

**THE ROYAL NORWEGIAN MINISTRY OF AGRICULTURE
DEPARTMENT OF FORESTRY**

Norwegian Market Statement

ECE Timber Committee, Fifty-ninth session
Geneva, 2. - 5. October 2001

General Economic Situation

Economic growth in Mainland Norway is expected to remain moderate. Capacity utilisation continues at a high level, with a tight labour market. Price and wage inflation is still somewhat higher than among Norway's trading partners. Despite moderate economic growth, the level of activity in the Norwegian economy is still high. Mainland GDP is estimated to grow by 1½ per cent in 2001, slightly lesser than in 2000. Total GDP, which also includes petroleum and shipping, is expected to increase by 2½ per cent in 2001. Private consumption fell in the second half of last year on a seasonally adjusted basis. The projected growth of 1½ per cent in 2001 thus implies a significant growth during the year. However, it is still a marked downward revision from earlier estimates. The savings rate is expected to decrease somewhat. The number of housing starts in 2000 was the highest in a decade and is projected to increase in 2001. Growth in residential investments is estimated to slow to 6¾ per cent in 2001 following the steep increase of 12¼ per cent last year, which in turn followed two years of negative growth. Mainland business fixed investments are projected to fall slightly in 2001, after increasing by a little less than 2 per cent in 2000. Traditional merchandise exports are projected to grow by 3¼ per cent in 2001, after growing only 2 per cent last year. This implies a continued fall in market shares in Norway's export markets. Employment growth is estimated at ½ per cent, the same as in 2000, thus keeping the Norwegian participation rate at a very high level both historically and internationally. The unemployment rate is estimated to be 3¼ per cent in 2001, marginally down from last year. Consumer price inflation is estimated to average 3 per cent in 2001, while inflation corrected for excise duties and energy prices is estimated at 2¾ per cent. Average growth in annual wages is estimated at 4½ per cent in 2001.

The Roundwood Market

The prices for pulpwood, spruce, increased 5 - 10% at the start of 2001 but the prices for pulpwood, pine, have been at the same level as in year 2000. The saw logs prices have been general stable during the first half of 2001, after a decrease at the end of 2000.

The commercial roundwood removal has decreased by 20% since 1990 and was in 2000 7,5-mill cbm. This is about 3% lower than 1999. Heavy rainfall during the summer and autumn in 2000 explain some of the decrease in the felling activity. The rainfall caused flooded areas. Roads

were destroyed which of course resulted in logistic problems for the forest owners and companies. The timber cut will according to the forecast for 2001 probably increase slightly.

The total roundwood imports have during the first half of 2001 decreased. So far have the import of saw logs decreased by 14%, and the import of pulpwood, spruce, has decreased by 2%.

The Sawn Wood Market

The positive trend in the Norwegian building sector continues. The number of housing starts increased by 15 % last year and is expected to increase by another 10 % this year, probably reaching 24 000 completions in year 2001. The forecast for year 2002 is 26 000. The activity in the repair and maintenance sector will remain high and probably increase.

The Norwegian consumption of softwood is expected to increase by approx. 4 % this year, while the production most likely will be on the same level as last year (2,2 mill m³). Imports of softwood are expected to exceed 1 mill m³. The prognosis for the export is slightly down.

The softwood exports declined by 12,3 % in quantity last year. Germany is still our biggest market in spite of a reduction of nearly one third of the quantity. The decline in export to Ireland and Great Britain is also very high, while the sector succeeded in increasing the sales to Netherlands and France. Strong currency and high interest rate will make the timber industry less competitive in the export market.

The home market is expected to be busy.

The Pulp and Paper Market

Production of chemical market pulp experienced a minor increase in 2000 to 452 000 tones. Production of paper and board increased by 2.6% to 2 300 000 tones. The production of standard newsprint decreased by 0.2% to 868 000 tones. The production of uncoated mechanical paper was decreased by 4.2 % from 1999 to a total of 769 000 tones in 2000.

Export quantity of pulp is amounted to 604 000 tones in 2000, which is 3.8% lower than the preceding year. Export of paper and boards decreased by 2.6% from 1999 to 1 945 000 tones in 2000.

Newsprint consumption in 2001 is likely to remain strong. However, as advertising spend softens in the second half of 2001, consumption growth could moderate somewhat. Capacity utilisation is expected to remain high during 2001 with some capacity swings occurring to other higher grades. In the longer term, announced new capacity projects will soften the Western European newsprint market.

Certified forest products

In Norway approximately 8 million hectares of forest have been certified according to the ISO 14001 EMS with the Living Forests Standards defining the environmental performance level. This constitutes 85% of the 7 million cubic metres harvested in Norway every year. The certificate holders are the Viken-, Agder-Telemark-, Glommen, Mjøsen, Havass - and the Nord Forest Owners' District Associations, Norsk Skogsertifisering, Nortømmer, the forests of Nørske Skog and SB Skog. Certification based on the ISO 14001 or EMAS EMS with the 23 Living Forests Standards for Sustainable Forest Management in Norway defining the environmental performance level, was unanimously endorsed by the PEFC Council in May 2000.

Tables

Key trends of the Norwegian economy 2000-2002

(Percentage change from previous year)

	2000	2001	2002
GDP	2.3	2.4	2.8
- of which on-shore	1.8	1.5	1.8
Demand (on-shore)	1.9	1.5	2.1
Household consumption	2.4	1.6	2.6
Public consumption	1.4	2.3	2.1
Unemployment ratio	3.4	3.3	3.3
Consumer price index	3.1	3.0	2.0
Current balance in percent of GDP	14.3	13.7	11.8
Industrial production	-2.5	-3.0	0.0
Housebuilding starts	14.9	10.4	3.8

(Source: Ministry of Finance)

Forest products production and trade

	Unit 1000	Production		Imports		Exports	
		1999	2000	1999	2000	1999	2000
Industrial roundwood	m ³	7691	7470	2769	2912	560	532
- saw logs and veneer logs	m ³	4194	4078	535	536	210	225
- pulpwood	m ³	3497	3392	2234	2376	350	307
Sawnwood	m ³	2500	2222	820	929	785	688
Wood pulp	mt	2354	2449	119	156	582	604
Paper and paper board	mt	2241	2300	537	573	1996	1945

(Sources: The Norwegian Forest Owners' Federation, The Norwegian Sawmill Industries Association, The Norwegian Pulp and Paper Association, Statistics Norway)