

Thursday April 29, 2010

News release

www.bis.com.au

For further information:

Bernie Neufeld
BIS Shrapnel
Tel: +61 2 9959 5924
A/h: +61 412 317 724
Email: bneufeld@bis.com.au

Roxanne Hughes
Watterson Marketing Communications
Tel: +61 2 9929 7533
A/h: +61 419 623 519
Email: roxanne.hughes@watterson.com.au

Particleboard production increasing worldwide

New plants in South Asia, Eastern Europe and South America coming on stream

Global production of particleboard is forecast to increase from 69.9 million cubic metres in 2009 to 84.1 million cubic metres in 2013, based on current expansion plans and estimated capacity utilisation rates, according to leading economic forecaster and industry analyst, BIS Shrapnel.

BIS Shrapnel's *Particleboard in the Pacific Rim and Europe, 2009 – 2013* report found production of particleboard in Asia has been growing rapidly over the past decade, but greater Europe, including Russia and Turkey, remains the dominant particleboard producing region.

The increase in production of particleboard is being driven by strong growth in the key end-use sectors of the product – housing construction and furniture manufacturing. Similar findings were shown in BIS Shrapnel's companion report, *Medium Density Fibreboard in the Pacific Rim and Europe*, released last month.

The downturn in housing construction in the United States reached the bottom of the cycle in 2009, and is expected to move into a rapid upswing from 2010 to 2013. This will drive economic growth not only in the United States, but in many of its key trading partners around the world. It will also drive renewed demand for furniture, and ultimately the demand for particleboard and MDF. Housing construction in other key regions such as Europe and Asia will also drive an upward phase in the demand for particleboard and MDF over the forecast period.

In 2009 Europe produced 62 per cent of the world's particleboard, North Asia produced fourteen per cent, North America produced nine per cent, South Asia produced eight per cent, South America produced six per cent, and Australasia produced one per cent.

Production of particleboard in Europe is forecast to drop slightly to 60 per cent by 2013. Over the same period production in North America and South Asia is expected to increase slightly to nine per cent, and in South America production is forecast to increase to seven per cent. Production of particleboard in North Asia and in Australasia will remain unchanged.

"Europe, North America and South Asia have been the key particleboard producing regions," says report author and BIS Shrapnel senior manager, Bernie Neufeld. "These regions will continue to be the main growth areas over the forecast period, with considerable additional production coming on stream in South America as well."

Confirmed new capacity for particleboard will amount to 6.4 million cubic metres by 2013. There have been announcements for several new plants in key producing regions, including one known plant planned for Malaysia, two each for Russia, India, Indonesia and Vietnam, three for Brazil, and seven for Turkey.

Particleboard, as with medium-density fibreboard (MDF), is mainly used in housing construction and furniture manufacturing. MDF, however, is quite expensive and there is potential for particleboard to replace MDF as a more cost-effective alternative for furniture manufacturing as well as a substitute for plywood.

“In South America, some new plants are being rebranded as medium-density particleboard (MDP), presumably to promote the ability to substitute MDF with particleboard,” says Neufeld.

As the global financial crisis took hold in 2009, consumption of particleboard declined by five per cent. BIS Shrapnel is forecasting a modest three per cent increase in consumption in 2010, followed by an acceleration to eight per cent in 2011 and then a slight drop to five per cent in 2013. The average annual growth in consumption will be six per cent over the four years from 2010 to 2013, which is a total increase of approximately 24 per cent over the forecast period.

“The projected rate of growth in consumption is slightly stronger than the forecasts for production, which should help absorb idle capacity in some regions and new capacity in others,” says Neufeld. “The regions with the strongest potential for growth in consumption of particleboard are similar to the key producing regions – Eastern Europe, mainly Turkey and Russia, China, South Asia and South America.”

BIS shrapnel found the global financial crisis also had a significant impact on particleboard prices – which are estimated to have declined by an average of 16 per cent in 2009. Over the four years from 2010 to 2013, as the global economy moves into an upward phase, prices are projected to increase by an annual average of six per cent.

“However, a declining US dollar could result in sharper price rises than projected,” says Neufeld. “Prices may also be driven up by the economic recovery, a shift to more stringent emission standards, rising input costs, a limited expansion of capacity in some regions, and a rapid increase in capacity utilisation.”

Neufeld says it is a mixed bag for trade in particleboard over the forecast period. The United States, Japan, South Korea, India, Vietnam and other key developing regions are expected to be the most significant net importing regions over the forecast period. Australasia also imports small amounts of particleboard, and this is projected to increase over the forecast period as consumption expands while production capacity declines.

While India and Vietnam are noted net importers, South Asia as a region is a net exporter of more than 1.6 million cubic metres annually, mostly from Malaysia, Indonesia and Thailand.

“Demand for particleboard may also grow in areas such as Pakistan, the Middle East and other developing countries over the forecast period,” says Neufeld. “While these regions have not been included in our analysis, they have the potential to grow as export markets over the forecast period.”

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 46-year history, BIS Shrapnel has built up a strong level of expertise and unique methodologies for forecasting.

###