

Austrian Market Report 2011

**Statement submitted by the Austrian Delegation
to the Joint session of the
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1. General economic situation ¹

Global economic activity has slowed down in recent months. Economic growth in the USA and in Europe was subdued in the second quarter; activities in Asia were less buoyant, too. Against this background, concerns about the high levels of sovereign debt of some industrialised countries increased, which sparked financial market tensions.

The global economy has continued to lose momentum recently. In the **USA**, quarter-on-quarter economic growth remained subdued at 0.2% in the second quarter (first quarter +0.1%). Expectations concerning the development of economic activity in the USA in the second half of the year are muted also because of the high levels of private household debt and increased uncertainty surrounding the outlook for the country's finances. The **euro area** economy likewise expanded at a quarter-on-quarter rate of only 0.2% in the second quarter (first quarter +0.8%). All the large economies virtually stagnated. The most recent survey evidence points to only sluggish growth also here in the second half of the year. After declining for several months, production expectations in industry deteriorated further in August. Consumer confidence has also weakened considerably recently, following the turmoil in the financial markets and increasing concerns regarding the state of government finance in some countries. For the first time since the 2008-09 financial market crisis, **Asia's** emerging economies also saw economic activity weaken markedly: in the second quarter, quarter-on-quarter industrial production growth slowed to a mere 0.7% (first quarter +4.0%), while imports fell by 2.5% (first quarter +5.2%). However, this development is strongly influenced by the economic consequences of the environmental disasters in Japan; it remains to be seen whether or not a recovery will occur in the course of the third quarter.

The more unfavourable economic outlook, the dispute about the government debt ceiling in the USA, and the debt crisis in the euro area created high uncertainty in financial markets in August.

The brisk growth rate of the **Austrian economy** in the second quarter (+1.0% in real terms quarter-on-quarter) clearly stands out against the majority of countries in the euro area. The WIFO Business Cycle Survey indicates, however, that Austria's economy will very likely not be able to elude the cooling of global economic activity in the third quarter. While manufacturers have recently continued to give a positive assessment of current order books, leading indicators (production expectations, business situation in six months' time) have been declining markedly for several months now and in August were close to their long-time averages. Civil engineering activity remains weak. Tourism sales from May to July were slightly below the year-earlier level.

In July and August 2011, active employment stagnated on a seasonally adjusted month-on-month basis. The seasonally adjusted unemployment rate according to the Austrian method of calculation rose marginally to 6.8% in August. Vacancies have declined in recent months, while the number of unemployed persons has again risen slightly.

As economic activity slows down, the upward pressure on prices in commodity markets is easing. Still, the annual rate of inflation in the industrialised countries continues to be determined by the commodity price boom. In the euro area, inflation as measured by the harmonised index of consumer prices (HICP) reached 2.5% in July 2011. Inflation excluding energy and unprocessed food (core inflation) fell to 1.5% in July (June 1.8%). In Austria, HICP inflation stood at 3.8% in July (3.5%, as measured by the national CPI). HICP core inflation was 3.1%, exceeding the euro area average by 1.6 percentage points.

¹ Source: Austrian Institute of Economic Research, WIFO Monthly Reports, 9/2011

2. Policy measures

Government programme

In its Programme for Government for the period 2008-2013 the Grand Coalition between the Austrian Social Democratic Party and the Austrian People's Party has stated the following objectives:

- The intensified use of biomass to enhance our country's energy security has to be supported, with priority being given to the additional mobilisation of wood resources.
- The development and further development of new markets as well as possibilities of use for wood have to be supported to enhance sustainability and achieve the climate protection goals.
- In public tenders, greater importance is to be attached to domestic wood as a construction material.

The Austrian Forest Dialogue and the Austrian Forest Programme

In Austria, ensuring multifunctional forest management on a long-term basis is a matter of top priority in the context of forest, environment and social politics. The Austrian Forest Dialogue, started in 2003, is a novel approach aimed at the foresighted settling of clashing interests and the improved coordination of forest-related activities. In 2010/2011 an evaluation of the Austrian Forest Dialogue respectively the Austrian Forest Programme was carried out. Based on the findings of this evaluation the setting and the process of the Forest Dialogue will be adapted accordingly (www.walddialog.at).

International Year of Forests 2011

Numerous organisations and economic players in Austria have used the IYF 2011, and its motto "Forests for People", as a means of emphasising the important role of forests. With a great number of events and activities forests have come even more in the focus of the media, of public and political interest. At four technical and political events held in the Austrian Provinces, Federal Minister Berlakovich dealt with the topics of conservation, diversity, economy and energy. The Austrian Broadcasting Company (ORF) and other TV stations presented numerous broadcasts on forests and wood; many museums organised special exhibitions; all primary schools obtained a forest information package; a special stamp and a coin were issued, and many cooperation projects with partners from the fields of economy, education and culture have been implemented. (www.jahrdeswaldes.at)

Forest subsidisation

Austria negotiated a forest package for the 2007-2013 period within the framework of the "Rural Development Regulation". Every year € 25 million (EU + Federal Government + Federal Provinces) are available to promote the enhancement and intensification of forest management in Austria. In total (including the forestry measures in protection forests), subsidies in the amount of € 43 million were made available for forestry measures in 2010. The preparatory work for the period 2014+ has started already.

Joint timber marketing

The instrument of joint timber marketing has been used for more than 40 years in Austria to strengthen the market force of private forest owners. In recent years these activities have been intensified. One of the reasons was the great demand for timber while at the same time the utilisation ratio in private forests decreased. Many forest owners have lost touch with their forests and are no longer interested in timber utilisation.

Nowadays many owners of small (private) forests are organised in forest owner cooperatives. The current level of organisation focuses primarily on cooperation in roundwood sales, loose machinery alliances and collaborative forest operations. Also consulting for forest owners and the preparation of forest management plans are important services. In some cases local forest owner cooperatives ('Waldwirtschaftsgemeinschaften') even manage the forests of some of their members. The forest owner association of greatest relevance to roundwood supply is the Austrian Forest Owner Cooperative (Waldverband Österreich). Under its 8 provincial associations nearly 60,000 forest owners were organised in 258 local forest owner cooperatives. They represent a forest area of approximately 874,000 hectares. In 2010 totally 2.52 million cubic metres of timber were marketed. (www.waldverband.at)

Cooperation Platform Forest-Wood-Paper ("Kooperationsplattform Forst Holz Papier", FHP)

FHP is a coordination and communication platform of Austria's forestry and timber industry as well as of the paper and pulp industry. It is a platform for lobbying and organizing improved frame conditions and aims at achieving the highest possible value added for wood in all industries. FHP itself is not involved in any sales operations. Its field of activity comprises research & development, energy, wood balance, wood flow (mobilising wood resources, developing standards for a quick setup of wet storage facilities after future damage events), timber harvesting, standardisation, and automated takeover of timber at the mill. The joint activities are funded through the FHP cooperation contribution of all participating industries. (www.forsth Holz papier.at)

Wood promotion

"proHolz Austria" is a working group of the Austrian forestry and wood industry. Its objective is the effective marketing of wood and wood products in the domestic market and abroad. The budget 2010 amounted to € 2.38 million. The activities of proHolz Austria are financed from the FHP contributions. Marketing, publicity and information on wood are the instruments applied to attain this goal. (www.proholz.at)

proHolz Austria is active also beyond Austrian borders. The know-how of Austrian enterprises is communicated hand in hand with image publicity for domestic timber types. Most important are the activities taken in Italy under the title "promo_legno" (www.promolegno.com). Further projects are proLignum (wood promotion in the Czech Republic, www.prolignum.cz) as well as promotion on international markets like Spain or France and the European Wood Initiative (Japan, China). Europe's largest database for wood construction, dataholz.com, is available online free of charge in German, English, Italian and Spanish.

3. Market drivers

The recovery of the Austrian economy after the recession of 2008/09 continued speedily also this year. Until mid-2011 the overall economic production continued to expand strongly and, in the first six months of 2011, again reached the level observed prior to the crisis. However, surveys among enterprises in Austria and abroad have for quite some time indicated a forthcoming weakening of the dynamic growth. In late September the leading Austrian economic research institutes revised their forecasts downward. For 2011 an economic growth of 2.9% is now predicted, for 2012 a growth of only 0.8%.

Timber prices in Austria have continued to rise slightly until summer. In view of the good levels of demand forestry intensified the quantities of timber felled during the first six months of the year. Roundwood imports decreased significantly. The quantity of wood damaged by bark beetles in Austria was smaller this year than had been expected.

For the second half of 2011, we are expecting: a reduction of the sawnwood production, which still rose markedly during the first six months, a reduction of the roundwood supply, and stable roundwood prices at a relatively high level.

Due to the global insecurity observed on the financial markets and the downward revision of the economic growth forecasts for 2012 are difficult.

4. Developments in forest-products market sectors

A. Wood raw materials

With a share of 47.6% of the federal territory and about 145,000 forest enterprises forests play an important part in Austria with respect to farmers' income and the value added in rural areas. Maintaining and increasing the yield of forests are thus of high significance not only for agriculture and forestry but also for wood-processing enterprises. In view of the large processing capacities of the wood and paper industry in Austria, the increasing use of wood for energy generation and the required imports of roundwood (2010: 8.7 million m³, mostly from Czech Republic and Germany) mobilizing the available domestic resources has become a major goal of Austria's forest policy.

In 2010 the quantity of wood felled amounted to 17.83 million cubic metres under bark. The harvest volume was 6.6% above the previous year, 7.9% below the five-year average and 1.8% above the ten-year average. Sawlogs accounted for 57.0%, pulpwood for 17.5%, fuelwood and chippings from forests for 25.5% of the quantity felled. The share of coniferous wood in the total fellings amounted to 85%. Altogether, private forest owners (forest area < 200 hectares) felled 10.18 million m³ in 2010 (+15.5%), the owners of forests larger than 200 hectares 5.83 million m³ (-0.7%) and the Austrian Federal Forests 1.82 million m³ (-7.2%).

On annual average the prices of roundwood (incl. fuelwood) were in 2010 12.1% above those of 2009. This development is above all due to the higher prices for sawlogs. On annual average, sawmills paid € 83.69 per cubic metre of sawlog spruce/fir, Cat. B, Media 2b, 16.0% more than in 2009; the annual minimum of € 75.34 was paid in February, the annual maximum of € 89.64 in November 2010. The 2010 mixed pulpwood/mechanical pulpwood price for spruce/fir was with

€ 33.88 per m³ 9.6% above the average of the preceding year – pulpwood € 31.55 (+9.5%), mechanical pulpwood € 38.85 (+10.2%). The production value of domestic forestry (incl. forest-related services and non-separable non-forestry subsidiary activities) reached € 1.528 billion in 2010 (preliminary), after € 1.302 billion in 2009.

2011: Sawlog prices continued to rise slightly until summer. In view of the good levels of demand forestry intensified the quantities of timber felled during the first six months of the year. Roundwood imports decreased significantly (-14%). This is probably also a consequence of the strong demand and the high prices in Germany, the Czech Republic and Scandinavia. This year's quantity of wood damaged by bark beetles in Austria was smaller than expected. Pulpwood prices still rose slightly during the first six months of the year, but reached their peak in June.

The roundwood market at the beginning of the 2011 autumn season: With a seasonally lower offer of coniferous sawlogs, prices compared to the preceding month consolidated at an attractive level. On regional level, premiums are granted for speedy delivery and large quantities. In spite of a significant drop in production observed in August and sluggish sales on the sawnwood markets both the roundwood and the sawnwood stocks of the sawing mills are generally small. The demand for coniferous sawlogs continues to be high; removal is carried out swiftly and without problems. Typically for the season, a higher volume of beetle-infested wood is recorded, which is absorbed by the market without problems. The Austrian Chamber of Agriculture recommends its members to make use now of the very attractive sales opportunities for coniferous sawlogs and to satisfy concrete demand rapidly. Areas of infestation and individual infested trees should be salvage-logged generously to avoid the multiplication of the bark beetle after the second main swarming period in August. In connection with sales, utmost attention should also in the future be paid to contractual security, speedy timber removal and receipt procedures at the sawing mill which comply with common practice.

Due to comparatively high quantities of sawing by-products and big stocks of the sawmilling industry the demand for mechanical pulpwood is presently lower than it was during the preceding months. On regional level, prices decreased slightly again; supply is in some cases subject to quotas. With stable prices, pulpwood of all types of timber is sold speedily. Stocks for energy wood for the coming heating season are being built; sometimes industrial wood is sold as energy wood.

For 2012, the forest sector is again expecting a high demand for wood. The recent downward trend of the economic growth and the global insecurities in the financial sector hardly permit long-term forecasts, however.

B. Wood energy

In 2009, the share of renewable energy in the final energy consumption amounted to 30.1% (2008: 28.0%, 2005: 23.6%) in Austria. According to Directive 2009/28/EC for renewable energy sources this share should rise to 34% in Austria by the year 2020. The major shares of renewable energy are from biomass (58.9% of the gross domestic consumption of renewable energy sources) and the utilisation of water power (36.6%). Wood is by far the most important raw material for bioenergy; the shares in the gross domestic consumption of bioenergy in 2009 amounted to: wood chips, bark and sawing by-products 28.5%; fuelwood 27.0%; black liquor 10.7%, pellets 4.3%. Traditionally, biomass is used as a source of energy for decentralised systems of room heating. But also biomass heat-power co-generation has become established. Due to the big domestic biomass resources, the energetic use of solid biomass has become a

wide-spread form of using renewable energy in Austria. The current development of the market is based on comprehensive facilities.

Firewood billet is still the most important biogenic source of energy. Industrial wood residues and forest wood chips are used above all in the sawing and other wood-processing industries and in long-distance heating systems. Pellets are increasingly used primarily in heating systems of detached houses. Waste liquors and sludges of the paper industry as well as bark are used in the paper and pulp industry to produce electricity and process heat.

With € 55.60 per m³ of stacked wood (with bark, without turnover tax) the price of hard fuelwood in 2010 rose by 2.5% compared to 2009, the price of soft fuelwood rose by 4.7% to € 38.14. In 2011 a slight increase in the prices of fuelwood was observed for the period until July.

Wood pellets: At the end of 2010 there were a total of about 79,000 wood pellet boilers (<100 kW) in operation in Austria (2009: 71,000). Wood pellets are produced at 28 sites in Austria, predominantly by the sawmilling industry. In 2010 the production capacity amounted to some 1.2 million tonnes; real production amounted to 850,000 tonnes; 286,000 tonnes were imported. Domestic consumption ranged at about 660,000 tonnes. The surplus (491,000 t) was mainly exported to Italy. The price survey done by proPellets Austria (www.propellets.at) resulted in an average price of 22.77 cent/kg of (bulk) wood pellets (incl. turnover tax) in September 2011. Compared to September 2010 this means a price increase of 9.8%. Wood pellets in bags (when ordered by the pallet) cost an average of 3.75 € per 15 kg sack (+5.6%). Surveys conducted by proPellets Austria demonstrate that the domestic pellet production of the first six months of 2011 increased by 9% compared to the reference period of the past year. If this trend continues, a record production of 925,000 tonnes might be reached in 2011. With an expected domestic consumption of approximately 725,000 tonnes this year, Austria is still a net exporter of pellets. Also the sale of pellet furnaces and pellet stoves is markedly rising above last year's level. Austrian companies have been successful worldwide in wood pellet production, in the manufacturing of wood pellet furnaces and wood pellet stoves, as well as in the production of pelletizing machines, storage systems and furnace components.

C. Certified forest products

PEFC Austria: The Austrian PEFC certification system has been applied in practice since the official endorsement by the PEFC Council in September 2000. Both forest certification by means of the regional model and the "Chain of Custody" (CoC) certification can be implemented very well by small- and medium-sized enterprises for the Austrian conditions. Currently, forest owners with about 2.5 million hectares effectively take advantage of the certification and around 400 timber-processing enterprises and timber traders are certified. After a revision process with broad public participation the re-endorsement of the PEFC Austria certification system is expected for late 2011.

Forest Stewardship Council (FSC): In Austria, presently around 400 hectares of forest have been certified according to FSC. 153 enterprises hold an FSC-Chain of Custody Certificate.

D. Value-added wood products

Apart from the sawmilling and board industries (see E, F, G), the construction industry, the furniture industry, and the ski industry represent important lines of business of the Austrian wood industry.

The total sales of the **construction industry** amounted to € 2.51 billion in 2010 (+9.8%). Within the construction-related sector, the individual lines of business performed predominantly positive. The production of windows increased to € 446 million (+6.6%), prefabricated wooden houses: € 483 million (+6.2%), doors: € 242 million (+1.8%), glued structural components: € 561 million (+14.5%). Wooden floors exports increased by 10.3% to € 208 million.

Furniture industry: Austria's furniture production of 2010 was increased slightly, by 0.9%, compared to the previous year, with a total value of € 2.35 billion. The 'winners' are manufacturers of household furniture, a result of the strong private demand: The demand for wooden garden furniture increased by 6.1% to € 3.2 million, that for bathroom furniture by 5% (€ 22.5 million), bedroom, dining and living room furniture saw a plus of 4.5% (€ 364 million). The production of kitchen furniture decreased slightly, by 0.1% (€ 252 million). Mattress manufacturers were not able to continue their positive production figures (-3.2%, € 119 million). The office furniture industry's difficult situation continued over the past year: Seating furniture and its components decreased by 8.8% (€ 243 million), office furniture by 7.3% (€ 235 million), shopfittings by 4.3% (€ 170 million).

2009's considerable decline in exports reached -16% (€ 1.3 billion). Export levels stabilized in 2010; the decline of previous years slowed down, but increases amounted to only 0.2%, which resulted in a total value of € 1.31 billion. Furniture imports increased by 1.6% in 2010 and achieved a total value of € 1.65 billion.

The Austrian furniture industry comprises 50 industrial plants with about 7,000 employees – most of them privately owned small- and medium-sized companies – and about 8,200 commercial enterprises with approx. 30,600 employees.

Ski industry: Austrian ski manufacturers reported thoroughly positive results for the 2010/2011 season. Initial orders were off to a good start, showing that sports shops restocked their supplies. The positive trend, which started in autumn 2010, continued in January. Expectations were mostly met and only started to fall below expectations with reorders in early 2011. The early ending of the winter season may have been a potential factor in this development. Despite generally satisfactory results, the strong decline of the 2006/2007 season could not be balanced entirely. One of the key factors is that ski manufacturers flexibly adapt their production volumes to the demands of the market; consequent cash management leaves no more room for made-to-stock production. The share of Austrian brands in the entire winter sports segment remains at remarkable 50%. The Austrian ski industry's export rate is above 80%. The global market volumes are: 3.5 million pairs of alpine skis, of which 2.4 million in Europe, 2.2 million pairs of cross-country skis, 0.9 million snowboards.

E. Sawn softwood

With approximately 1,200 companies and close to 10,000 employees the Austrian sawmilling industry is the biggest processor of wood in Austria. It mainly consists of small- and medium-sized companies. The forty biggest sawmills account for approximately 90% of the total production, the top eight ones for 65%. Two thirds of the total production are exported. Austria is the fifth biggest exporter of sawnwood in the world. About 98% of the Austrian sawnwood production is sawn softwood.

After the sharp drops in production suffered in 2009, Austria's sawing industry experienced a very positive development again in 2010. The production value of 2010 amounted to € 1.96 billion (+21.7%). The sawnwood production increased from 8.52 million m³ to 9.65 million m³ (+13.3%), of which 9.45 million m³ were sawn softwood. The annual sawing capacity of 2010 amounted to approximately 16 million solid m³ of roundwood (2009: approx. 14.2 million solid m³), including 5.2 million solid m³ of imported sawlogs (2009: 5.3 million solid m³).

Sawn softwood exports in 2010 amounted to approximately 6.0 million m³, generating a 6% increase in comparison to the previous year (2009: 5.7 million m³). In terms of value, the export volume amounted to € 1.10 billion (2009: € 927 million). More than 58% of all sawn softwood exports were shipped to Italy, Austria's long-standing key export market. With a total export volume of 3.5 million m³, the Italian market showed a 4% increase (2009: 3.4 million m³). Exports to Germany increased by over 30% (2010: 578,000 m³), to Switzerland by approx. 10% (116,000 m³) and to the Czech Republic by 23% (107,000 m³). Exports to the Levante remain roughly on the same level with 1 million m³ in 2010. Exports to Asian markets increased by more than 40%, for example to Japan (+63%).

Imports of sawn softwood remained approximately on the same level as in 2009. The total import volume amounted to approx. 1.6 million m³ with a value of € 0.30 billion (+16%). This means that the Austrian sawmilling industry increased its market share at home.

2011: During the first six months of the year the production of sawnwood proved to be very dynamic and was almost 20% higher than the year before; the quantities of roundwood produced in Austria were correspondingly high. However, the sawmilling industry expects that, at the end of the year, the total production will hardly exceed that of the previous year. Apart from the declining economic growth and a possible decrease in sales figures, also a reduction in the generation of roundwood during the second half of the year is considered to be a reason of the production decline. After summer, the roundwood stocks of the sawmills are at a low level. The volume of wood damaged by bark beetles is by far lower than expected. Also in other European countries the raw materials situation is difficult; the rather high prices of roundwood are not expected to decline. As regards sales, the market situation was good during the first six months of the year. Italy purchased by 3.4% more, Japan saw a renaissance in spite of the catastrophes it experienced (+30%), and even the Levante area, in spite of the loss of its main market, Libya, did not develop all too bad (-5%). Business with Libya could start again soon. For the major export market, Italy, expectations are, after good results for the first six months of the year, a little dampened. The economic growth is low in Italy, the construction sector has suffered significant declines. There is some hope due to the fact that, with a shrinking market, timber has gained market shares, a trend which will probably continue.

The autumn roundwood price is considered to be stable at a high level. The price of sawnwood would be stable as well at the moment, but the future development is insecure. The prices of processed products have in many cases declined already. The sawmilling industry is complaining about the widening cost/revenue gap. Roundwood prices had risen more strongly than the situation on the sales market would explain. The decisive issue for future prices on the sawnwood market will be whether or not we will manage to adjust supply to demand.

Due to the global insecurity on the financial markets and the downward revision of the economic growth, forecasts for 2012 are difficult. A ray of hope in the development are the rising market shares of wood in the field of construction. Sawmills expect that, in the medium term, wood

supply will remain a challenge for the Austrian sawmilling industry. Further efforts should be taken to ensure wood supply.

F. Sawn hardwood

The production of saw mills specialized in hardwood decreased slightly to 158,000 m³ in 2010 (2009: 163,000 m³). Sleeper production (beech & oak) was held on a good level in 2010 due to substantially higher efforts than in 2009. Exports of sawn hardwood increased in 2010 by 8% to 131,000 m³; value: € 70.5 million (2009: € 56 million). Tropical sawnwood is a minor matter in Austria.

G. Wood-based panels

2009 was a difficult year defined by market collapses which forced companies of the wood-based panel industry to implement a bundle of adaption measures. These measures affected company locations at home and abroad. They already proved effective by the end of 2009, resulting in a more positive atmosphere within the affected companies, generated by an actual increase in volume. This positive, volume-related trend was carried into the first quarter of 2011.

Despite these positive trends, the necessary earnings performance was not achieved. The cost pressure caused by enormous price increases for raw materials could not be passed on sufficiently. Not only wood but also all other raw materials became significantly more expensive. These price hikes particularly affected prices for chemical products and paper. This caused an enormous price hike for coatings. Especially the laminate flooring sector showed an unsatisfactory price development, whereas the buyers' situation in the DIY sector amplified this development due to its strong demand structures.

The Austrian enterprises of the particle, MDF and fibre board industries produced at eight Austrian premises in 2010 and employed more than 3,000 persons. The largest portion of the turnover was made with particle boards. Particle board production amounted to about 2.2 million cubic metres in 2010, of which about 80% were exported.

The board industry can look back on quite successful first six months of 2011. In quantitative terms, the positive development of the year 2010 continued. The higher demand for Austrian particle, MDF and fibre boards resulted in a good capacity utilisation of the Austrian board-producing companies. The high export quota of almost 80 percent constitutes a remarkable proof of the impressive performance. Rising costs of start materials remain a fly in the ointment.

For the second six months of the year the forecasts from the companies are consistently optimistic. Also the irritations of the global economy, in particular of the financial sector, and the further impacts they may have on the real economy do not yet tarnish this image. Private consumption continues to be a vital pillar of the economic activity. In view of this assessment, the board industry will also in the second six months of the year have the capacity to absorb the entire volume of board-roundwood offered in Austria.

H. Pulp and paper

The year 2010 saw a rebound for the economy which especially affected the paper market. As the Austrian national product rose by 2% and industrial production rose by 7%, paper production

increased by 8.8%. This trend included all areas of paper production. Improved capacity of production facilities proved to be advantageous. During the crisis large paper machines lay idle for weeks, capacity utilisation in 2010 increased to an average of over 90%. This further optimised the complex material, energy, and emissions flows. Strong economic activity supported by slightly higher prices led to a 17.1% increase in annual turnover over the previous year. However, company results couldn't keep pace with these positive developments due to severe economic impairment in the area of expenses. During the recovery some major factors of production became significantly more expensive, such as energy, wood and recovered paper. For example, from mid-2009 to the end of 2010 the cost per tonne of recovered paper rose from € 60 to € 130.

While paper is doing well against the competition of plastic in the growing area of packaging, the area of paper publication is not performing as well. Online/Computer is establishing itself as a substitute medium for quick reading consumption. Not only do individual products have to hold their market position, domestic production facilities also have to compete for lower product costs. The paper factory in Hallein (300,000 t) finally succumbed to this pressure when it was closed by its owner M-real in 2009.

The financial and economic crisis that began in the autumn of 2008 deeply impacted the paper industry. In 2009, paper production decreased by almost 11%. The following year compensated for some of the setback though, with companies producing more than 5.01 million tonnes of paper in 2010 which represents increase of 8.8%. Many packaging papers, especially those used for delivering consumer goods, survived the crisis quite well, in contrast to graphic grades which suffered a severe downturn. The rebound of 2010, however, included all areas; packaging paper increased by 8.9%, graphic paper by 8.8%, and specialities by 6.4%. A remarkable development was made in the production of newsprint, where the situation was exceptionally volatile. In 2009, newsprint decreased by almost 30%. Last year, however, consumption rebounded and warehouses were filled, so that 37.5% more newsprint was produced. Despite intensifying trends toward electronic reading, other types of press paper saw further growth as well in 2010, even if only below-average. Packaging papers such as corrugated board or paper bags and specialities such as sanitary paper or cigarette paper all grew by five to ten percent.

The paper industry strengthened the 2010 Austrian foreign trade balance by € 3.04 billion. That was achieved mostly through an increased export quota for paper of 85.2%. These figures demonstrate that the Austrian paper industry can compete in world trade. The largest markets remain Germany (905,000 t), Austria (744,000 t) and Italy (523,000 t); however, double-digit increases were seen in several Eastern and Central European countries. 732,000 tonnes of paper were shipped overseas, while increasing volumes of paper from the Far East are also appearing in Europe.

The boom in the production of newsprint and cartonboard led to an 18.4% increase in mechanical wood pulp production. Also pulp production increased by 9.2% to 1.98 million tonnes. This growth came mainly from sulphate pulp. As a result, wood consumption increased by 9.1% to 8.09 million m³. Due to a shortfall in domestic supply, imports increased to 35%.

With over 50% of renewable energy sources and on-site electricity production, featuring in-house cogeneration and water-power plants, the paper industry is well positioned. According to Austropapier, however, the industry faces further political hurdles. In addition to the still missing cap on green-energy subsidies, international climate politics will in the better case necessitate

further investments in energy-saving measures or the fuel switch to biomass, but will in the worst case lead to the relocation of production abroad.

Although 2011 started well in terms of volume, it will still be difficult to achieve the record production of 2006 due to the missing capacity of the paper machines in Hallein. The continued slow recovery will have a slightly positive influence on paper consumption. Projections show that packaging papers have more long-term growth potential than graphic papers have. High inflation, especially on the raw materials markets, will have a negative effect on business development. Of particular concern to wood purchasing businesses is RCA's increase of rail tariffs.

Perspectives: According to Austropapier the global competitiveness of the Austrian paper industry and the innovative power of companies are threatened by two factors in particular: by new competitors from the rapidly expanding economic giants China, India and Brazil as well as by the ambitious, unfortunately often one-sided, objectives of European climate and energy policy. But if the industry reorients itself and makes better use of its green potential, it can seize upon its prospects through environmentally friendly positioning of paper in comparison with electronic media and plastic-based packaging, and the clear added value of wood as a raw material in promoting growth and employment compared with its use solely as a source of energy.

Tables

Economic indicators (WIFO, 29 September 2011)

	2007	2008	2009	2010	2011	2012
	Percentage changes from previous year					
GDP Volume	+ 3.7	+ 1.4	- 3.8	+ 2.3	+ 2.9	+ 0.8
GDP Value	+ 5.8	+ 3.2	- 2.8	+ 4.1	+ 4.9	+ 2.9
Export of goods Volume	+ 9.0	+ 0.5	- 16.8	+ 12.8	+ 8.5	+ 4.5
Export of goods Value	+ 10.5	+ 2.5	- 20.2	+ 16.7	+ 11.5	+ 4.5
Import of goods Volume	+ 7.6	+ 0.6	- 14.3	+ 10.3	+ 7.0	+ 4.5
Import of goods Value	+ 9.6	+ 4.7	- 18.4	+ 16.5	+ 11.5	+ 4.0
Consumer prices	+ 2.2	+ 3.2	+ 0.5	+ 1.9	+ 3.1	+ 2.1
Active dependent employment	+ 2.1	+ 1.7	- 1.5	+ 0.8	+ 1.8	+ 0.4

Wood resources

Product	Year	Production	Imports	Exports
		1,000 m ³		
Sawlogs, pulpwood and other industrial roundwood	2009	12,144	8,037	729
	2010	13,281	8,040	955
	2011	14,280	7,625	1,035
	2012	14,385	7,690	1,035
Wood residues, chips, particles	2009	6,217	1,965	849
	2010	6,868	2,213	1,143
	2011	7,100	2,500	1,220
	2012	7,100	2,500	1,200
Fuelwood	2009	4,584 ¹⁾	564	77
	2010	4,549 ¹⁾	611	76
	2011	4,900 ¹⁾		
	2012	4,900 ¹⁾		

¹⁾ incl. chippings from forests

Sawnwood

Product	Year	Production	Imports	Exports
		1,000 m ³		
Coniferous sawnwood	2009	8,295	1,596	5,662
	2010	9,445	1,592	5,981
	2011	9,500	1,700	6,100
	2012	9,500	1,700	6,100
Non-coniferous sawnwood	2009	163	159	122
	2010	158	189	131
	2011	160	180	130
	2012	163	180	131

Product Code		Product	Unit	Historical data		Estimate	Forecast
				2009	2010	2011	2012
1.2.1.C		SAWLOGS AND VENEER LOGS, CONIFEROUS					
		Removals	1000 m ³	8.816	9.893	10.700	10.700
		Imports	1000 m ³	5.151	5.023	4.600	4.600
		Exports	1000 m ³	477	645	700	700
		Apparent consumption	1000 m ³	13.490	14.271	14.600	14.600
1.2.1.NC		SAWLOGS AND VENEER LOGS, NON-CONIFEROUS					
		Removals	1000 m ³	288	274	280	285
		Imports	1000 m ³	179	196	225	230
		Exports	1000 m ³	31	41	55	55
		Apparent consumption	1000 m ³	436	429	450	460
1.2.1.NC.T		of which, tropical logs					
		Imports	1000 m ³	0	1	0	0
		Exports	1000 m ³	0	0	0	0
		Net Trade	1000 m ³	0	1	0	0
1.2.2.C		PULPWOOD (ROUND AND SPLIT), CONIFEROUS					
		Removals	1000 m ³	2.527	2.649	2.800	2.850
		Imports	1000 m ³	1.774	1.676	1.600	1.600
		Exports	1000 m ³	171	211	220	220
		Apparent consumption	1000 m ³	4.130	4.114	4.180	4.230
1.2.2.NC		PULPWOOD (ROUND AND SPLIT), NON-CONIFEROUS					
		Removals	1000 m ³	511	465	500	550
		Imports	1000 m ³	933	1.145	1.200	1.260
		Exports	1000 m ³	50	58	60	60
		Apparent consumption	1000 m ³	1.394	1.552	1.640	1.750
3 + 4		WOOD RESIDUES, CHIPS AND PARTICLES					
		Domestic supply	1000 m ³	6.217	6.868	7.100	7.100
		Imports	1000 m ³	1.965	2.213	2.500	2.500
		Exports	1000 m ³	849	1.143	1.220	1.200
		Apparent consumption	1000 m ³	7.333	7.938	8.380	8.400
1.2.3.C		OTHER INDUSTRIAL ROUNDWOOD, CONIFEROUS					
		Removals	1000 m ³	0	0	0	0
1.2.3.NC		OTHER INDUSTRIAL ROUNDWOOD, NON-CONIFEROUS					
		Removals	1000 m ³	0	0	0	0
1.1.C		WOOD FUEL, CONIFEROUS					
		Removals	1000 m ³	2.735	2.754	2.900	2.900
1.1.NC		WOOD FUEL, NON-CONIFEROUS					
		Removals	1000 m ³	1.849	1.795	2.000	2.000

Product Code	Product	Unit	Historical data		Estimate	Forecast
			2009	2010	2011	2012
5.C	SAWNWOOD, CONIFEROUS					
	Production	1000 m ³	8.295	9.445	9.500	9.500
	Imports	1000 m ³	1.596	1.592	1.700	1.700
	Exports	1000 m ³	5.662	5.981	6.100	6.100
	Apparent consumption	1000 m ³	4.228	5.056	5.100	5.100
5.NC	SAWNWOOD, NON-CONIFEROUS					
	Production	1000 m ³	163	158	160	163
	Imports	1000 m ³	159	189	180	180
	Exports	1000 m ³	122	131	130	131
	Apparent consumption	1000 m ³	200	216	210	212
5.NC.T	of which, tropical sawnwood					
	Production	1000 m ³	0	0	0	0
	Imports	1000 m ³	8	9	7	7
	Exports	1000 m ³	2	3	4	4
	Apparent consumption	1000 m ³	6	6	3	3
6.1	VENEER SHEETS					
	Production	1000 m ³	n.a.	8	n.a.	n.a.
	Imports	1000 m ³	42	49	47	n.a.
	Exports	1000 m ³	23	24	23	n.a.
	Apparent consumption	1000 m ³		33	n.a.	n.a.
6.2	PLYWOOD					
	Production	1000 m ³	n.a.	n.a.	n.a.	n.a.
	Imports	1000 m ³	116	155	200	n.a.
	Exports	1000 m ³	278	304	350	n.a.
	Apparent consumption	1000 m ³	n.a.	n.a.	n.a.	n.a.
6.3	PARTICLE BOARD (including OSB)					
	Production	1000 m ³	2.100	2.200	2.200	2.100
	Imports	1000 m ³	402	464	444	440
	Exports	1000 m ³	1.701	1.829	1.820	1.720
	Apparent consumption	1000 m ³	801	835	824	820
6.3.1	of which, OSB					
	Production	1000 m ³	0	0	0	0
	Imports	1000 m ³	127	138	130	125
	Exports	1000 m ³	7	9	8	7
	Apparent consumption	1000 m ³	120	129	122	118
6.4	FIBREBOARD					
	Production	1000 m ³	750	750	730	750
	Imports	1000 m ³	140	140	113	120
	Exports	1000 m ³	567	600	577	597
	Apparent consumption	1000 m ³	324	290	266	273
6.4.1	Hardboard					
	Production	1000 m ³	100	100	110	100
	Imports	1000 m ³	32	33	36	33
	Exports	1000 m ³	67	65	75	65
	Apparent consumption	1000 m ³	66	68	71	68
6.4.2	MDF (Medium density)					
	Production	1000 m ³	650	650	620	650
	Imports	1000 m ³	89	89	60	70
	Exports	1000 m ³	496	533	500	530
	Apparent consumption	1000 m ³	243	206	180	190
6.4.3	Other fibreboard					
	Production	1000 m ³				
	Imports	1000 m ³	19	18	17	17
	Exports	1000 m ³	4	2	2	2
	Apparent consumption	1000 m ³				
7	WOOD PULP					
	Production	1000 m.t.	1.817	1.984	2.000	2.020
	Imports	1000 m.t.	609	615	700	710
	Exports	1000 m.t.	300	353	480	485
	Apparent consumption	1000 m.t.	2.126	2.246	2.220	2.245
10	PAPER & PAPERBOARD					
	Production	1000 m.t.	4.606	5.009	5.000	5.050
	Imports	1000 m.t.	1.145	1.363	1.490	1.500
	Exports	1000 m.t.	3.799	4.072	4.200	4.200
	Apparent consumption	1000 m.t.	1.951	2.300	2.290	2.350