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P O L A N D
STATEMENT ON THE WOOD MARKET
REVIEW AND PROSPECTS

Ministry of the Environment

1. GENERAL ECONOMIC TRENDS AFFECTING THE FOREST AND FOREST INDUSTRIES SECTOR

In 2016 the Gross Domestic Product of Poland increased 2.7% in real terms; however, that result was 1.1 percentage point lower compared to the previous year. The economic growth was largely fuelled by domestic consumption, which increased 3.6% (compared to 2.8% in 2015). A demand increase was mainly observed in the household sector (3.8%, while in the public sector the demand increased 2.8%). On the other hand, gross accumulation decreased (1.8%), especially as regards the gross outlay on fixed assets (a 7.9% drop). The gross added value increased 2.6% (compared to 3.7% in 2015), but while industry recorded a real 3.6% growth, construction demonstrated as high as a 12% decrease compared to the previous year (in 2015 the increase in added value was observed for both industry in general and construction – 3.8% and 6.4%, respectively). GDP was also positively influenced by the balance of foreign trade; however the influence was insignificant at a level of 0.3 percentage point (while in 2015 it was 0.6 percentage point). Forecasts envisage that in the near future the GDP growth may be approximately 4% (annual average), stimulated by domestic demand and investments, mainly public (co-financed by the EU funds within the Financial Framework for the period 2014-2020). Simultaneously, attempts are made to transform Polish economy into a knowledge-based economy with an innovative production sector and a modern service sector.

In 2016 sold production of industry in Poland increased 3.1% compared to the previous year (in fixed prices; in 2015 the increase was 6%). In manufacturing the increase was 4%, while in the wood industry the sold production dynamics was 2.6%, in the pulp and paper industry and paper processing industry 3%, and in the furniture industry 11.1%. Sold production of the wood sector (PLN 122 billion, \$ 31 billion, € 28 billion) accounted for approximately 9% of sold production value in industry and more than 10% in manufacturing. As in previous years, the greatest share in the branch structure of sold production of the wood industry fell to the furniture industry – 36%, followed by the wood industry and the pulp and paper industry (together with paper processing) – approximately 32%. It is estimated that in the period 2017-2018 sold production of industry will grow faster than thus far (on average 4%-5% annually). The dynamics of sold production in the wood sector should also be higher than in 2016 (5%-7%), while the highest value will probably be recorded for the furniture industry.

The situation on the Polish labour market has been constantly improving in recent years. At the end of 2016 registered unemployment rate decreased to 8.3% (compared to 9.7% in 2015). On average, employment increased 2.5%, while it was 2.3% in industry and 3.2% in manufacturing. In 2016 the wood sector employed approximately 331 thou. people, i.e. over 3% more than in the previous year, which was 12% of the employed in industry in total and 14% of the employed in manufacturing. The furniture industry employed more than half of the employed in the wood sector, the wood industry 33%, and the pulp and paper industry 17% (together with paper processing). The employment in forestry was approximately 42 thou. people. It is expected that previous trends on the labour market in Poland, in industry and manufacturing as well as the forestry-wood sector, will hold on until 2018. At the end of 2018 the unemployment rate should drop to 6.4%, while average employment should increase 1%-2% annually. In the wood industries this growth may be higher (depending on the industry it may reach 4-5% annually).

In 2016 foreign trade recorded a higher dynamics of export (9%, in fixed prices) than of import (8.9%). Poland exported commodities worth PLN 803.5 billion (\$ 205 billion, € 184.8 billion), primarily to the European Union (over 80% of the export value), and imported goods worth PLN 786.5 billion (\$ 200.7 billion, € 180.9 billion). The geographical structure of Polish import was also dominated by the European Union countries, whose share was 61%. The foreign trade balance increased almost twice, compared to the previous year, and amounted to

PLN 17 billion (\$ 4.4 billion, € 3.9 billion). In 2016 the most important trade partners of Poland were Germany, the United Kingdom, the Czech Republic and France, and as regards import the list encompasses also China and the Russian Federation. Wood products are of huge importance for foreign trade. It is estimated that in 2016 their share within exports amounted to almost 9%, and within imports to 4%. For many years one of the most important commodity group in Polish exports was furniture (in 2016 it was approximately 5% of its total value). It is expected that in the coming years the share of export within GDP will increase (in 2016 the share exceeded 52%). The real growth rate of export should reach the level of 7.1% in 2017 and of 6.4% in 2018. In the years 2017-2018 the import dynamics will be a derivative of final demand and reach 7.7% and 6.9%, respectively, and may be slightly higher than the export dynamics.

In 2016 price index of consumer goods and services continued the downward trend, although the rate of the fall was lower than in the previous year (-0.6% compared to -0.9% in 2015). The index was primarily affected by a drop of prices in transport, a drop of garments and footwear prices, as well as an increase in food prices. The relatively low prices of raw materials continue to limit the inflation pressure; however, in the near future both the anticipated pay increase and further rise in food prices may result in inflation growth. The assumed level of inflation in the years 2017-2018 will be 1.8% and 2.3%, respectively.

Social and economic situation in Poland is largely dependent on the situation in the world and in Europe, primarily in the European Union Member States. Presently the global economy growth rate is lower than in the past years; a fall in investments and an increase in debt (public and the enterprise sector's) have been observed. It is probable that the following phenomena may have a negative influence on the global markets: the results of the China's economy restructuring; political changes in the USA and France; the ongoing conflicts (Ukraine, Middle East); and the flare-up of relations between the USA and North Korea. In the European context the economic growth may be threatened by migration problems and escalating terrorism. The ongoing negotiations between the Great Britain and the European Union concerning the UK leaving the EU (Brexit) may have a significant bearing on the free market, population flow or the financial sector in the EU. On the other hand, the international trade development may be stimulated by the Comprehensive Economic and Trade Agreement (CETA) between the EU and Canada, whose trade part enters into force as from September 2017.

2. POLICY MEASURES TAKEN IN POLAND OVER THE PAST 18 MONTHS, WHICH MIGHT HAVE A BEARING ON TRADE AND MARKETS OF FOREST PRODUCTS OR FOREST MANAGEMENT

Development policy in Poland is based on the effective programme document entitled the *Strategy for Responsible Growth*, which sets the lines of the development policy. The forestry-wood sector is also an addressee of that policy. The primary goal to be achieved by taking up the actions set forth in the *Strategy* is „to create conditions for the growth of Polish citizens' income, where simultaneously social, economic, environmental, and territorial cohesion is increased". The *Strategy* also defines specific goals that are: a sustainable economic growth based on knowledge, information, and organizational excellence; a socially-sensitive and territorially-sustainable growth; and an efficient state and institutions serving the growth as well as social and economic inclusion. The implementation of the *Strategy* is to facilitate escaping the five development traps, i.e. average income, the lack of balance between foreign and national capital involved in economy, average product, the weakness of institutions, and the demographic trap. The *Strategy* is a vision of Poland's development by 2020 and by 2030, as well as a development policy management instrument, which encompasses a set of principles,

goals and priorities in social, economic and spatial terms. The actions planned in the *Strategy* focus on reindustrialization, the development of innovative companies, small and medium-sized companies, the capital for development, foreign expansion, social cohesion, a territorially sustainable development, law serving the citizens and economy, a management system for development process, e-state, public finance, and the efficiency of the European Union funds consumption.

In 2017 Poland presented the *State's Multiannual Financial Plan for the period 2017-2020*, which is the basis for the budgetary proposal for 2018. The *Plan* consists of two parts, i.e. the *Convergence Programme. Revision 2017* and the *Main goals of the state's function together with the measures of their achievement*. The document presents an analysis of current economic situation in Poland and a medium-term forecast of the situation development by 2020, including basic macroeconomic indices, as well as points out primary goals of the economic policy, which result from the adopted development strategy, and actions aimed at achievement of those goals. The assumptions of the document are also relevant, directly and indirectly, for the operation of Polish forestry-wood sector. The priority is support for sustainable development, taking into account the growth factors, through increasing the role of knowledge and national technology, foreign expansion of Polish business entities, building of a savings system, and improving the operation of administrative organs. The planned actions take into consideration main structural reforms, inter alia, the continuation of the pro-family initiatives (*Family 500+*), the housing policy (*Dwelling Plus*), support for activation of people who have not been professionally active, and actions aimed at sealing the tax system.

The national instrument for implementation of the European Union strategy *Europe 2020* is the *National Programme of Reforms*. An updated edition of the *Programme*, i.e. *Revision 2017/2018*, contains a medium-term forecast of the economic development of Poland by 2020, refers to the main economic and social challenges defined in the *National Report Poland 2017*, and discusses the actions taken up in 2016 to implement the EU recommendations and achieve the goals of the *Europe 2020* strategy as regards employment, outlay on research and development, climate change and sustainable use of energy, education, and counteracting poverty and social exclusion. The document presents primary assumptions of the government's investment policy and the envisaged structural reforms that are to build the competitive advantage of Poland and enhance the social cohesion. The main actions planned for the period 2017-2018 include support of investments, changes of law regulating business activity, the reform of education (including professional education) and the health service, streamlining judiciary and administrative procedures, and new regulations of the water law and waste management law. The government envisages the implementation of legal regulations fostering: innovativeness, enhanced protection of intellectual property rights, closer collaboration between academia and business, digitalization of the industry technical infrastructure, and stimulation of R&D projects important for the strategic branches of economy (including, inter alia, the furniture industry).

In 2017 the government has also developed a set of solutions simplifying the processes connected with the consumption of the European Union funds, granting of subventions and execution of projects (amendment to the *Act on the principles of implementation of programmes regarding the cohesion policy financed within the Financial Framework 2014-2020*). The proposed solutions contain, inter alia, the appointment of the European Funds Commissioner, the possibility of correcting the application for financing, reduction of the number of project documents, more efficient preparation and evaluation of applications, and facilitation of the EU fund settlement.

Another document that has been adopted, i.e. the *Government's policy on the development of public-private partnership*, contains an in-depth and comprehensive vision of public-private partnership and a set of specific actions for that partnership by 2020. The actions

presented in the document aim at increasing the scale and effectiveness of public-private partnership investments.

3. MARKET DRIVERS

The *Strategy for responsible growth* is currently the basic strategic document containing solutions, programmes and projects which are to stimulate the economic, social, environmental and territorial development of Poland in the near future. Those solutions, programmes and projects also pertain to the wood market and the wood sector development in Poland.

Among the projects mentioned in the *Strategy*, which concern legislation and business legal environment, and have a direct influence on having a business in Poland, one should place a special emphasis on the package *100 changes for companies* and *Business Constitution*. The goal of the already effective package *100 changes for companies* is to improve the legal environment and facilitate operation of companies, especially micro, small and medium-sized. The package contains solutions concerning, inter alia, the succession of small companies owned by natural persons, a new legal form of operation (i.e. *a simple joint-stock company*), the moderation of labour law as regards small companies, and reduction of the inconvenience of administrative inspections. *Business Constitution* is a package of deregulatory laws that are to de-formalize the principles of having a business in Poland, introduce further legal and tax simplifications for entrepreneurs, abolish or limit some requirements and permissions concerning having a business or accelerate and simplify consumption of the EU funds. First of all, the *Business Constitution* package contains the new *Entrepreneurs Law* regulating the commencement, operation and closure of a business. That law refers to a series of principles regulating the operation of companies, e.g. the principle of business freedom, the speed of operation principle or the principle of amicable interpretation of regulations.

The *Strategy for responsible growth* also envisages the so-called flagships programmes, whose aim is to stimulate the development of modern industry in Poland, including the wood sector. One of those programmes is the *Eco-construction* programme concerning the development and implementation of eco-construction products, including products made of natural raw materials, therefore also of wood. On the other hand, the objective of the programme *Polish Furniture*, executed within the framework of the *National Development Fund*, is integration and development of various instruments supporting the furniture industry (e.g. subventions, analyses, promotion, and financial instruments, including loans and insurance). The programme primarily focuses on the development of industrial design and building of strong own brands based on technologically and ecologically advanced solutions.

Competitiveness in modern economy is primarily stimulated by innovations. Therefore, solutions encouraging entrepreneurs to innovate are described in the amended law regarding the support for innovativeness (so-called the “*minor act on innovativeness*”). Those solutions concern, inter alia: the instruments rewarding entrepreneurs for innovativeness, especially tax allowances encouraging entrepreneurs to invest in R&D; financing research commercialization; and making procedures easier. Presently the government conducts social consultation of solutions that are to be included in the next amendment to that law due in the coming months (so-called the “*major act on innovativeness*”). The aim of those solutions is to allow sustainable and effective cooperation between entrepreneurs and scientists. At the same time the government is working on the establishment of a research network that is to include some of Polish research institutes and eventually to become a research centre, whose primary goal will be knowledge transfer to economy.

Companies operating within the forestry-wood industry, the furniture industry and related industries can also apply for the support of R&D activities within the framework of the *Sectoral*

Programme WoodINN (within the *Smart Growth Operational Programme*), launched in 2017. Applications should fall within the scope of one of the three topics: modern raw materials and materials for the forestry-wood sector and the furniture sector; innovative products of the forestry-wood sector and the furniture sector with unique and designed functions and functional properties; or innovative production technologies and processes in the forestry-wood sector and the furniture sector. In 2017 entrepreneurs can also obtain financing from the projects *Competitive Design*, within the *Eastern Poland Operational Programme*. Those projects are an opportunity for small and medium-sized enterprises from Eastern Poland that want to build their competitive advantage through the implementation of innovations whose core is design.

The shortage of qualified workforce, also in the wood sector, is to be counteracted by the *reform of professional education*, which introduces, inter alia a new classification of professions and two-stage trade schools (instead of former vocational schools), which will enable their apprentices to take up studies and undergo training in companies.

4. DEVELOPMENTS IN FOREST PRODUCTS MARKETS SECTORS

4.1. (A) Wood raw materials

In 2016 42.1 million m³ of roundwood was harvested in Poland (net volume, without bark; of which 40.9 million m³ was roundwood from forest and 1.2 million m³ from afforested areas, i.e. production and protective planting of trees and shrubs on public and private areas, outside forests and green areas within the cities). Those removals were almost 2% greater than in the previous year. Approximately 95% of harvested roundwood originated from public forests (40 million m³, 2% more than in 2015). The assortment structure of removals was dominated by softwood (75%; 31.6 million m³), and in terms of intended use the structure was dominated by industrial roundwood with a share of 87% (36.8 million m³), of which 16.8 million m³ was sawlogs and 19.1 million m³ pulpwood 5.3 million m³ of fuelwood was also harvested in 2016.

It is estimated that approximately 6% of harvested roundwood was exported (2.4 million m³, 10% less than in the previous year). Exports was mainly composed of industrial roundwood (95%; 2.3 million m³), mainly softwood. The remaining part of exports encompassed 1.2 million m³ of sawlogs, 1 million m² of pulpwood, and insignificant amounts of the other assortments of roundwood for material processing. Fuelwood export amounted to 0.1 million m³.

Poland imported 2.4 million m³ of roundwood (almost 6% less than in the previous year) and roundwood imports was approximately 6% in relation to domestic removals. Almost all imported roundwood was industrial (fuelwood import amounted to as small amount as 12.5 thou. m³). Although the structure of industrial roundwood imports was dominated by softwood species (53%), the share of hardwood was also high (47%). Roundwood imports was dominated by pulpwood (72%, 1.8 million m³), whereas sawlogs accounted for 7% (0.2 million m³). Import of the other assortments of industrial roundwood amounted to 0.5 million m³.

It is assumed that in the coming years roundwood removals (from forest and afforested areas altogether) may increase approximately 1.5% annually, i.e. to 42.8 million m³ in 2017 and 43.4 million m³ in 2018. It is anticipated that industrial roundwood removals will grow (to 38.1 million m³ in 2018), while fuelwood harvesting will be reduced (to 5.2 million m³ in 2018, i.e. more than 1% in relation to 2016). In the period 2017-2018 former trends in foreign trade in roundwood should continue. Exports may reach approximately 2.3 million m³ in that period and will still be dominated by sawlogs (1.2 million m³) and pulpwood (1 million m³). Fuelwood export should be at a level similar to that observed for previous period (0.1 million m³). On the other hand, roundwood import should demonstrate a slight increase in the period 2017-2018 compared to 2016 (to 2.5 million m³ in 2018). As previously, main imports will be pulpwood

(1.8 million m³ in 2018), insignificant amounts of sawlogs (0.2 million m³) and the other assortments of industrial roundwood (0.5 million m³), as well as trace amounts of fuelwood (10 thou. m³).

4.2. (B) Wood energy, with a focus on government policies promoting wood energy

In the period 2014-2015 generation of primary energy from renewable sources (RES) increased 6.9% in Poland (to 363.4 PJ). The share of energy from RES within generation of primary energy was 12.7% in 2015. Biomass is still the main source of “green” energy (86%), including solid biomass (72.2% of energy from RES), mostly wood biomass. On the other hand, in 2015 the share of energy from RES within final energy consumption was 7.8% (203.7 PJ), of which 97% was energy generated from biomass in total, and 92% from solid biomass. It is estimated that wood biomass accounts for approximately 85% of solid biomass.

In Poland the issues connected with renewable energy generation are first of all regulated by the *Act of the 20th of February 2015 on renewable energy sources* (as amended). Those regulations were introduced in connection with the EU energy and climate goals, which assume that by 2020 renewable energy will have accounted for 15% of final gross energy consumption in Poland (presently that share is 11.77%). The amendment to the *Act* (adopted in July 2017) introduces system solutions concerning the “green certificate-based” mechanisms of support for the producers of renewable energy. The *Act* also introduces legal regulations that are to normalize the situation on the market in “green certificates” and liquidate their excessive supply. The government plans on another amendment to the *Act*, which will encompass provisions regulating, inter alia, building and operation of wind farms, supporting small biogasworks and hydroelectric power plants, and modifying former auction baskets (i.e. groups of power installations of a given type).

4.3. (C) Certified forest products

For many years certification of forest management and wood products in Poland has been conducted according to two systems: FSC (*Forest Stewardship Council*) and PEFC (*Programme for the Endorsement of Forest Certification Scheme*).

16 out of 17 State Forests Regional Directorates and 2 Forest Experimental Stations have FSC certificates of the FM type (*Forest Management*), as in July 2017. The area of FSC certified forests amounts to 6.9 million ha, i.e. more than 75% of total forest area in Poland. In relation to FSC certified forests in Europe it is more than 7%, and in the world 3.5%. In mid 2017 there were also 3208 FSC-CoC certificates (*FSC Chain of Custody*) registered in Poland, of which 2120 (66%) were active. Those certificates belong mainly to production companies (approximately 70%), primarily the producers of sawnwood (at various processing stages), wooden garden products, wooden accessories, and furniture. 325 of the companies having the FSC CoC certificates, also have the FSC-CW certificate (*FSC Controlled Wood*) and 165 the FSC-RA certificate (*FSC Controlled Wood Risk Assessment*), which confirms that the company have implemented a system of wood supply risk analysis.

449 entities in Poland have PEFC certificates (as in March 2017), i.e. all State Forests Regional Directorates (17 entities) and 432 forest inspectorates. The area of forests certified under the PEFC system amounts to 7.3 million ha, which accounts for more than 79% of total forest area in Poland, and at the same time for approximately 8% of the area of PEFC certified forests in Europe and 2.4% in the world. In mid 2017 (July), 284 CoC certificates (*Chain of Custody*), including 222 active certificates (78%), were registered under the PEFC system. 62% of those certificates belong to production companies (mainly the producers of sawnwood,

pallets, flooring materials, wood-based panels, wood pulp, paper and paperboard, and furniture).

4.4. (D) Value-added wood products

The most important group of value-added wood products in Poland is furniture. In 2016 the value of furniture produced (together with furniture elements and mattresses) amounted to PLN 38.7 billion (\$ 9.8 billion, € 8.9 billion), i.e. in real terms it was more than 10% higher than in 2015. Most of Polish furniture is exported (it accounts for approximately 5% of total Polish exports), primarily to the European Union countries (Germany, the United Kingdom, France, and the Czech Republic). As in the previous years, in 2016 wooden furniture accounted for approximately 70% of the production value (PLN 27.1 billion, \$ 6.9 billion, € 6.2 billion). It was mainly upholstered and non-upholstered furniture for sitting and furniture for bedrooms, living rooms, and dining rooms. It is estimated that approximately 74% of wooden furniture produced in Poland was exported (PLN 20.1 billion, \$ 5.1 billion, € 4.6 billion), and it was 11% more than in the previous year (in current prices). The exports structure was dominated by upholstered furniture for sitting, furniture for rooms and living rooms, and bedroom furniture. On the other hand, according to estimates, Poland imported wooden furniture of a value of PLN 1.4 billion (\$ 0.4 billion, € 0.3 billion), which was 5% in relation to domestic production. At the same time, this meant a 2% increase in imports compared to 2015 (in current prices). The imports encompassed mainly wooden furniture for rooms and living rooms, and upholstered furniture for sitting.

Another important part of the group of high value-added wood products in Poland is made up of builder's carpentry and joinery products (including prefabricated wooden houses). In 2016 the value of their production reached PLN 7.7 billion (\$ 2 billion, € 1.8 billion) and increased 9% compared to 2015 (in fixed prices). It is estimated that approximately 60% of domestic production of that wood product group was exported (PLN 4.6 billion, \$ 1.2 billion, € 1.1 billion) and the increase in exports was 8% in relation to the previous year (in current prices). Main exported commodities were wooden windows and doors, and flooring materials. Polish imports regarding that product group amounted to PLN 0.3 billion (\$ 0.09 billion, € 0.08 billion), meaning more than a 5% decrease compared to 2015. In relation to domestic production value, the imports of builder's carpentry and joinery products amounted to 4% and its structure was dominated by flooring materials.

In 2016, the value of Polish production of wooden packaging amounted to PLN 2.1 billion (\$ 0.5 billion, € 0.5 billion), i.e. was 6% higher than in the previous year (in fixed prices). Manufactured products were primarily pallets and crates, chests, cages and similar wooden packaging. It is estimated that the value of wooden packaging exports was PLN 1.5 billion (\$ 0.4 billion, € 0.3 billion), i.e. 69% of domestic production. This means that exports of that group of wood products (in value terms) decreased more than 5% (in current prices) compared to 2015. Main exported products were pallets and various types of crates and chests. On the other hand, Poland imported wooden packaging whose value amounted to PLN 0.2 billion (\$ 0.05 billion, € 0.05 billion). The import of packaging, as its export, was of lower value than in 2015 (the decrease was approximately 4% in current prices). In relation to domestic production imports was 10% and consisted primarily of pallets.

Paper products are also goods of a relatively high added value. In 2016 their production in Poland was worth PLN 23.5 billion (\$ 6 billion, € 5.4 billion), and in real terms was approximately 2% higher compared to 2015. The value structure of the production was dominated by corrugated paper and paperboard (including packaging made of it) and household articles, as well as toilet and sanitary products. It is estimated that 33% of produced paper products was exported (PLN 7.9 billion, \$ 2 billion, € 1.8 billion), and it was 5% more than in the previous year (in current prices). Main exported products were paperboard packaging,

special coated papers, and paper products for households and sanitary purposes. In 2016 imports of paper products reached the level of PLN 4.5 billion (\$ 1.1 billion, € 1 billion), but was 5% lower than in 2015 (in current prices) and amounted to 19% of domestic production. Its structure, as in the case of exports, was dominated by paperboard packaging and special coated papers.

4.5. (E) Sawn softwood

Polish market is dominated by softwood; therefore softwood species are also dominant in the structure of manufactured sawnwood. In 2016 sawn softwood production amounted to 4.4 million m³ and it was a volume similar to that of the previous year. Estimated Polish imports amounted to 0.6 million m³ of sawn softwood (14% of domestic production volume), meaning a 3% decrease compared to the previous year. On the other hand, sawn softwood exports amounted to 0.8 million m³ (and it was 23% more than in the previous year), i.e. more than 17% of production.

It is forecasted that in the period 2017-2018 production of sawn softwood will be on the rise and may reach 4.4 million m³ and 4.5 million m³, respectively. A positive balance of foreign trade should also continue – sawn softwood exports may be 0.8 million m³ in 2018 (i.e. a 2% increase in relation to 2016), and imports to 0.7 million m³ (a 4% increase).

4.6. (F) Sawn hardwood

In 2016 production of sawn hardwood in Poland was over eight times lower than that of sawn softwood and amounted to 0.6 million m³ (meaning an over 7% increase compared to 2015). Domestic supply of sawn hardwood was supplemented by its imports in the amount of 0.3 million m³ (of which 3.6% was sawn tropical wood). Exports of sawn hardwood amounted to 0.1 million m³, according to estimates (i.e. 13% more than in the previous year).

It is assumed that, despite the slow growth of sawn hardwood production, in 2018 the production volume will be similar to that of 2016 (0.6 million m³). Polish market may be supplemented by growing imports (0.4 million m³ in 2018), while exports may amount to 0.1 million m³ in 2018.

4.7. (G) Wood-based panels

In 2016 10.1 million m³ of wood-based panels was manufactured in Poland, i.e. over 3% more than in the previous year. The assortment structure of wood-based panel production was dominated by particleboards, whose share within it was 52% and production volume 5.2 million m³ (of which OSBs were 14%, while their production increased 24% in that year). Fibreboards were the second product group with the highest share, i.e. 44%, and their production amounted to 4.4 million m³, meaning a 3% increase in 2016. Production of dry-process fibreboards amounted to 3.6 million m³, which accounted for 80% of total fibreboard production. In 2016 plywood production was 0.4 million m³ (2% more than in the previous year) and veneer production 54 thou. m³ (and it was a volume similar to that of 2015).

Foreign trade in wood-based panels was outbalanced by their exports. It is estimated that in 2016 2.9 million m³ of wood-based panels was exported (which accounted for 29% of domestic production volume) and that was a result 9% higher than in 2015. Approximately 63% of the exports volume were fibreboards (1.8 million m³, a 7% increase in supplies in relation to the previous year), and 28% particleboards (0.8 million m³, a 16% increase in exports), of which 42% were OSBs (0.3 million m³, a 42% increase in exports in relation to 2015). Poland also exported 0.2 million m³ of plywood and insignificant amounts of veneers, i.e. 19 thou. m³. On the other hand, Poland imported wood-based panels in the amount of approximately 2.5 million m³ (meaning a 7% increase in their imports compared to 2015). In relation to domestic

production, wood-based panel imports accounted for 25% of it. Approximately 67% panels imported to Poland were particleboards (1.7 million m³, a 4% increase in imports compared to the previous year). Domestic market in wood-based panels was also supplemented with supplies of fibreboards in the estimated amount of 0.5 million m³ (mainly dry-process boards), plywood in the amount of 0.3 million m³, and veneers in the amount of 55 thou. m³.

In the coming years wood-based panel production may notice a 1-2% annual increase and amount to 10.4 million m³ in 2018; however, the wood-based panel production structure should not change considerably, but it is probable that OSBs and dry-process fibreboards will continue to grow in importance on the market (it is possible that production capacities as regards those panels will be increased through launching new production lines). It is assumed that by 2018 domestic consumption of wood-based panels will have increased, and approximately 28% of their production will be exported (3 million m³). On the other hand, import of those panels is assumed to reach 2.6 million m³, while in the near future it may grow faster than their export (especially when there are favourable economic conditions in general, as well as in construction and the furniture industry).

4.8. (H) Pulp and paper

In 2016 production of wood pulp in Poland increased more than 2% in relation to the previous year and reached the level of 1.1 million tonnes. The structure of wood pulp production is dominated by cellulose whose share is approximately 77% (0.9 million tonnes). Production of semi-chemical wood pulp amounted to 0.1 million tonnes (and accounted for less than 11% of wood pulp production), of mechanical wood pulp to 81.5 thou. tonnes (7%), and of cellulose pulp intended for chemical processing to 60 thou. tonnes (5%). It is estimated that 0.1 million tonnes of pulp from fibres other than wood fibres and from recycled fibres was produced in addition. In 2016 the exports of wood pulp might have amounted to 0.2 million tonnes (15% of the production volume), while the estimated imports of wood pulp amounted to almost 1 million tonnes (i.e. more than 87% in relation to production). As in the case of production, the structure of imports and exports was dominated by cellulose (with a 92% share within imports and an 89% share within exports).

It is anticipated that in the near future production and export of wood pulp will remain at a level similar to that of 2016, while the growing demand for wood pulp and the lack of possibilities of satisfying it with domestic production (no new wood pulp production lines are envisaged to be launched) will probably result in further increase in its imports (up to more than 1 million tonnes in 2018).

The year 2016 was another year that witnessed an increase in paper and paperboard production (of more than 5% in relation to the previous year) to the amount of 4.6 million tonnes. The production increase was observed for all types of paper. The production structure was dominated by packaging paper with a share of 66% (3.1 million tonnes) and graphic paper (0.9 million tonnes, with a share of 19%). It is estimated that approximately 42% (1.9 million tonnes) of produced paper was exported (exports was primarily composed of packaging and graphic paper). On the other hand, Polish imports amounted to 3.7 million tonnes of paper and paperboard (80% of domestic production volume). As in the case of exports, the imports structure was dominated by packaging and graphic paper.

It is forecasted that in the period 2017-2018 paper and paperboard production will continue to rise (to 4.9 million tonnes and 5.2 million tonnes, respectively). As regards foreign trade, both export and import of paper and paperboard is anticipated to increase, while export may rise 8% in 2018 (to 2.1 million tonnes) in relation to 2016, and import 4% (to 3.9 million tonnes).

4.9. (I) Innovative wood products

Wood processing industries are classified as low technology industries; however, this does not mean that manufacturers of wood materials and products market no innovations. In 2015 the share of companies with outlay on innovations within total number of companies in particular industry amounted to 7.3% for the wood industry, 11.7% for the pulp and paper industry and paper processing industry, and 13.1% for the furniture industry. However, in comparison, the share was higher in manufacturing and reached as much as 14.1%. On average, a wood company spent more than PLN 10 million on innovations, a pulp and paper company and paper processing company PLN 8.8 million, and a furniture company PLN 2.7 million (average outlay on innovations in manufacturing companies was PLN 5 million in 2015). In the period 2013-2015 furniture producers were the most active group as regards product innovations – 15% of them marketed innovative products, of which 8.6% were products new on the market. This result exceeded the average for manufacturing which was 12.5% and 6.9%, respectively. In the case of pulp and paper industry and paper processing industry product innovations were implemented by 9.6% of companies, and in the case of wood industry by 5.6%. As regards process innovation, producers in the wood sector that are the most active are the manufacturers of wood pulp, pulp and paper and products of its processing (15.3% of companies implemented innovative processes), and furniture producers (15.2% of companies). On the other hand, only 6.7% of wood companies declared that they used new or improved processes. Organizational and marketing innovations are also observed in the wood industries, but the percentage of companies that implement them is lower than in manufacturing in total (5.6% in the wood industry, 10.5% in the pulp and paper industry (together with paper processing industry), and 9.8% in the furniture industry; compared to 11.7% in manufacturing in 2015).

5.0. (J) Housing and construction

In 2016 a decrease in construction and assembly production was observed in Poland – 6.8% in real terms in relation to the previous year (meaning that the previous years' trend, characterised by positive dynamics, was reversed; in the years 2014-2015 the increase was 5.9% and 3.7%, respectively). The sales of construction and assembly production dropped in all categories, while the greatest decrease was observed for construction of civil engineering facilities (an 11% decrease in fixed prices in relation to the previous year), a 5.9% for erection of buildings, and a 4.8% for specialist construction works. On the other hand, employment in construction increased 1.6% in relation to 2015 (the then increase was 0.5%). Still, the results for the first half of 2017 indicate an improvement of the situation in construction, in all its branches (especially as regards construction of civil engineering facilities). General economic conditions in construction are evaluated as positive. The entrepreneurs plan on the employment increase and expect an increase in the prices of construction and assembly works. In their opinion the current use of production capacity in construction is at a level of approximately 83% (which is higher than the last year's 79%) and the barriers to building operations include, as in previous years, the high costs of employment and competition on the market; however, most companies identified the shortage of qualified workforce and unclear and incoherent legal regulations as the greatest obstacles to the development of construction.

In 2016 the number of dwellings completed (163.3 thou.) was 10.6% higher than in the previous year and the increase was observed for dwellings completed intended for sale or rental (26.8%) and cooperative dwellings (28%). On the other hand, a small decrease (2.1%) was observed in the number of dwellings completed in the area of individual construction. The results for the first half of 2017 show further growth of the number of dwellings completed (6.1% in relation to the corresponding period of the previous year), which is true also for

individual construction (6.6%) and dwellings completed intended for sale and rental (7.6%). However, the highest dynamics of growth was observed in the case of the number of issued construction permits and the number of dwellings whose construction had been commenced (33.2% and 22.9%, respectively). In the coming years the development of housing construction should be significantly influenced by the *National Housing Programme* adopted on the 27th of September 2016 (a strategic and programme document comprehensively describing the issues of the state's housing policy in the medium-term), including the package *Dwelling Plus* that assumes construction of affordable dwellings for rent with an option to become the dwelling owner eventually. The *Programme* is addressed to people with income too low to afford buying or renting a dwelling on the market, in the first place to families with many children. The construction of first residential houses within the *Programme* was commenced already at the end of 2016.

The economic conditions in construction and the possibilities of its development are of importance for the wood sector, for it is potentially the biggest segment of the wood market as regards both consumption of various types of wood materials and creation of the demand for final wood products.

Table 1

Economic indicators

Indicator	2011	2012	2013	2014	2015	2016
	% change on previous year					
Gross Domestic Product	104.8	101.6	101.4	103.3	103.8	102.7
Sold production of industry	107.5	100.5	101.8	104.1	106.0	103.1
Construction and assembly production	111.8	93.7	94.1	105.9	103.7	93.2
Dwellings completed	96.4	116.8	94.9	98.6	103.2	110.6
Dwellings under construction	104.5	98.5	97.5	100.7	103.0	101.5
Average paid employment						
- total	100.6	99.2	98.4	101.4	101.3	102.5
- in the enterprises sector	103.2	100.1	99.0	100.6	101.3	102.8
Registered unemployment rate (at the end of the year) ¹	12.5	13.4	13.4	11.4	9.7	8.3
Average monthly gross real wages and salaries						
- total	101.4	100.1	102.8	103.2	104.5	104.2
- in the enterprises sector	100.9	99.8	102.0	103.7	104.5	104.4
Price indices of consumer goods and services (inflation)	104.3	103.7	100.9	100.0	99.1	99.4
Investment outlays	110.6	97.2	98.8	109.5	107.1	88.2
Trade						
millions of PLN, current prices						
Exports	558739.0	603418.6	647878.8	693471.6	750835.8	803477.8
Imports	623372.7	648127.6	656098.2	704567.5	740973.3	786470.1
Balance of trade	-64633.7	-44709.0	-8219.4	-11095.9	+9862.5	+17007.7
millions of USD, current prices						
Exports	190247.5	184660.6	206138.0	222339.4	200342.8	205047.7
Imports	212330.9	198463.4	208780.4	225898.5	197682.1	200672.4
Balance of trade	-22083.4	-13802.8	-2642.4	-3559.1	+2660.7	+4375.3
millions of EUR, current prices						
Exports	136693.9	143456.1	154994.0	165773.6	179578.2	184842.9
Imports	152568.4	154040.2	156978.0	168432.3	177232.9	180924.6
Balance of trade	-15874.5	-10584.1	-1984.0	-2658.7	+2345.3	+3918.3

¹ as a ratio of registered unemployed persons to the economically active civil population



TF1
TIMBER FORECAST QUESTIONNAIRE
Roundwood

Country: Poland	Date: 1.09.2017
Name of Official responsible for reply:	
Ewa Ratajczak	
Official Address (in full):	
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Product Code	Product	Unit	Historical data		Revised 2016	Estimate 2017	Forecast 2018
			2015	2016			
1.2.1.C	SAWLOGS AND VENEER LOGS, CONIFEROUS						
	Removals	1000 m ³ ub	13 330,773	13 802	13 773,367	14 100	14 300
	Imports	1000 m ³ ub	154,211	160 #	98,080	110	120
	Exports	1000 m ³ ub	1 194,283	1 200 #	1 074,384	1 050	1 020
	Apparent consumption	1000 m ³ ub	12 290,701	12 762	12 797,063	13 160	13 400
1.2.1.NC	SAWLOGS AND VENEER LOGS, NON-CONIFEROUS						
	Removals	1000 m ³ ub	3 070,878	3 056	3 022,788	3 030	3 040
	Imports	1000 m ³ ub	94,707	95 #	67,674	80	100
	Exports	1000 m ³ ub	136,175	140 #	161,194	150	160
	Apparent consumption	1000 m ³ ub	3 029,410	3 011	2 929,268	2 960	2 980
1.2.1.NC.T	of which, tropical logs						
	Imports	1000 m ³ ub	2,069	2 #	1,484	2	2
	Exports	1000 m ³ ub	0,154	0 #	0,104	0	0
	Net Trade	1000 m ³ ub	1,915	2	1,380	2	2
1.2.2.C	PULPWOOD (ROUND AND SPLIT), CONIFEROUS						
	Removals	1000 m ³ ub	13 585,174	14 445	14 385,086	14 700	15 000
	Imports	1000 m ³ ub	1 223,373	1 230 #	1 176,240	1 200	1 220
	Exports	1000 m ³ ub	1 022,342	1 010 #	961,200	950	900
	Apparent consumption	1000 m ³ ub	13 786,205	14 665	14 600,126	14 950	15 320
1.2.2.NC	PULPWOOD (ROUND AND SPLIT), NON-CONIFEROUS						
	Removals	1000 m ³ ub	4 749,008	5 010	4 728,197	4 750	4 780
	Imports	1000 m ³ ub	473,762	470 #	552,078	560	570
	Exports	1000 m ³ ub	84,240	85 #	76,640	75	70
	Apparent consumption	1000 m ³ ub	5 138,530	5 395	5 203,635	5 235	5 280
3	WOOD CHIPS, PARTICLES AND RESIDUES						
	Domestic supply ¹	1000 m ³	9 677,798 N	10 200 C	10 200,000	10 400	10 700
	Imports	1000 m ³	1 778,684	2 219 C	2 218,856	2 300	2 400
	Exports	1000 m ³	854,932	736 C	735,790	700	650
	Apparent consumption	1000 m ³	10 601,550	11 683	11 683,066	12 000	12 450
1.2.3.C	OTHER INDUSTRIAL ROUNDWOOD, CONIFEROUS						
	Removals	1000 m ³ ub	1 021,665 N	977 N	884,318	900	950
1.2.3.NC	OTHER INDUSTRIAL ROUNDWOOD, NON-CONIFEROUS						
	Removals	1000 m ³ ub	120,966 N	70 N	47,616	50	60
1.1.C	WOOD FUEL, CONIFEROUS						
	Removals	1000 m ³ ub	2 693,925 N	2 515 N	2 570,698	2 530	2 510
1.1.NC	WOOD FUEL, NON-CONIFEROUS						
	Removals	1000 m ³ ub	2 802,580 N	2 460 N	2 724,445	2 730	2 710

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The historical data are from the most recent Joint Forest Sector Questionnaire (blank) or the Timber Forecast Questionnaire (#). For explanations please see cover letter. These data are flagged with E, R, N or C for secretariat estimate, repeat, national estimate or calculated totals (from subitems). If there is no flag, this indicates officially supplied data.

N - National estimate

¹ Residues - production excluding recovered wood

¹ Trade turnover is based only on data from the SAW document and intrastat declaration; real data, without estimation or values or trade turnover realized by those parties which are released from the reporting obligation

The results of foreign trade 2016 are estimated on the basis of data for the first half of 2016

Roundwood: sawlogs and veneer logs and pulpwood - with removals from trees and shrubs outside the forest, excluding forest chips, with stump

Roundwood removals underbark

red colour - corrected data



UNECE
TF2
TIMBER FORECAST QUESTIONNAIRE
Forest products

Country: Poland Date: 1.09.2017
Name of Official responsible for reply: Ewa Ratajczak
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Product Code	Product	Unit	Historical data		Revised	Estimate	Forecast
			2015	2016	2016	2017	2018
5.C	SAWNWOOD, CONIFEROUS						
	Production ¹	1000 m ³	4 315,003	4 500	4 352,000	4 400	4 500
	Imports	1000 m ³	646,320	624	624,004	630	650
	Exports	1000 m ³	622,206	764	763,600	750	780
	Apparent consumption	1000 m ³	4 339,117	4 360	4 212,404	4 280	4 370
5.NC	SAWNWOOD, NON-CONIFEROUS						
	Production ¹	1000 m ³	520,186	535	559,000	570	580
	Imports	1000 m ³	306,780	335	335,224	350	360
	Exports	1000 m ³	92,805	105	105,067	110	120
	Apparent consumption	1000 m ³	734,161	765	789,157	810	820
5.NC.T	of which, tropical sawnwood						
	Production	1000 m ³	0,008	0	0,010	0	1
	Imports	1000 m ³	13,568	12	11,908	13	15
	Exports	1000 m ³	1,329	2	2,055	2	2
	Apparent consumption	1000 m ³	12,247	10	9,863	11	14
6.1	VENEER SHEETS						
	Production	1000 m ³	54,334	54 C	54,000	55	55
	Imports	1000 m ³	47,180	55 C	54,538	54	55
	Exports	1000 m ³	17,608	19 C	19,410	19	20
	Apparent consumption	1000 m ³	83,906	89	89,128	90	90
6.1.NC.T	of which, tropical veneer sheets						
	Production	1000 m ³	5,000 N	5 N	5,000	5	5
	Imports	1000 m ³	0,185	0	0,346	1	1
	Exports	1000 m ³	0,110	0	0,014	0	0
	Apparent consumption	1000 m ³	5,075	5	5,332	6	6
6.2	PLYWOOD						
	Production	1000 m ³	390,444	420 C	400,000	410	420
	Imports	1000 m ³	290,456	298 C	297,590	300	310
	Exports	1000 m ³	250,426	254 C	253,698	260	260
	Apparent consumption	1000 m ³	430,474	464	443,892	450	470
6.2.NC.T	of which, tropical plywood						
	Production	1000 m ³	1,376	1	1,000	1	1
	Imports	1000 m ³	19,668	22	21,736	22	23
	Exports	1000 m ³	17,978	18	18,120	18	19
	Apparent consumption	1000 m ³	3,066	5	4,616	5	5
6.3	PARTICLE BOARD (including OSB)						
	Production	1000 m ³	5 014,139	5 390	5 200,000	5 250	5 300
	Imports	1000 m ³	1 593,628	1 663	1 662,862	1 700	1 720
	Exports	1000 m ³	692,003	803	802,874	820	850
	Apparent consumption	1000 m ³	5 915,764	6 250	6 059,988	6 130	6 170
6.3.1	of which, OSB						
	Production	1000 m ³	604,254	750	750,000	760	780
	Imports	1000 m ³	201,666	101	101,128	130	150
	Exports	1000 m ³	237,858	337	336,682	290	300
	Apparent consumption	1000 m ³	568,062	514	514,446	600	630
6.4	FIBREBOARD						
	Production	1000 m ³	4 281,107	4 450 C	4 410,000	4 520	4 640
	Imports	1000 m ³	392,512	468 C	467,672	496	527
	Exports	1000 m ³	1 712,715	1 841 C	1 840,688	1 810	1 830
	Apparent consumption	1000 m ³	2 960,904	3 077	3 036,984	3 206	3 337
6.4.1	Hardboard						
	Production	1000 m ³	107,306	120	110,000	120	120
	Imports	1000 m ³	168,241	171	171,388	190	200
	Exports	1000 m ³	317,755	286 E	346,297	300	300
	Apparent consumption	1000 m ³	-42,208	5	-64,909	10	20
6.4.2	MDF/HDF (Medium density/high density)						
	Production	1000 m ³	3 471,819 N	3 550	3 550,000	3 600	3 700
	Imports	1000 m ³	216,878	290	290,390	300	320
	Exports	1000 m ³	777,634	782	782,099	790	800
	Apparent consumption	1000 m ³	2 911,063	3 058	3 058,291	3 110	3 220
6.4.3	Other fibreboard						
	Production	1000 m ³	701,982	780	750,000	800	820
	Imports	1000 m ³	7,393	6	5,894	6	7
	Exports	1000 m ³	617,328	772 E	712,292	720	730
	Apparent consumption	1000 m ³	92,049	14	43,602	86	97
7	WOOD PULP						
	Production	1000 m.t.	1 115,234	1 206 C	1 142,300	1 150	1 160
	Imports	1000 m.t.	983,429	997 C	996,696	1 000	1 010
	Exports	1000 m.t.	179,395	173 C	172,981	170	170
	Apparent consumption	1000 m.t.	1 919,268	2 030	1 966,015	1 980	2 000
10	PAPER & PAPERBOARD						
	Production	1000 m.t.	4 399,344	4 614 C	4 643,700	4 900	5 200
	Imports	1000 m.t.	3 687,544	3 700 C	3 700,134	3 750	3 850
	Exports	1000 m.t.	2 165,494	1 942 C	1 942,470	2 000	2 100
	Apparent consumption	1000 m.t.	5 921,394	6 372	6 401,364	6 650	6 950
4.1	WOOD PELLETS						
	Production	1000 m.t.	750,000 N	780 N	780,000	800	850
	Imports	1000 m.t.	60,945	62	61,810	65	70
	Exports	1000 m.t.	206,426	210	209,807	210	215
	Apparent consumption	1000 m.t.	604,519	632	632,003	655	705

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N - National estimate

¹ Sawnwood - production excluding shop lumber, with sleepers

Production 2016 - preliminary data

Trade turnover is based only on data from the SAD document and Intrastat declaration; real data, without estimation of values of trade turnover realized by those parties which are released from the reporting obligation

The results of foreign trade 2016 are estimated on the basis of data for the first half of 2016

Plywood (product code 6.2) - no bamboo plywood

Wood pulp (product code 7) is reported in metric tonnes (no air-dry weight)

Wood pulp - excluding pulp from fibres other than wood and excluding pulp from recovered fibre pulp

red colour - corrected data