

# TURKEY

## MARKET STATEMENT

60. Session the ECE Timber Committee  
24-27 October 2002, GENEVA

### **Outlook of General Economy**

A deep recession was witnessed in 2001 depending on the economic crisis fased. As a result of the economic crisis, GNP, GDP and industrial production decreased by 9.4 %, 7.4% and 7,5% respectively in 2001. Since May 2001, new economic program, titled “Transition Program for Strengthening the Economy”, which is supported by IMF and World Bank, has been implementing. So far, the program reached its aims except reducing real interest rate of internal public debt. The recovery of general economy in the first half of 2002 is remarkable and over the program targets. Especially the growth of textile, which is a leading sector, is striking. Its production increase rate is 14% in the first half of 2002 in comparison with the first half of 2001. The tourism, another important sector of Turkish economy, is extremely active. It reached record revel in 2001 by the support of weakening of Turkish Liras (TL). The tourism income and foreign visitor number are reaching a new record level in 2002.

Gross Domestic Production increased 1.9 % in the first quarter, 8.2 % in second quarter and 5.2 % in the first half of 2002. Gross National Production increased 0.3 %, 8.8 % and 4.7 % respectively in the same periods. The recovery of industry is more visible. Industrial production increased 3 % in first quarter, 12.2 % in second quarter and 7.7 % in the first half of 2002. The production of wood and wood products, excluding furniture, increased by 27 % by the effect of over supply coming from wind throw and snow breaks places and increasing demand of wood. However, recession seems to be continuing in construction and furniture according to State Statistics Institute announce. GNP and GDP growth rates is expected to be quite over 3 % which is program’s target for 2002 and a modest recovery are expected in 2003. Although the production figures announced by State Statistics Institute for the first half of 2002 are negative, some recovery is expected for furniture and construction in the rest of 2002 and 2003. Extremely high volatility of interest rate and currency fluctuations, experienced in 2001, were lessened in 2002. High budged deficit, high interest rate and some problems related public dept are continuing to be most important problems. The floating exchange rate regime<sup>1</sup> which is one measure of current program gave it’s first and most certain benefit with foreign trade and payment balance, besides increasing tourism income. In the 2001, Turkey’s export rose by 12.3 % and import fell by 25.6 % and payment balance gave 3.14 billion \$ plus after 9.8 billion \$ deficit in 2000. In the first half of 2002, Imports rose by 3.8 % and export rose by 3.3 %. This increasing trend of foreign trade d estimated to be continued in the rest of 2002 and 2003. Some other selected economic indicators are shown at (table-2)

### **Processed Wood Products Markets and Wood Related Industries**

Construction, furniture, wood industries and other related industries which utilize wood as raw material such as paper industry, packing and mining are deeply affected from

---

<sup>1</sup> After implementation of floating exchange rate regime TL lost significant value.

the economic crisis in 2001. The adverse effect of the crisis on most of these sectors is much more than the effect on general economy. Apparent consumption of paper, wood based panels and sawnwood fell by 23%, 22 % and 17 % respectively. The figures announced so far indicate that significant recovery will be achieved in 2002. Production of paper industry increased by 9 % in the first half of 2002. Private site production value increased by 20.7 % in the first half, but public side production value decreased by 11.6 % in the same period. Wood pulp and cellulose production is decreasing sharply in 2002. This is reflected in pulpwood consumption of the sector and GDF sales of pulpwood decreased by 33 % in the first 8 months of 2002 (GDF meets all pulpwood consumption of wood pulp industry). On the contrary, wood based panel industry is incredibly active. Pulpwood demand of this sector from GDP is increasing progressively. GDP sales of pulpwood to the sector rose nearly 100 % in the first 8 months of 2002. Sawnwood production especially coniferous sawnwood increased significantly by the effect of heavy snow break and wind throw besides more active domestic demand. Engineered wood products are very trendy and increasing. The recognition of wood promotion necessity is extending. The recovery of all wood industries is forecasted to be continuing in 2003. Import of sawnwood, wood based panels, paper and paper board and other wood products decreased very sharp in 2001 mainly because of weakening of TL and decreased demand. On the contrary, export of all wood and wood industry products increased due to the same factors. Especially the increase of sawnwood export is very striking. It rose to 168,000 m<sup>3</sup> from 43,000 m<sup>3</sup> by 390 % increase in 2001. Export of sawn wood is estimated to stay at the same level as to be 2001 or higher in 2002 mainly because of the heavy damage in forests and some incentives. Panels export is estimating to stay at the same level with the export amount of 2001, in 2002 and 2003. Slight import increases are forecasted for wood products but more increase for pulp, paper and paper board.

### **Round Wood Market and Removal**

Round wood removal and consumption decreased sharply in 2001 depending on the deep economic crisis witnessed in the country. Both industrial wood production and sales of General Directorate of Forestry (GDF) that is responsible for sustainable forest management of nearly all country forest, fell over 10 %. Round wood import decreased much more dramatically by 50 %. According to 2002 round wood production program a slight increase was foreseen at the beginning, but the strike of windthrow and snow break in 2001-2002 winter, and increasing demand for round wood are caused significant round wood removal increase. Thus, About 15 % industrial wood production is forecasted for 2002. The most increase of production is experienced in coniferous forest especially Crimean pine and Scotch pine forest. Because of high stocks estimated to transfer to 2003 from 2002's production, some removal decrease is foreseen for 2003. Some figures and facts about wind throw and snow break are given below.

### **Wind throw and Snow break**

The damage of wind-throw and snow-break reached 3.6 million m<sup>3</sup>. The wind-throw and snow-break were experienced in northwest of country between December 2001 and February 2002. Some fact about the damage and its estimated results are as follows;

- 1- **Reason and effective factors:** The main reason is unusual extreme climatic factors such as heavy snow. Some foresters consider insufficient silvicultural treatments to be a secondary effective factor. The damage spreads out a large area but not intensive, like a kind of thinning application, in many stands.

- 2- **Harvesting and marketing:** Harvesting processes are about to finish. The damaged trees are nearly the best tree in standing. So particularly, log and pole production seem to be increased too much. Although some programmed production is cancelled 1 million extra more industrial wood production is forecasted in 2002. Because of this over supply, prices of round wood decreased in May and June, but the price decline seems to be end. Over supply and low prices may lead to increase of sawnwood and some other further processed wood export.
- 3- **Three species:** Most of damage is in Crimean Pine and Scotch Pine forest. The rest of damages is mostly in the Spruce and Beech forests.

**Table:1 The Damage Distribution According to Three Species**

<b>Species</b>	<b>Amount (m<sup>3</sup>)</b>
Calabrian Pine	149,761
Other pine ( nearly almost are Crimean Pine and Scotch Pine)	2,627,368
Fir	5,314
Spruce	562,438
Cedar	6,201
Other coniferous	927
<b>Total coniferous</b>	<b>3,352,009</b>
Oak	29,383
Beech	205,266
Other non coniferous	23,230
<b>Total non-coniferous</b>	<b>257,879</b>
<b>GRAND TOTAL</b>	<b>3,609,888</b>

In spite of over supply the prices and demand in round market are quite active. Non-coniferous average log price rose about 50 % by Wholesale constant price in the first 8 months of 2002 relatively the same period of last year. Although nearly 40 % over supply, Crimean Pine and Scotch Pines logs price also rose by 7 % in the same period. But the final price of them lower than spring's price nearly 13 %. Besides high price, GDF sales of round wood amount is increased nearly 20 % in the first 8 month of 2002.

### **Certification**

In parallel with the increased environmental sensibility in the Country, consumers concern about the issues related to the production patterns and their environmental impact.

This leads to do some preparations in the production sector, as well as in the forest management department. Although most of consumers prefer certificated goods, their effect is not enough yet to force producer labeling. Information about the issue and recognition of its importance are extending.

**Table 2: Growth Rates and Some Economic indicators, Turkey**

	1997	1998	1999	2000	2001	2002*	2002 Est.	2003 Est.
GDP	7,2	2,4	-4,7	7,2	-7.4	5.2	6	3
GNP		3,9	-6,1	6,1	-9.4	4.7	5.5	3.5
Industry	10,4	2	-5	5,6	-7.5	7.7	6	3
Construction	1,8	-11	-20	-18	-5.9	-4.2	2	5
Budget deficit (percentage of GNP)%	7,5	7,1	11.6	10.6	15.9		15	14
Inflation (Wholesale price index)	91	54,3	62,9	32,7	88.6	12.5	35	35

\* January - June

**Table 3: CONSTRUCTION AND ACCOMPANCY PERMITS OF NEW BUILDINGS AND ADDITIONS, TOTAL**

YEARS	CONSTRUCTION OF NEW BUILDINGS AND ADDITIONS, TOTAL (According to Construction Permit)		CONSTRUCTION OF NEW BUILDINGS AND ADDITIONS, TOTAL (According to occupancy Permit)	
	Number of building (1000)	Change Percentage (%)	Number of building (1000)	Change Percentage (%)
1992	138,0	13,6	105	
1993	147,0	6,5	102	-2,8
1994	143,2	-2,6	100	-2
1995	134,3	-6,2	95	-5
1996	126,7	-5,7	105	10,5
1997	124,9	-1,4	106	1
1998	116	-11	92	-13
1999	92,5	-20	87	-5,4
2000	79,14	-14,4	91	4,5
2001	76,145	-3,7	85	6,5
2002Est.	75	-1,5	83	-2,3
2003Est.	79	5,3	85	2,4