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MARKET STATEMENT

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

In 1998, the performance of the national economy of the Czech Republic (CR) declined considerably and the recession became even worse. Reasons of the decline are of a rather long-term nature. The first symptoms showed themselves as early as the close of 1996 and intensified in 1998. GDP for 1998 decreased by 2.7% year-on-year in real terms.

The individual industries differed in the economic decline.

Industrial output markedly climbed up in the 1st quarter of 1998, but its growth rate gradually decelerated and finally it decreased considerably in the 4th quarter as a result of lasting exports and ongoing low domestic demand. Overall industrial output for 1998 grew by 1.6%, manufacturing raised its output by 2.5%, compared to 1997. In wood-working industry and paper and printing industries, the year 1998 saw a decrease and an increase in output by 2.3% and 8.8%, respectively.

In comparison to the corresponding period of 1997, 1998 receipts from industrial activities of enterprises with 20 or more employees, as reflected by a monthly index at constant prices (1994 average = 100), stood at 100.6 in this index for industry in total, of which wood-working and paper plus printing accounted for 99.1 and 102.7, respectively.

Construction output, which has been finding itself in a considerable decline since 1997, decreased in 1998 even more. In 1998, CZK 217.4 bn worth of work was implemented (current prices), which translates into a 7.0% drop at constant prices, compared to 1997. Receipts from sales of own products and services in construction enterprises decreased slumped by 11.5% (constant prices, compared to 1997, too).

External trade saw a 1998 trade gap of CZK 79.5 bn (1997 trade gap stood at CZK 139.3 bn), total exports and total imports being CZK 930.0 bn and CZK 850.5 bn, respectively. In comparison to 1997, imports grew by 7.9% and exports by 17.7% (all at current prices). In external trade, 72% of imports and 69% of exports were implemented with developed market economies in 1998, with which the trade gap was CZK 81.4 bn. Positive balance (CZK 27.1 bn) was only achieved in trade with European transition economies, including the CIS.

January-December 1998 import prices, as reflected by sample index of nominal prices, dropped by 2.0% in comparison with 1997 (primarily due to the lasting fall of crude oil world prices). The terms of trade thus got better by 7.2 points year-on-year.

In the January-December 1998 commodity structure, as classified by SITC two digits (Rev. 3), the groups of cork and wood (24), pulp and waste paper (25) and cork and wood manufactures (excluding furniture) (63) showed positive balance of CZK 8 486 million FOB/FOB, CZK 759 million FOB/FOB, and CZK 5 004 million FOB/FOB, respectively, whereas a negative balance standing at CZK 6 325 million FOB/FOB was reported for the group of paper, paperboard and articles thereof, respectively (all at current prices).

In comparison to the corresponding period of 1997, the positive balance for cork and wood (24) is smaller by 11.5%, that for pulp and waste paper (25) is higher by 48.8%, and that of cork and wood manufactures (excluding furniture) (63) is up by 12%; the negative balance for paper, paperboard and articles thereof (64) is higher by 1%.

In 1998, forestry raised its production (removals) of timber by 3.7% up to 13 991 thousand m^3, compared to 1997. The production (removals) of coniferous and non-coniferous roundwood was up by 9.7%, while the production (removals) of coniferous and non-coniferous pulpwood grew by 8.24%. Due to the increase in the production of pulp in the pulp and paper industry by 11.1% (up to 569 thousand m.t.), above the level in 1997, exports of coniferous pulpwood declined and imports of coniferous pulpwood climbed up.

The production of non-coniferous sawnwood and particle board by the wood-working industry was higher in 1998 than in 1997.The production of coniferous sawnwood, plywood, including blockboard, and fibreboard remained at the level of 1997. External trade saw bigger exports of products of wood than imports. Consumption of almost all products of wood in the domestic market grew, compared to 1997.

The January-June 1999 trends in most economic indicators of the Czech Republic continued to be rather unfavourable.

Industrial output fell and construction implemented a lower volume of construction work than in the corresponding period of 1998.

In external trade, imports remained at the level of the same period of last year (index 99.9), the value of exports growing by 1.9%. The trade gap standing at CZK 25.2 bn was down CZK 8.7 bn in comparison to the corresponding period of 1998. The commodity structure of imports and exports went on growing the proportion of groups higher in processing. As for the territorial structure of exports and imports, the share of developed market economies grew, especially those of the EU, trade with the CIS countries declining further.

January-May 1999 prices, as reflected by nominal index of sample prices (including exchange rate movement) converted to the current structure of external trade, decreased by 3.7% (imports) and 2.4% (exports). The terms of trade thus improved further by 1.4 points.

2. Developments in forest products markets sectors

Pulp and paper

The year 1998 saw a substantial rise in the production of pulp, up to 569 thousand m.t. (+11.1%). Increases were also recorded for both imports (+12.5%, up to 152 thousand m.t.) and exports (+8.9%, up to 244 thousand m.t.) and consumption in the domestic market rose up to 477 thousand m.t. (+12.7), all compared to 1997.

Pulp was imported from Russia and Slovakia in particular, as well as from other European countries. The largest volumes of pulp were exported to Italy, Germany, Slovakia, Hungary, and France, smaller volumes went to a number of other European countries.

In comparison to 1997, the 1998 production of paper and paperboard dropped a bit, 767 thousand m.t.; exports grew by 3.5% to climb to 478 thousand m.t. and imports grew to 438 thousand m.t. (+14.6%). The consumption of these products in the domestic market fell down to 807 thousand m.t. (-5.3%, compared to 1997, when the consumption was unusually high).

Imports of a wide range of products of paper from 1996 are larger than their exports and the trade is implemented with a number of countries.

The years 1999 and 2000 should see similar figures in the sector of pulp and paper, like in 1998.

Roundwood including pulpwood

In 1998, the production (removals) of industrial wood grew to 13 171 thousand m^3 (+2.25%) in comparison in 1997, of which logs amounted to 7 420 thousand m^3, pulpwood to 5 340 thousand m^3, and other wood to 411 thousand m^3. The quantity of fuelwood produced in the same year increased by one third to 820 thousand m^3. The production (removals) of wood in the rough was 13 991 thousand m^3.

Compared to 1997, the production of coniferous pulpwood decreased to 4 550 thousand m^3 (-9.4%), imports increased to 670 thousand m^3 (71.8%) and exports diminished to 999 thousand m^3 (-25.6%). The consumption of coniferous pulpwood in the domestic market grew to 4 221 thousand m^3 (+3.7%), which was contributed to by an 11.1% increase in the production of pulp (to 569 thousand m.t.).

Imports of coniferous pulpwood were especially made from Germany, Poland, Slovakia, and Romania, while exports went to Austria, Germany, Slovenia and other countries.

Expected for 1999 is higher production of coniferous pulpwood (4 831 thousand m^3, +6.2%) and higher imports, exports and domestic consumption, compared to 1998. A similar trends are forecast for the year 2000.

The production of non-coniferous pulpwood in 1998 was only a bit under its 1997 level: 790 thousand m^3; exports fell down to 370 thousand m^3 (-25%), and domestic consumption grew to 426 thousand m^3 (+38%), mainly due to the shortage of coniferous pulpwood in the domestic market.

Imports of non-coniferous pulpwood were effected from Austria and Germany in particular.

In 1999 and 2000, the production of non-coniferous pulpwood is supposed to be at about 800 thousand m^3, its exports should rise and domestic consumption should drop to about 380 thousand m^3.

Softwood (sawnwood and logs)

Compared to 1997, the production of coniferous logs grew by 7.3% to 6 680 thousand m^3, exports stood at 1 019 thousand m^3 (+27.3%), and consumption was 5 695 thousand m^3 (+3.9%). Imports accounted for 34 thousand m^3 only (almost a 50% decrease).

Coniferous logs was exported to a large number of countries in 1998, rather large volumes went to Austria, Germany and Italy.

Further increases in production, imports, exports and consumption are expected for 1999, a slight increase should be seen in the year 2000, too.

The 1998 production of coniferous sawnwood remained at the level of 1997, 3 100 thousand m^3; imports of 158 thousand m^3 accounted for an increase of 14.4%, consumption at 2 027 thousand m^3 was higher by 10.1%, and this increase made imports fall down by 11.1% to 1 231 thousand m^3.

In 1998, coniferous sawnwood was exported to Germany, Austria, Italy, Spain and other countries.

It is anticipated for 1999 that the production of coniferous sawnwood will rise by 100 thousand m^3 to 3 200 thousand m^3. Exports and consumption should grow slightly and imports should diminish, all compared to 1998. The year 2000 should see no substantial changes in comparison to 1999.

Hardwood (sawnwood and logs)

The production of non-coniferous logs at 740 thousand m^3 accounted for 5.3% of the total production (removals) of wood in the rough in 1998. It grew by 200 thousand m^3 (+37%) above its 1997 level. Exports and imports also increased (more than five times), and so did consumption (up to 707 thousand m^3). Both imports and exports were effected with neighbouring countries.

Production, imports, exports and consumption are forecast to remain in 1999 approximately at the level of 1998. No substantial changes should occur in 2000, either.

Of the total production of sawnwood, both coniferous and non-coniferous, the share of non-coniferous sawnwood produced in 1998 accounted for 9.3% (320 thousand m^3). In comparison to 1997, the year 1998 saw increases not only in production (+9.2%), but also imports by 19 thousand m3 (+28%), exports by more than a half up to 57 thousand m^3, and consumption in the domestic market by 3.2% (348 thousand m^3).

In 1999-2000, the production should rise slightly each year and the consumption is expected to not to change and remain at the level of 1997. As for imports, mainly beech should be imported from Slovakia and Germany.

Wood-based panels

In 1998, only the production of particle board grew; the production of plywood and blockboard dropped a bit and fibreboard remained unchanged, compared to 1997. Larger imports were recorded for the whole range of wood-based panels, exports of particle board and plywood also grew, and the domestic market saw a rise in the consumption of particle board and fibreboard.

In comparison to 1997, the 1998 production of particle board grew to 790 thousand m^3 (+7.2%), maintaining its rising trend observed since 1991. Imports amounting to 92 thousand m^3 grew by 1%, exports increased to 477 thousand m^3 (+6.3%). Domestic consumption climbed to 477 thousand m^3 (+6.3%).

The range of particle board is wide and the largest volumes are exported to Poland, Germany, Slovakia, and Hungary; smaller volumes are supplied to other countries.

In 1999, the production should rise to 830 thousand m^3 (+5%), exports should increase to 425 thousand m^3 (+5%, too), consumption should grew a little and imports are expected to fall, all compared to 1998. In 2000, these 1999 levels are expected to remain unchanged.

In comparison to 1997, the production of plywood including blockboard (108 thousand m^3) shrank by 1.8%, imports and imports expanded by 15.3% to 30 thousand m^3 and 12.2% to 92 thousand m^3, respectively, and consumption declined by about 15%.

In 1999, the production could rise to 115 thousand m^3 (6%), imports to 35 thousand m^3, exports to 95 thousand m^3, and consumption to 55 thousand m^3, i.e. to the level of 1997, compared to 1998. No substantial changes are expected for 2000.

The 1998 production of fibreboard (hardboard and medium density fibre board, MDF) at 105 thousand m^3 remained at its 1997 level. Imports grew from 40 thousand m^3 to 54 thousand m^3, consumption rose from 73 thousand m^3 to 92 thousand m^3, and imports dropped from 72 thousand m^3 to 67 thousand m^3.

The production of MDF increased to 69 thousand m^3 (+4.5%) in 1998; 9 thousand m^3 and 50 thousand m^3 were imported and exported, respectively. In 1999 and 2000, increases should be recorded for the production of fibreboard (4% each year, compared to previous year), levels of imports, exports and consumption should be approximately at their 1998 levels.

Certified forest products

In 1998, the National Certification Centre launched its activities as an independent unit of the Forest Management Institute at Brandýs nad Labem.

The system of the certification of forest of the Czech Republic is adjusted to suit conditions existing in Central Europe and reflects the structure of ownership in the Czech Republic.

An aim of the National Certification Centre is to make its contribution to the support of sustainable forest management in the Czech Republic.

On 30 June 1999, representatives of 11 national bodies signed the statute of the council of the Pan European Forest Certification (PEFC) in Paris, France, whose aim is to establish a framework for comparison and mutual recognition of national or regional certification systems.

All the activities pursued and concerning the issue of certified forest products in the Czech Republic have so far been of preparatory nature.