

Economic Commission for Europe

Timber Committee

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MARKET STATEMENT OF THE CZECH REPUBLIC

1. General economic situation

Czech economy entered the year 2000 expecting mild acceleration of its economic growth. Its results were even better than expected - GDP grew 3.1 % year-on-year (at constant prices of the year 1995). However, it failed to achieve needed harmony among key objectives of the economic policy.

Despite the considerable growth of output, exports of goods, and gross fixed capital formation, the trade deficit exceeds for a long time the limit compatible with the aim to reduce the extent of external imbalance.

After the year of renewed growth of Czech economy and based on the growth of GDP after its ten-year fall, aggregate economic results were expected with considerable optimism during 2001. The ability of the economy to pass from its revival to rather dynamic development was confirmed in the first quarter of 2001, which saw a significant rise in the production of industry and construction. Constant price GDP grew 3.8 % year-on-year in the first quarter of 2001, and excellent results were achieved in industry and construction in particular.

The boom of **industrial production** in the year 2000 showed itself in the 5.1 % year-on-year increase of the production. Considerable dynamics was recorded for the manufacture of wood and wood products, of rubber and plastic products, of textiles and textile products, and of electrical and optical equipment. Compared with 1999, the output of wood-working industry and pulp and paper industry, including publishing, grew 15 % and 1.5 % (average prices of the year 1994), respectively.

Since January 2001, industrial production has been on the increase steadily — its increase in January to June stood at 8.5 % year-on-year. Growing foreign demand, expanding cooperation with foreign companies and rising exports in consequence, and foreign investment inflow positively influenced the growth in particular.

The year 2000 was the year of the growing output of **construction**, which was 5.3 % up on previous year (at constant prices = average prices of the year 1994). The growth took place in

new construction, reconstruction and modernization. The volume of construction work in terms of current prices stood at CZK 231.9 billion.

Construction increased its output in January to June 2001 considerably. The volume of construction work was the highest since 1994, growing year-on-year at constant prices and by 14.6 % at average prices of the year 2000. It stood at CZK 116.1 billion (current prices) and was concentrated on new construction, reconstruction and modernization of large constructions such as transport constructions.

In **external trade**, trade deficit grew twice in 2000 compared with 1999, totalling CZK 126.8 billion. Imports and exports were 28.2 % and 23.3 % up, respectively, the growth of the former being primarily affected by high prices of crude oil and natural gas in external markets and depreciation of the Czech crown with respect to US dollar. Another factor that stimulated imports was the revival of domestic demand, especially for investments.

External trade in goods continued its 2000 trend in 2001, which especially holds for the second half of the reference year. January-June exports amounting to current CZK 694 854 million FOB/FOB grew 19.7 % and exports worth CZK 641 560 million FOB/FOB were 19.0 % up (all year-on-year). Trade deficit (CZK 53.3 billion FOB/FOB) was CZK 11.9 billion higher on the first half of the previous year. In June, the drop in the growth rate, which started in May, became even bigger and reflects the economic developments, especially in the EU member countries.

Balances of trade in manufactured goods (CZK +10.5 billion) and agricultural and food products (CZK -9.8 billion) remain approximately at the level of the corresponding period of last year. On the contrary, the deficit of trade in raw materials, semifinished, and chemical products (CZK -67.8 billion) was CZK 22.1 billion higher than in January-June 2000. Machinery and transport equipment grew their CZK 4.4 billion trade surplus in July-December 1999 to CZK 13.8 billion.

2. Developments in forest products markets sectors

Pulp and paper

Production of wood pulp in 2000 grew 12.5 % year-on-year to 637 thousand tonnes, imports dropped 15.7 % to 122 thousand tonnes, and exports increased 12.8 % up to 290 thousand tonnes. Production of other pulp, from other fibres than from wood and from salvaged fibres dropped one third to 4 thousand tonnes. Consumption of salvaged waste paper for the manufacture of paper grew 12.6 % to 365 thousand tonnes.

Bleached sulphate and sulphite chemical pulp are main items of imported and exported assortments, respectively. In trade in wood pulp, average prices per unit (tonne), of the assortment as a whole, in terms of CZK FOB/FOB increased 42.5 % (imports) and 56.6 % (exports) in 2000 year-on-year. Imports were implemented mostly from European countries and (smaller part) South America, exports went to European countries only.

The assortment of paper and paperboard grew its production 4.4 % to 804 thousand tonnes in 2000, imports grew 16.2 % to 581 thousand tonnes and exports 14.7 % to 536 thousand tonnes. The trend - higher imports paper and paperboard of than exports - has been on the increase since 1996. The products were imported from European countries and exported (6 %

of the output only) outside Europe. Average prices per unit (tonne), of the assortment as a whole, in terms of CZK FOB/FOB were 5.5 % (imports) and 15.7 % (exports) up in 2000 compared with 1999.

The first half of 2001 saw no substantial changes in the production of wood pulp and paper and paperboard, compared with 2000. There are no substantial changes in exports or imports, either; export prices dropped slightly.

Roundwood including pulpwood

In 2000, compared with 1999, removals of roundwood grew 1.67 % to 14 441 thousand m³, of which industrial wood accounted for 1 % (to 13 501 thousand m³) and fuel wood 1.9 % (to 940 thousand m³), imports increased 16.7 % to 954 thousand m³, exports decreased 27.4 % to 2 030 thousand m³, and domestic consumption of roundwood grew 9.6 %.

In 2000, average prices per m³ in terms of CZK FOB/FOB (current prices), of the assortment as a whole, rose 5.9 % (imports) and dropped 2.5 % (exports) year-on-year.

Removals of roundwood are expected to see lower growth in 2000 — only 0.4 % up to 14 500 thousand m³) — which should be seen in 2002 too (another 0.4 % to 14 560 thousand m³). Imports and exports of wood products in 2001 should mostly grow on 2000, which also holds for 2002; the years 2001 and 2002 could see a downward trend in the consumption of coniferous and non-coniferous pulpwood.

Removals of coniferous pulpwood decreased 1.2 % to 4 436 thousand m³ in 2000, imports decreased 3.5 % to 558 thousand m³, and a considerable drop was recorded for exports, namely 52 % down to 522 thousand m³. Consumption of coniferous pulpwood grew 10 %, following the 12.5 % rise in the production of wood pulp to 637 thousand m³.

Removals of coniferous pulpwood are expected to grow mildly in 2001 and 2002 — by 0.6 % and 0.7 %, imports should stay at the level of 2000, while exports are expected to grow to 630 thousand m³ (20.8 %) and 650 thousand m³ (3.1 %) year-on-year, respectively.

Removals of non-coniferous pulpwood in 2000 decreased 19 % to 645 thousand m³, exports decreased 35 % to 293 thousand m³, and consumption remained the same, all compared with 1999.

A downward trend is anticipated for the removals of non-coniferous pulpwood in 2001 — a drop of 1.5 % to 635 thousand m³; the year 2002 is likely to see another drop: 1.5 % to 625 thousand m³. Exports and imports will probably be same as in the year 2000 (290 thousand m³), consumption will drop slightly.

Softwood (sawnwood and logs)

In 2000, production of coniferous sawnwood grew 16.3 % to 3 782 thousand m³, imports 29.5 % to 219 thousand m³ and exports 14.9 % to 1 701 thousand m³, all year-on-year. There was a considerable increase in the consumption of coniferous sawnwood in 2000: 18.5 % to 2 300 thousand m³.

Coniferous sawnwood was imported from European countries. European countries also accounted for 85 % of exports of coniferous sawnwood, the largest volumes finding their destination in Austria, Germany and Italy.

The years 2001 and 2002 should see slight increases in both production, imports, exports, and consumption of coniferous sawnwood.

In 2000 removals of coniferous logs grew 6.2 % to 7 370 thousand m³, imports increased substantially (81 %) to 292 thousand m³, exports dropped 16 % to 962 thousand m³, and consumption grew 12.5 % to 6 700 thousand m³, all compared with 1999. The largest volumes were traded in with the neighbouring countries.

Production, imports, exports and consumption of coniferous logs are likely to grow slightly in 2001 and 2002.

Hardwood (sawnwood and logs)

There was a mild drop in the production of non-coniferous sawnwood in 2000 — 2.7 % to 324 thousand m³; imports increased 28.5 % to 117 thousand m³, exports grew 20.3 % to 77 thousand m³, and consumption remained approximately the same, as compared with 1999.

Gradual growth of the production, imports, exports and consumption is of non-coniferous sawnwood expected in both the year 2001 and the year 2002.

In 2000, removals of non-coniferous logs decreased 11.7 % to 650 thousand m³, imports and exports grew considerably (31.5 % and 2.5 times, respectively), and consumption decreased 14 %. The production, imports, exports and consumption levels of the year 2000 should increase in both 2001 and 2002.

Wood-based panels

Particle board

Compared with 1999, production of particle boards grew 2.8 % to 720 thousand m³, imports increased 10.5 % to 220 thousand m³, and exports decreased 5.5 % to 398 thousand m³. Domestic consumption was 13.3 % higher, growing to 542 thousand m³.

Particle boards were imported especially from Austria, Germany and Poland, exports were effected to Germany, Hungary, Poland, Rumania, and Slovakia.

Since 2000, the production, imports, exports, and consumption of particle board assortment have been steadily growing and the trend is expected to continue by the end of the year 2002.

Fibreboard

Only MDF is produced of the whole assortment of fibreboard. Compared with 1999, the year 2000 saw a 7.1 % increase in the production of MDF, which stood at 75 thousand m³; imports

of hardboard, MDF and insulating board grew 50.5 % to 146 thousand m³, exports 21 % to 86 thousand m³, and consumption 40.6 % to 135 thousand m³.

The largest volumes of hardboard, MDF and insulating board were imported from Austria, Germany, Ireland, and Poland. The products were also exported to a number of European countries.

In 2001, the situation is not expected to change in the production of MDF and should be at its 2000 level, but imports, exports, and consumption should drop mildly. Production, imports, exports, and consumption levels of 2001 are forecast for the year 2002, too.

Plywood

Compared with 1999, the 2000 production of plywood grew 4.5 % to 115 thousand m³, imports increased 33.3 % to 72 thousand m³, exports 16.6 % to 140 thousand m³, and consumption 6.8 % to 47 thousand m³.

Plywood was imported from a number of European countries and exported to Austria, Germany, and Italy in particular.

The year 2001 should see another increase in the production of plywood (4.3 %) to 120 thousand m³ and consumption (6.3 %) to 50 thousand m³, year on year. The same production and consumption levels are expected for 2002, too.

Certified forest products

The Czech Republic is involved in the scheme Pan-European Forest Certificate (PEFC). Draft national criteria and indicators for sustainable forest management were designed for the Czech Republic in accordance with PEFC standards, which were used for the development of a draft system of forest products certification. The draft was submitted to the PEFC control authority for discussion and approval, which occurred in May 2001.

The certification of forest products in the Czech Republic will take place at the regional level. The preparatory stage of the certification is planned for completion in the second half of 2001.