

Tropical Timber Market Report

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The ITTO *Tropical Timber Market (TTM) Report*, an output of the ITTO Market Information Service (MIS), is published in English every two weeks with the aim of improving transparency in the international tropical timber market. Its contents do not necessarily reflect the views or policies of ITTO. News may be reprinted provided that the ITTO *TTM Report* is credited. A copy of the publication should be sent to ti@itto.int.

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Top story

2020 not a good year for Japan's house builders – the opposite in the US

Housing starts in Japan tumbled in December 2020 falling 9% year on year and dropping 7% compared to the previous month. Housing starts began to decline in 2019 dropping 5% on 2018 and the downtrend continued in 2020 with starts dropping a further 10%.

In contrast, housing starts in the US totalled 1.380 million in 2020, up 7% from 2019. Single-family homebuilding, the largest share of the housing market soared, increasing for eight straight months.

See pages 13 and 24

Another month until concessions decided

News from Cameroon suggests most mills are back to work but that the stock of logs is declining with only old logs remaining. The concession application/renewal process is still ongoing so log stocks cannot be replenished. Analysts anticipate it will be another month until mills know whether or not they have a concession agreement.

Some of the companies in Cameroon and Gabon are working to cut carbon emission and cut the carbon footprint in their operations by utilising more efficient methods, better logging equipment and trucks. This initiative has reportedly got the backing of the World Bank.

Prices

Prices for sawn padouk, sapelli and iroko have moved higher. Demand for padouk has firmed in India and in Belgium and the up-tick in iroko prices is on the back of demand in the Middle East where importers are short of Myanmar teak and see iroko as an alternative for some end-uses.

Producers report other markets as very quiet. Europe and N. America are still experiencing winter weather and major disruption from Covid. Business in China has slowed as companies in the country prepare for the long Chinese New Year holidays.

Forestry features large in Gabon's economic planning

Gabon has announced a 2021-2023 economic acceleration plan in which the forestry sector is expected to play a major role. According to the Prime Minister, opportunities for expansion of wood processing will be created through a plantation programme so that harvesting of the natural forest can be scaled back. In an address at the end of 2020 the President said his government intends to create a further 50,000 jobs in the forestry sector over the next 5 years.

See: <http://gate-news.com/index.php/2021/01/26/gabon-future-world-leader-in-processed-tropical-wood/>

and <https://www.atibt.org/en/news/12925/gabon-aims-to-be-the-world-champion-in-processed-tropical-timber-by-2023>

Strike action by forestry ministry staff in Gabon has again been reported. This comes as the Minister cracks down on the staff suspected of involvement in suspect activities. Strikers apparently started wearing red shirts and caps to signal their objection to the crackdown. It is reported that the Minister has threatened dismissals and threatened to withdraw concessions from any company involved in suspect activities with forestry staff.

Across the region there are travel restrictions aimed at minimising the spread of the corona virus but despite this companies in Gabon and Congo are managing to maintain production and trucks are moving freely to and from the ports.

In Gabon, for example, when travelling to the timber production areas a virus test is required. Sadly it has been reported that some people are paying officials to circumvent the travel rules.

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)	220	220	220
Moabi	330	330	250
Movingui	180	180	-
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	420
FAS fixed sizes	-
FAS scantlings	520
Padouk FAS GMS	700↑
FAS scantlings	850↑
Strips	350↑
Sapele FAS Spanish sizes	420
FAS scantlings	450
Iroko FAS GMS	600↑
Scantlings	640↑
Strips	370↑
Khaya FAS GMS	450
FAS fixed	500
Moabi FAS GMS	620
Scantlings	640
Movingui FAS GMS	420

Cameroon/UK EPA agreed

The United Kingdom and Cameroon have agreed an Economic Partnership Agreement that ensures mutual continuity of trade. This allows businesses to trade freely as they do now without any additional barriers or tariffs.

The main products imported by the UK from Cameroon are fruit, nuts and wood products worth almost US\$30 million. The Agreement also guarantees continued market access for UK exporters.

Infrastructure projects for DRC

China has cancelled the interest-free loans provided the the DRC and promised to fund infrastructure projects. This comes after the country joined the 'Belt and Road Initiative'. Some US\$28 million will be written off and Chinese Foreign Minister Wang Yi said China will provide around US\$17 million in financial support for infrastructure development.

Ghana

Surge in COVID a threat to manufacturers

According to the Ghana Health Service website the country is witnessing a surge in Covid-19 cases. Data shows total cases at 3,000 plus, up from less than 1,000 at the beginning of the year. A total of 372 deaths have now been reported.

Fears of second wave of the covid-19 pandemic and a suspected new strain of the virus mean a prolonged economic struggle which will impact the economy. The government is contemplating restricting of movement of people and a partial lockdown is likely since all 16 regions currently have positive cases. During the lockdown in 2020 wood products exports slumped and the economy contracted.

Air-dry sawnwood accounts for 50% of exports

A report published by the Timber Industry Development Division (TIDD) of the Ghana Forestry Commission (GFC) shows that Ghana exported a total volume of 201,481cu.m of wood products during the 11-months to November 2020. The corresponding export earnings were Eur103,080 million.

Compared to the same period in 2019 there was a 28% drop in export volumes and a 27% drop in export earnings.

Export volumes

	2019	2020	% change
	Jan-Nov	Jan-Nov	
AD sawnwood	165,155	101,368	-39
KD sawnwood	43,614	32,083	-26
Plywood (Overland)	19,742	19,838	0.5
Billets	22,353	20,274	-9
Mouldings	8,714	9,495	9
Sliced Veneer	9,222	8,357	-9
Rotary Veneer	6,232	7,731	24
Boules (AD)	1,090	1,165	7
Others	4,101	1,170	-71
Total	280,223	201,481	-28

Data source: TIDD

Air-dried sawnwood accounted for 50% of the total timber shipments up to November 2020 while three other products, kiln-dried sawnwood, plywood (for regional markets) and billets together accounted for 36% of total exports.

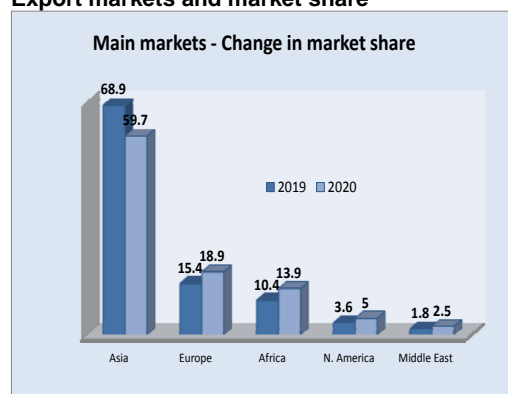
Eighty-one exporters were involved in the production and export of wood products.

The major markets were in Asia 60%, Europe 19%, Africa 14%, N. America 5% and the balance to Middle East markets. The top markets for air-dried sawnwood were India (74%), China (11%) and Vietnam (7%).

Products that registered increases in volume were air-dried boules, mouldings and rotary veneer. These products were produced from forty-one species with the top five being plantation teak, wawa, ceiba, denya and asanfina.

The average unit price for wood product exports in the first 11 months of 2020 was Eur512/cu.m compared to Eur502/cu.m for the same period in 2019. The TIDD report identifies the main exporters as: Peacrok Company Ltd., Fortune Exim Ghana Ltd., Samartex Timber and Plywood Company Ltd., Duakron Ghana Ltd., and PM Overseas Ghana Ltd.

Export markets and market share



Data source: TIDD

AfCFTA – Exporters requested to register before shipments are planned

Ghana is a regular exporter of wood products to the ECOWAS sub-regional and other African countries with a market share of close to 14% of total exports which is expected to double with the coming into force of the African Continental Free Trade Area (AfCFTA). Col. Kwadwo Damoah (Rtd.), Commissioner of Customs Division explained at a recent workshop the AfCFTA procedures. He said, the Protocol on Trade in Goods (TiGs) under AfCFTA provides the framework under which products can be moved freely among participating countries.

Managers of the Integrated Customs Management Systems (ICUMS), an online portal for the Ghana Revenue Authority (Customs Division), have requested exporters to register the goods they intend to ship under AfCFTA so all the necessary documents can be prepared.

New Minister for Lands and Natural Resources

The president has nominated Mr. Samuel Abu-Janipor as the new Minister-designate for the Ministry of Lands and Natural Resources. Kwadjo Alan Kyeremanten maintained his portfolio as Minister-designate for Trade and Industry. The President is expected to nominate close to 85 ministers for his second term

See: <https://presidency.gov.gh/index.php/briefing-room/press-releases/1855-president-akuffo-addo-s-nominees-for-ministers-and-regional-ministers-designate>

Boule export prices

	Euro per cu.m
Black Ofram	330
Black Ofram Kiln dry	420
Niangon	530
Niangon Kiln dry	621-

Export rotary veneer prices

Rotary Veneer, FOB	Euro per cu.m	
	CORE (1-1.9 mm)	FACE (>2mm)
Ceiba	347	398+
Chenchen	540	631
Ogea	443	590
Essa	543	626
Ofram	350	435

Export sliced veneer

Sliced face veneer	FOB Euro per cu.m
Asanfina	877↓
Avodire	573
Chenchen	666↓
Mahogany	1,930↑
Makore	936↓
Odum	700↑

Export plywood prices

Plywood, FOB	Euro per cu.m		
	Ceiba	Ofram	Asanfina
BB/CC 4mm	315	580	641
6mm	412	535	604
9mm	377	499↑	560
12mm	516	476	480
15mm	450	414	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	
	Air-dried	Kiln-dried
FAS 25-100mm x 150mm up x 2.4m up		
Afromosia	860	925
Asanfina	465	564
Ceiba	404	600
Dahoma	474-	574↑
Edinam (mixed redwood)	520	595
Emeri	465	590
African mahogany (Ivorenensis)	886	993↓
Makore	740	916
Niangon	583↓	592↓
Odum	649	735↓
Sapele	720	734↓
Wawa 1C & Select	355↓	418↓

Another surge in infections

In the course of just one week from 17 January Malaysia recorded almost 29,000 new Covid-19 cases. This represents 16% of the total cases since the beginning of the pandemic in January last year.

To halt the surge in infections health experts have called for stricter measures and have urged the public to comply with the government’s ‘standard operating procedures’ which sets out guidance for individuals.

It appears that the source of the new infections has been workplaces and now companies are ramping up efforts to halt an further spread. The economy took a battering in 2020 and in an effort to boost the economy Bank Negara Malaysia (the country’s central bank) maintained the Overnight Policy Rate (OPR) at 1.75%.

Plywood industry facing raw material shortage

Sheikh Othman Rahman, chairman of the Malaysian Panel-Products Manufacturers’ Association (MPMA), has pointed out that the industry is currently facing a raw material shortage. He said there is an acute shortage of raw materials in Peninsular Malaysia and plywood and panel manufacturers are facing competition from sawmillers for logs.

A longer term solution, he said, is for the industry to explore alternative raw materials such as oil palm trunk, coconut trunk, rubberwood get involved with creating plantations.

Slow progress in industrial plantation projects

Sarawak timber companies holding Licences for Planted Forests (LPFs) are no longer permitted to carry out any planting of oil palm in the licensed areas. Under the Forests (Planted Forests) Regulations of 1997 the State government allowed LPF holders to plant oil palm on up to 20% of their area for one cycle of 25 years. This was aimed at creating flexibility in LPF holder cash flow.

In the latest ruling LPF holders failing to complete tree planting plans by 2025 may have the unplanted areas taken back by the state. The new rulings are part of the “Revised policy direction on industrial forest plantation in Sarawak” from the State Urban Development and Natural Resources Ministry.

Sarawak Chief Minister, Abang Johari Tun Openg, recently voiced disappointment over the slow progress in industrial forest plantation projects. The government’s target was for one million ha. of planted forest by 2020 but by year end only about 420,000 ha. had been planted. Sarawak’s yearly log production from natural forests has fallen sharply over the years.

In related news, data from the Sarawak Timber Industry Development Corporation (STIDC) shows Sarawak exported 413,806 cu m of plantation logs worth about RM98.8mil (FOB) to Indonesia in the first 11 months of 2020.

See: <https://www.thestar.com.my/business/business-news/2021/01/18/oil-palm-planting-halt-in-sarawak-for-timber-firms>

Indonesia

Challenges for small-scale furniture makers

Furniture and wood carvings produced in Jepara and its surrounding area on the north coast of Java Island are widely known for their unique designs and quality.

While over 90% of the carving producers are SMEs the sector makes a big contribution to the economy. The Jepara wood-processing sector generated exports worth US\$187 million in 2019. However, the rising demand for wood raw material is having an impact on availability and harvesting.

To ensure wood raw materials are sourced legally Indonesia's has its domestic Timber Legality Assurance System (SVLK) and SMEs which comply have found this boosts export opportunities. However, while the timber sourcing may be legal many SMEs struggle to meet government regulations on matters such as business licencing.

Muhammad Suryadi from the Jepara Wood Artisans Association (APKJ Asosiasi Pengrajin Kayu Jepara) has urged the authorities to assist SMEs when they apply for licence and tax registration and for such things as worker insurance. With this completed the SMEs can secure SVLK certification opening the chance for exporting and creating opportunities to secure credit.

The results of an unpublished FAO/APKJ-CIFOR 2020 report of a study in Jepara and Pasuruan Regencies found that many furniture SMEs were not SVLK certified. The survey showed that only 9% of respondents in Jepara and 1.6% of respondents in Pasuruan were certified.

See: <https://forestsnews.cifor.org/70602/going-global-wood-product-certification-requires-broad-legal-arena?fnl=en>

A shift from contract to community group workers in forestry

The National Economic Recovery programme is ongoing and one aspect in the forestry and timber sectors is labour intensive production through a community empowerment strategy. The story of this effort has been captured in a book "Pioneers at sites: Pioneers of National Economic Recovery, Environment and Forestry."

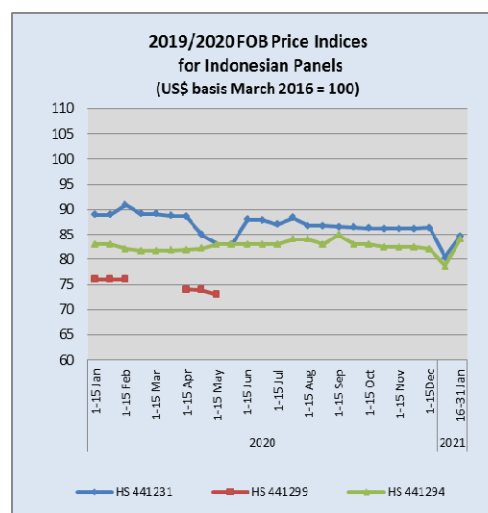
This summarises the efforts of pioneers in peat and mangrove conservation, forest food production, community business and industry, traditional tourism.

The book highlights a new approach in managing forests and forest areas in which there is a shift from contract workers to community group workers.

In the book Dr. Siti Nurbaya, Minister of Environment and Forestry forest is quoted as saying "communities have strong anthropological, historical, religious and economic relations with nature. Decisions on forests and forest areas have strong impacts on these communities, both in terms of benefits and disadvantages. Local wisdom will become the basis of thinking and action for forest and forest area management".

See:

https://www.menlhk.go.id/site/single_post/3532/the-story-of-the-pioneers-the-spearhead-of-pen-lhk-at-the-site-level



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

Myanmar

Myanmar, one step closer to verifying the legality of its timber

According to a press release from the Myanmar Forest certification Committee (MFCC) an agreement has been signed for a project "Strengthening SFM Standards and Timber Legality Framework in Myanmar". This two year project funded by the Forestry Agency of Japan through the International Tropical Timber Organization (ITTO) is scheduled to commence 1 February this year.

The project will strengthen sustainable forest management standards, the national forest management certification system and the chain of custody for wood products in Myanmar.

The project is designed to make the Myanmar Timber Legality Assurance System (MTLAS) certificate more functional and to expand its wider acceptance in international markets. Another important element of the project is to support the DTTS (Digitalized Timber Tracking System) which will ensure traceability.

The Myanmar Timber Enterprise (MTE) is already implementing a QR code system. The project will support the QR code system so that the current level of 'Access to Information' will be promoted to the level of ensuring a robust chain of custody along the supply chain.

MFCC is currently undertaking the necessary steps to get the domestic national certification system (MFCS) endorsed by PEFC. In addition, MFCC and PEFC are discussing a synergy platform to meet the project outcome.

See: <https://myanmarforestcertification.org/itto-awards-a-project-to-mfcc/>
and
https://www.itto.int/project/id/PP-A_56-342A

Myanmar says Dawei SEZ contract breached

The Dawei Special Economic Zone (SEZ) Management Committee says it lost confidence in the consortium led by a Thai construction company due to breaches of contract at the mega project in southern Myanmar's Tanintharyi Region. The Italian-Thai Development Public Co. Ltd. (ITD) announced that it received a notification of termination of its concession agreement to develop "the initial phase" of the SEZ from the management committee.

The long-delayed SEZ on the Andaman Sea aims to cross the isthmus by road into Thailand via the Gulf of Thailand, connecting the Indian and Pacific oceans. The SEZ lies on the Japanese-led Mekong Southern Economic Corridor which aims to connect central Vietnam, Cambodia and Thailand to Dawei.

See: <https://www.irrawaddy.com/news/burma/myanmar-says-thai-firm-dawei-sez-breached-contract.html>

Singapore tops FDI list in Myanmar in Q1

Singapore was the top source of foreign direct investment into Myanmar in the first quarter of the current financial year 2020-2021, according to the data released by the Directorate of Investment and Company Administration (DICA). Singapore companies mainly put investments into urban development, real estate, power and manufacturing sectors.

China was the second largest investor in the current financial year at US\$133.53 million from eight enterprises, followed by companies in Thailand investing US\$24 million in Myanmar. Additionally, Singapore emerged as the second-largest foreign investor in the Thilawa Special Economic Zone, after Japan.

See: <https://www.gnlm.com.mm/singapore-tops-fdi-list-in-myanmar-in-q1/>

Second IMF emergency loan

The International Monetary Fund (IMF) has approved a second emergency loan for Myanmar, worth around US\$350 million as Myanmar continues to suffer the impact of the pandemic.

Last month, Myanmar's government negotiated with international development organizations, including the IMF to secure more than US\$950 million in order to purchase vaccines.

Myanmar expects that 40% of its 54 million inhabitants will be vaccinated by the end of 2021. The remaining 60% are expected to be vaccinated during the 2022-23 financial year.

Investors expect growth to accelerate in Myanmar

Investors expect business to return to normal in Myanmar by the third quarter of this year with the technology, media and telecoms sectors leading the way.

According to U Thaung Tun, Union Minister for Investment and Foreign Economic Relations, the Myanmar economy is expected to recover and reach growth levels of as much as 7% this year.

He emphasised that the recovery will be supported by the government's Myanmar Economic Recovery and Reform Plan (MERP) which will prioritise manufacturing and services. He said civil service reforms and digital transformation will also be implemented.

Reduced trade for first quarter of fiscal 2020-21

Myanmar recorded US\$8.9 billion in trade in the first quarter of fiscal 2020-21, US\$2.5 billion less than the same period of the previous financial year. The fall was attributed to lower exports of natural gas, gems, garments, fishery and other animal products. Imports also declined with the country buying less raw materials for local processing.

See: <https://www.mmtimes.com/news/myanmar-sees-reduced-trade-first-quarter-2020-21.html>

14 January 2021 teak and other hardwood log tender prices

Grade	H.tons	Average US\$/H.ton
SG-1	-	-
SG-2	-	-
SG-4	-	-
SG-5	31.8	4,006
SG-6	263.9	2,974
SG-7	516.1	2,580

		Hoppus ton	Average US\$/H.ton
Kanyin	1st	88.2	623
Kanyin	2nd	7,744.0	596
Pyinkado	2nd	850.0	873
In	2nd	-	-
Thitya	2nd	-	-
OIngyin	2nd	-	-
Sagawa	2nd	-	-

Further signs of economic recovery

In its January Bulletin the Reserve Bank of India (RBI) said that the Indian economy is getting stronger and that the worst may be over provided there is not another wave of infections. The Bank has said high-frequency indicators such as government spending, a rise in merchandise trade, growing credit and high manufacturing activity in December 2020 were signs of economic recovery.

The RBI slashed interest rates early last year to support the Indian economy and has left rates unchanged in recent months to avoid pushing up inflation. The rate of inflation stood at 1.22% for December 2020.

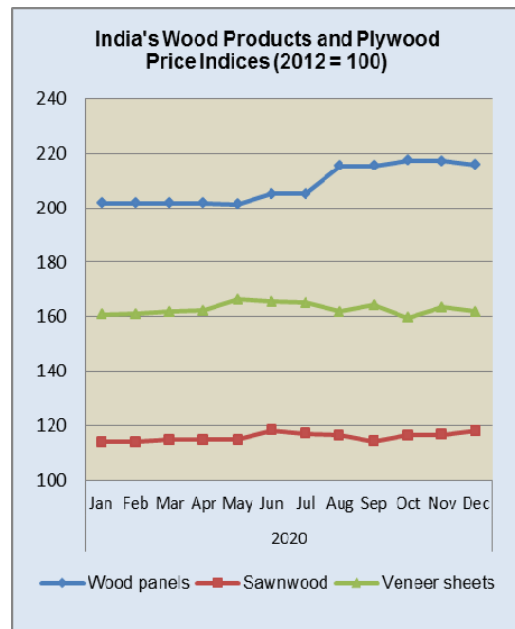
See: https://rbidocs.rbi.org.in/rdocs/Bulletin/PDFs/EBUL21012021_F5770050C073B4C99AD00DD0B520ABAAC.PDF

December dip in wood product price index

The Ministry of Commerce and Industry has reported that the official Wholesale Price Index for the group ‘All Commodities’ (Base: 2011-12=100) for December increased by (1.40%) to 123.0 in December, 2020 from 121.3 for November, 2020.

In December of the manufactured products included in the survey (16, including furniture) saw an increase in prices whereas 6 in the group saw declines in prices. Among those seeing declines was the category Wood and Products of Wood and Cork.

The press release from the Ministry of Commerce and Industry can be found at: <http://eaindustry.nic.in/cmonthly.pdf>



Data source:

Imports up for first time since February but exports fall

A further sign of improving economic activity was the December rise in the value of imports which rose for the first time since February 2020. On the other hand, exports were slightly lower than in November due mainly to reduced shipments to the UAE and parts of Europe. Exporters have said, while the domestic economy is showing sure signs of recovery, the same cannot be said for the global economy and that tough times lay ahead.

Pandemic created disruptive trends across all sectors

The need for home offices, home study and a need for individual space has impacted peoples preferences and driven demand for a multi-functional and convenient furniture. This, coupled with the slowing international trade and the ‘Make in India’ campaign as well as a rise in e-commerce, has boosted the Indian furniture manufacturing sector.

It has been estimated that the Indian domestic furniture market could grow over 10% annually over the next 4 years and this will be driven by some key trends:

- Changing consumer preferences: comfort and functionality have become significant
- Policy support for manufacturing: there has been a major policy push by the government
- Initiatives like ‘Make In India’ and ‘Vocal for Local’ gave a boost to the furniture manufacturing sector
- Rise in e-retail for furniture
- Rise in the rental furniture sector
- Rise in manufacturing productivity from robust logistics and supply chain infrastructure

See: <https://www.zeebiz.com/market-news/news-top-5-key-trends-manufacturing-and-retail-trends-that-will-drive-growth-of-the-indian-furniture-sector-in-2021-146501>

Plantation teak

The freight cost war continues with teak log exporters anxious to get shipments away but importers reluctant to commit to shipping due to freight rate volatility. The only reliable gauge of prices FOB prices which remain unchanged.

Plantation teak logs ex-Brazil

Girth cm	US\$ FOB/Cu.m
70-79	341
80-89	372
90-99	415
100-109	450
110-119	484
120-129	553
130-139	570
140-149	614
150+	639

Plantation teak logs ex-Nicaragua

Girth cm	US\$ FOB/cu.m
40-49	230
50-59	280
60-69	320
70-79	380
80-89	430
90-99	490
100-109	520
110-119	560
120-129	620
130-139	660
140-149	695
150+	730

Locally milled sawnwood 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	850
Whitewood	850

Price range depends mainly on lengths and cross-sections.

Sawn hardwood prices

Traders report improved sales in the main provincial markets where spread of the Covid virus has been less severe in contrast to demand in the urban areas. Some wholesalers are adding a freight top-up to their listed ex-warehouse prices.

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	2,600-2,800
American Walnut	4,000-5,000
Hemlock STD grade	1,300-1,600
Western Red Cedar	2,300-2,450
Douglas Fir	1,800-2,000

Price range depends mainly on lengths and cross-sections.

Plywood

The problem of finding an adequate numbers of workers to maintain full production continues to be an issue especially in mills in Kerala, Maharashtra and Orissa. Wages are rising as are veneer prices and these are undermining profitability. Plywood mills have raised prices for locally manufactured MR plywood.

Domestic ex-warehouse prices for locally manufactured WBP plywood (unchanged)

Plywood Ex-warehouse	Rs. per sq.ft
4mm	80.00
6mm	108.00
9mm	133.00
12mm	166.00
15mm	218.00
18mm	240.00

Domestic ex-warehouse prices for locally manufactured MR plywood

	Rs. per sq.ft	
	Rubberwood	Hardwood
4mm	45.00▲	64.00▲
6mm	64.00▲	80.00▲
9mm	80.00▲	98.00▲
12mm	98.00▲	116.00▲
15mm	116.00▲	140.00▲
19mm	136.00▲	157.00▲
5mm Flexible ply	86.00▲	

Vietnam

US\$14 billion export target for 2021

At a recent press conference the Head of the Vietnam Administration of Forestry, Nguyen Quoc Tri, said wood and wood products exports topped US\$13.22 billion last year the highest in the history of the timber sector.

For 2021 the forestry sector export target is US\$14 billion and revenue from forest environmental services is estimated at VND2.8 trillion. In 2021 there are plans, said Nguyen Quoc Tri, to plant 230,000 hectares of forests, comprising protection, special-use, and production forests.

See: <https://sggpnews.org.vn/business/forest-wooden-products-post-record-high-trade-surplus-90452.html>

In related news, the Deputy Minister of Agriculture and Rural Development, Ha Cong Tuan, has said over the next five years wood and wood product exports should reach US\$20 billion.

In that five year period, he said, the sector will work to sustain the forest cover at 42%, expand and diversify markets, develop long-term trade partnerships and promptly address international trade issues.

Vietnam now ranks fifth globally, second in Asia and first in Southeast Asia in terms of wood and wood product exports shipping to over 120 countries and territories worldwide. Vietnam has more than 5,500 companies operating in timber processing.

Decision on Vietnam's currency valuation practices

The US Trade Representative has issued findings in the Section 301 investigation of Vietnam's acts, policies, and practices related to currency valuation, concluding that Vietnam's acts, policies, and practices including excessive foreign exchange market interventions and other related actions, taken in their totality, are unreasonable and burden or restrict US commerce.

In making these findings, USTR has consulted with the Department of the Treasury as to matters of currency valuation and Vietnam's exchange rate policy.

The findings in this investigation are supported by a comprehensive report, which is on the USTR's website.

The USTR is not taking any specific actions in connection with the findings at this time but will continue to evaluate all available options.

See: [USTR Releases Findings in Section 301 Investigation of Vietnam's Acts, Policies, and Practices Related to Currency Valuation | United States Trade Representative](#)

Brazil

Well-directed support means a recovery can take hold quickly

Brazil has been one of the countries worst affected by coronavirus and the pandemic continues to take a heavy toll. Between January and November central government spending rose around 40%. According to the Institute of International Finance most of the money went on a flat-rate payment as temporary income for nearly a third of the population.

This has put a heavy burden on public debt which now stands at over 90% of GDP but analysts say Brazil can still fund itself and that well-directed support to the economy now will mean a recovery can take hold quickly when the vaccine roll-out is completed.

Environmental services policy approved

After nine years of discussion in the National Congress Federal Law No. 14.119/21 was finally approved on 13 January 2021 establishing the National Policy for Payment for Environmental Services (PNPSA - Política Nacional de Pagamento por Serviços Ambientais).

According to the law, Payment for Environmental Services (PES) is a voluntary transaction between users and suppliers whereby a payer transfers remuneration to a supplier that performs activities that favor maintenance, recovery or improving ecosystem services.

Contrary to most environmental standards, the PES is an economic instrument for achieving environmental goals and policies, encouraging desired behaviors and is thus different from the usual command and control mechanisms.

The full text in English can be found at:
<https://www.cbd.int/financial/pes/brazil-pescases.pdf>

Sindmóveis foresees growth for the Bento Gonçalves furniture cluster

In a press release the Furniture Industry Association of Bento Gonçalves (Sindmóveis) has said the furniture sector anticipates positive prospects for 2021 and an expansion of revenue of 4%.

In 2020 the pandemic disrupted the supply and production chain in the state of Rio Grande do Sul and that demand recovered faster than production resulting in low stocks and higher prices for inputs

The press release also says between January to September, compared to the same period in 2019, exports grew by 8.9%, from US\$26 to US\$28 million. Colombia and the United States were the highlights being among the top five destinations for Bento Gonçalves furniture, in addition to Saudi Arabia, Chile and Uruguay. There were significant increases in shipments in the period to India, Ecuador, Puerto Rico and South Africa. On the other hand demand in traditional markets such as Argentina and Paraguay has been falling throughout the year.

See press release:
<http://www.sindmoveis.com.br/portal/en/imprensa/noticias/crescimento-nas-exportacoes-do-polo-moveleiro-de-bento-goncalves>

November 2020 export update

In November 2020 Brazilian exports of wood-based products (except pulp and paper) increased 22% in value compared to November 2019, from US\$245.1 million to US\$299.3 million.

November pine sawnwood exports increased 21% year on year from US\$39 million in 2019 to US\$ 47.2 million in November 2020. In volume terms exports increased almost 30% from 206,200 cu.m to 267,600 cu.m.

Tropical sawnwood exports in November fell 7.3% in volume, from 41,300 cu.m in November 2019 to 38,300 cu.m in November 2020. The value of exports also fell dropping 19% from US\$19.2 million in November 2019 to US\$15.6 million.

In contrast pine plywood exports saw a 78% jump in value in November 2020 in comparison with November 2019, from US\$36.0 million to US\$64.1 million.

In volume terms, exports increased 41% over the same period, from 160,700 cu.m to 226,400 cu.m.

Tropical plywood exports declined in volume (-11%) and but maintained the same value year on year from 8,400 cu.m (US\$3.2 million) in November 2019 to 7,500 cu.m (US\$3.2 million) in November 2020.

Encouragingly, wooden furniture exports increased from US\$47.5 million in November 2019 to US\$57.7 million in November 2020.

December 2020 export update

In December 2020 Brazilian exports of wood-based products (except pulp and paper) increased 47% in value compared to December 2019, from US\$222.3 million to US\$327.4 million.

Pine sawnwood exports increased 53% in value, rising from US\$ 34.8 million in December 2019 to US\$ 53.2 million in December 2020. In volume terms exports increased 371% from 213,500 cu.m to 292,800 cu.m.

In a reversal of data for November tropical sawnwood exports in December increased 37% from 33,300 cu.m in December 2019 to 45,700 cu.m in December 2020. Exports earnings grew just over 8% from US\$15.4 million to US\$16.7 million.

In December 2020 pine plywood exports continued the upward trend rising year on year 83% from US\$35.9 million to US\$65.7 million. In volume, exports increased 39% from 168,200 (Dec. 2019) cu.m to 233,900 cu.m (Dec. 2020).

Tropical plywood exports continued down dropping 13% in volume from 7,600 cu.m (US\$2.7 million) in December 2019 to 6,600 cu.m (US\$2.7 million) in December 2020.

Wooden furniture exports rose once again in December 2020 from US\$43.9 million in December 2019 to US\$59.8 million in December 2020.

Furniture exports dropped but by much less than expected

Given the decline in international demand the 2020 performance of Brazil's furniture industry can be considered positive as the cumulative decline in the value of exports was just under 3%.

The year ended with export sales of US\$691.3 million (US\$710.9 million in 2019). Out of the four largest exporting states which account for 95% of total furniture exports two reported growth (São Paulo 0.6% and Paraná 3.4%) while Santa Catarina (-1.5%) and Rio Grande do Sul (-8.9%) did less well.

By market region, Latin American demand was a surprise as it accounted for 31% of the total value of exports despite dropping 9% compared to 2019.

North America was the top market taking 42% of the total (up 8% year on year) followed by Europe with 16% share but with a decline of 16%.

Wood-based panel exports to China increased in 2020

Fibreboard and particleboard exports showed some growth in 2020, increasing 1.5% compared to 2019. However, for the two largest consumers among the 155 countries that purchased wood-based panels from Brazil, the United States and China, there was an increase in exports. Exports to China increased 51%, while sales to the United States increased 24%.

Among the five largest importer countries, accounting for 60% plus of total exports, only the US and China registered an increase. The greatest fall was in Mexico, -35%, according to the Foreign Trade Statistics (ComexStat) from the Ministry of the Economy.

Domestic log prices

	US\$ per cu.m
Brazilian logs, mill yard, domestic	
Ipê	176▲
Jatoba	88▲
Massaranduba	79▲
Muiracatiara	83▲
Angelim Vermelho	77▲
Mixed redwood and white woods	66▲

Source: STCP Data Bank

Domestic sawnwood prices

	US\$ per cu.m
Brazil sawnwood, domestic (Green ex-mill)	
Ipê	735▲
Jatoba	355▲
Massaranduba	354▲
Muiracatiara	317▲
Angelim Vermelho	316▲
Mixed red and white	211▲
Eucalyptus (AD)	160▲
Pine (AD)	106▲
Pine (KD)	132▲

Source: STCP Data Bank

Domestic plywood prices (excl. taxes)

	US\$ per cu.m
Parica	
4mm WBP	395▲
10mm WBP	341▲
15mm WBP	282▲
4mm MR.	321▲
10mm MR.	251▲
15mm MR.	223▲

Prices do not include taxes. Source: STCP Data Bank

Prices for other panel products

	US\$ per cu.m
Domestic ex-mill prices	
15mm MDParticleboard	164▲
15mm MDF	203▲

Source: STCP Data Bank

Export sawnwood prices

Sawnwood, Belem/Paranagua Ports, FOB	US\$ per cu.m
Ipe	1,533▲
Jatoba	905▲
Massaranduba	884▲
Muiracatiara	886▲
Pine (KD)	180▲

Source: STCP Data Bank

Export plywood prices

Pine plywood EU market, FOB	US\$ per cu.m
9mm C/CC (WBP)	275▲
12mm C/CC (WBP)	264▲
15mm C/CC (WBP)	241▲
18mm C/CC (WBP)	230▲

Source: STCP Data Bank

Export prices for added value products

FOB Belem/Paranagua ports	US\$ per cu.m
Decking Boards Ipê	3,117▲
Jatoba	1,495▲

Source: STCP Data Bank

Peru

Optimism that vaccinations will allow economy to recover quickly

Peru has reported more than one million cases of coronavirus since the pandemic struck in March. Cases have crept up recently following the end-of-year holidays creating a shortage of beds in critical care wards in Lima and across the country. The President announced that his administration had negotiated vaccine supply deals with Sinopharm Group and AstraZeneca.

See: <https://andina.pe/ingles/noticia-peru-fin-min-economy-to-grow-115-in-2021-828209.aspx>

The Minister of Economy and Finance has said that despite measures taken to reduce the surge of COVID-19 cases during the second wave of the pandemic which began after the Christmas and New Year holidays, Peru's GDP will recover this year after a downturn in February.

ADEX sees UAE as Middle East export gateway

Erik Fischer, ADEX Chairman and the Director of the Association of Peruvian Exporters' Global Business and Economy Research Center (Cien-Adex) recently held discussions with the UAE Ambassador to Peru in order to open the way for strengthening ties through investments and bilateral trade.

The UAE, said Fisher, serves as a gateway to markets in the Middle East and hopes progress will be made on a free trade agreement.

See: <https://andina.pe/ingles/noticia-peru-exporters-interested-in-trade-agreement-with-united-arab-emirates-831678.aspx>

SERFOR launches satellite monitoring platform

The National Forest and Wildlife Service (SERFOR) has introduced a real time system using satellite imagery to monitor deforestation, logging activities and forest fires.

The new system monitors forests at the national level and provides accurate and timely information through the "Satellite Monitoring of Impacts to Forest Heritage", managed within the National Forest and Wildlife Information System (SNIFFS).

With timely and accurate information State institutions in coordination with SERFOR can take immediate actions to prevent, minimize and halt damage to the forest heritage. As of the end of January the system has identified more than 500 instances where follow-up investigation was necessary.

Data delivered by the new system allows for the estimation of potential monetary losses from deforestation through economic valuation generated by the SERFOR Inventory and Valuation Department.

Madre de Dios advances in its forest zoning process

The Department of Madre de Dios has expanded its forest zoning process incorporating 24 fragile ecosystems over an area of 205,028.10 hectares identified by (SERFOR). This process was carried out in coordination with the Regional Government of Madre de Dios, as well as local governments, native communities and holders of conservation concessions and ecotourism concessions.

With this inclusion established through Executive Directorate Resolution No. D000106-2020-MINAGRI-SERFOR-DE, Madre de Dios takes an important step in its Forest Zoning effort.

Participation of women in the Peruvian forestry sector

In order to value the participation of women in the forestry sector the Ministry of Agriculture through (SERFOR) undertook a study "Challenges of female employment in the forestry sector: a first approximation". This was supported by the German Development Cooperation.

Based on testimony from women the report describes the situation of women who work in the forestry sector and their difficulties in participating fully. The report concludes with policy proposals for improving working conditions and efforts to alert institutions in Peru aware of problems women face.

Export sawnwood prices

Peru sawnwood, FOB Callao Port	US\$ per cu.m
Pumaquiro 25-50mm AD Mexican market	647-659
Virola 1-2" thick, length 6'-12' KD Grade 1, Mexican market	584-612
Grade 2, Mexican market	498-523
Cumaru 4" thick, 6'-11' length KD Central American market	973-987
Asian market	1048-1074
Ishpingo (oak) 2" thick, 6'-8' length Spanish market	583-597
Dominican Republic	694-710▲
Marupa 1", 6-11 length KD Grade 1 Asian market	569-598

Domestic sawnwood prices

	US\$ per cu.m
Peru sawnwood, domestic Mahogany	-
Virola	241-265
Spanish Cedar	342-355
Marupa (simarouba)	237-242

Export veneer prices

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

Domestic plywood prices (excl. taxes)

	US\$ per cu.m
Iquitos mills	
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

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 prices for other panel products

	US\$ per cu.m
Peru, domestic particleboard	
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

	US\$ per cu.m
Peru, FOB strips for parquet	
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

Consumer demand takes a hit

The Japanese economy is increasingly facing challenges following the declaration of a second state of emergency that will be in place until 7 February. Consumer demand has taken a hit and there are indications that prices are falling.

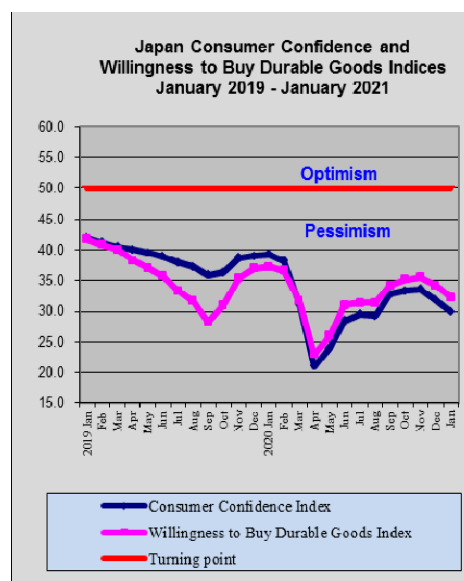
The risk is that this could mark the return of deflation, a nightmare for the government and the Bank of Japan after years of efforts to reflate the economy.

The annual wage negotiations between management and unions will soon begin and the early news, unsurprisingly, is that companies are reluctant to raise pay after a difficult 2020. Without a boost to household income the prospects for boosting consumption would weaken.

Further dip in consumer confidence

After a brief recover retail sales have declined again driven down as the third wave of infections which resulted in the government declaring a state of emergency in the worst affected prefectures. The state of emergency calls for everyone to avoid non-essential travel and gathering, this kept shoppers home and darken the recovery outlook.

The downward trend in the January consumer confidence index provides an indication of renewed weakness in consumer spending, a key driver of the earlier rebound.

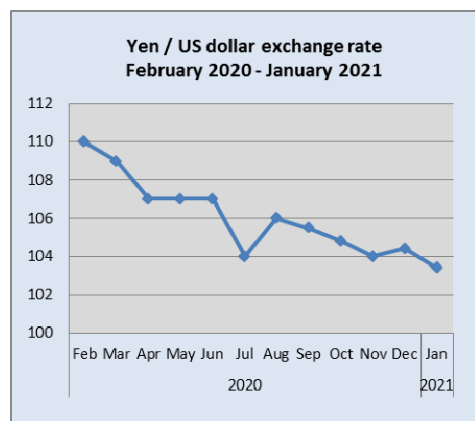


Data source: Cabinet Office, Japan

Yen edges firmer

The yen/dollar exchange rate continues to edge towards a rate which will alarm the Bank of Japan (BoJ) as it tries to steer the economy through a further tough patch brought on by another state of emergency due to a serious third wave of corona infections especially impacting the main urban areas.

At 103 plus to the US dollar the BoJ is not likely to respond but, if as some analysts forecast, the yen strengthens further the BoJ was indicated it will respond.



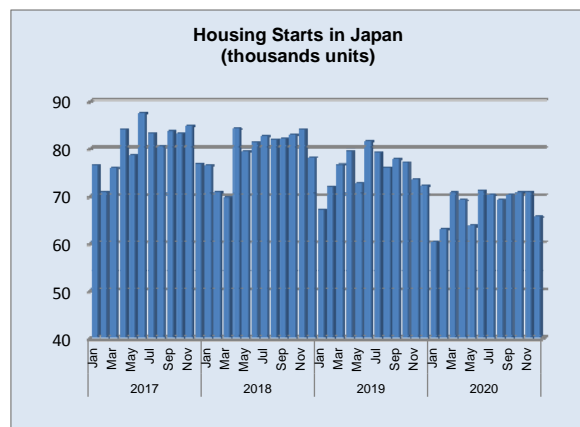
2020 not a good year for house builders

Housing starts tumbled in December 2020 falling 9% year on year and dropping 7% compared to the previous month. The table below shows housing starts. 2019 was not a good year as starts were down 5% on 2018 and the downtrend continued in 2020 with starts dropping a further 10%.

The impact of corona virus control measures is partly to blame for the decline but the core of the problem for Japanese construction companies is the aging population and the declining birth rate.

It has been reported that 2020 was the first time since 2012 that more people have left Tokyo than flowed in. The rare situation is said to have arisen due to the novel coronavirus pandemic. Tokyo's population was down by nearly 37,000 by December 2020 compared to July marking the fifth monthly decline.

The 'work from home' style is eliminating the need to live close to the workplace and people can take advantage of lower rents in the suburbs. This has helped works adjust as the average wage increases have satlled and accommodation is expensive in the cities.

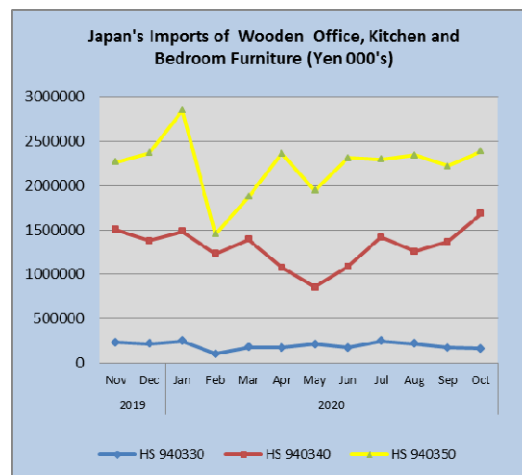


Data source: Ministry of Land, Infrastructure, Transport and Tourism, Japan

Furniture imports

The rising imports of wooden furniture, especially of bedroom furniture, in the second and third quarters of 2020 was surprising given the downward trend in consumer confidence and especially in consumer willingness to buy durable goods. (see consumer confidence graphic above).

While consumer confidence regained ground in the second half of 2020 this was only a 'catch-up' on an earlier decline. Clearly Japanese importers were confident of sustained and expanding demand despite the weak consumer confidence readings so steadily expanded wooden furniture imports.



Data source: Ministry of Finance, Japan

October office furniture imports (HS 940330)

Japan's imports of wooden office furniture have been declining since July. Year on year there was a 12% decline in the value of imports and month on month the decline was around 4%.

October imports from China which accounted for almost 70% of October arrivals were up slightly (around 4%) compared to September but imports from the other main suppliers dipped with shippers in Portugal seeing a 7% decline. Shipments from Poland were down 5% in October but shipments from Italy remained at the same level as in September.

	Imports Oct 2020 Unit, 000's Yen
S. Korea	-
China	112,903
Taiwan P.o.C	1,553
Vietnam	3,908
Thailand	1,074
Malaysia	3,245
Indonesia	2,009
UAE	-
Sweden	883

Denmark	-
UK	2,246
Netherlands	-
Belgium	-
France	-
Germany	3,193
Switzerland	-
Portugal	10,574
Italy	5,754
Poland	8,234
Austria	-
Turkey	-
Lithuania	894
Czech Rep.	251
Slovakia	2,148
Canada	358
USA	6,667
Mexico	-
Brazil	-
Australia	-
Total	165,894

Data source: Ministry of Finance, Japan

October kitchen furniture imports (HS 940340)

Beginning in May there has been a steady rise in the value of kitchen furniture imports and in October this trend continued with an 11% rise year on year and a 23% month on month increase.

Housing starts (see above) have been flat since mid year suggesting the rise in kitchen furniture imports could be driven by increased kitchen renovation as home owners spend more time at home and because of limits on outdoor activities are focused on home improvement.

In October, shippers in the Philippines which accounted for around half of all kitchen furniture imports into Japan in October did well, seeing an over 30% rise in shipments.

The other top shippers in October were Vietnam which saw an 18% rise in shipments in October and accounted (around 40% of Japan's HS940340 imports) and China but here the level of shipments was much the same as in September.

	Imports Oct 2020 Unit, 000's Yen
China	148,366
Taiwan P.o.C	7,373
Vietnam	635,191
Thailand	47,921
Malaysia	5,052
Philippines	768,127
Indonesia	9,173
Sweden	-
Denmark	-
UK	1,019
Netherlands	-
France	5,115
Germany	39,284
Spain	-
Italy	9,052
Finland	-
Austria	-
Romania	4,839
Turkey	-
Lithuania	-
Czech Rep.	-
Canada	2,089
USA	1,259
Total	1,683,860

Data source: Ministry of Finance, Japan

October bedroom furniture imports (HS 940350)

In contrast to the upward trend in kitchen furniture imports Japan's imports of wooden bedroom furniture have been in a narrow range since mid 2020. However, the value of October imports was up over 30% year on year but the month on month rise was a modest 8%.

Shippers in China accounted for around 60% of Japan's imports of wooden bedroom furniture in October and saw a 7% month on month increase. Vietnam is the second ranked shipper accounting for around 30% of October imports (up 6% month on month). Exporters in Malaysia and Thailand together accounted for almost 8% of October arrivals of wooden bedroom furniture.

October bedroom furniture imports (HS 940350)

	Imports Sep 2020 Unit, 000's Yen
S. Korea	-
China	1,428,903
Taiwan P.o.C	3,550
Mongolia	-
Vietnam	723,070
Thailand	62,593
Malaysia	91,229
Philippines	-
Indonesia	36,003
India	-
Sweden	-
Denmark	204
UK	-
Netherlands	-
Belgium	-
France	1,088
Germany	2,544
Switzerland	-
Portugal	-
Italy	1,882
Poland	28,513
Austria	-
Hungary	-
Greece	-
Romania	5,051
Turkey	-
Latvia	857
Lithuania	-
Belarus	-
Bosnia Herzegovina	-
Canada	-
USA	1,355
Total	2,386,842

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/

Plywood

Demand continues active on domestic softwood plywood in January. Normally January is quiet month but this year is different. Delayed deliveries continue in Western Japan and the longest is one month waiting. There are large orders placed to the manufacturers in Eastern Japan but the manufacturers carry excessive orders so they have no extra volume.

Production increase is difficult due to abnormal heavy snow fall in Northern Japan, which caused confusion of transportation and log supply shortage. Therefore, supply tightness would continue through end of February. The manufacturers have been pushing the prices. The target prices are 930 yen per sheet on 12 mm 3x6. The prices have been inching up and there is no more 900 yen or lower prices.

Malaysian and Indonesian plywood export prices are firm. The largest supplier in Malaysia, Shing Yang increased the export prices twice, one in December and another in January.

There was expectation that the volume of imported plywood would increase in January but the manufacturing mills suffer log shortage and container shortage so the supply has not increased.

The importers are not able to place large orders with high prices when the demand in Japan stagnates so port inventories seem to stay on tight through the first quarter.

South Sea (tropical) logs

Log production in PNG is slow but there is no reaction since the demand is slow too. In PNG, demand by China receded so log producers lost interest of log harvest. In Japan, the largest tropical hardwood log plywood manufacturer will close down in March and other mills switched to use veneer instead of logs so there is very little concern to log producing situation.

For more information see:

<https://www.dailyadvent.com/news/c24cb997c67b1fd2254f5fde866f576e-Japan-tapers-imports-of-logs-from-tropical-trees-to-near-zero>

Domestic logs and lumber

Supply of domestic logs and lumber has been tight since last month. Demand is not large but the supply is much tighter. Log prices have started climbing since last fall so the production started increasing but heavy snow in January hampers the production again.

After lumber prices rapidly started climbing in December, sawmills are becoming bullish but foul weather reduces production like frozen logs. Sawmills have acquired ample logs by December so log prices are simmering down. 3 meter post cutting cedar log prices moved up to 14,000-15,000 yen but in January, they are leveling off at 12,000-13,000 yen. 4 meter sill cutting cypress log prices are staying at 19,000-20,000 yen.

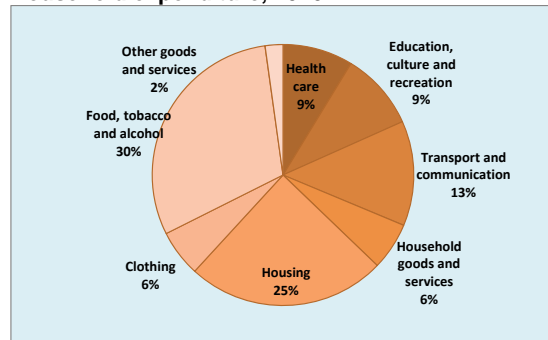
Lumber prices have kept going up. National average prices of 3 meter KD cedar post are 52,000-53,000 yen and 4 meter KD cypress sill are 62,000-64,000 yen. They are firming. There are uneasy feelings that actual demand is not so large but meantime there are rising demand to use domestic wood to replace tight supplied North American Douglas fir lumber so domestic share should increase.

China

Household income and consumption rose in 2020

A press release from China's National Bureau of Statistics says in 2020 per capita disposable income reached RMB32,189 a nominal increase of 4.7% over the previous year and a real increase of 2.1% after deducting price factors. The per capita disposable income of urban residents was RMB43,834 an increase of 3.5%.

Household expenditure, 2020



Data source: National Bureau of Statistics, China

See:

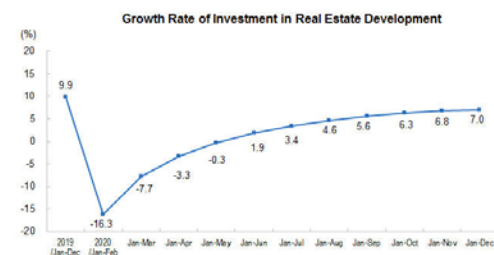
http://www.stats.gov.cn/english/PressRelease/202101/t20210119_1812523.html

2020 real estate development

Details of national real estate development in 2020 have been published by the National Bureau of Statistic. Overall, 2020 investment in real estate development increased 7% over the previous year while investment in residential properties expanded 6.3% compared to 2019.

See:

http://www.stats.gov.cn/english/PressRelease/202101/t20210119_1812512.html



Data source: National Bureau of Statistics, China

China's GDP exceeds RMB100 trillion

According to the National Bureau of Statistics the value of China's gross domestic product rose 2.3% to RMB101.6 trillion year on year in 2020 exceeding RMB100 trillion for the first time. That makes China the only major economy to post growth in 2020.

The proportion of China's GDP to the world economy grew to 17% in 2020 from 16.3% in 2019. The total value of import and export goods rose 1.9% year on year to RMB32.16 trillion in 2020.

Wood processing enterprises on holiday

At present, production in factories in Shandong, Jiangsu, Guangdong and Fujian has been suspended. In order to stagger the flow of people travelling workers have returned to their hometown for the holidays ahead of schedule.

The recent intensely cold weather has challenged the power system all over the country. Some factories experienced power failures and in order to manage the power supply the authorities have required factories with non-continuous production lines to close early for the holidays.

The trade press in China has suggested around 30% of the wood processing enterprises have been affected and in some areas only 10% of factories are operating. For example, the local media says wood processing factories in Guigang City, Guangxi Zhuang Autonomous Region shut down from 15 January.

See:

https://www.wood365.cn/Industry/IndustryInfo_268417.html

Container shortage impacting timber imports

The availability of shipping containers and disruptions to shipping schedules is impacting the flow of wood product imports. The shortage of shipping containers in places where they are needed has pushed up international shipping costs. Imports are disrupted and producer countries are facing a challenge to get timber shipments away.

At present, Chinese timber traders purchasing European spruce and American southern pine have a lot of new orders but delivery schedules are difficult to determine.

See: <https://www.cnwood.cn/news/show-19664.html>

In related news, the urgency to secure log supplies has driven up prices in the domestic market. The trade press in China says timber prices in Chongqing, Jiangxi and Guangxi Provinces have been raised

See: <http://www.muye123.cn/article-1025-1.html>

Cross-border e-commerce - a new feature of wooden handicraft trade

Cao County is known for wooden handicraft production and export sales with nearly 200 wooden handicraft enterprises and workshops. At the beginning of 2020 exports from these handicraft enterprises was affected by the pandemic which spurred an initiative on cross-border e-commerce, business is booming and creating a beautiful scenery.

According to the media in 2020, there were 116 cross-border e-commerce traders with 1,100 employees and sales RMB670 million. By way of example, YuGuang Handicrafts Co., Ltd. in Cao County registered 10 stores with Amazon and achieved daily sales of about US\$10,000 per store in early 2020. For 2020 the company's sales exceeded RMB 200 million.

In order to serve the e-commerce traders training courses have been held in Cao County involving Amazon professionals.

See: http://k.sina.com.cn/article_2541563735_977d2f5702000vhs1.html

China's first fully automated plywood mill comes on-line

On 8 January China's first fully automated plywood production line built for Guangxi Forest Industry Group began operation in Baise City, Guangxi Zhuang Autonomous Region. Construction of the project started in April 2020 and trial production had been completed by December 2020.

The total investment was RMB250 million and the site covers an area of nearly 9 hectares. The mill can produce 100,000 cubic metres of plywood annually.

This investment could lead the way to changing the plywood production sector from small dispersed, labor-intensive traditional plywood manufacturing and could be significant for the plywood supply chain.

See: https://www.sohu.com/a/444362717_813805

News from the GGSC - An initiative of the Chinese private sector on building a global green supply chain for forest products

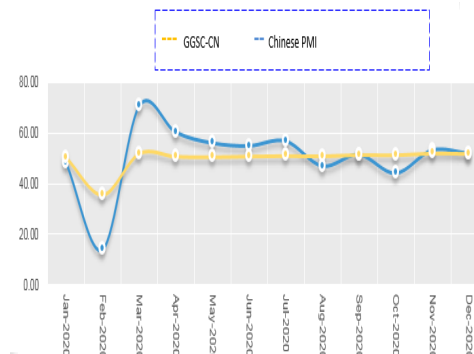
In December 2020, despite the pandemic, domestic market demand in China rose steadily and production and operations of manufacturers were largely uninterrupted.

The purchasing manager index (PMI) for China's manufacturing industry in December was 51.9%, slightly lower than that of the previous month. The PMI has been around 51 for six consecutive months.

The momentum for economic recovery is steady. In December wood production and manufacturing output expanded as domestic demand continued to recover. However, prices for raw materials rose and the inventory of raw materials declined and exports remained weak.

The GGSC-CN's comprehensive index for December registered 52.0 (55.6 for last December and 55.2 for December 2018) indicating the December operations of the forest products enterprises represented in GGSC-CN index (major large enterprises) expanded from the previous month. See the figure below.

GGSC-CN index trend from January 2020 to December 2020

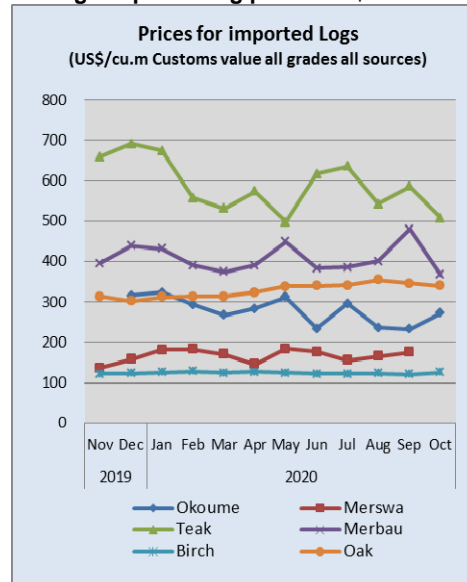


Source: <http://www.itto-ggsc.org/>

Enterprises continue to face many challenges, the main being the impact of the global pandemic and the need to meet new domestic environmental requirements.

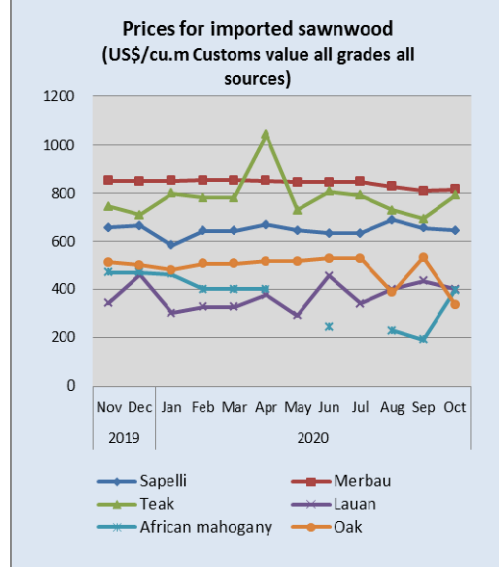
Details of specific components included in deriving the GGSC index and challenges for the Chinese timber industries in December can be found on the GGSC website at: <http://www.itto-ggsc.org/>

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



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

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



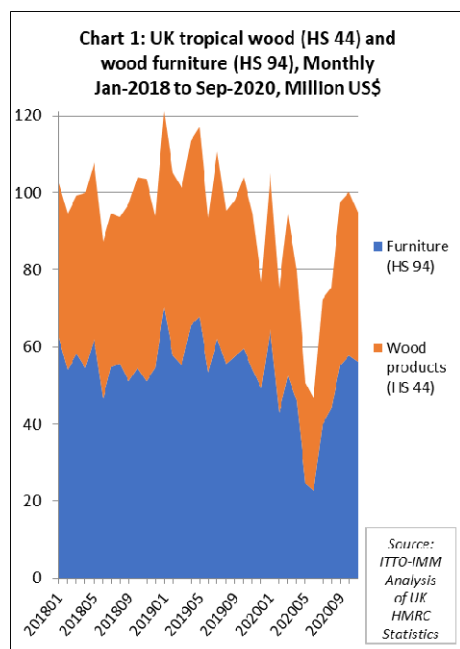
Data source: China Customs. Customs value all grades, all sources

Europe

UK tropical wood imports slowdown

The rebound in UK imports of tropical wood products as the first wave of the pandemic receded in summer last year slowed in the last quarter of 2020 as the country, like much of the rest of the Europe, reimposed lockdown measures in response to the second larger wave which hit at the start of the winter months.

In addition to a slowdown in overall UK business activity at the end of 2020, there are also reports of severe supply problems in the UK building sector, including for products imported from South East Asia and China, due to limited container space and rising freight costs.



Total value of UK imports of tropical wood and wood furniture months increased only slightly from US\$98 million in October to US\$100 million in November, but then receded again to US\$95 million in November (Chart 1 above).

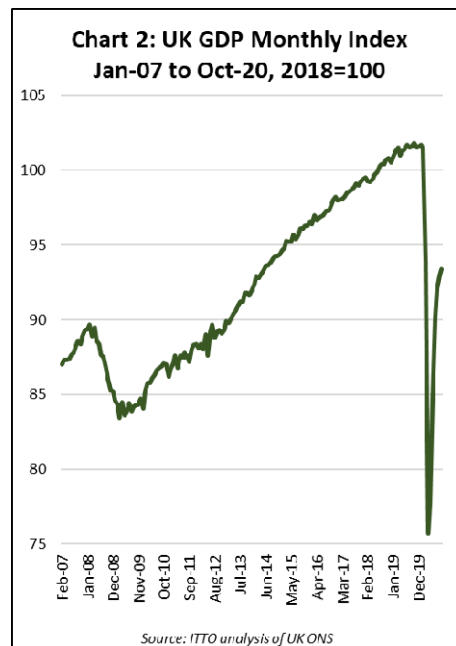
Total UK tropical wood and wood furniture imports in the 11 months to November 2020 were US\$892 million, 23% less than the same period in 2019.

When the recovery in the UK economy began to slow in the last quarter of 2020, GDP in October 2020 was still 8% percentage points down compared to February 2020 just prior to the pandemic (Chart 2).

The IMF now estimates that UK GDP contracted 10% for the year in 2020, the biggest fall of any G7 country, and forecasts that GDP will expand by 4.5% this year, down 1.4% points from the IMF's previous 5.9% growth forecast published in October.

According to IMF, the recent acceleration of the UK's vaccination programme is not expected to give an extra boost to UK growth until 2022 when the forecast growth rate has been upgraded by 1.8 percentage points to 5%.

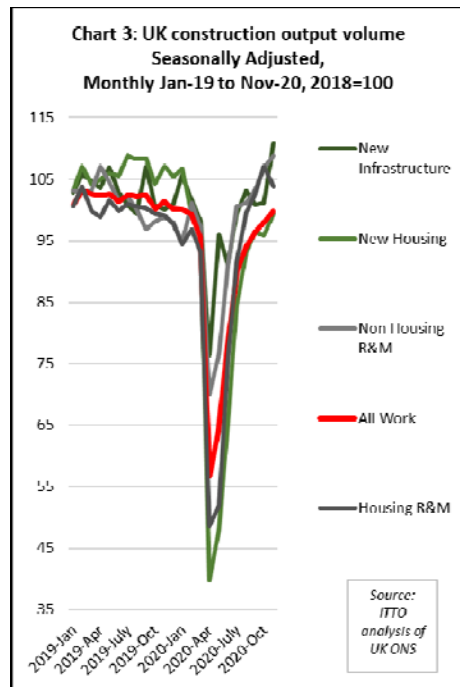
This aligns closely with the latest forecast by UK Treasury's independent spending watchdog, the Office for Budget Responsibility (OBR), which also indicates that the UK economy will not return to its pre-crisis level until the end of 2022, at the earliest.



Strong demand but freight problems lead to shortages

A positive factor for the UK timber trade in 2020 was that the initial downturn in construction sector activity, which is a key driver of timber demand, during the first "great lockdown" was short and followed by a stronger rebound than other areas of the economy.

This rebound was losing momentum in the last quarter of 2020, but not before overall construction activity was nearly back to pre-pandemic levels. Repair and maintenance activity, both for housing and non-housing, an important driver for hardwood demand, was actually slightly higher than before the pandemic (Chart 3).



IHS Markit Purchasing Managers Index data for UK construction in December was also positive showing that the rebound in UK construction activity continued during the month. According to IHS Markit, new order levels for UK construction increased for the seventh successive month.

But according to IHS Markit, the combination of the pandemic and Brexit meant that supply chains to the UK construction sector were “groaning at the seams and delivery times increased to the most dramatic extent for six months. Low availability for finished products and raw materials as a result of port disruptions added to builders’ woes as suppliers named their price for goods in acutely short supply and input price inflation increased to its highest level since April 2019”.

Reports from UK trade associations and business groups highlight the development of a short supply situation for building products in the UK driven by a combination of strong demand and COVID and Brexit related supply problems. According to the Builders Merchants Federation (BMF), which represents 760 merchant and suppliers companies in Britain, high demand, escalating prices for shipping and delays at some British ports were all having a “major impact” on the supply chain.

John Newcomb, chief executive of BMF, said: “Merchants have seen an exceptional demand for building materials since the first lockdown.

In November, we saw an average growth of 9 per cent across our membership compared to the same time last year.

Looking at December’s figures, we are predicting that growth could be double digits, and that’s unprecedented.” More specifically on timber, it was noted that “prices in the UK have risen by an average of 20%”.

Housebuilders are racing to complete thousands of homes ahead of deadlines for the UK government’s Help to Buy scheme and stamp duty holiday in February and March, two measures introduced in 2020 to support the economy during the pandemic. Some of Britain’s biggest builders including Persimmon and Taylor Wimpey have reported record order books for the year ahead, as buyer demand shows no sign of abating.

A spokesman for the Home Builders Federation, which represents UK housebuilders, said: “Demand remains strong and whilst builders are committed to completing homes and increasing supply some constraints have emerged. Shortages of certain products are being experienced, alongside Covid-related delays but it is hoped these will be short term.”

The BMF said there has been a surge in costs of building products shipped in containers from the Far East, which was already a concern at the end of last year. Mr Newcomb said: “We continue to see issues with the availability of products imported in containers, mainly from the Far East”.

Container freight rates from Asia to the UK increased almost fourfold between November and the end of January to reach US\$10,000 for a 40ft unit for the first time, amid a global rebound in demand for consumer goods and materials, ships mothballed with their containers and crew and congestion across UK ports, where many empty containers have been left stranded making carriers particularly reluctant to take bookings for the UK .

The global rebound in shipping demand has been compounded by Britain’s hurry to stock up on materials and goods before the Christmas season and the severing of ties with the EU. This left many shipping containers stranded by warehouses and on the quayside of ports across the UK and Europe, after the influx of freight at the end of last year.

Brexit deal does little to reduce UK costs of trading with the EU

The Brexit transitional period came to an end on 31 December when the UK left the EU single market. Contrary to expectations of a ‘no-deal’ - heightened earlier in December owing to continuing differences on the “level playing field” for competition, fisheries, and dispute resolution - an “EU-UK Trade and Co-operation Agreement” was eventually signed on 24 December. This combines a Free Trade Agreement with an overarching governance framework.

The signing of the deal means that the worst consequences of a “no-deal” scenario have been avoided, notably that there will be no tariffs imposed on bilateral trade between the EU and UK and there is an agreed governance structure for refining the details of future trade relations in specific sectors and for arbitration in the event of disputes. However, it does not alter the fact that the UK has left the single market and the days of “frictionless” trade between the UK and EU are over.

What this means in practice is now becoming apparent. The deal is notably thin, not covering the 80% of the UK economy accounted for by services and, while providing for zero-tariff trade, it does not exempt UK companies from the red tape associated with a customs border, including the need to handle customs declarations for imports and exports.

In the first few weeks of January, hundreds of trucks a day are being fined or turned away at cross-channel ports because they do not have the right paperwork, according to UK border officials in their reports to UK government. At the worst point during January, one in five lorries bound for the EU from the UK was turned back from the UK border.

This is having a severe knock-on effect. Many companies on both sides of the border have stopped exporting to avoid getting caught by new customs regulations and because of significantly higher transaction costs. At the end of January, the UK Road Haulage Association (RHA) said that freight exports to the Continent are still significantly down on expected levels nearly a month after the end of the transition period.

The RHA also warned that European hauliers, who make the bulk of the deliveries into the UK, were starting to reject UK-bound shipments. In addition to the delays and extra paperwork, these trips are now much less profitable because of a 40% decline in UK goods being sent to the EU since Brexit and many lorries returning empty. According to the RHA, new requirements for COVID tests are also very unpopular and having an effect on the number of hauliers prepared to make the trip.

The worst predictions for chaos and massive tailbacks at cross-channel ports, leading to shortages in UK supplies of essential goods such as foods and pharmaceuticals, were avoided in January as companies had stockpiled goods in anticipation of a hard Brexit. However there is now rising concern that the logistical problems in UK trade with the EU will worsen as stockpiles have been depleted and cross-Channel trade is due to pick up in February and March.

Considering the longer-term implications, the UK tax office (HM Revenue & Customs - HMRC), stated in evidence presented this month to the UK parliamentary committee on Brexit impacts, that British businesses will spend GBP7.5 billion a year handling customs declarations for trade with the EU — as much as they would have done under a no-deal Brexit.

Jim Harra, chief executive of HMRC told MPs that the number of customs forms needed to trade with the EU under the Brexit deal “is not materially different from a no-deal situation”.

Mr Harra said that revenue estimates from October 2019, which found that the cost of no-deal to UK and EU business would be GBP15 billion a year, still held true under the deal, with half the bill landing on each side. HMRC’s impact assessment said that British businesses would need to handle 215 million more import and export declarations a year.

The complexity of new “rules of origin” has proved highly disruptive for many UK businesses, particularly those that use the UK as a distribution hub for the rest of the EU. The trade agreement only allows for duty and quota free trade between the UK and EU if exports meet stringent content requirements. Manufacturers must use a specific and high proportion of ingredients or parts made in the UK or the EU, the actual percentage varying depending on the product group.

This means that manufacturers exporting to the EU from the UK, and vice versa, must now be able to prove where all the parts came from. Manufacturers faced with similar free trade deals will often choose to accept the cost of the tariff to avoid the cost of all the paperwork.

UK trade relations after Brexit

Having achieved Brexit, the question now arises, what exactly does the UK government want to do with it? Given the additional costs and obstacles to trade with the country’s nearest neighbours and largest overseas customers, which are self-evident, the UK now needs to find some benefits.

For the past 45 years, Britain’s economic model has been clear: to make itself the most attractive destination for investment by firms looking for a hub for their European operations. As businesses are discovering, that model can no longer be sustained now that Britain is outside the EU’s single market and customs union. The UK government has yet to clearly articulate what model it believes should take its place to kickstart the business investment essential to any sustained recovery.

One objective is apparent: to encourage greater direct UK trade with a wide range of countries outside the EU. A key idea behind Brexit was to give the UK greater freedom to negotiate trade agreements with partners outside the EU that more directly benefit UK interests.

Certainly, the UK has been busy securing trade agreements since the Brexit decision. In the last 2 years, the UK has agreed trade deals covering 65 countries outside the EU. However, nearly all these just roll-over existing EU agreements and largely replicate the terms of trade that the UK previously enjoyed as part of the EU.

An agreement signed with Japan in October was the first to differ from an existing EU deal, going further in areas such as e-commerce and financial services, but according to Dr Minako Morita-Jaeger, International Trade Policy Consultant and Fellow at the University of Sussex: “while the Agreement has a certain political significance, its economic impact is likely to be very small. This is because it contains very limited improvements relative to the EU-Japan Economic Partnership Agreement (EPA).”

The same is true of the UK-Vietnam Free Trade Agreement (UKVFTA), signed on 29th December, which also inherits most of the contents of the EU-Vietnam FTA (EVFTA), with only minor differences in relation to the UK’s commitments to tariff exemption for a limited range of Vietnamese agricultural products and differing commitments from Vietnam to opening the service market for British businesses.

Potentially more significant, and directly relevant for tropical wood suppliers, was the announcement in January by Liz Truss, the UK Trade Secretary, that the UK will shortly submit a formal request to join the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), the free trade area comprising Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, and Vietnam.

The UK government has taken other steps to integrate with Asia’s regional blocs following its successful bid to become a Dialogue Partner of the Association of Southeast Asian Nations (ASEAN). As a Dialogue Partner, the UK gains high-level access to ASEAN, alongside enhanced practical cooperation on various policy issues with the regional bloc. It also enables the UK to join other important dialogue partners, including the US, China, and India.

On the other hand, the UK government’s hopes of striking an early trade deal with the US — seen as one of the biggest prizes of Brexit — have faded after new warnings that such a deal would not be a priority for President Biden’s new administration. While the UK government claims that much of the work needed to secure a trade deal with the US has been done already, it has also admitted that an agreement is unlikely in 2021.

The most difficult areas of a UK-US deal — including agriculture and pharmaceuticals — are still unresolved and in any case the US is now more likely to prioritise a possible EU trade deal. The UK’s hope of facilitating greater trade with the US may now lie in the Biden administration’s decisions on CPTPP participation.

How can UK businesses become more internationally competitive?

In addition to trade agreements, the UK government is consulting business leaders to provide ideas for so-called “regulatory divergence”; ways and means by which UK businesses may be made more internationally competitive by moving away from the EU’s regulatory regime. But here again there are no easy options or quick wins.

According to The Times, “the government’s problem is that businesses aren’t clamouring for Britain to diverge from EU rules. Rather the opposite...no one is demanding a watering down of employment and environmental regulations”.

On the contrary, they are keen to abide by rules which are already well embedded into their business operations that are demanded of their large customers in the EU, and any move to deregulate now carries the risk that the EU will retaliate by putting up additional barriers to trade. The Times concludes “the clamour in many sectors right now is not for divergence but convergence”.

It is still early days and perhaps in time new opportunities will emerge from Brexit for businesses in the UK as they adjust to the new trading regime and are, in effect, forced to increase their global competitiveness as they no longer have friction-free access to the large EU market.

However, at present, it is hard to see how the new opportunities will be sufficient to offset the significant new obstacles imposed on trade with the UK’s nearest neighbours and largest export markets. In practice, the pressure from UK businesses is likely to be on retaining high levels of access to the EU market, even at the price of foregoing divergence with EU rules.

Implications of Brexit on demand for tropical wood in the UK

The long term effects of Brexit on UK imports of tropical wood products are still far from certain. At present, even the short term effects are obscured by the unprecedented disruption to supply chains, shipping operations and markets during the COVID pandemic.

However, it seems likely that, despite the agreement of a trade and co-operation agreement with the EU, the relative competitiveness of EU-based suppliers of wood and wood furniture products that previously benefitted from completely frictionless trade will be reduced in the UK market. Tropical suppliers will be competing on a more level playing field in this market.

Furthermore, the early signs of serious disruption in the trade between UK distributors and large hardwood traders in continental Europe, notably in Belgium and the Netherlands, has some potential to encourage (once again more direct imports of tropical woods into the UK.

On the other hand, the ability of UK importers themselves to distribute tropical wood products across the EU is now much diminished. Furthermore, the potential gains due to tropical suppliers increased competitiveness in the UK may well be insufficient to offset the longer term drag on economic growth now that the UK has left the single market.

The UK government’s own 2018 analysis of the impacts of various different UK-EU trading relations following Brexit suggests that in the scenario closest to the actual outcome - a free trade agreement with tariffs on goods and

non-tariff barriers equal to those in an average trade deal with the EU - the UK economy will be between 4.9% and 6.7% smaller fifteen years from now compared to continued EU membership.

Other implications of Brexit for tropical wood supplies in the UK were discussed in the December market report (ITTO TTMR Volume 24 Number 23, 1-31 December 2020 pages 27-30). The conclusions drawn there with respect to introduction of the UK's new "Global Tariff" regime, the due diligence requirements of UKTR compared to EUTR, construction product standards, and phytosanitary requirements, are unaltered by the details of the EU-UK deal signed on 24 December.

UK tropical wood furniture imports down 23% to November last year

Overall UK imports of tropical wood furniture products in the eleven months to end November last year were USD506 million, 23% less than the same period in 2019. Imports gained momentum during October, rising to USD57.7 million compared to USD55.3 million in September, but then slowed a little to USD56.3 million in November.

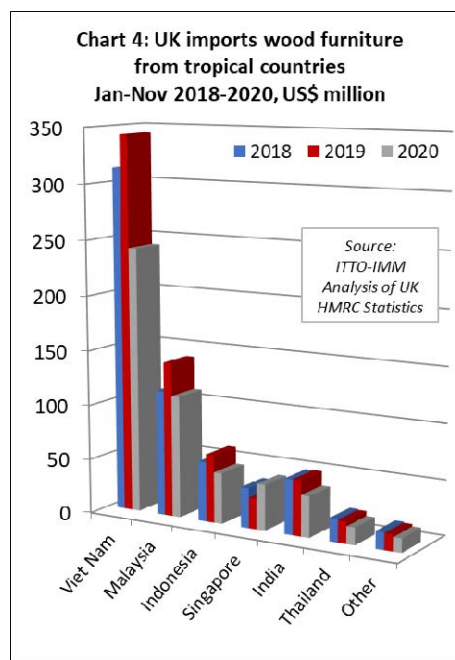
Comparing the first eleven months of 2020 with the same period last year, UK imports of wood furniture declined sharply from all the leading tropical supply countries (Chart 4).

Imports from Vietnam were down 30% to USD242 million, imports from Malaysia fell 21% to USD111 million, imports from Indonesia declined 25% to USD46 million, imports from India fell 26% to USD37 million and imports from Thailand were down 22% to USD16 million. In contrast, there was a 50% rise in imports from Singapore, to USD41 million.

The current quantity and direction of international trade in furniture is heavily influenced by freight issues. In an article in the Guardian newspaper on 27 January, Vincent Clerc, chief commercial officer for Maersk, the world's biggest shipping company, is quoted as saying there are "simply not enough containers in the world to cope with the current demand".

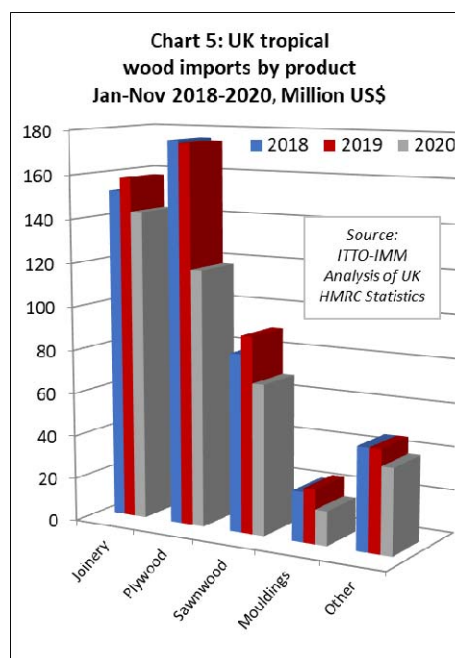
He said that recent lockdowns in the UK and across Europe may even spur further online purchases of consumer goods including furniture for "at least for some weeks ... It is really crazy how much we are moving at the moment, huge amounts," he said.

The Guardian refers to one factor that might be driving recent growth in UK furniture imports from Singapore, noting that "Giant container carriers left off the coast of Singapore during the most stringent coronavirus measures last spring have already re-entered the shipping market to help ship containers to Europe".



Pace of UK tropical wood products imports slows in November

UK imports of all tropical wood products in Chapter 44 of the Harmonised System (HS) of product codes in the month of October were USD42.3 million, the same level as in September, but declined to USD38.6 million in November.



Comparing the first eleven months of 2020 with the same period in 2019, total UK import value of tropical wood products was, at USD386 million, 23% less than the same period in 2019.

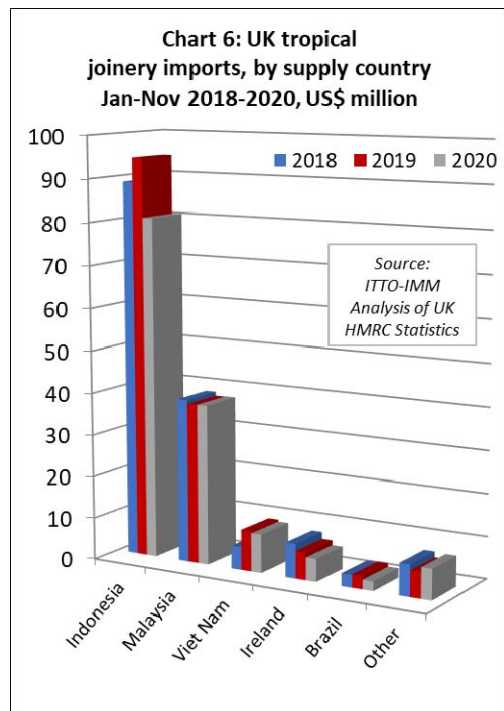
Import value of joinery products was down 10% at USD143 million, tropical plywood was down 32% at USD118 million, tropical sawnwood fell 23% to USD69 million, and mouldings/decking declined 36% to USD16 million (Chart 5 above).

After making gains in 2019, UK imports of tropical joinery products from Indonesia, mainly consisting of doors, fell 15% to USD81 million in the first eleven months of last year (Chart 6). UK imports of wooden doors from Indonesia made up ground between September and November after very low imports between June and August.

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 before recovering slowly in the summer months and gaining momentum between September and November.

Total joinery imports in the first eleven months of 2020 from Malaysia were USD38.0 million, a slight gain from USD37.9 million in the same period in 2019. Imports from Vietnam were USD9.2 million in the first 11 months of last year, 5% less than the same period in 2019.

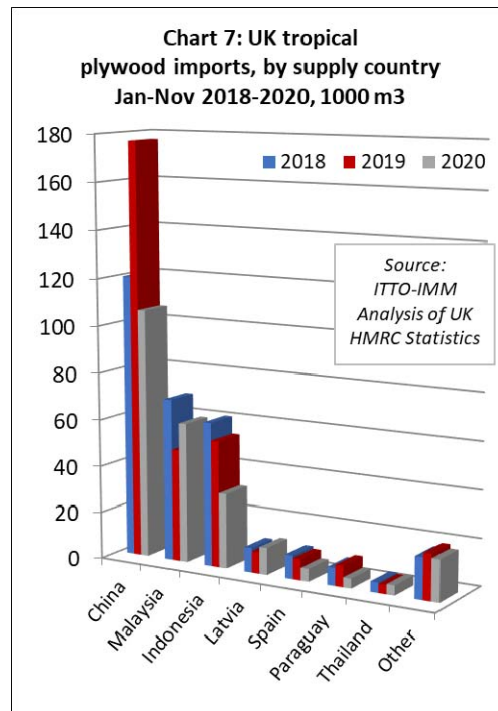
UK trade in joinery products manufactured from tropical hardwoods in neighbouring Ireland fell dramatically in 2020, down 18% to USD5.4 million in the first eleven months. Imports from Brazil were USD2.3 million, down 27% in the same period.



In the first 11 months of 2020, the UK imported 241,000 cu.m of tropical hardwood plywood, 27% less than the same period in 2019.

Of this volume, around 44% (106,100 cu.m) comprised tropical hardwood faced plywood from China, 40% less than the same period in 2019 (Chart 7).

UK imports of plywood from China ground to halt in the first quarter of last when China went into lockdown. There were hardly any deliveries from February through to early April and UK importers were forced to live off inventories. However imports picked up during the summer months, rising into the autumn with the arrival of significant volumes under delayed contracts.



Likely due to supply problems in China, UK imports of plywood from Malaysia, which were in long term decline before last year, recovered some ground during the pandemic period. Despite significant slowing in May, imports from Malaysia were still up 25% at 59,600 cu.m for the first eleven months of 2020.

In contrast to Malaysian plywood, UK imports of Indonesian plywood fell 41% to 31,900 cu.m in the first eleven months of 2020. In addition to supply problems during the pandemic, Indonesian plywood continues to face intense competitive pressure from birch plywood from Russia, Latvia and Finland.

In recent years, the UK has also been importing a growing volume of tropical hardwood plywood manufactured in Latvia. UK imports of this commodity from Latvia were 11,500 cu.m in the first 11 months of last year, 25% more than the same period in 2019. In contrast, UK imports of tropical hardwood plywood manufactured in Spain fell 40% to 5,400 cu.m in the first 11 months of 2020.

UK tropical sawn hardwood imports increased in the second half of 2020

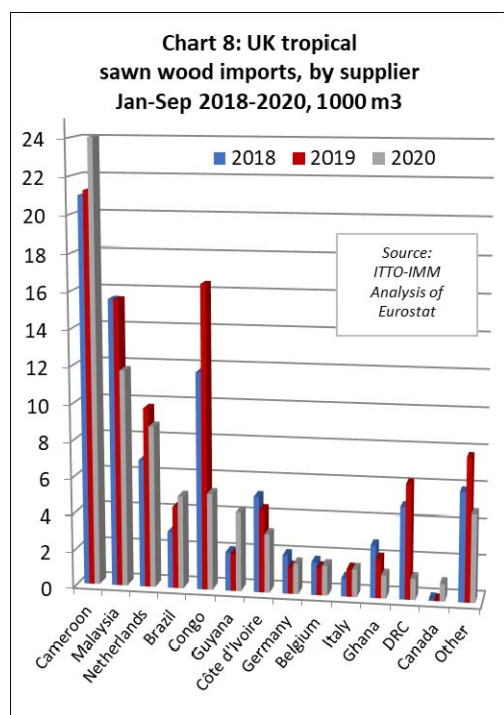
The total quantity of UK imports of tropical sawnwood was 75,300 cu.m in the first 11 months of 2020, 20% less than the same period in 2019. While the UK trade in sawn tropical sawnwood fell sharply in May and June last year, there was some recovery between July and November.

By the end of November last year, UK imports were up on the same period in 2019 from Cameroon (+13% to 24,000 cu.m), Brazil (+14% to 5,000 cu.m) and Guyana (+110% to 4300 cu.m).

However imports from all other supply countries were still trailing, with declining imports from Malaysia (-24% to 11,700 cu.m), Republic of Congo (-68% to 5,200 cu.m), Côte d'Ivoire (-28% to 3,200 cu.m), Ghana (-41% to 1,300 cu.m) and DRC (-82% to 1,100 cu.m) (Chart 8).

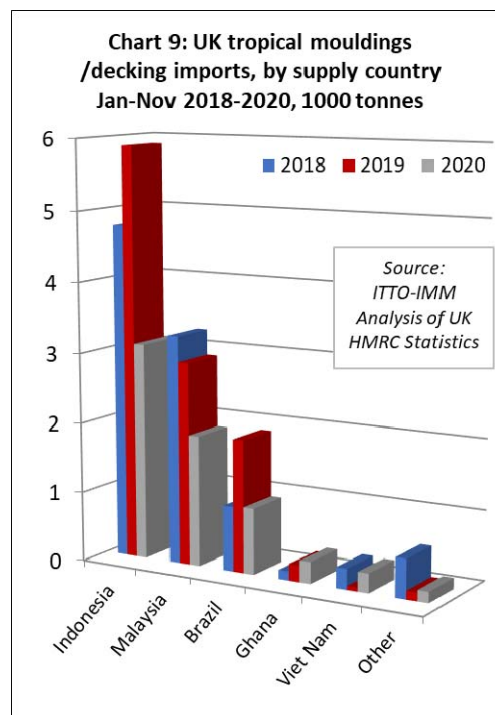
The UK imported 15,600 cu.m of tropical sawnwood indirectly from EU countries in the first eleven months of 2020, 17% less than in the same period in 2019. Imports fell 10% from the Netherlands to 8,800 cu.m and 50% from Ireland to 400 cu.m.

However, imports increased 14% from Germany to 1,700 cu.m and 9% from Belgium to 1,600 cu.m. Imports from Italy were stable at 1,500 cu.m.



The UK imported 6,700 tonnes of tropical mouldings/decking in the first 11 months of 2020, 40% less than the same period in 2019. Imports were down 47% from Indonesia at 3,100 tonnes, 36% from Malaysia at 1,900 cu.m and 50% from Brazil at 900 cu.m.

There was significant growth from Ghana and Vietnam, but from a small base, respectively rising 30% to 300 cu.m and 400% to 300 cu.m. (Chart 9).



North America

Housing starts surge

US homebuilding and permits surged in December as historically low mortgage rates supported the homebuilding market, but momentum could slow amid surging lumber prices and a shortage of labor.

Housing starts jumped 5.8% to a seasonally adjusted annual rate of 1.669 million units in December, the US Department of Commerce reported.

Homebuilding increased 5.2% on a year-on-year basis. Starts totalled 1.380 million in 2020, up 7.0% from 2019. Single-family homebuilding, the largest share of the housing market, soared 12.0% to a seasonally adjusted annual rate of 1.338 million units.

Single-family starts have increased for eight straight months and accounted for more than 80% of US homebuilding in December, the highest percentage since 2010.

Housing starts were up strongest in the Midwest, growing 32.1% for the month, while starts rose more modestly in the West (10.2%) and the South (5.5%). However, housing starts in the Northeast fell by 34.8% and were 24.1% off totals from the previous December.

A National Association of Home Builders survey showed a dip in confidence among single-family homebuilders in January.

Builders complained about “supply-side constraints related to lumber and other material costs, a lack of affordable lots and labor shortages that delay delivery times and put upward pressure on home prices.”

Softwood lumber prices surged 52.2% on a year-on-year basis in December according to data from the Labor Department.

Existing-home sales reach highest level in 14 years

Sales of previously owned homes in the US rose in 2020 to the highest level since 2006, as ultra-low interest rates and remote work during the pandemic increased home-buying demand.

Existing-home sales rose 0.7% in December from November to a seasonally adjusted annual rate of 6.76 million, the National Association of Realtors said Friday. The December sales marked a 22% increase from a year earlier.

Existing-home sales totaled 5.64 million in 2020, up 5.6% from 2019 and the highest level since the 2006 pace of 6.48 million, NAR said.

December 2020 saw existing-home sales in the Northeast climb 4.5%, recording an annual rate of 930,000, a 27.4% increase from a year ago. Existing-home sales in the South increased 1.1% to an annual rate of 2,860,000 in December, up 20.7% from the same time one year ago.

Existing-home sales in the Midwest were unchanged, recording an annual rate of 1,590,000 in December, but up 26.2% from a year ago. Existing-home sales in the West fell 1.4% from the month prior, recording an annual rate of 1,380,000 in December, a 17.9% increase from a year ago.

But nationwide supply remains a challenge. In December, there were a record low 1.07 million previously owned homes on the market, down 23% from a year ago.

See: <https://www.nar.realtor/newsroom/existing-home-sales-rise-0-7-in-december-annual-sales-see-highest-level-since-2006>

New administration to address home prices and availability

New US government plans to address high home prices and low availability as he gears up to implement his plans for the housing market.

From home financing to home construction, Biden's plans are focused on affordability. Among the policies he could push for are a \$15,000 first-time homebuyer tax credit; urging big banks to get back into Federal Housing Administration assisted lending; encouraging new construction of both single- and multifamily housing; and strengthening the Community Reinvestment Act, which is intended to help low- and moderate-income areas.

In December, the number of homes for sale plummeted nearly 40% compared with December 2019, according to realtor.com.

Competition for what was on the market was fierce, with the typical home selling in just 66 days, two weeks faster than the year before.

Home prices are also rising at the fastest pace in six years, according to CoreLogic, more than 8% higher in November year over year, driven by record-low interest rates and pandemic-driven demand from buyers looking for larger, suburban homes.

Report on Vietnam's currency valuations

In one of the Office of the United States Trade Representative's last actions before Trump Administration officials handed over control to the incoming Biden Administration, USTR indicated that the agency won't immediately impose new tariffs or take other action as a result of its Section 301 investigation into Vietnam's currency valuation practices.

While "USTR is not taking any specific actions in connection with the findings at this time," it "will continue to evaluate all available options," it said. USTR also released the investigation report and official notice. The agency has not yet issued a companion report from its Section 301 investigation into Vietnam's timber sourcing practices.

See: <https://ustr.gov/about-us/policy-offices/press-office/press-releases/2021/january/ustr-releases-findings-section-301-investigation-vietnams-acts-policies-and-practices-related>

December job losses - the first in eight months

US job creation came to a halt in December as restrictions brought on by surging Covid-19 cases hammered virus-sensitive industries, particularly bars and restaurants, which lost nearly half a million positions.

The US Department of Labor reported that nonfarm payrolls fell by 140,000. That was below expectations for 50,000 from economists surveyed by Dow Jones. It was the first monthly drop since April. Manufacturing employment increased by 38,000, but despite gains over the past 8 months, employment in manufacturing is 543,000 below its February level.

“Today’s report showed the economy’s not just tapping on the brakes, but actually has been thrown into reverse,” said Daniel Zhao, senior economist at job search and review site Glassdoor. January has seen US pandemic deaths top 400,000 and layoffs running at the highest level in months.

Consumer confidence shows massive partisan divide

US consumer sentiment dipped in early January as Americans reacted to the assault on the US Capitol and a relentless surge in COVID-19 infections and deaths, the University of Michigan said in a report that also showed a deep partisan divide in views on the economy and outlook.

“Consumer sentiment posted trivial declines in early January despite the horrendous rise in COVID-19 deaths, the insurrection, and the impeachment of Trump,” University of Michigan Surveys of Consumers Chief Economist Richard Curtin said in a statement.

The report revealed a chasm in economic sentiment between Republicans and Democrats. Even as the survey's overall reading of sentiment dipped modestly, it plummeted to a six-and-a-half-year low among Republicans while surging to a four-year high among Democrats.

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

US manufacturing – seven months of expansion

US manufacturing activity finished 2020 on a high note, growing for the seventh consecutive month, according to data from the Institute for Supply Management (ISM). The ISM measure showed manufacturing expanding in December at the fastest pace in more than two years.

Sixteen of 18 manufacturing industries reported growth in December, led by Apparel, Leather & Allied Products, Furniture and Related Products and Wood Products.

Each of the report's key metrics saw growth, to varying degrees, in December. New orders rose 2.8%, production saw a 4% increase, and employment saw a 3.1% gain.

In its Semiannual Economic Forecast, ISM predicts continued economic improvement for both the manufacturing and services sectors in 2021. For manufacturing, ISM is estimating a 6.9% annual increase in 2021 manufacturing revenue, which trailed the 10.3% prediction made in the May 2020 edition of the report and topped the 1.3% annual decline for 2020. Some 59% of the report's manufacturing survey respondents are calling for revenues to be up annually in 2021.

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

US duties drive down imports of Chinese cabinets

Imports of Chinese cabinets and vanities continue to be way down since the imposition of antidumping and countervailing (AD/CVD) duties, according to US Department of Commerce import statistics.

After peaking at almost US\$160 million per month in December 2018, imports from China plummeted dramatically and have hovered at only \$6 million per month from June 2020 to November 2020 after the final AD/CVD duties were imposed.

Imports of cabinets and vanities from the rest of the world have plateaued at an average of roughly US\$140 million per month since June 2020.

Vietnam, Malaysia, and Indonesia continue to be largest new sources of cabinets and vanities after the imposition of AD/CVD duties on imports from China.

Focusing specifically on the increase in imports of kitchen cabinets from the first 11 months of 2019 to the first 11 months of 2020, imports from Vietnam grew by 896% to US\$347 million, imports from Malaysia grew by 860% to

US\$310 million, and imports from Indonesia grew by 1951% to US\$ 77 million.

Imports from Mexico, Taiwan, and Cambodia have also increased significantly since the imposition of AD/CVD duties.

See: https://www.kcma.org/news/press-releases/KCMA_November_2020_Trade_Update

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

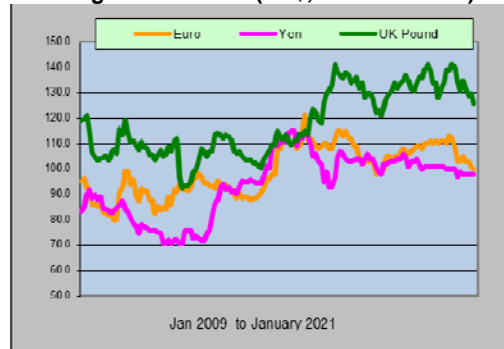
The views and opinions expressed herein are those of the correspondents and do not necessarily reflect those of ITTO

Dollar Exchange Rates

As of 25 January 2021

Brazil	Real	5.4674
CFA countries	CFA Franc	546.79
China	Yuan	6.4798
Euro area	Euro	0.8236
India	Rupee	72.965
Indonesia	Rupiah	14020
Japan	Yen	103.77
Malaysia	Ringgit	4.0445
Peru	New Sol	3.50
UK	Pound	0.7312
South Korea	Won	1102.69

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

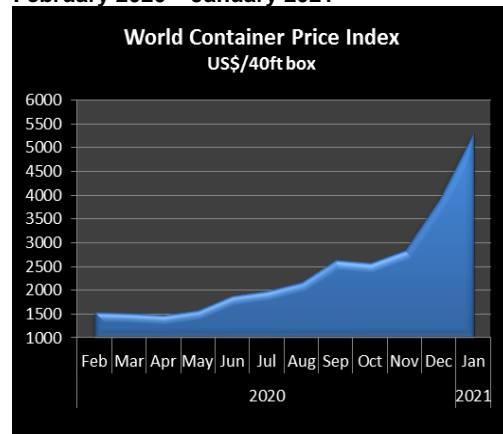


Abbreviations and Equivalences

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

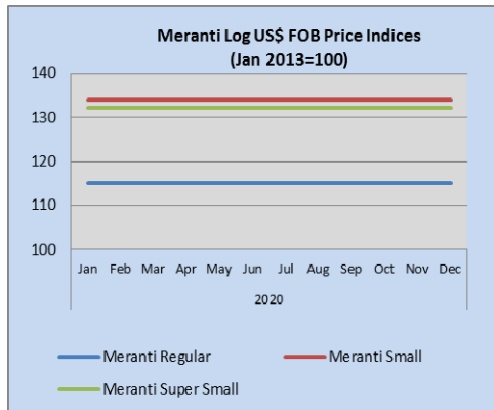
February 2020 – January 2021



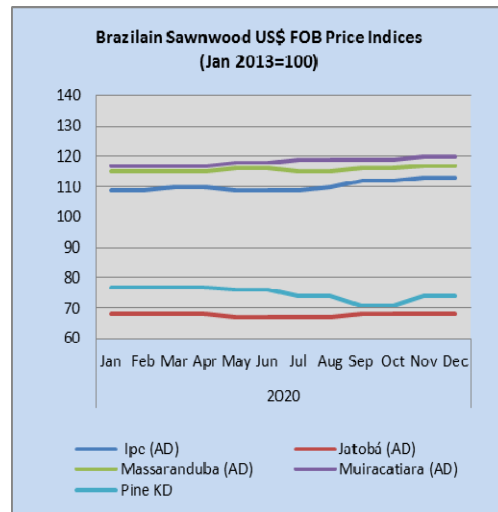
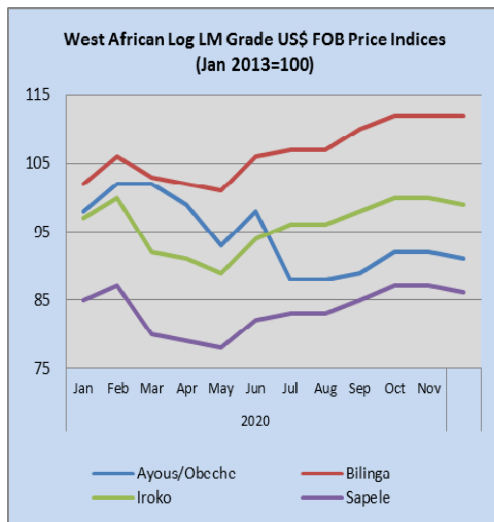
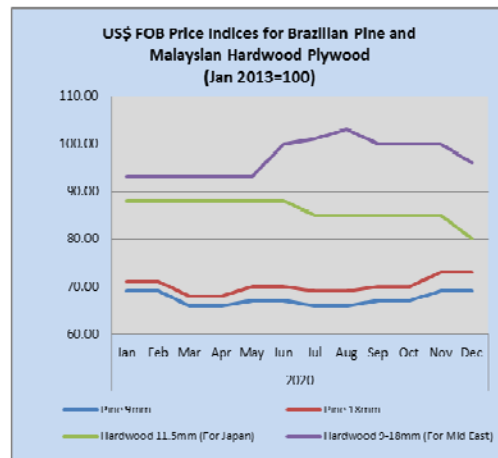
Data source: Drewry World Container Index

Price indices for selected products

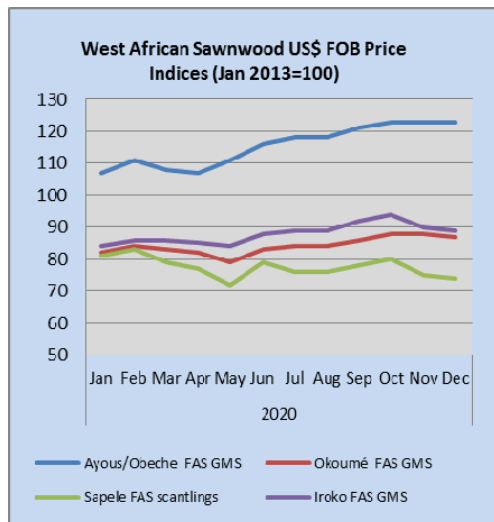
The following indices are based on US dollar FOB prices



Note: Sarawak logs for the Japanese market



Note: Jatobá is mainly for the Chinese market.



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