

ESTONIA

COUNTRY MARKET STATEMENT

67-th session of Timber Committee, 12.-16. October 2009

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

Gross domestic product In 2008, economy in Estonia dropped by 3.6% (7.1% growth in 2007) due to a 7.4% decrease in domestic demand. The latter was caused by plummeting investments and inventories and a decline in private consumption. Compared to 2007, the share of domestic demand fell by 16.3 percentage points. Goods and services exports showed only a marginal decrease in 2008 (-1.1%). The weak domestic demand brought about a decline in imports, as a result of which the contribution of net exports to economic growth turned out to be positive.

Consumption of services fell for the second year in a row (-2%) although expenditure on services still showed a significant increase. This was so due to the rapidly increasing service prices, resulting from wage increases, and the fact that nonessential services were used less. It is forecasted that private consumption will shrink both in 2009 and 2010 as a result of curbed income and growing unemployment.

The Ministry of Finance forecasts GDP contraction by 14.5%, in 2010 decline is expected to continue in slower pace (-2%) and is largely dependent on economic development of our main trading partners. Estonian growth will recover in 2011 in case when export markets' economic situation is improving. Positive effects from export recovery are expected to carry over to domestic demand through improving confidence. Exports of goods and services will decline by 19% in constant prices in 2009. Imports will decline by 27% due to contraction of domestic demand and smaller demand for inputs needed for producing export goods. In current prices, decline in trade volumes is bigger because of decreasing export and import prices. Looking forward, economic situation will stabilize in the main export markets in 2010 and the return to growth stage can be expected in 2011.

Private consumption The growth rate of private consumption that for the last six years had surpassed GDP growth, showed a sharp decline already in the second half-year of 2007. Compared to 2007, consumption diminished almost all through 2008; in Q4 the decline rate was more than 10%. The low real growth was the result of the population's shrinking confidence and the soaring consumer prices, as a result of which inflation remained at 11% during the first three quarters. Calculated for the whole year, private consumption costs still grew by 6% but consumption in real terms dropped by 4%. Domestic demand will decrease rapidly in 2009 and the trend will continue through 2010 at a higher rate compared to GDP.

Investments Since investments are especially sensitive to the situation in the market, investment volumes started to fall back, together with economic confidence indicators, already in the second half of 2007. Household investments, mainly related to housing, dropped by 25% in 2008. Investments of enterprises dropped especially at the end of 2008 while the total decline of 2008 amounted to 7.5%. The government sector's investments grew a little (by 3.7%); more than half of these investments were made in buildings and facilities. Due to decreasing profits and unused production capacities private investments will fall rapidly in 2009 and 2010, but public investments will show slight growth with the help of EU structural funds.

Balance of payments The economic decline has brought about a reduction in external imbalances. In 2008, current account deficit diminished to 9.2% of the GDP and amounted to only 5.5% of the GDP in Q4. These developments took place primarily due to a lower goods and services balance deficit resulting from a decline in goods imports.

Foreign trade In 2008, exports continued to show modest growth regardless of the global financial crisis that started in autumn 2008 and resulted in a downturn for exports in Q4. As a result of the continuing decline in domestic demand imports had started to abate already at the beginning of the year. These developments brought about a significant decrease in trade deficit which, compared to 2007, was lower by about a quarter.

The considerable falloff in demand in the domestic market, mostly due to negative developments in the construction and real estate sectors, as well as the ebbing confidence of the consumers, had a strong impact on imports decline in the first half-year of 2008. In Q4, imports falloff rate accelerated, in addition to the aforementioned reasons, by a substantial cutback in export demand. In 2008, foreign trade turnover amounted to 302.4 billion EEK, which was by 0.8% lower than in 2007. Due to the modest growth in exports (5.4%) and the downward trend in imports (-5.1%), the share of exports in the total turnover rose to 43.8%, exceeding the corresponding figure of 2007 by 2.5 percentage points. Exports totalled 132.5 billion EEK and imports 169.9 billion EEK in 2008.

Trade in wood and wood products still showed the highest surplus (7.1 bn EEK); its positive balance increased by about a billion EEK. The balance of other industrial goods (furniture, log houses, etc.) was on the positive side with 5.5 billion EEK, and that of animal products with 1 billion EEK.

It is expected that the trade deficit will continue to decline in 2009 because foreign trade volumes will be much smaller than last year and imports downturn will still be faster than that of exports.

Export Nominal growth of exports accelerated to 5.4% in 2008; it was 4.1% in 2007. Growth amounted to about 5% in the first two quarters and accelerated vigorously in Q3 to 15%. This is partly due to the low comparison base of 2007. Exports continued to grow in October but the trend reversed in November, as a result of which exports in Q4 were by 3% lower than in Q4 of 2007.

In 2008, wood and wood products exports were the most affected by economic climate cool-off in our primary export markets and the diminishing volumes of the construction sector. Compared to 2007, wood and wood products exports went down by 12%, showing the strongest decline among all export commodity groups. Export volumes dropped the most for sawn timber, firewood and profiled timber. Exports of round timber stayed at the level of 2007, while exports of building structures even showed a slight increase. Furniture and log houses exports stayed almost at the 2007 level.

The share of the European Union in Estonian total exports was about 70%. Exports to the EU grew by 5.1% in 2008 but the annual growth rate was only about half of that of 2007.

It is forecasted that exports will continue to go down in 2009. It is not expected that the economy of Estonia's main trade partners will recover in the coming months, and thus, foreign demand will remain low.

Import In 2008, imports fell by 5.1%. Imports of most industrial goods dropped in 2008, only the imports of chemical products grew significantly. In 2008, imports fell the most for wood and wood products (-37%) and means of transport (-27%). The decline in wood imports was mainly caused by the deepening depression of the construction market and the weakening export demand. Wood imports were also affected when Russia raised its export duties for the second time in the first half of 2008.

The share of the European Union in Estonia's total imports grew to 80% in 2008 although the volume of imports from the EU countries fell by 4%. The share of the CIS countries fell to 12% and imports volumes from these countries also continued to decrease (-11%).

It is expected that imports will continue to decrease in 2009, caused by the weakness of the domestic market and the low demand for exports in foreign markets.

Labour market The labour market reacted to the changes of negative economic growth. The number of the employed grew by 0.2% or by 1,200 persons in 2008. Unemployment rate rose to 5.5% and the number of unemployed persons to 38,400. The number of unemployed persons started to rise sharply in the second half-year, increasing by 6,500 persons in 2008. The number of inactive persons fell by 11,100. Inactivity diminished mainly due to a decrease in the number of students and discouraged persons

It is expected that the number of employed will drop by about 43,000 persons in 2009 due to the economic depression.

After Estonia acceded to the European Union the labour markets of several foreign countries were opened for us, as a result of which some of the Estonian workforce found engagement in Finland, UK, Ireland, Sweden, Norway and other countries. Estimations of the Statistical Office show that 16,000 Estonians worked abroad in 2008, making 2.4% of the total workforce. The number of people working abroad has grown since 2006.

Q1 of 2008 witnessed the beginning of a wage increase deceleration trend. It was inevitable for reducing economic imbalances. Gross wage increased by 14.1% in 2008, while real wage growth, i.e. wage growth minus inflation, was 3.4%. The average monthly gross wage calculated on quarterly figures amounted to 12,818 kroons in 2008.

Labour productivity growth was negative in 2008 (-3.8%). The decline in labour productivity (generated value added per employee) was caused by the decelerating economic growth and the employment rate almost at the level of 2007.

The wage increase decelerated fast at the end of 2008 and the worsening economic situation will bring about a decrease in wages in 2009. There are several reasons: the reduced share of performance pay, smaller workload and changes in employment.

Consumer price index CPI increased from 6,6% in 2007 to 10.4% in 2008. Lower raw material prices (foodstuffs and oil) in the global market resulted in a rapid deceleration of the consumer price index (CPI) in Q4 of 2008. Consumer prices will decline 0.1% in 2009 and increase 0.2% in 2010. Afterwards, in line with the recovering economic growth, inflation will accelerate during 2011–2013.

Manufacturing Manufacturing industry output volumes have doubled during the last five years but the number of employed has stayed the same. Wood processing industry has been among the most quickly developing branches. A considerable part of the production is exported; in 2008, 60% of the output was sold in foreign markets. Manufacturing industry's output fell in 2008 as a result of the decreased demand in the domestic market. Exporting companies also experienced difficulties at the end of the year due to the global economic crisis. The output of manufacturing industry dropped by 5% in 2008. Sales revenues maintained the level of 2007 due to increased prices. Sales in the domestic market dropped by 7%, exports grew by 6%. In 2008, producer prices grew by 6% on the average. The price rise started to slow down rapidly at the end of the year, resulting from a decrease in demand and cost items (raw materials, labour).

Output volumes dropped the most in building materials industry (-28%), caused by problems in the construction sector. Wood industry also shrunk considerably (-19%). Wood industry's output started to fall already in 2007 due to problems related to availability of raw materials, but prices rose rapidly. At the same time demand in Europe already started to decline. Paper industry, furniture industry, rubber and plastics industry, office machinery industry and dairy and beverages industry all showed a decrease in output of one tenth or even more.

In 2007, the keyword was lack of labour; in 2008, due to weakening demand, this problem manifested itself only slightly. Enterprises reacted to the changed situation by reducing the number of workforce.

In 2008, enterprises of manufacturing industry invested by 40% less than in 2007 and investments fell in almost all branches. These developments were caused by gloomier growth expectations and difficulties in getting loans. Investments in fixed assets dropped for all asset types.

Manufacturing industry's outlook for 2009 is relatively grim. Estonia and its primary trade partners are in economic recession. Production figures and estimations of companies at the beginning of 2009 showed that the downward trend was sharply deepening. Although in general it is expected that the situation will slightly improve in 2010 and governments have developed several support packages to improve the economy, it is still feared that impacts of the economic crisis will be felt for several years.

Wood industry Wood industry is one of the largest industries in Estonia. Over 1,000 enterprises engage in wood processing and manufacture of wood products, the total employment in the sector is about 16,000 people. In 2002-2008 output volumes almost doubled; share of exports in total sales is 65%. Estonian wood industry is closely related to the Scandinavian wood sector through ownership relations.

Wood industry has exhibited rapid development in recent years but was one of the first to suffer under the changed economic situation when the real estate bubble popped.

2008 was a year full on challenges for wood industry. The prices of raw materials started to fall, but demand also decreased considerably, exports declined as well. In 2008, sales of wood industry at current prices fell by 16.1%. Output at constant prices decreased by 18.7%. The downturn was mostly caused by lower sales in the domestic market (-30%), while exports decline was somewhat slower (-5.5%). Exports remained strong longer because the economic downturn hit the main export partners later.

An increase in export duties for wood to 50 euros/m³ which Russia planned to impose in 2009, a matter of serious concern for Estonian wood companies in recent years, was postponed by the Russian government. If the intended high increase in tariffs had been implemented, it would probably have stopped any exports of Russian wood to foreign countries.

In the past years the felling volume in Estonian forests has been about 6-7 million cubic meters per year. In 2008 about 6 million cubic meters (of that ca 4 million in private forests and the rest in state forests) were felled. In previous years private forest owners mentioned unfavourable tax conditions and complicated

administrative procedures as the main reasons to their inactiveness but now the lower purchase price for wood has a more important role.

Two thirds of the Estonian wood production is exported; in recent years there has been an upward trend here. In 2008 exports fell only by 5% while domestic sales dropped by almost 30%. The number of employees decreased by more than two thousand persons in 2008, falling lower than 16,000. Wood industry's investments in fixed assets fell by almost half in 2008 and amounted to 669 million kroons. This low investment level was last seen in the 20th century.

Paper industry

There are about 70 paper, pulp or paper products enterprises in Estonia, with a workforce almost 2000 people. In the years 2002-2008 the output of paper industry grew by two times; more than three fourths of the output is exported. Paper industry is a heavily concentrated industry in Estonia – the two larger companies employ more than half of the workforce and give over half of the total turnover. Most of the companies make paper products from imported paper.

The output growth of paper industry stopped in 2008, total sales and exports fell. It is expected that these developments will continue in 2009 until global demand turns upwards. Sales of paper industry at current prices fell by 4.3% in 2008, output volume at constant prices decreased by 13.4%. Weakness of foreign markets was the main reason for the downturn. Sales in the domestic market increased by 18%. More than three fourths of paper industry's output is exported. Exports to Germany grew the most – by a quarter. The largest target markets for mechanical pulp, export volumes of which were the same as in 2007, were Germany, France and Italy. The other important export group was uncoated paper or cardboard, exported mainly to Egypt, Poland and the Netherlands.

Redundancies had a strong effect on the number of employees, paper industry's employment rate dropped below 1,800 persons. Investments in fixed assets continued to drop in 2008. Regardless of the low comparison base investments fell below 40 million kroons.

Next years will probably be difficult for paper industry. There is strong excess supply in the market and margins have dropped to a relatively low level. However, cheapening wood prices make paper industry's prospects more positive by enabling it to save costs.

Furniture industry In Estonia over 450 enterprises engage in furniture manufacture. In 2008, output figures at constant prices fell to the level of 2003. More than 70% of the output is exported. Due to the smallness of the domestic market more and more companies have been forced to enter foreign markets in recent years. The workforce of the sector has continued to diminish and fallen under 8,000 people. In previous years workforce was reduced due to technological development but in 2008 it happened due to lower demand.

In 2008, furniture industry was one of the sectors suffering the most under the economic crash. The sales of furniture industry fell by 10.5% compared to the previous year and production volumes at constant prices dropped by 12.3%. Domestic sales decreased by one quarter. The main reason was the reduced housing construction and lower purchase power resulting from the economic recession. Exports remained at the level of 2007, employment also fell considerably. Exports of furniture made in Estonia was more than 70% of all sales in 2008; 3/4 of the exports went to the Nordic countries.

Investments in furniture industry fell by more than 70% in 2008. The plummeting demand did not favour investments and companies were searching for opportunities to save costs.

Construction Estonian construction sector is oriented mainly to the domestic market and influenced by the general development of Estonian economy. The construction market is quite sensitive to changes in economic environment. In good times, construction volumes grow fast, and in bad times, they may even diminish. In the construction market the period 2003–2007 may be considered to be a period of continuous growth. The year 2008, though, was a year of sudden stabilisation of the construction sector.

In 2008, Estonian construction companies built for 54.2 billion kroons in Estonia and outside. This figure was by 6.8% lower than in 2007. In 2008 the value of the buildings erected in Estonia was 11 billion kroons and that of facilities 4.9 billion kroons. Compared to 2007, the figures had dropped by 17% for buildings and grown by 1.7% for facilities. Construction companies' investments in fixed assets dropped as well (in 2007, these investments grew by 14.3% but in 2008 fell by 26.4%).

Construction price index grew by 3.4% in 2008, by 3.7 times lower than in 2007. The drastic deceleration of the construction price index growth was the result of a slower price increase for construction price components but the primary reason was that labour costs grew more slowly

Building materials price growth slowed down for all groups of materials but mainly as regards wood products, cables and building panels. Output at constant prices fell by 28.1% and sales at current prices by 19.8%. Exports share in sales grew to 39.7%. As domestic demand for building materials had significantly dropped, other opportunities were searched to continue the business.

The number of construction permits issued was by 18.4% lower than in 2007 and the number of permits to use dropped by 34.2%. This shows that the construction market had a major downfall.

As shown by a survey of the Estonian Institute for Market Research, the confidence level and expectations of construction companies were low at the end of 2008. Most companies considered insufficient demand and the resulting decrease in orders to be the major factor hindering construction activities. The continuing downward trend of construction prices was also seen as a problem.

Sources: 1. „2008. aasta majandusülevaade” (*Economic Survey of Estonia 2008*), Ministry of Finance, Ministry of Economic Affairs and Communications, Tallinn 2009. available at <http://www.mkm.ee/>
2. „Rahandusministeeriumi 2009. aasta suvine majandusprognoos” (Ministry of Finance Summer 2009 Macroeconomic forecast), Tallinn August 2009. available at: <http://www.fin.ee/?id=263>
<http://www.fin.ee/economic-forecasts>

2. Policy measures

Legal measures

Some amendments were made in the Forest Act by the Parliament in 2008. Forest management plans with exactly described felling areas are not any more preconditions for forest management. Forest owner still has to have forest inventory data about forests in national forest register as precondition for management. Forest management regulation was amended so that harvesting of spruce stumps is allowed on certain site types. The preparation of the Estonian Forest Development Plan until 2020 started in spring 2009. Plan will set up objectives and measures to achieve those for forest sector for coming decade. Wood mobilisation of forest resources is one of the key issues. New state institution – Environmental Board – was formed on the basis of former County Environmental Board and Centre of Nature Protection. County level forestry authority tasks were handed over to the new institution.

Forest law enforcement, governance and trade

Several measures have been taken to guarantee the sustainable forestry practice in Estonia: quick and easy access has been made available to forest inventory data for forest administration and public, capacity building in forest administration institutions have taken place, cooperation between governmental institutions have been set up to fight illegal activities in forestry, counselling and training of forest owners is continuously proceeds.

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 90-ies the felling volume stabilized for couple of years at about 12 million m³ level around year 2000 and decreased considerably in recent years to the 6 million m³ level. 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) changed economic system caused big changes in society and lot of people were in need of „starting capital”;
- d) “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 0,3 million ha (15% of total forest land area) out of active management.

In 2008 the removals accounted for 6 million m³ in Estonia remaining at the year 2004 level; one third of that was harvested in state and 2/3 in other forests. To cover the shortage for roundwood the wood industry companies increased significantly the import volumes of roundwood in 2003-2007. After the raised custom

tariffs and problems with railway transport from Russia the import volumes decreased considerably in 2007. This trend continued even at higher pace in 2008. Felling volume in 2009 is expected to stagnate at the low level of recent years. Although demand for logs has shown slight increase from summer 2009 the possibilities to trade the pulpwood remained very bad. The year 2007 showed record high prices of roundwood; since the beginning of 2008 the prices started to decrease and this trend has continued throughout the year. In 2009 this price decrease continued even further – most of the roundwood prices are at least 2 times (or even more) lower than year before. Low demand for wooden products in foreign markets, unfavourable tax system in wood sales for private owners, increasing demand for fuelwood/chips in energy sector and high Russian tariffs have made situation complicated for both forest owners and wood processing companies.

Volume of imported coniferous roundwood decreased 65% in 2008 compared to 2007, relevant figure for non-coniferous roundwood decreased by 23%. Altogether 0.44 million m³ of coniferous roundwood and 0.12 million m³ of non-coniferous roundwood was imported in 2008 (Latvia became biggest provider, followed by Russia and Lithuania). Decrease in import of roundwood will continue in 2009. Export of roundwood has decreased considerably in last 5 years and this trend is expected to continue in 2009. 1.42 million m³ of pulpwood and 0.01 million m³ of logs were exported in 2008. 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. Often log-quality material is used for fuelwood and pulpwood. 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).

In case of pulpwood there is contrasting situation with low domestic demand, big export and small import quantities. Pulpwood is exported mainly to Scandinavia. The export of pulpwood will decrease 2 times to 0.7 million m³ level in 2009 (1.4 million m³ in 2008).

The share of removals of fuelwood has remained at level of 1.5-2 million m³/year. Decreased felling volume and promoted renewable energy policies have developed the importance and demand for wood for energy purposes. Sharply decreased demand for pulpwood resulted in price decrease and often pulpwood was sold for fuelwood in the first half of 2009. In 2008 two new biofuel and peat-fired combined heat and power plants were launched: Vão CHP near Tallinn (20 MW_{el} and 50 MW_{th}) and AS Anne Soojus CHP (Figure 5) near Tartu (25 MW_{el} and 54 MW_{th}). Ahtme CHP and Pärnu CHP plants are planned to be reconstructed as biofuel and peat-fired combined heat and power plants, and a project has been launched to utilise biofuels for up to 10% of the requirements of energy block no. 11 at Balti Elektriijaam.

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 for energy is heat generation. There were 810 boilers working with wood in 2008 (the peak was in 2003 with 863 wood boilers in use) that is 20% from total number of boilers. There were 403 wood using boilers in industry sector, 110 in energy sector, 71 in agriculture, 18 in transport and 208 in commercial and public services sector. Total capacity of wood using boilers was 702 MW i.e. 12,6% from total capacity of boilers; 1470 GWh heat was generated in 2008 (25% from total heat generation) using 8216 TJ of wood fuel (20.9% from total used fuel for heat production). 53 000 m³ of fuelwood, 0.69 million m³ of wood chips, 0.57 million m³ of wood waste and 6000 tons of wooden briquette/pellets were used for heat generation in 2008.

Gross inland consumption of fuelwood was 1.72 million m³ in 2008; 94.1% (1.62 million m³) of that in households, 1.9% by industry (33 000 m³, of which 29 000 m³ by wood processing industry), 3.1% by energy sector (53 000 m³ for heat generation), 0,6% by commercial and public services and 0.2% by agriculture. 3.1% of fuelwood was consumed for conversion to other forms of energy (heat) and 96.9% for final consumption.

0.71 million m³ of wood chips was used in 2008, 99% of that by energy sector (mostly for the conversion to heat) and 0.7% by wood industry. 0.698 million m³ of wood waste was used for conversion to other forms of energy – 8000 m³ for energy generation and 0.69 million m³ for heat generation. Final consumption accounted for 6 000 m³, 5000 m³ of that was used by wood industry. From 2007 wood chips are used as biomass fuel in heat and electricity coproduction power plants (CHP); in 2008 the usage of wood chips was 12 000 m³. Due to the new coproduction plants, which started in 2008 and will be opened in the following years, the need for wood chips will increase considerably. New CHP plant close to Tallinn (Vão) with production capacity of electricity 180 GWh/year and of heat up to 500 GWh/year has started operation; plant will use yearly up to 0.3 million m³ of wood waste and wood chips.

1.187 million m³ of wood waste was used in 2008, 51.1% of that in households, and 47.9% by energy sector. 0.567 million m³ of wood waste was used for heat generation. Final consumption accounted for 0.613 million m³, 4000 m³ of that was used by wood industry and 0.607 million m³ by households.

25 000 tons of briquette/pellets were used as fuel in 2008, 72% (18 000 t) of that in households, 24% (6000 t) by energy sector for heat generation. Total production of briquette and pellets was 0.28 million tons in 2008 (nearly 93% of that was exported). Decrease in production of sawnwood and other wooden products increased the shortage of saw dust.

In 2000–2008 the average prices of almost all fuels increased for the end-users. Compared to year 2007 only the average price of peat briquette has decreased slightly in 2008 (-1.1%). There was the slight rise in the average price of firewood (4.2% compared to year 2007 and by 3.7 times compared to year 2000). Rise of the average price of natural gas was 65.5%. Considerable rise in prices took place in 2008 for wood waste 17.5% and wood chips 36.8% in 2008. The price of the fuelwood has increased due to the shortage of wood fibre supply in 2008 and increased competition with other wood processing branches. As the overall demand for wood and wooden products decreased considerably in the end of 2008, the prices for fuelwood has decreased as well. This trend continued in 2009.

Source: Eesti Statistikaameti on-line andmebaas. *On-line database of Estonian Statistical Office*
<http://pub.stat.ee/px-web.2001/dialog/statfile1.asp>

C. Certified forest products

There are 2 combined forest management/COC certificates and ca 820 000 ha of forest land certified according to the FSC scheme in Estonia (as of September 2009). 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 1082600 ha of which ca 817 000 ha of forest land (according to NFI). 62 FSC chain of custody certificates have been issued to the companies acting in Estonia. COC 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 FSC working group approved Estonian national FSC standard in 25.04.2007. Standard has to be tested and approved by the FSC centre before it becomes basis for FSC forest management certification. After the approval all relevant forest management certifications has to be carried out according to the national FSC standard. So far the temporary standards for Estonia have been used.

From year 2007 PEFC certification is available in Estonia. 5 COC certificates have been issued. Estonian national PEFC scheme was approved in 4.03.2008. About 50 000 ha of forest land is expected to become certified by the end of the year according to national PEFC standard.

D. Value-added wood products

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

Since the beginning of 2000 wooden furniture have had relatively stable sales volume, close to 2 bn EEK level in last six years. In 2007 the production of wooden furniture decreased down to 1.6 bn EEK and in 2008 decreasing continued to 1.3 bn EEK. Export value of wooden furniture was 3.0 bn EEK i.e. 19% from total export value of wood and wooden products in 2008; relevant figures for import were 0.8 bn EEK and 16%.

Sales volumes of the window frames and dividing walls were 151 mln EEK. The share of joinery and carpentry products was 16.4% from the total value of wood products exports in 2008 (5% in 2000) and similar share for imports was 6.9% (7,3%).

Production of further processed sawnwood has decreased 60% compared to year 2008. The share of further processed sawnwood was 4.9% from the total value of total wood products exports and similar share for imports was 2.9%.

Sales volumes of the prefabricated wooden buildings has was almost 1 bn EEK. In 2008 the share of prefabricated wooden buildings was 12.6% from the total value of wood products exports (5.2% in 2000) and similar share for imports was 1.1%.

E/F. Sawnwood

Sawnwood production has increased until 2006, although the growth rate has decelerated in recent years due to the rising competition and deficit of raw material and in 2008 also shortage in sales. In 2008 it was 20% less than 2007. About 1.3 million m³ of sawnwood was produced in 2008 (over 90% of that is coniferous). Despite the efforts the share of non-coniferous sawnwood production remains lower than expected due to the low quality of logs and small demand of logs. In 2008 the production of non-coniferous logs stayed in same level. 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 has turned in to sudden 35% decrease, (0,82 million m³ in 2007 and 0,54 million m³ in 2008) indicate decreased domestic and foreign demand from further-processing companies. Sawnwood exports decreased by 20 % from 0.71 million m³ in 2007 to 0.57 million m³ in 2008. The share of sawnwood exports value from the total value of wood products exports in 2008 was a little less than in 1995, 13.4% and 17.1%. Similar figures for import of sawnwood are 33.3% and 8.6%

Production of sawnwood is expected to stay at the year 2008 level in 2009. Import and export of sawnwood is forecasted to decrease about 45% and 30% in 2008. In coming years the production of sawnwood are also expected to stay in sama level due to rapid deareas of import.

G. Wood-based panels

The production of plywood decreased 26%, from 30 000m³ in 2007 to 22 000m³ in 2008. In 2008 compared to 2007, imports and exports decreased 32% and 16%. Imports and exports will continue to decrease in 2008, production is expected to stay in same level. 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 2.4%, share of imports 10.0% in 2008.

The production of particle board decreased about 10% in 2008, imports decreased 32% and exports stayed in same level compared to year 2007. Share of value of particle board exports from total value of wood products export was 3.0%, share of imports was 3,5% in 2008.

There where no production of hardboard in 2008 due to closing of A.S. Repo Vabrikud. Imports decreased by 38% and exports which was already low decreased another 41%. In 2009 imports and exports will continue to decrease.

The production of insulating board stayed at same level (42000 m³) in 2008 compared to 2007, imports decreased by 38% and exports stayed at same level compared to year 2006. Production and export will drop about quarter 2008, imports will stay in same level.

Share of value of fibreboard exports from total value of wood products export was 1.1%, share of imports 5,3% in 2008.

H. Pulp and paper

Production of pulp increased slightly (5%). The majority of the production is produced by new thermo-mechanical aspen pulp mill (alkaline peroxide mechanical pulp (APMP) technology, annual capacity of 140 000 tons of aspen pulp) in Kunda. Kunda factory produced 137 000 tons of wood pulp in 2008. Production of unbleached coniferous chemical wood pulp was 62 000 tons in 2008. In 2006–2007 there was two year row a big increase in export of pulp, in 2008 export stayed in 2007 level (125 000m³ was exported) and only minor import of pulp (about 400 tons).

Paper production which includes mostly the unbleached kraft sack paper production decreased 12% in 2008. Import and export of paper and paper products stayed in last year level. The production is expected to decrease 13% but the export and import import will decrease more 43% and 33% respectively in 2009.

GDP Forecast for 2009–2013

(percent)

	1997– 2007	2008	2009*	2010*	2011*	2012*	2013*
1. Growth of real GDP	7.6	-3.6	-14.5	-2.0	1.5	3.0	3.8
1a. GDP in real terms (bln EEK)		157.6	134.7	132.1	134.1	138.1	143.3
2. Growth of nominal GDP	14.0	3.9	-15.3	-4.4	3.2	5.4	6.5
2a. GDP in nominal terms (bln EEK)		248.1	210.3	201.1	207.5	218.7	233.0
2b. GNI in nominal terms (bln EEK)		233.8	205.3	196.6	201.6	210.0	219.3
Components of real GDP							
3. Private consumption expenditure (incl. non-profit organisations)	8.5	-4.0	-15.6	-6.7	0.1	0.7	2.3
4. Government final consumption expenditure	1.1	4.4	-5.8	-5.8	0.0	1.7	2.9
5. Gross fixed capital formation	12.5	-8.6	-26.6	-8.0	3.8	5.8	7.0
6. Changes in inventories (% of GDP)	3.2	1.7	-2.8	-0.5	0.2	1.2	2.1
7. Exports of goods and services	11.0	-1.1	-19.2	0.1	3.5	5.1	6.2
8. Imports of goods and services	12.7	-7.9	-27.4	-3.1	3.7	5.4	7.6
Contributions to real GDP growth ¹⁾							
9. Domestic demand (without inventories)	8.5	-4.1	-17.1	-6.8	0.9	2.1	3.5
10. Changes in inventories	0.7	-4.0	-4.3	3.5	0.2	0.6	0.9
11. Ext. balance of goods and services	-2.3	5.9	7.5	2.1	0.0	0.0	-0.7
Value added growth							
12. Primary sector	2.4	6.3	-6.2	-1.5	1.4	1.6	2.0
13. Industry	8.4	-4.5	-20.4	-0.4	2.2	3.8	5.1
14. Construction	10.5	-6.0	-26.6	-3.9	1.0	3.5	4.8
15. Other services	7.4	-3.1	-12.6	-2.3	1.4	2.7	3.3

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 2008– 2010.

Product Code	Product	Unit	Revised	Estimate	Forecast
			2008	2009	2010
1.2.1.C	SAWLOGS AND VENEER LOGS, CONIFEROUS				
	Removals	1000 m ³	1 900	2 000	2 000
	Imports	1000 m ³	234	90	100
	Exports	1000 m ³	11	4	5
	Apparent consumption	1000 m ³	2 123	2 086	2 095
1.2.1.NC	SAWLOGS AND VENEER LOGS, NON-CONIFEROUS				
	Removals	1000 m ³	450	400	400
	Imports	1000 m ³	21	24	25
	Exports	1000 m ³	0	0	0
	Apparent consumption	1000 m ³	471	424	425
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	600	500	550
	Imports	1000 m ³	204	50	50
	Exports	1000 m ³	661	430	430
	Apparent consumption	1000 m ³	144	120	170
1.2.2.NC	PULPWOOD (ROUND AND SPLIT), NON-CONIFEROUS				
	Removals	1000 m ³	756	350	450
	Imports	1000 m ³	29	15	15
	Exports	1000 m ³	755	300	400
	Apparent consumption	1000 m ³	29	65	65
3 + 4	WOOD RESIDUES, CHIPS AND PARTICLES				
	Domestic supply	1000 m ³	1 900	2 000	2 000
	Imports	1000 m ³	112	55	55
	Exports	1000 m ³	826	900	900
	Apparent consumption	1000 m ³	1 186	1 155	1 155
1.2.3.C	OTHER INDUSTRIAL ROUNDWOOD, CONIFEROUS				
	Removals	1000 m ³	63	60	60
1.2.3.NC	OTHER INDUSTRIAL ROUNDWOOD, NON-CONIFEROUS				
	Removals	1000 m ³	36	25	25
1.1.C	WOOD FUEL, CONIFEROUS				
	Removals	1000 m ³	400	400	400
1.1.NC	WOOD FUEL, NON-CONIFEROUS				
	Removals	1000 m ³	655	700	700

Product Code	Product	Unit	Revised	Estimate	Forecast
			2008	2009	2010
5.C	SAWNWOOD, CONIFEROUS				
	Production	1000 m ³	1 200	1 200	1 300
	Imports	1000 m ³	470	250	250
	Exports	1000 m ³	486	340	350
	Apparent consumption	1000 m ³	1 183	1 110	1 200
5.NC	SAWNWOOD, NON-CONIFEROUS				
	Production	1000 m ³	100	100	100
	Imports	1000 m ³	70	35	35
	Exports	1000 m ³	79	50	50
	Apparent consumption	1000 m ³	91	85	85
5.NC.T	of which, tropical sawnwood				
	Production	1000 m ³	0	0	0
	Imports	1000 m ³	1	1	1
	Exports	1000 m ³	0	0	0
	Apparent consumption	1000 m ³	1	1	1
6.1	VENEER SHEETS				
	Production	1000 m ³	45	40	40
	Imports	1000 m ³	5	3	3
	Exports	1000 m ³	15	15	15
	Apparent consumption	1000 m ³	35	28	28
6.1.NC.T	of which, tropical veneer sheets				
	Production	1000 m ³	1	1	1
	Imports	1000 m ³	0	0	0
	Exports	1000 m ³	1	1	1
	Apparent consumption	1000 m ³	0	0	0
6.2	PLYWOOD				
	Production	1000 m ³	22	20	25
	Imports	1000 m ³	78	25	25
	Exports	1000 m ³	34	20	20
	Apparent consumption	1000 m ³	66	25	30
6.2.NC.T	of which, tropical plywood				
	Production	1000 m ³	1	1	1
	Imports	1000 m ³	0	0	0
	Exports	1000 m ³	1	1	1
	Apparent consumption	1000 m ³	0	0	0
6.3	PARTICLE BOARD (including OSB)				
	Production	1000 m ³	249	180	190
	Imports	1000 m ³	38	20	20
	Exports	1000 m ³	202	100	100
	Apparent consumption	1000 m ³	85	100	110
6.3.1	of which, OSB				
	Production	1000 m ³	0	0	0
	Imports	1000 m ³	16	10	10
	Exports	1000 m ³	6	1	1
	Apparent consumption	1000 m ³	10	9	9
6.4	FIBREBOARD				
	Production	1000 m ³	42	40	40
	Imports	1000 m ³	54	40	40
	Exports	1000 m ³	34	20	20
	Apparent consumption	1000 m ³	63	60	60
6.4.1	Hardboard				
	Production	1000 m ³	0	0	0
	Imports	1000 m ³	35	25	25
	Exports	1000 m ³	2	1	1
	Apparent consumption	1000 m ³	33	24	24
6.4.2	MDF (Medium density)				
	Production	1000 m ³	0	0	0
	Imports	1000 m ³	16	10	10
	Exports	1000 m ³	6	2	2
	Apparent consumption	1000 m ³	10	8	8
6.4.3	Other fibreboard				
	Production	1000 m ³	42	30	35
	Imports	1000 m ³	3	3	3
	Exports	1000 m ³	26	20	20
	Apparent consumption	1000 m ³	19	13	18
7	WOOD PULP				
	Production	1000 m.t.	200	200	200
	Imports	1000 m.t.	0	0	0
	Exports	1000 m.t.	125	105	105
	Apparent consumption	1000 m.t.	75	95	95
10	PAPER & PAPERBOARD				
	Production	1000 m.t.	69	60	65
	Imports	1000 m.t.	149	100	100
	Exports	1000 m.t.	97	55	55
	Apparent consumption	1000 m.t.	121	105	110