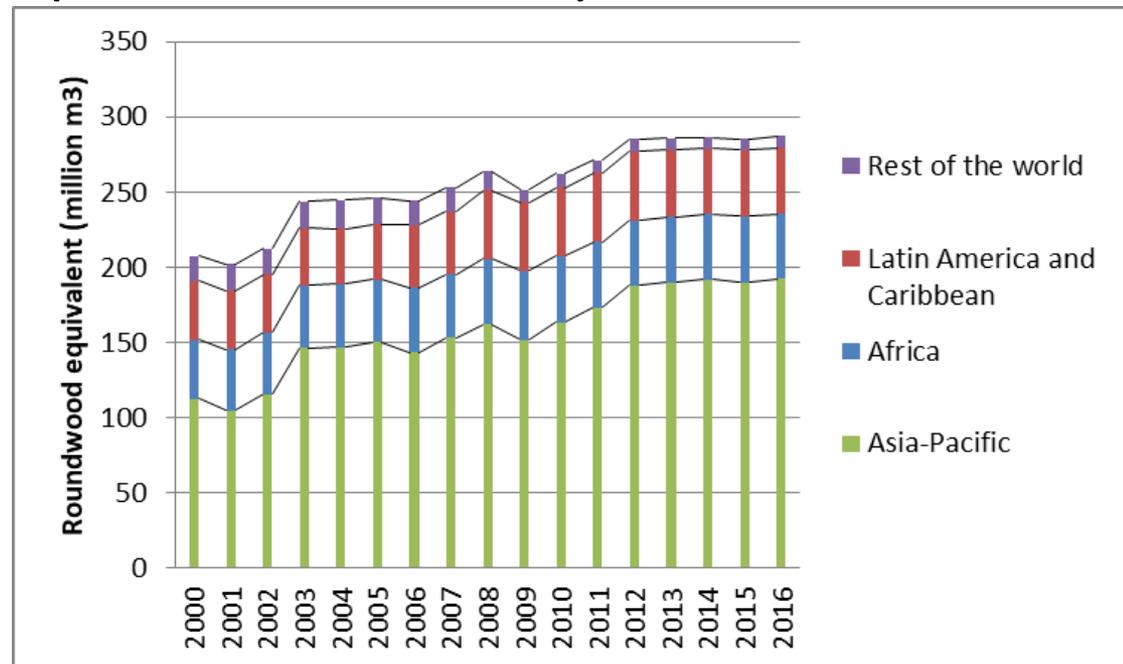


The economic drivers boosting demand and supply in Asia-Pacific

Jean-Christophe Claudon
ITTO Statistical Assistant

Total consumption of timber/tropical timber

- Asia-Pacific consumes 1.4 billion m³ of timber in RWE (+8% since 2000) → 37% of the world total.
- Asia-Pacific consumes 193 million m³ of tropical timber in RWE (+70% since 2000) → 66% of the world total.



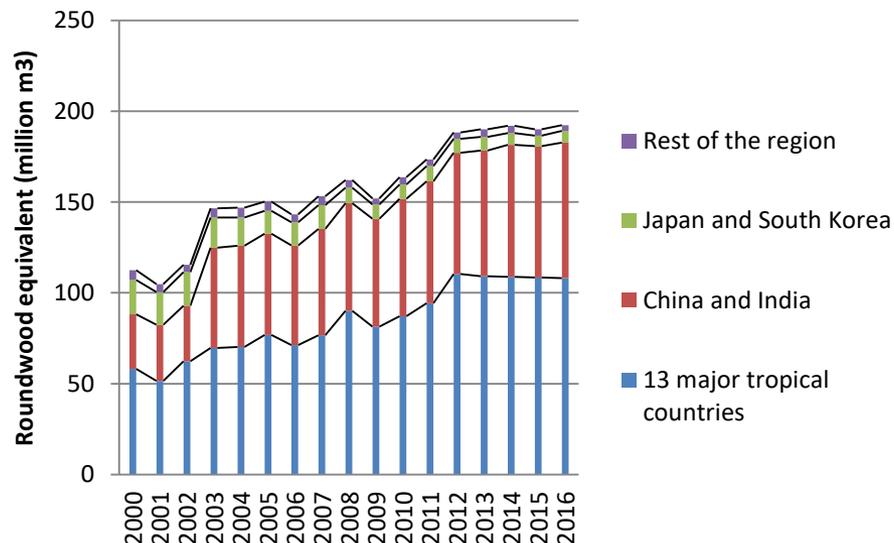
Regional division

- There are three major groups of tropical timber consuming countries in Asia-Pacific:
- 13 tropical countries with a tropical forest larger than one million ha enjoying various stages of economic development,
- India and China transitioning to become world superpowers and
- advanced countries such as Japan and South Korea experiencing a declining demand.

Group of countries	Total consumption of timber (million m ³)	Total consumption of tropical timber (million m ³)
13 largest tropical countries in Asia-Pacific	300	108
India and China	961	75
Japan and South Korea	57	7
Rest of the region	82	3
Total	1,400	193

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- In 2000, the 13 major Asia-Pacific tropical countries represented 51% of all the tropical timber consumed in the region. Their consumption almost doubled between 2000 and 2016 from 58 million m³ to 108 million m³ representing 56% of the total tropical timber consumed in the region in 2016.
- China and India together have also experienced a doubling consumption of tropical timber from 30 million m³ in 2000 to 75 million m³ in 2016.
- In the meantime, Japan and South Korea consumption of tropical timber declined drastically from 19 million m³ in 2000 to 7 million m³ in 2016.



13 Major tropical countries

- Their total consumption of timber decreased by 12 million m³ over the same period between 2000 and 2016.
- Spectacular decrease in their consumption of wood fuel from 243 million m³ in 2000 to 187 million m³ in 2016 (63% of all timber consumed)-> a spectacular growing access to electricity.
- In general, the most advanced countries GDP per capita have the biggest exports diversification (Malaysia, Indonesia, Thailand) and the highest gross capital formation share in the GDP.
- One exception: Viet Nam which experienced the fastest growth in terms of GDP per capita since 1990 (x23) which wooden furniture represents 80% of their timber products exports.
- The countries with the lowest exports diversification (mainly logs) and the lowest gross capital formation have the lowest GDP per capita (PNG, Lao PDR, Solomon Islands, Myanmar, Cambodia).
- Viet Nam will continue its extraordinary expansion because it benefits at the same time from the economic tensions between China and the US and the diplomatic tensions between China and Japan. The flow of FDI will continue to expand.
- Among this group, it will be the third country with the highest GDP growth in the next 5 years according to the IMF after Bangladesh and Cambodia.

India

- Despite a forest area of 74 million ha, India is a net importer of industrial primary wood products. Most of Indian forests is agroforestry which is underproductive as it suffers from cattle grazing and erosion.
- India's total consumption of timber increased by 18% from 326 million m³ to 387 million m³ from 2000 to 2016. This consumption has grown regularly since 2003 to reach its highest level ever.
- Fuelwood still represents over 80% of the timber consumed in India despite a constant increase to electricity access.
- The demand for primary tropical industrial wood products increased by 28% from 37 million m³ to 47 million m³ from 2000 to 2016, a faster pace than the overall timber demand.

India (continued)

- India's consumption of timber will not stop over the coming years: its population will surpass China's one in 2024 and reach 1.5 billion people in 2030.
- The GDP growth will reach 8.2% in 2023
- Demand for tropical timber might be hampered by a large inequality in the Indian society. Middle class' share of the national income has decreased by 10 points since 2000 while the share of the top 10% has increased by 20 points.
- Despite the fact that the GDP per capita in current US dollars was multiplied by 4 between 2000 and 2016 from \$431 to \$1706, this performance is not equally shared among the Indian society.

China

- After years of buoyant economic growth and its peak in 2007(+14%) China has since started decelerating. In 2023, China should experience its lowest GDP growth since 1990 with a forecasted 5.5% growth.
- Consumption for timber has reached its highest level ever (574 million m³ -> more than a 1/3rd of the region).
- Consumption of tropical timber is 26.8 million m³, the highest ever as well.
- Overall demand for timber should decline as China suffers from overcapacity, overvalued housing sector fueled by debt which should also decline and a declining population.
- Nevertheless, demand for tropical timber should continue to increase as the middle class has strongly increased. China demand for expensive, rare timber such as rosewood (prestige) has never been so high and it might not cease soon.

South Korea

- South Korea consumption of timber has been declining over the last 20 years.
- After a peak in 2002 of around 28 million m³, the consumption stalled to 22 million m³ in 2016.
- The IMF forecasts stable GDP growth of around 2.8% until 2023 so its consumption should remain stable.
- Despite the fact that South Korea is a relatively large consumer of tropical plywood, its total consumption of primary tropical products dived as well by 40% from 3.8 million m³ in 2000 to 2.2 million m³ in 2002.

Japan

- Its total consumption of timber halved in 16 years from 75 million m³ to 35 million m³.
- Consumption of industrial tropical timber was divided by 3 in 16 years from 15 million m³ in 2000 to 4.2 million m³ in 2016.
- Japan's demand for timber will fall even further in the coming years as the IMF forecasts an even lower GDP growth with an average of 0.5% until 2023.
- Japan demographics with an ever growing ageing population will negatively affect the GDP on the long run. It is estimated that by 2040, more than one in three people in Japan will be over 65 years old, the highest proportion in the world.
- In parallel to a declining timber demand, Japan has seen its forests growing and recovering for the last 50 years and exported over a million m³ of coniferous logs in 2017.