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Timber Committee
Fifty – eight session

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MARKET STATEMENT OF THE CZECH REPUBLIC

FOR

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1. General economic situation

The economy of the Czech Republic entered the year 1999 under unfavourable conditions. The volume of GDP decreased in 1998 by 2.2% year-on-year (at 1995 constant prices). GDP decreased in the 1st quarter of 1999 by 3.3%, stagnated in the 2nd quarter and started to grow slightly in the 3rd quarter. In 1999, the volume of GDP decreased by 0.2% year-on-year down to CZK 1397.9 bn (at 1995 constant prices). This year-on-year decrease in GDP on the demand side of the economy was braked by 0.8% growth of final consumption. On the supply side, the GDP decrease was decelerated by 11.2% and 6.8% growth of gross value added in financial intermediation and transport plus communications, respectively.

In the 1st quarter of 2000, GDP grew by 4.4%, compared to the corresponding period of 1999. This trend in GDP was positively contributed to by all expenditure components of GDP. The trend in net exports was of a key influence (exports were growing faster than imports). It is assumed that the GDP of 2000 will exceed the GDP of 1999 by about 2.5%.

The economic decline in 1999 differed in individual industries. The economic performance of the **industry** in 1999 was mainly affected by restructuring and revitalization. The fall of 1998 output was gradually absorbed and the output started growing in November 1999. Compared to 1998, industrial output for 1999 decreased by 3.1% (at 1994 constant prices). After its 1998 drop, output of the woodworking industry saw a slight increase (1.6%); outputs of pulp and paper and printing industries grew by 0.3% only. These industries were stagnating in 1999.

The end of 1999 growth of industrial output continued in the 1st and 2nd quarters of 2000 and the growth was influenced by high dynamics of exports in particular. Industrial output grew most in manufacturing, namely in manufacture of wood and wood products, manufacture of rubber and plastic products, manufacture of electrical and optical equipment, etc. Over the period of January to June 2000, the industrial output grew by 5.0% year-on-year, of which the manufacture of wood and wood products grew by 20.6%, manufacture of rubber and plastic products by 16.5% and manufacture of pulp and paper and printing by 3.5%.

Sales of industrial output at 1994 constant prices, as cumulated over January to June 2000 grew by 8.3% year-on-year, manufacturing accounting for their 9.7% growth.

Not even the year 1999 brought revival to **construction**. The long-term adverse situation was influenced by low demand for construction work, insufficient orders and uncertain environment for investment. Construction output dropped by 6.5% in 1999 (at 1994 constant prices). The volume of construction work stood at CZK 212.2 bn (current prices).

The decrease in the construction efficiency, which was on from the end of 1997 to January 2000, stopped in February. The volume of construction work in the 1st quarter of 2000 was 4.0% above the volume in the 1st quarter of 1999 (1994 constant prices). The growth of construction output was linked with a slight increase in the number of construction orders. Over the period of January to June 2000, the volume of construction work was higher by 2.3% in comparison with January to June 1999. A substantial part of the total construction work volume was carried out in the Czech Republic, of which almost 9 tenths relating to new construction, reconstruction and modernisation.

The turn for the better in the economic development of the Czech Republic was contributed to by the rising demand and growing exports and imports in the area of **external trade**, where manufacture of rubber and plastic products, cars, electrical and optical equipment, pulp and paper, glass and ceramics and printing were the most efficient.

The 1999 developments in the area of external trade were differentiated considerably. In the 1st quarter exports decreased while imports were stagnating, and the growth rate of imports and exports was increasing in the remaining part of the year. Export dynamics was particularly fuelled by machinery, transport equipment and consumer goods. Trade deficit for 1999 stood at 69.9 bn CZK FOB/FOB/ (current prices) and was mainly due to the trade with developed economies (41.8 bn CZK FOB/FOB). Trade with the member countries of the EU brought a surplus of 2.8 bn CZK FOB/FOB. The same holds for trade with the CEFTA countries, where the surplus amounted to 28.0 bn CZK FOB/FOB (15.5 bn CZK FOB/FOB with the Slovak Republic).

In comparison with 1998, the year 1999 saw an 8.3% increase in the turnover of goods in external trade, of which imports grew by 7.5% to 998.7 bn CZK FOB/FOB and exports by 9.2 % to 928.8 bn CZK FOB/FOB. Imports were rising from developed economies, transition economies and state economies, whereas exports grew mainly to developed economies.

Import dynamics was slightly prevailing in external trade in the 1st quarter of 2000, compared to the corresponding period of 1999 and trade deficit grew in consequence. The growth of imports continued to be affected by rather high imports of mineral fuels, whose value was twice their value in the corresponding period of the past year, which was especially due to high prices of crude oil in world markets. Again, machinery was the bearer of export dynamics. Trade deficit for the 1st quarter of 2000 was 18.9 bn CZK FOB/FOB (current prices).

The period of January to June 2000 saw imports higher by 27.5% and exports by 23% than in January to June 1999.Trade deficit stood 24.9 bn CZK FOB/FOB (current prices) above the trade deficit for January to June 1999.

From the territorial point of view, exports particularly to developed economies were higher, namely by 24.3% of which exports to the ERU member countries accounted for 23.5%. Imports from Russia grew by even 65.2%, especially due to higher prices of crude oil.

From the point of view of the trend in the structure of external trade by commodity groups, the first half of 2000 saw increases in imports of mineral fuels by 97.5%; raw materials, semi-finished products and chemicals by 33.3%; machinery and transport equipment 27.7%; manufactured goods by 15.9%; and agricultural products and food by 6.0% (all year-on-year).

Exports of mineral fuels grew by 42.0%; machinery and transport equipment by 26.6%; agricultural products and food by 24.8%; raw materials, semi-finished products and chemicals by 22.6%; and manufactured goods by 12.4%.

There were upward trends in imports of logs and sawnwood and exports of sawnwood and wood-based panels were higher in the 1st half of 2000 than in the corresponding period of 1999. The import and export price index relating to wood and wood products according to the Harmonised System remained virtually at its 1st half of 1999 level.

Imports and exports of pulp of wood and cellulose fibres, paper and paperboard and products thereof grew in the 1st half of 2000, compared to the 1st half of 1999. In these ranges of products, the index of export prices according to the HS grew substantially, its increase being bigger for pulp than for paper and paperboard and products thereof. The index of import prices also grew, but not to such a large extent.

January to May external trade prices, as measured by the sample index of nominal prices (including exchange rate fluctuation) and converted into the current structure of external trade, grew by 13.0% (imports) and 3.5% (exports) year-on-year. Terms of trade thus got worse by 8.4 percentage points year-on-year. The development of import prices relating to the group of mineral fuels, where the year-on-year price index stood at 217.3, had an extraordinary impact on the development of terms of trade.

2. Developments in forest products markets sectors

Pulp and paper

In comparison with 1998, the production of pulp in 1999 slightly slackened by 0.3% to 572 thousand mt, like its imports by 0.8% to 157.7 thousand mt and domestic consumption by 3.6%. On the other hand, exports of pulp grew by 5.2% to 258.5 thousand mt. Recycling of paper for the production of pulp in 1999 increased to 308 thousand mt (2.6% year-on-year).

Average unit prices (current CZK FOB/FOB) in the trade in pulp, relating to the product range as a whole, grew in 1999 by 6.3% (imports) and 4.2% (exports) year-on-year.

Recorded for the product range of paper and paperboard in 1999 was a minor increase of 0,26% to 770 thousand mt; imports were higher by 11.1% growing to 500 thousand mt a exports rose to 467 thousand mt (+7.1%) - all year-on-year. The trend begun in 1998 – i.e. more paper and paperboard imported than exported – continued. The commodities were traded with the traditional countries in Europe. Average prices per unit (current CZK FOB/FOB), relating to the product range as a whole, decreased in 1999 more for imports (- 6%) than exports (-2.1%) year-on-year.

In the 1st half of 2000, the production of pulp considerably expanded (12%) as did exports, and export prices were more favourable in this period than the previous year. The production of paper and paperboard grew by 1% only, but both exports and imports were rather big. The production and exports of pulp and the production of paper and paperboard are expected to rise in 2000, compared to 1999; it is also expected that this condition could be maintained in 2001 too.

Roundwood including pulpwood

In 1999, removals of roundwood grew by 1.5% year-on-year to 14 203 thousand m3, of which industrial wood by 1.45% to 13 363 thousand m3 and fuelwood by 2.4% to 840 thousand m3. Trade in roundwood grew in 1999 compared to 1998, imports increasing by 4.2% to 817 thousand m3 and exports by 5.1% to 2 798 thousand m3. Domestic consumption of roundwood in 1999 grew by 0.9%. (All figures year-on-year.)

Average prices (current CZK FOB/FOB) per unit in the trade in roundwood, in the product range as a whole, increased in 1999 by 3% (imports) and 11% (exports) year-on-year.

The upward trend in roundwood removals is expected to stay on in 2000 and 2001 (11.4% and 1.0%, respectively) like the one in the area of trade and domestic consumption.

Removals of coniferous pulpwood decreased in 1999 by 1.3% to 4 790 thousand m3 as did imports and domestic consumption by 13.7% (to 578 thousand m3) and 3.6% year-on-year respectively. Exports remained at their 1998 level (1 000 thousand m3). This situation was brought about by the stoppage of the production of particleboards in two enterprises, which made the production lower in 1999 by 90 thousand m3, compared to 1998. The production of fibreboards, which turned out 36 thousand m3 in 1998, was also brought to an end.

Removals of non-coniferous pulpwood grew in 1999 by 1.2% to 800 thousand m3, exports growing by 21.6% and domestic consumption falling by 16.6%. This situation reflects decreases in the production capacity of particleboards.

Small increments in removals, trade and consumption of coniferous and non-coniferous pulpwood are envisaged for 2000 and 2001.

Softwood (sawnwood and logs)

In 1999, production of coniferous sawnwood grew by 4.9% year-on-year to 3 251 thousand m3, imports remained at their 1998 level, exports increased by 20.2%, and domestic consumption dropped by 4.3% to 1 940 thousand m3. The largest volumes of coniferous sawnwood were exported to Germany, Austria and Italy, and then to a number of European countries. The average export price (current CZK FOB/FOB) per unit of coniferous sawnwood in 1999 stood at approximately its 1998 level.

Expected for 2000 is the growth of the production of coniferous sawnwood by additional 4.5% to 3 400 thousand m3 and of exports by 8.1% to 1600 thousand m3. Imports are supposed to stay at their 1999 level (170 thousand m3) and domestic consumption is envisaged to grow by 1.5% year-on-year. Slight year-on-year increases in production, trade and domestic consumption are expected in 2001.

The year 1999 saw higher production of coniferous logs by 3.8%, amounting to 6 937 thousand m3; their exports grew by 12.3% 1 145 thousand m3 and domestic consumption by 4.5%. Given the fact that 1998 imports were low (34 thousand m3), they rose in 1999 several times to 161 thousand m3. 1999 imports of coniferous logs were mainly from Germany, Poland and Slovakia; exports were effected to Germany and Austria.

Slight increases in the production, imports, exports and domestic consumption of coniferous logs are expected in 2000 and 2001.

Hardwood (sawnwood and logs)

Production of non-coniferous sawnwood was 333 thousand m3 in 1999 (10% of the production of coniferous sawnwood), which translates into a very small increment in comparison with 1998. Imports, exports and domestic consumption also grew to a small extent. This trend of moderate growth is envisaged to remain in 2000 and 2001, too, and the production could reach 370 thousand m3 (+8.1%) and 370 thousand m3 (+2.8%), respectively.

1999 production of non-coniferous logs decreased by 0.5% to 736 thousand m3, imports remained unchanged, exports dropped heavily from 85 thousand m3 to 31 thousand m3 and domestic consumption grew by 10.3% to 781 thousand m3 (all year-on-year).

The year 2000 is expected to see a 3.2% increase in production to 760 thousand m3, a considerable increase in exports to 110 thousand m3, after the 1999 drop, and a moderate decrease in domestic consumption. There should be no substantial changes in 2001.

Wood-based panels

Particle board

In 1999, production capacity of particle boards decreased as a result of the decommissioning of two manufacturing enterprises. Compared to 1998, the production decreased by 11.4% to 700 thousand m3, which reflected in a rise in imports by 54% to 199 thousand m3. Exports stood at 421 thousand m3 (+3.9%) domestic consumption was the same as in 1998. Imports were mainly executed from Germany and Austria and exports went to a number of European countries (the largest volumes to Germany, Slovakia, Romania, Hungary and Poland).

No large changes in the production, imports, exports or domestic consumption are envisaged for 2000. The situation should remain unchanged in 2001.

Fibreboard

The production of hardboard was closed down in 1999 and only MDF boards are manufactured.

In comparison with 1998, the production of fibreboard dropped by 33% to 70 thousand m3 (MDF only); the whole product range of the board – hardboard, MDF and for insulation board - saw exports increased by 80% to 97 thousand m3, whereas imports and domestic consumption grew by a few per cent. Fibreboard imports were mainly from Germany and Poland, exports were implemented to a number of European countries.

Only moderate year-on-year increases in the production, imports, exports and domestic consumption of fibreboard above their 1999 levels are expected for 2000. The level of 2000 should remain in 2000 too.

Plywood

In 1999, the production of plywood grew by 2% to 110 thousand m3, imports went up by 80% to 54 thousand m3 and exports by about 30% to 120 thousand m3; there was a slight decrease recorded for domestic consumption (all year-on-year). Large volumes of plywood were imported from Germany and Finland and exported to Austria, Germany and Italy in particular.

In 2000, the production, imports, exports and domestic consumption of plywood should increased moderately above their 1999 levels; no changes against 2000 are foreseen for 2001.

Certified forest products

The Czech Republic is involved in the system of Pan-European Forest Certificate (PEFC) and set up the National Certification Authority and the Executive Board, in which groups interested in the certification of forest products represent forestry, owners' associations, trade and other organisations.

In compliance with the PEFC standards, draft national criteria and indicators for sustainable forest management were drawn for the Czech Republic, based on the Czech Republic's forestry policy approved in 1994 and the recommendations of the Ministerial conferences on the protection of forests in Europe (Helsinki 1993 a Lisbon 1998).

Developed in the framework of the national system of certification were directives for the implementation of forestry audits, qualification criteria for auditors and authorities responsible for certification and rules for the verification of the chain of custody.

Addressing the issues of forest products certification in the Czech Republic finds itself in the stage of preparation for implementation, both at national and lower administrative levels.

Summary of statistics and estimates (1000 m3)

Country: Czech Republic

Product	Year	Production	Imports	Exports	Apparent consumption
Coniferous sawnwood	1999	3251	169	1480	1940
	2000	3400	170	1600	1970
	2001	3430	180	1630	1980
Non-coniferous sawnwood	1999	333	91	64	360
	2000	360	80	70	370
	2001	370	80	75	375
Coniferous logs	1999	6937	161	1145	5953
	2000	7005	180	1190	5995
	2001	7065	190	1200	6055
Non-coniferous logs	1999	736	76	31	781
	2000	760	76	110	726
	2001	770	76	110	736
Coniferous pulpwood round and split	1999	4490	578	1000	4068
	2000	4550	580	1000	4130
	2001	4590	600	1050	4140
Non-coniferous pulpwood, round and split	1999	800	0	450	350
	2000	820	0	450	370
	2001	830	0	450	380
Particle board	1999	700	199	421	478
	2000	710	200	430	480
	2001	710	200	430	480
Plywood	1999	110	54	120	44
	2000	115	50	120	45
	2001	115	50	120	45
Fibreboard	1999	70	97	71	96
	2000	72	100	75	97
	2001	72	100	75	97

Production (removals) of wood in the rough
(1000 m3)

Country: Czech Republic

Product	Year	Industrial wood				Fuelwood	Total
		Total	Logs	Pulpwood	Other		
Total	1999	13,363	7,673	5,290	400	840	14,203
	2000	13,540	7,765	5,370	405	860	14,400
	2001	13,680	7,835	5,420	425	870	14,550
of which: non-coniferous	1999	1,551	736	800	15	230	1,781
	2000	1,600	760	820	20	240	1,840
	2001	1,620	770	830	20	250	1,870

3.
Tables

Selected economic indicators

Country: Czech Republic

Indicator	**Percentage change compared to previous year**			
	Actual			Estimate
	1997	1998	1999	2000
Gross domestic product (1995 constant prices)	-1	-2.2	-0.2	2.5
Industrial production (1994 constant prices)	4.5	1.6	-3.1	
of which: - woodworking industry	3	-2.3	1.6	
- pulp, paper and printing industry	10	8.8	0.3	
Construction (1994 constant prices)	-3.9	-7	-6.5	2
External trade (FOB/FOB, current prices)				
of which: - Imports	13.7	7.9	7.5	
- Exports	20.2	17.7	9.2	