THE SLOVAKS
NATIONAL MARKET REPORT 2008

PRESENTED TO
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Market Report 2008

Slovak Republic

MARKET STATEMENT OF THE SLOVAK REPUBLIC

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

Slovak economy entered the year 2008 with good starting conditions created in 2007 in which it managed to maintain the fastest growth of GDP in its history (10.4%), especially in the last two quarters. In 2006, the growth rate raised and GDP rose by 8.3% year-on-year. The GDP growth was significantly affected by domestic demand. External demand was also higher. Home demand rise (year-on–year at constant prices) was influenced by higher creation of gross fix capital by 7,9%, home consumption by 7.1%. In the first half of 2008, GDP was 7.6% up year-on-year.

In external trade - the rise in export 15.2% of goods and services as well as in their imports 10.2% exerted positive effects in 2007. Investment activities also grew year-on-year.. Unemployment rate according to the Labour Force Sample Survey fall down in 2007 by 2.3% to 11.0%. Now day's unemployment is 10.1%. Industrial output rose in 2007 by 15.5% year-on-year at current prices .

Manufacture of wood and wood products fall down its output in 2006 by 2.7% year-on-year, while the output of manufacture of wood pulp, paper and paperboard, including publishing, printing and reproduction of recorded media, recorded a increase by 3.5% (all at constant prices).

In the first half of 2008, industrial output at constant prices was 7.4% up year-on-year. Output of the manufacture of wood and wood products fall down by 3.0% and output of the manufacture of wood pulp, paper and paperboard, including publishing, printing and reproduction of recorded media, increased by 4.7%, compared to the first half of 2007.

Construction raised its output in 2007 by 5.7% year-on-year (constant prices).
Construction output in the first half of 2008 was 9.1% higher on the corresponding period of the previous year (at constant prices).

2. Policy measures

Slovakia fulfilled all requirements for Euro in June 2008 and from the first January 2009 will be Euro Slovak currency. has become EU member since May 1st 2004. It means that the EU legislation is valid in Slovak legal system. All restrictions on additional charges for imports and exports as well as imports quotas have disappeared for EU countries.

Work on the Slovak Forest Act entered into final stage and the Act has been admitted since Jun 2005. Some small changes in the forest act have been adopted since September 2007. In addition to applying the concept of sustainable forest management according to the international definitions, the amendment, among other things, also provides for administrative simplifications. Above all, the simplification of the appointment obligation for forest staff is leading to cost reductions for forest enterprises and forests owners.

All public authorities and institutions, public and private interested representations, and all forest stakeholders are called upon to contribute actively to the dialogue, and to co-operate, in order that the careful management of forests be further developed and solutions be found to reconcile the many different interests in the utilisation of forests.

National Forest Programme of the Slovak Republic is a basic document for securing sustainable forest management in the forests. On the 1st March 2007 it was discussed and approved by the Ministry of Agriculture of Slovakia, by the Government of Slovakia in May 2007 and by the National Council of Slovakia in September 2007. It was worked out for the period by 2020 by formulating five strategic goals, 18 priorities and 52 general objectives. General objectives will be worked out into more details on regular basis and updated through measures formulated in the Action Plan of the National Forest Programme of the Slovak Republic.
The strategic instrument for implementation of forestry policy in Slovakia is the Prognosis of Slovak Forestry for 2050.
Now days – September 2008 started work on the Strategy of Slovak Forestry.
Programme of rural development in Slovakia for the period 2007-2013 was adopted to use EAFRD funds; following measures were proposed: increase economic value of forests; forestry-environmental payments; restoration of forest management potential; payments within NATURA 2000; professional education and consultation.

3 Market drivers

After very large storm in November 2004, which was concentrated to High Tatra and Low Tatra and damaged 5.9 million m^3 the "Kyrill" damaged 1 million m^3 mostly in Low Tatra in 2007. Annual cut is usually at level 6-7 million m^3 that means the 5 million m^3 was nearly yearly Slovak wood removal. Home and foreign logging companies were able to process the November 2004 damage during 2005 and 2006. Partly was the winds throw timber absorbed by home wood processing industry and partly by wood export into EU countries. Wood prices at the wood market were only slightly affected by wind throw because there was only very small percentage of broken trees (10%) and there were mostly mature stands. Logging restriction was only in high-protected area 680 thousand m^3.
Another market drivers are increasing building industry year-on-year 10% and opened EU market.
The bad market driver is the crises on the financial markets, falling down wood prices and wood working production.

4. Developments in forest products markets sectors

A. Wood raw materials

In comparison with 2006, removals of roundwood due to end of processing of large windbreak in November 2004 raised due to windstorm Kyrill only by 3% to 8 131 thousand m^3, of which industrial roundwood to 7 715 thousand m^3 (4 862 thousand m^3 of sawlogs and veneer logs, 2 813 thousand m^3 of pulpwood and 40 thousand m^3 of other industrial roundwood). Production of wood fuel was by 35% higher as previous year 416 thousand m^3, continually at very low level. Proportions of softwood and hardwood are shown in Tables. Import of industrial roundwood rose to 340 thousand m^3. Industrial round wood export fall down by 28% to 1 218 thousand m^3. Average export prices of the year 2007 fall down by 29 % in coniferous and in non-coniferous by 16% on the year 2006.

Removals of roundwood including pulpwood in 2008 are expected to be a little bit higher than in 2007 (by about 1%). Imports should rise slightly, and export should drop.

The forecast of removals, imports and exports of roundwood including pulpwood in 2009 do indicate a drop in exports while in an import and removals a slight raise in comparison with 2008.

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B. Wood energy.

Wood energy covers 1.9% of Slovakia energy needs. Wood residues are mostly used for heating and covering own needs in pulp and paper industry and in wood processing industry. At present there are two facilities for combined producing of heating and electric energy. Inhabitants have higher demand on fuel wood for their houses after basic fuel and energy price increasing. Interest for wood fuel heating in community flats using big boiler rooms it grows slowly. At present Slovakia exploits nearly 25% of wood suitable for energy and there is slowly increasing with this fuel. Renewable energy sources legislation is step by step adjusts to EU standards. Energy state policy declares support on alternative energy source use. There is still missing an indirect financial stimulation like subsidies, tax advantages and better purchasing wood energy prices

C. Certified forest products

Since 2002 the Association of the certification of Slovak forests has become member of PEFC. Certification is done for 1 166 928 ha and 69 users. Council PEFC has approved Slovak forests certification system in august 2005 for 5 years.

In the frame of FSC certification system a forests certification project has begun since 2003. There is 162 240 ha forests certified by FSC system 115 000 ha in state forests and 20 300 ha in church forests. 18 wood processing companies joint certified chain.

D. Value-added wood products

In 2008, trade in secondary processed wood in the assortment monitored by the ECE Timber Committee – i.e. in ‘Further processed sawnwood, rose by 75% at imports and 79% by export, “Wooden wrapping and packing equipment’ ‘Builder’s joinery and carpentry of wood’ increased year-on-year by 119% in imports and dropped by 76% in exports. ‘Wooden furniture’ rise by 9% in import and by 16% in export.

E. Sawn softwood

Production of coniferous sawnwood in 2007 rose by 6% year-on-year to 1 872 thousand m^3. In the coniferous sawnwood market imports rose 4 times at a very low base to 218 thousand m^3 and exports dropped by 8 % to 1014 thousand m^3. Domestic consumption rose by 48% to 1076 thousand m^3

Coniferous sawnwood was imported from European countries: the highest volumes from the Russian Federation, and the Ukraine. Exports were mainly directed to EU.

In 2008 coniferous sawn wood production is expected to rise, while exports and imports are assumed to decrease in comparison with previous year.

In comparison with 2008 the year 2009 is anticipated to see a slight decrease in exports and imports and rise in production and domestic consumption of coniferous sawnwood

F. Sawn hardwood (temperate and tropical)

Production of non-coniferous sawnwood in 2007 rose on 2006 by 33% to 909 thousand m^3, domestic consumption by 22% to 727 thousand m^3, exports by 121% to 221 thousand m^3 and imports by 143% to 39 thousand m^3. The trade was mostly implemented with European countries

It is anticipated that the production and domestic consumption in non-coniferous sawnwood in 2008 will be higher than in 2007 while exports and imports will drop down. In the year 2009 the production and domestic consumption and trade should be at the very similar level in comparison with 2008.

G. Wood-based panels (particle board, fibreboard and MDF, OSB, plywood)

Veneer sheets

In comparison with 2006, production of veneer sheets in 2007 is the same 3 thousand m^3. Imports rose by 50% to 18 thousand m^3 and exports rose by 25% to 5 thousand m^3. In year 2008 and 2009 the production, domestic consumption and imports and exports will slightly rise; exports should stay at the same level in favour of higher domestic consumption year-on-year.

Plywood

In 2007, plywood production rose by 10% to 21 thousand m^3, imports rose fall down 50% to 21 thousand m^3, exports by 20% to 25 thousand $m^3$and domestic consumption by 50 %, all year-on-year.

Expected for the 2008 and 2009 are higher plywood domestic consumption, imports and exports year-on-year. Production will stay at the same level as in 2007..

Particleboard

Production of particleboard rose in 2007 by 2% to 675 thousand m^3, imports by 22% to 329 thousand m^3, exports by 26% to 340 thousand m^3. Domestic consumption was the same as previous year 664 thousand m^3. In the year 2008 and 2009 is expected to see rise in the production, exports and domestic consumption while imports will fall down.

Fibreboard

In 2007 fibreboard production was 145 thousand m^3.

. Production of MDF board in 2007 is at the same level 26 thousand m^3 as in 2006. MDF are in Slovakia only laminated.

In comparison with 2007, the year 2008 and 2009 should slowly raise fibreboard imported volume and consumption while exports will fall down.

Production, consumption, exports and imports of insulating boards for 2008 and 2009 stay at the level of 2007.

H. Pulp and paper

In 2007, production of wood pulp increased by 6% year-on-year to 664 thousand tonnes. Production of paper recovered for pulp manufacture increased by 30% to 257 thousand tonnes.

In production of paper and paperboard the production rose up in 2007 by 3% to 915 thousand tonnes.

The production, trade and domestic consumption are forecast to maintain their rising trends in 2008 and the same level in 2009.

5. Tables

Forest products production and trade in 2006,2007,2008,2009

Summary of statistics and estimates (1000 m^3,m.t.)

Product	Year	Production	Imports	Exports	Apparent consumption
Sawlogs and veneer logs, coniferous	2006	2 932	0	676	2 256
	2007	3 498	15	544	2 969
	2008	3 530	20	520	3 030
	2009	3 570	25	500	3 095
Sawlogs and veneer logs, non-coniferous	2006	1 170	7	150	1 027
	2007	1 364	74	122	1 316
	2008	1 370	80	120	1 330
	2009	1 430	90	110	1 410
Sawnwood, coniferous	2006	1 760	56	1 092	724
	2007	1 872	218	1 014	1 076
	2008	1 900	150	1 100	950
	2009	1 920	150	1 100	970
Sawnwood, non-coniferous	2006	680	16	100	596
	2007	909	39	221	727
	2008	920	25	150	795
	2009	940	20	170	790
Veneer sheets	2006	3	12	4	11
	2007	3	18	5	16
	2008	3	18	3	18
	2009	3	20	3	20

Plywood	2006 2007 2008 2009	19 21 21 21	44 21 25 25	30 25 20 20	33 17 26 26
Particle board	2006 2007 2008 2009	665 675 750 850	270 329 300 300	270 340 380 400	665 664 670 750
Fibreboard	2006 2007 2008 2009	294 145 140 130	181 279 280 300	59 86 70 60	416 338 350 370
Wood pulp	2006 2007 2008 2009	626 664 670 670	89 143 140 130	91 122 100 100	624 685 710 700
Paper & paperboard	2006 2007 2008 2009	888 915 920 925	403 421 420 420	771 785 790 790	520 551 550 555

Economic indicators

Product	Year	Industrial roundwood				Wood fuel	Total
		Total	Sawlogs Veneer logs	Pulpwood	Other		
Total	2005	9 005	4 842	3 871	292	296	9 301
	2006	7 055	4 102	2 677	783	307	7 869
	2007	7 715	4 862	2 813	40	416	8 131
	2008	7 813	4 900	2 870	43	420	8 233
	2009	8 023	5 000	2 980	43	430	8 453
of which: coniferous	2005	6 077	3 820	2 000	257	148	6 225
	2006	4 643	2 932	1 087	624	142	4 785
	2007	4 795	3 498	1 260	37	230	5 025
	2008	4 840	3 530	1 270	40	232	5 072
	2009	4 910	3 570	1 300	40	240	5 150
of which: non-coniferous	2005	2 928	1 022	1 871	35	148	3 076
	2006	2 919	1 170	1 590	159	165	3 084
	2007	2 920	1364	1 553	3	186	3 106
	2008	2 973	1370	1600	3	188	3 161
	2009	3 113	1430	1 680	3	190	3 303

Selected economic indicators

Indicator	Percentage change compared to previous year			
	Year			Actual
	2005	2006	2007	2008
Gross domestic product (constant prices)	6.1	8.3	10.4	7.6
Industrial production (constant prices)	4,3	12.4	15.5	7.4
of which:				
- wood working industry	13.1	10.5	-2.7	-3.0
- pulp, paper and printing industry	10.2	6.1	3.5	4.7
Construction	14.7	14.8	5.7	9.1
Unemployment	15.3	13.3	11.0	10.1
External trade (FOB/FOB, current prices)				
of which:				
- Imports	13.1	24.3	10.2	9.7
- Exports	11.1	24.6	15.2	7.5