

## **Country: PORTUGAL**

### **European Forestry Commission**

Thirtieth session

Rome, Italy, 9-13 October 2000

### **Timber Committee**

Fifty eighth session

Rome, Italy, 9-13 October 2000

## **MARKET STATEMENT**

### **A. GENERAL INFORMATION**

#### **1. Economic background**

Portuguese economic growth was not smooth throughout 1999. The first half of the year saw a fall in growth while there was a clear recovery in the second half. However, despite these contradictory trends growth as a whole was stable throughout the year and there was a real increase of 3.0% in Gross Domestic Product (GDP), although this was 1.2 % down on 1998.

Private consumption, although rising sharply (4.9%), slowed down by 1.2 % compared to 1998, the year in which Expo98 brought significant rise .

Public consumption rose 3.4%, slightly higher than the growth rate in 1998 (up 0.2 %).

Investment growth rate was 5.5% in 1999. A deceleration of 4.8% occurred in comparison with previous year. Gross Fixed Capital Formation, that fell from 10.3% in 1998 to 5.3% in 1999, is responsible for this deceleration due to the downward trend in interest rates in the second half of 1999 and the first half of 2000.

Domestic demand, involving the three previous factors as components, and of which private consumption and investment represent 58.4% and 23.9% respectively, accompanied the growth trend of the last two, recording a rate of 4.8%, down 1.8 %.

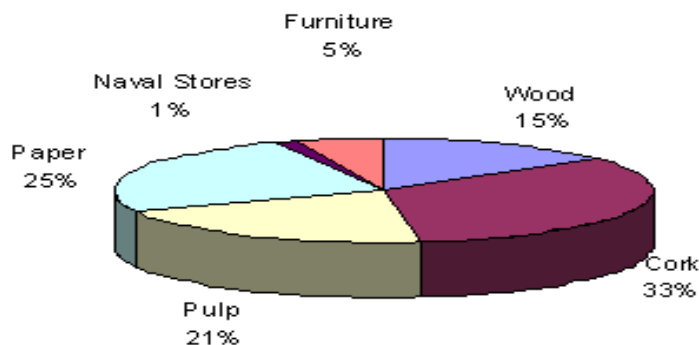
Exports (€32,374.5 million and -3.9 % compared to 1998) and imports (€44,245.9 million and -5.2 % compared to 1998) rose 4.6% and 9.0%, respectively. The import and export of services contributed in both cases towards this deceleration reflecting the underlying effect of Expo98. This meant that net foreign demand did not have such a negative effect on GDP growth in 1999.

The unemployment rate continued to fall, reaching 4.5% at the close of 1999. In the first half of 2000 it continued to fall (3.8%) aligning with the structural unemployment rate.

Inflation, calculated using the Harmonised Consumer Price Index fell in 1999 to an average rate of 2.2%, contrary to the case of the Euro zone as a whole.

#### **2. Forestry Products and Forests**

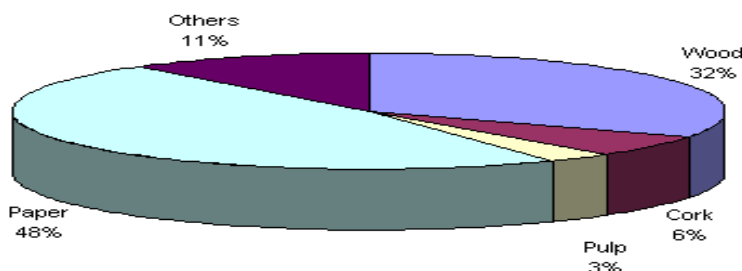
Global figures for international trade in forestry products in 1999 were  $449.3 \times 10^9$  PTE (€2,241.6 x 10<sup>6</sup>) for exports, and  $297.9 \times 10^9$  PTE (€1,486,0 x 10<sup>6</sup>) for imports. Exports of forest products in 1999 increased 1.9% in value and 0.3% in volume. Special emphasis should be made to pulp exports (20.8% of total value of forest products) which increased 15.4% in value and 10.9% in volume in relation to 1998.



The percentage of each exported forestry product was the following:

Imports of forest products increased 4.6% in value and decreased 14.6% in volume, in relation to the previous year. During 1999 imports of paper & board products increased 47.4% and wood based products increased 32.3%.

The percentage of each imported forestry product was the following:



In 1999 the Program of Forestry Development was concluded. It included actions of afforestation and improvement of forest stands. In the period 1994-99, 4 589 projects were approved under this program, mainly promoted by private forest owners (+/- 85% of total number of projects), of which 14% of the investment were supported by forest owners. The Program approved 65 000 ha of new afforestation areas and improvement actions in 164 000 ha of existing stands. There were also approved actions to prevent forest fires, including 7 620 km of forest roads and breakfires and 492 small ponds.

However, during this period, the main incentive was the Program of Afforestation for Agricultural Lands, which approved an average of 26000 ha per year in the period 94-99.

Forest fires continue to represent the main threat to forests. In 1998 total (forest and other land) burned area was 158 000 ha, representing forest stands around 36% of this figure. In 1999, the total area was about 67000 ha (less than 50% of the previous year)

## A. FORESTRY PRODUCTS MARKET

### 1. Softwoods

## 1. Sawn softwoods

Over the past three semesters exports of sawn softwoods have evolved as shown below:

	1999		2000
	1 <sup>st</sup> . half year	2 <sup>nd</sup> . half year	1 <sup>st</sup> . half year
Volume Exported (1000 m <sup>3</sup> )	171	161	155
Price (FOB) Index	100	101	96

The volume of sawn softwoods sawnwood decreased around 15% in relation to 1998. In 1999 there were imports of coniferous sawnwood of 53 000 m<sup>3</sup>, which represents a raise of 50% over 1997.

## 2. Coniferous logs

In 1999, domestic consumption of logs with originally from Portugal was around 2.9 million m<sup>3</sup>. Imports of coniferous logs were 118 thousand m<sup>3</sup> in 1999, significantly under the import volume of the previous year (-28%).

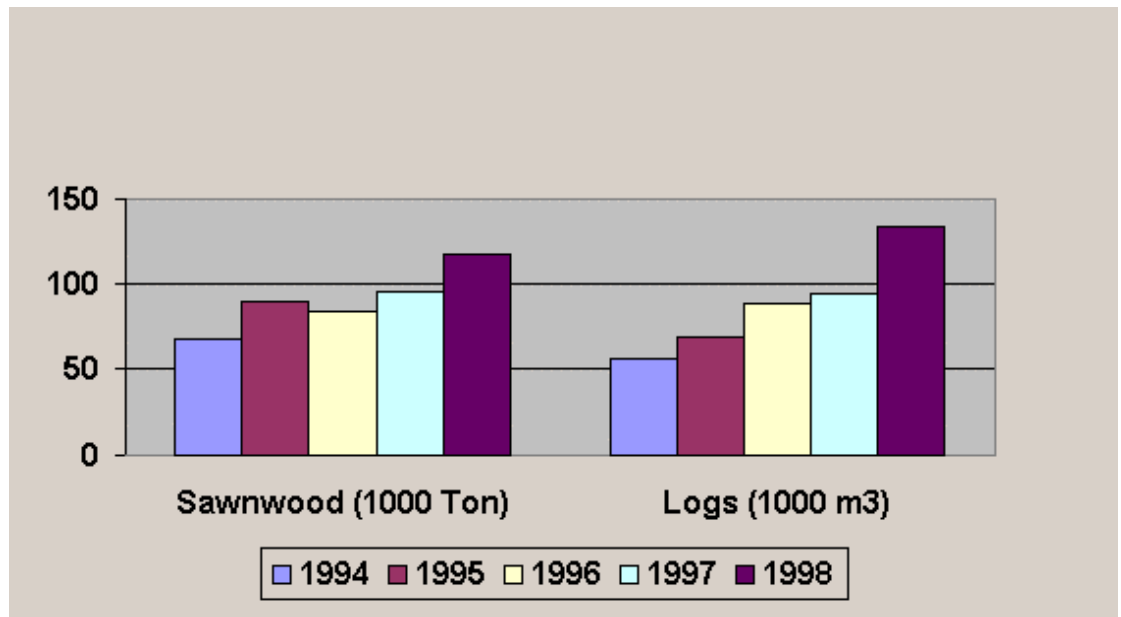
### 1. Hardwoods

#### 1. Temperate zone

Imports of sawnwood and logs of non-coniferous from the Temperate Zone over the last three semesters were the following:

		1999		2000
		1 <sup>st</sup> . half year	2 <sup>nd</sup> . half year	1 <sup>st</sup> . half year
	Volume imported (10 000 m <sup>3</sup> )	77	83	80
Sawnwood	Price (CIF) Index	100	102	116

	x			
	Volume imported (10 00 m <sup>3</sup> )	73	45	66
Logs	Price (CIF) Index	100	149	112



Sawnwood and logs imports from the Temperate Zone in the past five years (1994 to 1998) have risen, as shown on the graph below:

There was a fall in log imports in 1999 (- 11%), while sawnwood imports maintained a growing trend. This situation is expected to continue in 2000.

## 2. Tropical zone

Non-coniferous logs originally from Tropical Zone account for around 17% of the total value of imported wood based products.

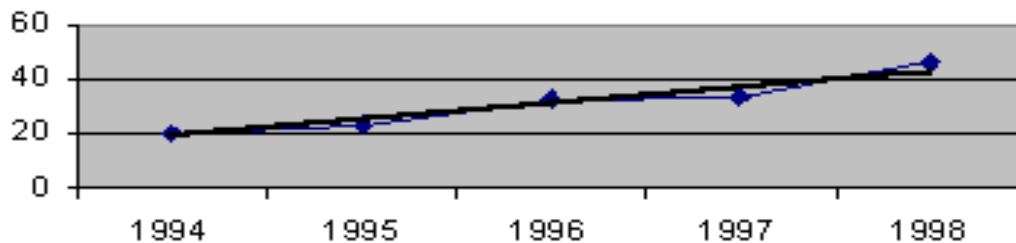
Imports of sawnwood and logs from the Tropical Zone over the past three half year periods were as shown below:

		1999		2000
		1 <sup>st</sup> . half year	2 <sup>nd</sup> . half year	1 <sup>st</sup> . half year
	Volume imported (1000 m <sup>3</sup> )	38	38	50
Sawnwood	Price (CIF)	100	103	99

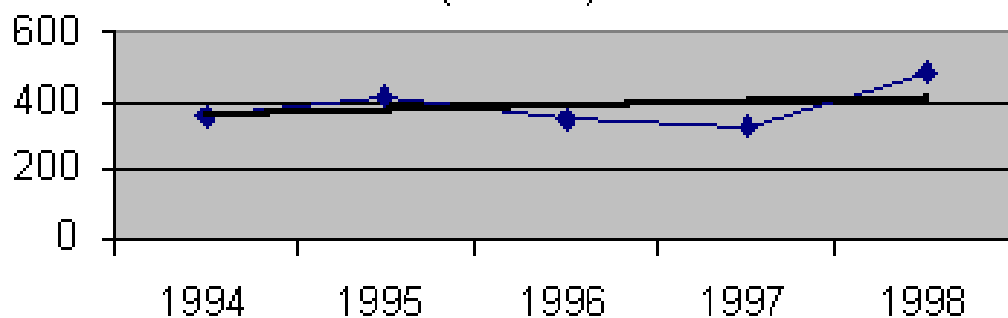
	Index			
	Volume imported (1000 m <sup>3</sup> )	183	185	176
Logs	Price (CIF) Index	100	103	109

Imports of sawnwood from the Tropical Zone over the past five years (1994 to 1998) rose significantly (+129%). In the case of logs there were fluctuations, but as a whole imports rose moderately, as shown on the following graphs:

Sawnwood  
(1000 MT)



Logs  
(1000 m<sup>3</sup>)



In 1999 there was a fall in the import of logs from tropical hardwoods (-24%), while sawnwood imports continue to show a growing trend (+22%). This situation is expected to be repeated in 2000.

## 2. Wood-based panels

Exports of wood-based panels over the past three half year periods are as follows:

			1999		2000
			1 <sup>st</sup> . half year	2 <sup>nd</sup> . half year	1 <sup>st</sup> . half year
Particle board		Volume Exported (1000 m <sup>3</sup> )	175	133	170
		Price (FOB) Index	100	98	93
		Volume Exported (1000 m <sup>3</sup> )	33	30	22
Fibreboard	Hardboard	Price (FOB) Index	100	92	106
		Volume Exported (1000 m <sup>3</sup> )	144	139	183
	MDF	Price (FOB) Index	100	95	97

### **Particle board**

Exports in the last 6 years showed a medium annual decreased of around 19 thousand m<sup>3</sup>, with the lowest level in 1999 (308 thousand m<sup>3</sup>, less 15% than in 1998). Imports in the same period kept a negative trend, which was reverted, in the last 2 years. Therefore there was an increase of 29% in 1999 in relation to 1998.

### **Fibreboard**

Exports, in the period 1994-1999, have increased annually around 25 thousand m<sup>3</sup>. MDF was the major contributor with 82% of total volume exported. Imports, in the same period, showed a more moderate increase (average of 5 thousand m<sup>3</sup> per year) being hardboard imports the main responsible, as MDF imported value had no significant increase.

### **Plywood**

Plywood exports have no significant share of the total wood-based panels exports. Imports, although not having a significant weight on the total volume of panel exports, showed a considerable growth in 1998 and 1999 (+92% and +30%, respectively).

## **3. Pulpwood**

Exports of pulpwood fell 5% in 1999 and this situation is foreseen to continue in 2000.

Imports of pulpwood, 90% of which is from eucalyptus, reached their highest level in 1998 with 1.5 million m<sup>3</sup>. In 1999 they fell by 38% and should be around one million m<sup>3</sup> in 2000.

## 4.1 Eucalyptus

During the last years the balance supply / demand has been showing some stability. The pulp industry has registered an increase in domestic provisioning of 4.8%, when compared with 1998. This situation permitted a decrease of the external dependency.

## 4.2 Maritime Pine

The wood-based panels and pulp industries suffered a reduction in the consumption of roundwood. The main reason for this particular situation is, in the case of wood-based panels industry, the consumption of wood residues from sawmills and other industries. In what concerns the pulp industry, this reduction has to do with the fall down of the consumption of pine roundwood.

### SELECTED ECONOMIC INDICATORS

(1997 – 1999)

Indicators	Units	1997	1998	1999
Inflation (HICP)	tvm %	1.9	2.4	2.2
Gross Domestic Product (GDP)	tvr %	3.7	4.2	3.0
Domestic demand	tvr %	4.9	6.6	4.8
Private consumption	tvr %	3.1	6.1	4.9
Public consumption	tvr %	2.7	3.2	3.4
Gross Formation of Fixed Capital (GFCF)	tvr %	11.9	10.3	5.3
Exports	tvr %	9.5	8.5	4.6
Imports	tvr %	12.0	14.2	9.0
Unemployment rate	average %	6.7	5.0	4.5

Source: Banco de Portugal (Relatório do Conselho de Administração – 1999)

Notes:

tvm – Average rate fluctuation

tvr – Real rate fluctuation

## ACRONYMS

PIB – (GDP) Gross Domestic Product

FBCF – (GFCF) Gross Fixed Capital Formation

FOB – Free on Board

CIF – Cost Insurance and Freight

IHPC – (HICP) Harmonised Consumer Price Indices