COUNTRY STATEMENT 2001
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Macro-economic situation

The unquestionable trend of development in the Hungarian economy starting in 1997 continued in 2000. There has been an increase of GDP of 5.2 per cent experienced.
The output of industry in 2000 was 18.3 per cent higher than in the previous year. This figure is 16.4 per cent for the wood-processing industries, and 25.5 per cent for the furniture industry. In the year 2000, export remained the decisive factor of the industrial development, however the growth of domestic demand also contributed to the results achieved. It deserves attention that 90 per cent of the growth of production was realised due to the enhancement in productivity.
Beside an increase of 13.5 per cent of the net average salary and an increase of 9.8 per cent of the consumer's price index real incomes went up at a rate of 2.5 per cent. The rate of increase of the nominal incomes slowed down parallel with the pace of change in price index. The increase of incomes showed significant dispersion among the different branches.

General characterisation of Hungarian forestry

The Hungarian forestry authority, with the use of the database of the National Forest Stand Data-bank, has been for many years compiling the annual reports about the forestry activities according to consistent professional points of view.
The data below are taken from the latest report:

	Year 1998.	Year 1999.	Year 2000.
Forested area, th. ha	1 758	1 767	1 782
Growing stock, gross million m^3	320	323	325
Completed regeneration of forests, th. ha	20.9	20.8	19.9
Completed afforestation, th. ha	6.3	7.9	6.9
Removals, gross th. m^3	6 579	6 901	7 287
Removals, percentage of annual forest plan potentials	77	79	79

It can be stated that both the forested area and the growing stock are continuously growing.
The increment in standing volume can be explained with the forest area expansion, the under-exploitation of harvest potentials as well as partly with the natural growth.
The state of health of the forest lands in the country, as judged on the basis of defoliation, has been slightly impaired: the proportion of symptom-free trees is 39.5 per cent, that of importantly damaged trees makes up for 21 per cent. Besides a slight improvement in the state of sessile oak and turkey oak stands, the state of hornbeam, black locust, poplar and coniferous, first of all Austrian pine stands has worsened. The rate of defoliation in the case of common oak and beech has remained unchanged. On the basis of reports from forest land users the rate and area of biotic and abiotic damages has not increased. However, species of insects and fungi that could not be found in Hungary before, occur more and more frequently
As a whole, the competency of forest management in Hungary is of reasonable standard.

Distribution by ownership of the lands of forestry activities is as below:

Forest land owner	Area, th. ha	Share, %
State	1 051	59
Public (municipal etc.)	18	1
Private	713	40
Total	1 782	100.0

Distribution of forest land area by use:

timber production	69.3 %,
protection	21.5 %,
public welfare	2.2 %,
other	7.0 %.

These proportions have slightly changed to the advantage of the protective forests during the last years. Parallel with a slight decrease of the share of productive forests there was an increase of forests of other purposes that can be related to the designation of seed producing stands, forest reservations and their shelter zones.

Removals

In the year 2000. fellings were performed on 94 000 ha, out of which area, some 21 000 ha was harvested, i.e. final cut performed. The removed gross amount of 7.3 million m^3 of timber represents 79 per cent of the sustainable forest plan potentials of 9.2 million m^3. Compared to the last year's data as basis, it means that the amounts of felling increased by 386 thousand m^3.
The state forestry share companies exploited their felling possibilities at 92 per cent on the average, while forest companies of other ownership structures at 63 per cent only. The unregulated situation of ownership and the delay in the designation of property share continues to be a restrictive factor. The backlog in this respect is diminishing, however not dynamically enough.
The need for nature conservancy presents itself as a continuing problem in the management of forests. Currently, 21 per cent of the total forested area is protected and this trend puts further limits to timber harvesting.

The state of wood processing industry

The rate of growth of production in the wood-processing industries in 2000 was but slightly slower than the average of processing industries and industry in general. However it was characterised by a fluctuating output during the year. Domestic sales also approximated the average of the processing industries. As regards export, the branch performed at the mean level of industry. The production of the wood-processing industries showed a dynamic growth in the first months of the year 2001, at a rate higher than the average in the industry generally and in the processing industry particularly.
The indices of productivity in the wood-processing branch had a tendency similar to the that for the whole of the industry, however slightly lagging behind.

Investments in the wood-processing branch have importantly increased due to the development in a few panel plants. Contrary to the general tendencies, the share of investments related to building has been higher than that related to equipment.

Production volumes for the year 2000 according to the reports not yet complete are shown in the table below, and the same are related to numbers of the year 1998.

Product	Production 1999	Production 2000	Index, 2000/1999 %
Removals (net timber volume above cut surface), thousand m^3	5 506	5 866	106.5
Sawnwood, thousand m^3	198	198	100.0
Plywood, thousand m^3	9.5	5.3	55.8
Fibreboard, thousand m^3	56.1	60.6	108.0
Particleboard, thousand m^3	457.2	505.3	110.5
Veneer, million m^2	22.3	22.5	100.9

As it can be judged from these figures, the wood-processing industry in Hungary has stabilised. The particleboard manufacture is focusing to the further processing industries; the fibreboard production units would need technological reconstruction. The availability of raw material makes it already possible to enlarge the production of fibreboard and particleboard.

Foreign trade of forest products

It can be stated that the last years' tendency of growth has continued in 2000. At the same time, the structure of the foreign trade of forest products has developed differently: the dynamic growth of the export of wood products that started in 1996 has come now to a break. On the other hand, the rate of increase of import remained unchanged resulting in a positive foreign trade balance of wood products below the level of that in 1995.

Within the export of all forest products, in terms of quantities the share of roundwood and other wood in the rough decreased the most, while in terms of value the share of miscellaneous processed wood products diminished more importantly.

At the same time, the share of wood-based panels both in terms of quantities and value has increased.

Miscellaneous wood products processed at higher degree continued to be the category of products representing the highest export values within the foreign trade of wood products. This tendency however exhibits itself at a diminishing rate.

Within the import of all categories of wood products, the share of wood in the rough and of sawn products remained unchanged. The import of wood-based panels and miscellaneous wood products took an increasing share.

Comparing the tendencies of export and import of the main categories of wood products, it can be stated that in the case the Hungarian national economy was net exporter of roundwood and other wood in the rough, as well as miscellaneous wood products, while in the case of wood-based panel and sawn products it became net importer.

Looking at the foreign trade in terms of partner countries it can be stated that as regards export, the European Union has a leading share that is currently diminishing, and the share of the Central European countries follows.

As regards import of wood products, the tendencies of the last couple of years continue: the Central European countries, followed by the European Union are the most important partners, however with a slightly decreasing share in both cases.

The timely distribution of the foreign trade of forest products has not changed as compared to the same periods of the previous years.

Foreign trade of forest products in 1999-2000

	1999	1999	2000	2000	Index (2000/1999 %)	
	million HUF	million USD	million HUF	million USD	HUF	USD
	EXPORT					
Roundwood	18471.8	78.3	18121.5	65.2	98.1	83.3
Sawn wood products	21370.5	90.4	22990.3	82.0	107.6	90.7
Wood-based panels	10748.0	45.4	19716.1	70.6	183.4	155.5
Miscellaneous wood products	41554.6	175.2	44477.4	159.1	107.0	90.8
Forest products total	**92144.9**	**389.3**	**105305.3**	**376.9**	**114.3**	96.8
Pulp and paper products	80103.5	338.1	97727.6	347.3	122.0	102.8
Total	**172248.4**	**727.4**	**203032.9**	**724.2**	**117.9**	**99.6**
	IMPORT					
Roundwood	10722,4	45,4	9985.8	35.7	93.1	78.6
Sawn wood products	26529.3	111.7	29761.3	104.9	112.2	93.9
Wood-based panels	14633.9	61.6	25027.5	89.1	171.0	144.6
Miscellaneous wood products	12097.8	51.0	15773.3	57.3	130.4	112.4
Forest products total	**63983.4**	**269.7**	**80547.9**	**287.0**	**125.9**	106.4
Pulp and paper products	166735.6	704.4	218275.0	775.7	130.9	110.1
Total	**230719.0**	**974.1**	**298822.9**	**1062.7**	**129.5**	**109.1**
	BALANCE					
Roundwood	7749.4	32.9	8135.7	29.5	105.0	89.7
Sawn wood products	-5158.8	-21.3	-6771.0	-22.9	131.3	107.5
Wood-based panels	-3885.9	-16.2	-5311.4	-18.5	136.7	114.2
Miscellaneous wood products	29456.8	124.2	28704.1	101.8	97.4	82.0
Forest products total	**28161.5**	**119.6**	**24757.4**	**89.9**	**87.9**	75.2

Pulp and paper products	-86632.1	-366.3	-120547.4	-428.4	139.1	116.9
Total	**-58470.6**	**-246.7**	**-95790.0**	**-338.5**	**163.8**	**137.2**

It is an indication of the upswing of economy within the wood-processing sector that, besides a decrease of stocks, sales volumes both domestically and in the export trade have grown, except for veneer and plywood. When analysing the trends of marketing for the main categories of products, it can be established that the share of export show a moderate growth only in the case of products processed at lower level (such as sawnwood), while in the case of joinery products being processed at higher level, export continues to be dominant.

Price of forest products

In the table below, the components of marketing indices in the year 2000 for the main categories of products and trade are given.

	Change of price, 2000/1999 %			**Weighted price index %**		
	domestic	export	overall	domestic	export	overall
Veneer logs	101.24	141.39	106.35	103.25	109.43	104.61
Sawlogs	107.30	95.89	102.92	107.30	95.89	104.56
Roundwood total	106.34	98.62	102.63	106.67	97.83	104.57
Pulpwood	126.30	100.40	102.12	124.46	101.26	104.43
Chipwood	107.18	109.04	107.77	105.84	109.13	107.52
Industrial wood total	105.20	94.61	101.71	107.21	101.46	105.26
Fuel wood	113.05	111.20	113.87	114.47	111.20	113.85
Roundwood total	109.71	96.44	105.66	109.04	102.77	107.13

Certified forest products

The Hungarian Privatisation and State Holding Company (ÁPV Rt.) has implemented, through the support of the European Union' PHARE project, the ISO 9002 quality assurance and ISO 14 001 environment acceptability system at 19 forestry share holding companies.

All these companies have organised the certification of their activities according to the standards mentioned.

These companies perform forest use and management on more than half of the forest lands of the country, representing 90 per cent of state owned forests. Forests under their management represent special national value because they comprise the majority of Hungarian forest reserves. These companies manage 90 per cent of all forest reserves, out of which more then 35 per cent falls under restrictions of nature conservation. At the same time, through the sale of the exploited timber in the domestic and international market, they are active players of the market.

To our knowledge, one of the forestry companies has acquired certification according to the criteria and indicators of FSC, another company is working on becoming certified.

Vision

The situation of the construction industry being decisive for the woodworking industry is changeable. In the year 1999 the number of new homes occupied was less than before, at the same time the number of permissions issued for building showed an increase.
The ambitious programme of building homes as well as other important projects of development initiated by the Government gives new perspectives to the construction industry and, as a consequence, expectations to the woodworking industry. Saw-milling industry may derive benefit of this tendency in the short term and panel industry in the long term.
The same situation may also mean that the import of coniferous roundwood and sawnwood as well as that of wood-based panels probably will increase, but the domestic producers of wood-based panelling and flooring will have an access to a better market too.
It is worth mentioning at this point the rise of prices that can be experienced in the market of mineral sources of energy. An important part of the biological potential of fellings in Hungary could be utilised in the energy market. This is a possibility that worth attention in the case if consumers can be convinced of the use of renewable sources of energy, just like wood. The question today is not primarily biological and technological, rather it is related to logistics and financial support.
The significantly increasing encouragement of afforestation from the Government's side is a challenge for the wood-processing industries in the medium and long term.