Austrian Market Report 2008

Statement submitted by the Austrian Delegation
to the Joint session of the
UNECE Timber Committee (66th session)
and the
FAO European Forestry Commission (34th session)
Rome, 21-24 October 2008

Federal Ministry of Agriculture, Forestry, Environment and Water Management
Forestry Department

Vienna, September 2008

1. General economic situation

The Austrian economy grew at a seasonally and working day adjusted quarter-on-quarter rate of 0.4% in real terms in the second quarter of 2008, according to WIFO's[1] flash estimate. In year-on-year terms, GDP growth was 2%. The marked deceleration in growth from previous quarters reflects the impact of the global economic downturn on export activity and industrial production. Consumer demand cannot recover on the back of high inflation and declining real incomes. The construction sector and tourism, on the other hand, stabilise the economy. Labour market conditions remain very favourable, compared with last year, but there are already clear signs of a trend reversal.

The global economic downturn emanated from the USA and, exacerbated by the high euro exchange rate and the marked rise in consumer prices, in early summer spread also to the euro area. It is now beginning to show also in Austria. GDP growth declined to just 0.4% in real terms quarter-on-quarter in the second quarter of 2008. The economic upswing that started in 2004 has thus come to an end.

The trend reversal first became apparent in the export-oriented industry. Exports rose at a seasonally adjusted quarterly rate of 0.9% in real terms in the second quarter, or by 4.6% year-on-year (goods exports +5.4%). Hence, exports expanded at only half the pace of a year before. While according to the Foreign Trade Statistics demand from East Central Europe and the oil-producing countries remained strong, it was merely subdued for the euro area and even declined in the USA due to weak domestic demand there. Real value added growth in the Austrian manufacturing sector fell to just 0.6% quarter-on-quarter in the second quarter (seasonally adjusted), a marked decline compared with the two previous quarters, which had been particularly strong (+1.5% in each quarter). Compared with a year earlier, the growth rate was still 4.9% recently.

The results of the WIFO business survey also confirm that manufacturing activity is slowing. The surplus of companies anticipating an increase in production is falling quickly (from 16.5 percentage points in the third quarter of 2007 to only 7 percentage points in the third quarter of 2008). Companies now assess their order books clearly less positively and report a decline in capacity utilisation levels and a rise in inventories. While a year ago the balance of industrial companies that were optimistic regarding their own business situation in six months' time was still positive at +8 percentage points, companies now give a predominantly negative assessment of the business outlook (−9.5 percentage points).

While in Austria it was not until very late that the economic upswing of recent years fed through into business spending on machinery and equipment, investment has grown until recently. In the second quarter of 2008, business spending on machinery and equipment rose at a seasonally adjusted quarterly rate of 0.6% in real terms (+5.4% year-on-year), according to WIFO's flash estimate. Investment intentions of the manufacturers participating in the WIFO investment survey were still rather optimistic in early summer. It remains to be seen, however, to what extent these plans will be realised given the decline in incoming orders and capacity utilisation levels.

The high inflation rate also represents a drag on economic activity. In Austria, HICP inflation reached the 4-percent mark in June. Three fifths of domestic inflation can be attributed to price increases for fuel, heating oil and food. Recently there have been signs of prices in these

[1] Austrian Institute of Economic Research

product categories beginning to ease moderately. Nevertheless, the marked upward drift in prices implies a decline in gross real income per person employed since nominal contractual wages rose by just 3.3% on average. The weak growth of disposable incomes is feeding through into household consumption. In the second quarter of 2008 it expanded by 0.3% in real terms from the previous quarter (seasonally adjusted). In year-on-year terms, the growth rate was only 0.8%. Real retail sales growth in the first six months was also only of the same magnitude.

The construction sector and tourism, on the other hand, stabilise the economy. Real construction sector value added grew by 0.5% quarter-on-quarter and 3% year-on-year in the second quarter. While the demand for residential construction is receding, industrial and commercial building construction is lively, and civil engineering activity is expanding from a very high level. Hence construction activity is much stronger in Austria than on EU average. Austria's tourist sector reported a good start of the summer season. Overall, tourism sales in May and June were up 4.3% in real terms from a year before.

Labour market conditions continue to improve noticeably compared with a year earlier. The number of persons in dependent active employment rose by 79,000 in July from a year before, that of persons registered as unemployed fell by 7,000. The seasonally adjusted figures show a trend reversal in the labour market attributable to the given state of the economy, however: employment is rising only moderately (July +0.1% month-on-month), the number of job vacancies is falling (−2.6%), and the number of unemployed persons is beginning to rise (+0.6%).

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 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. In 2008 the Forest Dialogue focuses on the implementation of the measures laid down in the Forest Programme, respectively in the associated Work Programme. The evaluation of the Austrian Forest Dialogue and its results is planned to be carried out as of the beginning of 2009.

Government programme

The Grand Coalition between the Social Democratic Party of Austria and the Austrian People’s Party prematurely retired after one and a half years. On 28 September 2008 Austria will elect a new National Council (First Chamber of Parliament). Some of the measures contained and launched already in the programme of the unsuccessful government will probably have effects also in the future, for example the measures to enhance the use of biomass or to preserve and improve protection forests.

Eco-Electricity Act

By means of the Eco-Electricity Act adopted in 2002 and the Tariff Ordinance (“Einspeiseverordnung”) based on it Austria-wide uniform subsidisation structures for “Other

Green Electricity" (wind, sun, geothermal power, biomass, biogas, landfill/sewer gas) and small-scale hydropower have been created for the first time. The original target of 4% green electricity by 2008 (in relation to public electricity sales) was exceeded in 2005 already. In June 2006 an Amendment 2006 to the Eco-Electricity Act was announced which, in addition to a further raising of the target value for eco-electricity to 10% by the year 2010, provides for better incentives for efficiency improvement, a cap on expenses (2006-2011 max. € 17 million p.a. in addition) as well as an annual tariff degression. However, this amendment caused stagnation in the promotion of electricity from renewable sources, which led to another comprehensive amendment of the Eco-Electricity Act for 2008. Cornerstones of this amendment are:

- The new establishment and extension of eco-electricity plants by 2015 in a way that 15% of the quantity sold to final consumers can be produced by them.
- The quantitatively effective establishment of 700 MW hydraulic power, 700 MW wind power as well as 100 MW biomass in connection with the 15% target.
- The topping up of the annual volume of support from € 17 million to € 21 million.
- The transition from tariff to investment subsidisation for small-scale hydraulic power.

In detail, the paper and pulp industry gained investment subsidies for new plants producing eco-electricity from waste liquor. The amendment also contains new provisions on the efficient use of biomass and the proof of resource availability.

Mobilisation of wood

In Austria's forests there are plenty of unused timber reserves. Whereas the growing stock and the annual increment of wood have grown continuously for decades, annual fellings have increased less swiftly 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 wood product assortments have to be placed on the market in due time.

The Federal Forest and Research Centre for Forests, Natural Hazards and Landscape (BFW) is commissioned 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. Intermediate results showed an additional potential of over 5 million cubic metres of timber harvested under bark per year of sustainable wood biomass by 2020. Final results are expected for autumn 2008.

At the Federal Ministry of Agriculture, Forestry, Environment and Water Management the "Task Force Renewable Energy" was established to work out proposals on how to reach the targets for raising the share of renewable energy. A working group within the framework of this Task Force prepared concrete proposals for measures to mobilise forest biomass and analysed possible fields of conflict. The proposals presented at the end of 2007 comprise measures in the fields of technology/logistics, services, organisational structure as well as information, marketing and awareness raising.

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. In recent years 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 (EU + Federal Government + Federal Provinces) will be available to promote the improvement and intensification of forest management in Austria. Furthermore, under the project “Initiative Protection by Forest” (ISDW) € 5.7 million are available for the regeneration and tending of forests with object-protective effect. In addition, for example forest road construction and pest control are supported by means of nationally funded subsidisation measures (Federal Government + Federal Provinces). In total, subsidies in the amount of € 34.5 million were made available for forestry measures (including the measures in torrent catchment areas) in 2007.

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

FHP is a coordination and communication platform of Austria's forestry, timber industry as well as paper and pulp industry which aims at supporting the enterprises of the value added chain forest - wood - paper in the best possible way. 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” 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 annual budget amounts to € 2.5 million. 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 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.

3. Market drivers

The favourable market situation and the hurricane “Kyrill” led to record removals in Austria in 2007. However, the growth of the demand for wood and wood products slackened markedly already in the course of 2007. Reduced exports from Europe to North America as well as newly created sawnwood capacities in Europe led to saturated markets. Reductions in the production of the sawing industry did not bring about a trend reversal. The storm events “Paula” and “Emma” in early 2008 devastated forests in Central Europe. In Austria, above all in Styria and Carinthia, they produced more than 8 million cubic metres of damaged wood. This “compulsory offer” led to significant price declines on the Austrian roundwood market, especially in the areas where the storms had taken place. During summer the prices of timber stabilised at a low level. Due to the general decline in economic activity and the excessive supply on the timber markets a recovery of the timber prices will probably take some more time. Regular removals will remain at a very low level until the end of the year. It remains to be seen whether the industry can deal with the decrease in the fresh wood supply by demanding higher timber prices. 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 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. 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 (2007: 9 million cubic metres, of which more than 50 percent from Germany) mobilizing the available resources has become a major goal of Austria's forest policy.

In 2007 21.3 million cubic metres of timber under bark were harvested in Austria, an unprecedented record figure. The removals were 11% higher than the year before and 33% higher than the ten-year average. The removal was greatly influenced by the damage due to wind breakage, resulting above all from the hurricane "Kyrill" in mid-January 2007. In total, 10.5 million m³ under bark of damaged wood were produced – an unprecedented record figure as well of which 7.6 million m³ under bark accounted for storms and 1.9 million m³ under bark for bark beetle. The percentage share of damaged wood in total removal was thus 49%. 62.7% of the quantity felled accounted for sawlogs, 14.8% to pulpwood and other industrial roundwood, 22.5% to fuelwood and chippings from forests. The share of coniferous wood in the total fellings amounted to 87% in 2007. The Austrian Federal Forests felled 2.6 million m³ under bark (+44%), of which 76% damaged wood. They tried to mitigate the supply pressure by putting 300,000 m³ of roundwood in wet-storage.

The annual average prices of wood and wood products were higher in 2007 than they had been in 2006, but declined markedly in the course of the year. As early as in January 2007 the prices of coniferous sawlogs reached a maximum of € 86.32 per m³; after the drop to € 76.07 in June they recovered and reached € 84.01 in December. The annual average price was 4% above that of 2006. The prices of pulpwood rose by 12.4% in 2007. In late 2007 the paper industry paid by almost 7% less for raw timber than it had paid in February of the same year. The output of the Austrian forestry (incl. forest services and non-separable non-forest secondary activities) reached € 1.71 billion in 2007, an increase of 18% compared to 2006.

2008: After the wind breakages at the beginning of the year, Austria saw a sudden drop in prices: Sawlogs lost almost 20% or € 16/m³. The declines with pulpwood remained below 10%. During summer prices levelled off at a low level. Other than in the case of industrial roundwood, wood for energetic purposes did not experience such dramatic price reductions.

Larger forest enterprises such as, for example, the Austrian Federal Forests, and enterprises of the timber industry put wood in wet-storage after the storms to calm the market and maintain the quality of the wood. Forestry is planning to use storage to an even greater extent as an instrument of market balancing after disasters in the future.

The roundwood market at the beginning of the 2008 autumn season

Due to high storage quantities and further aggravating economic prospects the sawnwood markets in Europe and overseas have not yet definitely stabilised. The Austrian sawmilling industry expects further reductions in the production in the course of the next few weeks. The Austrian Agricultural Chamber does not expect the situation of the roundwood market to improve drastically in autumn already.

As the demand for coniferous sawlogs is still rather low and the price level is unattractive, only the most urgent timber harvesting activities are carried out. Prices have generally stabilised at low levels. For spot quantities of good and very good qualities from fresh wood utilisations, slightly better prices can be obtained at least regionally. The wood which accrued as a result of thunderstorms during the summer months can be sold readily at low prices within the framework of existing contracts. The processing and marketing of the windthrow timber of early 2008 has proceeded very far in the Province most severely affected, Styria, and will be completed by the winter. A substantial improvement of the sawn roundwood market is expected only for the 2nd quarter of 2009.

The market for pulpwood remains saturated. The wood flow to the companies is in most cases very tough, price improvements cannot be achieved at the moment. The roundwood stores for common beech pulpwood are overfull; an easing of the sales situation is therefore considered unrealistic for quite some time. The demand for mechanical pulpwood is expected to strengthen by the winter.

The plants for heat and energy generation are still well supplied with wood for energy, which is why the demand is correspondingly modest. A revival of the demand is not expected to occur before the heating period.

B. Wood energy

The energy sector has experienced a particularly lively development until the year 2006. Numerous new wood-chip and bark-firing installations and pellets furnaces were newly established. 2007 was characterised by general caution and uncertainty in connection with the purchasing of new biomass-fired systems. It was primarily the strong rise in the price of pellets at the turn of the year 2006/2007 which clearly showed stakeholders that the so far cheap biomass is not available in unlimited quantities and that price fluctuations are possible as in the case of other energy sources. The initiative launched by boiler manufacturers last year to stabilise pellet prices by means of three years' supply and price guarantees as well as the expansion of the production capacities made prices decrease to the level of earlier years again and led to a recovery of the boiler market already this year.

The reduction in the installation of local and district heating systems was also due to the lack of incentives by subsidisation. As a consequence of the 2006 Amendment to the Eco-Electricity Act also hardly any new combined biomass-heat-power co-generation plants were constructed.

The fuelwood prices rose again in 2007, softwood prices were 11% higher compared to the preceding year, hardwood prices 5% higher. Until the summer of 2008 there were hardly any changes. After the strong decline at the beginning of 2007 the prices of pellets showed great stability; one tonne cost about € 187. In spring 2008 pellet prices went down by approximately 10% and since then have been rising slightly again. In September the price averaged € 178 per tonne (incl. turnover tax).

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, about 300 timber-processing enterprises and timber traders are certified. A rising number of PEFC-certified wood products are now offered in a form that is visible also to the final consumer.

Forest Stewardship Council (FSC)

In Austria, presently around 5,000 hectares of forest have been certified according to FSC. 58 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, wooden house and paper sector.

D. Value-added wood products

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

The production marketed in the **construction elements industry** amounted to 2.5 billion € in 2007 (+6.6% as compared to 2006), of which 385 million € (+4.3%) were attributable to the production of windows, 478 million € (+2.7%) to prefabricated wooden houses, 242 million € (+2.7%) to doors, 211 million € (+6.6%) to parquet floors, and 471 million € (+37.3%) to glued laminated timber elements.

The Austrian **furniture industry** produced furniture worth 3 billion € in 2007 (+1.7%). Growing volumes were reported for office and shop furniture (503 million €, +9.3%) as well as for living room furniture (290 million €, +9.6%). However, seating furniture decreased by 7.8% to a total value of 673 million € and kitchen furniture by 1.8% to 255 million €. Compared to 2006, exports by the Austrian furniture industry increased by 11.7% (1.28 billion €). Germany and Italy continue to be the most important export markets. Imports increased by 17.5% (1.29 billion €).

Austrian **ski industry:** Large amounts of last season's unsold stock at retail outlets and a noticeable reluctance on the consumer side to invest in new equipment has led to a fall in ski sales. The ski industry has responded by taking necessary precautions and adjusting its output. Nonetheless, the decline was keenly felt in the cross-country sector. Even so, winter sports remain a highly popular pastime to judge by the figures of the most recent season. Hence a certain amount of optimism also seems justified for the manufacturers of winter sports equipment: Skiing, after all, is an activity taken up by all age groups. More than 85% of the ski and snowboard production are exported. Consequently, Austrian ski brands are among the market leaders across the world.

E. Sawn softwood

In 2007, sales by the Austrian sawmilling industry rose up to 2.31 billion € (+11.3%). The production of sawnwood reached 11.3 million cubic metres (of which 11.0 million cubic metres sawn softwood). The annual volume of timber delivered to Austrian sawmills amounted to 18.5 million solid cubic metres of roundwood, including 6.3 million solid cubic metres of imported timber. The sawmilling industry comprises about 1,200 enterprises, approx. 1,100 of them small-structured, with totally almost 10,000 employees. The fourty biggest sawmills account for approximately 90% of the total production, the 10 largest ones for 65%.

Sawn softwood exports increased to 7.64 million cubic metres (+14.1%) in 2007. In terms of value, exports amounted to 1.45 billion € (+20.6%). The most important export market is Italy, accounting for about 60% of Austrian sawn softwood exports. In 2007, 4.50 million cubic metres were exported to Italy (2006: 4.41 million cubic metres). Exports to Germany continued at a firm level (628,000 cubic metres). Exports to the USA decreased by 50% to 120,000 cubic metres. The Japanese and Asian markets with exports of 384,000 cubic metres were stable compared to the year before. Exports to the Middle East and North Africa (Levante) increased by more than 100% to 1.07 million cubic metres. Total imports of sawn softwood decreased in 2007 by 12% to 1.45 million cubic metres (291 million €).

2008: At present, excess capacities are recorded for the European sawnwood production. Sawmills which so far focused on the US market can now not fully redirect their production to the European market and the Levant. Moreover, due to the storms “Paula” and “Emma” the timber market was excessively supplied with cheap windfallen wood at the beginning of the year so the sawmills produced at a high level. Now the sawnwood stocks are well supplied all over Europe. In order to stabilise the market the production has been curbed for months. Nevertheles the prices of sawnwood are under great pressure.

According to extrapolations of the Association of the Austrian Wood Industries the production of coniferous sawnwood in Austria will amount to about 9.8 million m^3 this year. This is 11% less than last year. The production of 2008 would thus be the lowest since 1999. The export of coniferous sawnwood might decrease by 9% to 6.95 million m^3 this year. The major market, Italy, is declining by 6% to 4.2 million m^3 over the year. Erosion-like reductions have been recorded with respect to Germany (440,000 m^3; -30%), Japan (191,000 m^3; -46%), Spain (80,000 m^3; -10%), and, in particular, the USA (60,000 m^3; -50%). In 2004/2005 almost 700,000 m^3 had still been delivered to the USA.

For 2009 the domestic sawmilling industry hopes that all important sawnwood producers will control their productions in a way that the supply pressure will mitigate, sawnwood prices will recover, and, as a result, also the supply with raw material can be ensured. The development of the sawmilling industry depends also on how long it will take until the major sales markets will experience a reversal of the economic trend.

F. Sawn hardwood

According to the Association of the Austrian Wood Industries non-coniferous sawnwood production amounted to 235,000 cubic metres (€ 59 million) in 2007. According to official trade statistics exports of sawn hardwood increased to 205,000 cubic metres (€ 95 million), which represents a 5.1% rise compared to 2006. Imports increased by 8.8% to 261,000 cubic metres. Tropical sawnwood is a minor matter in Austria.

G. Wood-based panels

2007: International market developments were extremely positive for the derived timber products sector and hence for Austria's particle, MDF and fibre board manufacturers (sales went up to more than € 1 billion). Sales markets with growth potential were not just limited to the EU countries, either: Markets in the Far East such as Japan and Taiwan also performed well. The basis for this positive development in the course of the year was an upbeat economic mood, felt throughout the world and reflected in the main sales sectors of construction and furniture. This trend continued into the fourth quarter of 2007. Hence, board manufacturers were able to pass on some of the enormous increases in costs over the past two years in their prices. However, this positive trend was interrupted around the turn of 2007/08.

Exports increased markedly in 2007, imports decreased. Much more than 80% of the production was exported. The largest part of the turnover was made with particle boards, followed by MDF. The trend towards refining, that is, increasing the depth of processing and the value added, has continued. The continuous further development in the field of products and production technology is still making Austrian manufacturers one of the most competitive suppliers, at least in Europe. The companies of the Austrian particle, MDF and fibre board industry are family-owned enterprises. 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.

In the course of 2008 the market situation changed for the worse due to the international recession and in particular due to the poor international activities in building. The production figures had to be brought in line with the declining sales. It was impossible to keep prices at the high level of the previous year. Taking everything into account, a slight decrease in production is expected. The further development until 2009 is difficult to predict. 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 storms and the good market conditions for the sawmilling industry is nearly over.

H. Pulp and paper

For the paper industry 2007 was a mixed year. On the one hand, turnover of 3.8 billion € set a new record, due in particular to rising quantities and income in the area of packaging papers and chemical pulp. On the other hand, costs rose so dramatically in almost every area of production and distribution that only a few companies saw their profits rise. Despite a strong economy and demand for paper that rose by 2.3% to 2.2 million tonnes, the market situation led several companies to shut down paper machines temporarily. Pressure was particularly high with regard to production of graphic paper by works with international owners, who found themselves in direct cost competition with their European sister mills.

Because productivity was already the highest in the world and improved even further in 2007, the only way of passing along higher costs was by raising prices. This was successful in the case of packaging papers but not with graphic papers, where market conditions made it almost impossible to adjust prices.

In 2007 Austrian paper production fell slightly by 0.3% to 5.2 million tonnes. Machine utilisation decreased to just over 90%. The cause of this unsatisfactory development was a drop of 1.2% in graphic paper production, which accounts for an important share of total production. Packaging products developed more satisfactorily, growing by 0.6%. As a result of these inconsistent developments, demand for secondary fibres (waste paper) rose, while demand for primary fibres (chemical pulp) declined. Sales of chemical pulp also increased, especially sulphate chemical pulp, which is used in the packaging sector for the production of kraft papers. In all, production of primary fibres grew to 2.0 million tonnes, an increase of 3.1% relative to the previous year. This was due to strong international demand coupled with rising prices for pulp and a temporary increase in wood supplies because of windfalls in January 2007 and early 2008.

Paper exports were slightly lower last year, resulting in a drop in the export quota of raw paper to 85.2%. Deliveries to Germany alone – Austria's biggest paper customer – fell by 43,000 tonnes. However, sales to Eastern Europe continued to develop positively, with growth again reaching two figures in several instances. The weak dollar had a negative impact on overseas sales. While exports to Asia rose by 15,000 tonnes, those to America fell by 20,000 tonnes.

Prospect: In a more investment-friendly environment the paper industry – with its innovative power, sustainable production and green potential – would be able to reorient itself more quickly and once again to invest more. As a practical matter, only smaller replacement investments or projects are being undertaken to improve production of electricity at the plants, while large investments are being made abroad. Thus W. Hamburger started work on a large new paper machine for corrugated papers in Spremberg (D) and the restructured Mondi Group began to expand it works in Swiecie (PL) and Syktyvkar (RUS). Heinzel and Mayr-Melnhof also launched projects in Russia, while Lenzing is involved in China.

According to Austropapier the global competitiveness of the Austrian paper industry and thus also the innovative power of the companies is particularly threatened by two developments: by new competitors from the rapidly growing economic giants China, India and Brazil as well as by the ambitious goals of European climate and energy policies. If the industry, however, reorients itself and puts its green potential to better use, it can also take advantage of its opportunities: by an environmentally friendly positioning of paper as opposed to the electronic media and plastic-based packaging or by the realisation of the clear added value to growth and employment that wood as a valuable raw material enjoys compared with its use solely as a source of energy.

Tables

Economic indicators (WIFO, June 2008)

	2004	2005	2006	2007	2008	2009
	Percentage changes from previous year					
GDP Volume	+ 2.3	+ 2.0	+ 3.3	+ 3.4	+ 2.3	+ 1.4
GDP Value	+ 4.4	+ 3.9	+ 5.1	+ 5.7	+ 5.1	+ 3.8
Export of goods Volume	+ 12.5	+ 3.2	+ 6.8	+ 8.6	+ 5.0	+ 4.8
Export of goods Value	+ 13.9	+ 5.4	+ 9.5	+ 10.5	+ 6.7	+ 5.8
Import of goods Volume	+ 11.7	+ 2.8	+ 3.8	+ 8.5	+ 4.3	+ 4.3
Import of goods Value	+ 12.5	+ 5.9	+ 8.0	+ 9.6	+ 7.3	+ 5.7
Consumer prices	+ 2.1	+ 2.3	+ 1.5	+ 2.2	+ 3.5	+ 2.7
Dependent employment	+ 0.7	+ 1.0	+ 1.7	+ 2.1	+ 2.1	+ 0.5

Roundwood

Product	Year	Production	Imports	Exports
		1,000 m³		
Industrial roundwood	2006	14,430	9,102	718
	2007	16,521	8,722	876
	2008	14,980	8,100	870
	2009	13,820	8,700	680
Wood residues, chips, particles	2006	7,644	2,089	1,230
	2007	8,503	2,189	1,387
	2008	7,600	2,100	1,100
	2009	7,900	2,100	1,100
Fuelwood	2006	4,705	326	54
	2007	4,796	261	45
	2008	5,000		
	2009	5,050		

Sawnwood

Product	Year	Production	Imports	Exports
		1,000 m³		
Coniferous sawnwood	2006	10,265	1,641	6,694
	2007	11,027	1,446	7,637
	2008	9,800	1,554	6,950
	2009	10,200	1,400	7,100
Non-coniferous sawnwood	2006	242	212	183
	2007	235	220	187
	2008	230	218	166
	2009	230	200	168