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SPAIN

MARKET STATEMENT

1 GENERAL ECONOMIC TRENDS THAT AFFECT THE FOREST SECTOR AND FOREST INDUSTRIES

In Spain during 2001 all the economic situations of the euro-zone were demonstrated. But this cyclical phase was characterized by a continued slowdown. Manufacturing and investment activity reflected the most obvious signs of the international crisis: the Manufacturing Production Index closed in 2001 with a negative record. The activity in the construction and services industries, on which GDP depends nowadays, went down. Rates of growth had to reduce slightly as the previous situation of continual growth could no longer be sustained. In this respect the official figure/licitation, which had grown substantially and had supported the growth of the sector of the construction industry, indicated in 2001 a minor activity of building. On the demand side, the consumption which helped during last year to support growth started, at the beginning of 2002, to show clear symptoms of depletion gathering in all the indicators, (Table A).

At the end of 2001 and according to the information for the fourth quarter of the Survey of Active Population, it was noted that there was a slowdown in the creation of employment. However, since there had already been a small reduction of 17,400 in the number of employed people, it meant that in this quarter the point of cyclical inflexion regarding the Spanish labour market had been reached. Unemployment grew in all the sectors - except in the agriculture -, the rate of unemployment staying at 13.3 %. The fact that the active population continues growing whereas the creation of employment seems to be stagnant, indicates the need of the Spanish economy to grow at rates superior to those of the economies of its neighbours. Regarding inflation it reached 3,6 % interannually.

The present year was initiated against this economic background and already in the second quarter a growth rate of 0.4 % was obtained in interquarterly terms. This result is made clear by the positive contribution of the exterior sector, point 0.4 % growth against 0.2% that it had remained in the first quarter. It has also compensated for the minor contribution to the growth of internal demand that has gone down from 2.2 to 1.6 percentage points.

Nevertheless, the information from foreign sectors must be tinted to the effect that it does not reflect a bigger capacity of the Spanish economy to sell in the exterior, but only a lesser predisposition to purchase coherently with the deceleration of consumption and investment. Seen in this way, in the first trimester of 2002 Spanish exports reflected the fall of world trade and its imports were still affected by the inertia of national consumption. This inertia increased in the second quarter and although not being compensated by foreign demand, has turned out to be a countable positive balance. Both exports and imports continue to be in recession, though the first ones have begun to give samples of recovery atleast within the service sector; the second ones have accentuated their fall. If the numbers are analyzed – goods against services - it can be observed that there has been a bigger fall in exports in general, than in goods exports. This is coherent with the numbers of the Customs Subbureau and is also reflected in a bigger amount (containment) of exports than in imports in real terms.

The distribution of the added value generated by the Spanish economy in the second quarter also gives a clue as to what might be the origin of the inflation in Spain. In effect, opposite to the growth of the nominal revenue of 6 % in the second quarter (in interannual terms), the wages and managerial revenues have grown to 5.8 %. They have lost part of the quota of income distribution making clear production and import taxes grow to 8.5 %. Therefore, it seems logical to think that a certain acceleration of unitary tax costs is being produced and that the origin of the latter can be found in the differential (inflationary) one used in Spain as opposed to our community associates.

One of perhaps the most obvious things to be deduced is the difficulty of realizing trustworthy forecasts for the rest of this year and for next year, though a certain consensus seems to exist between analysts at the moment. They want to pospone any action until the recovery of the economy projected for 2003. The growth that is thought at the end of the year is of 2 %. In this context the growth waited for Spain for the year can be considered though reduced satisfactory, because it allows to continue creating employment.

2. DEVELOPMENTS IN FOREST PRODUCTS MARKETS SECTORS

A. VALUE-ADDED FOREST PRODUCTS AND ENGINEERED WOOD PRODUCTS

The Spanish sector of the wood and the furniture tells with a great specific weight inside the industry of the country for the atomization that it forms a social extensive fabric, since its number of companies (40.776. Information DIRCE 2001) 236.190 workers provide employment, of that 133.008 correspond to the sector of the furniture, that is to say, more than 56 %-and the rest to other industries transformadoras (sawnmill and brushed of the wood; manufacture of sheets and boards; structures of wood and pieces of carpentry and cabinet-making for the construction; packages and crates; furniture and other products of wood).

Provided that the sector a great multiplicity presents as for the number of activities and of companies that compose it, being fundamentally small these and medium companies (94,6 % of the industries They have less than 20 personnel and 26.585 companies have two or less than two, which is equivalent to 65 % of the whole of companies).

The clear amount of the sector of the wood and furniture reached during 2000 (last exercise of which we prepare of official information) the 17.598 million Euros, 13,37 % more than in the previous exercise, with a positive balance in the foreign trade, to a great extent thanks to the sector of the furniture, which besides is the one that relies on bigger number of companies (21.260), of personnel and of volume of business: 9.427 million Euros.

The total volume of the Spanish exports of the sector of the wood and the furniture reached last year 2001 the 2.450,018 million Euros, with an increase of 4,94 %, opposite to the increase of 14 % experienced on the previous period, which confirms the announced deceleration of the international markets.

EXPORTS OF THE SECTOR OF THE WOOD AND THE FURNITURE PER AUTONOMIC COMUNITY, 2001		
Nº	Autonomic Comunity	Million EUROS
1	Comunidad Valenciana	666,98
2	Cataluña	481,12
3	Galicia	228,264
4	País Vasco	170,379
5	Madrid	168,565
6	Castilla-La Mancha	141,553
7	Andalucía	122,701
SUBTOTAL		1.979,562
TOTAL		2.450,018

Information: ICEX / CONFEMADERA

PRINCIPAL DESTINIES Of THE □EXPORTS(_EXPORTS) OF THE SECTOR WOOD - FURNITURE YEAR 2001		
Nº	Country	Million EUROS
1	France	521,649
2	Portugal	350,897
3	Germany	192,530
4	UK	190,767
5	ItalY	133,145
6	USA	126,198
SUBTOTAL		1.515,186
TOTAL		2.450,018

Information: ICEX. / CONFEMADERA

With regard to the sectorial imports, these they ascended in the year 2001 to 3.130,242 million Euros, number that represents 5,59 % more than in 2000, opposite to 19 % of increase of the previous period. This slowing down in the imports stops to guess again the repercussion of the global cooling of the economy in the sector, which before this situation resorts with bigger moderation to the buys on the outside, in benefit of a decrease of the stocks. It suits to highlight that of the lump sum of the sectorial imports 39 % corresponds(fits) to raw material (sawnwood and in brute) that it is used so much for the production of semimanufactures of wood (soils, doors, windows, structures, boards, frames for pictures, etc.) since for the manufacture of furniture. This fact indicates that the Spanish industry of the wood is an industry fundamentally transformadora

As it has been reflected previously, the Spanish sector of the wood in its set concluded last year 2001 with a few results more moderate than on previous exercises regarding the international market, though always in positive margins.

The forecasts for the present year estimate a slightly favorable conjuncture characterized by the deceleration of the world economy and the decrease of the national consumption, which provokes a cooling in the sectorial perspectives of investment in all the areas. Thus, the forecasts for the close exercise aim at a stabilization of the current situation.

This way, the evolution of the subsector of the Spanish furniture, that of bigger specific weight inside the industry of the wood, in the last trimester of 2001 has been negative for the first time in several years, though the global information of the exercise is positive, with one 1,09 % of growth. This growth is very much minor to experienced in the last six years-12 %-, something that can considered to be normal in a situation of deceleration.

To this it is necessary to add the strong decline that they have experienced the exports of furniture during the first quarter of 2002, around 10 %, though certain recovery is waited in the number of April

Nevertheless, as for the export of products of wood (except furniture) the information corresponding to January, 2002 is the best of last years: 64.840 thousands of Euros, 16,17 % more than the exported in January, 2001.

On the other hand, the Spanish sector of the construction, - that acts as locomotive of the industry of the wood-, will grow 2,5 % in 2002, the half that in 2001. But in spite of this deceleration still it is supported and it will be supported over the European average, with a pace of acceptable growth. Though in this area it is necessary to emphasize that the bigger deceleration is waited in the component of construction of residential housing, whereas the civil engineering will be the most dynamical component. (Forecasts of the European Institute of the Construction Euroconstruct).

With regard to the machinery, the production of the Spanish sector of _capital goods for the industries of the wood and the furniture reached in 2001 a whole of 180 million Euros, with a few exports of 80 million Euros, which supposes an increase of 5,9 % on the number reached in 2000. It is important to indicate that of the hundred of companies that compose the sector, the half of them they are exporting habitual. As for the imports, these they placed concerning the 200 million Euros.

The trend during 2002 as for the domestic market expected to the fall (which it is possible to to verify that he agrees to level macro in the indicators of sales of capital goods of the National Institute of Statistics, INE, which does already one year they are in setback). Nevertheless the exports will be supported or even a light increase will be obtained. With regard to the imports, logically they will suffer an important decrease, given the slowing down of the domestic market. Thus, the rate of coverage undoubtedly will improve, to place in levels of 50 %. (Information of the Association of Spanish Manufacturers of Machinery, Tools, Equipments(teams) and Products for the Madeira, AFEMMA).

B CERTIFIED FOREST PRODUCTS

The forest certification was started developing in Spain from 1998, at present though there is no demand in the domestic market and the demand for certified products come from export market.

In the present year there has appeared finished the Spanish system of forest certification PEFC, this schem has been approved inside the frame of the PEFC Council in May, 2002. Spanish schem is based on the fulfillment of the forest legislation and on the official procedure of the Spanish body of normalization, realized in the Technical Committee of standaritation of sustainable forests management, with the participation of the stakeholders.

The system of forest certification Spanish PEFC is being leaned by the owners of forest private) and contemplates all three levels of certification, to individual scale, of group, and regionally. At present there is only a total certified surface, of 90.000 hectares, to individual scale, which they include masses of eucalyptus and 15.000 hectares of leafy others as blockheads, oaks and oaks, serial Mediterranean forest and pastizales. Worries exist on the part of the forest owners deprived of Spanish woman stick fast to this system of certification in different autonomic communities, good to level of group or to regional level, since it is the case of Cataluña and Basque Country, though there exist other autonomic communities that show interest for this level.

On the other hand FSC has developed the nacional standards and they are in public information, also experiences are developing pilot to know its aplicabilidad, but there do not exist forest surfaces certified by this system.Therefore still certified products do not exist and there could not have developed the certification of the chain of custody, though there are marginal productions of products of wood, of several companies, which import products of wood certified by FSC.

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C SAWN SOFTWOOD

The production of sawnwood of coniferous a new growth presented in the year 2001, based in the well activity of the construction, and there grew 15 %, production that has represented a maximum since the forecasts for this year establish a decrease of the production estimated in 3 %.

The exterior trade during the year 2001 has not changed his(its) trend, and the imports continued ascending, reaching 2.103.000 m3. The exports only shown to 83.000 m^3. For the year 2002, the forecasts are cautious and reflect already in the first semester a decrease also in the serrated wood of coniferous as in the rest of products of the wood.

D SAWN HARDWOOD (TEMPERATE AND TROPICAL)

The production of sawnwood not coniferous also an increase of 2001 presented, growth of 21 % nevertheless this number is below the imports that promoted 1.110.000 m3, of that 533.000 m3 corresponded(fitted) to wood tropical., nevertheless exports it is practically non-existent.

The forecasts for 2002 also establish a decrease of 6 % in the imports whereas the exports supports this low level.

E WOOD BASED PANELS (PARTICLEBOARD, FIBREBOARD AND MDF, PLYWOOD)

The constant production of boards growing in Spain for the amplifications of capacity, relating to boards of particles, with new projects the production has not grown so much since it might expect since the economic recession and the low activity of building affected in the industry of the furniture and in the materials that this one uses. The production of particleboard nevertheless grew 18 % and it(he,she) is predictable that in 2002 gets down 3 %.

The MDF mantien its levels of production though its growth is not so spectacular as in the previous years, and for the first time it thinks that it has demonstrated a decrease that might be established for 2001 in 7 % and to stop to recover with a growth of 7 % in 2002

Nevertheless the Hardboard and the Plywood, they support thier productions due to the fact that the productions are not raised and their market is less affected for big variations

The exterior trade of pwood based panels have been characterized by a great activity of the imports, for example 602.000m^3 opposite to 318.000 m^3 of exports for the particleboard; different trend for the MDF that presented 259.000 m^3 of imports opposite to 354.000 m^3 of exports.

In all the types of boards a supported consumption appears though it continues the trend of the construction and the forecasts point at moderate increases but from 2003.

F PULP AND PAPER

Paper production in Spain, which rose to 5,132,200 tons in 2001 compared to the 3,767,500 tons produced in 1996, has accumulated a growth rate of 36% in the last five years. European paper production grew by 17.5% over the same period, while Spanish GDP registered aggregate growth of 20.2%. The sector's turnover in 2001 rose to 4.075 billion Euros.

In recent years, Spanish papermakers have invested over 360 million Euros and a further 890 million are planned for the near future. All this investment is aimed at being in a position to meet the growing domestic demand as well as to improve the sector's export performance, which has already seen a remarkable growth of 72% in the last five years, while imports during the same period also grew by 24%.

In recent years, Spanish paper companies have not only increased their presence on foreign markets through larger exports, but have also initiated a growing investment program abroad, in countries such as France, Portugal, Latin America and so on.

At the same time, a resizing process has taken place within Spanish production mills, which has led to significant gains in productivity and competitiveness. While in 1996 a mere 6% of Spanish paper mills had an annual production capacity of over 100,000 tons, nowadays that figure has reached 14%. Yearly production per employee has grown by 30% in the last five years, from 299 tons in 1996 to 386 tons in 2001.

Paper and board production in Spain in the year 2001 grew by 7.7% to 5,132,200 tons, an all-time record. Current figures confirm the growing tendency for 2002 although the overall economic climate has somehow softened the expectations. During the first 2002 Semester market pulp production accounted for 593.200 tons, an increase of 4,3 % as compared to 2.001. During the same period paper production reached 2.734.200Tm, a 4,5 % increase to the previous year. However, strong differences are occurring among the various paper sectors with Printing and writing scoring the highest performance, packaging papers on the average and newsprint significant decrease. Forecasts suggests that 2002 paper production could reach 5.352.000 tons.

Forecast for 2003 are difficult as there is serious questions on the market evolution for the coming months. However, Spanish paper production could reach a level of 5.539.000 tons during 2003.

G Wood raw materials (e.g. roundwood incluiding sawlogs and pulpwood)

As for the consumption of raw material, in general during the first half of the year 2002 the consumption of wood proves to be stable, though with certain slowing down, in agreement with the evolution of the construction of housings. The imports in general have been supported (according to the numbers of January of this year), with the exception of beech, that it has experienced a strong decrease. The tropical serrated wood also has experimented a setback on the import.

The uncertainty has been the predominant note in the latter trimester. The forecasts in the consumptions are still high, but the realized consumptions mark a notable diversion. This way, we meet(met) an internal low consumption in red wood of always as the sapelly, and high place for the consumption of talí.

Entering only the comparison of m3 and numbers of sales obtained in what it goes of year, with the same previous period, we would have conclude that the market of raw material stops the sector it is supported without experiencing notable uneveness, and the latter quarter has supported the same keynote. (Information of the Importers' Spanish Association of Madeira, AEIM).

Increases have appeared in the demand of sawlogs and pulpwood (round and split) and the forecasts establish that for the year 2002 and 2003 this demand growths for the supply of the industry of pulp, for its amplifications of capacity. Nevertheless a problematics exists for the competition of the residues of wood proceeding from the first and second transformation of the wood, as well as of wood recycled for its use in the manufacture of particleboard., with its use for appraisement energática in agreement with the Plan of Promotion of the Soustenible Energies Renewable that must fulfill the Spanish State, according to the signed in Kyoto's Protocol.

3. TABLES

A. ECONOMIC INDICATORS

	2000	2001	2002e
1.Gross Domestic Product, (%)	4.2	2.7	2.0e
2.Final consumer spending	4.2	2.6	2.0
3.Homes ¬Non Profit	3.9	2.5	2.0
4. Civil Service	5.0	3.1	1.7
5.Consumer Price Index	3.4	3.6	3.3
6.Domestic demand	4.4	2.8	1.9
7.Registered unemployment rate	14.1	13.3	13.7
8.Exports	10.0	3.4	-2.0
9.Imports	10.6	3.5	-2.1
10. Construction	6.1	5.8	4.5