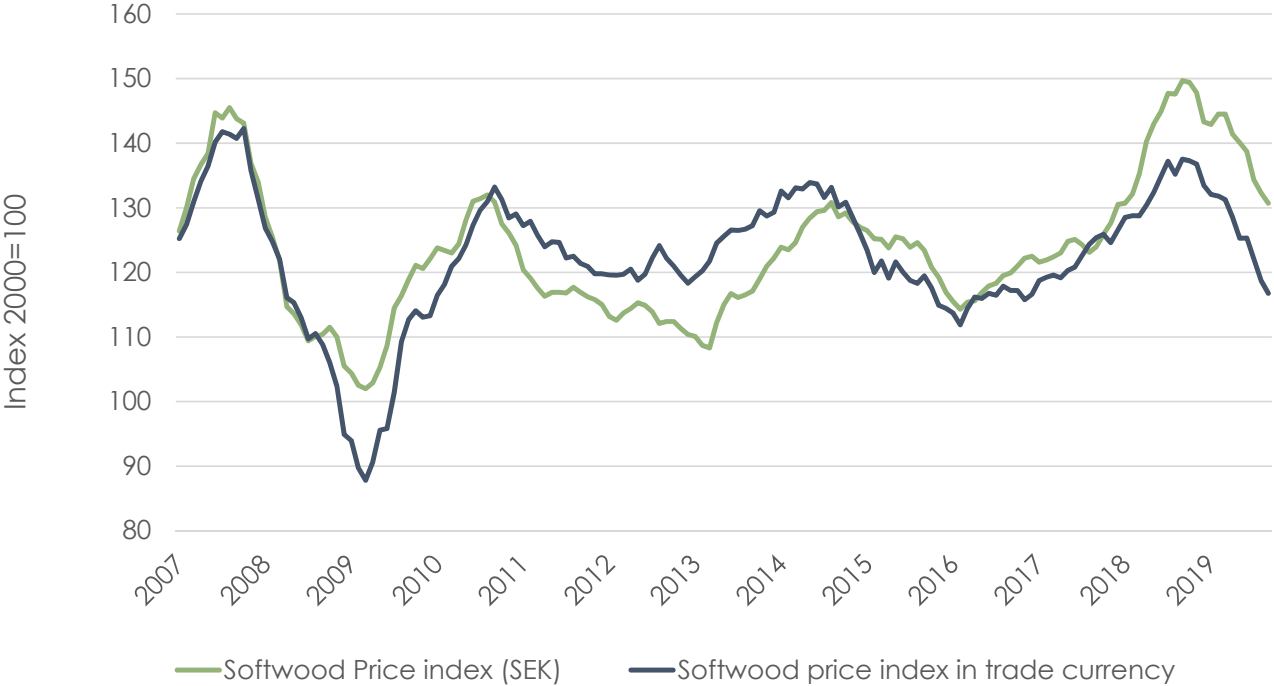


Softwood market trends and outlook

Magnus Niklasson,
Forest Market Insights
Karlstad,
November 20:th 2019

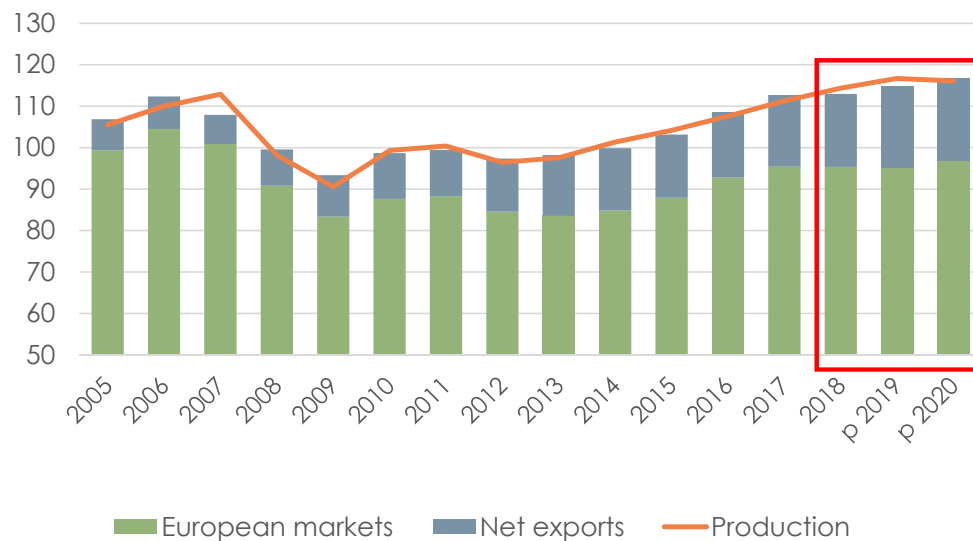
- 
- **The softwood market today**
 - **Softwood consumption scenarios up to 2024 per region**

Price Index in trade currency in September down on the 2016 years level. Most of the decrease should be behind us, but high supply (stocks at sawmills) and cheaper raw material indicate risk for further price cuts.



The European softwood balance: Production cuts necessary to reach balance. How fast and how much?

European* sawmills production and shipments (mill. m3).
Scenario 2019-2020.

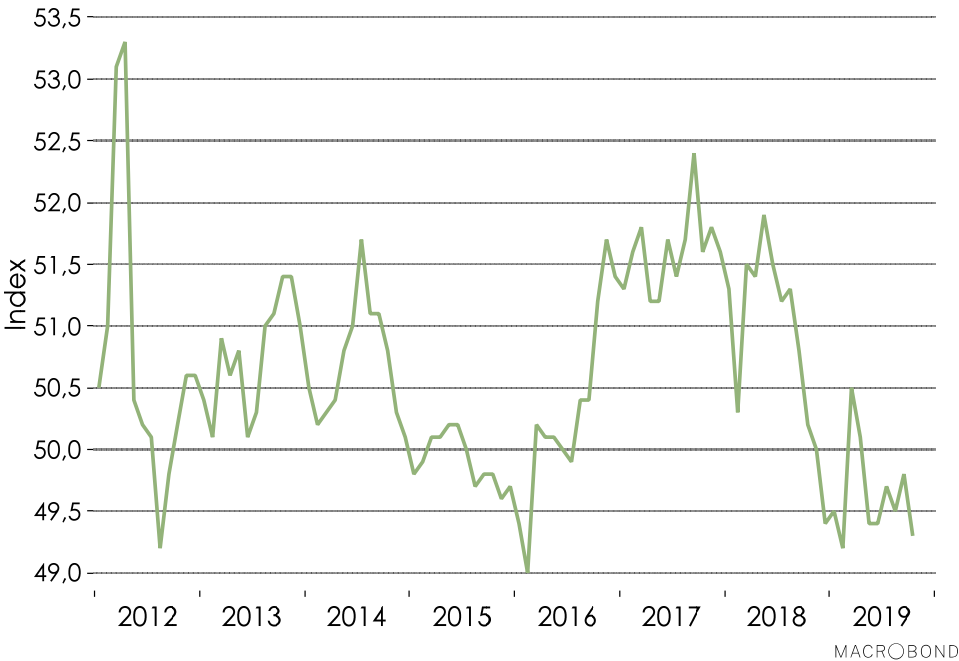


	Prod. (m3)	Shipments (m3)	Balance
2018	114,4	113,0	1,4
2019	116,7	114,7	2,0
2020	116	117	-1

Source: FAO / FMI

WARNING 1: China increasingly important. The trade issue is a real threat.

China, Purchasing Managers Index. Manufacturing industry.



European softwood balance 2020:

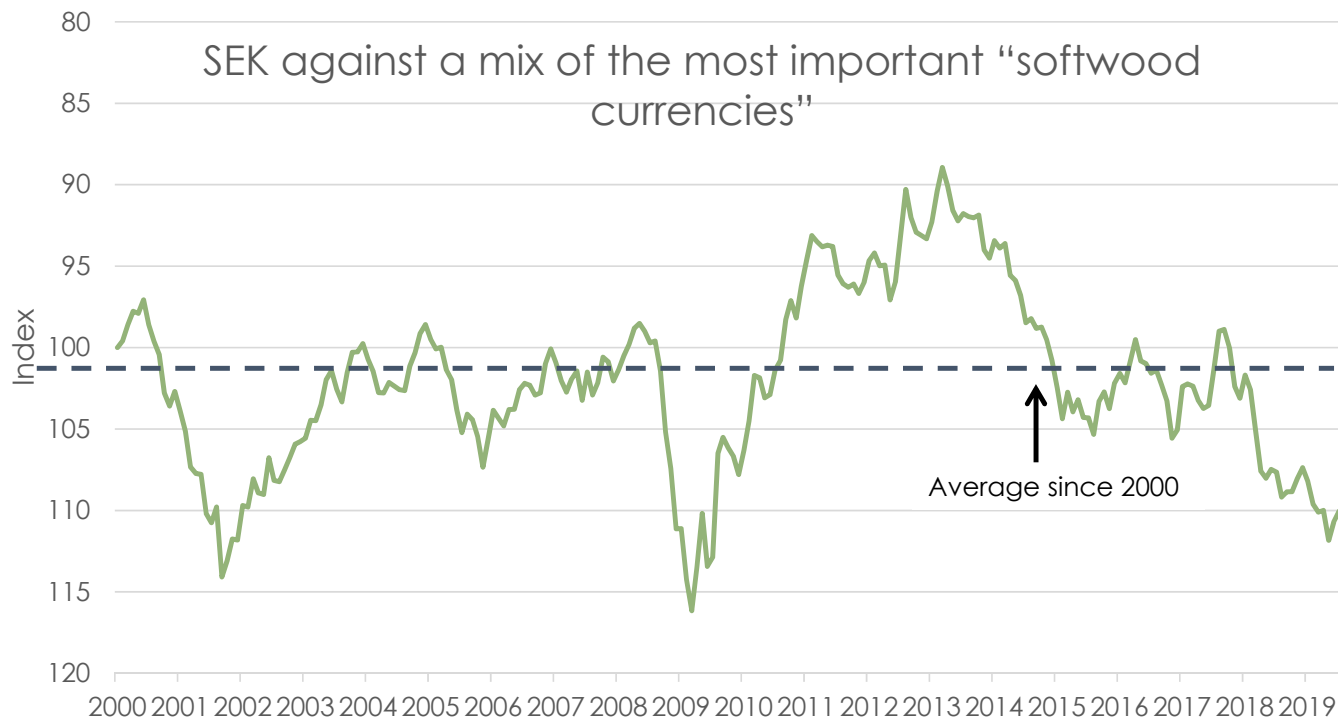
Larger production and worse non-European demand than expected.

Softwood demand	Volume 2019 (mill. m3)	Demand change 2020 (m3)	Demand change 2020 (%)
Europe	95	+0,6	+0,6
MENA	9,9	+3,2	+0,7
China	4,0	+1,5	+1,0
Japan	15	+0,1	+0,8
Other Asia	5,9	+0,8	+14
North America	100	+1,7	+1,7
Other			
World	351	+5,5	+1,6
Production volume 2019	353	+3	+1
Balance 2019	+2 million m3		
Production volume 2020	356 (+3)		
Balance 2020	-2 million m3		

Conclusion: Increase in European production larger than the increase in demand/shipments
2018 = big change in a period of only a few months

Källa: FAO / FMI

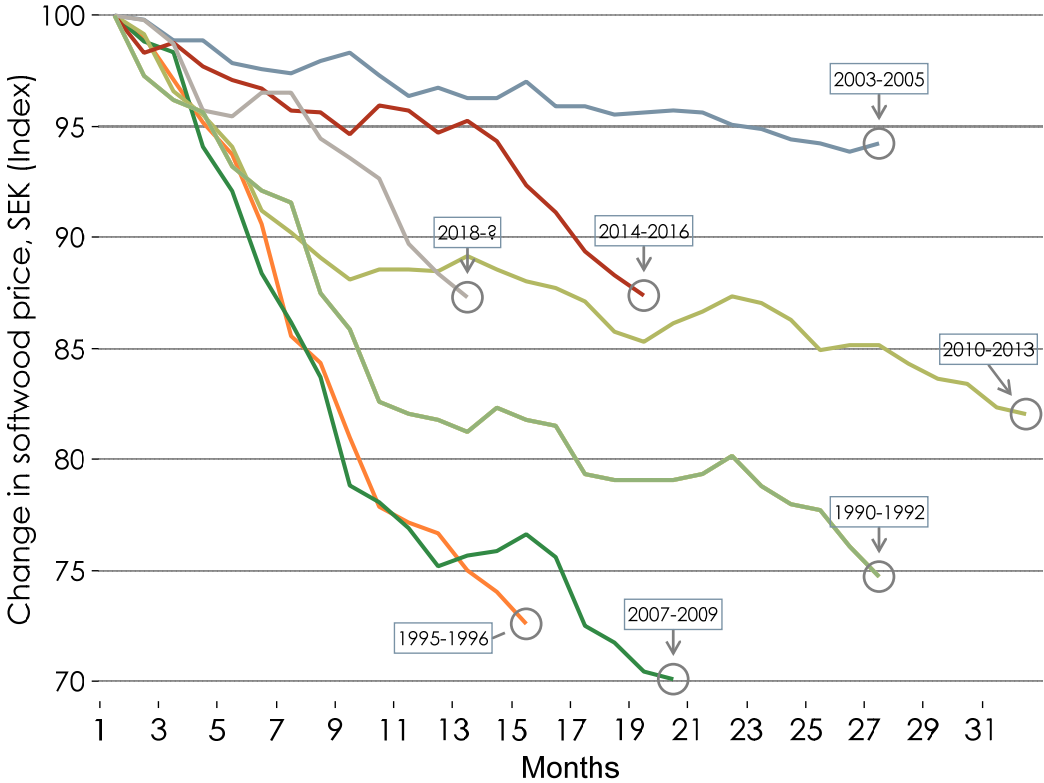
WARNING 2: The airbag already released! SEK 12 per cent weaker than the historic average. Remember 2012...



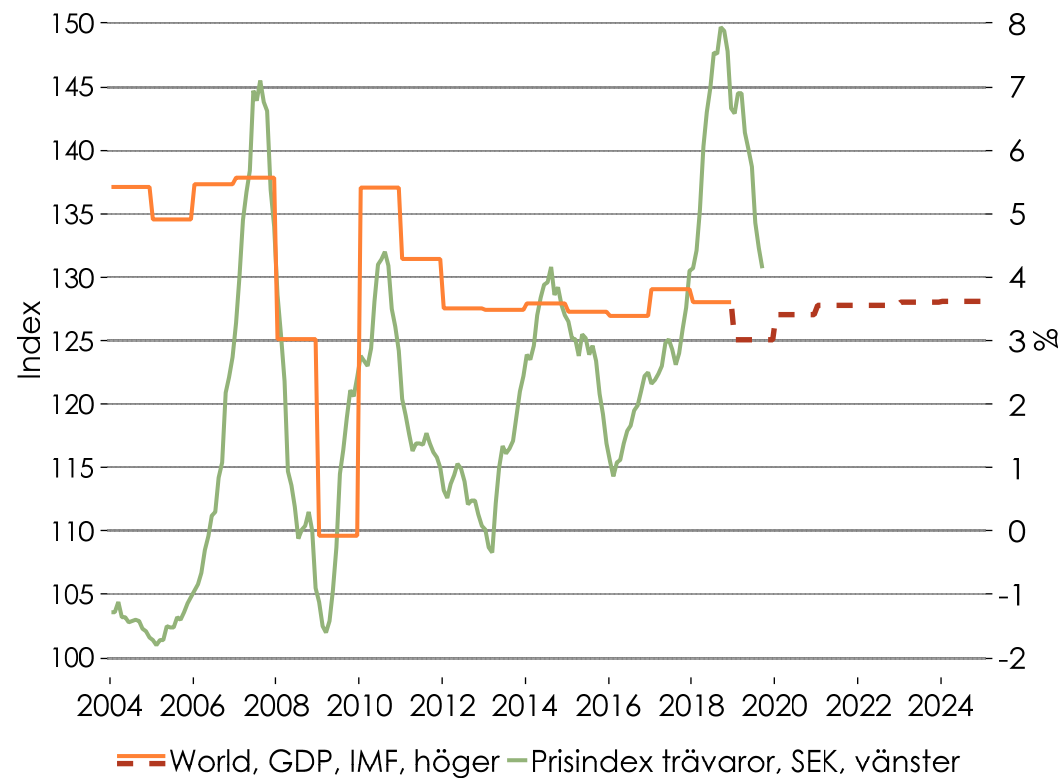
THE BIG...



Down cycles normally 1,5 or 2,5 years..



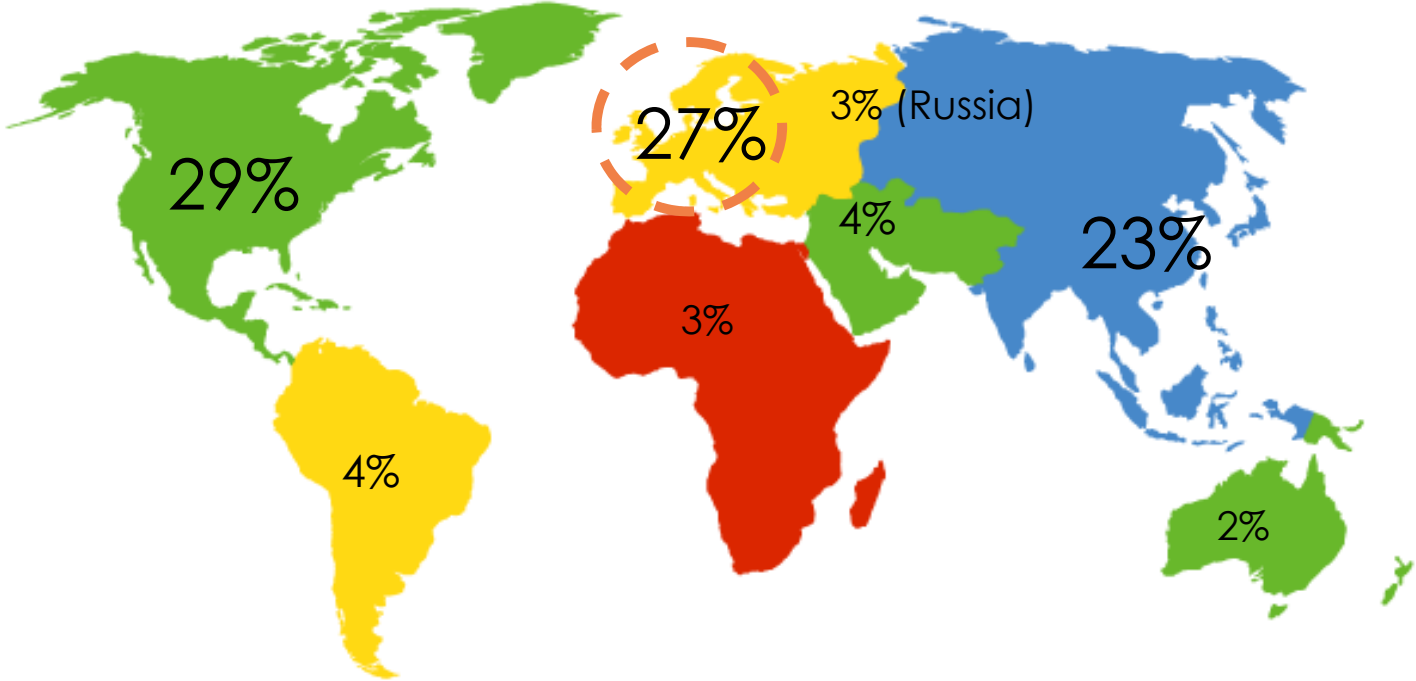
If we look at the global economy forecasts it doesn't look that bad... After two years of weakening global economy IMF forecasts slightly higher growth coming years.



- 
- **Softwood consumption scenarios up to 2024 per region**

Global consumption of sawn softwood: 350 mill. m³

Shares of global consumption per region (2019)

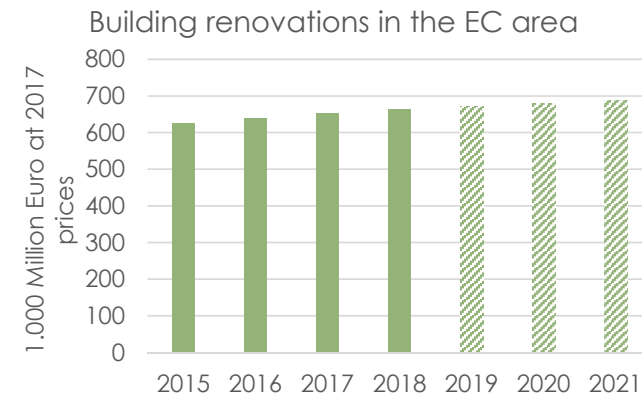
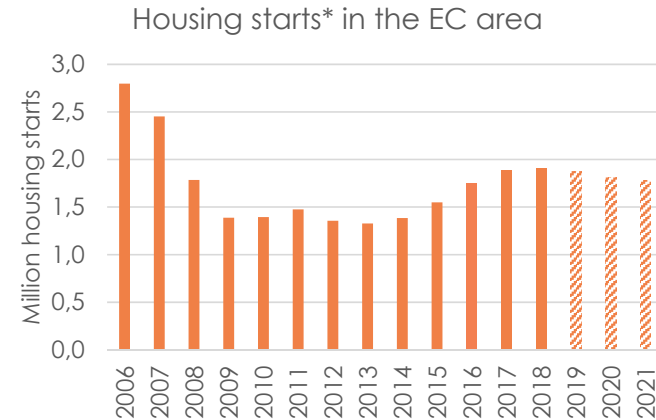


Source: FAO

Europe: Slowing down

Building activities are slowing down, but still growth. Housing starts are decreasing slightly.

Change in % (euro at 2017 prices)	2018	2019 (f)	2020 (f)	2021 (o)
Total residential construction	3,0	1,2	1,0	0,8
Total construction	3,1	1,9	1,5	1,4



United Kingdom: Pessimism in the construction sector since June



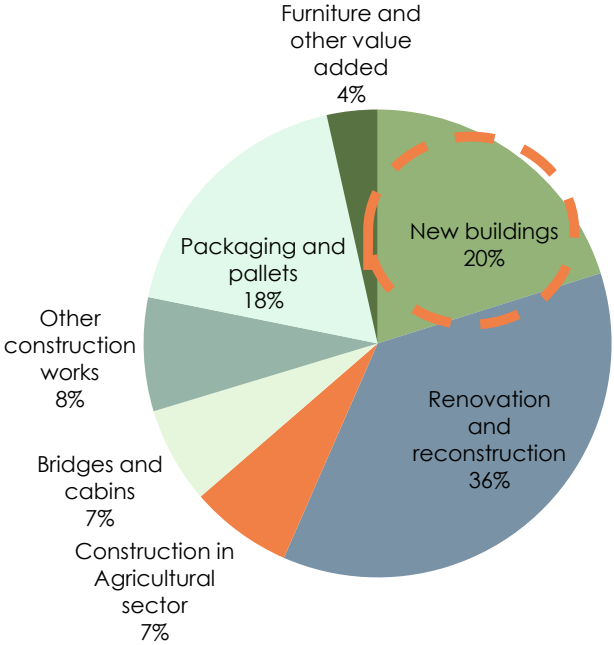
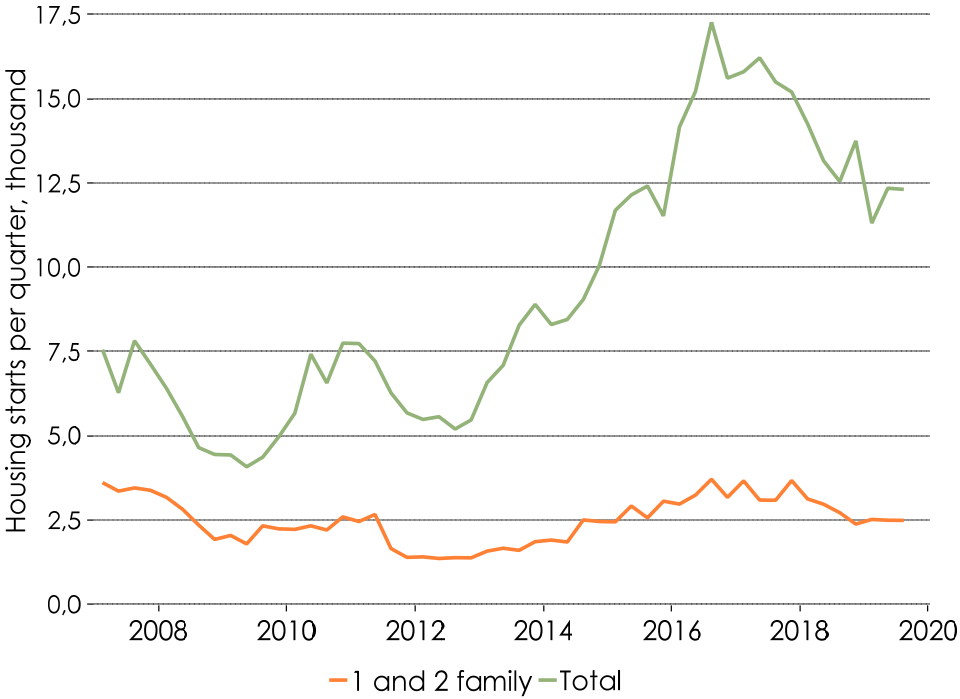
United Kingdom, Construction Activity PMI



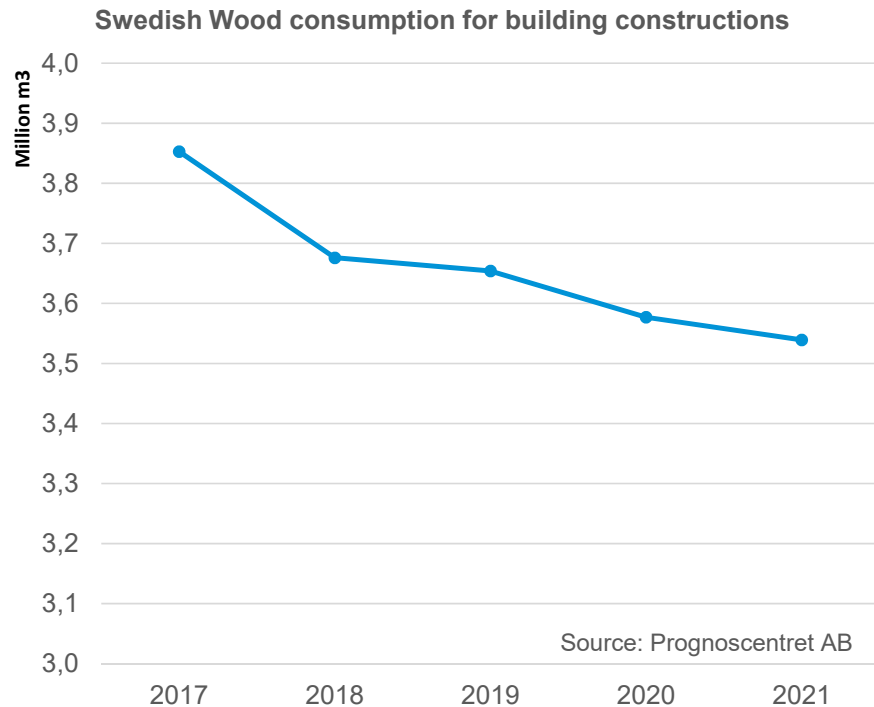
- **Brexit anxiety is holding back investments**
- **Consumption is rolling on, this far...**
- **Could be costly to “take back control”.**



Dramatic decrease in Swedish housing starts - but other segments are stable



Still, falling Wood consumption

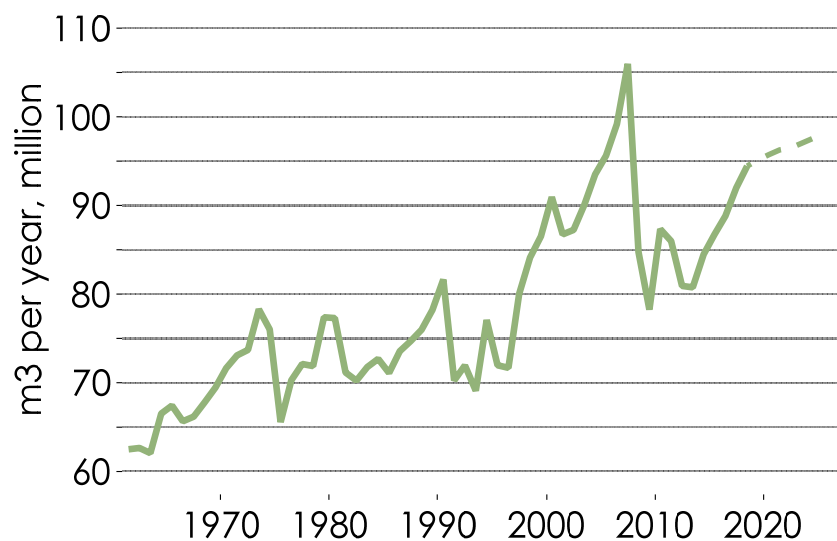


- **300.000 m3 decrease 2017 to 2021**
- **A decrease with bout 5 per cent of the total Swedish softwood consumption**
- **More or less the whole decrease in the new building segment**
- **Consideration taken to increased building with wood**

Scenario Europe: Softwood consumption slowing down – close to zero growth coming years

Europe, softwood consumption

Scenario 2019-2024

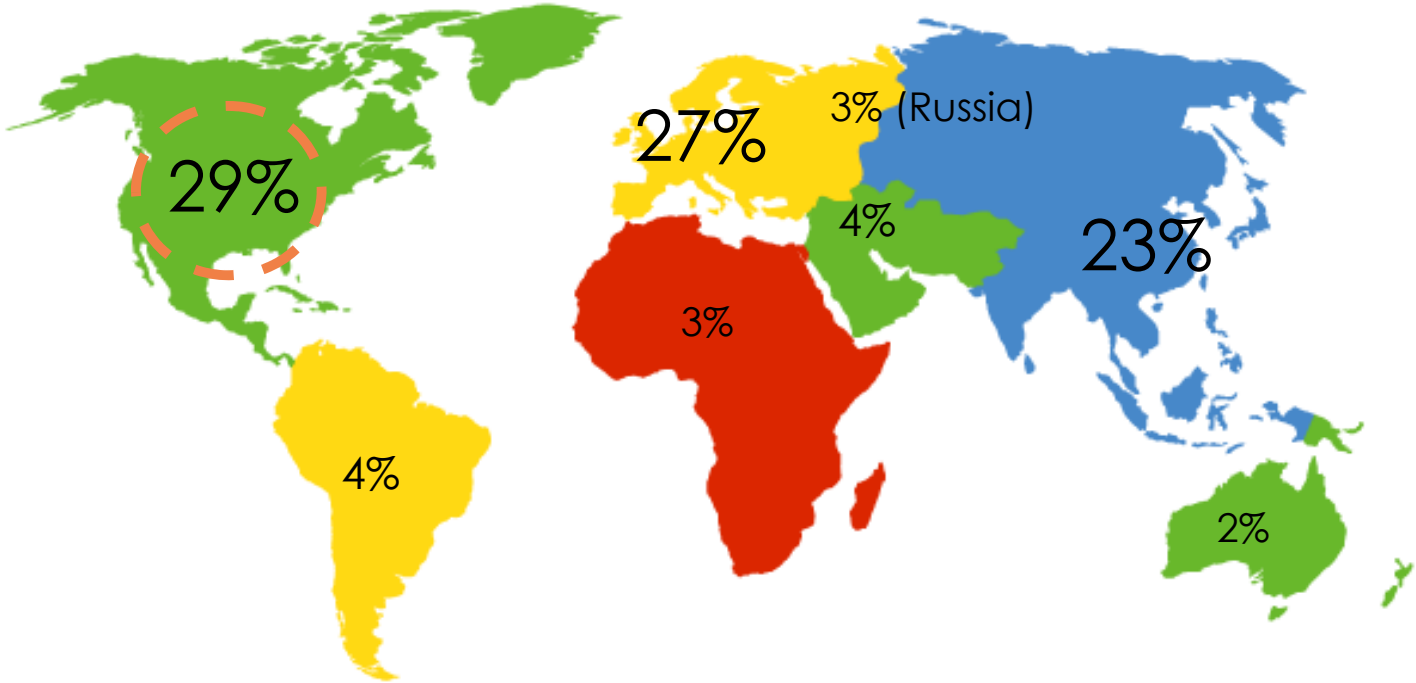


Källa: FAO / FMI

	Consumption 2018, mill. m3	Av. growth 2018- 2024, %	Consumption 2024, mill. m3	Change 2018-2024, mill. m3
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Other	30			
World				

Global consumption of sawn softwood: 350 mill. m³

Shares of global consumption per region (2019)

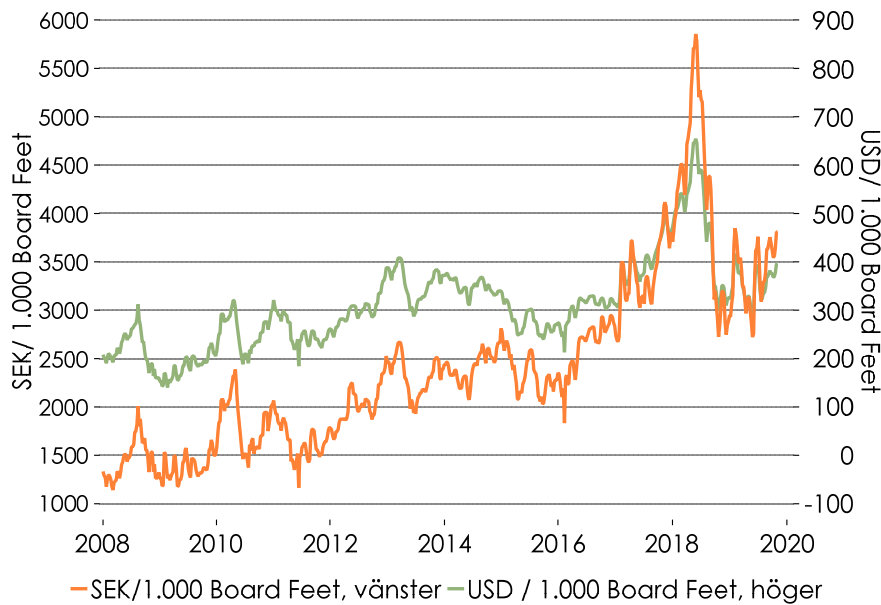


Source: FAO

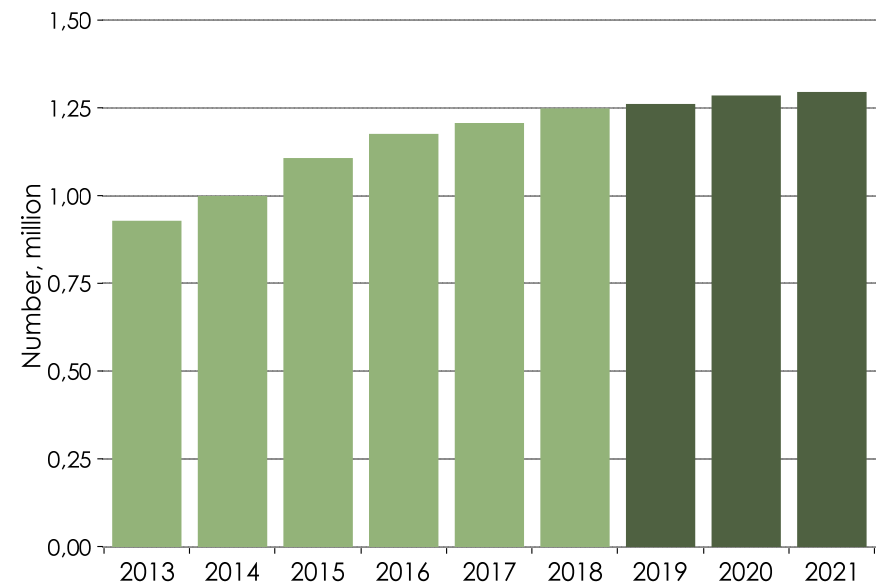
The US softwood price cycle one year ahead: 2x4 on its way up. Decent demand growth.



SPF 2x4, Random Lengths



United States, Housing Starts, Total

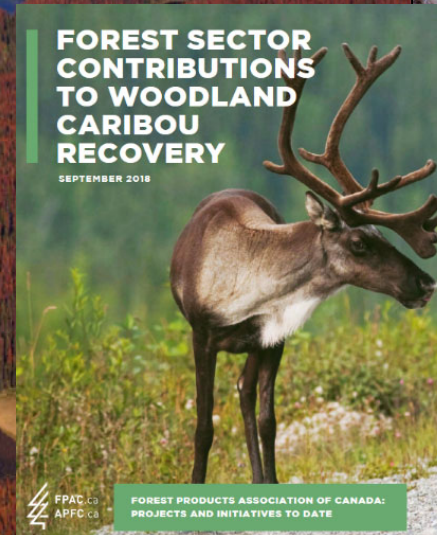


Source: Fannie Mae

Restrictions to wood supply!

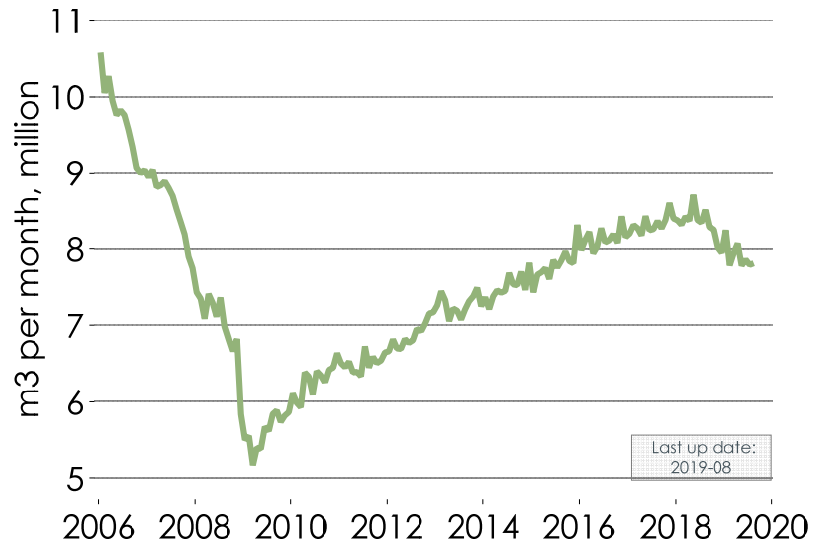


Photo credit: Allan Carroll

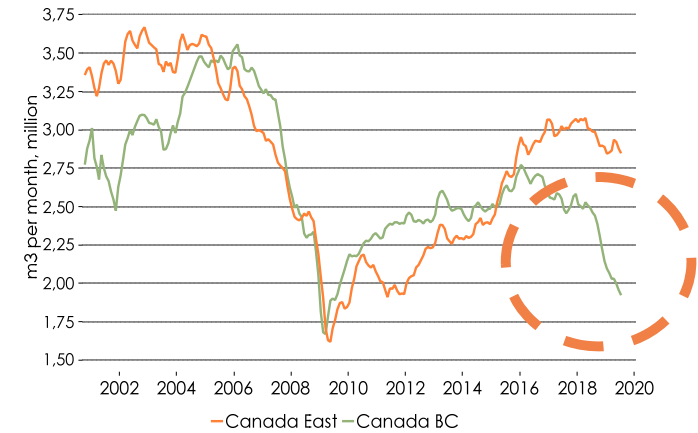


North American production decreases this year!

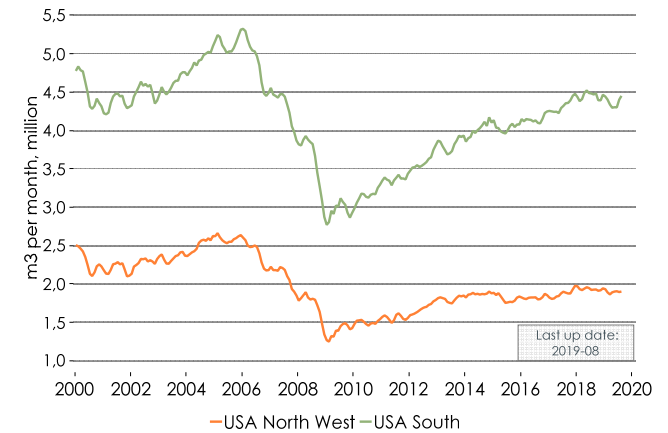
North American lumber production



Canada. Softwood Production per region.



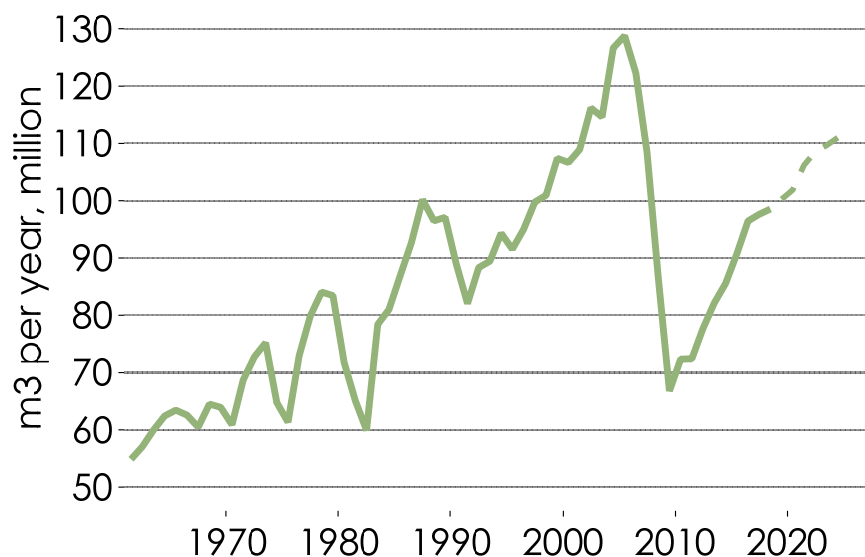
USA. Softwood Production per region.



Scenario North America: Growth, but lower pace ahead

North America, softwood consumption.

Scenario 2019-2024



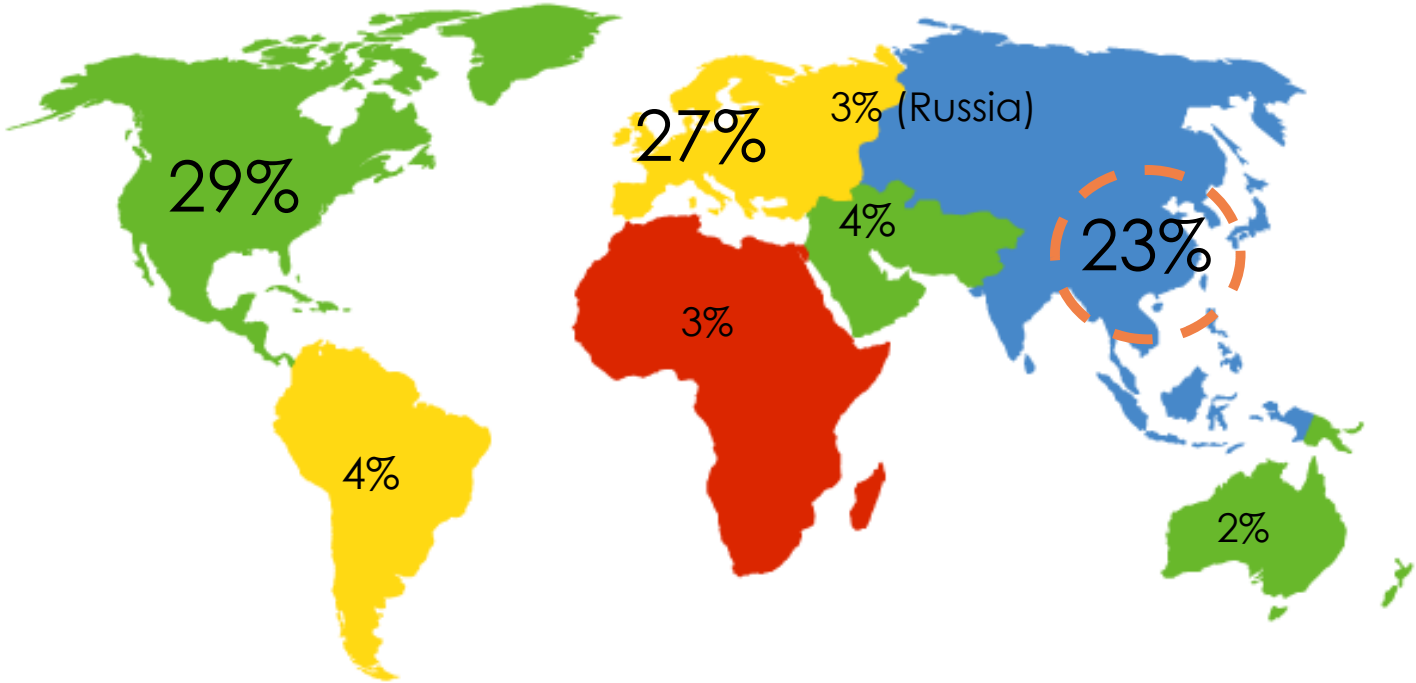
Källa: FAO / FMI

FOREST MARKET INSIGHTS

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Global consumption of sawn softwood: 350 mill. m³

Shares of global consumption per region (2019)



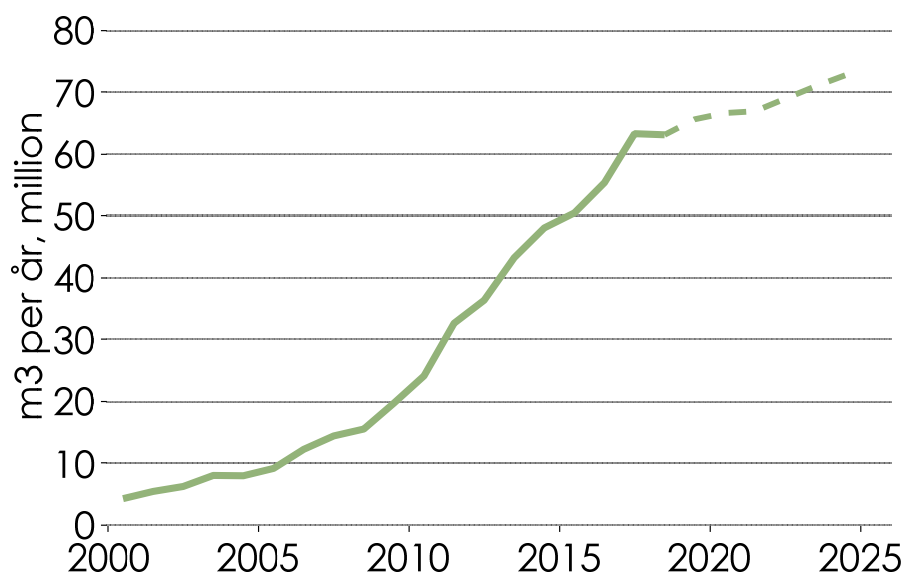
Source: FAO

Scenario China: The growth slows down to "normal" level



China, softwood consumption.

Scenario 2019-2024



Källa: FAO / FMI

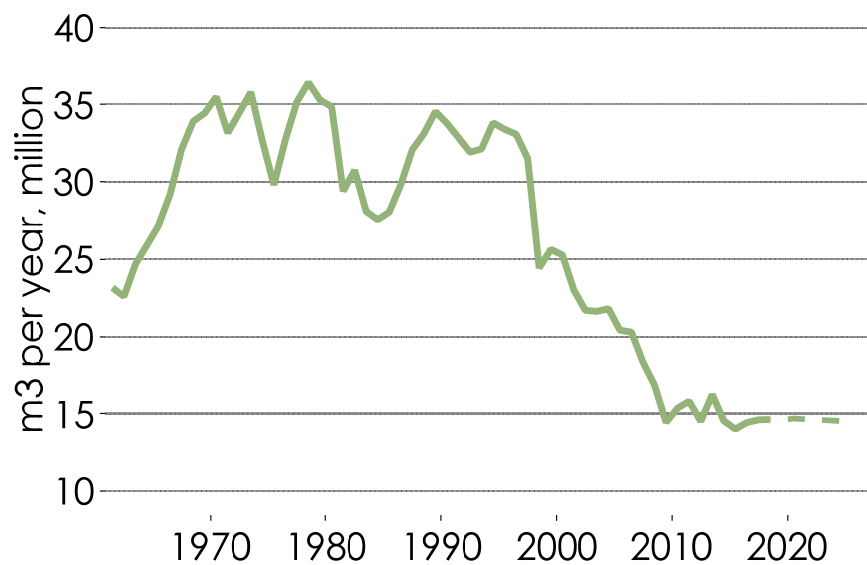
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World				

Scenario Japan: Consumption levelling out



Japan, softwood consumption.

Scenrio 2019-2024



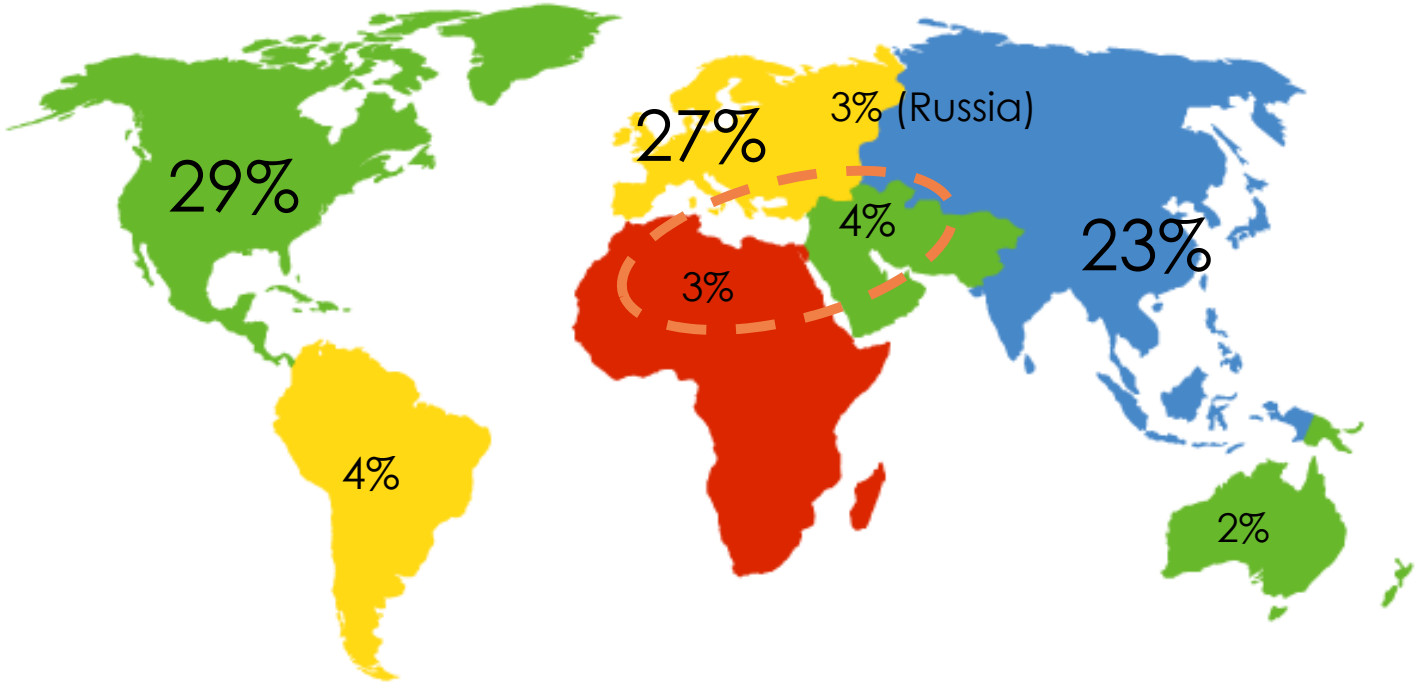
Källa: FAO / FMI

FOREST MARKET INSIGHTS

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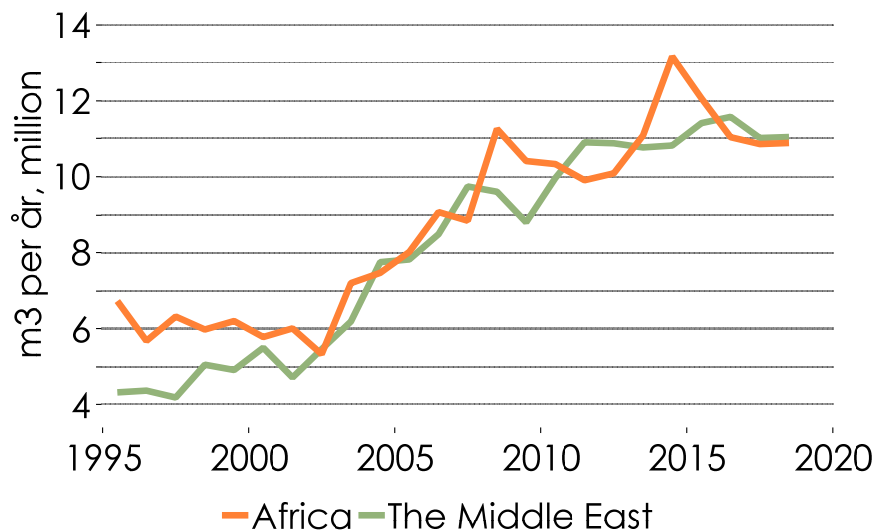
Shares of global consumption per region (2019)



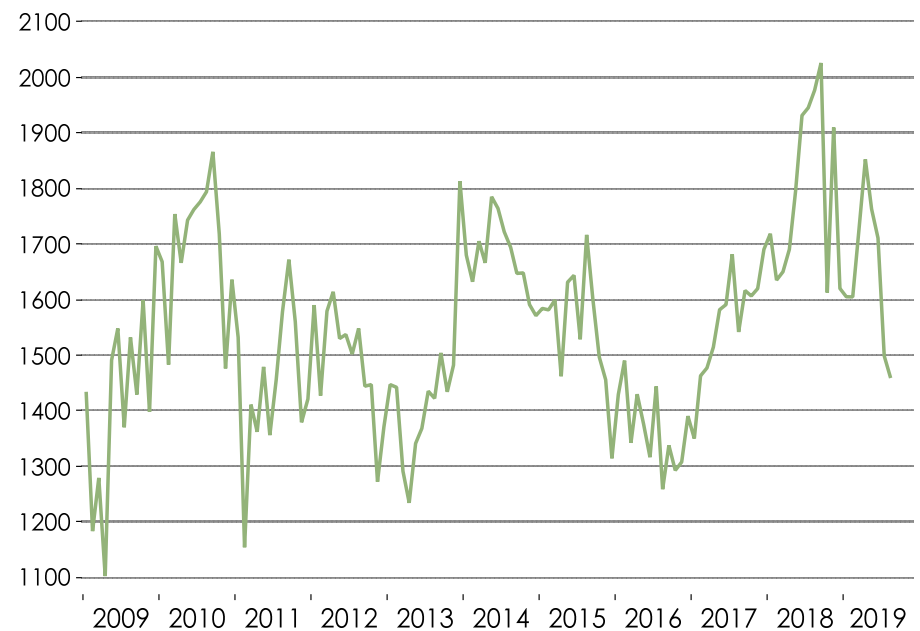
Source: FAO

Africa and the Middle East: Mediocre growth during the last decade. Volatile prices.

Africa and the Middle East, softwood consumption.



Egypt. Swedish export prices, SEK/m3. Sawn redwood.



Källa: FAO / FMI

Decent growth in the MENA region in coming years

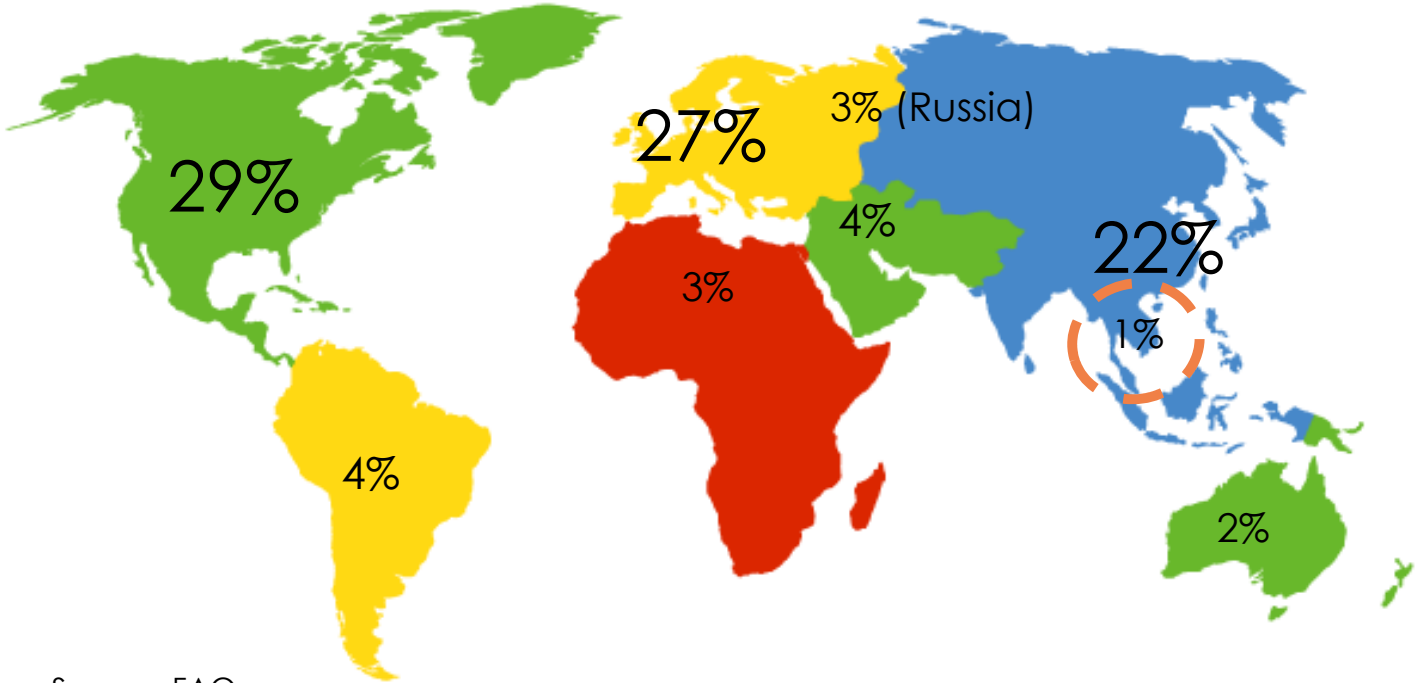


	Consumption 2018, mill. m3	Av. growth 2018- 2024, %	Consumpti on 2024, mill. m3	Change 2018-2024, mill. m3
Europa	94	0,5%	97	3
Nordamerika	99	1,5%	108	9
Kina	63	2,4%	73	10
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Afrika	11	2,6%	13	2
Mellanöstern	11	2,6%	13	2
Södra och sydöstra Asien	5	1,2%	10	5
Centralasien	4	4,2%	5	1
Sydamerika	14	1,9%	15	1
Övriga	30			
Världen				

Källa: FAO / FMI

Global consumption of sawn softwood: 350 mill. m³

Shares of global consumption per region (2019)



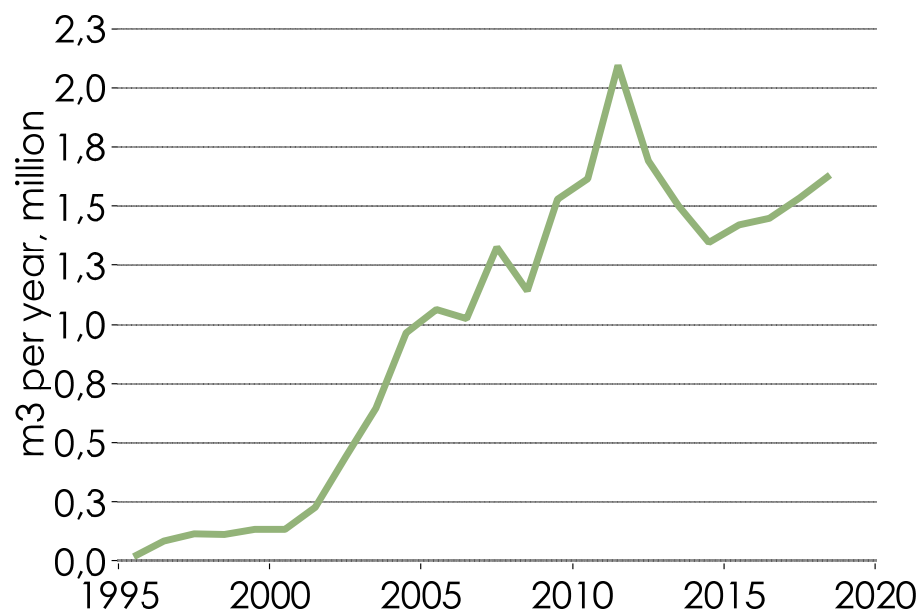
Source: FAO

South Asia*: Huge potential!

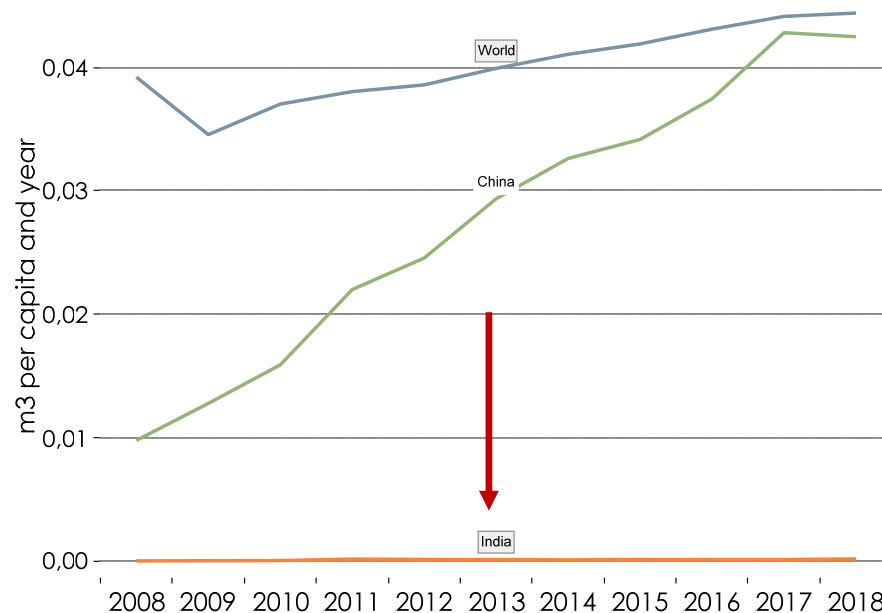
*India, Pakistan, Bangladesh etc.



South Asia, softwood imports



Softwood consumption per capita

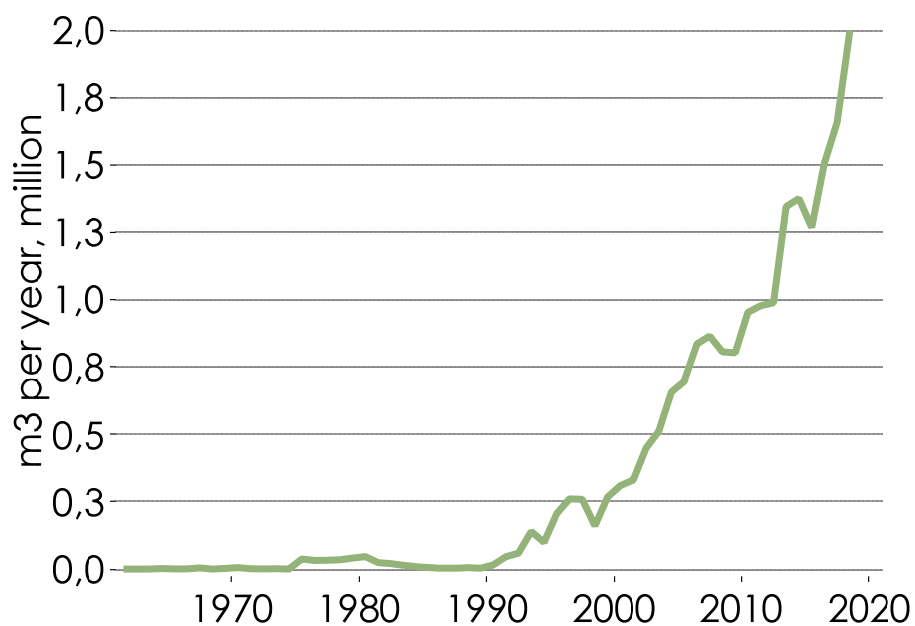


Källa: FAO / FMI

South East Asia*: Outstanding growth last years

*Indonesia, Vietnam, Philippines, Malaysia etc.

South East Asia, softwood consumption



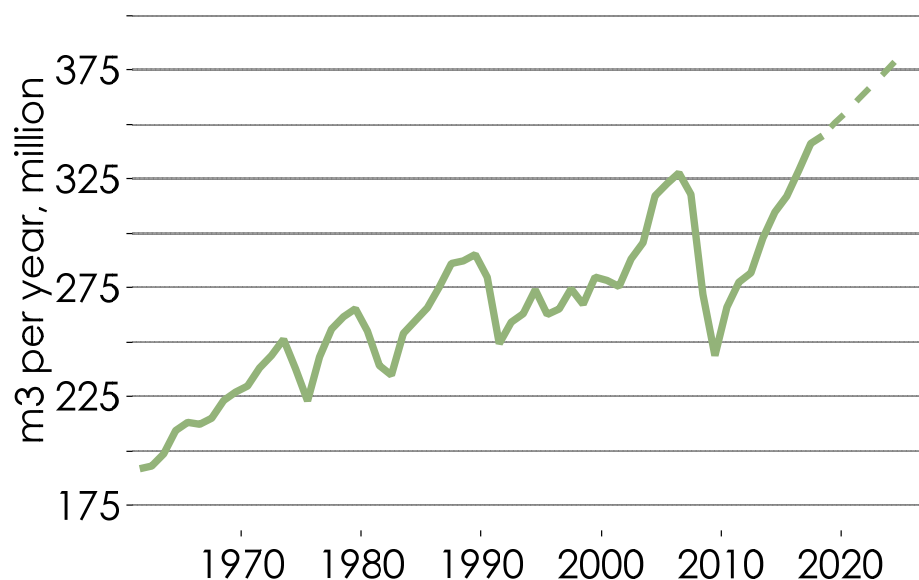
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Other	30			
World				

The global scenario: Continued growth, but slower pace

World, softwood consumption

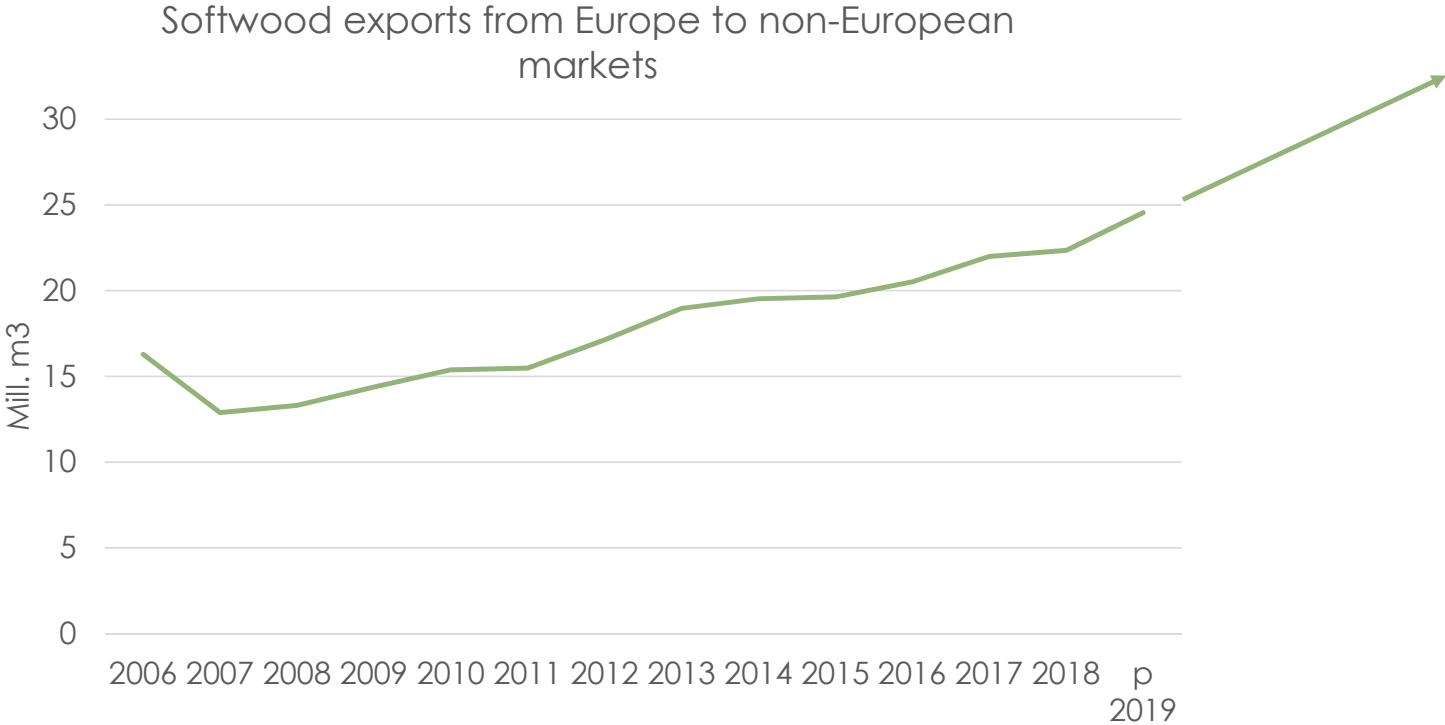
Scenario 2019-2024



Källa: FAO / FMI

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Other	30			
World	345	1,6%	379	34

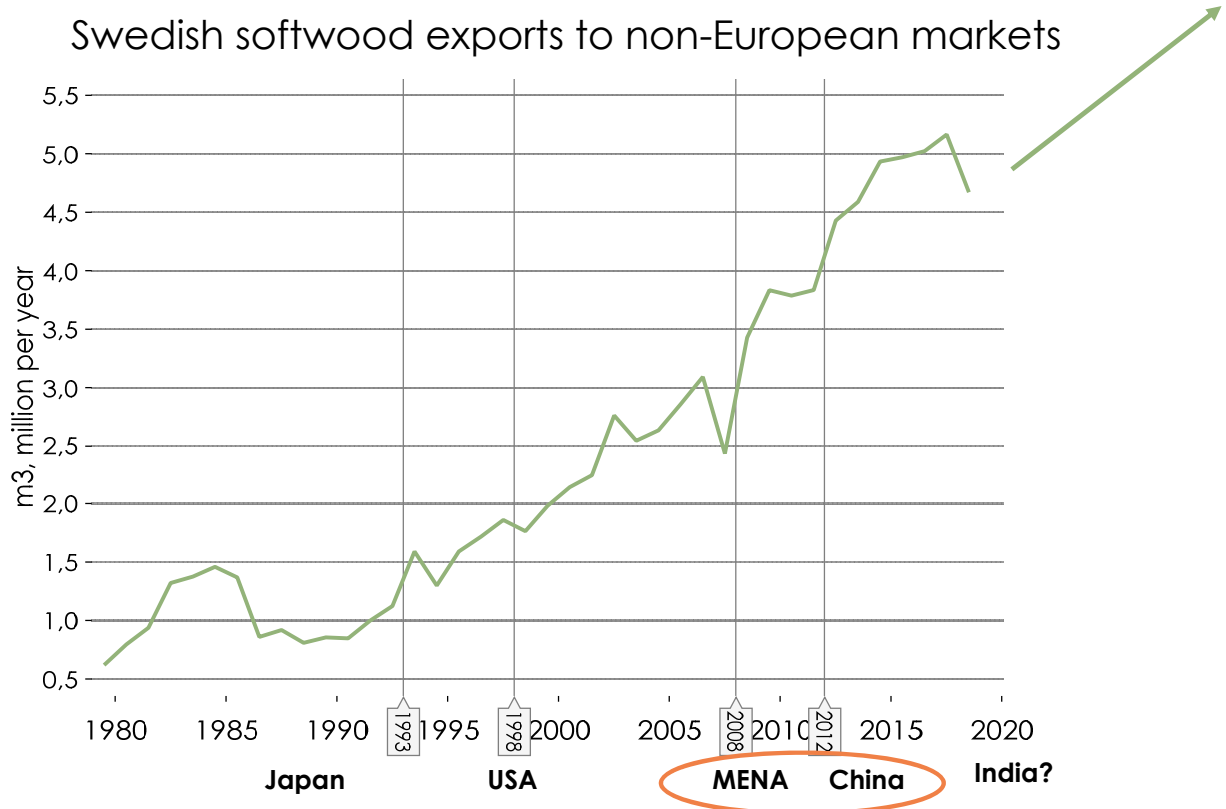
91 per cent of global growth up to 2024 outside Europe



Källa: FAO / FMI



91 per cent of global growth up to 2024 outside Europe



Summary: Searching for early signs of recovery

- (Almost all) additional demand during the coming five years will come from non-European markets
- Which speaks for continued increase in non-European exports (and volatility in prices)
- The European supply seems to have peaked, two years after demand peaked in 2017...
- Production cuts in Europe necessary. How fast and how much?
- Production cuts in **British Columbia** means possibilities for European producers
- **The trade war issue is worrisome**
- **Currency development** – the airbag already released





Thank you!

magnus.niklasson@forestmarketinsights.se

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Industries