ECONOMIC COMMISSION FOR EUROPE
Timber committee

FINLAND

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MARKET STATEMENT

1 GENERAL ECONOMIC TRENDS AFFECTING THE FOREST AND FOREST INDUSTRIES SECTOR

Economic slowdown continued in the industrialised countries in 2002. This kept the demand for most forest industry products on a low level. The market situation of forest products was difficult most of the year and the industry had to take considerable downtime throughout the year in all the main producing regions, North America, Europe and Japan. However, China and some other Asian countries continued to enjoy a rapid economic growth which was reflected in the demand of forest products, too.

2 DEVELOPMENTS IN FOREST PRODUCTS MARKETS SECTORS

2.1 Pulp and paper

Situation in 2002

Paper and paperboard production in Finland amounted to 12.8 million tons in 2002, up more than 2% over the previous year. Capacity utilization in the paper industry averaged 88% in 2002 (87% in 2001). The low figure shows that the market situation was nearly as difficult as the year before. The situation varied from one paper grade to another, however.

Newsprint production declined throughout the year and totalled only 1 million tons in 2002. This signified a drop of 300,000 tons or over a fifth. The reduction was due to demand-related stoppages as well as cuts in capacity, with two paper machines being closed down in 2002.

Production of printing and writing papers totalled 7.9 million tons in 2002, up about 4% over the previous year.

In this category production rose for both fine papers (woodfree p&w papers) and magazine papers (mechanical p&w papers).

Production of kraft paper and in the other paper group also rose in 2002.

Paperboard production rose by 5% on average and totalled 2.7 million tons, which was about the same as in 2000.

Mechanical pulp production fell by nearly 1% in 2002, largely as a result of the drop in newsprint production. Chemical pulp production, on the other hand, rose by 9% thanks to higher capacity and increased deliveries of market pulp.

All in all, the forest industry production in Finland increased by 3 per cent in 2002. This made up for part of the drop experienced in 2001. The total still fell short of the level achieved in 2000, however.

In 2002, the total export volume of Finnish forest industry was up by 5 % . The value of exports was 12 billion EUR, 2 % less than in 2001. The average price level dropped some 7 % from that of 2001.

Situation in 2003

Growth in the world economy continued to remain sluggish in the first half of 2003 and demand for most forest products was still slack.

The difficult market situation was also visible in the production development in Finland. Capacity utilization in the paper industry averaged 88 % in the first half of 2003. The figure the year before was 87 % , so the situation hardly changed.

In January-June the paper and paperboard production totalled 6.5 million tons. This was up 3 % compared with the year before, however, since capacity has increased slightly.

Chemical pulp production rose by over 3 % and totalled 3.6 million tons The total pulp production in January-June came to 5.9 million tons, which was also over 2 % higher than the year before.

The forest industry production as a whole was up about 2 % in January-June compared with the previous year.

As to exports, the tight market situation kept the falling price trend in most products. On average, on first half of 2003 the Finnish export prices of forest products were some 6 % lower than year before. The export volume was slightly up, by 2,5 % while the value of exports fell some 4 %.

2.2 Roundwood

In 2002, the raw material consumption of the Finnish forest industry was on a level of 83 million m^3 (domestic roundwood 55 mill. m^3, imported roundwood 16 mill.m^3 and wood residues 12 mill.m^3). The volume increased by 4 million m^3 over previous year 2001 due to new investments and slightly higher operation rates.

In 2003, the wood raw material consumption is estimated to increase to a new record level of 85 million m^3. New investments have brought more capacity to the market.

The domestic roundwood sales activity is expected to continue on relatively good level and wood imports are expected to reach 17 million m^3.

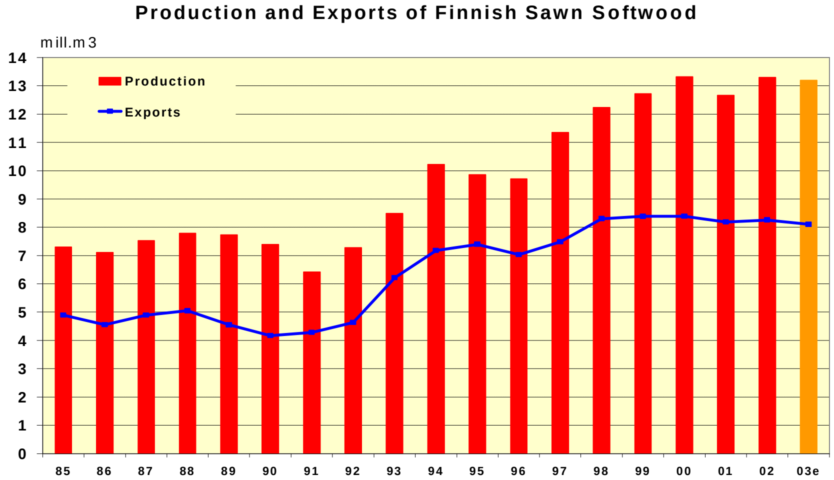
The wood raw material consumption in 2004 is expected to rise approx. by 1 % to 86 million m^3.

In January-September 2003, prices for coniferous saw logs rose by 2 % compared to the previous year. Prices for pulpwood have decreased by 2 % respectively.

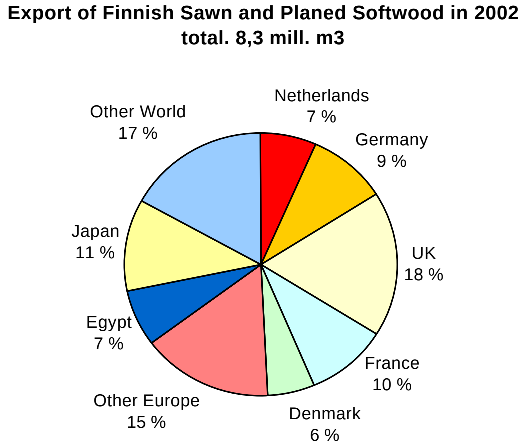
2.3 Sawn softwood

Output in 2002

The production of sawn softwood in Finland increased about 5 percent last year to 13.2 million m^3 of which 49 percent redwood and 51 percent whitewood.



Export deliveries totalled 8.3 million m^3 of which 42 percent sawn redwood, 44 percent sawn whitewood and 14 percent further processed goods (planed and finger-jointed). Exports to countries outside Europe increased by 5 percent. Deliveries to Japan reached an all time high, about 0.95 million m^3. Deliveries to Europe declined by 0.8 percent compared to 2001. The domestic market consumed about 5.3 million m^3 of sawn and planed softwood (per capita consumption 1.01 m3).



Outlook for 2003

By the end of August the production of sawn goods increased by 1.4 percent over the previous year. In August the production declined 6.0 percent compared to August 2002. In general, redwood production has remained almost unaltered and whitewood production has increased. However, cumulative whitewood production is expected to decline and redwood production slightly to increase by the end of the year. Inventories of both articles are at the normal controlled level. Total production is expected to be around 13.2 million m^3. Preliminary outlook for 2004 is the same.

During January-June some 4.3 million m^3 of sawn goods (incl. planed goods) were exported of which 2.9 million m^3 to Europe and 1.4 million m^3 outside Europe. Total export remained unchanged compared to 2002. The export of planed timber and other further processed goods like finger-jointed material has slightly declined. During January-June exports of further processed goods decreased by 5.0 percent, whereas export of rough sawn goods increased by 0.9 percent. However, further processed goods are gaining increasing importance in deliveries to countries outside Europe.

Table 1. *Sawn and planed softwood export from Finland (m^3)*

	1-6/2002	1-6/2003	Change, %
Belgium	80 201	69 717	-13
Denmark	239 145	223 961	-6
France	447 297	459 475	3
Germany	372 800	313 791	-16
Italy	148 877	149 991	1
Netherlands	298 099	293 726	-15
Spain	149 309	182 754	22
United Kingdom	793 485	859 237	8
Total 8 countries	**2 529 213**	**2 552 652**	**1**
Total Europe	**2 849 692**	**2 897 782**	**2**
Japan	423 759	519 835	23
Others	1 004 812	865 995	-14
Total	**4 278 263**	**4 283 612**	**~0**

FORECAST FOR 2003-2004

Sawn and Planed Softwood Balance in Finland (1 000 m3)

	2001	2002	2003e	2004e
Opening stock	1 270	1 017	951	1 100
(+) Production	12 668	13 277	13 200	13 200
Sub-total	13 938	14 294	14 151	14 300
(-) Closing stock	1 017	951	1 100	1 000
Availability	12 921	13 343	13 051	13 300
(-) Exports	8 176	8 264	8 150	8 200
Domestic deliveries	4 745	5 079	4 901	5 100
(+) Imports	208	195	200	200
Domestic consumption	4 953	5 274	5 101	5 300

Note: The definitive 2003 and 2004 estimates given here are slightly lower than the figures in the data sheets presented at the Timber Committee and shown in UNECE Timber Bulletin #6.

2.4 Wood-based panels products

The production of plywood increased with +8 % to a new record level 1,24 million m^3. The increase originates from new capacity that has been operating since mid 2001. Softwood plywood production in Finland has grown as a result of growing capacity. Birch production has suffered from increased competition, especially from outside Europe. The deteriorating price level in basic products has partly been compensated by increasing the share of value added products.

Particle board production has decreased as a result of the poor situation in the markets. There is no change in production capacity. Exports have suffered from the poor market in Europe and that has been reflected on the price level. Domestic consumption has declined. The situation is not expected to change in the coming months. The sales of fibre board follow the poor domestic demand as well as the difficult export market and there the decrease in production was 7 %. Fibreboard markets have somewhat recovered during 2003.

2.5 Certified forest products

About 95 % of Finnish forests, or 22 million hectares, are certified under the national Finnish Forest Certification System (FFCS). The FFCS is endorsed by both Pan-European Forest Certification Council (PEFC) and the Dutch Keurhout Foundation.

Demand for PEFC-labelled products is growing. Forest industry companies have acquired certified chain-of-custody systems in order to obtain PEFC-logo usage right.
Today there are 75 PEFC logo licence holders among Finnish forest industries. These licenses cover the major share of wood procurement (55 mill. m^3), sawngood (10 mill. m^3) and panels (2 mill. m^3) production. Furthermore, 3 mill. tons of pulp, 2.3 mill. tons of paper and 0.5 mill. tons of paper board production have been granted the PEFC-logo usage right.

In the market, there is still a strong need for mutual recognition (MR) between credible forest certification schemes. One aim among others is to significantly expand the availability of certified wood products in the marketplace. There's a fear, that without MR forest-based products will lose market shares to competitors made out of non-renewable raw materials.

3 TABLES

3.1 Economic indicators

KEY ESTIMATES

	2001	2002e	2003e	2004e
Gross domestic product growth, %	1.2	2.2	1.4	2.4
Consumer price index change, %	2.6	1.6	1.2	1.1
Wage level change, %	4.5	3.3	3.9	3.3
Unemployment rate, %	9.1	9.1	9.2	9.3
Current account surplus/GDP, %	6.9	7.5	6.4	6.8
Industrial output change, %	0.3	2.2	0.8	2.6
Three month EURIBOR, %	4.3	3.3	2.3	3.7

Source: The Research Institute of the Finnish Economy (ETLA); September 2003

3.2 Forest industry production and exports in 1998-2002

1. Forest Industry Production in Finland

Source: Finnish Forest Industries Federation

	Unit 1000	1998	1999	2000	2001	2002	*Change 2002/2001*
Sawn softwood	cum	12 237	12 708	13 320	12 670	13 280	*5*
Plywood	cum	992	1 076	1 170	1 145	1 240	*8*
Particle board	cum	455	439	460	430	410	*-3*
Fibreboard	tons	100	96	100	109	101	*-7*
Mechanical pulp 1)	tons	4 637	4 613	4 819	4 621	4 587	*-1*
Semi-chemical pulp 1)	tons						
Chemical pulp (sulphate)	tons	6 718	6 977	7 101	6 548	7 143	*9*
Total pulp	tons	11 355	11 590	11 920	11 169	11 730	*5*
Paper	tons	10 116	10 324	10 758	9 902	10 038	*1*
Newsprint	tons	1 483	1 490	1 394	1 296	1 007	*-22*
Printing & Writing paper	tons	7 700	7 832	8 354	7 592	7 943	*5*
Mechanical P&W	tons	5 032	4 902	5 348	5 062	5 335	*5*
- Uncoated	tons	1 886	1 870	1 976	2 039	2 204	*8*
- Coated	tons	3 146	3 032	3 372	3 022	3 131	*4*
Woodfree P&W	tons	2 668	2 929	3 005	2 530	2 608	*3*
- Uncoated	tons	1 457	1 550	1 559	1 231	1 127	*-8*
- Coated	tons	1 211	1 379	1 447	1 300	1 482	*14*
Kraft paper	tons	451	504	528	494	543	*10*
Other paper	tons	482	498	483	520	544	*5*
Paperboard	tons	2 586	2 623	2 751	2 601	2 738	*5*
Paper and paperboard total	tons	12 703	12 947	13 509	12 503	12 776	*2*

2. Volume of Exports of Finnish Forest Industry Products

Source: National Board of Customs

	Unit 1000	1998	1999	2000	2001	2002	*Change 2002/2001, %*
WOOD PRODUCTS INDUSTRY							
Sawn and planed goods	cum	8 330	8 408	8 413	8 197	8 285	*1*
- Coniferous	cum	8 306	8 385	8 390	8 176	8 264	*1*
Plywood	cum	832	939	988	992	1 119	*13*
Veneers	cum	..	..	..	..	..	*0*
Particle board	cum	184	183	203	217	219	*1*
Fibreboard	tons	64	62	68	72	72	*0*
PULP AND PAPER INDUSTRY							
Mechanical pulp	tons	88	98	91	86	154	*79*
Chemical pulp	tons	1 556	1 791	1 586	1 601	1 919	*20*
Sulphate	tons	1 556	1 790	1 585	1 601	1 919	*20*
Sulphite	tons	0	0	0	0	0	
Wood pulp, total	*tons*	1 644	1 889	1 677	1 687	2 073	*23*
Wastepaper	tons	76	93	111	100	127	*26*
Other than woodpulp	tons	0	0	0	0	1	
Paper	tons	9 229	9 359	9 702	8 892	9 123	*3*
Newsprint	tons	1 199	1 223	1 144	1 041	748	*-28*
Printing & Writing paper	tons	7 361	7 478	7 896	7 025	7 658	*9*
Mechanical P&W	tons	4 874	4 733	5 095	4 711	5 093	*8*
- Uncoated	tons	1 893	1 842	1 929	1 815	2 158	*19*
- Coated	tons	2 981	2 891	3 166	2 896	2 936	*1*
Woodfree P&W	tons	2 487	2 745	2 801	2 314	2 565	*11*
- Uncoated	tons	1 342	1 441	1 443	1 157	1 091	*-6*
- Coated	tons	1 145	1 304	1 359	1 157	1 474	*27*
Kraft paper	tons	312	361	375	460	399	*-13*
Other paper	tons	357	298	287	366	318	*-13*
Paperboard	tons	2 118	2 215	2 310	2 201	2 290	*4*
Converted paper and paperboard products	tons	408	386	391	427	417	*-2*
Paper, paperboard and converted products total	*tons*	*11 755*	*11 960*	*12 402*	*11 520*	*11 830*	*3*