MARKET STATEMENT FOR ITALY
PREPARED FOR INTERNATIONAL SOFTWOOD CONFERENCE
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A. National Economy :

Selected economic indicators (% unless otherwise indicated)

		2006	2007	2008 forecast	2009 forecast
GDP growth	%	1.9	1.7	-0.1	=
Inflation	%	2.1	1.8	3.8	↑
Unemployment	%	7.0	6.5	6.5	↑
Industrial production	%	2.4	-0.2	-1	↓
Residential Building start-ups (thousands)		n.a	n.a.	n.a.	n.a.

B. Outlet for Timber :

Building
The feared, but expected, reverse trend in the building sector has arrived. Bases on sector data studies, it showed first signs in the last months of 2007, at least in the public works sector and in the area of "new housing" (a lack in liquidity).

The restoration sector, that in the first half of 2008, even though showing a decrease of - 11.3% compared to the same half in 2007, is, however, more encouraging than the figures for new construction.

Confirmed data on the negative perception of the market is widespread, not only among operators, but also now well-rooted in consumer perception. The large retail chains complain of a drop in consumption for families of -5% (- 11% in non-food).

Perceptions carried over to the building sector highlighted by:

- The further lengthening in time for the sale of new houses (from more than 6 months compared to 4 months for last year)
- The further slowing down in the increase in the demand for housing loans
- A growing difficulty in granting loans.

Industry

2007 registered a negative signal in the industrial production index only in the wood sector (-2.7%), while furniture registered a +1.8%.

For wood furniture, 2008 is continuing to show a steady erosion in foreign market share, especially due to the growing competition from Asian producers. The data for industrial production in the first half of the year for the furniture sector show -0.5%, obviously linked to the drop in consumption nationwide but, even more worrying, also to the decline in foreign orders, which up to now had made up for the domestic decrease.
Widely negative is the data concerning the wood sector and wood products showing a depressing -7.7%.

C. Market Components :

✍ **Transactions**: Softwood imports from **the 10 most important supplying countries**

	Actual 2006	Actual 2007	% change 06/07	Jan.-Jun. 2007	Jan.-Jun. 2008	% change 07/08
Austria	3.693	3.767	2	1.835	1.693	- 7,73
Germany	843	894	6,02	396	393	- 0,75
Czech Rep.	259	277	7,21	138	126	- 8,69
Russia	287	241	- 16,06	127	131	3,14
Finland	254	210	- 17,23	121	92	- 23,96
Sweden	223	174	- 22,07	106	84	- 20,75
Ukraine	154	159	3,02	85	76	- 10,58
France	89	105	17,45	53	42	- 20,75
Slovakia	180	142	- 20,81	73	79	8,21
Switzerland	102	79	- 22,82	40	51	27,50
All Others	325	390	20,04	207	171	- 17,39
TOTAL	6.409	6.438	0,45	3.181	2.938	- 7,63

✍ **Stocks**
2007 closed with a situation of unsold warehouse stock, whose selling off in 2008, along with the accompanying drop in consumption, has had negative repercussions on company purchasing policies.

✍ **Prices**
The healthy performances in 2006 and early 2007 are now a distant memory. The wood market anticipated the general drop in the prices of primary materials, which has become evident in the last months.

✍ **Consumption**
We can confirm a quite steady decline in the importation of softwood lumber registered in the first 5 months of 2008 (approx. -7%). We believe that for 2008 this figure will drop to at least -10%.
The objectives for the pro-capita consumption of softwood lumber for 2010 will have to be reviewed. As for products – “technological”, glued, laminated, jointed (F.J.), planed-, they continue their slow, but steady and irreversible growth in the Italian panorama of wood imports.

D. CE-marking
Under law 14/09/05 “Technical regulations in construction”, the Ministry for Infrastructure

established that companies that produce or sell or transform structural wood, to be able to operate in Italy, must have a “Technical Production Manager” (DTP), qualified through the relevant course. The exception being if the company already has the CE certification.

E. Wood Energy :

This issue, even though less stressed compared to the past, is particularly important. It remains very relevant for primary wood material in its less “noble” components linked to the problems in the fight against climatic change and the need to individuate alternative resourcs for energy supply.

F. Promotion :

The promotional activity of Promo_legno has successfully continued, mainly focusing on the high potential development area of wood houses. There is also under study a project to revitalize the use of wood window and door fixtures, taking advantage of a promotional campaign that highlights their intrinsically “green” features. This is also due to the existing regulations on energy saving in buildings.
An excellent result was witnessed last February in the first of the new international fairs, MADEexpo (Milan, Architecture, Design, Building), proving that it is possible to create – X visitors – a professional showcase for the wood building sector.

G. Ecology :

The number of companies using sustainable certification systems and especially, COC (chain of custody systems) linked not only to meeting the requests from the large retail chains, but also to the growing requests from the consumer market.
The process has finally been concluded in drawing up an agreement of cooperation between the Association and WWF concerning the development of sustainable forestry management, reliable certification systems, and the fight against illegal logging through a common promotion campaign in using primary wood material provided that it is sustainable, particularly concentrating on “green constructions”.

H. Forecast :

It still appears to be difficult, if not impossible, to make any forecasts.
Italy is also hampered by a stagnant productivity growth.
Data for estimating the GDP for the second quarter released by ISTAT show -0.3% over the first quarter. Comparing the data with 2007 we have a situation of zero growth, of an economy on the verge of recession.

High energy costs are still a burden on Italian expenses.
As well, the signs of a recovery in the dollar and consequently, the American economy, the presence of a national government with a large majority that should be able to support the essential structural renewal of the country, does not seem to be able, at least for the moment, to dispel the widespread pessimism of Italian consumers.

There are some factors that provide hope – the government has recently approved the “New Tender Code” that should encourage project financing for infrastructures and there is on the table a “Housing Plan” that forecasts for the use of large abandoned areas for the construction of housing for low income families and other “needy” categories.

A year ago we went ahead on demand, today it seems more correct to say we live from day to day.