



PTT's Forest sector forecast - Forest industry spring/2016

Forest industry investments expected to raise exports

Growth in the value of Finnish forest industry exports this year is driven by pulp and paperboard exports. Weak price trend is suppressing sawn timber exports. Next year new investments and increasing demand are expected to raise Finnish forest industry production. Weak outlook for paper demand will continue and exports are forecast to decline both this and next year.

Paper production down, paperboard exports increase

The production and export of paper in Finland will reduce by 3–4 per cent this year and 2–3 per cent next year. This is explained by announced or already realized capacity closures and the downward trend in demand. The average export price will rise slightly but a more significant increase would still require more closure of machines in Europe. Despite of declining production, paper products still account for about 40 percent of Finnish forest industry's export earnings. Paperboard production in Finland increases significantly this year and next year owing to growing production capacity. The increasing supply of paperboard in Europe will decrease average export price of paperboard from Finland.

Increasing supply will decrease pulp's export price

This year and next year a number of large, mainly eucalyptus pulp-producing, new factories will see daylight. Pulp exports from Finland will also continue in a positive trend this year and next year because of increasing production capacity. Softwood pulps global supply increase is expected to be moderate. The increased supply of hardwood pulp will however decrease the price of softwood pulp as well and therefore decrease Finland's average export price of pulp. Metsä Group's bioproduct factory will start in autumn 2017 and will not affect the price development of pulp for the forecast period.

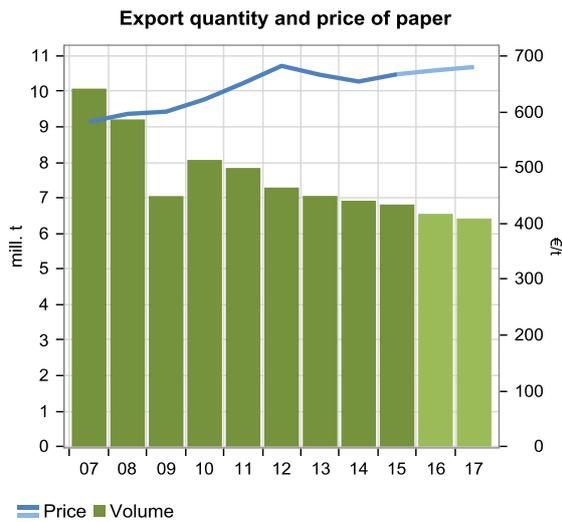
Intense competition in sawn softwood markets

The sawn industry has a difficult year behind and the beginning of the year hasn't brought any relief. However, the beginning of the construction season is expected to bring new light to the wood industry as construction is forecast to rise in Finland and main export markets in Europe. Also the demand of spruce sawn softwood in Asia is expected to grow, led by China. Difficulties in the North African market is reflected negatively to the outlook for pine sawn softwood. Sawn production will rise a couple of per cent in 2016. Production of plywood will increase as Stora Enso starts its LVL-production in Varkaus. Intense competition will keep sawn products' export price development moderate. Economic growth and increasing construction activity in main markets will raise the demand and price of wood products next year.

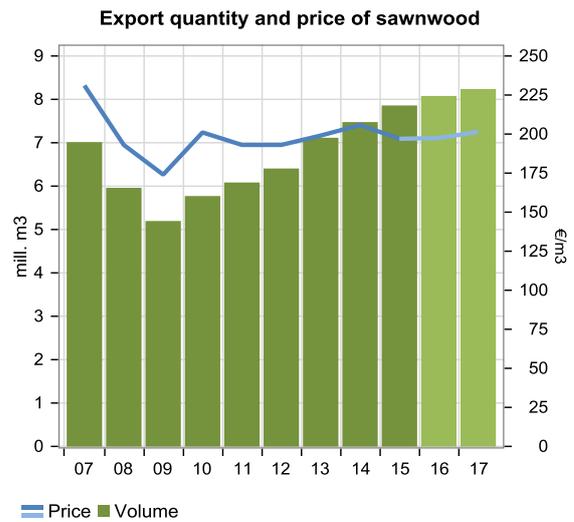
Key forecast variables for the Finnish forest industry in 2016–2017

Export markets	2016f		2017f	
	%-change		%-change	
	Volume	Price	Volume	Price
Paper	-4 – -3	0 – 1	-3 – -2	0 – 2
Pulp	3 – 4	-6 – -4	4 – 6	-4 – -3
Paper board	7 – 9	-4 – -2	5 – 7	-3 – -1
Sawn softwood	2 – 4	0 – 1	1 – 3	1 – 3
Plywood	2 – 3	1 – 2	3 – 5	1 – 2

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Source: Natural Resources Institute Finland, forecast PTT



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