www.unece.org/forests/mis/market/market-57/austria.html

Federal Ministry of Agriculture and Forestry
Forestry Department

1 General Economic Situation

The cyclical position of manufacturing has worsened since spring of 1998 as a result of the economic and financial crises in Asia, Russia, and Latin America. Prices collapsed in several branches; exports declined markedly, and investors became nervous. In the second quarter of 1999, however, the business climate in the basic-goods sector, technical manufacturing, and consumer-goods sector ceased deteriorating. The outlook for prices improved somewhat, and production and sales expectations for the next few months remained stable. New export orders are still rather low. This is reflected in the foreign trade data, which record stagnating exports in the fourth quarter of 1998 and the beginning of 1999. On the other hand, there were also positive signals from abroad: the persistently strong economic activity in the USA, the improvement in the Ifo business climate index for Germany, and the ECB´s interest rate cut.

Robust domestic demand has helped to stabilise economic activity in Austria. As a result of a rise in employment, higher wage settlements, and price stability - the inflation rate was only 0.1 percent according to the EU´s Harmonised Index of Consumer Prices, 0.4 percent according to the national Consumer Price Index - the consumers´purchasing power rose significantly. In the fourth quarter of 1998, the net household income (including social transfers) exceeded the level of the corresponding period in 1997 by 2 1/2 percent in real terms. The increase in disposable income induced a marked expansion of retail sales (adjusted for price changes +2 percent). The strength of the retail sector is also due to tourism, which recorded an excellent winter season: the number of overnight stays from November to March was about 7 percent higher than in the same period one year earlier; turnover rose by almost 8 percent. The improvement in the tourism balance (ATS +10 billion) together with the fall in prices of merchandise import made an important contribution towards lowering the deficit in the current account to ATS 54 1/2 billion (-2 percent of GDP).

In the spring, unemployment declined slightly on a year-on-year basis. This was the result of two factors. The first factor is the hefty expansion in employment; in the first four months of the current year, dependent employment (excluding persons on parental leave and in military service) exceeded the level of the same period last year by 34,000. The employment lasses in the construction industry and the stagnation in manufacturing were more than offset by the steep increase in the number of jobs in the service sector; most of the jobs created were partime jobs with below-average earnings, however. The second factor contributing to the improvement in the labour market is the intensification of training activities within the framework of the National Action Plan.

In April, the seasonally adjusted unemployment rate was 4.5 percent of the total labour force according to the EU Labour Force Survey, and 7.0 percent of the dependent labour force according to the traditional Austrian method of calculation. There were 8 persons looking for a job per each vacancy registered by the Labour Market Service.

Table 1

	Percentage changes from previous year				
	1996	1997	1998	1999	
GDP value	+ 2,0	+ 2,5	+ 3,3	+ 2,2	+ 2,6
Export value	+ 5,4	+ 15,6	+ 8,4	+ 4,5	+ 7,0

Import value	+ 6,1	+ 9,4	+ 8,2	+ 5,0	+ 6,7
Consumer prices	+ 1,9	+ 1,3	+ 0,9	+ 0,6	+ 1,0
Employment	- 0,6	+ 0,4	+ 1,0	+ 1,0	+ 0,8

2 Forestry

Economic development in 1998, and the opening towards the European market also affected forestry. Although the number of employees and the production (annual fellings) decreased slightly, investments in forestry increased. Additionally, favorable currency exchange rates and increased demand for timber products abroad improved the profits in forestry, as compared to 1997. The recovery of the timber market resulted in stable roundwood and also sawnwood prices.

The upswing of the business cycle - one result of the development of demand and production in the southern and western economic partner countries - also depends on the further progress in the stabilization of the European currency system in 1999. This may affect roundwood prices positively in the long term. Additionally, economic expansion in the countries of central and eastern Europe - due to highly dynamic patterns of private consumption - is likely to have a negative impact on the prices for Austrian roundwood, as large quantities of cheap roundwood imports have a strong impact on the domestic timber market.

Table 2

Product	Year	Production	Imports	Exports
		1.000 cbm		
Industrial Roundwood	1998	10858	6431	1413
	1999	10970	6510	1420
	2000	10970	6510	1420
Wood residues, chips, particles	1998	3262	662	545
	1999	3300	670	560
	2000	3300	670	560

Fuelwood	1998	3175		
	1999	3200		
	2000	3200		

3 Forest Industries

3.1 Sawmilling Industry

The general economic situation had positive effects on the sawmilling industry. 1998 saw very diverse timber market situations in different countries, mainly due to the development of the currency exchange rates. The upward trend of the US Dollar, which has been persisting since spring of 1995, reduced tensions within the European currency system. This resulted in increased sawnwood production and satisfactory sawnwood sales at stable prices in 1998.

Though the economic activity of the construction sector increased and proactive market politics, along with Scandinavian competition effected the market, there were profits in sawnwood from Austria's main customers (Italy, Switzerland) in 1998.

The current upswing of the construction sector, the ongoing stabilization of the European currency system and rising domestic demand forecast increasing sales of Austrian sawnwood in Europe. In 1999 to 2000, positive impacts on the economic cycle, mainly emanating from Europe and to some extend from East Asia, may result in an improved export situation for the Austrian sawmilling industry, due to favorable currency exchange rates.

Table 3

Product	Year	Production	Imports	Exports
		1.000 cbm		
Coniferous sawnwood	1998	8506	841	4752
	1999	8700	900	5100
	2000	8700	900	5100

Non-coniferous sawnwood	1998	173	196	106
	1999	180	200	120
	2000	180	200	120

3.2 Pulp and Paper Industries

Similar to the other sectors of economy, pulp and paper industries showed a good in 1998. The main focus of the Austrian paper and pulp industries were increased investments in, environmentally-sound processing techniques which will provide the main basis for market politics in the next years. Nonetheless, the economic cycle impaired the production of the sector. There is reason to believe, though, that improved currency exchange rates and economic growth in the countries in transition to market economy will favour trade in 1999 and continue on in 2000.

3.3 Woodprocessing Industry

The woodprocessing industry recorded a positive development in 1998. Compared to 1997, there was a trend away from areas depending on construction and furniture production towards ski products and wood materials, mainly solid wood panels.

The increase in the orders position in 1998 led to a positive development in employment in the woodprocessing industry which might also be due to the medium-sized business structure of the sector. Foreseeably, the growth rate of the woodprocessing industry exports will increase over the course of 1999 and 2000.

Table 4

Product	Year	Production	Imports	Exports
		1.000 cbm		
Plywood	1998		121	180
	1999		123	190
	2000		123	190

Particle board	1998	1800	218	1234
	1999	1850	220	1250
	2000	1850	220	1250
Fibreboard	1998	165	125	165
	1999	170	130	172
	2000	170	130	172