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Austrian Market Report 2001

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1. General economic situation

The pronounced slowdown in the international business cycle is tightening its grip on the domestic export industries. The WIFO (Wirtschaftsforschungsinstitut Austrian Federal Institute for Economic Research) business survey for the third quarter confirms the downward trend in firms‘ assessment of their current situation and production expectations. The adverse trend is particularly visible in the basic goods and the technical manufactures sectors. The rise in employment has clearly lost momentum and can no longer prevent unemployment from heading up. Consumer price inflation remains relatively high. Despite employees‘ net real incomes shrinking, retail trade is reporting gains in volume sales.

The WIFO business survey for the third quarter suggests a further weakening of the business climate in manufacturing. The tone among firms has thus deteriorated more sharply than during the last cyclical downturn in 1999. The situation appears particularly depressed in the basic goods sector. Pessimism is spreading also among suppliers of technical manufactures, notably in the motor vehicles industry. The unfavourable survey results suggest that the sharp international downturn is now taking its toll on the domestic economy.

Austrian exports kept rising at a healthy pace over the first months this year. Manufacturing output, adjusted to the number of working days, slackened markedly in spring. While still rising as a whole by 2.25 percent compared to the same period of the previous year for the first five months of the year 2001, monthly figures for April and May show declines of ¾ and 5 percent, respectively. Weaker activity in the export-oriented sector is spilling over to wholesale trade, where turnover in the first quarter fell by 1 percent in volume compared to the level of the year before.

As a result of excess supply of new homes the demand for construction material is low, and, as regards civil engineering, investments have been curbed by public authorities, notably at the local level. Production output fell by 3.5 percent in March and 7 percent in April compared to the level of the year before. This is reflected by a significant fall in employment (-12,000 compared to the same period of the previous year in the first half of the year). The WIFO business survey among construction firms and their suppliers suggests that the negative trend might continue.

Growth of overall employment has decelerated markedly since mid-year 2000. Latest figures show a modest gain of 0.5 percent (excluding people on parental leave and in statutory military service), too small to prevent unemployment from rising, as it has done since May. The seasonally adjusted rate of unemployment last remained at 5.8 percent of the dependent labour force, or 3.8 percent of the total labour force according to Eurostat.

Consumer price inflation remained high in June, at a 2.8 percent rate, although the annual figure was no longer boosted by last year’s raise in indirect taxes and public charges. Prices of energy and meat continue to exert upward pressure. Inflation is still outpacing gains in employees‘ per-capita earnings. In the first half of this year, the rise in the contractual wage index of 2.6 percent trailed that of the consumer price index by 0.3 percentage points. In addition considerable tax increases are contributing to the squeeze in employees‘ net real incomes; yet private consumption is still proving robust. Retail sales from January to April (excluding motor cars and sales at petrol stations) rose by an inflation-adjusted 1.25 percent above the level of the year before.

2. Development in forest products markets sectors

Pulp and paper

After the economic cycle had begun to swing back mid 1999 the positive trend continued throughout the first half of the year and was able to keep the market situation up for the second half of 2000, despite clouds looming. By the end of the year paper exports had grown by 3.8 percent to 3.7 million tons and domestic deliveries by 1.5 percent to 0.8 million tons; production was 4.4 million tons in 2000, which is an increase of 5.9 percent. Improved volumes and price levels led to a new record turnover of Euro 3.56 billion for the Austrian paper industry. Investments in the paper industry in 2000 were mainly used to rebuild parts of existing paper machines and increased the capacity only marginally.

In Austria increased prices for paper were mainly caused by two different factors. One was the tight market situation and the heated demand by processors for their input material; the other risen production costs. Especially pulp prices constituted a serious problem for non-integrated mills.

In the current year 2001 the production was reduced according to the lower demand in order to keep the paper prices relatively stable.

The prospects for 2002 mainly depend on the international economic development. Corresponding to general economic predictions the paper industry shows strained optimism for 2002.

Roundwood

The severe damage by storm in Western Europe on the 26th of December 1999 (hurricane "Lothar") decisively affected the timber market in 2000 and it took the entire year to finish off the large amounts of damaged wood. Even though the export demand for sawnwood and paper was very high due to the high dollar exchange rate, forest owners in Austria were confronted with a sharp decline in roundwood. The high supply of roundwood caused by the storm, in particular in Switzerland and in Germany, resulted in an increase in roundwood imports. Altogether 8.4 million solid cubic meters of roundwood were imported from abroad, which lead to an average import price considerably below the level of 1999. Due to the market situation the production (annual fellings) decreased in the year 2000, with the private owners of small forests and the Austrian Federal Forest Agency, "Österreichische Bundesforste AG", considerably decreasing the amount of forest harvesting, while large-scale private forest enterprises maintained the same level.

As to the timber prices and harvesting levels no major changes compared to the previous year are expected for the year 2001. Big diameter logs continue to be under pressure. As a result of the hurricane of the year 1999 (straightened cutting lines, calamity timber) and the marked capacity increase of the sawmilling industry logwood imports have remained at a high level. All in all the expectations on the logwood market are not too pessimistic despite serious economic framework data. For the next months a growth of demand for logwood is expected. However, as a result of the timber supply from areas affected by storm damage (import pressure) no essential price improvements are foreseeable. The further increasing exports of sawnwood to Italy and Asia contribute to the stabilization of the market.

As far as the development for 2002 is concerned expectations are slightly optimistic. The impact of the hurricane on the timber market is expected to diminish and there is hope that the slump in the economic cycle could be overcome.

Sawnwood

The production of the Austrian Sawmilling Industry in 2000 amounted to Euro 1.83 billion. Compared to 1999 this means an increase of more than 3%. The production climbed to 10.4 million m^3. The Sawmilling industry comprises about 1,550 enterprises of which about 1,300 are small-scale, and the total number of persons employed is about 10,000.

The Austrian Sawmilling Industry was observed to have considerably reduced its investment activity in 2000. After record investments of Euro 538 million in 1999 not more than estimated Euro 211 million were invested last year. As to the current year, investments to the amount of Euro 109 million are expected, which corresponds approximately to the level of 1998.

An important concern of the Austrian Sawmilling Industry is to quickly implement the certification system according to the PEFC. The certification in the chain of custody has started. A group scheme has been developed for this industry which allows a cost-efficient participation in the system.

Altogether, sawnwood exports have seen a dynamic development in 2001, declines are only recorded in exports to Germany and the United States. The predictions for the second half of the year are slightly optimistic. Apart from Germany, which however imports only a small share of the Austrian sawnwood, all other target markets for Austrian goods are working smoothly. A well-balanced supply of roundwood, production standstills in almost all large sawmills in summer, as well as the breakdown of a large plant due to fire have contributed to the stabilization of the market. The development in 2002 will depend primarily on the general development of the economic cycle and on our ability to conquer market shares in Japan and on other markets.

Wood-based panels

The Austrian board industry concluded its enormous investment plans with a volume of more than Euro 300 million in 2000, which means that Austria as an economic site can be proud of having one of the most modern and most competitive wood material industries in Europe. Due to an export quota of more than 80 percent the Austrian fiber and chipboard industries play a prominent role for the Austrian export-oriented industry. As a result, the foreign trade balance has amounted to more than Euro 370 million.

Altogether, the Austrian board industry showed very positive results in 2000. As a result of the slackening economic development observed all over Europe predictions for the years 2001 and 2002 can, however, be only slightly optimistic for the time being.

Certified forest products

In June 1999 the certification process was launched according to the PEFC scheme (Pan-European Forest Certification). Simultaneously with the foundation of the international umbrella organisation the most important forest unions, timber industry and timber trade associations, trade unions and environmental associations established the working group PEFC Austria, the Austrian platform. Decisions are taken unanimously.

Since the Austrian certification system was officially recognized by the PEFC Council in September 2000 it has been applied in practice. Both forest certification by means of the regional model and the “Chain of Custody” (CoC) monitoring by group models for small- and mediums sized enterprises are tailor-made for Austrian conditions.

The first region was certified in December 2000 and comprises 550,000 hectares, the other regions will be certified by the end of 2001. Also the CoC certification of wood processing enterprises has already started. 15 CoC certificates have already been issued; first PEFC logo utilization licences have been granted as well. From next year on a larger quantity of PEFC certified products will be available on the market.

So far the FSC (Forest Stewardship Council) certification system has not played a major role in Austria.

3. Tables

Economic indicators

	Percentage changes compared to the previous year				
	1998	1999	2000	2001	2002
GDP value	+ 3.3	+ 2.8	+ 3.3	+ 1.7	+ 2.2
Export value	+ 8.1	+ 7.7	+ 13.0	+ 4.5	+ 5.7
Import value	+ 7.1	+ 6.9	+ 8.7	+ 4.5	+ 5.0
Consumer prices	+ 0.9	+ 0.6	+ 2.3	+ 2.6	+ 1.9
Employment	+ 1.0	+ 1.2	+ 1.0	+ 0.4	+ 0.5

Roundwood

Product	Year	Production	Imports	Exports
		1,000 m³		
Industrial Roundwood	1999	10,988	7,039	985
	2000	10,416	8,378	876
	2001	10,400	9,200	800
	2002	11,400	8,200	800
Wood residues, chips, particles	1999	5,460	849	696
	2000	6,085	685	814
	2001	5,940	700	750
	2002	5,950	720	730
Fuelwood	1999	3,096	115	9
	2000	2,860	139	14
	2001	2,850		
	2002	2,900		

Sawnwood

Product	Year	Production	Imports	Exports
		1,000 m³		
Coniferous sawnwood	1999	9,400	1,035	5,626
	2000	10,150	1,175	6,016
	2001	9,900	1,250	6,400
	2002	9,900	1,300	6,500
Non-coniferous sawnwood	1999	228	211	123
	2000	230	221	143
	2001	230	215	155
	2002	245	220	160