

WMP Market Insights

A Summary of the Global Forest Industry: 1H2024

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GLOBAL TIMBER MARKETS

- In 1Q/24, the **Global Sawlog Price Index** (GSPI) increased by 4% quarter-over-quarter but was still almost 6% lower than in 1Q/23. The most significant increases from late 2023 occurred in Central and Northern Europe, while prices fell slightly in North America and Eastern Europe.
- Most sawmills in **British Columbia** curtailed production in 2023 and in early 2024. The declining demand for sawlog reduced log costs by 40% from their 2022 peak to reach their lowest levels in almost four years. Despite the decline, lumber manufacturers in the province still have some of the highest wood costs in North America.
- Sawlog prices in the **Baltic States** continued to fall in early 2024 and have declined 20% in two years. This trend was reversed in the neighboring **Nordic** countries, where prices increased 13% during the same period despite weakening lumber markets.
- **Global softwood log trade** has trended downward over the past five years and was 28% lower in 2023 than in 2018. Worldwide shipments fell to their lowest levels in 15 years to only 67 million m³, according to WoodMarket Prices. The most significant volume declines have been in softwood exported from the

Czech Republic, Russia, and Canada. Of the top 15 log-exporting countries, only Norway, Poland, Japan, and Sweden exports during the period 2018-2023. This is due to the high demand for wood raw materials from sawmills in neighboring countries.

GLOBAL WOOD FIBER MARKETS

- The **Global Hardwood Fiber Price Index** (HFPI), which comprises wood fiber prices in Europe, North America, Asia, and South America, surged by 24% over the past two years. In early 2023, the index reached its second-highest level in over 35 years. During the second half of 2023 and early 2024, the HFPI fell slightly but was still substantially higher than its 10-year average.
- The pulp industry in **China** reduced wood chip imports in 2023 as the domestic paper industry shifted to wood pulp imports. In 2023, wood chip shipments to China fell 21% from the previous year to their lowest level since 2020. All supplying countries reduced sales, except for Indonesia. Vietnam and Australia remain the major fiber suppliers to China, accounting for 83% of the total import volume.
- **British Columbia's** pulp industry has had lower wood fiber costs than the global Softwood Fiber Price Index (SFPI) for most of the past 25 years. However, from 2019 to

2022, prices surged rapidly to surpass the SFPI. According to WoodMarket Prices, this trend was interrupted when fiber demand fell in the province during 2023 and early 2024, resulting in declining wood fiber prices in the past year.

GLOBAL LUMBER MARKETS

- Global **trade of softwood lumber** fell almost 6% year-over-year in 2023 as wood demand weakened in the US, China, and Europe. This was the fourth year of decline, and globally traded volumes reached their lowest level in over 10 years. The most significant reductions in exports over the past year have been from Russia and Central Europe.
- According to the Western Wood Products Association (WWPA), lumber production in **North America** in 1Q/24 was up 3% from the prior quarter and down 1% from 1Q/23, at 24.4 million m³. US production fell 3% year-over-year, while production in Canada rose 2% as sawmills in Eastern provinces substantially increased their output.
- During the first five months of 2024, **China's** softwood lumber imports were down 7% from the same period in 2023. Shipments were down from all the significant suppliers except for smaller increases from the US and Belarus. Russia accounts for the largest market share, about 66%, followed by Belarus, Canada, Finland, and Sweden.
- Lumber prices in **Finland** and **Sweden** increased during the winter and spring following a three-year low seen in the fall of 2023. Average export prices in April 2024 were about the same as in April 2023. During the first four months of 2024, shipments from the Nordic countries fell to most markets in

Europe, predominantly to the Netherlands, the United Kingdom, and Germany. Outside of Europe, exports were down the most to China and Algeria. A few markets also increased imports of Nordic lumber in 2024, including Japan, Egypt, and the United States.

- Most exported lumber from **Siberia** and the **Russian Far East** is shipped to China, Kazakhstan, and Japan. China accounts for almost 90% of the export volume. During the first five months of 2024, Russia's exports to China fell three percent compared to the same period in 2023, the lowest volume since 2015. Export prices for Siberian lumber have gone up since late 2023 but were still lower in the 2Q/24, averaging \$219/m³, than in the 2Q/23.

GLOBAL BIOMASS MARKETS

- Global trade of wood pellets fell in 2023, the first year-over-year decline in at least 15 years. The **United Kingdom** is still the largest importer, followed by Japan and South Korea. Almost 60% of the world's trade is shipped to these three countries. The UK imported nearly 6.5 million tons in 2023, a decline of 14% from 2022. However, demand surged during the first five months of 2024, and import volumes were almost 50% higher than during the same period in 2023.
- Wood pellet prices have fallen in the past year in most **European** and **Asian** markets. The most significant declines, ranging between 20% and 30%, have occurred in South Korea, Belgium, Latvia, and Austria. In the 2Q/24, prices in both Asia and Europe were close to their lowest levels in about two years.

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