

# Tropical Timber Market Report

Volume 24 Number 8, 16th–30th April 2020



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

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## Top story

### **Impact of pandemic on employment and incomes in Malaysia**

An online survey found that in the Malaysian forestry and logging sectors 6% of workers were on half pay leave, 18% were on unpaid leave and 12% had lost their jobs.

An April survey conducted by the Federation of Malaysian Manufacturers (FMM) found that worker incomes had dropped by more than 50% and that employers indicated they would be unable to sustain operations beyond three months.

**See page 4**

### Regional update

#### Cameroon

The Prime Minister recently announced a 5 day extension of the Government's virus control regulations measures. At the same time he said support is being planned for the most affected sectors as well as the most fragile households. The government is aiming to re-open schools on 1 June.

#### Ivory Coast

Abidjan is under strict quarantine and cut off from the rest of the country. The government has not yet ordered a full nation-wide lockdown hoping the sealing of Abidjan will stop the spread of the virus. President Alassane Ouattara declared a state of emergency on 23 March which has been extended. The government has in place an almost US\$3 billion support package to address the impact of the pandemic on the economy.

See: <https://www.france24.com/en/20200406-crowd-in-ivory-coast-destroys-coronavirus-testing-centre>

#### Democratic Republic of Congo

In the Democratic Republic of Congo the state of emergency has been extended for 15 days. The country announced its first corona virus case on 10 March and infections have now spread to at least four provinces.

Borders remain closed to non-essential traffic and the ban on travel between the capital and the country's 25 provinces is also banned. Kinshasa, with over 11 million residents, is the epicenter of the pandemic in the country.

Pandemic updates on Central and West Africa can be found on the ATIBT website:

<https://www.atibt.org/en/impact-of-covid-19-on-timber-trade-4/>

#### Gabon

##### Forestry Minister issues instructions to operators

The Minister of Forests in Gabon has issued a letter with wide ranging advice and guidance for timber companies whom, he said, should prepare plans for eliminating the risk of the corona virus infecting employees.

The letter explains that the Ministry has put in place measures to ensure the operation of companies. It also explains that ministry and forestry staff will remain at work to assist companies, that the ministry will facilitate transport authorisations and the smooth operation of the ports. In addition, the ministry will provide travel restriction waivers for essential company operatives and management.

Other aspects included in the letter from the Minister cover very detailed instructions on how forest based and processing mills should be managed during the crisis and deals with worker movement and sanitation measures to prevent the spread of the virus.

On preparation for shipments the letter from the Minister says systems for safe container stuffing have been put in place in Owendo Port and the site will be under SNBG management.

The Minister also explained that discussions are underway on how best to financially support the timber sector. To support company cash flow. SNBG has been authorised to purchase and pay immediately for timber from operators including kevazingo harvested before 2018.

Companies with other stocks are free to export as usual or they can sell to SNBG. The government is urging companies not to lay-off workers but, if this is unavoidable, they must consult with the Ministry of Labour.

### Survey - Impact of pandemic on Gabon's timber sector

#### 1. Are logging operations still working?

LOGGING STILL WORKING AT 70% DUE TO RAINS.

#### 2. Are mills/factories still working?

MILLS STILL WORKING, OUTPUT THE SAME AS THIS IS KEEPING FINANCE UP.

#### 3. Have forest sector workers been laid off?

LAID OFF: YES, ABOUT 20% OF LOCAL STAFF AND 5% EXPATS.

#### 4. Are laid off workers receiving payment either from companies or government?

YES, THEY GET 50% OF THEIR BASIC SALARY FROM COMPANIES.

#### 5. Are companies already receiving government support?

NO NOT AT ALL / NO SUPPORT ONLY ADVICE AND SOME EASING OF RSTRICCTIONS.

#### 6. If so, what type of support?

SEE ABOVE

#### 7. Compared to the 1st quarter last year, how are inventories?

INVENTORIES ARE UNCHANGED. TYPE DEPENDS ON THE MARKET.

#### 8. Are companies still fulfilling orders placed pre-crisis?

SAWMILLS ARE STILL RUNNING. SOME CHINESE HAVE CLOSED AND Staff LEFT THE COUNTRY.

#### 9. Have orders been cancelled?

NOT BEEN CANCELLED BUT PRODUCERS ASKED TO HOLD BACK AWAITING. OPENING OF PORTS IN RECEIVING COUNTRIES.

**10. Are domestic transportation systems for timber functioning?**

DOMESTIC TRANSPORT IS OK. NO CHANGES. WITH OFFICIAL DOCUMENTS TRUCKS ARE TRAVELING NORMALLY.

**11. Are the ports open for:**

PORTS OPEN FOR EXPORT AND IMPORT/ NO PROBLEM.

**12. Are containers readily available?**

CONTAINERS ARE AVAILABLE . NO PROBLEM TO GET FROM MAERSL, MSC,CSM AND CGA.

**13. What will be the main challenges in ramping up production?**

LOOKING FOR OTHER/NEW MARKETS FOR SALES.

**14. Please estimate how long it would take to ramp up production to pre-crisis levels?**

ONE MONTH

**15. What is your estimate of national lost sales % in Q1 2020 compared to Q1 2019?**

THERE HAS NOT BEEN ANY LOST SALES. ONE YEAR AGO THE CHINESE MARKET WAS ALREADY WEAKENING.

MAIN PROBLEM IS THAT STOCKS ARE INCREASING BECAUSE OF THE CLOSURE OF SOME MAJOR PORTS IN IMPORTING COUNTRIES.

CURRENTLY BUYERS FOR THE CHINESE MARKET ARE PLACING NEW ORDERS

**Log export prices**

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

**Sawnwood export prices**

West African sawnwood	FOB Euro per cu.m
Ayous FAS GMS	440
Bilinga FAS GMS	540
Okoumé FAS GMS	460
Merchantable	310
Std/Btr GMS	340
Sipo FAS GMS	500
FAS fixed sizes	-
FAS scantlings	520
Padouk FAS GMS	640
FAS scantlings	675
Strips	320
Sapele FAS Spanish sizes	450
FAS scantlings	480
Iroko FAS GMS	600
Scantlings	660
Strips	350
Khaya FAS GMS	480
FAS fixed	540
Moabi FAS GMS	620
Scantlings	640
Movingui FAS GMS	420

**Ghana****Lockdown lifted - businesses re-open**

On 20 April the government announced the lifting of the 3-week lockdown implemented in areas which had seen virus infection clusters however, the ban on social gathering and the social distancing requirements remain. The wearing of face masks in public is now mandatory across the country. This decision, according to the President, was based on advice from experts after extensive testing for the virus.

The mandatory use of masks has enabled businesses in the manufacturing and wood processing industries to work smoothly without any interruptions and staffing issues.

Businesses welcomed the decision and have re-started operations. Some companies have reported they have received financial support from government allowing them to increase production of personal protective items for domestic use and to offer to neighbouring countries.

The Ghana Union of Traders Associations, the Industrial and Commercial Workers Union, the Institute of Chartered Economics of Ghana and the Trades Union Congress among others, have said the easing of restrictions is a positive move which would allow the country to begin the recovery process.

**World Bank loan relief for Ghana**

The G-20 nations agreed to suspend bilateral debt service payments until the end of the year for 76 low-income countries eligible for the World Bank's most concessional lending via the International Development Association.

The list of eligible countries includes 40 sub-Saharan African countries including Ghana's US\$500 mil. debt and interest payments.

This was announced by the President who said this will allow the country to adopt flexible and responsive financing of the recovery.

In related news, the IMF announced six months of debt service relief for 25 low-income countries which could be extended up to two years. In addition to this move, the IMF also approved additional funding support for several African countries, including Chad, Ghana and Senegal.

See: <https://www.imf.org/en/News/Articles/2020/04/16/pr20165-board-approves-immediate-debt-service-relief-for-25-eligible-low-income-countries>

### Port operations

Captain Emmanuel Ankamah, Deputy Director, Ship Inspections and Marine Security at the Ghana Maritime Authority has reported that there has been no disruption to ocean cargo traffic in Ghana allaying fears of food shortages. He said the statistics show that despite lockdowns across the world vessels have continued to dock in Ghana.

### Boule export prices

	Euro per m <sup>3</sup>
Black Ofram	330
Black Ofram Kiln dry	420
Niangon	579
Niangon Kiln dry	622

### Export rotary veneer prices

Rotary Veneer, FOB	Euro per m <sup>3</sup>	
	CORE (1-1.9 mm)	FACE (>2mm)
Ceiba	380	440
Chenchen	540	633
Ogea	521	590
Essa	586	634
Ofram	350	435

### Export sliced veneer

Sliced face veneer	FOB Euro per m <sup>3</sup>
Asanfina	787
Avodire	667
Chenchen	644
Mahogany	2,078
Makore	1,621
Odum	700

### Export plywood prices

Plywood, FOB	Euro per m <sup>3</sup>		
	Ceiba	Ofram	Asanfina
BB/CC			
4mm	328	580	641
6mm	412	535	604
9mm	377	446	560
12mm	510	450	480
15mm	450	352	430
18mm	450	441	383

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

### Export sawnwood prices

Ghana sawnwood, FOB	Euro per m <sup>3</sup>	
	Air-dried	Kiln-dried
FAS 25-100mm x 150mm up x 2.4m up		
Afromosia	860	925
Asanfina	465	564
Ceiba	404	600
Dahoma	413	444
Edinam (mixed redwood)	520	651
Emeri	465	591
African mahogany (Ivorensis)	930	1,016
Makore	740	817
Niangon	620	666
Odum	649	832
Sapele	720	797
Wawa 1C & Select	420	458

## Malaysia

### Warning of extreme recession if MCO extended

The Movement Control Order (MCO), first announced 18 March was extended for the third time until 28 April across Malaysia. The MCO is a legal mechanism that requires everyone to be off the streets from 7 pm until 7 am thereafter people can go out only for essentials. Social distancing is required at all times. Where possible people are asked to work from home while, for specified enterprises, 'limited operations' are possible.

This extension marks the fourth phase to the MCO since March. Malaysia's pandemic curve has shown encouraging signs of decline with new daily cases consistently coming in below 100 since mid-April.

The Malaysian Institute of Economic Research (MIER) cautioned policymakers on the huge cost that the MCO has had on the economy, warning of an extreme recession should restrictions be extended. Hong Leong Investment Bank has downgraded its forecast for 2020 GDP to -6%.

The governments wage support programme has disbursed around RM1.2 bil. to around a million workers in one month. This programme will run for 3 months.

### Impact of pandemic on employment and incomes

The Department of Statistics Malaysia (DOSM) conducted an online survey to assess the impact of the pandemic on employment and income. For the forestry and logging sector the survey results showed 6% of workers were on half pay leave, 18% were on unpaid leave and 12% had lost their job.

The report can be found at:

[https://www.dosm.gov.my/v1/index.php?r=column/cone&menu\\_id=a0dyT2d5UmFMNEZJVtImL0k5cFJNZz09](https://www.dosm.gov.my/v1/index.php?r=column/cone&menu_id=a0dyT2d5UmFMNEZJVtImL0k5cFJNZz09)

In related news, an April survey conducted by the Federation of Malaysian Manufacturers (FMM) on the impact of the MCO on employment showed that incomes had dropped by more than 50%. Some of the larger employers reported that they would be unable to sustain operations beyond three months.

In Sarawak, under the MCO, logging is allowed with manpower reduced to half. Downstream mills are allowed to operate with special permission, also with half the usual manpower in each mill. Reports suggest that around 140 wood processing companies have permission to operate. It is understood that all activities in the timber industry has been halted in Sabah, while in Peninsular Malaysia only mills with special permission from Malaysian Timber Industry Board are allowed to operate.

### **Sarawak exports down in Q1 2020**

According to Sarawak Timber Industry Development Corporation (STIDC) General Manager, Hashim Bojet, there was an 11% decline in Sarawak timber exports in the first quarter of 2020 compared to the same period in 2019.

Sarawak earned RM1.1 billion from its timber exports in the first quarter 2020 compared to RM1.3 billion in the same period last year. He said exports were affected first by the global slow-down early this year and then by the impact of the pandemic. He commented that international demand has been steadily shifting to finished products rather than raw materials which also impacted Sarawak timber exports.

Plywood was the main export wood product and in the first quarter earned RM645 million – a decline of about 9.5% year on year. Log exports were the second highest earner at RM143 million followed by sawnwood (RM128 million), fibreboard (RM73 million) and wood chips (RM61 million).

## **Indonesia**

### **SMEs promised help to rebuild overseas markets**

The Director General of Small and Medium Industries in the Ministry of Industry, Gati Wibawaningsih, has said her ministry will do all it can to help SMEs in the furniture and handicraft sector to maintain their overseas markets in the face of the decline in demand due to the pandemic.

She said the Indonesian Trade Promotion Center (ITPC) has been asked to notify international buyers that Indonesian companies are still operating and that it would be appreciated if they did not cancel orders. Gati reported that the information so far indicates that about 3-5% of orders had been cancelled while other buyers had asked for delayed shipment on around 70% of orders placed.

Analysts write that one obstacle for exporters is the cessation of port operations in the receiving countries as this has disrupted trade and company cash flow putting local companies at risk. Gati added, the pandemic has impacted the availability and price of raw materials for furniture and craft makers. She urged all companies to rigorously follow health protocols by implementing social distancing and to cut production and limit the number of employees working at any one time.

See: <https://industri.kontan.co.id/news/terdampak-corona-ikm-furnitur-dan-kerajinan-alami-penanggulangan-pembelian-hingga-70>

In related news, the Chairman of the Chamber of Commerce and Industry (Kadin) in Jepara Central Java, Andang Wahyu Triyanto, said positive feedback had been received from buyers in Italy, France and Spain who confirmed they will continue to place orders for later delivery.

Also, said Andang, South Korea has also slowly reopened furniture export trade channels with manufacturers in Jepara. He explained that furniture shipped from Jepara in late April should land in those countries in May when, hopefully, port operations will be fully functional again.

### **Forestry ministry adjusts budget to create support fund**

The Ministry of Environment and Forestry plans to adjust its budget so as to have resources to assist dealing with the impact of the pandemic on the forestry sector.

The Minister, Siti Nurbaya Bakar, said the revised budget would focus on tackling the disruptive impact of the pandemic so as to ensure the sustainability of the forest, the survival of forestry enterprises and forest conservation activities. She suggested that labour intensive projects could be launched to put money into the rural economy.

The pandemic has started to affect the livelihoods of forest farmers and the Indonesian rattan industry. Chairman of the Indonesian Rattan Foundation, Lisman Sumardjani, said even before the pandemic the small forest owners and rattan growers were suffering because of the frequent changes in policies and lack of incentives for the sector. Now, with this pandemic things have become serious as over the past three months since the virus outbreak importer in China, Europe and America, the conventional markets for processed and semi-finished rattan, have reduced orders.

According to Lisman, around 12,000 rattan farmers, collectors and operators of transport in 8 provinces outside Java have lost their livelihood. He mentioned since the policy of banning raw rattan exports based on the Regulation of the Minister of Trade 35 / M-DAG / PER / 11/2011 which was strengthened by Regulation Number 44 / M-DAG / PER / 7/2012, this sector became dormant.

See:

<https://www.tribunnews.com/corona/2020/04/15/kementerian-lhk-potong-anggaran-rp15-triliun-untuk-atasi-covid-19-hingga-umkm-kehutanan>

and

See: <https://makassar.tribunnews.com/2020/04/23/karena-corona-nasib-petani-dan-pelaku-industri-rotan-nusantara-kian-merana?page=3>

### **1.6 Million lay-offs in Indonesia**

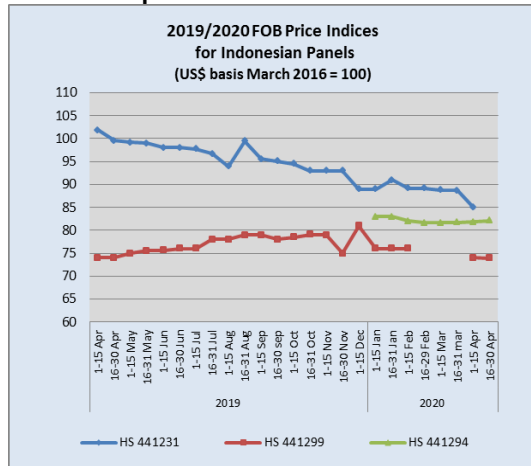
In mid-April the head of the corona virus counter-measure acceleration team, Doni Monardo, announced that the pandemic had hit the Indonesia economy hard and that hundreds of thousands of workers had already been laid off. He estimated that at least 1.6 million workers across all sectors had been affected.

Because of this the President had ordered an acceleration of the coronavirus social safety net to start with in Greater Jakarta.

The “safety net” will deliver staple food aid to residents and efforts will be made to protect migrant workers in Malaysia as it was uncertain if the Malaysian support effort would include migrant workers.

See: <https://en.tempo.co/read/1331070/coronavirus-pandemic-causes-1-6-million-layoffs-in-indonesia>

**Indonesian panel indices**



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

**Myanmar**

**Infection control measures extended to 15 May**

Myanmar extend the period of preventive measures to 15 May from 30 April, meaning all the directives and rules issued by the National-Level Central Committee on Prevention, Control and Treatment of COVID-19 will remain effective until May 15. This move is intended to counter any possible second wave of infections. As of 29 April Myanmar has 150 confirmed cases of infection.

**Factories can resume after inspection of in-company virus control measures**

After shutting down for the Thingyan Water Festival holiday 12-19 April, factories across the country, including timber industries, have been instructed to suspend operations for an additional 10 days and to introduce virus preventive measures for workers in line with the instructions of the Ministry of Health and Sports (MOHS). A spokesperson in the Ministry of Labour announced that inspections of company plans will be completed by 30 April to ensure factories can resume operations.

**Central Bank relief measures**

To address the negative impact of the pandemic the Central Bank of Myanmar (CBM) announced two relief measures, an interest rate reduction and extension of loan repayment schedules. Interest rates have been lowered from 8.5% to 7.0% and loan periods extended up to August 2023. The original deadline for loan repayments for many companies was August this year.

The CBM said the deadline has been extended to support the banks as the industry takes steps to respond to an economic slowdown brought on by the global pandemic.

See: <https://www.mmtimes.com/news/central-bank-extends-regulation-compliance-deadline-2023.html>

**No non-essential commercial flights**

Myanmar has extended its suspension of visas and commercial flights until 15 May to curb the spread of COVID-19 in the country. The Department of Civil Aviation (DCA) said all airlines flying to Myanmar had been informed of the extension. However, relief, cargo, medical evacuation and special flights approved by the DCA would not be affected.

See: <https://www.irrawaddy.com/news/burma/myanmar-extends-visa-flight-ban-may-15-tackle-covid-19.html>

**Myanma Timber Enterprise extends payment deadline for log buyers**

According to manufacturers who recently purchased teak logs the MTE has extended the payment schedule to 30 May to lessen the financial impact of the pandemic control measures on businesses. Normally successful bidders at the tender sales have to pay for the logs within 75 days if not the deposit lodged with MTE will be seized and the company black listed.

**Fiscal 2017-18 log harvest less than allowable cut**

The EITI office in Myanmar has issued the third and 4th Edition of its Myanmar EITI Forestry Report. The first and second reports were issued last year. According to 4th edition which covers the 2017-18 financial year, 9,454 teak trees (about 15,000 Hoppus tons) were extracted, equivalent to 49% of Annual Allowable Cut (AAC).

For other hardwoods, 48,181 trees (about 32,000 HT) were extracted, just 25% of the AAC. EITI also reported the revenue earned by the Mynama Timber Enterprise at US\$223 million of which about 60% was in US dollars from tender sales.

The private sector is allowed to export products manufactured from logs purchased from MTE in US dollars. According to the statistic from the Ministry of Commerce, timber exports earned US\$210 million in fiscal 2017-18.

**February 2020 teak log tender prices**

Grade	H.tons	Average US\$/H.ton
SG-1	13.6	5,633
SG-2	28.7	4,883
SG-4	85.3	3,781
SG-5	122.5	2,998
SG-6	96.3	2,852
SG-7	805.4	1,913

#### 40 day Lockdown

After 30 days of the 40 day lockdown the corona virus infections the two western states of Maharashtra and Gujarat account for more than half of the nationwide infections and almost 80% of the fatalities.

#### Manufacturing at 4-month low

While the manufacturing sector was largely unaffected by the impact of the global pandemic up to March there has since been a sharp decline in output as international as well as domestic demand evaporated. Exports in March contracted by 35% from a year ago, the sharpest decline in at least two decades. All woodworking industries have stopped operations and most of the workers been laid off and have returned to their home States.

#### House prices set to sink

With economic activity at a standstill as a result of the 40-day lockdown to contain the coronavirus pandemic the Reserve Bank of India (RBI) announced measures to boost liquidity and expand credit in order to help banks, housing finance companies and non-banking finance companies.

The National Real Estate Development Council has estimated house prices could decline by around 10-15% this year and that the drop may be even greater. For those with job security or savings this will present a buying opportunity, said Deepak Parekh, Chairman of the Housing Development Finance Corporation.

Parekh commented that the real estate market was depressed and it is an unfortunate irony that the pandemic arrived just at the time the government's for affordable housing scheme was beginning to have a positive impact.

Changes in the housing market will have a major impact on wood product manufacturers and Parekh commented that the wood working industry should be prepared for a 'new normal' after the crisis.

He anticipates delayed projects and labour shortages because most workers returned to their home states. In such a scenario the temptation will be to increase wood product imports but there is a general feeling in the country that a too high dependence on imports is not good.

Writers for Housing.com have published online an analysis of how India's real estate sector will look in a post-Coronavirus world.

See:

<https://housing.com/news/how-covid-19-will-change-indias-housing-market>

This report, in contrast to the views of the National Real Estate Development Council, suggests building and development may become costlier for builders, amid likely delays in supplies and government approvals.

#### Plantation teak

Due to current international situation, business transactions are at a standstill. Some shipments dispatched from suppliers before the lockdown arrived at Indian ports, some were off loaded but could not be delivered as transport companies had stopped work. The transport companies and manufacturers are hoping for an easing of restrictions when the 40 day lockdown period ends.

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

	US\$ per cu.m C&F
Angola logs	389-574
Belize logs	350-400
Benin logs	290-714
Benin sawn	530-872
Brazil logs	344-540
Brazil squares	333-556
Cameroon logs	405-616
Colombia logs	478-743
Congo D. R. logs	450-761
Costa Rica logs	357-780
Côte d'Ivoire logs	289-756
Ecuador squares	333-454
El-Salvador logs	320-732
Ghana logs	294-452
Guatemala logs	324-646
Guyana logs	300-450
Kenya logs	515-876
Laos logs	300-605
Liberia logs	265-460
Malaysian logs	225-516
Mexican logs	295-808
Nicaragua logs	402-505
Nigeria squares	434-517
Panama logs	335-475
PNG logs	443-575
Sudan logs	358-556
Tanzania teak, sawn	307-613
Thailand logs	511-700
Togo logs	334-590
Trinidad and Tobago logs	603-753
Uganda logs	411-623
Uganda Teak sawn	680-900

Price range depends mainly on length and girth.

C&F prices for imports of plantation teak have not changed since the beginning of the year. When imports resume it will take time for traders to adjust to the rupee/US dollar exchange rate which now stands at around 76 rupee to the US dollar.

As all business activity has stopped only prices from one month ago are reported below.

**Locally sawn hardwood prices**

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

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

**Myanmar teak prices**

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

Price range depends mainly on lengths and cross-sections.

**Sawn hardwood prices**

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

Price range depends mainly on lengths and cross-sections.

**Plywood**

**Domestic ex-warehouse prices for locally manufactured WBP plywood**

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

**Domestic ex-warehouse prices for locally manufactured MR plywood**

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

**Vietnam**

**Massive decline in exports a possibility**

Reporting on a survey of Vietnamese wood-processing firms, Deputy Minister Ha Cong Tuan, said wood product exports could drop as much as 80% this year as buyers have been asking for delayed shipments of orders. Ha Cong Tuan said that timber companies reported losses of around US\$1.06 million during the first quarter of this year.

See:

<https://tuoitrenews.vn/news/business/20200416/vietnams-wood-exports-face-scourge-amid-covid19-official/54062.html#gallery-1>

**South Korea to investigate plywood imports from Vietnam**

The Vietnam press has reported that South Korea is considering imposing an anti-dumping duty of around 10% on plywood imported from Vietnam. The Ministry of Economy and Finance is supposed to make a decision within three months.

The claim is that prices for plywood imported from Vietnam are ‘abnormal’ and are adversely affecting South Korean industries. The plywood in question is used for interior and exterior work, furniture, packaging boxes and interior goods. The investigation will cover the period from 2016 to the first half of 2019.

The South Korean Ministry of Trade, Industry and Energy has said in recent years the market share of imported Vietnamese plywood has undermined locally manufactured plywood leading to a decline in employment in the industry, lower capacity utilisation and lower profits.

See:

<http://www.businesskorea.co.kr/news/articleView.html?idxno=44337>

**Investigation of hardwood plywood and wooden cabinet exports**

The Ministry of Trade has published a list of 12 products which are at risk of being investigated by the US for trade defense measures or fraud and illegal conveyance. The list includes hardwood plywood, wooden cabinets and vanities.



For hardwood plywood originating from Việt Nam, the US Department of Commerce is considering initiation of trade a defence investigation.

Statistics shows that China's exports of hardwood plywood to the US fell from US\$1.1 billion in 2016 to \$215.6 million in 2019. In the same period, Việt Nam's exports to the US rose from US\$33.4 million to US\$322.2 million.

Việt Nam's exports of the other products exported to the US and the EU also saw significant increases while China's saw declines due to the US and the EU's impositions of anti-dumping and anti-subsidy duties. The origin of the products in the list will be investigated.

See:  
<https://vietnamnews.vn/economy/715370/twelve-products-face-risk-of-being-investigated-for-trade-defence-measures.html>

## Brazil

### **CIPEM and Unions provide guidance on virus risk management**

The Center for Timber Producers and Exporters of the State of Mato Grosso (Cipem), in partnership with trade unions has developed an action plan to raise awareness on preventing the spread of the corona virus.

The Timber Industry Union of Northern Mato Grosso State (Sindusmad) has worked with logging companies to introduce measures to prevent virus infections in the industry which would result in production being suspended. In the state of Mato Grosso the forest sector is responsible for 90,000 direct and indirect jobs and factory closures would be catastrophic.

Among the measures in the action plan is the preparation and distribution of flyers and posters to the associated timber companies. According to Sindusmad, the Union has encouraged awareness raising through the distribution of these explanatory materials in accordance with the recommendations of the World Health Organization (WHO) and the Ministry of Health.

The Union is anxious that companies in the forest sector continue working taking due care to avoid infection of workers and staff. The association points out that the logging activity takes place in open areas; has no public service and there is no risk of people crowding.

Another initiative of the Union is to offer advice to companies as they struggle to comply with measures announced by the Federal Government to try to minimise the economic and financial risks from the pandemic.

### **Forest sector will benefit from the new law**

A recently adopted Law, N° 13.986, known locally as the Agro Law aims to expand opportunities for an increase in credit for rural projects as well as access to competitive financing.

Analyst write, "this may benefit forest operators as the law includes forest plantations, conservation of natural forests and support for the management of natural forests".

According to the law a Rural Product Certificate (CPR) may be issued to any individual or legal entity which exploits natural or planted forests or who promotes the first processing of forest products.

According to the National Forest Information System (SNIF), the forestry sector generated approximately R\$20 billion in 2019. Of this total, R\$2 billion was from non-timber forest products and R\$18 billion from wood products. Around 80% of the raw material was from forest plantations, the balance from natural forests.

For the Brazilian Forest Service, the issuance of the CPR for forest products is a significant advance in the sector because this means that another credit line alternative will be available to the producer or the forest manager to finance forest activities.

### **Export update**

In March 2020, the Brazilian exports of wood-based products (except pulp and paper) declined 4.4% in value compared to March 2019, from US\$276.0 million to US\$264.0 million.

The value of pine sawnwood exports in March dropped 22% year on year (US\$50.0 million 2019 and US\$39.0 million March 2020). The volume of exports fell 18% over the same period, from 261,300 cu.m to 213,400 cu.m.

Tropical sawnwood exports decreased 28% in volume, from 47,100 cu.m in March 2019 to 34,000 cu.m in March 2020. In value terms exports also dropped 28% from US\$ 20 million to US\$14.4 million, over the same period.

Pine plywood exports in March fell 23% in value year on year from US\$55.9 million to US\$43.1 million. The volume of exports also dropped but by a lesser amount decreasing 11% from 204,700 cu.m to 182,400 cu.m.

March 2020 tropical plywood exports plummeted over 50% in terms of volume and by 44% in value from 9,600 cu.m (US\$3.6 million) in March 2019 to 4,600 cu.m (US 2.0 million) in March 2020.

In contrast to the general decline in exports, wooden furniture exports in March 2020 rose from US\$44.6 million in March 2019 to US\$46.2 million in March 2020. However the value of furniture exports in the first quarter of 2020 illustrated the impact of the virus pandemic.

For the Bento Gonçalves furniture cluster there was a 7% decline in the value of exports compared to the same quarter of 2019 and this was repeated in Rio Grande do Sul where there was also a drop of 7%.

The Bento Gonçalves furniture cluster, which includes about 300 manufacturing companies, faced a sharp fall in exports to the United States. There was a decline of around 37% in business in the US when compared the first quarter of 2019. For April, the Furniture Industry Association of Bento Gonçalves (Sindmóveis) is forecasting a 50% decline in export earnings in the cluster.

#### Pandemic will devastate exports in 2020

The National Confederation of Industry (CNI) has said a global recession caused by the pandemic could reduce Brazil's exports by at least US\$18.6 billion this year. This is equivalent an 8.25% decline compared to 2019.

The Agricultural Federation of Paraná (FAEP) has said that Paraná has 13% of Brazil's forest resources and that in the first two months of this year exports of agricultural products shrank 10%. In case of forest products the reduction of shipments was 35%.

The FAEP also suggested that the poor export performance was unaffected by the appreciation of the US dollar but that the impact of the pandemic up-ended exchanges rates such that the real dropped to R\$5.19 to the dollar in March.

#### Domestic log prices

Brazilian logs, mill yard, domestic	US\$ per m <sup>3</sup>
Ipê	167↓
Jatoba	89↓
Massaranduba	84↓
Muiracatiara	87↓
Angelim Vermelho	83↓
Mixed redwood and white woods	71↓

Source: STCP Data Bank

#### Domestic sawnwood prices

Brazil sawnwood, domestic (Green ex-mill)	US\$ per m <sup>3</sup>
Ipê	718↓
Jatoba	373↓
Massaranduba	352↓
Muiracatiara	323↓
Angelim Vermelho	316↓
Mixed red and white	206↓
Eucalyptus (AD)	159↓
Pine (AD)	107↓
Pine (KD)	130↓

Source: STCP Data Bank

#### Domestic plywood prices (excl. taxes)

Parica	US\$ per m <sup>3</sup>
4mm WBP	428↓
10mm WBP	346↓
15mm WBP	289↓
4mm MR.	332↓
10mm MR.	245↓
15mm MR.	223↓

Prices do not include taxes. Source: STCP Data Bank

#### Prices for other panel products

Domestic ex-mill prices	US\$ per m <sup>3</sup>
15mm MDP Particleboard	166↓
15mm MDF	203↓

Source: STCP Data Bank

#### Export sawnwood prices

Sawnwood, Belem/Paranagua Ports, FOB	US\$ per m <sup>3</sup>
Ipê	1,455
Jatoba	863
Massaranduba	841
Muiracatiara	858
Pine (KD)	170

Source: STCP Data Bank

#### Export plywood prices

Pine plywood EU market, FOB	US\$ per m <sup>3</sup>
9mm C/CC (WBP)	245
12mm C/CC (WBP)	234
15mm C/CC (WBP)	224
18mm C/CC (WBP)	223

Source: STCP Data Bank

#### Export prices for added value products

FOB Belem/Paranagua ports	US\$ per m <sup>3</sup>
Decking Boards Ipê	2,933
Jatoba	1,450

Source: STCP Data Bank

## Peru

According to a study on the impact on the corona virus on the Peruvian economy by the firm Ipsos, published by the newspaper El Comercio, around 40% of Peruvians are unemployed or are not receiving any income and 70% of the workers are in the informal sector are without income.

See: <https://www.infobae.com/america/america-latina/2020/04/22/cuatro-de-cada-10-peruanos-se-quedaron-sin-ingresos-por-el-coronavirus/> and <https://www.ipsos.com/es-pe/el-38-del-estrato-c-ha-dejado-de-recibir-ingresos-asi-como-el-53-del-d>

The Ministry of Labour has reported that as of 20 April more than 7,000 companies have suspended employee salaries for three months.

#### Survey - Impact of pandemic on Peru's timber sector

##### 1. Are logging operations still working?

In Peru, the average stoppage of operations in the case is 90 to 95%. This causes the primary transformation to be working with roundwood from last year's harvests.

##### 2. Are mills/factories still working?

The government has issued regulations where production in the country is only for companies related to food, agriculture, agribusiness and large mining. Companies in other areas could work as long as their production is related to or supplying activities related to agriculture or food. For example, if a company supplies pallets to an agri-industrial company, it is valid.

##### 3. Considering both upstream and downstream processing, have workers been laid off?

Usually administrative, accounting, legal employees if they are working from home. Workers of other types of

work have not been dismissed, but if they are on vacation, under contract or agreement with the company. Two weeks ago the government gave a legal alternative called "Perfect Suspension", in which a worker continues to be employed and continues to receive health insurance, but does not work and the company does not pay him for a maximum period of 90 days, not reactivate, other measures must be assessed so as not to put the company at financial risk.

#### 4. Are laid off workers receiving payment either from companies or government?

Laid off workers do not receive government subsidies unless they demonstrate that they are extremely poor and vulnerable. If so, they can receive around US\$220 / month / family.

#### 5. Are timber companies receiving government support?

Not yet. Although currently the authorities of the National Government are holding coordination meetings with the actors of the sector to issue regulations that reactivate the forestry sector.

#### 6. Are companies still fulfilling orders placed pre-crisis?

There are logging companies that have delivered much of their production to customers on time. There are several export orders that have been canceled, other ready orders cannot be shipped because ships have not been paid or are in short supply.

#### 7. Are domestic logistics for the timber industry functioning?

As the wood products are not considered of first necessity, the land transportation of wood within the country is currently having problems. There is a shortage of transportation. If containers are available, and seaports are operational and working, although somewhat restricted.

Another problem that is arising is the logistics for the supply of spare parts for the machinery of the industries. The few number of companies still operating are working until the machinery fails.

#### 8. What will be the main challenges in ramping up production?

The government, through the national forest authority, must dictate support and reactivation mechanisms for the sector.

There are towns such as Iquitos, Pucallpa and Puerto Maldonado that have terminated labour contracts with workers.

#### 9. Please estimate how long it would take for production to get back to pre-Covid Crisis levels?

If the appropriate measures are given, it is estimated that in 6-8 months at the latest it could return to the previous levels.

#### Export sawnwood prices

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

#### Domestic sawnwood prices

Peru sawnwood, domestic	US\$ per m <sup>3</sup>
Mahogany	-
Virola	273-284↑
Spanish Cedar	342-355
Marupa (simarouba)	233-242

#### Export veneer prices

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

#### Export plywood prices

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

#### Domestic plywood prices (excl. taxes)

Iquitos mills	US\$ per m <sup>3</sup>
122 x 244 x 4mm	512
122 x 244 x 6mm	519
122 x 244 x 8mm	522
122 x 244 x 12mm	528
Pucallpa mills	
122 x 244 x 4mm	503
122 x 244 x 6mm	511
122 x 244 x 8mm	516
122 x 244 x 8mm	521

#### Domestic prices for other panel products

Peru, domestic particleboard	US\$ per m <sup>3</sup>
1.83m x 2.44m x 4mm	282
1.83m x 2.44m x 6mm	230
1.83m x 2.44m x 12mm	204

**Export prices for added value products**

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

**Japan**

**Bank of Japan pumps money into the economy – says the taps will stay open.**

The International Monetary Fund has said that because it is unlikely the global disruption of demand caused by the pandemic will subside in a short time they anticipate the export dependent Japanese economy could contract by over 5% this year, a drop which would be worse than during the 2008/9 global financial crisis.

The Bank of Japan (BoJ) clearly agrees with the IMF as on 27 April it announced a massive expansion of monetary stimulus, the second in a month, to aid corporate Japan and also finance the government's emergency package which now stands at yen 117.1 trillion after the government approved a revised supplementary budget for fiscal 2020.

The increase from the initial package worth yen 108.2 trillion comes after a decision to offer a cash handout of yen 100,000 to every person in Japan. The decision by the Bo follows those of other central banks that have announced similarly huge support for their economies and nationals.

**SMEs can only survive if lock-down ends in a few months**

After declaring a month-long state of emergency in the seven prefectures with the fastest pace of infection spread a nationwide state of emergency has been declared in Japan due to the country's worsening coronavirus outbreak. This decision from the central government paves the way for regional governments to launch local campaigns urging everyone to stay off the streets.

The state of emergency will remain in force until 6 May but media reports speculate that it is increasingly likely that the emergency will be extended beyond 6 May when the current regulation expires. After the recent surge in corona virus cases in Tokyo experts warned that the emergency medical facilities are close to collapsing.

The Japan Times, reporting on a survey conducted by NN Life Insurance in late March (i.e. before the nationwide state of emergency) says 60% of small and midsize companies say they can survive if the pandemic ends in the next few months.

Around 16% said their business can survive until the end of May but 7% said they can only make it through the end of March.

There are reports that the government is considering a support package for small businesses that were temporarily idle during the current state of emergency.

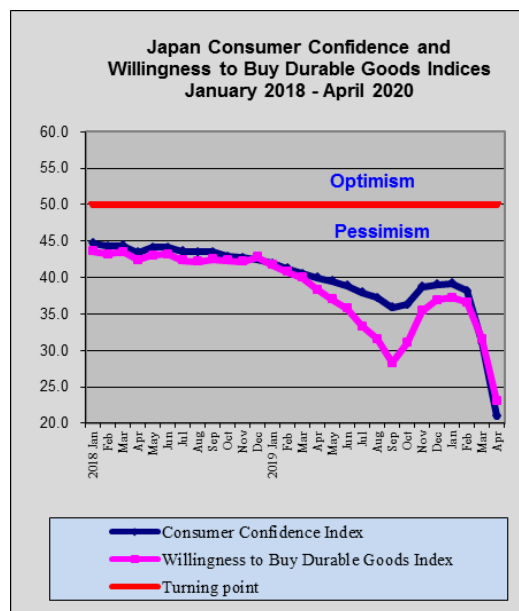
See: <https://www.japantimes.co.jp/news/2020/04/27/business/economy-business/japan-small-midsize-firms-pandemic/#.XqfDOLYzbiU>

**Companies looking for legal ways to terminate non-permanent workers**

The state of emergency triggered by the corona virus has resulted in a surge in non-permanent workers being laid off. Economists are forecasting that one million newly unemployed could be added to statistics, a figure higher than during the 2008-2009 global financial crisis.

The first response of many small companies was to consider temporary business suspension but recently the mood among companies has changed with many seeking ways to dismiss employees. Labour unions in Japan have pointed to a trend to shortening temporary employees' contracts in preparation for layoffs.

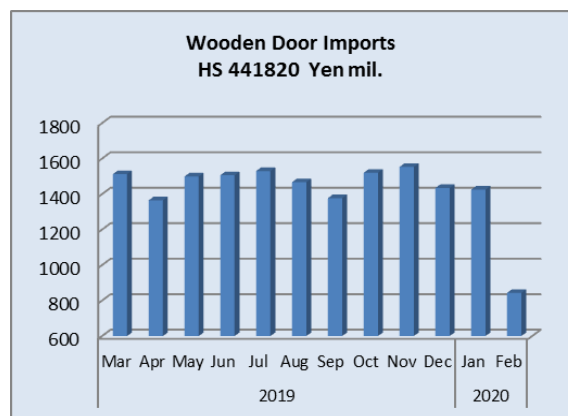
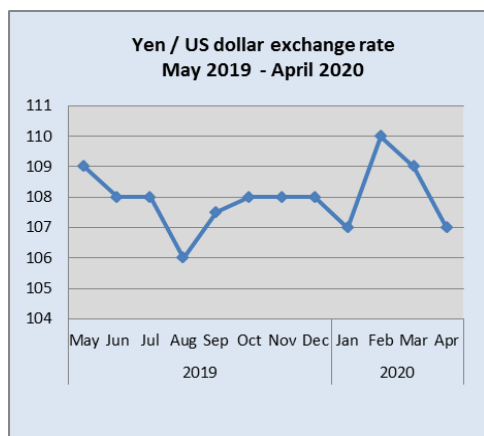
The April consumer confidence survey showed a steep decline in all individual indices. The index for general household sentiment dropped to the worst ever seen in the past two decades.



Data source: Cabinet Office, Japan

**Yen remarkably steady against the US dollar**

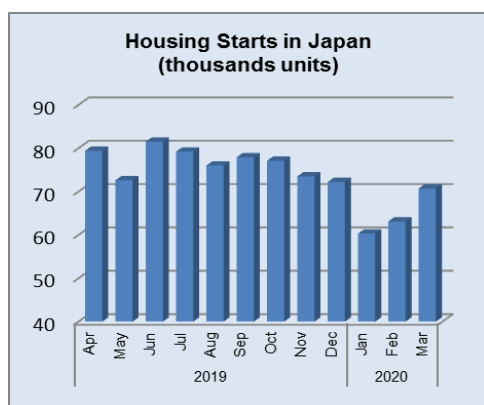
The news that the BoJ will expand its monetary easing to counter the impact on the economy from the corona virus outbreak surprisingly failed to drive the yen down against the US dollar, it barely moved and remains around yen 107 to the dollar.



Data source: Ministry of Finance, Japan

### Better than expected housing starts

Japan's housing starts for March fell almost 8% year on year but this was significantly better than the forecasts made in February.



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

### Import update

#### Wooden door imports

The sharp drop in wooden door (HS441820) imports was little surprise. Year on year, the value of wooden door imports dropped over 40%. There was also a 40% drop compared to levels in January before the impact of the pandemic started to bite.

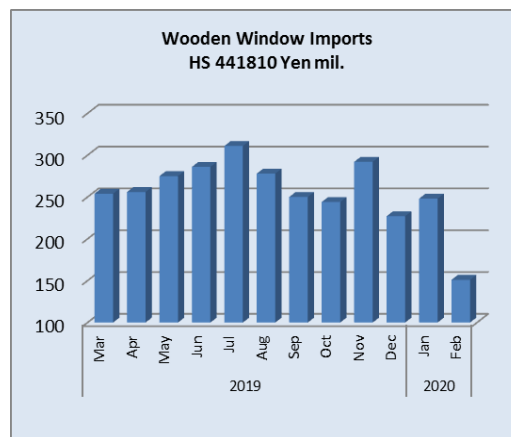
As in previous months four shippers accounted for over 90% of Japan's February 2020 imports of wooden doors (HS441820). The main shipper was China which accounted for 43% of all door imports. This was sharply down on the 65% contribution to imports in January.

Shippers in the Philippines secured a greater market share in February accounting for 35% of imports, up from the 19% in January. The other two main shippers were Indonesia and Malaysia both of which saw a slight rise in shipments in February.

### Wooden window imports

Mirroring the trend with door imports, the value of Japan's imports of wooden windows (HS441810) also fell sharply in February. Year on year, February imports dropped around 36% and month on month there was a slightly faster decline.

In February four shippers, China, US, the Philippines and Sweden, once again provided over 90% of the value of Japan's wooden window imports. Manufacturers in China accounted for 36% of February 2020 shipments of wooden windows to Japan followed by the US (24%), the Philippines (26%, up significantly from January shipments) and Sweden (6%).



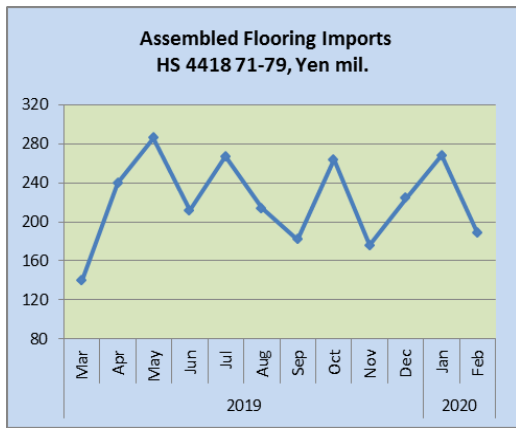
Data source: Ministry of Finance, Japan

### Assembled wooden flooring imports

Surprisingly, Japan's imports of assembled flooring (HS441871-79) in February were not showing any signs of decline. In fact, the cumulative value of imports for the first two months of 2020 were sharply up on the same period in 2019. As can be seen in the graphic on housing starts there was a rise in starts in February which likely drove up imports.

Of the four categories of flooring tracked, HS441875 made up around half of Japan's February imports with most coming from Indonesia and Malaysia followed by HS441879 which added a further 26% to the total value of assembled wooden flooring imports. The main shipper of HS441875 in February was France.

There were only small shipments of HS441871 in February and imports of HS441874 were primarily from manufacturers in China.



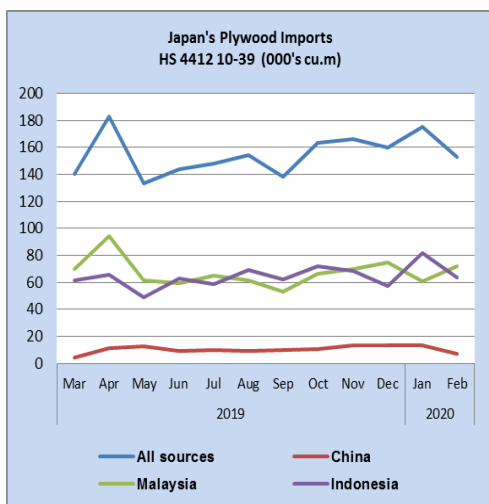
Data source: Ministry of Finance, Japan

### Plywood imports

Although in February Japan had not experienced a major impact from the corona pandemic there were signs in the construction and house building sectors that there was a slow-down. Year on Year Japan’s February imports of plywood (HS441210-39) dropped 17% and compared to a month earlier import volumes were down 12.5%.

There was a 50% decline in both year on year and month on month plywood imports from China because many of the mills in that country had ceased operation for the Spring Festival which began on 25 January for 7days. During the holidays workers return to their home provinces but after the holidays and because of travel restrictions many found they could not return to work which hampered production.

Japan’s imports from the main plywood suppliers, Indonesia and Malaysia both experienced a 15% decline in February.



Data source: Ministry of Finance, Japan

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

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

Data source: Ministry of Finance, Japan

### Trade news from the Japan Lumber Reports (JLR)

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

For the JLR report please see:

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

### **Wood demand projection meeting**

The Forestry Agency held wood demand projection meeting on 23 March. Average new housing starts forecasted by 12 private think tanks are 847,000 units and two think tanks forecasted less than 800,000 units. Major house builders also reported that orders are declining and it is general view that starts of detached unit would continue severe by slowdown of economic condition resulted by corona virus epidemic.

The forecast by think tanks is based on forecast in late February and steep drop of stock market in March and depressed economic condition by corona virus are not reflected so next forecast would be much lower.

As to log export to China, by stagnating Chinese economy and heavy rush of European beetle damaged logs into China, the export volume would drop largely in 2020.

For domestic wood use, concern is how long corona virus outbreak would last and how badly influence the economy and general view is that the demand would be lower than last year by dropping housing starts.

For logs to manufacture lumber, demand decrease would be as bad as following year of Lehman shock in 2008 so the second quarter supply would be down by 31.7% from the same quarter last year and third quarter would be down by 17.9%.

On imported logs and lumber supply, second quarter would be down compared to last year. Particularly, purchase of radiate pine logs and lumber from New Zealand and Chile for March and April shipment would be sharply down by 55.6%. For the third quarter, there are views that the demand should recover with economic stimulus measures and corona virus epidemic comes to an end but other views are that the confusion would continue so that the demand would keep dwindling.

### **Spreading plywood production curtailment**

The first quarter demand is slow every year then outbreak of corona virus rapidly cooled the market and plywood prices have been dropping consistently.

Hayashi Plywood and Ishinomaki Plywood have announced production cutback already by 15-20% and now the largest manufacturer, Seihoku group announced to curtail the production by 15-20% since April after the 12 mm 3x6 plywood prices dropped below 1,000 yen per sheet delivered. Since March, low price offers started spreading and with bearish future, buyers limit purchase volume so the movement is stagnating.

Seihoku plans to stop further slide of the prices by quick action to reduce the supply volume. It stops Saturday working and overtime working.

May has many holidays and it is maintenance month so the production will be down. How long it will continue production cutback depends on demand and if the demand stays weak, it will continue production curtailment program.

Nisshin group (Shimane prefecture) announced to reduce the production of long plywood and special size plywood for house builders by 10% in April then 20% in May. The group produces about 60,000 cbms of plywood a month. Its inventory in January was 0.4 month but the inventory of special items increased to three months so it decided to reduce production of these items.

Key Tec Co., Ltd (Tokyo), plywood and LVL manufacturer has started reducing the production of structural softwood plywood by 15% since March 23. Monthly production of 5,800 cbms will be reduced to 4,900 cbms. Shipment of structural LVL for housing is also dropping. The monthly production is 4,000 cbms but now it is 3,500 cbm.

Now almost all plywood manufacturers in Japan have started production curtailment uniformly.

### **Impact of corona virus outbreak**

In Malaysia, the Prime Minister announced stay-at-home order to prevent further spreading of corona virus infections but allowed operation of plywood manufacturing in Sarawak, which is basic industry in Sarawak. MDF plants are running through March 20 but operation of chip plant and particleboard plant stopped. By closure of government administration offices, it becomes impossible to acquire legal timber harvest and log export permit.

In Canada, the government ordered to ban entry of foreigners except for Canadian citizens, diplomats and airline workers. The international flights are allowed to use only four cities of Montreal, Toronto, Vancouver and Calgary.

Interfor, one of major lumber manufacturer in B.C., Canada, announced to reduce the production of all the sawmills by 60% for two weeks. West Fraser announced to reduce the production of sawmills in B.C. by 18% and Southern pine mills in the U.S.A. by 24% for two weeks. It also announced to reduce production of plywood by five billion square feet per week. Both companies reviewed and decrease capital investment plans in 2020.

In the U.S.A. new housing starts had kept climbing until February then peaked off in the first week of March by rapidly spreading corona virus infections so the lumber market started plunging and SPF lumber prices dropped by 30% in one month. By local government restrictions, business activities are largely hindered.

New Zealand government ordered people to stay home on March 26 for four weeks. Export of logs and logging would stop by this since workers are prohibited to go out.

Supply of radiate pine logs and lumber would drop considerably. There is possibility that log and lumber inventories at port or sawmills can be shipped out if the government allows.

Negotiations on logs are disrupted. Export log prices for China were about \$105 per cbm C&F in late February but the demand in China is coming back so the log prices are \$7-10 higher now with curtailed production by New Zealand suppliers. Nelson Pine Industry, MDF manufacturer, stops the operation for four weeks.

Tachikawa Forest Products (Hiroshima prefecture) has been buying crating lumber from New Zealand. Now the supplying mill in New Zealand requests Tachikawa to provide letter to prove that the lumber is necessary for emergency use since the lumber is used for crating food and medical articles in Japan. The New Zealand mill attach the letter for submitting to the government organization to get permit for export.

Daiken announced to stop operation of two MDF plants in New Zealand from March 23 to April 22.

**Domestic logs and lumber**

Log production is steady in March. Meantime movement of lumber, plywood and laminated lumber is getting dull day after day and plywood mills have started reducing the production so log demand is dropping. Actually logs are oversupplied so the market prices are weakening.

Sawmills have procured enough winter harvested logs, which have longer life and have ample inventory then from now on it is season when log quality deteriorate with more moisture so mills are cautious in buying logs from now on.

At the same time, lumber demand is dropping so mills' log purchase is shrinking. Log market prices are 10,500-12,000 yen per cbm on 3 meter post cutting cedar. 15,000-16,000 yen on 3 meter post cutting cypress and 16,000-17,000 yen on 3 meter sill cutting cypress. They are 2,000-3,000 yen down from January.

Lumber demand was forecasted weak this year at beginning of the year by decreasing housing starts after the consumption tax increase since last October then since March, corona virus infections started spreading and it seems to prolong quite a while so lumber demand is much severe than initial forecast.

March lumber sales by sawmills were almost the same as March last year but April would be much worse. Actually Tokyo lumber market has started skidding since March. 3 meter KD cedar 105 mm post prices are about 49,000 yen and 120 mm is 44,000 yen, which are 1,000-2,000 yen lower than last month.

**Plywood**

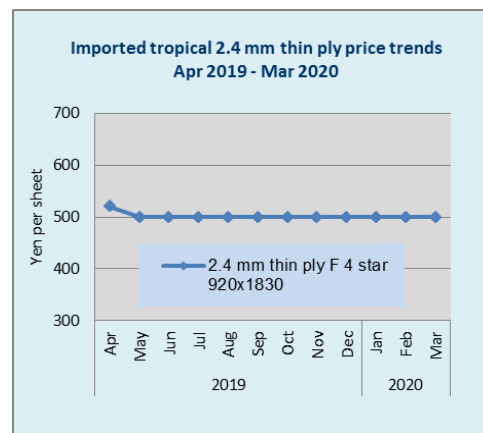
Movement of plywood is stagnant on both domestic and imported plywood.

Domestic softwood plywood movement has started slowing in March and the prices started sliding so the manufacturers are quickly reducing the production. Together with slowdown of demand, there are low price sales before book closing month in March to secure sales amount so the market is confused with unrealistic low offers. The manufacturers stepped up production curtailment before the market plunges into chaos.

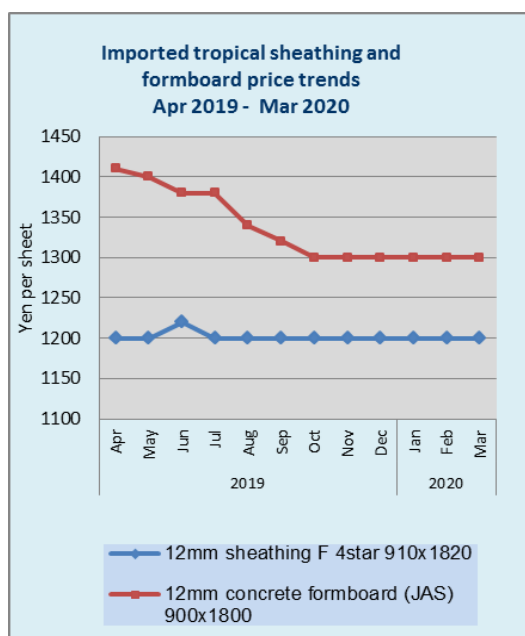
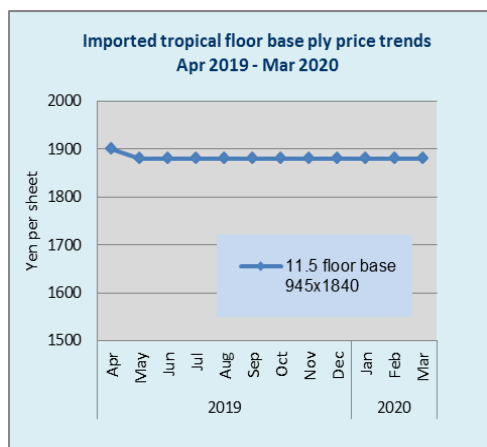
New fiscal year started in April after last year's settlement is over so the dealers have started new business plan but unfortunately corona virus outbreak started in March so nobody knows how serious and how long it would influence the business. Actually business activities are slowing down by the government order of stay-at-home. Business is surely shrinking as movement of people is restricted

In Malaysia, the situation is the same as Japan. The government is restricting various activities and plywood mills in Sarawak are allowed to keep operating but log harvest and transporting are restricted and various permits are not obtainable since the government administration offices are closed to avoid corona virus epidemic.

In Japan, inventory of imported plywood is getting low but the demand has started declining by corona virus so there is no shortage feeling although port warehouses report that outgoing is now much more than incoming volume.



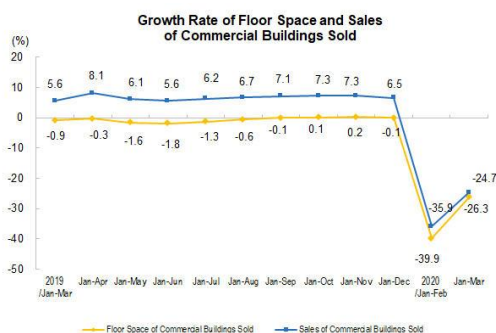




## China

### Housing sales in the first quarter down 8%

In a press release the National Bureau of Statistics reports that in the first quarter 2020 investment in real estate dropped almost 8% year on year. However, China's residential housing market began a steady revival in March as real estate companies reopened across the country following the easing of the nationwide shutdown.



Source: National Bureau of Statistics, China

Sales in eight of the large cities jumped to levels well above that in the last quarter of 2019 before the virus outbreak caused a shut-down. The beginning of a recovery is a relief to the industry which has been offering buyers heavy discounts to boost sales. A lively housing market is good for timber sales and for sales of furniture.

See:

[http://www.stats.gov.cn/english/PressRelease/202004/t20200420\\_1739751.html](http://www.stats.gov.cn/english/PressRelease/202004/t20200420_1739751.html)

Furniture retailers will be welcoming the recovery in the housing market as they have seen furniture sales drop almost 30% in the first quarter 2020. In March, retail sales of consumer goods were down almost 16% year-on-year.

See:

[http://www.stats.gov.cn/english/PressRelease/202004/t20200420\\_1739765.html](http://www.stats.gov.cn/english/PressRelease/202004/t20200420_1739765.html)

### Decline in China's imports of tropical hardwood logs

China's log imports in the first two months of 2020 totalled 7.73 million cubic metres valued at US\$1,104 million, a year on year decline of 9% in volume and 27% in value.

Of total log imports, softwood log imports fell 7% to 5.49 million cubic metres and accounted for 71% of total log imports. Hardwood log imports fell 15% to 2.24 million cubic metres (29% of total log imports).

Of total hardwood log imports, tropical log imports were 1.30 million cubic metres valued at US\$3.25 million, down 26% in volume and 37% in value from the same period of 2019.

### Log imports in the first 2 months of 2020

	Vol.	% change
	Cu.m mil.	y-o-y
Log	7.73	-9
Softwood logs	5.49	-7
Hardwood logs	2.24	-15
Tropical logs	1.3	-26

Data source: China Customs

### Germany the second largest log supplier

Among supply countries providing more than 100,000 cubic metres of log imports in the first two months of 2020 were Germany and the Czech Republic where imports soared over 250% and 300% respectively and to 1.11 million cubic metres and 393,000 cubic metres respectively. In 2019, around 12 million cubic metres of standing timber in North Rhine-Westphalia alone was lost to a bark beetle attack and efforts are underway to salvage as much of the timber as possible.

China's log imports from Argentina also soared over 170% to 103,000 cubic metres. In addition, China's log imports from Brazil, France and New Zealand rose 31%, 8% and 1%. All other sources saw a sharp decline.

New Zealand was the main log supplier to China in the first two months of 2020 accounting for 29% of total log imports. Imports from New Zealand totalled 2.25 million cubic metres in the first two months of 2020, a year on year slight increase of 1%.

The second ranked log supplier was Germany at 1.11 million cubic metres, a year on year soaring of over 250%, accounting for about 14% of the national total. The average price for imported logs from Germany was the lowest at US\$90 per cubic metre.

The third ranked supplier of logs was Russia at 0.867 million cubic metres, a year on year increase of over 300%.

#### Log suppliers of over 100,000 cu.m in first two months of 2020

	Volume Cu.m	% change y-o-y
New Zealand	2,254,420	1%
Germany	1,112,619	252%
Russia	867,285	-38%
Australia	556,126	-29%
PNG	506,626	-7%
Czech Rep.	392,949	308%
USA	286,378	-55%
Solomon Is.	178,378	-54%
Canada	174,865	-45%
Brazil	131,694	31%
France	125,944	8%
Japan	117,233	-4%
Equatorial Guinea	108,873	-58%
Argentina	102,650	178%

Data source: China Customs

#### Main softwood log sources in the first two months of 2020

	Volume Cu.m mil.	% change y-o-y
New Zealand	2249	2%
Germany	822	205%
Russia	536	-50%
Australia	496	-28%
Czech Rep.	390	315%
USA	218	-62%
Canada	160	-45%
Japan	116	-4%
Argentina	101	178%

Data source: China Customs

#### Decline both in volume and value of tropical hardwood log imports

Tropical log imports in the first two months of 2020 amounted 1.30 million cubic metres, down 26% year on year and accounted for 17% of the national total.

In the first two months of 2020, China imported tropical logs mainly from Papua New Guinea (39%), Solomon Islands (14%), Brazil (10%), Equatorial Guinea (8.4%), the Republic of Congo (5.8%), Mozambique (5.5%), Cameroon (4.7%), Suriname (2.9%), CAR (2.5%) and South Africa (2.3%). Just 10 countries supplied 95% of China's tropical log requirements in the first two months of 2020.

Among top source countries for tropical hardwood log imports, imports from Surinam and the CAR jumped 138% and 136% to 38,000 cubic metres and 33,000 cubic metres respectively.

The volume of log imports from Brazil and South Africa also rose 31% and 15% to 132,000 cubic metres and 30,000 cubic metres respectively.

However, most of countries from which tropical log imports declined greatly included Equatorial Guinea (-58%), Solomon (-54%), the Republic of Congo (-45%) and Cameroon (-42%).

Before their log export bans Laos and Myanmar were a major source of tropical logs for China. However, China's log imports from Laos in the first two months of 2020 fell to just 5,602 cubic metres valued at US\$8.04 million, down 59% in volume and 50% in value. China's log imports from Myanmar fell to just 434 cubic metres valued at US\$0.58 million, down 82% both in volume and in value.

#### Tropical hardwood log imports in the first two months of 2020 (Volume and Value)

##### Volume

	Volume Cu.m (000s)	% Change y-o-y
Papau New Guinea	507	-7
Solomon Is.	178	-54
Brazil	132	31
Equatorial Guinea	109	-58
Republic of Congo	75	-45
Mozambique	71	-24
Cameroon	61	-42
Suriname	38	138
CAR	33	136
South Africa	30	15

Data source: China Customs

## Value

	Value US\$	% Change y-o-y	Average C&F price US\$
Papau New Guinea	93,785,677	-7	185
Solomon Is.	30,296,769	-58	170
Brazil	14,297,620	26	109
Equatorial Guinea	29,532,100	-60	271
Republic of Congo	25,822,847	-46	343
Mozambique	37,582,308	-33	528
Cameroon	16,199,542	-47	266
Suriname	10,004,190	137	263
CAR	10,628,760	126	324
South Africa	2,965,797	1	100

Data source: China Customs

## Sharp rise in tropical log imports through Qingdao Port

In the first two months of 2020, 74% of imported tropical logs arrived at three major ports, Zhangjiagang, Qingdao and Jingjiang ports. The volume of tropical logs handled at Qingdao Port rose over 400% year on year to 324,000 cubic metres valued at US\$74 million.

However, tropical log imports through Zhangjiagang port and Jingjiagn port were 400,000 cubic metres and 255,000 cubic metres valued at US\$97.46 million and US\$67.43 million cubic metres respectively all down from a year earlier.

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

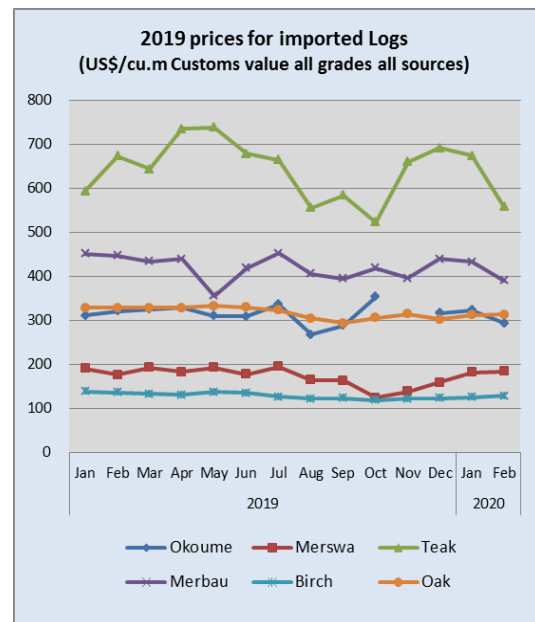
	2020 Jan	2020 Feb
Okoume	323	293
Merswa	181	183
Teak	674	557
Merbau	432	390
Birch	125	128
Oak	312	313

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

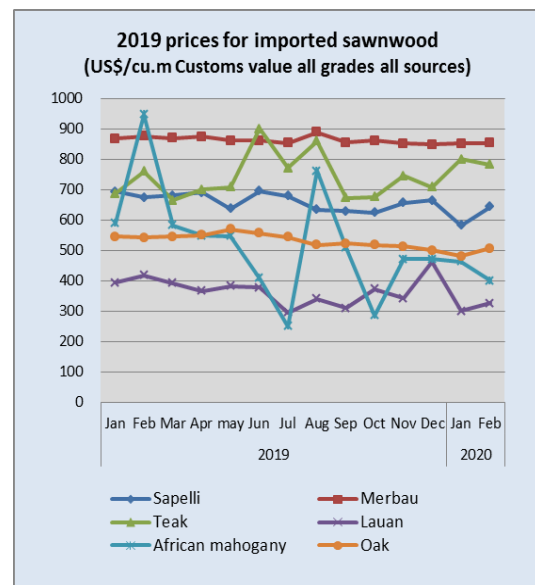
## Average imported sawnwood prices US\$/cu.m CIF

	2020 Jan	2020 Feb
Sapelli	583	644
Merbau	852	853
Teak	800	782
Lauan	301	326
African mahogany	464	401
Oak	481	507

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



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



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

## Europe

### COVID-19 puts Europe on a knife-edge

The COVID-19 situation in Europe is on a knife edge. The numbers of new cases and deaths have stabilised and are beginning to decline in the worst affected countries, which include Italy, the UK and Spain. This has led to calls for the lockdown measures, which have been in place now throughout large parts of Europe for over six weeks, to be eased as the detrimental effects on economic activity, education, mental health and general well-being are becoming increasingly obvious.

Against this, the authorities must balance the very real possibility that easing of the lockdown measures too soon could trigger a renewed rise in coronavirus cases.

The reality of these concerns was confirmed following the German government's decision to begin relaxing restrictions on 20 April to allow small businesses to open. Germany now faces the prospect of having to restore stricter lockdown measures as its number and rate of coronavirus infections have grown again.

Whatever decisions are taken now, the economic effects look certain to be nothing short of catastrophic. The IMF latest projection, issued on 14 April, is that world output will decline 3.0% this year, down 6.1% in advanced economies and 1% in emerging and developing economies. IMF observe that "for the first time since the Great Depression both advanced economies and emerging market and developing economies are in recession".

IMF warn that this is a baseline scenario and that "the pandemic may not recede in the second half of this year, leading to longer durations of containment, worsening financial conditions, and further breakdowns of global supply chains".

Under these conditions, say the IMF, global GDP may fall even further, possibly by an additional 3% in 2020 if the pandemic is more protracted this year.

Western Europe has been the epicentre of the pandemic in March and April and 2020 IMF projections reflect this fact. The steepest declines in GDP this year are expected in Italy (-9.1%) and Spain (-8.0%). Large declines are also forecast in France (-7.2%), Germany (-7.0%) and the UK (-6.5%). Total eurozone GDP is expected to fall 7.5% in 2020.

Prospects for global trade are equally grim. The WTO's trade forecast report for 2020 issued earlier in April projects that total world trade will fall by between 13% and 32% this year.

#### **European timber importers put orders on hold**

Accurate estimates of the specific effects on timber trade volumes this year will only become apparent when more countries publish trade data for the first quarter (data for European trade during that period is due to be published in mid-May).

Anecdotally, reports suggest most European timber importers were putting orders on hold in the second half of March and during April as they struggled to deal with a build-up of stock that couldn't be shifted as manufacturers, retailers and construction sites have gone into lockdown.

Shipper and forwarder groups in Europe have been calling on carriers and terminals to exercise restraint before issuing detention and demurrage charges for goods ordered before the lockdown that were still on the water and due to arrive in April and May.

Adding to the uncertainty, freight rates have become volatile, rising sharply on some routes (e.g. from Europe to China and East Asia) and falling on others (e.g. North America to Europe).

Containers shipping cargoes from Asia to Europe, the US and other countries have been severely reduced, with no empty containers transporting timber back. Shipping companies have cancelled hundreds of vessels in response to the fall in demand.

According to a report by Bollore Logistics, European ports are continuing to operate despite difficult conditions and containers are being processed for onward movement, although clearances by some customs authorities is slower and there are border bottlenecks. Most shipping companies continue to operate, although they are adding surcharges and available space and equipment has become very restricted.

Within Europe itself, the borders of the Schengen area and between the European Union and the rest of the world are partially or completely closed. However, the flow of goods is free from these restrictions and continues to be authorised to ensure supply chains can be maintained.

Land transport of goods is continuing in Europe, subject to disruptions and slowdowns due to increased border control, sanitary measures (such as health checks on drivers) and special arrangements (including closure of certain border posts and detours, limited driver availability).

#### **Steepest fall in European business activity ever recorded**

During this period of heightened uncertainty, there is much focus on the IHS Markit Purchasing Managers Index (PMI) for early insights into the impact of COVID-19 on European market conditions.

The latest 'flash' PMI assessment for April (published early based on approximately 85% of the final number of replies received every month) suggests that the eurozone economy suffered the steepest falls in business activity and employment ever recorded during April as a result of the COVID-19 lockdown measures.

The eurozone PMI index plummeted to an all-time low of 13.5 in April, down from a prior record low of 29.7 in March, to indicate by far the largest monthly collapse in output recorded in over two decades of survey data collection (the PMI operates on a scale of 0 to 100 and any score below 50 implies a contraction in output when compared with the previous month).

By comparison, the lowest reading seen during the global financial crisis was 36.2, reached in February 2009.

The service sector bore the brunt of the impact from the lockdown measures, with the eurozone business activity index sliding from 26.4 in March to just 11.7 in April. Companies operating in sectors such as hospitality, accommodation, restaurants, travel and tourism saw especially steep falls in activity, with vast numbers of such companies in enforced shutdowns or severely limited in terms of their ability to operate.

Manufacturing also saw a record fall in production, the PMI output index slumping from 38.5 in March to 18.4, with many non-essential businesses having closed and others reporting either dramatically reduced demand or being constrained by shortages of staff and inputs.

By region, the unprecedented scale of the collapse was broad-based, with composite flash PMI output indices hitting all-time lows of 17.1 and 11.2 respectively in Germany and France (down from 35.0 and 28.9 in March), while the rest of the region saw the composite PMI slide from 25.0 to 11.5.

Commenting on the flash PMI data, Chris Williamson, Chief Business Economist at IHS Markit said: “April saw unprecedented damage to the eurozone economy amid virus lockdown measures coupled with slumping global demand and shortages of both staff and inputs.

“The extent to which the PMI survey has shown business to have collapsed across the eurozone greatly exceeds anything ever seen before in over 20 years of data collection. The ferocity of the slump has also surpassed that thought imaginable by most economists, the headline index falling far below consensus estimates.

“Our model which compares the PMI with GDP suggests that the April survey is indicative of the eurozone economy contracting at a quarterly rate of approximately 7.5%”, concluded Mr. Williamson.

PMI data for the UK is equally sobering. The IHS Markit/CIPS Flash UK Composite Output Index was at 12.9 in April, down from 36.0 in March, indicating that the combined decline in manufacturing and services was considerably worse than the 38.1 experienced at the height of the financial crisis in 2008/09. 81% of UK service providers and 75% of manufacturing companies reported a fall in business activity during April.

The UK services PMI fell to 12.3 in April from 34.5 in March, the sharpest reduction in service sector activity since the survey began in 1996. Customer-facing service providers reported a complete shutdown of business operations in April whilst many other respondents stated that they had weaker demand due to closures from clients. The UK manufacturing PMI was 32.9 in April, down from 47.8 in March, the lowest since the survey began in January 1992.

Based on history, this would correlate to more than a 6% contraction in GDP in the UK during the second quarter of 2020. IHS Markit noted that even this is probably too optimistic since these PMI exclude some key sectors such as retail.

Other projections for the UK economy this year are certainly more pessimistic, despite the fact that most forecasters still assume a ‘V’ shaped recession - a sharp fall in activity during the first half of 2020 followed by a swift recovery in the second half of the year.

On 16 April, HM Treasury published recent UK macroeconomic forecasts across City and non-City forecasters. The average fall in GDP during 2020 is expected to be 7.4%, ranging from the most optimistic estimate of only 3.6% fall to the most pessimistic estimate of 12%.

#### **ETTF and EOS: COVID-19 impact on European wood market “severe and wide-ranging”**

On 15 April, the European Timber Trade Federation (ETTF) and the European Organization of the Sawmill Industry (EOS) organised a joint conference call to take stock of the effects of the COVID-19 crisis in the timber market and to gauge what the situation will be in the coming months. Representatives from eleven European countries contributed to the discussion.

Participants concluded that the impact of the COVID-19 outbreak on the timber sector is wide-ranging and severe and the legacy is likely to be long-lasting. However, there are significant differences between European countries, indicative both of variable spread of the virus and policy responses.

The construction sector, a fundamental market for the timber industry, has taken a hit in several countries, notably Spain, Italy, the United Kingdom and France, and this has impacted on timber suppliers and other business elsewhere in Europe which have a high level of exposure to this group of countries.

In other parts of Europe – including Scandinavia, Germany, and the Netherlands - the local construction sector has been less affected. However, a crunch period for these countries might yet be on the cards in the third quarter of 2020.

The impact has also varied between market sectors. Sectors connected to logistics, such as pallets, are performing comparatively better than sectors connected to manufacturing, such as the furniture and joinery industries.

In response to struggling demand, European wood processors have introduced double-digit production curtailments, with reductions in Scandinavia generally being less than in Central Europe.

Participants in the conference call expected that the Do It Yourself (DIY) sector will help to prop up the European timber market during a period when people are confined to their homes. Larger DIY stores are also one of the few categories of retailer that have been permitted to remain open during the lockdown and are therefore better placed to support sawmills and trade.

For both EOS and ETTF members, overseas markets are very important. Participants in the call stressed that China, as both a critical client and producer, has been recovering in the last few weeks, while sales to the United States are dropping.

They noted also that the Indian market is completely closed, while there are also considerable difficulties on both the demand and supply side in some South-East Asian countries.

Looking forward, both organisations agreed that the length and intensity of the crisis will be crucial as to the pattern of recovery. If the lockdowns and other measures prove successful in controlling COVID-19 in the coming months, there is some hope for a return to an almost business-as-usual situation. It was noted that the timber sector was performing well in Europe in the first quarter of 2020. Such a “V-shaped” outcome represents a best-case scenario.

However, if there is a prolonged contraction in the general economy and the construction sector in the second half of 2020, it will take a heavy toll on the timber industry, even in countries that so far have managed to weather the storm. There are also likely to be very significant structural changes, still largely unpredictable, in both the wider economy and the timber sector as a result of the pandemic.

#### **COVID-19 halts positive developments in European wood flooring sector**

A similar narrative unfolded when the Board of Directors of the European Federation of the Parquet Industry (FEP) discussed the first impacts of the Covid-19 crisis during a conference call in April.

FEP concluded that “the European parquet markets generally started the year well showing stable to slightly positive trends in January and February. But March and the arrival of the Covid-19 virus on the European territory put an end to this positive move.”

Compared to the same period last year, FEP’s provisional results for the three first months of 2020 indicate stable parquet consumption in Scandinavia (except in Sweden due a decline in new build activity), the Baltic States and Germany – all countries where economic activity continued for the time being.

In contrast, the South of Europe which is experiencing tougher COVID-19 restriction measures was already reporting very significant declines in wood flooring consumption: “Although right now it is impossible to predict when activities will restart and how consumption will then evolve, it is obvious that this crisis will have long-term and significant impacts on the European economy and industry,” FEP explains.

#### **Eastern European construction carries on for now**

Growth in European construction is forecast to drop to -1.4% in 2020, according to the latest report from industry analysts at GlobalData. The report, which follows decisions by many of Europe’s leading industrial nations to extend lockdown measures, suggests that continuing activity in Eastern Europe may offset a sharp decline in Western Europe.

However, GlobalData also emphasise that this preliminary forecast may prove to be optimistic.

Construction activity in Western Europe is forecast to contract by more than 5%, with GlobalData applying the caveat that things will almost certainly be worse if containment measures are further extended.

GlobalData highlighted that the situation in Eastern Europe is currently less severe, noting that the virus is yet to take hold in some countries in the region. Moustafa Ali, Economist at GlobalData, said, “While the impact of the virus has so far been limited [in Eastern Europe], the health situation is expected to deteriorate in the coming months.

The major Eastern European construction markets are also set for severe disruption in the first half of 2020.”

#### **UK hardwood trade suffering from lack of finance and poor margins in time of COVID-19**

A report on the UK hardwood market in the Timber Trades Journal ([www.tjonline.com](http://www.tjonline.com)) notes that the sector was not in total lockdown in April, but activity was radically reduced by the Covid-19 epidemic.

Most hardwood companies responding to the TTJ survey said that they had taken advantage of the new government grant scheme to furlough personnel. One leading importer/distributor said they had ‘downsized’ in line with demand. Others had shut their doors entirely, initially for three weeks.

“Some customers are continuing to operate for the time being, and we’re still getting orders,” they said. “Some construction sites are still working and joinery companies are staying open to supply them and there’s also DIY demand, presumably with people staying at home in the lockdown.

There were reports of some customers actually increasing orders early to mid-March, seemingly as a hedge against suppliers curtailing operations. But that came to a halt after government announcements of restrictions on public gathering and closure of restaurants, pubs and other amenities.

Smaller companies are also reported to be disproportionately affected by customers extending payment terms during the crisis, citing cash flow reasons. “It tends to be bigger buyers, so you have little choice but to comply,” said one agent/importer. Another business agreed. “Almost our sole focus currently is getting paid,” they said. Some companies expressed concern about congestion building at UK ports, with importers running out of storage themselves unable to take incoming cargoes.

However, one importer/distributor, which said they were continuing to take both containers and breakbulk from ports, thought this was not a ‘significant risk to date’ and that port operators might use nearby overspill storage areas if it became a problem.

In terms of supply, most companies consulted said that they were asking for orders not yet dispatched to be pushed back a month to six weeks. Overseas suppliers were generally reported to be accommodating.

Looking forward, UK hardwood businesses were not sugar coating the pill. The next three months, and possibly longer, are expected to be very difficult. "The profit we made at the start of the year has already been wiped out," said one importer.

There was also an expectation that the pandemic would result in permanent changes; accelerating the trend to remote working, more online trade and less overseas travel and face to face supplier contact.

Inevitably, it is feared, the current crisis will also lead to job losses and some industry concentration. "This has not been a very profitable business for a number of years and companies have not built up a financial safety net, so there will be casualties," said one importer.

"Hopefully, when we emerge on the other side, the trade as a whole will press for better margins. We've been selling hardwood too cheaply for too long."

Other news from the UK highlights the vulnerability of the hardwood sector during the COVID-19 lockdown and its aftermath. Most producers and traders are small companies that sell into other sectors, such as high-end joinery and furniture manufacturing, equally dependent on smaller operators.

The problems for small and medium-sized contractors in the UK were clearly highlighted in a Federation of Master Builders (FMB) survey published on 17 April. Almost two thirds (65%) of small building companies stated that they would not be able to last more than two months without grants from the government while almost a quarter (24%) said they would struggle even to get through four weeks.

The UK government had announced over four weeks before the FMB survey that new loans would be available under the Coronavirus Business Interruption Loan Scheme (CBILS). However, only 4% of builders who had applied for the CBILS had been successful.

The FMB survey also highlighted that 68% of builders had stopped at least 91% of operations and new enquiries had dropped by 64%. Of stopped work, 80% said this was due to lack of availability of products and materials while 65% experienced problems maintaining social distancing rules on often small, domestic sites. Unlike other European government, the UK government has so far resisted calls to loosen the country's lockdown.

After returning to work on 27 April following his recovery, Prime Minister Johnson - the first world leader to fall victim to coronavirus - urged caution and gave no clue as to how or when businesses might return to normal, calling this the time of "maximum risk" of a second wave of infections.

Following his statement, and under pressure to set out a timetable for easing of lockdown measures, the UK government stated that this will happen only when five tests had been passed: the number of coronavirus deaths are clearly falling; the NHS is able to cope; the rate of infection is coming down; there are enough supplies of personal protective equipment (PPE) and COVID-19 tests; and the government must be confident lifting lockdown measures won't result in a second peak.

### **Sharp fall in German construction despite policy to continue building**

In Germany, Chancellor Angela Merkel has maintained that construction should continue, calling it an "essential pillar of the domestic economy, which must be maintained". With the IMF predicting that the Germany economy could contract by 7% this year, the country is looking to construction to help ease it out of recession in 2021.

DIY shops have remained open in most parts of Germany during the lockdown, while many building contractors and installers have kept working, with restrictions. Smaller shops were allowed to open from 27 April, although this move may be reconsidered with a subsequent rise in coronavirus cases.

Despite the political focus on keeping the construction sector operational, IHS Markit data shows that Germany's construction activity decreased at the sharpest rate in seven years in March with declines in all sub-groups as firms cut jobs amid weaker demand due to the coronavirus outbreak.

The German Construction PMI fell to 42 in March from a 25-month high of 55.8 in February. The construction sector shrunk for the first time in seven months. Housing activity logged its worst decline since March 2013, while commercial activity fell the most in over eight years.

Signs are that the economy slowed even more dramatically in April. Germany's Flash PMI Composite Output Index was at 17.1 in April, down from 35 in March, a record low. The services PMI activity index was at 15.9 (Mar: 31.7), while the manufacturing PMI was only a little better at 19.4 (Mar: 41.0). Firms' expectations towards activity over the next 12 months remained deep in negative territory in April.

### **France ponders possible easing of lockdown from 11 May**

French President Emmanuel Macron announced on 13 April a possible exit from COVID-19 confinement on 11 May, subject to strict compliance with gradual social distancing measures. Until that time, economic activity in France must remain at a low level. This has already put more than 8 million workers in partial activity and resulted in a 6% decline in GDP in the first quarter of 2020.

Most industrial activity in France has been at a standstill since 17 March. Industrial joinery, carpentry, furniture and panel factories have stopped producing almost 90% of their production. The building and public works sector is also at a standstill, with only maintenance and repair activities continuing.

The IHS Markit 'flash' PMI for April posted a reading of just 11.2, eclipsing March's historic result of 28.9 and a fresh series low. The overall reduction in activity was driven by both manufacturers and service providers, with the latter registering the sharper decline. Both sub-sectors recorded their fastest contractions in output since composite data collection began 22 years ago.

Amid widespread expectations of a global economic recession, French firms surveyed by HIS Markit in April were pessimistic towards the 12-month business outlook. The degree of negativity was the most severe since composite data were first available in July 2012. Both manufacturers and service providers recorded record lows for sentiment, with goods producers the more pessimistic.

According to IHS Markit, there are two key areas of focus going forward: "firstly, how quickly will measures be lifted as the gradual easing of restrictions begins on the 11th of May? This will give the clearest indication on how fast we can expect activity to recover in the short-term. Secondly, will the easing of restrictions lead to a second outbreak of the virus? If so, any remaining hopes of a so-called 'V-shaped' recovery will vanish."

Some insight into hardwood product consumption is provided by FEP, the parquet wood flooring association who note that, compared to the first three months of 2019, French parquet consumption fell by 15 to 17% during the first quarter 2020. FEP note that "January and February were normal months of activity, but the French parquet market collapsed in March. All shops are closed. All factories have stopped their activities".

#### **Economic activity still tightly constrained in Italy**

Italy was the first European country to experience a significant outbreak of COVID-19 and was the global epicentre in February. Northern Italy, where most of the country's factories are based, has been the worst affected region. The country's vital design sector was brought to a standstill, with Milan's Salone del Mobile postponed and later cancelled.

Only a limited amount of economic activity has continued. Shipping lines are operating despite difficult conditions and cargo can be moved, although challenged by limited container availability, blank sailing in imports, and surcharges.

On 10 April, Prime Minister Giuseppe Conte extended Italy's full lockdown to at least 3 May. There were some government concessions allowing timber companies and other strategically important activities to continue, but factories were to remain closed for the time being.

This decision came despite pressure from the Italian furniture sector that has been calling for operations to be allowed to restart as soon as possible. In the first week of April, representatives from nine Italian furniture firms—B&B Italia, Bisazza, Boffi, Cappellini, Cassina, Flexform, Giorgetti, Molteni Group, and Poltrona Frau—issued a manifesto asking that their factories be allowed to reopen.

While emphasising that 'health comes first', the Italian firms stressed their concerns about a mounting backlog of orders and competition from other countries with fewer current restrictions on production. They believe this could end up causing long-term devastation to Italy's furniture industry.

If factories remain closed for much longer, the manifesto warns, "we could lose 20–30% of our industrial heritage and witness serious damage to the industry. All of this would inevitably result in the loss of tens of thousands of jobs." In conclusion, the group asserts that "it could take 20–30 years to recover what we would lose in a few weeks."

The petitioning firms highlighted several structural characteristics of furniture production and sales that could make it possible to get back to work while maintaining social distancing. Beyond more typical measures, like the use of certified personal protective equipment, temperature scanning, and regular deep cleanings, the companies note that "our plants are safe spaces, thanks to the layout of the production areas that respects social distancing." Additionally, the location of their factories allows employees to reach work without relying on public transportation.

More recently, the Italian government has been signalling its intention to ease the lockdown. In an interview published on 26 April, Prime Minister Conte told Italian daily La Repubblica "we are working in these hours to allow the reopening of a good part of businesses from manufacturing to construction for May 4".

Mr Conte said that some companies considered "strategic", including export-oriented businesses, could reopen in the last week of April if local prefects give them the green light. Perhaps partly to acknowledge the furniture industry manifesto, Mr Conte added that exporting businesses need to reopen sooner to avoid the risk of being cut out of the production chain and losing business.

On 16 April, the Italian construction forecasting body CRESME said that construction activity this year could fall by almost 23%, which is more than double the decline in 2009, the worst year of the financial crisis. That represents a loss of €34 billion in investment in construction for Italy this year. According to FEP, the Italian parquet market declined by 10% during the three first months of the year.



## **Spain plans to end lockdown measures by the end of June**

Despite having more confirmed COVID-19 cases than any other European country, Spain began to ease some lockdown measures from 13 April, allowing workers in manufacturing, construction and some services to return to work.

On 28 April, the Prime Minister Sanchez outlined a fuller de-escalation plan with four phases, each expected to last about two weeks. He said the process would take a minimum of six weeks, and hopefully no more than eight." By the end of June, we as a country will have entered into the new normality if the epidemic remains under control," he said.

Before the plan kicks in, there will be a preparatory "phase zero" from 4-11 May, in which businesses that take appointments can reopen, restaurants can offer take-away services, and professional sports leagues will go back to training.

Mr Sanchez said provinces would progress to less restrictive phases based on their infection rates, local hospital capacity, and how well distancing measures were being observed.

## **North America**

### **When can business restart?**

Despite the US state of Georgia not seeing a decline in the number of infections, Georgia Governor Brian Kemp, announced the reopening of gyms, massage parlors, hair salons, and other small businesses beginning 24 April with restaurants and movie theaters to soon follow. Tennessee and South Carolina planned similar rollbacks of restrictions as several states saw protests against coronavirus quarantine measures.

At the same time, many Americans are concerned that reopening businesses too early could lead to a "second wave" of infections that end up being worse than the first. As April comes to a close, the US has surpassed 1 mil. confirmed cases of infection and deaths have exceeded 50,000.. To guide state governments the White House has published 'Guidelines for Opening Up America Again' which lays out a phased approach based on quantifiable milestones.

To shore up the economy, Congress and the White House have allocated US\$2.7 trillion in emergency spending, including nearly US\$650 billion for the Paycheck Protection Program to provide forgivable loans to small businesses to keep workers employed.

### **US temporarily defers some import duties**

On 19 April an Executive Order was signed allowing for the temporary deferral of import duties on some products where US importers were suffering significant financial hardship because of the pandemic control measures.

In accordance with the Executive Order, the Secretary of the Treasury and US Customs and Border Protection will be postponing certain duties, taxes and fees for 90 calendar days for merchandise that entered in March and April, after which they will be reintroduced.

This temporary postponement does not apply to duties owed as part of an antidumping or countervailing duty order or for those imposed under the Section 301 action on imports from China.

See: <https://www.whitehouse.gov/presidential-actions/executive-order-national-emergency-authority-temporarily-extend-deadlines-certain-estimated-payments/>

### **US home construction sharply down in March**

US residential building activity collapsed in March as the coronavirus spread, with housing starts tumbling 22% from a month earlier.

The Commerce Department said that groundbreakings in March were at a seasonally adjusted annual rate of 1.2 million units, down from a 1.56 million pace in February. Construction of single-family houses fell 17.5%, while apartment and condo starts were off 32% from February.

The drop in housing starts was the worst monthly decline since the 1980s, when new home construction plunged 26.4% in March 1984. All of this paints a bleak outlook for housing as the lockdown to contain corona virus has led more than 20 million Americans losing their jobs in the past four weeks.

There was a 6% decline in the completion of homes being constructed which means many homes are being left half-built. The drop was 15% of single-family houses meaning that unless economic activity picks up soon there could be ghost towns of half-built housing developments, a phenomenon last seen in the aftermath of the 2008 financial crisis. Construction activity will likely continue to slow. There was also an almost 7% drop in permits to begin construction in March.

Builder confidence in the market for single-family homes plunged 42 points to a reading of 30 in April, the lowest point since June 2012, according to the latest National Association of Homebuilders/Wells Fargo Housing Market Index.

### **Home prices stable and sales volume holding up**

Existing-home sales fell in March following a February that saw significant nationwide gains, according to the National Association of Realtors. Each of the four major regions reported a dip in sales, with the West suffering the largest decrease.

Total existing-home sales dropped 8.5% from February to a seasonally adjusted annual rate of 5.27 million in March. Despite the decline, overall sales increased year-on-year for the ninth straight month, up 0.8% from a year ago (5.23 million in March 2019).

While sales have declined, home prices are still solidly strong. The median existing-home price for all housing types in March was US\$280,600, up 8.0% from March 2019 (US\$259,700), as prices increased in every region. March's national price increase marks 97 straight months of year-over-year gains.

See: <https://www.nar.realtor/newsroom/home-sales-increase-year-over-year-despite-expected-monthly-march-sales-decline-due-to-impact-of>

### **US streets are empty but Home Depot is packed**

While many businesses in the US are closed due to the pandemic, homebound citizens are turning to home improvement projects to keep busy and maintain a sense of personal control. The Washington Post columnist, Petula Dvorak, noted that home improvement giants such as Home Depot and Lowe's are thriving.

Lowe's chief executive, Marvin Ellison, said people have time to undertake home improvements and fix all the things that had been waiting.

### **Online Furniture Sales Surge –retail therapy**

The pandemic control measures have boosted online home decor sales as work-from-home consumers adjust work spaces for video conferences. Data from the American Home Furnishings Alliance (AHFA) and Wakefield Research reveals that 74% of American office professionals now work from home because of stay-at-home regulations.

### **Cabinet Sales Up 9.2% for February 2020**

According to the Kitchen Cabinet Manufacturers Association (KCMA)'s monthly Trend of Business Survey, participating cabinet manufacturers reported an increase in cabinet sales of 9.2% for February 2020 compared to the same month in 2019. Custom sales increased slightly at 5.6%, semi-custom increased 3%, and stock sales were up 14.5%.

The monthly change was also positive with an overall increase of 10.5% compared to January. Custom sales were up 10.5%; semi-custom increased 14%, and stock sales increased 8.3%. Year-to-date cabinet sales are up 7% overall with custom sales up 7%, semi-custom sales up 1%, and stock sales up 11.4%.

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

### **Remodeling activity index signals alarm**

The National Association of Home Builders' (NAHB) redesigned the Remodeling Market Index (RMI) in 2020 to improve its ability to interpret and track industry trends. The RMI survey now asks remodelers to rate five components of the remodeling market as "good," "fair" or "poor."

Each question is measured on a scale from 0 to 100, where an index number above 50 indicates a higher share view conditions as good than poor. The first reading for this new RMI series was 48 for the first quarter of 2020.

The Current Conditions Index is an average of three components: the current market for large remodeling projects, moderately-sized projects, and small projects. The Future Indicator Index is an average of two components: the current rate at which leads and inquiries are coming in and the current backlog of remodeling projects.

The Current Conditions Index stood at 58, while the Future Market Indicators Index stood at 39 in the first quarter of 2020, with the rate at which leads and inquiries were arriving being just 30 and the backlog of remodeling jobs at 47.

A separate index is created for the final question in the survey: How does the overall market for remodeling in the area where you operate compare to three months ago? This index stood at 24 in the first quarter of 2020. The low reading is directly related to the impact of the pandemic.

See: <http://eyeonhousing.org/2020/04/new-index-for-remodeling-activity-debuts-in-q1-2020/>

### **US consumer sentiment plunged in April**

The University of Michigan's consumer-sentiment index plunged by 18 points, to 71, in early April. Over the past two months, the index has slumped 30 points, roughly 50% down than the previous record.

The slide was led by the current-conditions index, which plummeted by 31.3 points, nearly double the record fall of 16.6 points set in October 2008. The other component of overall consumer sentiment, the expectations index, fell by 9.7 points; while the decline was still substantial, it was not near the record drop of 16.5 in December 1980.

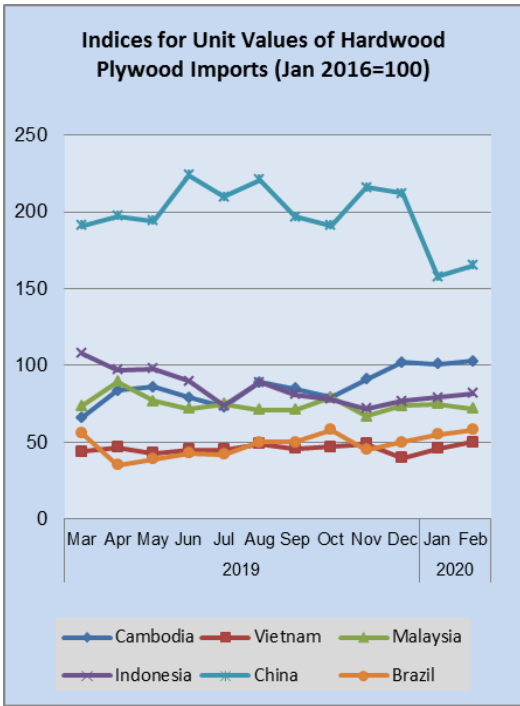
See: <http://www.sca.isr.umich.edu/>

### **US manufacturing contracted in March**

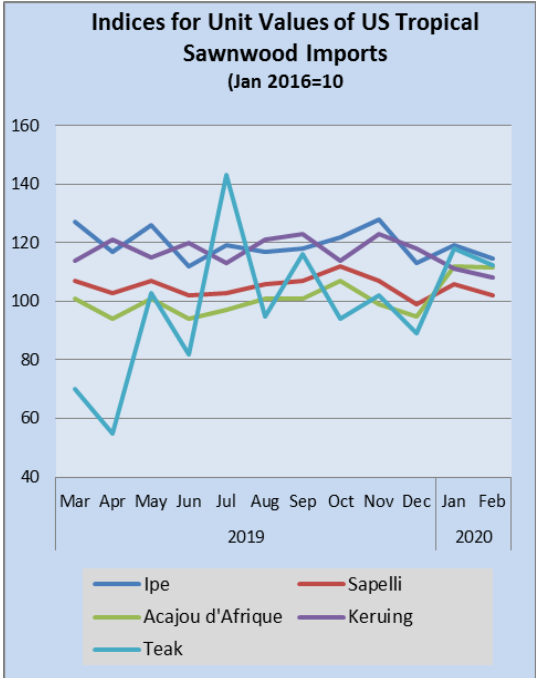
Economic activity in the manufacturing sector contracted in March but the overall economy grew for the 131st consecutive month according to the nation's supply executives in the latest Manufacturing ISM Report On Business.

Wood Products was one of the manufacturing industries reporting growth in March while six others reported contraction. Comments from the panel that prepare the report were mostly negative regarding the short-term outlook with sentiment undermined by the pandemic control measures and energy market volatility.

See: <https://www.instituteforsupplymanagement.org/ismreport/mfgrob.cfm?SSO=1>



Data source: US Census Bureau, Foreign Trade Statistics  
 Note: Unit values are based on Customs value and exclude shipping, insurance and duties



Data source: US Census Bureau, Foreign Trade Statistics  
 Note: Unit values are based on Customs value and exclude shipping, insurance and duties

**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.**

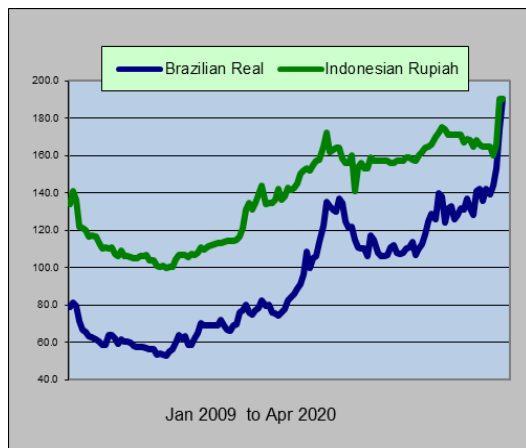
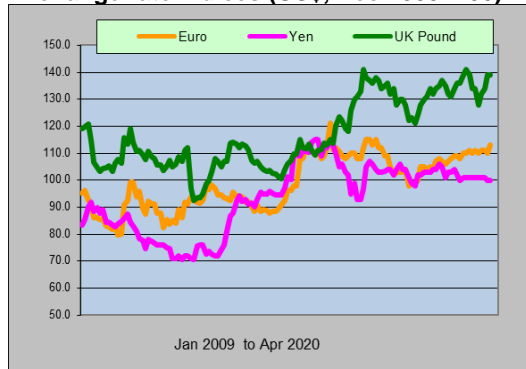
**The views and opinions expressed herein are those of the correspondents and do not necessarily reflect those of ITTO.**

## Dollar Exchange Rates

As of 25th April

Brazil	Real	5.5933
CFA countries	CFA Franc	607.37
China	Yuan	7.0819
EU	Euro	0.9240
India	Rupee	76.282
Indonesia	Rupiah	15400
Japan	Yen	107.48
Malaysia	Ringgit	4.3595
Peru	New Sol	3.40
UK	Pound	0.8087
South Korea	Won	1230.92

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

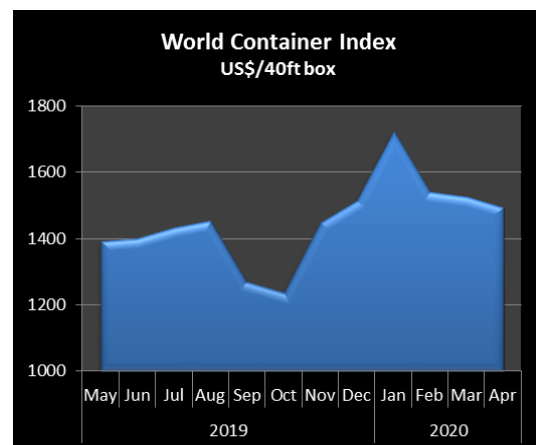


## Abbreviations and Equivalences

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

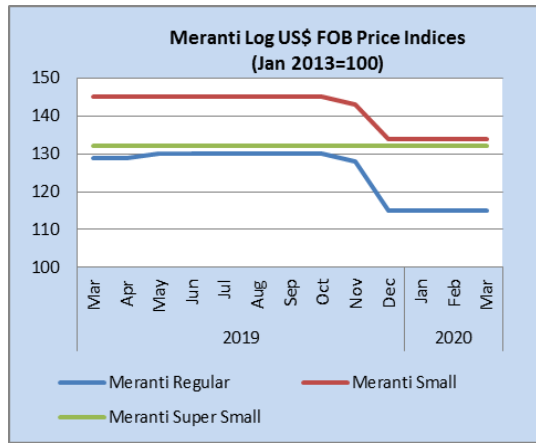
May 2019 – April 2020



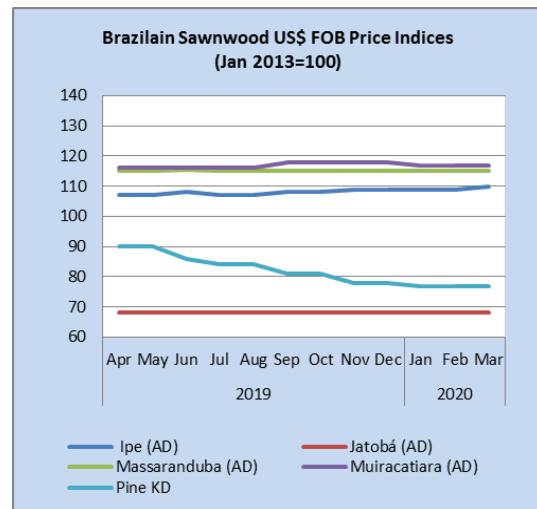
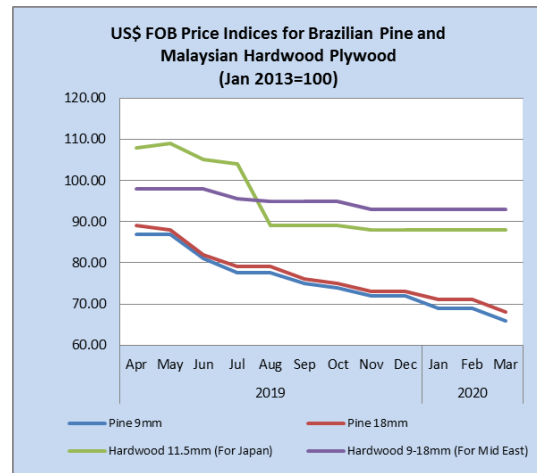
Data source Drewry World Container Index

**Price indices for selected products**

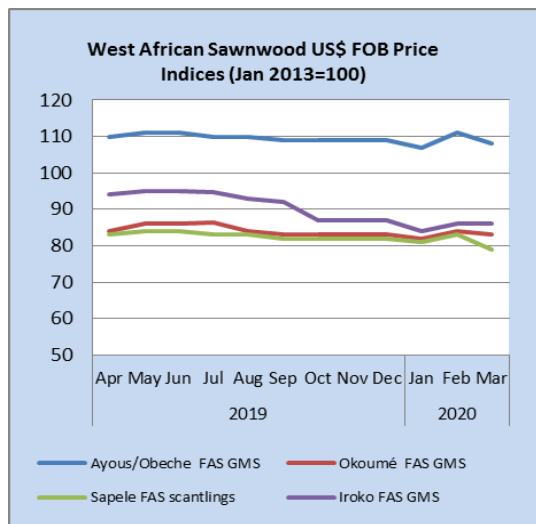
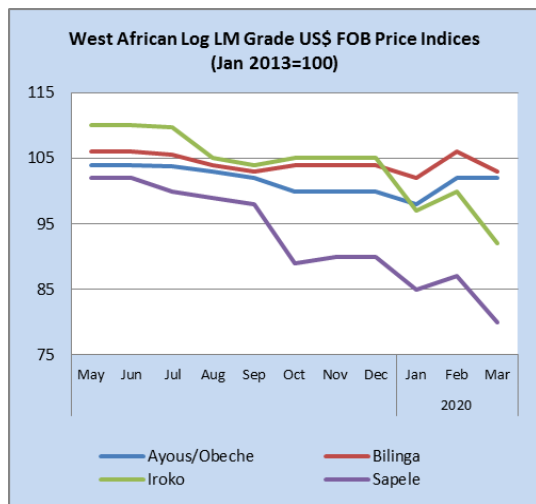
The following indices are based on US dollar FOB prices



Note: Sarawak logs for the Japanese market



Note: Jatobá is mainly for the Chinese market.



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