



Gode rom

# SYNOPSIS, Softwood Markets Outlooks 2014

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**MOELVEN**<sup>®</sup>

# Demand/ consumption

In total slightly increasing since September, expected to continue up to the year-end and into Q1.

(Contrary to the normal mood going into the winter season)

Demand > consumption, means expectations are positive.

# Demand/ consumption

Come spring 2014, total demand/ consumption momentum set to increase markedly, several individual markets and clearly in total.

(Some European markets, USA, China, MENA all look set for growth.)

# Supply/ production

Potential for increased activity limited; log procurement difficult.

(Prohibitive prices on saw logs, market access pulp wood and residues, general profitability/ liquidity.)

Industrial capacity however available; in Europe in abundance, in North America up to a point only.

# Stocks

Levels and directional movement are crucial for the price development (undebated fact!).

Stocks are now low to very low on producers' as well as buyers' hand, and the probability that stock reductions could «finance» increased demand is virtually non-existent.

# Conclusions softwood prospects 2014

Autumn 2013 we see the market balance slightly improving, primarily on the back of flat production levels, cautiously increasing demand and reduced availability ex stock.

Hence upwards tendency on pricing, albeit of limited magnitude.

# Conclusions softwood prospects 2014

Market balance expected to develop along the lines of autumn 2013 through late autumn 13 and winter 14.

Probability is therefore continued modest price increases throughout this period.

# Conclusions softwood prospects 2014

Come spring / Q2 demand momentum will probably have changed status from modest to strong, and prices are therefore set to rise more than modestly.

Talks of «the super-cycle» may however be wishful thinking!



# Conclusions softwood prospects 2014

Remember that price consequences always are overproportional to the actual change in the equation supply/ demand.

A 1% change, either way, typically leads to minimum 5 or 6% price change, also either way.

# Conclusions softwood prospects 2014

It has been said that 2014 could be like 2007, but I do not see «another 2007» for quite some time, if at all! The price rally back in 2007 was driven by the demand side; the current balance improvement is much more driven by the supply side, and, as I see it, therefore is much more vulnerable to counter-attacks.

However price increases and improved profitability are welcomed from whatever reason they materialize!

# Conclusions softwood prospects 2014

With current prospects for the market balance, we're clearly in for an exiting 2014!