

MARKETREPORT

SOUTHEAST ASIA & GREATER CHINA | November 2021 |

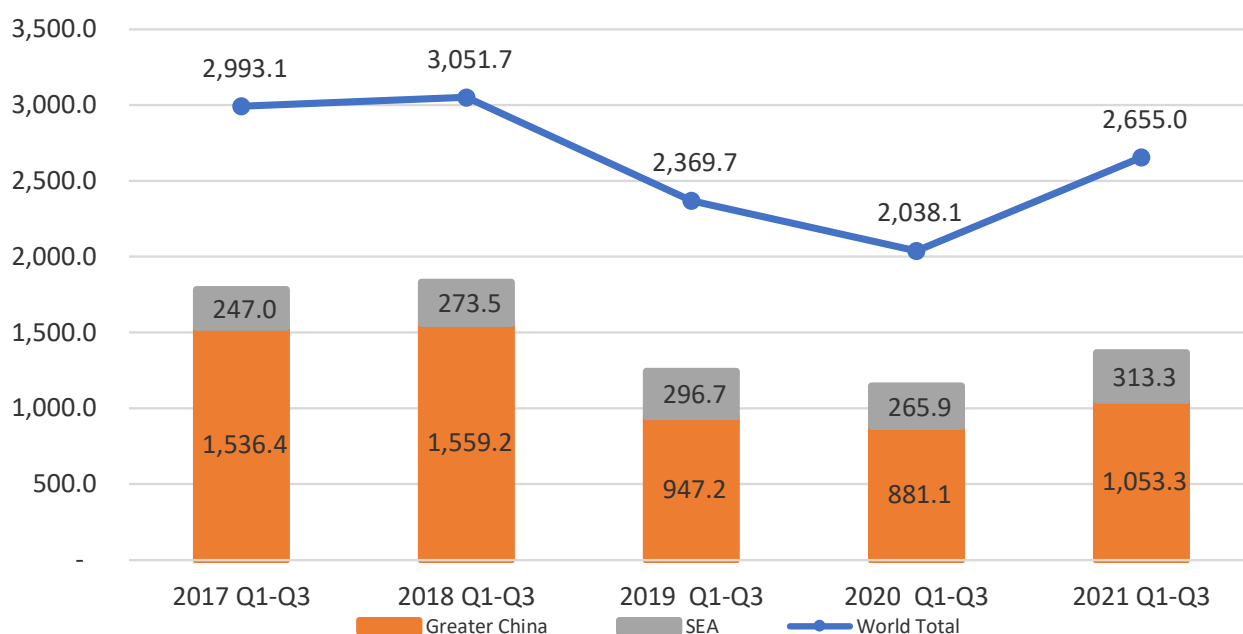
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Solid Performance in China, Southeast Asia Hits Record High

American hardwood exports in Greater China and Southeast Asia have remained resilient in spite of global shipping issues. The total value of U.S. hardwood exports to Greater China and SE Asia was over \$1.36 billion in the past three quarters of 2021, an increase of nearly **20%** when compared to the same period 2020. The hardwood export value to Greater China market rose **19.5%** (YoY) to over \$1 billion for the first time since 2018. Total hardwood exports value to SEA hit a record high at \$313.3 million, up nearly **18%** (YoY).

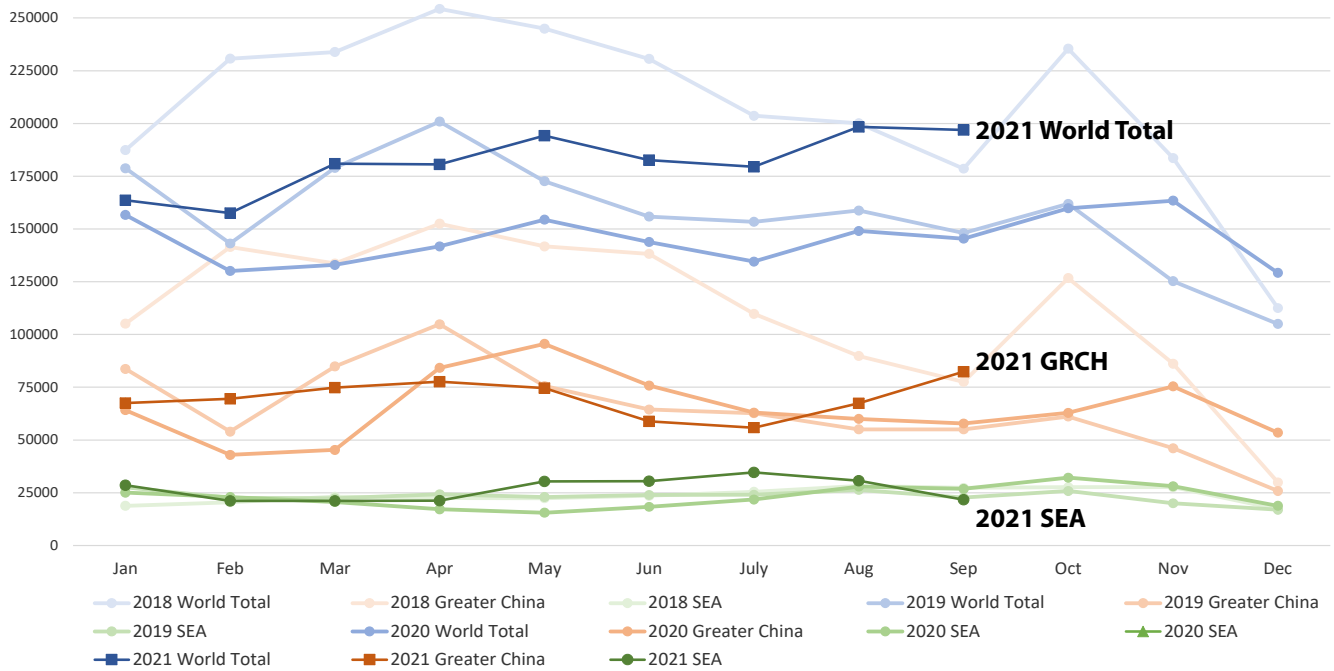
US Hardwood Exports Value (USD million)



	Hardwood Lumber	% change	Hardwood Log	% change	Hardwood Veneer	% change
Greater China	\$620.5 million	7%	\$409 million	48%	\$5.6 million	74%
Vietnam	\$188.3 million	20%	\$51.4 million	3%	\$4.5 million	-4%
Indonesia	\$25.1 million	86%	\$0.77 million	-23%	\$7.8 million	43%
Malaysia	\$12.6 million	23%	\$0.1 million	-86%	\$4.5 million	11%
Thailand	\$13 million	-3%	\$1.2 million	-31%	\$0.04 million	-30%
Philippines	\$0.68 million	3%	\$0 million	-	\$0.642 million	-43%
Singapore	\$0.325 million	201%	\$0.018 million	-72%	\$0.27 million	-15%

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

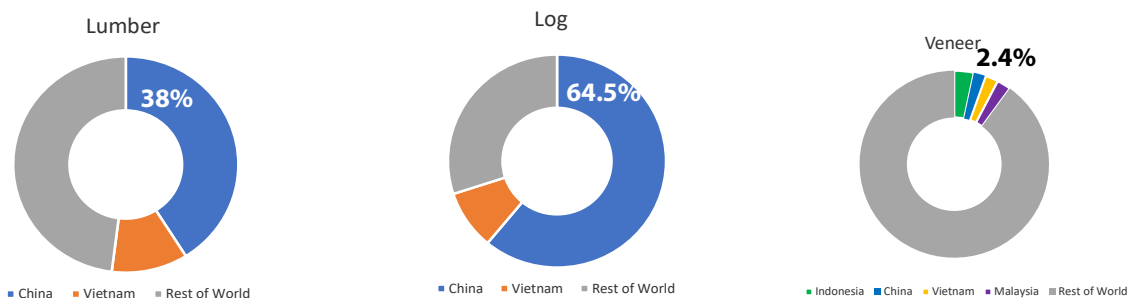
Lumber Value - World Total vs GRCH & SEA (USD'000)



Greater China market – up 19.5% (YoY)

The overall hardwood export value to GRCH market was over \$1 billion, increased 19.5% (YoY), lumber slightly up 6.8% to \$628.8 million, logs surged 45.5% to \$417.5 million, and veneer soared over 74.4% to \$6.1 million.

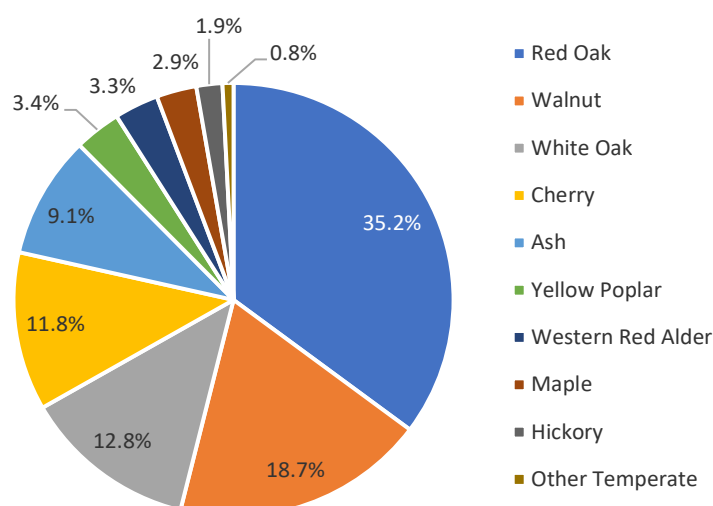
The most popular US hardwood species in China by value were red oak, walnut, white oak, cherry, ash and yellow poplar. They generated over \$565 million in exports and accounted for over 91% of the total hardwood lumber exports to China. In Q1-Q3 of 2021, China purchased over 84% of all cherry, nearly 57% of all red oak, over 47% of all ash, over 46% of all walnut and 40% of all red alder that was exported globally.



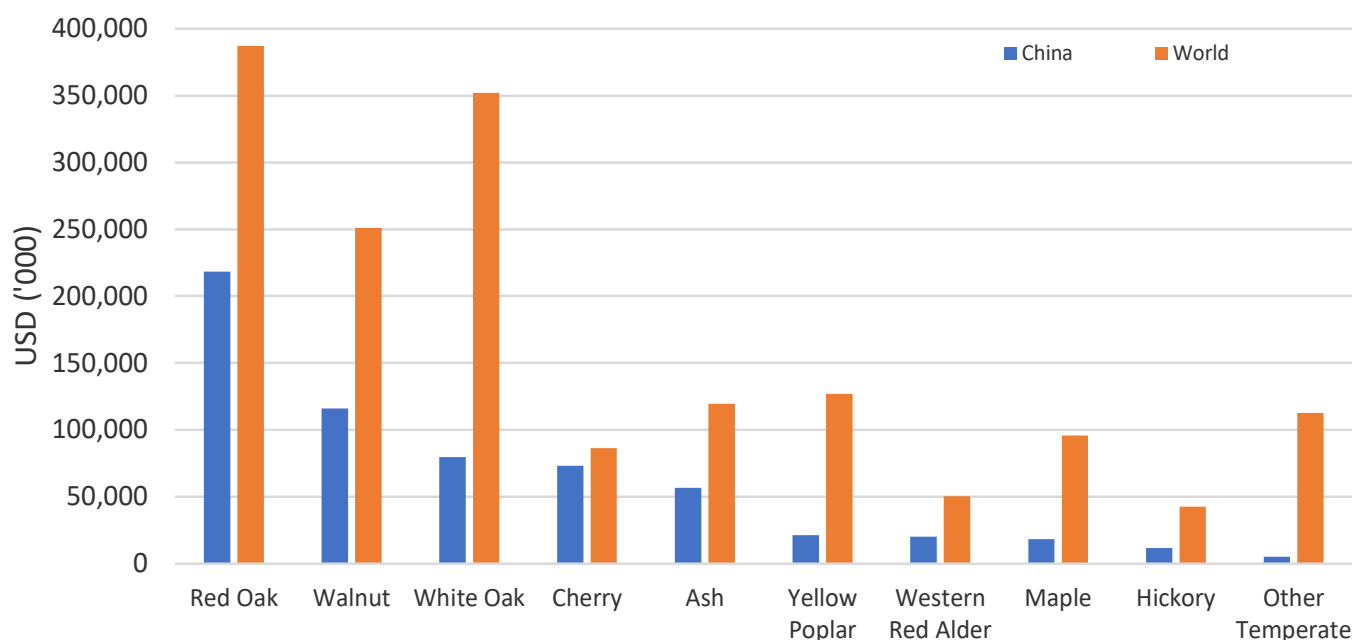
Lumber Species	Export Value (US\$)	YoY % change	Export Qty (M3)	YoY % change
Red Oak	\$218.4 million	4%	325,354	-11%
Walnut	\$115.8 million	19%	72,342	-11%
White Oak	\$79.6 million	19%	109,582	-6%
Cherry	\$73.2 million	21%	85,763	-
Ash	\$56.5 million	-22%	85,476	-32%
Yellow Poplar	\$21.3 million	-23%	48,830	-35%
Red Alder	\$20.2 million	17%	50,519	-3%
Maple	\$18.2 million	33%	23,981	18%
Hickory	\$11.8 million	23%	18,319	4%

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

Lumber species to China in Q1-Q3 2021



Top Species to Mainland China vs World Total Q1-Q3 2021



Southeast Asia market at Record High

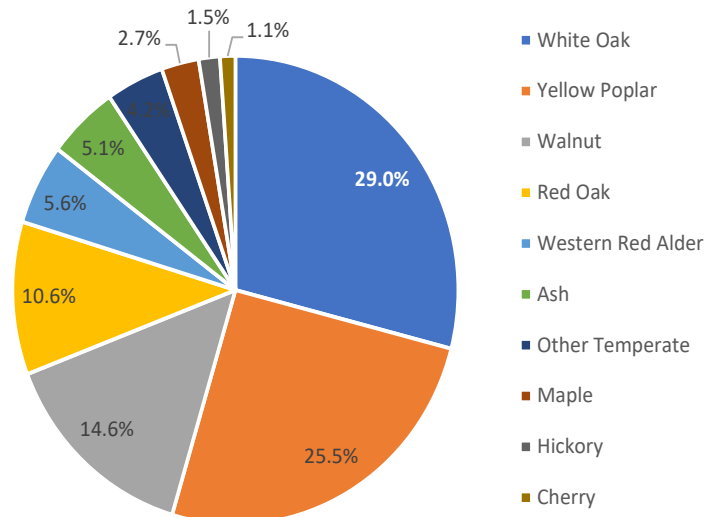
Thanks to the performance of Vietnamese and Indonesian markets, the total export of American hardwoods to SEA from Q1 to Q3 hit record high and reached \$313.3 million, up 17.8% (YoY), the highest in five years. Hardwood lumber exports to SEA raised nearly 23% (YoY) to \$240.2 million, veneer increased 13.2% (YoY) to \$17.9 million, logs slightly fell 2.7% to \$57.5 million.

Vietnam contributed 78% to the total SEA market. In the past three quarters of 2021, the hardwood lumber export value to Vietnam increased 20% (YoY) to \$188.3 million but the volume of lumber dropped 10% to 344,505 (M3), logs slightly increased 3% by value to \$51.4 million, veneer exports value down 4% to \$4.5 million.

The hardwood lumber and veneer export value to Indonesia also hit record high. Hardwood lumber and veneer value to Indonesia are over \$25.1 million, up 86% (YoY) and \$7.8 million, up (43%) respectively.

For the rest of the SEA market, only Thailand and Philippines decreased in value compared to the same period last year. Other countries such as Malaysia and Singapore kept the growing momentum, increasing over 14% and 58% (YoY) respectively.

Lumber species to SEA market Q1-Q3 2021



SEA Markets

Vietnam

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

Yellow Poplar (\$55.9 million, 8%)
White Oak (\$47.2 million, 41%)
Walnut (\$26.7 million, 50%)

Top Lumber Species (M3, YoY % change)

Yellow Poplar (136,325, 29%)
White Oak (73,023, 19%)
Walnut (23,244, 11%)

Indonesia

White Oak (\$12.5 million, 121%)
Walnut (\$3.8 million, 70%)
Ash (\$2.8 million, 30%)

White Oak (16,484, 80%)
Walnut (2,504, 28%)
Ash (4,613, 22%)

Thailand

White Oak (\$5 million, 16%)
Ash (\$2.6 million, 45%)
Yellow Poplar (\$1.7 million, 122%)

White Oak (7,394, 29%)
Ash (3,482, 27%)
Yellow Poplar (3,813, 137%)

Malaysia

White Oak (\$4.6 million, 8%)
Walnut (\$3 million, 83%)
Yellow Poplar (\$2.6 million, 48%)

White Oak (5,902, 8%)
Walnut (2,287, 26%)
Yellow Poplar (5,584, 14%)

Philippines

Other Temperate (\$0.174 million, 9%)
Walnut (\$0.173 million, 19%)
Cherry (\$0.07 million, 113%)

Other Temperate (389, 15%)
Walnut (75, 13%)
Cherry (55, 104%)

Singapore

Other Temperate (\$0.073 million, --)
White Oak (\$0.06 million, --)
Ash (\$0.048 million, --)

Other Temperate (146, --)
White Oak (106, --)
Ash (61, --)

Events Review

Rosewood Hotel Walking Tour & Seminar in HK

On October 23, AHEC and AIA HK chapters co-organize a walking tour and seminar at Rosewood Hotel. The seminar was well attended by over 50 architects and interior designers. The representatives of Northwest Hardwood and Economic Development Partnership of North Carolina, Asia Pacific Office also joined this event. ATO Director of Hong Kong, Ms Jennifer Clever, and John Chan delivered opening remarks to audiences to Briefly AHEC's mission is to recommend and introduce architects and designers and contractors the benefit of using sustainable and legally harvested, also recommended to use a variety of species. He thanked AIA and the speakers and the hosts and US ATO Director's support to the seminar a success. Florence Chan, Director of KPF and Alison Chi, Managing Director of Tony Chi Studio were the speakers. They presented briefly about the design of Rosewood Hotel from exterior to interior. Then Florence Chan and KPF staff led the walking tour

to explore different areas of hotel where were using U.S. hardwood such as the flooring of suite were quartersawn and chamber-fumed white oak, display-shelf at each floor foyer were made in cherry veneer, and even the lift doors were featuring walnut veneer.



Andaz Hotel Walking Tour & Seminar in HK & SZ

Following the Rosewood walking tour & seminar, the third event was organized concurrently at Andaz Hotel in Shenzhen and Hyatt Hotel head office in HK from 4:00 pm to 6:00 pm on November 18, 2021. The seminar started at 4:00 pm with welcome remarks delivered by John Chan, Regional Director of AHEC SEA & GRCH who briefly introduced AHEC's mission is to recommend and introduce architects and interior designers and contractors the benefit of using sustainable and legally harvested US hardwoods and thanks to AIA and the speakers and the hosts and US ATO's support to make the seminar a success.

Jennifer Clever, ATO Director in HK, delivered her opening remarks to introduce the mission of ATO and her support to AHEC program. She appreciates AIA and AHEC's invitation and she has been so happy to deliver the opening remarks and she thanks to all the parties involved and the present of the audiences to make this event a success in Shenzhen and Hong Kong.

Silas Chiow, the Host and Former President of AIA SH I BJ opened the seminar by delivering the opening remarks to the audiences and speakers in HK and Shenzhen and special VIP guest Jennifer Clever, ATO Director of US Consulate General HK. Followed HSI remarks, Carlos Gomez, AIA BJ in Shenzhen delivered remarks.

The first speaker is James Zheng, Director and Architect of GP architects (Chicago based with office in Shanghai) talked about the architecture design of the Andaz Hotel Shenzhen, the luxury brand of the Hyatt Hotel group.

The second speaker is Florence Chan, Director and architect of (KPF NY based and overseas offices in HK and China) talks about the urban planning of Andaz Hotel Areas in Shenzhen.

The third speaker is Stephen Luk, Regional VP Design Services and Head of Design Services (AIA Architect) introduces the interior design of the Andaz Hotel Shenzhen with American Hardwood species such as red oak and walnut veneered panel which is the core focus of the seminar.

The interior designer is globally well-known interior designer - Tony Chi of Tony Chi Design Studio NY whose designers would not be able to travel to HK and or China in the midst of the CoVid19 Pandemic.

After the presentations by the speakers a walking tour at the Andaz hotel Shenzhen led by Carlos Gomez representing AIA SH I BJ and James Zheng of GP architects.

Stephen Luk led the 14 attendees at Hyatt Hotel office to a short tour of the Hyatt Regional office. Stephen Luk as host in HK served wine and cheese and coffee.

And at the Andaz Shenzhen, Carlos Gomez hosts a reception for the audiences. The total number of audiences recorded 43 in Shenzhen and 14 in Hong Kong.



Market survey

John Chan conducted Market Survey for September/October 2021's Market Report - GRCH & SEA via telephone and WeChat interview. The information was collected from trade associations, importers, distributor, specifiers (architects and interiors), AHEC members (local sales and marketing representatives).

A. Greater China

The demand of US hardwood grew consistently but softwood dropped slightly and the price in the past two months seemed to peak. The largest issue has been the shipping cost, which has increased considerably and remains a challenge for the end-users.

US hardwood market in China is relatively stable, with some degree of growth, importers and users would tend to keep lower inventory during the period when Coronavirus still affecting business investment plan.

The market in Taiwan is stable without much fluctuation.

China producers previously purchased a lot of European oak but later returned to import US white oak because they like square edge, compared to unhedged European oak.

Even the shipping cost has been rising but the demand remains relatively strong due the supply is in shortage

September and October's imports were slower than August in southern China. The market in central China has been more consistent.

Considered the prices continued to escalate and inventory from previous month is still not to low, there would be not much change in growth until December 2021.

Export orders were high, but the factory operation capacity was about 50% compared to August and September due to the electricity and power shortage. Normal production will resume until October the electricity supply is back to normal in November.

Provincial and State government set up a new policy to suppress the property price as the result the property development in secondary and third tier cities have been seriously affected with the exception of the prime city market. The demand of furniture and timer materials of interior decoration was hit, consequently impacts the demand of US hardwood.

The demand is consistent. As The price is too high most factories and distributors would not be keeping high inventory. Some rather wait to see how the supply from US has improved. Some are convinced when the US domestic market is peak and the supply to overseas would be eased.

Logs export was impacted by the stormy weather and the pandemic even US sawmills have been facing the same problem - shortage of logs. Another problem is the shortage of containers. China market reported the demand red and white oak in September and October were strong and the supply did not meet the demand. They are hoping the supply from US in November and December will improve.

The shortage of energy supply in the past two months have created interruption of normal operation caused some factories to reduce production. If the energy supply situation has not improved, some factories could be closing down.

Ningbo of Zhejiang province where AHEC held its 24th GREATER Convention in 2021, AHEC has successfully yielded excellent response from the Ningbo furniture and interior decoration industry. Ningbo Furniture Chamber of Commerce NFCC) whose deputy secretary general Mr. Mui has kept in contact on monthly WeChat with John Chan about the US hardwood supply situation on red oak and white oak and walnut and ash and cherry. Mui said Ningbo is confident to be a leading city in

China to produce US furniture with US hardwood for China's domestic and export markets. Mui said currently one of the biggest US hardwood importers and distributors has been a key member of the NFCC became a larger supplier to the furniture producers and factories in Ningbo which is an asset but his outlook is that Ningbo needs more US hardwoods in the coming years. Mui would like to participate in the AIA Shanghai I Beijing /AHEC design seminar scheduled in December 2021 in Shanghai and John Chan and Mui are discussing to coordinate with AIA to register the key furniture producers and designers at the upcoming seminar in December 2021.

General remarks and findings:

China's dual Circulation shows prospect and recognition that China's consumer market is still significant which embrace challenges as well as opportunity. The outlook of demand of US hardwood is bright in November and December despite the challenges like shortage of containers shipping and the highest shipping cost.

The worldwide spread of the Delta Variant of the coronavirus and the global supply chain could weigh on the recovery track of the Chinese as well as linked to the global economy, the rate of economy growth in Q3, on the mainland China from a post-coronavirus peak of 18.3 per cent in Q1 to 4.9 percent in Q3. Other factors such as the high freight charges, countries and regional lockdown and shortage of Labor are the factors continuing to cause uncertainty of the economic recovery to pre-coronavirus time.

The high electricity cost has added production cost of the factories which slows down the recovery. Shipping containers shortage is causing the shipping to rise resulted higher inflation. China's energy and electricity crunch is the world latest supply and production thread.

China's goal of Zero infected case approach and travel restrictions from overseas travelers to China creates another barrier for business recovery.

The China Evergrande could spread more trouble to China's property market. In short term there seems no immediate solution. This could affect the sales and demand of residential property. The demand of US hardwood could be slowing down although the market demand in the prime cities is still relatively consistent.

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

John Chan conducted market survey for September/October 2021 via What's App and telephone interview. The market information has been contributed by associations, importers, distributors, designers, producers and media and AHEC member.

Indonesia

- Market of imported lumber and veneer is returning to normal.
- Demand is high in White Oak lumber and veneer for doors and furniture.
- The obstacle in the market is all about the high freight cost to USA from Indonesian Ports and also the shipment of lumber and veneer from US to Indonesian ports reported many delays not on time.
- The demand of imported lumber and veneer from US hardwoods will remain high.
- Some good news for US hardwood for domestic consumption of US hardwood which could increase in November and December because the Indonesia government would give tax credit for home and property renovation including residential and commercial properties including hotels. One major reason for that is in the past two years, the coronavirus had caused people to work from home and international travels have reduced to nearly zero. That could be the reason for the Demand of US hardwood grew over 70% in Q3 compared to the same period in 2020.
- The doors and flooring out of Indonesia for European and US markets are very stable, manufacturers are pushing for more volume of white oak, red oak and tulipwood, hard maple, and alder. Delaying factor is the struggles with shipping lines.
- Demand surpasses supply, challenges include lack of shipping schedule, shortage of vacant

containers.

- Good news is that domestic market grows fast due from the booming of the renovation of hotels, commercial office buildings, residential and also government and public buildings, products include lumber and veneer but not logs.

Malaysia

- The traders and distributors reported imports growth of US hardwood, and the same included timber supply from Europe, and local species and from US both US hardwood and softwood reported growth.

- Domestic demand of US hardwood could slight increase further in Q4 because the Malaysia government would give tax credit for home and property renovation including residential and commercial properties including hotels.

- A furniture producer commented: furniture export from January to September 2021 dropped 1.5%, RM8.9 billion.; US hardwood export in September/October show but with consistent demand due to high freight cost; in the next two months (November and December), the demand of US hardwood and furniture production are expected to be good because most of the factories resume in operation.

Philippines

The Furniture out of Philippines for the US hardwood is very stable despite of increased freight cost to the US. Door and Flooring. The outlooks for the coming November and December 2021 is bright. Delaying factor is the struggles with shipping lines or otherwise the import of US hardwood could increase further in terms of quantity/volume.

Thailand

A major furniture and President of Thai Timber Council (TTA) replied that the demand of US hardwood has been stable from last quarter but the lockdown due the Covid19 still causes some uncertainty of the impact in November and December. The outlook in Q1 of 2022 is promising.

Vietnam

VIFORES

- President commented all ports in VN are operational. Cat Lai port is operating normally. Checking may be more carefully on containers to avoid infection, but port services are normal.

- Import of US hard wood slightly decreased because of limited supply & price up. Recovery faster than expected. Import/export increase much in Nov - Dec. This year, furniture and flooring and doors export to US is estimated at USD 8.0 billion (last year \$7.3 billion). Precise data of us hard wood imported VN will be provided to you. USTR already officially announced the stop of 301 investigations.

HAWA

- Office Director commented currently VN Government said that: "can not wait for No infected case of Covid19". So now furniture industry step by step is recovering. 2021 export turnover estimate 14,5 billion usd, up 10% compare 2020. Year 2022 timber processed products including furniture export estimates US\$15 billion.

- US hardwood import to Vietnam is stable from Q3 to October but import of US hardwood would grow faster in November and December, 2021.

Binh Duong Furniture Association

- Furniture producer commented the sea ports in Viet Nam are still operating normally. The producers have received 5 containers Oak logs from US and 20 containers Teak from Brazil without problem. As most factories in Binh Duong gradually back to operation, the demand of US hardwood will be recovered in November and December, 2021.

-The demand of US hardwood has slightly increased because the lockdown of the factories August/ September has been gradually reopened in October. Due to most factories are using existing inventory therefore new order was kept at low level. Also the importers and endusers have time to look for bargain for the new orders.

-The high price of the lumber has discouraged general buyers and importers in China and Vietnam to stock up the inventory.

-Majority of those are in urgent need still buy from all sources. There was time when the Vietnam factories were closed down due to lockdown from the CoVid19, some export orders moved back to China, causing tulipwood's quantity and price to go up but that did not last too long as Vietnam factories reopened, at the same time China factories were facing lack of electricity referred as short-term energy crisis resulted partially closure. Red oak and white oak and tulipwood demand have been slowed down.

-Even Vietnam factories reopened, the demand of US hardwood was slow due to the factories' have a large inventory. When American hardwood price was high, Vietnam producers currently also imported quite a lot of European oak in the past months.

Findings

- Demand of US hardwood in SEA and China exceed supply and that the current phenomenon. That could stay on a period of time until 2022 for the supply chain to go back to normal.

- Global warming and climate change policy continues to be revised after the latest COP26 conference held in Glasgow, Scotland. This event has influenced global leaders to formulate environmental strategies for the next 20 to 30 years which could shape the world's urban and living environment. The Glasgow Climate Pact has included plan to reduce coal, the fossil fuel for greenhouse gases.

- Those topics had directly or indirectly hint that using sustainable materials including sustainable forest product will benefit the universal goal of the goal of reaching carbon peak and carbon neutral in 2050 and 2060 the latest (China).

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):

Dec 20

AHEC x HDII: Design Camp

The Use of Red Oak Timber for Furniture & Interior Spaces
Jakarta, Indonesia

Dec 22

Design & Walking Tour @ Taikoo Li Qiantan (AHEC x AIA SH)
Shanghai, China



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