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with a focus on Albania, Bosnia and Herzegovina, Montenegro, North Macedonia and Serbia

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Abstract

This report summarizes the impacts that the COVID-19 pandemic had, during the first three quarters of 2020, in the forest sector of the countries in the Western Balkans (WB) (Albania, Bosnia and Herzegovina, Montenegro, North Macedonia and Serbia), focusing on production, export, import, consumption, prices and employment of the main wood products: roundwood, sawnwood, wood-based panels, wooden furniture, paper and paperboards. It also covers the recovery measures implemented by Western Balkan governments. Economic indicators for the period January-September 2020 were used, and data from various sources, such as official statistics, international data bases (COMTRADE, EUROSTAT, FAO, UNECE), domestic organizations, as well as interviews with forest products companies of all sizes were used for their views on the impact of COVID-19.

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List of abbreviations

BHAS	Agency for Statistics of Bosnia and Herzegovina
COVID-19	coronavirus disease of 2019
FAO	Food and Agriculture Organization of the United Nations
IMF	International Monetary Fund
INSTAT	Institute for Statistics of Albania
m^3	cubic metre
MAKSTAT	State Statistical Office of the Republic of North Macedonia
MDF	medium density fibreboard
MONSTAT	Statistical Office of Montenegro
mt	metric tonne
n.a.	not applicable
NAC	net apparent consumption
Q1	first quarter of the year
Q2	second quarter of the year
Q3	third quarter of the year
RSIS	Republika Srpska Institute of Statistics
SORS	Statistical Office of the Republic of Serbia
UNECE	United Nations Economic Commission for Europe
WB	Western Balkans
WISDOM	Woodfuel Integrated Supply /Demand Overview Mapping

1 INTRODUCTION AND OVERVIEW

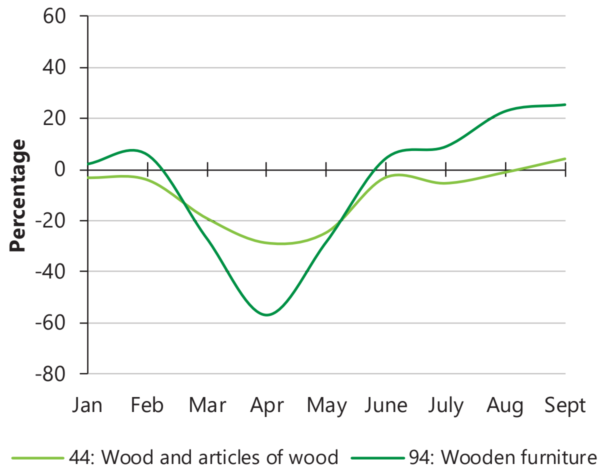
The Western Balkans (WB)[1] has a long tradition of forestry and wood processing. The economic development of the forest sector of all WB countries is to a significant extent based on the utilisation of domestic forest resources, milling and the furniture industry. Forests cover 8.2 million ha in the WB, with annual roundwood removals of about 22 million m^3 (INSTAT, 2020; FAO-WISDOM for Albania, Bosnia and Herzegovina, Montenegro, North Macedonia and Serbia, BHAS, 2020a; RSIS, 2020; MAKSTAT, 2020; SORS, 2020; FAOSTAT, 2020). The forest sector employs about 115,000 workers and creates an added value of $1.6 billion/year (INSTAT, 2020; BHAS, 2020a; MAKSTAT, 2020; SORS, 2020; MONSTAT, 2020; University of Belgrade-Faculty of Forestry database). The share of the forest sector added value in the GDP of each country varies from 0.5% in Montenegro to 2.8% in Bosnia and Herzegovina. The share of the forest sector in total exports for many of the countries is significant (4.5% - 13%), except for North Macedonia (0.7%). Processing wood into value-added forest products is gaining in importance. Wooden furniture accounts for about 47% of the value of all exported forest products from the WB. Value-added products differ from country to country, however, there is a significant potential for expanding their production and export. All countries of the WB consider the forest sector as strategic to their economies (University of Belgrade-Faculty of Forestry, 2020).

Sawmills and wood-based panel mills were impacted more significantly than other forest products sectors, with mill closures (excepting Montenegro sawmills) affecting both, generally for 2-3 weeks during the first spike of infections in early 2020. The micro to medium sized enterprises were provided government support for workers' wages, to cover interest payments on loans and to provide operating capital.

Paper and paperboard production in 2020 through Q3 increased by 8.2% in Bosnia and Herzegovina and by 0.7% in Albania, compared to the same quarter in 2019. Production in Serbia and North Macedonia fell by 4.2% and 18.9% respectively for the same period. The WB is a net importer of paper, importing about $700 million in paper each year, down by just under 9% from the previous year (MAKSTAT, 2020; BHAS, 2020a; INSTAT, 2020; MONSTAT, 2020; SORS, 2020.

For all the key segments of the forest sector (wood harvest, sawmills, wood-based panels, pulp and paper and wooden furniture), the biggest impact from COVID-19 was the disruption of cross-border trade, which sharply dropped in the first three quarters of 2020 compared to the same period of the previous year. This has been the case in all WB countries individually, and in the WB as a whole, with export being a critical component (graph 1). The effects on production, consumption and trade can be seen in table 1.

Graph 1: Impact of the COVID-19 pandemic on export of wood products and wooden furniture from the WB, through Q3 of 2020 compared to the same period of 2019



Source: Calculations and data from Comtrade and the University of Belgrade-Faculty of Forestry-Timber Trade Centre

[1] Albania, Bosnia and Herzegovina, Montenegro, North Macedonia and Serbia.

TABLE 1: Comparison of effects of COVID-19 on forest products production, trade and consumption

	2019 through Q3				2020 through Q3 and change from the same period of 2019							
	Production	**Imports**	**Exports**	**NAC***	**Production**	**%**	**Imports**	**%**	**Exports**	**%**	**NAC***	**%**
ROUNDWOOD (m^3)												
Albania	1,545,000	--	--	--	1,416,000	-8.4	--	--	--	--	--	--
Bosnia and Herzegovina	5,832,000	116,151	478,564	5,469,587	5,881,000	0.8	88,889	-23.5	325,086	-32.1	5,644,803	3.2
Montenegro	747,000	10,431	79,021	678,410	821,000	9.9	13,055	25.2	102,118	29.2	731,937	7.9
North Macedonia	1,200,000	26,507	256	1,226,251	1,219,000	1.6	36,286	36.9	158	-38.3	1,255,128	2,4
Serbia	5,746,000	33,937	53,431	5,726,506	5,835,000	1.5	32,350	4.7	48,055	-10.1	5,819,295	1.6
WB Total	15,070,000	187,026	611,272	13,100,754	15,172,000	0.7	170,580	-8.8	475,417	-22.2	13,451,163	2.7
SAWNWOOD (m^3)												
Albania	--	--	--	--	--	--	--	--	--	--	--	--
Bosnia and Herzegovina	1,488,000	94,050	629,633	952,417	1,446,300	-2.8	109,170	16.1	600,602	-4.6	954,868	0.3
Montenegro	203,700	4,010	188,555	19,155	219,800	7.9	3,860	-3.7	155,608	-17.5	68,052	355.3
North Macedonia	9,280	83,913	5,946	87,247	6,420	-30.8	80,909	-3.6	3,420	-42.5	83,909	-3.8
Serbia	397,930	244,430	197,770	444,590	374,850	-5.8	249,800	2.2	160,390	-18.9	464,260	4,4
WB Total	2,098,910	426,403	1,021,904	1,503,409	2,047,370	-2.5	443,739	4.1	920,020	-9.9	1,571,089	4.5
WOOD-BASED PANELS (m^3)												
Albania	--	--	--	--	--	--	--	--	--	--	--	--
Bosnia and Herzegovina	28,450	190,297	13,089	205,658	27,290	-4.0	170,381	-10.5	11,140	-14.9	186,531	-9.3
Montenegro	1,570	33,065	1,416	33,219	1,440	-8.2	31,246	-5.5	1,262	-10.9	31,442	-5.4
North Macedonia	0	89,382	94	89,288	0	--	87,020	-2.6	141	50.0	86,879	-2.7
Serbia	176,400	278,359	87,412	367,347	177,320	0.5	288,577	3.7	77,834	11.0	388,063	5.6
WB Total	206,420	591,103	102,011	695,512	206,050	-0.2	577,224	-2.3	90,377	-11.4	692,897	-0.4
PAPER AND PAPERBOARD (tonnes)												
Albania	--	--	--	--	--	--	--	--	--	--	--	--
Bosnia and Herzegovina	119,750	77,333	56,167	140,916	129,570	8.2	70,073	-9.4	65,054	15.8	134,589	-4.5
Montenegro	0	9,199	14.0	9,185	0	0	9,090	-1.2	10.0	-28.6	9,080	-1.1
North Macedonia	18,970	49,653	10.893	57,730	15,380	-18.9	44,638	-10.1	11,699	7.4	48,319	-16.3
Serbia	442,010	331,529	225,427	548,112	423,440	-4.2	302,286	-8.8	204,887	-9.1	520,839	-4.9
WB Total	580,730	467,714	292,501	755,943	568,390	-2,1	426087	-8.9	281,650	-3.7	712,827	-5.7
WOODEN FURNITURE ($1000)												
Albania	--	48,942	33,421	--	--	--	46,217	-5.6	29,483	-11.8	--	--
Bosnia and Herzegovina	--	45,266	267,286	--	--	--	33,284	-26.5	260,762	-2.4	--	--
Montenegro	--	40,966	378	--	--	--	23,913	-41.6	682	80.4	--	--
North Macedonia	--	19,738	25,439	--	--	--	16,243	-17.7	21,266	-16.4	--	--
Serbia	486,386	43,348	206,381	323,353	--	--	49,594	14.4	187,535	-9.1	--	--
WB Total	--.	198,260	532,905	--	--	--	169,251	-14.6	499,728	-6.2	--	--

Note: Production is estimated; NAC = Net apparent consumption; -- = not available

Sources: INSTAT, 2020; FAO, 2020; BHAS, 2020a; Glavonjić et. al, 2017; MONSTAT, 2020; MAKSTAT, 2020; SORS, 2020; FAO WISDOM Serbia: Spatial woodfuel Production and consumption analysis. University of Belgrade-Faculty of Forestry-Timber Trade Centre, 2020: COMTRADE, 2020; FAOSTAT, 2020. EUROSTAT. 2020.

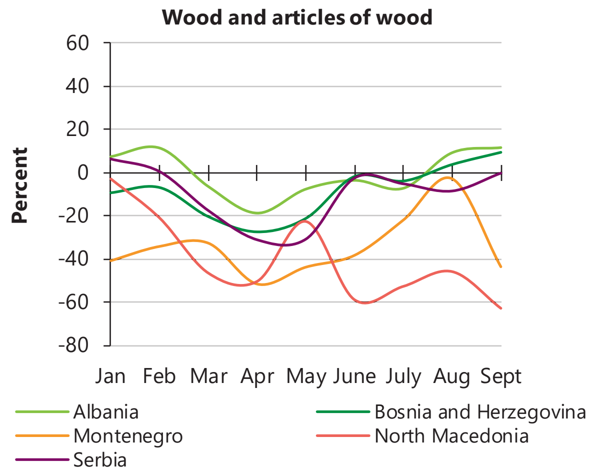
Exports of forest products, including wooden furniture was $1.05 billion for 2020 through Q3, 8.3% less compared to the same period of 2019. The sharpest drop occurred in April, 57% less than in April 2019. Despite a strong rebound in August and September, exports have not returned to pre-COVID-19 levels. Apart from September, WB imports of forest products were down in every month of 2020 through Q3 vs. the same period the previous year and ended down 17.8% for the period. Only Serbia had an increase of imports (2.2 %) compared to the same period in the previous year. Imports fell in all other countries: in Montenegro by 33%, in Bosnia and Herzegovina by 17.9% and in North Macedonia by 16.7%.

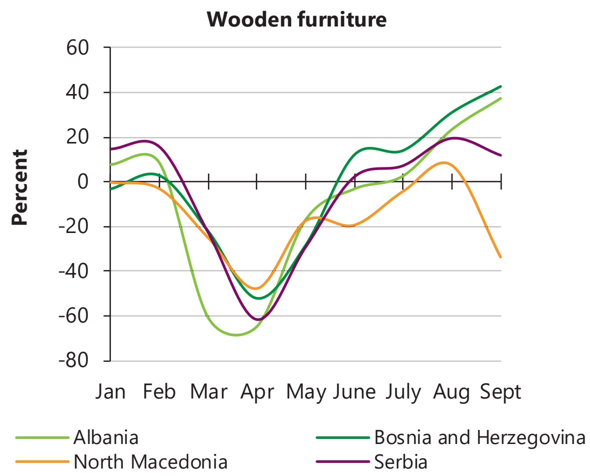
The strongest drop in forest products exports during the first nine months of 2020 were in Montenegro (29.2%), North Macedonia (21.8%), and Serbia (10.1%), Albania (7.5%), and Bosnia and Herzegovina (6.0%) (graph 2).

Although the forest and forest products sectors were not considered to be essential, and thus were not targeted by the WB governments in terms of the COVID-19 mitigation measure or relief packages. Government help was available, albeit with differences between countries of the WB and generally aimed at the smaller businesses ("micro to medium sized"). However, the structure of these packages were similar between the WB countries and consisted mainly of covering the wages for workers affected by curtailments, loans to supply working capital and loan guarantees through commercial banks, including the elimination of interest payments on outstanding loans for up to three months. Other benefits included deferral of payments on corporate income tax for businesses and the self-employed, delaying tax deadlines, and a few other benefits and circumstances unique to specific countries of the WB.

Large companies faced some restrictions or were not eligible for support measures. State owned forest enterprises, such as those in Serbia, Bosnia and Herzegovina and Macedonia, were not eligible for the support measures.

Graph 2: Impact of the COVID-19 pandemic on export of wood products and wooden furniture from the WB by country, for the first nine months of 2020 compared to the same period of 2019



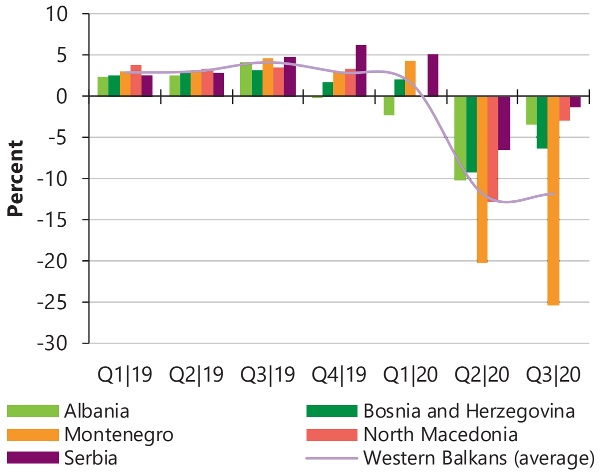


Source: UN COMTRADE, 2020 and the University of Belgrade-Faculty of Forestry, 2020.

2 GENERAL ECONOMIC EFFECTS IN THE WESTERN BALKANS FROM COVID-19

GDP in the WB grew from 2015 to 2019. During the first quarter of 2020 all WB countries, except Albania, had positive GDP growth rates compared to the first quarter of the previous year (between 0.2% in Montenegro to 5.1% in Serbia, with Albania at -2.27%). In Q2 of 2020, GDP contracted sharply in all the WB due to anti-pandemic measures (ranging from -6.4% in Serbia to -20.2% in Montenegro) (graph 3). The drop occurred in all GDP constituents (exports, investments, private and public consumption) in each country.

Graph 3: Quarterly GDP growth rates in the Western Balkans



Sources: INSTAT, 2020; BHAS, 2020a; MONSTAT, 2020; MAKSTAT, 2020; SORS, 2020.

Prior to the outbreak of the COVID-19 pandemic, the IMF (2020) projected positive GDP growth rates for all countries in the WB in 2020 (e.g. Albania 3.4%, Serbia 4%). The WB countries rely on trade with and investments from the EU (OECD, 2020a, b, c and d). With early forecasts rendered obsolete, the IMF (2020) revised its GDP projections for the second half of 2020. According to the revised projections, all WB countries will have contracting GDP in 2020 (from a 12% drop in Montenegro to a 2.5% drop in Serbia) (graph 4). Apart from Montenegro, the projected drop in GDP for WB countries in 2020 is projected to be close to the European Union trend.

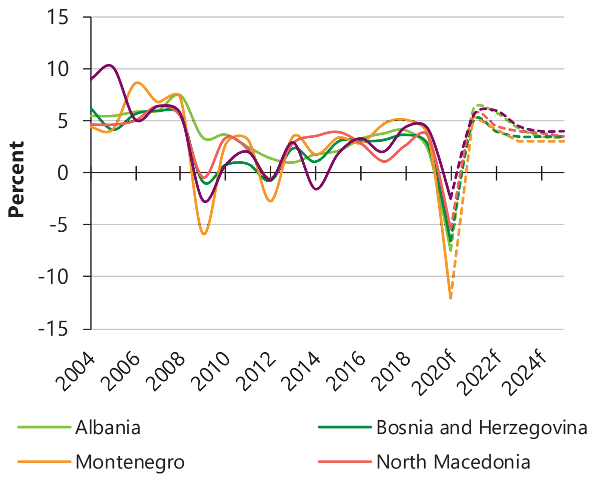
The strongest negative effect of the pandemic has been reflected in a drop of foreign trade. Foreign trade decreased in Serbia by 28.2% in April and by 26.4% in May 2020 compared to the same months the previous year. Total export from Serbia in the first three quarters of 2020 amounted to $ 13.7 billion, 6.2% less compared to the same period in 2019.

In the first nine months of 2020, Albania's exports decreased by 13.6 %, and imports decreased by 10.9% compared to the previous year. Exports and imports through Q3 of 2020 were down over the same period of 2019 in all other countries of the WB as well.

In Bosnia and Herzegovina, exports dropped 12.6%, and imports were down 15.8% through Q3 of 2020 compared to the same period in 2019.

In Montenegro, exports dropped by 15.3%, and imports by 19.8%. North Macedonia saw exports fall by 16.7%, and imports by 14.7%.

Graph 4: Annual GDP fluctuations in the WB countries including the 2020 projections



Source: IMF. 2020.

The effects of the COVID-19 pandemic on employment vary from country to country. Albania lost 34,000 jobs and unemployment increased in 2020 by 0.6% over the previous year to 12.5%.

In Bosnia and Herzegovina, employment participation in 2020 (through Q3) dropped by 1.4% compared to the same period of 2019 (BHAS, 2020b). During the first peak of the COVID-19 pandemic, in April 2020, the number of registered employees dropped by 18,300 in absolute terms. This brought the administrative unemployment rate up to 34.2% in April, compared to 32.4% in March, the highest level since February 2019 (European Commission, 2020).

According to data from the Montenegro Statistical Office, unemployment increased to 16.3% in Q1. In the second quarter it dropped to 15.2%. However, it is still high compared to 2019 (MONSTAT, 2020).

COVID-19 strongly affected the economies of all observed countries in the first three quarters of 2020. The second wave of this pandemic is ongoing, and many economic activities are restricted. GDP is expected to drop in all WB countries through 2020 and into early 2021. Uncertainty prevails for any forecast of economic activities in 2021.

3 NATIONAL EFFECTS FROM COVID-19 BY FOREST PRODUCTS SECTOR IN THE WESTERN BALKANS

3.1 Roundwood

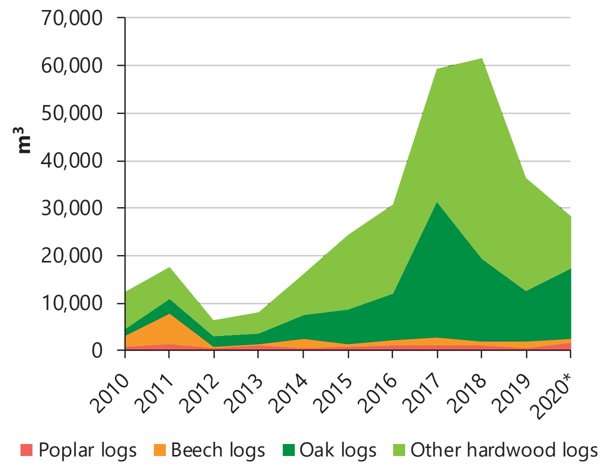
3.1.1 Consumption, production and price trends

Despite the pandemic and numerous restrictions faced by producers, roundwood production in the Western Balkans increased in the first three quarters of 2020 by 0.7% compared to the same period the previous year. Growth occurred in all countries of the region except Albania. The two biggest producer countries in the WB are: Serbia (1.5% increase) and Bosnia and Herzegovina (0.8% increase). Roundwood production in Montenegro increased by 9.9%, and in North Macedonia by 1.6%. These increases mainly occurred in Q1 of 2020 and were the result of the fact that roundwood production was not curtailed in 2020 during lockdowns and closures put upon other industries to fight COVID-19. Roundwood prices have not changed in the last two years, including during the pandemic The only exception is increase in pulpwood prices in Bosnia and Herzegovina (PE Forest of the Republic of Srpska, 2020). However, these prices increased before the outbreak of the COVID 19 pandemic.

3.1.2 Trade

Furniture production in the WB uses a significant amount of domestic raw materials, thus the WB is not a significant exporter of raw materials, especially logs. However, in 2018, exports to China exploded. Various wood industry trade associations raised this issue with WB governments. Some of the WB countries completely banned log exports (for up to a year) other imposed high export taxes and only Serbia did not place any restrictions. This led to a drop in logs exports from this region. In 2019 log exports from the WB were 47,000 m^3, of which 37,000 m^3 came from Serbia (graph 5).

Graph 5: Export of logs from Serbia



Source: SORS, 2020; University of Belgrade-Faculty of Forestry, 2020.

Log exports from Serbia fell by 4.7% in 2020 through Q3 compared to the same period the previous year. Predominantly oak, maple, ash, cherry and poplar logs were exported. Despite being under 50 thousand m^3 per year, it is significant, as the demand for the raw materials in Serbia is almost double the supply.

Unlike logs (industrial roundwood), firewood export from the WB is still high. Especially for Bosnia and Herzegovina, the biggest firewood exporter of the WB. About 90% of all the firewood exports from the WB are from Bosnia and Herzegovina. After the highest ever export of 800 thousand m^3 in 2018, the firewood export from Bosnia and Herzegovina fell in 2019 by 20.4%, due to reduced demand in Italy and a mild winter in that year. Italy is the largest destination market for firewood from the WB. Of the total firewood exports from the WB, more than 60% went to Italy. The COVID-19 pandemic significantly slowed firewood exports in the first half of 2020, especially in March and April. In the first half of 2020, firewood exports fell by 2.5% over the first half of 2019, with a fall of 26% in March and April compared to the same months of 2019.

Oak logs and beech firewood are the two most important wood raw-materials exported from the WB. The price of exported oak logs plummeted by 10.9% in March and April 2020. After the "normalisation of trade", export prices began to rise. Nevertheless, prices for 2020 through Q3 are still below the 2019 levels for the same period.

3.1.3 Employment, business operational effect and government support

In general, the pandemic has not negatively affected employment in wood raw materials production; there were no layoffs, nor reduction of their wages and salaries. Moreover, despite the numerous restrictions faced by producers, they managed to maintain and even increase production. However, capital investments in the sector have been postponed, with the only exception being the completion of already underway forest road construction.

Many wood processing companies received an extended period of credit from public forest enterprises in Serbia, Bosnia and Herzegovina, and North Macedonia. This was a measure to help with liquidity problems resulting from poor demand for forest products from April to June 2020. In Serbia, the biggest producer of industrial roundwood took the additional step to stimulate roundwood purchases (and alleviate growing inventories of harvested but unsold logs) by granting a 5% discount to all wood processing companies willing to pay for roundwood in advance and an additional 5% (10% in total) upon completion of the purchase ('Srbijašume'', 2020).

Montenegro, North Macedonia and Bosnia and Herzegovina all reported that they were not experiencing problems with the payment dynamics of roundwood sales. This included the forest concession systems in Montenegro as well.

3.2 Sawnwood production and consumption

3.2.1 Consumption, production and price trends

During the first peak of the COVID-19 pandemic (mid-March to mid-April), many small and medium sized sawnwood producers (<5,000 m^3 logs/year usage) curtailed sawnwood production. These types of producers dominate the sawnwood production industry in the WB and, as a result, sawnwood production through Q3 of 2020 dropped by 2.5% compared to the same period in 2019, led by Serbia (-5.8%) and Bosnia and Herzegovina (-2.8%).

Some of the reasons for the sawnwood production loss was as follows:

1. Many small sawmills stopped production for several weeks during the second half of March and the month of April, due to the state of emergency and lack of market demand. This happened elsewhere in the WB, except in Montenegro, where sawnwood producers maintained normal production. The interruption of sawnwood production temporarily slowed demand for logs, increasing unsold inventories for roundwood producers.
2. Sawnwood exports from the WB dropped in Q2 of 2020. Serbian exports dropped by 25% compared to Q2 of 2019. Sawnwood customers from China, the most important export market for the Serbian sawnwood were not able to secure containers and transport to ports (truck transport to the Adriatic and border crossings were only feasible with special permits.
3. Unrelated to the COVID-19 pandemic. Egyptian authorities announced new standards for the radioactivity levels of imported wood products related to the content of the Caesium 137. Several shipments of sawnwood were rejected after inspection at Egyptian ports. Currently, there is an ongoing disagreement between the Egyptian and Serbian authorities as to whether the levels discovered are cause for concern.

Large sawmills (annual log usage >30,000 m^3) continued production schedules unabated and used their (economic) power to purchase significant quantities of logs not bought by the small sawmills in April and May. The difficulties with export markets were not such a hindrance, since these mills had enough capital on hand to "weather the storm". As soon as exports to China resumed, the large sawmills sharply increased their exports and quickly sold out all their inventories.

Montenegro increased sawnwood production by 7.9% in the first nine months of 2020 (Ministry of Agriculture, Forestry and Water Management of Montenegro-Forest Direction, 2020). Production in Albania and North Macedonia fell in 2020, especially in the first quarter with a slight recovery in Q2.

After the normalisation of exports from the second half of May, the majority of the sawnwood producers increased productions. Nevertheless, apart from Montenegro, the other countries of the WB will show a small drop in sawnwood production for 2020.

Sawnwood consumption in Bosnia and Herzegovina continued to grow in the first three quarters of 2020. This is a continuation of a trend over the past four year in the consumption of both coniferous and non-coniferous sawnwood in Bosnia and Herzegovina (consumption is more than 50% of their production), mainly due to the increase in furniture production. Consumption of sawnwood in Serbia, Montenegro, North Macedonia and Albania is below 50% of domestic production. Exports of non-coniferous sawnwood from Serbia has been increasing, despite large demand from domestic wooden furniture, parquet, windows and door manufacturers. Many small sawmills sell their sawnwood to Chinese buyers who make payment in advance. A result is that many Serbian producers of wooden furniture and parquet are forced to import sawnwood, especially oak. With the outbreak of the COVID-19 hampering exports during April, many small sawmills were forced to stop production for one or two weeks, due to the liquidity problems. In Montenegro, most sawmills are export-oriented because the domestic furniture industry and builder’s joinery and carpentry of wood is not very developed. Non-coniferous (mostly beech) sawnwood was affected by the interruption in Chinese purchases. In Albania, the dominant product of the wood processing industry is sawnwood, mainly exported to Italian market.

With the resumption of trade and export in the second half of the year, sawnwood prices began to rise but have yet to reach pre-pandemic levels. So far, COVID disruptions have not led to abnormal defaults or derelictions of payment for exported sawnwood.

The prices of beech sawnwood, the most common from the WB, fell in March by between 8% in Serbia and 10% in Montenegro compared to the February price. Oak sawnwood prices were more stable; prices in March were down by less than 1% in Bosnia and Herzegovina, and in Serbia, compared to February. The second half of Q2 into Q3 saw increasing prices (by about 4%), but still below the February 2020 level.

3.2.2 Trade

Sawnwood represents the second most important category of the wood products exported from the WB in terms of value, with a 36% share in total wood product exports in 2019 (behind furniture). Sawnwood’s share of total wood products export is 69.4 % in Montenegro, 42.3% in Bosnia and Herzegovina, and 27.7% in Serbia. In the remaining WB countries, this share is under 20%. Global sawnwood markets are crucial for these the WB countries, given their dependence on export markets.

Most of the trade of coniferous sawnwood stays within the WB. Serbia is the biggest coniferous sawnwood importer, mainly from Montenegro and Bosnia and Herzegovina. Increased construction and furniture production in Serbia led to growth in coniferous sawnwood imports for the first nine months of 2020 by 4.5% compared to the same period in 2019.

The impacts from the COVID-19 pandemic have significantly disturbed both coniferous and non coniferous sawnwood trade flows. Total sawnwood exports from the WB dropped by 9.9%, or by 102 thousand m^3 and $22 million in 2020 through Q3, compared to the same period of 2019. This drop was quite variable by country: Serbia (18.9%) and Montenegro (17.5%), Albania (7.9%), and Bosnia and Herzegovina (4.6%). By species: oak (17.8 %) and beech sawnwood (12.3%).

The sharp drop in sawnwood export to trade partners outside the sub-region stems from the restrictions triggered by the pandemic on exporting to China and the Middle East in April and June. The lack of shipping containers in April 2020 led to a 25% increase in shipping costs in that month compared to the pre-pandemic level. Apart from the still lagging United Arab Emirates, exports have recovered much of the normal market flows for the important non-coniferous sawnwood component.

3.2.3 Employment, business operational effect and government support

Although many sawmills were forced to stop production during the first peak of the pandemic (the only exception was Montenegro), no workers were laid off at that time. Some of the sawmills maintained wages, whereas others provided workers with a minimal wage during the closure. Since the production stop was not long, 2-3 weeks depending on a particular sawmill, the pandemic did not heavily affect the status and income of the employees in the sawmills.

The micro to medium sawnwood producers used governmental support measures for covering the costs of minimal salary, contributions, and taxes of workers. Depending on the country, this supporting measure ranged from 70% to 100% of these costs for 2-3 months. These producers are mostly export-oriented, thus the governmental support helped micro to medium sawnwood producers survive the March to July period or severely restricted exports.

3.3 Wood based panels production and consumption

3.3.1 Consumption, production and price trends

Serbia is the only country in the WB producing hardboard and particle board. Particle board production increased by 2.8%, however, production of hardboard decreased by 10.6% (through Q3 of 2020 compared to the same period of 2019). Both particle board and hardboard industries were curtailed in April due to COVID-19 restrictions, however, particleboard production (before and after the restrictions) more than made up for the downtime, while hardboard production did not.

Another important forest product from the WB is beech plywood. Production of beech plywood through Q3 of 2020 declined in Serbia by 19.3%; in Bosnia and Herzegovina by 4%, and in Montenegro by 8% vs. the same period of 2019.

All countries in the WB are net importers of all types of fibreboard, with Serbia the only country with any production at all (only hardboard and covering less than half of their consumption of the product). Serbian consumption of fibreboard increased by 4.5% in 2020 through Q3, compared to the same period in 2019. The main trigger was the increase in consumption by furniture producers. Serbia exports about 85% of its hardboard production, which is a wet-process hardboard and has uses typically outside of the majority of hardboard consumed within Serbia. Thus, Serbia imports roughly the same amount of hardboard as they export, albeit a different type of hardboard (dry-process). North Macedonia increased hardboards consumption during the first three quarters of 2020 by 2.3% (mostly the result of a sharp increase in Q3). In the other WB countries, hardboards consumption fell slightly (by 2.1% in Bosnia and Herzegovina and 0.5% in Montenegro).

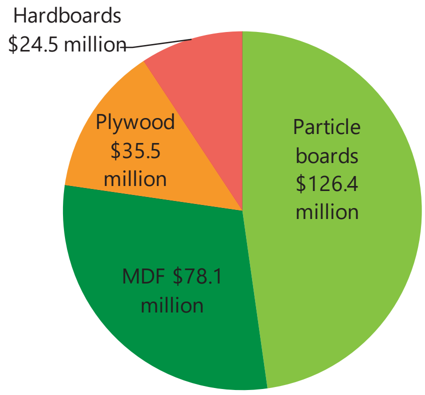
All MDF (medium density fibreboard) consumption in the WB is covered with imports; Serbia maintained their MDF consumption, whereas the other countries dropped: Montenegro (20.2%), North Macedonia (2.6%), and Bosnia and Herzegovina (8.2%).

Wholesale and retail prices for particle board and hardboard remained flat during the pandemic.

3.3.2 Trade

The WB is a net importer of wood-based panels. In 2019 the WB exported 126 thousand m^3 ($46.3 million) and imported 797 thousand m^3 ($264.6 million) of wood-based panels. The dominant share ($ value) is particle board, followed by MDF and then plywood (graph 6). Almost 50% of all imported panels in all countries of the WB is particle board. In 2019 about 0.5 million m^3 of particle board ($126.4 million) was imported by the WB countries.

Graph 6: Share of some panel types in wood-based panels import into the WB countries



Source: UN COMTRADE, 2020; University of Belgrade-Faculty of Forestry, 2020.

Imports of particle and MDF are largely tied to demand from the furniture industry in Serbia. Serbia is a leading producer of furniture from wood-based panels in this part of Europe, thus it is the largest importer of wood-based panels in the WB. Through Q3 of 2020, the WB exported 90 thousand m^3 of wood-based panels, 11.4% less than in the same period of 2019. COVID-19 mostly affected the export of hardboard, which fell by 18% (volumetrically) or 11.5% (monetarily). Plywood exports fell by just over 15.2% (volume and monetarily). Particle boards exports fell by about 9% (volume and monetarily). Imports of particle boards and MDF into the WB fell by 2.7% and 7.3% respectively, whereas the import of plywood and hardboard grew by 2.9% and 1% respectively.

3.3.3 Employment, business operational effect and government support

Although particle board producers were forced to stop production for two weeks during the first peak of the pandemic, they did not lay off their workers. However, wages were reduced to a minimum wage for the period of closure.

Producers of particle board and hardboard granted credit to boost sales. The financial support of the Serbian government for employees' wages was not available to these large producers, as the measure was restricted only to micro to medium enterprises. There was, however, governmental support available to these producers, which suspended interest payment on outstanding loans for three months, provided state loans to support liquidity, and postponed payments of corporate taxes due.

3.4 Paper and paper board

3.4.1 Consumption and production

Paper and paperboard production in Albania and Bosnia and Herzegovina did not face any significant curtailments during the first peak of the COVID-19 pandemic. Production in 2020 through Q3 increased by 8.2% in Bosnia and Herzegovina and by 0.7% in Albania, compared to the same quarter in 2019 (BHAS, 2020; INSTAT, 2020). Production in Serbia and North Macedonia fell by 4.2% and 18.9% respectively for the same period (SORS, 2020; MAKSTAT, 2020).

3.4.2 Trade

The WB is a net importer of paper and paperboard. Annually, almost 800 thousand tonnes (about $700 million) of paper and paperboard are imported. Restrictions related to COVID-19 disturbed the import-export trade flows, with imports falling by 8.9%, and exports falling by 3.7% for 2020 through Q3 compared to the same period of 2019. Serbia is the largest importer and exporter of paper and paperboard in the WB, with 58.6% of the total imports, and 70.6% of the total export in 2019.

The sharpest drop in paper and paperboard imports, in 2020 through Q3, when compared to the same period of 2019 were in North Macedonia (10.1%), Bosnia and Herzegovina (9.4%) and Serbia (8.8%). The drop in the Serbian imports of paper and paperboard was linked to COVID-19 and triggered by increased prices for some categories of paper and paperboard, which increased by 7.3% in 2020 through Q3 compared to prices in December 2019.

Serbia reduced exports of paper and paperboard by 9.1% in 2020 through Q3 vs. the same period the previous year, whereas Bosnia and Herzegovina and North Macedonia increased exports by 15.8% and 7.4% each. The average price of exported paper and paperboard at the end of September 2020 in Bosnia and Herzegovina, and Serbia was little changed from the prices at the close of 2019 (+ or – 1%).

3.5 Wooden Furniture

3.5.1 Consumption and production

Furniture production in Serbia increased by almost 7% in the first nine months of 2020, thanks largely to increased export demand in Q1 and Q3. many interior-oriented producers (cabinetry, cupboards and counters) were overwhelmed with orders, as customers aimed to renovate their houses and apartments since they were not able to vacation away from home. Due to the increased demand for furniture many companies have had to extend furniture delivery time to 60 days. However, some furniture producers curtailed during the first wave of COVID-19, as some orders from abroad were cancelled, or because they could not ship orders.

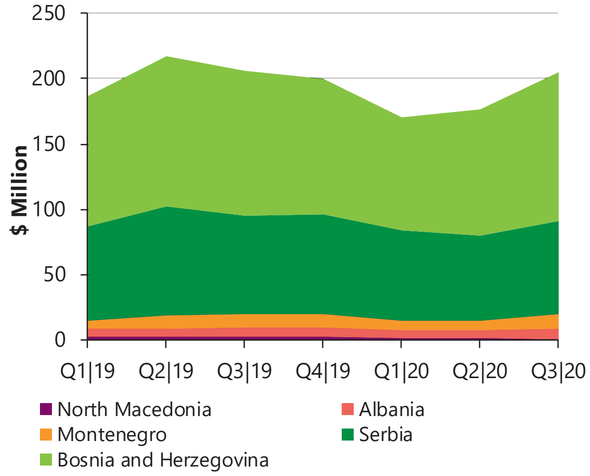
Despite the pandemic, domestic consumption of furniture is expected to grow to more than $475 million in Serbia in 2020.

Bosnia and Herzegovina and Montenegro also increased furniture production through Q3 of 2020 by 18.6% and by 17.5% respectively, compared to the same period of 2019. Furniture production in North Macedonia and Albania dropped by 23.5% and 4.5% respectively for the same period (INSTAT, 2020; BHAS, 2020; MONSTAT, 2020; SORS, 2020; MAKSTAT,2020).

3.5.2 Trade

Wooden furniture is the most significant export category of forest products in the WB, with an export value of half a billion US dollars through Q3 (47.6% of the total forest products exported). After dropping significantly in Q2, exports of wooden furniture jumped by 46.3% in Q3 (over the previous quarter) to $200.5 million (graph 7).

Graph 7: Quarterly export of furniture from the WB countries 2019-2020



Source: UN COMTRADE, 2020 and University of Belgrade-Faculty of Forestry, 2020.

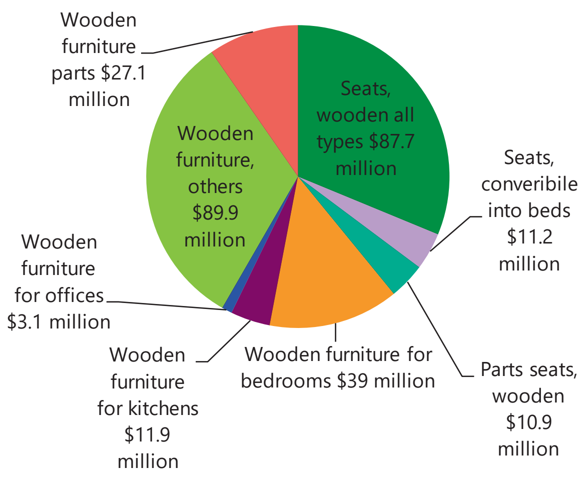
Despite such high growth in Q3 of 2020, exports of wooden furniture from the WB was 6.2% lower in 2020 through Q3, compared to the same period in 2019, the result of the decrease in Q2 2020.

Wooden furniture Imports into the WB in 2020 through Q3 were $169.3 million. That is about a third of wooden furniture exports during the same period the previous year. As with exports, imports of wooden furniture plummeted in Q2, and quickly recovered. The value of Q3 2020 imports was $71.3 million, about double of Q2 2020. However, imports of wooden furniture in 2020 through Q3 were still down by 14.6% compared to the same period of 2019.

Production and export of wooden chairs, seats and bedroom furniture has a long tradition in the WB (graph 8), the result of the fact that beech is well suited for these products. The biggest exporters of wooden furniture in the WB are Bosnia and Herzegovina and Serbia. Their share in the total wooden furniture export in the first nine months of 2020 amounted to 90% (52% and 38% respectively).

The most important categories of wooden furniture imported into the WB are upholstered wooden furniture and wooden bedroom furniture. About 1/3 of WB wooden furniture imports is intra-WB trade.

Graph 8: Structure of wooden furniture export from the Western Balkans in the first half of 2020



Source: UN COMTRADE, 2020 and University of Belgrade-Faculty of Forestry, 2020.

3.5.3 Employment, business operational effect and government support

Regarding the impact of COVID-19 pandemic on the furniture industry, this research showed that no employees were laid off, nor wages and salaries reduced. On the contrary, furniture-production in Serbia was at full capacity because the demand for furniture increased. Many people were not able to travel for holidays since the borders were closed, so they spent their holiday budgets for renovating their houses and apartments. Some micro and small furniture producers lost production, as some of their workers were infected with COVID-19, so needed to delay deliveries. A very small number of micro and small furniture had to stop their production during the first peak of the pandemics. However, they did not lay off workers, nor reduce wages, as governmental support was available to them.

Many micro, small and medium furniture producers used government measure to provide employees with a minimum wage for three months, as well as measures forestalling interest and payment on loans.

4 SUMMARY

In general, it can be said that economic impacts of COVID-19 on the forest sector in the WB has thus far been relatively light. Timber harvest activities and the wooden furniture manufacturers both maintained employment and production, with only minor disruptions. There were small losses in production for sawnwood, wood-based panels and paper production, tied mainly to disruptions in trade and in some cases, a 2-3 week shut down for some mills. Government support assisted with employee subsistence and operating capital, and the industry was able to resume production and trade after the initial COVID-19 spike in infections.

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The purpose of EFC is to advise on the formulation of forest policy and to review and coordinate its implementation at the regional level; to exchange information; to advise on suitable practices and actions to address technical and economic problems (generally through special Subsidiary Bodies); and to make appropriate recommendations in relation to the foregoing. The EFC meets every two years and its official languages are English, French and Spanish.

The EFC has a number of associated subsidiary bodies, including the Working Party on the Management of Mountain Watersheds and the Working Party on Mediterranean forestry issues (Silva Mediterranea). It shares with the United Nations Economic Commission for Europe (UNECE) the ECE/FAO Working Party on Forest Statistics, Economics and Management.

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2. In support of these analyses, collect, store and disseminate statistics relating to the sector, and carry out activities to improve their quality and comparability;

3. Provide a framework for cooperation, for example by organizing seminars, workshops and ad hoc meetings and setting up time-limited ad hoc groups, for the exchange of economic, environmental and technical information between governments and other institutions of member countries required for the development and implementation of policies leading to the sustainable development of the sector and the protection of the environment in their respective countries;

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5. Keep under review its structure and priorities and cooperate with other international and intergovernmental organizations active in the sector, and in particular with FAO (the Food and Agriculture Organization of the United Nations) and its European Forestry Commission, and with the International Labour Organization, in order to ensure complementarity and to avoid duplication, thereby optimizing the use of resources.

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COVID-19 impacts on the forest sector in countries in the Western Balkans

This report summarizes the impacts that the COVID-19 pandemic had, during the first three quarters of 2020, in the forest sector of the countries in the Western Balkans (WB) (Albania, Bosnia and Herzegovina, Montenegro, North Macedonia and Serbia.), focusing on production, export, import, consumption, prices and employment of the main wood products: roundwood, sawnwood, wood-based panels, wooden furniture, paper and paperboards. It also covers the recovery measures implemented by Western Balkan governments. Economic indicators for the period January-September 2020 were used, and data from various sources, such as official statistics, international data bases (COMTRADE, EUROSTAT, FAO, UNECE), domestic organizations, as well as interviews with forest products companies of all sizes were used for their views on the impact of COVID-19.

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