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Market Report 2007

Slovak Republic

MARKET STATEMENT OF THE SLOVAK REPUBLIC

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

Slovak economy entered the year 2007 with good starting conditions created in 2006 in which it managed to maintain fast growth of GDP (9.4%), especially in the last two quarters. In 2006, the growth rate raised and GDP rose by 8.3% year-on-year (at constant prices of 2000). The GDP growth was significantly affected by domestic demand. External demand was also higher. Home demand rise (year-on –year at constant prices 2000) was influenced by higher creation of gross fix capital by 7,3%, home consumption by 6.3%. In the first half of 2007, GDP was 9.2% up year-on-year.

Turnover in external trade was higher by 24.5% - the higher rise in export 24.6% of goods and services as well as in their imports 24.3% exerted positive effects in 2006. Investment activities also grew year-on-year. Since 2004 retirement reform (higher retirement age -men from 60 to 62 years and women from 54-57 to 62 years) has been establish. Unemployment rate according to the Labour Force Sample Survey felled down in 2006 by 2.9% to 13.3%. Now day's unemployment is 11.1%. Industrial output rose in 2006 by 10.6% year-on-year at current prices of 2000.

Manufacture of wood and wood products raised its output in 2006 by 10.5% 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 6.1% (all at constant prices of 2000).

In the first half of 2007, industrial output at constant prices of 2000 was 15.5% up year-on-year. Output of the manufacture of wood and wood products grew by 6.3% and output of the manufacture of wood pulp, paper and paperboard, including publishing, printing and reproduction of recorded media, increased by 5.8%, compared to the first half of 2006.

Construction raised its output in 2006 by 14.9% year-on-year (constant prices of 2000). The rise was especially due to the construction of transport infrastructure.
Construction output in the first half of 2007 was 4.8% higher on the corresponding period of the previous year (at constant prices of 2000).

2. Policy measures

Slovakia 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.

Unitary tax has been introduced at level 19% since January 1st 2004.

Renewable sources of energy are to be enhanced and measures got closer to the Kyoto target are to be supported in all fields.

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 cooperate, 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 SR, by the Government of SR in May 2007 and by the National Council of SR 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.

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 15% and opened EU market.

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 felt down by 25% to 7 869thousand m^3, of which industrial roundwood by 26 % to 7 562 thousand m^3 (4 102 thousand m^3 of sawlogs and veneer logs, 2 677 thousand m^3 of pulpwood and 783 thousand m^3 of other industrial roundwood). Production of wood fuel was very similar as previous year 307 thousand m^3. Proportions of softwood and hardwood are shown in Tables. Import of industrial roundwood rose to 340 thousand m^3. Industrial round wood export felt down by 28% to 1 218 thousand m^3. Average export prices of the year 2006 raised by 12 % in coniferous and stayed s in non-coniferous by 9% on the year 2005.

Removals of roundwood including pulpwood in 2007 are expected to be lover than 2006 (by about 5%). Imports should rise slightly, and export should drop.

The forecast of removals, imports and exports of roundwood including pulpwood in 2008 do indicate a drop in removals and exports while in an import a slight raise in comparison with 2007.

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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 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 537 000 ha and 57 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 162 899 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. National FCS standards creation process has begun.

D. Value-added wood products

In 2006, trade in secondary processed wood in the assortment monitored by the ECE Timber Committee – i.e. in ‘Further processed sawnwood, rose by 21% at imports and fall down 5% by export, “Wooden wrapping and packing equipment’ ‘Builder’s joinery and carpentry of wood’ increased year-on-year by 15% in imports and by 10% in exports. ‘Wooden furniture’ fall down by 35% in import and rise by 9% in export.

E. Sawn softwood

Production of coniferous sawnwood in 2006 felt down by 13% year-on-year to 1 760 thousand m^3. In the coniferous sawnwood market imports rose 3 times at a very low base to 56 thousand m^3 and exports rapidly rose by 60 % to 1092 thousand m^3. Domestic consumption felt down by 45% to 724 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 Europe.
In 2007 coniferous sawn wood production, and exports are assumed to decrease while imports and consumption will rise in comparison with previous year.

In comparison with 2007 the year 2008 is anticipated to see a slight decrease in exports and rise in imports production and domestic consumption of coniferous sawnwood

F. Sawn hardwood (temperate and tropical)

Production of non-coniferous sawnwood in 2006 rose on 2005 by 4% to 680 thousand m^3, domestic consumption by 4% to 596 thousand m^3, exports by 19% to 100 thousand m^3 and imports by 6% to 16 thousand m^3. The trade was mostly implemented with European countries

It is anticipated that the production, domestic consumption and trade in non-coniferous sawnwood in 2007 will be higher than in 2006. In the year 2008 the production and domestic consumption and trade should be at the same level in comparison with 2007.

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

Veneer sheets

In comparison with 2005, production of veneer sheets in 2006 dropped down by 25% to 3 thousand m^3. Imports rose by 25% to 12 thousand m^3 and exports rose by 25% to 4 thousand m^3. In year 2007 and 2008 the production, domestic consumption and import will slightly rise; exports should stay at the same level in favour of higher domestic consumption year-on-year.

Plywood

In 2006, plywood production rose by 5% to 19 thousand m^3, imports rose by 75% to 44 thousand m^3, exports rose by 42% to 30 thousand $m^3$and domestic consumption increased by 50 %, all year-on-year.

Expected for the 2007 and 2008 are higher plywood domestic consumption and production, imports and exports year-on-year.

Particleboard

Production of particleboard rose in 2006 by 12% to 348 thousand m^3, imports by 55% to 270 thousand m^3, exports by 8% to 270 thousand m^3 domestic consumption by 47% to 348 thousand m^3. In the year 2007 and 2008 is expected to see rise in the production, imports, and domestic consumption while exports will fall down.

Fibreboard

In 2006 fibreboard production rose by 8% to 294 thousand m^3.

In this assortment production of hardboard went up by 13% to 183 thousand m^3. Production of MDF board and insulating board in 2006 is at the same level 26 thousand m^3 as in 2005 or 85 thousand m^3 respectively.

In comparison with 2006, the year 2006 and 2007 should slowly raise fibreboard production, imported volume as well as exports.

H. Pulp and paper

In 2006, production of wood pulp increased by 3% year-on-year to 626 thousand tonnes. Production of paper recovered for pulp manufacture decreased by 7% to 197 thousand tonnes.

As far as the assortment of wood pulp is concerned, Slovakia produce only bleached sulphate chemical pulp that went up by 3% to 525 thousand tonnes.

In production of paper and paperboard the production rose up in 2006 by 3% to 888 thousand tonnes.

The production, trade and domestic consumption are forecast to maintain their rising trends in 2007 and the same level in 2008.

5. Tables

Forest products production and trade in 2005,2006,2007,2008

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

Product	Year	Production	Imports	Exports	Apparent consumption
Sawlogs and veneer logs, coniferous	2005	3 820	2	1 372	2 450
	2006	2 932	0	676	2 256
	2007	2 500	10	400	2 110
	2008	2 500	20	300	2 220
Sawlogs and veneer logs, non-coniferous	2005	1 022	5	245	782
	2006	1 170	7	150	1 027
	2007	1 250	25	150	1 125
	2008	1 200	50	100	1 150
Sawnwood, coniferous	2005	1 984	23	681	1326
	2006	1 760	56	1 092	724
	2007	1 500	80	700	880
	2008	1 500	100	600	1000
Sawnwood, non-coniferous	2005	637	15	81	571
	2006	680	16	100	596
	2007	750	20	100	670
	2008	720	40	800	680
Veneer sheets	2005	4	8	3	9
	2006	3	12	4	11
	2007	5	15	4	16
	2007	10	20	4	26
Plywood	2005	18	25	21	22
	2006	19	44	30	33
	2007	20	50	20	50
	2008	20	50	20	50

Particle board	2005 2006 2007 2008	312 348 350 350	174 270 300 300	250 270 250 250	236 348 400 400
Fibreboard	2005 2006 2007 2008	272 294 300 300	111 181 200 200	55 59 60 60	328 416 440 440
Wood pulp	2005 2006 2007 2008	609 626 650 650	96 89 100 100	105 91 100 100	600 624 650 650
Paper & paperboard	2005 2006 2007 2008	858 888 900 900	362 403 400 400	709 771 750 750	511 520 550 550

Economic indicators

Product	Year	Industrial roundwood				Wood fuel	Total
		Total	Sawlogs Veneer logs	Pulpwood	Other		
Total	2004 2005 2006 2007 2008	6 936 9 005 7 055 6 795 7 100	3119 4 842 4 102 3 750 3 750	3 397 3 871 2 677 2 650 2 600	420 292 783 750 750	304 296 307 290 290	7 240 9 301 7 869 7 440 7 390
of which: coniferous	2004 2005 2006 2007 2008	3 881 6 077 4 643 4 100 4 100	2 217 3 820 2 932 2 500 2500	1 337 2 000 1 087 1 000 1000	327 257 624 600 600	155 148 142 140 140	4 036 6 225 4 785 4 240 4 240
of which: non-coniferous	2004 2005 2006 2007 2008	3 055 2 928 2 919 3 050 3 000	902 1 022 1 170 1 250 1250	2 060 1 871 1 590 1 650 1600	93 35 159 150 150	149 148 165 150 150	3 204 3 076 3 084 3 200 3 150

Selected economic indicators

Indicator	Percentage change compared to previous year			
	Year			Actual
	2004	2005	2006	2007
Gross domestic product (2000 constant prices)	5.5	6.1	8.3	9.2
Industrial production (2000 constant prices) of which:	11.5	5.3	10.0	15.5
- wood working industry	11.6	13.1	10.5	6,3
- pulp, paper and printing industry	12.8	10.2	6.1	5,8
Construction (2000 constant prices)	7.2	14.7	14.9	4.8
External trade (FOB/FOB, current prices) of which:				
- Imports	13.8	13.1	24.3	12.2
- Exports	11.4	11.1	24.6	13.5