

Trämarknaden Karlstad
November 24, 2011



THE CURRENT MARKET SITUATION

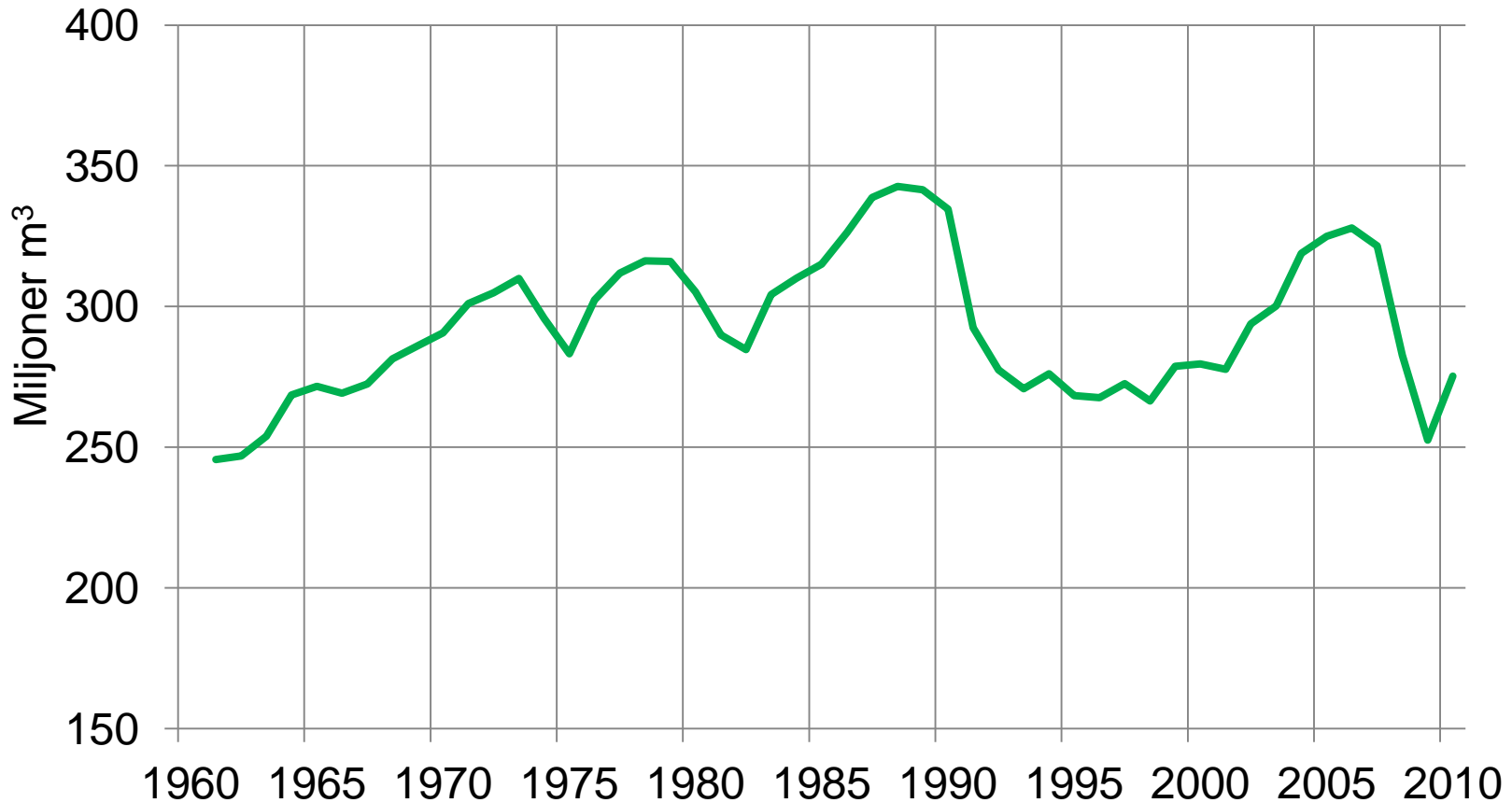
Bertil Stener

THE MARKET SITUATION

- and facing the reality

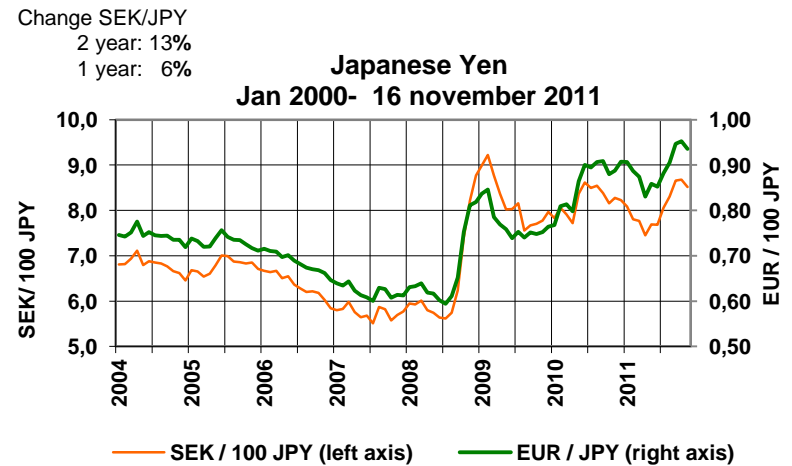
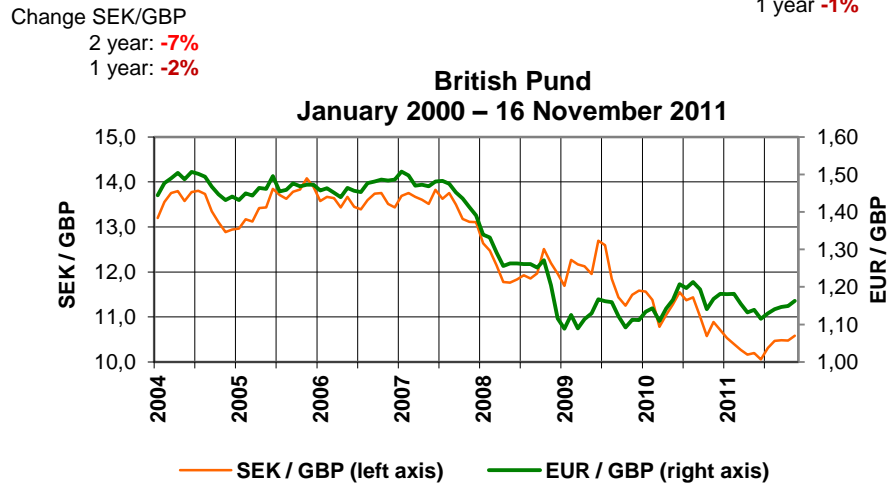
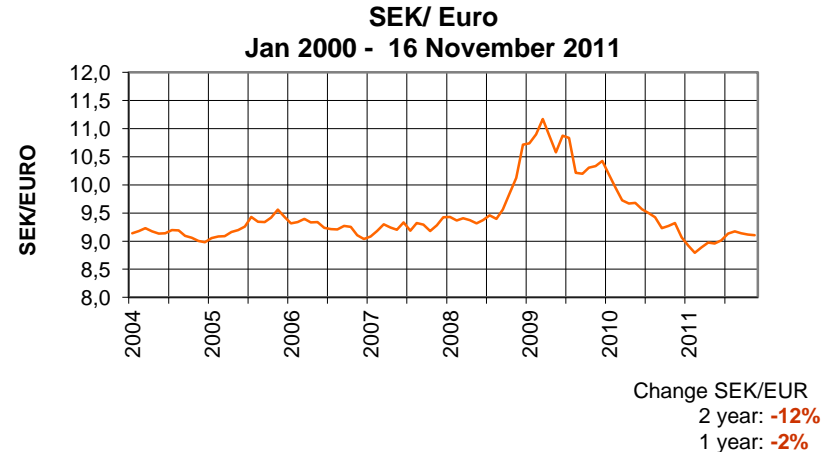
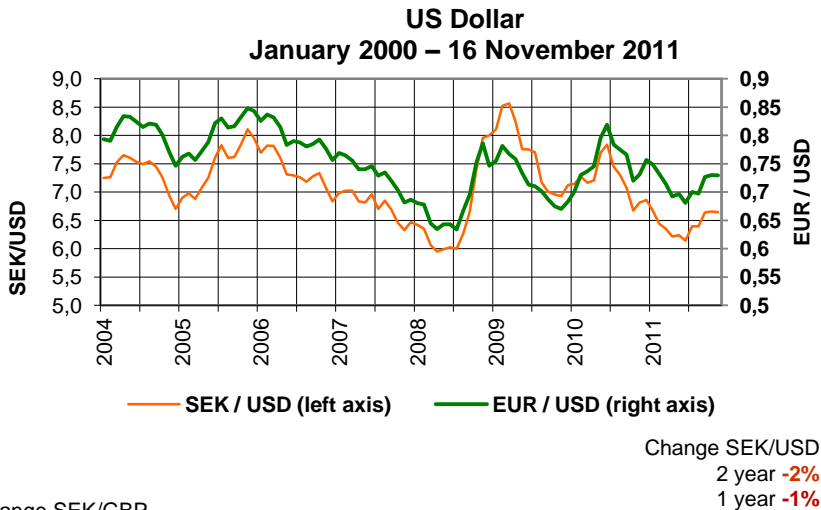


Global production of sawn softwood 1960 - 2010



Source: FAO

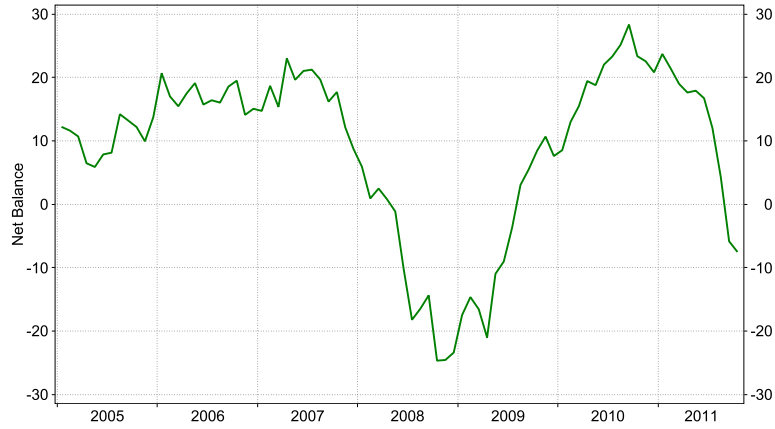
Currency market



Source: Riksbanken

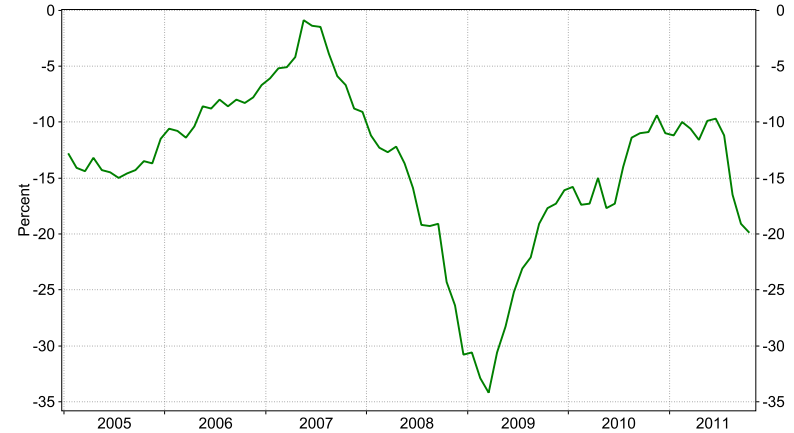
Consumer confidence indicators

Sweden



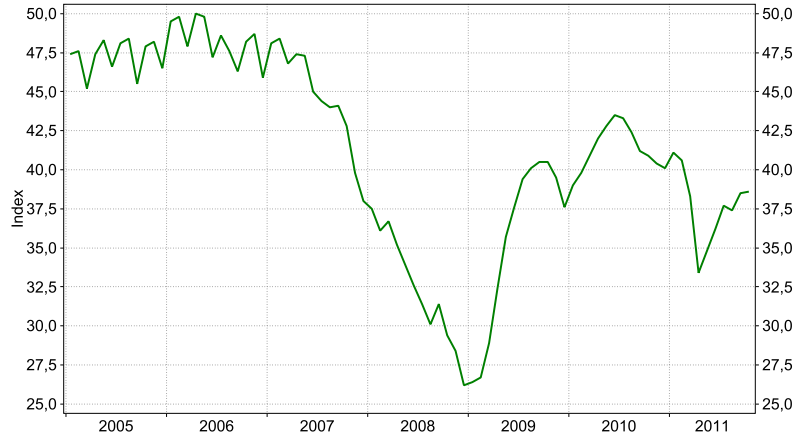
Source: Macrobond

Euro area



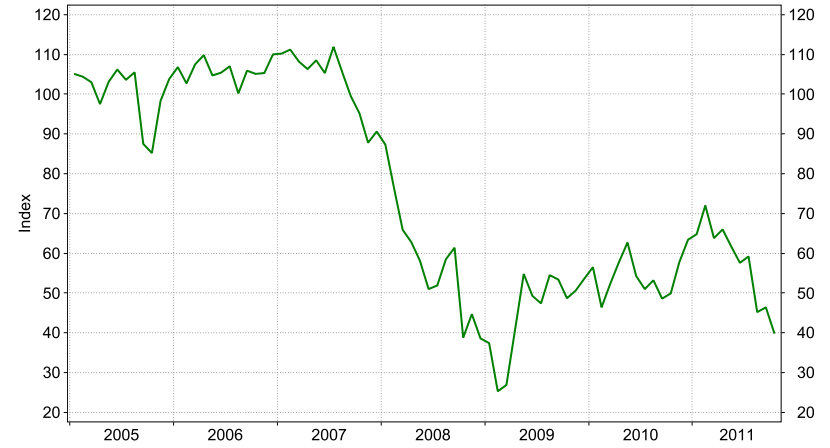
Source: Macrobond

Japan



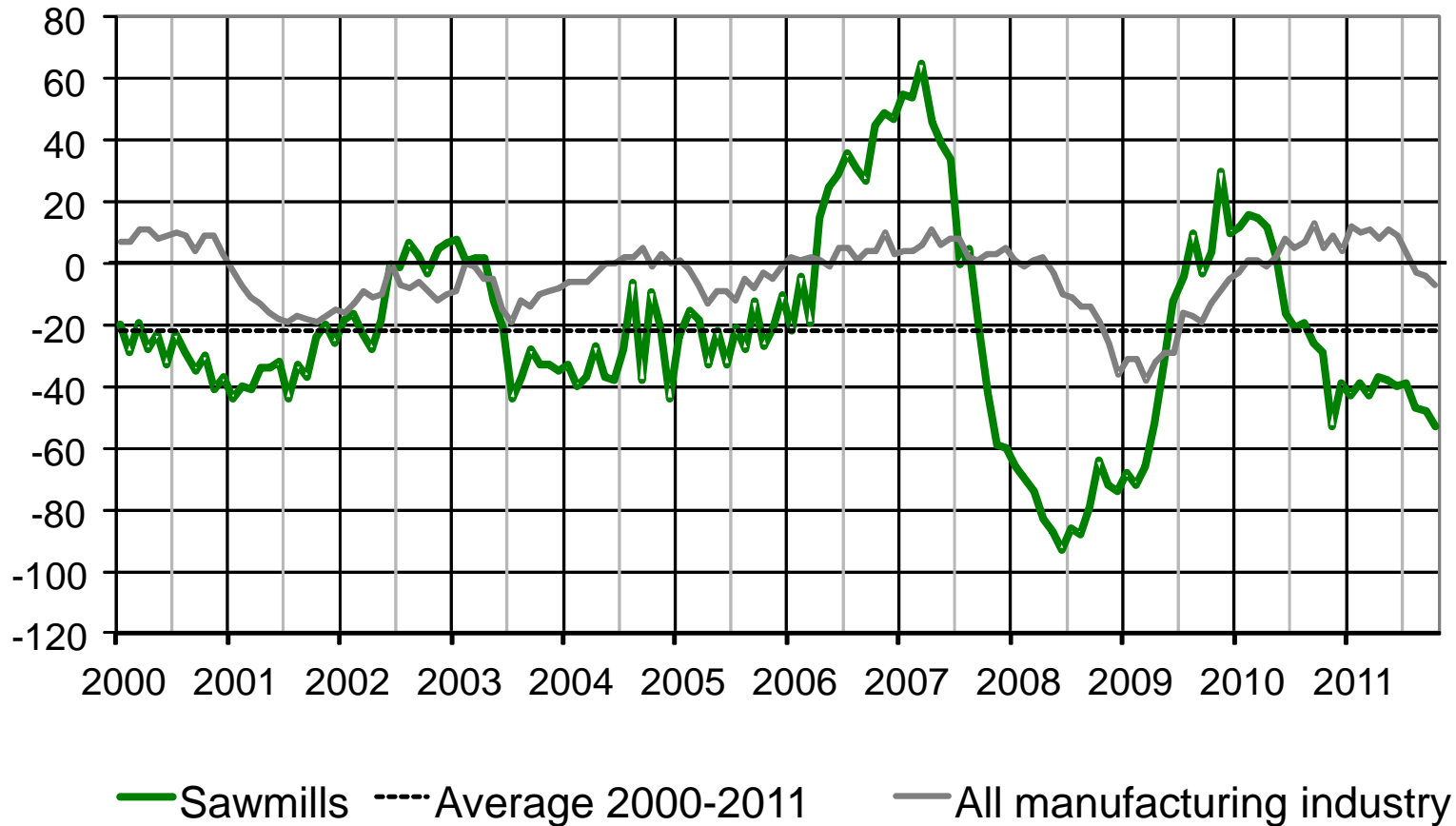
Source: Macrobond

USA



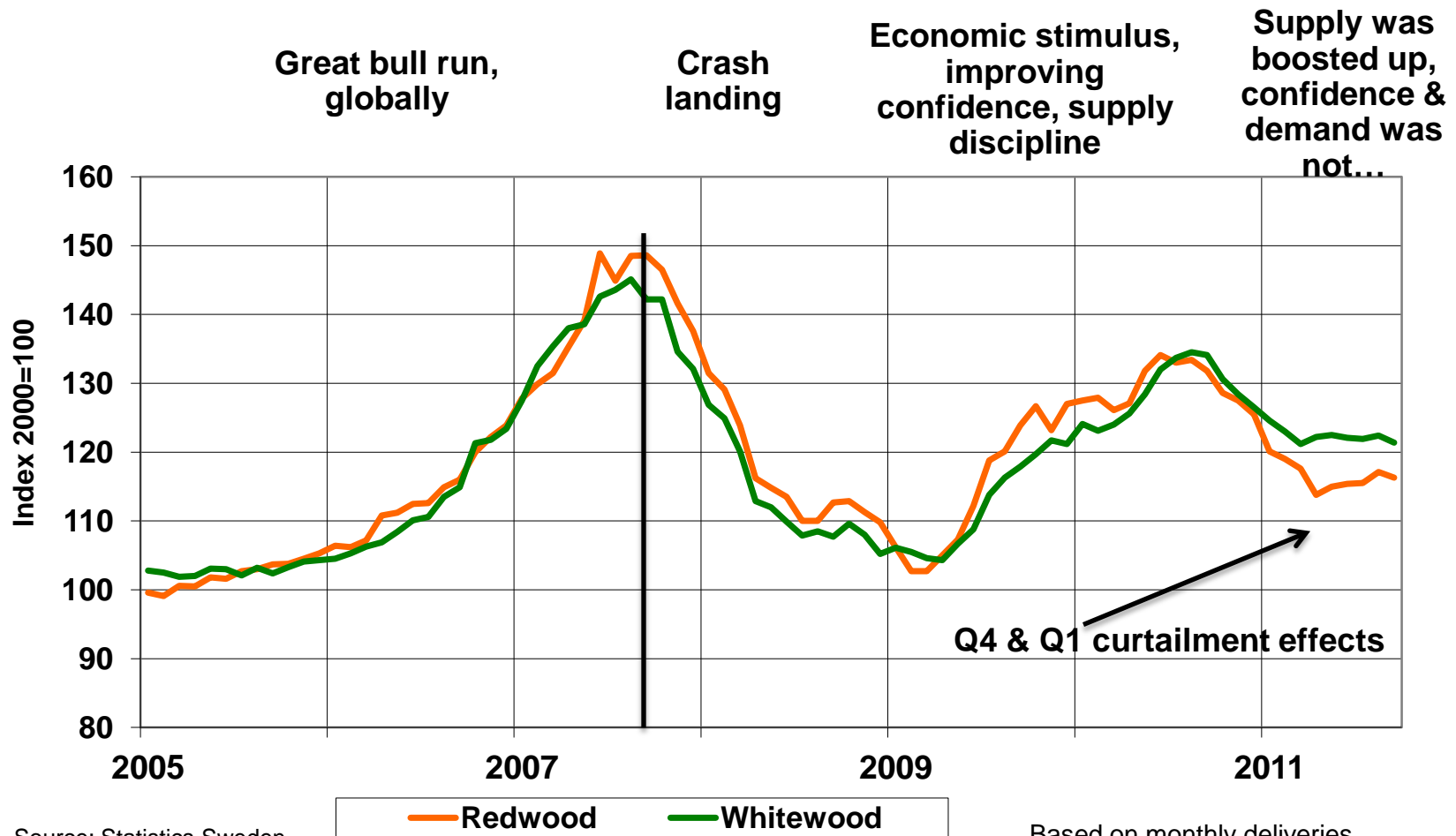
Source: Macrobond

Confidence indicator – Swedish sawmill industry



Source: Konjunkturinstitutet

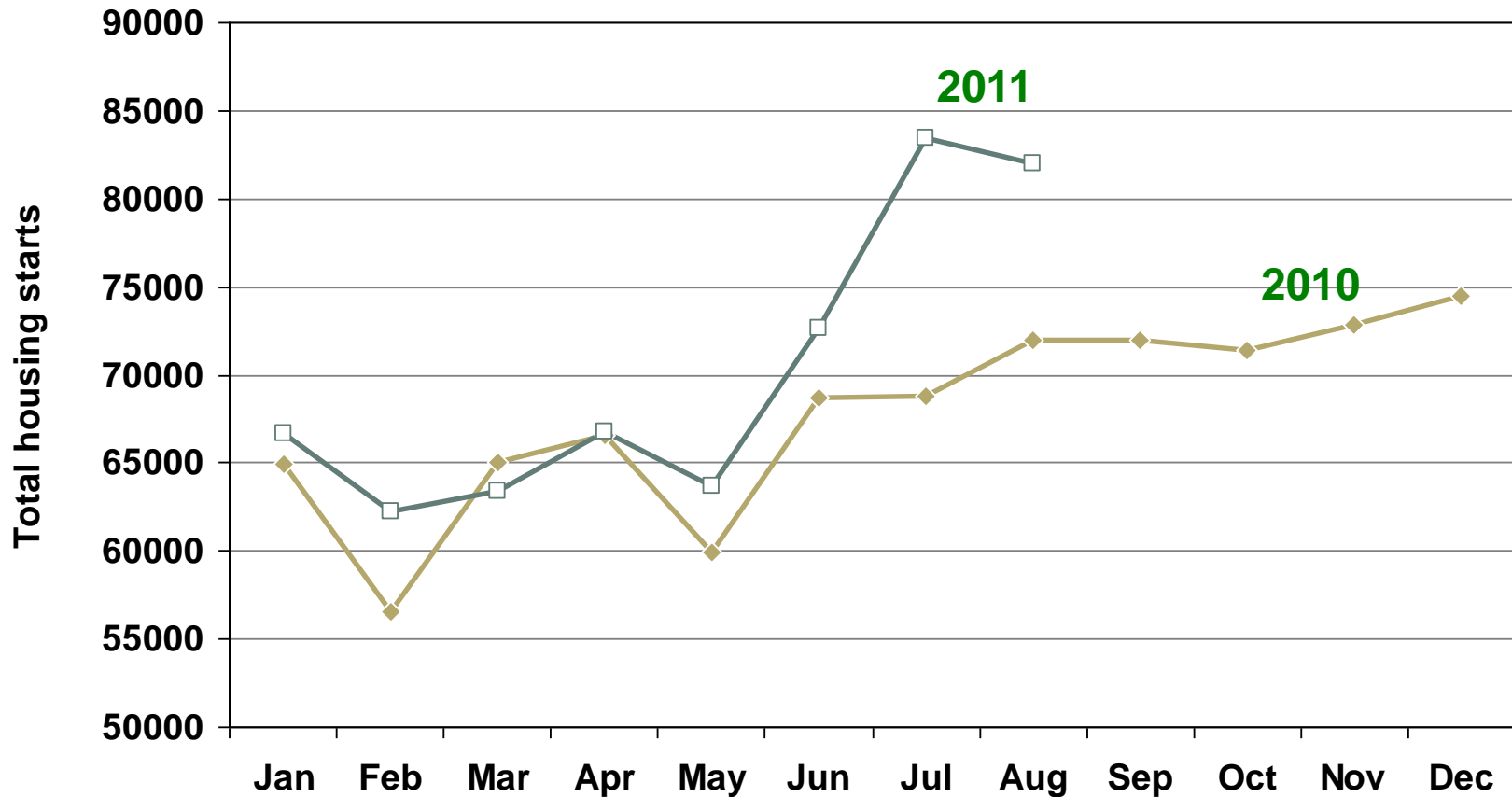
Swedish Export Price Index, sawn and planed softwood



Source: Statistics Sweden

Based on monthly deliveries

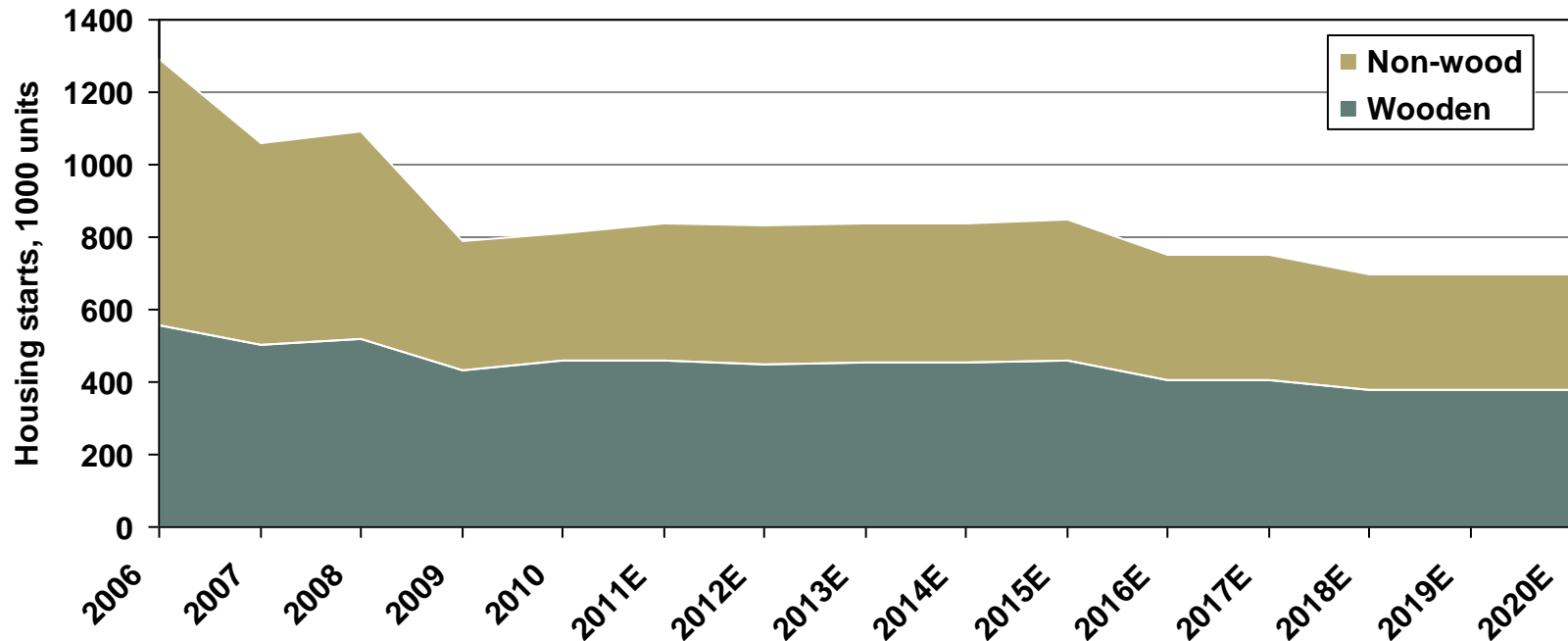
Japan – Housing starts 2011 exceeding 2010



Japan

- Reconstruction after tsunami keep housing starts up

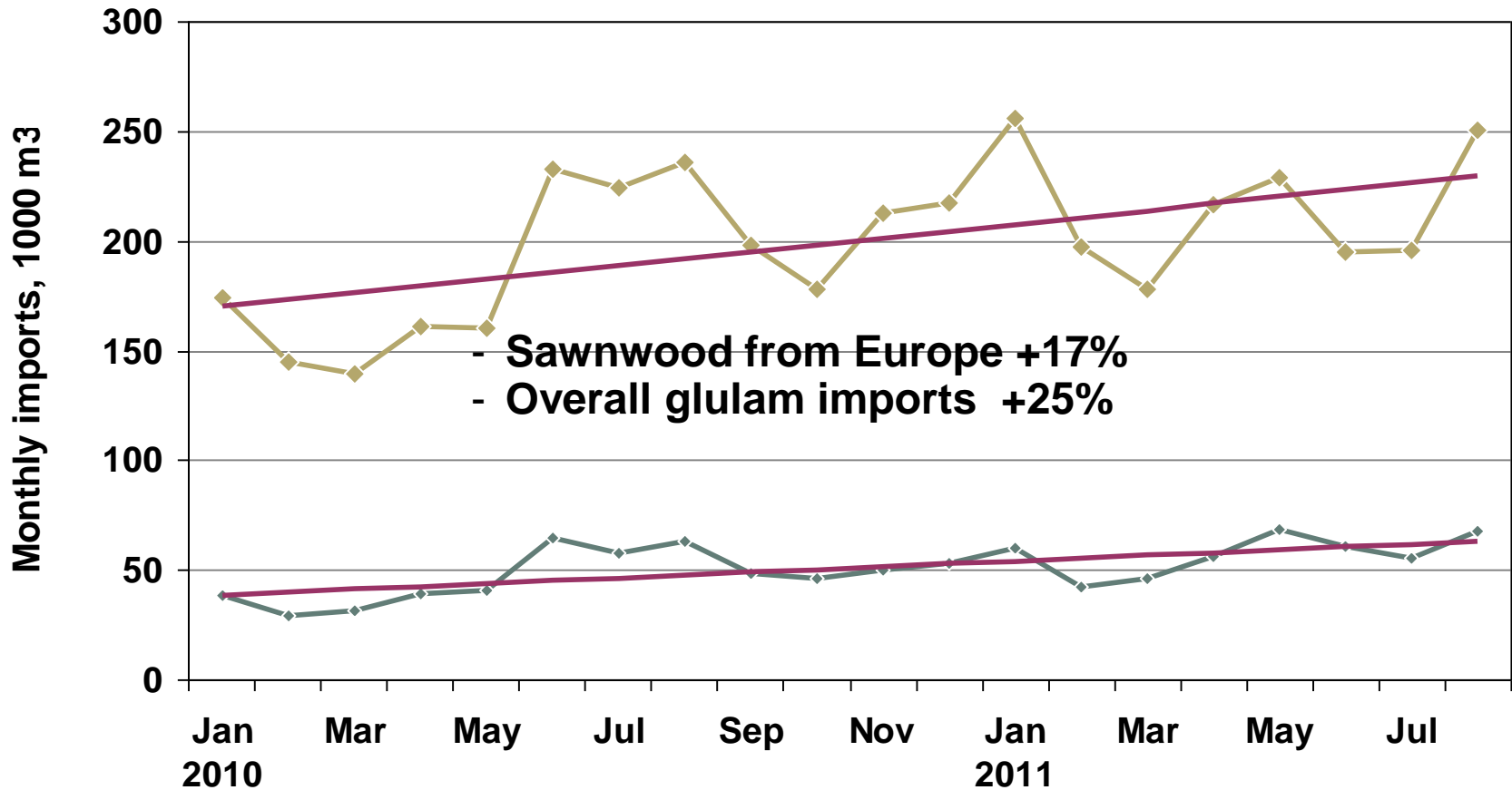
- Reconstruction after tsunami has helped to keep housing starts above 0.8 mill. units
- Housing starts still historically on low levels
- Housing start forecast to start trending down after 2015



Source: Historical numbers Ministry of Land, Infrastructure, Transportation; forecast SEWP

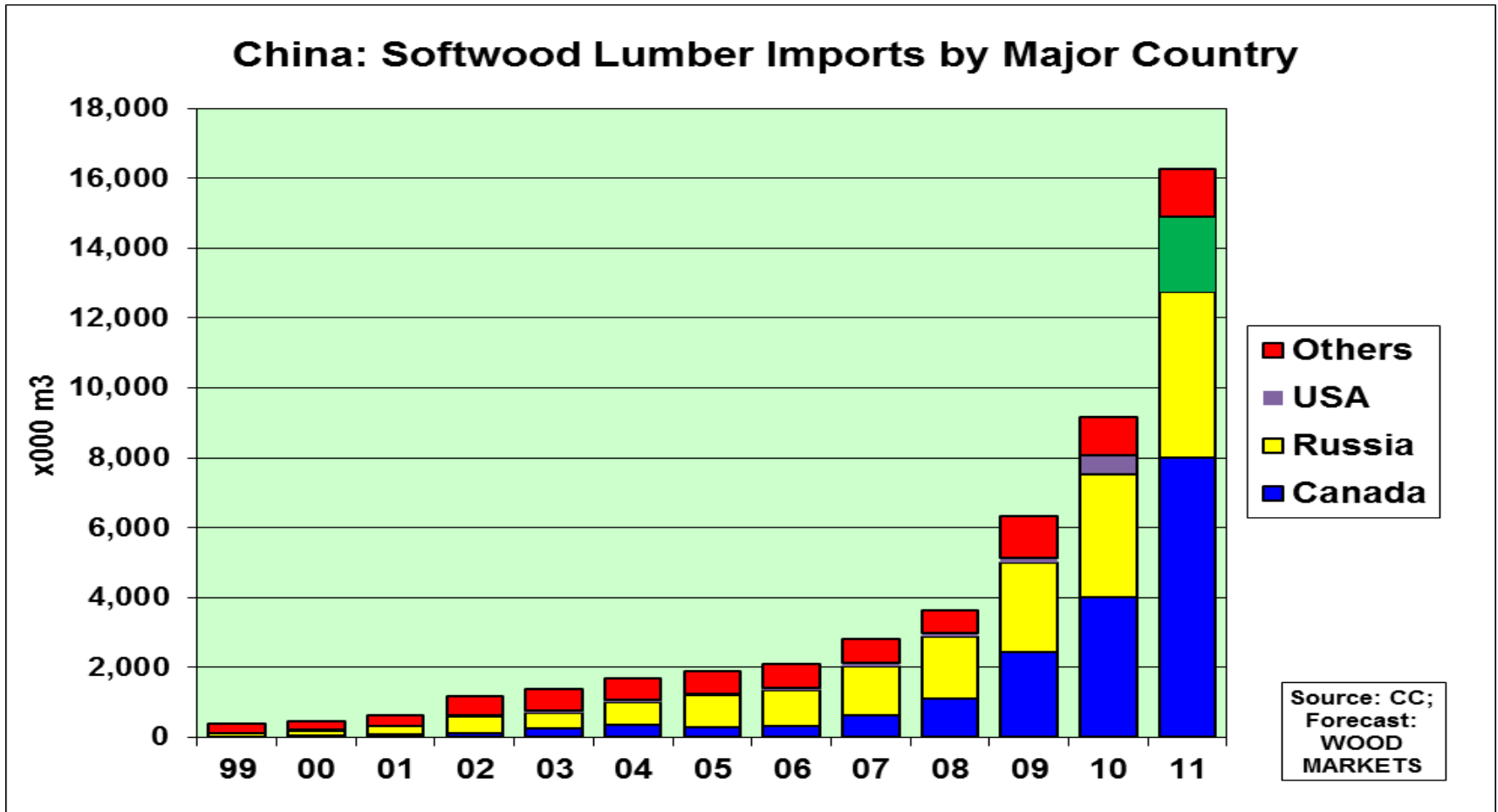
Japan

- European wood products import last year



China's lumber imports = soaring

- Canadian softwood lumber has overtaken Russia



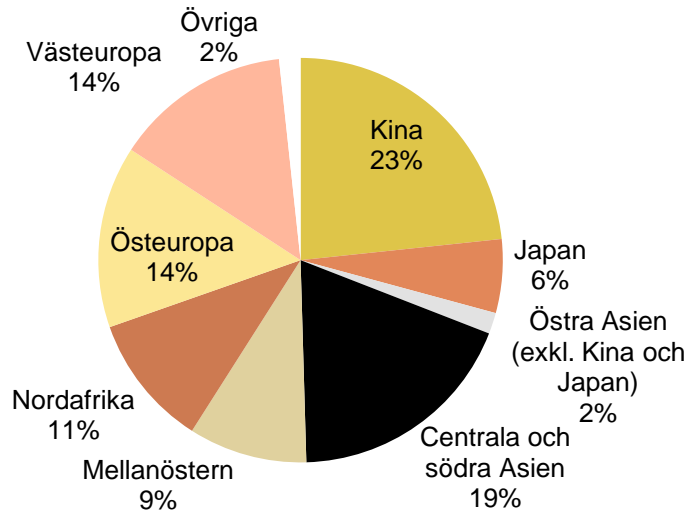
Russia – strong export to China

Trävaruproduktionen

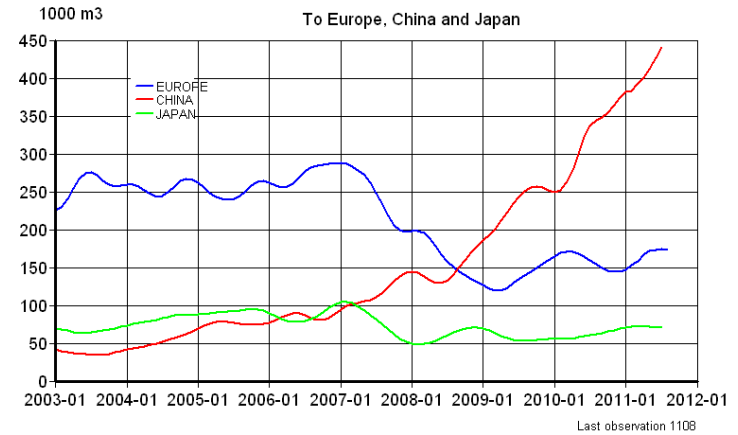
jan-sept 2011 / jan-sept 2010: +4%

Trävaruexporten jan - aug 2011/ jan-aug 2010

- Västra Europa; +3%
- Kina; +42%
- Japan; +22% (jan-jul)

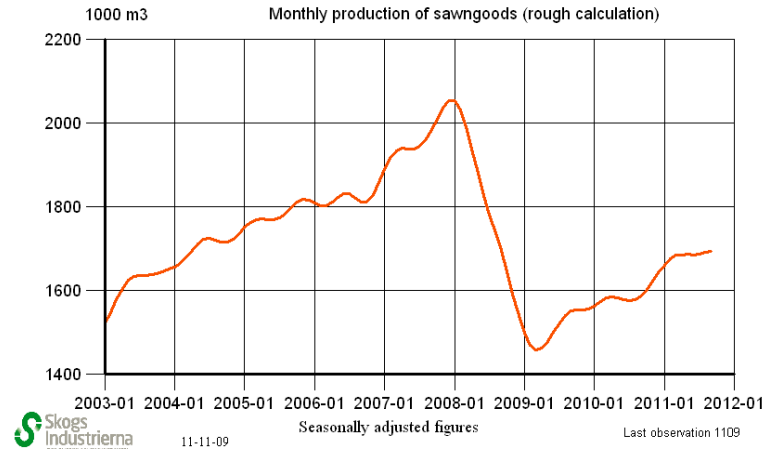


RUSSIA monthly exports of sawn goods



Skogsindustrierna
11-11-09

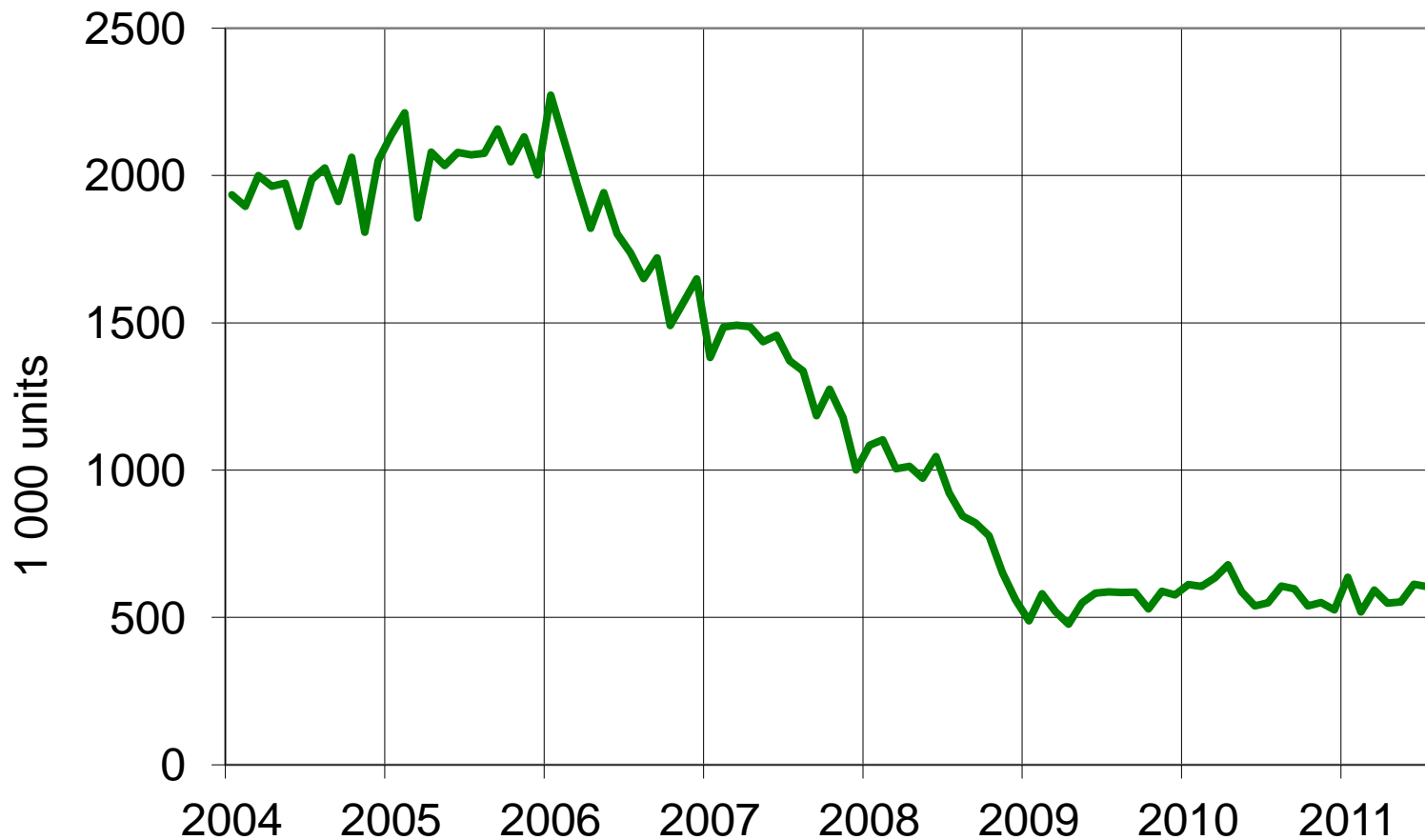
Russia



Skogsindustrierna
11-11-09

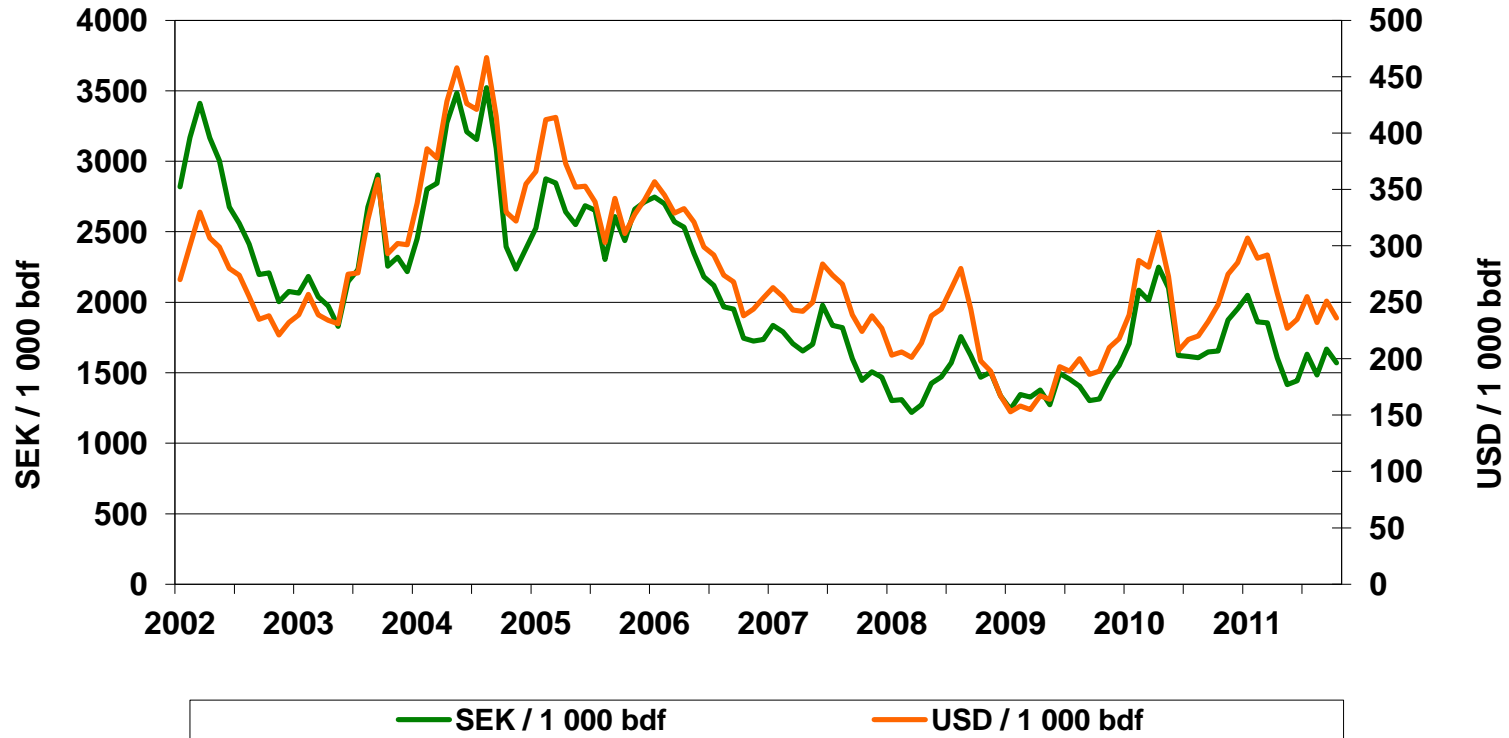
USA: housing starts 2004 – 2011

(annual figures)



USA: development of price on sawn softwood

Price on SPF 2x4 Western std & btr in SEK and USD,
to October 2011

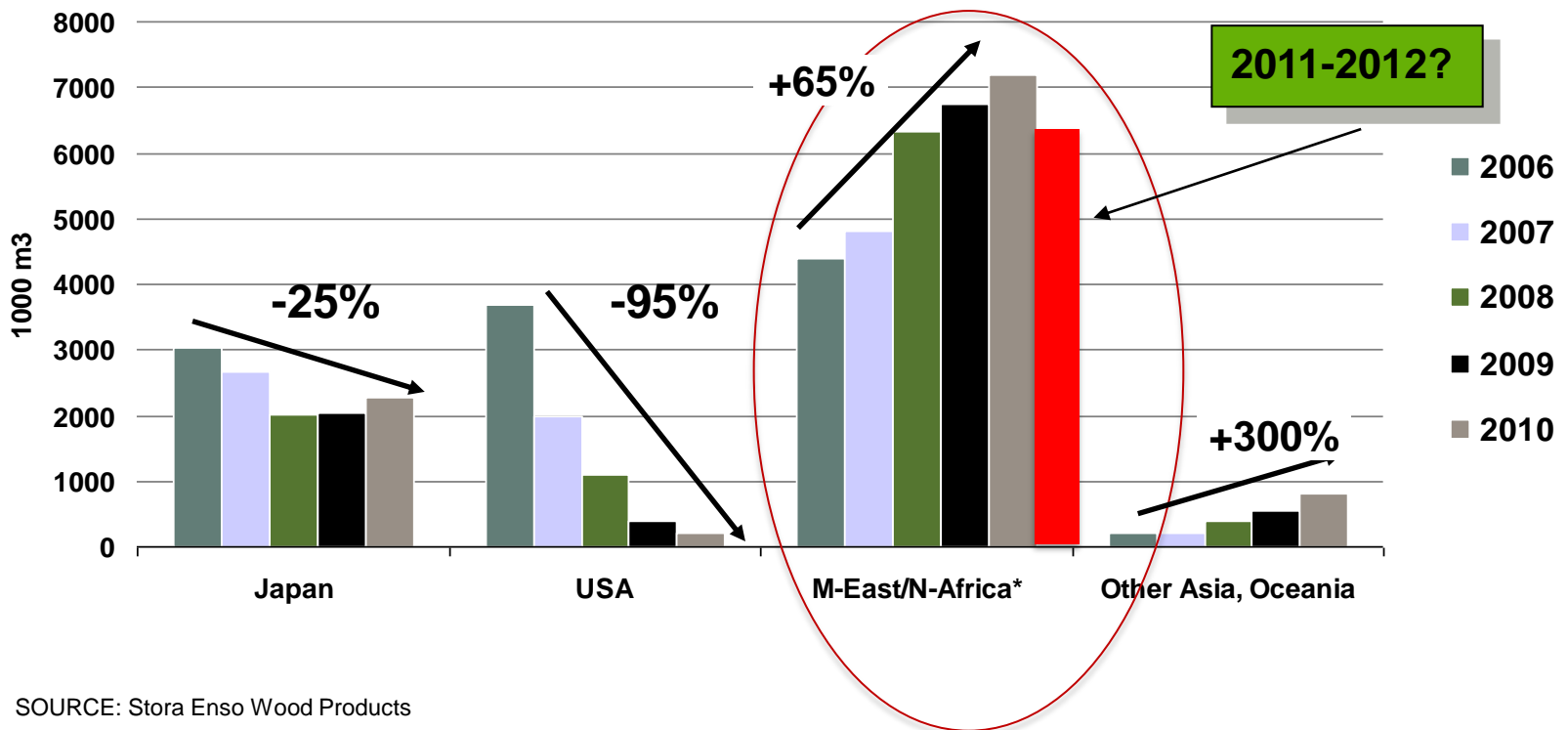


Source: Random Lengths

Oversee export from Europe

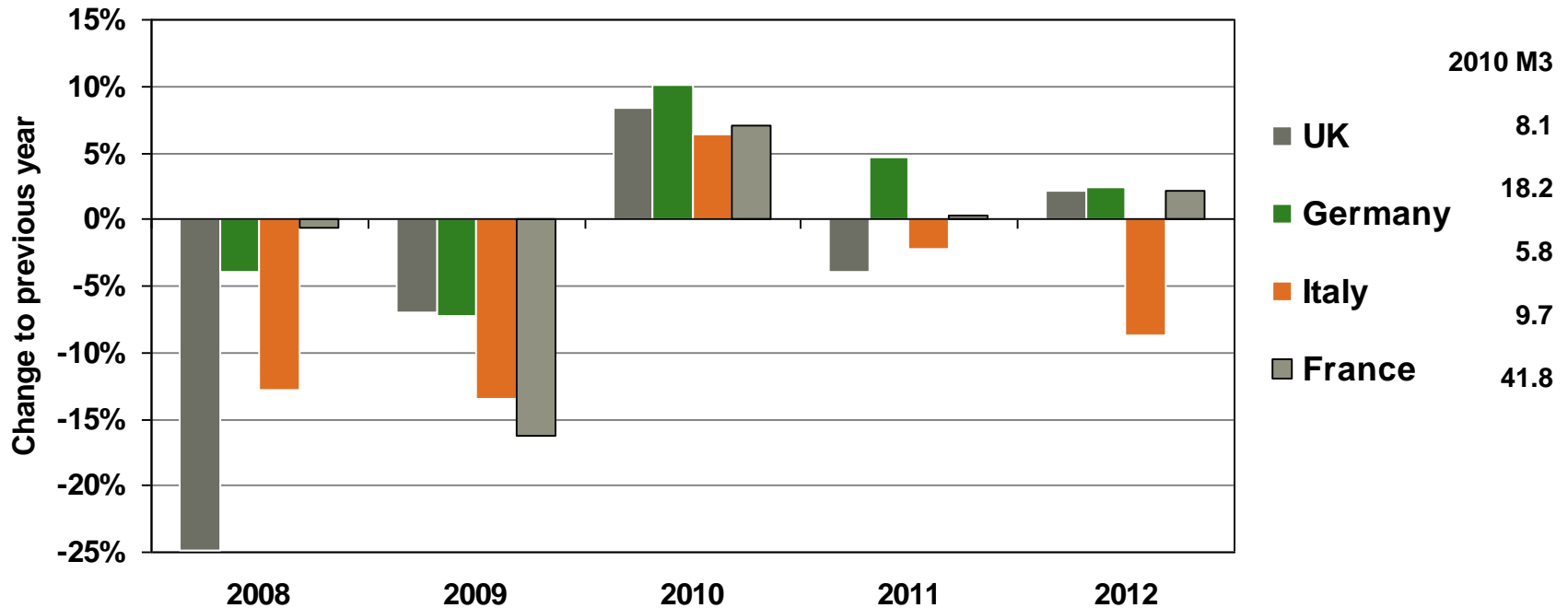
- N Africa, and M-East saved us 2008 - 2010

European sawnwood exports to Japan, USA, N Africa, M-East and Asia/Oceania



SOURCE: Stora Enso Wood Products

Europe: Sawnwood demand, main countries



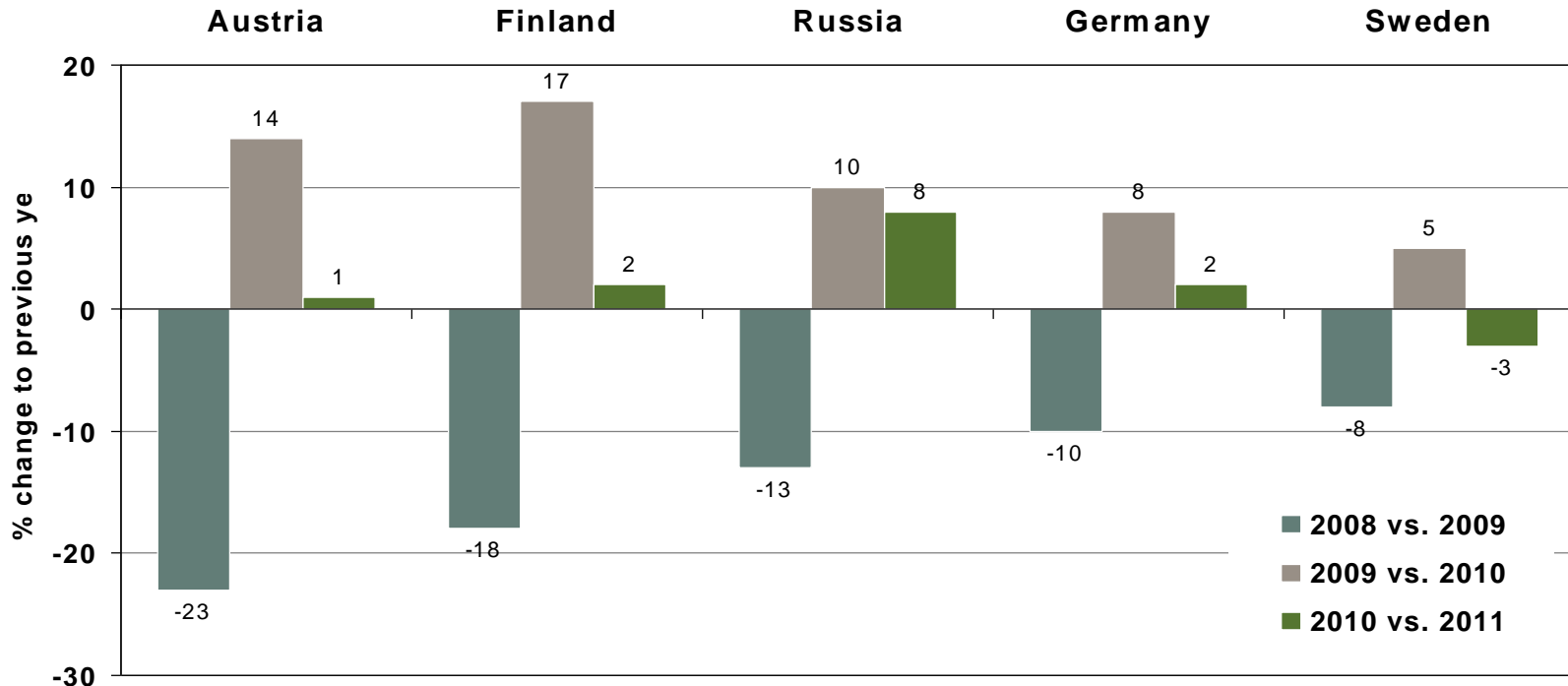
Western Europe

Total volume, m ³	75.4	65.3	70.2	70.8	71.4
Change, m ³	-7.7	-10.1	+5.0	+0.5	+0.6

+ - 5 mill. m³

Difference - highest (2008) with lowest (2009) volume = 10.1 Million m³

Softwood production in key European countries 2008-2011



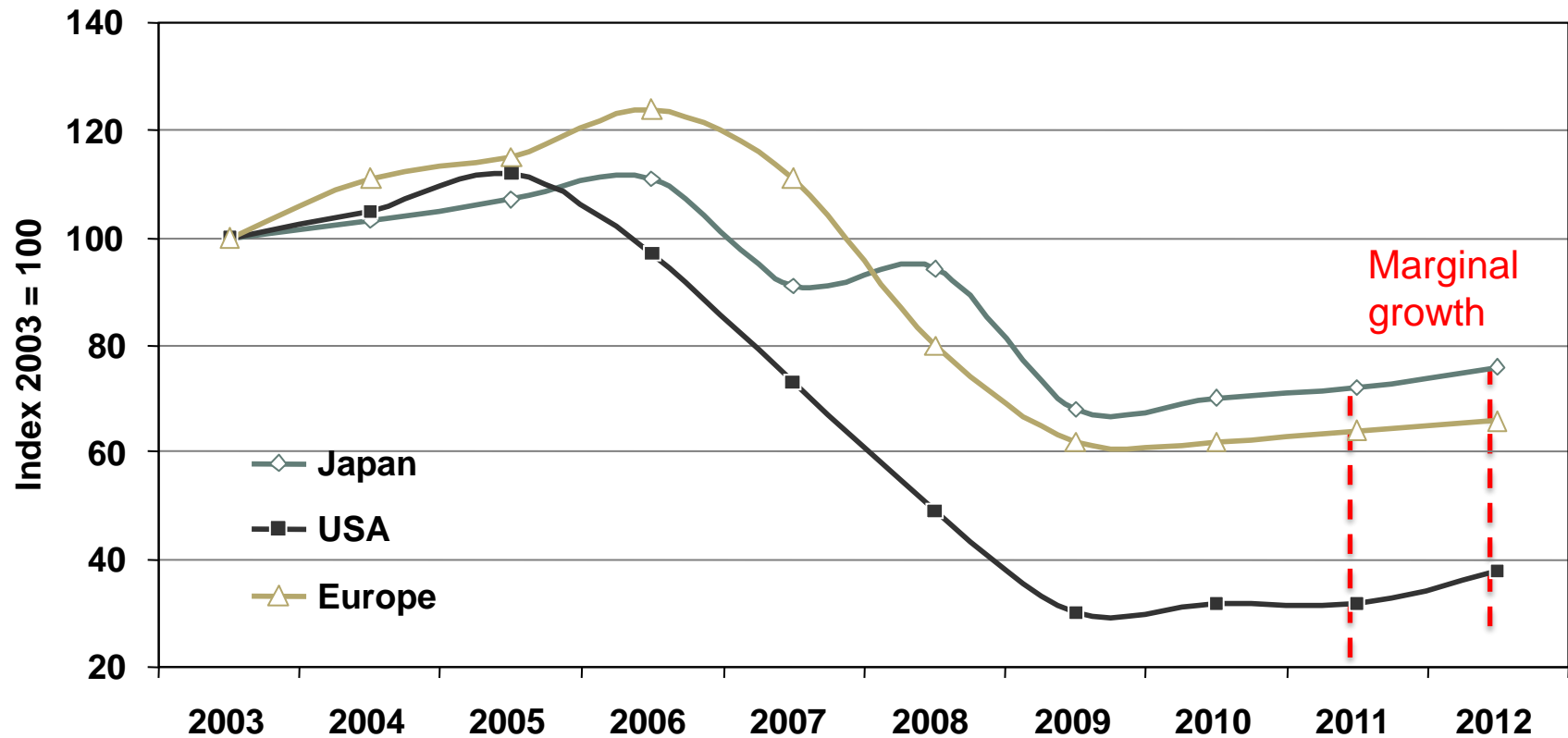
	Austria	Finland	Russia	Germany	Sweden	Total
2008:	11.7	9.8	19.6	22.0	17.2	80.3
2009:	8.3	8.0	17.2	19.8	16.1	69.4
2010:	9.4	9.4	18.7	21.2	17.0	75.7
*2011:	9.5	9.6	19.9	22.0	16.7	77.7
*2012:	9.5	9.6	21.0	22.5	16.5	79.1

Sources: Softwood Conference / ECE Timber Committee
 Note 1: Russian output 2011 is projection based on 1H 2011 development
 Note 2: German output for 2011 based on 2010 ECE figures

+ - 5 mill. m³

New construction - recovery remain slow

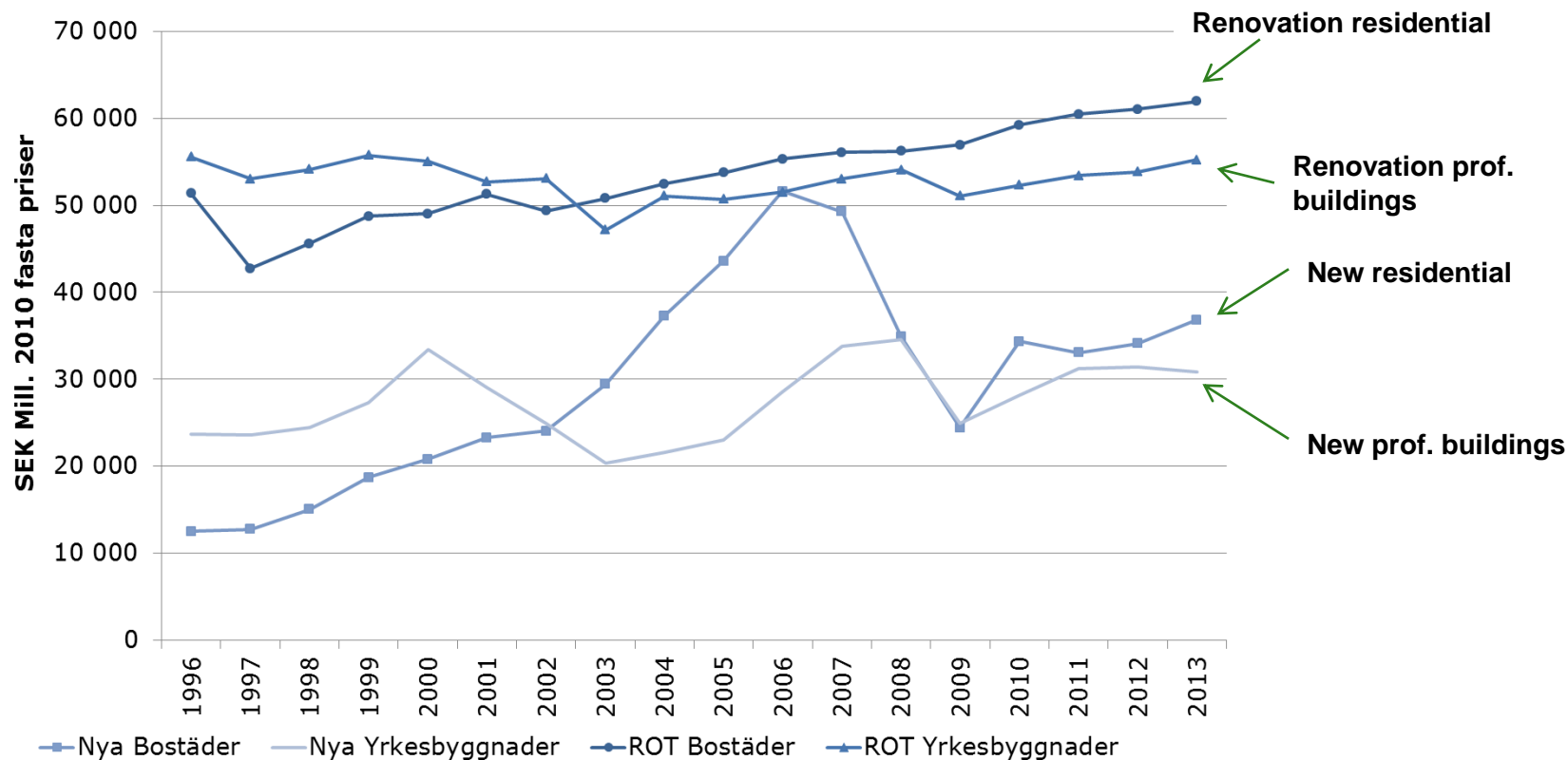
Development of housing starts by region



Source: Euroconstruct, Concensus Forecast

Value in SEK of the Swedish construction market – renovation/maintenance 65 % of the value

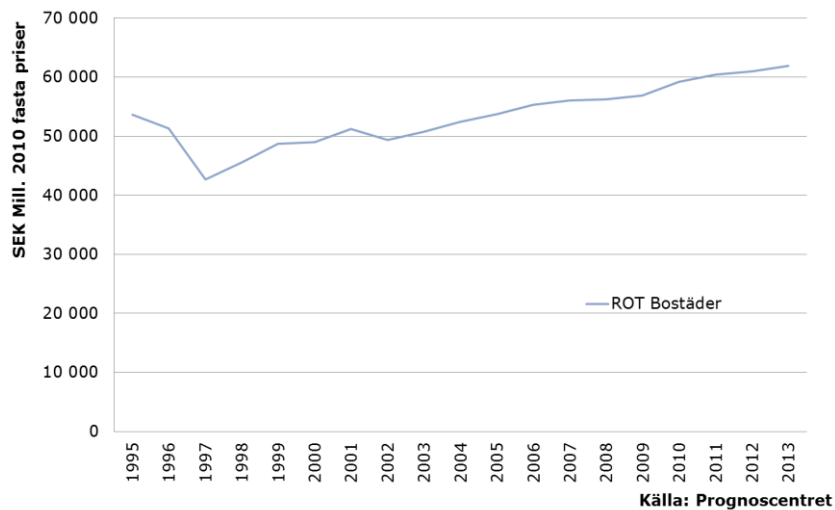
(fixed prices, 2010 years level, mill. SEK)



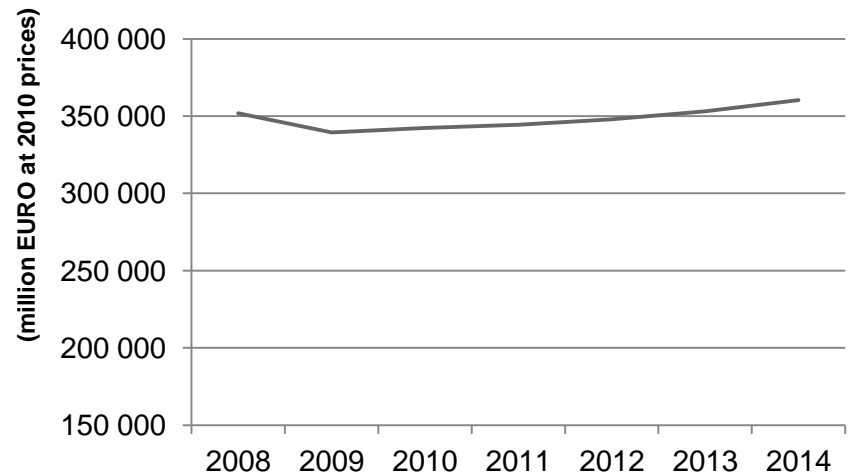
Källa: SCB och Prognoscentret

Construction outlook – residential renovation and maintenance, more stable

Sweden - renovation and maintenance



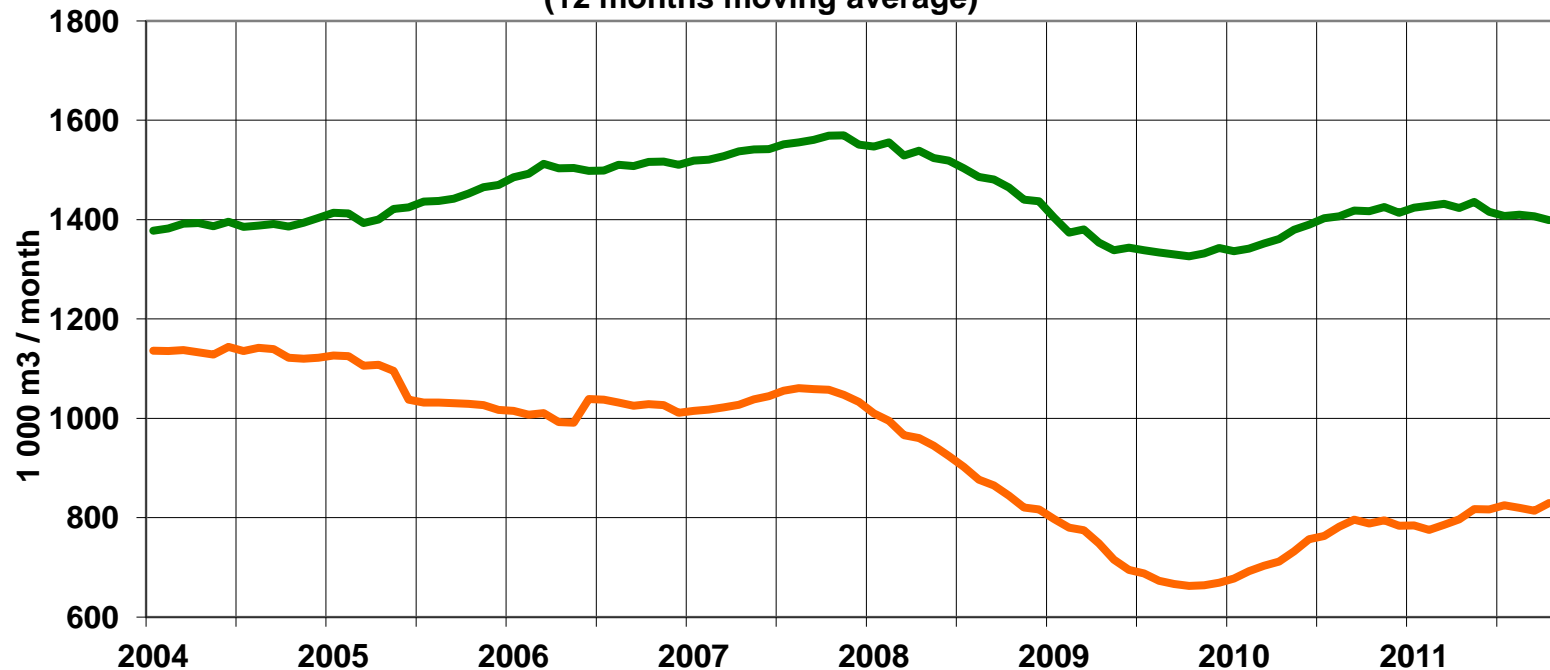
Euroconstruct Western Europe (EC-15) - renovation and maintenance



Source: Euroconstruct, Nov. 2011

Sweden & Finland – total monthly production of sawn softwood (12 months moving average)

Total monthly production sawn softwood in Sweden and Finland i Sverige och Finland up to October 2011 (12 months moving average)



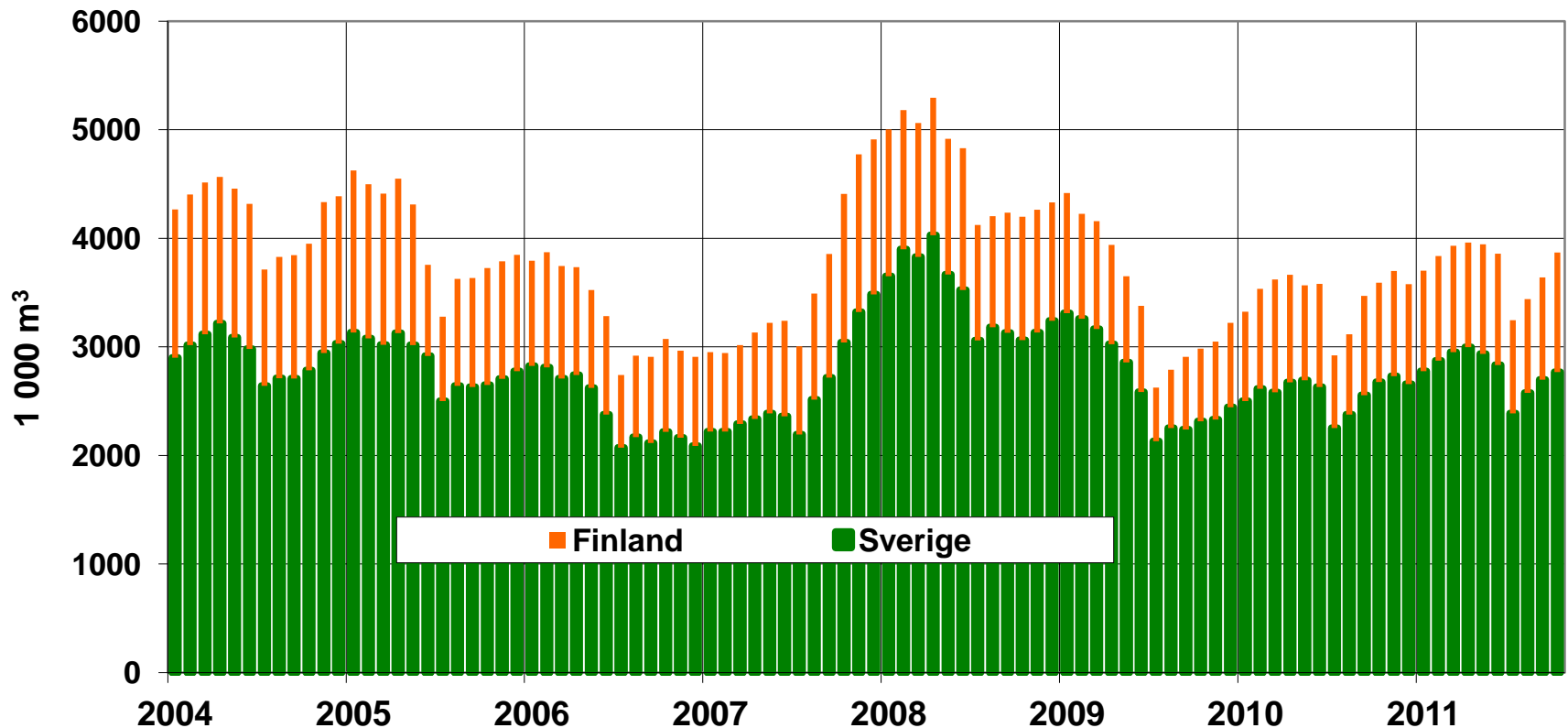
Sweden: Jan – okt : -1%
okt – okt: -6%

— Sverige — Finland

Finland: Jan – okt : + 7 %
okt – okt: + 23%

Stocks of sawnwood in Sweden and Finland

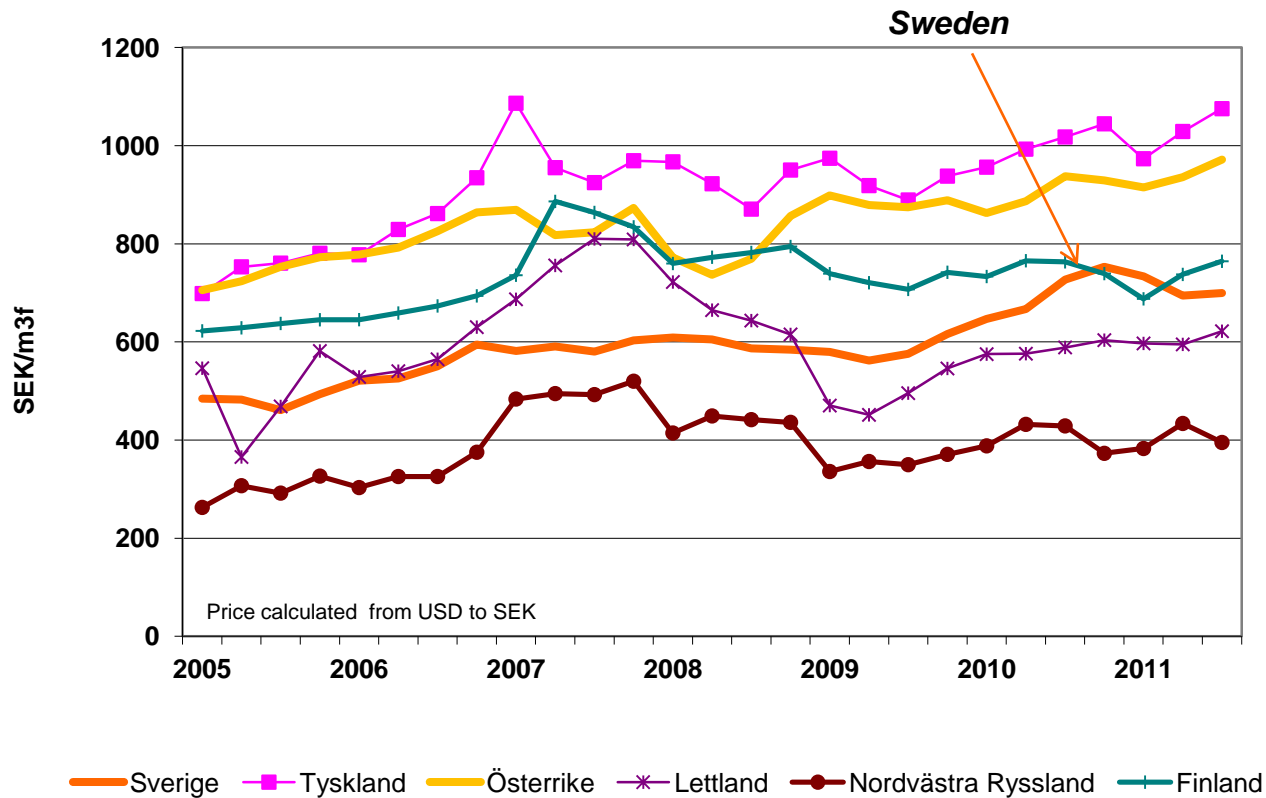
Total stocks of sawn goods in Sweden and Finland
January 2004 - October 2011



Source: Skogsindustrierna

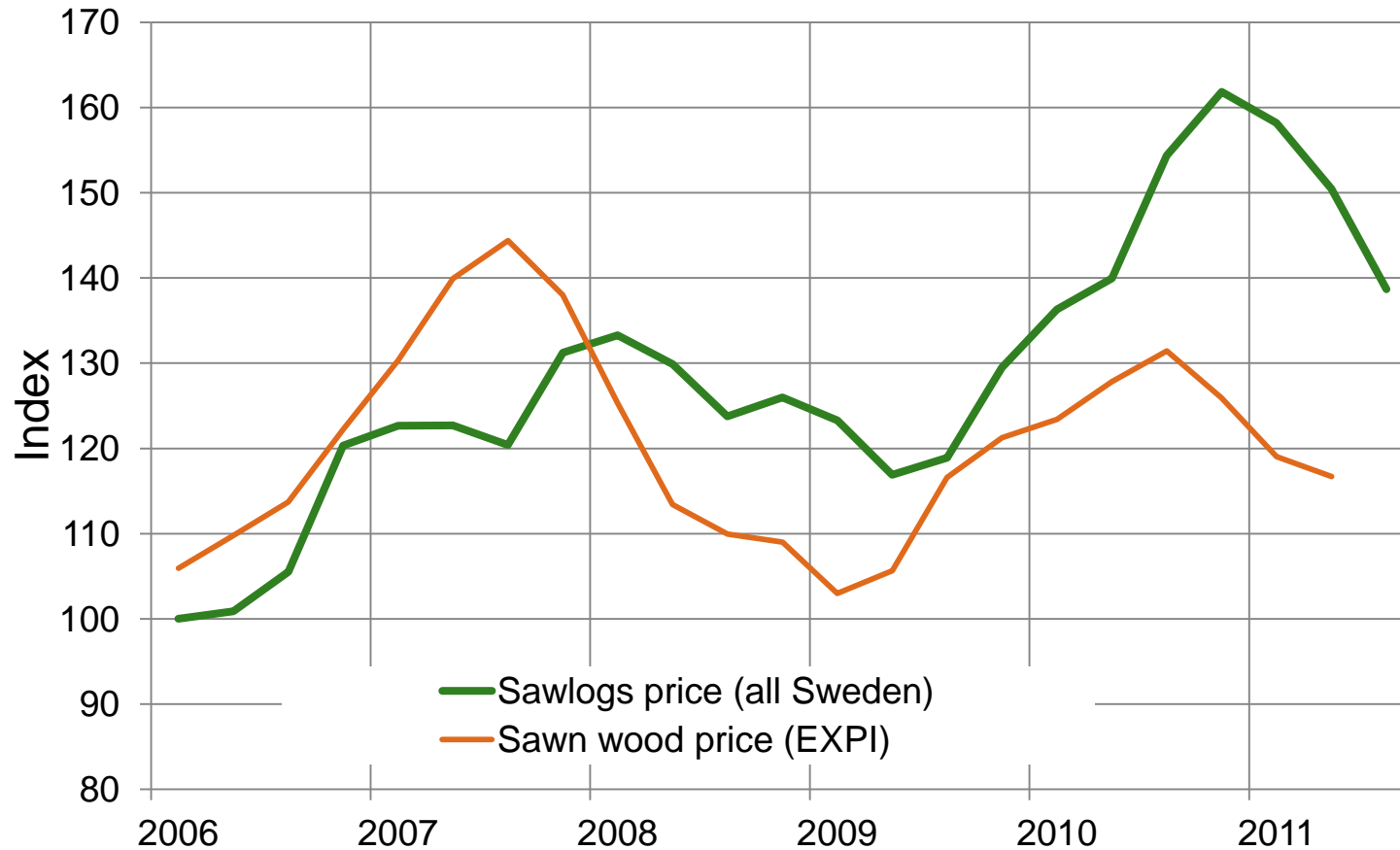
Sawlog prices softwood

Cost of whitewood sawlogs (or eq.) 1Q 2005-3Q 2011 free at sawmill in European countries



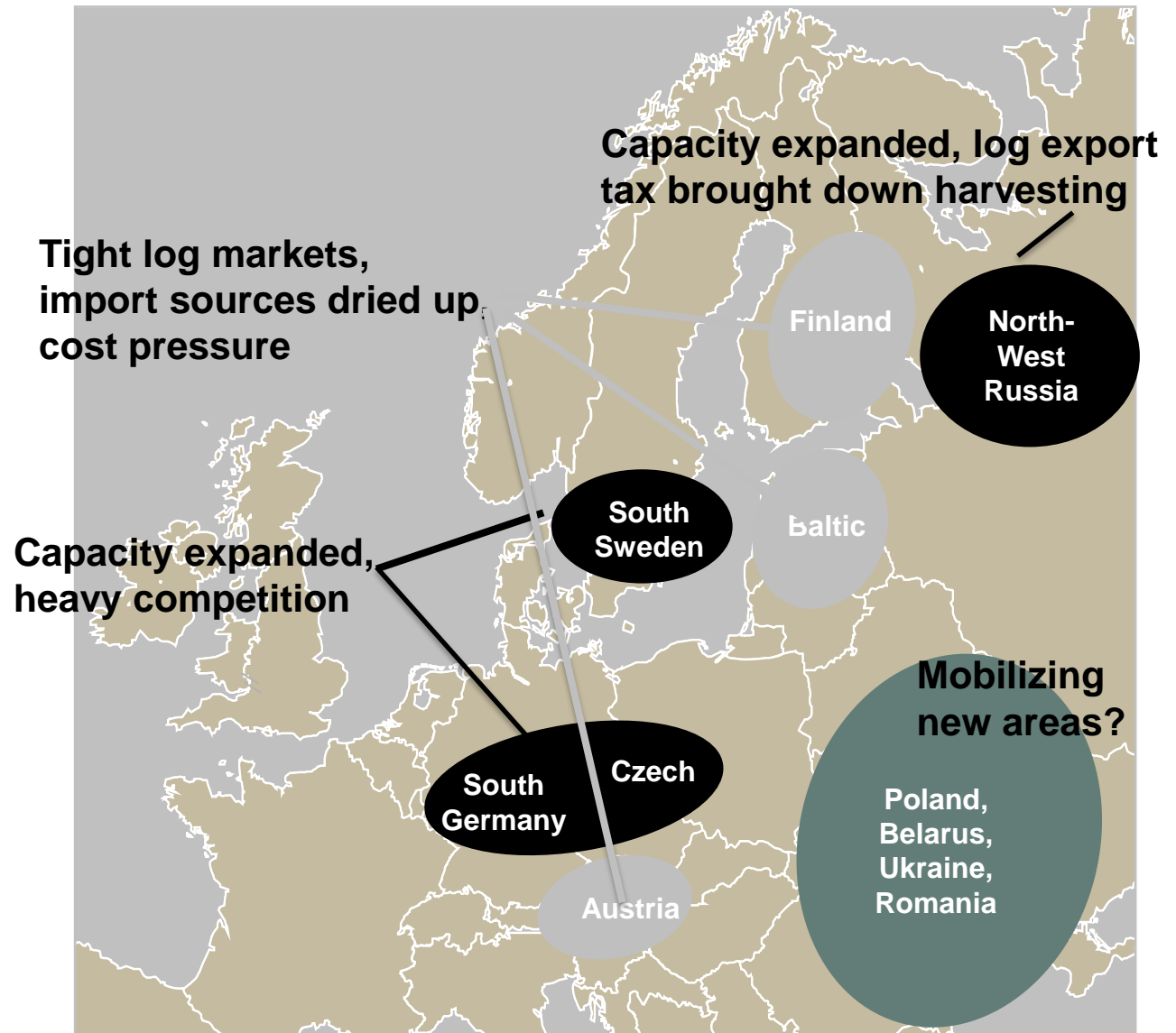
Source: Wood Resource Quarterly (WRQ)

Price development for sawn goods (export price index, EXPI) and saw logs (free road) 2006-2011



Source: Statistics Sweden and Swedish Forest Agency, Skogsindustrierna

Rawmaterial challenges in most regions - cost and availability



Conclusions – demand 2012

- **Weakening economic outlook in many European countries**
 - Better in Germany, France, Nordic countries
 - we have gone from financial to country crisis
 - no money for stimulation packages this time
- **US recovery – have started, some signs, but it will take time**
- **Asian markets provide slightly better forecasts**
 - China good growth – but limited mainly to lower grades
 - Japan improved housing starts from low levels
- **NA & ME market on a high level, but unsafeness for 2012**
- **No real recovery and increase 2012 - demand about the same as 2011**
- **Small stocks of sawnwood in the different markets.**

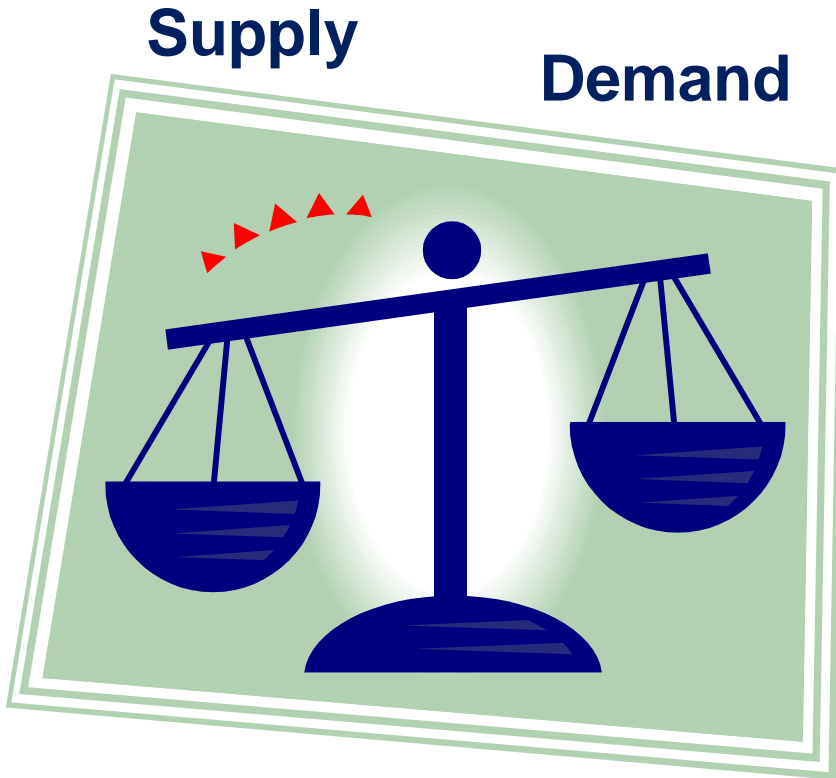
Market outlook

– we need supply discipline!

- **Current output - not matching demand**
- **Market will remain supply driven**
- **+/- 5 mill. m³ – balance the European market**
- **Curtailments of production come**

What can we influence (Q4 and Q1 2012)?

- How do we reach a balance in the market?



- Finance - loan crisis? **No**
- Market **No**
- Exchange, interests **No**
- Products, productivity **(Yes)**
- Costs of raw material **(Yes)**
- Supply **Yes**

Nordic production curtailments Q4 & Q1 will change the balance!

Background:

- Supply driven market
- + - 5 mill. m³ balance the European market
- Low availability of raw material
- High price of raw material
- Rising but controlled stocks

Consequence:

- Q4 2011 curtailments of 800 000 m³ in Sweden & Finland!
- Q1 2012 same curtailment?

Supply

Demand

Q4 – 800 000 m³
Q1 – 800 000 m³?
on a Nordic base

”Low season”



Final messages

- **Weakening economic outlook in many European countries**
- **No real recovery and increase 2012**
- **Demand about the same as 2011**
- **Market is supply driven**
- **Strong Nordic and European curtailments in production Q4 2011 and Q1 2012**
- **A better supply demand balance Q1 2012**
- **Product development and promotion ongoing**
- **Future: "Wood has a good story to tell"**

SWEDISH WOOD

part of the Swedish Forest Industries Federation

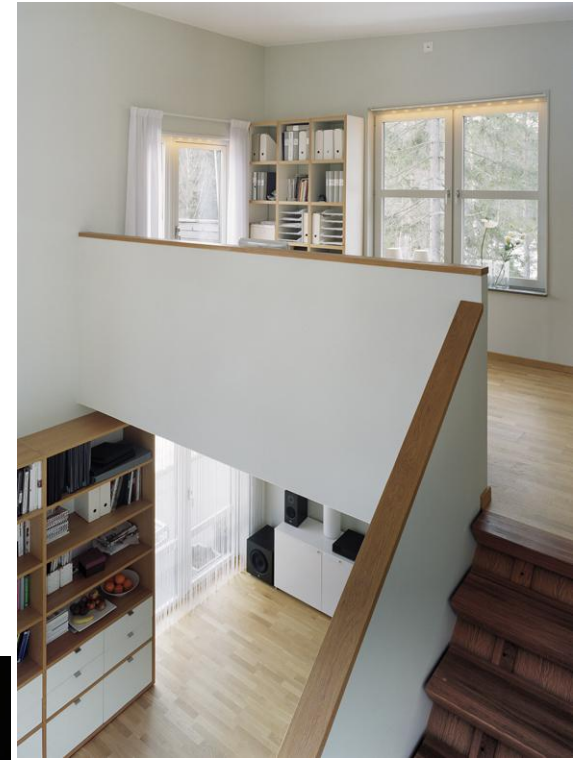


SWEDISH WOOD

Swedish Wood spreads knowledge, provides inspiration and encourages development relating to wood, wood products and wood construction. The goal is to increase the use of wood in Sweden and in selected international markets through information and inspiration. Swedish Wood also aims to highlight wood as a competitive, eco-friendly and sustainable material.

Swedish Wood is a department within the trade and employer organisation the Swedish Forest Industries Federation. Swedish Wood is supported by the Swedish sawmill sector.

Forestry and wood an important part of our future!





Thank you for your attention!