Overview of European wood market

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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
Industrial roundwood removals by global region - 2011-2015

Source: FII analysis of UNECE and FAOSTAT
US dollar value of imports of all products containing wood fibre (HS 44, 47, 48, 94) by global region - 2004-2015

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
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

Source: FII analysis of Eurostat
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

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

Source: Eurostat
Value of EU28 wood furniture production increased 4.4% to €31.2bn 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 €5.73bn
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 m³ in 2015.

EU28 production: 93.5 million m³ in both 2014 and 2015.

EOS predict 2% rise in production in both 2016 and 2017.
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 m³)
- Declines in France (-5% to 8.2m m³ & Finland -15% to 3.4m m³

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

Proportion of wood flooring production in FEP countries by species

- Other
- Maple
- Beech
- Ash
- Tropical
- Oak

Source: FII analysis of FEP statistics
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

EU28 sawn hardwood imports by country of origin - 2010 to 2016

- Other tropical
- Ivory Coast
- Gabon
- Malaysia
- Cameroon
- Other Temperate
- Belarus
- Bosnia
- Russia
- USA
- Ukraine

Source: FII analysis of Eurostat
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

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

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

From Levers et al, 2014

Simwood: EFI hosted program to increase wood mobilisation
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

>90% CLT production in Europe

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

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• **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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