Overview and outlook, of the European Softwood market 2021/2022

- International Softwood Conference, Helsinki 2021

- Presented by – Morten Bergsten, Chairman softwood ETTF
2020 a year we’ll never forget
What a crazy year
Looking back at last years presentation 2020 we said:

- Just small drop in import for all countries is forecasted in 2020 (holding level was supported by DIY sector)
- Total EU consumption are forecasted to increase with 2,3 mio m3 in 2021
- Total consumption are forecasted to increase Incl US/Canada with 11,1 mio m3 in 2021
- Predominantly decreasing unemployment in 2021
- On 16 September 2020, Ursula von der Leyen, President of the European Commission, delivered her 2020 State of the European Union, and did put focus on building more in wood from an environmental perspective.
Looking back at last years presentation 2020:

- Just small drop in import for all countries is forecasted in 2020 (holding level was supported by DIY sector) – **Import was slightly higher than forecasted**

- Total EU consumption are forecasted to increase with 2,3 mio m³ in 2021 – seems to be increasing more than 4,0 mio m³.

- Total consumption are forecasted to increase Incl US/Canada with 11,1 mio m³ in 2021 – seems to be increasing almost 12 mio m³.

- Predominantly decreasing unemployment in 2021 – **Decreased more than predicted**

- On 16 September 2020, Ursula von der Leyen, President of the European Commission, delivered her 2020 State of the European Union, and did put focus on building more in wood from an environmental perspective. – **Focus on using more wood is even higher than expected**
What happened in 2021 – so far

- 1. half of the year still highly effected by Covid-19
- Difficult logistic 1. half and still struggling – maybe even worse now
- Despite that, there was very high activity in both building and DIY sector
- Prices went to a historically high level
- Unbalance in the supply chain
- Panicked situation just before the holiday

- Let's look at the EU statistic
Imports of sawn softwood by EU countries
Years 2019-2020, Jan-May 2020-2021

Import increase 2020, further increase in 2021.
+7.3% in 2020 to 37.2 million m³
+23.6% in Jan-May 2021 to 17.8 million m³

In the first 5 months of 2021:
Imports increased in:
- Latvia +70.7% to 0.6 m³
- UK +59.0% to 3.5 m³
- Estonia +34.1% to 0.7 m³
- Italy +27.1% to 1.7 m³
- France +26.4% to 1.2 m³
- Germany +20.6% to 2.4 m³
- Belgium +19.9% to 1.3 m³
- Spain +17.0% to 0.4 m³
- Netherlands +11.7% to 1.4 m³
- Slovenia +11.3% to 0.3 m³
- Denmark +10.7% to 0.7 m³
- Austria +3.6% to 0.8 m³
- Others +3.7% to 2.8 m³

No decrease in imports

Source: Comext, STIX Global and country reports. Compiled and edited by Probos
Eurostat construction production index for the EU Member States
Volume of seasonally and calendar adjusted production output (2015 = 100)
Running average of 3 months
Monthly for the period June 2019 to July 2021

Clear COVID-19 impact on construction production

- Total volume of EU27 construction in July 2021 is at the same level as before the COVID-19 impact.
- Italy, France and the UK quick recovery, but new drop in France from Nov. 2020
- Delayed COVID-19 impact for Germany and Poland, but already recovered
- Netherlands no impact of COVID-19 and increasing
- Spain stay at low level

Source: Eurostat for EU member states and Office for National Statistics for the UK. Compiled and edited by Probos
EU Building Permits Index
Quarterly, for the period Q2 2015 to Q2 2021
(2015 = 100), running average of 3 months
Seasonally and calendar adjusted data.

Building permits EU dip in **Q2 2020**, but back to the same level as
- EU27+UK total still +25% above 2015 level, but 10% decrease in Q1 2020
- Spain shows dramatic increase coming from a very low level, but sharp decrease from Q1 2020 until Q3 2020. Recovery from Q4 2020.
- Germany still well above 2015 levels
- France is recovering after 2020 dip
- Poland sharp increase since Q2 2020
- UK being stable since 2015, decreasing since 2019

Index EU below 100 before 2015

Source: Eurostat for EU countries and OCBD for UK. Compiled and edited by Probos
# Overview importing countries >1 mio. m3

<table>
<thead>
<tr>
<th>Country</th>
<th>Est. Import 21’ / Forecast 22’</th>
<th>Est. Consumption 21’ / Forecast 22’</th>
</tr>
</thead>
<tbody>
<tr>
<td>Austria</td>
<td>1.950 (1.500, -23%)</td>
<td>6.650 (6.700, +1%)</td>
</tr>
<tr>
<td>Belgium</td>
<td>2.200 (2.300, +4,5%)</td>
<td>2.700 (2.870, +6,2%)</td>
</tr>
<tr>
<td>Denmark</td>
<td>1.575 (1.600, +1,5%)</td>
<td>1.670 (1.700, +0,2%)</td>
</tr>
<tr>
<td>France</td>
<td>2.900 (2.700, -6,8%)</td>
<td>9.050 (9.100, +0,5%)</td>
</tr>
<tr>
<td>Germany</td>
<td>6.300 (6.000, -4,7%)</td>
<td>22.300 (22.500, +0,1%)</td>
</tr>
<tr>
<td>Italy</td>
<td>n.a</td>
<td>n.a</td>
</tr>
<tr>
<td>Latvia</td>
<td>1.150 (1.050, -8,6%)</td>
<td>850 (850, 0%)</td>
</tr>
<tr>
<td>Netherlands</td>
<td>2.900 (3.000, +3,5%)</td>
<td>2.495 (2.580, +3,4%)</td>
</tr>
<tr>
<td>Norway</td>
<td>1.080 (1.000, -7,4%)</td>
<td>3.200 (3.200, 0%)</td>
</tr>
<tr>
<td>Spain</td>
<td>1.000 (1.050, +5%)</td>
<td>3.500 (3.700, +5,7%)</td>
</tr>
<tr>
<td>UK</td>
<td>n.a</td>
<td>n.a</td>
</tr>
</tbody>
</table>

**Average:** 21.055 (20.200, -4%) 52.415 (53.200, +1,5%)

| USA       | 28.660 (28.800, 0%)            | 89.675 (91.800, +2,3%)              |
Last updated market statement from some of the member countries
Belgium

Demand returning to “more normal” level
Denmark

The construction sector continues to be an economic engine
High political focus on building in wood
France

High focus on "more" natural products in the building industry

France’s government has declared that any new public construction projects financed by the state must contain at least 50% wood or other organic materials like hemp or straw by 2022
Italy

The general trend appears to be positive, partly thanks to tax incentives.

Significant public investment will lead to a positive momentum in residential building.
Germany

For 2022, an increase of 2.6 percent is expected in new residential construction, and 0.8 percent in non-residential construction.

Business associations expect a high number of bankruptcies with the expiry of state support, which the timber trade does not expect from its most important customer groups or the trade itself.

Main reason: good activity in construction and associated employment situation in the skilled trades.
Netherlands

An increase in the number of newly build houses is expected by all relevant information sources (ING Bank, Bouwkennis and EIB). As a consequence the import of sawn softwood for the building industry is expected to increase.

There is a positive future for building in timber, but no figures are available yet.
Spain

In terms of housing completions, forecasts for this year point to a slightly lower figure than last year. A growth of around 8% is forecasted for 2022.
Positive summary/trends

• In general, all countries increased consumption from 2020-2021!
• Consumption in EU forecasted to +1,5 % from a very high level
• Consumption in the US forecasted to +2,3% from a very high level
• Using more wood will stay high on the political agenda
Looking into the crystalball

- Balance / Unbalance in the supply chain
- Russian ban on log export – availability of raw material in EU
- More awareness on using more wood, and at the same time more awareness on protecting more forest!
- The repercussions of Covid-19 from a Financial perspective (global economy)
- Still various Covid restrictions in many countries
- US and Chinese market

- With all countries statements taking into consideration, and with the positive but realistic glasses on – we will try to conclude an overall picture for 2022.
Conclusion

- Strong focus on using wood from a political/environmental perspective
- Most countries predict increasing consumption, or at least same level
- Most countries predict steady/increasing activity in the building sector
- Difficult to generalize, but ....

THE OVERALL PICTURE IS POSITIVE FOR THE SOFTWOOD SECTOR

And on behalf of the whole industry – we hope to find a suitable/balanced level in 2022 not to be outcompeted with substitute products –
There is a level where the regards to the environment curve, breaks the investment curve.
Thank you for your attention