

ECE Timber Committee, Fifty-ninth session, 2-5 October 2001

Note

Any effects caused by the terror attack in the USA are not considered in this statement. In purpose to try to minimise the negative effects the Swedish repo rate was lowered with 0.5 percentage points to 3.75 per cent in September 17.

General economic trends according to the National Institute of Economic Research (NIER) in August 29, 2001

With the slackening world economy, GDP growth in Sweden is slowing and will be limited to a modest 1.6 percent this year. The repo rate may be lowered this autumn (see the note above). There is a margin for reducing taxes without any drawbacks from a stabilisation-policy standpoint. The expenditure ceiling for 2002 and 2003 may be exceeded if no countermeasures are taken. With a recovery in demand abroad, accompanied by an expansionary economical policy, GDP growth should reach 2.7 percent in both 2002 and 2003.

Growth in Swedish exports is being held back primarily by weak demand for motor vehicles and telecommunication products, and by slower growth in the euro zone. However, some improvement in the international economy is expected by winter. The US economy is being stimulated by reductions in both interest rates and taxes. Moreover, the decline in investment is gradually easing. Recovery in the European economy is expected as well.

Selected economic indicators, Sweden			
<i>(Change in percent)</i>			
	2000	2001	2002
GDP at market prices	3.6	1.6	2.7
Repo rate (in the end of the years)	4.00	3.75	3.75
Productivity in business sector	2.4	1.2	3.3
Consumer price index	1.4	2.6	1.9
Construction volume, total	4.5	3.5	7.8
of which			
-permanent housing	7.9	7.7	12.8
-repairs, maintenance, renovation	3.7	3.6	3.0
Dwelling (housing starts)number of flats	17 242	20 000	22 000
Production in wood-using industries			
sawmill	-5.2	0.1	0.7
woodpulp for sale	-7.6	3.3	3.8
paper and paperboard	-2.4	1.0	2.0

Swedish exports will begin to edge upward even before the end of the year and then pick up speed. At the same time, an expansionary fiscal and monetary policy should spur faster growth in household consumption. Together with substantial investment in the expansion of the third-generation mobile-telephone network, this should lead to an increase in Swedish GDP growth, which is expected to reach 2.7 percent both next years and in 2003.

Inflation is presently exceeding the target rate set by the Central Bank of Sweden, but this is attributable to temporary factors like rising prices for electricity. The surge in prices during the spring was also due in part to rapidly growing demand and rising resource utilisation in

recent years. However, growth in demand has now fallen off, and the opinion of NIER, all things considered, is that resource utilisation will soon begin decreasing. It is difficult to judge how the exchange rate of the Swedish krona and prices of imports will affect inflation. The underlying outflows of capital, though, will gradually decrease; at the same time, the US dollar should be weakening. There is thus reason to believe that the krona will soon strengthen. Provided the krona appreciates, the sluggishness in demand means that the outlook is for a subdued rate of inflation over the next year or so.

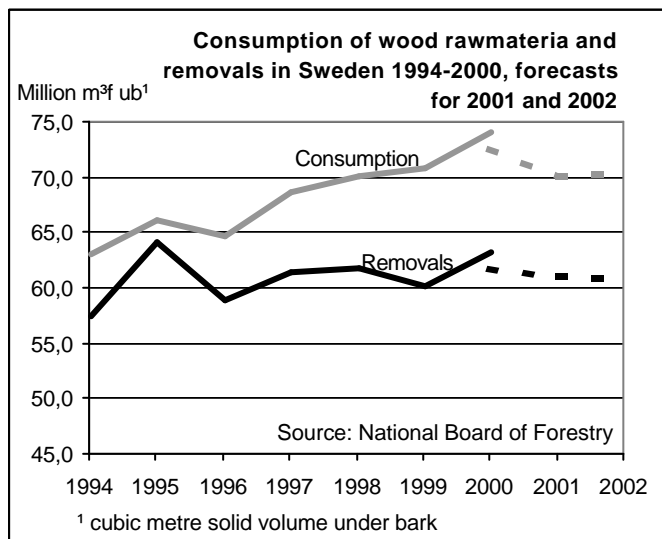
Pulp and paper

During 2000 the production of pulp reached record levels with 11.5 million tons. The demand was strong and the price on pulp was high. For example the prices on bleached sulphate were about 50% over the prices in 1999. At the end of the year the demand was reduced mainly as a result of overproduction in the paper and paperboard industry. The production of paper and paperboard also reached record levels with 10,8 million tones in 2000. Specially the production of printing paper and folding boxboard increased a lot.

Now in the first six months of 2001 the production of pulp has been reduced with 4% compared to 2000. The production of paper and paperboard is almost on the same level as in 2000 with exception for production of printing paper which has been reduced with 4%. Not before in the second half of 2002 the production levels are expected to go up again.

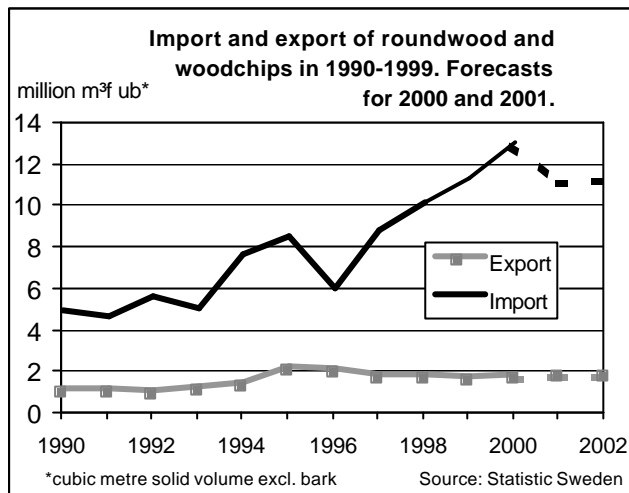
Roundwood incl. sawlogs and pulpwood

In 2000 nearly 62 million m³ ub were felled and removed from the forests. It was more than 5% more than the year before. The receiver of these increased volumes was the pulp industry.



In 2001 the removals are expected to be about the same as in 2000. The markets for sawlogs are relatively balanced but there are an oversupply of pulpwood since there have been production decreases especially in the sulphate industry. This over supply may result in a growing stock of pulpwood. To prevent this measures will be taken to lower the timber flows from the forest.

Prices on sawlogs have been and will be falling during 2001 and the pulpwood prices are expected to fall in the second part of the year. The forest owners willing to harvest has not been reduced compared to last year. Towards the end of the year and next year though the supply of timber is expected to be lowered as a result of the price decreases on roundwood.



The import of roundwood is expected to be 9.8 million m³ ub in 2001 which is 16% less than in 2000. In 2000 around 2.7 million m³ ub sawlogs and 8.9 million m³ ub pulpwood were imported. The activities in import of sawlogs are very low right now. The weak Swedish krona has made it too expensive for companies to import sawlogs in the same extent as previous years. The demand for pulpwood has been reduced which of course also have effect on the import.

Central parts of Sweden has been injured by fungus (*Gremmeniella abietina*) and around 300 000 hectares are severely damaged. The result of this will most likely be that huge volumes of young pine stands will be harvested, mostly in thinnings but also in final fellings. Some of the fellings has to be done before normal felling ages. This will sum up to the already large supply of coniferous pulpwood.

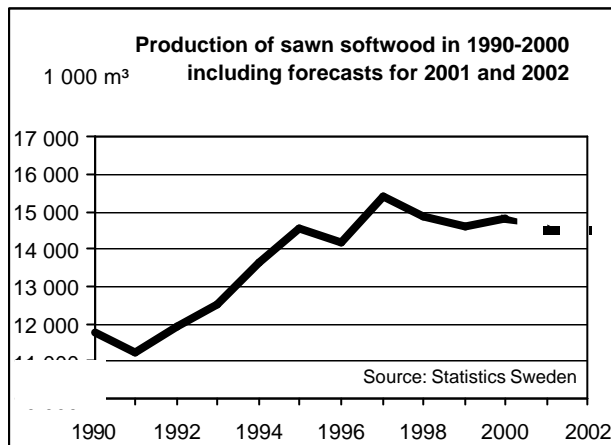
Heavy rainfall and following flooded areas causes troubles in the northern part of Sweden. Problems with getting the timber out of the forest and to the industry will be specially serious for the sawmill industry which already have small stocks of sawlogs. The weather forecasts are unpredictable. Continued heavy rainfalls will have a noticeable effect on the production.

The import of tropical hardwood was 2 200 m³ ub in 2000. This was 1 000 m³ ub more than in 1999. The major part of this increased import came from Germany but originate from Africa. It consisted of African species such as African mahogany and Sapelli.

Sawn softwood

During 2000 the demand for sawn softwood was high but the prices were under pressure. Mainly because of a raising production and export of sawnwood from Eastern Europe incl. Russia. Also the effects of the windstorms which hit central Europe at the end of 1999 effected the price levels since large volumes of cheap sawlogs were available on the market.

The Swedish production of sawn softwood in 2000 was 14.8 million m³ which was 2% more than the year before.¹



In 2001 the production is expected to be around 14,5 million m³. There is no price pressure from central Europe any more but the supply of timber from Eastern Europe is still growing which affects the price levels. The demand for timber in Western Europe is decreasing.

The year 2001 will be the sixth year with low profitability for Swedish sawmills. During these time prices on the sawn timber has been under pressure in the same time as the cost of sawlogs has been high. Since around 70% of the costs for an average sawmill in Sweden are costs for sawlogs these prices are most important to the companies. The prices for sawlogs have been reduced during 2001 and further reductions are discussed in a short-term attempt to improve the profitability. Of course there are also discussions and activities in progress for purpose of improving the situation in a long-term. The restructuring of the sector is one example. Rationalisation in the production and development of new products are others.

The restructuring in the saw mill sector which has been going on for a long time accelerated during 2001. Sawmills with a total capacity of 600 000 m³ has been closed down. Most of this capacity though, is taken over by other Swedish sawmills.

The weakness of the Swedish krona is making the competitiveness for the Swedish sawmill sector rather decent at the moment. The export decreased a lot during the first six months this year but is expected to increase again during the autumn. The total export volume in 2001 is expected to be 10.7 million m³, which is around 3% less then in 2000.

The demand for sawn products has weakened and the European as well as the Japanese and American markets are all very instable. The forecasts for the export of sawn softwood in 2002 will be the same as for 2001.

Sawn hardwood

The production of sawn hardwood during 2000 was 250 000 m³. This year the production has been decreased and is expected to be around 200 000 m³. The production is very much

¹ There are indications that the Swedish sawnwood production may be underestimated. Results from a sawmill inventory this autumn will give us further knowledge on this.

depending on fashion trends and in 2001 oak products has taken large parts of the beach shares in the production. This trend is especially significant in the floor-sector. In 2002 the production is expected to remain on the same level as this year

The export of sawn hardwood according to the trade statistics so far this year are pointing towards the same export volumes as last year i.e. around 30 000 m³. Reports from the sawn hard-word sector though are more heading towards a reduced export this year.

The growth in oak-floor production was possible through an increased import of oak sawlogs in the beginning of 2001.

Wood-based panels

In 2000 the production of plywood was 110 000 m³. The import was 178 000 m³ and the export 63 000 m³. In 2001 the apparent consumption is expected to increase somewhat which will be covered by an increased import.

The production of particleboard in 2000 was 640 000 m³. The production of particleboard is also expected to remain on the same level this year but the import is increasing. There is no production of OSB in Sweden.

Finally the production of fibreboard is expected to decrease during this year. It is the production of hardboard which is decreasing from 106 000 m³ in 2000 to 90 000 m³ in 2001.

Certified forest products.

Nearly 12 million hectares of forest land are now covered by certification in Sweden. The so far dominating certification system is FSC-Sweden with 10 million hectares. PEFC-Sweden covers 1,8 million hectares. Within the nearest two years the certified forest area will increase. We will now see a large increase in implementing of certification in small-scale forestry.

The strongest demand for certified forest products both on the export market and the domestic market is from retailers and industrial customers. The major export markets from Sweden are the UK, Germany and the Netherlands.

The markets for certified forest products are still limited mostly because of lack of supply of products and lack of premiums for the products. Many companies though have a strong desire to be socially responsible and feel that if they can offer certified products they gain a competitive advantage and improved image. At present only a couple of percentage of the domestic consumed and exported forest products are carrying a forest certification label.

The lack of mutual recognition between the two certification systems is recognised as the most important hinder for the development of forest certification in Sweden today. During the last year discussions about and comparison between FSC-Sweden and PEFC-Sweden have been going on. The differences between the two standards have been described. The aim with this work is to establish possibilities for wood from FSC-forests to be accepted in the PEFC-system and vice versa.

TC1 UN/ECE Timber Committee forecasts **Roundwood**

Product	Unit	Historical data		Revised	Estimate	Forecast
		1999	2000	2000	2001	2002
SAWLOGS AND VENEER LOGS, CONIFEROUS						
Removals	1000 m ³	30 300	30 200		30 200	30 300
Imports	1000 m ³	2 300	2 700		1 800	1 800
Exports	1000 m ³	600	600		500	500
Apparent consumption	1000 m ³	32 000	32 300		31 500	31 600
SAWLOGS AND VENEER LOGS, NON-CONIFEROUS						
Removals	1000 m ³	500	500		450	450
Imports	1000 m ³	70	70		60	60
Exports	1000 m ³	20	20		15	15
Apparent consumption	1000 m ³	550	550		495	495
of which, tropical logs						
Imports	1000 m ³	1	2		1	1
Exports	1000 m ³	0	0		0	0
Net Trade	1000 m ³	1	2		1	1
PULPWOOD (ROUND AND SPLIT), CONIFEROUS						
Removals	1000 m ³	18 920	21 700		21 400	21 200
Imports	1000 m ³	3 783	4 450		4 300	4 400
Exports	1000 m ³	695	797		960	900
Apparent consumption	1000 m ³	22 008	25 353		24 740	24 700
PULPWOOD (ROUND AND SPLIT), NON-CONIFEROUS						
Removals	1000 m ³	2 580	3 000		2 700	2 500
Imports	1000 m ³	4 126	4 500		3 640	3 940
Exports	1000 m ³	5	14		20	15
Apparent consumption	1000 m ³	6 701	7 486		6 320	6 425
WOOD RESIDUES, CHIPS AND PARTICLES						
Domestic supply	1000 m ³	14 750 C	15 600 C		14 800	15 000
Imports	1000 m ³	994 C	1 104 C	1 319	1 600	1 700
Exports	1000 m ³	292 C	283 C		315	300
Apparent consumption	1000 m ³	15 452	16 421		16 085	16 400
OTHER INDUSTRIAL ROUNDWOOD, CONIFEROUS						
Removals	1000 m ³	400	400		400	400
OTHER INDUSTRIAL ROUNDWOOD, NON-CONIFEROUS						
Removals	1000 m ³	100	100		100	100
WOOD FUEL, CONIFEROUS						
Removals	1000 m ³	2 950	2 950		2 950	2 950
WOOD FUEL, NON-CONIFEROUS						
Removals	1000 m ³	2 950	2 950		2 950	2 950

TC2 UN/ECE Timber Committee forecasts **Forest products**

Product	Unit	Historical data		Revised	Estimate	Forecast
		1999	2000	2000	2001	2002
SAWNWOOD, CONIFEROUS						
Production	1000 m ³	14 608	14 839	14 839	14 500	14 500
Imports	1000 m ³	138	188	188	170	170
Exports	1000 m ³	11 060	11 188	11 056	10 700	10 700
Apparent consumption	1000 m ³	3 686	3 839	3 971	3 970	3 970
SAWNWOOD, NON-CONIFEROUS						
Production	1000 m ³	250	250	250	200	200
Imports	1000 m ³	94	61	61	60	60
Exports	1000 m ³	22	37	29	30	30
Apparent consumption	1000 m ³	322	274	282	230	230
of which, tropical sawnwood						
Production	1000 m ³	0	0		0	0
Imports	1000 m ³	9	11		10	10
Exports	1000 m ³	2	3		2	2
Apparent consumption	1000 m ³	7	8		8	8
VENEER SHEETS						
Production	1000 m ³	17 C	17 C	7	7	7
Imports	1000 m ³	34 C	33 C	33	30	30
Exports	1000 m ³	15 C	15 C	15	15	15
Apparent consumption	1000 m ³	36	35	25	22	22
of which, tropical veneer sheets						
Production	1000 m ³	1	1		1	1
Imports	1000 m ³	2	2		2	2
Exports	1000 m ³	0	1		0	0
Apparent consumption	1000 m ³	3	2		3	3
PLYWOOD						
Production	1000 m ³	105 C	113 C	110	110	115
Imports	1000 m ³	152 C	184 C	178	188	190
Exports	1000 m ³	65 C	75 C	63	60	60
Apparent consumption	1000 m ³	192	222	225	238	245
of which, tropical plywood						
Production	1000 m ³	0	0		0	0
Imports	1000 m ³	10	8		4	4
Exports	1000 m ³	0	0		0	0
Apparent consumption	1000 m ³	10	8		4	4
PARTICLE BOARD (including OSB)						
Production	1000 m ³	618	640	640	630	640
Imports	1000 m ³	321	334	338	400	400
Exports	1000 m ³	324	257	98	110	115
Apparent consumption	1000 m ³	615	717	880	920	925
of which, OSB						
Production	1000 m ³	0	0	0	0	0
Imports	1000 m ³	15	19	19	26	27
Exports	1000 m ³	16	17	0	5	6
Apparent consumption	1000 m ³	-1	2	19	21	21
FIBREBOARD						
Production	1000 m ³	221 C	207 C	218	203	203
Imports	1000 m ³	114 C	144 C	118	117	104
Exports	1000 m ³	84 C	70 C	75	64	66
Apparent consumption	1000 m ³	251	281	261	256	241
Hardboard						
Production	1000 m ³	89 E	89 E	106	90	90
Imports	1000 m ³	49	58	22	20	19
Exports	1000 m ³	32	30	43	29	30
Apparent consumption	1000 m ³	106	117	85	81	79
MDF (Medium density)						
Production	1000 m ³	89 E	89 E	85	85	85
Imports	1000 m ³	37	45	65	64	55
Exports	1000 m ³	18	19	18	16	17
Apparent consumption	1000 m ³	108	115	132	133	123
Insulating board						
Production	1000 m ³	44	29	27	28	28
Imports	1000 m ³	28	41	33	33	31
Exports	1000 m ³	34	21	15	19	19
Apparent consumption	1000 m ³	38	49	45	42	40
WOOD PULP						
Production	1000 mt	10 693 C	11 545 C	11 517	10 900	11 000
Imports	1000 mt	276 C	306 C	294	270	280
Exports	1000 mt	2 969 C	3 072 C	3 134	3 000	3 100
Apparent consumption	1000 mt	8 000	8 779	8 677	8 170	8 180
PAPER & PAPERBOARD						
Production	1000 mt	10 071 C	10 774 C	10 786	10 500	10 650
Imports	1000 mt	605 C	730 C	730	630	660
Exports	1000 mt	8 809 C	9 031 C	9 031	8 600	8 900
Apparent consumption	1000 mt	1 867	2 473	2 485	2 530	2 410

