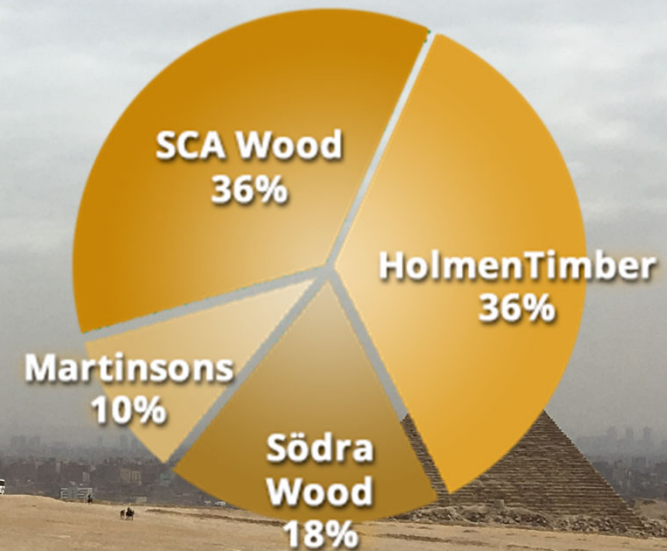


Market trends in the MENA-region

Ulf Gabriëlsson

Uni4 Marketing AB

Ownership



- Abt 5 million m3 sawn timber per year from totally 16 sawmills. Almost 30% of the Swedish production
- About 10% of the volume is sold to the MENA-region



Is this the market situation at the moment
in the MENA-region?



Uni4 Marketing AB

What kind of impact will these guys have on the market development?

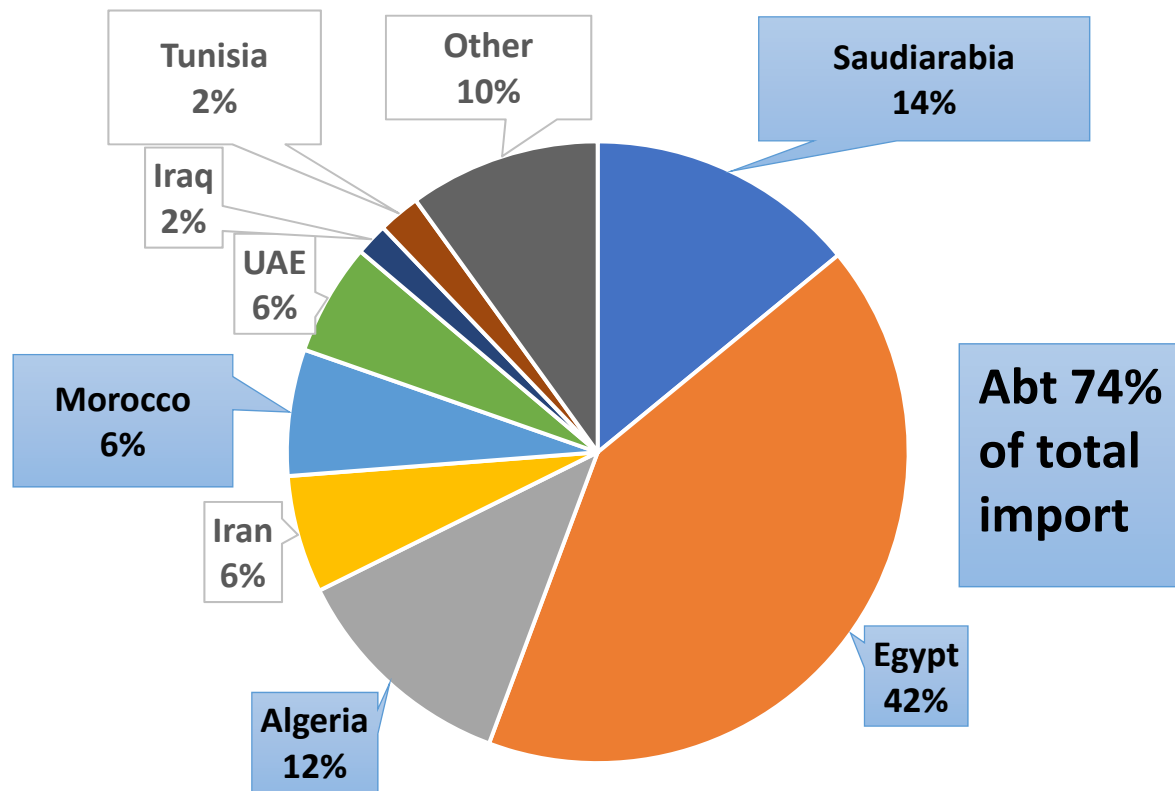


Some facts about the MENA-region

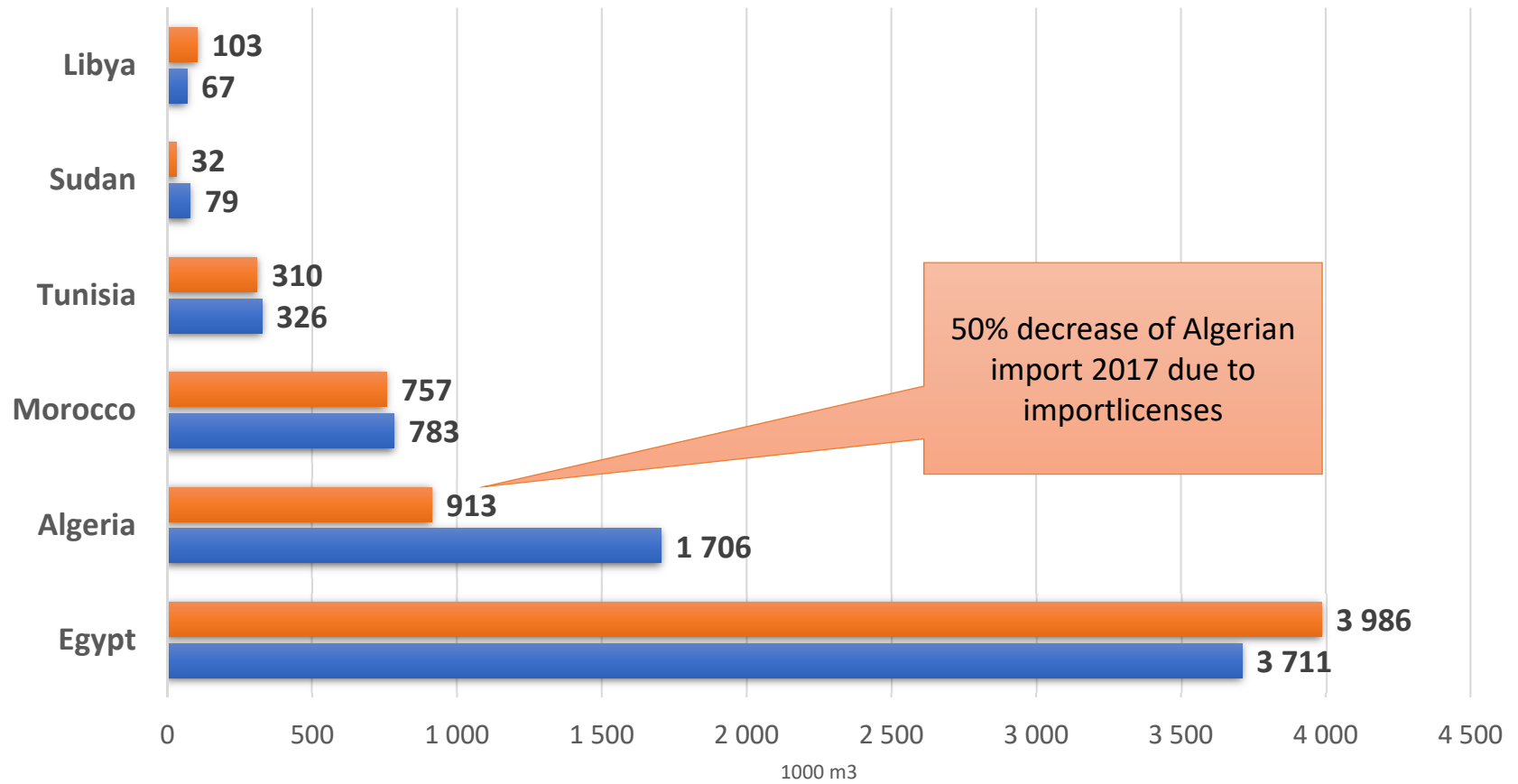


- 22 countries
- Total population; 360 million (Europe 750 million, China and India 1,4 billion each)
- Abt 50% of the population is younger than 24 years old
- Population is growing with 1,7% per year
- Only 2% of the area is covered by forest
- MENA-region has about 60% of the worlds oil-reserve and 45% of the gas-reserve.
- MENA construction sector is estimated to grow in average abt 7% per year until 2022. Provided stability in the region!!

Shares of the softwood import to the MENA-countries (jan-july 2019 6,4 million m3)

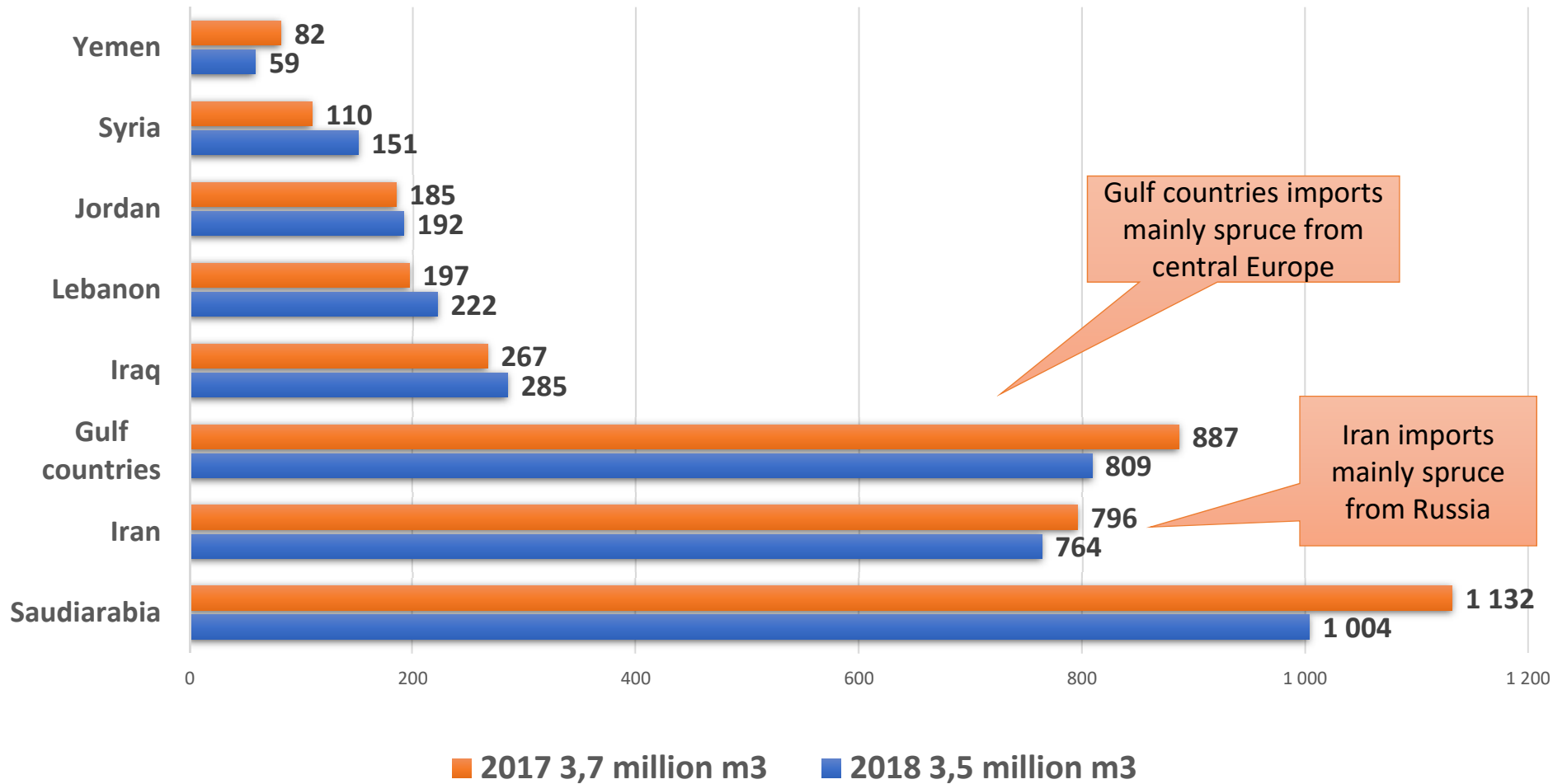


Softwood import to North Africa 2017/2018



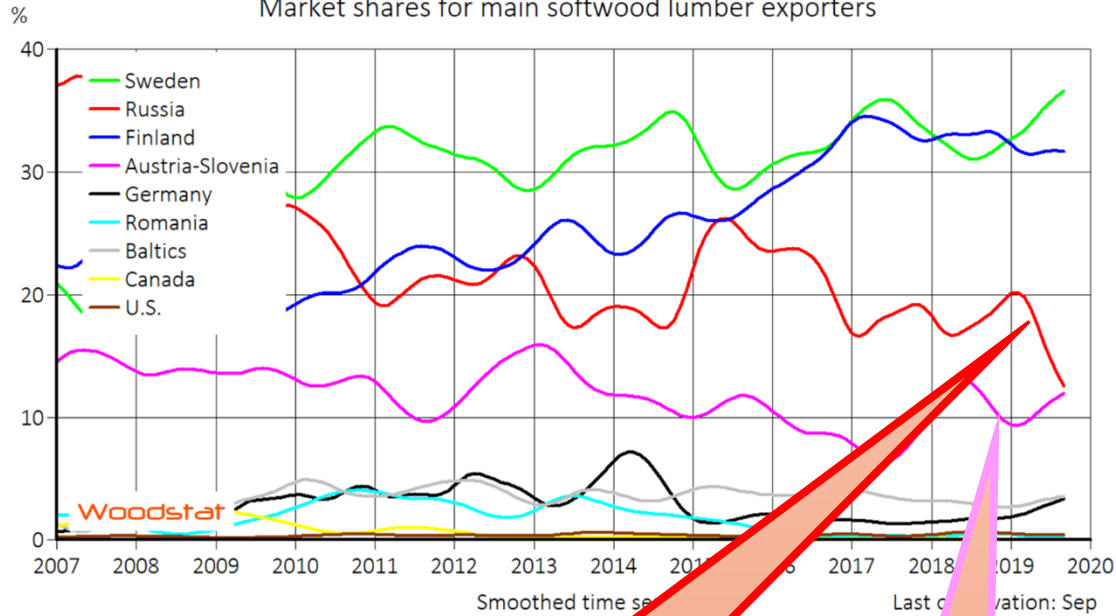
■ 2017 6,1 million m3 ■ 2018 6,7 million m3

Softwood import to Middle East 2017/2018



NORTH AFRICA

Market shares for main softwood lumber exporters

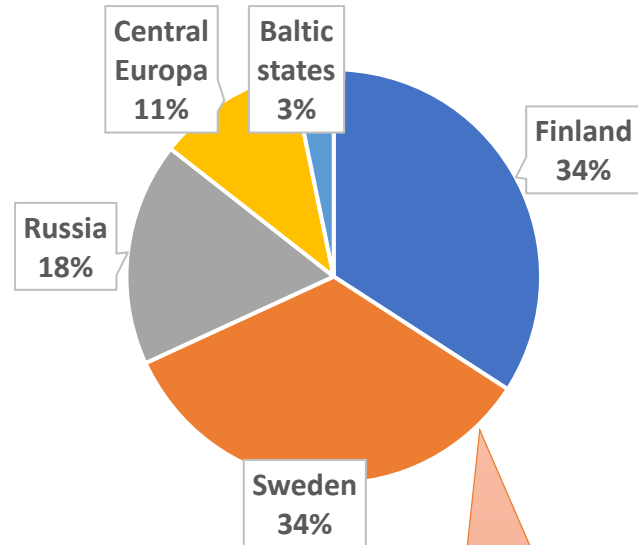


Source: Eurostat, Russian Customs, USDA, Statistics Canada

Russian export to Egypt has decreased since 2015 and a further decrease so far during 2019

Austrian export is mainly to Algeria and consists of spruce, used mainly for construction

Share of softwood deliveries to North Africa
(jan-july 2019, 4,1 million m3)



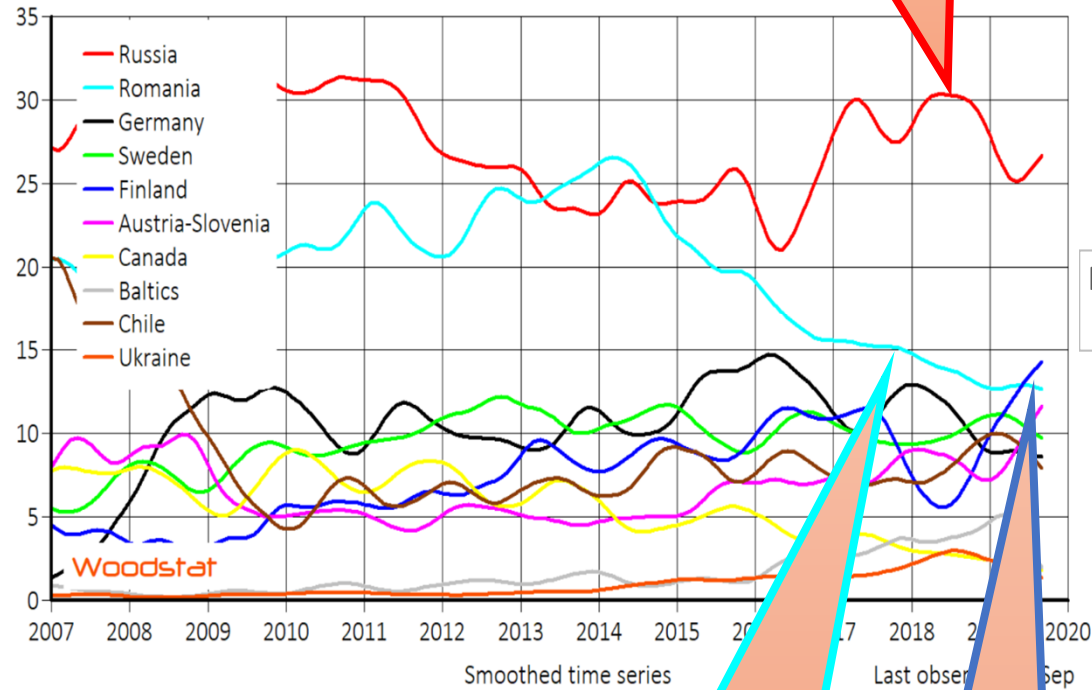
Finland and Sweden are on the same level

90% of the Russian export to Middle East goes to Iran (spruce), Iraq and Syria

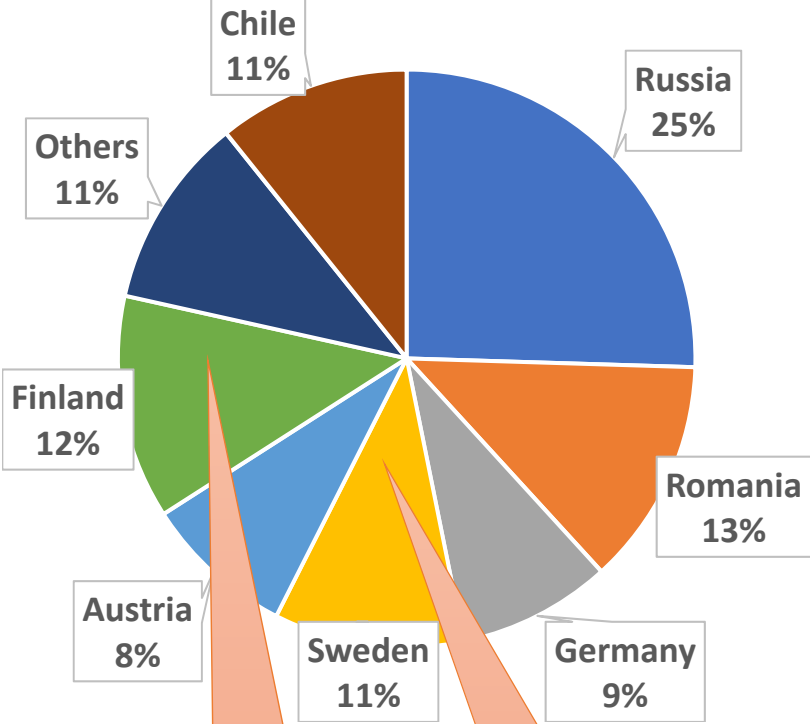
Share of softwood deliveries to Middle East (Jan-July 2019 2,3 million m3)

THE MIDDLE EAST

Market shares for main softwood lumber exporters



Source: Eurostat, Russian Customs, USDA, Statistics Canada, Ukraine Statistics, Belstat, S



Romanian export is only spruce to mainly Gulf countries, Saudi and Lebanon

Finnish export of spruce sideboards has increased during 2019 to Saudi

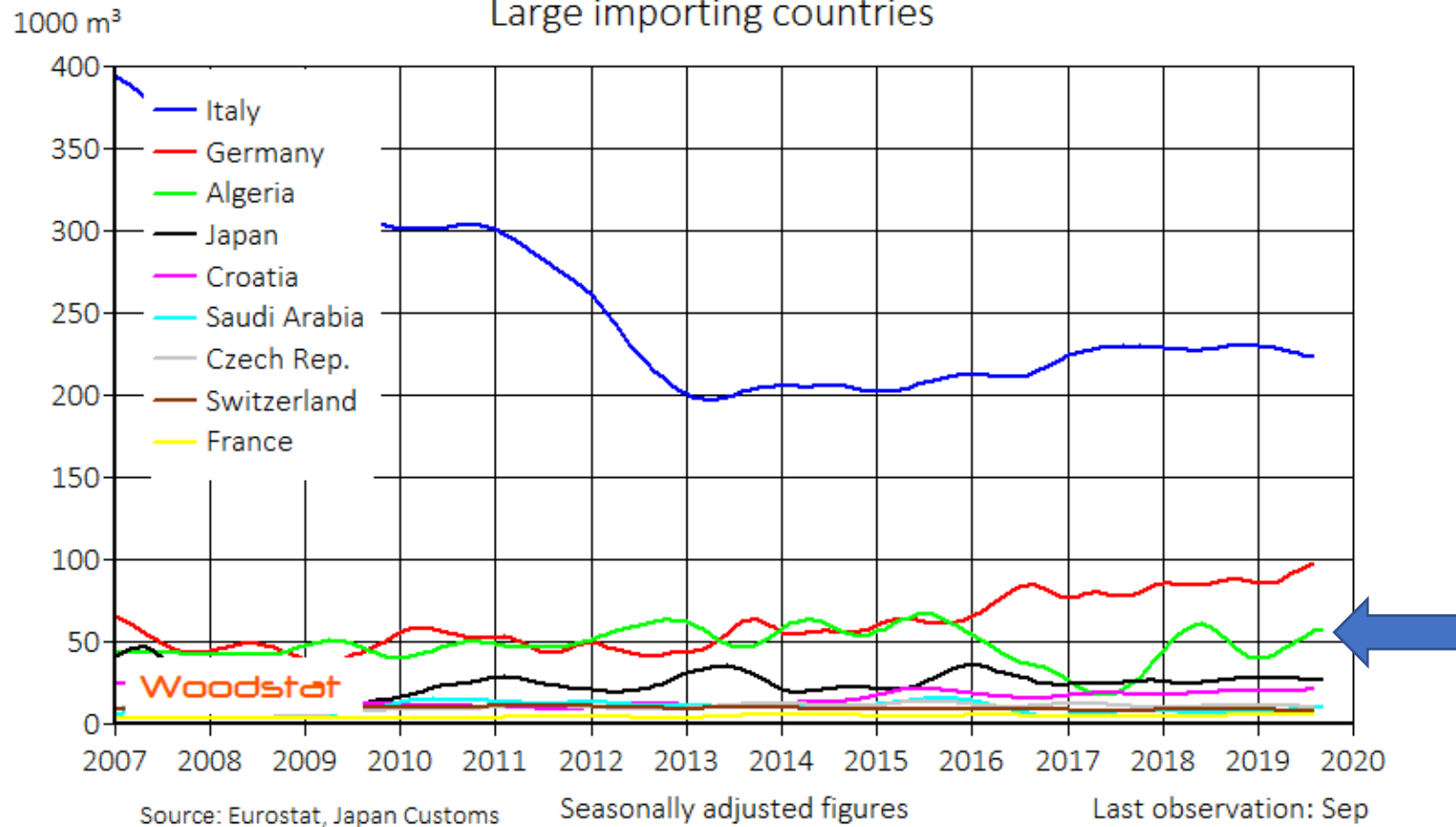
Finnish export is mainly to Saudi and consists of 30% pine and 70% Spruce

Swedish export is mainly pine to Saudi Arabia and Yemen

Has the spruce bark beetle damages any impact on the volumes to the MENA-region?

AUSTRIA-SLOVENIA monthly export of softwood lumber

Large importing countries



Egypt



Forecast Overview (source; Trading Economics, Bank of Egypt)	Actual	Q4	Q1	Q2	Q3	2020
GDP Annual Growth Rate (%)	5.70	5.8	5.4	5.3	5.6	6
Unemployment Rate (%)	7.50	7.6	7.1	6.8	8	7.3
Inflation Rate (%)	4.80	7.8	6.7	7.4	8.3	9
Interest Rate (%) EGP only	13.25	13.25	13.25	13.25	12.75	12.75
Balance of Trade (USD Million)	-3380.00	-2800	-2790	-4600	-4260	-2800

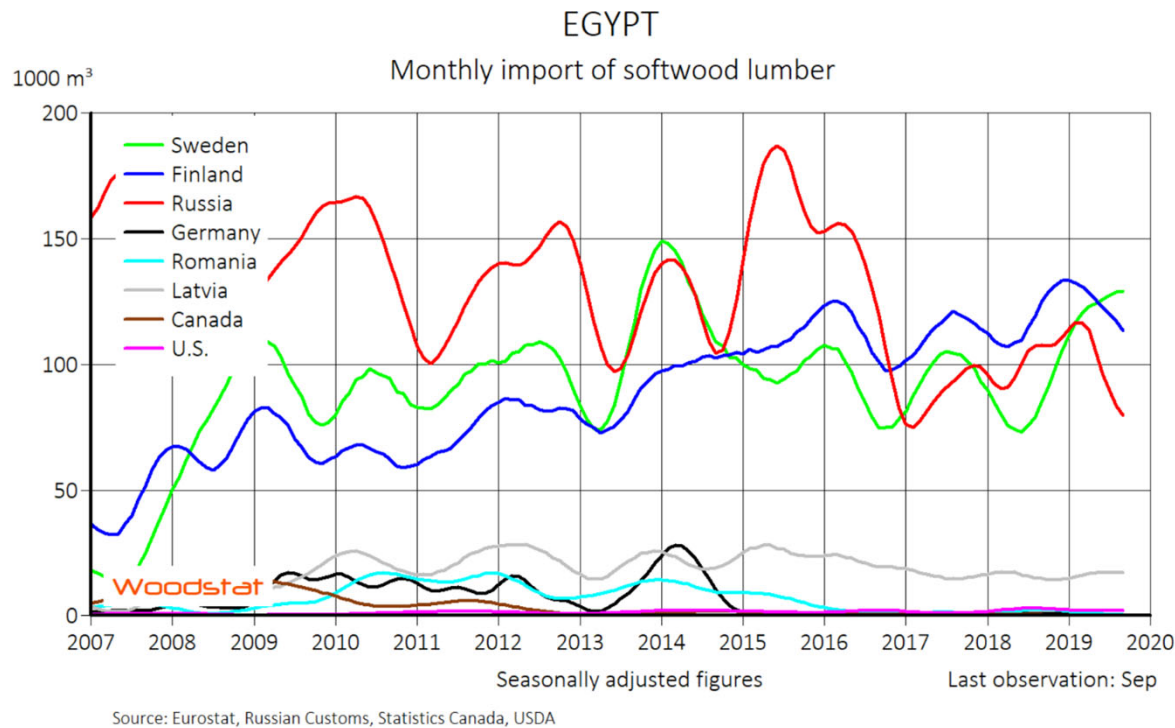
- The president, Abdel Fattah el-Sisi, was re-elected in 2018. With his term extended and a further term permitted he could rule until 2030.
- Economic policy reform will continue, even though at a slower pace.
- The Egyptian Pound is on a stable level which will give growing confidence for investors. This will be supported by increased production of gas.
- The 12 billion dollar loan from IMF has been fully paid in July since Egypt has fulfilled the obligations according to IMF;

Mr. David Lipton, Acting Managing Director and Chairman of the IMF Executive Board Board, said: ***“Egypt has successfully completed the three-year arrangement under the Extended Fund Facility and achieved its main objectives”***

EGYPT

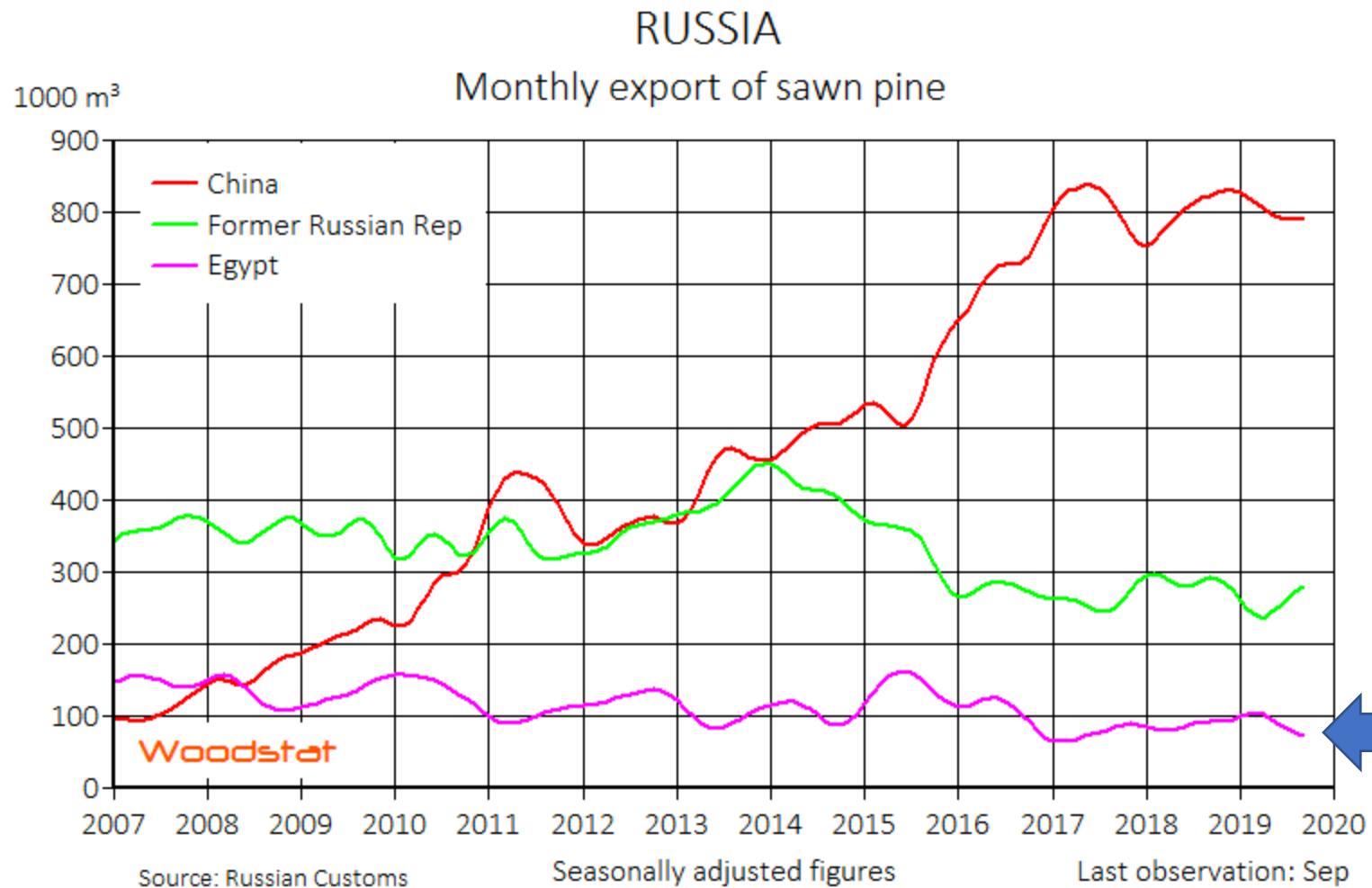


Softwood import to Egypt from main suppliers



	Jan - Sep 2019	Jan - Sep 2018	2019/2018
Finland	1 156	970	19%
Sweden	1 059	670	58%
Russia	906	930	-3%
Latvia	161	164	-2%
Others	52	67	-22%
Total	3 334	2 801	19%

Are Russian volumes coming back to Egypt?



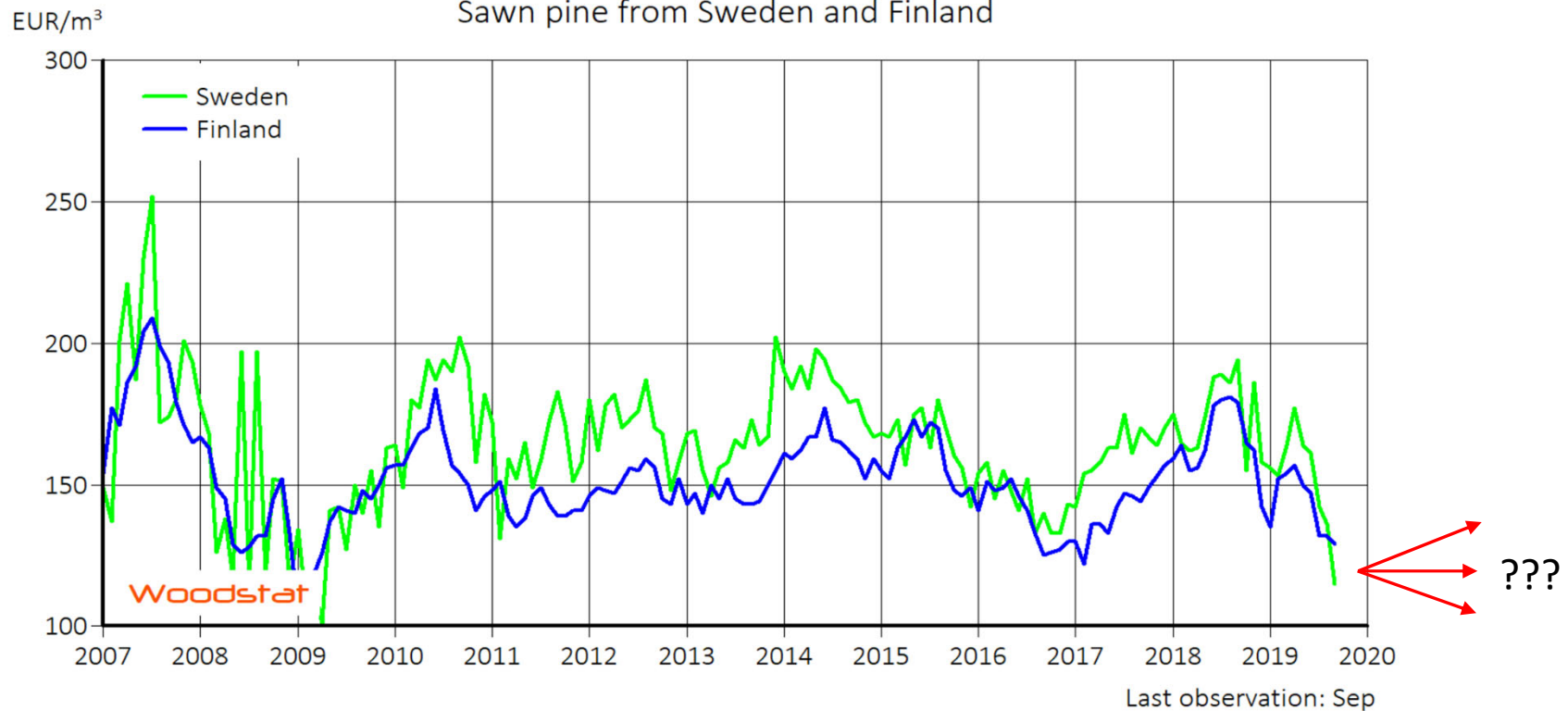
Current Egyptian Softwood market in a nutshell



- Stock levels at importers yards are high
- Customers purchase on a constant level as long as the price is decreasing...
- High pressure with volumes from Sweden and Finland

EGYPT prices (FOB)

Sawn pine from Sweden and Finland



Source: Eurostat

- Will lower production in Finland and Sweden give an effect on prices?

Egypt; Benefits and concerns

- + Political and security situation more likely will remain stable.
- + The tourism sector is coming back to growth. Contributes with 12% of the GDP
- + After devaluation of the EGP the "black market" has disappeared and the availability of USD is no longer a problem
- + The young and growing population (+ 2,5 million/year) and the related high urbanization rate drives the demand.
- + A number of bigger building projects are running and in "pipeline". For instance "New Cairo" (\$45 bn) and 2 million affordable new homes.
- + Abt 30% of the softwood import goes to the joinery/furniture sector which is the biggest in the MENA-region. The sector involves abt 10% of the total working force. Export of furniture increases.
- - The growth of Egyptian economy is dependent of external financing
- - Risk for tough competition among exporting countries if the alternative markets for low grade pine is limited.
- - Egyptian timber market will always be a volatile market due to its position as "solution" for low grades



Algeria



Forecast Overview (source; Trading economics, Office National des statistiques)	Actual	Q4	Q1	Q2	Q3	2020
<u>GDP Annual Growth Rate (%)</u>	1.50	1.3	1.2	1.4	1.6	1.7
<u>Unemployment Rate (%)</u>	11.70	12.7	13	13.5	13.7	13.8
<u>Inflation Rate (%)</u>	1.80	2.7	3	3.1	2.8	3
<u>Interest Rate (%)</u>	3.75	3.5	3.5	3.5	3.5	3.5
<u>Balance of Trade (USD Million)</u>	-1858.00	-487	-487	1500	1000	-476

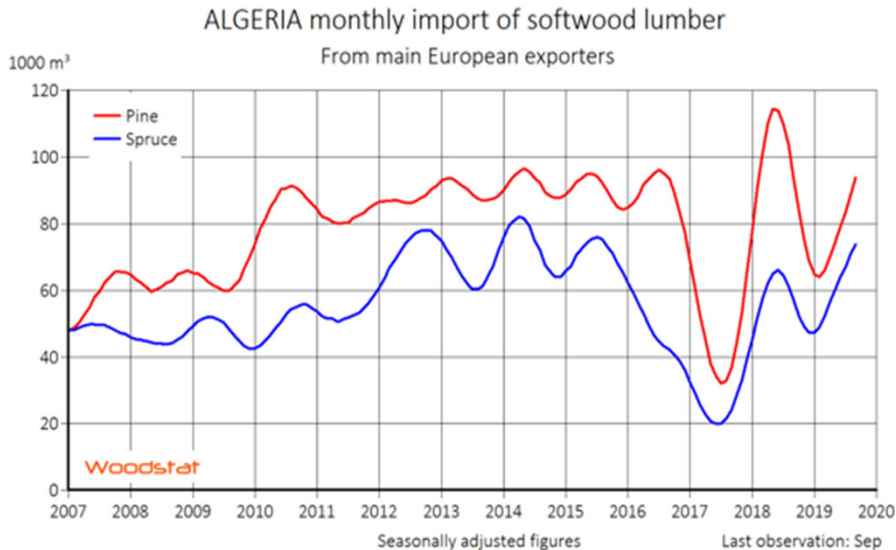
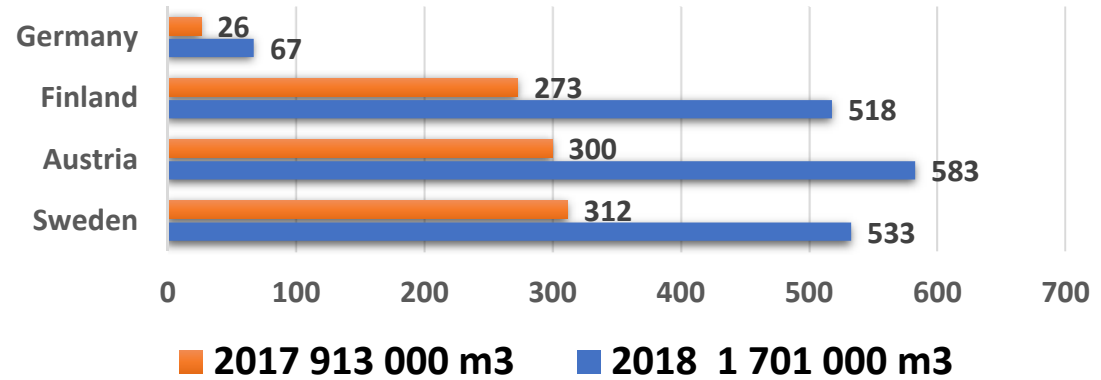
- The presidential election has been postponed several times after the resignation of Bouteflika in April this year.
- Protests continue, but the military is pressing for elections on December 12th.
- The economy will remain heavily dependent on export of oil and gas. Despite of rising gas production, the pace of average annual GDP growth will be modest around 1,5-2%

Algerian Softwood market in a nutshell



Softwood import to Algeria 2017/2018 (1000 m3)

Algerian market has recovered since the importstop 2017



Source: Eurostat, Russian Customs

Algeria import of softwood lumber (1 000 m³)

	Jan - Sep 2019	Jan - Sep 2018	2019/2018
Austria	332	403	-18%
Finland	305	391	-22%
Sweden	279	400	-30%
Germany	36	40	-10%
Other	2	4	-50%
Total	954	1 238	-23%

Algeria; Benefits and concerns

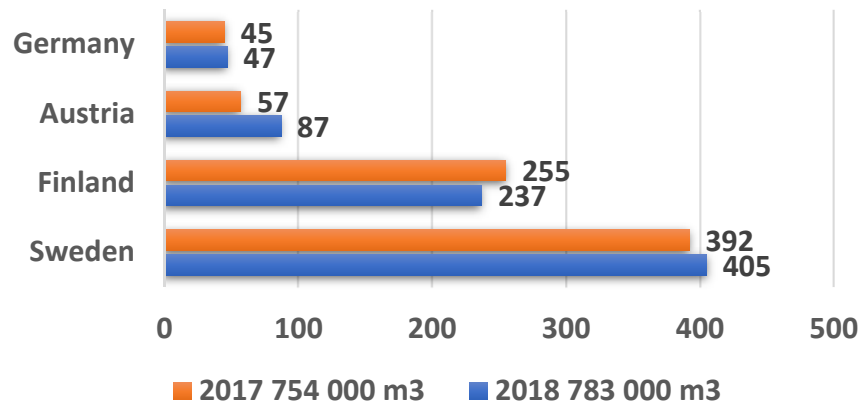


- + A strong need to modernize Algeria is supported by the government. As an example has a new airport opened in Alger.
- + Due to a young and growing population is the need for housing increasing.
- + Big building program for the common people continues. Over 5 million units when finalized.
- Substitute materials to wood are slowly gaining market shares
- Unsure political situation until the new president is on place. Administrative burden and lack of visibility has a negative impact on the foreign trade.
- The Algerian Dinar is still weak to the EUR

Morocco



Softwood import to Morocco
2017/2018 (1000 m3)



Stable market dominated by pine from Sweden and Finland

Morocco import of softwood lumber (1 000 m³)

	Jan - Sep 2019	Jan - Sep 2018	2019/2018
Sweden	304	289	+5%
Finland	157	166	-5%
Austria	65	65	-
Germany	27	36	-25%
Latvia	4	0	+
Other	6	4	+50%
Total	563	560	+1%



Morocco Softwood market in a nutshell

- + Need for 1 million housing units until 2021
- Substitute material such MDF and plywood gaining market shares
- /+ Construction sector has slowed down since 2012 but will increase again this year

Saudi Arabia



Forecast Overview (Source; Trade economics, Central dep of statistics and information)

	Actual	Q4	Q1	Q2	Q3	2020
<u>GDP Annual Growth Rate (%)</u>	0.50	0.9	1.5	2.3	2.7	2.5
<u>Unemployment Rate (%)</u>	5.60	6	6	5.8	5.9	5.9
<u>Inflation Rate (%)</u>	-1.10	0.3	2.5	2.7	2.9	3.1
<u>Interest Rate (%)</u>	2.50	2.25	2.25	2	2	2
<u>Balance of Trade (Million SAR)</u>	127500.00	116000	132000	132000	135500	129000

- About 90% of the export earnings comes from oil, 20% of the worlds oil reserve is in Saudi.
- The war in Yemen and oil price has a significant impact on the willingness to invest
- The crown prince Mohamed Bin Salman (MBS) is consolidating his power and will continue to open up the economy for foreign investment, although political rights will remain restricted.

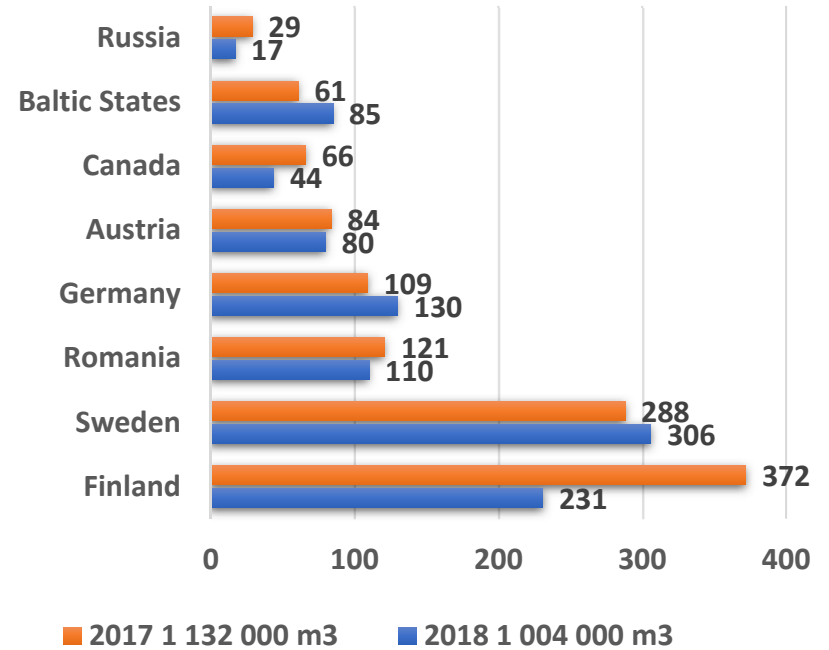
Saudi Arabia



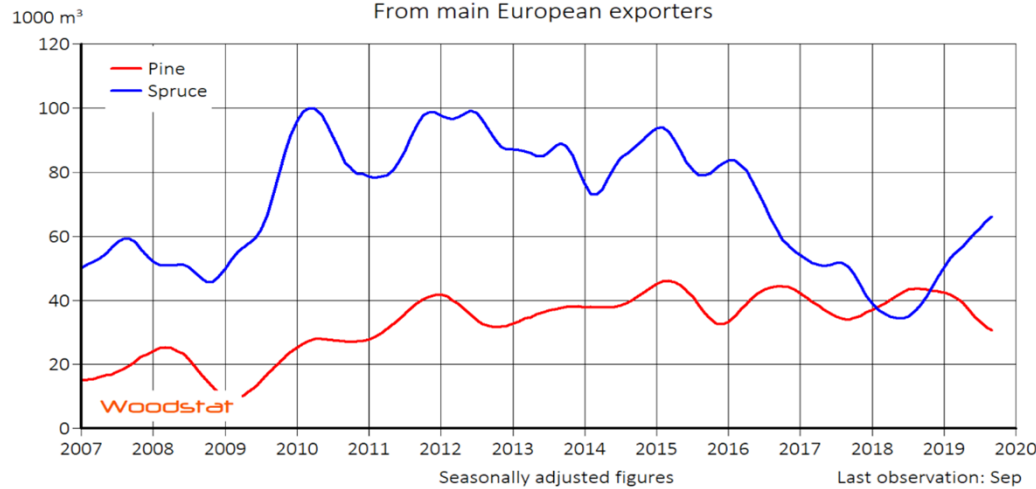
Softwood import to Saudi Arabia 2017/2018 (1000 m3)

Saudi Arabia import of softwood lumber (1 000 m³)

	Jan - Sep 2019	Jan - Sep 2018	2019/2018
Finland	341	156	+119%
Sweden	224	222	+1%
Chile	181	131	+38%
Romania	103	81	+27%
Austria-Slovenia	77	60	+28%
Germany	53	100	-47%
Baltics	47	53	-11%
New Zealand	40	31	+29%
Canada	27	35	-23%
Russia	29	13	+123%
Other	5	11	-55%
Total	1 127	893	+26%



SAUDI ARABIA monthly import of softwood lumber
From main European exporters





Saudi Softwood market in a nutshell





- + Furniture industry is expected to grow abt 10% annually
- + Vision 2030 includes a number of building projects such as 1 million new homes, economic cities and infrastructure investments. Though, many of them are postponed due to the unstable political situation.
- +/- War in Yemen has a significant impact on the softwood export to Saudi.
- "Saudization" is a big challenge in the construction sector since 80-90% of the workers are foreigners.
- More demand on VI th grade due to export from Saudi to Yemen
- Substitute material such MDF and plywood gaining market shares

Summary and Future, short and long term



EGYPT

- **Short term:** Unsure market situation in Egypt at the moment 
- **Long-term:** Looks promising with growth of 5-6% the coming years 



ALGERIA

- **Short term:** Unsure market situation in Algeria at the moment 
- **Long-term:** The economy will continue to grow with about 3% the coming years 

MOROCCO

- **Short term:** Construction sector is slowly increasing again 
- **Long-term:** Morocco has a stable economy and steady growth 

SAUDI-ARABIA

- **Short term:** Unsure political situation which together with the oilprice has a huge impact on the growth. 
- **Long-term:** Liberalisation and peace in the region will be a base for growth 

Thank you for your attention
Merci pour votre attention



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