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SOFTWOOD CONFERENCE

TAORMINA 2024 • 16th/18th October

Market development from European
sawmillers' perspective

*Herbert Jöbstl, President
EOS (European Organization of the Sawmill Industry)*

Like many industrial sectors across Europe, the **sawmill industry is going through a difficult period**, which started already in H2 2022.

- The first quarters of the 2024 were negative throughout Europe. **Production** and consumption of sawn softwood **in 2024 will be lower** than the already low level of 2023
 - **Raw material prices**, particularly **in the Nordic Countries**, rose to very high levels – the combination of this and low sawnwood sales prices significantly impacted the profitability of the industry. **Other costs – energy, personnel, insurance etc. – remain high.**
 - **Export markets** remain **important** for the softwood industry but this year it was difficult for operators to find some green spots as demand was relatively weak basically in all large markets – SE Asia exception
 - The **slowdown of construction markets in all the large markets** is responsible for the weak consumption of sawnwood. However, there are some **first signs that markets might have bottomed out:**
 - The European Central Bank has cut its interest rates to 3.5% with lower interest rates that can lead to the revival of construction markets. FED also cut interest rates
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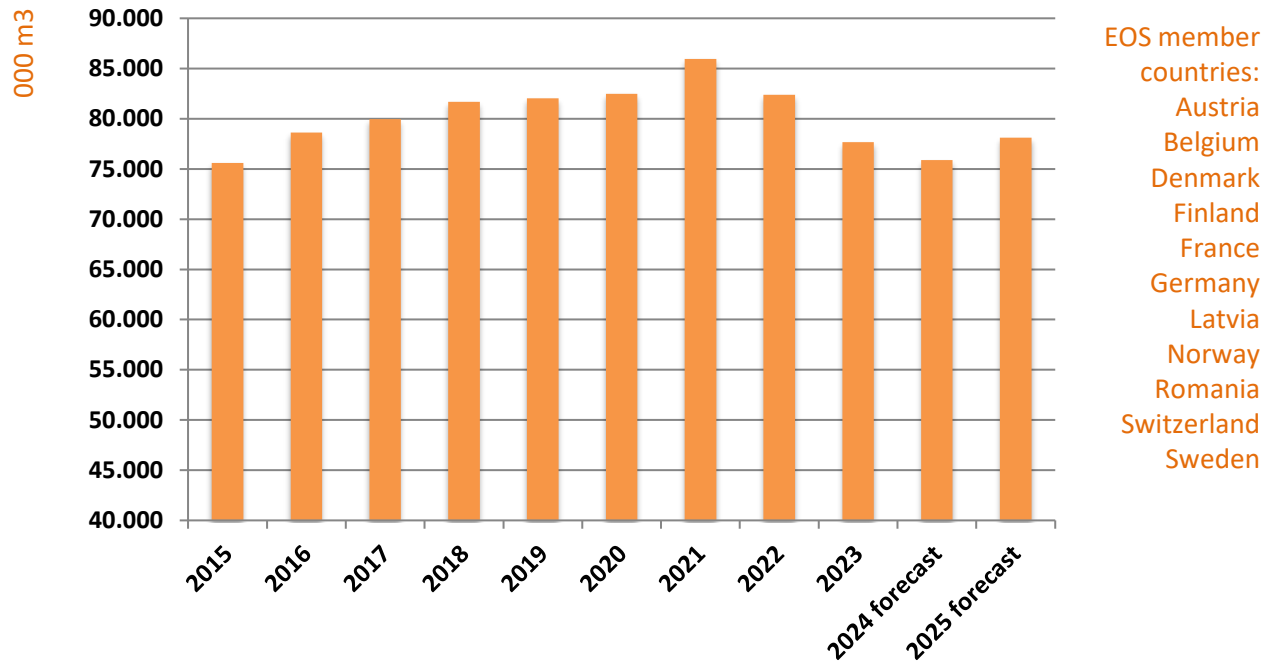
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Production

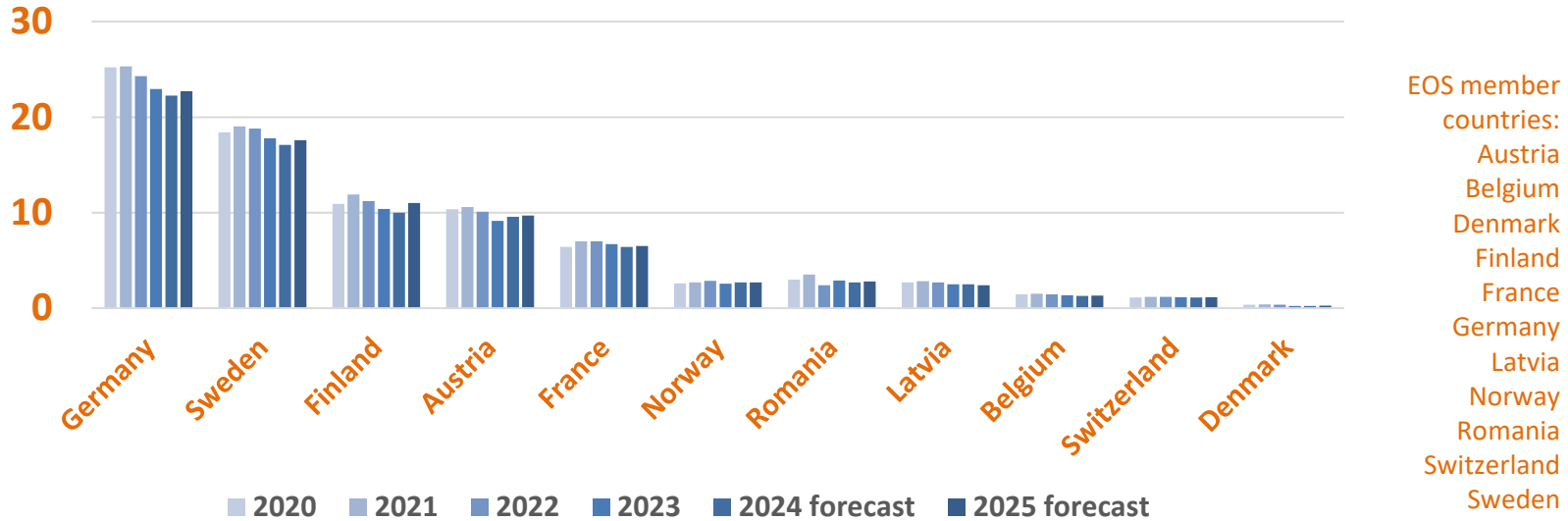
EOS Production overview:



After peaking in 2021, production in the EOS countries declined significantly over the last few years to adjust to the demand decline. If forecasts for 2024 are confirmed, at the end of the year production will be 12% lower than in 2021. Next year production is expected to grow by 2-3%.



EOS Production country by country in million m3:



With the exception of Austria, all large producing countries forecast a production decline in 2024. Next year all large producing countries expect an increase in production on the back of a hoped-for construction market revival



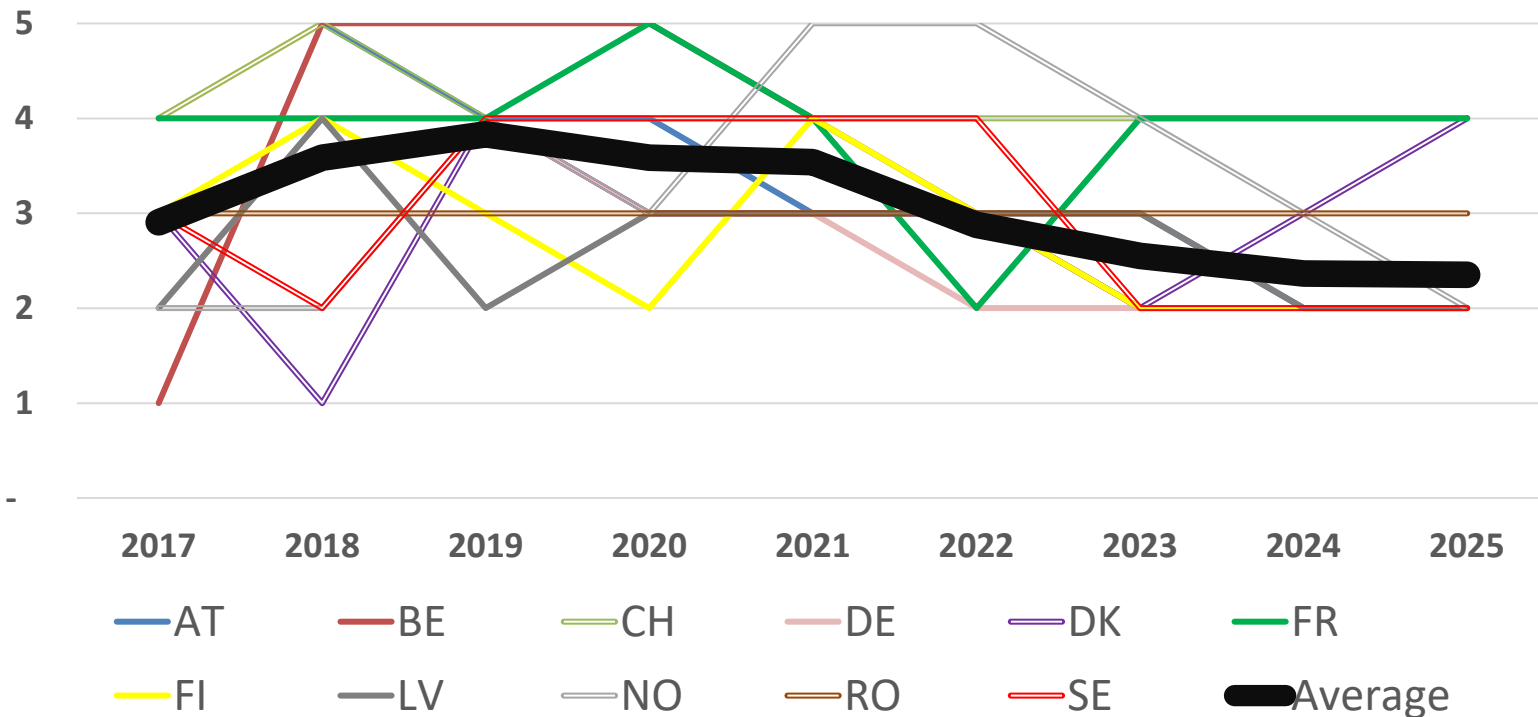
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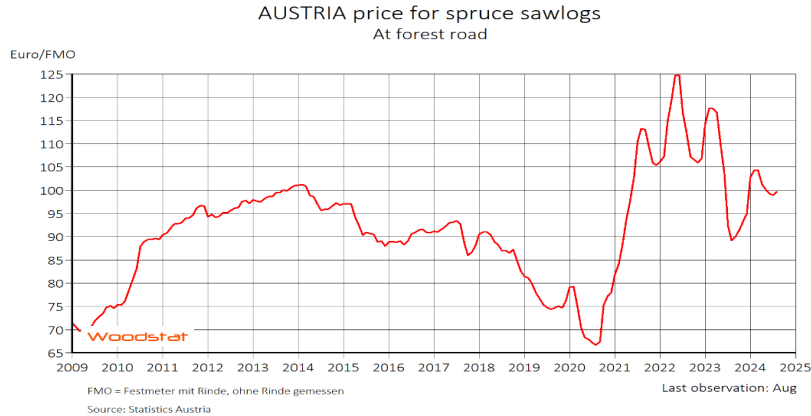
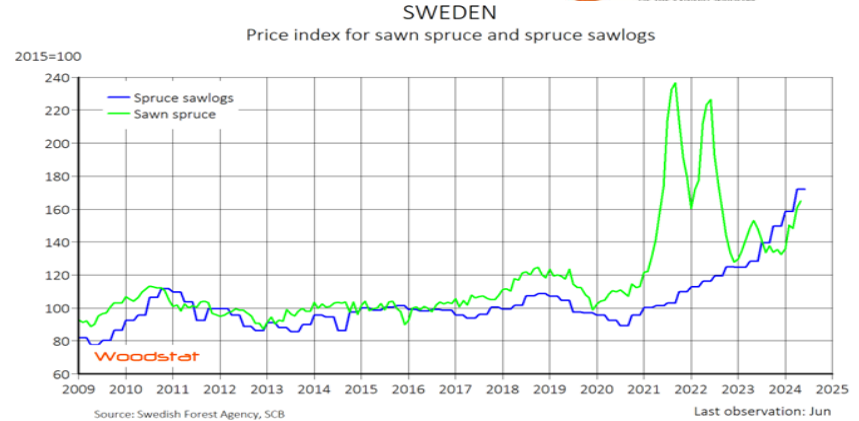
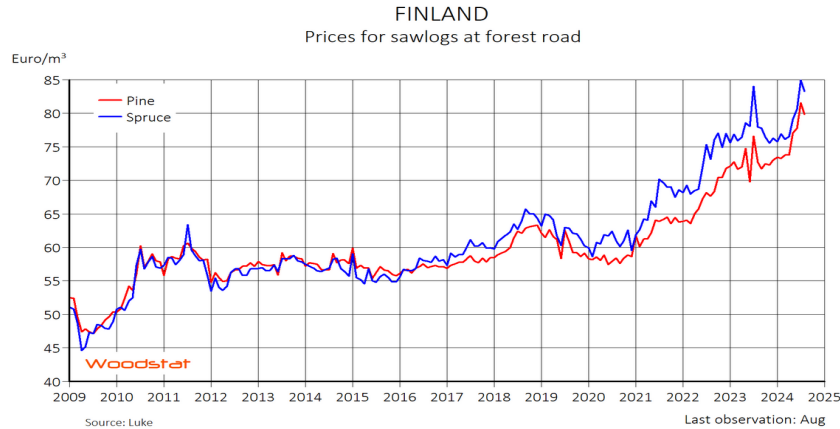
Raw Materials

Raw material availability index declining



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

Raw materials prices in the Nordics record-high and CE stable on a high level:



- **Finnish and Swedish sawlogs** at forest road decreased slightly during summer. But stay on a **record high** level compared to previous years.
- **Sawlog prices in Central Europe** decreased from the peak years. But remain on a **high level**.

- The **availability of raw materials** as shown by the EOS index **is declining across Europe**. On a scale from 1 to 5 the level is now rated at 2.37, the **lowest ever recorded in our index**. Next year it should further decline slightly to 2.35
 - In the **Nordic countries**, logs prices have reached **record-high levels** while sawnwood prices have decreased. In **Central Europe** prices have not risen but **remain high** compared with other countries in the world.
 - Out of sync prices: over the last few years we have seen an increasing **decoupling between logs prices and sawnwood prices** in many areas of Europe.
 - Increase in log prices took place in a middle of weak demand for wood. **What will happen when demand resumes?** Must our industry to be prepared for structurally higher raw material prices when also legislation is reducing availability of raw materials and climate change impact on forests?
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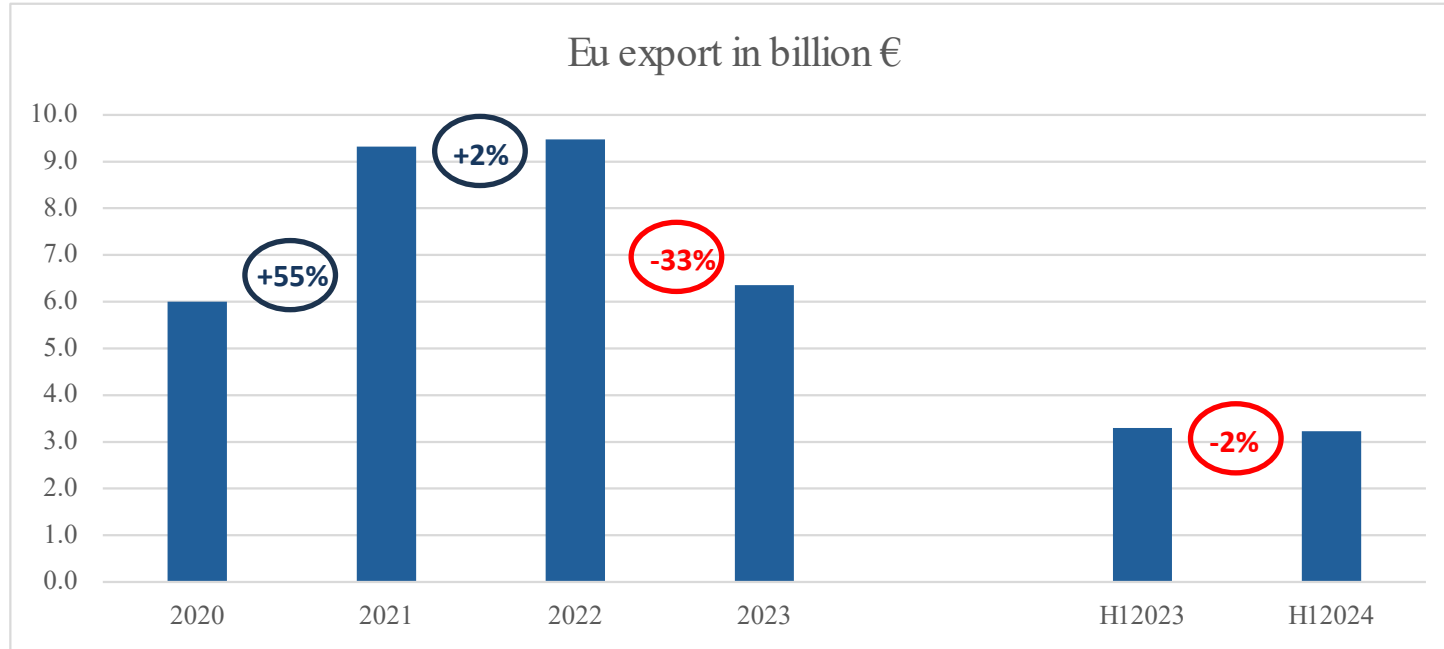
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Export Markets

EU export of sawn softwood to rest of the world



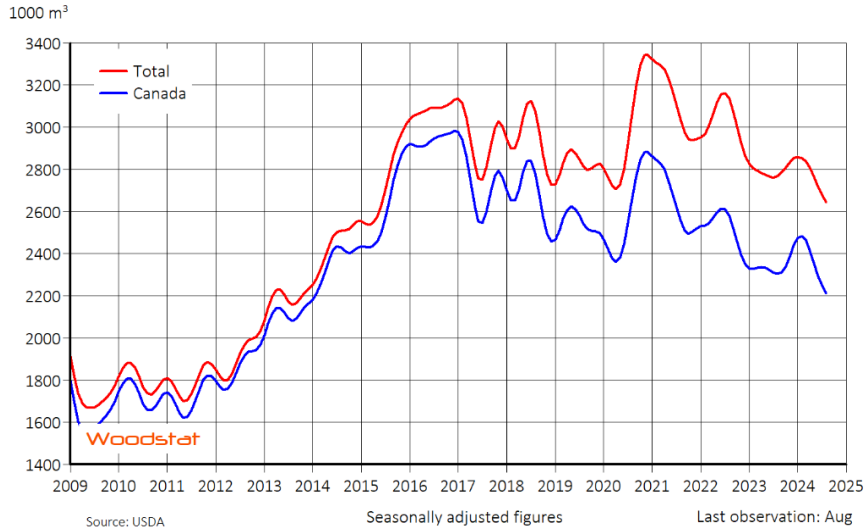
Source: Eurostat/EOS

- In 2020 EU exports of sawn softwood stood at €6 billion. Then in 2021 and 2022 they exceeded €9 billion, peaking at €9.5 billion in 2022. Last year they fell to €6.35 billion. This year they further decreased slightly in H1.

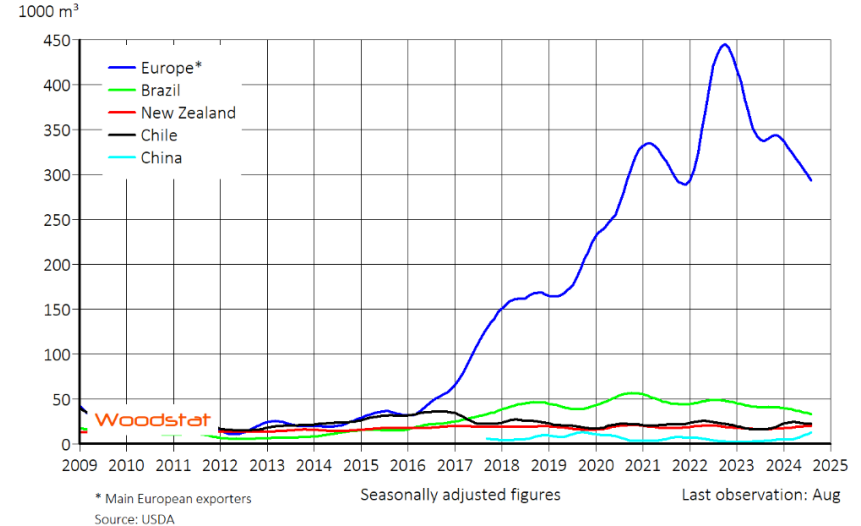
US Market



U.S.
Monthly import of softwood lumber



U.S.
Monthly import of softwood lumber

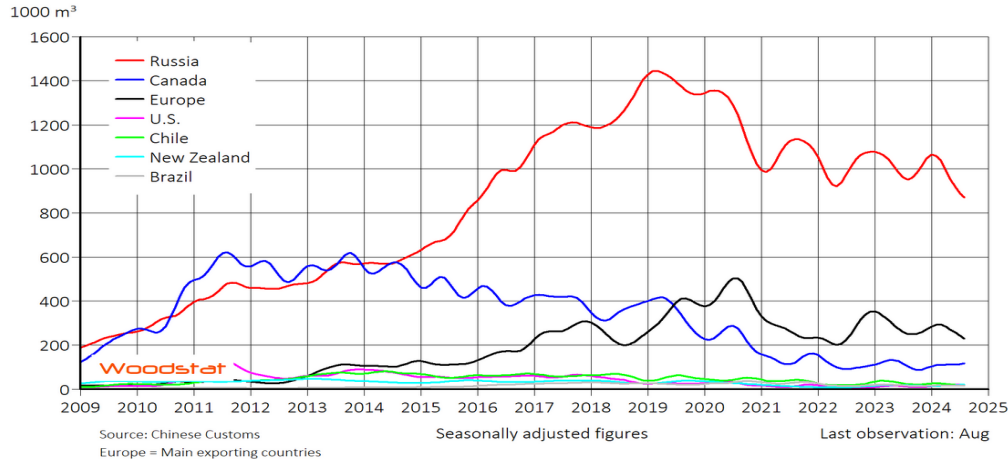


- US imports are overall stable y-o-y, but slowing down in the last couple of months. As a result of lower prices, Europe is slightly losing market share, which however remains above 10%. **Europe exports y-o-y Jan-Aug: -17%** at 2.3 million m3
- In Europe, Germany is the largest exporter and the **trend line for Germany is slowing down**. The trend line for import of softwood lumber from Sweden levels off. The **trend line for Austria is increasing**.

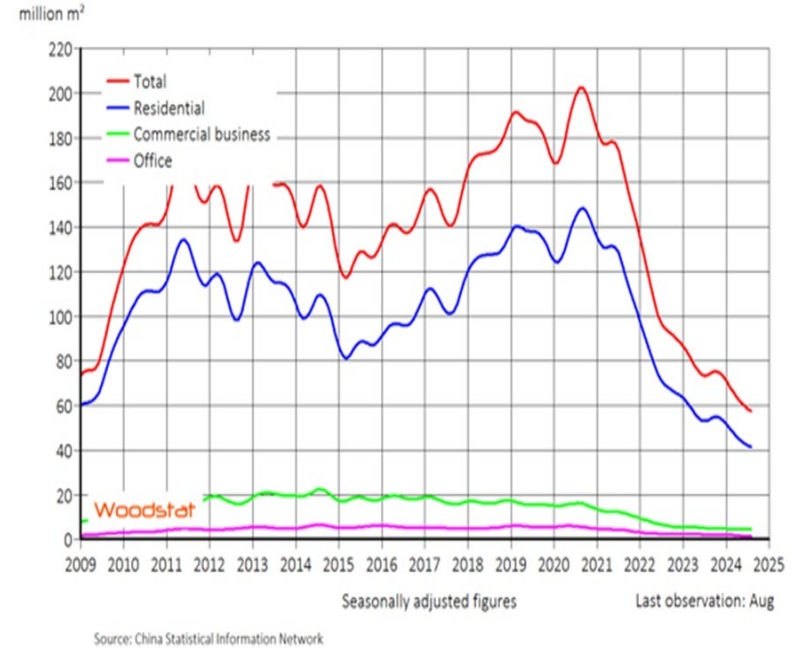
Chinese Market



CHINA
Monthly import of softwood lumber

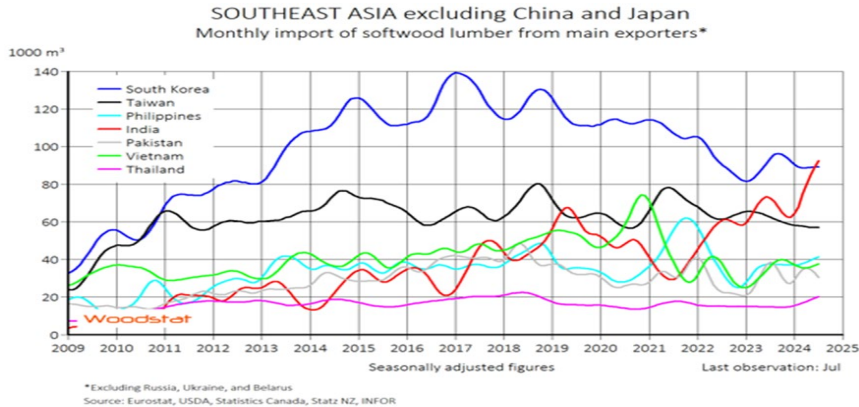
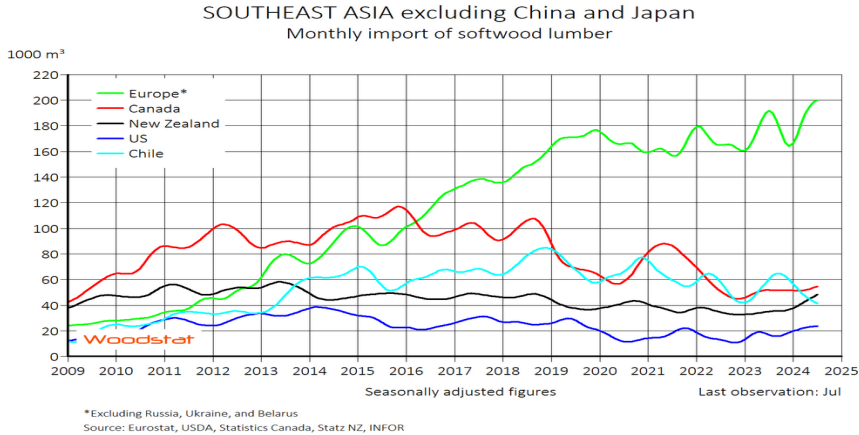


CHINA monthly buildings started
Urban area, floor space



- **Chinese imports** totaled 11.7 million m³ during **January-August (-6% compared to 2023)**. Europe with exception of Belarus (+30%) slowing down: **FI (-22%), DE (-32%), SW (-48%)**. Russia -2% largest exporter but not cannibalizing market
- **Construction market** challenges continue, building projects with a total floor space of 495 million m² were started in China during January-August **(-22.5% compared to 2023)**

European sawmills gaining market share in South-east Asia

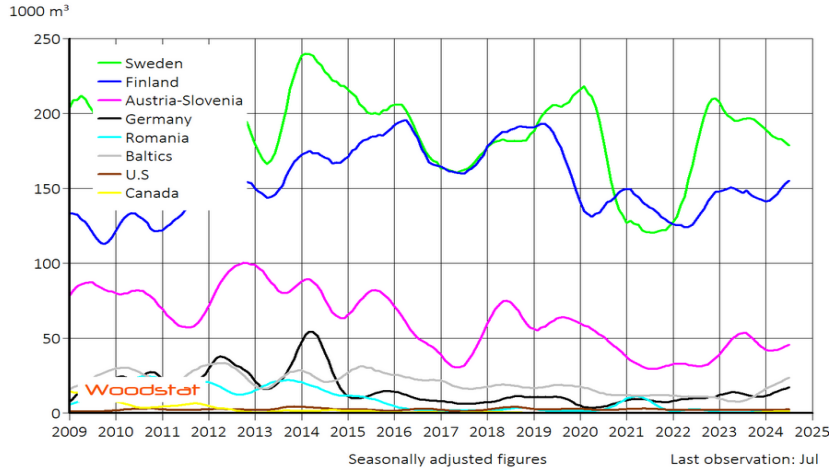


- A **partial exception** to the shrinking trend all over the world is South-east Asia. In Jan-Jul 2024 exports to the region (without RU, UKR, BY) **grew by 6%** to over 2.3 million m³.
- **Europe** is the largest suppliers and **keeps gaining market share**. Largest exporter DE at 500,000 m³ followed by SW at 200,000 m³.
- **Largest markets** in the region: **South Korea** (over 600,000 m³ in Jan-Jul), **India, Taiwan** (slightly less than 500,000 m³)

MENA also quite subdued for European exporters

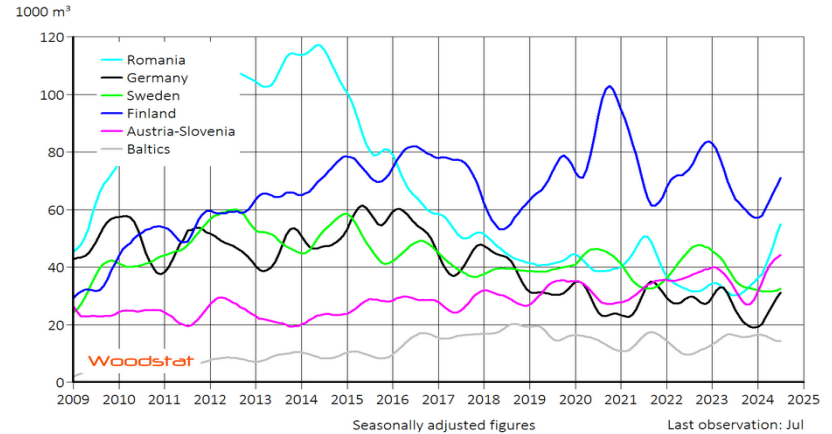


NORTH AFRICA monthly import of softwood lumber
From main European exporters (excluding Russia) and North America



Source: Eurostat, USDA, Statistics Canada

THE MIDDLE EAST monthly import of softwood lumber
From main European exporters*



*Excluding Russia, Ukraine, and Belarus

Source: Eurostat

The Middle East: Saudi Arabia, United Arab Emirates, Jordan, Lebanon, Kuwait, Yemen, Bahrain, Qatar, Iraq, Israel, and Oman

- The **North African import** of softwood lumber from **leading exporters in Europe** (excluding Russia) and North America was 2.64 million m³ during January-July (-6% compared to 2023). The import from Sweden was 1.19 million m³ (-10%) and from Finland 923,000 m³ (-7%).
- In the **Middle East**, the import of softwood lumber totaled 1.78 million m³ during January-July (-7% compared to 2023). The import from Finland was 448,000 m³ (-16%), Sweden 217,000 m³ (-29%), Romania 306,000 m³ (+23%), and Austria-Slovenia 261,000 m³ (+1%). But more activity over the summer.



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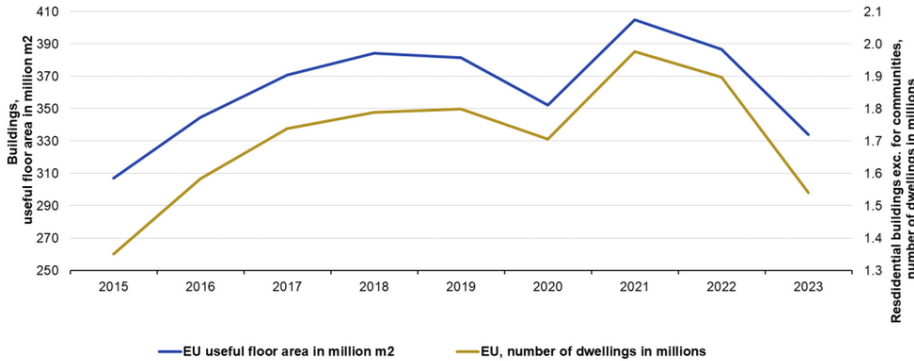
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Construction markets

In 2023 building permits have fallen remarkably



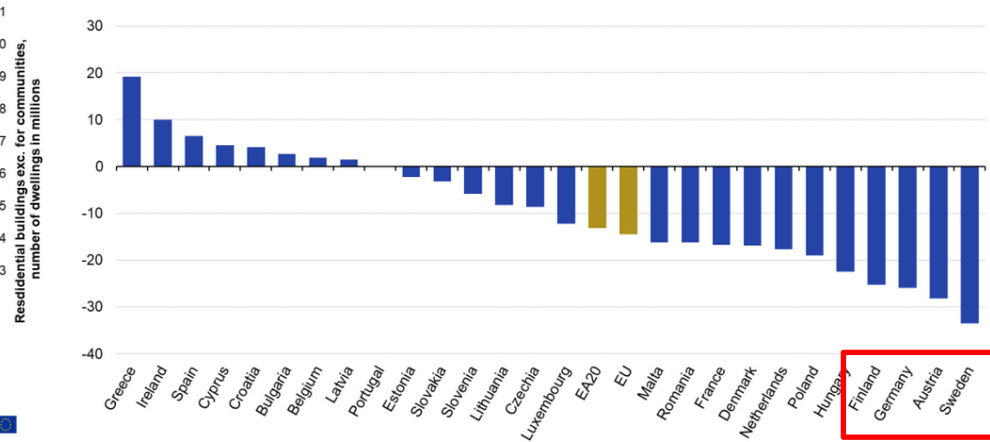
Building permits in the EU, 2015 - 2023, absolute values, annual data, unadjusted



Source: Eurostat (online data code: sts_cobp_a)



Building permits in terms of useful floor area rate of change between 2022 and 2023 (%)

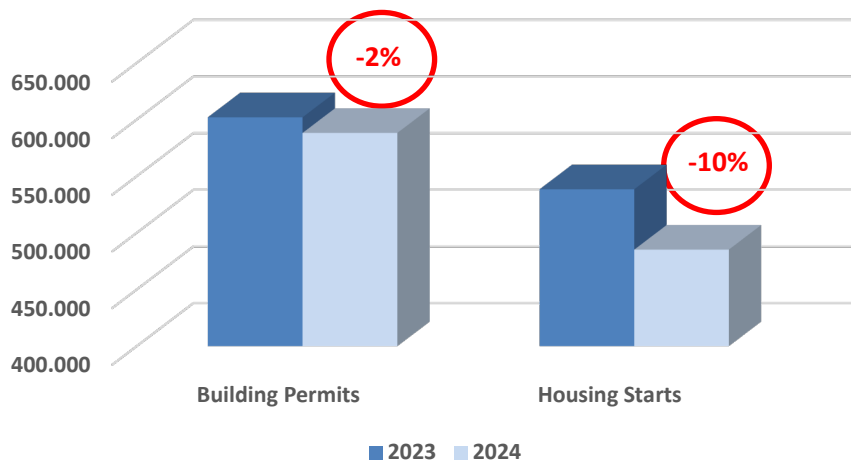


-15% in 2023 in terms of floor area, -20% in terms of number of dwellings. In Nordic and German speaking countries especially difficult situation.

But this year building permits declining less than housing starts



ISC countries building permits and housing starts



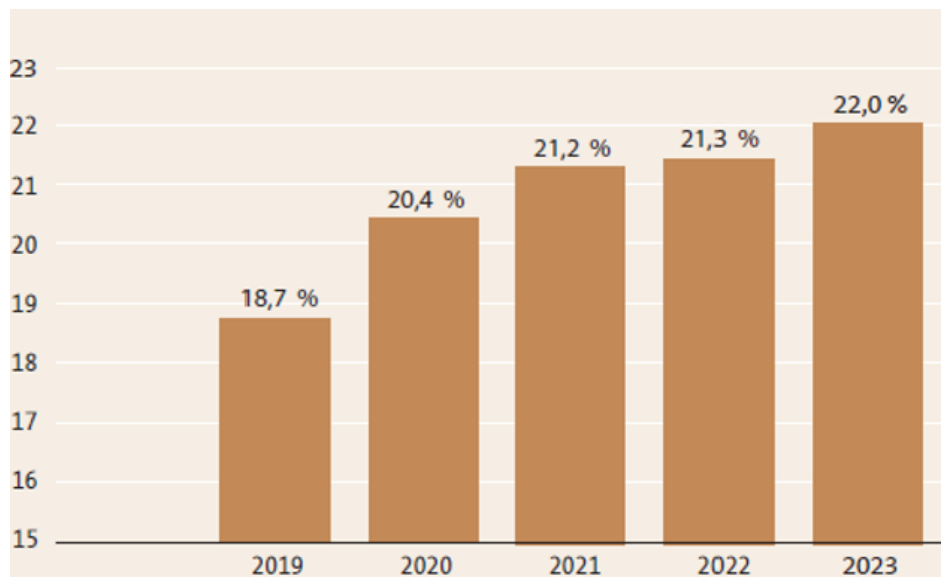
According to figures shared by EOS and ETTF members, **housing starts** will have **declined across Europe by around 10%**. **Building permits** (which indicate future construction) **are expected to decline by 2%** pointing to the fact the bottom might have been reached in 2025.

Source: EOS/ETTF; not all countries are available. Countries reported here include for building permits: AT, BE, DK, FI, FR, LV, NL, NO, RO, SW. For housing starts: AT, DK, ES, FI, FR, NL, NO, SW, RO

Wood as a building material gaining market share



Germany: Residential building (new building) 2023 Permits with wood as predominantly used material

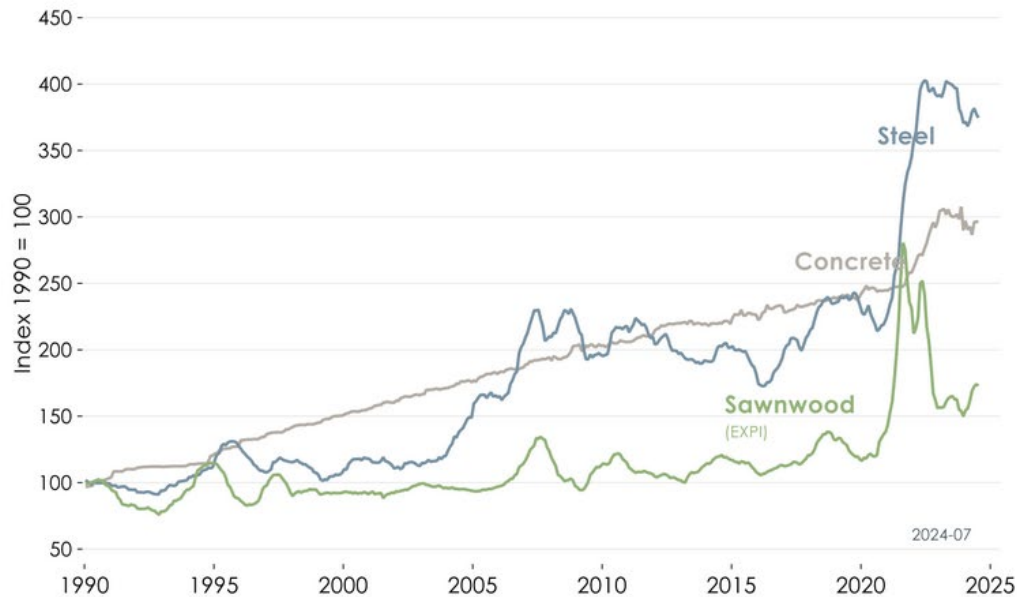


Year	2019	2020	2021	2022	2023
Wooden houses	22.284	25.375	27.477	23.539	14.957
Total	119.457	124.596	129.306	110.671	67.931

Wood has gained competitiveness compared to other construction materials



Price indices Swedish building materials





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Summary

- In the **short term** the situation will **remain difficult** for the European wood industry. But, unless there is another major international shock, there are **signs that decline** in construction markets **has bottomed out**.
 - **Wood** as a building material continues to **gain market share** with consumers, developers and decisionmakers acknowledging its properties: we **need to continue to work** at national and international level to secure market share.
 - With a good product development **wood has gained competitiveness** against other materials. BUT the **availability of raw materials at affordable prices remains key** for the industry and this is increasingly questioned!
 - Fixed and other **costs** are not expected to go down. More **operational efficiency** and investments in **automation** will be necessary to compensate the high costs.
 - **Question marks** regarding legislation and international context: EUDR implementation: feasibility and costs? Ukraine-Russia conflict? Chinese construction markets? Political conflicts in ME? US elections?
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Thank you for your attention!

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