

Economic outlook and the effects on the lumber market!

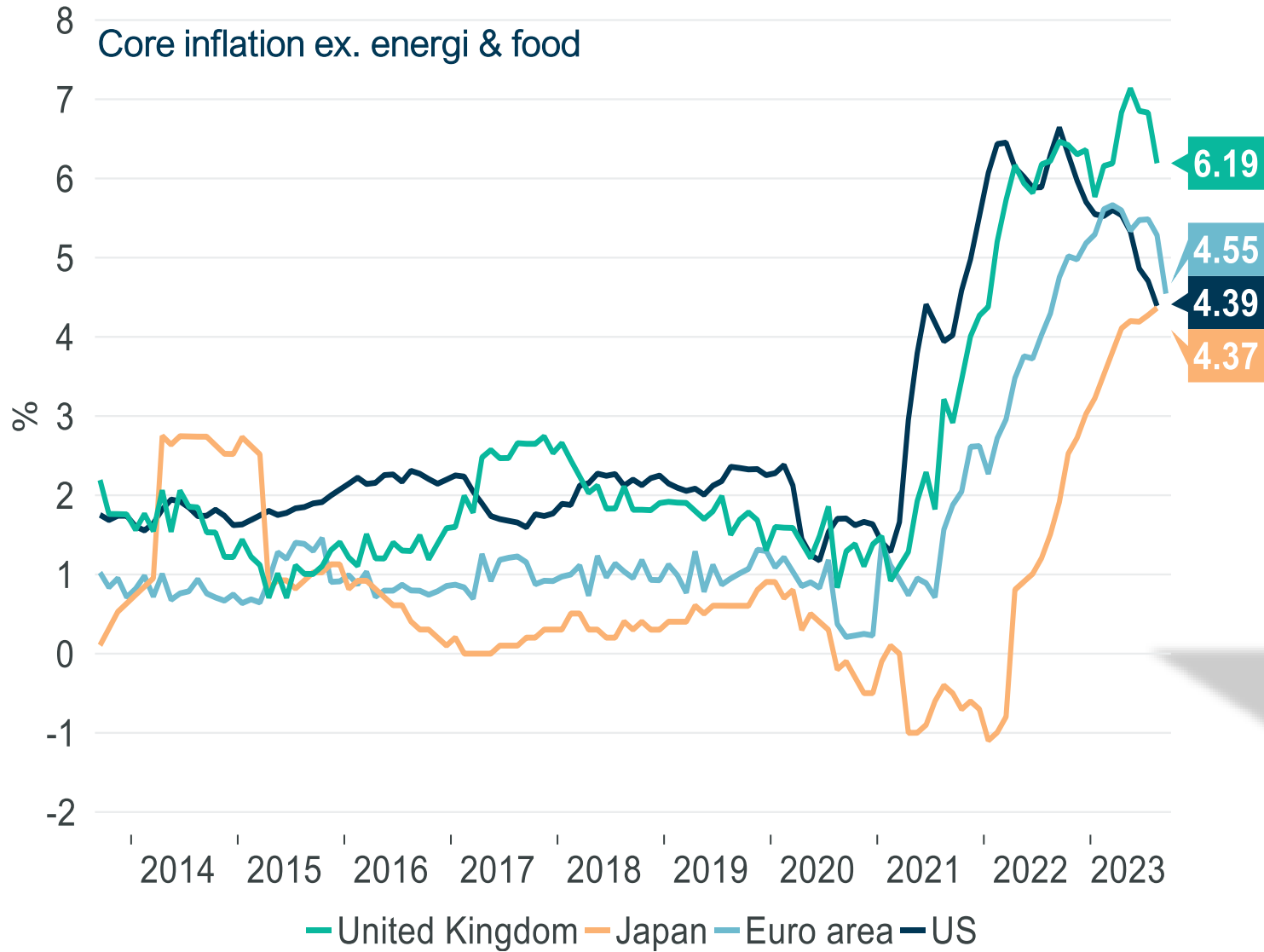
Johan Freij
Danske Bank

October 12, 2023

Heading for a soft landing???

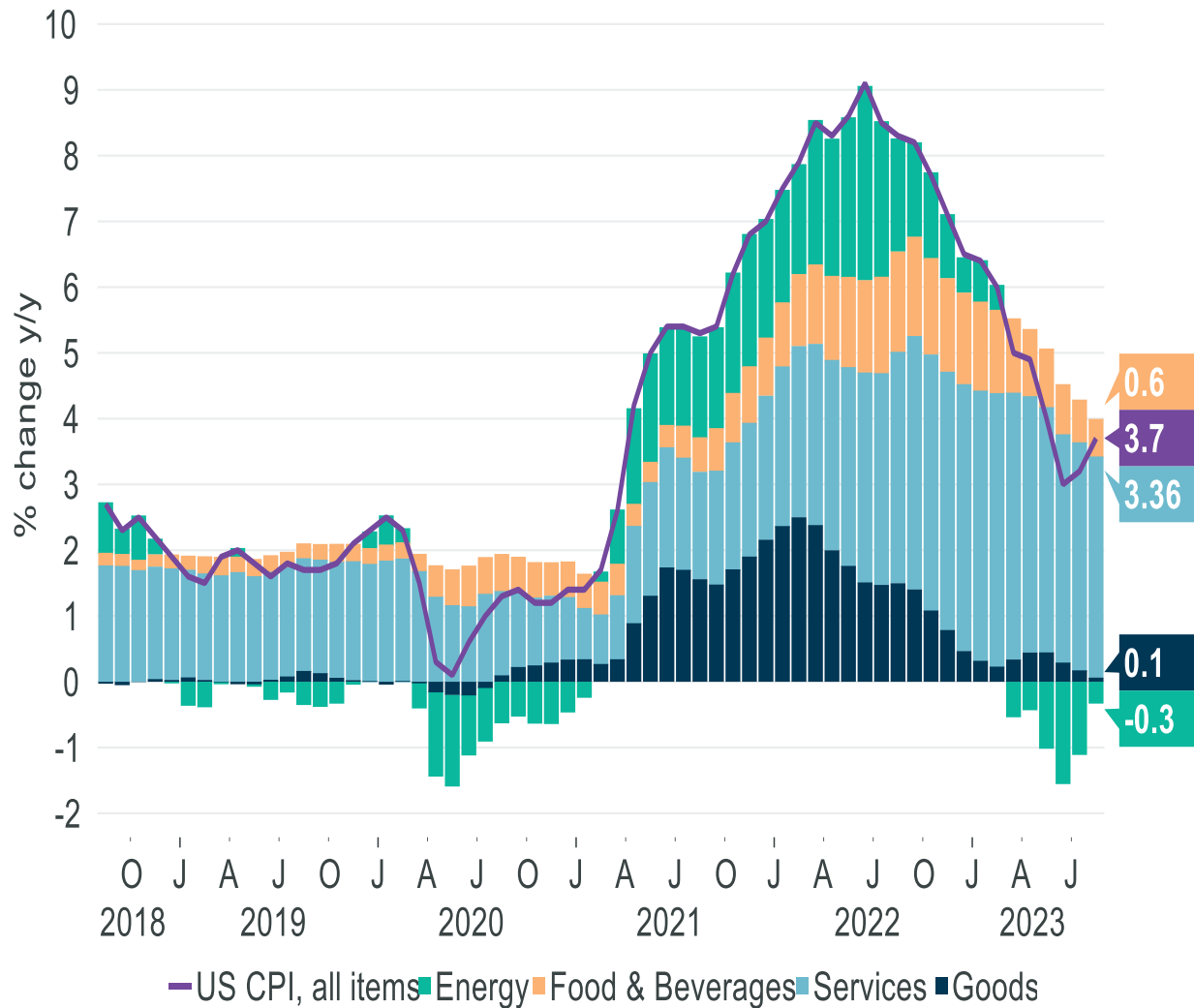


Inflation in focus – still way to high!

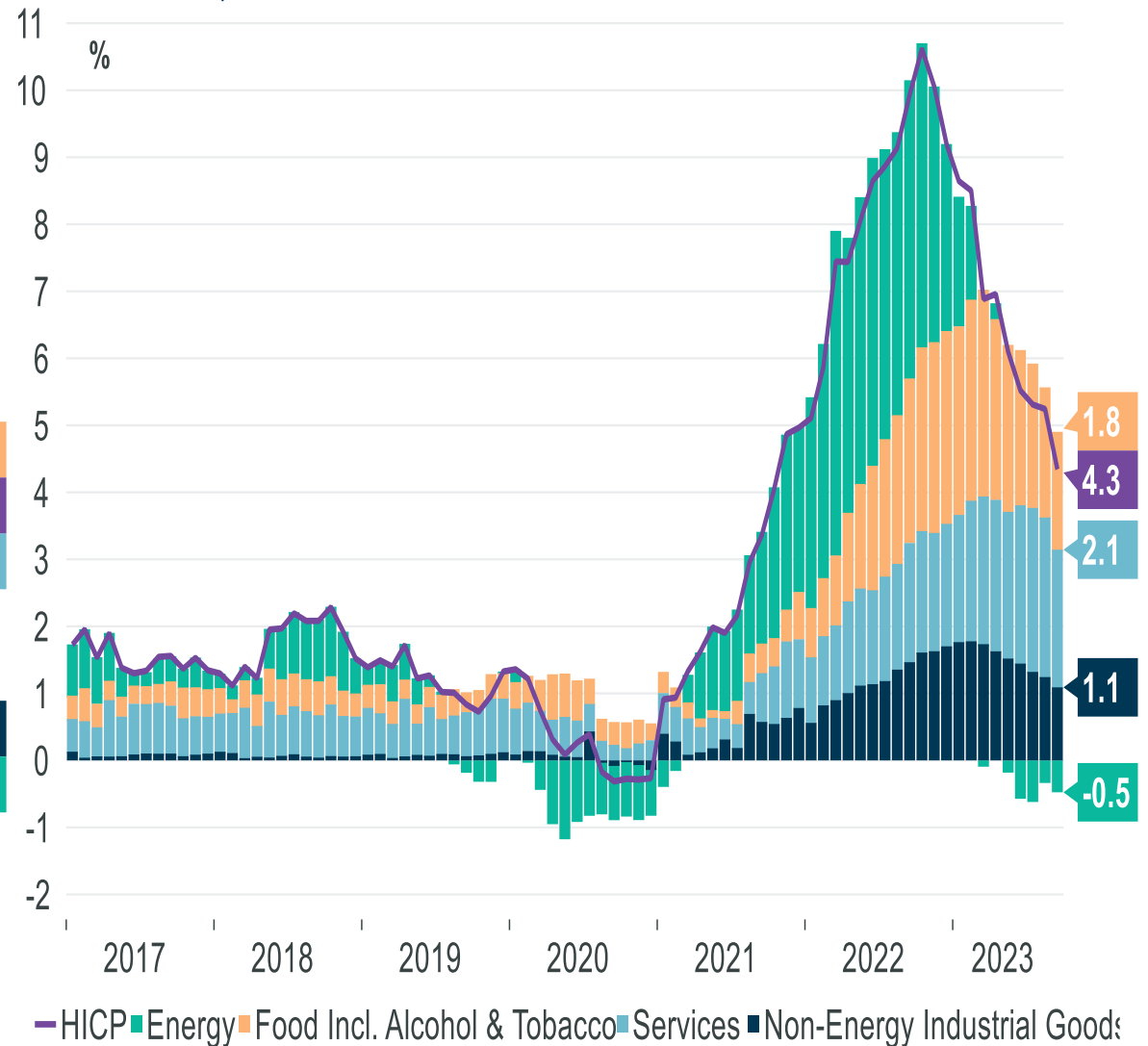


Inflation US and Euro area

US CPI

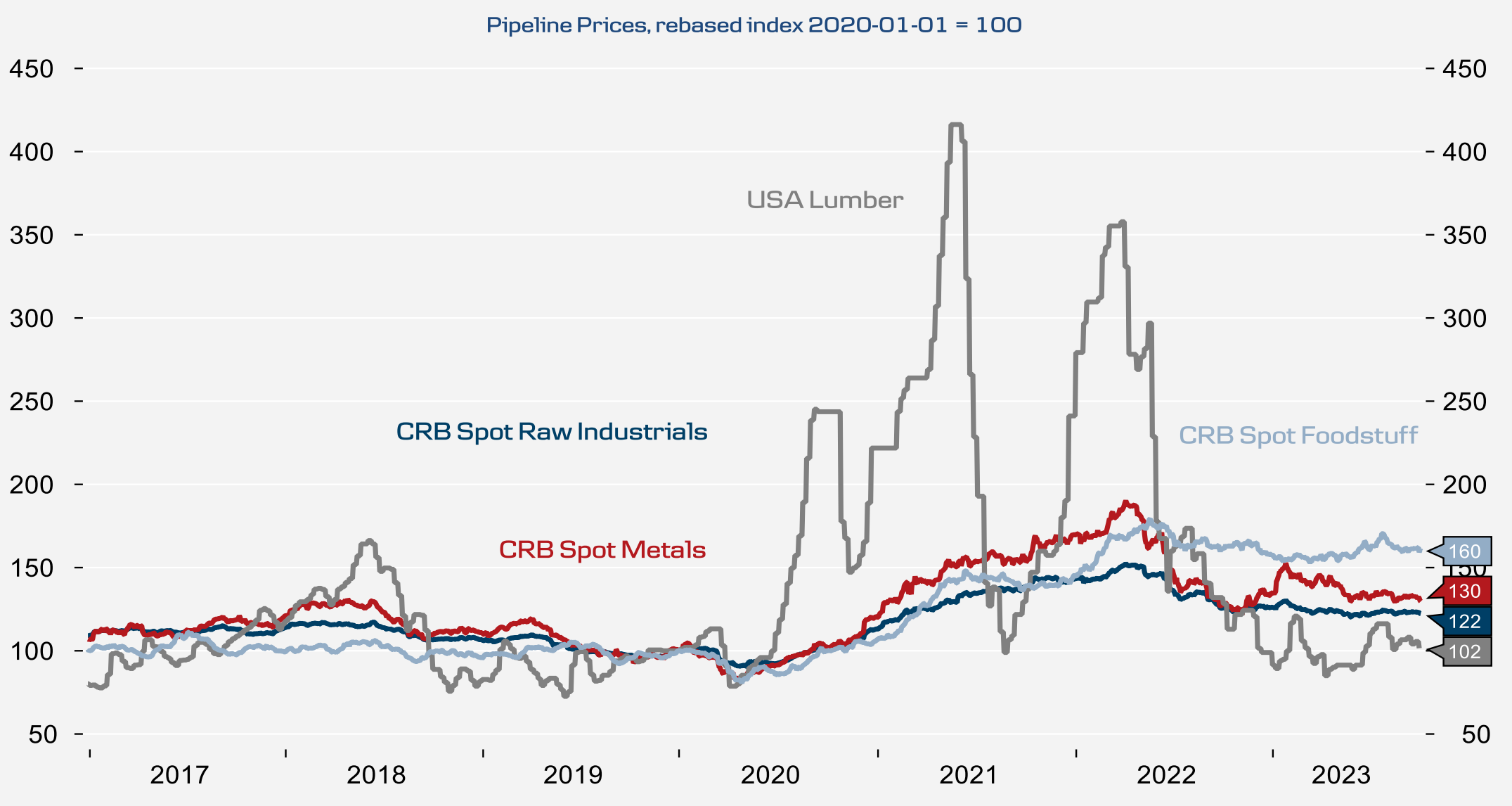


Euro area, HICP



Lumber wins the volatility contest!

Commodity price index



Source: Macrobond

Good momentum in the US economy – increase the chance for a global soft landing

Surprisingly strong growth in the US and Japan – disappointing trend in Europe and China

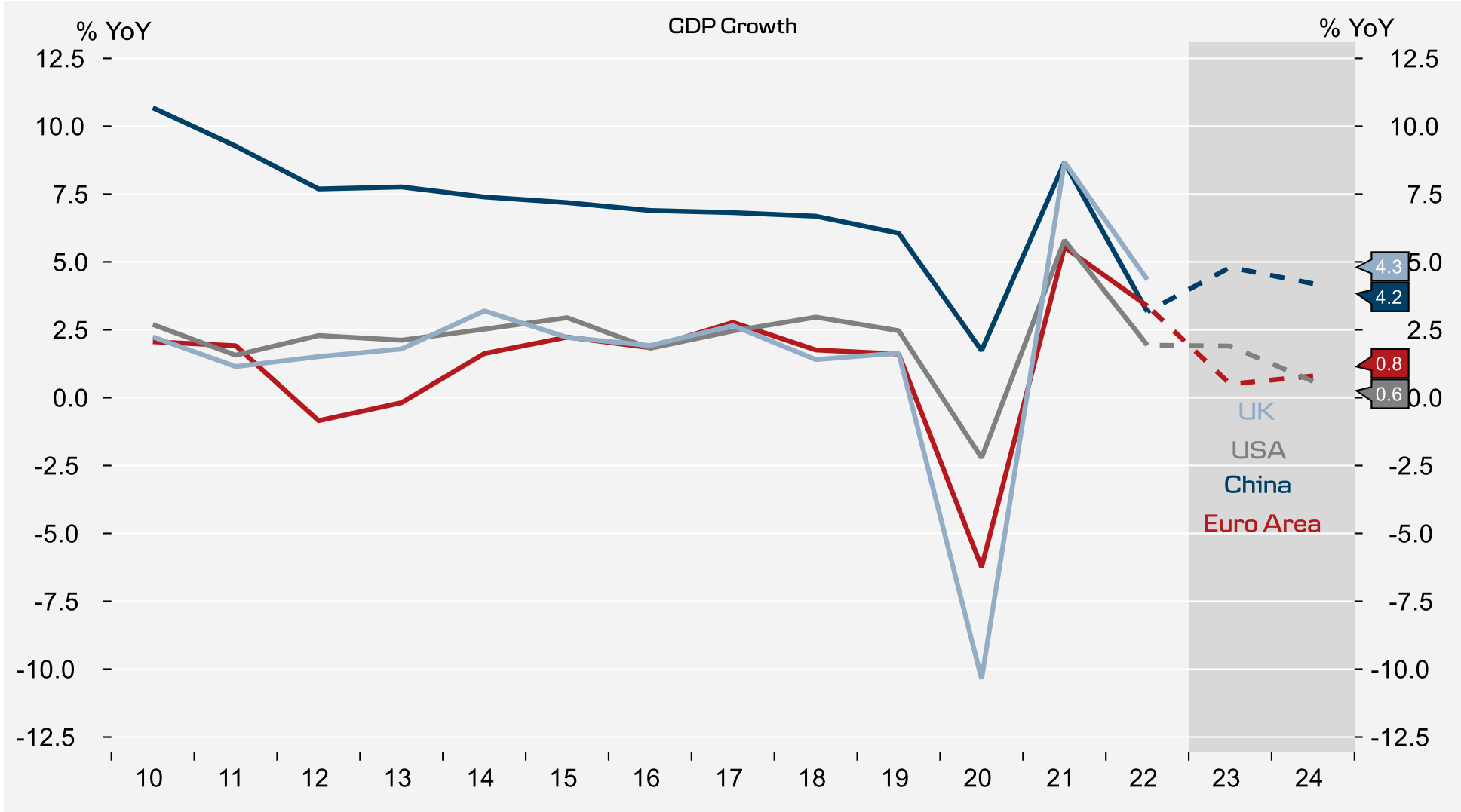


Quote Karl Hedin



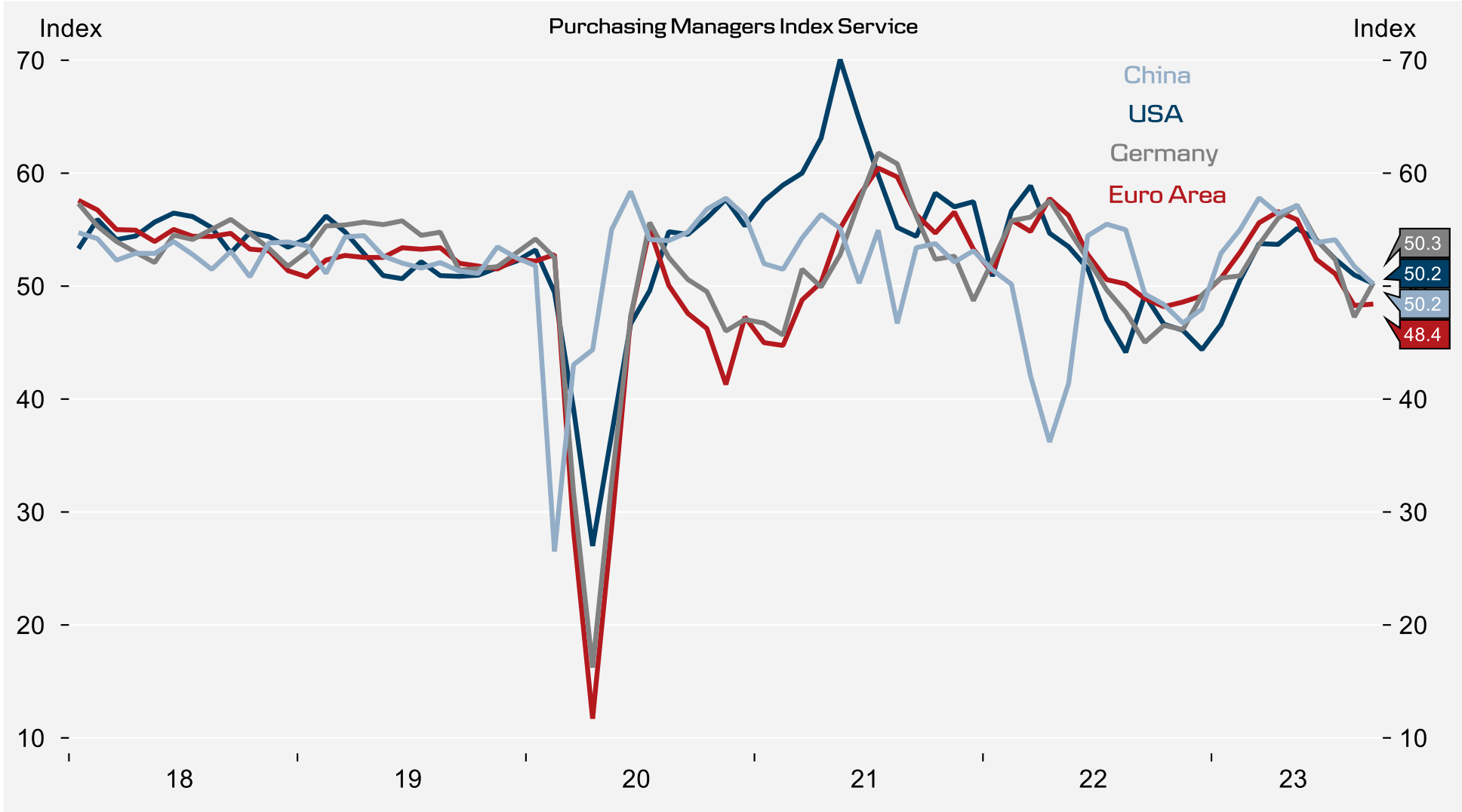
“When you have experienced the recession for a year or two, you get fed up with it and start spending again. Recession is to boring for normal humans.”

GDP growth does not look so bad on the surface



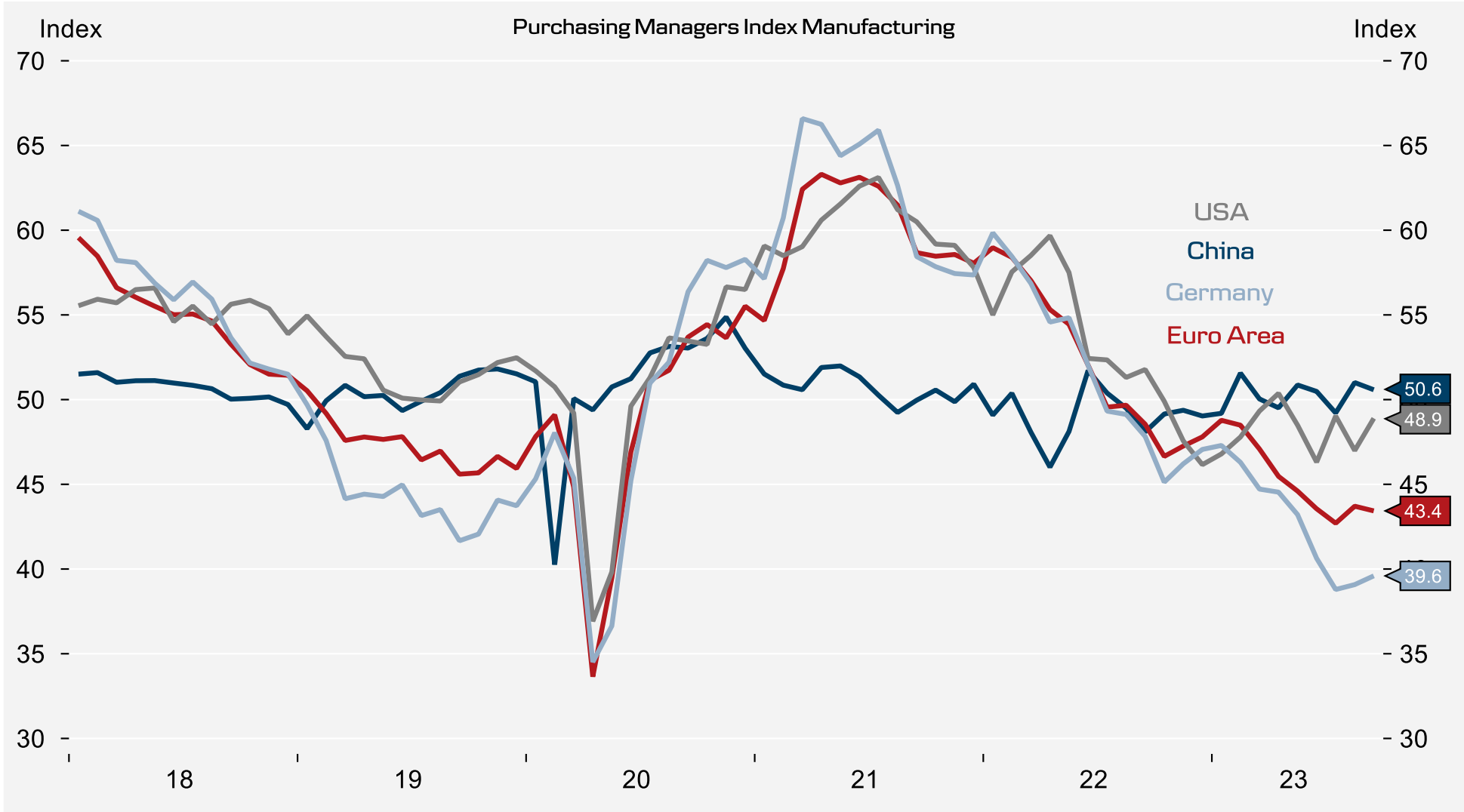
Sources: National Statistics Offices

Will manufacturing drag services with it (most still above the 50 threshold)?



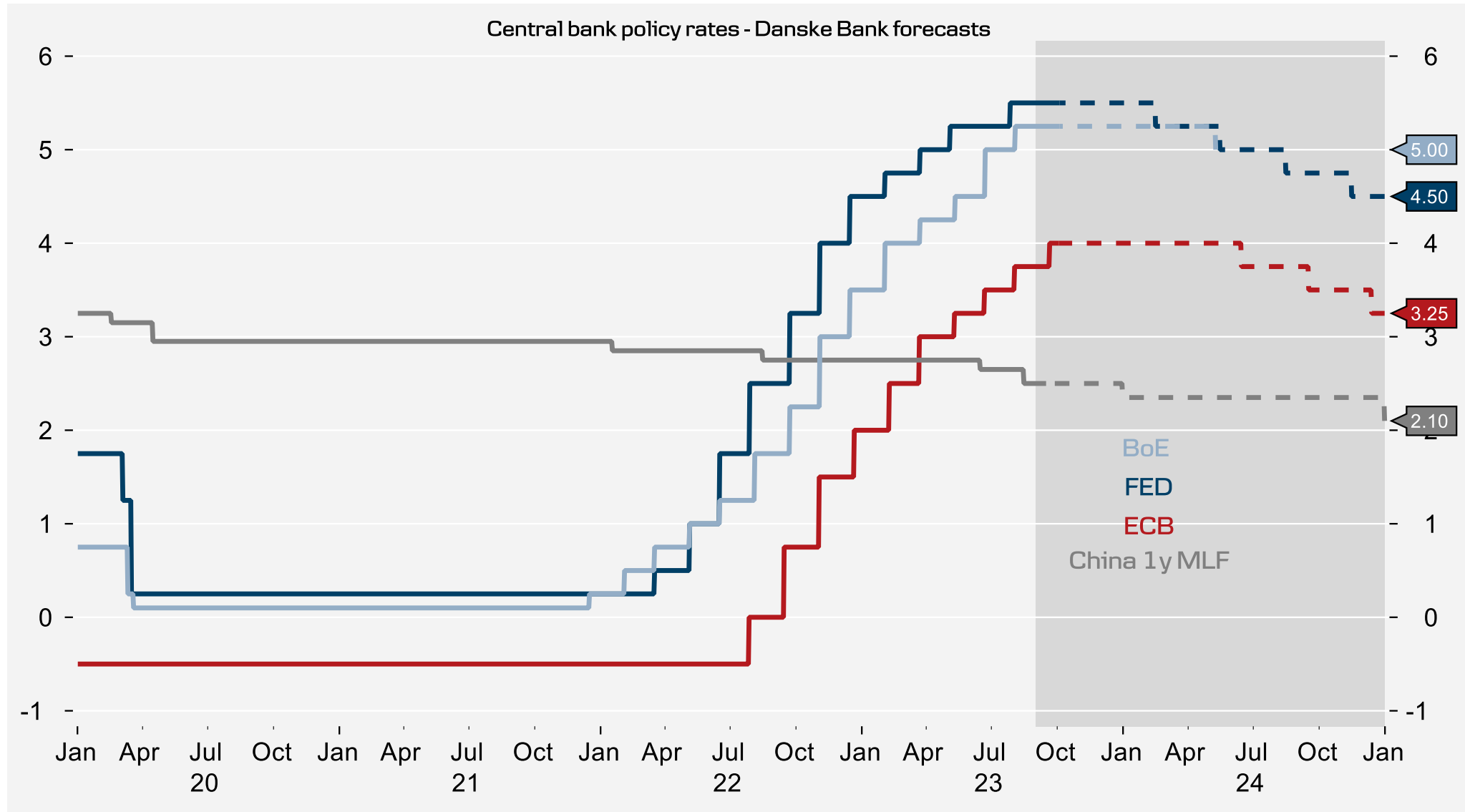
Sources: S&P Global, Caixin, Swedbank

Global manufacturing probably in recession already



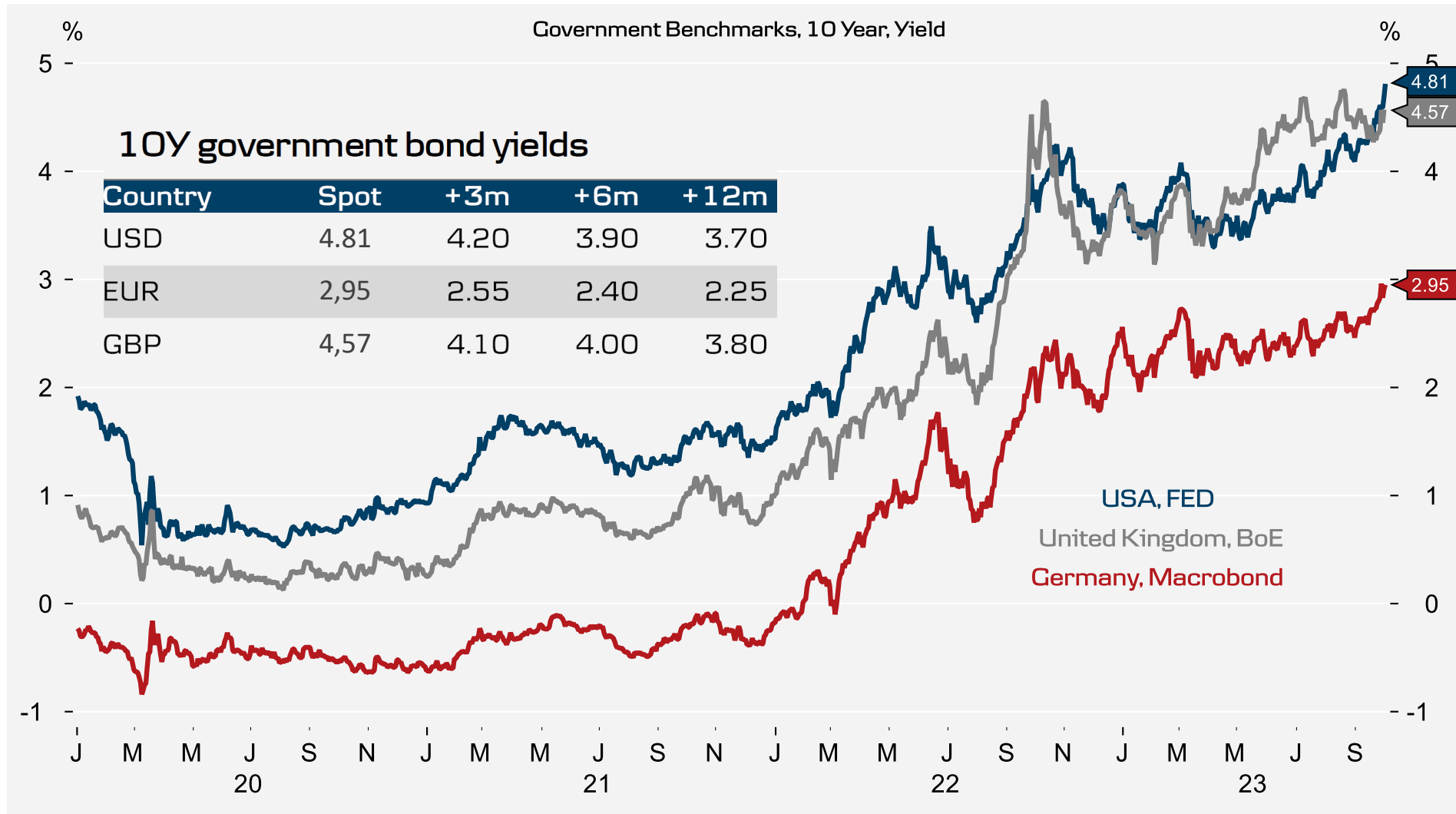
Sources: S&P Global, Caixin, Swedbank

Central banks approaching peak policy rates – but they are cautious arguing that rates may have to stay higher for longer



Source: Danske Bank forecasts, Central Banks

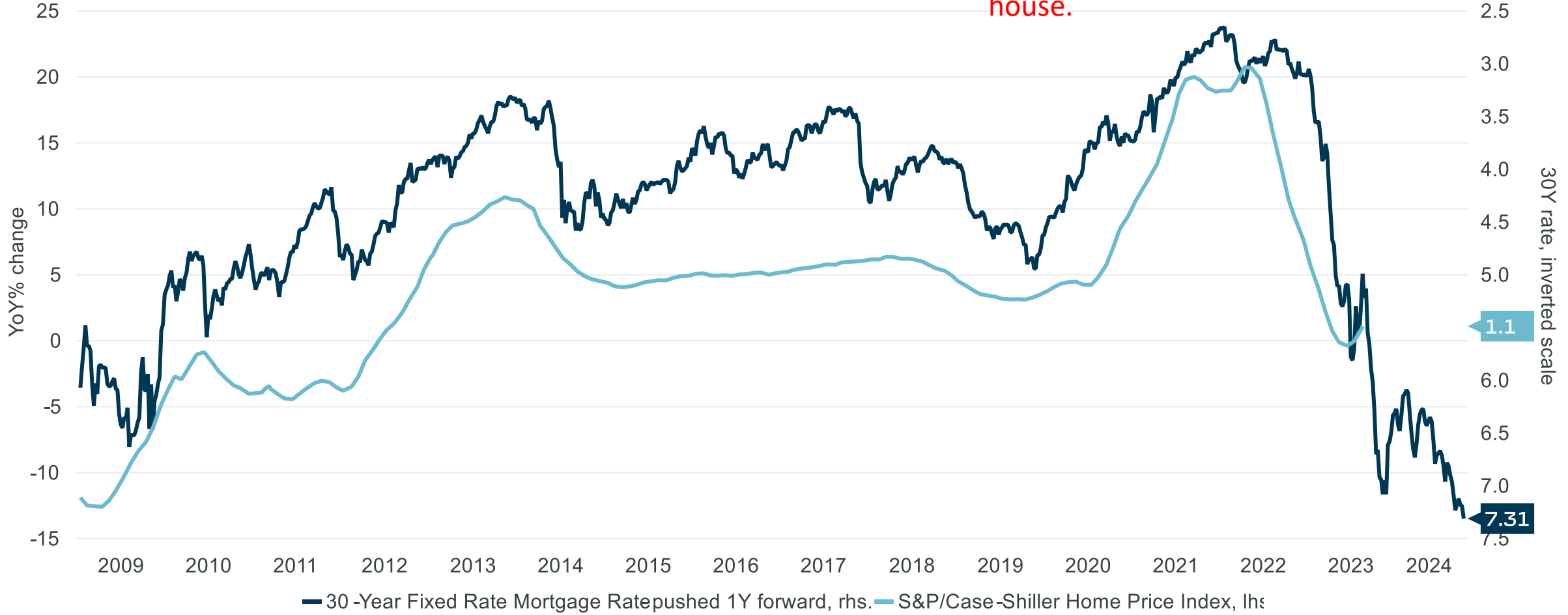
Long-dated bond yields have risen sharply during summer, reaching new highs – as CB’s approach peak rates yields are expected to turn lower



US house market - 30-years fixed mortgage rate

Remember that americans usually have mortgage with fixed rates longer than 20 years and are normally not affected of higher rates before they move from their house.

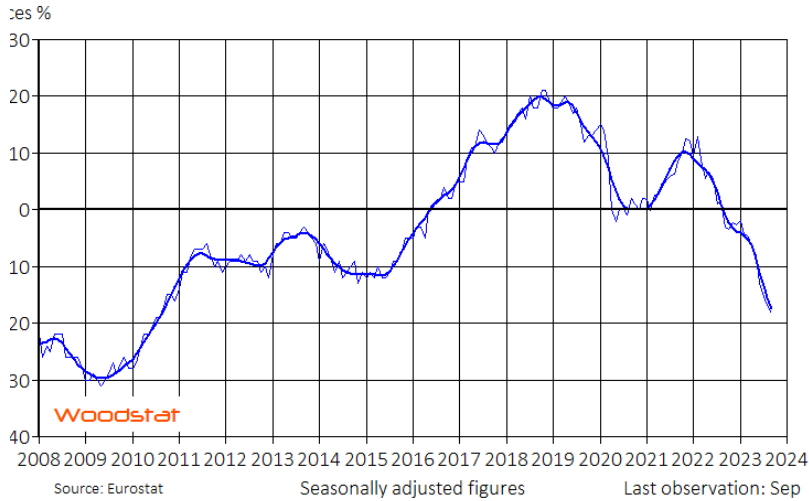
United States: mortgage rates vs. house price growth



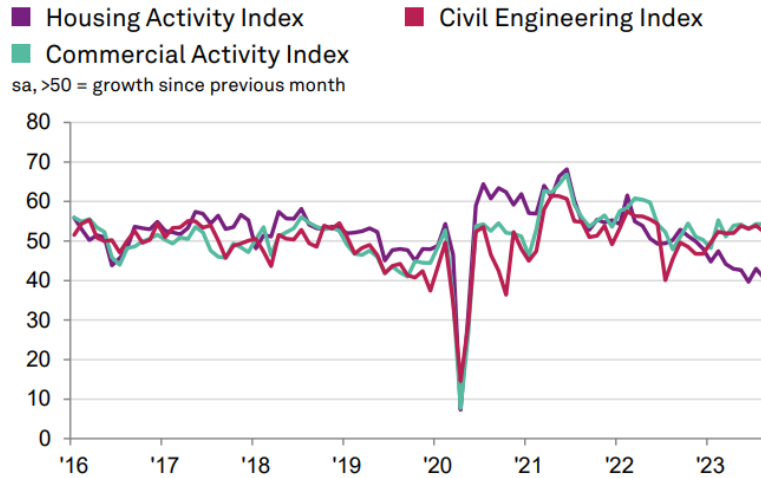
Source: Macrobond, Danske Bank. Historical returns are no guarantee of future returns – returns may be negative

Gloomy outlook for construction in Europe.

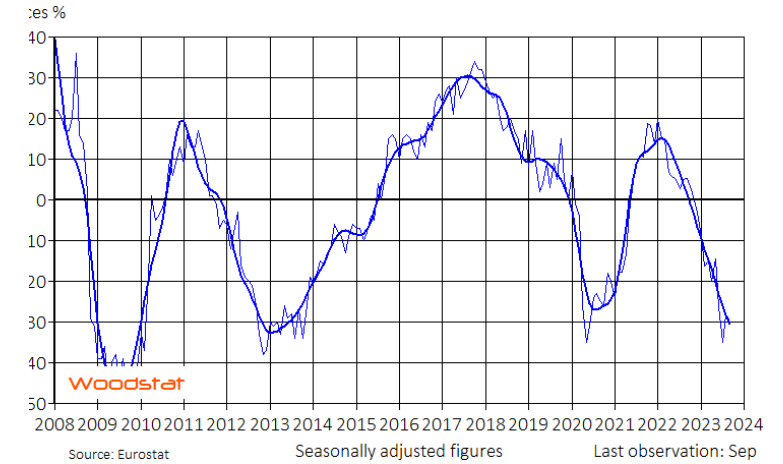
GERMANY
Monthly construction confidence indicator



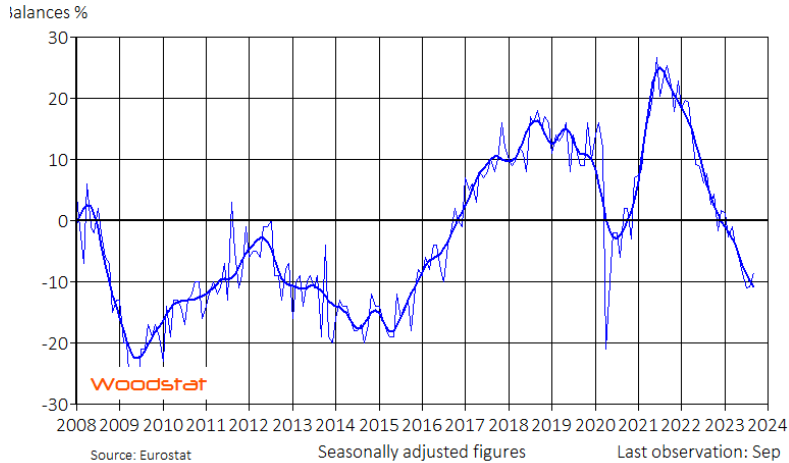
UK Construction PMI



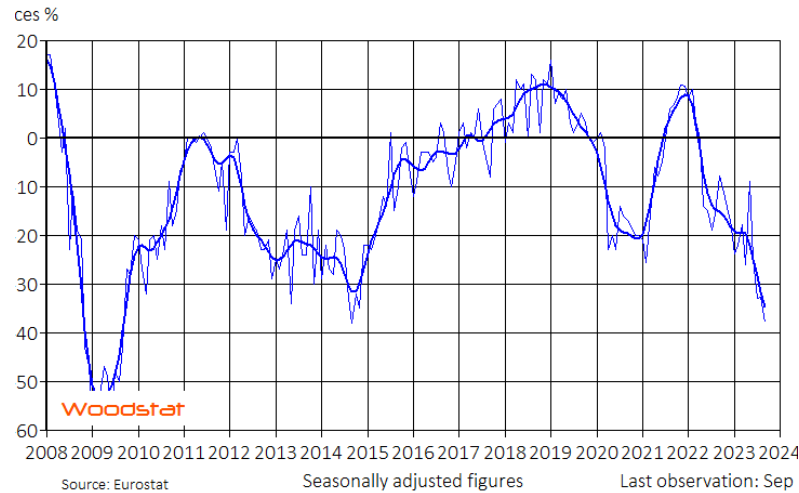
SWEDEN
Monthly construction confidence indicator



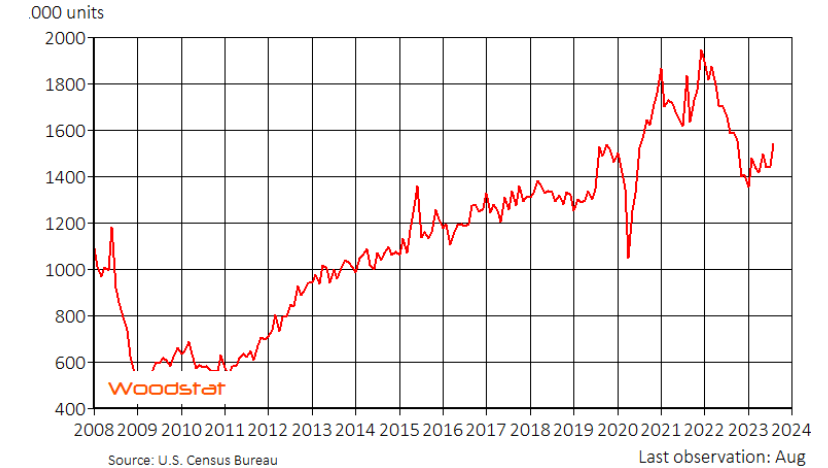
AUSTRIA
Monthly construction confidence indicator



FINLAND
Monthly construction confidence indicator



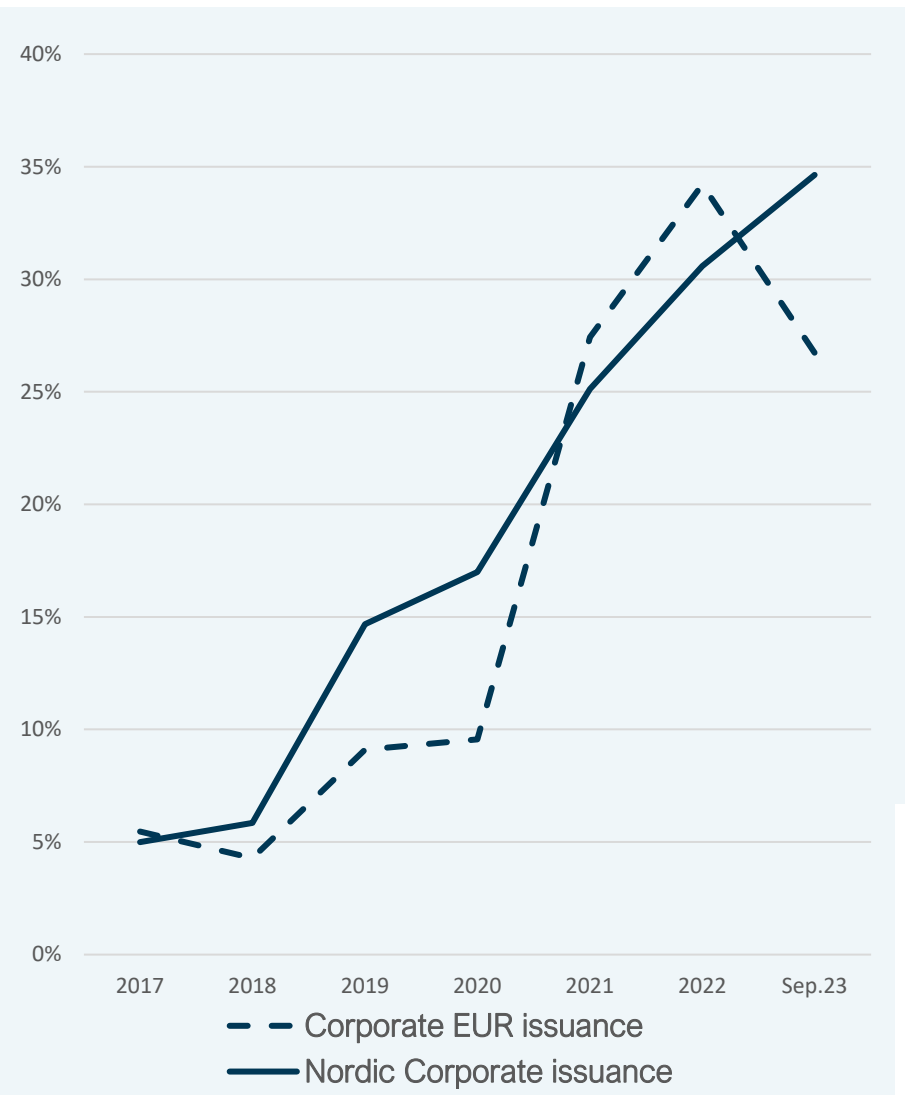
U.S. building permits
Seasonally adjusted annual rate



Green bonds are increasing the demand for wood constructions in real estate Today energy efficiency – Tomorrow Life Cycle Analyses

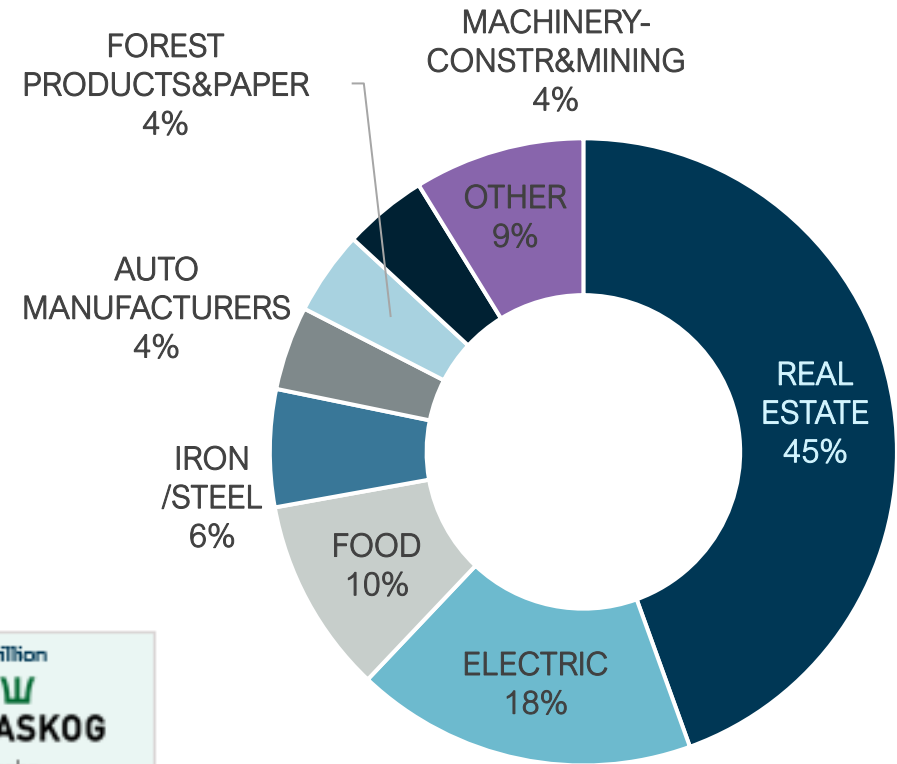
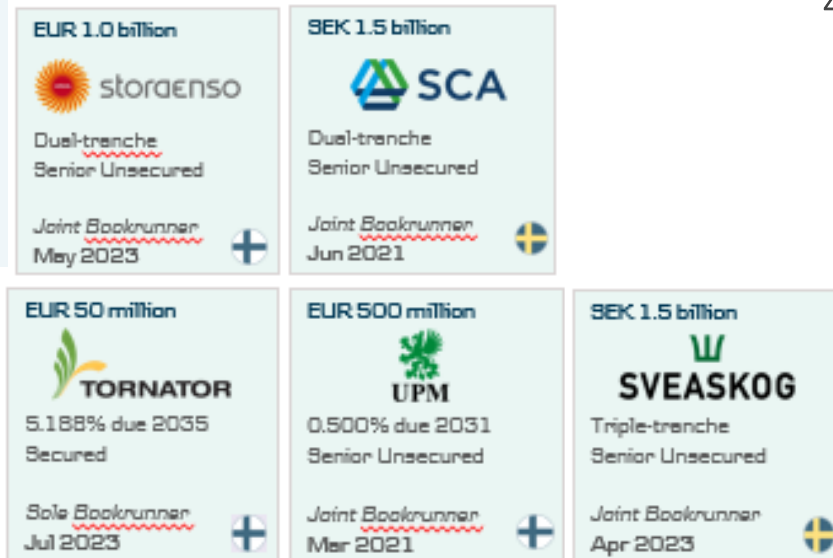
Share of Sustainable-bonds issuance of all

Investors expect to have more ESG capital, and favour the Green format

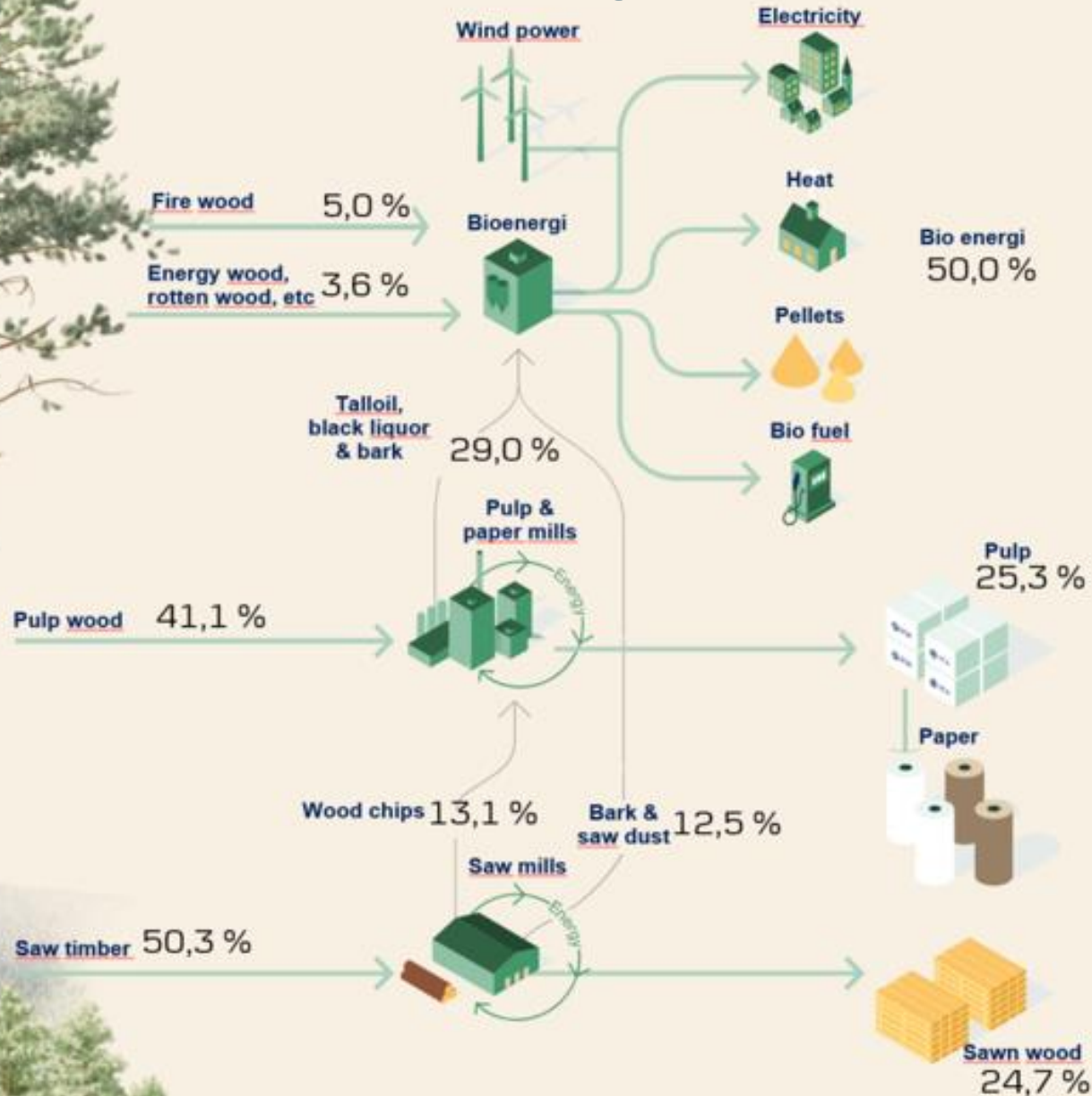


95 %

wants more ESG-funding



Timber shortage! Threat or Opportunity?



Source: SCA picture , Danske Bank figures.

- Wood efficiency – the mantra
- Narrow diameters, thinner saw blades, finger joining, gluing, mixed materials
- Tailor made cutting in the forest
- You have to know end product before you cut the tree.
- Maximize value from the residuals
- Energy is probably not the highest value, long term.
- Air is cheaper than wood! CLT
- Careful with investments in increased production