

TURKEY

MARKET STATEMENT

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Outlook of General Economy

IMF economic stabilization program Which had been implementing in Turkey collapsed the end of 2000 and another economic program has been implementing since May 2001. Extremely high volatility and uncertainty have been witnessed in financial market since the middle of third quarter of 2000. Specially high and volatile interest rate and uncertainty effected production and consumption adversely. So deep recession were witnessed in first 8 months of 2001. Gross Domestic Production decreased %6,1 and Gross National Production decreased %8,5 in the first half of 2001. The increase of GDP was %7,2 and GNP was %6,1 in 2000. GNP growth rate may expect to be %-9 and GDP to be %-7,5 for 2001 and some recovery for 2002. High budgeted deficit, high interest rate and high dept cost of Treasure are continuing to be most important problems. Some selected economic indicators sown at (table-1)

The recession was mach more deep in processed forest product markets, furniture and building construction sector. A long term recession has been witnessed in the construction since the beginning of 1994 as shown in the (table 2). That recession Haas been continued to accelerate in first half of the year too. The number of permits decreased %21,4 and floor area decreased %29 according to permits which were given for new building and additions in first half of 2001. Consumption of furniture feel sharply as other durable consumer goods. According to the State Institute of statistics announce, furniture sales decreased more than % 30 percent in the half of 2001. Any considerable recovery aren't expected for the rest of 2001, although we are optimist for 2002. Wood based panel industry strongly effected from the recession in the furniture and contraction sectors as well as high dept cost. Therefore some mills cut production for a few months. Some of them closed completely. Two OSB mill establishing projects were postponed. Some recovery are forecasted in autumn for furniture and wood based panel industry.

The depreciation in the value of the lira which is the first measure of current program gave it's first benefit with payment balance and tourism income. In the 8 months of 2001 Turkey's exports rose %14,3 percent from the same period of last year. In the first half of 2001, Imports fell %21 percent to 20 million \$.It might be hoped this positive trends of export and import will be continuing the rest of 2001 and 2002.

Contractions of other industries which utilizes wood as raw material such as paper industry, packing and mining are also adversely effected to round wood market. The part of paper industry which utilizes pulpwood, are about to privatization. The process of privatization adversely effecting production. So capacity utilization of this sector is somewhat lower. But "Dalaman Paper Industry" which is the only privatized factory Haas been running full capacity and it's production increased

Round Wood Removal

Annual Increment of Turkey's forests is about 32.5 million M3 and approximately 13,5 million M3 round wood are harvested from these forests per year. In addition, there is significant

unrecorded wood consumption which is supposed to be about 5.5 million M3. Besides, 3,2 million M3 poplar which is harvested from agricultural area.

High harvesting cost and low price are continuing to be an important problem for forestry. Therefore silvicultural maintenance could not be made as well as necessary, because of low product price and high maintenance cost, especially in young stands.

Forest Product Market

Extremely low demand was witnessed in 2001 for round wood and other processed wood products after strong demand in 2000, depending on the recession of general economy and related sectors mentioned above.

In Turkey, 99 % percent of forests is owned and managed by General Directorate of Forest (GDF). Almost nearly all round wood production is realized by GDF except poplar production which is grown in agricultural area. Therefore the prices and volume of GDF sale are satisfactory indicators of Turkish round wood market. GDF sell amount decreased 17 % percent for industrial wood and 25% percent for fuel wood in the first eight month of 2001. According to GDF record, Coniferous log prices decreased about 20 % and non-coniferous log price increased 25% in the first eight months of 2001 as a result weak demand in domestic market. Because of weak demand existing in the market, GDF revised the production program of round wood in August. Occurring to revised production program, industrial production reduced by 10,8% and fuel wood production reduced by 12,7%.

Weak demand has been existing in the market since November 2000 and any significant recovery isn't expected for the rest of 2001 but some recovery for 2002 depending on general economy and related sectors such as furniture and construction sectors. Hard sawnwood, soft sawnwood and other processed wood markets were also contracted paralleling to round market.

Demand-Supply and foreign trade of timber

Domestic production of industrial wood is about 10-10,5 million M3 and apparent consumption is about 11-11,5 million M3 per year. Although it changes from year to year, both consumption and production are increasing very slightly for long term. Domestic wood production is enough to meet the country's demand except log. There is a gap between domestic industrial wood production and demand which is totaling 1-1,5 million M3 and it is met by importation. Industrial wood is imported mainly from Russian Federation and other transition countries. But tropical log is imported from South Africa. Import is tending to high quality log and processed wood year to year, because of high transport cost. Importation of all secondary forest products such as sawnwood, plywood, particle and fiber board, furniture, pulp and paper increasing significantly in long term. Round export is about 15-20 thousand M3 and insignificant.

Round wood import volume increased considerable in 2000 and reach its record level after 1993. But the weak domestic demand and the depreciation in the value of the lira prevent the import of round wood. Therefore a sharp decline are forecasted for 2001 and 2002. Import volume decreased about 35% percent in the first half of 2001 from the same period of 2000. The decrease seems to be continued the rest of year and 2002 not only for round wood but also for other processed wood products.

Certification

There is no significant progress in field of Certification except the increasing concern about environmental problems.

Table 1: Selected Economic indicators, Turkey

INDICATORS	1996	1997	1998	1999	2000	2001 (Jan- June)	2001 Est.	2002 Est.
GDP (change percentage %)	7,0	7,2	2,4	-4,7	7,2	-6,1	-7,5	3
GNP (change percentage %)			3,9	-6,1	6,1	-8,5	-9	3
Industrial production (change percentage %)	7,1	10,4	2	-5	5,6	-5,2	-7,5	3
Construction (change percentage of number of permit %)	-7,5	1,8	-11	-20	-18	-21,4	-20	8
Budget deficit (percentage of GNP)%	8,3	7,5	7,1	15	10		10	8
Inflation (Wholesale price index)	79,8	91	54,3	62,9	32,7	44,5	78	50

Table 2: Some Indicators of Construction

YEARS	CONSTRUCTION OF NEW BUILDINGS AND ADDITIONS, TOTAL (According to Construction Permit)				CONSTRUCTION	
	Number of building (1000)	Change Percentage (%)	Floor area (1000) m2	Change Percentage (%)	Value (Billion TL.) (1987 Constant Price)	Growth Rate %
1991	121,5	-1,5	61447	2,3	5473	1,1
1992	138,0	13,6	73062	18,9	5814	6,2
1993	147,0	6,5	85080	16,4	6272	7,9
1994	143,2	-2,6	81653	-4,0	6144	-2,0
1995	134,3	-6,2	82270	0,8	5858	-4,7
1996	126,7	-5,7	78478	-4,6	6200	5,8
1997	124,9	-1,4	81730	4,1	6511	4,6
1998	116	-11	78568	-8,7	6560	0,7
1999	92,5	-20	62762	-20	5730	-12,7
2000	75,9	-20	58606	-6,6	6062	5,8
2001(Jan.-Jun)		-21,4		-29		-11
2001Est.	61	-20	46885	-20	5335	-12
2002Est.	66	8	51574	10	5762	8

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