



July 2019

MARKET REPORT

Southeast Asia & Greater China

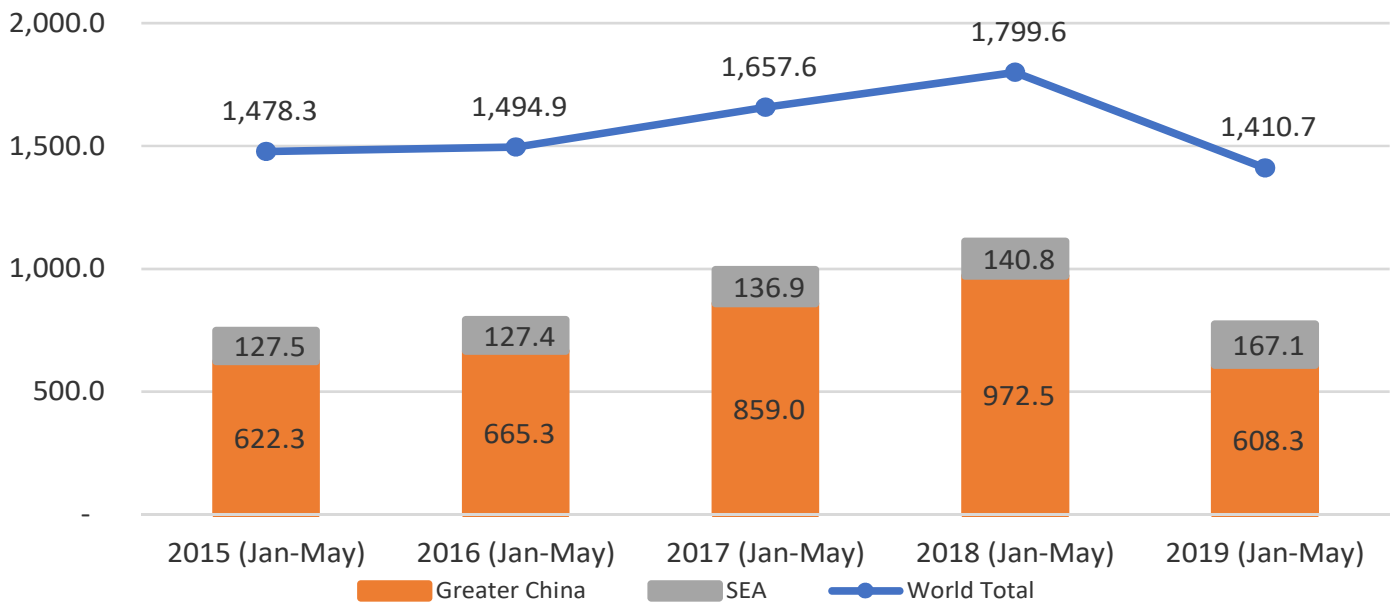
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U.S. Hardwood Exports to SEA Stay Strong While China Continues to Weaken

Southeast Asia markets have remained strong in the first 5 months of 2019, as hardwood exports to SEA surged 18.7% (YoY) to \$167 million with Vietnam accounting for 81.1% of that total (\$135.5 million in VN, up 25% YoY). Nevertheless the down side of the Greater China market offset the growth in SEA and lead a drop of 30.3% (YoY) in total performance of SEA & GRCH region to a value of \$775.5 million for all hardwood products. The hardwood export value to Greater China fell 37.4% (YoY) to \$608.3 million.

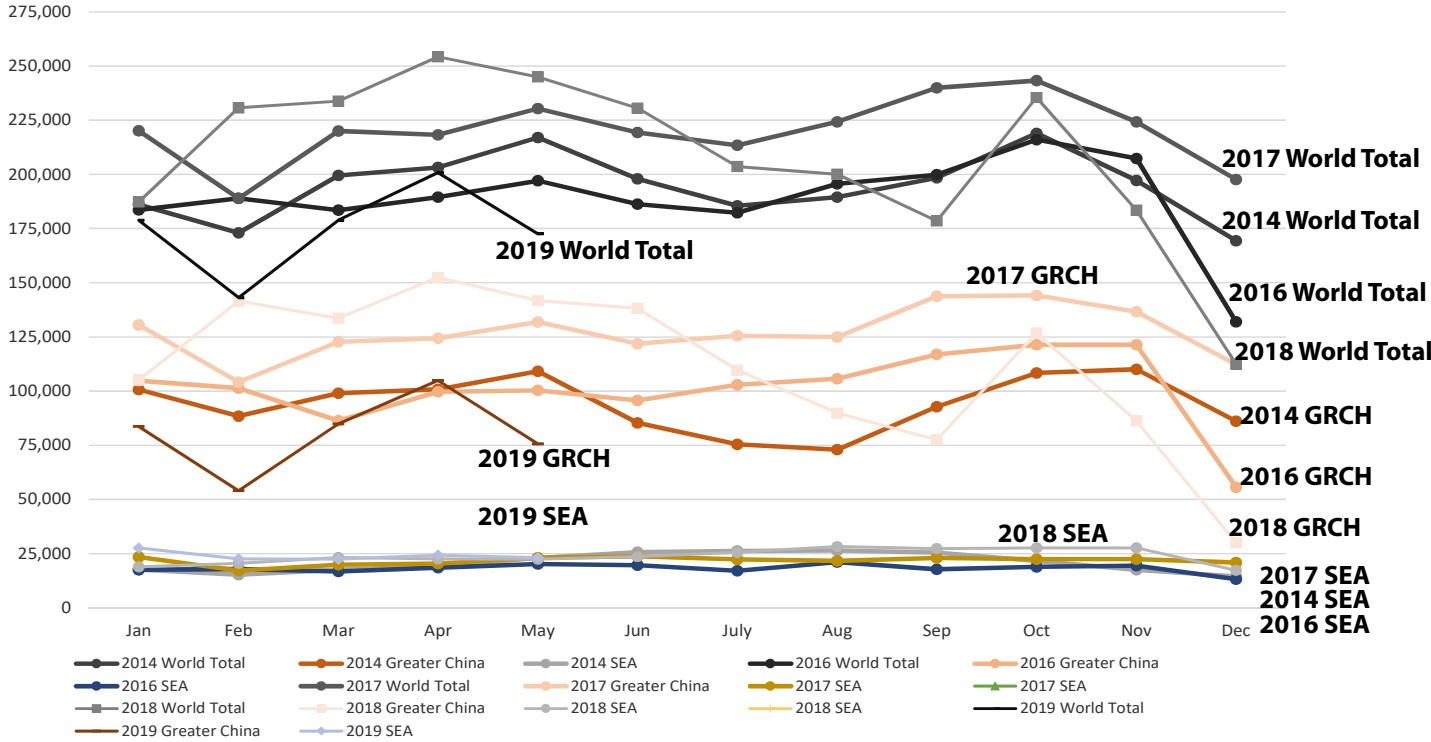
US Hardwood Exports Value (USD million)



	Hardwood Lumber	% change	Hardwood Log	% change	Hardwood Veneer	% change
Greater China	\$403 million	-40.2%	\$201.3 million	-30.6%	\$2.23 million	-41.8%
Vietnam	\$98 million	15%	\$33.8 million	64%	\$3.67 million	41%
Indonesia	\$7.76 million	-19%	\$0.866 million	42%	\$3.42 million	7%
Malaysia	\$6.33 million	-5%	\$0.611 million	54%	\$1.92 million	-32%
Thailand	\$7.07 million	34%	\$0.407 million	-69%	\$0 million	N/A
Philippines	\$0.49 million	-20%	\$0.024 million	-93%	\$1.023 million	202%
Singapore	\$0.202 million	27%	\$0.129 million	N/A	\$0.173 million	129%

Year-on-Year changes in U.S. exports of hardwood lumber, logs and veneer to Greater China and SEA, 2019 (Source: USDA)

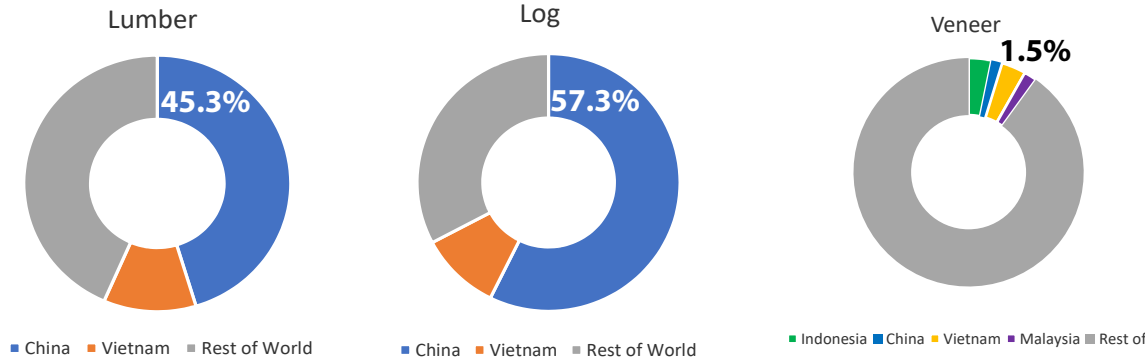
Lumber Value - World Total vs GRCH & SEA (USD'000)



Greater China market falls 37.4%

The consumption of U.S. hardwood bounced back in Mar and April 2019 but went dropped again in May. The hardwood export value to GRCH was \$608.3 million, down 37.4% (YoY) when compared to the first five months of 2018. Export value of hardwood lumber and logs to Greater China (China, Hong Kong and Taiwan) decreased drastically at 40.2% to \$403 million (YoY) and at 30.6% to \$201.3 million respectively. Hardwood veneer fell at 41.8% to \$2.23 million (YoY).

China accounted for 45.3% of US global exports of lumber, 57.3% of US global exports of log, 1.5% of US global exports of veneer.

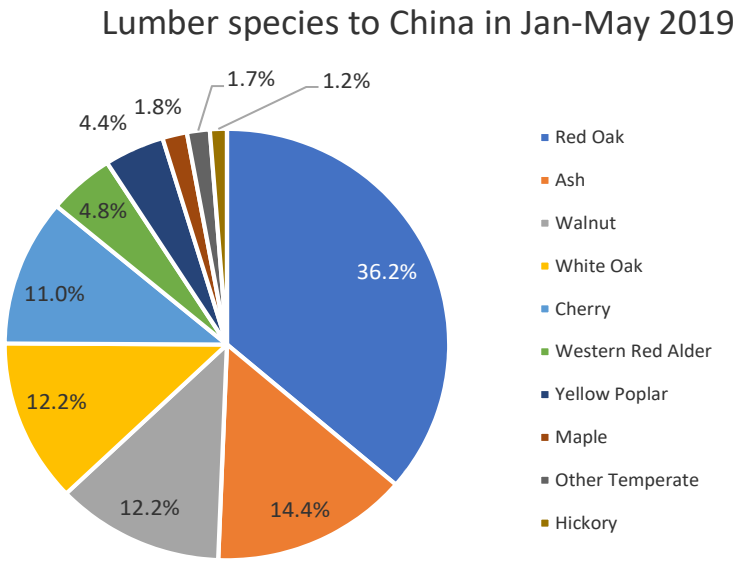


All the popular species of American hardwoods had a drastic drop from 13% to 64% when compared to the first 5 months of 2018. Red oak lumber dropped 42% (YoY) by value and 35% (YoY) in volume to \$143.6 million and 245,123 (M3). Ash lumber declined at 33% (YoY) by value and 31% (YoY) in volume to \$56.9 million and 88,736 (M3). Walnut lumber became one of the top three species in terms of export value and had the smallest drop at 13% (YoY) by value and 2% (YoY) in volume to \$48.4 million and 37,772 (M3). White oak lumber was down 46% (YoY) in value and 43% in volume to \$48.3 million and 73,188 (M3).

Top six species were red oak, ash, walnut, white oak, cherry and red alder in the first 5 months of 2019. They generated over \$377.5 million exports and accounted for over 95% of the total hardwood lumber exports to China.

American Hardwood Export Council Southeast Asia & Greater China

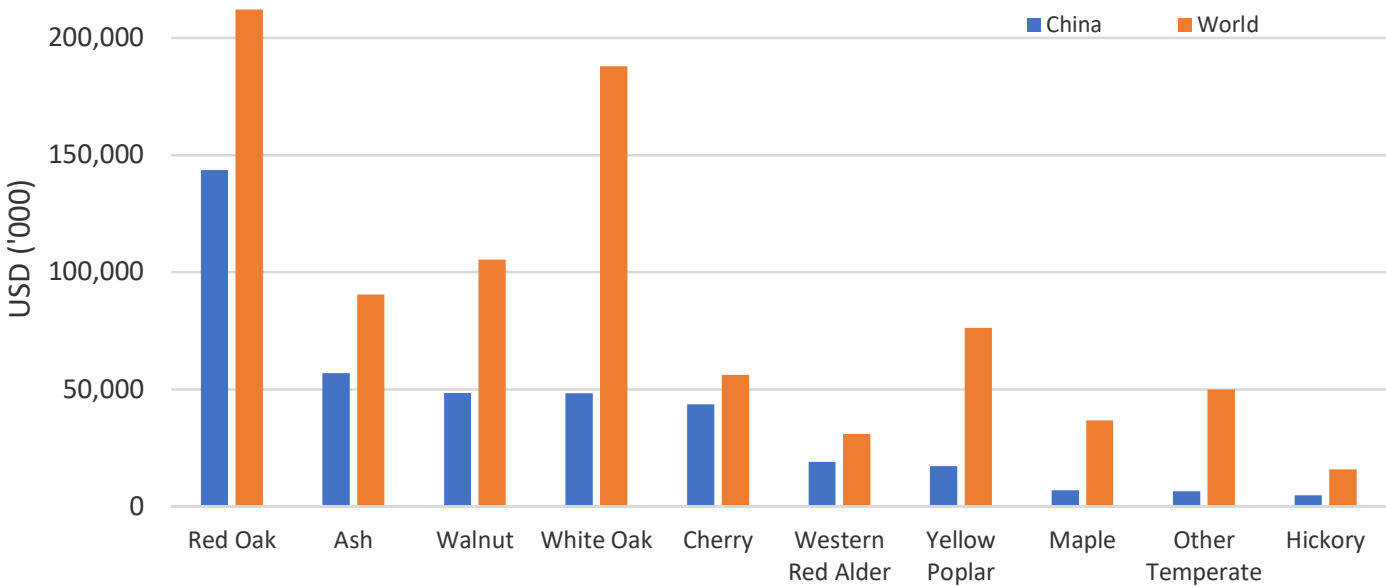
Lumber Species	Export Value (US\$ in million)	YoY % change
Red Oak	\$143.6 million	-42%
Ash	\$56.9 million	-33%
Walnut	\$48.4 million	-13%
White Oak	\$48.3 million	-46%
Cherry	\$43.6 million	-32%
Alder	\$19.1 million	-39%
Yellow Poplar	\$17.3 million	-64%
Maple	\$7.1 million	-53%
Hickory	\$4.88 million	-43%



US Hardwood Lumber Exports to Mainland China by Species in Jan-May 2019 (Source: USDA)

In the first 5 months of 2019, China has purchased 77.5% of all cherry, 67.7% of all red oak, 62.9% of all ash, 61.6% of red alder and 45.9% of walnut that has been exported.

Top Species to Mainland China vs World Total in Jan-May 2019



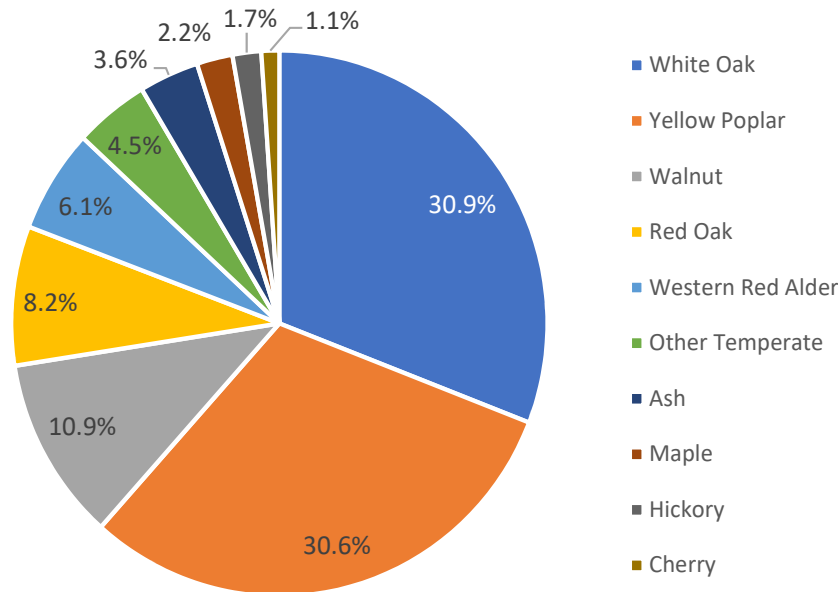
SEA market grows at 18.7%

Southeast Asia markets kept up the positive momentum in the first 5 months in 2019. Export value to SEA reached \$167.1 million, up 18.7% (YoY) in which over 81% was contributed by Vietnam. The export value of hardwood lumber to SEA is up 11.5% (YoY) to \$119.8 million, logs are up 54.2% (YoY) to \$35.9 million, and veneer is up 12.3% (YoY) to \$10.2 million.

Export value to Vietnam continue to break records, increasing 25% (YoY) to \$135.5 million in which the export value and volume of hardwood lumber grew 15% to \$98 million and 15% to 218,746 (M3), logs surged 64% by value and 79% in volume to \$33.8 million and 74,919 (M3) and veneer to Vietnam increased 41% to \$3.67 million.

Thailand, Philippines and Singapore market recorded a growth at 13.9%, 28.1% and 50.4% (YoY) respectively. The rest of SEA markets shrank on year-on-year comparison, Indonesia decreased 9.5% and Malaysia fell at 10.4%.

Shares of species in SEA markets Jan-May 2019



SEA Markets	Top 3 Lumber Species	US\$ in million,	YoY % change
Vietnam	Yellow Poplar White Oak Walnut	\$33.8 million, \$27.9 million, \$9.6 million,	-- 33% 14%
Indonesia	White Oak Walnut Red Oak	\$3.6 million, \$1.6 million, \$0.69 million,	30% 20% 67%
Thailand	White Oak Yellow Poplar Ash	\$2.85 million, \$1.2 million, \$1.17 million,	16% 56% 22%
Malaysia	White Oak Walnut Yellow Poplar	\$2.35 million, \$1.28 million, \$1.07 million,	8% 4% 22%
Philippines	Walnut White Oak Ash	\$0.149 million, \$0.138 million, \$0.081 million,	6% 10% 28%
Singapore	Ash White Oak Yellow Poplar	\$0.068 million, \$0.059 million, \$0.043 million,	222% 20% --

Market Summary

John Chan summarized the market situation from his trade servicing trips in the past 6 months.

The world export stats of US hardwood lumber dropped 24% reflected by all the major US hardwood lumber importing market in the first five months in 2019 compared the same period in 2018 showed negative growth. The increase of import of US hardwood in Vietnam in the first five months in May 2019 could result from the relocation of some China's furniture production factories or OEM orders placed by Chinese companies.

The gain of US hardwood value of USD12.8 million in the first five months in 2019 is a fraction of the \$12.8 million/ \$270 million (from China loss)=4.8% to make up the loss of the \$270 million in China market.

Although Vietnam would continue to grow but due to the poor infrastructure, in short term it will limit its growth. Beside the SEA markets are targeting the processed downstream products for export markets such as USA in contrast to China, the domestic consumer markets for US hardwood drove the demand. The other constraints of the Vietnamese market in the next two years are the competition of skill labor and competition of the US hardwood species from the Vietnam's local species- Acacia- which Vietnamese government has put it in its priority as the prime materials for furniture and flooring production. The domestic market for US hardwood in Vietnam and SEA are rather weak.

It is needed to find a program to stimulate the demand of US hardwood in Greater China market as well as SEA market to close the gap of the \$270 million loss.

Recommended Stimulated Program (in the remainder of 2019)

According to AIA Shanghai | Beijing, China developers are still in favor of choosing American architects and designers for their major projects regardless of the US-China Trade War is pending.

1. In China (work with specifiers such as architects and interior designers)
For China one of program partners to promote US hardwood is the association partner- AIA Shanghai | Beijing and AIA International Region whose members have set up offices in Shanghai, Beijing, Shenzhen, Guangzhou and Hong Kong.
2. In Vietnam (work with interior designers and furniture designers and architects)
For Vietnam, AHEC is working with John Kelly, the American Architect/furniture designer on a furniture design project to produce 5 pieces prototype furniture in American red oak for PR and for display at different trade shows in Vietnam and SEA.

AHEC in Hong Kong will pay full attention to monitor if the loss portion of the export of US hardwood in China has been replaced or substituted by other sources from EU and SEA or Africa and S. America.

John Chan will continue communicate closely with the Chinese timber trade and furniture and timber distribution associations to find out if there is any shortterm program to help the importers and US timber distributors and AHEC members ease the trade war tension and impacts.

At the same time keep to exchange opinions with the timber traders and importers and users about the range (5% to 25%) of China's retaliatory tariff giving them some options to choose some species subjected on lower tariff.

Event Review

AHEC 24th SEA & GRCH Convention – Ningbo, China

Despite the uncertainty of the US-China trade dispute, this year convention was well received with overwhelming attendance over 450 delegates including 48 AHEC company members, and leaders of the industry and design communities from the USA, Greater China and Southeast Asia, providing an excellent opportunity for business networking and exchanges of market information

Two-day events included media conference and interview for Mainland China media, a markets panel discussion with 6 panel speakers came from SEA and Mainland China to introduce the furniture market situation of specific regions, a full program of keynote speakers who were Michael Snow, Scott Seyler, Scott Bowe, Silas Chiow, Patrick Fong and Dana Spessert, and finally a showcase of AHEC member companies with a reception and networking finale.

American Hardwood Export Council Southeast Asia & Greater China





Southeast Asia Convention – Hanoi, Vietnam

Vietnam, the second largest market in SEA & GRCH region, plays a more important role in the midst of US-China trade issue. More investors flood into this country and seek for potential opportunities. In view of this business trend, AHEC organized a second convention in Hanoi to give members the opportunity to network with industry contacts.

Hanoi convention attracted more than 35 AHEC member companies, 250 delegates including AHEC members, and leaders of the industry and design communities from the USA, Greater China and Southeast Asia. There were 36 local and overseas media attended the conference. Local media includes television, radio and newspaper agency from Hanoi or Ho Chi Minh City. Overseas media were majorly wood trade media such as Asian Timber and 'Furniture and Furnishing' from Malaysia, Woodmag from Indonesia and Wood in Architecture from Singapore. The full-day program covers presentation by keynote speakers and a showcase of AHEC member companies with networking opportunities and reception.

Upcoming Events

September 9-12

FMC Premium 2019***

**The 25th Furniture Manufacturing & Supply
China (FMC China 2019)
The 25th China International Furniture Expo
(Furniture China 2019)
Shanghai, China**

September 18-21

**The 13th International Woodworking Industry
Fair (Vietnam 2019) ***
Ho Chi Minh City, Vietnam**

October 9-12

**The 8th International Woodworking and
Furniture Manufacturing Components Show
(iFMAC & WoodMAC 2019)
Jakarta, Indonesia**

November 19-21

**Malaysian Wood Expo 2019
Kuala Lumpur, Malaysia**

December 12-15

**The 31st Taipei International Building,
Construction and Decoration Exhibition 2019
Taipei, Taiwan**

*****AHEC Pavilion**

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