The Slovak National Market Report 2015

Market Report 2015
Slovak Republic

1. General economic trends affecting the forest and forest industries sector (brief description)

Gross domestic product (GDP) of Slovakia in current prices was increased to 75.21 billion Euro, i.e. by 2.2%, compared with 2013. GDP per capita at constant prices was 13.9 thousand Euro and its growth was 2.2% compared to the previous year.
GDP in the forestry sector reached about 310 million Euro. The GDP in industry was 16 909 million Euro with an annual increase of 1.8% and in construction industry 5 675.5 million Euro, representing the slight decrease of 0.5%. In 2014 the economy of Slovakia achieved the GDP 75 214.88 million Euro what meant the growth by 2.2%.
Population in the SR reached 5.420 thousand and was increased by 3.5 thousand as compared to last year. Registered unemployment rate was 12.8%, compared with the previous year it has decreased by 1.3%. Total employment was 2 223.1 thousand and an annual increase of 1.41% was reported. In the sectors of agriculture and forestry worked 72 854 people in 2014, which was by 1.48% less than in the previous year.
Exports of goods and services represented in the first half year 2014 the value of 35 258 million Euro and in comparison with the same period of 2013 it has increased by 2%. Import of goods and services made in the first half year 2014 an amount of 32 914 million Euro and grew annually by 3.6%.

Trends of selected indicators in forestry and its comperison with Slovak national economy

Indicator	Unit	Year				
		2010	2011	2012	2013	2014
GDP in current prices	billion €	67,20	70,16	72,18	73,59	75,21
Of that: Forest Sector		0,22	0,23	0,26	0,28	0,31
Increment of GDP	%	5,3	4,4	2,9	2,0	2,2
Investment in current prices	mil. €	14 910	16 946	15 392	15 045	15 893
Of that: Forest Sector		32	31	28	24	37
Employment	thous. persons	2 167	2 208	2 209	2 192	2 223
Of that: Forest Sector		9	9	9	8	8
Average monthly salary	€	769	786	805	824	858
Of that: Forest Sector		676	850	862	907	958

Slovakia is an open economy and its development depends on demand in foreign markets, especially the EU markets. This fact was the reason for economic growth in 2014. Development of the Slovak economy in 2015 will depend on the development of demand in the markets of major trading partners and on the ability to soften the continuing critical effects in the world and Europe's economy. These factors will also affect the area of wood production and processing.

A brief summary the most important indicators for Slovakian forestry

Indicator	Unit	Year				
		2010	2011	2012	2013	2014
Economic result of forestry	thous. €	18 109	48 402	40 159	31 533	51 619
Public support		40 136	44 302	27 538	15 400	17 386
Direct costs in silviculture		43 898	55 688	43 252	42 351	46 632
Logging total	thous. m^3	9 860	9 467	8 232	7 947	9 417
Total wood supply		9 599	9 213	8 107	7 955	9 168
Average wood prices	€.m^{-3}	39,40	47,46	48,34	48,36	47,44
Forest area	thous. ha	2 010,8	2 011,5	2 012,4	2 013,4	2 014,3

2. Policy measures taken in your country over the past 18 months

National Forest Programme of the Slovak Republic (NFP SR) is a basic policy document for sustainable forest management including forest products. In 2014 government of the SR in its Resolution No 50 approved evaluation of fulfilment of the Action Plan of the NFP SR for period 2007-2013 and updated the framework objectives for the next period of 2014-2020. The Action Plan 2014-2020 is in preparation process now and in December 2015 it should be submitted to Government. There are proposed a few measures related to support and development of production and effective utilization of timber in Slovakia.
In August 2013 the Government of the SR approved very important document the National Programme of Utilisation of Timber Potential of the SR and subsequently in 2014 was approved by the Government the Action Plan of mentioned programme till 2020.
In spring 2015 was approved the new Programme of Rural Development (PRD) in Slovakia for the period 2014-2020 from which will be possible to obtain sources from EAFRD funds. Following measures are proposed for funding in the scope of PRD SR 2014-2020: Investment related to infrastructure and to access to forest land; Measures against fires and floods; Recovery measures; Technology acquisition; Environmental activities, Elaboration of Forest Management Plans; Compensation payments for NATURA 2000; Payments for forestry and environmental commitments in bird´s protected territories and in sites of European significance.
In adopted documents there are imposed important measures also for solution of issues related to completion the privatisation or restitution of forest; green economy and the role of the forest sector in it; renewable energy sources; and also research and development for the forest products.

3. Market drivers

Timber felling has an increasing trend. In 2014, it reached 9 417 thousand m3. The current relatively high volume of felling is the result of large-scale incidental felling due to windstorm in spring 2014. The proportion of incidental felling in coniferous forest stands is in the long term around 80% of the total coniferous wood felling. In 2014, it reached 81.51%. Income and economic potential of forestry has an increasing trend, but exceeding the planned volume of production diminishes the future felling opportunities. The most important source of income in forestry is sale of timber, which comprises approximately 80% of total sales in forestry in 2014. Economic result of forestry reached 51 619 thousand Euro in 2014.
Arrangement of forest ownership under restitution laws has not been completed yet. The highest proportion of not-restituted forests remains in the use of state enterprise FORESTS SR (LESY SR). In particular, these are forest lands of small individual ownership, respectively tenancy in common, which cannot be identified in the field.
The main problem in the mechanical wood processing is a low rate of domestic valuation of broad-leaved roundwood assortments. The efficiency of wood-processing industry is negatively affected by the low rate of production added value. It was caused among other factors by difficult direct access of domestic producers to foreign markets. The consequence of this is a relatively large export of roundwood mainly to EU markets. Production of wood-based buildings is growing slowly also with respect to the relatively small domestic demand. Most of production is exported abroad. Rising prices of fossil fuels and growing support for use of renewable energy have increased demand for wood fuels, which are used to produce energy in the wood-processing and pulp and paper industry apart from the population, central heat sources in cities and municipalities and regional power plants. Wastes from wood

processing industry are used in the form of chips and residues of wood chips from forestry and tree species growing on non-forest land. It is necessary to design and implement a system of measures to optimize the production and use of wood that will be a part of state policy in the areas of forestry, wood processing industry, environment and rural development in the near future. Production capacities remain unchanged as compared to previous year.
National Programme of utilization of timber potential in Slovak Republic was adopted by the government of the SR in August 2013. A year later government of the SR adopted Action Plan of the mentioned Programme.

4. Developments in forest products markets sectors (major emphasis)

a. Wood raw materials

In 2014, removals reached 9 168 thous. m^3 of wood that was by 13.7% more than in 2013. Removals of coniferous wood increased by 27% to 5 149 thous. m^3 and removals of breadleaved wood by 0,2% to 4 019 thous. m^3. Removals of wood fuel, including wood for production of charcoal were 560 thous. m^3 an compared to 2013 it decreased by 18.8%. Removals of industrial roundwood reached 8 608 thous. m^3 and increased annually by 16.8%. Removals of coniferous industrial roundwood were 4 890 thous. m^3 with an annual growth of 32.3% and broad-leaved industrial roundwood 3 718 thous. m^3 which was 1.1% more. Removals of sawlogs and weneer logs reached 5 256 thous. m^3 and increased annually by 19.8%. Removals of coniferous sawlogs and veneer logs increased by 31.3% to 3 657 thous. m^3 but broad-leaved sawlogs and veneer logs decreased by 0.12% to 1 599 thous. m^3. Removals of pulpwood were 3 323 thous. m^3 what designates an annual increase of 11.9%. Coniferous pulpwood removals increased by 34.6% to 1 207 thous. m^3 and removals of broadleaved pulpwood increased by 2.1% to 2 116 thous. m^3. Removals of other industrial roundwood reached 9 thous. m^3, which was 70.6% more than in the previous year. In 2014, import of roundwood was 1 011 thous. m^3, which was 9.7% more than in 2013. Import of industrial roundwood increased (882.5 thous. m^3) by 10.8%, wood fuel (128 thous. m^3) by 2.1% and wood chips and particles (237 thous. m^3) increased by 71.7%.
Roundwood exports reached 3 391.5 thous. m^3 with an annual growth of 8.6%. Export of industrial roundwood increased to 2 932 thous. m^3 by 10.1%, wood fuel remained on the same volume of 459 thous. m^3 and wood residues increased to 163 thous. m^3 by 87%. Export of wood chips and particles reached 309.7 thous. m ^{3} and increase by 15.6% as compared to the previous year.
In 2015 and 2016, supply of coniferous sawlogs and veneer logs is expected to decrease to the level of 3 225 or 3200 thous. m^3, export in volume of 1 170 and 1 090 thous. m^3 and domestic consumption to 2 200 and 2 260 thous. m^3. The annual import will reach 145 and 150 thous. m^3. Supply of non-coniferous sawlogs and weneer logs will remain in 2015 on approximatelly the same level of 1 590 thous. m^3 and in 2016 will decrease to 1 370 thous. m^3. The annual export will be 145 thous. m^3 in 2015 and 135 thous. m^3 in 2016.
Domestic consumption will reach 1 475 and 1 265 thous. m^3. Supply of coniferous pulpwood will reduce to the annual volume from 1 075 and 1 040 thous. m^3 as compared to 2014. Domestic consumption will reach levels between years 2013 and 2014, it is 855 thous. m^3 2015 and 840 thous. m^3 in 2016. Supply of non-coniferous wood pulp will be 2 110 in 2015 and 1 840 thous. m^3 in 2016. Domestic consumption in 2015 (2 350 thous. m^3) will be on the same level as in 2014 and in 2016 will decrease to 2 125 thous. m^3.
The expected reduction in annual timber felling and its supply should be reflected mainly in the area of production of chips, wood residues and particles. Supply of wood fuel will remain at the level as in 2014.

Average price of timber in 2014 reached 47.44 Euros per m^3. As compared to 2013 it decreased by 2 %. In coniferous the average price in 2014 was 51.45 and in broadleaved it was 42.33 Euros per m^3.

b. Wood energy, with a focus on government policies promoting wood energy;

Due to rising prices of fossil fuels in recent years and also due to promotion of use of renewable energy sources in Slovakia there has been an increasing interest in use of wood for energy purposes. Wood biomass is the most important renewable energy source in Slovakia and is used to heat and in a lesser extent for power generation. People living in rural areas and smaller cities use wood as a fuel for heating their houses. For this purpose, also a part of wood residues from wood processing industry is used. In 2014, the population consumed for this purpose approx. 890 thousand tons of wood fuel. Consumption of pellets and briquettes is because of their high price very limited and reaches about 40 thous. tons. The largest user of wood fuels in the form of solid and liquid wastes from the own production is pulp and paper industry with an annual consumption of 1.1 million tons for heat and power generation. Wood processing industry consumes annually nearly 450 thous. tons of wood waste and chips from its own production to produce technological heat and in smallscale to power generation. Approximately, 950 thous. tons of chips and wood residues were used in central heat sources and regional plants supplying cities and industrial enterprises. Forestry provided 480 thous. tons of fuel chips to these consumers. Faster and more efficient development of use of wood for energy purposes is limited by high investment costs, lack of financial sources and lack of coordination in promotion of production and use of wood for power generation. In 2014, we imported a small amount of pellets from Ukraine. Wood chips and wood residues for energy are not imported in the current time because of their relatively high prices in neighbouring countries. Most of the production of pellets is exported, but only to EU countries.

c. Certified forest products;

The aim of forest certification is to promote sustainable forest management, consumption of wood as an environmentally renewable resource, wood products, conservation and sustainable development of society.
In Slovakia, two certification schemes are used:

- Programme for the Endorsement of Forest Certification schemes (PEFC)
- Forest Stewardship Council (FSC)

In 2014, two associations carried out certification of forests in Slovakia:

1. Slovak Forest Certification Association as the national regulatory authority of PEFC in the Slovak Republic.
2. Association FSC Slovakia

In 2014, the following (cumulative) numbers of entities and hectares of forest by the individual certification schemes were certified in Slovakia:

Number and Area of certified entities under different certification schemes

Certified entities	Certification scheme		
	PEFC	FSC	Total
Number	245	7	252
Area (ha)	1 248 028	146 941	1 394 969

Source: Slovak Forest Certification Association; http://ic.fsc.org/

d. Value-added wood products

In 2014, trade in secondary processed wood in the assortment monitored by the UN ECE Committee on Forestry and Forest Industry, i. e. in "Further processed sawnwood", rose by 1% at imports and 5.2 % in export. "Wooden wrapping and packing equipment", "Builder's joinery and carpentry of wood" rose year-on-year by 4.2% in imports and 6.8% in exports. "Wooden furniture" rose by 8.1% in import and by 7,6% in export.

e. Sawn softwood

Production of coniferous sawnwood was 1 190 thous. m^3 and increased annually by 37.7% in 2014. Import of sawnwood reached 296 thous. m^3, what was more by 44.4% than in the previous year 2013. Export of sawnwood increased by 38.6 % to 696 thous. m^3. Domestic consumption of sawnwood increased by 14% to 790 thous. m^3. The highest volumes of coniferous sawnwood were imported from the Russian Federation and the Ukraine. Exports were mainly directed to EU. In comparison with 2013, in 2014 has increased all observed indicators: production, imports, exports as well as domestic consumption.

f. Sawn hardwood (temperate and tropical)

Production of non-coniferous sawnwood in 2014 was 560 thous. m^3 and increased annually by 27.3%. Import of sawnwood reached 19 thous. m^3, which was almost 2.5-times less if compared with 2013. Export of sawnwood was increased by 46.15% to 114 thous. m^3. Domestic consumption of sawnwood has increased by 13.1% to 465 thous. m^3. Import and export of sawnwood realizes mainly in EU markets. In 2014, non-coniferous sawn wood production, exports and domestic consumption were increased as compared to the previous year. In 2015 is assumed slightly lower level of production, exports and domestic consumption than in 2014, with exception of import where is assumed its increase.

Wood-based panels (particle board, fibreboard and MDF, OSB, plywood)

Veneer sheets

In 2014 production of veneer sheets was 21 thous. m^3 and grew annually by 2 thous. m^3. Import of veneer sheets increased to 23 thous. m^3, what represents by 64.3 % more than in the previous year. Export increased by 50% to 9 thous. m^3. Domestic consumption was 34 thous. m^3 and grew annually by 7 thous. m^3. In 2015 and 2016 is expected the annual production at the level of 20 thous. m^3, imports 20 thous. m^3, exports 5 thous. m^3 and domestic consumption 35 thous. m^3.

Plywood

In 2014 plywood production was 26 thous. m^3. Plywood is produced mainly from coniferous wood. Import of plywood increased to 66 thous. m^3, which was by 69.2% more than in the previous year. Export grew by 136% to 85 thous. m^3. Domestic consumption was 7 thous. m^3 and decreased annually by 21 thous. m^3. In 2015 and 2016 annual production is expected at the level 25 and 20 thous. m^3, imports 35 to 40 thous. m^3, export about 50 thous. m^3 and domestic consumption about 10 thous. m^3.

Particleboard

In 2014 particleboard production was 540 thous. m^3 and increased annually by 20 thous. m^3. Import of particleboard increased by 10.7% to 290 thous. m^3 and exports decreased by 20.5% to 202 thous. m^3. Domestic consumption was 627 thous. m^3 and increased annually by 99 thous. m^3. Of which production of OSB in 2014 was 80 thous. m^3 and decreased as compared to 2013 by 30 thous. m^3. Slovakia does not have production capacity for the production of MDF. In 2015 and 2016, annual production of particleboard is expected at the level 530 and 520 thous. m^3, imports 295 and 310 thous. m^3, export 225 and 200 thous. m^3 and domestic consumption from 620 to 630 thous. m^3.

Fibreboard

In 2010 production of fibreboard was 120 thous. m^3 and decreased annually by 20 thous. m^3. Import of fibreboard decreased to 133 thous. m^3, which was 1.5% less than in the previous year. Exports decreased on the level of 0 from 15 thous. m^3 in 2013. Domestic consumption was 253 thous. m^3 and was increased annually by 33 thous. m^3. In 2015 and 2016, annual production is expected at the level 110 and 100 thous. m^3, imports 145 thous. m^3, 0 exports and domestic consumption from 255 to 245 thous. thous. m^3.

h) Pulp and paper

The overall development of paper and pulp industry is positive. Decrease of demand on paper in West-European markets is replaced by export activities in East-Europe and in Asian markets. Import of packaging papers, paperboards and cardboards is particularly replaced by domestic production. Lack of broadleaved pulpwood is balanced by import from Belarus, Ukraine and Romania.

In 2014, production of wood pulp 719 thousand tones was higher than in previous year (701 thous.). Production of paper recovered for pulp manufacture was 200 thousand tones in 2014. Production of paper and paperboard in amount of 793 thousand tones in 2014 is higher as compared to 2013 (723 ths.). Therefore their exports increased by 20% to 650 thousand tones. The production is forecasted in 2015 on a level of 760 thousand tones and 740 thousand tones in 2016.