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# WOOD INDUSTRY

SECTOR OVERVIEW NOVEMBER 2016



## GLOBAL MARKET

The analysis of global furniture trade: Significant percentage of international furniture trade is carried out within economic regions on which the world can be divided

- In the European Union together with Norway, Switzerland and Iceland almost 76 % of international furniture trade is carried out within these countries themselves
- In NAFTA region (USA, Canada, Mexico) around 28 % of international furniture trade is carried out between these three countries
- In Asian and Pacific countries around 42 % of total international furniture trade is carried within this region itself

Trade within regions covers around 57 % of total world furniture trade

This means that only a half of world furniture trade can be seen as truly global, in the sense that it is carried out between countries that are geographically distant from each other. The most important furniture trade flows are:

- From medium and low developed Asian countries to USA (72%) and Europe
- From "new" countries that are members of the European Union to West Europe, especially Germany

In furniture trade, the most significant countries can be classified into three groups

- Big producers for internal needs, with a high income per inhabitant, high work expenses and structurally negative balance of furniture trade. Those are USA, Germany, Japan, France and Great Britain. These countries together make 31 % of world demands for furniture. The deficit of furniture trade of this group is increasing, mostly because of the USA.
- Big producers both for export and for domestic needs, which, despite high income per inhabitant and high work expenses, have specific comparative advantages. Those are Canada and Scandinavian countries, countries with significant forest resources, as well as Italy, which is characterised by unique organization into production districts with a lot of small enterprises. Ratio of export and production for these countries is on average of 52 %. Canada exports around 34 % of its production (mostly to USA), Italy 57 % and Scandinavian countries with an average of around 62 %. Italy has a surplus in furniture trade balance sheet of approximately 9 billion dollars.
- Other significant producers are net exporters and which their comparative advantage base on low work expenses. Here primarily fall China, Vietnam, Malaysia and Indonesia in Asia; Poland, Romania, Turkey, Lithuania and Hungary in Central-East Europe; and Mexico in Latin America. All these countries have significant surplus in furniture trade.

Expectations: In 2017 it is expected that world demand for furniture will increase by 2.8 % in real terms



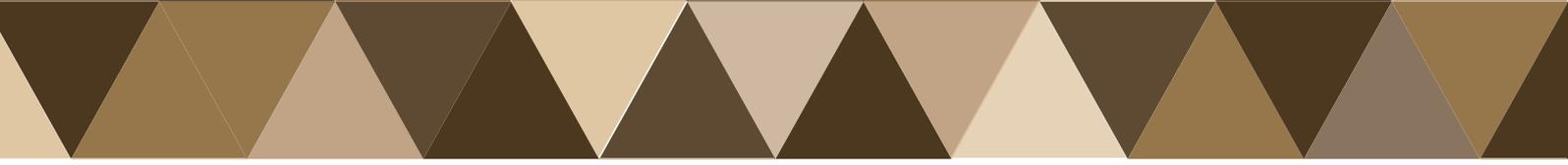
## DOMESTIC AND FOREIGN MARKET

Secured supply of biomass

In order to achieve the goal which Serbia set that by 2020 the participation of renewable energy sources in energy consumption will be increased to 27 %, it is necessary to use potentials of biomass which our forests and fields possess in large amounts, experts state. It is necessary to build around one hundred megawatts of power plants on biomass, but also to direct the way of thinking to renewable energy sources.

54. Furniture fair in Belgrade was held

The fair lasted from 6th to 13th November, and its novelty was that companies, for the first time, had an opportunity for B2B meetings, in order to develop mutual cooperation and make plans for potential new cooperation.



### **New license allows higher imports of raw material from Indonesia to the EU**

Indonesia and the European Union signed a Forest Law Enforcement and Partnership Trade Contract (FLEGT-VPA), which will facilitate export of wood products from Indonesian companies to countries of the EU. This first agreement of this kind in the world enables certification of wood raw material produced in a sustainable manner, and also accelerates procedures for raw materials import in the EU with certificate like this. Indonesia is third raw material exporter into the EU with a total export value during 2015 of 485 million Euros.

### **Italian wood industry sector expects growth opportunities in North America and the Middle East**

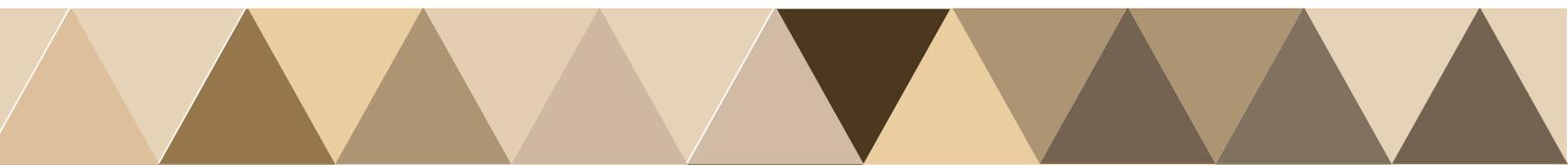
Strategic that is followed is observing development of situation on middle and long deadline, without effect of economic instability signs which are historically present in countries of these regions. Countries of these regions had a significant role in the growth of constructional products exports from Italy. Two elements influence that these markets are highly significant for the entire value chain of Italian wood industry (from producers of engines and technology, through panels and finishers, to construction companies): the first cause is traditional deficit of wood raw material, that makes the import of semi completed products cheaper from import and processing of raw material, and the other cause is a significant urbanisation growth, which brings significant investments in public and private construction. Gap between possession of skills for wood processing and production is good for Italy.

### **Lower fuels prices encourage competitiveness of Finland wood raw material production**

The growth in production of soft wood sawn timber and pulp in Finland is accelerated in the third quarter of 2016 compared to the first half of the year. The production of soft wood sawn timber increased for 9.2% in the third quarter and had 2.6 million cubic meters, while the production of pulp is higher for 11 % compared to the same period of the previous year. However, profitability of sawn wood timber is decreased due to lower export prices and higher wood raw material prices.

### **The following year brings "green" furniture design**

Experts of Pantona colours producers introduced their expectations of trends in furniture design for 2017. Materials, finishers and objects will be marked by authenticity. Access to artefacts and denominated textures will come to the fore together with enlarged terracotta and natural fibbers usage. Additional value is placed on individual and handmade products, which as a result often have a simplified look.





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