TURKEY

MARKET STATEMENT

72th Session of UNECE COFFI 18-21 November 2014, GENEVA

General Economic Trends Affecting the Forest and Forest Industry Sectors

Economic recovery continued at a reasonable pace in 2013. Gross domestic production (GDP) grew by 4.1 percent which is over expectations and the revised target of Medium-term economic program (3.6%). Manufacturing industry and construction sector grew by 3.7% and 3.8 respectively. Other indicators, construction and occupancy permits are pointing out stronger recovery for housing in 2013 and the first half of 2014. In the first 9 mounts of 2014, growth of construction sector is relatively modest (3.8). However, total house sales decrease slightly (0.3%) as a result of sharp decrease (23%) of mortgaged house sale in the same period.

Economic developments realized in the first half of 2014 indicate slower recovery in 2014. GDP, manufacturing industry and construction sector increased by 3.3%, 3.6% and 3.8% respectively compared to the same period of 2013.

Turkish government revised the target of GDP growth and reduced to 3.3% from 4%, considering adverse internal and external economic environment. The revised IMF GDP forecast is 3%.

To decrease in current account deficit and combat against high inflation are important priorities of the economic program. Measures being taken in this context such as limitation of credit-based spending and tight monetary policies have some pressure on the growth. Moreover, ongoing political instability and increasing tension in peripheral countries of Turkey and the explanations of FED (Federal Reserve) concerning the raise interest and normalization have been causing volatility in currency rates and borrowing cost and decrease consumer and investor’s confidence.

In addition, recession witnessed in some EU countries and sluggish recovery in Euro Zone has adverse impact on Turkish Economy. On the other hand, monetary expansion and easing of interest rates by ECB (European Central Bank) and another monetary expansion by Japan is helping the economic recovery.

The resent sharp decrease (about 30%) of oil price likely to help economic recovery as Turkey is net oil importer. It will help managing of high current account deficit and reducing high inflation.

Wood Raw Material

GDF reduced round wood production in 2013 taking into account over supply and huge volume of industrial wood stocks from previous year. Therefore, industrial wood production of GDF fell in 2013, but industrial wood sale volume increased (with the effect of sale from stock) by 6% equal to 4% of total country consumption. Sawlog price fell nearly 15%, mainly with the effect of the oversupply. Demand and supply balanced in the middle of

2013. Since then, the price has been risen gradually and average price increase of sawlog reached to 39% from the bottom (changing from 30% to 45% according to tree species).

GDF’s Industrial production increased significantly (9.2%) but sale increased slightly (1.3%) within the first 10 months of 2014. Fuel wood production and consumption decreased slightly in 2013 and 2014.

Trade

Import of wood and wood products, included in chapter- 44 of harmonized system, fall slightly (3,4%) and export increased considerably (10%) in 2013. within the first 9 months of 2014, total wood and wood products import decreased by 7.7% and export increased by 25%. The main driving factor in import decrease and export increase is currency rate change (value loss of TL).

Contrary to decreasing import trend, sawnwood and plywood import continued to increase significantly. Particleboard and fiberboard export value increased sharply (respectively 86% and 38%) within the first 9 months of 2014. The decreasing trend of sawlog import continued in 2013 and within the first 9 months of 2014.

Recent Legislations and Policy Measures

Ongoing medium term economic program of government and measures taken by Central Bank of the Republic of Turkey strengthen the economy and reduce fragility against external shocks.

The incentive, came into force by a law amendment in 2011 for electricity production from renewable energy source, has not had any significant impact on wood market still.

As for forestry, Round wood production increase policy of General Directorate of Forestry (GDF) is continuing. Finally, together with wood industry representatives, GDF have decided to establish industrial plantation, significant portion of which will be established by private sector. The implementation of this is very likely to increase wood raw material production and enable better protection of natural and semi natural forests.

Certification

Demand for certified wood products is still limited in domestic market. Demand for certified products comes generally from exporters. Any significant positive result of certification on round wood marketing has been witnessed yet. There is no significant compelling demand by stake holder for the certification of the forest management too.

Nevertheless, GDF has been continued forest certification to improve it’s forest management. 2.4 million ha. (11% of total forest area) forest has been certificated by FSC certification until now. The area of the certified forests is planned to be expanded up to 3 million ha in 2015.

Table 1. Growth Rates and Some Economic indicators, Turkey

2010	2006	2007	2008	2009	2010	2011	2012	2013	2014 First half	2014 Est.
GDP	6,9	4,7	0,7	-4,8	8,9	8,5	2,1	4,1	3,3	3,3
Manufacturing	8,4	5,6	-0,1	-7,2	13,6	9,4	1,7	3,7	3,6	3,5
Construction	18,5	5,7	-8,1	-16,1	17,1	11,2	0,6	7	3,8	3,6
Budget deficit % (percentage of GDP)	-0,8	1	2,2	6,7	3,6	1,3	2	1,2		1,4
Current accounts deficit (billion $)	32,2	38,4	42	14	48	76,9	49	65,4	46,7*	46

Source: 1-Turkish Statistical Institute, Prime Ministry, Republic of Turkey 2-Ministry of Finans (http://www.maliye.gov.tr), 3- http://www.tcmb.gov.tr/

Table :5 Number of Construction and occupancy Permits of New Buildings and Additions, total

YEARS	According to Construction Permits						According to occupancy Permits					
	Number of building (000) /change (%)		Floor area (mil. m²)/change (%)		Number of dwelling unit / change (%)		Number of building (000) /change (%)		Floor area (mil. m²)/change (%)		Number of dwelling unit (000)/change (%)	
2005	107	42	106	53	547	65	64	57	50	62	250	52
2006	114	7	123	15	600	10	73	15	57	14	295	18
2007	107	-7	125	2	585	-3	68	-7	63	11	326	11
2008	95	-11	104	-17	504	-14	76	12	71	12	357	10
2009	92	-3	101	-3	518	3	80	5	81	14	404	13
2010	139	39	161	60	906	59	82	-18	85	-15	430	-13
2011	102	-27	124	-23	650	-28	98	20	106	25	557	30
2012	104	2	153	23	751	16	95	-3,1	104	-1,9	547	-1,8
2013	117	13	168	10	814	8	118	24	133	28	699	28

Source: Turkey's Statistical Yearbook,2013, Turkish Statistical Institute website (http:// www.turkstat.gov.tr))

TF1

UNECE TIMBER FORECAST QUESTIONNAIRE
Roundwood

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Note: Complete only if data for 2013 have been revised.

Product Code	Product	Unit	Historical data 2012	2013	Revised 2013	Estimate 2014	Forecast 2015
1.2.1.C	SAWLOGS AND VENEER LOGS, CONIFEROUS						
	Removals	1000 m^3	6.176	5.259	5.259	5.400	5.400
	Imports	1000 m^3	846 #	675 #	553	450	450
	Exports	1000 m^3	5 #	3 #	6	5	5
	Apparent consumption	1000 m^3	7.017	5.931	5.806	5.845	5.845
1.2.1.NC	SAWLOGS AND VENEER LOGS, NON-CONIFEROUS						
	Removals	1000 m^3	3.688	3.444	3.444	3.650	3.600
	Imports	1000 m^3	162 #	140 #	120	100	100
	Exports	1000 m^3	1 #	1 #	5	4	4
	Apparent consumption	1000 m^3	3.849	3.583	3.559	3.746	3.696
1.2.1.NC.T	of which, tropical logs						
	Imports	1000 m^3	20 #	15 #	28	20	20
	Exports	1000 m^3	1 #	0 #	1	1	1
	Net Trade	1000 m^3	19	15	27	19	19
1.2.2.C	PULPWOOD (ROUND AND SPLIT), CONIFEROUS						
	Removals	1000 m^3	4.734	5.406	5.406	6.100	6.500
	Imports	1000 m^3	0 #	0 #	0	0	0
	Exports	1000 m^3	0 #	0 #	0	0	0
	Apparent consumption	1000 m^3	4.734	5.406	5.406	6.100	6.500
1.2.2.NC	PULPWOOD (ROUND AND SPLIT), NON-CONIFEROUS						
	Removals	1000 m^3	2.679	2.409	2.409	3.100	3.400
	Imports	1000 m^3	0 #	0 #	0	0	0
	Exports	1000 m^3	0 #	0 #	0	0	0
	Apparent consumption	1000 m^3	2.679	2.409	2.409	3.100	3.400
3	WOOD CHIPS, PARTICLES AND RESIDUES						
	Domestic supply	1000 m^3	3.500 C	3.620 C	3.620	3.500	3.500
	Imports	1000 m^3	4.483 C	3.284 C	3.284	3.000	3.000
	Exports	1000 m^3	1 C	1 C	1	1	1
	Apparent consumption	1000 m^3	7.982	6.903	6.903	6.499	6.499
1.2.3.C	OTHER INDUSTRIAL ROUNDWOOD, CONIFEROUS						
	Removals	1000 m^3	364	202	202	250	250
1.2.3.NC	OTHER INDUSTRIAL ROUNDWOOD, NON-CONIFEROUS						
	Removals	1000 m^3	60	42	42	35	45
1.1.C	WOOD FUEL, CONIFEROUS						
	Removals	1000 m^3	1.762	1.692	1.692	1.900	1.800
1.1.NC	WOOD FUEL, NON-CONIFEROUS						
	Removals	1000 m^3	2.496	2.404	2.404	2.400	2.200

TF2

UNECE TIMBER FORECAST QUESTIONNAIRE

Forest products

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Note: Complete only if data for 2013 have been revised.

Product Code	Product	Unit	Historical data 2012	Historical data 2013	Revised 2013	Estimate 2014	Forecast 2015
5.C	SAWNWOOD, CONIFEROUS						
	Production	1000 m^3	4.307	4.184	4.184	4.285	4.285
	Imports	1000 m^3	881	865	865	930	930
	Exports	1000 m^3	14	19	19	25	22
	Apparent consumption	1000 m^3	5.174	5.030	5.030	5.190	5.193
5.NC	SAWNWOOD, NON-CONIFEROUS						
	Production	1000 m^3	2.375	2.221	2.221	2.350	2.320
	Imports	1000 m^3	72	89	89	98	95
	Exports	1000 m^3	10	9	9	10	10
	Apparent consumption	1000 m^3	2.437	2.301	2.301	2.438	2.405
5.NC.T	of which, tropical sawnwood						
	Production	1000 m^3	4	6	6	5	5
	Imports	1000 m^3	27	33	33	35	35
	Exports	1000 m^3	1	2	2	2	2
	Apparent consumption	1000 m^3	30	37	37	38	38
6.1	VENEER SHEETS						
	Production	1000 m^3	85 C	84 C	84	85	85
	Imports	1000 m^3	64 C	67 C	67	75	75
	Exports	1000 m^3	21 C	23 C	23	20	20
	Apparent consumption	1000 m^3	128	127	128	140	140
6.1.NC.T	of which, tropical veneer sheets						
	Production	1000 m^3	7	6	6	5	5
	Imports	1000 m^3	11	6	6	7	8
	Exports	1000 m^3	4	1	1	1	1
	Apparent consumption	1000 m^3	14	11	11	11	12
6.2	PLYWOOD						
	Production	1000 m^3	116 C	114 C	114	110	110
	Imports	1000 m^3	268 C	293 C	293	320	325
	Exports	1000 m^3	17 C	22 C	22	40	35
	Apparent consumption	1000 m^3	367	385	385	390	400
6.2.NC.T	of which, tropical plywood						
	Production	1000 m^3	8	8	8	9	9
	Imports	1000 m^3	5	3	3	4	4
	Exports	1000 m^3	0	1	1	1	1
	Apparent consumption	1000 m^3	12	10	10	12	12
6.3	PARTICLE BOARD (including OSB)						
	Production	1000 m^3	3.950	4.300	4.300	4.500	460
	Imports	1000 m^3	478	427	427	310	320
	Exports	1000 m^3	320	313	313	440	440
	Apparent consumption	1000 m^3	4.108	4.414	4.414	4.370	340
6.3.1	of which, OSB						
	Production	1000 m^3	75	75	75	75	75
	Imports	1000 m^3	192 R	193	193	185	185
	Exports	1000 m^3	5	5	5	6	6
	Apparent consumption	1000 m^3	262	263	263	254	254
6.4	FIBREBOARD						
	Production	1000 m^3	3.915 C	4.300 C	4.300	4.900	5.000
	Imports	1000 m^3	761 C	600 C	600	380	370
	Exports	1000 m^3	589 C	530 C	530	635	630
	Apparent consumption	1000 m^3	4.087	4.370	4.370	4.645	4.740
6.4.1	Hardboard						
	Production	1000 m^3	0	0	0	0	0
	Imports	1000 m^3	341	268	250	250	250
	Exports	1000 m^3	93	81	81	75	75
	Apparent consumption	1000 m^3	248	187	169	175	175
6.4.2	MDF (Medium density)						
	Production	1000 m^3	3.900	4.285	4.285	4.885	4.985
	Imports	1000 m^3	420	332	332	112	102
	Exports	1000 m^3	465	425	425	538	533
	Apparent consumption	1000 m^3	3.855	4.192	4.192	4.459	4.554
6.4.3	Other fibreboard						
	Production	1000 m^3	15	15	15	15	15
	Imports	1000 m^3	0	0	18	18	18
	Exports	1000 m^3	31	24	24	22	22
	Apparent consumption	1000 m^3	-16	-9	9	11	11
7	WOOD PULP						
	Production	1000 m.t.	63 C	65 C	65	70	70
	Imports	1000 m.t.	842 C	938 C	938	1.000	1.050
	Exports	1000 m.t.	2 C	31 C	31	35	38
	Apparent consumption	1000 m.t.	903	972	972	1.035	1.082
10	PAPER & PAPERBOARD						
	Production	1000 m.t.	2.784 C	2.784 C	2.850	2.900	2.950
	Imports	1000 m.t.	2.711 C	2.793 C	2.954	3.000	3.050
	Exports	1000 m.t.	362 C	370 C	686	700	680
	Apparent consumption	1000 m.t.	5.133	5.207	5.118	5.200	5.320