

European Panel Industry

2010 China Panel Furniture Summit
28-30 April 2010 in Chengdu, China

Kris Wijnendaele
EPF Secretary General

European wood-based panel industry history and development trend

Preliminary EPF results 2009

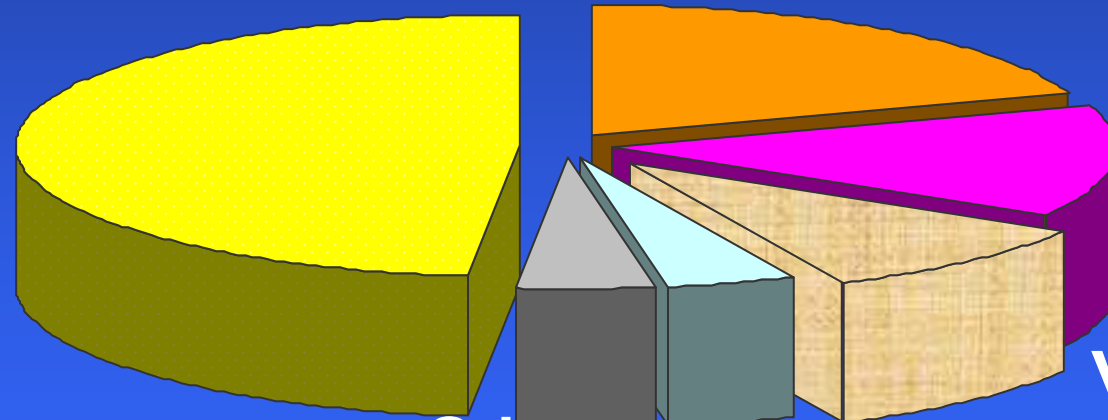
European Woodworking Industry

EUR 230 billion in EU-27

Furniture
49%

**Construction
timber incl.
Parquet**
20%

**Sawing,
planing,
impregnation**
14%

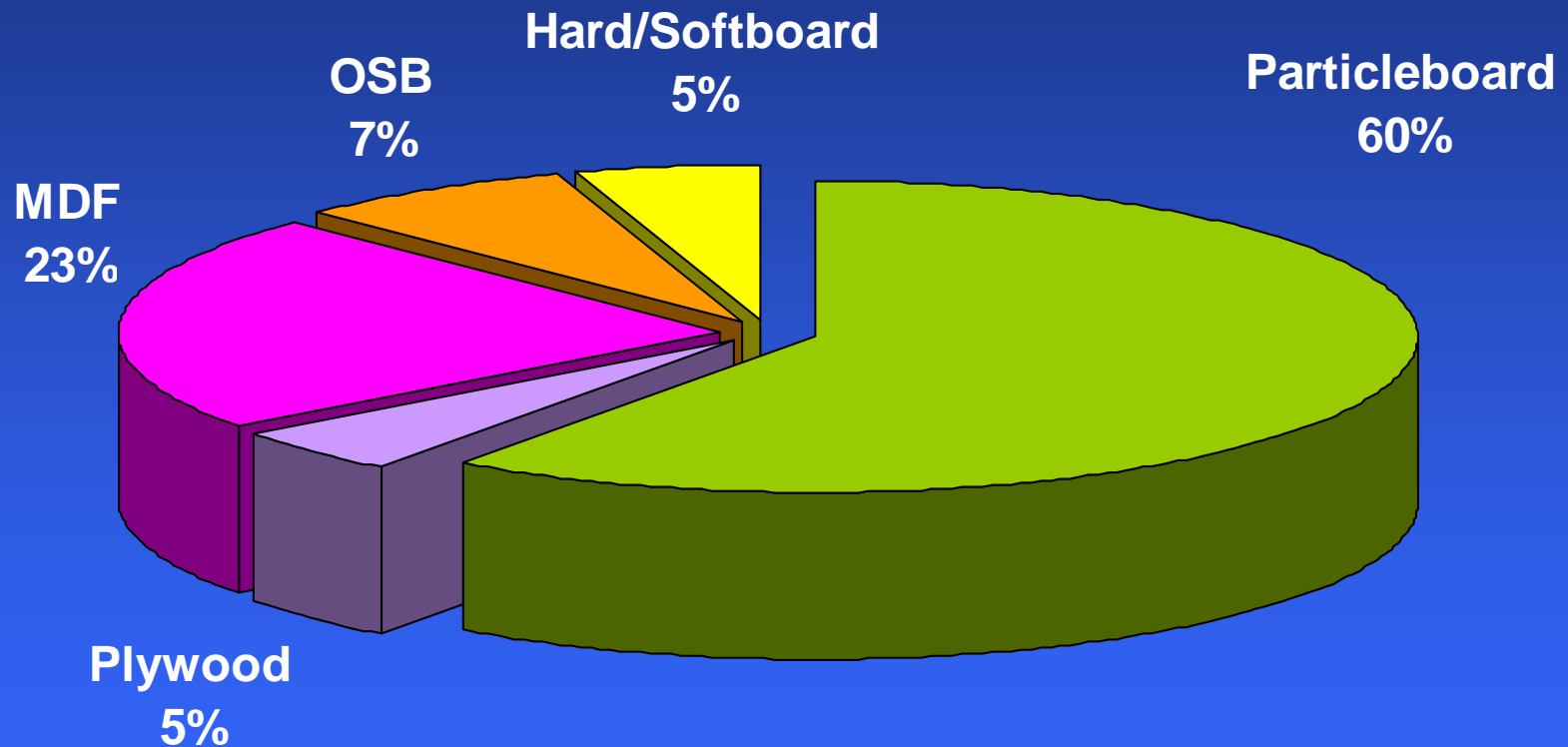


Other
4%

Packaging
4%

**Wood-based
panels**
9%

Wood-based Panels in Europe* 2009



Total : 49 million m³

European Panel Federation



Members in 25 countries

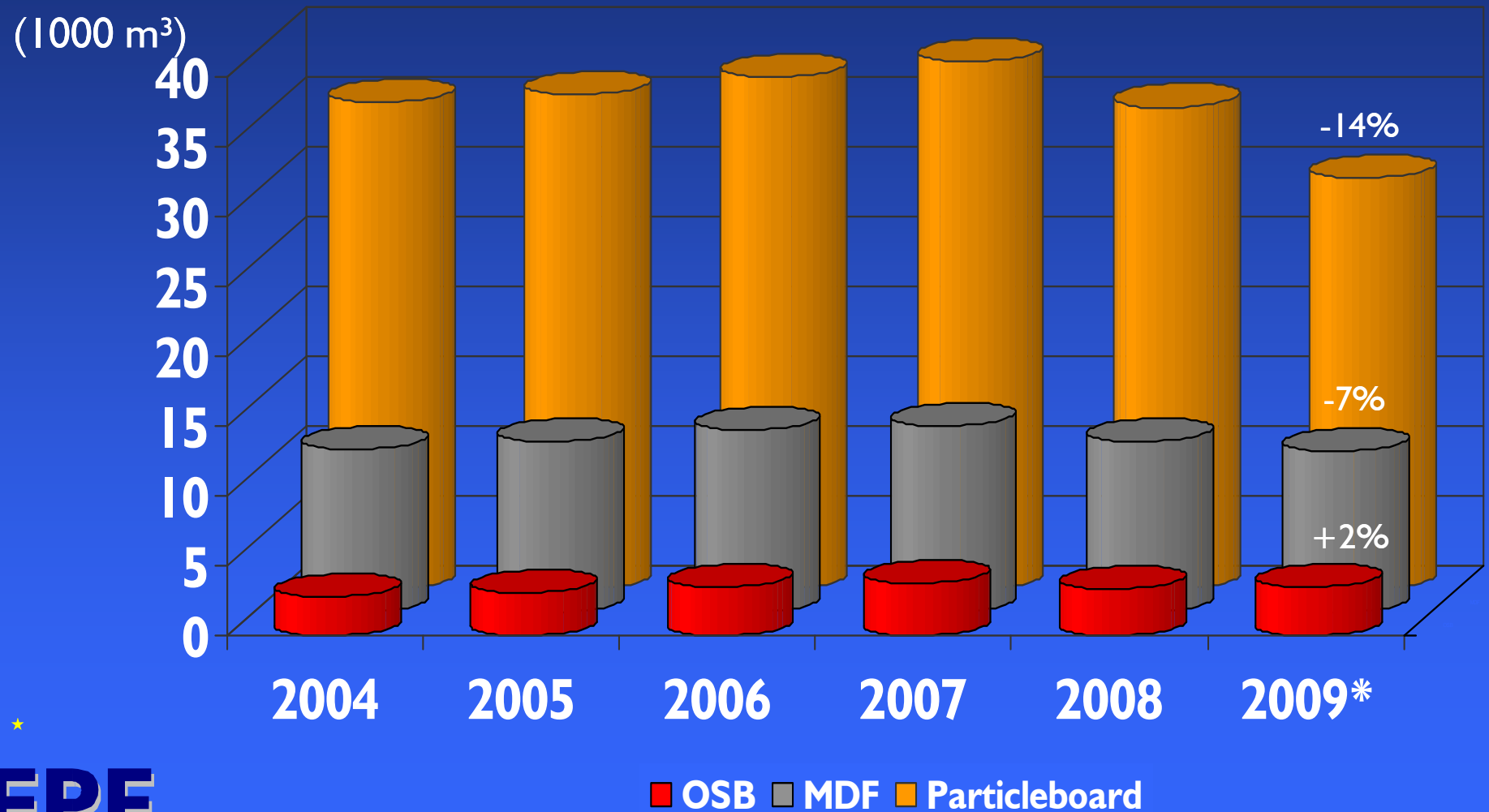
Particleboard = 29.5 million m³

MDF = 11.5 million m³

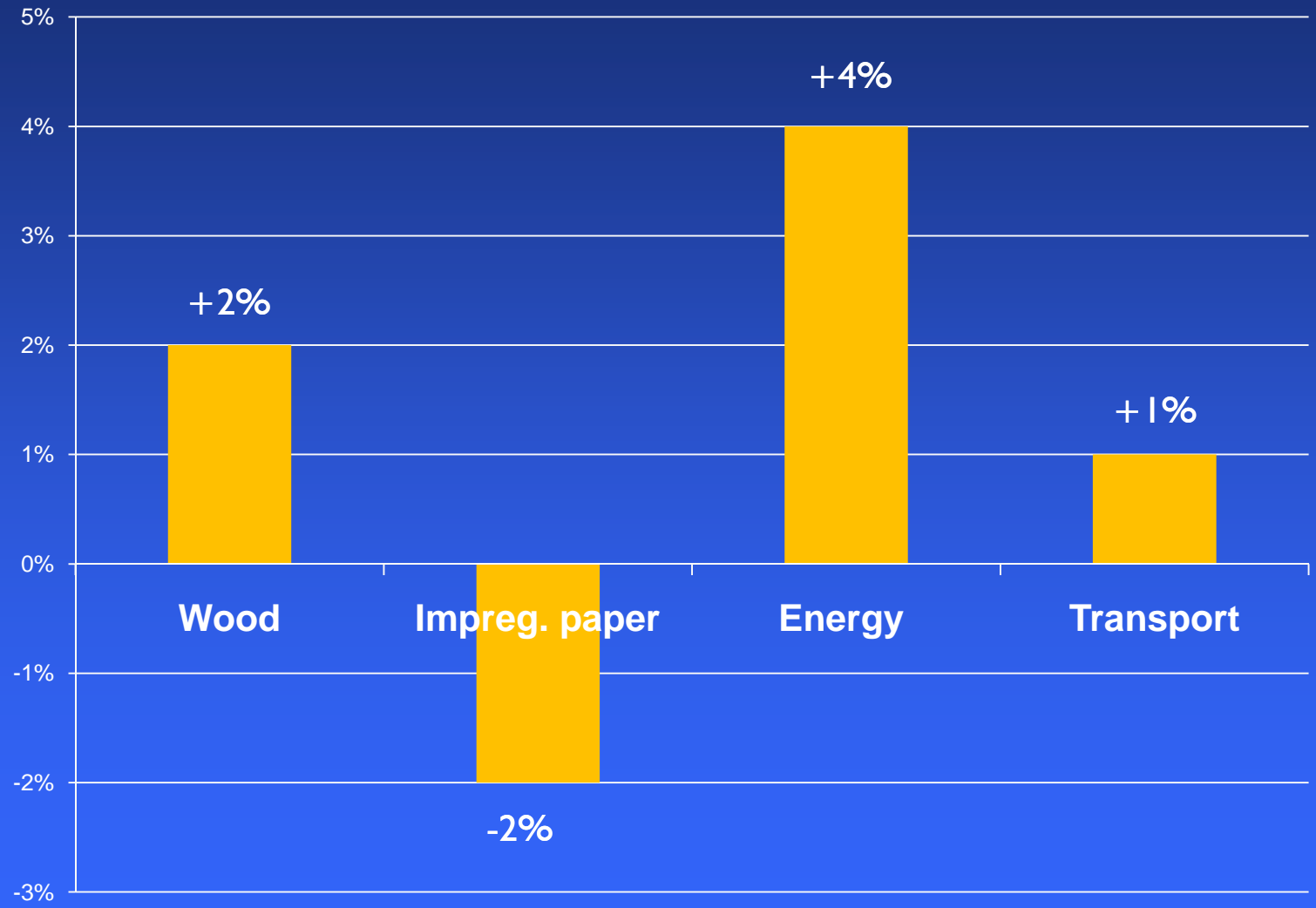
OSB = 3.5 million m³



Overview wood-based panel production



Cost evolution 2009



Wood-based Panel Markets Europe

Market characteristics

- Subdued construction sector (although smaller amplitude compared to North America)
- Lack of wood raw material because of reduced sawmill activity and less industrial activity, so less waste wood
- until July-2008: hike in oil prices
 - > soaring resin & energy costs
 - > wood cost hike because of competition with woody biomass
- Greenhouse gas emission allowances (ETS)

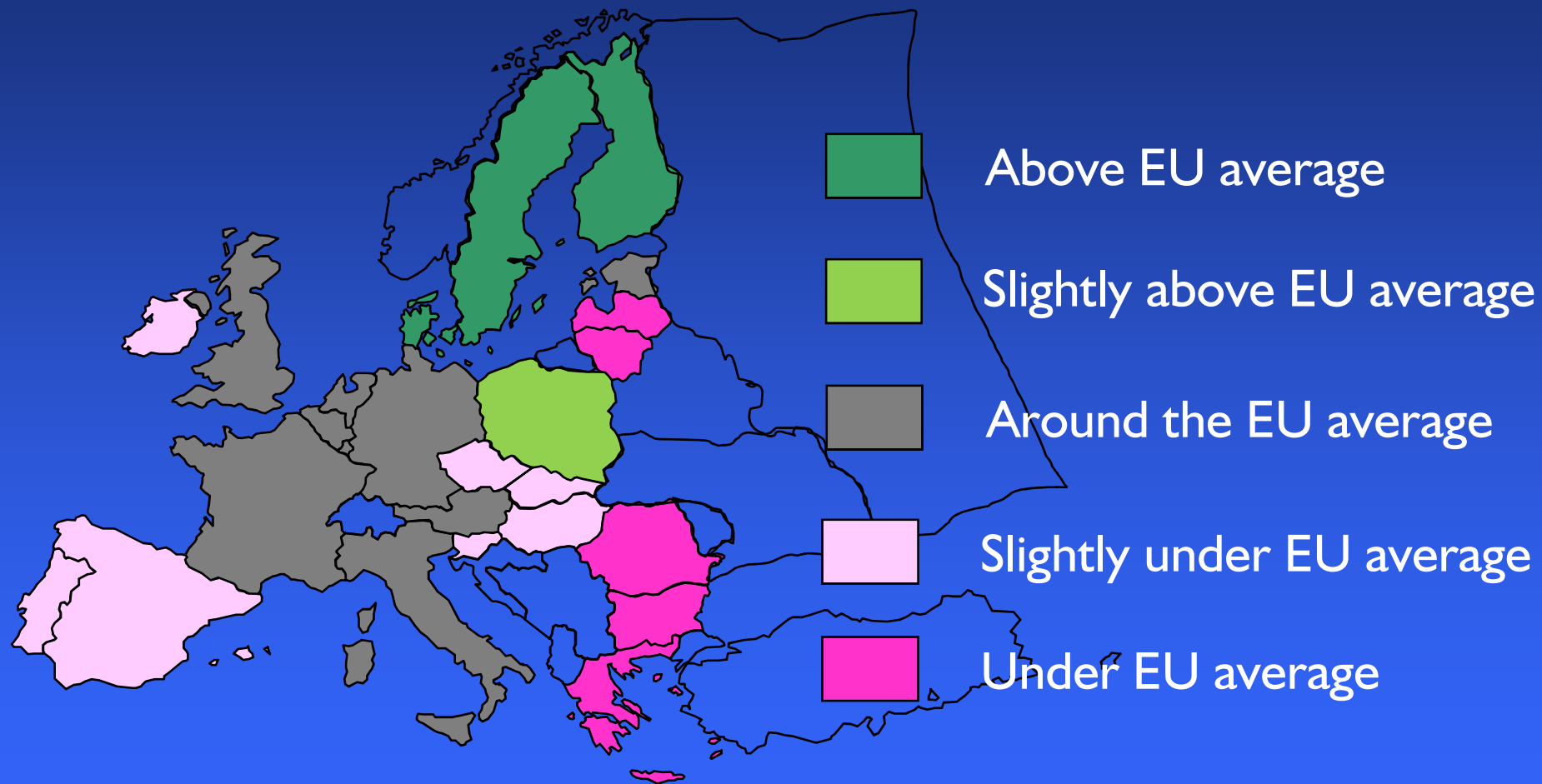
The macro-economic context in Europe

EU Economic Sentiment Indicator

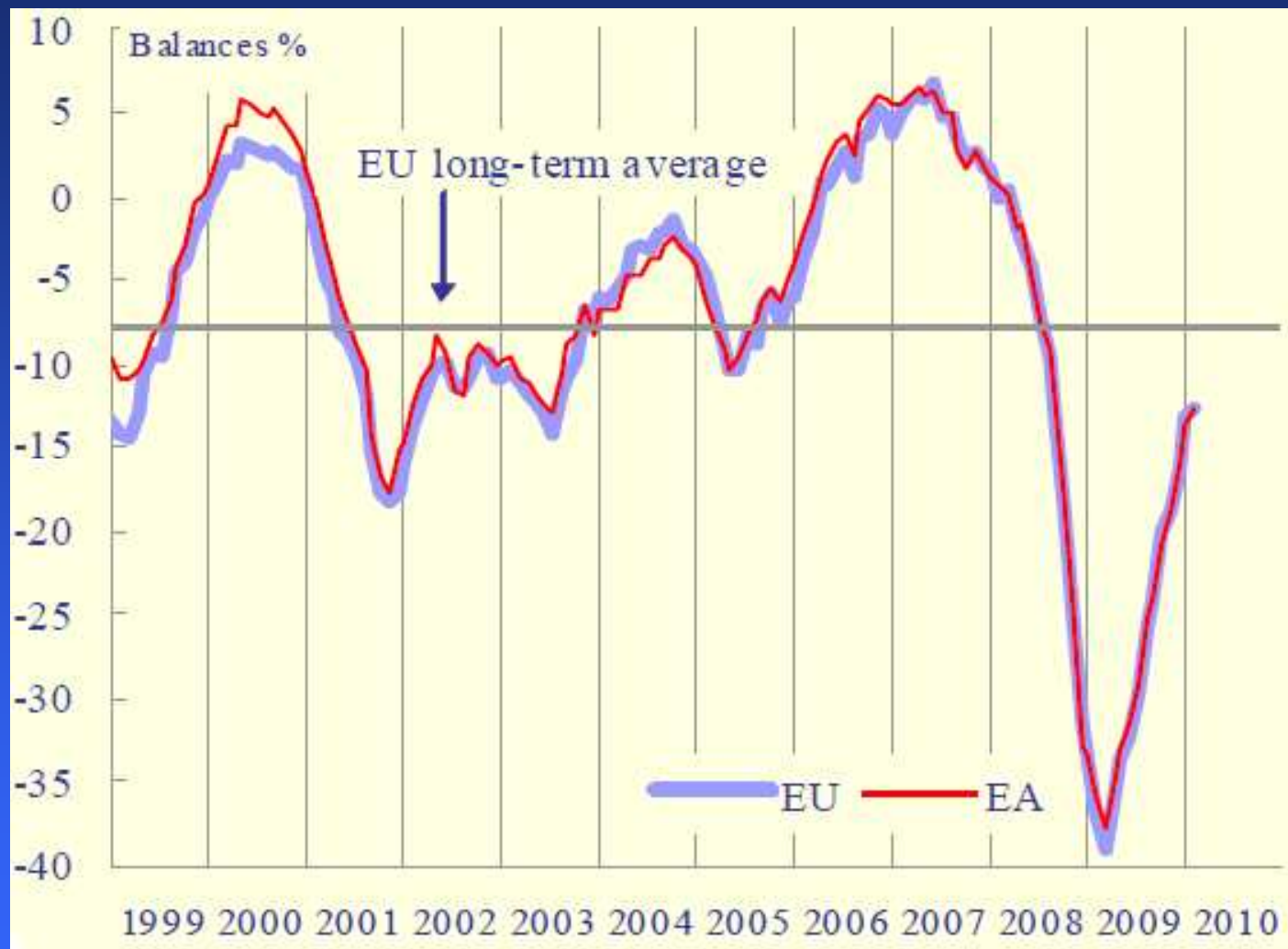


ESI by country

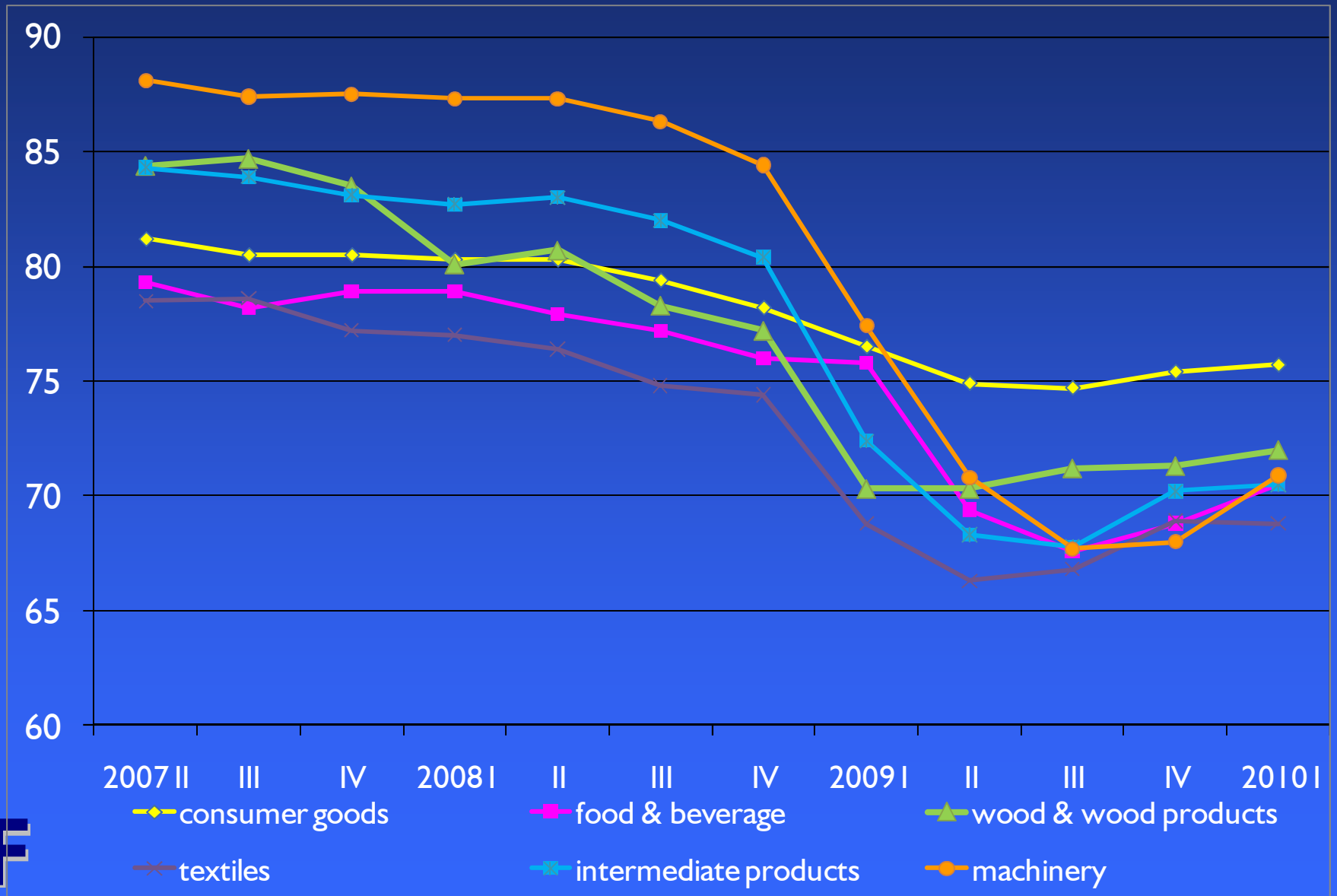
February 2010



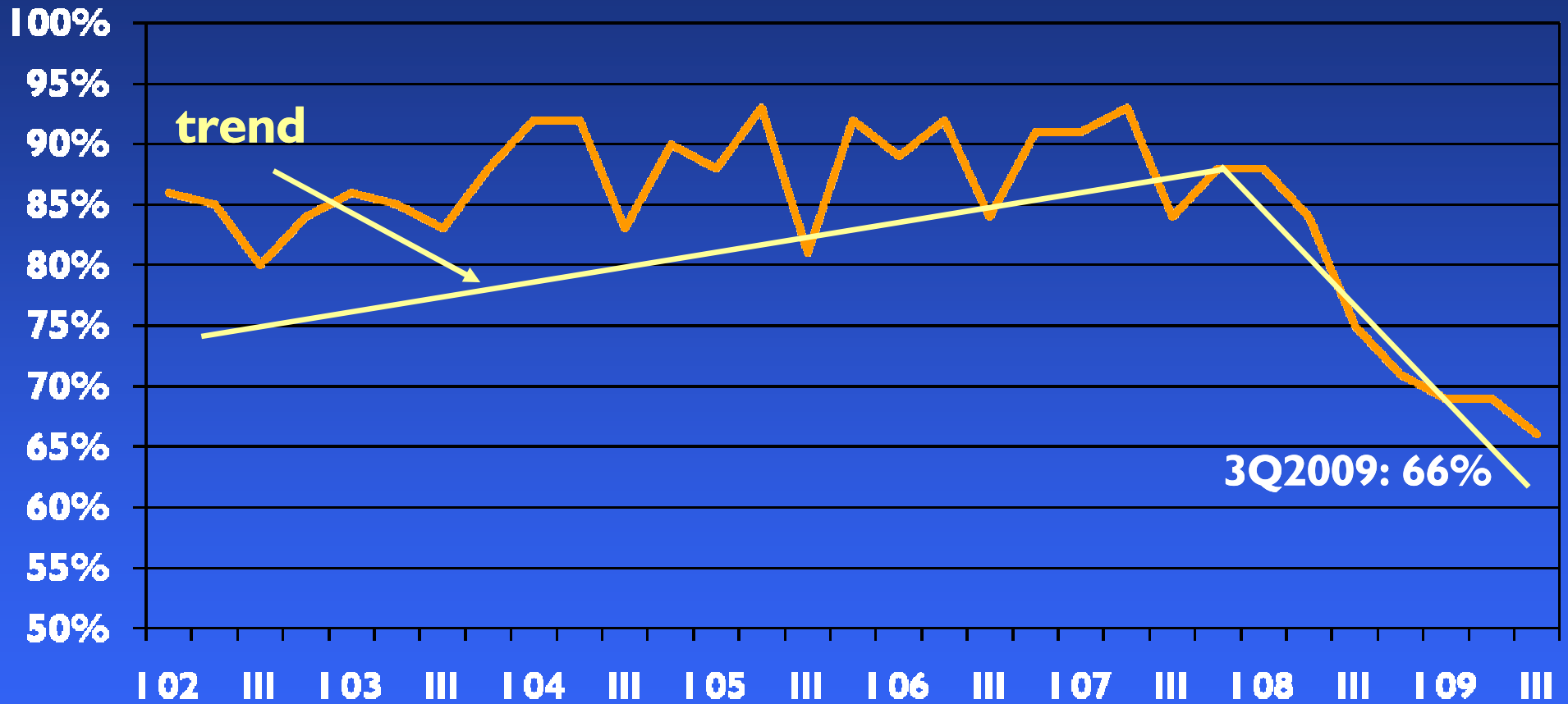
Industrial Confidence



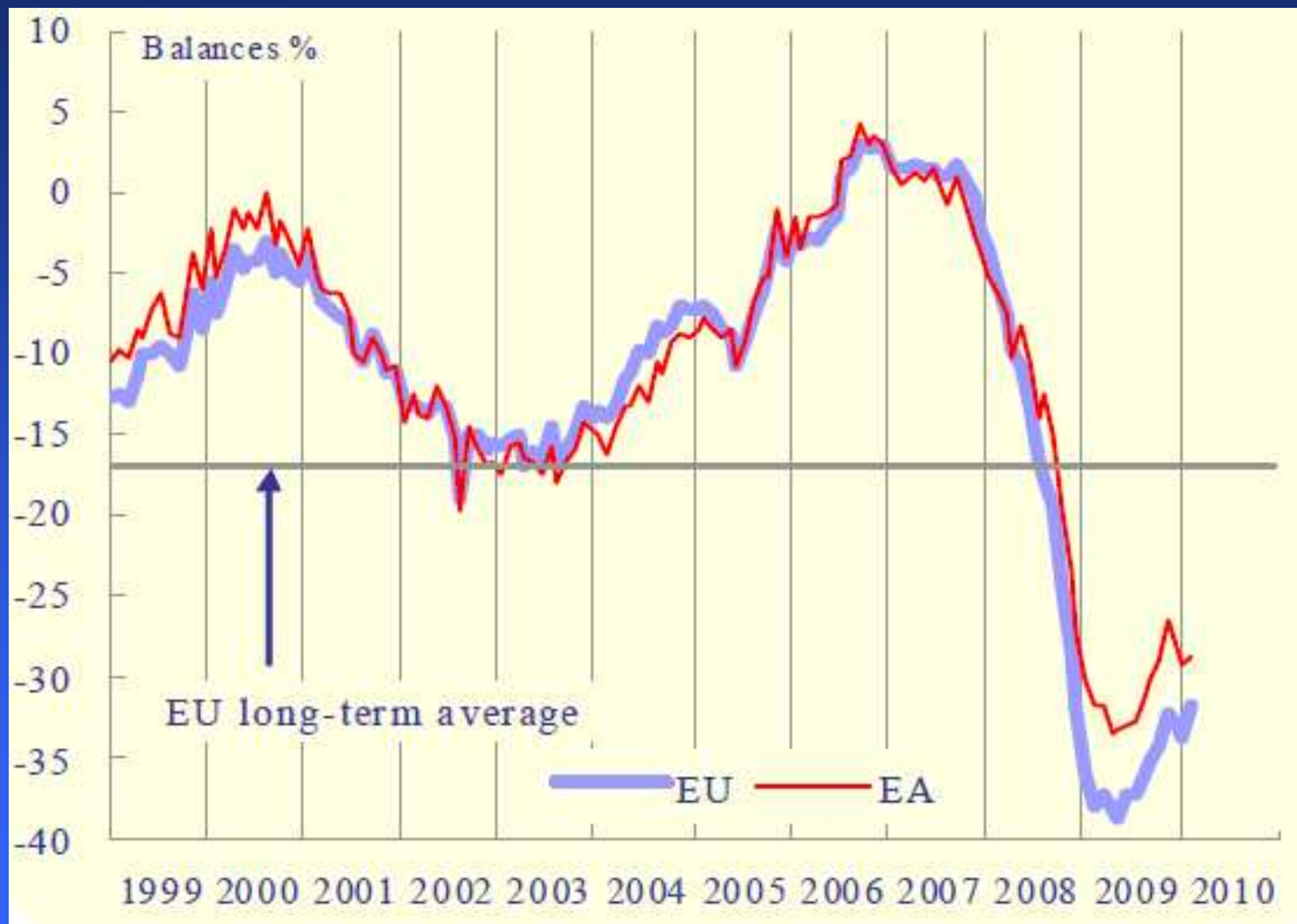
Capacity utilisation rate by branch (EU27)



Particleboard capacity use on quarterly basis

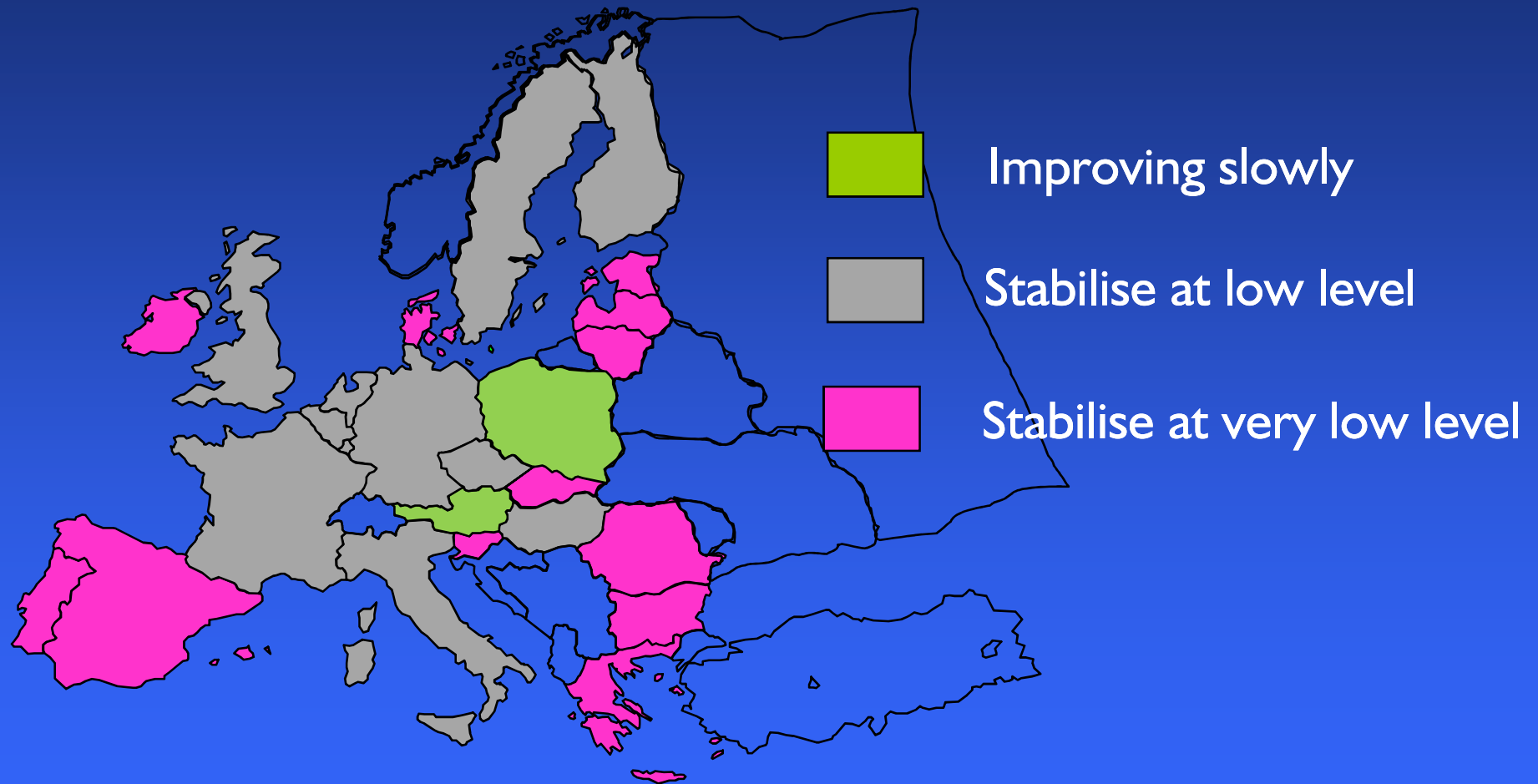


Construction Confidence



Assessment of order books indicator

February 2010



Most recent economic developments affecting consumption of wood-based panels

There is more than one Europe

- European internal market: Economic zone (EU + EFTA)
- Eurozone: 16 EU Members States + 6 other European countries (Andorra, Kosovo, Montenegro, Monaco, San Marino and Vatican City)
- Demonstrated by the financial crisis in Greece:
 - If a bigger nation such as Italy, Spain or UK would experience a crisis like Greece, the consequences could be catastrophic
 - Normal first step to the solution of such a crisis:
 - Leave the Eurozone
 - Devalue the currency
 - But countries are not allowed to leave the Eurozone!
- Eurozone is an artificially constructed stability!

There is more than one Europe

- Eurozone countries are hit to different extents by the crisis:
 - Very different inflation rates and **government debts**:
 - Maastricht criterion: $\leq 3\%$ (reality in 2009: 6.8%)
 - Reality in AT and DE: 5.7 to 6%
 - Reality in UK and ES: 11.5 and 11.2%
 - Reality in Greece: 13.6%
 - Comparison to US: $< 8\%$ despite huge support schemes by Obama administration to avoid a catastrophe
- Eurozone countries have different fiscal & inflationary control policies: weakness!

Consequences for panel industry

- On the one hand: Risk for hyperinflation if banks will not take the money out of the market at the correct time
 - People with money invest in property
 - As a result, the construction industry is doing reasonably well in many countries
- On the other hand: Unemployment fear: Consumers postpone expenditures, in particular in the first instance of furniture
- Consequently, the future is very uncertain

Consequences for panel industry

What if the European Central Bank would take the money too soon out of the market in its desire to control inflation?

- Severe risk that the global economy slides back into crisis!
- Such a second dip could last much longer and be even much deeper than the 1st crisis

Consequences for panel industry

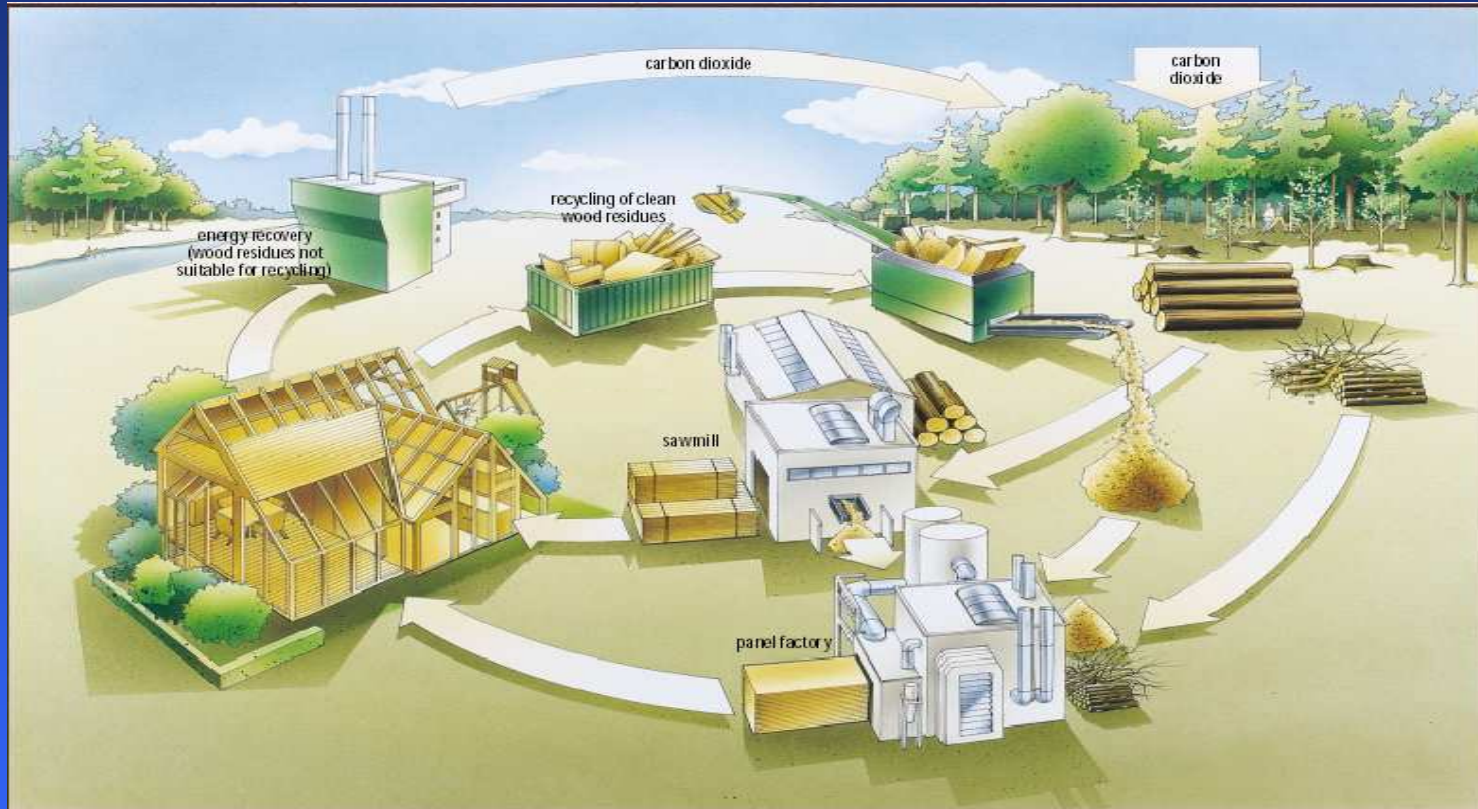
- Many banks in Europe don't know how bad their situation really is:
 - Most subprime bonds were kept out of the books and thus do not appear in the balance sheets
 - Example in Germany:
 - It was estimated that all banks together would have € 812 billion of subprime bonds
 - Mrs Merkel create a bad bank to which all banks could present their doubtful credits
 - No bank dares to declare its subprime bond
- Risk of 2nd dip of the crisis that would be much difficult to overcome

Consequences for panel industry

- Lack of investments at all levels:
 - Money is not so easily available
 - Everybody is uncertain where to invest
 - Everybody is afraid to invest
- All panel producers work 20% below their normal level
- Huge lack of demand
- Costs are increasing
- All wood-based panels producers are under pressure

The strategic standpoint in industry chain for
wood-based panel and furniture companies

*The **woodworking** industry gives value to the forest...*



...and respects the carbon cycle!

Countries processing post-consumer recycled wood for particleboard production



Developments in the share of recycled wood use in particleboard processing

- Reduced use of recycled wood in absolute volumes but rather stable in relative terms (compared to roundwood and industrial by-products)
- Less wood available in recycling parks (economic crisis)
- Increasing competition for top quality recycled wood with energy sector

Supply chain co-operation and integration

- Wood-based panels producers:
 - Backward integration:
 - Resin production, Basic chemical production
 - Decor paper impregnation and design
 - Sawmilling
 - Forward integration:
 - Cut-to-size panels
 - Furniture components
 - Complete furniture production and design
 - Complete pre-fabricated construction elements
- Furniture producers: Backward integration to panel manufacture



Challenges for the future

**Tackle Climate Change
truly:**

**Use MORE Wood and
Wood-Based Panels !!**

CEI-Bois Roadmap 2010

aims to increase the use of wood-based products with 4% per year

“It has been estimated that such an annual 4% increase to 2010 in Europe’s wood consumption would sequester an additional 150 million tonnes of CO₂ per year”

More information:

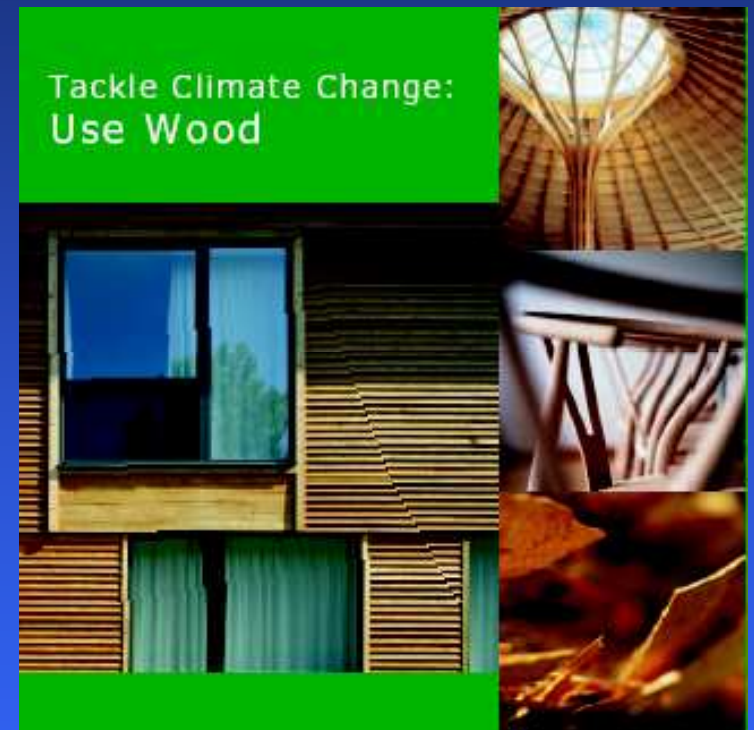
Handbook available

In 9 languages:

Websites:

www.europanel.eu

www.roadmap2010.eu



Thank you for your attention!