

ESTONIA

COUNTRY MARKET STATEMENT

64-th session of Timber Committee, 03.-06. October 2006 Geneva

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

Gross domestic product In 2005, Estonia's economic growth accelerated to 9.8%, surpassing the mean economic growth of the past five years by 2,6%. This acceleration was driven by an increase in domestic demand and rise in exports compared to 2004. Added value (72% of GDP) was primarily generated by companies, its growth accelerating to 11.4% in 2005.

The economic growth rate of the financial sector was three times higher than the average economic growth (29,2%). The processing industry was the largest contributor to the overall economic growth in 2005, its growth accelerating to 12,1% due to the higher domestic demand and export growth. The growth of added value in the service sector went up to 10,2%, in the domestic trade sector by 13,2% and in the construction sector by 13,6% (dramatic upsurge of construction volumes) in 2005. The growth was backed by active real estate business, speedy development of IT services and increased productivity in other business. The added value of the major fields of activity in the government sector (public administration, national defence and social insurance, health care and social welfare) grew marginally in 2005 – 2.5%. The real growth of the added value of the primary sector was negative in 2005 (it fell by 2,2%), caused primarily by the slowdown in the growth of cattle breeding production and an unfavourable market situation in forestry and fishing.

The Ministry of Finance forecasts an 9,6% economic growth for 2006 (8,3% in 2007). Economic growth will be based on domestic demand (acceleration of private consumption expenditures) and exports.

Private consumption The economic growth was induced by domestic demand, the growth rate of which sped up to 9,6%. The increased domestic demand was supported by growing private consumption – real growth of private consumption expenditure accelerated to 8,1% (compared to year 2004) being higher than the average growth for the past five years (7,2%). Private consumption growth was induced by the remarkable increase in the number of employed persons and the average salary, lowered tax burden and the continually favourable loan and lease conditions.

The ongoing downward trend in the unemployment rate and the accompanying pressure on gross salary increase, the continuing income tax reform, the substantial rise in pensions in spring 2005 and the growing popularity of consumer credits induce rapid growth of private consumption expenditure also in 2006 – 11,4% (7,7% in 2007). It is expected that the domestic demand will grow in 2006 (to 11,4% level) and slow down in 2007 (to 8,7% level) due to the slower growth rate of private consumption expenditure and final consumption expenditure of the government sector.

Investments. Annual investments growth accelerated to 13,9% in 2005 and its contribution to economic growth increased significantly compared to 2004. The government sector, enterprises and households all demonstrated heavy investments. The increased demand in the domestic and foreign markets and the booming real estate business gave an impetus to enterprises to make capital investments which, due to the cancellation of major one-time investments were only modest in 2004. The drop of interest rates to the record low level and the active campaigns of banks continually supported the demand of households for housing investments. The increased support from Structural Funds and the higher absorption capacity of these funds brought about a vigorous rise of investments in the government sector.

The growth of investments will slow down in 2006 to 10,4% level (8,5% in 2007) due to the base effect. The companies will take leading role in investment activities; the investments in productivity will rise.

Balance of payments Current account deficit amounted to 11% of the GDP in 2005, having a 2 percentage point decrease compared to the previous year. Current account deficit is expected to be at 11,7% level in 2006 and then gradually decrease due to decreasing of trade balance deficit – export of goods is expected to grow quicker than import of goods in 2007–2010.

Foreign trade The rapid growth of trade continued in 2005. Export growth exceeded import growth by more than one third and the negative contribution of net export to economic growth fell substantially. The growth of trade was supported by a favourable export market situation and increase in the competitiveness of Estonian companies in foreign markets. Due to the positive economic development of the main trade partners of Estonia (Finland, Sweden, Russia, Latvia and Lithuania) and the good situation of the economy of the United States, the foreign demand rose significantly in 2005. Estonia's membership in the European Union has also speeded up the development of export.

Foreign trade turnover increased by one fourth compared to 2004 and amounted to 224,7 billion kroons. Compared to 2004 the share of export has risen by two percentage points. Exports made up 43% (97 bn EEK) and imports 57% (128 bn EEK) of the total turnover. The balance of trade deficit remained at 31 bn EEK in 2005. Throughout years, Estonia has had a surplus trade balance in wood and wood products and furniture and loghouses.

Export Exports grew to 84,2% of the GDP in 2005. That was due to the increased export volumes of goods while the export of services slowed down. Real growth of export of goods and services accelerated to 21,3%; export of goods grew by 28,5% and export of services by 6% in 2005. In 2005, all commodity groups showed an increase in export. The growth rate of wood and wood products export grew significantly in the second half-year and reached the total of 12%. Only the export of roundwood declined in 2005 due to the low level of domestic roundwood production, increased domestic consumption of wooden products and the growing share of value-added products' exports. The export of furniture did not grow in 2005. The increasing competition and growth of import of Chinese furniture to Europe has tightened the export opportunities of Estonian furniture manufacturers. The export of loghouses shows a growth trend.

In 2005, the share of the European Union in Estonia's export was 78%. Export growth rate into the EU accelerated a lot, from 16% to 26%, but exports to the CIS and NAFTA countries grew even more, by 45% and 46%, respectively. The share of CIS countries rose to 9%, primarily due to the vigorous growth of export to Russia. Finland (27% from the total exports) and Sweden (11%) ranked the first and second among export markets. Latvia rose to the third position, export to Latvia grew by 41% compared to 2004. The share of Russia in Estonia's total export grew to almost 7% in 2005; export to Russia rose by about 50%. After the so-called double customs duties with Russia disappeared, more Estonian companies have started to restore their eastbound exports.

In 2006 the deceleration in the growth of exports of goods and services to 17,1% level is expected due to fading out of the one-off effect of the EU accession.

Import Acceleration of real growth of import of goods in 2005 to 17,4% was due to the speedier growth of both export and domestic demand. Growth rate of import rose to 21,9% in 2005 but was still lower than the growth of export. The rapid growth of import demand was influenced by the swinging inflow of foreign direct investments and the increased private consumption. The accelerated export growth brought about increased import of raw materials and intermediate goods. Import grew in most commodity groups.

Similar to export, the share of the EU in Estonia's total import fell by a couple of percentage points, to 76%. Import from the EU grew compared to 2004, by 19%. The share of CIS countries remained on the same level as in 2004 (12%). The two biggest import partners were still Finland and Germany. Russia rose to the third position, pushing Sweden to the fourth place. Import from Russia grew by 22% during the year; mineral fuels constituted almost half of the volume and wood and wood products one fifth.

The high import demand will continue in 2006 because companies are expanding and opening new production units, resulting in import of machinery and equipment. The growth of imports is expected to accelerate to the 17,9% level in 2006, due to strong growth of domestic demand.

Labour market Growth in the employment rate was triggered by decreased number of unemployed people and a diminished unemployment rate in 2005. Unemployment rate dropped to 7,9% level. The number of employed persons reached 607 400 in 2005, being 2% higher than in 2004. The overall employment rate of the manufacturing industry fell, but at the same time the industrial sector demonstrated a substantial growth in labour productivity (14%) and productivity (5,5%). The employment rate continued to decline in agriculture and forestry.

It is predicted that the labour market situation will continue to improve in 2006 – employment rate will rise by 3,2% and unemployment rate drop to 6,8% level. In the construction business and in several other sectors (including forestry) exists the shortage of qualified labour (structural shortage of workforce). After Estonia's accession to the European Union a part of qualified workforce moved to work in foreign countries, making it difficult for local companies to find employees.

Consumer price index After the initial impact of the accession to the EU faded, inflation did still not significantly slow. The rapidly growing oil prices in the world market had a marked influence on Estonia's inflation; the

consumer price index (CPI) grew by 4.1% in 2005. The price increase of motor fuel, housing (administratively regulated prices) and rising of the excise tax rates for alcohol and tobacco had bigger influence to the inflation as well.

Inflation will accelerate from 4,1% in 2005 to 4,5% in 2006.

Manufacturing Sales of the manufacturing have grown by more than 3 times during the last decade. Among its biggest branches, wood industry has developed the most – Estonia is well supplied with its own raw material and processing of imported raw material is also growing. The year 2005 was successful for the manufacturing industry – sales volumes grew by 13% and production volumes by 10% (at constant prices) compared to year 2004; investments also continued to grow. Due to the high fuel and raw material prices and the increased labour costs producer prices in processing industry rose by 4% compared to the previous year.

The growth in sales was driven equally by the increased domestic and foreign demand (by 13% and 14%, respectively). Sales exceeded the 2004 level the most in two subsectors of the electronics industry (increase by 41%) and that of electrical equipment (by 37%); building materials industry and chemical industry also showed rapid growth in sales in 2005.

The investments in the processing industry continued to grow; investments in fixed assets increased by almost 30% compared to the previous year. Most of the investments were directed to purchase of new machinery and equipment and construction and reconstruction of buildings. In 2005, the ratio between investments and sales was the highest in paper industry (due to the construction of Estonian Cell factory); the figure exceeded 10% also in the building materials branch and textile industry. According to the survey conducted by the Estonian Institute of Economic Research companies indicated that insufficient demand and lack of workforce were the main growth inhibiting factors.

Wood industry The wood industry is one of the largest industries in Estonia – about 1000 enterprises, employment over 17000 people. In 2000–2005 the output volumes grew by almost twice and the share of exports in total sales has risen to 66%. The Estonian wood industry is closely related to the Scandinavian wood sector through ownership relations. The assortment of the wood industry's products is comprehensive, ranging from sawn timber production and processing to manufacture of loghouses, windows and doors.

Year 2005 was successful for wood industry; their sales grew both in export and domestic markets and the raw materials (timber) situation improved slightly. In 2005, the sales of the wood industry grew by 11% compared to the previous year and the output volumes at constant prices increased by 10%. The growth rate of the industry's sales has been over 10% in the past five years. Sales figures grew mainly thanks to an increase in export; the demand in the domestic market did not grow that fast. Due to the continuously dropping felling volumes in Estonian forests since 2000, the competition for timber has become fiercer; small businesses find it especially hard to get raw materials. At the same time the share of imported raw materials has grown, primarily from Russia. In 2005, two important events affected the wood industry – the January storm in the Baltic Sea region and the strike of Finnish paper industry in June. In Sweden, the storm cut as many trees as was the annual felling volume, and in Latvia and Estonia there was also some damage. As a result, the situation in the raw materials market changed drastically – the market was saturated with storm-felled trees and roundwood prices decreased. On the other hand, the strike of the Finnish paper industry inhibited the growth of output volumes to some extent, as a result of which companies found it difficult to sell wood used for paper and wood chips.

About 2/3rds of the wood industry output were exported in 2005, most to the Scandinavian countries, Germany and the UK. Japan, Russia and the USA are emerging as new increasingly important target markets for Estonian companies. Sawn timber, joinery and carpentry products, wooden furniture and the loghouses were the main export commodities.

In 2005, the investments of the wood sector remained on the level of the previous year. Compared to other branches of the processing industry, the wood industry has made quite intensive investments in fixed assets in recent years. As a result, their international competitiveness has significantly strengthened. Half of the enterprises have mentioned shortage of raw materials or equipment as a factor inhibiting production growth.

Paper industry There are about 50 paper, pulp or paper products enterprises in Estonia, with a workforce of 1700 people. In the years 2000–2005 the output of the paper industry grew by a third. The consumption of paper per person in Estonia is quite low (by more than two times lower than in Europe's average) and domestic demand is expected to grow. Paper industry is a heavily concentrated industry in Estonia – the two larger companies give over half of the total turnover. Most of the companies make paper products from imported paper.

Sales of paper industry have grown thanks to export (more than 70% of the output is exported) but the demand in the domestic market for paper products is also growing. In 2005, the sales of the paper industry exceeded that of 2004 by 8%. Output volumes grew by 2% at constant prices. The increased sales were triggered mostly by the export of the

paper industry (growth by 16% compared to 2004). The main export target countries were Finland and Germany, Uncoated paper and paperboard make up the major part of exports; also, export of various labels grew rapidly.

Paper industry investments in fixed assets grew by almost five times compared to 2004 as a result of the construction of a new pulp factory in Kunda (the second largest foreign investment in Estonia). In September 2006, Estonian Cell's aspen pulp mill in Kunda was launched – yearly capacity 140 000 tons of mechanical wood pulp using 380 000 m³ of aspen pulpwood. Other paper industry enterprises have also started to modernise their production technology.

It is expected that positive developments will continue in the paper industry in the near future, backed by the stable demand for paper and paper products in the global market.

Furniture industry More than 400 enterprises (employment about 10 000 persons) engage in furniture manufacturing. In the years 2000–2005, production volumes at constant prices have grown by more than a half; more than 70% of the output is exported. Output has grown due to the exports but in recent years the domestic demand has grown as well. In export markets competition with furniture manufacturers from China, Poland and other countries has considerably tightened.

Furniture sales and production figures in 2005 remained at year 2004 level. Export grew a little but domestic sales dropped. Export was the same as in 2004, partly due to the increasing competition in foreign markets. Most of the furniture made in Estonia is exported to the Nordic countries and Germany. Export to Denmark grew significantly, related to the increased sales of furniture parts in the Danish market. Bolstered seats with wooden frame, dining room and living room furniture and furniture details were the most important export articles. Export of kitchen furniture with higher unit prices increased substantially in 2005; it was exported mostly to Finland and Norway.

The investment activity of furniture manufacturing companies was still high, wages and productivity grew. Companies forecast an increase in output and export and indicate the lack of workforce and insufficient demand as the main factors inhibiting growth.

Construction Recent years have witnessed a rise in construction volumes of housing and facilities. Both the construction companies and building material producers increased their sales in 2005. Construction was mainly focused on buildings, especially housing. The boosted development was favoured especially by private consumption activity – the increase in the population's income and employment, low interest rates and favourable loan and lease conditions offered by banks. The total turnover of Estonian construction companies in 2005 was by 27% higher than in 2004. The added value of the construction sector was by 14% higher than the year before.

Construction price index rose by 7,3% in 2005 compared to 2004. The sales of building materials rose by 4.7% in 2005. Insulation materials sales increased the most, followed by concrete, and windows and doors.

Construction volume index grew both in respect of buildings and facilities, by 21,4% and 13,4%, respectively. Construction of housing, commercial and catering establishments, and buildings related to agriculture, forestry and fishing had the largest volume. As regards facilities, the implementation of infrastructure projects co-financed by the EU was continued; the volume of infrastructure funded by the Cohesion Fund should become statistically evident in the construction sector in the coming years.

Forecasts show that the construction market will grow more rapidly than the economy on the average in the next years. The development is backed by additional investments in the infrastructure and the quickly increasing demand for housing. However, shortage of labour and the continuously rising prices of construction are seen as factors inhibiting the construction activity. Although the number of the employed increased by 4,1% compared to 2004, estimations of companies show that thousands of workers left Estonia for other countries because of a higher salary.

- Sources:
1. „2005. aasta majandusülevaade” (*Economic Survey of Estonia 2005*), Ministry of Finance, Ministry of Economic Affairs and Communications, Tallinn 2006. available at <http://www.mkm.ee/index.php?id=43675>
 2. „Rahandusministeeriumi 2006. aasta suvine majandusprognoos” (Ministry of Finance Summer 2006 Macroeconomic forecast), Tallinn August 2006. available at: <http://www.fin.ee/?id=619>, <http://www.fin.ee/?id=263>

2. Policy measures

Legal measures

Estonian Parliament made changes to the Forest Act in the beginning of year 2004. The main objectives for the changes were:

- a) to guarantee the quality of the forest management activities and relevant inventory data: the licensing system for forest management planning companies was set up,
- b) to guarantee the following the planned forest management activities (e.g. fellings set in FMP-s, FMP-s used to be recommendations so far): the administrative procedures (assessment of quality of FMP-s, definition of roles of authorities and owners) were clearly defined.

Forest law enforcement, governance and trade

See Estonian National Report to the Joint UNECE/FAO Workshop on Illegal Logging and Trade of Illegally-derived Forest Products in the UNECE region (September 2004), available at:

http://www.unece.org/trade/timber/docs/sem/2004-1/full_reports/Estonia.pdf and on extent of illegal logging <http://www.envir.ee/66806>.

Forestry Roundtable

In 2004 the Estonian Ministry of Environment initiated the establishment of Forestry Roundtable to promote the forestry dialogue among stake-holders in forest sector and related sectors. Regular meetings for the discussion of topical questions have successful providing support in forest policy development and implementation.

3. Developments in forest products markets sectors

A. Wood raw materials (e.g. roundwood: sawlogs, and pulpwood and fuelwood)

After the peak of fellings at the end of 90-ies the felling volume stabilized for couple of years at about 12 million m³ level and decreased considerably in recent years. Highest felling levels were in the situation where:

- a) due to the progressing land reform yearly „new” forest land was obtained by owners and entered to the land and forest management market;
- b) wood industry developed rapidly capacity and was in need for further supply;
- c) restituted and privatized forest lands were out of active management for nearly 10 years and included big share of timber mature for cutting; cutting intensity at Soviet time was relatively low as well;
- d) changed economic system caused big changes in society and lot of people were in need of „starting capital”;
- e) “new owners” had the possibilities for wood procurement without previous investments into the silviculture.

In recent years the pace of land reform slowed down but there is still some 0,4 million ha (18% of total forest land area) out of active management. Intensive cuttings were concentrated on acquiring of the coniferous logs i.e. the main material to sawmilling. In recent years the structure of produced materials has slightly changed: the share of logs is decreasing and of small logs is increasing, share of pulpwood has remained relatively stable and the share of fuelwood increasing. At the same time the industries have adapted to the changes and use extensively the small logs.

In 2005 the removals accounted for 7 million m³ in Estonia remaining at the year 2004 level; one third of that was harvested in state and 2/3 in other forests. Felling volume in 2006 is expected to be at the same level. About 1 million m³ of wood was damaged by January 2005 storm in Estonia and owners had to deal with unexpected sanitation fellings. Even bigger influences came from the disastrous damages in Sweden. Price for pulpwood decreased, remarkable share of forest machinery and forest workers went to Sweden and there was shortage of workforce in Estonian logging market. The strike of Finnish paper industry in June 2005 made the situation even worse and pulpwood demand decreased rapidly. Prices have regained the pre-storm level only in recent months. To cover the shortage for roundwood the wood industry companies have increased significantly the import volumes.

Volume of imported coniferous roundwood has increased in 2005 by 14% compared to 2004, relevant figure for non-coniferous roundwood increased by 1,5 times Altogether 1,5 million m³ of coniferous roundwood and 0,4 million m³ of non-coniferous roundwood was imported in 2005 (mostly from Russia) and continuation of similar trend is expected in 2006/2007 as the moderate growth is predicted for production of wood products (sawnwood, plywood etc) for the period. 80% of imported roundwood was coniferous. Export of roundwood has decreased considerably in last 5 years and is expected to remain at similar low level in 2006. 1,78 million m³ of pulpwood and 0,06 million m³ of logs was exported in 2005. The use of non-coniferous logs is still relatively small compared to the resource. Low investments in silviculture of non-coniferous species in past decades result in poor quality of timber and small amount in good quality sawlogs. Low demand for certain tree species' logs (aspen) makes the picture even worse. At the same

time there is strong demand for quality birch and alder logs. Some of niche products use only small quantities of non-coniferous logs (wood products for sauna, specific furniture projects etc). New aspen pulp mill enables better use of aspen resources. Increased demand of wood fibre as energy may induce competition among lower quality roundwood sortments (e.g. fuelwood vs wood for panel industry)

In case of pulpwood there is contrasting situation with low domestic demand, big export and small import quantities. Pulpwood is exported mainly to Scandinavia. According to the results of I half-year of 2006 the export of pulpwood will decrease to 1,6 million m³ level in 2006. Imports of pulpwood have been relatively low (0,2 million m³ in 2005) but I half-year of 2006 indicated remarkable increase in imports which can be attributed to the misclassification in trade statistics. Otherwise there is no good explanation to this change (no big changes in the use pattern of industries), most probably much of it will be used as small logs.

The share of removals of fuelwood has remained at level of 2 million m³/year. Remarkable price accelerations of competitive energy carriers (especially of oil and shale oil), decreased felling volume and promoted renewable energy policies have developed the importance and demand for wood for energy purposes. Better use of low quality wood by different industries in the condition of scarce resources has given extra push to the price increase for fuel wood (especially remarkable increase took place in the I half of 2005 and trend has continued).

After the decade of rapid development in forest sector in 2005 Estonia changed from the roundwood net exporter to the net importer (import volume decreased by 21% compared to year 2004).

B. Wood energy

Wood fuel, wood waste (including chips) and wooden briquette/pellets are the 3 main wood-based energy products produced in Estonia. According to latest available energy balance one of the main uses of the wood as energy is heat generation. There were 752 boilers working with wood in 2005 (792 in 2002) that is 19% from total number of boilers. There were 335 wood using boilers in industry sector, 119 in energy sector, 75 in agriculture, 16 in transport and 207 in commercial and public services sector. Total capacity of wood using boilers was 836 MW i.e. 15% from total capacity of boilers; 1900 GWh heat was generated in 2005 (28% from total heat generation) using 9570 TJ of wood fuel (32% from total used fuel for heat production). 74 000 m³ of fuelwood, 1,5 million m³ of wood waste and 5000 m³ of wooden briquette/pellets were used for heat generation in 2005. 30% of the total heat generation based on wood fuels.

Gross inland consumption of fuelwood was 1,58 million m³ in 2005, 90% (1,43 million m³) of that in households, 4% (67000 m³) in commercial and public services, 3% by industry (42 000 m³, of which 24 000 m³ by wood processing industry), 1% by energy sector (16 000 m³) and agriculture (22 000 m³). 5% of fuelwood was consumed for conversion to other forms of energy (heat) and 95% for final consumption.

2,0 million m³ of wood waste was used as fuel in 2005, 30% of that in households, 25% by energy sector and 32% by wood industry. 1,51 million m³ of wood waste (75%) was used for conversion to other forms of energy (6000 m³ for energy generation and 1, 504 million m³ for heat generation). Final consumption accounted for 0,49 million m³, 0,25 million m³ of that was used by wood industry and 0,236 million m³ by households.

11 000 tons of briquette/pellets were used as fuel in 2005, 55% (6000 t) of that in households, 18% (2000 t) by wood industry, 18% (2000 t) by energy sector and 9% (1000t) by commercial and public services. 45% (5000 m³) of gross inland consumption of briquette/pellets were used for heat generation. Total production of briquette and pellets was 237 000 tons in 2005 (95% of that was exported). Shortage of saw dust forces the pellet producers to import part of the raw material.

In 2000–2005 the average prices of almost all fuels grew for the end-users. In 2005 compared to 2004, the prices of fuelwood, oil-shale and peat briquette grew the most. There was a rise in the average prices of fuelwood (26% compared to year 2004 and by 2,6 times compared to year 2000) due to the shortage of wood fiber supply and increased competition with other wood processing branches. Prices of wood waste grew by 6% compared to year 2004.

Source: Energiabilanss. 2005. (Energy Balance), ISSN 1406-1635, ISBN 9985-74-391-1; Estonian Statistical Office, Tallinn 2006.

C. Certified forest products

There are 2 forest management certificates and ca 860 000 ha of forest land certified according to the FSC scheme in Estonia (as of September 2006). Certified forest area accounts for 37% of total forest land area. Most of the FSC certified forests are managed by Estonian State Forest Management Centre – total certified area 1063000 ha of which 859 000 ha of forest land. 32 FSC chain of custody certificates have been issued to the companies acting in Estonia. C-o-c certificate holding companies represent wide scope of different wood sector branches: roundwood, firewood, edge-glued panels, fencing material, veneer, sawnwood, outdoor furniture, garden and playground equipment,

bark residuals, printing and other products producers. Estonian national standard/scheme of FSC is still in elaboration phase. So far the Smartwood and QUALIFOR programs have been used for certification.

PEFC certification is not available in Estonia. Estonian PEFC Certification Scheme compliant with PEFC demands and provisions has been developed, passed international auditing process by Jaakko Pöyry Management Consulting and waits for the endorsement by PEFC Council (earliest at PEFC General Assembly in November 2006). Single PEFC c-o-c certificate was issued by BVQI to Metsäliito Eesti in December 2005

There is no significant demand for certified forest products in domestic market from end-users side. Demand is originating mainly from the further processing companies which supply the foreign markets and are in need of certified "raw material" e.g. sawnwood. Low interest in certification from forest owners' side can be explained by the almost non-existing price-premiums at the roundwood production level, high costs of the certification and absence (so far) of suitable group certification scheme in Estonia.

D. Value-added wood products

The manufacturing and trade of value-added products have increased considerably in Estonia. Decreasing raw material supply, increasing labor costs and competition in the market of primarily processed products have forced producers to invest in value-adding.

Wooden furniture have had relatively stable production volume (sales value close to 2 bn EEK level in last four years), production has decreased from 2,9 mln pieces in 2001 to 2,3 million pieces in 2005. Export value of wooden furniture was 2,6 bn EEK i.e. 18,8% from total export value of wood and wooden products in 2005; relevant figures for import were 0,6 bn EEK and 12,7%.

There has been rapid growth of joinery and carpentry products: production of wooden window frames in 2005 increased by 64% compared to year 2000, of doors by 2,5 times, of wooden details by 3,1 times and of glue laminated timber by 3,2 times. The share of joinery and carpentry products was 11,5% from the total value of wood products exports in 2005 (5% in 2000) and similar share for imports was 6,1% (7,3%).

Production of further processed sawnwood has increased by 6,1 times compared to 2000. The share of further processed sawnwood was 5,9% from the total value of total wood products exports (2,5% in 2000) and similar share for imports was 1,2%.

Production of prefabricated wooden buildings has increased by 3,1 times compared to 2000. The share of prefabricated wooden buildings was 10,8% from the total value of wood products exports (5,2% in 2000) and similar share for imports was 1,2%.

E/F. Sawnwood

Sawnwood production has increase throughout the last decade, although the growth rate has decelerated due to the rising competition and shortage of raw material. About 2,2 million m³ of sawnwood was produced in 2005 (91% of that is coniferous) that is 56% higher than in year 2000. Despite the efforts the share of non-coniferous sawnwood production remains lower than expected due to the low quality of logs and small supply of good quality logs. Small volume of quality non-coniferous logs covers the niche products' manufacturing needs and do not provide source for sustained growth.

Steady growth of sawnwood imports (0,63 million m³ in 2005 i.e 26% more than in 2004) indicate increased domestic demand from further-processing companies and of growing domestic consumption (see point D Value added products). Sawnwood exports grew by 10 % from 1,0 million m³ in 2004 to 1,14 million m³ in 2005. 0,56 million m³ of coniferous sawnwood was imported in 2005. The share of sawnwood exports value from the total value of wood products exports has increased from 17,1% in 1995 to 21,9% in 2005, similar figures for import of sawnwood are 8,6% and 26,4%

Production of sawnwood is expected to rise by 3% in 2006. Import of sawnwood is forecasted to rise about 13% while exports will grow by 10% in 2006.

G. Wood-based panels

The production of plywood increased 5% (to 43000 m³ level) in 2005 compared to 2004, imports grew 20% and exports decreased by 11%. Growth rates in 2006 decrease to 5%, 3% and 2% level respectively. Plywood production is influenced by birch veneer logs' shortage in domestic market. Share of value of plywood exports from total value of wood products export was 2,7%, share of imports 12,4% in 2005.

The production of particle board was 230000 m³ in 2005 (6% increase compared to 2004), imports remained at year 2004 level and exports increased by 6%. Growth rates for production (8%), imports (-4%) and exports (4%) have been projected to the 2006 according to the results of the first 7 months of 2006. Share of value of particle board exports from total value of wood products export was 2,9%, share of imports 2,5% in 2005.

The production of hardboard increased 13% (to 61000 m3 level) in 2005 compared to 2004, imports decreased by 16% and exports grew by 14%. Growth rates in 2006 will be at 7%, 25% and 11% level respectively. In coming 4 years the production of particle boards and hardboards is forecasted to grow by 100 000 m3 in total due to the investments in board manufacturing.

The production of insulating board decreased 11% (to 32000 m3 level) in 2005 compared to 2004, imports decreased by one-third and exports by 20% compared to year 2004. Production will remain at year 2005 level in 2006, imports will rise by 25% and exports will decrease by 10%. Share of value of fiberboard exports from total value of wood products export was 1,6%, share of imports 4,1% in 2005.

H. Pulp and paper

Production of pulp (unbleached coniferous chemical wood pulp) has remained stable in recent years – 67 000 tons in 2004. There has been no export of pulp in 2005 and only minor import of pulp (less than 1000 tons) . New aspen pulp mill using the alkaline peroxide mechanical pulp (APMP) technology was opened in September 2006 in Kunda. The mill is designed for the annual capacity of 140 000 tons of aspen pulp. This pulp is raw material for high quality paper and tissue. The wood for pulp production, about 380 000 m3 of aspen logs, will be procured in Estonia, from State Forest Management Centre and other sources, and imported. This development will influence positively otherwise largely under-used aspen resource.

Paper production which includes mostly the unbleached kraft sack paper production has remained stable in recent years. Imports and exports of paper and paper products remained at year 2004 level in 2005 and are expected remain at the same level in 2006.

GDP Forecast for 2004–2010

	2004	2004	2005	2006*	2007*	2008*	2009*	2010*
	<i>mln EEK</i>	%	%	%	%	%	%	%
1. Real GDP	122049.3	7.8	9.8	9.6	8.3	7.7	7.6	7.4
2. Nominal GDP	141493.4	11.1	16.6	14.6	12.8	12.3	11.0	10.8
Components of real GDP								
3. Private consumption expenditure (incl. non-profit organisations) ¹⁾	70053.4	4.4	8.2	11.4	7.7	5.4	5.3	5.0
4. Government final cons. expenditure	22921.9	6.9	7.5	9.8	8.7	9.2	6.3	6.5
5. Gross fixed capital formation	36208.4	6.0	13.9	10.4	8.5	8.0	7.8	7.5
6. Changes in inventories (% of GDP)		2.8	2.7	2.5	2.3	2.1	2.0	1.9
7. Exports of goods and services	101471.8	16.0	21.3	17.1	11.7	10.6	10.8	10.7
8. Imports of goods and services	114870.3	14.6	17.4	17.9	11.1	9.4	9.2	9.1
Contributions to real GDP growth ¹⁾								
9. Domestic demand (without stocks)		5.7	10.3	11.4	8.7	7.3	6.6	6.2
10. Changes in inventories		-0.1	0.2	0.1	0.2	0.2	0.2	0.2
11. Ext. balance of goods and services		-0.6	1.3	-2.3	-0.6	0.3	0.8	1.0
Added value growth								
12. Primary sector		1.6	-2.2	3.0	2.6	2.7	2.6	2.5
13. Industry		8.6	11.0	11.2	10.3	9.7	9.5	9.2
14. Construction		10.5	13.6	11.3	10.5	9.8	9.6	9.5
15. Other services		7.2	10.2	8.8	7.6	7.1	6.8	6.8

1) Contribution to GDP growth indicates the share of a specific field in the economic growth. It is calculated by multiplying the field's growth with its share in GDP. The sum of the fields' share makes up the economic growth (the reason for a little difference is a statistical error – the part of GDP that could not be divided between the fields).

Source: Ministry of Finance of Estonia, Statistical Office of Estonia

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

TC1-Estonia

Roundwood

Product Code	Product	Unit	Revised	Estimate	Forecast
			2005	2006	2007
1.2.1.C	SAWLOGS AND VENEER LOGS, CONIFEROUS				
	Removals	1000 m ³	2 900	3 000	3 050
	Imports	1000 m ³	1 219	1 300	1 400
	Exports	1000 m ³	9	10	10
	Apparent consumption	1000 m ³	4 110	4 290	4 440
1.2.1.NC	SAWLOGS AND VENEER LOGS, NON-CONIFEROUS				
	Removals	1000 m ³	550	600	600
	Imports	1000 m ³	136	140	160
	Exports	1000 m ³	17	10	10
	Apparent consumption	1000 m ³	669	730	750
1.2.1.NC.T	of which, tropical logs				
	Imports	1000 m ³	0	0	0
	Exports	1000 m ³	0	0	0
	Net Trade	1000 m ³	0	0	0
1.2.2.C	PULPWOOD (ROUND AND SPLIT), CONIFEROUS				
	Removals	1000 m ³	700	700	700
	Imports	1000 m ³	284	220	150
	Exports	1000 m ³	864	800	720
	Apparent consumption	1000 m ³	120	120	130
1.2.2.NC	PULPWOOD (ROUND AND SPLIT), NON-CONIFEROUS				
	Removals	1000 m ³	750	850	900
	Imports	1000 m ³	245	300	300
	Exports	1000 m ³	916	800	800
	Apparent consumption	1000 m ³	79	350	400
3 + 4	WOOD RESIDUES, CHIPS AND PARTICLES				
	Domestic supply	1000 m ³	3 480	3 800	3 900
	Imports	1000 m ³	136	150	160
	Exports	1000 m ³	1 305	1 400	1 500
	Apparent consumption	1000 m ³	2 311	2 550	2 560
1.2.3.C	OTHER INDUSTRIAL ROUNDWOOD, CONIFEROUS				
	Removals	1000 m ³	200	100	100
1.2.3.NC	OTHER INDUSTRIAL ROUNDWOOD, NON-CONIFEROUS				
	Removals	1000 m ³	100	50	50
1.1.C	WOOD FUEL, CONIFEROUS				
	Removals	1000 m ³	650	650	650
1.1.NC	WOOD FUEL, NON-CONIFEROUS				
	Removals	1000 m ³	950	950	950

Forest products

Product Code	Product	Unit	Revised	Estimate	Forecast
			2005	2006	2007
5.C	SAWNWOOD, CONIFEROUS				
	Production	1000 m ³	2 060	2 110	2 150
	Imports	1000 m ³	557	620	650
	Exports	1000 m ³	1 004	1 100	1 150
	Apparent consumption	1000 m ³	1 613	1 630	1 650
5.NC	SAWNWOOD, NON-CONIFEROUS				
	Production	1000 m ³	180	200	210
	Imports	1000 m ³	71	90	100
	Exports	1000 m ³	133	150	160
	Apparent consumption	1000 m ³	117	140	150
5.NC.T	of which, tropical sawnwood				
	Production	1000 m ³	0	0	0
	Imports	1000 m ³	0	0	0
	Exports	1000 m ³	0	0	0
	Apparent consumption	1000 m ³	0	0	0
6.1	VENEER SHEETS				
	Production	1000 m ³	42	43	44
	Imports	1000 m ³	5	6	7
	Exports	1000 m ³	19	20	21
	Apparent consumption	1000 m ³	28	29	30
6.1.NC.T	of which, tropical veneer sheets				
	Production	1000 m ³	0	0	0
	Imports	1000 m ³	0	0	0
	Exports	1000 m ³	0	0	0
	Apparent consumption	1000 m ³	0	0	0
6.2	PLYWOOD				
	Production	1000 m ³	43	45	45
	Imports	1000 m ³	127	130	130
	Exports	1000 m ³	54	55	55
	Apparent consumption	1000 m ³	116	120	120
6.2.NC.T	of which, tropical plywood				
	Production	1000 m ³	0	0	0
	Imports	1000 m ³	0	0	0
	Exports	1000 m ³	0	0	0
	Apparent consumption	1000 m ³	0	0	0
6.3	PARTICLE BOARD (including OSB)				
	Production	1000 m ³	231	250	260
	Imports	1000 m ³	31	30	30
	Exports	1000 m ³	168	175	180
	Apparent consumption	1000 m ³	94	105	110
6.3.1	of which, OSB				
	Production	1000 m ³	0	0	0
	Imports	1000 m ³	9	10	10
	Exports	1000 m ³	4	5	5
	Apparent consumption	1000 m ³	5	5	5
6.4	FIBREBOARD				
	Production	1000 m ³	93	97	102
	Imports	1000 m ³	33	40	40
	Exports	1000 m ³	72	75	80
	Apparent consumption	1000 m ³	54	62	62
6.4.1	Hardboard				
	Production	1000 m ³	61	65	70
	Imports	1000 m ³	20	25	25
	Exports	1000 m ³	50	55	60
	Apparent consumption	1000 m ³	32	35	35
6.4.2	MDF (Medium density)				
	Production	1000 m ³	0	0	0
	Imports	1000 m ³	11	12	12
	Exports	1000 m ³	2	2	2
	Apparent consumption	1000 m ³	8	10	10
6.4.3	Insulating board				
	Production	1000 m ³	32	32	32
	Imports	1000 m ³	2	3	3
	Exports	1000 m ³	20	18	18
	Apparent consumption	1000 m ³	14	17	17
7	WOOD PULP				
	Production	1000 m.t.	67	105	170
	Imports	1000 m.t.	1	0	0
	Exports	1000 m.t.	0	35	100
	Apparent consumption	1000 m.t.	68	70	70
10	PAPER & PAPERBOARD				
	Production	1000 m.t.	77	78	79
	Imports	1000 m.t.	94	95	96
	Exports	1000 m.t.	80	81	82
	Apparent consumption	1000 m.t.	91	92	93