

ISC

Online
8 Oct 2020

MARKET SURVEY

68th International Softwood Conference



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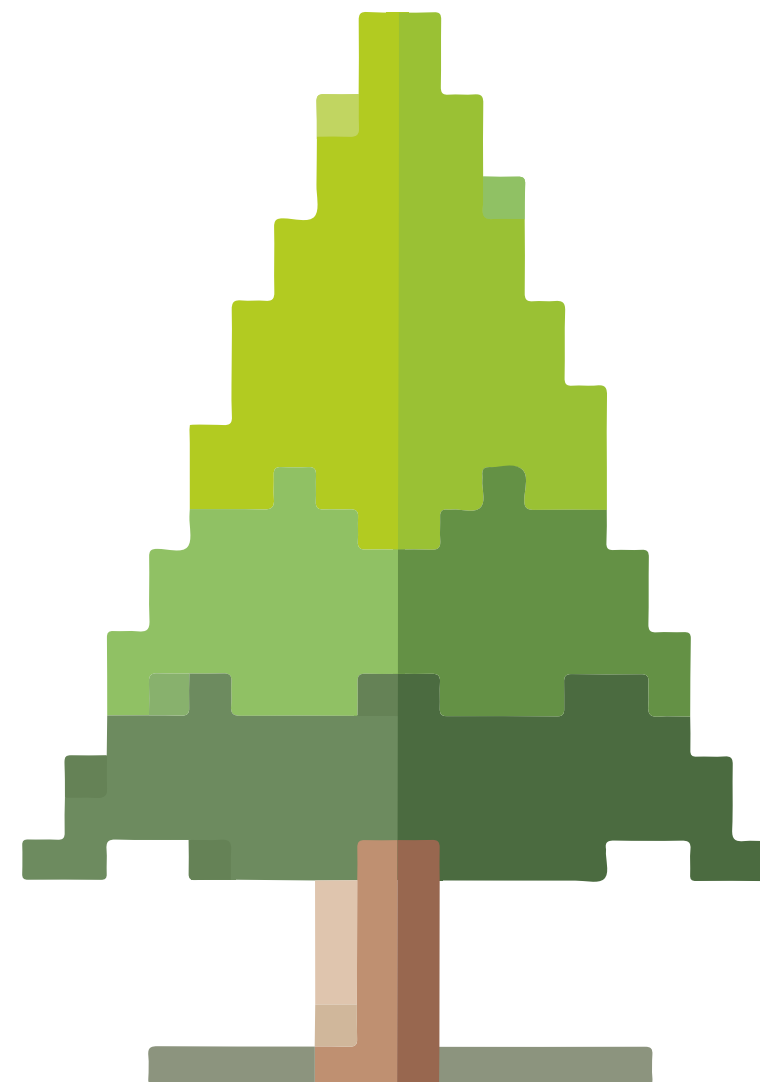
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GENERAL OVERVIEW

TABLES & GRAPHS

Note 1: the following information, tables and graphs are based on information supplied by the EOS and ETTF member 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 2020 are prognoses. Forecasts given for 2021.

Note 3: Europe(ISC)+PL means the European Countries reporting data for the ISC + Poland.

COLOPHON

Information collection: Diego Benedetti, EOS
Lay-out: Vincent De Proft - www.mutabilis.be



Softwood Production

DEVELOPMENT OF SOFTWOOD PRODUCTION (1000 M³) - BY REGION

	2018	2019	2020	2021
EUROPE (ISC)+PL	93 328	92 971	89 680	91 964
North America	105 701	101 294	101 081	110 148
TOTAL	199 030	194 265	190 761	202 112

Figure 1: PRODUCTION CHANGES IN %, 2017-2021

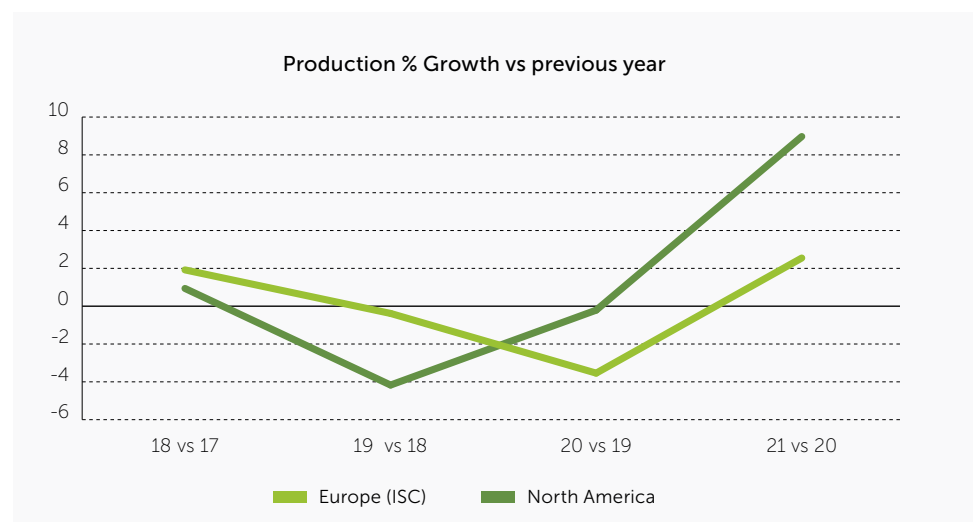


Figure 2: DEVELOPMENT OF SOFTWOOD PRODUCTION 2011-2021

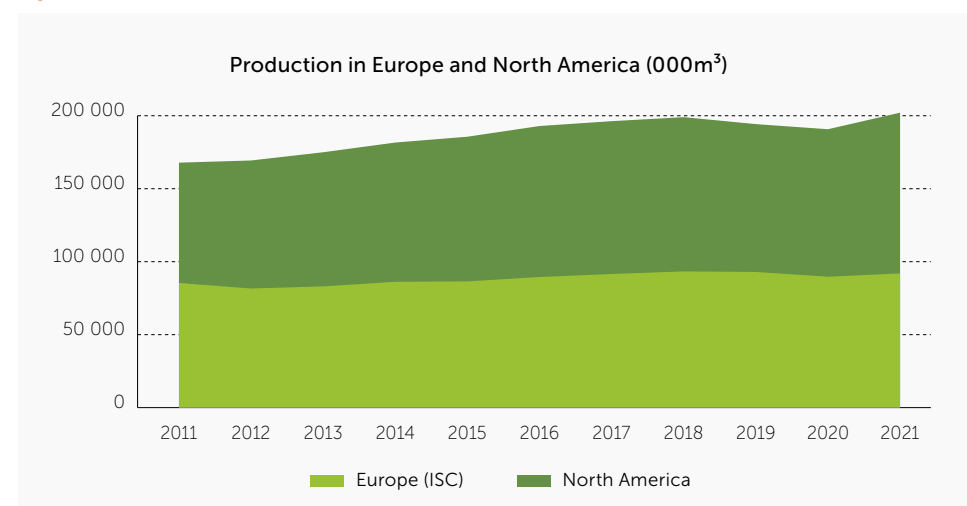
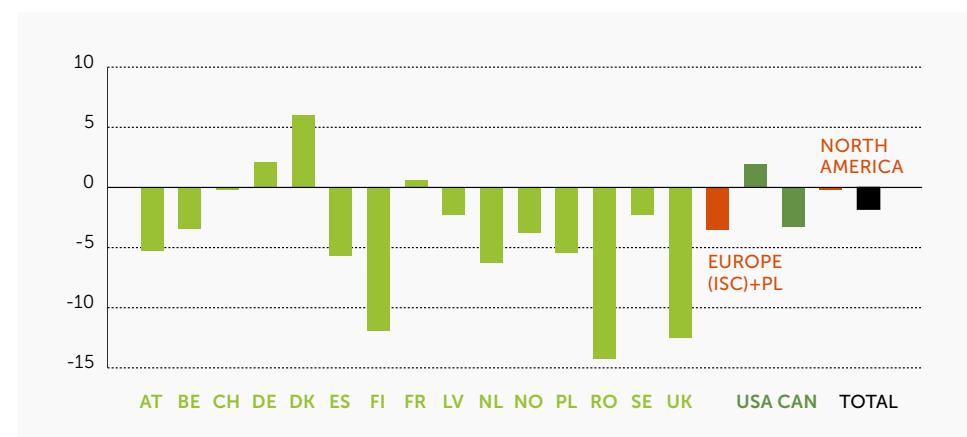


Figure 3: SAWN SOFTWOOD PRODUCTION % DIFFERENCE 2020 VS 2019



Softwood Production

DEVELOPMENT OF SOFTWOOD PRODUCTION (1000 M³) - BY COUNTRY

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
AT	9 485	8 793	8 385	8 215	8 605	9 250	9 650	10 200	10 343	9 800	10 000
BE	1 480	1 530	1 460	1 520	1 500	1 400	1 350	1 450	1 450	1 400	1 450
CH	1 260	1 150	986	1 080	1 060	1 074	1 037	1 078	1 077	1 075	1 073
DE	21 633	20 032	20 428	20 757	20 434	21 109	22 050	22 780	23 505	24 000	24 500
DK	500	500	294	294	352	310	360	324	331	351	351
ES	1 706	1 680	1 487	1 665	2 062	1 821	2 375	2 496	2 536	2 391	2 513
FI	9 700	9 300	10 400	10 900	10 600	11 400	11 700	11 800	11 354	10 000	10 500
FR	7 219	6 900	6 544	6 358	6 223	6 400	6 596	6 795	6 559	6 600	6 800
IT*	850	850	860	910	920	950	970	950	474	474	474
LV	2 657	2 582	2 600	2 768	2 690	2 792	2 662	2 730	2 660	2 600	2 660
NL	169	137	159	163	129	126	110	82	80	75	75
NO	2 270	2 280	2 200	2 400	2 444	2 533	2 655	2 675	2 650	2 550	2 500
PL	3 946	3 796	3 874	4 233	4 315	4 356	4 419	4 500	4 443	4 200	4 450
RO	2 900	2 945	3 762	3 704	3 600	4 340	3 600	3 550	3 500	3 000	2 900
SE	16 400	15 800	16 100	17 520	18 100	18 010	18 309	18 300	18 600	18 180	18 100
UK	3 227	3 357	3 536	3 716	3 449	3 624	3 728	3 618	3 410	2 984	3 618
EUROPE (ISC)+PL	85 402	81 632	83 075	86 203	86 483	89 495	91 571	93 328	92 971	89 680	91 964
USA	45 038	48 301	50 482	53 543	53 785	55 300	57 414	59 332	59 767	60 918	66 336
CAN	37 409	39 417	41 424	41 891	45 362	48 158	47 304	46 370	41 527	40 163	43 812
North America	82 447	87 718	91 906	95 434	99 147	103 458	104 718	105 701	101 294	101 081	110 148
TOTAL	167 849	169 350	174 981	181 637	185 630	192 952	196 290	199 030	194 265	190 761	202 112

* Data from Italy for 2020 and 2021 are unavailable so 2019 data have been repeated.

Softwood Consumption

DEVELOPMENT OF SOFTWOOD CONSUMPTION (1000 M³) - BY REGION

	2018	2019	2020	2021
EUROPE (ISC)+PL	79 706	77 571	74 210	75 636
North America	98 191	95 407	97 011	105 656
TOTAL	177 897	172 978	171 221	181 292

Figure 4: CONSUMPTION CHANGES IN %, 2017-2021

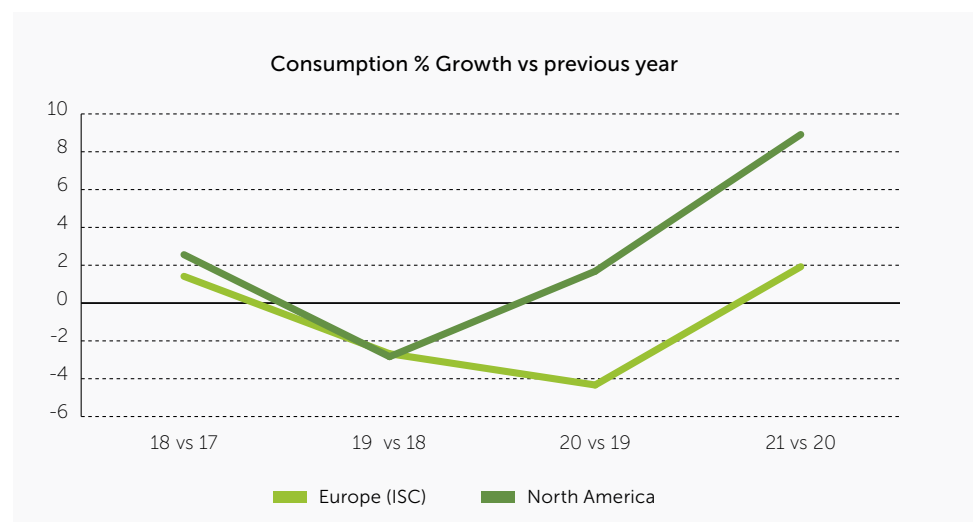


Figure 5: DEVELOPMENT OF SOFTWOOD CONSUMPTION, 2011-2021

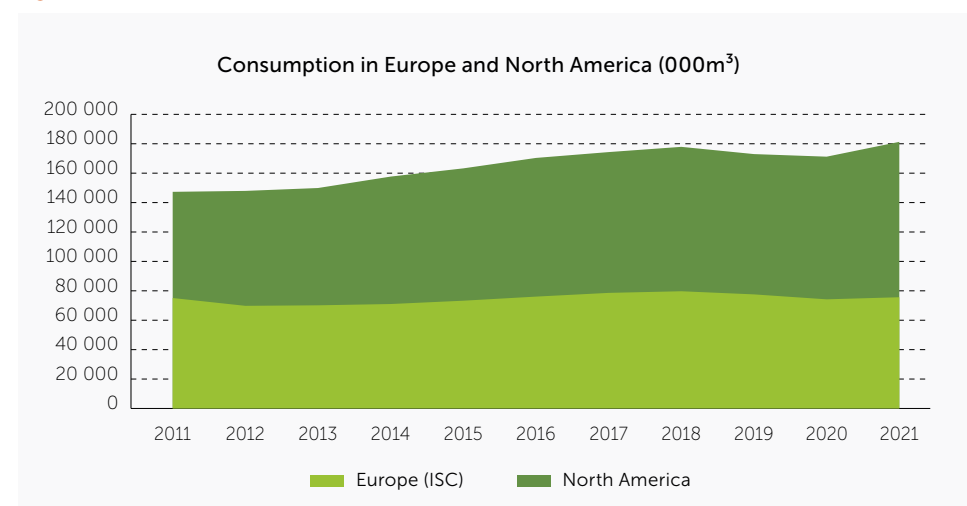
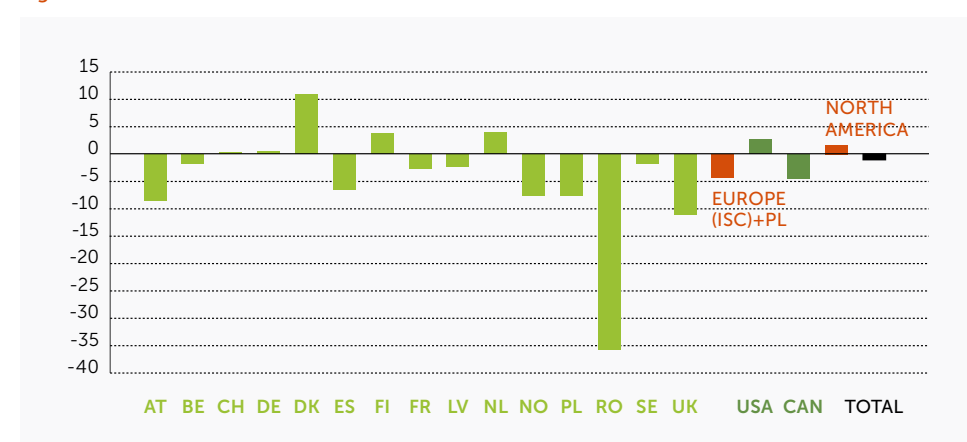


Figure 6: SAWN SOFTWOOD CONSUMPTION % DIFFERENCE 2020 VS 2019



Softwood Consumption

DEVELOPMENT OF SOFTWOOD CONSUMPTION (1000 M³) - BY COUNTRY

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
AT	5 628	5 478	5 189	4 946	5 268	5 756	5 950	6 170	6 064	5 550	5 600
BE	2 035	2 040	2 110	2 120	2 450	2 450	2 600	2 750	2 750	2 700	2 750
CH	1 420	1 304	1 136	1 215	1 190	1 187	1 181	1 213	1 183	1 186	1 189
DE	18 929	17 672	18 159	18 155	18 483	18 729	19 285	19 597	19 416	19 500	19 500
DK	1 644	1 540	1 239	1 489	2 021	1 538	1 520	1 298	1 261	1 398	1 338
ES	2 496	2 299	2 115	2 374	2 788	2 597	3 131	3 270	3 316	3 099	3 257
FI	4 000	3 300	3 700	3 400	3 100	3 200	2 900	3 000	2 506	2 600	2 500
FR	9 745	8 793	8 144	7 758	7 563	7 730	7 917	8 345	8 454	8 230	8 550
IT*	5 729	4 860	4 676	4 674	4 642	4 801	4 972	4 718	4 010	4 010	4 010
LV	941	843	774	944	820	832	850	936	839	820	845
NL	2 289	1 998	1 938	1 952	2 116	2 210	2 297	2 397	2 238	2 325	2 325
NO	2 700	2 760	2 710	2 858	2 864	2 924	2 986	2 932	2 920	2 700	2 800
PL	4 220	3 923	3 816	4 169	4 339	4 289	4 489	4 580	4 703	4 350	4 700
RO	1 000	883	1 267	778	1 016	2 642	2 450	2 800	2 800	1 800	1 700
SE	4 700	4 300	4 700	4 700	5 450	5 500	5 780	5 705	5 500	5 400	5 200
UK	7 623	7 797	8 469	9 488	9 170	9 677	10 288	9 995	9 611	8 542	9 372
EUROPE (ISC)+PL	75 099	69 790	70 142	71 020	73 280	76 062	78 596	79 706	77 571	74 210	75 636
USA	57 958	62 357	64 799	72 234	74 698	79 586	80 389	82 117	82 214	84 411	91 104
CAN	14 249	15 792	14 962	14 425	15 289	14 719	15 353	16 074	13 193	12 600	14 552
North America	72 207	78 149	79 761	86 659	89 987	94 305	95 742	98 191	95 407	97 011	105 656
TOTAL	147 306	147 939	149 903	157 679	163 267	170 367	174 337	177 897	172 978	171 221	181 292

* Data from Italy for 2020 and 2021 are unavailable so 2019 data have been repeated.

Price and Cost Developments

Figure 7: COST DEVELOPMENT SOFTWOOD LOGS

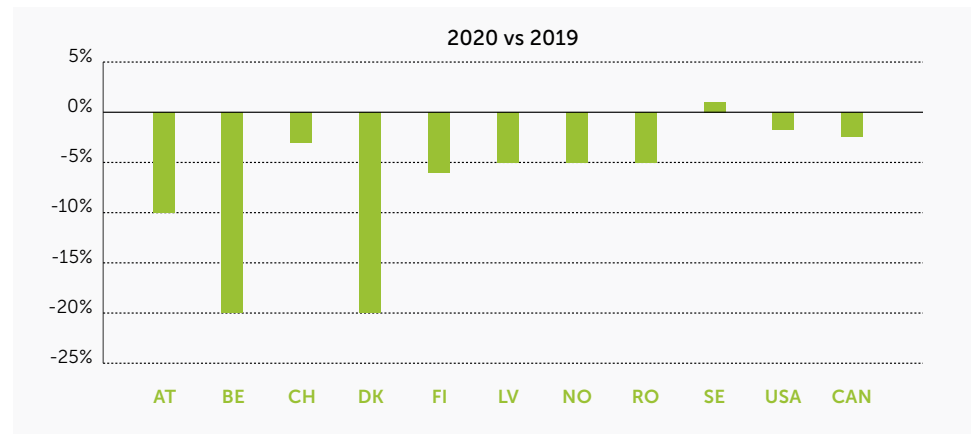


Figure 8: COST DEVELOPMENT ENERGY

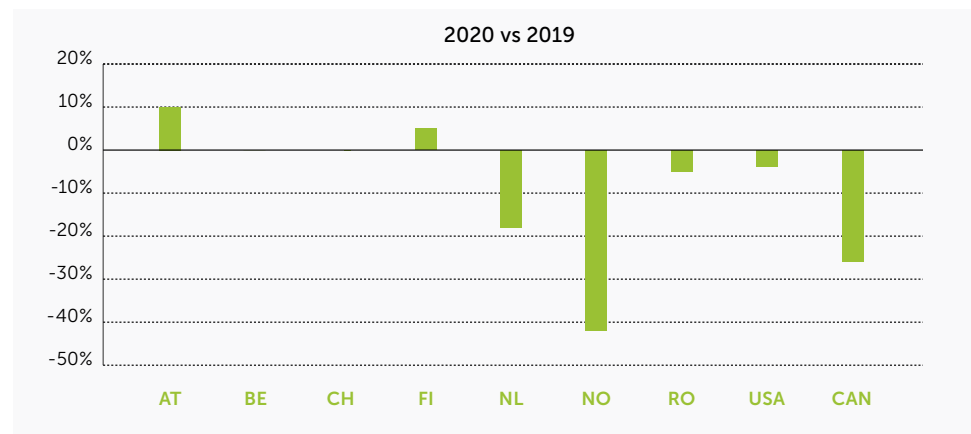


Figure 9: COST DEVELOPMENT TRANSPORT

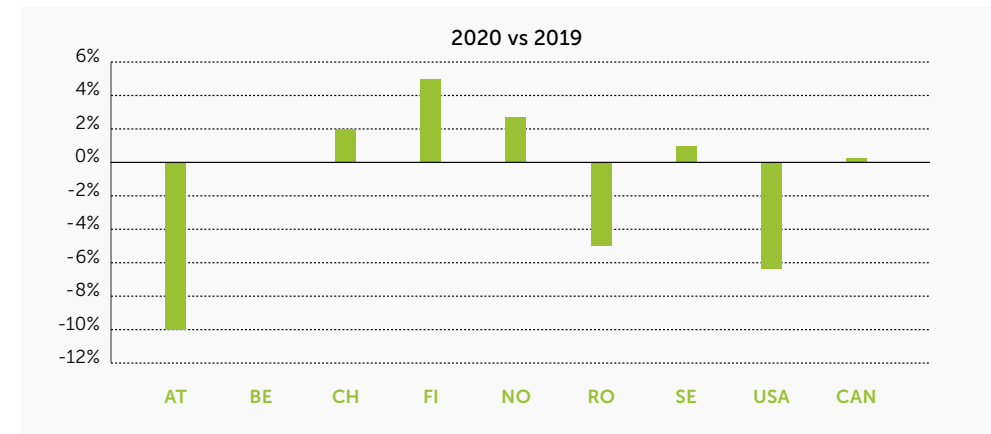
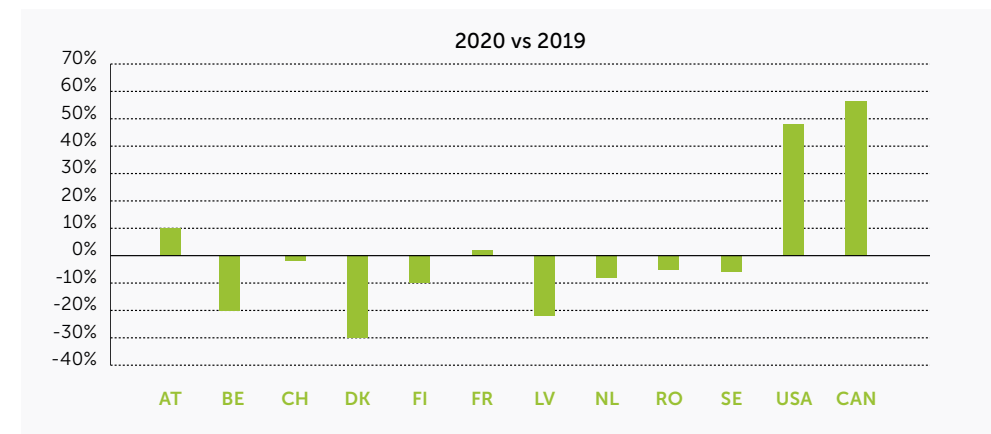


Figure 10: PRICE DEVELOPMENT SAWN SOFTWOOD



Price and Cost Developments

Figure 11: PRICE DEVELOPMENT CHIPS

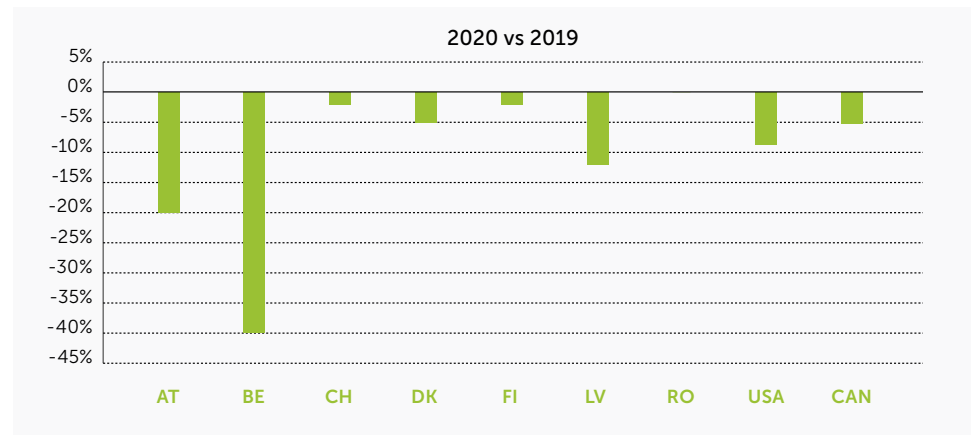
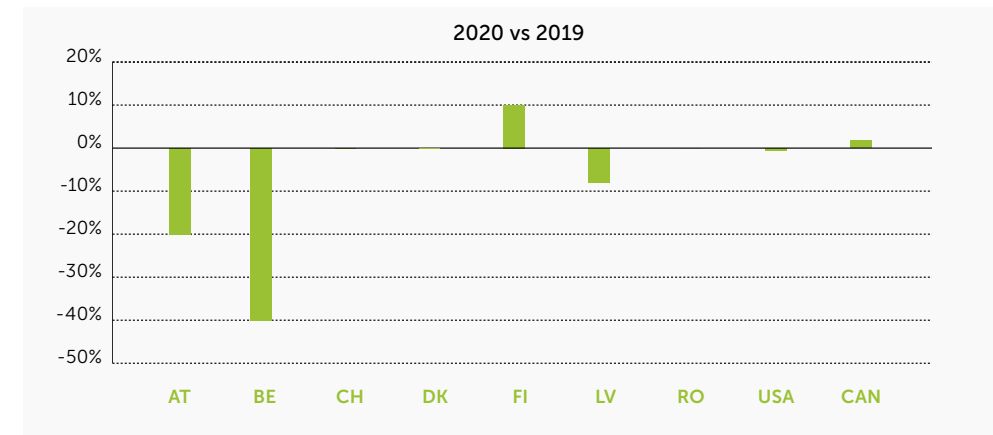
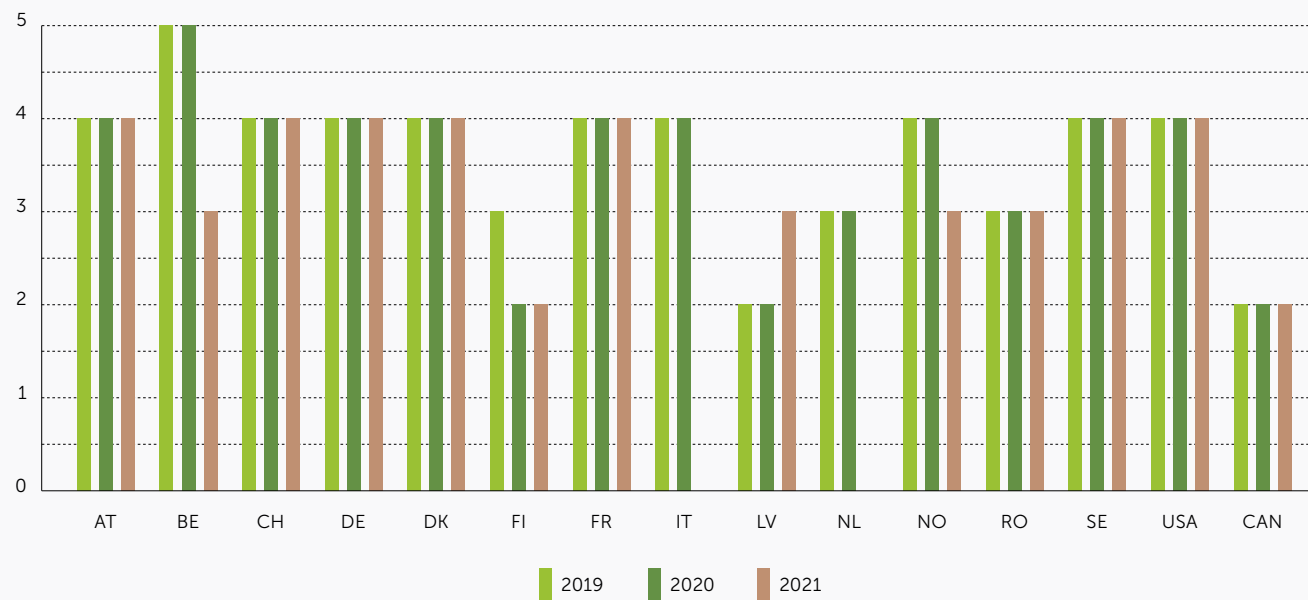


Figure 12: PRICE DEVELOPMENT SAWDUST



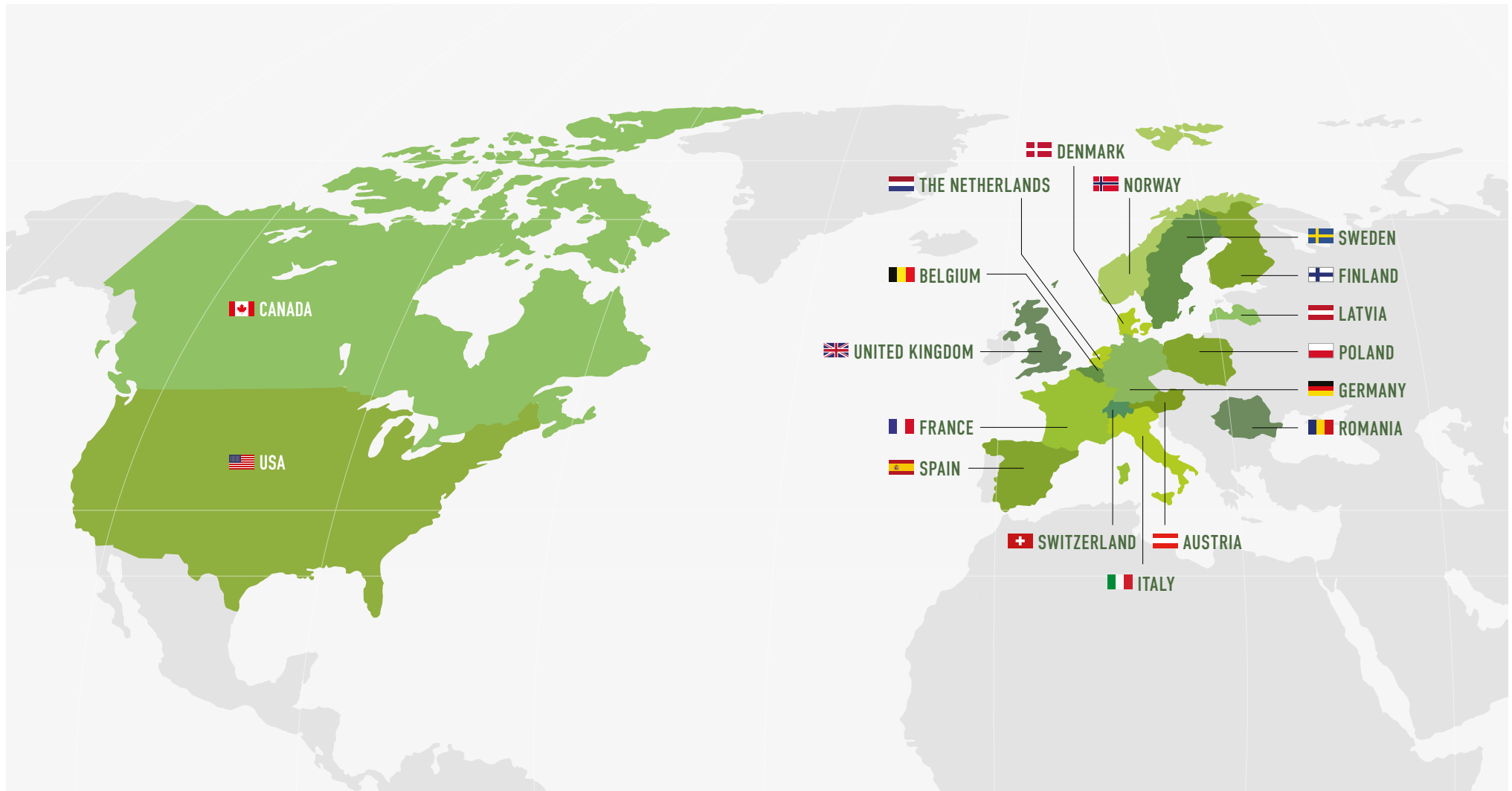
Some countries have reported price and cost developments not as percentage changes but as trends (stable, increasing, decreasing).
For more information, check the Country Reports starting from page 11 of this Market Survey.

Softwood Logs Availability



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

COUNTRY REPORTS



Austria

PRODUCER

■ preliminary data

■ estimation

Source: Fachverband der Holzindustrie Österreichs

GENERAL ECONOMIC INFORMATION

	Unit	2019	2020	2021
Population (million)	millions	8.9	8.9	8.9
GDP Growth (%)	%	1.6	-7.0	4.3
Inflation Rate (%)	%	1.5	0.6	0.9
Unemployment Rate (%)	%	4.5	5.5	5.2
Construction industry				
Building permits (units)	units	63 200	53 300	53 800
Housing starts (units)	units	56 700	55 400	50 900
Housing completions (units)	units	58 700	59 400	57 500
Wage development (%)	% vs previous year	3.3	1.6	n.a.
Average working time in sawmilling (h/week)	h/week	38.5	38.5	38.5

SAWN SOFTWOOD

	Unit	2019	2020	2021
Production	1 000 m ³	10 343	9 800	10 000
Imports	1 000 m ³	1 789	1 550	1 600
Exports	1 000 m ³	6 068	5 800	6 000
Consumption	1 000 m ³	6 064	5 550	5 600

SAWN HARDWOOD

	Unit	2019	2020	2021
Production	1 000 m ³	181	160	160
Imports	1 000 m ³	160	165	170
Exports	1 000 m ³	150	140	140
Consumption	1 000 m ³	191	185	190

BY-PRODUCTS

	Unit	2019	2020	2021
Sawdust production	1 000 m ³	3 187	3 036	3 102
Chips production	1 000 m ³	3 762	3 570	3 640
Bark production	1 000 m ³	992	930	960
Pellets production	1 000 m ³	1 330	1 330	1 385

AVAILABILITY OF LOGS

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

	Unit	2019	2020	2021
Softwood	Range 1-5	4	4	4
Hardwood	Range 1-5	3	3	3

CAPACITY INCREASES/DECREASES

	Unit	2019	2020	2021
Softwood	1 000 m ³	300	600	0
Hardwood	1 000 m ³	0	0	0

COST DEVELOPMENT (%)

2021 vs 2020 cost developments can be estimated as "stable", "decreasing", "increasing"

	Unit	2020 vs 2019	2021 vs 2020
Softwood logs	% vs previous year	-10.0	0.0
Hardwood logs	% vs previous year	0.0	0.0
Energy	% vs previous year	10.0	10.0
Transport	% vs previous year	-10.0	0.0

PRICE DEVELOPMENT (%)

2021 vs 2020 prices developments can be estimated as "stable", "decreasing", "increasing"

	Unit	2020 vs 2019	2021 vs 2020
Sawn softwood	% vs previous year	10.0	0.0
Sawn hardwood	% vs previous year	0.0	0.0
Chips	% vs previous year	-20.0	0.0
Sawdust	% vs previous year	-20.0	0.0

Austria

PRODUCER Market statement

1. On top of the estimates in the questionnaire, please fill in the following table

Sawn Softwood	Jan-Jun 2020 vs Jan-Jun 2019 % difference
Production	-7%
Imports	-6%
Exports	-9%
Consumption	-5%

2. What was the raw material situation like in 2020? How do you see it changing in the coming months? Has the coronavirus had any impact on raw material availability? If not, what is affecting raw material availability the most?

At the beginning of 2020 there was an undersupply of roundwood in Austria. The unlucky combination of high imports, an unplanned harvesting of the domestic forestry and the shutdown due to COVID-19 led to an oversupply of roundwood in Austria in April. Within a few weeks in May the situation changed again. Almost all production lines were fully up and running again in May. The supply was accepted and the backlog from April was soon cleared.

The bad weather in some regions led to an undersupply of domestic roundwood and caused huge uncertainty and increased volumes had to be purchased from neighbouring regions. The alternative would have been shutting down operations for weeks at a time, which would have meant losing market share again. As in recent years, the quality distribution of roundwood ranges in the summer months remains a challenge for everyone in the industry.

3. How did the different market segments respond to the crisis? Do you think there are going to be changes in the future?

a. Sales to the construction sector

The local construction sector in Central Europe was only temporarily affected by the shutdown and has performed relatively well throughout the crisis. The domestic carpentries were closed a little longer. Large construction projects have been postponed. In June/July there was an economic high due to the catch-up effect, in which the projects postponed from the previous months had to be restarted. It is still unclear how the situation will develop in the following years.

b. Sales to the pallets sector

An excellent start to the year until April 2020 was recorded. Shutdown and oversupply periodically causes summer price cuts. Today the whole subsidiary market is under more pressure than in previous years. High production in the sawmill industry and still plenty of Roundwood for Industry purposes in the forests cause oversupply.

c. Sales to the DIY sector

There was a real boom in the DIY sector. As recognised in June and July 2020 the companies operating in this segment have recorded an all-time high. Especially the DIY market in Germany, Swiss and Austria were crucial.

d. Sales to the furniture sector

The Austrian hardwood market was severely affected by the shutdown of the furniture industry. Many furniture manufacturers had completely shut down their production for several weeks and are slowly getting back to their pre-crisis level.

4. What were sales to countries around the world like? Have there been any particularly positive or negative countries

over the last few months? Are there markets which are going to be especially positive/negative in the future?

After the repeated export increase in the previous year, the sawn timber export 2020 is currently far below the level of the previous year due to the crisis. The most dramatic development was the total collapse in the Italian market, the most important market for the Austrian sawmill industry. Other countries in Europe such as France, Spain, but also Slovakia and Great Britain were affected heavily by the crisis, which partly led to significant decreases in exports. In the German, Swiss and the Austrian market, things were slightly better. Exports increased to the United States and to China on a stable level, which led to a general relaxation in the European sawn timber market.

5. Have businesses in your country been affected by labour shortages and/or liquidity problems? Has your government provided any help (tax breaks, financial support, etc...) to the sawmill industry to cope with the coronavirus crisis?

With the shutdown, the government introduced a short-time working model, which was used by almost all companies during the crisis. The model was extended for another six months after the crisis. The Federal Government has put together an aid package for the economy to deal with the economic consequences of the Corona crisis, focusing on preserving jobs, securing liquidity, providing immediate aid for the self-employed and mitigating business losses.

6. How do you see the future of the sawmill industry in your country? Is the competitive landscape going to change as a result of the coronavirus crisis?

Years of measures, such as the "promo_legno" initiative in Italy and the European Wood Initiative in China, created security in the



Austria

sales markets and Germany continued to be the most important "driver" for the European market. Recent major investments in further processing, mean that sawn timber can be processed into high-quality building products, delivering complete solutions for modern timber construction throughout the world. The domestic market saw positive development in all products and the pro:Holz initiatives and innovations of the companies, led to an increase in the demand for ecologically sustainable building solutions made of wood and wood-based materials.

The wood industry will weather COVID-19 crisis well and go into an almost near normalisation phase in the coming months. The effects of the climatic changes will occupy our unique regrow and sustainable produced raw material "timber" for a long time yet. Here everybody in the value chain are called to cooperate and pull together to shake up the European and National Policy.

7. Any other additional elements

The focus has been on coping with the high volumes of salvaged timber and developing strategic approaches for the future. The sustainable forest certification PEFC Austria has been drastically enhanced, the promotion of European projects for climate-resistant softwood species has been supported and numerous transport issues have led to ecologically sound general concepts.

The Austrian Sawmilling Industry continues to be the reliable partner for the local forestry owners. Despite the record numbers of beetles and windthrows affecting our neighbors throughout Central Europe, millions of solid cubic meters of salvage timber have been additionally processed in the sawmills the last years. Thanks to joint logistics coordination in the value chain and in consultation with national policymakers, it has been possible to significantly increase removal from the areas affected.



Belgium

PRODUCER | USER

■ preliminary data

■ estimation

Source: Confédération belge du bois + Fedustria

GENERAL ECONOMIC INFORMATION

	Unit	2019	2020	2021
Population (million)	millions	11.4	11.5	11.5
GDP Growth (%)	%	1.4	-9.0	6.4
Inflation Rate (%)	%	1.4	0.6	1.1
Unemployment Rate (%)	%	5.4	7.3	8.3
Construction industry				
Building permits (units)	units	-21.5%*	+9% (5m'20/'19)	n.a.
Housing starts (units)	units	n.a.	n.a.	n.a.
Housing completions (units)	units	n.a.	n.a.	n.a.
*statistical error 2019/2018				
Wage development (%)	% vs previous year	n.a.	n.a.	n.a.
Average working time in sawmilling (h/week)	h/week	38	38	38

SAWN SOFTWOOD

	Unit	2019	2020	2021
Production	1 000 m ³	1 450	1 400	1 450
Imports	1 000 m ³	2 500	2 450	2 500
Exports	1 000 m ³	1 200	1 150	1 200
Consumption	1 000 m ³	2 750	2 700	2 750

SAWN HARDWOOD

	Unit	2019	2020	2021
Production	1 000 m ³	150	125	150
Imports	1 000 m ³	420	400	420
Exports	1 000 m ³	360	335	360
Consumption	1 000 m ³	210	190	210

BY-PRODUCTS

	Unit	2019	2020	2021
Sawdust production	1 000 m ³	221	210	221
Chips production	1 000 m ³	838	800	838
Bark production	1 000 m ³	125	120	125
Pellets production	1 000 m ³	515	490	515

AVAILABILITY OF LOGS

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

	Unit	2019	2020	2021
Softwood	Range 1-5	5	5	3
Hardwood	Range 1-5	3	3	3

CAPACITY INCREASES/DECREASES

	Unit	2019	2020	2021
Softwood	1 000 m ³	10	0	0
Hardwood	1 000 m ³	0	0	0

COST DEVELOPMENT (%)

2021 vs 2020 cost developments can be estimated as "stable", "decreasing", "increasing"

	Unit	2020 vs 2019	2021 vs 2020
Softwood logs	% vs previous year	-20.0	20.0
Hardwood logs	% vs previous year	-10.0	0.0
Energy	% vs previous year	0.0	10.0
Transport	% vs previous year	0.0	5.0

PRICE DEVELOPMENT (%)

2021 vs 2020 prices developments can be estimated as "stable", "decreasing", "increasing"

	Unit	2020 vs 2019	2021 vs 2020
Sawn softwood	% vs previous year	-20.0	0.0
Sawn hardwood	% vs previous year	-10.0	0.0
Chips	% vs previous year	-40.0	0.0
Sawdust	% vs previous year	-40.0	0.0



Belgium

PRODUCER Market statement

1. On top of the estimates in the questionnaire, please fill in the following table

Sawn Softwood	Jan-Jun 2020 vs Jan-Jun 2019 % difference
Production	-7%
Imports	-4%
Exports	-8%
Consumption	-4%

2. What was the raw material situation like in 2020? How do you see it changing in the coming months? Has the coronavirus had any impact on raw material availability? If not, what is affecting raw material availability the most?

The raw material availability is high due to the bark beetle crisis. Coronavirus crisis has an impact on the demand of timber products but not on the availability of logs.

The logs availability will continue to be important due to the bark beetle crisis.

In 2018 damaged logs amounted to 600.000 m³. In 2019 to 1.000.000 m³ and the forecast for 2020 is also 1.000.000 m³. Large volumes of damaged wood from France and Germany are also processed in Belgium. A part of the logs are exported to China.

3. How did the different market segments respond to the crisis? Do you think there are going to be changes in the future?

a. Sales to the construction sector

The construction sector was shut down during the covid-19 lockdown from mid-March to early May 2020. The current

recovery is good but there are a lot of uncertainties going forward.

b. Sales to the pallets sector

The demand of the pallets sector was good in the beginning of the lockdown. The demand is now lower.

c. Sales to the DIY sector

Due to COVID-19 lockdown, the activity of DIY sector was high. People worked a lot in their home.

4. What were sales to countries around the world like? Have there been any particularly positive or negative countries over the last few months? Are there markets which are going to be especially positive/negative in the future?

Sales in Belgium and France were sharply reduced during the lockdown. On the other hand, sales in Germany, Holland and North Africa were stable.

5. Have businesses in your country been affected by labour shortages and/or liquidity problems? Has your government provided any help (tax breaks, financial support, etc...) to the sawmill industry to cope with the coronavirus crisis?

No labour shortages.

Liquidity problems : government helps : possibilities of postponement of payment deadlines for logs.

Possibility of postponing the payment of social charges.

Possibility of temporary unemployment for staff.

6. How do you see the future of the sawmill industry in your country? Is the competitive landscape going to change as a result of the coronavirus crisis?

There is great uncertainty for the future. The sector needs con-

tinued investments in the construction sector.

The future of the sawmill industry is also threatened by the decrease in raw material due to bark beetle crisis.

7. Any other additional elements

Stocks by panel industry are large thus making it very difficult to valorize the by-products.

USER Market statement

MARKET SITUATION – SOFTWOOD IMPORTS BELGIUM

There is currently a huge shortage of logs, resulting in a lack of supplies. In the Nordic countries, the corona crisis meant that sawmills were understaffed for several months, which did not help production. The market also felt the impact of labour action in Finland. Most sawmills have also been closed for the holidays. They are only now starting to return to full strength, but the shortage of logs remains a thorny issue.

The enormous demand from the US has also caused prices to soar. What would happen if China returned to the market? This is a situation one rather does not want not think about... stocks in the north are at a low level, so prompt deliveries are almost impossible.

Prices are rising noticeably, with the result that everyone is holding their hearts and we have to watch despondently as the market turns and prices plummet again. Certainly when we see the expectations of construction for 2021, there are fears for next year. When one considers that building permits in the Netherlands have already fallen by almost 50% and Belgian construction companies see their order books shrinking, it is going to be a tough one!



PRODUCER

■ preliminary data

■ estimation

Source: Forest Economic Advisors

GENERAL ECONOMIC INFORMATION

	Unit	2019	2020	2021
Population (million)	millions	37.5	38.0	38.3
GDP Growth (%)	%	1.7	-6.8	3.7
Inflation Rate (%)	%	2.0	1.0	1.7
Unemployment Rate (%)	%	5.7	9.7	8.3
Construction industry				
Building permits (units)	units	n.a.	n.a.	n.a.
Housing starts (units)	units	208 689	201 078	195 000
Housing completions (units)	units	n.a.	n.a.	n.a.
Wage development (%)	% vs previous year	3.1	3.3	0.9
Average working time in sawmilling (h/week)	h/week	n.a.	n.a.	n.a.

SAWN SOFTWOOD

	Unit	2019	2020	2021
Production	1 000 m ³	41 527	40 163	43 812
Imports	1 000 m ³	517	535	570
Exports	1 000 m ³	28 851	28 098	29 831
Consumption	1 000 m ³	13 193	12 600	14 552

BY-PRODUCTS

	Unit	2019	2020	2021
Sawdust production	1 000 m ³	n.a.	n.a.	n.a.
Chips production	1 000 m ³	n.a.	n.a.	n.a.
Bark production	1 000 m ³	n.a.	n.a.	n.a.
Pellets production	1 000 tonnes	3 080	3 128	3 037

AVAILABILITY OF LOGS

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

	Unit	2019	2020	2021
Softwood	Range 1-5	2	2	2
Hardwood	Range 1-5	3	3	3

CAPACITY INCREASES/DECREASES

	Unit	2019	2020	2021
Softwood	1 000 m ³	-2 269	-542	58

COST DEVELOPMENT (%)

2021 vs 2020 cost developments can be estimated as "stable", "decreasing", "increasing"

	Unit	2020 vs 2019	2021 vs 2020
Softwood logs	% vs previous year	-2.4	2.3
Energy	% vs previous year	-25.9	15.0
Transport	% vs previous year	0.3	1.8

PRICE DEVELOPMENT (%)

2021 vs 2020 prices developments can be estimated as "stable", "decreasing", "increasing"

	Unit	2020 vs 2019	2021 vs 2020
Sawn softwood	% vs previous year	56.5	-20.7
Chips	% vs previous year	-5.3	-0.5
Sawdust	% vs previous year	1.8	-0.9



PRODUCER Market statement

Unlike many other regions, Canada has not seen a major COVID-19 outbreak. Canadian policymakers are going to want to keep it that way and will therefore maintain tight public-health restrictions. Canadian fiscal policymakers have likewise aggressively tried to support households and businesses during this unprecedented period.

We estimate that Canada's real GDP declined at a 30% annualized rate in the second quarter, and that it will bounce back sharply in the third quarter and grow steadily through 2021. Still, the sharp downturn in the second quarter will push Canadian GDP down nearly 7% in 2020. With interest rates remaining low and the government continuing to pump money into the economy to prop it up, we expect GDP will grow nearly 4% in 2021.

The Canadian homebuilding sector appears to have withstood the COVID-19 virus. Thus far in 2020, the sector has experienced only one month of starts under 195K units (164.9K units in April), and the most recent figures showed a 245K surge in July. The forecast shows housing starts averaging slightly over 200 units over the remainder of 2020, and the risks are tilted toward the upside given the recent evidence.

Our analysis assumes that tighter lending rules, along with more cautious consumers, weak income growth, and the absence of pent-up demand, will eventually restrain the recovery in residential construction. Note that Canadian housing starts have averaged more than 200K units since 2010, compared to an underlying demand of about 180K units. As a result, our forecast shows starts dipping slightly to 195,000 units in 2021.

Canadian real residential-improvement expenditures declined slightly in 2019 and are projected to dive by about 7% in 2020

and then surge robustly in 2021. Strong growth in residential improvements with flat housing starts will push Canadian sawnwood demand higher in 2021.

The main driver for Canadian sawnwood production is not domestic consumption, but rather exports— and exports to the US and China in particular. The COVID-19 recession is expected to cause exports to decline 3% in 2020. We do expect a sharp rebound in US demand, but the outlook for China is not as strong.

Exports to the US should remain strong as the country's residential-construction markets have not been affected by the COVID-19 recession like other sectors of the economy. Moreover, we expect low interest rates, tremendous pent-up demand from a decade of underbuilding, and strong demographic tailwinds will all bolster US residential-construction markets in 2021. Meanwhile, Canadian sawnwood shipments to China have fallen dramatically as the weak Russian ruble has shifted China's main supply of softwood sawnwood from Canada to Russia, with the increased supply of beetle-killed European sawtimber taking additional market share in 2019–20. Based on this profile, we expect Canadian exports will increase 6% in 2021.

Canadian sawnwood capacity has contracted in 2019–20. Expansions in the eastern provinces were more than offset by closures in British Columbia as long-dead beetle-killed wood became too expensive to process economically or operationally. High prices and profitability in 2020 will lead to investment, which should increase capacity in 2021. However, fiber-supply constraints in British Columbia will limit capacity growth for the year.

We expect sawtimber production costs will edge lower in 2020 for a number of reasons, including low sawtimber prices in 2019 and weak consumption in 2019–20 driving down timber prices, closure of higher-cost facilities as mills try to bring production in

line with weaker demand, and falling manufacturing costs. Most components of manufacturing costs will fall in 2020. Energy prices have fallen sharply. Labor markets have weakened tremendously, putting downward pressure on labor costs. Finally, mills will cut miscellaneous costs in an effort to stay as lean as possible while there is so much uncertainty surrounding COVID-19. As a result, we expect inflation-adjusted costs will fall an average of 3% in 2020. Sawnwood production costs will likely see a near-term bottom in 2020. We expect most costs will increase as sawtimber demand and prices begin to recover in 2021.

Canadian sawnwood prices are mainly driven by demand/supply conditions in the US market. Sawtimber prices have hit record levels in 2020. This is not because demand is exceptionally strong. Rather, it is because demand is much stronger than market participants expected. In March–May, mills slashed production and dealers aggressively drew down inventories in anticipation of sharply weaker demand as fear and uncertainty around COVID-19's effect on the economy dominated mill planning. However, instead of plunging as most people expected, end-use markets for sawtimber actually strengthened significantly. This drove dealers back to the mills at a time when production was down and mills didn't have inventory. Consequently, sawtimber prices have rocketed higher and, for the year as a whole, we predict prices will increase an average of 57% from last year.

After hitting such extreme highs this summer, we expect prices will fall more than 20% in 2021. The decline is not because of weak demand or falling operating rates. Part of the price spike in 2020 was because mills cut back production in the expectation that demand would plunge. We assume this will not happen in 2021; in fact, we assume mills will increase production to meet stronger expected demand. With production remaining more in line with demand next year, prices will fall back toward more "normal" profit levels.



Denmark

PRODUCER | USER

■ preliminary data

■ estimation

Source: Producer: Association of Danish Wood and Furniture Industries -
User: Danske Buggecentre / Danish Timber Trade Federation

GENERAL ECONOMIC INFORMATION

	Unit	2019	2020	2021
Population (million)	millions	5.83	5.83	5.84
GDP Growth (%)	%	2.4	-4.1	4.2
Inflation Rate (%)	%	0.7	0.9	1.2
Unemployment Rate (%)	%	3.7	4.3	5.1
Construction industry				
Building permits (units)	units	33 547	25 000	30 000
Housing starts (units)	units	32 024	26 000	31 000
Housing completions (units)	units	33 520	30 700	30 000
Wage development (%)	% vs previous year	2.8	2.3	2.0
Average working time in sawmilling (h/week)	h/week	37	37	37

SAWN SOFTWOOD

	Unit	2019	2020	2021
Production	1 000 m ³	331	351	351
Imports	1 000 m ³	1 210	1 330	1 270
Exports	1 000 m ³	280	283	283
Consumption	1 000 m ³	1 261	1 398	1 338

SAWN HARDWOOD

	Unit	2019	2020	2021
Production	1 000 m ³	85	85	85
Imports	1 000 m ³	266	242	242
Exports	1 000 m ³	35	33	33
Consumption	1 000 m ³	316	294	294

BY-PRODUCTS

	Unit	2019	2020	2021
Sawdust production	1 000 m ³	n.a.	n.a.	n.a.
Chips production	1 000 m ³	n.a.	n.a.	n.a.
Bark production	1 000 m ³	n.a.	n.a.	n.a.
Pellets production	1 000 m ³	n.a.	n.a.	n.a.

AVAILABILITY OF LOGS

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

	Unit	2019	2020	2021
Softwood	Range 1-5	4	4	4
Hardwood	Range 1-5	3	2	2

CAPACITY INCREASES/DECREASES

	Unit	2019	2020	2021
Softwood	1 000 m ³	0	0	0
Hardwood	1 000 m ³	0	0	0

COST DEVELOPMENT (%)

2021 vs 2020 cost developments can be estimated as "stable", "decreasing", "increasing"

	Unit	2020 vs 2019	2021 vs 2020
Softwood logs	% vs previous year	-20.0	5.0
Hardwood logs	% vs previous year	1-2	2-4
Energy	% vs previous year	n.a.	n.a.
Transport	% vs previous year	n.a.	n.a.

PRICE DEVELOPMENT (%)

2021 vs 2020 prices developments can be estimated as "stable", "decreasing", "increasing"

	Unit	2020 vs 2019	2021 vs 2020
Sawn softwood	% vs previous year	-30.0	15.0
Sawn hardwood	% vs previous year	0,0	2-4
Chips	% vs previous year	-5.0	0.0
Sawdust	% vs previous year	0.0	0.0



Denmark

PRODUCER Market statement

- 1. What was the raw material situation like in 2020? How do you see it changing in the coming months? Has the coronavirus had any impact on raw material availability? If not, what is affecting raw material availability the most?**

The raw material situation during first half of 2020 has been relatively good with a healthy supply of softwood to the sawmills.

Export of Danish softwood logs to Germany and to Asia has decreased due to effects of corona virus and oversupply of beetle infested logs from Sweden and central Europe. As the Danish forests are not infested by beetles and there has been no corona lock down of the Danish forest industry, the Danish supply of softwood logs to the sawmills has been a steady.

- 2. How did the different market segments respond to the crisis? Do you think there are going to be changes in the future?**

a. Sales to the construction sector

Sales to the construction sector Denmark has been relatively good during first part of the corona crisis. From May the turnover of the construction sector has however decreased by -7%. 2020 is expected to end with a total turnover slightly under previous year.

b. Sales to the pallets sector

Sales to the pallet and packing sector has been relatively good during corona crisis due to eg. increased home deliveries during lockdown period.

c. Sales to the DIY sector

Sales to the DIY sector has gained significantly as private

homeowners have used the working from home period and parts of the travel budget to kick-start new home renovations. The wood working industry (without furniture) has gained 2,1% from January to April 2020 compared to 2019.

d. Sales to the furniture sector

Sales to the furniture sector has decreased significantly for especially hardwood suppliers to furniture brands with high export share. Furniture export has decreased -7,0% and domestic sales by -6,1%.

- 3. Have businesses in your country been affected by labour shortages and/or liquidity problems? Has your government provided any help (tax breaks, financial support, etc...) to the sawmill industry to cope with the coronavirus crisis?**

Businesses in Denmark have generally been provided with temporary compensation scheme for salary expenses if employees would otherwise have been forced to lay off due to the coronavirus. However, no Danish sawmills have been the using the compensation scheme.

- 4. How do you see the future of the sawmill industry in your country? Is the competitive landscape going to change as a result of the coronavirus crisis?**

The coronavirus crisis period has been good to the Danish sawmill industry with good sales and good availability of raw material. However, for the future the corona virus will only constitute a short-term influence. Denmark is a minor player on the global market, i.e. a small forest country and a small industry and has high salary level for workers. Together with export of raw material to e.g. Asia, this makes a much tougher long-term challenge to Danish sawmills than the coronavirus crisis.

USER Market statement

MARKET STATEMENT FOR ETTF AND ONLINE ISC 2020 DENMARK

- 1. On top of the estimates in the questionnaire, please fill in the following table**

Sawn Softwood	Jan-Jun 2020 vs Jan-Jun 2019 % difference
Production	5,7 %
Imports	9 %
Exports	1,2 %
Consumption	9,7 %

- 2. What was the raw material situation like in 2020? How do you see it changing in the coming months? Has the coronavirus had any impact on raw material availability? If not, what is affecting raw material availability the most?**

The two main exporting countries to Denmark remain Sweden and Finland.

The raw material situation related to import from these countries is characterized by a growing demand for sawn softwood and shortages in supply. So far, the spruce bark beetle outbreak in Sweden has not disrupted raw material supply.

We expect these tendencies to continue throughout the year.





Denmark

3. How did the different market segments respond to the crisis? Do you think there are going to be changes in the future?

a. Sales to the construction sector

During the COVID-19, the construction sector has been considered as an economic locomotive. The sector was not closed down, and the sector has been supported politically by different economic stimuli.

b. Sales to the pallets sector

This sector has also experienced increased activity. However some producers supplying to export oriented companies have been negatively hit.

c. Sales to the DIY sector

Most notably this sector has been positively influenced by the COVID-19 with an increasing activity

d. Sales to the furniture sector

This sector has experienced a gradual decline in activities, especially the companies relying on export markets.

4. Have businesses in your country been affected by labour shortages and/or liquidity problems? Has your government provided any help (tax breaks, financial support, etc...) to the sawmill industry to cope with the coronavirus crisis?

The government quickly introduced a number of packages of economic support targeted to different sectors of the economy. A number of initiatives were implemented to ease the liquidity squeeze.

5. How do you see the future of the sawmill industry in your country? Is the competitive landscape going to change as a result of the coronavirus crisis?

Predicting the future has always been difficult, but the Corona-crisis adds another general layer of uncertainty to the market.

However, we do expect that the construction sector will continue to be politically prioritized.

We also anticipate that e.g. travel restrictions and restrictions in leisure activities will prevail for a considerable time. Instead, private consumption will be targeted towards our sector e.g. the refurbishment of our homes etc.

Also we believe that the strong and growing interest in wood in construction will continue to prevail.

The Danish government committed to an ambitious climate policy with the aim of 70% CO₂ reduction by 2030, and a net zero society by 2050.

All sectors need to come up with plans to achieve this target, including the construction sector.

Within the construction sector we experience a more profound understanding of the CO₂ impacts of different building materials and the relative importance of the use of building materials in the LCA of a building. CO₂-requirements are slowly finding its way into building regulations.



Finland

PRODUCER

■ preliminary data

■ estimation

Source: Finnish Sawmills Association

GENERAL ECONOMIC INFORMATION

	Unit	2019	2020	2021
Population (million)	millions	5.5	5.5	5.5
GDP Growth (%)	%	1.0	-6.0	3.1
Inflation Rate (%)	%	1.5	0.9	1.7
Unemployment Rate (%)	%	6.5	8.3	8.4
Construction industry				
Building permits (units)	units	38 415	37 500	36 000
Housing starts (units)	units	38 836	37 000	36 500
Housing completions (units)	units	42 910	39 000	37 000
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	2019	2020	2021
Production	1 000 m ³	11 354	10 000	10 500
Imports	1 000 m ³	518	500	500
Exports	1 000 m ³	9 298	7 900	8 500
Consumption	1 000 m ³	2 506	2 600	2 500

SAWN HARDWOOD

	Unit	2019	2020	2021
Production	1 000 m ³	n.a	n.a	n.a
Imports	1 000 m ³	n.a	n.a	n.a
Exports	1 000 m ³	n.a	n.a	n.a
Consumption	1 000 m ³	n.a	n.a	n.a

BY-PRODUCTS

	Unit	2019	2020	2021
Sawdust production	1 000 m ³	3 400	3 000	3 200
Chips production	1 000 m ³	7 500	6 600	6 900
Bark production	1 000 m ³	3 100	2 133	2 800
Pellets production	1 000 tonnes	363	370	380

AVAILABILITY OF LOGS

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

	Unit	2019	2020	2021
Softwood	Range 1-5	3	2	2
Hardwood	Range 1-5	n.a	n.a	n.a

CAPACITY INCREASES/DECREASES

	Unit	2019	2020	2021
Softwood	1 000 m ³	100	100	750
Hardwood	1 000 m ³	n.a	n.a	n.a

COST DEVELOPMENT (%)

2021 vs 2020 cost developments can be estimated as "stable", "decreasing", "increasing"

	Unit	2020 vs 2019	2021 vs 2020
Softwood logs	% vs previous year	-6.0	-5.0
Hardwood logs	% vs previous year	n.a	n.a
Energy	% vs previous year	5.0	5.0
Transport	% vs previous year	5.0	5.0

PRICE DEVELOPMENT (%)

2021 vs 2020 prices developments can be estimated as "stable", "decreasing", "increasing"

	Unit	2020 vs 2019	2021 vs 2020
Sawn softwood	% vs previous year	-10.0	5.0
Sawn hardwood	% vs previous year	n.a	n.a
Chips	% vs previous year	-2.0	-5.0
Sawdust	% vs previous year	10.0	10.0



Finland

EOS – Outlook of the Finnish Sawmill industry

FINNISH ECONOMY

Cooling of the Finnish economy could already be seen in autumn 2019. The Finnish economy has suffered seriously from the corona pandemic during the first half of 2020 and the contracting global economy shadows the outlook of the export-driven economy. The restrictive domestic measures have lowered domestic consumption especially within the service sector. Household and business confidence have clearly weakened. However, economic growth has not contracted as dramatically as in many other European countries. During the second quarter, the economy shrank by 4.5% compared to the first quarter and, 6.4% compared to the second quarter in 2019. The GDP of the EU area contracted by 11.7% during the second quarter compared to the first one and, 14.1% compared to the same period in 2019. During the second quarter, exports contracted by 9% and imports by 10% compared to the first one. Unemployment reached 8.9% - 1.2% higher than at the same time in 2019. Public consumption declined by 1% and private consumption by 7%. Due to the structure of the economy and exports, the impacts of the corona virus will obviously hit Finland later than the neighbouring countries.

The output of the forest industry sector decreased substantially during the first quarter due to strikes which limited the output. Thus, the output of the industry increased substantially during the second quarter – compared to the weak first one. The trend in the paper consumption has been negative for years. The negative development has accelerated in 2020 due to the corona virus and resulted in announcements of paper production curtailments and permanent closures of mills. The

packaging board demand has remained more stable, but prices have declined clearly. The demand of pulp has enabled the mills to run at capacity until late summer 2020 – however the prices have been on the soft side.

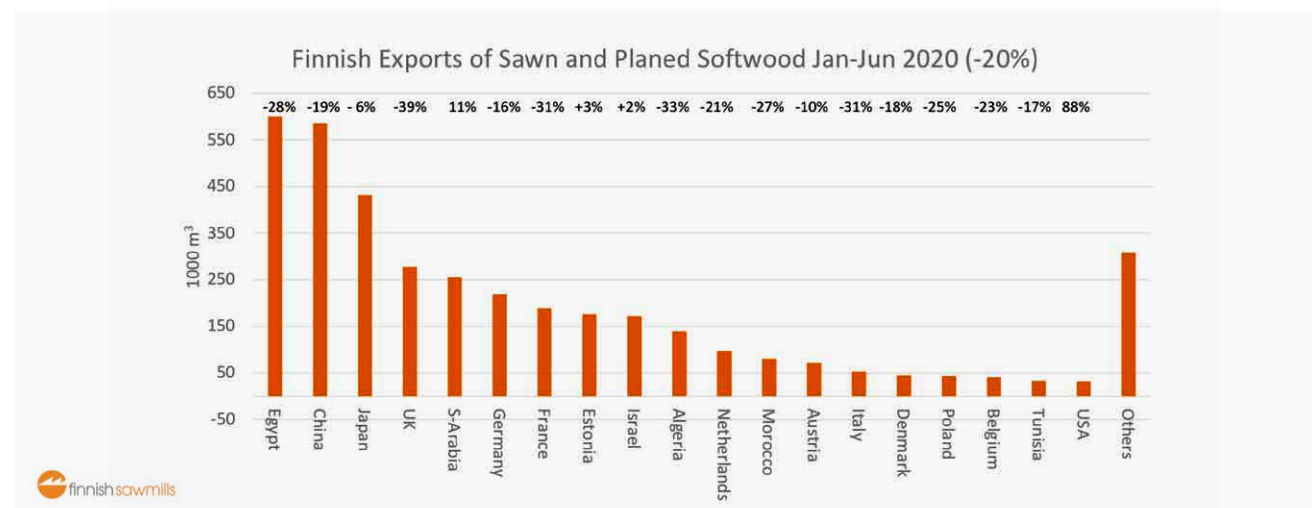
It is estimated that the Finnish GDP will decline in 2020 by approximately 6% compared to last year.

PRODUCTION AND MARKETS OF FINNISH SAWN SOFTWOOD

The roundwood market has been very slow and lags clearly behind the purchasing volumes of recent years. The market was seriously impacted by the declining demand which was caused by the strike-driven curtailments in January and February and further by the COVID-19 shrinking the order books of papermills.

COVID-19 related lock-outs have had practically no direct impact on the roundwood supply or mill outputs. Despite the declining demand, the Finnish roundwood prices have remained high in Finland.

The output of the Finnish Sawmills in 2019 was 11.4 million m³. The production was strongly reduced by strikes at the beginning of 2020. For example, the production was 57% lower in February than at the same time in 2019. During the first half of 2020 the cumulative output was 15% lower than in 2019. Redwood production was 12% and whitewood 17% lower than in 2019. It is estimated that the output of Finnish mills will hardly reach 10 million m³ in 2020. The weakness of the pulp- and paper industry puts pressure on pulpwood volumes and prices. The log prices declined in 2019 but have strengthened recently.





Finland

The pulp chip market improved substantially in 2018 and 2019 and unusual price increases were seen. The market has remained buoyant, so far. The markets for dust and bark have improved thanks to the increasing demand of wood-based fuels as Finland is finally moving away from fossil-based heat-ing fuels.

Exports of sawn softwood declined by 20% during the first half of 2020, mainly driven by curtailments in production. The end-product market outlook was very pessimistic in February – March. However, volumes have moved surprisingly well as the demand has been better than expected – mainly in the European DIY and RMI segments. Also, ongoing construction projects have supported the demand. However, housing starts have started to show signs of weakening and it can be expected that the DIY market will cool for the winter months. Finnish exports to China

have decreased by 17% mainly driven by weak prices and stalling demand after the virus epidemic. Demand in North Africa and Middle East has shown softness.

The sawn softwood stocks in Finland have stayed clearly below 2019 levels thanks to the active do-mestic markets. The demand has been driven by the DIY and RMI segments. People have spent more time and money at home – and make improvements during their COVID-19 lockdown days.

The status of the Finnish Sawmills is somewhat stronger than anticipated at the beginning of the year. However, the mills are burdened by high raw material and logistics costs and unsatisfactory market prices of sawn timber. The Central European massive supply of storm- and beetle damaged sawn softwood and logs,

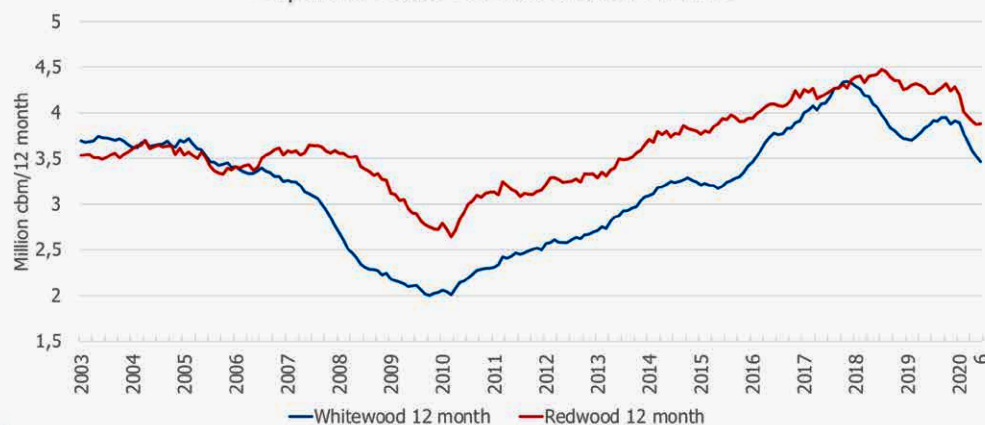
COVID-19 and volatility of foreign exchange and freight rates are challenging the Finnish mills.

In the long term, the Finnish industry can lean on the increasing global demand of wood products – driven by the positive arguments of wood products – renewability, recyclability, and long term carbon capture.

More information:

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Export of Sawn Softwood from Finland





France

PRODUCER | USER

■ preliminary data

■ estimation

Source: Producer: Fédération Nationale du Bois - User: Le Commerce du Bois

GENERAL ECONOMIC INFORMATION

	Unit	2019	2020	2021
Population (million)	millions	67.1	67.2	67.3
GDP Growth (%)	%	1.3	-8.2	7.0
Inflation Rate (%)	%	1.1	1.1	1.1
Unemployment Rate (%)	%	8.1	13.7	10.0
Construction industry				
Building permits (units)	units	449 400	409 000	430 000
Housing starts (units)	units	410 300	370 300	400 000
Housing completions (units)	units	n.a.	n.a.	n.a.
Wage development (%)	% vs previous year	2.0	0.5	0.5
Average working time in sawmilling (h/week)	h/week	39	39	39

SAWN SOFTWOOD

	Unit	2019	2020	2021
Production	1 000 m ³	6 559	6 600	6 800
Imports	1 000 m ³	2 650	2 400	2 500
Exports	1 000 m ³	755	770	750
Consumption	1 000 m ³	8 454	8 230	8 550

SAWN HARDWOOD

	Unit	2019	2020	2021
Production	1 000 m ³	1 462	1 242	1 450
Imports	1 000 m ³	250	250	250
Exports	1 000 m ³	430	350	400
Consumption	1 000 m ³	1 282	1 142	1 300

BY-PRODUCTS

	Unit	2019	2020	2021
Sawdust production	1 000 m ³	n.a.	n.a.	n.a.
Chips production	1 000 m ³	n.a.	n.a.	n.a.
Bark production	1 000 m ³	n.a.	n.a.	n.a.
Pellets production	1 000 m ³	n.a.	n.a.	n.a.

AVAILABILITY OF LOGS

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

	Unit	2019	2020	2021
Softwood	Range 1-5	4	4	4
Hardwood	Range 1-5	3	3	3

CAPACITY INCREASES/DECREASES

	Unit	2019	2020	2021
Softwood	1 000 m ³	0	0	n.a.
Hardwood	1 000 m ³	0	0	n.a.

COST DEVELOPMENT (%)

2021 vs 2020 cost developments can be estimated as "stable", "decreasing", "increasing"

	Unit	2020 vs 2019	2021 vs 2020
Softwood logs	% vs previous year	n.a.	n.a.
Hardwood 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 (%)

2021 vs 2020 prices developments can be estimated as "stable", "decreasing", "increasing"

	Unit	2020 vs 2019	2021 vs 2020
Sawn softwood	% vs previous year	2.0	n.a.
Sawn hardwood	% vs previous year	-2.0	n.a.
Chips	% vs previous year	n.a.	n.a.
Sawdust	% vs previous year	n.a.	n.a.



PRODUCER / USER Market statement

1. On top of the estimates in the questionnaire, please fill in the following table

Sawn Softwood	Jan-Jun 2020 vs Jan-Jun 2019 % difference
Production	-5%
Imports	-12%
Exports	+4%
Consumption	-10%

2. What was the raw material situation like in 2020? How do you see it changing in the coming months? Has the coronavirus had any impact on raw material availability? If not, what is affecting raw material availability the most?

Good availability of raw material of spruce due to bark beetle which doesn't know COVID-19. Availability of Douglas Fir is tight because of the good and increasing demand. Maritime Pine availability is still difficult because of past storms.

3. How did the different market segments respond to the crisis? Do you think there are going to be changes in the future?

a. Sales to the construction sector

Sales to the construction sector in France were subdued during the lockdown of France from mid-march to beginning of May. However, export to Europe and other countries have been increasing thanks to time differences in closing and opening of countries. Since May, there is a catch-up effect and demand is strong.

b. Sales to the pallets sector

Sales to pallet sector have been very strong in France from the start of the lockdown until reopening of the borders. That was mainly driven by demand from the food and logistic sectors. Market situation is now much more difficult.

c. Sales to the DIY sector

Sales to the DIY were poor during lockdown because most retailers and distributors were closed as considered not essential businesses. Demand has surged from beginning of May, especially for outdoor decking, cladding and gardening wood products.

4. What were sales to countries around the world like? Have there been any particularly positive or negative countries over the last few months? Are there markets which are going to be especially positive/negative in the future?

Sales to South Europe countries were most impacted because of the severity of the lockdown in Spain and Italy (around -25%). Those losses were compensated by a strong demand in Northern Europe with exported volumes increasing more than 30%.

Export to North Africa was stable with Morocco being the most affected market.

Sales to Asia have increased with traditional demand for Japan and opportunistic sales to China.

5. How do you see the future of the sawmill industry in your country? Is the competitive landscape going to change as a result of the coronavirus crisis?

The current crisis is pushing sawmills to improve competitiveness.

It will result that some sawmills will have to close and at the same time bigger ones will increase their capacity and invest.

6. Any other additional elements

Paper industry is declining, in particular in the graphic sector, while the panel industry is moving rapidly to recycled wood. This will cause a challenge for sawmills to find new structural outlets for their production of chips.



Germany

PRODUCER | USER

■ preliminary data

■ estimation

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

GENERAL ECONOMIC INFORMATION

	Unit	2019	2020	2021
Population (million)	millions	83.2	83.2	n.a.
GDP Growth (%)	%	0.5	-7.0	n.a.
Inflation Rate (%)	%	1.4	-0.1	n.a.
Unemployment Rate (%)	%	2.9	4.5	n.a.
Construction industry				
Building permits (units)	units	311 156	↗	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	3	2.5	n.a.
Average working time in sawmilling (h/week)	h/week	40	40	n.a.

SAWN SOFTWOOD

	Unit	2019	2020	2021
Production	1 000 m ³	23 505	24 000	24 500
Imports	1 000 m ³	5 131	5 000	5 000
Exports	1 000 m ³	9 220	9 500	10 000
Consumption	1 000 m ³	19 416	19 500	19 500

SAWN HARDWOOD

	Unit	2019	2020	2021
Production	1 000 m ³	1 169	1 100	1 150
Imports	1 000 m ³	371	330	330
Exports	1 000 m ³	746	650	720
Consumption	1 000 m ³	794	780	760

BY-PRODUCTS

	Unit	2019	2020	2021
Sawdust production	1 000 m ³	5 301	5 400	5 500
Chips production	1 000 m ³	11 033	11 200	11 500
Bark production	1 000 m ³	n.a.	n.a.	n.a.
Pellets production	1 000 tonnes	2 820	3 000	n.a.

AVAILABILITY OF LOGS

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

	Unit	2019	2020	2021
Softwood	Range 1-5	4	4	4
Hardwood	Range 1-5	3	3	3

CAPACITY INCREASES/DECREASES

	Unit	2019	2020	2021
Softwood	1 000 m ³	↗	↗	↗
Hardwood	1 000 m ³	n.a.	n.a.	n.a.

COST DEVELOPMENT (%)

2021 vs 2020 cost developments can be estimated as "stable", "decreasing", "increasing"

	Unit	2020 vs 2019	2021 vs 2020
Softwood logs	% vs previous year	→	→
Hardwood logs	% vs previous year	→	→
Energy	% vs previous year	→	→
Transport	% vs previous year	→	→

PRICE DEVELOPMENT (%)

2021 vs 2020 prices developments can be estimated as "stable", "decreasing", "increasing"

	Unit	2020 vs 2019	2021 vs 2020
Sawn softwood	% vs previous year	→	→
Sawn hardwood	% vs previous year	→	↗
Chips	% vs previous year	↘	↘
Sawdust	% vs previous year	n.a.	n.a.



Germany

PRODUCER Market statement

CORONA CONFRONTS THE GERMAN SAWMILL INDUSTRY WITH ADDITIONAL CHALLENGES. THE AMOUNT OF DAMAGED WOOD AGAIN SIGNIFICANTLY HIGHER IN THE FOURTH YEAR.

In the German economy, Corona has led to a severe slump. The gross domestic product (GDP) in the 2nd quarter of 2020 is 10.1% lower than in the 1st quarter of 2020 and thus experiences the strongest decline since 1970. According to current estimates, economic research institutes expect the GDP for 2020 to be about 7% lower.

The extensive efforts of the German government to support the economy were welcomed and also used by the economy. The 700 million euro economic stimulus package is also important for the sawmill industry. This is intended to preserve the forests, among other things, by providing for the conservation and sustainable management of forests and extensive modernization and digitization projects. In addition, a greater use of wood as a building material is to be promoted. The 2.5 billion euro CO₂ building renovation program and the reduction in value-added tax also fit in with this. Our companies can also benefit from the €25 billion as a bridging aid for small and medium-sized companies with corona-related loss of sales, as well as from additional programs for the energy-related renovation of municipal buildings and climate adaptation measures at social institutions.

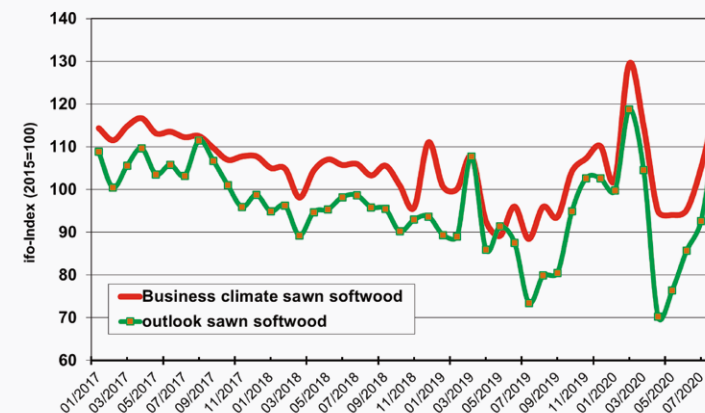
Coping with the amount of damaged wood, which increases again significantly in the 4th year, the German sawmill industry is additionally challenged by the corona pandemic.

At the beginning of the year, there was still a justified hope that the sawmill industry would be able to make its contribution to coping with the increasing amount of damaged wood in 2020 by cutting more logs. Against this background, the Corona pandemic has had a considerable impact on the sawn timber markets. In particular, the temporary lockdown and closure of borders in several neighboring countries, but above all the severe impairment of long-distance exports to Asia to important consumer countries have significantly reduced export opportunities. Restricted exports unsettle the sawmills and lead to restrained production.

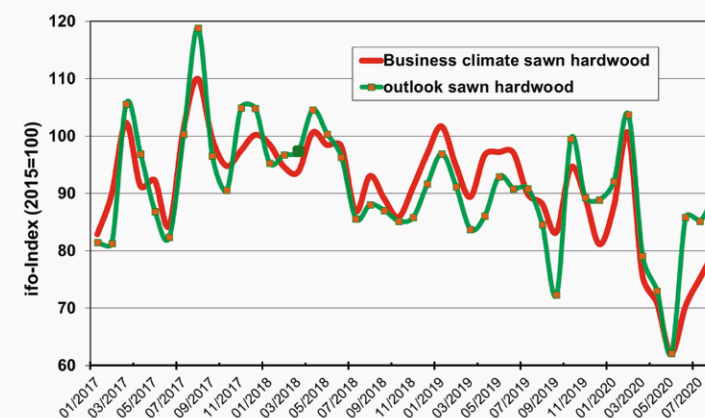
In the meantime, it has become apparent that the individual customer sectors of the sawmill industry are developing very differently under the limited possibilities during the Corona pandemic.

The ifo business climate index on the current business situation and expectations for the coming months shows that expectations for softwood have already recovered significantly. Expectations for sawn hardwood have also been rated significantly higher again for the next few months, although starting from a very low level.

ifo Business climate Index
sawn softwood - current Business situation and Outlook



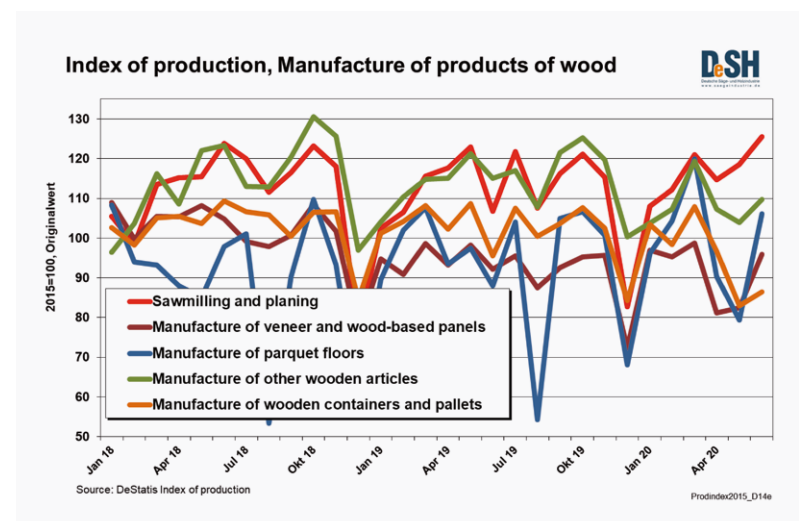
ifo Business climate Index
sawn hardwood - current Business situation and Outlook





Germany

Contrary to initial fears, construction remains at a high level even during the corona period, resulting in very steady domestic demand overall.



The other timber industry sectors were also able to recover to a large extent after the slump and have recently recorded a significant improvement in production activity. The packaging sector remains an exception and is only gradually beginning to recover from the corona-related slump in production.

Production data are not yet available for the 2nd quarter of 2020. In the 1st quarter of 2020 –before Corona– another positive development was recorded.

Sawn softwood production

Year	Softwood rough Prod. in m ³	Change in % vs. prev. year	Softwood planed Prod. in m ³	Change in % vs. prev. year	Softwood total Prod. in m ³	Change in % vs. prev. year
Jahr 2019	18.694.168	+ 1,4 %	4.810.352	+ 10,7 %	23.504.520	+ 3,2 %
Quarter	Prod. in m ³	vs. prev. qtr.	Prod. in m ³	vs. prev. qtr.	Prod. in m ³	vs. prev. qtr.
1. Quart. 2019	4.467.891	+ 1,2 %	1.161.524	+ 16,7 %	5.629.415	+ 4,1 %
2. Quart. 2019	4.877.372	+ 2,1 %	1.207.918	+ 4,2 %	6.085.290	+ 2,5 %
3. Quart. 2019	4.815.184	+ 1,4 %	1.275.934	+ 9,9 %	6.091.118	+ 3,0 %
4. Quart. 2019	4.533.721	+ 0,9 %	1.164.976	+ 13,2 %	5.698.697	+ 3,2 %
1. Quart. 2020	4.782.635	+ 7,0 %	1.257.092	+ 8,2 %	6.039.727	+ 7,3 %

DeStatis, statistic of production, quarterly

Sawn hardwood production

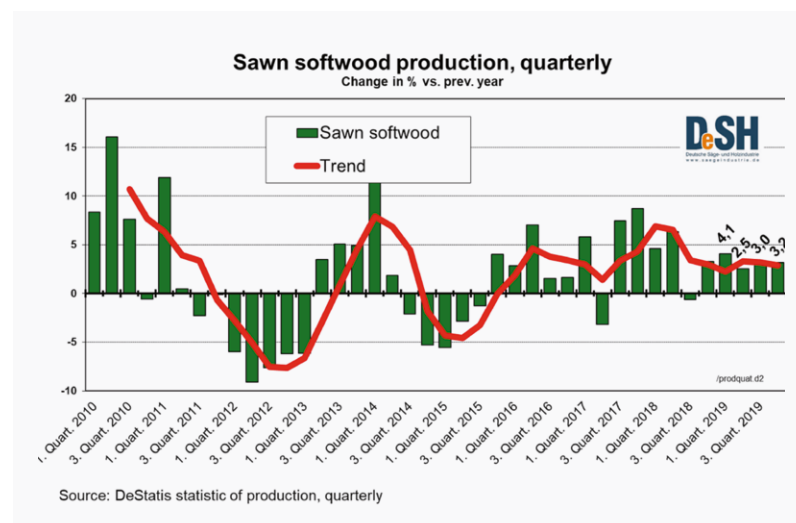
Year	Hardwood rough Prod. in m ³	Change in % vs. prev. year	Hardwood planed Prod. in m ³	Change in % vs. prev. year	Hardwood total Prod. in m ³	Change in % vs. prev. year
Jahr 2019	519.522	- 4,8 %	649.149	+ 6,2 %	1.168.671	+ 1,0 %
Quarter	Prod. in m ³	vs. prev. qtr.	Prod. in m ³	vs. prev. qtr.	Prod. in m ³	vs. prev. qtr.
1. Quart. 2019	139.395	+ 0,0 %	167.303	+ 14,5 %	306.698	+ 7,4 %
2. Quart. 2019	142.444	- 7,3 %	152.787	- 9,3 %	295.231	- 8,4 %
3. Quart. 2019	124.047	- 4,6 %	193.260	+ 27,3 %	317.307	+ 12,6 %
4. Quart. 2019	113.636	- 7,5 %	135.799	- 6,3 %	249.435	- 6,9 %
1. Quart. 2020	117.947	- 15,4 %	169.060	+ 1,1 %	287.007	- 6,4 %

DeStatis, statistic of production, quarterly





Germany



The decline in sawn timber exports has led to great uncertainties in production. One of the first measures taken to combat the spread of Corona was the closure of the borders, including for the transport of goods in some neighboring countries. At a very early stage, there were also problems with long distance export deliveries to important customer countries in Asia and elsewhere.

Uncertainties in the export market also influence the production activities of sawmills. For many export-oriented softwood and especially hardwood sawmills, export is a determining factor.

Beech sawn wood

Source: DeStatis, foreign trade
in m³

WA 4407 9200

Export	Jan-June 2019	Jan-June 2020	Change %
total	286.636	225.152	-21,5
PR China	85.032	68.668	-19,2
USA	32.931	32.034	-2,7
Mexico	24.998	26.383	5,5
Poland	22.900	19.347	-15,5
Vietnam	14.815	7.164	-51,6
France	9.663	5.798	-40,0
India	9.283	5.138	-44,7
UAE	7.564	4.524	-40,2
Italy	5.663	4.512	-20,3
Austria	3.506	4.047	15,4
UK	5.984	3.961	-33,8
Belgium	7.448	3.459	-53,6
Morocco	4.285	3.450	-19,5
Japan	4.205	3.423	-18,6
Saudi Arabia	3.071	3.244	5,6

Oak sawn wood

Source: DeStatis, foreign trade
in m³

WA 4407 9190

Export	Jan-June 2019	Jan-June 2020	Change %
total	63.960	43.562	-31,9
Poland	8.229	6.134	-25,5
Denmark	8.064	5.460	-32,3
Netherlands	7.999	4.709	-41,1
Czech Republic	4.353	3.741	-14,1
Vietnam	4.436	2.900	-34,6
Switzerland	2.206	2.335	5,8
Indonesia	5.603	2.206	-60,6
Bulgaria	1.918	2.176	13,5
India	1.746	2.056	17,8
Austria	2.325	1.830	-21,3
PR China	2.388	1.387	-41,9





Germany

Exports of sawn hardwood, especially to the main consumer countries and distance sales to Asia were in some cases significantly lower in the first half of 2020.

Sawn softwood				
Source: DeStatis, foreign trade in m ³				
Export	January - June			Change %
	2018	2019	2020	
total	4.094.423	4.567.093	4.526.170	-0,9
USA	431.021	524.821	779.067	48,4
PR China	66.256	380.101	540.297	42,1
Netherlands	496.298	477.438	455.453	-4,6
Belgium	358.602	375.538	404.128	7,6
Austria	473.575	474.159	393.751	-17,0
France	420.574	441.632	348.937	-21,0
Italy	252.149	266.920	232.212	-13,0
UK	224.557	287.666	226.487	-21,3
India	126.416	189.033	109.680	-42,0
South Korea	73.391	74.340	91.271	22,8
Taiwan	18.353	57.823	85.498	47,9

In the case of softwood, the reluctance and uncertainty in production and sales caused by corona was only felt for three months. The declining export of sawn softwood to the Far East – with the exception of China – was contrasted by significant increases in exports to the USA. The USA is currently experiencing a special boom in the demand for sawn timber and is proving to be surprisingly receptive to German sawn softwood. In the first half of 2020, significantly more sawn softwood was also exported to China.

In 2019, the raw materials market was characterized by the increasing amount of damaged wood, mainly due to beetle infestation, but also due to the drought and weakening of trees.

Wood harvesting, in 1000 m³ without bark

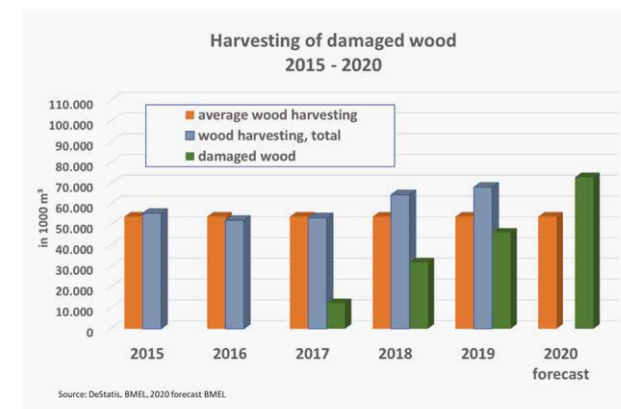
Year 2015 - 2019

	Year	Oak	Beech	other non conif. wood	Spruce, Fir, Douglas	Pine, Larch, Weymouth	total
Forest, total							
Logs, Sleepers, Poles	2015	645	2.278	433	20.776	6.248	30.381
	2016	725	2.290	457	18.601	6.111	28.183
	2017	707	2.204	403	20.175	6.345	29.834
	2018	790	2.425	511	27.923	6.297	37.946
	2019	655	2.272	363	30.998	4.230	38.517
cuttings total	2015	2.079	11.484		29.486	12.564	55.613
	2016	2.135	11.007		26.478	12.574	52.194
	2017	1.948	10.649		28.878	12.017	53.491
	2018	2.032	10.996		39.423	12.100	64.550
	2019	1.740	9.977		47.168	9.321	66.771

Source: DeStatis, Wood harvesting statistics, FS 3 R 3.3.1

The total volume of timber felled in 2019 increased significantly to 66.8 million m³ due to the high amount of damaged wood, especially wood infested by beetles. Of this, 38.5 million m³ were sawable logs.

In the current year, the amount of damaged wood caused by the continuing drought is continuing to rise. Estimates have now been accumulated by the Federal Ministry of Agriculture to 178 million m³ of damaged wood and have been revised upwards for the years 2018-2020. For the year 2020, an accumulation of 73 million m³ is expected. Apart from softwood, other types of wood, especially beech, are also affected by the dry damage and its consequences.





Germany

The sawmills are making a decisive contribution to the management of damaged wood, especially wood infested by beetles, by continuing to cut at a high level. The considerable export efforts of the sawmills make it possible to cut at a high level beyond the limited capacity of the domestic market.

The forest reacts to the increasing amount of wood from forced utilization by expanding the export of softwood logs. In the first half of 2020, 3.5 million m³ have already been exported. The main buyer country is China with 2 million m³.

SAWN TIMBER BALANCE

In the current phase of uncertainty regarding the further accumulation of damaged wood and the further course of the corona pandemic, it is hardly possible to assess the coming development of the sawn softwood and sawn hardwood market.

Based on the data available so far for the current year, it is only possible to venture a forecast for the year with some reservations. We consider the following development in production and foreign trade to be possible:

Sawn softwood				
	Unit	2019	2020	2021
Production	1.000 m ³	23.504,5	24.000	24.500
Imports	1.000 m ³	5.131,2	5.000	5.000
Exports	1.000 m ³	9.220,1	9.500	10.000
Consumption	1.000 m ³	19.415,6	19.500	19.500

Sawn hardwood				
	Unit	2019	2020	2021
Production	1.000 m ³	1.168,7	1.100	1.150
Imports	1.000 m ³	370,7	330	330
Exports	1.000 m ³	745,6	650	720
Consumption	1.000 m ³	793,8	780	760

2020, 2021 forecast

Domestic sawmill sales remained at the level of the previous year, mainly due to the influence of price developments in the first half of 2020. Sales from sawmill exports to the euro zone declined significantly, partly due to lower sales in this area.

Sales to countries outside the euro zone continued to rise sharply and now account for more than one fifth of total sales.

Compared to the same period of the previous year, 2.6% or approx. 310 more people were employed.

Sawing industry, planing and impregnation plants

Turnover, Enterprises, Employees

in Mio EURO	Jan.-June 2019	Jan.-June 2020	Change in % vs. prev. year	June 2019	Change in % vs. prev. year	Change in % vs. prev. month
Turnover, total	2.147,6	2.136,2	-0,5	382,8	12,3	5,3
of it Domestic turnover	1.280,3	1.277,8	-0,2	234,4	13,0	7,4
of it Foreign turnover	867,3	858,4	-1,0	148,5	11,2	2,1
Foreign turnover Euro zone	476,2	391,8	-17,7	382,8	12,3	5,3
Foreign turnover outside Euro zone	391,1	466,7	19,3	76,9	28,2	-6,1
<i>Share of foreign turnover in %</i>	40,4	40,2		38,8		
Enterprises	99	100	0,8	101	1,0	0,0
Employees	12.141	12.454	2,6	12.654	3,3	0,7

Enterprises with 50 and more employed

Source: DeStatis, statistic of enterprises





Germany

USER Market statement

1. What was the raw material situation like in 2020? How do you see it changing in the coming months? Has the coronavirus had any impact on raw material availability? If not, what is affecting raw material availability the most?

Vitality of forests in Germany suffered during 2018 and 2019. Little to no precipitation and heavy winds paved the way for bark beetle calamities, especially in 2019 and log prices fell to a long time low. Corona worsened this situation as sanitary requirements further reduced the available manual workforce. Markets are flooded with logs during an all-time high raw material availability, but storage and processing capacities were limited. Hence, a growing big share gets exported in the form of unprocessed logs or raw timber. Harvesting of non-calamity timber almost stopped with consequences for the sector that is relying on fresh and high grade softwood. As of August, the situation improves and a shortage in supply can already be seen, for the coming months a further scarcity of softwood timber is anticipated.

2. How did the different market segments respond to the crisis? Do you think there are going to be changes in the future?

a. Overall

- i. The first half of 2020 was positive for the timber trade in Germany, despite the very difficult overall economic situation. Compared to the same period of the previous year, sales increased by almost 4%.
- ii. The development for the industry is considered very positive during the time of the pandemic, and expectations for the coming months are also characterized by cautious optimism. In the summer of 2020, end users have taken care of

the beautification of house and garden, in the construction sector there are numerous building completions, especially in residential construction and renovation. The increasing trend towards building with wood will also contribute to maintaining and increasing sales of wood and wood products at a high level in the coming years.

- iii. Overall, a hot autumn business is expected as warehouses/supplies are empty and security of supply will play a major role.

b. Sales to the construction sector

- i. Assuming, that planed softwood timber mostly goes into construction, this was the sector that maintained timber sales during the crisis. It still is and assumingly will be in the future, too. Sales of building elements gained 6.8% compared to the first half of 2019 and planed timber gained over-average with 17%. Overall, the timber construction is going extremely well. Nevertheless, production flows need to be adapted locally, which is based on the sales volumes of the previous months. Existing customers in the construction sector do not get any additional quantity and new customers cannot be served at all as of September. This is now common in the market, but there has never been a situation like this before!

Hence it is likely that construction will be a stable pillar for softwood sales, despite communal and also domestic construction activity might slow down towards the end of the year and slightly more so in 2021 due to a lack of liquidity and more cautious planning.

c. Sales to the pallets and packaging sector

- i. Packaging sector experiences never-seen-before low raw material prices but is forced to invest comparatively more time and labor to produce better-quality grades for packaging - with a loss in yield. Overall, the sector is slightly

optimistic for the second half and even more so for 2021 as international trade will be on the way back to where it was before COVID-19. Sales to the sector slowed to producers of export-boxes whereas sales were kept steady towards manufacturers of pallets.

d. Sales to the DIY sector

- i. DIY assortments gained 10% in the first half compared to the previous year and sales by retailers grew 14% - meaning that people stayed home and have built nice things for themselves.
- ii. With planed goods, it doesn't look quite as dramatic compared to KVH. Scandinavian producers are still making quarterly contracts and maintain a good supply to German traders.

e. Other:

- i. Wood based panels, as with more than 34% share of turnover the most important assortment in the timber trade, lost 4.5% in the first half. Its recovery is questionable, as fairs and trade shows wont come back to their pre-pandemic size and frequency too quickly. .

3. What were sales to countries around the world like? Have there been any particularly positive or negative countries over the last few months? Are there markets which are going to be especially positive/negative in the future?

- a. The KVH manufacturers are sold out and due to the boom in the USA there has been too little sawn timber (Central European supply) since mid August.

Therefore procurement had to be adapted and some KVH producers buy more and more fresh sawn timber and dry themselves to feed their need. With a still very solid construction



Germany

sector in Germany and a shortage of raw material supply, this will be a challenging market towards the end of 2020 and same in 2021.

- b. China is the market for (bulk) softwood log sales and some businesses have even (re-) started exporting activities.

4. Have businesses in your country been affected by labour shortages and/or liquidity problems? Has your government provided any help (tax breaks, financial support, etc...) to the sawmill industry to cope with the coronavirus crisis?

- a. On June 3, the federal government's comprehensive economic stimulus package had a very valuable volume of 130 billion euros and, with its wide spread, is expected to give a boost to the economy and to keep it at the pace which it was at pre-COVID 19. Furthermore, the federal government will spend 700 million euros on the preservation and management of forests and also for digitization in forestry – which both are two aspects that will be much more important in the years to come.
- b. Kurzarbeit was successfully implemented in Germany during the last economic crisis and is now again considered the most stabilizing mechanism during a period of economic downfall. It ranges between 60-87% compensation, depending on length of claim. In the timber trade sector, only very few companies make use of it, though.
- c. Tax postponements for trade / business tax were granted in some municipalities which leads to better liquidity of businesses/traders.

- d. Banks are anxious to take risk, insolvency declaration duty is federally postponed, might lead to a lot of companies dying, especially event agencies, fair builders, shop builders suffer dramatically – this will also have influences on the trade.

5. How do you see the future of the sawmill industry in your country? Is the competitive landscape going to change as a result of the coronavirus crisis?

- a. The future is positive for the trade - as sales have increased significantly, currently no structural changes due to pandemic are expected. Also, the tourism industry is a major competitor in the timber retail sector and Corona has given retailers a significant competitive advantage in 2020 so far.
- b. The threat of the construction sector taking a dip remains, therefore the number of new building permits in both communal/public and domestic building need to be observed carefully. Also, a pull-forward effect in outdoor-sector might be seen.
- c. For the trade: survival of the fittest, so those with a modern assortment, quick and available on the phone, proper webshop also for b2b. Hence, fit companies get stronger, weaker companies are anticipated to fall back strongly.
- d. Overall, the adaptability of the trade and elasticity of the offer in Europe has shown to be extremely good.



USER

■ preliminary data

■ estimation

Source: Fedecomlegno

GENERAL ECONOMIC INFORMATION

	Unit	2019	2020	2021
Population (million)	millions	60.4	60.2	60.1
GDP Growth (%)	%	0.3	-6.0	3.5
Inflation Rate (%)	%	0.6	0.2	0.6
Unemployment Rate (%)	%	9.9	11.2	9.6
Construction industry				
Building permits (units)	units	54 739	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	1.4	n.a.	n.a.
Average working time in sawmilling (h/week)	h/week	40	n.a.	n.a.

SAWN SOFTWOOD

	Unit	2019	2020	2021
Production	1 000 m ³	474	n.a.	n.a.
Imports	1 000 m ³	3887	n.a.	n.a.
Exports	1 000 m ³	350	n.a.	n.a.
Consumption	1 000 m ³	4010	n.a.	n.a.

SAWN HARDWOOD

	Unit	2019	2020	2021
Production	1 000 m ³	600	n.a.	n.a.
Imports	1 000 m ³	597	n.a.	n.a.
Exports	1 000 m ³	164	n.a.	n.a.
Consumption	1 000 m ³	1034	n.a.	n.a.

BY-PRODUCTS

	Unit	2019	2020	2021
Sawdust production	1 000 m ³	n.a.	n.a.	n.a.
Chips production	1 000 m ³	n.a.	n.a.	n.a.
Bark production	1 000 m ³	n.a.	n.a.	n.a.
Pellets production	1 000 m ³	n.a.	n.a.	n.a.

AVAILABILITY OF TIMBER

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

	Unit	2019	2020	2021
Softwood	Range 1-5	4	4	n.a.
Hardwood	Range 1-5	4	3	3-4

TRADE INCREASES/DECREASES

	Unit	2019	2020	2021
Softwood	1 000 m ³	n.a.	n.a.	n.a.
Hardwood	1 000 m ³	n.a.	n.a.	n.a.

COST DEVELOPMENT (%)

2021 vs 2020 cost developments can be estimated as "stable", "decreasing", "increasing"

	Unit	2020 vs 2019	2021 vs 2020
Softwood logs	% vs previous year	big decrease	n.a.
Hardwood logs	% vs previous year	small increase	n.a.
Energy	% vs previous year	decrease	n.a.
Transport	% vs previous year	small increase	n.a.

PRICE DEVELOPMENT (%)

2021 vs 2020 prices developments can be estimated as "stable", "decreasing", "increasing"

	Unit	2020 vs 2019	2021 vs 2020
Sawn softwood	% vs previous year	decrease	n.a.
Sawn hardwood	% vs previous year	stable	n.a.
Chips	% vs previous year	n.a.	n.a.
Sawdust	% vs previous year	n.a.	n.a.



USER Market statement

1. What was the raw material situation like in 2020? How do you see it changing in the coming months? Has the coronavirus had any impact on raw material availability? If not, what is affecting raw material availability the most?

Even though the first two months of the year were quite positive, COVID-19 and other factors have affected the raw material availability: the stop in China, the rains in Brazil to the heat in Russia which didn't not allow access to forest sites and therefore to the removal of logs, up to the four-week strike occurred in Finland of sawmills and plywood companies with problems both on production and on shipments. Importers have adjusted their stock according to availability and purchase times. Longer purchasing times have created speculations that led to both an increase in the number of items/volumes required for the same delivery and prices.

Strong decrease by -35% of log's import in 2019 because both of windstorms and beetle disturbances.

2. How did the different market segments respond to the crisis? Do you think there are going to be changes in the future?

a. Sales to the construction sector

Very good especially roofs and beadings.

b. Sales to the pallets sector

Positive trend during COVID-19.

c. Sales to the DIY sector

Strong increase of demand during COVID-19.

d. Sales to the furniture sector

The carpentry sector has suffered.

3. What were sales to countries around the world like? Have there been any particularly positive or negative countries over the last few months? Are there markets which are going to be especially positive/negative in the future?

High demand of softwood by United States.

4. Have businesses in your country been affected by labour shortages and/or liquidity problems? Has your government provided any help (tax breaks, financial support, etc...) to the sawmill industry to cope with the coronavirus crisis?

Government has adopted strong measures to support households and firms' liquidity and to provide credit to the economy such as social safety nets, suspending tax payments, and public guarantees on new loans to firms etcetera.

Even though the spread of the epidemic in Italy had significant repercussions on economic activity in the first half of the year, the second half has returned to growth. But there is still a climate of uncertainty for the months to come, with the hope that "Recovering Fund" could have a direct impact on demand and production capacity.

The Italian Government established also a measure called "super bonus 110%" on building renovations which are going to have positive repercussion on the use of wood. From the 1st July 2020 to the 31st December 2021 this bonus can be used as a tax deduction in 5 years or as a discount on the invoice with the transfer of credit to the company that carried out the work or to a banks or other financial intermediaries or with the direct transfer of credit by

who get the benefit. FederlegnoArredo has made an agreement with the bank Intesa Sanpaolo on this topic to support associated companies and the entire supply chain. The partnership offers a package of innovative solutions that respond to a double need: to support them in the execution phase of the works and to liquidate the tax credits acquired through the discount on the invoice.

5. How do you see the future of the sawmill industry in your country? Is the competitive landscape going to change as a result of the coronavirus crisis?

Italy is working hard for the whole European market, with products always available and prices competitive.

Latvia

PRODUCER

■ preliminary data

■ estimation

Source: Latvian Timber Producers and Exporters Association

GENERAL ECONOMIC INFORMATION

	Unit	2019	2020	2021
Population (million)	millions	1.9	1.9	1.9
GDP Growth (%)	%	2.2	-4.6	4.6
Inflation Rate (%)	%	2.8	0.3	1.9
Unemployment Rate (%)	%	6.2	9.2	7.8
Construction industry				
Building permits (units)	units	2 984	2 089	2 000
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	7.2	1.7	1.5
Average working time in sawmilling (h/week)	h/week	n.a.	n.a.	n.a.

SAWN SOFTWOOD

	Unit	2019	2020	2021
Production	1 000 m ³	2 660	2 600	2 660
Imports	1 000 m ³	1 085	920	1 085
Exports	1 000 m ³	2 906	2 700	2 900
Consumption	1 000 m ³	839	820	845

SAWN HARDWOOD

	Unit	2019	2020	2021
Production	1 000 m ³	600	520	600
Imports	1 000 m ³	40	34	40
Exports	1 000 m ³	378	359	378
Consumption	1 000 m ³	262	195	262

BY-PRODUCTS

	Unit	2019	2020	2021
Sawdust production	1 000 m ³	518	496	518
Chips production	1 000 m ³	2 999	2 870	2 999
Bark production	1 000 m ³	391	374	391
Pellets production	1 000 m ³	1 800	1 800	1 800

AVAILABILITY OF LOGS

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

	Unit	2019	2020	2021
Softwood	Range 1-5	2	2	3
Hardwood	Range 1-5	2	2	3

CAPACITY INCREASES/DECREASES

	Unit	2019	2020	2021
Softwood	1 000 m ³	0	100	0
Hardwood	1 000 m ³	50	0	0

COST DEVELOPMENT (%)

2021 vs 2020 cost developments can be estimated as "stable", "decreasing", "increasing"

	Unit	2020 vs 2019	2021 vs 2020
Softwood logs	% vs previous year	-5.0	2.0
Hardwood logs	% vs previous year	6.0	2.0
Energy	% vs previous year	n.a.	n.a.
Transport	% vs previous year	n.a.	n.a.

PRICE DEVELOPMENT (%)

2021 vs 2020 prices developments can be estimated as "stable", "decreasing", "increasing"

	Unit	2020 vs 2019	2021 vs 2020
Sawn softwood	% vs previous year	-22.0	5.0
Sawn hardwood	% vs previous year	-11.0	5.0
Chips	% vs previous year	-12.0	0.0
Sawdust	% vs previous year	-8.0	0.0



PRODUCER Market statement

1. On top of the estimates in the questionnaire, please fill in the following table

Sawn Softwood	Jan-Jun 2020 vs Jan-Jun 2019 % difference
Production	-2%
Imports	-20%
Exports	-12%
Consumption	-5%

2. What was the raw material situation like in 2020? How do you see it changing in the coming months? Has the coronavirus had any impact on raw material availability? If not, what is affecting raw material availability the most?

Log supply has no changes since 2nd quarter of 2020. Latvian State Forests (owns 53% of forest land in Latvia) continue operate business as usual, providing log contracted volumes and securing stable deliveries. Private forest owners, on the other hand, now are facing with industrial wood sales problems. As a result, harvesting activities in private sector has noticeably dropped. In spite of turbulences in log supply, sawmills operations still continued to stay on a high level – firstly, due to high stocks of winter logs and secondly, thanks to sawlog import activities.

3. How did the different market segments respond to the crisis? Do you think there are going to be changes in the future?

In general, COVID-19 didn't impact sawmilling industry operational possibilities – no mass disease cases in mills or production stops due to lack of labour force have been recorded. Also,

any rigid restrictions were not applied in Latvia. Appearance of COVID-19 revealed itself in construction sector via less productivity due social distancing. In DIY sector even higher activity was noticed, as people were using lockdown time for dwelling renovation. Consumer shopping in furniture segment on domestic market, quite opposite, were made with higher caution. In spite of this, big furniture producers saw the same level or even slightly higher than 2019 in the first half of the year of 2020.

4. What were sales to countries around the world like? Have there been any particularly positive or negative countries over the last few months? Are there markets which are going to be especially positive/negative in the future?

Situation on markets is similar to other countries conclusions.

5. Have businesses in your country been affected by labour shortages and/or liquidity problems? Has your government provided any help (tax breaks, financial support, etc...) to the sawmill industry to cope with the coronavirus crisis?

No labour shortage noticed due to COVID-19. Government provided several support options – state guarantees for loans with higher risks and in several cases - short-term direct payments for companies to cover part of wages costs during lockdown in April-June 2020.

6. How do you see the future of the sawmill industry in your country? Is the competitive landscape going to change as a result of the coronavirus crisis?

We would hesitate to make any forecasts – situation has too much unknown factors. But looks, that COVID-19 influence could have more or less short term impact. In a long term -

forest industry could more suffer from expanding biodiversity requirements and most of all from unprofessional "green deal" implementation. Weather situations in Latvia during summer 2020 were unfavourable for bark-beetle spread.

The Netherlands

USER

■ preliminary data

■ estimation

Source: VVNH / Netherlands Timber Trade Association

GENERAL ECONOMIC INFORMATION

	Unit	2019	2020	2021
Population (million)	millions	17.28	17.41	17.45
GDP Growth (%)	%	1.7	-5.1	3.2
Inflation Rate (%)	%	2.7	1.4	1.5
Unemployment Rate (%)	%	3.4	4.4	6.5
Construction industry				
Building permits (units)	units	57 500	55 000	60 000
Housing starts (units)	units	n.a.	n.a.	n.a.
Housing completions (units)	units	71 500	62 000	58 300
Wage development (%)	% vs previous year	2.4	4.0	0.0
Average working time in sawmilling (h/week)	h/week	n.a.	n.a.	n.a.

SAWN SOFTWOOD

	Unit	2019	2020	2021
Production	1 000 m ³	80	75	75
Imports	1 000 m ³	2 760	2 800	2 800
Exports	1 000 m ³	602	550	550
Consumption	1 000 m ³	2 238	2 325	2 325

SAWN HARDWOOD

	Unit	2019	2020	2021
Production	1 000 m ³	n.a.	n.a.	n.a.
Imports	1 000 m ³	n.a.	n.a.	n.a.
Exports	1 000 m ³	n.a.	n.a.	n.a.
Consumption	1 000 m ³	n.a.	n.a.	n.a.

BY-PRODUCTS

	Unit	2019	2020	2021
Sawdust production	1 000 m ³	n.a.	n.a.	n.a.
Chips production	1 000 m ³	n.a.	n.a.	n.a.
Bark production	1 000 m ³	n.a.	n.a.	n.a.
Pellets production	1 000 tonnes	280	280	280

AVAILABILITY OF TIMBER

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

	Unit	2019	2020	2021
Softwood	Range 1-5	3	3	n.a.

TRADE INCREASES/DECREASES

	Unit	2019	2020	2021
Softwood	1 000 m ³	Decrease	Increase	n.a.
Hardwood	1 000 m ³	n.a.	n.a.	n.a.

COST DEVELOPMENT (%)

2021 vs 2020 cost developments can be estimated as "stable", "decreasing", "increasing"

	Unit	2020 vs 2019	2021 vs 2020
Softwood logs	% vs previous year	n.a.	n.a.
Hardwood logs	% vs previous year	n.a.	n.a.
Energy	% vs previous year	-18.0	n.a.
Transport	% vs previous year	increasing	n.a.

PRICE DEVELOPMENT (%)

2021 vs 2020 prices developments can be estimated as "stable", "decreasing", "increasing"

	Unit	2020 vs 2019	2021 vs 2020
Sawn softwood	% vs previous year	-8.2	stable
Sawn hardwood	% vs previous year	n.a.	n.a.
Chips	% vs previous year	n.a.	n.a.
Sawdust	% vs previous year	n.a.	n.a.

The Netherlands

USER Market statement

1. GENERAL ECONOMIC SITUATION

Compared to other countries the Dutch economy has been hit less hard by the COVID-19 pandemic. Nonetheless the consequences for the economy are unprecedentedly hard, and are still largely to be felt. Unemployment and bankruptcies are responding with a delay to the crisis. Job and income security differs between sector.

As a consequence the Dutch economy is, according to the Netherlands Bureau for Economic Policy Analysis(CBP) expected to contract by 5% in 2020, followed by 3% growth in 2021. Unemployment will rise towards 7% in 2021. While assuming that no large-scale contact restrictions or a total lockdown are needed.

As a comparison the economy grew with 1.7% in 2019. Exports grew by 2.7% in 2019. A reduction in growth compared to 2018. Unemployment decreased to 3.4% in 2019. Purchasing power increased by 1% in 2019. Consumption by households and

the government grew by 1.5% and 1.6% respectively in 2019. Corporate investments increased by 3.6%. According to calculations by CBS (Statistics Netherlands), the Dutch economy has contracted by 8.5% in the second quarter of 2020 compared to the first quarter of 2020. A contraction of a magnitude that has never been measured by Statistics Netherlands before. More than half of the contraction is the result of a sharp fall in household consumption. Investments and the trade balance also declined sharply. The contraction in the Netherlands was smaller than the average in the Eurozone and in countries such as Germany, the United Kingdom and Belgium.

Table 1: Dutch economic indicators

Indicator	Unit	2016	2017	2018	2019	2020	2021
GDP ⁽¹⁾	%	2.2	2.9	2.4	1.7	-5.1	3.2
Euro (dollar/euro) ⁽¹⁾	Ratio	1.11	1.13	1.18	1.12	1.12	1.14
Inflation ⁽¹⁾	%	0.1	1.3	1.6	2.7	1.4	1.5
Purchasing power	%	2.6	0.3	0.0	1.0	2.2	0.4
Unemployment ⁽¹⁾	x 1000	538	438	350	314	410	605
Unemployment rate	%	6.0	4.9	3.8	3.4	4.4	6.5
Investments ⁽²⁾	%	-6.7	4.2	3.9	3.6	-7.5	4.4
Building permits granted	Number	53 600 ⁽³⁾	69 700 ⁽³⁾	69 900 ⁽³⁾	57 500 ⁽³⁾	55 000 ⁽⁴⁾	60 000 ⁽⁴⁾
Ditto	%	-3.7	30.2	0.2	-17.7	-4.3	9.1
House-building completed	Number	54 900 ⁽³⁾	63 000 ⁽³⁾	66 600 ⁽³⁾	71 500 ⁽³⁾	62 000 ⁽⁴⁾	58 000
Ditto	%	13.4	14.8	5.7	7.5	-6.9	-5.9

1) CPB, 2020. Augustus raming 2020 (concept Macro Economische Verkenning 2021): kerngegevens tabel augustus 2020 CPB (Netherlands Bureau for Economic Policy Analysis), The Hague. 2) Including stocks. 3) CBS Statline, August 2020. 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 (Jaarrapportage 2020).

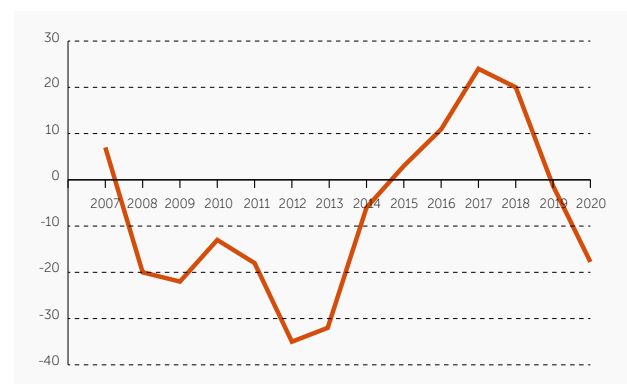
The housing industry is traditionally important for the softwood industry. After the sharp decline in completed house-buildings of approximately 40% from 2008 to 2012, in recent years the situation has turned around. Partly resulting from stimulating measures of the Dutch government and also due to the low mortgage rates. The number of newly built houses completed in 2019 increased by more than 7% compared to the year before, reaching a record high number of 71.500 (including apartments). The number of house building permits granted just decreased substantially between 2018 and 2019. This slowdown in growth is 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.

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 shows a large drop over the first 8 months of 2020 as a consequence of the COVID-19 outbreak.



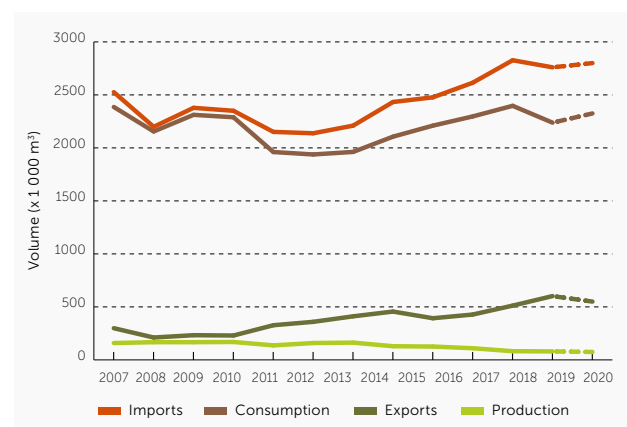
The Netherlands

Figure 1: Consumer confidence trend in the period from 2007 to the first eight months of 2020.



Source: CBS Statline edited by Probos

Figure 2: Development of production, import, export and consumption of sawn softwood in the Netherlands in the period 2007-2019 and expectations for 2020 and 2021.



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

2. 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. The imports and consumption for the year 2019 do however show a decrease of 2% and almost 7% respectively. Exports increased by 17.5% between 2018 and 2019. Imports of rough sawn softwood timber decreased by 7%, while imports of further processed (planed) sawn softwood timber increased by 6%. Rough sawn softwood has a share of 60% of the total softwood import (Table 2). Stocks remain at a low level and are expected to move with trend of the imports, probably meaning a slight decrease

in the coming years, although nothing is certain due to present developments worldwide.

The top ten countries for softwood import in the Netherlands have not changed between 2018 and 2019 (table 2). Sweden and Germany remain by far the foremost suppliers of softwood timber to the Netherlands. The total import volume from Sweden increased and those from Germany decreased compared to last year. The imports from Finland showed a small decrease where Estonia increased substantially. Imports from Belgium remained stable, while Belarus and Russia decreased by more than a fifth between 2018 and 2019.

Table 2: Sawn softwood imports (volume in m³)

Countries	Sawn	Planed	Total	%	Sawn	Planed	Total	%	Sawn	Planed	Total
Sweden	249 821	450 848	700 669	25%	280 248	513 563	793 811	29%	12%	14%	13%
Germany	418 978	200 961	619 939	22%	414 206	172 857	587 063	21%	-1%	-14%	-5%
Russia	270 592	93 260	363 852	13%	175 645	109 437	285 082	10%	-35%	17%	-22%
Belarus	220 543	39 048	259 591	9%	189 538	8 136	197 674	7%	-14%	-79%	-24%
Finland	196 512	3 907	200 419	7%	153 943	38 434	192 377	7%	-22%	89%	-4%
Latvia	94 289	46 306	140 595	5%	92 287	60 954	153 241	6%	-2%	32%	9%
Belgium	81 710	58 576	140 286	5%	94 380	45 341	139 721	5%	16%	-23%	0%
Estonia	60 975	320	61 295	2%	40 106	38 165	78 271	3%	-34%	119%	28%
Poland	26 277	22 599	48 876	2%	46 445	20 195	66 640	2%	43%	-11%	36%
Ukraine	23 353	21 333	44 686	2%	46 157	413	46 570	2%	98%	-98%	4%
Other (*)	154 877	91 627	246 504	9%	135 272	84 659	219 931	8%	-13%	-8%	-11%
Total	1 797 927	1 028 785	2 826 712		1 668 227	1 092 153	2 760 380		-7%	6%	-2,3%

* Other: This group consists of 38 countries with exports to the Netherlands of less than 46 000 m³

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

The Netherlands

3. 2020 AND 2021 FORECAST

CPB forecasts that the Dutch economy will contract by 5% in 2020 and will grow by 3% in 2021¹. Based on a scenario with a second major COVID-19 outbreak in the Netherlands in the last quarter of 2020 and the first quarter of 2021, CPB estimates GDP to contract by 6.2% in 2020 and 3.2% in 2021. Financial support

measures and lower tax revenues will hit public finances hard. Resulting in a budget deficit of 7% in 2020 and 4% in 2021.

The reduction in household consumption (-5.9%) and decreasing business investments (-7.5) are the main consequences of the COVID-19 pandemic in the Netherlands. Both are expected to increase by more than 4% in 2021. Exports are expected to

decrease by 5.2% in 2020, but are in 2021 expected to be on more or less the same level as in 2019. Relevant world trade volume of goods and services is expected to decrease by almost 10% in 2020. The unemployment rate increases to 4.4 (410 000 persons) and 6.5% (605 000 persons) in 2020 and 2021 respectively.

Dutch sawn softwood imports are traditionally closely related to the situation in the residential construction industry. Due to uncertainties regarding to the possible effects of the COVID-19 pandemic, the consequences of the nitrogen emissions problem² and problems with PFAS³ contaminated soil there is large uncertainty surrounding the predictions for housing construction in the Netherlands in the coming years. For 2020 and especially for 2021 a decrease in the number of newly built houses is expected by all relevant information sources (ING Bank, Bouwkennis and EIB⁴). However the range in expected newly build houses is large with a minimum of 50 000 completed houses estimated by EIB to 63 000 estimated by ING Bank. A reduction compared to 2019 of -30% and 12% respectively.

As a consequence the import of sawn softwood for the building industry is expected to decrease. The expected reduction in world trade will most likely also result in decreasing imports for the wood packaging industry. Imports for the DIY and garden sector are expected to be stable or slightly decrease. Production is expected to slightly decrease or to continue at the same low level.

Table 3: Summary of softwood statistics

Softwood lumber (1 000 m ³)	Year	2017	2018	2019	2020	2021*
Production		110	82	80	75	75
Imports		2 615	2 827	2 760	2 800	2 800 ?
Exports		428	512	602	550	550 ?
Stock beginning of year		315	320	320	320	320 ?
Availability	= 1+2-3+4	2 612	2 717	2 558	2 645	2 645 ?
Stock end of year		320	320	320	320	320 ?
Apparent consumption	= 5-6	2 292	2 397	2 238	2 325	2 325 ?
% change on previous year		2017	2018	2019	2020	2021*
Production		-12.7%	-25.5%	-2%	-6%	0%
Imports		12.7%	8.1%	-2.4%	1.5%	0%
Exports		8.9%	19.6%	17.5%	8.6%	0%
Imported stock beginning of year		1.6%	1.6%	0.0%	0.0%	0%
Availability		10.5%	4.0%	-5.8%	+3.4%	0%
Imported stock end of year		1.6%	0.0%	0.0%	0.0%	0%
Apparent consumption		11.9%	4.6%	-6.6%	+3.9%	0%

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

* IN VIEW OF THE CURRENT DEVELOPMENTS IN THE WORLD, IMPOSED BY COVID-19, IT IS NOT POSSIBLE TO MAKE ANY RELIABLE PREDICTIONS FOR 2021.

1. CPB, 2019. Augustusraming 2020 (concept Macro Economische Verkenning 2021): kerngegevensstabel plus koopkracht CPB (Netherlands Bureau for Economic Policy Analysis)

2. On May 29th, the Dutch Council of State ruled that the active Dutch nitrogen policy, "Programma Aanpak Stikstof" (PAS) (active since July 1st, 2015), conflicted with the European Habitat Directive (directive 92/43/EEG), and could no longer be used to grant permits. Since then, many construction projects have been put on hold. As of now they are required to have a project plan that is completely free of nitrogen emissions.

3. Per- and Polyfluoroalkyl Substances

4. Economisch Instituut voor de Bouw (Economic Institute for Construction)



The Netherlands

4. ENVIRONMENTAL ISSUES

NTTA's policy plan 2016 – 2020: In order to further stimulate the import of timber from sustainable sources a new target was set. It was raised from 85% (policy plan 2010 – 2015) to 90% of all timber to be imported by the end of 2020, or bought on the Dutch market, by NTTA members should be derived from sustainably managed and certified forests. By the end of 2019 the reported import figures show that 99,2% of all softwood imported 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% > 2019: 63,4%) and panel products (2008: 49% > 2018: 95,9%), which all together makes that the overall mentioned goal was already achieved in 2016.

Green Covenant: Initiated by the NTTA and the NBvT (Dutch Association for the Wood Working Industry) the 'Promoting Sustainable Forest Management' covenant was signed by as many as 23 partners from government and timber using associations and federations on March 22nd, 2017. The Covenant Working Groups and - partners delivered interesting research results and working items in 2019/2020, to support its ambition. While serving its last year the programme management is already focussing on a continued programme with a coalition of the willing. The Covenant is a follow up of the so called 'Green Deal', which had the same purpose. The ambition of the Covenant 'Promoting sustainable forest management' is to stimulate the use of sustainable timber (FSC and PEFC) through the Dutch chain wherever possible. With joint forces sustainable timber use will become the norm in the Netherlands.

Joint Wood Promotion Campaign: Since January 1st 2018, Centrum Hout has worked on consolidating its position as new platform of the wood sector for knowledge and expertise for

wood use in the Netherlands. Centrum Hout brought together the capabilities of the professional timber trade and wood working industry of the NTTA and NBvT. It focusses on the efficient and increasing use of wood and wood products, 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 has started, in the third quarter of 2019, the wood marketing campaign: 'Wood: naturally of the present. For the future'. The campaign is focussing on the benefits of wood as (building) material, targeting architects, technicians, politics, builders e.g.. This social media campaign uses different channels (like radio, video's, blogs, whitepapers, webinars, day posts as well as questionnaires) and centres around the website: www.houtnatuurlijkvanu.nl. The campaign closely involves members of NTTA and NBvT, but also creates commercial possibilities for suppliers of wood and wood products to the Dutch Market through partner programmes.

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 at 37% percent for 2018, well above the EU target of 15%. The current efforts of the packaging sector in the Netherlands is monitored and has shown a 77% recycling rate for wood. This is even above the Dutch target set in a sector wide agreement of 45% for the year 2022. The Dutch government has, in its pursuit of a 100% circular in economy in 2050, announced new targets for recycling of wooden packaging of 55% for the year 2021. With the current level of 77% recycling, 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.



Norway

PRODUCER

■ preliminary data

■ estimation

Source: Treindustrien

GENERAL ECONOMIC INFORMATION

	Unit	2019	2020	2021
Population (million)	millions	5.3	5.4	5.4
GDP Growth (%)	%	1.2	-2.9	4.3
Inflation Rate (%)	%	2.2	1.3	3.2
Unemployment Rate (%)	%	3.7	5.1	4.5
Construction industry				
Building permits (units)	units	31 643	n.a.	n.a.
Housing starts (units)	units	31 643	27 000	26 000
Housing completions (units)	units	30 373	n.a.	n.a.
Wage development (%)	% vs previous year	3.5	1.7	2.0
Average working time in sawmilling (h/week)	h/week	37.5	37.5	37.5

SAWN SOFTWOOD

	Unit	2019	2020	2021
Production	1 000 m ³	2 650	2 550	2 500
Imports	1 000 m ³	964	1 000	1 000
Exports	1 000 m ³	694	850	700
Consumption	1 000 m ³	2 920	2 700	2 800

SAWN HARDWOOD

	Unit	2019	2020	2021
Production	1 000 m ³	n.a.	n.a.	n.a.
Imports	1 000 m ³	n.a.	n.a.	n.a.
Exports	1 000 m ³	n.a.	n.a.	n.a.
Consumption	1 000 m ³	n.a.	n.a.	n.a.

BY-PRODUCTS

	Unit	2019	2020	2021
Sawdust production	1 000 m ³	265	255	250
Chips production	1 000 m ³	1 400	1 300	1 300
Bark production	1 000 m ³	500	500	500
Pellets production	1 000 m ³	n.a.	n.a.	n.a.

AVAILABILITY OF LOGS

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

	Unit	2019	2020	2021
Softwood	Range 1-5	4	4	3
Hardwood	Range 1-5	n.a.	n.a.	n.a.

CAPACITY INCREASES/DECREASES

	Unit	2019	2020	2021
Softwood	1 000 m ³	0	0	0
Hardwood	1 000 m ³	n.a.	n.a.	n.a.

COST DEVELOPMENT (%)

2021 vs 2020 cost developments can be estimated as "stable", "decreasing", "increasing"

	Unit	2020 vs 2019	2021 vs 2020
Softwood logs	% vs previous year	-5.0	n.a.
Hardwood logs	% vs previous year	n.a.	n.a.
Energy	% vs previous year	-42.0	n.a.
Transport	% vs previous year	2.7	n.a.

PRICE DEVELOPMENT (%)

2021 vs 2020 prices developments can be estimated as "stable", "decreasing", "increasing"

	Unit	2020 vs 2019	2021 vs 2020
Sawn softwood	% vs previous year	n.a.	n.a.
Sawn hardwood	% vs previous year	n.a.	n.a.
Chips	% vs previous year	n.a.	n.a.
Sawdust	% vs previous year	n.a.	n.a.



PRODUCER Market statement

1. What was the raw material situation like in 2020? How do you see it changing in the coming months? Has the coronavirus had any impact on raw material availability? If not, what is affecting raw material availability the most?

The raw material situation has been satisfactory in 2020. The bark beetle situation in Europe causes some concern with regards to future availability. Changes in demand in the pulp wood market may also affect availability of sawlogs in the coming months and next year.

2. How did the different market segments respond to the crisis? Do you think there are going to be changes in the future?

The DIY sector has experienced a boost during the crisis, with a significant increase in sales to the building products trade. Many people spent the spring and summer at home fixing up their houses. The market for impregnated wood and terrace flooring has especially had a boost.

Great uncertainty because of the pandemic has led to several projects being put on hold in the construction sector. However, activity has been better than what was predicted at the beginning of the pandemic, even in the housing market. Public procurement and extraordinary government funding, in addition to record low interest rates, have contributed to market activity during the crisis.

In the construction sector the market is turning towards more renovation, with increased activity in the renovation market for office buildings, public buildings and apartment buildings. This is also in line with principles of circular economy to prolong the

lifespan of existing buildings. Major economic sectors such as travel, aviation, arts and entertainment and oil and gas are going through difficult times, and the future is uncertain. This affects the general purchasing ability in society, which in turn may also affect the construction industry and especially the private housing market. The demand for new office buildings may change because of our new working routines, with more people working from home. Policy and measures directed at the renovation market, linked with environmental goals, are important to create new market opportunities if the market for new houses and buildings should decrease.

3. What were sales to countries around the world like? Have there been any particularly positive or negative countries over the last few months? Are there markets which are going to be especially positive/negative in the future?

International demand for Norwegian sawn wood has been good, with only minor brief closures in certain markets due to virus outbreaks.

4. Have businesses in your country been affected by labour shortages and/or liquidity problems? Has your government provided any help (tax breaks, financial support, etc...) to the sawmill industry to cope with the coronavirus crisis?

The last months have been demanding with the coronavirus pandemic and periods of great uncertainty. Nevertheless, most of the businesses in the wood industry have maintained production during the crisis and many have delivered good results. Due to several efforts taken to protect the units from infection there have only been minor challenges when it comes to labour shortages and/or liquidity problems. There has been very few layoffs in the wood industry.

The Norwegian government provided several support measures for business in general, but no specific measures aimed at the sawmill industry. Government support to cover salary during sick leave/quarantine is one example. Support systems for layoffs have also been important to avoid unemployment in several sectors, thus keeping up the purchasing power. At the beginning of the COVID-19 outbreak the unemployment rate in Norway increased, and reached 10 per cent by April. In September the unemployment rate has decreased to 4.1 per cent (4.5 per cent including those who are partially unemployed).

5. How do you see the future of the sawmill industry in your country? Is the competitive landscape going to change as a result of the coronavirus crisis?

The outlook for the sawmill industry is positive, but it is difficult to predict market developments from 2021 onwards. The interest in building with wood is increasing in all market segments.



Poland

PRODUCER

■ preliminary data

■ estimation

Source: Polska Izba Gospodarcza Przemysłu Drzewnego

GENERAL ECONOMIC INFORMATION

	Unit	2019	2020	2021
Population (million)	millions	38.38	38.35	38.07
GDP Growth (%)	%	4.1	-4.6	4.0
Inflation Rate (%)	%	2.3	3.3	1.8
Unemployment Rate (%)	%	5.2	8	7.5
Construction industry				
Building permits (units)	units	268 500	n.a.	n.a.
Housing starts (units)	units	237 300	n.a.	n.a.
Housing completions (units)	units	207 425	n.a.	n.a.
Wage development (%)	% vs previous year	4.8	0.2	1.5
Average working time in sawmilling (h/week)	h/week	n.a.	n.a.	n.a.

SAWN SOFTWOOD (both production and consumption are significantly underestimated by official data)

	Unit	2019	2020	2021
Production	1 000 m ³	4 443	4 200	4 450
Imports	1 000 m ³	1 105	950	1 100
Exports	1 000 m ³	845	800	850
Consumption	1 000 m ³	4 703	4 350	4 700

SAWN HARDWOOD (both production and consumption are significantly underestimated by official data)

	Unit	2019	2020	2021
Production	1 000 m ³	563	500	550
Imports	1 000 m ³	268	220	250
Exports	1 000 m ³	190	140	160
Consumption	1 000 m ³	641	580	640

BY-PRODUCTS

	Unit	2019	2020	2021
Chips production	1 000 m ³	2 693	2 550	2 700
Bark production	1 000 m ³	4 352	4 250	4 391
Pellets production	1 000 m ³	1 406	1 350	1 500

AVAILABILITY OF LOGS

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

	Unit	2019	2020	2021
Softwood	Range 1-5	3	3	3
Hardwood	Range 1-5	2	2	2

CAPACITY INCREASES/DECREASES

	Unit	2019	2020	2021
Softwood	1 000 m ³	incr	incr	incr
Hardwood	1 000 m ³	incr	incr	incr

COST DEVELOPMENT (%)

2021 vs 2020 cost developments can be estimated as "stable", "decreasing", "increasing"

	Unit	2020 vs 2019	2021 vs 2020
Softwood logs	% vs previous year	increase	increase
Hardwood logs	% vs previous year	increase	increase
Energy	% vs previous year	increase	increase
Transport	% vs previous year	increase	increase

PRICE DEVELOPMENT (%)

2021 vs 2020 prices developments can be estimated as "stable", "decreasing", "increasing"

	Unit	2020 vs 2019	2021 vs 2020
Sawn softwood	% vs previous year	stable	stable
Sawn hardwood	% vs previous year	increase	increase
Chips	% vs previous year	decrease	decrease
Sawdust	% vs previous year	decrease	decrease



Romania

PRODUCER

■ preliminary data

■ estimation

Source: ASFOR – Asociația Forestierilor Din România

GENERAL ECONOMIC INFORMATION

	Unit	2019	2020	2021
Population (million)	millions	19.4	19.5	19.5
GDP Growth (%)	%	4.1	-6.0	4.0
Inflation Rate (%)	%	3.8	2.5	2.8
Unemployment Rate (%)	%	3.9	5.2	6.9
Construction industry				
Building permits (units)	units	16 000	18 000	13 000
Housing starts (units)	units	12 000	9 000	13 000
Housing completions (units)	units	10 000	2 000	2 000
Wage development (%)	% vs previous year	13.0	5.0	5.0
Average working time in sawmilling (h/week)	h/week	40	40	40

SAWN SOFTWOOD

	Unit	2019	2020	2021
Production	1 000 m ³	3 500	3 000	2 900
Imports	1 000 m ³	360	50	50
Exports	1 000 m ³	1 150	1 150	1 150
Consumption	1 000 m ³	2 800	1 800	1 700

SAWN HARDWOOD

	Unit	2019	2020	2021
Production	1 000 m ³	1 600	900	1 000
Imports	1 000 m ³	130	50	50
Exports	1 000 m ³	650	600	600
Consumption	1 000 m ³	1 080	250	350

BY-PRODUCTS

	Unit	2019	2020	2021
Sawdust production	1 000 m ³	200	180	180
Chips production	1 000 m ³	350	300	300
Bark production	1 000 m ³	1 650	1 500	1 500
Pellets production	1 000 m ³	600	650	650

AVAILABILITY OF LOGS

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

	Unit	2019	2020	2021
Softwood	Range 1-5	3	3	3
Hardwood	Range 1-5	3	4	4

CAPACITY INCREASES/DECREASES

	Unit	2019	2020	2021
Softwood	1 000 m ³	constant	decrease	decrease
Hardwood	1 000 m ³	constant	decrease	decrease

COST DEVELOPMENT (%)

2021 vs 2020 cost developments can be estimated as "stable", "decreasing", "increasing"

	Unit	2020 vs 2019	2021 vs 2020
Softwood logs	% vs previous year	-5.0	-5.0
Hardwood logs	% vs previous year	-10.0	-10.0
Energy	% vs previous year	-5.0	-5.0
Transport	% vs previous year	-5.0	-5.0

PRICE DEVELOPMENT (%)

2021 vs 2020 prices developments can be estimated as "stable", "decreasing", "increasing"

	Unit	2020 vs 2019	2021 vs 2020
Sawn softwood	% vs previous year	-5.0	-2.0
Sawn hardwood	% vs previous year	-7.5	-2.0
Chips	% vs previous year	0.0	0.0
Sawdust	% vs previous year	0.0	0.0



Romania

PRODUCER Market statement

1. On top of the estimates in the questionnaire, please fill in the following table

Sawn Softwood	Jan-Jun 2020 vs Jan-Jun 2019 % difference
Production	↓ 5
Imports	↓ 25
Exports	↓ 5
Consumption	↓ 10

2. What was the raw material situation like in 2020? How do you see it changing in the coming months? Has the coronavirus had any impact on raw material availability? If not, what is affecting raw material availability the most?

- the purchase of the raw material, as standing or converted timber was not interrupted from a procedural and calendar point of view and was drawn in the economic circuit in a diminished amount by approx. 40%;
- however, the manufacturing industry is blocked by the crisis on the market (lack of external and internal orders);
- raw material stocks (formed before the crisis) make it difficult to anticipate a balance or stability;
- the export / import of raw wood (in very small quantities) expressed in value was approx. 10% in favour of export.

3. How did the different market segments respond to the crisis? Do you think there are going to be changes in the future?

a. Sales to the construction sector

There were no differences compared to 2019.

b. Sales to the pallets sector

Production at the entire packaging complex fell by more than 15%.

c. Sales to the DIY sector

It has constantly positioned itself both as a supply segment and as a market segment.

d. Sales to the furniture sector

The lack of sale of furniture products led to a setback in the supply of raw materials by approx. 40%.

4. What were sales to countries around the world like? Have there been any particularly positive or negative countries over the last few months? Are there markets which are going to be especially positive/negative in the future?

The market to the EU, Egypt, Emirates, Japan and China supported the export of wood and wood products, this positioning only 10-12% below 2019.

5. Have businesses in your country been affected by labour shortages and/or liquidity problems? Has your government provided any help (tax breaks, financial support, etc...) to the sawmill industry to cope with the coronavirus crisis?

There was financial support both for technical unemployment and for supporting small and medium enterprises.

The labour force has been partially oriented towards telework, the economic sectors dependent on the wood industry have not created significant influences in the field.

6. How do you see the future of the sawmill industry in your country? Is the competitive landscape going to change as a result of the coronavirus crisis?

The timber industry (along with furniture) has a substantial contribution in the timber trade, so that the fluctuations are not significant (as a production and capitalization activity in a reasonable period of time).

7. Any other additional elements

In this period with many negative effects and influences, the theme of forests (wood) is subject to new legislative, financial, administrative provisions, which, overlapping the first, extend the term with beneficial economic, social and environmental elements (through high value of products, job demand, etc.) stipulated in the national forestry strategy.



USER

☐ preliminary data

☐ estimation

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

GENERAL ECONOMIC INFORMATION

	Unit	2019	2020	2021
Population (million)	millions	47.33	47.35	47.34
GDP Growth (%)	%	2.0	-11.0	7.8
Inflation Rate (%)	%	0.7	-0.1	1.0
Unemployment Rate (%)	%	14.1	17.4	17.1
Construction industry				
Building permits (units)	units	n.a.	n.a.	n.a.
Housing starts (units)	units	106 266	85 013	88 413
Housing completions (units)	units	78 789	63 031	65 552
Wage development (%)	% vs previous year	2,3	1,8	-1,4
Average working time in sawmilling (h/week)	h/week	n.a.	n.a.	n.a.

SAWN SOFTWOOD

	Unit	2019	2020	2021
Production	1 000 m ³	2 536	2 391	2 513
Imports	1 000 m ³	988	889	934
Exports	1 000 m ³	208	181	190
Consumption	1 000 m ³	3 316	3 099	3 257

SAWN HARDWOOD

	Unit	2019	2020	2021
Production	1 000 m ³	448	399	418
Imports	1 000 m ³	93	110	116
Exports	1 000 m ³	26	30	32
Consumption	1 000 m ³	515	479	502

BY-PRODUCTS

	Unit	2019	2020	2021
Sawdust production	1 000 m ³	n.a.	n.a.	n.a.
Chips production	1 000 m ³	n.a.	n.a.	n.a.
Bark production	1 000 m ³	n.a.	n.a.	n.a.
Pellets production	1 000 m ³	n.a.	n.a.	n.a.

AVAILABILITY OF TIMBER

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

	Unit	2019	2020	2021
Softwood	Range 1-5	n.a.	n.a.	n.a.
Hardwood	Range 1-5	n.a.	n.a.	n.a.

TRADE INCREASES/DECREASES

	Unit	2019	2020	2021
Softwood	1 000 m ³	n.a.	n.a.	n.a.
Hardwood	1 000 m ³	n.a.	n.a.	n.a.

COST DEVELOPMENT (%)

2021 vs 2020 cost developments can be estimated as "stable", "decreasing", "increasing"

	Unit	2020 vs 2019	2021 vs 2020
Softwood logs	% vs previous year	n.a.	n.a.
Hardwood 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 (%)

2021 vs 2020 prices developments can be estimated as "stable", "decreasing", "increasing"

	Unit	2020 vs 2019	2021 vs 2020
Sawn softwood	% vs previous year	n.a.	n.a.
Sawn hardwood	% vs previous year	n.a.	n.a.
Chips	% vs previous year	n.a.	n.a.
Sawdust	% vs previous year	n.a.	n.a.



USER Market statement

1. On top of the estimates in the questionnaire, please fill in the following table

Sawn Softwood	Jan-Jun 2020 vs Jan-Jun 2019 % difference
Production	-8%
Imports	-18%
Exports	-13%
Consumption	-15%

2. What was the raw material situation like in 2020? How do you see it changing in the coming months? Has the coronavirus had any impact on raw material availability? If not, what is affecting raw material availability the most?

In general, in Spain we do not have experienced problems of procurement and supply of timber and timber products in the first half of this year, even during the period of confinement and closure of activity.

3. How did the different market segments respond to the crisis? Do you think there are going to be changes in the future?

a. Sales to the construction sector

Construction activity is being reasonably good taking into account the extraordinary circumstances we are experiencing. Home renovation and rehabilitation sector has remained at satisfactory levels. Activity in general has improved during the months of July and August.

b. Sales to the pallets and packaging sector

This activity has remained essential, even during the activity closure period. The problem reported by this sector has been the shortage of labour force in some areas to collect fruits. In addition, there have been cases of outbreaks in temporary workers.

c. Sales to the DIY sector

This sector is being reasonably good. Mainly due to increased awareness and sensitivity to home habitat improvement.

d. Sales to the furniture sector

The growing interest in home improvement has also had a positive impact on this sector.

4. How did the foreign trade perform and sales to countries around the world? Has there been any particularly positive or negative countries over the last few months? Are there markets which are going to be especially positive/negative in the future?

Export of the Spanish timber industry of products for construction until May of this year has fallen by 15%.

5. Have businesses in your country been affected by labour shortages and/or liquidity problems? Has your government provided any help (tax breaks, financial support, etc...) to the sawmill industry to cope with the coronavirus crisis?

In March, when the state of alarm was decreed in Spain, Temporary Employment Regulation Procedures were launched. Its extension is currently being negotiated at least until the end of this year.

6. How do you see the future of the sawmill industry in your country? Is the competitive landscape going to change as a result of the coronavirus crisis?

The sector is managing to minimize the effects caused by COVID-19, although demand is expected to fall in the last quarter of the year as a result of the reduction in construction activity. It is hoped that home renovations can be maintained at an acceptable level.

7. Any other additional elements

Spain is the European country that is being most seriously affected by the outbreaks of COVID-19 after the opening of economic activity. Tourism, restaurant and leisure sectors have been seriously affected by these outbreaks. We will see how the situation evolves in the autumn and winter. This will be decisive for the progress of the economy in Spain.



Sweden

PRODUCER

■ preliminary data

■ estimation

Source: SFIF – Swedish Forest Industries Federation

GENERAL ECONOMIC INFORMATION

	Unit	2019	2020	2021
Population (million)	millions	10.3	10.4	10.5
GDP Growth (%)	%	1.2	-4.8	3.4
Inflation Rate (%)	%	1.8	0.5	1.1
Unemployment Rate (%)	%	6.8	8.5	9.5
Construction industry				
Building permits (units)	units	57 000	50 000	n.a.
Housing starts (units)	units	52 000	44 500	41 500
Housing completions (units)	units	58 000	53 000	47 000
Wage development (%)	% vs previous year	2.6	n.a.	n.a.
Average working time in sawmilling (h/week)	h/week	n.a.	n.a.	n.a.

SAWN SOFTWOOD

	Unit	2019	2020	2021
Production	1 000 m ³	18 600	18 180	18 100
Imports	1 000 m ³	430	490	220
Exports	1 000 m ³	12 700	13 950	12 400
Consumption	1 000 m ³	5 500	5 400	5 200

SAWN HARDWOOD

	Unit	2019	2020	2021
Production	1 000 m ³	n.a.	n.a.	n.a.
Imports	1 000 m ³	n.a.	n.a.	n.a.
Exports	1 000 m ³	n.a.	n.a.	n.a.
Consumption	1 000 m ³	n.a.	n.a.	n.a.

BY-PRODUCTS

	Unit	2019	2020	2021
Sawdust production	1 000 m ³	n.a.	n.a.	n.a.
Chips production	1 000 m ³	n.a.	n.a.	n.a.
Bark production	1 000 m ³	n.a.	n.a.	n.a.
Pellets production	1 000 m ³	n.a.	n.a.	n.a.

AVAILABILITY OF LOGS

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

	Unit	2019	2020	2021
Softwood	Range 1-5	4	4	4
Hardwood	Range 1-5	n.a.	n.a.	n.a.

CAPACITY INCREASES/DECREASES

	Unit	2019	2020	2021
Softwood	1 000 m ³	n.a.	n.a.	n.a.
Hardwood	1 000 m ³	n.a.	n.a.	n.a.

COST DEVELOPMENT (%)

2021 vs 2020 cost developments can be estimated as "stable", "decreasing", "increasing"

	Unit	2020 vs 2019	2021 vs 2020
Softwood logs	% vs previous year	1.0	stable
Hardwood logs	% vs previous year	n.a.	n.a.
Energy	% vs previous year	n.a.	n.a.
Transport	% vs previous year	1.0	stable

PRICE DEVELOPMENT (%)

2021 vs 2020 prices developments can be estimated as "stable", "decreasing", "increasing"

	Unit	2020 vs 2019	2021 vs 2020
Sawn softwood	% vs previous year	-6.0	stable
Sawn hardwood	% vs previous year	n.a.	n.a.
Chips	% vs previous year	n.a.	n.a.
Sawdust	% vs previous year	n.a.	n.a.



PRODUCER Market statement

1. On top of the estimates in the questionnaire, please fill in the following table

Sawn Softwood	Jan-Jun 2020 vs Jan-Jun 2019 % difference
Production	-4%
Imports	+26%
Exports	+13%
Consumption	-5%

2. What was the raw material situation like in 2020? How do you see it changing in the coming months? Has the coronavirus had any impact on raw material availability? If not, what is affecting raw material availability the most?

The supply of sawlogs has been relatively good in Sweden for 2020. No significant impacts due to the coronavirus. Most effects seen have been leading up to the summer. In a time period where many companies still were in the planning process of preparing for a bark beetle outbreak. This resulted in an increased availability of spruce, and decreased availability of pine.

3. How did the different market segments respond to the crisis? Do you think there are going to be changes in the future?

On the demand side there has been a surge in demand from the diy sector primarily. As people have spent more time at home, they have also spent more time and resources on improving on it. However, demand from other sectors and construction in particular has declined, and as a total the domestic demand has been relatively stable. Expectations are that the diy sector will

normalize in line with the economy and situation for the work force in general.

By the end of 2020 wood consumption from the construction sector, as a whole, is expected to have declined by about 3-5%, and to decline further by 3-5% in 2021. In 2022 the market is projected to start to rebound and increase by more than +5%, however still not reaching comparable levels to those of 2019. In general wood as a material in the construction sector is expected to be impacted significantly less than the sector in general and for other materials.

4. What were sales to countries around the world like? Have there been any particularly positive or negative countries over the last few months? Are there markets which are going to be especially positive/negative in the future?

Exports of Swedish sawn wood so far in 2020 has been very strong, and in some months the highest seen in many years. Some of the most notable developments for the first 6 months have been the significant increase in trade with China (+60%) and the USA (+80%), both part of the largest export destinations outside of Europe together with Egypt (+30%) and Japan (+25%). Disruptions in trade with the UK, due to the corona pandemic, has led to a decline of Sweden's largest export market (-15%), by mid-year indications were that trade was again back to normal levels on a monthly basis. Despite that the exports to European markets on an aggregate level has remained fairly stable at +3% compared to 2019.

Indications of low stock levels throughout the value chain in the UK and the US imply that export to these markets might remain good in near time. While markets such as the MENA countries and China are somewhat more uncertain.

5. Have businesses in your country been affected by labour shortages and/or liquidity problems? Has your government provided any help (tax breaks, financial support, etc...) to the sawmill industry to cope with the coronavirus crisis?

There has been typically no government subsidies or funding, due to the corona pandemic directed to the sawmilling sector specifically in Sweden. There has been some utilisation of more generic government funded support schemes by Swedish sawmills, but compared to other sectors the utilisation has been fairly low. Most notably the Swedish production of sawn wood has decreased despite a high demand, but more often this has rather also been an effect of a pure planning process in relation to uncertainties of the effects on the markets due to the pandemic.

6. How do you see the future of the sawmill industry in your country? Is the competitive landscape going to change as a result of the coronavirus crisis?

The domestic competitive landscape is still relatively stable, and the outlook for Swedish sawmill industry will likely be most impacted by how the global sawn wood market will balance over the next few years. Domestic demand will however likely take until 2022-2023 to fully recover.



Switzerland

PRODUCER | USER

■ preliminary data

■ estimation

Source: HIS – Holzindustrie Schweiz and Holzwerkstoffe Schweiz

GENERAL ECONOMIC INFORMATION

	Unit	2019	2020	2021
Population (million)	millions	8.6	8.7	8.7
GDP Growth (%)	%	0.9	-6.0	3.8
Inflation Rate (%)	%	0.4	-0.4	0.6
Unemployment Rate (%)	%	2.3	3.2	3.0
Construction industry				
Building permits (units)	units	52000	51000	n.a.
Housing starts (units)	units	n.a.	n.a.	n.a.
Housing completions (units)	units	n.a.	53000	51900
Wage development (%)	% vs previous year	0.4	0.4	0.4
Average working time in sawmilling (h/week)	h/week	42.5	42.5	42.5

SAWN SOFTWOOD

	Unit	2019	2020	2021
Production	1 000 m ³	1 077	1 075	1 073
Imports	1 000 m ³	307	311	315
Exports	1 000 m ³	201	200	199
Consumption	1 000 m ³	1 183	1 186	1 189

SAWN HARDWOOD

	Unit	2019	2020	2021
Production	1 000 m ³	48	49	50
Imports	1 000 m ³	45	46	47
Exports	1 000 m ³	22	22	23
Consumption	1 000 m ³	72	73	74

BY-PRODUCTS

	Unit	2019	2020	2021
Sawdust production	1 000 m ³	224	223	223
Chips production	1 000 m ³	522	521	521
Bark production	1 000 m ³	186	186	186
Pellets production	1 000 m ³	385	405	420

AVAILABILITY OF LOGS

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

	Unit	2019	2020	2021
Softwood	Range 1-5	4	4	4
Hardwood	Range 1-5	3	3	3

CAPACITY INCREASES/DECREASES

	Unit	2019	2020	2021
Softwood	1 000 m ³	n.a.	n.a.	n.a.
Hardwood	1 000 m ³	n.a.	n.a.	n.a.

COST DEVELOPMENT (%)

2021 vs 2020 cost developments can be estimated as "stable", "decreasing", "increasing"

	Unit	2020 vs 2019	2021 vs 2020
Softwood logs	% vs previous year	-3.0	decrease
Hardwood logs	% vs previous year	n.a.	stable
Energy	% vs previous year	0.0	stable
Transport	% vs previous year	2.0	stable

PRICE DEVELOPMENT (%)

2021 vs 2020 prices developments can be estimated as "stable", "decreasing", "increasing"

	Unit	2020 vs 2019	2021 vs 2020
Sawn softwood	% vs previous year	-2.0	decrease
Sawn hardwood	% vs previous year	n.a.	stable
Chips	% vs previous year	-2.0	stable
Sawdust	% vs previous year	0.0	stable



Switzerland

PRODUCER Market statement

1. On top of the estimates in the questionnaire, please fill in the following table

Sawn Softwood	Jan-Jun 2020 vs Jan-Jun 2019 % difference
Production	-5%
Imports	+20%
Exports	-17%
Consumption	-2%

2. What was the raw material situation like in 2020? How do you see it changing in the coming months? Has the coronavirus had any impact on raw material availability? If not, what is affecting raw material availability the most?

At the beginning of 2020, the bark beetle has attacked a big chunk of our forests. That gave the Swiss sawmill industry some wood with not the best quality for their products.

The end of 2020 will stay mostly identical. The raw material's price will continue to decrease as a result of the bad quality. Also, the quantity of raw wood will increase.

At the moment, the COVID-19 pandemic didn't affect the industry too much due to the Swiss government's decision not to lock-down the entire country. Most parts of the country's economy remained active during the crisis.

3. How did the different market segments respond to the crisis? Do you think there are going to be changes in the future?

a. Sales to the construction sector

The construction sector is doing quite well by now. In the beginning of the crisis, in the French and Italian speaking parts of Switzerland the building sites have been closed for some weeks by the regional governments. In the German speaking part, the building sites were running all the time. For the second half of 2020, we expect a slight decrease of demand.

b. Sales to the DIY sector

The DIY stores had been completely locked down from March to April. Since the reopening at the end of April, the DIY markets are facing higher demand than ever before. Many people used the time they were forced to stay at home (homeoffice, no holidays abroad) to renovate their homes. The situation will probably remain for the rest of 2020.

c. Sales to the furniture sector

There is not an important furniture sector in Switzerland. There are some small manufacturers in the luxury segment. For them, the situation was difficult for the last few months, but not as bad as expected. At the beginning of the crisis, the Swiss suppliers of the furniture industry (chipboard producers) have lost most of the orders from one day to the next, due to the complete lock-down in Italy and other European countries. The future situation for the furniture industry is difficult to predict. It depends on the available household incomes (private sector) and on the development of the furniture industries in our neighbouring countries.

4. What were sales to countries around the world like? Have there been any particularly positive or negative countries over the last few months? Are there markets which are going to be especially positive/negative in the future?

With various lockdowns in the EU, the market of exportation completely stopped. Most companies in this segment have used governmentally supported short-time work to survive.

The others didn't notice a big difference since the beginning of this year. We think that the construction sector will be affected during the next year and after because of all the projects that couldn't take place this year due to the reluctance and the fear of investors. Many companies are going to take a step back in their investment plan to compensate the loss of profit they may have made.

5. Have businesses in your country been affected by labour shortages and/or liquidity problems? Has your government provided any help (tax breaks, financial support, etc...) to the sawmill industry to cope with the coronavirus crisis?

The Swiss government provided a 60 billion Swiss francs budget to offer a 0% loan to every business asking for it. All taxes, social taxes and bills were suspended or the payment delay was upgraded to 90 days.

6. How do you see the future of the sawmill industry in your country? Is the competitive landscape going to change as a result of the coronavirus crisis?

We think that significant changes will take place during the next and the year after next. Probably the construction sector which





Switzerland

will be less active because there were less investments. This is going to impact the pallet sector and eventually the furniture sector in new construction. The DIY is in good shape and will probably stay stable during the next year.

USER Market statement

The Swiss timber trade has so far come through the crisis very well. Sales have even increased by around 1% compared to the previous year. This is due in particular to the construction sector, which was exempted from the government's lockdown in spring. Construction activity is still high. Indeed, individual indicators show that the planning of new construction projects has been postponed due to the corona pandemic. Any effects are to become visible in winter 2020/spring 2021.

The Swiss economy as a whole is to decline less sharply than feared in the summer. In the second quarter of 2020, gross domestic product fell by -8.2 %, after -2.5 % in the first quarter. This is the sharpest slump in economic output in decades. However, the economy recovered more quickly than expected after the end of the lockdown. By the end of the year, the decline in GDP could be in the region of -5 %. The average annual unemployment rate is expected to be below 3.5%. Switzerland appears to have come through the crisis relatively "lightly" so far by international standards.

The process of introducing an EUTR-like Swiss timber trade ordinance is one step further. After consulting the associations and industry, the government administration will examine the submissions. A government decision to introduce the ordinance is scheduled for early summer 2021.



United Kingdom

USER

■ preliminary data

■ estimation

Source: Timber Trade Federation

GENERAL ECONOMIC INFORMATION

	Unit	2019	2020	2021
Population (million)	millions	66.8	66.9	67.0
GDP Growth (%)	%	1.5	-9.7	6.0
Inflation Rate (%)	%	1.8	0.9	1.3
Unemployment Rate (%)	%	3.8	3.9	n.a.
Construction industry				
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.
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	2019	2020	2021
Production	1 000 m ³	3 410	2 984	3 618
Imports	1 000 m ³	6 394	5 718	5 939
Exports	1 000 m ³	n.a.	n.a.	n.a.
Consumption	1 000 m ³	9 611	8 542	9 372

BY-PRODUCTS

	Unit	2019	2020	2021
Sawdust production	1 000 m ³	n.a.	n.a.	n.a.
Chips production	1 000 m ³	n.a.	n.a.	n.a.
Bark production	1 000 m ³	n.a.	n.a.	n.a.
Pellets production	1 000 m ³	n.a.	n.a.	n.a.

AVAILABILITY OF LOGS

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

	Unit	2019	2020	2021
Softwood	Range 1-5	n.a.	n.a.	n.a.

CAPACITY INCREASES/DECREASES

	Unit	2019	2020	2021
Softwood	1 000 m ³	n.a.	n.a.	n.a.

COST DEVELOPMENT (%)

2021 vs 2020 cost developments can be estimated as "stable", "decreasing", "increasing"

	Unit	2020 vs 2019	2021 vs 2020
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 (%)

2021 vs 2020 prices developments can be estimated as "stable", "decreasing", "increasing"

	Unit	2020 vs 2019	2021 vs 2020
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.

United Kingdom

USER Market statement

The recovery from the pandemic lockdown for timber and panel imports would appear to be underway.

The month of June was a much better month for timber and panel imports compared to the previous two months. Although the difference between June 2020 and June 2019 was a reduction in volume of 14%, this compares with a 39% reduction in April followed by a 35% reduction in May.

This improvement indicates that it is now likely that monthly import volumes for the rest of the year will continue to approach the levels of 2019, although this is by no means certain. If the recovery continues throughout the remainder of the year at similar levels to last year, the likely outturn for all the main timber and panel products for 2020 on this basis will be around 20% lower than in 2019.

This is broadly in line with the early responses from the NSD Committee's Softwood Import Volume Forecast.

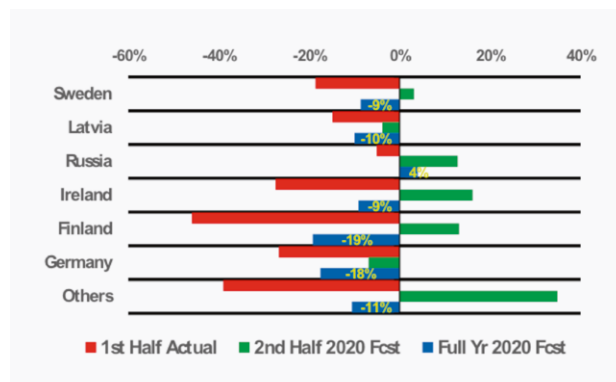
The overall improvement in June was better than originally forecast for that month and this has raised the end-year 'post-Covid' forecast for all the main timber and panels imported by the UK in 2020 to around 8.5 million m³. The continuing uncertainty surrounding the rest of 2020 could however both raise or lower this volume.

Uncertainty is about the only feature of 2020 that can be guaranteed because as the influence of the coronavirus hopefully reduces the spectre of the UK's exit from the European Union resurfaces and looms once more on the horizon.

Timber Trade Federation Members are forecasting an import volume of 5.72 million m³ in 2020, down by 11% from the 2019 total of 6.39 million m³.

In 2021, imports are forecast to rise by 4% to 5.94 million m³.

There is a reasonable consistency among Members' forecasts. This is demonstrated by Members providing an upbeat prediction for the 2nd half of 2020.



In total, softwood imports in the first half 2020 were 24% below the same period in 2019 (made up from the average of the red bars above).

Members forecast an improvement in the second half of 2020 as shown by the green bars above and in total, this equates to a 6% increase over the second half of 2019.

The net effect is an 11% decrease for the full year 2020. The blue bars show how this 11% decrease is arrived at from the average of each country and 'others'.

As mentioned above, growth of around 4% is predicted for 2021.

Total country-by-country breakdown of deliveries for the year 2020 and 2021 are available below.

NSD Forecast for 2020 at August 2020

Country	000m3	Country Share	% Change over 2019 Actual
Sweden	2,437	43%	-8.6%
Latvia	1,021	18%	-10.0%
Finland	710	12%	-19.2%
Russia	320	6%	3.7%
Germany	381	7%	-17.5%
Ireland	366	6%	-9.1%
Others	483	8%	-10.6%
Total	5,718	100%	-10.6%

NSD Forecast for 2021 at August 2020

Country	000m3	Country Share	% Change over 2020 Fcst
Sweden	2,555	43%	4.8%
Latvia	1,008	17%	-1.3%
Finland	790	13%	11.3%
Russia	320	5%	0.0%
Germany	428	7%	12.3%
Ireland	336	6%	-8.1%
Others	502	8%	3.9%
Total	5,939	100%	3.9%



PRODUCER

■ preliminary data

■ estimation

Source: Forest Economic Advisors

GENERAL ECONOMIC INFORMATION

	Unit	2019	2020	2021
Population (million)	millions	328.5	330.0	331.4
GDP Growth (%)	%	2.2	-5.4	4.4
Inflation Rate (%)	%	1.8	0.8	1.2
Unemployment Rate (%)	%	3.7	9.5	7.9
Construction industry				
Building permits (units)	units	n.a.	n.a.	n.a.
Housing starts (units)	units	1 295 250	1 255 333	1 342 083
Housing completions (units)	units	n.a.	n.a.	n.a.
Wage development (%)	% vs previous year	2.8	2.6	3.2
Average working time in sawmilling (h/week)	h/week	n.a.	n.a.	n.a.

SAWN SOFTWOOD

	Unit	2019	2020	2021
Production	1 000 m ³	59 767	60 918	66 336
Imports	1 000 m ³	24 759	25 637	27 159
Exports	1 000 m ³	2 311	2 144	2 391
Consumption	1 000 m ³	82 214	84 411	91 104

BY-PRODUCTS

	Unit	2019	2020	2021
Sawdust production	1 000 m ³	n.a.	n.a.	n.a.
Chips production	1 000 m ³	n.a.	n.a.	n.a.
Bark production	1 000 m ³	n.a.	n.a.	n.a.
Pellets production	1 000 tonnes	8 593	9 493	10 158

AVAILABILITY OF LOGS

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

	Unit	2019	2020	2021
Softwood	Range 1-5	4	4	4

CAPACITY INCREASES/DECREASES

	Unit	2019	2020	2021
Softwood	1 000 m ³	3 056	401	819

COST DEVELOPMENT (%)

2021 vs 2020 cost developments can be estimated as "stable", "decreasing", "increasing"

	Unit	2020 vs 2019	2021 vs 2020
Softwood logs	% vs previous year	-1.8	4.1
Energy	% vs previous year	-3.7	0.9
Transport	% vs previous year	-6.4	-6.0

PRICE DEVELOPMENT (%)

2021 vs 2020 prices developments can be estimated as "stable", "decreasing", "increasing"

	Unit	2020 vs 2019	2021 vs 2020
Sawn softwood	% vs previous year	48.0	-17.5
Chips	% vs previous year	-8.7	-2.2
Sawdust	% vs previous year	-0.6	-1.7



PRODUCER Market statement

The US economy has seen dramatic swings in 2020. Real GDP contracted at a record 31.7% annualized rate in the second quarter thanks to the COVID-19 outbreak and various measures taken to combat the virus. The high-frequency data point to a strong bounce back in the third quarter, with our forecasts showing a 27.7% annualized gain. Even with this snapback, we expect the US economy will contract 5% in 2020.

The US economy has been surprisingly robust in the face of persistent outbreaks of the virus, and ongoing social distancing and other mitigation measures. Moreover, we do not expect another round of shelter-in-place orders, for a number of reasons: (1) increasing uncertainty over the cost relative to the benefit of widespread closures; (2) mitigation measures (masks, social distancing, etc.) being more effective at controlling the spread than in the spring; (3) more rapid localized closures limiting the spread so we don't need a nationwide shutdown; (4) better treatment lowering the mortality (and therefore decreasing the benefit relative to closure costs); and (5) the increasing probability, as time passes, that a vaccine and/or antiviral drug will be developed. Consequently, we expect the US economy will expand at a 4.5% rate in 2021.

While this is robust growth relative to history, 2021 actual US economic output (as measured by GDP) will remain below 2019 levels.

The Fed has responded in a quick and decisive manner to the severe COVID-19 recession. It immediately cut its short-term interest-rate target to the zero bound, and has injected nearly \$3T into the economy by purchasing an array of financial assets. Meanwhile, the 10-year bond yield has traded in a narrow range near 0.75% for the last five months and is projected to climb

only gradually over the next few years. This has translated into record-low mortgage rates—the average 30-year fixed-rate mortgage is 2.91%, nearly 50 basis points (0.5%) below its previous record low. With unemployment currently at its second-highest level since the 1950s, and the Fed announcing a policy shift to “average inflation targeting,” which is likely to allow higher inflation than its standard 2% target, the low-interest-rate environment is here to stay through 2021 (and beyond).

While the overall economy is experiencing the most severe recession since the Great Depression, the two end-use markets for sawtimber, new residential construction (housing starts) and residential improvements, have actually been doing very well. US housing starts plunged nearly 40% from their first-quarter average of 1.48 million units (SAAR) to 0.93 million units in April as fears of a rapid decline in demand caused builders to delay projects. However, plunging interest rates and rising income (as households began receiving government transfer payments) actually caused demand for homes to surge. As a result, builders quickly ramped up production, with July starts slightly exceeding their 2020Q1 average at 1.50 million units. Meanwhile, residential-improvement expenditures saw very little change, slipping less than 1%, from \$148.2 billion (\$US 2012, SAAR) in the first quarter to \$147.6 billion in the second.

We expect residential-construction markets will continue to outperform the overall economy over the next year for a number of reasons. First, interest rates will remain low. Second, there is a tremendous amount of pent-up demand for housing in the US (estimates of underbuilding over the last decade range from 1.5 to 4.0 million units). Third, demographics are highly favorable to strong demand, with the largest age groups currently in their late twenties and early thirties, prime home-buying years. Finally, we expect a shift from multifamily to single-family living as households leave high-density urban centers in favor of lower-density

suburbs. This shift toward single-family construction will result in higher demand for sawtimber as a new single-family home in the US uses about three times more wood than a new multifamily home.

We also expect strong residential-improvement demand through 2021. The economic conditions that are favorable to new home construction (low interest rates and decent income growth) will also bolster residential-improvement expenditures. In addition, COVID-19-related closures have limited the activities households can spend their time and money on. With households dramatically reducing their spending on vacations, cultural or sporting events, and going out to eat, fixing up their homes is one of the few things they have left. This, combined with the aging housing stock (the average home built in the US today is nearly 25% larger than the median home in the housing stock), will cause residential-improvement expenditures to remain high through 2021.

These factors should push US sawnwood apparent consumption up 2.7% in 2020 and 7.9% in 2021.

US sawnwood exports plunged in 2019 as the trade war with China heated up and the tariff on Chinese imports of US softwood ratcheted up to as much as 25%. Exports continued to fall in the first half of 2020 as COVID-19 shut down the Chinese economy. As a result, we expect exports to fall an additional 7% in 2020. We expect the global economy will begin to rebound in 2020 and US–China relations will begin to improve. Consequently, we expect exports will increase 12% to 2.4 million cubic meters. While up sharply from 2020 levels, this will be well below the average of the 2010s.

Capex plunged in 2020Q2 as companies strove to preserve working capital, and as economic uncertainty slowed expansion. Moreover, any expansions in the US South were offset by closures



in the West. Mills will begin to invest some of their recent profits, but only after they gain confidence that housing and other end-use markets will not slip back into a COVID-19-induced recession. As a result, US capacity will be up just 0.5% in 2019. Once mills see that the recent demand growth is not fleeting and prices don't plunge to costs, companies will begin to invest in their mills. However, Western fiber-supply constraints will hold total US capacity growth to an expected 1.1% in 2021.

We expect sawtimber production costs will edge lower in 2020 for a number of reasons, including low sawtimber prices in 2019 and weak consumption in 2019–20 driving down timber prices, closure of higher-cost facilities as mills try to bring production in line with weaker demand, and falling manufacturing costs. Most components of manufacturing costs will fall in 2020. Energy prices have fallen sharply. Labor markets have weakened tremendously, putting downward pressure on labor costs. Finally, mills will cut miscellaneous costs in an effort to stay as lean as possible while there is so much uncertainty surrounding COVID-19. As a result, we expect inflation-adjusted costs will fall an average of 1% in 2020.

Sawtimber production costs will likely see a near-term bottom in 2020. We expect most costs will increase as sawtimber demand and prices begin to recover in 2021.

Sawtimber prices have hit record levels in 2020. This is not because demand is exceptionally strong. Rather, it is because demand is much stronger than market participants expected. In March–May, mills slashed production and dealers aggressively drew down inventories in anticipation of sharply weaker demand as fear and uncertainty around COVID-19's effect on the economy dominated people's planning. However, instead of plunging as most people expected, end-use markets for sawtimber actually strengthened significantly. This drove dealers back to the mills at a

time when production was down and mills didn't have inventory. Consequently, sawtimber prices have rocketed higher.

We anticipate sawtimber prices will begin to fall in late September and early October, and continue to decline through January of next year. For the year as a whole, we predict prices will increase an average of 48% from last year.

After hitting such extreme highs this summer, we expect prices will fall 17.5% in 2021. The decline is not because of weak demand or falling operating rates. Part of the price spike in 2020 was because mills cut back production in the expectation that demand would plunge. We assume this will not happen in 2021; in fact, we assume mills will increase production to meet stronger expected demand. With production remaining more in line with demand next year, prices will fall back toward more "normal" profit levels.

