



MARKET REPORT

SOUTHEAST ASIA & GREATER CHINA | February 2021 |

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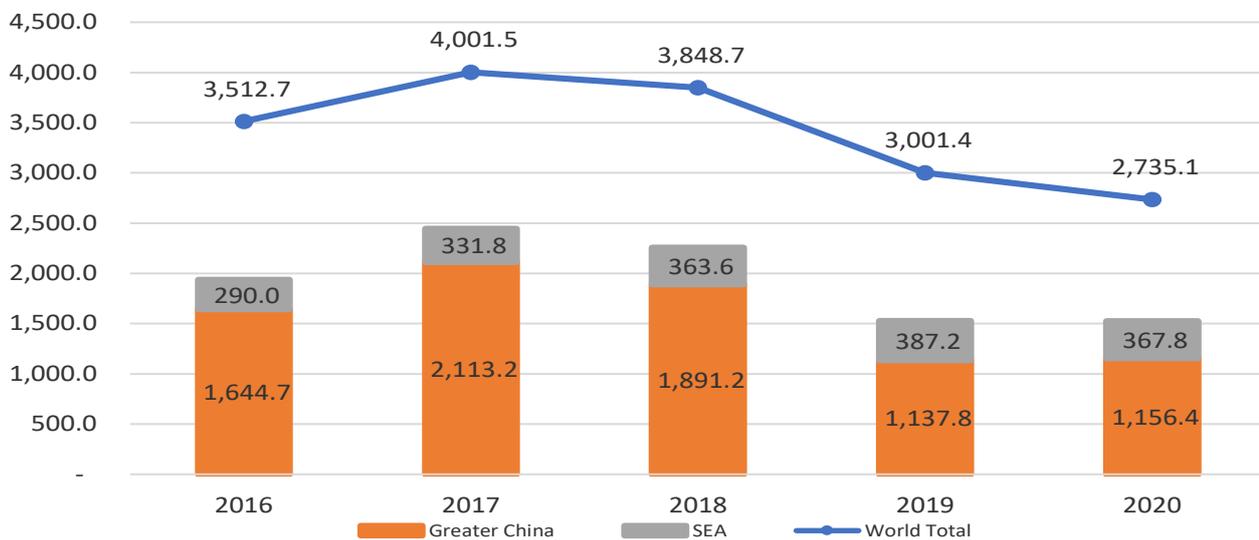
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The Year 2020 Was A Year Unlike Any Other

2020 was an unusual year for everyone. The pandemic brought new challenges no one was prepared for, changing the way we live and how we connect with each other. The disruptions had a silver lining. They provided us opportunities for expansion of online seminars, meetings and communications to keep us connected. After enduring a pandemic-led economic downturn for much of 2020, green light of recovery began to emerge across Asia Pacific in the second half of the year. The Greater China market bounced back slightly against 2019, up 1.6% (YoY) to \$1.15 billion.

The total export value of U.S. hardwoods to GRCH and SEA was \$1.52 billion, which was slightly down **0.1%** versus 2019. The SEA market decreased **5%** to \$367.8 million, with Vietnam accounting for nearly 80% of that total (\$293.2 million in Vietnam, dropped **4.5%** YoY).

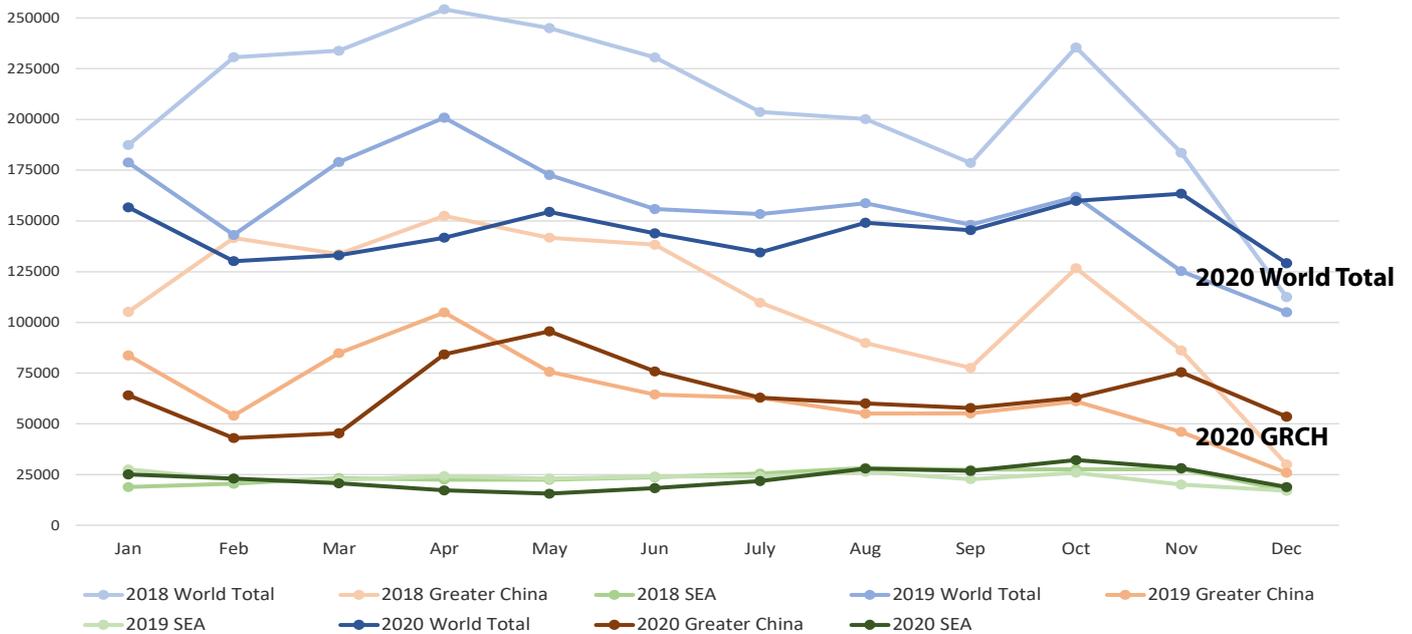
US Hardwood Exports Value (USD million)



	Hardwood Lumber	% change	Hardwood Log	% change	Hardwood Veneer	% change
Greater China	\$780.7 million	1%	\$368.1 million	3.2%	\$4.9 million	-2.2%
Vietnam	\$222.6 million	-1%	\$63.4 million	-16%	\$6.9 million	-4%
Indonesia	\$19.3 million	-7%	\$1.2 million	-61%	\$8.4 million	14%
Malaysia	\$15.5 million	-2%	\$0.85 million	-46%	\$6.1 million	10%
Thailand	\$17 million	-2%	\$2.2 million	134%	\$0.057 million	47%
Philippines	\$0.85 million	-34%	\$0 million	--	\$1.35 million	-25%
Singapore	\$0.161 million	-71%	\$0.065 million	-74%	\$0.328 million	-27%

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

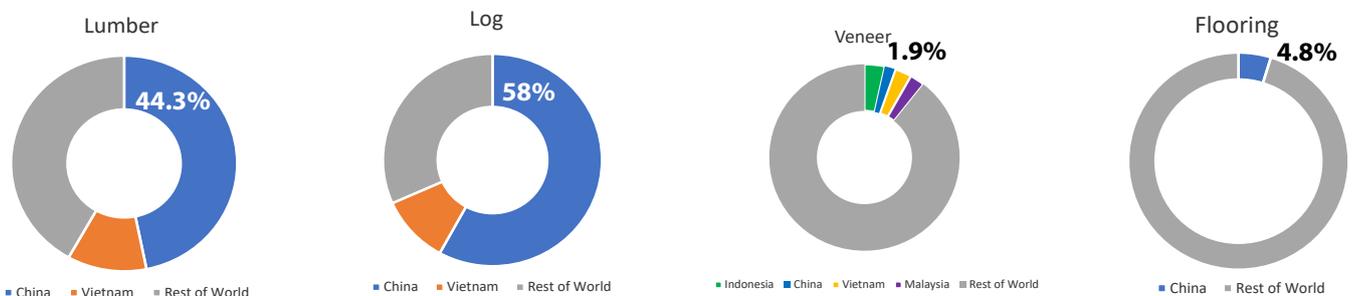
Lumber Value - World Total vs GRCH & SEA (USD'000)



Greater China market slightly raises 1.6%

The overall hardwood export value to GRCH market slightly raised 1.6% (YoY) to \$1.15 billion, with lumber up 1% (YoY) to \$780.7 million, logs increased 3.2% (YoY) to \$368 million, and veneer slightly dropped 2.2% (YoY) to \$4.9 million. Hardwood flooring export value to GRCH increased 22.4% (YoY) to \$1.96 million.

We are cautiously optimistic for the consumption of hardwood lumber in Mainland China in 2021. The consumption among the hardwood products in China including lumber, logs, veneers and



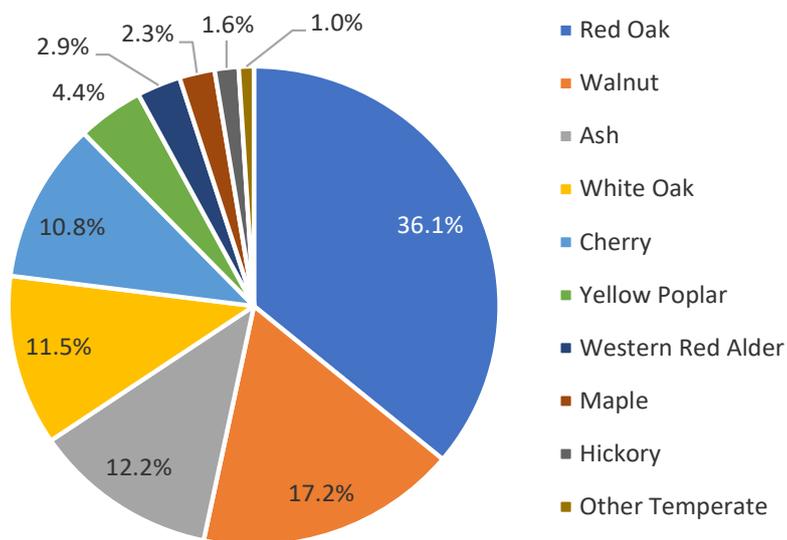
Lumber Species	Export Value (US\$)	YoY % change	Export Qty (M3)	YoY % change
Red Oak	\$277.8 million	4%	481,229	2%
Walnut	\$132.8 million	12%	110,193	14%
Ash	\$94.1 million	-2%	162,273	4%
White Oak	\$88.6 million	5%	153,038	14%
Cherry	\$83.2 million	0.5%	117,143	6%
Yellow Poplar	\$33.9 million	-10%	93,175	-4%
Alder	\$22.2 million	-30%	66,745	-25%
Maple	\$17.9 million	-0.1%	26,941	-4%
Hickory	\$12.1 million	5%	22,033	-6%

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

flooring were all increased from 2% to 14% (YoY) in value in 2020, and foresee the trend would be persistence.

According to the National Bureau of Statistics of China, the GDP growth rate for 4th quarter of 2020 and the whole year of 2020 was 6.5% and 2.3% respectively. The IMF projected global economy will grow 5.5% in 2021 and 4.2% in 2022 while China's economy to grow by 8.1% in 2021 and 5.6% in 2022. Expected China's economy would be robust in 2021 and would benefit the consumption of hardwood for domestic market.

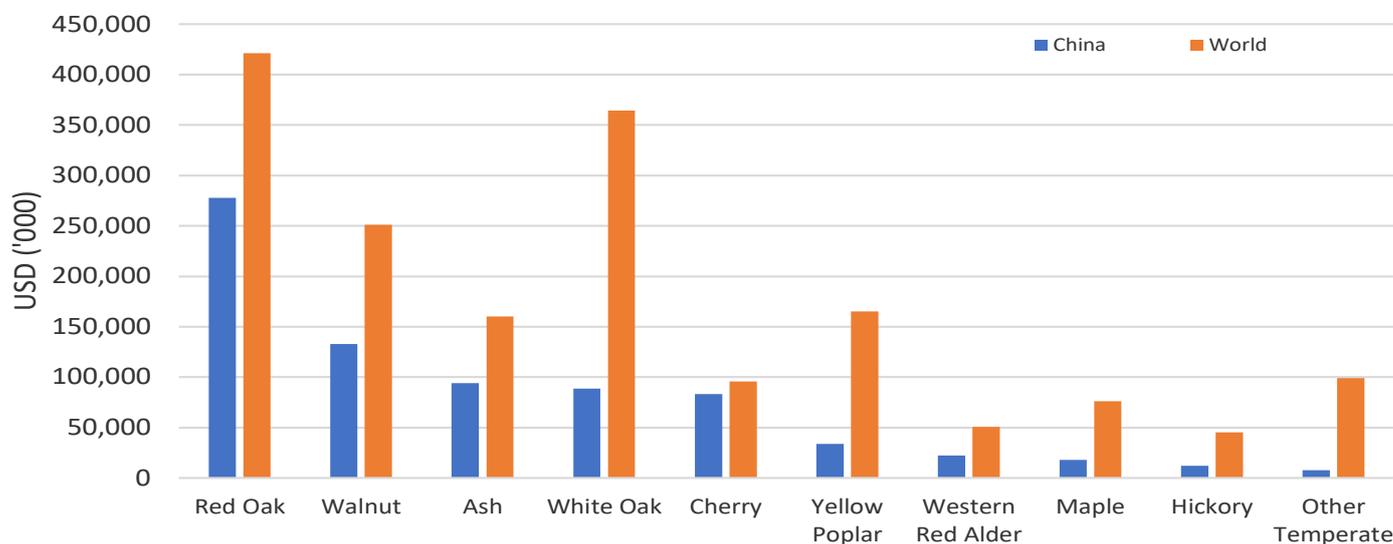
Lumber species to China in 2020



The most popular US hardwood species in China were red oak, walnut, ash, white oak, cherry and yellow poplar. They generated over \$710.6 million exports and accounted for 92% of the total hardwood lumber exports to China.

For the whole year of 2020, China purchased 86.9% of all cherry, 66% of all red oak, 58.5% of ash, 52.9% of walnut and 44.1% of red alder that was exported globally.

Top Species to Mainland China vs World Total in 2020

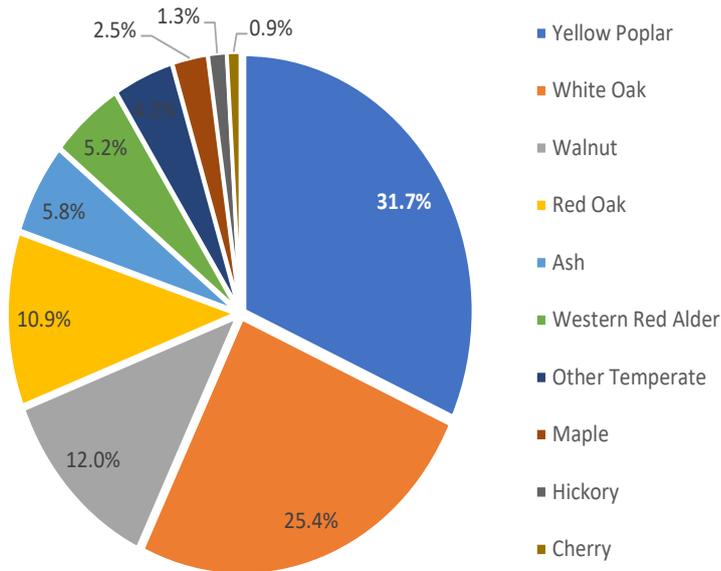


Southeast Asia market dropped 5%

The total export of American hardwood to SEA was \$367.8 million, dropped 5% (YoY). The hardwood lumber export to SEA decreased 1.6% (YoY) to \$275.5 million, veneer increased 3.3% (YoY) to \$23.2 million, logs dropped at 16.5% to \$67.8 million.

Vietnam contributed nearly 80% to the total SEA market. At the end of 2020, the cumulative hardwood lumber export value to Vietnam decreased 1% (YoY) to \$222.6 million, while the volume of lumber increased 2% to 527,931 (M3), veneer exports value dropped 4% to \$6.9 million, logs decreased 16% by value to \$63.4 million.

Shares of species in SEA markets in 2020



The Vietnam economy, according to Vietnam's General Statistics Office, grew 2.9% in 2020, better than China's growth and is likely the top-performing Asian economy in 2020. The resilient exports is expected to be persisted in 2021.

For the rest of the SEA market, the Thailand market was the only region maintain a growth, up 5% (YoY) in 2020. Other regions such as Indonesia, Malaysia, Philippines and Singapore shrank from 2.2% to 76% (YoY).

SEA Markets

Vietnam

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

Yellow Poplar (\$81.8 million, 3%)
 White Oak (\$50 million, 18%)
 Red Oak (\$26.3 million, 18%)

Top Lumber Species (M3, YoY % change)

Yellow Poplar (265,145, 6%)
 White Oak (91,006, 15%)
 Red Oak (48,293, 16%)

Indonesia

White Oak (\$8.8 million, 10%)
 Ash (\$3 million, 143%)
 Walnut (\$2.8 million, 25%)

White Oak (13,906, --)
 Ash (5,262, 150%)
 Walnut (2,499, 11%)

Thailand

White Oak (\$5.2 million, 23%)
 Ash (\$2.7 million, 19%)
 Other temperate (\$2.3 million, 92%)

White Oak (6,968, 18%)
 Ash (4,066, 8%)
 Other temperate (6,040, 72%)

Malaysia

White Oak (\$5.5 million, 6%)
 Yellow Poplar (\$3.8 million, 51%)
 Walnut (\$2.7 million, 23%)

White Oak (8,137, 1%)
 Yellow Poplar (10,274, 56%)
 Walnut (2,939, 11%)

Philippines

Walnut (\$0.2 million, 52%)
 Other Temperate (\$0.17 million, 84%)
 White Oak (\$0.16 million, 43%)

Walnut (118, 64%)
 Other Temperate (500, 134%)
 White Oak (265, 44%)

Singapore

Walnut (\$0.073 million, 62%)
 White Oak (\$0.053 million, 71%)
 Maple (\$0.027 million, --)

Walnut (30, 6%)
 White Oak (64, 72%)
 Maple (26, --)

Market Update

Market Survey

John Chan had conducted a market survey of US hardwoods with traders, distributors, trade associations representatives, producers, architects and interior designers during the weeks of February 2021 before and after Chinese/ Lunar new year in China, Vietnam, Indonesia and Malaysia.

The market survey is for the February Market report in GRCH & SEA under the current situation and conditions are described as:

As of January 2021, The CoVid-19 pandemic has resulted over 100 million infected cases and over 2

million deaths; travel restrictions were set to ban border entry for all people worldwide. The majority of most business activities worldwide have been putting on halt. The current situation has also caused most AHEC program to be cancelled or postponed. Global trade exhibitions and trade fairs have been cancelled or postponed and some were conducted on Zoom or virtually instead of physically.

1. Some good news for the US hardwood industry from the recent announcement by president Xi Jinping of the Chinese government, who persuaded his country of attaining carbon neutral by 2060. This gathered some steam to raise people's awareness of consideration on using more sustainable US hardwood for design and manufacturing products to reduce environmental impact, indirectly benefiting wood products.

2. The vaccine distribution program worldwide has been the best news as the vaccine inoculation could increase the strength of individual and immunity to resist Covid-19 infection which could lead people's lives and global businesses going back to normal.

3. While the Covid-19 pandemic infected cases have been reported slowing down, architects, designers, timber importers and traders believed the property markets, manufacturing and services sectors offer untapped potential opportunity for business. US hardwood industry could be the part of the recipients, namely business sectors in China and SEA. Consequently, it increases the budget power.

Comments from the traders, distributors, manufacturing sector, architects and designers:

China

While demand definitely will grow, traders consider short term risk. Therefore, they do not prefer signing long term sales contracts. It generates some uncertainties.

Some said U.S. lumber supply shortage may be longer as US sawmills had diminished the production in 2020. Many importers said the US local lumber demand is very strong and the price is higher, but many Chinese customers may not be able to afford this price. Also, some said lumber price will go up if exclusion of import tariffs is lifted.

Last year, the export furniture factory had enjoyed a good year of business. But this year, with the gradual improvement of the global epidemic, it is in hope that the orders for export furniture will not decrease after summer.

The real estate business will improve which could influence positive growth of a variety of many other sectors including the growth of furniture and wood products manufacturing, contracting and architecture and design.

Some importers said some factories are looking for cheaper wood species or alternative species as option to make up the shortage supply of some of the major US hardwood species. It makes the importers and users worried while they are facing price spiking to a record high in addition to the rising transportation cost.

The market is expected to grow continually. However, it also depends on the effectiveness of the vaccine inoculation program.

The domestic consumption would be led by the demand of the interior decoration. The booming of the property market would lead the demand to grow further. The exclusion on import tariff of US hardwood to China is expected to continue; therefore the demand is expected to grow.

A sales manager from one of the AHEC member from Shanghai office said that the outlook of US hardwood market in China is very bright in 2021, most species led by walnut, cherry and red oak are selling well, followed by white oak, ash, tulipwood, maple and hickory which are reported in demand. He said US softwood such as pine and fir are also selling quite well when hardwood is in shortage. Overall FAS, #1 common and #2 common of the above-mentioned species are all in demand.

Comments from architects:

AIA Shanghai | Beijing president Silas Chiow and director of SOM China said two webinars were organized by AIA shanghai and Beijing separately in Beijing and Shanghai streaming online for audiences across China in November 2020 and December 2020. Silas reported over 40000 and 29000 audiences respectively attended online, which indicated that they like to learn how US hardwood

were applied to architectural and interior design.

As China's Covid-19 was under controlled, the vaccine distribution programs have given hope that the business in China is expected to be back to normal. SOM Architect firm has set up a new office in Guangzhou in February 2021. An indication that SOM projects on China's property and real estate market in the Greater Bay areas will continue to grow further, the demand of wood materials for architectural and interior design projects in China is expected to grow faster than the previous years.

Vietnam

- ViFORES: Ngo Sy Hoai, Vice President & Secretary General of ViFORES, commented last year, export of WP valued USD 12.3 billion, with 14 % growth rate. In 2021, the same growth is forecasted, if USTR investigation would end without too bad scandal for both sides. Surely, US hardwood demand will increase as Vietnam tries to limit VN-US export/import imbalance and implement VNTLAS (US is an active country and US wood is of non-risk).

- HAWA: John Chan interviewed Nguyen Quoc Khanh Chairman of HAWA and president of AA Corporation Ltd. regarding his outlook of the furniture and wood product in Vietnam. This is the first part and this is a talk about the domestic wood and furniture industry facing new opportunities and challenges.

Mr. Khanh said in the context that the global wood production and processing industry has faced many difficulties when the US-China trade war is increasing in tension. Vietnam's wood export has a huge advantage. This is one of the few industries that have grown every 18 years despite the world economic crisis, even double-digit growth years, such as 2019 and 2020 despite during Covid-19.

Vietnam is currently the fourth largest wood products (furniture, doors, flooring, mouldings and other timber processed products) exporter in the world, second in Asia. In 2019, exports reached 11.8 billion USD, in 2020 more than 12.5 billion USD, always exceeding the expected target of the Ministry of Agriculture and Rural Development. Especially the very good signal is the trade surplus, because this industry does not import much, mainly imports raw US wood for processing and then exports to the US.

Khanh said there are many challenges getting to the \$20 billion target by 2025.

The first is that the proportion of Vietnamese enterprises participating in the export of high quality goods, FDI sector still accounts for a higher proportion, over 50%, while domestic enterprises are still mainly low value goods. This provides an excellent opportunity for US hardwood export to Vietnam. Mr. Khanh agrees with John Chan it would be the right time to help Vietnam develop a domestic market for US hardwood along with the booming furniture and wood product to overseas export markets.

Khanh said 2021 gives a good start of wood products exporting to overseas market.

News on export turnover of Vietnamese wood and wooden products in January 2021: it reached 125 billion USD (increased 48% comparing to last January).

Malaysia

Former president of MFA:

The outlook for furniture export is good, and the major growth is to the USA. The rest of the market is stable. For design, not much change except for colour trends. For US hardwood timber, not much growth was seen in the Malaysian market.

Indonesia

Eddy Budiono, CEO & owner of Pt. Abadi Indorona:

So far Indonesia is receiving vaccine from China. Hope the vaccine program would help Indonesia and worldwide to control the Covid-19 pandemic, so that business would go back to normal. However, Covid-19 is still spreading heavily in Indonesia, causing the production capacity of wood products to decline.

Business with wood has begun to regain this month and hope it will grow further and back to normal soon. On the other hand, hotel businesses in Indonesia have been impacted badly. But it is expected that US hardwood market in Indonesia is doomed to grow better in 2021 from low demand in 2019/2020.

Upcoming Events in 2021

In light of the pandemic, some of the regions have issued entry restrictions and quarantine measures, the date of following trade shows/events may be changed, we are constantly communicating with the organizers to get update information. We hope that we can travel hassle-free to attend the following trade shows if quarantine measures have been lifted.

March 28-31

Interzum Guangzhou 2021
Guangzhou, China

June 24-25 (To be confirmed)

American Hardwood Export Council 25th Greater China Convention
Chengdu, China

June 28-30 (To be confirmed)

Sylvawood 2021
Shanghai, China

September 7-11

FMC Premium 2021
The 27th Furniture Manufacturing & Supply China (FMC China 2021)
Shanghai, China

September 15-18

Vietnamwood, The 14th Vietnam International Woodwork Industry Fair 2021
Ho Chi Minh City, Vietnam

September 20 (To be confirmed)

American Hardwood Export Council Southeast Asia Convention
Bangkok, Thailand

October 12-15

The International Woodworking and Furniture Manufacturing Components Show (iFMAC & WoodMAC 2021)
Jakarta, Indonesia

December 9-12

The Taipei International Building, Construction and Decoration Exhibition 2021
Taipei, Taiwan

Planned 6 Seminars (physical/webinar) in 2021 through co-operation with trade and architects/designers associations

- 3-4 Seminars in China, Hong Kong and Taiwan from second quarter onwards

- 2-3 Seminars in Southeast Asia(SEA) from second quarter onwards

The dates of the above events are subjected to change, depending on the impact of Covid-19 pandemic



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