ASOCIACIÓN ESPAÑOLA DE IMPORTADORES DE MADERA

Flora 3- 2º 28013 Madrid
Tfno.: +34 91 547 97 45
Fax: +34 91 547 39 80
www.aeim.org / aeim@aeim.org

INTERNATIONAL SOFTWOOD CONFERENCE.
Helsinki, 16 & 17, October, 2008.

MARKET REPORT FROM THE SPANISH DELEGATION.

A. National economy. General economic situation.

The process of adjustment which the Spanish economy started in 2007, after a long period of high economic increase, has become more severe during the first quarter of 2008. According to available figures, during this period, Spanish economy has again registered a remarkable decrease in its expansion trend. The extended instability of international financial markets and the oil price escalation have further negatively contributed to the economic slowdown.
Spanish Gross domestic product has only increased by 1, 8% (during the second quarter of this year) which means an increase of only one tenth, the slowest increase since last recession of 1993. This means that the Spanish economy has already entered in a period of stagnation and economic recession.

Economic activity drop has been very dramatic in the construction sector, (which has been, together with domestic consumption, the main drivers of the economic growth in the past years), especially regarding residential construction.
Thus, according to the last figures in the table below, total number of housing starts are forecasted to be around 398 thousand units, which means a sharp decrease of 33,5%. The outlook for 2009 is even more pessimistic with a further fall of nearly 40% (around 298.00 units).

Selected economic indicators (% unless otherwise indicated)

	2007	2008 forecast)	2009 (forecast)
GDP growth	3,7	1,4	0,8
Interest rate (Euribor)	4,2	4,6	4,7
Consumer Price index	2,8	4,6	4,8
Unemployment (ILO)	8,3	10,70	13,55
Private housing starts (thousands)	532.117	398.446	230.000

B. Outlets for Timber :

<u>Building:</u> The marked drop in housing starts during this year is leading to a sharp decrease in sawn softwood consumption. And so, Spanish importers are reporting sales decrease around 30%.
Now, the hope of timber industry in our country is the remodelling sector and other uses of timber different from those focused on the private residential sector.

<u>Industry:</u> Regarding the Spanish timber industry, the joinery sector, especially the door manufacturers are in a very delicate situation, with many problems of bankruptcies and job restrictions.

The flooring sector is not only suffering the collapse in housing starts but also the unfair competition of Southeast Asia manufacturers. Also, the furniture industry remains rather stagnant although with slightly better positive trend concerning exports. It seems that structural timber sector (including solid beams, gluelam and other engineering products) is remains in an acceptable situation despite the crisis in the construction sector.

C. Market Components :

Transactions. Imports of sawn softwood.

- Spanish imports of sawn softwood in 2007.

Spanish imports of sawn softwoods in 2007 reached a whole amount of 2.775.175 m3, which means a slight increase of 4, 3%, over the previous year. Concerning value (1,000 Euros) the increase has been much higher, nearly 16%, due to price increases during the first 3 quarters of 2007. The figures are the following: 444. 498 (1000 Euros) in 2006 and 514.067 (1.000 Euros) in 2006.

TABLE 1. Softwood imports from 10 most important supplying countries. January – December. 2007. (In volume. M3)

Country	2006	2007	%
Sweden	631.700	489.869	-29
Portugal	535.199	572.602	7
France	487.619	472.990	3
Finland	249.396	258.299	3
Germany	125.451	184.319	46
Chile	117.701	129.147	9
Russia	98.634	96.016	-2
United States	89.291	65.937	-35
Brazil	78.464	130.484	66
Austria	62.782	95.246	517
Others	184.856	280.266	
TOTAL	**2.661.093**	**2.775.175**	**4,3%**

- **Stocks:** At present stocks of sawn softwoods in Spanish importers yards are at a very high level and they have at present no need to buy.

- **Prices:** During 2088 prices of Nordic sawn softwoods (both redwood and whitewood) have continued with the downward trend which started in the last quarter of 2007.

- **Consumption:** Consumption remains at very low levels, with a decrease of around 30%, during this year (January- September), with respect to the same period of 2007.

D. **Wood Energy:** The issue of wood energy and biomass has lost importance, due to the referred fall in consumption of sawn softwoods and decrease in sales. Nevertheless there is not a common approach to this matter from the Spanish timber industry.

E. **Promotion:** During the last "Maderalia Fair" (held in Valencia in November, 2007) our Association published a new Timber Directory, about commercial timber species. This Directory is addressed to architects and designers and also for to the timber industry generally and is has been very well received. We are going also to be present in the next construction Fair (Construtec) to be held in Madrid from 7 to 11, October, 2007.

Our Association is collaborating as well in the "Living with Wood" project (within the Roadmap 2010 Campaign). Among the main projects which this campaign is undertaken this year we have to stress the campaign focused on timber and health. The main target of this campaign is to spread (among medical magazines and specialized press scientific) evidences got from an extensive study benefits, of the use of timber related to healthy and sound life. Furthermore and also linked to the project "Building with Wood" we have to stress the second contest on wood design and construction for architects and students.

F. **Ecology:** Regarding this matter, AEIM is already moving towards a private purchasing policy after the assessment of our Code of best environmental practices.

TABLE 2. Summary of Softwood Statistics. In volume. 1.000 m3.

	Actual 2006	**Actual 2007**	**Estimate 2008**	**Estimate 2009**
Imports	2.661	2.775	2.313	1.750
Exports	68	87	85	80
Apparent consumption	5.335	4.868	4.348	3.770

H. **Forecasts:** Import statistics of sawn softwood during the first half of this year, show a sharp decline of 23,4%. The foreseen reduction for the whole year could be around 24, 5%. A further marked decrease in imports is foreseen for 2009, around 32%.