



# Finnish Forest Sector Economic Outlook 2023–2024

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Natural resources and  
bioeconomy studies  
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# Executive summary

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*After two peak years, the demand for Finnish forest industry products in key market areas has clearly weakened. The construction industry is plagued by inflation, high interest rates, and general uncertainty. The effects are transmitted to the Finnish forest industry's production, exports, felling volumes, and roundwood trade. In 2024, however, the demand for forest industry products is expected to pick up slightly.*

*In the sawmilling industry, the economic outlook is weak, and the demand for sawnwood is expected to increase only at the end of next year when construction starts to recover. Finnish sawnwood production and export volumes will fall this year, and growth will remain marginal next year. Birch plywood production is limited by the availability of birch sawlogs. The demand for the pulp and paper industry products has also been sluggish, and production volumes in Finland have been shrinking since last year. Demand is expected to recover slightly during the next year. The profitability of the domestic forest industry will decrease significantly from previous years.*

*The fellings of industrial roundwood will decrease this year but will increase again to 63 million cubic metres in 2024. Increasing felling volumes improve employment in forestry. After*



Picture: Sari Karvinen.

*the strong increase in the stumpage prices at the beginning of 2023, the prices have already turned down. In 2024, the stumpage prices of coniferous roundwood will decrease slightly compared to the current year. The use of wood chips and its plant price, as well as the production of pellets, will increase slightly.*

## **Economic growth will accelerate slightly in the export market areas of the Finnish forest industry next year**

Demand for forest industry products in Finland's main export markets remains weak. Although the economy in the euro area is expected to grow by half a per cent annually this year, the economy may drift into recession during the rest of the year. The German economy has already been in recession throughout

the beginning of the year. The weakness of demand is explained by persistently high inflation, high interest rates, gloomy prospects for the housing market and the construction industry, general uncertainty, and weak confidence of consumers and industry. In other export areas of the Finnish forest industry, economic growth is also slow, and demand remains weak. In 2024, however, economies are expected to pick up a bit, and demand for forest industry products will slightly grow. Weighted by the export shares of the Finnish forest industry in 2022, the global economy will grow by 1.7 per cent this year, and by two per cent next year. During the end of this year and next year, no significant changes are expected in the exchange rate between the euro and the dollar compared to the current exchange rate.

## **Sawnwood market prospects still weak**

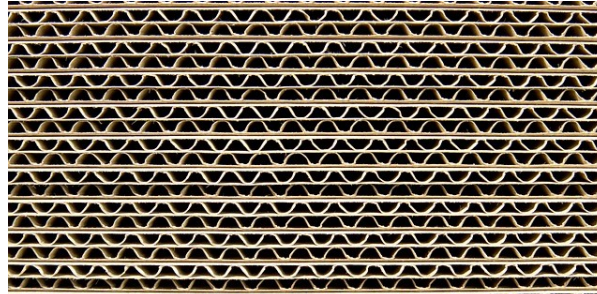
In 2023, both the Finnish sawnwood exports and production are predicted to decrease by eight per cent from previous year. The background is high interest rates, increased costs, and economic uncertainty, which are reflected in construction volumes in many main market areas. The weak situation in the sawnwood market will continue during the beginning of next year as well. The recovery of construction

and the increase in demand for sawnwood will possibly not start until the second half of 2024. In 2024, the production and export of Finnish sawnwood is predicted to strengthen only slightly from the current year. In 2024, the average export price of sawnwood is expected to be four per cent lower than in 2023.

The production and export of plywood is expected to decrease strongly in 2023 compared to last year. The export of softwood plywood has decreased due to the decline in construction in Europe, and at the same time production has been restricted in Finland. The production and export of birch plywood is hampered by the availability of birch veneer logs. Even though the long-lasting increase in the export price of plywood ended in the summer of this year, the average export price of plywood for the entire year 2023 will remain four per cent higher than last year. In 2024, the production and export of plywood is predicted to remain at the current year's level and the average export price to decrease by eight per cent.

### **The production volumes of the chemical forest industry are falling from last year**

In 2023, Finnish cardboard production and export volumes will decrease by more than a fifth from last year. The market situation is weak, and the capacity utilisation rates are therefore at a record low. The demand for cardboard is weakened by the decrease in pri-



Picture: Pixabay.

ivate consumption and reductions in buyers' inventory levels. The average export price of cardboard will decrease by three per cent this year, but the decrease in export prices is expected to stop during the rest of the year. Although the export prices of cardboard are expected to rise next year, the average export price of cardboard will still decrease by six per cent from the current year. In 2024, the production and export of cardboard will grow by four per cent.

Paper production and exports from Finland will decrease by ten per cent this year, despite the weakness of last year's comparison level. In addition to weak demand and customers' destocking, the decrease in production is also affected by the decrease in production capacity. Economic growth is sluggish, and that will keep demand weak next year as well. The situation is estimated to normalise to some extent after this year's fall. Finland's production and export volumes of paper will increase by a couple of per cent. Although the drop in paper

export prices is levelling off, the average export price remains seven per cent lower than last year. In 2024, the average export price of paper will further decrease by more than 13 per cent.

Weak economic growth and demand for printing and writing papers and cardboard in Europe and high inventory levels will keep the pulp market sluggish this year. However, pulp exports from Finland will increase by 11 per cent in 2023, which is due to last year's weak comparative level and the start-up of Metsä Group's new biorefinery in Kemi. The combined production volumes of pulp and mechanical pulp, on the other hand, will remain lower than last year, as the production volumes of paper and cardboard will fall rapidly. In 2024, the export of pulp from Finland will grow even faster than the current year thanks to the larger production capacity, although the weakness of economic growth in important market areas will keep the demand for pulp weaker than in recent years. Driven by exports, the total production volumes of pulp will also increase considerably. The average export prices of pulp will decrease significantly both this and next year.

### **Profitability in forest industry is declining sharply**

After two record years, the results of the domestic forest industry fall sharply this year. In the sawmilling industry, profitability returns to the average level of the 2010s, i.e., the operat-

ing profit remains at a few per cent. In 2024, there is no visible change in the situation of sawmills if construction in Europe continues to decline. Plywood, on the other hand, is still doing very well, especially birch plywood. The peak years of the pulp and paper industry are also over. The weakness of European economic growth means that their profitability will remain low both this and next year. The cardboard industry has traditionally been a bit steadier, but in that regard, the results fall exceptionally much in the current year. In 2024, the situation in the cardboard industry is not expected to change much, because export prices are expected to fall further, and the cost level or production volume is not expected to change substantially.

### The recession slows down the roundwood trade, the scarcity of roundwood continues

The recession of the economy during 2023 has led to a lull in the Finnish roundwood market after the summer. Because of the weakened



demand of the forest industry, the fellings of the industrial wood is predicted to decrease this year by seven per cent from last year to 59.4 million cubic metres. Fellings of sawlogs will decrease by 11 per cent to 25.4 million cubic metres and fellings of pulpwood by four per cent to 34.1 million cubic metres. Due to the strong increase at the beginning of the current year, stumpage prices of coniferous sawlogs, calculated as the annual average value, will rise by 5–6 per cent, birch sawlogs by 17 per cent, and pulpwood by 26–33 per cent. In 2023, the imports of roundwood, mostly originating from Estonia, Latvia, and Sweden, will remain roughly unchanged at 4.9 million cubic metres. The total amount of fellings of industrial wood and imports of roundwood will decrease by seven per cent to 64.3 million cubic metres.

In 2024, the scarcity of roundwood will continue, and the growing processing capacity of forest industry products and intensifying competition will be reflected in the Finnish roundwood market. Fellings of sawlogs and pulpwood are predicted to grow by six per cent to 63 million cubic metres. The fellings of sawlogs will increase partly thanks to the previously purchased volumes, as the average prices for pine and spruce sawlogs will fall by four per cent, following the decreasing prices of sawnwood. The stumpage price of birch saw- and veneer logs will increase by five per cent, while the demand for birch plywood remains good. The prices of pulpwood will decrease

only a little, 0–2 per cent, while the costs of harvesting is increasing due to the increase in thinnings, the production of pulp is growing strongly, and the production of cardboard and paper also increases slightly. Thanks to the growing demand for softwood, the import of roundwood will increase by a tenth to 5.4 million cubic metres. The total amount of industrial roundwood fellings and roundwood imports will increase by six per cent to 68.4 million cubic metres.

### The income and operating profit in non-industrial private forestry are growing

In 2022, the gross stumpage earnings in non-industrial private forestry were EUR 179 per hectare (totalling EUR 2.4 billion). The earnings were 11 per cent higher than the average of the last five years. In 2023, the earnings in euros will rise and remain at the same level in 2024, but due to the inflation, in real terms the earnings are decreasing. Investments in roundwood production decreased in 2022, but in 2023 they are expected to increase slightly. Investments are also expected to increase in 2024 but will remain below the target level.

The operating profit of non-industrial private forestry was EUR 163 per hectare (totalling EUR 2.2 billion) in 2022. Due to the increase in stumpage prices, the operating profit will increase to around EUR 170 per hectare in 2023, and in euro terms the result will remain at almost the same level in 2024. The real return on investment of roundwood production in

non-industrial private forests was six per cent in 2022. The increase in stumpage prices will increase the return to close to 10 per cent in 2023, and correspondingly the estimated decrease of stumpage prices will drop it to negative in 2024. Without changes in stumpage prices, the calculated return is about five per cent.

### Forestry provides employment

Employment in the forest sector reached a fine growth during 2022, when good demand for forest industry products and increases in production capacity increased jobs. In the current year, the employment in the forest industry will decrease by three per cent due to the de-

crease in production volumes. Employment in the entire forest industry is predicted to grow by two per cent in 2024.

In forestry, employment increased in 2022 due to a lively year of roundwood trade, the cessation of roundwood imports from Russia, and the replacement of import volumes by increased fellings in Finnish forests. Employment was also increased because of the good demand for energy wood and harvesting for heat and power production. Despite the rapid deterioration of the business cycle, the employment in forestry is predicted to improve slightly this year. In 2024, forestry employment will continue to improve by two per cent.

### Average nominal stumpage prices (over bark) in non-industrial private forests 2022–2024f.

Roundwood assortment	2022	2023f	Change	2024f	Change
	€/m <sup>3</sup>	€/m <sup>3</sup>	%	€/m <sup>3</sup>	%
Pine sawlogs	67.0	71.2	6	68.5	-4
Spruce sawlogs	71.3	74.9	5	71.8	-4
Birch sawlogs	48.5	56.6	17	59.2	5
Pine pulpwood	19.8	25.5	29	25.3	-1
Spruce pulpwood	21.9	27.6	26	27.1	-2
Birch pulpwood	19.8	26.3	33	26.2	0

Source: Natural Resources Institute Finland.

### Key forecasts 2022–2024f.\*

Forecast variable		2022	2023f	2024f
		% y-o-y		
Sawnwood	production	-6	-8	1
	exports	-2	-8	1
	export price	5	-25	-4
Plywood	production	-3	-15	0
	exports	-6	-16	0
	export price	31	4	-8
Pulp	production	-15	-3	9
	exports	-12	11	13
	export price	25	-18	-9
Paper	production	-31	-10	2
	exports	-31	-10	2
	export price	54	-7	-13
Paperboard	production	-2	-22	4
	exports	-2	-22	4
	export price	23	-3	-6
Fellings of industrial wood		-3	-7	6
Roundwood imports (incl. chips)		-59	2	10

\*Price changes are nominal.

Sources: Finnish Forest Industries, Finnish Customs and Natural Resources Institute Finland (forecasts).

## The use of wood chips and wood pellets in growth

In 2022, the decline in the availability of by-products from the forest industry increased the amount of forest chips burned in heat and power plants to more than 10 million cubic metres for the first time. In 2023, the use of forest chips is expected to remain at the previous year's level and in 2024 to increase by a few per cent at most, as the high average plant price limits the use of forest chips. The plant price of forest chips is expected to rise by a total of 20 per cent during 2023. In 2024, the increase in the plant price is expected to slow down, but an increase of 2–5 per cent in annual level is expected. Finnish wood pellet production is limited by the availability of raw materials, and despite new investments, pellet production is expected to grow moderately by 20,000 tonnes in 2023. During 2024, the production volume will probably increase further by 20,000–30,000 tonnes.

## Basis and risks of the forecast

The Finnish Forest Sector Economic Outlook provides information on the current situation and the prospects of the Finnish forest sector. The forecasts are based on public statistics, forecasts of global world economic development, forest sector market information from various sources, and studies by the Natural Resources Institute Finland. The forecasts are prepared using the derived demand principle, which means that the fluctuations of the eco-

nomic outlook in Finland and in the export markets are expected to be reflected in the demand for forest industry products and, consequently, to forest industry production and Finnish roundwood markets. Changes in the operating environment of the forest sector and the impact of the Government's policies are also considered when the forecasts are being prepared. If the economic growth were to be slower than expected, the export prices, production, and the profitability of the Finnish forest industry would be lower than this forecast.

The understanding of the economic development of the world economy and export markets is based on projections made by different organisations (e.g. OECD, IMF, ETLA, Nordea, Bank of Finland). The forecasts for this outlook are based on the data from the forest sector in September and October 2023 and on the forecasts for the development of world economy for the years 2023–2024. The forest sector forecasts describe the most probable development as assessed by the authors. They are point estimates, which are based on export market growth forecasts and other underlying assumptions related to market development.

In autumn 2023, the most significant uncertainties related to forecasts and economic development will be Russia's continuing war on Ukraine and the resulting multiplier effects. How long will the war last, will it possibly ex-



Picture: Erkki Oksanen, Luke.

pand into a larger international conflict, and how will the availability and price of energy develop in Europe during the oncoming winter? Although the rate of inflation is predicted to slow down globally during the next year, new shocks that increase the inflation again, such as the expansion of the conflict in the Middle East and its effects on oil price, are possible and may hinder the central banks' intentions to start lowering key interest rates. The weakening economic situation can also lead to political unrest and to the growth of protectionism in different countries and economic regions. An increase in tensions between China and the United States is possible. The outcome of the US presidential election in late 2024 may also increase uncertainty.

+/- Indicates change over the previous year.

# FROM STUMP TO MARKET

Forecast of fellings, processing and export of forest industry products 2024.

## GROWING STOCK

2500  
mill. m<sup>3</sup>

Maximum sustained  
annual yield  
79,8  
mill. m<sup>3</sup>

### INDUSTRIAL ROUNDWOOD REMOVALS

63,0  
mill. m<sup>3</sup> **+6%**



### ROUNDWOOD IMPORTS

5,4  
mill. m<sup>3</sup> **+10%**



#### SAWLOGS

**+2%**  
26,0  
mill. m<sup>3</sup>

#### PULPWOOD

37,0  
mill. m<sup>3</sup> **+9%**



#### FOREST CHIPS IN ENERGY GENERATION

10,3  
mill. m<sup>3</sup> **+2%**

## WOOD PRODUCTS INDUSTRY

## PRODUCTION

## PULP AND PAPER INDUSTRY



#### PELLETS

0,4  
mill. t **+7%**



#### PLYWOOD

0,9  
mill. m<sup>3</sup> **0%**



#### SAWNWOOD

10,4  
mill. m<sup>3</sup> **+1%**

#### WOOD CHIPS



#### PULP

7,5  
mill. t **+9%**



#### PAPERBOARD

3,3  
mill. t **+4%**



#### PAPER

2,8  
mill. t **+2%**



**m<sup>3</sup>** **0%**  
0,8 mill.  
**€** **-8%**  
720 €/m<sup>3</sup>

**m<sup>3</sup>** **+1%**  
8,0 mill.  
**€** **-4%**  
215 €/m<sup>3</sup>

### EXPORT



**t** **+13%**  
4,6 mill.  
**€** **-9%**  
556 €/t

**t** **+4%**  
3,3 mill.  
**€** **-6%**  
904 €/t

**t** **+2%**  
2,7 mill.  
**€** **-13%**  
857 €/t

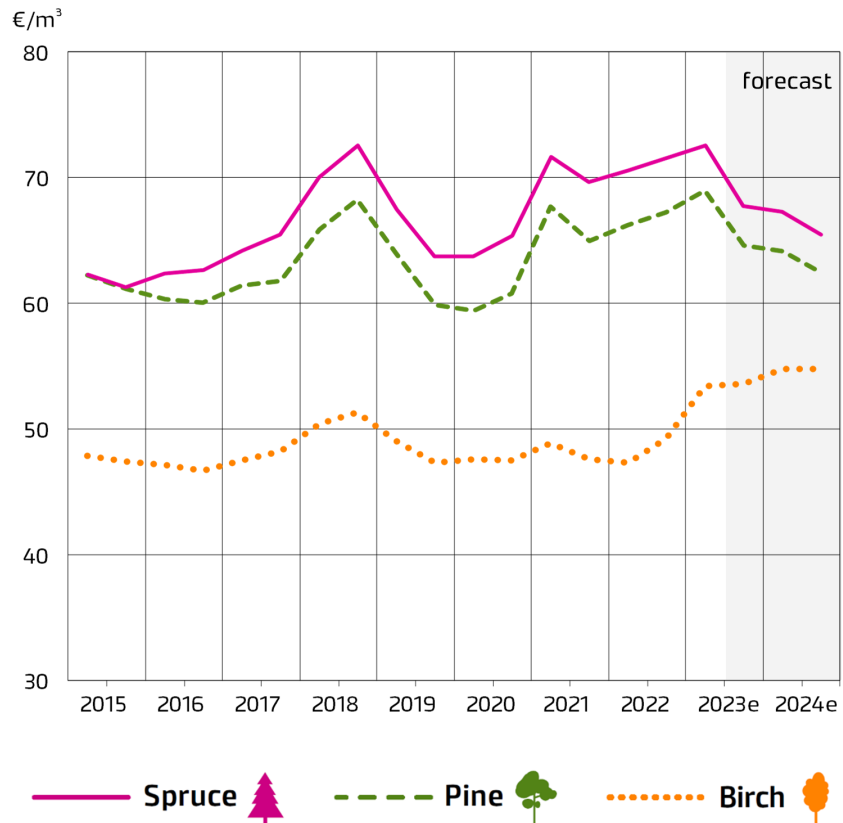
# BIANNUAL STUMPAGE PRICES



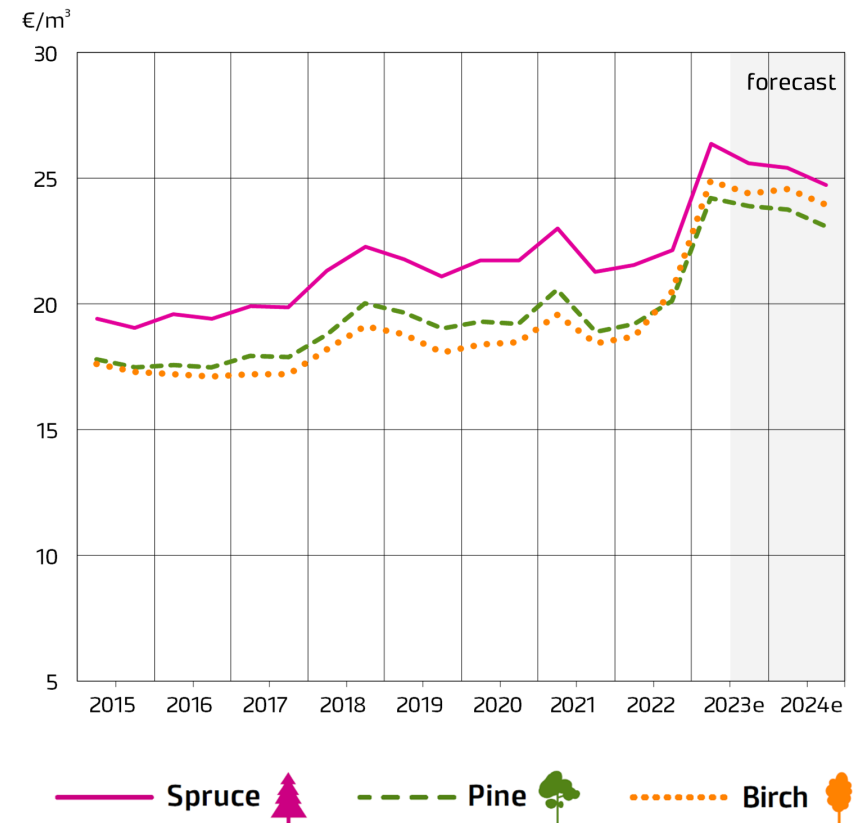
Logs / pulpwood 2015-2024e  
(in 2022 prices, cost-of-living index)



## LOGS



## PULPWOOD





The executive summary is a translation of the summary of the Finnish original publication "[Metsäsektorin suhdannekatsaus 2023–2024](#)", and is based on information available in October 2023.

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