

# **Bosnia and Herzegovina Market Statement**

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Boro Kovačević, MSc Forestry

Senior Advisor for Forestry Statistics

Agency for Statistics of Bosnia and Herzegovina

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## 1. General economic situation

GDP in BiH for 2015 (production approach-first results) had a nominal value of 14.592 mil.EUR or 16.192 mil. USD (28.540 mil. BAM). The nominal increase of GDP in relation with 2014 was 4,52% while real increase was 3,03%.<sup>1</sup>

GDP per capita amounted 3.821 EUR or 4.240 USD.<sup>1</sup>

Total value of industrial products sold in 2015 was 13.892 mil. BAM (7.103 mil. EUR) or 2,6% nominal increase compared to previous year.<sup>2</sup> Industrial manufacture of wood and of products of wood and cork, except furniture and manufacture of articles of straw and plaiting materials (As per nomenclature of industrial products – current PRODCOM list for 2015) amounted 296,72 mil. EUR (580,33 mil. BAM), according to preliminary results. In the same period sold value of manufacture of furniture products in Bosnia and Herzegovina amounted 243,10 mil. EUR (475,40 mil. BAM)<sup>2</sup>.

Total value of export of goods from Bosnia and Herzegovina in 2015 was 4.595.141.000 EUR or 5.099.186.000 USD. Total import of goods to Bosnia and Herzegovina in the same period was 8.104.929.000 EUR or 8.993.965.000 USD.<sup>3</sup>

Total export of forestry and logging products was 44.185.000 EUR in 2015 and 45.757.000 EUR in 2014 which is 3,56% decrease.<sup>3</sup>

Total value of export of wood processing industry products except furniture was 274.905.000 EUR in 2015 and 252.730.000 EUR in 2014 which means 8,77% increase.<sup>3</sup>

## 2. Forestry and wood processing sector

**Forests** and forest land cover around 53% of the country area or around 2,8 millions of hectares. According to ownership structure 79,6% of forests and forest lands are publicly owned while 20,4% are in private ownership. In public sector high forests including forest plantations cover 1,1 millions of hectares<sup>4</sup>. These are most productive forests in Bosnia and Herzegovina. Total forest stock is estimated to be around 350 mil. cubic meters (wood thick 7 cm and above measured at thinner end) producing an estimated 10 mil. cubic meters of volume increment annually (wood with thickness 7 cm and above measured at thinner end)<sup>4</sup>.

Forest certification according to FSC standards is ongoing and it's not completed yet on the whole territory of Bosnia and Herzegovina<sup>4</sup>.

According to survey of economic accounts indicators for forestry<sup>5</sup>, there is 490,12 mil. EUR of forestry goods output including estimated value of net annual increment of standing timber for 2014. GVA (gross value added) for 2014 is 306,08 mil. EUR compared to 251,63 mil. EUR in 2013 is 21,6% more. GFCF (gross fixed capital formation) was recorded at the level of 13,17 mil. EUR which is 3,95 mil. EUR more than in 2013. These are indications of growing trend of economic development in Bosnia and Herzegovina forestry sector after 2013 which is very likely to continue in 2015.

Forestry and wood processing industry are important part of Bosnia and Herzegovina economy. As base for development there are own resources and long lasting manufacturing tradition. Forestry and wood processing together make the oldest industrial branch in Bosnia and Herzegovina. The industry has exporting potential and it is one of few industries which has high foreign trade surplus. There are significant potentials in production and export of energy wood (wood pellets), engineered wood products and wood based boards but also sawnwood products, veneer and furniture. Wood processing industry production has increased for 30,8% compared to 2010 and 9,5% compared to 2014<sup>6</sup>. Paper and paper products industry increased for 30,4% compared to 2010 and 37,7% compared to 2014<sup>6</sup>. There are numerous sawmilling and furniture production capacities in Bosnia and Herzegovina that overcome domestic market needs. Significant quantities of sawnwood, energy wood and furniture are exported mostly to Serbia, Montenegro, Croatia, Slovenia, Italy, Germany, Great Britain, France, Hungary, Slovakia and also to USA, Australia and asian countries.

### **3. Forest and wood processing industry products**

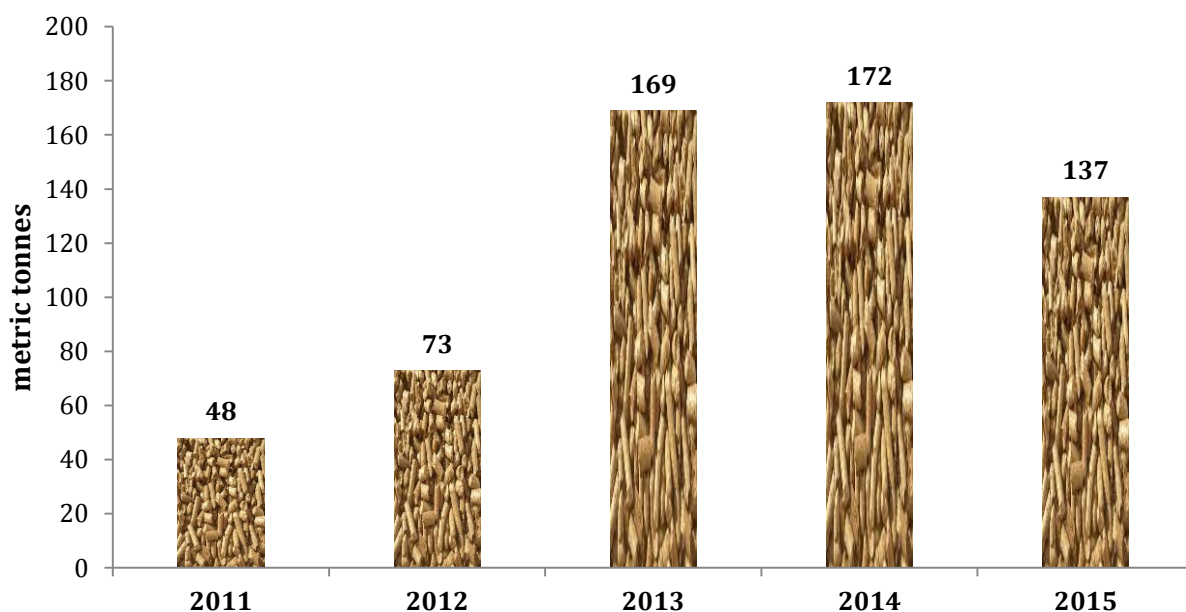
#### **3.A. Roundwood**

Production of roundwood in Bosnia and Herzegovina in 2015 was 4.040 thousands of cubic meters. Production of industrial roundwood was 2.734 thousands of cubic meters or 67,7% and production of wood fuel was 1.306 thousands of cubic meters or 32,3% of totally produced roundwood<sup>7</sup>. Softwood (coniferous species) share, in total production of roundwood is 48,9% while hardwood (broad leaf species) makes 51,1% of roundwood production. This is generally result of influence of large quantities of fuel wood produced from broad leaf species (mostly european beech – *Fagus sylvatica*). Looking at production of industrial wood only, the picture is much more different: 72,1% of industrial roundwood are softwood assortments (saw logs mostly) and 27,9% is hardwood<sup>7</sup>. This ratio complies to floristic composition of Bosnia and Herzegovina forests where most of the high, productive forests are composed of coniferous species (European fir-*Abies alba* and european spruce-*Picea abies*) or mixed coniferous species and european beech which is dominant economic non coniferous species. It could be said that recorded production of roundwood assortments in Bosnia and Herzegovina over past five years varies very little depending on various economic factors from year to year. Having in mind wood stocks and average annual volume increaments it is certain that there are possibilities for developing production in Bosnia and Herzegovina forestry.

#### **3.B Energy wood**

Production and export of wood for energy in Bosnia and Herzegovina record rapid development. It is most likely due to growing demands for renewable energy sources and rising prices of natural gas in EU. Bosnia and Herzegovina belongs to countries that predominantly export all kinds of energy wood including solid wood for heating (in round or split shape), wood charcoal, wood chips, wood sawdust and other residues and particles, wood pellets and other agglomerates. Major expansion has production and export of wood pallets. The export of pallets has grown from 73.000 t in 2012 to 172.000 t in 2014<sup>6</sup>. The enormous grow of wood pellet export in past ten years had a slight reduction in 2015 (137.000 t)<sup>6</sup> probably due to growing domestic consumption of wood pallets and rising competition especially on EU market.

## Export of wood pellets from Bosnia and Herzegovina 2011-2015



### 3.C. Sawnwood

Production of sawnwood in last five years is on quite constant level. After the slight drop in 2009 of 781.000 m<sup>3</sup> the production had rise of 822.000 m<sup>3</sup> in 2010 and 868.000 m<sup>3</sup> in 2011. In 2012 and 2013 it remained on same level of 853.000 m<sup>3</sup>. In 2014 and 2015 the production of sawnwood again had a rise to 969.000 m<sup>3</sup> and 1.060.000 m<sup>3</sup> respectively<sup>6</sup>. Ratio in production between coniferous species (softwood) and non-coniferous species (hardwood) is rather constant and its about 65% of production of coniferous sawnwood and 35% of production of non-coniferous sawnwood. The similar case is in export. Export of sawnwood had a rise from 629.000 m<sup>3</sup> in 2009 to 789.000 m<sup>3</sup> in 2011. It showed signs of slight drop from 762.000 m<sup>3</sup> in 2012 to 743.000 m<sup>3</sup> in 2013 compared to 2011. After the reduction in 2012 and 2013 there was a rise of sawnwood export from Bosnia and Herzegovina again from 899.000 m<sup>3</sup> in 2014 to 936.000 m<sup>3</sup> in 2015<sup>6</sup>. General conclusion for Bosnia and Herzegovina wood processing industry as a whole is that there is an overcapacitation with sawmill companies and that the industry investments in the future should be more oriented to production with higher value added (furniture and wood based panels and boards and other engineered wood products).

### 3.D Wood panels and veneer

Production of wood panels and veneer in Bosnia and Herzegovina in 2015 is around 58.000 m<sup>3</sup> according to available data. Most of that is production of plywood, around 28.000 m<sup>3</sup> and veneer sheets around 18.000 m<sup>3</sup>. Domestic production of particle boards is small and not nearly enough for wood industry production needs. That is the reason for import of around 136.000 m<sup>3</sup> of different particle boards to Bosnia and Herzegovina in 2015<sup>6</sup>. Fibreboards and oriented strandboards-OSB are also almost

completely imported. Around 75.000 m<sup>3</sup> of fibreboards was imported in 2015<sup>6</sup> and the trend is rising. The import of particle boards is rather constant over the past several years as well as import of fibreboards with expected increase in the future. Small or non existing domestic production of fibre boards, particle boards and OSB on one side and comparably large and rising need of domestic furniture industry on the other side together with available raw material resources open possibilities for development of the fibre and particle boards industry and foreign investments.

### **3.E. Value added wood products**

In 2015 export of wooden furniture reached value of 117.977.252,62 EUR. It's a significant reduction compared to previous 2014 when export value amounted to 174.077.511,85 EUR and 158.825.940,90 EUR in 2013 but still higher than it was in 2011 and 2012 years when the value of furniture export dropped to low 85.868.838,29 EUR and 92.945.235,53 EUR respectively<sup>6</sup>. There was around 5 mil. pieces of different wooden furniture produced in Bosnia and Herzegovina in 2015<sup>8</sup>. About 60% of total furniture production in Bosnia and Herzegovina is made by production of upholstered and non upholstered seats with wooden frames (chairs) and wooden furniture for dining and living rooms.

<sup>1</sup> BHAS, First release „GROSS DOMESTIC PRODUCT OF BOSNIA AND HERZEGOVINA 2015 *Production approach, first results*“

<sup>2</sup> BHAS, Production and sale of industrial products in Bosnia and Herzegovina (PRODCOM), 2015, First release

<sup>3</sup> BHAS, Bosnia and Herzegovina foreign trade bulletin-2015

<sup>4</sup> Data compiled from „Information on forest management in Federation of Bosnia and Herzegovina“ for 2015 issued by Federal Forestry Directorate of the Ministry for Agriculture, Water management and Forestry of FBiH and RSIS Forestry Statistical Bulletin 2016 and forests and forest land cadastral data from public enterprise „Šume Republike Srpske“.

<sup>5</sup> Economic accounts for Forestry and Logging indicators survey carried out by BHAS, Institute for Statistics of FBH and Republic of Srpska Institute of Statistics

<sup>6</sup> JFSQ 2015 for Bosnia and Herzegovina

<sup>7</sup> Data from quarterly and annual survey of „Production, sales and stocks of forest assortments in Bosnia and Herzegovina in 2015“ by BHAS, Institute for Statistics of FBH and Republic of Srpska Institute of Statistics.

<sup>8</sup> Industrial production in Bosnia and Herzegovina 2015 *Prior PRODCOM results*, Bulletin, Agency for Statistics of Bosnia and Herzegovina