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## News release

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### **Particleboard production to be constrained by lack of manufacturing facilities**

*Strong growth in housing construction and furniture manufacturing in North Asia, Eastern Europe and Russia will counteract market weakness in the US*

Global production of particleboard is expected to exceed 75 million cubic metres annually by 2011, according to leading industry analyst and economic forecaster, BIS Shrapnel.

The increase in output will be absorbed by very strong growth in housing demand in Europe and North Asia, the continued expansion of Europe and China's massive furniture industries, ongoing high levels of housing construction in China and South Korea and escalating furniture production in Argentina, Brazil and Chile.

Production in the key manufacturing regions reached an estimated 66 million cubic metres in 2006, with plants in many regions operating close to capacity, according to BIS Shrapnel's *Particleboard in the Pacific Rim and Europe, 2007 to 2011* report.

Senior manager and study author, Bernie Neufeld, projects production will grow around 2-3 per cent per annum during the next five years, supported by the construction of eight new manufacturing facilities in China and a further 10 plants in other regions.

However, Neufeld believes the potential growth of the industry will be constrained by the continued slowdown in the US housing market and not enough production facilities to meet growing global demand. "The lack of plans for plant expansion in countries other than China suggests capacity utilisation rates will rise to very high levels between 2007 and 2011," said Neufeld.

"It also suggests current plans for expansion are insufficient to meet future demand, and that production will need to grow more rapidly than currently planned to satisfy demand."

Neufeld subsequently expects several new particleboard manufacturing plants will be announced in 2008 and 2009 as the industry realises it's struggling to keep up with demand from South America, Southeast Asia and Eastern Europe.

The key regions importing particleboard are the United States, South Korea, China and Japan, according to Neufeld. Japan and South Korea are predominantly supplied by plants located in Southeast Asia, while the United States market is supplied from Canada and Europe.

Neufeld believes Vietnam, India, Pakistan and the Middle East could well prove to be future significant markets for particleboard products.

"Particleboard prices have recovered significantly in the past five years in all regions, as the market recovered from the Asian financial crisis and moved back towards balance following the oversupply experienced during the 2000s," said Neufeld.

“Prices have been driven by material cost increases and a more balanced supply demand scenario in most regions. Following the huge price rises in the past three years, and so far in 2007, we would expect modest growth in prices from 2008 onwards, on the assumption new capacity will come on-stream to meet rising demand.”

Neufeld states there are no plants in the planning stage in North America or Australasia, however, three new plants are planned for Europe (Sweden, Russia and Romania), 10 for North Asia (two in Japan and eight in China), four in Southeast Asia (three in Indonesia and one in Thailand) and one in Ecuador in South America.

BIS Shrapnel anticipates Europe will be the largest producing region by 2011 (37 million cubic metres), followed by North Asia (16.4 million cubic metres) and Southeast Asia (15.8 million cubic metres).

### **About BIS Shrapnel**

BIS Shrapnel is Australia's leading provider of industry research, analysis and forecasting services. BIS Shrapnel helps clients better understand the markets in which they operate, through reliable and detailed market data, analysis of developments and drivers and thoroughly researched forecasts.

BIS Shrapnel compiles accurate, clearly explained and detailed information on industry sectors, markets and industries in which their clients operate. BIS Shrapnel provides market size and segmentation data, market shares, consumer attitudes and supplier reputation information, and regularly conducts both business-to-business and consumer research.

Over the company's 43-year history, BIS Shrapnel has built up a strong level of expertise and unique methodologies for forecasting.

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