# **MARKET SURVEY**

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 INTERNATIONAL SOFTWOOD

 Canference 2021

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#### Tables & Graphs

- Note 1: the following information, tables and graphs are based on information supplied by the EOS and ETTF members federations and partners. Although we try to align the information with UNECE/FAO some information may differ from that included in the FAO data base.
- Note2: all data for 2021 are prognoses. Forecasts given for 2022.

Information collection: Diego Benedetti, EOS





## SOFTWOOD PRODUCTION

Development of Softwood Production (1000 m3)	) - by region			
	2019	2020	2021	2022
EUROPE (ISC)	88 529	88 710	94 952	95 669
North America	101 294	101 923	105 702	107 227
TOTAL	189 822	190 632	200 654	202 896

*Fig.1 Production Changes in %, 2018-2022* 



Fig.2 Development of Softwood Production 2012-2022



#### Fig 3. Sawn softwood production % difference 2021 vs 2020





### SOFTWOOD PRODUCTION

Development of Softwood Production (1000 m3) - by country

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
AT	8 793	8 385	8 215	8 605	9 250	9 650	10 200	10 343	10 339	11 000	11 500
BE	1 530	1 460	1 520	1 500	1 400	1 350	1 450	1 450	1 460	1 600	1 520
СН	1 150	986	1 080	1 060	1 074	1 037	1 078	1 077	1 114	1 110	1 100
DE	20 032	20 428	20 757	20 434	21 109	22 050	22 780	23 505	25 216	27 000	27 000
DK	500	294	294	352	310	360	324	331	360	380	380
ES	1 680	1 487	1 665	2 062	1 821	2 375	2 496	2 536	2 391	2 773	2 940
FI	9 300	10 400	10 900	10 600	11 400	11 700	11 800	11 354	10 900	12 000	12 500
FR	6 900	6 544	6 358	6 223	6 400	6 596	6 795	6 559	6 400	7 100	7 200
IT	850	860	910	920	950	970	950	474	274	274	274
LV	2 582	2 600	2 768	2 690	2 792	2 662	2 730	2 660	2 600	2 600	2 400
NL	137	159	163	129	126	110	82	80	76	75	75
NO	2 280	2 200	2 400	2 444	2 533	2 655	2 675	2 650	2 680	2 860	3 000
RO	2 945	3 762	3 704	3 600	4 340	3 600	3 550	3 500	3 000	3 500	3 200
SE	15 800	16 100	17 520	18 100	18 010	18 309	18 300	18 600	18 400	18 900	18 800
UK	3 357	3 536	3 716	3 449	3 624	3 728	3 618	3 410	3 500	3 780	3 780
Europe (ISC)	77 836	79 201	81 970	82 168	85 139	87 152	88 828	88 529	88 710	94 952	95 669
USA	48 301	50 482	53 543	53 785	55 300	57 414	59 332	59 767	62 733	63 115	65 153
CAN	39 417	41 424	41 891	45 362	48 158	47 304	46 370	41 527	39 190	42 587	42 074
North America	87 718	91 906	95 434	99 147	103 458	104 718	105 701	101 294	101 923	105 702	107 227
TOTAL	165 554	171 107	177 404	181 315	188 597	191 870	194 530	189 822	190 632	200 654	202 896

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\*Data from Italy sharply differs with FAO data, which is why has been flagged in red

\*\* Forecasts from the UK for 2022 are unavailable, which is why the cell is in yellow



### SOFTWOOD CONSUMPTION

#### Development of Softwood Consumption (1000 m3) - by region

	2019	2020	2021	2022
EUROPE (ISC)	72 868	73 238	78 443	78 929
North America	95 407	99 226	104 950	106 607
TOTAL	168 275	172 465	183 393	185 536

*Fig.4 Consumption Changes in %, 2018-2022* 



#### Fig.5 Development of softwood consumption, 2012-2022



#### Fig.6 Sawn softwood consumption % difference 2021 vs 2020





## SOFTWOOD CONSUMPTION

Development of Softwood Consumption (1000 m3) - by country

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
AT	5 478	5 189	4 946	5 268	5 756	5 950	6 170	6 064	6 175	6 650	6 700
BE	2 040	2 110	2 120	2 450	2 450	2 600	2 750	2 750	2 760	2 700	2 870
СН	1 304	1 136	1 215	1 190	1 187	1 181	1 213	1 183	1 220	1 195	1 195
DE	17 672	18 159	18 155	18 483	18 729	19 285	19 597	19 416	20 629	22 300	22 500
DK	1 540	1 239	1 489	2 021	1 538	1 520	1 298	1 261	1 520	1 672	1 592
ES	2 299	2 115	2 374	2 788	2 597	3 131	3 270	3 316	3 036	3 501	3 712
FI	3 300	3 700	3 400	3 100	3 200	2 900	3 000	2 506	2 700	3 000	3 000
FR	8 793	8 144	7 758	7 563	7 730	7 917	8 345	8 454	8 118	9 050	9 100
IT	4 860	4 676	4 674	4 642	4 801	4 972	4 718	4 010	3 714	3 714	3 714
LV	843	774	944	820	832	850	936	839	782	850	850
NL	1 998	1 938	1 952	2 116	2 210	2 297	2 397	2 238	2 447	2 493	2 578
NO	2 760	2 710	2 858	2 864	2 924	2 986	2 932	2 920	2 864	3 218	3 218
RO	883	1 267	778	1 016	2 642	2 450	2 800	2 800	2 100	2 000	2 000
SE	4 300	4 700	4 700	5 450	5 500	5 780	5 705	5 500	5 300	5 600	5 400
UK	7 797	8 469	9 488	9 170	9 677	10 288	9 995	9 611	9 873	10 500	10 500
Europe (ISC)	65 867	66 326	66 851	68 941	71 773	74 107	75 126	72 868	73 238	78 443	78 929
USA	62 357	64 799	72 234	74 698	79 586	80 389	82 117	82 214	86 612	89 674	91 801
CAN	15 792	14 962	14 425	15 289	14 719	15 353	16 074	13 193	12 615	15 276	14 806
North America	78 149	79 761	86 659	89 987	94 305	95 742	98 191	95 407	99 226	104 950	106 607
TOTAL	144 016	146 087	153 510	158 928	166 078	169 849	173 317	168 275	172 465	183 393	185 536

\* \*Data in the cells highlighted in orange was unavailable and has been repeated from the previous year to ensure consistency of totals



Fig.8 Cost development Energy

## PRICE AND COST DEVELOPMENTS

Fig.7 Cost development Softwood logs





Fig.9 Cost development Transport

Fig.11 Price development Chips



Fig.10 Price development Sawn Softwood



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Fig.12 Price development Sawdust





## SOFTWOOD LOGS AVAILABILITY



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\*Availability in Germany was stated as 2 for fresh wood and 4-5 for damaged wood both in 2020 and and in 2021





General economic in	formation	•••••	••••••	
	Unit	2020	2021	2022
Population	million	8,9	9,0	9,1
GDP Growth	%	-6,6	2,3	3,0
Inflation Rate	%	1,4	1,8	3,0
Unemployment Rate	%	5,4	5,0	4,9
Construction industry				
Building permits	units	53 300	53 800	n.a.
Housing starts	units	55 400	50 900	n.a.
Housing completions	units	59 400	57 500	n.a.
Wage development	% vs previous year	1,6	2,0	3,0
Average working time in sawmilling (h/week)	h/week	38,5	38,5	38,5
Sawn softwood				
	Unit	2020	2021	2022
Production	1.000 m <sup>3</sup>	10 339	11 000	11 500
Imports	1.000 m <sup>3</sup>	1 775	1 950	1 500
Exports	1.000 m <sup>3</sup>	5 939	6 300	6 300
Consumption	1.000 m <sup>3</sup>	6 175	6 650	6 700
Softwood logs				
	Unit	2020	2021	2022
Production	1.000 m <sup>3</sup>	8 500	9 700	10 200
Imports	1.000 m <sup>3</sup>	8 800	8 800	9 000
Exports	1.000 m <sup>3</sup>	450	500	450
Consumption	1.000 m <sup>3</sup>	16 850	18 000	18 750
By-Products				
	Unit	2020	2021	2022
Sawdust production	1.000 m <sup>3</sup>	3 201	3 406	3 560
Chips production	1.000 m <sup>3</sup>	3 674	3 909	4 090
•		·		
Bark production	1.000 m <sup>3</sup>	928	988	1 030

Availability of log							
(1 = low; 2 = mediun	I = low; 2 = medium low; 3 = normal; 4 = medium high; 5 =						
	Unit	2020	2021	2022			
Softwood	Range 1-5	4	3	3			
Capacity increase	s/decrease	S					
	Unit	2020	2021	2022			
Softwood	1.000 m <sup>3</sup>	300	500	500			
Cost developmen	t (%)		•				
2022 vs 2021 cost de sing", increasing"	2022 vs 2021 cost developments can be estimated as "stable", "c ing", increasing"						
	Unit	- - - - - - -	2021 vs 2020	2022 vs 2021			
Softwood logs	% vs previou	us year	50,0%	-10,0%			
Energy	% vs previoi	% vs previous year		10,0%			
Transport	% vs previoi	us year	20,0%	5,0%			
Price developme	ent (%)						
2022 vs 2021 cost developments can be estimated as "stable", "decre sing", increasing"		", "decrea-					
	Unit		2021 vs 2020	2022 vs 2021			
Sawn softwood	% vs previoi	us year	70,0%	-20,0%			
Chips	% vs previou	us year	-20,0%	20,0%			
Sawdust	% vs previou	us year	-20,0%	20,0%			

Source: Fachverband der Holzindustrie Österreichs

preminary uata	prel	iminary data	
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estimation

#### **Market Statement**

#### Current situation – autumn 2021:

Production output has increased steadily in recent years. Another increase is expected in 2021, but the supply of raw materials must be guaranteed. At the beginning of Q4, the situation concerning orders is still good, but a decline in orders has been noticeable since summer. The sawmilling industry is producing at reduced levels compared to the peak months April to July 2021 – in line with market requirements. Nevertheless, according to projections the production will increase by several percent.

The supply of roundwood from domestic forestry operations to the timber industry is the basis for production and added value. Securing the required sustainable, renewable raw material wood is essential for a functioning timber industry and thus the basis for a complex and versatile added value chain. As in previous years, the seasonal variation in the delivery of raw material, as well as the diverse quality distribution of the roundwood ranges, remains a challenge for the industry this year. Since May 2021, the raw material flow has been better. Raw material provision from local forests has increased during the summer months – as was to be expected. Now, it is important that deliveries are completed based on contracts in order to reach a stable market situation and normality. Prices





were highest in July 2021 and are developing to an adequate level in autumn 2021.



Price dynamics have weakened. But the high demand will remain, because increased use of wood is important to tackle climate change. Worldwide, there are stable and positive signals towards an increased demand for timber construction in the coming years. All construction materials have strongly increased in prices, iron/steel has even increased threefold.







The sawmilling industry is involved in climate protection! It prepares the raw material wood for further use and thus forms the basis for the use of wood as a substitution material. However, the availability of the raw material is urgently needed for using the entire substitution potential. It is therefore important to promote active and sustainable forest management instead of patronising our forest owners with detailed regulations from Brussels. Withdrawing large forest areas from timber harvesting, i.e., setting them aside, is counterproductive for climate protection and bad for value creation and jobs.

The sawmill industry is a key sector for the domestic forestry and timber value chain. As the largest purchaser of roundwood, with around 10 million solid cubic metres of roundwood purchased by sawmills, it is an important partner for the domestic forestry industry and provides significant support in the processing of climate-damaged wood. It has also been purchasing around 7 million cubic metres of roundwood from neighbouring regions for decades and especially over the last few years – which means free trade in the European Union is a basic principle for the functioning of this industry.



#### **Bark beetle situation**

In recent years, the focus has been on coping with the high volumes of damaged timber caused by the "bark beetle infestation" and developing strategic approaches for the future to secure the ongoing, continuous flow of raw materials. In 2019, the peak of damaged timber volumes in Austria seems to have been reached. As a result, the promotion of European projects for climate-resistant softwood species must now be intensively supported and numerous transport and logistics issues must be dealt with using environmentally sound overall concepts.

Focus on early bark beetle detection: Early detection of infestation of trees makes planning more realistic and means uncoordinated supply peaks can be avoided.

The secure supply of raw materials also includes an efficient transport and logistics infrastructure and rapid transport from the forest to the mills guarantees the quality and value of the timber. Short routes and the efficient use of different modes of transport also reduce environmental pollution and protect the climate. Working with experts from the member companies and the forestry operations, the Raw Materials Competence Unit deals with a range of different issues concerning the safeguarding and future of raw materials.

#### General information about the sawmill industry

The sawmill industry comprises more than 1,000 companies in Austria and most of them have been in family hands for generations. They include a broad spectrum of companies: from world market leaders to a host of small and medium-sized enterprises. The Austrian sawmill industry employs around 6,000 people in rural areas and ensures stability and prosperity in the regions.

The sawmill industry is a supplier to the processing industry and to a wide range of commercial enterprises. It is also the starting point for the production of innovative timber construction products and wood packaging material. Well over a million tonnes of pellets were produced in the past year as an essential product for daily use in Central and Southern Europe.





General economic information						
	Unit	2020	2021	2022		
Population	million	11,5	11,6	11,6		
GDP Growth	%	-6,3	5,5	3,3		
Inflation Rate	%	0,7	1,5	2,0		
Unemployment Rate	%	5,6	5,8	6,0		
Construction industry						
Building permits	units	35 029	36 000	36 000		
Housing starts	units	n.a.	n.a.	n.a.		
Housing completions	units	n.a.	n.a.	n.a.		
Wage development	% vs previous year	1,0	1,2	1,9		
Average working time in sawmilling (h/week)	time in h/week eek)		38	38		
Sawn softwood						
	Unit	2020	2021	2022		
Production	1.000 m <sup>3</sup>	1 460	1 600	1 520		
Imports	1.000 m <sup>3</sup>	2 300	2 200	2 300		
Exports	1.000 m <sup>3</sup>	1 000	1 100	950		
Consumption	1.000 m <sup>3</sup>	2 760	2 700	2 870		
Softwood logs						
	Unit	2020	2021	2022		
Production	1.000 m <sup>3</sup>	3 400	3 400	3 200		
Imports	1.000 m <sup>3</sup>	2 500	1 900	1 700		
Exports	1.000 m <sup>3</sup>	1 550	750	450		
Consumption	1.000 m <sup>3</sup>	4 350	4 550	4 450		
By-Products						
	Unit	2020	2021	2022		
Sawdust production	1.000 m <sup>3</sup>	202	221	210		
Chips production	1.000 m <sup>3</sup>	765	838	796		
Bark production	1.000 m <sup>3</sup>	115	126	119		

Availability of log							
(1 = low; 2 = mediun	n low; 3 = nor	low; 3 = normal; 4 = medium high; 5 =					
	Unit 2020		2021	2022			
Softwood	Range 1-5	5	4	3			
Capacity increase	s/decrease	S					
	Unit	2020	2021	2022			
Softwood	1.000 m <sup>3</sup>	50	-100	0			
		• • •					
Cost developmen	t (%)						
2022 vs 2021 cost developments can be estimated as "stable", "decreasing", increasing"				", "decrea-			
	Unit	• • • • • •	2021 vs 2020	2022 vs 2021			
Softwood logs	% vs previoi	us year	80,0%	0,0%			
Energy	% vs previoi	us year	10,0%	10,0%			
Transport	% vs previoi	us year	10,0%	10,0%			
Price developme	nt (%)						
2022 vs 2021 cost developments can be estimated as "stable", "decrea sing", increasing"			", "decrea-				
	Unit		2021 vs 2020	2022 vs 2021			
Sawn softwood	% vs previoi	us year	60,0%	0,0%			
Chips	% vs previou	us year	10,0%	0,0%			
Sawdust	% vs previou	us year	10,0%	0,0%			

Source: Confédération belge du bois + Fedustria

preliminary data
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estimation

#### Market Statement

The Belgian softwood market has been characterised by a strong demand since the end of 2020, fuelled by a trend towards the use of wood in construction and by a strong renovation wave, both in and around the house. A strong demand also came from the wood packaging and pallet sector. With demand exceeding the offer prices for wood have increased strongly and certain assortments were difficult to find. This situation, which has drawn strong attention from the media, has fuelled requests for measures to restrict the export of wood raw material outside the European Union.

The situation has persisted in the first half of 2021. Towards July 2021 the tension seemed to ease a bit with increasing offers and prices stabilising, at a high level though. After the Summer break demand seems to be returning to "normal" levels. The markets, however, not yet.

Regarding the development of bark beetles, the situation seems to be better in 2021. By August 2021, the volume of damaged wood had decreased by 35% compared to 2020. Rainy spring and summer will likely have a positive impact against the development of the insect. The decrease in the area of coniferous forests worries the wood industry in Belgium.





General economic information							
	Unit	2020	2021	2022			
Population	million	38,0	38,1	38,4			
GDP Growth	%	-5,3	6,2	3,7			
Inflation Rate	%	0,7	2,8	3,1			
Unemployment Rate	%	9,6	8,0	6,9			
Construction industry							
Building permits	units	n.a.	n.a.	n.a.			
Housing starts	units	218 975	271 784	217 500			
Housing completions	units	n.a.	n.a.	n.a.			
Wage development	% vs previous year	3,1	5,1	3,9			
Average working time in sawmilling (h/week)	h/week	n.a.	n.a.	n.a.			
Sawn softwood							
	Unit	2020	2021	2022			
Production	1.000 m <sup>3</sup>	39 190	42 587	42 074			
Imports	1.000 m <sup>3</sup>	481	630	553			
Exports	1.000 m <sup>3</sup>	27 056	27 942	27 821			
Consumption	1.000 m <sup>3</sup>	12 615	15 276	14 806			
Softwood logs							
	Unit	2020	2021	2022			
Production	1.000 m <sup>3</sup>	104 126	110 140	111 749			
Imports	1.000 m <sup>3</sup>	1 928	1 912	2 002			
Exports	1.000 m <sup>3</sup>	2 889	4 230	4 675			
Consumption	1.000 m <sup>3</sup>	103 164	107 821	109 076			
By-Products							
	Unit	2020	2021	2022			
Sawdust production	1.000 m <sup>3</sup>	n.a.	n.a.	n.a.			
Chips production	1.000 m <sup>3</sup>	n.a.	n.a.	n.a.			
Bark production	1.000 m <sup>3</sup>	n.a.	n.a.	n.a.			
Pellets production	1.000 tonnes	3 500	3 720	3 840			

Availability of log					
(1 = low; 2 = medium	n low; 3 = nor	mal; 4 = med	ium high; 5 =	high)	
	Unit	2020	2021	2022	
Softwood	Range 1-5	2	2	2	
Capacity increase	s/decrease	S			
	Unit	2020	2021	2022	
Softwood	1.000 m <sup>3</sup>	-715	-490	55	
Cost developmen	t (%)				
2022 vs 2021 cost de sing", increasing"	velopments c	an be estima	ted as "stable	", "decrea-	
	Unit		2021 vs 2020	2022 vs 2021	
Softwood logs	% vs previou	us year	57,2%	-23,8%	
Energy	% vs previou	is year	3,3%	2,4%	
Transport	% vs previou	us year	13,4%	2,3%	
Price developme	nt (%)				
2022 vs 2021 cost developments can be estimated as "stable", "decrea- sing", increasing"					
	Unit		2021 vs 2020	2022 vs 2021	
Sawn softwood	% vs previous year		45,3%	-34,2%	
Chips	% vs previous year		-0,1%	1,8%	
Sawdust	% vs previou	is year	-1,6%	2,2%	
Source: Forest Economic Advisors					

preliminary data

estimation

#### **Market Statement**

The Canadian outlook is robust thanks to solid progress in the vaccination campaign, strong fiscal support, surging residential construction, high commodity prices, and robust growth in the US. Our forecast shows Canadian real GDP posting growth rates of 6.2% in 2021 and 3.7% in 2022 after declining by 5.3% in 2020.

The Canadian homebuilding sector is currently surging. Housing starts are projected to expand from a solid 219K in 2020 to a spectacular 271.8K in 2021 before cooling down to 218K in 2022. 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. Still, the forecast assumes that residential construction will continue to outperform the overall economy for a few more years.





Canadian real residential-improvement expenditures surged in late 2020 and early 2021 as COVID-19 lockdowns gave Canadians little else to spend their time and money on than their homes. As a result, we expect residential-improvement expenditures to hit a record high of CA\$58.5 billion in 2021 (expenditures averaged CA\$52.1 billion over the previous five years). With the economy opening back up again, expenditures began to slip in the second quarter of 2021, and we anticipate they will fall back toward their historical trend in 2022.

The main driver of Canadian sawnwood production is not domestic consumption but rather exports—and exports to the US and China in particular. Strong US demand and high prices caused exports to the US to surge in 2020–21, while those same high prices led China to look elsewhere for sawnwood. These two trends partially offset each other in 2021, with Canadian exports increasing by an expected 3.3% for the year. Expansion in US south capacity will reduce demand for Canadian sawnwood in 2022, causing exports to the US to decline. This decline will be mostly offset by Canada regaining share in global markets as North American prices return to more normal levels. As a result, we anticipate Canadian sawnwood exports to drop by 0.4% in 2022.

Despite high North American sawnwood prices, Canadian capacity slipped in 2021 as declines in British Columbia more than offset expansions in the east. Following record profitability in 2021, new investments will cause capacity to expand in 2022. However, fiber-supply constraints in British Columbia will limit capacity growth for the year.

Production costs will be up sharply in 2021 as higher sawnwood prices lead to higher log costs. Meanwhile, labour shortages—for both mills and transportation—will raise manufacturing and shipping costs. Lower sawnwood prices in 2022 will cause log costs to decline, lowering the overall cost of producing sawnwood for the year.

Canadian sawnwood prices are mainly driven by demand/supply conditions in the US market.

2020 saw both record (nominal) prices and volatility. 2021 has proven similar, with prices surging to inflation-adjusted record levels in the first half of the year before plunging precipitously in the third quarter. We believe 2020–21 pricing was an aberration caused by pandemic-induced market imbalances. Still, first-half strength will cause prices to rise by nearly 50% for the year in 2021.

After hitting such extreme highs this spring, we foresee prices falling by more than 30% in 2022. This decline will not occur because of weak demand: Part of the price spike in 2021 was due to labour-supply constraints and record-low inventories. Stocks are being rebuilt and labour issues are abating as more workers get vaccinated and extended unemployment benefits cease. Moreover, high profitability in 2020–21 has led to significant capacity investment. With production remaining more in line with demand next year, prices will stay near more "normal" profit levels.



# DENMARK PRODUCER & USER

General economic information						
	Unit	2020	2021	2022		
Population	million	5,83	5,84	5,85		
GDP Growth	%	-2,7	3,3	3,7		
Inflation Rate	%	0,9	1,3	1,5		
Unemployment Rate	%	4,3	3,8	3,6		
Construction industry						
Building permits	units	27 300	32 000	33 000		
Housing starts	units	28 500	35 500	36 500		
Housing completions	units	37 000	35 000	36 000		
Wage development	% vs previous year	2,3	2,0	2,3		
Average working time in sawmilling (h/week)	h/week	37	37	37		
Sawn softwood						
	Unit	2020	2021	2022		
Production	1.000 m <sup>3</sup>	360	380	380		
Imports	1.000 m <sup>3</sup>	1 443	1 575	1 500		
Exports	1.000 m <sup>3</sup>	283	283	288		
Consumption	1.000 m <sup>3</sup>	1 520	1 672	1 592		
Softwood logs						
	Unit	2020	2021	2022		
Production	1.000 m <sup>3</sup>	1 300	1 350	1 350		
Imports	1.000 m <sup>3</sup>	250	300	300		
Exports	1.000 m <sup>3</sup>	200	150	150		
Consumption	1.000 m <sup>3</sup>	1 520	1 672	1 592		
By-Products						
	Unit	2020	2021	2022		
Sawdust production	1.000 m <sup>3</sup>	n.a.	n.a.	n.a.		
Chips production	1.000 m <sup>3</sup>	n.a.	n.a.	n.a.		
Bark production	1.000 m <sup>3</sup>	n.a.	n.a.	n.a.		
Dellate availuation	1 000 toppor	n 2	na	na		

Availability of log						
(1 = low; 2 = mediun	n low; 3 = nor	mal; 4 = mec	lium high; 5 =	high)		
	Unit	2020	2021	2022		
Softwood	Range 1-5	3	2	2		
Capacity increase						
	Unit	2020	2021	2022		
Softwood	1.000 m <sup>3</sup>	0	0	0		
Cost developmen	t (%)	•				
2022 vs 2021 cost de sing", increasing"	velopments c	an be estima	ted as "stable	", "decrea-		
	Unit		2021 vs 2020	2022 vs 2021		
Softwood logs	% vs previou	us year	25,0%	0-5 %		
Energy	% vs previou	us year	0,0%	0,0%		
Transport	% vs previou	us year	5,0%	2,0%		
Price developme	nt (%)					
2022 vs 2021 cost de sing", increasing"	velopments c	an be estima	ted as "stable	", "decrea-		
	Unit		2021 vs 2020	2022 vs 2021		
Sawn softwood	% vs previou	us year	150,0%	-25,0%		
Chips	% vs previou	% vs previous year		10,0%		
Sawdust	% vs previou	us year	-20,0%	10,0%		
Source Producer: Association of Danish Wood and Furniture Industries						
Federation			prelimina	ary data		

estimation

#### **Market Statement**

Despite the global corona crisis, 2020 was a good economic year for the Danish wood industry. The industry had a turnover that was at the highest level for many years. This can be attributed to good economic conditions for construction products in the wake of the corona crisis and in general that society demands sustainable products and materials with limited CO2 footprint, to which wood products are the answer.

Biodiversity and unmanaged forest have been high on the agenda for several years and 2020 was no exception as the Danish government revealed plans to fulfill its election promise of 75,000 ha of unmanaged forest to improve biodiversity. The area constitutes well above 10 % of the total forest area. The area is expected to be entirely focused on state owned forest which is also some of the best production forests in the country. If the plan is phased in the danish roundwood production is expected to decline with 15-20 % for hardwood and 10-15 % for softwood.

From a climate point of view, and industry access to locally produced round wood, the prospects are unfortunate. The Danish Wood Industries have been in close contact to politicians to suggest alternative ways to achieve biodiversity goals which also allow for continued wood production. However, the decision seems to be taken without listening to sensible suggestions to balance biodiversity and the need for wood in a sustainable transition of the society.

Ih





On 1 July 2021 the RED directive entered into force, which introduces requirement for biomass for energy purpose must be documented sustainably. In Denmark, the directive is implemented more extensively than in the other countries. This means i.a. that residual wood from the sawmills is also included in Denmark, which is not the case in the rest of the EU.

The Danish Wood Industry has argued that such requirements will put Danish sawmills at a competitive disadvantage to European competitors. However, politicians, supported by the energy sector, approved the requirement to counter heavily criticism by NGOs of an energy sector relying too much on woody biomass which is accused of being unsustainable.

#### Imports are continuing to grow

The imports of sawn softwood surpassed 1.4 million cubic meters in 2020 and we anticipate a further growth of 10-15 % in 2021. The construction sector continues to be an economic engine and has been a politically prioritized sector throughout the epidemic. At the same the wood working industry, as indicated above, is characterized by a high activity level.





# FINLAND

General economic information						
	Unit	2020	2021	2022		
Population	million	5,5	5,5	5,5		
GDP Growth	%	-2,9	2,3	2,5		
Inflation Rate	%	0,4	1,4	1,5		
Unemployment Rate	%	7,8	8,6	7,9		
Construction industry						
Building permits	units	38 648	40 197	43 962		
Housing starts	units	37 041	40 082	48 355		
Housing completions	units	42 624	38 545	38 001		
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	2020	2021	2022		
Production	1.000 m <sup>3</sup>	10 900	12 000	12 500		
Imports	1.000 m <sup>3</sup>	500	500	500		
Exports	1.000 m <sup>3</sup>	8 600	9 500	10 000		
Consumption	1.000 m <sup>3</sup>	2 700	3 000	3 000		
Softwood logs						
	Unit	2020	2021	2022		
Production	1.000 m <sup>3</sup>	n.a.	n.a.	n.a.		
Imports	1.000 m <sup>3</sup>	n.a.	n.a.	n.a.		
Exports	1.000 m <sup>3</sup>	n.a.	n.a.	n.a.		
Consumption	1.000 m <sup>3</sup>	n.a.	n.a.	n.a.		
By-Products						
	Unit	2020	2021	2022		
Sawdust production	1.000 m <sup>3</sup>	3 260	3 600	3 750		
Chips production	1.000 m <sup>3</sup>	7 200	7 900	8 300		
Bark production	1.000 m <sup>3</sup>	3 000	3 300	3 400		
Pellets production	1.000 tonnes	322	300	300		

(1 = low; 2 = medium low; 3 = normal; 4 = medium high; 5 =					
Unit	2020	2021	2022		
Range 1-5	2	4	3		
s/decrease	S				
Unit	2020	2021	2022		
1.000 m <sup>3</sup>	100	500	500		
Cost development (%)					
velopments c	an be estimat	ed as "stable	", "decrea-		
Unit		2021 vs 2020	2022 vs 2021		
% vs previou	is year	13,0%	0,0%		
% vs previou	is year	10,0%	10,0%		
% vs previou	is year	20,0%	20,0%		
nt (%)	•				
2022 vs 2021 cost developments can be estimated as "stable", "decrea- sing", increasing"					
Unit		2021 vs 2020	2022 vs 2021		
% vs previou	is year	30,0%	0,0%		
% vs previou	is year	2,0%	2,0%		
% vs previou	is year	6,0%	10,0%		
	low; 3 = nor Unit Range 1-5 S/decrease Unit 1.000 m <sup>3</sup> t (%) relopments c Unit % vs previou % vs previou	low; 3 = normal; 4 = med Unit 2020 Range 1-5 2 s/decreases Unit 2020 1.000 m <sup>3</sup> 100 t (%) relopments can be estimat Wnit % vs previous year % vs previous year	low; 3 = normal; 4 = medium high; 5 =         Unit       2020       2021         Range 1-5       2       4         s/decreases       2021         unit       2020       2021         s/decreases       2021         unit       2020       2021         1.000 m³       100       500         t (%)       500       500         velopments can be estimated as "stable       2021 vs         Wnit       2021 vs       2020         % vs previous year       10,0%         % vs previous year       10,0%         % vs previous year       20,0%         velopments can be estimated as "stable         Unit       2021 vs         welopments can be estimated as "stable         Unit       2021 vs         % vs previous year       20,0%         welopments can be estimated as "stable         Unit       2021 vs         2020       30,0%         % vs previous year       30,0%         % vs previous year       2,0%         % vs previous year       2,0%         % vs previous year       2,0%		

Source: Finnish Sawmills Association

preliminary data

estimation

## Market Statement

#### **Finnish Economy**

The Finnish economy has continued its recovery from the Covid-19 related recession in 2020. The employement has improved substantially and labour shortage is already limiting growth in selected sectors. Strong order books of the industries have encouraged manufacturing industries to start investments. However, the public sector is challenged by fiscal and structural problems.

According to preliminary data, the economy returned to growth in the second quarter, driven by private consumption. Thanks to the the improved vaccination rate the economic sentiment reached three-year high at the end of the second quarter. The sentiment has remained almost stable during the third quarter but has been shadowed by surging Covid infection rates, which forced the authorities to introduce new restrictions in some regions and, slightly weakened consumer confidence. There are a record number of job vacancies and shortage of skilled labour is limiting the economic growth potential.





The economy is forecasted to grow at a pace of 2,8-3,5 percent, according to different forecasts. The growth will continue in 2022 at 2,8-3,0 percent rate. The risks of the coronavirus have not disappeared even though they are somewhat lower than earlier in 2021.

The Finnish economy is challenged by the public deficit, which grew to 5,4 percent in 2020. Increased tax revenues and improved employment have eased the situation in 2021, but the deficit is still expected to reach 3,5 percent of the GDP in 2021. The 2022 budget shows about 6,7 billion euro deficit due to stimulative policies. The low interest rate will not force the government to adjust to ist finances – which will cause further challenges later, considering the rapidly ageing population.

#### **Domestic demand**

The domestic demand has increased during the summer months, driven by home improvement projects, construction and, domestic travelling. Despite the increase consumption, the savings rate of households remains still strong. Thanks to the improved employment, the wage bill has increased by 6,5 percent. Thus the growth of domestic consumption is expected to remain higher in 2022-2023 than the average GDP growth.

The price increases of fuels, living expences as well as higher taxes on tobacco and alcohol have triggered inflation, which scored almost two percents in July. The tightening labour market, higher transportation costs and commodity prices will likely drive inflation higher, short term.

The wage negotiations in the autumn will possibly increase the cost pressure, increase inflation and challenge the competitiveness of the export industries. It is estimated that the outcomes of the labour negotiations will remain reasonable and wage increases of two percent are expected for 2022.

#### **External sector**

Finnish exports have been driven by strong global growth and order books of manufacturing industries are already thicker than before the Corona crisis. The strongest sectors are metal industries, followed by the forest sector. Exports have faced major challenges with logistics and components – both in availability and costs. The capacity of industries is very high and major output increases cannot be expected without major investments – which have already started, eg. a new pulpmill in Kemi, a battery manufacturing plant in Vaasa and, more than 200 winpower trubines around the country.

#### Construction

Sales of homes has been extremely strong. Prices have increased most in growth centers like Helsinki, Turku, Tampere and Oulu but also suburban areas have faced strong demand as people working remotely have looked for more living space. It is expected that the market wil level off by the end of the year. Against all expectations residential construction has performed very well during the virus epidemic. Much higher number of new houses will be completed in 2022 than in the previous years. The construction sector has been supported by favourable interest rates. The rates are also expected to remain low. The rental market is expected to grow – but rents to remain stable as the supply and demand are, after several years, relatively well in balance.

The construction of office and commercial buildings is about 40% lower than before the epidemic. Remote work has probably reduced the demand of permanently. The industrial construction is approaching the levels of 2019.

Recreational construction shows very strong growth – 60% compared to the pre-pandemic times – an effect of remote work, too.

#### Production and markets of Finnish Sawn Softwood

#### **Global demand**

The demand of sawn softwood has been extremely brisk in 2021. The markets have been driven by the Do-It-Yourself- , renovation- and maintenance markets. Also housing construction has remained on much higher level than what was expected in 2020. The main drivers have been the impacts of Corona epidemic. People have been looking for improved circumstances and more space for remote work. Construction companies have also been introducing new, climate friendly construction solutions, which often are based on wood. The market has been supported by high savings rate while people have not been able to travel and, by low interest rate. The supply has been limited by high capacity utilisation rate, covid restrictions, storm- and beetle damages as well as by logistical issues. The impact on the sawn timber market has been unprecedented and all players in the trade have experienced extremely volatile market with extremely rapid changes from lows to extremely highs and back. We expect the volatility to continue in 2022.

#### **Roundwood and production**

The roundwood market has exceptionally followed the brisk demand of sawn softwood as usually the expected sawn softwood prices have been discounted in the log prices before the mills have experienced real increases in the product prices. The supply of of logs has remained satisfactory as the sawmills have been running at full capacity. During the first half 2021, the sawmills produced 6,9 million cubic meters of sawn products, about 20% more than during the same period in 2020. However, the 2020 production was limited in January and February by strikes.

#### Exports of sawn and planed softwood

The export market basket of Finnish sawmills changed radically in the first half of 2021. During the recent years, the leading export countries have been Egypt, Japan and, China. By the end of June 2020, UK doubled its volumes (to 580 000 m<sup>3</sup>) and climbed to the first place in export statistics. Egypt scored second (488 000 m<sup>3</sup>, -19%), followed by China (366 000 m<sup>3</sup>, -38%). Japan scored fourth (358 000 m<sup>3</sup>, -17%). Exports to all other TOP 20 markets increased. Exports of sawn and planed timber increased to 4,6 million m<sup>3</sup> which was 20 percent more than during the first half in 2020. At the same time, average price of sawn softwood increased to 228 €/m<sup>3</sup> FAS an increase of 50% compared to 2020 first half.

Logistics faced several challenges caused by the imbalance and congestion of freight flows, caused by the virus epidemic. Also, the accident at Suez Canal impacted logistics seriously. Freight costs of sawn timber increased substantially, especially to Asian markets. The challenges with logistics had a negative effect on turnover, too even though the stock levels remained low during the first half of 2021.

#### **Domestic market**

During the last 12 months, the domestic demand of sawn softwood has clearly increased and it is expected that the consumption will exceed three million m<sup>3</sup> for the first time after 2014. The record demand of more than five million was reached in 2003. The domestic market has been challenged by the low share





of timber construction within the high rise construction sector while the market share of high rise housing has increased. The government has set a target of reaching 45 percent market share of wood construction within the public construction sector by 2025. The target is obviously extremely ambitious. In 2021, the DIY and renovation markets have been very brisk, supported by recreational construction, which is practically based on wood. However, the segment is quite small compared to the whole construction business.

The sawmill residue market has remained buoyant since the government subsidy system halted to disturb the demand of bark and dust. Despite the closures of Stora Enso and UPM paper mills in 2021, the pulp and paper industries have been performing relatively well, demanding constant flows of pulp chips from the sawmills.

#### **EU environment**

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

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















FRANCE
PRODUCER & USER

General economic information						
	Unit	2020	2021	2022		
Population	million	67,0	67,4	67,8		
GDP Growth	%	-7,9	6,0	4,0		
Inflation Rate	%	0,5	1,5	1,2		
Unemployment Rate	%	8,0	8,0	7,8		
Construction industry						
Building permits	units	389 800	430 000	450 000		
Housing starts	units	352 700	390 600	420 000		
Housing completions	units	n.a.	n.a.	n.a.		
Wage development	% vs previous year	1,5	1,5	1,5		
Average working time in sawmilling (h/week)	h/week	39	39	39		
Sawn softwood						
	Unit	2020	2021	2022		
Production	1.000 m <sup>3</sup>	6 400	7 100	7 200		
Imports	1.000 m <sup>3</sup>	2 600	2 900	2 700		
Exports	1.000 m <sup>3</sup>	882	950	800		
Consumption	1.000 m <sup>3</sup>	8 118	9 050	9 100		
Softwood logs						
	Unit	2020	2021	2022		
Production	1.000 m <sup>3</sup>	n.a.	n.a.	n.a.		
Imports	1.000 m <sup>3</sup>	700	840	800		
Exports	1.000 m <sup>3</sup>	851	1 000	850		
Consumption	1.000 m <sup>3</sup>	n.a.	n.a.	n.a.		
By-Products						
	Unit	2020	2021	2022		
Sawdust production	1.000 m <sup>3</sup>	n.a.	n.a.	n.a.		
Chips production	1.000 m <sup>3</sup>	n.a.	n.a.	n.a.		
Bark production	1.000 m <sup>3</sup>	n.a.	n.a.	n.a.		
Pellets production	1.000 tonnes	n.a.	n.a.	n.a.		

Availability of log						
(1 = low; 2 = mediun	n low; 3 = nor	mal; 4 = med	ium high; 5 =	high)		
	Unit	2020	2021	2022		
Softwood	Range 1-5	5	3	3		
Capacity increase	s/decrease	S				
	Unit	2020	2021	2022		
Softwood	1.000 m <sup>3</sup>	n.a.	n.a.	n.a.		
Cost developmen	t (%)					
2022 vs 2021 cost de sing", increasing"	velopments c	an be estimat	ted as "stable	", "decrea-		
	Unit		2021 vs 2020	2022 vs 2021		
Softwood logs	% vs previou	us year	n.a.	n.a.		
Energy	% vs previou	us year	n.a.	n.a.		
Transport	% vs previou	us year	n.a.	n.a.		
Price developme	nt (%)					
2022 vs 2021 cost developments can be estimated as "stable", "decrea- sing", increasing"						
	Unit		2021 vs 2020	2022 vs 2021		
Sawn softwood	% vs previou	us year	n.a.	n.a.		
Chips	% vs previou	us year	n.a.	n.a.		
Sawdust	% vs previou	us year	n.a.	n.a.		
Source Producer: Fé	dération Na	tionale du B	ois			

Source User: Le Commerce du Bois



estimation

#### Market Statement Producer

2020 has been a year full of twists and turns and surprises.

Until the outbreak of the COVID crisis, the sector was in a phase of accelerating demand with a busy order book.

When the first lockdown was announced, there was uncertainty regarding the authorized activities of those who had to temporarily shut down, the activities considered essential and the employees anxious by the many announcements of the television news.

A very large majority of companies have suspended their industrial activity between 2 and 4 weeks, while ensuring a minimum delivery service to fulfill the orders placed. Activity then fell by as much as 80%.

As soon as the government decisions became clear, the companies gradually resumed their activity, put in place health security measures and, for many, safe-





guard measures in case the situation deteriorated.

The building sector and some large trading brands have taken the initiative to stop their projects, causing strong repercussions across the entire value chain. Sawnwood export contracts were undertaken to preserve the activity. These contracts were then not renewed to primarily serve national demand. Indeed, unlike some large European producing countries, France has dedicated its production almost exclusively to its historical customers who have thus benefited from deliveries and preferential prices.

Teleworking and confinement then made a big difference as people spent more time at home and had the chance to renovate their houses, which triggered a strong resumption of activity.

By mid-June, companies had regained full activity with a boom in orders. From July and without interruption since that date the activity has been packed. Companies are able to mobilize their teams to produce between 115 and 120% of their nominal capacity. Since July 2020 the demand is continuous. By the start of the summer sawmills had orders for an average of 11 weeks.

This increased activity was possible because the weather allowed good logging conditions as well as a good season for energy wood. Outlets for by-products could also satisfy demand, although prices were not always at a good enough level.

After a decline in imports at the end of 2020 and early 2021, a turnaround took place with larger volumes from mid-2021. It would seem that market conditions have started to normalize since the beginning of September, which is a positive point because the delays and high prices charged raise questions among developers and builders.

#### Market Statement User

#### Imports of sawn softwood in 2020

The 2020 annual report of softwood imports is truly "divided" in two with a negative first half, we note a decline of -14% of imports compared to last year to stand at 1.2 Mm<sup>3</sup>, and a positive second half with an increase of + 11% compared to last year to stand at 1.4 Mm<sup>3</sup>. The catching up in the second half of the year thus makes it possible to absorb the effects of the crisis that began at the beginning of the year, to record a stabilization of imports with a decrease of -2% in cumulative volumes over the whole of 2020, to settle at 2,7 M. m<sup>3</sup>

	5	SEMESTRE	I	5	SEMESTRE	2	ANNEE		
	2019	2020	VAR an-I	2019	2020	VAR an-I	2019	2020	VAR an-I
EUROPE DU NORD	402 987	323 945	-20 %	308518	391 450	26 %	711505	715395	Ι%
EUROPE DE L'OUEST	705519	603015	- 8 %	662 988	695 824	5 %	1 359 732	1296910	- 5 %
EUROPE DE L'EST	316983	301760	-5 %	261 005	284 958	9 %	577 988	586718	2 %
AUTRES	37 000	35   4	- 5 %	38 55 1	40 3 40	5 %	77 786	81 448	5 %
TOTAL	I,4 M	1,2 M	- 14 %	1,3 M	1,4 M	+11%	2,73M	2,68M	- 2 %

#### Imports of sawn softwood in 2021 (Q2 and S1)

In cumulative volumes from April to June 2021, sawn softwood imports stood at 869,125 m<sup>3</sup>, an increase of 42% compared to the second quarter of 2020. This very sharp increase is explained by the health situation, which has largely affected impacted on imports in the second quarter of 2020, so as not to distort the interpretations of the statistics, we will take the year 2019 as the reference year. In sum, we can say that in the momentum of the 1st quarter of 2021, the results of the second quarter of 2021 are positive for sawn softwood imports. Imports in the first half of 2021 amounted to 1.62 Mm<sup>3</sup>, or 14% increase compared to 2019.

#### The market for planed softwood products (cladding and deking)

After several years of stability, the softwood cladding market is experiencing a great improvement in 2020, marked by growth of over 10%. The year 2021 (forecast) promises to be just as flourishing, again with double-digit growth expected. The softwood decking market has been growing steadily since 2015 with an unprecedented acceleration (of the order of + 15%) over the year 2020 and 2021 (forecast). These two products will benefit, in 2020 and 2021, from the health crisis effect with the increase in improvement work carried out on homes, including exterior fittings. Beyond the unprecedented context of the pandemic, wooden cladding and terraces are products increasingly in demand by consumers, well in line with the environmental movement turned towards "natural products".

#### Tensions on prices and lead times

Tensions related to lead times are now tending to ease, which should logically translate into lower prices in the coming months. The primary and secondary processing industries thus produced throughout this period of tension and the mobilization of forest resources continued at a constant rate. At the height of the tensions, some companies in the sector even turned 120% of their production capacity to meet the increase in demand. From a structural point of view, the players in the sector have undertaken joint work aimed at more contractualization to develop competitiveness and set up additional capacities of processing units, the supply of which will also need to be secured.





General economic information								
	Unit	2020	2021	2022				
Population	million	83,2	83,3	n.a.				
GDP Growth	%	-4,9	3,1	4,0				
Inflation Rate	%	0,5	2,1	1,9				
Unemployment Rate	%	5,9	5,9	5,3				
Construction industry								
Building permits	units	368 589	1-6/2021 +7,7 %	n.a.				
Housing starts	units	n.a.	n.a.	n.a.				
Housing completions	units	306 376	n.a.	n.a.				
Wage development	% vs previous year	2,0	1,9	n.a.				
Average working time in sawmilling (h/week)	h/week	40	40	n.a.				
Sawn softwood	Sawn softwood							
	Unit	2020	2021	2022				
Production	1.000 m <sup>3</sup>	25 216	27 000	27 000				
Imports	1.000 m <sup>3</sup>	5 519	6 300	6 000				
Exports	1.000 m <sup>3</sup>	10 105	11 000	10 500				
Consumption	1.000 m <sup>3</sup>	20 629	22 300	22 500				
Softwood logs								
	Unit	2020	2021	2022				
Production	1.000 m <sup>3</sup>	48 567	-	n.a.				
Imports	1.000 m <sup>3</sup>	3 708	-	n.a.				
Exports	1.000 m <sup>3</sup>	9 643	+	n.a.				
Consumption	1.000 m <sup>3</sup>	42 632	-	n.a.				
By-Products								
	Unit	2020	2021	2022				
Sawdust production	1.000 m <sup>3</sup>	5 626	6 022	5 781				
Chips production	1.000 m <sup>3</sup>	11 768	12 598	12 323				
Bark production	1.000 m <sup>3</sup>	n.a.	n.a.	n.a.				
Pellets production	1.000 tonnes	3 100	3 300	n.a.				

Availability of log						
(1 = low; 2 = mediun	n low; 3 = nor	mal; 4 = med	ium high; 5 =	high)		
	Unit	2020	2021	2022		
Softwood	Range 1-5	2 fresh wood 4-5 damaged wood	2 fresh wood 4-5 damaged wood	n.a.		
<b>Capacity increase</b>	s/decrease	S				
	Unit	2020	2021	2022		
Softwood	1.000 m <sup>3</sup>	+	+	n.a.		
Cost developmen	it (%)					
2022 vs 2021 cost de sing", increasing"	velopments c	an be estimat	ed as "stable	", "decrea-		
	Unit		2021 vs 2020	2022 vs 2021		
Softwood logs	% vs previou	us year	+	n.a.		
Energy	% vs previou	us year	+	n.a.		
Transport	% vs previou	us year	+	n.a.		
Price developme	nt (%)					
2022 vs 2021 cost developments can be estimated as "stable", "decrea- sing", increasing"						
	Unit		2021 vs 2020	2022 vs 2021		
Sawn softwood	% vs previou	us year	+	n.a.		
Chips	% vs previou	us year	-	n.a.		
Sawdust	% vs previou	us year	-	n.a.		

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

preliminary data

estimation

#### **Market Statement Producer**

# Market consolidation beginning after a turbulent 1st half of 2021 - German sawmill and wood industry confronted with extreme challenges

After three years of high volumes of damaged wood from drought damage and bark beetle infestation, high volumes of damaged wood are again expected in the current year, the fourth year in a row. Last year, the sawmill and timber industry reacted to the amount of damaged wood by expanding its production and contributing to coping with the large quantities by increasing cutting.

Following the stimulation of demand for sawn softwood in 2020, unexpectedly strong demand, particularly from the construction sector, set in beyond the turn of the year 2020/2021 and continued throughout the 1st half of the year. The high level of construction activity, especially in the metropolitan areas, coincided with





significantly higher demand from the private sector, where corona-related renovations in the domestic sector were brought forward. In addition, inventories at distributors and processors were apparently also built up cyclically in anticipation of rising prices, with the result that supply bottlenecks were widely reported.

Despite the operational restrictions caused by the pandemic, the sawmills responded to the strong increase in demand with a further significant expansion of production. According to an initial estimate, sawn softwood production in the 1st half of the year increased by a further 15% to a good 14 million m<sup>3</sup>. Considering the also higher imports, more than 2 million m<sup>3</sup> more sawn softwood was available to the domestic market in the 1st half of 2021 compared to the previous year.

Due to demand, but also under the pressure of the international market starting from the US market, there was a significant increase in the price level of sawn softwood. In particular, the leading structural solid timber and roof batten assortments increased strongly, but the other sawn softwood assortments also followed the price trend.

In recent years, German sawmills have been able to significantly expand exports to long-distance sales countries such as China and the USA, thus helping to cope with the high volume of damaged wood. The strong volume demand in the USA with a strong price increase could be used by the export companies, which have already been active in the USA for several years and expand the delivery volumes.

As exports to China and the other recipient countries in Europe stagnated, most of the additional production in the 1st half of the year remained in Germany to supply domestic demand.

At the end of the summer, a consolidation process is already starting on the market for sawn softwood. The price level in the USA has even fallen back below the previous year's level, and price peaks in Germany are also already being undercut and reduced. However, it is expected that the value of sawn softwood products will be maintained, also in view of the importance of wood as a raw material for sustainability and climate protection, and that this will continue to secure the supply of wood.

#### Focus on domestic supply

The sawmill and timber industry responded to the high domestic demand for wood products for the construction sector and the good export opportunities in long-distance sales to the USA and China with a rapid expansion of sawn timber production, particularly in the second half of 2020 and the first half of 2021.







Last year and in the 1st half of 2021, the production of planed timber was expanded particularly strongly. With more than 25 million m<sup>3</sup> or an increase of 8.2%, which corresponds to an additional production of 1.9 million m<sup>3</sup> compared to the previous year, the highest production result to date was achieved in 2020. Following the significant increase in production in the 1st quarter of 2021 and probably also in the 2nd quarter, another high in domestic production of sawn softwood should be reached in 2021.

Balance of sawn woo	d	DISH					
Sawn softwood (m <sup>3</sup> )							
	Year	Year	Year	Change %			Change %
	2018	2019	2020	2020 / 2019	1-3/2020	1-3/2021	
unplaned timber	18.435.033	18.508.507	19.776.327	+6,6	4.811.794	5.041.058	+4,8
planed timber	4.345.321	4.795.096	5.439.178	+13,4	1.259.735	1.466.941	+16,4
Production sawn softwood	22.780.354	23.303.603	25.215.505	+8,2	6.071.529	6.507.999	+7,2
			(0)		1-6/2020	1-6/2021	
Import unplaned timber	4.568.659	4.281.288	4.426.076	+2,4	2.165.804	2.479.855	+14,5
Import planed timber	930.988	949.056	1.093.303	+15,2	550.971	636.269	+15,5
Import sawn softwood	5.499.647	5.230.344	5.519.379	+5,5	2.716.775	3.116.124	+14,7
Export unplaned timber	5.759.747	6.168.063	6.254.895	+0,7	3.068.861	3.376.537	+10,0
Export planed timber	2.952.262	3.155.875	3.850.496	+22,0	1.823.306	2.193.553	+20,3
Export sawn softwood	8.712.009	9.323.938	10.105.391	+8,4	4.892.167	5.570.090	+13,9
Balance sawn softwood	19.567.992	19.210.009	20.629.493	+7.4	3.896.137	4.054.033	+4.1

The domestic market absorbed 1.4 million m<sup>3</sup>, or 7.4% more sawn softwood, in 2020 from the additional production in 2020 and slightly higher imports. Domestic consumption increased to 20.6 million m<sup>3</sup>, an all-time high. 020 and slightly higher imports. Domestic consumption increased to 20.6 million m<sup>3</sup>, an all-time high.

#### Dynamic price development for sawn softwood

Last year, producer prices for sawn softwood were under price pressure due to the high-volume supply. The strong increase in demand, combined with supply bottlenecks and the influence of the dynamic price development on important foreign markets such as the USA, led to rapidly rising sawn softwood prices in Germany. The price rally was led by the market-relevant products structural solid timber and roof battens.

The sharp decline in construction timber prices in the USA, which are now already back at or slightly below the level before their price rally, is also influencing price developments in Germany. Apparently, the peak of the price development was reached in July, so that a consolidation is to be expected.

Sawmill by-products continue to be overshadowed by the price development. The sharp drop in revenues for sawmill by-products, especially wood chips, continues to impact the earnings situation of the companies. Approx. 40% of the cutting volume goes into sawmill by-products at a completely inadequate price and significantly below value.





#### Exports remain at a high level with differences in the individual customer regions

Last year, exports of sawn softwood amounted to 10.1 million m<sup>3</sup>, exceeding the previous year's export volume by 781 thousand m<sup>3</sup> or 8.4%. The main receiving country was the USA with 1.7 million m<sup>3</sup>, ahead of Austria with 1.0 million m<sup>3</sup> and the Netherlands, France, China, Belgium, and the UK.

In the first half of 2021, exports were again slightly increased. Exports from January-July 2021 amounted to 5.57 million m<sup>3</sup>, again 13.9% or almost 680 thousand





m<sup>3</sup> more than in 2020.

In addition to slight export increases to the European region, exports to the USA were expanded to 1.2 million m<sup>3</sup> in the first half of the year, mainly due to the strong increase in prices.

However, with an increase of 14.7%, imports of sawn softwood also increased in the first half of the year. Imports in the first half of the year amounted to 3.1 million m<sup>3</sup>, mainly from Russia and European countries.

#### Raw material supply characterized by continued high volume of damaged wood and renewed increase in log prices

Last year, the amount of damaged wood from drought damage and bark beetle infestation continued to rise to a new high. In 2020, total felling reached 80.4 million m<sup>3</sup>, which is once again significantly higher than the previous year's level of 68.9 million m<sup>3</sup>. This includes a damaged wood share of 60.1 million m<sup>3</sup> (previous year 46.2 million m<sup>3</sup>).

Logs accounted for 51.3 million m<sup>3</sup> and thus almost 2/3 of the total felling. The softwood species dominate the log felling with a total of 94% of the felling volume.

Due to the damaged wood, felling of the main species spruce/fir/Douglas fir was again significantly higher in 2020. On contrast, log felling for pine/larch/ weymouth was reduced.



In 2020, damaged wood from insects accounted for 60.1 million m<sup>3</sup> of the total, making up more than 70% of the amount of damaged wood. Damaged wood due to drought accounted for 5% of the entire amount.







The overview for the years 2017 to 2020 with the strong increase of damaged wood in the last years clearly shows the influence of damaged wood on the raw timber market.







The amount of damaged wood also varied greatly from region to region in recent years. In terms of total felling, North Rhine-Westphalia with 96.8%, Hesse with 93.9% and Rhineland-Palatinate with 92.1% damaged wood were the most affected states.

In terms of volume, North Rhine-Westphalia had to record the highest amount of damaged wood. With 13.9 million m<sup>3</sup> of spruce/fir/Douglas fir alone, NRW is far ahead of Bavaria (9.1 million m<sup>3</sup>) and Hesse (7.2 million m<sup>3</sup>).

By cutting logs at a high level, sawmills make a significant contribution to managing damaged wood, especially beetle-infested wood. The considerable export efforts of the sawmills enable cutting at a high level over and above the increased absorption capacity of the domestic market.

The forest also responded to the increasing volume of wood from forced harvests by expanding softwood log exports. In 2020, 9.6 million m<sup>3</sup> of softwood logs were exported, 75.4% or 4.15 million m<sup>3</sup> more than the previous year. The main customer country was China with 5.9 million m<sup>3</sup>.

In the first half of the year, exports of softwood logs increased by 6% to just under 4 million m<sup>3</sup>. China remained the main customer country with just under 2 million m<sup>3</sup>, an increase of 0.7%, followed by Austria with 890 thousand m<sup>3</sup>. In addition, even weaker industrial timber of 907 thousand m<sup>3</sup> was exported.

#### **Outlook: Rising log prices threaten international competitiveness**

Although the economy is beginning to recover from the restrictions imposed by the Corona pandemic, individual sectors of the economy are still severely affected.

The sawmill and wood industry can rely on a positive development in construction, in particular residential construction including renovations. The positive trend of the first half of the year should continue in the second half, although at a slower pace, despite the beginning of consolidation. Exports to the USA are likely to become significantly less attractive for German sawmills given the greatly reduced-price level.

Sawn softwood				
	Unit	2020	2021	2022
Production	1.000 m <sup>2</sup>	25.216	27.000	27.000
Imports	1.000 m <sup>3</sup>	5.519	6.300	6.000
Exports	1.000 m <sup>2</sup>	10.105	11.000	10.500
Consumption	1.000 m <sup>3</sup>	20.629	22.300	22.500

The German position on the international market is currently threatened by the strong increase in raw material prices for softwood logs. As before 2018, the German sawmill industry will have a difficult time exporting with log prices significantly above international levels. However, exports are necessary for sawmills to utilize capacity and sell product ranges that are less in demand domestically.





#### Market Statement User

#### **National Economy**

#### **Economic situation**

The end of the Corona lockdown brought the German economy back on track in the spring. The gross domestic product (GDP) grew by 1.5 per cent between April and June compared to the previous quarter, as the Federal Statistical Office announced on the basis of preliminary data. In the first three months of the year, the economy had slumped by 2.1 per cent. The reason was the third Corona wave.

With the opening of the retail trade, consumer spending in Germany in particular has now risen significantly. All in all, the signs for an increase in consumer demand are quite good. However, there are still constraints on the supply side - for example, because companies cannot produce at full capacity and cultural events are still only taking place with limited attendance or not at all. Forecasts for the following quarters are also difficult because the further course of the pandemic is hard to predict.

#### Experts expected more

Against this background, it is particularly the delta variant of the coronavirus, which is spreading worldwide, that is considered a risk for the economy. The industry is also still heavily burdened by disrupted supply chains and a lack of primary products. Many companies are currently only able to process their orders with long delays.

Nonetheless, leading economic research institutes expect the German economy to grow by 3.2 to 3.9 percent this year. The Bundesbank recently also raised its forecast.

Experts had expected a somewhat stronger economic increase for the second quarter, the absence of which was largely due to supply shortages in the semiconductor industry, which in turn caused grave supply chain disruptions for, yet not limited to, the automotive industry.

#### **Building industry**

The construction industry has countered the pandemic-related downturn in economic development in Germany in 2020. For 2021, turnover in the main construction sector is expected to be at the same level as in 2020, i.e. at around 140 billion euros.

#### Residential buildings

The measures implemented after the housing summit on special depreciation allowances in rental housing construction and on building subsidies have had a stabilising effect on demand. The association considers a continuation of both measures, rather than their limitation, to be sensible.

The outlook for 2021 remains overall positive. This is supported by the continuing high demand with an already high surplus of permits. The financing conditions remain favourable, so that sustainable demand can be expected.

#### Commercial buildings

The Corona effects have had a clear impact on commercial construction. The propensity to invest in the individual building types in commercial construction varies greatly.

"Profiting" have been the warehouses, as the increased online trade needs additional storage space. In contrast, parallel to the lockdown, building permits for retail buildings dropped significantly in the months of March to May.

A delayed corona effect is evident in office and administrative buildings. Presumably, the broad switch to home offices for office work in many service sectors is becoming apparent here. This could have a lasting impact on the demand for office space. The willingness to invest in factory and workshop buildings also declined significantly in the second half of 2020.

In 2021, turnover in commercial construction is expected to reach 48.8 billion euros. This is a decline of 1 billion euros (approx. -2%).

#### Public buildings

For 2020 a turnover of 38.9 billion euros was recorded in public construction. That is an increase of 6.2% compared to the previous year, which will, however, turn into a minus of 1.5% in 2021. The sales volume in this division is expected to reach 38.3 billion eu-ros in 2021.

#### Market situation in timber trade

#### National wood and timber trade

The majority of timber trading companies in Germany continue to expect increasing or constant sales for 2021, although almost a third of the GD Holz member companies also expect sales to decrease. The timber trade remains severely affected by restrictions in ability of suppliers to deliver, which is also partly due to disruptions in the supply chain and logistics.

It is therefore expected that the tense situation in the supply chain will continue in the coming months, be it that goods do not arrive on time or that components are missing. A slight relaxation is expected in the case of sawn timber and solid wood assortments, for the wood-based materials sector, the majority of companies see a consistently tense supply situation, especially for OSB and fibreboard.

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





customer groups or the trade itself. The main reason is the continued good business activity in construction and the associated employment situation in the skilled trades.

The following graphic shows that the expectation of a positive development in the timber trade for the year 2021 remains high and that this has already been established since the middle of the crisis year 2020. The red line shows expectancy for 2021 and can be found above the longterm average – despite the difficulties.



For the coming years, the members of DG Wood are assuming that the trend towards building with wood will continue to intensify, also due to climate protection legislation. Wood will increasingly be used as a substitute for other building materials. In order to have enough wood and wood products available for the wood construction boom, around every third company also expects that Germany's import quota of wood products will increase in the next few years.

#### **Import-/Export-Trends**

#### Coniferous logs

When it comes to the import of softwood logs, one country has established itself as Germany's most important supplier country in 2019 and 2020, the Czech Republic. Although the amount has declined slightly year-on-year, which could be due to the fact that calamity-related availability is no longer so strong, Germany still imports a good half of its coniferous imports in logs from the Czech Republic with 2.7 million m<sup>3</sup>. Poland has given in with around 500,000m<sup>3</sup>, but is still sending a good million m<sup>3</sup> to Germany.

#### Softwood lumber, unprocessed, import

Graphic 1 includes ranges of tariff numbers 4407 1190, 4407 1290 and 4407 1990. The total import volume of this range in 2020 was just under 4.4 million m<sup>3</sup>. Graph 1: Sawn softwood suppliers – Imports in m<sup>3</sup>







#### Softwood sawn timber, processed, import

Graph 2, the total import volume of the ranges shown below (4407 1110, 4407 1120, 4407 1220, 4407 19 10, 4407 19 20, 4407 10 18) was around 950,000m<sup>3</sup> in 2020, around 80,000m<sup>3</sup> above the previous year's figure.



#### Softwood logs, export

In the export of coniferous logs from Germany there is actually only one notable change: China. The country has doubled its intake, from 3 million m<sup>3</sup> in 2019 to more than 6 million m<sup>3</sup> in 2020. Overall, Germany has also increased its exports significantly, from 7.5 million m<sup>3</sup> in 2019 to just under 11.5 million m<sup>3</sup> in 2020, which is mainly due to the still existing depots of calamity wood of the past three years. The export volume to Austria was also increased slightly, from 1.7 million m<sup>3</sup> to 2.1 million m<sup>3</sup>.

#### Softwood lumber, unprocessed, export

The graphic shows the ranges 4407 11 90, 4407 12 90 and 4407 19 90, the total export volume has remained almost the same at 6.2 million m<sup>3</sup> (2019: 6.1 million m<sup>3</sup>). The export volume to the USA, however, has doubled year-on-year, from 74,000 m<sup>3</sup> to 160,000 m<sup>3</sup>, but is not shown in the graphic due to the still small amount compared to other countries in this product range.



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Graph 3: Sawn softwood markets – Exports in m<sup>3</sup>





Softwood sawn timber, processed, export

The most notable change in this range (4407 1110, 4407 1120, 4407 1220, 4407 19 10, 4407 19 20, 4407 10 18) is the export volume to the USA: it was increased by 550,000m<sup>3</sup> or from just over 1.1 million m<sup>3</sup> in 2019 to over 1.7 million m<sup>3</sup> in 2020. The increase is likely to continue in the current year 2021, especially in this range, and is expected to be even more notable.





Table 1: Summary of sawn softwood statistics

Summary of Sawn Softwood Statistics [000m <sup>3</sup> ]					
	actual	actual	actual	actual	estim.
	2017	2018	2019	2020	2021
Imports	5.083	5.340	5.156	5.338	5.800
(+) Domestic production	22.500	22.800	23.500	25.100	26.000
(-) Exports	7.848	8.522	9.235	9.966	11.500
Total consumption	19.734	19.617	19.421	20.472	20.300

#### **Furniture industry**

From January to June 2021, sales in the German furniture industry amounted to around  $\in$  8.4 billion - an increase of 4.3 percent compared to the same period of the previous year. In 2020 as a whole, sales amounted to slightly more than  $\in$  19 billion. Against the backdrop of the long phase of trade closures, domestic turnover developed only slightly positively at plus 1.5 percent. In contrast, foreign sales of the German furniture industry increased strongly by 10.6 percent in the first half of 2021. The export business benefited from the decline in infections in important European export markets, the earlier lifting of the lockdown measures compared to Germany, the gradual reduction of international travel restrictions and the trade agreement between the EU and the United Kingdom. When assessing these results, however, reference must be made to the extremely weak previous year's figures - due to the first wave of the pandemic, sales of German furniture manufacturers slumped by 10.2 per cent in the first half of 2021. At that time, domestic sales fell by 8.6 percent and foreign sales by 13.4 percent. To draw a comparison with the precrisis year 2019: In the first half of 2021, the industry is still 6.3 percent below the sales level of the first half of 2019.

#### Window and door industry

The German window market continued to grow significantly in 2020. New residential construction continued to provide momentum. A robustly growing market







is also expected in 2021 and 2022, especially since increasing growth impulses from new construction and at least stable demand for existing buildings can be expected. In addition, price increases are expected to accelerate somewhat.

Contrary to fears, the German window market did not collapse in 2020. According to a study, demand in Germany grew by 1.1 % compared to the previous year. The revenues of window manufacturers even rose by 2.8 % compared to the previous year to a total of € 4.58 billion.

Once again, new residential construction proved to be the driving force. The renovation market was again primarily driven by the replacement of windows in owner-occupied homes. Significant increases in sales were, however, only recorded for PVC windows and wooden windows with aluminium cladding (wood/ aluminium). Sales of wooden windows and aluminium windows, on the other hand, stagnated at the previous year's level.

Sales of exterior doors are developing similarly to the window market. In 2021, around 1.53 million exterior doors will be sold in Germany, compared to around 1.52 million in 2020. For 2022, an increase of 2.6 percent is expected in new residential construction, and 0.8 percent in non-residential construction.

As in the window market, the market shares of the frame materials for exterior doors will remain almost constant in 2021: With a market share of 32.2 %, aluminium doors will be able to maintain their position almost on a par with PVC doors with 32.9 %. Every fourth exterior door in Germany, around 25.5 %, will be made of wood in 2021.

#### Wood packaging

The official figures for sales in the timber industry in the period January-February 2021 were above the level of the previous year, although sales of wood packaging fell by 13.3 percent. Almost 110.4 million pallets were produced in Germany in 2020. This corresponds to a minimal decline of 0.2 % compared to the previous year, but the value fell significantly by 6.0 % to around 835.6 million euros. In particular, crate production, which is heavily dependent on exports from the German economy, fell by 17.2 %, just above the level of 2014, and there was also a sharp drop of 15.3 % in value. Cable drums production also recorded a decline of 13.3% in terms of volume. The COVID-19-related declines are expected to be entrenched and exacerbated by the very tight situation in the sawnwood market until recently. The sector has been severely affected in several respects, as some exports have failed to materialise, sawnwood has been hit by unprecedented price increases and important brackets and fasteners are experiencing supply difficulties, affecting wood packaging.

#### Pellet market / Wood energy

The year 2020 marks a turnaround for the pellet market in Germany. The European top position in pellet production was further expanded with over 3 million tonnes (t) for the first time and the heating market is also clearly on the up. With 61,850 new installations, sales increased by 78.5 percent compared to the previous year. This means that 546,000 pellet furnaces were in operation in Germany at the end of 2020. Their contribution to climate protection is illustrated by the 3.5 million tonnes of CO2 saved. Due to the federal subsidy for efficient buildings, a further increase in sales of around 10 percent is expected for 2021. 98% of the raw material for pellets is residual coniferous wood.

#### **D. Ecology and miscellaneous**

Forest fire situation

In the west slightly higher than in the east, overall and compared to southern European countries, however, a low risk due to the recent rainfall.

#### Forest transition and calamities

Bark beetle occurrence is again high in the areas that already have been affected by it. This year, a later occurrence happened due to wetter weather conditions. However, there is still a strong infestation in some regions of Central Germany and foresters remain with a very pessimistic outlook with regard to spruce in most of the affected areas. This means more or less completely tree-cleared areas in some regions. The discussion about successor species goes in the direction of risk diversification and therefore pursues a large(r) number of species in order to be able to better cushion future calamities and climatic influences.

#### EUTR

The European Commission's country conclusion is a cause for concern in foreign trade with Ukraine, as is a possibly imminent country conclusion on tightening the requirements for Russia, which would particularly affect the import of larch. Imports are controlled more and more strictly and there is a risk that sustainability certification becomes less meaningful in the context of EUTR due diligence. This must be counteracted on a political level, from both the timber industry and providers of certification schemes.





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General economic in	formation		•		
	Unit	2020	2021	2022	
Population	million	60.2	60.2	60.1	
GDP Growth	%	-8.9	4.2	3.6	
Inflation Rate	%	-0.1	0.8	0.9	
Unemployment Rate	%	9.1	10.3	11.6	
Construction industry					
Building permits	units	49 100	n.a.	n.a.	
Housing starts	units	n.a.	n.a.	n.a.	
Housing completions	units	n.a.	n.a.	n.a.	
Wage development	% vs previous year	n.a.	n.a.	n.a.	
Average working time in sawmilling (h/week)	h/week	40	40	40	
Sawn softwood					
	Unit	2020	2021	2022	
Production	1.000 m <sup>3</sup>	274	n.a.	n.a.	
Imports	1.000 m <sup>3</sup>	3 740	n.a.	n.a.	
Exports	1.000 m <sup>3</sup>	300	n.a.	n.a.	
Consumption	$1.000 m^{3}$	·	1	1	
	1.000 111	3 714	n.a.	n.a.	
Softwood logs		3 714	n.a.	n.a.	
Softwood logs	Unit	3 714 2020	n.a. 2021	n.a. 2022	
Softwood logs Production	<b>Unit</b> 1.000 m <sup>3</sup>	3 /14 <b>2020</b> n.a.	n.a. 2021 n.a.	n.a. <b>2022</b> n.a.	
Softwood logs Production Imports	Unit 1.000 m <sup>3</sup> 1.000 m <sup>3</sup>	3 /14 <b>2020</b> n.a. 549	n.a. <b>2021</b> n.a. n.a.	n.a. <b>2022</b> n.a. n.a.	
Softwood logs Production Imports Exports	Unit 1.000 m <sup>3</sup> 1.000 m <sup>3</sup> 1.000 m <sup>3</sup>	3 714 <b>2020</b> n.a. 549 232	n.a. <b>2021</b> n.a. n.a. n.a.	n.a. <b>2022</b> n.a. n.a. n.a.	
Softwood logs Production Imports Exports Consumption	Unit           1.000 m³           1.000 m³           1.000 m³           1.000 m³           1.000 m³	3 /14 <b>2020</b> n.a. 549 232 316	n.a. <b>2021</b> n.a. n.a. n.a. n.a.	n.a. <b>2022</b> n.a. n.a. n.a. n.a.	
Softwood logs Production Imports Exports Consumption By-Products	Unit 1.000 m <sup>3</sup> 1.000 m <sup>3</sup> 1.000 m <sup>3</sup> 1.000 m <sup>3</sup>	3 /14 <b>2020</b> n.a. 549 232 316	n.a. <b>2021</b> n.a. n.a. n.a. n.a.	n.a. <b>2022</b> n.a. n.a. n.a. n.a.	
Softwood logs Production Imports Exports Consumption By-Products	Unit 1.000 m <sup>3</sup> 1.000 m <sup>3</sup> 1.000 m <sup>3</sup> 1.000 m <sup>3</sup> Unit	3 /14 2020 n.a. 549 232 316 2020	n.a. 2021 n.a. n.a. n.a. n.a. 2021	n.a. 2022 n.a. n.a. n.a. n.a. 2022	
Softwood logs Production Imports Exports Consumption By-Products Sawdust production	Unit 1.000 m <sup>3</sup> 1.000 m <sup>3</sup> 1.000 m <sup>3</sup> 1.000 m <sup>3</sup> Unit 1.000 m <sup>3</sup>	3 /14 2020 n.a. 549 232 316 2020 n.a.	n.a. 2021 n.a. n.a. n.a. n.a. 2021 n.a.	n.a. 2022 n.a. n.a. n.a. n.a. 2022 n.a.	
Softwood logs Production Imports Exports Consumption By-Products Sawdust production Chips production	Unit 1.000 m <sup>3</sup> 1.000 m <sup>3</sup> 1.000 m <sup>3</sup> 1.000 m <sup>3</sup> Unit 1.000 m <sup>3</sup> 1.000 m <sup>3</sup>	3 /14 2020 n.a. 549 232 316 2020 n.a. n.a. n.a.	n.a. 2021 n.a. n.a. n.a. n.a. 2021 n.a. n.a.	n.a. 2022 n.a. n.a. n.a. 2022 n.a. n.a.	
Softwood logs Production Imports Exports Consumption By-Products Sawdust production Chips production Bark production	Unit 1.000 m <sup>3</sup> 1.000 m <sup>3</sup> 1.000 m <sup>3</sup> 1.000 m <sup>3</sup> Unit 1.000 m <sup>3</sup> 1.000 m <sup>3</sup> 1.000 m <sup>3</sup>	3 /14 2020 n.a. 549 232 316 2020 n.a. n.a. n.a.	n.a. 2021 n.a. n.a. n.a. n.a. 2021 n.a. n.a. n.a. n.a.	n.a. 2022 n.a. n.a. n.a. n.a. 2022 n.a. n.a. n.a. n.a.	

Availability of log	gs						
(1 = low; 2 = mediun	n low; 3 = nor	mal; 4 = med	ium high; 5 =	high)			
	Unit	2020	2021	2022			
Softwood	Range 1-5	3	1	2			
Capacity increase	Capacity increases/decreases						
	Unit	2020	2021	2022			
Softwood	1.000 m <sup>3</sup>	0	0	0			
Cost developmen	t (%)						
2022 vs 2021 cost de sing", increasing"	velopments c	an be estima	ted as "stable	", "decrea-			
	Unit		2021 vs 2020	2022 vs 2021			
Softwood logs	% vs previou	us year	80 %	-20 %			
Energy	% vs previou	us year	n.a.	n.a.			
Transport	% vs previou	us year	n.a.	n.a.			
Price developme	nt (%)						
2022 vs 2021 cost de sing", increasing"	2022 vs 2021 cost developments can be estimated as "stable", "decrea- sing", increasing"						
	Unit		2021 vs 2020	2022 vs 2021			
Sawn softwood	% vs previou	us year	70 %	-20 %			
Chips	% vs previou	us year	n.a.	n.a.			
Sawdust	% vs previou	us year	n.a.	n.a.			

Source: Fedecomlegno

preliminary data

estimation

#### **Market Statement Producer**

#### **Gross domestic product**

Covid-19 pandemic emergency health containment measures dominated the Italian economy in 2020, causing fluctuations of unprecedented amplitude and frequency. Economically, a sharp fall in the second quarter was followed by an immediate recovery; fourth quarter results slipped back into the red due to the introduction of renewed emergency measures.

The Italian economy contracted by 8.9% in 2020. On top of Italy's poor performance over the last two decades, this fall of unprecedented magnitude since World War II took the country's GDP back to its 1998 level.



In 2020, the value of manufacturing sales in Italy dropped 11.1% compared with 2019. Similar declines were recorded on domestic (down 11.1%) and foreign (down 11.3%) markets, for the most part due to a collapse in the second quarter (down about 30% on a trend basis).

#### Forecast for 2021

According to economic snapshots from the Centro Studi Confindustria and ISTAT's Quarterly Economic Accounts, 2021 is likely to produce a better than expected recovery in Italian GDP in early 2021, albeit without making up the value relinquished in 2020.

After a strong second-quarter rebound (up 2.7%), the main indicators are holding steady in the third quarter, despite the impact of shortages in certain raw materials and semi-finished goods, and a flare-up of the pandemic. Q4 remains shrouded in uncertainty, and will hinge on how the epidemic progresses. Confindustria expects 2021 to close with a recovery of almost 6.0%.

#### Employment

A positive picture for the Italian Labour Market. Data for the first seven months of 2021 indicates a recovering labour market. July, the first month after the freeze on layoffs came to an end in most industries, saw total employment as measured by ISTAT fall by 23 thousand. This drop did not affect the broad recovery since the beginning of the year (up 550 thousand jobs from January to July, but still down 329 thousand jobs on January 2020), and is entirely attributable to the self-employed (down 47 thousand units), against employee growth of 24 thousand. Initial data available for July does not appear to support the theory of a rush to make layoffs after the firing freeze came to an end. In line with the expected economic recovery, the outlook for the near future is good.

#### Significant public support continues in 2021

Public-resourced emergency measures in 2021 will cost 6.0% of GDP, only slightly below the figure of 6.6% posted in 2020. The "Support bis" legislative decree, recently converted into law, earmarks €39 billion: two thirds to refinance (and enhance) compensation and liquidity for companies; the rest is for workers, local authorities, and health protection.







#### **Construction investment trends**

According to the latest ANCE (National Association of Building Contractors) data, investment in construction in Italy was worth  $\leq$ 130.182 billion in 2019. In 2020, it fell 9.1% at current values, with  $\leq$ 118.354 billion invested last year. Just under half (49.4%) of construction investment in 2020 was residential. Considering residential investment alone, about three-quarters (corresponding to 36.5% of total residential and non-residential construction investment) consisted of renovations (extraordinary maintenance); just over one-quarter involved new housing (12.9% of overall investment).



ANCE notes that in 2019, the lengthy downturn that started back in 2008 had "never truly been shaken off", but "green shoots were beginning to be visible of a turnaround for the sector". Although 2020 began well for the construction industry, the Coronavirus emergency proved to be a "shock to the system". According to preliminary ANCE figures, overall in 2020, the sector racked up a 10.1% loss in quantity, with losses worse for housing (down 10.5%) than non-residential (down 9.6%). Within housing, new-builds (down 12.5%) underperformed renovation (down 9.8%). The non-residential sector posted a decrease of 9.6%, buoyed somewhat by public construction (down 2.5%, compared with a 13.5% drop in private construction).

"Despite the government measures to support households and businesses," the outlook for 2021 still appears uncertain and conditioned by the health situation. Far from being fully resolved, the pandemic is viewed with great uncertainty, if perhaps a moderate degree of confidence. ANCE estimates a positive rebound for 2021, although current conditions make accurate estimates difficult. To date, ANCE estimates an 8.6% recovery in overall construction investment, driven in particular by residential (up 11.3%), compared with non-residential (up half that at 6%). Within the residential sector, extraordinary maintenance (up 14%) will drive the recovery; new-builds are only expected to post a modest 3.5% recovery.

#### Commodities: High Prices and Scarcity are a Drag on the Recovery

#### **Overpriced raw materials**

Strong recovery-led international expectations prompted abnormal increases in commodity prices for Italian companies. International dollar-denominated price increases are well into double digits: in June, copper was up 43% from October 2020, while iron was up 79%. Steep rises are being posted across the board, in metals, food, plastics, wood, oil... Some commodities seem to have taken a breather recently (e.g., wheat). These price hikes differ widely, not least because in the early 2020s, some commodities, such as oil, experienced a steep drop, while others merely suffered a limited decline (e.g., copper, iron). Oil, therefore, has recovered and overshot its previous price: in June, it was up 15% on pre-Covid levels; wheat and wood have performed similarly. For other commodities, however, prices are far, far higher: iron is up 124% and copper up 60% since before the pandemic.

#### What are the causes?

These price increases are exogenous and did not originate in Italy: commodities are listed on international markets. Interestingly, the price of many commodities has historically been anchored to the oil price: the correlation between wheat and oil is 82%; for copper, 87%. One reason for this is that expectations about the direction the world economy is heading tend to be commonly-held. Another is the importance of energy as an input in many areas of production. Additionally, many commodities, starting with oil, are used as financial assets: large financial operators buy and sell them as assets, often closely linked, associated with the fundamentals of individual markets or their expectations of global recovery or recession. In many commodities, "financial speculation" is sometimes responsible for accentuating price fluctuations. Begging the question: are today's price increases dependent on a lack of production in the world's various physical markets? Oil production rates have stabilized; there's no supply-side shortage beyond producer-imposed limits. There is, however, a shortage of copper, because worldwide demand far exceeds output. . The opposite is true of wheat: production is not just growing, it is running ahead of demand.





#### A scarcity of materials

Italian companies are having an increasingly hard time sourcing raw materials. ISTAT data suggest that although the problem is not general, in some industries – like the metals sector – it is highly acute. Businessmen are concerned that scarcity and price rises may spell the end of just-in-time management, requiring larger warehouses and increased business financial requirements. All of this has been acting as a brake on the recovery underway in the industrial sector, which in actual fact should be encouraged and consolidated.

#### The Wood/Furniture Production Chain

#### Final figures for 2020

The Wood/Furniture supply chain consists of all wood-related output, from initial sawmill processing through the entire gamut of related furniture, regardless of what materials are used for product manufacture.

In 2019, the supply chain was worth in excess of  $\xi$ 43 billion, 40% of which came from exports. Overwhelmed in 2020 by the Coronavirus emergency and the ensuing economic downturn, which was at its worst during the first half of the year, Wood/Furniture closed 2020 at  $\xi$ 39.1 billion, down 9.1% compared with 2019. Both the domestic market (down 7.5%) and above all export markets (down 11.7%) contributed to the decline in turnover. Imports (down 13.9%) fell more sharply than production for the domestic market. In 2020, the domestic market posted a drop in consumption linked above all to the health emergency and the shutdown of commercial activities, but it also benefited from pent-up demand as Italians bought for the home during the first long lockdown, both for interiors (to set up new homeworking spaces) and outdoors. Transport and travel restrictions, and a lack of trade fairs, led to logistical difficulties that severely constrained foreign sales and the manufacturing of orders in progress, some of which were put back by a number of months, in some cases to early 2021.

FederlegnoArredo conventionally refers to the two main aggregates that make up the supply chain as the Wood Macrosystem and the Furniture and Lighting Macrosystem.



The Wood Macrosystem refers to all production related more closely to wood (primary processing, panels, semi-finished products for furniture), building finishes (doors, windows, wooden floors), blinds and sunscreens, packaging and cork, as well as funeral coffins. The Wood Macrosystem is linked into the Timber Trade.

The Furnishing and Lighting Macrosystem encompasses all products related to furniture for the home and other spaces, from offices to schools, restaurants, hospitality, communities and community spaces. The Furnishing System is composed of all furnishings except for those conceived purely for non-residential use, and is known as the Professional and Commercial Furniture market; the Bathroom Furnishing System features all bathroom furnishings (excluding sanitary ware); the Lighting System includes all lighting fixtures, both decorative and technical, for indoor and outdoor use; finally, the Office System covers all office furnishings, and community seating.

#### Outlook for 2021

In the first half of 2021, the FederlegnoArredo Study Center recorded year-on-year sales up by 49.4%, with the Italian market (up 58.2%) making the strongest recovery. Where a comparison may be made to the first half of 2019, this corresponds to growth of about 14% in overall sales, and 21% in Italian sales.

Going forward in 2021, company forecasts continue to be hamstrung by uncertainty, given the Delta variant gaining ground, and indirectly-related factors like the scarcity of raw material availability and price rises, household consumption that may, to the detriment of the home, return to other sectors like tourism, clothing etc.. That said, the general trend appears to be positive, especially for the Italian market which, thanks in part to tax incentives, is taking on a more significant role than it has done in recent years.



LAT	V	A
PRODUCER		

General economic information					
	Unit	2020	2021	2022	
Population	million	1,9	1,9	1,9	
GDP Growth	%	-3,6	3,7	5,2	
Inflation Rate	%	0,1	1,7	2,4	
Unemployment Rate	%	7,7	7,0	6,3	
Construction industry					
Building permits	units	2 758	3 000	2 500	
Housing starts	units	n.a.	n.a.	n.a.	
Housing completions	units	n.a.	n.a.	n.a.	
Wage development	% vs previous year	6,2	6,7	6,9	
Average working time in sawmilling (h/week)	h/week	n.a.	n.a.	n.a.	
Sawn softwood					
	Unit	2020	2021	2022	
Production	1.000 m <sup>3</sup>	2 600	2 600	2 400	
Imports	1.000 m <sup>3</sup>	1 094	1 150	1 050	
Exports	1.000 m <sup>3</sup>	2 912	2 900	2 600	
Consumption	1.000 m <sup>3</sup>	782	850	850	
Softwood logs					
	Unit	2020	2021	2022	
Production	1.000 m <sup>3</sup>	5 200	4 990	4 990	
Imports	1.000 m <sup>3</sup>	897	1 100	1 100	
Exports	1.000 m <sup>3</sup>	189	190	190	
Consumption	1.000 m <sup>3</sup>	5 908	5 900	5 900	
By-Products					
	Unit	2020	2021	2022	
Sawdust production	1.000 m <sup>3</sup>	413	413	382	
Chips production	1.000 m <sup>3</sup>	2 392	2 392	2 208	
Bark production	1.000 m <sup>3</sup>	312	312	288	
Pellets production	1.000 tonnes	2 264	2 300	2 300	

Availability of log						
(1 = low; 2 = mediun	n low; 3 = nor	mal; 4 = med	ium high; 5 =	high)		
	Unit	2020	2021	2022		
Softwood	Range 1-5	3	2	2		
Capacity increase	Capacity increases/decreases					
	Unit	2020	2021	2022		
Softwood	1.000 m <sup>3</sup>	100	50	0		
Cost developmen	t (%)					
2022 vs 2021 cost de sing", increasing"	velopments c	an be estimat	ted as "stable	", "decrea-		
	Unit		2021 vs 2020	2022 vs 2021		
Softwood logs	% vs previou	us year	36,0%	-20,0%		
Energy	% vs previou	us year	n.a.	n.a.		
Transport	% vs previou	us year	n.a.	n.a.		
Price developme	nt (%)					
2022 vs 2021 cost de sing", increasing"	velopments c	an be estimat	ted as "stable	", "decrea-		
	Unit		2021 vs 2020	2022 vs 2021		
Sawn softwood	% vs previou	us year	46,0%	-20,0%		
Chips	% vs previou	us year	-20,0%	10,0%		
Sawdust	% vs previou	us year	-8,0%	10,0%		

Source: Latvian Timber Producers and Exporters Association

preliminary data

#### estimation

#### **Market Statement**

This year forest industry companies are confronted with a limited availability of sawlogs from Latvian State Forests. Changes are connected with the new harvesting plan for 2021-2025, with annual harvesting volumes more linearly split in the 5-year period. Happily, in 2021 missing volumes in this supply chain looks to be compensated by increasing of log imports and very lively activities in private sector. Due to the very hot sawnwood market, during spring\summer sawlog SPOT market prices in Latvia were almost the highest in EU, leading to log supply from private forests. Nevertheless, in late 2021 sawlog prices tended to decline and harvesting in private forests should decrease in 2022.

As a result, sawnwood supply from Latvia in 2022 could have a slight decline. Also, changes in Russian sawnwood export duties, that are not supporting green lumber export, and unstable situation in Belarus could lead to reducing of sawnwood flow through to Latvia. In absolute volumes, the reduction of sawnwood import to Latvia could be higher than negative changes in domestic log supply/sawnwood production.

Bark-beetle problem was not actual in 2021. Weather conditions were not suitable to beetle population increase in forests. Spots with beetle damaged spruce, mainly located in protected areas, were successfully harvested with sanitary fellings.



# THE NETHERLANDS

	•••••••			
General economic in	formation			
	Unit	2020	2021	2022
Population	million	17,4	17,4	17,5
GDP Growth	%	-3,8	3,8	3,2
Inflation Rate	%	1,1	1,9	1,8
Unemployment Rate	%	3,8	3,4	3,6
Construction industry				
Building permits	units	67 136	86 502	80 000
Housing starts	units	n.a.	n.a.	n.a.
Housing completions	units	69 985	68 825	71 250
Wage development	% vs previous year	7,6	0,4	1,4
Average working time in sawmilling (h/week)	h/week	n.a.	n.a.	n.a.
Sawn softwood				
	Unit	2020	2021	2022
Production	1.000 m <sup>3</sup>	76	75	75
Imports	1.000 m <sup>3</sup>	2 834	2 900	3 000
Exports	1.000 m <sup>3</sup>	468	482	497
Consumption	1.000 m <sup>3</sup>	2 447	2 493	2 578
Softwood logs				
	Unit	2020	2021	2022
Production	1.000 m <sup>3</sup>	n.a.	n.a.	n.a.
Imports	1.000 m <sup>3</sup>	n.a.	n.a.	n.a.
Exports	1.000 m <sup>3</sup>	n.a.	n.a.	n.a.
Consumption	1.000 m <sup>3</sup>	n.a.	n.a.	n.a.
By-Products				
	Unit	2020	2021	2022
Sawdust production	1.000 m <sup>3</sup>	n.a.	n.a.	n.a.
Chips production	1.000 m <sup>3</sup>	n.a.	n.a.	n.a.
Bark production	1.000 m <sup>3</sup>	n.a.	n.a.	n.a.
Pellets production	1.000 tonnes	280	280	280

Availability of log						
(1 = low; 2 = mediun	n low; 3 = nor	mal; 4 = med	ium high; 5 =	high)		
	Unit	2020	2021	2022		
Softwood	Range 1-5	3	3	3		
Capacity increase	s/decrease	S				
	Unit	2020	2021	2022		
Softwood	1.000 m <sup>3</sup>	0	0	0		
Cost developmen	it (%)					
2022 vs 2021 cost de sing", increasing"	2022 vs 2021 cost developments can be estimated as "stable", "decrea- sing", increasing"					
	Unit		2021 vs 2020	2022 vs 2021		
Softwood logs	% vs previou	us year	n.a.	n.a.		
Energy	% vs previou	us year	38,7%	n.a.		
Transport	% vs previou	us year	increasing	n.a.		
Price developme	nt (%)					
2022 vs 2021 cost de sing", increasing"	velopments c	an be estima	ted as "stable	", "decrea-		
	Unit		2021 vs 2020	2022 vs 2021		
Sawn softwood	% vs previou	is year	80,3%	n.a.		
Chips	% vs previou	us year	n.a.	n.a.		
Sawdust	% vs previou	us year	n.a.	n.a.		

Source: WNH / Netherlands Timber Trade Association

preliminary d	lata

estimation

#### **Market Statement**

#### **General Economic Situation**

The coronavirus has gripped our society for more than a year now. Many people have become ill or know relatives or friends who became infected. And it was clear from the start that the economic consequences of the corona crisis would be significant. We now know how big: the overall Dutch economy shrank by 3.8% last year, comparable to the credit crisis in 2009. Some groups were hit harder than others. Young people and flex workers took the first blows on the labour market. The number of employees with a flexible contract at the end of 2020 was approximately 180,000 lower than a year earlier. Employees with a permanent contract often kept their jobs. The fact that the damage was not even greater is partly due to the large-scale support measures taken by the Dutch government. For example, the NOW scheme, which supports employers in wage costs, reached more than 2.6 million employees at its peak. Additional to this, about 374,000 self-employed people applied for emergency support. Spending on support measures in 2020 and 2021 is estimated to be over EUR 61 billion so far. The fact that the government had the space to pay for these support packages is partly due to the fact that it had reduced the national debt in the previous years, thus creating a buffer for worse times. Now that debt is rising again. (source: https://www.dnb.nl/coronacrisis-impact-en-de-weg-vooruit/).





Despite these huge governments' spending on support measures, the Dutch economy is, according to the Netherlands Bureau for Economic Policy Analysis(CBP) contracted by 3.8% in 2020, but this is followed by a 3.8% growth in 2021 again. Unemployment rate stayed fairly stable at a 3.8% in 2020 (3.4% in 2019) and is expected to recover to a 3.4% again over 2021, assuming that no large-scale contact restrictions or a total lockdown are needed again in the near future. Additional to these indicators, purchasing power increased by 2.5% in 2020 and may grow an additional 0.8% in 2021. Consumption by households and the government grew by 0.9% and 2.8% respectively in 2019, but in 2020 household spending contracted by 6.6%. Over the same years, corporate investments increased by 7.7% (2019) and then contracted at a comparable rate: -5.4% in 2020. However, a recovery is reflected by the 2021 and 2022 data. Main economic indicators are presented in table 1, showing the historic trend over recent years and a forecast over 2022.

Table 1: Dutch economic	indicators						
Indicator	Unit	2017	2018	2019	2020	2021	2022
GDP <sup>(1)</sup>	%	2.9	2.4	2.0	-3.8	3.8	3.2
Euro (dollar/euro) (1)	Ratio	1.13	1.18	1.12	1.14	1.19	1.18
Inflation <sup>(1)</sup>	%	1.3	1.6	2.7	1.1	1.9	1.8
Purchasing power	%	0.3	0.0	1.0	2.5	0.8	0.0

<sup>1</sup> Noodmaatregel Overbrugging voor Werkgelegenheid (NOW)

Indicator	Unit	2017	2018	2019	2020	2021	2022
Unemployment <sup>(1)</sup>	x 1000	438	350	314	357	315	340
Unemployment rate	%	4.9	3.8	3.4	3.8	3.4	3.6
Investments (2)	%	4.2	3.9	7.7	-5.4	1.8	3.3
Building permit granted <sup>(3) (4)</sup>	Number	69,741	70,057	58,108	67,136	86,502	n.a.
Ditto	%	30.1	0.4	-17.0	15.5	28.8	n.a.
House-build <u>completed(3) (4)</u>	Number	62,982	66,585	71,548	69,985	68,825	71,250
Ditto	%	14.8	5.7	7.5	-2.2	-1.6	3.5

1) CPB, 2021. Augustus raming 2021: kerngegevenstabel 2017-2022 CPB (Netherlands Bureau for Economic Policy Analysis), The Hague, the Netherlands.

2) Including stocks.

3) CBS Statline, July 2021.

4) Estimations by Probos based on the average of the prognoses of the ING bank, <u>Bouwkennis</u> and <u>Economisch Instituut</u> voor de Bouw/Staat van de <u>Woningmarkt</u> (June 2021)

Traditionally, the housing industry is 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. However, after years of increasing numbers of completed houses, the number of newly built houses in 2020 decreased by 2.2% compared to the year before, followed by again an estimated slight decrease of 1.6% in 2021, reaching numbers of 69,985 and 68,825 respectively.

The number of house building permits granted decreased substantially between 2018 and 2019. This slowdown in growth was the consequence of lacking construction sites and development capacity at municipalities and private developers, as well as the impact of building constraints due to NOx-deposition, but despite the COVID-19 pandemic recovered in recent years again resulting in a steep growth of 15.5% and 28.8% in 2020 and 2021 respectively.

Consumer confidence is an indicator of consumers' faith and expectations in the Dutch economy. It is however largely influenced by the general world economy. As is shown in figure 1, consumer confidence in the Netherlands increased sharply since 2013, stabilised between 2017 and 2018 and then shows a large drop in 2020 (-21) as a consequence of the COVID-19 outbreak. However, over the first seven months of 2021 consumer confidence increased again by 9 point (-12).





To a great extend this recovery may be attributed to the high vaccination rate in the Netherlands - varying from 71% to 91% over the different age groups (RIVM: August 2021) - and consequently the gradual ease of related limitations.



#### The Dutch Sawn Softwood Market

After a period of decreasing imports and consumption since 2007 (see figure 2), the sawn softwood market in the Netherlands recovered in 2015 and this recovery continued until 2019. After a small decrease in 2019, the recovery continued in 2020. The imports and consumption for the year 2020 show an increase of 3% and 9% respectively. Exports however decreased by 23% between 2019 and 2020. Imports of rough sawn softwood timber decreased by 8%, while imports of further processed (planed) sawn softwood timber increased by 19%. Rough sawn softwood has a share of roughly 55% of the total softwood import (Table 2). Stocks remain at a low level and are expected to stabilise, with a COVID-19 induced dip in 2021.



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

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





#### Table 2: Sawn softwood imports (volume in m<sup>3</sup>)

			2019				2020					
Cour	ntries	Sawn	Planed	Total	%	Sawn	Planed	Total	%	Sawn	Planed	Total
1	Sweden	280.248	513.563	793.811	28%	217.502	633.123	850.625	31%	-22%	23%	7%
2	Germany	414.206	172.857	587.063	21%	386.203	201.707	587.910	21%	-7%	17%	0%
3	Russia	175.645	109.437	285.082	10%	177.286	121.987	299.273	11%	1%	11%	5%
4	Finland	153.943	38.434	192.377	7%	135.550	42.924	178.474	6%	-12%	12%	-7%
5	Belarus	189.538	8.136	197.674	7%	158.878	6.872	165.750	6%	-16%	-16%	-16%
6	Latvia	92.287	60.954	153.241	5%	78.773	79.320	158.093	6%	-15%	30%	3%
7	Belgium	94.380	45.341	139.721	5%	82.186	47.966	130.152	5%	-13%	6%	-7%
8	Estonia	40.106	38.165	78.271	3%	31.768	44.702	76.470	3%	-21%	17%	-2%
9	Poland	46.445	20.195	66.640	2%	44.020	25.822	69.842	3%	-5%	28%	5%
10	Luxembourg	8.841	20.847	29.688	2%	8.912	38.415	47.327	2%	1%	84%	59%
	Other	172.588	64.225	236.813	8%	210.027	60.329	270.356	10%	22%	-6%	14%
	Total	1.668.227	1.092.154	2.760.381		1.531.105	1.303.167	2.834.272		-8%	19%	2,7%
	* Oth	er: This group (	consists of 34	countries wit	h expor	ts to the Neth	erlands of les	s than 47,000	m <sup>3</sup>			
	(Sour	ce: CBS trade s	tatistics edite	d by Probos a	nd inte	rnational trade	e statistics of s	Sweden, Gern	nany, Fi	nland and L	atvia	
	for ve	rification)										

The top ten countries for softwood import in the Netherlands have slightly changed between 2019 and 2020 (table 2); Luxembourg surpassed Ukraine and now represents the 10th largest country of imports of soft sawn wood. 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 remained stable compared to last year. The imports from Russia showed a small increase where Finland showed a small decrease. Imports from Belarus decreased substantially between 2019 and 2020. Imports from Latvia, Poland and New Zealand show a small increase, where Belgium and Estonia have decreased compared to 2019.

#### 2021 and 2022 Forecast<sup>23</sup>

According to the CPB forecast the Dutch economy is projected to improve, due to the lifting of COVID-19 restrictions and higher vaccination coverage. Since the second quarter of 2021, consumption has been on the rise again as shops, restaurants and the cultural sector have gradually reopened. Now a large share of the population has been vaccinated, there are good reasons for being optimistic about the pandemic remaining under control, with positive effects on consumer and producer confidence.

As household savings have been increasing substantially since the coronavirus outbreak, consumption could recover in the coming quarters. Business investments are also increasing, following optimistic revenue expectations. For the fourth quarter of 2021, GDP in the Netherlands is projected to exceed its level of two years earlier, which will be slightly ahead of other countries in the eurozone. GDP will increase by 3.8% in 2021 and 3.2% in 2022, following a decline of 3.8% in 2020. These projections are based on the government's current policy proposals, in which support measures are set to expire in late September of this year.

Support measures again bolster the economy, and particularly the labour market, in 2021. In May, the Dutch Government extended its support measures up to the end of the third quarter. Support measures such as the NOW wage cost subsidy scheme and the TVL compensation of fixed costs for SMEs keep pace with business turnover levels. As turnover levels are recovering strongly, the impact of support measures on the government budget will be modest.

The Netherlands will also benefit from economic recovery elsewhere in Europe and in the United States. Goods exports, which already exceeded pre-COVID-19 levels at the end of 2020, will continue to grow both this year and 2022. Total exports are projected to increase by 6.8% in 2021 and 5.4% in 2022, following a 4.38 decrease in 2020.

The economy is currently showing great resilience again after relaxation of the lockdown measures, which means that the degree of permanent damage is likely to be small. The continuing moderate trend in unemployment also point to only limited permanent damage. For 2021, unemployment is expected to average out at 3.4% of the labour force and, for 2022, this is projected to be 3.6%.

Inflation will increase, mainly due to higher commodity prices. The global economic recovery and the continuing supply constraints by OPEC have led to oil prices rising from just above USD 40 per barrel at the end of March 2020 to USD 70 in August 2021. A slight decrease in the oil price is assumed for 2022. Other commodities are currently also seeing strong price increases because of the global economic recovery which - similar to the oil prices - also have an impact on consumer prices. Other factors such as container transport are also contributing to higher prices. The consumer price increase is expected to rise from 1.1% in 2020 to 1.9% in 2021, CPB expects inflation to level off again at 1.8% in 2022.

Next year, the government deficit will be 2.0% of GDP, which is well below that of 4.3% in 2021. The decrease in the deficit next year will be due to the discontinuation of covid support measures and higher tax revenues as a result of the rebounding economy.

<sup>2</sup> https://www.cpb.nl/sites/default/files/omnidownload/CPB-August-projections-2021-2022.pdf

<sup>3</sup> CPB, 2021. Augustus raming 2021: kerngegevenstabel 2017-2022 CPB (Netherlands Bureau for Economic Policy Analysis), The Hague, the Netherlands





Vaccinations are bringing the pandemic under control in rich countries, although regional outbreaks remain a possibility, especially in regions with low vaccination coverage. In poorer countries, the pandemic is certainly not yet under control. The risk of new virus variants, therefore, is high and the current types of vaccinations may not be effective enough against some new virus variants. Such variants may lead to new waves of infection, cautious behaviour amongst households and new restrictions by governments, with negative consequences for the economy.

Dutch sawn softwood imports are traditionally closely related to the situation in the residential construction industry. Due to uncertainties regarding to the effects of the COVID-19 pandemic, the consequences of the nitrogen emissions and with PFAS contaminated soil, there is large uncertainty surrounding the predictions for housing construction in the Netherlands in the coming years. However, after year with decreasing numbers of 'House-build completed' (2020 and 2021) for 2022 an increase in the number of newly build houses is expected by all relevant information sources (ING Bank, Bouwkennis and EIB). As a consequence the import of sawn softwood for the building industry is expected to increase. However, in view of the current developments in the world, imposed by COVID-19, it is not possible to make any reliable predictions for 2021 and 2022.

Softwood lumber (1,000 m <sup>3</sup> ) Year	2017	2018	2019	2020	2021*	2022*
Production	110	82	80	76	75	75
Imports	2,615	2,827	2,760	2,834	2,900	3,000
Exports	428	512	602	468	482	497
Stock beginning of year	315	320	320	320	300	320
Availability (= 1+2-3+4)	2,612	2,717	2,558	2,762	3,020	3,177
Stock end of year	320	320	320	300	320	320
Apparent consumption (= 5-6)	2,292	2,397	2,238	2,462	2,700	2,857
% <u>change</u> on previous year	2017	2018	2019	2020	2021*	2022*
% <u>change</u> on previous year Production	<b>2017</b> -12.7%	<b>2018</b> -25.5%	<b>2019</b> -2%	<b>2020</b> -5%	<b>2021*</b> -1%	<b>2022*</b>
% <u>change</u> on previous year Production Imports	<b>2017</b> -12.7% 12.7%	<b>2018</b> -25.5% 8.1%	<b>2019</b> -2% -2.4%	<b>2020</b> -5% 2,7%	<b>2021*</b> -1% +3%	<b>2022*</b> 0% +3%
% <u>change</u> on previous year Production Imports Exports	<b>2017</b> -12.7% 12.7% 8.9%	<b>2018</b> -25.5% 8.1% 19.6%	<b>2019</b> -2% -2.4% 17.5%	2020 -5% 2,7% -23,1%	<b>2021*</b> -1% +3% +3%	<b>2022*</b> 0% +3% +3%
% <u>change</u> on previous year Production Imports Exports Imported stock beginning of year	2017 -12.7% 12.7% 8.9% 1.6%	2018 -25.5% 8.1% 19.6% 1.6%	2019 -2% -2.4% 17.5% 0.0%	2020 -5% 2,7% -23,1% 0.0%	2021* -1% +3% +3% -6,3%	2022* 0% +3% +3% +6,3%
% <u>change</u> on previous year Production Imports Exports Imported stock beginning of year Availability	2017 -12.7% 12.7% 8.9% 1.6% 10.5%	2018 -25.5% 8.1% 19.6% 1.6% 4.0%	2019 -2% -2.4% 17.5% 0.0% -5.8%	2020 -5% 2,7% -23,1% 0.0% 8.0%	2021* -1% +3% -6,3% +9,3%	2022* 0% +3% +3% +6,3% +5,2%
% change on previous year Production Imports Exports Imported stock beginning of year Availability Imported stock end of year	2017 -12.7% 12.7% 8.9% 1.6% 10.5% 1.6%	2018 -25.5% 8.1% 19.6% 1.6% 4.0% 0.0%	2019 -2% 17.5% 0.0% -5.8% 0.0%	2020 -5% 2,7% -23,1% 0.0% 8.0% -6,3%	2021* -1% +3% +3% -6,3% +9,3% +6,3%	2022* 0% +3% +6,3% +5,2% 0,0%

<sup>4</sup>Economisch Instituut voor de Bouw (Economic Institute for Construction)

#### **Environmental issues**

**NTTA's policy plan 2016 – 2020 and further:** 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 sourced from sustainably managed and certified forests. By the end of 2020 the reported import figures show that 98,8% 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% > 2020: 67,2%) and panel products (2008: 49% > 2020: 93,5%), which all together makes that the overall mentioned goal was already achieved in 2016. Currently new targets for 2025 are under development.

**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 Green Covenant was in effect till the end of 2020 and completed by a well-attended closing webinar during which major results and outcomes were presented. Since its start in 2017 the Covenant Working Groups and its partners delivered interesting research results to supports its ambitions. Related to one of the main ambitions, the increase of the sourcing, trading and use of sustainable (certified) timber, apart from tropical timber, these ambitions have largely been met.

Joint Wood Promotion Campaign: The Netherlands Timber Trade Federation (VVNH) and Netherlands Association for the Wood Manufacturing Industry (NBvT) work closely together within the platform Centrum Hout, focussing on the efficient and increasing use of wood and wood products. This as wood is a unique, renewable, technically reliable and most environment and climate friendly resource and to be seen as the (building)material for now and the future. To embed this message in Dutch society Centrum Hout it started in 2019 the wood marketing campaign: 'Wood: naturally of the present. For the future'. This social media-campaign was also successful in 2020 and to be continued in 2021. The focus is on the benefits of wood as a (building) material, targeting architects, technicians, politicians, builders e.g., using different channels like: radio, video's, blogs, whitepapers, webinars, day posts as well as questionnaires with the website: www.houtnatuurlijkvannu.nl as platform. The campaign closely involves members of both NTTA and NBvT, but also creates commercial possibilities for





suppliers of wood and wood products to the Dutch Market through partner programmes.

**Environmental data:** along with the booming interest in building with wood in the Netherlands since 2019, comes the need to generate more Environmental data on building materials and building systems. In the Netherlands building permits need to be accompanied by a calculation of the Environmental costs impaired by the building. A special calculation tool (MPG – Environmental Calculation Buildings) has been developed using an Environmental database containing Environmental profiles of concrete, metals, plastics and last but not least timber. As the current set of data needs to be updated and extended, Centrum Hout started an extensive project in close corporation with its member organisations and will run from 2020 to 2022 for among others sawn softwood and products for construction, flooring, roofing, cladding, etc.

**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 73% 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, set new targets for reuse and recycling of all packaging of 74% by 2025. For wooden materials this combined target, both reuse and recycling, is set at 55% by weight . With the current combined level of 73%, 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.



# PRODUCER

		•••••	•••••	
General economic in	formation	,		
	Unit	2020	2021	2022
Population	million	5,4	5,4	5,4
GDP Growth	%	-2,5	2,8	4,3
Inflation Rate	%	2,5	3,1	1,8
Unemployment Rate	%	5,0	4,6	4,2
Construction industry				
Building permits	units	29 948	31 000	27 000
Housing starts	units	29 948	31 000	27 000
Housing completions	units	27 481	n.a.	n.a.
Wage development	% vs previous year	2,2	n.a.	n.a.
Average working time in sawmilling (h/week)	h/week	37,5	37,5	37,5
Sawn softwood	•			
	Unit	2020	2021	2022
Production	1.000 m <sup>3</sup>	2 680	2 860	3 000
Imports	1.000 m <sup>3</sup>	1 016	1 086	1 000
Exports	1.000 m <sup>3</sup>	832	728	800
Consumption	1.000 m <sup>3</sup>	2 864	3 218	n.a.
Softwood logs				
	Unit	2020	2021	2022
Production	1.000 m <sup>3</sup>	5 231	6 277	6 000
Imports	1.000 m <sup>3</sup>	147	170	n.a.
Exports	1.000 m <sup>3</sup>	1 271	1 670	n.a.
Consumption	1.000 m <sup>3</sup>	n.a.	n.a.	n.a.
By-Products				
	Unit	2020	2021	2022
Sawdust production	1.000 m <sup>3</sup>	n.a.	n.a.	n.a.
Chips production	1.000 m <sup>3</sup>	n.a.	n.a.	n.a.
Bark production	1.000 m <sup>3</sup>	n.a.	n.a.	n.a.
Pellets production	1.000 tonnes	n.a.	n.a.	n.a.

Availability of log	gs	••••••	•	
(1 = low; 2 = mediun	n low; 3 = nor	mal; 4 = med	ium high; 5 =	high)
	Unit	2020	2021	2022
Softwood	Range 1-5	3	5	4
Capacity increase	s/decrease	S		
	Unit	2020	2021	2022
Softwood	1.000 m <sup>3</sup>	0	0	0
Cost developmen	it (%)			
2022 vs 2021 cost de sing", increasing"	velopments c	an be estima	ted as "stable	", "decrea-
	Unit		2021 vs 2020	2022 vs 2021
Softwood logs	% vs previou	us year	20,0%	stable
Energy	% vs previou	us year	n.a.	increasing
Transport	% vs previou	us year	6,7%	increasing
Price developme	nt (%)			
2022 vs 2021 cost de sing", increasing"	velopments c	an be estima	ted as "stable	", "decrea-
	Unit		2021 vs 2020	2022 vs 2021
Sawn softwood	% vs previou	us year	n.a.	n.a.
Chips	% vs previou	us year	n.a.	n.a.
Sawdust	% vs previou	us year	n.a.	n.a.

Source: Treindustrien

preliminary data

estimation

#### **Market Statement**

The Norwegian economy in 2020, and the first half of 2021 is characterized by large movements through the year and large differences in separate industries. Though the downturn in March and April 2020 hit broadly, service industries were particularly impacted as infection control measures halted activity. During the autumn of 2020 there was a gradual recovery in parts of the economy, which dampened the annual downturn. At the start of 2021 infection control measures tightened, affecting several industries. By autumn 2021 most of the adult population in Norway are vaccinated against Covid, and society is gradually going back to normal.

The 2.5 % annual downturn in the mainland economy (that is abstracting oil and gas production), means that the Norwegian economy did relatively well through 2020 compared to other countries. In the 4th quarter 2020, Mainland GDP was 1.3 % lower than in the 4th quarter of 2019, according to seasonally adjusted figures from the National accounts, Statistics Norway. In most large European countries, the downturn has been considerably stronger. There has been an upswing in the economy throughout 2021 and the GDP growth is estimated at 2,8% for 2021, and is expected to increase further in 2022.

The Norwegian government provided several support measures for business in general, such as measures to cover salary during sick leave/quarantine when





the crisis struck. Support systems for layoffs have also been important to tackle unemployment and keep up the general purchasing power. At the beginning of the outbreak in March 2020 the unemployment rate in Norway increased, and reached 10 % by April, including layoffs, according to figures from the Norwegian Public Labour and Welfare Service. However, this decreased towards august 2020. At the end of the year the seasonally adjusted unemployment rate was 5,0 %, and by autumn 2021 4,6 % according to Statistics Norway, and is expected to decrease further. The unemployment rate is low, compared to other European countries. The savings ratio was 15,1 % in 2020, compared to 7,8 % in 2019. This indicates a delay in consumption, and consumption is expected to rise as infection control measures are gradually removed. The interest rates are low, with the policy rate from the central bank of Norway at a record low 0,0 %. The central bank has announced a gradually raise of the policy rate from autumn 2021, which may dampen the expected raise in consumption some.

#### The housing market

The corona outbreak caused uncertainty in the construction and housing market. The sale of new dwellings decreased somewhat, but is now back on track at a normal level. The construction industry is in general performing well, despite the pandemic. Countercyclical fiscal-policy measures, such as the government stimulating public procurements, have benefited the construction industry. At the same time people are redirecting spending towards renovation projects, as travel and leisure options are limited because of the pandemic. As an effect of this the sale of wood products for the renovation market has largely increased. The housing prices have continued the increase during 2020. The price index for used dwellings shows a price increase of 10,9 % from 1st quarter 2020 to 1st quarter 2021. Towards the summer and autumn of 2021 the house price growth has decreased somewhat. It is likely that the upcoming increase of the policy interest rate will dampen the price increase, so that the housing prices will be at a more normal level.

#### The wood industry

There is strong market demand for wood both in the domestic market and export, for all market segments. The activity in the wood industry is high, and there is strong cyclical growth for wood articles. The companies have managed to keep production up, while at the same time handling infection control. Overall, the Norwegian wood industry continues to perform well. There is higher demand than supply in the market. This is partly due to less production in key geographies, higher activity than normal in the international construction market as well as a larger shift towards the use of sustainable materials. The domestic and international demand for wood articles has resulted in a revenue growth the industry has hardly seen before. The consumer market has peaked, with everyone spending more time at home, renovating their houses, terraces etc. The outlook for 2022 is positive. However, the development of interest rates and public spending and procurements cause some uncertainty.





General economic in	formation	•	•	
	Unit	2020	2021	2022
Population	million	19,3	19,4	19,5
GDP Growth	%	5,0	2,5	2,5
Inflation Rate	%	2,6	3,0	4,0
Unemployment Rate	%	4,9	5,0	5,0
Construction industry				
Building permits	units	17 500	17 500	17 000
Housing starts	units	13 200	13 000	13 000
Housing completions	units	10 000	8 100	8 500
Wage development	% vs previous year	7,2	5,0	4,5
Average working time in sawmilling (h/week)	h/week	40	40	40
Sawn softwood				
	Unit	2020	2021	2022
Production	1.000 m <sup>3</sup>	3 000	3 500	3 200
Imports	1.000 m <sup>3</sup>	300	200	200
Exports	1.000 m <sup>3</sup>	1 200	1 700	1 400
Consumption	1.000 m <sup>3</sup>	2 100	2 000	2 000
Softwood logs				
	Unit	2020	2021	2022
Production	1.000 m <sup>3</sup>	n.a.	n.a.	n.a.
Imports	1.000 m <sup>3</sup>	n.a.	n.a.	n.a.
Exports	1.000 m <sup>3</sup>	n.a.	n.a.	n.a.
Consumption	1.000 m <sup>3</sup>	n.a.	n.a.	n.a.
By-Products			•	
	Unit	2020	2021	2022
Sawdust production	1.000 m <sup>3</sup>	200	200	200
Chips production	1.000 m <sup>3</sup>	300	300	300
Bark production	1.000 m <sup>3</sup>	1 650	1 600	1 600
Pellets production	1.000 tonnes	600	650	600

Availability of log	şs			
(1 = low; 2 = medium	n low; 3 = nor	mal; 4 = med	ium high; 5 =	high)
	Unit	2020	2021	2022
Softwood	Range 1-5	3	3	3
Capacity increase	s/decrease	S		
	Unit	2020	2021	2022
Softwood	1.000 m <sup>3</sup>	constant	constant	constant
Cost developmen	t (%)			
2022 vs 2021 cost de sing", increasing"	velopments c	an be estima	ted as "stable	", "decrea-
	Unit		2021 vs 2020	2022 vs 2021
Softwood logs	% vs previou	us year	5,0%	5,0%
Energy	% vs previou	is year	15,0%	20,0%
Transport	% vs previou	us year	12,0%	15,0%
Price developme	nt (%)			
2022 vs 2021 cost de sing", increasing"	velopments c	an be estima	ted as "stable	", "decrea-
	Unit		2021 vs 2020	2022 vs 2021
Sawn softwood	% vs previou	us year	2,0%	1,0%
Chips	% vs previou	us year	0,0%	0,0%
Sawdust	% vs previou	is year	0,0%	0,0%

Source: ASFOR - Associatia Forestielor Din Romania

preliminary data

estimation

#### **Market Statement**

The year 2020 was an atypical year for the entire European economic environment and for Romania, with particular manifestations both in the area of the resource and in the production and trade of wood and wood-based products.

The volume of wood put on the market in 2020 was above the usual volumes (by over 750.000 m<sup>3</sup> more than in 2019), partly due to windfalls, but also as an oversupply to balance the financial resource of the supplier; At the same time, weaker demand was felt in several markets for the export of wood products and a reduction in domestic demand for firewood generated by the mild winter. The volume of wood sold is 73,1% of the standing timber and 26,6% of the shaped timber.

Unlike the year 2018, in which the price of timber experienced the largest decrease and the highest loss for processors, the years 2019 and 2020 were

characterized by a relative stability of prices for this product. In this context, the effects felt are:

- Timber exports in the first 5 months of 2021 increased by about 35%, compared to 2020.

- Panels and panels made of wood fibers or wood particles (MDF, chipboard, OSB etc.) are constantly present in the import / export equation, where exports have a constant growth performance (of over 40% compared to 2020 in the first 5 months of 2021).

The general picture presented characterizes / personalizes Romania in terms of trade in wood products, as well as its position in the global state of the forestry field for the reporting year 2021-2022.



General economic in	formation			
	Unit	2020	2021	2022
Population	million	47,33	47,33	47,35
GDP Growth	%	-10,8	6,3	5,8
Inflation Rate	%	-0,3	2,5	1,8
Unemployment Rate	%	15,5	15,8	14,7
Construction industry				
Building permits	units	n.a.	n.a.	n.a.
Housing starts	units	85 535	87 075	94 389
Housing completions	units	85 945	86 492	93 321
Wage development	% vs previous year	5,2	-0,6	-3,2
Average working time in sawmilling (h/week)	h/week	n.a.	n.a.	n.a.
Sawn softwood				
	Unit	2020	2021	2022
Production	1.000 m <sup>3</sup>	2 391	2 773	2 940
Imports	1.000 m <sup>3</sup>	851	985	1 044
Exports	1.000 m <sup>3</sup>	206	257	272
Consumption	1.000 m <sup>3</sup>	3 036	3 501	3 712
Softwood logs				
	Unit	2020	2021	2022
Production	1.000 m <sup>3</sup>	n.a.	n.a.	n.a.
Imports	1.000 m <sup>3</sup>	n.a.	n.a.	n.a.
Exports	1.000 m <sup>3</sup>	n.a.	n.a.	n.a.
Consumption	1.000 m <sup>3</sup>	n.a.	n.a.	n.a.
By-Products				
	Unit	2020	2021	2022
Sawdust production	1.000 m <sup>3</sup>	1 613	1 859	1 939
Chips production	1.000 m <sup>3</sup>	1 593	1 717	1 820
Bark production	1.000 m <sup>3</sup>	n.a.	n.a.	n.a.
Pellets production	1.000 tonnes	578	607	633

Availability of logs						
n low; 3 = nor	mal; 4 = med	ium high; 5 =	high)			
Unit	2020	2021	2022			
Range 1-5	n.a.	n.a.	n.a.			
s/decrease	S					
Unit	2020	2021	2022			
1.000 m <sup>3</sup>	n.a.	n.a.	n.a.			
t (%)	•					
velopments c	an be estimat	ted as "stable	", "decrea-			
Unit		2021 vs 2020	2022 vs 2021			
% vs previou	us year	n.a.	n.a.			
% vs previou	us year	n.a.	n.a.			
% vs previou	us year	n.a.	n.a.			
nt (%)						
velopments c	an be estimat	ted as "stable	", "decrea-			
Unit		2021 vs 2020	2022 vs 2021			
% vs previou	us year	n.a.	n.a.			
% vs previou	us year	n.a.	n.a.			
% vs previou	us year	n.a.	n.a.			
	Iss           Iow; 3 = nor           Unit           Range 1-5           s/decrease           Unit           1.000 m <sup>3</sup> t (%)           velopments c           Unit           % vs previou           % vs previou           % vs previou           welopments c           Unit           % vs previou           % vs previou           % vs previou           welopments c           Unit           % vs previou           % vs previou	ss h low; 3 = normal; 4 = med Unit 2020 Range 1-5 n.a. s/decreases Unit 2020 1.000 m <sup>3</sup> n.a. t (%) velopments can be estimated % vs previous year % vs previous year % vs previous year t (%) velopments can be estimated unit be estimated t (%) velopments can be estimated be estimated t (%) velopments can be estimated t (%) t (%)	I low; 3 = norral; 4 = medium high; 5 =         Unit       2020       2021         Range 1-5       n.a.       n.a.         s/decreases       2020       2021         s/decreases       2020       2021         unit       2020       2021         1.000 m³       n.a.       n.a.         t (%)       n.a.       n.a.         velopments can be estimated as "stable       2021 vs         0 vs previous year       n.a.         % vs previous year       n.a.         nt (%)       n.a.         velopments can be estimated as "stable         Unit       2021 vs         % vs previous year       n.a.         nt (%)       2021 vs         velopments can be estimated as "stable         Unit       2021 vs         % vs previous year       n.a.         % vs previous year       n.a.			

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



estimation

#### Market Statement

#### National economy. General economic situation.

According to provisional results, GDP grew by 16.7% in the third quarter of the year, thus recovering 59% of the output lost in the previous two quarters. Compared to the same quarter last year, GDP was still 8.7% lower

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red to the same quarter last year, GDP was still 8.7% lower. Both consumption and investment, in all their components, experienced a significant recovery with respect to the previous quarter. The foreign sector also made a positive contribution, with exports growing faster than imports. In the case of exports of tourism services, however, the recovery was very limited, and their volume in real terms barely reached 26% of that recorded in the same quarter last year. The number of tourists visiting the country was only 20% of those who visited in the same quarter of 2019.

	Actual	Estimate	Forecast
	2020	2021	2022
Domestic production	2.391	2.773	2.940
Imports	851	985	1.044
Exports	206	257	272
Apparent consumption	3.036	3.501	3.712





#### Outlets for Timber.Construction industry. (Finished dwellings and commenced new dwellings)

Figures of housing starts corresponding to the whole year 2020 were placed at 85.535 units, which means a decrease of 20% with respect to 2019 (106.2666 units).

While regarding finished dwellings, final figure for 2020 was 85.945 units. So, that means an increase of 9 %, as the figure for 2019 was 78.789 units. Prospects for the whole year 2021 are slightly positive, with an slight growth of 2% and a whole amount of new units of around 87.075. In terms of housing completions, forecasts for this year point to a slightly lower figure than last year. A growth of around 8% is forecast for 2022.

#### Transactions. Imports of sawn softwood. 2020.

Spanish imports of sawn softwoods during the whole year 2020 reached an amount (in volume) of 851.00 m<sup>3</sup>, which means a drop of around 15% over 2019. If we consider the figures in terms of import value, the decrease has been higher, around 18%, compared to 2019. Softwood imports. Main supplying countries. |anuary – |une. 2020 / 2021. In volume m<sup>3</sup> & value 1.000 Euros/CIF.

	Volume m3 Value 1.000 €					
Country	2.020	2.021	%	2.020	2.021	
France	112.934	134.140	19%	12.653	15.652	
Portugal	59.021	83.225	41%	7.799	13.138	
Germany	61.933	54.257	-12%	10.212	15.569	
Sweden	57.613	76.548	33%	10.574	16.155	
Finland	21.283	40.204	89%	4.724	10.378	
Brazil	31.420	37.577	20%	5.427	6.710	
Austria	6.946	13.765	98%	2.588	5.178	
New Zealand	7.464	11.192	50%	2.997	4.704	
Latvia	7.957	6.524	-18%	1.482	1.858	
Estonia	5.357	6.131	14%	1.118	2.300	
Poland	3.704	5.483	48%	1.080	1.660	
Belgium	3.267	5.326	63%	305	281	
Russia	12.133	4.148	-66%	1.697	854	
Chile	15.686	3.498	-78%	2.105	573	
Netherlands	1.462	3.346	129%	1.891	3.777	
United States	2.195	2.727	24%	1.016	1.399	
Italy	3.288	2.438	-26%	651	845	
Lithuania	1.033	1.480	43%	286	591	
Ukraine	1.966	902	-54%	426	337	
Czech Republic	1.653	1.519	-8%	560	686	
Others	7.533	3.344	-56%	1.574	934	
Total	425.848	497.774	17%	71.165	103.578	

#### Forecasts.

Import statistics of sawn softwoods during the first half of 2020, show an increase of 17%, with total imports placed at 497.774 m<sup>3</sup>. Therefore, forecasts of sawn softwoods imports in Spain for the whole year 2021 could be placed around 985.000 m<sup>3</sup>. For 2022, we foresee a further increase of around 6%, and so, we estimate that imports for the whole year could be around 1.044.000 m<sup>3</sup>.

General information. Indicators&Forecasts						
	2020	2021 (Forescast)	2022 (Forescast)			
Population (million)	47,39	47,33	47,35			
GDP growth (%)	-10,8	6,3	5,8			
Inflation Rate (%)	-0,3	2,5	1,8			
Unemployment(%)	15,5	15,8	14,7			
Housing Starts (Units)	85.535	87.075	94.389			
Housing completions (Units)	85.945	86.492	93.321			





General economic information				
	Unit	2020	2021	2022
Population	million	10,4	10,4	10,5
GDP Growth	%	-3,0	4,4	3,5
Inflation Rate	%	0,5	1,9	1,7
Unemployment Rate	%	8,3	8,7	7,6
Construction industry				
Building permits	units	58 500	65 000	n.a.
Housing starts	units	54 500	59 000	61 000
Housing completions	units	54 100	54 000	57 500
Wage development	% vs previous year	1,9	2,6	2,3
Average working time in sawmilling (h/week)	h/week	n.a.	n.a.	n.a.
Sawn softwood				
	Unit	2020	2021	2022
Production	1.000 m <sup>3</sup>	18 400	18 900	18 800
Imports	1.000 m <sup>3</sup>	550	500	400
Exports	1.000 m <sup>3</sup>	14 100	13 100	12 900
Consumption	1.000 m <sup>3</sup>	5 300	5 600	5 400
Softwood logs				
	Unit	2020	2021	2022
Production	1.000 m <sup>3</sup>	37 000	37 200	37 000
Imports	1.000 m <sup>3</sup>	718	700	700
Exports	1.000 m <sup>3</sup>	664	600	600
Consumption	1.000 m <sup>3</sup>	n.a.	n.a.	n.a.
By-Products				
	Unit	2020	2021	2022
Sawdust production	1.000 m <sup>3</sup>	n.a.	n.a.	n.a.
Chips production	1.000 m <sup>3</sup>	n.a.	n.a.	n.a.
Bark production	1.000 m <sup>3</sup>	n.a.	n.a.	n.a.
Pellets production	1.000 tonnes	n.a.	n.a.	n.a.

Availability of logs					
(1 = low; 2 = medium low; 3 = normal; 4 = medium high; 5 = high)					
	Unit	2020	2021	2022	
Softwood	Range 1-5	4	4	4	
Capacity increase					
	Unit	2020	2021	2022	
Softwood	1.000 m <sup>3</sup>	n.a.	n.a.	n.a.	
Cost developmen					
2022 vs 2021 cost de sing", increasing"	velopments c	an be estimat	ted as "stable	", "decrea-	
	Unit		2021 vs 2020	2022 vs 2021	
Softwood logs	% vs previou	us year	Increase	Stable	
Energy	% vs previous year		n.a.	n.a.	
Transport	% vs previous year		n.a.	n.a.	
Price development (%)					
2022 vs 2021 cost developments can be estimated as "stable", "decrea- sing", increasing"					
	Unit		2021 vs 2020	2022 vs 2021	
Sawn softwood	% vs previous year		Increase	Stable => Decrea- sing	
Chips	% vs previou	us year	n.a.	n.a.	
Sawdust	% vs previou	us year	n.a.	n.a.	

Source: SFIF - Swedish Forest Industries Federation

preliminary data

estimation

#### Market Statement

The development of the Swedish sawmill sector during first half of 2021 has continued its strength from the end of 2020. The demand has however been even higher and put a hard pressure on production and sawn wood inventories. As summer has passed, first indications can be seen of the market starting to stabilize. In the near term some volatility can be expected and it will be interesting to see how the market develops and finds its balance. In the short to mid-term underlying demand however still remains strong.

#### **Production & shipments**

Swedish production during 2021 has been keeping a record-pace. Perhaps with the notable exception of the beginning of the year when cold weather and snow impacted production. As the winter started to pass, production quickly showed its strength in March, as a new production record was set. Never has Swedish sawmills had such a high production for any single month. The strong production has since continued during the spring and summer. For each month the production has superseded the previous record production for that individual month. For the first 7 months of 2021 production is 7% higher than the year before, and 3% higher than 2019. At the current pace we expect to reach a new record level for the full year production in 2021 of 18,9 million m<sup>3</sup>. With hopes set on perhaps even reaching and surpassing the 19 million m<sup>3</sup> mark.







Demand for Swedish sawn wood in 2021 has continued to be extremely strong, which has been reflected in the high level of outgoing shipments. Deliveries have only been held back by practically empty inventory levels, and stocks being the lowest since 20 years back. Which can also be observed by the decline of deliveries in the first few months of the year, when production was held back by the cold weather. Despite a strong world market in the first half of 2021, exports actually declined compared to 2020. An effect that also can be attributed to the low stock levels impacting deliveries.



#### **Exports & prices**

Early during the pandemic exports increased to MENA and east Asia as European markets were under lockdown. As time moved on primary destinations for exports have geared more and more towards European markets during the later parts of the pandemic, especially since the fall of 2020. Volumes has then shifted away from MENA and east Asian markets as they have found it increasingly difficult to compete in the super-hot world markets. The UK market has been of high importance as their demand has increased significantly since mid-2020. But exports to continental Europe have also increased significantly, with the Netherlands, Denmark and Germany being some of the strongest markets. While the large price surge in the US led to increasing exports to that market by as much as +80% in 2020, and has during first half of 2021 remained at roughly that level. Although an important market given the high prices there during late 2020 and early 2021, US accounted for only about 5% of exports in 2020.









Prices for sawn softwood has been in a seemingly never-ending rising trend and more than doubled since mid-2020. During spring and summer 2021 prices rose continuously by a rate of +10-15% per month. Domestic prices lagged behind significantly for quite some time, partly due to typically longer contract lengths. As old contracts were renewed and negotiated prices however rose quickly, and by the middle of the summer had catched-up to be able to compete with the demand from world markets.







#### What to expect in the near future?

Swedish sawmills have been running at a high capacity for a long time and expect to do so for the rest of the year. Despite the strong efforts from Swedish sawn wood producers demand has still seemed nearly insatiable and the market remains under high pressure with low stocks.

There have been no signs that any sawmills have been constrained as to availability of sawlogs. Rather inventories at the sawmills have been high-to-normal during the whole period. Sawmills have rather produced as much as their supply chains and available capacities has allowed. Although the bark-beetle situation is not as dramatic in Sweden as in central Europe, it has still had some impact in mobilizing harvesting and moving volumes through the supply chain.

As we approach the beginning of winter there will still be many unknown parameters that could start to calm and stabilize the market. Volatility for the time ahead can certainly be expected. Either way, underlying demand is however still going strong on most or all markets, which can be expected to continue to put a high pressure on the markets even beyond this year.



## **SWITZERLAND** PRODUCER

General economic information				
	Unit	2020	2021	2022
Population	million	8,7	8,7	8,8
GDP Growth	%	-3,2	3,6	3,0
Inflation Rate	%	-0,7	0,1	0,3
Unemployment Rate	%	4,9	3,0	3,2
Construction industry				
Building permits	units	51 000	52 500	n.a.
Housing starts	units	n.a.	n.a.	n.a.
Housing completions	units	50 000	50 500	51 500
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	2020	2021	2022
Production	1.000 m <sup>3</sup>	1 114	1 110	1 100
Imports	1.000 m <sup>3</sup>	307	322	290
Exports	1.000 m <sup>3</sup>	201	237	195
Consumption	1.000 m <sup>3</sup>	1 220	1 195	1 195
Softwood logs				
	Unit	2020	2021	2022
Production	1.000 m <sup>3</sup>	1 858	1 900	1 800
Imports	1.000 m <sup>3</sup>	33	20	30
Exports	1.000 m <sup>3</sup>	256	346	280
Consumption	1.000 m <sup>3</sup>	1 635	1 574	1 550
By-Products				
	Unit	2020	2021	2022
Sawdust production	1.000 m <sup>3</sup>	224	226	218
Chips production	1.000 m <sup>3</sup>	522	528	509
Bark production	1.000 m <sup>3</sup>	186	189	182
Pellets production	1.000 tonnes	270	280	280

Availability of logs					
(1 = low; 2 = medium low; 3 = normal; 4 = medium high; 5 = high)					
	Unit	2020	2021	2022	
Softwood	Range 1-5	4	3	3	
<b>Capacity increase</b>	s/decrease	S			
	Unit	2020	2021	2022	
Softwood	1.000 m <sup>3</sup>	n.a.	n.a.	n.a.	
Cost developmen					
2022 vs 2021 cost de sing", increasing"	velopments c	an be estimat	ed as "stable	", "decrea-	
	Unit		2021 vs 2020	2022 vs 2021	
Softwood logs	% vs previous year		15,0%	decrea- sing	
Energy	% vs previous year		stable	stable	
Transport	% vs previous year		stable	stable	
Price developme					
2022 vs 2021 cost developments can be estimated as "stable", "decrea- sing", increasing"					
	Unit		2021 vs 2020	2022 vs 2021	
Sawn softwood	% vs previou	us year	20,0%	decrea- sing	
Chips	% vs previou	ıs year	decrea- sing	stable	
Sawdust	% vs previou	us year	stable	stable	

Source: HIS- Holzindustrie Schweiz

preliminary data

estimation

#### **Market Statement**

The Swiss Wood Industry is still busy in today's market. All the companies have a strong demand and a relatively stable supply for now, but do not know if it will stay the same during the winter. There are signs that demand will decline somewhat towards this autumn. We can see the biggest price fluctuations in the building materials. Some of the most demanded products such as planned or slat wood for gluing laminated have some long delivery time while others stay on the shelves.

Many companies have some trouble with by-products. There is not enough demand and the stock is getting bigger, meanwhile the price stays low without any improvement in sight.

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## UNITED STATES PRODUCER

General economic information				
	Unit	2020	2021	2022
Population	million	330,2	331,4	333,0
GDP Growth	%	-3,4	6,1	4,1
Inflation Rate	%	1,2	4,2	3,8
Unemployment Rate	%	8,1	5,7	4,5
Construction industry				
Building permits	units	n.a.	n.a.	n.a.
Housing starts	units	1 396 583	1 577 917	1 617 500
Housing completions	units	n.a.	n.a.	n.a.
Wage development	% vs previous year	3,0	4,0	3,4
Average working time in sawmilling (h/week)	h/week	n.a.	n.a.	n.a.
Sawn softwood	••••••	•••••		
	Unit	2020	2021	2022
Production	1.000 m <sup>3</sup>	62 733	63 115	65 153
Imports	1.000 m <sup>3</sup>	25 830	28 660	28 800
Exports	1.000 m <sup>3</sup>	1 951	2 101	2 152
Consumption	1.000 m <sup>3</sup>	86 612	89 674	91 801
Softwood logs				
	Unit	2020	2021	2022
Production	1.000 m <sup>3</sup>	141 736	146 934	147 481
Imports	1.000 m <sup>3</sup>	259	444	448
Exports	1.000 m <sup>3</sup>	4 673	8 011	8 331
Consumption	1.000 m <sup>3</sup>	137 322	139 367	139 599
By-Products				
	Unit	2020	2021	2022
Sawdust production	1.000 m <sup>3</sup>	n.a.	n.a.	n.a.
Chips production	1.000 m <sup>3</sup>	n.a.	n.a.	n.a.
Bark production	1.000 m <sup>3</sup>	n.a.	n.a.	n.a.
Pellets production	1.000 tonnes	8 413	8 701	8 937

Availability of log					
(1 = low; 2 = medium low; 3 = normal; 4 = medium high; 5 = high)					
	Unit	2020	2021	2022	
Softwood	Range 1-5	4	4	3	
Capacity increase					
	Unit	2020	2021	2022	
Softwood	1.000 m <sup>3</sup>	153	1 223	1 216	
Cost developmen					
2022 vs 2021 cost de sing", increasing"	velopments c	an be estima	ted as "stable	", "decrea-	
	Unit		2021 vs 2020	2022 vs 2021	
Softwood logs	% vs previou	us year	6,1%	-1,2%	
Energy	% vs previous year		6,0%	4,6%	
Transport	% vs previous year		-7,1%	-7,8%	
Price developme	nt (%)				
2022 vs 2021 cost developments can be estimated as "stable", "decrea- sing", increasing"					
sing", increasing"		••••••			
sing", increasing"	Unit		2021 vs 2020	2022 vs 2021	
sing", increasing" Sawn softwood	<b>Unit</b> % vs previou	us year	<b>2021 vs</b> <b>2020</b> 38,2%	<b>2022 vs</b> <b>2021</b> -35,1%	
sing", increasing" Sawn softwood Chips	Unit % vs previou % vs previou	ıs year	<b>2021 vs</b> <b>2020</b> 38,2% -5,4%	<b>2022 vs</b> <b>2021</b> -35,1% 2,5%	
sing", increasing" Sawn softwood Chips Sawdust	Unit % vs previou % vs previou % vs previou	ıs year ıs year ıs year	<b>2021 vs</b> <b>2020</b> 38,2% -5,4% -6,4%	2022 vs 2021 -35,1% 2,5% 1,3%	

preliminary data

estimation

#### **Market Statement**

While we expect strong growth in the US, the economic outlook has dimmed over the last month or two thanks to a series of disappointing economic reports, ongoing supply bottlenecks, and the arrival of the delta variant of the COVID-19 virus. Still, at an average of 5% in 2021–22, growth will be well above the 1% average of the previous five years.

We have become more anxious about our relatively benign inflation forecast. We now believe inflation is significantly more likely to overshoot rather than undershoot its 2% target over the next two years; this will be due to supply constraints, the massive expansion of the Fed's balance sheet, and an explosion in the federal budget deficit. Consumer price inflation averaged only 1.6% per year over the five years prior to the pandemic—when economic growth was decent and unemployment was quite low. Supply bottlenecks, tight labor markets, and the surging cost of shelter are expected to push inflation to 4.2% in 2021 and 3.8% in 2022.



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The US employment market has improved rapidly, with the number of people filing continued claims for unemployment insurance falling below 3 million compared to the May peak of 24.9 million. Thus far, the damage to the employment market has been largely concentrated on lower-wage earners. Our for recast assumes that the unemployment rate will recede in fits and starts from its current level of 5.41% as increases in employment are offset by a rising number of people reentering the labor force.

The residential-construction sector is likely in the early stages of a multiyear boom due to a combination of low mortgage rates, strong income growth, very low inventories (thanks to the vast underbuilding of the last decade), an aging housing stock, and highly favorable demographic trends. For the first time in nearly 15 years, US homebuilding is beginning to build to the underlying demand for housing. Activity would be even stronger if not for myriad supply-side constraints relating to labor, building materials, and buildable lots.

The residential-improvement sector has powered through the lockdowns and the increase in unemployment. We expect the sector to continue to outperform the wider economy for an extended period. The segment will benefit from the aging US housing stock, robust home equity (home prices will not plunge during this recession), and a lack of affordable housing supply. The forecast shows real-improvement spending declining slightly from recent highs but remaining above trend over the next several years.

These factors should push US sawnwood apparent consumption up 3.5% in 2021 and 2.4% in 2022.

As the summer comes to an end, we foresee a very different sawnwood industry than we saw at the start of summer. The stratospheric sawnwood prices of the spring are now gone amid a precipitous price plunge. Why? Although demand did slow, it has still grown, month-over-month, in every month since February. Prices were likely more impacted by summer holidays and a feeling by many buyers of needing to get rid of high-priced inventory before replenishing their stocks.

On the supply side, North American prices are now below costs for the highcost producing region (British Columbia), and we have begun to see curtailments. This tells us we are likely near the pricing bottom.

We expect prices to remain below their August levels through October, before slowly climbing back up as dealers start to buy sawnwood to replenish their stocks. This will be especially true as we approach the end of this year and the beginning of next—typically the time when dealers increase inventory for the upcoming building season.

Another factor that should put upward pressure on prices is costs. High sawnwood prices in 2021 will push up Q4 timber costs in British Columbia, the marginal cost-producing region in North America. Meanwhile, duties on Canadian sawnwood shipments to the US will roughly double, moving from around 9% currently to 18% in late November 2021. This leads us to believe prices will bounce between \$230 and \$375 per cubic meter over the next two years, well above the average of the past five years.

US sawnwood exports continued to decline in 2020 as high US prices and strong consumption kept US sawnwood out of global markets. Exports were still falling in the first quarter of 2021 but started to rise in the second. As the global economy rebounds from the COVID-19 pandemic and US prices fall, we expect to see exports increase in the second half of 2021 and 2022. While up sharply from 2020 levels, exports will be well below the average of the 2010s.

Meanwhile, high US prices and strong consumption should lead to robust growth in US sawnwood imports in 2021. While we anticipate continued growth in 2022, imports will not be much higher in 2022 as lower sawnwood prices work against further gains in import market share.

Capacity growth will be slow in 2021 due to COVID-19 uncertainty having limited mills' willingness to invest in 2020, and also given the lag between a project's initiation and its completion. Further exacerbating this slow capacity growth will be fiber-supply constraints in the West. With demand and prices remaining strong over the next two years and COVID-19 restrictions easing, companies will once again invest in their mills in 2022, driving up capacity.

Sawnwood production costs will spike in 2021 (especially in Canada) as high prices drive up timber costs while strong product demand strains mill capacity, driving up manufacturing costs. We expect costs to plunge alongside falling prices (and therefore falling timber costs) in 2022.



