

INTERNATIONAL SOFTWOOD CONFERENCE 2016

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EOS & ETTF Market Survey 2015-2016

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TABLE OF CONTENTS

GENERAL OVERVIEW

SOFTWOOD PRODUCTION	2
SOFTWOOD CONSUMPTION	4
PRICE AND COST DEVELOPMENTS	6
SOFTWOOD-LOGS AVAILABILITY	7

COUNTRY REPORTS

AUSTRIA (Producer)	12
BELGIUM (Producer)	14
BELGIUM (User)	15
CANADA (Producer)	16
DENMARK (Producer & User)	17
FINLAND (Producer)	20
FRANCE (Producer & User)	22
GERMANY (Producer)	24
GERMANY (User)	27
ITALY (User)	30
LATVIA (Producer)	34
NORWAY (Producer)	35
ROMANIA (Producer)	37
RUSSIA (Producer)	38
SPAIN (User)	39
SWEDEN (Producer)	40
SWITZERLAND (Producer)	42
THE NETHERLANDS (User)	43
UNITED KINGDOM (User)	46
UNITED STATES (Producer)	47

GENERAL OVERVIEW

TABLES & GRAPHS

Note 1: the following information, tables and graphs are based on information supplied by the EOS and ETTF member federations and partners. Although we try to align the information with UNECE/FAO, some information may differ from the one included in the FAO database.

Note 2: all data for 2016 are prognoses and forecasts are given for 2017.

SOFTWOOD PRODUCTION

Development of Softwood production (1000 m³) – according to region

	2014	2015	2016	2017
EUROPE (ISC)	112 861	114 121	116 803	118 402
NORTH AMERICA	94 734	98 426	104 352	110 691
TOTAL	207 595	212 547	221 155	229 093

Fig 1 : Development of Softwood production (1000 m³)
general overview

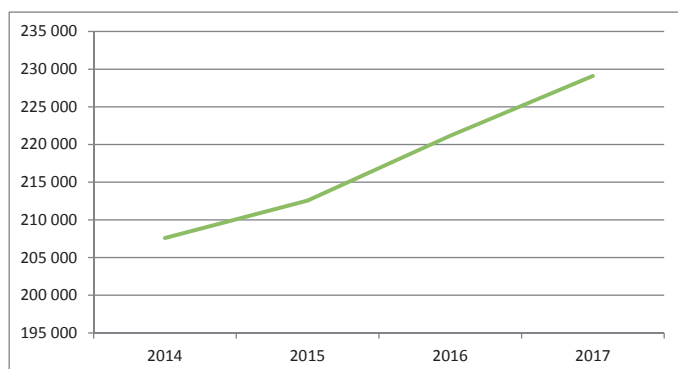
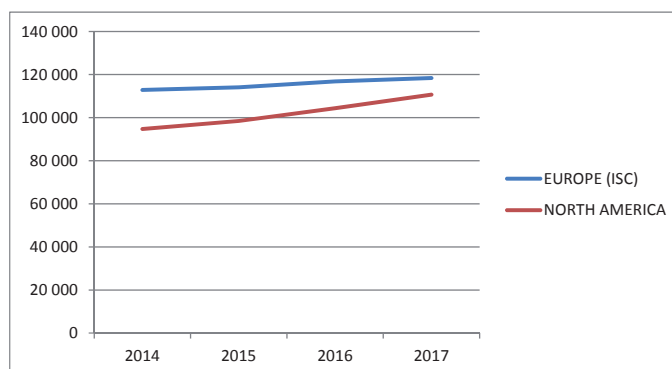


Fig 2 : Development of Softwood production (1000 m³)
per region



Softwood production development (1000 m³) – per country

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
AT	10 265	11 580	11 750	8 295	9 445	9 485	8 793	8 385	8 327	8 681	8 800	8 800
BE	1 300	1 325	1 200	1 080	1 250	1 480	1 530	1 460	1 520	1 500	1 400	1 350
CH	1 580	1 463	1 448	1 413	1 397	1 260	1 150	986	1 068	1 035	1 050	1 070
DE	23 242	23 922	21 968	19 755	21 161	21 633	20 032	20 428	20 757	20 433	21 500	22 500
DK	500	500	500	500	500	500	500	294	300	300	300	300
ES		0	0	1 757	1 477	1 706	1 680	1 487	1 665	1 715	1 720	1 726
FI	12 145	12 400	9 800	8 000	9 400	9 700	9 300	10 400	10 800	10 600	10 800	10 800
FR	8 050	8 011	7 962	6 462	7 000	7 219	6 900	6 544	6 358	6 210	6 250	6 400
IT	948	900	684	590	715	850	850	860	910	920	950	950
LV	3 296	2 421	2 246	2 120	2 631	2 657	2 582	2 600	2 620	2 690	2 700	2 690
NL		0	0	144	145	169	137	159	160	129	150	150
NO	2 361	2 374	2 200	1 850	2 150	2 270	2 280	2 200	2 400	2 444	2 500	2 450
RO	2 620	2 159	2 800	2 600	2 700	2 900	2 945	3 762	3 600	3 941	4 000	4 000
RU	19 470	20 415	19 580	17 200	18 700	29 100	30 000	28 900	31 000	32 000	33 200	33 500
SE	18 190	18 637	17 240	16 100	16 600	16 400	15 800	16 100	17 660	18 074	17 900	18 000
UK	2 857	3 100	2 772	2 809	3 053	3 227	3 357	3 536	3 716	3 449	3 583	3 716
EUROPE (ISC)	106 824	109 207	102 150	90 675	98 324	110 556	107 836	108 101	112 861	114 121	116 803	118 402
USA			49 600	39 725	42 397	45 038	48 301	50 482	53 146	53 394	56 064	59 989
CAN	57 067	50 883	40 437	32 007	37 712	37 409	39 417	41 424	41 588	45 032	48 288	50 702
North America	57 067	50 883	90 037	71 732	80 109	82 447	87 718	91 906	94 734	98 426	104 352	110 691
TOTAL	163 891	160 090	192 187	162 407	178 433	193 003	195 554	200 007	207 595	212 547	221 155	229 093

Fig. 3: Development of Softwood production (1000 m³) – all countries

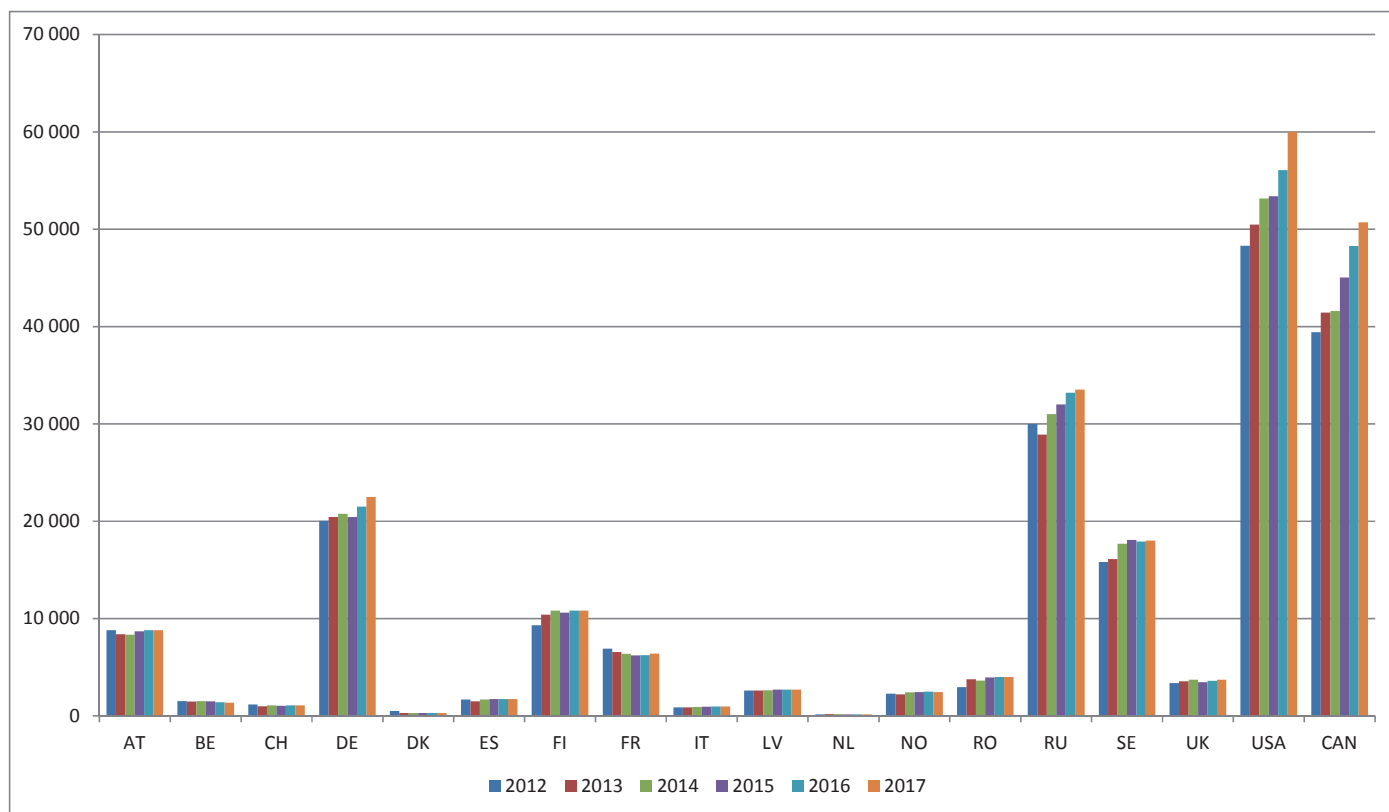


Fig. 4: Relative importance (%) in softwood production 2015 all countries

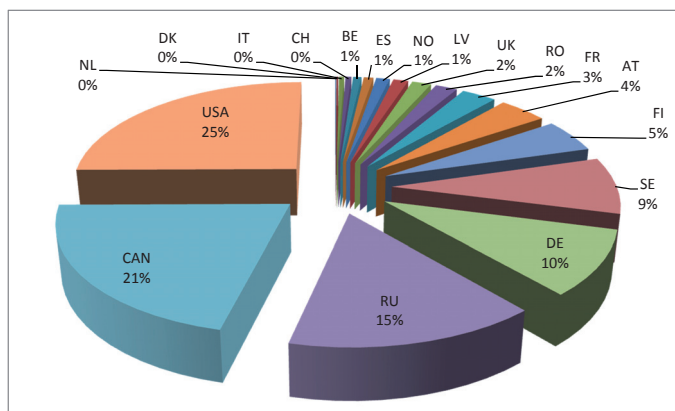
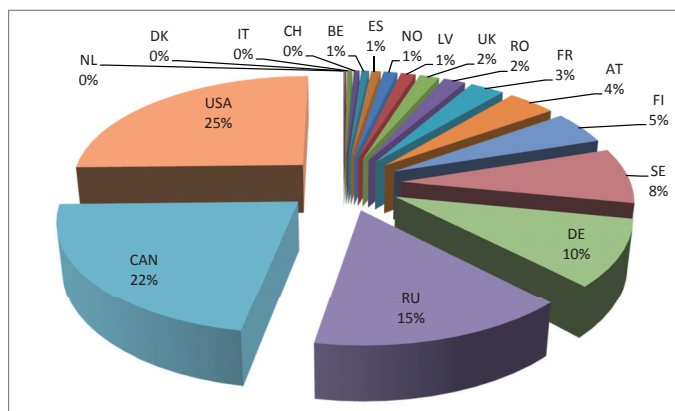


Fig. 5: Relative importance (%) in softwood production 2016 all countries



SOFTWOOD CONSUMPTION

Development of Softwood consumption (1000 m³) – according to region

	2014	2015	2016	2017
EUROPE (ISC)	78 362	78 447	80 206	81 057
NORTH AMERICA	85 263	89 800	95 218	101 944
TOTAL	163 625	168 247	175 424	183 001

Fig. 6: Development of Softwood consumption (1000 m³)
general overview

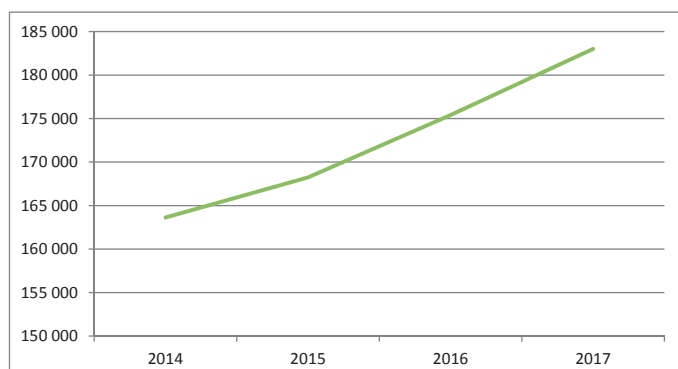
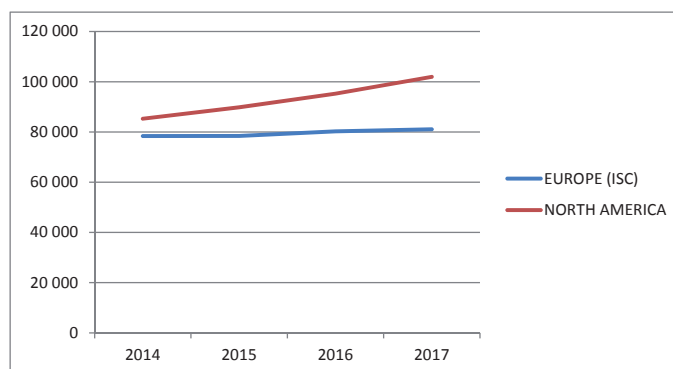


Fig. 7: Development of Softwood consumption (1000 m³)
per region



Softwood consumption development (1000 m³) – per country

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
AT	5 212	5 389	6 157	4 229	5 056	5 628	5 478	5 189	5 058	5 263	5 300	5 300
BE	2 238	1 496	1 955	1 810	1 880	2 035	2 040	2 110	1 930	1 900	1 950	2 050
CH	1 698	1 498	1 444	1 313	1 335	1 420	1 304	1 136	1 215	1 170	1 180	1 170
DE	19 944	18 600	17 567	16 778	18 425	18 929	17 672	18 159	18 170	18 486	19 200	20 000
DK	2 850	2 850	2 186	1 549	1 607	1 644	1 540	1 239	1 478	1 468	1 589	1 620
ES		1 621	1 600	2 776	2 455	2 496	2 299	2 115	2 374	2 431	2 497	2 536
FI	4 948	5 896	4 242	3 200	4 000	4 000	3 300	3 700	3 400	3 300	3 300	3 300
FR	10 418	10 837	10 774	9 167	9 500	9 745	8 793	8 144	8 400	7 863	7 300	7 430
IT	7 295	7 188	6 117	5 162	5 768	5 729	4 860	4 676	4 674	4 642	4 760	4 760
LV	1 585	1 214	1 131	742	894	941	843	774	801	820	860	880
NL		2 525	2 368	2 132	2 290	2 289	1 998	1 938	1 931	2 116	2 315	2 390
NO	2 872	3 123	2 685	2 245	2 552	2 700	2 760	2 710	2 854	2 862	2 900	2 900
RO	1 027	516	1 225	900	950	1 000	883	1 267	1 229	2 094	2 100	2 100
RU	4 046	9 748	10 257	9 569	9 311	10 300	10 600	9 700	10 360	9 662	10 000	9 500
SE	5 198	7 570	5 449	4 700	5 100	4 700	4 300	4 700	5 000	5 200	5 500	5 500
UK	9 851	10 717	8 054	7 490	8 121	7 623	7 997	8 469	9 488	9 170	9 455	9 621
EUROPE (ISC)	79 182	90 788	83 211	73 762	79 244	81 179	76 667	76 026	78 362	78 447	80 206	81 057
USA		89 328	70 256	53 067	61 496	57 958	62 357	64 799	71 699	74 291	80 488	85 898
CAN	19 661	19 030	17 768	14 014	16 661	14 249	15 792	14 962	13 563	15 509	14 730	16 046
North America	19 661	108 358	88 024	67 081	78 157	72 207	78 149	79 761	85 263	89 800	95 218	101 944
TOTAL	98 843	199 146	171 235	140 843	157 401	153 386	154 816	155 787	163 625	168 247	175 424	183 001

Fig. 8: Development of Softwood consumption (1000 m³) – all countries

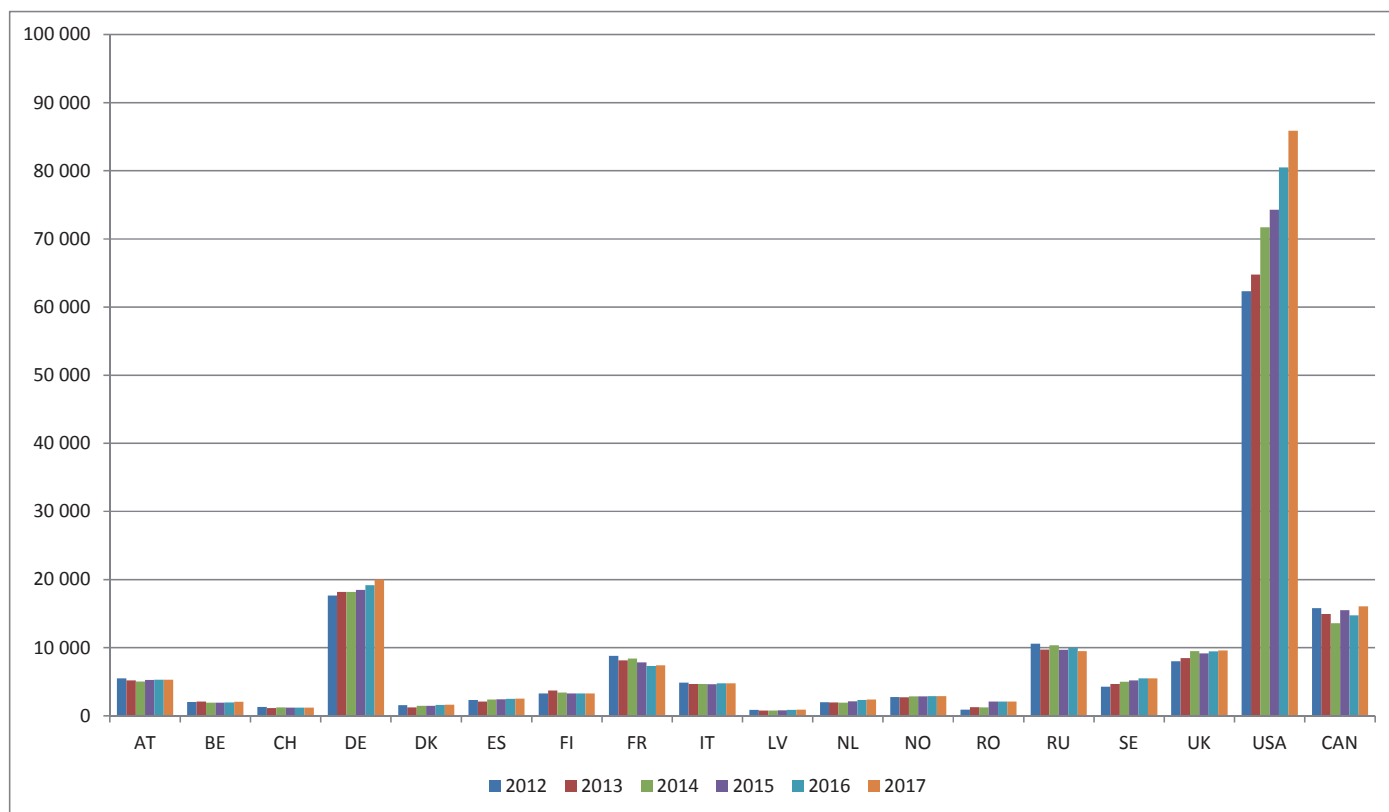


Fig. 9: Relative importance (%) in softwood consumption 2015 all countries

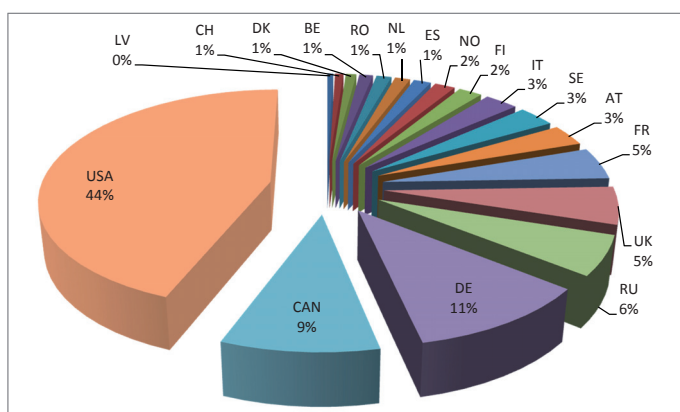
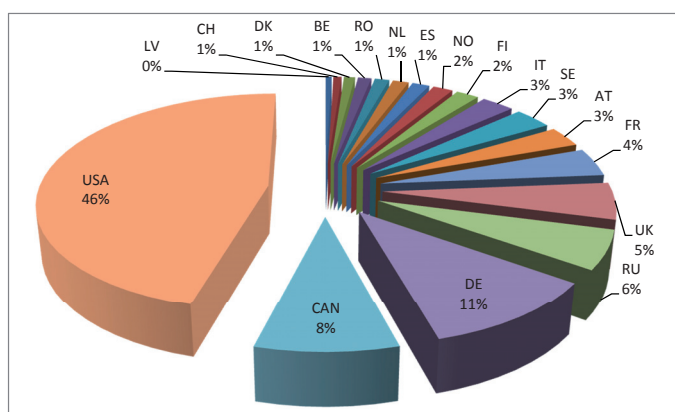


Fig. 10: Relative importance (%) in softwood consumption 2013 all countries



PRICE AND COST DEVELOPMENTS

Fig. 11: Cost development Softwood logs

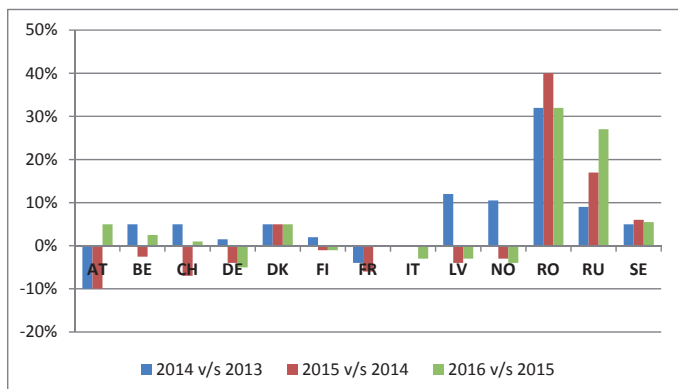


Fig. 12: Cost development energy

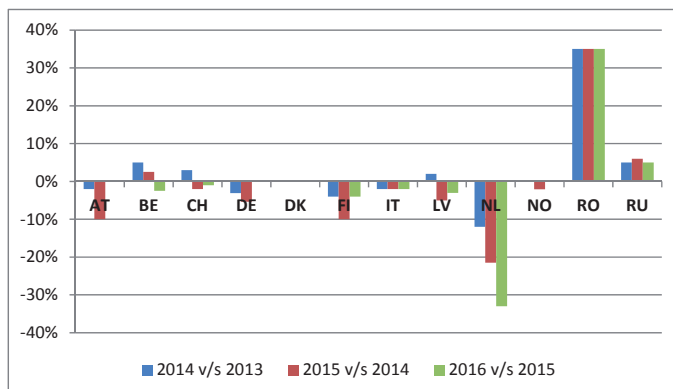


Fig. 13: Price development Sawn softwood

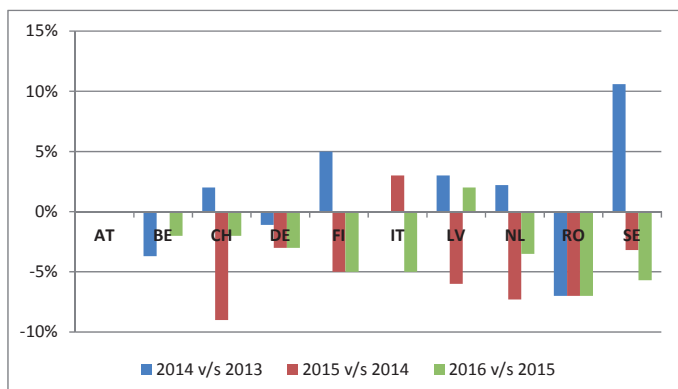


Fig. 14: Cost development transport

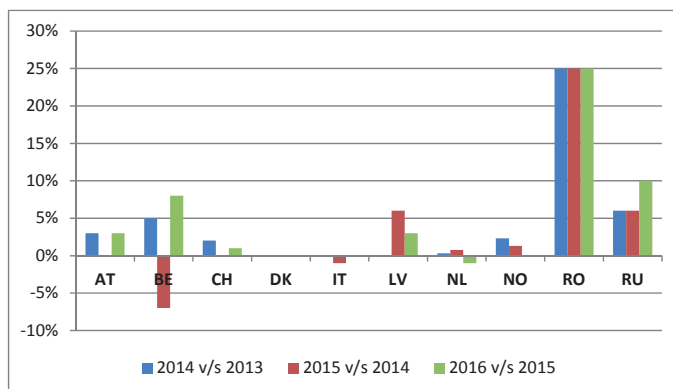


Fig. 15: Price development chips

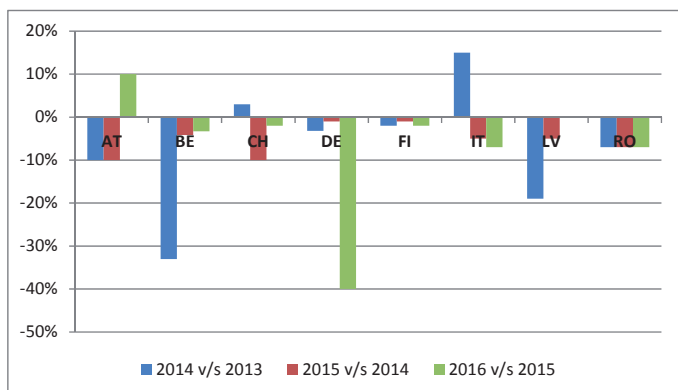
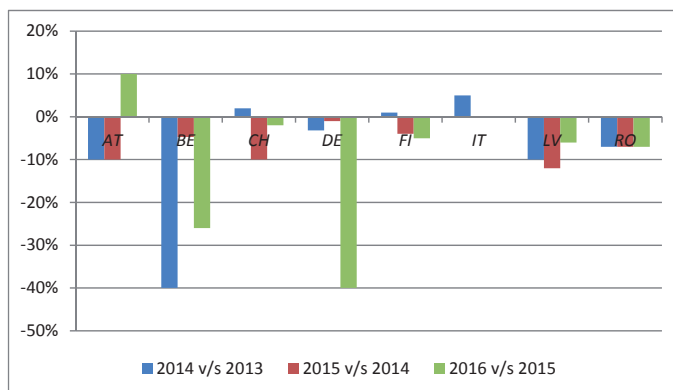
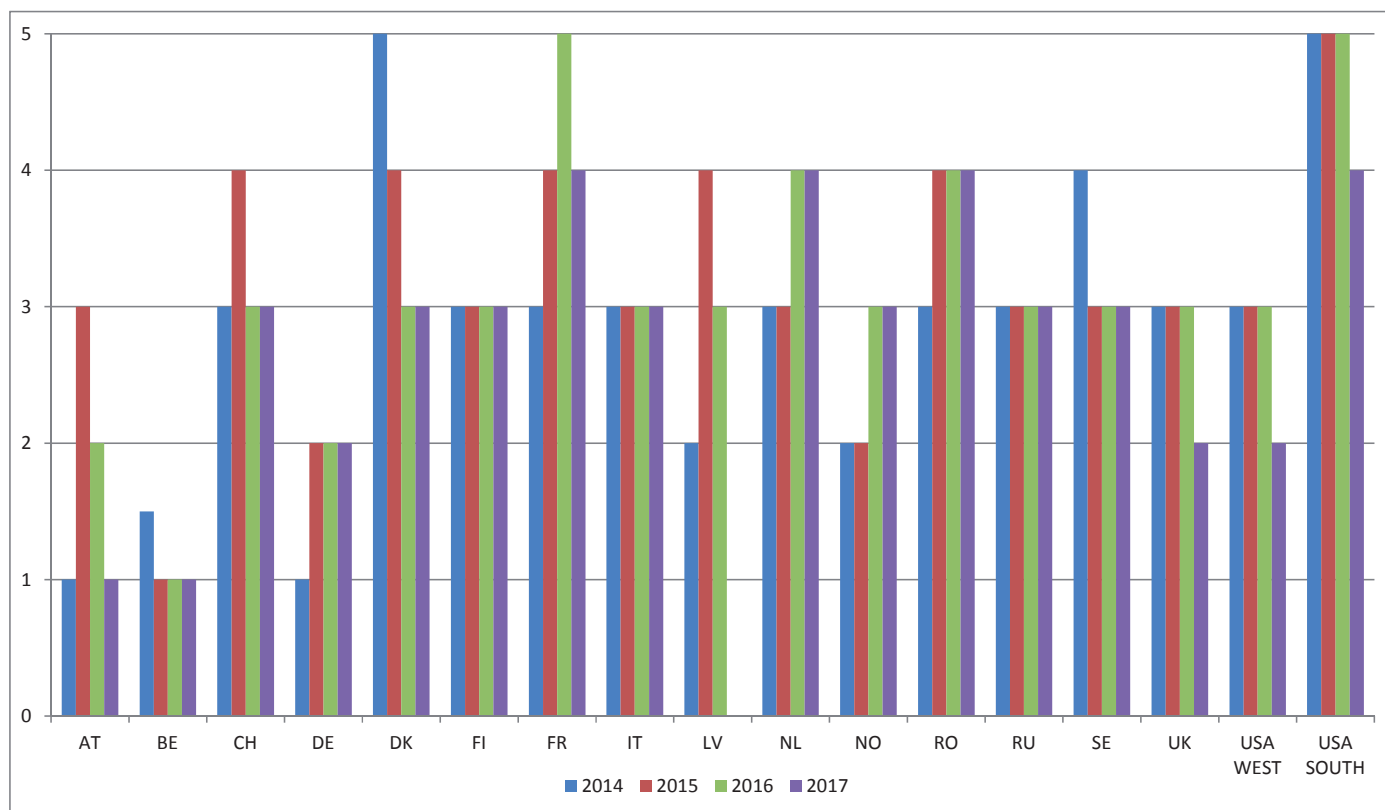


Fig. 16: Price development sawdust



SOFTWOOD-LOGS AVAILABILITY



NOTES

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NOTES

[illegible]

NOTES

[illegible]

COUNTRY REPORTS



AUSTRIA

Source: Fachverband der Holzindustrie Österreichs

PRODUCER

Legend: **preliminary data** / **estimation**

General information

	Unit	2014	2015	2016	2017
Population	million	8.30	8.59	8.68	8.70
Inflation rate	%	1.5%	0.8%	0.9%	1.7%
Unemployment rate	%	5.6%	5.7%	5.9%	6.1%

Construction industry

Finished dwellings	units	42 500	45 200	47 300	49 000
Commenced new dwellings	units	44 700	46 500	48 400	49 500

Wage development	%	-0.30%	0.60%	0.50%	-0.20%
Average working time in sawmilling	h/week	38.5	38.5	38.5	38.5

Sawn softwood

	Unit	2014	2015	2016	2017
Production	1 000 m ³	8 327	8 681	8 800	8 800
Imports	1 000 m ³	1 615	1 641	1 600	1 650
Exports	1 000 m ³	4 884	5 059	5 100	5 150
Consumption	1 000 m ³	5 058	5 263	5 300	5 300

Softwood Logs

	Unit	2014	2015	2016	2017
Removals	1 000 m ³	8 855	9 100	8 800	9 200
Imports	1 000 m ³	4 588	5 268	5 550	5 200
Exports	1 000 m ³	337	415	340	400
Consumption	1 000 m ³	13 106	13 953	14 010	14 000

Availability of logs

(1 = low; 2 = medium low; 3 = normal; 4 = medium high; 5 = high) - 2016 and 2017 are estimates

	Unit	2014	2015	2016	2017
Softwood	Range 1-5	1	3	2	1

Capacity increases

Expected new plants or new capacity increases in existing mills

	Unit	2014	2015	2016	2017
Softwood	1 000 m ³	-400	-200	-100	-50

Cost development (%)

	Unit	2014 v/s 2013	2015 v/s 2014	2016 v/s 2015	Estimate 2017
Softwood logs	%	-10%	-10%	5%	0%
Energy	%	-2%	-10%	0%	5%
Transport	%	3%	0%	3%	3%

Price development (%)

	Unit	2013 v/s 2012	2014 v/s 2013	2015 v/s 2014	2016 v/s 2015
Sawn softwood	%	0%	0%	0%	0%
Chips	%	10%	-10%	-10%	10%
Sawdust	%	12%	-10%	-10%	10%

PRODUCER Market statement

Stable level: In 2015 and at the beginning of 2016 the softwood markets were stable. Germany is the main "engine" for the European Market. At last, after several years of decrease in sales (-50 % from 2008 until 2013), in Italy the exports remained at a stable level. The situation in Japan improved moderately due to supply shortages in Eastern Europe. The difficult political context in the Levant states results in a complicated situation for exporters.

In 2015 the Austrian sawmill industry also had to import 5.3 Mio m³ logs (2014: 4.59 Mio m³) from other countries to serve the softwood markets. The Austrian softwood production would reach the level of 50 % of the whole capacity if it was supplied by domestic logs only.

In 2015, the total cut in Austria was 15.6 Mio m³ round wood, which resulted in a softwood production of nearly 8.8 Mio m³ and an increase of 4.4 % compared with 2014.

The production has reached the same level of 2012 and is also equal to the average value of the last years.

The supply is still very important from the industry's point of view. Due to bad weather conditions in the first quarter there have been supply shortages at the forests. The availability of domestic round wood is very important for the Austrian sawmills because of its high quality. It is therefore fundamental to have a continuous and projectable supply in all assortments throughout the year. The Austrian sawmill industry wants to take all mobilisation activities/opportunities establishing damaged wood processing more strongly in a partnership with forestry.

Austria's economy is developing slowly but continuously upwards. The atmosphere in the Austrian Sawmill Industry is therefore positive in the first half of 2016.

The development of some export markets was good despite the partially weak economic outlook in some countries. Germany reported the highest increase in exports with +8 %. After seven years of declining export figures, exports to Italy rose by 1% and reached 2.4 million m³. This means that approximately 50% of the total sawn softwood exports were shipped to Italy. Austrian softwood export decreased to 2.38 Mio m³ in total but this was compensated by higher levels of prefabrication of complex walls and ceilings elements (CLT).

Supporting targeted wood advertising for sales of wood construction products is therefore more important than ever. Nevertheless we still need to work with full power on an efficient and effective use of the advertising funds, convincing the other important parts of the value-added chain to also contribute to increasing the funds devoted to this activity.

PEFC stands for wood from sustainable forestry

PEFC (Programme for the Endorsement of Forest Certification Schemes) is proof that wood and paper products are from sustainably managed forests. Since it was founded in 1999, the originally European initiative quickly positioned itself globally. PEFC thus is the largest wood certification system in the world. Since September 2000 the Austrian PEFC certification system has been applied. Both forest certification by means of the regional

model and the “Chain of Custody” (CoC) certification have been developed so as to suit the specific requirements of small- and medium sized enterprises in Austria. Since October 2014 the third revision process of the Austrian PEFC system is ongoing. Currently, forest owners holding about 2.8 million hectares effectively take advantage of the certification and 455 CoC certificates are valid.

In 2016, many companies once again used the PEFC-logo on products, packaging, printed matter and company documents. Companies thus prove that they are willing to maintain the global forest resources and enable customers around the world to buy responsibly.

Wood promotion

“proHolz Austria” (www.proholz.at) is a working group of the Austrian forestry and timber industry. Its objective is the effective marketing of wood and wood products in the domestic market and abroad. Marketing, publicity and information on wood are the instruments applied to reach this goal. With its internationalisation programme proHolz Austria works actively to raise people’s appreciation of wood and to increase the use of timber by creating advertising cooperations in selected target markets, in particular in Central and Southern/Eastern Europe and in the Balkans, by deepening expert knowledge and by means of know-how transfer and education in Italy (www.promolegno.com).



BELGIUM

PRODUCER

Source: Fédération Nationale des Scieries – Nationale Federatie der Zagerijen

General information

	Unit	2014	2015	2016	2017
Population	million	11.15	11.22	11.28	11.33
Inflation rate	%	1.47%	0.60%	2.00%	1.70%
Unemployment rate	%	8.40%	8.50%	8.30%	8.30%

Construction industry

Finished dwellings	units	54 903	46 408	47 000	47 500
Commenced new dwellings	units	-	-	-	-

Wage development	%	1.20%	0.00%	1.10%	1.00%
Average working time in sawmilling	h/week	38	38	38	38

Sawn softwood

	Unit	2014	2015	2016	2017
Production	1 000 m ³	1 520	1 500	1 400	1 350
Imports	1 000 m ³	1 330	1 300	1 400	1 500
Exports	1 000 m ³	920	900	850	800
Consumption	1 000 m ³	1 930	1 900	1 950	2 050

Softwood Logs

	Unit	2014	2015	2016	2017
Removals	1 000 m ³	3 400	3 300	3 200	3 100
Imports	1 000 m ³	2 100	2 000	2 000	2 000
Exports	1 000 m ³	500	550	450	400
Consumption	1 000 m ³	5 000	4 750	4 750	4 700

Legend: preliminary data / estimation

Availability of logs

(1 = low; 2 = medium low; 3 = normal; 4 = medium high; 5 = high) - 2016 and 2017 are estimates

	Unit	2014	2015	2016	2017
Softwood	Range 1-5	1-2	1	1	1

Capacity increases

Expected new plants or new capacity increases in existing mills

	Unit	2014	2015	2016	2017
Softwood	1 000 m ³			0	0

Cost development (%)

	Unit	2014 v/s 2013	2015 v/s 2014	2016 v/s 2015	Estimate 2017
Softwood logs	%	+5.0%	-2.5%	+2.5%	+2.5%
Energy	%	+5.0%	+2.5%	-2.5%	-2.0%
Transport	%	+5.0%	-7.0%	+8.0%	+1.0%

Price development (%)

	Unit	2013 v/s 2012	2014 v/s 2013	2015 v/s 2014	2016 v/s 2015
Sawn softwood	%	+6.0%	-3.7%	0.0%	-2.0%
Chips	%	+4.0%	-33.0%	-4.2%	-3.3%
Sawdust	%	+4.0%	-40.0%	-4.7%	-26.0%

PRODUCER Market statement

The Belgian softwoods sawmills are still confronted with too high prices of the logs. For the same product this price is higher than in the neighbouring countries. The sawmills are therefore not in a position to reflect this increase on the sawnwood.

Consequently, the profitability of the softwood sawmills is very low.

The softwood lumber market remains nevertheless relatively constant in 2016 vs 2015.

The price of the by-products never stops decreasing. In the end, it will be mandatory to find other opportunities if the markets of secondary manufacturing promoting these products, or those of the energy wood, do not recover. The use of these products in co-generation projects is in constant development.



BELGIUM

USER

Source: Fédération Belge du Commerce d'Importation de Bois / Belgische Federatie van de Houtinvoerhandel

General information

	Unit	2014	2015	2016	2017
Population	million				
Inflation rate	%	0.4%	1.0%	2.1%	1.5%
Unemployment rate	%	8.5%	8.8%	8.3%	7.6%
Construction industry					
Finished dwellings	units	54 903	46 268	47 000	47 500
Commenced new dwellings	units	n.a.	n.a.		
Wage development	%	0.7%	0.4%	2.0%	2.5%
Average working time in sawmilling	h/week	38	38		

Sawn softwood

	Unit	2014	2015	2016	2017
Production	1 000 m ³				
Imports	1 000 m ³	1 837	1 913		
Exports	1 000 m ³		937*		
Consumption	1 000 m ³				

* including reexport

Softwood Logs

	Unit	2014	2015	2016	2017
Removals	1 000 m ³				
Imports	1 000 m ³				
Exports	1 000 m ³				
Consumption	1 000 m ³				

Legend: preliminary data / estimation

Availability of logs

(1 = low; 2 = medium low; 3 = normal; 4 = medium high; 5 = high) - 2016 and 2017 are estimates

	Unit	2014	2015	2016	2017
Softwood	Range 1-5				

Capacity increases

Expected new plants or new capacity increases in existing mills

	Unit	2014	2015	2016	2017
Softwood	1 000 m ³				

Cost development (%)

	Unit	2014 v/s 2013	2015 v/s 2014	2016 v/s 2015	Estimate 2017
Softwood logs	%				
Energy	%				
Transport	%				

Price development (%)

	Unit	2013 v/s 2012	2014 v/s 2013	2015 v/s 2014	2016 v/s 2015
Sawn softwood	%		2%	2%	5%
Chips	%				
Sawdust	%				

USER Market statement

Economic growth in the beginning of 2016 was influenced by the terrorist attacks in Paris and in Zaventem.

The last months growth increased slightly.

Fundamentals stay positive.

Transport tax km tax increased cost of materials as did the energy taxes resulting in the highest inflation in the EU +2%.

Expected growth nevertheless 1.4% this year' and similar in 2017.

Possible impact Brexit still worrying as is the threat to the competitiveness created by the automated inflation indexation increase of salaries.

Stable demand for woodproducts with slowdown in summer but payment problems due to difficult credit.



CANADA

Source: Western Wood Products Association

PRODUCER

General information

	Unit	2014	2015	2016	2017
Population	million	35.54	35.85	36.37	37.10
Inflation rate	%	1.91%	1.13%	1.20%	1.60%
Unemployment rate	%				

Construction industry

Finished dwellings	units	181 428	194 461	192 000	195 000
Commenced new dwellings	units	189 329	195 535	197 000	199 000

Wage development %

Average working time in sawmilling h/week

Sawn softwood

	Unit	2014	2015	2016	2017
Production	1 000 m ³	41 588	45 032	48 288	50 702
Imports	1 000 m ³	749	692	615	541
Exports	1 000 m ³	28 774	30 215	34 173	35 198
Consumption	1 000 m ³	13 563	15 509	14 730	16 046

Softwood Logs

	Unit	2014	2015	2016	2017
Removals	1 000 m ³	153 065			
Imports	1 000 m ³				
Exports	1 000 m ³				
Consumption	1 000 m ³				

Legend: preliminary data / estimation

Availability of logs

(1 = low; 2 = medium low; 3 = normal; 4 = medium high; 5 = high) - 2016 and 2017 are estimates

	Unit	2014	2015	2016	2017
Softwood	Range 1-5				

Capacity increases

Expected new plants or new capacity increases in existing mills

	Unit	2014	2015	2016	2017
Softwood	1 000 m ³	654	-867	461	450

Cost development (%)

	Unit	2014 v/s 2013	2015 v/s 2014	2016 v/s 2015	Estimate 2017
Softwood logs	%				
Energy	%				
Transport	%				

Price development (%)

	Unit	2013 v/s 2012	2014 v/s 2013	2015 v/s 2014	2016 v/s 2015
Sawn softwood	%				
Chips	%				
Sawdust	%				



DENMARK

**PRODUCER
USER**

Source: Producer: Association of Danish Wood and Furniture Industries - User: Danske Buggecentre / Danish Timber Trade Federation

General information

	Unit	2014	2015	2016	2017
Population	million	5.7	5.7	5.7	5.7
Inflation rate	%	0.6%	0.5%	0.3%	0.3%
Unemployment rate	%	6.7%	6.3%	6.0%	6.0%

Construction industry

Finished dwellings	units	15 101	14 908	15 816	15 000
Commenced new dwellings	units	14 171	14 212	15 174	15 000
Wage development	%	-0.1%	2.0%	2.9%	2.5%
Average working time in sawmilling	h/week	37	37	37	37

Sawn softwood

	Unit	2014	2015	2016	2017
Production	1 000 m ³	300	300	300	300
Imports	1 000 m ³	1 257	1 249	1 369	1 400
Exports	1 000 m ³	79	81	80	80
Consumption	1 000 m ³	1 478	1 468	1 589	1 620

Softwood Logs

	Unit	2014	2015	2016	2017
Removals	1 000 m ³	832	830	830	830
Imports	1 000 m ³	125	120	120	120
Exports	1 000 m ³	600	515	520	520
Consumption	1 000 m ³	357	435	430	430

Legend: **preliminary data** / **estimation**

Availability of logs

(1 = low; 2 = medium low; 3 = normal; 4 = medium high; 5 = high) - 2016 and 2017 are estimates

	Unit	2014	2015	2016	2017
Softwood	Range 1-5	5	4	3	3

Capacity increases

Expected new plants or new capacity increases in existing mills

	Unit	2014	2015	2016	2017
Softwood	1 000 m ³	0	0	0	0

Cost development (%)

	Unit	2014 v/s 2013	2015 v/s 2014	2016 v/s 2015	Estimate 2017
Softwood logs	%	5%	5%	5%	5%
Energy	%	0%	0%	0%	0%
Transport	%	0%	0%	0%	0%

Price development (%)

	Unit	2013 v/s 2012	2014 v/s 2013	2015 v/s 2014	2016 v/s 2015
Sawn softwood	%	n.a.	n.a.	n.a.	n.a.
Chips	%	n.a.	n.a.	n.a.	n.a.
Sawdust	%	n.a.	n.a.	n.a.	n.a.

USER Market statement

National Economy

Rising consumer and business confidence in Denmark over the last year has stimulated private consumption and business fixed investment. On this basis, following several years of stagnation, the Danish economy is expected to experience modestly positive growth rates in the near future.

The unemployment rate in Denmark was steady at about 7.0 - 7.5 % between 2010 and 2012, but has since 2013 been steady under 7 % and as of June 2015 the rate is 6.3 %.

Key Economic Facts – September 2016

Indicator	Units	Actual 2010	Actual 2011	Actual 2012	Actual 2013	Actual 2014	Actual 2015	Estimate 2016
GDP	% +/-	1.6	1.2	-0.7	-0.5	1.1	1.8	2.1
Exchange Rate	DKK/Euro	7.45	7.45	7.43	7.46	7.44	7.46	7.44
Exchange Rate	DKK/\$	5.61	5.74	5.65	5.41	6.12	6.83	6.58
Inflation (RPI)	% +/-	2.3	2.8	2.4	0.8	0.6	0.5	0.3
Unemployment	%	7.1	7.6	7.7	6.7	6.7	6.3	6.0
Housebuilding Starts	000s	16.0	16.9	14.4	10.2	11.8	12.0	13.0

A. Outlets for Timber:

Construction and imports of sawn softwood:

Construction of new houses has still not found the pre-crisis level. The number of house building starts in 2014 and 2015 was at a very low level and the forecast for 2016 is only a modest increase.

Softwood imports increased in 2014 by 12 % but with a tendency to level out in the second half of the year. This stagnated level continued during 2015 and the year ended with a slight drop in imports by 0.7 %.

Half way through 2016 the lookout for this year's import is an increase of about 10 %.

Sweden is still the largest supplier to Denmark and has in 2015 even gained a few more percent with a share of 68 %, followed by Finland, Norway and Lithuania.

The market share of softwood supply to Denmark from Scandinavia, including Finland, dropped from 84% in 2012 to 80 % in 2014. A regain in 2015 and 2016 together with decreased imports from Germany and the Baltic countries, except Lithuania, seem to put Scandinavia back in the lead with a market share of more than 84 %.

The production of softwood is still high, and the balance between supply and demand is delicate. Overall, there are large stocks of raw materials, but bottlenecks in production leads to some shortcomings in certain specifications.

Prices in Denmark are again stable after a turbulent second quarter with significant fluctuations. The shortages in specifications over the summer has stabilized prices and unchanged price levels are expected throughout the year.

Softwood imports from the 10 most important supplying countries

1000 m³	2014	2015	Change	2016		Change
				Forecast		Forecast
Country	Total yr.	Total yr.	Pct. of total	15/'14	Total yr.	'16/'15
Sweden	818	850	68.1%	3.9%	956	12.5%
Finland	120	122	9.7%	1.0%	105	-14.0%
Norway	78	85	6.8%	9.0%	97	14.0%
Lithuania	54	62	5.0%	15.4%	65	5.0%
Germany	72	58	4.6%	-19.2%	65	12.0%
Poland	54	28	2.3%	-47.1%	42	50.0%
Estonia	30	17	1.3%	-44.2%	11	-35.0%
Latvia	16	15	1.2%	-7.1%	19	25.0%
UK	4	3	0.3%	-18.7%	1	-60.0%
Belarus	3	3	0.2%	-21.0%	3	-8.0%
All others	8	6	0.5%	-25.5%	10	60.0%
Total	1 257	1 249	100.0%	-0.7%	1 375	10.0%

B. CE-marking

The Danish Authorities responsible for the enforcement of the Construction Products Regulation has not conducted any market surveillance on timber construction products in 2015 or 2016.

C. Wood Energy

The level of energy from wood – imported and domestically produced in the form of chips, pellets and fuel wood – has been stable and continues to be the far biggest source of renewable energy in Denmark.

In 2014 wood covered 41.3 % of the renewable energy production and 10.5 % of the total energy production in Denmark. The share fell slightly from 44 % in 2013 mostly due to increased wind power production. Wind power cover 24.6 % of renewable energy.

D. Promotion

Promotion activities continue to be concentrated in The Danish Wood Initiative. The core activity is www.trae.dk (in Danish only) but other media and social platforms are being included in the work.

The Danish Wood Initiative continues to promote all the virtues of timber – not 'just' that timber is an environmentally friendly material and that wood products are part of the solution to mitigate climate changes.

In October 2015 The Danish Wood Initiative launched a new website promoting all the advantages of wood. The new website has now been working for about a year and the number of visitors has increased significantly.

E. Ecology

Certification of the Forest management and Chain of Custody is continuing to gain ground in Denmark. Many forests are certified according to PEFC as well as FSC standards. In 2016 34.8 % of the forest area holds a FSC certificate and 41.8 % a PEFC certificate.

Denmark -2016	PEFC	FSC
Certified forest area (ha)	257 371	214 059
Forest area total (ha)	615 000	615 000
Share (%)	41.8%	34.8%
CoC	95	608
Certified forest owners	186	18

No statistics are being compiled in order to monitor the market for certified forest products. However, the number of Chain of Custody (CoC) certificates may provide an indication of the demand.

The number of CoC's is increasing. As of September 2016 703 CoC certificates (FSC: 608 and PEFC: 95) have been issued in Denmark (up from a total of 322 in 2013).

EUTR The competent authority in Denmark, Agency for Water and Nature Management (SVANA), maintains an active line of control among companies placing EUTR-relevant products on the market. SVANA also reacts to reports from third parties, like ENGOS.

Controls have initially been concentrated on sawn timber (tropical hardwoods) and panel products but authorities are also checking other product groups as well, such as bioenergy, furniture and components for the furniture industry a.o.

A number of injunctions has been given and recently one case was handed over to the police for further procedure.

All cases concern inadequate due diligence, where companies do not systematically assess and minimize the risk that imported timber is illegal.

SVANA has also employed more refined methods for species testing. For example, it has carried out a sampling project using DNA testing of wood products.

The sampling project showed that about 25 % of the tested samples were not in accordance with the product declarations. See the full report here: http://eutr.dk/wp-content/uploads/2016/07/EUTR_UK_7juni.pdf

SVANA concludes that better compliance were expected from companies with well-functioning due diligence. They also conclude that companies, suppliers and authorities can benefit from DNA analysis in their due diligence work in order to minimize illegal timber.

F. Forecasts

The recovery of the Danish economy has slowed down amid robust domestic demand, but weak export performance. Employment is projected to continue

growing strongly, but unemployment is expected to fall only gradually because of the rising labour force. The general government deficit is expected to further widen to 2.5% in 2016 before improving in 2017.

(http://ec.europa.eu/economy_finance/eu/forecasts/2015_spring/dk_en.pdf)

Danish economy is thus expected to reach a growth in GDP of 1.2 % in 2016 and around 1.9 % in 2017.

Danish Timber Trade Federation

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FINLAND

Source: Finnish Sawmills Association

PRODUCER

General information

	Unit	2014	2015	2016	2017
Population	million	5.40	5.50	5.50	5.50
Inflation rate	%	1.20%	-0.20%	0.35%	1.00%
Unemployment rate	%	8.70%	9.30%	9.30%	9.00%

Construction industry

Finished dwellings	units	29 000	28 000	28 000	30 000
Commenced new dwellings	units	29 000	30 000	31 000	32 000

Wage development	%	1.40%	1.20%	0.50%	0.00%
Average working time in sawmilling	h/week	40	40	40	40

Sawn softwood

	Unit	2014	2015	2016	2017
Production	1 000 m ³	10 800	10 600	10 800	10 800
Imports	1 000 m ³	300	300	300	300
Exports	1 000 m ³	7 000	7 400	7 800	8 000
Consumption	1 000 m ³	3 400	3 300	3 300	3 300

Softwood Logs

	Unit	2014	2015	2016	2017
Removals	1 000 m ³	24 300	23 700	24 300	24 300
Imports	1 000 m ³	400	500	600	600
Exports	1 000 m ³	400	300	300	200
Consumption	1 000 m ³	23 200	23 300	23 500	23 500

PRODUCER Market statement

Finland is slowly returning to economic growth. However, the growth is subdued and leans practically only on increasing activity in the domestic market. Household consumption is currently growing faster than disposable income. Thus the savings ratio is negative and is expected to remain negative all the way to 2018. Interest rates are forecasted to remain low, which gives an incentive for consumption – even though it is based on increasing debt. So far the debt level in Finland is not especially high compared to other Nordic countries but does, however, increase the financial risks longer term.

Investments in the private sector are picking up, especially within the construction sector. Also fixed investments are increasing but slowly. Thus the expected economic growth leans on construction and services while development in exports and industries remain weak. For the Sawmill industry the improvement of the domestic construction rate will mean recovery of Finnish market and decrease the share of export sales. **The GDP is expected to grow slightly above 1% from**

Legend: **preliminary data** / **estimation**

Availability of logs

(1 = low; 2 = medium low; 3 = normal; 4 = medium high; 5 = high) - 2016 and 2017 are estimates

	Unit	2014	2015	2016	2017
Softwood	Range 1-5	3	3	3	3

Capacity increases

Expected new plants or new capacity increases in existing mills

	Unit	2014	2015	2016	2017
Softwood	1 000 m ³				

Cost development (%)

	Unit	2014 v/s 2013	2015 v/s 2014	2016 v/s 2015	Estimate 2017
Softwood logs	%	2%	-1%	-1%	-1%
Energy	%	-4%	-10%	-4%	0%
Transport	%				

Price development (%)

	Unit	2013 v/s 2012	2014 v/s 2013	2015 v/s 2014	2016 v/s 2015
Sawn softwood	%	3%	5%	-5%	-5%
Chips	%	0%	-2%	-1%	-2%
Sawdust	%	3%	1%	-4%	-5%

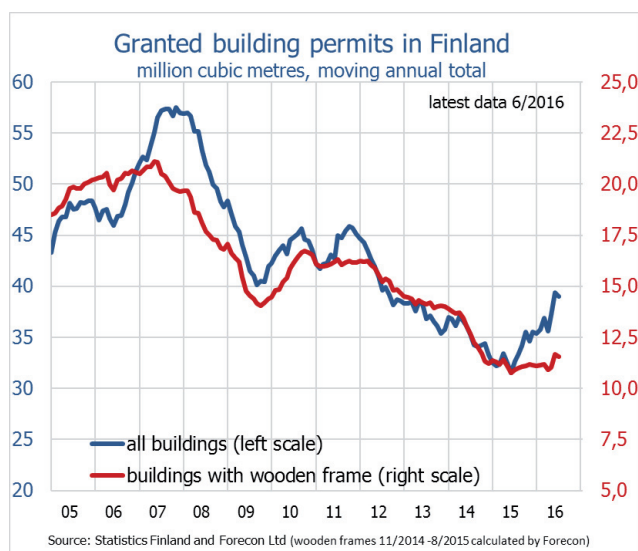
2016-2018, which is clearly below the average growth within the Euro area. Investments are forecasted to grow by 4% in 2016 and slightly above 3% in 2017 and 2018.

The Finnish export industries suffer from poor competitiveness. However, the productivity of the industries has been increasing during the last years and as a result the industrial output has been increasing. This should have a positive impact on competitiveness despite the low level of investments. On the top of losing market share due to internal factors, exports to Russia have decreased due to the economic sanctions and devaluation of the rouble.

Unemployment has eased slightly driven by the domestic activity. This trend will continue in the near future. It can be expected that labour cost increases will stay moderate in the near future – if the government's competitiveness pact will be implemented. This should also improve the Finnish competitiveness in export markets. Inflation will remain slow due to low oil prices and slow economic growth.



Picture 1. Development of the Finnish GDP



Picture 2. Granted Building permits in Finland

Production and markets of Finnish Sawn softwood

During the first half of 2016, the exports of Finnish sawn softwood increased by 14 % to 4.3 million cubic meters, compared to the same period in 2015. Exports of planed goods increased by 10% to 0,25 million cubic meters. 38% of the exports was allocated to Europe. The domestic market has remained weak and softwood consumption continued to decrease as the growth of construction is focused on non-wood solu-tions. Thanks to large export volumes during the summer, the inventories of softwood inventories de-creased.

The whitewood demand has been driven by China and exports to China increased by 75% to 0,75 million cubic meters. Also other major whitewood markets showed increasing volumes. Export of whitewood in-creased by 21%, totally. However, the average export price decreased slightly.

The redwood export volumes were satisfactory during the first half of 2016 showing an increase of 8%. However, the major redwood markets are challenged by economic uncertainty (Egypt), low oil prices (Algeria) and the devaluation of sterling and other implications of Brexit

in the UK and elsewhere in Eu-rope. Redwood prices decreased by 8%.

Sawn whitewood	01-06/16 m ³	01-06/15 m ³	2015 m ³	1-6 16/15 change
China	499	263	551	89%
Germany	220	214	419	2%
France	233	207	401	13%
Japan	180	165	358	10%
Saudi-Arabia	180	150	265	21%
Israel	110	109	228	1%
Great Britain	125	124	225	0%
Netherlands	108	103	187	5%
Egypt	96	78	164	23%
Estonia	51	46	101	11%
Total White	2080	1720	3416	21%

Sawn redwood	01-06/16 m ³	01-06/15 m ³	2015 m ³	1-6 16/15 change
Egypt	665	546	1091	22%
Algeria	241	240	482	0%
Japan	226	201	436	12%
Great Britain	203	200	373	2%
Morocco	131	126	249	4%
Israel	129	130	222	0%
Estonia	80	79	159	0%
Saudi-Arabia	67	78	126	-14%
Tunisia	47	58	103	-18%
Denmark	37	45	80	-19%
Total Red	2200	2036	3940	8%

Total White & Red	4280	3756	7356	14%
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Table 1. Exports of Finnish sawn softwood (excluding loaned goods)

Production of sawn softwood increased by 6% during the first half of 2016 compared to 2015. Redwood volumes remained at the same level as in 2015, but whitewood volumes increased by more than 10%. The mills have been challenged by poor demand of residues /especially bark and sawdust) and these fractions are accumulating on millsites.

The general long-term outlook of sawn softwood markets is positive, driven by the continuing sustaina-ble trend in the markets and challenges in sustainable supply. However, short term, the demand is shad-owed by geopolitical and economic risks in North Africa and Middle East. Brexit will probably have a neg-ative impact on the outlook of the UK economy, but it is difficult estimate the level of the impact. De-mand elsewhere in Europe is expected to grow slightly. Prospects in China remain relatively positive in spite of the increased economic uncertainty. Japan is on a stable track after having postponed the in-creases of the consumption tax. The continuing moderate growth in the US may bring new possibilities for European mills to increase export volumes to the US in 2017.

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FRANCE

Source: Producer: Fédération Nationale du Bois - User: Le Commerce du Bois

**PRODUCER
USER**

General information

	Unit	2014	2015	2016	2017
Population	million	66.10	66.30	66.5	66.7
Inflation rate	%	0.60%	0.00%	0.10%	0.2%
Unemployment rate	%	10.5%	10.3%	9.90%	9.50%

Construction industry

Finished dwellings	units	315 000	320 000	325 000	340 000
Commenced new dwellings	units	350 000	351 000	370 000	400 000

Wage development	%	1.20%	0.50%	0.50%	0.50%
Average working time in sawmilling	h/week	39	39	39	39

Sawn softwood

	Unit	2014	2015	2016	2017
Production	1 000 m ³	6 358	6 210	6 250	6 400
Imports	1 000 m ³	2 200	2 000	1 900	1 900
Exports	1 000 m ³	700	837	850	870
Consumption	1 000 m ³	8 400	7 863	7 300	7 430

Softwood Logs

	Unit	2014	2015	2016	2017
Removals	1 000 m ³	14 135	14 080	14 090	14 400
Imports	1 000 m ³	800	800	800	800
Exports	1 000 m ³	1 127	1 100	1 000	950
Consumption	1 000 m ³	13 808	13 780	13 890	14 250

Legend: **preliminary data / estimation**

Availability of logs

(1 = low; 2 = medium low; 3 = normal; 4 = medium high; 5 = high) - 2016 and 2017 are estimates

	Unit	2014	2015	2016	2017
Softwood	Range 1-5	3	4	5	4

Capacity increases

Expected new plants or new capacity increases in existing mills

	Unit	2014	2015	2016	2017
Softwood	1 000 m ³	0	0	0	0

Cost development (%)

	Unit	2014 v/s 2013	2015 v/s 2014	2016 v/s 2015	Estimate 2017
Softwood logs	%	-4%	-6%	0%	0%
Energy	%	-	-	-	-
Transport	%	-	-	-	-

Price development (%)

	Unit	2013 v/s 2012	2014 v/s 2013	2015 v/s 2014	2016 v/s 2015
Sawn softwood	%	-	-	-	-
Chips	%	-	-	-	-
Sawdust	%	-	-	-	-

PRODUCER Market statement

L'année 2016 en France est marquée par un marché de la construction à un niveau toujours très bas. La baisse continue des mises en chantier semble s'être stabilisée et des légers signes de reprise apparaissent dans certains secteurs. Ce sont les marchés de la rénovation et surélévation qui résistent le mieux. Les perspectives économiques globales restent incertaines, même si un léger mieux est observé. Le marché de la construction a perdu plus de 20% de volumes ces 5 dernières années et le bois ne semble pas avoir profité de son excellente image pour gagner des parts de marché supplémentaires. Dans un tel contexte, le marché s'est équilibré grâce à une nouvelle baisse des importations et une amélioration des exportations, en particulier en Europe où les marchés sont plus dynamiques.

En résineux l'année 2016 reste difficile malgré des volumes de sciages en amélioration au 1er trimestre, mais les prix des sciages sont en baisse tout comme les

produits connexes. En fin d'année 2015 une baisse du prix des grumes a été amorcée mais loin de compenser la baisse du prix des sciages. On peut penser qu'un point bas aurait été atteint en matière de construction et que le marché peut repartir courant 2016, début 2017. En feuillus, la conjoncture est complètement différente. L'export de grumes de résineux a connu en 2015 une nouvelle baisse et semble se stabiliser temporairement.

Des mesures exceptionnelles ont été adoptées en vue de donner priorité à la transformation européenne. En bois énergie et d'industrie la situation est tendue. L'Hiver a été très doux ce qui freine la consommation dans un contexte de concurrence du gaz et de forte baisse des prix.

Coté industrie de trituration, ces derniers, après avoir reconstitué leurs stocks instaurent des quotas de livraison, ne pouvant acheter tout le bois disponible.

USER Market statement

For 3 years, the French imports of sawn softwood have been decreasing. According to the Customs data, French imports were at 1.2 M3 in June 2016 (1.3 M3 in June 2015). Nevertheless, there are different trends according to the origins. Imports from Northern Europe have bounced again (+11%), whereas those of Western Europe, especially from Germany have dropped in 25%; the imports from Eastern Europe have leveled off in the first half of 2016.

A steady increase in prices of Nordic timber has accompanied this trend since the end of 2015 enabling the French producers to gain some market shares. Nevertheless, this overall situation is full of nuances.

• Origins of imports:

3 out of 4 major suppliers of softwood to France are maintaining or strengthening their market share: Sweden (160 000m³, +28 %), Finland (257 000 m³, +4 %), Russia (167 000 m³, +5 %) also benefiting from the depreciation of Rouble. If Germany remains an important supplier, its exports have still gone down for the 4th year in a row (266 000 m³, -26%)

• A change in the products:

If the imports of sawn softwood are in a downward trend, imports of both planed and glued products are in an upward and strong trend. Austria and Germany are the producer countries the most involved in this booming business of engineered structural timber products (especially for the laminated ones and Cross Laminated Timber). We have also to take into account the development of planed goods from Baltic countries and Sweden.

• **Competition with domestic output:** it is clear that the French sawmills continue to gain market shares against imported products, mainly versus German products. Despite this positive evolution for the French producers, the apparent consumption of sawn softwood is decreasing in France (8.5 M3 in 2016 compared to 9.5 M3 in 2010). It is also interesting to observe the rise in the French exports of softwood, thanks to the boom of Douglas species.

• **Competitiveness of timber traders:** the turnover of the French timber merchants suffered a decrease of 5% on average last year because of a slowdown of the consumption.

What is the overall economic backdrop of this situation in France?

After several years of crisis with very low growth rates, 2016 ought to mark a change. There is a general perception among politicians and economic actors that France is out of the crisis. 1.6% is expected for the growth rate this year. With regards to the macro-economic indicators, France has begun to offset its gap with the other European countries.

Focus on the building sector: confidence is coming back. Building permits and housing starts definitely make a recovery: +10% at the end of June (based on the last 12 months) and +5% for the housing starts with a rhythm passing the annual threshold of 300 000 units.

Despite this upward trend, there are still some question-marks about its real impact on the timber sector for at least 2 reasons: the improvement in construction is mainly driven by multiple housing which does not use a lot of timber contrary to individual housing; in addition, the financial situation of building companies is still very difficult, despite various incentives to promote more environmentally friendly buildings. The other building materials continue to gain market shares versus timber.

Environmental issues:

Since the beginning of 2015, LCB has been recognized as a Monitoring Organization according to the EUTR. LCB has set up its specific process of Due Diligence to any economic operators interested in it.

In addition, the whole LCB members shall have to get a Chain of Custody by the end of 2016.

Prospects:

2016 should be a transitional year. Economic operators are more confident about an effective recovery by the end of this year. The timber sector could benefit from it thanks to the various policies designed to encourage the use of timber in construction. Imports could stabilize in 2016.



GERMANY

Source: DeSH Deutsche Säge- und Holzindustrie Bundesverband e.V.

PRODUCER

Legend: **preliminary data** / **estimation**

General information

	Unit	2014	2015	2016	2017
Population	million	81.20	81.50	82.2	82.3
Inflation rate	%	0.90%	0.25%	0.40%	1.00%
Unemployment rate	%	5.00%	4.60%	4.60%	4.70%

Source: ILO-concept

Construction industry

Finished dwellings	units	245 325	252 000	300 000	315 000
Commenced new dwellings	units	n.a.	n.a.	n.a.	n.a.

Wage development	%	2.7%	2.9%	2.6%	2.6%
Average working time in sawmilling	h/week	40	40	40	40

Sawn softwood

	Unit	2014	2015	2016	2017
Production	1 000 m ³	20 756.9	20 433.5	21 500	22 500
Imports	1 000 m ³	4 347.6	4 540.8	4 700	4 800
Exports	1 000 m ³	6 934.5	6 487.9	7 000	7 300
Consumption	1 000 m ³	18 170.0	18 486.4	19 200	20 000

Softwood Logs

	Unit	2014	2015	2016	2017
Removals	1 000 m ³	24 917.0	2 7629.0	27 000	26 500
Imports	1 000 m ³	4 773.5	4 443.0	4 200	4 400
Exports	1 000 m ³	1 401.7	1 780.2	1 600	1 400
Consumption	1 000 m ³	28 288.8	30 291.8	29 600	29 500

Availability of logs

(1 = low; 2 = medium low; 3 = normal; 4 = medium high; 5 = high) - 2016 and 2017 are estimates

	Unit	2014	2015	2016	2017
Softwood	Range 1-5	1	2	2	2

Capacity increases

Expected new plants or new capacity increases in existing mills

	Unit	2014	2015	2016	2017
Softwood	1 000 m ³	closure of plants	-- no change of capacity --		

Cost development (%)

	Unit	2014 v/s 2013	2015 v/s 2014	2016 v/s 2015	Estimate 2017
Softwood logs	%	+1 to +5 %	-2 to -12 %	0.0%	+
Energy	%	-3.1%	-5.4%	+	+
Transport	%		no data av.		

Price development (%)

	Unit	2013 v/s 2012	2014 v/s 2013	2015 v/s 2014	2016 v/s 2015
Sawn softwood	%	-3.7 to +1.6 %	-1.1%	-3 to -0%	-3%
Chips	%		-13%	-3.2%	-1%
Sawdust	%				-20 to -40 %

PRODUCER Market statement

Operating environment

The macroeconomic environment has seen a slight improvement for the German sawmill industry in comparison to the previous year. The German economy grew by 0.4% in the first quarter, by 0.7% in the second quarter and by 3.1% when measured against the respective prior year's quarter. A growth rate of 1.6% to 1.8% has been forecasted by economic research institutes for 2016. The moderate upturn in place since 2014 looks set to continue.

The Euro zone has also seen further economic recovery but continues, however, to lack momentum. Economic sentiment in the Euro zone has recently experienced a slight drop.

The economic climate outside of the Euro zone deteriorated in almost all Western European countries,

above all in the UK as a result of the EU referendum. Both the current economic situation and, even more so, economic forecasts were revised down considerably. Conditions at present are considered unfavourable and further deterioration is expected in the coming months.

Global economic sentiment is rather subdued and currently stands at its lowest level for three years, economic expectations are currently far more negative than in the previous quarters.

The construction industry – as the most important purchaser from the sawmill industry – has been making positive signs. Residential construction in the Euro zone is expected to register growth of 3% according to the forecasts made by EUROCONSTRUCT for 2016. New-build activity has been a decisive impulse provider, with less activity associated with existing buildings. This means that apartment new-builds in the 19 member states will

grow by a total of 5.5% in 2016. However, a plus of more than 6% had been calculated only six months earlier. The reasons for the positive overall development include the improvement in economic outlook, low mortgage interest rates, pronounced international and domestic migration as well as government incentives that ensure that apartment construction will increase by a total of 8% in the three years to 2018.

Construction activity in Germany is also witnessing a positive development. Residential construction permits had already increased in 2015 by 8.3%, to 308 580 apartments. In the first half of 2016 the increase in building permits continued its trend both with regard to residential apartment buildings and detached and semi-detached houses. Continued migration and the influx to metropolitan areas has led to a growth in demand for dwelling space. In spite of the current burst of activity with building permits, the number of building permits continues to remain at a relatively low level when viewed long-term.

Domestic demand sees moderate increase

The revival of building permit activity has yet to make its way through to the sawmills in full. Demand for structural timber is increasing, but the significant increase in demand so desired has yet to materialise.

In the past the packaging industry has proven to be another important source of demand for sawn timber. The favourable conditions of the German export economy have led to demand from the packaging industry remaining constant at the previous year's level.

Turnaround in exports

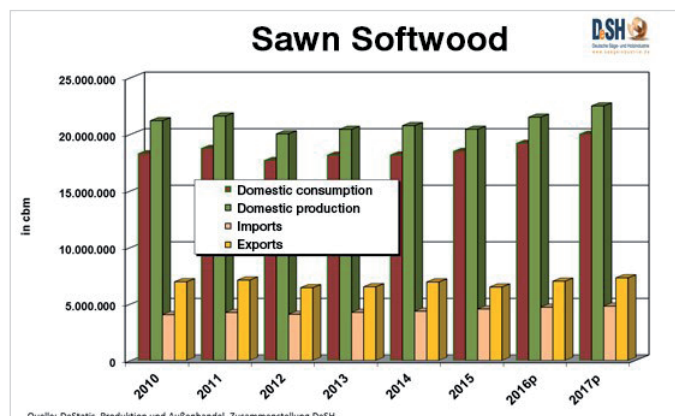
Exports in sawn softwood timber did however increase significantly in the first six months. The decline seen in the previous year was recouped in part in the first six months, leading to a recapturing or new acquisition of market shares in important export markets. The focus of the revival in exports was in European neighbouring countries, as well as in some remote markets.

Domestic production progressing positively

Sawmills were again able to extend their performance in the first six months. Production increased in no small way thanks to even more favourable export conditions. The manufacturing of planed goods increased significantly, in particular with a view to exports.

SAWN SOFTWOOD

	Unit	2014	2015	2016	2017
PRODUCTION	1 000 m ³	20 756.9	20 433.5	21 500	22 500
IMPORTS	1 000 m ³	4 347.6	4 540.8	4 700	4 800
EXPORTS	1 000 m ³	6 934.5	6 487.9	7 000	7 300
CONSUMPTION	1 000 m ³	18 170.0	18 486.4	19 200	20 000



By-products under intense renewed price pressure

By-products came under renewed intense pressure in the second quarter. Essentially, the weak demand by pellet manufacturers - due to mild weather conditions and high inventory levels - led to weaker demand and price pressure. The significant price decline placed additional pressure on the weak earnings results posted by sawmills. In the medium-term, a market recovery in by-products will be necessary given that the energy-related use of biomass has been all but impossible since changes in the German Renewable Energy Act (EEG) in 2014.



Disappointing sales development due to weak price level

The lack-luster development of sawn timber prices led to a very weak development in sales in the first half of 2016, in spite of positive volume demand.

Sawmill domestic sales (the monthly turnover statistics only include sawmills with over 50 employees) stood just below the previous year's level. International sales fared better, however, both within the Euro zone and beyond.

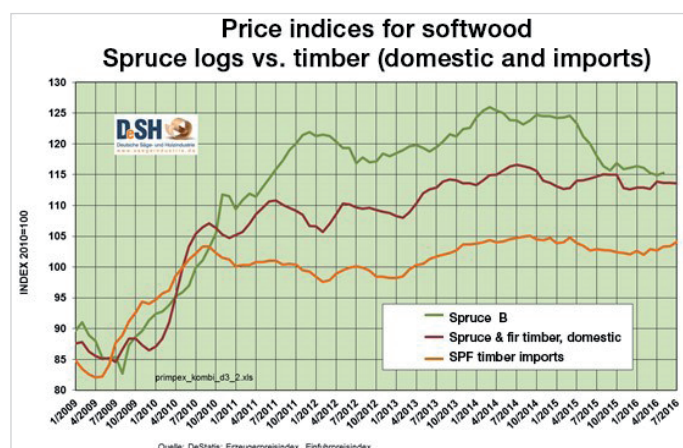
Logs: still split between log prices and sawn timber revenue

Not least because of certain calamities did 2015 see a slight decline in log prices and a partial relaxation of the log market. It was also faced with slight declines in sawn

timber revenue, so that the price gap between the log price and the sawn timber price only improved slightly.

A recovery in log prices is desperately needed as the sawmills are unable to compensate for the drastic drop in sawn timber revenue as seen in by-products. Insufficient margins mean a lack of financing capability long-term for urgently needed investment in the sustainability of sawmill operations.

The much-anticipated onset of beetle infestation as a result of last year's calamities has yet to materialise, so that there was no additional market disruption.



Trends

The increasing demands being placed on sawn timber products is unmistakable. This has led to increasing product differentiation for the respective sales markets, and means that companies are also being faced with new performance assessment criteria.

With regard to the construction sector as the most important purchaser of sawn timber products - the requirements placed on structural timber and structural timber mills have increased significantly due to the strict regulations stemming from the Eurocode 5 for sawn timber structural products. This requires extensive adaptation but also presents businesses with opportunities. Structural changes as a result are obvious.

Increased requirements for packaging are also coming from the packaging industry, another important purchaser. Generally speaking, a trend is emerging towards KD products, both for the construction sector and for the packaging industry.

Berlin/Wiesbaden, September 2016

Currency fluctuations guide timber streams

The fall in the value of the Ruble as a result of the sanctions against Russia has significantly increased the competitiveness of Russian timber on global markets. Russia is currently expanding its market shares on the international market. This couldn't help but bring about changes in the global log price.

Germany was able to improve its position slightly with regard to log prices for softwood in an international comparison. However, domestic log prices are still approximately a third higher than - and thus significantly above - the global sawlog price index, and even within Europe it is by comparison well above the European sawlog price index.



GERMANY

Source: Gesamtverband Deutscher Holzhandel E.V.

USER

General information

	Unit	2014	2015	2016	2017
Population	million	81.20 ¹	82.18	81.58	81.76
Inflation rate	%	0.9% ¹	0.3%	0.3%	n.a.
Unemployment rate	%	6.7% ¹	6.4%	6.3%	6.3%

Construction industry

Finished dwellings	units	245 988 ²	247 700	248 030	262 517
Commenced new dwellings	units	285 079	313 296	325 000	335 000

Wage development	%	1.7% ¹	2.4%	2.9%	n.a.
Average working time in sawmilling	h/week	n.a.	n.a.	n.a.	n.a.

1) Source: DeStatis - 2) GD Holz Marktreport II/2016 - 3) Source: GDH Stat.

Sawn softwood

	Unit	2014	2015	2016	2017
Production	1 000 m ³	20 761	20 433	21 100	n.a.
Imports	1 000 m ³	3 518	3 611	3 765	n.a.
Exports	1 000 m ³	5 545	5 176	5 842	n.a.
Consumption	1 000 m ³	18 734	18 868	19 023	n.a.

Softwood Logs

	Unit	2014	2015	2016	2017
Removals	1 000 m ³	40 130	42 050	n.a.	n.a.
Imports	1 000 m ³	4 730	5 420	n.a.	n.a.
Exports	1 000 m ³	n.a.	n.a.	n.a.	n.a.
Consumption	1 000 m ³	n.a.	n.a.	n.a.	n.a.

Legend: preliminary data / estimation

Availability of logs

(1 = low; 2 = medium low; 3 = normal; 4 = medium high; 5 = high) - 2016 and 2017 are estimates

	Unit	2014	2015	2016	2017
Softwood	Range 1-5	1	2	2-3	2

Capacity increases

Expected new plants or new capacity increases in existing mills

	Unit	2014	2015	2016	2017
Softwood	1 000 m ³	n.a.	n.a.	n.a.	n.a.

Cost development (%)

	Unit	2014 v/s 2013	2015 v/s 2014	2016 v/s 2015	Estimate 2017
Softwood logs	%	1.5%	-4.0%	-5.0%	-2.0%
Energy	%	n.a.	n.a.	n.a.	n.a.
Transport	%	n.a.	n.a.	n.a.	n.a.

Price development (%)

	Unit	2013 v/s 2012	2014 v/s 2013	2015 v/s 2014	2016 v/s 2015
Sawn softwood	%	2.5%	0.1%	-1.6%	1.5%
Chips	%	n.a.	n.a.	n.a.	n.a.
Sawdust	%	n.a.	n.a.	n.a.	n.a.

USER Market statement

A. National Economy

Indicator	Unit	Actual 2013	Actual 2014	Actual 2015	Forecast 2016	Forecast 2017
GNP	%	0.3	1.6	1.7	➔	➔
Exchange rate	US\$ / Euro	1.33	1.33	1.11	n.a.	n.a.
Inflation	%	+1.50	+0.90	+0.30	+0.25	➔
Unemployment	%	6.9	6.7	6.4	➔	➔
Industr. Production	%	0.7	0.6	0.5	➔	➔
Housing permits	Units	272 433	285 079	313 296	➔	➔
Housing completions	Units	214 817	245 352	247 722	➔	➔

Economic Situation

Germany is in a sound financial condition. Unemployment is persistently low. but productivity growth has slowed.

The aging population and the strong influx of refugees pose challenges. Moreover. private consumption has lost some momentum where lower population figures probably played a considerable role as well. Investment activity is retained. and essential social infrastructure must be further expanded.

The gross domestic product increased by 0.4 % in the second quarter. Export is currently a source of growth No. 1. the image however is beginning to tarnish a bit. The German economy performed well in the first half. although specially positive factors such as the mild weather. lower oil prices and strong migration over the last winter have become less important. Germany must take advantage to counteract the lower private consumption and the low domestic population growth with the successful integration of refugees.

B. Timber Sales

Market Situation German Timber Trade 2016

Business conditions for timber and timber product trade are good in 2016. A positive proof for this economic development are building permits and building completions. In 2015 the German timber trade completed with a sales growth by 2 %. Also in 2016 the economic situation develops positive with a sales growth by 6 % for the first six month. These 6 % are representative for whole sale, retail and international trade. Considering the individual assortments it can be noticed that the development of the main assortments of the specialized timber trade is also positive. First of all these are timber based products with an increase by nearly 8 % in the first half year and components (interior doors) with around 8 %.

Distribution of solid timber products via timber trade was also successful. The main product groups are sawn wood and planed goods – both assortments increased each by 5 %. Business of garden wood assortments developed below-average with only 2 % growth in the first half of 2016. July 2016 was a weak month with a decline in sales of 6 % due to summer holidays in nearly all German states and a quiet business development. But external signs promise an upturn in autumn trading for all main assortments as well as solid timber products and planed goods. Not only building permits and building completions are an indicator but also the well-filled woodworking order books.

The whole German construction industry expects a sales growth of 2 to 3 % for all business units. The German Timber Trade Federation assumes this growth also for the timber trade especially in sales channel via whole sale. Should autumn business develop very good an increase in sales slightly above 2 to 3 % could be possible. A further outlook is depending on political and economic frame conditions.

The construction sector:

After its trough in 2009 with less than 200 000 building permits per year there is a continuously rise for this business segment. In 2015 more than 300 000 building permits were granted; in 2016 this figure will rise again due to a rise in building permits by 30 % to 180 000 in the first half.

In 2009 the building completions have also reached a low point and increased in the following years. 250 000 building completions were noted in 2015. this value will probably be exceeded in 2016. The German construction ministry expect that about 400 000 new dwellings per year will be needed to meet the medium-term demand. The housing increases are primarily in urban conurbations and in structurally strong rural areas. Pressure in housing will also be expected by the constant influx of refugees. The current low interest rate will ensure a continuously high level in housings.

Furniture industry:

The German furniture industry attained a turnover of 8.9 billion Euros in the first half of 2016 and increased by 4.9 % above the previous-years period. After a successful year 2015 with a sales increase of 6.2 % the industry expectations exceeded by this significant growth. Thereby the midyear results are above the pre-crisis level of 2008.

Main segment of the furniture industry are household furniture; according to the Federal Statistical Office total sales of this segment increased by 4.1 % to nearly 3.7 billion Euros. Sales of kitchen furniture industry as second main segment increased by 7.2 % and achieved a new record in turnover of 2.4 billion Euros in the first half of 2016. Thereby every fourth Euro of this branch will be earned with kitchen. Kitchen furniture increased by 4.4 % over 1 billion Euros.

These are the results of all produced furniture in Germany. About one-third (31.7 %) of these furniture are exported. Germany finished third place of global furniture production behind China (41 %) and the USA (12 %) followed by Italy with fourth place (4 %).

Window/door industry:

The German window industry – measured by the number of the actual installed windows – will slightly increase by +3.0 % in 2016. In the course of this year 13.9 million window units will be sold. With 13.5 million sold window units the last year will end with a plus of about 1.0 % which is slightly lower than expected.

In 2016 stable growth in the construction sector for new buildings and renovation as well as for residential and commercial buildings will be expected. For frame materials the share in wooden windows will be constant by 15.2 %. Sales for composite wooden/metal windows will be expected to have the highest growth (+3.5 %); a significant movement in market shares of currently 8.9 % cannot be recognised. Market share for metal windows amounts around

17.5 % (2015: 17.7 %). Plastic windows will slightly expand its market share. With an increase by about 58.3 % its share will expect to be slightly over the total market share this year after about 58.1 % in 2015.

Doors

Sales for exterior doors currently develop slightly better than window sales: In 2016 about 1.411 million exterior doors will be sold in Germany. in 2015 about 1.366 million units were sold. This corresponds to an increase of about 3.3 % compared to previous year and is due to a higher share in housing. Market shares for frame materials remain relatively stable: Aluminium doors have a market share of 32.1 % and can nearly compete with the share of

32.1 % for plastic doors. Every 4th exterior door (25.6 %) is made of wood in 2016; other frame materials will be taken by 9.4 % users.

Wood packaging industry

The manufacturer of pallets, wood packaging and cable reels managed to increase their total production output in the year 2015, where total sales were stable as well. Both manufacturing of boxes as well as pallets rose by more than 5 percent. The production of wooden cable drums could be increased by almost 8 percent.

It is worth mentioning that the majority in wood packaging is pallets, these account for a market share between 90 and 95 percent of all wooden packaging material. Estimated half of the produced pallets are for special applications. The demand for boxes rose last year and around 1.5 million cubic meters of timber were used to produce boxes, an increase of about 5.3 percent compared to 2014. A whole 7.8 % increase was reported on cable drums - nearly 76 000 cubic meters of timber were used.

Looking at 2016 German manufacturers are cautiously optimistic due to good capacity utilization, but coupled with economic and political uncertainties.

C. German Sawn Softwood Market

Import trends / Export trends

Figures are including the following HS-codes for sawn softwood and planed or otherwise shaped sawn softwood 4407 1091, 4407 1093, 4407 1098, 4407 1031, 4407 1033, 4407 1038, 4407 1015, 4409 1018

Table 1: Sawn softwood markets – imports / m³

Supplier countries	Actual 2014	Actual 2015	2014:2015 in %
Sweden	794 034	858 332	8.1
Finland	495 871	458 368	-7.6
Russia	510 272	531 381	4.1
Czech. Republic	403 052	405 996	0.7
Belarus	254 778	329 725	29.4
Austria	640 968	614 844	-4.1
Lithuania	116 938	108 228	-7.4
Latvia	148 335	157 509	6.2
Norway	46 562	56 454	21.2
Belgium + Lux.	251 450	221 136	-12.1
Ukraine	203 530	215 586	5.9
All others	481 781	485 135	0.7
Total	4 347 571	4 442 694	2.2

Table 2: softwood markets – exports / m³

Buying countries	Actual 2014	Actual 2015	2014:2015 in %
Belgium + Lux.	593 813	547 018	-7.9
France	823 515	774 097	-6.0
UK	402 264	370 949	-7.8
Italy	460 707	432 822	-6.1
Netherlands	740 482	723 972	-2.2
Austria	941 425	929 875	-1.2
Poland	224 237	223 624	-0.3
Czech. Rep.	279 111	270 850	-3.0
Algeria	186 945	127 184	-32.0
Egypt	184 142	14 835	-91.9
Morocco	3 872	10 238	164.4
UAE	167 539	182 585	9.0
China	306 732	132 043	-57.0
India	141 537	213 944	51.2
Saudi-Arabia	182 350	217 679	19.4
Republic of Korea	159 920	113 361	-29.1
All others	1 135 861	1 177 132	3.6
Total	6 934 452	6 462 208	-6.8

Table 3: Summary of sawn softwood statistics

000s m ³	Actual 2013	Actual 2014	Actual 2015	Estimate 2016	Estimate 2017
Imports	4.243	4.348	4.443	4.700	4.800
(+) Domestic Production	20.200	20.757	20.434	21.500	22.500
(-) Exports	6.512	6.934	6.462	7.000	7.300
Total Consumption	17.930	18.170	18.414	19.200	20.000

D. Pellet market

The price of wood pellets is also in August on the stable low summer level of recent months. Pellets cost in Germany on average 222.54 EUR per tonne. That is 4 % less than in August 2015. One kilogram of pellets costs accordingly 22.25 cents. A kilowatt-hour (kWh) of heat from pellets cost 4.45 cents. The price advantage to natural gas is about 30 percent better, 8 % in comparison with fuel oil.

E. Ecology

Via the jurisdiction of the European Court the mandatory labeling via Ü-mark for construction products had to stop in Germany. Additional national requirements as with the former Ü-mark may no longer be made. Construction products from softwood are affected, among which are currently still finger-jointed structural timber (KVH) and softwood planks for flooring.

Berlin, 09. September 2016
nop/irw



ITALY

Source: Fedecomlegno

USER

General information

	Unit	2014	2015	2016	2017
Population	million	60.80	60.65	n.a.	n.a.
Inflation rate	%	0.2%	0.1%	0.0%	0.6%
Unemployment rate	%	12.7%	11.9%	11.5%	11.1%

Construction industry

Finished dwellings	units	n.a.	n.a.	n.a.	n.a.
Commenced new dwellings	units	46 796	40 932	n.a.	n.a.
Wage development	%	0.2%	0.6%	0.8%	0.7%
Average working time in sawmilling	h/week	40	40	40	n.a.

Sawn softwood

	Unit	2014	2015	2016	2017
Production	1 000 m ³	910	920	950	950
Imports	1 000 m ³	3 904	3 873	3 950	3 950
Exports	1 000 m ³	140	151	140	140
Consumption	1 000 m ³	4 674	4 642	4 760	4 760
Gluelam beams**	1 000 m ³	508	505	530	540

**Not all the glue lam beams that are imported in Italy are included in the Taric codes of sawn softwood: therefore additional data about imported glue lam beams are to be considered.

Softwood Logs

	Unit	2014	2015	2016	2017
Removals	1 000 m ³	n.a.	n.a.	n.a.	n.a.
Imports	1 000 m ³	1 362	1 134	1 250	n.a.
Exports	1 000 m ³	139	171	140	n.a.
Consumption	1 000 m ³	n.a.	n.a.	n.a.	n.a.

Legend: preliminary data / estimation

Availability of logs

(1 = low; 2 = medium low; 3 = normal; 4 = medium high; 5 = high) - 2016 and 2017 are estimates

	Unit	2014	2015	2016	2017
Softwood	Range 1-5	3	3	3	3

Capacity increases

Expected new plants or new capacity increases in existing mills

	Unit	2014	2015	2016	2017
Softwood	1 000 m ³	0	-20	0	0

Cost development (%)

	Unit	2014 v/s 2013	2015 v/s 2014	2016 v/s 2015	Estimate 2017
Softwood logs	%	0%	0%	-3%	n.a.
Energy	%	-2%	-2%	-2%	n.a.
Transport	%	0%	-1%	0%	n.a.

Price development (%)

	Unit	2013 v/s 2012	2014 v/s 2013	2015 v/s 2014	2016 v/s 2015
Sawn softwood	%	3%	0%	3%	-5%
Chips	%	5%	15%	-5%	-7%
Sawdust	%	0%	5%	0%	0%

USER Market statement

A. National Economy

Table N.1 – Selected economic indicators (% unless otherwise indicated)

Economic indicator	Unit	Actual 2013	Actual 2014	Actual 2015	Forecast 2016	Forecast 2017
GDP growth	%	-1.9	-0.4	+0.8	+0.8	+0.8
Inflation	%	+1.2	+0.2	+0.1	0.0	+0.6
Unemployment	%	12.2	12.7	11.9	11.5	11.1
Industrial production	%	-3.2	-0.8	+1.0	+0.8	n.a.
Private housebuildings starts	Units	n.a.	46.796	40.932	n.a.	n.a.

After a long decline caused by the financial crisis of 2008, Italy lost more than 10 percentage points of GDP. In 2015, Italy returned to a slight growth. The slight growth rate does not allow to create confidence conditions between consumers and investors that can revitalize the economy of our Country.

The latest ISTAT surveys, after a first quarter rather positive, indicates a substantial slowdown in the summer months that will likely result in a negative review on expected growth for the second half. The expected growth rate for 2016 is + 0.8%. This pace of growth is likely to continue throughout 2017.

As for the consumer price developments Italy it is still entangled in the dangerous spiral of deflation and the change acquired by ISTAT for 2016 is 0.0%.

Some encouraging signs come from occupation rate: + 1.3% in the last year. This brings the unemployment rate to 11.5%.

B. Outlet for Timber

Buildings

Following the dramatic fall of the construction industry from 2008 to 2015 that led to the loss of 35% of total

investments (of which more than 60% on new buildings) it appears that the fall has bottomed out. Anyway, as already provided in 2015 report, the time is not ripe for a rebound and for the current and next year is expected a stagnation with a further weak growth in the building renovations sector. This data do not consider the latest dramatic events of the earthquake. The impact of reconstruction and of preventive measures in the construction industry will depend on the economic decisions of the Government.

Table N.2 – Investments in Buildings in Italy

	2015	2013	2014	2015 ¹	2016 ¹	2008-2015 ¹	2008-2016 ¹
	M/€	% variations in quantity					
All constructions	125 348	-7.5	-5.2	-1.0	0.3	-34.9	-34.7
. Residential	66 772	-3,3	-4.2	-1.9	0,2	-27.7	-27.6
- new buildings	21 038	-12.4	-14.0	-6.8	-3.4	-61.0	-62.4
- renewal	45 734	2.9	1.5	0.5	1.9	19.1	21.3
. Non Residential	58 576	-11.7	-6.3	-0.1	0.3	-41.4	-41.2
- private	34 053	-13.4	-7.1	-1.2	0.2	-36.5	-36.6
- public	24 523	-9.3	-5.1	1.9	0.4	-47.1	-46.9

1) ANCE estimate

ANCE (Italian association of Building Companies) processing on ISTAT data

Some important signs of improvement were recorded in the first quarter of 2016 in real estate sales, stimulated by low interest rate and market prices (+ 20.6% in the first quarter of 2016 vs. 2015).

Even in the absence of official data, these improvements cannot, however, be confirmed for the second quarter.

In 2015 there was an increase of + 92.8% compared to 2013 for loans in the construction sector although this figure includes many renegotiations.

The novelty compared to 2015 is that the increase of sales in the first quarter not only affects most major cities but also provincial areas.

Wood Building sector

At the end of 2015 FederlegnoArredo published the results of a specific investigation on timber buildings sector. The study is aimed at quantifying the sector data with the utmost precision. This survey will be repeated and updated every year.

With more than 3,000 timber buildings Italy is at the fourth place in Europe as a producer.

In a context that from 2010 saw the collapse of the total investment in the construction industry, the timber building sector had a reverse trend with steady growth.

These data confirms a change of mind in respect of an ecological type of construction, safe and able to ensure significant economic benefits in terms of energy saving.

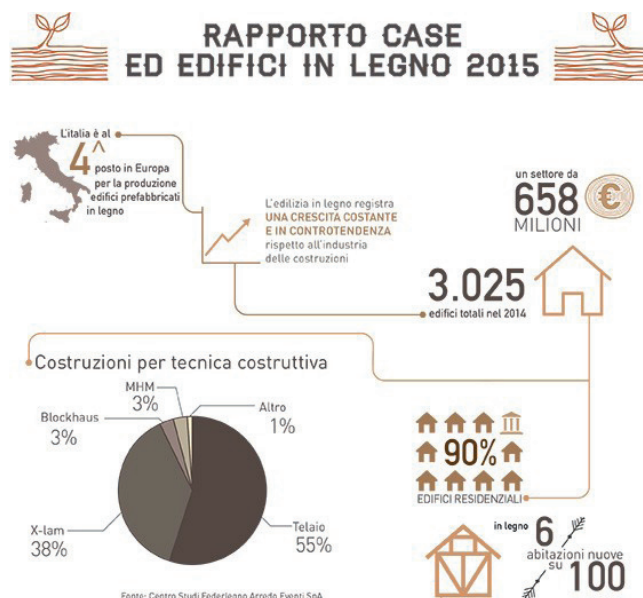
Research reveals surprising data:

- Over 3,000 buildings constructed in Italy in 2014 (90% residential),
- A total turnover of 658 million euro (excluded ancillary works)

- 6 new homes on 100 are made of wood
- 51% of the buildings are delivered “turnkey.”

The predominantly construction techniques are the “frame system” and the X-Lam, together account for over 90% of the timber constructions.

The research will take place annually and the preview of the updated study will be presented next month.



The umpteenth destructive earthquake in center of Italy will certainly be a further boost for this sector. Many “opinion leaders” (not just engineers, but this time also famous architects such as Renzo Piano and Massimiliano Fuksas) have clearly lined up in favor of wood as a building material as a result of the many negative assessments of past seismic “improvement measures” made using reinforced concrete in old buildings.

Timber will give an important contribution both in the emergency phase and in the definitive reconstruction.

Despite the very large number of deaths (295 for 3000 displaced) the extent of the reconstruction will certainly be more modest than other events of the recent past because of the very low population density of those areas. The Italian Government announced in recent days the will to implement a seismic upgrading plan of the whole national territory that could mobilize between 2 and 3 billion € / year. Within this context, for wood, especially structural, it could give rise to an increase in demand.

C. Market Components

Stocks

Slight increase of stock: anyway, due to consumption trends and continued credit restrictions, levels remain low.

Difficult access to credit for enterprises continue to be one of the main constraints to trade: 32% of Italian enterprises fails to meet the credit needs while payments of public administration take place in 5 and a half months.

Prices

Slight increases since the beginning of the year to the higher value-added softwood products (e.g. glulam): lack of good quality raw material. Development of prices are in different directions depending on quality of assortments.

In the first half It was observed a decrease in prices for the poorest materials in consequence of the availability of calamity wood.

Big changes are not expected in the second semester because of the recent slowdown in demand.

Transactions and Consumption

Comparing the provisional data for the period January-May 2016 with the same period of 2015, they show an overall improvement. Import volumes for all products are growing, although with different emphasis. According to the latest economic data that show a slowdown near the summer, companies perceived a decrease in orders. This not suggest a major recovery in 2016. In terms of imported quantities 2016 could close with a slight improvement compared to 2015. In increase imports of glulam beams and CLT especially towards southern Italy.

A significant and constant growth is observed in the industrial wood packaging sector: this sector, as well as sawn timber, is more and more oriented in the use of different wood materials such as glulam, eliotti plywood and OSB.

Table N.3 – Softwood Lumber Imports gen-may 2016 (000s cubic metres)

SAWN SOFTWOOD (planned included) HS 440710					
SOURCE	m3 01-05/2016	Var. %	m3 01-05/2015	Market share 2016	Market share 2015
Austria	922.939	3,2%	894.555	55,4%	57,1%
Germany	168.471	3,5%	162.696	10,1%	10,4%
Ukraine	80.947	5,6%	76.619	4,9%	4,9%
Repubblica ceca	60.986	14,2%	53.409	3,7%	3,4%
Finlandia	56.855	10,2%	51.591	3,4%	3,3%
Russia	52.328	37,1%	38.172	3,1%	2,4%
Slovenia	47.249	46,2%	32.311	2,8%	2,1%
Slovacchia	43.430	-1,2%	43.955	2,6%	2,8%
Svezia	41.939	-4,4%	43.872	2,5%	2,8%
Francia	33.323	25,2%	26.617	2,0%	1,7%
OTHER	157.812	11,3%	141.754	9,5%	9,1%
TOTAL GENERAL	1.666.279	6,4%	1.565.551		

Istat data processed by Fedecomlegno
2016 provisional data

GLULAM NC8 4418 90 10					
SOURCE	m3 01-05/2016	Var. %	m3 01-05/2015	Market share 2016	Market share 2015
Austria	171.943	10,4%	155.760	77,6%	78,8%
Germany	7.694	-3,2%	7.950	3,5%	4,0%
Romania	6.162	60,2%	3.846	2,8%	1,9%
Polonia	5.726	-6,4%	6.115	2,6%	3,1%
Russia	5.608	87,6%	2.989	2,5%	1,5%
Lettonia	5.504	25,7%	4.377	2,5%	2,2%
Bosnia-Erzegovina	4.136	24,3%	3.326	1,9%	1,7%
Finlandia	2.521	34,9%	1.868	1,1%	0,9%
Slovenia	1.955	5,0%	1.863	0,9%	0,9%
Belgio	1.850	551,2%	284	0,8%	0,1%
OTHER	8.501	-8,3%	9.275	3,8%	4,7%
TOTAL GENERAL	221.600	12,1%	197.653		

Istat data processed by Fedecomlegno
2016 provisional data

Table N.4 – Softwood Lumber Imports, Apparent Consumption, Stocks, Production and Exports

000s m ³ (*)	Actual 2011	Actual 2012	Actual 2013	Actual 2014	Actual 2015	Forecast 2016
Imports	5 001	4 155	3 936	3 904	3 873	3 950
(-) Re-exports	123	146	120	140	151	140
(+) Imported Stock on 1st January	1 350	1 250	1 250	1 050	1 050	1 100
Availability	6 228	5 259	5 066	4 814	4 772	4 890
(-) Closing Stock on 31st December	1 250	1 250	1 050	1 050	1 050	1 100
Imported Apparent Consumption	4 978	4 010	4 016	3 764	3 722	3 790
(+) Domestic Production	750	850	860	910	920	950
(-) Exports	-	-	-	-	-	-
TOTAL CONSUMPTION	5 729	4 860	4 876	4 674	4 642	4 760

(*) Not all the glue lam beams that are imported in Italy are included in the Taric codes of sawn softwood: therefore **additional data about imported glulam beams are to be considered**. For 2014, import of glulam were 508,000 cubic meters, for 2015, 505,000 cubic meters and the 2016 forecast of import is 530,000 cubic metres.

D. CE-marking

The only standard which has recently entered into force is the EN 15497 relative to kvh (product difficult to be monitored in the absence of specific import customs code). There has been no significant market changes.

E. Wood Energy

In 2015 there has been a general decrease of imports for all biomass both for the mild climate that has characterized the winter and the availability of local raw material.

To now pellet price is fairly stable. Decrease of price is recorded for wood chips.

F. Promotion

Wood promotion in Italy is still quite active, in particular as regards the timber structures. FederlegnoArredo is

also involved in financing University projects (Trento and Milan) for the study of seismic behavior of timber structures. These funding are supported independently or under the auspices of Promolegno (the project that is being carried out since many years in accordance with Austrian partners of Pro-Holz). Soon in South of Italy will be organized by Promolegno technical courses about timber construction open to architects and engineers. This part of the territory, thus far neglected, it can offer important development opportunities for the timber construction sector.

G. Environmental issues / certified forest products

EUTR: about 90% of sawn softwood imports are intra-European origin. The operators of this sector are therefore less subject to the mandatory requirements regarding the verification of legality with respect to other categories of products. For softwood is not recorded a

growing demand for products certified according to PEFC and FSC schemes. Are not yet evident on timber market the effect of Italy's new law on green public procurement.

H. Forecast

2016 starts recovering but the recovery is weaker than expected especially considered the latest data on general economy. Italy is in deflation and is not a good sign. As result of the recent seismic events the Government announced major economic measures for a global securing of the national territory. To now are just ads to match with public finances. The continuation of tax incentives for building renovations and for energy efficiency, is still be the factor that drives private investment in residential building.

In short: 2016 will not be much different from 2015. Probably, substantial changes still take a long time to come.



LATVIA

Source: Association of Latvian Timber Producers and Traders

PRODUCER

General information

	Unit	2014	2015	2016	2017
Population	million	2.00	1.99	1.99	1.99
Inflation rate	%	0.7%	0.2%	0.2%	2.2%
Unemployment rate	%	8.5%	8.7%	8.3%	8.3%
Construction industry					
Finished dwellings	units	-	-	-	-
Commenced new dwellings	units	2 194	1 955	1 900	2 000
Wage development	%	6.8%	6.8%	5.1%	4.8%
Average working time in sawmilling	h/week	-	-	-	-

Sawn softwood

	Unit	2014	2015	2016	2017
Production	1 000 m ³	2 620	2 690	2 700	2 690
Imports	1 000 m ³	439	570	713	650
Exports	1 000 m ³	2 258	2 440	2 538	2 460
Consumption	1 000 m ³	801	820	860	880

Softwood Logs

	Unit	2014	2015	2016	2017
Removals	1 000 m ³	4 623	4 678	4 980	4 880
Imports	1 000 m ³	810	994	720	700
Exports	1 000 m ³	193	292	300	200
Consumption	1 000 m ³	5 240	5 380	5 400	5 380

Legend: preliminary data / estimation

Availability of logs

(1 = low; 2 = medium low; 3 = normal; 4 = medium high; 5 = high) - 2016 and 2017 are estimates

	Unit	2014	2015	2016	2017
Softwood	Range 1-5	2	4	3	
Pine ¹				4	
Spruce ¹				2	

1) FYI - availability depends very much on species.

Capacity increases

Expected new plants or new capacity increases in existing mills

	Unit	2014	2015	2016	2017
Softwood	1 000 m ³	150	50	-	-

Cost development (%)

	Unit	2014 v/s 2013	2015 v/s 2014	2016 v/s 2015	Estimate 2017
Softwood logs	%	12%	-4%	-3%	3%
Energy	%	2%	-5%	-3%	0%
Transport	%	0%	6%	3%	3%

Price development (%)

	Unit	2013 v/s 2012	2014 v/s 2013	2015 v/s 2014	2016 v/s 2015
Sawn softwood	%	3%	-6%	2%	[+3% to +5%]
Chips	%	-19%	-5%	0%	[+3% to +5%]
Sawdust	%	-10%	-12%	-6%	-3%

PRODUCER Market statement

General economics outlook

GDP growth in 2015 was 2.7%, forecast for year 2015 was 2.7%, but a review with slower increase rate is possible. Very low inflation rate (0.2%), increase in production activities (+3.4%) were noticed in 2015. Foreign trade balance reduced from -10.2% to -8.7% of GDP. Standart & Poors rating stays unchangeable on A- level.

Policy measures might affect the forest based sector

In year 2015/2016 Sustainable Biomass Partners (SBP) certification requirement came into force for industrial pellet suppliers. Additional requirements, requested from 2017, will negatively impact sawdust traditional suppliers.

Developments regarding wood availability, biomass energy and sawnsoftwood

Winter season 2015/2016 overpassed normal harvesting activities, log yards in mills also were on normal levels. Since year 2016 log import possibilities were reduced due to sawlog export ban from Belarus. Sideproducts in market such as chips, sawdust has been negatively affected by warm weather & low heating season. It is a 3rd connective year with low demand from Nordic & Scandinavian DH/CHP plants. Low demand for pellets noticeably reduced prices for wood biomass raw material. During summer several minor windstorms occurred in Latvia, Estonia and Belarus. As a result in a short term period supply of pine sawlogs has increased (of which important part are wind storm damaged logs). Pine and spruce sawlog markets has very different trends at the moment. Ready made product (sawntimber) market requests mainly spruce lumber, marketing possibilities for pine are very limited.



NORWAY

Source: Treindustrien

PRODUCER

General information

	Unit	2014	2015	2016*	2017
Population	million	5.16	5.16	5.20	5.20
Inflation rate	%	2.0%	2.1%	4.5%	2.2%
Unemployment rate	%	3.5%	4.0%	4.7%	4.5%

Construction industry

Finished dwellings	units	29 000	28 300	29 000	
Commenced new dwellings	units	27 130	30 927	31 500	33 000

Wage development	%	3.1%	2.8%	2.6%	2.7%
Average working time in sawmilling	h/week	37.5	37.5	37.5	37.5

Sawn softwood

	Unit	2014	2015	2016*	2017
Production	1 000 m ³	2 400	2 444	2 500	2 450
Imports	1 000 m ³	970	980	950	950
Exports	1 000 m ³	516	562	550	500
Consumption	1 000 m ³	2 854	2 862	2 900	2 900

Softwood Logs

	Unit	2014	2015	2016*	2017
Removals	1 000 m ³	5 300	5 400	5 400	5 400
Imports	1 000 m ³	150	116	150	150
Exports	1 000 m ³	1 040	1 380	1 400	1 400
Consumption	1 000 m ³	4 410	4 136	4 150	4 150

Legend: preliminary data / estimation

Availability of logs

(1 = low; 2 = medium low; 3 = normal; 4 = medium high; 5 = high) - 2016 and 2017 are estimates

	Unit	2014	2015	2016	2017
Softwood	Range 1-5	2	2	3	3

Capacity increases

Expected new plants or new capacity increases in existing mills

	Unit	2014	2015	2016	2017
Softwood	1 000 m ³	0	0	0	0

Cost development (%)

	Unit	2014 v/s 2013	2015 v/s 2014	2016 v/s 2015	Estimate 2017
Softwood logs	%	10.5%	-3.0%	-4.0%	..
Energy	%	0.0%	-2.1%
Transport	%	2.3%	1.3%		

Price development (%)

	Unit	2013 v/s 2012	2014 v/s 2013	2015 v/s 2014	2016 v/s 2015
Sawn softwood	%	3.0%	0.0%	0.0%	
Chips	%	
Sawdust	%	

* Numbers for 2016 from jan-july

PRODUCER Market statement

General economic outlook and sector specific marked information

Judged by traditional social and economic indicators the overall situation in Norway is still satisfactory at the national level. Decline in the oil and offshore industry over the past few years has affected unemployment in Norway. There is a new demand for restructuring and new developments in the Norwegian economy.

The conservative government has started working on several strategies that aim to strengthen competitiveness based on renewable resources. The focus on the forest and wood industry has increased, but there is still a lack of targeted measures in place to better conditions for the industry.

Closedowns in the pulp and paper industry through 2011 – 2013- a direct result of unsatisfactory political framework – have led to halved domestic pulpwood consumption. The distribution channels for pulpwood

and sawmills' cellulose chips and other residues have changed dramatically with severe implications for the Norwegian sawmilling sector. Forest owners' increased focus on foreign – primarily pulpwood-markets has led to increased sawlog exports as well. The sawlog availability for the domestic industry has worsened with price increases as a consequence.

There are now initiatives and plans present to establish future production of biofuels based on forest commodities. The wood industry expect that the government will increase the requirement for use of advanced biofuel by the end of this year. This market stimulus will make it possible to invest in biofuel technology and industry.

Policy measures that might affect the forest-based sector

The national strategic process "Skog 22" has resulted in clear recommendations for the way forward. It is still

too early to predict the effects this process may have on the Norwegian forest sector, but the strategy is a unified recommendation that will influence policy-making. The government has announced that a new White paper for the forest sector this autumn.

The lack of basic industrial understanding from government officials is a severe challenge. One will normally see a mix of measures with more focus on economic support for research and innovation and less focus on the basic conditions for industrial activity than one could wish from an industrial point of view. Measures concerning infrastructure and unfavorable taxes and regulations compared to those of major competing countries, must be a substantial part of the solution. It is important to the Wood Industry Federation that market understanding is base of preparation for the strategy with associated measures that will improve the framework and thus the competitiveness.

Developments regarding wood availability, wood/biomass energy and sawn softwood

Availability of sawlogs is somewhat unstable, due to exports and fluctuations in various markets. The market development relative to housing starts has been positive and it is estimated further growth.

As the domestic wood based building element prefabrication industry is not sufficiently developed, the increasing import of these commodities is a threat to the sawmilling industry. There is, however, increased focus on industrialization by the funding agencies, in the industry and by entrepreneurs.

There is a shift in energy policy. The proposed requirement for increased use of biofuel will facilitate spillover effects for the whole forest sector in Norway. Sustainability, climate and the environment is on the agenda in the construction and building industry. The industry has developed climate and environmental policies with emphasis on circular economy. This can contribute positively to further development for the wood industry.



ROMANIA

Source: ASFOR – Asociația Forestierilor Din România

PRODUCER

Legend: **preliminary data** / **estimation**

General information

	Unit	2014	2015	2016	2017
Population	million	21.0	19.5	21.0	21.0
Inflation rate	%	4.3%	-0.6%	-6.0%	-0.6%
Unemployment rate	%	7.5%	5.6%	6.0%	6.0%

Construction industry

Finished dwellings	units	40 000	43 000	44 000	45 000
Commenced new dwellings	units	7 000	9 400	9 800	9 800

Wage development	%	5.5%	1.4%	1.5%	1.6%
Average working time in sawmilling	h/week	40	40	40	40

Sawn softwood

	Unit	2014	2015	2016	2017
Production	1 000 m ³	3 600	3 941	4 000	4 000
Imports	1 000 m ³	25	89	100	100
Exports	1 000 m ³	2 500	1 936	2 000	2 000
Consumption	1 000 m ³	1 229	2 094	2 100	2 100

Softwood Logs

	Unit	2014	2015	2016	2017
Removals	1 000 m ³	6 558	7 630	7 000	7 000
Imports	1 000 m ³	917	1 644	2 000	2 000
Exports	1 000 m ³	215	121	130	130
Consumption	1 000 m ³	7 260	9 153	8 870	8 870

Availability of logs

(1 = low; 2 = medium low; 3 = normal; 4 = medium high; 5 = high) - 2016 and 2017 are estimates

	Unit	2014	2015	2016	2017
Softwood	Range 1-5	3	4	4	4

Capacity increases

Expected new plants or new capacity increases in existing mills

	Unit	2014	2015	2016	2017
Softwood	1 000 m ³	0	0	0	0

Cost development (%)

	Unit	2014 v/s 2013	2015 v/s 2014	2016 v/s 2015	Estimate 2017
Softwood logs	%	32%	40%	32%	32%
Energy	%	35%	35%	35%	35%
Transport	%	25%	25%	25%	25%

Price development (%)

	Unit	2013 v/s 2012	2014 v/s 2013	2015 v/s 2014	2016 v/s 2015
Sawn softwood	%	-7%	-7%	-7%	-7%
Chips	%	-7%	-7%	-7%	-7%
Sawdust	%	-7%	-7%	-7%	-7%

PRODUCER Market statement

From the gathered data, a population growth of 7% has been noted (compared to 2014), as a result of reducing the workforce within EU member states, as well as because of the Brexit (Britain having had potential of maintaining).

Also, due to the large population flow coming from the Middle East, the tendency now is for the workforce to retreat in the countries of origin.

The inflation rate, compared to 2014, has dropped significantly, reaching a negative level.

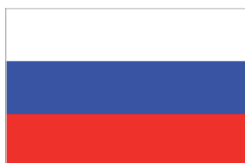
We can observe a constant rise both in the finished constructions sector as well as regarding the new constructions (as compared to 2014).

The growth rate recorded a significant decrease, as the 40h/week working time is maintained.

A slightly rising trend is estimated for the softwood lumber production but, on the other hand, exports are decreasing quite a bit because of the latest Government decisions in favor of exports of wood products with added value (furniture, elements, plywood, panels of a wide range of wood species, etc.).

The tendency is to reduce the exports of softwood logs to the minimum but, at the same time, to increase the imports (softwood logs, coming mainly from the Ukraine).

Production capacities went bankrupt and closed, due to high prices for raw material and the weak offer for wood with high recovery.



RUSSIA

Source: Ilim Timber

PRODUCER

General information

	Unit	2014	2015	2016	2017
Population	million	143.0	146.0	146.5	146.8
Inflation rate	%	11.36%	12.90%	6.90%	
Unemployment rate	%	5.20%	5.30%	5.80%	6.00%

Construction industry

Finished dwellings	units	266 000	270 000	270 000	265 000
Commenced new dwellings	units				

Wage development	%	100.0%	105.1%	107.8%	105.0%
Average working time in sawmilling	h/week	40	40	40	40

Sawn softwood

	Unit	2014	2015	2016	2017
Production	1 000 m ³	31 000	32 000	33 200	33 500
Imports	1 000 m ³	0	0	0	0
Exports	1 000 m ³	21 360	22 368	23 200	24 000
Consumption	1 000 m ³	10 360	9 662	10 000	9 500

Softwood Logs

	Unit	2014	2015	2016	2017
Removals	1 000 m ³	71 400	72 600	74 000	74 500
Imports	1 000 m ³	0	0	0	0
Exports	1 000 m ³	11 672	10 330	11 000	11 000
Consumption	1 000 m ³	61 009	62 270	63 000	63 500

Legend: preliminary data / estimation

Availability of logs

(1 = low; 2 = medium low; 3 = normal; 4 = medium high; 5 = high) - 2016 and 2017 are estimates

	Unit	2014	2015	2016	2017
Softwood	Range 1-5	3	3	3	3

Capacity increases

Expected new plants or new capacity increases in existing mills

	Unit	2014	2015	2016	2017
Softwood	1 000 m ³	800	600	500	700

Cost development (%)

	Unit	2014 v/s 2013	2015 v/s 2014	2016 v/s 2015	Estimate 2017
Softwood logs	%	9%	17%	27%	5%
Energy	%	5%	6%	5%	5%
Transport	%	6%	6%	10%	5%

Price development (%)

	Unit	2013 v/s 2012	2014 v/s 2013	2015 v/s 2014	2016 v/s 2015
Sawn softwood	%	0%	0%	0%	0%
Chips	%	0%	0%	0%	0%
Sawdust	%	0%	0%	0%	0%

PRODUCER Market statement

China remains the main market for Russian log exports (about 10 mln. m³ / per year) and Russian sawn timber export (about 11 mln m³ / per year).

Devaluation of Russian ruble in 2014 and 2015 drives increase in harvesting and timber exports.

Timber volumes from markets with weak currencies have been redistributed to the China market. Volumes of domestic market remain stable.

Russian state policy promoting deep-processing of saw log inside Russia resulted in significant growth of sawn timber production and exports. Saw log export volumes have decreased.

Russian sawmilling industry is going through modernisation and adding new capacity. Lack of infrastructure accessing available cut and weak development of by-products markets are limiting further growth of the industry.

Siberia still has great potential for the development of wood-working industry because of log quality, log availability and proximity to China market.



SPAIN

Source: AEIM / Spanish Timber Trade Federation

USER

General information

	Unit	2014	2015	2016	2017
Population	million	45.9	45.8	45.7	45.6
Inflation rate	%	-0.2%	-0.6%	-0.2%	1.1%
Unemployment rate	%	24.5%	22.1%	19.9%	18.5%

Construction industry

Finished dwellings	units	46 795	49 695	49 018	50 292
Commenced new dwellings	units	34 873	45 152	46 416	48 459

Wage development %

Average working time in sawmilling h/week

Sawn softwood

	Unit	2014	2015	2016	2017
Production	1 000 m ³	1 665	1 715	1 720	1 726
Imports	1 000 m ³	824	894	969	1 009
Exports	1 000 m ³	115	178	192	199
Consumption	1 000 m ³	2 374	2 431	2 497	2 536

Softwood Logs

	Unit	2014	2015	2016	2017
Removals	1 000 m ³	2 268			
Imports	1 000 m ³	441	374	395	
Exports	1 000 m ³	746	570	604	
Consumption	1 000 m ³	1 963			

Legend: preliminary data / estimation

Availability of logs

(1 = low; 2 = medium low; 3 = normal; 4 = medium high; 5 = high) - 2016 and 2017 are estimates

	Unit	2014	2015	2016	2017
Softwood	Range 1-5				

Capacity increases

Expected new plants or new capacity increases in existing mills

	Unit	2014	2015	2016	2017
Softwood	1 000 m ³				

Cost development (%)

	Unit	2014 v/s 2013	2015 v/s 2014	2016 v/s 2015	Estimate 2017
Softwood logs	%				
Energy	%				
Transport	%				

Price development (%)

	Unit	2013 v/s 2012	2014 v/s 2013	2015 v/s 2014	2016 v/s 2015
Sawn softwood	%				
Chips	%				
Sawdust	%				

USER Market statement

- Macroeconomic figures continue to improve but very slowly and from a very low level.
- Unemployment rate has declined but remains very high, at 19% of active population.
- Construction continues to grow albeit at a slow pace. There are areas there is a shortage of housing and prices in general are rising.
- Imports and trade of timber is increasing in Spain, mainly due to new uses (like outdoor applications and for glulam purposes). Also exports of the spanish timber industry (especially construction products) are growing.
- Indicators on confidence in consumption have slowed and are declining slightly.
- Political uncertainty is contributing to this climate of distrust.



SWEDEN

Source: SFIF – Swedish Forest Industries Federation

PRODUCER

General information

	Unit	2014	2015	2016	2017
Population	million	9.7	9.9	10.0	10.1
Inflation rate	%	-0.2%	0.9%	2.3%	1.6%
Unemployment rate	%	7.9%	7.4%	7.2%	7.1%

Construction industry

Finished dwellings	units	35 700	42 000	51 000	53 000
Commenced new dwellings	units	37 900	47 600	55 100	54 300

Source: Euroconstruct

Wage development	%				
Average working time in sawmilling	h/week	n.a.	n.a.	n.a.	n.a.

Sawn softwood

	Unit	2014	2015	2016	2017
Production	1 000 m ³	17 660	18 074	17 900	18 000
Imports	1 000 m ³	150	130	130	130
Exports	1 000 m ³	12 300	12 820	12 900	12 900
Consumption	1 000 m ³	5 000	5 200	5 500	5 500

Softwood Logs

	Unit	2014	2015	2016	2017
Removals ¹	1 000 m ³	35 340	35 820	35 320	35 540
Imports ²	1 000 m ³	980	1 200	1 200	1 200
Exports	1 000 m ³	320	320	320	320
Consumption	1 000 m ³	36 000	36 700	36 200	36 400

1) Source: SDC - 2) Source: SCB

Legend: preliminary data / estimation

Availability of logs

(1 = low; 2 = medium low; 3 = normal; 4 = medium high; 5 = high) - 2016 and 2017 are estimates

	Unit	2014	2015	2016	2017
Softwood	Range 1-5	4	3	3	3

Capacity increases

Expected new plants or new capacity increases in existing mills

	Unit	2014	2015	2016	2017
Softwood	1 000 m ³		No available estimates. Referring to production estimate.		

Cost development (%)

	Unit	2014 v/s 2013	2015 v/s 2014	2016 v/s 2015	Estimate 2017
Softwood logs	%	5%	6%	slight decrease	n.a.
Energy ¹	%	decrease	decrease	n.a.	n.a.
Transport ¹	%	unchanged	unchanged	n.a.	n.a.

1) Source: SCB

Price development (%)

	Unit	2013 v/s 2012	2014 v/s 2013	2015 v/s 2014	2016 v/s 2015
Sawn softwood ¹	%	1.9%	10.6%	-3.2%	-5.7% (jan-jul)
Chips	%	decrease	about unchanged	about unchanged	n.a.
Sawdust	%	decrease	decrease	decrease	n.a.

1) Source: SCB

PRODUCER Market statement

Supply of sawn softwood, raw material supply and currencies

During the first seven months of 2016 the Swedish production was one per cent lower than the same period last year. We believe that the production will keep on at about the same level during the rest of the year. Thus, the total production this year is forecast to be 17.9 million m³ or one per cent less than last year. Next year the production is forecast to increase only slightly and reach about 18 million m³.

Since 2013 the production has increased 12 per cent or two million cubic meters, that is a quite substantial increase. From this higher level the production has now started to level out. The slightly lower pace of production coupled with overall rather healthy demand has pressed down the stocks of finished goods, in particularly for construction related products.

The availability of sawlogs could be described as rather normal. About 97 per cent of the raw material is domestic. During the latest years the imports of sawlogs has started to increased again, after having been marginal at most during a period of about ten years. The reason for the increase is almost entirely increased imports of Norwegian logs to southern Sweden.

Since last autumn the Swedish Krona has appreciated with about 4 per cent against the most important currencies for Swedish wood exports. In late August the Swedish currency was valued as the average since 2000.

The Swedish markets

The total export of sawn and planed softwood was one per cent lower during the first half of 2016 compared with last year. The average export price has started to increase since the second quarter but was nevertheless

in June almost eight per cent lower than the same month last year.

The development differs quite much from one market to another. Volumes have increased on important European markets such as United Kingdom (+2% January-June), Denmark (+12%) and Poland (+31%). The German and Norwegian markets have shown a more modest development with unchanged or slightly lower volumes. Total export volumes to European markets increased 4% up to June.

China is an increasingly important market for Swedish sawmills and exports have increased with about 40 per cent to 435 000 m³ during January-June. China is now the seventh largest export market for Swedish sawmills. Exports to Egypt - the largest redwood export market - have decreased with 22% up to June.

Low interest rates, immigration and - after a decade of very low building activities - a pent up demand are driving building activities in many markets for Swedish wood. In addition wood as a building material is increasingly

popular. This makes a good ground for production-related wood products, not least in Europe. At the same time the demand of Swedish wood is increasing from non-European markets as China and USA. About 40 per cent of the Swedish exports are today shipped to outside Europe.

The domestic market is healthy with increasing volumes this year. The strong demand is underpinned by building activities on a 25 year record high level. Building with wood is more often preferred. Today, the capacity in wood construction is a limiting factor but new projects such as new CLT-production sites are coming up to meet the increasing demand.

Swedish Forest Industries Federation
2016-09-07



SWITZERLAND

Source: HIS – Holzindustrie Schweiz

PRODUCER

Legend: **preliminary data** / **estimation**

General information

	Unit	2014	2015	2016	2017
Population	million	8.2	8.3	8.4	8.5
Inflation rate	%	0.0%	-1.1%	-0.4%	0.3%
Unemployment rate	%	3.2%	3.3%	3.5%	3.6%

Construction industry

Finished dwellings	units	46 868	46 000	45 000	44 000
Commenced new dwellings	units	76 771			

Wage development	%	1.4%	0.0%	0.0%	0.5%
Average working time in sawmilling	h/week	42.5	42.5	42.5	42.5

Sawn softwood

	Unit	2014	2015	2016	2017
Production	1 000 m ³	1 068	1 035	1 050	1 070
Imports	1 000 m ³	330	310	315	300
Exports	1 000 m ³	195	175	185	200
Consumption	1 000 m ³	1 215	1 170	1 180	1 170

Softwood Logs

	Unit	2014	2015	2016	2017
Removals	1 000 m ³	2 327	2 077	2 100	2 200
Imports	1 000 m ³	38	42	35	30
Exports	1 000 m ³	485	368	315	300
Consumption	1 000 m ³	1 880	1 751	1 820	1 930

Availability of logs

(1 = low; 2 = medium low; 3 = normal; 4 = medium high; 5 = high) - 2016 and 2017 are estimates

	Unit	2014	2015	2016	2017
Softwood	Range 1-5	3	4	3	3

Capacity increases

Expected new plants or new capacity increases in existing mills

	Unit	2014	2015	2016	2017
Softwood	1 000 m ³	-40	0	-20	-20

Cost development (%)

	Unit	2014 v/s 2013	2015 v/s 2014	2016 v/s 2015	Estimate 2017
Softwood logs	%	5%	-7%	1%	1%
Energy	%	3%	-2%	-1%	1%
Transport	%	2%	0%	1%	1%

Price development (%)

	Unit	2013 v/s 2012	2014 v/s 2013	2015 v/s 2014	2016 v/s 2015
Sawn softwood	%	0%	2%	-9%	-2%
Chips	%	3%	3%	-10%	-2%
Sawdust	%	5%	2%	-10%	-2%



THE NETHERLANDS

USER

Source: VVNH / Netherlands Timber Trade Association

General information

	Unit	2014	2015	2016	2017
Population	million	16.83	16.90	16.97	17.05
Inflation rate	%	0.30%	0.20%	0.10%	0.90%
Unemployment rate	%	7.25%	6.90%	6.40%	6.20%

Construction industry

Finished dwellings	units	43 200	47 600	52 100	54 700
Commenced new dwellings	units	39 400	53 500	45 000	45 000

Wage development	%	1.0%	1.3%	1.6%	1.7%
Average working time in sawmilling	h/week	n.a.	n.a.	n.a.	n.a.

Sawn softwood

	Unit	2014	2015	2016	2017
Production	1 000 m ³	160	129	150	150
Imports	1 000 m ³	2 192	2 443	2 565	2 640
Exports	1 000 m ³	421	456	400	400
Consumption	1 000 m ³	1 931	2 116	2 315	2 390

Softwood Logs

	Unit	2014	2015	2016	2017
Removals	1 000 m ³	315	293	310	310
Imports	1 000 m ³	95	57	70	70
Exports	1 000 m ³	103	112	100	100
Consumption	1 000 m ³	308	238	280	280

Legend: preliminary data / estimation

Availability of logs

(1 = low; 2 = medium low; 3 = normal; 4 = medium high; 5 = high) - 2016 and 2017 are estimates

	Unit	2014	2015	2016	2017
Softwood	Range 1-5	3	3	4	4

Capacity increases

Expected new plants or new capacity increases in existing mills

	Unit	2014	2015	2016	2017
Softwood	1 000 m ³	0	0	0	0

Cost development (%)

	Unit	2014 v/s 2013	2015 v/s 2014	2016 v/s 2015	Estimate 2017
Softwood logs	%	n.a.	n.a.	n.a.	n.a.
Energy	%	-12.0%	-21.5%	-33.0%	n.a.
Transport	%	0.3%	0.8%	-1.0%	n.a.

Price development (%)

	Unit	2013 v/s 2012	2014 v/s 2013	2015 v/s 2014	2016 v/s 2015
Sawn softwood	%	5.3%	2.2%	-7.3%	-3.5%
Chips	%	n.a.	n.a.	n.a.	n.a.
Sawdust	%	n.a.	n.a.	n.a.	n.a.

USER Market statement

1. General Economic Situation

The Dutch economy is slowly recovering from the economic crisis. GDP grew by 2.0% in 2015, domestic industrial production increased by 2.6% and export by 5.3%. Unemployment decreased to 6.9% in 2015 from 7.3% in 2014. Purchasing power increased by 1.0% and consumption grew by 1.5% in 2015. Corporate investments increased by 8.2%, which is an enormous difference to the decline of -5.7% in 2013. According to preliminary calculations by CBS (Statistics Netherlands), the Dutch economy has grown by 2.3% in the second quarter of 2016 compared to the same period the year before. This growth is driven by higher exports, more corporate investments and more private consumption.

The housing industry is traditionally important for the softwood industry. After the sharp decline in completed house-buildings of approximately 40% from 2008 to 2012, in recent years the situation has turned around. Partly resulting from stimulating measures of the Dutch government and also due to the low mortgage rates. The number of newly built houses completed in 2016 is 9.5% higher than in 2015. After a steep increase in the number of house building permits granted in 2014 and 2015 respectively the number is expected to decrease in 2016 and seems to stabilise in 2017. Resulting in a total number of 45,000 granted permits in 2016 as well as 2017. This number of granted building permits is relatively low and might result in a stagnating building production in the years after 2017. Indicated by expected less growth in 2017 as well.

Table 1: Dutch economic indicators

Indicator	Unit	2012	2013	2014	2015	2016	2017
GDP ¹	%	-1.6	-0.5	1.0	2.0	1.8	2.1
Euro (dollar/euro) ¹	Ratio	1.28	1.34	1.33	1.11	1.13	1.13
Inflation ¹	%	2.8	2.6	0.3	0.2	0.1	0.9
Purchasing power	%	-1.9	-1.3	1.4	1.0	2.6	0.2
Unemployment ¹	x 1000	516	647	660	614	575	560
Unemployment rate	%	5.8	7.3	7.25	6.9	6.4	6.2
Industrial production ²	%	-1.9	-1.2	1.9	2.6	2.3	2.7
Building permits granted	Number	37 400 ³	26 200 ³	39 400 ³	53 500 ³	45 000 ⁴	45 000 ⁴
Ditto	%	-33	-30	50.4	35.8	-15.9	0.0
House-building completed	Number	51 500 ³	49 500 ³	43 200 ³	47 600 ³	52 100 ⁴	54 700 ⁴
Ditto	%	-10.4	-3.9	-12.7	10.2	9.5	5.0

CPB, 2016. Policy Brief 2016/05. June Forecast 2016, Economic Forecasts 2016 and 2017. CPB (Netherlands Bureau for Economic Policy Analysis), The Hague. 2) Private sector production. 3) CBS Statline, June 2016. 4) Estimations by Probos based on the Sector prognoses of the Rabobank and ING of June 2016 and July 2016 respectively (<https://www.rabobank.nl/bedrijven/cijfers-en-trends/sectorprognoses/> and https://www.ing.nl/media/ING_EBZ-Productiegroeibouw_neemt_af_Juli_2016_tcm162-107086.pdf)

Figure 1: Consumer confidence trend in the period from 2001 to the first half of 2016



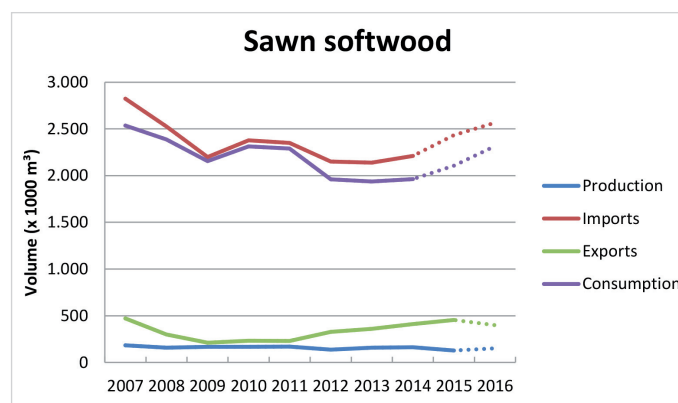
(Source: CBS Statline)

Consumer confidence is an indicator of consumers' faith and expectations in the Dutch economy. It is however largely influenced by the general world economy. As is shown in figure 1, consumer confidence in the Netherlands has increased sharply since 2013 and seems to levels off in 2016.

2. The Dutch Sawn Softwood Market

After a period of decreasing imports and consumption since 2007 (see figure 2), the sawn softwood market in the Netherlands seems to recover in 2015. Both import and export increased. Production decreased, due to a shift from bulk production to high quality sawn timber in the largest sawmill. Imports of rough sawn softwood timber increased by 10%, while imports of further processed (planed) sawn softwood timber increased by 14%. Rough sawn softwood has a share of 60% of the total softwood import (Table 2). Stocks remained at a low level and are expected to stay at this level in the coming years. Although they will move slightly upwards in line with a developing market.

Figure 2: Development of production, import, export and consumption of sawn softwood in the Netherlands in the period 2007-2015 and expectations for 2016 and 2017.



(Source: CBS trade statistics edited by Probos and Probos Roundwood-survey)

Table 2: Sawn softwood imports (volume in m³)

Countries	2014				2015				Sawn	Planed	Total
	Sawn	Planed	Total	%	Sawn	Planed	Total	%			
1 Sweden	177 744	365 740	543 484	25%	234 993	424 064	659 057	27%	32%	16%	21%
2 Germany	248 087	205 890	453 977	21%	245 754	260 187	505 941	21%	-1%	26%	11%
3 Russia	279 017	25 946	304 963	14%	297 646	30 116	327 762	13%	7%	16%	7%
4 Finland	171 166	34 397	205 563	9%	187 751	33 322	221 073	9%	10%	-3%	8%
5 Latvia	120 236	39 271	159 507	7%	115 157	53 145	168 302	7%	-4%	35%	6%
6 Belgium	74 790	82 475	157 265	7%	75 365	49 018	124 383	5%	1%	-41%	-21%
7 Belarus	69 546	1 155	70 701	3%	92 465	2 019	94 484	4%	33%	75%	34%
8 Estonia	38 623	18 659	57 282	3%	30 714	24 830	55 544	2%	-20%	33%	-3%
9 Ukraine	25 266	437	25 703	1%	33 503	637	34 140	1%	33%	46%	33%
10 Poland	8 606	23 600	32 206	1%	13 347	17 597	30 944	1%	55%	-25%	-4%
Other(*)	122 069	59 729	181 798	8%	142 906	78 152	221 058	9%	17%	31%	22%
Total	1 335 150	857 298	2 192 448		1 469 601	973 088	2 442 689		10%	14%	11.4%

* Other: This group consists of 36 countries with exports to the Netherlands of less than 30 000 m³ (Source: CBS)

The order of the top ten countries for softwood import in the Netherlands hasn't changed much between 2014 and 2015 (table 2). Sweden and Germany remain by far the foremost suppliers of softwood timber to the Netherlands. The total import volume from Sweden increased substantially (21%). Mainly due to an increase of the share of rough sawn softwood within the imports from Sweden. The volume from Germany increased as well, but less (11%). For the third year in a row the imports from Belarus increased by more than 25%. The volume from Poland is still reducing. The current economic sanctions set by the EU and Russia still do not seem to affect the softwood import from this country, as the volume grew again (7%).

3. 2016 and 2017 Forecast

CPB (Netherlands Bureau for Economic Policy Analysis) forecasts that the Dutch economy will grow by 1.8% in 2016 and 2.1% in 2017 (CPB, 2016. *Policy Brief 2016/05. June Forecast 2016, Economic Forecasts 2016 and 2017. CPB (Netherlands Bureau for Economic Policy Analysis), The Hague*).

Domestic production is expected to increase by 2.3% and 2.8% respectively in 2016 and 2017. This production combined with domestic investments and increasing private consumption are the main drivers of the economic growth. Consumption increases due to a combination of increasing wages, a low inflation and tax cuts. The unemployment steadily decreases to a level of 6.2% (560 000 persons) in 2017. The situation in the Netherlands is in line with that in other European countries.

As the Netherlands is mainly trading with other European countries and the USA the delay in the world wide trade isn't affecting the Netherlands that much. The exports by the Netherlands are even increasing.

Dutch sawn softwood imports are traditionally closely related to the situation in the residential construction industry. Based on the figures of the first half of 2016, the total number of newly built houses will be approximately 52 000 this year. This is slightly lower than the expectations of the EIB (Economic Institute for the Construction Sector) at the beginning of this year. The EIB expected this production to keep increasing by double figures in 2016 and onwards, but two large banks (ING and Rabobank) are a bit more pessimistic. Based on their prognoses in June and July respectively. The number of house-building completed is expected to increase by 9.5 and 5% in 2016 and 2017 respectively. This lower prognoses is mainly caused by a decrease in the number of building permits granted which wasn't expected at the beginning of this year. As a result of the improving situation in the building industry the import of sawn softwood is expected to pick up and the production is expected to increase steadily too.

Table 3: Summary of softwood statistics

Softwood lumber (1,000 m ³)	Year	2013	2014	2015	2016	2017
Production		159	160	129	150	150
Imports		2 138	2 192	2 443	2 565	2 640
Exports		359	421	456	400	400
Stock beginning of year		300	300	300	310	315
Availability	= 1+2-3+4	2 238	2 231	2 416	2 625	2 705
Stock end of year		300	300	310	315	318
Consumption	= 5-6	1 938	1 931	2 106	2 310	2 387

% change on previous year	2013	2014	2015	2016	2017
Production	16.1%	0.6%	-19.4%	16.3%	0.0%
Imports	-2.3%	2.5%	11.5%	5.0%	2.9%
Exports	9.8%	36.2%	8.3%	-12.3%	0.0%
Imported stock beginning of year	-14.3%	0.0%	0.0%	3.3%	1.6%
Availability	-4.7%	-2.5%	8.3%	8.7%	3.0%
Imported stock end of year	0.0%	0.0%	3.3%	1.6%	1.0%
Apparent consumption	-5.4%	-2.9%	9.1%	9.7%	3.3%

(Source: CBS/NTTA)

4. Environmental issues

NTTA's policy plan 2010 – 2015 'Conscious with timber':

Over the mentioned period the NTTA policy turned out to be very successful. Of course based on the activities of our members the imports of sustainably produced timber show an increase over the years. The import figures for 2015 show that **97%** of all softwood imported by NTTA members was derived from sustainably managed forests and presented with a FSC or PEFC (CoC) certificate (2008: 77%). Hardwood and panel product imports showed the following results: hardwood (2008: 19% > 2015: **61%**) and panel products (2008: 49% > 2015: **91%**). The overall achieved result was **89%**. Compared to the overall goal of 85% a nice achievement.

NTTA's policy 2016 – 2020: Based on the positive results over the last few years the NTTA adopted new sustainability goals for 2020. The new goals are: - Hardwood 65%; - Softwood 100%; - Panel products 90%. Het new overall goal for 2020 is 90%.

Green Deal: The GD was initiated by the NTTA and the NBvT (Dutch Association of Timber Manufacturers) but also signed by as many as 27 parties from government and timber using associations and federations in the Netherlands. Although not all involved partners were fully capable to come up with the expected results, the initiative turned out to be a success. It was not the effort of the NTTA alone, but the mutual efforts of all signatories to stimulate the use of sustainable produced timber wherever possible. This joint approach made it much easier to get the message 'Use it, or lose it' across, especially for tropical timber, and to create awareness for the advantages and positive effects of using sustainable produced timber in the Netherlands. A new Green deal for the period 2016-2020 is in preparation.



UNITED KINGDOM

USER

Source: Timber Trade Federation

General information

	Unit	2014	2015	2016	2017
Population	million	64.5	65.1	66.0	66.4
Inflation rate ¹	%	0.5%	0.2%	1.3%	2.5%
Unemployment rate ¹	%	6.3%	5.5%	5.2%	5.6%

1) Source: HM Treasury

Construction industry ²

Finished dwellings	units	145 780	166 980	158 650	155 000
Commenced new dwellings	units	169 910	176 960	171 650	168 000

2) Source: timbertrends

Wage development ¹	%	0.8%	2.7%	2.4%	2.5%
Average working time in sawmilling	h/week	n.a.	n.a.	n.a.	n.a.

1) Source: HM Treasury

Sawn softwood

	Unit	2014	2015	2016	2017
Production ³	1 000 m ³	3 716	3 449	3 583	3 716
Imports ⁴	1 000 m ³	5 928	5 888	6 043	6 076
Exports ²	1 000 m ³	157	167	171	172
Consumption	1 000 m ³	9 488	9 170	9 455	9 621

2) Source: timbertrends - 3) Source: FC - 4) Source: TTF(NSD)

Softwood Logs ³

	Unit	2014	2015	2016	2017
Removals	1 000 m ³	6 810	6 253	6 531	6 810
Imports	1 000 m ³	347	326	326	326
Exports	1 000 m ³	205	198	198	198
Consumption	1 000 m ³	6 952	6 380	6 659	6 937

3) Source: FC

Legend: preliminary data / estimation

Availability of logs ³

(1 = low; 2 = medium low; 3 = normal; 4 = medium high; 5 = high) - 2016 and 2017 are estimates

	Unit	2014	2015	2016	2017
Softwood	Range 1-5	3	3	3	2

3) Source: FC

Capacity increases

Expected new plants or new capacity increases in existing mills

	Unit	2014	2015	2016	2017
Softwood	1 000 m ³	n.a.	n.a.	n.a.	n.a.

Cost development (%)

	Unit	2014 v/s 2013	2015 v/s 2014	2016 v/s 2015	Estimate 2017
Softwood logs	%	n.a.	n.a.	n.a.	n.a.
Energy	%	n.a.	n.a.	n.a.	n.a.
Transport	%	n.a.	n.a.	n.a.	n.a.

Price development (%)

	Unit	2013 v/s 2012	2014 v/s 2013	2015 v/s 2014	2016 v/s 2015
Sawn softwood	%	n.a.	n.a.	n.a.	n.a.
Chips	%	n.a.	n.a.	n.a.	n.a.
Sawdust	%	n.a.	n.a.	n.a.	n.a.

USER Market statement

In line with the predictions from 2014, 2015 saw an overall decline in the production, import and consumption of softwood logs and sawn softwood.

Sawn softwood production decreased by 7%; imports were also down by around 1% and exports were relatively stable which contributed to an overall decrease in consumption of around 3% to around 9.2 million m³. This almost matches the 2014 prediction of a 2% decrease.

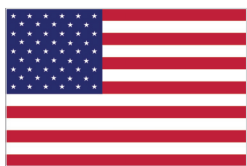
This relative decline in softwood consumption could be related to the overall plateauing/slow down in the rate of new homes built in 2015 as well as a shift in construction growth from housing to infrastructure for the year. The rate of increase in value of total housing output slowed from 25% in 2014 to just over 3% in 2015. Public housing output saw a decrease of 17% in 2015 and an even greater decrease of 22% in the first half of 2016. Private housing saw a moderate increase of around 8% in both periods. There was also a small contraction in UK manufacturing in 2015 and minimal growth in pallet and packaging manufacture and sales which decreased

by around 2%. There was a 6% decrease in the use of softwood roundwood for round fencing manufacture. All this may help to explain the decrease in softwood consumption for 2015.

Forecasts of UK production and imports for 2016 indicate that consumption levels should return to 2014 levels giving a rise of 3%. This would be due to a 4% increase in production and a 3% increase in imports. This growth contrasts however with the 2016 forecasts for housing starts which are predicted to fall 3% for 2016. This housing start forecast is based on existing data for the first half of 2016 which has shown a contraction of 2% compared to the same period in 2015.

Forecasts for 2017 show very low growth in production with a plateauing of imports and exports meaning that consumption growth is expected to be very minimal (less than 2%) giving an expected volume of 9.6 million m³.

Overall, growth in the market since 2012 appears to be slowing down.



UNITED STATES

Source: Western Wood Products Association

PRODUCER

General information

	Unit	2014	2015	2016	2017
Population ¹	million	318.86	321.42	323.00	326.63
Inflation rate ²	%	0.8%	0.7%	1.5%	1.9%
Unemployment rate ³	%	6.2%	5.3%	4.9%	5.2%
Construction industry					
Finished dwellings ⁴	units	883 800	968 200	1 100	1 000
Commenced new dwellings ⁵	units	1 003 300	1 111 800	1 075 000	1 200 000
Wage development	%	2.1%	2.2%	2.3%	2.6%
Average working time in sawmilling ⁶	h/week	43.4	43.0	43.1	43.6

Sawn softwood

	Unit	2014	2015	2016	2017
Production ⁷	1 000 m ³	53 146	53 394	56 064	59 989
Imports ⁸	1 000 m ³	21 479	23 534	27 064	28 418
Exports ⁹	1 000 m ³	2 926	2 637	2 640	2 508
Consumption ¹⁰	1 000 m ³	71 699	74 291	80 488	85 898

Softwood Logs

	Unit	2014	2015	2016	2017
Removals	1 000 m ³				
Imports	1 000 m ³	447	574	410	455
Exports	1 000 m ³	10 575	8 239	8 363	8 112
Consumption	1 000 m ³				

Legend: **preliminary data** / **estimation**

Availability of logs

(1 = low; 2 = medium low; 3 = normal; 4 = medium high; 5 = high) - 2016 and 2017 are estimates

	Unit	2014	2015	2016	2017
Softwood	Range 1-5				
WEST		3	3	3	2
SOUTH		5	5	5	4

Capacity increases

Expected new plants or new capacity increases in existing mills

	Unit	2014	2015	2016	2017
Softwood ¹¹	1 000 m ³	304	904	305	400

Cost development (%)

	Unit	2014 v/s 2013	2015 v/s 2014	2016 v/s 2015	Estimate 2017
Softwood logs	%				
Energy	%				
Transport	%				

Price development (%)

	Unit	2013 v/s 2012	2014 v/s 2013	2015 v/s 2014	2016 v/s 2015
Sawn softwood	%				
Chips	%				
Sawdust	%				

NOTES

- 1) Unofficially, about 10-20 million more.
- 2) Dec/Dec% Chg. U.S. govt. spending increases; higher govt. deficits; modestly higher rates on govt. bonds.
- 3) Yr/YR% Chg. People coming back into work force, PT/FT, plus net immigration numbers increase, both due to higher wages.
- 4) Unfinished inventory draw down as home prices & demand rise again.
- 5) Still heavier to multi-family than historical avgs.
- 6) Increase in demand plus continued consolidation.
- 7) Significant U.S. South production increases; modest increases in West (log supply issues continue).
- 8) Imports from Canada increase despite tariff; European imports see increases as well through 2017.
- 9) Lumber exports flat to down.
- 10) 7.9% increase in 2017 lumber consumption, year over year.
- 11) U.S. South mainly.

NOTES

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