Austrian Market Report 2007

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1. General economic situation

According to WIFO's latest flash estimate, the Austrian economy grew by 0.9 percent quarter-on-quarter or 3.5 percent year-on-year in the second quarter. Hence, the growth momentum was even stronger than in the first quarter. Goods exports and investment remain the key driving factors of the economic upswing. In contrast, private consumption shows hardly any signs of a pickup. Financial market turbulences point to heightened risks for the second half of the year.

Evidence from WIFO's July business survey shows that companies in the manufacturing sector continue to be highly optimistic. 41 percent of the surveyed companies judge their current business situation to be good, whereas only 10 percent are not content with it. In the last few months this assessment has not improved further, though.

While consumers expect the economic situation to improve, they assess their current financial situation to be more unfavourable than at any time in the last fifteen years. Hence they intend to be thriftier with regard to large-scale purchases. This discontent can be explained by the fact that private net incomes of employed persons continue to stagnate despite the economic upturn. Inflation rose owing to higher prices for energy and food, hitting the 2 percent mark in May and June. Given a standard wage increase of just 2.4 percent and high marginal tax rates, the purchasing power of a private household will rise only if an additional family member takes employment.

The economic revival was reflected in significant job gains (July +60,700 compared with a year earlier). Only around one third of the new jobs are filled with unemployed persons, however. Hence the decline in unemployment (July −11,300) is relatively small as measured by the employment boom.

The upturn accelerated once more in spring, according to WIFO's latest flash estimate. In the second quarter Austria's real GDP rose by 1 percent (seasonally and working day adjusted) from the previous period, a dynamic rate last seen in 1999. On a year-on-year basis, real GDP growth advanced to +3.8 percent from +3.5 percent in the first quarter.

The main impetus for this marked expansion came once more from exports (+1.5 percent in real terms quarter-on-quarter), with both goods and services exports rising vigorously (+1.4 percent and +1.6 percent, respectively). Thanks to the buoyant economy imports also continued to rise (+1 percent in real terms). Goods imports grew more strongly (+1.2 percent) than services imports (+0.7 percent).

Gross fixed investment expanded at a seasonally and working day adjusted quarterly rate of +0.8 percent in real terms in the second quarter, more slowly than in the first quarter (+1.5 percent). The mild weather at the beginning of the year played a decisive role here, benefiting notably building investment in the first quarter. The latter expanded at a considerably slower pace in the second quarter (+0.6 percent in real terms) than in the previous period (+1.4 percent). Business spending on machinery and equipment again rose strongly in the second quarter (+1.5 percent in real terms). Growth in this capital goods category was relatively weak for an economic upturn, however. A marked acceleration is anticipated for the coming quarters, as is suggested also by the results of the WIFO investment survey.

Private consumption continues to lack dynamism. In the second quarter it did, indeed, grow by 0.6 percent from the previous period, but the first quarter result was distorted downward by the

low energy consumption due to the mild winter. While some consumer goods categories did grow at rates typical of the business cycle, no upward tendency became yet apparent for vehicle sales. Public consumption, at +0.2 percent, expanded at a slower pace than private consumption.

As can be expected given the buoyant foreign trade sector, it was notably the manufacturing industry that benefited from the upturn. For the second time in a row, it reached the highest growth in value added (+2.6 percent seasonally and working day adjusted) since the introduction of the quarterly calculations (1988). The real estate industry, which comprises the highly cyclical sector of business services, also expanded at a robust pace (+1.5 percent). Growth in the construction industry (+0.2 percent) was weaker than in the first quarter, which had been blessed by mild winter weather (+0.7 percent). Construction activity appears to be gradually losing steam.

2. Policy measures

The Austrian Forest Dialogue and the Austrian Forest Programme

The Austrian Forest Programme, developed within the framework of the Austrian Forest Dialogue and adopted in late 2005 (www.walddialog.at/filemanager/list/16026), identifies all important topics, goals and measures concerning the Austrian forest in a trend-setting manner and constitutes the basis for action in national and international forest-political decision-making processes. To investigate the progress made with respect to the individual goals a set of 72 indicators has been developed; actual values are determined and target values are being established. Presently, the Forest Dialogue focuses on the implementation of the measures laid down in the Forest Programme, respectively in the associated Work Programme.

Government programme

Since January 11, 2007 the Federal Government in office, Mr. Gusenbauer's first Cabinet, has been working on the basis of the government programme agreed upon between the Social Democratic Party of Austria and the Austrian People's Party. This programme is among other things aiming at utilising renewable energy. For example, the use of biomass is to be doubled by the year 2010. Among other things, additional wood resources are to be mobilised to achieve this goal. The multiple functions of the Austrian forests are to be maintained, with priority being given to the preservation and enhancement of protection forests. For utilisation in the leisure industry contractual regulations between forest owners and interested persons or agencies, communities, tourism, etc. should be extended. The Federal Government is in all fields of politics committed to sustainability and orients its way of acting taking into account ecological, social and economic principles. Greening public procurement is one approach towards this intention.

Eco-Electricity Act

The Austrian Eco-Electricity Act, in force since 2003, lays down an Austria-wide uniform purchasing and payment obligation for power suppliers concerning energy from renewable sources of energy. Wind, sun, geothermal power, hydroelectric power, biomass, landfill gas, sewer gas and biogas were defined as renewable sources of energy. The subsidies for eco-electricity are funded via an extra charge on the electricity price. The Tariff Ordinance

("Tarifverordnung") to the Eco-Electricity Act provides for attractive and nationally uniform feed-in tariffs for electricity from new eco-electricity plants approved until 2004. This measure also contributed to increasing the competitive capacity of wood as a provider of energy and has given important stimulatory impulses to investments in new biomass plants.

The amendment of May 2006, by means of which among other things energy efficiency criteria were introduced, aggravated the framework conditions for new investments. The number of project approvals has declined so sharply that the available volume of subsidisation is meanwhile exploited only in part. Presently another amendment to the Tariff Ordinance is being elaborated to make the programme attractive for new projects again. The paper and pulp industry is taking efforts to gain acceptance for the generation of power from waste liquors and sludges, which has not been recognised so far.

Mobilisation of wood

In Austria's forests there are plenty of unused timber reserves. Whereas the growing stock and the annual increment of wood grow continuously for decades, annual fellings stagnate for most different reasons. To guarantee raw material supply in the case of rising demand both for wood as a material and as an energy source the additionally required (energy) wood product assortments have to be placed on the market in due time. The Federal Ministry of Agriculture, Forestry, Environment and Water Management therefore commissioned the Austrian Energy Agency with the project "klima:aktiv energieholz". The project is to help mobilise the unused timber resources existing in Austria's forests and to accelerate the introduction of new quantities of energy wood into the market. The programme was launched at the beginning of 2005 and is planned for a period of four years (from 2005 to 2008).

The Ministry in late 2006 also commissioned the Federal Forest and Research Centre for Forests, Natural Hazards and Landscape (BFW) with the conduct of a study on the volume of wood and biomass for Austria. Taking account of the site-specific sustainability and the economic and technical conditions as well as of all other forest effects and resulting restrictions on utilisation, and applying different scenarios, the potential extra wood and biomass that is sustainably usable is to be determined in the framework of this study. First intermediate results suggest an extra 4.2 million cubic metres of timber harvested under bark per year of sustainable wood biomass by 2020.

Also the representations of interest of the forest owners, the forest associations and other organisations of the forest and timber sector support the efforts to mobilise additional wood resources from domestic forests and/or work out their own programmes and projects. The record felling quantities of 2006 can be considered a first success in this respect. The efforts concerning mobilisation were strongly promoted by the risen prices of timber and a high volume of damaged wood.

Forest subsidisation

Austria has successfully negotiated a forest package for the 2007-2013 period within the framework of the "Rural Development Regulation". Every year 25 million € will be available to promote the improvement and intensification of forest management in Austria. Furthermore, considerable funds will be provided for the protection against natural hazards. At present, the approval of the national subsidisation programme by the European Commission is still pending.

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

In early 2007 the Co-operation Platform Forest-Wood-Paper (FHP) adopted a two-year work programme focusing on the best possible use of wood. FHP's most important fields of activity are research & development, energy, wood balance, mobilising wood resources, timber harvesting, standardisation, and automated takeover of timber at the mill. (www.forstholzpapier.at)

Wood promotion

"proHolz Austria" continued its campaign "Wood is ingenious." ("Holz ist genial."). The campaign is intended to position wood as an innovative, efficient material from sustainable production. proHolz is a working association of the Austrian forestry and forest industry pursuing the goal of effective timber marketing in Austria and abroad. Marketing, publicity and information on wood are the instruments applied to achieve this objective. (www.proholz.at)

proHolz Austria is active also beyond Austrian borders. The primary goal is to increase timber exports from Austria on interesting outlets and target markets. The know-how of Austrian enterprises will be 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 underway above all in the Czech Republic (www.prolignum.cz) and within the framework of European Wood in Asia.

With dataholz.com Europe's largest database for wood construction is available online free of charge. The inter-active building components catalogue with about 155 structural members and 1,500 construction variants is continuously updated, provides valuable planning support and can provide the necessary certificates for authorities at the flick of a switch. dataholz.com offers the structural and the ecological data for wood and wood materials, building materials, components, and connecting pieces. These data are checked, assessed and released by accredited testing institutes. The data sheets contain also drawings with all constructive details. Since January 2007 dataholz.com has been available also in Italian.

Austrian Timber Trade Practices NEW (ÖHU-2006)

The new Austrian Timber Trade Practices ("Österreichische Holzhandelsusancen", ÖHU-2006) are binding since 1 January 2007. The fact that the taking over of sawlogs by companies is dealt with in the legal part provides the necessary legal certainty in this field. The clear definition of the quality class C by means of limit values for all wood characteristics and a general description to consider very coarsely branched and shapeless stems for the quality class Cx are to be seen as another milestone. For the sawmilling industry, the timber trade, master joiners, and the companies manufacturing wooden buildings innovations in the field of sawnwood sorting are of importance.

3. Market drivers

The revival of the economic activity in Europe and the rise of energy prices promoted the demand for timber and timber products last year. Timber prices showed a continuously upward trend all through 2006. Removals reached an all-time high in Austria. The mild winter of 2006/07 and the wind breakage of January 2007 led to abundant supply on the timber market; prices

declined again. Due to the favourable supply situation and the good economic condition the sawmilling, board and paper industries are producing at a record level in 2007. More detailed information is provided in Chapters 4 and 2.

4. Developments in forest-products markets sectors

A. Wood raw materials

With a share of 47.2% of the federal territory and about 150,000 forest enterprises forests play an important part with respect to farmers' income and to the value added in rural areas in Austria. Maintaining and increasing the yield of forests is thus of high significance not only for agriculture and forestry but also for wood-processing enterprises. However, the results from the Austrian Forest Inventory (2000-2002) show that the intensity of utilization is on a low level, in particular in small private forests. Lately only 60% of the totally 31.5 million cubic metres o.b. of annual increment have been utilized. This situation is first of all a result of the decreasing contribution margins in the last decades and the ensuing lower interest of many forest owners in wood utilization. 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 (approximately 9 million cubic metres), mobilizing the available resources has become the major goal of Austria's forest policy.

In 2006 19.1 million cubic metres of timber under bark were harvested in Austria, an unprecedented record figure. The removals were 16% higher than the year before and 25% higher than the ten-year average. It is noteworthy that this growth is above all attributable to private forests (+28% compared to 2005). Private forest owners have apparently very clearly responded to the rise in demand and to the 10% rise in timber prices over 2005. The efforts on the part of the forest and timber sector to mobilise more wood from domestic forests have stepped up this development. A drop of bitterness in this cup of joy is that a large part of the increase in felling quantities is a consequence of the higher rate of damaged wood. Totally 6.3 million cubic metres of damaged wood accrued in 2006, above all due to snow loads and storms as well as bark beetles.

In 2006, the average prices of roundwood were by 10% higher than last-year's prices. The output of the forestry industry (incl. forest services and non-separable non-forest secondary activities) reached 1.45 billion € in 2006, an increase of 21% compared to 2005.

Storms of January 2007 caused an estimated 5.6 million cubic metres of damaged wood in Austria. The rather high timber prices recorded at the beginning of the year declined again. A collapse of prices was largely prevented, however, thanks to the favourable economic trend and the establishment of wet-storage facilities. In spring the full timber storage places of the industry led to delays in the evacuation of wood from forests. Especially in Austria's north supply cutoffs and the setting of supply quotas caused a deterioration of the quality of roundwood in forest-based storage places. This situation probably affected the mood and motivation of many forest owners with respect to future wood utilisations. The due to the mild winter still abundant stocks held by the purchasers of wood for energy at the end of the heating season as well as the risen supply of sawmill wood residues after the record cut of the first half-year period made the wood residue markets get severely under pressure. The prices of wood shavings and wood chips dropped sharply.

The roundwood market at the beginning of the 2007 autumn season

The economic activity proves to be robust in spite of the recent financial market turbulences. Building investments in Austria and Germany appear to be beyond their peaks, however. After the record cut of the first half-year period the production of sawn softwood is presently slightly declining in Austria. The quantities of roundwood stored by sawmills were partly significantly reduced; some sawmills can again take over timber as usual.

The snowfall at the end of the first week of September caused damage with a high share of wood breakage in some regions. Wood from this event and from phytosanitary utilisations meets with a clearly rising demand for fresh sawlogs and fresh (mechanical) pulpwood and is therefore accepted by the market without problems. Outside the areas affected by storm (Kyrill) roundwood prices show a slightly upward trend again; in the areas that suffered the greatest damage they will remain at a low level in spite of the demand for fresh wood. The roundwood collected in forest-based timber storage places due to the damage caused by wind and storm will have been completely removed only in the course of the fourth quarter.

As regards hardwood, a strong demand for all types of hardwoods having non-white timber, for oak and poplar is expected again. Also red-heart beech should sell easily.

As to coniferous chemical pulpwood, the forest and timber industry will still for quite some time have to work to manage the damage caused by wind and storm. The present supply exceeds the storage capacities of the paper and board industry – also as a result of the persistently high provision of sawmill wood residues. The stringent quotas for timber supply have therefore been maintained. Because of the smaller price difference to wood for energy, chemical pulpwood is partly no longer sorted out. The demand for fresh (mechanical) pulpwood is growing, prices have partly risen considerably.

Due to the persistently high fuel supply the wood-for-energy market has remained quiet. The demand for fuelwood ready for use is developing very well.

B. Wood energy

The energy sector has experienced a particularly lively development in recent years. Numerous new wood-chip and bark-firing installations and pellets furnaces were newly established. As a consequence of the incentives pursuant to the Eco-Electricity Act many new combined biomass-heat-power co-generation plants were built. According to data from the Austrian Energy Agency, Statistics Austria and the Chamber of Agriculture of Lower Austria the demand for timber for energetic use rose from 12.5 million cubic metres in 2004 to 14.1 million cubic metres in 2005 and, according to forecasts, will reach 19.7 million cubic metres in 2010. Whereas in 2004 about half of the wood demand was still covered by firewood, this will only be about one third in 2010. The consumption of heating systems using wood chips and bark will continuously rise, also installations using pellets will continuously rise in number, even though at a clearly lower level. The most marked rise is recorded with the biomass co-generation installations, which will still continue to significantly push wood consumption until 2007/2008.

A statistics on the total primary energy supply of bio-energy for 2004 (157 PJ) illustrates that wood logs (60.7 PJ) are still the most important biogenic energy source. Wood chips from

forests (10.8 PJ) and industrial wood residues (30.7 PJ) are used first and foremost in the sawmilling and wood-processing industry and in distant heating systems; pellets (4.4PJ) are increasingly used in heating systems of detached houses. Waste liquors and sludges from the paper industry (24.2 PJ) and bark are used for the production of electricity and process heat in the paper and pulp industry. Other wastes and residues (20.1 PJ) are burned to generate distant heat and process heat and to produce electricity.

The fuelwood prices of 2006 were about 10% higher compared to the preceding year and have continued to rise also in 2007. The prices of pellets rose sharply from summer to the turn of the year 2006/2007 and then returned to the previous year's level.

C. Certified forest products

PEFC Austria

Since the Austrian certification system was officially recognised by the PEFC Council in September 2000 it has been applied in practice. Both forest certification by means of the regional model and the "Chain of Custody" (CoC) monitoring by group schemes for small- and medium-sized enterprises are tailor-made for Austrian conditions. Since February 2002 all forest regions in Austria, totally 3.9 million hectares, have been certified according to PEFC. At present, 270 timber-processing enterprises and timber traders are certified. According to the requirements of PEFC International the system of PEFC Austria was audited and revised in 2005/2006. In October 2006 it was approved by the PEFC Council for another five years. The paper and printing sector has continued to expand also in 2007. At the international level public procurement and the recognition of PEFC Austria by various national public procurement systems were priority issues.

Forest Stewardship Council (FSC)

In Austria, presently over 5,000 hectares of forest have been certified according to FSC. 51 enterprises hold an FSC-Chain of Custody Certificate. FSC-certified products are marketed first and foremost in DIY stores (e.g. garden furniture, wooden floors, wood-based panels) as well as in the furniture and paper sector.

D. Value-added wood products

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

The production marketed in the **construction sector** amounted to 2.17 billion € in 2006 (+13.3% as compared to 2005), of which 365 million € (+5.9%) were attributable to the production of windows, 462 million € (+24.9%) to prefabricated houses made of wood, 233 million € (-4.7%) to doors, 198 million € (+16.7%) to parquet floors, and 342 million € (+20.7%) to glued laminated timber elements.

The Austrian **furniture industry** produced furniture worth 2.95 billion € in 2006 (+9.5%). Regrettably there are no figures as to the share of wood in the furniture production. As in the previous year both the exports and the imports of furniture decreased and amounted to approximately 1.1 billion € each in 2006. The most important countries of importation were

Germany (approx. 50% of the imports), Italy, Romania and the Czech Republic. Imports from Asia have grown and reached a share slightly above 3%.

For the Austrian **ski industry**, the results of the past business year were still absolutely satisfactory thanks to the snowy winter of 2005/06. The development of this year's business activities can hardly give rise to optimism, however. The selling season of 2006/07 was very unsatisfactory especially in Europe. The past winter, when there was hardly any snow, had a particularly marked negative effect on the business with cross-country skis. The decline in orders on the part of the sports articles trade cause staff reductions this year. Hopes rely on an early start of winter now. More than 85% of the ski and snowboard production are exported.

E. Sawn softwood

Also in 2006, the sawmilling industry managed to sell products worth over 2 billion € (2.08 billion €). The production of sawnwood decreased to 10.5 million cubic metres (of which 10.3 million cubic metres sawn softwood). The decline in production by about 5% can be explained by the fact that, due to difficult weather conditions, raw material supply was difficult during the first quarter of 2006. The annual cut amounted to approx. 17.2 million solid cubic metres of roundwood; 6 million solid cubic metres of sawlogs were imported. The sawmilling industry comprises about 1,000 enterprises, approx. 900 of them small-structured, with totally about 10,000 employees. The forty largest enterprises account for about 90% of the production, the 10 largest ones for about 65%.

Exports of sawn softwood decreased by 5.9% in 2006, thus reaching approximately 6.69 million cubic metres. In specific market sectors the demand exceeded supply capacities markedly. Deliveries to Italian customers were given preferential treatment. In terms of value, this means exports of 1.20 billion € (2005: 1.12 billion €). The most important export countries for Austrian sawn softwood were Italy (4.39 million cubic metres, +0.8% versus 2005); Germany (0.65 million cubic metres, +0.4%); Japan (0.37 million cubic metres, -4%) and U.S.A. (0.34 million cubic metres, -56%),

<u>The sawnwood market in 2007</u>

According to information by the Trade Association of the Wood Industry the Austrian sawmilling industry will this year increase its production volume by 8%, thus reaching the record level of 12 million cubic metres. This is above all attributable to the first six months of the year, which means: to the excessive supply of roundwood following the hurricane "Kyrill". Simultaneously exports realised during the first two quarters in the traditional sales markets have grown tremendously (+22%), whereas North America deteriorated dramatically as an export market. It is striking that the export rate to Italy has for the first time gone down to less than 60%. Especially large enterprises orient themselves increasingly towards international sales markets; small companies, on the contrary, continue to depend strongly on the Italian market.

The sawnwood markets, which still absorbed record quantities in the first quarter of 2007, are marked by change. The expected numbers of home-building starts in Germany went down rapidly and also Italy is recording a reduction with respect to the construction of new buildings. The Japanese market shows signs of satiation as well. In the second half-year period of 2007 sluggish sales are thus expected, in particular for lower qualities. The demand for fresh wood to be expected on the part of the Austrian sawmilling industry can presently be satisfied only with

difficulties. The removal of fresh wood is retarded by the fact that storm-timber stores have not yet been used up and prices have declined. At times also capacity bottlenecks in railway transportation are causing problems. Since summer rising roundwood prices as well as the fallen prices on the wood residue market have weakened the profit expectations of the sawmilling industry. The sawmilling industry fears that Central Europe's roundwood supply will not be sufficient to meet their further rising roundwood demand in the long run.

F. Sawn hardwood

After a stagnation of production in 2005 hardwood sawmills managed to achieve a record production again in 2006. The production of non-coniferous sawnwood increased from 190,000 m³ to 242,000 m³ in 2006. Apart from the main type of wood, beech, also the production of oak sawnwood was hugely raised. Exports of sawn hardwood increased by 15%, thus reaching 195,000 m³; imports rose by 12% and reached 240,000 m³.

G. Wood-based panels

For the Austrian particle, MDF and fibre board industry the year 2006 took an absolutely satisfactory development; the production increase and the expansion of the export market reflect this. Sales went up to 903 million €. As in recent years an important component in this development is the further extension of the processing sector. The largest part of the turnover is made with particle boards, followed by MDF and fibre board. The development on the raw materials market was unfavourable.

Quantitative bottlenecks and price increases on the wood raw materials market foreseen by studies for autumn 2006 materialised as well. All wood fractions which serve the raw material supply of the board industry came into the sight of thermal use. This concerned both chemical pulpwood and by-products from the sawmilling industry. For this reason problems of quantity regarding the supply of domestic wood as well as rising costs had to be managed. To a higher extent, recourse was taken to import quantities.

2007 will be a good year for the Austrian board industry. The economic activity was and still is lively and – other than in 2006 - the supply with raw material is ample this year. Hurricane Kyrill brought about an easing of the supply situation in January. Record storage periods of 100 to 110 days in the place of 45 to 60 days had still been common recently. MDF continues to boom with the laminates market. Satisfactory prices are received for particle boards. As the board industry will achieve almost 100% capacity utilisation by the end of the year, a remarkable production increase is expected. The development in 2008 depends on the impacts of the real estate crisis in the United States and on how strongly the German building sector will lose in dynamism. Moreover, from the point of view of the board and paper industries, the question of raw material supply has not been solved for the medium term. The easing of the situation as a result of the hurricane "Kyrill" is only temporary, they say; efforts to mobilise additional timber resources in Austria have to continue.

The companies of the Austrian particle, MDF and fibre board industry are family-owned enterprises. Not only the high export rate but also numerous investments in international sites furnish proof of the successful history of the Austrian wood materials sector. With more than 3,000 directly employed persons in Austria the particle, MDF and fibre board industries are among the sectors which have provided high job security for their workers for many years.

H. Pulp and paper

In 2006 the demand for paper increased again. Paper products have remained popular with consumers. As a consequence, paper production in Austria increased by 260,000 tonnes or more than five per cent to a total of 5.2 million tonnes. Yet, the new record high in Austrian paper production was not a result of capacity expansion but was due rather to a better exploitation of existing capacity, which rose from a mere 88.5 to 92.0 per cent. Deliveries within Austria picked up again, and, at the same time, exports grew by 250,000 tonnes to a total of 4.5 million tonnes, resulting in an export quota of 85.2 per cent. Germany is by far the biggest foreign buyer of Austrian paper, followed by Italy and France. Packaging materials like raw paper for corrugated board and cardboard showed good results, whereas the figures for most of the graphic grades remained below average. In contrast to paper made of virgin fibre, those paper grades that were made of recovered paper also benefited from a sufficient supply on this raw-material market. Due to lack of wood, chemical pulp production increased just slightly by 23,000 tonnes or 1.5 per cent, and mechanical pulp production decreased again by 26,000 tonnes. After several years of falling average proceeds, the price increases so urgently needed for 2006 could only be partly realised. Some grades like paperboard even suffered declines in revenues. The turnover increase of 240 million to 3.6 billion € did not suffice to make up for the disproportionate increase in costs, which was due mainly to energy and wood prices, and, to some extent, also the cost of logistics. The market situation caused a sharp deterioration in the companies' results and will force them to further cut their costs in 2007 in order to remain competitive. Last year, two paperboard mills got into serious difficulties: the Rosegg location could only be saved through a financial arrangement, while, in summer, Timmersdorf filed for bankruptcy and had to be closed down.

In Austria, the ownership situation remained largely unchanged in 2006, leaving foreign ownership in the paper industry at close to 80 per cent. Austrian companies, on the other hand, are producing 2.2 million tonnes of paper outside the country. In addition to that, the Mondi Group administers an annual production of more than three million tonnes of paper from Austria. Changes in the ownership structure took place at the Trierenberg Group. Still owned by the family, its paper production will from now on be effected under the group name of Delfort; converting remains with the Tann factories. The Heinzel Group opened a new pulp mill in the Estonian town of Kunda, but had to close down its cardboard mill De Eendracht at Appingedam in the Netherlands. Mondi Packaging acquired another packaging paper mill in the Bulgarian town of Stambolijski.

The biggest investment in 2006 was the completion of the first phase of Programme 500+, in the course of which Zellstoff Pöls started up a new rotary kiln. Most other investments were made in power stations, to allow operations like Gratkorn, Frohnleiten, Hallein, Hirschwang and Laakirchen to further improve their energy efficiency and utilisation of residues and to avoid rising energy prices by generating their own power.

As of mid 2007, the following trends can be seen in the industry: companies report better capacity-utilisation rates, and wood supply for 2007 seems to be secure due to the mild winter and the damage caused by the storm of January 2007. Should the paper industry now succeed in better passing on the increasing costs, optimism for the ongoing year seems justified. In spite of the unfavourable cost situation, the safeguarding of Austrian sites and jobs is a top priority.

Tables

Economic indicators (WIFO, June 2007)

	2003	2004	2005	2006	2007	2008
	Percentage changes from previous year					
GDP Volume	+ 1.1	+ 2.4	+ 2.0	+ 3.1	+ 3.2	+ 2.5
GDP Value	+ 2.4	+ 4.2	+ 3.9	+ 4.7	+ 5.2	+ 4.2
Export of goods Volume	+ 2.6	+ 12.9	+ 2.2	+ 7.1	+ 8.7	+ 7.2
Export of goods Value	+ 1.9	+ 13.9	+ 5.4	+ 9.5	+ 9.8	+ 7.7
Import of goods Volume	+ 6.5	+ 11.4	+ 2.3	+ 4.4	+ 8.4	+ 6.6
Import of goods Value	+ 5.0	+ 12.5	+ 5.9	+ 8.0	+ 9.5	+ 7.5
Consumer prices	+ 1.3	+ 2.1	+ 2.3	+ 1.5	+ 1.8	+ 1.9
Dependent employment	+ 0.2	+ 0.7	+ 1.0	+ 1.7	+ 1.9	+ 0.8

Roundwood

Product	Year	Production	Imports	Exports
		1,000 m³		
Industrial roundwood	2005	12,786	8,629	836
	2006	14,430	9,102	718
	2007	14,110	9,460	810
	2008	14,230	9,160	680
Wood residues, chips, particles	2005	7,537	942	1,399
	2006	7,644	2,089	1,230
	2007	8,700	2,200	1,400
	2008	8,200	2,400	1,100
Fuelwood	2005	3,685	272	65
	2006	4,705	326	54
	2007	4,600		
	2008	5,000		

Sawnwood

Product	Year	Production	Imports	Exports
		1,000 m³		
Coniferous sawnwood	2005	10,884	1,286	7,111
	2006	10,265	1,641	6,694
	2007	11,700	1,300	7,400
	2008	11,000	1,400	7,100
Non-coniferous sawnwood	2005	190	189	160
	2006	242	210	183
	2007	300	220	230
	2008	280	210	210