

Tropical Timber Market Report

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Top Story

Gabon introduces restrictions on air dry sawnwood exports

Gabon will introduce regulations limiting the export of air dry sawnwood. It is understood that by mid-April a list of species will be issued detailing those included in the new regulation.

Reports say that okoume is to be included. It is also understood that ozingo has been removed from the list of timbers that can be traded but the felling ban on douka and kevazingo remains.

It appears the government intends to propose kevazingo for CITES listing.

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Gabon introduces restrictions on air dry sawnwood export

The private sector in Gabon is reporting that the government will go ahead with the introduction of regulations limiting the export of air dry sawnwood. It is understood that by mid-April a list of species will be issued detailing those included in the new regulations.

Reports say that okoume is to be included in the new regulation and that, for export, 60% must be kiln dried the balance 40% may be exported air dry.

It is also understood that ozingo has been removed from the list of timbers that can be traded but the felling ban on douka and kevazingo (bubinga) remains. It appears the government intends to propose kevazingo for CITES listing. Cameroon continues to enforce the ban on felling and processing of bubinga.

In related news, the government has decided to establish a new timber marketing organisation but it is not known when this is likely.

Diversifying to sustain government revenues

The decline in demand and prices for commodities has resulted in falling government revenues in many countries. To adjust to this calls have been made for diversification of the industrial sector which goes hand in hand with investment.

The issue of diversifying the economy was recently taken up in Gabon which has been overly dependent on the oil sector. In 2014 this sector alone contributed almost half of government revenue and accounted for over 80% of export earnings.

In an interview reported by the IMF, Montfort Mlachila, IMF Mission Chief for Gabon applauded Gabon's strategic plan (Plan Stratégique Gabon Emergent) which focuses on development of infrastructure and addresses the problem of electric power supply.

To stimulate diversified manufacturing the government created a Special Economic Zone called Nkok, near Libreville. The aim is to encourage wood processing but as yet no timber industries have taken advantage of the zone facilities. As Mlachila points out, there is an urgent need to improve the business climate to attract investment.

For more see:
<http://www.imf.org/external/pubs/ft/survey/so/2016/CAR032116A.htm>

Opening doors to private sector investments in Africa's largest trading block

Public and private sector representatives and state leaders recently met in Egypt to try and find ways to open the doors to private sector investments in Africa's largest trading block created last year. This new trade group brings together 26 African countries with over 600 consumers and a combined GDP of more than 1 trillion US dollars.

The investment forum in Egypt "Africa 2016" focused on trade and investment as engines of growth. Heads of state and government from Ethiopia, Equatorial Guinea, Gabon, Nigeria and Sudan participated.

As Southern African News reports, participants were unanimous that governments need to put in place a business climate that will attract investors; they need to combat corruption and eliminate bureaucratic obstacles as well as reform financial systems to facilitate inward and outward flows of money.

In the words of Southern African News "The Africa 2016 Forum has marked a step further towards the implementation of the goals adopted during the January 2012 African Union Summit which focused on the theme of "Boosting Intra-Africa Trade", as part of the heads of state and government decision to establish a Continental Free Trade Area." To boost trade the African Union identified six pillars upon which this will depend.

For the full story see:
<http://southernafrican.news/2016/03/24/africa-launches-largest-trading-block-with-620-million-consumers/>

A slight up-tick in interest from buyers for the Chinese market

The 'new normal' of stable price structures for both logs and sawnwood has become a familiar pattern. Prices have barely moved since late last year marking one of the longest period of stability producers have experienced in recent years.

Media hype of an impending collapse of the Chinese market has come to nothing and over past weeks producers have noticed a slight up-tick in interest from buyers for the Chinese market. A look at the residential and business construction trends (see page 16) provides a hint of what is behind the market conditions in China.

Overall, construction activity in most consumer countries has turned the corner and is slowly expanding if this continues producers expect to see order books firm.

While China is still firmly in the market this is still mainly for higher quality premium timbers. Demand for logs is still quiet however.

Log Export Prices

West African logs, FOB	€ per m ³		
Asian market	LM	B	BC/C
Acajou/ Khaya/N'Gollon	230	230	160
Ayous/Obeche/Wawa	260	260	180
Azobe & Ekki	230	230	160
Belli	250	250	-
Bibolo/Dibétou	150	145	-
Iroko	330	290	260
Okoume (60% CI, 40% CE, 20% CS)	200	200	160
(China only)	335	-	-
Moabi	210	305	225
Movingui	160	210	160
Niove	250	160	-
Okan	220	210	-
Padouk	345	285	225
Sapele	315	315	220
Sipo/Utile	-	340	265
Tali	-	320	-

Sawnwood Export Prices

West African sawnwood, FOB	€ per m ³	
Ayous FAS GMS		410
Bilinga FAS GMS		500
Okoumé FAS GMS		350
Merchantable		225
Std/Btr GMS		270
Sipo FAS GMS		610
FAS fixed sizes		610
FAS scantlings		640
Padouk FAS GMS		930
FAS scantlings		1020
Strips		680
Sapele FAS Spanish sizes		610
FAS scantlings		620
Iroko FAS GMS	630	▲
Scantlings		700
Strips		440
Khaya FAS GMS		450
FAS fixed		460
Moabi FAS GMS		610
Scantlings		630
Movingui FAS GMS		420

Ghana

Joint Team Review Ghana Timber Trade Agreement

The Government of Ghana and the European Union (EU) recently met in Accra to review progress towards implementation of the Voluntary Partnership Agreement (VPA).

The Ghana-EU VPA Joint Monitoring and Review Mechanism (JMRM), which included representatives of stakeholder groups, was tasked to oversee implementation of the agreement.

The JMRM reviewed the status of development of Ghana's timber legality assurance system and also discussed outstanding issues to be addressed in the joint action plan, the last step before ratification of the agreement and the start of FLEGT licensing.

Speaking to the media the Minister of Lands and Natural Resources, Mr. Nii Osa Mills, said when the FLEGT licenses are issued Ghana's timber products would enter the European market without the EU importers having to comply with the due diligence obligations of the EU Timber Regulation.

According to the Minister, the country has made progress in forest governance by clarifying its forest management plans and improving transparency which has brought Ghana closer to licensing and easier access to the EU market. The development of the national timber legality assurance system would also help Ghana resolve legality issues in the domestic market.

To track progress in the national timber legality assurance system, the JMRM decided to meet in August for the next assessment. Ghana signed the VPA with the EU in 2009 aiming to ensure verified legal wood products are produced for export and the domestic market.

The issue of legality is of particular importance in the domestic market where large volumes of illegally sourced and chainsawn timber are sold.

UNIDO training for Timber and Furniture Lab

UNIDO recently concluded a training programme for staff at Ghana's Timber and Furniture Laboratory in the Forestry Research Institute. The training focused on building capacity for ISO/IEC 17025 certification. This training programme was supported by UNIDO's 'Trade Capacity Building Programme'.

Mr Victor Mills, the National Project Coordinator for UNIDO, said the training at the Forestry Research Institute was part of a series of events for all agencies and institutions to assist them meet international market demands.

Forestry Research Institute of Ghana (previously named the Forest Products Research Institute) is located at Fumesua near Kumasi in the Ashanti Region of Ghana.

Forestry Commission needs better resources to protect forests

Samuel Afari Dartey, Chief Executive Officer of the Forestry Commission of Ghana, said during Forestry Day celebrations his organization is in dire need of more trained personnel and better logistics. He said if the Commission is to meet the demands of government in protecting the country's forests it need more resources.

According to the Forestry Commission in Ghana the 293 forest reserves covering an area of 2.4 million hectares and the 23 wildlife protection areas (about 1.34 million hectares) serve as important watersheds and in some cases headwaters of important rivers.

Mr. Darty reported that Ghana is losing large areas of forest to unauthorised bush burning, illegal mining and unauthorized settlements.

Mr. Dartey mentioned the adoption and implementation of a new Forest and Wildlife Policy-2012, the national forest plantation programme, the Voluntary Partnership Agreement (VPA) and Forest Investment Programme (FIP) as some initiatives that have already been launched to reverse the trend of deforestation and land degradation.

March prices

Prices for wood products remained unchanged as of 30 January.

Boule Export prices

	Euro per m ³
Black Ofram	380
Black Ofram Kiln dry	446
Niangon	481 ↑
Niangon Kiln dry	490

Export Rotary Veneer Prices

Rotary Veneer, FOB	€ per m ³	
	CORE (1-1.9 mm)	FACE (>2mm)
Ceiba	380 ↑	433
Chenchen	462	555
Ogea	474	537
Essa	511	561
Ofram	350	406

NB: Thickness below 1mm attract a Premium of 5%

Export Sliced Veneer Prices

Sliced Veneer, FOB	€ per sq. m	
	Face	Backing
Afrormosia	1.19	0.91
Asanfina	1.40	0.75
Avodire	1.60 ↓	0.34
Chenchen	1.00 ↓	0.36
Mahogany	1.80 ↓	0.92
Makore	1.00	0.80
Odum	1.75 ↑	0.40

Export Plywood Prices

Plywood, FOB BB/CC	€ per m ³		
	Ceiba	Ofram	Asanfina
4mm	482	510	641
6mm	487 ↓	535	615
9mm	407	450	613
12mm	369	463	475
15mm	443 ↓	436	400
18mm	353	358	370

Grade AB/BB would attract a premium of 10%, B/BB 5%, C/CC 5% and CC/CC 10%.

Export Sawnwood Prices

Ghana Sawnwood, FOB FAS 25-100mm x 150mm up x 2.4m up	€ per m ³	
	Air-dried	Kiln-dried
Afrormosia	860	925
Asanfina	492	564
Ceiba	203	368
Dahoma	442 ↓	504
Edinam (mixed redwood)	537	580
Emeri	477	515
African mahogany (Ivorenensis)	676 ↑	1025
Makore	660	830
Niangon	687	873
Odum	685 ↑	900
Sapele	610	791
Wawa 1C & Select	371 ↓	416

Export Added Value Product Prices

Parquet flooring 1st grade	FOB € per sq.m		
	10x60mm	10x65-75mm	14x70mm
Apa	12.00	14.47	17.00
Odum	9.00	11.33 ↑	13.00 ↑
Hyedua	13.00 ↓	18.22	16.30
Afrormosia	13.72	13.93	17.82

Grade 2 less 5%, Grade 3 less 10%.

Malaysia

Regional markets to be foundation of 2016 exports

The Malaysian Timber Council (MTC) is optimistic of maintaining the momentum in wood product exports this year despite global challenges.

MTC Chief Executive, Dr. Abdul Rahim Nik, revealed that Malaysia's 2015 exports of sawnwood, plywood, veneer and furniture increased 6.5% year on year to around US\$5.5 billion.

Furniture exports alone increased 14% last year and overall, the timber sector provided just over 18% to total exports earnings in the commodity sector. Rahim said the outlook for the industry was quite positive, especially in terms of the opportunities for sales within the region. India is a market with huge potential as is the furniture market in China.

To capture the opportunities in these markets Rahim said "Continued growth and progress are largely dependent upon industry's ability to shift from the current manufacturing-based mind-set to one that is more innovation centric, providing more value-added products to international markets".

Japan, the major market for Sarawak wood products

The value of Sarawak's 2015 timber exports fell 9% to RM6.6 billion compared to RM7.2 billion in 2014. Export earnings for the first two months of 2016 are also trending lower.

The State Minister of Resource Planning and Environment, Awang Tengah Ali Hasan, reported that only sawnwood exports have held up with all other products posting losses. To-date products that contributed most to 2016 export earnings were plywood (48%), logs (27%) and sawn timber (12%).

In the first two months of the year Japan continues to be the major market accounting for 36% (RM373 million) of total wood product exports. Other markets included India (21%), Taiwan P.o.C (9%), Middle East countries (9%), Korea (8%), the Philippines (6%), Vietnam (3%) and Thailand (2%).

Efforts to combat illegal logging in Sarawak have been intensified. The Chief Minister, quoting official statistics for the period 2009 – 2014, said that the volume of illegal logs seized was less than 1% of total log production and that none of the main logging companies had been found to be logging illegally.

Sarawak plywood prices

Plywood Traders in Sarawak reported the following export prices:

Floor base FB (11.5mm) US\$580/cu.m FOB

Concrete formboard panels CP (3' x 6')

US\$500/cu.m FOB

Coated formboard panels UCP (3' x 6')

US\$580/cu.m FOB

Standard panels

S Korea (9mm and up)	US\$390/cu.m FOB
Taiwan P.o.C (9mm and up)	US\$400/cu.m FOB
Hong Kong	US\$400 FOB/cu.m
Middle East	US\$380/cu.m FOB

Indonesia

Calls for support to aid industry upgrading

Furniture and craft enterprises have alerted government of a looming crisis, a serious shortage of skilled technicians for the sectors. Spokespersons from the two sectors have urged government to offer support to companies so that they can fully meet export targets.

The Secretary General of the Indonesia Rattan Furniture and Craft Association (AMKRI) said expanded training facilities and support for enterprises as they upgrade their technologies and management are essential to ensure growth of the industry. Last year furniture exports were almost US\$2 billion, just a fraction of the estimated US\$140 billion global furniture market.

The International Furniture Expo (IFEX) 2016 has just concluded and this year Indonesian manufacturers secured orders worth around US\$325 million.

Rebound in exports welcomed

According to Indonesia's Central Statistics Agency (BPS), compared to a month earlier Indonesia's February 2016 exports to Japan rose by 5.3% and exports to China increased 6.6%.

The Head of the BPS reported that exports to Japan and China have improved significantly with 17 of Indonesia's 24 export commodities recording an increase in February. In addition to wood products, Indonesia's commodity exports to the US, Japan and China included textiles, electronics, rubber products, palm oil, footwear, automotive products as well as fishery and agricultural products.

Legality verification opens way to expanded exports

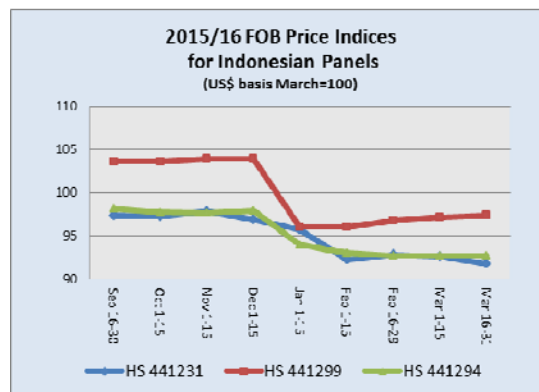
Speaking at IFEX 2016, Agus Justianto of the Ministry of Environment and Forestry, said his Ministry appreciated the commitment of the EU and other countries in combating the trade in illegal timber. These efforts, he said, have created new opportunities for through the national SVLK increase exports.

In support of the statement by the Ministry spokesperson, Maria Murliantini, a handicraft manufacturer and exporter said her company had seen an increase in trade and in profits since the company secured SVLK certification. New opportunities had opened up for the company in Germany, France, Australia, the United States and Sweden.

Forest fires in Jambi intentional

The Governor of Jambi province in Central Sumatra has said almost all forest fires in the province were intentionally started as a means to clear land for agriculture.

Fire control efforts by provincial authorities include sending trained staff to fight fires and also calling on volunteers to extinguish the fires. The province has banned slash-and-burn methods used by farmers to clear land and will cancel operating licenses for companies found guilty of starting fires to clear land.



Data source: License Information Unit in <http://silk.dephut.go.id/>

Myanmar

U Ohn Win named forestry minister

The incoming administration in Myanmar has announced the number of ministries will be cut from 36 to 21. The Ministry of Environmental Conservation and Forests and the Ministry of Mines are to be merged as the Ministry of Resources and Environmental Conservation.

The former Deputy Rector of the Institute of Forestry, U Ohn Win, has been named Minister. Private sector spokespersons have welcomed the merging of two ministries saying there had been times when there was a conflict of interests between the two ministries. Win's appointment has also been greeted by forestry personnel as this will be the first time for decades that the ministry is headed by someone with a forestry background.

U Ohn Win was once a professor at the University of Forestry, Yezin. He received his Master of Science in watershed management from Colorado State University and has special interests in research management, hydrology, watershed and soil conservation, climate change adaptation and bio diversity conservation. Before his appointment he was on the advisory board of the Myanmar Institute for Integrated Development, a non-profit organisation.

MTE to get new General Manager

In a related development, analysts in Myanmar anticipate an experienced General Manager of the Myanmar Timber Enterprise (MTE), also a Forestry graduate, will be appointed as Managing Director of the organisation.

MTE is a state-owned institution which has sole authority to harvest and extract logs in Myanmar. Since 1988 the military commanded MTE.

Appointments suggest significant policy shift

Analysts point to these appointments as indicative of a significant in policy towards forest conservation and this has raised concern in the timber sector. One manufacturer said that although environmental conservation is of importance for the country there needs to be a balanced approach between conservation and sustainable utilisation. The fear in the industry is that the new administration could impose a logging ban given the high media coverage of illegal logging, deforestation and forest degradation.

The domestic newspaper, Weekly Eleven, has reported the out-going administration allowed the extraction of 700,000 tons of teak and hardwood logs during the 2014 financial year. The highest recorded harvest was in 2011 when 2.3 million tons were extracted.

An article in the Voice Newspaper is advising a ban on teak extraction as past harvests were unsustainable. The article says more than 5 million tons of teak logs were harvested between 1996 to 2015 while the permitted cut for the period was only 3.38 million tons.

Data in the article illustrates that while there has been a steady rise in harvest volumes this was accompanied by a fall in average prices.

February teak log tender prices

Grade	H.tons	Avg US\$/H.ton
SG-1	9	5,219
SG-2	17	no bids
SG-4	59	3,362
SG-5	73	2,430

India

Inflation rate trends down

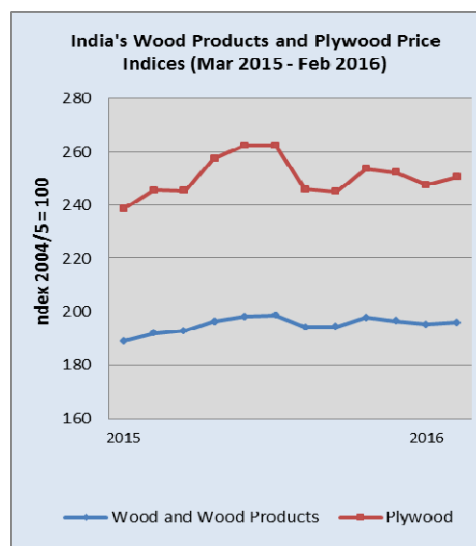
The Office of the Economic Adviser (OEA) to the Indian government provides trends in the Wholesale Price Index (WPI).

The official Wholesale Price Index for All Commodities (Base: 2004-05 = 100) for February fell to 174.0 from 175.7 in January. The year on year annual rate of inflation, based on monthly WPI, stood at -0.91% (provisional) in February 2016 compared to -0.90% in January.

For more see: <http://eaindustry.nic.in/cmonthly.pdf>

Timber and plywood price indices climb

The OEA also reports Wholesale Price Indices for a variety of wood products. The Wholesale Price Indices for Wood products and Plywood are shown below.



Data source: Office of the Economic Adviser to the Indian government

Foreign investment in construction sector welcomed

The construction sector is included in the list of sectors for which the Indian government wishes to attract foreign investment.

The Invest-India website (<http://investindia.gov.in/>) has the following to say.

“The Government of India is in the process of launching a new urban development mission. This will help develop 500 cities, which include cities with a population of more than 100,000 and some cities of religious and tourist importance. These cities will be supported and encouraged to harness private capital and expertise through Public Private Partnerships (PPPs), to bolster their infrastructure and services in the next 10 years.

To provide quality urban services on a sustainable basis in Indian cities, the need of the hour is that urban local bodies (ULBs) enter into partnership agreements with foreign players, either through joint ventures, private sector partners or through other models.”

A data snapshot indicates that:

- US\$ 1 Trillion investments for infrastructure sector are projected during 2012-17.
- US\$ 650 Billion investments in urban infrastructure are estimated over next 20 years.
- 100% Foreign Direct Investment (FDI) is permitted through the automatic route for townships, cities.
- The construction sector contributes 8% of the Indian GDP (at constant prices).

For more see:

<http://www.makeinindia.com/sector/construction/>

Plywood and particleboard losing market share to alternatives

Rising prices for logs and process chemicals and the continual shortage of labour are creating problems for plywood and particleboard industries which have found they are losing market share to MDF, HDF and WPC (Wood Plastic Composite) boards.

Composite panels are finding wider acceptance in the more sophisticated urban markets and are slowly eating away at the market share held by plywood and particleboard.

Pre-laminated particleboard and MDF panels are finding a ready market as they are perceived as elegant and less expensive than plywood. Plywood and particleboard manufacturers were slow to embrace overlay lamination.

Because of this new enterprises spank up to buy raw boards from the manufacturers and apply laminates but this depended on finding skilled craftsmen to apply laminates but now many such craftsmen have migrated to Middle East and African countries attracted by higher wages.

Today, many board manufacturers have invested in laminating and sell ready to use panels to furniture and flush door manufacturers. Board manufacturers without laminating capacity now face marketing problems.

WPC boards are gaining popularity as they are strong and water resistance and can be manufactured from a wide range of residues. WPC boards are not only cheaper than conventional panels but are suitable for a wide range of enduses.

South Dangs log auction prices

Auctions in the South Dangs depots have been concluded. Many log lots unsold from the previous auction because buyers were unhappy at the high prices were on offer once more.

Also on offer were some older logs so average prices dipped. Over 10,000 cubic metres were sold. The range of prices secured is shown below.

Domestic teak prices

Teak logs	Rs. per cu .ft.
A for sawing	2200-2300
B or sawing	2150-.2200
A Long length logs	2000-2200
B Long length logs	2000-2100
Long length, Medium Quality	1600-1800
Short Length, Medium Quality	1200-1350
Short Length, small logs	1000-1200

Variations depend on quality, length and average girth of logs.

Good quality non-teak hardwood logs, 3 to 4 meters long having girths 91cms and up of haldu (Adina cordifolia),

Laurel (Terminalia tomentosa), kalam (Mitragyna parviflora) and Pterocarpus marsupium logs fetched prices in the range of Rs.600-700. Prices for medium quality logs were in the range of Rs.350-450 per c.ft.

After a break of about six months sales were also held at the Surat, Vyara and Rajpipla depots. Around 3,000 cubic metres of logs were sold and prices were in the same region as for those sold in South Dangs.

Special teak quality in Madhya Pradesh

Deliveries of teak logs to all depots of Madhya Pradesh have been completed. Teak logs in this area are mainly in 2 to 5 metre lengths and mostly in girth class 120 cm and below.

Logs from this area are generally straight and cylindrical and the wood has a fine golden colour with black stripes. The latest auctions were held at depots in Narmadanagar, Timarni Khirakiya, and Ashapur and around 3,000 cubic metres of teak logs were sold.

Bidders were mostly from local mills plus merchants from Gujarat and South India. Prices realized at the recent auction were higher than at earlier auctions.

Madhya Pradesh teak prices

4-5 metre length	Rs per cu .ft.
91 cms & up girth	1800-1900
76 to 90 cms girth	1700-1800
61 to 75 cms girth	1600-1700
46 to 60 cms girth	1500-1600
3-4 metre length	
91 cms & up girth	1650-1750
76 to 90 cms girth	1550-1650
61 to 75 cms girth	1475-1550
46 to 60 cms girth	1400-1450
2-3 metre length	
91cms & up girth	1300-1400
76 to 90 cms girth	1200-1250
61 to 75 cms girth	1100-1150
46 to 60 cms girth	1000-1100

Price range depends on quality, length and average girth

Imported plantation teak prices

Supply and demand in India for plantation teak remains balanced such that, except for price changes reflecting log dimensions, the market and prices remain stable.

	US\$ per cu.m C&F
Angola logs	459-574
Belize logs	350-400
Benin logs	290-614
Benin sawn	530-872
Brazil logs	321-665
Brazil squares	370-556
Cameroon logs	405- 616
Colombia logs	426-775
Congo D. R. logs	450-761
Costa Rica logs	320-780
Côte d'Ivoire logs	289-756
Ecuador squares	254-564
El-Salvador logs	399-732
Ghana logs	276-434
Guatemala logs	360-451
Guyana logs	300-450
Kenya logs	515-876
Laos logs	300-605
Liberia logs	265-460
Malaysian logs	225-516
Mexican logs	515
Nicaragua logs	402-505
Nigeria squares	321-405
Panama logs	368-430
PNG logs	443-575
Sudan logs	488-857
Tanzania teak, sawn	307-613
Thailand logs	511-700
Togo logs	354-590
Trinidad and Tobago logs	557-680
Uganda logs	411-576
Uganda Teak sawn	680-900

Variations are based on quality, length and average girth

Prices for locally sawn hardwoods

As log prices rose many importers switched to importing sawnwood which has stabilised prices. But many local sawmills which depend on imported logs are finding it increasingly difficult to source logs at prices which allow them to mill and compete with imported sawnwood.

Sawnwood Ex-mill	Rs. per cu.ft
Merbau	2100-2250
Balau	1750-1850
Resak	1200-1400
Kapur	1750-1850
Kempas	1200-1300
Red Meranti	1200-1350
Radiata pine AD	750-850
Whitewood	750-850

Myanmar teak flitches resawn in India

Imports of sawnwood and flitches from Myanmar are helping maintain saleable stocks of Myanmar teak. There has been an upwards movement in prices for some specifications.

Sawnwood (Ex-mill)	Rs. per cu. Ft.
Myanmar Teak (AD)	
Export Grade F.E.Q.	8000-15000
Teak A grade	6500-7500
Teak B grade	5000-5500
Plantation Teak FAS grade	4000-4500

Price variations depend mainly on length and cross section

Prices for imported sawnwood

Prices remain unchanged from two weeks earlier.

Sawnwood, (Ex-warehouse) (KD)	Rs. per cu. Ft.
Beech	1250-1350
Sycamore	1500-1650
Red oak	1500-1650
White Oak	2100-2150
American Walnut	3800-4000
Hemlock clear grade	1300-1400
Hemlock AB grade	1250-1300
Western Red Cedar	1650-1850
Douglas Fir	1350-1450

Price variations depend mainly on length and cross section

Prices for WBP Marine grade plywood from domestic mills

Plywood,	Rs. per sq.ft
Ex-warehouse,(MR Quality)	
4mm	39.5
6mm	52.5
9mm	66.5
12mm	82
15mm	109
18mm	114.5

Domestic ex-warehouse prices for locally manufactured MR plywood

	Rs. per sq.ft	
	Rubberwood	Hardwood
4mm	Rs.20.00	Rs.29.60
6mm	Rs.30.30	Rs.38.00
9mm	Rs.38.20	Rs.46.00
12mm	Rs.45.40	Rs.55.80
15mm	Rs.55.80	RS.68.00
19mm	Rs.64.60	Rs.76.30
5mm Flexible ply	Rs.40.00	

Brazil

Domestic economic crisis affecting timber industry

The Wood Trade Brazil - Lignum Brazil Fair promoted by the Brazilian Association of Mechanically-Processed Timber Industry (ABIMCI), the Federation of Industries of Paraná State (FIEP) and Malinovsky Events was held in Curitiba early March. This brought together representatives of the timber industry, log producers and professionals involved in the wood supply chain.

During the event the state of the Brazilian economy and its effect on the timber industry was discussed. The consensus was that negative domestic economic growth is diminishing opportunities in the domestic market and that, to survive, industry must seek alternative markets.

At the beginning of this decade the timber industries in Brazil were operating in a favourable economic climate but this did not last and the sector soon began to experience great difficulties to the point that output and sales fell. In 2015 the timber industry saw production drop by almost 5%.

As the situation deteriorated there was a fall in sector employment but this was less so in the sawmilling sector than in manufacturing. In respect of exports, although volumes sales rose, prices dropped however, the impact on the profitability of Brazilian companies was cushioned by

the weakening real against the dollar. Speakers at the Fair concluded that throughout 2016 the lack of confidence and rising uncertainty will remain intense.

According to the ABIMCI presentation during the Fair, resumption of activity in the North American construction sector should have a positive impact on Brazilian wood product exporters. In addition, in other markets such as Mexico as well as some African and Middle Eastern countries demand remains firm. Even in Europe there is a steady demand for Brazilian wood products especially pine plywood.

Brazil has an advantage over some competitors in the European market as ocean freight charges are low. Brazilian exporters also benefit from good, long term relationships and partnership with companies in Europe. Such partnerships are the foundation for development of new products such as cross laminated timber and other prefabricated wood products for the EU market.

New regulation aimed to stem illegal logging

The National Environment Council (CONAMA) has approved a resolution which strengthens rules for transportation and processing of timber harvested in the Amazon. Among other measures the volumetric log conversion factor for sawmills will be reduced from 45% to 35%.

CONAMA has reported that there is evidence that over 1 million cubic metres of logs are illegally harvested annually and that its new measures are to promote competitiveness and technological innovation in the timber sector.

It is reported that mills have 12 months to establish measurement procedures for implementation of the new conversion factor. Sawmills that secure a volumetric yield above 35% would need to provide evidence as to how they achieved a high conversion rate.

Sawmills that have a documented record of above average yields prior to the coming into force of the new regulation will not have to provide additional evidence.

According to the Brazilian Institute for Environment and Renewable Natural Resources (IBAMA) and the Brazilian Forest Service (SFB), based on technical and scientific studies and field work, the basis for deciding the new conversion factor is unsound and the issue should be examined further in consultation with the private sector.

Export volumes up, export values fall

In February 2016 Brazilian exports of wood-based products (except pulp and paper) fell slightly (-0.8%) in value compared to February 2015, from US\$213.6 million to US\$211.8 million.

Year on year February pine sawnwood export values rose by 63%, from US\$16.8 million to US\$ 27.4 million at the same time export volumes rose over 95% from 71,400 to 140,900 cu.m.

Tropical sawnwood exports in February 2016 increased 13.2% from 24,200 cu.m in February 2015 to 27,400 cu.m but export earnings fell almost 14% from US\$ 13.7 million in February last year to just US\$11.8 million this February.

Pine plywood exports in February were down 4.2% year on year in value from US\$35.9 million to US\$34.4 million. However, export volumes were up almost 40% from 95,600 cu.m to 132,800 cu.m during the same period.

As for tropical plywood, export volumes in February rose sharply year on year, from 7,600 cu.m in February 2015 to 11,000 cu.m. In contrast to other export products above, the value of tropical plywood exports rose 7.5%.

Wooden furniture exporters did well in February increasing sales from US\$32.6 million in February 2015 to US\$34.1 million in February 2016, an almost 5% increase.

Timber industry takes advantage of falling real to increase exports

With the recovery in export volumes the timber industry is one of the few segments of the Paraná state industry that managed to close 2015 in a good position. According to the Federation of Industries of Paraná State (FIEP), wood product sales increased by around 5% in 2015 in contrast to the -8% decline for the overall industrial sector in the state.

According to ABIMCI, 2015 wood product export values topped US\$90 million, the highest recorded since the 2008 crisis and 1.9% higher than in 2014.

Among the products that performed well was pine sawnwood rising 31% for the year to a total of 1,304 million cubic metres. Other products which did well were doors which recorded an 8% increase.

While export have held up reasonably well, the domestic market especially the construction, furniture and packaging sector have been affected by the domestic political and economic crisis.

With the slowdown in the domestic economy and without short-term recovery prospects, ABIMCI forecasts that in 2016 the timber industry will turn even more to the international market. According to ABIMCI, this trend generated oversupply of products for overseas market and falling US dollar prices, damaging the entire segment.

In addition to the downturn in the domestic market and dropping prices in US currency, producers were affected by production costs. If it was not for these factors, the state could further expand its participation in international trade in wood products.

Domestic Sawnwood Prices

	US\$ per m ³
Brazil sawnwood, domestic (Green ex-mill)	
Ipê	674▲
Jatoba	334▲
Massaranduba	308▲
Muiracatiara	321▲
Angelim Vermelho	282▲
Mixed red and white	179▲
Eucalyptus (AD)	164▲
Pine (AD)	117▲
Pine (KD)	132▲

Source: STCP Data Bank

Domestic Plywood Prices (excl. taxes)

	US\$ per m ³
Parica	
4mm WBP	451▼
10mm WBP	356▼
15mm WBP	310▼
4mm MR	405▼
10mm MR	300▼
15mm MR	277▼

Prices do not include taxes

Source: STCP Data Bank

Domestic Log Prices

	US\$ per m ³
Brazilian logs, mill yard, domestic	
Ipê	142▲
Jatoba	80▲
Massaranduba	83▲
Muiracatiara	85▲
Angelim Vermelho	78▲
Mixed redwood and white woods	68▲

Source: STCP Data Bank

Prices For Other Panel Products

	US\$ per m ³
Domestic ex-mill Prices	
15mm MDP Particleboard	199▲
15mm MDF	270▼

Source: STCP Data Bank

Export Sawnwood Prices

	US\$ per m ³
Sawnwood, Belem/Paranagua Ports, FOB	
Ipê	1425▼
Jatoba	938▼
Massaranduba	743▼
Muiracatiara	741▼
Pine (KD)	200▼

FOB Belém/PA; Paranaguá/PR; Navegantes/SC and Itajaí/SC Ports.

High quality wood (no cracks / without knots) / Measuring 2,50 m in length; 15 cm wide; and 30 mm thick.

Source: STCP Data Bank

Export Plywood Prices

	US\$ per m ³
Pine Plywood EU market, FOB	
9mm C/CC (WBP)	313▼
12mm C/CC (WBP)	285▼
15mm C/CC (WBP)	282▼
18mm C/CC (WBP)	279▼

Source: STCP Data Bank

Export Prices For Added Value Products

		US\$ per m ³
FOB Belem/Paranagua Ports		
Decking Boards	Ipê	2,662▲
	Jatoba	1,567▼

Source: STCP Data Bank

Peru

Peru's timber exports concentrated in three markets

According to a report from the Association of Exporters (ADEX) 75% of Peru's 2015 exports of wood products go to three destinations: China, Mexico and the US. This concentration is due to several factors, such as trade agreements, market size and ease of access. These three markets say ADEX are primarily interested in raw materials rather than finished products and in the US such products benefit from lower tariffs.

The head of the commercial intelligence unit in ADEX, Marcel Ramirez, has said that despite having a wide range of species available the current export trade pattern does not encourage investment in downstream manufacturing.

The Chairman of Wood and Wood Industry division in ADEX, Erik Fischer, has said there are many direct and indirect barriers holding back production and export of finished products.

One of the major concerns in international markets is the issue of legality verification and in the respect Fisher said that a robust legality verification scheme is required and that this should be a joint effort between the government and private sector. He commented that the recent proposals from SERFOR (Servicio Nacional Forestal y de Fauna Silvestre) should be discussed further in cooperation with the private sector.

Road map for the forestry sector

According to Peru's Ministry of Labour and Employment (PETM) enhancing the competitiveness of timber forest sector depends on investment in raising productivity through training and new technologies. PETM along with the Center for Technological Innovation in Wood Products (CITEmadera) recently met to outline such a roadmap.

The aim of the roadmap is to support coordination and joint efforts by the private enterprise and SERFOR and has four key elements; forest management, plantations, Primary transformation and secondary processing.

Astrid Sanchez Falero, Director General of Vocational Training and Job Training (PETM) said this initiative is an important step for the forestry sector and she welcomes the commitment of the private sector in the development of the roadmap.

Community exports of certified timber

A press release from SERFOR reports that six indigenous native communities in Ucayali have just exported certified wood products to the US. The communities involved are in Calleria, Roya, Junin Pablo, Buenos Aires, New Loreto and Pueblo Nuevo and they secured FSC forest certification.

For more see: <http://www.serfor.gob.pe/noticias/realizan-primera-exportacion-de-madera-certificada-procedente-de-bosques-de-comunidades-nativas-de-ucayali/>

Export Sawnwood Prices

	US\$ per m ³
Peru Sawnwood, FOB Callao Port	
Mahogany S&B KD 16%, 1-2" random lengths (US market)	1570-1655
Spanish Cedar KD select	
North American market	958-977
Mexican market	946-965
Pumaquiro 25-50mm AD Mexican market	545-598

	US\$ per m ³
Peru Sawnwood, FOB Callao Port (cont.)	
Virola 1-2" thick, length 6'-12' KD	
Grade 1, Mexican market	462-544
Grade 2, Mexican market	413-449
Cumaru 4" thick, 6'-11' length KD	
Central American market	859-886
Asian market	896-944
Ishpingo (oak) 2" thick, 6'-8' length	
Spanish market	509-549
Dominican Republic	623-653
Marupa (simarouba) 1", 6-13 length Asian market	405-449

Domestic Sawnwood Prices

	US\$ per m ³
Peru sawnwood, domestic	
Mahogany	-
Virola	186-217
Spanish Cedar	305-364
Marupa (simarouba)	158-174

Export Veneer Prices

	US\$ per m ³
Veneer FOB Callao port	
Lupuna 3/Btr 2.5mm	221-249
Lupuna 2/Btr 4.2mm	234-266
Lupuna 3/Btr 1.5mm	219-228

Export Plywood Prices

	US\$ per m ³
Peru plywood, FOB Callao (Mexican Market)	
Copaiba, 2 faces sanded, B/C, 15mm	328-365
Virola, 2 faces sanded, B/C, 5.2mm	466-489
Cedar fissilis, 2 faces sanded.5.5mm	759-770
Lupuna, treated, 2 faces sanded, 5.2mm	389-412
Lupuna plywood B/C 15mm	421-451
B/C 9mm	366-385
B/C 12mm	350-360
C/C 4mm	389-425
Lupuna plywood B/C 4mm Central Am.	370-393

Domestic Plywood Prices (excl. taxes)

	US\$ per m ³
Iquitos mills	
122 x 244 x 4mm	508
122 x 244 x 6mm	513
122 x 244 x 8mm	522
122 x 244 x 12mm	523
Pucallpa mills	
122 x 244 x 4mm	503
122 x 244 x 6mm	511
122 x 244 x 8mm	513

Domestic Prices for Other Panel Products

	US\$ per m ³
Peru, Domestic Particleboard	
1.83m x 2.44m x 4mm	282
1.83m x 2.44m x 6mm	230
1.83m x 2.44m x 12mm	204

Export Prices for Added Value Products

	US\$ per m ³
Peru, FOB strips for parquet	
Cabreuva/estoraque KD12% S4S, Asian market	1296-138
Cumaru KD, S4S	
Swedish market	950-1094
Asian market	1033-1069
Cumaru decking, AD, S4S E4S, US market	1188-1222
Pumaquiro KD Gr. 1, C&B, Mexican market	479-554
Quinilla KD, S4S 2x10x62cm, Asian market	493-519
2x13x75cm, Asian market	732-815

Japan

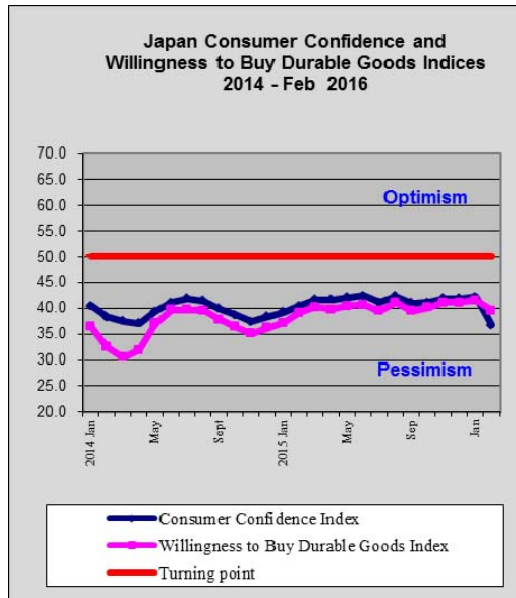
To raise the consumption tax or not?

The Japanese government has reassessed the state of the economy and cited weakness in consumer and corporate sentiment as undermining the progress made to-date. Domestic weakness is exacerbated by due to uncertainty in global markets and a slowdown in emerging economies.

The Cabinet Office, in its latest assessment, says the economy is “on a moderate recovery, while weakness can be seen recently,” a more negative picture than last month when it said weakness in the economy was “in some areas only”. The March assessment is the first downward revision since October last year.

Over the next few months the government will decide whether to go ahead with its 2017 increase in the consumption tax but the Prime Minister has always said the change will only be made if conditions are right and that it will not go ahead if, for example, there is a significant contraction in the global economy.

The February consumer sentiment report released by the Cabinet Office reported a decline in the consumer confidence index for the second straight month.



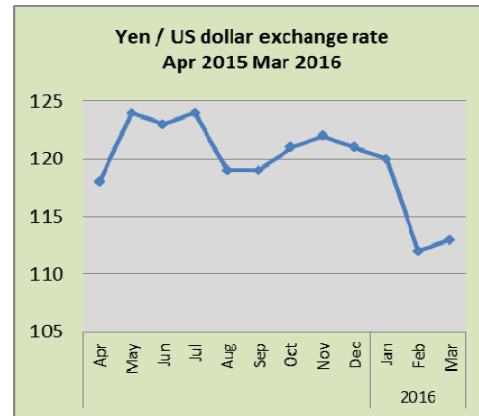
Source: Cabinet Office, Japan

Analysts expect the yen to continue to strengthen.

With little room to seriously impact the yen dollar exchange rate the Bank of Japan (BoJ) will be looking for the US Federal Reserve to come to its rescue with an interest rate rise. The BoJ has the option of lowering rates further into negative territory but experience from the most recent dip into those waters was less than successful.

Over the past few months the yen has strengthened significantly against the US dollar and major currencies and analysts expect the yen to continue to strengthen.

A spike in the yen is anticipated in April when Japanese companies repatriate overseas earnings to close their 2015/16 books.



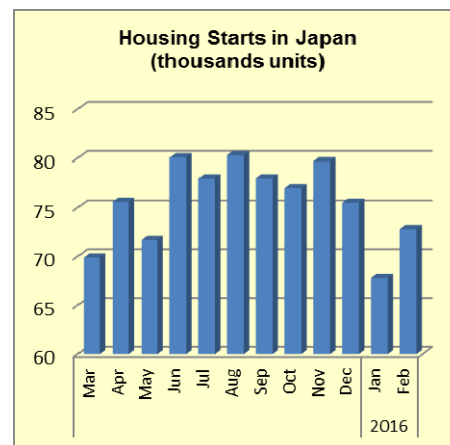
Cheap money pouring into the Japan's housing market

Outside of the main urban areas land prices in Japan continue to fall, the result of urban drift and the aging population in rural areas.

Recent data from the government shows that January 2016 prices for land in 31 of the country's 47 prefectures were down year on year. In some areas the decline is extreme, for example in, Akita prefecture commercial land values are now 40% below their 2008 level.

In contrast to the situation in rural areas prices in urban areas are rising fast as cheap money pours into the real estate market. The extent of recent increases in condominium prices in the main cities is making conveniently located housing unaffordable for families.

Negative interest rates have driven down mortgage rates and efforts by commercial banks to expand housing loans have boosted demand for property.



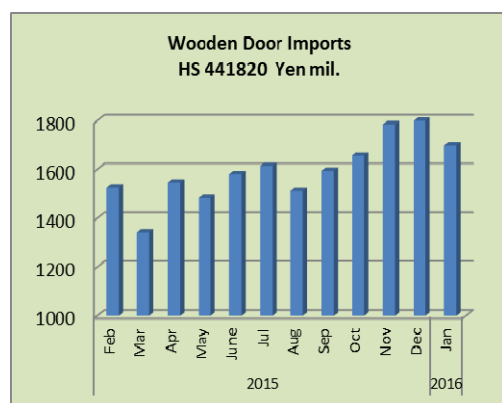
Source: Ministry of Land, Infrastructure, Transport and Tourism, Japan

Import round up

Doors

Year on year January 2016 imports of wooden doors were up 8% but compared to December last year there was a fall in imports.

China remains the main supplier of wooden doors to Japan followed by the Philippines and Indonesia. These three suppliers dominate imports of wooden doors accounting for over 85% of all imports of doors.

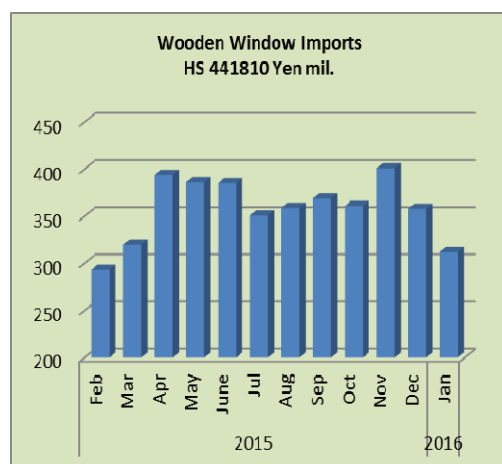


Data source: Ministry of Finance, Japan

Windows

Year on year, Japan's January 2016 wooden window imports were slightly up but this disguises the sharp decline in imports of windows since November 2015. In fact, January 2016 marked the lowest point in imports since March 2015.

As is the case with wooden doors, China is the number one supplier accounting for almost 40% of January imports. The other main suppliers are the Philippines (28%) and the USA (20%). Suppliers in the EU accounted for just over 11% of January imports.



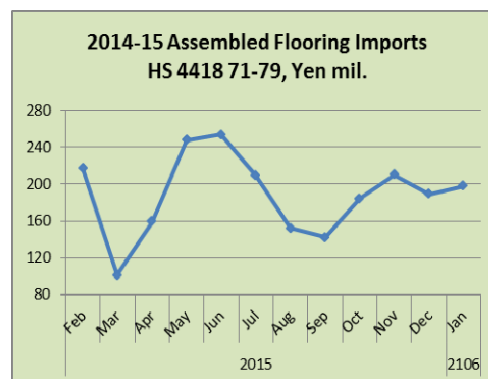
Data source: Ministry of Finance, Japan

Assembled flooring

Year on year, January 2016 imports of assembled flooring dropped 7% but were up on levels seen in December 2015.

Suppliers in Asia dominate Japan's imports of assembled flooring accounting for over 85% of imports. Suppliers in the EU captured a 12% share of January 2016 imports.

Since September 2015 imports of assembled flooring have trended higher but have not yet reached the levels recorded in May and June last year.

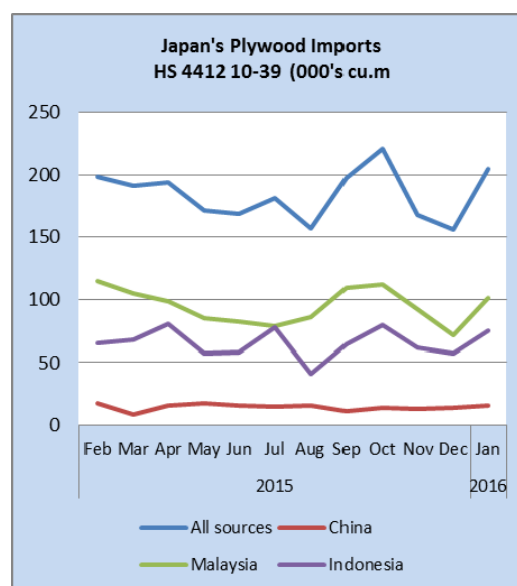


Data source: Ministry of Finance, Japan

Plywood

January 2016 plywood were the second highest since January 2015 and edged closer to the peak recorded in October last year. But, year on year, January 2016 plywood imports were down 12% because January 2015 imports were very high.

The top three suppliers accounted for 94% of all Japan's January plywood imports. However, China's shipments dropped 30% year on year, Malaysia shipments were down 21% in January this year but Indonesia secured an advantage as shipments increased 12%.



Data source: Ministry of Finance, Japan

Main sources of Japan's plywood imports

		000's cu.m		
		China	Malaysia	Indonesia
2014	Jan	31	146	97
	Feb	21	121	70
	Mar	24	125	91
	Apr	27	144	83
	May	26	131	81
	Jun	24	113	84
	Jul	23	109	88
	Aug	16	95	67
	Sep	21	121	74
	Oct	19	92	81
	Nov	21	130	68
	Dec	20	104	67
2015	Jan	23	128	67
	Feb	18	115	65
	Mar	8.5	104.4	68.3
	Apr	15.5	98.2	80.1
	May	17.4	85.2	57
	Jun	15.6	82.4	58.4
	Jul	14.5	78.6	77.5
	Aug	16	85.6	41
	Sep	11.5	109.3	64.2
	Oct	14	112	80
	Nov	13.5	92.4	61.9
	Dec	13.8	71.8	57.6
2016	Jan	16	101	75

Data source: Ministry of Finance, Japan

Trade news from the Japan Lumber Reports (JLR)

The Japan Lumber Reports (JLR), a subscription trade journal published every two weeks in English, is generously allowing the ITTO Tropical Timber Market Report to reproduce news on the Japanese market precisely as it appears in the JLR.

For the JLR report please see:

<http://www.n-mokuzai.com/modules/general/index.php?id=7>

Business collaboration with Indonesian MDF manufacturer

Sumisho & Mitsui Bussan Kenzai Co., Ltd. (Tokyo), SMBK and Noda Corporation (Tokyo) concluded business collaboration agreement with Indonesian MDF manufacturer, IFI (Indonesia Fiberboard Industry, Jakarta).

The agreement includes technical advice and marketing of MDF in Japan. Two Japanese companies intend to expand demand of MDF made of tropical hardwood species, which has high water resistant performance. It is used for building materials and fixtures.

IFI has MDF plant south of Jambi in Sumatra, which started the operation in September 2012. It had been selling the products to Indonesian domestic and neighboring markets then it acquired JIS certification on U type in September last year and M type in March this year so it is ready for Japan market.

IFI's monthly production is 20,000 cbms and three companies aim to ship 3,000 cbms a month for Japan by the end of 2016.

SMBK has an exclusive importing right for Japan and Noda will market all in Japan. Noda will use MDF as base material for its own building materials and sell it at open market with brand name of 'Hi Bestwood'. Noda will market through SMBK to other building materials companies and processing companies.

Radiata pine log and lumber import in 2015

Import of radiata pine logs and lumber in 2015 considerably decreased from 2014 because demand for crating lumber and pallet remained sluggish despite weak yen of about 120 yen per dollar.

Imports of New Zealand radiata pine logs was 421,850 cbms, 20.2% less than 2014 and radiata pine lumber was 75,936 cbms, 10.5% less. Chilean radiata pine lumber import was 222,353 cbms, 14.3% less.

Weak yen should be favorable factor for export industry of Japan but there was difference by items. Particularly, export for China dropped by dwindling Chinese economy then export for neighboring countries like Korea, Thailand and Philippines, which were also influenced by slowdown of China market, also dropped, which impacted overall demand of crating lumber.

Because of slump of crating lumber demand, radiata pine sawmills in Japan reduced the production by about 20%, which resulted in lower demand for radiata pine logs. Chilean radiata pine suppliers planned eight shipments to Japan in 2015 but the last one delayed into this year to become the first shipment of 2016.

In 2014, demand for the U.S.A, and China was very active so that Chilean sawmills operated in full but in 2015, Chilean sawmills reduced the production because China demand slowed down and competition with European lumber in the Middle East market got fierce.

By worldwide retreat of the demand, Chilean lumber supply has more room so that the export prices have been revised downward, trying to take market share back, which Chilean lost in competition with Japanese radiata pine sawmills. Radiata pine crating lumber competes with domestic larch and cedar crating lumber.

South Sea (tropical) logs

In Sabah and Sarawak, Malaysia, log harvest and transportation were temporarily disrupted by the Chinese New Year in February so price negotiations stopped since late January then the business resumed since late February.

Log procurement was difficult since late last year through late January. Particularly, supply of large logs with diameter of more than 60 centimeter, which Japan market looks for, has been tight. Unless combining with small and super small logs, it is impossible to have necessary volume. Japanese users would rather pay higher prices for quality regular logs as recovery and production efficiency are better.

Despite lower log production, the log suppliers sales attitude is not bullish because India, the largest log buyer, has been absent since last December so the export log prices are unchanged from last month.

Log supply in Sarawak is limited by new restriction of monthly harvest. Even if harvest exceeds allowed monthly volume, carryover to next month is not allowed by law so the suppliers limit the harvest about 90% of allowable volume.

In Sabah, some supplier has acquired new timber tract, which produces about 1,500-2,000 cbms of logs for Japan. Present export prices are US\$265-275 per cbm FOB on Sarawak meranti regular, US\$245 on small and US\$230 on super small. They are all weakly holding.

Toyo Materia markets 100% FSC certified plywood

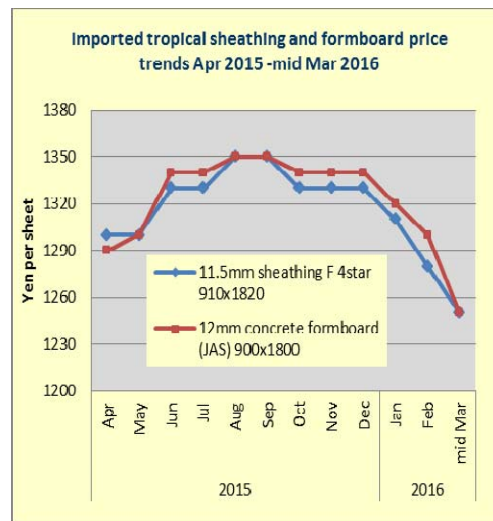
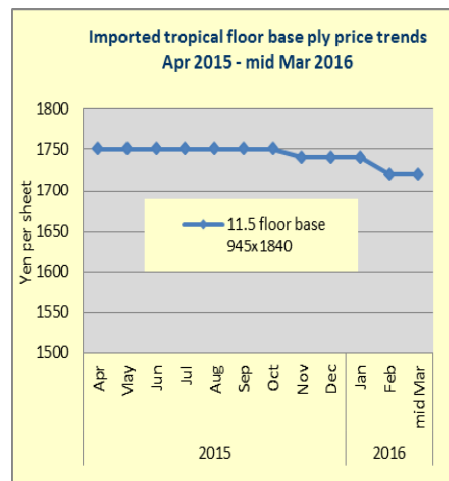
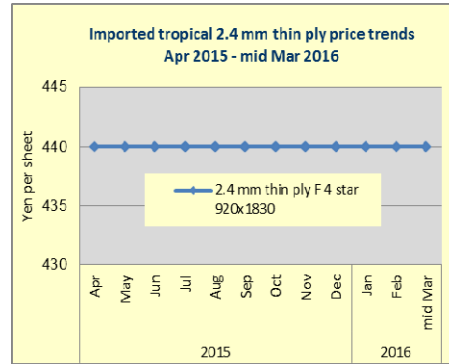
Toyo Materia (Tokyo) announced that it will start selling 100% FSC certified coated concrete forming plywood since this month.

This is the first time to have 100% certified plywood of tropical hardwood. Toyo Materia has been importing certified plywood since 2008 about 1,500 cbms a month.

The supplying company is Intracawood Manufacturing of Indonesia. This company uses logs from FSC certified timberland of 195,000 hectares. Coating is done by Sen-ei Co., Ltd. (Kishiwada, Osaka prefecture). Oil urethane coating is done four times. Color is olive green, which is different from other coated concrete forming panels. Monthly production is 30,000 sheets.

FSC.COC project chain is certified including Sen-ei so that distribution channel to final shipment is certified. Each sheet has FSC certified stamp on the back so it is easily acknowledged. Domestic coating is convenient for users by easy delivery.

Plywood prices



Specifications on export lumber to be made

The Japan Wood Products Export Association has set up a committee to make up specifications of lumber exported for other countries. It also plans to have a permanent display 'Japan Wood Station' in Vietnam, where all kind of Japanese wood products are exhibited. This is to develop the market in Vietnam.

Wood products export in 2015 was 26.3 billion yen, 24.8% more than 2014. Initial target was 25 billion yen by 2020 so the target has already been achieved way ahead of time. In this, logs were 690,000 cbms, 32.7% more than lumber was 60,000 cbms, 10.6% less. In order to increase lumber export, the committee will prepare export specifications on lumber such as quality and sizes.

China and Taiwan are two major target. The export specifications is voluntary system but the main objective is to give more reliability of Japanese made lumber in foreign markets.

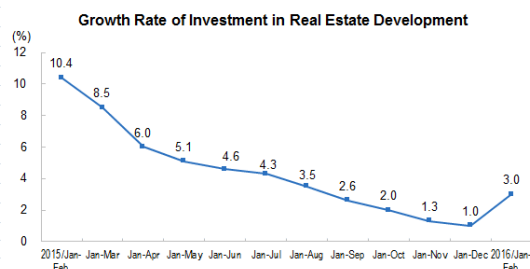
In the past, the main markets were China, Korea and Taiwan. Now Vietnam is another target so the exhibition of wood products should advertise to use Japanese lumber. Vietnam has large whitewood furniture processing industry for export so there should be ample demand of Japanese softwood such as cedar and cypress, which are used for export furniture to the U.S.A. and European countries then also for interior finishing materials for Vietnamese housing.

The Association is also considering to invite Vietnamese furniture manufacturers to Japan to show what type of material Japan can supply. For Taiwan, the main item is logs but in future, target is to develop demand for plywood, LVL for window and door frame. Also Taiwan is active in exporting furniture so it will investigate to see if Japanese wood can be used for furniture manufacturing.

China

Encouraging housing data – has the corner been turned?

Activity in China's real estate sector in the first two months of 2016 has been reported by the National Bureau of Statistics (NBS). China releases combined data for January and February to smooth out the effect of the slowdown in construction over the Lunar New Year holiday period.

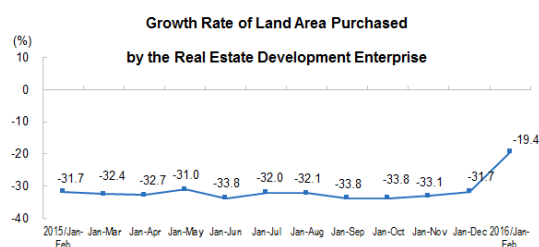


Source: National Bureau of Statistics. China

The press release from the NBS says total investment in the first two months of 2016 was up 3% year-on-year. Investment in residential buildings was up by 1.8% and accounted for two thirds of total investment in the sector.

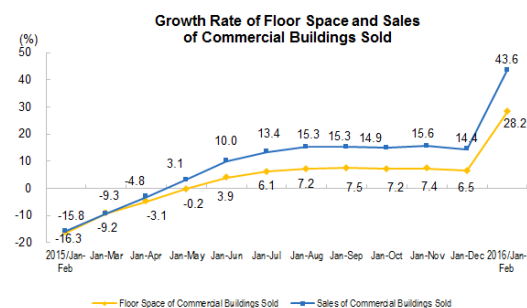
Sales of residential buildings in the first two months of this year rose as the authorities eased credit requirements to encourage consumers to buy homes.

New home sales rose almost 50% year on year during the January-February period. For 2015 home sales nationwide rose almost 17% after the decline in 2014. But, looking ahead, in the first two months of this year land purchases by real estate development enterprises fell 19.4% year on year however, the January and February performance was a considerable improvement on the steep declines recorded at the end of last year.



Source: National Bureau of Statistics. China

In the first two months of this year sales of commercial buildings increased 28%, a sharp rise on the pace of growth last year.



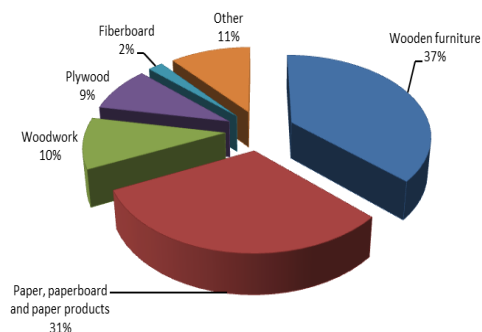
For the full data see:

http://www.stats.gov.cn/english/PressRelease/201603/t20160316_1331871.html

Slight rise in 2015 wood products exports

The total value of China's forest product exports in 2015 rose 4% to US\$75.3 billion. Of the total, the value of wood products rose 3% to USD6.14 billion. Nearly 90% of wood products comprised furniture, paper, paperboard and paper products, builders' woodwork, plywood and fiberboard.

Main wooden products exports (value 2015)



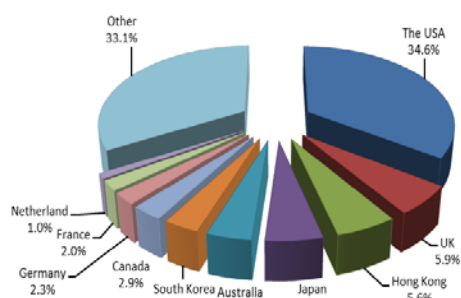
Data source: China Customs

USA the main market for furniture

The total value of China's furniture exports in 2015 rose 4% to US\$2.29 bil. Just over 65% of all China's furniture exports went to 10 countries as shown below.

The main market, at almost 35% of exports, was the US. A string of second tier countries and territories each accounting for around 5% of exports included the UK, Hong Kong and Japan.

Export markets for China's furniture exports



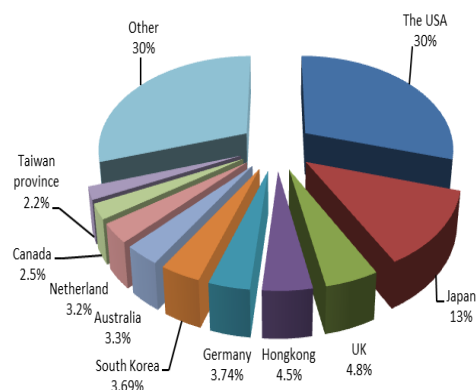
Data source: China Customs

The main departure ports for China's furniture exports in 2015 were Shenzhen and Shanghai which accounted for 25% and 19% respectively of all furniture exports.

US and Japan main markets for China's builders' woodwork

The total value of China's builders' woodwork exports in 2015 was almost US\$6 billion, a year on year increase of 9%. The main markets were the US and Japan which accounted for 30% and 13% respectively of the national total.

Export markets for China's builders' woodwork



Data source: China Customs

The main exit ports for China's builders' woodwork was Shenzhen, Ningbo, Dalian and Fuzhou ports which accounted for 17%, 16%, 11.2% and 11.1% respectively of the national total.

Decline in China's plywood exports in 2015

China's plywood exports totaled 10.77 million cubic metres in 2015 valued at USD5.5 billion, a year on year decline of 8% in volume and 5% in value.

Chinese plywood exporters shipped to multiple markets in 2105. The main markets in terms of value were the USA (17%), UAE (6.8%), UK (6.7%), Japan (6.2%), South Korea (6.1%), Philippines (5.6%) and Saudi Arabia (4.6%). The value of plywood exports to the top 10 markets accounted for 61% of all 2105 plywood exports.

Top 10 destination countries of plywood exports

	Volume cu.m. mil.	% change 2014-15
USA	1.83	9
UAE	0.73	5
UK	0.72	1
Japan	0.67	-19
South Korea	0.66	-7
Philippines	0.6	-11
Saudi Arabia	0.49	-18
Taiwan P.o.C	0.29	-11
Vietnam	0.28	5
Thailand	0.28	-11

Data source: China Customs

The 2015 average price for plywood exported to developed countries was higher than to less developed countries because of quality and end-use differences. In 2015 the average price of plywood shipped to the UAE, Philippines and Saudi Arabia rose 19%, 3% and 7% respectively but average prices for the US, Japanese and South Korean markets declined in 2015.

Average plywood prices to top 10 markets

	Average price US\$/cu.m	% Change 2014-15
USA	753	-1
UAE	435	19
UK	494	1
Japan	465	-7
South Korea	381	-2
Philippines	443	3
Saudi Arabia	331	7
Taiwan P.o.C	366	-3
Vietnam	433	0
Thailand	357	-5

Data source: China Customs

The main exit points for plywood exports in 2015 were Nanjing and Qingdao ports which accounted for 40% and 36% respectively of the national total.

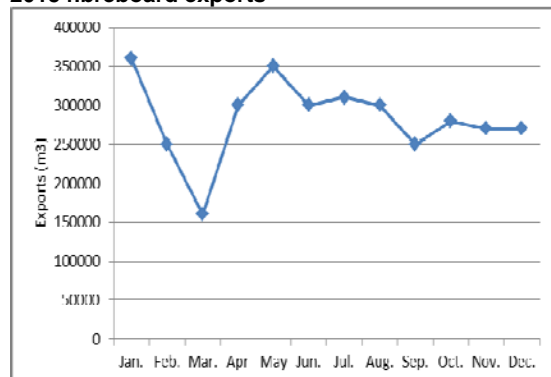
Plywood exports through Tianjin ports plummeted 47% but the average price of shipments surged 64%.

The average price for plywood exports through Shanghai and Nanjing ports rose 6% and 2% respectively but the average prices through the rest of the ports declined on varying degree.

China's 2015 fibreboard exports slide

China's fibreboard exports in 2015 totaled 3.41 million cubic metres valued at USD1.4 billion, a year on year drop of 12% in volume and 13% in value. It can be seen from the following graph that China's fibreboard exports fell sharply in March but never fully recovered.

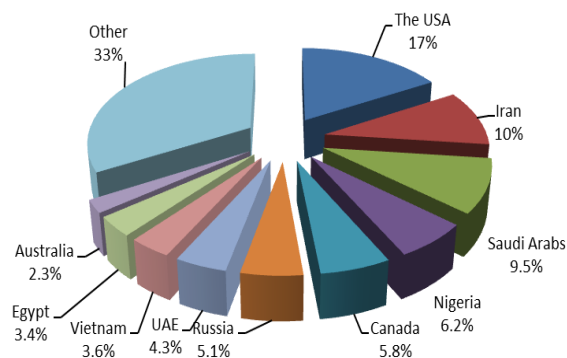
2015 fibreboard exports



Data source: China Customs

China's fibreboard exports were distributed between three largest markets, the US, Iran and Saudi Arabia (36.5% of all fibreboard exports). Exports to the US, Canada and Russia fell 19%, 34% and 68% respectively in 2015. The drop was mainly because of formaldehyde emission issues. However, China's fibreboard exports to Vietnam, Nigeria and Iran surged 69%, 57% and 40% respectively.

Market values of China's 2015 fibreboard exports



Data source: China Customs

Shanghai and Nanjing Ports accounted for 41% and 31% respectively of all fibreboard exports in 2015.

Guangzhou Yuzhu International Timber Market Wholesale Prices

	Logs	yuan/cu.m
Merbau	dia. 100 cm+	4-6000
Bangkirai	dia. 100 cm+	3200-4200
Kapur	dia. 80 cm+	2700-3000
Ulin	All grades	-
Lauan	dia. 60 cm+	-
Kempas	dia. 60 cm+	2200-3000
Teak	dia. 30-60 cm	8500-11500
	Logs	yuan/cu.m
Greenheart	dia. 40 cm+	-
Purpleheart	dia. 60 cm+	3000-4500
Pau rosa	dia. 60 cm+	2000-2500
Ipe	dia. 40 cm+	3200-3600
	yuan per tonne	
Cocobolo	All grades	27000-40000

Sawnwood

	Sawnwood	yuan/cu.m
Makore	Grade A	7000
Zebrano	Grade A	9500-12500
Walnut	Grade A	9500-18000
Sapelli	Grade A	7000-7500
Okoume	Grade A	4300-4700
Padauk	Grade A	16500-18000
Mahogany	Grade A	7000-7500

Sawnwood		yuan/tonne
Ulin	all grades	9000-10000
Merbau	special grade	8600-9500
Lauan	special grade	4300-4500
Kapur	special grade	5000-6000
Teak	special grade	14000-20000

Sawnwood		yuan/cu.m
Cherry	FAS 2 inch	9000-11000
Black walnut	FAS 2 inch	15000-18000
Maple	FAS	8000-10000
White oak	FAS	7500-13000
Red oak	FAS	6000-8000
Finnish pine	Grade a	2600-2900

Sawnwood		yuan/cu.m
Maple	Grade A	9000-9500
Beech	Special Grade	5200
Ash	no knot	5700-6300
Basswood	no knot	2800-3300
Oak	no knot	5300-5700
Scots pine	no knot	2100

Shanghai Furen Forest Products Market Wholesale Prices

Logs All grades	000's yuan/tonne
Bois de rose	130-250
Red sandalwood	800-1800
Siam rosewood	80-300
Burma padauk	13-18
Rengas	8-10
Mai dou lai	6000-8000
Neang noun	23-36
Burma tulipwood	20-28
Cocobolo	28-120
Morado	10-15
Ebony	12-40
Trebol	3.6-8
African sandalwood	11-14

Zhangjiagang Timber Market Wholesale Prices

Logs, All grades	yuan/tonne
Sapelli	2800-3800
Kevazingo	8000-32000
Padouk de afric	2400-3100
okoume	1400-1800
Okan	2490-2850
Dibetou	2200-2500
Afrormosia	5500-6500
Wenge	4700-5500
Zingana	3400-5800
Acajou de africa	3000-3500
Ovengkol	3850-4300
Pao rosa	5900-6600
Merbau	3500-5800
Luan	1600-2400
Kapur	2020-2500
Geronggang	1600
Kauri	1700-1850

Logs, all grades	yuan/tonne
Amoora	1900-2080
Calophyllum	2150-2350
Red ganarium	1300-1400
Gray Canarium	1100-1200
Red-brown terminalia	1680-1750
Basswood	1200-1400
Sureni toona	1500-1650
Bunya	1400-1550
Walnut	2900-3350

Europe

Substantial EU trade surplus in wooden furniture

EU countries imported wood furniture worth €5.78 billion from outside the EU in 2015, 13% more than in 2014 and 16% more than in 2009, when the financial crisis had reached its climax.

At the same time, EU exports of wood furniture rose to €8.73 billion in 2015, up only 3.5% from 2014 but 51% more than in 2009 (Chart 1).

As such, EU exports of wood furniture are now around 51% higher than imports. Back in 2009, import and export values were more closely aligned: exports were worth €5.77 billion, 16% more than imports, which stood at €4.97 billion.



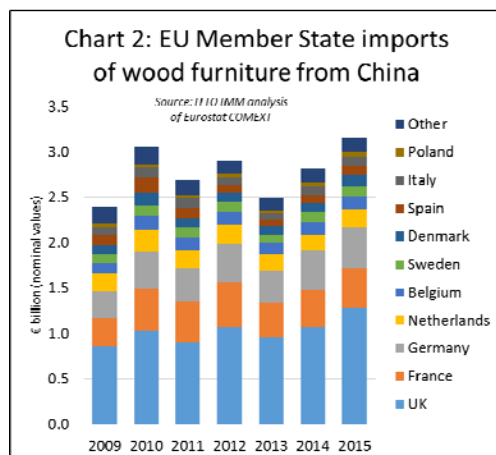
However, EU exports of wood furniture subsequently increased constantly over the last six years, with growth rates ranging between around 3% and 11% per annum. Imports of wood furniture, on the other hand, have experienced a less consistent development: an increase in 2010 was followed by a fall in 2011, which again was followed by growth in 2012 and decline in 2013. 2014 and 2015 were the only two successive years to show growth since 2009.

Stabilisation of EU wood furniture imports

After a rather patchy development between 2009 and 2013, when signs of growth were always immediately followed by renewed weakness, 2014 and 2015 finally saw some stability in EU wood furniture imports.

More than half of all EU wood furniture imports, €3.15 billion, came from China in 2015, with deliveries rising 12.1%. Chinese deliveries have therefore fully recovered from dips experienced in 2011 and 2013 and last year exceeded the previous peak level of €3.06 billion recorded in 2010 (Chart 2).

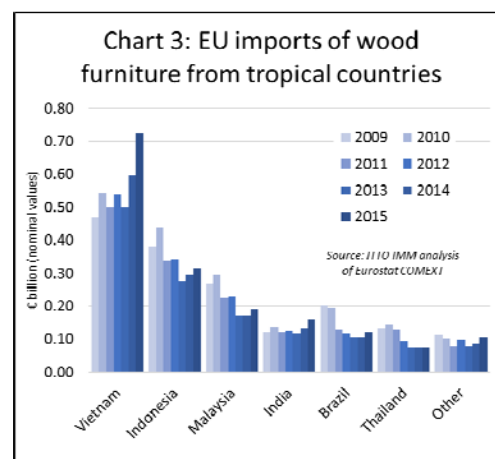
Volatility in Chinese wood furniture deliveries to Europe over the last few years may be attributed to exchange rate effects and declining competitiveness of China relative to EU domestic producers.



The challenges of verifying timber legality in China's complex supply chains may also have deterred some European buying following introduction of EUTR in March 2013. However the recent recovery in imports from China suggests that European buyers may now be more comfortable with the legality assurances provided by Chinese manufacturers.

EU imports of wood furniture from tropical countries increased 16% from €1.47 billion in 2014 to €1.70 billion in 2015. While China remains the EU's largest external supplier of wood furniture, Vietnam is the star performer in terms of sales growth. EU imports of wood furniture from Vietnam increased 21.6% to €725 million in 2015.

This follows 19% growth the previous year and is a clear demonstration of Vietnam's rising competitiveness in global furniture manufacturing (Chart 3).



Among the other major suppliers, EU imports from Indonesia increased by 6.6% to €16 billion. This is disappointing compared to other major suppliers.

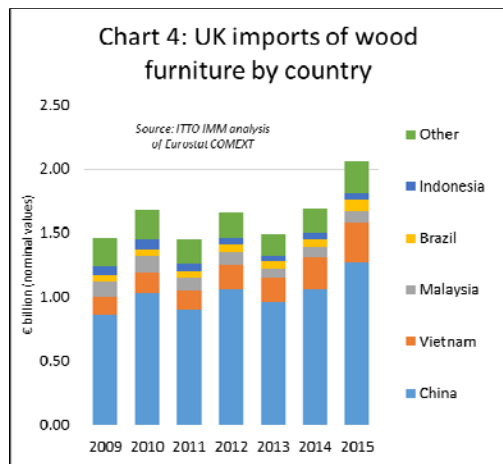
EU imports from Malaysia, for example, increased 11.5% to €191 million and imports from Turkey increased 20.5% to €83 million. Imports from India also rose sharply, by 23.1% to €62 million.

Improving demand for wooden furniture throughout the EU

Of EU member states, the UK remains by far the largest single importer of wood furniture from outside the EU. In 2015, UK imports from non-EU countries increased by 21.9% to €2.06 billion (Chart 4).

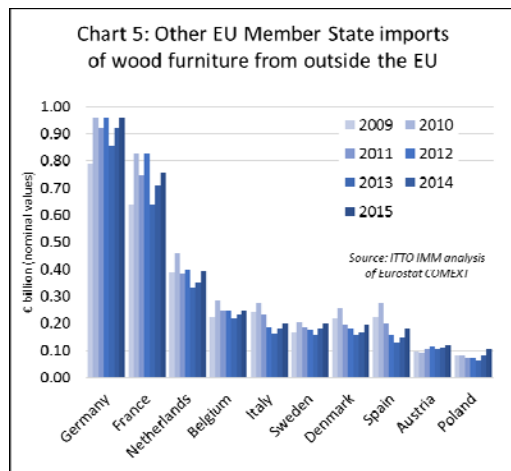
The British industry has shown a strong general performance over the last two years, with consumer confidence and new homes construction and completions increasing – and hence rising demand for furniture.

According to national newspaper The Guardian, “the number of new homes in England jumped by 25% in 2014-15, the biggest increase in 28 years”.



While the UK remained the dominant market, all ten of the next largest importers of wood furniture from outside the EU showed growth in 2015, many by double-digit percentages (Chart 5).

There was healthy growth in imports by Germany (+4.1% to €69.2 million), France (+6.5% to €755.9 million), Netherlands (+13.1% to €96.2 million), Belgium (+6.9% to €47.6 million), Italy (+10.3% to €201.1 million), Sweden (+10.4% to €99.3 million), Denmark (+15.8% to €94.8 million) and Spain (+21.1% to €180.5 million).



Wooden furniture export growth except to Russia

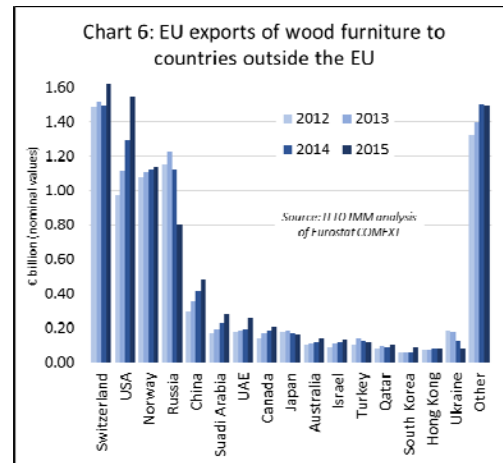
The three most important export markets for EU wood furniture are Switzerland, the USA and Norway. Taken together these three markets accounted for almost half of the EU's wood furniture exports last year.

Exports to Switzerland (+8.3% to €1.62 billion) and the USA (+20.1% to €1.55 billion) increased particularly rapidly in 2015 (Chart 6). This is partly attributable to EU exports' increased competitiveness due to the loss in value of the euro and other European currencies including the Polish zloty and the Swedish krona against the Swiss franc and the US dollar.

For example, the average value of the euro was US\$1.11 in 2015, 16.5% less than in 2014 (US\$1.33).

And compared to 2009 (US\$1.39) the average value was 20% less, according to the German federal statistics office.

In addition to the weakness of the European currencies, exports to the US were also boosted by gradual strengthening of the housing market, and further economic stabilisation and job creation in the US.



Russia was the only large export market for European furniture to show decline last year. In fact, exports to Russia fell sharply by 28.5% to €801.3 million, the lowest figure in seven years and even less than the value exported to Russia in 2009 (€861.8 million). Some of this is again due to exchange rate trends: the rouble was even weaker than the euro in 2015 and showed strong fluctuations during the year.

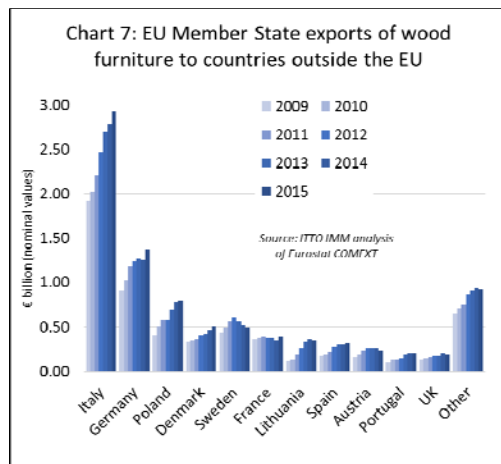
Russia's economy is currently undergoing tough times, due partly to the low oil price and also to trade sanctions imposed by various nations in connection with the Ukrainian conflict. According to the World Bank's Russia Monthly Economic Developments in December 2015, "consumer demand continued to dwindle amid high inflation and contracting real wages".

EU wood furniture exports to China (+16.9% to €483.6 million), Saudi Arabia (+22.1% to €276.9 million) and United Arab Emirates (+31.7% to €256.2 million) all increased sharply in 2015 and also during the seven-year period between 2009-2015.

Germany and Italy see healthy export growth

Germany and Italy, the traditional heavyweights in European furniture making, both achieved above-average growth in their wood furniture exports to countries outside the EU last year. German wood furniture exports were up 9% to €1.37 billion and Italian exports grew 5.5% to €2.93 billion (Chart 7).

According to the German furniture federation VDM, Germany's total furniture exports exceeded €10 billion for the first time ever in 2015. This figure includes all exports of wood and non-wood furniture to both EU and non-EU countries.



VDM reports German furniture sales to markets outside of the Eurozone increased in particular. Exports to the US, for example, increased 25.6% in 2015. VDM believes that the weakness of the euro was one of the driving forces behind export growth, in addition to the reputation of the “Made in Germany” brand.

The Italian Center for Industrial Studies (Csil) also reports a positive recent trend for the Italian furniture industry in its World Furniture Magazine. Both Italy’s domestic furniture consumption and exports to European and non-European countries increased last year.

For 2016, Csil reckons with further signs of growth in Italy. International demand is expected to remain strong but slow down slightly compared to 2015.

Growth in wood furniture exports from Poland, which is the third most important EU exporter and has seen large increases in most of the last seven years, slowed down to just +1.2% and a total of €791 million last year.

Other non-Eurozone EU countries experienced similar or even weaker trends: exports from Sweden, for example, fell by 5.3% to €492 million, those from Lithuania by 4.1% to €351 million and those from the UK by 1.5% to €200 million. On the other hand, Denmark’s wood furniture exports increased 8.8% to €504 million. And Portugal and Austria were unable to benefit from the weak euro, with a fall in wood furniture exports by 4.4% to €204 million and 5.9% to €241 million, respectively.

Among the remaining important wood furniture exporters in the Eurozone, France recorded growth by 14.4% to €394 million and Spain by 7.2% to €322 million.

Uncertain medium term outlook for global furniture market

In spite of signs of a stabilisation and a more sustained recovery in various European markets as well as in the US, development of the world economy and of furniture demand over the next few years remains uncertain. Difficulties in Russia, the low oil price as well as a more subdued development in China might all have an impact on global wood furniture consumption in the near future.

In Europe, the financial crisis remains a threat lurking in the background and the short and long-term consequences of a potential “Brexit” – both for the UK and the EU – are impossible to predict.

The German IFO Institute’s Eurozone Economic Climate report expects recovery in the Eurozone to continue at a moderate pace. Private consumption is expected to be the main driver behind the small GDP upturn of around 0.4% in each of the first and second quarter of 2016.

IFO sees the main risks for further economic stabilisation in a possible escalation of the conflicts in the Middle East, which could “unsettle consumers, producers and investors across the world“. Moreover, the authors of the report also fear that “the ongoing structural transformation of the Chinese economy, from an export and investment-driven economy to a consumption-driven one may once again lead to capital outflows from the emerging countries“. This could lead to renewed turbulence in financial markets.

EUTR enforcement may bite hard

Another area of uncertainty for importers of wood products into the EU is the status of EUTR enforcement. Indonesian manufacturers will be expecting to build on and accelerate the relatively slow growth in sales of furniture and other products to the EU in 2015 when the first FLEGT licenses are issued for Indonesian products, now expected in the third quarter of 2016.

These licenses, issued as one important outcome of the VPA between Indonesia and the EU, will allow Indonesian products to be placed on the EU market without the need for any further due diligence on the part of the importer.

FLEGT licences are expected to greatly simplify and reduce the costs of EUTR conformance for individual EU operators dealing in products from Indonesia. They should also give Indonesian products an edge over competitors from non-VPA countries. However this is heavily dependent on effective enforcement of EUTR by EU authorities.

To date EUTR enforcement activities have been fairly low key, a situation partly explained by the time it has taken for EU Member States to introduce sanction regimes, and to build capacity and experience at national level. EUTR is an innovative and complex regulation and it is perhaps inevitable that there have been teething problems in implementation.

EUTR implementation has been particularly challenging during a period of austerity in the EU which has meant that in some Member States there has been unwillingness to commit resources. Indeed the European Commission was forced in late 2015 to start legal action against four Member States - Hungary, Greece, Romania and Spain – for their failure to introduce the necessary enforcement measures.

Meanwhile other Member States, while introducing the necessary legal frameworks, deliberately introduced a grace period to provide time to build understanding both in government agencies and the timber trade of the practical steps required for effective due diligence,

However there are now signs that enforcement agencies in some Member States are moving out of the implementation phase and becoming more determined to take action against operators in breach of the legislation.

According to a recent article by Forest Trends, Sweden and the Netherlands have formally notified two companies that imported wood products from Cameroon and Myanmar—allegedly without undertaking effective Due Diligence—that they may be subject to sanction.

Both these actions, announced almost simultaneously in mid-March, were primarily civil enforcement measures aimed at stopping the marketing of potentially illegal wood. These are not currently criminal cases such as those which have been prosecuted in the United States under the Lacey Act.

However, if the importing companies fail to act within the given timescales, administrative sanctions can be imposed. The Dutch case has been presented to the public prosecutor as a potential criminal case, with a decision pending.

According to Forest Trends, the Netherlands Food and Consumer Product Safety Authority (NVWA) has issued an injunction notice to Fibois BV Purmerend for importing wood from CTT Ltd, a supplier in Cameroon. If the Dutch company doesn't stop placing the wood on the market in the Netherlands, it will face a fine.

Drawing on information from the Dutch Timber Trade Federation (VVNH), Forest Trends emphasise that Fibois plans to appeal the government's action.

In addition, Forest Trends note that the case has been sent to the National Prosecutors' Office, and could be brought before a judge for a potential criminal law sanction. The NVWA cited the failure of the company to mitigate the "risk of illegal harvesting" inherent in purchasing wood from Cameroon given the "political situation in the Congo Basin."

In announcing the case, the Dutch Government also noted that its main enforcement focus in the future will be on furniture imports from China, Vietnam, and India.

With respect to the Swedish case, Forest Trends report that this involves imports of teak flooring by a Swedish company called Retlog Ltd. The flooring was processed in Thailand using logs from Myanmar.

The Swedish enforcement agency publicly referenced the high incidence of forest sector corruption in the source country as a key determinant of risk.

This was reinforced by the EUTR Guidance Document Feb 2016 issued by the European Commission in February, which explicitly noted corruption as a criterion for judging risk in an EUTR-compliant Due Diligence System.

Forest Trends observe that the Swedish case is also significant for the involvement of Bureau Veritas in its role as EUTR Monitoring Organisation. Monitoring Organisations are formally recognised by the European Commission as competent to develop and support implementation of due diligence procedures on behalf of groups of operators. They form a key part of the EU's strategy to ensure EUTR conformance is not too burdensome on small operators in the EU.

Forest Trends suggest that Bureau Veritas considered shipments under 1,000 cubic metres to be of negligible risk. However neither the EUTR legislation nor any guidance have such a threshold, so it is unclear how Bureau Veritas arrived at this assumption.

This raises important questions about where liability lies if a Monitoring Organisation, which is formally endorsed by the EC, promotes due diligence requirements that might be viewed as non-conformant by individual EUTR Competent Authorities.

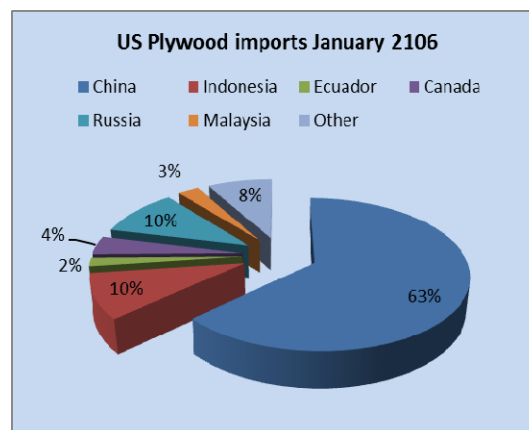
North America

Higher year on year January 2016 imports

US imports of most processed wood products declined from December to January with the exception of hardwood mouldings. However, Imports remained significantly higher compared to January 2015.

Hardwood plywood imports down in January

Hardwood plywood imports fell 9% in January to 268,282 cu.m., worth US\$154.2 million. Year-to-January imports were 13% higher than in January 2015.



Data source: US Department of Commerce, US Census Bureau, Foreign Trade Statistics

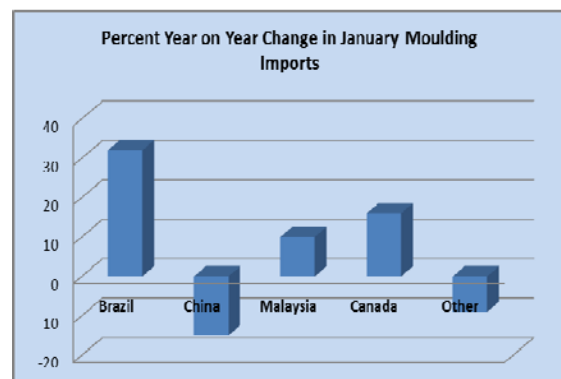
Imports from China were unchanged at 159,586 cu.m. in January, while imports from most other major suppliers declined.

Indonesia's shipments to the US fell 39% to 36,701 cu.m. but were above January 2015 volumes. Hardwood plywood imports from Malaysia dropped 66% from December to just 3,780 cu.m.

Italy, Taiwan P.o.C and Vietnam shipped substantially more plywood to the US market in January compared to the previous year. Imports from Italy were 8,427 cu.m., up from an average 2,000 cu.m. per month in 2015.

Higher moulding imports from Brazil and Malaysia

Hardwood moulding imports were worth US\$16.7 million in January, up 3% from the previous month.



Data source: US Department of Commerce, US Census Bureau, Foreign Trade Statistics

Imports from Brazil and Malaysia recovered after declining towards the end of 2015. Imports from Brazil were US\$5.2 million in January, up 40% from December and one third higher than the same time last year.

China was the second-largest source of mouldings at US\$4.9 million. Imports from China declined month-on-month as well as compared to January 2015.

Imports from Malaysia were worth US\$1.1 million in January, up 21% from December and 10% up from last January. Moulding imports from Indonesia increased to US\$748,956 in January.

Lower flooring imports but higher Indonesian shipments

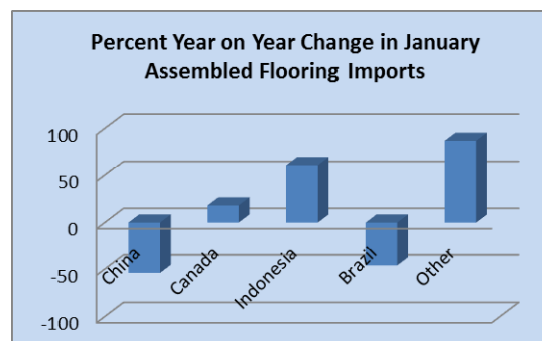
Both hardwood flooring and assembled flooring panel imports declined in January. Hardwood flooring imports declined month-on-month to US\$3.3 million in January. But US imports were 25% higher than in January 2015. Indonesia was the only major source of imports with higher shipments to the US in January.

Hardwood flooring imports from Indonesia were worth US\$806,440 in January, followed by China with US\$743,100. Malaysian shipment fell to US\$547,150 in January. Imports from Vietnam halved from December to US\$280,950 in January.

Imports of assembled flooring panels declined 12% to US\$8.9 million in January, down 22% from January 2015. The drop was mainly in imports from China. China's

shipments fell 30% from December to US\$3.2 million. Imports from Canada and Indonesia increased.

Imports from Indonesia were valued at US\$851,767 in January, up 61% from the same time last year.



Data source: US Department of Commerce, US Census Bureau, Foreign Trade Statistics

Drop in furniture imports from Mexico

The total value of wooden furniture imported in January declined 2% from the previous month to US\$1.40 billion, but imports were 12% higher than in January 2015.

	US Furniture Imports Jan. 2016 US\$	% change Year on year
Total	1,404,984,798	12
China	686,694,310	11
Vietnam	273,774,970	22
Canada	108,867,113	20
Malaysia	60,012,619	16
Mexico	56,011,496	3
Indonesia	49,412,790	20
Other	170,211,500	0.1

Data source: US Department of Commerce, US Census Bureau, Foreign Trade Statistics

Furniture imports from China, Mexico and Indonesia declined, while Vietnam, Canada and Malaysia shipped more in January.

China's furniture shipments were worth US\$686.7 million in January. Vietnam gained market share with imports worth US\$273.8 million. Vietnam's share in total wooden furniture imports was almost 20% in January. The recent gain in import share by Vietnam was not at the expense of China but largely because of reduced imports from Europe.

Furniture imports from Malaysia grew to US\$60.0 million in January, surpassing Mexican shipments to the US. Imports from Mexico fell 16% month-on-month to US\$56.0 million. Furniture imports from Indonesia were almost unchanged in January at US\$49.4 million.

Imports of not upholstered wooden seats increased 13% in January, while upholstered seating declined 5%. Wooden bedroom furniture imports were down 4%. Other types of wooden furniture were almost unchanged from the previous month.

GDP growth revised up to 1% in final quarter of 2015

Real GDP growth in the fourth quarter of 2015 was stronger than previously estimated. The GDP grew by 1% in the fourth quarter, not 0.7% as previously estimated, according to the US Bureau of Economic Analysis. In the third quarter, GDP increased 2.0%.

Stronger residential construction and consumer consumption increased in the fourth quarter. Lower imports contributed to GDP growth.

Unemployment was unchanged at 4.9% in February. Industries with employment gains included retail trade.

The US Federal Reserve has decided to keep interest rates between 0.25% and 0.5%. The central bank raised rates last in December. The Federal Reserve announced it would raise rates only twice a year in 2016, instead of the previously expected four times. This gives the US economy more time to recover given the risks from global economic and financial developments.

Growth in wood products and furniture manufacturing

Economic activity in the manufacturing sector contracted in February for the fifth consecutive month, according to the Institute for Supply Management. The overall economy continued to grow in February.

The wood products sector and furniture manufacturing reported growth in February, despite the overall slowdown in manufacturing. Wood products and furniture reported the second and third-highest growth rate, respectively, of all industries.

Consumers confident on personal finances and job market

Consumer confidence declined in early March, according to University of Michigan Index of Consumer Sentiment. Americans were concerned about prospects for the economy and the possibility of higher gasoline prices.

Despite some uncertainty consumers remained optimistic about their personal finances and the job market. Growth in personal consumption is forecast at 2.7% during 2016.

Housing starts up in February

2016 started with strong indicators from the market for new housing. Housing starts in February were at a seasonally adjusted annual rate of 1,178,000. This is 5% higher than in January and 31% above the February 2015 rate of 900,000.

Single-family starts were almost unchanged from the previous month at a rate of 731,000 in February.

The number of building permits approved in February was at a seasonally adjusted rate of 1,167,000. This is 3% below the January rate but higher than in February 2015.

Decline in sales of existing homes

Sales of existing homes fell 7% at a seasonally adjusted annual rate in February, according to the National Association of Realtors. Low supply, coupled with rising prices in many areas of the country, were the main reasons for the decline in home sales. Sales were still higher than in February 2015.

Growth in homes sales may slow in 2016 if prices continue to go up while potential buyers worry about economic prospects and affordability. A slowdown in sales would affect demand for wood products used in repair and renovations.

Canadian government tries to cool housing market

Canadian housing starts grew 29% in February at a seasonally adjusted annual rate, according to early estimates by the Canadian Housing and Mortgage Corporation. Despite the corporation's forecast of moderation in multi-family construction, the number of multi-family starts increased significantly in February.

Sales of existing homes also increased in February, rising by 0.8% from January on a seasonally adjusted basis, according to the Canadian Real Estate Association. Toronto and Vancouver had the strongest sales activity. Home prices increased by over 20% in Vancouver from just one year ago.

The federal government introduced new mortgage insurance rules to contain risks in the housing market, especially in Vancouver and Toronto. The new rules came into effect in mid-February, but may have fuelled sales in early February. The provincial government in British Columbia announced it will track whether home buyers reside in Canada or abroad. This is in response to claims that foreign investors are a major driver of the hot housing market.

It is unclear if or how the government will put restrictions on the housing market to reduce home price increases. It appears unlikely that the rate of new construction would be significantly reduced given the region's population growth. The luxury market could be affected, including for high-end wood products.

Disclaimer: Though efforts have been made to ensure prices are accurate, these are published as a guide only. ITTO does not take responsibility for the accuracy of this information.

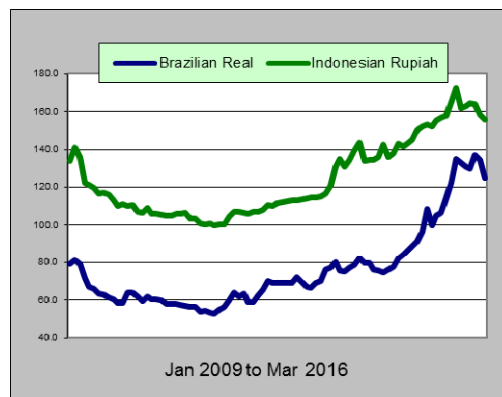
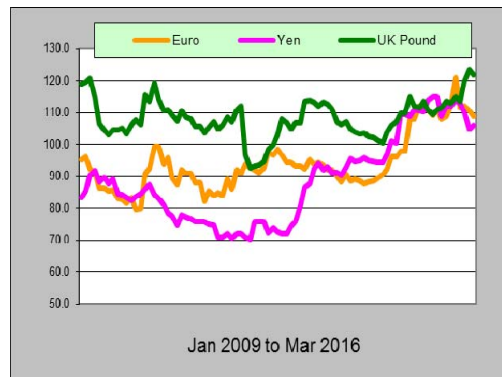
The views and opinions expressed herein are those of the correspondents and do not necessarily reflect those of ITTO.

US Dollar Exchange Rates

As of 25 March 2016

Brazil	Real	3.6835
CFA countries	CFA Franc	587.96
China	Yuan	6.5204
EU	Euro	0.8955
India	Rupee	66.8292
Indonesia	Rupiah	13272
Japan	Yen	113.09
Malaysia	Ringgit	4.0298
Peru	New Sol	3.3788
UK	Pound	0.7075
South Korea	Won	1169.03

Exchange rate indices (Dec 2003=100)

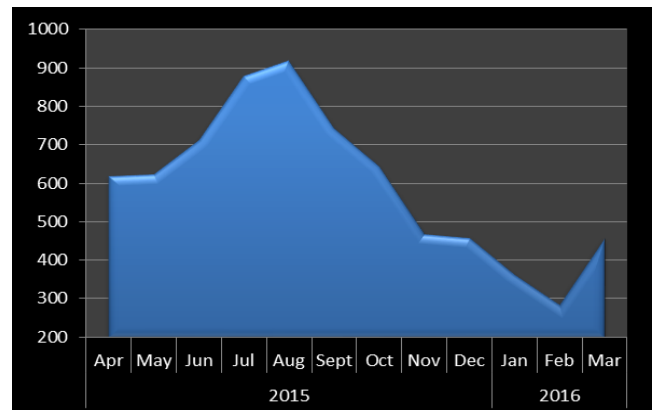


Abbreviations and Equivalences

Arrows	Price has moved up or down
BB/CC etc	quality of face and back veneer
BF, MBF	Board foot, 1000 board foot
Boule	bundled boards from a single log
TEU	20 foot container equivalent
CIF, CNF	Cost insurance and freight
C&F	Cost and freight
cu.m cbm	cubic metre
FAS	First and second grade of sawnwood
FOB	Free-on board
Genban	Sawnwood for structural use in house building
GMS	General Market Specification
GSP	Guiding Selling Price
Hoppus ton	1.8 cubic metre
KD, AD	Kiln dried, air dried
Koku	0.28 cubic metre or 120 BF
LM	Loyale Merchant, a grade of log parcel
MR., WBP	Moisture resistant, Water and boil proof
OSB	Oriented Stand Board
PHND	Pin hole no defect
QS	Qualite Superieure
SQ,SSQ	Sawmill Quality, Select Sawmill Quality

Ocean Freight Index

Baltic Supramax Index
April 2015 – March 2016

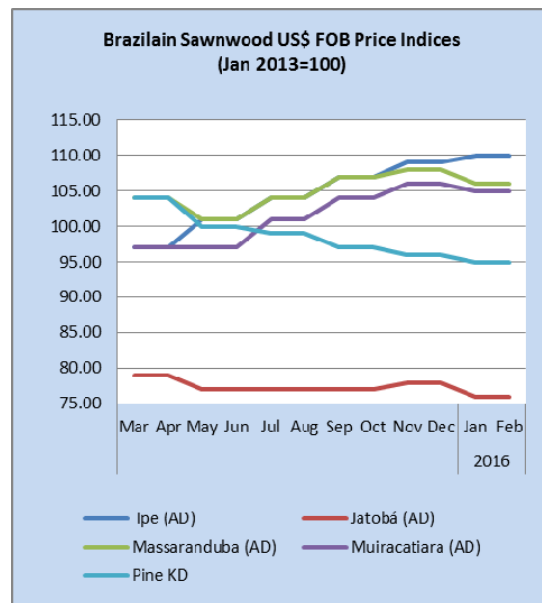
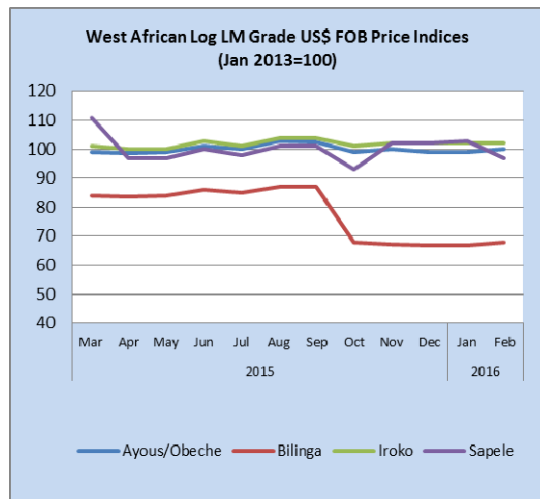
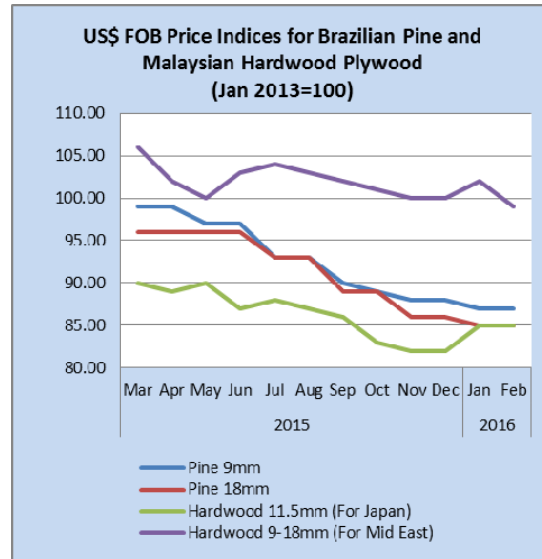
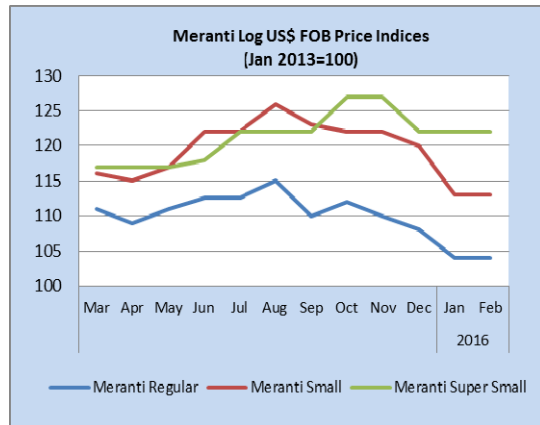


Data source: Open Financial Data Project

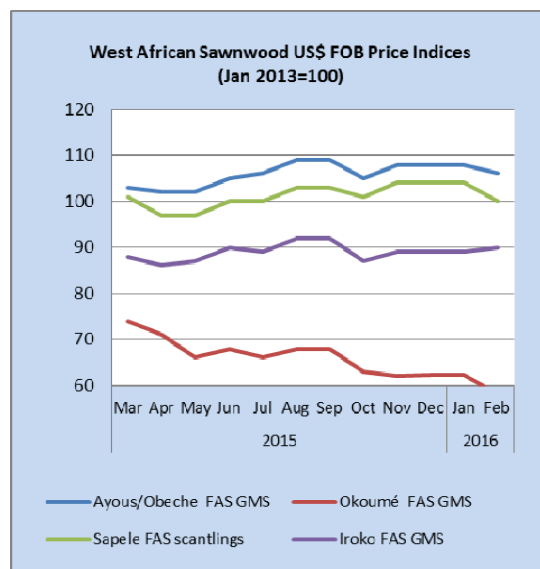
The BSI (Baltic Supramax Index), published by the Baltic Exchange, is the weighted average on 5 major time-charter routes.

Price indices for selected products

The following indices are based on US dollar FOB prices.



Note: Sarawak logs for the Japanese market



Note: Jatobá is mainly for the Chinese market.

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