



# Market Statement 2024 – SWEDEN

UNECE COFFI Market Discussion

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## 1 General Economic Trends

According to Statistics Sweden's GDP indicator, GDP decreased in the second quarter of this year and the recession deepened as a result. At the same time, inflation has decreased rapidly recently, and real wages are rising again. Together with the Riksbank's (Central Bank) expected interest rate cuts, this has contributed to future optimism among both households and companies.

The economy is therefore expected to begin to recover later this year and unemployment will turn downwards. However, the recession on the labour market will continue next year, and unemployment is expected reach 8.2 percent.

There is uncertainty about when the recovery will take place and how quickly it will be, not least considering that it largely rests on the optimistic expectations of households and companies being realized. Inflation bottoms out in the second half of this year and then turns slightly upwards next year when it is expected to remain around an average of 1.8 percent. Low inflation, stable inflation expectations around 2 percent and the Riksbank's own communication contribute to the fact that the Riksbank is expected to gradually lower the interest rate to 3.0 percent in December this year and further down to 2.25 percent before next summer.

The state budget for 2025 is expected to contain unfunded measures of SEK 60 billion.

## 2. Policy measures taken over the past 18 months, which might have a bearing on forest management or production and trade of forest products

### Raw material supply security

EU has adopted its new Nature Restoration Regulation, setting legally binding restoration targets for the long-term recovery of nature in Europe. Its overarching objective is to restore 20 % of EU's degraded ecosystems by 2030 and all by 2050, also adding time-bound targets for specific ecosystems (incl. forest), habitats, and species. Impact on raw materials depends on national implementation. Member States shall prepare Nature Restoration Plans, which will outline how Member States plan to deliver on the targets of obligations, taking their national context into account.

### Wood in construction

In 2023, new construction of housing began with a total of approximately 28,150 residential apartments and single-family homes. 21,750 (78%) of these were multi-dwelling buildings and 6,400 (22%) single-family houses. This is a reduction of almost half of the corresponding figure 56,600 for 2022. The main reason for the decline is decreasing households' purchasing power, increasing interest rates, falling prices on buildings and increasing construction costs. The share for apartments with a wooden frame is approximately 15 per cent in the apartment building sector on the Swedish market. 81 per cent of the buildings are concrete and 3 per cent are steel constructions. 57 per cent of all apartments with a wooden frame are completely prefabricated, 36 per cent are partially prefabricated and 7 per cent are on-site-built. For single-family homes,

prefabricated wooden houses dominate with a market share of 85-90 per cent. This includes detached or semi-detached houses, terraced houses, chain houses and detached semi-detached houses. In order to create more housing in the short term, the Swedish government introduced a planning incentive for municipalities to develop more land for building single-family homes. The planning incentives for next year include SEK 60 million to enable the construction of single-family homes. This is expected to increase to SEK 75 million per year in 2025 and 2026.

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

At the beginning of August 2023, the interior of Västerbotten county was hit hard by the storm *Hans*. The area affected by the storm is estimated by remote sensing to include 93,000 hectares of forest. Within the core area of approximately 4,300 hectares, 583,000 cubic meters of forest are estimated to have been felled by the storm. A further 100,000-150,000 cubic meters of forest are estimated to have been felled outside the core area but within the affected area. The interior of Västerbotten and the municipality of Örnsköldsvik were previously affected by extensive snowfall due to heavy snow in January-February. Parts of Götaland were also affected by serious snow-break at the beginning of the year. In many places, it was the worst snow-break event in 10 years. Bark beetle damage is still at an abnormally high level, even though 2023 years damage of a total of 2.4 million cubic meters of forest is a third of the peak levels in 2020 and 2021. We still don't know how much the damages are 2024 but between 2018 and 2023 around 34 million cubic meters of forest been killed since the outbreak in 2018. Since 2020, the Swedish Forest Agency has been tasked with preventing, monitoring and combating forest damage, with targeted funding from the government. This year, the Swedish Forest Agency has, among other things, finalised a new inventory method for spruce bark beetle damage and invested in advice on wildlife and forest management for increased forage quantities. Other measures include increased counselling on forests and wildlife and the development of an AI model to find killed spruce forests in satellite images.

#### Forests and the forest-based industries in a circular bioeconomy

A proposal for the first Swedish bioeconomy strategy was published in December 2023, and has been out for remittance during 2024. The Bioeconomy Strategy Inquiry had the assignment to propose a national strategy for the bioeconomy, including one or more measurable targets and, if found necessary, propose actions for a sustainable, competitive, and growing bioeconomy. The purpose of the strategy is to promote sustainable growth, innovation, and employment throughout the country, contribute to environmental and climate benefits, increase the strength of supply, and reduce the vulnerability within society, by using sustainable biomass from forestry, agriculture, and fishing, as well as residual raw materials from food processing industries. The proposal for the overall goal is "We contribute to a prosperous, fossil-free society, through a sustainable bioeconomy." The proposal for the bioeconomy strategy contains three focus areas: (1) More resource-efficient, bio-based solutions, (2) Increased regional, national, and international cooperation, and (3) A developed knowledge base. The responsibility of ensuring that the primary production of biomass is sustainable lays within the framework of each respective policy area, as well as within the National Forest Programme, the

Food Strategy and the Strategy for Swedish Fisheries and Aquaculture. However, this does not imply that a national bioeconomy strategy will ignore how biomass production takes place. Hence, a formalized collaboration between national strategies and policies that affect the bioeconomy is required. The proposal has not yet been decided by the parliament.

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

The revised EU renewable energy directive (REDIII) will enter into force 21 May 2025. Amongst others the sustainability criteria for woody biomass have been sharpened, e.g. concerning biomass from primary and old-growth forests. In September 2024 the Swedish Forest Agency sent its report to government with proposals for the implementation of the revised directive. As of yet the exact impact on costs and administrative burden for forest owners and the rest of the forest sector are unclear.

### LULUCF

On 19 April 2023 the EU adopted the revised LULUCF Regulation that revised the targets for net removals in LULUCF for the period 2026-2030. In 2022 the government tasked a cross-party inquiry to propose a strategy with intermediary targets and policies and measures for Sweden to reach its international and EU-related obligations on biodiversity as well as LULUCF. The inquiry is to present its proposal by 15 February 2025.

## 3 Market drivers

The price trends for Swedish forest products are positive despite a reduced demand and recession. Despite a relatively weak demand the wood product prices have adapted to a high cost situation in the industry, a development which has previously been seen as unlikely. A reduced global supply is a driving factor for this development. The importance of Swedish forest products is expected to increase since a green transition requires fossil-free, renewable energy and recyclable materials. A weak exchange rate for the Swedish krona (SEK) is also a driving factor for the continued interest in Swedish forest products.

## 4 Development in the forest products markets sectors

### Wood raw materials (e.g. roundwood: sawlogs, pulpwood, chips, residues, and fuelwood)

According to the Swedish Forest Agency's forecast, net felling is estimated to decrease in 2024 and the import of roundwood is expected to increase, see table below.

Table 1. Wood raw materials, forecasts

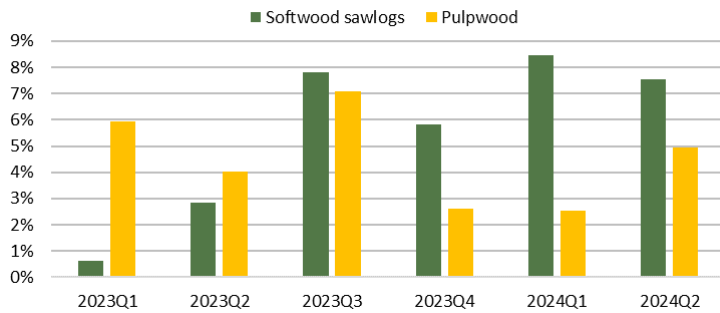
	2023 Preliminary	Forecast 2024	Forecast 2025
Net felling	72.2 million m <sup>3</sup>	-2%	+2%
Removals of coniferous sawlogs	34.3 million m <sup>3</sup>	-4%	+2%
Removals of pulpwood	31.4 million m <sup>3</sup>	-1%	+3%
Removals of fuelwood	6.0 million m <sup>3</sup>	±0%	±0%
Import of roundwood	7.3 million m <sup>3</sup>	+15%	±0%
Production of chips and residues	16.5 million m <sup>3</sup>	-4%	+1%

Note: roundwood in million m<sup>3</sup> solid volume exclusive bark

Source: Swedish Forest Agency

In the second quarter of 2024, delivery timber prices for both sawlogs and pulpwood increased compared to the first quarter of 2024. The price of sawlogs increased by almost 8 percent and pulpwood by 5 percent. Even compared with the second quarter of 2023, increasing wood prices can be seen. Overall, the price of sawlogs increased by just over 33 percent. Despite increased roundwood prices, felling is not increasing, which can depend on numerous factors.

Figure 1. Quarterly changes in prices for delivery logs, softwood sawlogs and pulpwood. 2023Q1-2024Q2.

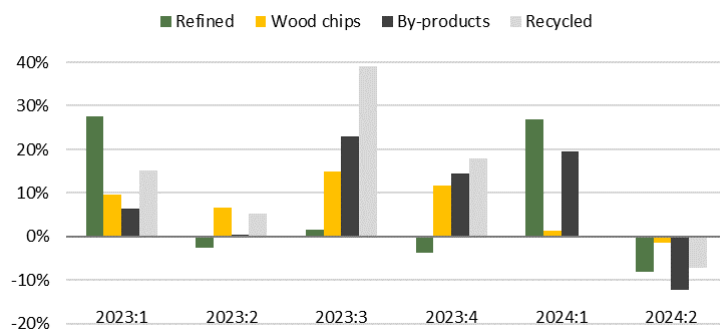


Source: Biometria and Swedish Forest Agency

Wood energy, with a focus on government policies promoting wood energy

The prices of wood fuels, which have increased in recent years, decreased slightly in the second quarter of this year. This does not have to be surprising, as the second quarter is warmer in terms of climate with lower fuel needs. However, the price development for forest chips and recycled wood came to a halt already last winter. The price increase in recent years is partly the effect of the sanctions against Belarus and Russia, partly increased conversion from fossil fuels to biofuels in Europe and reduced construction with a reduced supply of residual products.

Figure 2. Quarterly changes in wood fuel prices in district heating per quarter exclusive taxes, SEK/MWh. 2023Q1-2024Q2.



Source: Swedish Energy Agency

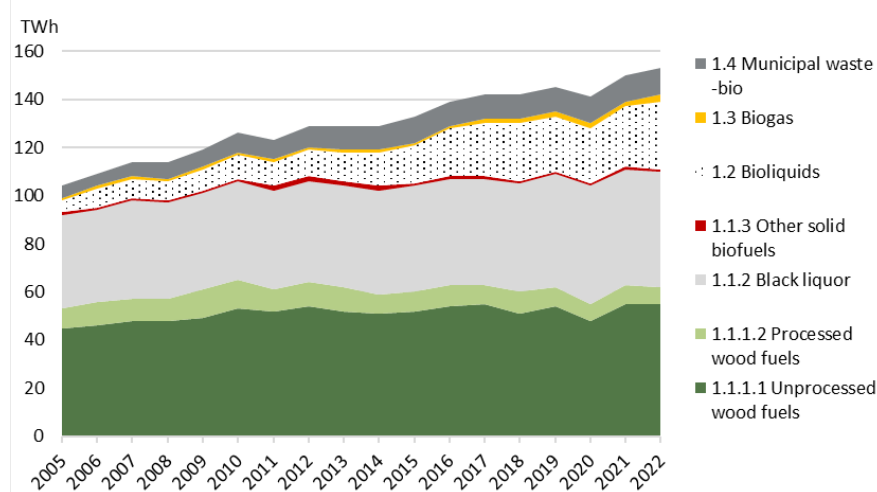
The biofuel blending obligation was reduced to 6% but will increase to 10 percent next year. The reduction obligation is important to reduce emissions from the transport sector through an increased proportion of biofuels involved in both diesel and petrol. At present, there are 13 plants for producing liquid biofuels and two more will be put into operation.

The European Commission has approved the Swedish state aid for capture and storage of biogenic carbon dioxide, so-called bio-CCS. Companies that can capture, transport and geologically store biogenic carbon dioxide at the lowest cost per ton of carbon dioxide stored will benefit from the support. Many users of wood fuels are interested and are developing these technologies.

We preliminary assess that the revised EU renewable energy directive (REDIII) which aim at preventing the use of fuels from primary and old-growth forest, including logging residues, will not have a particularly significant impact on energy production. It is a matter of small areas of forest land in Sweden which is not used for large-scale production even today. Cf page 4, as of yet the exact impact on costs and administrative burdens for forest owners and the rest of the forest sector are unclear.

Demand for forest chips has increased by 10 percent since 2019 while the demand for other wood fuels is quite stable. In 2022, biofuels accounted for 154 TWh or 30 percent of total gross inland energy consumption in Sweden. Wood fuel and black liquor are the most important sources of biofuel.

Figure 3. Biofuel gross inland consumption by category, TWh, 2005-2022.



Source. Swedish Energy Agency

### Certified forest products

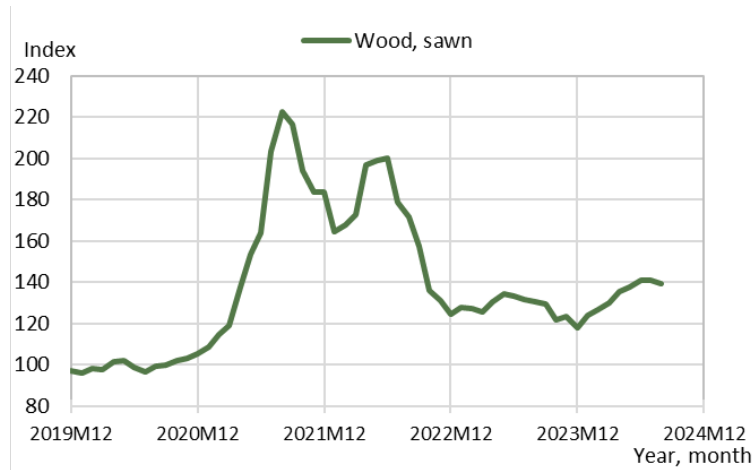
The area of productive forest land under the PEFC or FSC certifications amounted to 14.7 million hectares in 2023 or 67 percent of the total productive forest land outside formally protected areas. Among individual forest owners, the proportion of certified forest land is 40 percent. For other owners, the proportion is 95 percent. It is therefore primarily for individual forest owners that there is a potential for increase. Individual forest owners own half of the forest land in Sweden.

### Sawn softwood

The production of sawn softwood will according to the Swedish Forest Industries decrease by 4 percent in 2024 to 17.1 million cubic meters. In 2025 though the production is expected to increase with 3 percent. The export in 2024 will be around 13 million cubic meters which is 7 percent less than in 2023.

Several factors mean that the sawmill industry heading for tougher times; the trend of increased export prices for sawn softwood during the year has been broken and the price of sawlogs is increasing while construction remains at a low level.

Figure 4. Export price index (EXPI), 2020=100 for sawn wood.



Source: Statistics Sweden

Wood-based panels (particle board, fibreboard and MDF, OSB, plywood)

Figures on production of and trade with wood-based panels are uncertain. There are just a few wood-panel industries in Sweden and production figures are confidential.

The total production of wood-based panels (plywood and particle board) was 708,000 cubic meter in 2022, a decrease with 2,2 percent compared to 2021, according to TMF (the Swedish Federation of Wood and Furniture Industry). We estimate that production in 2024 will be slightly lower. There is no production of fiber board in Sweden.

Trade statistics until July this year compared with the same period last year indicates an increase in imports of plywood this year by about 40 percent and a decrease of import of particle board and fiberboard by about 10 percent.

Pulp and paper

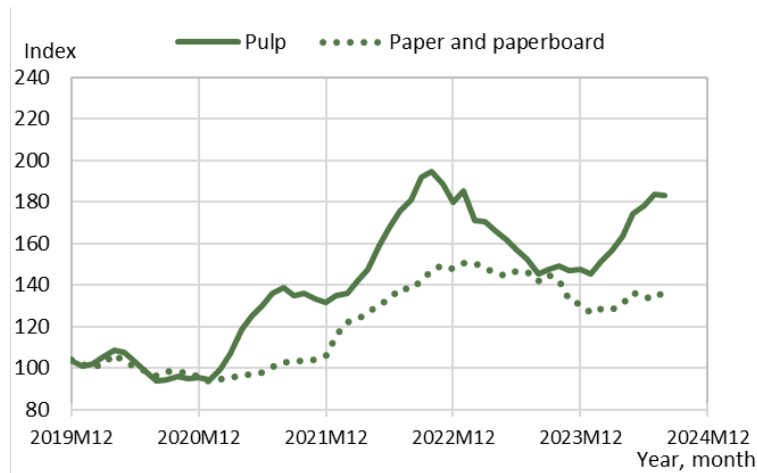
Pulp prices increased during the spring, due to reduced supply and high production costs. Exports to China, which were record high last year, have fallen sharply this year. However, demand from Europe has increased. When it comes to paper and paperboard the market is developing in a positive direction. Surprisingly also the demand and the production of graphic paper has increased slightly, which deviates from the trend of recent years.

Table 2. Forecast. Production and export of woodpulp and paper and paperboard.

	2023 (million metric ton)	Forecast 2024	Forecast 2025
Wood pulp production	11.1	+2 %	+2 %
Wood pulp export	4.2	±0 %	+2 %
Paper and paperboard production	7.5	+6 %	+2 %
Paper and paperboard export	7.9	+4 %	+2 %

Source: Swedish Forest Industries

Figure 5. Export price index (EXPI), 2020=100 for wood pulp and paper and paperboard

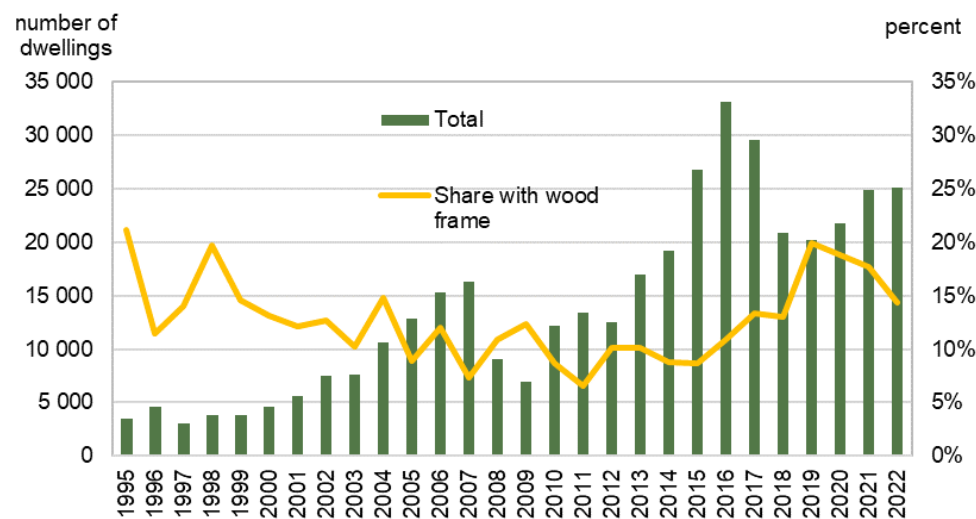


Source; Statistics Sweden

Housing and construction with focus on wood construction

According to The National Institute of Economic Research (NIER), housing inventories have fallen for nine consecutive quarters, explained by weak demand, weak house price development, and high financing and construction costs. However, they see a more positive development in house prices and lower interest rates in the second half of 2024, and in 2025 growth is expected to be positive again. However, the rise in housing prices is expected to be subdued and no major reduction in construction costs is expected. This will contribute to a moderate recovery in housing investment next year. When residential construction has decreased, civil engineering and other construction have partly replaced the lost volume. Production and new order intake of wooden houses for 2023 and 2024 are expected to decrease according to the TMF's<sup>1</sup> forecast is 4,500 single-family houses started in 2024 and 5,300 in 2025.

Figure 6. Dwellings in newly constructed conventional multi-dwelling



Source: Statistics Sweden

<sup>1</sup> TMF the Swedish Federation of Wood and Furniture Industry. [In English - TMF](#)



## 5 Tables

### Economic indicators:

Percentage change unless otherwise indicated.

Macro-Economic indicators	Outcome	Forecast		Scenario		
	2023	2024	2025	2026	2027	2027
<b>GDP at market prices</b>	-0.3	0.7	1.8	3.0	2.1	1.5
<b>GDP, per capita</b>	-0.8	0.4	1.5	2.8	1.9	1.3
<b>CPI</b>	8.5	2.8	-0.3	1.5	2.5	2.1
<b>Employment rate</b>	1.4	-0.2	-0.6	1.1	0.9	0.5
<b>Unemployment (percent of labour force)</b>	7.7	8.3	8.2	7.8	7.4	7.3
<b>Interest rate (percent at year end)</b>	4.00	3.0	1.75	2.00	2.25	2.25
<b>Exports<sup>1</sup></b>	0.4	1.1	2.8	3.3	3.2	3.1
<b>Productivity, construction sector<sup>2</sup></b>	2.5	5.6	-1.8	..	..	..
<b>Gross Fixed Capital Formation<sup>3</sup></b>	-1.4	-2.2	1.4	4.9	4.2	2.9
<b>Housing investment, new construction<sup>4</sup></b>	-23.4	-16.5	0.3	..	..	..
<b>Multi-dwelling building starts</b>	-51 %	+8 %	+15 %			
<b>One- or two-dwelling building starts</b>	-49 %	-22 %	+40 %			
<b>SEK per Euro</b>	11.47	11.39	11.25	11.05	10.92	10.89
<b>SEK per USD</b>	10.60	10.41	10.09	9.91	9.79	9.73
<b>SEK per GBP</b>	13.3	13.7				

1. Sweden's export market refers to total import demand in the countries to which Sweden exports, each country weighted by its share of Swedish goods exports. 2. Productivity in construction sector refers to value added calculated at basic prices per hours worked. 3. Gross fixed capital formation, stock investments and acquisition/sale of land etc. Including non-profit institutions serving households 4. Current prices