



**Dear Member,**

Welcome to this edition of TIMCON's HOT News! This news bulletin is a mish-mash of hot-off-the-press news directly relevant to your business.

**PMI REPORT - TIMBER PRICE INCREASES**

The highly respected 'CIPS/RBS Purchasing Managers Index' (PMI) Report on Manufacturing is published on the 1<sup>st</sup> of each month.

**April:**

It was noted that "Items in Short Supply" still included **Softwood** and **Timber**. In "Items Up in Price" there were:

- Pallet timber** (up 13th consecutive month)
- Softwood** (up 10th consecutive month)
- Timber** (up 10th consecutive month)
- Wooden pallets** (up 10th consecutive month)



**ROBUST GROWTH OF UK MANUFACTURING SECTOR MAINTAINED IN MARCH. INPUT COST INFLATION GAINED STRENGTH**

At 54.4 in March, the seasonally adjusted CIPS/RBS *Purchasing Managers Index*® (PMI®) signalled that the current improvement in UK manufacturing operating conditions retained noticeable momentum. The PMI lost little ground from the two-and-a-half year high of 55.4 posted in February and, on average, has pointed to a stronger rate of expansion for 2007 Q1 than the previous quarter.

Although easing quite sharply from February's high, growth of UK manufacturing production remained robust in March. Companies attributed higher output to improved levels of incoming new work and gains in production efficiency.

The latest expansion of output was broad-based across the main product market groups. Growth was recorded for consumer, intermediate and investment groups production, within which the performance of the investment goods sector was especially robust.

Growth of new orders was broadly unchanged from the previous month's high in March, as manufacturers benefited from improved demand from domestic and foreign clients.

New export orders rose at the sharpest pace since January 2004. Anecdotal evidence pointed to a broad-based increase in new orders from abroad, as companies reported higher demand from the US, Europe, South East Asia, South America, the Middle East and Australia.

Manufacturing employment has risen throughout 2007 Q1, the first time that growth of jobs has been recorded through an entire quarter since 2004 Q2. The latest increase

in staffing levels was initiated in order to support higher production and ongoing efforts to clear outstanding business.

March data pointed to a further marked increase in average purchasing costs, as companies reported rising chemical, energy, fuel, metal and timber prices. Cost inflation accelerated to a four-month high. However, UK manufacturing retained a robust degree of pricing power, allowing them to pass part of the rise in their costs down to the supply-chain.

Stocks of finished goods declined for the forty-fourth successive month in March, with the rate of contraction the sharpest of 2007 so far. The combination of strong demand growth coupled with leaner inventory holdings suggests that the current upturn in production volumes is likely to continue in the coming months.

UK Manufacturers reported marked delays in the receipt of inputs ordered from suppliers in March. Longer vendor lead-times generally reflected shortages of certain raw materials. A lack of spare capacity at suppliers' units also contributed to the latest deterioration in their performance.

Higher production requirements encouraged companies to raise their levels of input purchasing in March. There were also reports that input buying had been increased in order to guard against further supply-side disruption.

*Source: CIPS/RBS Purchasing Managers Index Series  
1st April 2007*



## BRITISH IMPORTS OF SOFTWOOD LUMBER DOWN 5% - Source: EUWID

According to figures published by Euro-stat British imports of rough-sawn and planed softwood lumber declined by 5% to 7.726m m<sup>3</sup> (2005: 7.624m) in 2006 compared with the previous year. While British imports of rough-sawn softwood dropped by 6% against the previous year in 2006 to a total of 5.943m m<sup>3</sup> (6.286m), imports of planed sawn wood were slightly higher than last year. All softwood species contributed equally to the decline in softwood rough-sawn lumber imports. Imports of rough-sawn spruce dropped by 6% to 2.224m m<sup>3</sup> (2.363m). Imports of sawn pine fell by 5% to 1.769m m<sup>3</sup> (1.871m), while imports of the other softwood species declined by 5% to 1.941m m<sup>3</sup> (2.052m). Sweden was Britain's most important supplier of spruce/fir and pine softwood lumber in 2006. When it came to other species, Russia was the most important supplier followed by Sweden and Latvia.

Total imports of rough-sawn softwood from other EU countries dropped by 6% to 5.031m m<sup>3</sup> (5.324m); deliveries from other EU countries accounted for 85% (85) of all British softwood lumber imports. Imports from Latvia, on the other hand, declined by 11% to 0.984m m<sup>3</sup> (1.11m). Finnish shipments to Great Britain declined by 5% 0.929m m<sup>3</sup> (0.974m), whereas imports from Estonia grew by 22% to

327,567m<sup>3</sup> (217,272). Imports from Germany showed a 10% increase to 182,332m<sup>3</sup> (165,570). Imports from Lithuania, on the other hand, declined by 42% to 104,065m<sup>3</sup> (180,716). Imports from Austria dropped by 4% to 69,043m<sup>3</sup> (71,976) and imports from the Czech Republic showed a decline by 26% to 67,854m<sup>3</sup> (91,689). Russia was the most important supplier outside the EU. Last year, British imports from Russia declined by 2% to 0.727m m<sup>3</sup> (0.743m).

With the exception of Sweden and Estonia, all the bigger exporting countries in Scandinavia, eastern Europe, as well as Russia had to take a marked decline in shipments to Great Britain. The bottle necks in log supply made it impossible to make full use of production capacities especially for sawmills in Northern Europe, Finland, and also in Austria. On the other hand, demand has picked up on the bigger sales markets. Especially on the markets in North Africa higher prices were achieved than in Great Britain. Moreover, in the Scandinavian and East European countries demand for sawn timber has improved because of the higher requirements on part of the building and the woodworking industry. The availability of softwood lumber thus proved insufficient for satisfying the full volume of demand on the British sales market.

## ESTONIA: BUSINESS IN SAWN TIMBER SLOWING DOWN AGAIN - Source: EUWID

In the beginning of this year, business activities of Estonian sawmill were slowing down again. Production of sawn timber, for instance, is showing a downward tendency. According to figures published by Tallinn-based Estonian Office of Statistics, in January 2007 and comparing the same month one year ago the production of Estonian sawmills reduced by 12% to 122,100m<sup>3</sup> (Jan. 2006:142,400). This drop in production resulted from bottlenecks in the supply of sawlogs. In all of 2006, Estonia's sawn timber production had dropped by 2% to 1.726m m<sup>3</sup> (2006: 1.754m). According to Tallinn-based Estonian Forest Industries Association (EMTL), in 2006 Estonia's exports of sawn timber reduced by 15% to 0.966m m<sup>3</sup> (1.133m). On the other hand, imports of sawn timber grew by 17% to 0.733m m<sup>3</sup> (0.626m). The drop in exports along with an expansion of imports has to be attributed to higher domestic requirements in Estonia. Moreover, the Estonian sawmills' capability to supply had been limited so that lower quantities of sawn timber had been available for export markets.

## UK INFLATION HITS 3.1% IN MARCH

The Bank of England governor will have to write a letter of explanation to the government after UK consumer price inflation rose to 3.1% in March.

The increase means CPI is now more than one percentage point away from the government's 2% target.



Figures from the Office for National Statistics (ONS) also showed that RPI inflation rose to 4.8% in March, from 4.6% the month before.

The figures could trigger a further rise in UK interest rates.

The ONS said CPI inflation jumped 0.5% in the month, lifting the annual rate to 3.1% - the highest since the series began in January 1997 - from February's rate of 2.8%.

## Health & Safety MYTH: The Health & Safety Executive have banned stepladders. The reality :

"We (HSE) have not banned stepladders - nor have we banned ladders! Despite this, the allegation is regularly repeated and some firms have fallen for the myth and acted upon it.

For straightforward, short duration work stepladders and ladders can be a good option, but you wouldn't want to be wobbling about on them doing complex tasks for long periods. A large number of workers are seriously injured or killed using ladders and stepladders each year. So:

- **Yes** – we want people to use the right equipment for the job.
- **Yes** – there are some common-sense rules for using them safely.
- **But no** – we have not banned them!"

