

# **IRELAND**

## **NATIONAL MARKET REPORT 2003**

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**1. OVERVIEW**

**Summary Economic Data**

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

	1996-2001 Average	2002	2003 Mid Year Forecast
<b>Annual Percentage Volume Changes</b>			
<b>Economic Growth</b>			
Gross Domestic Product (GDP)	9.2	6.9	1.5
Gross National Product (GNP)	8.0	0.1	1.5
<b>Expenditure on GNP</b>			
Private Consumption	7.4	2.7	2.0
Fixed Investment	11.3	1.7	-1.5
Final Domestic Demand	8.3	3.5	1.4
Exports of Goods and Services	15.7	6.2	-2.0
Imports of Goods and Services	15.6	2.3	-3.0
Stock Changes (% GNP)	-	0.0	0.2
Net Factor Income (% GNP)	-	25.1	23.0
Level of GNP (€ billion)	-	103.4	109.3
Employment change (000)	77.0	24.0	11.0
Unemployment (%)	6.4	4.4	5.2
Consumer Price Index	2.9	4.6	3.6
General Government Balance Surplus as % of GDP	1.8	-0.1	-1.0

**Source: Economic Review and Outlook, August 2003.**

**Economic Highlights for 2003:**

- Real GDP and GNP are both expected to grow by about 1.5 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-15 is forecast by the European Commission to be 1.3 per cent for 2003.
- Employment is forecast to increase by 0.6 per cent, or 11,000. Unemployment is expected to average 5.2 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 3.6 per cent for the year.
- A government deficit is projected. The debt/GDP ratio is expected to be about 33.6 per cent.

## 2. DEVELOPMENTS IN FOREST PRODUCTS MARKETS

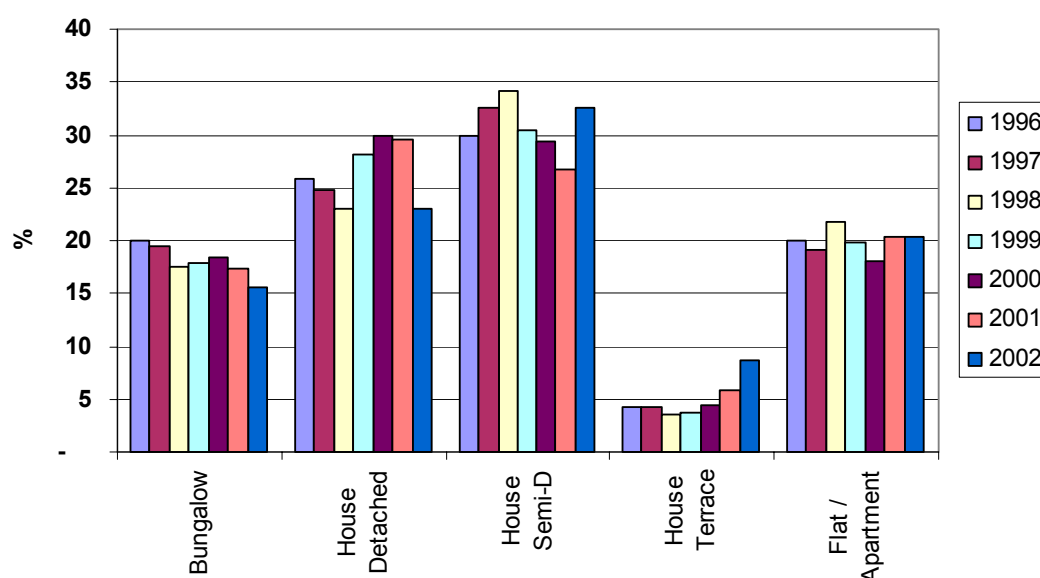
### 2.1 Timber Markets

Most of the roundwood produced in Ireland (approx. 94%) is harvested from plantation forests established over the past 70 years and are owned and managed by Coillte Teoranta (The Irish Forestry Board). The overall forest estate, excluding plantations under 10 years old, is adding incremental volume of 3.3 million m<sup>3</sup> annually, of which about 80% is harvested depending on market demand.

Roundwood production in 2002 amounted to 2.71 million m<sup>3</sup> (overbark), an increase of 6% on the previous year's production. There was an increase in the demand for sawlog of 5% and a increase of 8% in the demand for pulpwood. The increase in pulpwood demand was mainly due to increased demand coming from Smartply (Coillte's now wholly owned OSB factory). A further increase in roundwood production is expected in 2003, due principally to increased demand from the sawmilling sector as new capacity is now in full production. The increased capacity in the board mills will also be in full use in 2003.

### 2.2 Construction Timber

The Irish market for construction timber has grown substantially in recent years. Consumption remains high in 2002 despite the general slowdown in economic activity. The number of new houses and apartments built in 2002 rose to 57,695, up 9.7% on 2001 (52,602 units). This was the eight successive year of record house completions. There was a noticeable shift in the house type being built, which impacts the consumption patterns of sawn softwood (Figure 1). The larger consumers of sawnwood, the detached house and bungalow, showed a decline, while the semi-detached house and terraced house grouping showed an increase.



**Figure 1:** New Houses Completed by House Type in the Republic of Ireland (1996 -2002).

**Source:** (DOE, 2003)

The overall consumption level for timber in 2002 is estimated at over 1.4 million m<sup>3</sup>, up on the demand in 2001 of 1.2 million m<sup>3</sup>. However, there have been some changes with the supplying nations. The major shift comes from the Baltic States, which increased its volumes dramatically by 85%, from 138,000 m<sup>3</sup> to 274,000 m<sup>3</sup>. There has been an increased level of exports, especially export of construction material to the GB market. The Baltics now represent 19% of the Irish sawn softwood market, just ahead of Sweden at 17% (an increase in volume terms) and Finland has dropped back to fourth place, at 10% of the market. Sweden sold slightly more volume due to them being outside the Euro zone and having a relative weak currency during 2002. The Russians are still small players but have gone from 5,000 m<sup>3</sup> in 2001 to 29,000 m<sup>3</sup> in 2002. Also, there is increased evidence of Canadian timber coming into Ireland, now standing at 20,000 m<sup>3</sup>. Despite the increased production from Irish sawmills, their overall market share decreased by 2% to 43%.

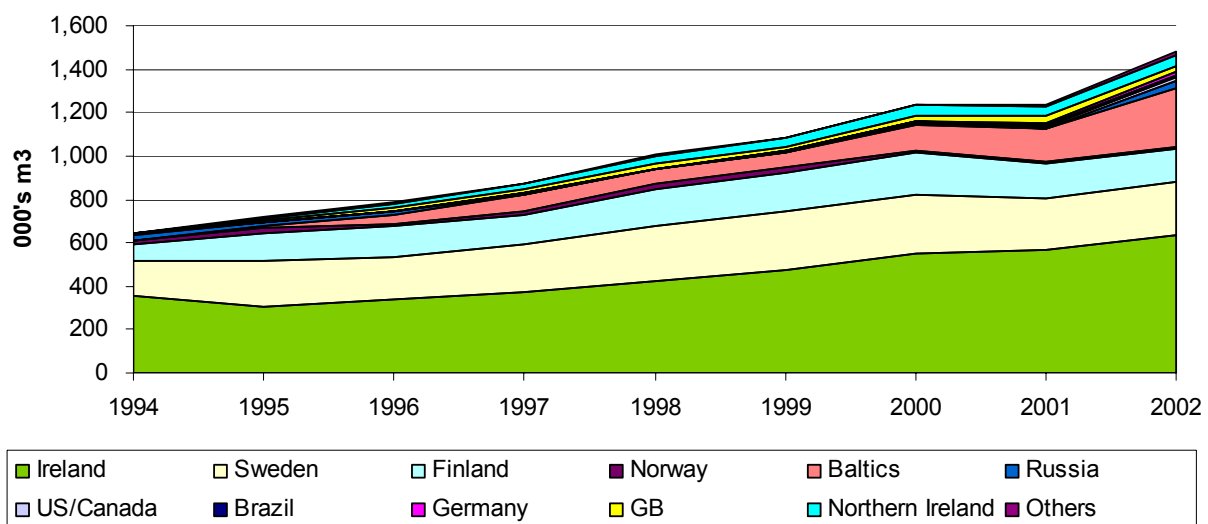


Figure 2: Sawn Softwood Consumption in the Republic of Ireland.

### 2.3 Pallet and Packaging Timber

Demand for pallet and packaging timber remained very strong in 2002 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 2002, mainly to the UK. This trend is likely to continue due to the high levels of production of pallet boards and block material. 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. Also, this export market is very sensitive to the Euro / Sterling exchange rate.

Fencing and garden / lifestyle products are becoming an increasingly important market for Irish sawmillers with 25% of all sawn timber going into this market sector. The increased consumer demand for decking and other garden products has proved an important value added market for

Irish producers. However, similar to pallet wood, over half of the production is being exported to the GB market.

#### **2.4. Pulpwood and Sawmill Residues Demand**

The Irish board mills maintained a competitive position in their respective markets. Demand for residues and pulpwood from the panel board sector increased to around 1.5 million m<sup>3</sup>. In 2002 Coillte bought out Louisiana Pacific's 65% share in the OSB factory in Waterford giving them complete ownership. The plant is known as SmartPly Europe Ltd and has increased production significantly over 2001. The OSB plant has established a strong market position but still operates in an environment of oversupply within Europe. The Irish market is expanding with the increased proportion of timberframe houses being built, now standing at 20%, up from less than 1% in the early 1990's. Also, the demand for OSB in the USA has increased in the second half of 2003 due to increased housing activity and the shortage of plywood due to the increased demand for construction material in Iraq post the Gulf war.

The MDF plant also experienced relatively good market conditions during 2002 with new production capability bedded in. 2003 is proving more difficult with prices under pressure.

The total usage of pulpwood and residues by this sector was about 1.75 million m<sup>3</sup>, up approx. 15% on 2001 demand.

### **3. OUTLOOK**

The outlook for forest products in Ireland for remainder of 2003 remains positive. There is continuing strong demand for roundwood in 2003, within both the sawmill and pulpmill sector. Construction activity is still high but forecasts suggest that there is an expected levelling off in housing demand and a slowdown in commercial 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 sawn timber 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 its third audit in May 2003, again with a positive outcome. The FSC auditors will continue to monitor Coillte's operations.