

THE ROYAL NORWEGIAN MINISTRY OF AGRICULTURE
DEPARTMENT OF FORESTRY

Norwegian Market Statement

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General Economic Situation

After a 3.5% annual increase through the last five-six years, the growth in gross domestic product (GDP) for continental Norway (off shore oil and gas activity excludes) has stagnated the last four quarters and is expected to be 0.3% for 1999. The labor market has stabilized and the decline in the unemployment rate has stopped at a level of 3.2%. The consumer prices are still increasing, but the nominal wage growth seems to be slightly lower according to 1998. However, a marked fall in imports and a strong recovery in crude oil prices contribute to a surplus in the current balance. In the same way as the rise in the early 1990s was brought along by an overall growth in the demand, there are several factors now implying stagnation such as declining investments and a more stringent finance policy.

It is expected that the household demand will recover next year along with increased investments. In the opposite direction draws an expected considerable decline in petroleum investments, which will give an expected zero-growth in continental GDP this year and a moderate growth next year. However, increased investments, stabilized interest rates and a slightly higher growth in exports, give an expected normal level in the continental GDP growth in 2001. Several factors contribute, however, to uncertainty to the outlined development for the Norwegian economy. It is very sensible to changes in crude oil prices. High volatility will easily give fluctuations in the currency exchange, which again will affect the development in the continental economy. The economy will also be sensible for unexpected high increase in demand. The labor market will also tighten if not the growth in productivity again reaches a historical normal level.

The Roundwood Market

There has been a satisfying demand for both saw logs and pulpwood in 1998. The pulp and paper industry increased its production and the main markets where good resulting in both high domestic demand for pulpwood and increased imports. The sawmill industry on the other hand experienced another hard year in 1998 with low export prices but, however, still a stable production.

The prices for first grade spruce logs had a 10% decrease from the autumn 1997 to the first quarter of 1998, to NOK 450. The pine log prices had only a minor decrease, and the pulpwood prices had a slight increase in the same period. The price negotiations for pulpwood where

difficult at the end of 1998. The industry wants that the transportation cost in a higher extent shall be reflected in the FAS-prices, which is supposed to give greater geographically differences.

The total fellings have had an approximate 20% decrease since 1990 and were in 1998 well beyond 8-mill cbm. This represents a 5% decrease from 1997 (mainly spruce). On the other hand the total roundwood imports increased by 20% from 1997 to 1998. Pulpwood spruce imports experienced a 34% increase.

The Sawn Wood Market

The sawn wood market started a slow recover during the first half of 1999, and there seems to be a steady demand growth for the rest of 1999. Nevertheless prices are still on a low level, but they are expected to increase slightly on Norway's most important export markets the rest of 1999. The activities in construction in general in Norway have been good and there has been a small increase in domestic prices. The total number of domestic housing units for 1999 is expected to be around 18000 units compared to 19646 units i 1998.

The production of coniferous sawn wood for 1998 was 2.5-mill cbm and is expected to be at this level in 1999 as well. Domestic consumption in 1998 was 2.6-mill cbm and is expected to increase slightly in 1999.

The export prognosis for 1999 is around 750.000 cbm, which is slightly up from last year when 711.000 cbm was exported. Import will according to the prognosis probably be approximately at the same level as 1998 when 960.000 cbm was imported.

The Pulp and Paper Market

The year 1998 was a turbulent one for the world economy. Instability in the currency and finance markets in South East Asia and key countries in South America made substantial economic cutbacks in these countries necessary.

The reduced economic growth caused significant variations in grades and production areas, thus further weakening the markets for pulp and paper products in 1998, but to a lesser degree than for other important commodity markets.

Production of chemical market pulp experienced a minor increase in 1998 to 434 000 tonnes, whereas the production of mechanical grades increased by 13,6% and reached 166 000 tonnes. Production of paper and board increased by 2.3% to 2 260 000 tonnes. The production of standard newsprint increased by 3.6% to 914 000 tonnes. The production of uncoated mechanical paper was increased by 3.2 % from 1997 to a total of 752 000 tonnes in 1998.

Export value of pulp, paper and boards amounted to 11.4 billion NOK in 1998, which is 8.4% higher than the preceding year. Information for the first half of 1999 indicates unchanged exports this year.

Tables

Key trends of the Norwegian economy 1998-2000

(Percentage change from previous year)

	1998	1999	2000
GDP	2.1	0.5	3.6
- hereof on-shore	3.3	0.3	1.0
Demand (on-shore)	3.1	-0.3	1.5
Household consumption	3.1	1.8	2.4
Public consumption	3.7	1.3	1.4
Unemployment ratio	3.2	3.2	3.5
Consumer price index	2.3	2.3	2.0
Current balance in percent of GDP	-1.5	2.0	7.3

Production and trade

	Unit 1000	Production		Imports		Exports	
		1997	1998	1997	1998	1997	1998
Industrial roundwood	m ³	8050	7690	2850	3500	480	480
- sawlogs and veneer logs	m ³	4550	4210				
- pulpwood	m ³	3500	3480				
Sawnwood	m ³	2500	2550	1030	1040	700	720
Wood pulp	MT	2335	2420	140	125	520	570
Paper and paper board	MT	2210	2260	520	525	1970	2010