

# Portugal Market Report 2019

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## 1 General economic trends <sup>1</sup>

### 1.1 National accounts and trade

In 2019 Portuguese Gross Domestic Product (GDP) increased 2.2% in real terms, compared to the previous year, and in nominal terms reached around 212.3 billion euros (+3.9%).

Investment increased by 6.6%, in real terms (6.2% in 2018), reflecting the acceleration of Gross Fixed Capital Formation (GFCF) to a 6.6% rate of growth (5.8% in the previous year, 2018).

The contribution of domestic demand to GDP growth decreased to 2.8 percentage points (3.1 percentage points in 2018), reflecting the deceleration of private consumption.

Net external demand also presented in 2019 a more negative contribution (-0.6 percentage points) than in 2018 (-0.4 percentage points).

External Balance of Goods and Services, in nominal terms, measured as a percentage of GDP, was 0.0% of GDP in 2019 (0.4% in 2018) (Statistics Portugal, 2020).

The import export coverage rate (75%) declined from the previous year (77%) (Figure 1). Mainly, the nominal exports accelerated 3.5%, compared to the previous year amounting to €59,902 million - the highest value in the statistical series of International Trade in Goods. This increase, however, represents a deceleration from the 5.1% increase recorded in 2018. Imports of goods grew by 6.4% in 2019, reaching €79,977 million, also corresponding to the highest value of the available series. But Imports also decelerated from the increase observed in 2018 (+8.3%) (Statistic Portugal, 2020 & 2020a).

The Portuguese trade flows are dominated by European Union countries both in destination (76.8%) and in origin (76.4%) of goods. Spain, France and Germany are the leading countries on international trade flows, concentrating 49.8% of exports of goods ((+0.3 p.p. compared to 2018) and 53.5% of the imports (-0.5 p.p. compared to 2018).

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<sup>1</sup> The overview of recent developments in Portuguese Socio-economic situation was essentially based on the Statistical data (Publications & Database) of Statistics Portugal ([www.ine.pt](http://www.ine.pt)), the central statistical authority empowered to produce national official statistical information. The main references were the annual Statistical Yearbook of Portugal, published in 2020, comprising the updated to 2019 focused on the relevant multidimensional portrait of the country, complemented by the international trade and economic accounts databases.

Price growth, assessed by the rate of change in the Consumer Price Index (CPI), recorded an annual average rate of change of 0.3%, down by 0.7 percentage points (p.p.), compared to the one recorded in 2018 (1.0%).

Construction, comprising investment by households and enterprises, resumed the reversal in 2015 of the downward trend observed since 2002. In 2018 a total of 22,223 buildings were licensed, an increase of 17.6% vis-à-vis the previous year. 68.9% of these corresponded to the construction of new buildings. Traditionally, this sector is an important end use of Portuguese lumber chain.

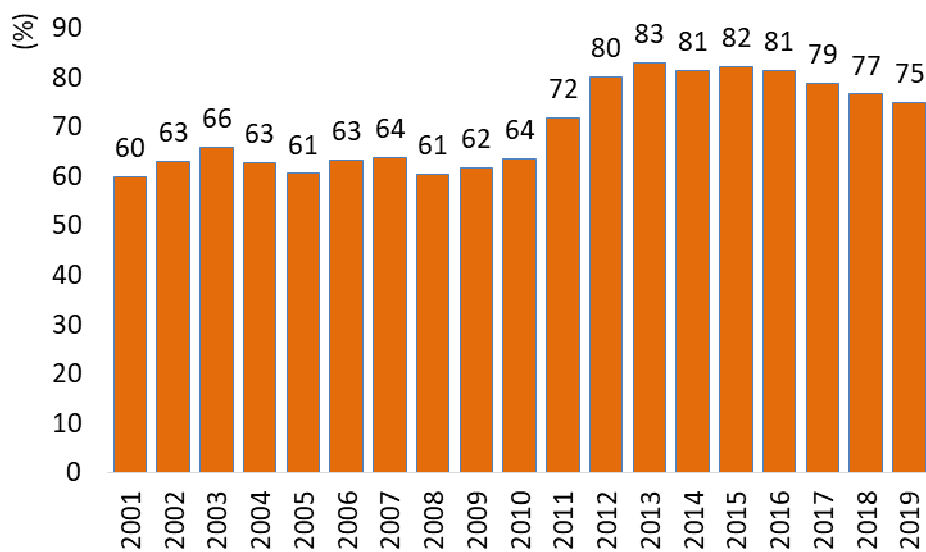


Figure 1 - National export/import coverage rate (Statistics Portugal, 2020a).

## 1.2 Population and employment

As of 31 December 2019, the resident population in Portugal was estimated to be of 10,295,909 persons, 19,292 more than in 2018. This resulted in a positive crude rate of increase of 0.19%.

The population increase resulted from an increase in net migration (from 11,570 in 2018 to 44,506 in 2019) since the natural balance remained negative (-25,214 in 2019). In 2019, therefore, there was a positive crude rate of net migration of 0.43% and, for the eleventh consecutive year, a negative crude rate of natural increase (-0.25%).

Regarding the structure of the population by age groups, in 2019 the share of young people (persons aged 0-14) stood at 13.6% of the total resident population, those aged 15-24 represented 10.6%, those aged 25-64 stood at 53.6%, and the percentage of elderly (those aged 65 and over) was 22.1% of the total. This age distribution led to an ageing ratio of 163.2 elderly per every 100 young people (a 3.8 p.p. increase from the previous year).

The changes on the size and age-sex structure of the population residing in Portugal, in particular, due to low birth rates and increased longevity in the last decades, suggests

that, aside from the population decrease in the last years, the demographic ageing continued (Statistics Portugal, 2020).

Life expectancy at birth was estimated at 80.93 years. Within a decade, there was a gain of 1.99 years of life for the total population, 2.11 years for men, and 1.64 years for women.

In 2019 the employed population was estimated at 5,252.6 thousand people, corresponding to an activity rate (15 and over) of 59.3%, 0.2 percentage points higher (p.p.) than in the previous year. The unemployed population totalled 339.5 thousand people, corresponding to an unemployment rate of 6.5% (Statistics Portugal, 2020).

Labour force's educational attainment continued to follow the increasing trend (Pordata, 2019 & 2020). The share of those in active age who completed secondary education rise 19.5% compared to 2011 (from 37.9% to 56.5%). The proportion of the active population with higher education increased less, by 9.6 percentage points (from 18.0% to 27.6%).

The distribution of monetary income remained characterized by strong inequality, although it has been declining since 2014. The at-risk-of-poverty rates for those aged less than 18 years old and for working age adults were 18.5% and 16.9% respectively, (Statistics Portugal, 2020).

### **1.3 Environment**

Portugal is energetically dependent on the outside, importing a large share of its primary energy consumption. In 2018, renewable energy sources contributed 30.3% to the gross final energy consumption (30.6% in 2017).

Greenhouse gas emissions without LULUCF (Land Use, Land-Use Change, and Forestry) in 2018, including indirect emissions of CO<sub>2</sub>, were estimated at 67.4 Mt of CO<sub>2</sub>eq, corresponding to a decrease of 4.6% in the total emissions between 2017 and 2018

In 2018, there was a total of 484.6 kilograms of urban waste per inhabitant managed by urban waste facilities. The urban waste prepared for reuse and recycling grew from 25.3% to 40.0% between 2012 and 2018 (+14.7 p.p.), coinciding with an increase in selectively collected waste per inhabitant which in the same period increased by 41 kg/inhabitant (63 kg/inhabitant in 2012 to 104 kg/inhabitant in 2018).

The quantities of urban waste disposed of in landfills (244.9 kg/inhabitant in 2018) increased by 1.7 p.p. from 48.8% (2017) to 50.5% (2018) of the total UW managed by destination operations (landfill + energy recovery, organic recycling, and multi-material recovery).

Multi-material recovery remained almost unchanged, with a slight increase of +0.2 p.p. in the quantities of separate materials available for recycling compared to the total managed (12.8% in 2018 compared to 12.6% in 2017), although in absolute terms the quantities per inhabitant increased slightly from 58.7 kg/inhabitant (2017) to 62.1 kg/inhabitant (2018).

The effort of industrial enterprises to promote environmental performance standards in their production processes resulted in an investment of €153 million (€30 million more than in 2017). Expenditure totalled €327 million and income stood at €226 million.

In 2018, the environmental turnover of entities producing environmental goods and services was €7.2 billion, broken down into “Environmental protection” (€3.5 billion) and “Resource management” (€3.7 billion) (Statistics Portugal, 2020).

#### **1.4 COVID – 19 outbreak**

In Portugal, the two first cases of COVID-19 were reported at 2 of March 2020. At 16 of March the state of emergency was declared, which was followed by the state of calamity, at 3 of May. At 1 of June, the less restrictive Alert State was declared in the country, the exception was Lisbon and Tagus Valley (LTV), a NUTII region, which kept stronger limitations.

As of September 2020, COVID-19 impact in Portugal is still characterized by high level of territorial heterogeneity, with two NUTII regions, LVT and the North, suffering more severe pandemic outcomes. At 20 of September the number of cases in these two regions represented 87% of the cases, corresponding to 51%, in LVT, and 36%, in the North (DGS, 2020).

The latest official statistical data to monitor the social and economic impact of the Pandemic show the costs of the shutdown in Portugal (Statistics Portugal, 2020b):

- Housing construction costs rose by 2.3% on a year-on-year basis;
- Building permits and completed buildings decreased by 14.7% and by 2.8%, respectively.
- Exports and imports declined in nominal terms -21.2% and -7.3%, respectively;
- Passenger transport registered a sharp fall (-97.4%, in second quarter (Q2) vis-à-vis Q1) and freight transport were reduced in general;
- Construction Production Index decreased -8.5%, in June, and, -5.5%, in July, and licensed and completed buildings decayed -14% and -2.8%, respectively, vis-à-vis 2019;
- Consumer Price Index (CPI) annual rate of change was null;
- Industrial turnover index declined -11.1%;
- Services Turnover Index reduced -22.5%, in June, and, -16.2%, in July.

## 2 Policy measures impacting forest management and forest products trade<sup>2</sup>

### 2.1 Climate change and energy

Nationally determined contributions (NDCs) are at the heart of the Paris Agreement and the achievement of its long-term goals. NDCs embody efforts by each country to reduce national emissions well below 2 degrees Celsius above pre-industrial levels and to strengthen the ability of countries to deal with the impacts of climate change (UNFCCC, 2019).

The Portuguese framework for climate and energy policy (APA, 2020) is aligned with the European Commission (EC) strategic package to tackle in different areas the Paris Agreement global challenge. These include the Energy Climate 2030 Package, the Clean Mobility and the Clean Energy Package for all Europeans.

Those instruments are being or have been transposed to the Portuguese legal system, underlining for the direct or indirect application/impact on forest sector:

- The National Integrated Energy and Climate Plan 2030 (Government Order n.º 53/2020);
- The Climate Change Adaptation Action Program (Government Order 130/2019);
- The Roadmap for Carbon Neutrality 2050 (Government Order 107/2019):

#### 2.1.1 National Integrated Energy and Climate Plan 2030

The National Integrated Energy and Climate Plan 2030 (PNEC2030) integrates on its 2030 targets the reduction of greenhouse gases within -45% to -55% and the use of renewable sources to 47%.

The Plan recognise the role of forests and forest biomasses toward the measures of action to decarbonize economy, promote sustainable agriculture and enhance carbon sequestration, advocating the:

- Augmentation of the natural capacity of forest as carbon sinks;
- Promote more effective forest management with the reduce of burned area;
- Enhance the role of bioeconomy through the intensification of active afforestation, promotion of more efficient forestry practices and upgrading ecosystem services;

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<sup>2</sup> Based on references disseminated by the National Authorities empowered within the policies of forests, environment, economy and energy, mainly: the Portuguese Agency for Environment (apambiente.pt), endorsed on Climate Change themes; the Directorate-General of Economic Activities (<https://www.dgae.gov.pt/>) with attributions on circular economy (<https://eco.nomia.pt/>); the Directorate-General of Energy and Geology (<http://www.dgeg.gov.pt/>), with competence on energy policies; the Institute for Nature Conservation and Forests (<https://www.icnf.pt/>), the National Authority for Nature Conservation and Biodiversity and the National Authority for Forests.

- Promotion of circular use of materials, including wood and non-wood forest productions and derived products, and the cascading use of energy, enabling the transition for circular economy;
- Progress with green taxation;
- Promotion of R&D projects that support the transition to a low carbon economy.

The Plan covers as well actions to reinforce and promote renewable sources and reduce the country dependency on energy, endorsing within its measures the acceleration of the contribution of small renewable production in market mechanisms by promoting their aggregation and enhance the purchase and use of decentralized heat and cold production systems from renewable energy sources.

### **2.1.2 Climate Change Adaptation Action Program**

The Climate Change Adaptation Action Program (P-3AC), approved by the Government Order 130/2019, of 2 of August, complements and systematizes the work carried out in the context of the previews National Strategy for Adaptation to Climate Change (ENAAAC 2020). The Program elects eight lines of action with direct intervention in the territory and infrastructures, complemented by a transversal line. These lines aim to address the main impacts and vulnerabilities identified for Portugal.

The P-3AC lines of action and correspondent measures encompass:

- Rural fire prevention (e.g. economic valorisation of biomass; creation of discontinuity buffers and plots; reconfiguration of infrastructures and support systems);
- Conservation and improvement of soil fertility (e.g. erosion control; water retention; soil composition and structure);
- Diseases, pests and invasive species (e.g. enhancement of genetic material; disease control and invasive alien species; surveillance; information and communication);
- Capacity building, awareness raising and adaptation tools (e.g. monitoring and decision making; capacity building and planning; communication).

The operationalization of the Program is ensured through two parallel approaches to promote adaptation actions: one in the short term (by 2020); and one in the medium term (by 2030). These approaches embody guidelines to mobilize financial resources. Additionally, the medium term also define policies and political instruments and promotes the implementation of structural actions to reduce the vulnerability of the territory and economy to climate change impacts.

### **2.1.3 Roadmap for Carbon Neutrality 2050**

Since 2005, greenhouse gas emissions (GHG) have fallen due to better prevention and control technologies, less polluting fuels and energy production, and improvements in

the energy efficiency of processes. The trend in 2015, however, was for rising emissions as a result of economic growth and the use of coal to produce electricity (ECO.NOMIA, 2019).

Presently (2017), official statistics estimate greenhouse gas emissions without LULUCF (Land Use, Land-Use Change, and Forestry), including indirect emissions of CO<sub>2</sub>, at about 70.7 Mt of CO<sub>2</sub>eq and emissions with LULUCF at 78.0 Mt CO<sub>2</sub>eq, corresponding to an increase of 7.0% in total emissions between 2016 and 2017 (Statistics Portugal, 2019).

Portugal has committed internationally to reduce its greenhouse gas emissions so that the balance between emissions and removals from the atmosphere, namely through the use of forests, will be zero by 2050. The goal of a net zero carbon footprint has been labelled "carbon neutrality".

The main objective of the Roadmap for Carbon Neutrality 2050 (RCN 2050) is to identify and analyse the implications associated with technically feasible, economically viable and socially accepted alternative trajectories.

The roadmap will embark on alternative, low-carbon development paths until 2050 in four areas of intervention linked to those sectors mainly responsible for greenhouse gas emissions and carbon sequestration: energy; transport and mobility; waste; agriculture forest and land use. These will be based on three multifaceted aspects: socioeconomic scenarios; circular economy; societal participation.

The Roadmap consider and systematise the work done under the National Strategy for Adaptation to Climate Change (ENAAAC 2020), endorsing within the actions lines to tackle impacts and vulnerabilities the: prevention of rural wildfires; implementation of practices of soil conservation and fertility; increase the resilience of ecosystems, species and habitat's to the effects of climate change; prevent the installation and expansion of invasive species, diseases transmitted by vectors, agricultural and forest pests and diseases. The financing instruments mobilized to implement the actions and measures of the roadmap are laid down on it.

## **2.2 Desertification**

The National Action Program to Combat Desertification (PANCD), approved in 2014 (Government order n.º 78/2014, of 24 of December), follows international agreements in the framework of the United Nations Convention to Combat Desertification (UNCCD). The first strategic objective of the PANCD concerning soil and water conservation is a consequence of UNCCD commitments. The map of susceptibility to desertification for mainland Portugal was drawn in the framework of this Program.

## **2.3 Circular economy and cascading use of biomass**

Portugal is one of the EU member states that has come up with Circular Economy strategies, roadmaps and action plans, in line with the ambitions of the European Commission.



The ambition set out for Portugal 2050 was designed to leverage and spur development of work within the Action Plan for the Circular Economy (APCE), Government Order n.º 190-A 2017, which advocates on its elements (ECO.NOMIA, 2019):

- A carbon neutral economy that is efficient and productive in its use of resources encompassed by neutral GHG emissions and effective use of materials, with the significant fall in their extraction, importing and in final waste generated, attaining better management and value extraction from the resources in circulation;
- Knowledge as impulse, enhancing solutions in products, services, business models, consumption/use and behaviour with lower emissions and resource intensity, integrated into business models that spur job creation, efficient and effective use of mobilized resources, and their lasting economic value;
- Inclusive and resilient economic prosperity through economic development impacting all sectors of society and the resilience against price and risk volatility and gradually decoupled from negative environmental and social impacts;
- A flourishing, responsible, dynamic and inclusive society.

The plan considers three levels of actions:

- Macro, structural in scope, produces transversal and systemic effects which enable society to appropriate the principles of the circular economy;
- Meso, or sectoral, covering actions or initiatives defined and accepted by all players in the value chain of sectors relevant to raising productivity and the efficient use of resources, seizing the economic, social and environmental benefits;
- Micro, regional or local, related to actions or initiatives defined and accepted by all regional and/or local government, economic and social actors which incorporate a local economic aspect and which emphasise this in the approach to social challenges.

The different levels of actions are inter-related and reinforce each other positively, creating feedbacks that evolve the context iteratively and allow knowledge, policies, projects and results to be consolidated, spurring the actors involved.

The plan is based on the understanding and experience common to four areas of governance (science, technology and high education; economy; **environment, agriculture, forestry and rural development**), comprising the “inter-ministerial group” which drafted the APCE. This involved a survey of current performance, known measures, an analysis of the European action plan, and benchmarking against other circular economy plans, from which actions were proposed with their respective guidelines.

The example of Portuguese forest sector is reiterated by the long term practices under the principals of circular economy and cascading use, covering resources efficiency and

reutilization of by-products and residues. The underline in 2018 through the dynamics of production and markets of these processing sub-products:

- On sawn and furniture chain, the wood residues and the recovered post-consumer wood, with, respectively, over 913.5 and 138.1 thousand tons, in production, and over 5.3 million and 917.3 thousand euros, on international trade balance;
- On pulp, paper and paperboard chain, the recovered fiber pulp and the recovered paper with, respectively, 213.6 and 792.5 thousand tons, in production and -645.1 thousand euros and over 37.8 million euros, on international trade balance;
- On cork chain, the production of around 397 thousand tons million euros and a international trade balance of more than 33.7 million euros of cork waste, crushed, powdered or ground;
- On biomass for energy chain, within the production of electricity and steam, the consumption of more than 4.6 million tons of by-products and residues originated on forest processing industries, comprising: 1.3 thousand tons of sawdust and wood chips, mostly of pine and eucalyptus; 913.8 thousand tons of bark; and more than 3.7 million tons of fibers from other ligneous constituents, mostly black liquor.

## **2.4 Forests Policy**

The Portuguese forest sector is subordinated to the instruments of political administration provided in the 1976 Portuguese Constitution and endorsed by the Forest Policy Act of 1996, as well as other specific legislation.

The European commitments for forest policies are incorporated in the Portuguese National Strategy for Forests (NSF), which was approved in 2006 and updated in 2015, by the Government Order n.º 6-B/2015.

The NSF assumes the maximization of the total economic value of forest as its main purpose, and it's organized in the following strategic objectives: minimization of fire risks and biotic agents; specialization of the territory; enhancement of productivity through sustainable forest management; internationalization and increase in products value; to enhance efficiency in general and to improve the sector's competitiveness. The NSF aims and targets are articulated within seven Regional Forest Plans (PROF).

The PROF are national sectorial policy instruments, embodied under the scope of the Portuguese territorial planning legal system. At regional scale, they encompass the strategic framework, guidelines and specific norms regarding the use, occupation and forest management.

## **2.5 Forest Management**

The Forest Intervention Zones (ZIF) enable the association of forest owners and/or forest producers for a common management through the endorsement of the

cooperative management of the forest lands. These associations enhance the creation of a dimension that allows for more efficiency thanks to planning and combination of forest properties, mitigating their splitting up. The ZIF main objectives are: to promote sustainable management in forest spaces; to coordinate, in a planned way, the protection of forest and natural spaces; to reduce ignition and fire propagation conditions; to recover these spaces. The ZIF legal regime was created by Decree-Law n.º 127/2005 (altered by Decree-Law n.º 15/2009, with Declarations of rectification n.º 10/2009, n.º 2/2011, n.º 27/2014, and n.º 67/2017).

Forest Management Plan (FMP) are mandatory (Decree-Law n.º 16/2009) on the public and community forests, on the private properties, above a size defined regionally under each PROF, and on the “forest intervention zones” (ZIF). In the Mainland, about 3,000 FMP are approved, which cover 1.72 million hectares, corresponding to 31% of the total forest area. Eucalyptus stands have a FMP coverage rate above the national average.

The small forest holdings, below the size of mandatory FMP and not integrated by a ZIF zone, are still subject to the minimum standards endorsed by each PROF. These standards entail:

- Preventive forestry standards;
- General forestry standards;
- Forestry models adopted within each PROF following the homogeneous division of the region in sub-regions.

## **2.6 Harvest and cutting legal regime**

The pulling and cutting of trees for trade or industrial self-consumption requires a mandatory declaration to the National Forest Authority (Decree-Law n.º 174/88). The declaration is framed under a legal approved form, comprising mandatory and voluntary elements such as: identification; property characteristics; and technical information, as the nature of the cutting (final, thinning, extraordinary), the species, the stand age and volumes felled.

The premature cutting of *Eucalyptus* and *Pinus* species in areas superior to two hectares requires the previews authorization by the National Forest Authority (Decree-Law n.º 173/88). In Eucalyptus the criteria defined by law to consider the felling as premature entail the stands with at least 75% of trees with less than 12 centimeters, of diameter, or 37.5 centimeters, of perimeter, at chest height.

## **2.7 Afforestation**

The legal regime of afforestation and reforestation actions is regulated by Decree-Law n.º. 12/2019, of 21 of January, second amendment to Decree-Law 96/2013, of 19 of July. This legal regime establishes the essential technical standards to be considered in the scope of afforestation and reforestation project design, and the minimum qualifications required for project design and subscription.

## **2.8 Timber and timber products markets**

The Timber Regulation (Reg. EU 995/2010) to combat trade in illegally harvested timber was adopted in October 2010 by the EU. This regulation counters the trade in illegally harvested timber and timber products through key obligations:

- It prohibits the placing on the EU market of illegally harvested timber and products derived from such timber;
- It requires traders who place timber products on the EU market for the first time to exercise ‘due diligence’.

The legislation to apply the timber regulation on Portugal establishes as mandatory the register of all the operators with activity in the country. The register is made electronically through a system named «RIO system». The link to the digital platform of «RIO system» is located at the website of the Institute for Nature Conservation and Forests (ICNF, I.P.), the competent authority for the application of the Regulation, and is accessible since the 26 of July, 2013. The main indicators are also available in the same website (<https://ruem.icnf.pt/>).

It was considered that the register of the operators was a good instrument to verify the application in Portugal of the obligations laid down by the timber regulation. The register was considered essential to identify the operators working in Portugal, enabling to plan the monitoring actions to verify the application of the “due diligence”.

## **2.9 Forest Biomass for Energy**

The production and use of forest biomass for energy is regulated by the Decree-Law n.º 5/2011 (changed by Decree-Law n.º 179/2012, Decree-Law n.º 166/2015 and Decree-Law n.º 48/2019). Within its terms, in order to benefit the incentive established by the legislation, the promoters of forest biomass power plants are, namely, obliged to:

- Organize and maintain a system of data records that allows the identification of the type and characteristics of the biomass consumed at the plant;
- Present an action plan for 10 years developed in close articulation with forest producer and local authorities, aiming the sustainability of the supply of biomass on the long-run.

The legal regime of new central units of forest biomass for energy is encompassed by the Decree-Law n.º 120/2019 (which republishes Decree-Law n.º 64/2017). This regime bounds the definition of new biomass power central units, entailing the installation for the production of electrical and thermal energy, with production in cogeneration or trigeneration, which uses biomass as fuel, and may incorporate a maximum percentage of 5% of fossil fuel as auxiliary and starter fuel. Other requirement is the installation of new biomass plants within the proximity to critical fire risk zones.

### 3 Market drivers

#### 3.1 General overview

The Portuguese forest sector has long been export oriented. Forest products exports have been among the country's main exports, accounting in the current millennium for 10% of the total exports, while the sector is only responsible for 4% of the imports (figure 2). After 2010 the exports surpass the imports in more than 2.5 thousand million euros (table 1), making it one of the most international markets dependent sector of the Portuguese economy.

Portugal is a price-taker in international markets. The fact that a large share of forest production is exported and that Portugal is primarily a price taker makes it very vulnerable to market developments elsewhere (Rego et al, 2014).

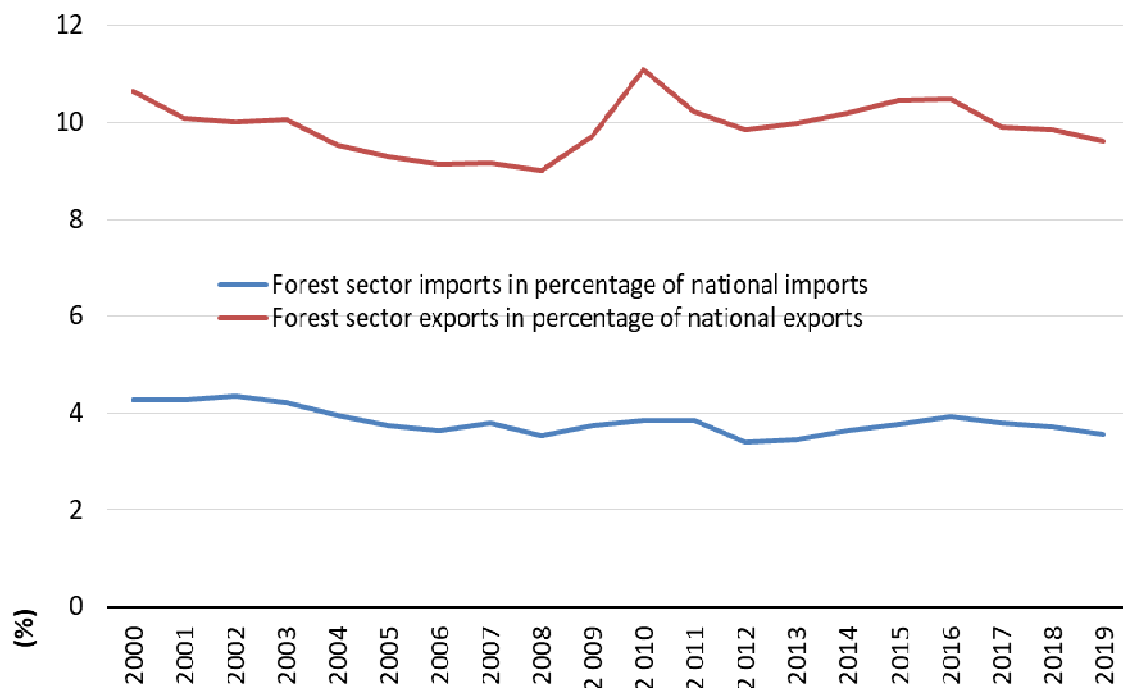


Figure 2 – Relevance of forest sector exports & imports in the context of the Portuguese international trade (Statistics Portugal, 2020a)

Table 1 - National and forest sector commercial balance (Statistics Portugal, 2020a)

Year	Commercial balance (million €)		Coverage rate of exports over imports (%)	
	Forest sector	National	Forest sector	National
2000	943	-18 491	148	60
2001	823	-18 701	141	60
2002	894	-16 619	146	63
2003	1 064	-15 181	157	66
2004	999	-18 340	151	63
2005	978	-20 242	151	61
2006	1 212	-20 654	159	63
2007	1 225	-21 632	154	64
2008	1 235	-25 347	155	61
2009	1 154	-19 682	160	62
2010	1 792	-23 728	177	61
2011	1 983	-19 126	183	69
2012	2 464	-13 159	224	77
2013	2 672	-11 764	231	80
2014	2 670	-13 219	220	78
2015	2 822	-13 096	219	79
2016	2 729	-13 917	209	78
2017	2 706	-17 438	199	76
2018	2 782	-20 530	195	74
2019	2 813	-23 053	196	72

### 3.2 Certification schemes

The export orientation of Portuguese forest sector is the dominant factor on the option for certification schemes. Presently two systems are followed:

- The Programme for the Endorsement of Forest Certification (PEFC) with 283,310 hectares of certified area, 1,970 forest producers, with 14 PEFC group certificates, 168 Chain of Custody's certificates and 436 sites (PEFC Portugal, 2020).
- The Forest Stewardship Council (FSC) with 490,212 hectares of certified area, corresponding to 34 certificates of forest management, more than 3,350 forest owners and 387 certificates of the Chain of Custody (FSC Portugal, 2020).

## **4 Development in forest product markets**

### **4.1 COVID – 19 outbreak & the forest sector**

The evaluation of impacts of the pandemic situation in forest sector is based on the assessment near major stakeholders covering the period of the first six months of the year.

In forest production the main concerns resulting from the pandemic situation are bound in the sustainability of the supply chain and the eventuality of a second wave simultaneous to the period of higher rural fire risk. At forest level the base is fragile, dominated by small producers/owners. Promoting the National self-capacity to supply forest raw material to main industries is reinforced as essential to mitigate imports decrease.

Forest base industries felt differently the impact of the restrictions imposed to prevent the spread of covid-19 were felt differently by:

In sawmills, wood panels and agglomerated wood furniture a sharp diminution in production due to COV 19 was observed (at least 40%). The lessening of construction activities was pointed as the main reason for sawn industries slowdown. Whilst in wood panels and furniture the temporary shutdown of Ikea, a major consumer of split round wood and derived products, led to a sharp decrease of their demand, particularly of wood panels. A large majority of the enterprises dedicated to these activities appealed to the Government subventions created support lay-off. They estimate a 40% reduction in production.

In the pulp and paper sector, was also reported a significant reduction in the production of printing and writing paper, a major end product of the chain in Portugal, but the estimated percentage of -15% is not so severe as in sawn and wood panels chain. The main reason that was pointed for the decreasing is connected to the lessening of the demand in exports, which cover more than 120 country destinations.

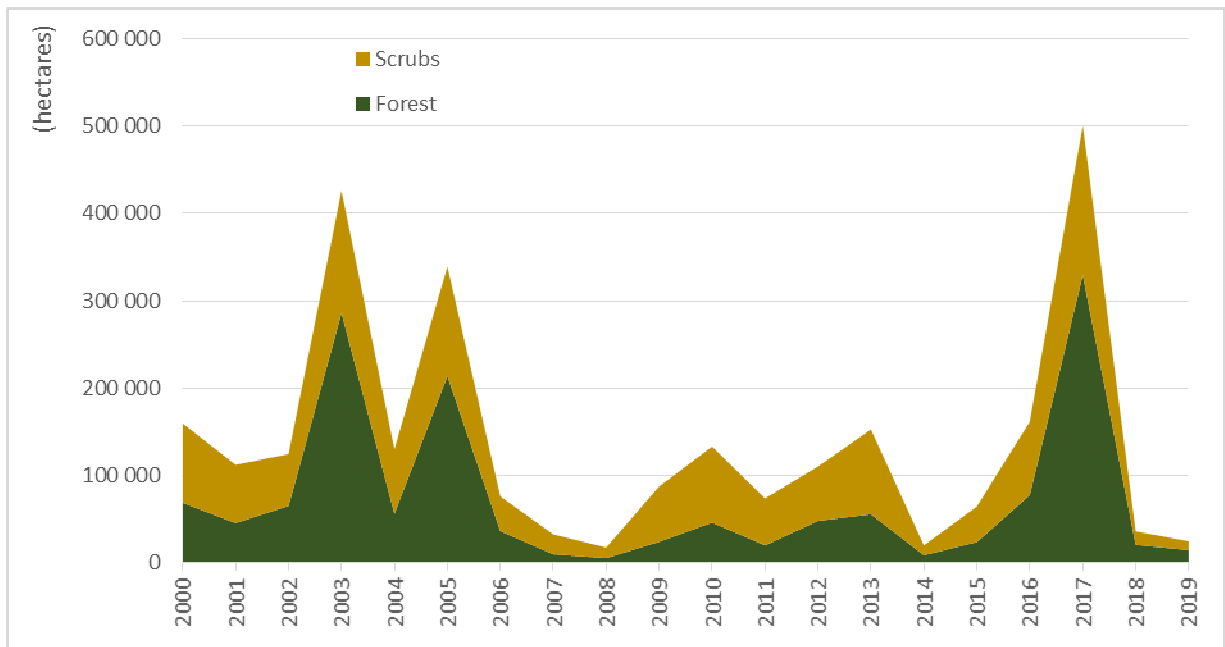
### **4.2 Wood and timber based product markets**

The overview of timber production in current millennium as shown by the forestry accounts (table 3) done by Statistics Portugal under the national economic accounts, indicate that the production, in value, of coniferous timber for industrial uses has been decreasing at concerning rates (average annual variation -3%). Even so, in the current decade (2010 to 2017) a positive change of 4% was observed. The non-coniferous roundwood shows an opposite evolution rising at an annual average rate of 3%.

The evolution in cubic meters unities of volume from 2000 to 2019 (Faostat, 2020), as reported under the Joint Forest Sector Questionnaires (JFSQ), follows.as well, in the production of coniferous timber for industrial uses, a reduction pattern with average annual rates of -0,8% (total variation -15%); whilst the non-coniferous timber has been rising on average 3% (total variation 61%). In the present decade (2010 to 2019) both these types augmented, though the average increase in non-coniferous was more

intense, with the average annual change of 6% (total 51%), whereas in coniferous was 3% (total 23%).

In 2018 and 2019 the severity of wildfires in Portugal declined, following the 2017 extreme impact of their incidence. This year was registered a total burnt area of 539,921 hectares, equivalent to: 500,099 hectares in forest space (329,514 hectares in forest stands and 170,585 hectares in scrublands); and 39,822 hectares in agriculture areas. In 2019, from 1 of January to 15 of October, the total burnt area was much smaller (41,622 hectares), with 36,945 hectares in forest space (21,163 hectares in forest stands and 15,782 hectares in scrublands); 4,677 hectares in agriculture. (ICNF, 2020).



The quality of burnt wood is depreciated or even unappropriated for industrial uses. Thought, a part of the burnt wood can be used by wood base chains. On the short term, this evidence changes the patterns of the markets.

Table 2 – Forest production structure between 2000 and 2017 (Statistics Portugal, 2019a).



		2000	2010	2016	2017	2016/2017	2000/2017		2010/2017		
		10 <sup>6</sup> euros				rate of change (%)					
						annual	annual average	total	annual average	total	
Forestry and logging output at basic prices		1 458	1 025	1 240	1 260	2	-1	-14	3	23	
Forestry goods at basic prices		1 146	753	908	884	-3	-1	-23	0	17	
Timber	Coniferous timber for industrial uses	270	122	152	154	1	-3	-43	4	26	
	Sawlogs and veneer logs - coniferous	220	99	131	134	2	-2	-39	5	35	
	Pulp wood (round & split) - coniferous	42	17	15	13	-13	-4	-68	-3	-21	
	Other wood - coniferous	9	6	6	7	15	-2	-26	2	14	
	Non-coniferous timber for industrial uses	188	247	300	297	-1	3	58	3	20	
	Sawlogs and veneer logs -non-coniferous	3	5	5	5	0	3	46	0	-1	
	Pulp wood (round & split) - non-coniferous	182	241	293	291	-1	3	59	3	21	
	Other wood - non-coniferous	3	2	2	2	-2	-2	-32	2	13	
	Biomass for energy	89	47	51	55	8	-2	-38	2	17	
Growing stock	103	124	133	90	-32	-1	-13	-4	-28		
Other products	Cork	469	196	249	263	6	-3	-44	5	35	
	Nursery forest plants	8	4	5	6	14	-1	-23	5	37	
	Other forestry products	19	14	19	19	1	0	0	5	34	
Net added value		267	230	260	294	13	1	10	4	28	
Secondary non forest activities		45	41	72	82	14	5	83	14	98	

### 4.3 Estimates for 2020 and prospects for 2021

The estimates for 2020 and prospects for 2021 (annex) foresees the impact of the pandemic situation as main driver regarding the economic activities developments. The results of the assessment near major stakeholders regarding COVID 19 impacts in timber based chains (as reported in 4.1) was the reference to the assumptions taken.

The assessment concluded an average activity reductions of 40%, in sawn and wood panels' chains, and of 15% in pulp, and paper chain. The 2021 prospects foresee a slight improvement compared to the 2020 estimates.

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**Annex**
**Table 3 - TIMBER FORECAST QUESTIONNAIRE, roundwood**



 <b>UNECE</b>  <b>TF1</b> <b>TIMBER FORECAST QUESTIONNAIRE</b> <b>Roundwood</b>		Country: Portugal		Date: September 2020			
		Name of Official responsible for reply: Graça Louro					
		Official Address (in full):					
		Instituto da Conservação da Natureza e das Florestas, IP, Avenida da República, 16, 1050-191 LISBOA – PORTUGAL					
		Telephone: (+351) 213 507 900		Note: Complete only if data for 2019 have been revised.			
		E-mail: Graca.Louro@icnf.pt					
Product Code	Product	Unit	Historical data		Revised	Estimate	Forecast
			2018	2019	2019	2020	2021
1.2.1.C	SAWLOGS AND VENEER LOGS, CONIFEROUS						
	Removals	1000 m <sup>3</sup> ub	1 851	1 900 N	1 919	1 650	1 800
	Imports	1000 m <sup>3</sup> ub	173 #	170 #	149	130	150
	Exports	1000 m <sup>3</sup> ub	9 #	15 #	29	25	30
	Apparent consumption	1000 m <sup>3</sup> ub	2 016	2 055	2 038	1 755	1 920
1.2.1.NC	SAWLOGS AND VENEER LOGS, NON-CONIFEROUS						
	Removals	1000 m <sup>3</sup> ub	189	100 N	201	170	200
	Imports	1000 m <sup>3</sup> ub	200 #	140 #	144	122	140
	Exports	1000 m <sup>3</sup> ub	13 #	10 #	32	27	30
	Apparent consumption	1000 m <sup>3</sup> ub	376	230	239	265	310
1.2.1.NC.T	of which, tropical logs						
	Imports	1000 m <sup>3</sup> ub	22 #	20 #	72	25	30
	Exports	1000 m <sup>3</sup> ub	10 #	6 #	6	5	6
	Net Trade	1000 m <sup>3</sup> ub	13	14	66	56	24
1.2.2.C	PULPWOOD (ROUND AND SPLIT), CONIFEROUS						
	Removals	1000 m <sup>3</sup> ub	1 939	1 930 N	2 323	1 980	2 000
	Imports	1000 m <sup>3</sup> ub	90 #	70 #	83	70	75
	Exports	1000 m <sup>3</sup> ub	43 #	100 #	45	38	43
	Apparent consumption	1000 m <sup>3</sup> ub	1 986	1 900	2 361	2 012	2 032
1.2.2.NC	PULPWOOD (ROUND AND SPLIT), NON-CONIFEROUS						
	Removals	1000 m <sup>3</sup> ub	8 430	8 450 N	8 032	7 300	7 500
	Imports	1000 m <sup>3</sup> ub	1 572 #	1 100 #	1 143	980	1 000
	Exports	1000 m <sup>3</sup> ub	410 #	400 #	351	300	350
	Apparent consumption	1000 m <sup>3</sup> ub	9 592	9 150	8 825	7 980	8 150
3	WOOD CHIPS, PARTICLES AND RESIDUES						
	Domestic supply	1000 m <sup>3</sup>	2 175 C	2 400 C	2 041	1 800	2 000
	Imports	1000 m <sup>3</sup>	1 719 C	2 020 C	2 014	1 710	1 730
	Exports	1000 m <sup>3</sup>	142 C	158 C	98	85	90
	Apparent consumption	1000 m <sup>3</sup>	3 752	4 262	3 957	3 425	3 640
1.2.3.C	OTHER INDUSTRIAL ROUNDWOOD, CONIFEROUS						
	Removals	1000 m <sup>3</sup> ub	159	130 N	198	160	170
1.2.3.NC	OTHER INDUSTRIAL ROUNDWOOD, NON-CONIFEROUS						
	Removals	1000 m <sup>3</sup> ub	199	195 N	202	172	190
1.1.C	WOOD FUEL, CONIFEROUS						
	Removals	1000 m <sup>3</sup> ub	235	200 N	417	300	355
1.1.NC	WOOD FUEL, NON-CONIFEROUS						
	Removals	1000 m <sup>3</sup> ub	944	950 N	1 050	890	950

Table 4 - TIMBER FORECAST QUESTIONNAIRE, forest products.

 <b>TF2</b> TIMBER FORECAST QUESTIONNAIRE Forest products		Country: Portugal		Date: Septembe		0												
		Name of Official responsible for reply: Graça Louro																
Official Address (in full): Instituto da Conservação da Natureza e das Florestas, IP, Avenida da República, 16, 1050-191 LISBOA - PORTUGAL		Telephone: (+351) 213 507 900		E-mail: Graca.Louro@icnf.pt		Note: Complete only if data for 2019 have been revised.												
		Product Code		Product		Unit		Historical data		Revised		Estimate		Forecast				
						2018		2019		2019		2020		2021				
6.C	SAWNWOOD, CONIFEROUS	1000 m <sup>3</sup>	954	950 N	886	600	800	1000 m <sup>3</sup>	118	119	72	100	1000 m <sup>3</sup>	311	328	200	280	
	Imports	1000 m <sup>3</sup>	761	741		472	620	1000 m <sup>3</sup>	761	741		472	1000 m <sup>3</sup>	761	741		472	
6.NC	SAWNWOOD, NON-CONIFEROUS	1000 m <sup>3</sup>	132	100 N	149	90	100	1000 m <sup>3</sup>	107 E	115 E	519	130	200	72	44	30	40	
	Imports	1000 m <sup>3</sup>	167	171		190	260	1000 m <sup>3</sup>	167	171		190	1000 m <sup>3</sup>	167	171		190	
6.NC.T	of which, tropical sawnwood	1000 m <sup>3</sup>	13	12 N	14	9	10	1000 m <sup>3</sup>	33	58		34	1000 m <sup>3</sup>	32	25	15	20	
	Imports	1000 m <sup>3</sup>	15	45		28	25	1000 m <sup>3</sup>	15	45		28	1000 m <sup>3</sup>	15	45		28	
7	VENEER SHEETS	1000 m <sup>3</sup>	93 C	60 C	76	46	50	1000 m <sup>3</sup>	25 C	21 C		12	20	36 C	65 C	34	40	
	Imports	1000 m <sup>3</sup>	81	17		24	30	1000 m <sup>3</sup>	81	17		24	1000 m <sup>3</sup>	81	17		24	
7.NC.T	of which, tropical veneer sheets	1000 m <sup>3</sup>	1	20 N	66	38	40	1000 m <sup>3</sup>	7	6		4	5	4	4	3	3	
	Imports	1000 m <sup>3</sup>	5	22		39	42	1000 m <sup>3</sup>	5	22		39	1000 m <sup>3</sup>	5	22		39	
8.1	PLYWOOD	1000 m <sup>3</sup>	0 C	0 C		0	0	1000 m <sup>3</sup>	94 C	158 C		90	95	11 C	20 C	20	25	
	Imports	1000 m <sup>3</sup>	83	139		70	70	1000 m <sup>3</sup>	83	139		70	1000 m <sup>3</sup>	83	139		70	
8.1.NC.T	of which, tropical plywood	1000 m <sup>3</sup>	0	0		0	0	1000 m <sup>3</sup>	3	3		2	2	1	1	1	1	
	Imports	1000 m <sup>3</sup>	2	2		1	1	1000 m <sup>3</sup>	2	2		1	1	1000 m <sup>3</sup>	2	2		1
8.2	PARTICLE BOARD (including OSB)	1000 m <sup>3</sup>	637	716		430	550	1000 m <sup>3</sup>	506	526		320	450	435	465	280	350	
	Imports	1000 m <sup>3</sup>	708	777		470	650	1000 m <sup>3</sup>	708	777		470	1000 m <sup>3</sup>	708	777		470	
8.2.1	of which, OSB	1000 m <sup>3</sup>	0	0		0	0	1000 m <sup>3</sup>	33	32		20	25	2	1	1	1	
	Imports	1000 m <sup>3</sup>	32	30		19	24	1000 m <sup>3</sup>	32	30		19	1000 m <sup>3</sup>	32	30		19	
8.3	FIBREBOARD	1000 m <sup>3</sup>	422 C	442 C		253	357	1000 m <sup>3</sup>	393 C	347 C	472	210	254	338 C	455 C	516	315	
	Imports	1000 m <sup>3</sup>	477	334		191	296	1000 m <sup>3</sup>	477	334		191	1000 m <sup>3</sup>	477	334		191	
8.3.1	Hardboard	1000 m <sup>3</sup>	26	21		0	0	1000 m <sup>3</sup>	52 E	38 E	164	25	30	26 E	18 E	10	15	
	Imports	1000 m <sup>3</sup>	52	41		15	15	1000 m <sup>3</sup>	52	41		15	1000 m <sup>3</sup>	52	41		15	
8.3.2	MDF/HDF (Medium density/high density)	1000 m <sup>3</sup>	387	412		247	350	1000 m <sup>3</sup>	316	277		166	200	279	396	238	280	
	Imports	1000 m <sup>3</sup>	424	293		175	270	1000 m <sup>3</sup>	424	293		175	1000 m <sup>3</sup>	424	293		175	
8.3.3	Other fibreboard	1000 m <sup>3</sup>	9	9		6	7	1000 m <sup>3</sup>	25	31		19	24	33	40	24	20	
	Imports	1000 m <sup>3</sup>	1	0		1	11	1000 m <sup>3</sup>	1	0		1	1000 m <sup>3</sup>	1	0		1	
9	WOOD PULP	1000 m.t.	2 773 C	2 780 C	2 754	2 350	2 600	1000 m.t.	176 C	253 C	150	128	170	1 176 C	1 238 C	1 050	1 100	
	Imports	1000 m.t.	1 774	1 795		1 428	1 670	1000 m.t.	1 774	1 795		1 428	1000 m.t.	1 774	1 795		1 428	
12	PAPER & PAPERBOARD	1000 m.t.	2 060 C	2 060 C	2 025	1 721	1 900	1000 m.t.	890 C	877 C		750	800	1 887 C	1 908 C	1 899	1 650	
	Imports	1000 m.t.	1 054	1 049		821	900	1000 m.t.	1 054	1 049		821	1000 m.t.	1 054	1 049		821	
5.1	WOOD PELLETS	1000 m.t.	735	740 N	1 008	850	900	1000 m.t.	5	4		18	20	532	715	732	700	
	Imports	1000 m.t.	208	29	297	248	220	1000 m.t.	208	29	297	248	1000 m.t.	208	29	297	248	