

Danish market report 2008

National Economy :

The Danish economy has experienced a period of strong demand with growth rates of the annual GDP exceeding 3 per cent in 2005 and 2006. In 2007 however the GDP growth rate declined to 1.8 per cent, and is expected to decline even further in 2008.

The growth rate of private consumption has been high in recent years, but is expected to slow substantially in 2008.

The level of employment is historically high, and unemployment is at its lowest level since the beginning of the 1970s. Unemployment has fallen by approximately 100,000 persons during the past 3½ years, and employment has increased by nearly 150,000 persons during the same period, primarily due to the economic upturn and to the increasingly more open borders within the EU, leading to a significant inflow of foreign labour.

However recent figures from Statistics Denmark indicate that unemployment now has reached the bottom and increasing unemployment is anticipated over the next year.

Economists are now talking about a global decline in growth which composes a considerable risk in the short run for the Danish economy. There is a risk that the recent years of economic upturn might be followed by an extended period with low growth and increasing unemployment.

Indicator	Unit of Measure	Actual 2005	Actual 2006	Actual 2007	Estimate 2008
GDP	% +/-	3,1	3,2	1,8	1,6
Exchange Rate	DKK/Euro	7,45	7,46	7,46	n.a.
Exchange Rate	DKK/\$	6,00	5,95	5,08	n.a.
Inflation (RPI)	% +/-	2,0	2,3	1,7	2,3
Unemployment	000s % +/-	157	125	59	46
Housebuilding Starts	000s % +/-	31,0	31,0	25,5	20

A. Outlet for Timber :

Building

After having reached record levels in 2007, the party is now over in the construction sector and the market has been somewhat normalised by the end of 2007. A declining trend has continued in the first half of 2008, and building activity in 2008 and 2009 is anticipated to reach a lower level, due to a general economic slowdown. In 2009 a total of only 19.000 housing units is anticipated, down from 32.000 in 2005.

Activity within maintenance and repair is also declining in 2008 and 2009 after years of record setting levels.

Industry

During 2007 leaders of the Danish woodworking and furniture industry held negative expectations also reflected in turnover declining in three consecutive quarters of 2007. 2007, however was better than most previous years for the industry as a whole.

In the woodworking and furniture industry the domestic market also shows signs of decline.

The turnover in the woodworking and furniture industry from exporting markets continues to decline.

B. Market Components :

Transactions: Softwood imports from the 10 most important supplying countries

Top 10 Supplying Countries	2006 (1000 m3)	Top 10 Supplying Countries	2007 (1000 m3)	Change (%)
Sweden	1.476	Sweden	1.395	-5,5%
Finland	337	Finland	316	-6,1%
Germany	118	Germany	168	42,1%
Norway	71	Poland	50	-13,6%
Poland	58	Lithuania	49	7,8%
Latvia	46	Austria	46	
Lithuania	45	Norway	44	-38,5%
Russia	38	Russia	35	-9,1%
Estonia	33	Estonia	30	-8,3%
All Others	128	All Others	58	-54,9%
TOTAL	2.350	TOTAL	2.190	-6.8%

Import figures have decreased in 2007 and this trend has been strengthened markedly in 2008 – preliminary figures suggest a decrease around 20% - mainly from Sweden.

Sweden and Finland continue to be the overall sources of supply making up about 75 % of the softwood import.

Certification of the Forest management is continuing to gain ground in Denmark. In 2007 the Danish Ministry of The Environment finalised the certification of all State owned forests in Denmark (25 %) according to PEFC as well as FSC standards.

No statistics are currently 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 is increasing moderately. Currently 104 CoC certificates (FSC: 78 and PEFC: 26) have been issued in Denmark (up from 88 in 2007).

However the majority of softwood imported from Sweden and Finland originates from certified forests but are not sold or marketed as such.

Stocks & Prices

In 2007 the softwood market followed the European trend with decreasing prices and growing stocks.

Consumption

C. CE-marking

Closely following the development.

E. Wood energy :

There is a growing political interest in the production of CO₂ neutral energy. Danish research institutions are at the forefront on research in the use of wooden biomass for biofuels.

F. Promotion :

Promotion activities continue to be concentrated in the project "Træ Er Miljø" – The Danish Wood Initiative www.trae.dk. The web site is in Danish only.

The Danish Wood Initiative has launched a promotion campaign in order to promote timber as a climate friendly material. Wood products are part of the solution to mitigate climate changes.

The campaign will run up to and during the UN Climate Conference COP 15 in Copenhagen December 2009.

G. Ecology :

Public purchasing policy

Public purchasing policies demanding evidence of legally and/or sustainably produced timber are emerging in a number of countries in EU.

The Danish guidelines for public purchase of tropical timber have currently gone through a thorough evaluation. The evaluation resulted in The Danish Minister of Environment introducing a so-called 9 point plan in February 2006 for purchase of legal and sustainable timber.

The core of this plan is the expansion of the purchasing policy to all kinds of timber, i.e. all types of timber-based products from all origins. The Minister wants to establish and stimulate a market for legally and sustainably produced timber products.

Guidance is currently being clarified and draft criteria defining 'legal' and 'sustainable' timber and assessment of certification schemes are being revised by the Ministry of the Environment, with the collaboration of a steering committee comprising a broad range of stakeholders including ENGO's, Industry representatives, Forestry Organizations, The Danish Timber Trade Federation among others.

The Danish Forest and Nature Agency launched “Draft Criteria for Legal and Sustainable Timber and Assessment of Certification Schemes” for public consultation in April 2007. The consultation terminated 31 May 2007.

The consultation confirmed a huge interest in the criteria setting from a large number of concerned stakeholders. The consultation also clearly indicated the complexity of such criteria setting with comments and proposals on some key aspects going in very opposed directions, inter alia as regards the inclusion of social criteria for sustainable timber

Before finalising the criteria the Danish Minister for the Environment has asked the Forest and Nature Agency to provide for a broader discussion with possible further inputs from concerned stakeholders. To that end, the Agency in collaboration with Chatham House (Royal Institute of International Affairs, London) recently held a [two-day workshop in Copenhagen](#).

Temporary guidance accepts FSC and PEFC

Whilst continuing the work on finalising the criteria, the Danish Ministry of the Environment will temporarily advise public buyers to accept, as proof of ‘legal and sustainable’ timber, either a certificate of FSC or PEFC.

The temporary advice will apply until 1 April 2009.

H. Forecast :

A number of uncertainties may influence future economical development. The Danish economy is an open economy and mainly dependant on the international economy.

Following recent developments in the global economy growth outside Denmark is also expected to slow down. US house prices have declined significantly, resulting in a financial crisis which is affecting the international economy. The financial crisis has led to increasing inter-bank interest rates and more restrictive credit conditions. Furthermore, the international economy is being subdued by increasing oil and food prices leading to increasing inflation and lower real income growth.

The Danish Timber Trade Federation