63rd session, UNECE Timber Committee

COUNTRY MARKET STATEMENT

PORTUGAL

September 2005

1. *General economic trends affecting the forest and forest industries sector (brief description)*

The Portuguese forest occupies around 3.3 million hectares (Forest National Inventory -1995/98). The estimate of its solid volume is **154** million cubic metres:

- **100** million cubic metres pine wood
- **30** million of cubic metres eucalyptus
- **24** million cubic metres other hardwood

Each year around 9 million cubic metres are removed (3 million cubic metres softwood and 6 million cubic meter hardwood).

Cork oak stands produce 120.000 metric tone cork every year.

2. *Policy measures on trade and markets of forest products or forest management Markets, Global Vision 2005/2006*

The Portuguese forest products trade sector is based mainly on exports as the balance between (exports-imports) has always been positive. Therefore, it has to be considered within the trends-framework of the global trade.

Economics forecast – 2005, so far, has been a year of weak economic activity. The real GDP is estimated to grow by 1.1% in 2005 and to accelerate to 1.7% in 2006. These facts are the result of the high prices of oil, the increase of VAT and the stronger position of Euro in relation to the Dollar. These factors have strongly affected the Portuguese exports' sector and did not allow the needed and wished economic growth. In fact, the Portuguese exports were more expensive when compared to the North American ones, therefore loosing competitiveness. Nevertheless, it has been registered an increase in exports and imports have slowed down.

In 2006, it is expected a slight increase of GDP, as a result both of the decrease of private consumption and of the increase of exports and imports[1]. This reflects a fragile recovering of the Euro zone which is very much dependent on the steady increase of exports.

Lately the Portuguese Consumers' *Confidence* Index has decreased and is lower than the European average.

3. *Development in Forest Products Markets sectors*

Global Analysis of Forest Products International Trade the coverage rate is always higher than 100% in all forest products, except for wood furniture.

A positive evolution on the total amount of exports is registered.

Concerning the wood products' imports, they are predominantly of raw material. In terms of paper and paperboard the coverage rate was higher than 100%, for the first time, in 2003.

A. *Development of Sanwood Market*_– The consumption of sanwood in Portugal has registered a strong increase both in exports and imports, showing that recovering is on going.

[1] Date of Bank of Portugal in www.bportugal.pt/publish/other/ce_pri_05_e.htm

For sanwood, in 2005 it is expected an increase in production's level, comparing to 2004. For 2006, it is foreseen a stabilization of the production level.

Portuguese sanwood is mainly exported to European Union Member States. To Spain is exported more than 50% of the total amount of the Portuguese sanwood.

B. Roundwood – For 2005 and 2006, it is foreseen a marginal growth for roundwood removals.

In 2003 and 2004, imports of eucalyptus' roundwood decreased significantly due to the high amount of stocks, resulting from the 2003 and 2004's forest fires. In addition, pine roundwood imports also decreased 2%.

C. Wood for Energy – As it is foreseen that the price of oil keeps on increasing, an encouragement of the use of wood for energy is expected. Competition among the use of small dimension wood materials for energy, for particle boards and for pulp is observed.

D. Certified forest products

For the first time in Portugal, certified cork by FSC is available (*FSC – Forest Stewardship Council –Cork Oak Programme WWF – Mediterrâneo).* One of the main aspects of this programme is to promote sustainable forest management in cork oak stands by applying practices based on the FSC system.

FSC in Portugal

- Certified area by FSC – 50.253 ha
- Cork oak certified area by FSC – 3.167 ha
- Number of Forest Management Certificates – 2
- Number of Chain of Custody Certificates – 5

In 2004, the process of conformity revision of the Sustainable Forest Management Certification System (PEFC Portugal) with the criteria for mutual recognition of PEFC Council systems was carried out. In December the system was recognized. The first initiatives with a view to the certification are already running and the first certificates are expected during 2005.

E. Particle Boards – The forecast for 2005 e 2006 confirms the trend of high production (exports increase) and consumption levels.

F. Wood Pulp, Paper and Paperboard

F.1 ***Wood Pulp –*** In 2005 this sector has been affected by the strengthening of the Euro in relation to the Dollar as raw material's acquisition is done in Euros and the final products' sale is done in dollars.

Nevertheless, wood pulp production, in 2004, increased more than 1%, reaching around 2 million metrics tones. It has also been registered a high growth of integrated wood pulp (over 17% comparing to 2003), which has increased the added value of this product. Export increased and imports decreased due to the stocks' level decrease. In 2005, it has also been registered an increase of sales within the national market.

The levels of wood pulp integration have been increasing and for 2006 it is foreseen the continuation of this growth.

Concerning imports, the main market sources are the North European countries like Sweden and Finland. And the most important destinies of wood pulp final products are located in Europe (which imports around 95% of the Portuguese exports). It is worth mentioning Germany, Spain and the Netherlands.

F.2 *Paper and Paperboard*

The production of paper and paperboard has been growing since 1997. In between that growth slowed down, but in 2003 the growing trend was recovered. A significant part of this production growth has been exported, reflecting a certain level of revering for this product.

In average, around 80% of exports are to EU markets, namely Spain, France and Germany.

An increase of 4% in the total volume of sales was registered from 2003 to 2004. Those sales were shared between the domestic and the international markets. The export growth was due to the development of the American, Middle East, Asia and Oceania markets. The American market alone increased 7%.

The r**ecovered paper** has had reductions both in import and exports.

G. *CONCLUSION*

The Portuguese forest products trade sector represents 10% of the total Portuguese exports. Mainly it is an export sector. Nevertheless it is strongly influenced by international trends. Therefore, it is considered particularly important that industries and forest owners take into account the developments linked to the demand for certified products, to wood for energy and to the dynamics of emerging markets (as the Chinese one) and related consequences to the global market.

4. *Tables*

Main features of country forecast - PORTUGAL

	Euro area		
	Rates of change, in percentage		
	2004	***2005***	***2006***
GDP (real)	1.8	1.0 - 1.6	1.3 - 2.8
Private consuptiom	1.3	1.1 - 1.5	0.7 - 2.7
Public consuptiom	1.4	0.6 - 1.6	1.1 - 1.5
Gross fixed capital formation	1.4	0.4 - 2.0	1.3 - 5.2
Exports (goods and services)	5.9	2.4 - 5.2	4.6 - 8.8
Imports (good and services)	6.1	2.2 - 5.2	4.3 - 8.7
Harmonised Index of Consumer Prices	*2.1*	*2.1 - 2.3*	*1.4 - 2.4*

Source: European Central Bank, Monthly Bulletin (September 2005)

Table 1 – Date of Bank of Portugal (http://www.bportugal.pt/publish/ind_conj/Ind_set05_e.pdf)

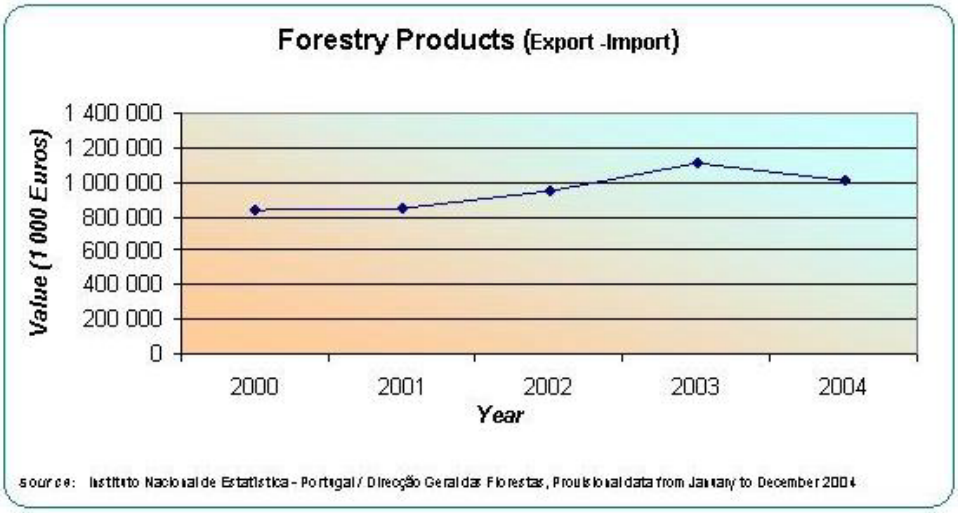

Figure 1 – Forest Products' Portuguese Balance: export and import

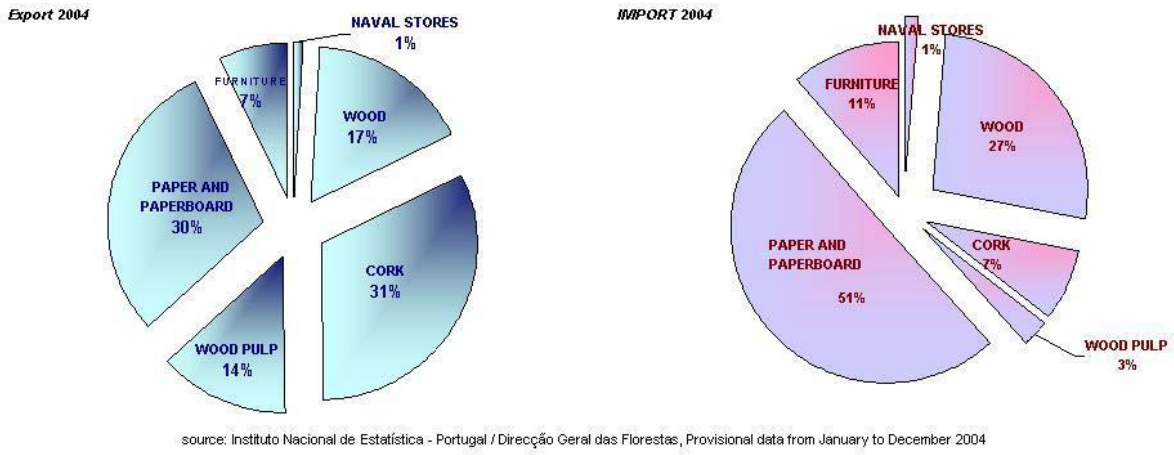

Figure 2 – Forest products Portuguese structure - export and import

5. *SOURCES*

AINMP – Associação das Industrias de Madeira e Mobiliário de Portugal
Banco de Portugal – Indicadores de Conjuntura, Setembro de 2005
CELPA – Boletim Estatístico de 2004
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