

PRESS RELEASE

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PTT'S FORECAST FOR THE FINNISH FOREST SECTOR 2010–2011:

Finnish forest sector shows some signs of recovery

After the difficult year of 2009 the Finnish forest sector shows some signs of recovery, assesses Pellervo Economic Research (PTT). Demand in global and European markets increases and as a consequence Finnish forest industry, which is highly dependable on exports, will increase its production and export volumes. However, as the increase in demand will still be relatively modest the production volumes and profitability of the early 2000's will not be achieved. This year will also be significantly better than last year in the Finnish roundwood market, even though harvesting and roundwood trade are still at lower levels than normally.

Finnish paper industry will recover step by step – export in pulp industry blossoming

As a consequence of increased demand, production of paper will increase this year in Finland. PTT assesses that the production and export of paper will increase by 5–10 per cent from the year 2009. Next year the growth will continue, but it will be lower. Despite increase in production the utilization rate in the Finnish paper industry will still be relatively low. As in the European paper market overcapacity is still a problem, PTT assesses that mean export prices of the Finnish paper are decreasing this year. However, there may be significant differences between different paper grades. In 2011 the mean export prices will be higher than this year, if the demand continues to recover and some capacity reductions are realized in Europe.

In the Finnish paperboard industry the situation looks brighter than in paper industry. PTT estimates that export prices of paperboard will increase to some extent both this and next year. The export of pulp will increase this year by more than 25 per cent when compared to last year. However, the growth will level off next year. Pulp export price is expected to rise the present year approximately one fourth from the mean level of the previous year and to remain at this year's average price or rise slightly in 2011.

According to PTT estimates the Finnish pulp and paper industry did not make profit in 2009. This year, driven by the pulp and paperboard industry, profits are expected to be positive for the sector.

Improving prospects in sawn timber export markets and domestic demand

At the end of 2009 the demand of sawn timber experienced a turn in world markets, so that the production is now increasing. We forecast that the demand for the Finnish sawn timber will continue to grow in the export market and will remain strong at the domestic market both this year and the next. PTT predicts Finnish sawn timber production to rise close to nine million cubic meters in 2010, a 15 per cent increment from previous year's figure. The capacity utilization rate will still remain low. Finnish sawn timber exports are expected to grow 6 – 8 per cent this year and about one tenth the next. Export prices will rise over ten per cent the present year.

Activation needed in roundwood supply

PTT expects Finnish forest industry's use of roundwood to increase to 56 million cubic meters this year and further to 60 million cubic meters in 2011. At the same time, imports will slightly increase this and the next year, however, remaining at a new lower level caused by the dampening of imports from Russia. PTT forecasts a 10 per cent increase in domestic commercial roundwood fellings from last year's level, that is, to 46 million cubic meters. For the year 2011 we estimate the removals to increase by less than one tenth from the present year. Despite the increments, fellings are still below the average level attained in the 2000's.

Roundwood trade with private forest owners is anticipated to increase in the present year. This year the temporary sales tax relief for roundwood trade is valid for the final year and this is expected to strengthen the development. According to PTT's predictions roundwood trade will increase approximately 50 per cent from last year. Average stumpage price is expected to rise about 5 per cent from previous year's mean price. Year 2011 will be challenging for the domestic timber market. According to our assessment the average stumpage price will rise by 1 – 3 per cent. Timber trade is hardly expected to boost from this year, unless private forest owners are actively encouraged to supply roundwood.

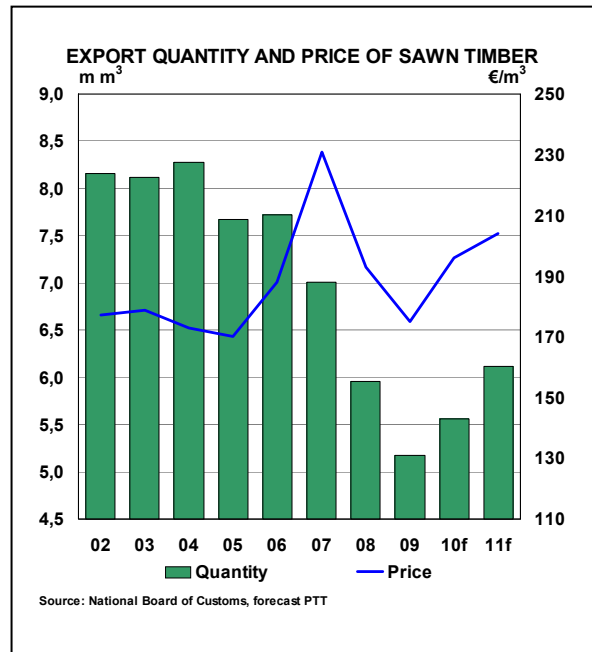
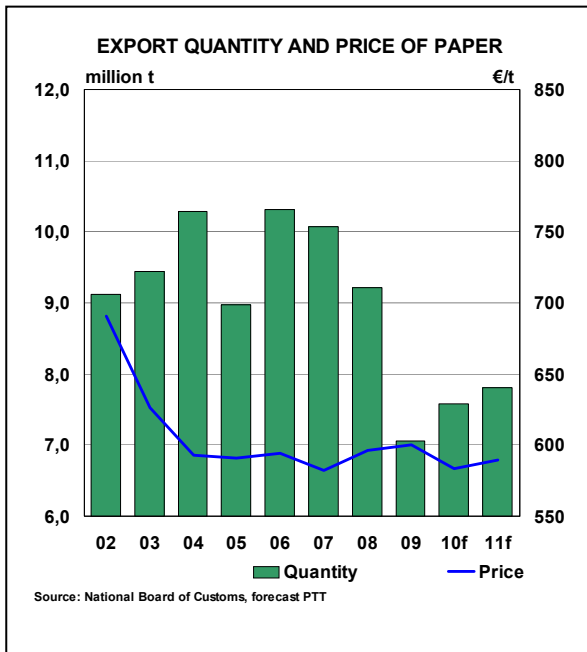
KEY FORECAST VARIABLES FOR THE FINNISH FOREST SECTOR:

	2009		2010 change (%) in		2011 change (%) in	
	Volume	Average price	Volume	Price	Volume	Price
EXPORT MARKETS:						
Export of paper	7.1 million t	600 €/t (FOB)*	5 – 10	-3 – -2	2 – 4	0 – 2
Export of paperboard	2.2 million t	693 €/t (FOB)	10 – 13	3 – 4	3 – 5	1 – 3
Export of pulp	1.6 million t	343 €/t (FOB)	25 – 30	25	1 – 3	0 – 2
Export of sawn timber	5.2 million m ³	175€/m ³ (FOB)	6 – 8	11 – 14	9 – 11	3 – 5
ROUNDWOOD MARKETS:						
Volume of roundwood import (overbark)	7.5 million m ³		8 – 10		12 – 15	
Volume of commercial fellings (overbark)	41 million m ³		10 – 12		6 – 10	
Volume of roundwood trade (overbark)	24 million m ³		50 – 55		1 – 3	
Stumpage prices	-19 % (nominal)		3 – 8		1 – 3	
Gross stumpage earnings (private forest owners)	1 billion € (nominal)		13 – 17		8 – 12	

* Weighted average export price of paper.

Sources: Finnish Forest Research Institute and PTT's forecast

THE MAIN TRENDS IN THE FINNISH FOREST SECTOR:



THE PRODUCTION OF FINNISH FOREST INDUSTRY

	Paper	Pulp	Paper-board	Sawn timber*	Ply-wood
	million t.	million t.	million t.	m m ³	m m ³
02	10.0	11.7	2.7	13.3	1.2
03	10.4	12.0	2.7	13.6	1.3
04	11.2	12.6	2.9	13.5	1.4
05	9.8	11.1	2.5	12.2	1.3
06	11.2	13.1	3.0	12.1	1.4
07	11.3	12.9	3.1	12.4	1.4
08	10.2	11.6	2.9	9.8	1.3
09	8.1	8.7	2.5	7.6	0.8
	%	%	%	%	%
10f	5 – 10	10 – 15	10 – 13	15 – 18	10
11f	2 – 4	2 – 4	3 – 5	10	10 – 15

Source: Finnish Forest Research Institute, FFIF, forecast PTT

* Softwood

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