

ECE Timber Committee, Fifty-eight session in Joint Session with the FAO European Forestry Commission, Thirtieth session. 9-13 October 2000 in Rome

The Swedish economy

(According to the National Institution of Economic Research in Sweden, Report, August 2000)

Developments during the summer confirm that the Swedish economy is presently in a phase of strong and broad-based expansion with rising employment. GDP will increase by 4.1 percent this year; a tighter labour market will be a factor in slowing the increase to 3.6 percent in 2001. With the economy expanding strongly, the Governments target for general-government finances will be exceeded by a wide margin.

Household consumption is increasing rapidly with rising incomes and high asset prices, while expectations concerning the trend in the economy remain optimistic. The international outlook has improved even further, an indication that exports should continue to grow vigorously. Strong domestic demand and high profitability and rising asset prices in recent years, are stimulating business investment.

With demand growing strongly, employment is now rising faster than at any other time in the past 40 years. The rapid increase in employment is expected to bring the unemployment rate down below the Governments 4-percent target during the fourth quarter of this year. It is estimated that nearly 4.1 million people will be regularly employed in 2001, which is equal to an employment ratio of 78.9 percent. The trend in wages is still relatively subdued, but gradually the increasing shortage of labour will begin to affect the development of wages and prices. On an overall basis, wage increases are expected to be somewhat higher, about 4 percent per year during the forecast period.

By most indications the restrictions on capacity in the economy should be moderate during the forecast period. Productivity growth will be relatively high and the need of labour manpower will increase. In addition, the strong tendency in investment will reduce the likelihood of encountering capacity limitations in manufacturing and other areas.

Selected economic indicators, Sweden

(Change in percent)

	1999	2000	2001
Gross domestic product	3.8	4.1	3.6
Industrial production	4.2	7.0	5.5
Construction volume, total	3.8	4.4	8.8
of which			
-permanent housing	18.8	5.6	16.6
-repairs, maintenance, renovation	4.2	2.6	6.0
Production in wood-using industries			
sawmill	-1.8	4.7	3.3
woodpulp for sale	4.0	7.8	0.0
paper	1.9	6.2	0.7
Dwelling (housing starts) number of flats	14 249	18 000	21 000

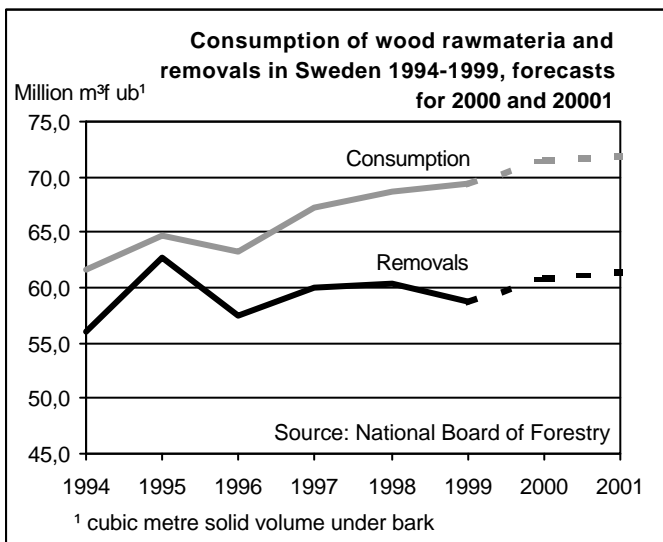
The underlying rate of inflation, as measured by UNDIX, is expected to be 1.3 percent in December 2001. Continued strengthening of the Swedish crown, together with declining oil prices, will help to keep inflation down. As these exchange rate and oil-price effects subside in 2002, UNDIX inflation will increasingly reflect domestic inflationary pressure and will approach the target 2 percent relatively rapidly.

Consequently, it is assumed that the Central Bank of Sweden will raise the repo rate from its present level of 3.75 percent by 0.5 percent in December of this year in order to keep inflation on target in 2002. But further increases in the repo rate will probably be required to cool down the economy. All according to the National Institution of Economic Research in Sweden.

Forest products market

Supply of roundwood

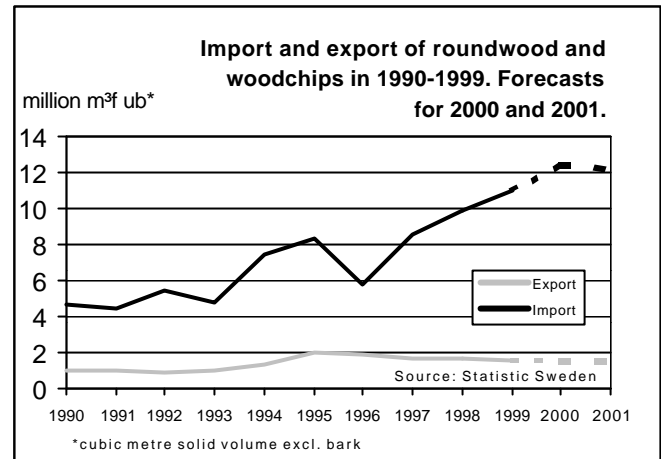
The felling activities in Swedish forests are high. Last year the removals were 58.8 million m³ solid volume excl. bark. This year the removals will be around 61.1 million m³ solid volume excl. bark. Final felling stand for the largest volumes but it is in thinning that we see the rising activities. About 30-35 percent of the felled volumes comes from thinning. One contributory cause is that pulpwood prices have started to move up. The demand for roundwood from forest industry is high and will be so next year too and the removals will remain on a high level.



The December 1999 windstorms also hit Sweden. Fortunately the windstorms did not cause so much troubles on the domestic timber market. Most of the timber has been taken care of during the first six months of 2000. Since the storm mainly hit spruce stands in southern Sweden a discussion started on the most suitable species in this area. The discussion has resulted in a specific subsidy for forest owners who choose to reforestate with oak, beech, ash or other broadleaved species. The subsidy will cover the additional costs for reforestating with broadleaves compared to spruce.

In this summer another problem occurred in the central Sweden. Heavy rainfall caused flooded areas. Roads and bridges were destroyed which of course resulted in logistic

problems for the forest companies. Fortunately in many cases the forest owners and forest companies so far have had the possibility to move the fellings to other stands and/or take alternative roads. The ground is still very wet and if the autumn will become as rainy as normal there will be problems.



Import of roundwood and chips are heading towards record levels! In 1999 11.0 million m³ solid volume excl. bark was imported. In 2000 we will import almost 12.3 million m³ solid volume excl. bark. The increasing volume mainly constitutes of coniferous roundwood, both sawlogs and pulpwood, but birch pulpwood is also of large interest. Several import organisations are now established. The logistic system has been improved. A continuous large import is to be expected.

The stocks of pulpwood and chips were 3.3 million m³ solid volume in the end of 1999. As usual the stocks has been higher in the beginning of the year but is expected to end up at the same level as last year in the end of 2000. The stocks of sawlogs were 2.6 million m³ solid volume in the end of 1999 and will be on the same level in the end of this year, too.

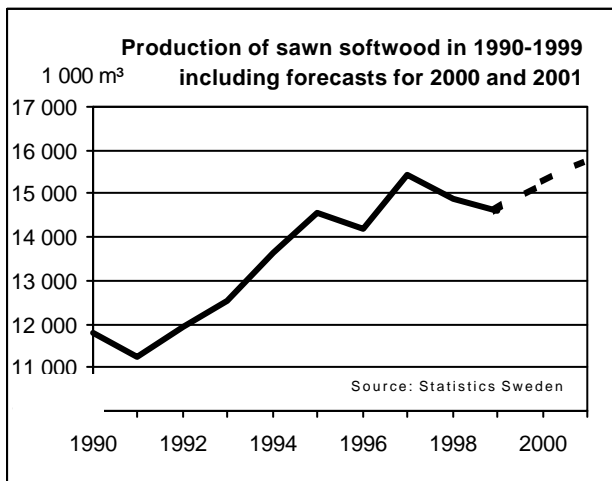
Sawn softwood

The production of sawn softwood in 1999 was 14.6 million m³. This rather low volume compared to the years before was a result of bad profitability in the whole sector followed by several closing downs. However in the end

of 1999 the production started to rise and for 2000 we expect a production level on 15.3 million m³, which is close to the record year 1997. The restructuring in the saw mill sector will continue. Some more sawmills will have to close down. Despite that the total saw milling capacity will increase. The forecast for sawn wood production in 2001 is 15,8 million m³.

The profitability is still bad. However the future looks promising. Prices on sawlogs have been reduced during the last years. Pulpwood and wood chips prices have been reduced too but are now going up, especially in the south of Sweden. The prices on sawn softwood has started to rise although from a low level. Important to remember is though that price increases in foreign exchange have only resulted in small increases in Swedish currency due to the stronger and stronger Swedish crown. The future development of the Swedish crown will be of most importance for the profitability in the sawmill sector.

Thanks to the rising pulpwood prices there are chances that the harvesting activities in the Swedish forests will still be high. Due to present weak profitability the sawmills have small possibilities to increase the prices on sawlogs. So a reasonable development on pulpwood prices will be important for the supply of timber. A declining pulp and paper conjuncture and no increases in pulpwood prices could be crucial for many sawmills.



Import of sawlogs, mainly spruce, is now well established. About 2.6 million m³ solid volume is imported which make about 8 percent of the total consumed volume.

There is a great demand for sawn softwood on almost every market. Forecasts for the building sector in Western Europe are still positive even though the peak was reached last year. The domestic consumption will rise during the forecast period.

In 1999 Sweden exported 11.0 million m³. The forecasts for 2000 and 2001 show 11.1 m³ and 11.3 m³ respectively. That means an increased export with 2.4 percent during 2000-2001.

The export to Japan, USA (the market situation is unstable right now), UK and Denmark has increased and is expected to increase even more. On the other hand Sweden has lost some market shares especially to Russia and Belarus on the German and Netherlands markets.

Sawn hardwood

Swedish hardwood sawmills produce about 200 000-250 000 m³ sawn wood every year. This production is expected to remain during this year and next year.

In 2000 the domestic supply of hardwood has been rather good. The reason for this is the storm fellings in the end of 1999, which put unusually large volumes on the market. Annually 70 000 m³ solid volume logs of birch and beech is imported which is around 15 percent of the total broadleaf roundwood consumption. Import of wood products of tropical origin is limited. Only 1 244 m³ solid volumes were imported in 1999.

The shortage of good quality hardwood logs in Sweden is normally a big problem for the sawmills. The increasing problem with severe damage on oak could create long term problems with supply of oak timber. Another thing, which worries the hardwood sawmills and the forest owners, is the ongoing

discussions about substantially enlarging the protected deciduous forest areas in the south of Sweden.

The industry recognises an increased demand for sawn hardwood. Most of the Swedish production is used domestically. The competition on the export market is strong. And only 20.000 m³ sawn hardwood is exported. Many sawmills focus on further development of the sawn products in purpose to come back on the export market.

Wood-based panels

Production of wood-based panels decreased with 7 percent in 1999 compared to 1998. Production of plywood was 104 000 m³, particle board 617 000 m³ and fibre board 181 000 m³. The production of MDF is well established and in 1999 79 000 m³ was produced.

In 2000 we expect the production levels to remain on the same levels as in 1999 for almost all assortments. One industry producing insulating board has left the country and the production will decrease with about 30 percent. Production of MDF is increasing and in 2001 the production level will reach 85 000 m³.

During 1999 and also in 2000 so far, the activity in the building sector has been high and the consumption of wood-based panels has been so too. Sweden is a net importer of all wood-based panel assortments except insulating board. This situation will remain during this forecast period.

Certified forest products

Compared to last year the demand for certified forest products has increased. When talking about sawn wood the sawmill industry feels there is a demand from retailers both domestic and abroad but there has not been any troubles selling uncertified sawn wood. The demands from final customers are still negligible.

The Swedish Federation of Forest Owners and the Swedish Sawmill Federation and some other organisations are working together with the PEFC certification. The plan is to offer PEFC certified sawn wood in the turn of the year. The introduction of the PEFC certified sawn wood on the market might increase the demand.

The table shows certified forest area in Sweden in the end of 1999. All company forest land is certified according to FSC. Private forest land is until now only certified in a minor part and then mainly according to the certification scheme for family forest (allied to PEFC).

Certified forestland in December 1999				
by ownership category, 1000 hectares				
	Public	Company	Private	Total
FSC	218	8 853	73	9 144
Södra ¹	105	63	439	607
Mellanskog ¹	-	-	187	187
Norrskog ¹	-	-	74	74
Västra Skogsägarna ¹	5	-	80	85
Total	328	8 916	853	10 097
Part of total forest land area	15%	100%	7%	44%

¹ Certification scheme for family forestry, from September 2000 PEFC

Swedish forest companies and forest owners recognise that certification of forest land is important and they put a lot of effort on certification according to one of these two certification schemes. A majority of Swedish sawmills and several pulp mills need to buy timber from a great number of different forest owners. Some of these forest owners will be certified according to FSC and others according to Swedish PEFC.

When it comes to marking of certified products troubles will occur if the two systems do not accept raw material from both certification schemes. Discussions between PEFC and FSC parts of interest how to achieve mutual recognition have started. The intent is to look for a solution on national level.