



# Russia outlook

70<sup>th</sup> International Softwood Conference, 13 October 2022

ANTTI KOSKINEN, AFRY MANAGEMENT CONSULTING



ABOUT AFRY

# Sector specific engineering, design, and advisory services around the world

EMPLOYEES GLOBALLY

~ 17,000

(2021)

NET SALES

€ 2 bn

(2021)

NUMBER OF COUNTRIES WITH OFFICES

> 50

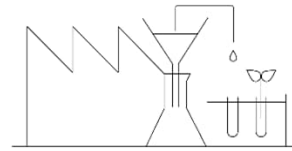
NUMBER OF COUNTRIES WITH PROJECTS

> 100

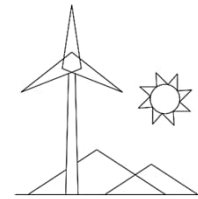
## AFRY TRANSFORMING SEGMENTS



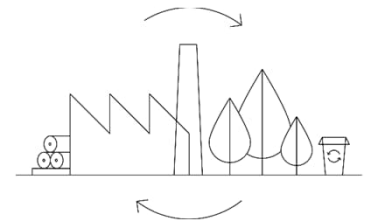
INFRASTRUCTURE



FOOD AND LIFE SCIENCE

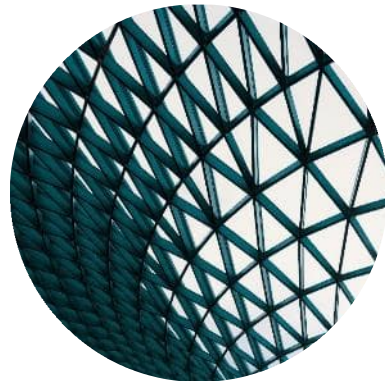


CLEAN ENERGY



BIOINDUSTRY

## AFRY CORE EXPERTISE



ENGINEERING



DESIGN



DIGITALISATION



ADVISORY SERVICES

# Leading advisor for the transition of the bioindustry sector



## People

200 management consultants

4 continents

25 nationalities



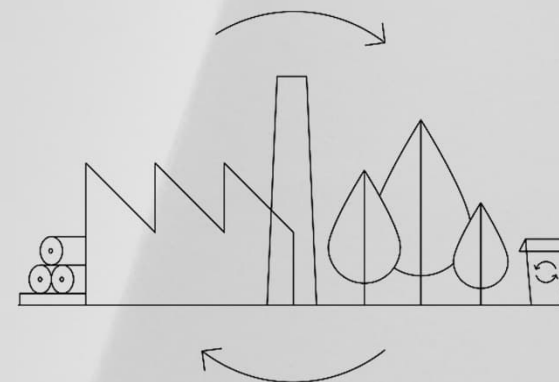
## Offering

Forward looking market analysis

Strategic advice

Operational and digital transformation

M&A and transaction services



Forest & Biomass	Wood Products	Paper	Packaging	Biorefining	Waste
<ul style="list-style-type: none"> <li>- Forestry</li> <li>- Carbon</li> <li>- Biomass</li> <li>- Pellets</li> </ul>	<ul style="list-style-type: none"> <li>- Wood-based panels</li> <li>- Surfacing materials</li> <li>- Solid wood</li> <li>- Engineered wood products</li> </ul>	<ul style="list-style-type: none"> <li>- Paper</li> <li>- Recovered Paper</li> <li>- Recycling</li> </ul>	<ul style="list-style-type: none"> <li>- Packaging</li> <li>- Hygiene</li> </ul>	<ul style="list-style-type: none"> <li>- Pulp</li> <li>- Renewable Fuels</li> <li>- Biochemicals</li> <li>- Biomaterials</li> <li>- Textile fibres</li> </ul>	<ul style="list-style-type: none"> <li>- Waste handling and recycling</li> <li>- Waste to value</li> </ul>

Recycling and circularity



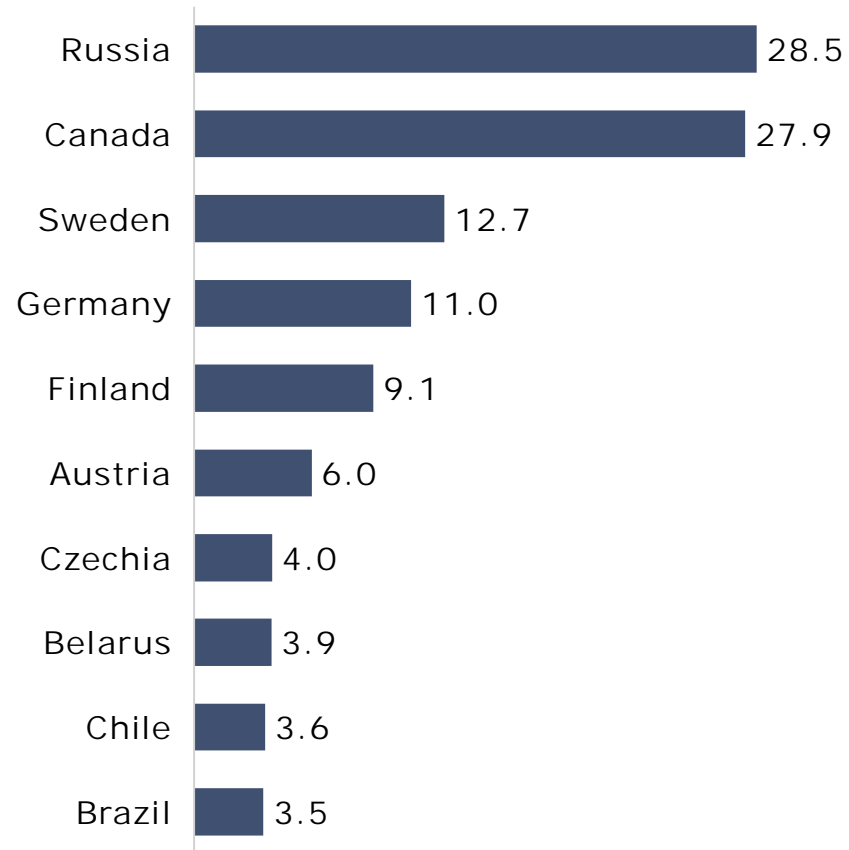
# Contents

1. Russia in global trade
2. Historical developments
3. Industry trends in 2022
4. Outlook

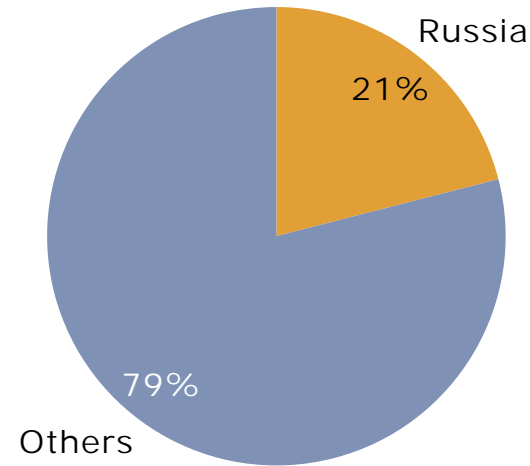


# Russia is major exporter, but highly dependent on China

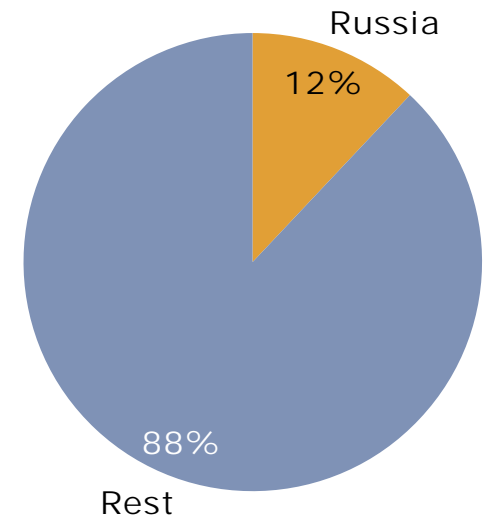
SAWN SOFTWOOD EXPORTS, 2021 (MILLION M<sup>3</sup>)



SHARE OF GLOBAL TRADE

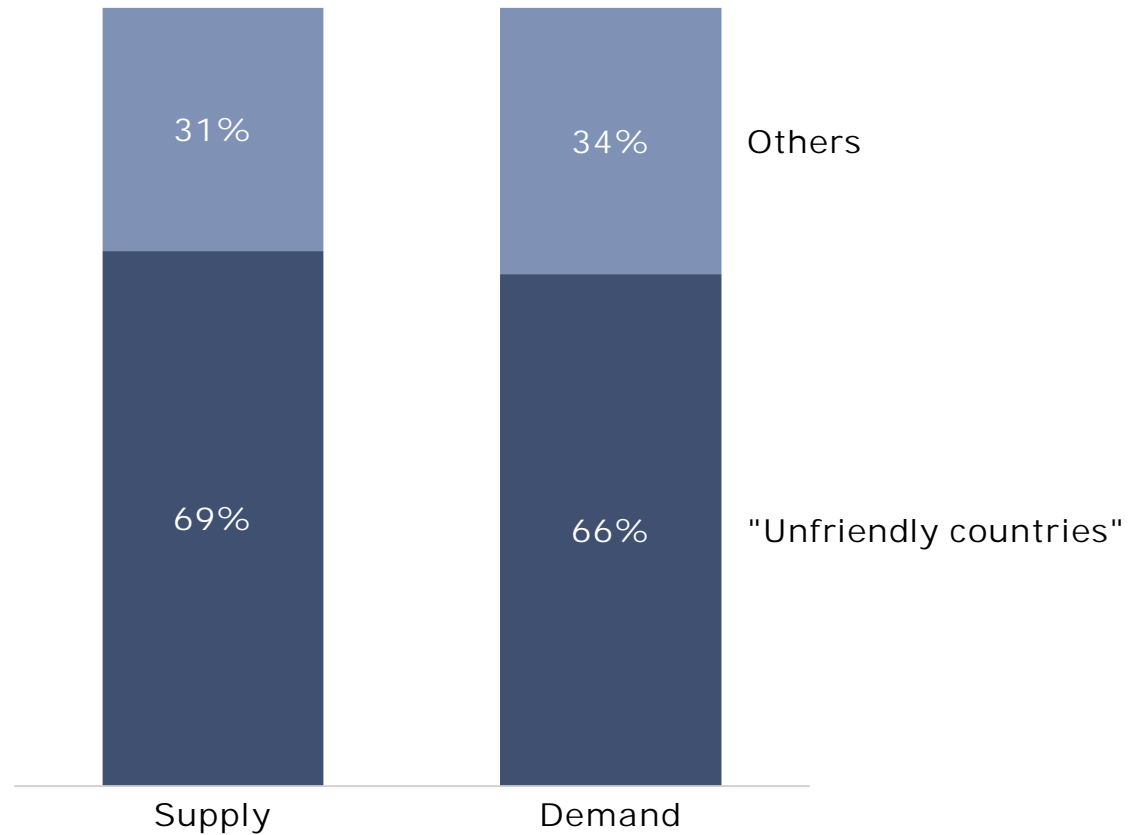


SHARE OF GLOBAL TRADE (EXCL. CHINA)

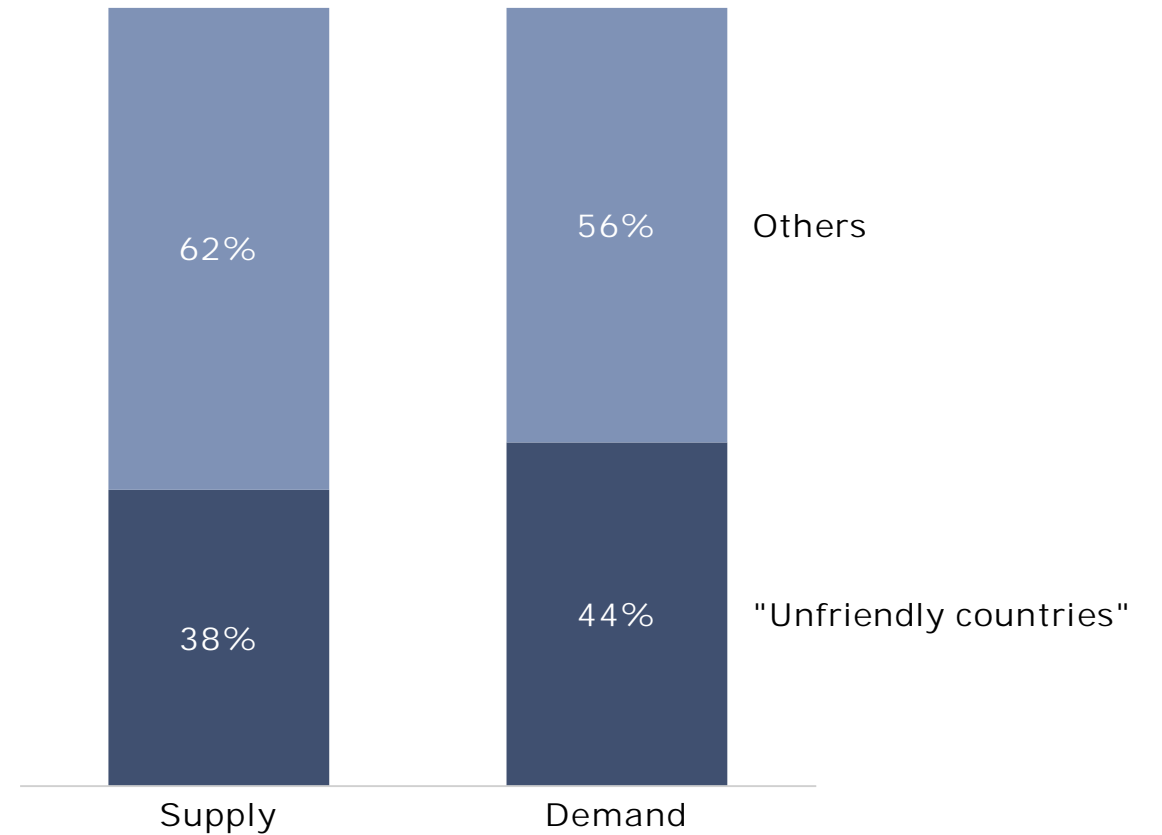


# Western countries consume most of sawn softwood and are net exporters

SAWN SOFTWOOD



NATURAL GAS

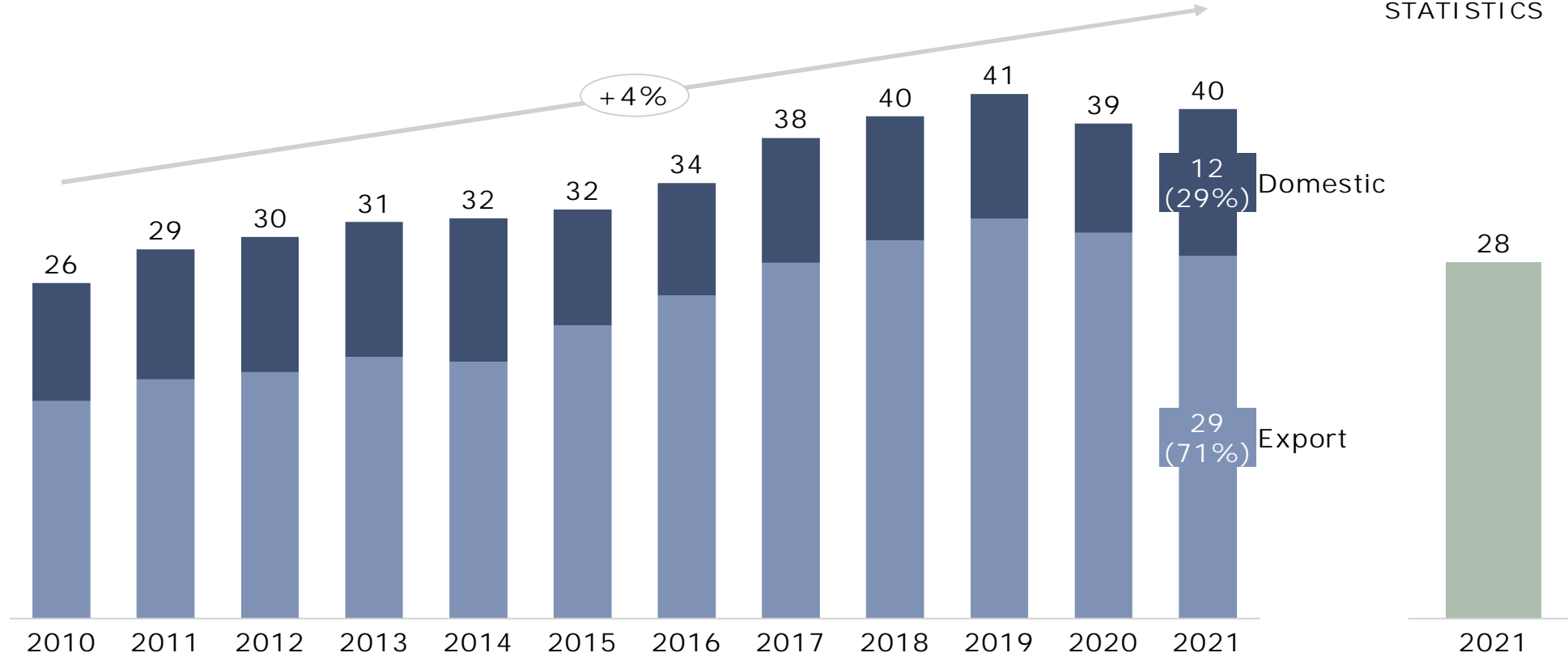


Source: AFRY, BP

# Russian exports started to decline after 2019

ESTIMATED PRODUCTION (EXPORT AND DOMESTIC SHIPMENTS), MILLION M<sup>3</sup>

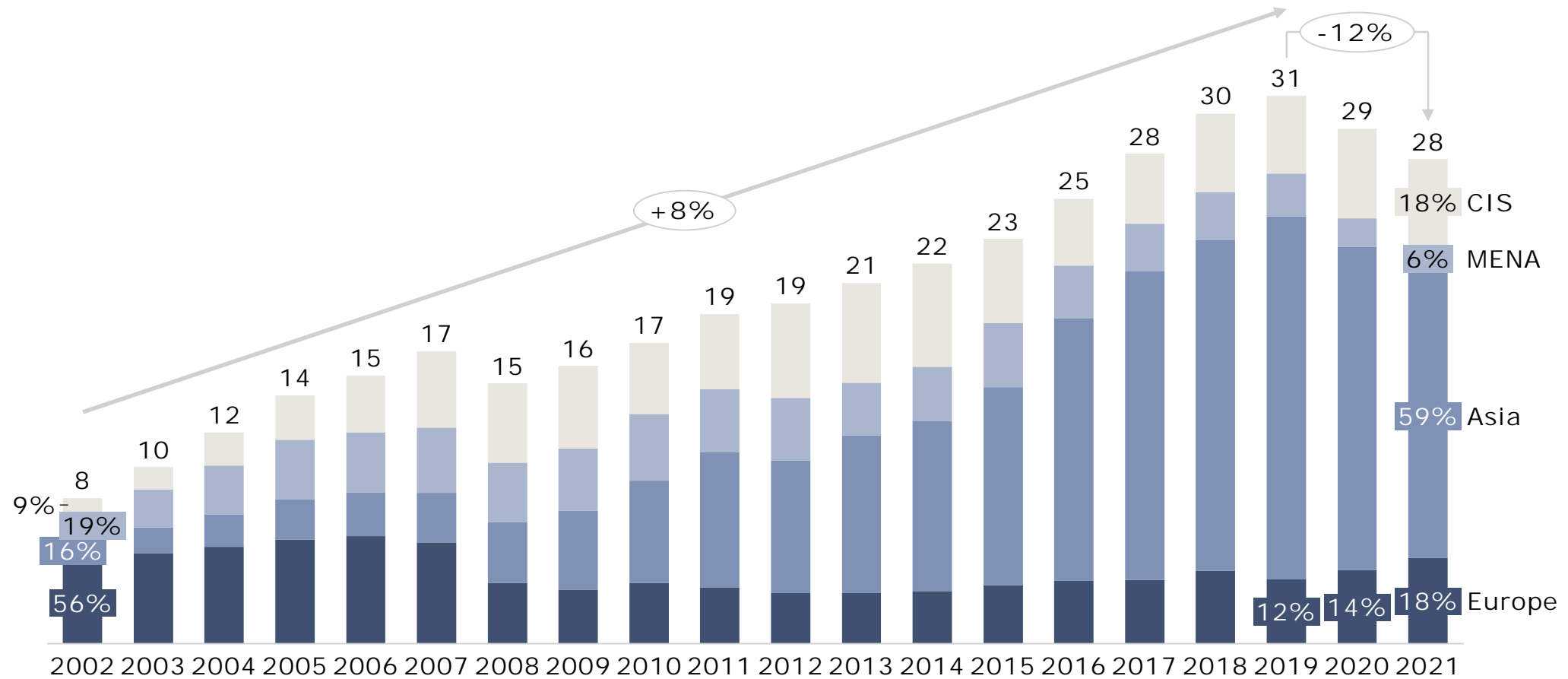
OFFICIAL PRODUCTION STATISTICS



Source: FAO, Comtrade, Rosstat

RUSSIAN EXPORTS

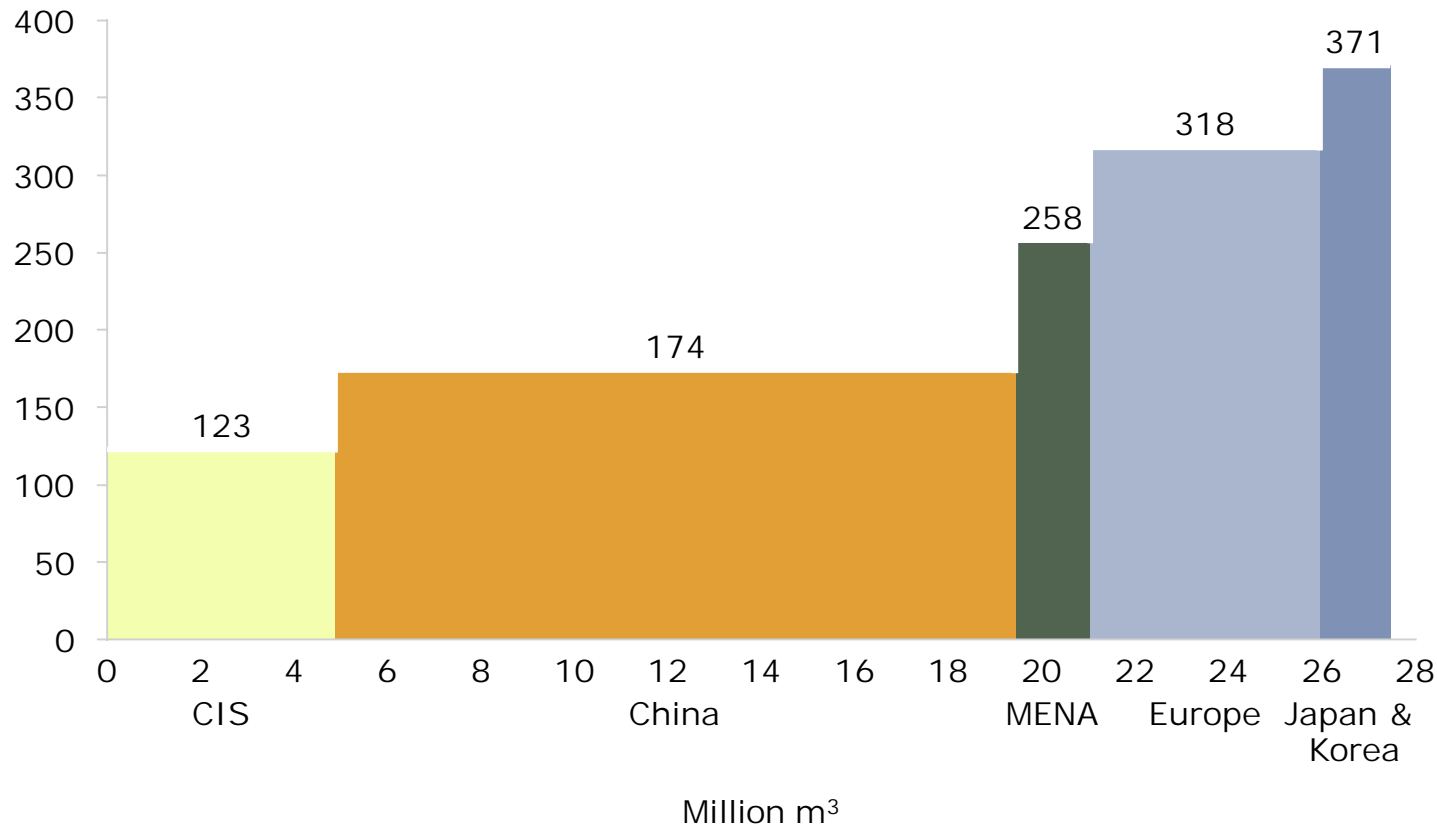
Exports have been declining due to lower demand in China. Importance of Europe has increased from 2019 until 2021



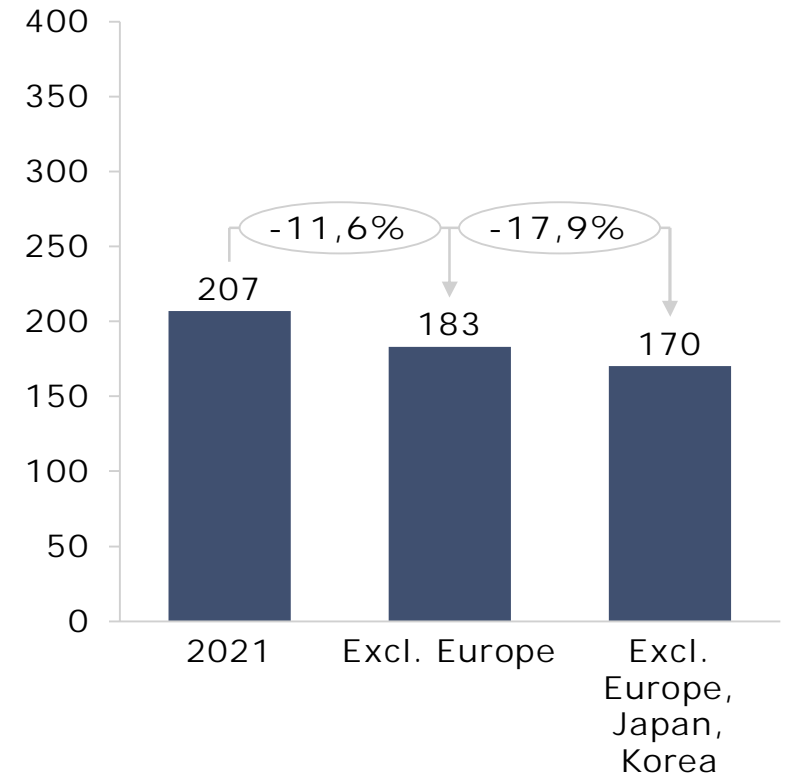


# Europe was an important source of revenue for the sawmills

EXPORT SHARE AND AVERAGE EXPORT PRICE 2021  
USD/m<sup>3</sup>

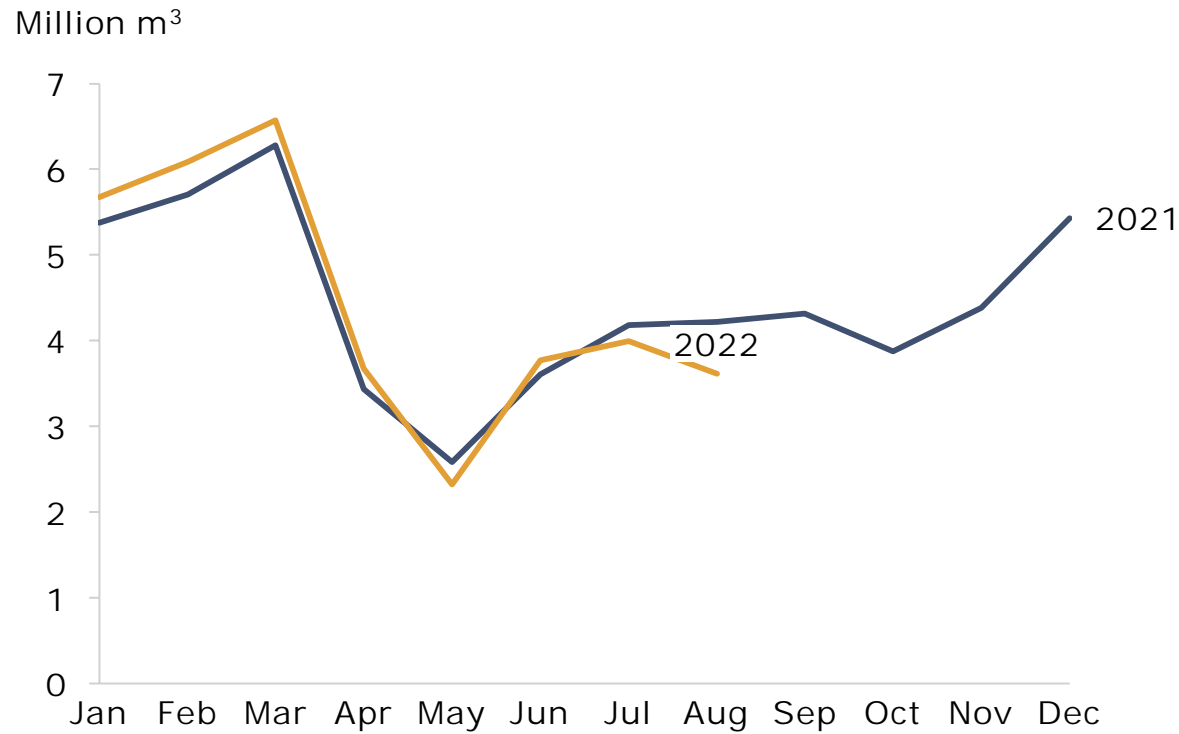


AVERAGE EXPORT PRICES  
USD/m<sup>3</sup>

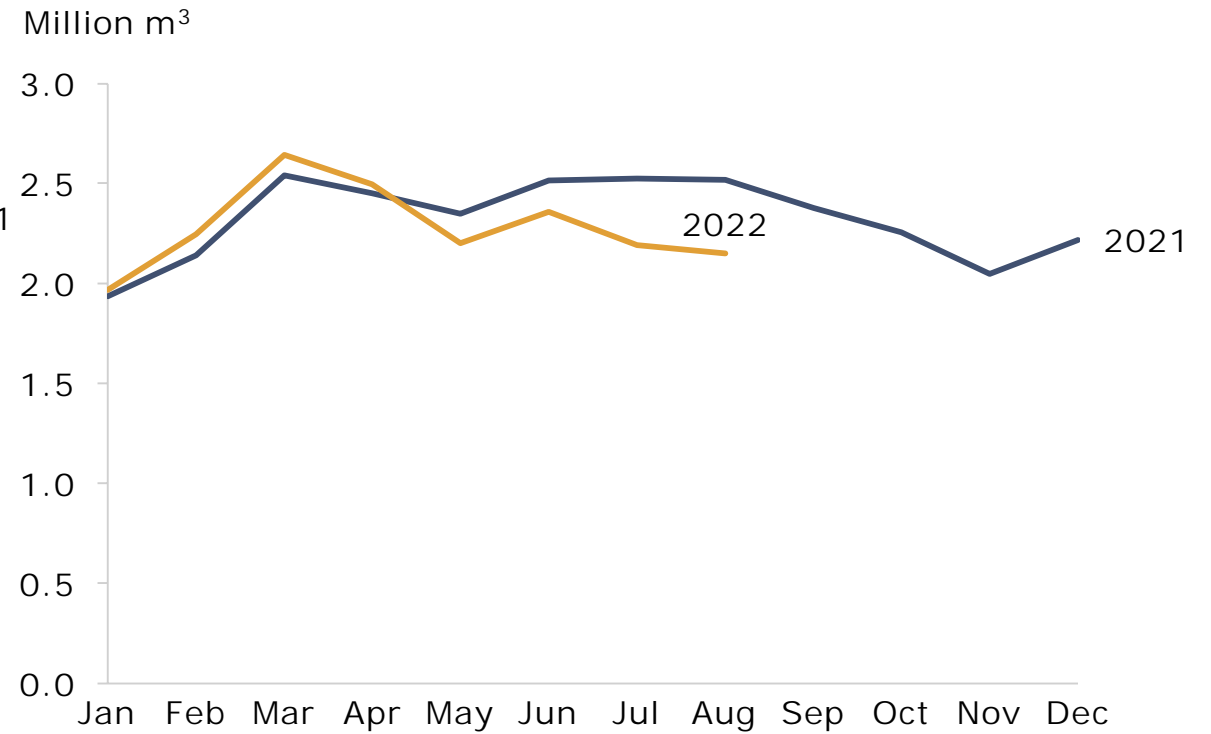


# Harvesting and production volumes started to decline during the summer

SOFTWOOD SAWLOG HARVESTING,



SAWN SOFTWOOD PRODUCTION

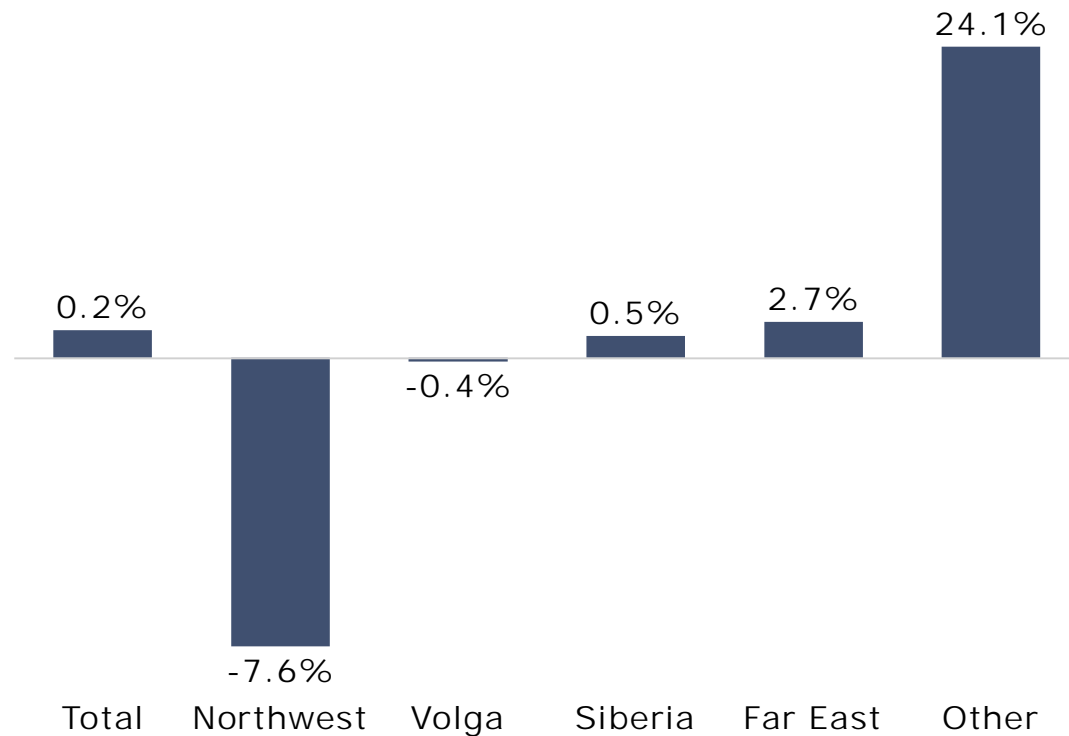


Source: Rosstat

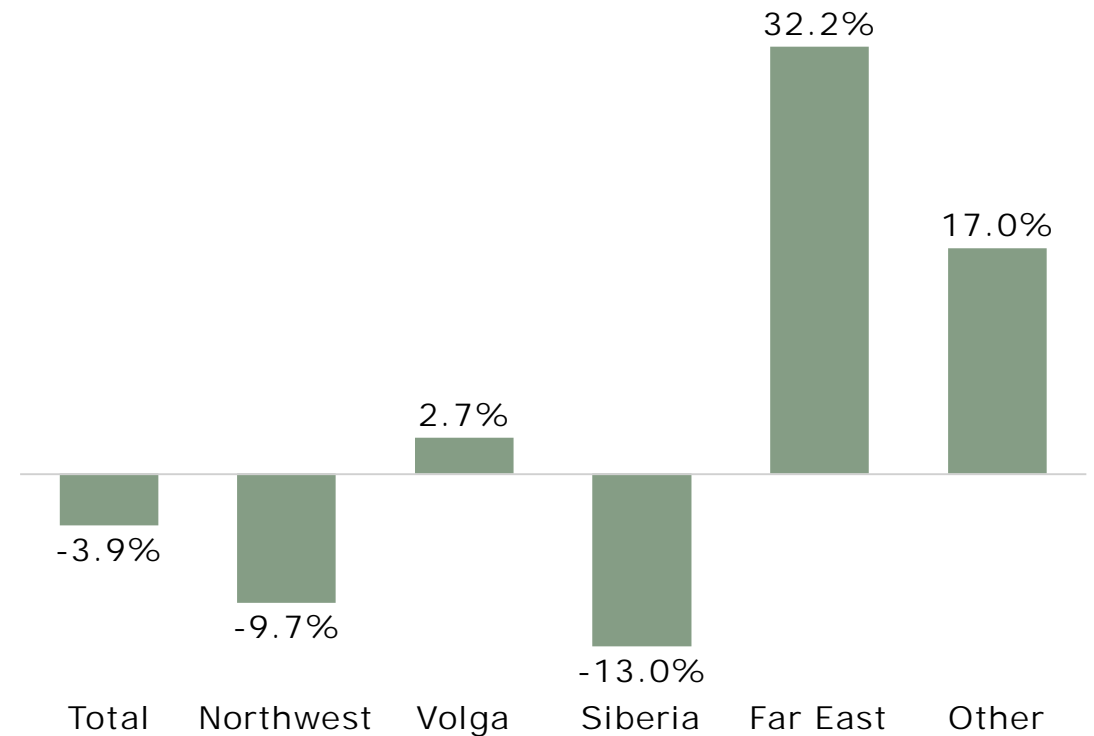
HARVESTING AND PRODUCTION BY REGION

Harvesting is still at 2021 level and production has slightly decline. Northwest and Siberia are clearly reducing production

SOFTWOOD SAWLOG HARVESTING, JAN-AUG 2022 VS. 2021



SAWN SOFTWOOD PRODUCTION, JAN-AUG 2022 VS. 2021

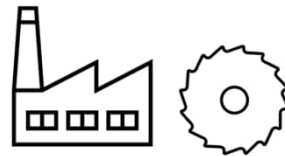
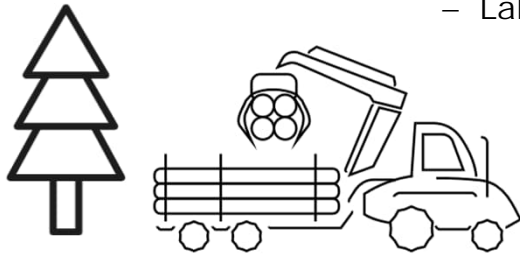


Source: Rosstat

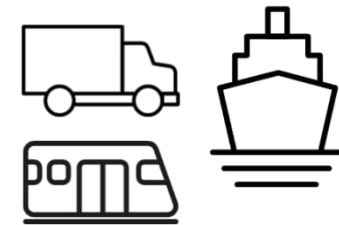


# Sanctions have impact in the whole supply chain

- Spare parts and service
- No new investments
- Labor?



- Limited market opportunities
- Lower sales prices



- Restrictions is logistics
- Increasing transport costs

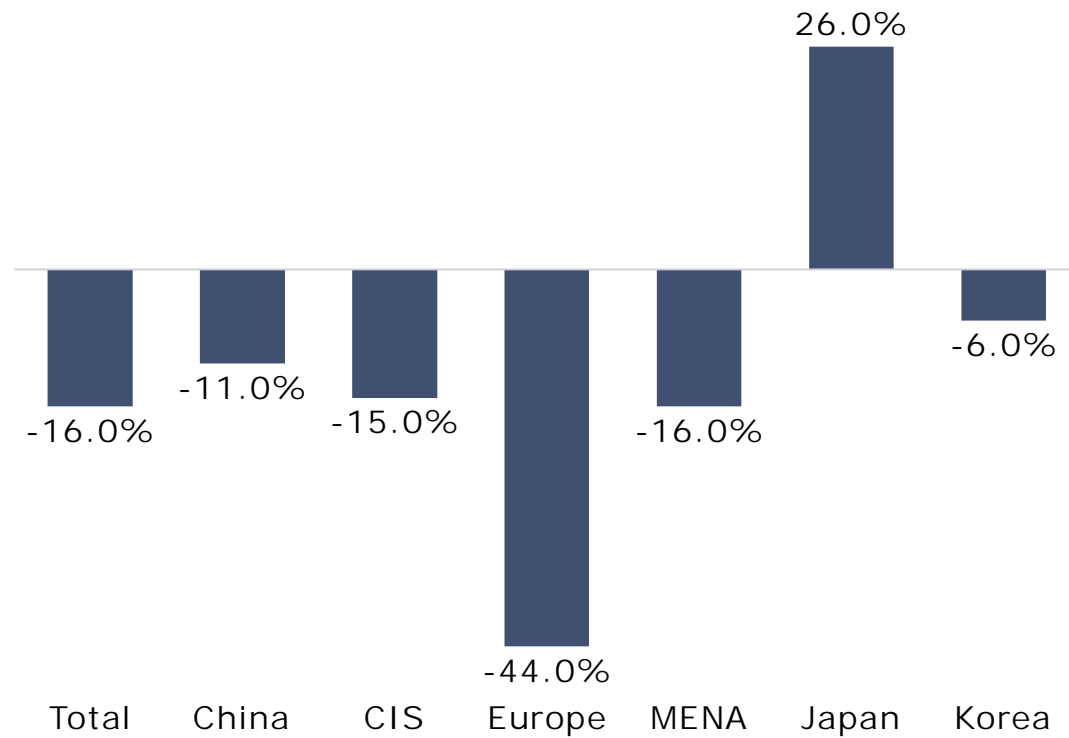
- Reduced volumes in pellet and panel production



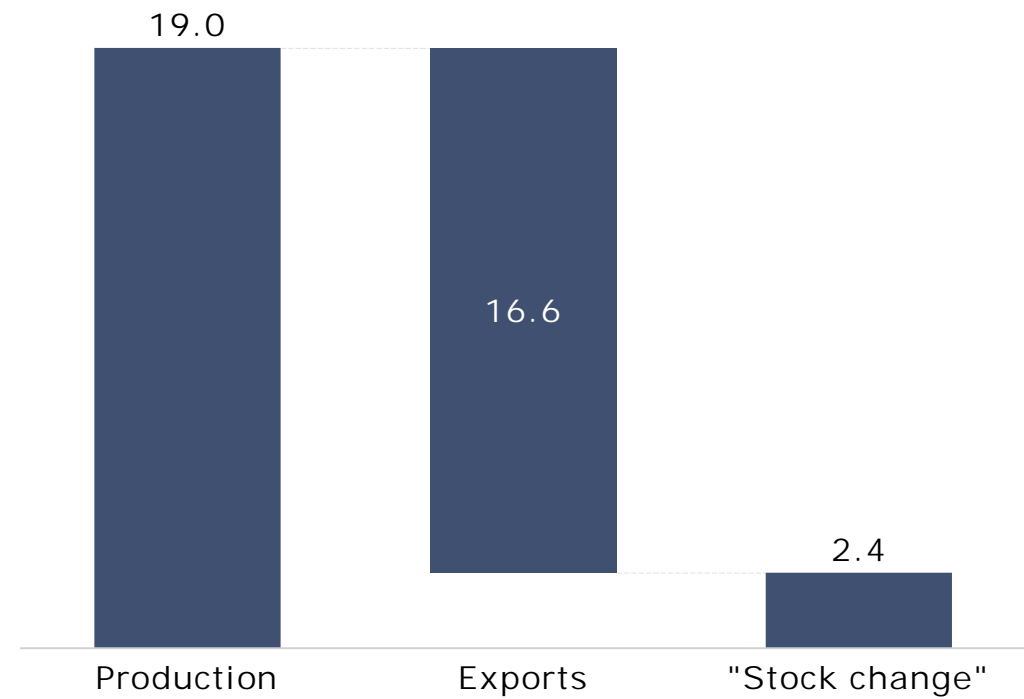
SAWNWOOD EXPORTS YTD

# Exports have declined considerably more than production

SAWN SOFTWOOD EXPORTS\*, JAN-AUG 2022 VS. 2021



PRODUCTION VS. EXPORTS, JAN-AUG 2022 (MILLION M<sup>3</sup>)

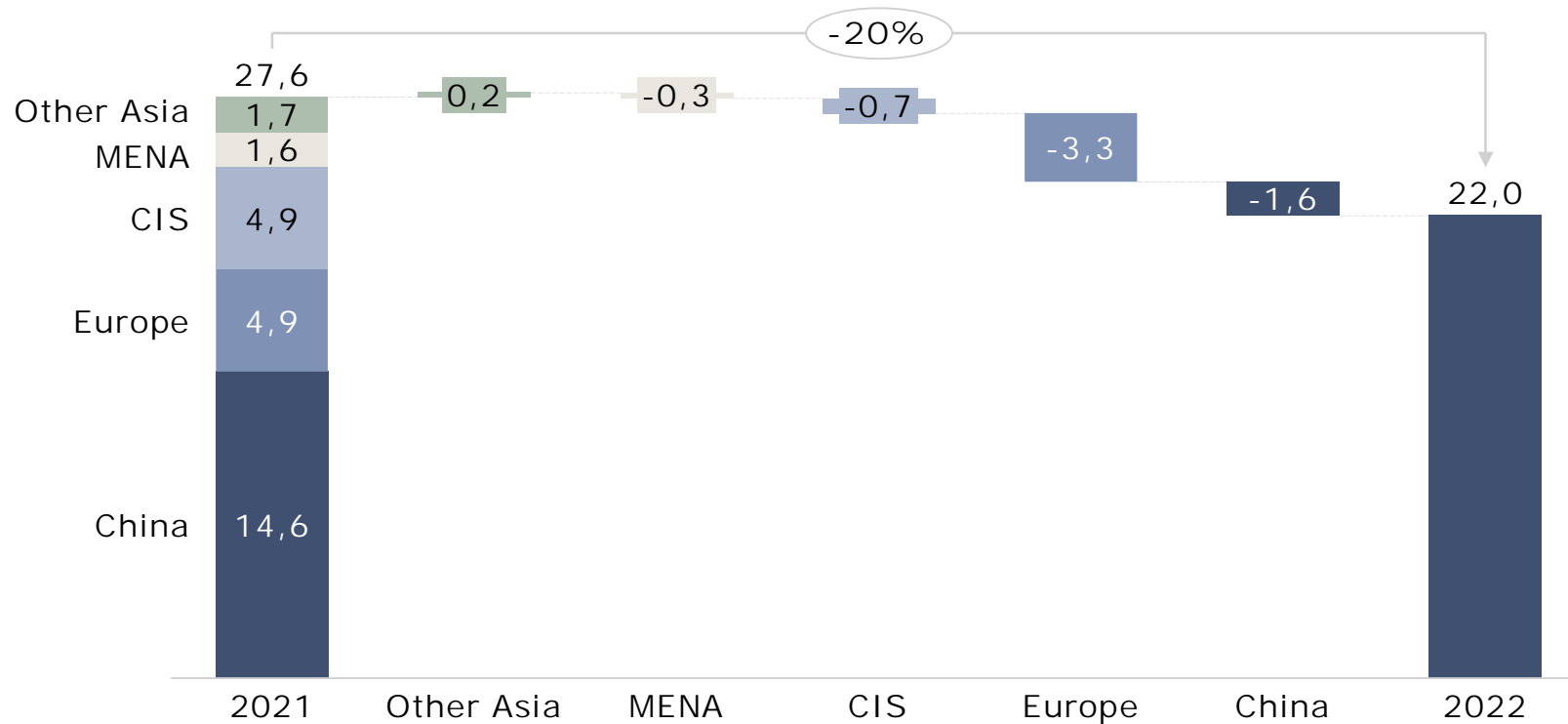


\*Partly estimated due to lack of Russian export statistics

EXPORTS 2022

With current development continuing, the exports in 2022 could be the lowest since 2015

RUSSIAN EXPORTS, SCENARIO FOR 2022 (MILLION M<sup>3</sup>)





## Summary and outlook

- Russia's war in Ukraine – All markets are affected
- Over 200 million m<sup>3</sup> market not addressable for Russia due to sanctions - around 60% of global market
- Domestic market will most likely decline
- Dependency of Chinese market even higher than before – limited growth prospects
- Return to Europe in 2023 unlikely
- CIS/Central Asia market and economies linked to Russia - Already 100% market share
- MENA: Can Russia increase market share? How much?
- Will other countries sanction Russian wood products?
- Technical challenges in medium term due to availability spare parts and service
- Bottlenecks in logistics

# THANK YOU!

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