



AMERICAN
HARDWOOD
EXPORT
COUNCIL

Hardwood Exports in a Changed World

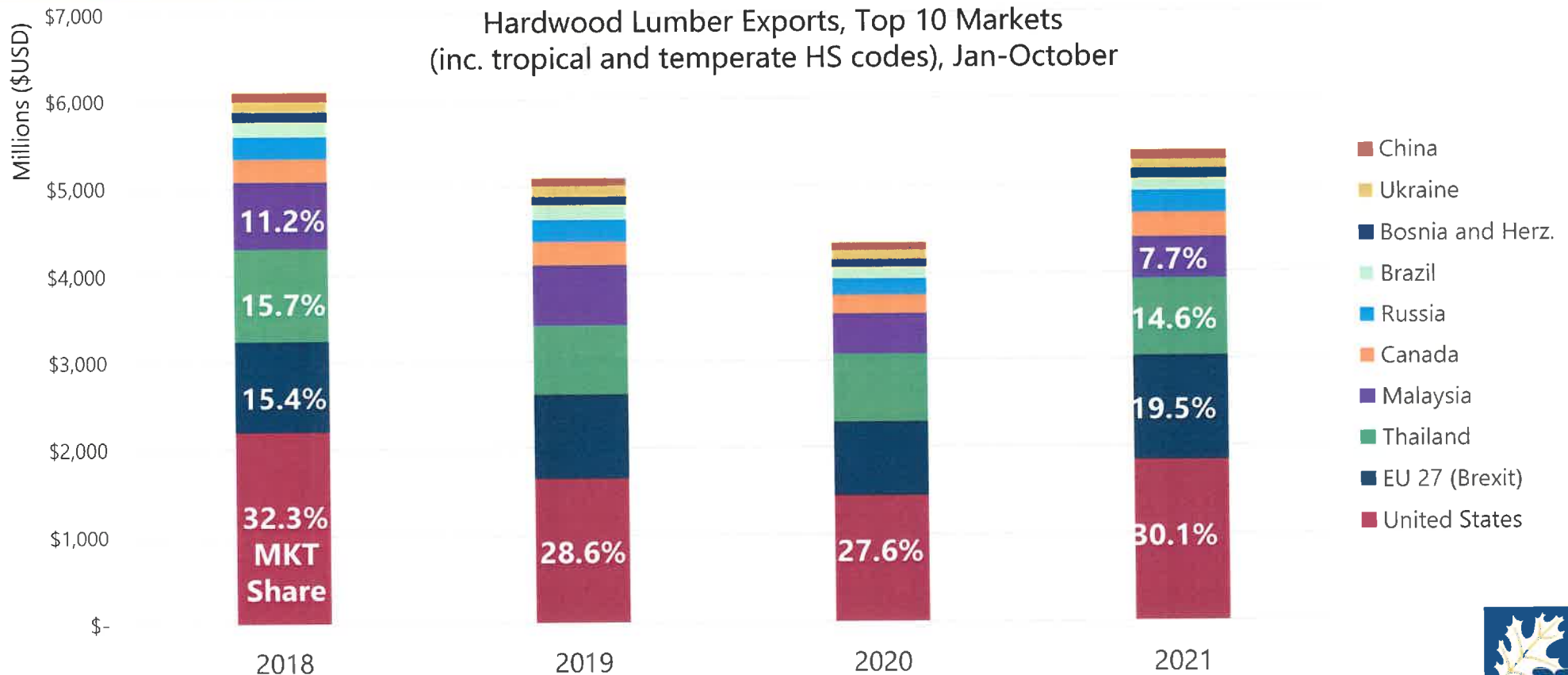
Mike Snow

American Hardwood Export Council

September 2022

US Remains World's Largest Hardwood Lumber Exporter in 2021

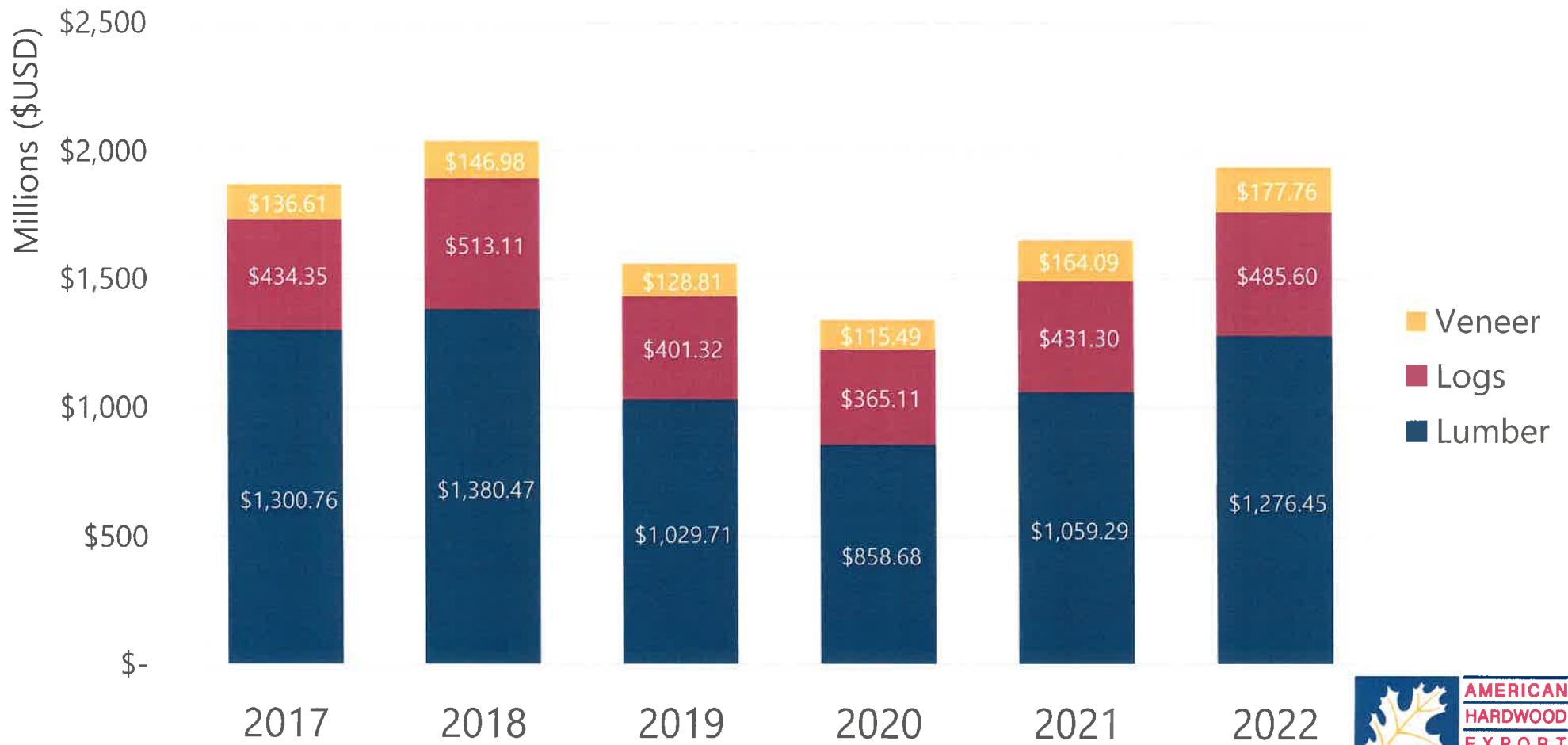
Hardwood Lumber Exports, Top 10 Markets
(inc. tropical and temperate HS codes), Jan-October



Source: Trade Data Monitor



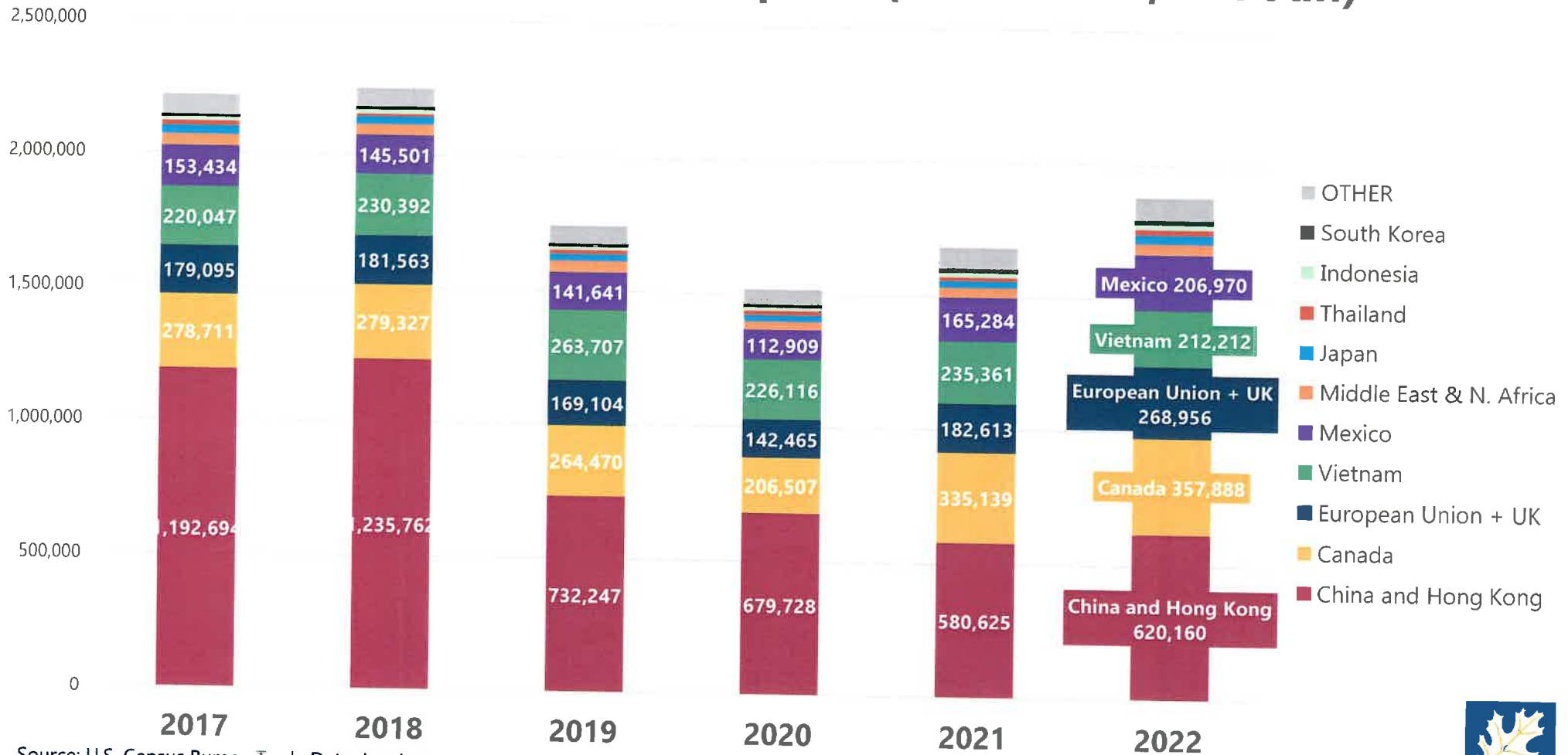
US Hardwood Exports (Jan-June \$Value)



Source: USDA GATS, data for Jan-June each year



US Hardwood Lumber Exports (Volume m3, Jan-Jun)



Source: U.S. Census Bureau Trade Data, Jan-June





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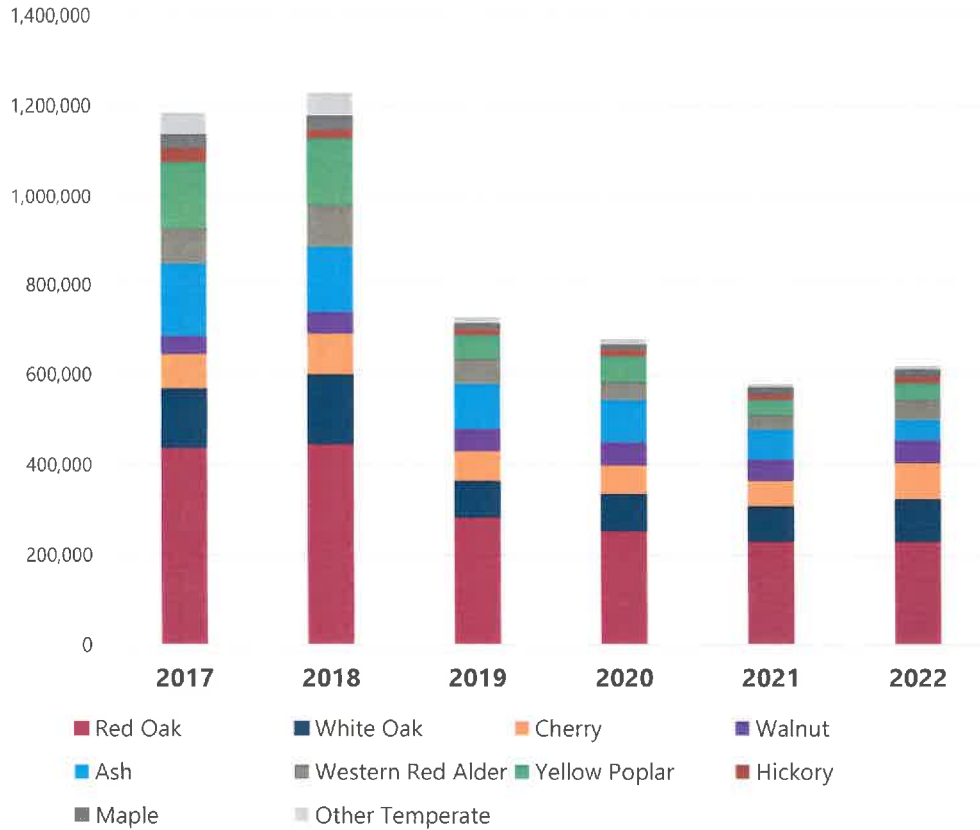
Greater China

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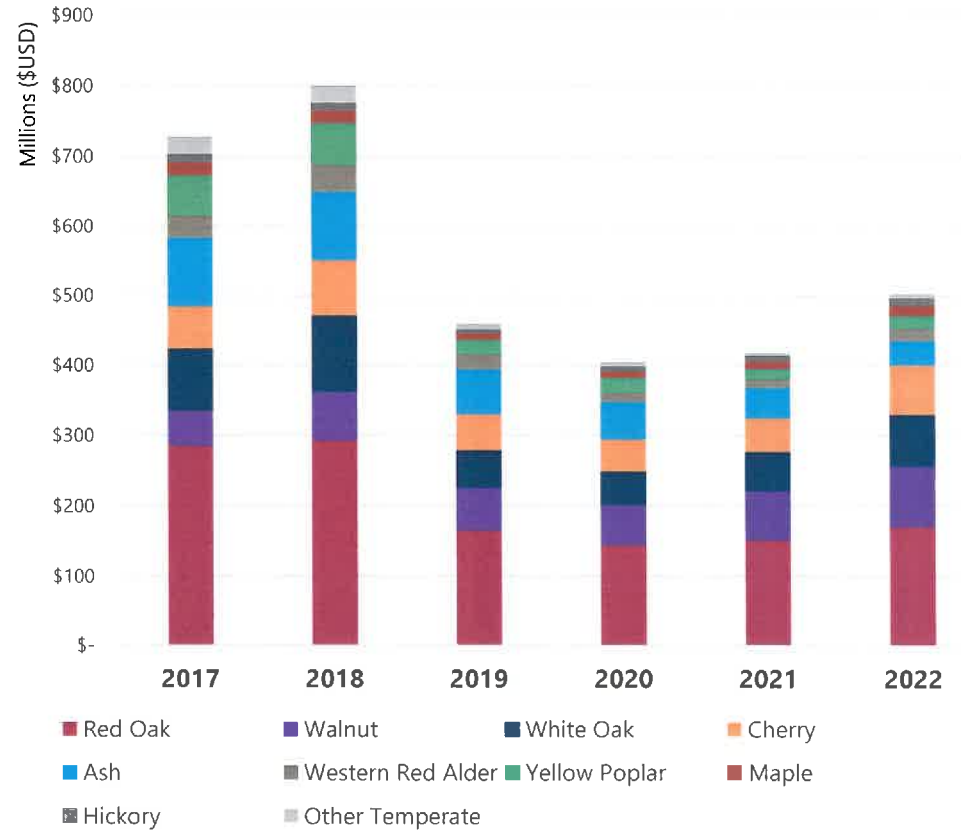
September, 2022

VOLUME Lumber to China (Jan-June)



Volume up 7%
Down 50% since 2018

\$VALUE Lumber to China (Jan-June)

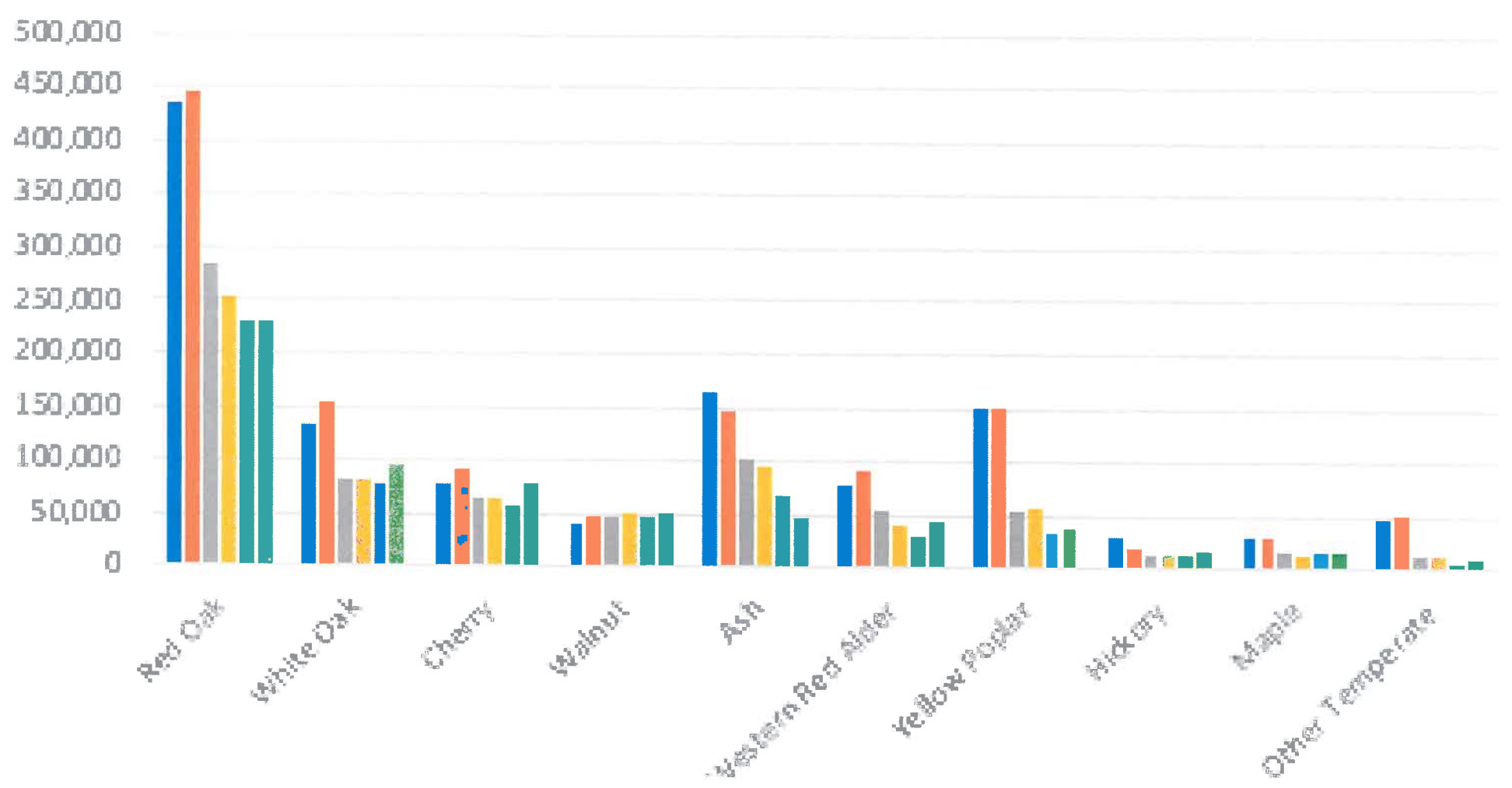


\$Value up 20%
Down 38% since 2018

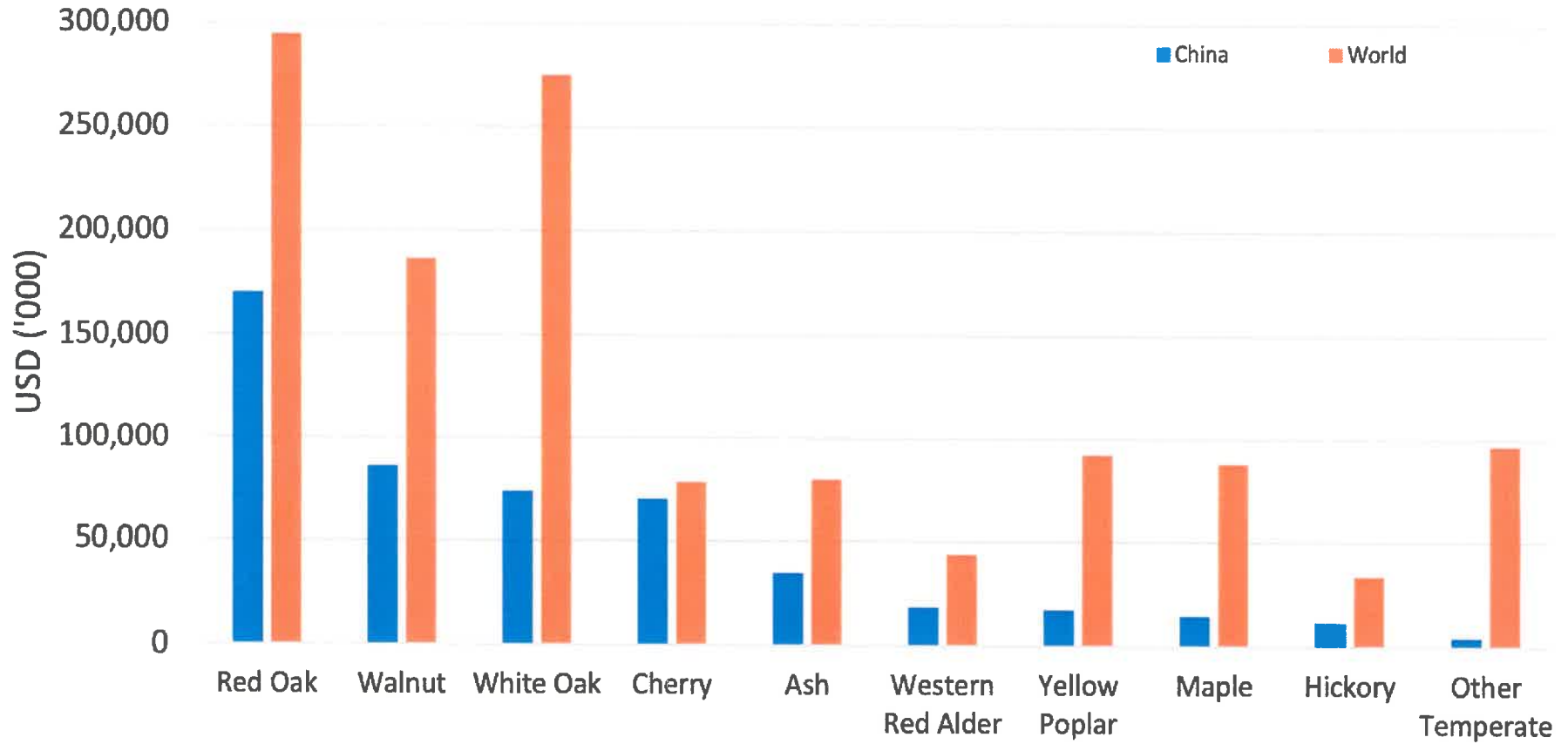
Source: USDA GATS, data for Jan-June each year



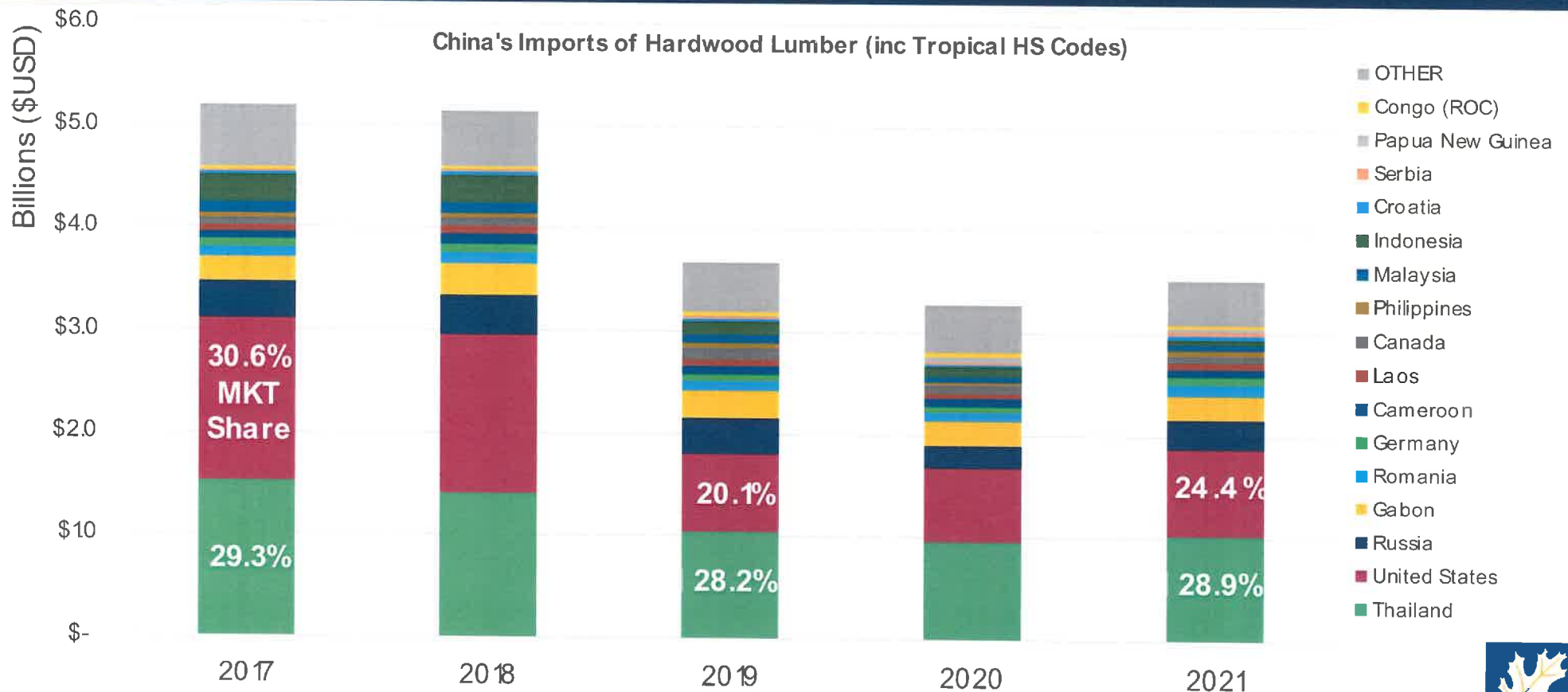
US Hardwood Lumber to China (m3, Jan-June)



Top Species to Mainland China vs World Total in H1 2022



China's Imports Remain Below 2018 Levels



Source: Trade Data Monitor



Roadblocks in China

- Growth Slowing
- Belt-and-Road Woes
 - Sri Lanka defaulted on Gov Debt, Pakistan could be next
- Housing Crisis?
- Zero-COVID Policy
- Foreign Businesses Feeling Political Pressure
 - Risk of Tariffs/Boycotts
 - “Friendshoring”

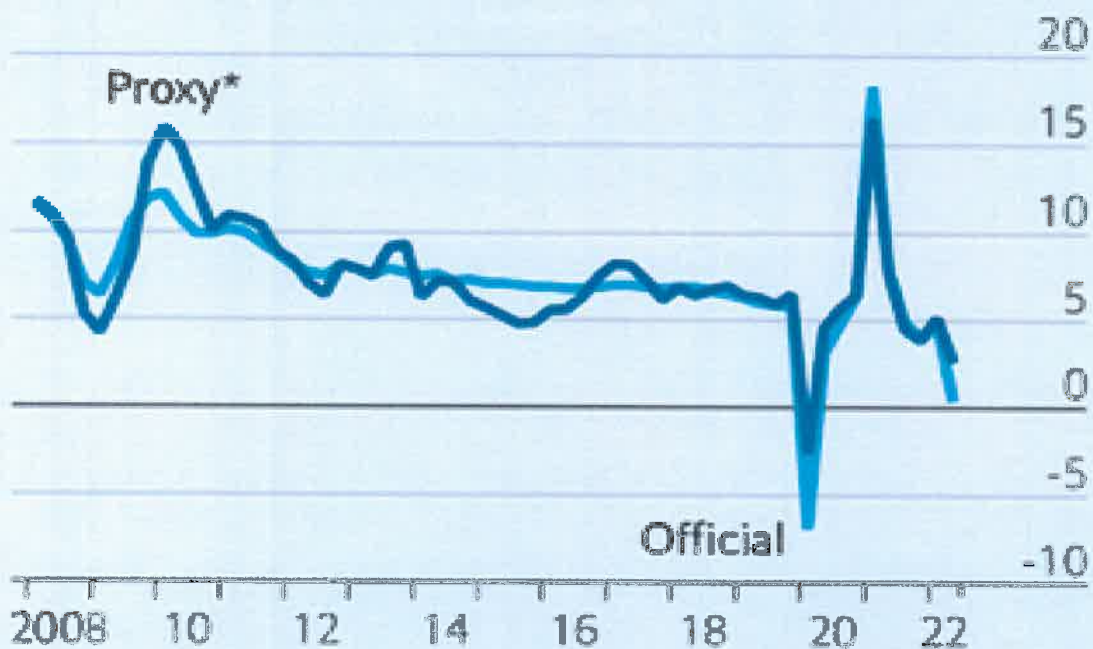


“Winding Stream” in Hard Maple
by Yunhan Wang



Honest to a fault?

China, GDP, % change on a year earlier



*Growth implied by seven indicators (incl. industrial production, electricity consumption, rail freight, retail sales and exports)

Sources: CEIC; Haver Analytics; *The Economist*

The Economist

China's economy

Ideology versus prosperity

How Xi Jinping is damaging China's economy



China's private firms are trailing the state-owned sector on several key indicators in 2022

Year-over-year percent change of key economic indicators, Jan-Jul 2022

■ State-owned enterprises ■ Private companies



#PIECharts

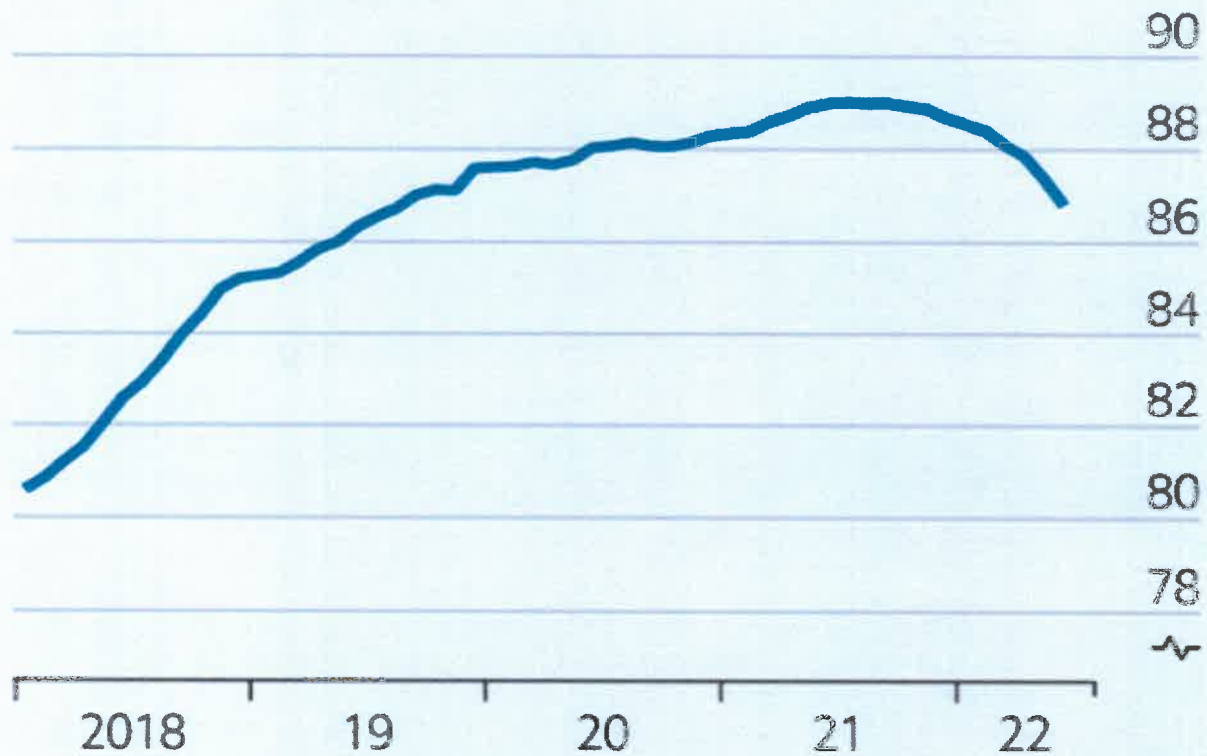
Learn more at [piie.com/research/piie-charts](https://www.piie.com/research/piie-charts)



Source: National Bureau of Statistics of China.

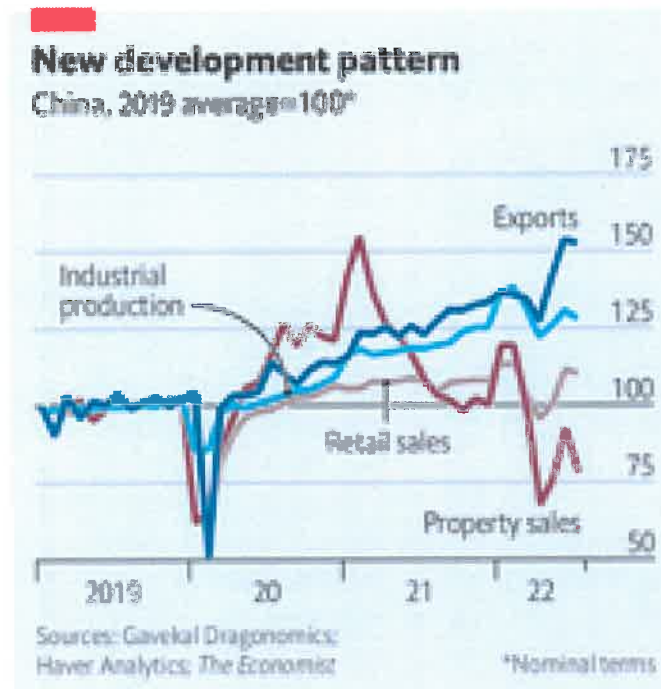
Advances retreat

China, pre-sales* as % of new property sales
12-month moving average



Source: Haver Analytics

*Properties still under construction



Sales of furniture have been particularly weak—and not just because people dare not enter IKEA. Buying furniture is closely tied to home purchases, which have plunged. Sales of residential property fell by over 28% in July, compared with a year earlier. Weak sales have in turn put downward pressure on prices.

You owe me

3

External debt owed to China, 2017, % of GDP



Source: "China's overseas lending", by S. Horn, C.M. Reinhart and C. Trebesch, *Journal of International Economics*, 2021

Tariff Exclusion Through November 2022

- On April 17, 2022 the China State Council Tariff Commission (SCTC) announced an extension of tariff exclusions for hardwood products
- **Tariffs suspended through November 30, 2022**



“Nearshoring” or “Friendshoring”

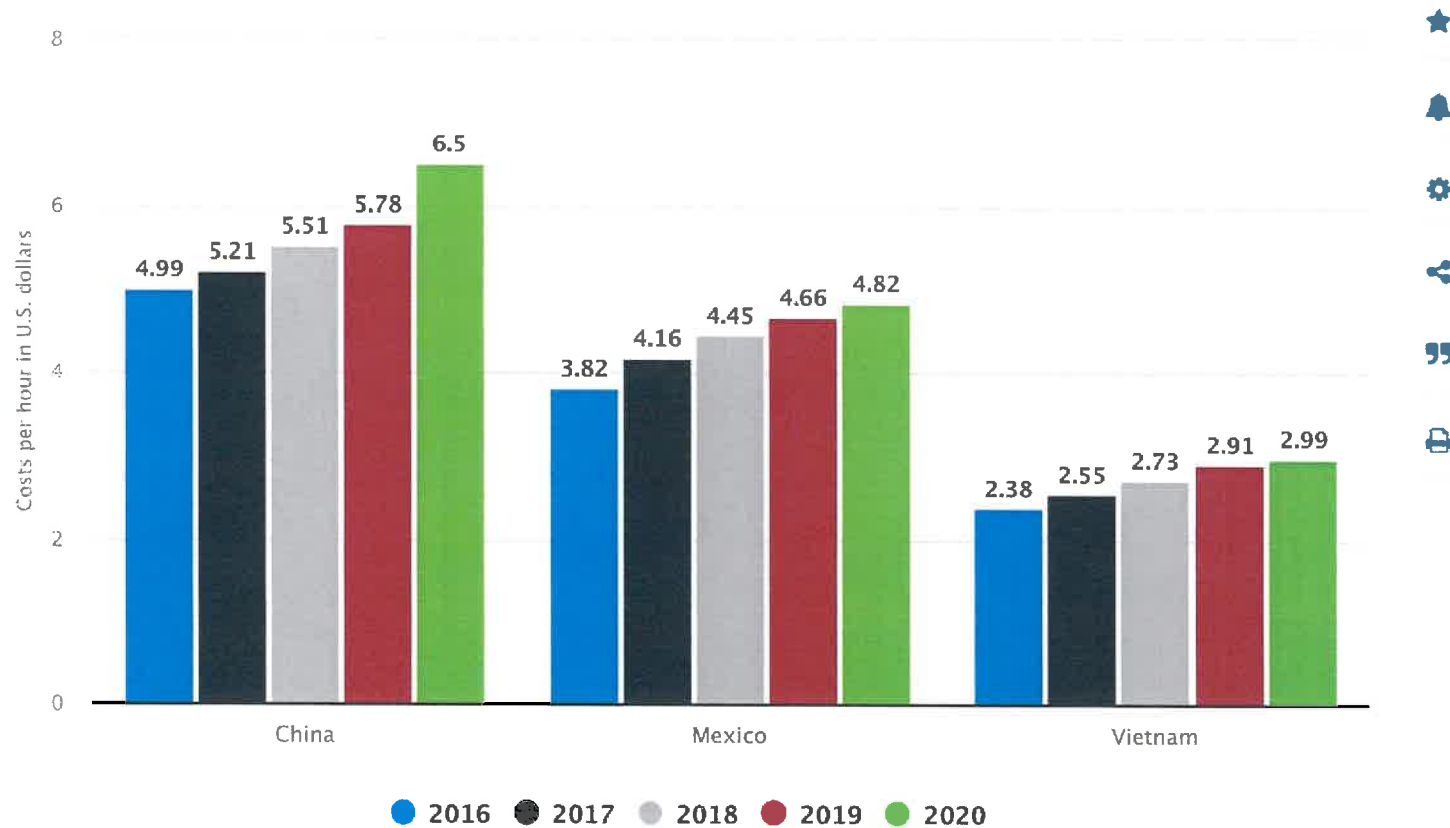
**Moving supply chains to
“friendly countries” to limit
operations risk**

**Fueled by logistics, Gov
policy, overreliance on one
market**

- Apple
 - China -> Vietnam
- Samsung
 - China -> Vietnam
- Hasbro
 - China -> India and Vietnam
- Volvo
 - New EV factory in Slovakia for EU market



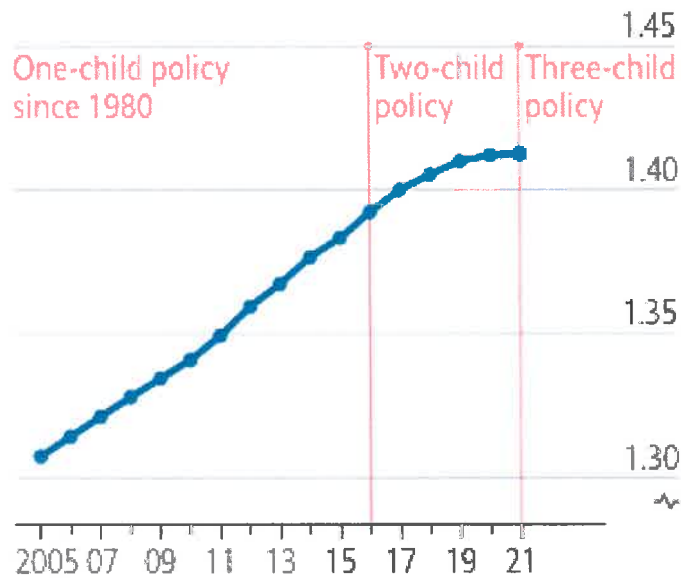
Cost of Hourly Manufacturing Labor



Ready for the dip

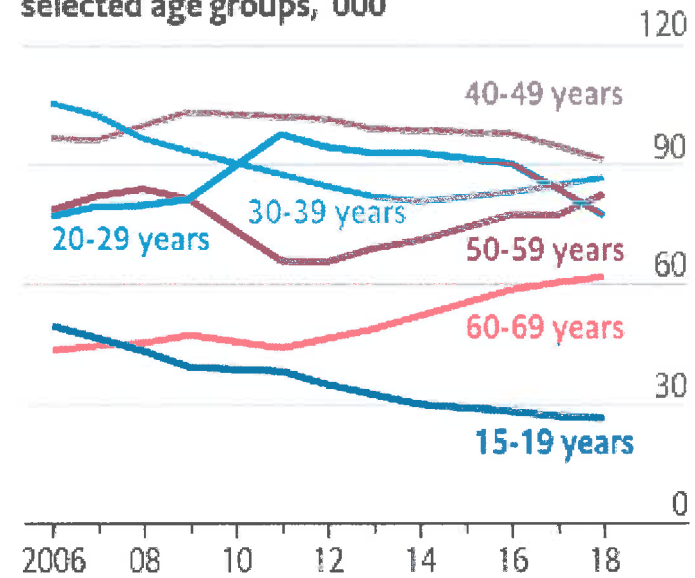
China

Population, bn



Source: National Bureau of Statistics of China

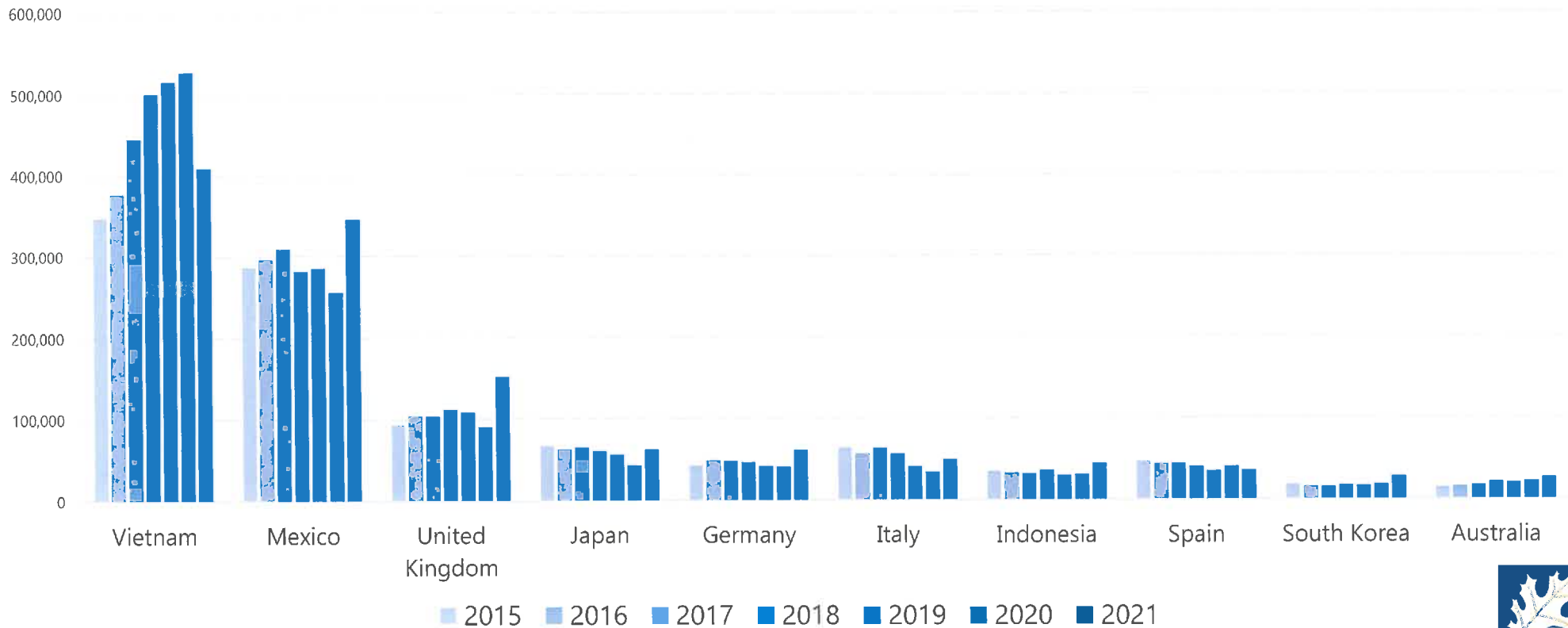
Sample of female population*, selected age groups, '000



*Sample of 0.5-2% of the population

Top Markets Outside of China, Canada

Top Lumber Markets Outside China, Canada (m3)



Source: USDA GATS





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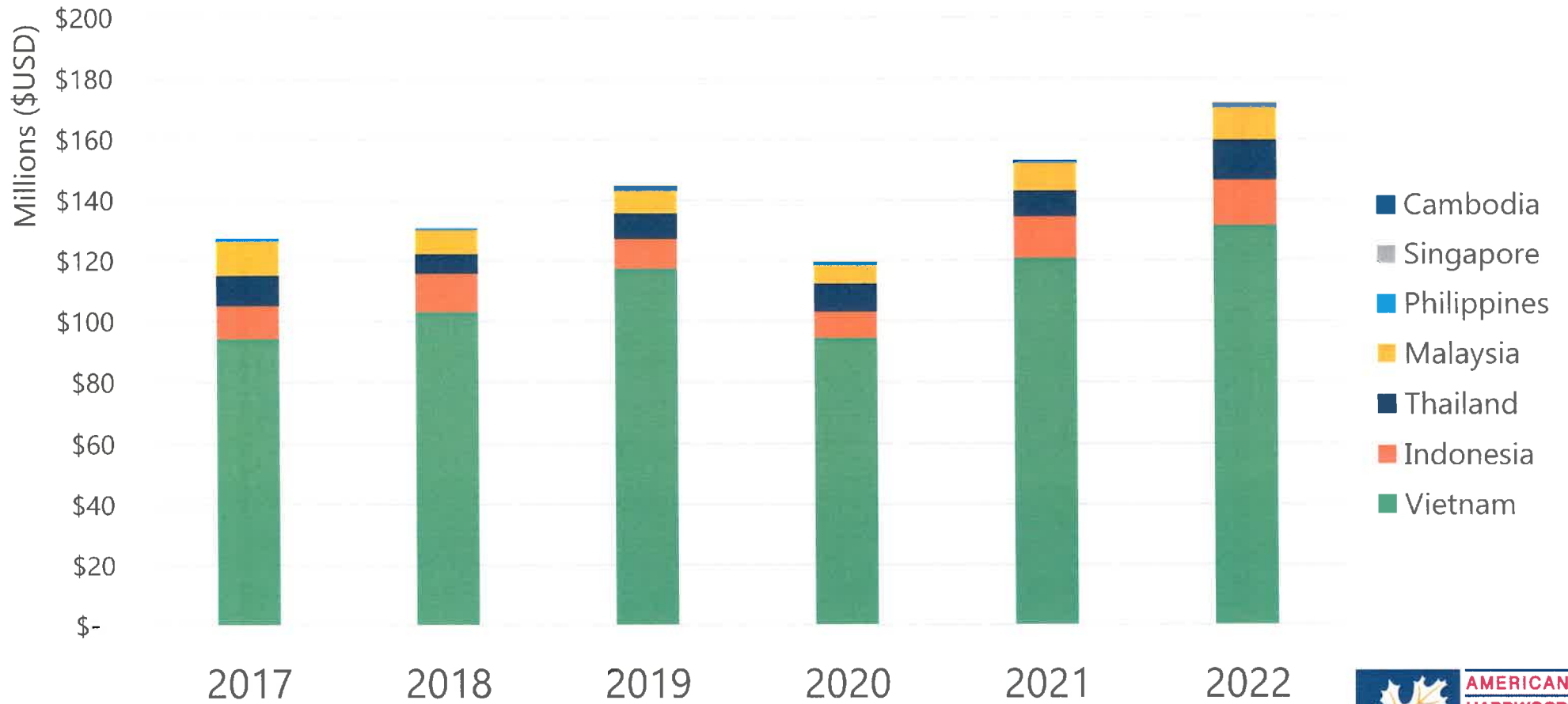
Southeast Asia/Vietnam

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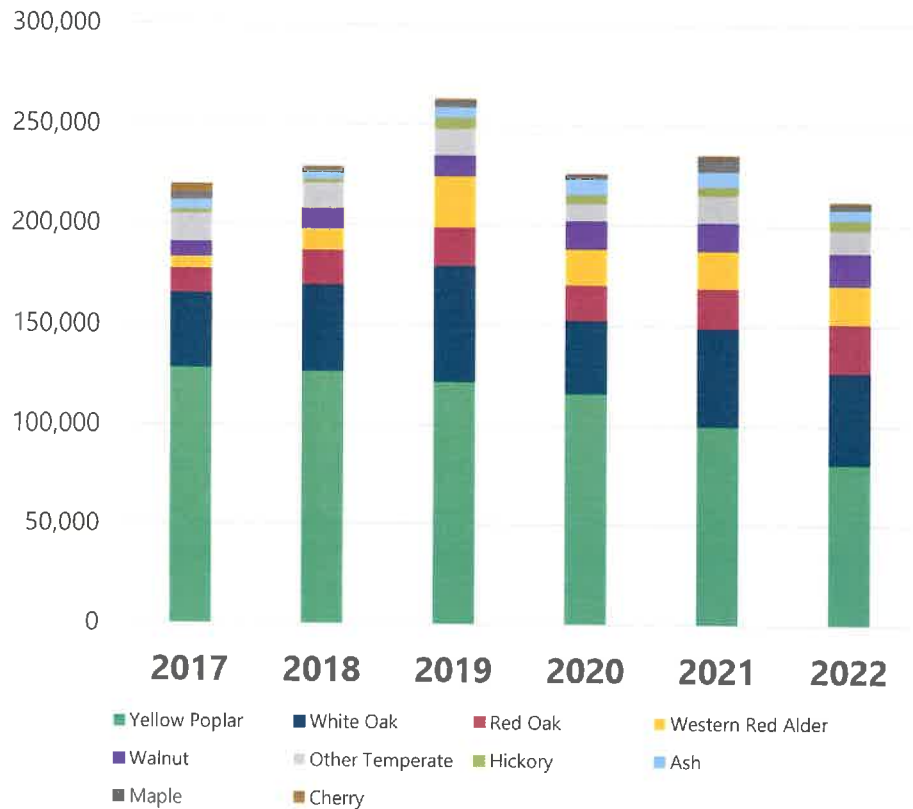
US Lumber to SE Asia (Jan-June)



Source: USDA GATS, data for Jan-June each year

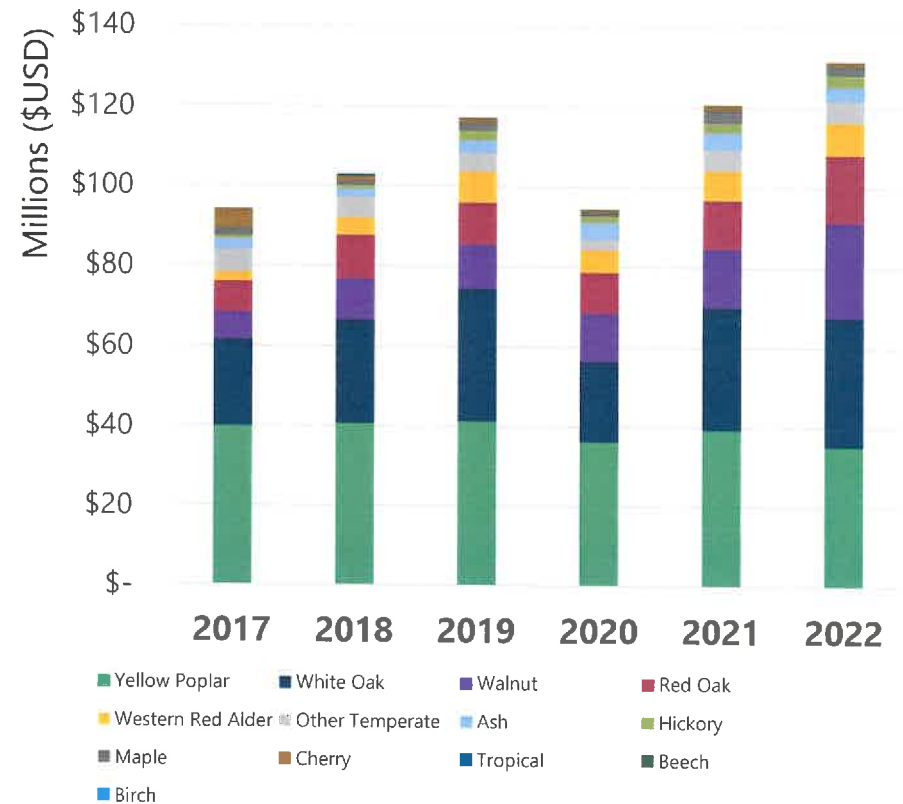


US HDWD Lumber to Vietnam (Volume m3, Jan-June)



Volume down 10%

US HDWD Lumber to Vietnam (\$USD, Jan-June)

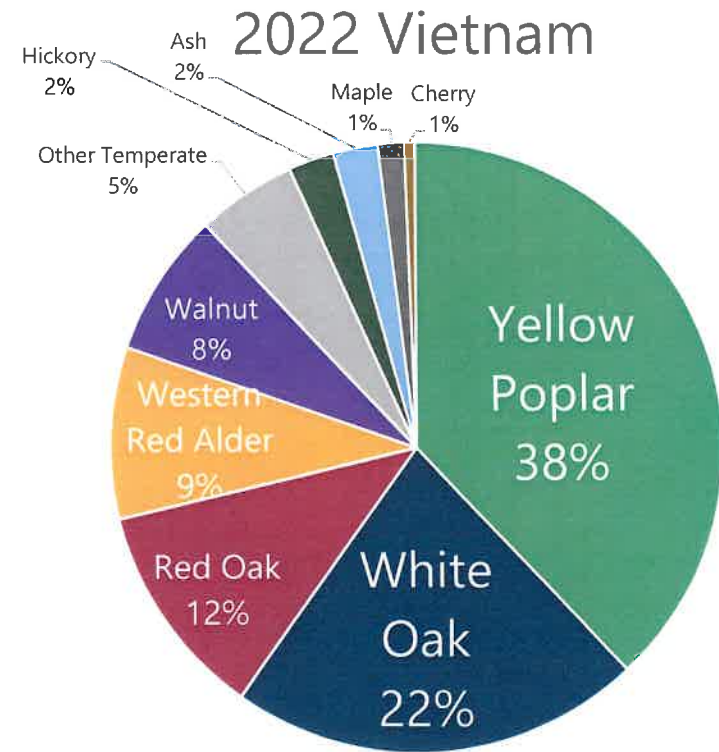
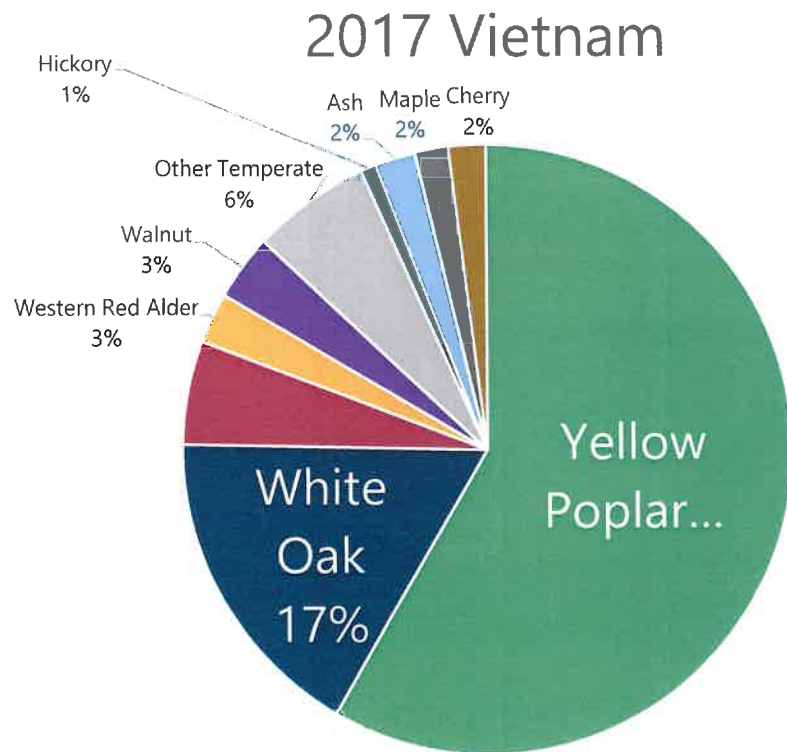


**\$Value up 9%
up 39% since 2020**

Source: USDA GATS, data for Jan-June each year



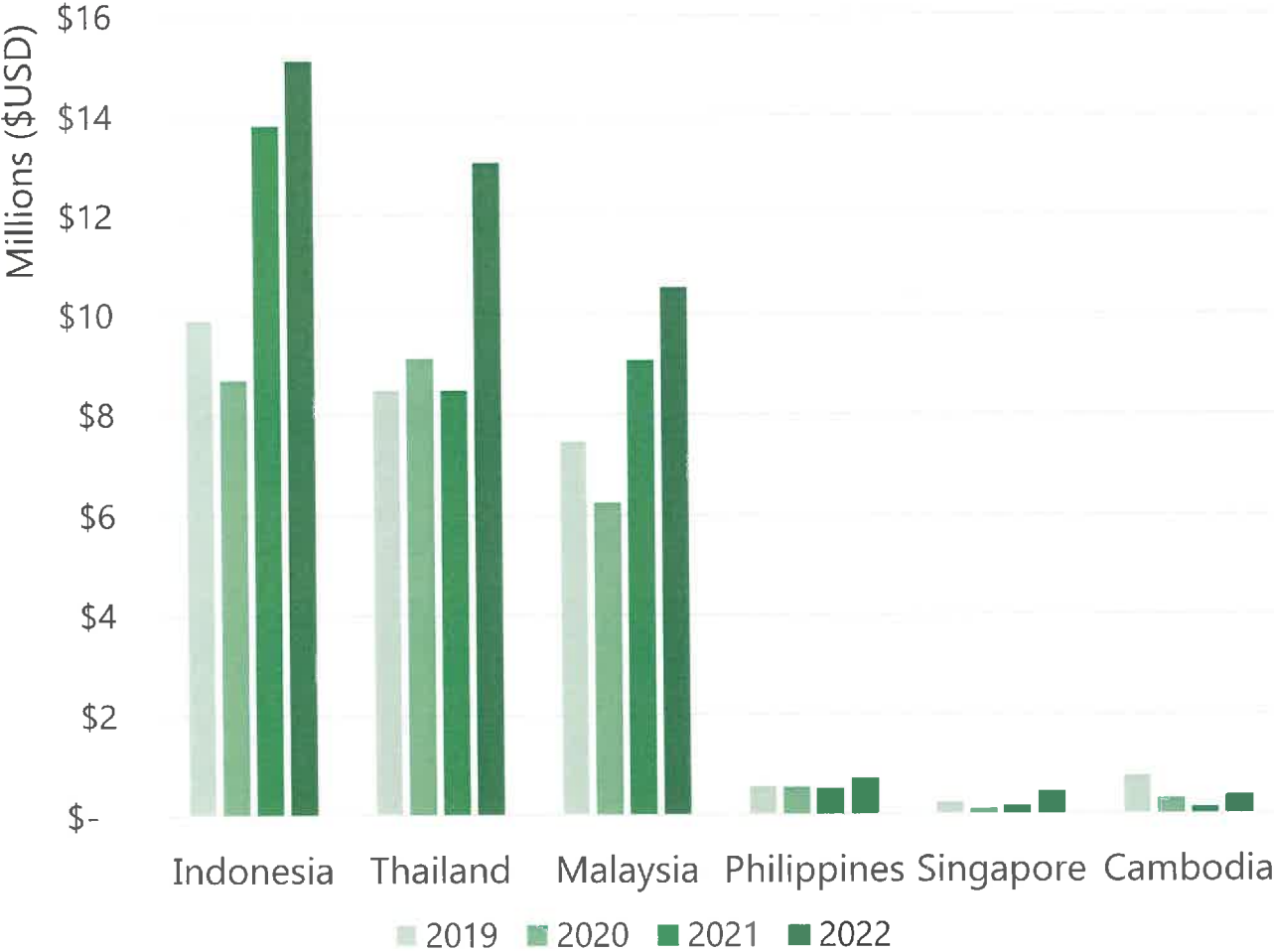
Species Mix Changing in Vietnam



Source: U.S. Census Bureau Trade Data, Jan-June



US Lumber to Other SE Asia (Jan-Jun)



Indonesia	+9%
Thailand	+54%
Malaysia	+16%
Philippines	+39%
Singapore	+163%
Cambodia	+176%

Source: USDA GATS, data for Jan-June each year





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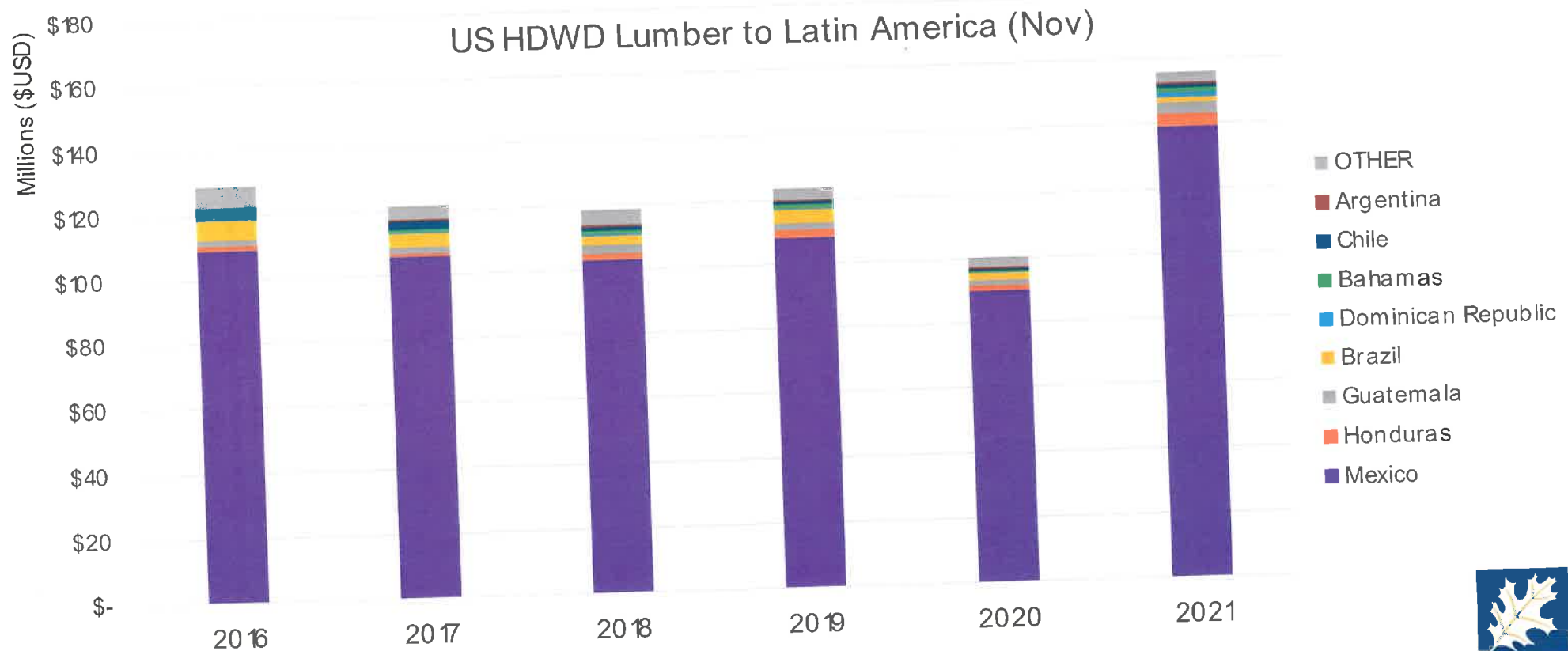
Mexico/ Latin America

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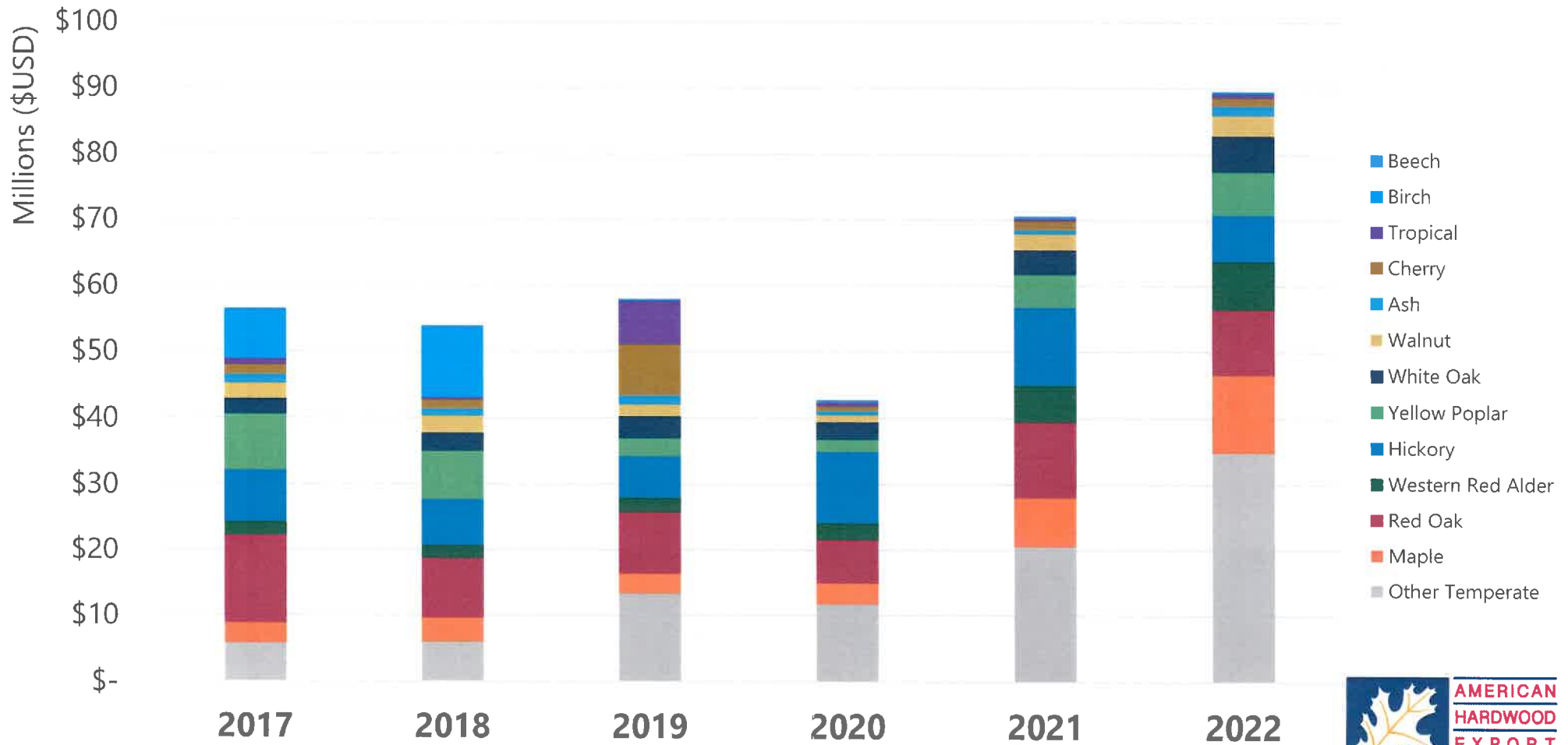
Mexico Dominates Latin America Trade



Source: USDA GATS (November)



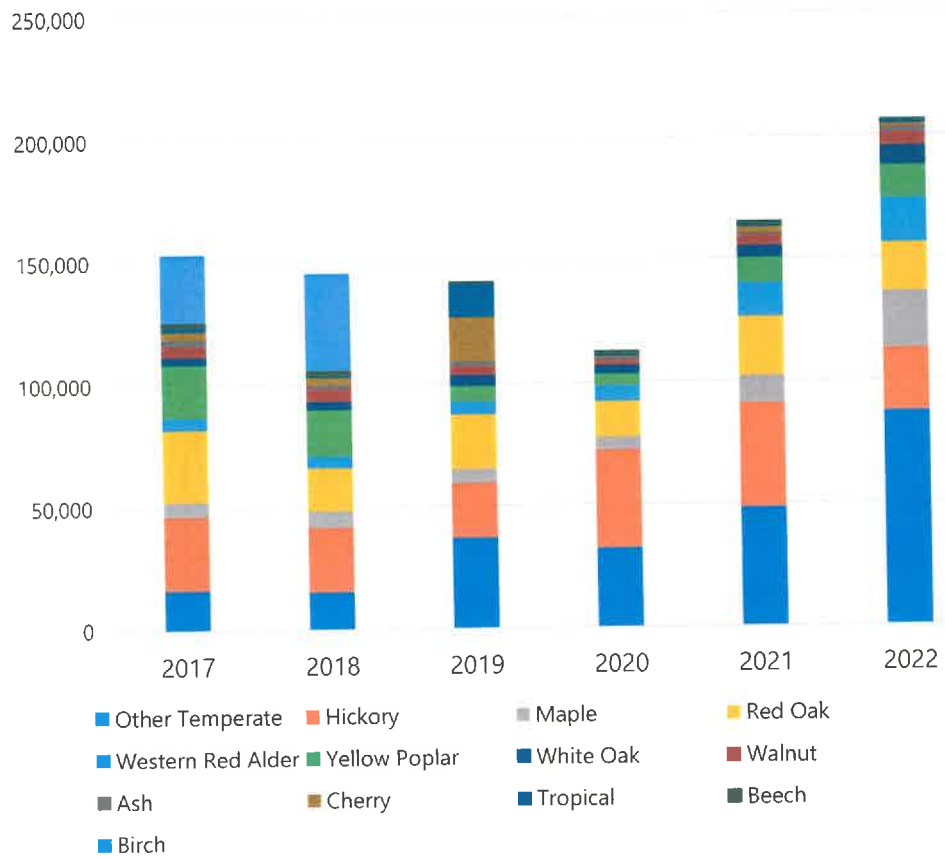
US Lumber to Mexico (Jan-June)



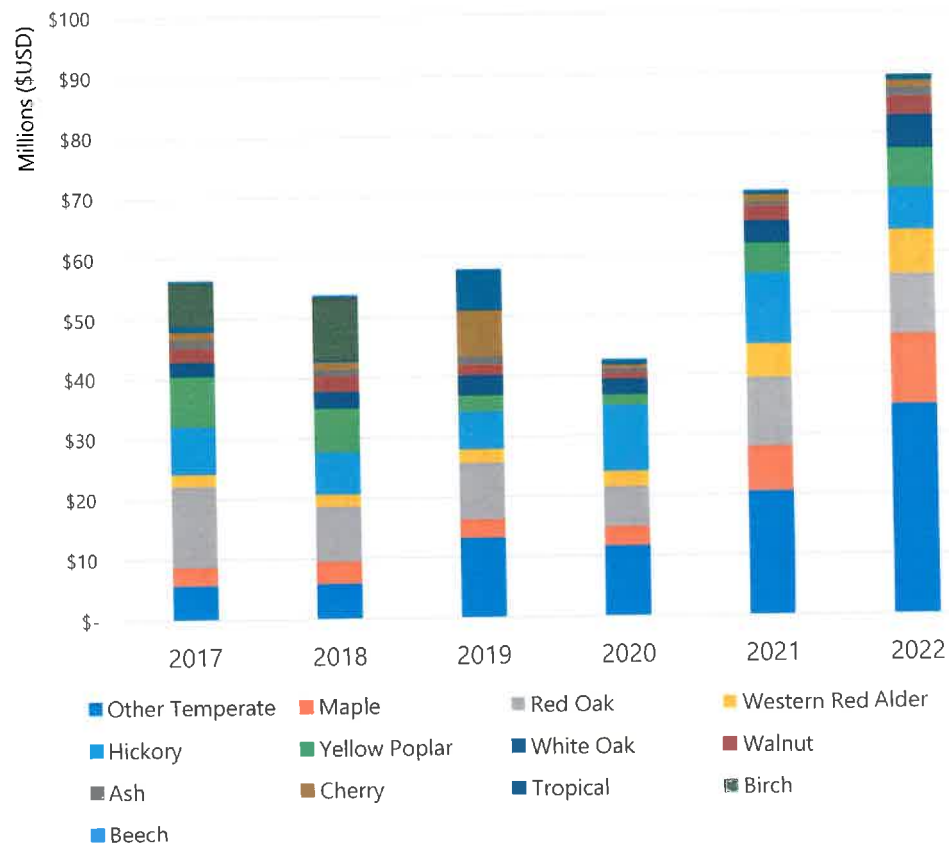
Source: USDA GATS, data for Jan-June each year



VOLUME US Lumber to Mexico (Jan-Jun)



\$VALUE US Lumber to Mexico (Jan-Jun)



Source: USDA GATS, data for Jan-June each year



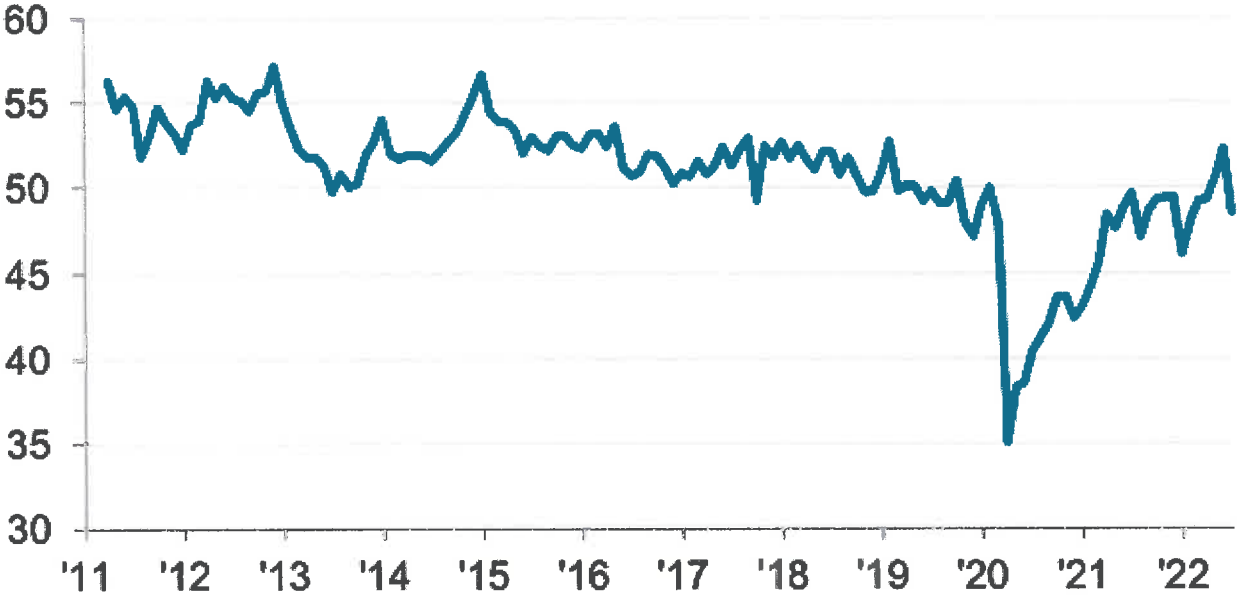
Changes in US import market share, by product group and trading partner

percentage points



Mexico Manufacturing PMI

sa, >50 = growth since previous month



Source: S&P Global.

Data were collected 12-21 July 2022.



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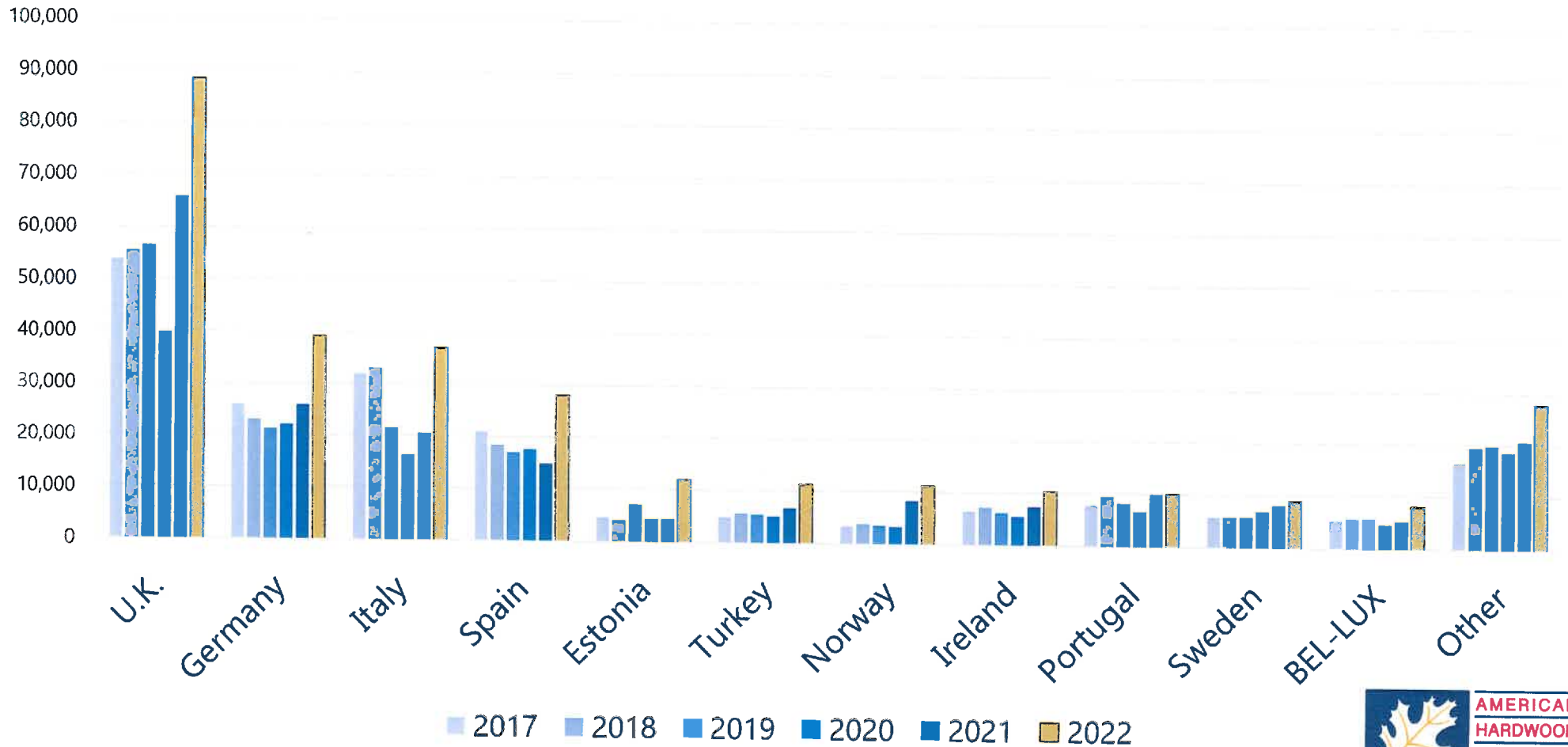
Europe

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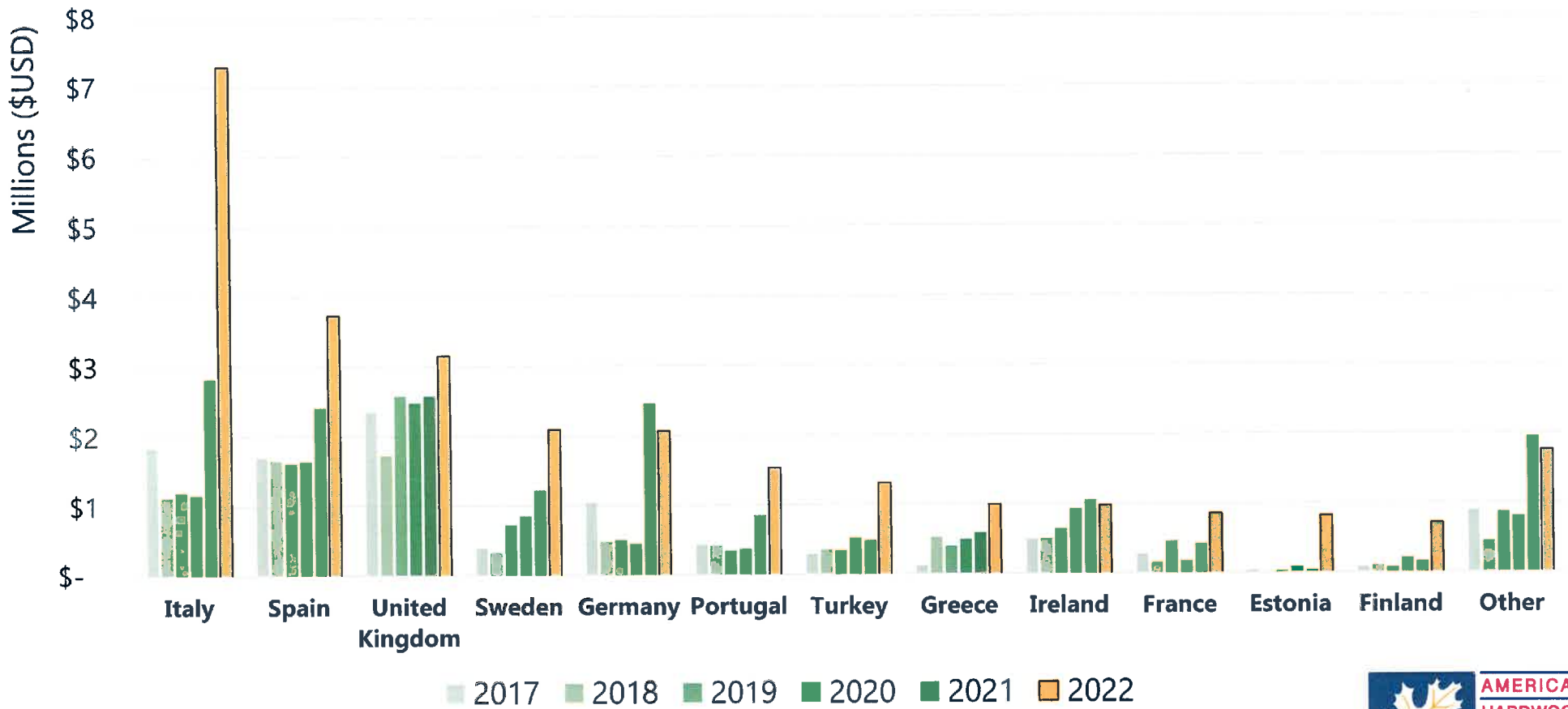
US Lumber to Europe (m3, Jan-June)



Source: USDA GATS, data for Jan-June each year



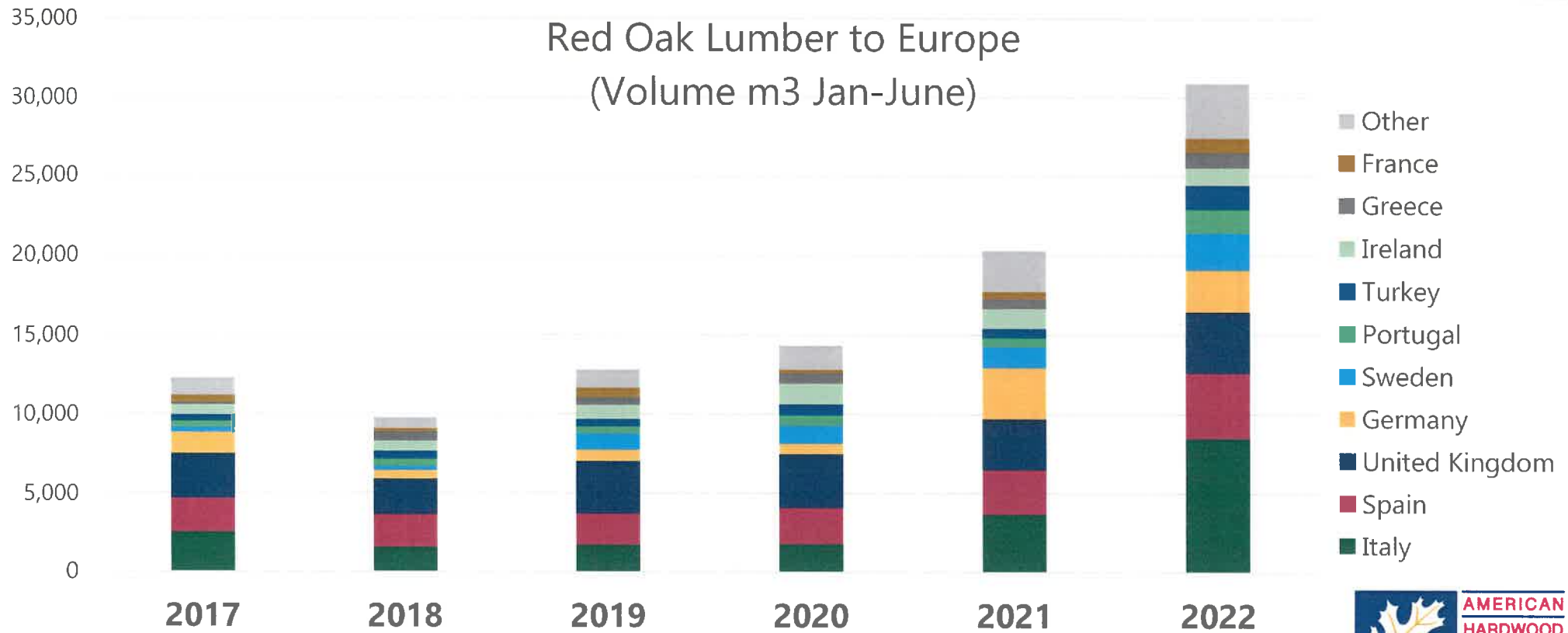
US Red Oak Lumber to Europe, Jan-Jun



Source: USDA GATS, data for Jan-June each year



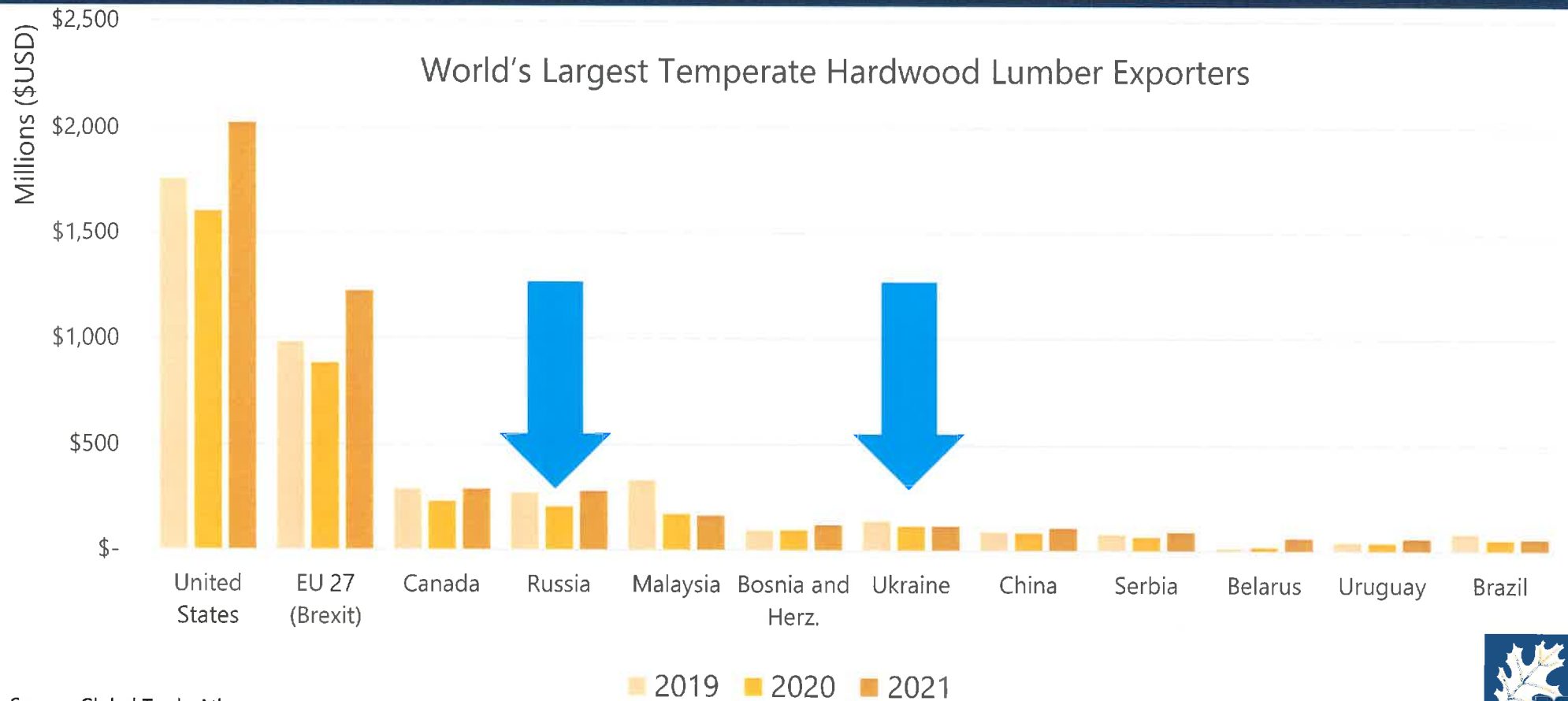
Red Oak Finding its Markets in Europe



Source: USDA GATS, data for Jan-June each year



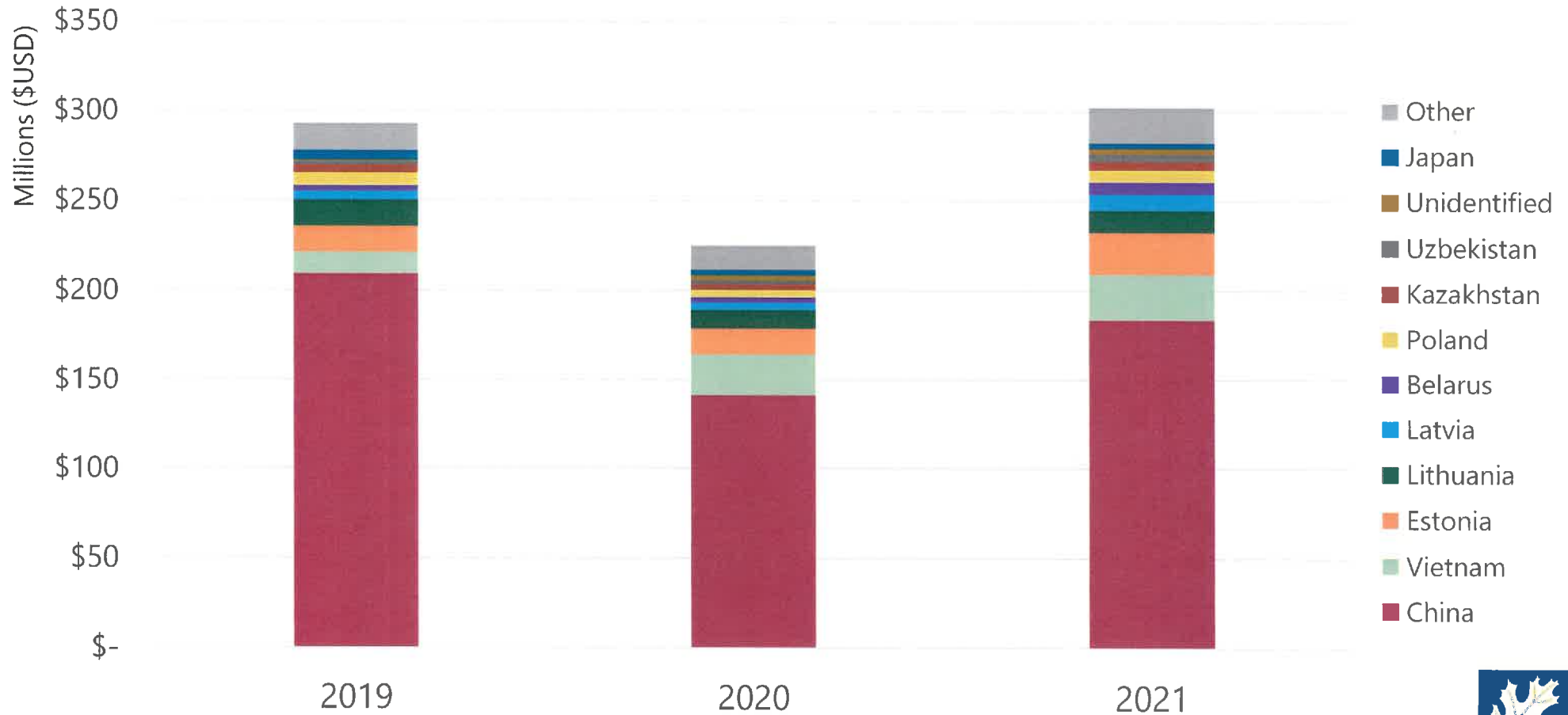
Ukrainian/Russian Oak Competes with US



Source: Global Trade Atlas



Russian Hardwood Lumber Exports



Source: Trade Data Monitor



Contribution to annual inflation rate, June 2022

Sources: BLS; Eurostat



*Food includes tobacco

S&P Global Flash Eurozone PMI Composite Output Index



Sources: S&P Global, Eurostat

S&P Global / BME Germany Manufacturing PMI®

PMI slips into contraction territory for first time in over two years as downturn in new orders deepens

Key findings

Sharp fall in new orders weighs on factory production

Firms growing increasingly pessimistic about the outlook

Output price inflation retreats to 15-month low

July saw Germany's headline Manufacturing PMI® slip into contraction territory for the first time in over two years, led by a deepening downturn in new orders across the sector. Factory

Germany Manufacturing PMI
sa, >50 = growth since previous month



Source: S&P Global.

Data were collected 12-22 July 2022.

EU Deforestation Legislation

- As written, it would require all wood products to be tied to a geolocation unit – **the individual landowner**
 - Same for wood products that go into Europe from Vietnam, etc.
 - Also affects soy, beef, palm oil, coffee, and cocoa
- Geolocation Requirement means importers will favor industrial plantations and state-owned forest land
- Many producers in rural communities practicing **low intensity forest management** will be locked out of this market



AHEC Response to EU Deforestation Law

EU Commission has passed this law, but needs to pass **EU Parliament**

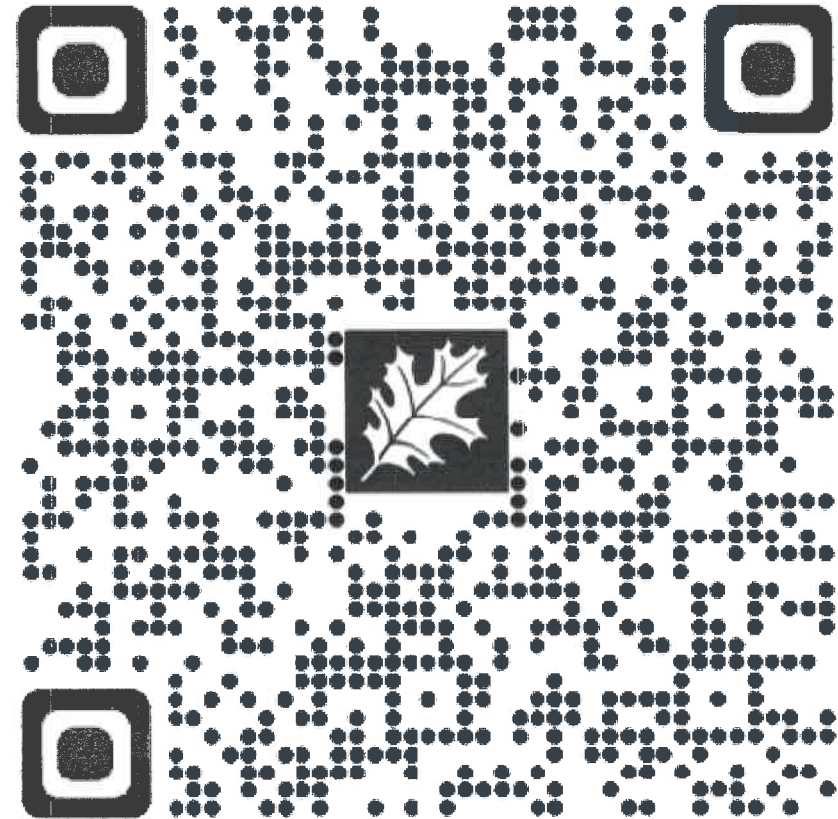
Could be resolved by either:

- Moving geolocation requirement from Article 9 “Information Requirements” to Article 10 “Risk Assessment”
- Redefining “Plot of land” from “single real estate property” to “jurisdiction or state” where there is low risk of illegal harvest or deforestation

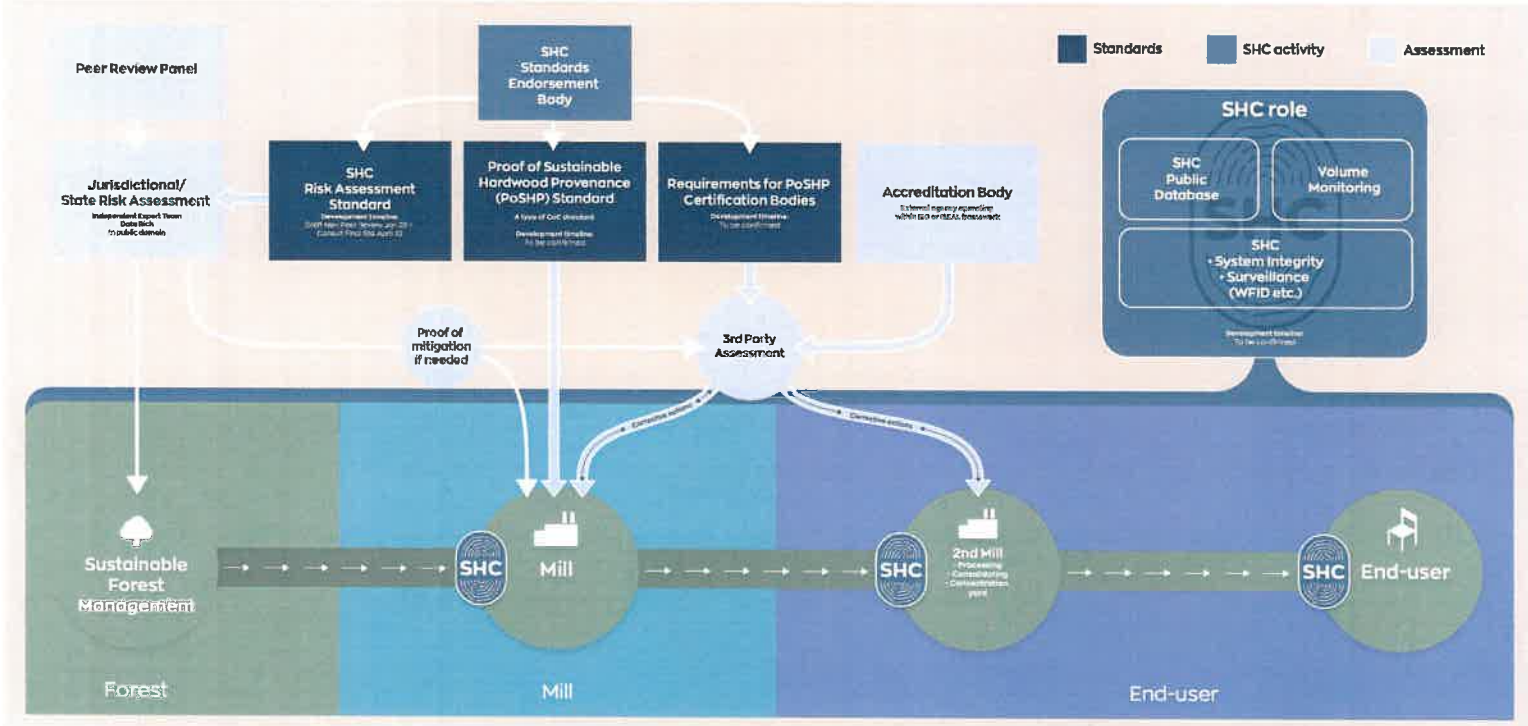
We are in a coalition with European wood industry representatives and other Ag. groups to voice concerns

Environmental Groups like Rainforest Alliance and Fairtrade International are also proposing amendments

Scan this QR Code for a summary of the law and AHEC’s proposed solutions



Jurisdictional Certification Proposal: Sustainable Hardwood Coalition





Northeast Asia/ Oceania

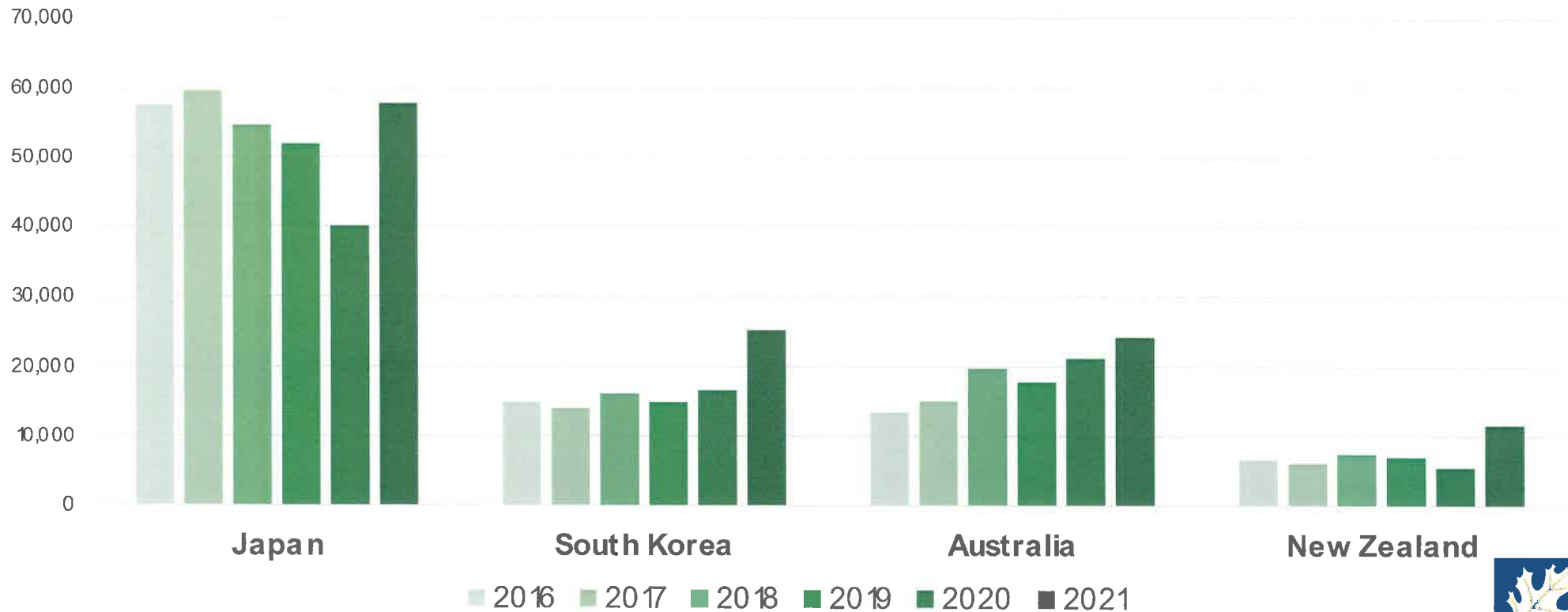
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Growth Across Pacific Rim Markets

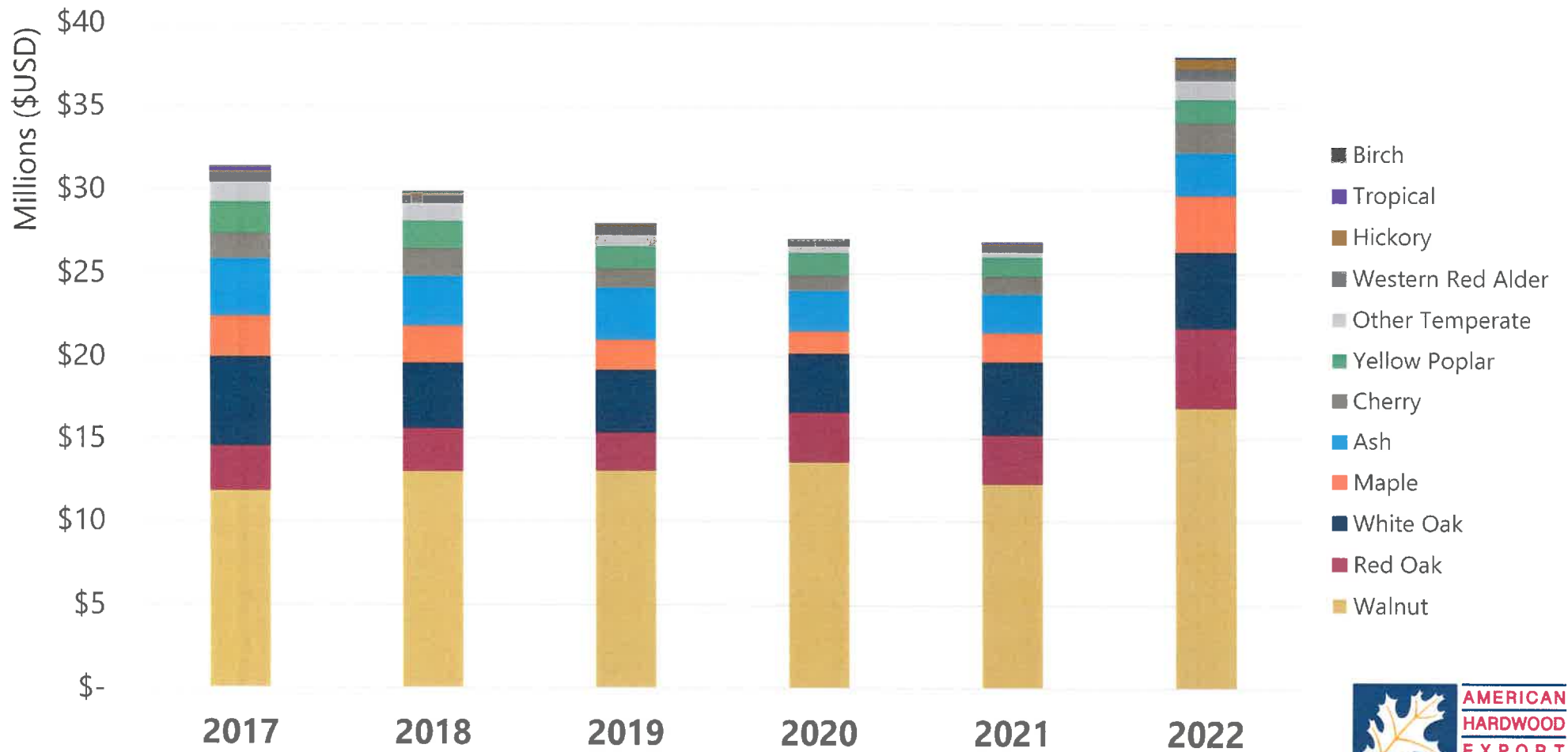
US HDWD Lumber to Oceania Markets (m3, Nov)



Source: USDA GATS (November)



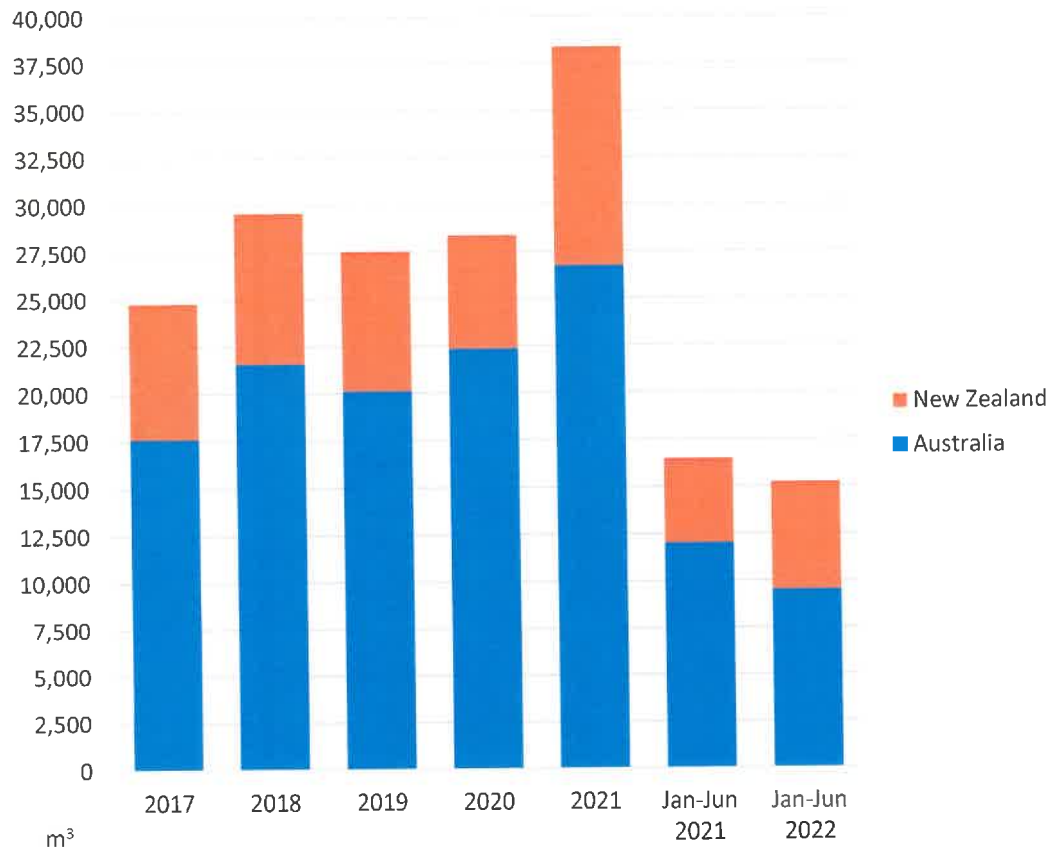
US Lumber to **Japan** (Jan-June)



Source: USDA GATS, data for Jan-June each year



JAN-JUN 2022 U.S. HARDWOOD LUMBER EXPORTS (m³) – AUSTRALIA & NEW ZEALAND



Source: USDA Foreign Agricultural Service

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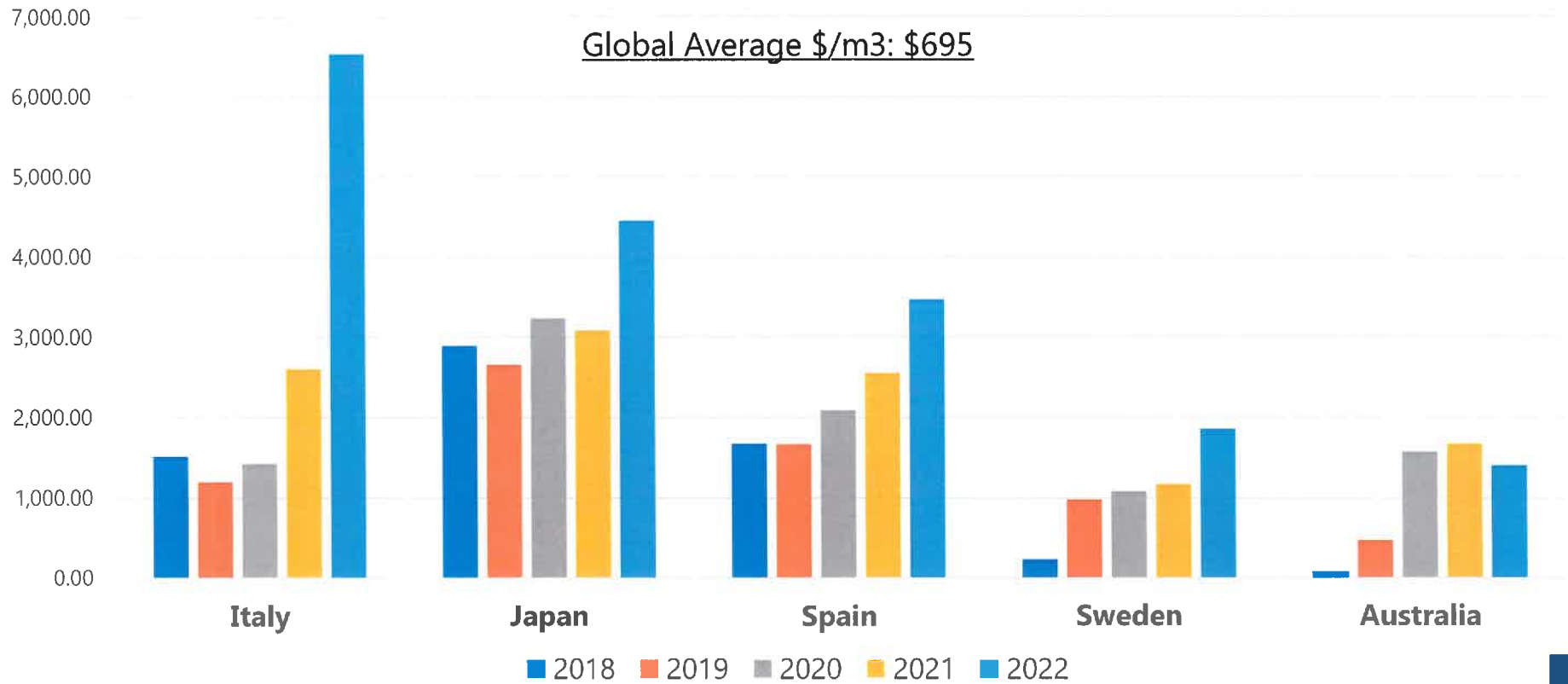
Jan-Jun 2022 saw a 21% decrease in the volume of US hardwood lumber shipped to Australia and a 27% increase in shipments to New Zealand.

With the exception of red oak lumber, shipments of all other species to Australia were down on the same period last year. Sources point to a stock correction as being the main reason for this downturn, as well as the difficulties in obtaining premium white oak lumber.

In New Zealand, increased inventory buying underlined confidence in the post-pandemic economic situation.



Red Oak Lumber to High-End Markets, Jan-May (m3)



Source: USDA GATS





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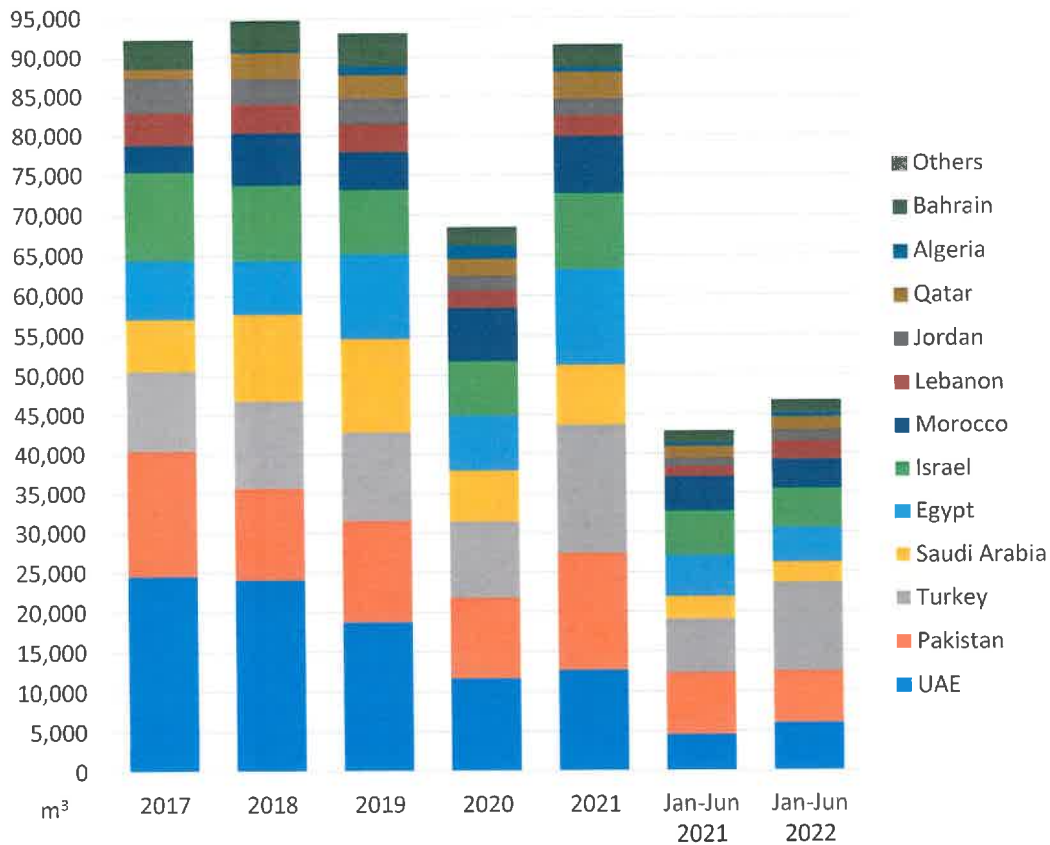
Emerging Markets: Middle East, South Africa and India

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September, 2022

JAN-JUN 2022 U.S. HARDWOOD LUMBER EXPORTS (m³) – MIDDLE EAST & NORTH AFRICA



Source: USDA Foreign Agricultural Service

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The first half of 2022 saw a 9% increase in the overall volume of US hardwood lumber shipped to the MENA region.

The biggest rises were seen in Turkey (65%) and the UAE (31%).

Shipments to the Pakistan and Israel dropped by 22% and by 23%, respectively.

Export values to all other markets in the region remained more or less stable year-on-year.





ASIA

Pakistan Floods Affect Millions, Leave Over 1,000 Dead

Flooding from heaviest monsoon rains in three decades hits districts that are home to 15% of the population

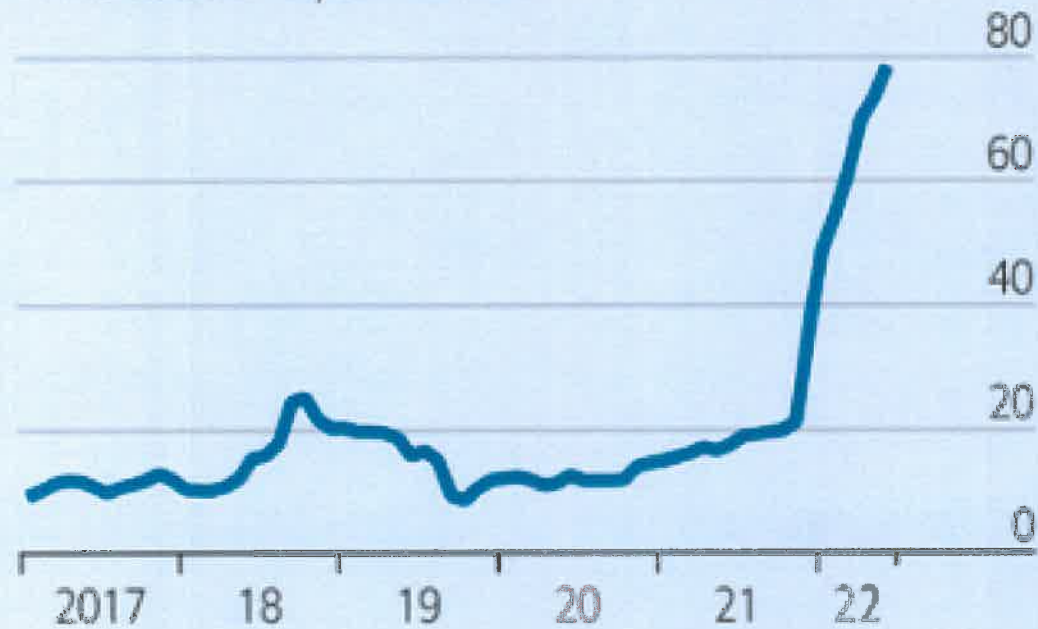
Up and down

Turkey

Consumer prices

% increase on a year earlier

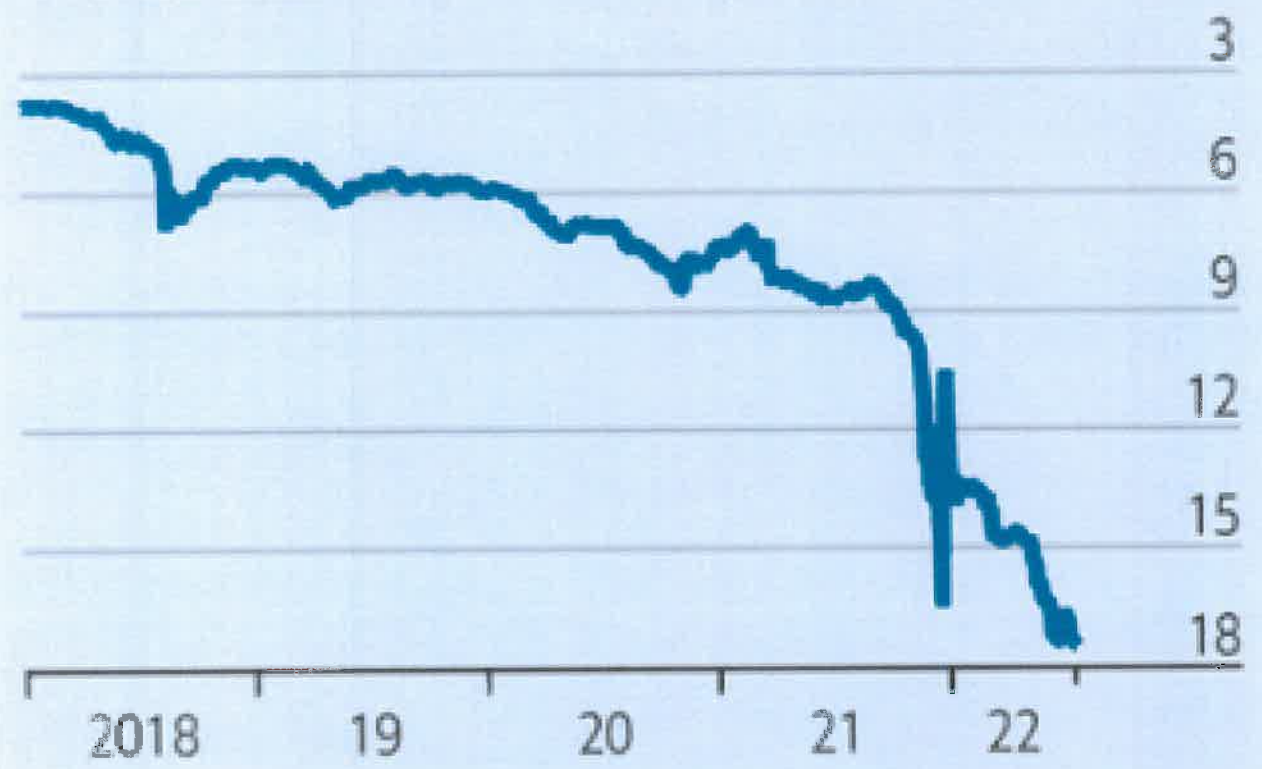
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Turkish lira per \$

Inverted scale

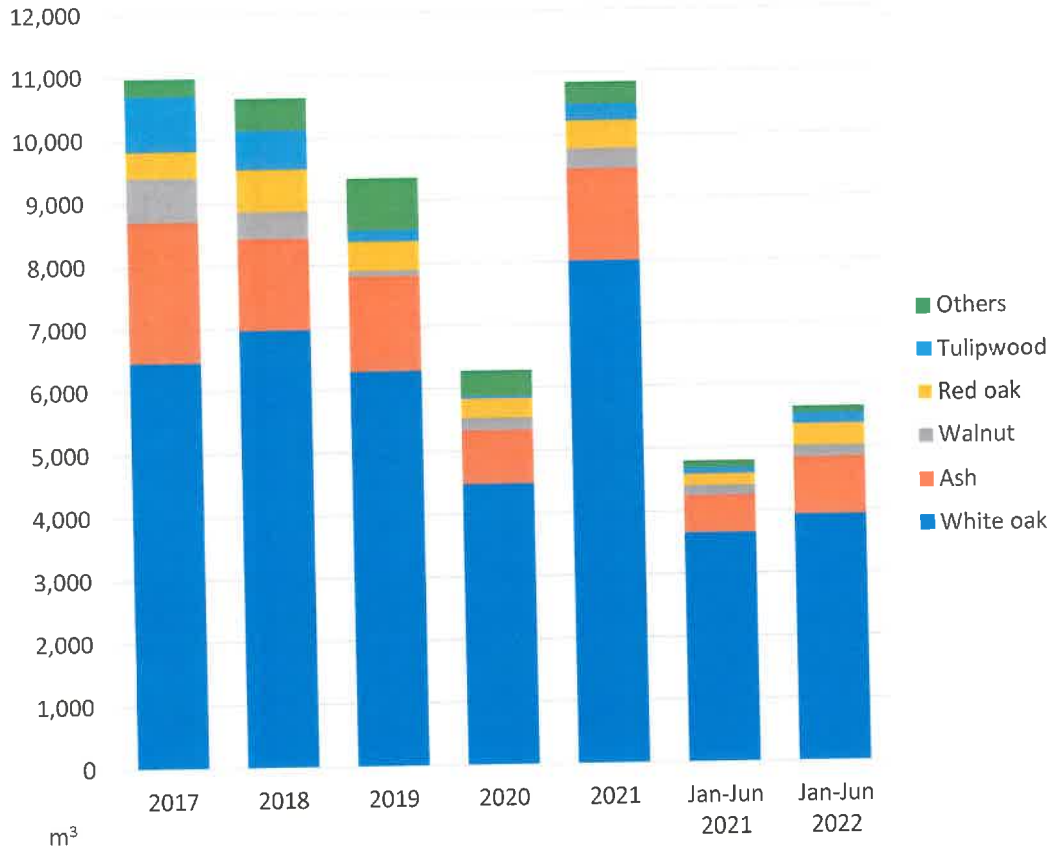
3



Sources: Refinitiv Datastream; IMF

*Estimate †Forecast

JAN-JUN 2022 U.S. HARDWOOD LUMBER EXPORTS (m³) – SOUTH AFRICA



Source: USDA Foreign Agricultural Service

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Jan-Jun 2022 saw an 18% increase in the volume of US hardwood lumber shipped to South Africa.

The total volume shipped during the period reached a value of USD 4.4 million.

Increases were seen in shipments of white oak, ash and red oak.

While all normal indicators point to economic turmoil in South Africa, many furniture and joinery manufacturers have been enjoying a good post-pandemic recovery in demand.



INDIA – HARDWOOD LUMBER END-USERS

The main hardwood lumber processing centres (furniture & handcraft manufacturers) are located in:

- Delhi-National Capital Region
- Jaipur & Jodhpur in Rajasthan
- Bengaluru (formerly Bangalore)
- Chennai (formerly Madras)

Manufacturers are located across the whole country, but other notable centres are:

- Mumbai & Pune
- Hyderabad
- Kolkata
- Ahmedabad (Ghandinagar)
- Lucknow
- Mysore (near Bengaluru)



S&P Global India Manufacturing PMI[®]

India manufacturing PMI at eight-month high as trends for output and new orders strengthen

Key findings

Headline PMI rises to 56.4 in July

Sales and production grow at fastest rates since last November

Input costs inflation softens to 11-month low

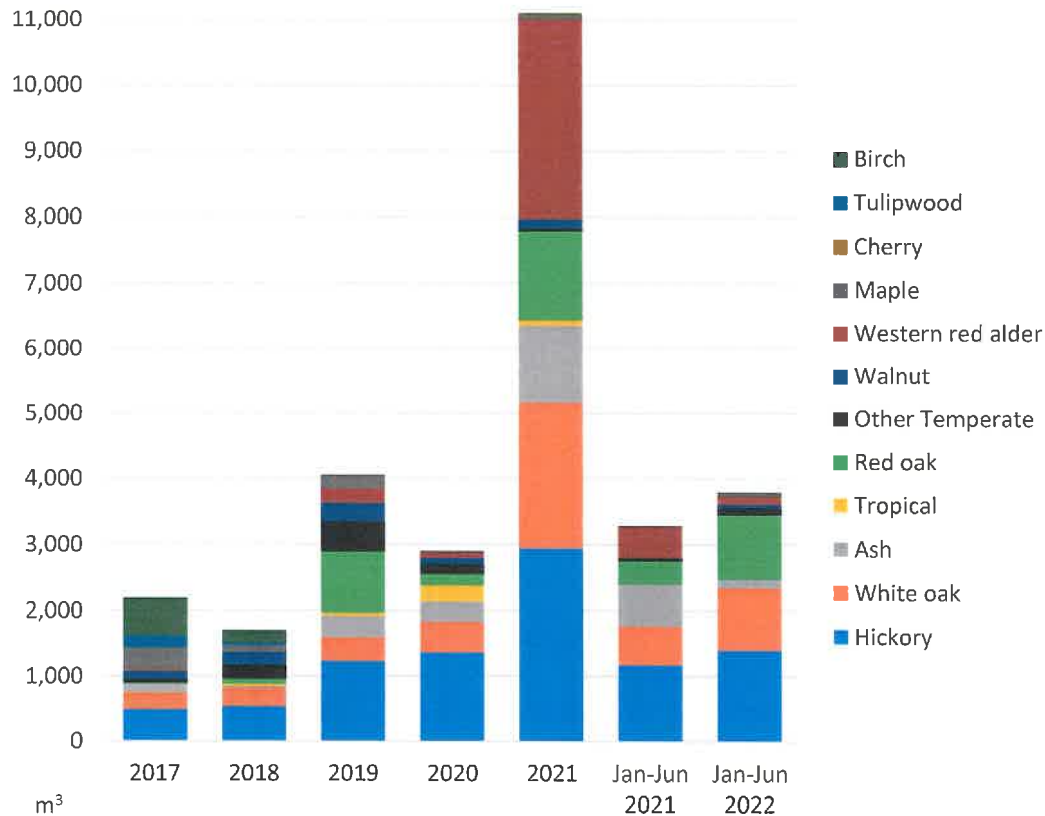
Indian manufacturers made a positive start to the second fiscal quarter, with marked gains in growth of new business and output. While companies stepped up input purchasing,

India Manufacturing PMI
sa, >50 = growth since previous month



Source: S&P Global.
Data were collected 12-25 July 2022.

JAN-JUN 2022 U.S. HARDWOOD LUMBER EXPORTS (m³) – INDIA



Source: USDA Foreign Agricultural Service

AMERICAN HARDWOOD EXPORT COUNCIL

The total volume of U.S. hardwood lumber shipped to India during the first half of 2022 increased by 15% to 3,791 m³, while the value rose by 36% to USD 2.7 million.

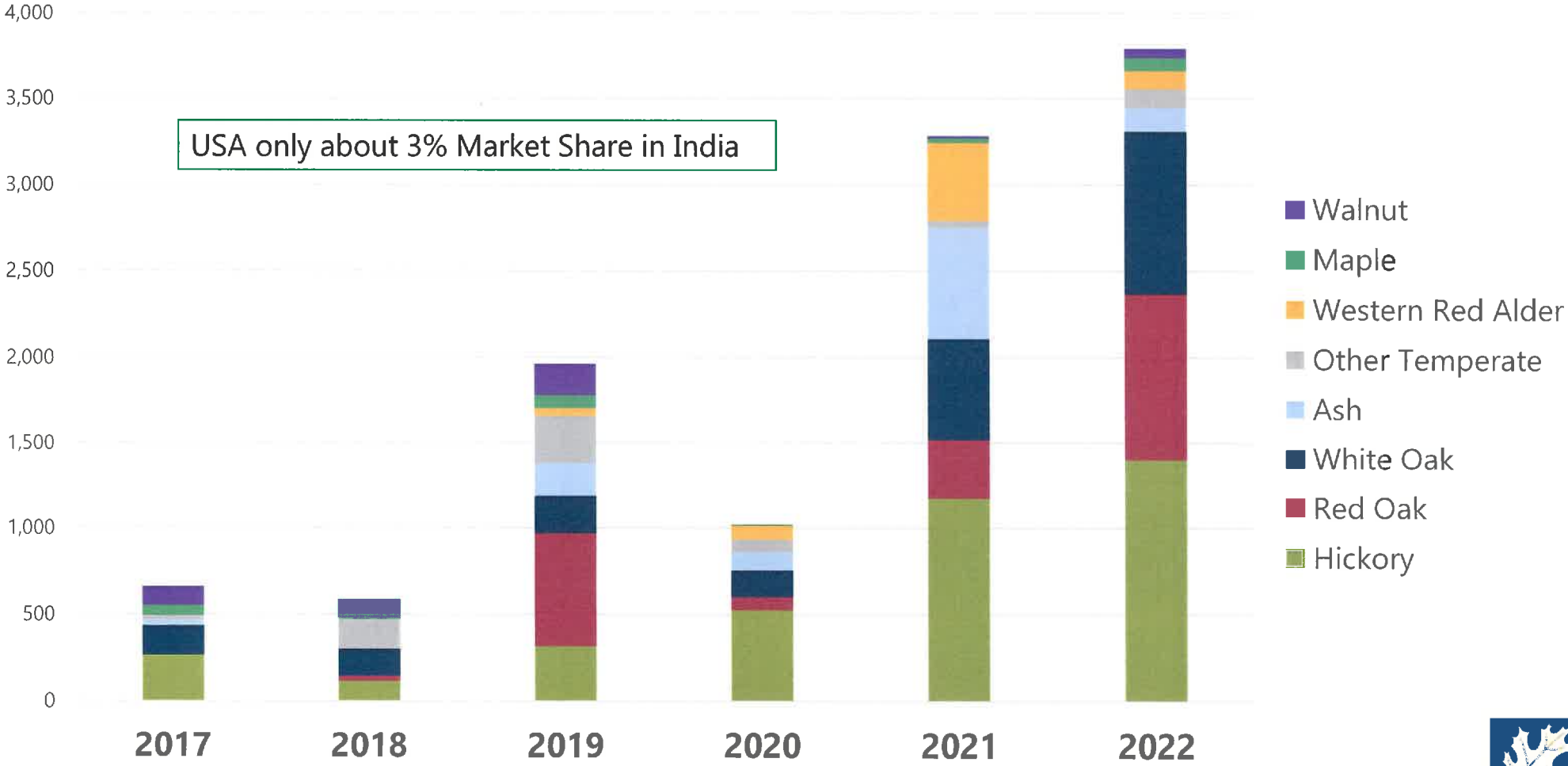
Shipments of hickory, white oak and red oak were all up significantly as compared to the same period in 2021.

According to various industry sources, the massive jump in exports of red alder to the market last year can be accounted for by a statistical error, as there is no evidence on the ground in India.



US Hardwood Lumber Exports to India (Volume, m3 Jan-June)

USA only about 3% Market Share in India

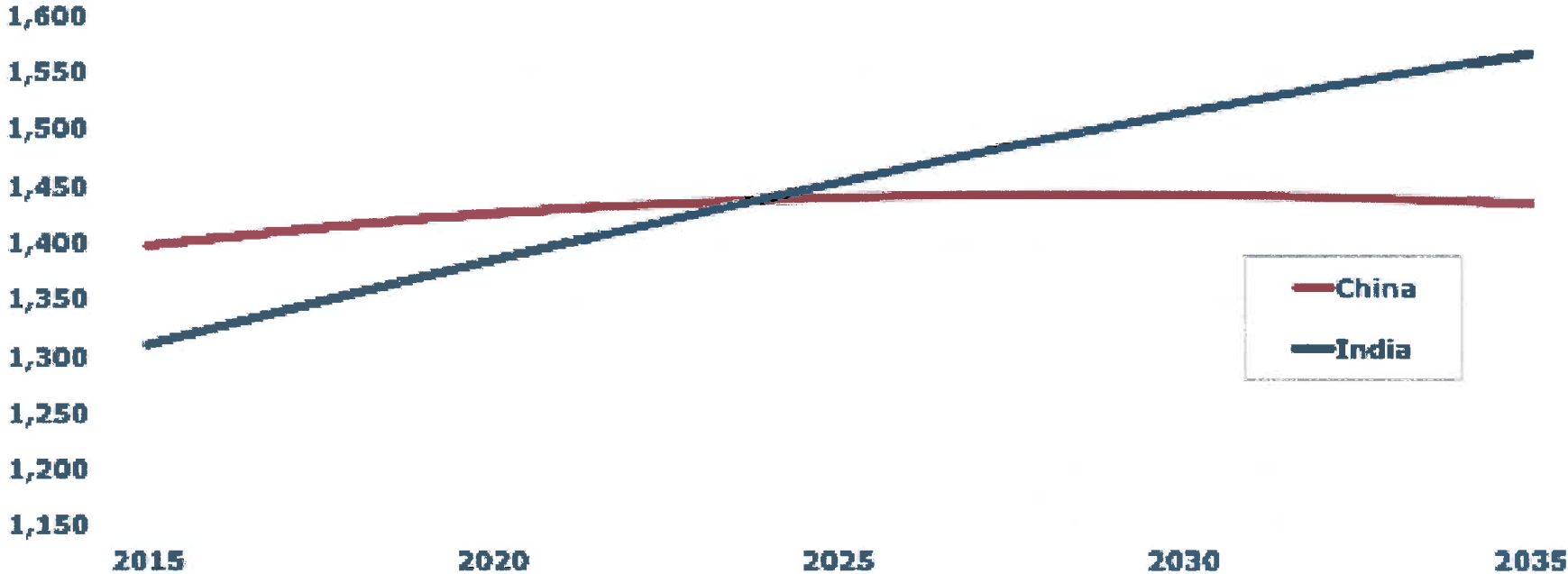


Source: USDA GATS, data for Jan-June each year



Population Growth in India Will Outpace China

Population in Millions



Source: UN Population Division
Medium Variant Projections



Upcoming AHEC Events

September

- 19-22: Algeria WoodTech - Algiers
23: NHLA Presentation - Cleveland
28-30: IMEXFOR Convention - Cancun

October

- 6-9: AFAMJAL – Puerta Vallarta, MX
12-14: Expo CIHAC – Mexico City
14: **AHEC SE Asia Convention**
– Bangkok, Thailand
18-21: **VietnamWood Pavilion**
– Ho Chi Minh City, VN
26-28: Japan Home Build – Tokyo
27-28: ETTF Meeting – Lyon, France

November

- 29: Japan Seminar - Kanazawa

December

- 8-11: Taipei International Building
Show – Taiwan
15-18: Cairo Woodshow - Egypt

2023 Spring Pavilions:

- Delhi Wood (March 2-5)
- Dubai Woodshow (March 7-9)
- Interzum Guangzhou* (March 28-31)
- Interzum Cologne (May 9-12)





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Thank You

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