



Market Statement 2020 – SWEDEN

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1 General Economic Trends

The COVID-19 Pandemic means that Sweden's GDP declined by 8.6 percent in the second quarter of 2020, seasonally adjusted and compared with the first quarter according to Statistics Sweden. This according to the preliminary compilation of the quarterly national accounts. Calendar adjusted and compared with the second quarter of 2019, GDP decreased by 8.2 percent. For 2020 as a whole GDP is expected to decrease by 3.6 percent.

The decrease is in large parts driven by falling exports, lower investments, fewer tourists visits to Sweden and a reduction in household consumption expenditure. Production will also be held back to some extent by problems sourcing intermediates and high levels of absenteeism due to increased sickness absence.

Lower infection rates, greatly expanded testing for COVID-19, economic policy measures and a gradual adjustment of both households' and firms' behaviour to balance continued economic activity with the risk of infection have helped household consumption regain much of the ground lost earlier in the year.

It is primarily the decrease in exports and gross fixed capital formation that is responsible for the drop in GDP this year. This is in line with the pattern seen in most previous downturns. The negative contribution from household consumption is smaller. Household consumption is a less volatile variable, and although its contribution to GDP growth is less negative than those from exports and investment, the reduction in consumption is unusually large.

The sharp slowdown abroad means that Swedish exports are expected to decline by 10 percent this year after their steep fall in the second quarter, despite growing strongly in the first, third and fourth quarters. The global economic downturn is hurting Swedish exports through both decreased demand and disruption of global supply chains. Exports are expected to drop by no less than 20 percent in second quarter. Signals from abroad are extremely bleak.

The impact of the COVID-19 pandemic on consumption in the first quarter is considered to have been moderate, as the measures to limit the spread of infection were not introduced until the end of the period. Restrictions to limit social contact and changes in behaviour are expected to send consumption tumbling by no less than 8 percent in the second quarter. Consumption of services such as hotel visits, travel and some sporting, entertainment and cultural events is believed to have fallen drastically.

The downturn will be much greater in the euro area and one reason why the Swedish economy has not been hit quite as hard in the second quarter is that the Swedish authorities' measures to limit the spread of infection have been less far-reaching than in many other countries.

The downturn in Sweden is also being alleviated by the economic policy measures introduced. Employment is being propped up by extensive short-time working, with an average of around 450,000 workers expected to be enrolled in the programme in the second, third and fourth quarters of 2020. Together with various forms of financial support to help firms weather the crisis, this means that the business sector will be better equipped to satisfy growing demand when the economy picks up during the autumn. Total unemployment is expected to increase to around 10 percent in 2021.

Various other steps are also being taken to help firms ride out the in many cases severe drop-off in demand as a result of COVID-19. These support measures will cause general government net lending to deteriorate sharply this year to -5.6 percent of GDP.

Next year, the economy will pick up and net lending will improve slightly as infections subside and vaccination against COVID-19 is assumed to begin during the autumn. The pandemic will, however, continue to weigh on the Swedish economy for at least another year. The substantial government deficits mean that debt will rise to 46 percent of GDP next year. Government finances can therefore still be considered comparatively strong despite the particularly deep economic downturn.

2. Policy measures taken over the past 18 months

2.1 Impact of the COVID-19 outbreak and its impacts on forests and forest products markets and policy measures taken to mitigate the impacts on the sector

The Swedish Government has presented a range of different measures to limit the spread of the COVID-19 virus and to mitigate the economic impact of it. The government's overarching goal is to safeguard people's lives and health and to secure the health care capacity. To mitigate the economic effects on society of the COVID-19 outbreak, several measures have been taken. The measures are intended to provide greater security for those affected by the pandemic by limiting the spread of the virus, combating the effects on businesses and jobs and providing financial security and transition opportunities for those who become unemployed. They are also intended to create the conditions for recovery after the crisis. Most of the economic initiatives are general and apply to all business sectors, but some are more specific and targeting the forest sector.

In the spring amending budget, a total of SEK 150 million was set aside for the **Green jobs'** initiative in 2020 for people who are far from the labour market. The Government has now commissioned the Swedish Forest Agency and some other state agencies to contribute to the creation of jobs for nature. The Swedish Forest Agency is coordinating the programme and the agencies involved have made a preliminary plan for how the places are to be distributed across the country.

The Government is investing to assist the **green industries** in the absence of foreign seasonal workers. Unemployed people are matched to the horticulture and forestry industries are experiencing acute difficulties recruiting seasonal staff for work such as planting, greenhouse work and harvesting. The situation has been caused by travel restrictions for seasonal workers related to the COVID-19 pandemic. The Government has invested SEK 11 million so that vegetables and berries can be harvested and forestry plants that would otherwise be destroyed can be planted.

In light of the COVID-19 pandemic, the Government, are presenting new measures to strengthen **digital infrastructure**. Under the proposal in the additional amending budget, SEK 202.8 million will be provided to the Rural Development Programme for 2014–2020 to ensure that budget funds previously set aside to support broadband expansion can be paid.

The Government has proposed a temporary discount for fixed rental costs in vulnerable sectors to mitigate the economic impact of the COVID-19 virus outbreak.

In March, a proposal was presented for loan guarantees to companies adversely affected by the COVID-19 virus outbreak. The aim is to make it easier for primarily small and medium-sized enterprises to access financing.

The Government has in March 19 decided on a supplementary system of support for short-time work schemes. The new system means that central government will cover three quarters of the cost of staff reducing their working hours, while employers and employees share the remaining quarter, rather than central government covering a third of the cost.

2.2 Biotic and abiotic disturbances of forests, their impacts on forest products markets and trade and current and planned policy measures taken to mitigate economic and ecologic impacts;

Biotic disturbance

In the Budget Bill for 2020 the Swedish Government set aside SEK 30 million annual for 2020-2022 to contribute for an effective mitigation of forest damages and in particular spruce bark beetle. Thereafter the Government assign the Forest Agency to strengthen capacity building to combat spruce bark beetles, including in the protected areas for which the Swedish Forest Agency is responsible. The Swedish Forest Agency is coordinating the work of the relevant authorities.

In the Budget Bill for 2021 the Swedish Government set aside permanently SEK 30 million for the Forest Agency to prevent, monitor and combat forest damages. The Swedish Government also set aside 30 million SEK yearly for the Swedish University of Agricultural Sciences to increase the capacity on forest health.

The spruce forest in southern Sweden was stressed by drought after the unusually dry summer of 2018. This has led to a sharp increase in spruce bark beetle attacks during 2019. According to the Swedish Forest Agency's inventory, the spruce bark beetle caused damage of almost 7 million cubic meters in southern and central Sweden, the highest level of damage ever measured as a result of the spruce bark beetle. An annual felling in Sweden corresponds to approximately 90 million cubic meters. Spruce bark beetle infestations usually occur in cycles of 3–4 years. This is a situation that will probably continue for several years with large financial losses for one of Sweden's most important basic industries.

It is too early to say anything about extent of bark beetle damage in 2020. The Swedish Forest Agency's forecast or probable scenario for 2020 was that the damage will be at an unchanged level (approximately 7 million m³sk). In general, the spruces are more resistant this year because they have had time to recover more after the dry summer of 2018. So far, the summer has been relatively cool and rainy, which has benefited the forest and disadvantaged the spruce bark beetles. However, the rise in temperature in recent weeks has led to increased swarming activity and newly hatched bark beetles from the second generation in traps are appearing, which indicates that part of the new generation has started to leave their fry material and are swarming.

There are signs of multi-damages in Northern Sweden and that the young forests are much worse than expected, above all, due to Scots pine blister rust (*Cronartium flaccidum*), browsing by moose and crack disease. Surveys indicate that about 25 percent of the young forests in Northern Sweden have too few stems and do not meet the requirements stipulated in the forest act. In the long term, it can have major consequences for the forest industry and employment in Northern Sweden if forest growth and fellings decrease.

Abiotic disturbance

During 2020 forest fires and storms has been on a normal level which means less than one million cubic meters have been affected.

2.3 Forests and the forest-based industries in a circular bioeconomy;

A national strategy for a circular economy

In July 2020 the Government has adopted a national strategy for a circular economy that sets out the direction and ambition for a long-term and sustainable transition of Swedish

society. This is an important step towards Sweden becoming the world's first fossil-free welfare nation. The core of the strategy is a vision: "A society in which resources are used efficiently in toxin-free circular flows, replacing new materials." The national work for a circular economy will focus on sustainable production and product design; sustainable ways of consuming and using materials, products and services; toxin-free and circular ecocycles; and the circular economy as a driving force for the business sector and other actors through measures to promote innovation and circular business models.

Swedish National Forest Programme

The Swedish Government has assigned the Swedish Forest Agency to implement the following measures between 2020–2022 within the framework of the national forest program.

- Allocate funds to regional initiatives that support the vision and objectives of the national forest program.
- The Swedish Forest Agency shall assist the Ministry of Enterprise and Innovation in the continued implementation of the national forest program and in achieving the vision of the national forest program and the goals for the five focus areas in the forest program's strategy.
- The Swedish Forest Agency shall, within its area of responsibility, assist the Ministry of Enterprise and Innovation in proactive and strategic advocacy work, by focusing on policy development within the EU and strengthening forestry collaboration and dialogue.
- The Swedish Forest Agency shall produce proposals for relevant indicators that can measure the implementation of the forest program against the vision and the five focus areas
- The Swedish Forest Agency shall develop and implement an counselling campaign to further promote a growing forest industry and sustainable forest management.
- The Swedish Forest Agency shall continue the work for a gender-equal forest industry

Increase construction in wood

The government has decided on a grant of a total of SEK 2 million to the association Trästad Sverige (Wood City Sweden). The purpose is to increase knowledge about wood construction, spread good examples and stimulate innovation and development in industrial wood construction.

Fossil free Sweden

The Swedish Government decided in May 2020 to prolong the Fossil Free Sweden initiative to the end of 2024. Fossil free Sweden has and will encouraged business sectors to draw up their own roadmaps as to how they will be fossil free while also increasing their competitiveness. The forest sector's roadmap for fossil free competitiveness, shows how the sector can create even more climate benefits than it already does today. The roadmap is developed by the trade association The Swedish Forest Industries Federation. In a growing bioeconomy, the forest sector today already contributes to climate change mitigation in three overall ways: by substitution, whereby biobased products replace other products that are produced from fossil raw materials or which cause major fossil emissions during production, by carbon capture in the forests and in biobased products as well as by reducing the use of fossil energy sources. The goal of the roadmap is that the overall climate benefits of the forest sector and its contributions to a fossil free society will have increased by 2045 by contributing with more bio-based products and by phasing out fossil energy sources in its own operations.

Swedish Forest Review

An inquiry established by the Swedish Government to examine the possibilities and submit proposals for measures for strengthened ownership rights for forests, new flexible forms of protection and compensation for the protection of forest land and how international commitments on biodiversity can be reconciled with the objective of a growing circular bioeconomy. The aim is also to highlight possible conflicts between different objectives and that synergies are used between international and relevant national commitments on biodiversity and a growing circular bioeconomy. The inquiry shall also propose how incentives for sustainable forestry and improved legitimacy for the forest and environmental policy pursued can be created. The Corona pandemic has made it very difficult for the inquiry to anchor ideas and analyzes with the forest's various actors and therefore the Government has extended the inquiry period to 30TH of November 2020.

EU Green deal – Biodiversity and forest strategy

The European Commission has adopted the new EU Biodiversity Strategy for 2030 and an associated Action Plan. It aims to put Europe's biodiversity on a path to recovery by 2030 with benefits for people, the climate and the planet. It is also the proposal for the EU contribution to the upcoming international negotiations on the global post-2020 biodiversity framework. In the post-COVID context, the Biodiversity Strategy aims to build our societies' resilience to future threats such as climate change impacts, forest fires, food insecurity or disease outbreaks, including by protecting wildlife and fighting illegal wildlife trade. The Strategy contains specific commitments and actions to be delivered by 2030. Forest related commitments includes

1. Legally protect a minimum of 30% of the EU's land area and 30% of the EU's sea area and integrate ecological corridors, as part of a true Trans-European Nature Network.
2. Strictly protect at least a third of the EU's protected areas, including all remaining EU primary and old-growth forests.
3. Effectively manage all protected areas, defining clear conservation objectives and measures, and monitoring them appropriately.
4. Plant 3 billion trees.

Building on the 2030 biodiversity strategy, the Commission will prepare a new EU forest strategy covering the whole forest cycle and promoting the many services that forests provide. The new EU forest strategy will have as its key objectives effective afforestation, and forest preservation and restoration in Europe, to help to increase the absorption of CO₂, reduce the incidence and extent of forest fires, and promote the bioeconomy, in full respect for ecological principles favourable to biodiversity.

Renewed sustainable finance strategy and implementation of the action plan on financing sustainable growth

In the framework of the European Green Deal, the Commission announced a renewed sustainable finance strategy, which aims to provide the policy tools to ensure that financial system genuinely supports the transition of businesses towards sustainability in a context of recovery from the impact of the COVID-19 outbreak. The renewed strategy will contribute to the objectives of the European green deal investment plan, in particular to creating an enabling framework for private investors and the public sector to facilitate sustainable investments. It will build on previous initiatives and reports, such as the

Commission's 2018 action plan on financing sustainable growth and the reports of the Technical Expert Group on Sustainable Finance (TEG).

On 18 December 2019, the Council and the European Parliament reached a political agreement on the Taxonomy Regulation. On 15 April 2020 the Council adopted by written procedure its position at first reading with respect to the Taxonomy regulation. The European Parliament approved the text pursuant to the "early second reading agreement" procedure on 18 June 2020. The Commission is now preparing the delegated act on climate change objectives for the end of 2020, which will enter into force one year later. The delegated act concerning the other six environmental objectives (sustainable use and protection of water and marine resources, circular economy, pollution prevention and control and protection and restoration of biodiversity and ecosystems) is planned to be adopted by the end of 2021, based on the advice of the Platform on sustainable finance – with a one year delay to enter into force.

On 9 March 2020, the TEG published its final report on EU taxonomy. The report contains recommendations relating to the overarching design of the EU taxonomy, as well as extensive implementation guidance on how companies and financial institutions can use and disclose against the taxonomy. The report is supplemented by a technical annex containing updated technical screening criteria for 70 climate change mitigation and 68 climate change adaptation activities, including criteria for do no significant harm to other environmental objectives.

The EU taxonomy and its comprehensive recommendations will have impact on the forest sector but it's still unclear in what way and how much. Will for example the contemporary Swedish state forest governance system apply to part of the Taxonomy regulation and future secondary legislation and the taxonomy and what about market imitative such as the forest certification system?

The EU Timber Regulation

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 organizations 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 178 checks on operators importing timber products and 19 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.

EU Communication (2019) on Stepping up EU Action to Protect and Restore the World's Forests

On 23 July 2019, the European Commission adopted an EU Communication on Stepping up EU Action to Protect and Restore the World's Forests.

The Communication has the objective of protecting and improving the health of existing forests, especially primary forests, and significantly increasing sustainable, biodiverse forest coverage worldwide. It sets out five priorities:

- Reduce the footprint of EU consumption on land and encourage the consumption of products from deforestation-free supply chains in the EU;
- Work in partnership with producer countries to reduce pressures on forests and to “deforest-proof” EU development cooperation;
- Strengthen international cooperation to halt deforestation and forest degradation, and encourage forest restoration;
- Redirect finance to support more sustainable land-use practices;
- Support the availability and quality of information on forests and commodity supply chains, the access to that information, and support research and innovation.

Annex I to the Communication proposes actions to be implemented by the European Commission to meet these priorities, while Annex II lists actions recommended to EU national, regional and local authorities, industry and civil society.

Actions proposed also aim at creating a multi-stakeholder platform and an EU Observatory on deforestation and forest degradation, at exploring possible legislative measures, and at reinforcing the implementation of the EU Forest Law Enforcement, Governance and Trade (FLEGT) Action Plan, focusing on fighting illegal logging.

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. To that is there a high competition on biomass and the ability to pay and a high demand in the traditional Swedish forest industry.

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. From 2022 the reduction must be at least 26 % for (fossil-dominated) diesel and at least 6 % 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.

3 Market drivers

The Swedish krona initially, during the COVID-19 outbreak, plummeted but thereafter the Swedish krona has strengthened considerably and continuously, but in recent weeks dropped again. A stronger currency is expected to disadvantage the Swedish export companies.

Other market drivers affecting the market for forest products are mentioned in next chapter, such as growth in residential construction activity

4 Development in the forest products markets sectors

Wood raw materials

According to the Swedish Forest Agency's preliminary statistics, the gross felling in 2019 amounted to 94.1 million cubic meters (standing volume). This is an increase of three percent compared to 2018 when the felling amounted to 91.2 million cubic meters.

According to the Swedish Forest Agency's forecast, the felling during 2020 is estimated to decrease to 91 million cubic meters. The felling decline is mainly due to an expected production decline of both sawn wood products and pulp in 2020 compared to 2019.

The net felling, which consists of the harvested volume of all tree stems that are fully or partially removed, amounted to just over 75 million cubic meters in 2019. Just under half of the net felling consisted of saw logs from conifers, just over 40 percent of pulpwood, 7 percent of firewood and a few percent of other wood.

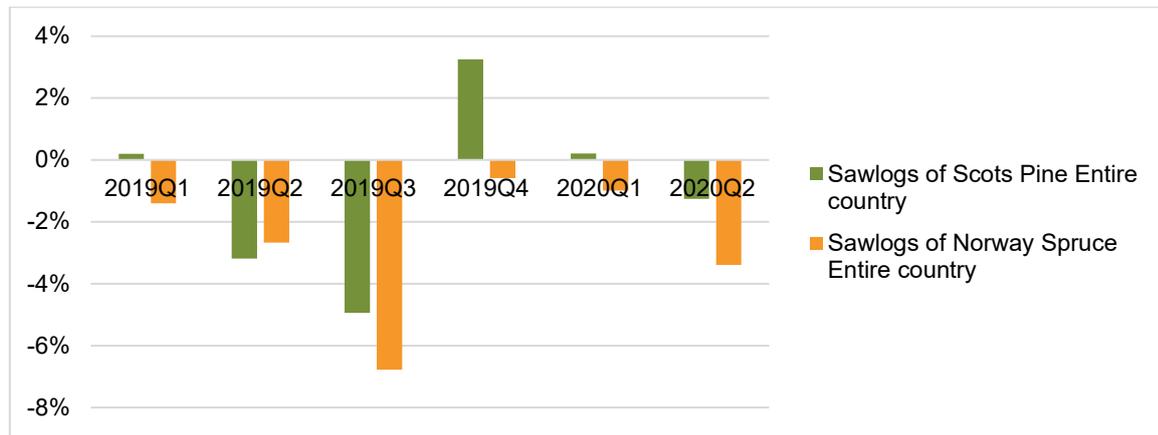
In 2019, the imports of round wood were preliminarily 7.7 million cubic meters, which is about 0.6 million cubic meters less than the year before. The exports were preliminarily 0.8 million cubic meters, which is approximately 0.1 million cubic meters more than in 2018.

Sawlogs

Sawlog removals is preliminary estimated to 36.6 million cubic metres in 2018 (solid volumes under bark) and increase somewhat to 37.5 million cubic metre in 2019.

Average price of sawlogs (only statistics for delivery timber is available which represents some 9 percent of total sales) decreased in 2019, primarily in the second and third quarter of 2019. After a rise in the winter of 2019/2020 prices went down during the COVID-19 outbreak but in the autumn of 2020, prices are expected to slightly rise due to relatively high demand for sawn softwood.

Figure 1. Quarterly change in prices for delivery logs.



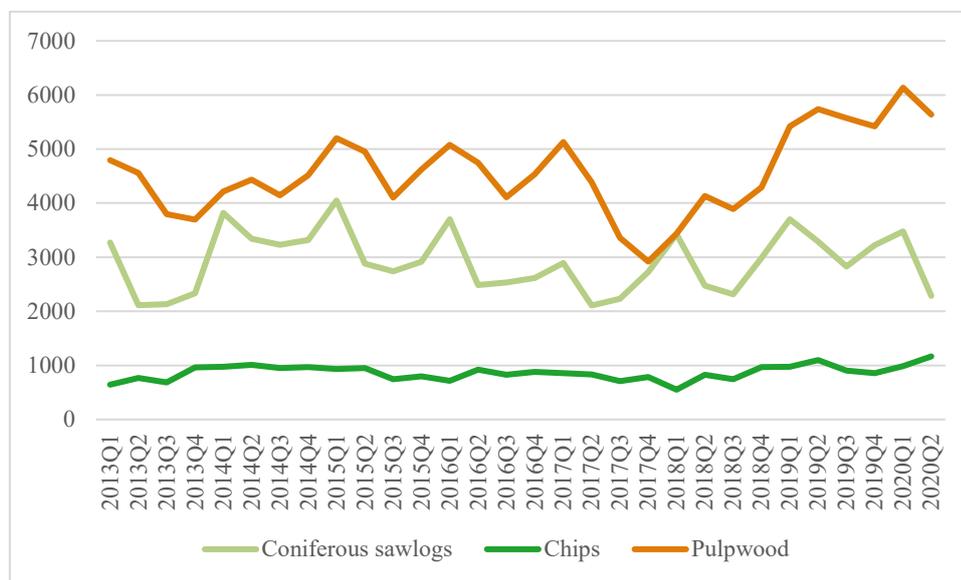
Source: Biometria and Swedish Forest Agency, Statistical database.

Pulpwood

In 2018 preliminary removals of pulpwood is estimated to 30.8 million cubic metres (solid volumes under bark) an increase by 2.6 percent compared to 2017. Preliminary figure for 2019 shows an increase of removals to 32.2 million cubic metres. Import of pulpwood has decreased in recent years due to high domestic removals and stocks.

The stock of pulpwood is still on a high level, 4.3 million cubic metres (solid volume under bark) for 2018 and 9.5 million cubic metres for 2019. In the first half of 2020 the stock of pulpwood has declined.

Figure 2. Stocks (1.000 m³, solid volume under bark) by assortment, quarterly change.

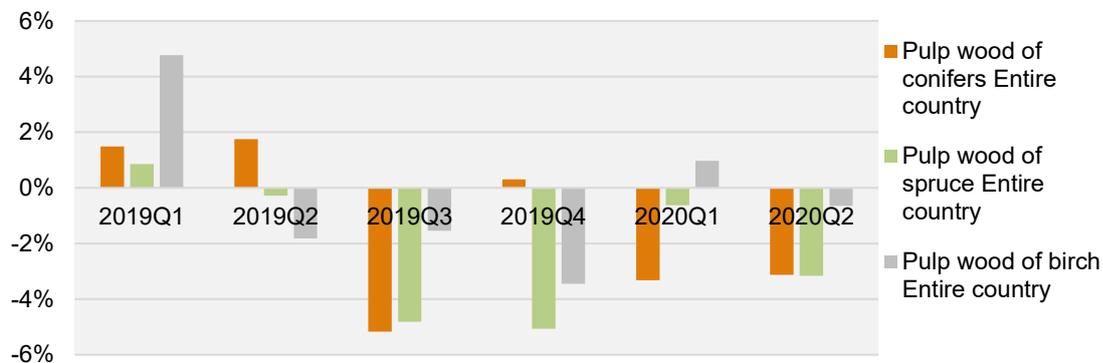


Source: Swedish Forest Agency and Swedish Forest Industries Federation.

Average price of pulpwood (only statistics for delivery timber is available which represents some 9 percent of total sales) has decreased the last year. The main reason for falling prices is high removals due to spruce bark beetle and decreasing demand in the

paper industry, in particular the graphic paper industry has collapsed, due to the COVID-19 outbreak.

Figure 3. Quarterly change in prices for delivery logs.



Source: Biometria and 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 m³ during 2019. In 2020 the production of sawn wood is expected to increase since production of sawn softwood in the sawmill industry is expected to increase.

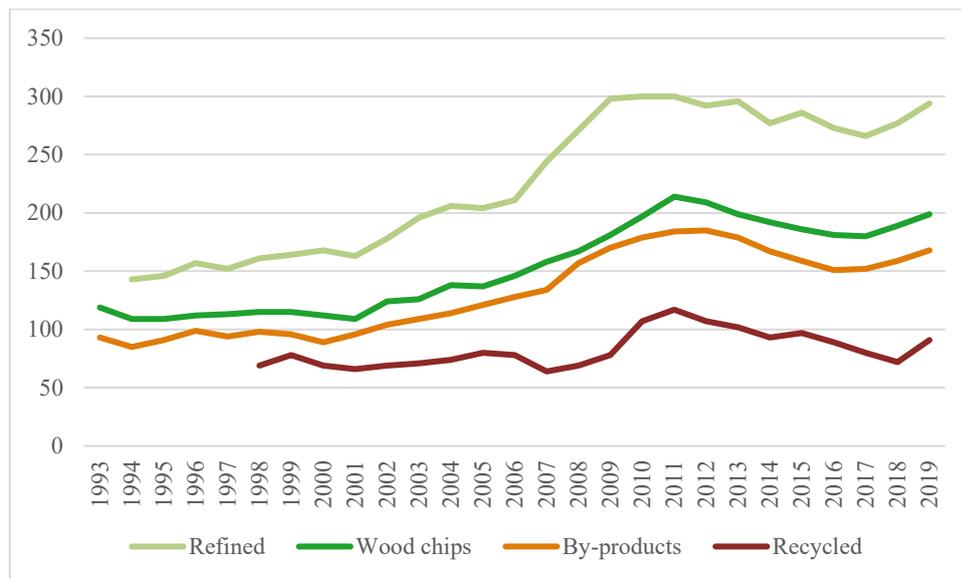
The removals of chips made of branches, tops of trees, stumps and bark was 5.5 million cubic metres in 2018. Preliminary figures for 2019 is about the same.

It is unclear how the infestation by spruce 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 waist wood.

Until 2011, the demand for forest fuel increased year after year. Since then, the market situation has changed significantly, and prices has dropped. Sweden has had warm winters with electricity surpluses, which has made it not profitable to produce electricity from wood chips. The forest industry has had high production volumes, which has given large volumes of by-products to be placed on the fuel market. Imports of recycled wood from Norway and the United Kingdom have replaced wood chips in power plants.

During 2019, the market has changed and the prices increased, and the main reason is the increasing demand for wood fuel in the Baltic Sea region. It is not just the expansion of the Stockholm Energy new thermal power plant that consumes several million cubic meters of wood chips per year. There are also new plants in Turku Finland and Copenhagen that have changed the market situation.

Figure 4. Wood fuel prices, annual excl. taxes, from 1993, SEK/MWh, current prices



Source: Swedish Energy Agency

Wood energy

Sweden is still the world leader in bioenergy thanks to the Swedish CO₂ tax introduced in 1991. The tax is levied on all fossil fuels in relation to their CO₂ emissions during combustion. The highest tax is on coal followed by oil and then by natural gas. This has increased the incentive to invest in non-fossil fuels.

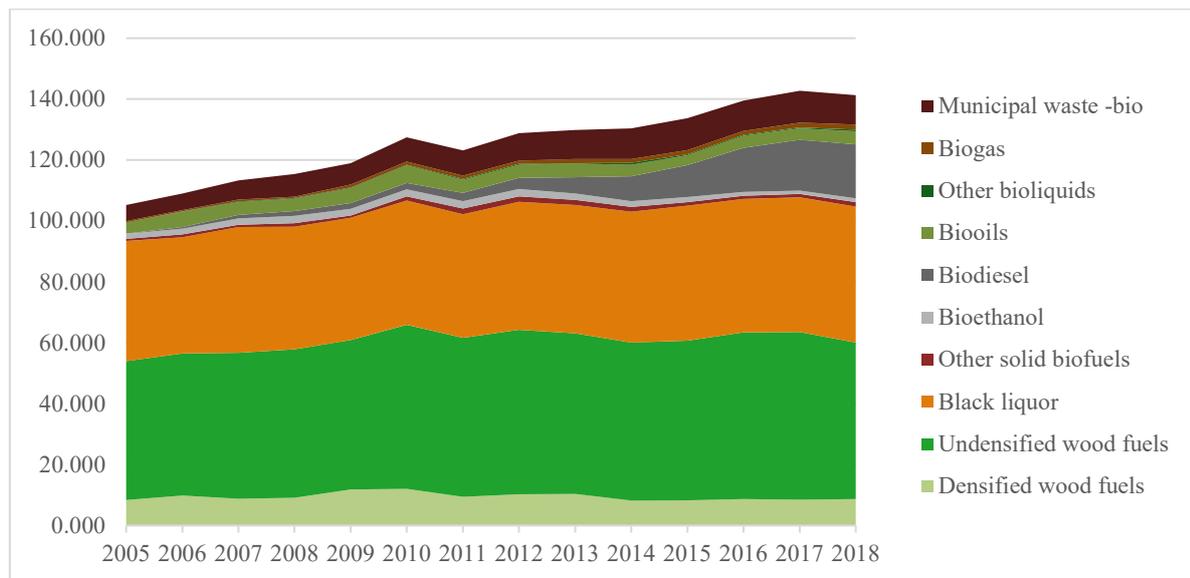
The carbon tax as well as aid for replacing oil boilers and increasing district heat production have made the use of fossil fuels for heating almost completely disappear.

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 since Sweden cannot apply the tax fully under the current EU state aid rules.

Biofuel in the Swedish energy system

The use of biofuels in the Swedish energy system has tripled over the last 40 years. The use of biofuels has increased to 141 TWh, which is equivalent to 25 percent of the total supply. A clear trend of the increasing use of biofuels within the transport sector can be seen, especially for biodiesel. The use of biofuels amounted to almost 17 TWh in 2018 which corresponds to 21 percent of the transport sector's energy use

Figure 5. Biofuel consumption by category, from 2005, TWh

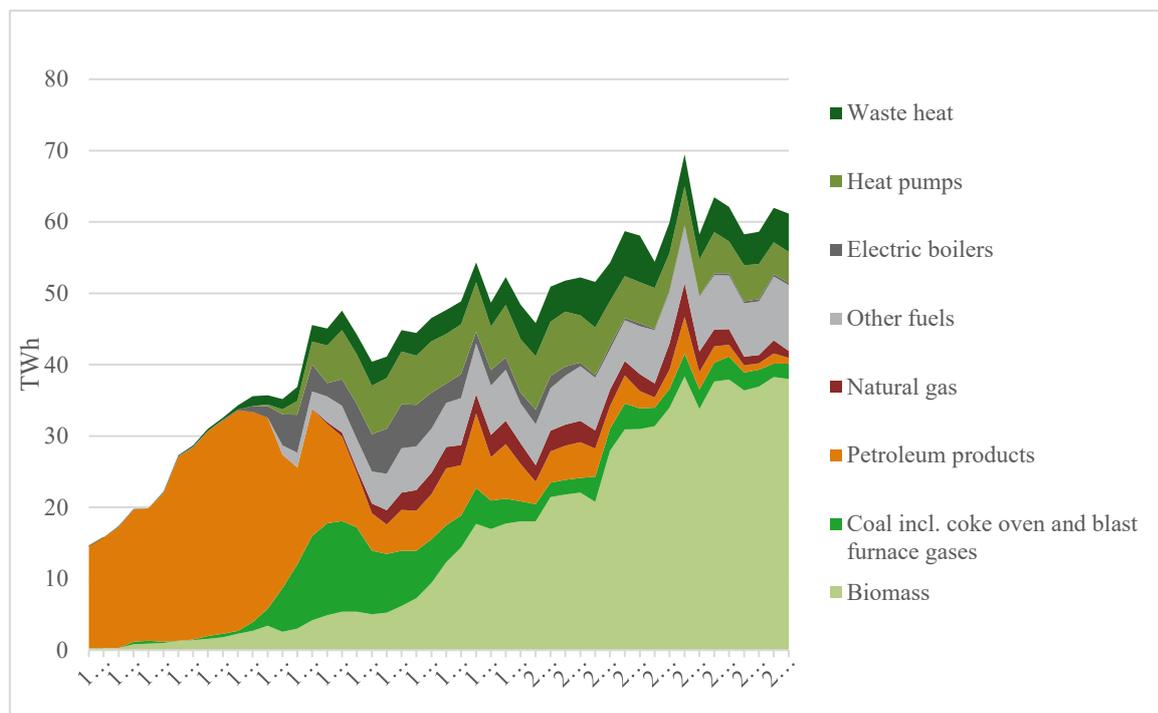


Source: Swedish Energy Agency

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.

Figure 6. Input energy used in the production of district heating, from 1970, TWh



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, 2019

	FSC certified	PEFC certified	Double certified	Certified
Individual owners¹	..	..	..	4,849
All other owners	..	..	..	10,051
Total	1,264	3,016	10,620	14,901

Source: Swedish Forest Agency.

The share of certified area of productive forest land amounts to 65 percent and total certified areal increased by 523,600 hectares between 2016 och 2019.

Sawn softwood

Despite negative consequences as a result of the COVID-19 outbreak, the Swedish sawmill industry has performed better than other large forest nations at the beginning of 2020. To some extent because the large export markets for Swedish wood products were not among the first to be affected by the COVID-19 outbreak. Another explanation is that important export markets have replaced each other at the same time as Swedish consumer market for construction increased its sales compared with the same period last year.

In contrast to the relatively fast-growing global production and consumption, the Swedish softwood production has since 2015 remained relatively stable. In 2019 the production remained unchanged at 18.6 million cubic metres.

Considering on one hand the good availability of raw material and on the other hand the unstable global market conditions the demand is predicted to be rather stable. The forecast of the production for 2020 and 2021 is about 18.2 and 18.1 million cubic metres respectively.

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.

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

¹ Single owner, estates and small companies (sole trader).

increasing the consumption with more than 300 000 cubic meters during a couple of years.

The total exported volume of sawn wood is estimated to rise for the whole year of 2020 by 11 percent but forecasted to fall in 2021.

Swedish exports to non-European markets have in general developed better with the largest increase in 2020 to Egypt, China, US and Japan.

Figure 8. Export price index for sawn wood, January 2010-July 2020. Price Index 2015=100



Source: Statistics Sweden

Wood-based panels incl. Parquet industry

Wood-based panels industry

During 2019 wood-based panels industry included only three plants. The total production of wood-based panels was 654 000 cubic metres during 2019, a small decline compared to 2018. The export of wood-based panels was 154 000 cubic metres during 2019.

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 somewhat to 622 000 cubic metres in 2019 compared to 2018. Imports of OSB, Oriented strand board, decreased by 25 percent to 125 000 cubic metres in 2019 compared to 2018. Most of the imports of OSB come from Latvia and Germany. Imports of plywood increased by 11 percent to 248 000 cubic metres in 2019 compared to 2018.

Imports of fibreboard decreased by 4 percent to 325 000 cubic metres in 2019 compared to 2018. Total imports of MDF boards was relatively stable to just over 226 000 cubic metres.

Pulp and paper

Pulp

The production of wood pulp decreased by 0.7 percent to 12.0 million tonnes in 2019 compared to 2018. Approximately 60 percent of the total pulp production is used internally, i.e. for the pulp mills' own production of paper and board. The remaining 40 percent is sold on the open market.

Production of bleached sulphate softwood was 4.5 million tonnes in 2019 and production of combined mechanical pulp and semi chemical pulp was 3.2 percent to 3,5 million tonnes. Other chemical pulp amounted to 4.4 million tonnes. The total production of wood pulp is estimated to rise to 12,2 million tonnes in 2020 and 12,1 million tonnes in 2021.

Exports of wood pulp increased by 13 percent to 4.1 million tonnes in 2019 compared to 2018. Exports is estimated to increase to 4.2 tonnes in 2020 and 2021. 64 percent of wood pulp deliveries went to Europe. Deliveries to the EU amounted to 2.4 million tonnes. Asia is also a large market for the Swedish pulp industry. In 2019, 1.3 million tonnes of pulp were delivered from Sweden to Asia.

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, January 2010-July 2019. Price Index 2015=100



Source: Statistics Sweden

Paper

In 2019, Swedish paper production amounted to 9.6 million tonnes, of which 8.8 million tonnes were exported. This corresponds to 92 percent of production. Deliveries to the Swedish market have had a relatively unchanged level in recent decades.

In 2019, 3.2 million tonnes of graphic paper and 5.9 million tonnes of packaging material were produced, as well as approximately 400,000 tonnes of tissue paper and other paper.

Exports of paper and paperboard in 2019 decreased by 4 percent to 9.2 million tons compared to 2018. Total paper production is dominated by graphic paper and packaging materials. Packaging material, which is the largest segment in Sweden, consists of cardboard, paper and corrugated cardboard. Other paper consists primarily of tissue paper. The total export share was 92 percent in 2019. Of the paper that Sweden exports, 73 percent goes to Europe, with Germany as the largest customer.

Figure 10. Export price index for paper and paperboard, January 1990-May 2020. Price Index 2015=100



Source: Statistics Sweden

Value-added wood products

Doors

The number of delivered doors for the first half of 2020 was 780,150 according to, a decrease of 5 percent compared to the same period in 2019. Sales were SEK 1,107 million SEK, an increase of 2 percent compared to 2019 while exports of doors decreased by 9 percent to 363 851 doors.

At the end of June 2020, there were 1,104 employees in the door industry, a decrease of 1 percent.

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

Total furniture exports decreased by 4 percent to SEK 8.8 billion during January-June 2020 compared with the same period in 2019, while total furniture imports decreased by 2 percent to SEK 10.2 billion.

The accumulated turnover for the retail trade for furniture, measured in current prices, increased by 6 percent to SEK 23.5 billion during January - July 2020, compared with 2019.

The number of employees in the furniture retail trade was 13,075 in 2019. (13,843 in 2018).

According to the latest figures from Statistics Sweden, the Swedish furniture industry comprises 2,288 companies, of which 844 are companies with a total of 13,200 employees, while 1,444 companies are sole proprietorships without employees.

Parquet

According to the latest figures from FEP (European Federation of the Parquet Industry), Sweden's production of wooden floors, laminated parquet and solid wood floors increased by 2 percent to 11.4 million sqm in 2018. The forecast 2019 indicates that production and total sales in Sweden will probably increase slightly.

The wood type oak dominates with 85 percent in share. The proportion of ash is 10 percent and pine 3 percent.

According to Statistics Sweden's latest figures, the composite parquet flooring industry comprises 10 companies with 850 employees.

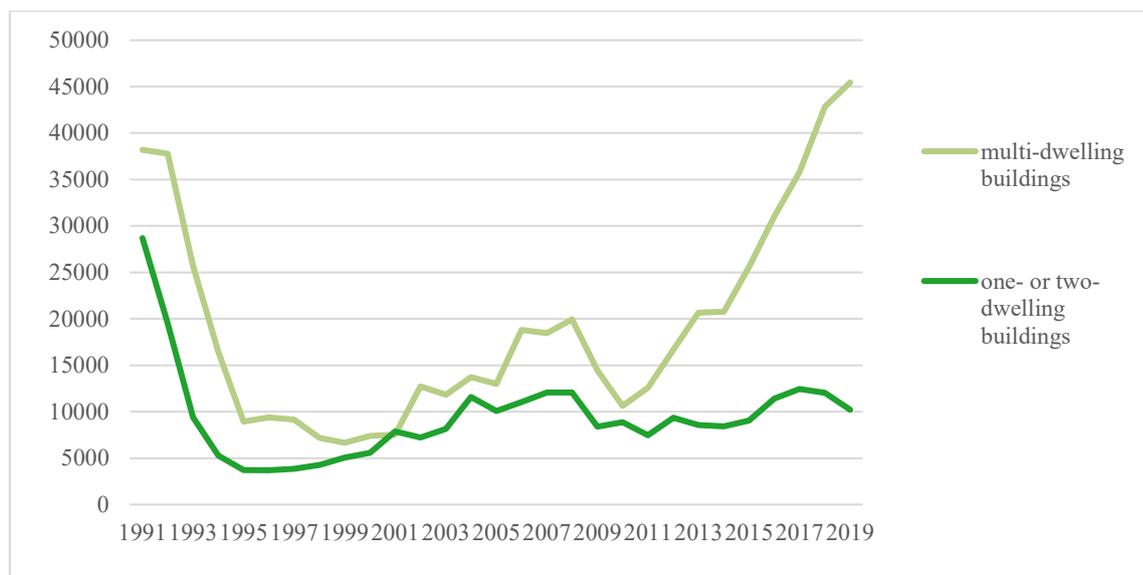
Housing and construction

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.

In 2019, 45 446 newly built dwellings were completed in multi-dwelling buildings. This is 6 percent more compared to last year. In one-or two-dwelling buildings, an additional 10 213 dwellings were completed, which is slightly fewer than in 2018. In addition, 3 155 dwellings were completed through conversion of existing multi-dwelling buildings. As a result, there was an increase of 58 814 dwellings in total in 2019.

Figure 11. Number of completed dwellings in new construction and conversion of multi-dwelling buildings 1991-2019,

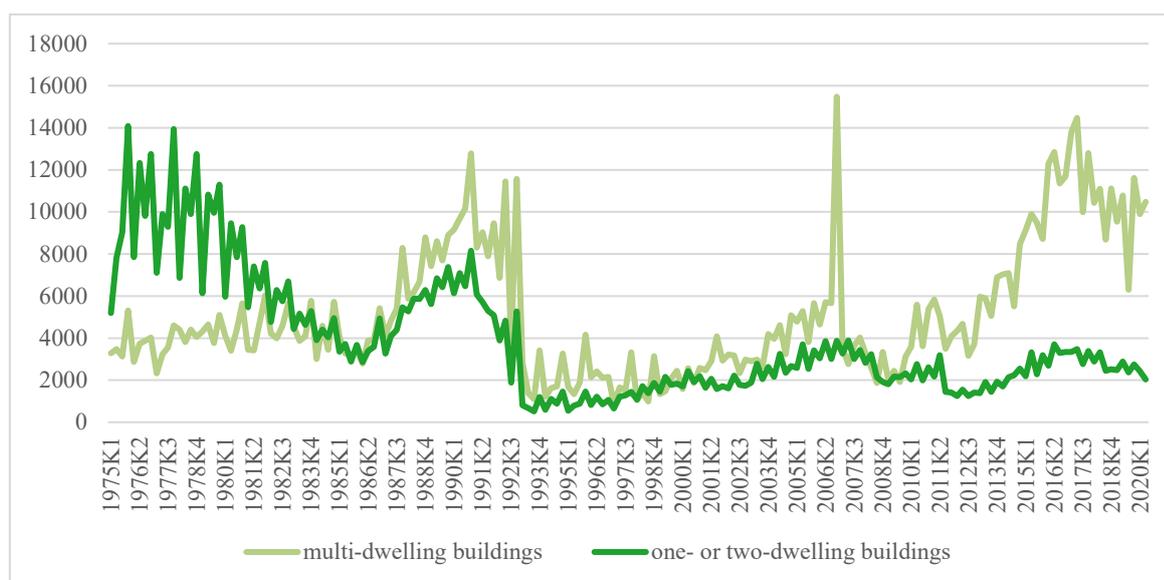


Source: Statistics Sweden

In the first half of 2020, construction of approximately 22 400 dwellings was started in multi-dwelling buildings, which is 10 percent more than in the same period in 2019. Preliminarily, about 65 percent of the dwellings started in 2020 were rented dwellings. In one-to-two dwelling buildings, construction of 4 900 dwellings was started, down by 9 percent compared with same period in 2019.

In addition, conversion of multi-dwelling buildings resulted in 1 250 dwellings in the first half of 2020, compared with 1 388 dwellings in the corresponding period in 2019.

Figure 12. Dwelling starts in newly constructed buildings by type of building and quarter 1975 Q1-2020 Q2



Source: Statistics Sweden

The economy is now expected to withstand the COVID-19 outbreak much better than was feared in the forecasts before the summer, even though the fall in GDP will be significant this year and unemployment will rise sharply. The housing market has

strengthened during the summer, both in terms of the number of sold real estates and prices. Behind this is probably the turnaround in expectations, which could of course also be seen in a strong stock market development. Continued low mortgage rates also play a role. The COVID-19 outbreak may also have affected the seasonal pattern in the housing market. Traditionally, activity and turnover fall sharply between midsummer and the start of school, but this has not really been the case this year.

Wooden houses

Sweden's wooden house industry comprises 533 companies with 6 909 employees, of which 119 companies have more than 5 employees. The production value of prefabricated wooden houses was SEK 20.9 billion.

In 2019, a building permit was permitted for a total 54,688 apartments according to Statistics Sweden. Of those 10,776 was new construction of detached houses, 35,437 referred to new construction of apartments in multi-dwellings.

The numbers building permits for detached houses were a total of 4,672 in 2019, a decrease of 10 percent compared with 2018. The proportion of prefabricated was 87 percent. The proportion of houses built with timber was about 90 percent and the proportion of stone houses 2 percent.

According to Statistics Sweden's latest figures the number of started newly built apartments with wooden frame were 2,719 in 2018, a decrease of 31 percent compared to 2017. Proportion of apartments with wooden frame, of total apartments started, was 13 percent in 2018 compared to 2017. About 97 percent of all apartment with a wooden frame are completely or partially prefabricated.

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)	2019	2020	2021	2022	2023
GDP at market prices	1.3	-3.4	3.6	3.3	1.9
Current account ¹	4.2	5.4	4.3	4.4	4.1
CPI	1.8	0.6	1.3	1.5	2.0
Employment rate ²	68.3	66.8	66.0	66.9	67.8
Unemployment ³	6.8	8.7	9.1	7.9	7.2
Repo rate ⁴	-0.25	0.00	0.00	0.00	0.00
Exports	3.2	-10.3	6.0	6.5	3.7
Productivity in construction sector ⁵	2.8	0.5	1.1	..	..
Gross Fixed Capital Formation	-1.3	-11.2	1.6	8.0	4.9
Housing investment, new construction ⁶					
- Multi-dwelling buildings	-16.4	-18.3	-11.7	..	..
- One- or two-dwelling buildings	-14.4	-6.2	-8.1	..	..
SEK per Euro	10.6	10.6	10.5	10.3	10.2
SEK per USD	9.5	9.5	9.2	9.1	9.0
SEK per GBP	12.1	12.0	11.7	11.6	11.4

1. Percent of GDP, current prices

2. Percent of population aged 15-74.

3. Percent of labour force

4. Percent at year-end

5. Constant prices, basic prices, percentage change

6. Constant prices, percentage change