

# FEP NEWS

**Issue 3/2005 – June 2005**

Dear Reader,

This edition of the FEP Newsletter puts a strong focus on the FEP meetings held in Budapest on 9 and 10 June 2005 and the statistical report presented on this occasion.

If one only looks at the statistics, then the economic situation for the parquet industries in Europe may seem most positive, though it is worthwhile to look beyond the figures too, an action FEP is certainly taking to heart.

Following the past busy weeks we should like to wish you a relaxing and refreshing summer break, allowing for a recharge of the batteries for a challenging 2<sup>nd</sup> half of 2005.

Best regards from Brussels!

## FEP BUDAPEST 2005

Hosted by Mr Gábor Várkonyi from Graboparkett and the parquet manufacturers in Hungary, the 49<sup>th</sup> FEP General Assembly and European parquet congress were held in Budapest from 9 to 11 June 2005.

For the first time, the meeting was also attended by the new members from the supplying industries, providing room for additional discussions and debate.

The participants in the assembly were welcomed by Mr Péter Jancsó, CEO of Graboplast.



In this opening address, FEP Chairman Dieter Betz pointed towards the general economic situation and the main drivers affecting the parquet industries. Despite the tough framework conditions, both

consumption and production could be increased substantially, though questions were put on overcapacity in Europe and the market conditions as such.

According to Dieter Betz, the leading manufacturers regrouped within FEP have an important role to play in further developing the market for parquet and wood flooring. To this aim, FEP last year started a market research project with Prof. Van Ossel and also created a marketing

working group to explore ways of creating bigger parquet volumes on the European market.

Mr Betz also browsed through the other activities of FEP on behalf and for the European parquet industries, such as the classification discussions with US customs, contacts with organisations in other parts of the world, the development of the statistical system etc.

During the statutory part of the General Assembly, the members accepted the activity report of the secretariat, the accounts for 2004/2005 and budget for 2006 and endorsed the composition of the FEP Board in its present form.

## European Parquet Congress 2005

With the meetings being held in the capital of one of the new members of the European Union, the first part of the parquet congress was devoted to the parquet industry and parquet markets in three new EU countries: Hungary, Poland and the Czech republic.

These -well appreciated- presentations were given by Mr. M. Möcsenyi from FAGOSZ (Hungarian wood industry association), Ms Kinga Urbańska (Baltic Wood) and Mr Libor Václavík (Magnum Parquet). They provided the audience not only with statistical data on the development of their industries and markets, but also provided factual information as to the parquet industry in their countries, the expected developments and future threats and opportunities.

Generally speaking one can say that parquet has strong potential in these three countries, though much will depend upon the development of the income level of the inhabitants.



As the first speaker after lunch Prof. Van Ossel presented the outcome and main results from the market study he had been asked to perform on behalf of FEP in 5 major European markets, where he held

extensive interviews with high-level parquet industry leaders. He also had contacts with some representatives from the distribution and retail branches in view of complementing the findings of the study and contributing to an objective evaluation of key market trends and expectations.

The essential and by all means encouraging conclusion of the project was that by working together there indeed is a sound potential for increasing the parquet cake in Europe. To this end, Prof. Van Ossel formulated a number of concrete proposals, which will now be fully evaluated by the FEP Board with a view to narrowing down the most adequate options and determining the proper modalities for future action!

This well conceived and capturing intervention was followed by an equally interesting presentation by Per von Mentzer (NFI Management Corporation) on the preliminary findings of the recently established FEP Marketing Working Group regarding the close collaboration between marketing experts from the sector needed for creating the tools for a uniform and motivated approach ensuring the prominent positioning of parquet amongst existing flooring solutions. The clearly apparent and spontaneous convergence of both exercises has undoubtedly created a solid foundation justifying the continuation of focussed efforts for boosting the parquet market, based primarily on the intrinsic and incontestable advantages of genuine wood materials.



Work along the set path for realising this crucial objective will therefore resume with full dedication after the summer holiday period.

The FEP secretariat and Board hereby wish to thank both Prof. Van Ossel and all members of the marketing WG for their time, open-mindedness, creative and valuable input and devotion so far.



The afternoon session was ended by two well-illustrated and informative presentations from Neuhofer Holz (Mr. Franz Neuhofer Jr.) and BonaKemi (Mr. Stefan Johansson), two of the new associated members of our organisation. The audience was brought up-to-date on the structure and



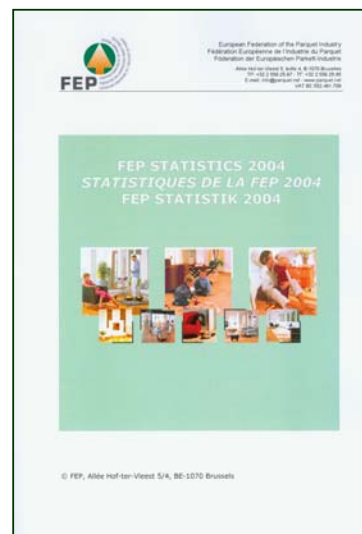
activities of both reputed companies from the parquet supply sector, as well as on recent market developments, innovations and future developments. The content of the exposés was well received by all participants and represented an appropriate ending to the programme of an industrious and instructive working day.



## FEP STATISTICS 2004

Positive trend continues!

The FEP statistics 2004, as presented to the members in the context of the European parquet congress, have changed format compared to the past years.



Information has been restructured with the aim of rendering the document attractive and user-friendly. Colour graphs further enhance the reading.

More information on the document is available from the secretariat.

Following the encouraging developments in 2003, the year 2004 has confirmed the expectancies and forecasts as regards the continuation of the favourable trend.

The production in the “traditional” FEP area increased by close to 13% to set a new record of over 74.000 m<sup>2</sup>. In adding the available figures from the “newer” members of our federation, the total production now reaches over 91.000 m<sup>2</sup>, indicating a substantial growth of 12,48% in the Eastern European area as well.

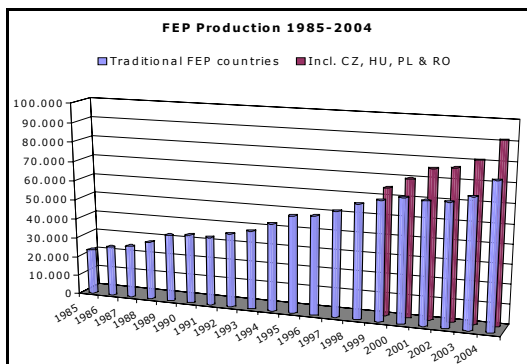
The origin of the positive result lies primarily in the striking production rise in Sweden and Poland as well as in Spain and Austria, undoubtedly as a result of the activation of new production facilities. In other words, the overall confidence of the parquet branch in its products subsists for the time being.

## Parquet production in the FEP countries

	000 m <sup>2</sup>	+/- 000 m <sup>2</sup>	+/- %
1985	23.300		
1986	25.580	2.280	9,8%
1987	26.991	1.411	5,5%
1988	29.997	3.006	11,1%
1989	34.566	4.569	15,2%
1990	35.634	1.068	3,1%
1991	35.294	-340	-1,0%
1992	37.977	2.683	7,6%
1993	40.396	2.419	6,4%
1994	44.972	4.576	11,3%
1995	49.798	4.826	10,7%
1996	50.578	780	1,6%
1997	53.836	3.258	6,4%
1998	58.308	4.472	8,3%
1999	60.774	2.466	4,2%
2000	62.957	2.183	3,6%
2001	62.121	-836	-1,3%
2002	62.301	180	0,3%
2003	65.781	3.480	5,6%
2004	74.205	8.424	12,81%
CZ/HU/RO/PL	91.150	10.111	12,48%

According to the available statistical data, total consumption in FEP territory rose by another 5,62%, fully in line with the forecast issued by our organisation in January of this year, and now amounts to 88.910 m<sup>2</sup>.

Austria and Sweden are here again the forerunners, with increases of 22,96% and 22,45% respectively. A substantial growth was also recorded in Switzerland, France and Spain, whereas the Dutch market still remains problematic illustrated by a decline in consumption of 8,57% originating a worrisome economic situation.



Though the overall results give reason for moderate optimism at present, much will depend in 2005 on the impact of an ever-tougher competition, which to an important extent is fuelled by changing customer preferences and attitudes, often governed by a quest for quality at the lowest possible price level.

**Key figures**

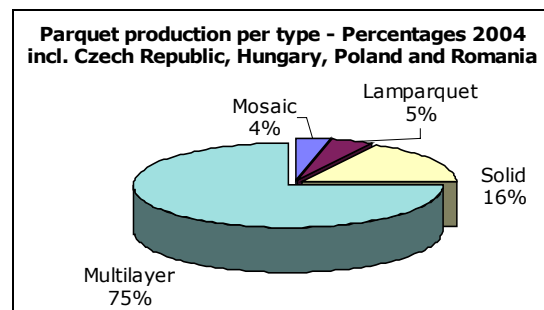
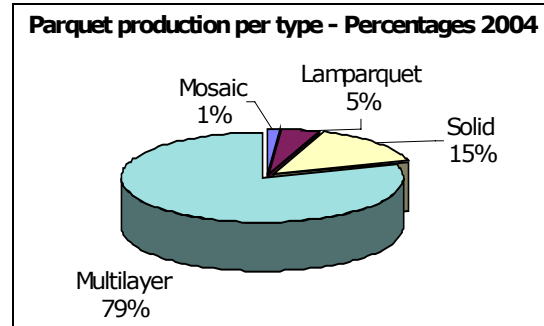
- Production 2004
  - "traditional" FEP: 74'205 mio m<sup>2</sup> (+12.81%)
  - FEP all: 91'150 mio m<sup>2</sup> (+12.48%)
- Consumption 2004
  - 88'910 mio m<sup>2</sup> (+5.62%) ("traditional" only)
  - FEP all: 96.136 mio m<sup>2</sup> (+7.14%)

Statistics 2004

FEP European Federation of the Parquet Industry  
FEP Fédération européenne de l'industrie du parquet  
FEP Föderation der europäischen Parkett-Industrie

During 2004, the share of multilayer production again increased by one percentage point in comparison with 2003, making it by far the most important product category with 79% of the total figure. Solid could retain and even slightly improve its position to now 15% whereas both lamparquet and mosaic have again lost ground (-1% in both cases), whereby the remaining share of mosaic is becoming increasingly concerning.

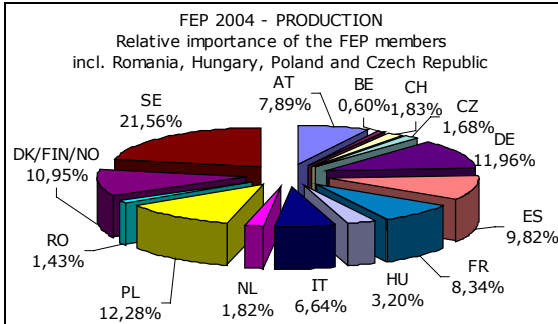
A quite similar repartition of the production is also observed in the "new" countries.



In absolute figures, Sweden has further expanded its leading position as regards production (now 21,56% of the cake from 18,54% last year). Poland is now already in second position with a proud 12,28%, followed by Germany, the Nordic cluster, Spain and France.

Sweden, with 2,18 m<sup>2</sup> remains the leading pro capita parquet producer, followed by Austria and the Nordic cluster with 0,90 m<sup>2</sup> and 0,66 m<sup>2</sup> respectively.

Average pro capita production in the FEP countries amounted to 0,23 m<sup>2</sup>.

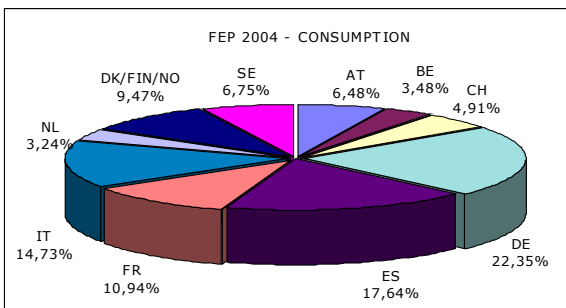


Consumption of parquet in the “traditional” FEP area rose by 5,62% to a level of 88.910 million m<sup>2</sup>. Though fully reliable figures could not yet be provided, the best estimates received from the “new” member countries indicate a growth in consumption on the locals markets as well.

With the addition of new FEP member states, total consumption of parquet in the EU and EFTA region is now estimated to have probably surpassed the 100 million m<sup>2</sup> mark for the first time.

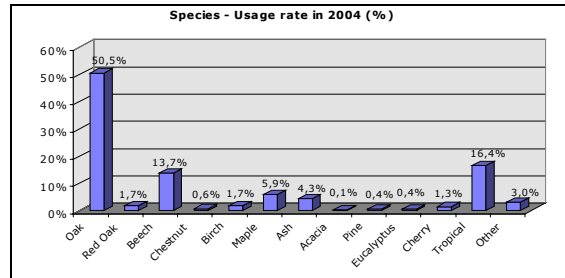
In spite of a slight decrease, Germany still claims the biggest share with 22,35% and is followed by Spain (17,64%) and Italy (14,73%). With 10,94% France is in fourth place, preceding the DK/FIN/NO cluster with 9,47%.

The main parquet consumers in Europe are Austria (0,72 m<sup>2</sup>/per in habitant), closely followed by Sweden with 0,67 m<sup>2</sup> and Switzerland with 0,59 m<sup>2</sup>.



### Use of wood species

The usage rates of wood species for the production of parquet in 2004 are depicted in the graph below:



Compared to 2003, oak has added another 3% further, strengthening its over-dominant position. In line with the tendency already recorded last year, tropical wood species are further gaining in importance and have now clearly overtaken beech, which is progressively declining.

### The share of parquet in the total European flooring market

According to Intercontuft, the total consumption of parquet and real wood flooring in 2004 would have amounted to 100 million m<sup>2</sup>, representing a market share of 5.3%. This would correspond to the market share estimated in previous years by FEP itself.

### Outlook for 2005

Based on tendencies reported by FEP members as observed during the first quarter of the current year, it seems reasonable at this stage to rate the expected market performance in 2005 as “stable, to slight growth”. The economic indicators and forecasts vary considerably from country to country and the relevant developments will undoubtedly bear down on both consumer confidence, and the construction and renovation markets. The effect of the EU enlargement, the growing role of the Asian markets, high and unstable oil prices, as well as the ongoing contest with other flooring sectors, will certainly contribute to further intensifying the already fierce competition. Vigilance and unity among members of our association is therefore, now more than ever, of utmost importance to successfully face the challenges that lie ahead and ensure the stability and prosperity of our industry.

