IRELAND

NATIONAL MARKET REPORT 2002

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1. OVERVIEW

1.1 KEY ECONOMIC INDICATORS

Key economic indicators of the performance of the Irish economy in recent years, together with an indication of the likely outturn for this year are illustrated in the following table:

	1995-2000 Average	2001	2002 Mid Year Forecast
	Annual Percentage Volume Changes		
Economic Growth			
Gross Domestic Product (GDP)	9.9	5.9	3.6
Gross National Product (GNP)	8.7	5.0	3.0
Expenditure on GNP			
Private Consumption	7.8	4.8	4.3
Fixed Investment	14.3	0.5	0.3
Final Domestic Demand	8.8	3.8	3.4
Exports of Goods and Services	16.9	8.4	4.9
Imports of Goods and Services	16.6	7.7	4.9
Stock Changes (% GNP)	-	0.4	0.2
Net Factor Income (% GNP)	-	19.3	19.5
Level of GNP (€ billion)	-	96.7	104.2
Employment change (000)	78	49	22
Unemployment (%)	8.0	3.9	4.7
Consumer Price Index	2.5	4.9	4.5
General Government Balance Surplus as % of GDP	1.4	1.7	0.1

Source: Economic Review and Outlook, August 2002.

1.2 Economic Highlights for 2002

- Real GDP is expected to grow by about 3½ per cent, with real GNP growing by 3 per cent. While lower than the rates of growth we have experienced in the recent past, these figures must be considered in the context of our European partners. Growth for the EU as a whole is forecast by the European Commission to be 1.4 per cent for 2002.
- Employment is forecast to increase by 1¼ per cent, or 22,000. Unemployment is expected to average 4.7 per cent for the year as a whole.
- Inflation, as measured by the Consumer Price Index (CPI), is expected to average in the region of 4½ per cent for the year.
- A small government surplus is projected (reflecting the exclusion of euro related receipts from the calculation). The debt/GDP ratio is expected to fall to around 34 per cent.

2. DEVELOPMENTS IN FOREST PRODUCTS MARKETS

2.1 Timber Markets

Most of the roundwood produced in Ireland is harvested from plantation forests established over the past 70 years and are owned and managed by Coillte (The Irish Forestry Board). The forest estate, excluding plantations under 10 years old, is adding incremental volume of 3.3 million m^3 annually, of which about 80% is harvested depending on market demand.

Roundwood production in 2001 amounted to 2.55 million m^3 (overbark), a decrease of 7% on the previous year's production. However, there was an increase in the demand for sawlog of 2% but a reduction of 20% in the demand for pulpwood. This reduction in pulpwood demand was due to increased availability of residues coming from the sawmill sector and a fire at one of the board mill stopping production for three months. A further increase in roundwood production is expected in 2002, due principally to increased demand from the sawmilling sector as new capacity is now in full production. Increased capacity in the board mills will also be in place.

2.2 Construction Timber

The Irish market for construction timber has grown substantially in recent years and is still at a high level of consumption, despite the reduction in pace of the "Celtic Tiger". Construction timber usage was again at record levels in 2001 with new house completions at 52,600, up 5% from the previous year. Table 1 shows that the number of new houses being built in the Republic, as a proportion of the population, far exceeds many other European countries.

Table 1: The number of new houses being built, as a proportion of the population.

Year 2000 Country	Population (000s)	New dwellings completed	Per 1,000 population
Republic of Ireland	3,745	49,412	**13.2**
Northern Ireland	1,692	10,399	**6.1**
Great Britian	57,809	169,300	**2.9**
Canada	31,200	99,700	**3.2**
Sweden	8,900	15,000	**1.7**

There is also significant demand in the house repair, maintenance and improvement sectors, estimated to be between 20 to 25% of the market demand for sawn softwood. The overall consumption level for timber in 2001 is estimated at 1.2 million m^3 , similar to the demand in 2000. This figure represents 0.33 m^3 of sawn softwood used per head of population, twice that in the UK. About 46% of the timber requirement is supplied by Irish sawmills with the balance supplied by imports. The

Scandinavia dominate as sources of imported timber but the Baltics, and now Russia, are gaining market share. The Scandinavians are now switching to other markets due to the low prices achievable in Irish market.

2.3 Pallet and Packaging Timber

Demand for pallet and packaging timber remained very strong as a result of the high levels of construction and manufacturing activity. However, over half of the production of pallet material from Irish sawmills was exported in 2001, mainly to the UK. This trend is likely to continue due to the high levels of production of pallet boards and block material. These exports to the UK remain stable but are under price pressure due to increasing volume coming on stream from UK sawmills and large volumes of imported material arriving on the UK docks. The UK market is showing strong demand in 2002 and provides an important outlet for Irish mills.

2.4. Pulpwood and Sawmill Residues Demand

The Irish board mills maintained a competitive position in their respective markets. Coillte bought out Louisiana Pacific's 65% share in the OSB factory in Waterford early in 2002, giving them complete ownership. The mill will now be known as Smartply Europe and has increase production output over 2001.

The OSB plant has established a strong market position but still operates in an environment of oversupply within in Europe. The MDF plant also experienced difficult market conditions during the year, but, overall, had a satisfactory year. It is currently installing a new line which will increase its capacity and product output.

The total usage of pulpwood and residues by this sector was about 1.5 million m^3, similar to 2000.

3. OUTLOOK

The outlook for forest products in Ireland remains positive, and there is strong demand for roundwood in 2002, within both the sawmill and pulpmill sector. However, exports of pulpwood to European markets will need to continue. Construction activity is still high but there is an expected levelling off and a slowdown in construction activity over the next few years. The principle challenges will be to further improve the competitiveness of the sawmilling industry, to increase the share of the Irish construction market supplied by Irish timber, particularly in the Dublin market, and to successfully export increasing amounts of sawntimber and timber products.

4. SUSTAINABLE FOREST MANAGEMENT / CERTIFICATION

Coillte Teo (The Irish Forestry Board) is the largest landowner in Ireland, with a forest estate of close to 500,000 hectares. Coillte is committed to the concept of Sustainable Forest Management and in mid – 2001 was awarded the Forest Stewardship Council (FSC) Certification. Coillte had its first surveillance audit in November 2001 with a positive result and another in May 2002, again with a positive outcome. The FSC auditors will continue to monitor Coillte's operations

5. The Timber Industry Development Group

The Timber Industry Development Group (TIDG) was set up in February 2000 by An Tanaiste, Mary Harney T.D. The TIDG was made up of representatives from all sectors of the timber industry, from growers to processors, and from government agencies.

One of the key recommendations of the Group was to set up a Forum of Chief Executives of the major players across the industry – Coillte, the major saw millers and the panel board mills – should be established to address the strategic areas of common interest and to identify common challenges and goals.