EOS European Organisation of the Sawmill Industry aisbl

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Northern Europe/Baltics

Before coronavirus hit hard the European sawmill industry, Swedish exporters were doing particularly well. **In Q1 2020 Swedish sawn softwood exports were up 17% as compared to Q1 2019 to almost 3.8 million m3.** Swedish mills also took advantage of strikes in Finland.

Exports to China were up 59% to 260,000 m3, while exports to the US were up almost 200% to 240,000 m3. Deliveries to Japan rose by 18% to 225,000 m3. Outside Europe the main market remains Egypt, with deliveries to the North African country up 11% to almost 410,000 m3. Exports to Algeria also rose (+22% to 115,000 m3)

Europe as a whole remains the largest export market for Swedish sawn softwood exporters, with deliveries to other European countries making up 56% of total exports (2.1 million m3, +9% vs Q1 2019). The main market remains the UK with shipments to the United Kingdom dropping 5% to 660,000 m3, while deliveries to Germany were up 27% to 240,000 m3.

In January-April 2020, Latvia exported EUR 853.999 million worth of forestry products, which is a decrease of 10.7 % against the previous year, according to information released by the Latvian Agriculture Ministry.

Timber and timber products made up the bulk or 85.2 % (87.2 % a year ago) of total forestry product exports in January-April, accounting for EUR 727.944 million and declining 12.7 % year-on-year.

Latvian sawn timber exports decreased 23.4 % year-on-year to EUR 196.362 million, firewood exports accounted for EUR 196.362 million, down 6.8 %, plywood exports reached EUR 156.533 million, down 6.8 % from the previous year, plywood exports reached EUR 77.861 million, down 9.4 %.

Wooden furniture exports fell 4.1 % to EUR 53.377 million, and exports of paper, cardboard and their products rose 12.9 % to EUR 42.032 million.

In January-April 2020, Latvia supplied forestry products mainly to Estonia (15.1 %), the UK (14.3 %) and Sweden (10.6 %).

Exports to Estonia increased by 12 % to EUR 12.858 million, exports to the UK dropped 29.4 % to EUR 12.229 million.

In January-April 2019, Latvia exported EUR 956.585 billion worth of forestry products.

Central Europe

In the first three months, **Austrian softwood sawn timber exports (including planed timber) amounted to nearly 1.48 million m3 (-3% vs Q1 2019).** Up until February, they were still stable on the level recorded last year.

Shipments to Italy fell by 10% to 618,000 m3. Germany imported from Austria 243,000 m3 of softwood sawn timber, i.e. 3% less than Q1 2019, Austria.

There was a particularly marked decrease in exports to Japan which are, however, on a much lower level in terms of volume: 59,000 m3 correspond to a 27% decrease. Exports to China, on the other hand, increased by 70%

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reaching a total of 25,000 m3. Deliveries to the US were stable in Q1 at around 55,000 m3.

From January to March 2020, Austria exported a total of 463,000 m3 of glulam and CLT, which corresponds to a year-on-year increase of 3%.
While exports to Italy (163,000 m3; -1%) and Germany (97,000 m3; +2%) remained nearly stable, those to France (41,000 m3; +15%), Japan (37,000 m3; +10%) and Switzerland (37,000 m3; +17%) saw marked increases.

In this phase of accumulation of damaged wood, the Central European sawmill industry is reacting differently than the North American one during the “pine beetle” catastrophe. **Sawmill capacities are raised, and new sawmills are to be built**. Nine new projects are confirmed. As soon as **these expansions or new operations are completed, they will need around 9 million m3 a year (+5.2 million m3/year).** The accumulation of damaged wood has brought thinner log wood to processing companies. In the medium term, the changes in the composition of forests which are to be expected in light of the new climatic conditions (reduction in the rotation period, more space for tree crowns etc.) are also going to result in the increasing availability of thinner log wood.

In April, **the German sawmill industry recorded sales worth € 406.4 million.** Year on year, sales decreased by 4.3% (April 2019: € 424.7 million). Compared to April 2018 (€ 412.4 million), sales saw a 1.5% decrease. This is according to figures by Destatis.
From January to April, sales amounted to nearly € 1.59 billion (-1.1%) and thus remained slightly below last year’s level. In the same period of 2019, around € 1.61 billion were generated. Despite the corona crisis, the German sawmill recorded a 3% increase compared to the first four months of 2018 when sales amounted to € 1.54 billion. In the same period of 2017, almost € 1.47 billion were generated.

In the first four months, **Germany’s softwood log exports** rose by more than 650,000 m3 compared to the same period of last year. From January to April, softwood log exports rose by 38% to 2.39 million m3. Volumes shipped **to China more than doubled**: 1.18 million m3 correspond to a 129% increase.

Construction in Europe

In April 2020, the Covid-19 containment measures widely introduced by EU Member States continued to have a significant impact on production in construction, as the seasonally adjusted **production in the construction sector decreased by 14.6% in the euro area and by 11.7% in the EU**, compared with March 2020, according to first estimates from Eurostat, the statistical office of the European Union.
In March 2020, production in construction fell by 15.7% in the euro area and by 13.6% in the EU. Overall, production in construction in the euro area and EU has fallen to the lowest level recorded since the start of the series in 1995. In April 2020 compared with April 2019, production in construction decreased by 28.4% in the euro area and by 24.0% in the EU. The largest decreases in production in construction

were observed in France (-60.6%), Belgium (-39.0%) and Spain (-32.6%).

Although the headline figures from IHS Markit Construction Purchasing Managers Index (PMI) for the eurozone and UK in May were better than in April, they still indicated a steep decline in construction activity. **For the eurozone, the PMI rose to 39.5 in May, up from a record low of 15.1 in April** (a score below 50 indicates contraction).

Survey data showed Germany and France recorded a third straight month of decreasing construction output in May, although the decline slowed markedly amid easing lockdown measures. Italy posted a marginal rise in construction activity in May following a collapse in April.

The UK construction sector also suffered one of its worst results in May since the PMI surveys began as building work was grounded by the pandemic and lockdown measures. Construction firms fear a recession and postponement of new projects in the next year despite a gradual reopening of sites in May.

The IHS Markit/CIPS UK Construction PMI registered at 28.9 in May, picking up from the record low of 8.2 in April. Around 64% of the UK survey panel reported a drop in construction activity during May, while only 21% signaled an expansion. Growth was attributed to a limited return to work on-site following shutdowns in April due to the coronavirus outbreak.

Russia

In the first four months of 2020**, Russia exported 9.3 million m3 of softwood sawn timber (including planed timber). The overall volume thus decreased by 7% compared to the same period of 2019.**

This overall decrease is mainly due to reduced shipments to China which fell by 11% to 5.49 million m3. Volumes exported to Uzbekistan also saw a negative development (698,000 m3, -8%). More Russian softwood sawn timber was exported to Japan (377,000 m3; +9%), Azerbaijan (331,000 m3; +17%) and Kazakhstan (310,000 m3; +90%). The most marked relative increase was recorded in shipments to Tajikistan which skyrocketed by 625% to 123,000 m3

Rest of the World

Cece Chen of Suifenhe Friendship Wood Industry at the last Global Log and Lumber Conference stated that the **Chinese market will take two years to fully recover**. In Q1, China's stock levels reached twice the normal level, i.e. 7.5 million m3 of log wood and 2 million m3 of lumber. Freight rates for softwood lumber (CIF) increased by up to 20 US-$/m3, while domestic production plummeted by 50% in China. The COVID-19 pandemic led to a lack of Chinese workers in Russian sawmills. Furthermore, the warm winter made it difficult to harvest log wood in the northwest of Russia.

Overall, in the first five months of 2020, **China's softwood sawn timber imports fell by 11% or 1.3 million m3 vs Jan-May 2020**. According to Customs Statistics China, the US sold already 500,000 m3 (+261%) to China. **Russian exports to China fell by 1 million m3 or 14% year on year to 6.1 million m3**.

Canadian shipments plummeted by 46% to 1.2 million m3.

With the exception of Finland (422,000 m3; -18%), **Europeans are also the winners on the Chinese market** with Sweden (404,000 m3; +56%), Ukraine (350,000 m3; +12%) and Germany (330,000 m3; +34%) recording double-digit increases.

The development of Belarusian shipments is particularly noticeable: In five months, shipments grew by 212,000 m3, i.e. by 150% compared to the same period of last year.

Amir Rashad of Timber Exchange at the last Global Log and Lumber Conference stated that the in Egypt in view of high stock levels, it is difficult to predict how high softwood lumber demand will be. **Egypt** is the biggest market of the region with an annual demand of 3.5 million m3. The country supposedly **has 900,000 m3 in stock**. Normally, this is enough to ensure supply for three months. At the moment, stocks could last for four to six months due to lower demand (80% of construction companies closed after the outbreak of COVID-19). **Importers are currently very pessimistic**.

Saudi Arabia has a demand of around 1.5 million m3 a year. The country's GDP is going to shrink by 2.3% this year. Many construction projects were cancelled, among other things because there is a lack in construction workers. COVID-19 countermeasures led to a 90% decline in softwood lumber demand in May and respectively high stock levels **in Algeria**. According to Rashad, there are already **rumors about a re-introduction of the controversial import license system.**

In the United States after the sharpest one-month drop in the history of the index in April, **homebuilder sentiment bounced back slightly in May** as US builders saw a quick rebound in interest from buyers.

Confidence in the market for single-family, newly built homes drove the index 7 points higher in May to 37 according to the National Association of Home Builders/Wells Fargo Housing Market Index. Anything above 50 is considered positive, so sentiment remains in negative territory. The index stood at 66 in May 2019 and hit a recent high of 76 in December 2019.

From January to April, US softwood sawn timber imports amounted to 10.95 million m3 and were thus 2% lower compared to the same period of 2019. Imports for neighboring country Canada fell by 5% to 9.59 million m3, while shipments from Germany (471,000 m3; +41%) and Sweden (253,000 m3; +132%) saw massive increases.

Volumes imported from Austria (84,000 m3; +8%), Romania (58,000 m3; +59%), China (41,000 m3; +26%) and the Czech Republic (30,000 m3; +37%) increased as well, whereas decreases were recorded in shipments from Brazil, Chile and New Zealand.

The City of Vancouver Council has approved by-law amendments allowing mass timber construction up to 12 storeys for residential and commercial use as of July 1, 2020, BC Council of Forest Industries (COFI).

Vancouver now joins 13 other municipalities in allowing mass timber residential and commercial building projects to be built up to 12 storeys, a significant increase from the city's current maximum of six storeys.

The City of Vancouver joins municipalities across British Columbia (BC) that are embracing green building as a climate change solution. This includes flagship projects such as the Brock Commons Tallwood House at the University of British Columbia – which, at the time of its construction, was the tallest mass timber building in the world at 18-storey tall.

The BC Government's commitment to use BC wood in the construction of the new St. Paul's

Hospital and in more public infrastructure are other good examples of the leadership being shown, and all good steps in maximising the opportunity for Canada.

There were relatively few price changes for sawlogs throughout the world in the 1Q/20 despite interruptions in trade and uncertainty in short-term lumber demand in many of the key markets.
The Global Sawlog Price Index (GSPI) remained practically unchanged from the 4Q/19 to the 1Q/20. This followed a period of two years when the Index was in constant decline.

Housing starts across Japan fell almost 10% year on year in April, the ninth consecutive decline but this was much less of a fall than had been expected. Compared to the 76,600 units completed in March there were only 69,200 completions in April.
Meanwhile, from January to April, **Japan imported a total of 1.67 million m3 of softwood sawn timber (including planed timber) which corresponds to year-on-year decrease of 7% or 126,000 m3**. This is according to Statistics of Japan.
Imports from nearly all supplying countries declined, especially those from Canada. Compared to the first four months of 2019, they fell by 16% to 386,000 m3. Softwood sawn timber imports from Finland (251,000 m3; -17%), Chile (81,000 m3; -28%) and Austria (71,000 m3; -30%) decreased as well. Only two supplying countries saw a positive development. In the first four months, 318,000 m3, i.e. 10% more, came from Russia. Imports from Sweden rose by 15% year on year to 290,000 m3.

The US Hardwood Federation has proposed several policies to the U.S. Senate regarding hardwood workers and companies hurt by the COVID-19 pandemic.

- Extending liability protections to businesses bringing workers back post-COVID-19; Directing the Small Business Administration to reverse its decision to limit Economic Injury Disaster Loans to $150,000. Existing law authorizes EIDL loans of up to $2 million which is essential to industry members;
- Extending a sustainable building tax credit to building and construction projects including U.S. wood products used in these projects; Increasing government purchases of U.S. wood products, including structural and finished products, for federal building and transportation projects;
- Funding necessary research to approve increased use of U.S. hardwoods in U.S. military truck beds, replacing imported tropical woods;

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

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