Overview of European wood market

Rupert Oliver – Forest Industries Intelligence

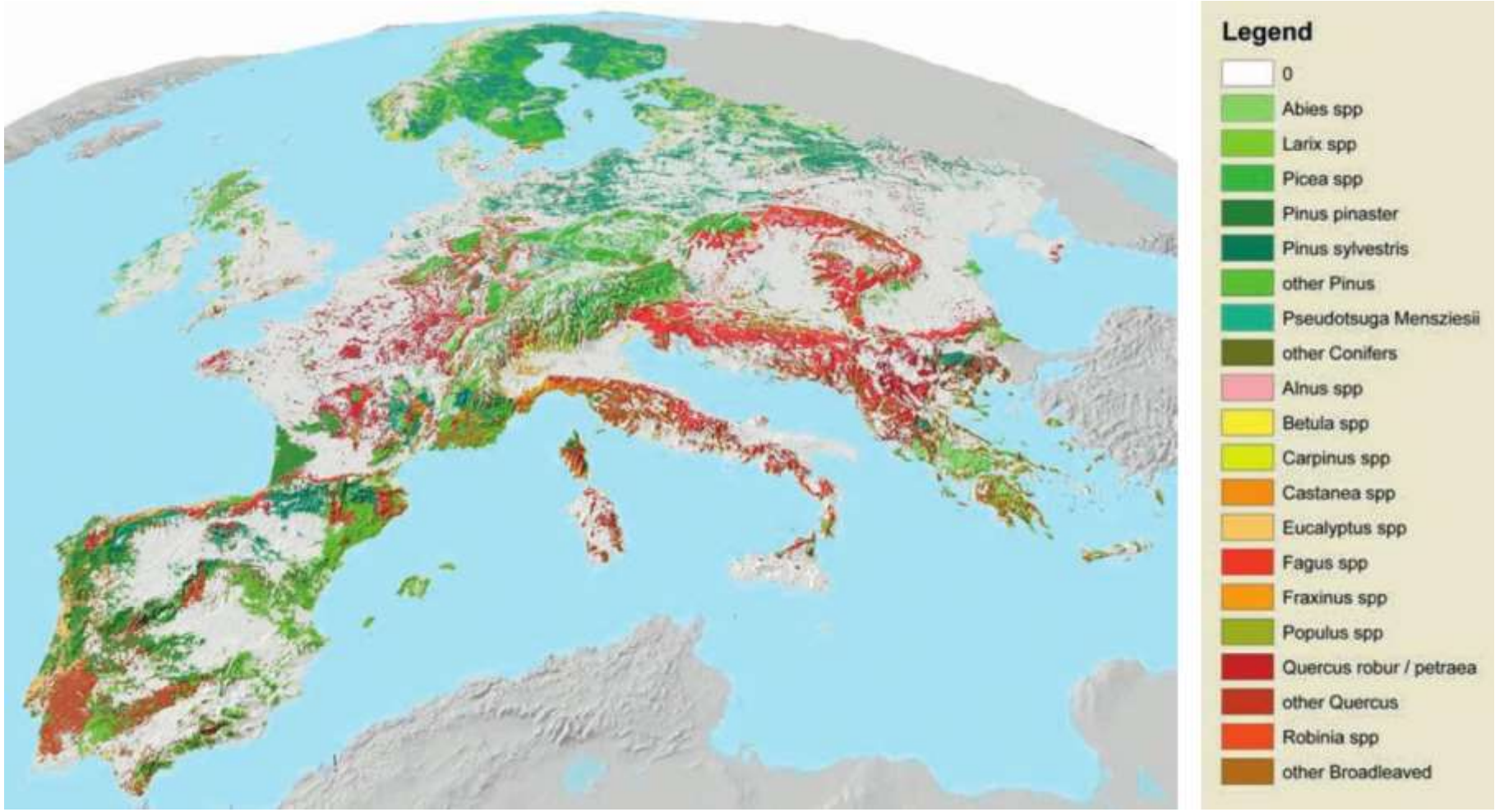
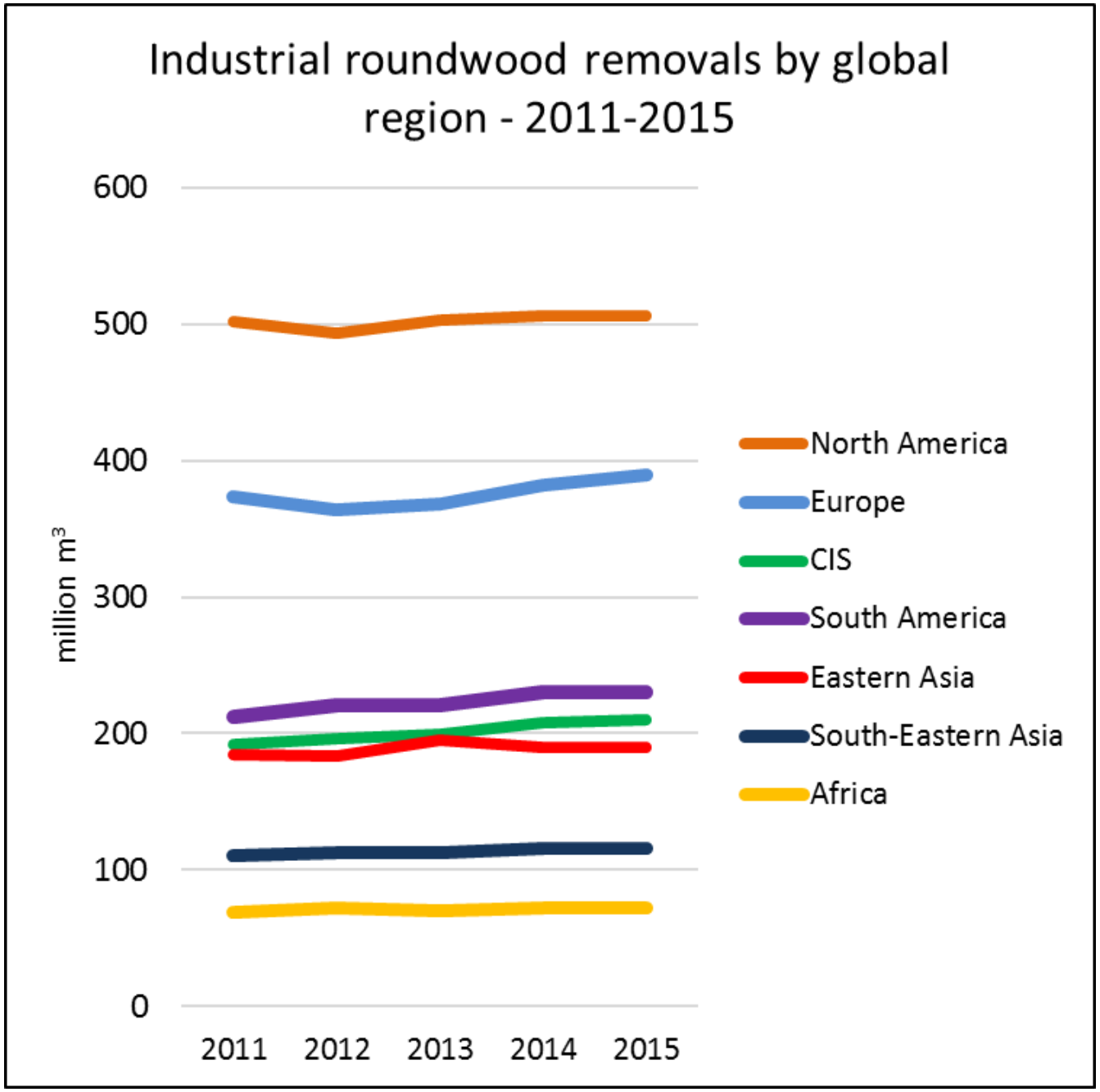


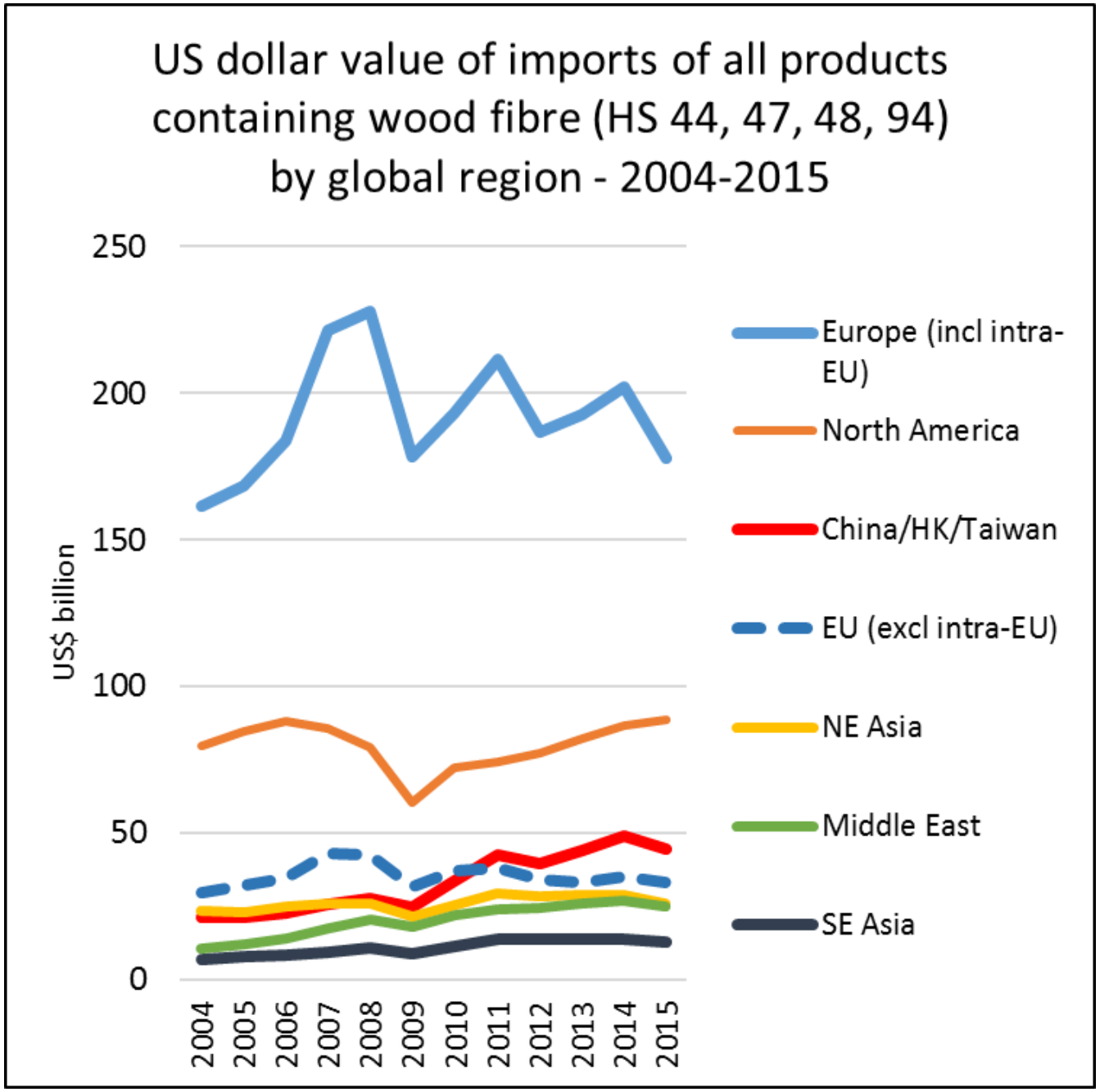
Figure: Nabuurs et al, 2015. A new role for forests and the forest sector in the EU post-2020 climate targets.

Content

- Europe in relation to other regions
- Economic conditions & activity in end-use sectors
- Material sectors: softwood, hardwood, panel products
- Future prospects/opportunities
- Policy issues – trade & environment



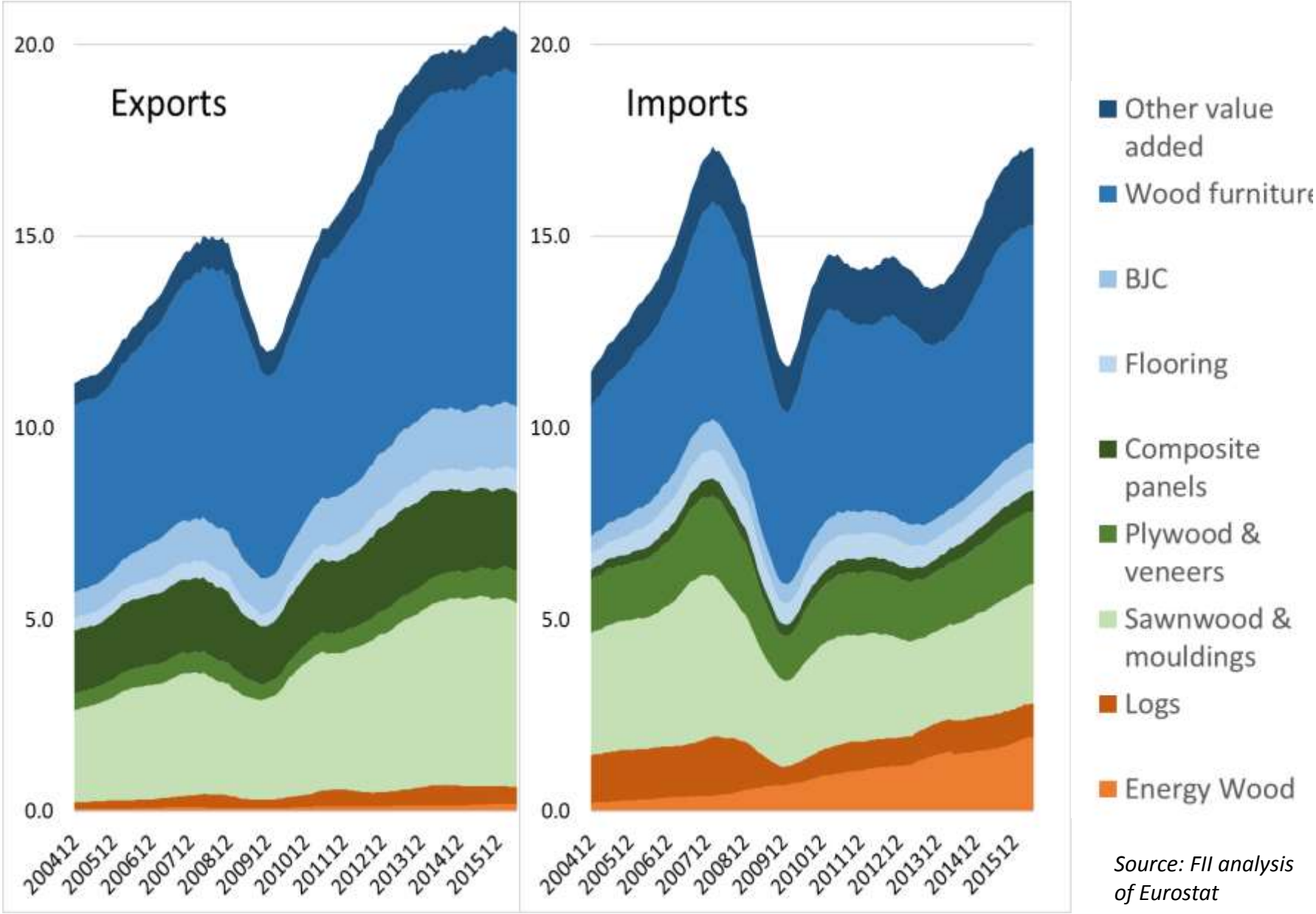
Source: FII analysis of UNECE and FAOSTAT



Source: FII analysis of Global Trade Atlas

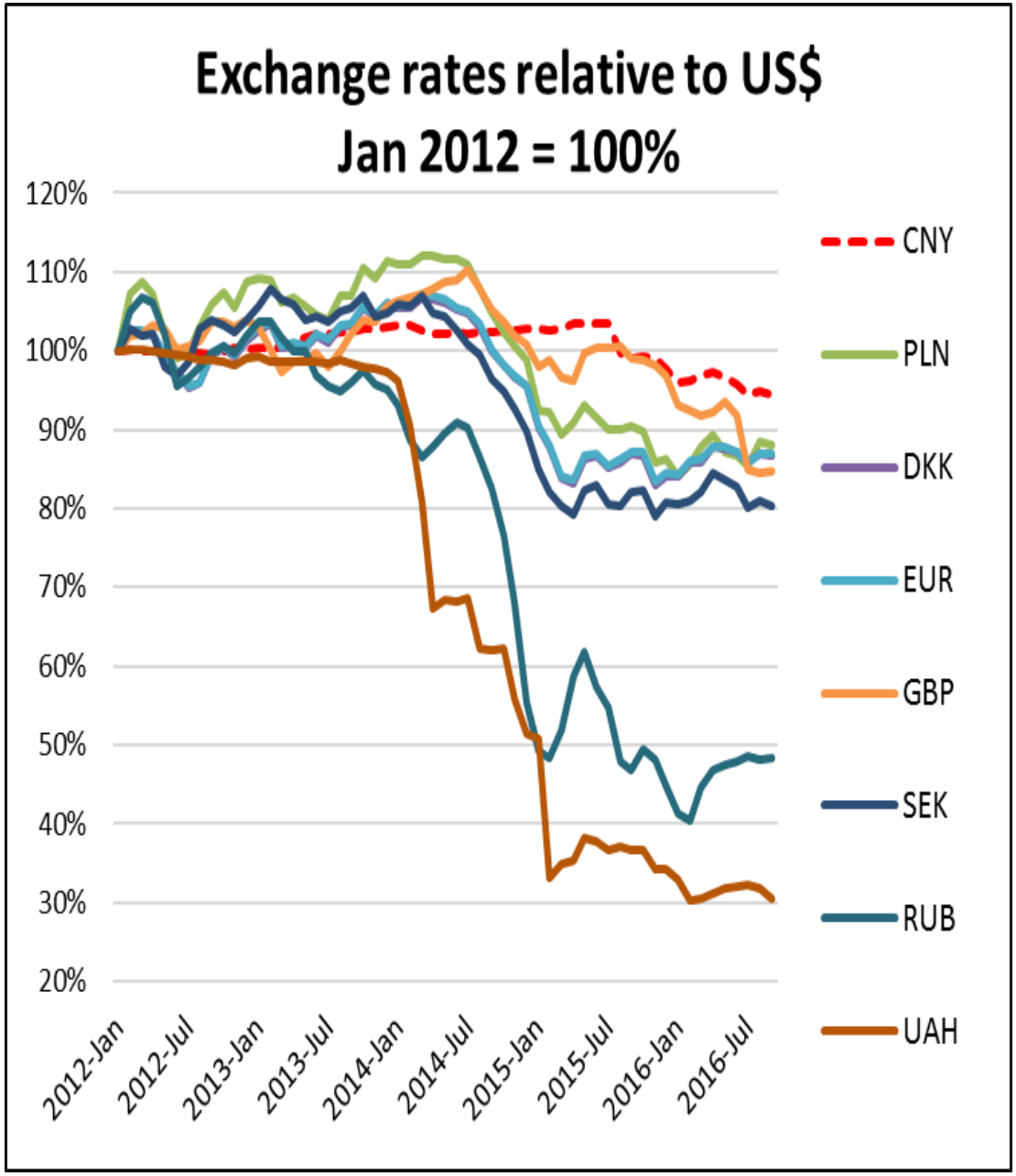
EU trade in wood (HS 44) and wood furniture (HS94) with rest of world

Rolling 12 month average Dec 2004 to June 2016 - € billion at constant June 2016 prices



Source: FII analysis of Eurostat

Economic conditions and activity in end-use sectors



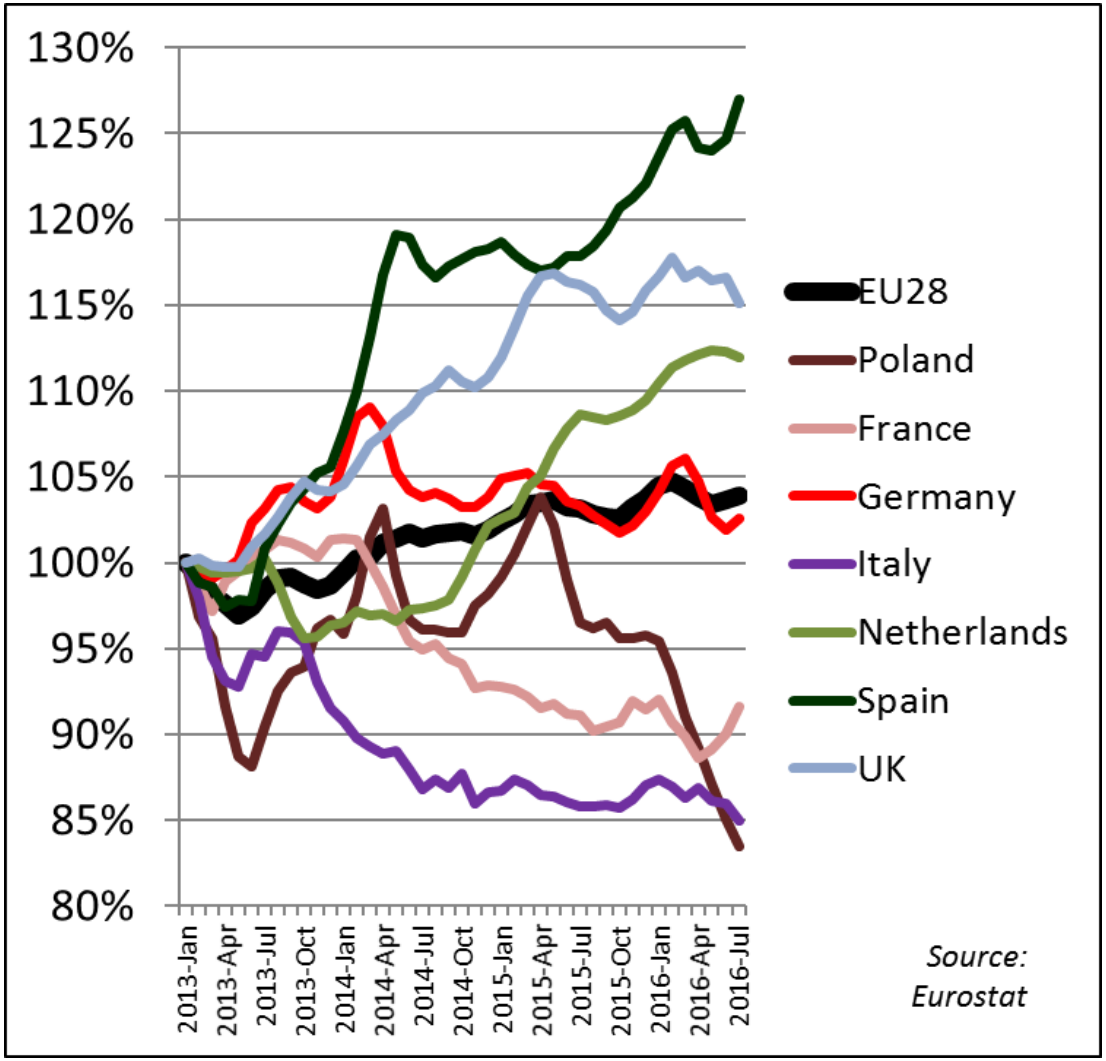
Weak European currencies

Even weaker CIS currencies

Source: https://www.oanda.com/currency/average

Eurostat construction production index for the EU Member States

€ value of seasonally adjusted production output (Jan 2013 = 100)
Monthly for the period Jan 2013 to July 2016

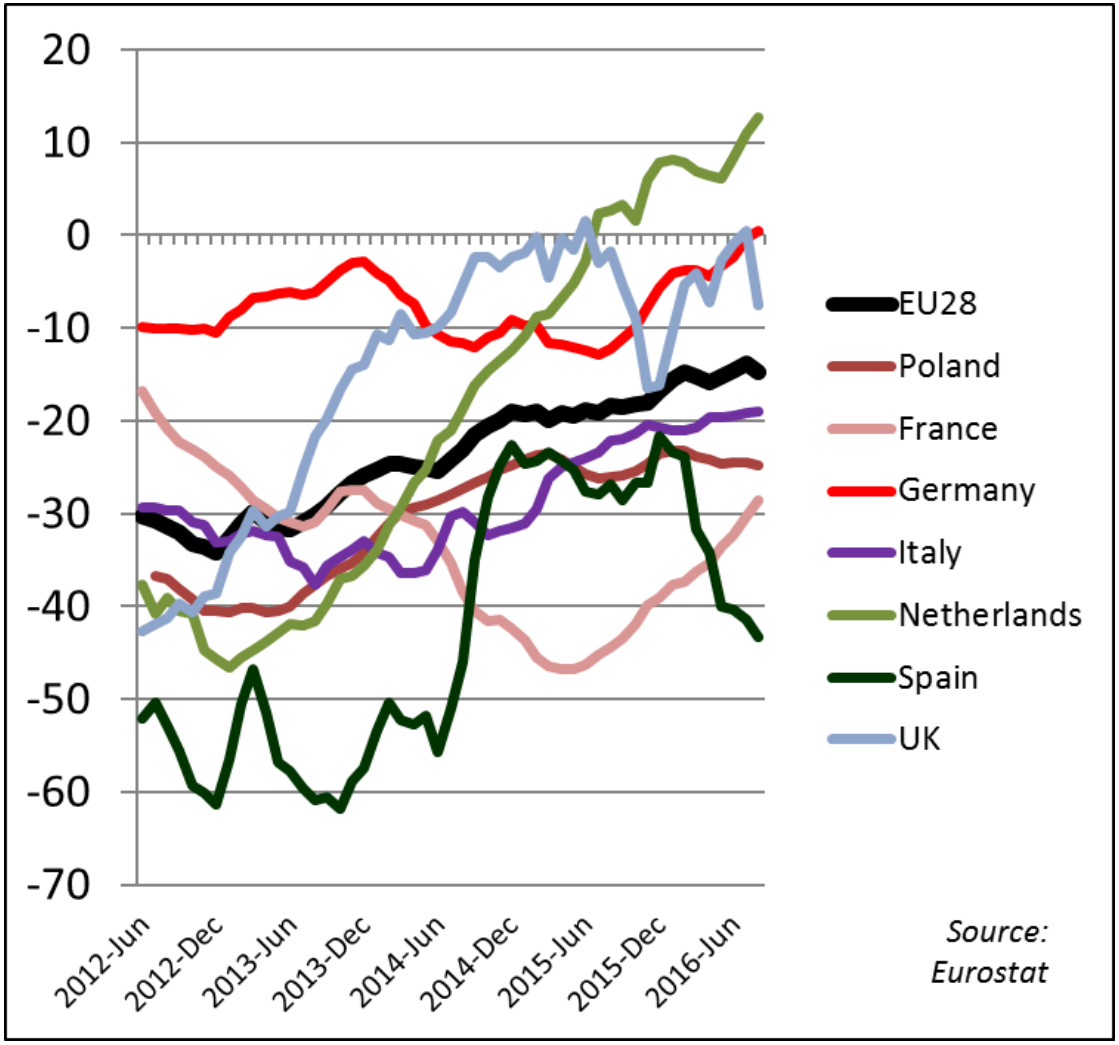


Source: FII analysis of Eurostat

Slow pace of recovery in construction

- Value of EU construction in July 2016 still 5% lower than 2010 & 20% down on 2008
- Construction activity rising at the end of 2015 but dipped again in 2016
- Volatile activity in Poland fell sharply in 2016
- Activity still good in Germany & UK
- Spain & Netherlands recovering strongly
- France & Italy flat at low level

Eurostat construction confidence index for the EU Member States Jun 2012 to Aug 2016



Source: Eurostat – note index value of below zero indicates balance of construction professionals expect declining orders over the following 3 months

Confidence rising but still fragile across EU

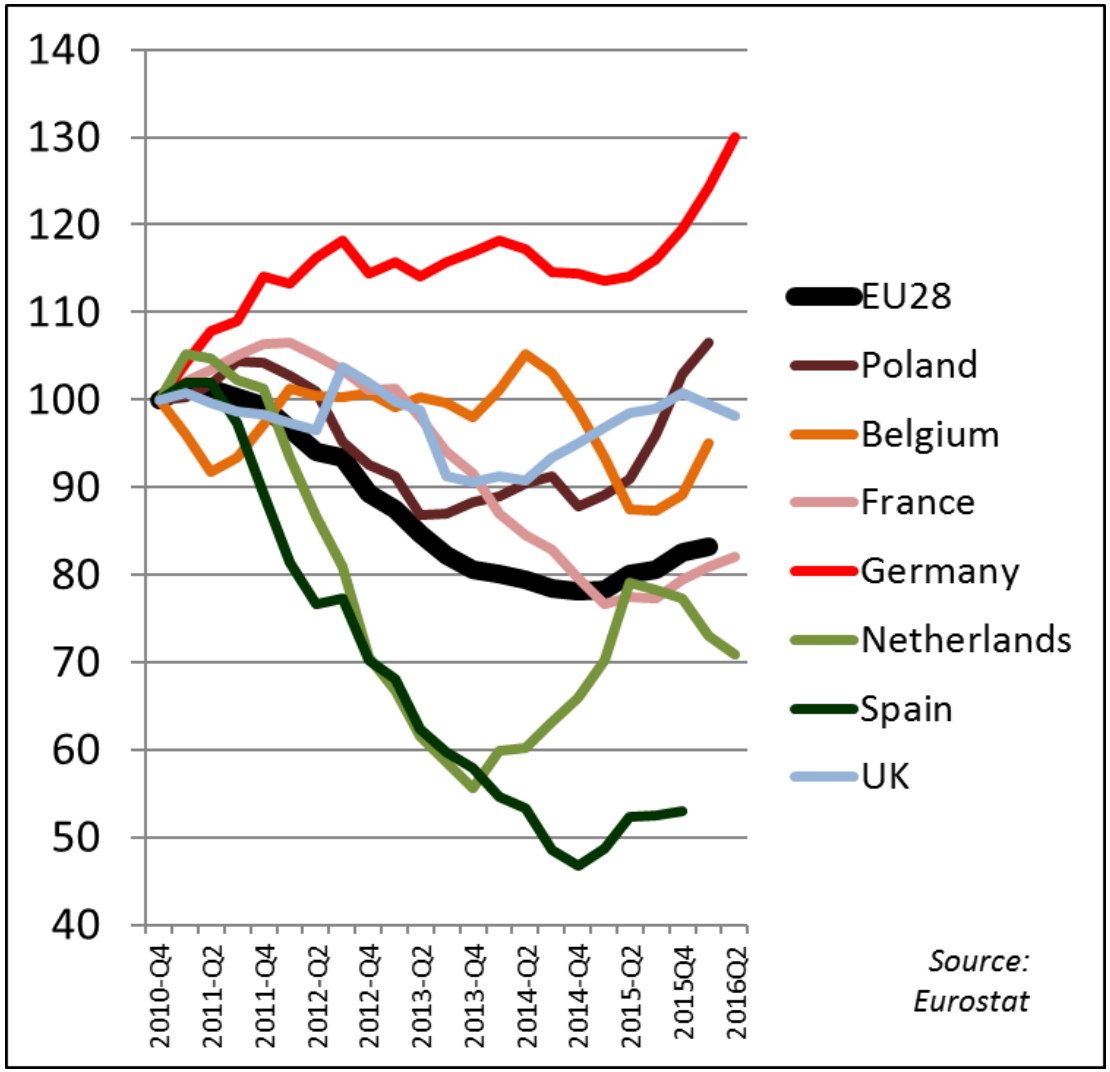
Consistent increase in confidence in Netherlands & Germany

Confidence in UK dipped after Brexit vote

Rising confidence in France & Italy but still in negative territory

Sharp decrease in confidence in Spain during 2016 despite rising production value

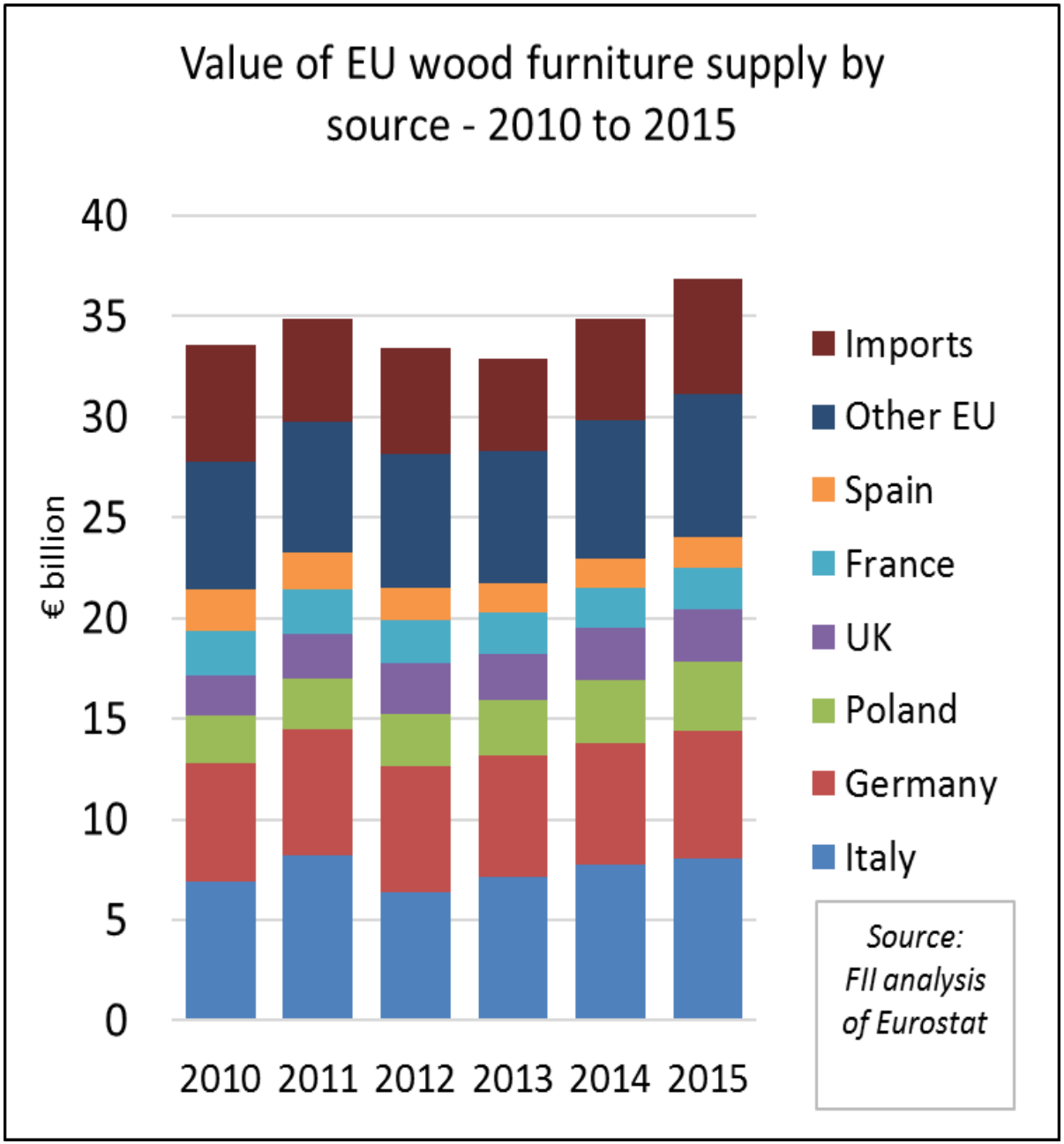
EU Building Permits Index
Q4 2010 to Q2 2016
2010=100



Source: Eurostat

Building Permits increasing in 2016 but still well below 2010

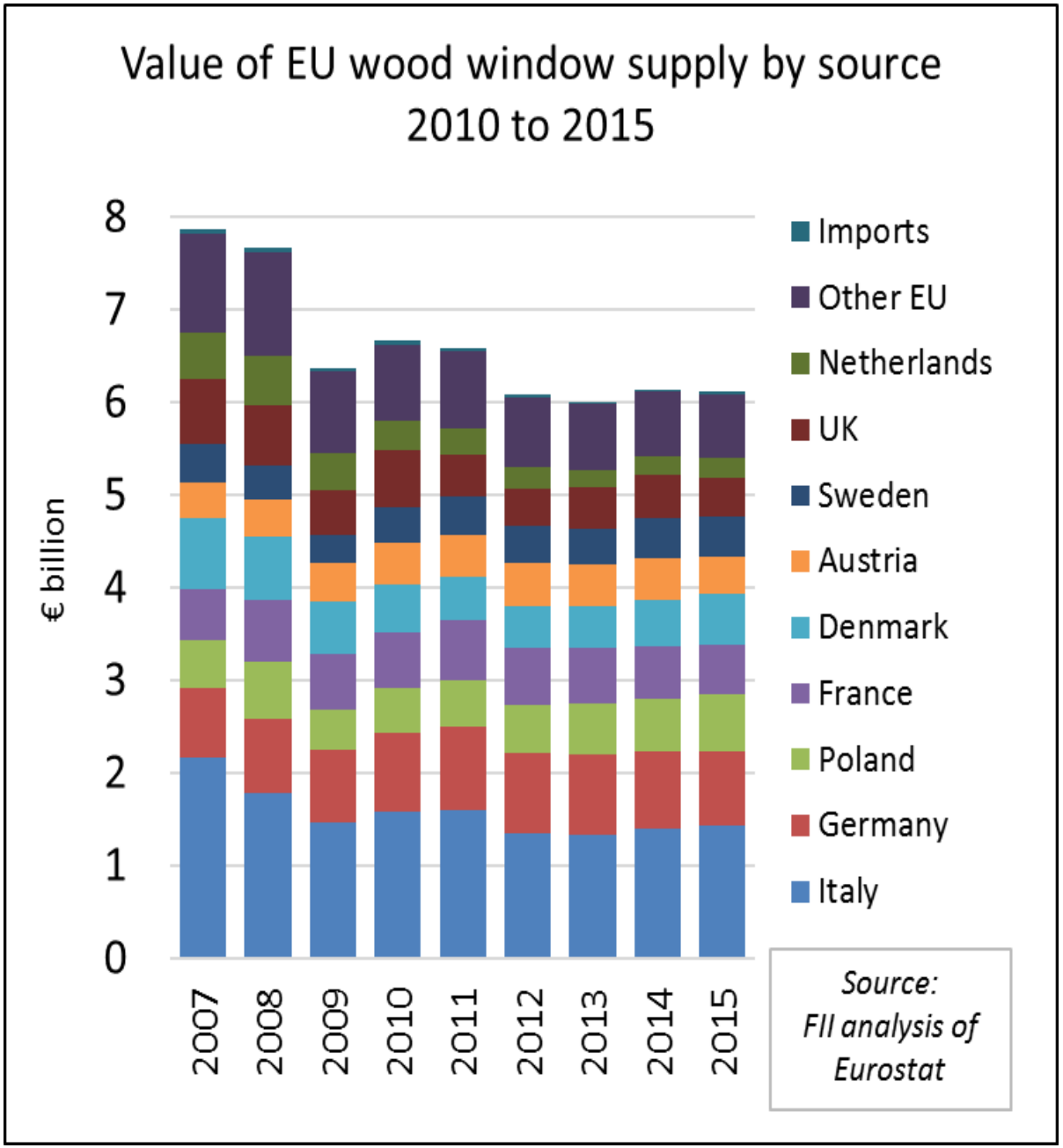
- Sharp rise in Germany in 2015 & 2016
- Building permits rising in Poland while construction value is falling
- UK rising in 2014 & 2015 but dipped in 2016
- France & Spain low but rising slowly in 2015 & 2016
- Netherlands up sharply in 2014 & 2015 but falling in 2016



Rising EU wood furniture production & imports

Value of EU28 wood furniture production increased 4.4% to €31.2b in 2015. Increases in: Italy (+4.4%), Germany (+4.2%), Poland (+9.1%), UK (+1.1%), France (+3.2%), & Spain (+6.6%).

Imports increased 13.1% to €5.73b

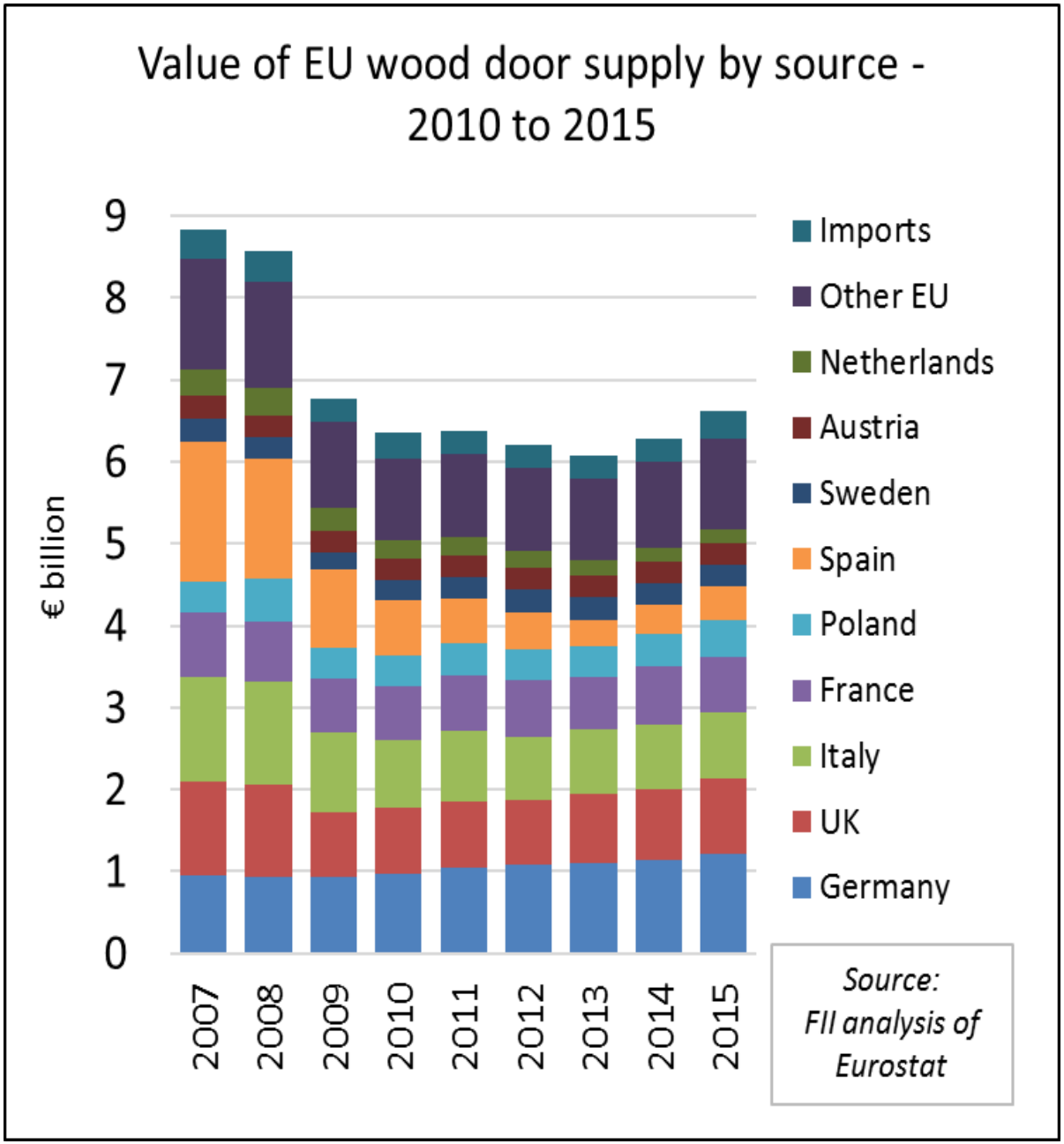


Flat EU window production

Total value of wood windows supplied to the EU28 increased only 1.2% to €6.11b in 2015.

Production value in 2015:
- Increased in Italy (+2.4%), Poland (+8.3%), Denmark (+8.7%) and Netherlands (+2.2%).
- Stable in Sweden
- Declined in Germany (-4.0%), France (-4.8%), Austria (-8.5% and UK (-13.3%)

Data compiled by Forest Industries Intelligence Ltd from Eurostat PRODCOM and COMEXT statistics.

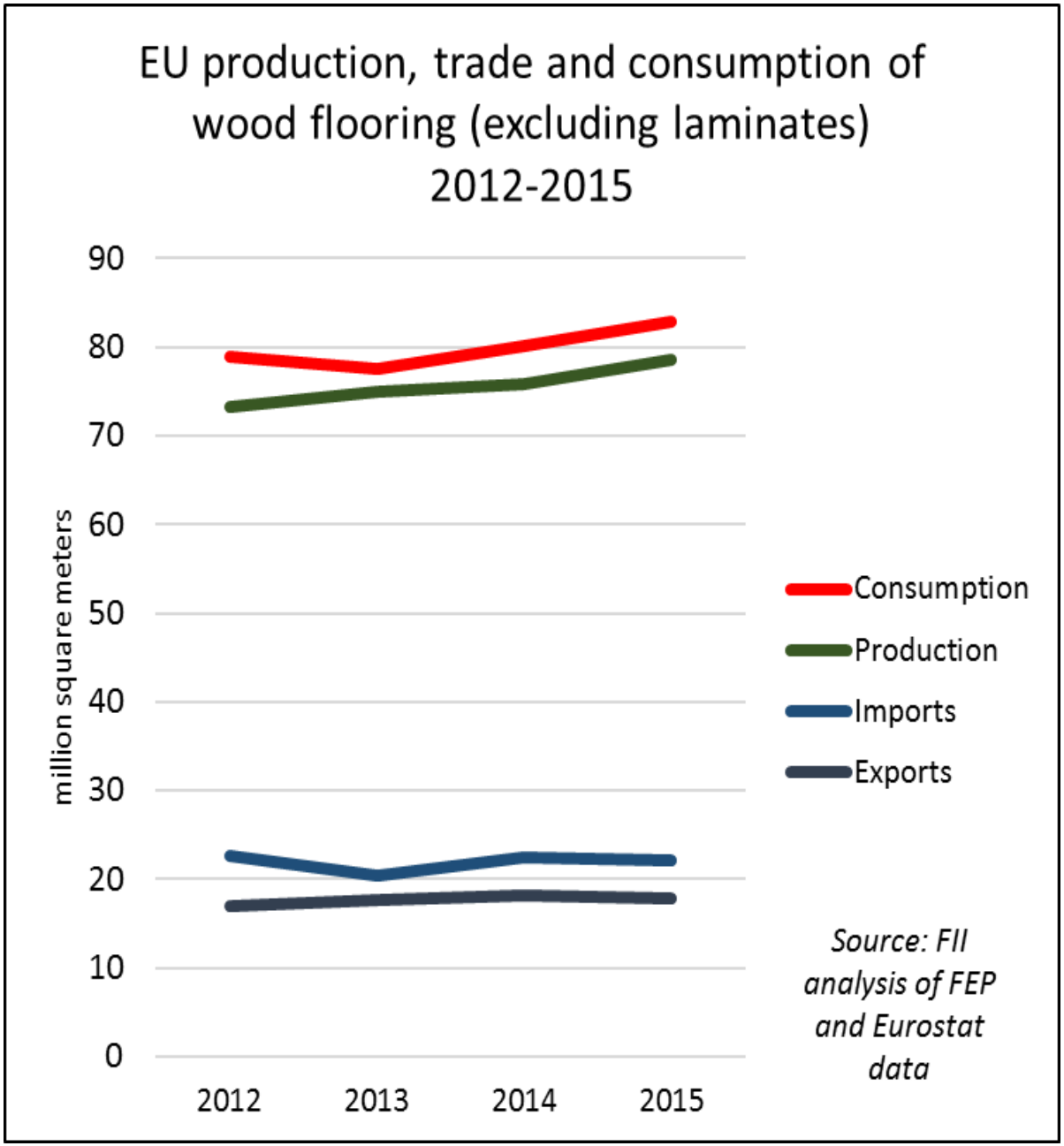


EU door sector recovers ground

Total value of wood doors supplied to the EU28 increased 7.1% to €6.62b in 2015.

Production value in 2015:
- Increased in Germany (+6.2%), UK (+7.1%), Poland (+11.2%), Spain (+19.0%) & Netherlands (+4.9%).
- Stable in Italy & Sweden
- Declined in France (-1.7%), Austria (-2.8%)

Data compiled by Forest Industries Intelligence Ltd from Eurostat PRODCOM and COMEXT statistics.



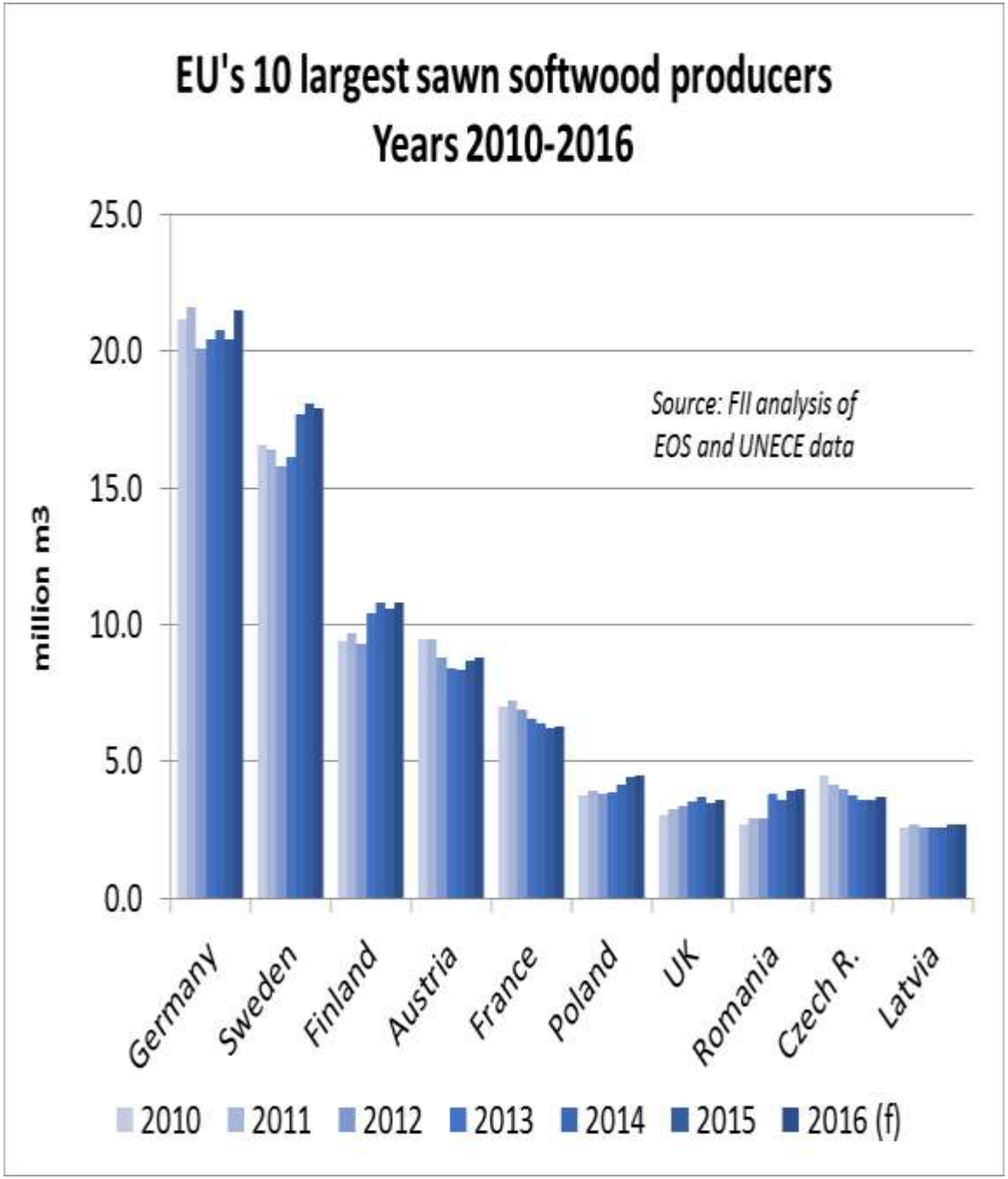
Rising EU wood flooring production and consumption

Total volume of wood flooring production increased 3.6% to 78.6m m^2 and consumption increased 3.4% to 82.9m m^2 in 2015.

Imports declined 1.8% to 22.1m m^2 – China and other Asian suppliers losing share

Exports declined 2.3% to 17.8m m^2

Softwood

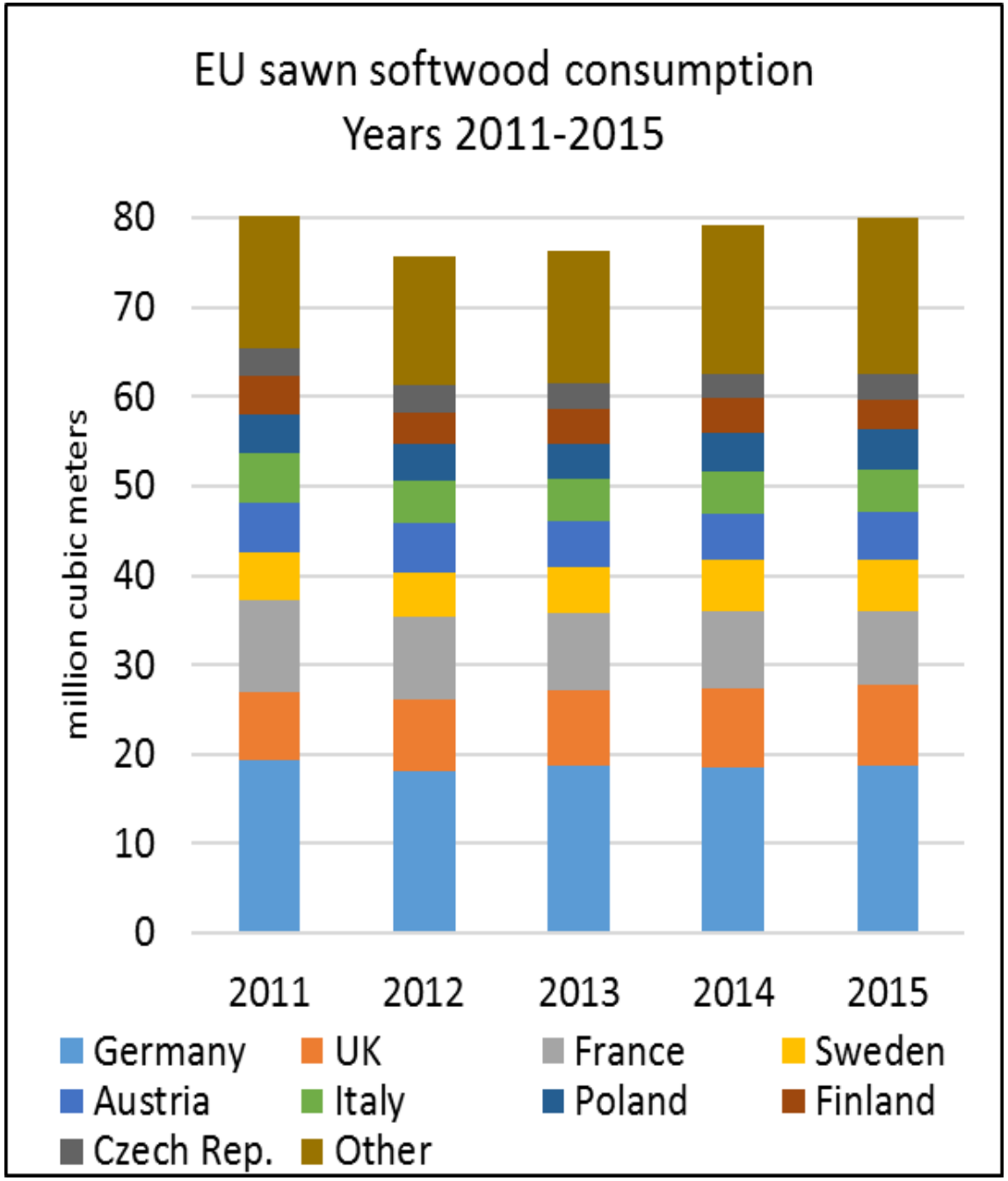


Sawn softwood production rising slowly

Total European sawn softwood production increased 0.25% to 102.7 million m^3 in 2015

EU28 production:
93.5 million m^3 in both 2014 and 2015

EOS predict 2% rise in production in both 2016 and 2017



Source: Forest Industries Intelligence analysis of UNECE Production & COMEXT trade data

EU sawn softwood consumption up 1% in 2015

Consumption rises from 79.2m m3 in 2014 to 80.0m m3 in 2015

Consumption during 2015:

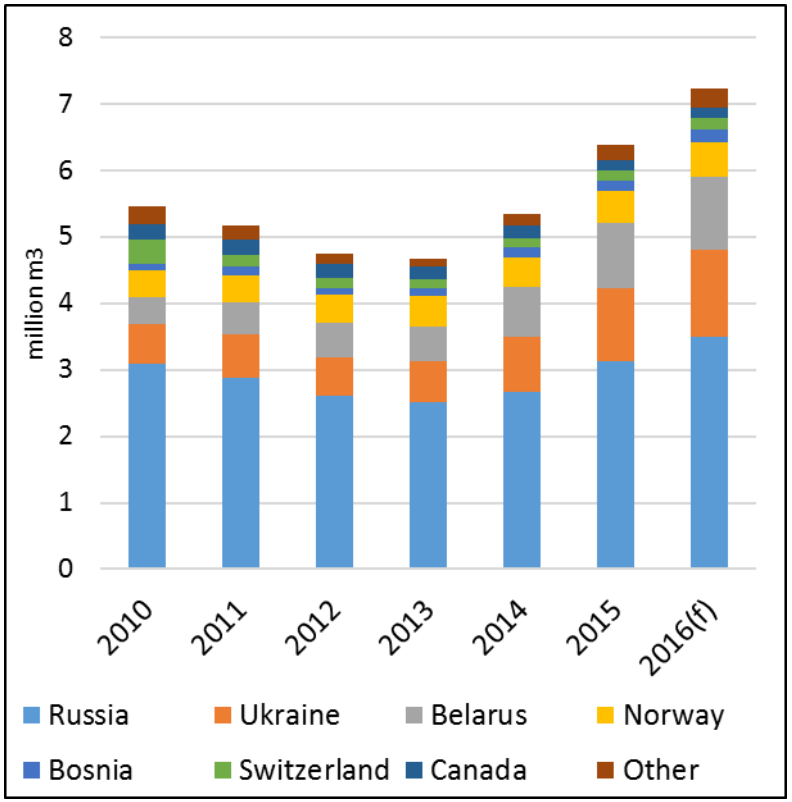
- Increases in UK (+1% to 9.0m m3), Sweden (+2% to 5.9m m3), Austria (+4% to 5.3m m3), & Poland (+6% to 4.6m m3)
- Stable in Italy (4.6 m m3)
- Declines in France (-5% to 8.2m m3 & Finland -15% to 3.4m m3

EU external sawn softwood trade

Imports

Rising from CIS countries in 2015

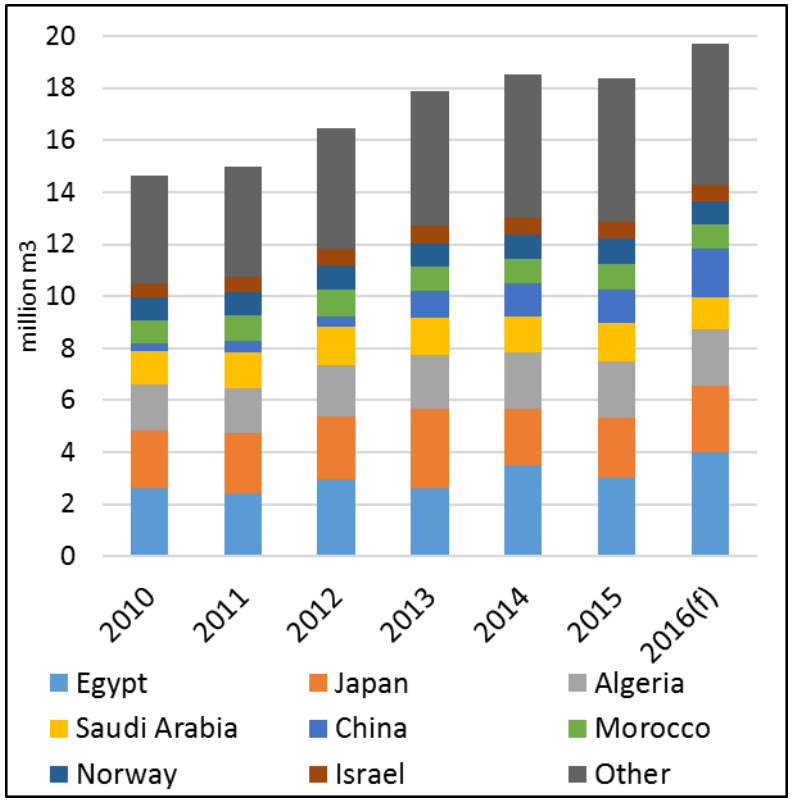
Accelerating in first half 2016



Exports

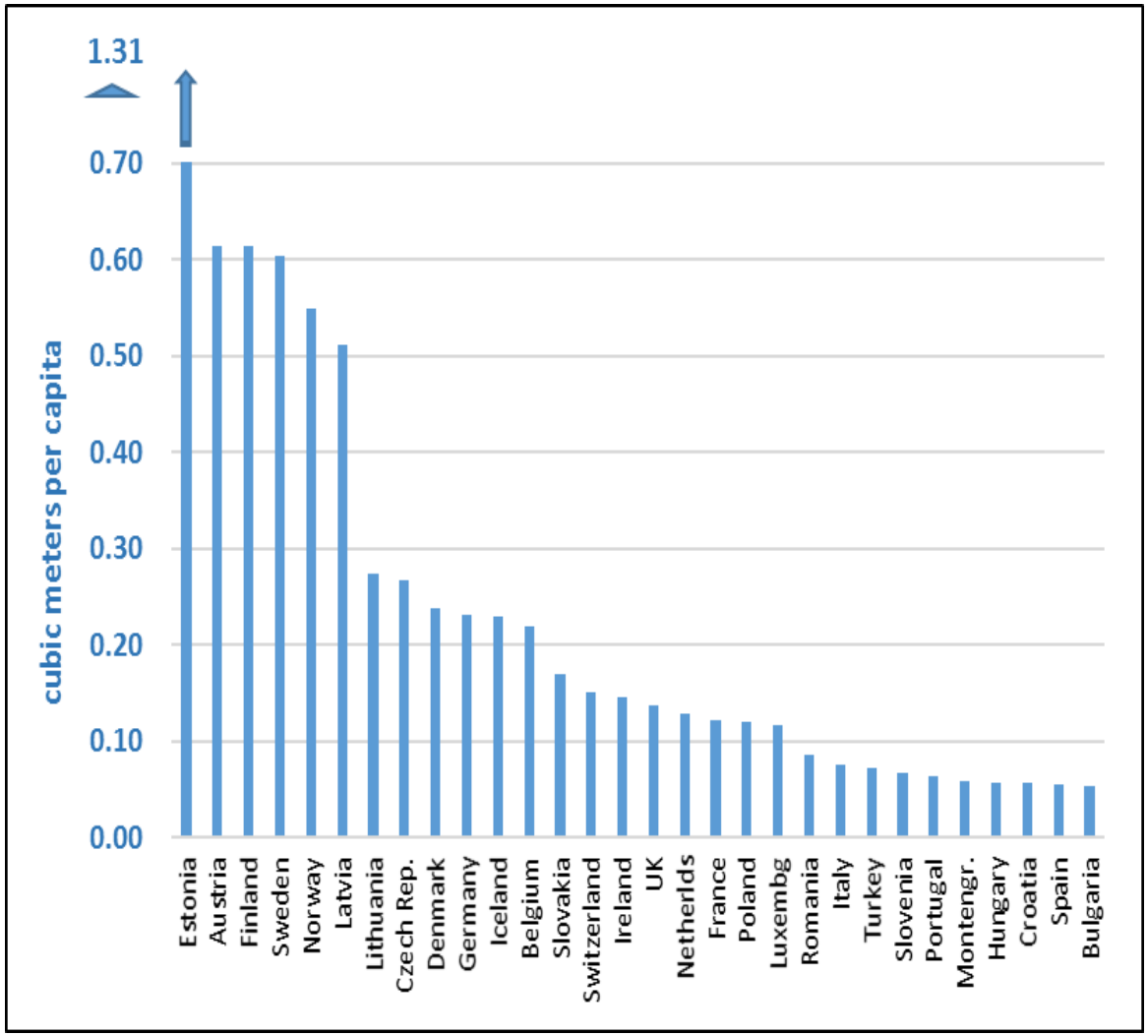
Flat in 2015

Rising to Egypt, Algeria, China in 2016



EU28 trade surplus of 12.0 million m3 in 2015 – against EU domestic consumption of 80m m3

Per capita sawn softwood consumption in Europe in 2015

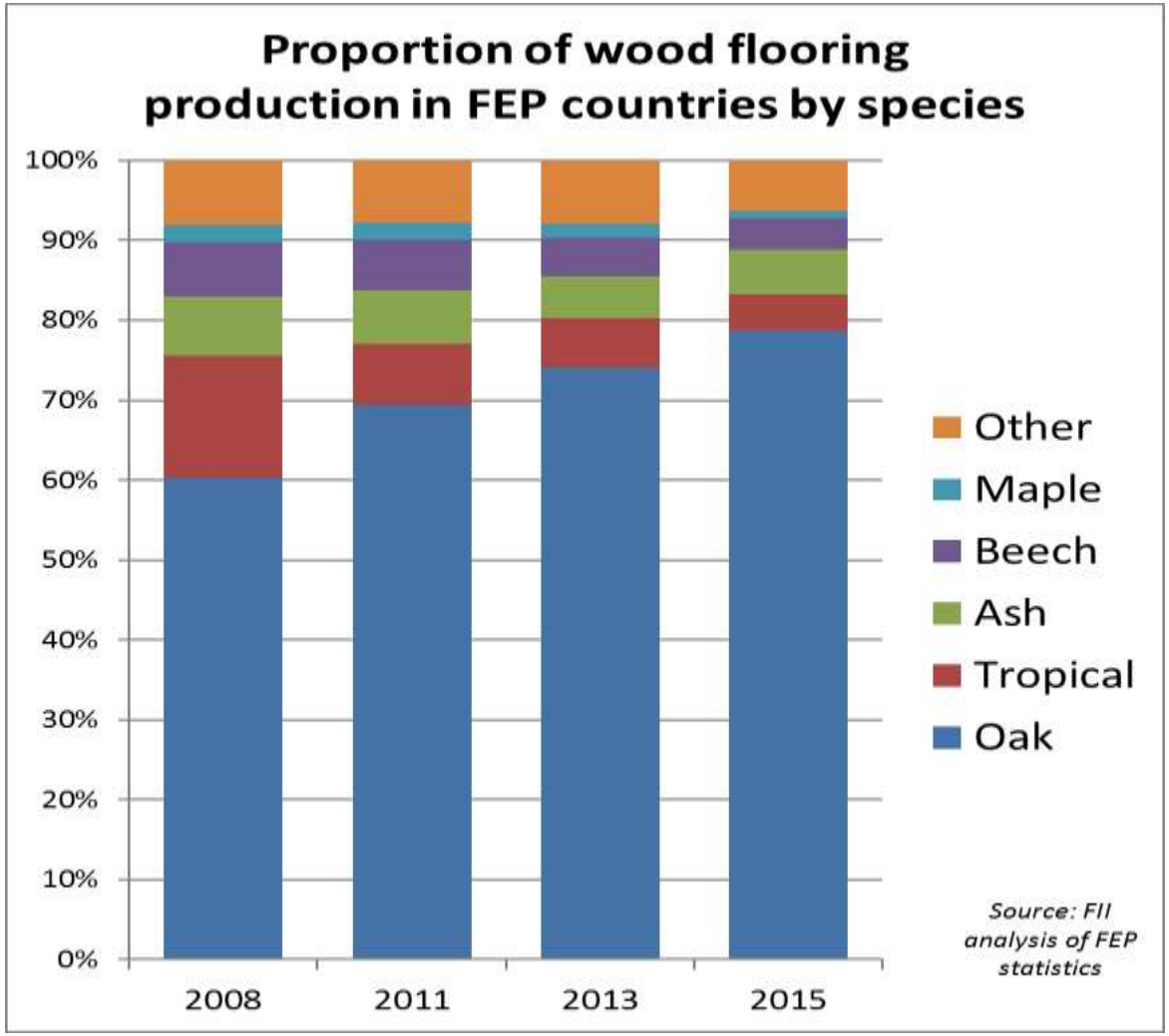


- Significant growth potential in South & East Europe
- Scope to expand in "traditional" import markets – UK, Netherlands, France

Source: Forest Industries Intelligence Ltd analysis of FAOSTAT, Global Trade Atlas and Eurostat COMEXT

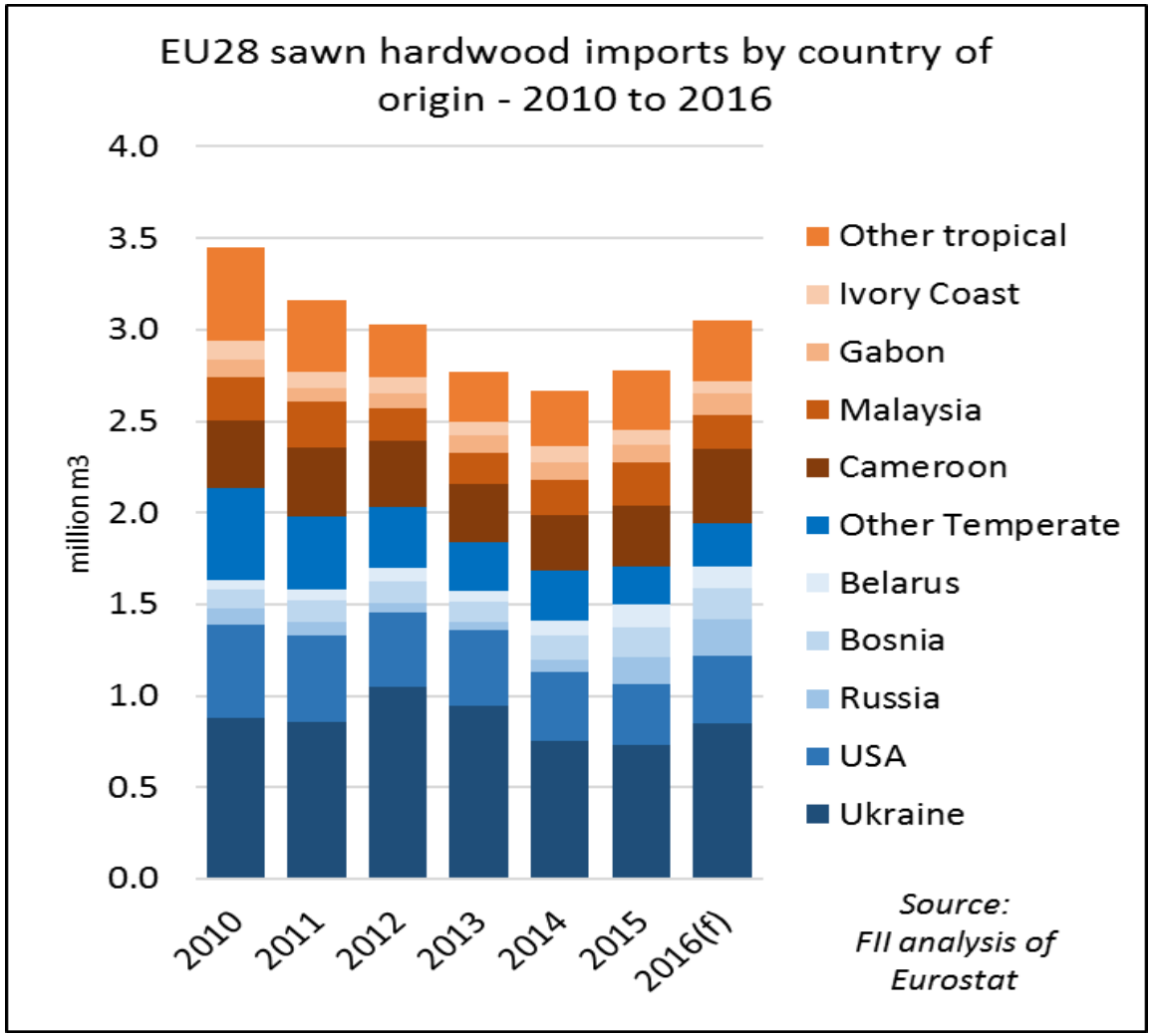
Hardwood

Sawn hardwood



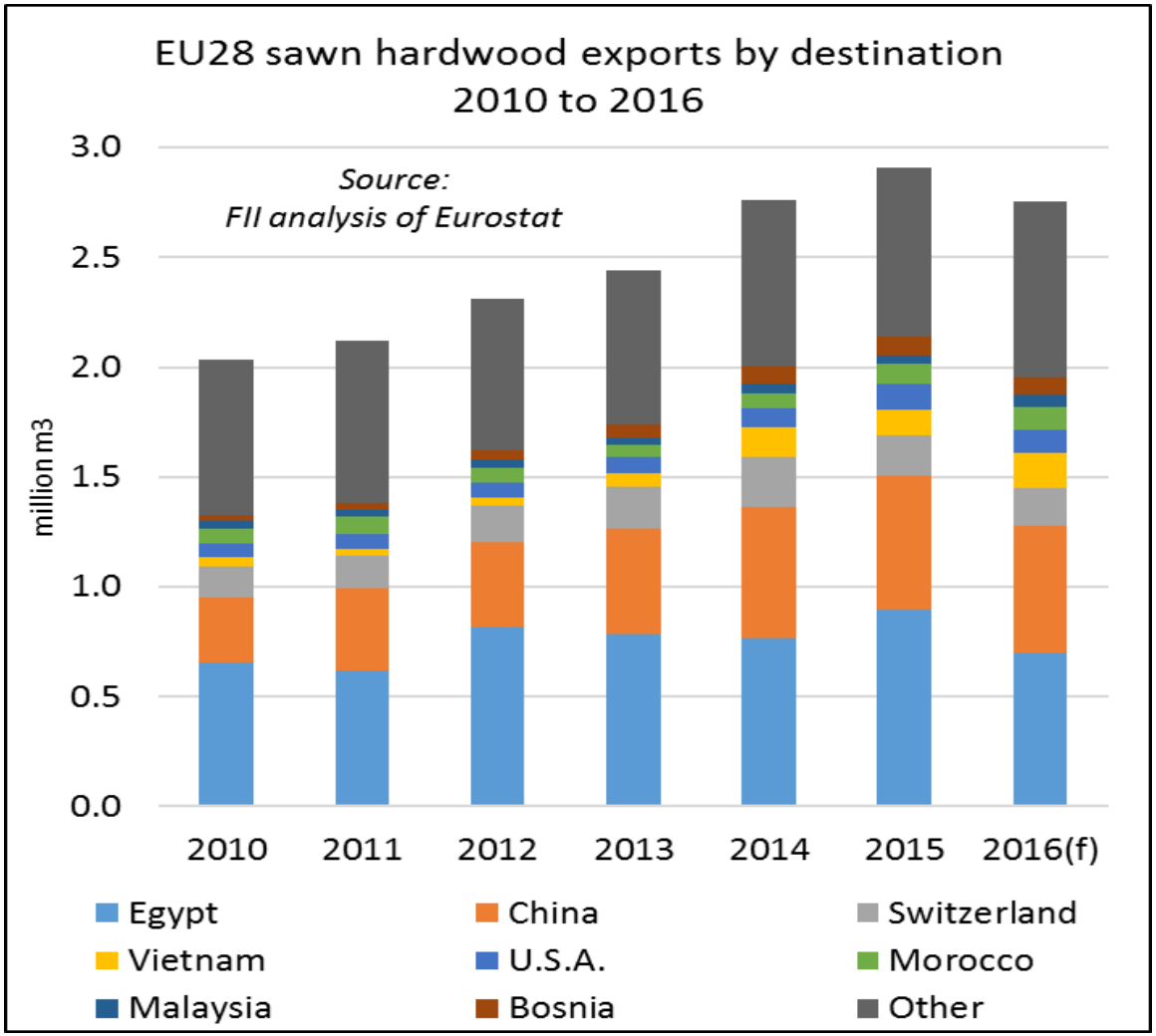
- European production down 1.3% in 2015, to 13.0m m3
- 17% decline in Turkey.
- EU28 production up 2.8% in 2015 to 10.3m m3.
- 60% EU sawn hardwood production in 5 MS: Romania, France, Croatia, Germany and Latvia
- Oak domination continues to increase & supply under pressure
- Other species, particularly beech, under-utilised

Sawn hardwood imports



- Increase in EU sawn oak and ash imports from Ukraine – log export ban from Nov 2015
- Increase in EU imports from Russia & Belarus – mainly aspen & birch – exchange rate boost
- Pressure on European supply encouraging imports of U.S. white oak despite strong $
- Tropical imports slowly regaining lost ground – notably from Cameroon & destined for Belgium

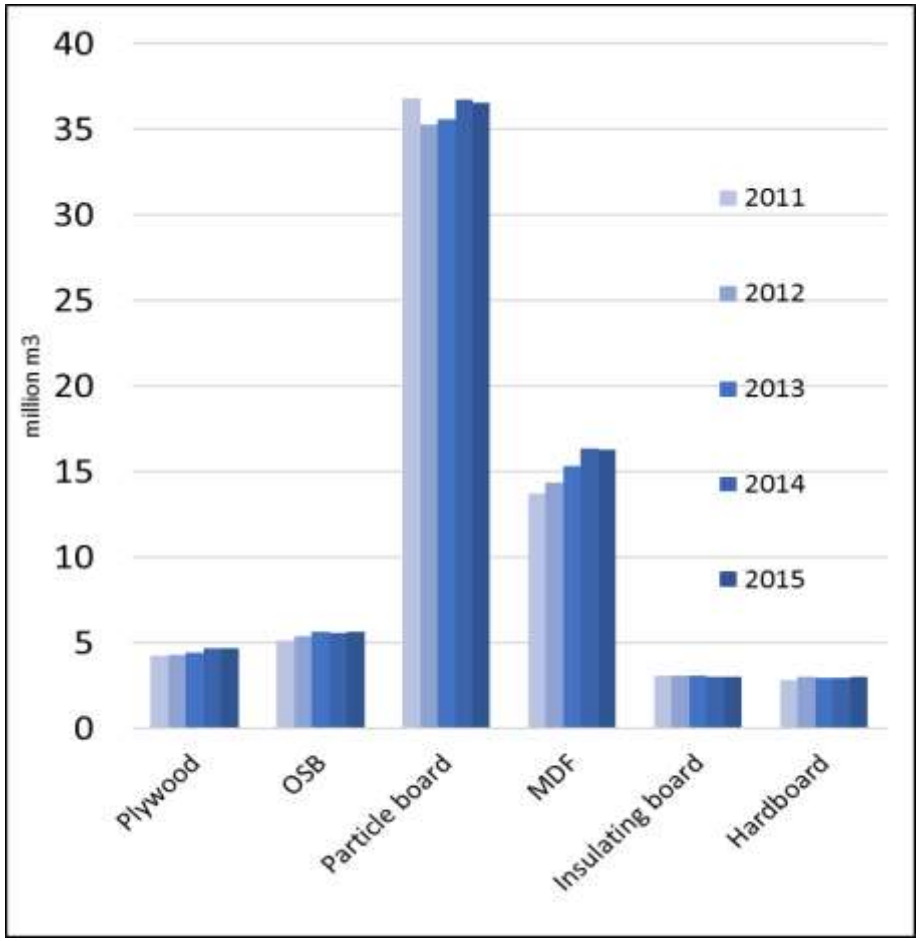
Sawn hardwood exports



- Exports increasing until this year, notably to Egypt, China, Vietnam, USA
- Exports in 2015 (2.91m m3) higher than imports (2.78m m3)
- Slowing exports to Egypt in 2016

Panel products

Europe's panels sector: innovator in surface materials & technologies



Source: UNECE

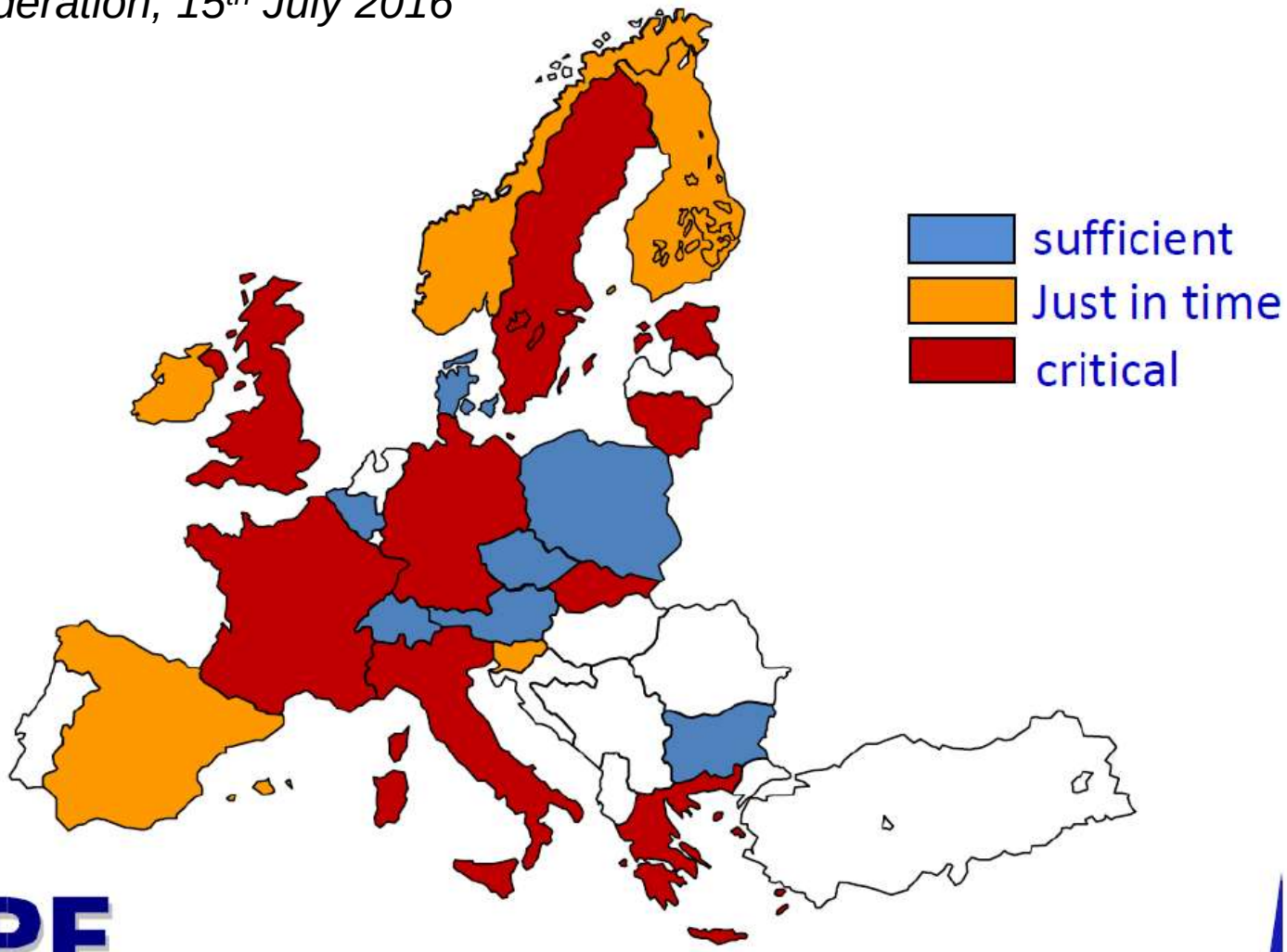
Kronospan:
"Natural Touch: authentic rustic realism using melamine - your fingertips can trace exactly what your eyes see"

Panel product issues

- **Investments/new capacity**: Over 1.1 million m3 new installed capacity in Turkey during 2016/17. Also MDF/HDF investments in Russia & Romania by Turkish companies. Arauco (Chile) enters EU market - joint venture with Sonae (Portugal)
- **Weakening sales of laminate flooring in 2015**: competitive pressure from luxury vinyl tiles, particularly in Germany, the largest market. More raw MDF on the overall market.
- **Continuing innovation**: e.g. modified fibre based Medite Tricoya Extreme Durable MDF for external use, manufactured from acetylated wood chips
- **VOCs:** EPF "Compulsory E1" project seeking legislation requiring that all wood-based panels & derivative products placed on the EU market have emission level no higher than E1. Build on EPF voluntary commitment in place since 2007. Project now endorsed by European Association of Furniture Manufacturers (EFIC).

“The industry is guardedly optimistic about the future, predicting stable to good outlooks in all markets. However, the industry is greatly troubled by the increasingly critical status of wood availability, as measured by its own research”.

European Panel Federation, 15th July 2016



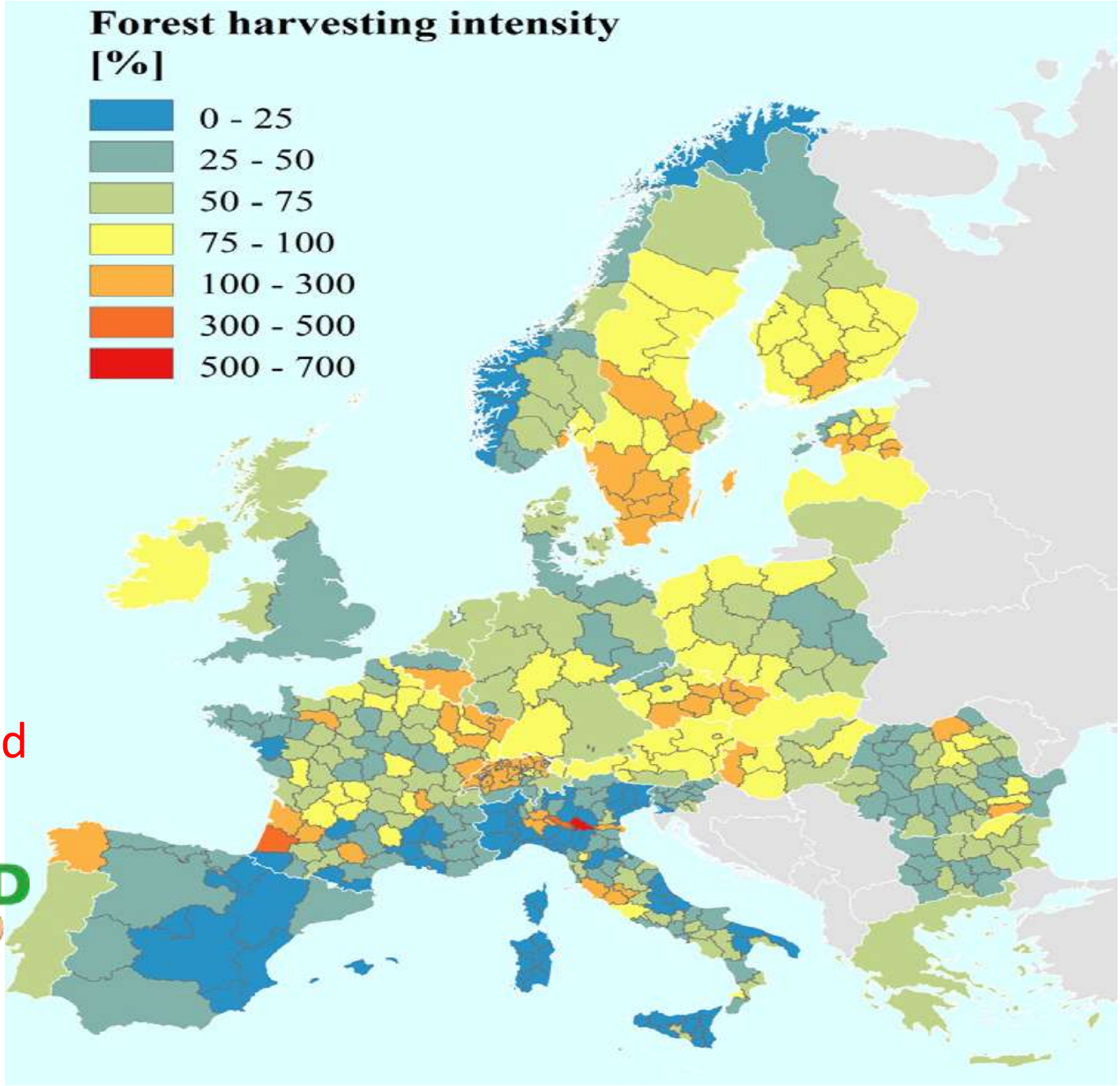
EPF

Harvesting intensity as % of increment: average for period 2000-2010

From Levers et al, 2014

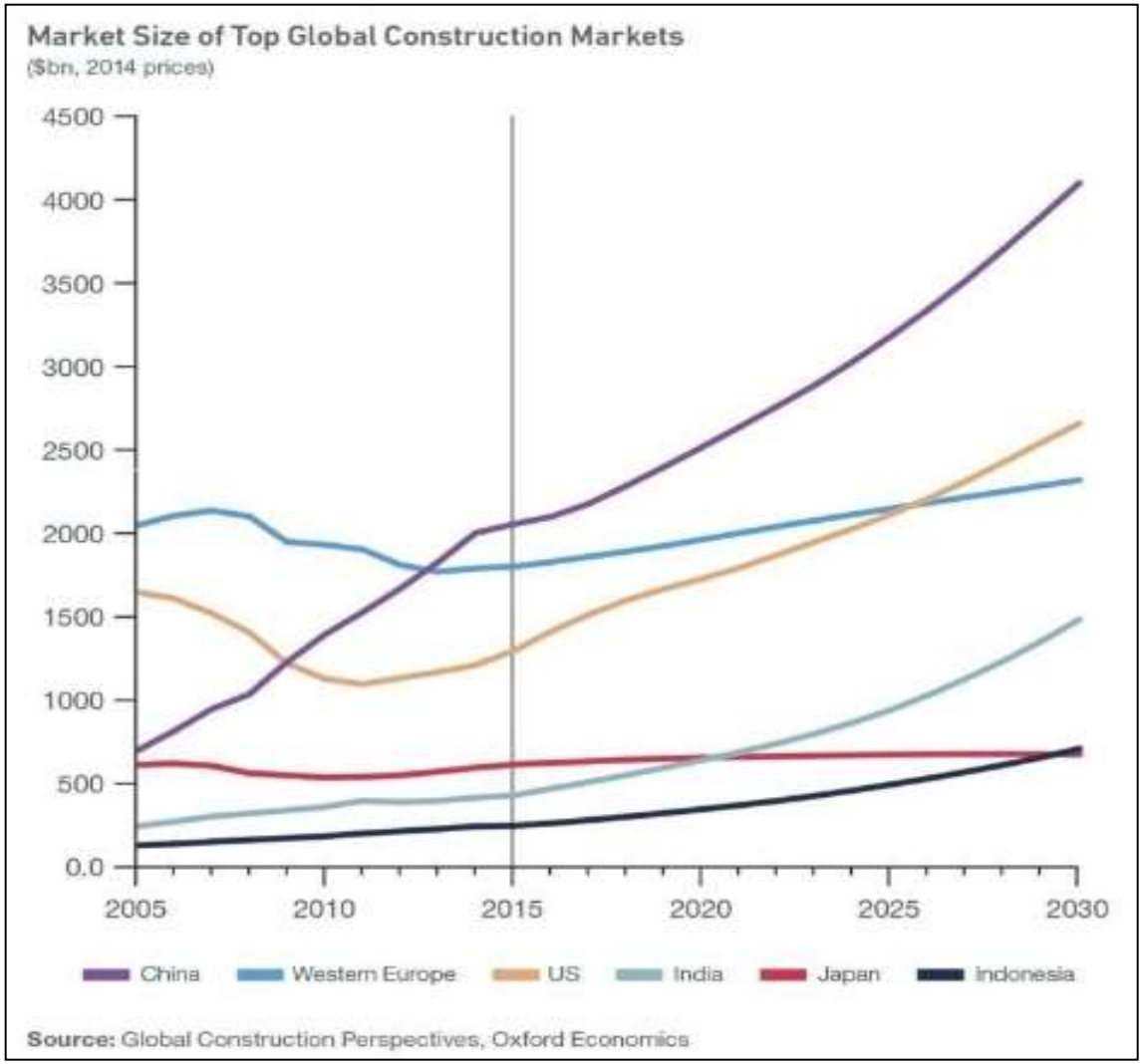
Simwood: EFI hosted program to increase wood mobilisation

SIMWOOD
Sustainable Innovative Mobilisation of Wood



Future opportunities

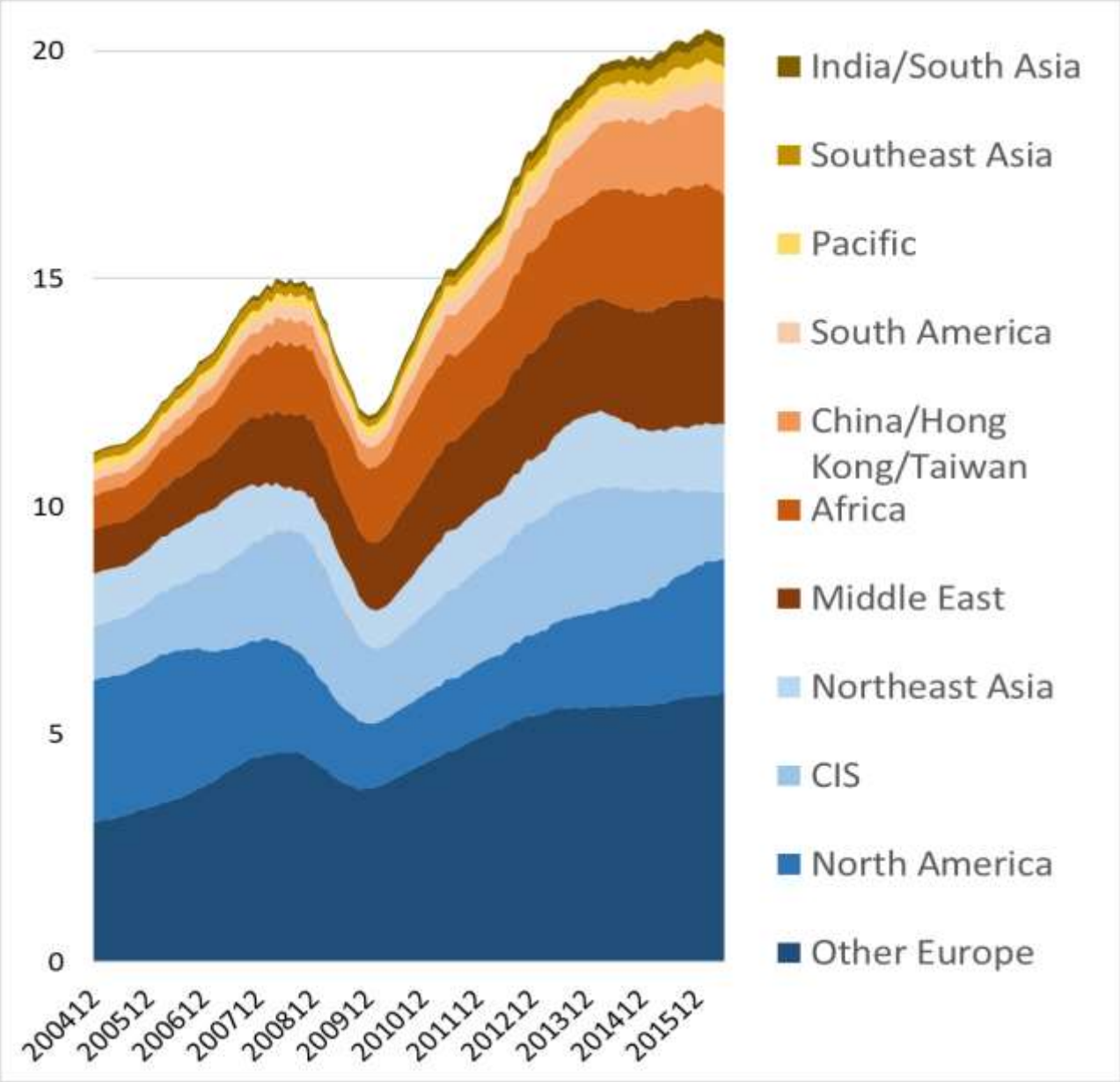
New opportunity in construction: Supplying emerging markets



- Oxford Economics Global Construction 2030
- Global construction to grow 3.9% pa, rising 85% by 2030 to reach $US17.5 trillion
- European construction slow recovery to pre-crises levels by 2025 – demographic weakness, residual economic uncertainty
- China to remain world's largest construction market
- India needs to build 170m houses over next 15 years
- Indonesia 4th largest construction market by 2030

EU exports to the rest of world by destination region

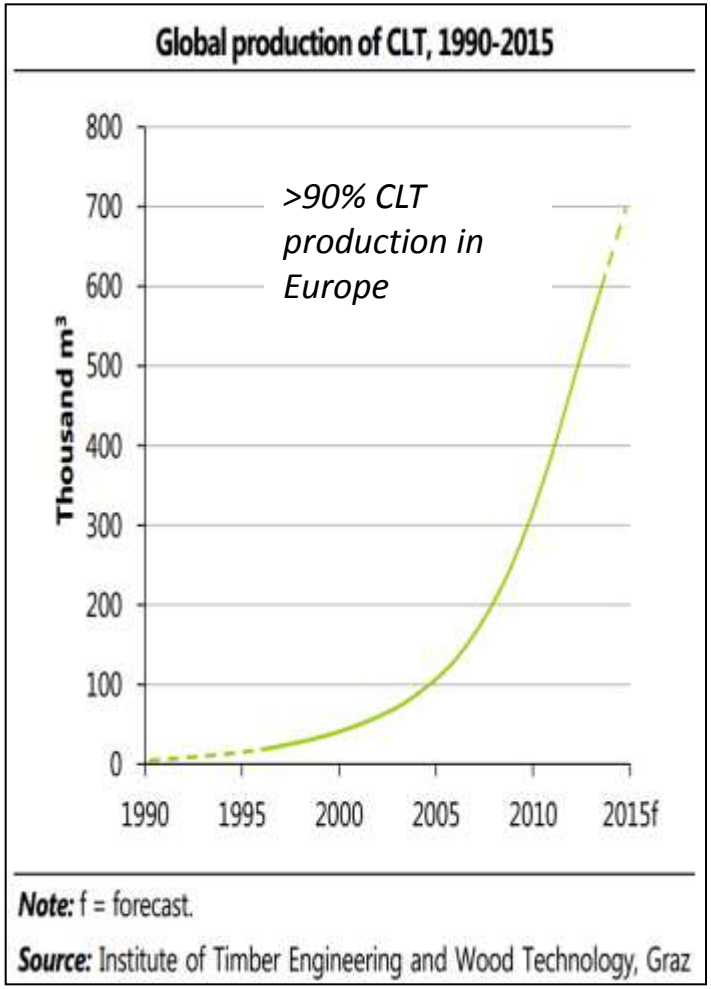
Rolling 12 month average Dec 2004 to June 2016 - € billion at constant June 2016 prices



Since early 2013, export growth driven by N America, Middle East, Africa & China

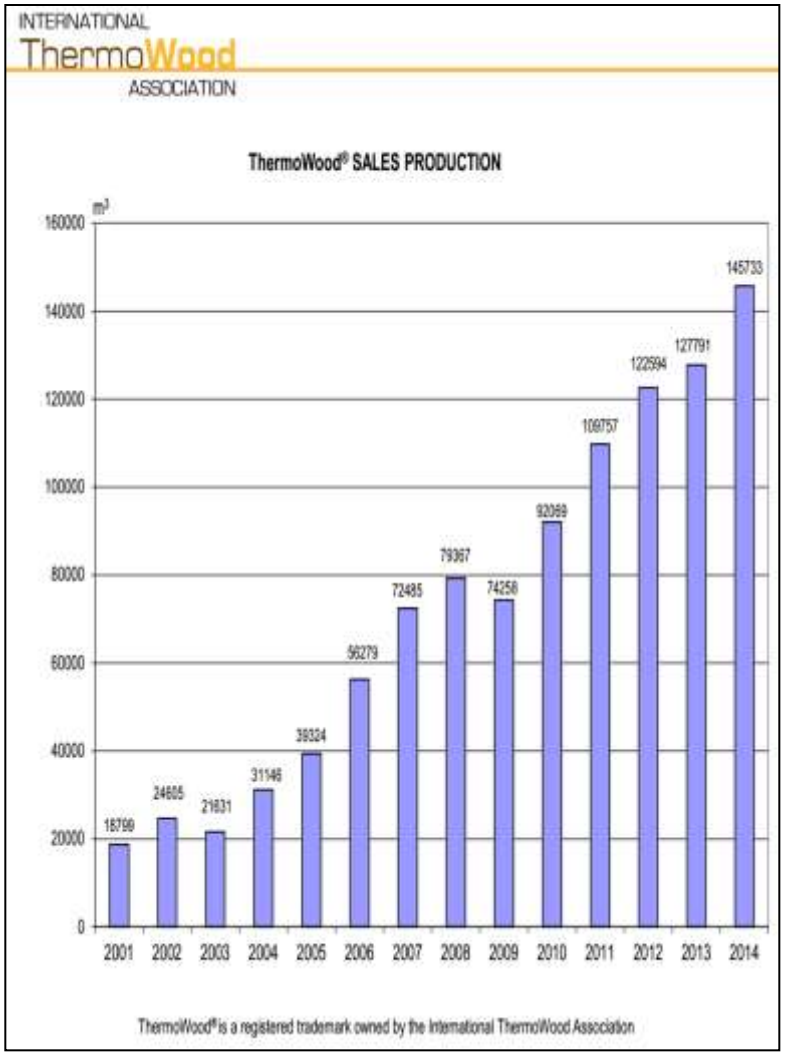
Source: FII analysis of Eurostat

New opportunity in construction: Cross-laminate timber



Earthquake test of 7 storey CLT building on earthquake shake table at Miki in Japan. Research collaboration between Ivalsa in Italy and Germany/Austria SOFIE Project

New opportunity in construction: Wood protection



Accoya acetylated timber bridge: 50 year life expectancy

Window frame in thermally modified American tulipwood and ash achieved the highest possible durability rating of class 1 (very durable) in UK standards for window manufacture.

Policy issues – trade related

- **BREXIT?** – currency weakness, long term uncertainty
- **Trade Agreements** – Canada Comprehensive Economic and Trade Agreement (due to be signed Oct 2016). US Transatlantic Trade and Investment Partnership (protracted negotiations). Could encourage greater transatlantic trade in value added forest products
- **FLEGT Action Plan** – 10 year evaluation: helped improved forest governance & reduce illegal imports – adaptation required to address new challenges (e.g. forest conversion) & increase private-sector engagement and communication. 1st FLEGT Licenses from Indonesia due in Nov 16
- **EUTR** – review of 1st two years of operation – uneven implementation but already changing trade attitudes, structures and distribution networks
- **Paris Climate Change Agreement** – may bring greater long term commitment to GHG emission reduction targets, global recognition that cutting emissions from deforestation and promoting sustainable forestry are efficient ways to address climate change.

Policy issues – climate, energy & waste

- **Paris Climate Change Agreement** – may bring greater long term commitment to GHG emission reduction targets, global recognition that cutting emissions from deforestation and promoting sustainable forestry are efficient ways to address climate change.
- **EU Renewable Energy Directive** – biofuels must meet sustainability criteria to receive government support & be counted towards national targets. Food crops to contribute 7% max. More credit for fuels that do not place additional demands on land (wood biomass except saw/ven logs). New biofuel plants must achieve 60% GHG saving compared to fossil fuels
- **EU Action Plan for Circular Economy** – wide range of actions to promote "eco-design" based on reparability, durability and recyclability, energy efficiency, labelling & GPP taking circular economy principles into account, markets for secondary materials, minimum waste recycling targets.

Thank you!

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