



# Market Statement 2019 – SWEDEN

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## Content

<b>1 General Economic Trends</b> .....	<b>1</b>
<b>2. Policy measures taken over the past 18 months</b> .....	<b>2</b>
2.1 Forests and the forest-based industries in a circular bio-economy .....	2
2.2 Green economy and other economic stimulus policies and forest products markets; ..	3
2.3 Due diligence/due care and legal wood supply; .....	4
2.4 Renewable energy policies and their impacts on forest products markets .....	5
2.5 Research and development policies for forest products .....	5
<b>3 Market drivers</b> .....	<b>7</b>
<b>4 Development in the forest products markets sectors</b> .....	<b>7</b>
Wood raw materials .....	7
Wood energy .....	10
Certified forest products .....	12
Value-added wood products .....	12
Sawn softwood .....	13
Wood-based panels incl. Parquet industry .....	14
Pulp and paper .....	15
Housing and construction .....	17
<b>5 Tables</b> .....	<b>20</b>
5a Economic indicators .....	20

## 1 General Economic Trends

Most signs are that the Swedish economy is now in a slowdown phase, and GDP growth is expected to be weaker in the coming quarters. Despite a relatively strong labour market and stabilised housing prices, the consumer confidence indicator has fallen sharply since autumn 2018. Confidence indicators for the business sector have followed a similar pattern.

The National Institute of Economic Research (NIER) short-term models indicate that GDP will continue to grow at roughly the same rate in the second and third quarters as in the first quarter. The forecast, however, is for GDP growth to slow considerably in the second quarter and remain weaker than the models suggest in the third. One reason for this is that recent quarters' relatively rapid stock building in the business sector is not expected to continue. Lower stock building is therefore expected to weigh on growth for the next couple of quarters, which is not captured by our short-term models. Housing investment is also expected to fall further in the coming quarters, and this too is not fully captured by the models.

After a flat first quarter, employment grew strongly in April. This is one reason why expected job creation accelerated in the second quarter before slowing again in the third. The forecast for employment growth is at the low end of the range from the quarterly models used for our short-term employment projections. The main reason for this is that the monthly data from the Economic Tendency Survey for firms' employment plans for the next three months suggest subdued job creation in several industries in the short term, which is not captured by the models.

Swedish exports rose by 0.8 percent in the first quarter. Exports of services increased strongly, while exports of goods fell slightly. The latter can partly be explained by high capacity utilisation in some industries restricting supply, but also by a substantial decrease in exports of petroleum products. Service exports grew strongly for a second successive quarter, in particular spending by foreign visitors. The weak krona is one important reason for this, but the winter sports world championships in Östersund and Åre probably also contributed. Exports of office services also grew relatively strongly, and to some extent even leasing of intellectual property rights.

Exporters' order books are generally well-filled at present, but global industrial production is about to decelerate, and indicators suggest that new orders have begun to fall. Firms are also reporting shorter delivery deadlines, which can be seen as a further signal that the export cycle has peaked. The strong growth in recent quarters means, however, that exports in 2019 will be roughly in line with 2018. The weak krona will help prop up trade, but export growth will still decrease somewhat next year.

Swedish exports will also grow slowly by historical standards after 2020. Subdued GDP growth among the country's most important trading partners means that demand for Swedish exports will rise less quickly than before. Exports will also grow slightly more slowly than the Swedish export market, partly due to a stronger krona.

## **2. Policy measures taken over the past 18 months**

### **2.1 Forests and the forest-based industries in a circular bio-economy**

**The update of the EU Bioeconomic Strategy** aims to accelerate the deployment of a sustainable European bio economy to maximise its contribution towards the 2030 Agenda and its Sustainable Development Goals (SDGs), as well as the Paris Agreement. The update proposes an action plan with 14 concrete measures, based on three key priorities:

- Strengthen and scale up the bio-based sectors, unlock investments and markets
- Deploy local bio economies rapidly across the whole of Europe
- Understand the ecological boundaries of the bio economy

**Under EU legislation adopted in May 2018**, EU Member States must ensure that greenhouse gas emissions from land use, land use change or forestry (LULUCF) are offset by at least an equivalent removal of CO<sub>2</sub> from the atmosphere in the period 2021 to 2030. The regulation sets a binding commitment for each Member State to ensure that accounted emissions from land use are entirely compensated by an equivalent removal of CO<sub>2</sub> from the atmosphere through action in the sector.

**The Swedish Government adopted a strategy for Sweden's National Forest Programme** and an action plan with specific measures. The action plan will be updated in dialogue with interested parties. One of the five focus areas of the strategy is world-class innovations and refined forest raw materials where an increased industrial wood construction is included.

**The Swedish Government has presented a wood building strategy.** The Government believes that increasing the industrial wood construction of sustainably produced forest raw materials should be promoted to increase the climate benefit, housing construction, exports and employment in the whole country.

**The construction sector's roadmap for 2025** was handover to the Prime Minister Stefan Löfven in July 2019. The roadmap has been drawn up by the wood construction sector and is to be seen as an offer to the government, which in two government declarations emphasized the importance of increasing industrial construction in wood. It is a description of a growing industry that renews the construction process and radically reduces the climate footprint from the construction sector.

Based on the decision by the parliament to make Sweden climate neutral by 2045, the **Fossil Free Sweden initiative** has encouraged business sectors to draw up their own roadmaps as to how they will be fossil free while also increasing their competitiveness. The roadmap by the trade association The Swedish Forest Industries Federation (Skogsindustrierna) has a vision: The forest sector drives growth in the global bio economy.

### **Safeguard forest ownership rights**

The government is working to strengthen the proprietorship for forest owners and sustainability of the Swedish forests. An investigation is ongoing and will present the results in summer 2020.

## **2.2 Green economy and other economic stimulus policies and forest products markets;**

### **New EU-wide rules to target 10 single-use plastic products**

With the amount of harmful plastic litter in oceans and seas growing ever greater, new EU-wide rules are adopted to target the 10 single-use plastic products most often found on Europe's beaches and seas, as well as lost and abandoned fishing gear.

### **Tax on plastic carrier bags**

In the Budget Bill for 2020 the Swedish Government proposed that a new tax on plastic carrier bags should be introduced.

**Sustainable finance – Action Plan for a greener and cleaner economy**

The European Commission has presented a strategy for a financial system that supports the EU's climate and sustainable development agenda. In May 2018, the Commission adopted a package of measures implementing several key actions announced in its action plan on sustainable finance. The package includes a proposal for a regulation on the establishment of a framework to facilitate sustainable investment. This regulation establishes the conditions and the framework to gradually create a unified classification system ('taxonomy') on what can be considered an environmentally sustainable economic activity. The taxonomy includes almost all sectors in the economy, including forestry. A technical expert group on sustainable finance (TEG) has been set up to development of a unified classification system for sustainable forest activities.

**Renewable Energy Directive (RED II)**

In 2018, the revised renewable energy directive 2018/2001/EU entered into force, as part of the Clean energy for all Europeans package, aimed at keeping the EU a global leader in renewables and, more broadly, helping the EU to meet its emissions reduction commitments under the Paris Agreement. The new directive establishes a new binding renewable energy target for the EU for 2030 of at least 32 percent, with a clause for a possible upwards revision by 2023.

**Support for innovative and sustainable construction**

The Government has introduced support for innovative and sustainable construction with reduced climate impact, which is estimated to amount to 275 million SEK over the period 2018-2020. For example, support can be given to projects in life cycle analysis, digitalization and industrial construction.

**Actions for increasing construction of multi-dwelling houses for rent**

Investment aid is concentrated and streamlined and is aimed at student housing and rental units with reasonable rents throughout the country. Building regulations and rental systems are simplified. Demands for climate declarations are applied. The government also claim that more wood construction will contribute to the bioeconomy.

**Acting on spruce beetle**

In the Budget Bill for 2020 the Swedish Government is taking action on spruce beetle.

**2.3 Due diligence/due care and legal wood supply;**

Trade policy is managed by European Union. The European Union Timber Regulation (EUTR), which became effective on 3 March 2013, is intended to prevent the entry of illegally logged wood into the 28 EU Member States. The Regulation prohibits placing on the EU market wood and wood products illegally harvested and obligate operators to exercise due diligence and use a due diligence system. Operators can develop their own system or use one developed by a monitoring organization.

The Member States are responsible for laying down effective and dissuasive penalties applicable to infringements. Competent authority shall carry out checks on operators and monitoring organisations to verify compliance with the requirements in EUTR.

The Swedish Forest Agency (SFA) is assigned to be the competent authority for EUTR implementation in Sweden. Since the first of August 2014 Sweden has a national legislation laying down rules concerning infringements of the provisions of the regulation and rules on carrying out checks on operators by the competent authority.

So far 161 checks on operators importing timber products and 14 checks on traders have been conducted in total. 25 checks on operators placing harvested timber from Swedish forests has been conducted and are integrated and coordinated with ordinary supervision to Swedish forest owners.

## **2.4 Renewable energy policies and their impacts on forest products markets**

### **The Reduction Obligation for road transport fuels**

Over the last decade, there have been several plans to increase the domestic production of biofuels based on biomass from forests and agriculture. However, a combination of too low costs for emitting carbon dioxide and uncertain energy policies has stopped most projects.

Since July 2018, Sweden has a new incentivising system to phase out fossil fuels from road transports – the Reduction Obligation. Allowed net emission of greenhouse gases per produced energy unit must successively be reduced relative pure fossil-based fuels over time. For 2020 the reduction must be at least 21 % for (fossil-dominated) diesel and at least 4.2 % for petrol. The goal is to have achieved such a reduction of the emissions from all carbon-based road transport fuels at about 56 % in year 2030, which can be compared to the 17 % reduction already achieved in 2018, thanks to a use of pure and mixed-in biofuels (mainly biodiesel and ethanol).

There are signs that this new incentive system will bring about new investments in biofuel production, for which the main source of biomass likely will be rest products from domestic forests and forest industry. According to plans, some of the production are aimed for aviation.

## **2.5 Research and development policies for forest products**

During 2019, SEK 37 billion of the state budget is estimated to go to research and development (R&D). This corresponds to 3.6 percent of the total allocations in the state budget and 0.75 percent of GDP. The forecast shows that the government allocations to R&D increase by SEK 805 million compared to the forecast for 2018, in current prices.

The aim of research policy is since 2017 that Sweden should be one of the world's best research and innovation countries and a leading knowledge nation. Priority areas include climate and environment. At the latest in 2045, Sweden will no longer have any net greenhouse gas emissions. It will require major technological leap. This provides support to companies all the way from research and innovation projects to demonstration facilities and full-scale production.

The forestry and forest industry research is financed partly through state-based funding and support from state funds, authorities and councils as well as the EU's research framework programs. Partly through investments by companies and support from private funds and foundations. In addition, R&D is also carried out by companies in the forest industry.

Here follow some examples on ongoing cooperation and research.

### **Swedish Forest-based Sector Research Agenda**

The Swedish Forest-based Sector Research Agenda compiles the research and development priorities of the forest-based sector. Experts, from the industry as well as

the research community, have contributed to an agenda that will guide the Swedish sector's endeavours for years to come.

The National Support Group Sweden (NSG), formed by the Swedish Forest Industries Federation, is the collective force behind the Swedish Forest-based Sector Research Agenda. NSG Sweden is also a reference group for the Forest-based Sector European Technology Platform (FTP).

Investment in research needs to increase in order to strengthen the competitiveness of the Swedish forest industry and for Sweden to manage the transformation to a fossil-free and biobased society. It is believed that the Swedish forest-based sector needs to double future research investment to achieve this.

The forest industry and the research community agree that forestry and forest industrial research in Sweden should contribute to:

- Increased growth in sustainably managed forests.
- Enhanced competitiveness for existing processed and products in the industry.
- Development of new biobased products.
- Increases industrial timber production,

## **Energy sector**

There are several important research areas concerning how to reduce, capture and store CO<sub>2</sub> emissions. New technologies are important for Sweden to reach the climate targets on net-zero emissions by 2045.

The Swedish Energy Agency has decided to provide SEK 4.3 million in support for a test facility that will capture and store carbon dioxide. Stockholm Exergi will, during the autumn, install a test facility to capture and store CO<sub>2</sub> emissions from the CHP plant KVV8 in Värtan.

Six new research projects have been supported by the Swedish Energy Agency to develop sustainable fuels for flights. The projects include, for example, an inquiry into large-scale production of fossil-free jet fuel in Östersund and to examine the conditions for Swedish biofuel production for flights.

## **BioInnovation**

The basis for BioInnovation is a strategic innovation programme financed by VINNOVA, The Swedish Energy Agency and The Swedish Research Council Formas, and by the participating organisations. They gather ideas and the players who want to transform ideas into innovation. They connect organisations from different industries and sectors and support them in creating innovation projects.

The work is currently concentrated to three prioritised areas; Chemicals & Energy, Materials and Construction & Design. Some examples of projects from the three areas are:

- 3D printed prostheses based on forest raw materials (AMPOFORM)
- BioBased barrier to replace aluminum in packaging products
- Renol- bioplastic of lignin that can be used by the plastics industry in its existing processes and with existing materials.
- Birch Bark – recycling and use as wood impregnating agent

### 3 Market drivers

The Swedish krona has reached extreme lows against the dollar and euro. As Sweden is an export-orientated economy, the low krona can make Swedish companies more competitive, since their products become cheaper to buy than those in countries with the euro.

Other market drivers affecting the market for forest products are mentioned in next chapter.

### 4 Development in the forest products markets sectors

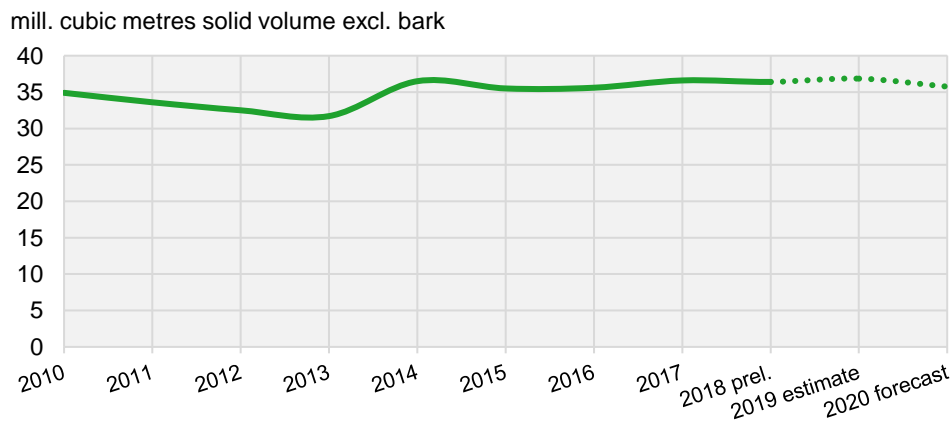
#### Wood raw materials

The harvesting condition has been better this year compared to last year. Furthermore, relatively high log prices as well as ongoing bark beetle infestations in especially southern Sweden have contributed to higher harvesting activity. These factors have led to a relatively high level of inflow of roundwood to the industry.

#### Sawlogs

Sawlog removals is preliminary estimated to 36.6 million cubic metres in 2018 (solid volumes under bark). It is 0.5 percent less than 2017. The estimate for 2019 shows a slight increase but in 2020 the removals are expected to decline compared to 2018. The demand for softwood sawlogs is predicted to decline in 2020 due to reduced production.

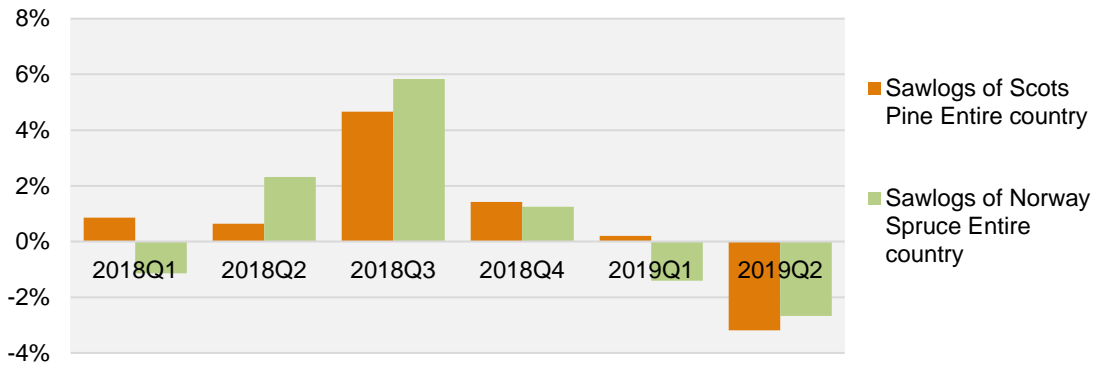
Figure 1. Removals of coniferous sawlogs



Source: Swedish Forest Agency

Average price of sawlogs (only statistics for delivery timber is available which represents some 9 percent of total sales) increased in 2018 compared to 2017 in the whole country, 5 percent in North region, 6 percent in Central region and 7 percent in the South region. In the second quarter 2019 compared to first quarter 2019, prices decreased by 4 percent in the North region, 2 percent in the Central region and 2 percent in the South region. Prices of sawlogs is expected to continue to decrease during the autumn of 2019 due to over supply and decreasing prices on sawn wood.

Figure 2. Quarterly change in prices for delivery logs.



Source: Swedish Forest Agency, Statistical database.

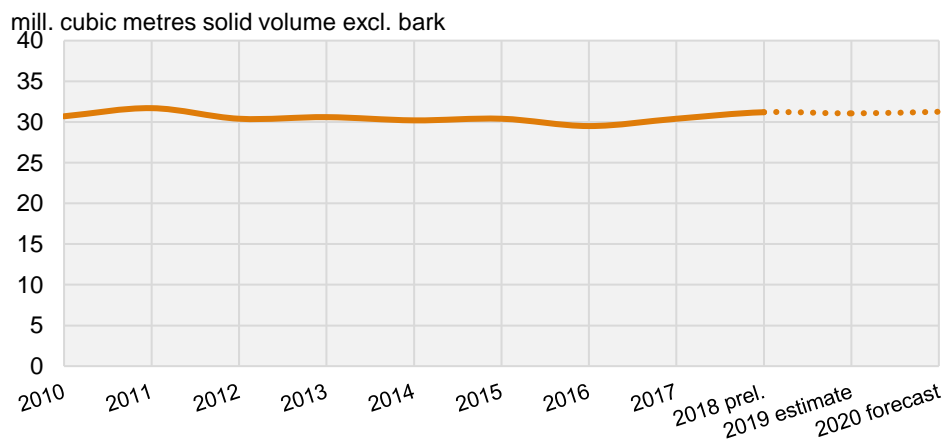
### Pulpwood

In 2018 preliminary removals of pulpwood is estimated to 31.2 million cubic metres (solid volumes under bark) an increase by 2.6 percent compared to 2017. An estimate for 2019 shows about the same volume which will remain in 2020. Import of pulpwood was high in 2018 and is expected to continue to increase.

The stocks of pulpwood increased by 47 percent in 2018 compared to 2017 and is still on relatively high levels in quarter one and two this year.

A new grading system for pulpwood may result in Swedish pulp mills accepting smaller dimension wood and wood that earlier have been discarded.

Figure 3. Removals of coniferous and broad-leaved pulpwood

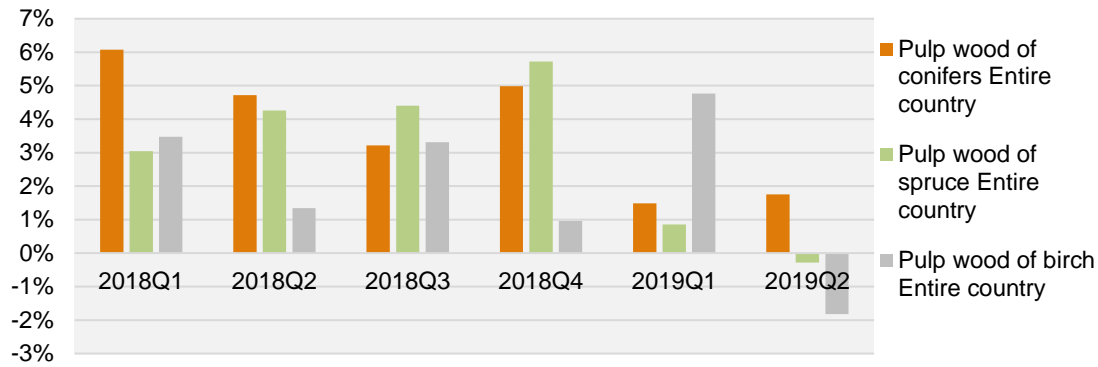


Source: Swedish Forest Agency

Average price of pulpwood (only statistics for delivery timber is available which represents some 9 percent of total sales). The pulpwood prices have been on upswing the last years but in the second quarter 2019 prices on pulp wood of spruce and birch declined.



Figure 4. Quarterly change in prices for delivery logs.



Source: Swedish Forest Agency, Statistical database.

### Chips, residues and fuelwood

The total production of chips, sawdust, wood shavings and bark in the sawmill industry was 20.6 million m<sup>3</sup> during 2018. In 2019 the production will increase to around 21.1 million m<sup>3</sup> due to the expected increased production of sawn wood. Then in 2020 the production of sawn wood is expected to decrease again with lower production of chips and residues.

The removals of roundwood for producing of chips for energy purposes was preliminary 6.8 million m<sup>3</sup> (solid volumes under bark) in 2018. Final figures for 2018 will be presented later this year. From this year and so on we expect rather unchanged levels or a small increase. The removals are estimated to 7.0 million m<sup>3</sup> in 2019 and 7.2 million cubic metres in 2020. The increase can be explained by changes in tax-levels for fossil fuel in the electricity and heat production.

The removals of chips made of branches, tops of trees, stumps and bark was 5.3 million cubic metres in 2017. Preliminary figures for 2018 is about the same and in 2019 and 2020 we estimate a small increase.

Tabell 1. Production unprocessed forest fuels by fuel type, domestic origin

	2016	2017	2018 prel.	2019 estimate	2020 forecast
Chips from roundwood*, cubic metres**	2 518 784	2 666 745			
Chips from whole trees (stem wood part), cubic metres**	209 053	179 220			
Fire wood, cubic metres**	3 741 760	3 755 449			
Total roundwood, cubic metres**	6 469 598	6 601 413	6 800 000	7 000 000	7 200 000
Chips made of branches and tops of trees, stumps and bark not included in the total roundwood above, cubic metres***	5 703 576	5 275 274			
Chips, sawdust, bark and other by-products from forest industry, cubic metres	15 012 676	16 144 408			
<b>Total production of unprocessed forest fuels, GWh</b>	<b>50 540 GWh</b>	<b>51 686 GWh</b>	<b>51 500 GWh</b>	<b>51 700 GWh</b>	<b>52 000 GWh</b>

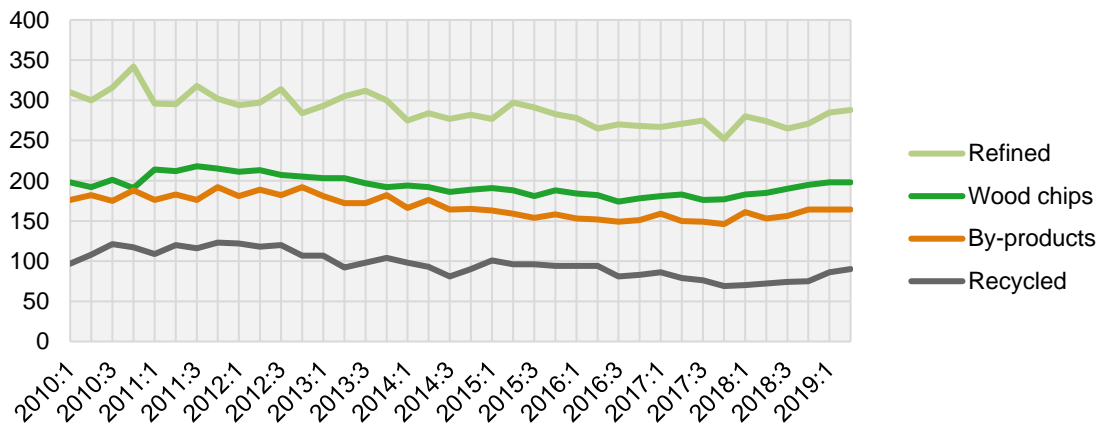
\*stems not useful for forest industry due to bad quality \*\* solid volume excl bark \*\*\*solid volume incl bark

By-products from the forest industry stands for the largest share of wood fuel for energy purpose. In 2017 around 16 million cubic metres was used for energy purpose. The forest industry production is expected to slow down in 2020, which means that the supply of byproducts from their production will decrease. We expect the energy sector will compensate this by increased use of chips from roundwood, branches and tops.

But there is also another possible development with reduced supply of roundwood volumes that previously were used for energy. This is a result of pulp mill industry using smaller dimensions due to new grading rules on small dimension for round wood.

It is unclear how the infestation by bark beetles will affect the availability of raw material and how the fact that UK is leaving EU will affect the energy market. Especially concerning waste wood.

Figure 5. Wood fuel prices, per quarter excl taxes, from 2010, SEK/MWh, current prices



Source: Swedish Energy Agency

## Wood energy

Sweden is still the world leader in bioenergy thanks to the Swedish CO<sub>2</sub> tax introduced in 1991. The tax is levied on all fossil fuels in relation to their CO<sub>2</sub> emissions during combustion. The highest is the tax on coal, then on oil and slightly lower on natural gas. The incentive to invest in non-fossil fuels is due to the high tax.

The carbon tax as well as aid for replacing oil boilers and increasing district heat production have made the use of fossil fuels for heating almost completely disappear.

Further increases in carbon dioxide tax are expected to mean that fossil fuels completely disappear in the engineering industry, breweries, dairies, slaughterhouses etc. similar industries. There is no tax on emissions of carbon dioxide when burning biofuels. With the low emission price in the EU for emissions trading, ETS, carbon taxation does not have full effect in heavy industry and electricity production. The transport sector has no full carbon tax, which is due to the fact that Sweden cannot apply the tax fully in the EU state aid rules.

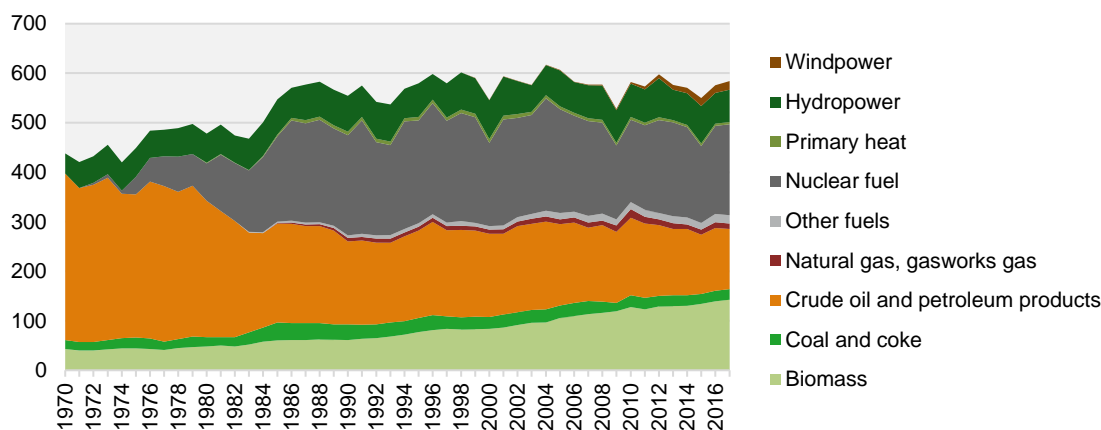
In January four parliament parties agreed on a "requirement for mandatory incorporation of renewable fuel to be introduced". An inquiry that is out for referral, suggest that the

quota should apply to all refueling of aviation fuel for domestic and international flights, to take effect 2022 by 1 percent, to increase to 5 percent 2025 and 30 percent 2030. The percentage corresponds to 12 000 cubic metres or 12 million litres.

### Biomass in the Swedish energy system

The use of biomass in the Swedish energy system has increased over the years. Biomass accounted for 10 percent or 43 TWh of the total energy supply in 1970. In 2017, the use of biomass has increased to 143 TWh, which is equivalent to 25 percent of the total supply.

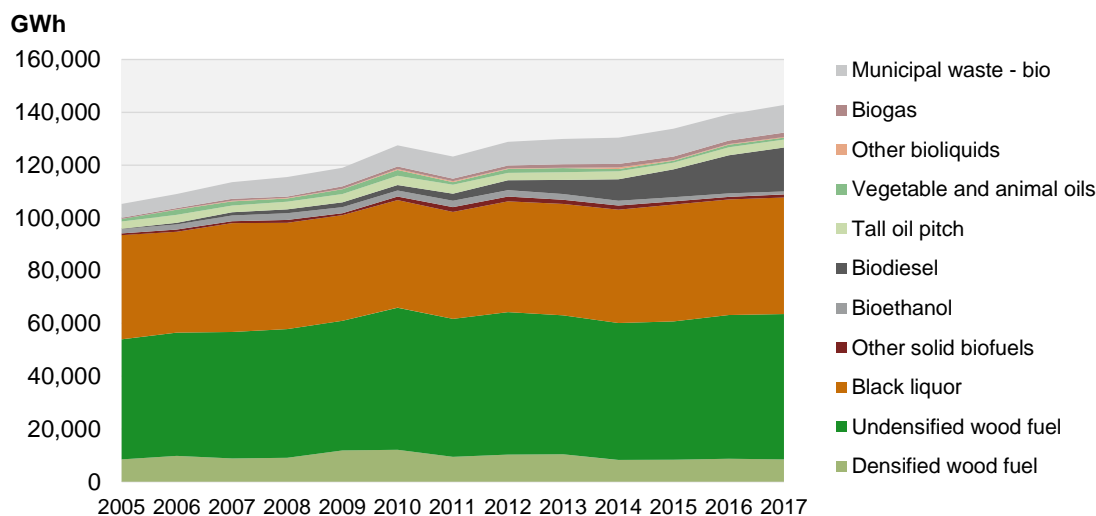
Figure 6. Total energy supply by energy commodity, from 1970, TWh



Source: Swedish Energy Agency

The district heating sector and the industrial sector are the major users of biomass, but some 13 percent of share is also used as transport fuel, which is increasing more rapidly. The industry primarily uses biomass and electricity as energy carriers. In 2017, the district heating sector used 27 percent of the total biomass and the industrial sector used 40 percent.

Figure 7. Use of biomass, by fuel category, from 2005, GWh



Source: Swedish Energy Agency

The heat from incinerating waste is used as the basis for district heating in several Swedish cities. The increase is due to the ban in EU on dumping combustible waste in effect from 2002 and the ban against dumping organic waste in effect from 2005.

District heating demand is anticipated to decrease because of energy efficiency improvement measures and global warming. At the same time, the market share for district heating will increase, and a large proportion of the future cooling demand is produced by district heating by absorption cooling. It is vital that the district heating sector can contribute to recover the surplus heat from industry and future biofuel production.

The residential and services sector has nearly doubled its use of wood fuels in 10 years. In 2016, the use of biomass accounted for 10 percent of the total use in the residential and service sector.

The paper and pulp industry will play a key role in both biofuel and heat production. The future builds on the idea that biorefineries can supply a range of energy and industry products based on biomass resources. The biorefinery can do this in an efficient manner provided that excess heat and residues are handled properly.

## Certified forest products

Table 2. Certified area of productive forest land, 1000 hectares, 2018

	FSC certified	PEFC certified	Double certified	Certified
<b>Individual owners<sup>1</sup></b>	..	..	..	3,855
<b>All other owners</b>	..	..	..	10,912
<b>Total</b>	12,451	13,722	11,405	14,768

Source: Swedish Forest Agency.

The share of certified area of productive forest land amounts to 63 percent (excluding double certified area). The certified area increased with 400 000 hectares between 2016 och 2018.

## Value-added wood products

### Doors

There are 63 companies (with more than one employee) producing wooden doors in Sweden. During 2018 the production was 1.6 million doors which were 5 percent less than the year before. Sales for doors in 2018 were just over SEK 2 billion, largely unchanged compared to 2017. Exports of doors decreased by 12 percent to 730 000 doors and 46 percent share of the total production of doors. Most exports are for Norway. The import was 328 000 doors in 2018 which was 6 percent less than in 2017. Most doors are imported from Baltic and Nordic countries.

<sup>1</sup> Single owner, estates and small companies (sole trader).

## Windows

There are 73 companies (with more than one employee) producing wooden windows in Sweden. Sales during 2018 decreased by 4 percent to SEK 5 billion compared to 2017. During 2018 nearly 1.7 million window frames were produced, a decrease of 5.5 percent compared to 2017. Of total delivered frames were 78 percent of wood/aluminium.

## Furniture and kitchen

During 2018, the production of furniture and kitchen fixtures was estimated at SEK 24 billion. The furniture industry including kitchen cabinets includes 844 companies with more than one employee. Sweden's exports of furniture increased by 4 percent to just over SEK 17 billion in 2018 compared to 2017. Sweden's imports of furniture increased by 10 percent to SEK 20 billion in 2018 compared to 2017.

The production of wood kitchen fittings is about 17 percent of the total furniture production. In 2018, the industry covered 151 companies with 2 751 employees.

## Sawn softwood

In contrast to the relatively fast-growing global production and consumption, the Swedish softwood production has since 2015 remained relatively stable. Last year the production remained unchanged at 18.3 million cubic meters. Up to July, the Swedish production of softwood increased with four percent compared with the same period last year. Considering on one hand the good availability of raw material and on the other hand the worsening market conditions, we forecast the production for the full year to reach almost 18.8 million cubic metres, an increase with three percent. Then in 2020 we predict a decline to 18.2 million cubic metres.

With a domestic softwood consumption of 6.0 million cubic meters in 2018, Sweden is the single largest market for the Swedish sawmills. Domestic demand was driven by strong and increasing housing activity up to 2017, when housing starts reached its highest level since the early nineties. Since then we have seen a sharp decrease in housing activity and this year the housing starts forecast is no less than 30 percent below the level of 2017. The downward trend is forecast to continue into next year.

New housing accounts for slightly more than 20 percent of the Swedish softwood consumption, but the repair and maintenance (R&M) segment is even more important, with as much as 40 percent of the consumption. R&M develops much more stable than new housing and is forecast to remain unchanged during this year and next.

At the same time as the construction activities in general decreases in Sweden, the share of multi storey houses build with wood is increasing. In addition, it should be mentioned that several investments in CLT-production is now under way in Sweden, together increasing the consumption with more than 300 000 cubic meters during a couple of years.

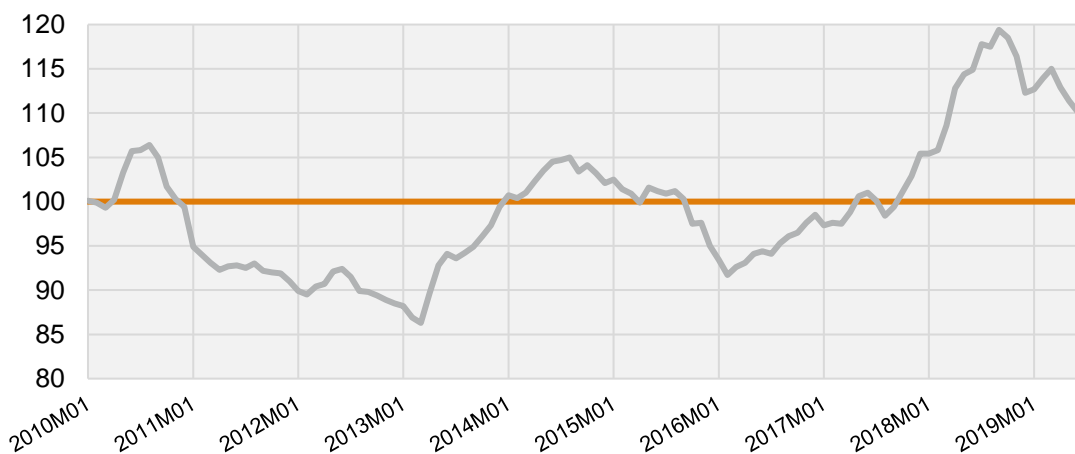
All in all, the total apparent consumption of softwood in Sweden is forecast to increase with 7 percent this year, to 6.5 million cubic meters. Stock volumes are included.

The total exported volume of sawn and planed softwood decreased with two percent during the first half of 2019 compared with the same period last year. The estimate for the whole year though is unchanged export compared to 2018.

The development differs quite much from one market to another. Total volumes to Europe have decreased with 8 percent. Some of the large markets such as The Netherlands (-18 percent), Germany (-22 percent), Denmark (-10 percent), France (-18 percent) and Belgium (-23 percent) have purchased clearly smaller volumes. On the other hand, the largest Swedish export market United Kingdom has remained more or less unchanged (+1 percent) and Norway has even increased with 12 percent.

Swedish exports to non-European markets have in general developed better with the largest increase to Egypt (+70 percent). The volumes to China were small in the beginning of the year but has now started to increase again. Volumes to USA are increasing and were 19 percent higher during the first half of the year compared with the same period last year.

Figure 8. Export price index for sawn wood, Jan2010 - July 2019. Price Index 2015=100



Source: Statistics Sweden

## Wood-based panels incl. Parquet industry

### Wood-based panels industry

During 2018 wood-based panels industry included only three plants. The total production of wood-based panels was 670 000 cubic metres during 2017, an increase with 6 percent compared to 2016. Figures for 2018 are not available until next year. The export of wood-based panels was 46 000 cubic metres during 2018, that is 13 percent lower than in 2017.

From 2012 only particle board and plywood are included in the group of wood-based panels since the Swedish production of fibreboard and MDF has ceased.

Imports of particle board decreased by 2 percent to 359 000 cubic metres in 2018 compared to 2017. The proportion of surface-coated particle board is 32 percent. Most of the imports of particle board come from Norway, Denmark, Germany, Estonia, Latvia and Poland. Imports of OSB, Oriented strand board, increased by 10 percent to 173 000

cubic metres in 2018 compared to 2017. Most of the imports of OSB come from Latvia and Germany.

Imports of plywood decreased by 8 percent to 221 500 cubic metres in 2018 compared to 2017. Imports of pine and spruce plywood decreased by 9 percent to 74 000 CUBIC METRES and 33 percent as a percentage of the total imports in 2018. Birch and hardwood plywood increased by 14 percent to 97 000 cubic metres and plywood with surface layers of other hardwood increased by 35 percent to 51 000 cubic metres. The largest importing countries are Finland and Russia.

Imports of fibreboard decreased by 5 percent to 96 500 cubic metres in 2018 compared to 2017. Total imports of MDF boards increased by 7 percent to just over 169 000 metric ton. Imports of unprocessed MDF boards increased by 20 percent to just over 60 000 metric ton. Imports of processed MDF boards increased by one percent to 109 000 metric ton.

## Parquet industry

The parquet industry consists of mainly 4 companies.

According to the latest figures for 2017 there was a slight increase for the total sales of wooden floors. Sales of veneer floors also increased and for lamella parquet sales remained unchanged. For solid wood floors, there was a slight decrease. In the total market, hardwood floors remained the largest material group with a market share of just over 36 percent.

According to preliminary figures from FEP, the European Federation of the Parquet Industry, Sweden's production of wood floors, lamella parquet and massive hardwood floors were unchanged by 11.1 million m<sup>2</sup> in 2017. Sales on the Swedish market increased by 3 percent to 8 million m<sup>2</sup> according to FEP. However, sales volumes are uncertain, as direct imports of lamell/parquet floors are difficult to assess because reliable statistics are lacking. Oak wood dominated by 91.5 percent in proportion under 2017 according to FEP. The proportion of ash was 5 percent and pine 3 percent.

## Pulp and paper

### Pulp

The production of wood pulp decreased by 1.7 percent to 12.0 million tons in 2018 compared to 2017. Production of bleached sulphate softwood was 4.1 million tons in 2018 which was the same as the year before. Production of combined mechanical pulp and semi chemical pulp increased by 3.0 percent to 3,5 million tons. Other chemical pulp decreased by 4.0 percent to 4.5 million tons. Chemical pulp has the highest share of more than 70 percent of the total pulp production. The total production of wood pulp is estimated to rise by 3 percent in 2019 and forecasted to rise by 1.6 percent in 2020 compared to 2019.

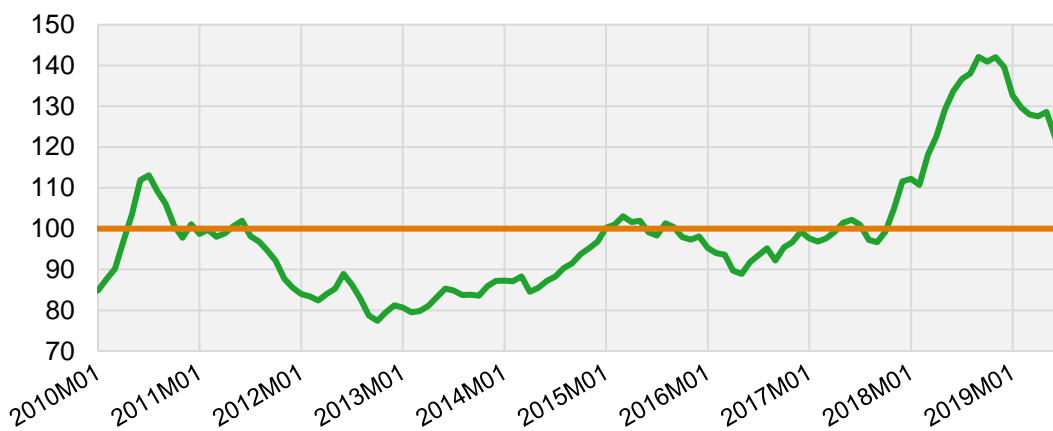
Approximately 65 percent of total pulp production is used internally for the mills ' own production of paper and cardboard. The remaining 35 percent, called market pulp, is sold on the open market.

Exports of wood pulp decreased by 5 percent to 3.5 million tons in 2018 compared to 2017.

Exports to the EU were 2.5 million tons an increase of just under one percent. Deliveries to Germany have gone back, however, deliveries to the UK and Italy have increased. During the year, deliveries to China have gone back. The deliveries to the Swedish market increased by 15 percent to 581 000 tons. The export in 2019 is estimated to increase with 10.0 percent and the forecast for 2020 is that the export will increase 2.6 percent compared to 2019.

Price fluctuations are closely tied to global stocks and changes in balance between supply and demand. Export prices remain dependent on the exchange rate of USD and SEK.

Figure 9. Export price index for pulp, Jan2010- July 2019. Price Index 2015=100



Source: Statistics Sweden

## Paper

The paper production decreased by 1.2 percent in 2018 to 10.1 million ton compared to 2017. All segments showed a decline except for production of tissue paper which increased by 1 percent. The decreasing trend continues in 2019 and the total production of paper and paperboard in 2019 is estimated to 10.0 million tons. The forecast for 2020 is projected to rise by 1,5 percent to 10.2 million tons compared to 2019.

Exports of paper and paperboard in 2018 decreased by 2.2 percent to 9.2 million tons compared to 2017. Graphic paper has declined during the year to 3.1 million tons, the different segments of graphic paper (i.e. newspaper paper, and printing paper) have all gone back during the year. Packaging material has also gone back slightly to 5.8 million tons, the development of the various segments varies. Carton for packaging has increased while corrugated cardboard and packaging paper has gone back. The export of tissue paper has increased during the year. Deliveries to the EU were 6.1 million tons. Deliveries to Asia have gone up during the year to 1.4 million tons. The total exports of paper and paperboard in 2019 is estimated to remain at same level 2018 and forecasted in 2020 to rise slightly.



Figure 10. Export price index for paper and paperboard, Jan2010 - July 2019. Price Index 2015=100



Source: Statistics Sweden

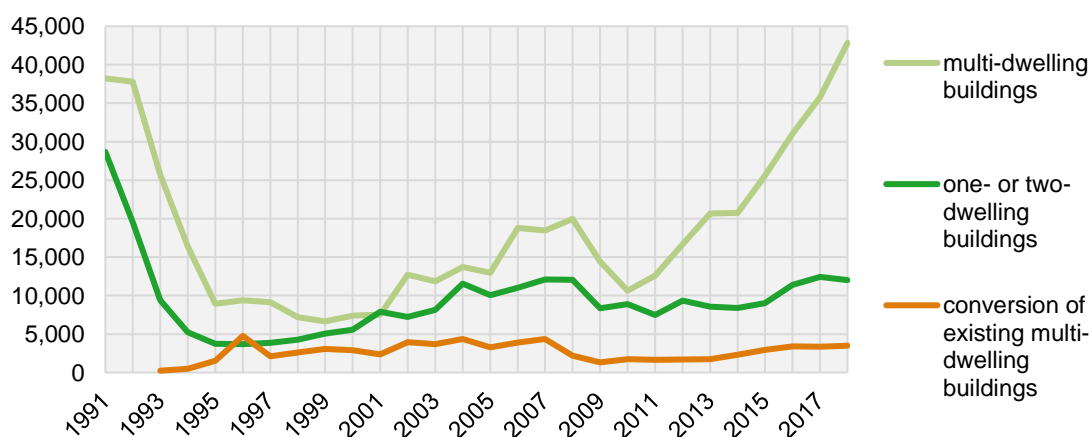
### Housing and construction

Much of Sweden is facing a housing shortage, primarily in its metropolitan regions. Sweden has one of the highest levels of urbanization in the EU. The National Board of Housing, Building and Planning forecast that there is a yearly need of 64,000 new housings until 2027. The three big city regions; Stockholm, Malmö and Göteborg stands for 76 percent of the need of new dwellings.

Last year a total of 54,876 newly built dwellings were completed which is 14 percent more than the year before. This is also the highest number of dwellings completed in new construction since 1992, when 57,319 were completed.

The completed dwellings comprised 12,032 dwellings in one-or two-dwelling buildings, and 42,844 dwellings in multi-dwelling buildings. In addition, 3,495 dwellings were completed through conversion of existing multi-dwelling buildings. As a result, there was an increase of 51,595 dwellings in total in 2017

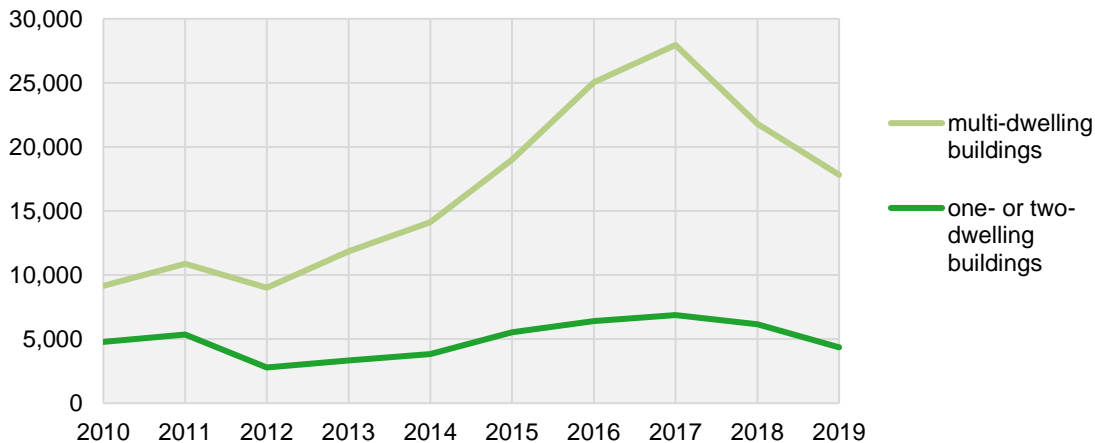
Figure 11. Number of completed dwellings in new construction and conversion of multi-dwelling buildings 1991-2018,



Source: Statistics Sweden

Even though there is a huge need of dwellings the construction in new housing has dropped significantly since 2017. In the first half of 2019, construction of approximately 22 197 dwellings was started in one- or two-dwelling buildings, which is 21 percent lower than in the same period in 2018. In one-to-two dwelling buildings, construction of 4 369 dwellings was started, down by 29 percent compared with same period in 2018. The forecast for 2020 is that the decrease will continue.

Figure 12. Number of started dwellings 1<sup>st</sup> half 2010-2018



Source: Statistics Sweden

There are several reasons for the decline in new building projects. One is the tougher amortisation requirements that was introduced for homeowners as of 1 March 2018. All new mortgage holders who borrow more than 4.5 times their gross income will have to amortise at least 1 percent of the debt, in addition to the existing requirement. Another is that previous investment aid for rental units has ceased in 2019.

Earlier governmental initiatives to support the construction of new houses are still available. To boost investment in infrastructure, improve mobility and thus alleviate the housing shortage, the government introduced a new SEK 622.5 billion infrastructure bill for 2018- 2029. Schemes to support the energy efficiency and renovation of the housing stock are also available, including a 30 percent tax deduction (ROT) and a SEK 778 million programme for the energy efficient renovation of rental housing in socio-economically disadvantaged areas.

### Wooden houses

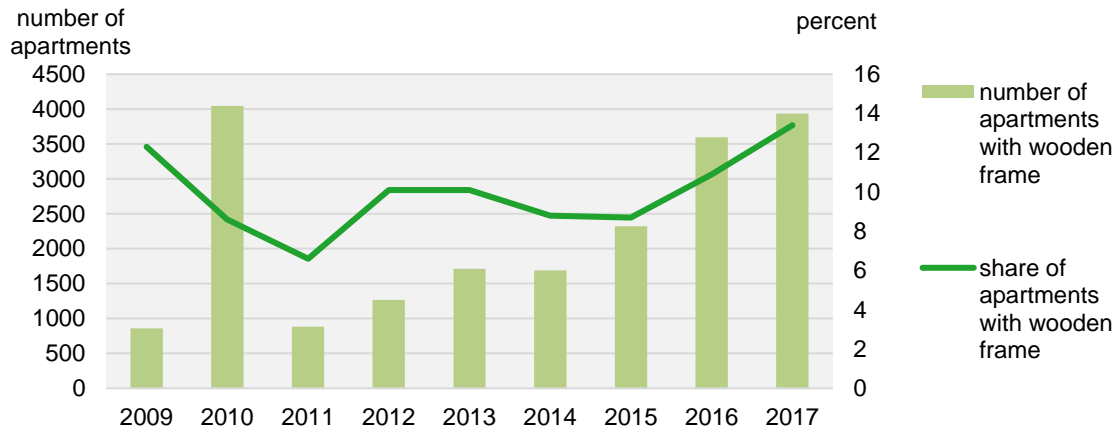
Sweden's wooden house industry comprises 533 companies with 6 619 employees, of which 119 companies have more than 5 employees. The production value of prefabricated wooden houses was SEK 17.8 billion according to SCB's latest figures.

The number of building permits sought for detached houses totaled 5 205 in 2018, a decrease of 8 percent compared to 2017. The percentage of prefabricated (wooden) was 86 percent. The share of houses built with loose timber was about 11 percent and that of stone houses 3 percent. The total order intake decreased by 20 percent to 5 803 detached houses under 2018.

Number of newly built apartments with wooden frame increased by 9 percent to 3 937 apartments under 2017 compared to 2016. 2018 annual figures are published in

November 2019. The share of wood frame houses out of total number of houses increased with 2 percent to 13.4 percent in the same period. The data are based on new production of ordinary residential buildings and thus are not special apartments such as group properties and student flats. The survey includes only started objects.

Figure 13. Number of newly built apartments with wooden frame in multi-dwelling buildings 2009-2017.



Source: Statistics Sweden.

## 5 Tables

### 5a Economic indicators

Macro-Economic indicators (Annual percentage change and percent, respectively)	2018	2019	2020	2021
GDP at market prices	2.4	1.8	1.4	1.5
Current account <sup>1</sup>	3.1	4.7	4.7	5.0
Employment	1.8	1.1	0.5	0.5
CPI	2.0	1.9	1.9	2.0
Unemployment <sup>2</sup>	6.3	6.3	6.4	6.5
Repo rate <sup>3</sup>	-0.50	-0.25	0.00	0.25
Productivity in construction sector <sup>4</sup>	-0.5	1.0	-0.3	.
Housing investment, new construction <sup>5</sup>				
- Multi-dwelling buildings	-6.6	-9.2	-2.7	.
- One- or two-dwelling buildings	-2.1	-15.0	2.1	.
SEK per Euro	10.3	10.6	10.6	10.5
SEK per USD	8.7	9.4	9.4	9.2
SEK per GBP	11.6	9.4	9.4	9.2

1. Percent of GDP

2. Percent of labour force

3. Percent at year-end

4. Constant prices, basic prices, percentage change

5. Constant prices, percentage change