EAS STRATEGIC OPTIONS

DO MALAYSIAN WOOD PRODUCTS HAVE A “BRIGHT FUTURE” IN THE EUROPEAN MARKET?

ISSUE

Since many decades, Malaysia has been recognized as the major supplier of wood products in the world. Malaysia has exported wood products to all the regions in the world mainly to Asia, Europe, Middle East, Oceania (New Zealand and Australia), America and Africa (Figure 1). Traditionally, Europe has been the favorite market for Malaysia after Asia. In 2008, Asia market (about 54%) constitutes the highest percentage of the Malaysia total wood exports and followed by Europe (12%). Among the European market, Western Europe received the highest exports of wood products from Malaysia (47% of the total European market). The biggest export markets are Netherlands, Belgium, France, United Kingdom and Germany. In 2008, the export value to Europe was 586,925,586 US Dollar. Despite that, in 2013 we expected that it will be declined to 503,000,000 US Dollar. The total trade value of wood products in the European region is expected to decline about 14% compared to 2008 (Figure 2).

PROBLEM/OPPORTUNITY

Competition from other wood producers such as China and Brazil will have some effects on the export of wood products from Malaysia. China’s labor advantage (cheaper labor cost relative to Malaysia) coupled with lower processing cost may contribute to the price competition of the wood products in Europe (Taylor, 2005). In fact, some of the factories in China which produce high end furniture paid their workers about 40 cents per hour (Hays, 2008). During 2007, the exports of wood products from Brazil to Europe increase about 42% compared to previous year (UN Comtrade, 2009). In addition, Brazil’s export of tropical timber products also grew in 2008 and this reflects its strengthening position as one of the world’s most important tropical timber suppliers, particularly in the face of supply problems in Africa and South East Asia (ITTO, 2009).

Figure 1: The Malaysian export of wood products to all regions in the world from 1989 - 2008

Besides Europe, Malaysia should focus on other emerging markets such as Middle East and Africa to diversify the export of Malaysian wood products at the global level (Figure 3). In 2008, Middle East constitutes only 10% of Malaysia total exports in wood products. However, during 2013, it has been forecasted that the export value will increase to 29% in the region (about 19% increment in five years). For African market, it has been forecasted that the export value about to increase by 15% from 150,854,725 US Dollar in 2008 to 175,601,000 US Dollar in 2013. We presume that the increasing export (based on the forecasted value) of the wood products seems to be promising for Malaysian exporters to boost their sales in Middle East and African region compared to Europe.

Figure 2: The forecasted export value of wood products in the European region from 2009-2013*

*Using ARIMA model (1, 1)

Figure 3: The forecasted export value of wood products in Europe, Africa and Middle East region from 2009-2013*

*Using ARIMA model (1, 1)

FURTHER INFORMATION
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