Market Report China

Softwood Conference 2025

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China – 41 months consecutive month of falling housing prices…..

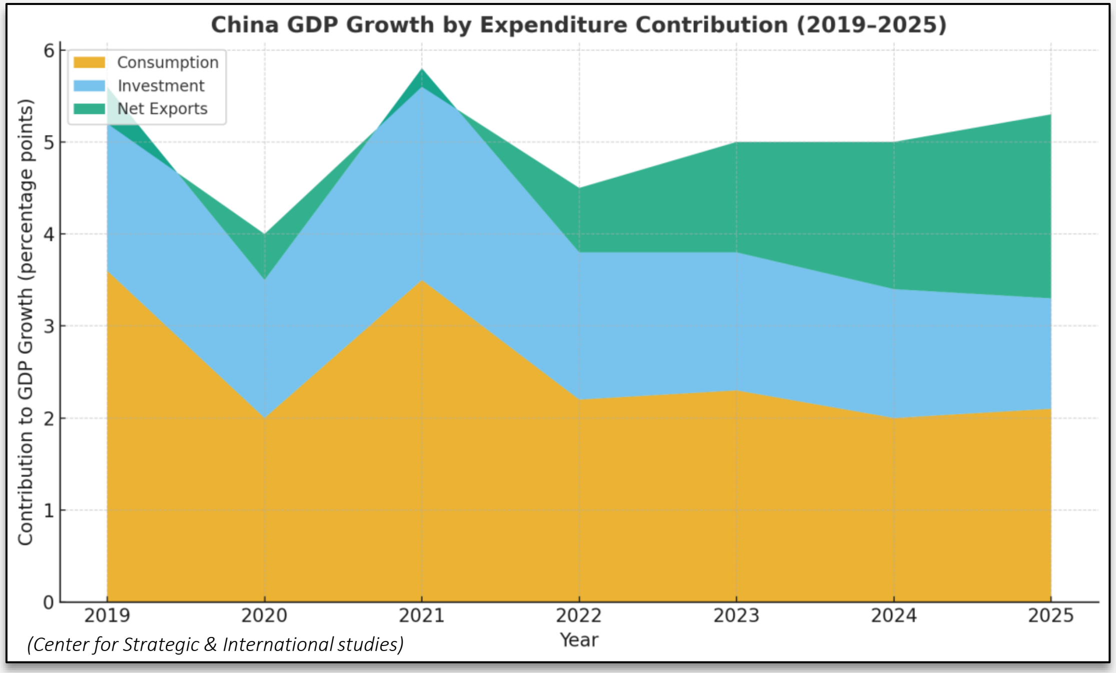
China – dramatic change in economic drivers

- **Real estate market in decline – effects China in many levels**
  - Have accounted for 30 % of total GDP (Europe 10-12%)
  - Have been regarded as a “safe” investment. 34-38 % of total apartments owned as 2:nd or 3:rd apartment
  - Average spending of disposal income, low in China in, long term comparison with Europe/US –now even worse

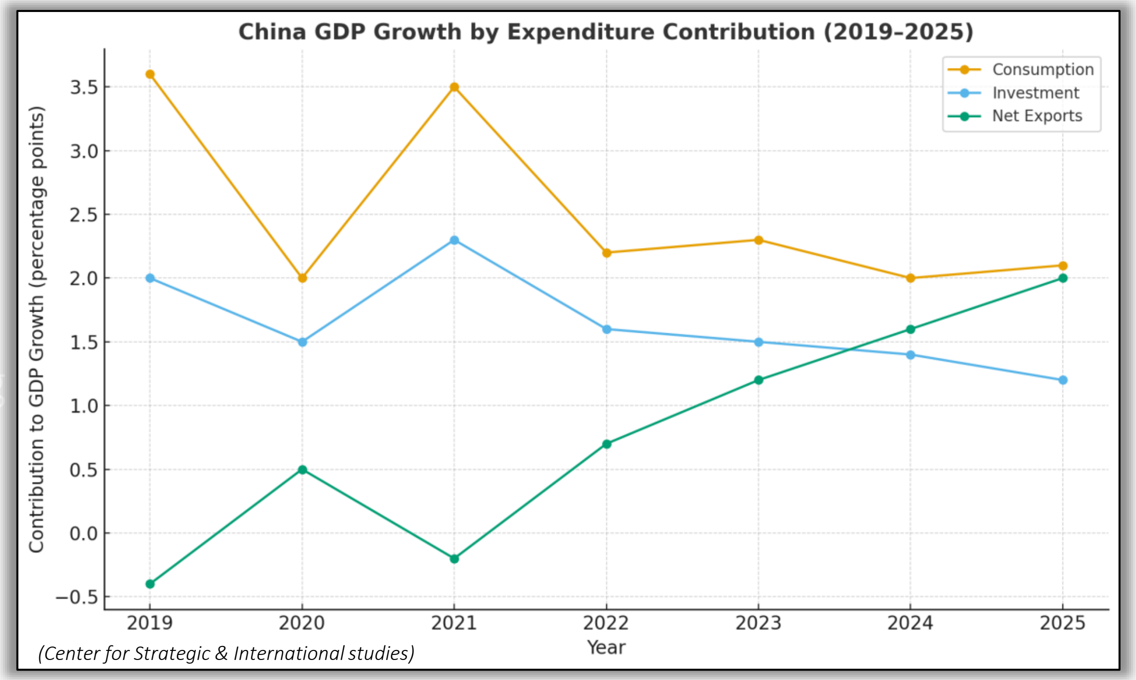
- **Chinese demographics a challenge that is already present**
  - Population will shrink by 150 million by 2050 & by 750 million by end century (equal to UK, EU, Russia combined)
  - Population is aging rapidly. Seniors over 65 is today 14 % of population, by 2050, 30 %. People over 80 will increase from 37 million today to 80 million by 2050
  - Massive low labor force as driver for economy historically, will be more problematic in future
  - Change in working age population – fewer consumers to drive demand

- **US trade war**
  - Hampering China´s current strategy to increase net exports as main driver for GDP growth

China's growth drivers shift Away from construction & increase reliance on net exports



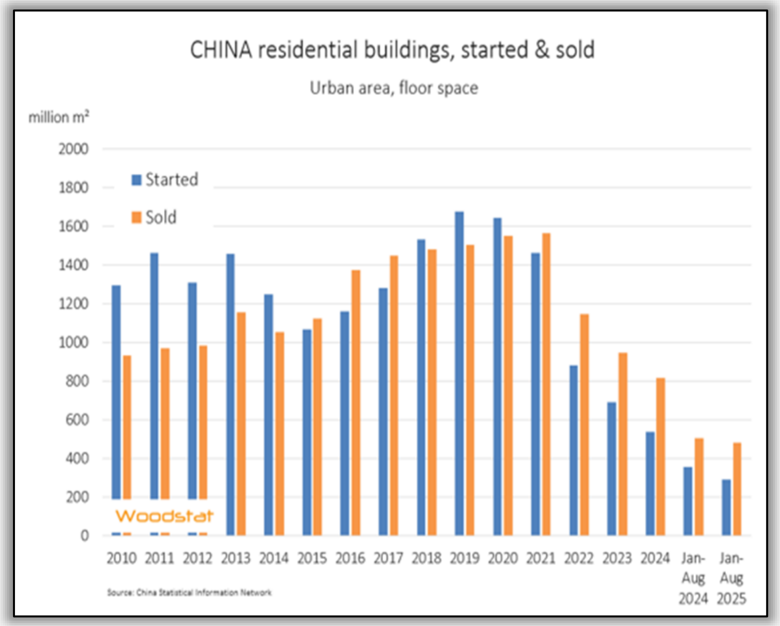
The total GDP growth is now increasingly reliant on net exports, while consumption remains weak, and investment is tapering off

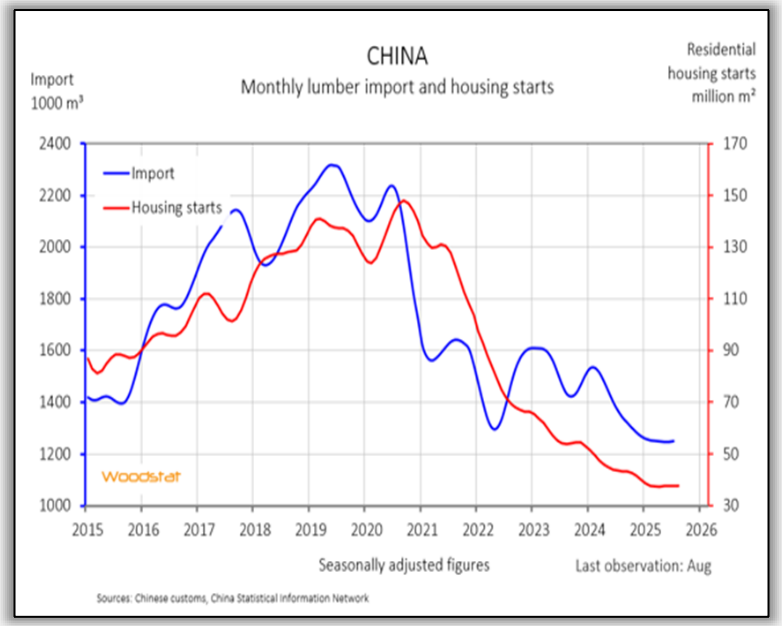


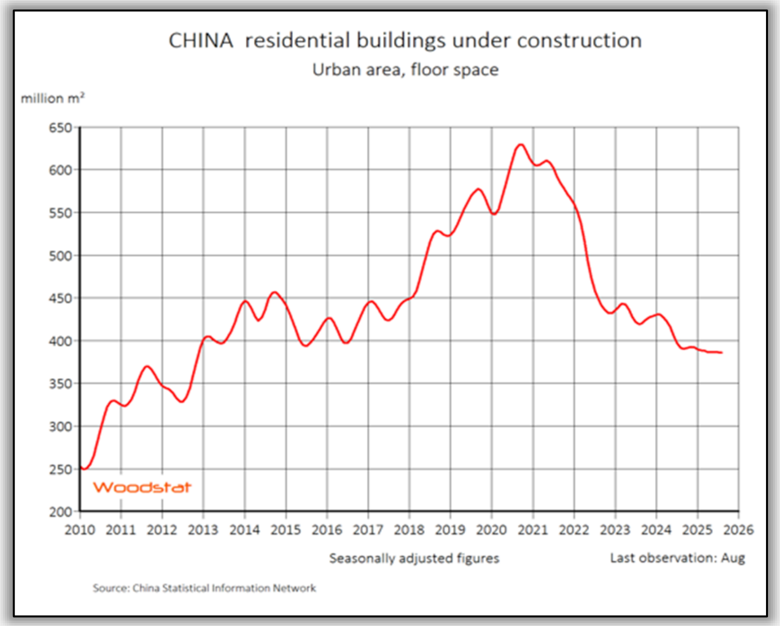
The shift from investment-driven growth to export-driven growth, with consumption lagging

- Weakening investment in construction – weakening household consumption – net exports have become main growth driver

Residential building starts down sharply – big impact on wood demand



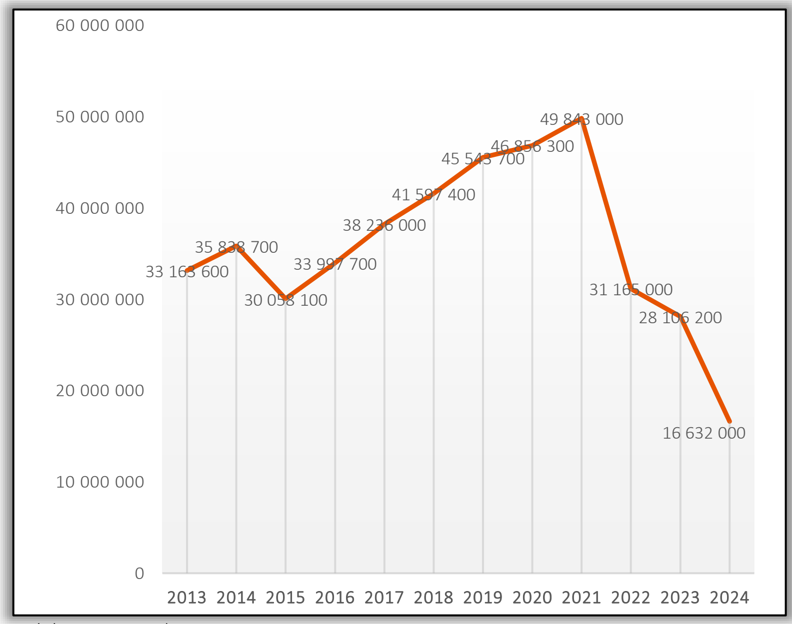




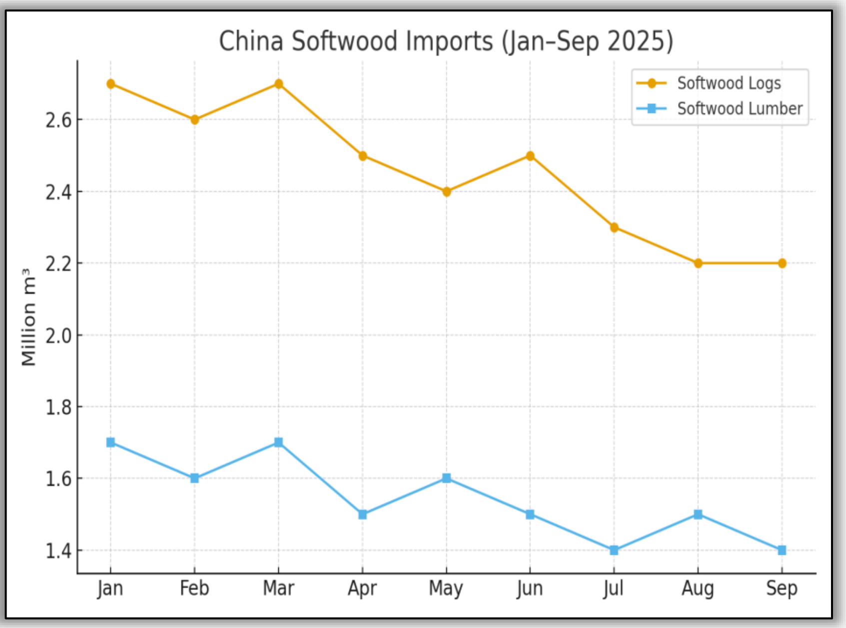
- Huge number of vacant flats , estimated between 65-80 million units
- As consequence construction activity has fallen sharply and the collapse of the speculative bubble has wiped out household savings.
- Private consumption remains weak even in the face of government stimulus measures.

China softwood imports decline as Russia gains dominance

China Softwood Lumber Imports Fall by Two-Thirds Since 2021, and 2025 continues the trend



(China customs)



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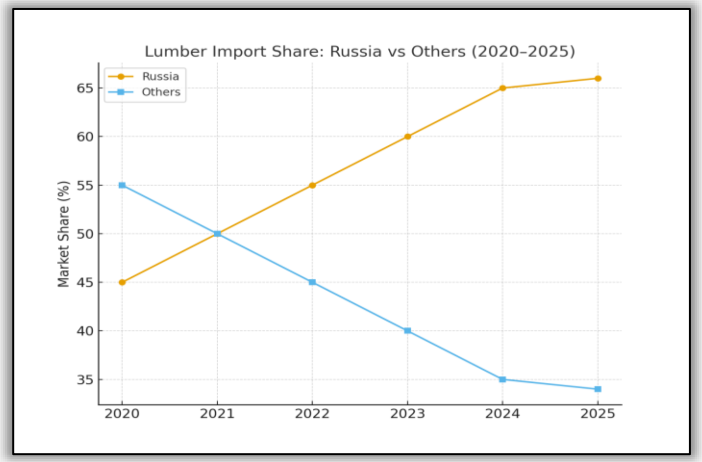
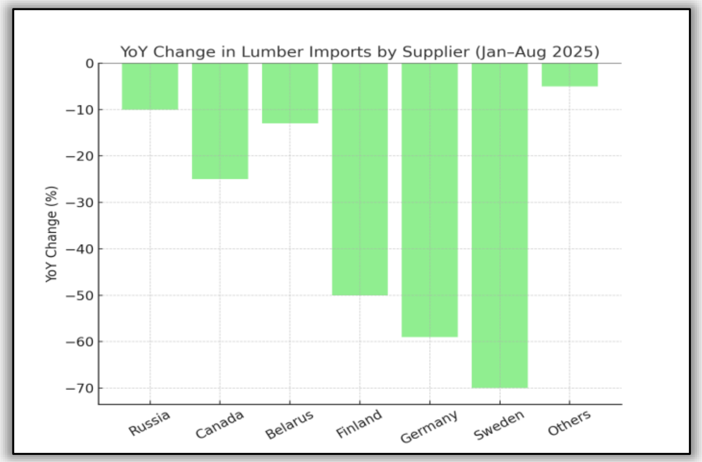


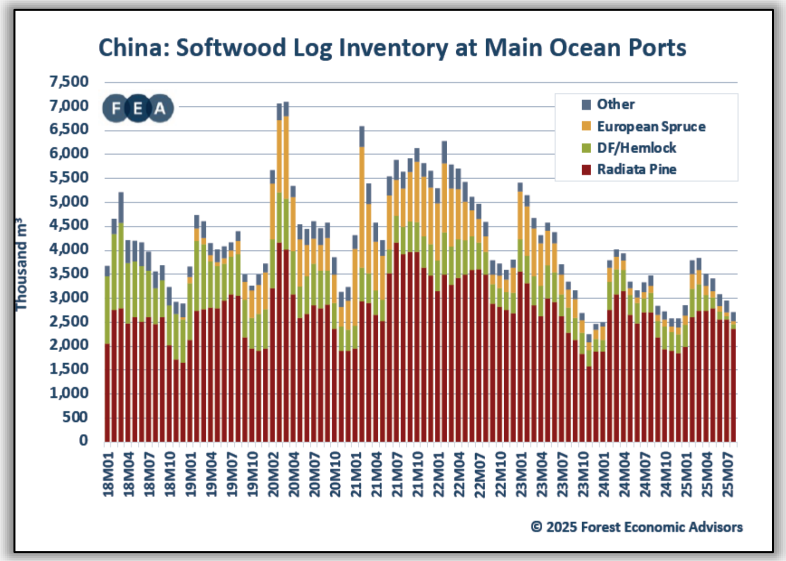
(China customs/FEA)

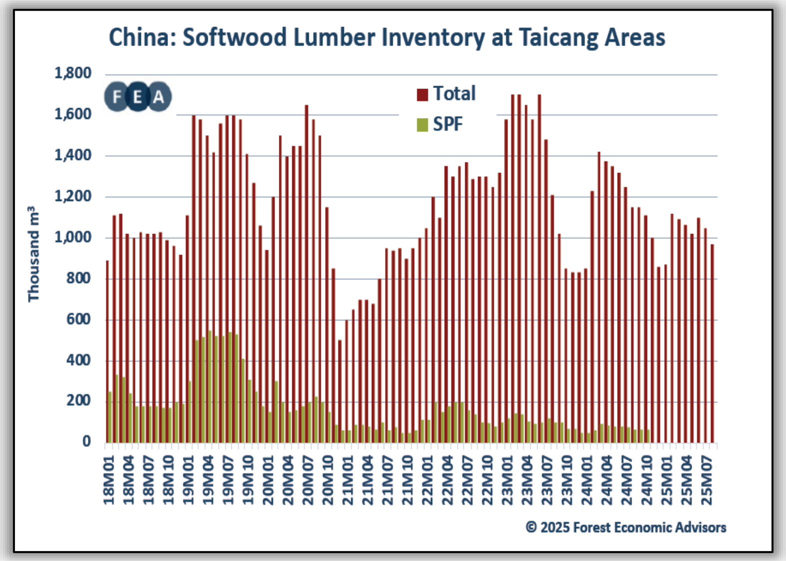


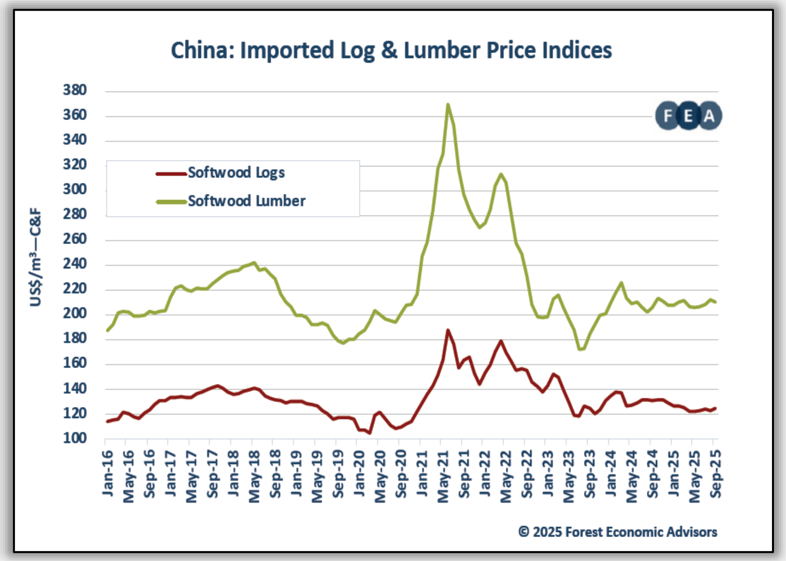
(China customs/FEA)

- Dramatic fall in Chinese softwood imports
- Russia has emerged as the dominant supplier – stands for 65% to 70% of total imports
- Volumes from Finland/Sweden/Germany have , more or less, collapsing
- Canada and Belarus have also reduced shipments, although their declines have been less severe.

Softwood market under pressure: Low inventories, weak demand, and flat prices

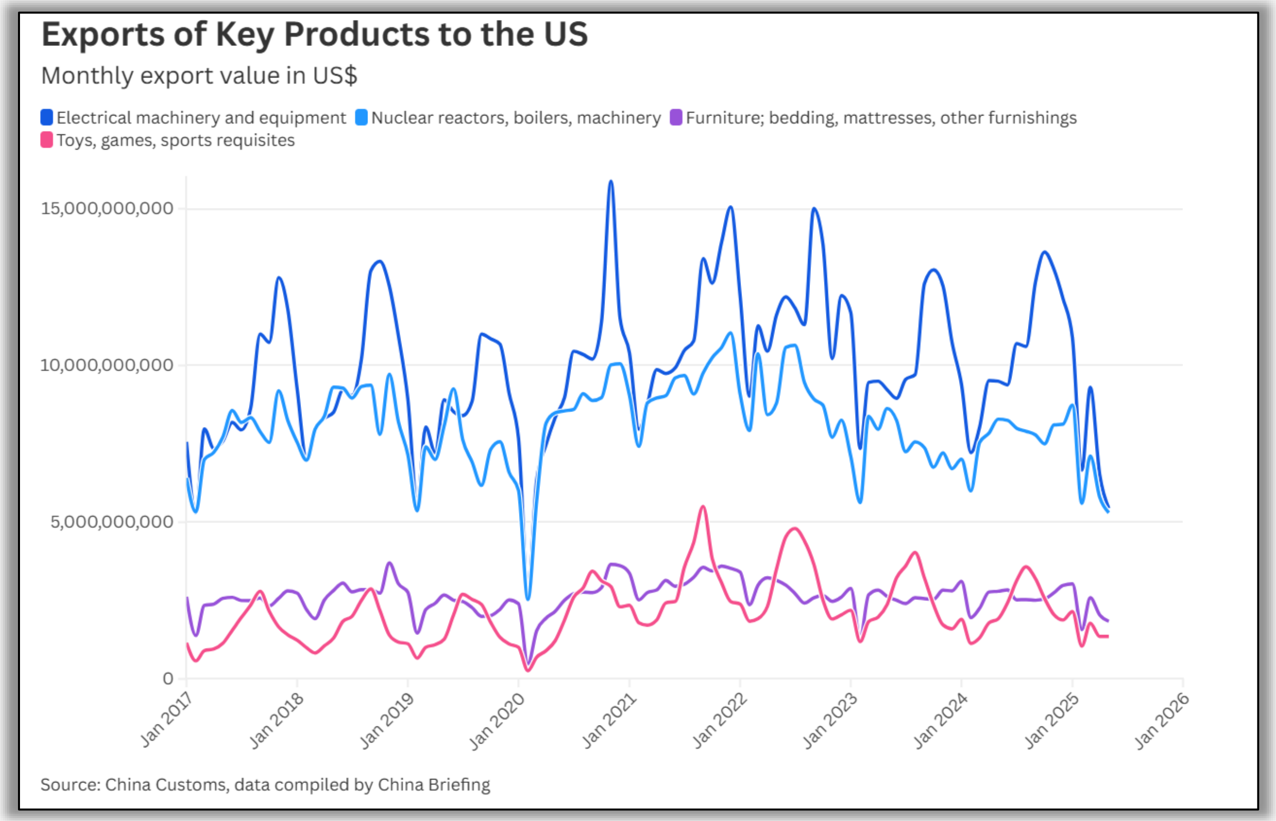






- Softwood log inventories at main ports have trended lower in 2025, reflecting weak replenishment rather than strong downstream demand.
- Lumber inventories at Taicang remain depressed compared to past peaks, indicating slower turnover and muted consumption.
- Imported log and lumber prices have stabilized at low levels, far below the peaks of 2021, squeezing sawmill margins.
- Overall market conditions suggest fragile demand, with limited price recovery despite reduced stock levels.

Tariffs reshape trade: Furniture losses pressure Timber market



Source: https://www.china-briefing.com/news/us-imports-from-china-tariff-impact/

Shrinking furniture exports reduce softwood lumber demand in China's manufacturing chain

- Furniture & bedding: – 34% (US$2.8b → US$1.84b) → direct hit to softwood demand
- Other major categories also contracted:
  - Electrical machinery: – 42% (US$9.5b → US$5.45b)
  - Nuclear reactors & machinery: –36% (US$8.29b → US$5.3b)
  - Toys & games: –29% (US$1.92b → US$1.36b)
- Even electronics (smartphones, computers) fell despite tariff exemptions

Conclusion & short to mid term outlook

- China facing multiple problems witch none is a quick fix – real estate calamity/aging population/decreasing domestic consumption/tariff war
- In the short term, demand remains weak, and softwood log and lumber imports continue to decline.
- Inventories are low, not due to strong demand, but rather because of weak replenishment and declining trade flows.
- Russia gaining relative market shares in declining market. From 45 % to 65 % since 2020
- Prices set by Russian in general, currently price levels far below global comparison
- In the mid-term, recovery will depend on government property and infrastructure stimulus
- The overall outlook remains fragile, with cautious optimism possible only beyond 2026.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