

MARKET REPORT

SOUTHEAST ASIA & GREATER CHINA | September 2021 |

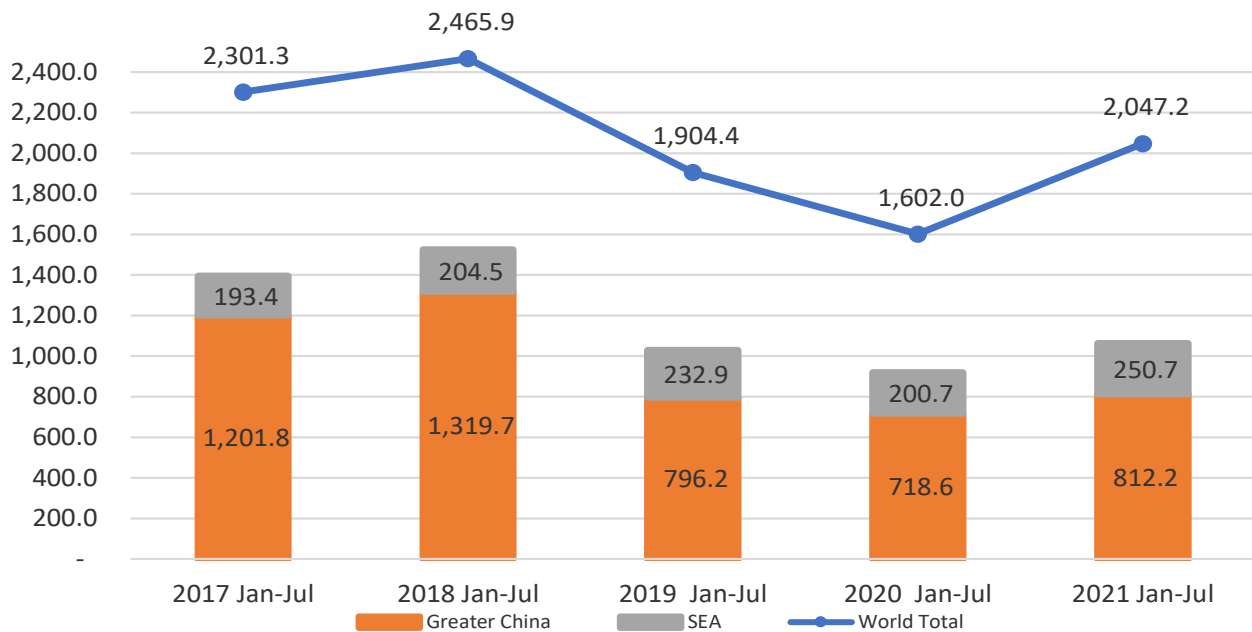
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American Hardwood Exports Sustain Healthy Recovery in GRCH & SEA

American hardwood exports in Greater China and Southeast Asia are sustaining a recovery through 2021. The total value of U.S. hardwood exports to Greater China and SE Asia was over \$1 billion in the past seven months of 2021, an increase of **15%** when compared to the same period of 2020. Hardwood exports to Greater China are up **13%** (YoY) to over \$812.2 million, and hardwood export to SEA reached over \$250.7 million, up nearly **25%** (YoY).

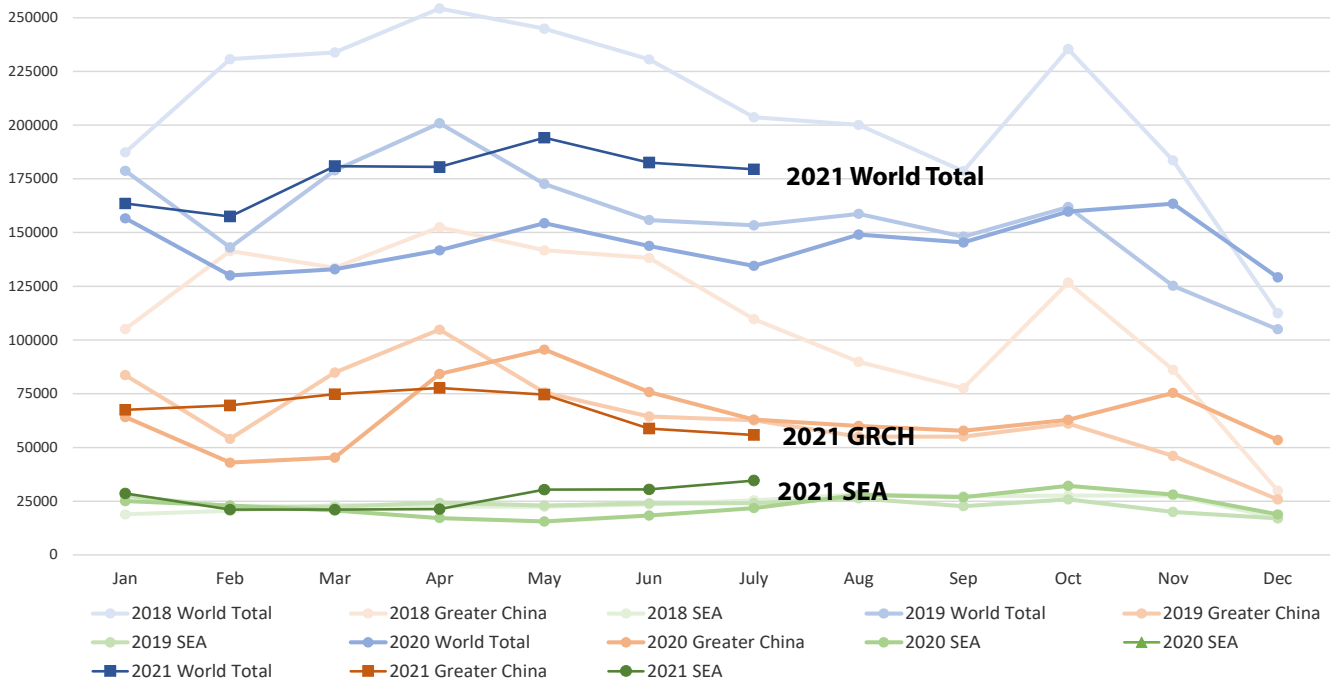
US Hardwood Exports Value (USD million)



	Hardwood Lumber	% change	Hardwood Log	% change	Hardwood Veneer	% change
Greater China	\$478.9 million	1.7%	\$327.8 million	34.6%	\$4.7 million	82.1%
Vietnam	\$148.6 million	32%	\$44.6 million	-	\$4 million	31%
Indonesia	\$17.4 million	74%	\$0.72 million	-27%	\$5.9 million	48%
Malaysia	\$10.6 million	47%	\$0.1 million	-85%	\$3.9 million	35%
Thailand	\$10.2 million	-3%	\$1.1 million	-30%	\$0.04 million	-30%
Philippines	\$0.562 million	-1%	\$0 million	-	\$0.569 million	-3%
Singapore	\$0.256 million	137%	\$0.018 million	-72%	\$0.27 million	-13%

Year-on-Year changes in U.S. exports of hardwood lumber, logs and veneer to Greater China and SEA, 2021 (Source: USDA)

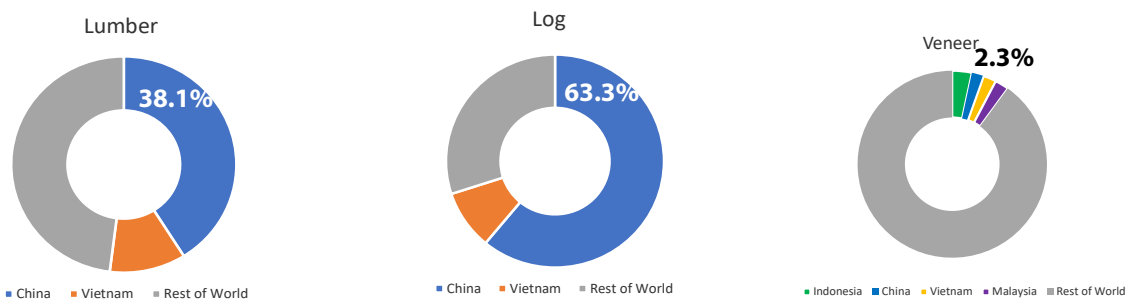
Lumber Value - World Total vs GRCH & SEA (USD'000)



Greater China market grows 13%

The overall hardwood export value to GRCH market totaled over \$812 million, up 13% (YoY), with lumber up 1.7% to \$478.9 million, logs surged 34.6% to \$327.8 million, and veneer soared over 82% to \$4.7 million.

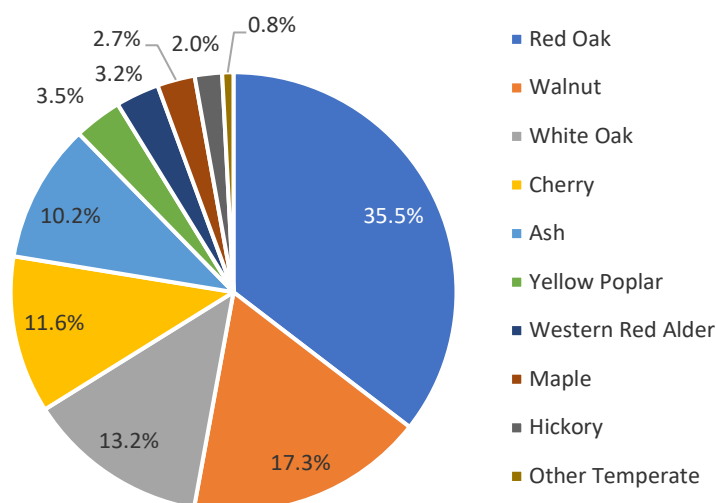
The most popular US hardwood species in China remain red oak, walnut, white oak, cherry, ash and yellow poplar. They generated over \$431 million in exports and accounted for over 91% of the total hardwood lumber exports to China. For the first seven months of 2021, China purchased over 84% of all cherry, 57% of all red oak, nearly 50% of ash, over 45% of walnut and nearly 40% of red alder that was exported globally



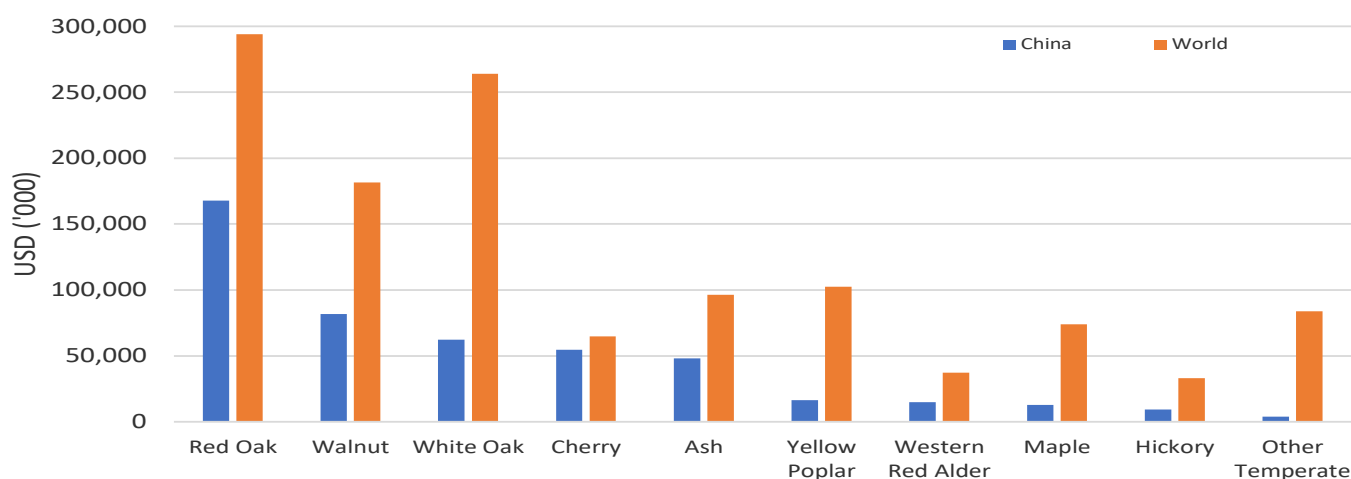
Lumber Species	Export Value (US\$)	YoY % change	Export Qty (M3)	YoY % change
Red Oak	\$167.8 million	1%	253,760	-13%
Walnut	\$81.8million	13%	53,312	-15%
White Oak	\$62.3 million	16%	88,060	-6%
Cherry	\$54.6 million	10%	64,693	-9%
Ash	\$48.1 million	-21%	73,041	-31%
Yellow Poplar	\$16.5 million	-30%	38,987	-39%
Red Alder	\$14.9 million	2%	36,286	-18%
Maple	\$12.9 million	26%	18,011	16%
Hickory	\$9.3 million	13%	14,575	-2%

US Hardwood Lumber Exports to Mainland China by Species Jan-Jul 2021 (Source: USDA)

Lumber species to China in Jan-Jul 2021



Top Species to Mainland China vs World Total Jan-Jul 2021



Tariff Exclusion Extension on Hardwood Products in China

According to the State Council Customs Tariff Commission Announcement, the exclusion period stipulated in the Tariff Commission Announcement No. 8 (2020) and the Tariff Commission Announcement No. 2 (2021) will be extended through April 16, 2022 and no retaliatory Section 301 tariffs will be imposed.

Annex: The fifth exclusion list to be extended for the U.S. products imposed with additional tariffs (click [the fifth exclusion and extension list](#) for full list in Chinese), below are hardwood related.

HS Code	Commodity Description
44039100	Other oak (<i>Quercus</i> spp.) logs (except those treated with paint, colorant, creosote, or other preservatives)
44039960	North American hardwood logs (including cherry, walnut and maple)
44079100	Wood sawn or chipped lengthwise, sliced or peeled, of oak (<i>Quercus</i> spp.), end-jointed/not end-jointed, thickness > 6mm
44079400	Wood sawn or chipped lengthwise, sliced or peeled, of cherry, end-jointed/not end-jointed, thickness > 6mm
44079500	Wood sawn or chipped lengthwise, sliced or peeled, of ash, end-jointed/not end-jointed, thickness > 6mm
44079930	Other North American hardwood, sawn lengthwise, thickness > 6mm

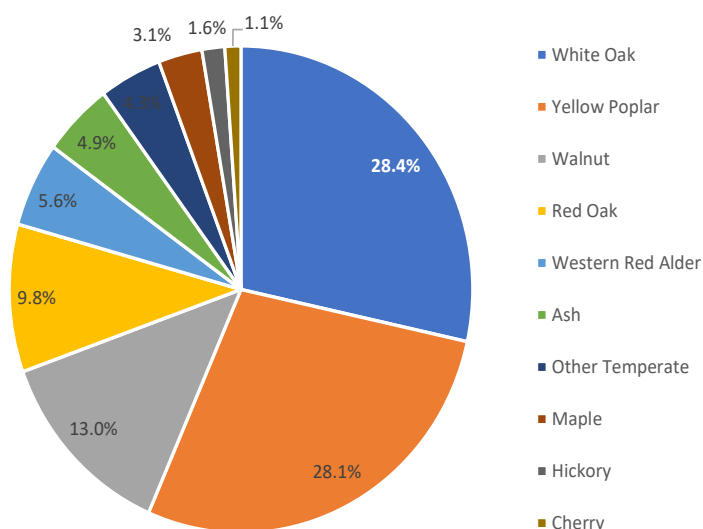
Southeast Asia market jumps nearly 25%

The total export of American hardwoods to SEA was over \$250 million, up 24.9% (YoY). Hardwood lumber exports to SEA gained over 33% (YoY) to \$187.8 million, veneer leaped at 35% (YoY) to \$14.9 million, and logs slightly fell 3.1% to \$46.5 million.

Vietnam contributed over 78% to the total SEA market. In the first seven months of 2021, the hardwood lumber export value to Vietnam increased 32% (YoY) to \$148.6 million and the volume of lumber is up 4% to 281,987 (M3), veneer exports value also climbed up 31% to over \$4 million, logs are slightly down 0.2% by value to \$44.6 million.

For the rest of the SEA market, only Thailand recorded a negative growth. Other countries such as Indonesia, Malaysia, Philippines and Singapore showed a strong bounced back, rose from 10.9% to 59.8% (YoY).

Lumber species to SEA market Jan-Jul 2021



SEA Markets

Vietnam

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

Yellow Poplar (\$48 million, 10%)
White Oak (\$37.2 million, 61%)
Walnut (\$18 million, 30%)

Top Lumber Species (M3, YoY % change)

Yellow Poplar (118,815, 15%)
White Oak (58,479, 40%)
Walnut (16,888, 4%)

Indonesia

White Oak (\$8.4 million, 110%)
Walnut (\$2.6 million, 61%)
Ash (\$1.7 million, 1%)

White Oak (11,621, 77%)
Walnut (1,782, 28%)
Ash (2,818, 10%)

Thailand

White Oak (\$3.9 million, 23%)
Ash (\$1.9 million, 26%)
Yellow Poplar (\$1.3 million, 121%)

White Oak (5,609, 39%)
Ash (2,582, 13%)
Yellow Poplar (2,952, 138%)

Malaysia

White Oak (\$3.6 million, 10%)
Walnut (\$2.5 million, 140%)
Yellow Poplar (\$2.5 million, 133%)

White Oak (4,539, 8%)
Walnut (1,985, 71%)
Yellow Poplar (5,358, 86%)

Philippines

Walnut (\$0.173 million, 22%)
Other Temperate (\$0.09 million, 31%)
Cherry (\$0.07 million, --)

Walnut (75, 10%)
Other Temperate (222, 47%)
Cherry (55, --)

Singapore

Other Temperate (\$0.073 million, --)
White Oak (\$0.06 million, --)
Birch (\$0.026 million, --)

Other Temperate (146, --)
White Oak (102, --)
Birch (36, --)

Event Review

AHEC x AIA Seminar in Beijing

This year AHEC has worked closely with AIA SH|BJ and AIA HK chapters to co-organize a series of seminar in Mainland China and Hong Kong. The first one was kick-off in Beijing on June 10. ATO Deputy director of Beijing, Dr Chris Bielecki gave the closing remarks and Gregory Harris, Chief Secretary of Commercial Affairs, US Embassy Beijing gave the opening remarks. John Chan also delivered a short brief via zoom to introduce the AHEC mission and program in China and SEA.

One of the speakers, Mr Satoshi Ohashi, Director of Zaha Hadid Beijing presented projects with US hardwood, one of them was Azerbaijan Cultural Center in American white oak. The other speaker Mr Luo Yujie, Founder of Luo Studio, designed building with US red wood and spruce. The seminar was well attended by over 80 audiences and 38,000 online viewers through live streaming.



AHEC x HDII Design Week - Mayantara JAK.ID 2021

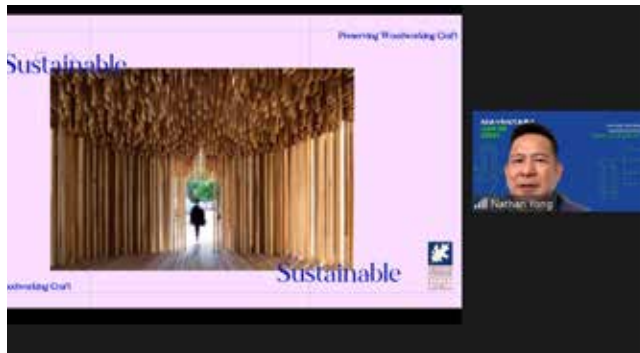
AHEC was invited to co-organise the second day of the Mayantara JAK.ID 2021 virtual design week hosted by Mayantara and HDII DKI Jakarta, with a focus on Interior and Spatial Design as a gateway to enhance public experience. The event ran from 16 to 18 June 2021 and with designers from Indonesia, Singapore, Vietnam and beyond attending. John Chan also delivered a short brief via zoom to introduce the AHEC mission and program in China and SEA.

AHEC presented various esteemed speakers:

- Nathan Yong, founder and director at Nathan Yong Designs, revealed his perspective on lasting design. He pointed out that the American hardwoods are sustainably harvested, and of consistent quality, which assures his pieces will be kept by the users.
- Karina Cheung, managing and creative director at Bika Living, shared her journey into design and her search for craftsmanship. She shared particularly American walnut being one of the materials she uses frequently, due to its strength and durability, which allowed her to experiment with different structures as a designer.
- Eddy Budiono, CEO and Owner of PT. Abadi Indorona, took the audience on a virtual factory tour of one of Indonesia's top manufacturers that exports to Europe, and gave a behind-the-product view of how American white oak is processed down the production line. He gave a presentation demonstrated how American hardwood checks all the boxes as a good timber for choice with its systematic grading system, wide species diversity and its sustainable harvesting.

Over 160 members of the design community in Indonesia and beyond gathered online over the 3 webinar sessions to learn about the quality, variety, versatility and sustainability of American Hardwood during the event.





Vietnam Webinar on September 24, 2021

John Chan has been invited to give 10 minutes update of US hardwood market in Vietnam and SEA and address the tighten supply of US hardwood regarding the post-pandemic recovery strategies of Vietnam Woodworking industry.

John Chan reported the US hardwood lumber exports to Vietnam and SEA (market) and China including the species (to June, 2021) and showed 6 slides of Mike’s presentation in August.

In addressing the US hardwood tightened supply from US hardwood industry in the past 6 months, and global warming- a growing concern such as Carbon Neutral and Climate Change, John made the following comments during his 10 minutes talks:

John encourages them to explore species that they may not have used before. The forest is a natural resource and it is important not just to use the one or two species that are in fashion but to use the species that US hardwood forest provides. For this reason, they could consider using other species such as American cherry, hard and soft maple, red oak in addition to walnut, tulipwood, white oak and ash etc. John encourages designers and architects to also consider flaws or defects (referred imperfections) are natural elements of a natural material.

Importers, end- users and architects and designers could find supply of US hardwood more available in the market.

HAWA vice chairman informed that John Chan’s remark in his talks is positive, and a furniture company will send an enquiry for lesser-known species through the trade lead form.

Market survey

John Chan conducted market survey for July/August/September 2021’s Market Report - GRCH & SEA via telephone interview.

A. Greater China

1) Current Economic Situation

Exports grew by 32.2% in June 2021 from a year earlier, to US\$281.42 billion – up from the 27.9% growth seen in May 2021. China imports grew by 36.7% in June, year on year, but down from 51.1% from May.

China’s economy has bounced back with GDP grew by 7.9% in Q2 compared with a year ago, translating to a 12.7 % growth in the first half of 2021. China’s export grew 32.2% in June 2021 from a year earlier, to US\$281.42 billion, up from the 27.9% growth seen in May 2021. China imports grew by 36.7% in June, year on year, but down from 51.1% from May.

The unexpected report on Evergrande unprecedented financial difficulties shocked China’s property and housing market which could extend to banking and financial sectors. Investors have worried that if the matter continues to get worse without further action by the Chinese government, the company might fail, wound stockholders and domestic bondholders including international investor. It has been reported by major news from Hong Kong and international Financial News that Evergrande Group was facing unprecedented financial difficulties. Some financial analysts and economists commented the situation would lead to more volatility to the property and banking sector, although

not to the next financial crisis. The crisis has not been resolved fast, it would create a cloudy sky warning the storm is to come soon. That could directly impact the construction and interior design industries which affect the consumption of US hardwood. With this uncertainty plus Beijing's heightened cooling measures, the housing market could be taking a turn to slow down.

AHEC in Hong Kong would keep an eye on the further development of what happens to Evergrande Group' next.

Architects and some AIA architect firms and members in China and Hong Kong reported they have many projects in hand, signaling the construction industry and housing development starting to recover close to pre-CoVid19 pandemic period in 2019. The reason for jetting up demand and the rising price stems from people worrying about inflation.

AIA architects said the Chinese government pays great attention and focuses on the issues of Global Warning and Climate Change.

FT (Financial Times) and several news agencies reported that China launches world's biggest carbon trading scheme which is what the European did for the first phase of ETS.

China's Ministry of Finance on September 17, 2021 announced tariff exemption on US hardwood to China until April 16, 2022 is a positive news to Chinese importers and distributors.

All these would have built up an ideal environment for AHEC to promote further sustainable US hardwood for carbon sequestration.

2) Market Survey

John Chan collected comments from telephone, whatsapp interview with importers, distributors, producers, designers/architects and association leaders from mainland China, Hong Kong and Taiwan.

- Currently they experienced the price of some species readjusting, including softwoods.
- They could barely meet the demand for the past month, even though some of the factors stemmed from the disruption of the supply chain. But demand for American hardwood is strong.
- Due to the increase of both inland and ocean freight, low profit margin was resulted. But overall it is okay.
- They said "The bottle neck is the transportation and ocean booking. We can't find local trucking companies to haul containers and ocean booking is tough. All these are out of our control. That really impacted our business."

"We have tons of orders, but we are doing like 50% of them. So frustrating."

"Looking forward to the next season, the demand for American hardwood stays strong in China and southwest Asia, I believe, at least for species like white oak and walnut. White ash changes fast. We saw the highest history price for white ash in June, but price is down a bit now."

- Some said due to the lack of supply from the US, they turned to import some species from Europe but they found the selection of species and supply limited.
- The market outlook for the rest of 2021 is positive. Importers and user are gradually adopting and accepting the high price and longer delivery period, being flexible in species and grade during the CoVid19 pandemic.
- However, factories in Qingdao which has located the tariff/tax Bonded Area would not be affected.
- Ningbo Furniture Chamber of Commerce, Deputy Secretary General said their members hesitated to take big order and keep higher inventory because they worry the escalated price of some most

popular species might be fluctuated and instead take smaller order and keep small inventory.

B. Southeast Asia (Indonesia, Malaysia, Philippines, Singapore, Thailand and Vietnam)

1) Overview of the Current Coronavirus Condition

SEA is currently battling its longest-running and most severe outbreak. Indonesia, Malaysia, The Philippines, Singapore, Thailand and Vietnam reported record high new infected cases (between 10,000 to 45,000 cases per day in June/July) with Delta variants which have been considered serious and highly contagious. As a result, July travel restrictions for local travels and international travels have been enforced consequently, causing most business activities and operations to halt. Factories stopped their operation and many major ports had been lockdown.

2) Market Survey

- Demand of US hardwood lumber and veneer as well as logs reported on growing track and supply is tight due to shortage supply, delay shipment and high cost of transportation.

- Overall business will be affected over uncertain pandemic situation.

- For the sectors of furniture and doors, factories are busy but in short of imported material due to the delayed delivery period.

- Also, very high shipping costs are hindering export but buyers are willing to pay.

- The shipment of lumber and veneer from US to China and SEA are affected while taking longer transit time.

- Some factories mentioned they might move to use more local species timber because of the high price of US hardwood, shortage of containers and lacking of schedule cargo vessel sails which are major issues, exceptional of species cannot be substituted such as odd size cuttings or species like red oak and walnut and maple.

Malaysia

- Recent lockdown due to the highly rising coronavirus inflected cases have forced furniture factories to close down in June and July which affected the import of US hardwood.

- It was reported that the end of May/June 2021 shipments to America have been slowing down while sea freight have gone up for July/August 2021.

- All factories have stopped production & only have limited shipments, so far there is not much improvement.

Hoping by September 2021 the infection rate will go down & government will allow production. US Hardwood imported to Thailand should be at same pace in terms of impact.

Singapore

A Singaporean furniture producer reported his factories in Vietnam and Malaysia have been getting worse due to Covid19 pandemic cases, leading to a shut down. When trying to meet both governments' requirements to start again, his Malaysia and Vietnam factories still cannot operate which affected his production and consequently impacted the import of US hardwood. He said although he has no production in China, retail in China had not been affected by COVID19 and indeed, sales increased during Covid.

Thailand

- Wooden furniture and flooring have maintained growth with 16% increase in export but domestic market for furniture is facing troubles.

- US hardwood and softwood lumber are good as overall pricing increases. However, it could be difficult for users to find good replacement. Some said the market for US hardwood could be slowing down due to the new wave of the coronavirus in Thailand with new infected cases of 10,000 per day.

Vietnam

- HAWA reported Vietnam export of timber and timber products in Jun 2021 reached \$1.5 billion USD, up 57% compared to Jun 2020. In which, the export of wood products is estimated at \$1.23

billion USD, up 58.6% compared to June 2020. In general, the first 6 months of 2021, the export value of wood and wood products is estimated at \$8.1 billion USD, up more than 61% over the same period in 2020. In which, the export of wood products is estimated at \$6.4 billion USD, up 75.7% over the same period in 2020. In the first 6 months of 2021, Vietnam import of raw wood was estimated at 3,566 million m³, worth \$1,142 billion, up 34.6% in volume and 40.6% in value over the same period in 2020 which led US hardwood in demand. However, HAWA has not include that the country has lockdown which caused factories to close due to the severe condition of the coronavirus inflected cases occurred in the furniture factories in Vietnam.

- Taiwanese Distribution in Binh Duong reported the Vietnam market driven from the furniture demand was good in May and June. Now lots of factories have been facing to close for 2-3 weeks due to the pandemic.

- For US Hardwood, the market is good but customers pause buying because of the high price level. They are waiting the price to drop in Q3. Hope COVID-19 in Vietnam can be controlled soon. If not, the business will be affected a lot.

- HAWA chairman reported export in April and May were OK mainly to US. June and July may be difficult because pandemic has spread in the south where most factories are located which could be a reason for some factories to place smaller order as to wait and see situation.

The good news is that all ports in VN are operational. Cat Lai port in VN is operating normally. But checking in, loading and unloading of containers me be carefully to avoid coronavirus infection, but services are nearly back to normal, reported by leaders of VIFORES, HAWA and Binh Duong Furniture Association.

C. Finding

Overall the general view is that China trade may slow down in second half of 2021 despite strong imports and exports in June due to the new wave of coronavirus with strong contagious variant spreading worldwide.

D. Program Planning

To strengthen US hardwood markets in China and SEA, AHEC will plan webinars in Shanghai, Shenzhen/Guangzhou, Hong Kong and Vietnam between October and December 2021. AHEC will join cooperation with AIA Chapters in China, Hong Kong, International Region, and local architects/designers, and trade and furniture associations

Upcoming Events in 2021

December 28-31

FMC Premium 2021

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

Shanghai, China

Coming seminar (physical/webinar):

October 23

Walking Tour & Seminar of Rosewood Hotel (AHEC x AIA HK)

Hong Kong, China

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



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