



Forest Research

UK Timber Market Statement 2024

October 2024

Forest Research

Forest Research is the Research Agency of the Forestry Commission and is the leading UK organisation engaged in forestry and tree related research.

The Agency aims to support and enhance forestry and its role in sustainable development by providing innovative, high quality scientific research, data, technical support and consultancy services.

Contents

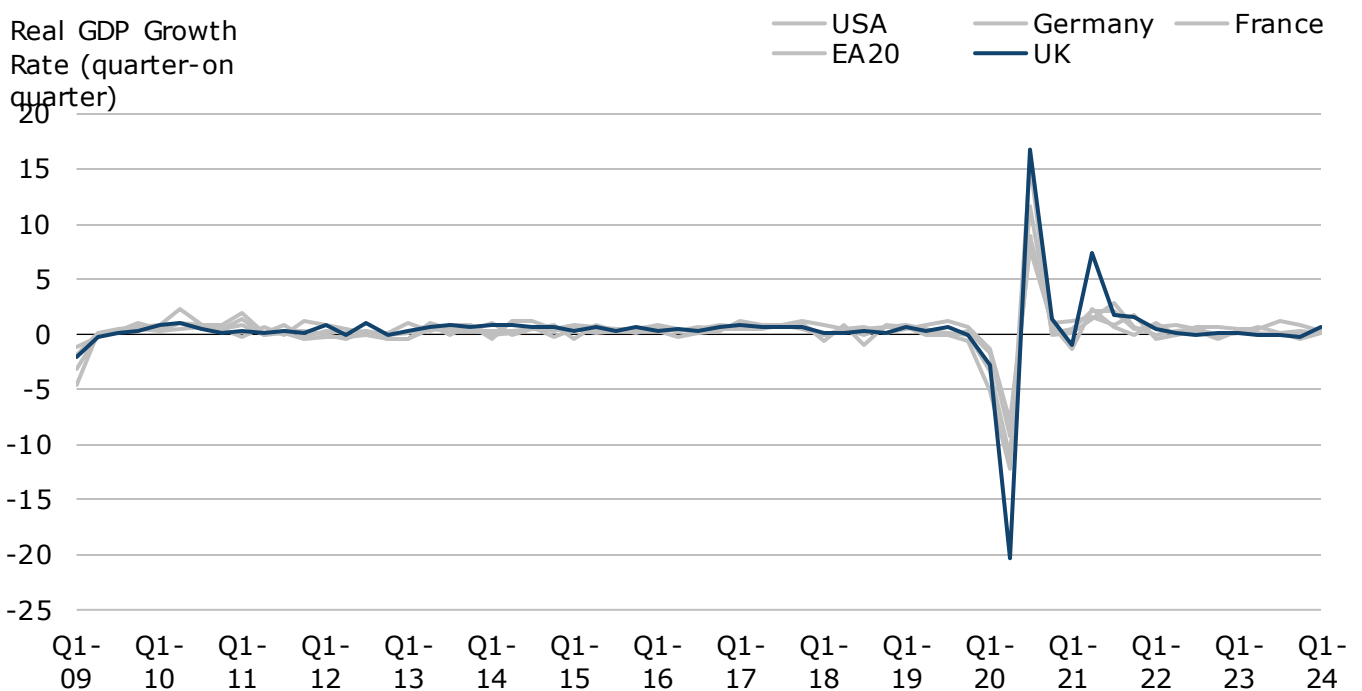
1	General economic trends affecting forests and the forest industries sector	4
1.1	Overview.....	4
1.2	Monetary Policy.....	6
1.3	GDP Growth.....	8
1.4	Inflation.....	9
1.5	Employment.....	11
2	Policy measures.....	12
2.1	Forestry policy in the UK.....	12
2.2	Government priorities.....	13
2.3	Plant health.....	16
2.4	Carbon markets.....	16
3	Market drivers.....	17
3.1	Overview.....	17
3.2	Prices.....	18
3.3	Construction, manufacturing, and distributive trades.....	20
3.4	Energy.....	23
4	Developments in forests and forest products markets sector.....	25
4.1	Wood raw materials.....	25
4.2	Wood energy.....	26
4.3	Certified forest products.....	26
4.4	Sawnwood.....	27
4.5	Wood-based panels.....	27
4.6	Pulp and paper.....	28

1 General economic trends affecting forests and the forest industries sector

1.1 Overview

The UK economy has left period of stagnation, high inflation and recession. As Q4 in 2024 begins, inflation is stabilising around the Bank of England’s 2% target and the economy is producing signs of expansion. GDP growth decreased from -0.1% in Q2 to -0.3% in Q3 2023 and increasing to 0.7% in Q1 and 0.5% in Q2 2024 (Figure 1.1).

Figure 1.1 Real GDP Growth Rate 2009-2024, Selected Economies, percentage



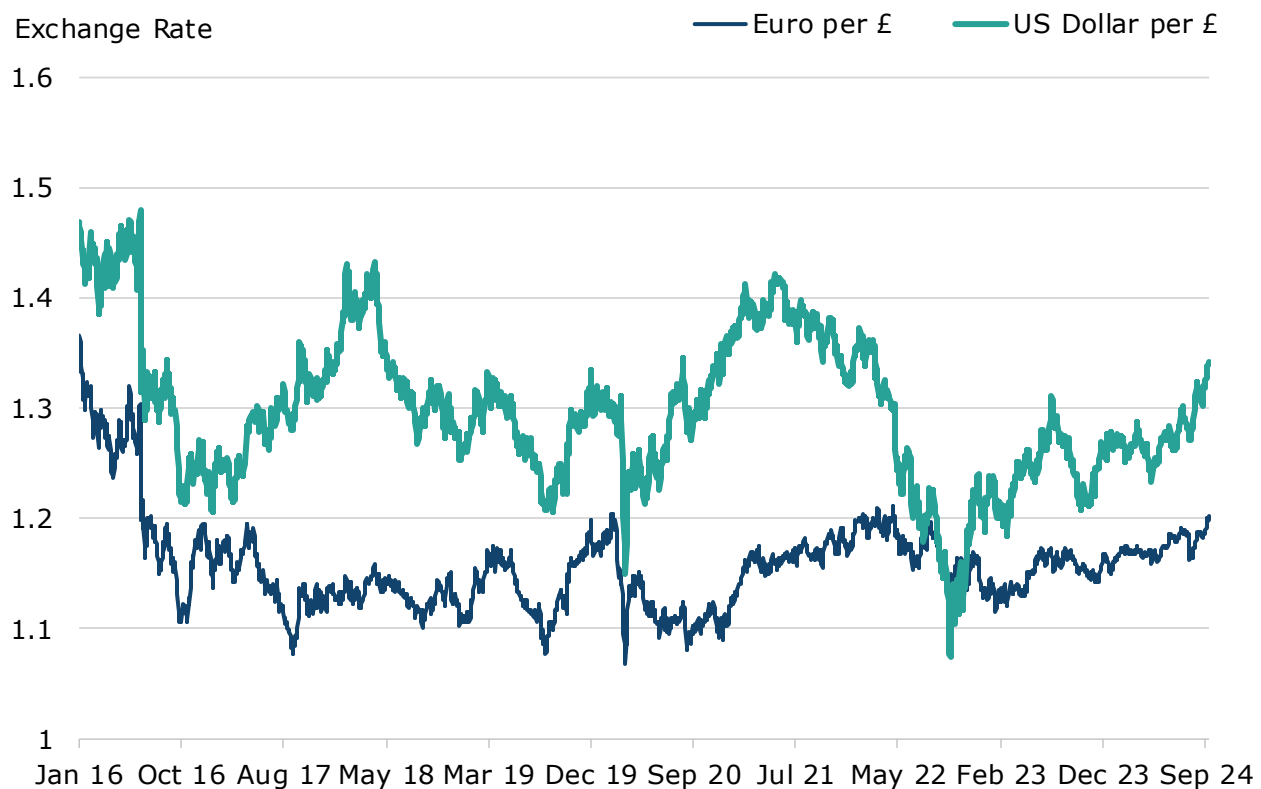
Real Growth of Gross Domestic Product (GDP) in the UK, USA, Germany, France and the Euro area (EA20) over the last decade.

Source: Organisation for Economic Co-operation and Development (OECD, 2024) “Quarterly GDP” (indicator), www.oecd-ilibrary.org/economics/quarterly-gdp/indicator/english_b86d1fc8-en. Office for National Statistics (ONS, 2024),

<https://www.ons.gov.uk/generator?uri=/economy/grossdomesticproductgdp/bulletins/quarterlynationalaccounts/apriltojune2024/bcdd5ca1&format=csv>.

There was an overall increasing trend in 2024 in the value of the Pound Sterling against the US dollar (Figure 1.2), due to a more positive outlook for the UK’s economic performance. The pound has been the best-performing major currency in Q1 and Q2 of 2024. This has been principally due to monetary policy, where higher interest rates have driven demand for the currency, increasing its value.

Figure 1.2 Exchange Rate of £ against Euro and US Dollar, 2016 to 2024



The value of the Pound Sterling over time against the Euro and the US dollar.

Source: Bank of England (2024), Spot Exchange Rate (Euro into Sterling), Spot Exchange Rate (Dollar into Sterling).

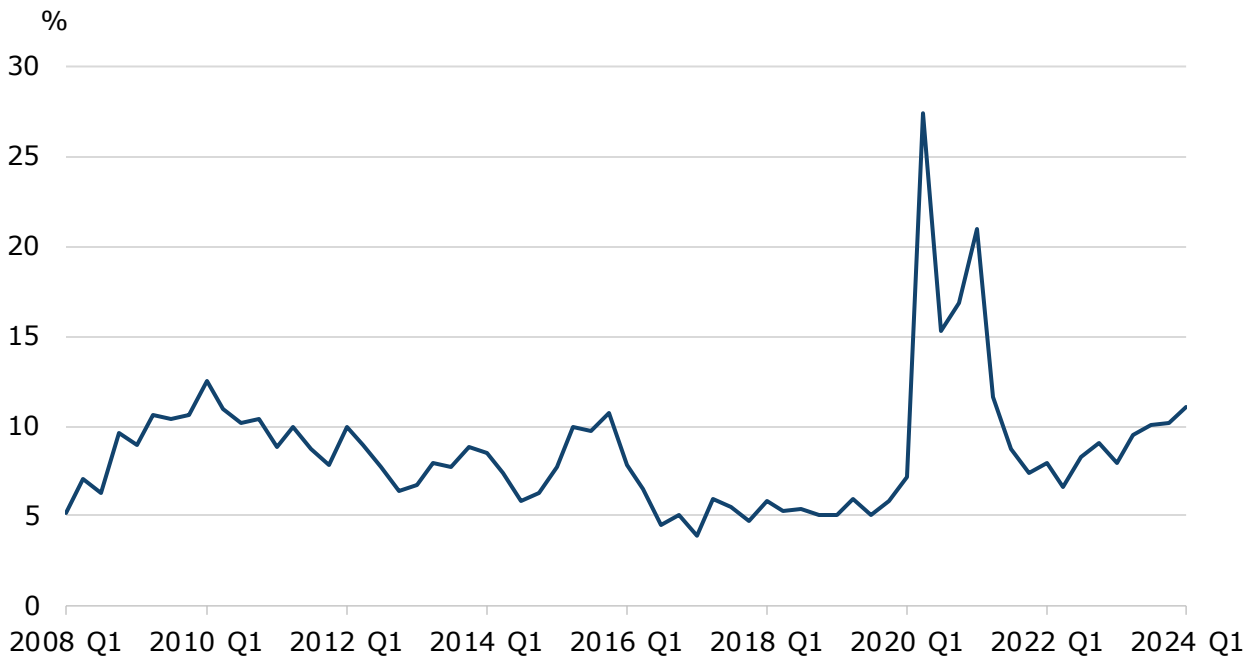
1.2 Monetary Policy

The Bank of England's (BoE) Monetary Policy Committee (MPC) vote on whether to raise, lower or maintain the Bank of England's Base Rate, upon which many other interest rates are based. Setting 'the interest rate' is one of the key macroeconomic instruments in monetary policy that help to achieve the Bank of England's inflation target of 2% and stimulate economic growth.

Following a period of persistently low interest rates, the Monetary Policy Committee voted in December 2021 to increase interest rates to control inflation and by August 2023 reached 5.25%, a 16-year high. On August 1 2024, the Base Rate was cut by 0.25% to 5% due to a fall in inflation. The BoE expects headline inflation to rise, from its current 2% to 2.75% in Q4 2024, thus no further cut is expected in the short term.

The Household Saving Rate in the United Kingdom decreased following COVID restrictions being lifted. However, rising interest rates have increased the Household Saving Rate in the last few quarters – from 7.9% in the first quarter of 2023 to 11.1% in Q1 of 2024 (Figure 1.3). These increases have coincided with cost-of-living pressures, weak consumer confidence and slower growth in household consumption. This implies that although the total value of excess saving has significantly increased from the start of the pandemic, UK households have been reluctant to spend these accumulated savings, usually an important factor in consumption and economic growth.

Figure 1.3 Households' Savings Ratio, 2008-2024, percentage



Source: ONS (2024), Households' saving ratio (per cent): Current price: £m.

1.3 GDP Growth

Change in Gross Domestic Product (GDP) is currently considered the main indicator of economic growth. It measures the market value of all 'final' goods and services produced over a period of time (i.e. monthly, quarterly, or annually) in monetary terms.

UK GDP is estimated to have increased by 0.5% in Q2 2024. This follows two consecutive quarterly falls of 0.1% in Q3 and 0.3% in Q4 2023 and growth of 0.7% in Q1 2024.

The growth in the latest quarter was driven by a 0.6% increase in services output while production and construction fell. Across Q2, estimates suggest 13 out of 20 of the services, production and construction subsectors grew, down from 14 the previous quarter.

1.4 Inflation

The Consumer Prices Index (CPI) shows the rate at which prices are rising, or falling, in the domestic economy (Figure 1.4). As stated above, The Bank of England's (BoE) target for inflation is 2% per year.

There was a sharp rise in inflation in 2022 due to COVID pandemic induced demand and supply shocks, rising to around 10% in October 2022. From this peak, the annual Consumer Prices Index including owner occupiers' housing costs (CPIH) inflation rate has generally decreased with the latest August 2024 estimate dropping to 3.1%, unchanged from July.

The unchanged annual inflation rates in August 2024 reflected offsetting contributions from the different product groups. There were upward contributions from three divisions, most notably transport (rising by 1.2% year on year), offset by downward contributions from seven, particularly restaurants and hotels, and alcohol and tobacco.

Figure 1.4 Consumer Prices Index including owner occupiers' housing costs (CPIH), 2011 to 2024, percentage

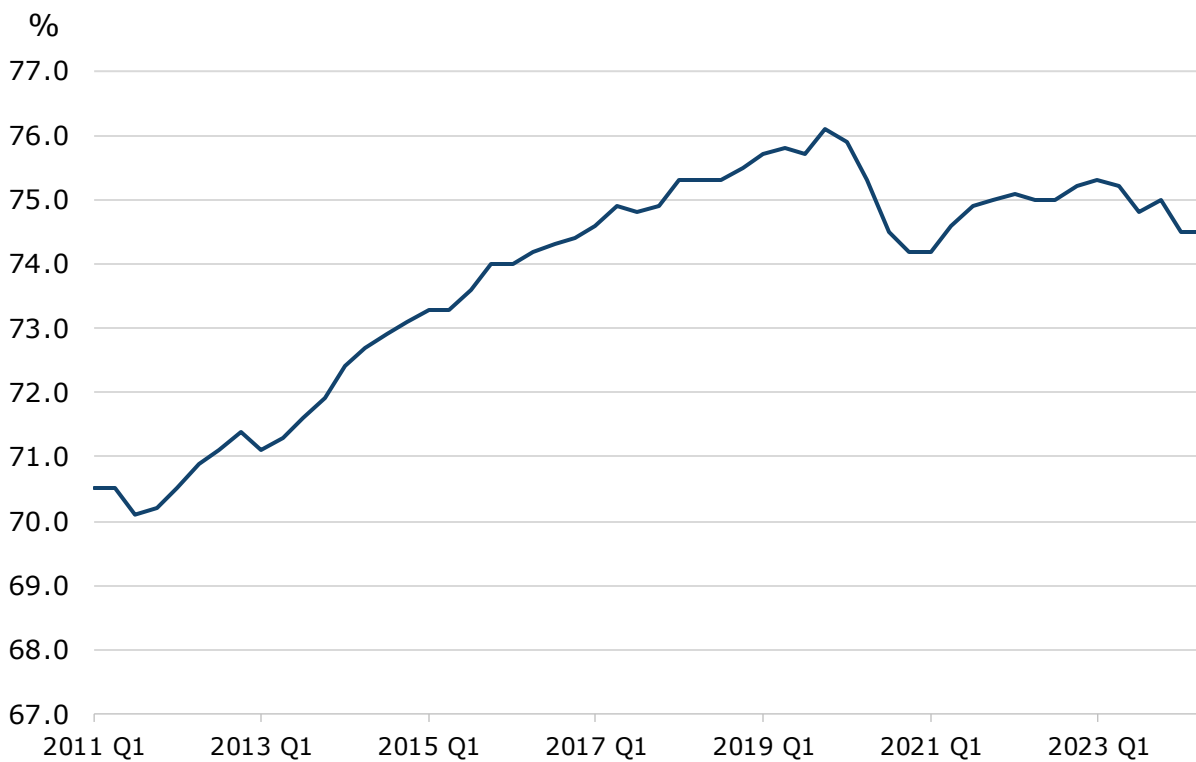


Source: ONS, CPIH Annual Rate 00: All Items 2015=100

1.5 Employment

The employment rate for 16-64 year olds (seasonally adjusted) in the UK had risen to record levels prior to the COVID-19 pandemic. Since the loosening of COVID-19 restrictions, there had largely been an increase in the employment rate but it has been decreasing since mid-2023. In the latest quarter, it remains below pre-coronavirus levels.

Figure 1.5 UK employment rate percentage (16 – 64 year olds, seasonally adjusted), 2011-2024



Source: Office for National Statistics (ONS) Labour Market.

2 Policy measures

2.1 Forestry policy in the UK

Domestic forestry policy in the UK is a devolved matter. Devolution of forestry was completed in April 2019, but some cross-border collaboration remains for a number of functions as agreed by Ministers. Scotland, England and Wales are each delivering some of these functions (commissioning and monitoring of forestry research, management of the UK Forestry Standard and Woodland Carbon Code, Plant Health (forestry) and Forest Reproductive Material functions, provision of economist advice).

Both the UK Government and the devolved administrations are committed to sustainable forest management, as articulated in the Forest Europe Ministerial agreements. Sustainable forest management serves as an overarching concept and framework and the UK approach to delivery is set out in the UK Forestry Standard (fifth edition) published in 2023.

International forestry policy remains a reserved UK Government matter.

In March 2019 the UK Government announced ambitious woodland creation targets for the UK to help meet 'Net Zero' commitments made in May 2019 and to improve habitats and provide public benefits such as biodiversity, water regulation and benefits to human health. The target is to plant 30,000 hectares a year by 2025. Current planting rates are around 20,000 hectares.

2.2 Government priorities

2.2.1 England

Priorities in England are set out in the England Trees Action Plan published in May 2021 and include expanding and connecting the woodland resource; enhancing the role of our trees and woodland as part of the green economy, protecting and improving the woodland resource and connecting people with trees and woodland.

The response to tree pests and diseases continues to be a priority. The Demarcated Area for the control of *Ips typographus* was extended in June 2024 to include parts of East Anglia to prevent potential spread of the pest. This is in line with eradication action being undertaken by the Forestry Commission to manage outbreaks.

2.2.2 Scotland

In Scotland, forestry is recognised as having an important role in contributing to emissions reduction targets through carbon sequestration which is a specific objective of woodland creation. The current Climate Change Plan (third report on policies and proposals), updated in December 2020, sets out how the Scottish Government will meet its greenhouse gas emission reduction targets for the period 2017-2032.

To support the delivery of the Climate Change Plan, the Forestry Grant Scheme offers financial support for the creation of new woodland and the sustainable management of existing woodland. All applications are assessed against the UK Forestry Standard and associated guidelines.

Scotland's Forestry Strategy 2019-2029 was published in February 2019 and presents the Scottish Government's 50-year vision for Scotland's forests and woodlands and sets out a 10-year framework for action. It was developed in consultation with a broad range of stakeholders.

2.2.3 Wales

As part of the Welsh Government's plan to tackle the climate emergency it has committed to plant 43,000 hectares of new woodland by 2030, and 180,000 hectares by 2050, in line with the 'balanced pathway' set out by the Climate Change Committee.

Priorities in Wales continue to be guided by Woodlands for Wales, the Welsh Government's fifty-year strategy for trees and woodlands.

2.2.4 Northern Ireland

In Northern Ireland the Forest Service delivers forestry and plant health functions on behalf of the Department of Agriculture, Environment and Rural Affairs (DAERA).

The Forestry Act (Northern Ireland) 2010 requires the Department to promote afforestation and sustainable forestry, to encourage public enjoyment and recreational use of its forests. The Act defines forestry to include the production and supply of timber and other forest products, the maintenance of adequate reserves of growing trees and the management and development of forests to contribute to the protection of the environment, biodiversity and the mitigation of, or adaptation to, climate change.

Forest Service's work substantially supports the Department's vision of 'Sustainability at the heart of a living, working, active landscape valued by everyone' and the Strategic Outcomes in the DAERA business plan). Forest Service work streams are aligned to the Department's strategic objectives as set out in Sustainability for the Future – DAERA's Plan to 2050, its vision for 'Green Growth' and its contribution to Programme for Government Strategic Outcomes including 'We live and work sustainably – protecting the environment', for which DAERA has lead responsibility.

The 'Forests for Our Future' programme was launched in March 2020 and is aimed at helping achieve the UK's net-zero carbon target by 2050 as well as contributing

to the enhancement of the landscape and biodiversity, and improving the health and well-being of those that enjoy this natural resource. Over this decade the Forests for Our Future programme aims to plant 18 million trees or 9,000 hectares of new woodland and is a foundation initiative of the Executive's Green Growth strategy which is being developed by DAERA. Forest Service will continue to actively engage in developing policies in agricultural and environmental land use to establish the role trees have within these policies in the pathway to net carbon zero.

The Northern Ireland Climate Action Plan under the Climate Change Act (Northern Ireland) 2022 will take forward DAERA's afforestation commitments in line with its legislative obligations for a balanced pathway to Net Zero carbon emissions by 2050.

During 2023/24 Forest Service commenced restoration of gateway peatland restoration sites and aims to develop plans and capacity for further peatland restoration.

2.3 Plant health

The Forestry Commission keeps an updated list of restrictions and conditions on timber and wood imports and exports on their [website](#).

2.4 Carbon markets

In England, the government's Woodland Carbon Guarantee, giving landowners the option to sell their verified Woodland Carbon Units to government at a guaranteed price, has held eight auctions to date. The average price for verified Woodland Carbon Units in 2023 (Auction 7) was around £20 per tonne of carbon dioxide equivalent (tCO_{2e}), with data not yet available for Auction 8.

The number of projects registered with the Woodland Carbon Code sits at 2,151 as of 31 March 2024¹. The predicted sequestration of registered projects has nearly quadrupled since March 2020, increasing from 5.8 million tonnes of carbon dioxide equivalent at the end of March 2020 to 27.0 million tonnes of carbon dioxide equivalent by March 2024. In March 2024, 621 projects had been validated² to the Code.

The [Woodland Carbon Code website](#) provides a 'central point' for buyers and sellers to connect.

¹ [Woodland Statistics - Forest Research](#)

² Validated: is the initial evaluation of a project or group against the requirements of the Woodland Carbon Code. Upon completion a project/group will receive a 'Validation Opinion Statement'. The project/group will then be certified for a period of up to 5 years.

3 Market drivers

3.1 Overview

UK forest product markets have declined following reduced demand since 2022. The fall in demand was particularly noticeable in construction.

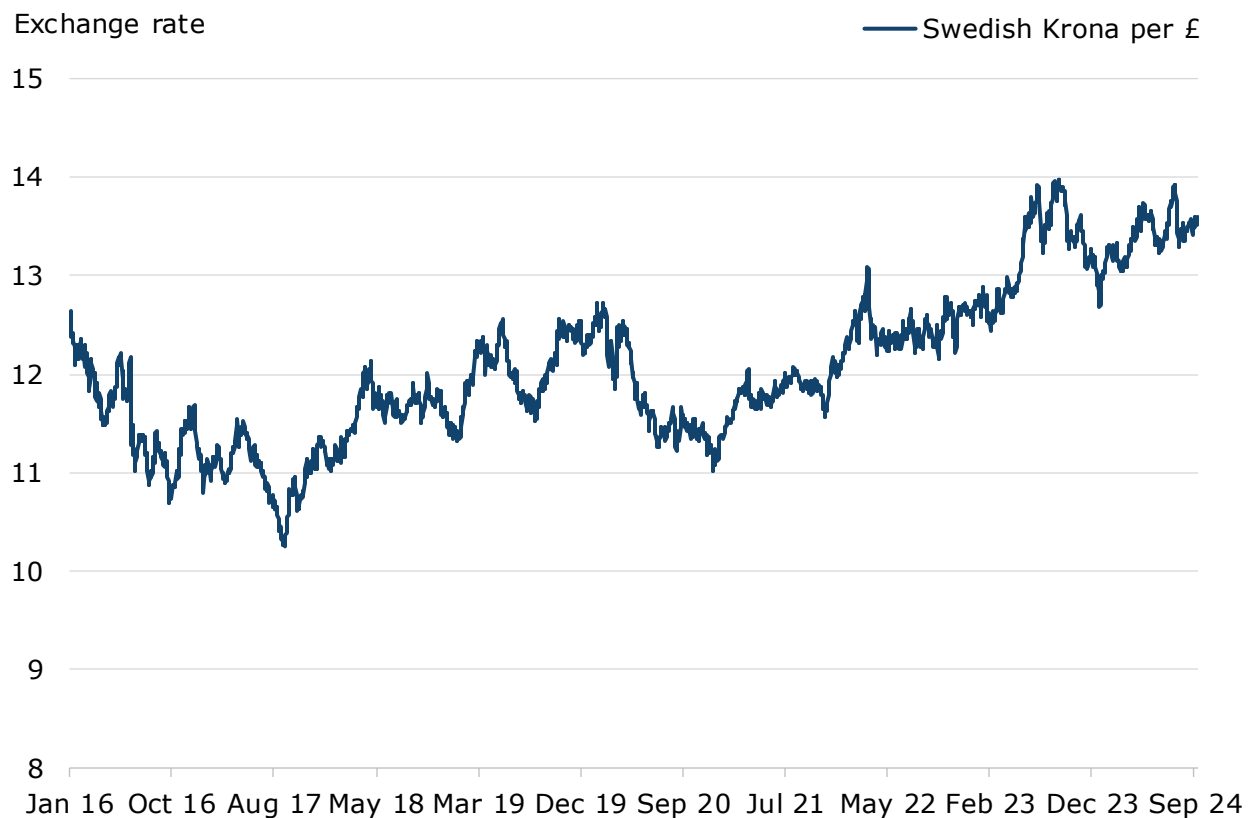
This fall in demand from construction had, at least partly, been driven by increasing prices and changes in exchange rates. However, the exchange rate for the Pound Sterling has slightly strengthened in 2024 and prices have slightly reduced in the past year.

Sales within and exports from the EU may be impacted by compliance with EU Deforestation Regulation (EUDR) requirements from 1 January 2025.

3.2 Prices

Exchange rates are seen as a major influence on timber prices in the UK. As noted in the economic overview (Section 1.1), there has been a general increase in the value of the Pound Sterling which rose against the US dollar (Figure 1.2) in the first half of 2024. The value of the Pound Sterling against the Swedish Krona has remained within the same range over the first half of 2024 as the same period in the year before (Figure 3.1).

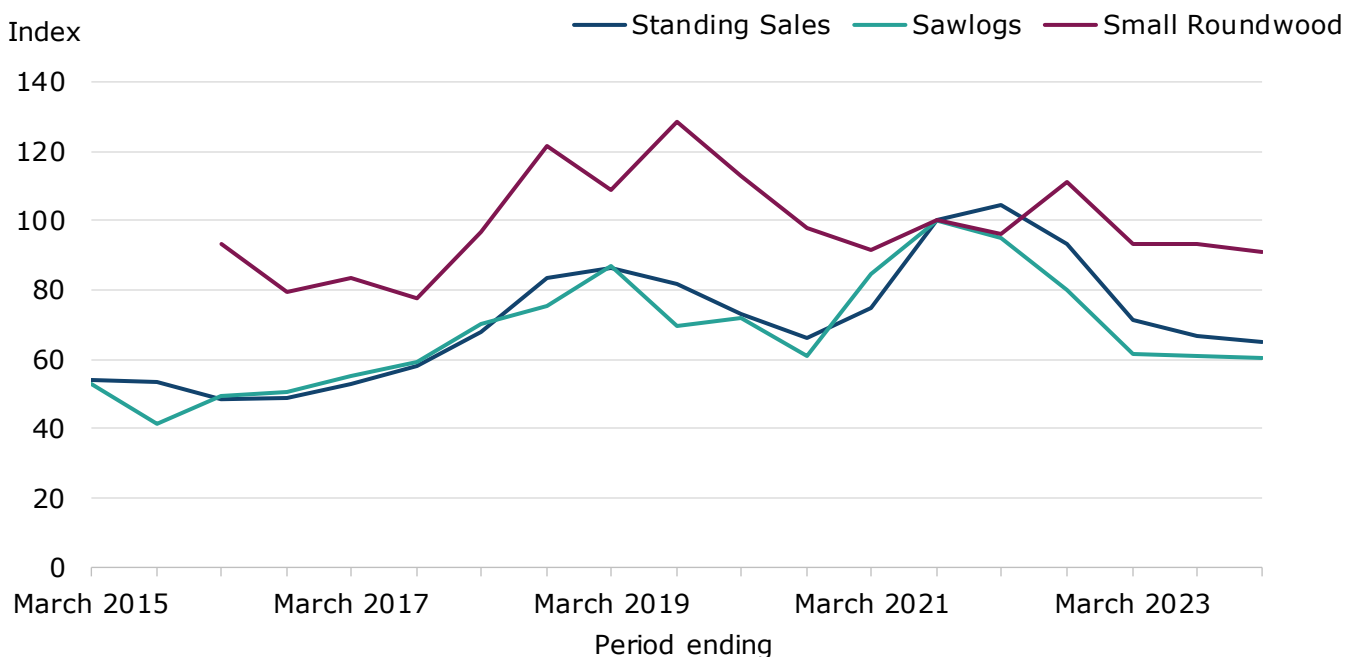
Figure 3.1 Exchange Rate of £ against Swedish Krona, 2016 to 2024



Source: Bank of England (2024), Spot Exchange Rate (Swedish Krona into Sterling).

Timber prices in the UK are monitored via three price indices and based on sales by Forestry England, Forestry and Land Scotland, and Natural Resource Wales. The Coniferous Standing Sales Price Index for Great Britain was 9.4% lower in real terms in the year to March 2024, compared with the previous year. The Softwood Sawlog Price Index was 1.3% lower in real terms in the 6 months to March 2024, compared with the corresponding period of the previous year. The Small Roundwood Price Index was 2.5% lower in real terms in the 6 months to March 2024, compared with the corresponding period of the previous year.

Figure 3.2: Coniferous standing sales and sawlog price indices in real terms for Great Britain, 2015 to 2024



Notes: base = 100 (Sept 2021)

Source: Timber Price Indices: data to March 2024 (Forest Research, May 2024)

3.3 Construction, manufacturing, and distributive trades

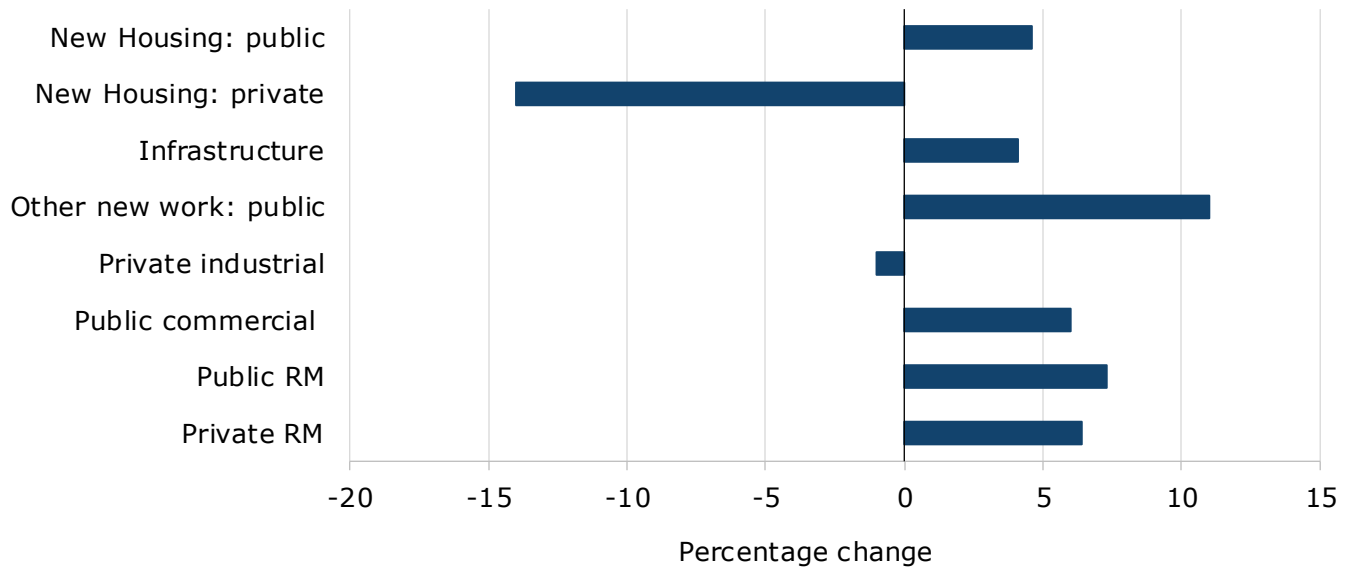
3.3.1 Construction

The value of UK manufacturer sales of builders’ carpentry and joinery was £5.5 billion in 2023, an 11.6% decrease from the previous year.

The Construction Material Price index has shown an increase of 0.9% for ‘All Work’ from 2022 to 2023 (Department for Business, and Trade, Monthly Statistics of Building Materials and Components statistics: September 2024).

Output increased slightly for most construction sectors between 2022 and 2023.

Figure 3.3: Construction industry output, 2022 to 2023 percentage change

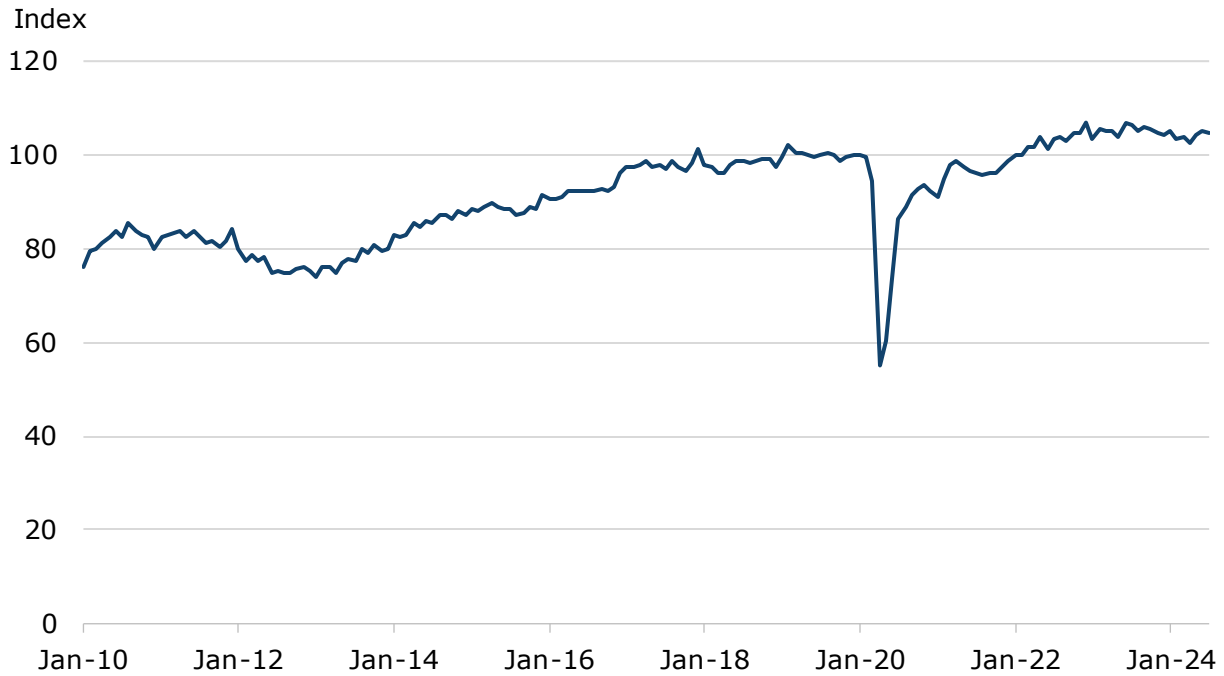


Source: Output in the Construction Industry (Office for National Statistics, October 2024).

Note:

1. Volume seasonally adjusted data.
2. RM = repair and maintenance.

Figure 3.4: Construction industry output, monthly all work index, 2010 to 2024

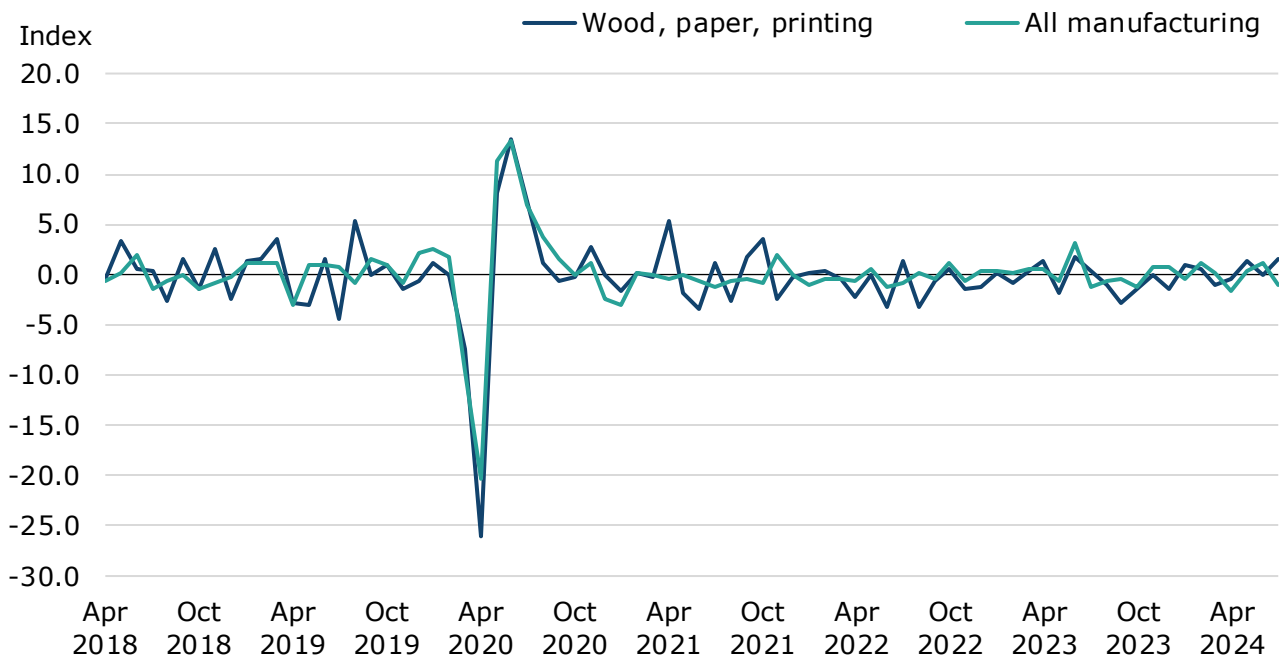


Source: Output in the Construction Industry (Office for National Statistics, October 2024).

3.3.2 Manufacturing and distributive trades

UK manufacturing output fell by 1.3% between 2023 and 2024. Over the same period, the UK index of production for the wood, paper products and printing sector, fell by 3.7%.

Figure 3.5: Manufacturing output – index, 2018 to 2024

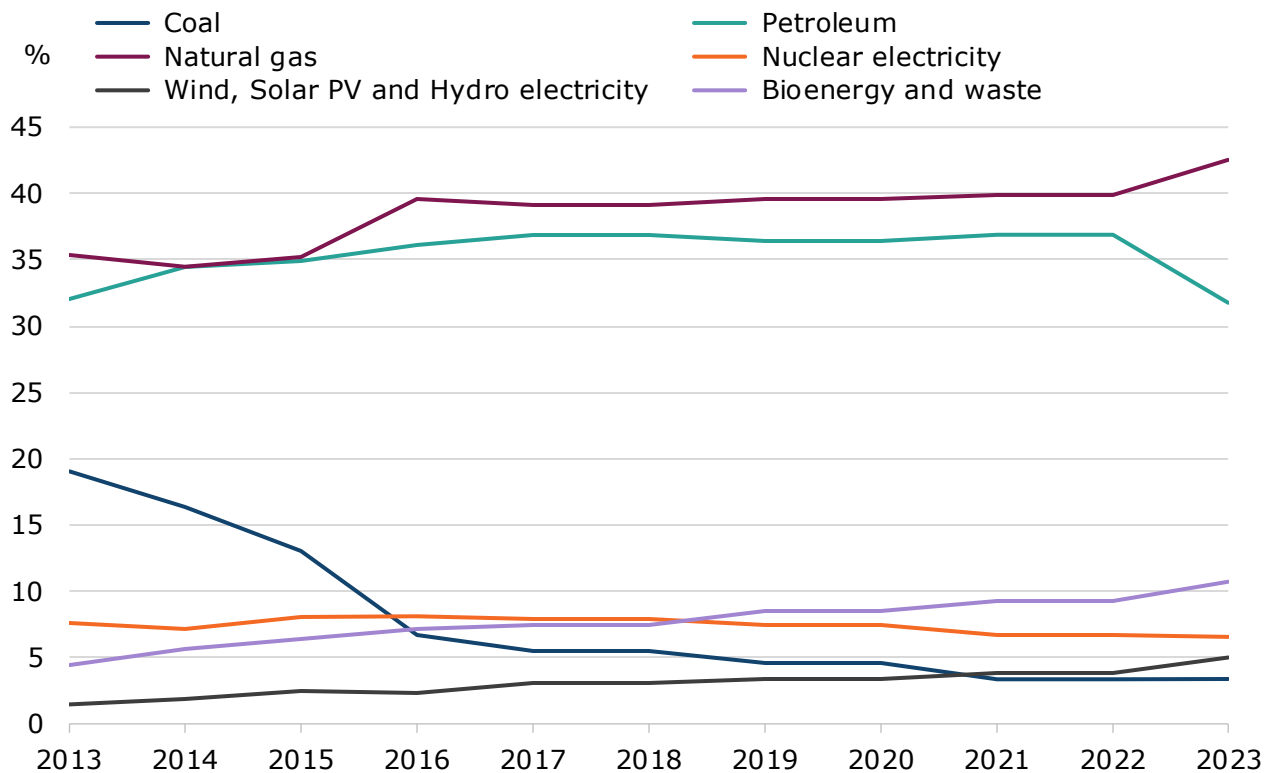


Source: Index of Production (Office for National Statistics, October 2024).

3.4 Energy

The share of UK energy produced by bioenergy and waste was 10.7% in 2023, 0.2 percentage points lower than in 2022 (10.9%). This follows a period of increasing market share since 2010.

Figure 3.6: Consumption of primary fuels, 2013 to 2023, percentage



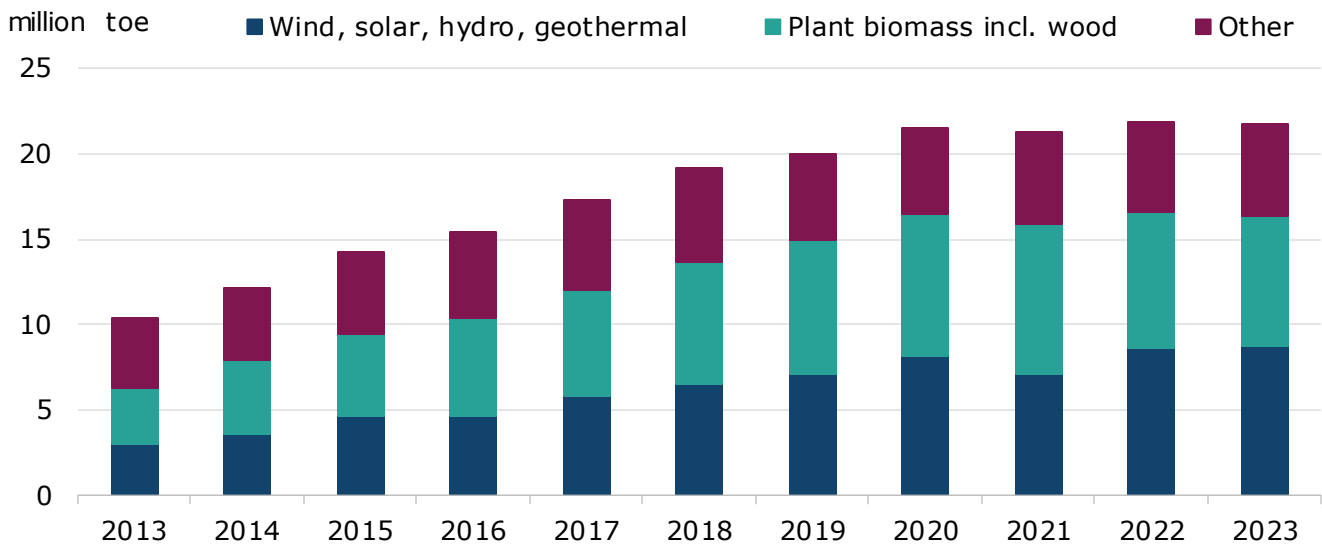
Source: Digest of UK Energy Statistics (DUKES Table 1.1.1c), Department for Energy, Security and Net Zero.

Note:

1. Excludes net electricity imports.

The use of renewables to generate electricity and heat has increased from 7.0 million tonnes of oil equivalent (Mtoe) in 2010 to 21.7 Mtoe in 2023. In addition to heat and electricity, renewables are also consumed in the transport sector as liquid biofuels and also biogases are injected into the gas grid. These uses totalled 1.2 Mtoe in 2010, increasing to 3.3 Mtoe in 2023. Plant biomass (including wood) accounted for 35% of renewables in 2023³.

Figure 3.7: Renewable sources used to generate electricity and heat, 2013 to 2023



Source DUKES Table 6.4; <https://www.gov.uk/government/statistics/renewable-sources-of-energy-chapter-6-digest-of-united-kingdom-energy-statistics-dukes>.

Note:

1. toe = tonnes of oil equivalent.
2. Other includes biogases, animal biomass, biodegradable energy from waste, and heat pumps.
3. Excludes liquid biofuels in transport and biogases injected into the grid.

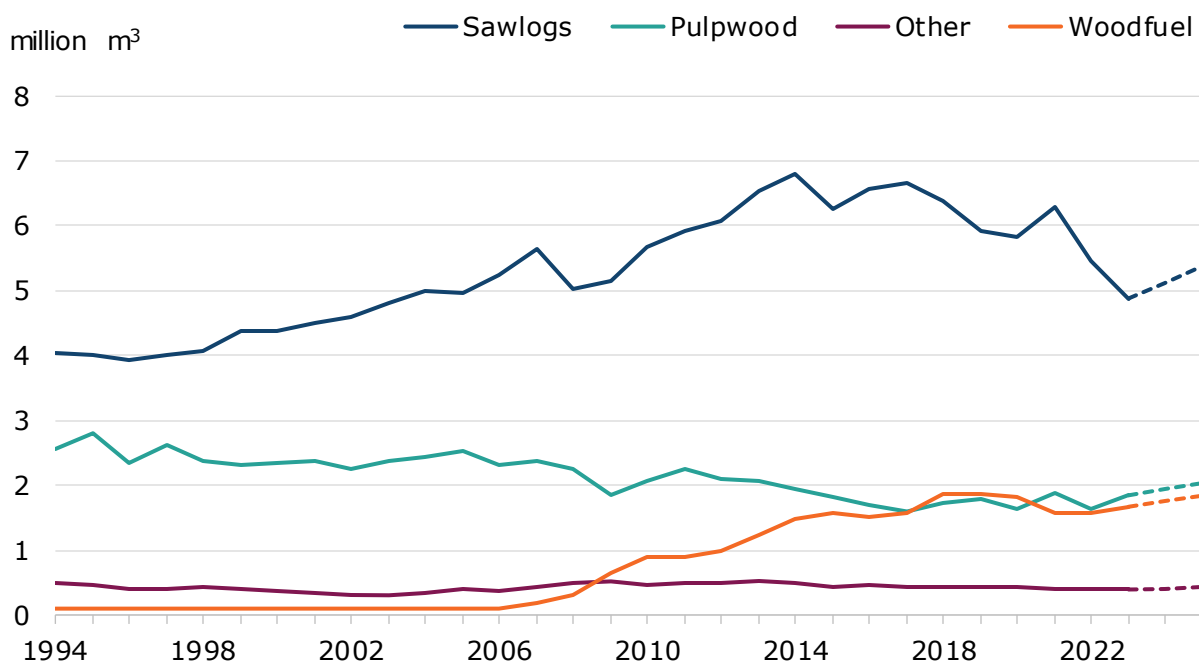
³ Source DUKES Table 6.4; <https://www.gov.uk/government/statistics/renewable-sources-of-energy-chapter-6-digest-of-united-kingdom-energy-statistics-dukes>

4 Developments in forests and forest products markets sector

4.1 Wood raw materials

UK coniferous roundwood production decreased from 9.1 million cubic metres underbark in 2022 to 8.8 million cubic metres underbark in 2023, a decrease of 3%. Production is expected to increase in 2024 to 9.2 million cubic metres underbark and 9.7 million cubic metres for 2025.

Figure 4.1: Coniferous roundwood production, 1994 to 2025



Source: Forest Research (2024).

Non-coniferous roundwood production has remained relatively stable at around 0.7 million cubic metres between 2022 and 2023. Production is expected to remain at 2023 levels in 2024 and 2025.

4.2 Wood energy

Wood energy in the UK is produced from a range of wood products, including roundwood, sawmill products, wood pellets and recovered wood.

The use of recovered wood for woodfuel has stabilised in recent years, with an estimated 2.9 million tonnes used in 2023.

The majority of wood pellets consumed in the UK are imported. In 2023, imports of wood pellets totalled 6.4 million tonnes, with around 70% of this quantity imported from North America. A further 0.3 million tonnes of wood pellets were produced in the UK.

4.3 Certified forest products

There were 1.44 million hectares of woodland (44% of the total UK woodland area) certified in March 2024 under the FSC and PEFC schemes.

The proportion of certified roundwood produced from UK woodlands has largely stabilised over the last 10 years. In 2023, an estimated 80% of all coniferous roundwood produced in the UK came from certified woodlands.

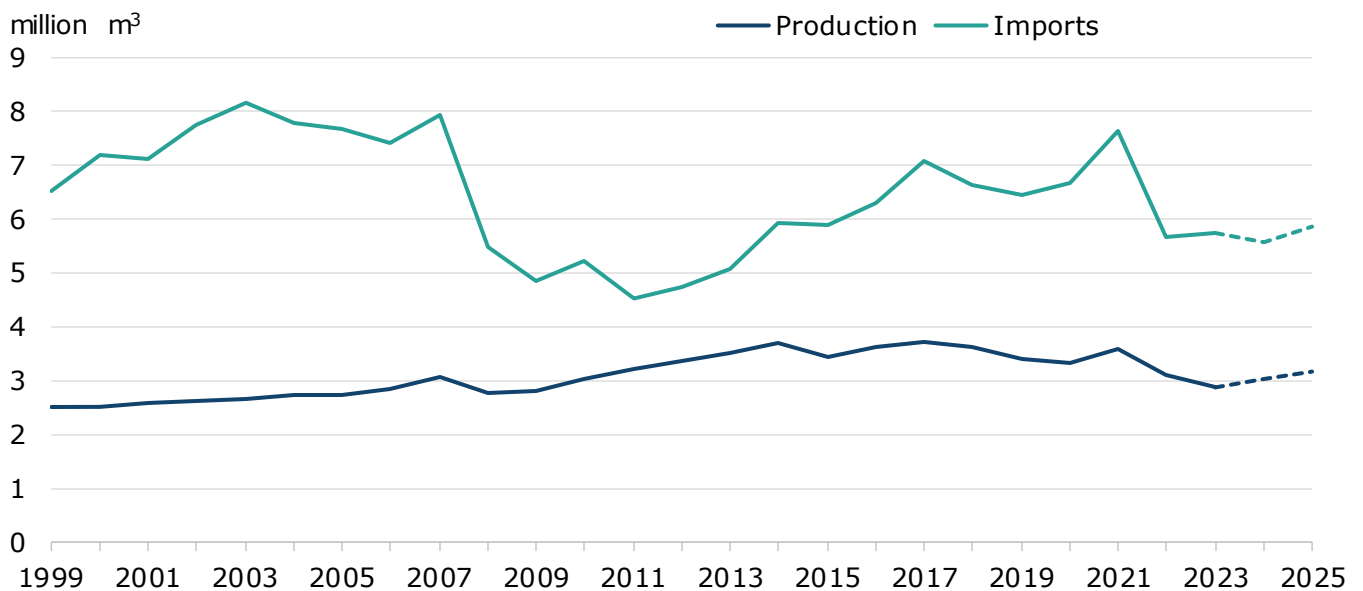
Figures reported by sawmills suggest that around 85% of sawlogs were certified in 2023.

4.4 Sawnwood

Coniferous sawnwood production decreased by 8% in 2023 to 2.9 million cubic metres. Production is expected to increase to around 3.0 million cubic metres in 2024 and 3.2 million cubic metres in 2025.

Imports of coniferous sawnwood increased by 1% to 5.7 million cubic metres. Estimates for 2024 suggest a slight decline to around 5.6 million cubic metres, followed by an increase in 2025 to 5.9 million cubic metres.

Figure 4.2: Coniferous sawnwood production and imports, 1999 to 2025



Source: Forest Research (2024).

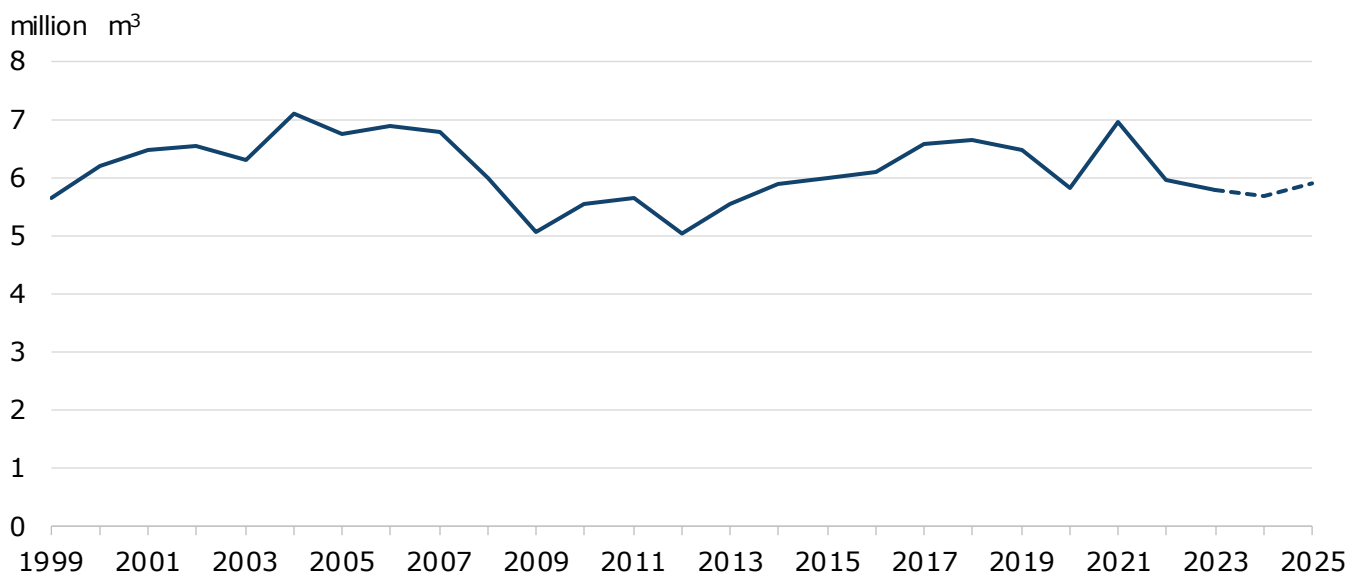
Imports accounted for 97% of apparent consumption of non-coniferous sawnwood in the UK and totalled 0.5 million cubic metres in 2023.

4.5 Wood-based panels

Particleboard (including OSB) and MDF consumed in the UK are both produced domestically and imported, while plywood and other hardboards consumed in the UK are imported.

The UK consumed around 5.8 million cubic metres of wood-based panels (plywood, particleboard and fibreboard) in 2023, a 3% decrease from 2022. This is expected fall to 5.7 million cubic metres in 2024 and increase to 5.9 million cubic metres in 2025.

Figure 4.3: UK consumption of wood-based panels, 1999 to 2025



Source: Forest Research (2024).

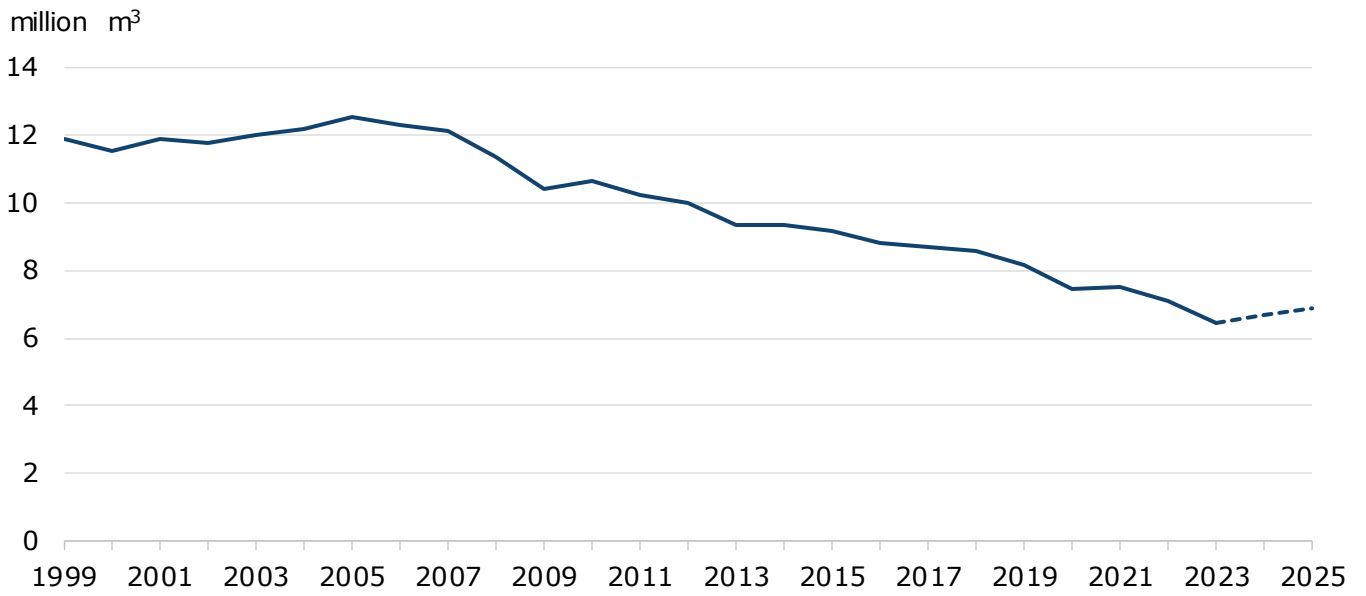
Production of particleboard (including oriented strand board) totalled 2.4 million cubic metres in 2023, a 3% decrease from the previous year.

The UK produced 0.6 million cubic metres of MDF in 2023, down 7% from 2022.

4.6 Pulp and paper

Paper and paperboard consumption in the UK decreased by 9% in 2023 to 6.5 million tonnes, following a decrease in the previous year. It is estimated that consumption will increase to around 6.7 million tonnes in 2024 and then to 6.9 million tonnes in 2025.

Figure 4.4: UK consumption of paper and paperboard, 1999 to 2025



Source: Forest Research (2024).

Alice Holt Lodge

Farnham
Surrey, GU10 4LH, UK
Tel: **0300 067 5600**

**Northern Research
Station**

Roslin
Midlothian, EH25 9SY, UK
Tel: **0300 067 5900**

**Forest Research in
Wales**

Environment Centre
Wales
Deiniol Road, Bangor
Gwynedd, LL57 2UW,
UK
Tel: **0300 067 5774**

info@forestresearch.gov.uk
www.forestresearch.gov.uk

Forest Research will consider all requests to make the content of our documents available in alternative formats.

Please send any such requests to: research.info@forestresearch.gov.uk

© Crown copyright 2024