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MARKET STATEMENT OF THE CZECH REPUBLIC

1. General economic trends

The accession of the Czech Republic to the European Union in May 2004 got reflected in wider involvement of the country in European and world economies and produced a direct or indirect impact on the country's development. It exercised a principal influence on the record-breaking results of the external trade. In the year 2004, constant price GDP increased by 4.4% year-on-year.

Industrial output in the year 2004 continued to grow high; its year-on-year growth has already been on since 2000. The industrial production grew by 9.9% in real terms, increasing most in capital goods and intermediate goods. The harmonized industrial production index increased by 9.9% in the CR in 2004 as against 2.1% in the EU, all year-on-year.

The development of the industrial production was shaped by growth of the output of manufacturing which has the highest share in total industrial production (82%). In the year 2004, 'manufacture of wood and wood products' grew by 6.5% on the year 2003 and 'manufacture of pulp, paper and paper products, publishing a printing' increased by 8.6%, all at constant prices of 2000.

The first half of 2005 saw the industrial output 4.2% up on the corresponding period of the previous year. ‚Manufacture of wood and wood products' dropped by 3.2% and 'manufacture of pulp, paper and paper products, publishing a printing' was higher by 6%.

Construction output grew at a high rate in the year 2004: it went up by 9.7% year-on-year (constant prices). Its overall growth occurred mainly in the implementation of large building and civil engineering constructions and new projects of trade and administrative centres. As of the end of the year building orders worth CZK 212.5 billion were concluded, which is by more than 30% than in the year 2003.

The harmonized index of construction output of the Czech Republic increased by 7.2% in 2004, which placed the CR to one of the top places among the 25 EU member states (an increase of 0.7%).

The construction output continued to grow in the first half of 2005, as expected.

External trade in goods developed in the year 2004 in an unusually dynamic way. Its record-breaking results were essentially due to the accession of the Czech Republic to the EU. In terms of current prices, imports increased by 21.2% year-on-year to CZK 1 746 671 million FOB/CIF and exports by 25.7% to CZK 1 723 731 million FOB/CIF. The high growth rates of imports and exports and their ratio exercised a positive influence on the development of external trade deficit: the deficit dropped by CZK 47.5 billion to stand at CZK 22.9 billion.

The biggest part of the increases in exports (almost 85%) and imports (almost 74%) was implemented with the EU member states, while the biggest trade gap was recorded for trade with China, Japan and Russia.

The enlargement of the EU-15 by ten countries, including the Czech Republic, cause a shift of the member states to happen among individual groupings. The data for the corresponding period of last year are converted to comparable membership as in the current year, which preserves comparability.

In comparison with the first half of 2004, the external trade in the first half of 2005 was accompanied by:

- a 5.8% increase in turnover (CZK 98.3 billion);
- CZK 45.8 billion improvement of trade balance;
- in the territorial structure: a slight decrease in the share of developed market economies in total exports and imports which, however, still remained dominating (81.3% and 90.8%, respectively);
- in the commodity structure: an increase in exports in all SITC classes.

Between January and June 2005, exports grew by 8.6% and imports by 3.1%. Trade balance recorded a surplus of CZK 38 billion as against the deficit of CZK 7.8 billion in the corresponding period of 2004.

Besides the development of prices in the world market, changes in external trade prices were also influenced considerably by movement of the exchange rate of CZK to EUR and USD. In January to June 2005, the Czech *koruna* strengthened against the euro and the US dollar by 7.9% and 12.9% on average year-on-year, respectively. In the same period, export prices dropped by 0.3% and import prices by 0.9%.

2. Policy measures, which might have a bearing on trade and markets of forest products or forest management

In June 2005, the Wood for Life Foundation was established to support the use of wood as indigenous, renewable, environmentally friendly raw material. It is the first of this kind in the forestry and woodworking industry of the Czech Republic.

The Foundation was established by forest owners and managers and by significant woodworking enterprises with the aim to:

(1) help develop professional forestry and woodworking education, science and research;

(2) help improve the life in rural areas, to which forests and woodworking production provide social certainties and economic prosperity, by supporting diversification of economic activities;

(3) help develop the optimal use of wood as a renewable and ecological source;

(4) help develop housing construction, especially for young families, whose projects include wood products preferentially certified; the objective is to lend support to sustainable wood products;

(5) improve public awareness of the care of forests in the Czech Republic and of sustainable wood products.

The Foundation will announce contents for grants in the framework of individual grants.

3. Development in forest products markets sectors

A. Wood raw materials

In the year 2004, removals of wood raw material increased by 3% year-on-year to 15 601 thousand m^3 of which 14 411 thousand m^3 of industrial wood accounted for an increase of 3.2% and 1190 thousand m^3 of fuel wood for an increase of 0.8%. In the production of industrial wood item, the proportion of softwood prevailed (13 220 thousand m3), while that of hardwood was only 8.2% (1 191 thousand m^3).

Coniferous sawlogs and veneer logs accounted for 92.7% (7 819 thousand m^3) of the removals of sawlogs and veneer logs, which is by 3.5% down on the production in the year 2003. Imports in the wood market grew by 38% to 425 thousand m^3 and exports went down by 10.3% to 1 933 thousand m^3. Apparent consumption went up by 0.8% to 6 311 thousand m^3.

Traditionally, the main portion of coniferous sawlogs and veneer logs exports went to Austria and a smaller portion to Germany.

In the same year, removals of non-coniferous sawlogs and veneer logs grew by 22.5% year-on-year to 609 thousand m^3, imports rose by 3.3% to 125 thousand m^3 and exports dropped a bit to 26 thousand m^3. Apparent consumption increased by 19.7% to 708 thousand m^3.

The non-coniferous sawlogs were traded in with most European countries.

In the year 2004, total removals of pulpwood (round and split) increased by 12.6% year-on-year to 5 593 thousand m^3, of which removals of coniferous pulpwood went up by 12% to 5 031 thousand m^3. Coniferous pulpwood trade saw an almost 20% drop in imports to 130 thousand m^3 and a 5.2% rise in exports to 561 thousand m^3. Apparent consumption went up, too, by 11.6% to 4 600 thousand m^3. Coniferous pulpwood is mainly consumed in the pulp and paper industry for the manufacture of wood pulp.

Both imports and exports were implemented with European countries.

Removals of non-coniferous pulpwood (round and split) account for 10% in pulpwood production only and increased by 18.8% year-on-year to 562 thousand m^3 in 2004. Imports and exports amounted to 21 thousand m^3 and 338 thousand m^3, respectively, which translates into substantial increases on the year 2003. Apparent consumption increased little.

The estimate of removals of wood raw materials for the year 2005 gives a year-on-year increase of 0.6% to 15 694 thousand m3, of which an increase of 0.65% to 7 870 thousand m^3 for removals of coniferous sawlogs and veneer logs, approximately the same removals for non-coniferous sawlogs and veneer logs (610 thousand m^3), an increase of 0.5% to 5055 thousand m^3 for removals of coniferous pulpwood (round and split), and slightly higher removals (564 thousand m3) of non-coniferous pulpwood (round and split).

As far as external trade in the year 2005 is concerned, imports of coniferous sawlogs and veneer logs and of coniferous pulpwood (round and split) are estimated to rise by 41% to 600 thousand m^3 and 92% to 250 thousand m^3, respectively. Estimates for imports of non-coniferous sawlogs and veneer logs are higher by 6.4% (to 133 thousand m^3) and those for non-coniferous pulpwood are the same as in 2004. Exports of coniferous sawlogs and veneer logs are estimated to rise by 2.4% to 1 980 thousand m^3, and a slight rise is estimated for exports of the other assortments. Apparent consumption should increase in all the assortments of wood raw materials. (All compared to 2004.)

The forecast for the 2006 anticipates a rise in removals of wood raw materials by 0.6% to 15 788 thousand m^3 in comparison with 2005, while the removals, imports, exports and apparent consumption of the other assortments of wood raw materials should be higher or unchanged.

B. Wood energy

In the framework of the National Forestry Programme—part of the CR's Government Resolution No. 53 of January 2003—work continued on the Programme measures concerning the possibility of contributing with deliveries of inferior quality wood and wood waste to energy purposes of the Czech Republic and the way of raising wood production by growing fast-growing tree species on areas reclaimed after coal mining, supported in the framework of the National Programme on the Support of Energy Saving and the Use of Renewable Energy Sources.

C. Certified forest products

At the close of 2004, the Czech Republic had a total of 1 935 998 hectares of forests certified according to the PEFC system—i.e. almost three quarters of the whole forest area in the country—while a total of 14 554 hectares was certified according to the FSC system.

The following interest groups received a total 158 PEFC certificates of the consumer chain: wood-processing entities, wood-trading companies, sawmills, the pulp and paper industry and construction.

A revision of normative documents has been launched, especially of the standard that lays down certification requirements.

D. Value-added wood products

Trade in value-added wood products developed in the assortment in 2004 as shown below (current prices CZK FOB/CIF):

- Further processed sawnwood: an increase in imports by 4.8% to CZK 610 million and in exports by 15.6% to CZK 1 021 million;
- Wooden wrapping and packing equipment: an increase in imports by 49% to CZK 1 064 million and in exports by 39.6 % to CZK 3 429 million;
- Builder's joinery and carpentry of wood: an increase in imports by 25.5% to CZK 2 245 million and in exports by 11% to CZK 4 314 million;
- Wooden furniture: an increase in imports by 9.8% to CZK 5 924 million and in exports by 2.6 % to CZK 7 082 million.

The trade in this assortment of value-added wood products is expected to grow further in 2005 and 2006.

E. Sawn softwood

In 2004, production of sawn softwood increased by 4.1% year-on-year up to 3 648 thousand m^3 in connection with the start up of the sawn softwood production capacity at Mayr-Melnhof Holz GmBH's new sawmill in the Paskov locality. Trade in sawn softwood rose by 5.4% in imports to 270 thousand m^3 and 10.9% in exports to 1 568 thousand m^3. Apparent consumption of sawn softwood in the domestic market grew by 0.2% to 2 350 thousand m^3.

In 2004, sawn softwood was mainly imported from the Russian Federation, Germany, Austria and Slovakia and, to a lesser extent, from other European countries. Exports were mostly directed to European countries (Germany, Austria and Italy in particular) and also to countries outside Europe (the USA, Australia and Japan).

In 2005, in comparison with 2004, further increases are expected in sawn softwood production (+3.7% to 3 750 thousand m^3), imports (+11.1% to 300 thousand m^3) and exports (+7.7% to 1690 thousand m^3). Apparent consumption is expected to rise slightly. And in 2006, the production, imports and imports are expected to be higher than in 2005.

F. Sawn hardwood

In 2004, production of temperate and tropical sawn hardwood dropped by 3.6% year-on-year to 292 thousand m^3. Imports and exports of sawn hardwood rose by 20.3% to 136 thousand m^3 and 17% to 48 thousand m^3, respectively; apparent consumption slightly grew by 1.3% to 380 thousand m^3. Of this, both the imports and the consumption of tropical sawnwood remained at their levels of 2003—i.e. at 6 thousand m^3 both.

Sawn hardwood was imported mainly from Slovakia and Germany and exported to a number of European countries.

The estimate for 2005 gives an increase of 1.3% in the production to 296 thousand m^3 and similar increases in exports and apparent consumption, compared to 2004. The year 2006 is forecast to see a similar increase in the production, to 300 thousand m^3, a smallish decrease in imports and slightly higher consumption, compared to 2005.

G. Wood-based panels

Veneer sheets

In 2004, production of veneer sheets increased by 11.7% to 19 thousand m^3; imports grew by 14.2% to 24 thousand m^3 and exports by 27.7% to 23 thousand m^3, while apparent consumption remained unchanged, all compared to 2003.

Veneer sheets are imported largely from European countries and small amounts from Asia, Africa and the USA, and exports go to European countries (Germany and Austria in particular).

Estimates of the production, exports, imports and consumption for 2005 expect the same figures as in 2004, as does the forecast for 2006.

Plywood

In comparison with 2003, the year 2004 saw plywood production rise by 20.4% to 153 thousand m^3, imports and exports grew by 5.7% to 55 thousand m^3 and 12.2% to 92 thousand m^3, respectively. Demand in the domestic market increased, too, and apparent consumption went up by 19.5% to 116 thousand m^3. The increase in the production and consumption of plywood containing tropical wood is likely to be connected with an increase of 13.5% in the production and exports of furniture and parts thereof, according to the goods structure classified by two digit code of SITC rev. 3, January-December 2004, No. 82.

Estimates for 2005 have it that the production is up by 4.5% (160 thousand m^3), imports are up a little (56 thousand m^3), exports are up by 6.5% (98 thousand m^3) and apparent consumption is slightly up, too, compared with 2004. The production, exports and consumption in 2006 should further rise from the year 2005 to 170 thousand m^3, 106 thousand m^3 and 120 thousand m^3, respectively.

Particle board

In 2004, production of particle board increased by 1.3% to 1 128 thousand m^3, imports by 13% to 242 thousand m^3, exports by 7.1% to 557 thousand m^3 and apparent consumption by 0.7% to 813 thousand m^3 year-on-year. Of this, imports, exports and consumption of oriented strand board (OSB) accounted for 77 thousand m^3, 4 thousand m^3 and 73 thousand m^3, respectively.

The board was imported from European countries, mainly from Germany and Austria, and exported especially to Romania, Hungary, Slovakia, and Poland.

Estimates for 2005 show no substantial changes in comparison with 2004, and the forecast for 2006 gives slightly higher values for the production, imports, exports and consumption in comparison with 2005.

Fibreboard

Production of MDF board in 2004 grew by 2.2% year-on-year to 90 thousand m^3. Trade in the whole fibreboard assortment (hardboard, MDF board and insulating board) dropped by 0.4% to 223 thousand m^3 and exports increased by 17.5% to 95 thousand m^3. Apparent consumption fell by 5.6% to 218 thousand m^3.

Fibreboard was imported mainly from Germany, Poland and Austria and exported to Slovakia and Poland.

According to estimates for 2005 and forecast for 2006, no substantial changes are expected to occur.

H. Pulp and paper

Production of wood pulp in 2004 rose by 1.9% year-on-year to 732 thousand tonnes. In pulp trade, only exports increased, by 1.5% to 340 thousand tonnes; imports dropped by 6.3% to 163 thousand tonnes. Apparent consumption decreased only a little.

In 2004, pulp was imported mainly from European countries (the Russian Federation, Finland, Sweden) and from the USA. Exports were also directed to European countries first of all (Germany, Italy, Austria, Slovakia) and to Asian countries.

Production of wood pulp is estimated to grow in 2005 by 1.7% year-on-year to 745 thousand tonnes; imports will rise by 4.2% to 170 thousand tonnes and exports by 4.4% to 355 thousand tonnes. Apparent consumption is estimated to rise by 0.9% to 560 thousand tonnes. Similar year-on-year increases are forecast for 2006.

In the assortment of paper and paperboard, production in 2004 increased by 1.5% year-on-year to 934 thousand tonnes, imports by 18.5% to 967 thousand tonnes, exports by 5.3% to 717 thousand tonnes, and apparent consumption by 12.3% to 1 193 thousand tonnes.

Paper and paperboard were imported largely from European countries (Germany and Austria in particular) and exported mostly to European countries (Germany, Slovakia and Poland). Small amounts were exported to all continents.

According to estimates for 2005, the production should rise by 1.4% year-on-year to 948 thousand tonnes and increases in imports, exports and consumption should range in similar values. Similar year-on-year increases are forecast for 2006.

4. Tables

Selected economic indicators

Country: Czech Republic

Indicator	**Percentage change compared to previous year**			
	Actual			Estimate
	2002	2003	2004	2005
Gross domestic product (1995 constant prices)	1.5	3.2	4.4	4.1
Industrial production (2000 constant prices)	4.8	5.8	9.9	
of which:				
- woodworking industry	6.1	5.7	6.5	
- pulp, paper and printing industry	2.8	9.5	8.6	
Construction (2000 constant prices)	2.5	8.9	9.7	
External trade (FOB/CIF, current prices)				
of which:				
- Imports		8.7	21.2	
- Exports		9.2	25.7	

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

Country: Czech Republic

Product	Year	Industrial roundwood				Wood fuel	Total
		Total	Sawlogs Veneer logs	Pulpwood	Other		
Total	2004	14,411	8,428	5,593	390	1,190	15,601
	2005	14,489	8,480	5,619	390	1,205	15,694
	2006	14,568	8,534	5,644	390	1,220	15,788
of which:	2004	1,191	609	562	20	490	1,681
non-conifer	2005	1,194	610	564	20	495	1,689
	2006	1,208	619	569	20	500	1,708

Summary of statistics and estimates (1000 m3)

Country: Czech Republic

Product	Year	Production	Imports	Exports	Apparent consumption
Sawnwood,	2004	3,648	270	1,568	2,350
coniferous	2005	3,750	300	1,690	2,360
	2006	3,800	310	1,750	2,360
Sawnwood,	2004	292	136	48	380
non-conifero	2005	296	136	50	382
	2006	300	133	50	383
Sawlogs and	2004	7,819	425	1,933	6,311
veneer logs,	2005	7,870	600	1,980	6,490
coniferous	2006	7,915	700	2,030	6,585
Sawlogs and	2004	609	125	26	708
veneer logs,	2005	610	133	27	716
non-conifero	2006	619	143	28	734
Pulpwood	2004	5,031	130	561	4,600
(round, split)	2005	5,055	250	565	4,740
coniferous	2006	5,075	300	565	4,810
Pulpwood	2004	562	21	338	245
(round,split)	2005	564	21	340	245
non-conifero	2006	569	21	340	250
Veneer shee	2004	19	24	23	20
	2005	19	24	23	20
	2006	19	24	23	20
Plywood	2004	153	55	92	116
	2005	160	56	98	118
	2006	170	56	106	120
Particle boar	2004	1,128	242	557	813
	2005	1,130	240	557	813
	2006	1,135	245	562	818
Fibreboard	2004	90	223	95	218
	2005	90	223	95	218
	2006	91	223	96	218
Wood pulp	2004	732	163	340	555
	2005	745	170	355	560
	2006	758	171	362	567
Paper and	2004	934	976	717	1,193
paperboard	2005	948	1,100	740	1,308
	2006	962	1,224	763	1,423