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WOOD INDUSTRY

SECTORIAL OVERVIEW SEPTEMBER 2016



TOP NEWS

The tallest wooden skyscraper was proposed to be built in the centre of London

The underlying reason mentioned is that more and more people have affinity for buildings made of natural materials instead of metal. This influenced the London officials to consider the decision on construction of the tallest wooden skyscraper, 300 m tall, with 1,000 apartments.

Amsterdam considers the possibility to build a wooden skyscraper as well

Construction of a wooden skyscraper, 73 m tall, should start in the second half of 2017. This is yet another proof of an increasing use of wood in construction industry, which may reflect positively on the wood prices in the period to come.

Ever increasing use of pellet globally

Previously, pellet was suitable for heating big spaces only, because of higher costs, but today the advanced technology from Europe has increased efficiency in the use of pellet, making it used more and more for heating small buildings and houses.

Malaysia increased wood export to China

Representatives of the Malay wood industry point out that even with the Chinese market being as big as it is, entering the market does not guarantee success, having in mind a high-intensity competitive pressure. Higher import from Malaysia results from the Chinese higher demand for wood and wood products. Out of the total export in this sector, Malaysia mostly exported wooden furniture, its export increasing by 14.5 % comparing to the previous year.

Increase in demand for wood in India

Considering the rising living standards of the middle class and an accelerated urbanisation process, India is expected to have a growing demand for furniture, as well as for wood used in the construction sector. India is a country with the world fastest economic growth rate (7.6 %).

Because of poor infrastructure and inability to reach some forest areas in the country, Romania has had an 18 % decrease in forest exploitation in the past twenty years

This is not a positive figure having in mind that the forestry and wood sector in Romania contributes to the GDP with 1.7 billion euros. Also, this sector directly employs 128,000 people, and 186,000 people in related sectors.

Global increase in the price of softwood

The price increase was caused by the weakening of dollar and a higher demand. The demand was pushed up by the demand in the U.S., where the import of softwood timber from Canada increased by as much as 40 % in the first six months this year, caused by a higher use of wood in the construction sector.

IKEA's total sales volume goes up in the financial year 2016

Total current sales income of this company is 34.2 billion euros, which is by as much as 7.1 % more than the income generated at the beginning of this year.

In spite of the global drop in energy prices, this winter, again, wood-fired heating is most economical in Serbia

Households using firewood for heating and efficient heaters will need about 35,000 dinars, while the costs of those using pellet for heating will be almost double - about 60,000 dinars. The highest costs will be for the households using electricity directly in heaters and boilers, propane butane gas and fuel oil. They will have to allocate about 125,000 dinars for electricity, 112,000 dinars for propane butane gas, and 95,000 dinars for fuel oil, whereby the use of the last two heating options is more favourable this year because of the possibility to refund the excise tax paid. It is also economical to use natural gas (41,000 dinars) because of multiple price decreases, as well as coal (44,000 – 50,000 dinars).

As of the next school year, the educational system in Serbia introduces a new profile – furniture manufacturing operator

This will be organized as a cooperative programme with dual education elements, starting first in two technical schools—in Užice and in Subotica.

Growing paulownia, a fast-growing tree from China, with a high calorific value, is becoming increasingly popular in Serbia

Growers of this tree claim that two hectares are enough to support existence. The wood is used for heating, has the same calorific value as coal, and is also used to make briquettes. For industrial applications it is cut after seven years of growth, it is easy to dry, and it does not absorb moisture. This wood is used to make furniture, musical instruments, plank flooring, etc.



GLOBAL MARKET

Production

Global leaders in wood production are the United States of America (U.S.A.), Russia, China and Brazil, accounting for a half of the total global wood production. The single largest producer is the United States, accounting for 19.4 % of the total global production, followed by Russia (10.3 %) and China (8.8 %). Among European countries, Russia is a dominant producer, producing one third of the total European production. Sweden, Finland and Germany are the next largest producers in Europe, with 12.2 %, 9.2 % and 7.8 % of European production, respectively. The largest wood exporters are Canada, the United States, Russia, and Sweden.

Consumption

The global trade structure is somewhat different from the global production structure. The leading importers of wood are China and several European countries. The largest import refers to China as the largest net importer of wood, next to Japan, Great Britain and India. Chinese import of wood accounts for 28.1 % of the total global trade in this raw material, while its export remains negligible comparing to the import. The European countries - Great Britain, Italy, Germany and Austria are also big importers of raw wood materials, although not big wood producers.

The global prices of sawn timber have been declining constantly in the past two years

The global price drop in the last year mostly resulted from China's slowing growth, since China is the largest consumer in this industry. In August last year, the Chinese import of sawn timber dropped by 28 %, reaching the record low in the past five years. Nevertheless, by mid-2016, the prices of sawn timber increased slightly, and this trend continued through the third quarter of the current year. The mentioned increase in prices is correlated with an increased demand in Asian countries and with the growing trend of using wood in architecture.



DOMESTIC MARKET

Wood industry is the third ranked industry by share in the total number of employees in the processing industry of Serbia, right behind food production and metal production. At the beginning of 2015, the number of employees in wood industry was 22,711, 40.65% of them in wood processing, 51.59 % in furniture industry, and the rest in the category of registered sole business owners.

The total operating income of companies and sole proprietors in wood industry in Serbia was 787 million euros in 2014, which is 1.4 % lower than in 2013. The total income of furniture manufacturing companies is almost identical to that of wood processing companies, although the number of the latter is 2.3 times bigger. This fact illustrates the potential of wood product manufacturing with a high added value, and the need to increase the share of companies operating in this segment.

The foreign trade balance in the Serbian wood industry has been positive for many years. In 2015, the surplus was just below 160 million dollars, while the realized exports of 363.7 million dollars accounted for 2.72 % of the total export of Serbia in that year.



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