NEWSLETTER May – Jun 2021

Northern Europe

Swedish exports of sawn softwood declined by 12% in Q1 to 3.3 million m3. Deliveries to other European countries are on the rise though (+5% to 2.22 million m3). Shipments to the main market UK are up 13% to 740,000 m3 and with the exception of Germany (-7% to 220,000 m3) all other large continental European markets have seen their imports of Swedish sawn softwood increase (the Netherlands: +7% to 300,000 m3; Denmark: +13% to 280,000 m3, Norway: +9% to 250,000 m3). Deliveries to all other regions are down.
Overseas the main markets remain the US (-16% to 190,000 m3) and Japan (-17% to 190,000 m3**.** (Source: Skogsindustrierna).

In the first three months, **Latvian softwood lumber exports declined by 4.5% to 708,900m3.**

The price for pine sawlogs in Estonia rose in April to €86.96/m3 ex forest, **the highest figure ever recorded.**

Central Europe

In the first four months, **Germany's softwood lumber exports grew by 12%, totaling 3.5 million m3**. In the same period of 2020, 3.1 million m3 were sold on foreign markets.
Exports are mainly driven by the growing US market. With almost 800,000 m3 in four months, an increase of 45% or 250,000 m3 was recorded compared to the same period of 2020.
Austria also bought significantly more than last year (355,000 m3; +27%). Similar quantities were exported to neighboring countries Netherlands (+10%), France (+33%) and Belgium (+8%). Shipments to Great Britain even saw a 70% increase.
Marked decreases were recorded on the overseas markets India (-20%) and China. Exports to the latter market even halved, reaching only 150,000 m3.

According to Destatis, Germany's sawmills generated sales worth €626.83 million in April. Year on year, this is an increase of 53.9% (April 2020: €407.15 million). On the one hand, this is the result of the strong rise in lumber prices. On the other hand, production was also at a much lower level in 2020 due to the coronavirus pandemic. These two factors aside, though, sales also saw a marked increase of 47.6% compared to April 2019 (€424.67 million).
From January to April, sales totaled €2.125 billion, up by 34% compared to the same period of 2020 (€1.586 billion) and by 32.4% on the first four months of 2019.

In the first quarter, the Austrian sawmill industry exported 1.5 million m3 of softwood lumber, which is exactly the same quantity exported in the same period of the past two years.
There are, however, some differences in the importing countries. As data published by Statistics Austria show, Austria shipped more softwood lumber to its main customer Italy.

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670,000 m3 correspond to an 11% increase compared to 2020. This is not surprising since Italy was hit hard by COVID-19 restrictions in the first quarter of 2020. A further upward trend in exports to Italy can thus be expected in the coming months. In the first quarter, Italy was the destination of nearly half of Austria's overall softwood sawn timber exports (46%).

In relative terms, an even bigger increase was recorded in exports to Germany. They have reached the record high of 290,000 m3. Germany is undisputedly Austria's second most important trading partner when it comes to softwood lumber – among other things because less and less lumber is sold in North Africa. The latter trade flow is reflected in exports to Slovenia, and more precisely in the port of Koper: Shipments to the MENA region totaled 110,000 m3 in the first quarter, which is only around two thirds of what was shipped there in the past two years.

Exports to Japan halved compared to usual trade volumes, reaching only 53,000 m3. This is mainly due to Japanese housing construction starts which were significantly below the normal level in the first quarter. Japan's housing sector could see a recovery now, though. In April, figures showed an improvement which should lead to a higher lumber demand again.

According to Statistik Austria, the US received only 50,000 m3 from Austria in the first three months. This is a 7% decrease compared to the same period of 2020 or 2019. However, the US Department of Commerce reports the import of 91,000 m3 (+52%) of Austrian softwood lumber in the same period. This is probably due to the fact that Statistik Austria classifies lumber shipments via German North Sea ports as exports to Germany, while the US authorities correctly classify them as goods imported from Austria.

A total of 16.79 million m3 of roundwood without bark was felled in Austria in 2020, roughly 11.2% less than a year earlier and 5.7% below the 10-year average. 8.91 million m3 was classified as damaged wood, which equates to a reduction of 24.1% vs 2019.

In 2020, the Czech State forestry administration harvested a volume of 14.3 million m3 roundwood; compared to the multi-year average of approximately 8 million m3, which represents an increase of 79%.

Of this volume, 9.6 million m3 is attributable to the processing of beetle-damaged wood and 4.7 million m3 to regular harvesting.

Russia/Eastern Europe

The Russian Deputy Prime Minister Yuri Trutnev reiterated that the government is sticking to the export ban on roundwood and little-processed sawnwood from January 2022. **The purpose of the export ban is to accelerate the enlargement of production capacity in the wood industry, particularly in Russia's Far East**. The region accounts for almost a third of the standing stock of wood in Russia, but only a small proportion of this in utilized. The Russian government is subsidising companies in the wood industry by paying up to 80% of the transportation costs.

From 1st July 2021 Russia will impose a duty rate of 10% of the export value – or at least

13€/m3 – on exports of sawn softwood with a moisture content of more than 22%. Freshly cut oak lumber is also subject to a duty rate of 10% or at least 15€/m3. With regard to beech and ash lumber a duty rate of 10% or at least 50€/m3 applies.

In the first three months, **Russian softwood lumber exports decreased by 13% vis à vis the comparative period of the preceding year to 5.976m m3.**

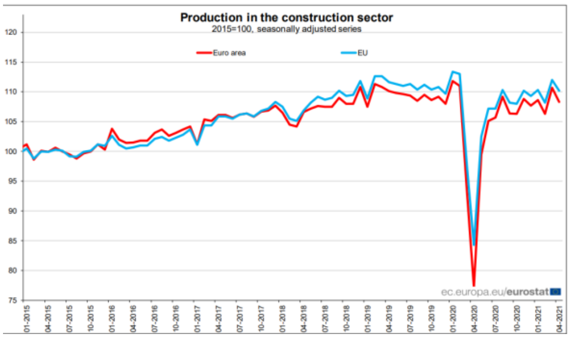
Belarus exports of sawn softwood in Q1 2021 declined by 25% to 770,000 m3. Of this, 625,000 m3 was exported to the EU (-23% vs Q1 2020).

Rest of Europe

In the first quarter **British softwood lumber imports increased by 31% vis à vis the preceding year to 1.894m m3.**

Construction

In April 2021 compared with March 2021, seasonally adjusted production in the construction sector decreased by 2.2% in the euro area and by 1.6% in the EU, according to first estimates from Eurostat, the statistical office of the European Union. In March 2021, production in construction rose by 4.1% in the euro area and by 3.5% in the EU. In April 2021 compared with April 2020, production in construction increased by 42.3% in the euro area and by 32.7% in the EU. In the euro area in April 2021, compared with March 2021, civil engineering decreased by 6.1% and building construction by 1.0%. In the EU, civil engineering decreased by 5.4% and building construction by 0.7%. Among Member States for which data are available, the largest decreases in production in construction were recorded in Hungary (-7.3%), Germany (-4.3%) and Slovenia (-3.4%). The highest increases were observed in Romania (+7.8%), Poland (+4.9%) and Bulgaria (+2.3%). Annual comparisons with last year are distorted by the lockdowns across Europe in spring 2020.



Rest of the World

According to Wood Resources International, the Global Sawlog Price Index (GSPI) has increased for three consecutive quarters to almost $79/m3 in the 1Q/21. This is substantially higher than its 25-year average.
The European Sawlog Price Index (ESPI) rose to €81.44/m3 in 1Q/21, up 9% from the previous quarter. The most significant price increases from late 2020 occurred in the Baltic States and Eastern Europe.

In the first quarter, **Japanese imports of softwood lumber from Europe declined by**

13.1% vis à vis the preceding year to a total volume of 505,762m3.

So far, China has received significantly less lumber this year. Softwood log imports, on the other hand, saw a marked year-on-year increase of 44% in the first five months, as data published by Chinese customs authorities show.

Last year, China imported 13.9 million m3 of softwood logs until the end of May. This year, imports totaled 20 million m3 in the same period. The biggest increase was recorded in shipments from New Zealand: With 7.9 million m3, China imported 50% more than in 2020.

According to Chinese import figures, which differ greatly from German export figures, Germany sold 5.1 million m3 in five months. This would be more than a doubling (+125%). It is still unclear why there is such a big difference between German (1.3 million m3; +12% in four months) and Chinese figures despite the customs number being identical.

A 7% decrease was recorded in imports from Russia (1.6 million m3).

In the first five months, Chinese softwood lumber imports fell by 30% compared to the same period of last year.

According to China Customs Statistics, China imported slightly more than 7 million m3 of softwood lumber from January to May, i.e. 30% less than in the same period of last year. Imports from Russia totaled 4.29 million m3 and saw a decrease of nearly 1.8 million m3 or 29% compared to 2020. Double-digit decreases were also recorded in shipments from Canada (472,000 m3; -61%), Finland (311,000 m3; -26%) or Germany (212,000 m3; -36%).

Softwood lumber imports from Ukraine (448,000 m3; +28%) and New Zealand (272,000 m3; +138%), on the other hand, saw a year-on-year increase.

From January to April, the US imported 12.6 million m3 of softwood lumber, i.e. 14.8% more than in the same period of last year. Imports from Canada rose by 13.3% to 10.9 million m3. They were also 1.7 million m3 higher compared to the overall global softwood lumber imports in the first quarter (9.14 million m3).

According to the FAS, double-digit increases were recorded in shipments from Germany (39%; 651,000 m3), Austria (68%; 141,400 m3) and Romania (89%; 109,800 m3) in the first four months.

Imports from Sweden (-5%; 241,900 m3), Chile (-2%; 71,900 m3) and New Zealand (-3%; 64,500 m3), on the other hand, declined compared to last year.

Prices remain high compared with historical levels but have plummeted in recent weeks.

Sources if not otherwise mentioned: Fordaq, EUWID, ITTO, Wood Resources International, Timber-Online

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