



August 2019

# MARKET REPORT

## Southeast Asia & Greater China

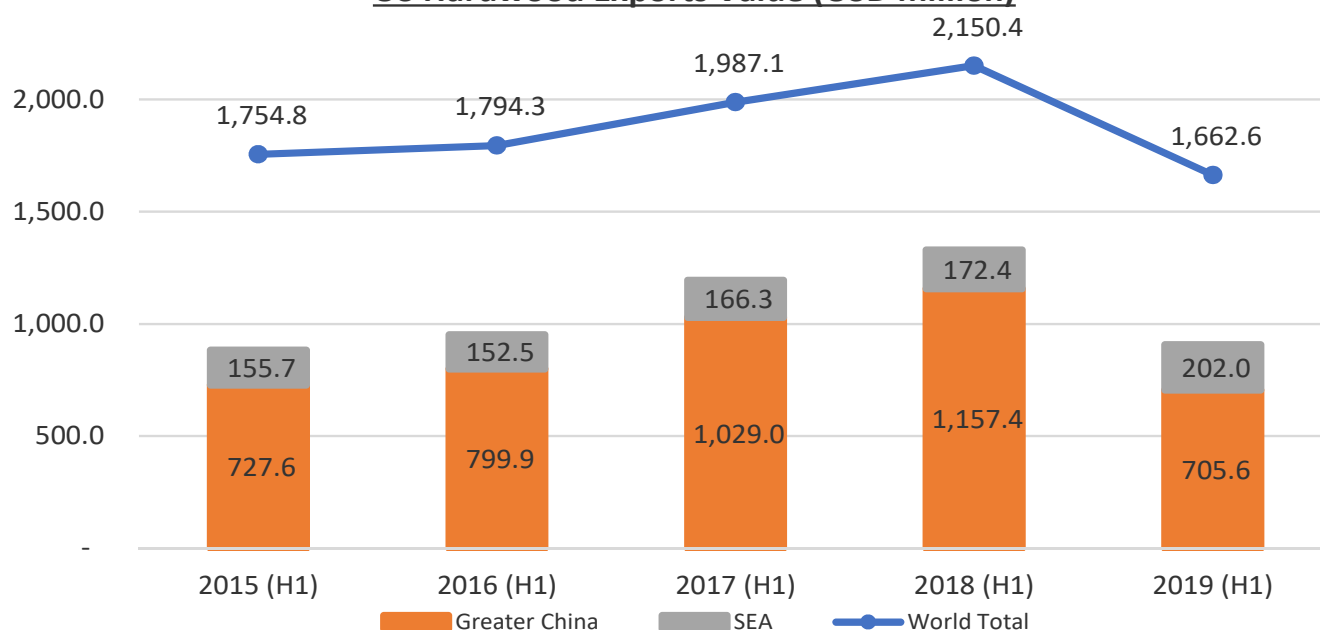
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## U.S. Hardwood Exports to Greater China Slow Continuously as Trade Tensions Worsen

Against the worsening trade tensions between U.S. and China, the overall value of hardwood exports to South East Asia & the Greater China market was \$907.6 million, down 31.7% compared to the first half of last year. The hardwood export value to Greater China fell 39% (YoY) to \$705.6 million. On the other hand, Southeast Asia markets increased 17.1% (YoY) to \$202 million with Vietnam accounting for 81% of that total (\$163.6 million in Vietnam, up 23% YoY).

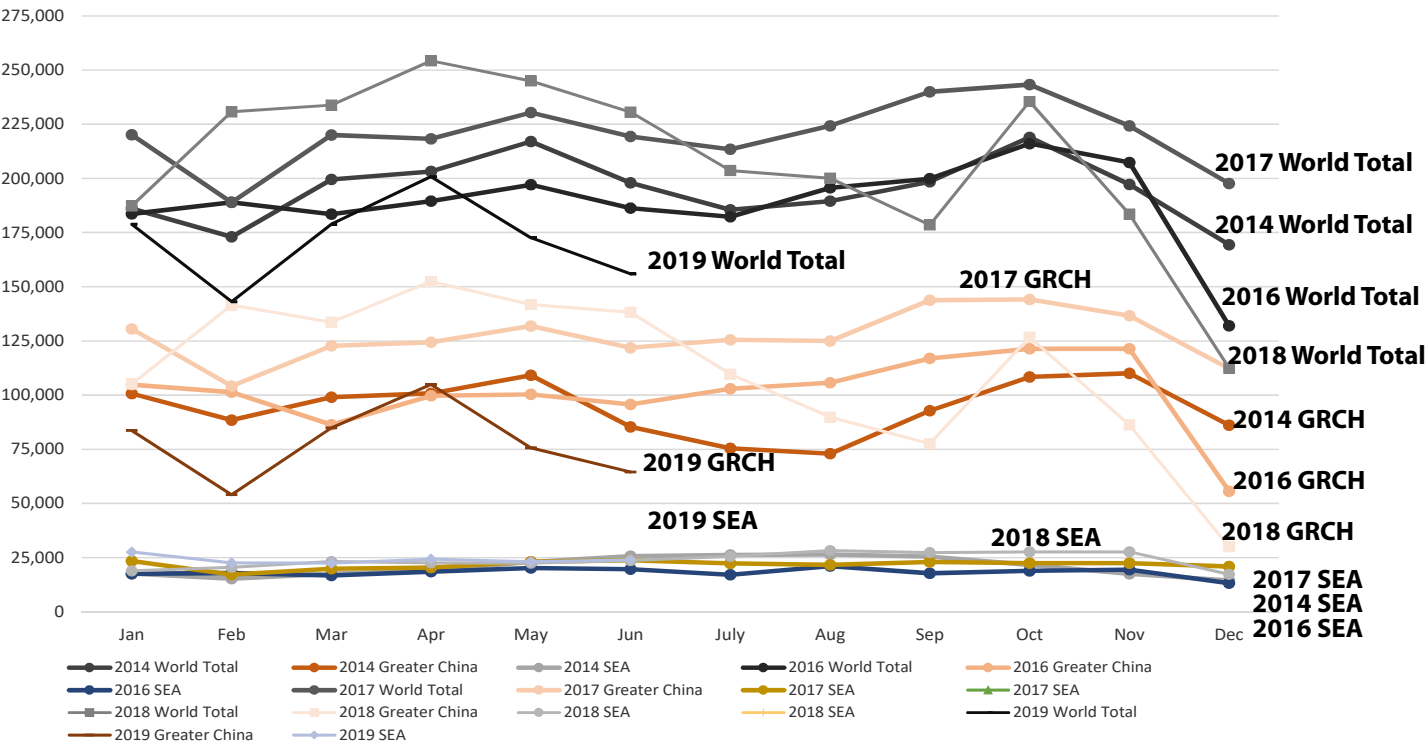
**US Hardwood Exports Value (USD million)**



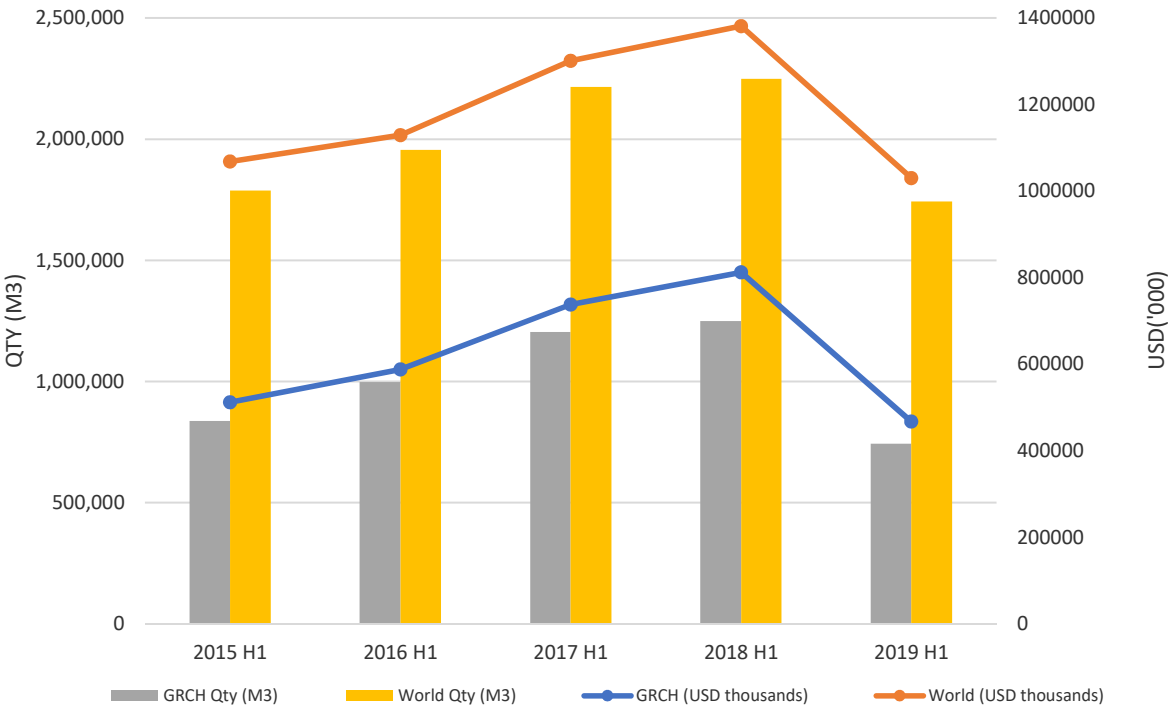
	Hardwood Lumber	% change	Hardwood Log	% change	Hardwood Veneer	% change
<b>Greater China</b>	\$467.4 million	-42.5%	\$232.8 million	-30.7%	\$2.8 million	-39.5%
<b>Vietnam</b>	\$117.1 million	14%	\$42.5 million	59%	\$3.89 million	19%
<b>Indonesia</b>	\$9.9 million	-22%	\$0.921 million	16%	\$4.1 million	12%
<b>Malaysia</b>	\$7.4 million	-6%	\$0.777 million	78%	\$2.45 million	-19%
<b>Thailand</b>	\$8.4 million	32%	\$0.407 million	-70%	\$0.039 million	-17%
<b>Philippines</b>	\$0.57 million	-10%	\$0.024 million	-93%	\$1.08 million	163%
<b>Singapore</b>	\$0.245 million	21%	\$0.129 million	N/A	\$0.18 million	137%

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)



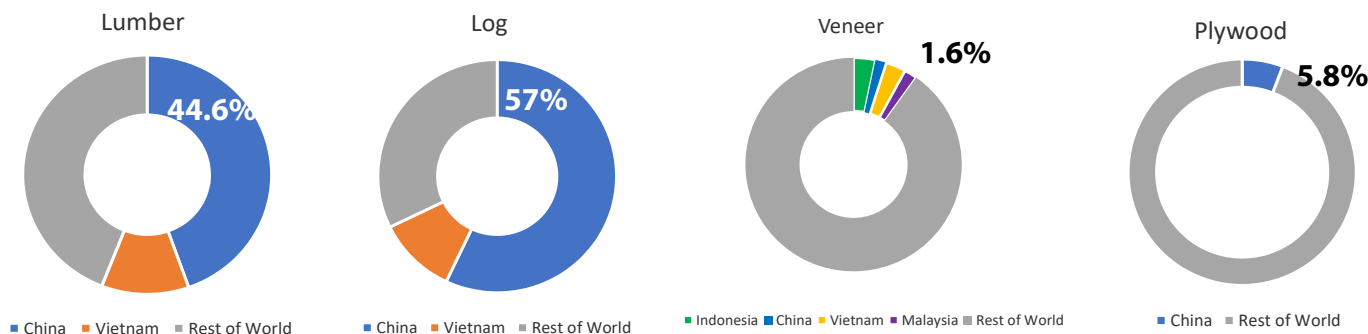
US Hardwood Lumber Exports to GRCH (2015 H1 - 2019 H1)



Greater China market falls 39%

The first half year of 2019 was the worst one for GRCH market compared to the past few years due in large part to the escalation of the trade war. The hardwood export value to GRCH was \$705.6 million, down 39% (YoY) when compared to the first half year of 2018. Export value of hardwood lumber and logs to Greater China (China, Hong Kong and Taiwan) decreased drastically at 42.5% to \$467.4 million (YoY) and at 30.7% to \$232.8 million respectively. Hardwood veneer fell at 39.5% to \$2.8 million (YoY).

So far in 2019 China has accounted for 44.6% of US global exports of lumber, 57% of US global exports of logs, 1.6% of US global exports of veneer and 5.8% of US global exports of plywood.

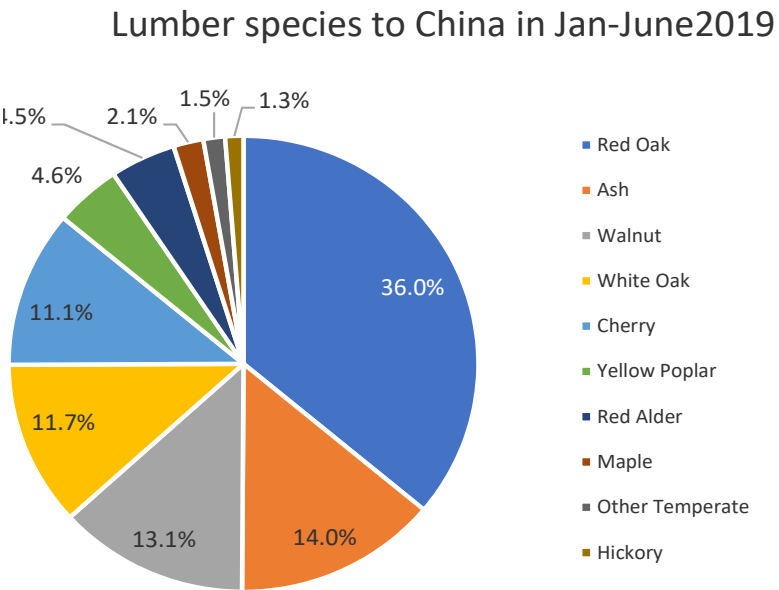


Lumber Species	Export Value (US\$ in million)	YoY % change	Export Qty (M3)	YoY % change
Red Oak	\$165.5 million	-43%	283,735	-36%
Ash	\$64.4 million	-35%	101,304	-31%
Walnut	\$60.3 million	-13%	47,844	1%
White Oak	\$53.6 million	-51%	81,680	-47%
Cherry	\$51.1 million	-36%	65,986	-28%
Yellow Poplar	\$21.1 million	-65%	53,565	-64%
Alder	\$20.7 million	-45%	54,539	-41%
Maple	\$9.4 million	-50%	14,623	-54%
Hickory	\$5.7 million	-46%	11,577	-40%

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

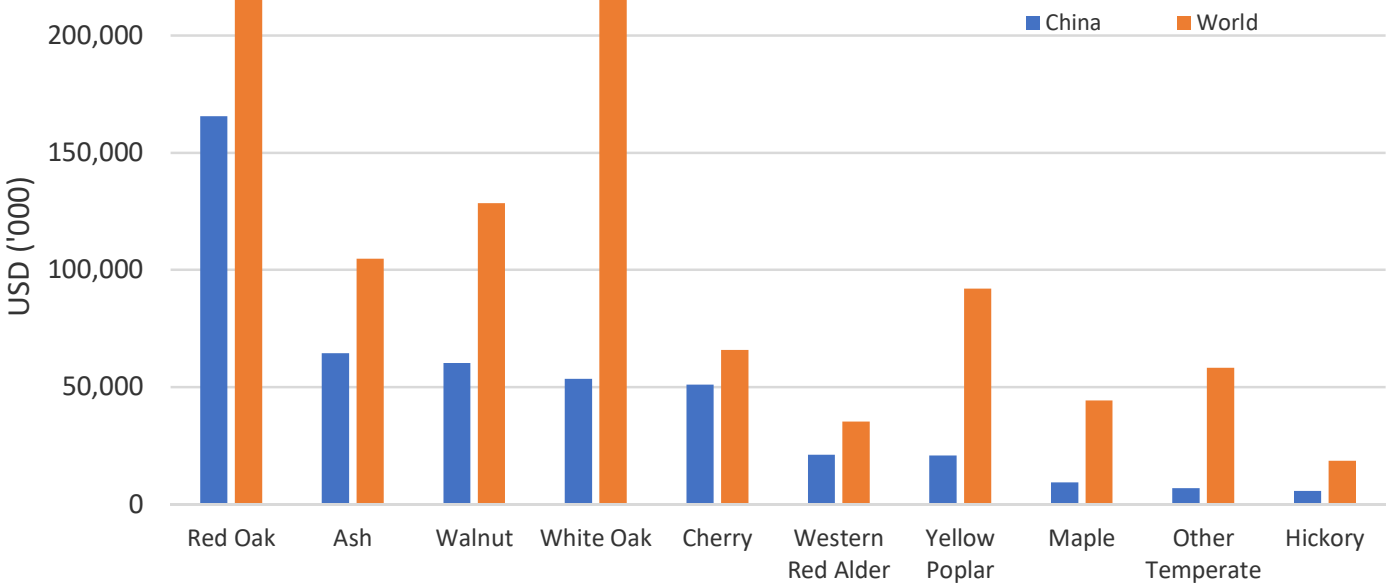
All the popular species of American hardwoods recorded losses from 13% to 65% when compared to the first half year of 2018. Red oak lumber dropped 43% (YoY) by value and 36% (YoY) in volume to \$165.5 million and 283,735 (M3). Ash lumber declined at 35% (YoY) by value and 31% (YoY) in volume to \$64.4 million and 101,304 (M3). Walnut lumber dropped at 13% (YoY) by value but gained 1% (YoY) in volume to \$60.3 million and 47,844 (M3). White oak lumber was down 51% (YoY) in value and 47% in volume to \$53.6 million and 81,680 (M3).

Top six species were red oak, ash, walnut, white oak, cherry and yellow poplar in the first half year of 2019. They generated over \$416.2 million exports and accounted for over 90% of the total hardwood lumber exports to China.



In the first 6 months of 2019, China has purchased 77.6% of all cherry, 66.3% of all red oak, 61.5% of all ash, 59.9% of red alder and 47% of walnut that has been exported.

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



SEA market grows at 17.1%

Southeast Asia markets remain strong in the first half year of 2019. Export value to SEA reached \$202 million, up 17.1% (YoY) in which over 81% was contributed by Vietnam. The export value of hardwood lumber to SEA is up 9.9% (YoY) to \$143.9 million, logs are up 51.3% (YoY) to \$44.8 million, and veneer is up 11.9% (YoY) to \$11.8 million.

Export value to Vietnam continues to hit records but the growth rate is cooling down, increasing 23% (YoY) to \$163.6 million in which the export value and volume of hardwood lumber grew 14% to \$117 million and 14% to 263,611 (M3), logs surged 59% by value and 67% in volume to \$42.5 million and 91,216 (M3) and veneer to Vietnam increased 19% to \$3.89 million.

Thailand, Philippines and Singapore market recorded a growth at 14.3%, 32.9% and 31% (YoY) respectively. The rest of SEA markets shrank on year-on-year comparison, Indonesia decreased 12.8% and Malaysia fell at 5.4%.

SEA Markets

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

Top Lumber Species  
(M3, YoY % change)

Vietnam	Yellow Poplar (\$41.3 million, 1%)
	White Oak (\$33.1 million, 28%)
	Walnut (\$10.9 million, 5%)
	Red Oak (\$10.4 million, 3%)
Indonesia	White Oak (\$4.5 million, 40%)
	Walnut (\$2 million, 35%)
	Red Oak (\$1 million, 146%)
Thailand	White Oak (\$3.2 million, 9%)
	Ash (\$1.51 million, 31%)
	Yellow Poplar (\$1.4 million, 49%)
Malaysia	White Oak (\$2.86 million, 6%)
	Walnut (\$1.57 million, 4%)
	Yellow Poplar (\$1.2 million, 17%)
Philippines	Walnut (\$0.186 million, 32%)
	White Oak (\$0.148, 18%)
	Ash (\$0.114 million, 2%)

Yellow Poplar (121,704, 4%)  
White Oak (57,617, 34%)  
Walnut (10,616, 8%)  
Red Oak (19,229, 12%)

White Oak (6,019, 39%)  
Walnut (1,441, 33%)  
Red Oak (1,482, 181%)

White Oak (4,095, 21%)  
Ash (1,929, 33%)  
Yellow Poplar (3,516, 63%)

White Oak (3,862, 7%)  
Walnut (1,320, 5%)  
Yellow Poplar (3,267, 32%)

Walnut (132, 48%)  
White Oak (238, 24%)  
Ash (149, 4%)

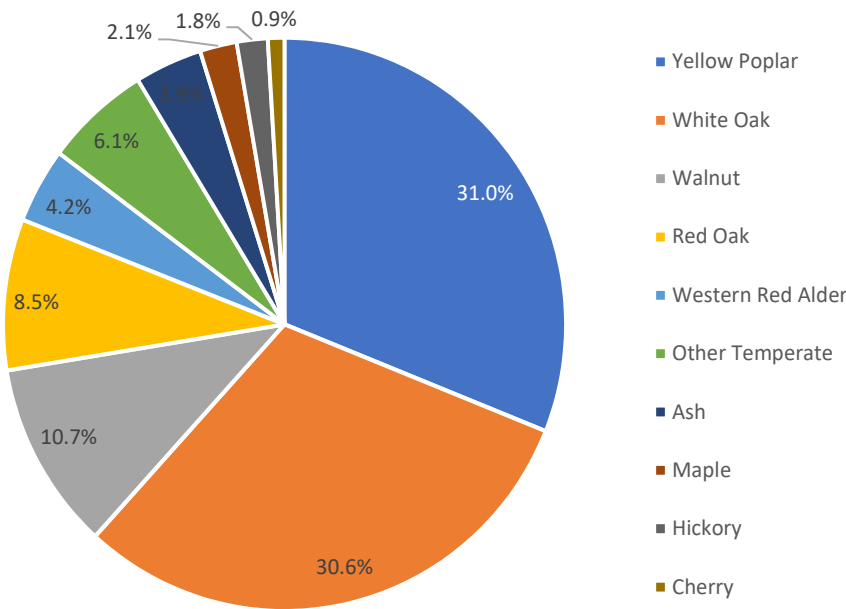
SEA Markets

Singapore

**Top Lumber Species  
(US\$ in million, YoY % change)**  
Ash (\$0.11 million, 142%)  
White Oak (\$0.059 million, 14%)  
Yellow Poplar (\$0.043 million, --)

**Top Lumber Species  
(M3, YoY % change)**  
Ash (158, 147%)  
White Oak (57, 47%)  
Yellow Poplar (82, --)

Shares of species in SEA markets Jan-Jun 2019



Conclusion - New Challenges in China Trade for US Hardwood

According to the USDA export data, lumber imported in the first 6 months of 2019 into China dropped by a value of US\$342 million (down 42.5%) from the same period in 2018. Red oak lumber decreased by a value of US\$165 (down 43%) as well. In short time it is difficult to find a market to recover the loss.

Before August 5th China’s currency (Yuan) exchange rate was 1USD to Yuan 6.8 but recently it has fallen below 1 USD to Yuan 7.05. Nowadays the exchange rate is 1 US\$= Yuan 7.09. That makes Chinese importers’ purchasing power weaker than before and therefore makes US goods more expensive. This devaluation has led the US Treasury to label China a currency manipulator.

During his trade servicing in HCMC, AHEC Regional Director John Chan heard some news from his Taiwanese and Mainland Chinese contacts; Taiwanese and Chinese timber product companies’ expansion plans in Vietnam are changing, and instead of building new plants in Vietnam, they are planning to purchase some existing or old Vietnamese factories. This could mean that the expansion from real investment has been limited and that is to say, “replacement instead of additional investment.”

Chinese total imports of red oak lumber in June was valued at US\$ 165 million (43% drop). The import value is still higher than the total Vietnam’s lumber import in June = US\$ 117 million and SEA total lumber imports= US\$144 million. There is opportunity for red oak in this market to grow.

Recommendation:

To strengthen the red oak promotion program in China and SEA (Vietnam, Indonesia, Thailand and Malaysia)

In short term, increase effort to promote the species as walnut, and maple etc. with only 5% Chinese retaliatory tariff.

Develop and strengthen the domestic demand in China and SEA through cooperate with AIA in China and local architects and interior designers in promoting US hardwood for interior and architectural projects.

According to American Institute of Architects (AIA) in Shanghai and Beijing, the US architects’ projects

market share is still growing strongly, and the US-China trade war so far has not caused any negative impact to their practice and business. AHEC jointly organize or support AIA events would help AHEC to influence the Chinese architects and interior designers as well as American architects in China to increase application of sustainable US hardwood for interior and architectural projects.

Opportunity for Cooperation:

AIA International Region (IR) has invited FAS in Beijing and AHEC to support AIA (IR) Annual Conference scheduled on November 14-18, 2019 in Shanghai and Beijing. They particularly have invited AHEC to sponsor this five-day event and AHEC is waiting for AIAIR's proposal. FAS in Beijing has already given its support to AIA event in China.

## 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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