



August 2020

MARKET REPORT

Southeast Asia & Greater China

Contents

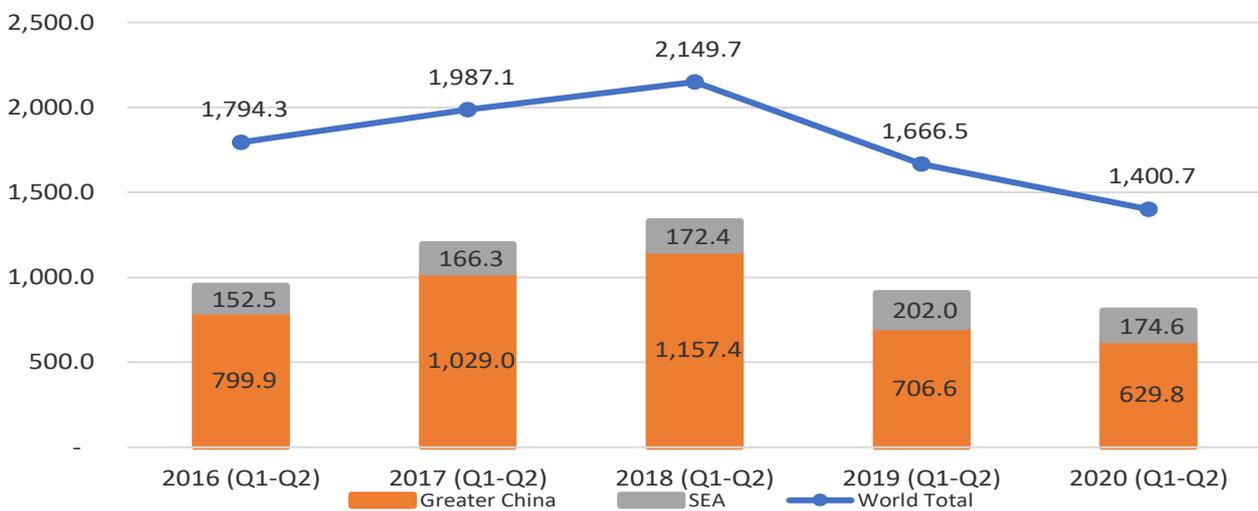
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Business Maintains Momentum of Recovery Growth

Signals of recovery growth in Mainland China have been recorded in the past few months. The China's Manufacturing PMI readings, based on the National Bureau of Statistics of China, was 50.9 in June and was continuously above the threshold since Mar 2020, indicating that a recovery momentum was on-going in the manufacturing sector. This recovery growth was reflected in the hardwood lumber exports value to China in Q2 2020, which increased by 68.7% (YoY) in value when comparing to previous quarter in 2020, more details under Greater China section.

The total export value of U.S. hardwoods to GRCH and SEA was \$804.5 million, which was down 11.5% compared to Q1-Q2 of 2019. The hardwood export value to Greater China was \$629.8 million, declined 10.9% (YoY). The SEA market fell at 13.6% to \$174.6 million, in which Vietnam accounting for nearly 80% of that total (\$139.2 million in Vietnam, dropped by 14.9% YoY).

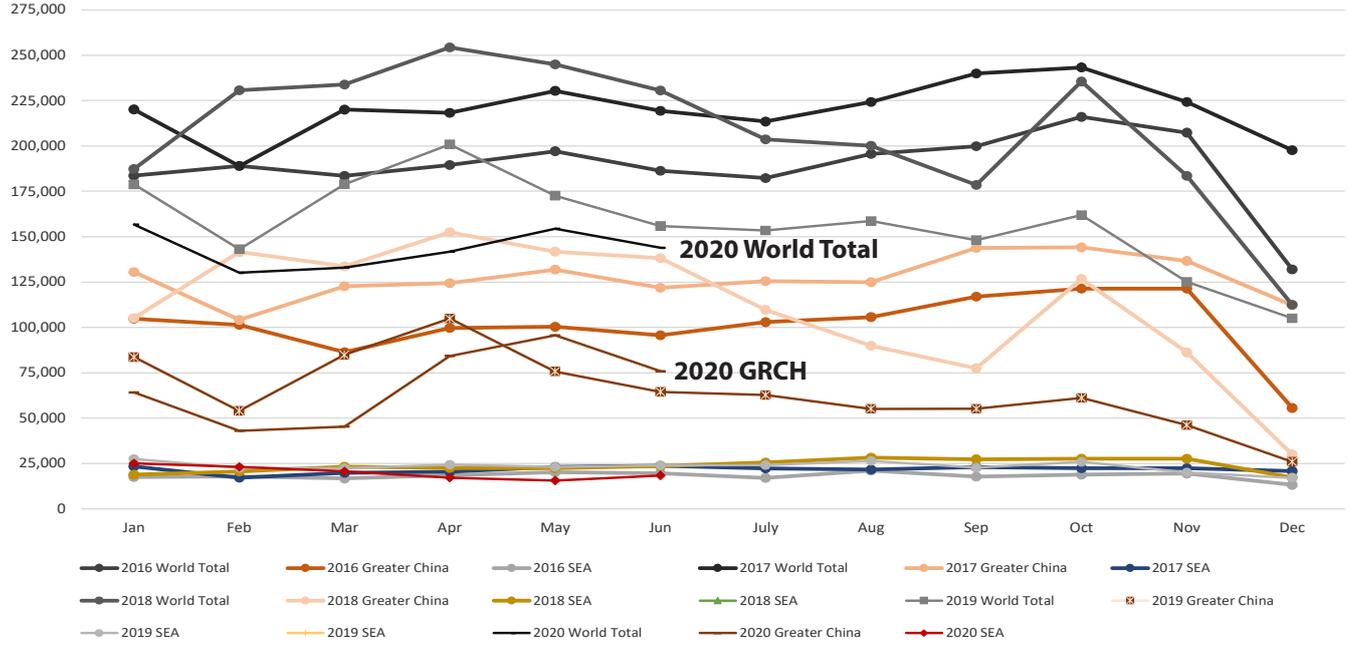
US Hardwood Exports Value (USD million)



	Hardwood Lumber	% change	Hardwood Log	% change	Hardwood Veneer	% change
Greater China	\$408 million	-12.6%	\$218.2 million	-6.9%	\$2.23 million	-20.3%
Vietnam	\$94.9 million	-19%	\$41.6 million	-2%	\$2.54 million	-35%
Indonesia	\$8.7 million	-12%	\$0.993 million	8%	\$3.51 million	-16%
Thailand	\$9.1 million	8%	\$1.42 million	250%	\$0.057million	47%
Malaysia	\$6.3 million	-15%	\$0.7 million	-10%	\$2.5 million	3%
Philippines	\$0.55 million	-3%	\$0 million	--	\$0.448 million	-59%
Singapore	\$0.108 million	-56%	\$0.065 million	-50%	\$0.228 million	27%

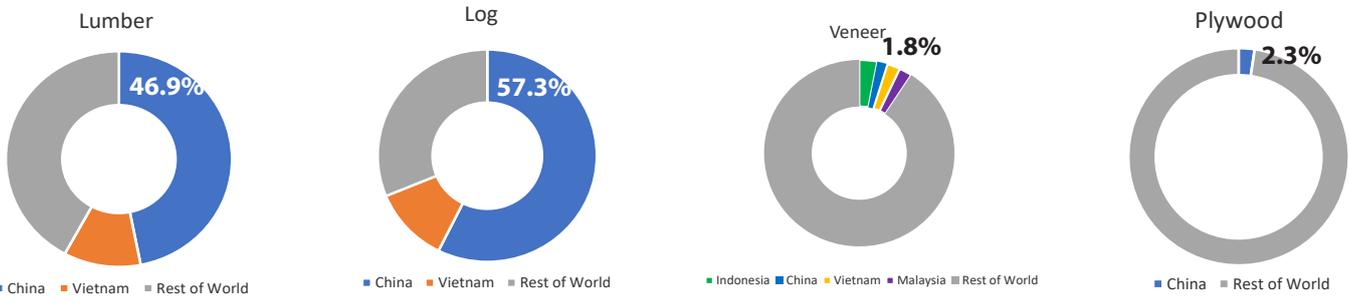
Year-on-Year changes in U.S. exports of hardwood lumber, logs and veneer to Greater China and SEA, Q1-Q2 2020 (Source: USDA)

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



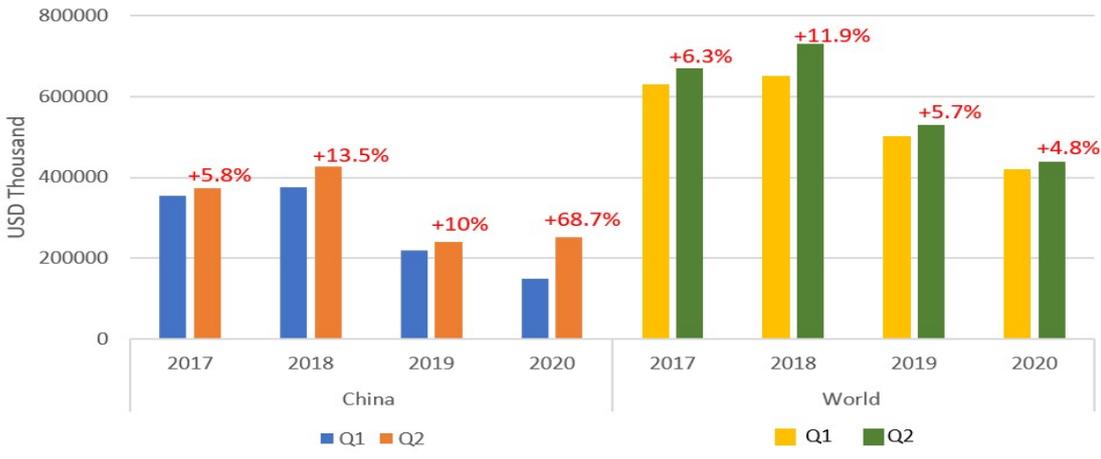
Greater China market falls 10.9%

The overall hardwood export value to GRCH market fell 10.9% (YoY) to \$629.8 million, with lumber down 12.6% (YoY) to \$408 million, logs and veneer fell 6.9% (YoY) to \$218.1 million and 20.3% (YoY) to \$2.23 million. China's market share of all US hardwood lumber exports was 46.9% in Q1-Q2 which was higher than the same period in 2019 (44.6%), 57.3% of logs global exports, 1.8% of veneer global exports and 2.3% of plywood global exports.



If we look into the breakdown in Q1 against Q2 in the past few years (see below graphs), the numbers showed that there was a retaliatory imports of American lumber in Mainland China after removal of tariff and slow down of Covid-19 pandemic in Q2. The lumber value in Q2 2020 jumped 68.7% when compare to Q1 2020, while global exports value of US lumber was only increase 4.8% quarter-to-quarter. Lumber volume to China in Q2 2020 surged 62.4% while global exports slightly decreased 0.3% quarter-to-quarter.

Lumber value to China vs World Q1-Q2 2020



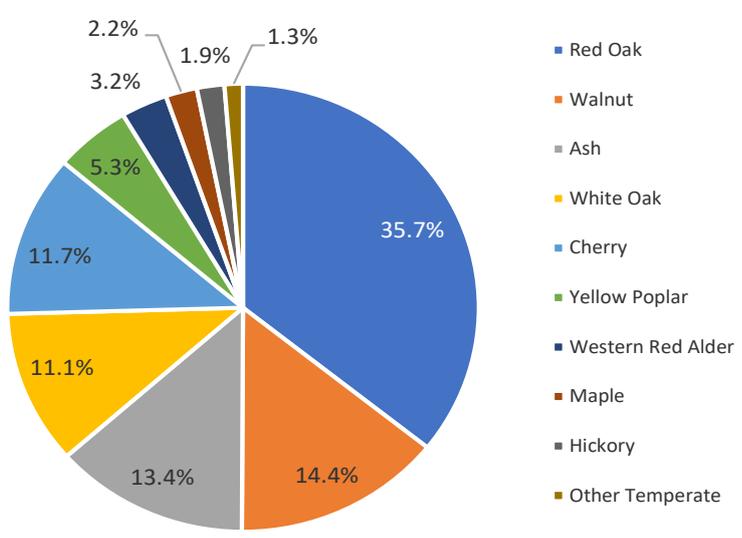


Lumber Species	Export Value (US\$)	YoY % change	Export Qty (M3)	YoY % change
Red Oak	\$144 million	-13%	253,438	-11%
Walnut	\$57.9 million	-4%	50,505	6%
Ash	\$53.2 million	-16%	93,862	-7%
White Oak	\$47 million	-12%	82,119	1%
Cherry	\$44.8 million	-12%	63,573	-3%
Yellow Poplar	\$21.2 million	1%	57,656	8%
Alder	\$12.8 million	-38%	39,050	-28%
Maple	\$8.7 million	-8%	13,145	-10%
Hickory	\$7.5 million	32%	13,756	19%

US Hardwood Lumber Exports to Mainland China by Species Q1-Q2 2020 (Source: USDA)

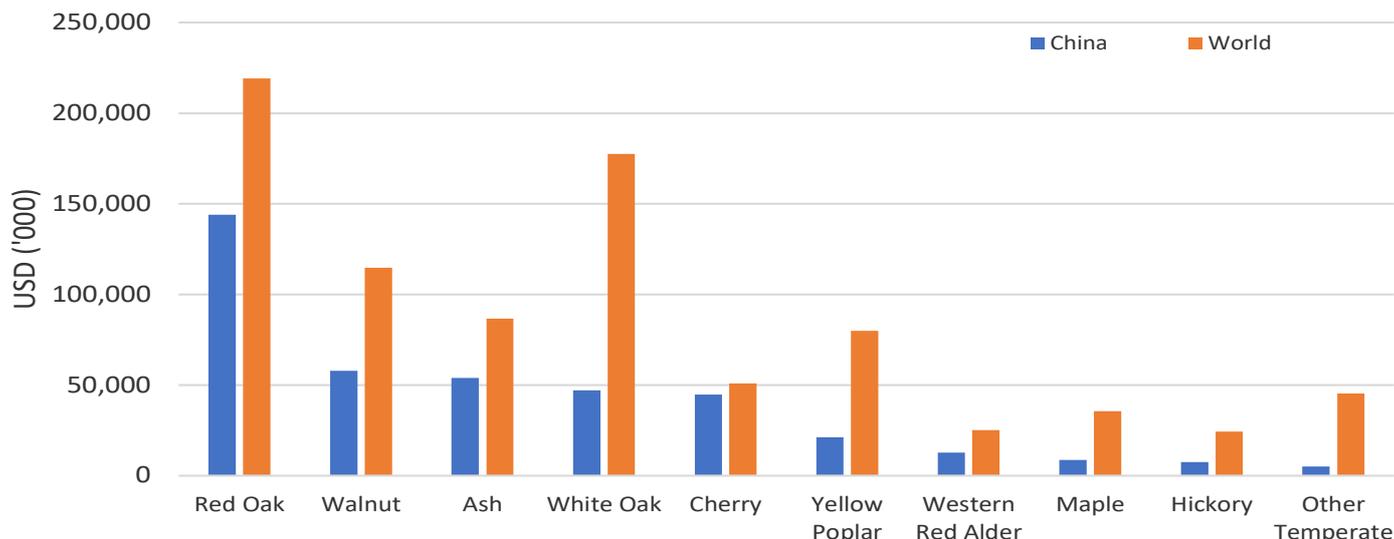
Top six species in the market were red oak, walnut, ash, white oak, cherry and yellow poplar in the first 2 quarters of 2020. They generated over \$368.9 million exports and accounted for over 91% of the total hardwood lumber exports to China. In the first 2 quarters of 2020, China purchased 88% of all cherry, 65.7% of all red oak, 51.1% of red alder, 62.2% of all ash and 50.5% of walnut that has been exported.

Lumber species to China in Q1-Q2 2020



In June, the production index and new orders index were 53.9% (up 0.7% compare to last month) and 51.4% (up 0.5% compare to last month) which were all above the threshold, and the main raw materials inventory index was higher than May, this indicating the main raw material inventory in manufacturing has been narrowed.

Top Species to Mainland China vs World Total in Q1-Q2 2020

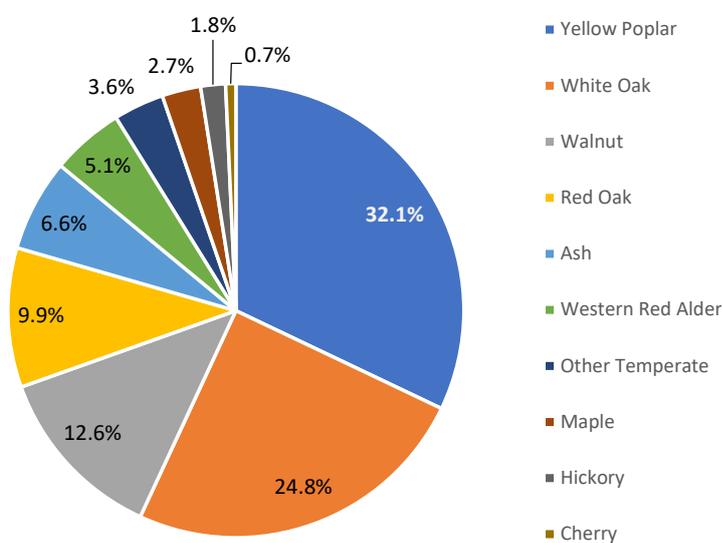


Southeast Asia market falls 13.6%

Thanks to the drop of lumber export value to Vietnam, the total export value of U.S. hardwood to SEA market dropped by 13.6% to \$174.6 million in the first two quarters of 2020 (YoY). The hardwood lumber export to SEA decreased 16.7% (YoY) to \$119.8 million and veneer fell 21.3% (YoY) to \$9.3 million, on the other hand the log export value to SEA was similar to the same period of 2019, worth at \$44.8 million.

Vietnam was the biggest market in SEA region, it contributed nearly 80% to the total SEA market. At the end of Q2, Vietnam market continuously fell at 14.9% (YoY) to \$139.2 million. The cumulative export value and volume of lumber decreased 19% and 14% to \$94.9 million and 227,323 (M3), veneer exports dropped by 35% to \$2.5 million, logs also decreased 2% by value to 41.6% but rose in volume at 4% to 94,619 (M3), in which the most popular species of logs by value were white oak (37.4%), walnut (18.4%), Ash (17.3%) and red oak (9.7%), by volume were White Oak (32.2%), Ash (22%), Red Oak (11.7%) and Walnut (10.9%).

Shares of species in SEA markets Q1-Q2 2020



Among the SEA region, only Thailand markets continued the growth momentum, rose 18.2% (YoY) and to \$10.6 million, other SEA markets such as Indonesia, Malaysia, Philippines and Singapore shrank from 11.7% to 40.4% (YoY).

SEA Markets

Top Lumber Species (US\$, YoY % change)

Vietnam
 Yellow Poplar (\$36.2 million, 12%)
 White Oak (\$20.3 million, 38%)
 Walnut (\$12.1 million, 10%)

Indonesia
 White Oak (\$3.4 million, 22%)
 Ash (\$1.6 million, 254%)
 Walnut (\$1.3 million, 33%)

Malaysia
 White Oak (\$2.9 million, 4%)
 Yellow Poplar (\$1.1 million, 4%)
 Walnut (\$0.77 million, 51%)

Top Lumber Species (M3, YoY % change)

Vietnam
 Yellow Poplar (116,101, 5%)
 White Oak (36,965, 36%)
 Walnut (14,117, 33%)

Indonesia
 White Oak (5,691, 5%)
 Ash (2,880, 280%)
 Walnut (1,096, 24%)

Malaysia
 White Oak (4,422, 14%)
 Yellow Poplar (2,929, 10%)
 Walnut (884, 33%)

SEA Markets

Thailand

Top Lumber Species (US\$, YoY % change)

White Oak (\$2.6 million, 18%)
Maple (\$1.8 million, 572%)
Ash (\$1.4 million, 2%)

Philippines

Walnut (\$0.14 million, 24%)
White Oak (\$0.12 million, 16%)
Yellow Poplar (\$0.062 million, --)

Singapore

Walnut (\$0.073 million, --)
Maple (\$0.027 million, --)
Hickory (\$0.004 million, --)

Top Lumber Species (M3, YoY % change)

White Oak (3,370, 18%)
Maple (4,236, 556%)
Ash (2,169, 12%)

Walnut (83, 37%)
White Oak (191, 20%)
Yellow Poplar (158, --)

Walnut (30, --)
Maple (26, --)
Hickory (1, --)

Market Update

Market Survey for China and Taiwan, Vietnam and Thailand. (as reported by John Chan)

14 traders and importers from China, Taiwan, Hong Kong, Vietnam and Thailand joined the survey and the summary is given as:

Mainland China

In June and July, 9 out of 14 surveys reported the market for US hardwood were not that good and expect August would not improve that much; but the outlook of September is expected to be better as importers and traders would stock up lumber before the year ends, preparing for the local market to increase consumption. Importers currently are still placing purchase orders but the quantity is getting smaller.

The Guangzhou Interzum GZ was well attended and the timber processors and wood traders have confidence on the domestic consumption. They consequently forecasted the outlook for China's domestic market to be improved. It is reported that several sawmills from Vietnam has moved back to China.

However, 5 out of 14 surveys reported their businesses grew in June and July and they have expected the market would pick up in September. The growth of sales of red oak, white oak and ash were reported in June and July. The slight recovery of the Chinese furniture and timber processing industry, plus the small growth of the property market and construction industry could be the factors affecting the short growth in June and July.

Turning into September, orders are expected to come back strongly from China again slowly as China has too much stock stored up from the loss in the first half, both logs and lumber, when the economy in China is recovering faster than expected.

China Timber magazine and Shanghai Timber

Trade Association commented that overseas timber trade associations whose Chinese representatives exhibited at the Interzum Guangzhou in July have been actively promoting their timber products in order to expand the export.

Taiwan & Hong Kong

The two markets have been slow throughout the first half of 2020 due to the furniture export and domestic consumption being hit by the Coronavirus pandemic.

Vietnam

Demand for US hardwood has increased, but mainly poplar since the price is low. Other species are not moving as fast as poplar.

The Coronavirus in the tourist city Da Nang and Hanoi, which is the capital of Vietnam, has spread very fast. Three more dead cases were reported in July. This consequently caused the gate of country for tourists and businesses impossible to be opened in August at least.

It was reported that nearly all wood product factories have received nearly full order until November/December already. Investments from China and Taiwan in the sawmilling and furniture factories have been slowing down but they are still playing an important part in the timber processing industry in Vietnam.

Comments show that the log sales were very good in the first half of the year, although it is a little lower comparing to that of last year. US exporters (AHEC members) could sell a larger volume to Vietnam. The pandemic hit everyone in the business, but not that much as lumber compared to logs.

Thailand

Thai Timber Association (TTA), Thai Furniture Council (TFA) and a timber product producer in Bangkok commented that business and politics did not impact the business sectors including US

hardwood. The TTA and TFA have established a large showroom with a lot of furniture designed with overseas' imported timber. Enclosed 8 photos by TFA showing the newly established TFA showroom with a lot of furniture made with US hardwood. The outlook of US hardwood in Thailand is good and the domestic markets for US hardwood furniture and flooring are gradually picking up now. The export stats of lumber to Thailand have been growing positively (8%) in the first 6 months of 2020, which has been the only market recorded growth in SEA.



Furniture displayed in TFA showroom in Bangkok, made with US hardwood

AHEC plans to display 5 pieces of furniture made with US hardwood (red oak, maple and cherry) designed by Nathan Yong, who is a renowned interior designer based in Singapore, to be exhibited at the AHEC design booth during Architects Expo 2021 in Bangkok during April 27-May 3, 2021.

Architect & Developer in China

Henry Liu, Director of Mayland Lake in Guangzhou China, informed that the Yunnan project phase one is still under construction. Later phases will be slowed down due to Covid19's impact on hospitality and wood design will be dominated.

Silas Chiow Architects, AIA IR and AIA Shanghai, Beijing and Taiwan reported that China projects are still going strong but the competition is higher than before.

Upcoming Events

As the global pandemic continues to impact travel and in-person gatherings, AHEC has made the difficult decision to cancel conventions in Chengdu and Bangkok, and the AHEC pavilion at FMC Premium Show in Shanghai. In addition, some of the shows such as IFMAC in Jakarta and BIFA Woodshow in Binh Duong have been re-scheduled to 2021. AHEC HK office still hope to attend the following show if travel restrictions and quarantine measure have been lifted.

December 10-13

The 32nd Taipei International Building, Construction and Decoration Exhibition 2020 Taipei, Taiwan

Though we can't meet in person, we have been busy in promoting American hardwoods through online tools. AHEC HK office is now working on **webinars in SEA & GRCH**. In **GRCH**, we will work with AIA SH/BJ, hopefully will have one webinar hosted by **Shanghai-based architect in September**, the other one hosted by **Beijing-based architect in November** and finally hosted by **Taipei-based architect during Taipei Show in December**. In **SEA**, we plan to have one webinar in October.

Stay well. Eat well. Sleep well. Live well

CONTACT DETAILS



American Hardwood Export Council Southeast Asia
& Greater China

Room 2005, 20/F, Lippo Centre Tower One, 89
Queensway, Admiralty, Hong Kong

Tel : (852) 2724 0228

Fax : (852) 2366 8931

Email : info@ahec-china.org

www.ahec-china.org / www.americanhardwood.org/sea