



Woodworking Industry in the Republic of Belarus 2022



NATIONAL AGENCY OF
INVESTMENT AND PRIVATIZATION
REPUBLIC OF BELARUS

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1. Current state of the industry

1.1. Key industry indicators

The forestry industry of Belarus is a complex of industries of the republic for harvesting and processing of wood. It includes logging, woodworking, pulp and paper and wood chemical industries.

The largest volume of production is in the woodworking industry - 69.5%. Much smaller volumes come from the rest: logging -13.5%, pulp and paper - 16.4%, and wood chemistry - 0.6%. This is due to the fact that woodworking is one of the most profitable branches of the forest sector, accounting for 5.3% of the total industrial production.

The main indicators of the industry development are shown in the table below.

Indicators	2016	2017	2018	2019	2020
Number of organizations, units	2,947.00	3,033.00	3,207.00	3,289.00	3,253.00
The volume of industrial production, million dollars.	1,588.95	2,013.14	2,508.81	2,678.83	2,572.45
The proportion of the type of economic activity in the total volume of industrial production, %	3.90	4.10	4.60	4.80	5.30
Average number of employees, thousand people	58.10	58.70	60.40	63.00	60.70
The proportion of the average number of employees of the type of economic activity in the average number of industrial workers, %	6.50	6.70	6.90	7.20	7.20
Nominal accrued average monthly salary of employees, USD.	295.90	344.70	391.10	433.00	418.70
Profit from the sale of products, goods, works, services, USD million	163.30	192.40	285.80	217.30	320.70
Net profit, USD million	73.60	-6.20	-106.40	174.10	-155.70
Profitability by sales, %	10.00	10.20	12.70	8.40	12.90



It should be noted that the industry shows high growth rates (in dollar terms). From 2016 to 2021, the average annual growth rate of industrial production was 16.34%. From 2020 to 2021, the volume of production increased by 53.17%. The profitability of products sold over the past 5 years has averaged about 14%.

The main volume of production is produced by organizations of the Bellesbumprom concern. It unites about 50 organizations. They are the largest producers of a number of commodity items made of wood and paper on the republic's market.

The production activities of the concern's enterprises are currently divided into three sectors: woodworking, furniture manufacturing and the pulp and paper industry.



The **woodworking sector** includes production of wood boards (chipboard, fiberboard, MDF/HDF), laminate flooring, plywood, matches, building structures, windows, doors, houses and wood fuel, as well as lumber, mouldings and other products.



The **furniture manufacturing sector** is represented by 15 enterprises that produce about 25% of the total output of furniture in the country, more than 70% of which is exported. The range of furniture covers all its types: from simple furniture of small shapes made of inexpensive materials to highly artistic sets and headsets made of natural wood using turning and carving.



The **pulp and paper industry sector** specialize in the production of cardboard and paper products. The assortment includes more than 20 types of paper and cardboard, including newsprint, base paper for decorative facing materials and wallpaper, as well as bleached sulfate cellulose (coniferous and deciduous) and viscose.

1.2. Legal environment

The industrial development strategy provides for the transformation of domestic production into a competitive complex that responds promptly and flexibly to the global conjuncture and the needs of the domestic market.

According to the Program of socio-economic development of the Republic of Belarus for 2021-2025, approved by the Decree of the President of the Republic of Belarus dated July 29, 2021 No. 292, Belarus relies on the accelerated development of high-tech industries and on increasing the depth of processing of agricultural raw materials, flax, leather, wood, peat and other local resources.

Processing of wood raw materials and forest chemistry are promising areas of scientific, technical and innovative activities for 2021-2025.



The main documents regulating the activities of the industry are the Forest Code of the Republic of Belarus, the National Strategy for Sustainable Socio-Economic Development of the Republic of Belarus for the period up to 2030, the state program "Belarusian Forest" for 2021-2025, the Strategy for the Development of the forestry industry for the period from 2021 to 2030.


In addition to the above documents, the turnover of wood is regulated. In accordance with the Decree of the President of the Republic of Belarus dated 07.05.2007 N 214 "On some measures to improve activities in the field of forestry" (together with the "Rules for the sale of wood on the domestic market of the Republic of Belarus", "Regulations on State Forest Protection of the Republic of Belarus"), the sale of business wood in harvested form is carried out at stock exchange auctions of an open joint stock company "Belarusian Universal Commodity Exchange".

Business wood is sold at stock exchange auctions weekly, quarterly and at annual auctions. To purchase wood raw materials at exchange auctions, the company must have its own trader who has been registered on the exchange, he must receive an electronic digital signature and undergo training to work in the trading system, after that the company can be accredited and conclude an exchange service contract.

1.3. Research base

Belarus is one of the countries with a high level of scientific and technological development. This status is confirmed by the country's high positions in the Global Innovation Index (Global Innovation Index - 32.6: 62nd place out of 132 countries). Thus, according to the subindex "human capital and research" Belarus ranks 38th out of 132 countries, according to the subindex "knowledge and technological output" - 37th place, "training of specialists in science and technology" - 11th place in the world. The overall position of Belarus in this rating remains at an average level due to the lack of data on a number of parameters and a low rating on the "Institutions" subindex - 85.

Research activity in Belarus is concentrated mainly in large organizations – they account for 89.9% of all developments and 92.9% of all research. Geographically, most of the industry's employees work in Minsk – 18.8 thousand employees, or more than 70% of their total number. Outside the capital, most of the scientific workers are concentrated in Minsk (3,047 people) and Gomel regions (2,077 people). The remaining areas account for less than 8.7%. The majority of researchers in Belarus are engaged in technical and natural sciences - 79%. The smallest number is in agricultural (5.6%), medical (4.8%), and humanities research (3.7%).



In 2021, 25.6 thousand people were employed in the field of scientific research and development (R&D), which is 0.6% of the total number of employees of organizations in the country. Of this number, 16.3 thousand people are directly involved in research work, 3.4% of them are doctors of sciences and 16.1% are candidates of sciences.



The leading center of science and research in the field of woodworking is the Belarusian State Technological University.

The Belarusian State Technological University has been accredited three times as a scientific organization by the State Committee for Science and Technology of the Republic of Belarus and the National Academy of Sciences of Belarus. For the period 2021-2025, the University has been approved as the parent implementing organization:

- under the subprogram "Improving the productivity and environmental sustainability of forests in Belarus" of the State Scientific and Technical University "Green Technologies of Resource Management and Environmental Safety";
- according to the subprogram "Creation of new high-tech domestic materials of various functional purposes based on forest chemical and plant raw materials" ("Forest Chemistry-2") GPNI "Chemical processes, reagents and technologies, bioregulators and bioorgchemistry".



1.4. Staffing

The main goal of the personnel policy in the woodworking and furniture industries is to provide the industry with highly qualified managers, specialists and workers on the basis of an effective system of training, retraining and advanced training of personnel at all levels, their employment and consolidation in production, creating favorable conditions for productive, financially and morally motivated work, professional growth.

Industry enterprises fill the need for personnel both from external and internal sources. External sources include educational institutions of the Republic of Belarus and territorial employment centers. Internal sources are transfers of employees with the regularization of the number and improvement of the management structure (with preliminary training).



The leading republican university for the training of specialists for the woodworking industry is the Belarusian State Technological University. This educational institution trains highly specialized specialists in various specialties. Training is carried out at the Faculty of Forest Engineering, Materials Science and Design: at the departments of forest machinery, roads and technologies of timber production, technology of woodworking industries, technology and design of wood products, woodworking machines and tools. The number of teachers is more than 90, including: 9 doctors of sciences and professors; 64 candidates of sciences and associate professors. The number of students is more than 500. Over the years of its operation, the faculty has graduated more than 17,000 specialists.

1.5. Technologies

In the woodworking and pulp and paper industry, it is planned to provide access to the design capacities of new production facilities for the production of:



sulphate cellulose
370 thousand tons per year
in JSC "Svetlogorsk pulp
and Cardboard Plant"



**coated and uncoated
types of cardboard**
200 thousand tons per year
in JSC "Management company
of the holding "Belarusian wallpaper"



**base papers for decorative
facing materials**
30 thousand tons per year
at RUE "Newsprint Plant"

The target is to increase exports of woodworking products to 4 billion US dollars by the end of 2025.

Comprehensive projects will be implemented to develop the production of new types of products based on building cooperative ties for the in-depth processing of domestic raw materials and woodworking waste, including:

- pellet production based on the use of low-grade wood raw materials with a total output of 2.8 million tons over five years;
- production of bag paper for packaging, special types of paper and cardboard with polymer coating and other types of packaging products by processing sulfate cellulose;
- production of new types of products (fatty acids, tall rosin) through in-depth processing of tall oil (a by-product of the production of bleached cellulose sulfate);
- production of environmentally safe packaging and disposable tableware (including biodegradable) from paper and cardboard;
- production of furniture blanks and furniture using plate products, including the creation of a furniture cluster on the basis of JSC "Ivatsevichdrev" in the free economic zone "Brest".

1.6. Industrial and territorial clusters

The woodworking industry has a good potential for clustering. At the moment, it is possible to distinguish emerging and potential clusters in it.

Emerging clusters



Furniture / woodworking cluster based on Kronospan.

The cluster creation project was initiated by Kronospan – the largest manufacturer of wood slabs in the world. The company is located on the territory of the free economic zone "Grodnoinvest" in Smorgon.

Potential clusters

- 1 Woodworking cluster, Vitebsk.**
Participants: enterprises-residents of the FEZ "Vitebsk".



- 2 Furniture cluster / woodworking, Brest region, Brest, Ivatsevichi district.**
Basic organization: JSC "Ivatsevichdrev"; participants:



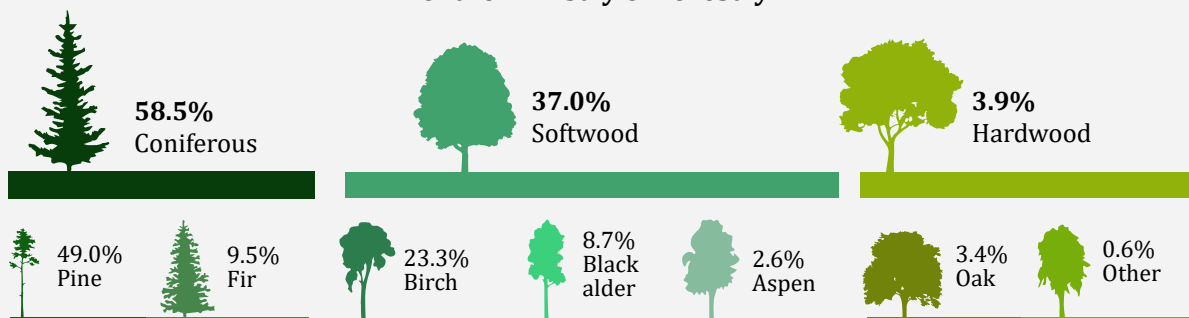
- 3 Cluster in the field of woodworking and furniture industry, Grodno region, Grodno, Slonimsky district.**
Basic organization: The Group of companies "ZOV"; other participants: JSC "Slonimmebel".



2. Resource and raw material base

The woodworking industry uses local wood raw materials. According to a number of key indicators characterizing the forest fund (the forest cover of the territory, the area of forests and the stock of growing wood in terms of one inhabitant), Belarus is among the top ten forest states in Europe.

The species composition of the forests of the Ministry of Forestry*

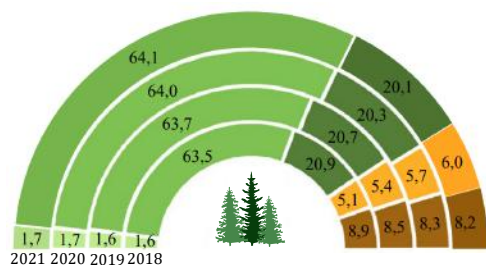


*shrubs account for 0.6%

The forest fund of Belarus has more than 9.6 million hectares, or more than 40% of the territory is covered with forest. The annual growth is more than 32 million cubic meters, and the stock of wood on the root is estimated at 1.7 million cubic meters. Almost 0.88 hectares of forested land and more than 180 cubic meters of wood stock account for one inhabitant of the republic, which is 2 times higher than the average European level. About 23% of Belarusian forests are man-made. Over the past 60 years, the forest cover of the republic has doubled. Every year 25 thousand hectares of forest are created.

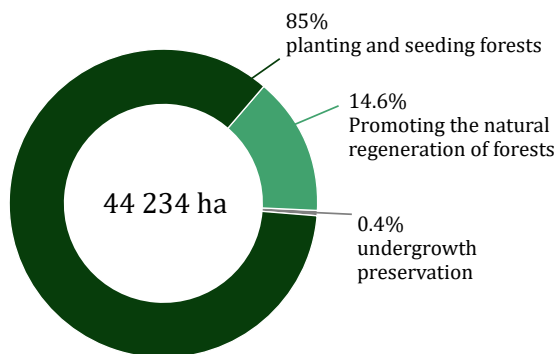


Structure of the area of forest lands by type of land (as of the end of the year; % of the total)



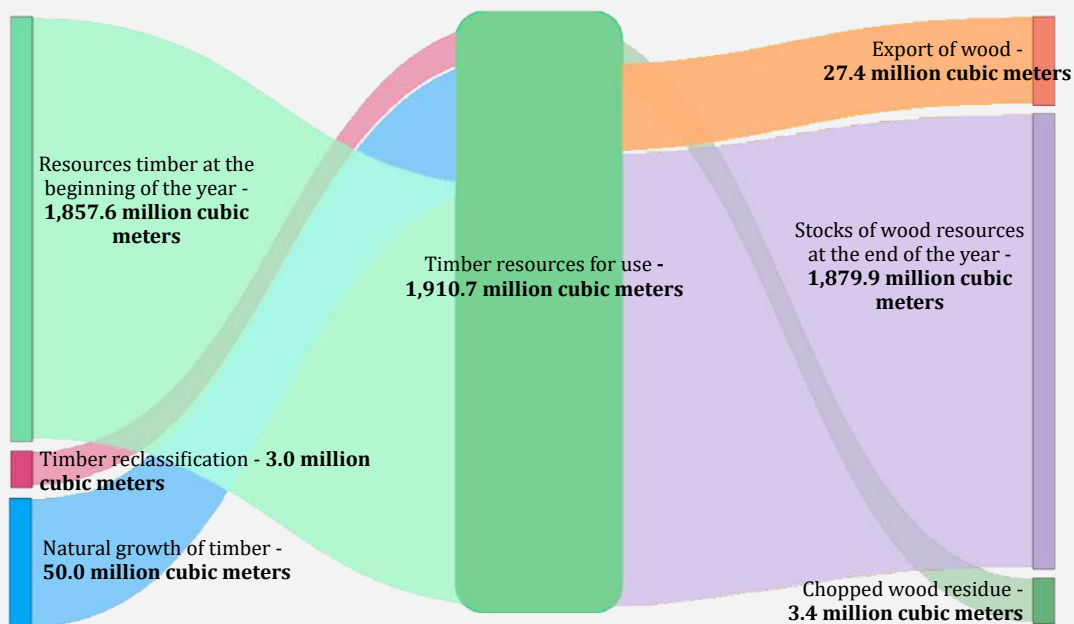
- Lands of reserved zones
- Other lands covered with forest of natural origin
- Land under forest crops
- Forest lands not covered by forest
- Non-forest land

Reforestation and afforestation area



The share of the creation of forest crops on a genetic-breeding basis in the total volume of sowing and planting of forests - 58.4%

Asset account for wood resources in physical terms 2021



3. Production infrastructure

3.1. Availability of industrial sites, buildings, structures and offices

In order to accelerate the innovative development of industry enterprises and improve the investment climate, free economic zones, industrial sites and technoparks have been created on the territory of Minsk and the regions. As of today, there are 6 FEZs:

- FEZ "Brest"
- FEZ "Minsk"
- FEZ "Gomel-Raton"
- FEZ "Vitebsk"
- FEZ "Mogilev"
- FEZ "Grodnoinvest"

The industrial park "Great Stone" is also a promising site.

There are **17 technoparks** in Belarus



Total area:
over 145 thousand sq. m.



Workplaces:
Nearly 3,000



Total investment:
\$26.2 million



Number of residents:
more than 200



Export volume:
\$53.6 million



Total profit:
\$14.7 million

Currently, only two woodworking enterprises are residents of technoparks: LLC "Ayarplast" (CJSC "Brest Scientific and Technological Park"), engaged in the production of wood-polymer composites (WPC) - new environmentally friendly materials, and LLC "Mebel-Nik" (RIUP "Scientific and Technological Park of Vitebsk State Technological University university"), developing new design models of both upholstered and cabinet furniture, using modern technologies and materials, implementing the latest design ideas and developments.

The placement of innovative production facilities at these sites allows you to receive various preferences and benefits. Also, the Association of furniture and woodworking industry enterprises contributes to the realization of the interests and promotion of the development of companies in the industry. It provides assistance in the formation of export-oriented, high-tech, resource-saving timber processing, woodworking and furniture industries, as well as assistance in creating a favorable investment climate and increasing the volume of investments in furniture production, woodworking technology, the development of a cooperative movement, a system of crediting furniture manufacturers and woodworkers.

The Republican Timber Industry Association also contributes to the development of woodworking enterprises. Its main goal is to increase the efficiency and ensure the safety of the activities of the member enterprises of the Association. And this means more efficient and rational use of the republic's forest resources.



3.2. Logistics capabilities

As of January 1, 2021, there were 58 logistics centers in the Republic of Belarus, in which there were public warehouses (warehouses of responsible storage), owned and leased, received for operational management or economic management - 226 units, with a total area of more than 891.0 thousand sq. m. At the same time, 11 logistics centers provide priority transport and logistics services (with a total warehouse area of about 190.0 thousand square meters.), 17 perform wholesale and logistics (distribution) functions, the rest have concentrated their efforts on the provision of warehouse services and services for the processing of inventory items under the order. 17 out of 58 logistics centers have a state form of ownership or possess more than 50% of the state's stock (shares) in the authorized fund of the business company. 18 logistics centers are multimodal (auto-rail, auto-aviation).

4. Market review

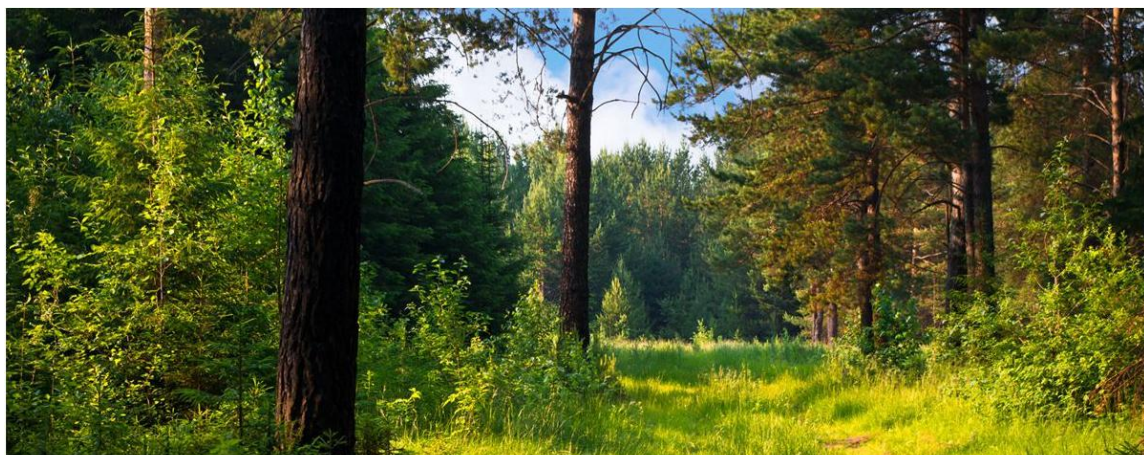
4.1. Main trends

The industrial base of the woodworking sector of the Bellesbumprom concern is large and technically equipped enterprises that provide production of various types of wood products using modern technologies. The enterprises carry out complex processing of wood: from the procurement of raw materials, primary sawing to deep processing — the production of wood slabs, furniture and other finished products.

According to the results of work in 2021, revenue from the sale of products, goods, works, services per average employee for the concern's organizations amounted to 52.6 thousand US dollars, which is 1.5 times more than in the same period of 2020. The highest growth rates were achieved in organizations engaged in wood processing — almost 172%, pulp and paper production - 154% and furniture production — 127%.

Approximately 80% of the total production volume was sold abroad. The geography of deliveries covered 70 countries. In the commodity structure of exports, the largest share has traditionally been occupied by products of deep processing of wood. These are wood-based panels — chipboard and wood-fiber boards, which account for a quarter of sales, furniture accounts for almost a fifth in volume, more than 13% is cellulose, about 13% is plywood, as well as paper and cardboard. The industry has almost reached the figure of \$ 1 billion in exports. The profitability of sales in the industry as a whole was 17.2%.

The concern's enterprises provide comprehensive and waste-free processing of all types of wood resources that are available in the country today. Thanks to the work of new plants in Belarus, the depth of wood processing from 38% in 2006 approached almost 100% in 2021.



Import substitution is actively developing. More than 20 enterprises of the concern are involved in the production of import-substituting goods, about 50 commodity items are produced under the import substitution program. These include goods whose analogues are produced in insufficient quantities in the country: chipboard, fiberboard, plywood, joinery, doors, corrugated cardboard boxes, bags, corrugated cardboard, newsprint, egg packaging trays, napkins, paper towels, tablecloths, paper base for wallpaper production, wallpaper, rosin esters. Also, goods are released, the production of which is carried out according to the current state, scientific and technical, sectoral and regional programs, individual events and plans. We are talking about coniferous and deciduous sulfate bleached cellulose, coated and uncoated paper and cardboard, base paper for copy paper. Import-substituting also includes goods, the development or increase in the volume of production of which is in the part of the study or implementation of new areas of production. These are, for example, carbamide resins, tallow oil, some types of packaging and paper.

In 2021, such products were estimated to be produced in the amount of \$ 775 million with a growth rate of 147.5% by 2020. The total planned production volume in 2022 will be \$ 879 million.

With the development of the woodworking complex of the country, the management of the concern focuses on global trends and drivers of the development of woodworking.

1. The use of wood and its products in wooden housing construction (single- and multi-storey buildings).
2. The use of artificial fabrics made of soluble cellulose (viscose).
3. The use of goods from biodegradable raw materials, including due to the appearance of prohibitions and restrictions on the use of plastic.
4. The use of packaging materials made of wood and paper.
5. The use of digital technologies in woodworking.
6. Development of deep processing of wood.
7. Development of innovative products from wood raw materials.





The most promising product segments for the next 3-5 years:



Packaging materials and
corrugated cardboard
(biodegradable, with
eco-friendly barrier
properties)



Wood pellets



Sanitary and hygienic
and household paper



Plywood



Lumber



OSB plates



Chipboard



Bleached cellulose



MDF / HDF



Wrapping paper

4.2. Production

In the period from 2007 to 2015, enterprises in this sector underwent production modernization, technical re-equipment of existing processing facilities was carried out, new ones were created. Thus, the concern's woodworking enterprises are equipped from leading world manufacturers that allows them to produce products that meet the highest national and international requirements and standards. At the same time, enterprises do not stop there and constantly equip their production facilities with new equipment and introduce more advanced technical solutions.

Highly efficient use of raw materials is ensured due to the depth of processing and the use of waste-free technologies. Production waste is involved in the energy sector. Own energy and heat sources have been built, production facilities for the production of wood chips, fuel pellets and briquettes have been created, which makes it possible to involve almost the entire volume of low-grade wood raw materials into the processing system and get an economic effect.

Almost the entire product range of the woodworking sector is both import-substituting and export.

The commissioning of modernized woodworking complexes has significantly expanded the capabilities of furniture manufacturers. Due to domestic materials — wood boards (chipboard, MDF), furniture companies began to produce economical and market-demanded furniture. In Belarus, the number of furniture manufacturers is about 1300.

Speaking about the economic effect of the modernization, it can be noted that from 2010 to 2021, the volume of production by modernized enterprises increased in comparable prices by 3 times. The depth of processing of raw materials reached almost 100% in 2021. This shows that the concern's enterprises have practically waste-free production. Energy was provided at its own power centers, which were also built during modernization (the share of wood fuel used in woodworking is over 95%).



Currently, the concern continues to implement several more investment projects in the field of pulp and paper production. The industry has a huge potential for development. The demand for paper, cardboard and woodworking products is growing in the world, big bets are also being placed on eco-friendly packaging, and Belarus has all the prerequisites to occupy these promising niches.

In 2021, \$42.9 million was allocated for the technical re-equipment of woodworking industries. 28 projects were implemented. In 2021, 6 pellet plants were launched with a total capacity of 287 thousand tons.

Production of wood products in the domestic market

	Unit of measure	2017	2018	2019	2020	2021
Lumber	Thousand cubic meters	3 261	4 046	5 355	4 593	4 278
Plywood glued	Thousand cubic meters	258.2	296.8	299.9	343.2	385
Particle boards	тыс. уел. thousand conventional cubic meters	2 204.40	2 270.90	1 716.10	1964	2 039.20
Wood-fiber plates	thousand conventional square meters	169.3	194.2	223	214.5	252.7
Shelled veneer	cubic meters	5 743	8 026	6 953	5 944	11 215
Planed veneer	thousand sq. m	2 373	2 277	1 781	1519	1390
Parquet panels or slabs assembled	thousand square meters	606.4	700.9	848	916.8	1 088.40
Wooden windows and doors	thousand square meters	2 018	1 984	2 081	2 211	2 534
Flat wooden pallets	thousand pieces	9 802	11 603	15 026	13 024	14 466
Boxes, cases, packing crates and baskets and similar wooden containers and their parts	thousand cubic meters	77.8	96.8	99.9	70.7	87.7
Fuel briquettes from sawdust or other wood waste	thousand tons	53.0	62.0	81.9	80.9	93.0
Fuel pellets from sawdust or other wood waste	thousand tons	221.3	277.8	411.7	557.5	587.6

4.3. Consumption

The consumption of woodworking products within the republic can be traced by the balances of commodity resources of wood and wood products.

Consumption of wood products in Belarus

Commodity resource	2016	2017	2018	2019	2020	2021
Business wood, thousand cubic meters.	9,640.0	11,933.0	16,058.0	15,838.0	16,256.0	17,291.0
Lumber, thousand cubic meters.	1,176.0	960.0	634.0	1,272.0	622.0	892.0
Fiberboard, thousand sq. m.	74,887.0	101,061.0	119,930.0	113,823.0	90,258.0	106,612.0
Particle board, thousand cubic meters	221.0	166.0	179.0	437.0	251.0	445.0
Glued plywood, thousand cubic meters	59.5	56.9	70.8	79.2	72.1	49.7

Over the past 6 years, domestic consumption of business wood has increased in the republic (by 79.37%), fiberboard (by 42.36%), chipboard (by 101.36%). However, the consumption of lumber decreased (by 24.15%) and plywood (by 16.39%).



4.4. Foreign trade

Last year Belarus exported about 60 types of wood products to more than 90 countries. More than 2 thousand woodworking companies worked in the country. Their exports (excluding roundwood and lumber) amounted to \$2.1 billion with a growth rate of 160% by 2020. The average export growth rate over the past 5 years has been more than 20% per year. The main export items are furniture, fiberboard and particle board, plywood, cellulose, lumber.

Today, Belarusian exports of forest products are under pressure from external factors, especially in the EU markets. Sanctions pressure from the EU in the form of suspension of forest certificates (FSC) and restrictions on the supply of woodworking products from Belarus of certain commodity codes could not affect the work of enterprises of the timber industry.

The share of timber exports to the EU has traditionally been high — \$3.2 billion in 2021. A significant part of exports consisted of fuel wood, fuel pellets, briquettes, lumber, wood products, etc. In the new conditions, Belarusian woodworking enterprises are developing exports to Russia and China, as well as trying to saturate the domestic market as much as possible. The determining factor for the successful operation of woodworking enterprises is the diversification of sales markets, that is, a balanced geographical structure of exports of woodworking products to the markets of the EAEU, the EU and other countries, including Asian and African countries.

Export of main wood products

Commodity resource	2016	2017	2018	2019	2020	2021
Business wood, thousand cubic meters	2,930	1,976	5	268	596	0
Lumber, thousand cubic meters.	1,580	2,359	3,387	4,038	4,057	3,455
Fiberboard, thousand sq. m.	56,302	82,004	92,772	125,534	143,774	163,675
Particle board, thousand cubic meters	1,487	1,893	1,671	1,390	1,624	1,420
Glued plywood, thousand cubic meters	160,555	219,864	242,344	253,470	331,692	377,520

Belarusian manufacturers of the industry are beginning to occupy niches in completely new markets. So, this year, countries such as Algeria, Tunisia, Kuwait, Mexico, Peru, Ecuador began to develop. High export growth is noted in Thailand, the United Arab Emirates, Iran, Iraq, Egypt — 1.5-2 times.



Exports and imports of woodworking products in 2021 amounted to 2,331 million US dollars (an increase compared to 2020 was 54.71%) and 257.6 million US dollars (an increase compared to 2020 was 44.17%). The coverage ratio of imports for exports is 9, that is, for every 1,000 dollars of imports, there are 9,000 dollars of exports of woodworking products.

Import of main wood products

Commodity resource	2016	2017	2018	2019	2020	2021
Business wood, thousand cubic meters	30	46	40	42	38	213
Lumber, thousand cubic meters.	19	31	32	31	43	69
Fiberboard, thousand sq. m.	14,310	15,147	18,542	18,727	17,766	19,714
Particle board, thousand cubic meters	88	109	114	117	138	172
Glued plywood, thousand cubic meters	26,908	22,847	35,473	44,019	50,395	46,983

Belarus is a net exporter of woodworking products in general and by main commodity items.

4.5. Key Players

The main producers of wood products:



JSC «Borisovdrev»

Production of wood-fiber boards (60% of total volume), matches (15% of total volume), plywood (25% of total volume), lumber, sawmill, furniture, heat). 80% of production is exported, VLA boards are the most demanded. The geography of supplies is 21 countries.



Vitebskdrev JSC

Production of MDF/HDF, laminate, fiberboard, timber, lumber. It has the capacity to process up to 1000 m of wood raw material per day. JSC "Vitebskdrev" is planning to implement an investment project on construction of a new sawmill in the next two years. It will allow the enterprise to increase the volume of roundwood processing.



Mozyr Woodworking Plant, JSC

The company specializes in the production of lumber, fuel briquettes, insulation boards made of wood fiber. In July 2020 the company will put into operation 4 new drying chambers of the Italian company De Nardi Srl. Putting this equipment into operation will allow the plant to double dry timber production: from 1000 cubic meters to 2000 cubic meters per month. The plant produces 2400 cubic meters of sawn wood every month. OJSC Mozyr Woodworking Plant is the only one in the CIS countries and one of three in Europe that produces insulating wood-fiber boards.



JSC Mostovdrev

JSC Mostovdrev produces MDF/HDF, laminate, plywood, latoflex, wood chips, lumber. The company has tested different film densities for laminating FDF plywood - now, besides the basic dark-brown film with 120g/m² density, red and green films with 220g/m² and 117g/m² density, respectively, are available. Mostovdrev is the only company in the country that produces large-format and water-resistant plywood.



Ivatsevichdrev JSC

Since 2016, the company's products have been produced under its own trademarks BYSPAN (chipboard, laminated chipboard, edging) and MySTAR (cabinet furniture for home and office). JSC Ivatsevichdrev is the first and only manufacturer in Belarus to transfer the production of all products to the most environmentally friendly emission class E0.5.



**Borisov
Wood-Working
Plant OJSC**

OJSC "Borisovskiy DOK" produces thin fiberboard, lumber, profile parts (floorboard, battens, block-house, imitation beams), molded products (skirting board, platband, angle). During the year the company processes about 180 000 sq.m. of round timber. 80% of products are exported to more than 20 countries.



FLLC Kronospan

Kronospan's operating facilities account for almost 20% of total woodworking output in Belarus and 25% of its exports. From 2012 to 2018, the company established seven facilities in Belarus producing chipboard, laminated chipboard, MDF, OSB, impregnated paper, floor coverings, urea-formaldehyde resins and metal structures. The company's enterprises located in Belarus buy more than 3 million cubic meters of wood per year. More than 90% of this volume is supplied by forestry enterprises.



Rechitsadrev JSC

High-tech enterprise specializing in harvesting and exporting round timber, production of chipboard, plywood, peeled and planed veneer, lumber, office and household furniture, various wood products. The main markets for the products are: Germany, Russian Federation, Kazakhstan, Uzbekistan, Georgia, Poland, Hungary, Lithuania, Moldova, Romania, Slovakia, Estonia, Tajikistan.



**Holding Company
Pinskdev CJSC**

Pinskdev produces upholstered and cabinet furniture, over 2000 items in total, as well as plywood, veneer, chipboard and other products. The company structure includes two forestry enterprises, a timber plant, two joint ventures (JV) for production of upholstered furniture, a JV for production of plywood, six cabinet furniture factories, a plant for planed veneer and a match factory. The trade network of the company is represented by 600 branded sections in stores and shopping centers, 167 branded stores. The company has branches in Russia, Ukraine, Kazakhstan and other countries.



Fandok OAO

For many years, the company carries out a complete processing of wood, starting with logging and sawmilling, production of lumber, plywood, furniture boards, joinery boards, woodworking products and ending with the production of highly artistic furniture. The products are shipped to more than 30 countries all over the world.



Some of them and some others are united in the holding "BYSPAN". The managing company of the holding is OJSC Ivatsevichdrev. These woodworking enterprises are considered to be the basic enterprises of the industry. Annual volume of the holding is more than 430 million dollars, the geography of sales - more than 50 countries, the number of employees - more than 10 thousand people, the volume of processed wood a year - more than 5 million cubic meters.

BORWOOD Holding also operates in the woodworking industry. The managing company of the "BORWOOD" Holding is the "Agency of Foreign Economic Activity" (JSC "Agency of Foreign Economic Activity" was created by reorganizing the Unitary Enterprise for Services "BR-Consult"). This includes the production company OOO "BR-Wood" and the timber company OOO "BR-Forest".

BR-Wood LLC was established in Bobruisk in July 2018 to implement the investment project "Organization of a new sawmill and pellet production" in order to manufacture export-oriented products. The result of the investment project is the construction of a new sawmill with a capacity of up to 197 thousand m³ of processed raw materials per year and pellet production capacity of up to 35 thousand tons per year. The main kinds of activity are sawing, planing and impregnation of wood, OKED code - 16100; manufacture of other wooden products, OKED code - 16299.

BR-Forest LLC is one of the fastest growing logging companies in the Republic of Belarus. Date of establishment of the company: May 31, 2017. LLC "BR-Forest" was established to provide raw materials to various enterprises. The main function of the company is the harvesting of raw materials in the leased forests, ensuring mobility in solving production problems, the full development of the leased forestry fund. The main office of the company is located in Borisov, branches are located in Vitebsk, Mosty and Mogilev.

5. Investment potential and prospects for the development

5.1. Investments in the woodworking industry

In 2007, the head of state decided to modernize the main woodworking enterprises of the "Bellesbumprom" Concern and to create new modern production facilities oriented to innovative and import-substituting products.

The state invested over \$4 bln in this area, and the companies themselves contributed to the technical re-equipment. Thanks to this re-equipment the Concern's organizations are equipped with the equipment of the world's leading manufacturers, and a wide range of products in demand in the market has been produced by deep processing of wood.

Almost the entire range of goods produced is both import-substituting and export-oriented.

On the whole, the product range of the Concern's organizations doubled due to modernization, covering more than 80 types of products.

During the period from 2016 to 2020 more than 2.75 billion USD were invested in wood processing. In 2021, investment in fixed assets amounted to \$322.05 million, which is 27.20% more than invested 2020.

Investments directed to the woodworking industry of the Republic of Belarus (mln USD)

Indicators	2016	2017	2018	2019	2020
Investments in fixed capital	187.7	259.9	251.5	355.6	253.2
Foreign investment in the real sector	80.9	132.1	116.1	331.9	214.1
Foreign direct investment	67.4	84.3	81.3	106.6	117.8
Net inflow of foreign direct investment	57.9	72	69.2	87.4	104.8

In general, over the past six years, the average annual growth rate of investment in fixed capital in the woodworking industry was 9.41% (when calculated in U.S. dollars).



5.2. Investment attractiveness

Over the past 5 years, the volume of production of domestic woodworking enterprises has grown 2.8 times, and pulp and paper - 2.6 times. Exports of enterprises included in the concern's system reached \$1 billion in 2021. This is \$250 million more than in 2020. Almost 80% of the total volume of manufactured products has been delivered to foreign markets. The geography of deliveries is 75 countries.

According to the concern, in 2021, the maximum growth rate (over 170%) was achieved in woodworking. In pulp and paper production, the growth was more than 150%, and in furniture production - about 130%. The total volume of industrial production increased by more than 10%. The depth of wood processing has increased from 38% to almost 100% over the past 15 years.

The commodity structure of exports of Belarusian woodworking enterprises is dominated by chipboard and fiberboard, which account for 25% of sales, furniture accounts for almost 20%, plywood and cellulose, as well as paper and cardboard account for about 13% each. The profitability of sales in the industry as a whole was more than 17%. At the same time, last year the concern's enterprises returned more than 500 million rubles of investment loans issued for the modernization of production.

According to data for 2021, there are 20 organizations that have spent on innovations, which is 4.67% of the total number of innovatively active manufacturing enterprises. Of this number, 50% carried out product innovations, 60% — business process innovations (10% carried out both product innovations and business process innovations).



The market capacity of the main commodity items over the past 6 years has increased for business wood (by 76.21%), for fiberboard (by 43.12%), chipboard (by 180.62%) and plywood (by 48.35%), but decreased for lumber (by 25.17%).



The volume of shipped innovative products amounted to USD 130.7 million, which is 1.35% of the total volume of shipped innovative products of the manufacturing industry. Products worth 74.94 million US dollars were shipped outside the Republic of Belarus (that is, exports amounted to 57.3% of the total volume of innovative woodworking products shipped). Of this, 41.9% of exports are to the Russian Federation, the rest — to the EAEU member states.

According to the Development Program of the woodworking and furniture production of the Bellesbumprom concern, the priorities for the development of the Belarusian woodworking and forestry industry for the next five years are:

- increase in the amount of added value from the processing of round timber;
- formation of a "green" economy based on energy conservation, the introduction of environmental technologies, renewable and alternative energy sources and efficient technologies;
- maximum involvement in the processing of small-scale and low-quality wood from logging on rental plots, as well as woodworking waste for the production of wood fuel (pellets and briquettes);
- stimulating investment activity, increasing the efficiency of research and development work on the creation of new types of products;
- increasing the export potential of the woodworking and furniture industries by diversifying traditional sales markets;
- reduction of production costs for the production of products of deep processing of wood.

5.3. Export potential

The export potential of the industry is based on technological modernization of production facilities, deep processing of raw wood raw materials and the development of innovations. It is the development of product innovations, including the development of innovative technologies, that allows us to occupy stable positions in foreign export markets. The process of continuous innovation is embedded in the development program of the industry.

The growth drivers this year will be the enterprises commissioned in 2020 and 2021 in Svetlogorsk, Shklov and Dobrusha. The newsprint plant in Shklov actually reached its design capacity in August last year, the rest are steadily moving towards this goal. The Svetlogorsk Pulp and Paper Mill produced 290 thousand tons of bleached sulfate pulp in 2021. Dobrusha paper mill "Hero of Labor" has produced 23 thousand tons of commercial cardboard. All the products of the new production facilities are successfully sold, and its main share goes to the foreign markets of a large number of countries. These three plants are the reserve that should strengthen the export potential of the industry.

Also, the management of the concern relies on woodworking products that are in high demand on the world market:

- production of wood glued slabs from cross boards as a woodworking product used in construction;
- production of oriented chipboard (OSB) as a widely used energy-efficient building material for interior decoration;
- production of fuel pellets as one of the key directions of increasing the complexity of the use of wood raw materials due to the potential processing of almost all types of waste from woodworking production;
- production of parquet boards;
- expansion of the product range of engineering and structural and mouldable construction products, including products made of laminated MDF;
- improving the production of traditional slab materials (chipboard, fiberboard, MDF/HDF), as well as mastering the production of innovative woodworking products (wood-polymer composite materials, wood-laminated plastic and other innovative products).

6. Investment climate

6.1. Macro indicators by country

In general, the main macroeconomic indicators have positive dynamics.

- ▶ GDP for 2021 in current prices was \$68.23 billion.
- ▶ In comparable prices the GDP grew by 2.3% against 2020.
- ▶ Labor productivity was 3.2% compared to 2020.
- ▶ Industrial output growth in 2021 as compared with 2020 was 6.5%.
- ▶ Growth of goods exports in 2021 in relation to 2020 was 32.5%.
- ▶ Real wage growth in 2021 relative to 2020 was 4.4%.

In 2021 foreign investments in the economy of the Republic of Belarus amounted to 8.7 billion USD, of which 75.39% were direct, 0.05% - portfolio investments and 24.56% - other foreign investments. Direct foreign investments on a net basis (excluding debts to the direct investor for goods, works and services) amounted to 15.26%.

Indicator	2017	2018	2019	2020	2021
The volume of foreign investment in the real sector of the economy of the Republic of Belarus, mln. USD.	9 728.5	10 842.0	10 006,8	8 680,2	8 698.7
Including:					
Direct	7 634.2	8 537.1	7 233.2	6 006.0	6 558.0
Portfolio	8.4	3.9	6.7	4.8	4.3
Other	2 085.9	2 301.0	2 766.9	2 669.4	2 136.3
Foreign direct investment on a net basis (excluding debt to the direct investor for goods, works and services), mln. USD.	1 246.8	1 634.9	1 327.2	1 414.8	1 327.4

In 2021, 21.1% of investment in fixed capital was directed to the manufacturing industry, which amounted to \$1835.43 million.

The main share (45%) was directed to Minsk and Minsk region. In general, the share of investment in fixed capital in the republic is higher than in the rest of the EAEU countries. The share of investment that is accounted for in the manufacturing industry is also higher than the share of investment in fixed capital in the EAEU as a whole.

6.2. Successful stories of investment projects

Kronospan

An example of cooperation between foreign investors and enterprises of the woodworking industry of Belarus is the project of the Austrian company Kronospan, one of the world's largest manufacturers of wood products. The investment agreement between the Ministry of Economy of Belarus and Kronospan Holdings East Limited was signed in Frankfurt am Main during the Belarusian Investment Forum. Ultra Plai LLC, part of the Kronospan group of companies, has opened a plant in Smorgon on the territory of the free economic zone Grodnoinvest for the production of plywood, laminated plywood and veneer. The new plant has the capacity to process about 1 million cubic meters of softwood and produce 150 thousand cubic meters of plywood per year. Austrian holding Kronospan continues to invest in the Belarusian woodworking industry. Thus, in addition to building a plant in Smorgon, the Austrian company intends to set up production in Mogilev. It is planned to expand the production of oriented chipboard, particleboard and MDF, purchase railway cars and create a cluster for furniture production and a multifunctional training and exhibition complex in Smorgon.

Bleached pulp plant in Svetlogorsk

At the beginning of 2020 Svetlogorsk Pulp and Paper Mill commissioned a bleached sulfate pulp plant - the only new modern pulp production in the former Soviet Union. Availability of our own pulp will allow the country's pulp and paper industry to significantly expand the quantity and quality of high value-added products produced. Currently the mill is working to increase production capacity. Loading is at the level of 70%. The entire volume of manufactured products is sold. Commissioning of a bleached pulp plant in Svetlogorsk showed the whole range of emerging opportunities for development of the paper industry in Belarus, the prospect of creating a new pulp production capacity of 150-200 thousand tons per year and installation (modernization) of existing carton and paper machines with total production capacity of 300-350 thousand tons of kraft liner and flutings. The issue of creating a joint venture between Svetlogorsk Cardboard and VMG Holding for the production of corrugated cardboard transport packaging is being worked out. Here it will also be possible to produce corrugated cardboard packaging, which will reduce imports of these products by \$150 million a year, as well as become an additional export position for Belarus. For this purpose, the concern is working to attract a strategic investor. Implementation of these projects will allow to create a large cluster of pulp and paper production, comparable in efficiency and volume with the European and world leaders of the industry.



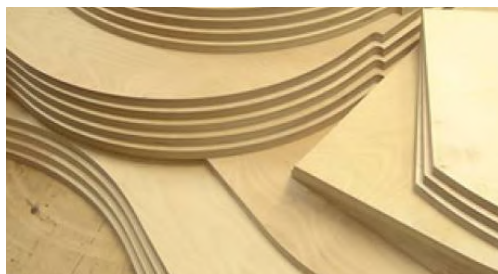
**The largest Belarusian plant for the production of
coated and uncoated cardboard
Dobrush Paper Factory Geroy Truda JSC**

OJSC "Managing Company of Belarusian Wallpaper Holding" currently implements an investment project "Technical re-equipment of the branch Dobrush Paper Factory Geroy Truda JSC of OJSC "Managing Company of Belarusian Wallpaper Holding" with the organization of turnkey production of coated and uncoated types of cardboard. The project consists in organization of production of coated and uncoated types of cardboard, including production of bleached chemical-thermomechanical mass from local resources, in order to use it in the composition of three-layer coated cardboard. The cardboard production facilities will make it possible to fully satisfy the consumer market of the Republic of Belarus, as well as to save considerable foreign currency funds for importing such cardboard from the leading producers in Western Europe. At the moment the second and the third stages of the start-up complexes have been put into operation. Earlier the wood preparation shop with pads, galleries and chip bunkers were put into operation. The new equipment produced 257 cubic meters of technological chips. At present commissioning works in the shop of BHTMM (bleached chemical-thermal-mechanical mass) are in progress, testing under load of technological equipment was carried out. The shop produced the first thousand cubic meters of mass. Starting from 2023, the project provides annual production of 170 thousand tons of chrome-erased coated cardboard of FBB type (for pharmaceutical, printing and cosmetics industries) and 30 thousand tons of chrome-erased coated cardboard of SBB type (packaging materials of "tetra Pak" type). When the plant reaches its full capacity (200 thousand tons per year), exports are projected to account for 80.5% of revenues. It will be a modern plant for the production of three-layer coated cardboard with high physical, mechanical and printing properties, corresponding to the best foreign counterparts. This cardboard will be suitable for food packaging production. By the end of 2025 due to commissioning of new production facilities as a result of implementation of the investment project it is planned to increase the volume of industrial production in current prices by 16 times by the level of 2020.

6.3. Investment projects for implementation in the Republic of Belarus



Construction of a plant for processing low-grade wood, producing wood-fuel pellets and small wood components

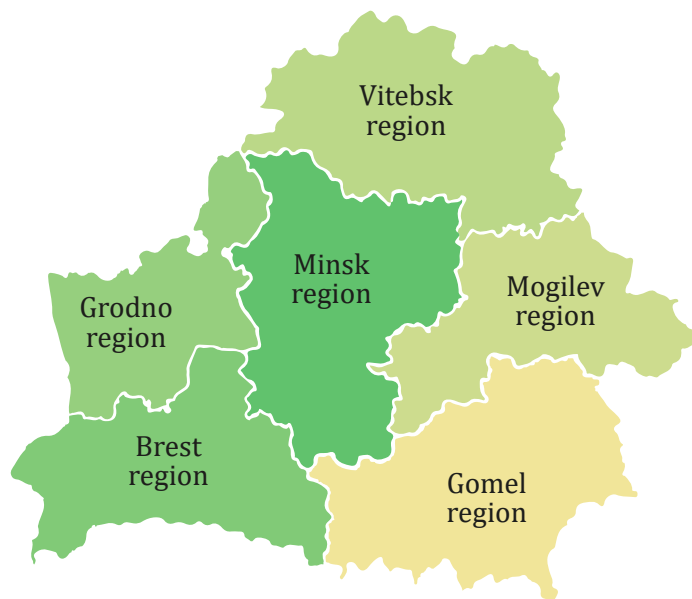


Organization of in-line production of furniture parts, facing of furniture parts by laminating



Organization of production of a new type of product - ABS furniture edging

6.4 Investor Roadmap



Investment projects and PPP
>1000

**Manufacturing sites
and real estate**
>900

Investment ideas
>700

Land plots
>1000

Concessions
9



map.investinbelarus.by

More investment projects and ideas, as well as land plots and real estate objects for the implementation of investment projects can be found on the interactive portal "Investor's Roadmap"

6.5. Ratings

Belarus is part of a group of countries with a very high level of human development, characterized at the same time by a relatively low level of labor costs. According to the human development index, the country ranks 60th out of 191 countries (according to data for 2021).

The HDI published by the United Nations Development Program evaluates 3 key indicators: life expectancy, expected and actual duration of education, the value of gross national income at purchasing power parity per capita.

The average life expectancy of Belarusians is 74.8 years, the average duration of their education is 12 years, and the gross per capita income at purchasing power parity is 18.55 thousand USD. At the same time, the nominally accrued average monthly salary in the Republic of Belarus remains one of the lowest in the region – 565 USD in 2021.

Belarus' place in the Doing Business 2020 ranking is 49 out of 190.

Belarus in the WGL 2020 ranking of the World Bank

Indicator	Score (min=0, max = 100)
Political stability and absence of violence	56.67
Combating Corruption	53.85
Government efficiency	44.23
Quality of legislation	32.21
Rule of Law	21.63
Public accountability and the accountability of public bodies	11.33

Position of Belarus in different ratings

Rating	Place
Global Innovation Index, 2020	64 /131
World Prosperity Index, 2020	69/167
Economic Freedom (Fizer Institute), 2020	114/162
Index of Economic Freedom, 2020	95/178

Belarus ranks 95th out of 178 in the Index of Economic Freedom, while the Fraser Institute ranks Belarus 114th out of 162 in the competing rating "Economic Freedom of the World".

6.6 Preferential regimes

General guarantees

Belarusian legislation provides the following basic guarantees to investors:

- ▶ the right of private property and its protection without discrimination
- ▶ protection against illegal actions of state bodies, which violate rights of investors and/or cause losses
- ▶ equality of rights for national and foreign investors
- ▶ free repatriation of profits
- ▶ protection of investments against nationalization and requisitioning

By law, nationalization can only be carried out on the basis of public necessity and subject to appropriate compensation. Compensation for nationalized property must be paid in a timely manner and include the value of the nationalized property and other losses caused by nationalization. The legislation also establishes a number of circumstances under which requisitioning is possible. These are mainly emergencies such as natural disasters, accidents, epidemics and epizootics, as well as when the public interest requires these measures.

Investment agreement

- ▶ VAT deduction in full amount
- ▶ exemption from import duties and taxes on import of technological equipment, raw materials and materials into the territory of the Republic of Belarus
- ▶ exemption from reimbursement of losses in forestry and agricultural production

Small and medium-size cities, rural territories

- ▶ exemption from income tax for 7 years
- ▶ exemption from real estate tax for 7 years
- ▶ exemption from import customs duties on imported (imported) goods contributed to the statutory fund, from the date of manufacture of which not more than 5 years have passed for some commodity items
- ▶ exemption from profit tax in the part of profit received from sale of goods of own production; exemption from income tax for 7 years

Minsk City Technopark



- ▶ 10% income tax
- ▶ 0% land tax
- ▶ 0% real estate tax
- ▶ 0% tax under the simplified taxation system, single tax on imputed income, etc.
- ▶ 0% VAT and import duties when importing technological equipment

Hi-Tech Park



- ▶ exemption from income tax and VAT related to HTP activities
- ▶ 5% withholding tax on dividends and 0% on interest and royalties from HTP residents
- ▶ land on HTP territory required for construction of buildings is exempt from land tax for the whole period of construction, but for not more than 3 years
- ▶ real estate on HTP territory (except for rented real estate) is exempt from real estate tax
- ▶ dividends paid to shareholders registered in offshore zones are not subject to off-shore duty

In addition, some exceptions apply to personal income tax and social security payments to HTP employees. Foreign legal entities also benefit from taxation of dividends and royalties from HTP residents. These types of income are taxed at the rate of 5%, unless international agreements establish more favorable conditions.

Bremino-Orsha

- ▶ 0% VAT and duty on customs
- ▶ 0% corporate tax for 9 years
- ▶ 0% property tax for 20 years
- ▶ 0% VAT for 15 years at realization, rent (leasing) to residents of real estate objects till 1 January 2033
- ▶ 0% income tax, tax on dividends and similar income for 5 years from the announcement of profits (for the founders of resident companies and joint ventures)
- ▶ 0% tax on dividends and similar income from the date of declaration of profits up to 1 January 2033 (for joint ventures if accrued from a management company)
- ▶ 5% on royalties until January 1, 2028

Industrial park "Great Stone"

- ▶ exemption from income tax on revenue from the sale of goods (works, services) of own production within ten years from the date of registration as residents
- ▶ exemption from property tax on properties
- ▶ exemption from tax on land plots
- ▶ until 1 January 2027, the income tax rate is 9%
- ▶ full deduction of VAT amounts charged for imported goods (works, services) as well as property rights used in designing, construction and equipping of buildings and structures in the Industrial Park
- ▶ exemption from customs duties and VAT on goods (production equipment, components and spare parts, materials and raw materials) imported to Belarus for the implementation of investment projects

Free economic zones (FEZ)

- ▶ exemption from profit tax when selling products for export and to other FEZ residents
- ▶ exemption from real estate tax on properties in FEZ within three years of registration
- ▶ exemption from land tax and land lease for the period of design and construction, but for no longer than 5 years from the date of registration. Exemption irrespective of the direction of their use (if sold for export or to other FEZ residents)
- ▶ exemption from payment for the right to conclude a land plot lease agreement

The choice of preferential treatment will depend on a number of factors and components of the investment project, such as the need to create infrastructure facilities, export orientation of the project, implementation of innovative technologies and many others.

More detailed information about the business environment, investment opportunities in the Republic of Belarus can be found on the website of the National Agency of Investment and Privatization of the Republic of Belarus at www.investinbelarus.by/en/business-environment, as well as to get necessary advice and assistance in implementation of the investment project in Belarus by contacting representatives of the Agency at the contacts specified on the website www.investinbelarus.by/en/contacts.

National Agency of Investment and Privatization

The Agency is a state institution that provides assistance at no cost or foreign investors interested in launching a business in Belarus:

- provision of information about investment opportunities, preferential regimes and benefits granted, economic sectors and legislation
- provision of up-to-date information about investment projects
- assistance in selection of sites and premises
- search for prospective partners for investment projects, arranging meetings and negotiations for establishing cooperation
- providing a platform for negotiations and support during negotiations
- organization of visits to the Republic of Belarus (schedule development, visa support)
- representation of investor's interests during negotiations with governmental representatives concerning implementation of investment projects, as well as improvement of investment climate in the Republic of Belarus
- aftercare

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