



WRI Market Insights 2022
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Global Forest Products Markets

Russia's invasion of Ukraine will likely halt planned investments in the Russian forest industry

Russia's invasion of Ukraine is likely to impact global trade in the coming months. Increased sanctions against trading with Russia and difficulty with financial transactions will probably interrupt and re-direct shipments of forest products throughout the world. As a result, trade with Russia will likely decline, impacting long-established international trade flows of forest products.

Countries like China and India, who have reluctantly supported Russia in the conflict, may also be affected by limited trade sanctions. This development would mainly affect China, which relies on the importation of forest products, including logs, wood chips, lumber, pulp, and paper from North America, Europe, Oceania, and Latin America for domestic use. These world regions are considering expanded sanctions for Russia and countries that directly or indirectly support Russia's attack on Ukraine.

Governments in North America and Europe are also seriously considering locking Russia out of the international SWIFT money transaction system. If this occurs, Russian companies will find it challenging to trade with the world.

Russia exported forest products were valued at over 12 billion dollars in 2021, and imports of paper products (mainly) are valued at about 2 billion dollars. Much of this trade is in jeopardy.

Russia is the largest lumber exporter globally and ranks as the seventh biggest exporter of forest products worldwide. Forest products exports from Russia have increased rapidly in the past five years, led by softwood lumber and paper products (see table).

	<u>Export value in 2021</u> (Billion US \$)	<u>Change 2017-2021</u> (%)
Softwood lumber	5.8	24
Paper products	2.0	11

Wood panels	1.9	15
Wood pulp	1.3	19
Hardwood logs	0.5	15
Softwood logs	0.5	-52
Wood pellets	0.3	102
Total	12.2	24

Note. An estimated 40% of exports were destined for China, while the remainder was predominantly shipped to European markets.

Russia has vastly under-utilized forest resources and has the potential to increase timber harvests to supply its domestic industry. To meet increased global demand for forest products, the Russian government recently initiated programs to encourage investments in the sector to both expand/modernize existing manufacturing plants and build greenfield facilities.

However, it is likely that many investments projects in the forest products manufacturing sector in Russia will grind to a halt as the growing list of sanctions and financial transaction restrictions take effect.

*Are you interested in the worldwide wood products market information? The Wood Resource Quarterly is a 75-page quarterly report established in 1988 and has subscribers in over 30 countries. The publication tracks **prices for sawlog, pulpwood, lumber, and pellets** and reports on trade and wood market developments in key regions worldwide. For more insights on the latest international forest product market trends, please visit www.WoodPrices.com*

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