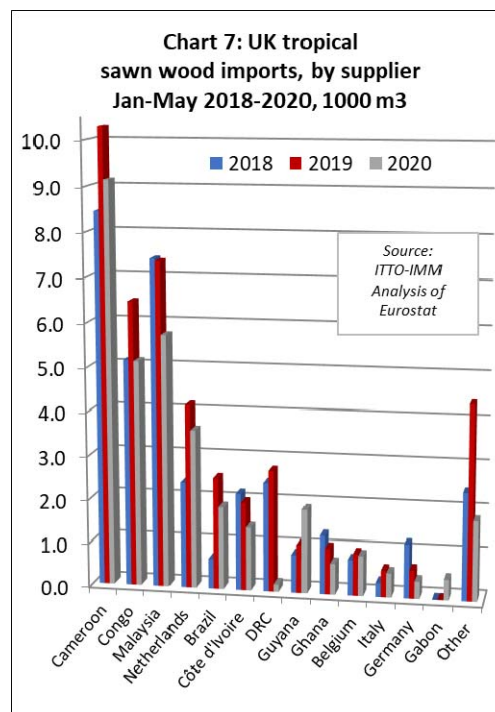
UK tropical sawn imports are sourced from a large range of countries, both directly in the tropics and indirectly from other European countries (Chart 7). UK imports from Cameroon, the leading supplier, fell 11% to 9,100 cu.m in the five-month period, while imports from the Republic of Congo declined 21% to 5,100 cu.m.

Of other African suppliers, imports were down 28% to 1,400 cu.m from Côte d'Ivoire, 94% to only 166 cu.m from DRC and 33% to 704 cu.m from Ghana.

UK imports from Malaysia were 5,700 cu.m in the first five months of 2020, 22% less than the same period in 2019.

Indirect imports into the UK via the Netherlands were down 14%, at 3,600 cu.m, after significant growth last year. Imports from Brazil fell 26% to 1,900 cu.m.

Of all countries supplying tropical sawnwood to the UK, only Guyana recorded any growth in this market in the first five months of 2020, rising 75% to 1,900 cu.m.



'Four years' to recover from record recession in the UK

The key question now for the UK trade in tropical wood products is what "shape" will the recovery take following the sharp fall in May (likely maintained in June given the lead times involved): will it be a "V-shaped rebound"; or a "tick mark" with the sharp fall followed by a longer tail of recovery; or, worst case, an "L-shape" where trade barely recovers and bounces along at the lower level for many months?

This is difficult to forecast with any confidence given continuing uncertainty over prospects for a second wave of the virus in the UK and the long-term effects of the lockdown and of the government's policy response on jobs, consumer confidence, and business investment. That is before factoring in other key sources of uncertainty, such as on-going negotiations towards a post-Brexit trade agreement with the EU, and the profound effects of the virus on wood production in tropical countries and competing supply regions.

The latest forecasts of growth in the UK economy are not optimistic and imply that hopes of a V-shaped recovery are fading. On the other hand, there are some more positive signals from the construction sector, a more direct driver of timber demand, and new government support measures have potential to boost consumption.

In their latest report, the EY Item Club, a leading UK economic forecasting body, warns that the economy may not get back to pre-pandemic levels before 2024. The organisation expects a record recession as the UK economy contracts by 11.5% this year followed by a slow rebound.

Unemployment will more than double, it says, from 3.9% to 9%, leaving roughly three million people out of work as the furlough scheme ends. Job losses and poor real wage growth will lead to a collapse in consumer confidence and hold growth back.

According to the EY Item Club report, “even though lockdown restrictions are easing, consumer caution has been much more pronounced than expected. Consumer confidence is one of three key factors likely to weigh on the UK economy over the rest of the year, alongside the impact of rising unemployment and low levels of business investment.”

Recent economic data in the UK has been inconsistent. Retail sales jumped in June by 13.9%, more than expected by most forecasters. The flash purchasing managers’ index for business activity in the UK also registered solid growth for July.

However, these improvements come from a very low base. Deloitte’s consumer confidence tracker for the UK found that households were emerging from the second quarter in a slightly improved but still highly cautious mood.

Recovery in the UK manufacturing sector is also proving to be elusive. According to the Confederation of British Industry industrial trends survey, the manufacturing sector remained in a deep downturn in June. Output volumes fell at a record pace in the three months to June, exceeding the previous record in May.

More positive, particularly for having a more direct bearing on timber demand, is that June data pointed to a sharp turnaround in the performance of the UK construction sector.

The phased restart of building work on site in the UK helped to lift output volumes and boost business confidence in this sector. At the same time, new orders stabilised after three months of sharp declines and purchasing activity expanded at the fastest rate since December 2015.

The headline seasonally adjusted IHS Markit/CIPS UK Construction Total Activity Index jumped to 55.3 in June, from 28.9 in May, to signal a strong increase in total construction output. Moreover, the latest reading signalled the steepest pace of expansion since July 2018.

Residential building was the best-performing area of UK construction activity in June. Around 46% of respondents to the IHS Markit/CIPS survey noted an increase in housing activity, while only 27% experienced a reduction.

Commercial work and civil engineering activity also returned to growth in June, although the rates of expansion were softer than seen for house building.

The index measuring business expectations in the construction sector for the year ahead remained historically subdued but climbed to its highest since February amid a boost from the reopening of work on site. 46% of the survey panel anticipate a rise in business activity, while 31% forecast a reduction. The latter mostly commented on concerns about the wider UK economic outlook.

To help improve that outlook, on 8th July, the UK government announced GBP30 billion in additional spending measures to boost demand, retain jobs, and get young people into employment. This was the second major fiscal response to the COVID-19 crisis and represents a new phase of response from the Government.

From the perspective of wood demand, probably the most significant measure is a temporary holiday on stamp duty for all property transactions up to a threshold of GBP500,000. The last time such a holiday was introduced was 2009, following the Global Financial Crisis, it did turn out to be an effective measure for boosting transactions in the housing market. The benefit of transactions in this market is that they tend to be paired with other forms of activity, including in sectors, like furniture, particularly relevant to wood product suppliers in tropical countries.

According to UK government figures, there were 48,450 UK residential property transactions in May 2020, which, while 16.0% higher than April 2020, was still 49.6% lower than May 2019, and 6.2% lower than at the lowest point in the financial crisis, which was January 2009. It is hoped the stamp duty holiday will lead to a more significant increase in transactions in August and September.

Also included in the government’s announcement was GBP1 billion in funding to improve public buildings and GBP2 billion of Green Home Grants, with grants of up to GBP10,000 for each household towards retrofitting properties to be energy efficient. This should help boost demand and activity in the UK joinery sector.

The UK and EU “still some way off reaching agreement” on Brexit deal

Following negotiations in London in the week ending 24 July, the UK and EU have said they still remain some way off reaching a post-Brexit trade agreement. This was the second official negotiation round to be held in person since the coronavirus crisis, after both sides agreed to “intensify” talks in June.

EU chief negotiator Michel Barnier said a deal looked “at this point unlikely” given the UK position on fishing rights and post-Brexit competition rules. The EU is demanding that the UK tie itself closely to the bloc’s state aid, labour and environmental standards to ensure it does not undercut the EU’s single market with poor-quality goods.

Mr. Barnier said there was a risk of no deal being reached unless the UK changed course on these topics, which were "at the heart" of the EU's trade interests. He added that an agreement would be needed by October "at the latest" so it could be ratified before the current post-Brexit transition period ends in December.

His UK counterpart David Frost said "considerable gaps" remained in these areas, but a deal was still possible. The UK has ruled out extending the December deadline to reach a deal. The two sides' chief negotiators are meeting again informally in London in the last week of July, with another round of official talks scheduled for mid-August in Brussels.

In his regular weekly blog on 27 July, under the heading "Any deal is better than no deal", the CEO of the UK Timber Trade Federation David Hopkins called on members to put more pressure on the Government to ensure a deal with the EU is secured.

Mr. Hopkins highlighted the *"increased bureaucracy, increased costs, and increased time to move goods across borders"* seen in the UK government's new publication for the Border Operating Model

<https://www.gov.uk/government/publications/the-border-operating-model>).

He was also critical of the new UK Global Tariff regime. *"On the face of it, this is a positive document for trading with the rest of the world, with the stated intention to lower the tariffs currently in existence and simplify the framework"*.

"However", says Mr. Hopkins, *"in the event of a no deal exit it will have exactly the opposite effect on imports from Europe, our main trading partner, imposing duty on many products that have been duty free within the single market"*.

Mr Hopkins identified the following *"obvious problems for the wood sector"* created by the new tariff regime:

"First, the UK Global Tariff introduces tariffs on imports of European plywood and laminated timber products of between 6 and 10%. This will reduce the competitiveness of these products in the market – possibly pushing buyers towards competing non-timber alternatives or products from outside Europe with lower transparency and worse track record on performance.

"Secondly, it seems to provide a disincentive to manufacturing certain products and adding value within UK borders. For example, manufacturing of certain joinery items such as door sets, windows or I-beams, can use laminated sections as components or feedstock. These components could now face tariffs of up to 10% adding costs to the manufacturing process.

"However, paradoxically, importing fully manufactured items of joinery or I-beams will attract considerably lower tariffs of zero to two per cent. Under this scenario, what would be the point of maintaining manufacturing in the UK – with the associated costs of machinery, trained skilled staff and so on – when one could simply import the products from abroad?".

Mr. Hopkins concludes, *"Of course, it may not come to this. The scenario described above could easily be solved by negotiating and agreeing a comprehensive free trade deal with the EU, thus eliminating the need for tariffs"*.

North America

US Bureau of Economic Analysis (BEA) news release

Real gross domestic product (GDP) decreased at an annual rate of 32.9 percent in the second quarter of 2020, according to the "advance" estimate released by the Bureau of Economic Analysis. In the first quarter of 2020, real GDP decreased 5.0 percent.

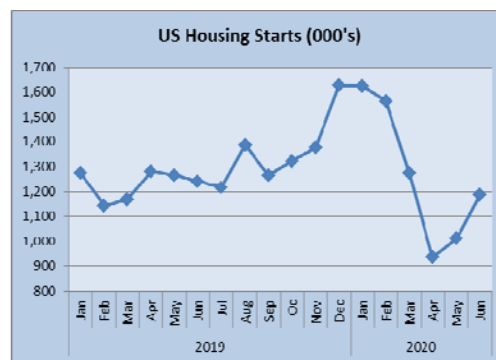
The full text of the release on BEA's website can be found at: www.bea.gov/news/2020/gross-domestic-product-2nd-quarter-2020-advance-estimate-and-annual-update

The BEA says "the decline in second quarter GDP reflected the response to COVID-19, as 'stay-at-home' orders issued in March and April were partially lifted in some areas of the country in May and June, and government pandemic assistance payments were distributed to households and businesses. This led to rapid shifts in activity, as businesses and schools continued remote work and consumers and businesses canceled, restricted, or redirected their spending".

Housing starts gains in June

Led by solid single-family production, US housing starts increased over 17% in June to a seasonally adjusted annual rate of 1.19 million units.

The US Commerce Department announced that single-family starts increased 17% to an 831,000 seasonally adjusted annual rate, after an upward revision from the May estimate. The multifamily sector, which includes apartment buildings and condos, increased 17.5% to 355,000.



Data source: US Census Bureau

National Association of Home Builders Chief Economist Robert Dietz said single-family construction expanded from April lows due to lower inventories of new homes but builders face challenges as costs are rising driven up by rising sawnwood prices.

On a regional and year-to-date basis through June, combined single-family and multifamily starts are 2.2% higher in the Midwest, 0.2% higher in the South, 2.9% higher in the West and 5.4% lower in the Northeast.

Overall permits increased 2.1% to a 1.24 million unit annualised rate in June. Single-family permits increased 11.8 percent to an 834,000 unit rate. Multifamily permits decreased 13.4% to a 407,000 pace. On a year-to-date basis, permits are 3.4% higher in the South, 8.8% lower in the Northeast, 2.3% lower in the Midwest and 3.9% lower in the West.

See:

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

Existing home sales - highest monthly rise in June

Sales of existing homes jumped nearly 21% in June compared with May according to the National Association of Realtors. This was the largest monthly gain since data was collected and came after sharp declines over the previous three months due to the pandemic. However, sales were still 11% lower on an annual basis.

Each of the four major regions achieved month-on-month growth with the West experiencing the greatest sales recovery. Sales rose 4.3% month to month in the Northeast and were 11.1% higher in the Midwest. In the South, sales surged 26% monthly, and in the West sales jumped 31.9%.

This data represents contracts signed in late April and May, that is, before much of the national economy began to reopen and before the most recent surge in coronavirus cases. Home sales could have been more robust had there simply been more homes for sale. The supply of existing homes available fell a remarkable 18% to just 1.57 million homes at the end of June.

Cabinet sales well below last year

According to the Kitchen Cabinet Manufacturers Association's monthly Trend of Business Survey, participating cabinet manufacturers reported a significant decline in cabinet sales of close to 17% for May 2020 compared to the same month in 2019. Custom sales were down 12%, semi-custom sales decreased 23% and stock sales decreased 14%.

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

Looking at the month-to-month comparisons, cabinet sales were up 10% in May 2020 compared to April. Custom sales increased 28%; semi-custom sales increased 7% and stock sales increased close to 9% compared to the previous month. This is a promising trend after the significant dip in April.

But, year-to-date cabinet sales are down 4.3%. Custom sales dropped 6%, semi-custom sales fell 9% and stock sales were stable.

Survey signals optimism in manufacturing

Economic activity in the US manufacturing sector grew in June with the overall economy notching a second month of growth after one month of contraction according to the latest Manufacturing ISM Report on Business.

ISM Chairperson, Timothy Fiore, said "The growth cycle has returned after three straight months of COVID-19 interruptions. Demand, consumption and inputs are reaching parity and are positioned for a demand-driven expansion cycle as we enter the second half of the year."

Of the 18 manufacturing industries ISM surveys, 13 reported growth in June, with textiles, wood products and furniture products reporting the most growth.

One wood products executive commented to ISM that "The building industry continues to defy expectations, as we continue to rebound stronger from the previous month. Being an essential business across most states and a surge in DIY projects has fueled the industry forward.

While the industry will follow the greater economy, we do believe it will be more resilient than most due to potential migration from larger cities and an undersupplied housing market."

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

Consumer confidence retreats as pace of infections rises

Consumer sentiment retreated in the first half of July due to the increased pace of infections. The University of Michigan's consumer-sentiment gauge snapped its two-month uptrend in July, an early sign that new outbreaks are worrying consumers and an economic recovery will be slowed.

Following the steepest two-month decline on record it is not surprising that consumers need some time to reassess the likely economic impact from the coronavirus on their personal finances and on the overall economy.

The surprise decline arrived as US lawmakers debate another fiscal stimulus bill. Congress faces mounting pressure to pass more relief before the end of July when the US\$600 per week federal unemployment insurance benefit will run out.

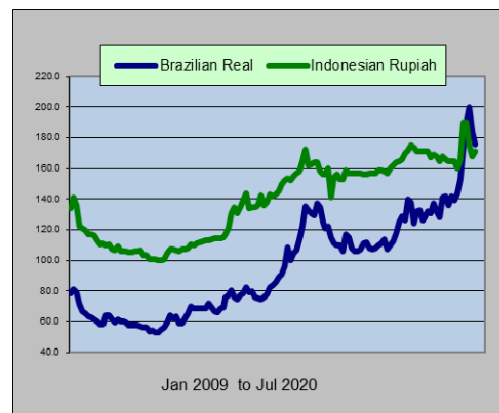
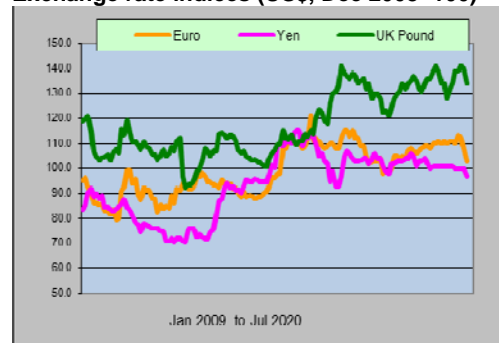
Many economists warn the disappearance of this enormous federal stimulus, created in March, could hinder the economic recovery and deprive millions of Americans of a vital financial lifeline. More than 30 million people are collecting what many recipients say is a crucial pillar of financial support right now.

Dollar Exchange Rates

As of 25th July 2020

Brazil	Real	5.17068
CFA countries	CFA Franc	559.45
China	Yuan	7.0018
EU	Euro	0.8481
India	Rupee	74.948
Indonesia	Rupiah	14535
Japan	Yen	104.92
Malaysia	Ringgit	4.243
Peru	New Sol	3.51
UK	Pound	0.7694
South Korea	Won	1190.04

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

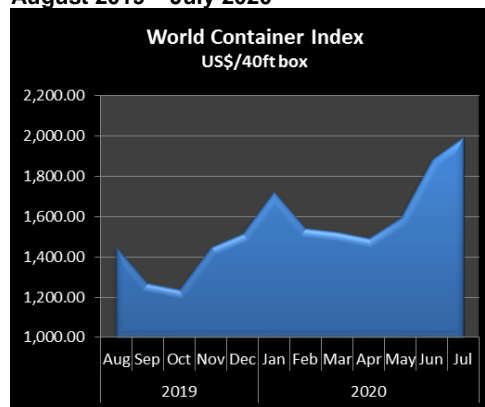


Abbreviations and Equivalences

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

August 2019 – July 2020



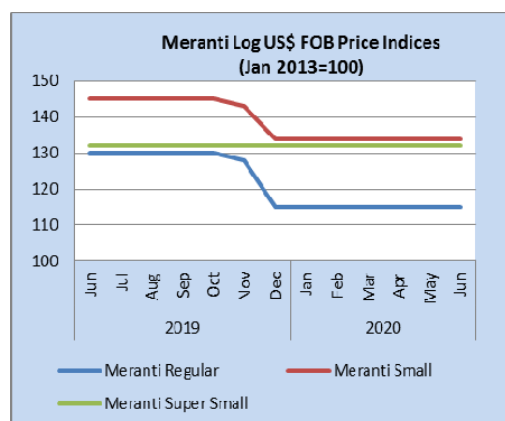
Data source: Drewry World Container Index

Disclaimer: Though efforts have been made to ensure prices are accurate, these are published as a guide only. ITTO does not take responsibility for the accuracy of this information.

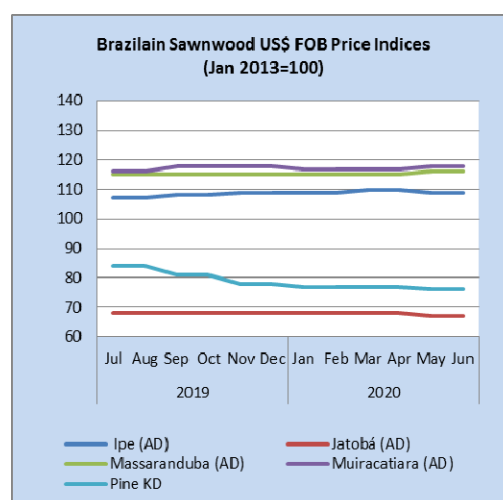
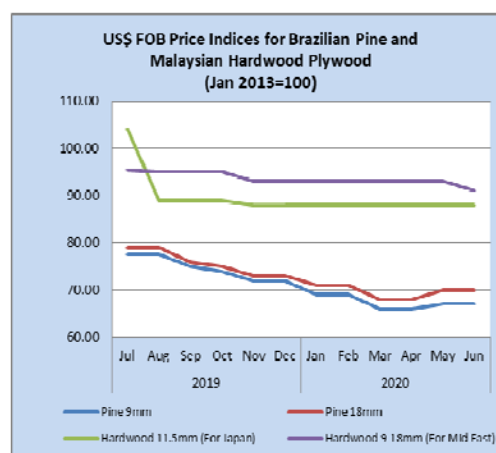
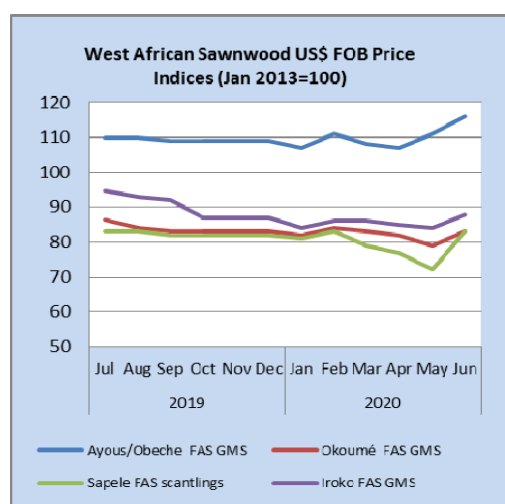
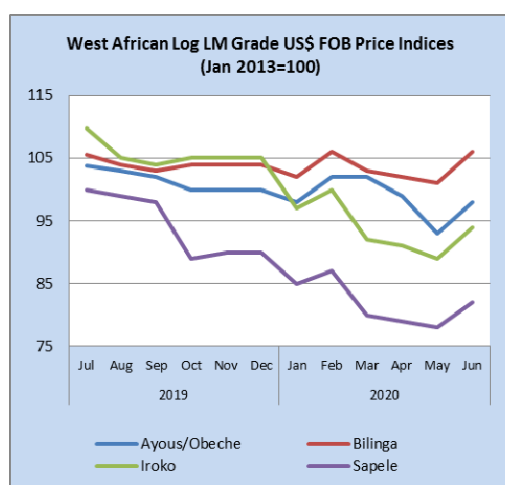
The views and opinions expressed herein are those of the correspondents and do not necessarily reflect those of ITTO.

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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