

## **ESTONIA**

### **COUNTRY MARKET STATEMENT**

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

##### Gross domestic product

The Estonian economy grew in 2015 by 1.1%, which was the slowest pace since 2010. Behind the growth, the slowdown was weak external demand and its negative impact on the confidence and investments of the business sector. The added value grew by 0.3% thanks to domestic consumption-oriented activities, particularly in support of the retail business. Throughout the year, the growth slowed down mostly by the logistics sector and construction. The logistics industry was affected by the decline in trade and transit. The decline in construction was mainly caused by reduced construction of facilities.

Ministry of Finance of Estonia expects 1.3% growth of GDP for 2016 (2.5% in 2017).

##### Domestic demand

The development of domestic demand in 2015 was controversial, and as a whole, domestic demand fell by 0.7%. There is no boom in domestic demand in Estonia, and in addition, there is weak external demand and the economic growth is limited by the modest domestic demand.

##### Balance of payments

Due to modest investments and extraordinary dividend payments of foreign companies, the current account surplus increased to 1.9% of GDP in 2015. In addition to the reduction in profits made in Estonia, the primary income account was affected by the income tax paid from the extraordinary dividends of foreign investors.

##### Foreign trade

Estonian economic growth is largely affected by foreign trade the development of which is strongly connected to the economic situation of trading partners. In 2015, there was no recovery in the world economy and trade development was slightly slower than expected. Export had a negative development in particular, due to modest external demand. The reason for this was the deterioration of the economic situation of the major trading partners, which led to a decline in demand for imports.

In 2015, the total trade turnover decreased by 4%, reaching 24.7 billion euros. Over the past three years, trade volumes were declining. The volume of exports was 11.6 billion euros, and the volume of imports was 13.1 billion euros. In 2015, the trade deficit was 1.5 billion euros.

Larger negative balances of trade were with chemical products (-0.53 billion), means of transport (-0.52 billion), machinery and equipment (-0.38 billion), mineral products (-0.33 billion), plastic products (-0.33 billion euros) and prepared foodstuffs (-0.3 billion euros). Trading with a higher surplus took place with wood and wood products (0.8 billion euros), and with furniture, pillows, blankets and wooden buildings (0.7 billion euros). The shares of export and import in trade compared to the previous year did not change, remaining at the same level of 47% and 53%. Out of major trading partners, Estonia remained to have a positive trade balance with Sweden (0.1 billion euros). Larger trade deficits came from Germany and Poland.

In contrast to the trend, export of wood and timber products had, however, a positive direction, increasing by 4% within a year. The largest share of the exports of wood products accounted for construction elements and lumber. Despite the fact that the exports to other key partners, such as Sweden, Finland and Germany were in decline, the group showed growth by a high in demand in Denmark, Great Britain, Latvia and the Netherlands. Similar product groups prefabricated buildings and furniture had also a positive impact.

In 2016, external demand is expected to remain virtually unchanged. The forecast of the Estonian Institute of Economic Research the foreign trade development expectations were positive, albeit relatively weak

##### Labour market

According to Statistics Estonia, the unemployment rate was 6.2% and the employment rate was 65.2% in 2015. Although the unemployment rate fell to an annual average but the slight rise in the number of registered

unemployed indicates changes in the unemployment trend at the end of the year. The result of increasing number of employees and decreasing unemployment rate exceeded expectations since the reduction in the working-age population is fast and both the labour force participation and the employment rate is already the all-time highest. Apparently, an important driver of growth in employment was the introduction of the registration of workers by the Tax and Customs Board in the summer of 2014.

The main contributors to employment growth were the timber industry and information and communication. Out of the larger areas of activity, employment dropped most in transport and warehousing, which has been hit the hardest by the decrease in the Russian direction trade volumes.

The vacancy rates have risen modestly in recent years, despite a significant decline in unemployment, and was almost twice below the pre-boom levels. The partly rapid decline in unemployment in the conditions of few vacancies can be explained by an increase in the flexibility of the labour market

In 2015, the annual average number of unemployed persons was 42 300 which is over 7,000 less compared to the previous year. Compared to the highest unemployment rate of the last decade (16.7% in 2010), unemployment has decreased more than twice. In 2015, the unemployment rate in Estonia was relatively low, compared to other European Union countries.

The long-term unemployed (i.e. people who had been looking for a job for 12 months or longer) numbered 16 200 in 2015, of which those who had been looking for a job for at least two years numbered 9 100. Compared to the previous year, the number of the long-term unemployed decreased by 28% (the number of those who had been looking for a job for at least two years decreased by 22%) and the number of the short-term unemployed (i.e. people who had been looking for a job for under a 12 months) decreased by 4%. The long-term unemployment rate was 2.5% in 2015. The youth unemployment rate (i.e. the share of unemployed persons aged 15–24 among the labour force of the same age) was 13.1% in 2015 (15.0% in 2014).

The labour market is facing structural changes, resulting in an increase in the number of older employed persons and a decrease in the number of younger employed persons. During the last ten years (2005–2015) the number of older employed persons (aged 50–74) increased by 38 300, whereas the number of young employed persons (aged 15–24) decreased by 13 000 and the number of employed persons in middle working age (aged 25–49) decreased by 1 600

In 2015, the employment rate of the population aged 15–74 was 65.2%, which is close to the level seen during the last economic boom. The employment rate increased by 2.2 percentage points compared to 2014. In addition to the economic growth, various factors contributed to the increase in the employment rate, including the decline in population, the unequal size of population groups, the gradual increase in retirement age, etc. The employment rate of the population aged 20–64, which is a Europe 2020 indicator, was 76% in 2015. After the economic crisis, the employment rate has been gradually reached the target level set for Estonia –76%.

Economically inactive persons (students, retired persons, homemakers, discouraged persons, etc.) made up 32% (305 000 persons) of the population aged 15–74 in 2015, which was 16 400 less than the year before. Among inactive persons, the number of pensioners and persons inactive due to studies decreased the most. The number of persons inactive due to health problems stayed in same level. Discouraged persons, i.e. persons who have stopped seeking a job, numbered 5 900 in 2015

### Consumer price index (CPI)

Due to the effects of the outside world, the consumer prices have been in decline since mid-2014. Influenced by overproduction, the growth difficulties of the developing countries, as well as by favourable weather conditions, the prices of raw materials have declined rapidly. In 2015, oil cheapened to a greater degree, (nearly 50%) which by cheapening of energy products led to a 0.5% decline in consumer prices.

### Manufacturing

About 6,000 companies operate in the manufacturing industry in Estonia; most of them are small or medium-sized. There are over 200 companies with at least 100 employees. Half of the employees in the manufacturing sector are employed by them. The share of the manufacturing sector in the economy, on the basis of added value, is almost as high in Estonia as it is in the EU on average (ca 15%).

The share of people employed in manufacturing, however, is one of the highest (about one-fifth) among the EU countries. Manufacturing industry as a whole is the largest employer in Estonia, almost every fifth employed person works in this sector. Indicating that elsewhere generally more value can be created with the same number of employees. In recent years, the difference between the share of value added and employment has declined. According to the forecast, the number of employees in the manufacturing industry will not change significantly in the coming years, but the most labour-intensive sectors are expected to continue to fall in employment. Jobs are expected to be added to the sectors creating higher added value.

Share of sub-sectors in sales of manufacturing industry is following: equipment industry 21%, wood industry 17%, food industry 15%, metal industry 11%, chemical industry 6%, furniture industry 4%, textile industry 4%, building materials industry 3%, rubber and plastic industry 3% and other sub-sectors 16%. The sector is heavily dependent on foreign markets to where nearly 70% of the production is sold. The main export markets are Finland and Sweden from where have come the vast majority (over 60%) of foreign investments made in the manufacturing industry in Estonia.

The production volume of the Estonian manufacturing industry was a half percent lower than that of 2014. Industry figures were negatively affected in particular by the chemical industry and the electronics industry. However, the timber industry continued to show strong growth.

Despite the standstill in production volumes, the number of employees in enterprises increased (4%). The decrease in demand in the chemical industry, electronics industry and manufacturing of means of transport also resulted in a reduction in the number of workers in those industries, but this was offset by growth in the number of employed in the timber industry, the metal industry, and in several other industries.

Short-term statistics suggests that in 2015, companies invested the same amount as a year earlier

In early 2016, however, estimates were somewhat more optimistic than a year ago at the same time. The orders portfolio increased. Forward-looking indicators were slightly better than a year ago; progress was seen particularly in exports. In the first months of 2016, production data of the manufacturing industry as a whole did not show a significant change compared to the previous year, but by the branches, the picture was different.

### Wood industry

Wood is one of the most important natural resources in Estonia besides oil shale and makes a significant contribution to the balancing of foreign trade. Wood industry is one of the largest industries in Estonia. More than one thousand companies, employing more than 16,000 people are operating in wood processing and manufacture of wood products. The larger companies in the sector have modern technology and are highly competitive in domestic and foreign markets.

For the past six years, the wood industry has shown stable growth. Wood industry has a wide range of products, from the manufacture and processing of lumber to the manufacture of wooden houses, windows and doors. Wood industry with high added value is important for local forest industry that supplies raw material and has reliable partners.

The wood industry is one of the flagships of Estonian industry, the competitiveness of wood industry is extremely important for the Estonian economy. As the sector values the domestic resource, the added value generated by exports is largely kept in Estonia. It is positive that in recent years the wood industry has expanded its product portfolio and increased its international competitiveness. A good example is prefabricated wooden buildings, where Estonia has risen to three in the world among the biggest exporters next to the USA and China. Whereas in Europe, Estonia is the biggest exporter thereof (total sales of prefabricated wooden houses 264 million euros).

In 2015, both the production and export growth rates decreased in the wood industry, but nevertheless, the growth was faster than the average of the Estonian industries. Sales grew at a similar pace both in the domestic and foreign market.

In 2015, raw materials became cheaper for the wood industry, as timber prices fell. It was also one of the reasons why in the sector, producer prices fell by almost 3%. However, the fall in prices also characterized other inputs such as fuel and electricity, which were also cheaper than the year before.

In 2015, the wage increases in the wood industry slowed down somewhat, remaining at Estonia's average level. Total sector wages increased by 5.8% compared with the previous year.

For the Estonian wood industry, exports have always been important, accounting for about two-thirds of sales, amounting to 1.1 billion euros. The export geography of the sector is very broad, and in 2015 there was an export turnover with 91 different countries, as well as undefined regions. The main export partners in 2015 were Sweden, Norway, and Finland, to where more than 40% of production is shipped.

As said earlier Estonia to keep the title of the largest exporter of prefabricated wooden buildings. But the same volume with wooden houses, Estonia exports construction components (windows, doors, laminated wood, etc.). The major target markets of both commodity group are the Scandinavian countries.

The expectations of the enterprises surveyed by the Estonian Institute of Economic Research in the spring of 2016, were slightly more positive compared with a year earlier. More than half of the companies surveyed expected increases in production the coming months and the existing orders guaranteed work for a 25% longer period than a year earlier.

### Paper industry

The paper industry has a long tradition in the Estonian economy and is a relatively consolidated industry. In Estonia, there are about 60 paper, pulp or paper products enterprises, which employ around 1400 people. The high level of automation and modern technology has made the production of pulp one of the highest-productivity sectors in Estonia.

Over 80% of the sector's production is exported which is why, as users of local raw materials, they are important in improving foreign trade balance.

Despite the fierce competition, the year 2015 can be considered quite well for the paper industry. Paper industry continued to rise in sales volumes, increasing by 0.6%. Growth was fueled mainly by exports; the domestic market behaved somewhat weaker.

The major players in the sector in Estonia are two companies: pulp producer AS Estonian Cell, that in 2015, made a turnover of 78 million euros, and the paper and cardboard producer Horizon Pulp and Paper Ltd with a slightly lower turnover. In total, they provide more than two-thirds of the sector's revenue. In recent years, the sector has been characterized by large investments in growing both energy efficiency as well as environmental sustainability. Year 2015 was successful for Estonian Cell, production volumes are increased by 2% up to 169,000 ton. Main product Horizon is sack Kraft paper, which is sold all over the world. The success has been ensured for the company by specialization in wrapping paper, the demand for which has been increased by ever-growing online shopping.

The expectations of paper industry companies had a somewhat more negative view of the future than a year earlier. There were fewer export orders, and a quarter of the companies considered their current stocks of finished products too high. Also, reduction in the workforce was considered likely.

### Furniture industry

More than 600 companies which employ about 7,700 people are engaged in furniture manufacturing. The furniture industry is a sector that has a long tradition in Estonia, which is an important employer in rural areas and helps to increase the value of domestic raw materials. Over the past decade, the number of companies operating in the sector has increased by 50%, but the number of employed persons has decreased by 30%. At the same time, the number of micro-enterprises is increasing. However, three large companies with more than 250 employees also operate in the sector.

For the furniture industry, the year 2015 was the year for proper growth. The local real estate market was active, and people purchased new furniture for their new homes. Nevertheless, the percentage of exports in sales has continued to drop, indicating that in the foreign markets competitiveness has not grown at the same pace. In furniture production, successful competition with foreign markets is important. Nearly two-thirds of the production is exported. The most important markets are the Nordic countries, in 2015 Finland accounted for nearly a third of the total exports.

The results of the survey of the Estonian Institute of Economic Research showed that in the spring of 2016, the furniture industry enterprises were significantly more positively minded than the year before. A third of the companies believed that in the coming months, production capacity would increase. Whereas nobody estimated decline.

### Construction

In 2015, over 9,000 construction companies operated in Estonia, of whom 90% are micro-enterprises with fewer than ten employees.

The Estonian construction sector has largely remained oriented on the domestic market and therefore, the developments in the construction market are closely related to general economic development. Exports in the construction sector activated in particular in recession years, while the share of exports in recent years has been steadily falling. Many companies have optimized their activities so as to respond better to the domestic market demand.

In 2015, the construction market was once again primarily oriented to small domestic projects. The shrinkage of the market is characterized by all the key indicators, particularly the construction volume index of buildings and facilities and the wages and productivity, all of which were in 2015 either in decline or remained unchanged.

In 2015, the total number of construction works carried out in Estonia was EUR 3.11 billion, which was 3.6% lower than the year 2014 volume. In Estonia work was carried out in the value of 2.92 billion euros and the volume of work carried out in foreign countries was 0.19 billion euros

Investment activity in the construction market slowed down in 2015 for the second year in a row. All the basic indicators went through a decline reaching several tens of a percent. One reason is that the large works

financed from structural funds are about to be launched. Investment opportunities are found particularly in favourable conditions when the workflow helps to guarantee confidence and expectation of profits.

According to the labour force survey, in 2015, a total of 61,800 people worked in the construction sector, which means that the number of employees went from a 5.3% increase compared to the 2014 level. The average gross salary of the people working in the construction sector did not change in 2015, but remained at the level of 1,048 euros, while the country's average salary rose to 1,065 euros

## **2. Policy measures**

### Legal measures

Most recent legal changes were taken at the end of 2013 when minor amendment to Forest act were adopted by Parliament. Legal changes alleviated certain restriction in fellings (felling coupe widths and area limits), reduced bureaucracy in forest management for forest owners – simplification of pre-notification process in forest management operations and raised the forest land area limit per holding (from 2 to 5 hectares) when existence of valid forest inventory data is compulsory precondition to carry out forest operations.

### Forest law enforcement, governance and trade

The adoption of EU timber regulation did not necessitate amendment to national legislation - existing legislation provides sound framework for implementation of regulation.

Several measures have been taken to guarantee the sustainable forestry practice in Estonia: quick and easy access has been made available to forest inventory and management data for forest administration and public (see <http://register.metsad.ee/avalik/#>), continuous capacity building in forest administration institutions have taken place, cooperation between governmental institutions have been set up to fight illegal activities in forestry, counseling and training of forest owners is continuously proceeds. As a result of efforts the number of illegal fellings has decreased considerably: only 8 illegal fellings were registered in 2014 (in 2002 respective figure was 837 cases with total illegally felled volume 127 096 m<sup>3</sup>).

## **3. Developments in forest products markets sectors**

### **A. Wood raw materials**

There is 2.274 million ha of forest land in Estonia (50.3% of the total land area). 41% of it is managed by State Forest Management Centre, 3% other state forest land, 33% by physical persons, 15% by juridical persons and 8% is unreformed land and out of active management (National Forest Inventory 2014).

Distribution of forest land by tree species – pine (*Pinus sylvestris*) 32.5%, birch (*Betula pendula*) 30.3%, spruce (*Picea abies*) 17.6%, grey alder (*Alnus incana*) 9.0%, aspen (*Populus tremula*) 5.7%, black alder (*Alnus glutinosa*) 3.3% and others 1.7% (National Forest Inventory 2014).

According to the data of felling documents the interest in forest management increased considerably in 2010–2015 – total volume of planned fellings are around 13 million m<sup>3</sup>. Due to the fact that not all of the planned fellings are implemented, the estimated total felling volume could have been about 10 million m<sup>3</sup> in that period. The optimal level of fellings according to the Estonian Forestry Development Plan until year 2020 is annually 12–15 million m<sup>3</sup>.

The export of industrial roundwood increased 11.8% in 2015 compared to 2014 (2.77 mln m<sup>3</sup> in 2014 and 2.43 mln m<sup>3</sup> in 2015). 85% of exported roundwood was pulpwood. Import volume of roundwood has increased 25.6% (0.29 mln m<sup>3</sup> in 2015). The main export partners in 2014 were Sweden, Finland, Germany and main importing partner was Latvia (72.5% of imported roundwood).

Timber market had a downtrend in 2015. In Q4 companies' average delivery prices decreased in all sortments. Prices of spruce logs decreased 5.9%, spruce logs d<18 cm 4.8% compared to Q4 in 2014. Prices of pine logs decreased 7.8% and pine logs d<18 cm 8.1%. Prices of pine pulpwood decreased 4.3%, spruce pulpwood 1.4% and aspen pulpwood 8.2%. Prices of birch pulpwood decreased 10.9%. Average prices of fuelwood decreased 4.2%.

### **B. Wood energy**

Firewood, wood chips and -waste and wooden briquette/pellets are the main wood-based energy products produced in Estonia. The main use of the wood for energy is heat generation but in the recent years the importance of wood for electricity generation has increased as well due to the new co-production power plants.

There were 844 wood using boilers in 2015 (874 in 2014) that is 23% of the total number of boilers. There were 357 wood using boilers in industry sector, 143 in energy sector, 67 in agriculture, 19 in transport

and 258 in commercial and the public services sector. The capacity of wood using boilers was 1010 MW i.e. 20.4% of total capacity of boilers; 1834 GWh heat was generated in 2015 (40% of total heat generation), using 12,249 TJ of wood fuel.

30,000 m<sup>3</sup> of firewood, 1.3 million m<sup>3</sup> of wood chips, 0.42 million m<sup>3</sup> of wood waste and 14,000 tons of wooden briquette/pellets were used for heat generation in 2015.

Gross inland consumption of firewood was 1.53 million m<sup>3</sup> in 2015, most of it in households. 2.2 million m<sup>3</sup> of wood chips and waste were used in 2015 by energy sector – 77,2% of it for the conversion to heat and 22,8 for electricity production.

Gross inland consumption of briquette/pellets was 44,000 tons in 2015 (23,000 t in households and 14,000 t by energy sector for heat generation). Total production of briquette and pellets was 925,000 tons in 2015 (885,000 tons were exported, 20,000 tons imported).

Electricity production of power plants was 10,417 GWh in 2015 of which 710 GWh was generated from wood (6.8%). Heat production of power plants was 3,998 GWh in 2015 of which 1,511 GWh from wood fuels (37.8%).

From 2004 wood chips have been used as biomass fuel for heat and electricity co-production power plants (CHP); the usage of wood chips has increased rapidly from 4,400 m<sup>3</sup> in 2004 up to 1,1133 million m<sup>3</sup> in 2015 (1.17 million m<sup>3</sup> solid volume in 2014). The number of turbines/internal combustion engines was 36 in 2002 and has increased up to 45 in 2015.

There was a decrease in average cost of many fuels and energy consumed by enterprises in 2015. The price of wood waste decreased 28%, shale oil 36%, light fuel oil 20%, diesel 17%, heavy fuel oil 39% and wood chips 3%.

#### C. Certified forest products

There are 2 forest management/chain of custody (COC) certificate systems used in Estonia – FSC (Forest Stewardship Council) and PEFC (Programme for the Endorsement of Forest Certification).

FSC story for Estonia begins with establishing the Estonian Sustainable Forestry Working Group in 1998, which task was to compile Estonian Sustainable Forestry Standard (ESFS). It was decided to base ESFS on the FSC principles and criteria's, setting the beginning of Estonian FSC forest management standards development. Although the working group approved the ESFS in 2000, it did not provide a sufficiently practical output and also lacked of international recognition.

In 2002 was created a non-profit organization whose aim was to prepare standard to be accepted by the international FSC. Finally in 2010 was signed a partnership agreement, in which FSC Estonia was awarded with the status of the FCS national office. Nevertheless Estonian national FSC standard hasn't been approved by international FSC. New version of forest management standard is in the preparation phase and is expected to be approved at the beginning of 2018 by international FSC.

FSC forest management certificates and 241 FSC chain of custody (COC) certificates have been issued in Estonia. Total area of FSC certified forest land is 1.264 million ha. Most of the FSC certified forests are managed by Estonian State Forest Management Centre (managing 40% of Estonian forests).

Since 2007 PEFC certification is available in Estonia. Estonian national PEFC scheme was approved in 4.03.2008. There are 59 valid PEFC chain of custody certificates in Estonia (18.10.2016), 1 individual forest management certificate – Estonian State Forest Management Centre since 29.11.2010 and 4 group certificates. Total PEFC certified area is 1.13 million ha.

#### D. Value-added wood products

In 2015 the production of wooden furniture had increased 9% from 296 million EUR to 323 million EUR. Export value of wooden furniture had a similar rise (10%) from 230 million EUR to 254 million EUR level i.e. 15 % from total export value of wood and wooden products (excluding pulp and paper) in 2015; relevant figures for import were 88 million EUR and 15%.

Sales volume of the joinery and carpentry products was 393 million EUR (371 million EUR in 2014). In 16 years export of joinery and carpentry products had increased significantly, both in absolute terms and as a proportion of the total exports of wood and wooden products. In year 2000 export of joinery and carpentry products was 30.6 million EUR and share from total exports of wood and wooden products was 5%, in 2015 relevant figures were 243 million EUR and 15%. Import value of joinery and carpentry products was 25.3 million EUR (5% from total imports of wood and wooden products).

Production of further processed sawnwood increased 8% to 111 million EUR (103 million EUR in 2014), the export value of further processed had a slight (3%) decrease, 102 million EUR further processed

sawnwood was exported. The share of further processed sawnwood was 6% from the total value of total wood products' exports and similar share for imports was 1%.

Sales volume of the prefabricated wooden buildings (log houses included) rose for a second year in a row, 12% from 262 million EUR in 2014 to 299 million EUR in 2015. In 2015 the share of prefabricated wooden buildings was nearly 17% from the total value of wood products' exports (for comparison 5.2% in 2000) and similar share for imports was 0.5%.

#### E/F. Sawnwood

Sawnwood production was at the peak in years 2003–2006 and then started to decrease due to the deficit of raw material and decreasing sales' opportunities (lowest point in 2009 1.13 million m<sup>3</sup>). In 2010–2013 sawnwood production stayed relatively same 1.5 million m<sup>3</sup> level. In 2015 production of sawnwood rose to 1.8 million m<sup>3</sup>. In coming years production should rise more due to opening the new sawmills with capability to process small logs. The majority of sawnwood was coniferous (90%).

Earlier steady growth of sawnwood imports turned to sudden 35% decrease in 2008. Sawnwood imports decreased to 0.5 million m<sup>3</sup> level in 2009, but in 2010 turned to growth again. In 2015 import of sawnwood rose to a new peak – 1.08 million m<sup>3</sup>. The increase of sawnwood import indicates recovered demand from domestic and foreign further-processing companies. After being three years (2010–2012) in same 0.75 million m<sup>3</sup> level in 2015 sawnwood export had third year in the row 6-7% increase to 0.91 million m<sup>3</sup>. The share of sawnwood exports' value from the total value of wood products' exports has decreased to 14%, for example in 2000, it was 26%. Similar figures for import of sawnwood are moving in the other direction 18% to 45%

#### G. Wood-based panels

In 2015 the production of plywood stayed third year in the row in same level (below 50 000 m<sup>3</sup>). After a four year decrease export rose again 6% from 48 100 m<sup>3</sup> to 51 000 m<sup>3</sup>. Import of plywood also rose slightly from 82 400 m<sup>3</sup> to 83 700 m<sup>3</sup>. Due to the increase in production capacity in 2016, export and production are expected to rise. Share of value of plywood exports from total value of wood products export was 2%, share of imports 7% in 2015.

In 2012 the production of particle boards decreased considerably due to closing of AS Pärnu plaaditehas (from 206 900 m<sup>3</sup> to 157 100 m<sup>3</sup>). In 2015 the production of particle boards had recovered and rose to a new peak to 253 000 m<sup>3</sup>. In 2015 import increase 13% and export decrease 18%. Share of value of particle board exports from total value of wood products export was 2%, share of imports was 4% in 2015.

There was no production of hardboard in 2015. Imports of hardboard increased 25% and exports of hardboard decreased 8%. In 2015 imports are expected to have a slight increase.

The production of insulating boards increased 5% in 2015, imports increased by 16% and exports decreased by 2%. Production and export are expected to increase in 2016.

Share of value of total fibreboard exports from total value of wood products export was 1%, share of imports 3% in 2015.

#### H. Pulp and paper

Production of pulp stood a 235 000 tons level 2015. The majority of the production (over 70%) is produced by thermo-mechanical aspen pulpmill (alkaline peroxide mechanical pulp (APMP)) technology in Kunda. Kunda factory produced nearly 170 000 tons of wood pulp in 2015. Production of unbleached coniferous chemical wood pulp was 65 000 tons in 2015. In 2007-2012 export of pulp had a steady growth to 147 000 tons level, in 2013 export of pulp had a slight decrease but in 2014 and 2015 rose to a new level - 173 000 t). In 2011 only minor import of pulp (about 1600 tons) took place, it rose to 12 000 tons in 2012, 23 000 tons in 2013, 28 000 tons in 2014 and in 2015 almost 42 000 tons of pulp were imported.

Paper production includes mostly the unbleached kraft sack paper production. After decline in 2009 the production volumes are almost back in 75–80 tons level. Export of unbleached kraft sack paper was 74 000 tons and import 16 000 tons in 2015.

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### **Summer forecast for 2015-2019 of the Ministry of Finance**

%	2015	2016*	2017*	2018*	2019*	2020*
Growth of real GDP	1.4	1.3	2.5	3.0	2.8	2.7
Growth of nominal GDP	2.5	3.1	5.2	5.8	5.6	5.5
GDP in nominal terms (bln €)	20.3	20.9	22.0	23.3	24.6	25.9
Consumer price index	-0.5	0.2	2.7	2.7	2.6	2.6
Employment (15–74-year-old, thousands)	640.9	646.5	646.1	644.4	643.0	642.9
Growth of employment	2.6	0.9	-0.1	-0.3	-0.2	0.0
Unemployment rate	6.2	6.2	7.2	8.4	9.3	9.4
Average monthly wage (€)	1065	1137	1199	1265	1332	1399
Real growth of average monthly wage	6.5	6.5	2.8	2.8	2.7	2.4
Nominal growth of average monthly wage	6.0	6.7	5.5	5.5	5.3	5.0
Current account (% of GDP)	2.2	1.1	0.8	1.0	1.1	1.2



Forest products production and trade in Estonia in 2015 and forecast for 2016–2017.

Product Code	Product	Revised	Estimate	Forecast
		2015	2016	2017
<b>1.2.1.C</b>	<b>SAWLOGS AND VENEER LOGS, CONIFEROUS</b>			
	Removals	2 827	3 000	3 000
	Imports	144	120	120
	Exports	207	240	270
	Apparent consumption	2 765	2 880	2 850
<b>1.2.1.NC</b>	<b>SAWLOGS AND VENEER LOGS, NON-CONIFEROUS</b>			
	Removals	767	775	775
	Imports	15	20	20
	Exports	162	170	150
	Apparent consumption	619	625	645
<b>1.2.1.NC.T</b>	<b>of which, tropical logs</b>			
	Imports	0	0	0
	Exports	0	0	0
	Net Trade	0	0	0
<b>1.2.2.C</b>	<b>PULPWOOD (ROUND AND SPLIT), CONIFEROUS</b>			
	Removals	1 100	1 000	1 000
	Imports	39	20	20
	Exports	1 041	920	920
	Apparent consumption	98	100	100
<b>1.2.2.NC</b>	<b>PULPWOOD (ROUND AND SPLIT), NON-CONIFEROUS</b>			
	Removals	1 350	1 300	1 300
	Imports	89	150	150
	Exports	1 022	1 000	1 000
	Apparent consumption	417	450	450
<b>3</b>	<b>WOOD CHIPS, PARTICLES AND RESIDUES</b>			
	Domestic supply	2 885	3 000	3 000
	Imports	104	141	140
	Exports	376	478	450
	Apparent consumption	2 612	2 664	2 690
<b>1.2.3.C</b>	<b>OTHER INDUSTRIAL ROUNDWOOD, CONIFEROUS</b>			
	Removals	27	27	27
<b>1.2.3.NC</b>	<b>OTHER INDUSTRIAL ROUNDWOOD, NON-CONIFEROUS</b>			
	Removals	25	25	25
<b>1.1.C</b>	<b>WOOD FUEL, CONIFEROUS</b>			
	Removals	695	700	700
<b>1.1.NC</b>	<b>WOOD FUEL, NON-CONIFEROUS</b>			
	Removals	1 008	1 100	1 100

Product Code	Product	Unit	Revised	Estimate	Forecast
			2015	2016	2017
<b>5.C</b>	<b>SAWNWOOD, CONIFEROUS</b>				
	Production	1000 m <sup>3</sup>	1 600	2 000	2 000
	Imports	1000 m <sup>3</sup>	974	1 080	1 000
	Exports	1000 m <sup>3</sup>	778	760	850
	Apparent consumption	1000 m <sup>3</sup>	1 796	2 320	2 150
<b>5.NC</b>	<b>SAWNWOOD, NON-CONIFEROUS</b>				
	Production	1000 m <sup>3</sup>	185	200	200
	Imports	1000 m <sup>3</sup>	102	130	120
	Exports	1000 m <sup>3</sup>	135	110	110
	Apparent consumption	1000 m <sup>3</sup>	152	220	210
<b>5.NC.T</b>	<b>of which, tropical sawnwood</b>				
	Production	1000 m <sup>3</sup>	0	0	0
	Imports	1000 m <sup>3</sup>	0	1	1
	Exports	1000 m <sup>3</sup>	0	1	1
	Apparent consumption	1000 m <sup>3</sup>	0	0	0
<b>6.1</b>	<b>VENEER SHEETS</b>				
	Production	1000 m <sup>3</sup>	100	120	120
	Imports	1000 m <sup>3</sup>	5	7	7
	Exports	1000 m <sup>3</sup>	94	95	95
	Apparent consumption	1000 m <sup>3</sup>	12	32	32
<b>6.1.NC.T</b>	<b>of which, tropical veneer sheets</b>				
	Production	1000 m <sup>3</sup>	0	0	0
	Imports	1000 m <sup>3</sup>	0	0	0
	Exports	1000 m <sup>3</sup>	0	0	0
	Apparent consumption	1000 m <sup>3</sup>	0	0	0
<b>6.2</b>	<b>PLYWOOD</b>				
	Production	1000 m <sup>3</sup>	50	50	70
	Imports	1000 m <sup>3</sup>	84	95	90
	Exports	1000 m <sup>3</sup>	51	60	60
	Apparent consumption	1000 m <sup>3</sup>	83	85	100
<b>6.2.NC.T</b>	<b>of which, tropical plywood</b>				
	Production	1000 m <sup>3</sup>	0	0	0
	Imports	1000 m <sup>3</sup>	0	0	0
	Exports	1000 m <sup>3</sup>	0	0	0
	Apparent consumption	1000 m <sup>3</sup>	0	0	0
<b>6.3</b>	<b>PARTICLE BOARD (including OSB)</b>				
	Production	1000 m <sup>3</sup>	255	250	250
	Imports	1000 m <sup>3</sup>	86	90	90
	Exports	1000 m <sup>3</sup>	130	100	100
	Apparent consumption	1000 m <sup>3</sup>	211	240	240
<b>6.3.1</b>	<b>of which, OSB</b>				
	Production	1000 m <sup>3</sup>	0		
	Imports	1000 m <sup>3</sup>	32	30	30
	Exports	1000 m <sup>3</sup>	0	1	1
	Apparent consumption	1000 m <sup>3</sup>	31		
<b>6.4</b>	<b>FIBREBOARD</b>				
	Production	1000 m <sup>3</sup>	80	80	80
	Imports	1000 m <sup>3</sup>	53	60	60
	Exports	1000 m <sup>3</sup>	87	90	90
	Apparent consumption	1000 m <sup>3</sup>	46	50	50
<b>6.4.1</b>	<b>Hardboard</b>				
	Production	1000 m <sup>3</sup>	0	0	0
	Imports	1000 m <sup>3</sup>	26	30	30
	Exports	1000 m <sup>3</sup>	3	2	2
	Apparent consumption	1000 m <sup>3</sup>	23	28	28
<b>6.4.2</b>	<b>MDF/HDF (Medium density/high density)</b>				
	Production	1000 m <sup>3</sup>	0	0	0
	Imports	1000 m <sup>3</sup>	25	25	25
	Exports	1000 m <sup>3</sup>	10	15	15
	Apparent consumption	1000 m <sup>3</sup>	15	10	10
<b>6.4.3</b>	<b>Other fibreboard</b>				
	Production	1000 m <sup>3</sup>	80	80	80
	Imports	1000 m <sup>3</sup>	2	5	5
	Exports	1000 m <sup>3</sup>	74	73	73
	Apparent consumption	1000 m <sup>3</sup>	8	12	12
<b>7</b>	<b>WOOD PULP</b>				
	Production	1000 m.t.	235	235	235
	Imports	1000 m.t.	42	25	20
	Exports	1000 m.t.	174	190	190
	Apparent consumption	1000 m.t.	103	70	65
<b>10</b>	<b>PAPER &amp; PAPERBOARD</b>				
	Production	1000 m.t.	70	70	70
	Imports	1000 m.t.	154	160	150
	Exports	1000 m.t.	91	80	80
	Apparent consumption	1000 m.t.	133	150	140
<b>4.1</b>	<b>WOOD PELLETS</b>				
	Production	1000 m.t.	1 070	1 200	1 200
	Imports	1000 m.t.	17	5	10
	Exports	1000 m.t.	883	1 000	1 000
	Apparent consumption	1000 m.t.	204	205	210