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# Economic overview Russia / Forest Market

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Germany Trade & Invest

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The foreign trade and inward investment promotion agency of the Federal Republic of Germany

## German Parliament

Resolutions for Founding/Financing

## Federal Government

Federal Ministry for Economic Affairs and Energy - Shareholder



GERMANY  
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## Company Tasks

Investment Attraction

Export Promotion

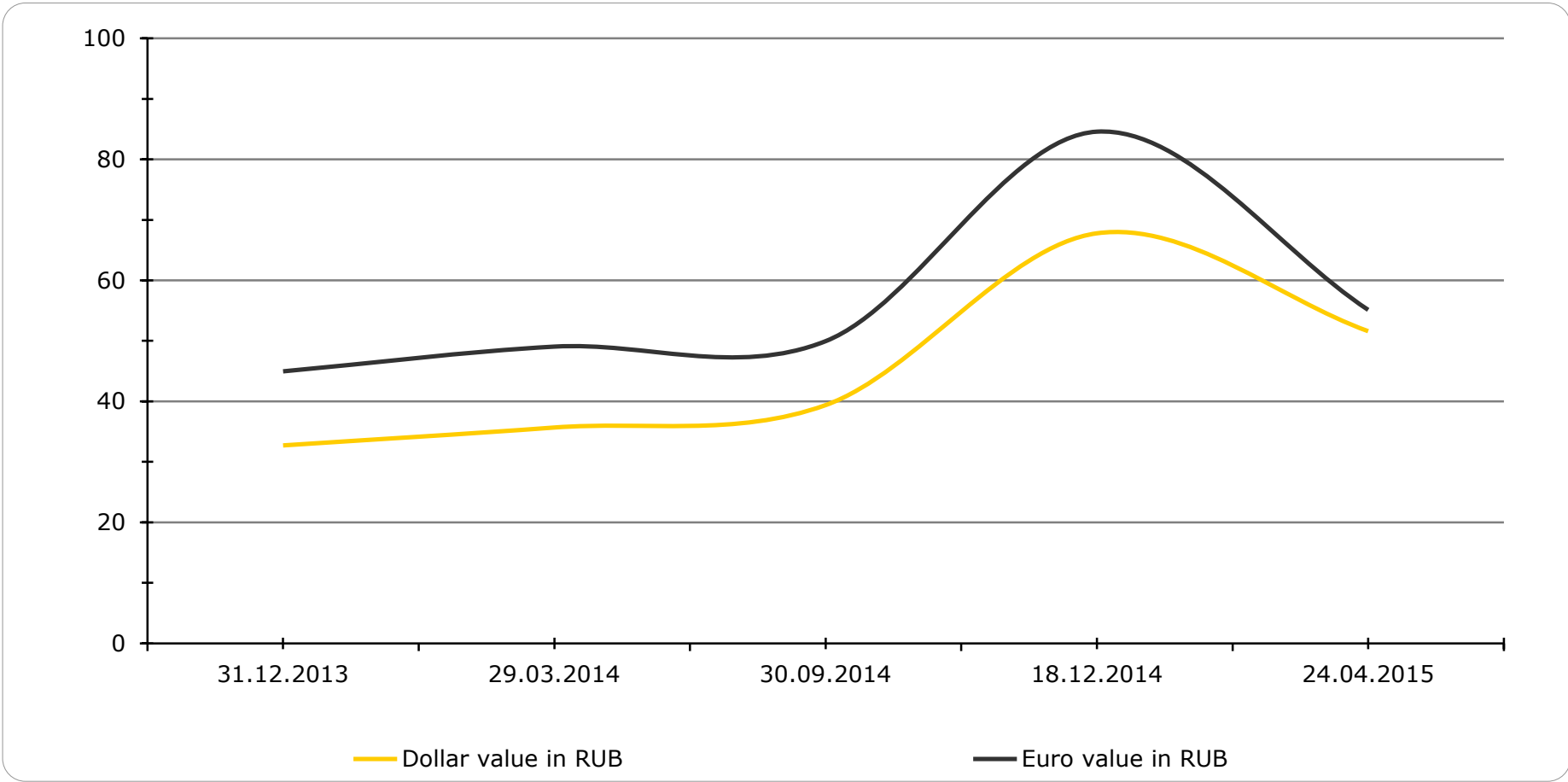
Location Promotion

- GDP has decreased and showed a decline for the first time since 2009
- On December the 15th, the Russian currency was devalued within a few hours by 8.5%
- Increased base rate – 17% (since 15/5/5 it's 12,5%)
- Crude oil price reduction by more than als 50 %, now more than 65 US \$/barrel
- US and EU sanctions
- Russian Contra-sanctions

	<b>2013</b>	<b>2014</b>	<b>Outlook 2015</b>	<b>Outlook 2016</b>
GDP	1,3 %	0,6 %	-3,8 %	-0,3 %
Inflation rate	6,5 %	11,4 %	16,5 %	8,0 %
Export (Bn. \$)	526,4	493,6	434	431
Import (Bn. \$)	317,8	308	197	195
Gold reserves (Bn. \$)	509,6	420,4	300	250
Gross Capital Formation	-0,2 %	-2,5 %	-15,3 %	1,1 %

Sources: World Bank, National Statistics Russia, Russian Central Bank, VEB

Within one year the US Dollar gains 61 %, the Euro 43 %

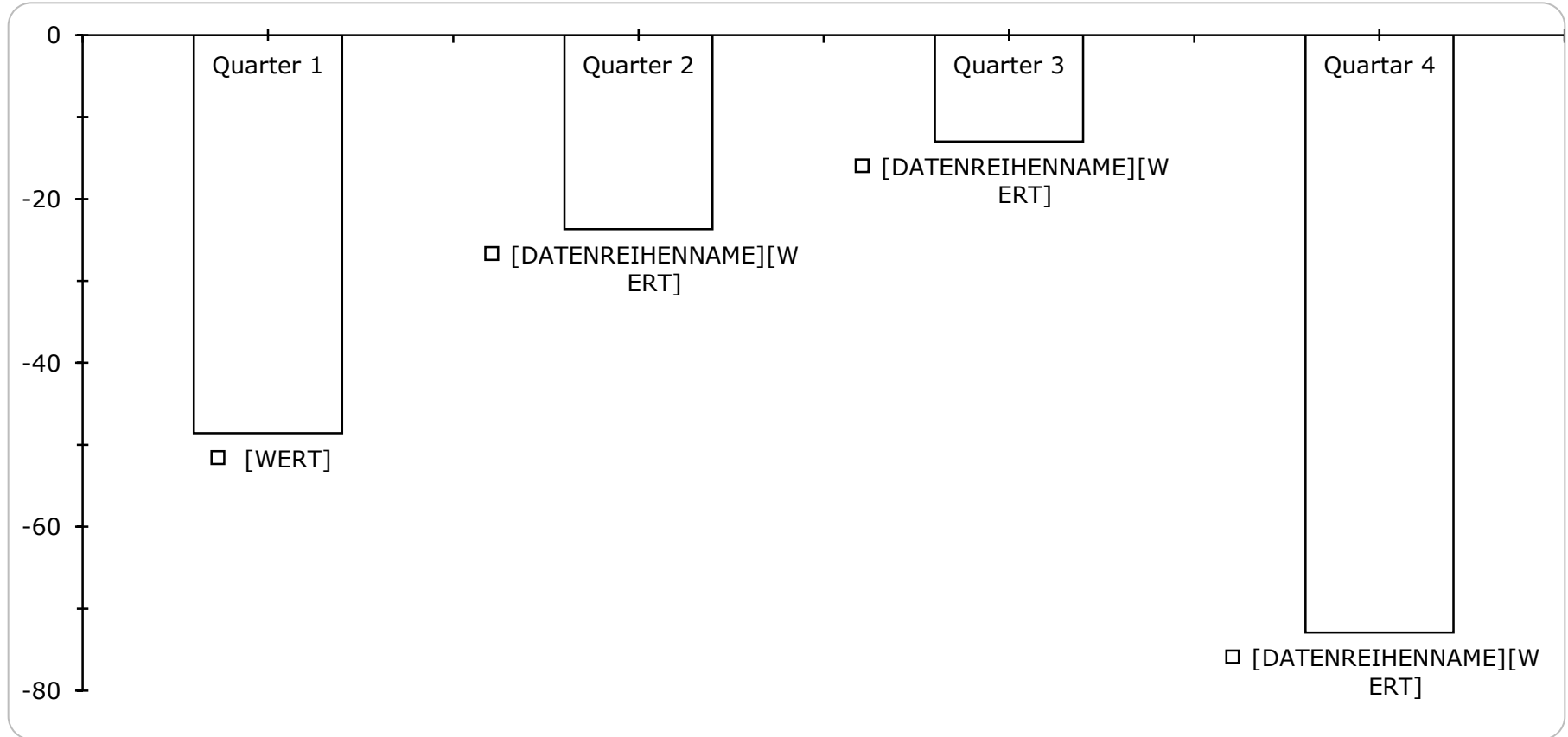


Source: Russian Central bank

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**Capital outflow in 2014 - 151,5 Bn. US Dollar**

**The outlook for 2015 from Russian Ministry of Economics - 111 Bn. US Dollar**



- Russia's share on German foreign trade is 3,8 %
- Russia is on the 11th place among the most important German trade partners
- DIHK predicts a decline of 15 % in foreign trade with Russia for 2015

	<b>2013</b>	<b>2014</b>
Trade volume Germany-Russia, Bn. Euro	76,53	67,7
German Exports to Russia, Bn. Euro	36,11	29,3
German Imports from Russia Bn. Euro	40,41	38,4

# Timber harvesting in Russia





- Russia is one of the major forest producers worldwide
- 69 % of all territory is covered with forest, every 4th tree worldwide grows in Russia
- Today the timber harvesting yield is nearly 700 Mio. cubic meters per year. But in fact those capacities are not used

2012	2013	2014
191 Mio. m <sup>3</sup>	193 Mio. m <sup>3</sup>	203 Mio. m <sup>3</sup>

Source: [http://re-port.ru/research/drg\\_Issledovanie\\_rynka\\_lesozagotovki\\_i\\_lesopererabotki\\_v\\_Rossii\\_CH1/](http://re-port.ru/research/drg_Issledovanie_rynka_lesozagotovki_i_lesopererabotki_v_Rossii_CH1/)  
[http://drevesina.fordaq.com/fordaq/news/Лесозаготовка\\_Россия\\_пост\\_41337.html](http://drevesina.fordaq.com/fordaq/news/Лесозаготовка_Россия_пост_41337.html)

## Major export directions are China, Finland and Japan

	2012	2013	2014
Rough timber, Mio. m <sup>3</sup>	17,6	19,1	20,9



Source: Federal statistic of Russian Federation

- In comparison to 2012, market volume for woodworking technologies in 2013 increased by 14,7 % (up to 366,4 thousand pieces)
- This positive dynamic was only due to increase of import
- Overall production volume in 2013 decreased by 3 %.

Woodworking technologies made in Russia with negative dynamics in production and export in 2013:

Cut mills  
Milling machines  
Woodworking machines  
Peelers

Figures 2013 for import:

Circular saws had 18,5 % of all imported technologies,  
Woodworking machines with automatical move of workpieces - 12,6 %,  
Milling machines - 11,4 %,  
Bending and assembling machines - 8,2 %

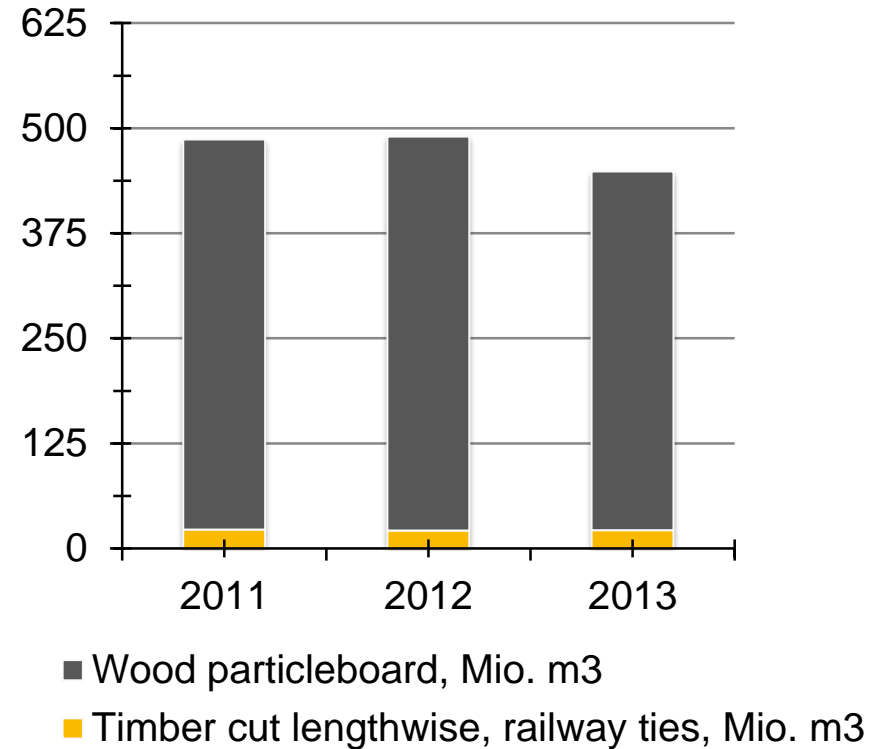
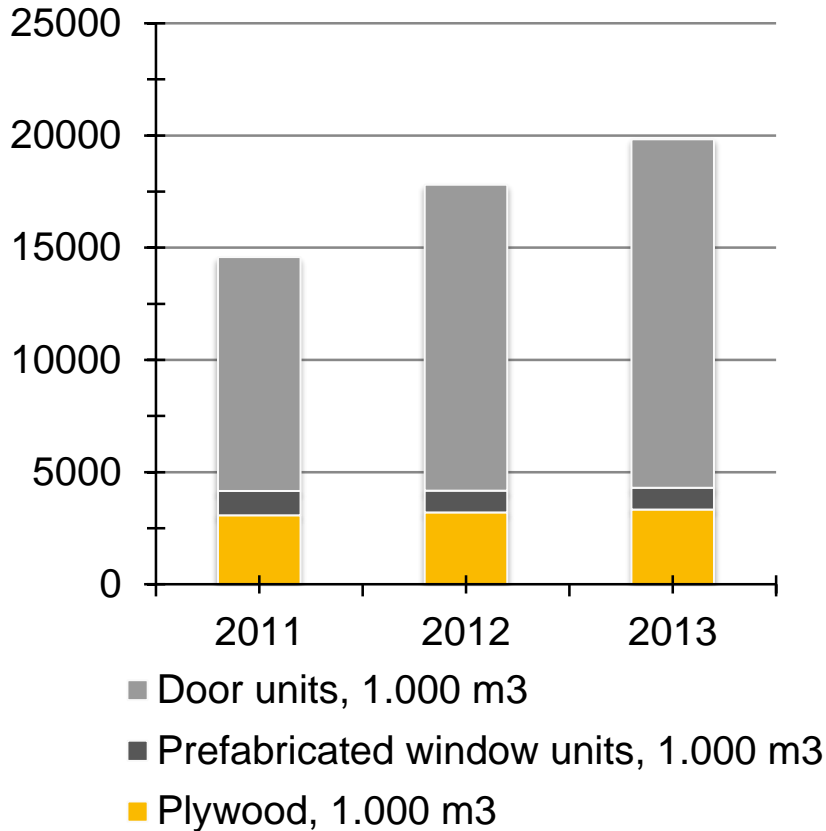
Source: <http://www.derewo.ru/novosti/1941-rynok-derevoobrabatyvayushchego-oborudovaniya-rf-vyros-za-schet-importa.html>

## Production volume

	<b>2012</b>	<b>2013</b>	<b>2014</b>
Volume of Woodworking, Bn. RUB	320	334,6	372,5

Source: Federal statistic of Russian Federation

## Production of major woodworking items



	2011	2012	2013
Wooden Cottages and component parts, thousand pieces	2,4	6,8	18,3

Source: Federal statistic of Russian Federation

Project name	Project initiator	Project investments
Construction of furniture factory in Novgorod region till 2017	Ikea	50 Mio. Euro
Construction of sulfate pulp mill in Vologda region till 2017	Sveza Group	2 Bn. Dollar
Expansion production line for MDF, flooring, furniture and laminated panels in SEZ «Alabuga»	Kastamonu Integrated	10,337 Bn. RUB
Plant for decorative coatings for furniture industry in Tyumen in 2015	Schattdecor	1 Bn. RUB
Development of Vyatski production cluster	GK Lesinvest	5 Bn. RUB

Project name	Project initiator	Project investments
Two plants for production of furniture panels, housing sets and pellets in Krasnoyarsk region till 2017	N.N.	320 Mio. RUB
Woodworking plant in Sverdlovsk region till 2016	Sveza Group	10 Bn. RUB
Production expansion in Kostroma region	Sveza Group	3,5 Bn. RUB
Round timber processing plant in Vozegodski region till 2017	Ekspoforest	320 Mio. Rub
Development of forestry assets till 2020 (production of paper bag and plywood)	AFK Sistema	40 Bn. RUB

Project name	Project initiator	Project investments
Creation of innovative and industrial cluster in Perm region for production of line boards for gypsum boards	PZBK Group of companies, company Gipsopolymer and Ministry of economic development of Perm region	4 Bn. RUB
Plant for production of prefabricated houses	JV Knauf Gips and Sveza Les	n.n.
Timber cluster in Vologodski region till 2020	Vologda authorities	n.n.



## Systemic problems

- Excess taxes (harvesting companies pay taxes on reproduction, protection and conservation of forest, fees on construction and maintenance of roads)
- Inadequate protection of property rights
- Bureaucratic hurdles (coordination with forestry establishments, processing of permits for felling);
- Low scientific and engineering potential
- Lack of innovative activities
- Illegal logging (almost 30 % of all logging) and timber harvesting
- Lack of investments (for the last 10 years investments even decreased, most of all due to imperfections of forestry law and lack of clear government policy regarding forestry)

## Infrastructural problems

- Lack of modern equipment (low competitiveness of the industry)
- Low wood processing (as a result wood logging becomes non-profitable)
- Underdevelopment of transport infrastructure (the density of forest roads is 1,5 km per 1.000 hectares of forest land; to compare in Europe 10-45 km)



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