





AWPAA Annual Meeting  
Overview of Market Developments in Wood Panels and LVL

**EWPPAA** Engineered Wood Products Association of Australasia

# Executive Summary

## Global & Regional Economic Outlook

The worst of the global recession appears to have passed and there are signs of a recovery as economic conditions start to stabilise across the world. In the US, many forecasters believe that the recession is now over, although they generally expect the recovery to be fragile and slow. The recovery in Asia is afoot, with China leading the recovery. New Zealand and Australian economies are also recovering.

## Markets in Australia & New Zealand

The Market for LVL in Australia has grown significantly over the past decade. LVL consumption in New Zealand is still at an introductory stage and the quantity is not yet significant. Markets for wood panels have grown over the past decade in line with economic development. Australia dominates this market.

## LVL markets

The LVL market in North America has been growing over the past few years, supported by strong construction activity. However, LVL production decline in 2009, reflecting a weakening in the economy and construction industry.

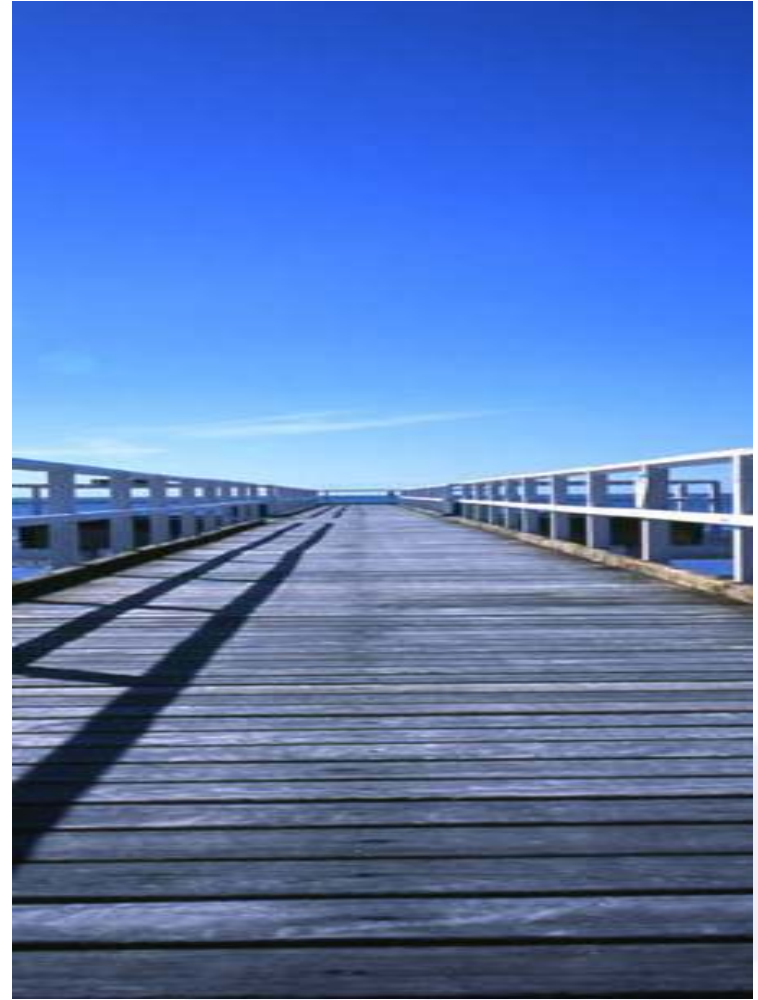
## Issues and Challenges

Fibre, Fibre and competitiveness  
Bio Energy

# Global expert in consulting and engineering

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- We offer our clients in-depth industry expertise, innovative solutions and lifecycle engagement
- 17 000 projects annually
- 7 000 employees in 49 countries
- Project experience in more than 100 countries



# Five business groups

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Core operations based on five know-how clusters



# Sectors and services

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- Management Consulting
- Hydropower
- Oil & Gas
- Power & Heat
- Renewable Energy
- Emerging Business
- Pulp & Paper Industry
- Chemical Process Industry
- Transportation
- Water & Environment
- Construction Services

## Lifecycle engagement

Pöyry offers a full range of services covering the entire lifecycle of client investment projects, combining in-depth industry expertise and best practices in management consulting, engineering and site services

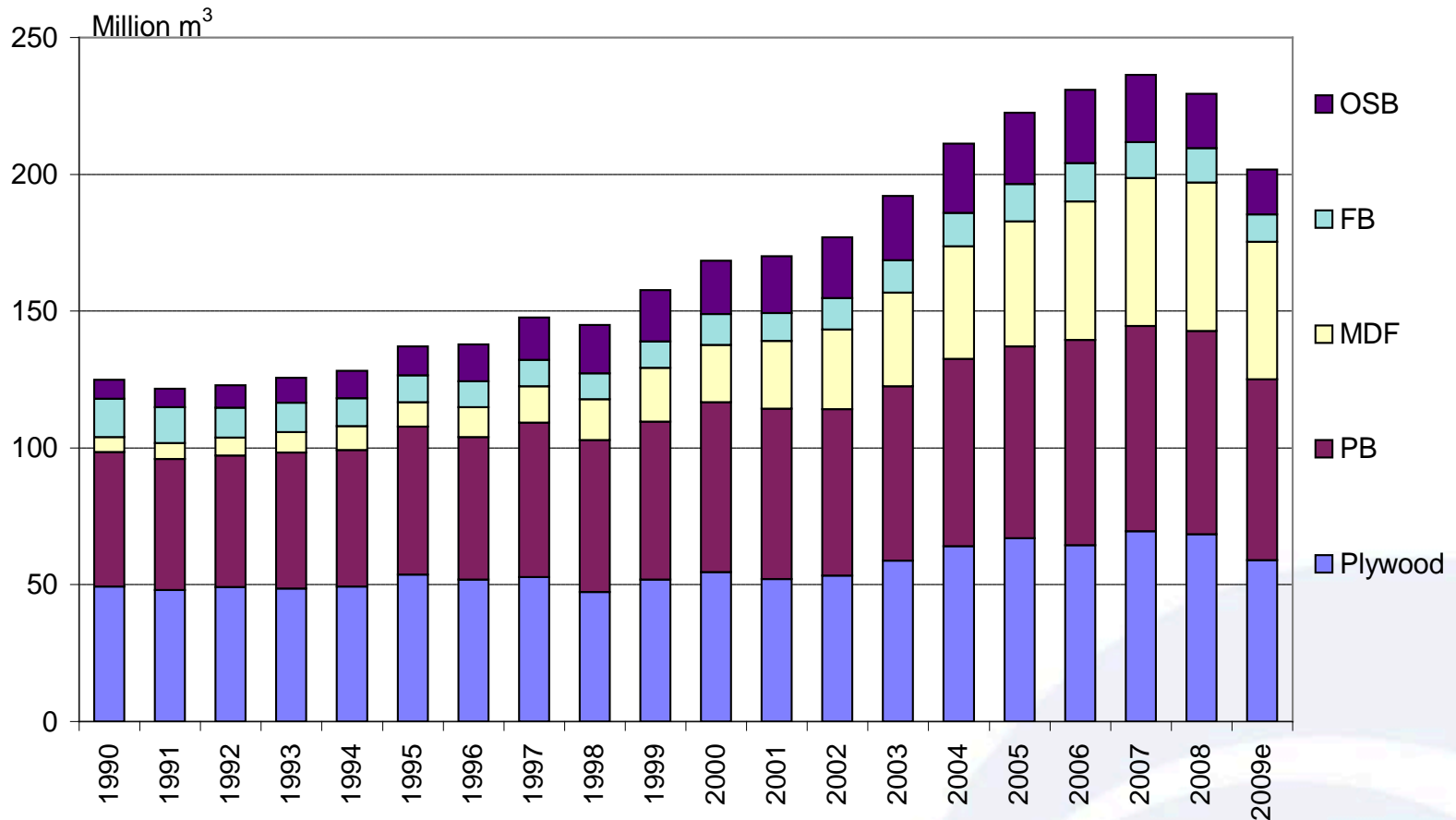
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## Global Overview

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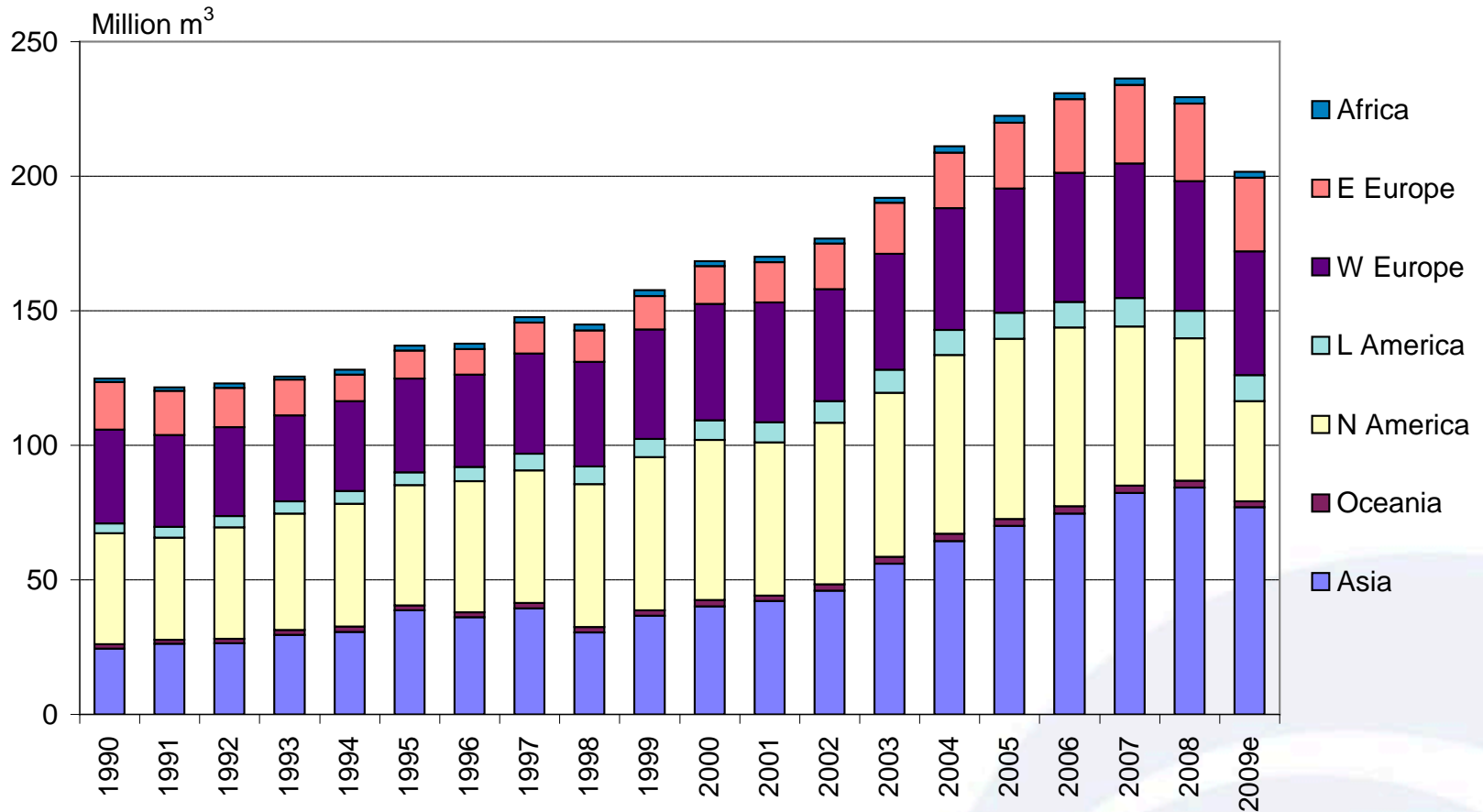
# Global WBP Demand by Type

Global WBP demand declined in 2008 as the global financial crisis and economic slowdown affected the main wood consuming industries, and this trend is expected to continue into 2009. A modest recovery is expected during the next five years, and stronger growth is expected thereafter as the global economy recovers.



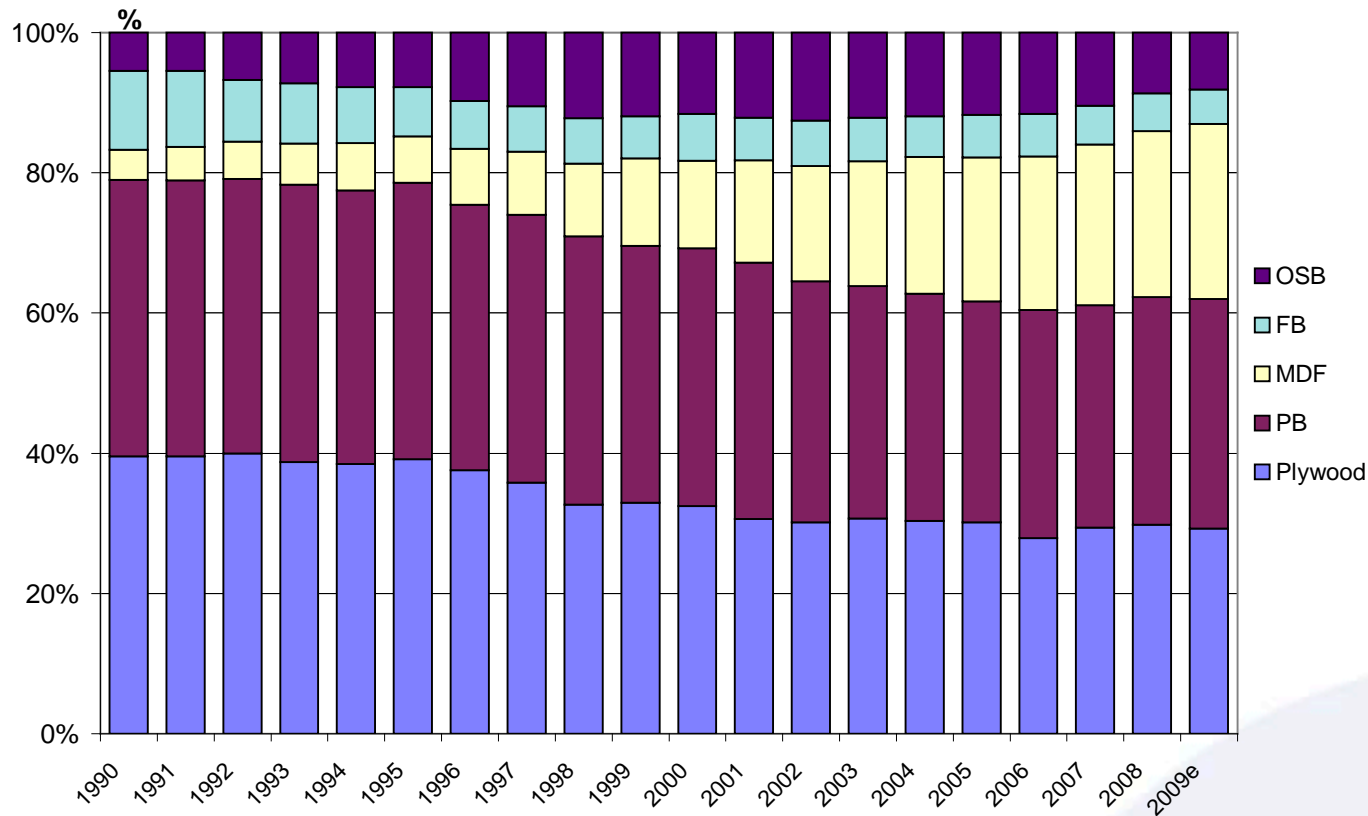
# Global WBP Demand by Region

Demand declined across all regions in 2008, and this trend will continue in 2009. Demand growth is expected to be modest across all regions during the next five years, and will pick up thereafter as the global economy recovers.



# Global Substitution Trends

Globally, MDF has the only product capable of expanding market share in the past decade.



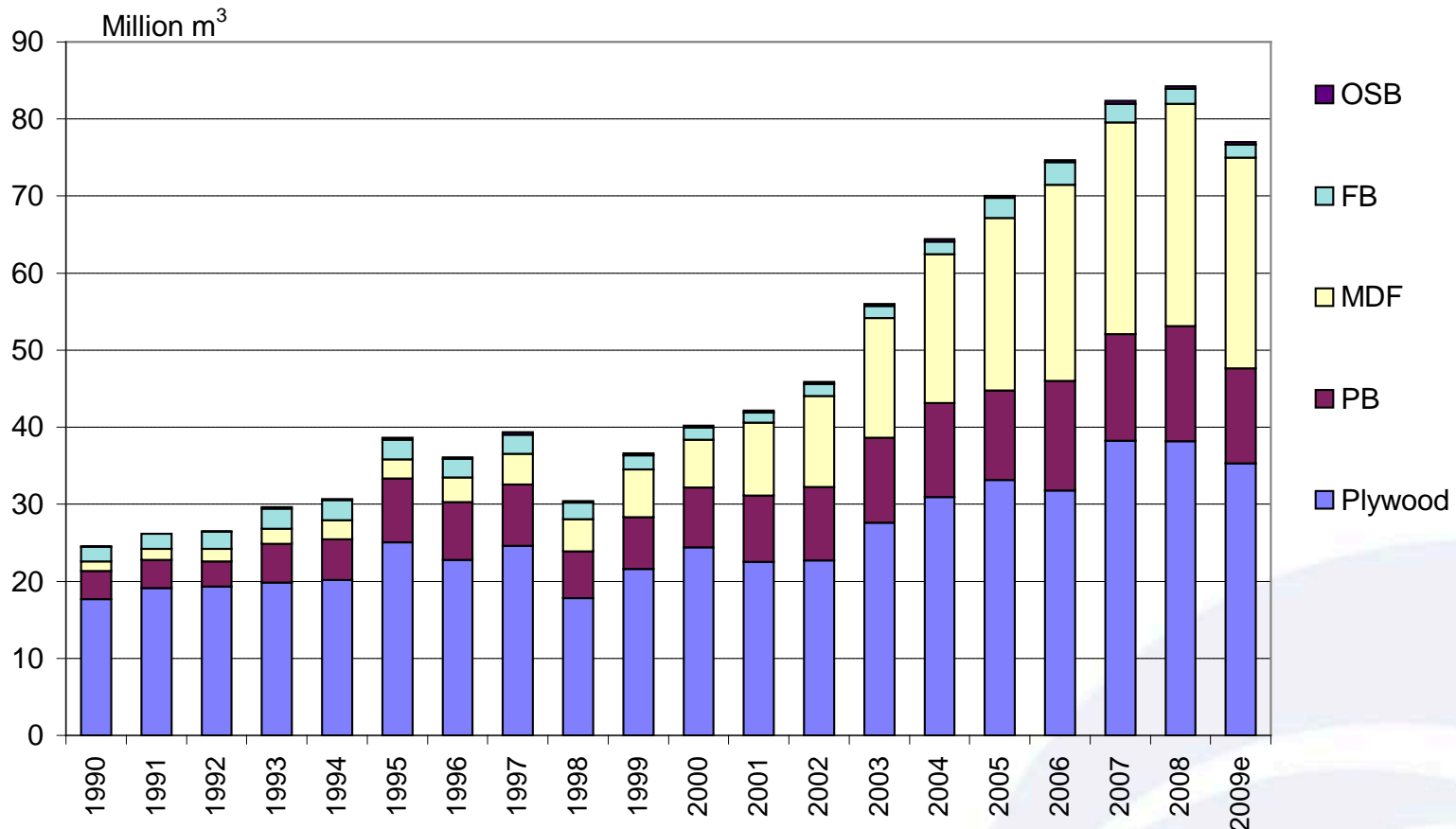
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## Asia Pacific Overview

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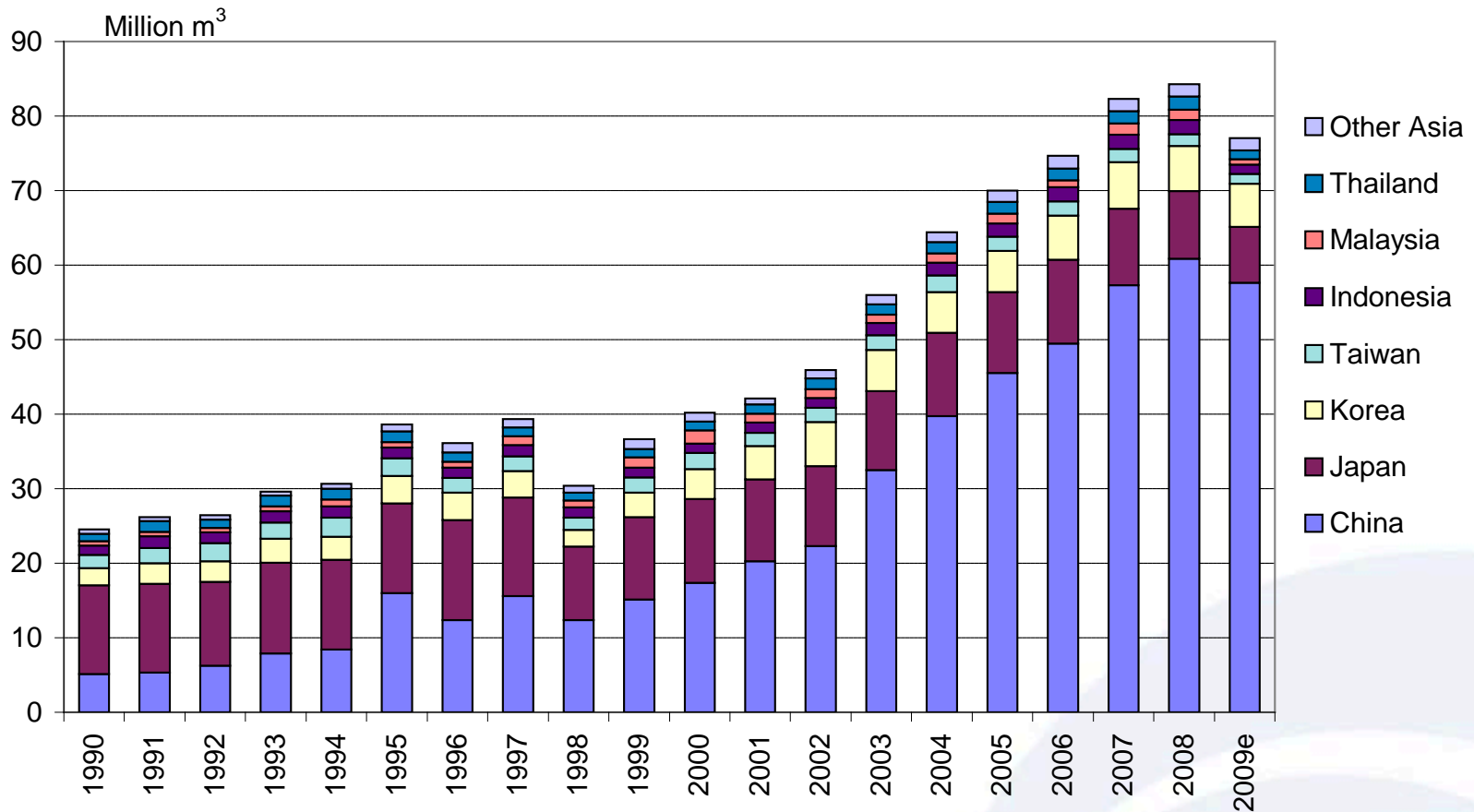
# SE Asia WBP Demand by Type

Asia-Pacific wood based panel consumption has increased over the last decade at 10.7%/a. Almost half of the regional demand is currently met by plywood but the growth in MDF has been and will continue.



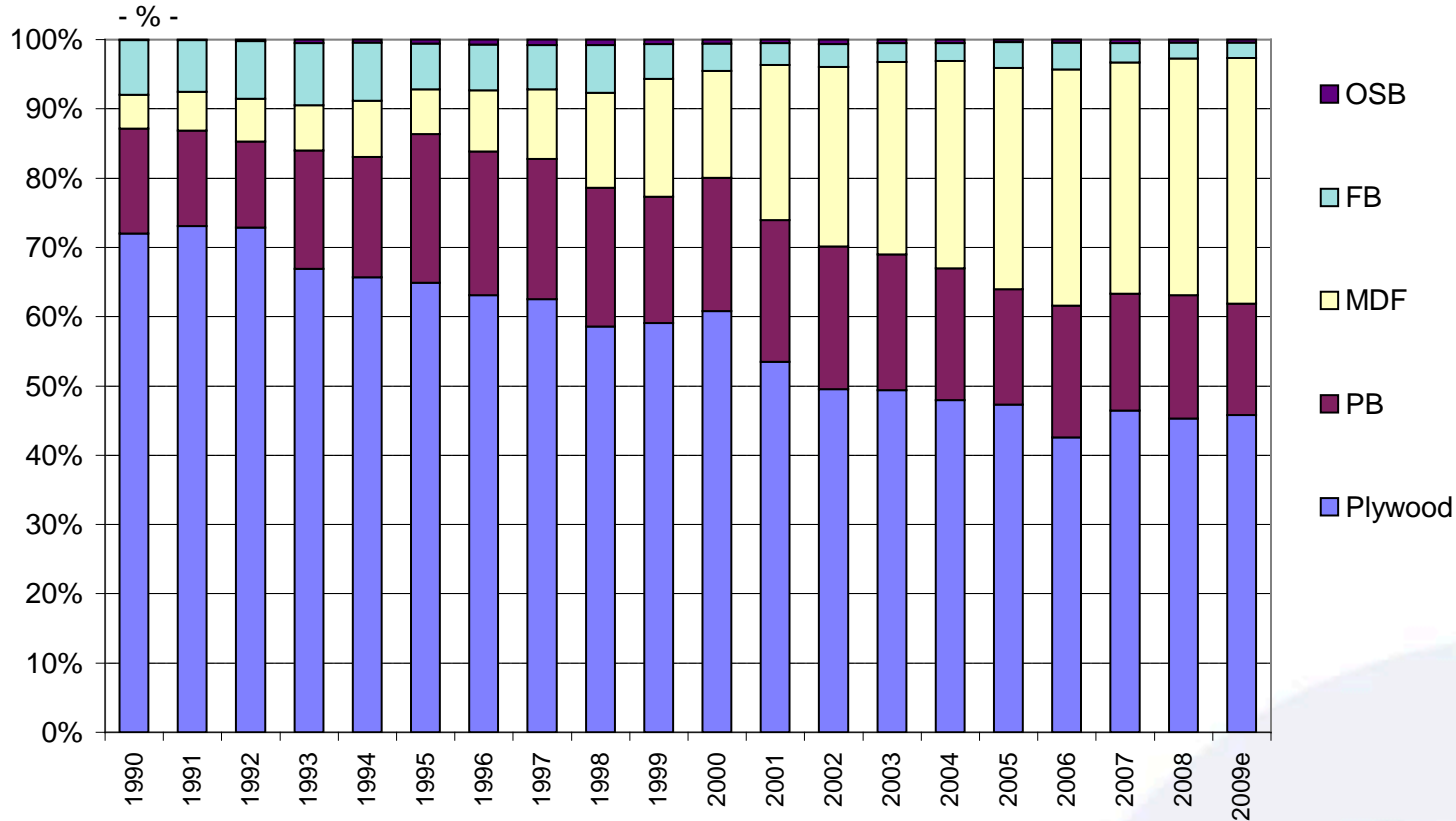
# SE Asia WBP Demand by Country

China's WBP demand growth has been most significant in the last decade and it now accounts for approximately 72% of the consumption in Asia-Pacific (2008).



# Asia Pacific Substitution Trends

Similar to global development, MDF has been the only panel product expanding its market share within the Asia Pacific region.



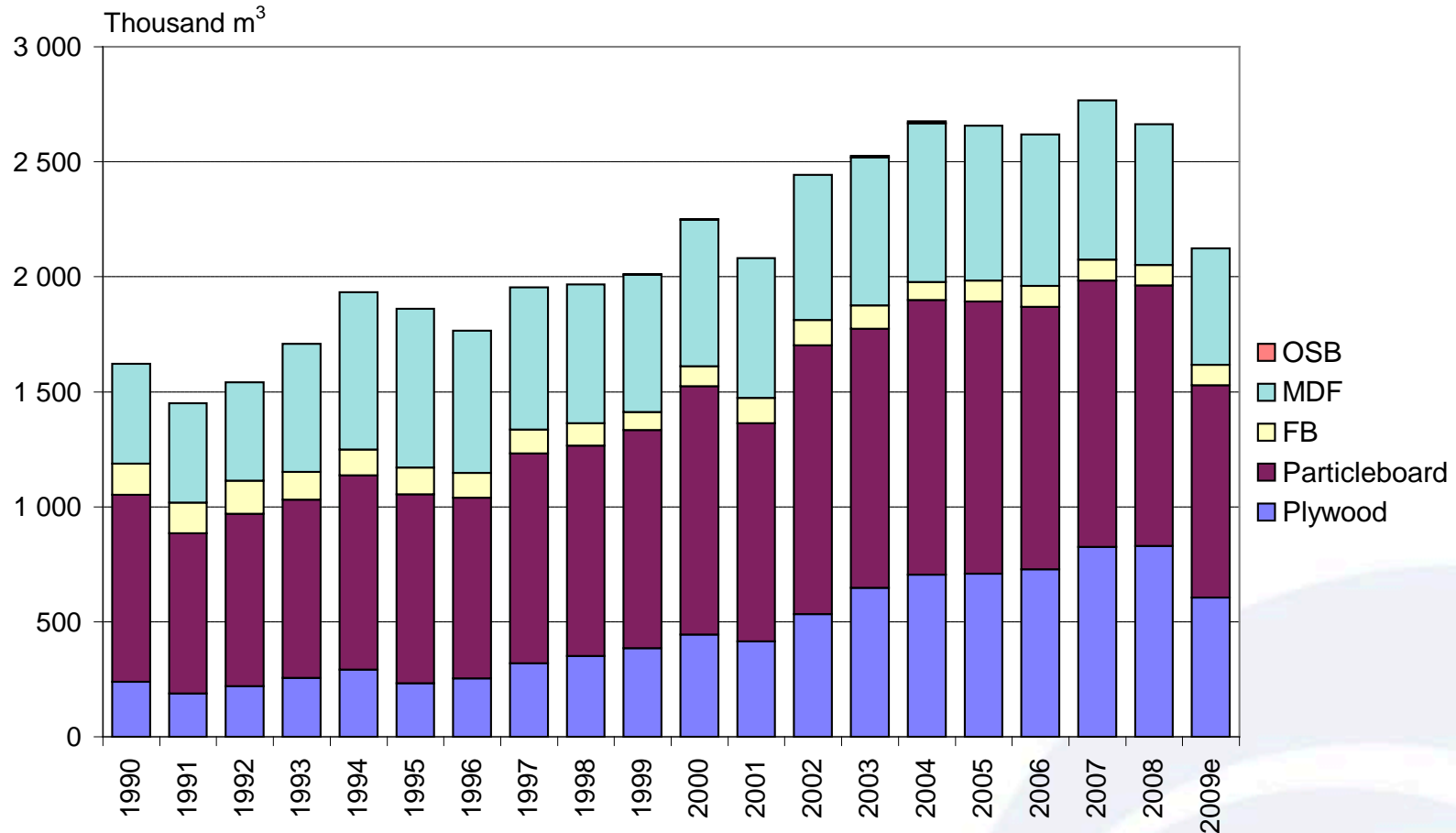
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## Oceania Overview

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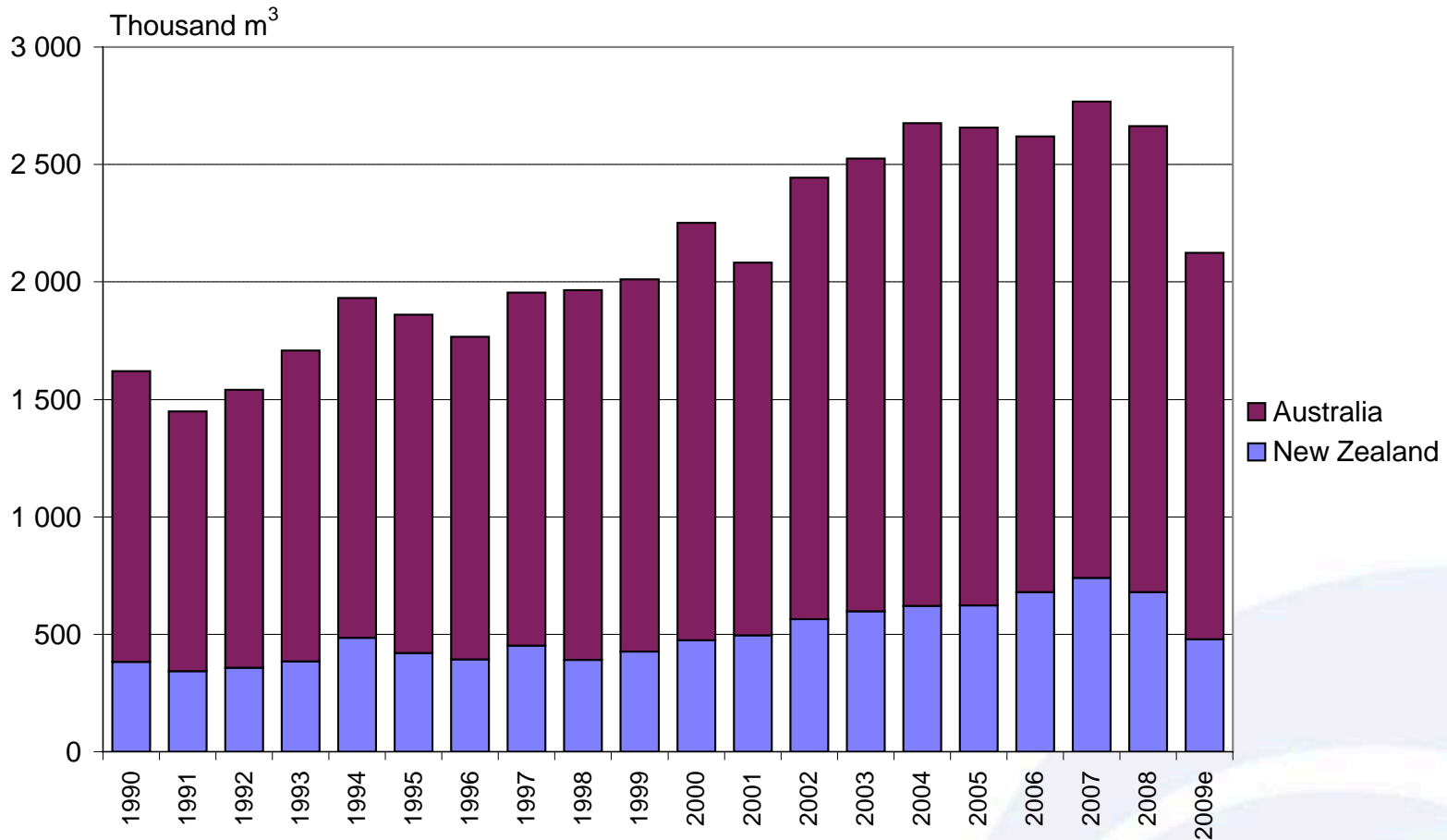
# Oceania WBP Demand by Type

Oceania (Australia and New Zealand) WBP consumption has increased over the last decade at 3.1%/a. The key panels consumed in the region are particleboard (43%), plywood (31%) and MDF (23%) (2008 data).



# Oceania WBP Demand by Country

Total WBP demand for Australia and New Zealand in 2008 was 2.7 million m<sup>3</sup>.



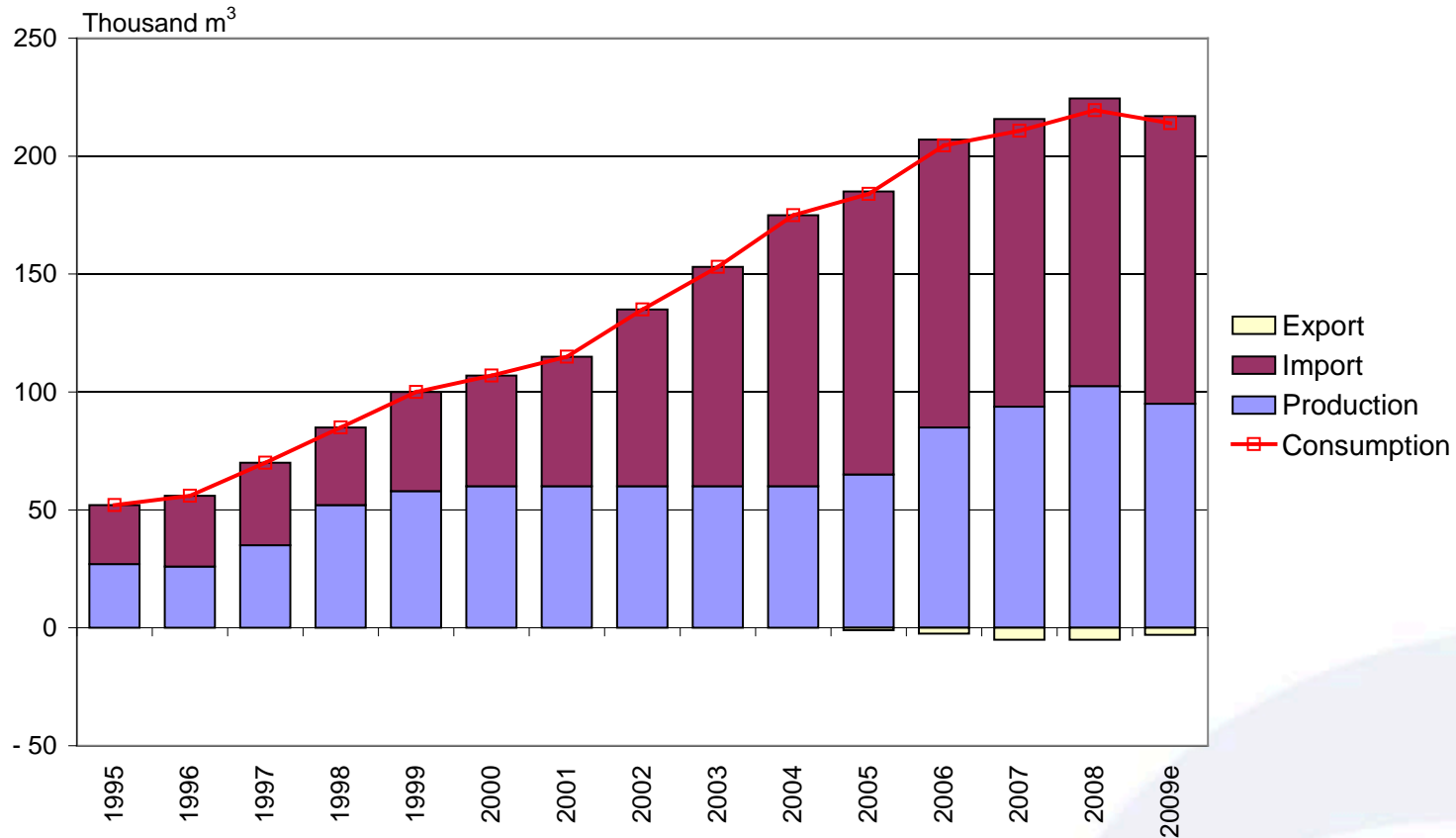
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LVL

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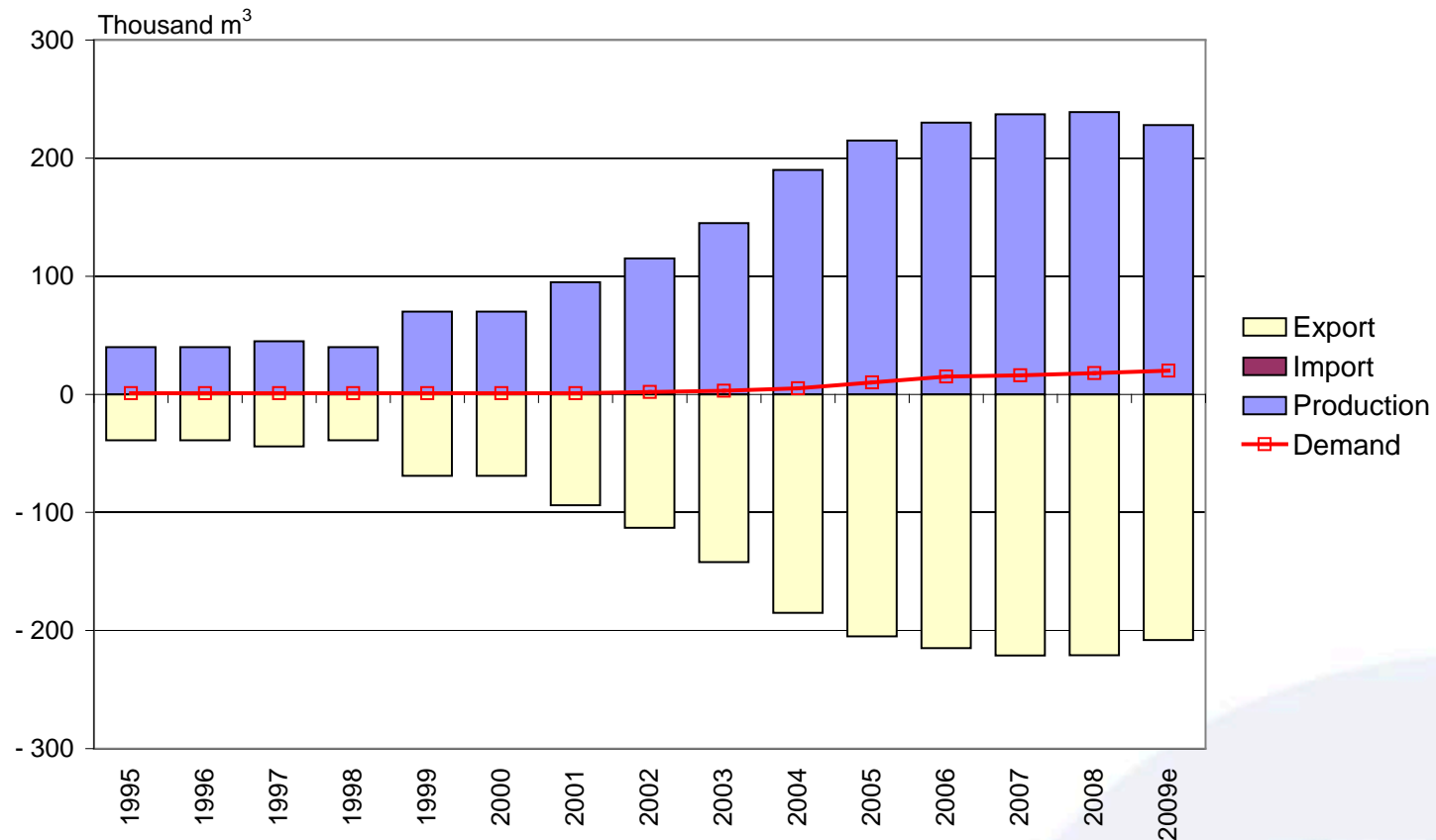
# Australia – LVL Supply & Demand

The LVL market in Australia has grown significantly over the past decade, and further growth is expected in the medium to long term supported by strong demand and substitution trends. Slower LVL demand growth is expected in 2009/2010.



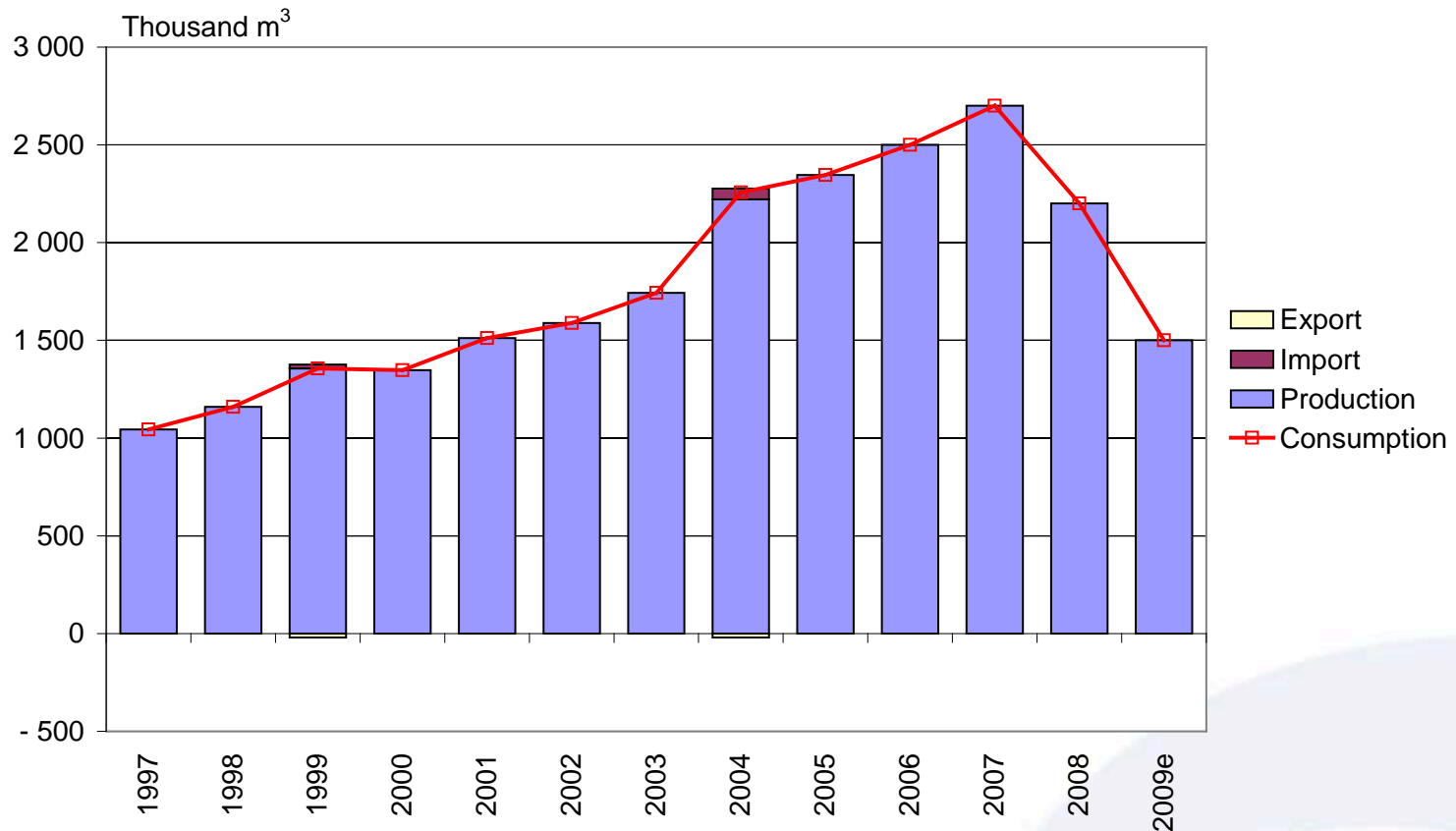
# New Zealand – LVL Supply & Demand

Most of the LVL produced in New Zealand is exported to key markets such as Australia and Japan. LVL production declined moderately in 2009 due to weak demand.



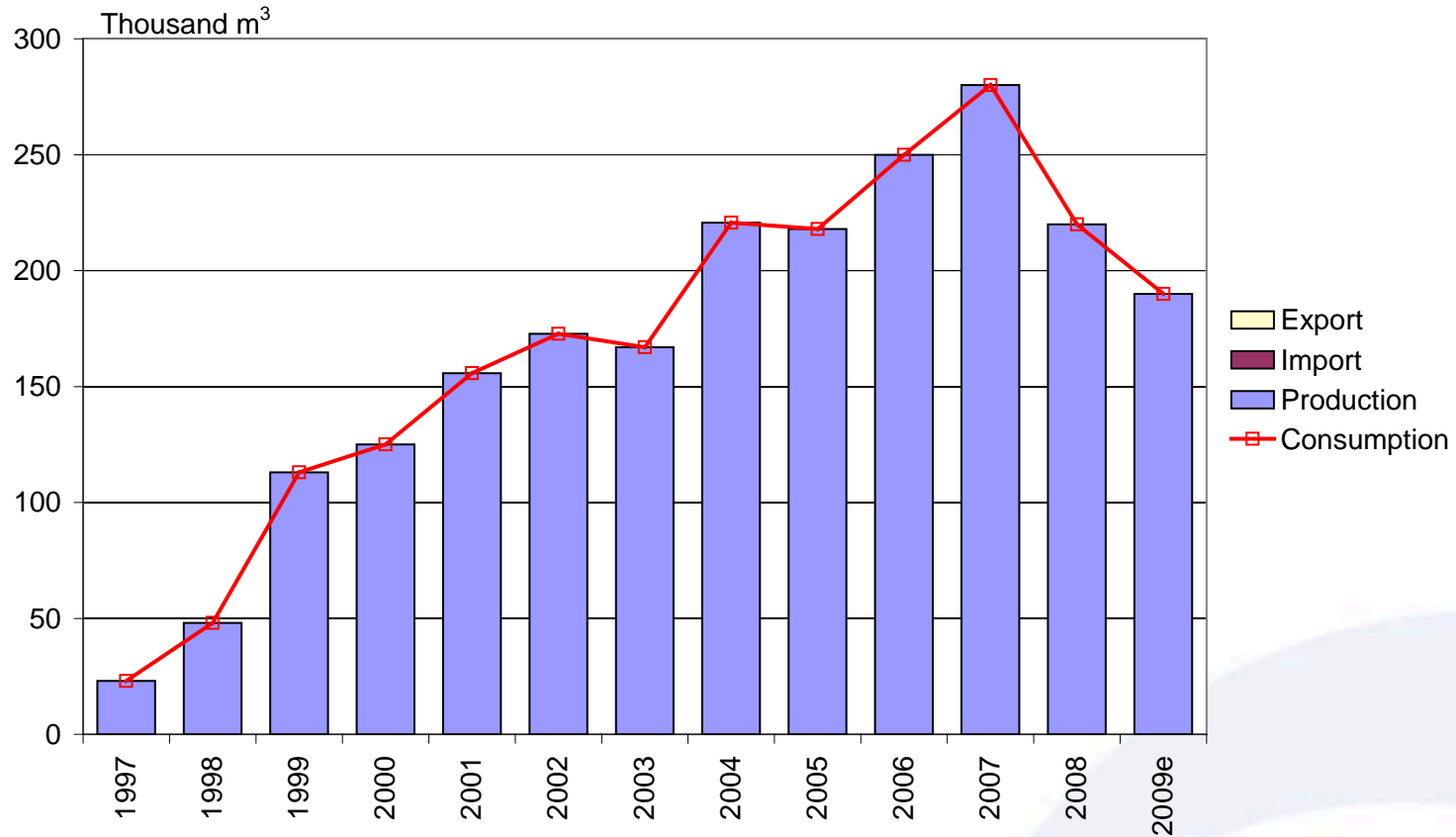
# USA – LVL Supply & Demand

The US LVL market is estimated to be about 2.2 million m<sup>3</sup> (2008 data). LVL production and consumption has declined in 2008/09 due to weak demand.



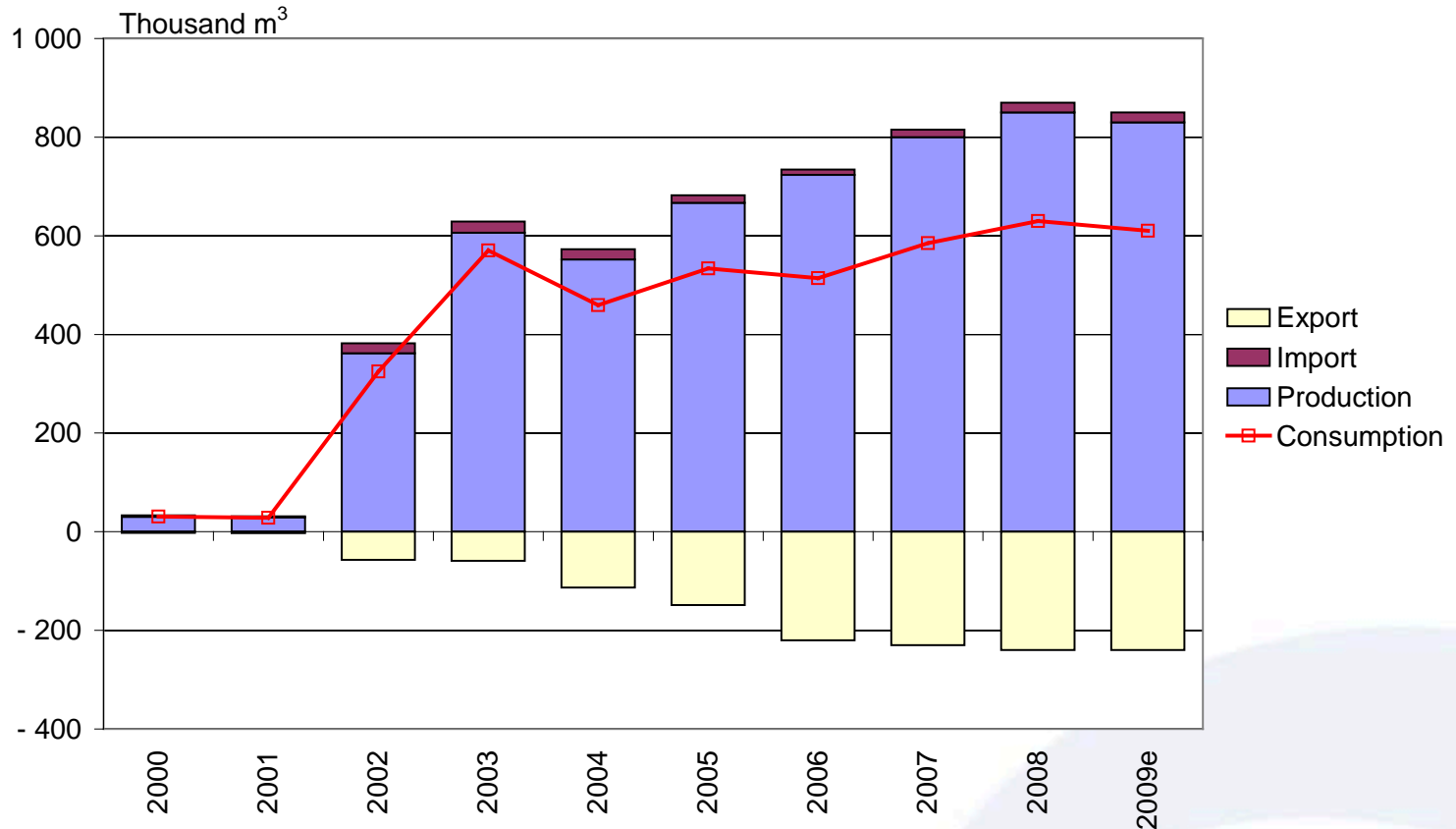
# Canada – LVL Supply & Demand

The Canadian LVL market is estimated to be about 220 000 m<sup>3</sup> (2008 data). LVL production declined in 2008/09 due to weak construction industry activity.



# China – LVL Supply & Demand

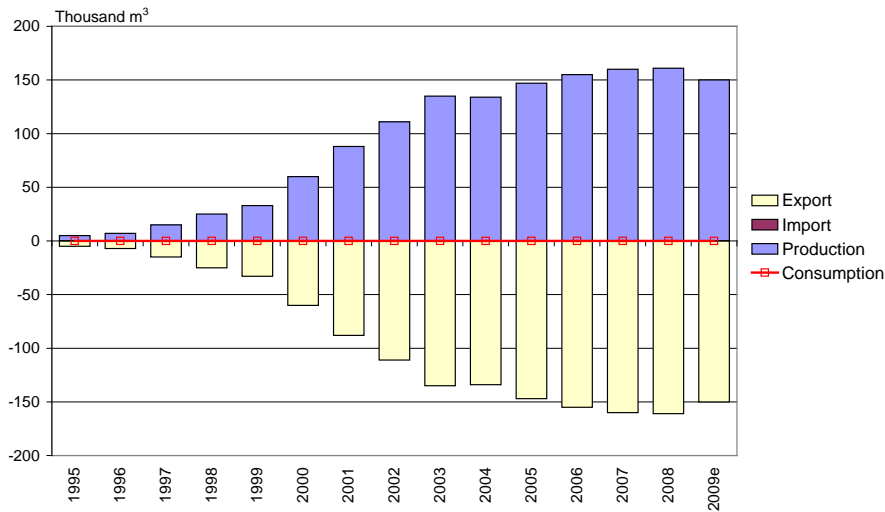
China's LVL production and consumption has been increasing over the past few years, supported by strong construction industry activity. China exports about 28% of its LVL production.



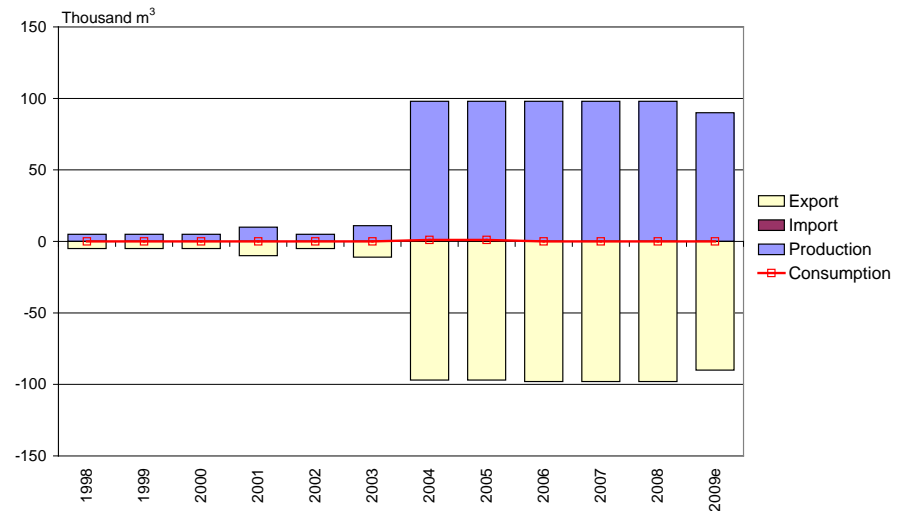
# Indonesia & Malaysia – LVL Supply & Demand

Indonesia and Malaysia are relatively smaller LVL producers in the region. The countries focus on exporting the LVL.

## Indonesia

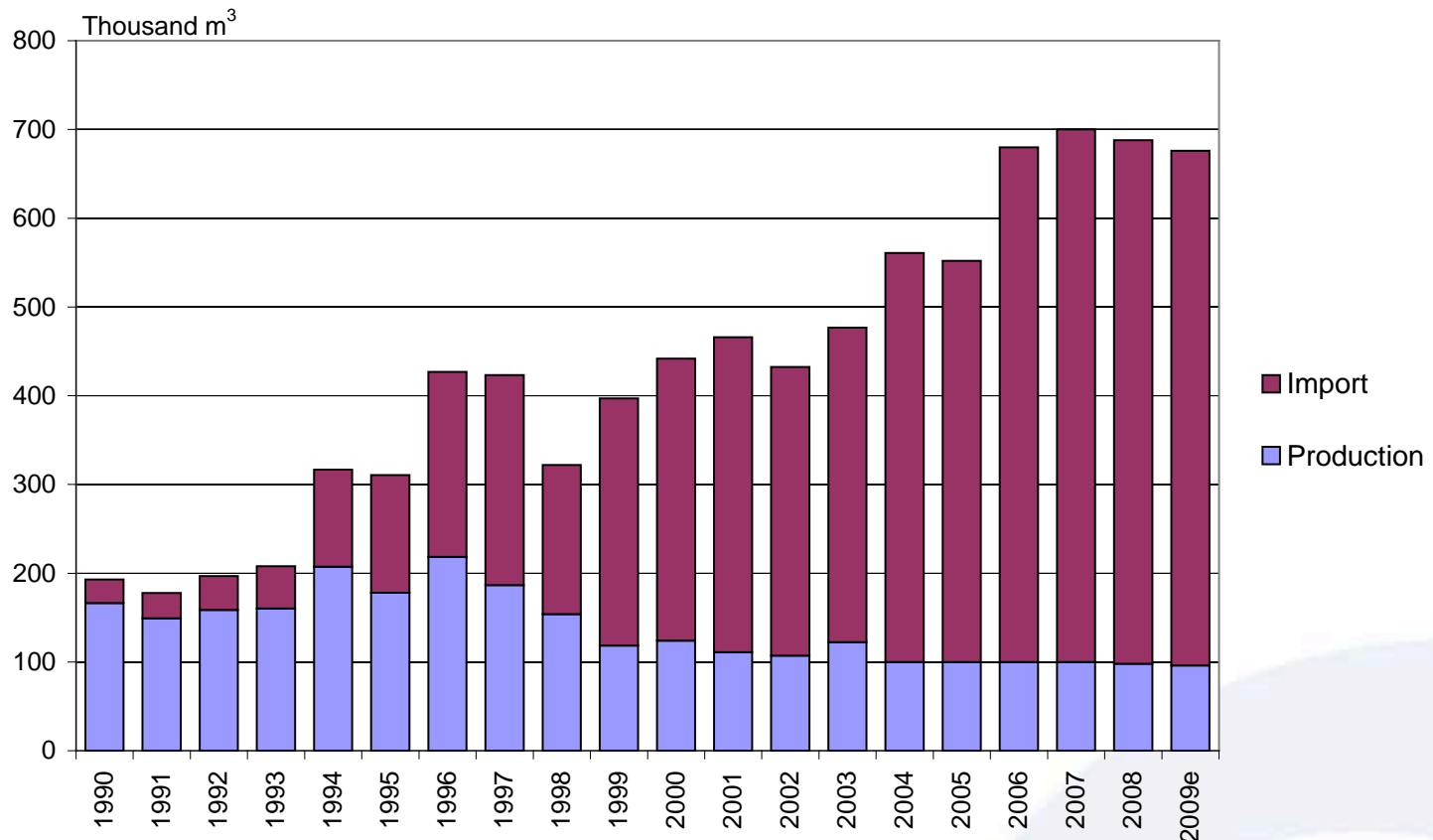


## Malaysia



## Japan – LVL Supply & Demand

The current Japanese market for LVL is estimated to be about 680 000 m<sup>3</sup>. The Japanese LVL market has been growing over the past decade. Japan relies on imports to meet its domestic demand.



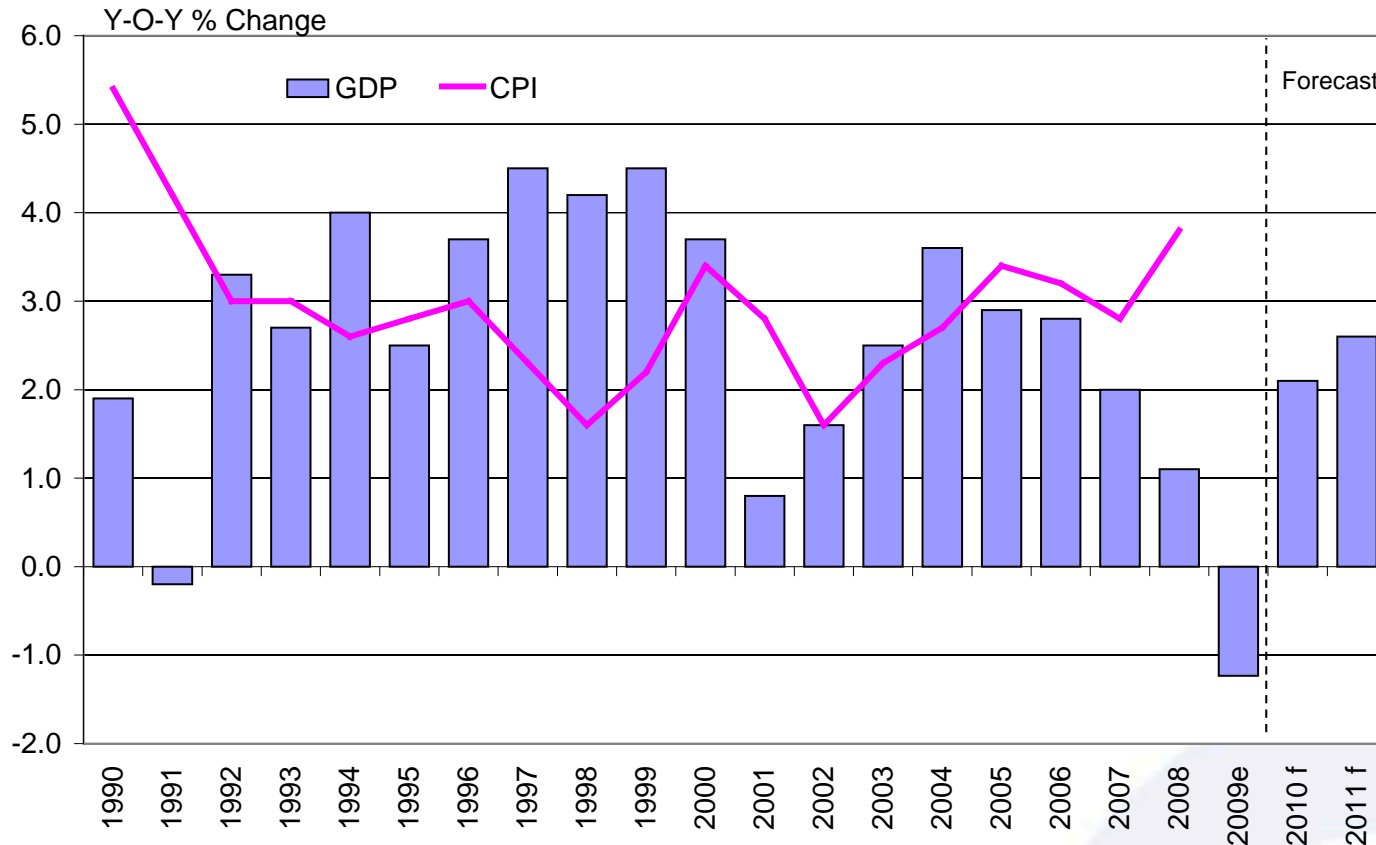
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## Demand Drivers

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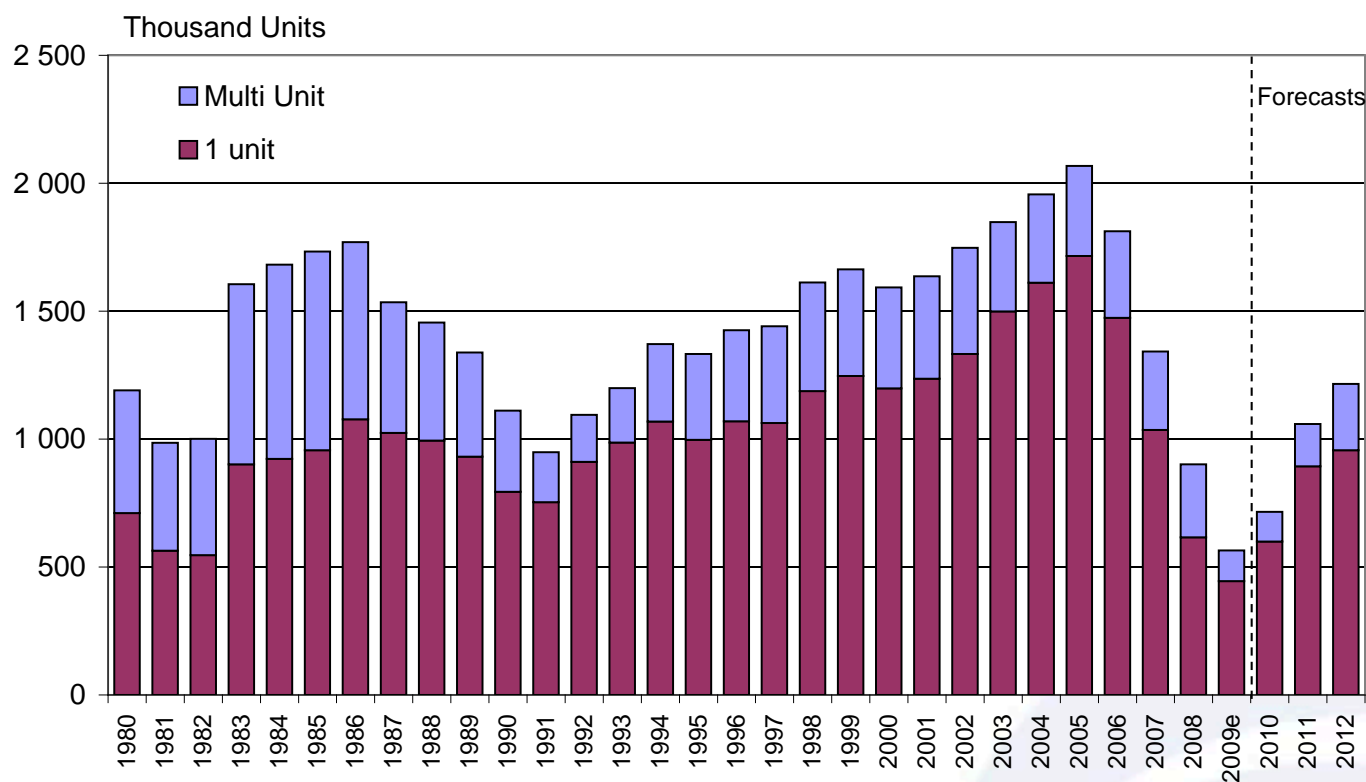
# USA – Demand Drivers: Macroeconomic Outlook

The US economy is expected to contract by -1.2% in 2009. However, the economy is now showing early signs of recovery. The US economic recovery will be slow and fragile, with growth of 2.1% and 2.6% projected for 2010 and 2011.



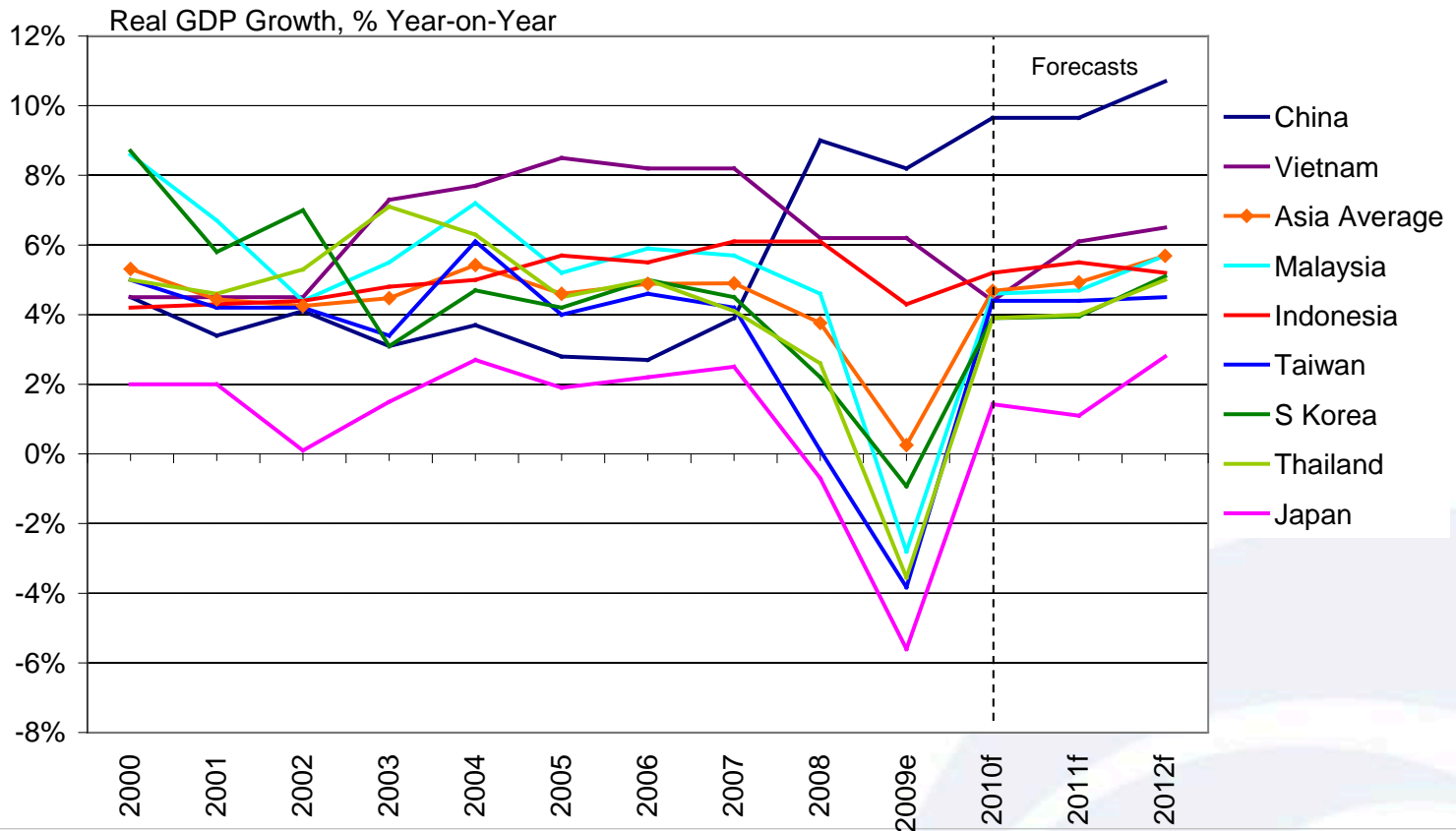
## USA – Demand Drivers: Housing Starts

The US housing industry continues to be depressed in 2009 and 2010, and the recovery will be slow and fragile. The US wood demand is expected to be depressed in the next year or two. As the US housing market improves in the next five to ten years, demand for wood products will increase for both domestic processors and imported products.



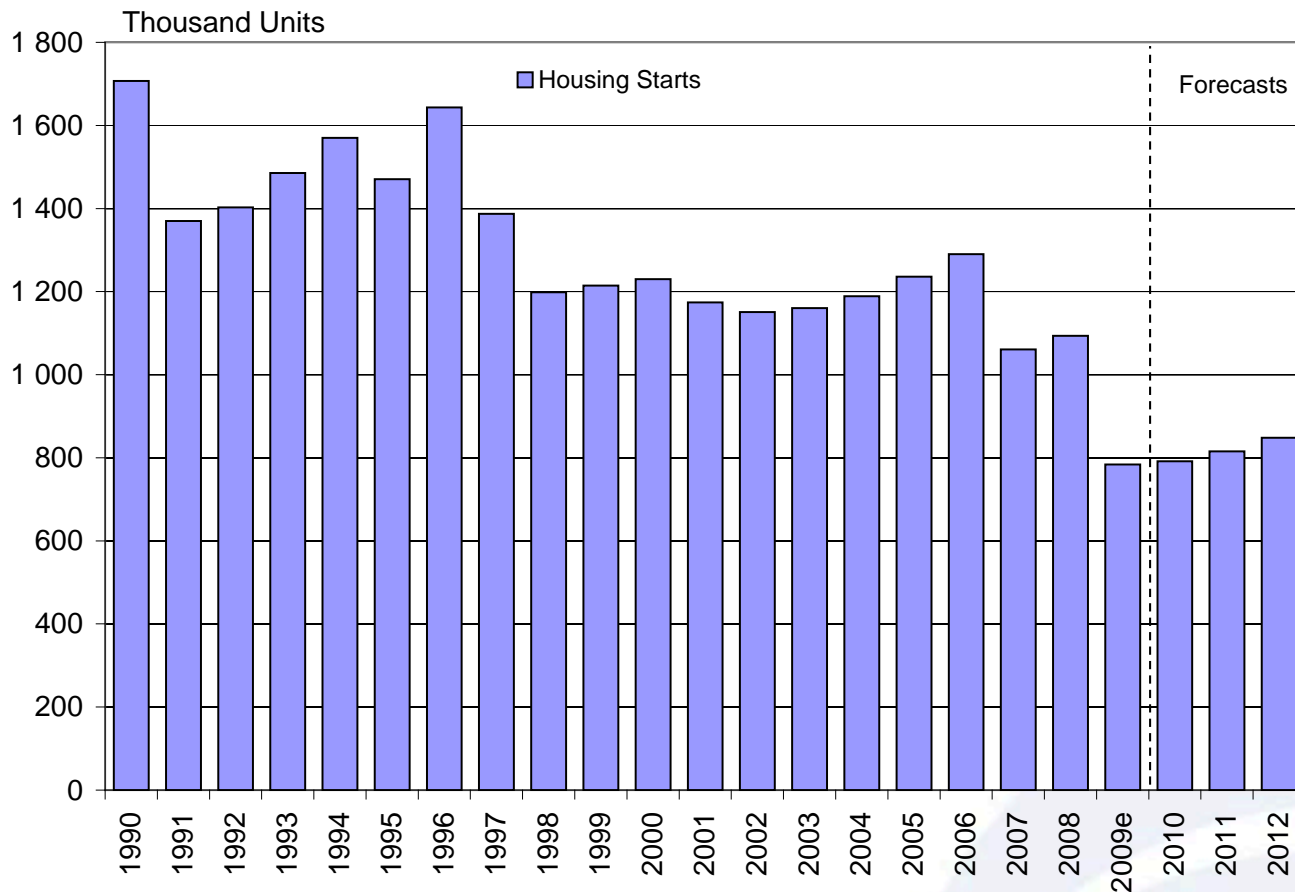
# Asia – Demand Drivers: Macroeconomic Outlook

Most countries in Asia have recorded negative economic growth during the first quarters of 2009. Asia's economic recovery is expected to begin in 2010. However, this recovery is dependent on a recovery in the global economy which influences the demand for Asia's exports.



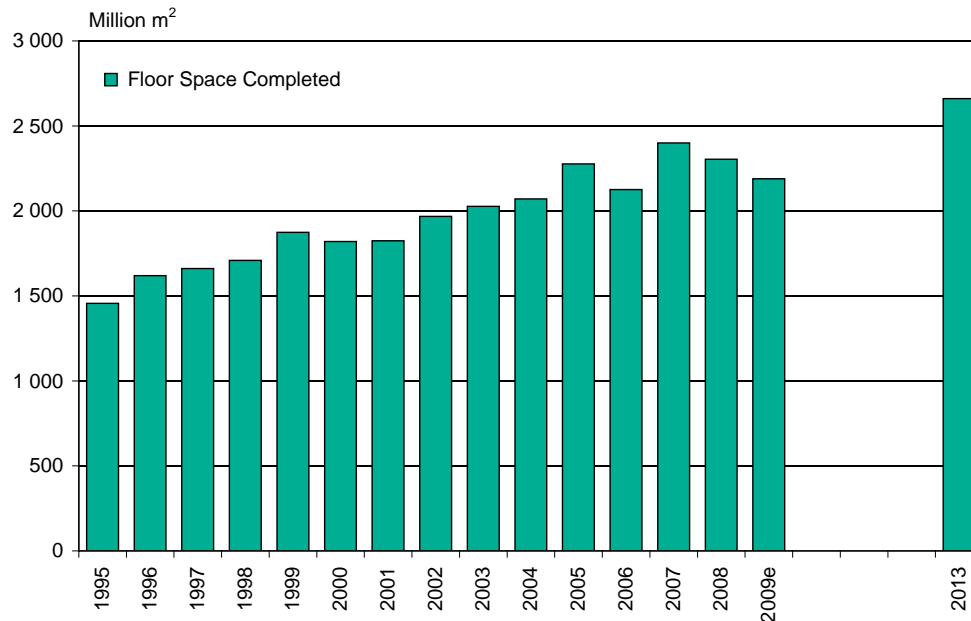
# Japan – Demand Drivers: Housing Starts

Japan's housing starts have been depressed in 2009, in line with the weak economy. Although a modest recovery is expected from the current lows of 2009 - 2010, Japan's housing starts are expected to decline or remain stagnant during the next five to ten years.



# Construction Industry – China

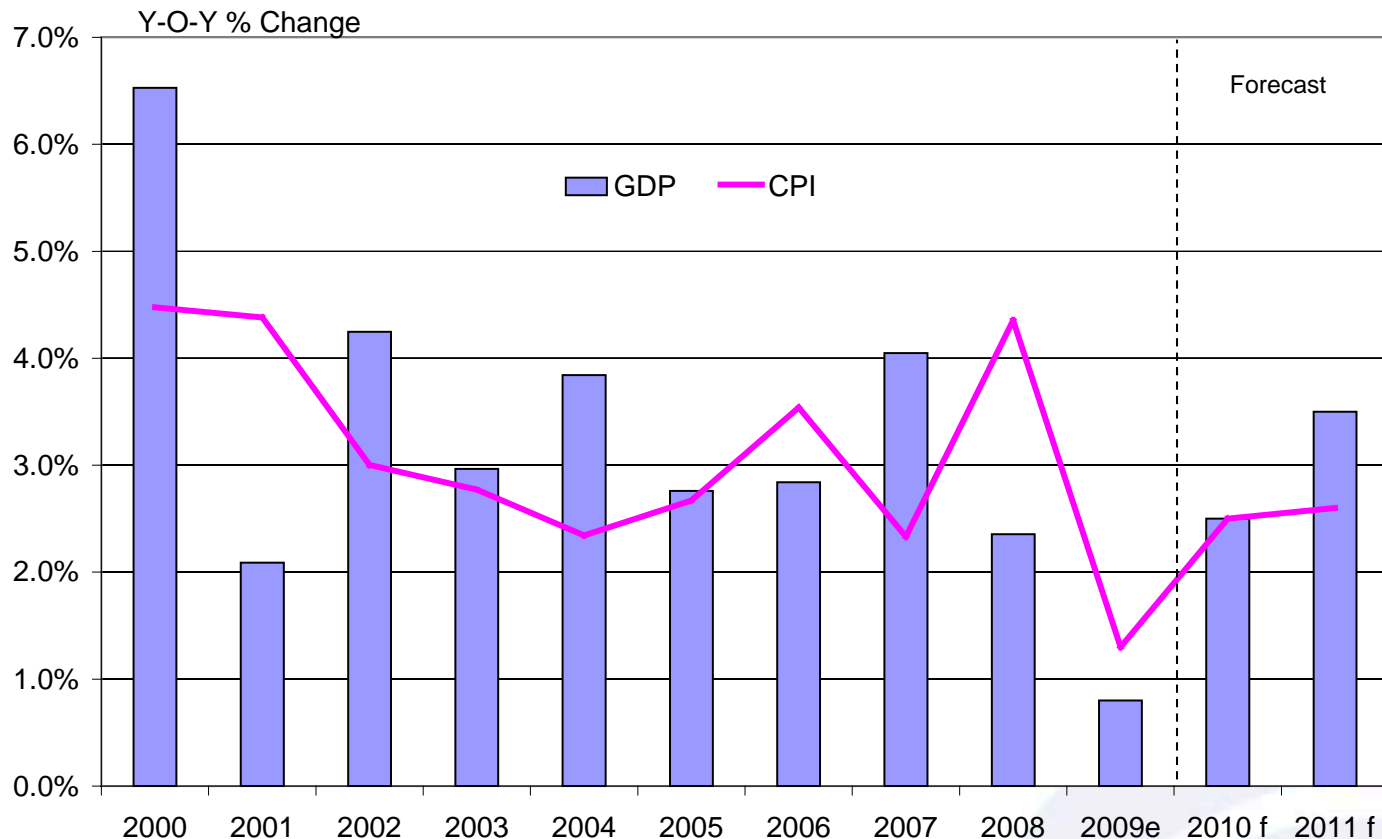
**Completed flooring space statistics are the most relevant indicators of panel demand in China's construction industry. Massive government housing programmes will keep the construction industry strong in the long term.**



- China's completed floor space was estimated to be 2.3 billion m<sup>2</sup> in 2008. Between 1998 and 2008, the completed floor space increased at an average rate of 3%/a. It is expected to continue growing during the next few years, supported by the expanding construction industry.
- China has set a living space target of 23-25 m<sup>2</sup>/per capita in urban housing and over 25 m<sup>2</sup>/per capita in rural housing by 2013. Accordingly, demand for wood based products, including MDF, will continue to grow.
- The main uses of MDF in the construction segment include various fixtures and joinery type applications.

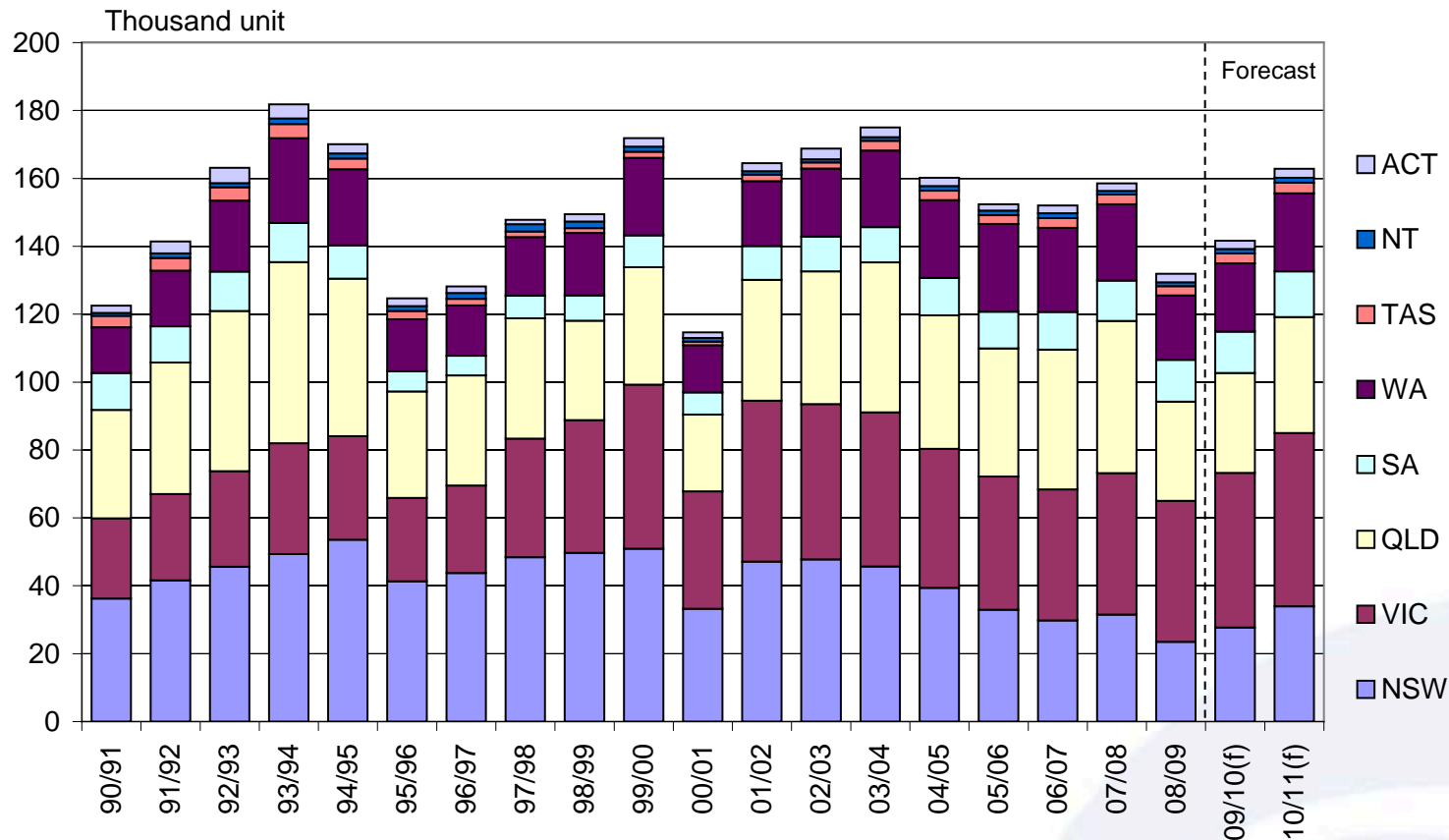
## Australia – Demand Drivers: Macroeconomic Outlook

Australia's real GDP growth for 2009 is estimated to be 0.8%. Australia is expected to achieve a growth rate of about 2.5% and 3.5% in 2010 and 2011, respectively. Thereafter, the economy is expected to continue gradually expanding, supported by growth in business investment and exports demand.



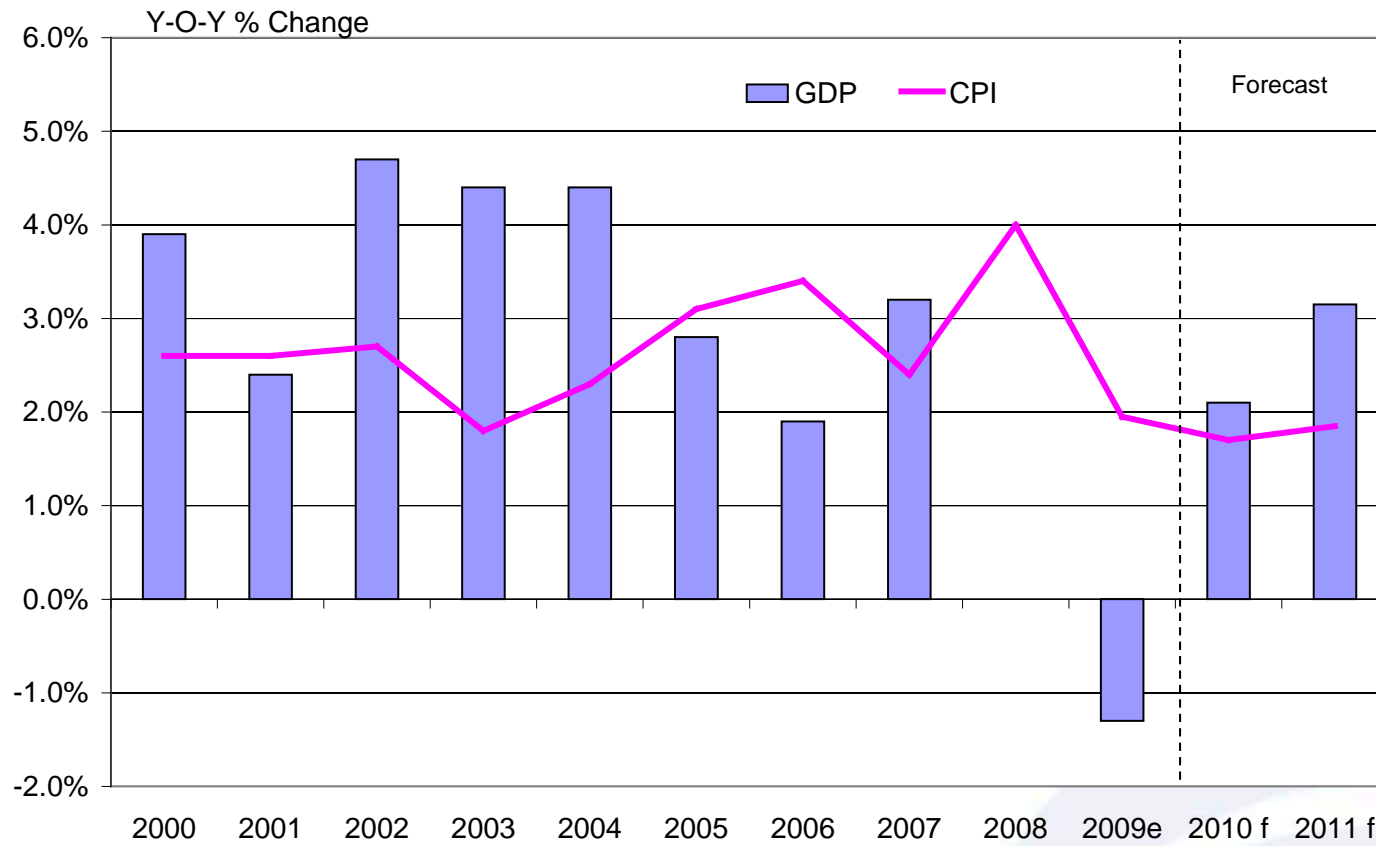
# Australia – Demand Drivers: Housing Starts

After weakening in 2008/09, Australia's housing starts are expected to start to recover within the next year or two, supported by economic recovery; improving investor and household confidence, and strong demand. A healthy outlook for the construction industry will support demand for wood products, including LVL.



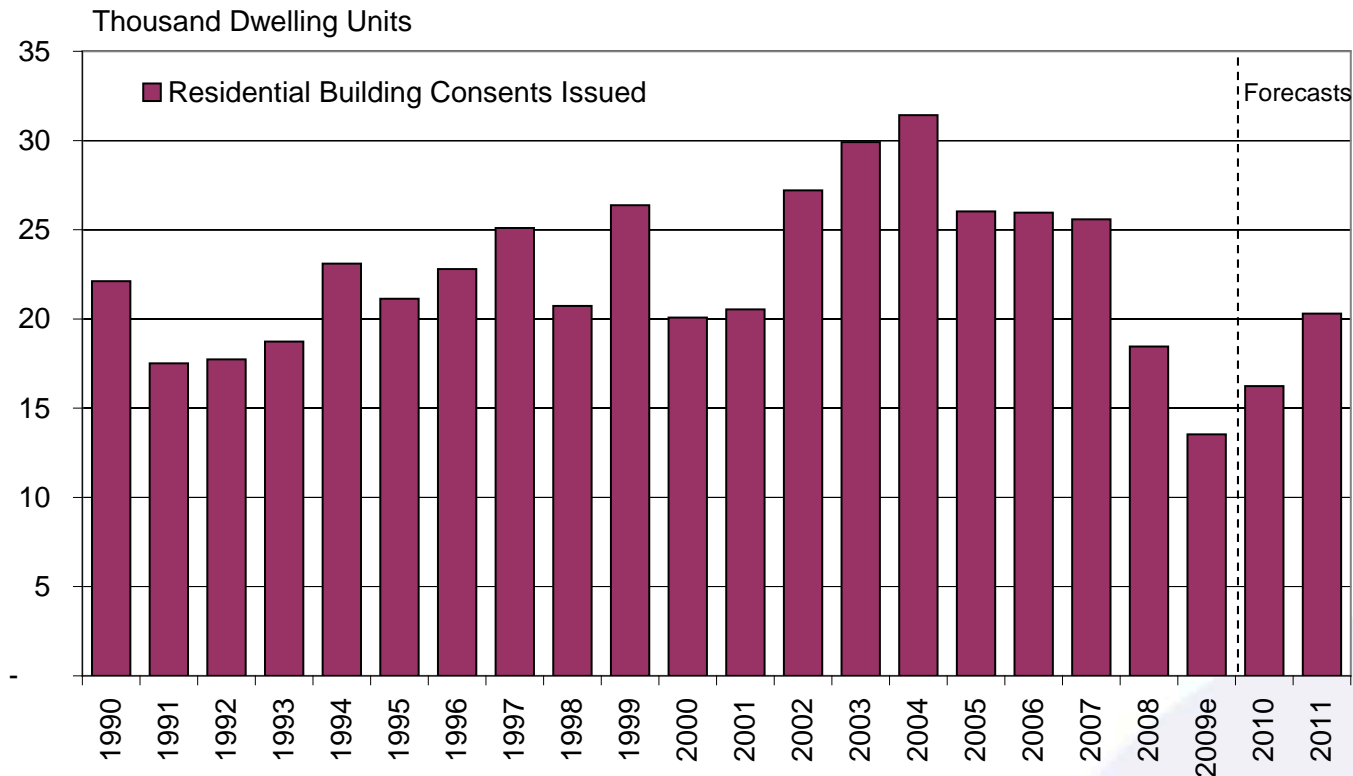
## New Zealand – Demand Drivers: Macroeconomic Outlook

The New Zealand economy is expected to progressively recover, growing by 2.1% and 3.2% in 2010 and 2011, respectively. A recovery in business and consumer confidence and improving employment prospects are some of the key factors that will support the recovery.



## New Zealand – Demand Drivers: Housing Starts

Some early signs of a recovery in housing starts are evident from recent statistics. However, a full recovery in construction industry is not expected until after 2011.

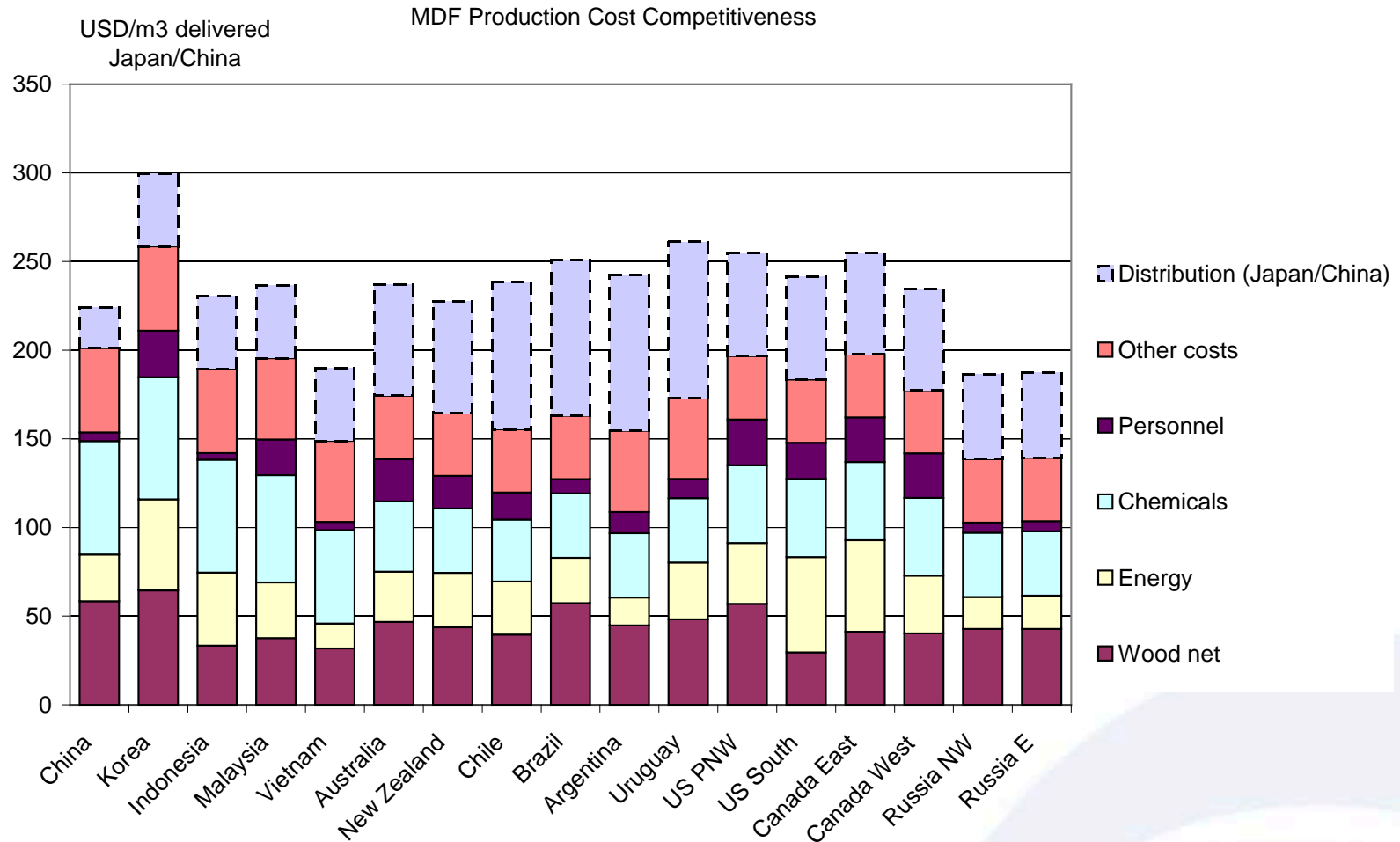


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## Competitiveness

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# Global Manufacturing Cost Indication (2008)



# Biomass Paying Capability

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