

Market trends in the MENA-region

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HOLMEN

 **SÖDRA**


martinsons

Is Sweden still a market leader in the MENA-region?

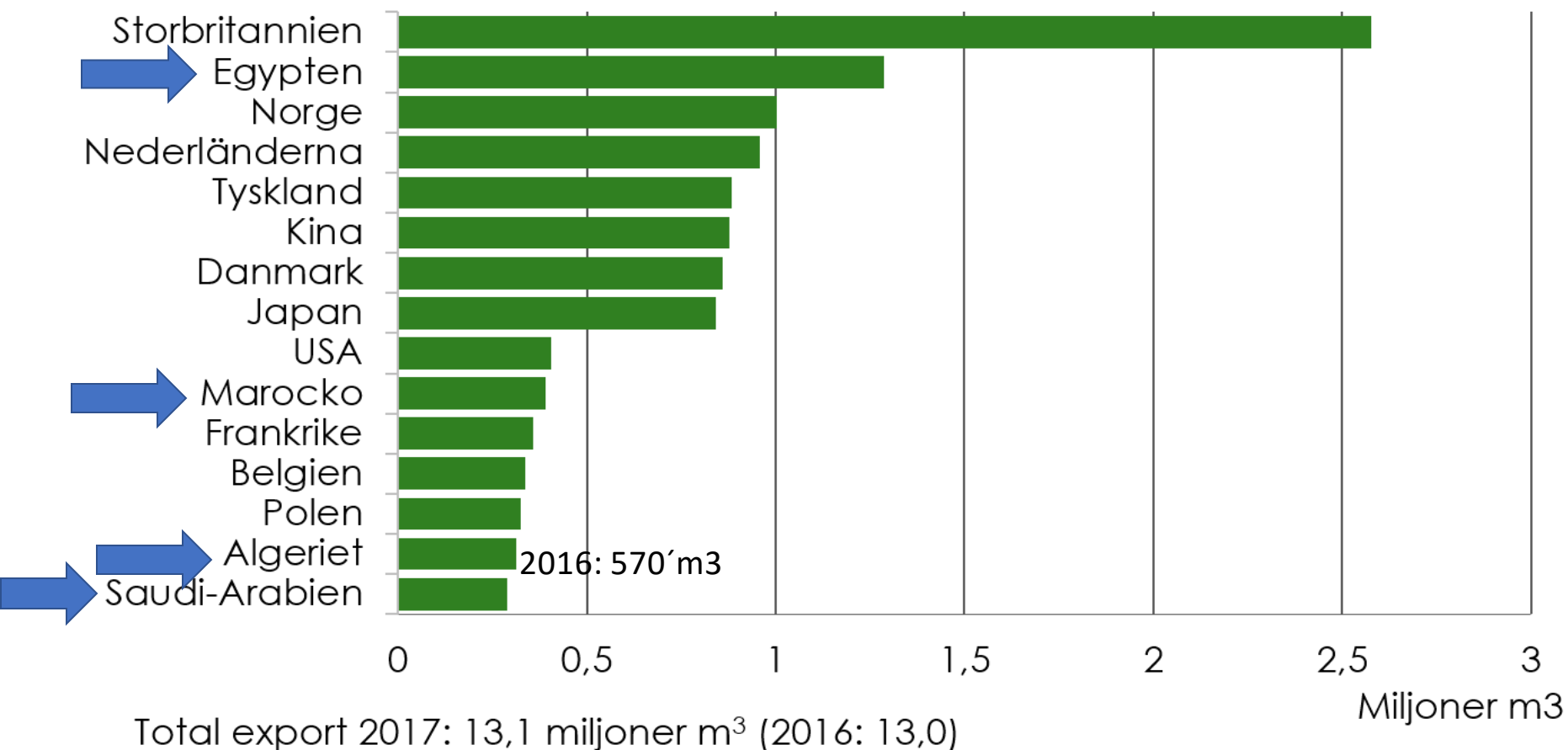


Is this the market situation at the moment?



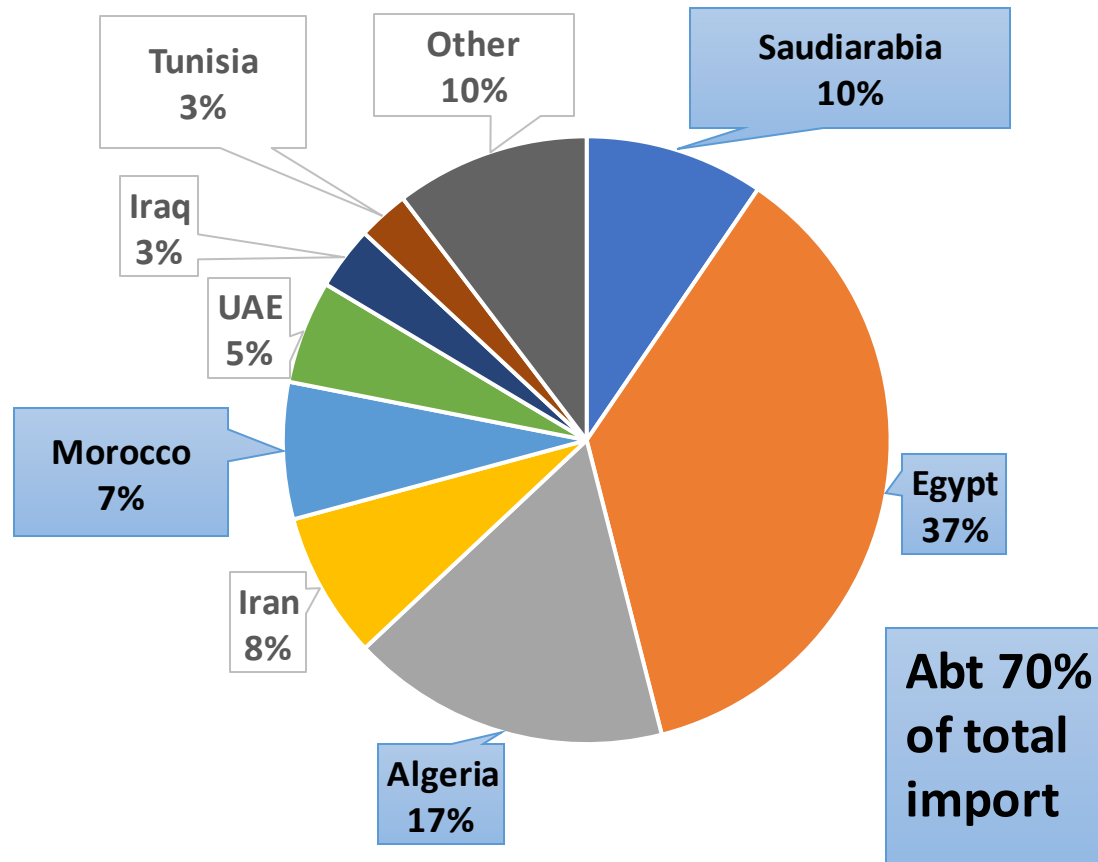
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The Swedish export of sawn softwood 2017 to the biggest markets

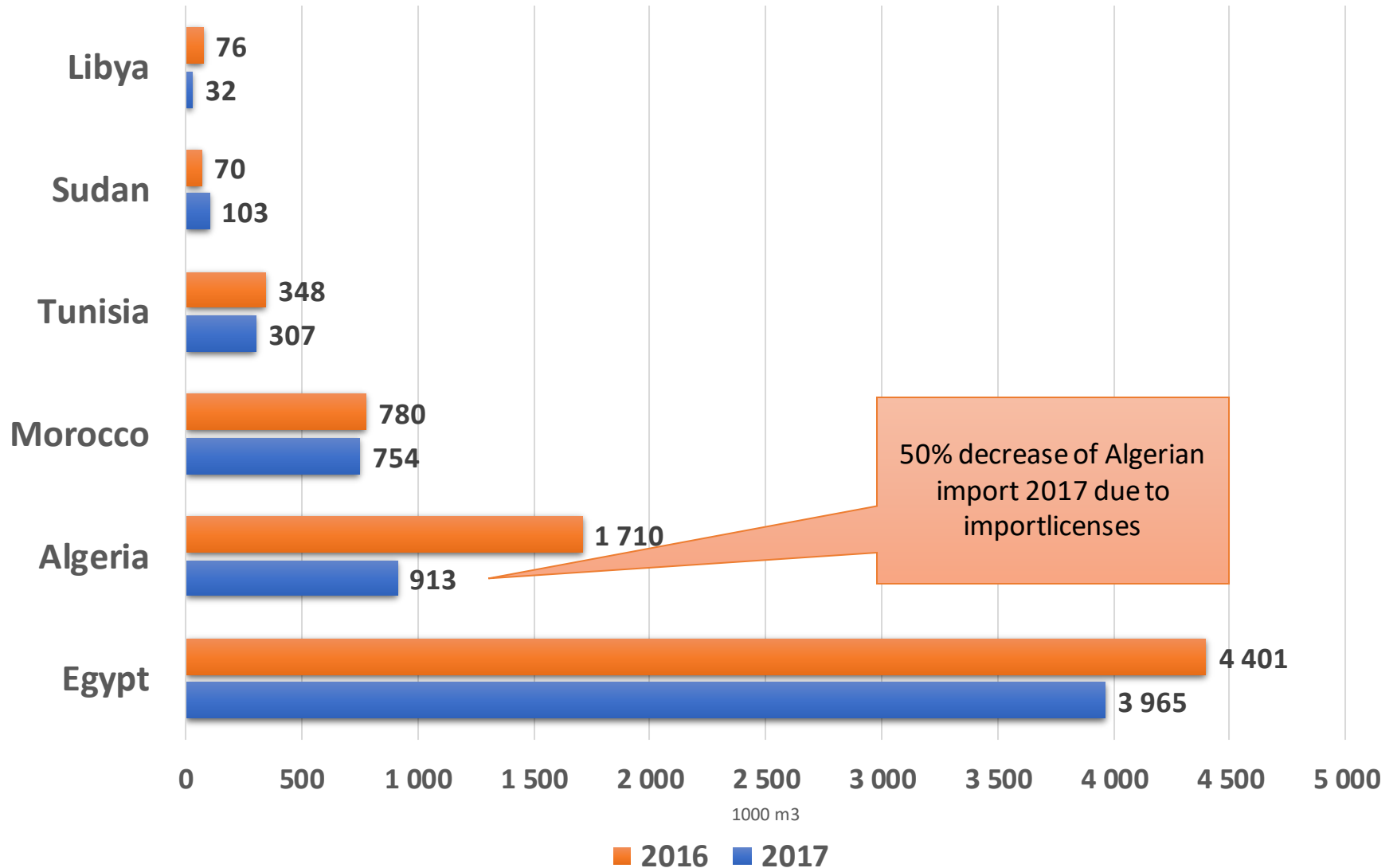


- Källa: SCB
- 20% of the total Swedish export goes to the MENA-region
 - 46% of the total pine export goes to the MENA-region

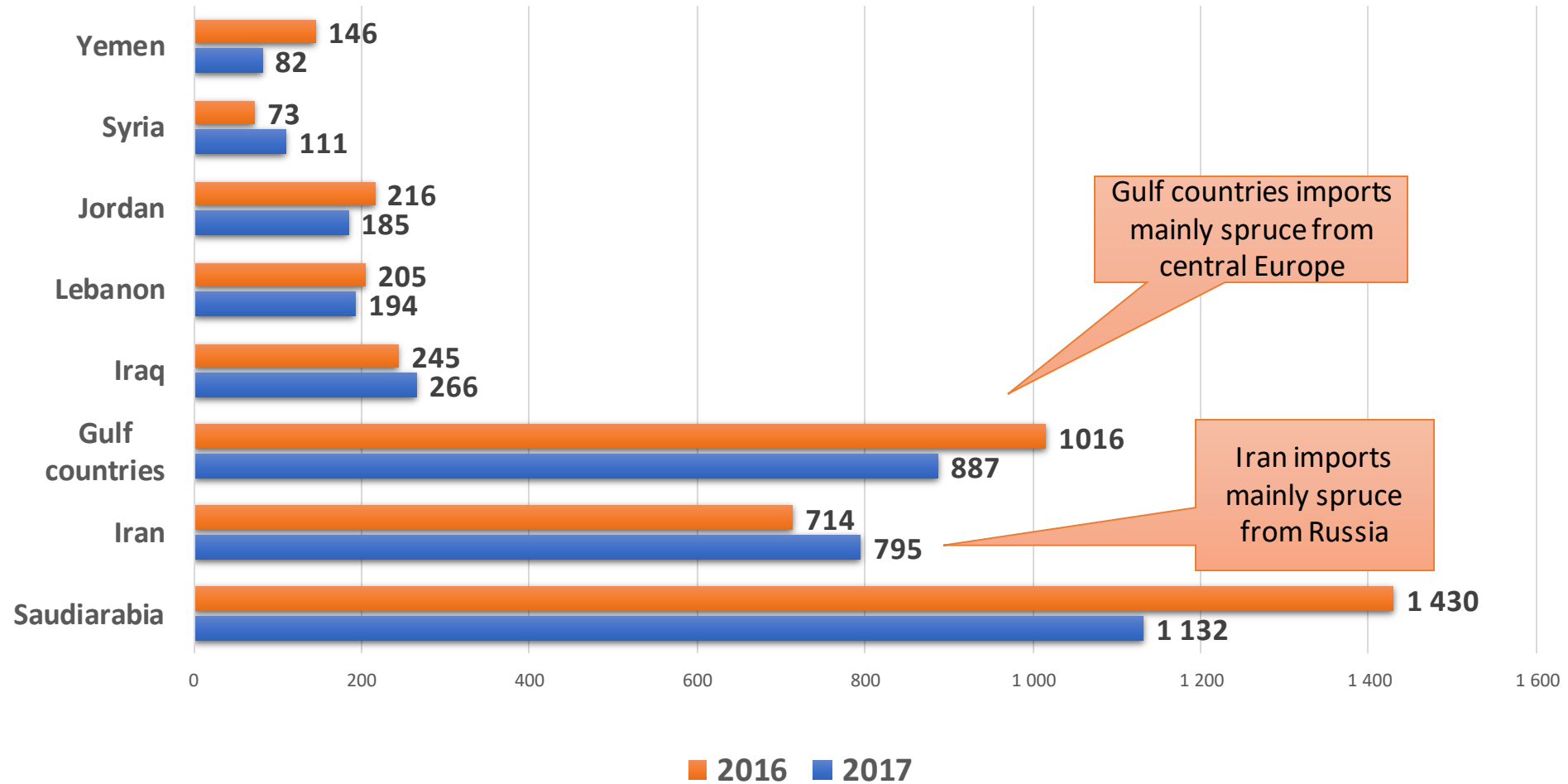
Shares of the softwood import to the MENA-countries, (jan-aug 2018 6,7 million m3)



Softwood import to North Africa 2016/2017

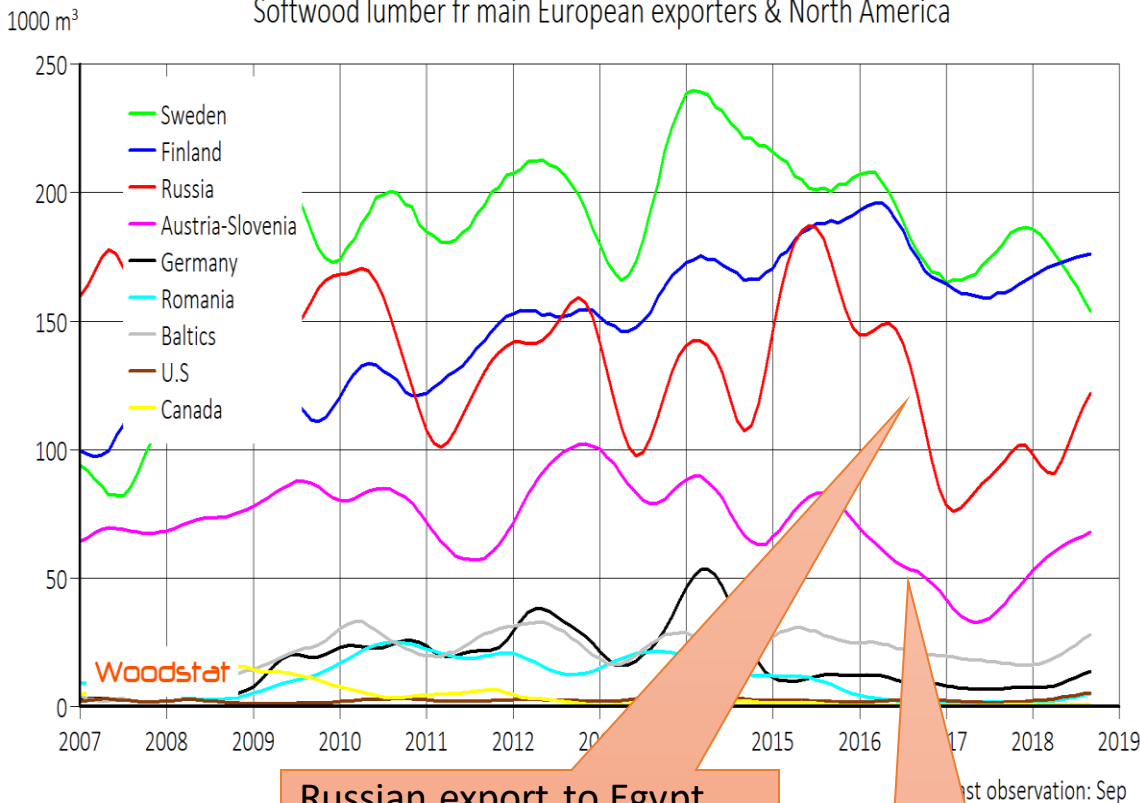


Softwood import to Middle East 2016/2017



NORTH AFRICA monthly import

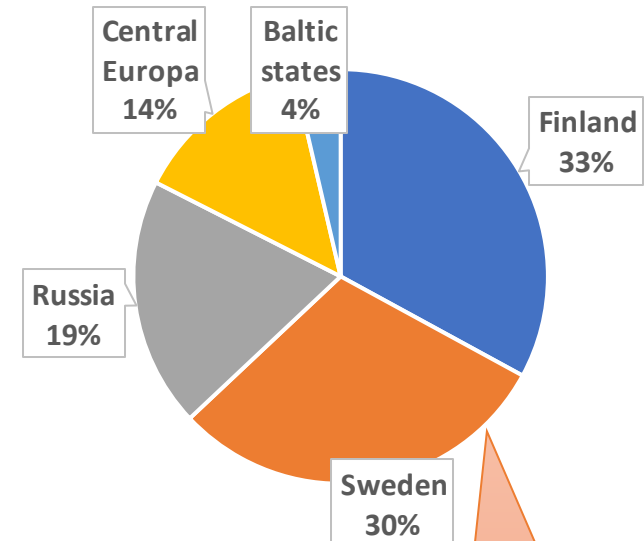
Softwood lumber fr main European exporters & North America



Russian export to Egypt has decreased since 2015 but has increased again during 2018

Austrian export consists of spruce, used mainly for construction

Share of softwood deliveries to North Africa (jan-sep 2018)



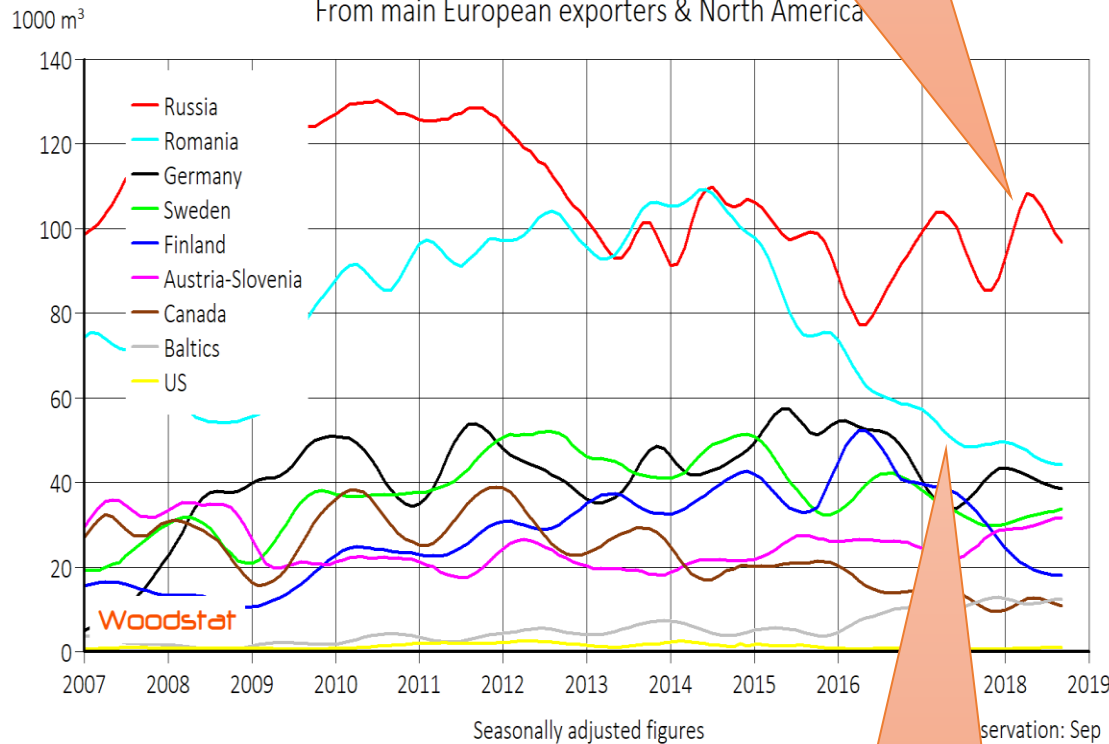
Finland and Sweden more or less on same level

90% of the Russian export to Middle East goes to Iran (spruce), Iraq and Syria

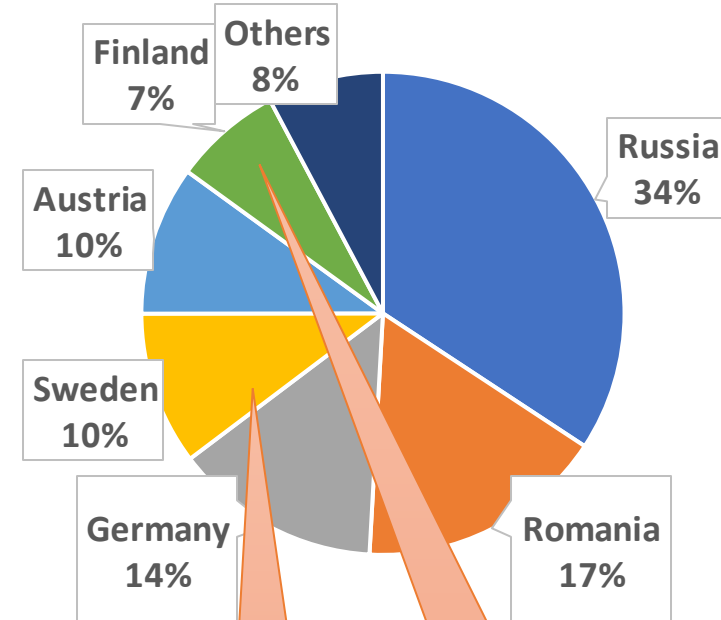
Share of softwood deliveries to Middle East
(Jan-Sep 2018)

THE MIDDLE EAST monthly import of softwood

From main European exporters & North America



Source: Eurostat, Russian Customs, USDA, Statistics Canada



Romanian export is only spruce to mainly Gulf countries, Saudi and Lebanon

Swedish export is mainly pine to Saudiarabia

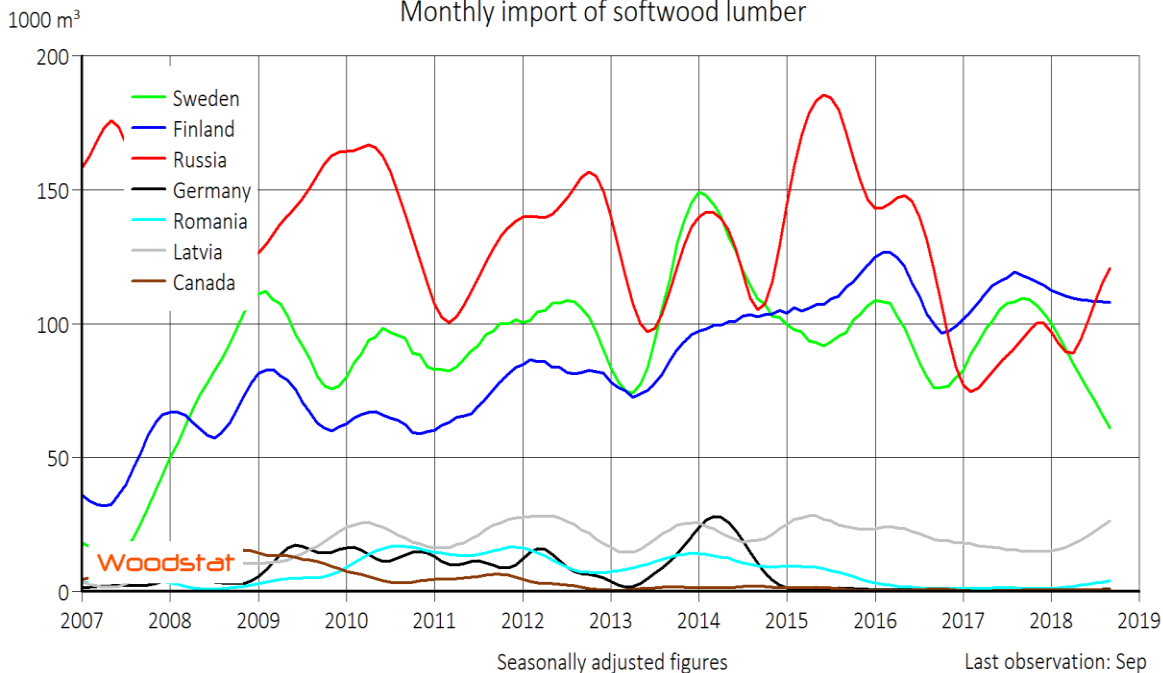
Finnish export is mainly to Saudi and consists of 50% pine and 50% Spruce

EGYPT



EGYPT

Monthly import of softwood lumber



Source: Eurostat, Russian Customs, Statistics Canada

Softwood import to Egypt from main suppliers

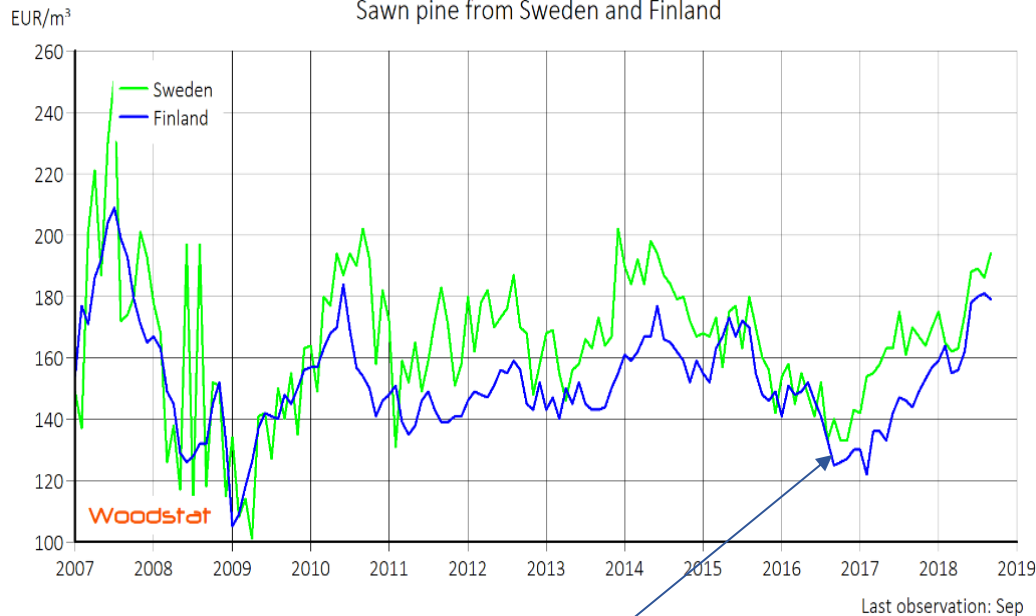
	Jan - sep 2018	Jan - sep 2017	2018/2017
Finland	970	904	7%
Russia	937	735	27%
Sweden	654	840	-22%
Latvia	165	136	21%
Others	68	42	162%
Summa	2 794	2 657	5%

Current Egyptian Softwood market in a nutshell

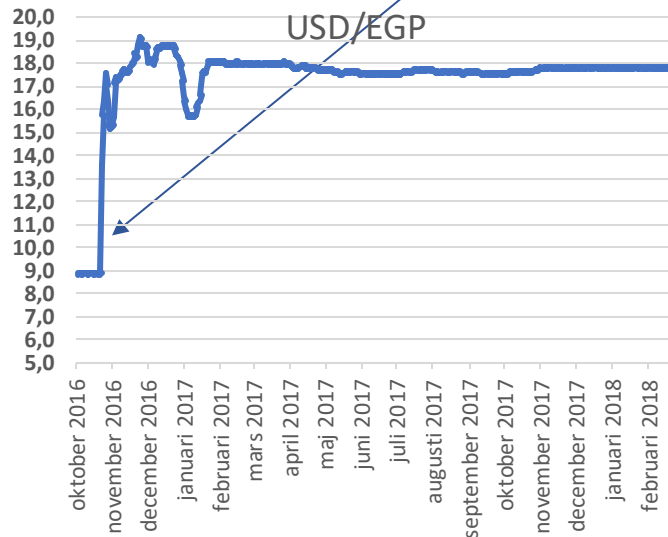


EGYPT prices (FOB)

Sawn pine from Sweden and Finland



Source: Eurostat



- Prices on local market for redwood has increased with over 250% from Nov 2016 to summer 2018 due to devaluation of EGP, high inflation and increased import prices.
- Rumours says that government are holding back payments on projects.
- 16% interest rate at EGP bank accounts and only 1,5% for USD to keep inflation down but repressive for investments and consumption.

Result;

- Lower consumption and demand, price drop on local market with increased stocks on importer level as a consequence.
- Cash-flow problem at importer level due to lower sales.

At the same time higher output from main exporting countries.....

Result....



But what happens around the corner?





- + Political and security situation more likely will remain stable.
- + After devaluation of the EGP the "black market" has disappeared and the availability of USD has become better
- + Due to a young and growing population is the need for housing increasing.
- + A number of bigger building projects are running and in "pipeline"
- + Joinery/furniture sector is the biggest in the MENA-region. Estimation is that about 2,5-3 million m3 softwood is consumed in this sector per year.
- - The growth of Egyptian economy is dependent of external financing
- - Risk for tough competition among exporting countries if the alternative markets for low grade pine is limited.
- - Egyptian timber market will always be a volatile market due to its position as "solution" for low grades

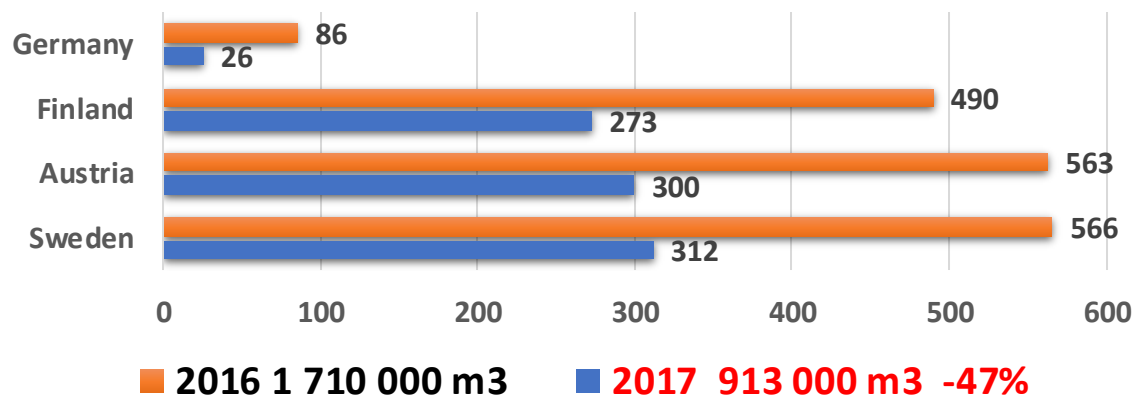


ALGERIA



Softwood import to Algeria 2016/2017 (1000 m3)

Sweden and Finland deliver only pine and Austria/Germany only spruce

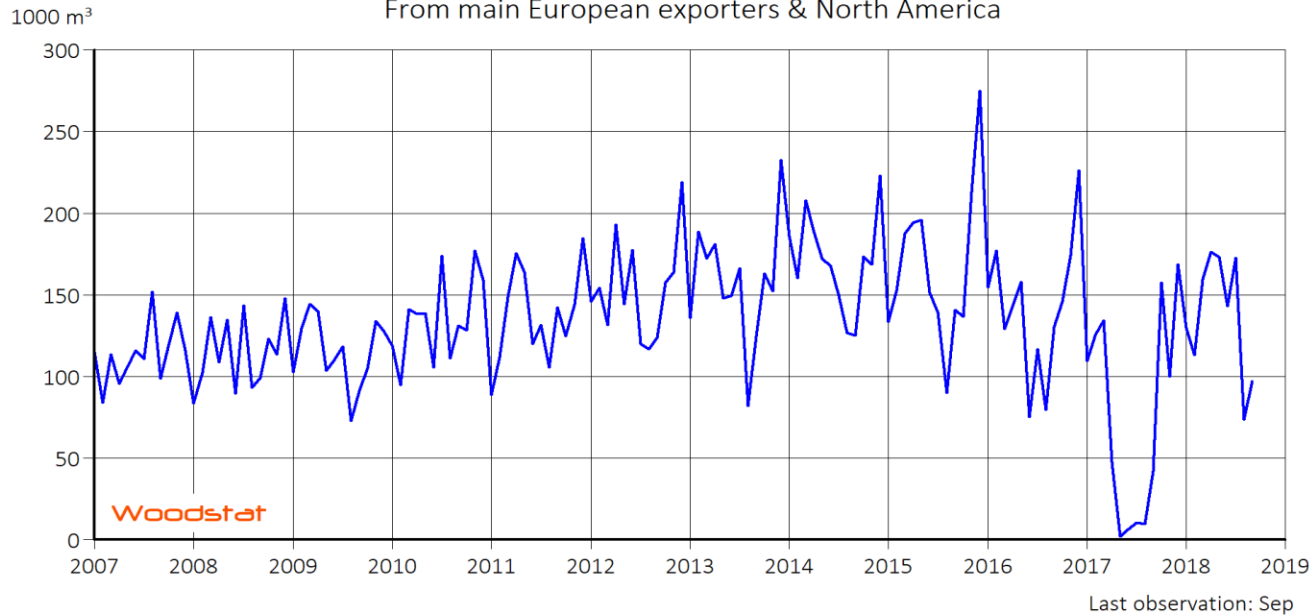


Market has recovered since the import stop 2017

	Jan - sep 2018	Jan - sep 2017	2018/2017
Austria	403	158	+155 %
Sweden	400	160	+150 %
Finland	391	151	+159 %
Germany	40	17	+135 %
Sum	1 238	487	+154 %

ALGERIA monthly import of softwood lumber

From main European exporters & North America

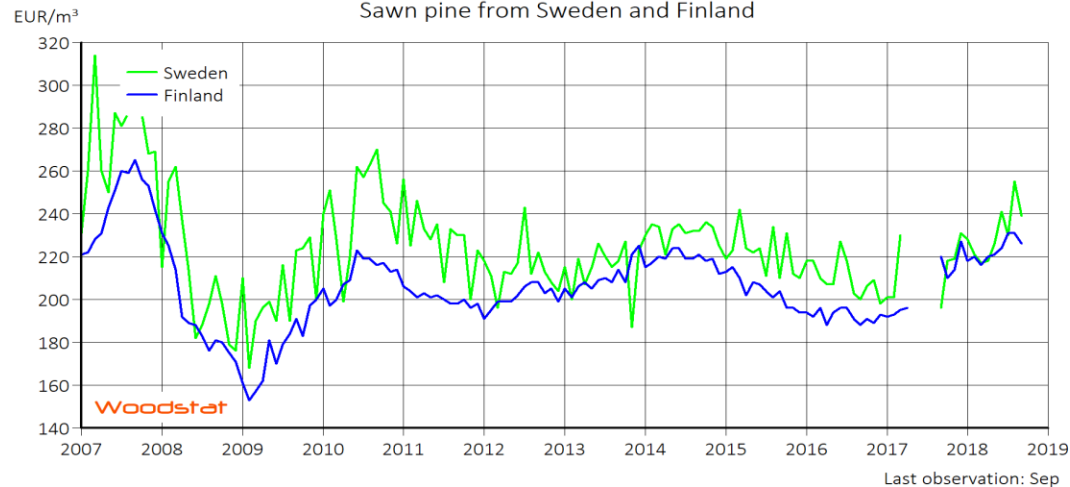


Source: Eurostat, Russian Customs, USDA, Statistics Canada

Temporary slowdown
because of too fast
recovery on
importer level

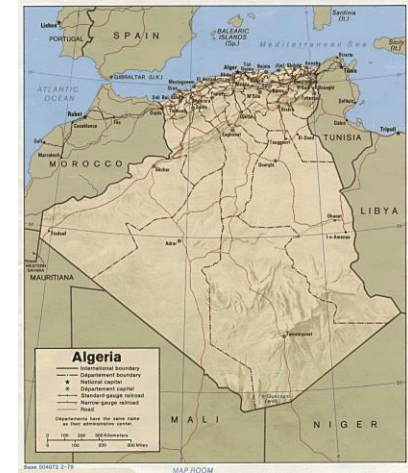
ALGERIA prices (FOB)

Sawn pine from Sweden and Finland



No export during middle of 2017. Source: Eurostat

Algerian Softwood market in a nutshell

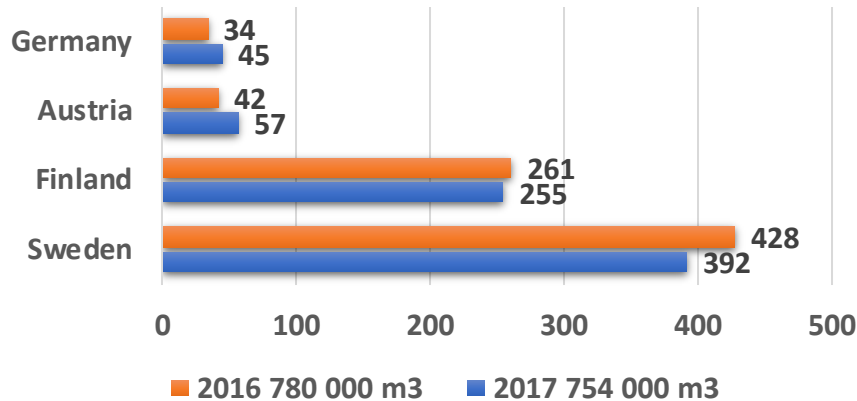


- + A strong need to modernize Algeria is supported by the government.
- + Due to a young and growing population is the need for housing increasing.
- + Big building program for the common people continues
- + Industrialization (slow) of the wooden sector
- Administrative burden and lack of visibility has a negative impact on the foreign trade
- ? Risk for higher inflation and devaluation of the Dinar.

Morocco



Softwood import to Morocco 2016/2017 (1000 m3)



Stable market dominated by pine from Sweden and Finland

	Jan - sep 2018	Jan - sep 2017	2018/2017
Sweden	287	290	-1 %
Finland	166	190	-13 %
Austria	65	39	+67 %
Germany	36	29	+24 %
Others	5	5	-
Sum	559	559	+1 %

Austria/Germany's (spruce) share of softwood import has increased with 6% this year

Morocco Softwood market in a nutshell



- + Need for 1 million housing units until 2021
- + Tourism increasing, vision2020: 20 million visitors/year
- +/- Demand of low grades increases
- Substitute material such MDF and plywood gaining market shares
- Construction sector has slowed down since 2012

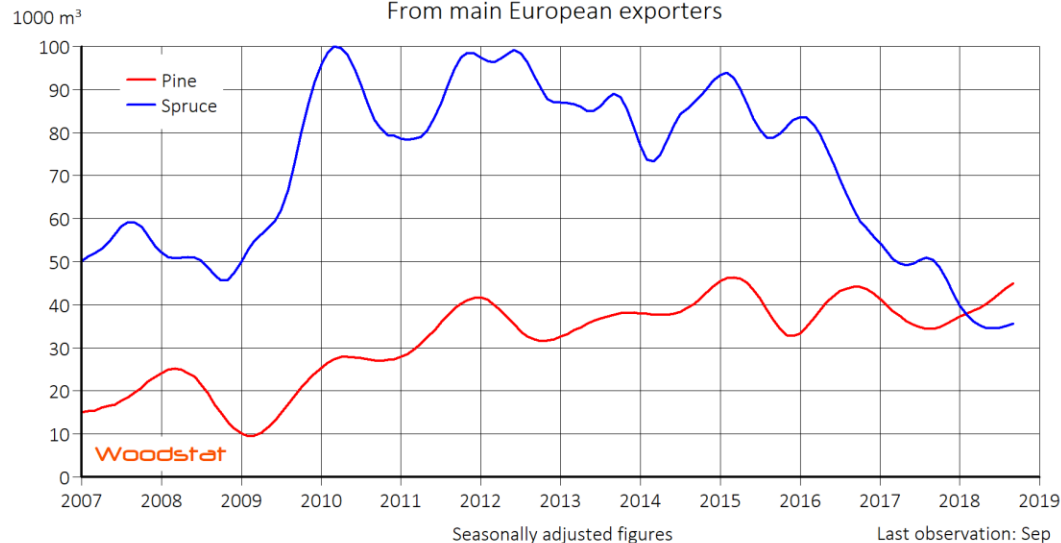
Saudi Arabia



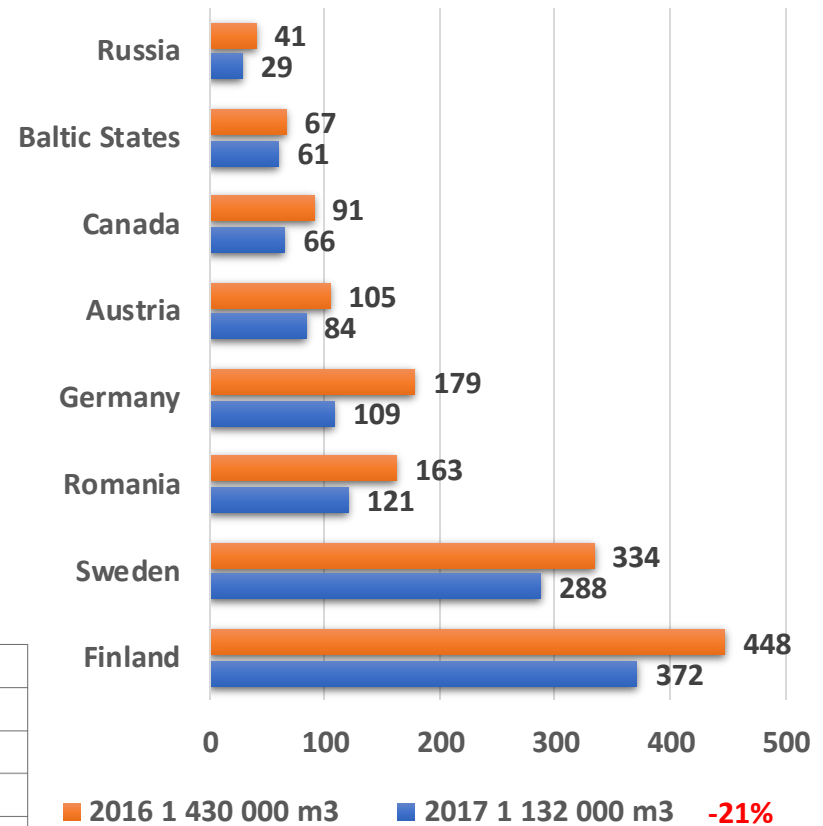
	Jan - sep 2018	Jan - sep 2017	2018/2017
Sweden	222	219	+1 %
Finland	156	306	-49 %
Germany	100	77	+30 %
Romania	81	97	-16 %
Austria	60	57	+5 %
Baltic States	53	41	+29 %
Canada	35	53	-34 %
Russia	13	23	-43 %
Sum	720	873	-18 %

SAUDI ARABIA monthly import of softwood lumber

From main European exporters



Softwood import to Saudi Arabia
2016/2017 (1000 m3)



Saudi Softwood market in a nutshell



+ Furniture industry is expected to grow abt 10% annually

+/- Vision 2030 includes a number of building projects but many of them are postponed

+/- Oil price has a significant impact on the willingness to invest

- "Saudization" is a big challenge in the construction sector since 80-90% of the workers are foreigners.


+/- War in Yemen has a significant impact on the softwood export to Saudi.

- More demand on Vith grade due to export from Saudi to Yemen



? Political situation

Summary and Future, short and long term

EGYPT

- **Short term:** Unsure situation in Egypt at the moment 
- **Long-term:** Looks promising with growth of 5-6% the coming years 



ALGERIA

- **Short term:** Market has recovered after the last year import stop 
- **Long-term:** The economy will continue to grow with about 3% the coming years 

MOROCCO

- **Short term/Long-term:** Morocco has a stable economy and steady growth 

SAUDI-ARABIA

- **Short term:** Unsure political situation which together with the oilprice has a huge impact on the growth. 
- **Long-term:** Liberalisation and peace in the region will be a base for growth 

Is Sweden still a market leader in the MENA-region?



We are at least on
the podium

THANK YOU

Uni4 Marketing AB