MARKET STATEMENT 2017

1. General economic trends affecting the forest and forest industries sector

Lithuanian economy continued to grow in 2016. Gross domestic product (GDP at current prices) increased by 2.3% (2015 – 1.8%). Prognoses for 2017 are more optimistic – 2.7%.
Total industry sales increased by 2.8% in 2016.
The export decreased by 1.3% in 2016. Export of wood and wood products increased by 5.9% to 2723 million EURO. The share of these products in the total export increased from 9.3% up to 10.4%. Sweden (329 million EURO), Germany (315 million EURO) and Norway (243 million EURO) were the main export markets for wood and wood industry products. Almost 71% of wood industry products were exported to the countries of the European Union.
Imports decreased by 2.8%. Import of wood and wood products has increased by 4.9% to 1202 million EURO. The largest trade partner remained Poland – 240 million EURO. Import from Latvia reached 130 million EURO and Germany – 102 million EURO.
Competition for wood between energy and wood industry sectors should increase demand in near future. For example, capacity of heating plants based on biofuel will increase almost twice by 2020, thus it could cause significant demand for wood.

2. Policy measures taken in Lithuania

Parliament of the Republic of Lithuania adopted the amendments of the Law on Forests on 11 July 2017, allowing the Government of the Republic of Lithuania to start the consolidation process of 42 State Forest Enterprises from 1 January 2018. The consolidation will be implemented by merging 42 State Forest Enterprises and State Enterprise “State Forest Management Planning Institute” into one state enterprise with the regional units for complex (integrated) forest management in the state forests (half of all Lithuania’s forests). In parallel, General Directorate of State Forests (currently responsible for coordination of the activities of 42 State Forest Enterprises) will be abolished. The process of implementation will be done during 2018.
These institutional changes aims at rationalization of the governance in forest sector, first of all achieving an efficient allocation of resources and implementing high standards of governance and transparency combining three important aspects: economic, social and environmental. Also there is intention to increase ecological and social values of the forests, to ensure rational and sustainable use of this important natural resource and at the same time to guarantee a competitiveness of this sector. The consolidation will help to ensure long-term economic stability and viability of the state forestry sector, give the highest financial return to the state, reduce the management costs, optimize large-scale strategic investments into forests, their infrastructure, forestry machinery, information and other technologies.
50 % of Lithuania’s forests are state forests and 40 % - private forests. Due to unfinished land reform in Lithuania also there are about 225,000 ha or 10 % of total forest area reserved for restitution. Forest management activities in these forests are not performed. If normal forest management activities would be restored in these forests, it could result increase of wood supply by up to 10 %. In order to solve this problem Parliament of the Republic of Lithuania adopted the amendments of the Law on Forests on 30 June 2016, which aims to transfer such forests to state forest managers or to sell at auctions. It is expected that such measures will enable to restore normal forest management activities of these forests in the near future.
As regards renewable energy policies biomass becomes one of the most important resource in total energy balance in Lithuania. The strategic objectives set in recent years in the area of renewable energy sources (RES) have enabled a robust development of local energy generation capacities and of energy from renewable sources in Lithuania. Lithuania has undertaken, according to Directive of the European Parliament and of the Council No 2009/28/EC on the promotion of the use of energy from renewable sources, to increase the RES share in the final national energy consumption up to

23% by 2020. According to the Lithuanian Department of Statistics, Lithuania has already reached the 23% target: in 2014, the share of RES in the total energy balance of the country exceeded one fifth, accounting for 23.66 %. In 2015, the share of RES in the total energy balance of the country reached up to 25,86 % (a 2.2 p. p. increase compared with 2014): electricity sector 15.55 % (+ 1.85 p. p.), heating and cooling sector 46.17 % (+ 5.54 p.p.), and transport sector 4.56 % (+ 0.23 p. p.)
Currently biofuel accounts for more than 60 % of total fuel consumed for centralized heat production in Lithuania and demand for biofuel is increasing. The National Forestry Sector Development Programme for 2012–2020, adopted by the Government in 2012, foresees to increase the volume of non-merchantable timber and forest felling residues used for biofuel production each year from 0.3 mill. m^3 in 2015 to 0.5 mill. m^3 in 2020.
According to the National Forestry Sector Development Programme for 2012–2020 one of the most important priorities remains afforestation. Each year private and state land holders plant about 2,000-3,000 ha of new forests.

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

Roundwood

The volume of removals reached 7.0 million m^3 in 2016 and was by 4% higher than in 2015. Harvesting level in state forests remained almost at the same level like in previous years 3.9 million m^3. Amount of wood produced in private forests increased by 7% up to 3.1 million m^3.
There were no significant changes in roundwood prices during 2016. Prices of spruce logs in December were same like in January. Prices of pine logs decreased by 5% during first half of the year. There were no changes in the second. Birch logs prices decreased by 3% during 2016. Prices of pulpwood increased by 9%. Price of firewood has increased by 15%.
It is expected increase of removals by 7% in 2017. Increase is related with favorable changes of roundwood prices, which will cause increase of fellings in private forests. Softwood logs prices in January 2017 increased by 2%. Increase non-coniferous was more significant 4-9%.
Export of industrial roundwood increased by 5% to 1.5 million m^3 in 2016. Export to Latvia, main export market in 2016, increased by 2% to 0.77 million m^3. Sales in Poland market decreased by 16% to 0.27 million m^3 and in Sweden grew up by 15% to 0.17 million m^3.
Exports of roundwood increased by 30% in the first half of the year 2017 comparing with same period in 2016.

Wood energy

Production of energy from wood was in same level like in 2015. Consumption of fuelwood and wood waste for energy purposes was 6.1 million m^3 in 2016. Consumption in public heat plants grew up by 0.1 million m^3. Consumption in house holds decreased due declining number of residents especially in rural area. Growing consumption partly was covered by imported wood fuels. The import of wood fuel such as firewood, chips, particles, wood briquettes and pellets increased from 0.38 million t to 0.65 million t.

Certified forest products

All state forest enterprises (42), which manage about 50% of all forests, are certified for Forest Stewardship Council (FSC) forest management and chain of custody. State forest enterprises each year produce about 3.8 mill m^3 of FSC certified round wood or about 50 % of round wood produced in Lithuania.

Value-added wood products

The significant widening in furniture sales was found in 2016. Grew up was caused by increase of exports. Growth of furniture export was 6% and totaled 1470 million EURO in 2016. Furniture predominated among other exported forest sector goods. The value of the furniture constitutes 56% in total wood goods exports.
Exports of other value-added wood products continued to grow too. Value of exported joinery and carpentry products increased by 3%, wooden wrapping and packing equipment – 4%.

Sawn softwood

Production of sawn softwood was nearly 0.93 million m^3 in 2016. The export of sawn softwood reached 0.65 million m^3. The main export market becomes UK, where sales of sawn softwood increased by 43% to 75,000 m^3. The export to Denmark grew up by 2% to 67,000 m^3.
Import of sawn softwood grew up by 30% up to 0.59 million m^3 in 2016. Belarus remained the main supplier and provided 262,000 m^3 of sawn softwood.

Sawn hardwood

Production of sawn hardwood was nearly 0.48 million m^3 in 2016. Export increased by 7% to 278,000 m^3. Sawn hardwood was mainly sold in Germany (111,000 m^3), Netherlands (28,000 m^3) and Belgium (27,000 m^3). Sales in Germany market comparing to previous year increased by 2%, Netherlands by 11%. Deliveries to Belgium decreased by 15%,.
Import of sawn hardwood grew up by 7% up to 159,000 m^3. The largest volumes of timber were received from Ukraine (65,000 m^3), Poland (14,000 m^3) and Belarus (13,000 m^3).

Wood-based panels

0.73 million m^3 of particleboard was produced in 2016. Production increase by 2% didn't cover growing demand in domestic market. Export of particleboard increased by 34% to 179,000 m^3. Imports grew up by 24% to 470,000 m^3.

5. Tables

Key Economic Development Indicators in Lithuania

	2012	2013	2014	2015	2016
Employment rate of the population since 15 years, %	49.9	51.6	52.9	54.2	55.8
Unemployment rate, %	13.4	11.8	10.7	9.1	7.9
Inflation calculated based on the consumer price index, %	2.8	0.4	-0.3	-0.1	1.7
Consumer price changes, % (as compared to the previous period)	3.1	1	0.1	-0.9	0.9
Changes in gross domestic product, %	3.8	3.5	3.5	1.8	2.3
General government sector balance compared with GDP, %	-1.2	1.5	3.6	-2.3	-0.9
General government debt compared with GDP, %	37	36	40		
Import, million EUR	23047	24545	24361	22904	22607
Export, million EUR	24879	26208	25889	25399	24700
Export-import balance, million EUR	-1832	-1663	-1528	-2496	-2093
Foreign direct investment, end of the year,	12.1	12.7	12.7	13.5	13.1
Changes in construction work carried out within the country and abroad, %	-5.7	11.3	16.4	-2.2	-7.6

Forest products production and trade in 2016, 2017 and 2018

Product Code	Product	Unit	Historical data 2016	Estimate 2017	Forecast 2018
1.2.1.C	SAWLOGS AND VENEER LOGS, CONIFEROUS				
	Removals	1000 m^3	2.365	2.380	2.400
	Imports	1000 m^3	181	92	80
	Exports	1000 m^3	685	574	600
	Apparent consumption	1000 m^3	1.862	1.898	1.880
1.2.1.NC	SAWLOGS AND VENEER LOGS, NON-CONIFEROUS				
	Removals	1000 m^3	1.129	1.140	1.150
	Imports	1000 m^3	159	95	80
	Exports	1000 m^3	130	189	170
	Apparent consumption	1000 m^3	1.158	1.046	1.060
1.2.1.NC.T	of which, tropical logs				
	Imports	1000 m^3	0	0	0
	Exports	1000 m^3	0	0	0
	Net Trade	1000 m^3	0	0	0
1.2.2.C	PULPWOOD (ROUND AND SPLIT), CONIFEROUS				

	Removals	1000 m^3	628	620	610
	Imports	1000 m^3	4	5	7
	Exports	1000 m^3	326	156	250
	Apparent consumption	1000 m^3	306	469	367
1.2.2.NC	PULPWOOD (ROUND AND SPLIT), NON-CONIFEROUS				
	Removals	1000 m^3	540	530	520
	Imports	1000 m^3	148	48	80
	Exports	1000 m^3	332	213	250
	Apparent consumption	1000 m^3	356	365	350
3	WOOD CHIPS, PARTICLES AND RESIDUES				
	Domestic supply	1000 m^3	1.998	2.002	2.010
	Imports	1000 m^3	820	1.169	1.300
	Exports	1000 m^3	160	232	250
	Apparent consumption	1000 m^3	2.659	2.938	3.060
1.2.3.C	OTHER INDUSTRIAL ROUNDWOOD, CONIFEROUS				
	Removals	1000 m^3	0	0	0
1.2.3.NC	OTHER INDUSTRIAL ROUNDWOOD, NON-CONIFEROUS				
	Removals	1000 m^3	0	0	0
1.1.C	WOOD FUEL, CONIFEROUS				
	Removals	1000 m^3	754	760	770
1.1.NC	WOOD FUEL, NON-CONIFEROUS				
	Removals	1000 m^3	1.331	1.350	1.370

Product Code	Product	Unit	Historical data	Estimate	Forecast
			2016	2017	2018
5.C	SAWNWOOD, CONIFEROUS				
	Production	1000 m^3	929	935	930
	Imports	1000 m^3	592	693	770
	Exports	1000 m^3	654	663	700
	Apparent consumption	1000 m^3	867	965	1.000
5.NC	SAWNWOOD, NON-CONIFEROUS				
	Production	1000 m^3	477	480	485
	Imports	1000 m^3	159	168	180
	Exports	1000 m^3	278	280	290

	Apparent consumption	1000 m³	**358**	**368**	**375**
5.NC.T	**of which, tropical sawnwood**				
	Production	1000 m³	**0**	**0**	**0**
	Imports	1000 m³	**8**	**3**	**3**
	Exports	1000 m³	**3**	**2**	**2**
	Apparent consumption	1000 m³	**5**	**1**	**1**
6.1	**VENEER SHEETS**				
	Production	1000 m³	**79**	**80**	**80**
	Imports	1000 m³	**30**	**30**	**33**
	Exports	1000 m³	**83**	**78**	**80**
	Apparent consumption	1000 m³	**26**	**32**	**33**
6.1.NC.T	**of which, tropical veneer sheets**				
	Production	1000 m³			
	Imports	1000 m³			
	Exports	1000 m³			
	judas	1000 m³			
6.2	**PLYWOOD**				
	Production	1000 m³	**44**	**45**	**46**
	Imports	1000 m³	**76**	**87**	**92**
	Exports	1000 m³	**15**	**11**	**12**
	Apparent consumption	1000 m³	**105**	**121**	**126**
6.2.NC.T	**of which, tropical plywood**				
	Production	1000 m³	**0**	**0**	**0**
	Imports	1000 m³	**1**	**1**	**1**
	Exports	1000 m³	**0**	**0**	**0**
	Apparent consumption	1000 m³	**1**	**1**	**1**
6.3	**PARTICLE BOARD (including OSB)**				
	Production	1000 m³	**728**	**735**	**740**
	Imports	1000 m³	**470**	**557**	**600**
	Exports	1000 m³	**179**	**115**	**130**
	Apparent consumption	1000 m³	**1.019**	**1.177**	**1.210**
6.3.1	**of which, OSB**				
	Production	1000 m³	**0**	**0**	**0**
	Imports	1000 m³	**79**	**78**	**80**
	Exports	1000 m³	**11**	**7**	**9**
	Apparent consumption	1000 m³	**68**	**71**	**71**
6.4	**FIBREBOARD**				
	Production	1000 m³	**68**	**70**	**72**
	Imports	1000 m³	**185**	**199**	**210**
	Exports	1000 m³	**75**	**87**	**85**
	Apparent consumption	1000 m³	**178**	**182**	**197**
6.4.1	**Hardboard**				
	Production	1000 m³	**68**	**70**	**72**

	Imports	1000 m^3	**72**	**85**	**90**
	Exports	1000 m^3	**66**	**71**	**75**
	Apparent consumption	1000 m^3	**74**	**84**	**87**
6.4.2	**MDF (Medium density)**				
	Production	1000 m^3	**0**	**0**	**0**
	Imports	1000 m^3	**87**	**92**	**97**
	Exports	1000 m^3	**8**	**9**	**10**
	Apparent consumption	1000 m^3	**79**	**83**	**87**
6.4.3	**Other fibreboard**				
	Production	1000 m^3	**0**	**0**	**0**
	Imports	1000 m^3	**26**	**24**	**23**
	Exports	1000 m^3	**1**	**1**	**0**
	Apparent consumption	1000 m^3	**25**	**24**	**23**
7	**WOOD PULP**				
	Production	1000 m.t.	**0**	**0**	**0**
	Imports	1000 m.t.	**33**	**42**	**46**
	Exports	1000 m.t.	**13**	**19**	**22**
	Apparent consumption	1000 m.t.	**20**	**23**	**24**
10	**PAPER & PAPERBOARD**				
	Production	1000 m.t.	**127**	**135**	**137**
	Imports	1000 m.t.	**280**	**283**	**286**
	Exports	1000 m.t.	**104**	**110**	**115**
	Apparent consumption	1000 m.t.	**303**	**308**	**308**