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Market Report 2005
Slovak Republic

MARKET STATEMENT OF THE SLOVAK REPUBLIC

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

General economic situation

Slovak economy entered the year 2004 with good starting conditions created in 2003 in which it managed to maintain fast growth of GDP (4.2%), especially in the last three quarters. In 2004, the growth rate raised and GDP rose by 5.5% year-on-year (at constant prices of 1995). This is the highest growth in Central European region. The GDP growth was significantly affected by domestic demand. External demand did not reach former year level. Home demand rise was influenced by higher creation of gross fix capital by 2,5%, home consumption by 3.5%. In the first half of 2005, GDP was 5.1% up year-on-year.

Turnover in external trade was higher by 12.7% - the higher rise in export 11.4% of goods and services as well as in their imports 13.8% exerted positive effects in 2004. Investment activities also grew year-on-year. Retirement reform (higher retirement age -men from 60 to 62 years and women from 54-57 to 62 years) was associated with a higher unemployment rate and a raised by 0.7% to 18.1%. Industrial output rose in 2004 by 11.5% year-on-year at current prices of 2000.

Manufacture of wood and wood products raised its output in 2004 by 11.6% 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 12.8% (all at constant prices of 2000).

In the first half of 2005, industrial output at constant prices of 2000 was 1% up year-on-year. Output of the manufacture of wood and wood products grew by 9.9% and output of the manufacture of wood pulp, paper and paperboard, including publishing, printing and reproduction of recorded media, increased by 10.5%, compared to the first half of 2004.

Construction raised its output in 2004 by 7.2% 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 2005 was 4.7% 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. 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.

In spring 2004 the Ministry of Agriculture started to prepare a National Forest Programme. 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.

3. Developments in forest products markets sectors

A. Wood energy

Wood energy covers 1.5% 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 very slowly. At present Slovakia exploits nearly 20% of wood suitable for energy and there is stagnation 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.

B. Wood raw materials.

In comparison with 2003, removals of roundwood increased by 13.92% to 4 240 thousand m³, of which industrial roundwood by 14,62% to 6 936 thousand m³ (3 119 thousand m³ of sawlogs and veneer logs, 3 397 thousand m³ of pulpwood and 420 thousand m³ of other industrial roundwood). Production of wood fuel was the same as previous year to 304 thousand m³. Proportions of softwood and hardwood are shown in Tables. Import of industrial roundwood rose by 54% to 246 thousand m³. Export of industrial roundwood rose by 10,4% to 1 142 thousand m³. Average export prices of the year 2004 were disvalued by 47 % in coniferous and risen by 7% in non-coniferous on the year 2003.

Removals of roundwood including pulpwood in 2005 are expected to be higher than 2004 (by about 22%) due to big wind storm in November 2004. Imports should drop slightly, and export should rise.

The forecast of removals, imports and exports of roundwood including pulpwood in 2006 do indicate a decrease in removals and exports and stable level in import in comparison with 2005.

C. Implications of forest law enforcement, governance and trade (FLEGT) on markets

D. Certified forest products

Since 2002 the Association of the certification of Slovak forests has become member of PEFC. In 2004 there were prepared technical documents on for Slovak forests certification system. An experimental project on regional certification according to PEFC system in region Banska Bystrica – Zvolen on the base of state forest enterprise requirement started in 2003. Project finished in June 2004. Certification is done for 71 766 ha and 29 users. The goal is to verify use of technical documents from Slovak system of forests certification. Perfect Quality Mark Company has done an external audit. Office for certification has given to Slovak forests enterprise a certificate for certified region on sustainable management in harmony with

criteria for Slovak forests certification system. Technical documents for national forests certification system, they were adjusted and completed at the end of experimental project.

In the frame of FSC certification system a forests certification project has begun since 2003. This is the first project of group FCS certification at approximately 27 000 ha area. Certification in FSC system has been carried out in Gemer association of forests owners and certification holders are Town forests Košice, Town forests Dobšina, Jan Lach – private forests owner and Forests Association Slavošovce. There is 48 000 ha forests certified by FSC system in state forests enterprise Prešov.

E. Value-added wood products

In 2005, trade in secondary processed wood in the assortment monitored by the ECE Timber Committee – i.e. in ‘Further processed wood’, went down by 11% at imports and 31% by export, ‘Wooden wrapping and packing equipment’ ‘Builder’s joinery and carpentry of wood’, and ‘Wooden furniture’ went down year-on-year: by 14% - imports and increased by 6% - exports.

F. Sawn softwood

Production of coniferous sawnwood in 2004 increased by 11% year-on-year to 1 251 thousand m³. In the coniferous sawnwood market imports fall down by 50% at a very low base to 24 thousand m³ and exports fall down by 44% to 283 thousand m³. Domestic consumption very rapidly grew by 83% to 992 thousand m³

Coniferous sawnwood was imported from European countries: the highest volumes from the Russian Federation, and the Ukraine. Exports were mainly directed to Europe. In 2005 coniferous sawnwood production, consumption and exports are assumed to increase while imports to decrease slightly in comparison with previous year.

In comparison with 2005 the year 2006 is anticipated to see a slight decrease in exports and production and a slight rise in imports and domestic consumption of coniferous sawnwood

G. Sawn hardwood (temperate and tropical)

Production of non-coniferous sawnwood in 2005 rose on 2004 by 17% to 586 thousand m³, domestic consumption by 53% to 469 thousand m³ and imports by 13% to 17 thousand m³. Exports decrease by 57% to 134 thousand m³. The trade was mostly implemented with European countries; tropic species of non-coniferous sawnwood were imported from Asia and Africa.

It is anticipated that the production, domestic consumption and trade in non-coniferous sawnwood in 2005 will be higher than in 2004. In the year 2006 the production and domestic consumption and in trade should see no changes in trade in comparison with 2005.

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

Veneer sheets

In comparison with 2003, production of veneer sheets in 2004 rose by 12% to 18 thousand m³. Imports fall down by 54% to 9 thousand m³ and exports fall down by 37% to 5 thousand m³. In year 2005 and 2006 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 2003, plywood production rose by 15% to 38 thousand m³, imports and exports rose by 3% to 35 thousand m³ and by 30% to 34 thousand m³, respectively, and domestic consumption dropped by 4 %, all year-on-year. Plywood was imported from Germany and Austria and exported to Germany.

Expected for the 2005 and 2006 are higher plywood domestic consumption and production and stable imports and exports year-on-year.

Particleboard

Production of particleboard rose in 2004 by 22% to 300 thousand m³, imports by 95% to 225 thousand m³, domestic consumption by 53% to 250 thousand m³ and exports rose by 40% to 275 thousand m³. Particleboard was imported from European countries only (the highest volumes from Germany, Austria and Poland) and exported to European countries, too (Romania, Hungary and Germany).

The year 2005 and 2006 are expected to see the production, imports, exports, and domestic consumption rising further year-on-year.

Fibreboard

In 2004 fibreboard production rose by 5,5% to 152 thousand m³.

In this assortment production of hardboard went up by 4% to 48 thousand m³. Production of MDF board in 2004 rose by 9% to 24 thousand m³ and insulating board rose by 5% to 80 thousand m³. Imports of hardboard went down by 3% to 58 thousand m³ and of MDF board rose by 76% to 30 thousand m³. Imports of insulating board were at the same level as previous year, reaching 18 thousand m³. Exports of fibreboard went down by 32% to 77 thousand m³, of which hardboard is 23 thousand m³ and insulating board is 53 thousand m³.

Fibreboard was imported from European countries (the largest volumes from Germany, Poland, Austria,) and exported to a number of European countries.

In comparison with 2004, the year 2005 and 2006 should raise fibreboard production, imported volume as well as exports.

I. Pulp and paper

In 2004, production of wood pulp increased by 8.5% year-on-year to 520 thousand tonnes. Imports of wood pulp were at the same level 102 thousand tonnes and exports were by 10% down, reaching 109 thousand tonnes. Production of paper recovered for pulp manufacture increased by 1,5% to 204 thousand tonnes, imports went down by 51% to 55 thousand tonnes while exports went up by 9% to 58 thousand tonnes.

As far as the assortment of wood pulp is concerned, Slovakia produce only bleached sulphate chemical pulp that went up by 10% to 402 thousand tonnes. In import prevailed bleached sulphate pulp decreased by 4% to 70 thousand tonnes and bleached sulphite chemical pulp went up by 7% to 31 thousands tonnes. In 2004 exports of sulphate bleached chemical pulp decreased by 9 % to 109 thousand tonnes

In production of paper and paperboard the production rose up in 2004 by 18% to 798 thousand tonnes. In this assortment imports and imports increased by 33% to 381 thousand tonnes and to 649 thousand tonnes respectively. Both export and import prices were down on prices of 2003.

The production, trade and domestic consumption are forecast to maintain their rising trends in 2005 and stagnation or small fall down in 2006.

4. Tables

Forest products production and trade in 2003, 2004,2005,2006
Economic indicators

Summary of statistics and estimates (1000 m³,m.t.)

Country: Slovakia

Product	Year	Production	Imports	Exports	Apparent consumption
Sawlogs and veneer logs, coniferous	2003	1 786	10	150	1 646
	2004	2 217	13	240	1 990
	2005	3 000	10	700	2 310
	2006	2 500	10	300	2 210
Sawlogs and veneer logs, non-coniferous	2003	747	50	150	647
	2004	902	15	150	767
	2005	900	15	150	765
	2006	900	15	150	765
Sawnwood, coniferous	2003	1 150	36	645	541
	2004	1 251	24	283	992
	2005	1 600	20	650	970
	2006	1 400	20	400	1 020
Sawnwood, non-coniferous	2003	501	15	210	306
	2004	586	17	134	469
	2005	600	15	200	415
	2006	600	15	175	440
Veneer sheets	2003	16	24	8	32
	2004	18	9	5	22
	2005	20	14	5	29
	2006	25	15	5	35
Plywood	2003	33	34	26	41
	2004	38	35	34	39
	2005	40	36	35	41
	2006	50	35	35	50
Particle board	2003	245	115	197	163
	2004	300	225	275	250
	2005	350	230	300	280
	2006	350	250	300	300

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Product	Year	Production	Imports	Exports	Apparent consumption
Fibreboard	2003	144	96	102	138
	2004	152	106	77	181
	2005	160	110	80	190
	2006	160	110	80	190
Wood pulp	2003	479	107	119	467
	2004	520	104	109	515
	2005	600	110	150	560
	2006	550	110	130	530
Paper & paperboard	2003	674	286	487	473
	2004	798	381	649	530
	2005	850	400	700	550
	2006	800	400	600	600

Removals of wood in the rough (1000 m³)
Country: Slovakia

Product	Year	Industrial roundwood				Wood fuel	Total
		Total	Sawlogs Veneer logs	Pulpwood	Other		
Total	2003	6 051	2 533	3 217	301	304	6 355
	2004	6 936	3 119	3 397	420	304	7 240
	2005	8 500	3 900	4 100	500	330	9 830
	2006	7 550	3 400	3 700	450	350	7 900
of which: coniferous	2003	3 214	1 786	1 259	169	161	3,375
	2004	3 881	2 217	1 337	327	155	4 036
	2005	5 400	3 000	2 000	400	170	5 570
	2006	4 450	2 500	1 600	350	180	4 630
of which: non-coniferous	2003	2 837	747	1 958	132	143	2 980
	2004	3 055	902	2 060	93	149	3 204
	2005	3 100	900	2 100	100	160	3 260
	2006	3 100	900	2 100	100	170	3 270

Selected economic indicators
Country: Slovakia

Indicator	Percentage change compared to previous year		
			Actual
	2003	2004	2005
Gross domestic product (1995 constant prices)	4.2	5.5	5.1
Industrial production (2000 constant prices)	5.8	11.5	1.2
of which:			
- woodworking industry	2.4	11.6	9.9
- pulp, paper and printing industry	-1.2	12.8	10.5
Construction (2000 constant prices)	0.4	7.2	4.7
External trade (FOB/FOB, current prices)			
of which:			
- Imports	10.5	13.8	11.2
- Exports	23.2	11.4	6.3