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Austrian Market Report 2000

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The economic upswing continues, with the manufacturing index in April up by 12 percent from the year before. This development is due to a substantial stimulus of rising exports and investment activities. In accordance with the favourable economic situation, unemployment is declining noticeably, although employment growth has slowed down. The rate of inflation jumped to 2.7 percent in June, with a half percentage point being due to the increase of consumer taxes and 1 percentage point to high energy prices.

The recovery of the Austrian economy continues at an undiminished pace. During the first four months of the year, manufacturing output exceeded the previous year's level by almost 12 percent. The production of intermediate and investment goods increased most strongly. Benefiting from favourable economic developments abroad and the weakening of the Euro, exports constitute a major factor in the current upswing. During the first four months of the year, exports to EU countries increased by 12 percent, while exports to third countries even grew by 17 percent. Private consumption is flourishing, not least due to the net income effects of the tax reform and the package of family-related measures: retail sales (excluding car sales) grew by 4 percent in real terms during the first four months; new passenger car registrations remained slightly short of the previous year's level.

Currently, consumer prices are increasing faster in Austria than in the Euro zone. Owing to the increase of the engine-power related insurance tax and other charges as well as rising energy prices, the rate of inflation rose to 2.7 percent in June, thus reaching its highest level since 1994. The wage increase negotiated during the most recent round of collective bargaining (+2.0 percent) is lower than the current inflation rate.

The reduction of unemployment exceeds the growth of employment in Austria, which means that some of the previously unemployed have left the labour market.

Together with the declining supply of domestic labour, this points to an increasing trend towards early retirement – particularly in view of the fact that access to early retirement is about to be made more difficult.

Compared with the spring figures, the growth of employment (+17,000 in July) has been halved. The number of Austrian citizens in employment grew by about 5,000 over the previous year's level. At the same time, the number of registered unemployed fell by 27,500. The reduction was strongest among persons aged over fifty years (-8,600). In view of the sluggish development of employment, this appears to be due, above all, to anticipation effects (early retirement) rather than a higher number of jobs for senior workers.

Table 1

	Percentage changes from previous year				
	1997	1998	1999	2000	2001
GDP value	+ 1,2	+ 2,9	+ 2,1	+ 3,5	+ 3,2
Export value	+ 16,5	+ 8,1	+ 6,9	+ 10,0	+ 8,8
Import value	+ 9,4	+ 7,1	+ 5,4	+ 9,0	+ 7,0
Consumer prices	+ 1,3	+ 0,9	+ 0,6	+ 2,0	+ 1,7
Employment	+ 0,3	+ 0,7	+ 1,0	+ 1,3	+ 1,2

2 Forestry

Economic development in 1999 and the opening towards the European market also affected forestry. Although the Federal Austrian Forests (Österreichische Bundesforste AG) has reduced the fellings by 4 %, the production

(annual fellings) and the investments in forestry increased slightly. The increase in small scale forestry (smaller than 200 hectare) is caused by the intensive cooperation between the forest owners. Additionally, the increased demand for timber products abroad improved the profits in forestry, as compared to 1998. The recovery of the timber market resulted in stable roundwood and also sawnwood prices.

The upswing of the business cycle - one result of the development of demand and production in the southern and western economic partner countries - also depends on the further development of the currency exchange rate Euro-Dollar. Additionally, economic expansion in the countries of central and eastern Europe - due to highly dynamic patterns of private consumption – and especially the effects of the storm disaster in central/western Europe is likely to have a negative impact on the prices for Austrian roundwood, as large quantities of cheap roundwood imports have a strong impact on the domestic timber market.

Table 2

Product	Year	Production	Imports	Exports
		1.000 cbm		
Industrial Roundwood	1998	10858	5113	792
	1999	10988	7039	984
	2000	10950	7200	1000
	2001	11000	7100	1000
Wood residues, chips, particles	1998	3262	669	581
	1999	3300	849	696
	2000	3250	850	700
	2001	3300	850	700
Fuelwood	1998	3175		
	1999	3096		
	2000	3100		
	2001	3200		

3 Forest Industries

3.1 Sawmilling Industry

The general economic situation had positive effects on the sawmilling industry. 1999 saw very diverse timber market situations in different countries, mainly due to the development of the currency exchange rates. There is an upward trend of the US Dollar, which has been persisting since the introduction of the Euro. Currencies of notoriously soft value have been upvalued, such as the Swedish Crown, which increased the competitiveness of Austrian products. This resulted in increased sawnwood production and satisfactory sawnwood sales at stable prices in 1999. The total exports of coniferous sawnwoods increased by 19%, while the imports even grew by 24% in 1999.

Though the economic activity of the construction sector increased and proactive market politics, along with Scandinavian competition effected the market, there were profits in sawnwood from Austria's main customers (Italy, Japan and Switzerland) in 1999.

The current upswing of the construction sector and rising domestic demand forecast increasing sales of Austrian sawnwood in Europe. In 2000 to 2001, positive impacts on the economic cycle, mainly emanating from Europe, the USA and to some extent from East Asia, may result in an improved export situation for the Austrian sawmilling industry, due to favorable currency exchange rates.

Table 3

Product	Year	Production	Imports	Exports	Domestic Consumption
		1.000 cbm			

Coniferous sawnwood	1998	8500	850	4750	4700
	1999	9500	1050	5650	4950
	2000	9700	900	5800	5000
	2001	9700	900	5800	5000
Non-coniferous sawnwood	1998	175	195	105	265
	1999	190	260	145	290
	2000	200	250	160	290
	2001	200	250	160	290

3.2 Pulp and Paper Industries

Similar to the other sectors of economy, pulp and paper industries showed a good in 1999. The main focus of the Austrian paper and pulp industries were increased investments in, environmentally-sound processing techniques which will provide the main basis for market politics in the next years. Nonetheless, the economic cycle impaired the production of the sector. There is reason to believe, though, that improved currency exchange rates and economic growth in the countries in transition to market economy will favour trade in 2000 and continue on in 2001.

3.3 Woodprocessing Industry

The woodprocessing industry recorded a positive development in 1999. Compared to 1998, there was a trend away from areas depending on construction and furniture production towards ski products and wood materials, mainly solid wood panels.

The increase in the orders position in 1999 led to a positive development in employment in the woodprocessing industry which might also be due to the medium-sized business structure of the sector. Foreseeably, the growth rate of the woodprocessing industry exports will increase over the course of 2000 and 2001.

Table 4

Product	Year	Production	Imports	Exports
		1.000 cbm		
Plywood	1998		121	180
	1999		132	188
	2000		140	200
	2001		140	200
Particle board	1998	1800	218	1234
	1999	1850	318	1184
	2000	1850	340	1200
	2001	2000	340	1200
Fibreboard	1998	165	125	165
	1999	170	170	199
	2000	400	180	200
	2001	400	180	200