

American Hardwood Export Council European market report

March 2019



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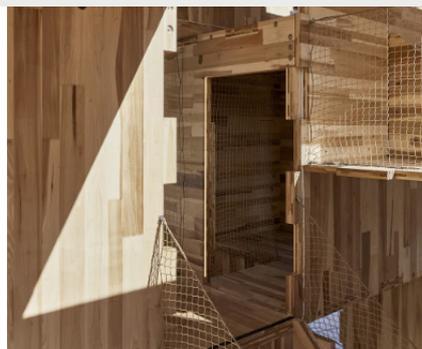
NEWS



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MARKET UPDATE

EU Economy slows

The latest economic forecasts suggest that the eurozone will be marked by significantly lower growth in 2019. A Financial Times survey of 24 economists in early 2019 gave forecasts of eurozone GDP growth across a wide range, from 0% to 3%, a sign of the high level of uncertainty. The majority forecast eurozone growth close to the middle of this range, at around 1.5%. In March 2019, the European Central Bank said it will offer more cheap loans to banks and keep interest rates at record-lows for longer as a weakening economy derails its plan to withdraw stimulus. According to the latest UK government summary of independent forecasts, UK growth is expected to be around 1.3% in 2019. However, market conditions in the UK are particularly uncertain.

Even now that the official Brexit date of 29th March 2019 has passed, the full economic and political fallout of the UK's vote to depart the EU remains hard to predict. With the UK government asking the EU for a delay until such time as serious internal political differences can be resolved, there is still uncertainty over the timing of Brexit, or whether the UK will depart on terms agreed with the EU or, failing that, there is a "disorderly exit" with attendant severe economic disruption. It is still possible the UK changes course entirely and decides to remain in the EU.

Concerns are also mounting about the ability of European manufacturers to offset slowing domestic consumption by increasing exports. Slowing growth in China and other emerging-market fragilities led to a sharp fall in global equity markets towards the end of 2018. While the risk of outright global recession in 2019 still seems low, a general global deceleration is widely forecast with growth falling below potential in most regions.

Encouraging increase in U.S. hardwood lumber exports to Europe

According to the latest USDA statistics total U.S. hardwood lumber exports to Europe for 2018 increased by 0.5% to 369,100m³ (value increased 4% to \$296 million) compared to the previous



The 'Companion' table by Building Crafts College student Paul Wones made in American red oak - a widely underused species in Europe.

year. This is the highest level since 2014 and is encouraging given the continuing economic challenges faced by many European markets. Of the main volume species exported to Europe, white oak was up 3.7% to 186,000m³, which is more than 50% of the total. Significant gains were also made by ash, up 3% to 25,000m³, and walnut, rising 12% to 23,000m³. Tulipwood recorded the biggest losses with a drop of 8% to 84,000m³. After some indication earlier in the year of modest gains in red oak exports, shipments were down 10% to 21,000m³ for the whole of 2018. Once again, these numbers show that most of the volume is concentrated in around 3-4 species and that it is vital that AHEC continues to promote and market underused species such as red oak, maple and cherry.

Although exports to smaller markets in Europe are rising, only four countries account for nearly 70% of the total; the UK (30% of 2018 volume), Italy (15%), Germany (13%) and Spain (11%).

The UK consolidated its position as the largest market with lumber exports rising 8% to 112,000m³ in 2018. White oak increased by 3% to 52,600m³, 47% of all exports to the UK. Tulipwood was up 7% to 30,600m³ and walnut up 23% to 9,100m³, both continuing a long-term rise. Ash was up 30% to 9,300m³, recovering from a sharp fall the previous year. However red oak fell back 4% to 4,600m³ after making significant gains in 2017. All other

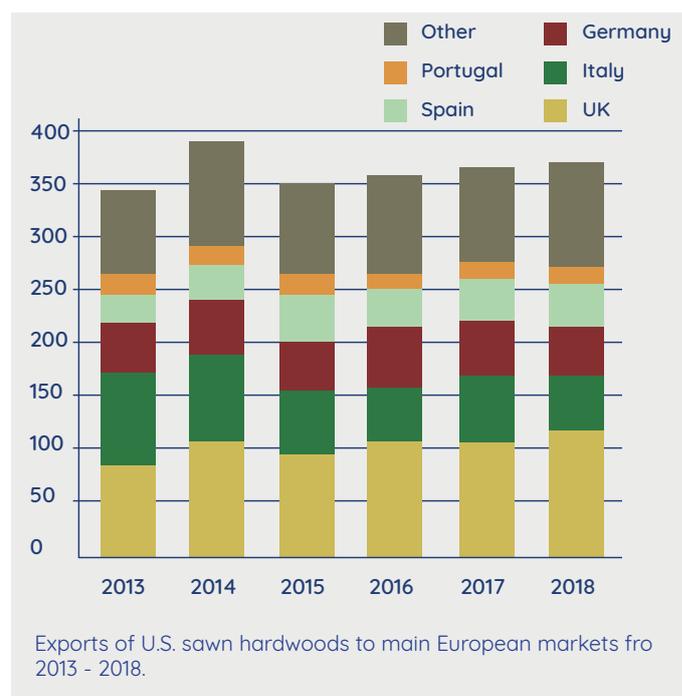


species recorded very low volumes including maple and cherry.

Exports to Italy fell 12% to 56,500m³ in 2018, undoing all the gains of the previous year. Although there was a continued increase in exports of white oak, up 19% to 14,200m³, and red alder, rising 5% to 8200m³, this was offset by a 24% fall in exports of tulipwood to 21,100 m³. Red oak exports to Italy also fell back 31% to 3,700m³ after making significant gains in the previous 3 years. Ash continued a long-term decline, falling another 16% to 4,100 m³. However walnut increased 27% to 2,100m³ in 2018, reversing the decline of the previous year. In the past exports to Italy were swelled considerably by “other” species, such as cottonwood, willow, and hackberry. But since the economic recession importers and manufacturers have significantly reduced the range of U.S. hardwoods so now these species only account for 1,800m³, down from over 10,000m³ just a few years ago.

U.S. hardwood lumber exports to Germany in 2018 were down 3% on the previous year to 46,900m³ with 74% of this volume accounted for by just two species, white oak 22,700m³ (up 13%) and tulipwood 12,100m³ (down 19%). Walnut was up 3% to 4,100m³ and hickory increased nearly 80% from negligible levels to 1,300m³. However red oak was down 29% to 1,600m³, ash continued to decline, falling 13% to only 980m³, and red alder lost 25%, to 1,200m³. Exports of maple and cherry were virtually non-existent. Although the German market is probably faring better than most in Europe in terms of wood demand and consumption, U.S hardwoods have a very small share of hardwood consumption. In fact, AHEC believe from trade feedback that at least 25-30% of this volume is probably re-exported to central European markets such as Poland.

After a brief period of recovery between 2013 and 2016, U.S. hardwood lumber exports to Spain were flat in 2017 and then declined 10% to 40,000m³ in 2018. Most of the decline was in white oak, down 15% to 30,500m³, although this species still accounted for 77% of all exports to Spain in 2018, making it the second most important market for white oak in Europe behind the UK. Red oak, now the second biggest export to Spain, was up by 5% in 2018 to 4,700m³. Although volumes are still small, gains were made in exports of tulipwood,



rising 18% to 1800m³, and ash was up 25% 1,400m³. Walnut fell a further 13% to only 680m³.

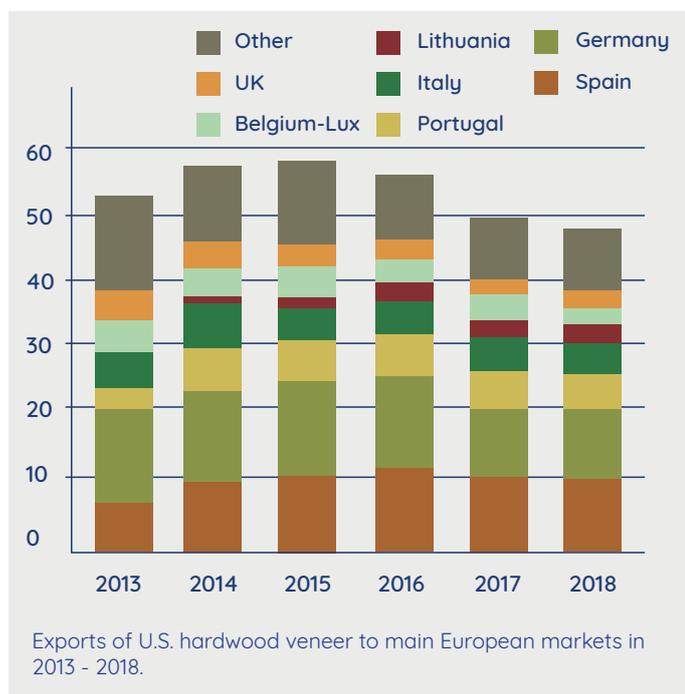
An emerging pattern is that some of the smaller European markets for U.S. hardwood lumber are performing much better and collectively helping to offset lower exports to the main markets. Portugal led the way with U.S. lumber exports up 15% to 18,000m³, followed by Ireland (+4% to 14,200m³), Sweden (+8% to 13,100m³), Estonia (+7% to 9,100m³), Norway (+17% to 8,300m³), Denmark (+11% to 7,200m³), and Greece (+33% to 5,500m³). While it is encouraging that overall lumber exports to Europe held up during 2018 it is too early to predict if activity levels will be maintained during 2019.

Further falls in U.S. hardwood veneer exports

In 2018, global exports of U.S. hardwood veneer increased 3% to 163 million m² (up 5% in value to \$240 million) but remained at historically low levels. Most gains in 2018 were made in exports within North America and in emerging markets other than China. While Europe maintained its position as the main export destination outside North America, exports to the region declined 3% to 48 million m² (down 2% in value to \$69 million). A slight rebound in Germany, by 2% to 10.4 million m², and a marginal 2% gain in Lithuania to 2.8 million m², were not enough to offset declining exports to other leading European markets



including Spain (down 3% to 10.8 million m²), Portugal (down 5% to 5.1 million m²), Italy (down 14% to 4.3 million m²) and Belgium (down 18% to 2.8 million m²).



Although Spain's domestic consumption fell rapidly after the financial crises, and suffered a further set back in 2018, the country remains a major producer of veneered panels and doors and is the leading European export market for hardwood veneers. Germany once the hub of U.S. hardwood veneer distribution in Europe nowadays plays a lesser role, but it is still an important producer of high value panels. Lithuania has recently emerged as a more important market as its furniture industry has expanded, although it is still some way behind the traditional western European markets.

U.S. hardwood veneers in Europe face intense competition from manufacturers in Eastern Europe, both within the EU and in non-EU countries, particularly Ukraine, but also Russia and Serbia. A significant long-term threat to all hardwood veneer consumption within Europe is from non-wood laminated finishes many of them imitating a real wood look. Educating target audiences in Europe about the aesthetic and environmental benefits of real hardwood is essential to maintain market share.

ACTIVITIES

U.S. hardwood vessels showcased at high profile art exhibition in London

Collect is an art fair dedicated to modern craft and design, which provides an opportunity to discover exceptional work produced by living artists. This year's edition took place at the Saatchi Gallery, London, from 28 February - 3 March, and included the project 'Work in process' by artist Stefano Santilli; a collection made up by a series of eight American red oak, cherry and maple vessels.



Stefano Santilli's American red oak, cherry and maple vessels.

American hardwood was chosen for this project for both its aesthetic qualities and versatility. The vessels are steamed, folded and manipulated into complex and interesting shapes.

"The first species of American hardwood I used was red oak which was a very pleasant surprise," said Santilli. "Having never used this type of wood before I was impressed with how it is rugged looking yet technically perfect and easy to work. The table is made from a mixture of solid red oak and veneer which wasn't in the initial plan but I was inspired by the wood."

The exhibition received hundreds of visitors, who had the opportunity to see this project. American



hardwoods were featured on the exhibition text, catalogue and website. AHEC also created a case study of the project which was distributed to press and obtained some good pieces of PR for U.S. hardwoods in Europe.



Close up detail of the vessels presented at Collect, made using a mix of American hardwoods.

NEWS ROUNDUP

Its been another busy month for the AHEC team in London; planning activities, meeting with potential partners, photoshoots, press interviews and working with our team of PR consultants to prepare for upcoming activities.

The **Polish red oak** project led by designer Tomek Rygalik, is moving into the production phase and work is already underway to develop the prototypes ready for production. In the meantime, plans are developing to show the final pieces as a creative installation at the institute of Industrial Design in Warsaw in early September.

Continuing with the red oak theme the final photography and filming took place for the red oak **Blushing Bar** project which will be the centre piece of Wallpaper* magazine's Handmade exhibition in Milan in April.

In another exciting development AHEC have had a series of meetings with the **London Design Festival** to create a high-profile design project



An initial render of the American red oak chair designed by Tomek Rygalik for AHEC's upcoming Polish project.

that celebrates red oak. The idea for the project is to ask 8-10 leaders of London's cultural institutions to collaborate with well-known designers to create a "legacy" piece, that is beautifully crafted in red oak. The resulting collection will be exhibited in the V&A museum during LDF in September.

AHEC staff also attended the call to entries event of the UK Wood awards, which we support as a major sponsor. Over two hundred people attended including many architects and key



One of the modules of the Blushing Bar, which features a rolling tambour made using ink-injected American red oak.



players from UK timber trade and industry.

AHEC also supported a seminar at the Building centre in London about sustainable design and use of wood for the Maggie's Cancer Care centre's. The founder of Maggie's was joined by



Alex de Rijke, dRMM Architects, discusses the design of his American tulipwood CLT table.

Alex de Rijke who designed the one in Oldham, which uses tulipwood CLT for the structure and tulipwood TMT for the outer skin of the building. The other architect speaking was Benedetta Tagliabue (of EMBT) who has designed the first Maggie's outside the UK, in Barcelona. This project will also feature TMT tulipwood, and will be a first for Spain and a valuable reference for its future use in that market.

PR HIGHLIGHTS



Design Museum @DesignMuseum

Inside David Adjaye's #MakingMemory exhibition, watch how the rays of light seep in-between the wooden beams of @ahec_europe's elliptical pavilion. Find out more > fal.cn/A2xm @AdjayeAssoc

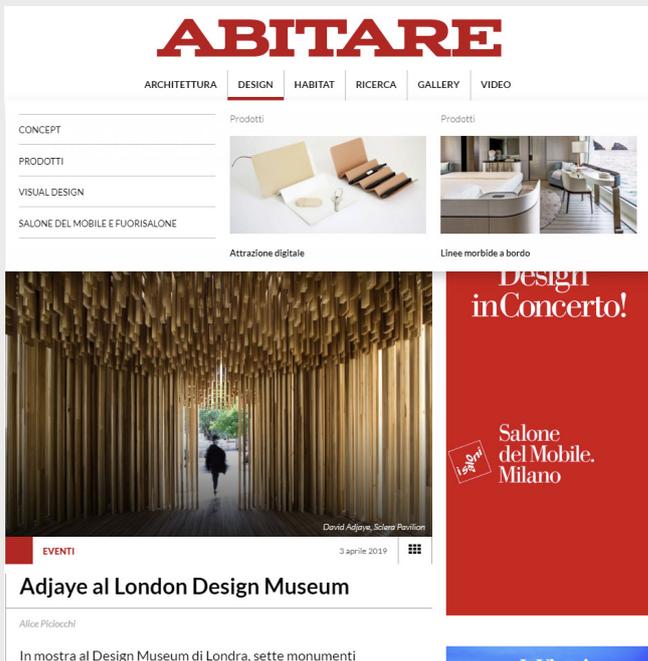
0:46 1,664 views

1:00 PM - 4 Apr 2019

8 Retweets 19 Likes

Sclera at the Design Museum
American tulipwood
Design Museum | Twitter

4,400,000 followers



ABITARE

ARCHITETTURA DESIGN HABITAT RICERCA GALLERY VIDEO

CONCEPT PRODOTTI VISUAL DESIGN SALONE DEL MOBILE E FUORISALONE

Attrazione digitale Linee morbide a bordo

Design inConcerto!

Salone del Mobile. Milano

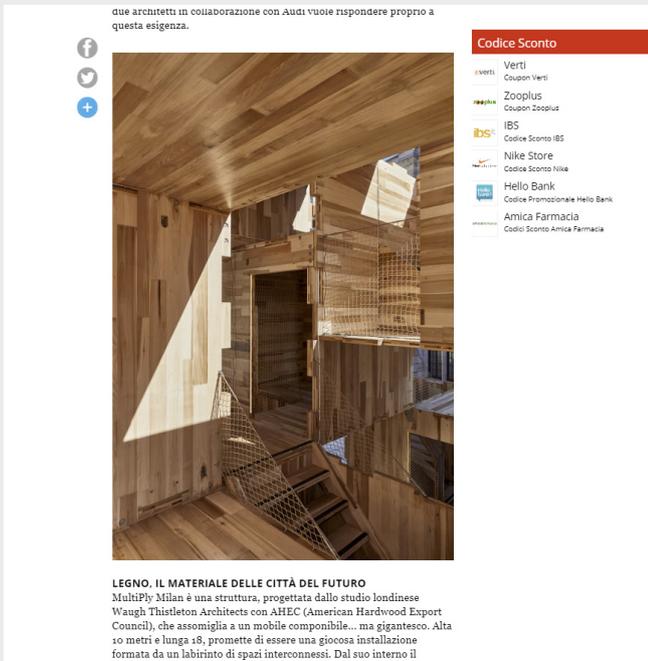
Adjaye al London Design Museum

Alice Picciocchi

In mostra al Design Museum di Londra, sette monumenti

Sclera at the Design Museum
American tulipwood
Abitare | Italy

75,000 viewers



due architetti in collaborazione con Audi vuole rispondere proprio a questa esigenza.

Codice Sconto

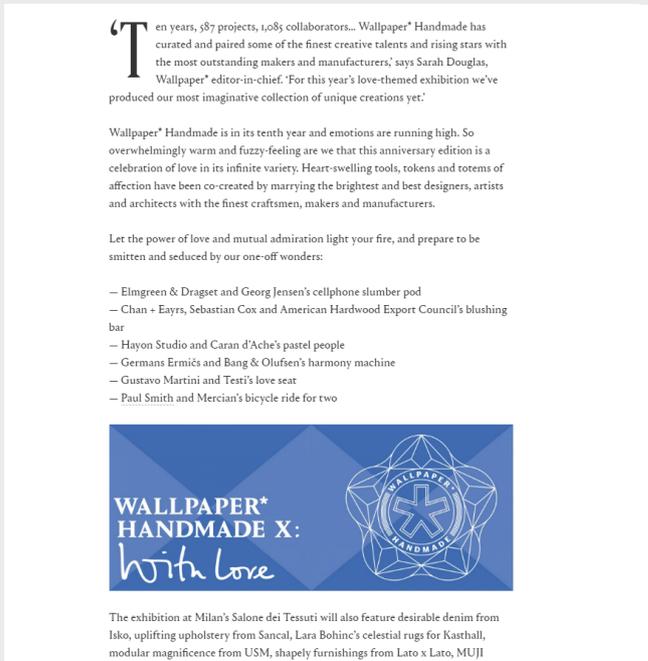
- Verti Coupon Verti
- Zooplus Coupon Zooplus
- IBS Codice Sconto IBS
- Nike Store Codice Sconto Nike
- Hello Bank Codice Promozionale Hello Bank
- Amica Farmacia Codice Sconto Amica Farmacia

LEGNO, IL MATERIALE DELLE CITTÀ DEL FUTURO

MultiPLY Milan è una struttura, progettata dallo studio londinese Waugh Thistleton Architects con AHEC (American Hardwood Export Council), che assomiglia a un mobile componibile... ma gigantesco. Alta 10 metri e lunga 18, promette di essere una gioiosa installazione formata da un labirinto di spazi interconnessi. Dal suo interno il

MultiPLY Milan
American tulipwood CLT
Focus | Italy

1,100,000 viewers



Ten years, 587 projects, 1,085 collaborators... Wallpaper* Handmade has curated and paired some of the finest creative talents and rising stars with the most outstanding makers and manufacturers,' says Sarah Douglas, Wallpaper* editor-in-chief. 'For this year's love-themed exhibition we've produced our most imaginative collection of unique creations yet.'

Wallpaper* Handmade is in its tenth year and emotions are running high. So overwhelmingly warm and fuzzy-feeling are we that this anniversary edition is a celebration of love in its infinite variety. Heart-swelling tools, tokens and totems of affection have been co-created by marrying the brightest and best designers, artists and architects with the finest craftsmen, makers and manufacturers.

Let the power of love and mutual admiration light your fire, and prepare to be smitten and seduced by our one-off wonders:

- Elmgreen & Dragset and Georg Jensen's cellphone slumber pod
- Chan + Eayrs, Sebastian Cox and American Hardwood Export Council's blushing bar
- Hayon Studio and Caran d'Ache's pastel people
- Germans Ermics and Bang & Olufsen's harmony machine
- Gustavo Martini and Testi's love seat
- Paul Smith and Mercian's bicycle ride for two

WALLPAPER* HANDMADE X: With Love

The exhibition at Milan's Salone dei Tessuti will also feature desirable denim from Isko, uplifting upholstery from Sancal, Lara Bohinc's celestial rugs for Kasthall, modular magnificence from USM, shapely furnishings from Lato x Lato, MUJI

Blushing Bar
American red oak
Wallpaper* | UK

1,700,000 circulation



UPCOMING EVENTS

2 February - 5 May*

the
DESIGN
MUSEUM

David Adjaye: Making Memory
Exhibition | Design Museum |
London

7 February - 7 May*



dRMM: Forest of fabrication
Exhibition | The Building Centre |
London

9 - 14 April*

Salone
del Mobile
Milano

Milan Design Week
Design show | Milan | Italy

21 - 24 May*



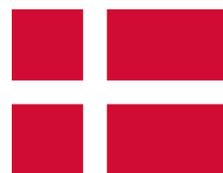
Interzum
Trade fair | Cologne | Germany

23 May

FORUM
HOLZBAU

Holzbau
Trade conference | Pamplona |
Spain

23 June



Perspektive Copenhagen
Architectural seminar | Denmark

14th - 22nd September*



London Design Festival
Design festival | London | UK

2 - 4 October*



NHLA Conference
Trade conference | New Orleans |
USA

12 - 13 November



Brachentag Holz
Trade fair | Colonge |
Germany

*DENOTES AHEC PARTICIPATION



EXCHANGE RATES

	31/12/18	31/01/19	28/02/19	31/03/19
1 EURO = \$	1.14	1.14	1.13	1.30
\$1 = EURO	0.87	0.87	0.89	0.89
£1 Sterling = \$	1.27	1.30	1.31	1.29
\$1 = Danish DKK	6.52	6.52	6.62	6.53
\$1 = Swedish SEK	8.9	9.06	9.36	9.29
\$1 = Czech CZK	22.46	22.52	22.73	22.97
\$1 = Hungary Forint HUF	279.71	276.56	280.11	285.86
\$1 = Polish Zloty PLN	3.75	3.75	3.82	3.83
\$1 = Russian Rouble RUB	69.35	65.86	66.03	66.64
\$1 = Turkish Lira TRY	5.26	5.27	5.44	5.60