AEIM
ASOCIACIÓN ESPAÑOLA DE
IMPORTADORES DE MADERA

Flora 3- 2º 28013 Madrid
Tfno.: +34 91 547 97 45
Fax: +34 91 547 39 80
www.aeim.org / aeim@aeim.org

INTERNATIONAL SOFTWOOD CONFERENCE.
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MARKET REPORT FROM THE SPANISH DELEGATION.

A. National Economy. General economic situation.

The Spanish economy has kept a remarkable upward trend in the first quarter of 2007. Nevertheless, with a growth rate of 4% during the second quarter of the year, a tenth less than the previous quarter, the Spanish economy has started a slowdown pace for the rest of this year and for 2008.

The effects of the present financial turmoil are leading to a decline of the Spanish GDP prospects for next year, till a growth rate of 2,8% which is 0,3 points less than previous forecasts (around 3,1%). This reduction is derived from a slowdown in home expenses, especially concerning housing expenditure but also in private consumption and due to a lower growth (than expected) in exports as well.

In this new scene, the Spanish economy turns slightly more vulnerable. But in any case, this review does not mean a big shift in the previous economic situation, but a readjustment which will mean a more intense downturn.

To sum up, the Spanish economy, as well as the rest of "Euroland", is in a situation of slowdown, as consequence mainly of the international situation, but with prospects of positive growth.

Selected economic indicators (% unless otherwise indicated)

	2006	**2007**	**2008 (forecast)**
GDP growth	3,9	3,8	2,8
Interest rate (Euribor)	4,2	4,6	4,7
Consumer Price index	3,5	2,5	2,6
Unemployment (ILO)	8,5	8,0	8,0
Private housebuilding starts (thousands)	760	675	550

B. Outlets for Timber :

Building: The slowdown in housing starts is leading to a decrease in sawn softwood consumption. Nevertheless, the remodelling sector is still firm and in good shape. Public building remains positive.

Industry : Regarding the Spanish timber industry, the joinery sector keeps a satisfactory level of activity, while the furniture industry remains rather stagnant although with signs of recovery due to increase in exports. Within the furniture sector, both kitchen and bathroom furniture are the most dynamic. The structural timber sector (including solid beams, gluelam and other engineering products) is experiencing a remarkable growth in our country, both in public and private building.

C. Market Components :

Transactions. Imports of sawn softwood.

- Spanish imports of sawn softwood in 2006.

Spanish imports of sawn softwoods in 2006 reached a whole amount of 2.661.000 m3, which means an slight increase of 3,8%, over the previous year. Concerning value (1,000 Euros) the increase has been higher, more than 6%, due to big price increases during 2006. The figures are the following: 418.576 (1000 Euros) in 2005 and 444.498 (1.000 Euros) in 2006.

TABLE 1. Softwood imports from the 10 most important supplying countries. January – December 2006 (In volume. M3)

Country	2005	2006	%
Sweden	601.500	631.700	5
Portugal	429.189	535.199	24, 7
France	461.760	487.619	5, 6
Finland	291.038	249.396	-14, 3
Germany	130.951	125.451	-4, 2
Chile	125.631	117.701	-6, 3
Russia	118.175	98.634	-16, 5
United States	86.467	89.291	-3, 3
Brazil	84.682	78.464	-7, 3
Austria	42.164	62.782	48, 9
Others	191.205	184.856	-3, 4
TOTAL	**2.562.762**	**2.661.093**	**3, 8**

- **Stocks:** At present stocks of sawn softwoods in Spanish importers yards are at a quite high level and they have no immediate need to buy.

- **Prices :** During last year, prices of Nordic sawn softwoods (both redwood and whitewood) have risen around 20%. This trend has been widespread in Europe.

- **Consumption :** Consumption remains stable with a downward trend.

D. **Wood Energy :** The issue of wood energy and biomass is leading to a division between panel manufacturers by one side and sawmills and other industries which generate wood residues, chips and other by-products. So, there is not a common approach of the Spanish timber industry about this question.

E. **Promotion :** Shortly our Association will issue a new Timber Directory, about commercial timber species, on occasion of the next Maderalia Fair (to be held in November). This Directory is addressed to architects and designers and also for to the timber industry generally.

F. **Ecology :** Regarding this matter, AEIM has already finished the assessment the Code of best environmental practices. This process has concluded with a complete report from the organization "Rainforest Alliance", including recommendations for the future. And so, we are now in the process to develop an "action plan" for the Code.

TABLE 2. Summary of Softwood Statistics. In volume 1.000 m3.

	Actual 2005	Actual 2006	Estimate 2007	Estimate 2008
Imports	2.392	2.661	2.690	2.602
Exports	58	68	87	90
Apparent consumption	5.084	5.590	5.603	5.612

G. **Forecasts :** Forecasts point towards a decrease in consumption and therefore in imports of sawn softwoods. So the reduction in imports for next year could be placed around 7%.