



Press Release, Copenhagen 14 October 2022

SHARP DOWNTURN AFTER EXCELLENT START OF THE YEAR

On the 13th of October 2022 the 70th edition of the International Softwood Conference was held at the Marriott hotel in Copenhagen and online. The Conference was hosted by the Danish Timber Trade Federation, which co-organized the event with the two usual partners: The European Organization of the Sawmill Industry (EOS) and the European Timber Trade Federation (ETTF).

Copenhagen, 14th October – After the successful hybrid event last year in Helsinki, this year the organizers offered once again the opportunity to follow the Conference online. The International Softwood Conference 2022 was anticipated by an interesting day of visits: on the 12th of October, participants had the chance to be involved in an exciting wood construction tour across the Danish capital, with visits to the UN17 village - the first building in the world to incorporate UN's 17 Sustainable Development Goals in one complete solution – and the Copenhagen central station. The event drew many participants as almost 200 people attended the Conference live in Copenhagen and a few more online.

For the third year in a row, the softwood market had another volatile year, which can be divided quite neatly into two parts: demand was strong in the first part of the year, but since then the market has massively slowed down at the end of Q2 and demand is expected to be subdued at least in the short- to medium-term.

After the record high increases of the past year, the development of softwood production and consumption suggests that in 2022 production will have declined by over 2% in Europe and consumption by around 5%. Uncertainty is extremely high, but preliminary forecasts for next year point to a further reduction of production and consumption of sawn softwood.

Morten Bergsten, Vice-President and Softwood Chairman of ETTF, and Herbert Jöbstl, President of EOS, delivered similar messages in their presentations from their respective vantage points of users and producers. Overall, they emphasized, after a few lively months at the start of the year, the Russian invasion of Ukraine as well as other factors unleashed a number of trends that caused a massive slowdown in demand. Sawn softwood prices plummeted after two very volatile years in which they at times reached extraordinary levels. The profitability of sawmillers and traders alike is seriously dented following a very positive couple of years.

The main reasons for the markets' decline are the high inflation which triggered the increase in interest rates of central banks basically all over the developed world, suppressing consumer demand. Two more factors responsible for the slowdown are excessive stockpiling in the first part of the year and a strong downturn in the DIY sector after two very good years. The increase in mortgage rates will surely negatively affect the construction markets – by how much it remains to be seen and will be one of the key factors in the next few months for the softwood industry.

The profitability of sawmills like in most industry sectors was negatively influenced by sky-rocketing energy prices. However, record-high energy prices fostered a remarkable rally in residues' prices amid extraordinary demand for sawmill by-products.

An important element of this year was also the end of sawn softwood imports (and other wood products) from Russia and Belarus starting from July 10 due to EU sanctions. While it did not cause the feared shortage in European markets due also to declining demand, the full effects of this remain to be seen in the coming months. Mr Bergsten stressed the importance of respecting the sanctions: it is the responsibility of importers to abide by existing legislation and the ETTF has stressed to the competent authorities that we need to avoid loopholes through which sanctioned goods entered the European Union through third countries.

Overseas exports have functioned as stabilisers for many businesses across Europe, with European producers achieving at the end of the summer a 13% market share in the all-important US market amid a decline of Canadian exports to the US. Conversely, Chinese imports have gone down to levels unseen for almost ten years due to Covid-19 restrictions and construction market tensions.

Another reason to be optimistic is the rising market share of wood as a building material, as Mr Jöbstl showed in his presentation. Mr Paul Brannen, Director Public Affairs of both EOS and CEI-Bois, also focused on the opportunities connected to renovation and insulation of existing buildings – wood can provide excellent solutions in a sector that at the moment is mainly fossil-fuel based.

The availability of raw materials remains another crucial factor for the industry: participants had the opportunities to listen to two interesting presentations from representatives of the public and private forest owners. EU legislation should make sure that the softwood industry has enough raw materials for the industry to keep contributing to the fight against climate change even in the coming years.

The next edition of the International Softwood conference will take place in Vienna on October 11-12, 2023. For more information and the presentations soon to be uploaded, please visit the website <https://ettf.info/isc-2022/>