

## **European wood window market stabilises in 2010**

After a major downturn in 2009, the European window market stabilized at a low level in 2010. Wood's share of the overall market continues to increase. These trends are expected to continue in 2011 due to continuing refurbishment of windows to improve energy efficiency across the EU. These are the results of a study carried out by the Fenster + Fassade trade association (VFF) with the support of Professor Dirk Hass of the Künzelsauer Institut für Marketing (KIM), which was presented at BAU 2011 in Munich.

The study reports that the overall European window market grew by 0.4% to 125.8 million window units in 2010 (one window unit equates to 1.69 square meters). This follows a dramatic decline of 22.4% in 2009. Of the 125.8 million window units produced in Europe during 2010, 75 million (59.6%) were in the 27 EU member countries, 19.8 million (15.7%) in Norway, Switzerland and Turkey, and 31 million (24.7%) in Russia and the Ukraine.

The 0.4% increase in the European market in 2010 is largely accounted for by market recovery in Russia and Ukraine. After a collapse of 49.4% in 2009 the total market in these countries grew by 21.4% last year. In contrast, the market across the 27 EU states decreased by 6.6% in 2010 following a 10.9% decrease in 2009.

The overall decline in the EU market masks considerable national variations. The German market has been the most dynamic over the last two years seeing demand rise by 3.3% in 2009 and by 4.9% in 2010. This is largely due to government support for installation of energy efficient windows as part of Federal Government measures to stimulate the national economy. However, government support will be significantly lower in 2011 and the growth in German window demand is expected to slow. With 12.6 Million window units installed last year, Germany was the largest single window market in Europe during 2010 accounting for 16.8% of the EU market and 10% of the wider European market. .

Other than Germany, Poland was the only growth market for windows amongst the nine largest European countries. A total of 6.36 million window units were installed in Poland last year compared to 6.23 million in 2009. The Polish market is expected to continue to grow in 2011.

Of all European countries, Spain suffered the largest decline in demand for windows last year. The market fell by 35% to only 5.15 million units in 2010. This follows a 18.4% decline in 2008 and 34% decline in 2009. This a direct response to the collapse of Spain's construction sector in 2008-2009.

Overall the VFF report suggests that the window market across Europe will stabilise in 2011. Demand in Germany, the Ukraine and Russia is expected to remain steady at last year's higher levels. Demand in France – where government support for energy-efficient refurbishment is also planned – is expected to reach at least the same level as last year. There is expected to be a return to growth – albeit rather slow – in Italy and the UK after three poor years. Demand in Turkey is also expected to increase in 2011.

## **Market share of wood rises in the European window sector**

The VFF report includes the latest available data (year 2009) for market share of different materials. This contains some positive news for wood. In 2009, timber windows accounted for 18% of market share across Europe compared to 17% the previous year. The share of timber-aluminium combination products also increased from 3% to 4% over the same period. Although PVC lost ground compared to wood in 2009, PVC still retains a dominant position in the overall European window market accounting for 56% in 2009 compared to 58% in 2008. Aluminium maintained its position with 22% market share in both 2008 and 2009.

The share of timber in window usage is heavily influenced by cultural preferences and building styles in Europe. Timber is particularly dominant in the Scandinavian countries, with a share of over 70% in Norway, Sweden and Finland. However, strong energy efficiency credentials combined with improved quality and consistency of factory finished units has meant that market share is gradually improving outside this area.

Across much of the rest of western, central and eastern Europe, PVC is very dominant, benefiting from cheap prices, consistent products and a huge marketing and distribution network. The PVC sector has also engaged in constant innovation to improve thermal insulation, aesthetics and improve recycling. These factors have contributed to PVC taking the bulk of market share in the “emerging markets” of Europe. PVC’s share is over 70% in Russia, Poland and Turkey.

Aluminium is not strongly favoured in residential construction and tends to do well where commercial and public building activity is relatively important. Aluminium has an unusually high market share in Italy (37%), especially in the south of the country, and in Spain (70%). Timber–aluminium’s share is particularly strong in Switzerland (27%).

A full copy of the VFF report (229 pages) is available for €3500 from VFF at [vff@window.de](mailto:vff@window.de), Tel: +49(0)699550540.

### **Tropical wood in the European window market**

Unfortunately, advance summary information made publicly available from the VFF report provides no details of the relative importance of different wood types in the European window frame market. This market has been traditionally very important for tropical hardwoods. The main application for meranti in north-western Europe has been window frames – in solid form and often painted in the Netherlands and UK, and increasingly as engineered wood in central Europe, particularly Germany. Alongside other uses such as doors and staircases, sapele is also used widely for window frames in the UK, Netherlands, Belgium and Spain. A few other tropical species participate in the same European market niche. Some, such as Brazilian and African mahogany and Brazilian cedar, were formerly major players but have fallen away dramatically as commercial availability has declined. A few other species are still used under specific circumstances, for example African sipo, where there is willingness to pay slightly more for better quality, and Brazilian sapupira/angelim pedra when it can be obtained at competitive prices or FSC certified. However volumes involved are significantly lower than for either meranti or sapele.

Anecdotal reports from European joinery companies suggest that meranti and sapele continue to be favoured for their aesthetic and technical attributes at the high end of the window market. These two species are also commonly held in stock by large European importers and are therefore relatively easy to source by European manufacturers.

On the other hand, there are also obstacles in the way of the tropical species fully benefiting from the recent increase in market share for wood. The environmental issue has been a constant drag on marketing, although this is gradually being resolved through progress on tropical forest certification and constant lobbying and marketing efforts, notably by the Malaysian Timber Council. Meanwhile other challenges have emerged. Through innovation and new product development, some alternative wood products are already moving ahead of tropical wood in the window sector with respect to specific technical qualities. For example, thermally-treated wood may conform to durability class 1 and is now regularly offered with significantly longer life guarantees than either sapele or meranti. This is becoming more of a problem for tropical hardwoods now with recent expansion of thermal treatment capacity in Europe (recently estimated by EUWID at around 330,000 m3 per year).

The shift to quality-controlled factory-finished window units has also gone hand in hand with a growing preference for engineered wood products. Tropical wood’s earlier competitiveness built heavily on ease and adaptability of on-site use is being gradually eroded. Malaysian and Indonesian manufacturers have adapted to this trend through development and supply of laminated products, which is helping to maintain position in the market (although recent price trends have not been particularly favourable). Lack of production capacity for similar engineered wood products is an increasing source of competitive disadvantage for African suppliers in the European wood window sector. For a species like sapele which is quite technical to machine, expanding market share in this sector is likely to require greater availability of semi-finished products in standard dimensions, either glue-lamed or in solid blocks.

### **Conference on climate protection with new windows**

EuroWindow is hosting a conference in Brussels on 23 March 2011 on the topic of "Climate Protection with new Windows". EuroWindow is a joint European lobbying group bringing together joinery industry associations from the timber (FEMIB), plastic (EPW), metal (FAECF) and glass (UEMV) sectors. EuroWindow note that "buildings are responsible for more than 40% of energy consumption in Europe and thus offer great potential for energy savings. The conference will provide in this context figures and information on current European developments in technical, legal and normative aspects." The 1-day event will take place at the offices of the North Rhine-Westphalia state representative to the European Union, Rue Montoyer 47 in the European quarter of Brussels. A complete program and registration form with rates and conditions is available at [www.eurowindow.org](http://www.eurowindow.org) or send an email to [eurowindow-gs@eurowindow.org](mailto:eurowindow-gs@eurowindow.org). Lectures will be held in English.

### **European parquet flooring market stabilises at low level**

Provisional estimates issued at the Domotex 2011 trade fair in Hannover, Germany, by the European Parquet Federation (FEP) indicate that parquet consumption across the EU and European Free Trade Area (EFTA) reached around 95 million m<sup>2</sup> in 2010, the same level as the previous year. These figures compare to 120 million m<sup>2</sup> in 2007 and 112 million m<sup>2</sup> in 2008. FEP report positive trends in Germany and France last year, but suggest that the Spanish market remains weak. Figures on species utilisation for 2010 are not yet available, but in 2009 tropical wood accounted for 10.2% of production in a sector very heavily dominated by oak (62% of production in 2009).

### **UK buyers anticipate rising plywood prices**

The UK TTJ ([www.ttjonline.com](http://www.ttjonline.com)) reports that talk of price rises dominates the UK plywood market. Only a minority of traders now believe that flat demand will take the edge off prices in the UK as plywood exporters are pushing hard to raise FOB rates. The pressure for higher FOB prices has been particularly pronounced amongst Malaysian shippers keen to cover rising log and raw material costs. Higher energy and glue costs and labour issues are also expected to feed through into rising hardwood plywood prices in China after the New Year vacation.

In recent months, China has been taking an increasing share of the UK hardwood plywood market which has become ever more price conscious in the face of weak consumption. According to TTJ, some importers now believe that Malaysian products may follow in the footsteps of Indonesian plywood and become increasingly restricted to a small niche market. Longer term, this trend may be countered by Malaysia's superior ability to offer CE-marked and environmentally certified product, particularly once the European Illegal Timber Law (ITL) is fully implemented from March 2013 (see below). However, for the time-being many smaller independent importing companies continue to buy plywood on price with little apparent concern for either technical or environmental standards.

Meanwhile only very small volumes of Brazilian hardwood plywood are now entering the UK, mainly only in larger sizes, and prices to UK buyers have risen around 10% in the last 6 months.

Prices for birch plywood continue to rise in the UK and wider European market due to limited log supply and as many traders are now carrying only low stocks. Lead times for supply of birch plywood have been increasing. This implies continuing opportunities for tropical hardwood products to take a greater share of the European market for specialist grades of film-faced plywood.

### **EU firmly committed to eradicating illegal wood imports**

This year, the European Union is focusing heavily on implementing and expanding the range of Voluntary Partnership Agreements (VPA) in support of legal logging in major wood supplying countries. It is also engaged in a consultation exercise to finalise implementation regulations for the Illegal Timber Law (ITL) which was passed into law by the EU in November last year. These were the main messages from the presentation by Janez Potočnik, the European Commissioner for Environment, at the Chatham House Illegal Logging Update meeting held in London at the end of January.

Mr Potočnik reported that the EU has concluded VPA negotiations with four African countries: Ghana, Cameroon, Congo Brazzaville and the Central African Republic. The EU is now negotiating agreements with six other countries: Indonesia, Vietnam, Malaysia, Liberia, the Democratic Republic

of Congo, and Gabon. The EU also continues to receive requests for information about the VPA process from many other countries and expects to intensify bilateral discussions with China, Russia and Brazil. The EU is committed to finishing VPA negotiations with at least two more partner countries in 2011. Indonesia is likely to be among them and would be the first to conclude a VPA in Asia.

Mr Potočník said that the EC will act 'without pity' in its efforts to ensure implementation of the ITL. From the moment the law becomes fully operational on 3 March 2013, it will be prohibited to place illegally harvested timber on the EU market. It will also be a legal obligation for timber traders in the EU to undertake due diligence before placing timber on the market for the first time. They will have to keep records of their suppliers and customers, and make their products traceable (at least to the extent necessary to demonstrate a negligible risk of illegal supply). The Regulation applies both to imported and domestically harvested timber.

According to Mr Potočník, the regulation will have the following consequences. Firstly, legality will become a minimum requirement for selling timber in the EU. Secondly there will be a shift from high to low-risk sources, which will favour timber from verified legal and certified sustainable sources. Thirdly genuine traders will not be undercut on prices.

Svetla Atanasova, a legal expert from EC Environment Directorate, explained that between now and March 2013, Member States will have to develop systems for enforcement of the ITL at national level, including designation of competent authorities and laying down penalties. The European Commission must also draft supporting regulations for implementation. By 3 March 2012, the EC must finalise the product scope of the legislation and the rules for recognition of Monitoring Organisations. The latter are organisations like European timber importers' associations that will be responsible for developing and ensuring implementation by their members of due diligence procedures in accordance with the ITL. By 3 June 2012, the EC must finalise detailed rules for risk assessment and risk mitigation measures, and for the frequency and nature of checks on Monitoring Organisations.

In support of this process, the EC has commissioned an external study (being undertaken by the European Forestry Institute) to consider existing best practice for due diligence and risk assessment. A wider stakeholder consultation exercise is also underway and inputs from all interested parties are now welcome. Those interested are advised to contact:

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Further details of the Chatham House meeting, including copies of all presentations, are available at:  
[http://illegal-logging.info/item\\_single.php?it\\_id=206&it=event](http://illegal-logging.info/item_single.php?it_id=206&it=event)