

MARKETREPORT

SOUTHEAST ASIA & GREATER CHINA | Nov 2023 |

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Over 350 Delegates attended the AHEC 26th Convention in Chengdu | Cumulative trade figures drop but rebounds quarter to quarter

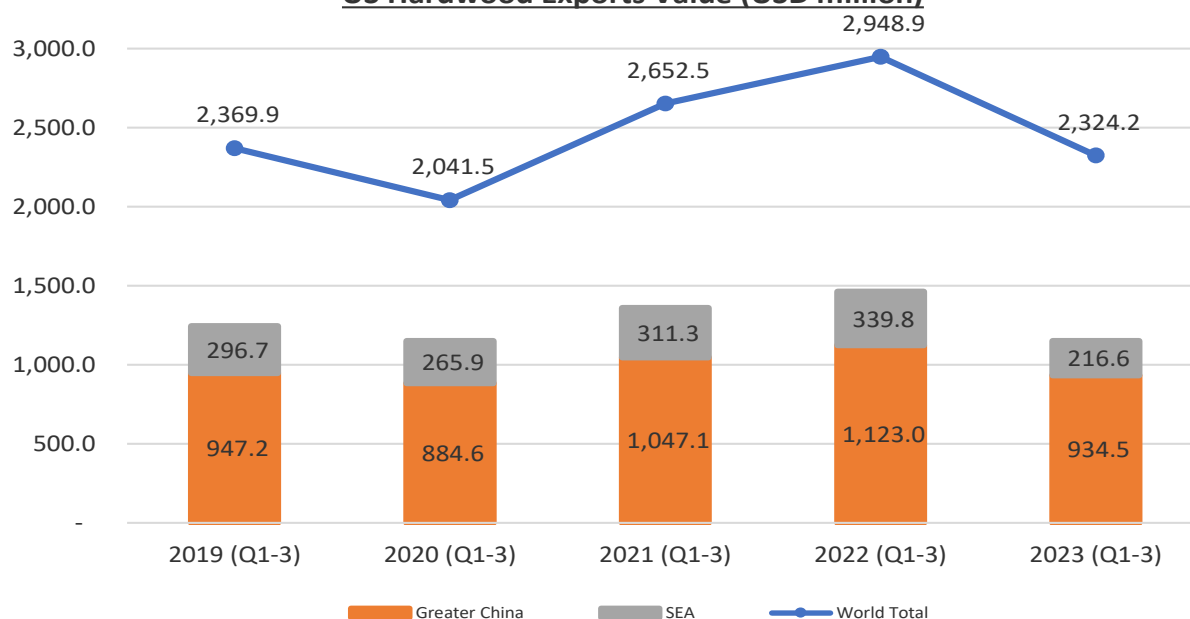
Over 350 delegates attended AHEC 26th Convention in Chengdu, the first in-person convention in China since 2019. The delegates were all excited and expressed that it was an excellent opportunity for them to reconnect with AHEC members in person. More details in "Events Review" section.



Export Trade Data to Greater China & Southeast Asia

The value of all US hardwood products shipped to Greater China and Southeast Asia declined **21.3%** (YoY) to over \$1.1 billion in Q1-Q3 of 2023. The export value to SEA fell sharply at **36.3%** (YoY) to \$216.6 million. Exports to Greater China were \$934.5 million, dropped **16.8%** compared to the same period of 2022.

US Hardwood Exports Value (USD million)

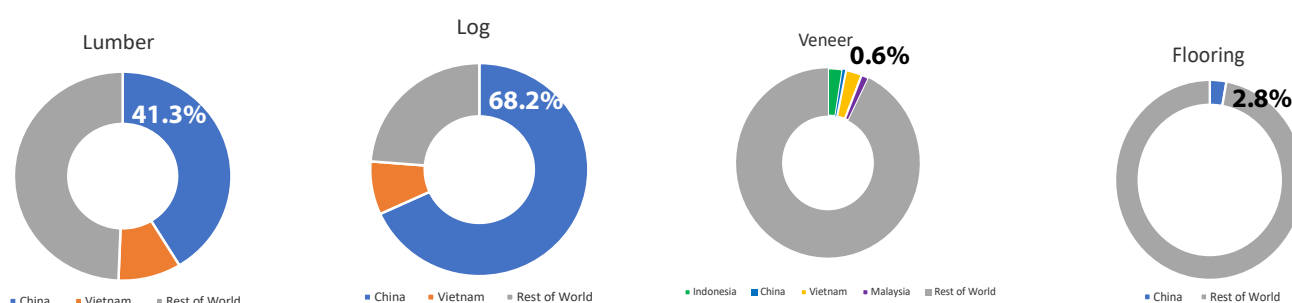


	Hardwood Lumber	% change	Hardwood Log	% change	Hardwood Veneer	% change
Greater China	\$546.3 million	-20%	\$385.8 million	-11%	\$1.6 million	-60.2%
Vietnam	\$122.5 million	-39%	\$44.9 million	-23%	\$6.8 million	-112%
Indonesia	\$10.6 million	-50%	\$1 million	-64%	\$6.1 million	-24%
Thailand	\$9.6 million	-50%	\$1.1 million	19%	\$0.18 million	170%
Malaysia	\$6.3 million	-58%	\$0.014 million	-86%	\$3.1 million	-2%
Philippines	\$0.675 million	-46%	-	-	\$0.582 million	-63%
Singapore	\$0.046 million	-92%	-	-	\$0.059 million	-68%

Year-on-Year changes in U.S. exports of hardwood lumber, logs and veneer to Greater China and SEA, Q1-Q3 2023 (Source: USDA)

Greater China market – declined 16.8% (YoY)

The overall hardwood export value to GRCH market was \$934.5 million, down **16.8%** (YoY), both lumber value and volume decreased **20%** and **8.7%** (YoY) respectively to over \$546.3 million and 786,626 M3; logs value reduced **11.3%** to \$385 million and volume down **15.5%** to 685,361 M3; veneer dropped over **60%** to \$1.6 million.



Lumber to GRCH

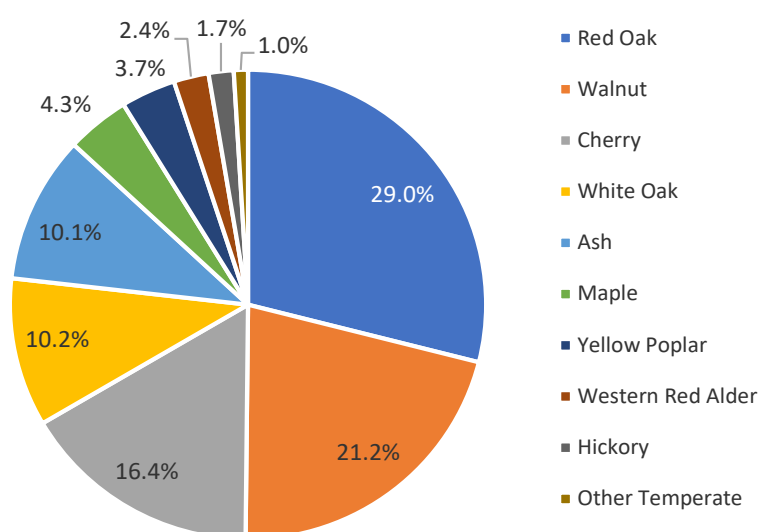
	Q1	Q2	Q3	Q2 vs Q3
Value (USD)	\$235 million	\$150 million	\$161 million	7.5%
Volume (M3)	338,535	217,841	230,250	5.7%

Although the cumulative lumber exports to GRCH dropped, there was a rebound in Q3 compared to the previous quarter, the value and volume increased 7.5% and 5.7% respectively.

Lumber Species	Export Value (US\$)	YoY % change	Export Qty (M3)	YoY % change
Red Oak	\$156.6 million	-35%	263,420	-20%
Walnut	\$114.7 million	2%	85,222	27%
Cherry	\$88.7 million	-7%	118,029	7%
White Oak	\$55.3 million	-44%	82,955	-35%
Ash	\$54.8 million	21%	77,532	27%
Maple	\$23.3 million	22%	33,453	67%
Yellow Poplar	\$20.1 million	-9%	52,756	12%
Red Alder	\$12.8 million	-45%	38,146	-31%
Hickory	\$9.1 million	-36%	14,654	-25%

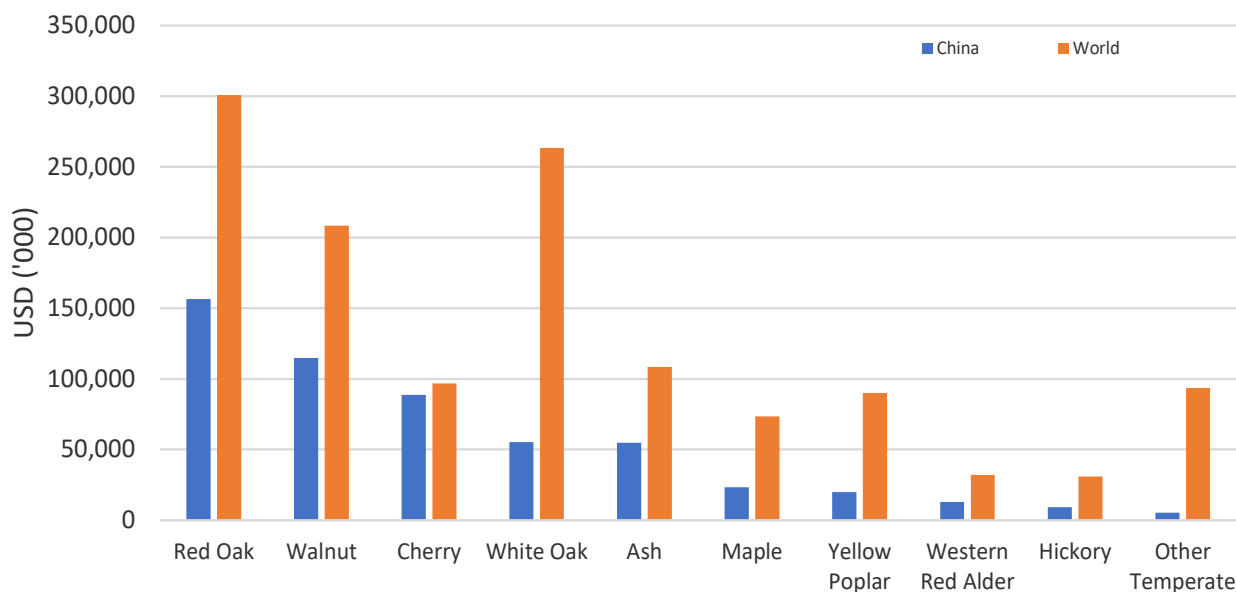
US Hardwood Lumber Exports to Mainland China by Species from Q1 to Q3 2023 (Source: USDA)

Lumber species to China in Q1-Q3 2023



The most popular US hardwood species in China by value were red oak, walnut, cherry, white oak, ash and maple. They generated nearly \$500 million in exports and accounted for over \$91 million of the total hardwood lumber exports to China. China purchased over 90% of all cherry, 52% of all red oak, 55% of all walnut, over 50% of all ash, and over 40% of all red alder that was exported globally in the Q1-Q3 of 2023.

Top Species to Mainland China vs World Total in Q1-Q3 2023



Southeast Asia Market – Dropped by over 36%

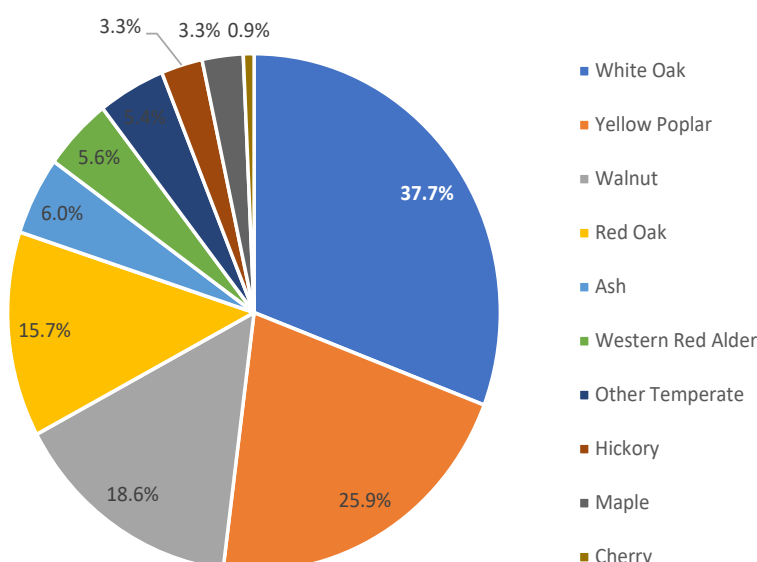
In the first 3 quarters of 2023, hardwood exports to the Southeast Asia (SEA) market fell by over 36% to \$216.6 million. This includes a 42.2% (YoY) plunge in hardwood lumber exports to SEA, amounting to \$149.9 million, with a volume decrease of 26%. Log exports decreased by 24.8% (YoY) to \$47.2 million. However, veneer exports increased by 3.4% (YoY) to \$17 million.

Vietnam is the largest contributor to the SEA market, accounting for over 81% of the total. The hardwood lumber export value to Vietnam declined by 39% (YoY) to \$122.5 million, and the volume of lumber dropped by 21% to 254,007 (M3). Log exports also fell by 23% (YoY) to \$44.9 million, with a volume decrease of 29% to 80,139 (M3). Interestingly, the value of veneer exports doubled, up by 112% compared to the same period in 2022, reaching \$6.8 million.

Similar situation to GRCH, the cumulative lumber exports to Vietnam dropped when compared to the same period of 2022, however there was a rebound in Q3 compared to the previous quarter, the value and volume increased 10.5% and 8.6% respectively.

Lumber to Vietnam	Q1	Q2	Q3	Q2 vs Q3
Value (USD)	\$50.8 million	\$47 million	\$52 million	10.5%
Volume (M3)	97,158	94,028	102,114	8.6%

Lumber species to SEA market in Q1-Q3 2023



SEA Markets	Top Lumber Species (US\$, YoY % change)	Top Lumber Species (M3, YoY % change)
Vietnam	White Oak (\$37.5 million, 19%) Yellow Poplar (\$30.6 million, 41%) Walnut (\$19 million, 53%)	White Oak (63,916, 4%) Yellow Poplar (96,187, 21%) Walnut (17,121, 38%)
Indonesia	White Oak (\$2.63 million, 64%) Red Oak (\$2.36 million, 6%) Ash (\$1.56 million, 30%)	White Oak (3,696, 58%) Red Oak (3,645, 23%) Ash (2,050, 31%)
Thailand	Ash (\$3.2 million, 13%) White Oak (\$3 million, 44%) Red Oak (\$0.818 million, 12%)	Ash (4,218, 24%) White Oak (3,883, 55%) Red Oak (1,199, 8%)
Malaysia	White Oak (\$2.73 million, 55%) Walnut (\$1.5 million, 65%) Red Oak (\$0.857 million, 39%)	White Oak (3,942, 42%) Walnut (1,311, 57%) Red Oak (1,447, 24%)

SEA Markets	Top Lumber Species (US\$, YoY % change)	Top Lumber Species (M3, YoY % change)
Philippines	Ash (\$0.216 million, 18%) White Oak (\$0.2 million, 29%) Walnut (\$0.133 million, 67%)	Ash (277, 22%) White Oak (290, 14%) Walnut (100, 57%)
Singapore	White Oak (\$0.021 million, -92%) Hickory (\$0.018 million, 212%) Tropical (\$0.007 million, 25%)	White Oak (40, 91%) Hickory (81, 710%) Tropical (3, 70%)

Events Review

AHEC 26th Southeast Asia & Greater China Convention in Chengdu, China

The American Hardwood Export Council (AHEC) 26th Southeast Asia and Greater China Convention was held at JW Marriot Hotel Chengdu on Sep 7 & Sep 8, 2023. As one of the most anticipated events in the wood industry, this year, AHEC held the conference with the theme of "Sustainable American Hardwood – The Future of Our Living Environment". The convention was supported by Chengdu Furniture Industrial Chamber of Commerce and attracted over 300 architects, interior designers, timber contractors, traders, importers, wholesalers across Greater China and Southeast Asia and over 32 AHEC member companies to explore the sustainable development of American hardwood, the future of low-carbon, new technology, timber grading rules, and further promote application of American hardwood in architecture and interior design. Two-day events included media conference and interview for SEA & Mainland China media.

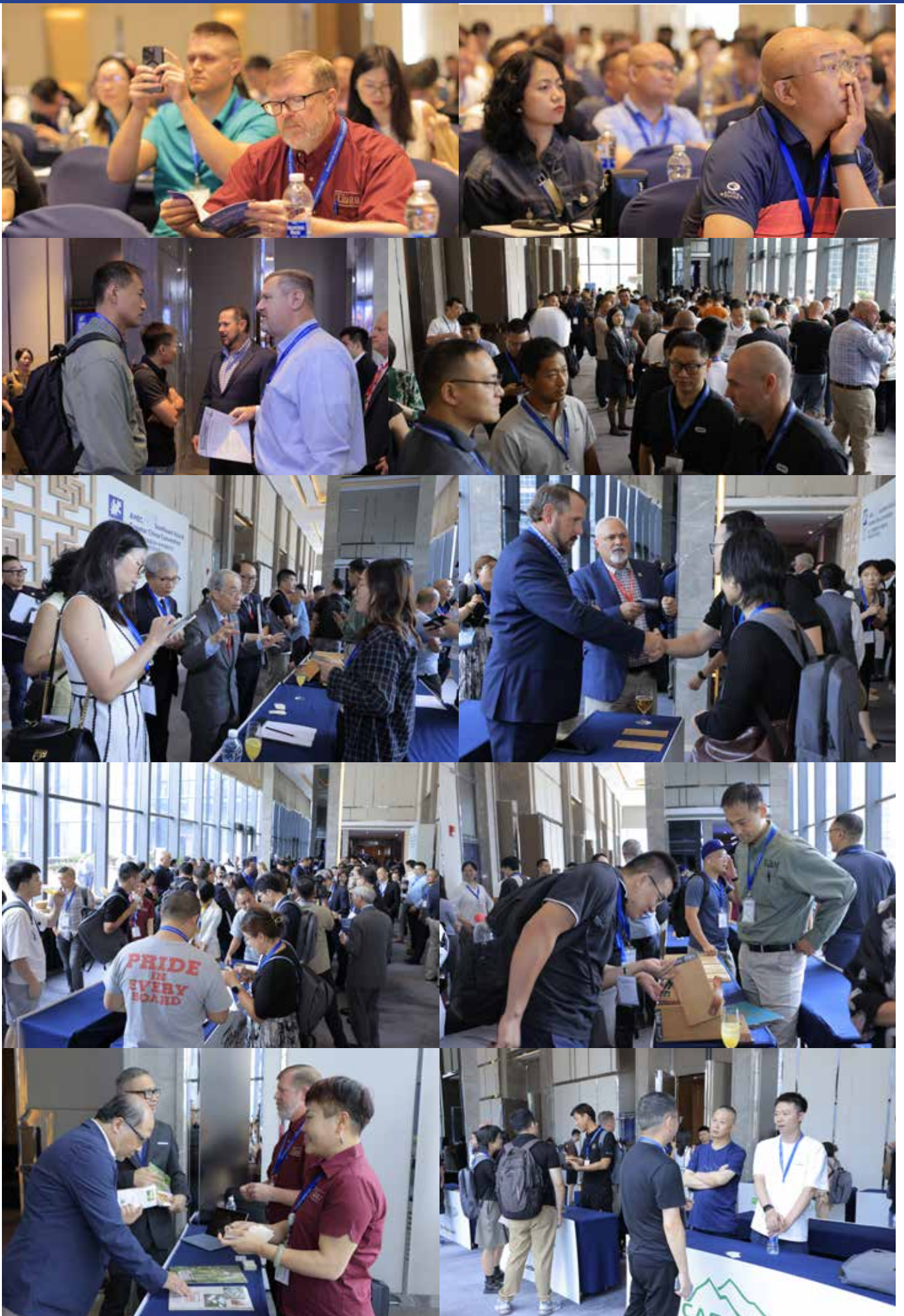
Several industry authorities were invited to speak at the convention, including Mr. Michael Snow, Executive Director of AHEC; Mr. Troy Jamieson, Vice Chairman of AHEC; Mr. John Chan, Regional Director of AHEC SEA & Greater China; Mr. Chris Frederick, Director of USA Agricultural Trade Office; Mr. Rupert Oliver, AHEC's Consultant on Sustainability Issues; Mr. Gu Hao Dong, Chairman of Chengdu Furniture Industrial Chamber of Commerce; Mr. Gu Jian Xia, Executive Chairman of Jiangxi Furniture Association; Mr. James Lu, Principal and Managing Director of Perkins&Will and Mr. Dana Spessert, Chief Inspector and Dean of Education of the Grading School of the National Hardwood Lumber Association. During the event, these speakers highlighted the outstanding advantages of American hardwood for sustainable development, as well as the immense potential of American hardwood in architecture and interior design.

After the convention, the 12 panelists from furniture and timber trade and design associations' leaders, and importers to meet with our members during the mini trade show – a chance for them to exchange insights and strengthen their relationship.

The 12 panelists included Southeast Asia represented by (Asmindo- Indonesia, MFC and MTC- Malaysia, CFIF-Cebu, Philippine, SFIC-Singapore, HAWA- Vietnam, VIFORES- Vietnam, ASEAN Furniture Council – represents 8 SEAsia furniture councils and associations) and China Institute of Interior Designers - China, Architects - USA & International, Furniture Council and Association- Chengdu, Jiangxi- China, and International Import Wood Trade Expo-Beijing China etc.)







FMC Premium Show in Shanghai

FMC Premium Show which was held from September 11-15, 2023. AHEC adopted an open-plan design covered around 60sqm at the Hall N5. There were around 17 member companies to use the shared space at AHEC booth to meet their current and potential clients. Members included American Lumber, AWP, Baillie Lumber, Beasley/Thompson Hardwood, Blue Ridge Lumber, Collins Hardwood, CX Joy Hardwood, Hardwood of America, JL Gardner Lumber, Merrick Lumber, Missouri Walnut, NWH, Penn-Sylvan International, Sonoking Corporation, TRN USA Forest, Turman Group. Mr. Hidemaru Ted Shibata, Deputy Director of ATO Shanghai, together with Audrey Zheng, Marketing Specialist of ATO Shanghai, Ryan Bedford, Director of ATO Shenyang and Rex Zhang, Marketing Specialist of ATO Shenyang, Jennifer Lu from Wisconsin Department of Agriculture, Michelle Wang and Cathy Ma from North Carolina Department of Agriculture and Consumer Services visited AHEC booth and spoke to AHEC people.

The traffic at AHEC booth was good on the first 3 days. AHEC members had been actively meeting potential timber end users at the AHEC pavilion which was a good signal that the suppliers and end users were hoping for the market of US hardwood to resume the export market to China at the pre-CoVid19 condition.



Vietnamwood 2023

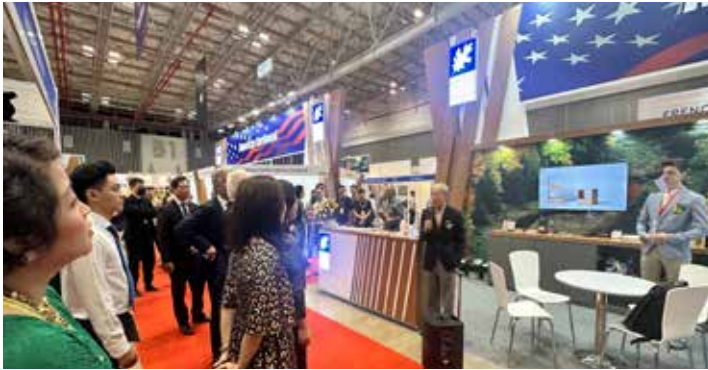
AHEC led 26 member-companies[^] to attend the in-person Vietnamwood 2023 exhibition from 20-23 September 2023 at Saigon Exhibition & Convention Centre in HCMC. AHEC had a pavilion designed and constructed with US hardwood to showcase the beauty of sustainable US hardwood. A series of PR activities were conducted including media interview with Mr. John Chan, a VIP tour in which delegates of important local governmental officials came to the AHEC booth and followed by a VIP Lunch to connect with delegates from overseas from the government, woodworking, trade, and supply sectors, etc.

The traffic at AHEC booth was good on the first 2 days. Nina Pham, International Trade Specialist, FAS USDA on Global Program, Andrew Anderson-sprecher, Senior Attache for Agriculture, and Kiet Vo, Agricultural Specialist of the US consulate General Office visited AHEC pavilion and AHEC booth.



On the third day, AHEC and AIT attended a factory tour. The main takeaway was that product innovation is crucial to remain competitive in this industry. One of the factories visited, which exports furniture to the States, exemplifies this. They focus on developing new product lines and investing in

new machines to find their competitive edge. AHEC plans to organize more designer and technical seminars to help manufacturers understand how to apply and handle American hardwoods. This will enable them to keep up with the latest trends and stay competitive in the market. The upcoming HAWA Expo and Hoa Mai Design Award aim to introduce the latest knowledge on sustainable design and regulations. This will help the Vietnamese market and supply chain endure in the face of the global economic downturn.



^Members attended the exhibition includes: Tioga Hardwoods Inc., NWH, Penn-Sylvan International Inc., Thompson Appalachian Hardwoods, Bingaman & Son Lumber Inc., Kamps Hardwoods, Cole Hardwoods, Jupiter Wood USA, JL Gardner Hardwoods, Classic American Hardwoods, WM Cramer, Midwest Timber Exports, American Lumber Company, Anderson Tully Lumber, Besse Forest Products Group, Cascade Hardwood, Missouri Walnut, The Freeman Corporation, Midwest Hardwood Corporation, Mayfield Lumber, Hermitage Hardwood Lumber Sales, Wheeland Lumber Company, Battle Lumber Co, Baillie Lumber, Macdonald & Owen, Sonoking and Hardwood States Export Group.

IFMAC 2023

The AHEC booth was designed with a 6 x 6 m2 display stand housed with the a few pieces of furniture. The furniture items, designed by Singapore-based designer Jarrod Lim, were made from American red oak and white oak. The key feature furniture was Kyon Ottoman and its side table. It's made of TMT red oak; the ottoman was carved out chunks by hand and showcase how the TMT changed the properties of the material right through. It demonstrated TMT wood removed moisture, resulting in a timber which was more suitable for the humidity of the SEA climate. Audiences showed interest in Kyon Ottoman, they were asking about the use of material and the manufacturing process. After knowing the material was TMT red oak, they were eager to learn more about the U.S. hardwood and its grading rule etc. More educational seminars to be held in Indonesia targeting timber traders and furniture manufacturer could be very useful.

Other than AHEC booth, AHEC member such as Northland Forest, Turman Group, Boss Lumber and Global Timber exhibited at the show and visited AHEC's booth.



Market Survey and Conclusion for SE Asia & GRCH conducted by John Chan

John Chan conducted the market survey for the SE Asia & GRCH Market report for November 2023. He gathered market information and strategies through telephone interviews, WhatsApp, WeChat, and trade servicing meetings with traders, importers, contractors, architects, interior designers, and furniture designers and producers. The collected information, comments, and remarks represent

the personal opinions of the interviewees, not the interviewer.

A. Greater China

Trader and importers - Shanghai

"Both markets have recently experienced a slowdown, possibly due to the upcoming Chinese New Year, and demand is weak and shifting. I am collaborating with several state governments, representing them to promote U.S. hardwoods. We hope to see improvements by 2024, but this requires continuous promotions and incentives in the market. In addition, we are developing a website or app to connect buyers in Asia with sawmills and suppliers in the U.S., similar to an e-commerce platform, to enhance trade efficiency."

Trader and Distributor- Beijing

"Business is moderate, with factory demand remaining weak. Importers and traders maintain their previous position: while some industries are recovering quickly, the real estate sector is lagging behind. There is a low willingness to buy housing, with some potential buyers still hesitant."

American sawmills are reducing production in hopes of driving up prices. However, high prices could cause Chinese end-users to cut back on their purchases or opt for cheaper materials. Both Chinese distributors and American sawmills agree that customer retention is paramount at this stage. There is no expectation of significant change in demand for American lumber before the Spring Festival.

Uncertainty about business prospects for the next year persists. As a result, optimism is tempered, with focus on maintaining slightly lower purchases and inventories, primarily to retain valued longstanding customers."

Importer- Shanghai

"The third quarter performed poorly, but there has been slight improvement due to the slow consumption of inventories in both China and Vietnam. Presently, the demand is robust only for specific species such as white oak veneer logs and hard maple veneer logs. Saw logs, especially red oak/white saw logs, are moving very slowly. This implies that the flooring market in both China and Vietnam is sluggish. Nevertheless, it is apparent that the overall markets in both countries are recovering, albeit at a slow pace. The major concern lies with the Chinese market, which could recover slower than the Vietnam market if the property market remains stagnant."

Architect – USA and International firm based in Shanghai

"In terms of the market, we haven't observed a turnaround yet. We anticipate that next year will be similar to this one, which has been tough for the design industry. We predict fewer new construction projects but an increase in renovations of existing buildings as they are repurposed for more optimal use."

Trader - Taiwan and GRCH Market

"We foresee a pessimistic market outlook for Q4 2023 and possibly the entirety of 2024 due to several adverse factors. These include rising rates from the Federal Reserve, an imbalance in market supply and demand, market deflation, and wars. Both our customers and we share this sentiment. We believe that this unfavorable market situation is unlikely to change until at least Q1 2025, and we consider this a highly probable scenario."

Importer -Shanghai

"Regarding hardwood lumber sales, they have improved since the end of the 3rd quarter, but significant changes are not anticipated in the near future. The Chinese market is expected to remain at the same level. The challenge for US hardwood lumber lies in meeting global demands and finding new real estate markets, similar to the strategies used in China in the past 30 years. Rather than taking too many actions, it may be better to wait until global conditions stabilize. Nonetheless, in

the next 5-10 years, China is expected to remain the largest export market for US hardwood lumber."

US hardwood supplier- Shanghai

"Since March, the import volume has been steadily decreasing each month. By October, imports are projected to be only 25% of what they were in March. The majority of imports come from the northern region, with fewer from the central region and very few from the south. In terms of grades, FAS is the primary one. There are a few 1 Commons and even fewer 2 Commons. The outlook for next year is not optimistic, as the low money supply may continue to suppress demand. This is the current market situation in China. As for the market in Vietnam, it's uncertain and difficult to predict, but it may face a similar situation to China."

B. SE Asia - Indonesia, Singapore and Vietnam

Lumber/Veneer Importer Distributor - Jakarta

"The RV industry's use of thin plywood from Indonesia is currently sluggish, resulting in high inventory. Domestic demand for lumber and veneer for housing is low due to the current interest rate. Indonesia's import of lumber from the US has significantly dropped due to low demand for exported doors and furniture. The slow pace is expected to continue throughout 2023. In 2024, there will be an election in Indonesia, which could further slow business."

Furniture Designer- Singapore

"The furniture design market in Singapore is showing signs of recovery in mid-to-late 2023. The successful completion of the second FIND exhibition has fostered optimism within the industry. The resurgence of hotel and condo construction in 2023 has created opportunities for interior design firms and other designers who supply them. The Singapore Furniture Industries Council (SFIC) has begun to actively support the industry by planning more exhibition opportunities in the next couple of years. Despite the slow restart and potential economic challenges, there's a sense of excitement for the future. The community seems to believe they can navigate any economic issues, having survived the complete shutdowns due to COVID-19."

Interior Designer-Singapore

"Since the end of the Covid-19 pandemic in early 2023, there has been a surge in demand for interior design and renovation services in both residential and commercial sectors. This is largely due to pent-up demand and an increase in sales of residential properties. The start of new businesses after the pandemic has also contributed to this demand. I believe this upward trend will continue."

Trade Associations VIFORES Hanoi and HAWA - HCMC of Vietnam

John Chan has been in dialogue with the leadership of HAWA (Furniture and Interior Contracting Enterprises Association) and VIFORES (Forest Products Industries Association). He has summarized his findings as follows:

Hanoi is anticipated to be the next significant business development focus after Ho Chi Minh City (HCMC). This is because it is projected that Hanoi will be among the fastest developing spots in Vietnam, gradually catching up to HCMC, the expected second focus point within the next five years.

Simultaneously, Hanoi is the center of Vietnam's government policy, including climate and forest regulation and the sustainability of wood products. This includes setting up regulations to slow the cutting of its own forest resources, similar to China's policy initiated 10 years ago.

HAWA Leadership

John has been consistently communicating with Mr. Khanh, the chairman of HAWA. They have exchanged views on Vietnam's future forestry control and regulation policies. Mr. Khanh is focused on advising Vietnam's Government Forestry Department to formulate future policies such as sustainable economic development tied to climate change and global warming. He also aims to gradually control the harvest and cutting of Vietnam's forests. Mr. Khanh believes that the outlook for US hardwood exported to the Vietnam market is promising.

John and Mr. Khanh have discussed the potential of mass timber structure applications in Vietnam and Southeast Asian projects. Mr. Khanh is confident that Vietnam will start using mass timber for projects and plans to build a Cross-Laminated Timber (CLT) manufacturing facility starting in 2024, with completion expected in 2025/2026. He believes that Vietnam will recover in the second or third quarter of 2024, including the import of US hardwood products.

VIFORES Leadership reports on the Vietnam market

Wood imports into Vietnam by months, 2022–2023 (US\$ million)

In September 2023, Vietnam imported 392 thousand m³ of wood, valued at US\$124.9 million, marking a 10.9% increase in volume and an 8.3% increase in value compared to August 2023. However, compared to September of the previous year, wood imports dropped by 22.5% in volume and 32.0% in value.

Over the first 9 months of 2023, Vietnam imported 3.279 million m³ of wood (logs and lumbers), worth US\$1.127 billion, a decrease of 28.3% in volume and 36.1% in value year-on-year. Wood imports from all major suppliers, including the EU, US, China, Cameroon, Chile, Laos, etc., dropped compared to 2022.

Conclusion

A survey with traders, manufacturers, and architect designers indicates that the US hardwood market in GRCH China is currently weak and sluggish. However, there are signs that the situation could improve, with a slow recovery potentially starting in the last quarter of 2023 or the first quarter of 2024.

Now is the right time for the American Hardwood Export Council (AHEC) to start strategic planning for the 2024 program in GRCH and Southeast Asia. The program will promote US hardwood sustainability and aim to integrate traders, manufacturers, architects/designers, and contractors into the supply chain.

In 2024, AHEC SEAsia and GRCH will select a suitable city to host the 27th AHEC GRCH & SEAsia convention, press conference, breakout session, and mini trade show, most likely scheduled for September 2024.

Furthermore, AHEC SEAsia and GRCH will plan two furniture design programs in 2024 - one in Southeast Asia and one in China - to promote and raise interest in the application of sustainable US hardwood.

Please note that starting from November 2023, AHEC SEAsia & GRCH, based in Hong Kong, will have a team of four dedicated to working on the busy 2024 program.

Upcoming Events in 2024

March 6-9

HAWA Expo 2024 & Hoa Mai Design Award
Ho Chi Minh City, Vietnam

March 28-31***

Interzum Guangzhou 2024
Guangzhou, China

May 9-12

Qingdao International Furniture Fair 2024
Qingdao, China

May 29-June 2

Hanoi Wood Expo
Hanoi, Vietnam

June 24-26***

Sylvawood Expo 2024
Shanghai, China

September 10-13***

FMC Premium 2024
The 29th Furniture Manufacturing & Supply China (FMC China 2024)
Shanghai, China

To be confirmed

American Hardwood Export Council 27th Greater China & Southeast Asia Convention and mini-trade show

September 18-20***

Thailand International Woodworking & Furniture Exhibition
Bangkok, Thailand

December

The 36th Taipei International Building, Construction and Decoration Exhibition 2024
Taipei, Taiwan

*****AHEC pavilion**



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