

Tropical Timber Market Report

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Top story

Rise in EU27 imports from all main tropical wood supply countries

The value of EU27 imports of all the main categories of tropical wood products increased in the first nine months this year. The import quantity also increased for all products except furniture.

- Tropical sawnwood + 24%
- Tropical mouldings +36%
- Topical veneers +25%
- Tropical plywood +38%

But, prospects dim as ominous signs of recession ahead.

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Appendix II listing for many commercial timbers

ATIBT has reported that at the 19th meeting of the Conference of the Parties of the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) ipe and Cumaru will be listed in CITES Appendix II with an implementation deadline of 24 months (see further comments on pages 12 and 14). The genus Khaya, Pterocarpus spp. (padouk) and azelia (doussie) will also be listed in CITES Appendix II with an implementation deadline of 90 days.

See: <https://www.atibt.org/en/news/13248/cites-towards-an-appendix-ii-listing-for-cumaru-ipe-african-mahogany-and-padoukquestion>

Log export ban – on or off?

Under the headline “Log export ban postponed indefinitely” Boris Ngounou, writing for AFRIC21 says the Council of Ministers of the Economic Union of Central Africa (UEAC) decided that the entry into force of this measure should be postponed to an unspecified date.

Ngounou reports the UEAC Council of Ministers believe that the countries of the Economic and Monetary Community of Central Africa (CEMAC), namely Cameroon, Congo, Gabon, CAR, Equatorial Guinea and Chad are not yet ready to apply such a measure.

See: <https://www.afrik21.africa/en/central-africa-log-export-ban-postponed-indefinitely/>

Mills expand production for Mid-East markets

It is reported that most sawmills in Gabon and Cameroon are back in production but output has been cut in many mills due to the decline in orders for the Chinese market. To drive output mills have begun cutting more for the European (azobe for Holland, for example) and Middle East markets.

As is usually the case when there is a slowdown in a major market stocks tend to rise and this ultimately leads to weaker price levels where there is still some demand.

Across the region the weather patterns have been disturbed and operators are looking forward to the start of the dry season. There are reports that as much as 50% of logging trucks have been parked as it is impractical to operator under the current bad conditions. However, if logs make it to the rail-head there are ample opportunities for rail transportation.

Congo Basin PAFC recognised

During the PEFC General Assembly on 16 November the Pan African Forest Certification (PAFC) for the Congo Basin (Cameroon, Gabon and Congo) was granted full recognition signaling the scheme has been granted full certification status. The ATIBT helped coordinate the different national initiatives to create a common scheme.

See: <https://www.atibt.org/en/announcements/148/the-congo-basin-pafc-officially-recognized-at-the-pefc-ga>

Log export prices

West African logs Asian market	FOB Euro per cu.m		
	LM	B	BC/C
Acajou/ Khaya/N" Gollon	265	265	175
Ayous/Obeche/Wawa	250	250	225
Azobe & ekki	275	275	175
Belli	250	250	-
Bibolo/Dibétou	200	200	-
Bilinga	275	275	-
Iroko	300	280	225
Okoume (60% CI, 40% CE, 20% CS) (China only)	205	200	-
Moabi	280	280	250
Movingui	180	180	-
Niove	160	160	-
Okan	230	210	-
Padouk	330	310	240
Sapele	260	260	220
Sipo/Utile	260	260	230
Tali	280↓	280↓	-

Sawnwood export prices

West African sawnwood	FOB Euro per cu.m
Ayous FAS GMS	450
Bilinga FAS GMS	580
Okoumé FAS GMS	380
Merchantable KD	380
Std/Btr GMS	400
Sipo FAS GMS	420
FAS fixed sizes	-
FAS scantlings	520
Padouk FAS GMS	1,200
FAS scantlings	1,200
Strips	400
Sapele FAS Spanish sizes	460
FAS scantlings	489
Iroko FAS GMS	680
Scantlings	750
Strips	400
Khaya FAS GMS	450
FAS fixed	500
Moabi FAS GMS	530
Scantlings	550
Movingui FAS GMS	380

Who owns the carbon stock?

The value of carbon is starting to appear in calculations of forest revenue in Gabon and this is being actively promoted by certification organisations. Concession holders sa the issue that now needs clarification is: who owns the carbon, the government which owns the forest or the concessionaires who have harvesting rights?

Increased mining causing degradation

The rise in mining operations in forest areas, especially in Gabon and Congo, has led timber companies to raise the alert because of the damage being done to the forest which they say is far above any short-term degradation caused by logging.

Standards for wood products – cornerstone of Industrialisation strategy

The local media has reported that the government in Gabon is looking for a firm to develop a national standardisation strategy for downstream wood products.

A call for ‘expressions of interest’ has been made by the Ministry of Economy and Recovery which says the selected entity will “contribute to the implementation of the national industrialisation strategy by covering the priority needs in standards and by providing adequate solutions to the challenges related to the development of Gabonese SMEs in the wood sector in the context of the African Continental Free Trade Area (Zlecaf)”.

It is reported that development of this strategy will be financed by the African Development Bank.

In related news, lenouveaugabon.com has reported that Gabon processes almost 70% of its log production while Cameroon transforms less than 40%. According to the Ministry of the Economy, the production activity of the wood industries in Gabon grew by 5.3% at the end of the second quarter of 2022 compared to the previous quarter.

See: <https://www.lenouveaugabon.com/fr/agro-bois/1711-19177-bois-le-gabon-prepare-une-strategie-pour-la-normalisation-de-ses-produits-de-la-2e-et-3e-transformation> and <https://www.lenouveaugabon.com/fr/gestion-publique/0411-19123-bois-le-gabon-leader-de-la-transformation-dans-la-zone-cemac>

Ghana

VAT rate up by 2.5% in 2023 budget

The long awaited 2023 Budget Statement was read by the Finance Minister to Parliament in November. The government has increased the current 12.5% Value Added Tax (VAT) for businesses by 2.5%. This, according to the Minister of Finance, Ken Ofori-Atta, forms part of government's agenda to revitalise the economy.

The Finance Minister said Ghana's 2023 budget has a seven-point agenda aimed at restoring macro-economic stability and accelerating economic transformation.

- Aggressively mobilise domestic revenue;
- Streamline and rationalise expenditures;
- Boost local productive capacity;
- Promote and diversify exports;
- Protect the poor and vulnerable;
- Expand digital and climate-responsive physical infrastructure; and
- Implement structural and public sector reforms.

Starting next year the VAT rate will move from the current 12.5%, to 15.0%.

At the same time the government reduced the Electronic Transfer Levy rate from 1.5% to 1% and removed the daily threshold widening the net.

Some economists have expressed concern over the burden of taxes on manufacturers saying these will undermine private sector competitiveness in the regional African market.

However, according to a Deputy Finance Minister Jihn Kumah, the 2.5% increase in VAT rate is a refundable tax and a good measure to alleviate the country's economic downturn. A recent private sector survey reported that 88% of business leaders believe there are too many taxes and these hold back growth.

The Association of Industries (AGI) which fought against any new taxes in the 2023 budget but recommended new policy measures to address the high cost of doing business has not yet commented on the budget

See: <https://www.myjoyonline.com/2023-budget-hinges-on-7-point-agenda-for-economic-transformation-ofori-atta/> and <https://www.myjoyonline.com/ghanas-2023-budget-a-missed-opportunity/>

Timber exports jumped 20% in August

According to export statistics released by the Timber Industry Development Division (TIDD) of the Forestry Commission, exports of wood products in August 2022 were 35,688 cu.m. valued Euro16.09 million. This represents an increase of 40% in volume and just under 50% in value compared to figures recorded in August 2021.

For the period January to August 2022 the export of wood products totalled 237,464 cu.m compared to 198,418cu.m the same period in 2021, a year-on-year increase of 20%.

Export volumes (cu.m)

	Jan-Aug. 2021	Jan-Aug. 2022	Y-O-Y % change
AD sawnwood	96,808	127,933	32
KD sawnwood	28,159	30,450	8
Billets	33,440	28,405	-15
Plywood (Overland)	15,861	22,805	44
Sliced Veneer	7,811	6,804	-13
Rotary Veneer	5,543	5,811	5
Mouldings	7,261	6,462	-11
Plywood	2,360	6,479	175
Boules (AD)	678	1,696	150
Others (6)	497	619	25
Total	198,418	237,464	20

Data source: TIDD

The good performance was because of the significant growth in export volumes: plywood (175%), air-dried boules (150%), plywood to the regional market (44%) and air-dried lumber (32%), contributing to the 20% year-on-year growth. The revenues for these products also recorded corresponding growth.

Sawnwood, comprising air and kiln dried timber contributed 158,383 cu.m, accounting for 67% of total export volume (237,464 cu.m) for the period.

Air dried sawnwood exports in August 2022 were 127,933 cu.m or 54% of total export volumes. This was a 325% increase in volume when compared to 2021 levels.

Air and kiln-dried sawnwood exports generated 23% and 11% more revenue in August 2022 than in August 2021. The revenue from both products rose from Eur57 million in 2021 to Eur68.4 million.

Plywood export volumes increased from 2,360 cu.m in August 2021 to 6,479 cu.m in August 2022. Plywood was shipped mainly to Senegal, Egypt, Nigeria and Sierra Leone in Africa (62%); Iraq and Lebanon in Asia (26%) and Italy, United Kingdom and Germany in Europe (11%).

Plywood for the regional market went to Togo, Mali, Burkina Faso and Niger. West African countries have been the major for Ghana's plywood accounting for about 70% of total exports. Togo is currently the leading importer in volume terms.

The TIDD data reported export volumes in August fell for billets, sliced veneer and mouldings. The export earnings for these products also fell.

Forest based solutions to climate change

President Nana Addo Dankwa Akufo-Addo has pledged Ghana's commitment to work with stakeholders to promote forests and other nature-based solutions to climate change through sustainable land use and the protection and restoration of forest and other terrestrial ecosystems.

The President mentioned some achievements of Ghana's forest policies in respect of climate change such as the Ghana Cocoa Forest REDD+ Programme, the Ghana Shea Landscape Emission Reductions Project and the Green Ghana Project.

See: <https://fcghana.org/?p=3569>

Boule export prices

	Euro per cu.m
Black Ofram	330
Black Ofram Kiln dry	420
Niangon	782↓
Niangon Kiln dry	810

Export rotary veneer prices

Rotary Veneer, FOB	Euro per cu.m	
	CORE (1-1.9 mm)	FACE (>2mm)
Ceiba	378↓	441
Chenchen	489	612
Ogea	519↓	590
Essa	585↑	602
Ofram	350	435

Export sawnwood prices

Ghana sawnwood, FOB	Euro per cu.m	
	Air-dried	Kiln-dried
FAS 25-100mmx150mm up x 2.4m up		
Afromosia	860	925
Asanfina	465	564
Ceiba	290	312↑
Dahoma	456	507↑
Edinam (mixed redwood)	640	694↓
Emeri	650	706
African mahogany (Ivorenensis)	1,239	957
Makore	560	875↑
Niangon	647↑	870
Odum	862↑	954↓
Sapele	800	910↑
Wawa 1C & Select	422	493↑

Export sliced veneer

Sliced face veneer	FOB
	Euro per cu.m
Asanfina	1,080↓
Avodire	1,325
Chenchen	771↓
Mahogany	1,167↓
Makore	1,592↑
Odum	2,030
Sapele	800↓

Export plywood prices

Plywood, FOB	Euro per cu.m		
	Ceiba	Ofram	Asanfina
BB/CC			
4mm	458	580	641
6mm	412	535	604
9mm	339↓	504	560
12mm	583	476	480
15mm	450	385	430
18mm	460	463	383

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

Malaysia

New coalition government

Malaysia's election on 19 November resulted in a hung parliament, the first ever in the country's history. On 24 November Anwar Ibrahim was sworn in as the Prime Minister to lead a coalition government. Cabinet appointments have not yet been confirmed.

Exports continue to expand

Malaysia's exports continued to expand in October 2022 although the trade surplus shrank by nearly a third as the value of imports outpaced exports. The country recorded 15% year-on-year export growth of RM131.6 bil in October almost 30% less than imports. The biggest export was petroleum products followed by electronic goods, liquefied natural gas and crude petroleum.

See: <https://www.thestar.com.my/business/business-news/2022/11/17/malaysia039s-exports-up-15-to-rm1316bil-in-october>

Workers shortage continues

There is still a shortage of workers in some industries even as all of the economic indicators are improving and showing a positive trend according to the Malaysian Employers Federation (MEF).

MEF called on the government to assist small and medium enterprises to automate as there are not sufficient domestic workers adding that Malaysian employers could reduce their reliance on foreign labour by automating their business.

In related news, a survey of 250 companies in the manufacturing and non-manufacturing revealed that 93% of employers granted salary increases to all or certain executive and non-executive employees this year which was a significant increase from 2021. The average salary increase for executives was 5.26% and for non-executives 5.35%.

See: <https://www.thestar.com.my/news/nation/2022/11/24/shortage-of-workers-still-exists>

Increasing commitments for legal and sustainable trade

The Programme for the Endorsement of Forest Certification (PEFC) International invited the Malaysian Timber Council (MTC) to participate in the “PEFC-For Trade” regional conference and dialogue held in Ho Chi Minh.

The event attracted the participation of various international and South East Asian stakeholders including countries such as Cambodia, Laos, Myanmar, Thailand, Malaysia and Australia. The conference gathered all the stakeholders involved in the UN-REDD project with the goal to increase national commitment for legal and sustainable trade in wood products.

The dialogue and conference covered topics related to the Vietnam Forest Certification System (VFCS), best practices on VFCS or PEFC sustainable forest management and PEFC chain-of-custody certification from PEFC-certified entities and to understand PEFC’s work on the ground, especially in the rubber sector.

See: <https://panelsfurnitureasia.com/mtc-attends-pefc-conference-in-vietnam-to-discuss-legal-and-sustainable-trade-of-wood-products/>

Training CoC auditors

The Malaysian Timber Certification Council (MTCC) will organise a PEFC Chain of Custody Training Course for PEFC-Notified Certification Bodies under the MTCS.

The training course is for new CoC auditors, reviewers and certification decision makers of certification bodies under the MTCS. This training is conducted to fulfil the training requirement as stipulated in the PEFC ST 2003:2020.

Biodiversity and timber industry in Sarawak

Sarawak aspires to be globally recognised in sustainable management of tropical forests and biodiversity while promoting its timber industry said Chief Minister, Abang Johari Tun Openg. He reported that RM6.5 mil. in the 2023 state budget would be assigned for conservation and protection of wildlife and Totally Protected Areas (TPAs).

Sarawak had targeted designating one million hectares of the state’s landmass as TPAs and as of the second quarter of this year, the total area gazetted as TPAs is currently 872,386 hectares.

In related news, Abang Johari said the state government had also implemented a policy on Forest Management Certification. The policy provides mandatory requirements for all long-term licenses in Sarawak which cover an area of approximately 3.9 million hectares to obtain forest management certification. To-date operations on about 1.35 million hectares have been certified.

See: <https://www.newsarawaktribune.com.my/managing-sarawaks-biodiversity-while-promoting-its-timber-industry/>

Malaysia’s timber exports (RM million)

	Jan – Sep 2021	Jan – Sep 2022
Joinery	672	1,063
Particleboard	179	224
Fibreboard	509	692
Logs	399	416
Mouldings	520	702
Plywood	2,258	2,676
Sawnwood	1,736	2,046
Veneer	66	71
Wooden furniture	7,198	8,729
Total	15,897	19,375

Indonesia

Acknowledging national certification systems

Tropical timber producing countries formed a coalition to urge consuming countries to recognise the certification system developed in each producing country. The coalition included Indonesia, Guyana, Liberia, Ghana, Republic of the Congo, Cameroon and Gabon.

This coalition was announced at the Indonesian Pavilion at the UNFCCC/COP27.

Present for the announcement of the coalition were Deputy Minister of Environment and Forestry of Indonesia, Alue Dohong, Chair of The Forestry Development Authority Liberia Harrison Karnwea, Director of the Ghana Forestry Commission, Chris Beeko, Minister of Forest Economy Republic of the Congo, Rosalie Motondo.

The coalition consists of countries that have introduced a tracking/legality certification system as part of preparations for a Voluntary Partnership with the European Union.

Every country involved has improved forest governance and established a national timber certification system but these efforts have not attracted market incentives.

See: <https://nasional.sindonews.com/read/944319/15/serukan-pengakuan-sistem-sertifikasi-indonesia-dan-negara-produsen-kayu-tropis-bentuk-koalisi-1668687077>

Tropical forest and climate action cooperation

Representatives from Indonesia, Brazil and the Democratic Republic of the Congo released a statement on the sidelines of the G20 Summit to reassert their mutual commitment to tropical forest and climate action cooperation while reiterating the need for enhanced climate financing mechanisms.

The Ministers recalled the trilateral meeting between their countries in November 2021 in Glasgow to initiate Forest Power for Climate Actions. This initiative aims to find ways in which tropical forest countries can contribute to climate issues including by boosting their influence in climate negotiations.

See: <https://foresthints.news/world-three-great-tropical-forest-nations-release-impactful-joint-statement/>

Increasing trade in sustainable timber from Indonesia

During a Business Community Dialogue on Indonesia's sustainable commodities the UK agreed to increase imports of sustainable timber from Indonesia.

The Indonesian Ambassador in London, Desra Percaya, witnessed the signing of a contract for the purchase of wooden doors and plywood between Pacific Rim, Hanson Plywood and James Latham with PT Kutai Timber Indonesia (KTI) and Kayu Lapis Indonesia (KLI) worth around US\$25 million. A contract was also signed for paper products between Calington Ltd. with Asia Pulp and Paper (APP).

Indonesia hopes these contracts can boost exports of sustainable wood products to the UK so as to raise British consumer awareness and confidence in sustainable commodities from Indonesia.

See: <https://kemlu.go.id/portal/id/read/4124/berita/melalui-penandatanganan-mou-kontrak-pembelian-produk-kayu-indonesia-inggris-sepakati-tingkatkan-ekspor-kayu-berkelanjutan-dari-indonesia>

First payment for reducing emissions in East Kalimantan

On 8 November a World Bank press release announced that Indonesia has received an advance payment of US\$20.9 million under the Emissions Reduction Payment Agreement between the Government of Indonesia and the World Bank's Forest Carbon Partnership Facility (FCPF) for reducing emissions from deforestation and forest degradation (REDD+) in East Kalimantan Province. Under the Agreement, Indonesia would receive up to US\$110 million (IDR1.6 trillion) for verified emissions from reducing deforestation and forest degradation.

Indonesia has become the first country in the East Asia Pacific Region to receive payments through the World Bank's FCPF. The full payment will be released once the independent third-party verification of the reported emissions reductions, which is currently ongoing, is complete.

See: [https://www.worldbank.org/en/news/press-release/2022/11/08/indonesia-receives-first-payment-for-reducing-emissions-in-east-kalimantan#:~:text=Jakarta%2C%20November%20%2C%2022%20%E2%80%94,deforestation%20and%20forest%20degradation%20\(REDD\)](https://www.worldbank.org/en/news/press-release/2022/11/08/indonesia-receives-first-payment-for-reducing-emissions-in-east-kalimantan#:~:text=Jakarta%2C%20November%20%2C%2022%20%E2%80%94,deforestation%20and%20forest%20degradation%20(REDD))

APHI supports wood biomass for energy transition

The chairperson of the Association of Indonesian Forest Concession Holders (APHI), Indroyono Soesilo, has said the Association supports energy transition efforts through utilising biomass for electricity generation to achieve a partial shift from coal to biomass which is renewable.

Some 4 million tonnes of biomass will be required annually and Indroyono said Indonesia has a number of plant species that can be used to support co-such as acacia, giricidia and calliandra.

See: <https://www.republika.co.id/berita/rlfug1383/aphi-dukung-pemanfaatan-biomassa-kayu-untuk-transisi-energi>

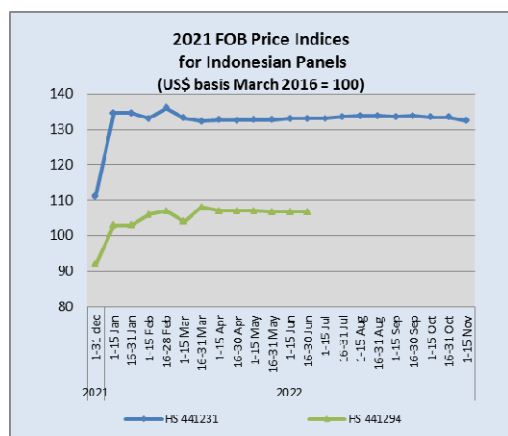
Furniture export target – US\$5 billion

The Director General of Agro Industry in the Ministry of Industry, Putu Juli Ardika, has said the Ministry is supporting the domestic furniture industry to continue to improve performance and competitiveness. This is with the aim of achieving exports of US\$5 billion by 2024.

In 2020 exports of furniture were US\$1.9 billion and in 2021 this increased to US\$2.5 billion. In the January-September 2022 period furniture exports had already reached around US\$2 bil.

However, there are many challenges such as the lingering effect of covid and declining international orders. To improve the profitability of the national furniture industry the Ministry is encouraging a renewed focus on the domestic market.

See: <https://www.kemenperin.go.id/artikel/23697/Kemenperin-Dukung-Target-Ekspor-Furnitur-USD5-Miliar>



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

Myanmar

Communities no longer able to protect Myanmar's forest

Representatives of Indigenous peoples and local communities recently highlighted the challenges these people face in the country as many have been displaced by the on-going conflict. In the aftermath of the February 2021 military control of government community level efforts to safeguard Myanmar's forest from destruction are failing due to rampant resource extraction.

During the lead-up to the COP27 climate summit in Egypt, speakers addressed the key role that indigenous peoples and local communities (IPLCs), who account for roughly 40% of Myanmar's population, play in mitigating climate change through the protection of customary lands and forests under their stewardship.

Tom Andrews, the U.N. special rapporteur on the situation of human rights in Myanmar is reported by Mongabay as saying that, although IPLCs had been making progress to protect their lands and forests and save fragile ecosystems over the past decade, this came to an abrupt halt with the military control of government.

See: <https://news.mongabay.com/2022/11/myanmar-communities-decry-disempowerment-as-forest-guardians-since-2021-coup/>

Lessening dependence on US dollar

Myanmar wants to lessen its dependence on the US dollar and expand its use of Chinese and Russian currencies according to Min Aung Hlaing, the head of the military government. The south China Morning Post quotes Major General Zaw Min Tun, the lead spokesman for the State Administration Council, as saying "replacing the use of dollar with other currencies such as yuan, rupee and rouble as well as the barter system was raised with the Russian President".

Myanmar and Russia have reached agreement on a barter system for Myanmar's fertiliser imports from Russia while its fuel oil purchases from the country will be paid in rouble.

Exporters have been notified that the yuan and Thai Baht can be accepted for payment for a few export commodities but wood products are not included.

Recently, as a part of the effort to reduce dependency on the US dollar, Myanmar and India discussed a direct exchange between the MMK and the Rupee, further promotion of trade and investment including maritime trade and increased cooperation on border development.

See: <https://www.scmp.com/news/asia/southeast-asia/article/3193229/myanmar-eyes-chinese-yuan-russian-rouble-replace-us-dollar>

Nuclear energy plan

Myanmar's Ministry of Electricity and Energy (MOEE) and Rosatom of Russia signed an MOU on the sidelines of the ATOMEXPO-2022 in Sochi, Russia. The MOU advances the next step for Russian-Myanmar cooperation in the framework of small modular reactor project implementation in Myanmar. The proposed nuclear power plants will be based on Russian small modular reactor technology.

See: https://www.rosatom.ru/en/press-centre/news/rosatom-and-the-republic-of-the-union-of-myanmar-signed-the-memorandum-of-understanding/?sphrase_id=3476770

Indian Foreign Secretary visits Myanmar

The Indian Foreign Secretary met with Min Aung Hlaing in November to discuss the opportunities for expanded bilateral cooperation. India has extended diplomatic support to Myanmar and offered assistance in organising a general election planned for next year. The two sides discussed direct exchange between the kyat and the rupee, further promotion of trade and investment including maritime trade and increased cooperation on border development.

India is currently involved in developing the nearly US\$400 million Kaladan Port and highway project in the west of Myanmar as well as contributing around US\$250 million to another road project to connect India's landlocked northeastern states with Thailand via Myanmar.

See: <https://www.irrawaddy.com/news/indian-foreign-secretary-visits->

India

Wholesale price indices

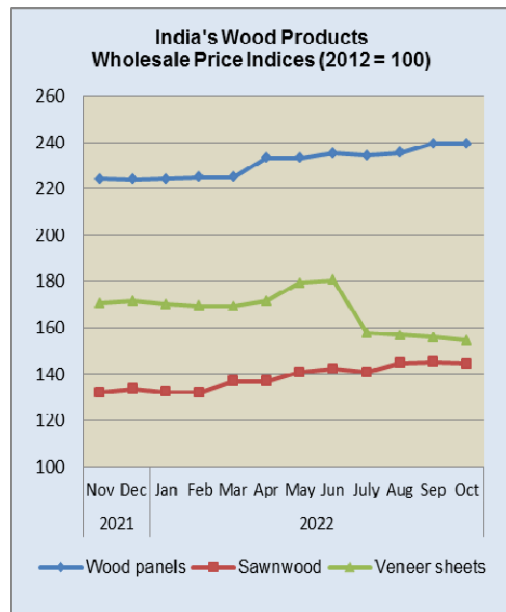
The Office of the Economic Adviser, Department for Promotion of Industry and Internal Trade has published wholesale price indices for October 2022.

The annual rate of inflation based on the Wholesale Price Index was 8.39% in October 2022 compared to 10.7% in September 2022.

The decline in October inflation was because of a decline in the prices of mineral oils, basic metals, fabricated metal products (except machinery and equipment) textiles and other non-metallic products.

The wholesale price index for manufacturing declined in October to 142.5. Out of the 22 NIC two-digit groups for manufactured products, 6 groups witnessed an increase in prices while 14 groups witnessed a decrease in prices. The price indices of 2 groups remained unchanged.

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



Data source: Ministry of Commerce and Industry, India

On course for a growth of 7%

The Reserve Bank of India (RBI) expects India's economy to record growth between 6.1% and 6.3% in the second quarter of this financial year. In its latest monthly bulletin, the RBI stated that if these growth rates are realised the country is on course for a growth rate of about 7% in 2022-23.

Further, RBI's bulletin explained that Industrial production recovered from the contraction in August and turned positive in September on a seasonally adjusted basis after a dip of two months. This is corroborated by the manufacturing purchasing managers' index (PMI) for October.

https://rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=54724

Indian Coverings Expo 2022

From the 10 - 13 November and for the first time in 2 years of pandemic the Indian Coverings Expo or ICE was held at the Jio World Convention Centre. 25 decorative plywood manufacturers exhibited. Traditional veneers, hardwoods and gurjan attracted buyers.

There was growing interest in the relatively new 10ftx4ft panels and in the flooring sector there was a noticeable increase in interest in wood/plastic flooring.

The exhibition drew attention to the shift in the panel and flooring sectors which could become the norm in the Indian market.

Freight costs down, surplus of containers

International freight rates for routes to and from India fell year on year by about 30% between April and October. Trade was seriously disrupted at the end of last year because of a serious shortage of shipping containers globally. The declining rates for shipping is being attributed to falling global demand which has pushed down exports.

Over the past six months container rates have been steadily dropping for shippers using India's biggest ports such as Mundra and Nhava Sheva. Container traffic at major domestic ports such as Nhava Sheva, Kochi and Chennai has dropped.

According to the India Ports Association container volumes in through Indian ports dropped from 977,000 TEUs (twenty-foot equivalent units) in August to 892,000 TEUs in September.

See: <http://www.ipa.nic.in/>

House prices pulled up by demand and rising input costs

Construction Week, the Indian trade magazine, has reported that since the beginning of 2022, housing prices are being pulled up by firm demand and by rising construction costs which builders find they can pass on. Delhi saw the highest increase in residential prices at 14% YoY, followed by Kolkata and Ahmedabad at around 12%. Despite rising interest rates and rising building costs new launches have been on the rise since the beginning of the year.

See: <https://www.constructionweekonline.in/business/housing-prices-witness-6-rise-in-q322-amid-demand-surge-in-festive-season-report>

Prices for recent shipments of teak logs and sawnwood

	Logs US\$ C&F per hoppus cu.m	Sawn US\$ C&F per c.um
Benin	-	325-712
Brazil	313-600	489-777
Cameroon	-	974
Colombia	245-615	-
Costa Rica	350-652	-
Ecuador	246-495	-
Gabon	370	-
Ghana	270-559	485
Guatemala	277-594	-
Iv. Coast	263-458	375-752
Mexico	322-439	373-585
Panama	252-539	-
PNG	389-595	492-677
Tanzania	344-930	471-1,068
Togo	259-532	-
S. Sudan	367-676	342-633
Nigeria	290-630	-
El Salvador	320-520	-
Nicaragua	-	328-564
Solomon Is.	248	-
Surinam	222	-
Myanmar	-	791-980

Price range depends mainly on diameter and cross-section.

Locally milled sawnwood prices

Sawnwood Ex-mill	Rs per cu.ft.
Merbau	3,800 - 4,200
Balau	2,500 - 2,700
Resak	-
Kapur	-
Kempas	1,455 - 1,750
Red meranti	1,500 - 1,800
Radiata pine	900 - 1,050
Whitewood	900 - 1,050

Price range depends mainly on lengths and cross-section.

Sawn hardwood prices

Sawnwood (Ex-warehouse) (KD 12%)	Rs per cu.ft.
Beech	1,750 - 1,850
Sycamore	1,900 - 2,000
Red Oak	2,100 - 2,200
White Oak	2,700 - 3,000
American Walnut	4,500 - 5,000
Hemlock STD grade	1,350 - 1,600
Western Red Cedar	2,220 - 2,450
Douglas Fir	2,000 - 2,200

Price range depends mainly on lengths and cross-sections.

Plywood

Please note plywood prices are now shown below free of local taxes.

Domestic ex-warehouse prices for locally manufactured WBP plywood

Plywood Ex-warehouse	Rs. per sq.ft
4mm	76.00
6mm	88.00
9mm	104.00
12mm	129.00
15mm	164.00
18mm	180.00

Domestic ex-warehouse prices for locally manufactured MR plywood

Plywood Ex-warehouse	Rs. per sq.ft
4mm	52.00
6mm	65.00
9mm	77.00
12mm	92.00
15mm	122.00
19mm	131.00
5mm Flexible ply	85.00

Wood and wood product trade highlights

Wood and wood product (W&WP) exports in October 2022 were valued at US\$1.2 billion, up 7.6% compared to September 2022 and up 26% compared to October 2021. Of this, WP exports accounted for US\$775.1 million, up 5.5% compared to September 2022 and up 23% compared to October 2021.

Up to the end of October 2022 W&WP exports reached US\$13.5 billion, up 11.5% over the same period in 2021. WP export, in particular, contributed US\$9.4 billion, down 3.2% over the same period in 2021.

WP exports to the Australian market in October 2022 has been reported at US\$15.8 million, up 16% compared to October 2021. In the first 10 months of 2022 W&WP exports to Australia reached US\$166 million, up 25% over the same period in 2021.

W&WP exports to the UK in October 2022 amounted to US\$14.9 million, down 9.5% compared to October 2021. In the first 10 months of 2022 W&WP exports to the UK are estimated at US\$197 million, down 8.6% over the same period in 2021.

Vietnam's W&WP imports in October 2022 reached US\$222.7 million, down 2.5% compared to September 2022. In the first 10 months of 2022, imports reached US\$2,599 billion, up 4.7% over the same period in 2021.

Imports of wood from Europe in September 2022 reached 76,800cu.m, worth US\$26,315 million, down 1.6% in volume and 23.3% in value compared to August 2022. This was the 4th consecutive month that imports of wood from Europe increased year-on-year.

Tough times reflected in business results

The business results of major wood exporting enterprises have started to show weakness and this, it is said, is due to the impact of inflation in export markets which has resulted in a decline in orders. Exporters expected this to last into next year as people in importing countries continue to reduce spending.

Compared to the export target of US\$16.5 billion this year the wood industry had, by October, achieved 78% of the target and needs an additional US\$3.7 billion in exports in the final quarter of the year to meet the target.

However, the wood industry is currently facing many difficulties, especially having just experienced a long period of reduced production, weak international demand, high inflation and the impact of Russia's invasion of Ukraine which is disrupting logistics.

According to Nguyen Quoc Khanh, Chairman of Ho Chi Minh City Handicraft and Wood Processing Association (HAWA), inflation has greatly affected the export growth of the wood processing industry over the past months.

Inflation is not only increasing in the US but also the other markets for Vietnamese wood and wood products. Consumers in the main market countries are tightening spending. Therefore, demand for non-essential items such as wood products is unlikely to increase any time soon.

What do businesses need to do?

Huynh Quang Thanh, General Director of Hiep Long Wood Processing Co., Ltd. said that orders for the final quarter of this year declined by about 15% over the same period last year. Mr. Thanh assessed that this is a much lower reduction than other enterprises in the wood processing and export industry.

Hiep Long's strategy is aimed at medium-sized customers instead of large ones. "Large customers, when there is a problem, have a greater impact on businesses but when selling to many medium-sized customers risks are spread.

According to Thanh, in the past, furniture wholesalers in other countries made market forecasts and then imported stocks first. But in the current unstable situation businesses have brought inventory to a very low level. Thanh also predicted that this situation could last until the middle of next year. "After a period of suspension of imports, the inventory of enterprises will run out and they will start buying goods again" – Mr. Thanh expected.

According to the Ministry of Agriculture and Rural Development, demand for furniture is still substantial. When orders from major markets such as the US and Europe are cut Vietnamese enterprises can expand into some markets with more stable growth.

According to the analysis of some industry experts Vietnam can diversify to UK, German, Norwegian markets where there is high average furniture consumption. According to statistics from the International Trade Center (ITC), in the first 6 months of 2022 the import value of Norwegian wooden furniture reached US\$530.4 million. The German market has a furniture import value of US\$2.8 billion. Enterprises can capture and expand exports to these markets.

Meanwhile, Mr. Nguyen Hoai Bao, Vice Chairman of Scansia Pacific Co., Ltd. said that the current quiet period is an opportunity for businesses to restructure production activities, invest and upgrade technology to create a foundation for recovery when market demand grows again.

See: <https://haiquanonline.com.vn/kho-khan-bat-dau-phan-anh-vao-loi-nhuan-cua-doanh-nghiep-go-168723-168723.html>

Vietnam maps out pivot to domestic wood

To ease dependence on imported wood products Vietnam aims to strengthen the domestic supply, a goal the government aims to reach by applying a traditional carrot and stick approach.

Woodsland JSC, one of the biggest wooden furniture manufacturers in Vietnam, is making both interior and exterior wood products for IKEA in markets such as the EU, the United States and Japan and says it has few timber supply problems.

Do Thi Bach Tuyet, chairwoman of Woodsland, said that the company uses up to 200,000 cubic metres of logs per year of which the demand for raw wood from FSC and FM-certified forests is over 90%.

In 2015 Vietnam's wood industry reached out into the global supply chain and many wood companies cooperated to develop large timber forests with FSC certification. Woodsland has cooperated with five forestry companies in the northern province of Tuyen Quang to invest in the management of 28,000 hectares of forest and purchases FSC-certified plantation timber.

The company is also coordinating with forestry companies and groups of households to develop a forest management plan for at least seven years so that it can create a wood material base to meet processing needs.

Data from the Vietnam Timber and Forest Product Association (ViForest) showed that the amount of imported wood to Vietnam is constantly increasing. From 2012 to 2021, Vietnam imported more than 4.8 million cu.m of raw wood each year and this came from 100 countries and territories. In 2021 alone the amount stood at around six million cu.m of roundwood.

Vietnam is importing wood materials mainly from Europe and North America. But the invasion of Ukraine by Russia has had a big impact on the supply of Russian wood products worldwide and has driven prices of European wood higher.

Vo Quang Ha, General Director of Tavico Timber JSC, said, "The EU has retained a part of its wood material to make up for the shortfall in imports from Russia. The auctions for raw wood are very competitive and freight rates continue to remain high."

Ha often has to do two things at the same time. "I need to convince customers to use domestic timber and also find alternative sources of plantation timber. But this also poses many problems relating to the quantity and quality of resources and the stability of the domestic supply."

Tavico's plan to replace oak with locally grown acacia also faces many challenges. Raw acacia trees are entering the main harvest time of the year, but the selling price of this kind of wood remains very high.

According to ViForest, the price of imported wood has increased sharply since the beginning of 2021. For instance, imported sawnwood increased from an average of US\$275 per cu.m in December 2020 to US\$561 per cu.m in March this year.

ViForest believed that Vietnam is using about 70% of its domestic raw materials for woodworking for export. This wood comes from two main sources: Domestic plantations, about 21.5 million cu.m per year and rubberwood and other trees, about 9.5 million cu.m per year.

The second source is imported wood. On average, Vietnam imports about 5-6 million cu.m of raw wood each year of which about 60-70 % are from verified legal sources and used for export manufacturing.

However, Vietnam aims to replace imported wood sources in the long term. The government has adopted a policy to convert more than 126,000ha of small forests to large timber plantations.

Currently the country has about 490,00 ha. of large timber plantations but this figure is still modest.

According to the General Department of Forestry Vietnam is producing FSC and VFCS-certified wood. However, the implementation and maintenance of these certifications for afforestation units face many obstacles in terms of land, technology, market and policy.

About 180,000ha of all plantations are FSC certified yet only about 20-30% of those trees are actually harvested.

Vietnam is trying to change the supply of wood products from large plantations. But foresters said that this does not mean that the country's deep-processing enterprises can access the material in the future.

To increase raw materials for the wood industry the government is attracting investment to support large timber plantations and a favourable tax structure for the timber industry.

See: <https://vir.com.vn/vietnam-plans-out-domestic-wood-pivot-94347.html>

Tali wood imports increase

According to preliminary statistics, Vietnam's imports of tali wood in October 2022 amounted to 43.5 thousand cu.m, worth US\$16.5 million, down 1.9% in volume and 2.5% in value compared to September 2022. However, comparing to October 2021, the imports of tali into Vietnam has increased by 109.2% in volume and 93.3% in value. Over the first 10 months of 2022, tali wood imports reached 436.8 thousand cu.m, worth 176.8 million USD, up 37.7% in volume and 34.5% in value against the same period in 2021.

In the first 9 months of 2022 imports of tali logs amounted to 227,600 cu.m worth US\$86.1 million, up 38% in volume and 32% in value over the same period in 2021.

Imports of tali sawnwood reached 163,400 cu.m, worth US\$73.4 million, up 29% in volume and 30% in value over the same period in 2021.

In the first 9 months of 2022 Vietnam's imports of tali logs and sawnwood from Cameroon, Cambodia, China, Congo, Hong Kong, Nigeria, Laos and the EU increased.

Cameroon's supply of tali contributed 59% of the total imports in the first 9 months of 2022 reaching 230,600 cu.m worth US\$94.0 million, up 13% in volume and 11% in value compared to same period in 2021.

Tali imports from China amounted to 26,800 cu.m, worth US\$11.3 million, a sharp year-on-year increase in volume and value. Tali imports from Congo reached 39,900 cu.m, worth US\$17.4 million, an increase of 106% in volume and 73% in value over the same period in 2021.

In the first 9 months of 2022 imports of tali from Hong Kong increased, as they did from Nigeria, Laos, Equatorial Guinea and the EU. In contrast imports declined from Gabon, Thailand, Colombia and Angola.

Log and sawnwood imports from EU

In the first 9 months of 2022 imports of wood from the EU reached 644,447 cu.m worth US\$217.98 million, down 6% in volume but up 10% in value over the same period in 2021.

With acceptable quality, transparent origins and assured legality, wood imported from EU remains an important source for Vietnam's exported-targeted wood industries.

In the first 9 months of 2022 imports of sawnwood from the EU dropped 22% year-on-year in volume and 1.5% in value. In contrast, imports of logs from the EU increased by 6.5% in volume and 229% in value.

In the first 9 months of 2022 the average price of imported oak logs soared to US\$542/cu.m, up 44% over the same period in 2021 while ash logs were priced at US\$243/cu.m, up 9.5%

Ash topped the imports accounting for 61% of the total imports and reaching 46,895 cu.m, worth US\$12.66 million, down 8% in volume and 8% in value compared to August 2022 but up 13% in volume and 48% in value over the same period in 2021.

In the first 9 months of 2022, imports of ash logs from the EU reached 331,310 cu.m, worth US\$80.49 million, down 0.7% in volume, but up 9% in value over the same period in 2021.

In the first 9 months of 2022, imports of beech logs from the EU increased slightly, reaching 18,500 cu.m, worth US\$4.11 million, up 1.5% in volume and 1.3% in value over the same period in 2021.

The average price of most species of sawnwood Vietnam imported from the EU in the first 9 months of 2022 increased significantly compared to the same period in 2021: oak price at US\$666/cu.m, up 15%; spruce at US\$363/cu.m, up 29%; pine at US\$350/cu.m, up 29% and beech at US\$513/cu.m, up 21%.

In the first 9 months of 2022 imports of wood from Belgium reached 198,475 cu.m, worth US\$50.89 million, up 8% in volume and 16% in value over the same period in 2021.

In the first 9 months of 2022, the volume of wood imported from the markets of France, Germany, Netherlands, Finland, Croatia, Slovenia etc. decreased against the same period in 2021.

Brazil

Handroanthus and Dipteryx listed in CITES Appendix II

The 19th Conference of the Parties (COP19) to the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) the Committee I deliberated the inclusion of ipê (Handroanthus) and cumaru (Dipteryx spp.) in Appendix II (species not necessarily threatened with extinction, but require controlled trade and utilisation to ensure survival).

The Brazilian government was opposed to the proposal to include ipe and cumaru in Appendix II saying this would undermine international trade in these species. The Brazilian government prepared a technical note based on studies published by Embrapa (Brazilian Agricultural Research Corporation) showing that both species are sustainably harvested in Brazil. Both species are not included in the national list of endangered species compiled by the Brazilian Ministry of the Environment.

In arguing the case for non inclusion in Appendix II the Brazilian government stressed that the automated forest control system in Brazil is considered a tool to verify and track the legal origin of wood. All these arguments were not enough to convince the two thirds of the member countries not to include these two species in the Appendix II.

Writing for Forest Trends, Marigold Norman and Alfredo Rodriguez Zunino, in their report "Demand for luxury decks in Europe and North America is pushing ipe to the brink of extinction across the Amazon Basin and threatening the forest frontier" say "We recommend that all species of timber traded as ipê are listed in the Convention on Trade in Endangered species (CITES) which is designed to ensure the trade in wild species of fauna and flora should be both sustainable and legally acquired".

See: <https://enb.iisd.org/convention-international-trade-endangered-species-wild-fauna-flora-cites-cop19-daily-report-17nov2022>

and
<https://www.infoteca.cnptia.embrapa.br/infoteca/bitstream/doc/146613/1/EmbrapaFlorestas-2022-Documentos370.pdf>

and
<https://www.forest-trends.org/wp-content/uploads/2022/03/Demand-for-Luxury-Decks-in-Europe-and-NA-is-Pushing-Ipe-to-the-Brink-of-Extinction.pdf>

Sustainably managed Amazon forest

Imaflora, a Brazilian NGO, has reported that the Forest Stewardship Council (FSC) decided to maintain the certification over 550,000 hectares of forest concessions in the Amazon rainforest which means the companies that manage these concessions can continue sustainable forest management under the seal of the FSC without the risk of losing the seal that indicates the adoption of good practices.

During the FSC International Assembly held in October 2022 new guidelines were debated and voted on that will determine what will happen with FSC certification in the coming years.

Studies undertaken suggest that the possibility of harvesting could be as high as 70% as opposed to the 20% foreseen in a proposal. It is reported that a harvesting limit of 50% will be tested over a period of 2 years to allow further assessments to be made.

See: <https://www.imaflora.org/noticia/mais-de-500-mil-hectares-de-florestas-poderao-continuar-a-ser-manejadas-de-modo-sustentavel>

Sisflora 2.0 and the international agenda – CIPEM meets with Sema and USAID

The Center for Timber Producers and Exporters of Mato Grosso State (CIPEM), which comprises 8 forest-based business associations, recently discussed several issues related to the forest sector in the state of Mato Grosso, one of the main producers of tropical timber in the Amazon.

CIPEM, at the invitation of the State Secretariat of the Environment of Mato Grosso (SEMA/MT), met with representatives of the US embassy for a dialogue on strengthening sustainable forest management in the State of Mato Grosso.

Another issue discussed was the implementation of the Sisflora 2.0 System (Forest Products Commercialisation and Transport System). This is a software that supports management of timber flows from the stump, transportation, processing and sales. According to SEMA/MT the first stage of testing will begin in which workers will be required to input data to the new system for transport and commercialisation of forest products. This system will provide better tool for forest control.

See: <https://cipem.org.br/noticias/sistema-sisflora-20-e-agenda-internacional-com-sema-gcf-e-usaid-sao-destaques-da-oitava-reuniao-de-diretoria>

Export update

In October 2022 the Brazilian exports of wood-based products (except pulp and paper) declined 16% in value compared to October 2021 from US\$371.6 million to US\$313.1 million.

Pine sawnwood exports dropped 32% in value between October 2021 (US\$74.5 million) and October 2022 (US\$50.4 million).

In volume, exports decreased 28% over the same period from 268,900 cu.m to 192,700 cu.m.

Tropical sawnwood exports increased 29% in volume, from 28,000 cu.m in October 2021 to 36,200 cu.m in October 2022. In value, exports grew 65% from US\$11.1 million to US\$18.3 million over the same period.

Pine plywood exports faced a 10% decrease in value in October 2022 compared to October 2021, from US\$63.7 million to US\$57.4 million. In volume, exports increased 11% over the same period, from 154,400 cu.m to 171,800 cu.m.

As for tropical plywood, exports decreased in volume by 71% and in value by 77%, from 9,600 cu.m and US\$5.6 million in October 2021 to 2,200 cu.m and US\$1.6 million in October 2022.

As for wooden furniture the exported value declined from US\$78.1 million in October 2021 to US\$52.9 million in October 2022, a 32% fall in the total exports of the product during the period.

Rio Grande do Sul furniture sales remain high

The furniture sector of Rio Grande do Sul, one of the main furniture clusters in Brazil, recorded sales of R\$8.4 billion in the first nine months of 2022, an increase of almost 4% compared to the same period of the previous year. This was achieved despite the impact of inflation, reduced purchasing power of Brazilians and global economic instability.

Furniture production and sales between January to August 2022 dropped year on year but there is was an increase in nominal income above inflation and the expectation is that the year-end sales in the domestic market will recover.

Under the present conditions it is anticipated that exports in 2022 will remain well above what was recorded in the same period of 2019 underlining the successes in market diversification.

See: <https://www.movergs.com.br/noticias/mesmo-com-instabilidade-moveis-gauchos-se-mantem-em-alta>

Domestic log prices

Brazilian logs, mill yard, domestic	US\$ per cu.m
Ipê	437▲
Jatoba	191▲
Massaranduba	168▲
Miiracatiara	161▲
Angelim Vermelho	165▲
Mixed redwood and white woods	128▲

Source: STCP Data Bank

Domestic sawnwood prices

	US\$ per cu.m
Brazil sawnwood, domestic (Green ex-mill)	1,826▲
Ipé	895▲
Jatoba	903▲
Massaranduba	778▲
Muiracatiara	793▲
Angelim Vermelho	519▲
Mixed red and white	308▲
Eucalyptus (AD)	220▲
Pine (AD)	293▲
Pine (KD)	

Source: STCP Data Bank

Domestic plywood prices (excl. taxes)

	US\$ per cu.m
Parica	605▲
4mm WBP	474▲
10mm WBP	429▲
15mm WBP	588▲
4mm MR.	444▲
10mm MR.	380▲
15mm MR.	

Prices do not include taxes. Source: STCP Data Bank

Prices for other panel products

	US\$ per cu.m
<i>Domestic ex-mill prices</i>	
15mm MDP Particleboard	325▲
15mm MDF	388▲

Source: STCP Data

Export sawnwood prices

	US\$ per cu.m
Sawnwood, Belem/Paranagua Ports, FOB	
Ipe	3,141▲
Jatoba	1,620▲
Massaranduba	1,665▲
Muiracatiara	1,662▲
Pine (KD)	257▼

Source: STCP Data Bank

Export plywood prices

	US\$ per cu.m
Pine plywood EU market, FOB	
9mm C/CC (WBP)	375▼
12mm C/CC (WBP)	344▼
15mm C/CC (WBP)	329▼
18mm C/CC (WBP)	315▼

Source: STCP Data Bank

Export prices for added value products

	US\$ per cu.m
FOB Belem/Paranagua ports	
Decking Boards Ipê	5,122▲
Jatoba	2,296▲

Source: STCP Data Bank

Peru

First Environmental Management Instrument in forest sector

Bosques Amazónicos S.A. (BAM) has been granted the Environmental Declaration of Activities in Progress (DAAC) for its forest plantations in the Ucayali region. This approval marks a milestone in the forestry sector as it is the first Environmental Management Instrument (IGA) to be approved for the sector and particularly for tropical forests in Peru.

This environmental certification reinforces the company's environmental commitment to the conservation and restoration of Amazonian ecosystems, making visible its positive impact in the region.

BAM restores degraded areas with native Amazonian species such as marupa and shihuahuaco.

Businesses return to trade show circuit

As the severity of the covid pandemic subsides industrial and machinery trade fairs and exhibitions are returning and representatives from Peruvian businesses are now able to travel and visit such fairs to update themselves on the latest technology, new trends, establish contact with suppliers and participate in business roundtables. In addition to attending the IWF Atlanta 2022 show in August they participated in Formobile Brazil 2022 in July, as well as Interzum Bogotá 2022 in May.

National forest data system created

Loreto became the latest region to systemise records on forestry permits and concessions so that the data is compatible with systems run by the National Forest and Wildlife Service (SERFOR) and the Regional Government of Loreto. Now forest and wildlife statistics can be easily exchanged between the statistical platforms of institutions.

The Loreto Region has the largest number of timber concessions in the country so efforts were made to achieve synchronisation data in order to support government decision making. SERFOR, through the Directorate of Information and Registration (DIR), aims to achieve automation and coordination with all forest and wildlife registries across the country.

Shihuahuaco in Appendix II of CITES - measures to be undertaken by SERFOR

In advance of the CITES meeting the National Forestry and Wildlife Service (SERFOR) as the National Forestry and Wildlife Authority in Peru at CITES called a series of internal meetings to determine the state of conservation of shihuahuaco in the country and discuss other points to be raised at the CITES meeting in Panama.

Meetings were held with stakeholders on the status of shihuahuaco (cumaru). Organisations involved included the College of Engineers of Peru (Forestry Chapter), the Association of Exporters (ADEX), the Ministry of the Environment (Minam), the Agency Supervision of Forest Resources and Wildlife (Osinfor), logging companies, business associations in the forestry sector, universities, USAID, indigenous organisations, NGOs, forest certifiers, regional governments; as well as with representatives of peer institutions from Mexico, Brazil, Bolivia, Colombia and the European Union.

As a result of the discussions on the proposal to include this botanical genus in Appendix II a CITES Working Group made up of SERFOR, Minam, Osinfor, the Ministry of Foreign Affairs, the Ministry of Production and the Ministry of Foreign Trade and Tourism recommended that Peru would vote in favor of inclusion (formalised in Ministerial Resolution No. 266-2009-MINAM).

Given the inclusion of this botanical genus in Appendix II of CITES the acceptance of the two-year grace period was approved so that the various parties can create the regulatory framework to implement control.

A statement was issued on action to be taken by Peru, led by SERFOR. The statement mentioned the following actions to be taken:

- Prepare an Action Plan that includes the participation of the main public, private, academic and international cooperation actors that contains specific activities and defines those responsible for their execution, monitoring and evaluation.
- Manage the public budget and technical assistance, to ensure the implementation of the activities of the aforementioned plan.
- Update standards and guidelines to strengthen the application of silvicultural measures that promote the sustainable use of the species.
- Carry out population, dendrological and anatomical studies that facilitate the elaboration of Non-Harmful Extraction Opinions and the correct identification of standing trees and wood.
- Strengthen the management of qualifying titles and control of wood stocks for the preparation of the Legal Acquisition Opinion.
- Develop and implement a communication strategy for the involvement and participation of the stakeholders involved.

SERFOR emphasised that the 24-month grace will allow the country to adapt to this new measure.

Export prices for added value products

	US\$ per cu.m
Peru, FOB strips for parquet	1327-1398
Cabreuva/estoraque KD12% S4S, Asian market	
Cumaru KD, S4S Swedish market	986-1119
Asian market	1079-1101 ↓
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	582-611
2x13x75cm, Asian market	774-831

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

Export sawnwood prices

Peru sawnwood, FOB Callao Port	US\$ per cu.m
Pumaquiro 25-50mm AD Mexican market	682-695
Virola 1-2" thick, length 6"-12" KD Grade 1, Mexican market	589-615
Grade 2, Mexican market	507-538
Cumaru 4" thick, 6"-11" length KD Central American market	989-100 ↓
Asian market	992-1015 ↑
Ishpingo (oak) 2" thick, 6"-8" length Spanish market	622-642
Dominican Republic	712-731
Marupa 1", 6-11 length KD Grade 1 Asian market	595-615

Export plywood prices

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

Domestic sawnwood prices

Peru sawnwood, domestic	US\$ per cu.m
Mahogany	-
Virola	208-233 ↓
Spanish Cedar	343-351
Marupa (simarouba)	189-221 ↓

Domestic plywood prices (excl. taxes)

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

Domestic prices for other panel products

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

Japan

Economy contracted in the third quarter after three consecutive quarters of growth

Inflation in Japan has jumped to a 40 year high as the weak yen and consequent increases in import costs drive up consumer prices. Excluding fresh food prices, inflation in October rose year on year by 3.6%. This is low compared to other advanced economies but is still well above the 2% target set by the Bank of Japan (BoJ).

Even in the face of this rise the BoJ is continuing to maintain the economic stimulus, saying this is to support the fragile recovery from the effects of the pandemic. A weak yen and higher import costs are taking a toll on household consumption and businesses. Government data showed the economy contracted in the third quarter after three consecutive quarters of growth as private consumption slumped.

Japan is totally dependent on imported oil and the rapidly weakening yen has driven up energy import costs. According to the US Treasury Department, oil from Russia's Sakhalin 2 energy project imported by Japan will be excluded from a price cap on Russian oil which will help ease the rising burden on Japanese households. The price cap, which other members of the Group of 7 countries and Australia have also agreed to introduce, will take effect 5 December for crude oil.

See: <https://www.aljazeera.com/economy/2022/11/18/japans-inflation-soars-to-40-year-high>
and

<https://english.kyodonews.net/news/2022/11/b7ea9d8ec6d2-us-excludes-oil-for-japan-from-russias-sakhalin-2-from-price-cap.html>

Boost to retail sales anticipated from stimulus package

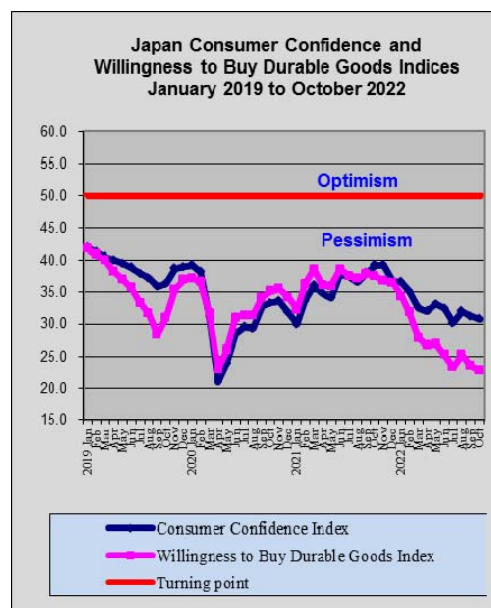
Government data shows that manufacturing output fell in September, the first decline in four months, as companies reeled from rising costs for raw materials along with weak international and domestic demand. The government's new economic stimulus package is aimed at lifting domestic consumption so a boost in retail sales is anticipated. The opening of the borders to international tourists will help revive the badly impacted services sector. However, the prospects for exports are not bright.

In related news, the Cabinet Office in its November economic report maintained the view that the economy is recovering moderately as demand for services, following the lifting of COVID-19 curbs, continues to support private consumption despite accelerating inflation. The report, however, warns of likely further volatility in financial markets.

See:

<https://www.japantimes.co.jp/news/2022/10/31/business/japan-factory-output-september/>
and

See: <https://www5.cao.go.jp/keizai3/getsurei-e/2011nov.html>

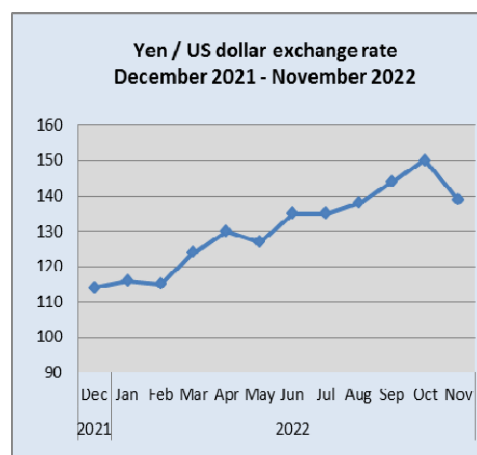


Data source: Cabinet Office, Japan

Slowing pace of US rate hikes brings some relief to the yen

Despite the steady rise in inflation and the weakness of the yen the government stands by the Bank of Japan's policy up to now. Rather than get the BoJ to change course and raise interest rates when the yen fell to 152 to the US dollar the government spent yen 6.3 trillion to intervene in the currency market.

The signals that the US Federal Reserve will likely slow the pace of interest rate increase brought some relief to the yen exchange rate which moved to around 138 to the US dollar.

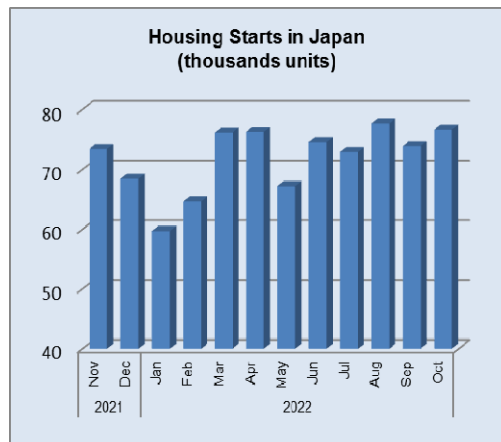


Housing market out of line with demographic reality

Analysts in the real estate sector have commented that Japan's housing market is out of line with the country's demographic reality. Annual births fell to an all-time low in 2021 and prospects for any increase in 2022 are not bright. At the same time the pace of expansion of the condominium stock continues to increase.

According to the latest (2018) Housing and Land Survey the housing stock has exceeded the number of households by 16%. In theory, Japan does not have a housing shortage but prices for new homes have steadily increased since 2020 as construction costs rise. The demand for new homes has jumped because interest rates are very low and the younger generation is not satisfied with renting. These factors, along with demand from couples who both have an income, have pushed up home prices.

October 2022 housing starts were reported 76,590 units, that is down 18% year on year but slightly up on levels in September.

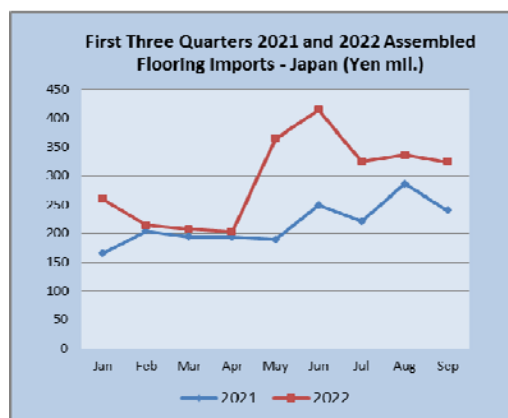


Data source: Ministry of Land, Infrastructure, Transport and Tourism, Japan

Import update

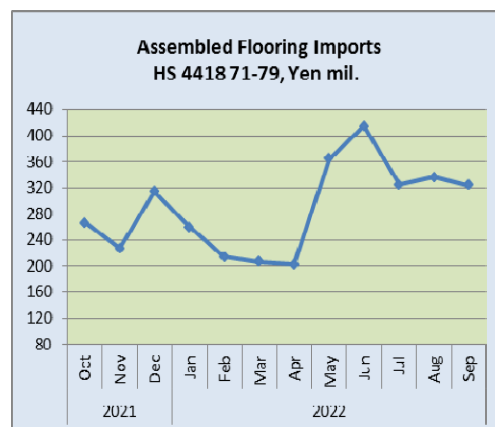
Assembled wooden flooring imports

The value of assembled flooring imports in the first three quarters of 2022 was 36% higher than in the corresponding period in 2021 and over 50% more than in the same period in 2020. The change reflects the rising FOB prices for plywood and, for 2022, the impact of the yen dollar exchange rate.



Data source: Ministry of Finance, Japan

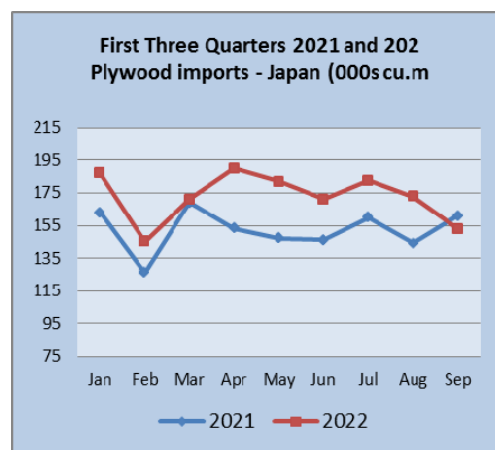
The value of September 2022 imports of assembled wooden flooring (HS441271-79) was 35% higher than in September 2021 but little changed from the value of August imports. HS441275 remained the main category of flooring imported in September accounting for close to 80% of all shipments.



Data source: Ministry of Finance, Japan

Plywood imports

In the first three quarters of 2022 the value of Japan's imports of plywood was 14% above that in the same period in 2021 and over 20% higher than in the first three quarters of 2020.



Data source: Ministry of Finance, Japan

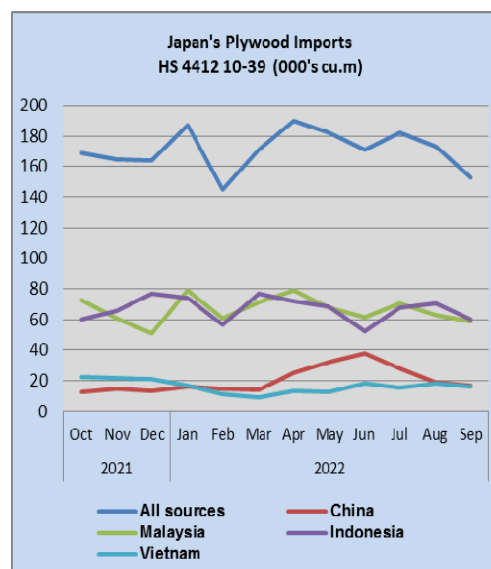
September imports of plywood (HS441210-39) stood at 152,683 cu.m. Year on year the volume of plywood imports into Japan fell around 5% but compared to levels in August there was an 11% decline.

Each of the top shippers, Malaysia, Indonesia, China and Vietnam all saw September shipments dip against the performance in August. Indonesia in particular saw September shipments fall 15%. Plywood shipments from China and Vietnam are now around the same level.

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

		China	Malaysia	Indonesia	Vietnam
2019	Jan	14.0	91.2	66.4	11.9
	Feb	11.1	85.3	75.0	4.2
	Mar	4.4	70.1	61.2	9.8
	Apr	11.4	94.2	65.9	8.5
	May	12.4	61.8	48.9	10.6
	Jun	9.3	59.6	62.8	11.3
	Jul	9.8	65.1	59.0	12.1
	Aug	12.1	61.8	68.9	11.0
	Sep	10.0	53.0	62.0	12.0
	Oct	10.6	66.3	72.0	12.0
	Nov	13.1	69.5	68.1	12.6
	Dec	13.0	74.4	57.4	14.0
2020	Jan	13.4	61.1	81.6	17.0
	Feb	6.8	72.2	63.8	9.5
	Mar	5.8	76.5	73.0	12.2
	Apr	13.0	68.0	69.0	13.6
	May	9.6	69.7	59.0	12.6
	Jun	10.3	52.0	61.0	11.3
	Jul	10.2	40.0	54.9	8.9
	Aug	6.6	55.0	56.0	8.4
	Sep	6.8	42.2	37.8	8.7
	Oct	8.3	62.4	52.7	10.1
	Nov	8.6	43.1	50.0	10.9
	Dec	9.2	60.5	43.9	10.8
2021	Jan	9.7	76.9	59.3	15.7
	Feb	6.8	53.5	50.1	13.0
	Mar	5.7	89.4	61.5	11.5
	Apr	11.4	65.9	58.2	17.3
	May	10.3	72.0	51.0	13.0
	Jun	10.5	61.9	56.6	15.6
	Jul	11.8	74.1	57.1	16.4
	Aug	12.8	54.7	57.8	17.5
	Sep	16.0	61.8	60.4	21.8
	Oct	12.6	72.8	60.4	22.5
	Nov	14.6	60.6	66.0	21.8
	Dec	13.6	51.2	76.5	21.0
2022	Jan	15.9	78.6	73.9	16.8
	Feb	14.7	61.0	56.8	11.4
	Mar	13.7	71.0	76.9	8.8
	Apr	25.0	79.3	72.0	13.1
	May	32.2	67.6	68.2	12.9
	Jun	37.5	61.4	52.4	18.4
	Jul	27.7	70.6	67.8	15.2
	Aug	19.0	63.0	70.8	18.5
	Sep	16.5	58.4	60.4	16.2

Data source: Ministry of Finance, Japan



Data source: Ministry of Finance, Japan

Trade news from the Japan Lumber Reports (JLR)

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

For the JLR report please see:

https://ifpi.jp/japan_lumber_reports/

Second supplementary budget

The Ministry of Agriculture, Forestry and Fisheries announced an outline of the second supplementary budget. The budgets for forests and fields are 120 billion yen for a sudden rise in prices due to the COVID-19, the war in Ukraine, the weak yen, a food crisis and unstable international political situation. To avoid things like the wood shock or other emergencies, a rate of self-sufficiency in domestic logs or lumber will be raised. 1,200 people will be hired at the forestry business in this fiscal year.

Total budget for agriculture, forestry and fisheries is 820 billion yen and it will be used for easing a rise in prices, strengthening Food Security, laying a solid foundation for agricultural, forestry and fishery products, growth strategy in sustainability and measures for prevent of damages and natural disaster reduction.

For forest and fields, 319 million yen will be used to hire workers, 49.8 billion yen will be for using domestic lumber, 25.6 billion yen for preventing natural disasters and natural disaster reduction, 16.4 billion yen for maintenance forest and 24 billion yen for returning to normal from disasters.

There is an undertaking to train new workers and 280 billion yen will be used for this. 53 million yen will be for labor safety and strengthening of management. 38 million yen will be for accepting foreign workers.

There are four topics about domestic forest to maintenance distribution systems of manufacturing lumber business, supplying logs stably, exporting logs and strengthening to supply structural lumber smoothly.

LVL from Vietnam

Sojitz Building Materials Corporation in Tokyo starts selling LVL made in Vietnam.

Woodland Joint Stock Company is one of the biggest wooden furniture manufacturers in Vietnam and will get the JAS certification of LVL for finishing carpentry in November, 2022. Sojitz Building Materials will try to supply 2,500 – 3,000 cbms in a month. Styrax, which is a broad-leaved tree, is used as raw materials. This is planted trees.

Woodland owns 30,000 hectares forest with mainly acacia in Vietnam and has a certification of the Forest Management by FSC (Forest Stewardship Council). The company also plans to apply a certification for styrax in the future. Woodland produces studs for condos and houses, interior fittings of heartwood and parts for prefabrications. The company has good quality on studs and has confidence in interior fitting.

The company was established in 2002. The company produces not only LVL but also produces plywood and particle boards. The sales of 2020 was US\$1 billion, 15.6 billion yen calculated by 149 yen against the dollar. Compositions of the sales are 54% for furniture and 38% for boards. The products were sold to Europe for 50% and to the U.S.A. for 25%. There are a total of six lines of LVL by three plants and production is 10,000 cbms in a month. Two product lines at the first plant will be for Japan.

TPP 11 became effective in Vietnam in January, 2019 and 6% custom duty of LVL for finishing carpentry was abolished quickly.

Sojitz Building Materials imports 90% of LVL for finishing carpentry from China and the company experienced a tight supply of Chinese LVL due to the lockdown at towns, shutdown at ports and stopped operations at plants by COVID-19 in China. That is why the company starts importing LVL from not only China but also from Vietnam.

South Sea lumber

The prices of lumber in any size started decreasing in South Asia and China. There are enough raw materials in Indonesia and China so Indonesian and Chinese importers try to get orders positively. The prices of Chinese red pine lumber are \$980 – 1,020, C&F per cbm, and of Indonesian Merkusii pine lumber are \$920 – 930, C&F per cbm. Both kinds of lumber are \$30 lower than previous month.

Since the yen is weak the prices are rising in Japan. Chinese red pine lumber is around 144,000 yen, FOB per cbm.

If the yen was still 145yen, the prices of lumber would not go up but if the yen became 150 yen, the prices would rise again. Distribution companies do not buy new lumber because demand is unclear in the future.

Promotion to use domestic 2x4

Nine companies launch a council and nine companies are related to structures, lumber and process of 2 x 4. Purposes of this council are to promote using more domestic lumber for 2 x 4 structures, to make forestry grow active to supply stably, to aim decarbonized society and to contribute regional revitalization.

Members of the council are Kyowa Mokuzai Co., Ltd., Mitsui Home Co., Ltd., Mitsubishi Estate Housing Components Co., Ltd., Iwakura Home Co., Ltd., Wing Co., Ltd., Kesenprecut Cooperative Business Association, Satsuma Fine Wood Co., Ltd., Mitsui Home Components Co., Ltd., Mitsubishi Estate Home Co., Ltd. People's interest in using domestic lumber has grown significantly so housing companies and lumber companies decided to cooperate with each other.

A rate of using domestic lumber for 2 x 4 is about 10% nowadays. However, people's interest in the domestic lumber grew strongly due to the wood shock and people are concerned about unstable supply of imported lumber. The council plans to investigate supply and demand, collect information, maintain the supply chains, standardize domestic lumber, check the laws of domestic lumber and so on in the fiscal year of 2022. There will be an experiment group for studying strength in each part of lumber for 2 x 4 structures.

Regular members of the council are 33 companies, which consists of housing companies, lumber companies, 2 x 4 precutting companies and panel companies and supporting members are 4 companies, which consists of Japan 2 x 4 Lumber JAS Council, Japan 2 x 4 Home Builders Association and designing offices.

Weak yen influencing the lumber industry

The yen was on a level of 150 yen against the dollar on 19th October, 2022. It is for the first time in 32 years to become the weak yen. There is a possibility that the weak yen would continue falling if a difference in interest rates between the U.S.A. and Japan expands.

On the stock market, weak is described as a bear and strong is described as a bull for evaluating companies. The weak yen at the lumber industry at this time caused bears and bulls. It has been a year since the 3rd wood shock in 2021. It showed signs of market movement before the end of 2021. Movement of imported lumber became slow in 2022 and it was overstocking at every port in Japan. There were 200,000 cbms lumber at Tokyo port and this volume doubled from usual volume. The prices supposed to go down by this situation but it did not widely. The reasons are that sellers have concerns about lost profits and overpriced import cost due to the weak yen.

Would it be a good situation to export domestic logs to overseas? The answer is no because the economy in China is slow. Constructions of houses stagnated and contracts for constructions or for materials of public works are not good. Domestic lumber business wanted to expand its business by this opportunity but the prices of cedar and cypress lumber started to decrease in several places so people were disappointed.

It is said that 'a tiger at a front door and a wolf at a back door' in Japanese which means 'jumping out of the frying pan into the fire' and you can say it is happening in construction materials business. Since it seemed that the prices of structural lumber and housing equipment, such as plywood or wooden boards settled down, but then the prices of crude oil and LNG rose suddenly. Not only fuels, electrical power and gas but also papers, decorative sheet and glue skyrocketed in prices, so the companies would have to raise the prices of structural lumber.

China

Establishing Standards leads to high quality products

This year marks the 30th anniversary of the founding of the National Technical Committee for Standardisation of Woodbased Panels. China's production of woodbased jumped from 4.3 million cubic metres in 1992 to around 350 million cubic metres in 2021 and the range of wood-based panel products has expanded to more than 100 types today.

After 30 years of effort a science based and forward-looking Standard system for woodbased panels has been approved by the Science and Technology Department of the National Forestry and Grass Administration.

The Standard covers veneer, plywood, fiberboard, particleboard, wood laminated materials/integrated materials, wood-based panels faced materials and veneer wood-based panels, wood industrial adhesives, wood (base) flooring, wood wallboard, wood doors and windows, wood stairs and other products, wood (base) composite materials, structural (load-bearing) wood-based panels and products, all kinds of veneer wood-based panels and a variety of wood composite materials.

As of the end of October 2022 the Woodbased Panel Standards Committee was responsible for management of 178 Standards on wood-based panels, including 77 national standards and 101 industrial standards.

These standards support the woodbased panel industrial chain standardisation management in terms of woodbased panel industry raw and auxiliary material production, woodbased panel and its products (such as wood flooring, wood wallboard, wood stairs and doors and windows) processing, management, service and export trade.

These Standards have played an important role in regulating production and market development of China's woodbased panel industry, leading the technological progress of the wood-based panel industry and promoting the high quality development of China's woodbased panel industry.

Three national mandatory Standards on wood-based panel industry had been formulated, namely the Formaldehyde Emission Limit of Wood-based Panel Products for Interior Decoration and furnishing Materials (GB18580), the Formaldehyde Emission Classification of Wood-based Panels Products (GB/T39600-2021) and A Guide to the Limited Quantity in Indoor Loading based on its ultimate Formaldehyde Emission Standards GB/T39598-2021) have been formulated and revised by the Committee for Woodbased Panel with the goal of controlling formaldehyde emissions to ensure the health of consumers.

See:

<http://www.forestry.gov.cn/main/586/20221124/085228056863180.html>

Rise in particleboard imports

Due to the impact of the epidemic many of China's particleboard factories have been shutdown or cut production resulting in a shortage of panels in the domestic market. As a result there has been a substantial increase in particleboard imports.

According to China Customs, particleboard imports rose 29% to 628,000 tonnes valued at US\$347 million, up 62% from the same period of 2021. The average CIF price for particleboard was US\$553 per tonne, up 25% from the same period of 2021. China's particleboard imports from Romania and Brazil grew 13% and 98% to 129,000 tonnes and 122,000 tonnes respectively, however, from Thailand imports fell 15% to 100,000 tonnes.

China's particleboard imports from Germany and Russia rose 54% and 50% to 68,000 and 57,000 tonnes respectively. 76% of China's particleboard imports were from Romania, Brazil, Thailand, Germany and Russia. In addition, China's particleboard imports from Belarus, Hungary and USA surged between January and September 2022.

Particleboard exports

According to China Customs particleboard exports in the first 9 months of this year fell 35% in volume to 281,000 tonnes valued at US\$321 million, (up 2% over the same period of 2021). The average CIF price for particleboard was US\$1,141 per tonne, up 57% from the same period of 2021.

The top markets for China's particleboard exports were Japan, Mongolia, Nigeria, Vietnam, UAE and Saudi Arabia and these accounted for 61% of China's particleboards exports in the first 9 months of 2022.

Air pollution warnings - production halted or reduced

According to the China Environmental Monitoring Station and the provincial environmental monitoring centers in Beijing, Tianjin and Hebei heavy pollution was recorded on 17 November.

As a result the authorities in the Beijing-Tianjin-Hebei are required to launch joint air pollution prevention and control measures.

During the same period many provinces, including Henan, Shandong, Shanxi, Hubei and Sichuan issued warnings of heavy pollution and launched emergency responses and required industrial enterprises in key industries to reduce emissions. This is the second time since the beginning of the autumn that a number of pollution warnings have been issued. Air pollution prevention and control in the autumn and winter has become an important issue across the country.

See:

<https://www.163.com/dy/article/HMNC47PO0511C42J.html>

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

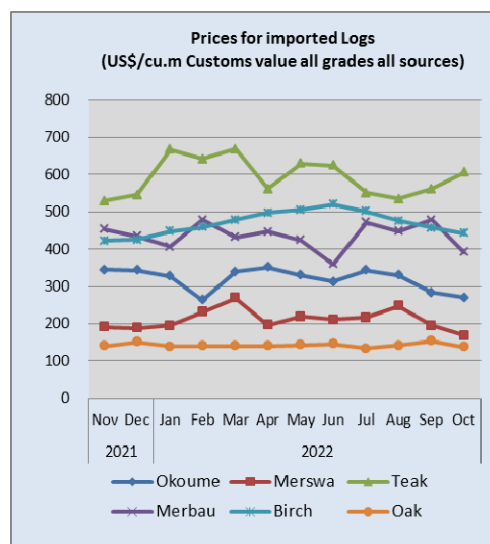
	2022 Sep	2022 Oct
Okoume	283	270
Merswa	195	168
Teak	562	606
Merbau	479	392
Birch	457	442
Oak	154	137

Data source: Customs, China

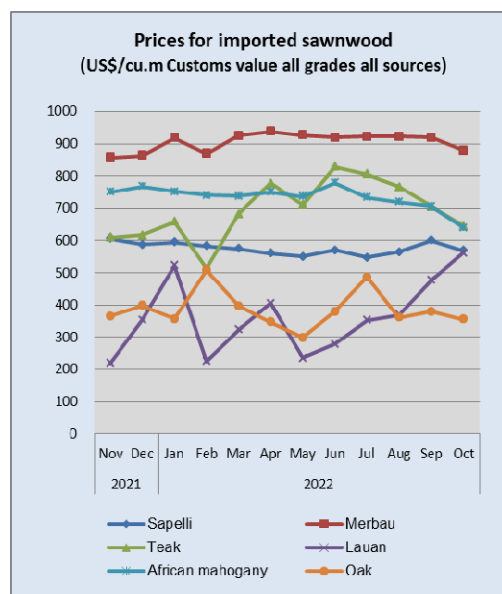
Average sawnwood price, (US\$/cu.m Customs value, all grades, all sources)

	2022 Sep	2022 Oct
Sapelli	600	569
Merbau	920	879
Teak	706	646
Lauan	477	561
African mahogany	706	640
Oak	380	355

Data source: Customs, China



Data source: Customs, China



Data source: Customs, China

EU

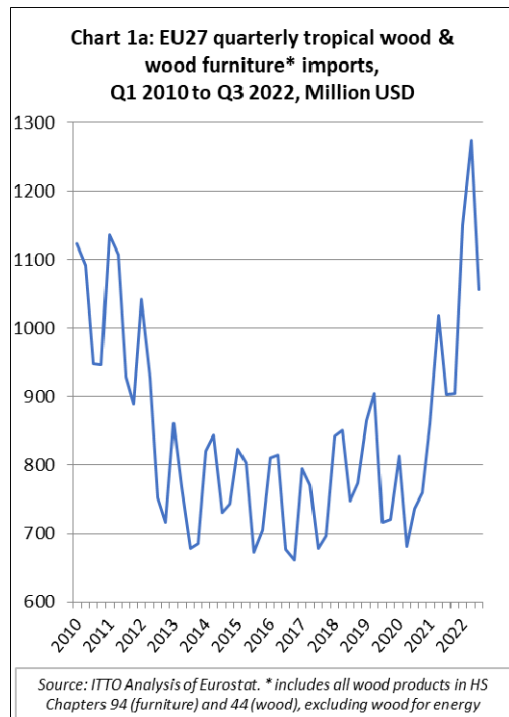
EU27 tropical wood imports slow with mounting signs of recession

In the first nine months of this year the EU27 imported 1.53 million tonnes of tropical wood and wooden furniture products with a total value of US\$3.48 bil. respectively 15% and 25% more than the same period the previous year.

However, imports have been slowing since the summer and, as Europe moves into the winter months, there are ominous signs of recession ahead. The war in Ukraine is contributing to huge increases in energy prices, while business and consumer confidence has been hit by expectations of higher interest rates to control inflation.

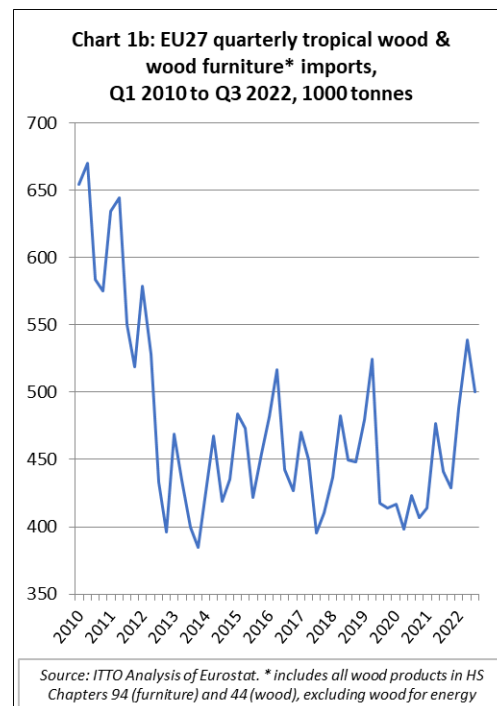
EU27 imports of tropical wood and wooden furniture products came off the boil in the third quarter this year after reaching in the previous quarter the highest level in dollar terms since at least before the 2007-2008 financial crisis. Imports of US\$1.06 bil. during the third quarter of 2022 were 17% less than the previous quarter.

However, they were still at historically high levels in dollar terms during the third quarter and 17% above the third quarter in 2021 (Chart 1a).



The quarterly trend in EU27 imports of tropical wood and wooden furniture looks different in quantity terms (Chart 1b).

Imports of 501,000 tonnes in the third quarter this year were 7% down on the previous quarter and 14% more than the same quarter the previous year. In tonnage terms Q2 2022 imports, while high compared to the previous two years, were not significantly greater than similar quarterly peaks in Q2 2019 and Q2 2016 and were well below the level of EU27 tropical wood product imports typical a decade ago (Chart 1b).



This highlights that the volatility and record high levels of EU27 tropical wood and wooden furniture imports this year have been driven mainly by changes in CIF prices. These, in turn, have been affected due to the combined effects of changing freight rates and supply and exchange rate volatility in the wake of the COVID pandemic.

Last year and in the first half of this year, EU importers responded to sharply rising consumption in the European market – boosted particularly by heavy spending on home improvement and public finance to support economic recovery after the pandemic – by buying in larger volumes as CIF prices were rising to record high levels.

However, demand in Europe fell dramatically during the summer months this year with rising economic uncertainty, particularly fuelled by the war in Ukraine and high energy costs. At the same time, global prices for wood materials and freight rates fell dramatically.

A big decline in global trade has followed on from sharply rising interest rates in the United States and as China faces a raft of economic problems as the country has struggled to maintain a zero-COVID strategy and China’s property market is in crises. The price of a 40 foot container for delivery into Europe from the Southeast Asia which hit record levels in excess of US\$17,000 at the end of 2021, have now fallen to around US\$2,500 today.

The combined effect of these trends is that many European timber importers are now sitting on large stocks bought earlier at high prices which they are struggling to shift on to their customers. The value of these landed stocks is being undermined as prices for new orders in the main supply countries are falling.

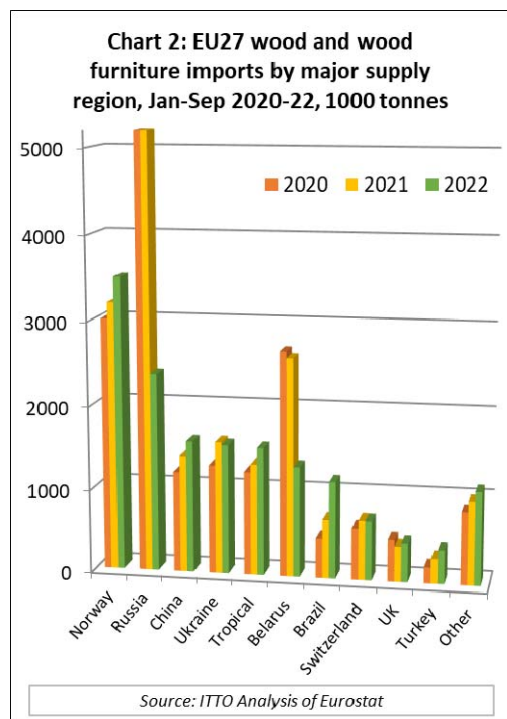
Costs of holding stock and manufacturing wood products are also rising as interest rates are being pushed up and energy costs are soaring.

Meanwhile the euro value is still hovering close to parity with the US dollar, 10% down since the start of the year and only just above the lowest level for 20 years. Under these conditions, European imports of all tropical wood products are widely forecast to continue to fall in the months ahead.

One factor which encouraged more EU imports of tropical wood products in the second quarter of this year was the curtailment of wood supplies from Russia and Belarus. This followed on from the sanctions imposed by the EU after Russia's invasion of Ukraine in February. This provided new opportunities in the EU market for some tropical wood products, notably plywood and decking for which Russian birch and larch products have been important substitutes.

In the first nine months of this year, tropical products accounted for 9.7% of the quantity of all wood and wooden furniture products imported into the EU27, which compares to 6.7% during the same period in both 2021 and 2020.

The gain in tropical wood share is due mainly to a large reduction in imports from Russia (-65% to 2.36 million tonnes) and Belarus (-49% to 1.32 million tonnes) during this period. After an initial fall in the early months of the war, EU27 imports from Ukraine recovered some ground in the second and third quarters and by the end of the first nine months of this year were, at 1.57 million tonnes, only 2% down on the same period in 2021 (Chart 2).

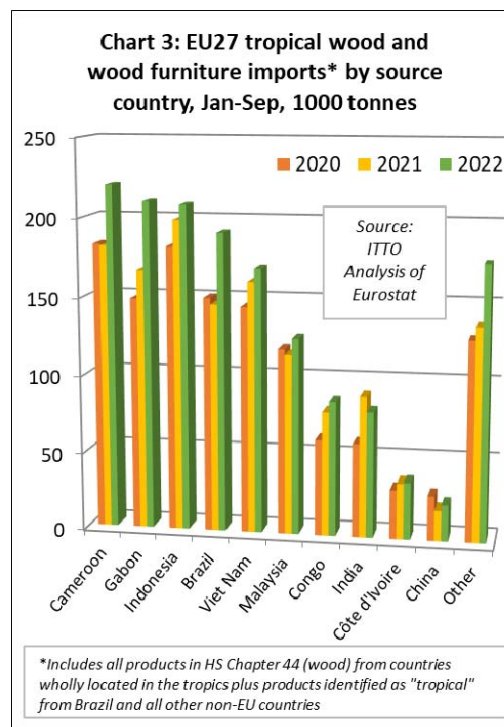


While tropical wood made gains in the EU market in the first nine months this year, the largest beneficiaries of the opening supply gap due to the fall in imports from Russia and Belarus have been non-tropical wood products from Norway (+10% to 3.5 million tonnes), China (+13% to 1.57 million tonnes), Brazil (+66% to 1.16 million tonnes), Turkey (+36% to 405,000 tonnes), Chile (+63% to 93,000 tonnes), Uruguay (+508% to 67,000 tonnes), and New Zealand (+12% to 44,000 tonnes).

Rise in EU27 imports from all main tropical wood supplying countries

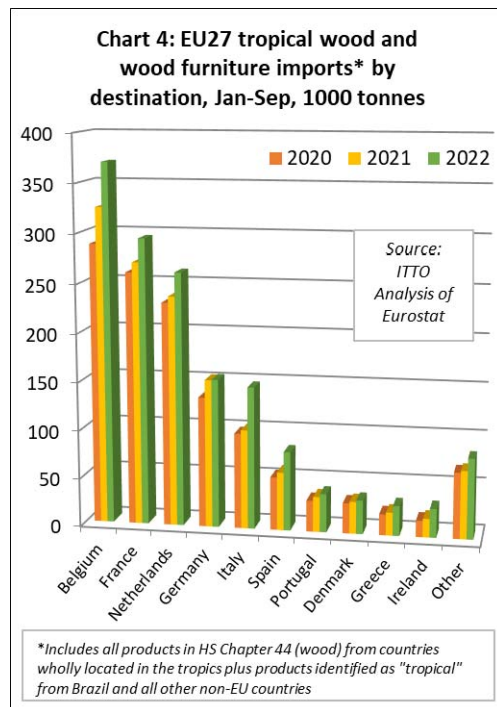
EU27 imports of wood and wooden furniture increased in the first nine months this year from all the main tropical supply countries (Chart 3).

Both value and volume of imports increased from Cameroon (+19% to US\$216M, +21% to 220,200 tonnes), Gabon (+30% to US\$235M, +26% to 210,000 tonnes), Indonesia (+27% to US\$809M, +5% to 208,200 tonnes), Brazil (+58% to US\$285M, +31% to 191,100 tonnes), Vietnam (+20% to US\$712M, +5% to 169,200 tonnes), Malaysia (+36% to US\$335M, +9% to 125,900 tonnes), Republic of Congo (+3% to US\$81M, +8% to 86,200 tonnes), and Cote d'Ivoire (+10% to US\$48M, +2% to 36,600 tonnes). Import value from India increased 4% to US\$344M but import volume fell 11% to 81,000 tonnes during the nine month period (Chart 3).

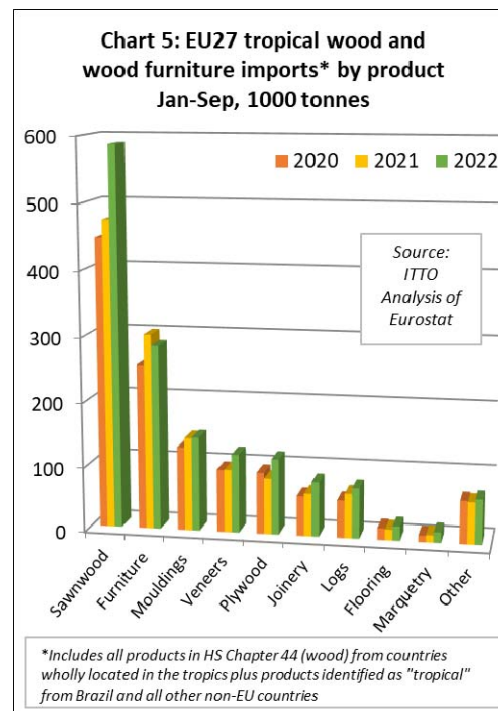


The import value of tropical wood and wooden furniture in the first nine months this year also increased into all the leading EU destinations for these products, while import quantity increased into all destinations except Germany (Chart 4).

Trends into the main import destinations for tropical wood and wooden furniture were: France (+29% to US\$670M, +9% to 294,400 tonnes); Netherlands (+14% to US\$652M, +10% to 261,700 tonnes); Belgium (+29% to US\$552M, +14% to 370,500 tonnes); Germany (+16% to US\$533M, no change at 153,000 tonnes); Italy (+46% to US\$269M, +43% to 146,900 tonnes); Spain (+36% to US\$190M, +36% to 81,600 tonnes); Denmark (+17% to US\$142M, +5% to 34,900 tonnes); Ireland (+48% to US\$93M, +54% to 29,800 tonnes); Sweden (+29% to US\$79M, +26% to 19,200 tonnes); Poland (+17% to US\$78M, +21% to 24,300 tonnes); Portugal (+37% to US\$48M, +9% to 39,700 tonnes); and Greece (+46% to US\$59M, +30% to 30,900 tonnes).



EU27 import value of all the main categories of tropical timber products increased in the first nine months this year. Import quantity also increased for all products except furniture (Chart 5).



After two slow years during the global pandemic, EU27 imports of tropical sawnwood have recovered ground this year. Imports of 785,700 cubic meters with value of US\$705M in the first nine months were respectively 24% and 28% higher than the same period in 2021.

Sawnwood imports increased sharply in the first nine months of this year from all the largest tropical suppliers to the EU27 including Cameroon (+21% to 272,100 cubic meters), Brazil (+44% to 138,700 cubic meters), Gabon (+16% to 120,400 cubic meters), Malaysia (+25% to 70,700 cubic meters), Congo (+26% to 61,100 cubic meters), and Ghana (+26% to 23,200 cubic meters). However sawnwood imports fell 30% to 14,900 cubic meters from Côte d'Ivoire and were down 24% to 13,700 cubic meters from Ecuador.

In the first nine months of 2022, EU27 import value of wooden furniture from tropical countries was US\$1.41B, 15% higher than the same period in 2021. The value of EU27 imports of wooden furniture increased 18% to US\$587M from Vietnam, 28% to US\$424M from Indonesia, and 13% to US\$101M from Malaysia.

However import value of furniture from India was down 2% to US\$261M and from Thailand fell 1% to US\$23M.

The increase in the total dollar value of EU27 imports of tropical wooden furniture this year is entirely due to the rise in freight rates and prices and the weakness of the euro rather than an increase in export quantity. In tonnage terms, imports actually declined 6% to 285,000 tonnes during the nine month period.

EU27 import value of tropical mouldings/decking was US\$336M in the first nine months of this year, a gain of 36% compared to the same period in 2021. In tonnage terms, EU27 imports of tropical mouldings/decking were quite slow in the first nine months of this year, most likely due to supply shortages rather than to limited demand.

Imports of 145,600 tonnes between January and September this year were just 1% more than the same period last year. Falling imports from Indonesia (-11% to 44,600 tonnes) were offset by rising imports from Brazil (+2% to 57,400 tonnes), Gabon (+68% to 11,500 tonnes), Bolivia (+33% to 6,200 tonnes), and Malaysia (+20% to 5,800 tonnes). Moulding/decking imports of 11,300 tonnes from Peru were at the same level as last year.

In the first nine months of 2022, the EU27 imported 269,800 cubic metres of tropical veneer with a value of US\$180M, respectively 25% and 22% more than the same period last year. Imports of tropical veneer from Gabon, by far the largest supplier to the EU27, increased 19% to 136,700 cubic metres.

There were also gains in imports of veneers from Côte d'Ivoire (+37% to 63,700 cubic metres), Cameroon (+51% to 30,000 cubic metres), Ghana (+1% to 7,000 cubic metres), and Equatorial Guinea (+76% to 6,200 cubic metres). However veneer imports from Congo fell 9% to 12,500 cubic metres.

In the first nine months this year, EU27 tropical plywood imports of 227,600 cubic metres with value of US\$195M were respectively 38% and 63% more than the same period last year. Imports from Indonesia, the largest tropical plywood supplier, were 69,600 cubic metres, a gain of 20% compared to the same period last year.

However, there were larger percentage increases from Gabon, rising 118% to 53,300 cubic metres, and Vietnam, up 154% to 20,600 cubic metres.

EU27 imports of tropical plywood also increased from Morocco (+56% to 16,600 cubic metres), Brazil (+200% to 12,200 cubic metres), India (+30% to 8,800 cubic metres), and the UK (+5% to 6,500 cubic metres). These gains offset a 30% decline in imports of tropical hardwood faced plywood from China to 24,800 cubic metres, and a 67% fall in imports from Malaysia to just 1,900 cubic metres.

The EU27 imported 88,100 cubic metres of tropical logs with value of US\$47M in the first nine months of this year, respectively 18% and 15% more than the same period last year. EU27 log imports increased from all three of the largest African supply countries in the first nine months of this year compared to the same period last year; Congo (+6% to 35,500 cubic metres), CAR (+41% to 18,100 cubic metres), and DRC (+87% to 10,700 cubic metres).

Imports also increased sharply from two South American countries; Guyana (+145% to 2,300 cubic metres), and Paraguay (+93% to 2,800 cubic metres).

However, log imports were down 23% to 8,100 cubic metres from Cameroon and down 38% to 3,600 cubic metres from Liberia.

In the first nine months of 2022, the EU27 imported 22,200 tonnes of tropical wood flooring with a value of US\$69M, respectively 33% and 43% more than the same period in 2021. The rise in EU27 wood flooring imports from Malaysia that began in 2020 has continued this year. Imports of 10,700 tonnes from Malaysia in the first nine months of 2022 were 46% more than the same period in 2021. EU27 imports of flooring from Indonesia also increased, by 35% to 5,300 tonnes, during the nine month period.

EU27 imports of other joinery products from tropical countries - which mainly comprise laminated window scantlings, kitchen tops and wood doors - increased 39% in value to US\$227M and 28% in quantity to 84,700 tonnes in the first nine months of 2022. Import value increased 16% to US\$100M million from Indonesia, 60% to US\$69M from Malaysia, and 28% to US\$23M from Vietnam.

EU economy at a turning point

The European Union Autumn 2022 Economic Forecast was issued on 11 November under the headline “The EU economy at a turning point”. According to the forecast, after a strong first half of the year, the EU economy has now entered a much more challenging phase. The shocks unleashed by Russia's war against Ukraine are denting global demand and reinforcing global inflationary pressures.

The EU is among the most exposed advanced economies, due to its geographical proximity to the war and heavy reliance on gas imports from Russia. The energy crisis is eroding households' purchasing power and weighing on production. Economic sentiment in the EU has fallen markedly. As a result, although EU growth in 2022 is set to be better than previously forecast, the outlook for 2023 is significantly weaker for growth and higher for inflation compared to the European Commission's Summer interim Forecast.

The Forecast goes on to note that real GDP growth in the EU surprised on the upside in the first half of 2022 as consumers vigorously resumed spending, particularly on services, following the easing of COVID-19 containment measures. The expansion continued in the third quarter this year, though at a considerably weaker pace. Amid elevated uncertainty, high energy price pressures, erosion of households' purchasing power, a weaker external environment and tighter financing conditions are expected to tip the EU, the euro area and most Member States into recession in the last quarter of this year.

Still, the momentum from 2021 and strong growth in the first half of the year are set to lift real GDP growth in 2022 as a whole to 3.3% in the EU - well above the 2.7% projected in the EU Summer Interim Forecast.

As inflation keeps cutting into households' disposable incomes, the contraction of economic activity in the EU is set to continue in the first quarter of 2023. However, the Forecast suggests that growth will return to the EU in spring next year, as inflation gradually relaxes its grip on the economy. But with powerful headwinds still holding back demand, economic activity is set to be subdued, with GDP growth reaching 0.3% in 2023 as a whole in both the EU and the euro area.

In a cautionary note, the Forecast states that the EU economic outlook remains surrounded by an exceptional degree of uncertainty as Russia's war against Ukraine continues and the potential for further economic disruptions is far from exhausted. The largest threat comes from adverse developments on the gas market and the risk of shortages, especially in the winter of 2023-24.

Beyond gas supply, the EU remains directly and indirectly exposed to further shocks to other commodity markets reverberating from geopolitical tensions. Longer-lasting inflation and potential disorderly adjustments on global financial markets to the new high interest rate environment also remain important risk factors.

In presenting the forecast, Valdis Dombrovskis, Executive Vice-President for an Economy that Works for People, said that "this is a turning point for the EU economy as we deal with the spillovers of Russia's unprovoked war against Ukraine and a complex geopolitical environment: high energy prices fuelling inflation, people across Europe struggling with rising living costs, and our companies losing competitiveness.

Following relatively strong economic performance this year, the economic outlook for next year has weakened and we expect only 0.3% growth of the EU economy next year. But a strong labour market coupled with reforms and investments in the Recovery and Resilience Facility should help to support the economy".

North America

Housing starts fall again as high mortgage rates scare off US home buyers

Construction on new houses in the U.S. fell 4.2% in October as high mortgage rates put off buyers and forced builders to scale back, a situation that's likely to continue through 2023.

U.S. housing starts slowed to an annual pace of 1.43 million last month from 1.49 million in September. Economists polled by MarketWatch had expected housing starts to register a rate of 1.41 million after adjusting for the typical seasonal swings in demand.

New construction hit a record 1.8 million in April before tapering off steadily through the summer and fall.

"From all angles, the data was weak, but it was not quite as weak as [Wall Street's expectations for starts]", Thomas Simons and Aneta Markowska, economists at Jefferies, said. "Mortgage rates continue to depress housing activity, and there's more weakness ahead," saying earlier hikes in rates "have not yet fully worked their way through the economy."

Housing starts plunged nearly 35% in the Northeast, while the Midwest and West fell 11% each. The South region logged a 6.7% increase. Single-family starts in the U.S. retreated 6.1% to 855,000 units in October, while buildings with at least five units edged 0.5% lower to 556,000.

"Single-unit starts have collapsed under the weight of higher mortgage rates, though rental demand continues to be very strong, so multi-family starts have been slower to decline," Simons and Markowska said.

Canadian housing starts fell 11% in October, pulling back from the highest level in 2022 the month before, as groundbreaking decreased on multiple unit and single-family detached homes, data from the national housing agency showed. The seasonally adjusted annualized rate of housing starts fell to 267,055 units from a revised 298,811 units in September, according to the Canadian Mortgage and Housing Corporation (CMHC). Economists had expected starts to fall to 270,000.

Existing-home sales slumped 5.9% in October

Existing-home sales retreated for the ninth straight month in October, according to the National Association of Realtors. Total existing-home sales decreased 5.9% from September to a seasonally adjusted annual rate of 4.43 million in October. Year-over-year, sales dropped by 28.4% (down from 6.19 million in October 2021). Outside the plunge during the initial phase of the COVID-19 pandemic in the spring of 2020, this was the lowest level since December 2011.

"More potential homebuyers were squeezed out from qualifying for a mortgage in October as mortgage rates climbed higher," said NAR Chief Economist Lawrence Yun. "The impact is greater in expensive areas of the country and in markets that witnessed significant home price gains in recent years."

All four major U.S. regions registered month-over-month and year-over-year declines. Existing-home sales in the Northeast trailed off 6.6% from September to an annual rate of 570,000 in October, a decline of 23.0% from October 2021. Existing-home sales in the Midwest retracted 5.3% from the previous month to an annual rate of 1,080,000 in October, falling 25.5% from the prior year.

In the South, existing-home sales declined 4.8% in October from September to an annual rate of 1,980,000, a 27.2% decrease from this time last year.

Existing-home sales in the West waned 9.1% from September to an annual rate of 800,000 in October, down 37.5% from one year ago.

House resales, which account for a big chunk of U.S. home sales, slumped 28.4% on a year-on-year basis in October. That was the largest drop since Feb 2008.

See: <https://www.nar.realtor/newsroom/existing-home-sales-slumped-5-9-in-october>

US economy returned to growth in third quarter

The U.S. economy grew at a 2.6% annual rate from July through September, snapping two straight quarters of contraction and overcoming high inflation and interest rates.

The better-than-expected report from the U.S. Department of Commerce showed that the nation's gross domestic product — the broadest gauge of economic output — grew in the third quarter after having shrunk in the first half of 2022. Stronger exports and consumer spending, backed by a healthy job market, helped restore growth to the world's biggest economy at a time when worries about a possible recession are rising.

Consumer spending, which accounts for about 70% of U.S. economic activity, expanded at a 1.4% annual pace in the July-September quarter, down from a 2% rate from April through June. Last quarter's growth got a major boost from exports, which shot up at an annual pace of 14.4%. Government spending also helped: It rose at a 2.4% annual pace, the first such increase since early last year, with sharply higher defense spending leading the way.

Housing investment, though, plunged at a 26% annual pace, hammered by surging mortgage rates as the Federal Reserve aggressively raises borrowing costs to combat chronic inflation. It was the sixth straight quarterly drop in residential investment.

"Looking ahead, risks are to the downside, to consumption in particular, as households continue to face challenges from high prices and likely slower job growth going forward," Rubeela Farooqi, Chief U.S. Economist at High Frequency Economics, wrote in a research note.

See: <https://www.bea.gov/news/2022/gross-domestic-product-third-quarter-2022-advance-estimate>

Job growth continues to outpace expectations

The U.S. economy added more jobs than expected in October even as the Federal Reserve pressed on with the central bank's most aggressive monetary tightening campaign in decades.

Total nonfarm payroll employment increased by 261,000 in October, and the unemployment rate rose to 3.7 percent, the U.S. Bureau of Labor Statistics reported. Notable job gains occurred in health care, professional and technical services, and manufacturing. September's payroll reading was also upwardly revised to 315,000 from 263,000

previously reported. Employment data has moderated in recent months, but hiring remained strong in October despite efforts by the Federal Reserve to tamp down an extraordinarily tight labor market that has placed upward pressure on wages and contributed to decades-high inflation.

"The bottom line here is that the labor market is softening but has not yet reached the point where the data are screaming at the Fed to stop tightening," Pantheon Macroeconomics Chief Economist Ian Shepherdson wrote in a note.

The manufacturing sector added 32,000 jobs in October, with gains concentrated across durable goods industries. The industry has seen an average increase of 37,000 jobs per month this year so far, higher than 2021's monthly average of 30,000.

Even with slower inflation, consumer sentiment weakened sharply in November

Higher interest rates, a potential recession and persistently high prices made consumers substantially less confident about the current state of the economy as well as where things are heading, according to a closely watched sentiment gauge.

The University of Michigan Survey of Consumers posted a 54.7 reading for November, down 8.7% from the previous month's reading of 59.9. That was well off the Dow Jones estimate, which forecast the number to be little changed at 59.5. Along with that reading, the current economic conditions index fell 11.9% to 57.8. The index of consumer expectations, which looks at where respondents see things heading in six months, tumbled 6.2% to 52.7.

"Better news on October inflation didn't come in time to provide a boost to sentiment, which declined unexpectedly," said Jim Baird, Chief Investment Officer at Plante Moran Financial Advisors. "The economy may not be in recession, but for households struggling under the weight of higher prices, it certainly feels like it for many."

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

Manufacturing activity slowest in nearly 2-1/2 years in October

US manufacturing activity grew at its slowest pace in nearly 30 months in October. The Institute for Supply Management (ISM) said that its manufacturing index fell to 50.2 last month from 50.9 in September, both the lowest readings since May 2020. A reading above 50 signals expansion in manufacturing.

The Wood Products and the Furniture & Related Products sectors once again reported the highest level of contraction among the 18 sectors surveyed by ISM. Eight manufacturing industries reported growth in October, while 10 reported contraction.

But while overall manufacturing activity fell, the ISM survey's forward-looking new orders sub-index rose to 49.2 last month from 47.1 in September, indicating some resiliency among U.S. consumers.

With supply chains functioning more normally, inflation pressures at the factory gate continued to recede. A measure of prices paid by manufacturers dropped to 46.6, the lowest reading since May 2020, from 51.7 in September. The price index has fallen nearly 50% since March, driven by retreating commodity prices.

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

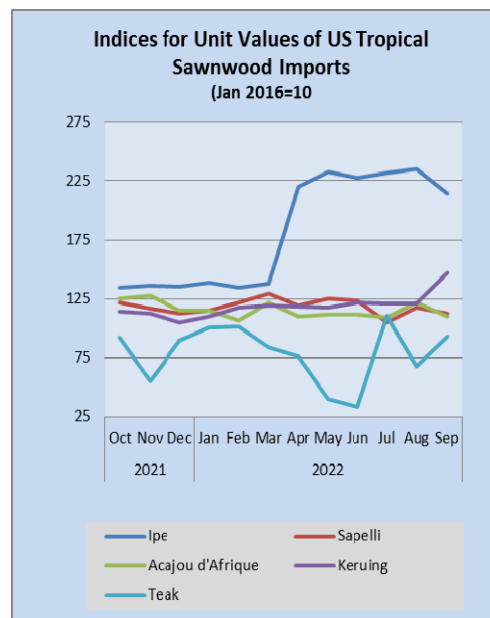
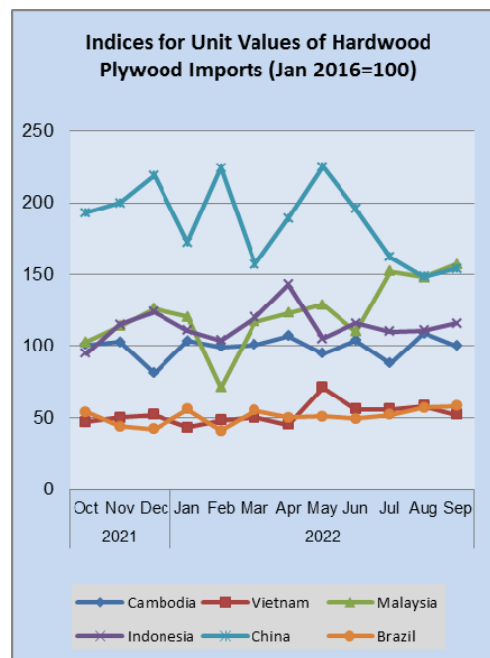
Building materials prices trending downward

The prices of building materials decreased 0.2% in October (not seasonally adjusted) following a 0.5% decline in September according to the latest Producer Price Index (PPI) report. The index has decreased four of five months for the first time since 2015. The PPI for goods inputs to residential construction, including energy, was led 0.2% higher by prices of diesel fuel (+9.5%) and unleaded gasoline (+5.7%).

The price index of services inputs to residential construction decreased 0.7% in October, the seventh consecutive monthly decline. Prices have fallen a total of 14% since the index last increased in March 2022 and are just 1.4% higher than they were a year ago.

The PPI for softwood lumber (seasonally adjusted) fell 1.7% in October following 5.5% and 3.1% declines in August and September, respectively. Softwood lumber prices are 4.4% higher than they were a year ago but have fallen 41.3% since March. The index remains 3.0% above pre-pandemic levels.

See: <https://eyeonhousing.org/2022/11/building-materials-prices-decline-for-second-consecutive-month/>



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.

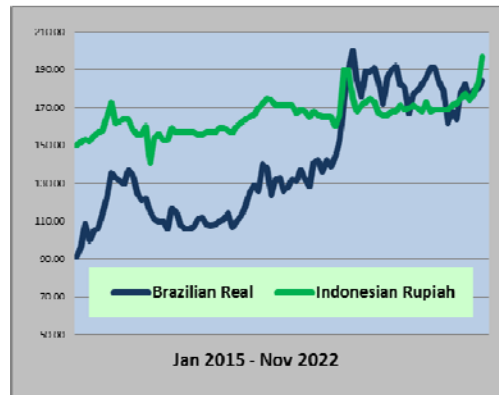
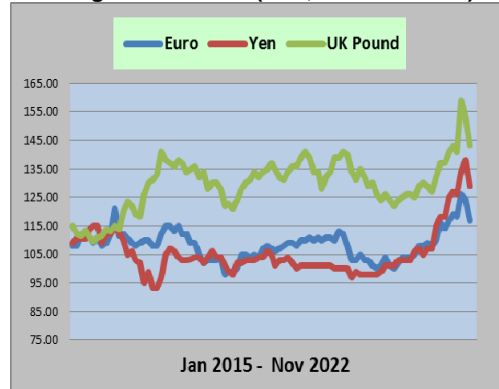
The views and opinions expressed herein are those of the correspondents and do not necessarily reflect those of ITTO

Dollar Exchange Rates

As of 25 November 2022

Brazil	Real	5.41
CFA countries	CFA Franc	635.31
China	Yuan	7.165
Euro area	Euro	0.96
India	Rupee	81.70
Indonesia	Rupiah	15,673
Japan	Yen	139.20
Malaysia	Ringgit	4.48
Peru	Sol	3.956
UK	Pound	0.83
South Korea	Won	1,335

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

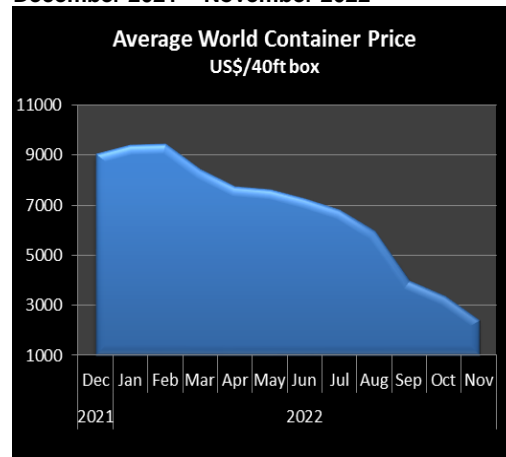


Abbreviations and Equivalences

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

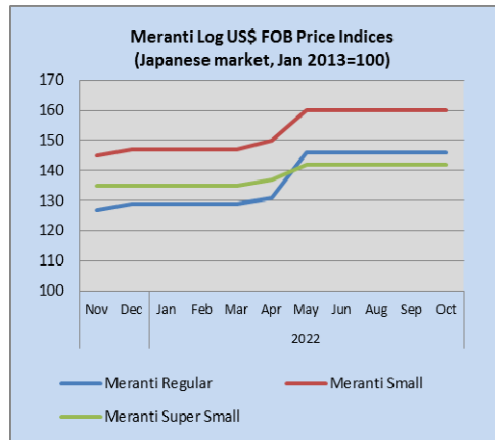
December 2021 – November 2022



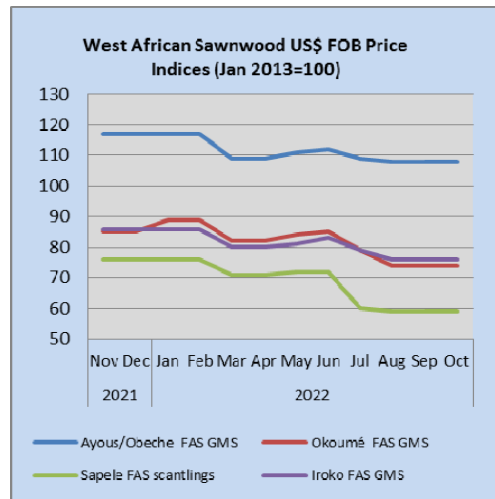
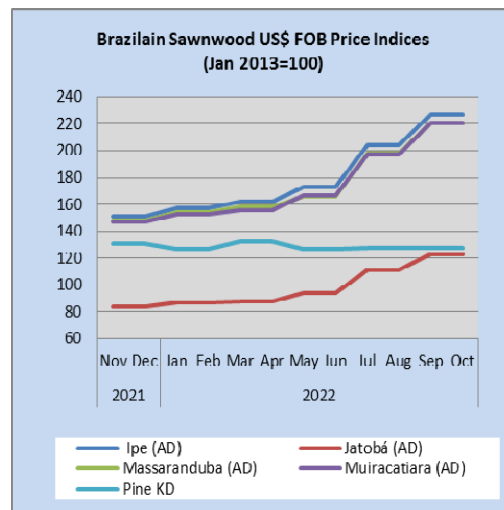
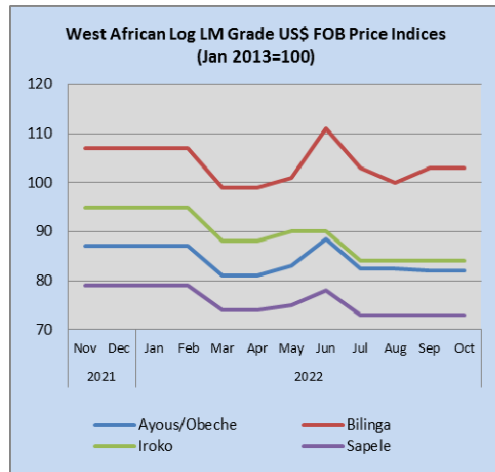
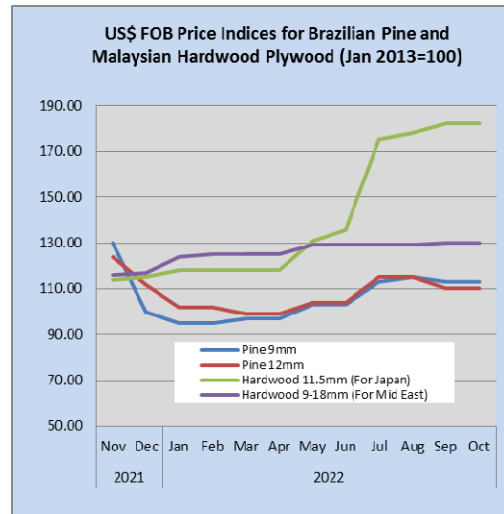
Data source: Drewry World Container Index

Price indices for selected products

The following indices are based on US dollar FOB prices



Note: Sarawak logs for the Japanese market



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

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