



Pellervo Economic
Research

PRESS RELEASE

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PTT Forest Sector Forecast – Forest Industries, autumn 2018

Pulp and Paper Industry Exports Booming

Pellervo Economic Research's (PTT) forecast for the forest sector shows good prospects for the forest industries this year and next. Pulp exports will grow significantly this year as the Äänekoski mill has reached full capacity. Paperboard exports are growing steadily, and even the export of paper, long in decline, is showing signs of recovery. By contrast, sawn goods exports will decline this year, owing to a marked decrease in demand from China.

Paper Price and Exports to Increase

Paper exports, as well as the price of several paper products, will finally see some modest growth. The growth is expected to remain at 2–4 percent this year and will remain within the same range next year as well. The growth comes from reconfigurations of production, which have led to a slightly higher capacity utilisation rate in paper production in Finland this year. The mean price of paper is expected to increase 1–3 percent this year and next. The declining trend in demand for paper is not expected to change in the long term, however. Paperboard exports will see steady growth, with both exports and production volumes bolstered by solid demand.

Record Prices in Pulp

The completion of Metsä Group's Äänekoski bioproduct mill and UPM Kymi pulp mill have significantly increased pulp production capacity in Finland. In spite of the capacity increase, pulp prices have exceeded all records from the past ten years. Excepting large global crises, such as a trade war between the USA and China, the demand for pulp is expected to continue growing in the near future, particularly due to Chinese demand. No significant increase in pulp production capacity is expected in the forecast period. The growing demand will keep pulp prices high, and no price collapse is expected this year or next. The export price of Finnish pulp will increase 16–18 percent in 2018. Next year the price will decline slightly, 3–6 percent, but will nevertheless remain high.

Drop in Export Volume of Sawn Goods Expected this Year

The production volume of sawn goods will increase 1–2 percent in 2018. Export of pine timber will increase, but that of spruce will fall. The decline is due to a significant fall in exports to China early this year. The overall export demand for sawn goods is supported by the favourable economic situations and growth of construction investments in practically all key export countries. Around 77 percent of Finnish sawn goods production will go to export in 2018. Export prices of sawn goods will be boosted by strong demand and inflation this year and the next. The price gap between spruce and pine timber will continue, with the export price of pine timber expected to rise 10–11 percent this year and that of spruce 4–5 percent. The



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operating result of the wood products industry will improve this year, but the rising price of roundwood logs has hindered the improvement.

Key forecast figures for Finnish forest industry, 2018–2019

	2018e		2019e	
	Change, %		Change, %	
Export market	Qty	Price	Qty	Price
Paper	2 – 4	1 – 3	-1 – 1	1 – 3
Pulp (principally cellulose)	10 – 12	16 – 18	1 – 3	-3 – -6
Paperboard	4 – 5	3 – 5	1 – 3	1 – 3
Sawn goods	-3 – -4	7 – 8	1 – 2	2 – 3
Plywood	2 – 3	-1 – 0	1 – 2	0 – 1

e = PTT forecast

More information:

Paper, paperboard and pulp industry: Emmi Haltia, Forest Economist, t. +358 40 164 8169, emmi.haltia(at)ptt.fi

Sawmill industry: Matti Valonen, Forest Economist, t. +358 40 164 8151, matti.valonen(at)ptt.fi