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TIMBER COMMITTEE**

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POLAND

**STATEMENT:
WOOD MARKET REVIEW AND PROSPECTS**

Ministry of Environment

1. OVERVIEW OF THE POLISH ECONOMY FROM 2000 TO 2001

In 2001, the Polish economy suffered from adverse effects of the global economic downturn and from recession trends affecting countries of the European Union (Annex 1).

Poland's economic growth in 2001 was slower than in any year since 1992. **Gross Domestic Product**, which amounted to PLN 721.6 billion (US\$ 176.3 billion), grew by a mere 1% in real terms on the preceding year, that is significantly slower than 4% growth achieved in 2000. The economic slowdown resulted from a 2% decrease in domestic demand which, in turn, was triggered by a major (9%) fall in investment outlays. Despite significant price reductions, **sold production of industry** measured in terms of value, slipped by 0.1% in 2001 (to PLN 511.3 billion or US\$ 124.9 billion). The figure represents a major decline from the preceding year when an increase of 6.7% was posted. Changes, compared to the year 2000, also occurred in the structure of production output sales. The share of the manufacturing sector dropped from 84.3% to 83.5% whereas the value of electricity, gas and water supply rose from 10.1% to 11.3%. In the manufacturing sector, the production of metals, motor vehicles and tobacco products fell by over 10%. A 4% decrease was observed **in the construction and assembly production**. With 106,000 **dwelling completed** in 2001, the construction industry recorded an increase of almost 21%, which represents a significant improvement over the year 2000. About 38% of such dwelling units were acquired by individual investors for their own use while 28% were designated for either sale or rent. About 719,000 dwellings were under construction. However, it was only 1% increase in comparison with the situation in 2000. In the last two years, Poland has seen growth in its agricultural production. The country's **gross agricultural output in 2001** was approximately 6% above that of 2000. Increases were also observed in crop output and animal output (8.6% and 2.5% respectively).

The Polish labor market continued to decline in 2001. **The average paid employment** was reduced, of which employment in the enterprise sector was reduced by 3.3%. The number of the unemployed in late 2001 amounted to 3.1 million people, that is over 0.4 million more than in 2000. 17.4% of the workforce were registered unemployment rate. The average monthly gross real **wages and salaries** in 2001 increased by over 3%. However, the increase in the enterprise sector was lower and did not exceed 1.6%.

Prices in most sectors of the national economy fell short of the 2000 level. The price indices of consumer goods and services (**inflation**) increase were 5.5%, which is the lowest level since 1991. This figure stands in sharp contrast to that of 2000 when growth exceeded 10%. The key factors that contributed to the inflation cut were a slower increase in the prices of food, relatively cheaper imports, sagging demand and a restrictive financial policy.

Also observed was a significant drop in domestic investment outlays. The drop was precipitated by weaker economic standings of most enterprises which translated directly into a 30% decrease in **foreign direct investment** in 2001. The foreign investment that Poland did absorb amounted to US\$ 7 to 7.5 billion. Most of them came from countries of the European Union, Japan and USA.

In 2001, exports were among the most crucial factors influencing economic growth. Exports grew by 14% (at prices in US\$), considerably outpacing imports (2.7%). The volume of trade deficit fell below the 2000 level (to US\$ 14.2 billion).

The year 2001 saw slower privatization. In late 2001, half of Poland's 1572 state owned enterprises declared insolvency or underwent liquidation. Only about 3.3% of all companies were privatized directly. Privatization added revenues of about PLN 6.8 billion or US\$ 1.7 billion to Poland's budget.

2. POLAND'S ECONOMIC GROWTH TRENDS IN 2002

The Polish economy is expected to advance rapidly in the course of the next few years, driven by prosperity in the USA and economic growth in the European Union. According to mid-2002 indicators, GDP growth is unlikely to exceed 2% y-o-y. Meanwhile, the annual inflation rate is not expected to go over the 4.5% mark. Sluggish as it has been during the year, economic growth will neither drive the rate of unemployment up or the number of the unemployed down. Poland is expected to curb unfavorable labor market trends. Recession, however, continues to hold sway in the construction sector. The construction and assembly production is expected to fall by 7% to 8% in 2002. In another negative development, the number of building permits granted for the construction of new dwellings fell by about 35% setting the stage for a severe crisis in 2 to 3 years. According to forecasts, the year 2002 will see a reduction in the currently fast growth of exports. A slight increase may also be expected in foreign trade deficit. In effect, Poland will have to wait at least until 2003 or 2004 to see solid economic growth.

3. WOOD AND WOOD PRODUCTS MARKET

3.1. Overview of forest and wood market

In 2001, Poland maintains 8.9 million ha of forests, that are 28.5% of the country's total area. Poland's forestry generates 0.4% of gross value added, 35% of which comes from the private part of the sector. The average employment in the forestry sector in 2001 was about 42,000 persons, down by 4.3% from 2000. The forest sector is dominated by the "National Forest Holding - State Forests" which manages 75% of the country's forests, 89% of its growing stock of standing (roundwood) and 94% of the total roundwood production.

Woodworking industries (including manufacture of pulp and paper and manufacture of furniture) produce over 2% of the total gross value added, 8.5% of total sold production of industry and over 10% of the output generated by the processing industry (manufacturing). Indices of sold production of industry (99.9%), which was lower in 2001, was typical for manufacture of wood and wood products (96.4% in fixed prices, division 20 of the Polish Classification of Activities (PCA=NACE)). Increases were also noted in the manufacture of pulp and paper - 102% (division 21 PCA) and manufacture of furniture - 101.3% (division 36 PCA).

3.2. The market for wood and main wood products in 2000 and 2001

Removals

Poland's wood harvest in 2001 amounted to 26.7 million m³, 25 million m³ of which was roundwood. The figure represents a decline of 3.6% on 2000 in the case of wood and of 4% in the case of roundwood. About 72% of the roundwood was coniferous wood. In Poland was removed about 1641.3 thousand m³ of fuelwood and 950.6 thousand m³ of slash for fuel, up by 6.8% and 2.4% respectively on 2000.

Production of main wood products

According to preliminary figures for 2001 issued by the Central Statistical Office, Poland produced approximately 3.6 million m³ of **sawnwood**, including 80% of coniferous sawnwood. In effect, production fell by nearly 17% compared to the year 2000. A total of 4.6 million m³ of panels, that is close to the 2000 level, were produced by the **wood-based panels industry**. The country generated a total of 3 million m³ of particle boards, 15% of which were oriented-strand boards (OSB). The production of veneer sheets decreased by about 15%, i.e.

49,000 m³. The production of plywood (including core plywood) fell by 2% (256,000 m³) while fiberboard production rose by 6.7% (1,351,000 m³), mainly in the MDF (up by approximately 11%). The 2001 **production of wood pulp** amounted to 937,000 tons, posting a dip of over 2% on 2000. Meanwhile, the production of paper and paperboard climbed by 1% to 1,950,000 tons.

Foreign trade in roundwood

In 2001, Poland exported 310,000 m³ of roundwood having the combined value of US\$ 21 million, that is 10% below the 2000 level. 11.5% (or 35,600 m³) of that amount was fuelwood. Roundwood imports went up by 21% on the preceding year reaching 882,200 m³ (US\$ 41 million). Fuelwood imports were relatively meager as they amounted only to 200 m³. The leading product in the exports of industrial roundwood was softwood (74%). The imports industrial roundwood, however, are dominated by hardwood, which accounts for 61% of such imports.

Foreign trade in wood products

In 2001, Poland exported 756,500 m³ of **sawnwood** with the combined value of US\$ 130 million, thus reaching a mere 69% of the 2000 level. About 69% of the total quantity of sawnwood was coniferous sawnwood, with broadleaved sawnwood accounting for the remaining 31%. Sawnwood imports in 2001 amounted to 458,300 m³ (US\$ 72 million), up by 21% over the preceding year. With a share of 55%, coniferous sawnwood dominates of such imports. The broadleaved sawnwood imports amounts to about 40% and tropical - 5%.

In 2001, Poland exported 1,492,800 m³ (US\$ 332 million) of wood-based panels, posting growth of nearly 12% on 2000. Wood-based panel exports were dominated by particle boards (729,000 m³ or US\$ 124 million), 39% of which were OSB (283,000 m³). Exports of fiberboard reached 623,600 m³ (US\$ 118 million) with MDF accounting for 30% (184,400 m³) of that quantity. The 2001 exports of plywood, including core plywood, increased by about 18% to an estimated level of 128,200 m³ (US\$ 69 million). Meanwhile, exports of veneer sheets dropped by 9% to 12,000 m³ (US\$ 21 million). The 2001 imports of wood-based panels rose by 23% reaching 843,300 m³ or US\$ 199 million. Imports of particle boards reached 59% of total wood-based panel imports (i.e. 494,200 m³ or US\$ 60 million). The comparable proportions were 31% (263,400 m³ or US\$ 79 million) for fiberboard, 8% (65,600 m³, US\$ 29 million) for plywood and core plywood and an estimated 2% (20,200 m³, US\$ 31 million) for veneer sheets. In 2001, Poland exported 36,100 tons of **wood pulp** valued at US\$

15 million. Meanwhile, wood pulp exports added up to 293,600 tons (or US\$ 140 million). An 11% increase in both exports and imports of the product was observed on 2000. An increase (of 14%) was also observed in the exports of **paper and paperboard** (to 859,900 tons or US\$ 522 million). Imports of these goods amounted to 1,306,300 tons (US\$ 996 million), up by 31% on 2000.

3.3. Prospects for growth of raw wood materials and main wood products markets from 2002 to 2003

Raw wood materials

Forecasts show that the volume of removed raw wood materials will recover from its 2001 plunge to reach 27 to 28 million m³ in 2002 and 2003. According to preliminary estimates, increased production is to be expected of sawnlogs and veneer logs, mainly coniferous and pulpwood (Questionnaire TC1). Throughout the period, wood imports are expected to prevail over wood exports. In 2003, imports are likely to exceed 2001 values by 11% whereas exports are anticipated to grow by about 15% (also on 2001).

Wood products

The available data show few prospects for a significant increase in the production of the majority of wood products in 2002. The situation is unlikely to improve until 2003. By 2003, increases are predicted in the production of coniferous sawnwood and broadleaved sawnwood (Questionnaire TC2). However, projections suggest that coniferous sawnwood production (3.2 million m³) will not exceed beyond the 2000 level. The production of plywood (including core plywood) and particle boards (including OSB) is expected to remain unchanged. Increases are likely in the production of fiberboards - MDF by about 29% and insulating boards - by 6% respectively. Veneer sheets production is likely to decline in 2003 by approximately 4%. The production of wood pulp is expected to stay at the 2001 whereas level paper and paperboard production is predicted to inch up at the average rate of 1% per annum.

The current trends are set to continue in the foreign trade through 2003. Exports of most wood products are likely to outperform imports – balance of trade are advantageous. Exceptions are imports of veneer sheets, wood pulp and paper and paperboard, measured in terms of value, which are expected to exceed exports.

3.4. Forestry certification in Poland

A total of 3.9 million ha or 55% of the total forests area in Poland is currently undergoing certification procedures. Nine State Forest Regional Directorates have obtained FSC (Forest Stewardship Council) certificates which indicate that wood products come from legitimate sources and that forests are properly cultivated. Some 100 companies throughout Poland now hold another document: the “Chain of Custody” (CoC) certificate of product origin. Six such certificates were either revoked or voided last year.

3.5. Wood promotion

Efforts to promote wood in Poland are occasional and limited in scope. Most focus either on the quality of particular products made by individual manufacturers or on promoting wood as an environment- and human-friendly product. Relatively low demand for wood products and tight competition from non-wood substitutes in Poland have made wood promotion particularly crucial. A project is currently under way to define key precepts of Poland’s national strategy of wood promotion. Its main objectives are to identify pressing short- and long-term problems, identify sectors and benefactors that are of strategic importance, select specific promotional activities for wood and develop promotion models best suited for the Polish wood market.

General economic indicators

Description	2000	2001
Gross Domestic Product <i>%, constant prices; previous year=100%</i>	104,0	101,0
Sold production of industry <i>%, constant prices; previous year=100%</i>	106,7	99,9
Construction and assembly production <i>%, constant prices; previous year=100%</i>	101,4	95,9
Dwellings completed <i>%, previous year=100%</i>	107,1	120,7
Dwellings under construction <i>%, previous year=100%</i>	105,7	101,2
Gross agricultural output <i>%, constant prices; previous year=100%</i>	94,4	105,7
Average paid employment <i>%, previous year=100%</i>		
- total	97,1	99,6
- industry	94,2	98,2
Average paid employment in enterprise sector	96,7	96,7
Registered unemployment rate (at year-end) ¹ <i>%, previous year=100%</i>	15,1	17,4
Average monthly gross real wages and salaries <i>%, previous year=100%</i>		
- total	101,0	103,3
- in enterprise sector	101,3	101,6
Price indices of consumer goods and services (inflation) <i>%, previous year=100%</i>	110,1	105,5
of which: Food	110,5	105,2
Investment outlays <i>%, constant prices; previous year=100%</i>	101,4	91,5
of which outlays on fixed assets	101,2	91,6
Trade	million US\$	
Exports	31 651,3	36 092,2
Imports	48 940,2	50 275,1
Balance of trade	-17 288,9	-14 182,9

¹ as a ratio of registered unemployed persons to the economically active civil population

Source: Prices in the national economy in 2001, Central Statistical Office 2002; Concise Statistical Yearbook of Poland, Central Statistical Office 2002; Statistical Bulletin, Central Statistical Office 2002, N° 5; Report on Poland's Socio-Economics Standing in 2001, Central Statistical Office 2002; Foreign trade I-XII 2001, Central Statistical Office 2002