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Timber Committee

## **SLOVENIA**

### **Country Market Statement 2011**

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## **1. General economic trends**

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Amidst the stimulating impacts from the international environment and a relatively large contribution of changes in inventories, gross domestic product increased by 1.2% in 2010. The positive signals from foreign demand that started to boost economic activity in the second half of 2009 only strengthened in 2010. Slovenia's economic recovery was mainly limited to the export-oriented and technology-intensive sectors of the economy, and this became even more pronounced during the year, while domestic factors hampered the recovery. Domestic consumption was only 0.4% higher than in 2009, with a visible positive contribution coming only from change in inventories (1.6 p.p.), while the other main aggregates remained lower than in 2009 (gross fixed capital formation) or recorded modest growth (private and general government consumption).

Value added rose by 1.6% in real terms in 2010. Following a significant decline in 2009, value added increased in industry in 2010, mainly on the back of manufacturing, and in certain market services. In 2010, value added in manufacturing grew by 8.0% in real terms compared with a year earlier. The increase was chiefly attributable to growth in predominantly export-oriented industries, given that foreign demand picked up last year while turnover from domestic demand remained at the previous year's level. Production volume thus increased in high- and medium-high-technology industries and most medium-low-technology industries, which are more strongly oriented to foreign markets. Economic activity is expected to increase by 2.2% or 2.6%, respectively, in 2011 and 2012, which is less than the medium-term average before the crisis.

Production in lowtechnology industries, most of which are predominantly oriented to the domestic market, remained at the 2009 level in 2010 as a whole. The production decline in these industries, which had already started before the beginning of the crisis in 2008, continued in the furniture and textile industries. These industries also lag most behind the 2008 production levels (by around 60% and 50%, respectively) and contribute most notably to the lag in manufacturing (around 13%) behind the pre-crisis levels.

Growth in merchandise exports (10.2%) was largely based on technology-intensive goods. The recovery of exports was crucially dependent on the recovery in Slovenia's main trading partners in the EU, exports to non-EU markets recorded much lower growth, as a result of a continued real decline in exports to the markets of the former Yugoslavia.

Export demand, having already played a crucial role in the recovery of Slovenia's economic activity last year, remains a vital driver of economic growth in the whole period covered by the forecast. Slovenia failed to fully exploit foreign demand, which had already been indicated by last year's movements when Slovenian exports recorded lower growth than foreign demand. Exporters are facing pressures on competitiveness from both labour costs and rises in commodity prices. Faster recovery of Slovenia's exports is also hampered by problems arising from insufficient technological restructuring in the past.

Merchandise trade is predicted to grow more slowly this year, but somewhat higher growth is expected in trade in services, which did not greatly recover last year. Growth in merchandise exports is set to decline from last year's 10.2% to 7.7%. In line with the assumptions for the

international environment, which predict slower growth of imports in the EU countries, growth in Slovenia's exports to these countries is expected to decline this year.

Exports to non-EU countries, in contrast, are projected to grow more strongly this year, largely as a consequence of recovering exports to former Yugoslav countries, which dropped in real terms last year.

As a result of the expected slowdown of growth in merchandise exports, imports of intermediate goods are also projected to grow at a slower pace this year and total growth in merchandise imports will therefore decline (from 7.7% to 5.2%). The continuation of economic recovery in Slovenia's main trading partners and related growth in merchandise exports will, as in 2010, favourably impact investment in machinery and equipment.

Household and government final consumption increased last year. Private consumption grew by 0.5% last year. Government consumption recorded 0.8% growth last year, which is a much lower level than in 2009 (3.0%). Household consumption is also expected to recover this year, while government consumption will grow at a similar rate to last year's level. Private consumption is predicted to follow growth in disposable income, which means 0.7% growth in real terms. Government consumption is also expected to increase by 0.8% this year. Private consumption is predicted to increase by 0.7% and government consumption by 0.6% in 2012.

Investment activity declined further last year. After the more than 20% decline in 2009, gross investment shrank by a further 6.7% last year, due to a further drop in investment in buildings and structures. The decline in construction investment, which shrank by one third in the two years combined, was also recorded in all construction segments last year, particularly in residential construction, where the decline is related to a large stock of unsold flats and the tight financial situation. On the other hand, investment in machinery and equipment already exceeded the 2009 level (by 6.8%) under the favourable impact of growth in foreign demand and higher capacity utilization.

Amid the expected moderation of negative trends in construction investment, we also expect growth in gross fixed capital formation this year, and thus higher growth in domestic consumption than last year. Investment in gross fixed capital formation is set to increase by 2.9% in 2011. The expressly negative movements in the construction sector recorded over the last two years are set to ease gradually, but economic activity in individual construction segments is not yet projected to start growing. Based on data on issued building permits and given the tight situation in this sector, housing investment will continue to drop, but less than in the previous two years. Less negative movements are expected for non-residential investment where construction activity has already started to pick up in some segments.

The labour market is expected to see a further decline in employment and an increase in unemployment, but both will be less pronounced than last year. The number of employed persons continued to fall last year and similar movements are also expected this year and in 2012, albeit to a lesser extent. Since the beginning of the economic crisis, enterprises have, despite last year's economic revival, continued to cut jobs and to adjust employment to changes in the economic environment, reflected in the level of GDP (which has yet to reach that in 2008), mounting labour-cost pressures and the financial standing of enterprises. In 2011, the average number of employed persons is projected to be by 1.2% lower relative to last year, largely due to the slump at the end of last year, and by 0.3% next year.

Annual consumer price growth was 1.9% in 2010 (HICP 2.2%), which is a similar level as in the previous two years. This year's inflation will be significantly marked by growing prices of energy and other commodities and will rise to 3.0% y-o-y by December. In 2012, y-o-y inflation will drop to 2.7% assuming that the pressure of commodity prices on international markets will ease.

## 2. Policy measures

In the process of adopting the **Climate Change Act** and within the scope of the public debate surrounding it, a 3<sup>rd</sup> draft was presented in February 2011. It includes the basic choice for the transition into a low-carbon society and represents one of the bases for the preparation of the Slovenia's Development Strategy up to 2020, the sector strategies and the short-term measure programmes. The goal of the proposed Act is to establish a legal framework within Slovenia to enable an appropriate, transparent, comparable and credible use of the carbon footprint for organizations, products and services.

Below are stated the defined long-term targets of the proposed Act:

- (1) A common national target in cooperation with other countries and in respect of the sustainable development principles is to halt global warming and limit it to no more than 2 °C above pre-industrial levels.
- (2) In accordance with the provision set forth in the above paragraph, the long-term national target is to lower greenhouse gas emissions to less than 4 million tons of carbon dioxide equivalent yearly up to 2050.
- (3) In order to prevent negative effects of climate change and reduce risk, the long-term national target is to ensure, through adapting to climate change, that the vulnerability of Slovenia to the effects of climate change does not exceed the present level.

The Climate Change Act proposal defines economic instruments in the area of climate change:

- The Greenhouse Gas Emission Trading Scheme within the scope of the EU ETS system for countries liable according to the ETS Directive,
- Carbon Budgets for sectors and those liable not included in the ETS Directive,
- A greenhouse gas emissions levy,
- The determination and long-term prediction of external costs related to greenhouse gas emissions,
- National co-financing of research and development and climate action,
- Co-financing and implementation of projects by those liable within Slovenia, and
- Joint implementation (JI) and clean development mechanism (CDM) within the framework of UNFCCC.

The economic instruments put forth in the Act form some sort of a carbon »market« enabling emissions reductions at minimal cost while keeping the price of carbon more or less at the level of marginal costs for reducing emissions. Due to cost-effectiveness and fair burden distribution it is important to ensure that the price of carbon stays relatively equal in all segments of this »market«. This should be achieved through two approaches:

- CO<sub>2</sub> levies and government incentives shall be determined per ton of CO<sub>2</sub> emission reductions in sums equal to the price of carbon on active markets, especially those on the EU ETS market.

– Carbon budget respondents will be able to achieve a part of their reductions through joint projects outside their activities within their country or through purchase of allowances or joint investments into foreign projects.

The Act draft implements a new legal instrument – carbon footprint assessment showing CO<sub>2</sub> emissions and other greenhouse gas emissions. Carbon footprint could be used as one of the criteria for public procurement of products and services.

The **Strategy for the use of biomass from agriculture and forestry in energetic purposes** draft includes the estimation of low-grade wood forest potential, which is based on possible felled amounts excluding logs. The Strategy draft takes into account the principle that low quality roundwood is firstly used to cover the needs of the wood processing industry. In view of strategic guidelines favouring product orientated wood processing, only a portion of this potential may be used in the production of energy. The wood processing industry's need of low-grade roundwood shall increase to 1,098,000 m<sup>3</sup> by 2020 (360,000 m<sup>3</sup> of deciduous wood and 738,000 m<sup>3</sup> of conifer wood). As a consequence to better utilization of existing capabilities and foreseen new investments in some companies, a 2,5-fold increase of consumption in the wood processing industry is assumed.

The **National Energy Program (NEP) 2010-2030** is also being drafted. Apart from progress in the energy sector, it envisions reductions in greenhouse gas emissions in accordance with EU obligations up to 2020.

The National Energy Program defines long-term targets and guidelines regarding energy systems and energy supply, taking into account the environmental and technological criteria, the public infrastructure development and infrastructure of national importance; it also defines incentives and mechanisms to encourage the use of renewable energy sources and implement measures for efficient use of energy.

All sectors shall ensure all conditions for an optimal implementation of the National Renewable Energy Action Plan 2010-2020. A programme management system will be established along with a systematic dismantling of the obstacles to implementation, especially administrative obstacles, and an active control of the programme implementation. The achievement of the 25% share of RES target depends heavily on the implementation of the EEU improvement programme, design and implementation of the transport policy in the country and in the EU. In order to achieve these renewable energy source objectives, the Slovenian Government will ensure an adequate support environment for:

- energy rehabilitation of buildings mainly in the public sector, and construction of active buildings representing what are technologically advanced structures; ensuring an almost 100% share of zero-energy buildings among new and renovated buildings until 2020, and until 2018 in the public sector;
- replacing heating oil with wood biomass and other renewable energy sources;
- replacing electricity for producing sanitary hot water with solar energy and other renewable energy sources;
- stepped up construction, extension and renovation of district heating systems using renewable energy sources, waste heat from industrial processes and high-efficiency CHP plants;
- generation of electricity from renewable energy sources;
- introducing biofuels and other renewable energy sources in transport and farming and introducing electric vehicles;

- developing distribution networks for incorporating dispersed electricity generation, including the development of active/smart networks;
- developing industrial production of technologies for efficient energy use and renewable energy sources.

**The Action Plan on Green Public Procurement** for the period 2009 - 2012 was adopted in 2009. The joint goal of the selected group of products/services is to implement an average of 50% of all public procurement by 2012 in such way that the final result shall amount to the purchase of an environmentally sound product/service. Among the selected groups of products are paper, construction and buildings, and furniture. The **Regulation on green public procurement** is still in the process of adoption, while the last proposal follows the ambitious objectives mapped out for the use of wood in construction of buildings.

**The ECO Fund grants loans** for environmental investments through public tenders within the scope of the programme for granting loans for environmental investments of natural persons and sole traders. 305 loan contracts with natural persons were signed in 2010 for the implementation of different investment schemes in the area of efficient energy use and use of renewable energy sources, which also included 21 boilers run on wood biomass fuel with a total power of 504 kW. The **Eco Fund** also carries out a programme for granting **non-returnable financial incentives to natural persons** for measures adopted in the area of efficient energy use and renewable energy sources, and on the basis of the Regulation on energy savings ensured to final customers (Official Gazette of the RS, 114/2009), adopted by the Slovenian Government on December 30, 2009, and valid from January, 2010. The Regulation introduces a collection of resources to increase the efficiency of energy use through its contribution to improving the efficiency of electricity and heat additions to the price and the price of fuels to increase energy efficiency. The beneficiaries of the incentive who through public tenders completed their investments in a timely manner and submitted the appropriate documentation, received a total of EUR 7,009,081 of non-returnable funds in 2010, which were used to fuel 6,943 investments, out of which 407 investments were used for boilers run on wood biomass with a total power of 10,4 MW. In 2009, 561 investments into boilers run on wood biomass with a total power of 15 MW were given financial support. Apart from support given for installation of boilers run on wood biomass, incentives for installation of wooden outdoor builder's joinery during renovation on housing buildings are also important from the viewpoint of wood use. In 2009, 1,415 investments with a total area of 24,613 m<sup>2</sup> were supported, while in 2010, the number of supported investments amounted to 617 with a total area of 10,147 m<sup>2</sup>.

The programme of co-financing of district heating systems and the installation of boilers run on wood biomass is run within the framework of the Operational programme for environmental and transport infrastructure development for the period 2007-2013; the development priority »Sustainable Energy« and the priority orientations of innovative measures for local energy supply. In the last 18 months, two public tenders for co-financing said systems run on wood biomass were published. In 2009 and 2010, 13 projects for district heating systems run on wood biomass were supported; combustion engines run on wood biomass were installed into 10 of these systems while 3 of these existing systems were expanded without the installation of combustion engines. State aid in the amount of EUR 6 million was used for the installation of combustion engines run on biomass with a total power of 15,6 MW and more than 31 km of pipelines with 777 connections. The expected sales of heat from renewable sources are 54 GWh.

In 2009 and 2010, 35 individual combustion engines run on wood biomass and 8 micro-district systems were co-financed. Financial incentives in the amount of EUR 3,6 million were used for the installation of combustion engines run on biomass with a total power of more than 38 MW, while the expected heat production from renewable sources is 90 GWh.

The **Decree on waste** is currently in the process of being adopted; it shall replace the existing Decree on waste management (Official Gazette of the RS, No. 34/08). This Decree includes provisions on by-products and end-of-waste status, which is of great importance for wood waste. The Decree stipulates that definition of a substance or object as waste, by-product or end-of-waste status shall be awarded in accordance with Community legislation and within the framework of applicable guidelines prepared on the basis of this Decree. The Decree introduces a 5-stage waste management hierarchy treated as priority order in waste production and management:

- a) prevention;
- b) preparing for re-use;
- c) recycling;
- d) other recovery, e.g. energy recovery, and
- e) disposal.

Regarding separate collection the Decree stipulates that separate collection should be established at least for paper, metal, plastic and glass. The Decree also includes certain environmental goals which cannot be achieved without effective separate collection:

- a) by 2020, the preparing for re-use and the recycling of at least waste paper, metal, plastic and glass from households and possibly from other origins as far as these waste streams are similar to waste from households, shall be increased to a minimum of overall 50% by weight;
- b) by 2020, the preparing for re-use, recycling and other material recovery, including backfilling operations using waste to substitute other materials, of non-hazardous construction waste, shall be increased to a minimum of 70% by weight. In order to achieve this goal, soils and stones (17 05 04) are excluded.

The Renewable Energy Directive (2009/28/EC) provides that Slovenia should reach a share of at least 25% of energy from renewable sources in gross final consumption of energy by 2020. The share of energy from renewable sources in gross final consumption of energy for 2005, estimated through a common methodology, was 16% for Slovenia. In accordance with the above mentioned Directive, Slovenia prepared a **National Renewable Energy Action Plan 2010-2020**, which was adopted in July 2010 and among other provisions stipulates for measures increasing the use of wood biomass for energy purposes. We expect that the use of wood for energy production shall increase, with particular regard to wood waste, where the largest increase in use is expected.

Slovenia wishes to promote and hasten, among other renewable energy sources, the **use of wood for the production of electricity** in the ensuing few years, therefore in 2009, the government adopted two regulations: the Regulation on supports for the electricity generated from renewable energy sources (2009), which was amended in 2010 and 2011, and the Regulation on supports for the electricity generated in cogeneration with high efficiency (2009), which was amended in 2010 and 2011.

Drafts of the **Regional Forest Management Plans for the Period 2011-2020** are currently being processed. These drafts stipulate a markedly increased harvesting rate (felling), which

would enable actual increase in felling and consequently larger amounts of wood on the market intended for the wood processing industry and energy production from wood biomass.

A group named »Forest-Wood« was formed in order to prepare measures to increase competitiveness of the forestry wood sector. All important partners from the fields of forestry and wood processing, along with economic representatives, forest owners' interest groups, research organizations, 5 ministries etc., are included in this group. The objective of the work group is to activate the potentials to increase added values of wood, to ensure a larger profit for forest owners and more employment positions within the fields of forestry and wood processing.

The Operational Programme of the National Forest Programme is currently being drafted, and its objectives include:

- increased utilization of production potential of forest sites and forests, and increased use of wood;
- a more developed network of forest roads enabling a more rational forest management;
- organization of forest owners to achieve a more rational forest management;
- developed activities to enable non-harmful use of other forest functions;
- an appropriate economical contribution of forests to rural development;
- forest contribution to climate change mitigation and adaptation;
- a formed system of continuous training for forest owners and forestry experts to ensure an economically efficient, safe and quality work in the forest and with the forest;
- a well formed communication system with forest owners and the public enabling a successful forest development direction.

The measures affecting trade in wood products and the wood products market also include individual measures from the **Rural development Programme of the Republic of Slovenia 2007-2013**. In the view of promoting the use of wood, the *following measures are most pertinent within the framework of Axis 1*:

- 111 - Training for persons engaged in agriculture and forestry, which may influence, indirectly through education of forest owners for safe forest work, the annual felling in privately owned forests.
- 121 - Modernization of agricultural holdings, which, among other things, enables co-financing of investments in renewable sources of energy for agricultural holdings needs.
- 122 - Improving the economic value of forests, which can have a positive effect on the wood products market, as it provides for co-financing of investments in modern forestry mechanization and equipment as well as in reconstruction and construction of new forest tracks and roads.
- 123 - Adding value to agricultural and forestry products, which also foresees co-financing of investments in processing and marketing of wood.

*Within the framework of Axis 3, the following measures are particularly pertinent:*

- 311 - Diversification into non-agricultural activities, where support is given to investments in production of energy intended for sale.
- 312 - Support for the creation and development of micro enterprises, where among other options, the co-financing for setting-up of enterprises for the production and sale of energy is foreseen.

### **3. Market factors**

*Data sources: SORS, IMAD, CCIS: Wood Processing and Furniture Association; interpretation of CCIS, IMAD, SFI and Ministry of Agriculture, Forestry and Food*

Industrial undertakings in Slovenia have increased their production for a little less than 8 index points in 2010. Processing industry undertakings' index points have increased by 6.7 compared to the same period in 2009. The industrial production index of the wood processing and treatment industry grew 4.3 points, while the manufacture of furniture dropped 3 index points (index 100 - year 2005).

Industrial production value in July 2011 was almost 3% lower compared to May 2011 and almost 2% higher compared to June 2010. Even in the first six months of this year the industrial production value was almost 7% higher compared to the same period in 2010. The industrial production scope of the wood processing industry (C 16) was 6.6% higher compared to the same period in 2010, while the manufacture of furniture was 2.4% lower compared to the same period in 2010.

The performance of the wood processing industry in 2010 was negative. In general, the operational results worsened somewhat compared to the previous year, which implies that the industry has not yet emerged from the years long crisis. In general, C31 Manufacture of furniture suffered from a slump in profits, while C16 Wood processing and treatment only minimally increased its net loss. The industry C31 Manufacture of furniture did not record a visible growth in 2010, and the scope of the industry is stagnating. After the industry C16 Wood processing and treatment bottomed out in the beginning of 2009, it followed the development in the production of the other processing industries with a slightly lower growth rate. A comparison of data between Slovenian industries and wood industries in the wider region shows that the Slovenian wood industry is among the industries which were most affected because of the global financial crisis.

Construction activity plummeted last year for the second year in succession. Value added in construction was down 14.4% y-o-y in real terms. According to the construction statistics, activity dropped most in residential construction (by more than one third), which is related to the large stock of unsold flats. Civil-engineering activity shrank by 20%, largely as a result of less intense construction of transport infrastructure. The smallest drop was recorded in non-residential construction, where, particularly at the beginning of the year, activity was favourably impacted by the construction of a large sports complex. In all construction activities, last year's drop was also partly related to liquidity and solvency problems of enterprises and lack of payment discipline.

Value added in construction is forecast to drop by 2.0% in real terms this year. Residential construction will continue to decline, though less than in the previous two years. With stronger motorway construction and with residential-construction activity expected to stop falling, value added in construction will increase next year after several years of decline.

#### **4. Developments in the wood products market**

*Data sources: SORS, CCIS: Paper and Paper Converting Industry Association and Wood Processing and Furniture Association, SFI; recalculations, analysis and interpretation of SFI and Ministry of Agriculture, Forestry and Food*

##### **a) Roundwood**

The felled amount of roundwood in 2010 was officially at net 2.94 million m<sup>2</sup> of which 1.56 million m<sup>2</sup> accounted for conifers, which is 0.5% more compared to 2009. Harvested levels are estimated to record a growth of 3.5% per year in 2011 and 2012 due to high buying prices in all ranges of varieties.

The average price for conifer logs was 83 EUR/m<sup>3</sup> in 2010 in both export and import, which amounts to 15% more in exports and 10% less in imports compared to 2009. Buying prices in the domestic market (at forest road excluding transport costs) for conifer logs on average reached EUR 61/m<sup>3</sup> (11% more compared to 2009), while for fuel wood they reached EUR 33/m<sup>3</sup> (same as in 2009). In the first six months of 2011, conifer logs prices were 10% higher compared to the same period in 2010; deciduous wood prices were 13% higher in the first six months of 2011 compared to the same period in 2010, while the prices for beech logs only increased by 2% in the same period and remain at a low level (EUR 59/m<sup>3</sup>, without bark, at forest road excluding transport costs).

Roundwood exports in 2010 amounted to 844,000 m<sup>3</sup> and increased by 10% in volume. As in the previous year, the increase was most prominent in conifer logs (+26%), and deciduous wood for pulp and wood boards (+23%). The import in 2010 increased by 17% compared to 2009 and amounted to 307,000 m<sup>3</sup>. The main export markets are Austria and Italy. Export to these two countries differs in structure, as mostly conifer wood of lower quality is exported to Italy, while Austria imports conifer logs, wood for pulp and boards.

On the basis of a comparison of foreign trade data we estimate that the export of roundwood in 2011 will increase to about 1,000,000 m<sup>3</sup>, and the import to about 340,000 m<sup>3</sup>. Conifer logs export is estimated to increase in particular.

Substantial changes in the scope of foreign trade in roundwood in 2010 (compared to 2009) show that the use of roundwood in Slovenia is decreasing. The use of industrial roundwood has seen an especially prominent decreasing trend, as it has been dropping sharply since 2007.

##### **b) Wood biomass for energy**

According to the Statistical Office of the Republic of Slovenia (SORS) data, the share of wood and other solid biomass on primary energy (PE) level was 19.8 PJ in 2006, which amounts to 6.5% of the total available PE, which was 307 PJ, while in 2007 this share amounted to 19.7 PJ (6.4%; total PE: 307 PJ), the share value in 2008 was 21.7 PJ (6.7%, total PE: 324 PJ), and in 2009, the share value was 20.9 PJ (7%, total PE: 292 PJ). According to temporary data available for 2010, the total PE was 300 PJ, while the share of wood and biomass amounted to 22.9 PJ or 7.6%.

According to SORS and SFI estimates, some 177,977 tons of wood biomass, which is 30% less than in 2008, were used for energy and heat production for larger energy systems in 2009. The main reasons for this decrease were reduced use of wood biomass in two largest thermal

power plants in Slovenia (co-incineration of wood and coal) and reduced use of wood biomass in industry (predominantly the wood processing industry). We estimate that the decreasing trend of wood biomass use in the wood processing industry has stopped and shall remain on a similar level also in 2010 and 2011.

We estimate that the use of wood biomass in households has been slightly increasing, which is evident from the larger number of households using wood for heat production. Recent SORS data from 2011 shows that households consume 1,137,000 tons of wood fuels with a predominance of wood logs (1,100,000 tons). Households used about 1,500,000 m<sup>3</sup> of roundwood in 2009 and 2010 for energy purposes (including bark). Around 80% of roundwood comes from forests, while the remaining 20% consists of other types of trees or roundwood from unwooded areas.

The production of pellets and briquettes has been relatively constant since 2006. According to data from the manufacturers of pellets and briquettes, yearly production amounts to about 55,000 to 60,000 tons. A new pellet production plant with smaller capacities started operating in 2011, and another larger pellet production plant with a capacity of 50,000 tons is being planned.

### **c) Certified wood products**

All national forests (244,000 ha) in Slovenia are certified by the FSC system, while the 4 larger private forest owners with a total area of 16,000 ha are certified through a joint FSC certificate.

The number of companies certified by FSC which operate in all wood processing segments increased by 50% compared to last year. Larger companies certified by FSC manufacture fibre boards, composite panels, furniture, paper and paper products. The main factors encouraging increased interest in certification are the maintenance and promotion of markets in Europe (Great Britain, Germany, Switzerland, etc.) and customer demands within the supply chain. In the last year, a joint scheme for certification has started operating, and it already connects several smaller production plants.

The national certification scheme PEFC for forests and the wood traceability system was confirmed by the PEFC General Assembly in 2007. Accreditation for wood management certification is currently under consideration. At the moment, 7 companies have been certified to trace certified wood, and most of them belong to the paper and paper processing industries.

Owing to regulations on green public procurement which are being drafted and the present demand on the EU markets, we estimate that traceability of certified wood will only continue to increase in the future. Indirect promotion of wood certification and wood traceability are being mediated by measures included in the scheme for the promotion of electricity produced from renewable energy sources and EU requirements to provide sustainable criteria in the field of wood biomass. Ensuring legality of the wood entering the EU market will have an increased influence on the scope of certification.

### **d) Value-added wood products**

The Slovenian furniture industry produced a total revenue of EUR 371 million from sales in 2010, which is comparable to revenues in 2009. The net turnover for the furniture industry

increased by 2.4% and 5.7% in foreign markets and the domestic market respectively. The furniture industry sector ended the fiscal year with a net loss of EUR 22.7 million. The furniture industry recorded a drop of 3 index points (index 100 – year 2005). The net turnover in foreign markets for the furniture industry C31 increased by 2.4% in 2010 compared to 2009, while their share in the net turnover structure amounted to 41.3%. The most intensive destinations for furniture exports were Germany, Italy, Croatia and USA.

Despite the somewhat small share of wooden residential buildings supposedly presenting 3% according to the census (2002), the construction of wooden residential buildings is continually gaining ground. In the last five years, wooden houses sales has gained momentum in the domestic market, as their market share per number of buildings reached 7% while their market share per area amounted to 4.5%. Nevertheless, a total of 11% less wooden houses were sold in 2010 (per m<sup>2</sup>). Single family houses dominated the market with a share of 83% per m<sup>2</sup> (up to 70 m<sup>2</sup>). Over 50% of wooden houses were exported; Italy remains the main export market with a 50% share value in exports.

Prefabricated wooden buildings ensure compliance with the new Rules on efficient use of energy in buildings (June 2010), which provide technical requirements on efficient energy use in buildings regarding heat insulation, heating, cooling and ventilation systems or a combination of these, production of hot water and lighting in buildings, ensuring own renewable energy sources for the operation of systems within buildings and the methodology for energy performance calculations of a building. These technical requirements must comply with Directive 2010/31/EU of the European Parliament and of the Council of 19 May 2010 on the energy performance of buildings (OJ L No. 153, 18. 6. 2010, p. 13).

A market survey shows that natural persons and even more markedly the public sector (municipalities) favour wood when replacing builder's joinery. When building a house, approximately 40% of natural persons would opt for a wooden low energy house. In general, the demand for wood products has been markedly increasing in relation to the purchase of builder's joinery in the last few years.

#### **e) Sawn softwood**

The scope of sawnwood production remains at a persistently low level. Negative developments in the construction sector, especially in the segment of residential buildings construction, remain a relevant factor in the small production volume of sawnwood. The decrease of the production of sawnwood is also reflected in the growth of conifer logs exports. The quantity of exports was reduced by 20% in 2010 and the imports by 7%. These relative ratios and data regarding foreign sawn softwood trade need to be subject to caution because of the fact that the predominant part of the sawn softwood exports comes from Austria (re-export) and is exported through the Port of Koper, which sees a yearly transshipment volume of 1 000 000 m<sup>3</sup> of wood.

#### **f) Sawn hardwood (temperate and tropical)**

The scope of sawn hardwood production remains at a persistently low level and reflects the decreased demand and scope of further industrial processing in the last period, especially in the field of beech wood, which has suffered most due to the consequences of hard times in the furniture industry. Domestic demand for sawn hardwood is decreasing due to fewer companies and smaller scope of production within the furniture industry. The quantity of exports increased by 5% in 2010 and the imports by 17%. Over 75% of sawn hardwood was

exported to Italy. Sawn beech wood records a dominate share in exports (67%), and 88% of this wood is exported to Italy.

The quantities and values recorded in the production and the import and export of sawn hardwood from tropical tree species are negligible. The import of sawnwood from tropical trees amounted to 1,300 m<sup>3</sup> in 2010, while its export amounted to 300 m<sup>3</sup>.

#### **g) Wood-based panels (including veneer)**

The wood-based panels industry is predominantly export-orientated in all segments of wood-based panels. After a drop in wood-based panels consumption in 2009, 2010 recorded an increase in production and consumption. Export in the wood-based panels sector (including veneer), where EU and South East Europe markets prevail, dropped by 3% to 287,000 m<sup>3</sup> in 2010. The largest quantity decrease in export was recorded with veneer (-17%) and composite panels (-14%), while woodchip boards recorded a 13% increase in export. Wood panels export value was at EUR 111 million, which is a 2% increase compared to 2009. The upward trend in production and consumption is expected to continue also in 2011.

The consumption of particle boards in Slovenia has been standing between 200,000 m<sup>3</sup> and 250,000 m<sup>3</sup> in the last years. Slovenia is one of the countries with the largest consumption of particle boards per capita within EU27. The upward trend has also been recorded for OSB boards, as the consumption in last year amounted for over 10,000 m<sup>3</sup>. A Slovenian producer of particle boards presented a new LSB board with OSB-3 characteristics, which is positive from the point of view of consumption of primary products, manufactured mostly from Slovenian wood and in Slovenia, while at the same time introducing a new innovative product. The predominant share of particle boards used in Slovenia comes from import. Slovenia's largest import quantity of particle boards comes from Austria, whose market share dropped slightly in the last year, while the market shares of Croatia, Hungary and Serbia have been expanding. The quantity of import increased by 7% in 2010 compared to 2009. Slovenian particle boards are exported to Italy (35%) and the countries of former Yugoslavia (a total of 50%). The quantity of export recorded a 13% growth in 2010.

The consumption of fibreboards in Slovenia has been standing between 50,000 m<sup>3</sup> and 60,000 m<sup>3</sup> in the last years. The predominant share of fibreboards consumed in Slovenia comes from import. Slovenia's largest import quantity of fibreboards comes from Germany (34%), whose market share dropped slightly in the last year; Italy (27%), whose import quantity increased by 45%; and Austria (19%). The export quantity is aimed at Italy (47%), the countries of former Yugoslavia (20%) and Germany (11%). Lesonit d.o.o., a Slovenian manufacturer of dry-processed fibreboards (MDF), a part of the Fantoni Group, plays an important role in adding value to Slovenian wood, as most of the wood they use in production originates in Slovenia. The company produces fibreboards with a wide spectrum of dimensions (1,5 mm to 19,0 mm), thicknesses (760 g/cm<sup>3</sup> to 1,000 g/cm<sup>3</sup>) and product specifications, and boasts a yearly capacity of approximately 150,000 m<sup>3</sup>. Using the newest technology from Siempelkamp (equipment manufacturer), Lesonit d.o.o. produces mainly incredibly market-attractive extra thin MDF boards with thicknesses from 1,5 mm to 4,5 mm boasting a wide spectrum of use within the furniture industry and builder's joinery.

Slovenia is a markedly net exporter of veneer, especially hardwood veneer. The quantity of veneer imports remained at last year's levels, while the export decreased by 8%. Veneer export quantities are aimed at Italy (42%), Austria (12%) and Germany (9%).

Plywood production is dominated by tri-layer shuttering composite panels, while plywood from beech veneer sheets are also an important product of Slovenian manufacturers. The best part of the plywood' quantity (KN 4412) was exported to the European markets with 73% of the export quantity going to Italy, Germany, Switzerland and Austria. The quantity of exports recorded a 13% drop in 2010 (6% in value).

#### **h) Pulp and paper**

In Slovenia, wood is used for the production of mechanical pulp only. The production scope in 2010 remains at a similar level as in 2009. The following years will see an increase in the production of mechanical pulp due to increased utilization and new capacities. The quantity of pulp imports decreased by 5% in 2010 and pulp exports were negligible.

The production of paper, cardboard, card paper and toilet paper increased by 1.3% in 2010. The import quantity of paper, cardboard, card paper and toilet paper increased by 2% in 2010 and the export by 4%.

The value of sales in the Manufacture of paper and paper products branch (C17) recorded a 4.7% growth in 2010. In the first six months of 2011, the whole Manufacture of paper and paper products branch (C17) recorded a production value growth of 6.2% compared to the same period in 2010.

#### **i) Forestry carbon market**

Slovenia is a contracting party to the United Nations Convention on Climate Change (UNFCCC) and to the Kyoto Protocol. Within the scope of the Kyoto Protocol, Slovenia can claim a sink of 1.3 Mt CO<sub>2</sub> equivalents per year on account of increasing carbon stock in forests, a result of planned forest governance. The estimated CO<sub>2</sub> sink for the entire Land use, land-use change and forestry sector (apart from forestry, the sector also includes agricultural use, settlements, wetlands and other grounds) was -8.458 Gg CO<sub>2</sub> in 2009, and in the Woodland sector it amounted to -11,023 Gg CO<sub>2</sub>. In the UNFCCC negotiation process on a future climate agreement, Slovenia contributed a scenario based on reference values of carbon accumulation trends in forests and wood products. Employing the BaU (Business as usual) approach, the accumulation of carbon (in CO<sub>2</sub> equivalents) in primary wood products will exceed emissions for -0,138 Mt CO<sub>2</sub>/year in the period 2012-2020.

Within the frameworks of the EU climate and energy package, Slovenia should reduce its total emissions by 6% compared to those recorded in 2005 by 2020. At the same time, Slovenia should reduce emissions from sectors not included in the emission trading system (ETS) by 21%. In sectors not included in the emission trading system (non-ETS), Slovenia can increase emissions by up to 4% according to their emissions in 2005.

## 5. Tables

## a) Economic indicators

MAIN INDICATORS	2006	2007	2008	2009	2010	2011	2012	2013
						Spring forecast 2011		
GDP (real growth rates, in %)	5.9	6.9	3.7	-8.1	1.2	2.2	2.6	2.2
GDP in EUR million (current prices and current exchange rate)	31,055	34,568	37,305	35,384	36,061	36,843	38,788	40,602
GDP per capita, in EUR (current prices and current exchange rate)	15,467	17,123	18,450	17,331	17,597	18,052	18,967	19,820
GDP per capita (PPS) <sup>1</sup>	20,700	22,100	22,800	20,700	21,200	-	-	-
GDP per capita (PPS EU27=100) <sup>1</sup>	88	88	91	88	87	-	-	-
Gross national income (current prices and current fixed exchange rate)	30,682	33,834	36,289	34,704	35,511	36,067	37,842	39,627
Gross national disposable income (current prices and current fixed exchange rate)	30,467	33,607	35,914	34,448	35,555	36,069	37,795	39,654
Rate of registered unemployment	9.4	7.7	6.7	9.1	10.7	12.1	12.3	12.3
Standardised rate of unemployment (ILO)	6.0	4.9	4.4	5.9	7.2	7.9	8.0	8.0
Labour productivity (GDP per employee)	4.3	3.8	0.9	-6.4	3.4	3.4	2.9	2.5
Inflation, <sup>2</sup> year average	2.5	3.6	5.7	0.9	1.8	2.2	3.0	2.4
Inflation, <sup>2</sup> end of the year	2.8	5.6	2.1	1.8	1.9	3.0	2.7	2.2
<b>INTERNATIONAL TRADE – BALANCE OF PAYMENTS STATISTICS</b>								
Exports of goods and services <sup>3</sup> (real growth rates, in %)	12.5	13.7	3.3	-17.7	7.8	6.9	6.7	6.3
Exports of goods	13.4	13.9	0.6	-18.1	10.2	7.7	7.4	6.6
Exports of services	8.6	13.2	16.2	-16.1	-1.1	3.4	3.3	4.8
Imports of goods and services <sup>3</sup> (real growth rates, in %)	12.2	16.7	3.8	-19.7	6.6	5.1	6.0	5.2
Imports of goods	12.7	16.2	3.1	-20.9	7.7	5.2	6.0	5.1
Imports of services	8.8	19.7	8.7	-12.3	1.1	4.7	6.0	5.9
Current account balance, in EUR million	-771	-1646	-2489	-526	-409	-865	-924	-606
As a per cent share relative to GDP	-2.5	-4.8	-6.7	-1.5	-1.1	-2.3	-2.4	-1.5
Gross external debt, in EUR million	24,067	34,752	38,997	40,008	40,851	42,503 <sup>5</sup>	-	-
As a per cent share relative to GDP	77.5	100.5	104.5	113.1	113.3	-	-	-
Ratio of USD to EUR	1.254	1.371	1.471	1.393	1.327	1.362	1.365	1.365
<b>DOMESTIC DEMAND – NATIONAL ACCOUNTS STATISTICS</b>								
Private consumption (real growth rates, in %)	2.9	6.7	2.9	-0.8	0.5	0.7	0.7	1.0
As a % of GDP <sup>4</sup>	52.8	52.7	53.0	55.4	56.2	56.7	55.8	55.2
Government consumption (real growth rates, in %)	4.0	0.7	6.2	3.0	0.8	0.8	0.6	0.6
As a % of GDP <sup>4</sup>	18.8	17.3	18.1	20.3	20.1	20.1	19.7	19.6
Gross fixed capital formation (real growth rates, in %)	10.1	12.8	8.5	-21.6	-6.7	2.9	4.5	3.0
As a % of GDP <sup>4</sup>	26.5	27.7	28.8	23.9	22.3	22.8	23.1	23.2
Sources of data: SORS, BS, Eurostat-New Cronos (revised data, September 2010), estimate, calculations and forecasts by IMAD (Autumn Report, September 2010). Notes: <sup>1</sup> Measured in purchasing power standard. <sup>2</sup> Consumer price index. <sup>3</sup> Balance of payments statistics (exports F.O.B., imports F.O.B.); real growth rates are adjusted for inter currency changes and changes in prices on foreign markets. <sup>4</sup> Shares GDP are calculated for GDP in current prices at fixed exchange rate (EUR=239.64). <sup>5</sup> End April 2011.								

Source: IMAD (Institute of Macroeconomic Analysis and Development of the Republic of Slovenia), Slovenian Economic Mirror No. 6, Vol. XVII, 2011

## b) Production and foreign trade

Product Code	Product	Unit	Historical data		Revised	Estimate	Forecast
			2009	2010	2010	2011	2012
1.2.1.C	<b>SAWLOGS AND VENEER LOGS, CONIFEROUS</b>						
	Removals	1000 m <sup>3</sup>	1,213	1,178	1,180	1,227	1,277
	Imports	1000 m <sup>3</sup>	6 #	9 #	10	14	15
	Exports	1000 m <sup>3</sup>	204 #	207 #	257	377	403
	Apparent consumption	1000 m <sup>3</sup>	1,015	980	933	864	889
1.2.1.NC	<b>SAWLOGS AND VENEER LOGS, NON-CONIFEROUS</b>						
	Removals	1000 m <sup>3</sup>	301	270	272	281	290
	Imports	1000 m <sup>3</sup>	27 #	30 #	35	49	52
	Exports	1000 m <sup>3</sup>	90 #	107 #	93	117	125
	Apparent consumption	1000 m <sup>3</sup>	238	193	214	214	217
1.2.1.NC.T	<b>of which, tropical logs</b>						
	Imports	1000 m <sup>3</sup>	3 #	3 #	2	2	2
	Exports	1000 m <sup>3</sup>	0 #	0 #	0	0	0
	Net Trade	1000 m <sup>3</sup>	3	3	2	2	2
1.2.2.C	<b>PULPWOOD (ROUND AND SPLIT), CONIFEROUS</b>						
	Removals	1000 m <sup>3</sup>	211	200	187	194	202
	Imports	1000 m <sup>3</sup>	52 #	52 #	49	49	52
	Exports	1000 m <sup>3</sup>	102 #	102 #	80	68	73
	Apparent consumption	1000 m <sup>3</sup>	161	150	156	175	181
1.2.2.NC	<b>PULPWOOD (ROUND AND SPLIT), NON-CONIFEROUS</b>						
	Removals	1000 m <sup>3</sup>	159	153	129	133	137
	Imports	1000 m <sup>3</sup>	77 #	145 #	99	97	103
	Exports	1000 m <sup>3</sup>	110 #	129 #	135	178	190
	Apparent consumption	1000 m <sup>3</sup>	126	169	93	52	50
3 + 4	<b>WOOD RESIDUES, CHIPS AND PARTICLES</b>						
	Domestic supply	1000 m <sup>3</sup>	841 C	1,109 C	700 N	700	721
	Imports	1000 m <sup>3</sup>	663 C	775 C	506	669	710
	Exports	1000 m <sup>3</sup>	756 C	768 C	516	644	689
	Apparent consumption	1000 m <sup>3</sup>	749	1,116	690	726	742
1.2.3.C	<b>OTHER INDUSTRIAL ROUNDWOOD, CONIFEROUS</b>						
	Removals	1000 m <sup>3</sup>	44	43	52	55	57
1.2.3.NC	<b>OTHER INDUSTRIAL ROUNDWOOD, NON-CONIFEROUS</b>						
	Removals	1000 m <sup>3</sup>	19	22	21	22	22
1.1.C	<b>WOOD FUEL, CONIFEROUS</b>						
	Removals	1000 m <sup>3</sup>	114	136	136	142	148
1.1.NC	<b>WOOD FUEL, NON-CONIFEROUS</b>						
	Removals	1000 m <sup>3</sup>	869	943	968	999	1,031

Product Code	Product	Unit	Historical data		Revised	Estimate	Forecast
			2009	2010	2010	2011	2012
5.C	<b>SAWNWOOD, CONIFEROUS</b>						
	Production	1000 m <sup>3</sup>	449 E	515 E	625 N	579	596
	Imports	1000 m <sup>3</sup>	931 E	886 E	875	813	862
	Exports	1000 m <sup>3</sup>	1,380 E	1,401 E	807	760	813
	Apparent consumption	1000 m <sup>3</sup>	0	0	693	633	645
5.NC	<b>SAWNWOOD, NON-CONIFEROUS</b>						
	Production	1000 m <sup>3</sup>	76 E	81 E	135 N	128	132
	Imports	1000 m <sup>3</sup>	79 E	104 E	86	96	101
	Exports	1000 m <sup>3</sup>	85	102	70	76	81
	Apparent consumption	1000 m <sup>3</sup>	70	84	150	148	152
5.NC.T	<b>of which, tropical sawnwood</b>						
	Production	1000 m <sup>3</sup>	0 E	0 E	0 N	0	0
	Imports	1000 m <sup>3</sup>	2	2	1	1	2
	Exports	1000 m <sup>3</sup>	0 E	1	0	0	0
	Apparent consumption	1000 m <sup>3</sup>	1	2	1	1	1
6.1	<b>VENEER SHEETS</b>						
	Production	1000 m <sup>3</sup>	37 C	40 C	26 N	30	31
	Imports	1000 m <sup>3</sup>	12 C	18 C	10	9	10
	Exports	1000 m <sup>3</sup>	43 C	32 C	18	22	23
	Apparent consumption	1000 m <sup>3</sup>	6	26	17	17	17
6.1.NC.T	<b>of which, tropical veneer sheets</b>						
	Production	1000 m <sup>3</sup>	3 E	4 E	1 N	1	1
	Imports	1000 m <sup>3</sup>	0 E	0 E	0	0	0
	Exports	1000 m <sup>3</sup>	2 E	1 E	1	1	1
	Apparent consumption	1000 m <sup>3</sup>	2	3	0	0	0
6.2	<b>PLYWOOD</b>						
	Production	1000 m <sup>3</sup>	75 C	92 C	100 N	99	102
	Imports	1000 m <sup>3</sup>	23 C	28 C	23	21	22
	Exports	1000 m <sup>3</sup>	109 C	100 C	67	65	70
	Apparent consumption	1000 m <sup>3</sup>	-10	20	56	55	54
6.2.NC.T	<b>of which, tropical plywood</b>						
	Production	1000 m <sup>3</sup>	12 E	12 E	0 N	0	0
	Imports	1000 m <sup>3</sup>	18	13 E	6	6	6
	Exports	1000 m <sup>3</sup>	18 E	1 E	0	0	0
	Apparent consumption	1000 m <sup>3</sup>	12	25	6	5	6
6.3	<b>PARTICLE BOARD (including OSB)</b>						
	Production	1000 m <sup>3</sup>	117 E	126 E	130 N	140	144
	Imports	1000 m <sup>3</sup>	105 E	108 E	152	161	170
	Exports	1000 m <sup>3</sup>	73	51 E	104	85	91
	Apparent consumption	1000 m <sup>3</sup>	149	183	179	216	223
6.3.1	<b>of which, OSB</b>						
	Production	1000 m <sup>3</sup>	0	0 E	0 N	0	0
	Imports	1000 m <sup>3</sup>	10	12 E	12	12	13
	Exports	1000 m <sup>3</sup>	3	1 E	0	0	0
	Apparent consumption	1000 m <sup>3</sup>	7	11	12	12	13
6.4	<b>FIBREBOARD</b>						
	Production	1000 m <sup>3</sup>	197 C	348 C	110 N	115	120
	Imports	1000 m <sup>3</sup>	81 C	91 C	54	56	59
	Exports	1000 m <sup>3</sup>	355 C	426 C	98	100	107
	Apparent consumption	1000 m <sup>3</sup>	-78	13	66	71	73
6.4.1	<b>Hardboard</b>						
	Production	1000 m <sup>3</sup>	0	0 E	0 N	0	0
	Imports	1000 m <sup>3</sup>	14 E	12 E	13	10	11
	Exports	1000 m <sup>3</sup>	7 E	5 E	5	4	5
	Apparent consumption	1000 m <sup>3</sup>	7	7	9	6	6
6.4.2	<b>MDF (Medium density)</b>						
	Production	1000 m <sup>3</sup>	196 E	346 E	110 N	115	120
	Imports	1000 m <sup>3</sup>	63 E	75 E	37	42	45
	Exports	1000 m <sup>3</sup>	347 E	421 E	93	95	102
	Apparent consumption	1000 m <sup>3</sup>	-88	0	54	62	63
6.4.3	<b>Other fibreboard</b>						
	Production	1000 m <sup>3</sup>	2 E	2 E	0 N	0	0
	Imports	1000 m <sup>3</sup>	4 E	4 E	4	3	4
	Exports	1000 m <sup>3</sup>	1 E	0 E	0	0	0
	Apparent consumption	1000 m <sup>3</sup>	4	6	3	3	3
7	<b>WOOD PULP</b>						
	Production	1000 m.t.	172 C	184 C	43 N	45	53
	Imports	1000 m.t.	228 C	248 C	211	199	211
	Exports	1000 m.t.	80 C	68 C	0	0	0
	Apparent consumption	1000 m.t.	320	364	254	244	264
10	<b>PAPER &amp; PAPERBOARD</b>						
	Production	1000 m.t.	747 C	843 C	750 N	765	788
	Imports	1000 m.t.	251 C	296 C	277	278	295
	Exports	1000 m.t.	633 C	788 C	570	572	612
	Apparent consumption	1000 m.t.	365	350	457	471	471