



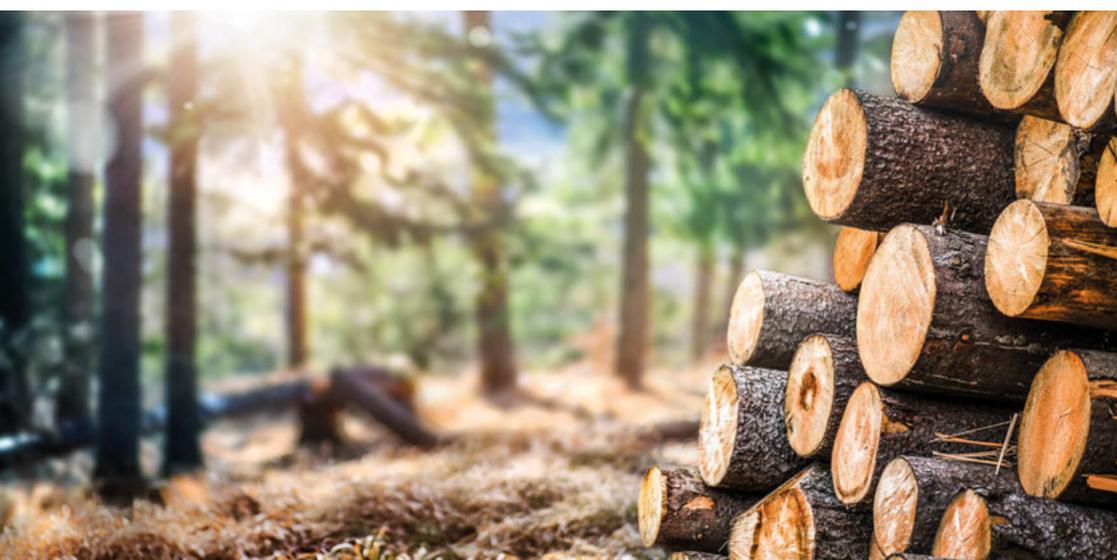
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70<sup>th</sup> International  
**SOFTWOOD  
CONFERENCE**  
Copenhagen 2022  
12<sup>th</sup>-13<sup>th</sup> October



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**SOFTWOOD  
CONFERENCE**  
Copenhagen 2022  
12<sup>th</sup>-13<sup>th</sup> October



MARKET SURVEY

[www.isc2022.info](http://www.isc2022.info)



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## Tables & Graphs

Note 1: the following information, tables and graphs are based on information supplied by the EOS and ETTF members federations and partners. Although we try to align the information with UNECE/FAO some information may differ from that included in the FAO data base.

Note 2: all data for 2022 are prognoses. Forecasts given for 2023.

Information collection: Diego Benedetti, EOS

# SOFTWOOD PRODUCTION

Development of softwood production (1000 m<sup>3</sup>) - by region

	2020	2021	2022	2023
Europe (ISC)	92,838	97,215	94,715	93,549
North America	101,923	103,627	100,281	97,272
TOTAL	194,760	200,843	194,996	190,821

Fig. 1. Production changes in %, 2019-2023

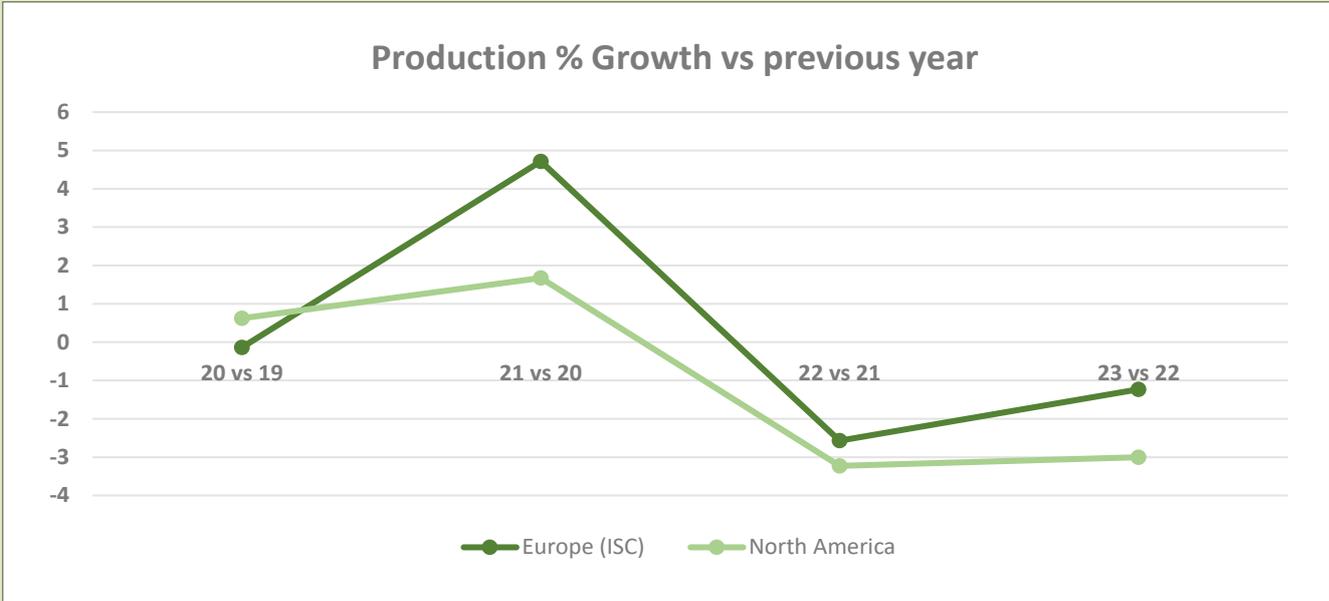
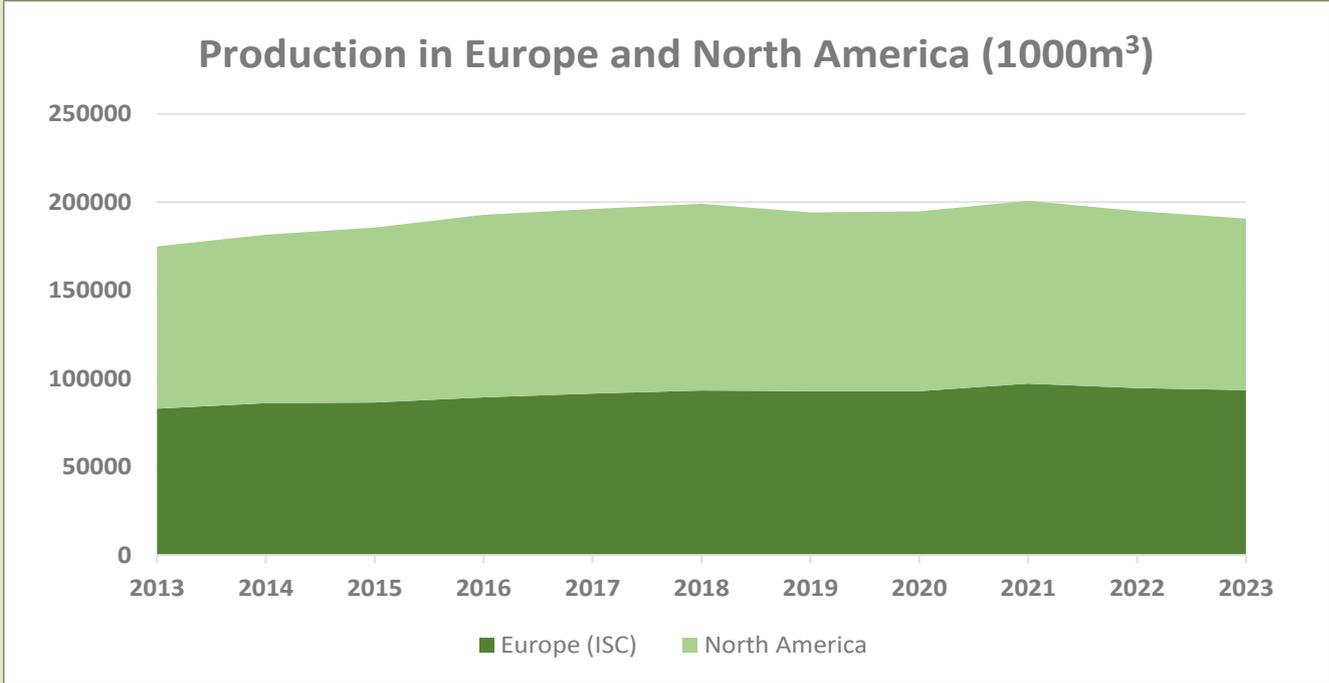


Fig. 2. Development of softwood production 2013-2023

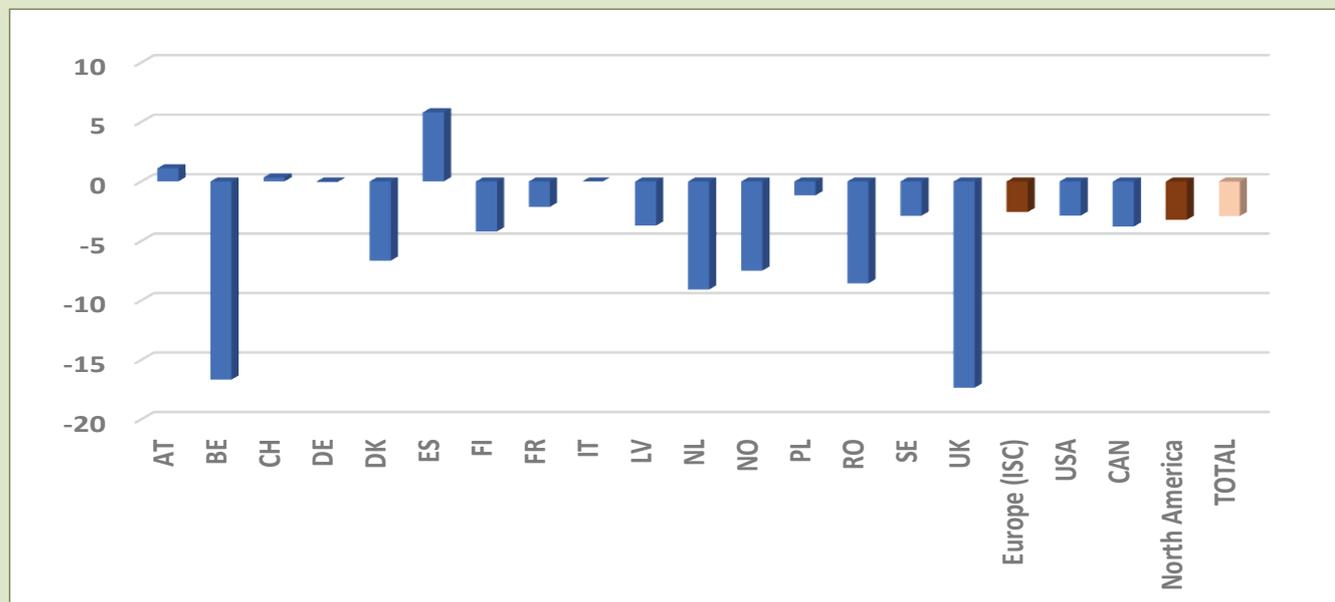


**Development of softwood production (1000 m<sup>3</sup>) - by country**

Country	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
AT	8.385	8.215	8.605	9.250	9.650	10.200	10.343	10.339	10.582	10.700	10.700
BE	1.460	1.520	1.500	1.400	1.350	1.450	1.450	1.460	1.500	1.250	1.300
CH	986	1.080	1.060	1.074	1.037	1.078	1.077	1.114	1.196	1.200	1.218
DE	20.428	20.757	20.434	21.109	22.050	22.780	23.505	25.216	25.313	25.300	25.000
DK	294	294	352	310	360	324	331	360	400	375	350
ES	1.487	1.665	2.062	1.821	2.375	2.496	2.536	2.391	2.873	3.040	3.131
FI	10.400	10.900	10.600	11.400	11.700	11.800	11.354	10.900	11.900	11.400	11.500
FR	6.544	6.358	6.223	6.400	6.596	6.795	6.559	6.400	7.000	6.850	6.650
IT	860	910	920	950	970	950	474	400	400*	400*	400*
LV	2.600	2.768	2.690	2.792	2.662	2.730	2.660	2.600	2.700	2.600	2.600
NL	159	163	129	126	110	82	80	76	110	100	100
NO	2.200	2.400	2.444	2.533	2.655	2.675	2.650	2.680	2.811	2.600	2.700
PL	3.874	4.233	4.315	4.356	4.419	4.500	4.443	4.200	4.250	4.200	4.300
RO	3.762	3.704	3.600	4.340	3.600	3.550	3.500	3.000	3.500	3.200	3.000
SE	16.100	17.520	18.100	18.010	18.309	18.300	18.600	18.400	19.050	18.500	17.500
UK	3.536	3.716	3.449	3.624	3.719	3.617	3.408	3.302	3.630	3.000	3.100
Europe (ISC)	<b>83.075</b>	<b>86.203</b>	<b>86.483</b>	<b>89.495</b>	<b>91.562</b>	<b>93.327</b>	<b>92.969</b>	<b>92.838</b>	<b>97.215</b>	<b>94.715</b>	<b>93.549</b>
USA	50.482	53.543	53.785	55.300	57.414	59.332	59.767	62.733	63.401	61.580	61.597
CAN	41.424	41.891	45.362	48.158	47.304	46.370	41.527	39.190	40.227	38.702	35.675
North America	<b>91.906</b>	<b>95.434</b>	<b>99.147</b>	<b>103.458</b>	<b>104.718</b>	<b>105.701</b>	<b>101.294</b>	<b>101.923</b>	<b>103.627</b>	<b>100.281</b>	<b>97.272</b>
TOTAL	<b>174.981</b>	<b>181.637</b>	<b>185.630</b>	<b>192.952</b>	<b>196.281</b>	<b>199.029</b>	<b>194.263</b>	<b>194.760</b>	<b>200.843</b>	<b>194.996</b>	<b>190.821</b>

*\*Production in Italy is unavailable and it has been taken from FAOStat by repeating the last available data.*

**Fig 3. Sawn softwood production % difference 2022 vs 2021**



# SOFTWOOD CONSUMPTION

Development of softwood consumption (1000 m<sup>3</sup>) - by region

	2020	2021	2022	2023
Europe (ISC)	77.418	82.935	78.933	77.479
North America	99.226	102.133	99.988	97.143
TOTAL	176.645	185.068	178.921	174.622

Fig. 4. Consumption changes in %, 2019-2023

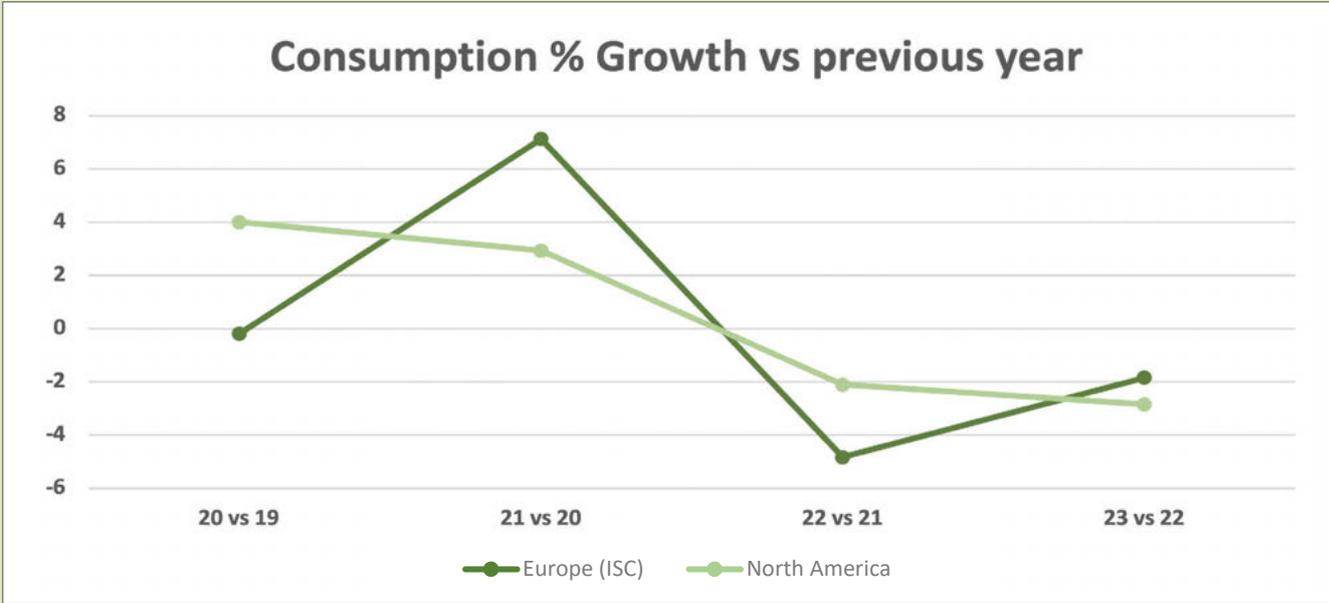
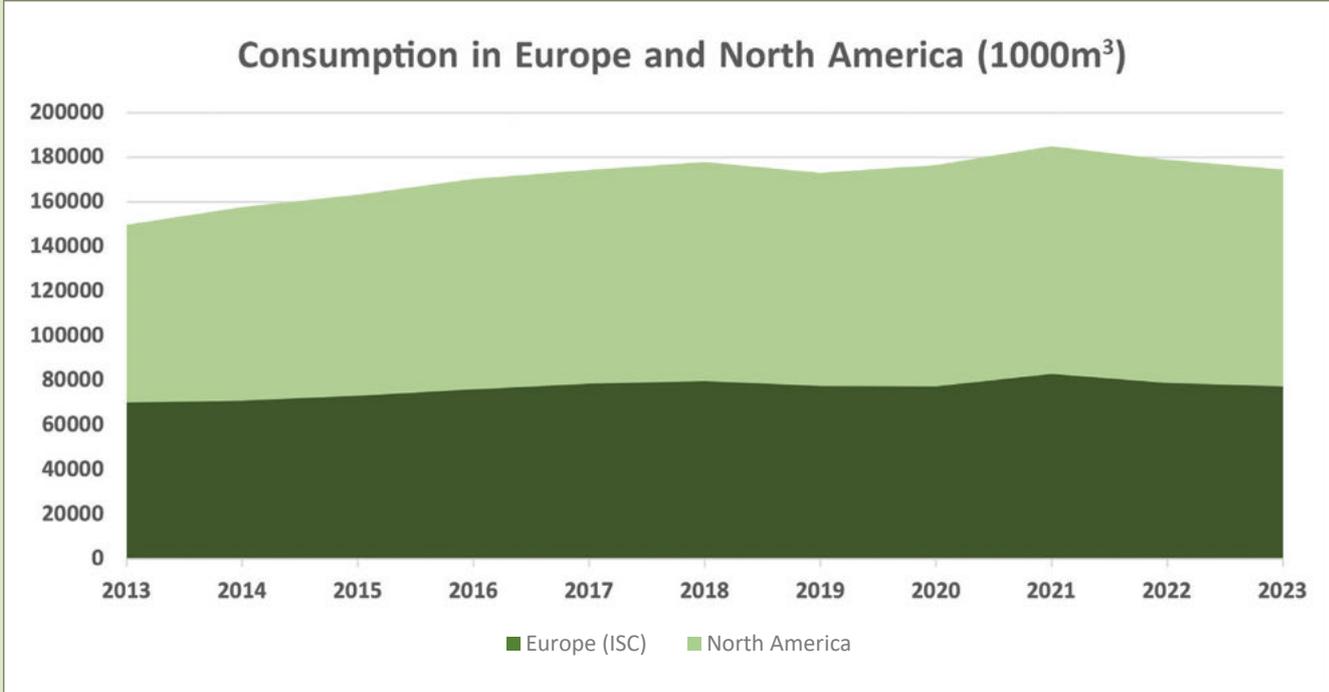


Fig 5. Development of softwood consumption, 2013-2023

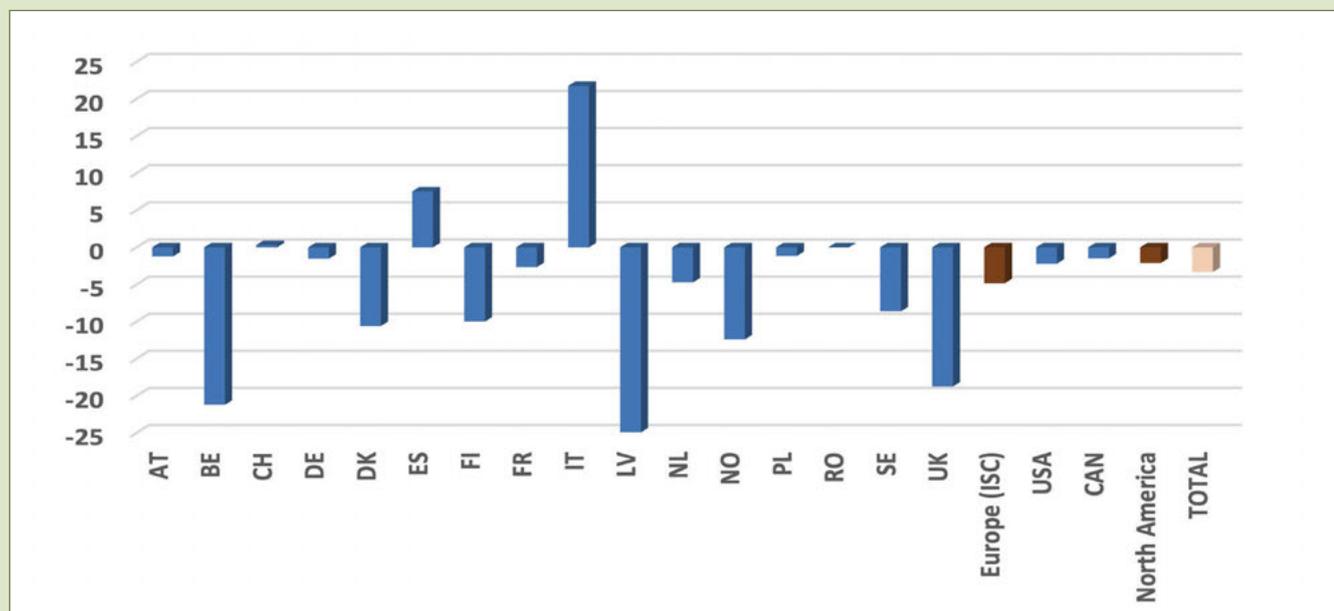


**Development of softwood consumption (1000 m<sup>3</sup>) - by country**

Country	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
AT	5.189	4.946	5.268	5.756	5.950	6.170	6.064	6.175	6.530	6.450	6.450
BE	2.110	2.120	2.450	2.450	2.600	2.750	2.750	2.760	3.300	2.600	2.650
CH	1.136	1.215	1.190	1.187	1.181	1.213	1.183	1.220	1.281	1.285	1.303
DE	18.159	18.155	18.483	18.729	19.285	19.597	19.416	20.629	20.104	19.800	19.500
DK	1.239	1.489	2.021	1.538	1.520	1.298	1.261	1.520	1.583	1.415	1.350
ES	2.115	2.374	2.788	2.597	3.131	3.270	3.316	3.036	3.537	3.804	3.918
FI	3.700	3.400	3.100	3.200	2.900	3.000	2.506	2.700	3.000	2.700	2.500
FR	8.144	7.758	7.563	7.730	7.917	8.345	8.454	8.118	9.245	9.000	8.250
IT	4.676	4.674	4.642	4.801	4.972	4.718	4.010	3.714	4.230*	5.150*	5.073*
LV	774	944	820	832	850	936	839	782	1.039	780	800
NL	1.938	1.952	2.116	2.210	2.297	2.397	2.238	2.447	2.750	2.620	2.565
NO	2.710	2.858	2.864	2.924	2.986	2.932	2.920	2.864	3.192	2.796	2.500
PL	3.816	4.169	4.339	4.289	4.489	4.580	4.703	4.350	4.350	4.300	4.400
RO	1.267	778	1.016	2.642	2.450	2.800	2.800	2.100	2.000	2.000	1.800
SE	4.700	4.700	5.450	5.500	5.780	5.705	5.500	5.300	5.800	5.300	5.300
UK	8.469	9.488	9.170	9.677	10.279	9.994	9.609	9.703	10.994	8.933	9.120
Europe (ISC)	70.142	71.020	73.280	76.062	78.587	79.705	77.569	77.418	82.935	78.933	77.479
USA	64.799	72.234	74.698	79.586	80.389	82.117	82.214	86.612	88.142	86.204	84.054
CAN	14.962	14.425	15.289	14.719	15.353	16.074	13.193	12.615	13.991	13.784	13.089
North America	79.761	86.659	89.987	94.305	95.742	98.191	95.407	99.226	102.133	99.988	97.143
TOTAL	149.903	157.679	163.267	170.367	174.328	177.896	172.976	176.645	185.068	178.921	174.622

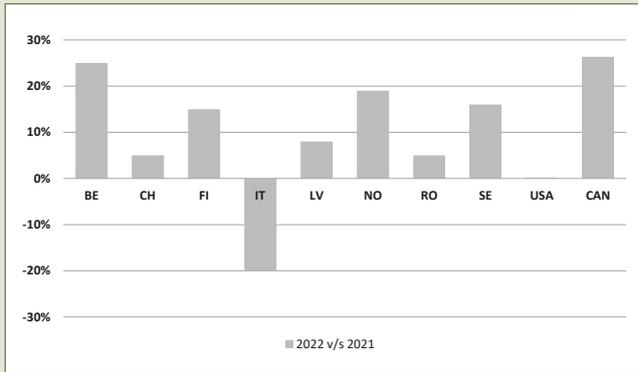
\*Data in the cells highlighted in orange was unavailable and has been computed by combining production and trade figures.

**Fig 6. Sawn softwood consumption % difference 2022 vs 2021**

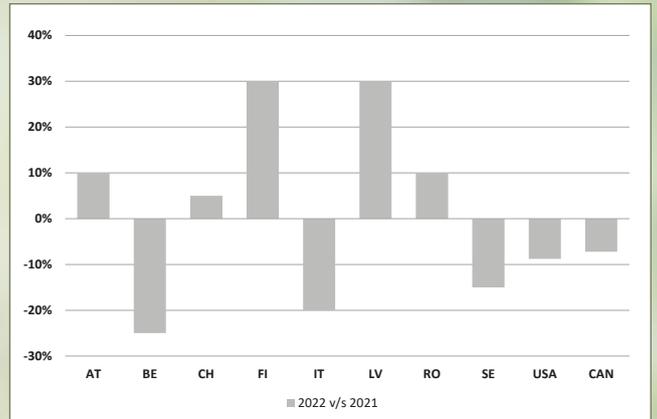


# PRICE AND COST DEVELOPMENT

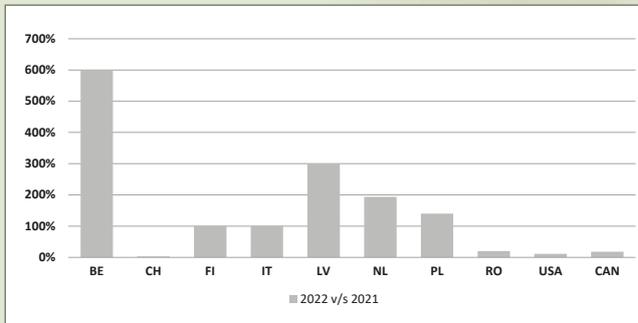
**Fig 7. Cost development softwood logs**



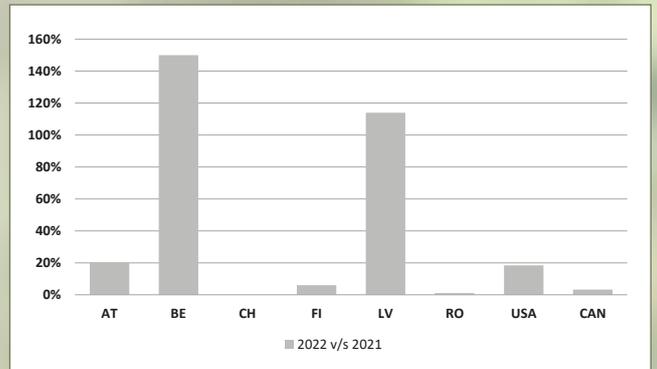
**Fig. 10. Price development sawn softwood**



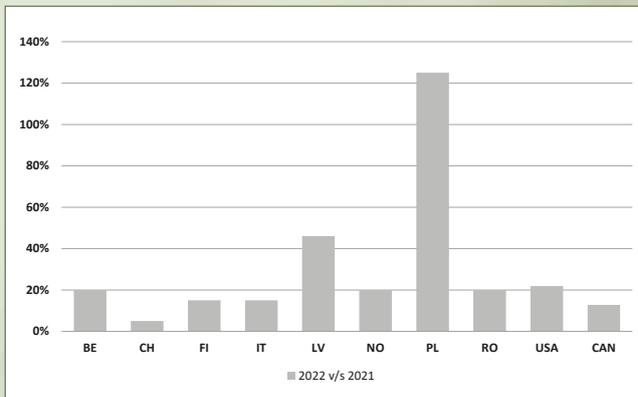
**Fig 8. Cost development energy**



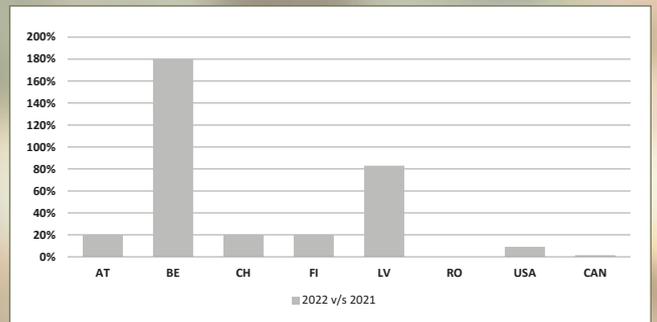
**Fig. 11. Price development chips**



**Fig. 9. Cost development transport**

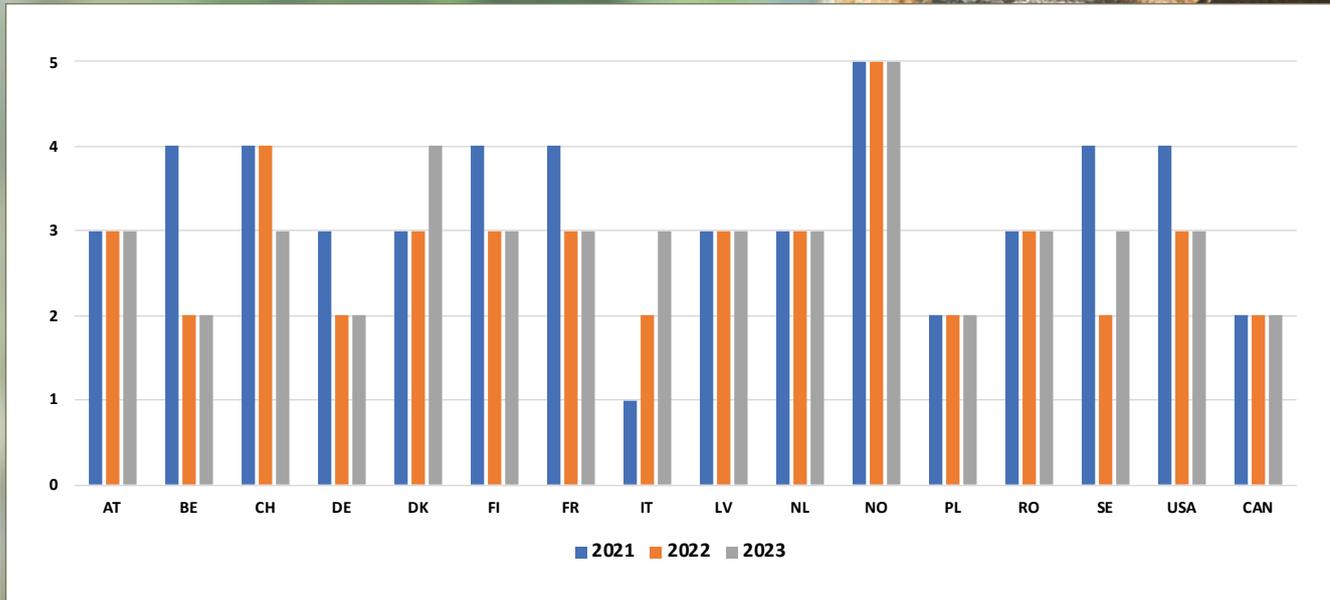


**Fig. 12. Price development sawdust**



# SOFTWOOD LOGS AVAILABILITY

Softwood logs availability



# COUNTRY REPORTS





 DENMARK

 THE NETHERLANDS

 NORWAY

 SWEDEN

 BELGIUM

 FINLAND

 LATVIA

 UNITED KINGDOM

 POLAND

 GERMANY

 FRANCE

 ROMANIA

 SPAIN

 SWITZERLAND

 AUSTRIA

 ITALY



# AUSTRIA Producer

General economic information				
	Unit	2021	2022	2023
Population (million)	million	8,9	9,0	9,1
GDP Growth (%)	%	4,8	4,3	1,6
Inflation Rate (%)	%	2,8	7,8	5,3
Unemployment Rate (%)	%	6,2	4,5	4,5
Construction industry				
Building permits (units)	units	56.500	53.600	53.700
Housing starts (units)	units	56.500	52.200	51.000
Housing completions (units)	units	63.600	60.400	57.000
Wage development (%)				
Wage development (%)	% vs previous year	2,1	4,1	n.a.
Average working time in sawmilling (h/week)				
Average working time in sawmilling (h/week)	h/week	38,5	38,5	38,5

Sawn softwood				
	Unit	2021	2022	2023
Production	1.000 m <sup>3</sup>	10.582	10.700	10.700
Imports	1.000 m <sup>3</sup>	1.930	1.850	1.850
Exports	1.000 m <sup>3</sup>	5.982	6.100	6.100
Consumption	1.000 m <sup>3</sup>	6.530	6.450	6.450

Softwood logs				
	Unit	2021	2022	2023
Production	1.000 m <sup>3</sup>	10.400	11.500	11.500
Imports	1.000 m <sup>3</sup>	8.000	7.000	7.000
Exports	1.000 m <sup>3</sup>	594	1.000	1.000
Consumption	1.000 m <sup>3</sup>	17.806	17.500	17.500

By-Products				
	Unit	2021	2022	2023
Sawdust production	1.000 m <sup>3</sup>	3.070	3.070	3.070
Chips production	1.000 m <sup>3</sup>	3.900	3.900	3.900
Bark production	1.000 m <sup>3</sup>	880	880	880
Pellets production	1.000 tonnes	1.608	1.710	n.a.

Availability of logs				
(1 = low; 2 = medium low; 3 = normal; 4 = medium high; 5 = high)				
	Unit	2021	2022	2023
Softwood	Range 1-5	3	3	3

Capacity increases/decreases				
	Unit	2021	2022	2023
Softwood	1.000 m <sup>3</sup>	300	300	0

Cost development (%)			
2023 vs 2022 cost developments can be estimated as "stable", "decreasing", "increasing"			
	Unit	2022 vs 2021	2023 vs 2022
Softwood logs	% vs previous year	decreasing	stable
Energy	% vs previous year	increasing	stable
Transport	% vs previous year	increasing	stable

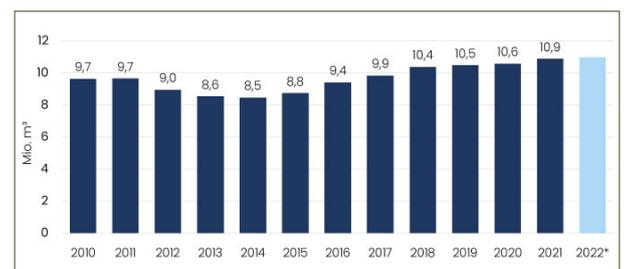
Price development (%)			
2023 vs 2022 cost developments can be estimated as "stable", "decreasing", "increasing"			
	Unit	2022 vs 2021	2023 vs 2022
Sawn softwood	% vs previous year	10,0%	stable
Chips	% vs previous year	20,0%	stable
Sawdust	% vs previous year	20,0%	stable

Source: Fachverband der Holzindustrie Österreichs

## Market statement

Industry representatives are satisfied with the industry's first semester 2022. The sawmill industry looks back on a successful first half of 2022. We were able to increase production and also process more wood from Austria's forests. In 2021, 10.9 million m<sup>3</sup> of sawn timber was produced in Austria. This is another increase in production output. For this year, a slight increase in production to around 11 million m<sup>3</sup> of sawn timber is forecast, if the best market conditions are established in the last quarter of this year. For the companies in the sawmill industry, the supply of raw materials is the prerequisite for jobs and value creation. Our domestic forests are clearly the number one source of raw materials. In Austria, the timber harvest in 2021 was almost 10 % higher than in the previous year, and this trend is continuing this year. Nevertheless, more wood grows in Austria than is harvested.

Hard and Softwood production 2010 - 2022\*  
**Production increases again in 2021**



Source: Statistik Austria, \*2022: prognosis, © Association of the Austrian Wood Industry

Austria continues to be very well positioned in the international timber trade. Austria is represented twice in the global top ten of the largest softwood lumber commodity flows in Q1 2022. Exports from Austria to Italy are in 3rd place and those to Germany in 7th place. The supposedly small Austria is a big player in the

international market. The most important customers of Austrian companies are in our neighboring countries. Number 1 is Italy with 45 % of Austria's sawn timber exports and in 2nd place is Germany with 19 %. All big scale sawmills are selling their high valued products worldwide.



Top 10 of the largest softwood lumber flows in Q1 2022. Source: Holzkurier, 09/2022

## Outlook with concerns

The Austrian sawmilling industry is feeling the general economic uncertainty in its order books. We are concerned about the increased costs in production for energy and raw materials as well as in logistics. The sawmill industry is a robust and crisis-proof sector, but we cannot decouple ourselves from an economic slump and rising inflation. In view of the uncertain economic situation, we call on politicians to focus on stabilizing and strengthening the economy: It is important now to strengthen independent value chains and set growth-oriented framework conditions.

For us in the sawmill industry, this means first and foremost that the availability of raw materials continues to be guaranteed. This requires a signal from European and national politics that the discussion about putting forests "out of use" is over and that there is **a clear commitment to sustainable and active forest management.**

A cost-effective economic stimulus program is to reduce and avoid bureaucracy. In the timber trade, companies are confronted with high documentation costs and legal uncertainty. Especially for small and medium-sized enterprises this is a big problem.

Industry representatives are particularly critical about the planned **EU deforestation regulation:** We already have an instrument against illegal timber trade with the Timber Trade Monitoring Act "HolzHÜG" (implementing the EUTR), and do not need any additional requirements. Instead, the existing monitoring system should be simplified in a targeted manner so that it can also be used by small and medium-sized enterprises, without any nasty surprises.

## General information about the Austrian sawmilling industry

Austria's sawmill industry consists of more than 1,000 companies. A large part of them has been in family hands for generations and shows a broad spectrum of companies: from world market leaders to numerous small and medium-sized enterprises. In Austria, the sawmill industry employs around 6,000 workers in rural areas and ensures stability and prosperity in the regions. The sawmill industry generates an annual turnover of about 2.4 billion euros.



# BELGIUM Producer & User

## General economic information

	Unit	2021	2022	2023
Population (million)	million	11,5	11,5	11,6
GDP Growth (%)	%	6,2	2,4	1,5
Inflation Rate (%)	%	2,4	9,4	6,5
Unemployment Rate (%)	%	6,3	5,5	5,6
Construction industry				
Building permits (units)	units	38.384	36.000	34.000
Housing starts (units)	units	n.a.	n.a.	n.a.
Housing completions (units)	units	n.a.	n.a.	n.a.
Wage development (%)				
	% vs previous year	1,7	10,0	4,0
Average working time in sawmilling (h/week)				
	h/week	38	38	38

## Sawn softwood

	Unit	2021	2022	2023
Production	1.000 m <sup>3</sup>	1.500	1.250	1.300
Imports	1.000 m <sup>3</sup>	3.100	2.700	2.700
Exports	1.000 m <sup>3</sup>	1.300	1.350	1.350
Consumption	1.000 m <sup>3</sup>	3.300	2.600	2.650

## Softwood logs

	Unit	2021	2022	2023
Production	1.000 m <sup>3</sup>	3.400	3.100	3.100
Imports	1.000 m <sup>3</sup>	2.900	2.700	2.700
Exports	1.000 m <sup>3</sup>	1.500	1.500	1.500
Consumption	1.000 m <sup>3</sup>	4.800	4.300	4.300

## By-Products

	Unit	2021	2022	2023
Sawdust production	1.000 m <sup>3</sup>	208	173	180
Chips production	1.000 m <sup>3</sup>	786	655	681
Bark production	1.000 m <sup>3</sup>	118	98	102
Pellets production	1.000 tonnes	850	950	1.000

## Availability of logs

(1 = low; 2 = medium low; 3 = normal; 4 = medium high; 5 = high)

	Unit	2021	2022	2023
Softwood	Range 1-5	4	2	2

## Capacity increases/decreases

	Unit	2021	2022	2023
Softwood	1.000 m <sup>3</sup>	0	0	0

## Cost development (%)

2023 vs 2022 cost developments can be estimated as "stable", "decreasing", "increasing"

	Unit	2022 vs 2021	2023 vs 2022
Softwood logs	% vs previous year	25,0%	-10,0%
Energy	% vs previous year	600,0%	-30,0%
Transport	% vs previous year	20,0%	10,0%

## Price development (%)

2023 vs 2022 cost developments can be estimated as "stable", "decreasing", "increasing"

	Unit	2022 vs 2021	2023 vs 2022
Sawn softwood	% vs previous year	-25,0%	0,0%
Chips	% vs previous year	150,0%	0,0%
Sawdust	% vs previous year	180,0%	0,0%

Source: Confédération belge du bois + Fedustria

## Market statement

The 2022 situation of the softwood market is very particular with a very good 1st half, very important demand and rising prices. The forecasts for the second half of the year are very different, with a significant decrease in demand, falling prices and exploding costs (electricity x 6), transport (+20%), wage costs (+10%), ... Sawmill production is declining and rising energy costs are causing serious profitability difficulties.

The by-product market is very tight. The demand is very important especially for wood energy and especially pellets. Prices are rising significantly, with demand being more important than supply.

The increase in prices for by-products and the trend towards the use of wood for energy (pellets) also affects the supply of the wood-based panel sector that struggles to stock up for the upcoming winter period. Also the availability of recycled or reclaimed wood, used e.g. for particleboard, has declined due to the increased use for energy purposes.

The availability of softwood is decreasing. The area of coniferous forests is decreasing every year in Belgium. This while 92% of the sawn logs volume in Belgium are logs of softwood.

Bark beetle attacks have remained limited in Belgium, with about 3,000,000 m<sup>3</sup> since the beginning of the crisis, about the equivalent of a year of production.



General economic information				
	Unit	2021	2022	2023
Population (million)	million	38,2	38,6	38,9
GDP Growth (%)	%	4,5	3,4	1,3
Inflation Rate (%)	%	3,4	7,3	4,5
Unemployment Rate (%)	%	7,4	5,9	6,3
Construction industry				
Building permits (units)	units	n.a.	n.a.	n.a.
Housing starts (units)	units	276.769	249.148	205.500
Housing completions (units)	units	n.a.	n.a.	n.a.
Wage development (%)				
	% vs previous year	2,8	5,2	4,3
Average working time in sawmilling (h/week)				
	h/week	n.a.	n.a.	n.a.

Sawn softwood				
	Unit	2021	2022	2023
Production	1.000 m <sup>3</sup>	40.227	38.702	35.675
Imports	1.000 m <sup>3</sup>	953	747	768
Exports	1.000 m <sup>3</sup>	27.189	25.665	23.354
Consumption	1.000 m <sup>3</sup>	13.991	13.784	13.089

Softwood logs				
	Unit	2021	2022	2023
Production	1.000 m <sup>3</sup>	110.766	104.496	101.287
Imports	1.000 m <sup>3</sup>	1.849	1.864	1.831
Exports	1.000 m <sup>3</sup>	3.377	2.794	2.580
Consumption	1.000 m <sup>3</sup>	109.237	103.566	100.538

By-Products				
	Unit	2021	2022	2023
Sawdust production	1.000 m <sup>3</sup>	n.a.	n.a.	n.a.
Chips production	1.000 m <sup>3</sup>	n.a.	n.a.	n.a.
Bark production	1.000 m <sup>3</sup>	n.a.	n.a.	n.a.
Pellets production	1.000 tonnes	3.800	4.088	4.176

Availability of logs				
(1 = low; 2 = medium low; 3 = normal; 4 = medium high; 5 = high)				
	Unit	2021	2022	2023
Softwood	Range 1-5	2	2	2

Capacity increases/decreases				
	Unit	2021	2022	2023
Softwood	1.000 m <sup>3</sup>	0	-468	-392

Cost development (%)			
2023 vs 2022 cost developments can be estimated as "stable", "decreasing", "increasing"			
	Unit	2022 vs 2021	2023 vs 2022
Softwood logs	% vs previous year	26,3%	-22,9%
Energy	% vs previous year	18,3%	-15,6%
Transport	% vs previous year	12,8%	-4,4%

Price development (%)			
2023 vs 2022 cost developments can be estimated as "stable", "decreasing", "increasing"			
	Unit	2022 vs 2021	2023 vs 2022
Sawn softwood	% vs previous year	-7,2%	-37,8%
Chips	% vs previous year	3,2%	-4,1%
Sawdust	% vs previous year	1,5%	-2,8%

Source: Forest Economic Advisors

## Market statement

The Canadian outlook has softened due to a rapid rise in interest rates that has raised mortgages, while consumers struggle to adjust to rapidly rising inflation. Our forecast shows Canadian real GDP posting growth of 3.4% in 2022 and 1.3% in 2023, after growing by 4.5% in 2021.

In 2022, the Canadian government increased interest rates in an effort to rein in inflation, which we see reaching nearly 7.3% in 2022 and 4.5% in 2023. This follows an already lofty rate of 3.4% in 2021. Unusually high inflation comes at a time of low unemployment and as many unions secure higher wages for workers to accommodate the increased cost of living. Canada's unemployment rate dropped to 5.9% in 2022, its lowest reading in 50 years. This compares with 7.4% in 2021. However, the labor market is tight and has started to restrain growth as firms are having a challenging time hiring workers.

The Canadian homebuilding sector remains relatively robust but its growth is slowing as mortgage rates rise. Housing starts are projected to shrink to 249,000 in 2022 from 277,000 in 2021, before cooling further to 205,000 in 2023. Residential construction has been a key growth driver over the last several quarters with housing starts hitting an all-time high in March 2021. However, household debt is near a record level and raises the expectation for Canada's residential-construction sector to begin to slow down.



Residential improvements are on the decline after soaring during the pandemic, when homebound residents flocked to big box stores for do-it-yourself renovation projects. Now that many Canadians are fully vaccinated and most pandemic restrictions have been lifted, they are able to spend their money in other sectors such as restaurants and tourism and renovation projects are on the decline. Softwood sawnwood consumption for residential improvements is forecast to drop by 4.1% in 2022 and 0.7% in 2023.

Canadian sawnwood exports will remain weak this year. Exports are forecast to drop 5.6% in 2022 and 9.0% in 2023, as relatively high prices keep North American lumber out of other markets. Additionally, the ruble and euro are likely to remain weak, and Russian producers, facing sanctions from Europe and Japan, look for alternative markets for their sawnwood.

Historically, the main driver of Canadian sawnwood production has been exports to the US and China. However, Canadian exports to China are expected to drop 44% in 2022 and 28% in 2023. This weak forecast comes as sanctions imposed on Russia following its invasion of Ukraine will push more Russian sawnwood to China and decrease its demand for North American-produced wood. Another limiting factor is strong US demand and high prices.

The industry is paying close attention to the latest from the US Department of Commerce, which lowered the "all others" duty rate on certain softwood sawnwood imports from Canada to 8.59% from 17.91%. This means Canadian shipments will be subject to this rate through most of 2023 at least, supporting market volatility and holding Canadian prices above where they otherwise would have been. Canada has challenged this and wants the duties lifted entirely. However, given the slow pace at which international institutions litigate these cases, no resolution is expected over the next 12-18 months.

Even as North American sawnwood prices remain historically elevated, though well below the record peaks of 2021, Canadian capacity is shrinking slightly as its westernmost province British Columbia continued to see reduced fiber supplies. Record profitability in 2021 spurred Canadian producers to make new investments in the US south, but supply constraints and higher cost-of-production in British Columbia will cause the country's softwood sawnwood capacity to drop by 1.0% in 2022 and 0.6% in 2023.

The cost of production will increase in 2022 as record 2021 sawnwood prices drove log costs sharply higher. We forecast sawnwood prices will tumble 37.8% in 2023, following a 7.2% drop year-over-year in 2022. As always, log costs take time to follow moves in the sawnwood market. We expect softwood log costs to drop by 22.9% in 2023 versus 2022, whereas they rose 26.3% this year versus 2021. Canadian sawnwood prices are mainly driven by demand/supply conditions in the US market.

High fuel costs and labor shortages will continue to add pressure this year, and raise manufacturing and shipping costs, but we expect this to subside in 2023. Whereas energy costs rose 18.3% this year, we forecast they will drop 15.6% in 2023. The industry will also get some reprieve on transportation costs, which are up 12.8% in 2022 but are forecast to decrease by a modest 4.4% next year.

Following record (nominal) prices and volatility in 2020 and 2021 that led to high profitability and significant capacity investment in North America, 2022 has been marked by falling prices, rising inventories and mill curtailments in British Columbia. Still, prices remain historically elevated. We believe the soaring and wildly volatile prices of 2020-21 were caused by pandemic-induced market imbalances. Now, rapidly rising interest rates, strong inflation and reduced home building expectations will place downside pressure on sawnwood prices in 2023.

# DENMARK Producer & User



General economic information				
	Unit	2021	2022	2023
Population (million)	million	5,87	5,87	5,92
GDP Growth (%)	%	4,9	3,5	1,9
Inflation Rate (%)	%	1,9	8,9	3,3
Unemployment Rate (%)	%	3,7	2,7	1,8
Construction industry				
Building permits (units)	units	32.000	33.000	30.000
Housing starts (units)	units	30.000	27.000	25.000
Housing completions (units)	units	35.600	36.500	30.000
Wage development (%)				
	% vs previous year	2,7	3,5	3,8
Average working time in sawmilling (h/week)				
	h/week	37	37	37

Sawn softwood				
	Unit	2021	2022	2023
Production	1.000 m <sup>3</sup>	400	375	350
Imports	1.000 m <sup>3</sup>	1.488	1.350	1.300
Exports	1.000 m <sup>3</sup>	305	310	300
Consumption	1.000 m <sup>3</sup>	1.583	1.415	1.350

Softwood logs				
	Unit	2021	2022	2023
Production	1.000 m <sup>3</sup>	1.400	1.400	1.200
Imports	1.000 m <sup>3</sup>	390	370	300
Exports	1.000 m <sup>3</sup>	340	400	300
Consumption	1.000 m <sup>3</sup>	1.450	1.370	1.200

By-Products				
	Unit	2021	2022	2023
Sawdust production	1.000 m <sup>3</sup>	n.a.	n.a.	n.a.
Chips production	1.000 m <sup>3</sup>	n.a.	n.a.	n.a.
Bark production	1.000 m <sup>3</sup>	n.a.	n.a.	n.a.
Pellets production	1.000 tonnes	n.a.	n.a.	n.a.

Availability of logs				
(1 = low; 2 = medium low; 3 = normal; 4 = medium high; 5 = high)				
	Unit	2021	2022	2023
Softwood	Range 1-5	3	3	4

Capacity increases/decreases				
	Unit	2021	2022	2023
Softwood	1.000 m <sup>3</sup>	0	0	0

## Cost development (%)

2023 vs 2022 cost developments can be estimated as "stable", "decreasing", "increasing"

	Unit	2022 vs 2021	2023 vs 2022
Softwood logs	% vs previous year	n.a.	n.a.
Energy	% vs previous year	n.a.	n.a.
Transport	% vs previous year	n.a.	n.a.

## Price development (%)

2023 vs 2022 cost developments can be estimated as "stable", "decreasing", "increasing"

	Unit	2022 vs 2021	2023 vs 2022
Sawn softwood	% vs previous year	n.a.	n.a.
Chips	% vs previous year	n.a.	n.a.
Sawdust	% vs previous year	n.a.	n.a.

Source Producer: Association of Danish Wood and Furniture Industries

Source User: Danske Byggecentre / Danish Timber Trade Federation

## Market statement

### Imports of sawn softwood

In 2021 the imports of sawn softwood reached a record level of almost 1.500.000 m<sup>3</sup> reflecting the high level of activity in the construction sector as well as in the wood working industry during the pandemic.

In 2022 the market has evolved quite differently with the knock-on effects of the Russian invasion of Ukraine now unfolding at an accelerating pace affecting all corners of the Danish and European economy.

With increasing interest rates, inflation and notably energy prices spiking, the general economic outlook has worsened over the summer and softwood market outlook has changed accordingly.

As far as the construction sector goes the professional segment is currently running on existing orders throughout the year, but the challenge is the pause in new orders and what will happen in 2023.

Building projects and planned new constructions, public as well as private, are being paused or postponed due to increased material costs - not particularly for timber, but for almost any construction material, especially the energy intensive ones.

Private consumers' expectations are gloomy and consumer confidence is very low. Initially and over the summer DIY, repair and maintenance paused due to the 'end' of Covid, with the world re-opening and travelling and leisure activities picking up, but consumption is expected to drop even further due to inflation, energy prices and rising interest rates. Real estate market has also slowed down and prices are expected to fall after many years of continuous rise.

Imports of sawn softwood is expected to decrease to approx. 1.350.000 m<sup>3</sup> in 2022.

The full effects of the missing volumes of Russian and Belarusian wood products to the European and Danish market are yet to be seen and whether they will be balanced by decreasing activity is an open question. Several Scandinavian mills announced decreased production over the last months.

The current uncertainty is massive, as is the political shift of priorities, and the question is no longer if there will be an economic crisis, but instead how deep and how long the crisis will be.

In spite of that, the long-term outlook for our sector remains positive, considering the underlying demand for construction and energy renovation across Europe as well as the growing recognition that wood products can act as tools to mitigate the climate change and to drive the transition to a green economy.



**DANSK TRÆFORENING**  
Danish Timber Trade Federation

## Wood working industry statement

The corona crisis once again had a significant influence on the Danish timber industry. The turnover was favored by great demand from consumers who were cut off from e.g., travelling, visiting restaurants, and attending concerts and other social events. With a turnover at its highest level since 2008, 2021 proved to be a year of great advancement for the industry.

Biodiversity and unmanaged forest continue to lead the agenda regarding supply of timber. Much effort is spent negotiating the details of establishing unmanaged state forest corresponding to approximately 12 % of the total Danish forest area. For hardwood sawmillers the 6-year transition period for deciduous forests turned to be an unsatisfactory outcome. A transition period of 25 years for conifer forests will not have an immediate effect on softwood sawmillers but will have a negative long-term effect on the timber supply.

Much optimism followed as the corona crisis seemed to lighten. However, with the Russian invasion of Ukraine dark clouds once again emerged with global economic uncertainty and immediate shortage of e.g., birch plywood, Siberian larch and oak.

The unbalance following Chinese wood imports from all over the world, including much from Europe, is increasingly worrying and disturbing for the local wood industry. One third of unprocessed hardwood and 13% of Danish unprocessed softwood are exported to Asia, primarily to China.

With the combination of biodiversity forest, wood shortage following the war in Ukraine and aggressive acquisition of European and Danish wood a severe supply crisis has been evident up until the spring and summer of 2022.

With the uncertainty of the war, sky rocketing energy prices, an historically high inflation level and interest rates expected to increase in Europe and North America, the softwood market will see into a period of diminished demand and building activity.

We hope for the war to end, especially with regard to the innocent Ukrainians who now live in, or have fled from, a war-torn country, but also so that we again can focus on the climate agenda, where the wood industry possesses unique opportunities to bring us into line with our ambitious goals of climate neutrality.

Danske Træindustrier **DTI**

# FINLAND Producer



General economic information				
	Unit	2021	2022	2023
Population (million)	million	5,5	5,5	5,5
GDP Growth (%)	%	2,1	2,2	-0,3
Inflation Rate (%)	%	2,1	7,0	4,0
Unemployment Rate (%)	%	7,6	6,8	7,3
Construction industry				
Building permits (units)	units	45.237	38.451	33.000
Housing starts (units)	units	47.229	40.000	36.000
Housing completions (units)	units	37.468	41.215	35.000
Wage development (%)				
	% vs previous year	1,0	2,0	2,0
Average working time in sawmilling (h/week)				
	h/week	37,5	37,5	37,5

Sawn softwood				
	Unit	2021	2022	2023
Production	1.000 m <sup>3</sup>	11.900	11.400	11.500
Imports	1.000 m <sup>3</sup>	500	350	100
Exports	1.000 m <sup>3</sup>	9.500	9.100	9.100
Consumption	1.000 m <sup>3</sup>	3.000	2.700	2.500

Softwood logs				
	Unit	2021	2022	2023
Production	1.000 m <sup>3</sup>	n.a.	n.a.	n.a.
Imports	1.000 m <sup>3</sup>	n.a.	n.a.	n.a.
Exports	1.000 m <sup>3</sup>	n.a.	n.a.	n.a.
Consumption	1.000 m <sup>3</sup>	n.a.	n.a.	n.a.

By-Products				
	Unit	2021	2022	2023
Sawdust production	1.000 m <sup>3</sup>	3.600	3.400	3.500
Chips production	1.000 m <sup>3</sup>	7.900	7.600	7.600
Bark production	1.000 m <sup>3</sup>	3.300	3.100	3.200
Pellets production	1.000 tonnes	300	300	300

Availability of logs				
(1 = low; 2 = medium low; 3 = normal; 4 = medium high; 5 = high)				
	Unit	2021	2022	2023
Softwood	Range 1-5	4	3	3

Capacity increases/decreases				
	Unit	2021	2022	2023
Softwood	1.000 m <sup>3</sup>	500	1.000	1.500

Cost development (%)			
2023 vs 2022 cost developments can be estimated as "stable", "decreasing", "increasing"			
	Unit	2022 vs 2021	2023 vs 2022
Softwood logs	% vs previous year	15,0%	-5,0%
Energy	% vs previous year	100,0%	-25,0%
Transport	% vs previous year	15,0%	15,0%

Price development (%)			
2023 vs 2022 cost developments can be estimated as "stable", "decreasing", "increasing"			
	Unit	2022 vs 2021	2023 vs 2022
Sawn softwood	% vs previous year	30,0%	-15,0%
Chips	% vs previous year	6,0%	5,0%
Sawdust	% vs previous year	20,0%	10,0%

Source: Finnish Sawmills Association

## Market statement

### Finnish economy

#### General

The Finnish economy is expected to grow at the rate of 2,2 percent in 2022 following a brisk first half of the year. During the second quarter, the economy grew by 0,9 percent from the first quarter and 3,0 percent compared to last year. The robust growth was based on robust private consumption of especially services. Consumption of consumer durables decreased substantially. The change in attitudes toward the pandemic and the release of pent-up demand for services resulted in growth in consumption until the summer.

During the third quarter, the energy crisis caused by the Russian invasion of Ukraine and, galloping inflation have resulted in softening of the consumer confidence and private consumption. It is expected that Finland will fall into recession during the last quarter of 2022. Contraction of 0,3-0,5 percent is expected in 2023. It is forecasted that Finland will return to growth track in 2024 with growth of 1,1-1,6 percent.

The labour market has developed favourably but as the economy is weakening the positive trend will come to an end. However, the shortage of skilled labour may encourage employers to hold on their staff despite the challenges in business. Unemployment rate will increase slightly in 2023 – from 6,8 percent in 2022 to 7,3 percent in 2023.

Inflation is expected to remain high and pressure on consumer prices will continue until the spring of 2023. After reaching 10 percent during the last quarter of 2022, inflation is expected to hit on average 7 percent in 2022 and, 4 percent in 2023. However, there are several risks related to energy prices in 2023 which reflects to the inflation rate.

The main downside risk is related to the energy crisis. Higher than expected energy prices and inflation would limit the purchasing power of consumers which would further result in slower growth in 2023. Other risks are related to the contracting of global economic growth, tightening monetary policy and escalating supply chain problems.

### External sector

It is expected that the effects of rising prices will hit Central Europe even worse than Finland and the recession will probably be deepest in Germany due to the dependence of Russian gas. Demand in Europe will contract which will have a negative effect on Finnish exports. Exports is forecasted to shrink by two percent. Domestic construction investments will stall from the existing high level, because of deteriorated security situation. The investments related to Green Deal will boost exports but not enough to compensate decreasing traditional exports of machinery and equipment.

Imports exceeded exports during the second quarter, specifically in the service sector, driven by outbound travelling exceeding inbound tourism.

### Construction

According to forecasts the Finnish construction sector is expected to decline by three to five percent in 2023 from growth of 2-3 percent in 2022. The Finnish construction sector has performed well despite Russia's attack with increasing housing starts during the first half compared to 2021. However, the outlook for the rest of the year is shadowed by uncertainties. The impact of Russian aggression can be seen in building permits. During the first half 2022, housing construction permits declined by 20 percent and, commercial construction by 30%.

Inflation, energy prices, high interest rates are resulting in deteriorating consumer confidence which will result in slowing demand from households and smaller residential investors. The renovation and maintenance sectors are expected to develop positively. The problems in supply chains of construction materials have eased and the material prices are stabilising.

## Production and markets of Finnish sawn softwood

The demand of sawn softwood eased during the second half of 2021 and resulted in increasing inventories and weakening prices. The Covid-19 effect in the markets was over. The supply-demand balance was reached by the end of the year. 2022 started under calm conditions. However, the Russian invasion of Ukraine on the 24th of February 2022 was followed by a panic among softwood buyers as they were looking for replacement for their Russian, Belarussian and Ukrainian shippers. In March the forest certification organisations PEFC and FSC declared that wood products originating from Belarus and Russia are conflict timber. As a result, many buyers halted the purchases from these sources immediately. In April, European Union set sanctions on wood products but coming into effect no earlier than July. This resulted in wood flowing from Russia and Belarus to Europe with only slightly smaller volumes than normally until the sanctions came into effect. By the end of July there was an oversupply of softwood products and the stocks of European buyers. Trading halted and prices started to erode.

### Roundwood and production

In 2021, the roundwood price increases followed the increases of sawn timber prices until the autumn. In 2022 the wood market behaved in the same, untraditional way. However, the roundwood prices started to increase in the spring and have continued to rise despite of the declining prices of sawn softwood. The supply of wood was slightly limited in the spring which resulted in increasing prices. However, trading volumes remained below consumption of mills. During the first half of 2022, the Finnish mills produced 6,0 million cubic meters of sawn softwood, four percent less than in 2021.

### Exports of sawn and planed softwood

Finnish sawmills exported 3,9 million m<sup>3</sup> (-2%) of sawn and 0,5 million m<sup>3</sup> (-8%) planed softwood during the first half of 2021. Sawn redwood exports reached 1,9 million m<sup>3</sup> and, whitewood 2,0 million m<sup>3</sup>. Egypt took its traditional leading place with 456 000 m<sup>3</sup> (-7%) followed by Japan with 448 000 m<sup>3</sup> (+25%). In 2021, UK scored first but, during the first six months in 2022 it stepped down to the third place with 390 000 m<sup>3</sup> (-33%). UK was followed by Germany representing 298 000 m<sup>3</sup> (-2%) and, China with 296 000 m<sup>3</sup> (-19%).

The whitewood export price increased by 40 percent to 321 €/m<sup>3</sup> FOB during the first half of 2022 compared to 2021 and, redwood price by the same percentage to 321 €/m<sup>3</sup>.

The domestic market was extremely busy in 2021 but especially timber merchants and DIY outlet sales were dull. Construction industry was still relatively busy with ongoing projects. Construction of wooden high-rise buildings is still very slow and more or less focused on non-standardised projects.

Demand of sawmill dust and bark has exploded as a result of the energy crisis caused by Russia. Finland has imported gas, firewood and oil from Russia which all have now ceased. Thus domestic demand of sawmill side products is very active and, new sources of oil and gas are being looked for. However, Finland is not even close as dependent on gas as Germany since gas is mainly used for industrial end-uses only.

## EU environment (copy from 2021)

The working environment within the EU has become unpredictable for the forest industry sector. The acceptability of the sector and the availability of from sustainably managed forests is being seriously questioned by parties coming from the outside of the forest industry sector.

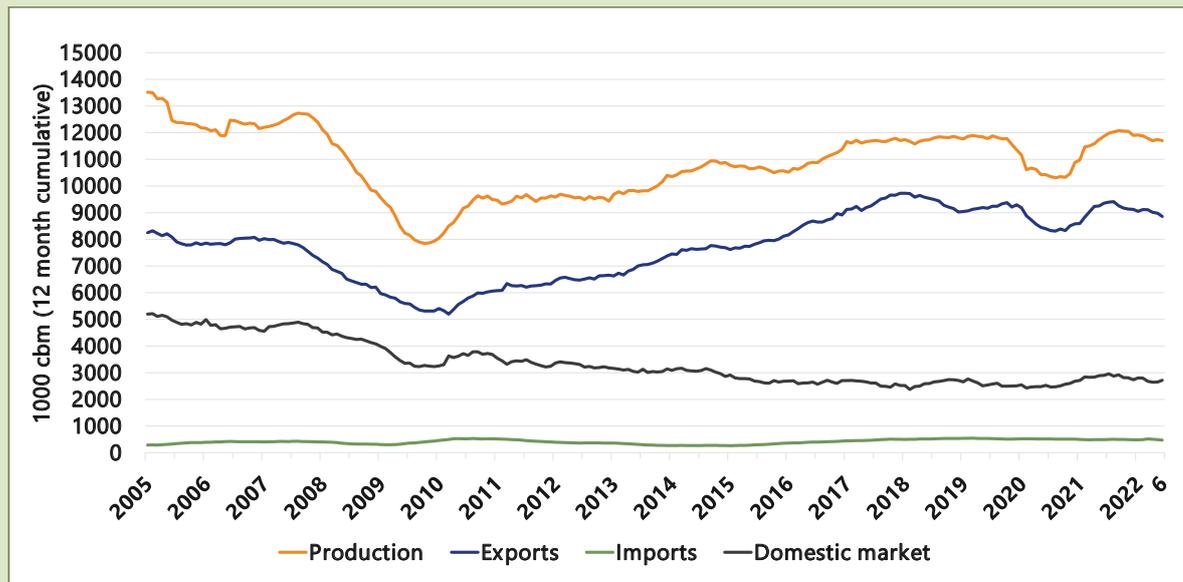
However, it must be emphasised that the sawmill industry is very energy efficient, sawn timber works as a carbon storage - in the best case for centuries and can be recycled. Several fossil and energy intensive materials can be substituted by renewable wood. Wood is a product for the future.

### More information:

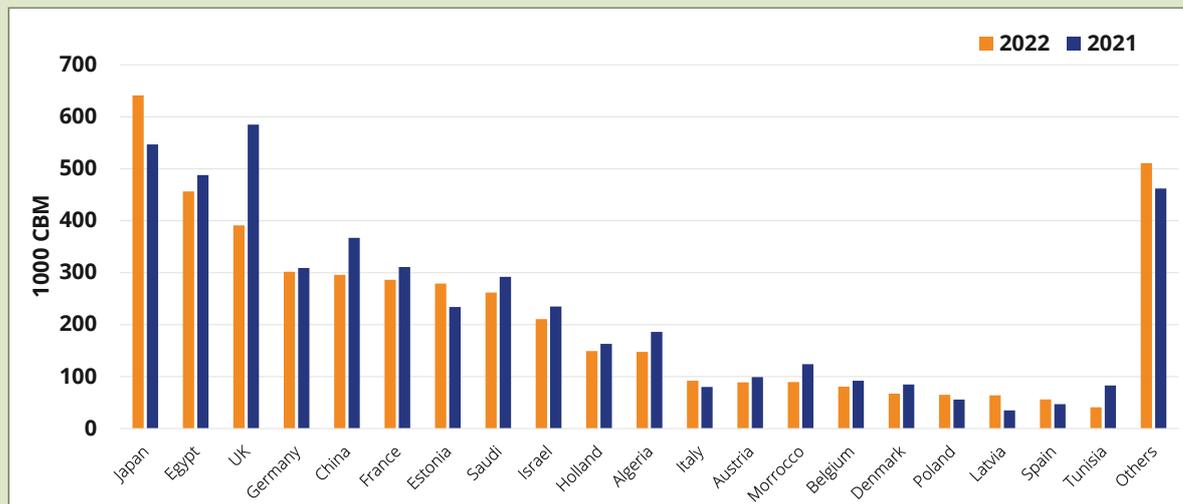
Kai Merivuori, Finnish Sawmills

Tel +358405322868, kai.merivuori@sahateollisuus.com

## Softwood production and sales



## TOP 20 Export countries from Finland - Sawn softwood, planed and gluelam



# FRANCE Producer

## General economic information

	Unit	2021	2022	2023
Population (million)	million	67,6	67,8	70,0
GDP Growth (%)	%	6,8	2,5	1,0
Inflation Rate (%)	%	1,6	6,0	3,0
Unemployment Rate (%)	%	7,4	7,4	7,4
Construction industry				
Building permits (units)	units	471.000	470.000	430.000
Housing starts (units)	units	392.000	387.000	350.000
Housing completions (units)	units	n.a.	n.a.	n.a.
Wage development (%)				
	% vs previous year	2,5	6,0	3,0
Average working time in sawmilling (h/week)				
	h/week	39	39	39

## Sawn softwood

	Unit	2021	2022	2023
Production	1.000 m <sup>3</sup>	7.000	6.850	6.650
Imports	1.000 m <sup>3</sup>	3.155	3.000	2.500
Exports	1.000 m <sup>3</sup>	910	850	900
Consumption	1.000 m <sup>3</sup>	9.245	9.000	8.250

## Softwood logs

	Unit	2021	2022	2023
Production	1.000 m <sup>3</sup>	n.a.	n.a.	n.a.
Imports	1.000 m <sup>3</sup>	850	1.000	900
Exports	1.000 m <sup>3</sup>	1.100	1.100	1.000
Consumption	1.000 m <sup>3</sup>	n.a.	n.a.	n.a.

## By-Products

	Unit	2021	2022	2023
Sawdust production	1.000 m <sup>3</sup>	n.a.	n.a.	n.a.
Chips production	1.000 m <sup>3</sup>	n.a.	n.a.	n.a.
Bark production	1.000 m <sup>3</sup>	n.a.	n.a.	n.a.
Pellets production	1.000 tonnes	n.a.	n.a.	n.a.

## Availability of logs

(1 = low; 2 = medium low; 3 = normal; 4 = medium high; 5 = high)

	Unit	2021	2022	2023
Softwood	Range 1-5	4	3	3

## Capacity increases/decreases

	Unit	2021	2022	2023
Softwood	1.000 m <sup>3</sup>	n.a.	n.a.	n.a.

## Cost development (%)

2023 vs 2022 cost developments can be estimated as "stable", "decreasing", "increasing"

	Unit	2022 vs 2021	2023 vs 2022
Softwood logs	% vs previous year	n.a.	n.a.
Energy	% vs previous year	n.a.	n.a.
Transport	% vs previous year	n.a.	n.a.

## Price development (%)

2023 vs 2022 cost developments can be estimated as "stable", "decreasing", "increasing"

	Unit	2022 vs 2021	2023 vs 2022
Sawn softwood	% vs previous year	n.a.	n.a.
Chips	% vs previous year	n.a.	n.a.
Sawdust	% vs previous year	n.a.	n.a.

Source Producer: Fédération Nationale du Bois

## Market statement

L'année 2021 a été marquée par une très forte volatilité des marchés avec des fortes tensions au cours du premier semestre et un retour à la normale sur le second semestre. La peur de la pénurie a alimenté artificiellement la consommation apparente dans un marché certes en progression mais bien loin des chiffres statistiques. L'explication principale se trouve dans la faiblesse des stocks en début d'année aussi bien chez les producteurs que chez les clients et la présence de stocks élevés en fin d'année chez les importateurs et charpentiers.

La production française a augmenté dans les limites des capacités industrielles pour répondre à la forte demande des clients aussi bien français qu'étrangers. Les importations ont connu un fort rattrapage fin 2021 pour atteindre 3,150 millions de m<sup>3</sup> soit une progression de 21 % majoritairement en provenance d'Allemagne, de Finlande et de Belgique. Soit un volume nettement supérieur à la consommation et besoins réels du marché.

Le marché a été tiré principalement par le secteur de l'emballage mais aussi de la rénovation. Le marché de la construction est bien reparti même si certains matériaux manquants entraînaient des retards de chantiers.

Les exportations françaises ont progressé en fonction des besoins et manques sur le marché national. Majoritairement Européennes, elles se sont fortement développées sur les pays européens avec une très forte demande sur le douglas.

2022 a débuté avec des stocks reconstitués mais toujours avec la même fébrilité des acteurs tout au long de la chaîne de distribution. La reprise économique mondiale, la forte demande aux États-Unis, les problèmes logistiques et les inconnues de la guerre en Ukraine ont poussé les acheteurs à sur-couvrir leurs besoins futurs sur la période mars à mai 2022.

Principalement tiré par le marché de la palette et de l'emballage, cette frénésie de commandes a finalement abouti à une augmentation de 14 % des importations.

Le ralentissement économique entamé dès Juin 2022 et la faible consommation estivale du secteur de la rénovation font ressortir des stocks très importants chez tous les acteurs en septembre.

Au niveau des scieries françaises, les points suivants sont identifiés comme ayant des conséquences sur les perspectives futures : difficulté de recrutement de la main d'œuvre, prix de l'énergie (jusqu'à x10 par rapport à 2021) et déconnexion du prix des grumes par rapport à l'évolution actuelle des sciages et des frais fixes ce qui fragilise grandement la rentabilité des scieries.

On notera quand même des évolutions positives sur les prix des connexes et du bois énergie / pellets en raison des inquiétudes liées à l'hiver à venir.

Sur les autres marchés, les signaux sont variés : le marché de l'emballage est toujours bon mais soumis à trop d'offres, le marché de la rénovation a été délaissé par les Français cet été au profit de loisirs et vacances, le marché de la construction neuve est toujours actif en raison des retards accumulés mais on sent un ralentissement en raison des conditions plus difficiles des crédits.

Dans ce contexte d'incertitudes et de hausse des coûts de production en Europe, on s'attend à un ralentissement des importations sur la fin de l'année.



The year 2021 was marked by very high market volatility with strong tensions during the first half of the year and a return to normal in the second half. Fear of shortages artificially fuelled apparent consumption in a market that was certainly growing but far from the statistical figures. The main explanation lies in the low level of stocks at the beginning of the year, both among producers and customers, and the presence of high stocks at the end of the year among importers and carpenters.

French production increased within the limits of industrial capacity to meet the strong demand of both French and foreign customers. Imports have experienced a strong catch-up at the end of 2021 to reach 3.150 million m<sup>3</sup>, an increase of 21%,

mainly from Germany, Finland and Belgium. That is to say, a volume significantly higher than the actual consumption and needs of the market.

The market was mainly driven by the packaging sector but also by the renovation sector. The construction market has recovered well, even if some missing materials have caused delays in building sites.

French exports progressed according to the needs and shortages on the national market. Mostly European, they have developed strongly in European countries with a very strong demand for Douglas fir.

2022 has started with reconstituted stocks but still with the same feverishness of the actors all along the distribution chain. The global economic recovery, strong demand in the United States, logistical problems and the unknowns of the war in Ukraine have pushed buyers to over-cover their future needs for the period March to May 2022.

Primarily driven by the pallet and packaging market, this order frenzy ultimately resulted in a 14% increase in imports.

The economic slowdown that began in June 2022 and the weak summer consumption in the renovation sector have resulted in very high inventories among all players in September.

At the level of French sawmills, the following points have been identified as having consequences on future prospects: difficulty in recruiting manpower, energy prices (up to x10 compared to 2021) and disconnection of the price of logs from the current evolution of sawn timber and fixed costs, which greatly weaken the profitability of sawmills.

Nevertheless, we note positive developments in the prices of related products and wood energy / pellets due to concerns about the coming winter.

On the other markets, the signals are varied: the packaging market is still good but subject to too many offers, the renovation market has been abandoned by the French this summer in favor of leisure and vacations, the new construction market is still active because of accumulated delays but we feel a slowdown due to more difficult credit conditions.

In this context of uncertainty and rising production costs in Europe, imports are expected to slow down towards the end of the year.

# GERMANY Producer

## General economic information

	Unit	2021	2022	2023
Population (million)	million	83,2	↗	↗
GDP Growth (%)	%	2,6	→	→
Inflation Rate (%)	%	3,1	↗	↗
Unemployment Rate (%)	%	3,0	↗	↗
Construction industry				
Building permits (units)	units	328.489	↘	→
Housing starts (units)	units	n.a.		
Housing completions (units)	units	256.532	↘	→
Wage development (%)				
	% vs previous year	3,7	↗	↗
Average working time in sawmilling (h/week)				
	h/week	40	→	→

## Sawn softwood

	Unit	2021	2022	2023
Production	1.000 m <sup>3</sup>	25.313	25.300	25.000
Imports	1.000 m <sup>3</sup>	5.700	5.000	4.500
Exports	1.000 m <sup>3</sup>	10.909	10.500	10.000
Consumption	1.000 m <sup>3</sup>	20.104	19.800	19.500

## Softwood logs

	Unit	2021	2022	2023
Production	1.000 m <sup>3</sup>	49.700	47.000	43.000
Imports	1.000 m <sup>3</sup>	3.264	2.800	2.500
Exports	1.000 m <sup>3</sup>	8.273	5.500	2.500
Consumption	1.000 m <sup>3</sup>	44.691	44.300	43.000

## By-Products

	Unit	2021	2022	2023
Sawdust production	1.000 m <sup>3</sup>	5.664	5.661	5.354
Chips production	1.000 m <sup>3</sup>	11.831	11.824	11.410
Bark production	1.000 m <sup>3</sup>	n.a.	n.a.	n.a.
Pellets production	1.000 tonnes	3.355	3.600	↗

## Availability of logs

(1 = low; 2 = medium low; 3 = normal; 4 = medium high; 5 = high)

	Unit	2021	2022	2023
Softwood	Range 1-5	3	2	2

## Capacity increases/decreases

	Unit	2021	2022	2023
Softwood	1.000 m <sup>3</sup>	↗	→	→

## Cost development (%)

2023 vs 2022 cost developments can be estimated as "stable", "decreasing", "increasing"

	Unit	2021 vs 2020	2022 vs 2021	2023 vs 2022
Softwood logs	% vs previous year	50,3%	↗	↗
Energy	% vs previous year	76,4%	↗↗	↗
Transport	% vs previous year	↗	↗	↗

## Price development (%)

2023 vs 2022 cost developments can be estimated as "stable", "decreasing", "increasing"

	Unit	2021 vs 2020	2022 vs 2021	2023 vs 2022
Softwood logs	% vs previous year	61,5%	→	→
Energy	% vs previous year	4,2%	↗	↗
Transport	% vs previous year	n.a.	↗	↗

Source Producer: DeSH Deutsche Säge- und Holzindustrie Bundesverband e.V.

Source User: GD Holz

## Market statement

### Focus on supplying the timber markets

### Economic challenges – damaged wood, Corona, war and sanctions

After the German sawmill and timber industry was confronted with exceptionally volatile market conditions in 2021, companies had to face further challenges in the first half of 2022. On the customer market side, the focus was on supplying domestic demand. However, the market environment deteriorated significantly in 2022: In addition to the direct effects of the Corona measures and the internationally disrupted supply chains, there have been sanction-related restrictions and a crisis on the energy market since the outbreak of the war against Ukraine. The consequences are already making an impact on the timber market: Rising prices are having a significant effect on the main consumer market for sawn softwood. Postponed investments, deferred construction projects and revised financing are dampening construction activity. While interest rates are rising significantly, the German economy is threatened by recession.

After a good start to 2022, the attack on Ukraine caused a sharp downturn in the sawn timber market. The previously rising sales volumes have been in sharp decline since the second quarter. In combination with rising log prices and increasing price pressure, the earnings situation of the companies is proving difficult in the middle of the year. Once again, exports are proving to be a stabilizing factor for German companies in the sawmill and timber industry. It enables the relatively rapid removal of damaged wood. Without the stable foreign trade, the decline in domestic consumption would have led to significantly higher pressure on the log market and greater restraint in the acceptance of logs.

The strong increase in the level of energy prices also had a positive impact on pellets and significantly increased revenues from sawmill residues. Despite the increased price of roundwood, companies were able to realize higher margins. However, with production stagnating, the volume of sawmill residues remains limited in the medium to long term.

Overall, the positive basic trend for the sawn timber market continues. The German government's target of building 400,000 homes remains in place and is urgently needed in view of the high demand for housing. With the demand for a climate-friendly construction sector, sustainable and energy-saving timber con-

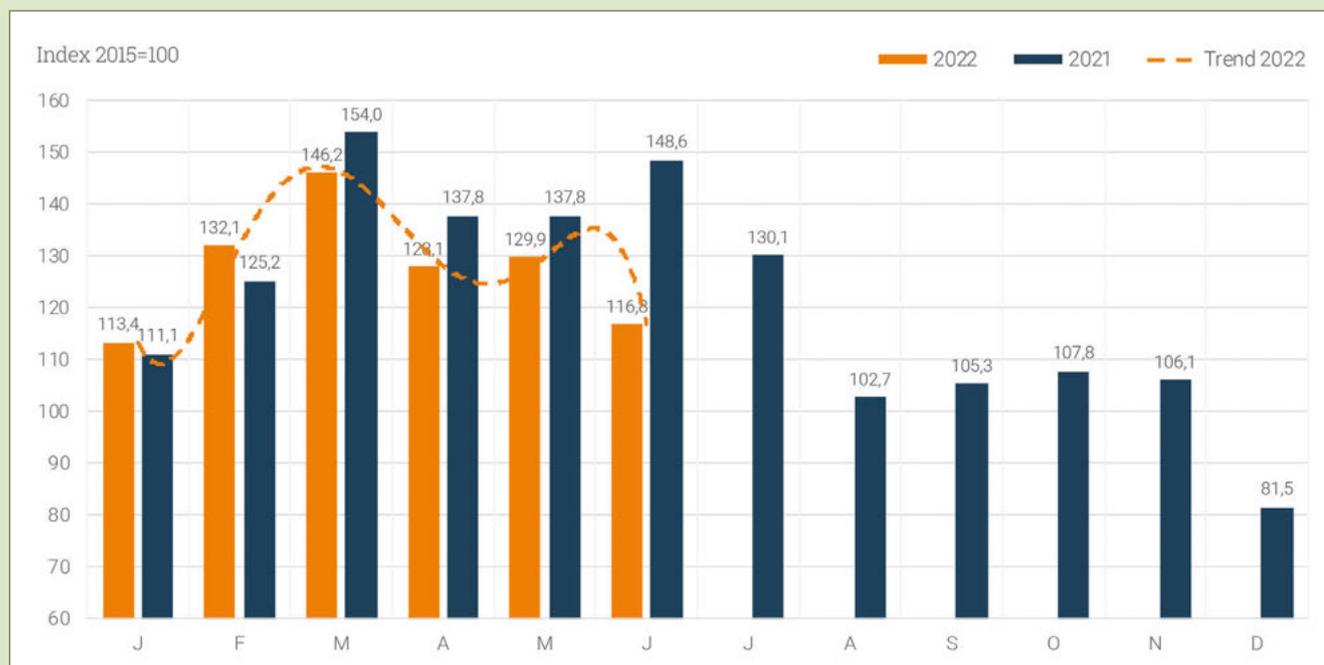
struction continues to score points. The timber construction rate is continuously increasing. The modern timber engineering products of the sawmill and timber industry enable the strong position of timber construction in Germany.

Against this background, the sawmill and timber industry is observing current efforts in politics and NGOs with great concern. Increasing restrictions on forest management and the use of wood for energy are clouding the outlook. Thus, the focus of DeSH's political work is to repeatedly point out the importance of wood as a sustainable construction and material with regard to the necessary climate protection and CO<sub>2</sub> reduction performance.

### Falling demand requires production adjustments

After two strong months at the start of 2022, companies have had to adjust production to the weakening demand since March. The latest production index available for June was down 21.4 percent year-on-year for this month. For the first half of 2022, this results in a decline in production of around 6 percent. The market trend for the individual product ranges was clearly differentiated. Construction-related products in particular showed stronger fluctuations in demand.

### Index of production, sawmilling and planing



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Source: Statistisches Bundesamt (Destatis), 2022



### Export supports processing of damaged wood

In previous years, exports already made a valuable contribution to working off the damaged wood from insect and drought damage. Although the domestic market remains at a high level, exports remain an important factor for sales, especially to countries outside Europe. However, overseas exports present particular challenges to operations in terms of freight rates, container availability and currency fluctuations.

Export-oriented companies were able to take advantage of international demand, especially from the USA, to increase exports. Thus, exports of sawn softwood including planed products increased by 8.8 percent to 11 million m<sup>3</sup> in 2021. The increase of 890 thousand m<sup>3</sup> is primarily due to higher exports of planed products, which were primarily supplied to the USA.

Imports also increased in parallel. At 5.8 million m<sup>3</sup> in 2021, an increase of 4.8 percent, which is also attributable to the strong rise in planed products.

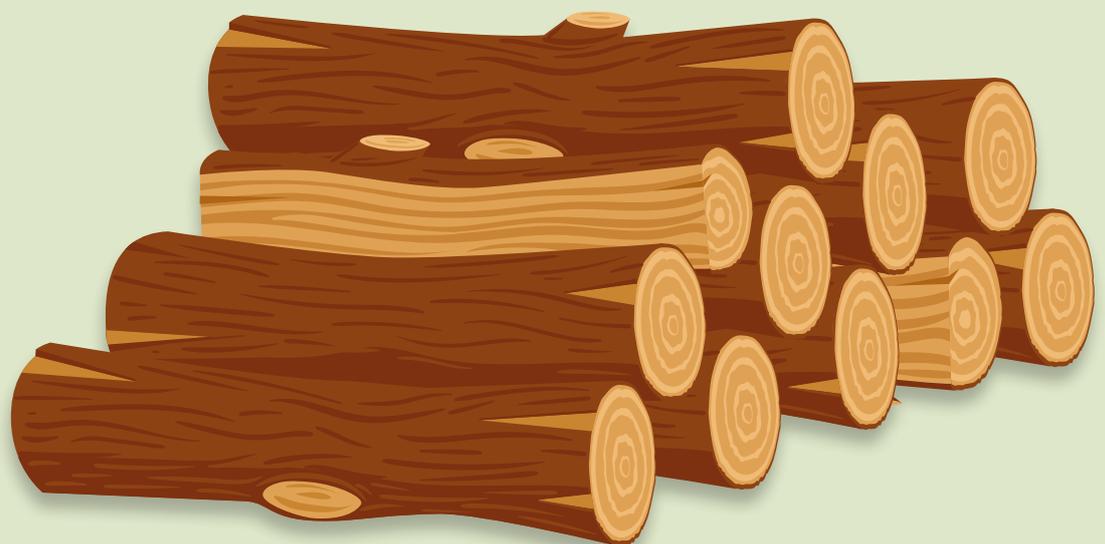
### Export of sawn wood (m<sup>3</sup>)

	Year 2017	Year 2018	Year 2019	Year 2020	Year 2021	1-6/2021	1-6/2022
USA	738.030	992.352	1.218.219	1.855.467	2.322.738	1.217.529	1.382.722
Netherlands	894.086	984.171	942.123	976.485	1.101.163	582.369	442.605
Austria	947.578	954.696	977.615	1.017.221	1.037.315	609.664	508.844
France	888.436	911.926	924.613	907.305	1.052.546	543.613	487.405
Belgium	672.454	709.327	731.474	829.478	907.137	520.299	422.363
Great Britain	418.549	497.390	524.844	667.650	737.243	371.032	279.782
Italy	475.044	495.355	499.346	460.306	559.092	302.511	261.045
China	184.499	177.458	770.528	907.270	501.197	189.614	204.456
India	262.209	290.022	354.893	282.776	232.052	84.601	165.904
Poland	208.846	170.402	202.459	221.047	253.695	96.474	190.875
Other Countries	2.239.427	2.516.744	2.162.210	1.995.165	2.305.784	1.005.409	1.251.359
<b>Total</b>	<b>7.929.157</b>	<b>8.699.842</b>	<b>9.308.322</b>	<b>10.120.169</b>	<b>11.009.959</b>	<b>5.523.115</b>	<b>5.597.360</b>

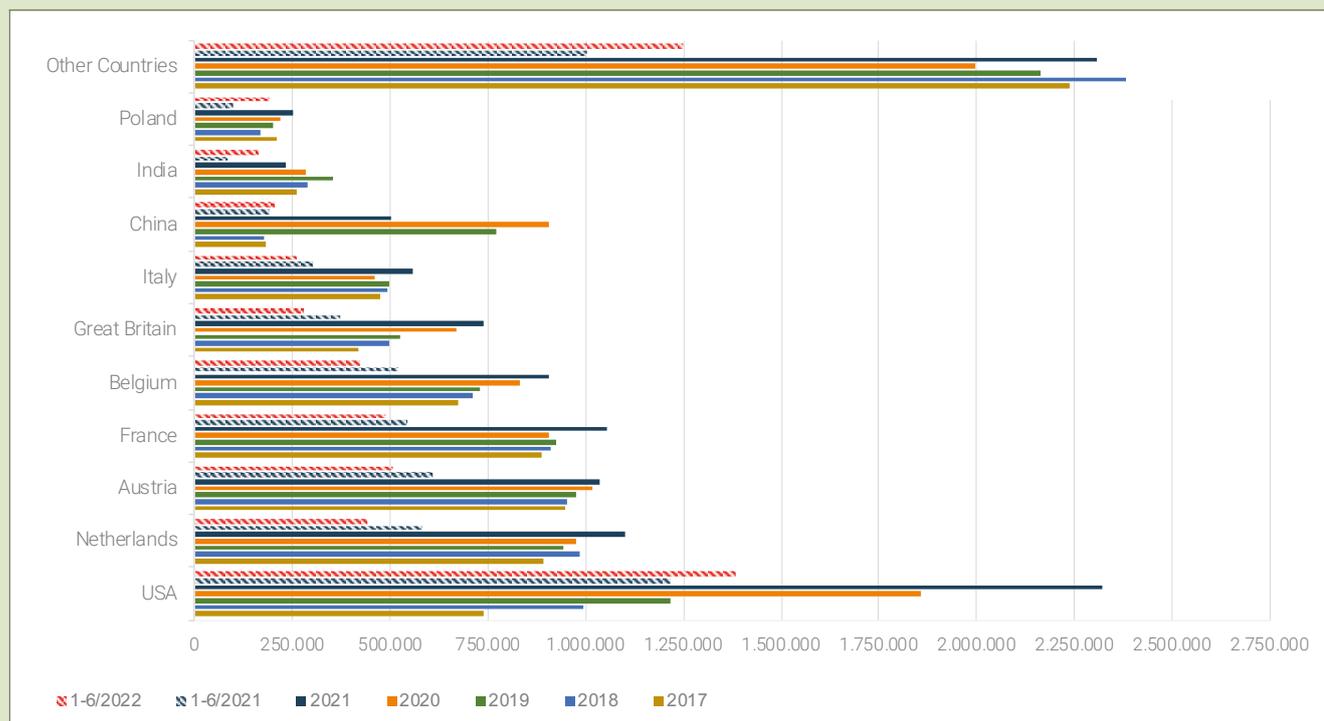
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 Source: Statistisches Bundesamt (Destatis), 2022

Exports of sawn softwood have so far continued successfully in 2022. In the first half of the year, exports remained at a high level and rose marginally by 0.2 percent to 5.4 million m<sup>3</sup>. The most important customer country was again the USA, which accounted

for almost a quarter of total exports with 1.3 million m<sup>3</sup> and an increase of 8.7 percent. While exports to Poland, China, India, Australia and Taiwan also increased, inner-European exports declined for the most part.



## Export sawn softwood (m³) - TOP 10 destinations 2017 - 2022



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## Balance of sawn softwood – domestic consumption stagnates at a high level

Domestic sawn softwood consumption in 2021 fell just short of the previous year's volume. Despite the at times hectic and in some cases speculatively excessive demand and the resulting

supply bottlenecks, around 500 thousand m³ less sawn softwood was consumed within Germany in 2021 as a whole. Due to weaker domestic demand, production would have had to be cut back without the export success. At the same time, it is clear that sufficient domestic supply was guaranteed at all times.

## Balance of sawn wood (m³)

	Year 2015	Year 2016	Year 2017	Year 2018	Year 2019	Year 2020	Year 2021	Change % 2021/2020
Production sawn softwood	20.433.479	21.109.033	22.050.255	22.780.354	23.303.603	25.215.505	25.313.284 (p)	+0,4
Import unplanned timber	3.706.853	3.950.028	4.259.425	4.568.659	4.281.288	4.432.806	4.567.386	+3,0
Import planned timber	871.647	964.571	823.747	860.292	875.069	1.016.931	1.132.620	+11,4
Import sawn softwood	4.578.500	4.914.599	5.083.172	5.428.951	5.156.357	5.449.737	5.700.006	+4,6
Export unplanned timber	5.227.911	5.806.477	5.721.611	5.759.747	6.168.063	6.270.871	6.653.004	+6,1
Export planned timber	1.301.594	1.488.309	2.126.808	2.860.658	3.067.956	3.757.912	4.255.907	+13,3
Export sawn softwood	6.529.505	7.294.786	7.848.419	8.620.405	9.236.019	10.028.783	10.908.911	+8,8
<b>Balance sawn softwood</b>	<b>18.482.474</b>	<b>18.728.846</b>	<b>19.285.008</b>	<b>19.588.900</b>	<b>19.223.941</b>	<b>20.636.459</b>	<b>20.104.380</b>	<b>-2,6</b>
Export Ratio	32,0	34,6	35,6	37,8	39,6	39,8	43,1	

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Source: Statistisches Bundesamt (Destatis), 2022



## Sanctions change trade flows

Russia's war of aggression against Ukraine and the subsequent sanctions imposed by the EU and the German government on the Russian Federation and Belarus have led to far-reaching changes in the trade flows on the timber markets. Russia had already stopped its log exports before. The sawn timber market is also affected by the current developments.

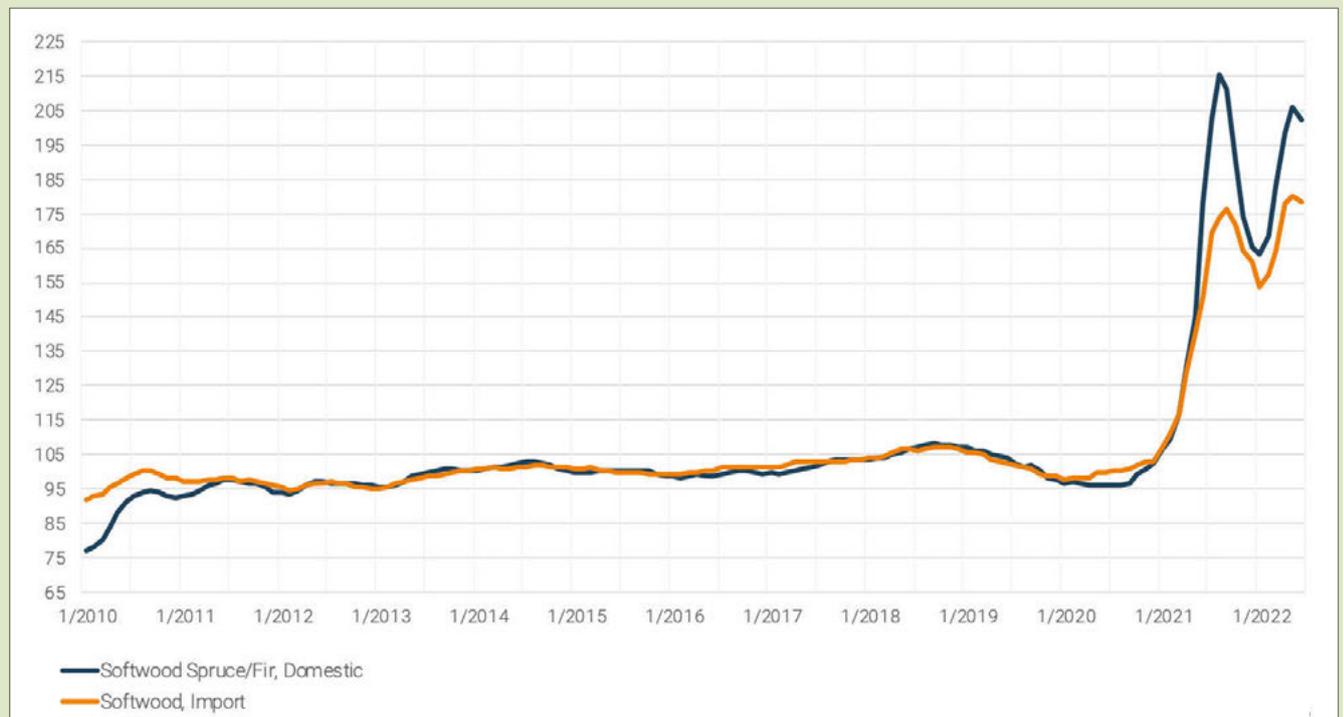
So far, the EU has been purchasing approx. 10 million m<sup>3</sup> of sawn softwood annually from the Russian Federation and Belarus, in addition to softwood logs. Germany purchased about 1.4 million m<sup>3</sup> from these countries and thus almost a quarter of its total imports. In particular, there will be a shortage of sawn wood on the domestic market in the future. The packaging sector is particularly affected by this. German imports of pallets from Belarus fell by a third in the first half of 2022, while volumes from Russia were slightly higher. In the same period, sawn softwood imports from Russia were already down 29 percent, and those from Belarus were down 40 percent. Since July 10, no new deliveries can be made to the EU. Finland and the Baltic States have already been unable to purchase logs from Russia since the beginning of the year.

## Sawn softwood prices – volatile trend continues

The dynamic price trend of the past year continued at the beginning of 2022. Another very volatile development was seen after the drastic decline in producer prices for sawn softwood in the second half of 2021. Rising demand led to a significant increase in sawn softwood prices in the first two months of the current year. Coinciding with the start of the Ukraine war, there was a decline in domestic demand, so that softwood lumber prices recorded a sharp drop at the end of the first quarter. The construction assortments were particularly affected by pronounced price fluctuations.

In many customer sectors, the volatile development also of other construction-related products led to considerable problems. Thus, due to fixed-price contracts, price increases by processors could often only be passed on to end customers in part or with a time lag. Projects in the private and commercial sectors, but particularly in public-sector construction, had to be postponed or even put on hold with increasing frequency.

## Price index softwood domestic and import (Index 2015=100)



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Source: Statistisches Bundesamt (Destatis), 2022

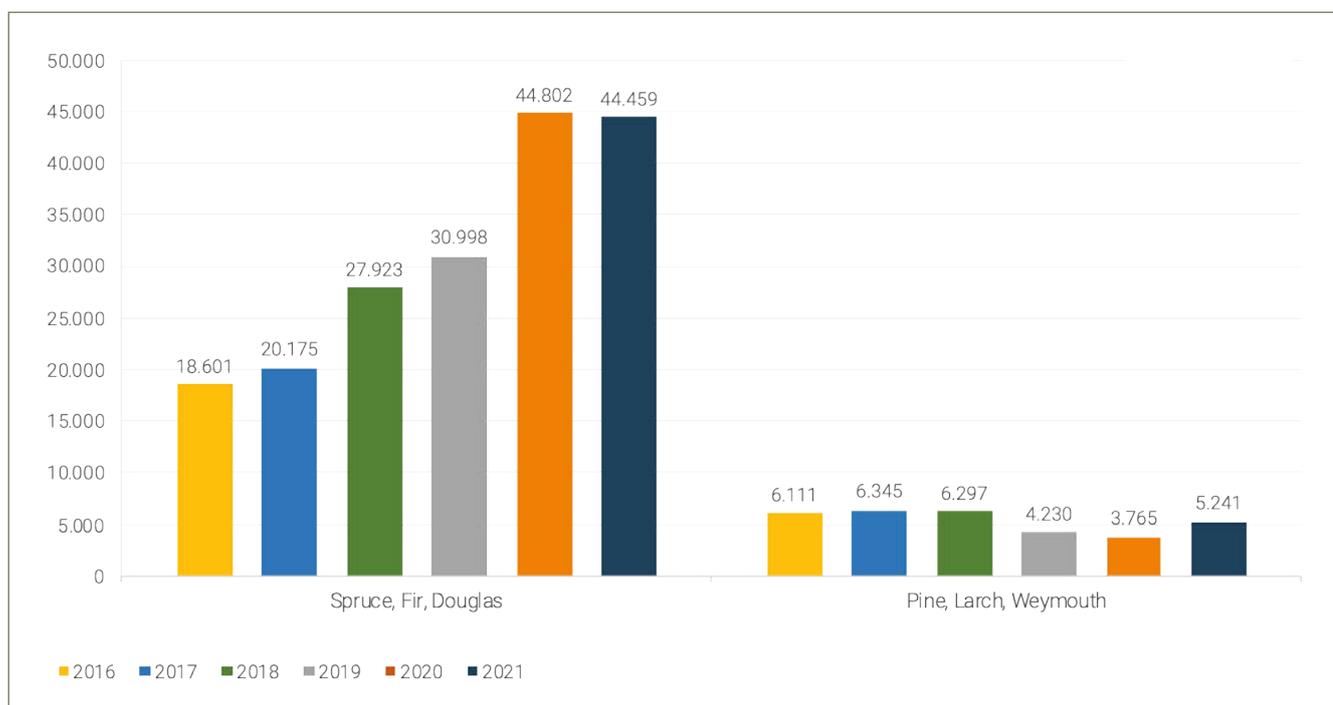
## Damaged wood dominates raw material supply

Since 2018, the large volumes of damaged wood have characterized the harvested log volume. In 2021, the volume was for the first time significantly lower than in the previous year. The 60.1 million m<sup>3</sup> in 2020 was now offset by a total of 50.5 million m<sup>3</sup> of damaged wood, of which 47.2 million m<sup>3</sup> was softwood. Nevertheless, total felling increased to 82.96 million m<sup>3</sup> in 2021 and was still dominated by the volume of damaged wood. The

felling of softwood logs reached a level of 49.7 million m<sup>3</sup>. The main species spruce, fir and douglas accounted for 44.5 million m<sup>3</sup>. The volume thus fell just short of the previous year. The share of the main wood species pine, larch and strobe increased again significantly with 5.2 million m<sup>3</sup>.

The legal restriction on felling of spruce, the main species of wood, imposed by the German government for the 2021 forestry year has led to lower felling of spruce and forced companies to increasingly switch to pine.

## Removals coniferous wood - Year 2016 - 2021 (in 1.000 m<sup>3</sup>)



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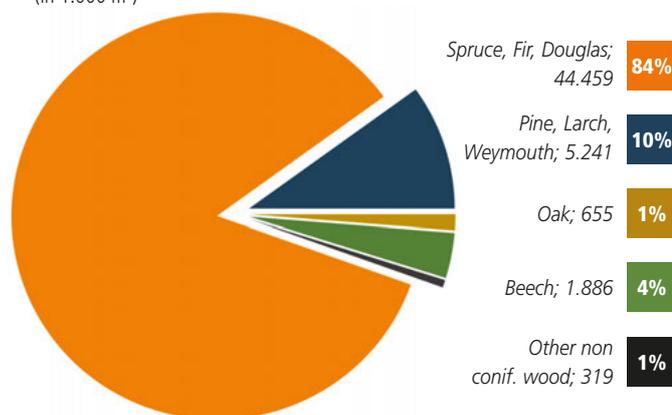
Insect damage accounted for more than 80 percent of the total amount of 50.5 million m<sup>3</sup> of damaged wood. The proportion of damaged wood caused by drought reached 8 percent.

At around 94 percent of the total volume, the main focus of log felling was on softwood. The species spruce, fir and douglas accounted for 84 percent, or 44.5 million m<sup>3</sup>. Pine, larch and weymouth accounted for about 10 percent or 5.2 million m<sup>3</sup>.

In the current year 2022, a high accumulation of wood from drought damage and beetle infestation is again expected. Even though the volume is expected to be lower than in the previous year, the focus will remain on the best possible utilization of the damaged wood.

## Removals logs, sleepers, poles - Year 2021 (in 1.000 m<sup>3</sup>)

(in 1.000 m<sup>3</sup>)



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Source: Statistisches Bundesamt (Destatis), 2022



## Export of logs remains at a high level

Exports of softwood logs remained at a high level in 2021, at around 8 million m<sup>3</sup>, despite a decline of 21 percent. At 4 million m<sup>3</sup>, half of the exports went to China. Austria took in 1.9 million m<sup>3</sup>. If exports of softwood industrial logs are also taken into account, the domestic raw material base was reduced by a further 10.3 million m<sup>3</sup> last year.

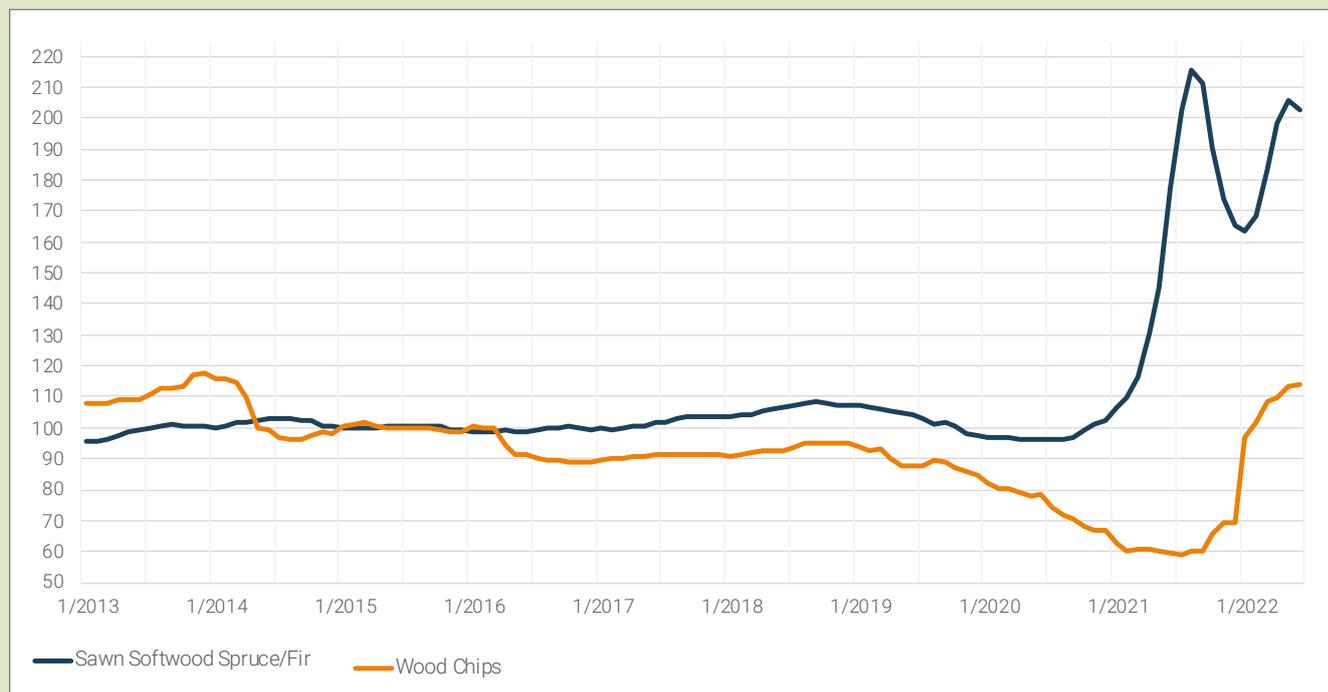
In the first half of 2022, exports amounted to about 2.9 million m<sup>3</sup>, with a renewed decline by two thirds. Despite a decline to 1.3 million m<sup>3</sup>, China continued to be the largest customer, followed by Austria with just under 900 thousand m<sup>3</sup>. In addition, 1.1 million m<sup>3</sup> of softwood industrial logs were exported. In total, about 4 million m<sup>3</sup> of softwood raw material were exported in the first half of the year.

In order to secure the supply of domestic operations in the future, companies of the sawmill and timber industry are urgently dependent on the raw material. Against this background, log exports must be viewed critically. They weaken a reduced raw material base, which will tend to decline further with decreasing volumes of damaged wood and the loss of supplies from the Russian Federation and Belarus.

## Rising prices for sawmill residues and pellets

In the course of the enormous price increases for fossil energy, the prices for energy sources from biomass have also risen sharply. This affects not only firewood and forest wood used for energy, but also pellets and wood briquettes, as well as sawdust and wood chips as their raw material. The current slight reduction in the cutting of coniferous wood is associated with a lower production of sawdust and wood chips, which increases the tight supply of the energy wood market. Despite the current price increase, however, residual wood revenues are still below the price level already achieved in previous years.

## Price index wood chips (Index 2015=100)



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Source: Statistisches Bundesamt (Destatis), 2022

## Wood and the climate politics

In addition to the ongoing discussions in Germany as well as in the EU about forest set-asides, bans on the use of forests and the conversion of forests to more hardwoods, the calamities resulting from drought damage are increasingly bringing wood combustion

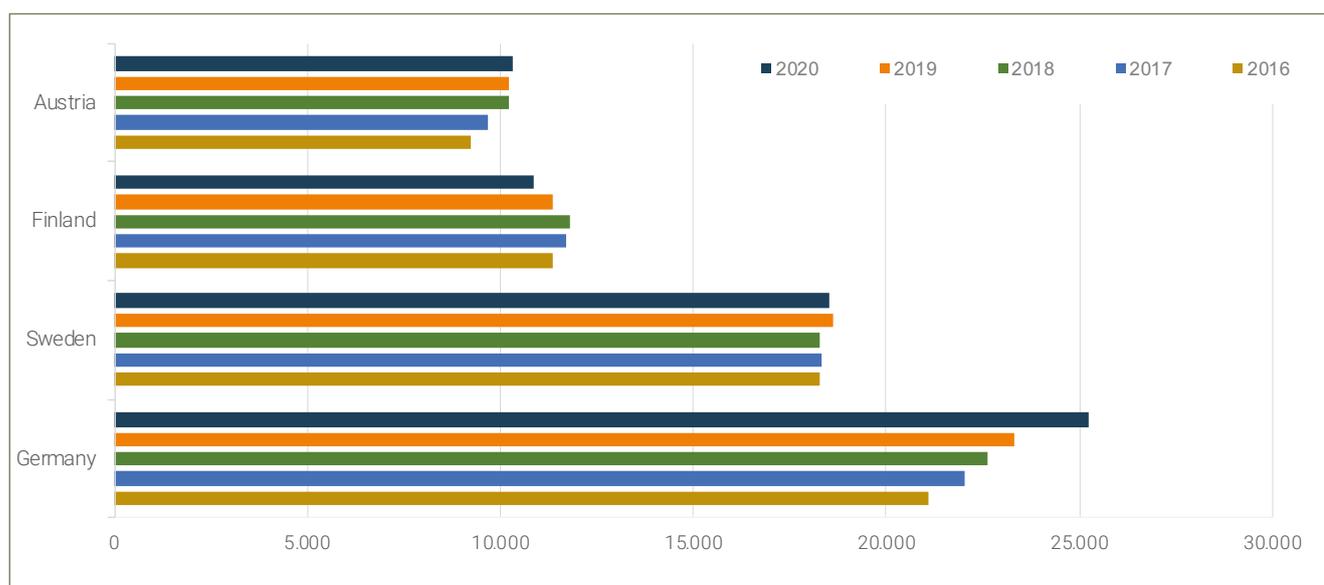
into focus. The contribution of wood products to the CO<sub>2</sub> sink and the energetic utilization of biomass as a contribution to the displacement of fossil energy sources are completely underestimated. One focus of the DeSH's work is therefore lobbying in favor of the material and energetic use of wood.

## Germany - an important partner in the international sawn softwood market

In recent decades, Germany has developed from a softwood importing country to a major exporter of sawn softwood. The efficient companies of the sawmill and timber industry with high standards can use the sustainably available and environmentally friendly

resource wood for high added value. Germany is one of the largest producers of sawn softwood in Europe, ranking second after the Russian Federation. In recent years, the German sawmill and timber industry has also been able to position itself strongly in exports. Today, Germany has become the third largest exporter of sawn softwood in Europe after the Russian Federation and Sweden.

### Leading sawn softwood producers in Europe - Year 2016 - 2020 (in 1.000 m<sup>3</sup>)



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Source: Statistisches Bundesamt (Destatis), 2022

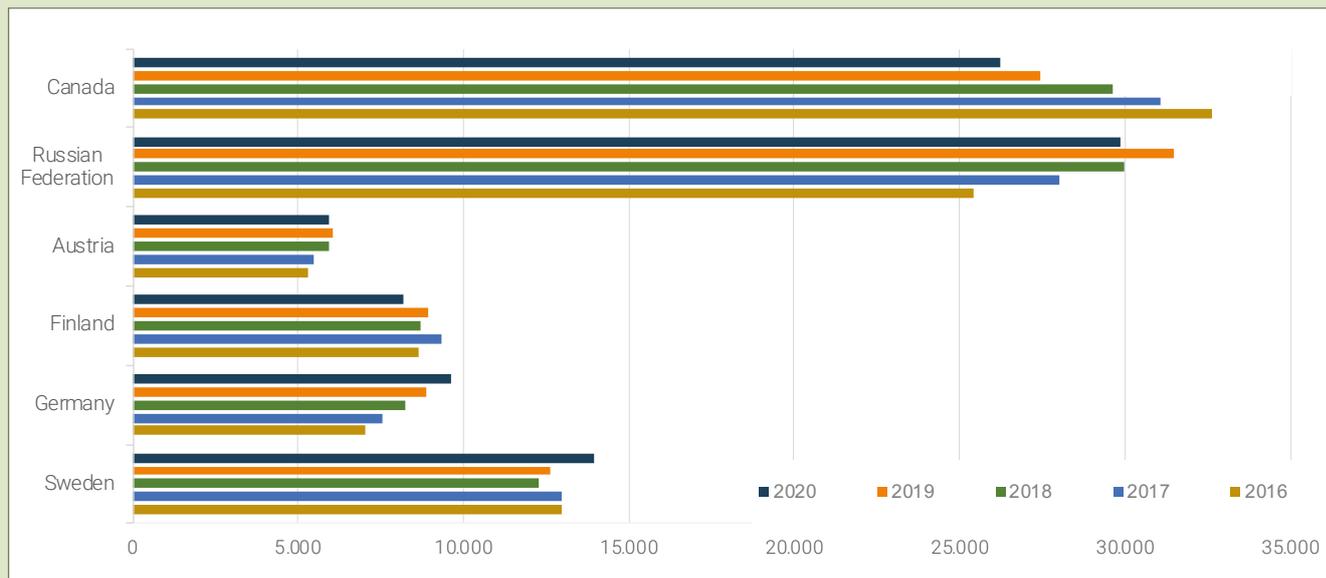
### Sawn softwood production international - Year 2016 - 2020 (in 1.000 m<sup>3</sup>)

	Year 2016	Year 2017	Year 2018	Year 2019	Year 2020
<b>Europe</b>	<b>108.418</b>	<b>110.972</b>	<b>112.771</b>	<b>112.287</b>	<b>114.040</b>
Germany	21.109	22.050	22.610	23.307	25.217
Sweden	18.260	18.309	18.273	18.630	18.500
Finland	11.370	11.705	11.810	11.360	10.880
Austria	9.256	9.675	10.206	10.233	10.339
Turkey	5.819	5.605	5.915	5.915	6.975
France	6.406	6.661	6.728	6.559	6.260
<b>CIS</b>	<b>39.689</b>	<b>44.551</b>	<b>47.144</b>	<b>49.815</b>	<b>47.346</b>
Russian Federation	34.288	37.820	39.492	41.266	38.918
Belarus	2.516	3.350	3.836	5.105	4.364
Ukraine	2.500	3.000	3.500	3.079	3.280
<b>North America</b>	<b>103.788</b>	<b>103.892</b>	<b>105.696</b>	<b>100.837</b>	<b>101.618</b>
Canada	48.161	46.292	46.353	40.795	39.172
United States	55.627	57.600	59.344	60.042	62.446

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Source: Statistisches Bundesamt (Destatis), 2022



## Leading sawn softwood exporters international - Year 2016 - 2020 (in 1.000 m<sup>3</sup>)



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Source: Statistisches Bundesamt (Destatis), 2022

## Sawn softwood export international - Year 2016 - 2020 (in 1.000 m<sup>3</sup>)

	Year 2016	Year 2017	Year 2018	Year 2019	Year 2020
<b>Europe</b>	<b>49.872</b>	<b>52.040</b>	<b>53.790</b>	<b>56.702</b>	<b>58.919</b>
Sweden	12.996	12.966	12.297	12.601	13.976
<b>Germany</b>	<b>7.050</b>	<b>7.538</b>	<b>8.264</b>	<b>8.889</b>	<b>9.618</b>
Finland	8.661	9.358	8.685	8.955	8.198
Austria	5.320	5.449	5.919	6.068	5.939
Czechia	1.537	2.224	3.750	3.520	3.503
Latvia	2.823	2.878	2.764	2.994	3.005
<b>CIS</b>	<b>29.099</b>	<b>33.006</b>	<b>36.754</b>	<b>38.482</b>	<b>36.787</b>
Russian Federation	25.429	28.009	29.986	31.474	29.833
Belarus	1.467	2.290	3.347	3.987	3.937
Ukraine	2.200	2.701	3.189	2.811	3.000
<b>North America</b>	<b>35.413</b>	<b>33.946</b>	<b>32.516</b>	<b>29.740</b>	<b>28.202</b>
Canada	32.634	31.056	29.630	27.431	26.243
United States	2.779	2.890	2.886	2.309	1.959

© Deutsche Säge- und Holzindustrie Bundesverband e. V., 2022

Source: Statistisches Bundesamt (Destatis), 2022



## 1. National economy

### 1.1. Overall economic situation

The German economy proved resilient in the first half of the year. Despite the war in Ukraine and the resulting drastic rise in energy prices, economic output in the second quarter remained unchanged from the previous quarter. Overall, the German economy performed better in the first half of the year than many observers had expected. However, the reduced gas supplies since mid-June, the renewed rise in energy prices, the continuing supply bottlenecks and the general increase in uncertainty have made the outlook for the second half of the year considerably worse.

German industry continued to recover from the external shock in June. Production and exports of goods increased. Demand, however, was weak as the business climate cooled. The outlook for the industrial economy in the second half of the year remains cautious in view of the great uncertainty.

Due to high price increases in real terms, sales in the retail sector recorded the biggest decline since 1994. Against the background of strong price increases in the retail sector, the consumer climate continued its downward slide.

The inflation rate fell slightly from June to July for the second time in a row to 7.5%. This corresponds to a decrease of 0.1 percentage points compared to the previous month (June: +7.6%). The increase in food prices recorded a new all-time high since reunification.

The labour market continued to be comparatively robust, even though refugee migration from Ukraine again had a significant impact on unemployment. Refugees are likely to lead to further increases in registered unemployment in the coming months. At the same time, the number of job vacancies rose to an all-time high in the second quarter. The rising demand for personnel is affecting almost all sectors.

The economic mood in Germany remains divided. On the one hand, important key figures for the German economy developed positively in June. Industrial production and exports of goods increased and imports of goods remain at a high level. On the other hand, forward-looking indicators and sentiment data such as incoming orders and the IFO business climate point to a deterioration in economic performance in the second half of the year. In particular, reduced gas supplies from Russia are depressing sentiment and further droughts represent the main risk for further economic development.

The situation in global supply chains also remains tense, even if the volume of freight originating from China has recently recovered. However, the bottlenecks are likely to persist in the second half of the year, so the outlook for German foreign trade is subdued. Uncertainty and high inflation weighed on consumer sentiment.

Industry as a whole continued to recover in the reporting month of June from the external shock it suffered from the Russian war of aggression against Ukraine. In view of high energy prices and the partially disrupted supply chains, it thus showed its resilience. Due to its export orientation, German industry is disproportionately affected by the trade sanctions against Russia. Demand is weak and the business climate has cooled. In view of the heightened uncertainty caused by the war and the threat of a gas shortage, the outlook for industrial activity in the second half of the year remains cautious.

According to the two leading indicators, the consumer climate continued its downward slide due to the very strong increases in energy and food prices: a new historic low is forecast for the GfK consumer climate in August. The Ifo business expectations in the retail sector also continued to deteriorate noticeably in July. The balance of reports has now reached a very low level.



## 1.2. Building Sector

Three surveys conducted by BAUINDUSTRIE among its member companies on the war in Ukraine paint a relatively bleak picture:

- One third of the companies purchase building materials from Russia or Ukraine.
- Nine out of ten companies complain about the impact of the war on their business. The problems are mainly due to the lack of availability and the sharp price increases for various building materials as well as the breakage of logistics chains.
- 80% of the companies see these problems as strong or very strong.
- 74 % of the companies complain about delays in ongoing construction projects, 35 % are affected by cancellations.

The negative effects are also evident in other surveys: for example, in the Ifo Business Survey in July, 39 % of construction firms complained that their production was hampered by shortages of materials. Producer prices for building materials, which had already risen sharply in 2021, are currently rising again across the board. In July, for example, the price index for bitumen was 50% higher than in the same month last year, and for reinforcing steel it was 45% higher. Accordingly, the mood of construction companies has deteriorated considerably.

The economic indicators in construction still developed positively in the first quarter of 2022. New orders in the main construction sector increased by 17.8 % in nominal terms, in real terms by 4.1 %. Due to the good weather conditions, turnover in the construction industry rose by 19.7 % in nominal terms and by 5.6 % in real terms. The order backlog at the end of March 2022 was 1.6 % above the previous year's value in real terms.

In the second quarter, however, there was a clear negative turnaround, which is probably mainly due to the problems with the supply of building materials, the price development for construction services and the generally weaker overall economic development. Real incoming orders fell by 3.5 % and turnover in the construction industry by 3.9 %. As a result, both key figures are now slightly in the red from January to June.

The construction industry assumes (as of the end of August) that real turnover will range between stagnation and a decline of 2 % in the current year.

### **Main construction industry: turnover declines**

According to the figures, turnover has also slipped into the red: the Federal Office of Statistics reported a real decline of 0.4 per cent from January to May - and in May alone a minus of 3.9 per cent compared to the previous year.

Investors are postponing their projects due to the uncertain situation and the strong price increases.

### **Residential buildings**

Demand for flats has fallen particularly sharply. The industry itself expects the situation to worsen.

The Federal Statistical Office reports a price-adjusted decline in new orders (companies with 20 or more employees) in residential construction of 13.5 percent for May 2022 compared to May 2021. For the period January to May, the Federal Statistical Office calculated a real decline of 5.1 percent. Apartment construction is once again leaving the owner-occupied housing sector far behind in terms of growth.

### **Commercial buildings**

For commercial construction, the statisticians reported an increase in orders for May, and public construction also grew in real terms. However, the increase could not compensate for the slump in residential construction.

### **Public construction sector**

In the case of public-sector clients, construction firms are able to pass on some of the higher prices for important building materials to the state. The regulation on so-called price escalation clauses, which was enacted in March 2022 because of the sanctions against Russia, was provisionally extended until 31 December 2022 - originally it was to expire at the end of June.

In the case of public contracts, the federal government will thus for the time being continue to participate in incalculable price increases for building materials that arose after the outbreak of the war.

## 2. Market situation in the timber trade

### 2.1. National timber trade

The first half of 2022 went very well with a significant increase in turnover of almost 10% (9.63). However, price effects play a significant role in this sales increase. According to internal GD Holz surveys, 9 out of 10 traders state that the increase in turnover is due to the necessary price adjustments, only 10% attribute this to the change in sales volume.

Wood-based materials, flooring and building elements have grown in double figures in the first half of the year, while planed goods and wood in the garden have declined.

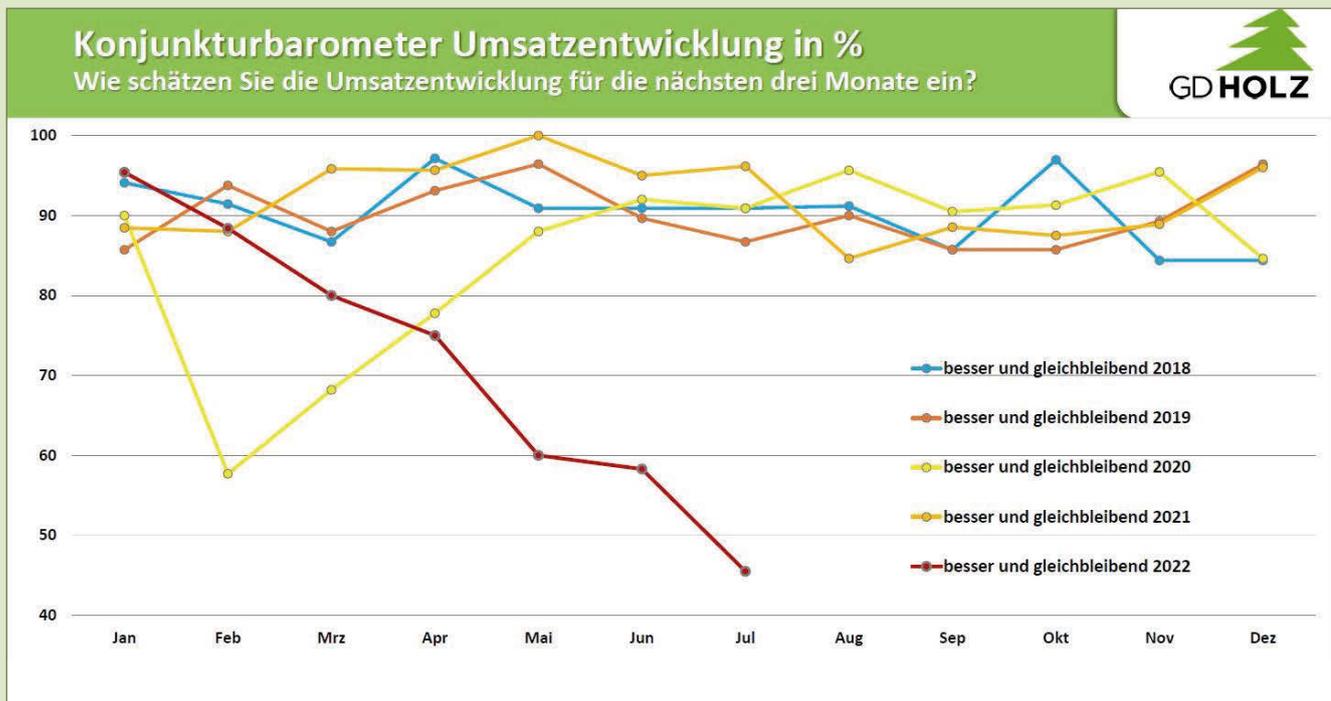
In June 2022, sales fell by a good 7 % compared to the same month last year. Planed goods, finishing products, wood in the

garden and sawn timber ranges are all in sharp decline. Price effects will also play an important role here.

For the autumn business, most traders expect sales to remain at about the same level or to decline. Declines in sales are expected especially in the timber retail trade.

According to many dealers, the second half of the year is likely to be more difficult. The order books are still full and existing orders and objects are being processed. Due to the tendency that many construction projects are currently being withdrawn, the timber trade also expects very uncertain business in the coming months. The construction industry is slowing down, so that the full impact of the wholesale sector will not be felt until 2023.

Graph 1: GD Holz turnover expectations in the timber trade, m-o-m

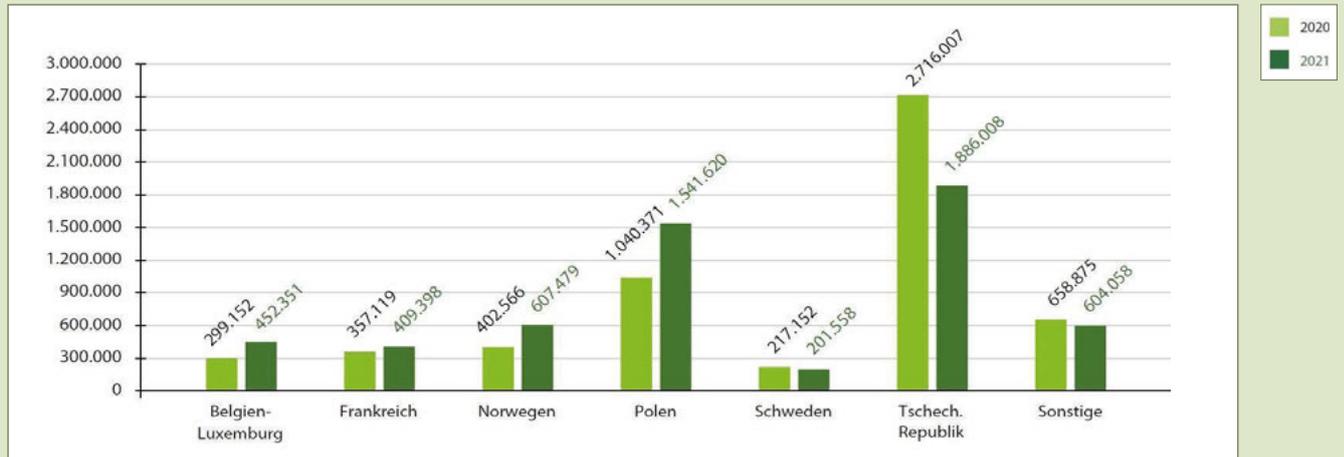




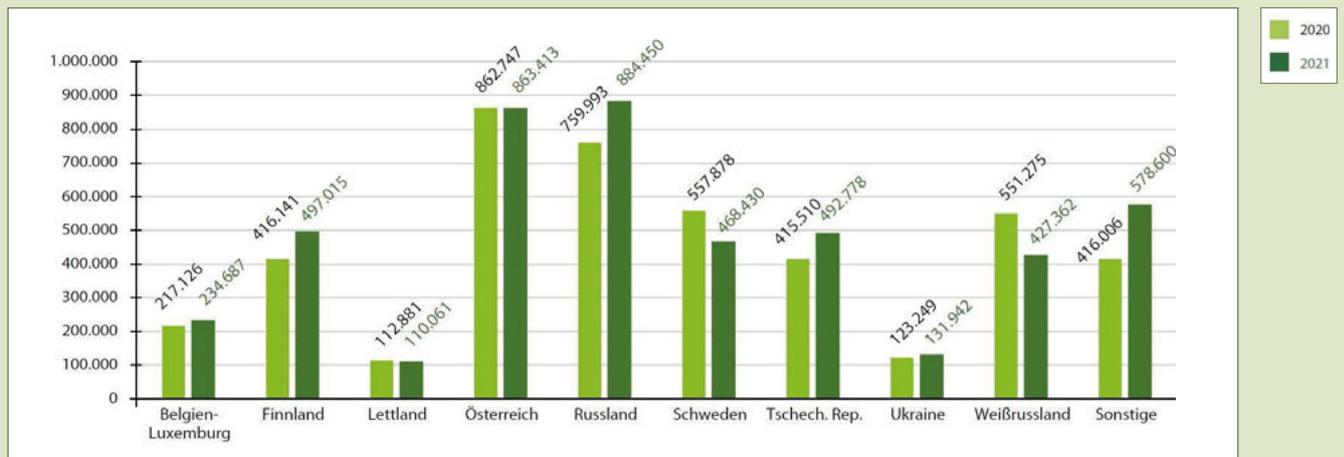
## 2.2. Foreign timber trade

### Import

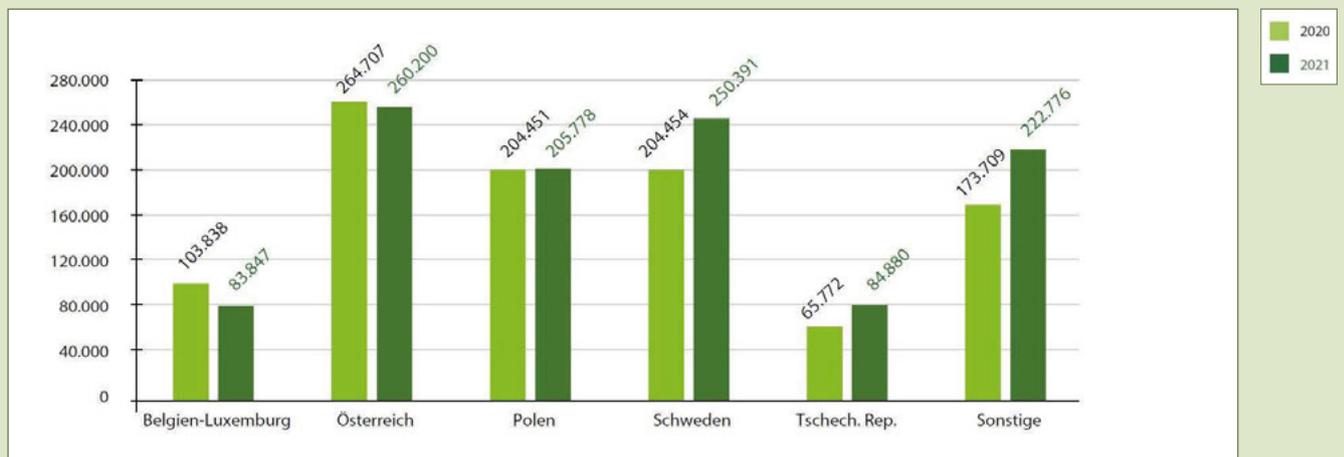
Graph 2: Softwood logs supplier countries in m³



Graph 3: Softwood timber, unprocessed, supplier countries in m³

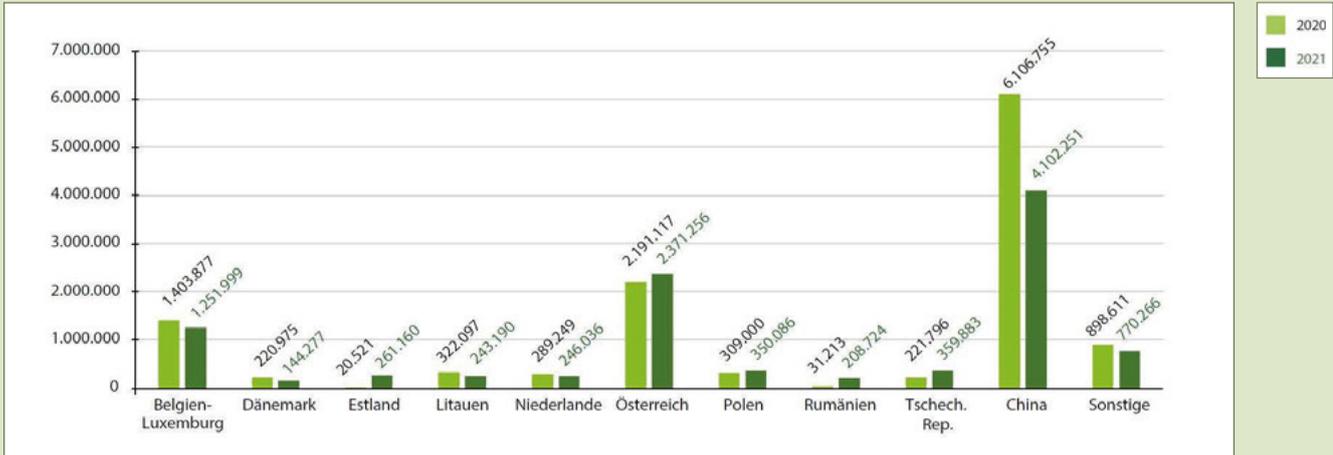


Graph 4: Softwood timber, processed, supplier countries in m³

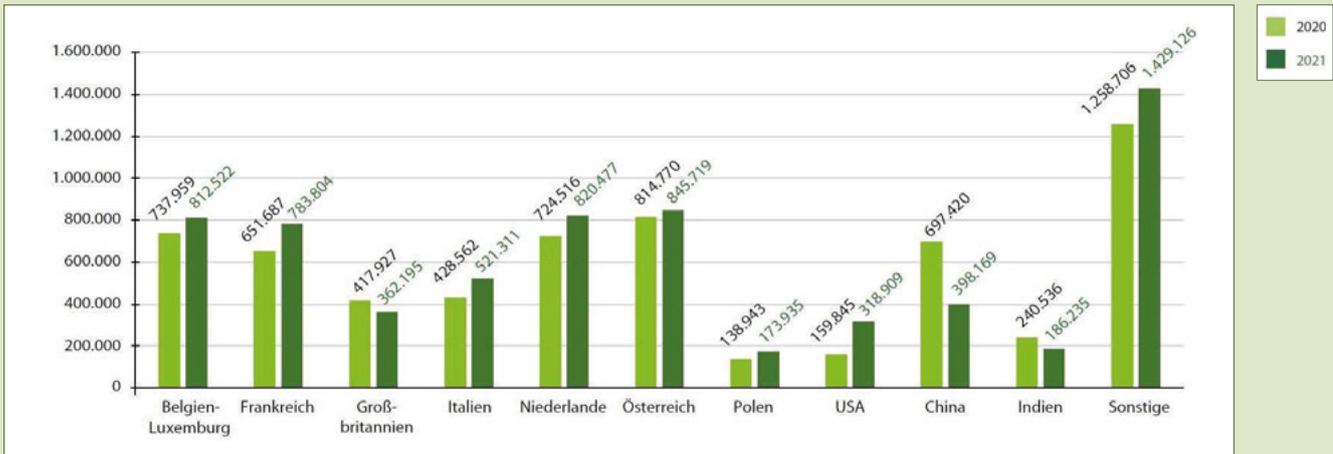


## Export

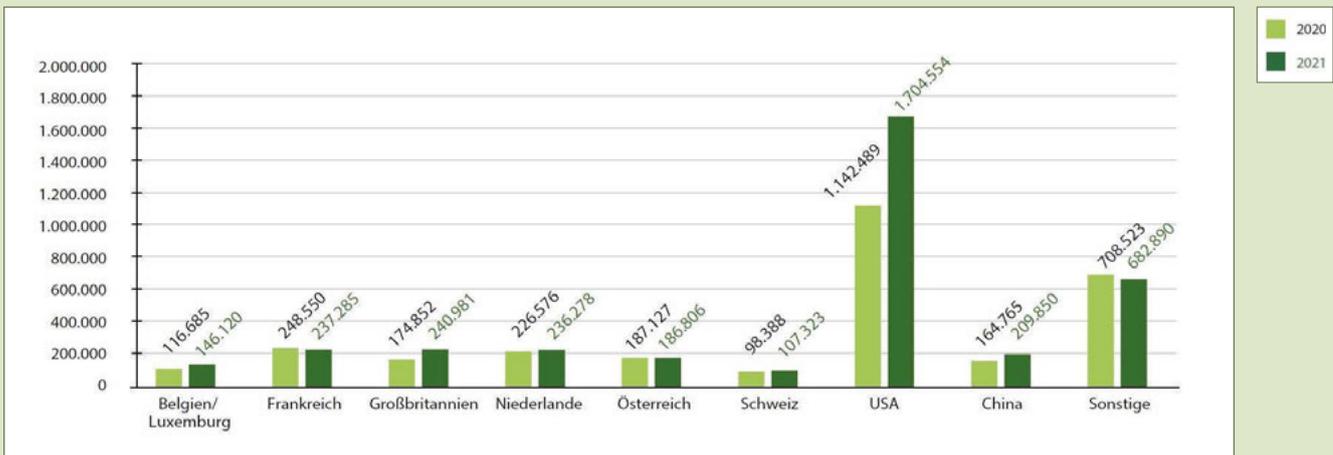
Graph 5: Softwood logs destination country in m<sup>3</sup>



Graph 6: Softwood timber, unprocessed, destination country in m<sup>3</sup>



Graph 7: Softwood timber, processed, destination country in m<sup>3</sup>



**Table 1: Summary softwood timber trade in Germany**

Summary of sawn softwood Statistics [1000m <sup>3</sup> ]	actual 2018	actual 2019	actual 2020	actual 2021	estimated 2022
Imports	5.340	5.156	5.338	5.671	5.800
(+) Domestic production	22.800	22.800	25.100	26.000	26.500
(-) Exports	8.522	9.235	9.966	10.906	11.500
<b>Total consumption</b>	<b>19.617</b>	<b>19.617</b>	<b>20.472</b>	<b>20.765</b>	<b>20.800</b>

### 2.3. Furniture industry

Turnover in the German furniture industry rose by 13.4 percent to around 9.5 billion euros in the first half of 2022. However, the growth in turnover mainly reflects the increased cost of materials. Accordingly, the growth in volume was significantly lower than the growth in value.

The current turnover of German furniture manufacturers is significantly above the level of 2019, both in Germany and abroad, and thus above the comparative values before the Corona crisis.

Delivery times are shorter and material availability more stable, but the supply situation - for example in the solid wood sector - remains tense and the supply chains are still fragile. And:

The price increase for primary products and energy continues. (According to official statistics, producer prices for wood-based materials in June 2022 were 46.4 percent higher than in the same month of the previous year; further increases have already been implemented or announced for the second half of 2022).

For average companies, the production cost share of wood-based materials is around 30 percent.

- Kitchen furniture industry +12.4 % to around 3.2 billion euros
- Upholstered furniture, +19.1 % to 577 million euros
- Other furniture (including living room, dining room and bedroom furniture) and furniture components +17.1 % to 3.3 billion euros

In the current order situation for the second half of the year, light and shade are close together. Although the order situation is quite good overall, there were signs of a decline in demand in June and July. In addition, inflation, rising energy costs and the associated uncertainties are depressing consumer sentiment.

### 2.4. Windows and doors

The window market in Germany is expected to grow by 0.8 percent in 2022. The data for 2022 in residential construction show that energy refurbishment will still increase by 2.1 percent to 7.53 million window units (FE). However, as there is still a high surplus of building permits for new residential buildings this year, the total new construction sector is expected to shrink only slightly by 0.4 percent to 6.10 million units in 2022, while the renovation sector will increase by 1.5 percent to 9.85 million units.

The developments in the exterior door market are comparable. As in the window sector, the 2.1 percent growth in residential construction can compensate for the expected decline in non-residential construction. In total, an increase of 1.4 percent to 1.41 million units is expected in the exterior door market. The increase in 2022 will be driven by modernisation: an increase of 2.3 percent to 1.009 million units is expected, while new construction will decline slightly by 0.8 percent to 403,000 units. A forecast for the market development in 2023 is currently hardly possible in this difficult current situation.

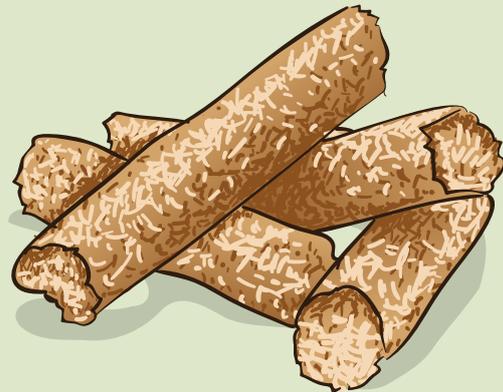


## 2.5. Wood packaging

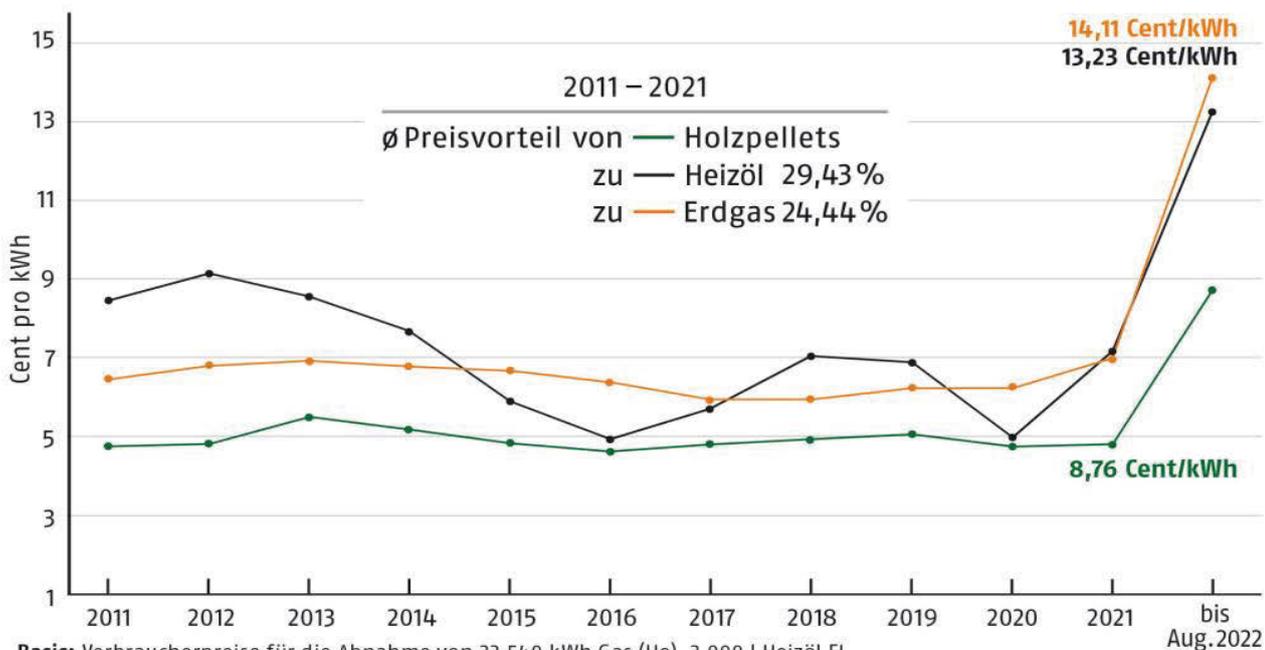
In the wood packaging industry, turnover from January to June 2022 increased by around 56 % compared to the first half of 2021. The German Association for Wood Packaging, Pallets and Export Packaging (HPE) reports declines in wood purchase prices in all product ranges in July compared to the previous month.

## 2.6. Pellets / Wood energy

The pellet price has been characterised by low dynamics over the last decade. The average annual price increase from 2012 to 2021 was only 0.24 percent; adjusted for inflation, the price even fell by 1.44 percent.



## Brennstoffkostenentwicklung von Öl, Gas und Pellets



**Basis:** Verbraucherpreise für die Abnahme von 33.540 kWh Gas (Ho), 3.000 l Heizöl EL (Hu: 10 kWh/l) bzw. 6 t Pellets ENplus A1 (Hu: 5 kWh/kg, inkl. MwSt. und sonstige Kosten).  
**Quellen:** Deutsches Pelletinstitut GmbH, Brennstoffspiegel (Heizöl- und Erdgaspreise)

Stand: September 2022  
© Deutsches Pelletinstitut GmbH

It is exceptional in the summer of 2022 that the pellet price continues to rise, as it normally declines at this time of year. The reasons for this lies in the war-related global distortions of the energy markets. In view of the still satisfactory raw material situation in Germany, the current price increase is mainly due to a sharp rise in demand as well as higher costs for the production and transport of the wood pellets.



## 3. Ecology and miscellaneous

### 3.1. Forest fires

This year, fires have destroyed significant areas of forest in Germany: according to the European Forest Fire Information System (EFFIS), around 4,239 hectares of forest have been destroyed by forest fires up to 13 August 2022. This is 10 % more than in the entire forest fire record year 2018. The total forest area in Germany amounts to 10.5 million ha. in 2020. Transition of forests to a more drought and calamity resistant, stable economic factor remains a challenge.

### 3.2. EUTR and "EUDR"

In the meantime, it has become a consensus that the timber industry has only a minor influence on global forest destruction. Therefore, the European Commission has already published a proposal for a "Regulation concerning the making available on the market of the European Union (EU) of certain raw materials and products linked to deforestation and forest degradation" on 17 November 2021. This new proposal for a regulation no longer only addresses timber/wood products, but also other agricultural products such as soy, palm oil or meat.

Based on this proposal, the "Environment Council of the Council of the EU" published its own proposal for a regulation on 28 June 2022 to "tackle imported deforestation".

As the last of the three EU institutions, the EU Parliament has now adopted its ambitious proposal for a regulation on 13 September 2022. This means that there are now three different

drafts, which will be negotiated between the three institutions in the so-called trilogue from October. According to the BMEL, the Czech Council Presidency plans to conclude the procedure at the end of this year, so that the final regulation will enter into force at the end of 2022 / beginning of 2023. Depending on the outcome of the negotiations, there will then be a transitional period of between 12 and 18 months, after which the regulation must be fully implemented by the companies.

In principle, the German Timber Trade Federation Wood welcomes the regulation, as it finally puts the onus on the real originators of global deforestation, to which wood does not belong. However, the association has also made clear demands of both the German Ministry and the EU institutions. The most important are:

- Multiple inspections of the same product along the supply chain must be avoided at all costs.
- The regulation must be adequately implementable and must not lead to a further increase in bureaucracy in the timber trading companies.
- The regulation must be implemented and controlled equally in all EU member states.
- Mandatory disclosure of the due diligence statement can also only be carried out under the aspect of data protection and secrecy of the suppliers
- The obligation to provide GPS data must be greatly simplified. GPS coordinates should not be required, especially for imports from low-risk countries.
- Certification must be given substantial consideration and lead to a considerably simplified due diligence process.

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Timber import / export	GD Holz annual foreign trade statistics brochure
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Windows & doors	<a href="https://www.fenster-tueren-technik.de/blick-auf-den-fenstermarkt-in-deutschland-09052022">https://www.fenster-tueren-technik.de/blick-auf-den-fenstermarkt-in-deutschland-09052022</a>
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Forest fires	<a href="https://www.scinexx.de/news/geowissen/interaktive-karte-zeigt-waldbraende-in-deutschland/">https://www.scinexx.de/news/geowissen/interaktive-karte-zeigt-waldbraende-in-deutschland/</a>
EUTR & EUDR	<a href="https://www.gdholz.net/artikel-fuer-newsletter/eu-verordnung-fuer-entwaldungsfreie-lieferketten-n.html">https://www.gdholz.net/artikel-fuer-newsletter/eu-verordnung-fuer-entwaldungsfreie-lieferketten-n.html</a>



General economic information				
	Unit	2021	2022	2023
Population (million)	million	59,3	59,0	58,9
GDP Growth (%)	%	6,6	2,8	1,9
Inflation Rate (%)	%	1,9	7,2	4,0
Unemployment Rate (%)	%	9,3	8,4	8,2
Construction industry				
Building permits (units)	units	59.839	n.a.	n.a.
Housing starts (units)	units	n.a.	n.a.	n.a.
Housing completions (units)	units	n.a.	n.a.	n.a.
Wage development (%)				
	% vs previous year	n.a.	n.a.	n.a.
Average working time in sawmilling (h/week)				
	h/week	40	40	n.a.

Sawn softwood				
	Unit	2021	2022	2023
Production	1.000 m <sup>3</sup>	n.a.	n.a.	n.a.
Imports	1.000 m <sup>3</sup>	4.079	5.000	n.a.
Exports	1.000 m <sup>3</sup>	249	250	n.a.
Consumption	1.000 m <sup>3</sup>	n.a.	n.a.	n.a.

Softwood logs				
	Unit	2021	2022	2023
Production	1.000 m <sup>3</sup>	n.a.	n.a.	n.a.
Imports	1.000 m <sup>3</sup>	647	600	n.a.
Exports	1.000 m <sup>3</sup>	113	120	n.a.
Consumption	1.000 m <sup>3</sup>	n.a.	n.a.	n.a.

By-Products				
	Unit	2021	2022	2023
Sawdust production	1.000 m <sup>3</sup>	n.a.	n.a.	n.a.
Chips production	1.000 m <sup>3</sup>	n.a.	n.a.	n.a.
Bark production	1.000 m <sup>3</sup>	n.a.	n.a.	n.a.
Pellets production	1.000 tonnes	n.a.	n.a.	n.a.

Availability of logs				
(1 = low; 2 = medium low; 3 = normal; 4 = medium high; 5 = high)				
	Unit	2021	2022	2023
Softwood	Range 1-5	1	2	3

Capacity increases/decreases				
	Unit	2021	2022	2023
Softwood	1.000 m <sup>3</sup>	0	0	0

## Cost development (%)

2023 vs 2022 cost developments can be estimated as "stable", "decreasing", "increasing"

	Unit	2022 vs 2021	2023 vs 2022
Softwood logs	% vs previous year	-20,0%	0,0%
Energy	% vs previous year	100,0%	n.a.
Transport	% vs previous year	15,0%	15,0%

## Price development (%)

2023 vs 2022 cost developments can be estimated as "stable", "decreasing", "increasing"

	Unit	2022 vs 2021	2023 vs 2022
Sawn softwood	% vs previous year	-20,0%	-10,0%
Chips	% vs previous year	n.a.	n.a.
Sawdust	% vs previous year	n.a.	n.a.

Source: Fedecomlegno

## Market statement

### Economic general overview

The Supply Chain ended 2020 about 9.1% down on 2019, equating to a drop of slightly under €4 billion.

The 2021 figures show a clear recovery, which was already evident in the second half of the previous year, as soon as the easing of the pandemic restrictions made this possible.

Overall, production turnover for the entire industry increased by 25.5% compared to 2020. This growth is also in double digits when compared to 2019 (+14%). Such results were partly driven by exports (+20.6% vs 2020, +7.3% vs 2019), but particularly by a very dynamic Italian market (+28.7% vs 2020, +18.4% vs 2019).

Foreign markets received 37% of total turnover, although as a proportion this is down on both 2019 and 2020.

The percentage changes in the results would have definitely been smaller had Italian industry not had to deal with progressive, generalised increases in raw material, energy and transport costs. The impact was especially heavy in those segments where raw materials account for a larger percentage of product costs, such as Packaging.

Sales in Italy grew, measured for the Supply Chain as a whole, by +28.7% vs 2020 (+18.5% vs 2019). Such impressive growth would have been hard to imagine at the height of the pandemic, but it is clearly linked to the key role the house came to play during lockdown and the extensive tax breaks



available to families that have driven refurbishments, upgrades and even the purchasing of new houses. These tax benefits had an impact across all furnishing and wood industries linked to the residential segment. (see paragraph **bonus**)

Following the global economic crisis at the start of this decade, a crisis that hit Italy hard, 2021 saw clear signs of global recovery, although not without its own problems (raw materials, high cost of energy, logistics and transport). For Italy, this has brought renewed dynamism for exports.

France is the leading destination for exports from the Made in Italy Wood Furniture Supply Chain (16.3% of total exports) and for the many sectors in this supply chain.

Once again, in 2021 Germany was the second most important destination for the Wood Furniture Supply Chain (11.4% of total exports). Since 2017, the United States has been the third largest export market for the Supply Chain and the leading non-EU nation. On average, exports increased by +33.8% vs 2020 and +26.2% vs 2019, thus making up for the losses in 2020 (-5.7%).

Focusing on the two macro areas that form the Wood Furniture Supply Chain - the Wood Macro Area and the Furniture and Lighting Macro Area - it is clear both enjoyed positive trends. Turnover for the Wood Macro Area increased by +29.3% vs 2020 and +16.8% vs 2019.

In early 2022, many companies believed the darkest days were behind them, but the war between Russia and Ukraine (hitting raw material imports and product sales), the lack of raw materials and related price hikes, and the high costs of energy all impact growth forecasts. Despite this, companies active in the Wood Furniture segment are once again looking for growth opportunities by investing, seeking innovative new products and new markets.

### Imports 2021/2020

**TROPICAL ROUNDWOOD:** Italian imports of tropical roundwood wood increased by 21% in value but a decrease by 37% in volume.

**TEMPERATE ROUNDWOOD:** Overall temperate roundwood imports in Italy was 1.3 million m<sup>3</sup> in 2021, up by 20% over 2020 as well as in value with €121 m. (+25%). Slovenia, France and Croatia continue to be the leading suppliers intra UE for Italy, with an increase in double digit for the second and the third one respect the previous year 2017, while United States and Switzerland are the main exporters among non-EU Member States

**CONIFEROUS ROUNDWOOD:** There is a consistent increase in value by 22% with €60 m/€ and in volume by 19%. France, Poland and Austria continue to be the major suppliers for Italy from intra UE countries, even though the second one with a negative trend respect to the previous year by 15%, while from outside EU Switzerland remain the only big exporter.

**SAWN SOFTWOOD:** Total import of sawn softwood in 2021 was of €1.300 m/€, a significant increase by 60% compared to 2020 but even from the year before where the import in value was 800 m/€ roundabout. Austria remain the main origin country of import with about €700 m/€ also with an increase in volume by 3%. Increased from Extra-EU imports with Ukraine, Russia and Switzerland with about €106 m. in total

**SAWN TROPICAL HARDWOOD:** There is an increase in volume by 5% but a decrease in value (7%) which is a significant and evident signal in prices (we assume -11%). Significant increases occur mainly from Cameroon and Gabon and surprisingly from the Republic of Congo.

**SAWN TEMPERATE HARDWOOD:** we assist in 2021 a decrease in value by 7% in a way more than proportional respect to the volume by 5%, indicating a slight decrease in prices both at a general level and more markedly for individual countries.

Intra-EU imports, show an increase of major European producers such as Croatia, Hungary and France both in value and volume, while imports from other such as and Slovenia Austria are slightly falling. Outside the EU the United States continue to show a slight increase.

### PANELS

- With 35% growth, the Panels sector is above average in the Wood sector
- Imports, at more than €1 billion, grew by +38.5% vs 2020 and +25.2% vs 2019

### TRENDS

Panels production turnover ended 2021 at €2.5 billion, marking 35% compared to 2020; the trend was also very positive compared to 2019 (+21.9%). Production for the Italian market, making up 64% of the total, ended at +37.1% (+23.4% vs 2019). Imports also grew sharply (€1.1 billion; +25.2% vs 2019), causing an increase in apparent consumption of +37.6%, compared to 2020. Exports also grew (+31.5% vs 2020, +19.4% vs 2019).

## 1st quarter 2022

According to the Italian National Statistics Institute (ISTAT), in the first quarter 2022, gross domestic product (GDP) increased by 0.1% compared to the previous quarter, and by +6.2% compared to the first quarter 2021. Projected growth for 2022 is +2.6%. Compared to the previous quarter, domestic final consumption dropped by 0.6% (despite being +5.2% vs March 2021) due to the drop (0.8%) in household consumption.

Imports and exports grew by 4.3% and 3.5% respectively compared to the previous quarter and +15.3% and 13% compared to January-March 2021.

A survey by the FederlegnoArredo Study Centre (Wood-Furniture Monitor) found the overall sales reported in the opening three months of 2022 exceeded those in the equivalent quarter in 2021 by 24.5%, when measured in value terms. Growth in Italy was higher, at +27.2%, compared to +21% abroad. This increase has two reasons: i) stronger demand for products and, more importantly, ii) the increase in sales prices as a result of double-digit growth in production costs that companies have "added" to price lists. The effect is more evident in those companies that are upstream in the Supply Chain, especially the Wood Macro Area and Panels, where the increases in raw materials were already evident in the second half 2021 and have continued in the first quarter 2022. This has been compounded by the increase in energy costs, as these segments are the most energy intensive in the Wood-Furniture Supply Chain.

Growth in internal demand has also been helped by the growth in extraordinary building maintenance work, with a boom in requests and building sites because of government incentives, especially the 110% bonus. Refurbishment work has driven spending across all furniture and fixture sectors, with this due to continue in the coming months thanks to the furniture bonus that consumers can use throughout 2022.

The "building bonuses" are a tool that successive governments in recent years have used to facilitate the renewal of the national building stock, through the tax lever, with the aim of improving their efficiency and preserving their value over time.

## What are the problems we see on the horizon?

Surely a contraction of the market due to the increase in costs, inflation without neglecting the consequences and heavy repercussions that the current conflict could have on the world scene, and this beyond the birch plywood, which in any case also affects our markets.

Orders are holding up quite well, with backlog even over 8 weeks for certain products

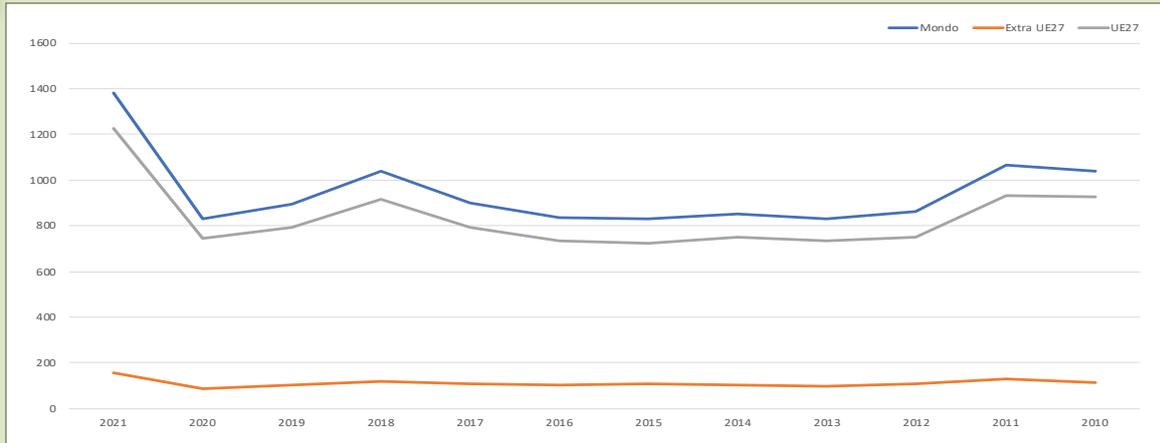
**RAW MATERIALS:** The price of raw materials is an almost universal worry across all production sectors. Many companies are complaining about these prices and in industries where the impact of raw material costs on the final price is very high, it explains the entire increase in value, with volumes being equal. Additionally, it is tricky to pass on all these increases to clients. The question of raw materials also extends to availability and delivery delays, impacting the order process and the choice of materials.

**ENERGY AND RENEWABLE SOURCES:** The question of energy, especially from a strategic perspective, is perhaps even more pressing than raw materials, particularly as it has a major impact on competitiveness because it penalises Italian companies more than other competitors. In some segments, energy costs do not have a direct impact, but cause an increase in semi-finished products. Given the increase in energy costs, companies are planning new investments in renewable sources.

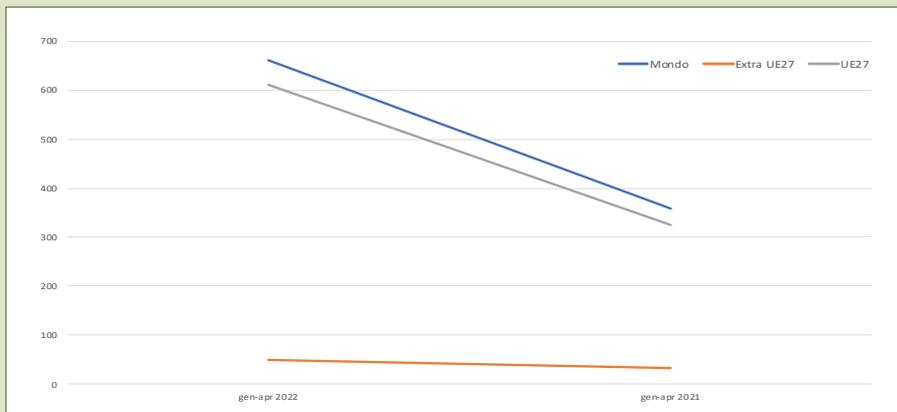
**RUSSIA AND UKRAINE:** In terms of sales in Russia, the figures from the first quarter do not really show the impact of the war that started on 24 February, as they are more determined by orders placed previously or by the very positive sales in the opening month of the year. The impact of the war on the supply chain is starting to be evident with a drop in orders and companies expecting a more pronounced decline in sales in the coming quarters. The war is mainly impacting those companies whose key clients are in CIS markets, but it is still having an impact to some degree on other companies, hitting both sales (leading to altered business plans) and procurement. The focus is turning towards safer options, including the domestic market, and companies are seeking alternatives, although this is a long-term project without short-term results. There seem to be very few options that might replace Russia in the short term.

In terms of timber sourcing, we are monitoring companies that used to purchase raw materials directly in Russia or Ukraine, and those that are forecasting indirect effects, through their suppliers. The former are seeking alternatives in geographically close markets, especially Austria or Eastern and Northern Europe, with options beyond Europe less common.

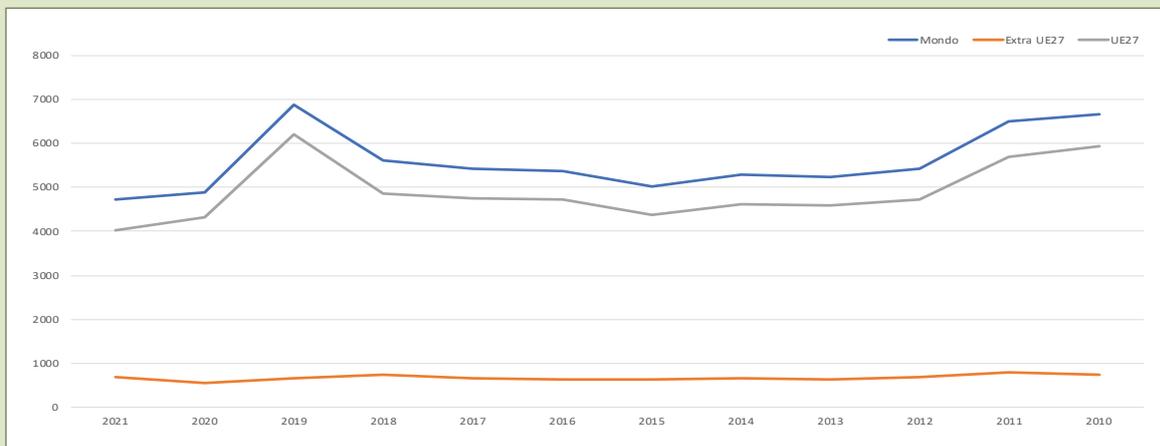
**FORECASTS:** Looking ahead to the coming months, respondents predicted a slowdown for their companies already in the second quarter, with this becoming more evident in the second half of the year, although the values are projected to remain above 2021 levels.



**Import softwood logs and lumber in value**



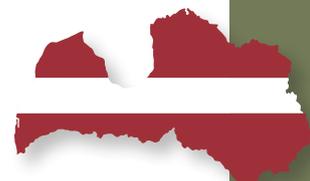
**Import softwood logs and lumber in value**



**Import softwood logs and lumber in volume**



**Import softwood logs and lumber in volume**



## General economic information

	Unit	2021	2022	2023
Population (million)	million	1,9	1,9	1,9
GDP Growth (%)	%	4,8	2,7	0,0
Inflation Rate (%)	%	3,1	16,5	8,0
Unemployment Rate (%)	%	7,6	6,9	8,0
<b>Construction industry</b>				
Building permits (units)	units	2.877	2.710	2.500
Housing starts (units)	units	n.a.	n.a.	n.a.
Housing completions (units)	units	n.a.	n.a.	n.a.
<b>Wage development (%)</b>				
	% vs previous year	7,0	8,0	9,5
<b>Average working time in sawmilling (h/week)</b>				
	h/week	n.a.	n.a.	n.a.

## Sawn softwood

	Unit	2021	2022	2023
Production	1.000 m <sup>3</sup>	2.700	2.600	2.600
Imports	1.000 m <sup>3</sup>	1.433	700	400
Exports	1.000 m <sup>3</sup>	3.094	2.520	2.200
Consumption	1.000 m <sup>3</sup>	1.039	780	800

## Softwood logs

	Unit	2021	2022	2023
Production	1.000 m <sup>3</sup>	5.400	5.200	5.200
Imports	1.000 m <sup>3</sup>	1.100	1.050	1.000
Exports	1.000 m <sup>3</sup>	190	360	150
Consumption	1.000 m <sup>3</sup>	5.900	5.890	6.050

## By-Products

	Unit	2021	2022	2023
Sawdust production	1.000 m <sup>3</sup>	429	413	413
Chips production	1.000 m <sup>3</sup>	2.484	2.392	2.392
Bark production	1.000 m <sup>3</sup>	324	312	312
Pellets production	1.000 tonnes	2.138	1.650	1.800

## Availability of logs

(1 = low; 2 = medium low; 3 = normal; 4 = medium high; 5 = high)

	Unit	2021	2022	2023
Softwood	Range 1-5	3	3	3

## Capacity increases/decreases

	Unit	2021	2022	2023
Softwood	1.000 m <sup>3</sup>	200	-	30

## Cost development (%)

2023 vs 2022 cost developments can be estimated as "stable", "decreasing", "increasing"

	Unit	2022 vs 2021	2023 vs 2022
Softwood logs	% vs previous year	8,0%	decreasing
Energy	% vs previous year	300,0%	stable
Transport	% vs previous year	46,0%	increasing

## Price development (%)

2023 vs 2022 cost developments can be estimated as "stable", "decreasing", "increasing"

	Unit	2022 vs 2021	2023 vs 2022
Sawn softwood	% vs previous year	30,0%	decreasing
Chips	% vs previous year	114,0%	stable
Sawdust	% vs previous year	83,0%	stable

Source: Latvian Timber Producers and Exporters Association

## Market statement

The first half of 2022 passed with unexpectedly good results for sawnwood producers, but the second half of the year could leave the opposite emotions, with tragic 4th quarter results. Situation on main markets is bad not only with sharp decline of sawnwood prices, but also with trading in natural quantities - demand is extremely low. In late 2022 Baltic counties producers cannot transfer sawnwood prices declines to a sawlog price reduction. Due to turbulences on energy market, firewood prices in Baltics have reached 75-80 EUR/m<sup>3</sup>, with pulpwood prices up to 95 EUR/m<sup>3</sup> - those prices became a minimum level for all diameter sawlogs. One more negative factor is explosion of electricity costs. In the beginning of 2022 large number of sawmills didn't expect that electricity price sudden increase will be a long term trend and didn't fixed prices for a long term period. Most power delivery contracts are based on current Nordpool exchange prices, and for example, August average price for electricity alone, not including grid and VAT payments, in Latvia was 467 EUR/MWh. High prices side products (sawdust and chips) help to improve mill financial performance. Situation in sawnwood industry is complicated, but still not comparable with 2008 crisis and problems up until now have not reached existential level - after very successful middle of 2021 and spring of 2022 companies have financial resources for overcoming short-term turbulence. In 2022 Latvia was not in the list of countries, which increased sawntimber import from aggressor countries (Russia and Belarus) and in first six months have decreased imported volumes by 40%.

Overall, conditions are very unclear and haven't been experienced during last 40 years – and all our forecasts for 2023 should be taken with a great caution.

# THE NETHERLANDS User

## General economic information

	Unit	2021	2022	2023
Population (million)	million	17,5	17,6	17,7
GDP Growth (%)	%	4,9	4,6	1,1
Inflation Rate (%)	%	2,8	11,4	4,3
Unemployment Rate (%)	%	4,2	3,4	3,9
<b>Construction industry</b>				
Building permits (units)	units	75.590	70.974	73.000
Housing starts (units)	units	n.a.	n.a.	n.a.
Housing completions (units)	units	71.221	71.750	72.250
<b>Wage development (%)</b>				
Wage development (%)	% vs previous year	0,1	2,4	4,3
<b>Average working time in sawmilling (h/week)</b>				
Average working time in sawmilling (h/week)	h/week	n.a.	n.a.	n.a.

## Sawn softwood

	Unit	2021	2022	2023
Production	1.000 m <sup>3</sup>	110	100	100
Imports	1.000 m <sup>3</sup>	3.032	2.900	2.850
Exports	1.000 m <sup>3</sup>	391	380	385
Consumption	1.000 m <sup>3</sup>	2.750	2.620	2.565

## Softwood logs

	Unit	2021	2022	2023
Production	1.000 m <sup>3</sup>	n.a.	n.a.	n.a.
Imports	1.000 m <sup>3</sup>	n.a.	n.a.	n.a.
Exports	1.000 m <sup>3</sup>	n.a.	n.a.	n.a.
Consumption	1.000 m <sup>3</sup>	n.a.	n.a.	n.a.

## By-Products

	Unit	2021	2022	2023
Sawdust production	1.000 m <sup>3</sup>	n.a.	n.a.	n.a.
Chips production	1.000 m <sup>3</sup>	n.a.	n.a.	n.a.
Bark production	1.000 m <sup>3</sup>	n.a.	n.a.	n.a.
Pellets production	1.000 tonnes	306	300	300

## Availability of logs

(1 = low; 2 = medium low; 3 = normal; 4 = medium high; 5 = high)

	Unit	2021	2022	2023
Softwood	Range 1-5	3	3	3

## Capacity increases/decreases

	Unit	2021	2022	2023
Softwood	1.000 m <sup>3</sup>	0	0	0

## Cost development (%)

2023 vs 2022 cost developments can be estimated as "stable", "decreasing", "increasing"

	Unit	2022 vs 2021	2023 vs 2022
Softwood logs	% vs previous year	n.a.	n.a.
Energy	% vs previous year	193,6%	n.a.
Transport	% vs previous year	increasing	n.a.

## Price development (%)

2023 vs 2022 cost developments can be estimated as "stable", "decreasing", "increasing"

	Unit	2022 vs 2021	2023 vs 2022
Sawn softwood	% vs previous year	n.a.	n.a.
Chips	% vs previous year	n.a.	n.a.
Sawdust	% vs previous year	n.a.	n.a.

Source: VVNH / Netherlands Timber Trade Association

## Market statement

### General economic situation

The Dutch economy has shown a rapid and strong recovery from the coronavirus (COVID-19) recession of 2020. The gradual lifting of the containment measures led to a strong rebound in household spending in the spring 2021, aided by the revival of confidence. The global upturn in economic activity was very fast and convincing, however, that production chains have been unable to keep pace with the recovery in demand. From early 2021 goods production was increasingly constrained by shortages of materials and long delivery times. The Dutch economy consequently reached its capacity limits soon after. To a far greater extent than usual, the macroeconomic figures conceal the underlying differences among businesses and institutions. A proportion of the entrepreneurs and employed persons are still being severely impacted by the ongoing pandemic and the renewed measures, for example in the hospitality and cultural sectors, leaving them facing greater uncertainty and unfavourable economic prospects. Economic Developments and Outlook  
Source: December 2021 (dnb.nl)

The Dutch economy is, according to the Netherlands Bureau for Economic Policy Analysis (CBP) decreased by 3.9% in 2020, but this is followed by a 4,9% growth in 2021 again. As for 2022 the economic outlook is more uncertain than usual. It is uncertain what the economic consequences of the war in Ukraine are. If they are more severe and longer-lasting, this will lead to higher energy prices and unrest of financial markets.

As in 2020, movements in the pandemic and the related containment measures are causing strong labour market dynamics in 2021. Although the labour market became very tight shortly

after the coronavirus recession, unemployment rate remains fairly stable at a 4.2% in 2021 (4.9% in 2020) and is expected to go to a 3.4% over 2022.

Additional to these indicators, purchasing power increased by 0.3% in 2021 and may decrease to -6.8% in 2022. The pandemic is having a major impact on inflation rates in 2021. Oil prices have returned to pre-pandemic levels, and specific distortions in production chains contribute to higher prices, such as semiconductor and container

shipping capacity shortages. Household consumption decreased by 11.9%, whereas consumption of the government increased by 1.6% in 2020. In 2021 household spending recovered with an increase of 3.3% and government consumption continued to increase; 5.2% more compared to 2020. At the same time corporate investments increased by 2.9% (2021).

Main economic indicators are presented in table 1, showing the historic trend over recent years and a forecast for 2022.

**Table 1: Dutch economic indicators**

Indicator	Unit	2018	2019	2020	2021	2022	2023
GDP <sup>(1)</sup>	%	2.4	2.0	-3.9	4,9	4,6	1,1
Euro (dollar/euro) <sup>(1)</sup>	Ratio	1.18	1.12	1.14	1.18	1.06	1.02
Inflation <sup>(1)</sup>	%	1.6	2.7	1.1	2.8	11.4	4.3
Purchasing power	%	0.0	1.0	2.5	0.3	-6.8	0.6
Unemployment (1)	x 1000	350	314	465	408	340	390
Unemployment rate	%	3.8	3.4	4.9	4.2	3.4	3.9
Investments (2)	%	3.9	7.7	-6,3	2.9	2.6	0.8
Building permit granted(3) (4)	Number	70,057	58,108	67,136	75,590	70,974	73,000
Ditto	%	0.4	-17.0	15.5	12.6	-6.1	2.9
House-build completed(3) (4)	Number	66,585	71,548	69,985	71,221	71,750	72,250
Ditto	%	5.7	7.5	-2.2	1.0	1.0	0.7

1) CPB, 2022. Augustus raming 2022: kerngegevensstabel 2020-2023 CPB (Netherlands Bureau for Economic Policy Analysis), The Hague, the Netherlands.

2) Including stocks. 3) CBS Statline, July 2022. 4) Estimations by Probos based on the average of the prognoses of the ING bank, Bouwkennis and Economisch Instituut voor de Bouw/Staat van de Woningmarkt (June 2022)

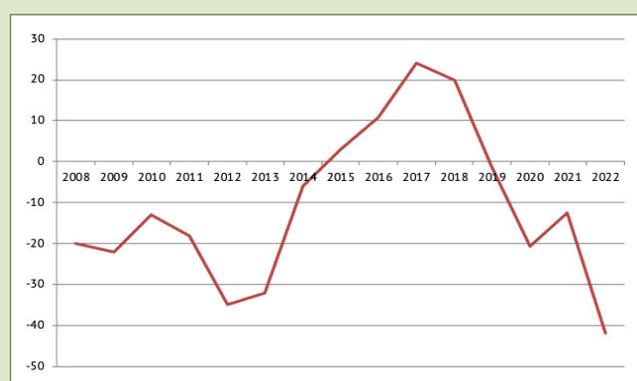
Traditionally, the housing industry is important for the softwood industry. The demand for housing remains high and house prices have been risen more than ever in 2021. The number of newly built houses in 2020 decreased by 2.2% compared to the year before, followed by a small increase of 1.0% in 2021, reaching numbers of 71,221 respectively.

The number of residential building permits granted decreased substantially between 2018 and 2019. This was the consequence of lacking construction sites and development capacity at municipalities and private developers, as well as the impact of building constraints due to NOx-deposition, but despite the COVID-19 pandemic recovered in recent years again resulting in a steep growth of 12.6% in 2021 respectively.

Consumer confidence is an indicator of consumers' faith and expectations in the Dutch economy. It is however largely influenced by the general world economy. As is shown in figure 1, consumer confidence in the Netherlands increased sharply since 2013, stabilised between 2017 and 2018 and then shows a large drop in 2019 as a consequence of the COVID-19 outbreak, stretching into 2020. However, over the first seven months of 2021 consumer confidence increased again by 9 points (some sources even reported a drop of 12 points). To a great extend this recovery may be attributed to

the high vaccination rate in the Netherlands - varying from 71% to 91% over the different age groups (RIVM: August 2021) - and consequently the gradual ease of related limitations. Unfortunately consumer confidence dropped with 52 points in the first seven months of 2022. This is according to CBS 2022 the lowest level since measurement began in 1986. The estimated high inflation rate (11,4%) among others probably plays a role in the reduced consumer confidence.

**Figure 1: Consumer confidence trend in the period from 2008 to the first seven months of 2022**



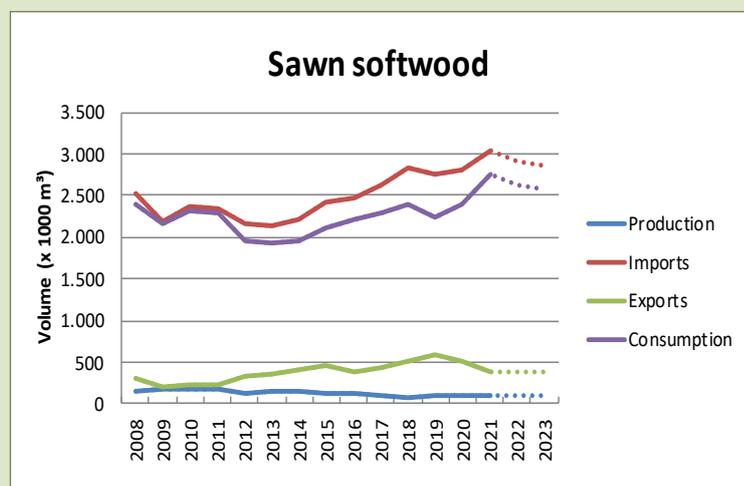
Source: CBS Statline edited by Probos



### The Dutch sawn softwood market

After a period of decreasing imports and consumption since 2007 (see figure 2), the sawn softwood market in the Netherlands recovered in 2015 and this recovery continued until 2019. After a small decrease in 2019, the recovery continued in 2020 and 2021. The imports and consumption for the year 2021 show an increase of 8% and 14% respectively. Exports however continued its decrease since 2020. In 2021 exports decreased by 23% compared to 2020. Imports of rough sawn softwood timber increased by 17%, while imports of further processed (planed) sawn softwood timber decreased slightly with 3%. Rough sawn softwood has a share of roughly 58% of the total softwood import (Table 2). Stocks are expected to remain at a low level.

**Figure 2: Development of production, import, export and consumption of sawn softwood in the Netherlands in the period 2008-2021 and expectations for 2022 and 2023.**



Source: CBS trade statistics edited by Probos, Probos roundwood survey and NTTA estimates and forecasts

**Table 2: Sawn softwood imports (volume in m³)**

Countries	2020				2021						
	Sawn	Planed	Total	%	Sawn	Planed	Total	%	Sawn	Planed	Total
Sweden	224.026	639.506	863.532	31%	301.988	527.452	829.440	27%	35%	-18%	-4%
Germany	386.203	201.707	587.910	21%	419.245	238.642	657.887	22%	9%	18%	12%
Russia	177.286	121.987	299.273	11%	219.078	119.977	339.055	11%	24%	-2%	13%
Finland	135.550	42.924	178.474	6%	197.956	82.374	280.330	9%	46%	92%	57%
Latvia	78.773	79.320	158.093	6%	70.035	85.525	155.560	5%	-11%	8%	-2%
Belarus	158.878	6.872	165.750	6%	134.853	8.935	143.788	5%	-15%	30%	-13%
Belgium	82.186	47.966	130.152	5%	113.498	29.567	143.065	5%	38%	-38%	10%
Poland	44.020	25.822	69.842	2%	68.538	24.548	93.086	3%	56%	-5%	33%
Estonia	31.768	44.702	76.470	3%	35.536	46.002	81.538	3%	12%	3%	7%
Luxembourg	8.912	38.415	47.327	2%	20.129	43.995	64.124	2%	126%	15%	35%
Other	180.139	59.998	240.137	9%	184.008	59.627	243.635	8%	2%	-1%	1%
<b>Total</b>	<b>1.507.741</b>	<b>1.309.218</b>	<b>2.816.959</b>		<b>1.764.864</b>	<b>1.266.645</b>	<b>3.031.509</b>		<b>17%</b>	<b>-3%</b>	<b>7,6%</b>

\* Other: This group consists of 45 countries with exports to the Netherlands of less than 53,000 m³

(Source: CBS trade statistics edited by Probos and international trade statistics of Sweden, Germany, Finland and Latvia for verification)

The top ten countries for softwood import in the Netherlands remain unchanged between 2020 and 2021 (table 2). However, within these 10 countries some minor changes occur; Belarus surpassed Latvia and Poland surpassed Estonia in total import quantities. Sweden and Germany remain by far the foremost suppliers of softwood timber to the Netherlands. The total import volume from Sweden slightly decreased (-4%), whereas the import from Germa-

ny increased compared to last year (12%). Imports from Finland, Luxembourg and Poland increased significantly in 2021 compared to 2020. Belarus is the only country from which imports decrease substantially. Imports from Russia, Belgium and Estonia show an increased volume as well. In total the import of sawn softwood in the Netherlands increased by 7.6% in 2021 compared to 2020.

## 2022 and 2023 forecast<sup>1 2</sup>

According to the forecasts of the CPB (Central Bureau for Planning) the Dutch economic growth is likely to decrease in 2023. After a strong economic recovery from the coronavirus crisis, growth is slowing down in 2022, as inflation exerts pressure on household spending. The Dutch economy has recovered strongly following the coronavirus crisis. The high growth of the past quarter and the end of 2022 results in an estimated growth rate of 4.9% for 2022, but below the surface, the situation is starting to swing the other way around. The war in Ukraine and the disruptions caused by the coronavirus crisis have led to a sharp rise in inflation. In particular, the very rapid rise in energy prices is having a negative financial impact on a growing number of households, as more and more energy contracts are up for renewal. On the other hand labour shortages reduce productivity of many sectors, as the building sector. As a result, consumption growth will come to a standstill by the end of 2022. Inflation and the related uncertainty – as well as central banks increasing interest rates to curb this inflation – are slowing down economic growth around the world. The deteriorating economic outlook, both on national and international levels, is also making companies reluctant to invest.

Although CPB projects that a substantial part of the planned increase in spending cannot be realised due to supply-related problems and a tight labour market, there is still a considerable increase in demand from the government. Exports will also continue to grow. For 2023, GDP growth is expected to drop to 1.1% due to these factors. These projections are based on the expected natural gas market prices, which may decrease slightly next year, but will still remain well above the levels of recent years. These developments are obviously surrounded by uncertainty.

The labour market remains tight: the moderating effect of the cooling economy is contrasted by the continuing labour demand in the public sector. Unemployment is projected to rise slightly to 3.9% in 2023. The collective labour agreements (CAOs) reached, so far, do not show any substantially accelerated wage growth, despite the tight labour market and the favourable position of the export-oriented sectors, in particular. Relatively favourable corporate earnings and a declining labour income share in 2023 suggest there is room for wage growth, although this is likely to vary widely between sectors and types of businesses. The combination of high inflation and moderate wage growth leads to a substantial decrease in purchasing power – on average, by 6.8% in 2022. Purchasing power development varies greatly between households and over time. Differences in the share of energy consumption in the budget have a huge impact on the extent to which households are affected. There is inflation inequality: the lower the income, the greater the average impact of the high inflation.

Government revenues are benefiting from robust tax revenues following the economic recovery from the coronavirus crisis. In addition, the high natural gas price is also leading to substantially higher natural gas revenues. Due to the tight labour market it will not be possible to implement all the planned spending increases, which means that government expenditure will increase less than previously budgeted. The General Government Balance (EMU) will improve under the influence of these developments and amount to -1.1% of GDP in 2023. The debt ratio falls, partly due to inflation (the 'denominator effect'), to 47.1% of GDP. Uncertainty about economic development is still very high. It is greatly affected by the future development of the war in Ukraine. There are also other risks, such as the threat of a new coronavirus wave and of the central banks failing to rein in inflation or having to intervene even more heavily to prevent inflation from rising too much. Increasing interest rate differences within the eurozone could also create tensions. In view of these risks and given the very moderate growth, the possibility of some quarters showing negative growth (i.e. a technical recession) cannot be ruled out. The significance of this should not be overestimated either, as the tight labour market makes a rapid rise in unemployment unlikely. An uncertainty on the positive side in the projections, in addition to an end to the war in Ukraine and a decrease in energy prices, is that consumption levels could also be higher if households spend more of the money they saved during the coronavirus crisis.

Dutch sawn softwood imports are traditionally closely related to the situation in the residential construction industry. After a decrease in the residential construction industry in 2020 due to uncertainties regarding to the effects of the COVID-19 pandemic, the consequences of the nitrogen emissions and with PFAS contaminated soil, the expectation for 2021 onwards is that it will stabilise and maybe even slightly increase. However, uncertainties remain surrounding the predictions for housing construction in the Netherlands in the coming years. These uncertainties grow with the conflict in Ukraine. With this conflict uncertainties regarding the supply of building materials increase. Simultaneously timber prices have staggered in the last two years. However, the expectation for 2022 and 2023 on 'Housing completions' are slightly positive (ING Bank, Bouwkennis and EIB<sup>3</sup>).

The different sectors consuming softwood are expected to react in their own way as they are influenced in different ways by the current market factors: the softwood market for the building industry – for renovation and new buildings – will most probably increase due to a severe shortage in housing. One of the drivers is the steady increasing number of industrial production facilities, mainly for wood based construction (elements). The pallet and packaging market is expected to stabilise or perhaps decrease due to a strengthening US dollar. The market for Garden and DIY suffer from the post-COVID situation and high inflation and is most likely to decrease the coming years.

<sup>1</sup> *Raming Augustus 2022 (concept Macro Economische Verkenning 2023) | CPB.nl*

<sup>2</sup> *CPB, 2022. Augustus raming 2022: kerngegevens tabel cMEV 2023 2020-2023 CPB (Netherlands Bureau for Economic Policy Analysis), The Hague, the Netherlands.*

<sup>3</sup> *Economisch Instituut voor de Bouw (Economic Institute for Construction)*

**Table 3: Summary of softwood statistics**

Softwood lumber (1,000 m <sup>3</sup> )	Year	2018	2019	2020	2021	2022	2023
Production		82	90	95	110	100	100
Imports		2,827	2,760	2,818	3,032	2,900	2,850
Exports		512	602	509	391	380	385
Stock beginning of year		320	320	320	300	300	300
Availability (= 1+2-3+4)		2,717	2,558	2,744	3,051	2,920	2,865
Stock end of year		320	320	300	300	300	300
Apparent consumption (= 5-6)		2,397	2,238	2,444	2,751	2,620	2,565

% change on previous year	2018	2019	2020	2021	2022	2023
Production	-25.5%	10%	6%	16%	-9.1%	0%
Imports	8.1%	-2.4%	2.1%	7,6%	-4,4%	1,7%
Exports	19.6%	17.5%	-15.5%	-23.1%	-2,8%	1,1%
Imported stock beginning of year	1.6%	0.0%	0.0%	-6.7%	0%	0%
Availability	4.0%	-5.8%	7.2%	11.2%	-4,3%	-1,9%
Imported stock end of year	0.0%	0.0%	-6,3%	0%	0%	0%
Apparent consumption	4.6%	-6.6%	9.2%	12,6%	-4,7%	-2,1%

Source: CBS trade statistics edited by Probos, international trade statistics of Sweden, Germany, Finland and Latvia, Probos roundwood survey and NTTA estimates and forecasts.

## Environmental issues

**NTTA policy on Sustainably Produced Timber:** In order to further stimulate the import of timber from sustainable sources a target is set. 90% of all timber imported, or bought on the Dutch market, by NTTA members is to be sourced from sustainably managed and certified forests. Members are obliged to report yearly. In 2021 96,6% of all softwood imported and traded by NTTA members was derived from sustainably managed forests and presented with a Chain of Custody (CoC) certificate (2008: 77%). Hardwood and panel product imports showed the following results: hardwood (2008: 19% > 2021: 67,6%) and panel products (2008: 49% > 2021: 94,3%). The overall target was in 2021 met with 92,2%.

**Joint Wood Promotion Campaign:** The Netherlands Timber Trade Federation (VVNH) and Netherlands Association for the Wood Manufacturing Industry (NBvT) work closely together within the platform Centrum Hout, focussing on the efficient and increasing use of wood and wood products. This as wood is a unique, renewable, technically reliable and most environment and climate friendly resource and to be seen as the (building)material for now and the future. To embed this message in Dutch society Centrum Hout it started in 2019 the wood marketing campaign: 'Wood: naturally of the present. For the future'. This social media campaign was also successful in 2021 and to be continued in 2022. The focus will gradually change from "the benefits of wood" to actual use of timber and timber products in building and Civil Engineering, using different channels like: radio, video's, blogs, whitepapers and daily posts, using [www.houtnatuurlijkvanu.nl](http://www.houtnatuurlijkvanu.nl) as platform.

**Environmental data:** along with the booming interest in building with wood in the Netherlands since 2019, comes the need to generate more Environmental data on building materials and building systems. In the Netherlands building permits need to be accompanied by a calculation of the Environmental costs impaired by the building. A special calculation tool (MPG – Environmental Calculation Buildings) has been developed using an Environmental database containing Environmental profiles of concrete, metals, plastics and last but not least timber. VVNH is, on behalf of Centrum Hout, involved in two major projects to update environmental data as well as creating new data of timber and timber products for among others sawn softwood and products for construction, flooring, roofing, cladding, etc. Underlying focus points are the changes due to the new LCA standard (EN 15804) as well as the importance of end-of-life scenario's.

### **Reuse and recycling of wood packaging in the Netherlands:**

The EU has rules for the reuse and recycling of packaging, including those made of wood. The Netherlands has set its own targets of 45% for the year 2022, well above the EU target of 15%. The current efforts of the packaging sector in the Netherlands is monitored and has shown a 68% recycling rate for wooden packaging in 2020. This is even above the Dutch target set in a sector wide agreement The Dutch government has, in its pursuit of a 100% circular in economy in 2050, set new targets for reuse and recycling of all packaging of 74% by 2025. For wooden materials this combined target, both reuse and recycling, is set at 55% by weight. With the current combined level of 68%, the wood packaging industry is well on track, but in no way sitting back as rules have to stay economic viable and realistic, according to Stichting Kringloop Hout (SKH), representative of the Dutch stakeholders within the wooden packaging industry.



General economic information				
	Unit	2021	2022	2023
Population (million)	million	5,4	5,4	5,4
GDP Growth (%)	%	3,9	3,7	2,7
Inflation Rate (%)	%	3,5	4,7	2,6
Unemployment Rate (%)	%	4,4	3,0	3,2
Construction industry				
Building permits (units)	units	n.a.	n.a.	n.a.
Housing starts (units)	units	30.091	25.000	23.000
Housing completions (units)	units	28.397	26.000	21.000
Wage development (%)				
	% vs previous year	4,2	4,1	4,0
Average working time in sawmilling (h/week)				
	h/week	37,5	37,5	37,5

Sawn softwood				
	Unit	2021	2022	2023
Production	1.000 m <sup>3</sup>	2.811	2.600	2.700
Imports	1.000 m <sup>3</sup>	1.066	896	700
Exports	1.000 m <sup>3</sup>	685	700	900
Consumption	1.000 m <sup>3</sup>	3.192	2.796	2.500

Softwood logs				
	Unit	2021	2022	2023
Production	1.000 m <sup>3</sup>	6.634	6.650	6.500
Imports	1.000 m <sup>3</sup>	170	120	120
Exports	1.000 m <sup>3</sup>	1.817	2.300	2.300
Consumption	1.000 m <sup>3</sup>	4.987	4.470	4.320

By-Products				
	Unit	2021	2022	2023
Sawdust production	1.000 m <sup>3</sup>	n.a.	n.a.	n.a.
Chips production	1.000 m <sup>3</sup>	n.a.	n.a.	n.a.
Bark production	1.000 m <sup>3</sup>	n.a.	n.a.	n.a.
Pellets production	1.000 tonnes	n.a.	n.a.	n.a.

Availability of logs				
(1 = low; 2 = medium low; 3 = normal; 4 = medium high; 5 = high)				
	Unit	2021	2022	2023
Softwood	Range 1-5	5	5	5

Capacity increases/decreases				
	Unit	2021	2022	2023
Softwood	1.000 m <sup>3</sup>	50	50	0

Cost development (%)			
2023 vs 2022 cost developments can be estimated as "stable", "decreasing", "increasing"			
	Unit	2022 vs 2021	2023 vs 2022
Softwood logs	% vs previous year	19,0%	Increasing
Energy	% vs previous year	Increasing	Increasing
Transport	% vs previous year	20,0%	Increasing

Price development (%)			
2023 vs 2022 cost developments can be estimated as "stable", "decreasing", "increasing"			
	Unit	2022 vs 2021	2023 vs 2022
Sawn softwood	% vs previous year	n.a.	n.a.
Chips	% vs previous year	n.a.	n.a.
Sawdust	% vs previous year	n.a.	n.a.

Source: Treindustrien

## Market statement and forecasts on future market developments

### General economic outlook – High inflation leads to downturn in Norwegian economy

Widespread price growth, increased interest rates and weaker growth prospects internationally have contributed to a downturn in the Norwegian economy that will continue in the next few years. In March 2022 activity in the Norwegian economy was cyclically neutral, having recovered from the decline caused by the pandemic and infection control measures. In June, Statistics Norway forecast that the Norwegian economy would enter a moderate boom, however the situation has worsened, and the new forecast show a moderate downturn in the next few years. Inflation has risen considerably over the summer, heavily impacted by the high energy costs. In an attempt to curb inflation the central bank of Norway has increased the key policy interest rate several times in the last months. The interest rates will rise by at least a further 1 percentage point this year. Increased costs of goods, services and electricity combined with higher interest rates has reduced the purchasing power and household consumption, putting a damper on economic activity. Norway's trading partners are also in the same situation. The international economy is characterised by rising prices and falling demand. This is also contributing to the weaker growth outlook in Norway. Throughout 2021 and so far in 2022, employment has increased sharply. Next year this trend will reverse because of lower economic activity, but the unemployment rate in Norway is low compared to many other countries.

(Source: Statistics Norway)



### The construction and housing market

Reduced purchasing power and household consumption will severely affect the construction sector and the housing market. To get the economy back on track the government has slowed down public spending. It is announced that public procurements in the construction sector will be reduced, with projects coming to a halt or being delayed. At the same time the brakes are on also in housing market. The boom in house price growth that has lasted for several years is now ending. Statistics Norway and others are now predicting that house prices will fall in 2023 and 2024, mainly due to weaker real income growth and increased interest rates. The housing starts as of July 2022 are only slightly less than the year before. However, the sales of new homes have a sharp decline since May, and this is set to continue. The association for the house producers has reported a nearly 40 per cent decline in sales of new homes in the past month, compared to the same month last year. The downturn caused by reduced public and private investments challenges the wood industry, as well as all other actors in the construction sector.

### The wood industry

The past two years have been exceptionally good for the wood industry, with booming market demand. The wood industry has managed to keep up production throughout the pandemic. Increased profitability has paved way for investments. As future market demand for new houses and buildings is uncertain, the Norwegian wood industry sees opportunities in upgrading and renovation of buildings. The energy crisis has put on the agenda that buildings should be more energy efficient, and the need to cut energy loss from buildings. Wood is a suitable material to adapt and adjust existing buildings, both wooden buildings and those made of other materials such as concrete.

### Future forecasts

At the end of the infection control measures for the pandemic, a more stable economy was anticipated. However, war in Ukraine, sharp rise in energy prices and inflation have caused great uncertainty. The current market situation has become even more difficult to assess than the last few years. Even though the market forecast is uncertain, the demand for wood as a renewable and climate friendly material is still high. The Norwegian wood industry is strengthened in the past few years, with investments in the loop and an ability to seek new market opportunities both domestic and internationally. The energy crisis affects cost levels also for the sawmills and wood-based industries. However, the wood industry is also part of the solution. The governments currently consider measures to increase energy efficiency of buildings. The wood industry can contribute in renovations to make existing buildings more energy efficient. This represents new opportunities.





## General economic information

	Unit	2021	2022	2023
Population (million)	million	38,1	38,0	37,9
GDP Growth (%)	%	5,9	3,8	3,2
Inflation Rate (%)	%	5,1	9,1	7,8
Unemployment Rate (%)	%	5,4	5,1	5,1
<b>Construction industry</b>				
Building permits (units)	units	341.000	335.000	325.000
Housing starts (units)	units	277.400	235.000	220.000
Housing completions (units)	units	234.680	240.000	245.000
<b>Wage development (%)</b>				
	% vs previous year	3,1	1,0	1,6
<b>Average working time in sawmilling (h/week)</b>				
	h/week	n.a.	n.a.	n.a.

## Sawn softwood

	Unit	2021	2022	2023
Production	1.000 m <sup>3</sup>	4.250	4.200	4.300
Imports	1.000 m <sup>3</sup>	1.100	1.150	1.200
Exports	1.000 m <sup>3</sup>	1.000	1.050	1.100
Consumption	1.000 m <sup>3</sup>	4.350	4.300	4.400

## Softwood logs

	Unit	2021	2022	2023
Production	1.000 m <sup>3</sup>	15.450	15.750	16.000
Imports	1.000 m <sup>3</sup>	750	800	900
Exports	1.000 m <sup>3</sup>	2.350	2.500	2.600
Consumption	1.000 m <sup>3</sup>	13.850	14.050	14.300

## By-Products

	Unit	2021	2022	2023
Sawdust production	1.000 m <sup>3</sup>	n.a.	n.a.	n.a.
Chips production	1.000 m <sup>3</sup>	2.850	2.900	3.000
Bark production	1.000 m <sup>3</sup>	4.770	4.870	4.970
Pellets production	1.000 tonnes	1.100	1.150	1.200

## Availability of logs

(1 = low; 2 = medium low; 3 = normal; 4 = medium high; 5 = high)

	Unit	2021	2022	2023
Softwood	Range 1-5	2	2	2

## Capacity increases/decreases

	Unit	2021	2022	2023
Softwood	1.000 m <sup>3</sup>	n.a.	n.a.	n.a.

## Cost development (%)

2023 vs 2022 cost developments can be estimated as "stable", "decreasing", "increasing"

	Unit	2022 vs 2021	2023 vs 2022
Softwood logs	% vs previous year	increasing	increasing
Energy	% vs previous year	140,0%	increasing
Transport	% vs previous year	125,0%	increasing

## Price development (%)

2023 vs 2022 cost developments can be estimated as "stable", "decreasing", "increasing"

	Unit	2022 vs 2021	2023 vs 2022
Sawn softwood	% vs previous year	increasing	increasing
Chips	% vs previous year	increasing	increasing
Sawdust	% vs previous year	increasing	increasing

Source: Polska Izba Gospodarcza Przemysłu Drzewnego





# ROMANIA Producer

## General economic information

	Unit	2021	2022	2023
Population (million)	million	19,2	19,2	19,2
GDP Growth (%)	%	2,5	2,0	2,0
Inflation Rate (%)	%	4,0	15,0	15,0
Unemployment Rate (%)	%	5,0	3,0	2,5
<b>Construction industry</b>				
Building permits (units)	units	17.500	12.000	10.000
Housing starts (units)	units	13.000	6.500	5.000
Housing completions (units)	units	8.000	4.500	4.000
<b>Wage development (%)</b>				
Wage development (%)	% vs previous year	n.a.	n.a.	n.a.
<b>Average working time in sawmilling (h/week)</b>				
Average working time in sawmilling (h/week)	h/week	40	40	40

## Sawn softwood

	Unit	2021	2022	2023
Production	1.000 m <sup>3</sup>	3.500	3.200	3.000
Imports	1.000 m <sup>3</sup>	200	400	500
Exports	1.000 m <sup>3</sup>	1.700	1.600	1.700
Consumption	1.000 m <sup>3</sup>	2.000	2.000	1.800

## Softwood logs

	Unit	2021	2022	2023
Production	1.000 m <sup>3</sup>	n.a.	n.a.	n.a.
Imports	1.000 m <sup>3</sup>	n.a.	n.a.	n.a.
Exports	1.000 m <sup>3</sup>	n.a.	n.a.	n.a.
Consumption	1.000 m <sup>3</sup>	n.a.	n.a.	n.a.

## By-Products

	Unit	2021	2022	2023
Sawdust production	1.000 m <sup>3</sup>	200	200	200
Chips production	1.000 m <sup>3</sup>	300	300	300
Bark production	1.000 m <sup>3</sup>	1.600	1.600	1.600
Pellets production	1.000 tonnes	600	600	650

## Availability of logs

(1 = low; 2 = medium low; 3 = normal; 4 = medium high; 5 = high)

	Unit	2021	2022	2023
Softwood	Range 1-5	3	3	3

## Capacity increases/decreases

	Unit	2021	2022	2023
Softwood	1.000 m <sup>3</sup>	Constant	Constant	Constant

## Cost development (%)

2023 vs 2022 cost developments can be estimated as "stable", "decreasing", "increasing"

	Unit	2022 vs 2021	2023 vs 2022
Softwood logs	% vs previous year	5,0%	5,0%
Energy	% vs previous year	20,0%	10,0%
Transport	% vs previous year	20,0%	10,0%

## Price development (%)

2023 vs 2022 cost developments can be estimated as "stable", "decreasing", "increasing"

	Unit	2022 vs 2021	2023 vs 2022
Sawn softwood	% vs previous year	10,0%	5,0%
Chips	% vs previous year	1,0%	1,0%
Sawdust	% vs previous year	0,0%	0,0%

Source: ASFOR - Asociația Forestierilor Din România

## Market statement

The evolution of production and trade in the reporting period did not suffer due to the reduction of raw material import (Ukraine, Belarus and Russia); there are only difficulties related to payments and transport.

But the effects created by the energy crisis are striking.





General economic information				
	Unit	2021	2022	2023
Population (million)	million	47,4	47,5	47,5
GDP Growth (%)	%	5,1	4,2	3,3
Inflation Rate (%)	%	3,1	8,9	4,8
Unemployment Rate (%)	%	14,8	13,8	12,9
Construction industry				
Building permits (units)	units	n.a.	n.a.	n.a.
Housing starts (units)	units	108.318	111.892	114.130
Housing completions (units)	units	91.367	93.382	95.250
Wage development (%)				
	% vs previous year	n.a.	n.a.	n.a.
Average working time in sawmilling (h/week)				
	h/week	n.a.	n.a.	n.a.

Sawn softwood				
	Unit	2021	2022	2023
Production	1.000 m <sup>3</sup>	2.873	3.040	3.131
Imports	1.000 m <sup>3</sup>	1.028	1.162	1.197
Exports	1.000 m <sup>3</sup>	364	398	410
Consumption	1.000 m <sup>3</sup>	3.537	3.804	3.918

Softwood logs				
	Unit	2021	2022	2023
Production	1.000 m <sup>3</sup>	3.276	3.473	3.517
Imports	1.000 m <sup>3</sup>	413	485	500
Exports	1.000 m <sup>3</sup>	191	232	240
Consumption	1.000 m <sup>3</sup>	3.498	3.726	3.777

By-Products				
	Unit	2021	2022	2023
Sawdust production	1.000 m <sup>3</sup>	n.a.	n.a.	n.a.
Chips production	1.000 m <sup>3</sup>	n.a.	n.a.	n.a.
Bark production	1.000 m <sup>3</sup>	n.a.	n.a.	n.a.
Pellets production	1.000 tonnes	n.a.	n.a.	n.a.

Availability of logs				
(1 = low; 2 = medium low; 3 = normal; 4 = medium high; 5 = high)				
	Unit	2021	2022	2023
Softwood	Range 1-5	n.a.	n.a.	n.a.

Capacity increases/decreases				
	Unit	2021	2022	2023
Softwood	1.000 m <sup>3</sup>	n.a.	n.a.	n.a.

## Cost development (%)

2023 vs 2022 cost developments can be estimated as "stable", "decreasing", "increasing"

	Unit	2022 vs 2021	2023 vs 2022
Softwood logs	% vs previous year	n.a.	n.a.
Energy	% vs previous year	n.a.	n.a.
Transport	% vs previous year	n.a.	n.a.

## Price development (%)

2023 vs 2022 cost developments can be estimated as "stable", "decreasing", "increasing"

	Unit	2022 vs 2021	2023 vs 2022
Sawn softwood	% vs previous year	n.a.	n.a.
Chips	% vs previous year	n.a.	n.a.
Sawdust	% vs previous year	n.a.	n.a.

Source: Asociación Española del Comercio e Industria de la Madera (AEIM)

## Market statement

### National economy. General economic situation

In Spain, the GDP growth forecast for 2022 is maintained at 4,2%, but growth for 2023 is revised downwards to 3.3%.

Household consumption has been negatively affected by the increase in prices and some supply factors.

Among the factors behind the slower growth are the increasingly likely shortages of some commodities and the impact of higher commodity prices on inflation.

In addition, the financial burden on firms and households is expected to pick up as the ECB withdraws monetary stimulus.

A gas tightening scenario in Europe is possible. In addition, trend inflation is high, despite the measures taken, and could become entrenched, making it difficult to bring it down quickly.

Registered unemployment rose again in August with 40,428 more people registered at the employment offices.



## General information. Indicators & forecasts

	2021	2022 (Forecast)	2023 (Forecast)
Population (million)	47.433	47.455	47.500
GDP growth (%)	5,1	4,2	3,3
Inflation Rate (%)	3,1	8,9	4,8
Unemployment(%)	14,8	13,8	12,9
Housing Starts (Units)	108.318	111.892	114.130
Housing completions (Units)	91.367	93.382	95.250
Wage development (%)	-0,60%	-3,20%	

## Outlets for timber

### Construction industry.

#### (Finished dwellings and commenced new dwellings).

Figures of housing starts corresponding to the whole year 2021 were placed at 108.318 units, which means an increase of 26,6% with respect to 2020 (85.535 units).

While regarding finished dwellings, final figure for 2021 was 91367 units. So, that means an increase of 6 %, as the figure for 2020 was 85.945 units.

Taking into account developments during January - April 2022, forecast for housing starts for the whole year points to a growth of around 5%.

In terms of housing completions, forecasts for this year indicate a decrease of 8%.

## Transactions.

### Imports of sawn softwood. 2021

Spanish imports of sawn softwoods during the whole year 2021 reached an amount (in volume) of 1.027.917 m<sup>3</sup>, which means a remarkable increase of more than 20% over 2020.

If we consider the figures in terms of import value, the increase has been higher, more than 44%, compared to 2020.

## Softwood imports. Main supplying countries.

### January – June. 2021 / 2022. In volume m<sup>3</sup> & value 1.000 Euros/CIF

Country	Volume m <sup>3</sup>			Value Import. (1.000 € /CIF)	
	2021	2022	%	2021	2022
France	134.140	133.413	-0,5%	15.652	26.383
Portugal	83.225	114.754	37,9%	13.138	23.486
Germany	54.257	77.607	43,0%	15.569	28.980
Sweden	76.548	71.162	-7,0%	16.155	26.417
Finland	40.204	53.878	34,0%	10.378	18.912
Lithuania	1.480	42.845	2794,9%	591	8.129
Brazil	37.577	32.873	-12,5%	6.710	10.392
Austria	13.765	13.967	1,5%	5.178	6.873
Chile	3.498	12.399	254,5%	573	2.994
Latvia	6.524	11.349	74,0%	1.858	3.994
New Zealand	11.192	9.109	-18,6%	4.704	4.429
Estonia	6.131	6.030	-1,7%	2.300	3.060
Poland	5.483	5.705	4,1%	1.660	2.710
Czech Republic	788	5.079	544,6%	375	1.564
Belgium	5.326	4.805	-9,8%	281	734
Russia	4.148	4.801	15,7%	854	1.570
Italy	2.438	4.128	69,3%	845	1.908
Ukraine	902	3.933	336,0%	337	1.463
Netherlands	3.346	3.440	2,8%	3.777	3.792
Belarus	273	3.198	1070,8%	99	627
Romania	731	2.254	208,3%	311	811
USA	2.727	2.147	-21,3%	1.399	1.057
Others	3.071	2.021	-34,2%	834	1.367
<b>Total</b>	<b>497.774</b>	<b>620.897</b>	<b>24,7%</b>	<b>103.578</b>	<b>181.653</b>

### Forecasts

Import statistics of sawn softwoods during the first half of 2022, show a remarkable increase of 24,7%, with total imports placed at 620.897 m<sup>3</sup>.

According to those figures, and considering a forecast of a sharp drop in imports during the second half of the year, forecasts of sawn softwoods imports in Spain for the whole year

**2022** could be placed around **1.161.396 m<sup>3</sup>**, which means an increase of 13%.

For **2023**, we foresee a very slight increase of around 3%, and so, we estimate that imports for the whole year could be around **1.196.490 m<sup>3</sup>**.

### Summary of softwood statistics. In volume. 1.000 m<sup>3</sup>.

	Actual 2021	Estimate 2022	Forecast 2023
Domestic production	2.873	3.040	3.131
Imports	1.028	1.162	1.197
Exports	364	398	410
Apparent consumption	3.537	3.804	3.918



# SWEDEN Producer

## General economic information

	Unit	2021	2022	2023
Population (million)	million	10,4	10,5	10,6
GDP Growth (%)	%	5,1	2,0	0,5
Inflation Rate (%)	%	2,2	8,0	4,8
Unemployment Rate (%)	%	8,8	7,4	7,5
<b>Construction industry</b>				
Building permits (units)	units	79.000	80.000	n.a.
Housing starts (units)	units	71.500	61.000	49.500
Housing completions (units)	units	54.100	62.000	64.000
<b>Wage development (%)</b>				
	% vs previous year	2,8	2,5	3,0
<b>Average working time in sawmilling (h/week)</b>				
	h/week	n.a.	n.a.	n.a.

## Sawn softwood

	Unit	2021	2022	2023
Production	1.000 m <sup>3</sup>	19.050	18.500	17.500
Imports	1.000 m <sup>3</sup>	470	450	300
Exports	1.000 m <sup>3</sup>	12.700	12.500	12.500
Consumption	1.000 m <sup>3</sup>	5.800	5.300	5.300

## Softwood logs

	Unit	2021	2022	2023
Production	1.000 m <sup>3</sup>	39.100	37.500	37.000
Imports	1.000 m <sup>3</sup>	900	800	800
Exports	1.000 m <sup>3</sup>	800	900	800
Consumption	1.000 m <sup>3</sup>	39.200	37.400	37.000

## By-Products

	Unit	2021	2022	2023
Sawdust production	1.000 m <sup>3</sup>	n.a.	n.a.	n.a.
Chips production	1.000 m <sup>3</sup>	n.a.	n.a.	n.a.
Bark production	1.000 m <sup>3</sup>	n.a.	n.a.	n.a.
Pellets production	1.000 tonnes	n.a.	n.a.	n.a.

## Availability of logs

(1 = low; 2 = medium low; 3 = normal; 4 = medium high; 5 = high)

	Unit	2021	2022	2023
Softwood	Range 1-5	4	2	3

## Capacity increases/decreases

	Unit	2021	2022	2023
Softwood	1.000 m <sup>3</sup>	+	++	+/-

## Cost development (%)

2023 vs 2022 cost developments can be estimated as "stable", "decreasing", "increasing"

	Unit	2022 vs 2021	2023 vs 2022
Softwood logs	% vs previous year	16,0%	+/-
Energy	% vs previous year	+++	+
Transport	% vs previous year	++	+

## Price development (%)

2023 vs 2022 cost developments can be estimated as "stable", "decreasing", "increasing"

	Unit	2022 vs 2021	2023 vs 2022
Sawn softwood	% vs previous year	-15,0%	--
Chips	% vs previous year	n.a.	n.a.
Sawdust	% vs previous year	n.a.	n.a.

Source: SFIF - Swedish Forest Industries Federation

## Market statement

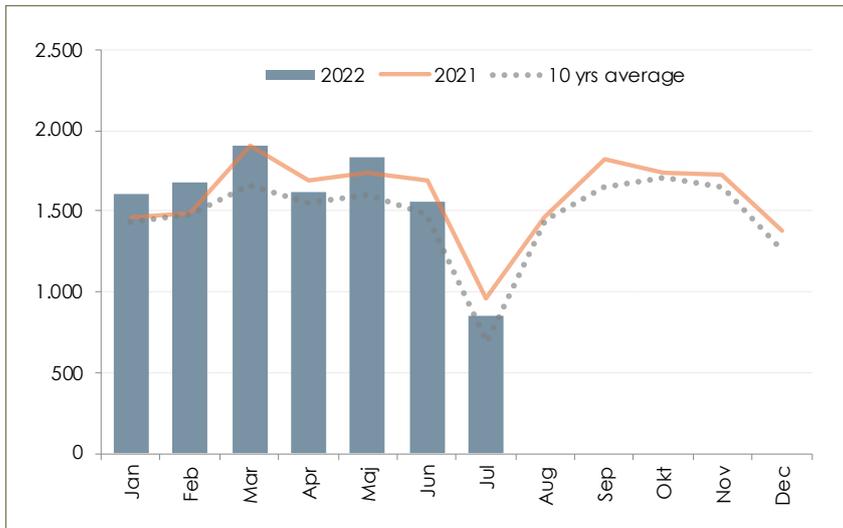
The Swedish sawmill sector came strengthened into 2022 and had managed to catch up to many of the shortages seen during the pandemic. With the Russian invasion of Ukraine the tables turned. Initial concerns were of a supply deficit from the European markets which rather turned into an over-supply situation. The off-on markets continue to shift quickly. Markets will require at least until the end of the year to find its new balance. But increasing costs is putting additional strain on the demand.

## Production & shipments

2021 was a year of record production where Swedish sawmills worked as hard as they could to meet an almost never-ending global demand, resulting in a production of 19 million m<sup>3</sup>. For the first quarter in 2022 the production pace was even higher. Further spurred by a large demand and a concern from European markets as to how to replace the inflow of Russian volumes.

Until July, even though the production has already started to decrease, the production was still 1% above last years record pace. The trend has now changed and expectations for the fall are fairly cautious, and we expect to see a comparatively restrained production.

**Figure 1: Swedish production of sawn wood 2022**



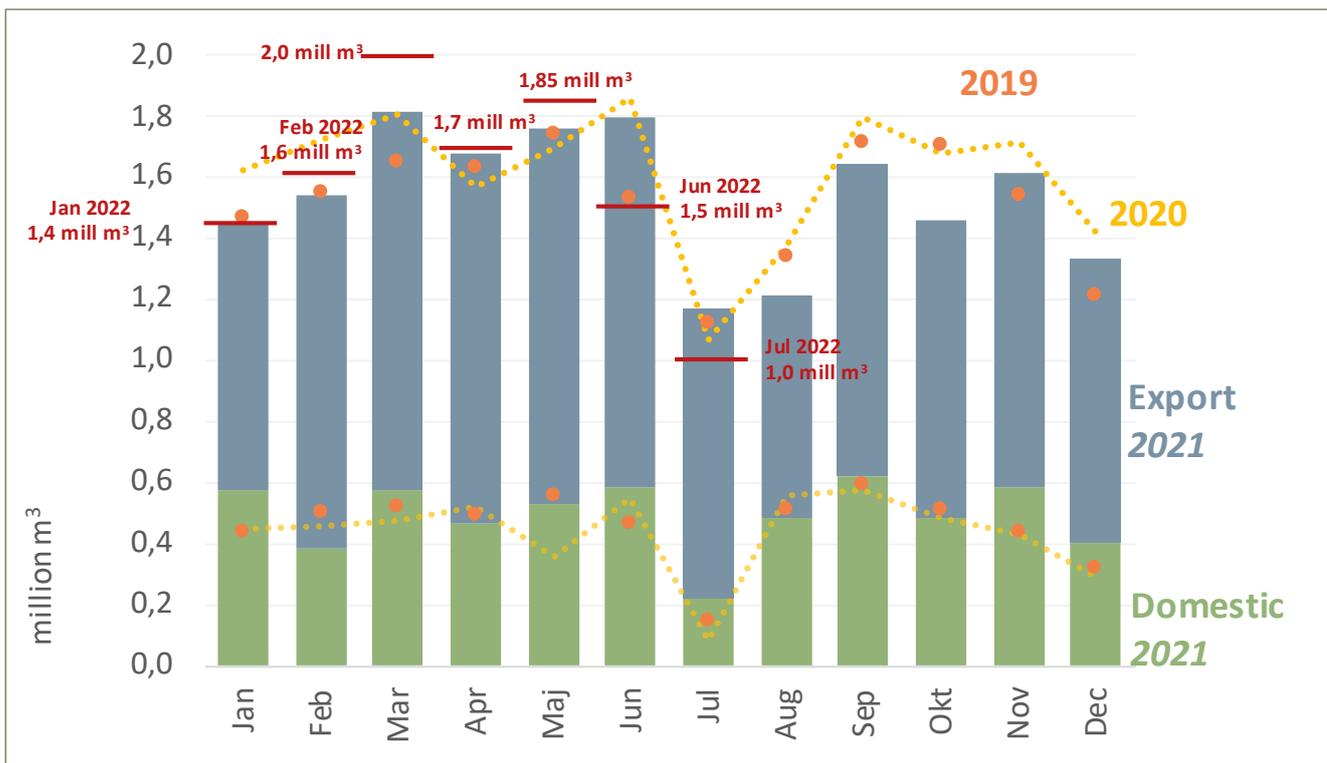
Source: Skogsindustrierna

Demand for Swedish sawn wood in the beginning of 2022 was even stronger than last year. New records were broken with the highest ever shipments in a single month in March. Since then the markets have however shifted. Shipments started to decline already in June, and July was also weaker than usual.

Expectations are that shipments will continue to be comparatively weak for the continuation of the year.

Source: Asociación Española del Comercio e Industria de la Madera (AEIM)

**Figure 2, Deliveries of Swedish sawn wood 2019-2022, domestic and export markets**



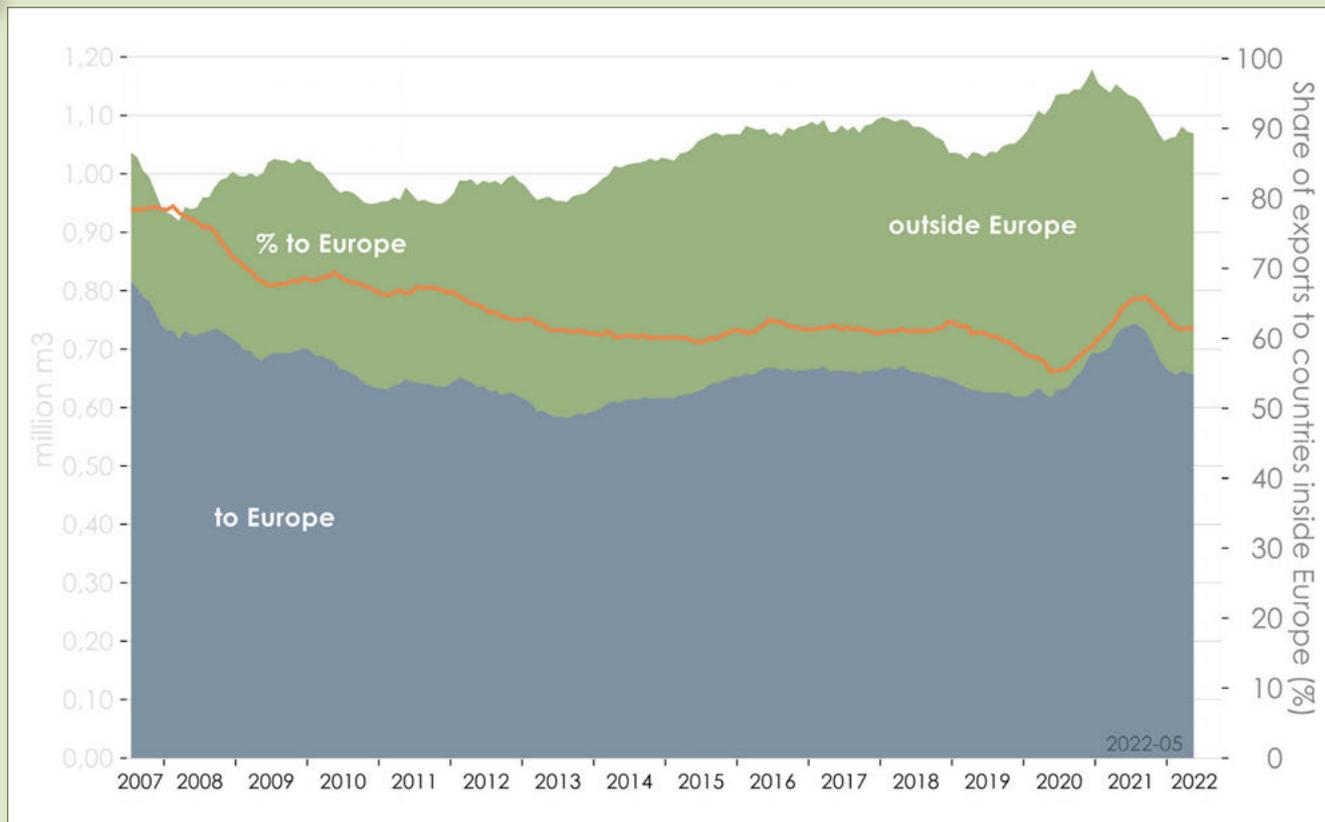
Source: Skogsindustrierna



### Exports & prices

During the pandemic Swedish exports increased significantly, primarily driven by exports to other European countries. Markets has since started to cool and are at a more normal pace. Although with a slightly higher share of the sawn wood going to the European markets.

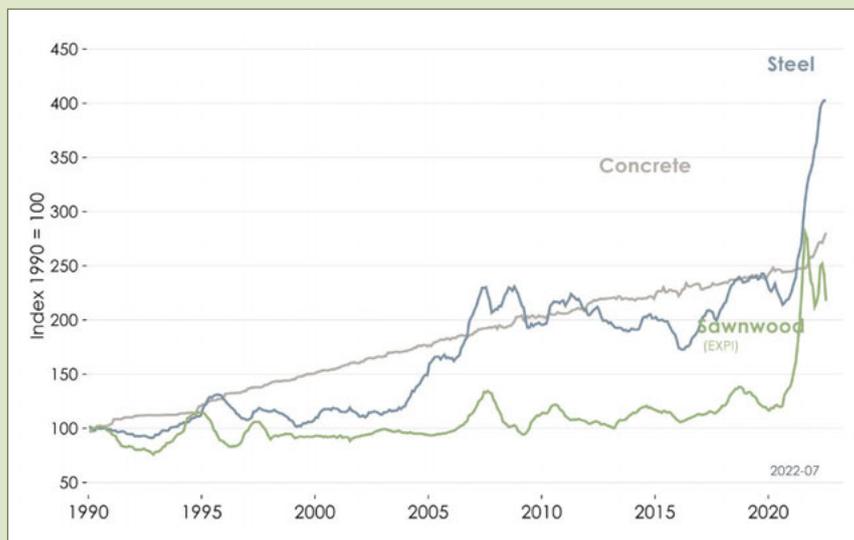
**Figure 3: Swedish total exports of sawn wood, to European and overseas markets**



Source: Skogsindustrierna and Svandata

As demand has weakened, prices have also started to decrease. Although the decrease in the price indices are still fairly moderate by the end of the summer. However, prices in the market are expected to have decreased even further, as the statistics suffer from some implicit lag.

**Figure 4: Swedish building materials price indices & sawn wood export price index**



Source: Skogsindustrierna and Statistics Sweden

## What to expect in the near future?

Swedish (and other European) producers increased their production to be prepared to replace the expectation of halted Russian imports to the European markets. At the same time as imports from Russia remained at a surprisingly high level until final sanctions were in effect. As such, for the last 4-6 months, a large share of the supply to the European markets has in effect been doubled. Creating the, temporary, over-supply situation.

The over-supply situation, on itself, could however be expected to be transitory as hard sanctions from the EU were fully enacted by July, and Russian supply finally being halted. If demand were to remain stable, any surplus volumes could after that be expected to be consumed in a reasonable amount of time. Perhaps by the end of the year. If Russian sawn wood exports to other world markets also decrease it could have led to a situation where the sawnwood markets were under high pressure, with rising prices, again in a years' time.

There are, as of yet, no indications that Russian production has been, or will be, able to shift its exports from Europe over to China or other world markets. And any such shifts trade flows will require a significant effort, as well as logistical resources and challenges. Still also assuming that the Russian forest and sawmill supply chain will be able to function with a lack of available spare parts from western markets. As long as such a shift does not materialize, there will be a significant decrease in supply to the world market balance.

Demand is however facing some of its most difficult hardships in a long time. As inflation increased early during 2022 led to rising interest rates and a more hesitant construction sector. On its own perhaps a hurdle possible for the market to overcome. But when the current energy crisis also leads to increasing production costs, at the sawmills and at downstream processing, as well as for household consumers, the outlook becomes more pessimistic.

*Combined from a Swedish perspective the outlook is somewhat restrained. We do see that production for the full year of 2022 will likely be relatively strong. Most in part due to a very strong first half year. As for 2023 we expect to enter the year being well-stocked, and meeting a wavering demand. We believe that the struggles on the demand side will overtake a potential under-supply on the world market. To find a balance in the markets we expect a lower sawmill activity for the next year.*

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# SWITZERLAND Producer

## General economic information

	Unit	2021	2022	2023
Population (million)	million	8,7	8,8	8,9
GDP Growth (%)	%	3,5	2,9	2,9
Inflation Rate (%)	%	0,6	3,5	3,5
Unemployment Rate (%)	%	3	2,8	2,8
<b>Construction industry</b>				
Building permits (units)	units	50.200	50.000	50.000
Housing starts (units)	units	n.a.	n.a.	n.a.
Housing completions (units)	units	51,000/48,000	n.a.	n.a.
<b>Wage development (%)</b>				
Wage development (%)	% vs previous year	0,6	0,8	0,8
Average working time in sawmilling (h/week)	h/week	42,5	42,5	42,5

## Sawn softwood

	Unit	2021	2022	2023
Production	1.000 m <sup>3</sup>	1.196	1.200	1.218
Imports	1.000 m <sup>3</sup>	300	300	300
Exports	1.000 m <sup>3</sup>	215	215	215
Consumption	1.000 m <sup>3</sup>	1.281	1.285	1.303

## Softwood logs

	Unit	2021	2022	2023
Production	1.000 m <sup>3</sup>	2.224	2.250	2.260
Imports	1.000 m <sup>3</sup>	40	40	40
Exports	1.000 m <sup>3</sup>	290	290	270
Consumption	1.000 m <sup>3</sup>	1.974	2.000	2.030

## By-Products

	Unit	2021	2022	2023
Sawdust production	1.000 m <sup>3</sup>	237	240	244
Chips production	1.000 m <sup>3</sup>	553	560	568
Bark production	1.000 m <sup>3</sup>	197	200	203
Pellets production	1.000 tonnes	324	350	380

## Availability of logs

(1 = low; 2 = medium low; 3 = normal; 4 = medium high; 5 = high)

	Unit	2021	2022	2023
Softwood	Range 1-5	4	4	3

## Capacity increases/decreases

	Unit	2021	2022	2023
Softwood	1.000 m <sup>3</sup>	0	10	20

## Cost development (%)

2023 vs 2022 cost developments can be estimated as "stable", "decreasing", "increasing"

	Unit	2022 vs 2021	2023 vs 2022
Softwood logs	% vs previous year	5,0%	stable
Energy	% vs previous year	3,0%	increasing
Transport	% vs previous year	5,0%	increasing

## Price development (%)

2023 vs 2022 cost developments can be estimated as "stable", "decreasing", "increasing"

	Unit	2022 vs 2021	2023 vs 2022
Sawn softwood	% vs previous year	5,0%	increasing
Chips	% vs previous year	0,0%	increasing
Sawdust	% vs previous year	20,0%	increasing

Source: HIS- Holzindustrie Schweiz

## Market statement

The Swiss timber industry is currently still well utilised. However, investments in the construction industry are decreasing as a result of rising interest rates and thus also the order situation in the timber industry. This is mainly felt by the processors (glulam producers), somewhat less by the sawmills. Thanks to the significant increase in raw timber prices, the supply situation has been good in recent months and will remain so in view of the coming timber harvesting season. Product prices are moving sideways, in some cases slightly downwards. Prices for sawmill residues, on the other hand, are still rising, with no end in sight.

The sharp rise in energy prices is also a major issue in the Swiss timber industry, especially electricity prices. Industrial companies that buy their electricity on the free market at the European electricity exchange fear existential problems if the state does not offer financial relief or intervene at the price level. At present, it is not yet clear what support can be expected from the political side. Paper and board producers are particularly affected by the high gas prices. They are working hard to adapt their processes and develop alternative energy sources.

# UNITED KINGDOM User



## General economic information

	Unit	2021	2022	2023
Population (million)	million	67,3	67,5	n.a.
GDP Growth (%)	%	7,4	3,3	0,2
Inflation Rate (%)	%	2,6	14,0	5,0
Unemployment Rate (%)	%	4,5	3,8	4,1
<b>Construction industry</b>				
Building permits (units)	units	n.a.	n.a.	n.a.
Housing starts (units)	units	n.a.	n.a.	n.a.
Housing completions (units)	units	n.a.	n.a.	n.a.
<b>Wage development (%)</b>				
Wage development (%)	% vs previous year	n.a.	5,1	n.a.
<b>Average working time in sawmilling (h/week)</b>				
Average working time in sawmilling (h/week)	h/week	n.a.	n.a.	n.a.

## Sawn softwood

	Unit	2021	2022	2023
Production	1.000 m <sup>3</sup>	3.630	3.000	3.100
Imports	1.000 m <sup>3</sup>	7.578	6.229	6.376
Exports	1.000 m <sup>3</sup>	n.a.	n.a.	n.a.
Consumption	1.000 m <sup>3</sup>	10.994	8.933	9.120

## Softwood logs

	Unit	2021	2022	2023
Production	1.000 m <sup>3</sup>	n.a.	n.a.	n.a.
Imports	1.000 m <sup>3</sup>	n.a.	n.a.	n.a.
Exports	1.000 m <sup>3</sup>	n.a.	n.a.	n.a.
Consumption	1.000 m <sup>3</sup>	n.a.	n.a.	n.a.

## By-Products

	Unit	2021	2022	2023
Sawdust production	1.000 m <sup>3</sup>	n.a.	n.a.	n.a.
Chips production	1.000 m <sup>3</sup>	n.a.	n.a.	n.a.
Bark production	1.000 m <sup>3</sup>	n.a.	n.a.	n.a.
Pellets production	1.000 tonnes	n.a.	n.a.	n.a.

## Availability of logs

(1 = low; 2 = medium low; 3 = normal; 4 = medium high; 5 = high)

	Unit	2021	2022	2023
Softwood	Range 1-5	n.a.	n.a.	n.a.

## Capacity increases/decreases

	Unit	2021	2022	2023
Softwood	1.000 m <sup>3</sup>	n.a.	n.a.	n.a.

## Cost development (%)

2023 vs 2022 cost developments can be estimated as "stable", "decreasing", "increasing"

	Unit	2022 vs 2021	2023 vs 2022
Softwood logs	% vs previous year	n.a.	n.a.
Energy	% vs previous year	n.a.	n.a.
Transport	% vs previous year	n.a.	n.a.

## Price development (%)

2023 vs 2022 cost developments can be estimated as "stable", "decreasing", "increasing"

	Unit	2022 vs 2021	2023 vs 2022
Sawn softwood	% vs previous year	n.a.	n.a.
Chips	% vs previous year	n.a.	n.a.
Sawdust	% vs previous year	n.a.	n.a.

Source: Timber Trade Federation

## Market statement

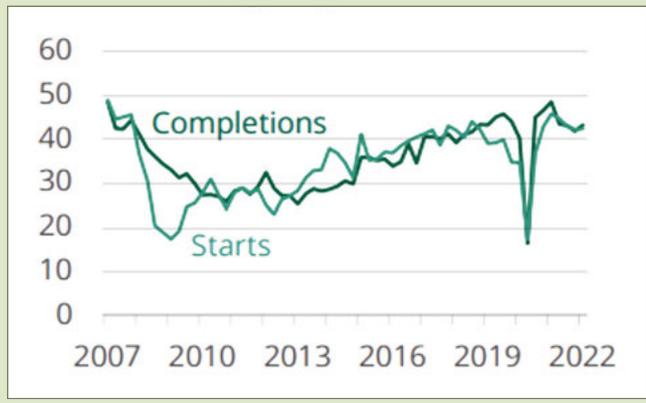
Construction output reached a record high in Q1 2022, just surpassing the previous high set in Q1 2019. According to the latest data published by the ONS, construction output was up by 3.8% when comparing Q1 2021 with Q1 2022, and was up by 7.4% year on year. This growth was driven by infrastructure and other commercial activity. While construction demand remained resilient in Q1 2022, this is unlikely to persist. The stability of the construction sectors recovery in 2022 has always remained subject to inflationary pressures - which at 9.1% as per the Consumer Price Index in June, is now at its highest rate in 40 years. The overall picture for the economy is overwhelmingly negative across a range of macroeconomic indicators:

- Greater barriers to trade and a more complex regulatory environment following Brexit
- Depreciating currency "10% plunge in the value of the pound this year"
- Cost of living crisis as 88% of adults in GB report an increase in their cost of living in May 2022
- Consumer confidence down 41 points in June 2022 - lowest since the index began in 1974
- Business confidence down, with only 17.6% of respondents positive, and 13.7% negative in recent polls.
- IMF projects global growth to slow from 6.1% in 2021 to 3.6% in 2022 and 2023.



Private housing: There were 42,350 house building starts in England in Q1 2022, a 1% increase compared with Q4 2022, but a 7% decrease compared with Q1 2021. Housing completions climbed to 43,160 in England in Q1 2022, a 3% increase compared with the previous quarter. However, again there were 11% fewer house building completions in Q1 2022, compared with Q1 2021.

**House-building; England Thousands, SA**

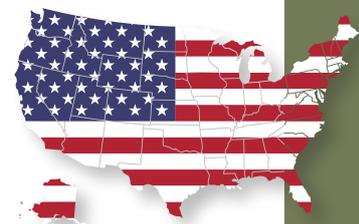


Repair, maintenance and improvement (RM&I): The private RM&I market remains at historically high levels, but prospects are more uncertain towards the end of the year, as it may see the greatest direct impacts of rising inflation.

Heavy sanctions have also been imposed on the import of Russian oil and gas which has significantly increased energy prices in the UK and across Europe. This is making logistical and construction costs expensive. Although timber will be affected by high energy prices, it is less energy intensive than other construction materials. High energy prices are heavily impacting concrete and steel due to the large energy inputs required for manufacture.



# USA Producer



General economic information				
	Unit	2021	2022	2023
Population (million)	million	332,2	333,1	334,4
GDP Growth (%)	%	5,7	1,7	0,9
Inflation Rate (%)	%	4,7	8,4	4,6
Unemployment Rate (%)	%	5,4	3,7	4,4
Construction industry				
Building permits (units)	units	n.a.	n.a.	n.a.
Housing starts (units)	units	1.605.167	1.549.730	1.380.508
Housing completions (units)	units	n.a.	n.a.	n.a.
Wage development (%)				
	% vs previous year	4,4	5,2	4,1
Average working time in sawmilling (h/week)				
	h/week	n.a.	n.a.	n.a.

Sawn softwood				
	Unit	2021	2022	2023
Production	1.000 m <sup>3</sup>	63.401	61.580	61.597
Imports	1.000 m <sup>3</sup>	27.235	26.886	24.672
Exports	1.000 m <sup>3</sup>	2.494	2.261	2.215
Consumption	1.000 m <sup>3</sup>	88.142	86.204	84.054

Softwood logs				
	Unit	2021	2022	2023
Production	1.000 m <sup>3</sup>	146.359	144.023	139.720
Imports	1.000 m <sup>3</sup>	474	528	486
Exports	1.000 m <sup>3</sup>	8.029	8.351	8.685
Consumption	1.000 m <sup>3</sup>	138.804	136.201	131.521

By-Products				
	Unit	2021	2022	2023
Sawdust production	1.000 m <sup>3</sup>	n.a.	n.a.	n.a.
Chips production	1.000 m <sup>3</sup>	n.a.	n.a.	n.a.
Bark production	1.000 m <sup>3</sup>	n.a.	n.a.	n.a.
Pellets production	1.000 tonnes	8.418	9.942	10.562

Availability of logs				
(1 = low; 2 = medium low; 3 = normal; 4 = medium high; 5 = high)				
	Unit	2021	2022	2023
Softwood	Range 1-5	4	3	3

Capacity increases/decreases				
	Unit	2021	2022	2023
Softwood	1.000 m <sup>3</sup>	1.223	1.357	2.067

Cost development (%)			
2023 vs 2022 cost developments can be estimated as "stable", "decreasing", "increasing"			
	Unit	2022 vs 2021	2023 vs 2022
Softwood logs	% vs previous year	0,2%	-3,4%
Energy	% vs previous year	11,5%	-5,0%
Transport	% vs previous year	21,9%	-7,8%

Price development (%)			
2023 vs 2022 cost developments can be estimated as "stable", "decreasing", "increasing"			
	Unit	2022 vs 2021	2023 vs 2022
Sawn softwood	% vs previous year	-8,8%	-38,2%
Chips	% vs previous year	18,5%	-6,8%
Sawdust	% vs previous year	9,2%	-12,2%

Source: Forest Economic Advisors

## Market statement

Several economic forces continue to impact the US as the country transitions out of the pandemic and the probability of a recession continues to grow. We currently put the odds of a recession within the next year at over 50% and as the US Federal Reserve raises its short-term interest rate target while inflation jumps to an average of 8.4% this year and 4.6% in 2023.

FEA forecasts economic activity slowing over the next 6-12 months, with GDP growth at 1.7% in 2022 and 0.9% in 2023. This follows much stronger GDP growth of 5.7% in 2021. At the same time, there is a shortage of workers in the US even as the number of unemployed people drops sharply. We see an unemployment rate of 3.7% this year compared with 5.4% in 2021. FEA forecasts this to rise modestly to 4.4% next year.

Already, the economy is showing signs of a slowdown and soaring inflation has cut into consumers' purchasing power. Mortgage rates have risen and housing starts have already peaked for the cycle as interest rate hikes deter home buying. This comes on the heels of rising real estate values that had already priced some people, particularly first-time buyers, out of the market. FEA forecasts US housing starts will be down 3.5% in 2022 and another 10.9% in 2023, even as strong pent-up demand, aging housing stocks and record home equity provide solid fundamentals.



Following suit, spending on residential improvements are forecast to drop 15.9% in 2023 after robust growth during the pandemic when residents were homebound due to restrictions. On the other hand, industrial production will continue to grow but at a significantly slower rate.

In short, we forecast that both sawnwood prices and consumption will drop next year.

Looking to trade, sanctions imposed on Russia following its invasion of Ukraine will push more Russian lumber to China (North America's biggest export market for more than a decade). Additionally, China's stricter regulations on pine imports will also reduce North American exports. These are among the factors that will weaken export growth in 2022.

US offshore imports of sawnwood, impacted by sanctions on Russia and a general decrease in demand, are forecast to rise 3.8% in 2022 but then fall 6.7% next year. This follows a 10.3% jump in 2021. Total sawnwood imports, which include those from Canada, are projected to drop by 1.3% in 2022 and 8.2% in 2023. This will come as we expect US sawnwood production to drop 2.9% this year and hold roughly the same level in 2023.

As sawnwood demand falls so do prices. We expect the average 2022 price will be 6.8% below the record levels of 2021. The rising threat of a recession next year, along with increased capacity, cause us to forecast a price decline of more than 38% in 2023. Prices will, however, still be slightly above the 2018 average.

The record-high prices of 2021 that were buoyed by a surprise surge in home building, which was triggered by rock-bottom borrowing rates during the pandemic, led producers to heavily invest in mills amid the expectation that pent-up housing demand combined with aging stock will keep the sector strong for several years. As a result, sawnwood capacity in the US will increase by an estimated 1.9% in 2022 and will increase by another 2.8% the following year due to expansions already planned.

The transportation bottlenecks that roiled every sector that relies on the movement of goods have improved since 2021, however high fuel costs and a general labor shortage continue to impact costs. In 2022, energy costs rose 11.5% but we forecast this will drop 5% in 2023. At the same time, transportation costs soared nearly 22% but we project they will drop in 2023 by nearly 8%.

Following nearly two years of unusual volatility triggered by the pandemic and felt in the economy and population in general – from rising transportation costs to soaring home equity to high inflation-rising interest rates now appear to be putting the brakes on the home buying frenzy that took the market by surprise. After 1.4% growth in US sawnwood apparent consumption by end-use markets in 2021, we forecast a 2.2% drop in 2022 and bigger decrease of 2.5% in 2023.







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