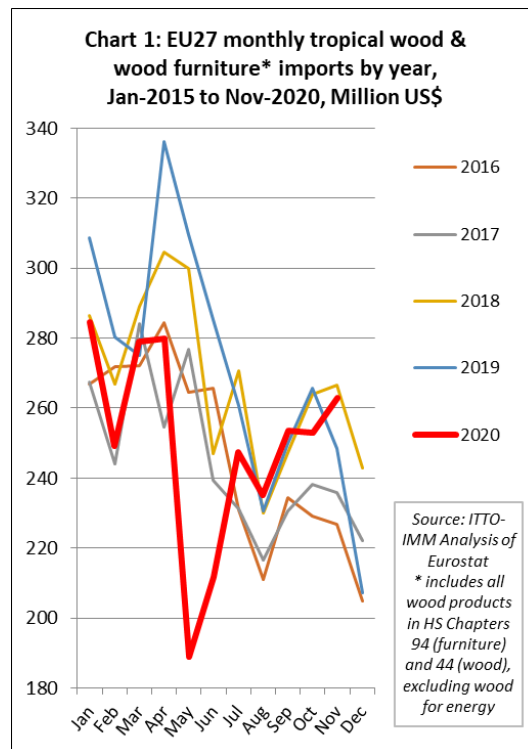


## Unexpected rise in EU27 tropical timber imports in November

Total EU27 (i.e. excluding the UK) import value of tropical wood and wood furniture products was US\$2.75 billion between January and November last year, 10% less than the same period in 2019. This is a significantly higher level of import than forecast earlier in the year when the first waves of the COVID-19 pandemic hit the continent. Total import value in November was US\$263 million, a 4% gain on the previous month and 6% more than the same month in 2019 (Chart 1).



The high level of EU27 tropical wood product imports in November is encouraging and was unexpected as it coincided with signs of severe stress in the EU market in the last quarter of 2020. According to the EU's Winter 2021 Economic Forecast published on 11th February, GDP in the EU increased by 11.5% in the third quarter of 2020 before contracting by 0.5% in the fourth quarter as the second wave of the pandemic triggered renewed containment measures. According to the Forecast, EU-wide GDP is estimated to have declined 6.3% in 2020.

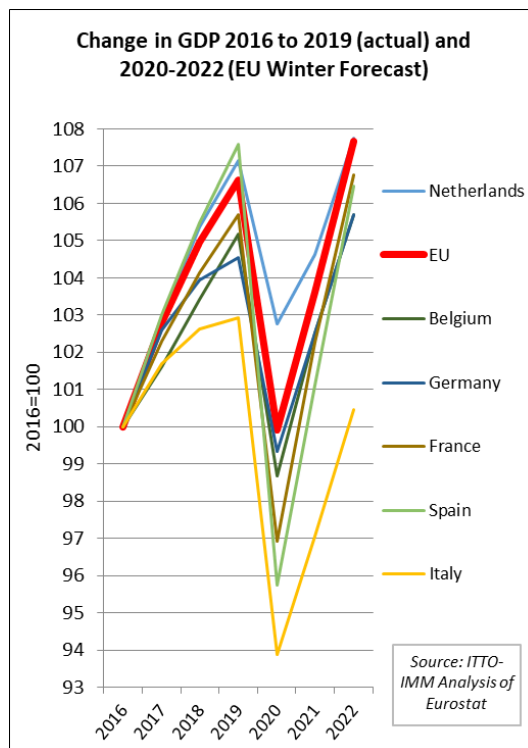
The Forecast notes that "Europe remains in the grip of the coronavirus pandemic. The resurgence in the number of cases, together with the appearance of new, more contagious strains of the coronavirus, have forced many Member States to reintroduce or tighten containment measures".

According to the latest data from the Oxford "stringency index", which records the strictness of 'lockdown style' policies to limit the spread of COVID-19, in mid-February strict lockdown conditions were still in place throughout most of Europe. These measures are now expected to be in force in many European countries at least until mid-March.

According to the EU Winter forecast, the EU economy is expected to contract in the first quarter of 2021 but economic growth should resume in the spring and gather momentum in the summer as vaccination programmes progress and containment measures gradually ease. An improved outlook for the global economy is also set to support the recovery. The EU economy is projected to grow by 3.7% in 2021 and 3.9% in 2022.

The economic impact of the pandemic remains uneven across Member States and the speed of the recovery is also projected to vary significantly (see GDP chart below). In Germany, the EU's largest economy, GDP declined 5% in 2020 and is projected to increase 3.2% in 2021 and 3.1% in 2022. The depth of economic decline and speed of recovery is projected to be greater in several EU countries including France, Spain and Belgium.

Italy, which suffered a particularly sharp decline in GDP in 2020, is expected to recover more slowly than all other EU countries. In contrast, the fall in GDP in the Netherlands in 2020 was less severe than in other western European countries and the recovery in 2021 and 2022 is also expected to be stronger.



The EU Winter Forecast notes that “risks are more balanced since the autumn, though they remain high. They are mainly related to the evolution of the pandemic and the success of vaccination campaigns. Positive risks are linked to the possibility that the vaccination process leads to a faster-than-expected easing of containment measures and therefore an earlier and stronger recovery”.

It goes on to suggest that “NextGenerationEU, the EU's recovery instrument of which the centrepiece is the Recovery and Resilience Facility (RRF), could fuel stronger growth than projected, since the envisaged funding has - for the most part - not yet been incorporated into this forecast”.

On the downside, “the pandemic could prove more persistent or severe in the near-term than assumed in this forecast, or there could be delays in the roll-out of vaccination programmes. This could delay the easing of containment measures, which would in turn affect the timing and strength of the expected recovery. There is also a risk that the crisis could leave deeper scars in the EU's economic and social fabric, notably through widespread bankruptcies and job losses. This would also hurt the financial sector, increase long-term unemployment and worsen inequalities”.

Forward looking indicators show that economic momentum in the EU27 is unlikely to increase in the first quarter of 2021. The IHS Markit Eurozone Composite Purchasing Managers Index (PMI) declined from 49.1 in December to 47.8 in January. Any score below 50 indicates that a majority of those surveyed recorded a decline in purchasing during the month. Services were the principal drag on economic output, with activity here falling for a fifth successive month in January. Manufacturing remained the principal bright spot of eurozone economic performance, expanding for a seventh successive month in December, albeit at the lowest rate in this growth sequence.

The latest PMI data for eurozone construction activity is also not encouraging, falling from 45.5 in December to 44.1 in January, to signal a sharp and accelerated decline in eurozone construction activity. Notably, the rate of contraction was the quickest recorded since last May and stretched the current sequence of reduction to 11 months.

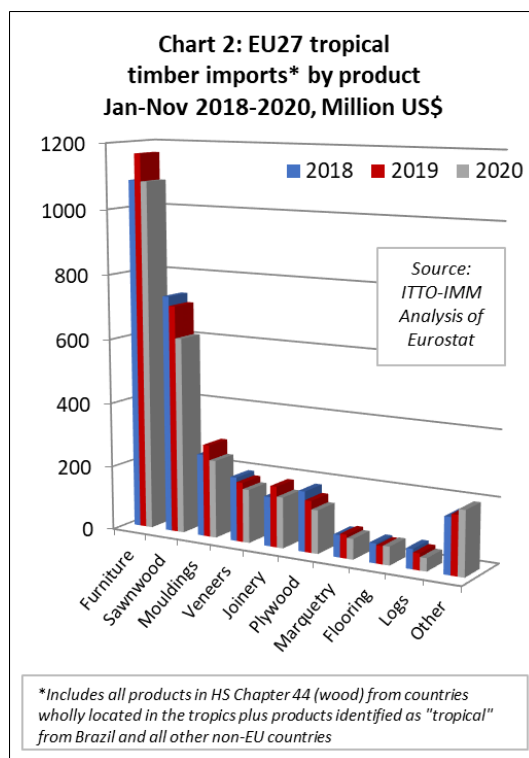
Underlying data signalled reduced construction output across each of the three sub-sectors monitored by IHS Markit; housing, commercial and civil engineering. At the national level, German and French firms reported further declines in construction activity, with the latter recording the sharpest contraction since last May. Moreover, Italian firms signalled a renewed, albeit marginal decline in activity in January.

That said, according to IHS Markit, construction firms in the eurozone appeared optimistic regarding the outlook for activity over the coming 12 months. Confidence turned positive for the first time since July 2020, as hopes for a broad recovery in the construction sector were underpinned by positive vaccine news.

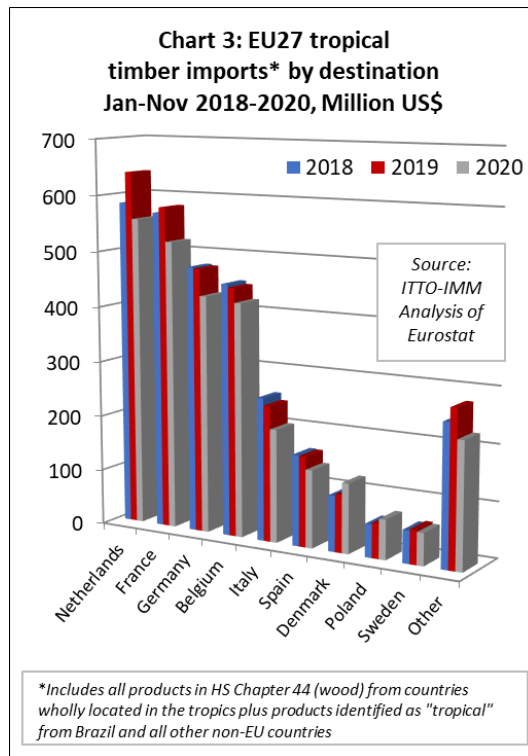
### Rebound in EU27 tropical wood product imports gathers pace in November

Unsurprisingly, EU27 imports of all the main tropical wood products fell in the first eleven months of 2020, but in each case the decline was less dramatic than expected earlier in the year when the scale of the pandemic and associated lockdown measures was just becoming apparent. The recovery in imports also strengthened in November for all product groups and in all EU countries, with the exception of Italy.

In the year to November, EU27 import value of wood furniture from tropical countries declined 7% to US\$1080 million, while import value of tropical sawnwood declined 14% to US\$608 million, tropical mouldings were down 16% to US\$241 million, veneer down 10% to US\$165 million, joinery down 16% to US\$157 million, plywood down 16% to US\$133 million, marquetry and ornaments down 13% to US\$63 million, and logs down 22% to US\$40 million. Import value of tropical flooring actually increased slightly, up 4% to US\$57 million (Chart 2).

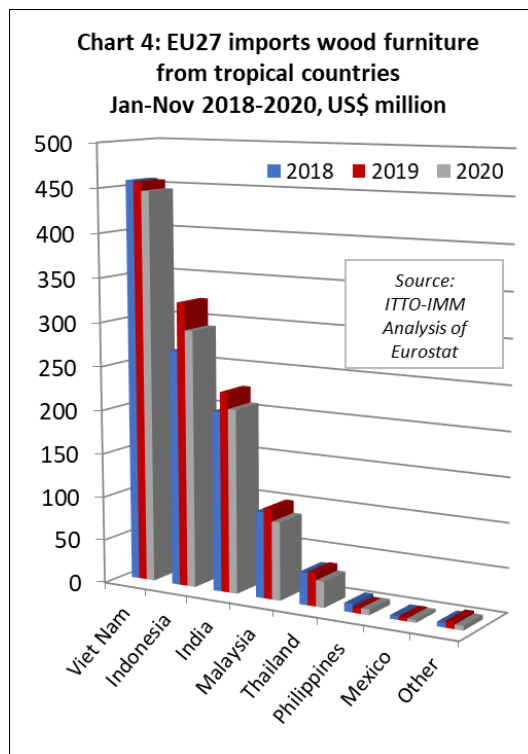


Import value fell into all six of the largest EU27 destinations for tropical wood and wood furniture products in the first eleven months of the year. Import value was down 13% to US\$557 million in the Netherlands, 10% in France to US\$519 million, 10% in Germany to US\$427 million, 6% in Belgium to US\$420 million, 17% in Italy to US\$203 million, and 14% in Spain to US\$139 million. However, import value increased in Denmark, by 21% to US\$125 million, and in Poland, by 15% to US\$71 million. Import value in Sweden declined, but by only 5% to US\$58 million (Chart 3).



**EU27 wood furniture imports from Vietnam close to last year's level**

In the furniture sector in 2020, EU27 import value from Vietnam almost matched the previous years' level in the first eleven months, down only 2% to US\$446 million. Imports from Indonesia were down 9% to US\$293 million in the first eleven months of 2020, although this compares with a relatively strong performance in 2019 and imports were still higher than in the same period during 2018 (Chart 4).



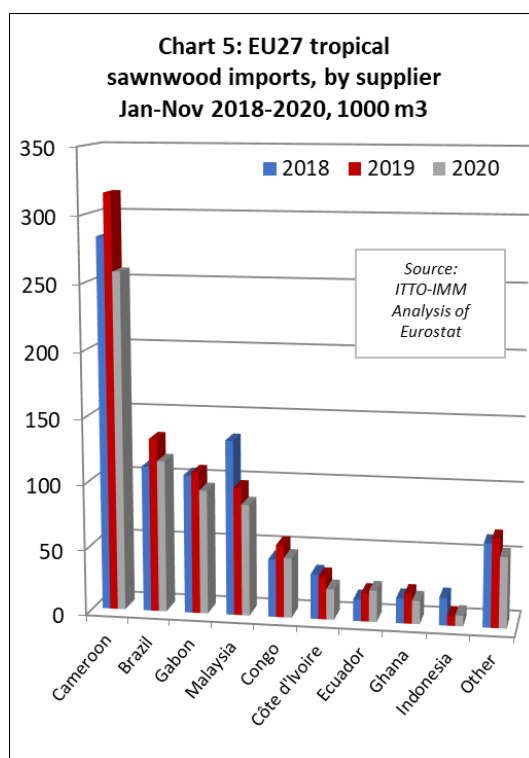
EU27 imports of wood furniture declined sharply from Malaysia and Thailand in the first eleven months of 2020, respectively down 14% to US\$89 million and 21% to US\$30 million. However imports from the Philippines increased 5% to US\$6.4 million.

EU27 imports of wood furniture from India were down 8% to US\$210 million in the first eleven months of 2020. Partly due to supply side issues, imports from furniture from India almost came to a complete halt in May last year but rebounded very strongly in the second half of 2020 when they were at record levels for that time of year.

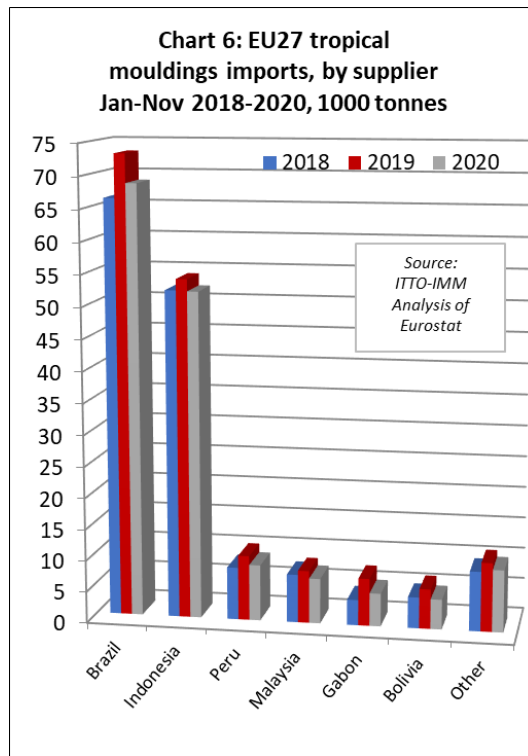
### EU27 tropical sawnwood imports fall 16%

In quantity terms, EU27 imports of tropical sawnwood declined 16% to 726,200 cu.m in the first eleven months of 2020. Imports fell sharply from all major supply countries; down 18% from Cameroon to 257,700 cu.m, 13% from Brazil to 116,000 cu.m, 13% from Gabon to 94,700 cu.m, 13% from Malaysia to 85,100 cu.m, 18% from Congo to 45,600 cu.m, 28% from Côte d'Ivoire to 23,300 cu.m, and 22% from Ghana to 17,700 cu.m.

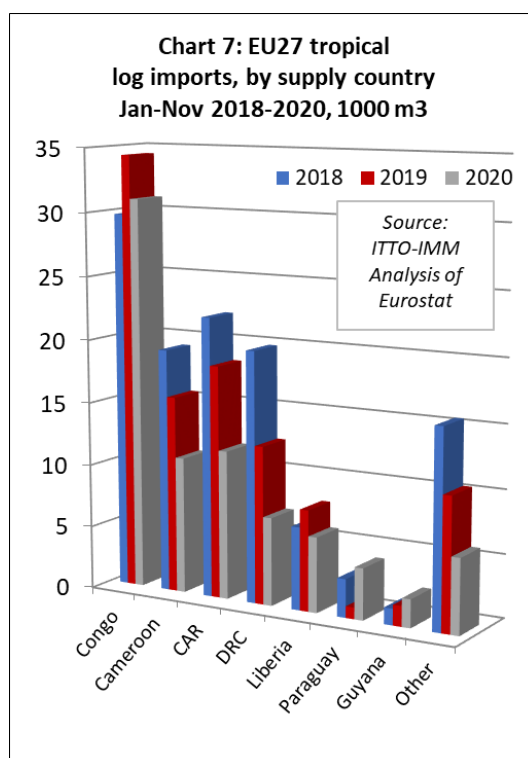
However Ecuador bucked the downward trend, with EU27 imports of sawnwood from the country rising 10% to 23,900 cu.m, much destined for Denmark and driven by booming demand for balsa for wind turbines. Imports of sawnwood from Indonesia also increased slightly, by 14% to 8,130 cu.m, but this follows a 66% reduction in 2018 (Chart 5).



The decline in imports of tropical sawnwood in the first eleven months of 2020 was mirrored by a similar decline in EU27 imports of tropical mouldings/decking. Imports of this commodity were down 8% overall at 156,800 tonnes, falling 6% from Brazil to 68,600 tonnes, 4% from Indonesia to 52,100 tonnes, 14% from Peru to 8,900 tonnes, 14% from Malaysia to 7,200 tonnes, 30% from Gabon to 5,300 tonnes, and 25% from Bolivia to 4,800 tonnes (Chart 6).



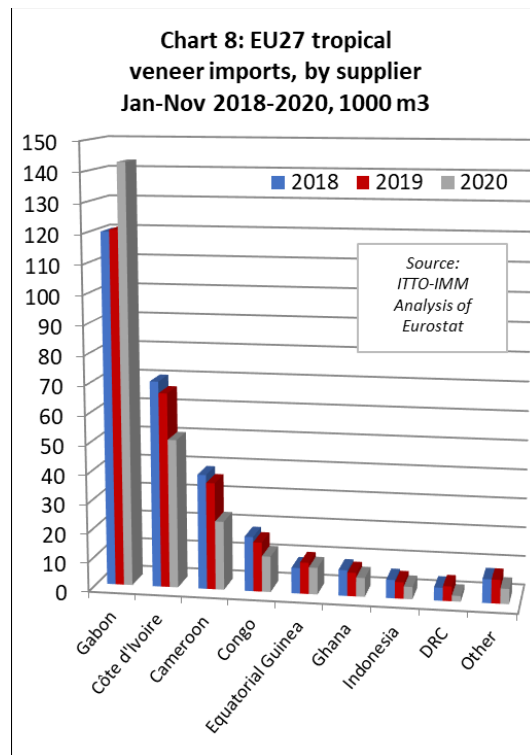
EU27 imports of tropical logs were down 23% to 78,700 cu.m in the first eleven months of last year. Imports held up reasonably well from the Republic of Congo, down only 10% to 31,000 cu.m, but fell sharply from all other leading African supply countries including Cameroon (-31% to 10,800 cu.m), Central African Republic (-36% to 11,800 cu.m), DRC (-44% to 7,000 cu.m), and Liberia (-25% to 5,900 cu.m). However, there was a significant increase in imports from two smaller suppliers in South America; Paraguay (+347% to 4,100 cu.m) and Guyana (+38% to 2,200 cu.m) (Chart 7).



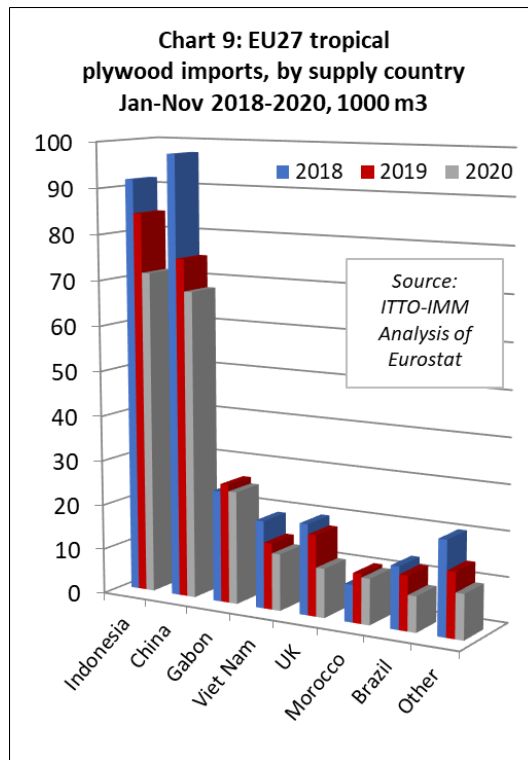
### EU27 tropical veneer imports from Gabon on the rise despite pandemic

EU27 imports of tropical veneer declined 8% to 256,200 cu.m in the first eleven months of 2020. Imports from Gabon bucked the wider downward trend, the EU27 importing 148,800 cu.m from the country between January and

November last year, 18% more than the same period in 2019, mainly destined for France. Veneer imports declined from all other major tropical suppliers, including Côte d'Ivoire (-24% to 50,800 cu.m), Cameroon (-36% to 23,500 cu.m), Equatorial Guinea (-15% to 9,200 cu.m), Ghana (-20% to 6,500 cu.m), Indonesia (-26% to 4,200 cu.m) and DRC (-62% to 1,900 cu.m). (Chart 8).

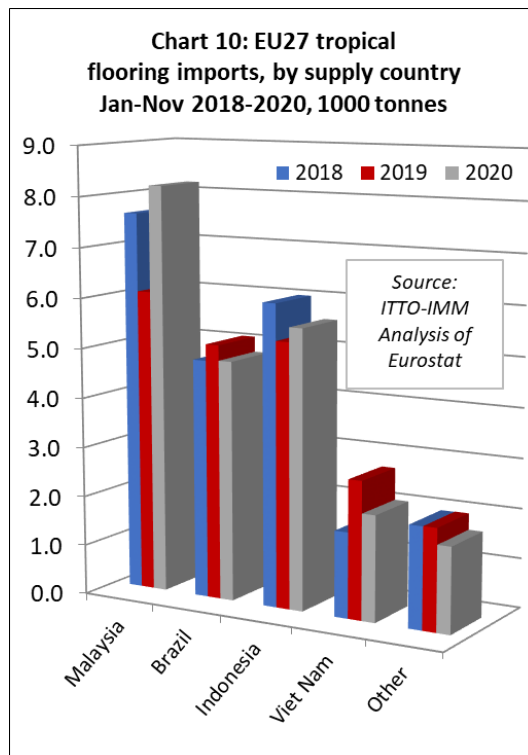


Although there were signs of an uptick in the pace of EU27 imports of tropical hardwood faced plywood between September and November last year, total imports of 223,600 cu.m in the first eleven months were still down 15% compared to the same period in 2019. Imports fell from all the leading supply countries including Indonesia (-15% to 71,400 cu.m), China (-9% to 68,000 cu.m), Gabon (-5% to 25,000 cu.m), Vietnam (-15% to 12,600 cu.m), Morocco (-7% to 10,100 cu.m) and Brazil (-35% to 7,900 cu.m). EU27 imports of tropical hardwood faced plywood from the UK – a re-export since the UK has no plywood manufacturing capacity - declined 39% to 10,800 cu.m (Chart 9).



**EU27 tropical flooring imports rise while other joinery imports decline**

Given the situation in the wider market, one of the least expected trends in EU27 import data was a slight recovery in imports of tropical flooring products in the first eleven months of last year. This follows a long period of continuous decline. Imports increased 5% to 22,400 tonnes, with the gain due to a 35% rise in imports from Malaysia to 8,200 tonnes, mostly destined for Belgium. Imports from Indonesia increased slightly, by 5% to 5,600 tonnes and declined moderately from Brazil, down 6% to 4,800 tonnes. Imports from Vietnam fell more rapidly, by 23% to 2,100 cu.m (Chart 10).





EU27 import quantity of other joinery products from tropical countries, which mainly comprise laminated window scantlings, kitchen tops and wood doors, declined 16% to 157,000 tonnes in the first eleven months of 2020. Imports were down 22% to 79,600 tonnes from Indonesia, 11% to 49,600 tonnes from Malaysia, and 40% to 1,500 tonnes from Ghana. However imports increased by 1% to 15,100 tonnes from Vietnam and by 18% to 3,200 tonnes from the Republic of Congo. (Chart 11).

