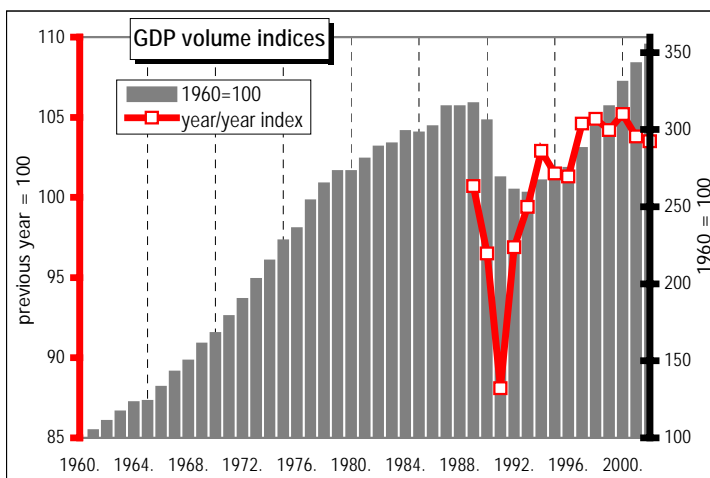


MAIN COUNTRY DATA AND TRENDS

The **territory** of Hungary is 93.000 km², of which 19,6% (1.823,4 thousand hectares) is covered by forests.

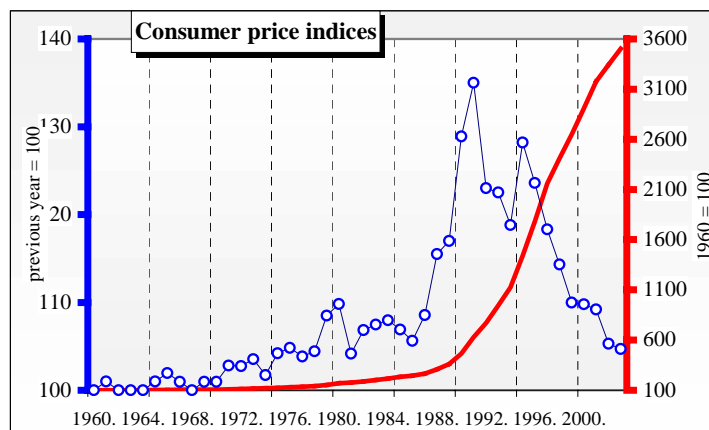
Number of **citizens** on 1 January 2003 was 10,14 million.

In the last years the growth of the **gross domestic product** (GDP) was high. In the period of 2000-2003 was a slowdown in growth rates. In 2003 the GDP grew by 2,9%. The average in the EU was 0,6% in 2003.



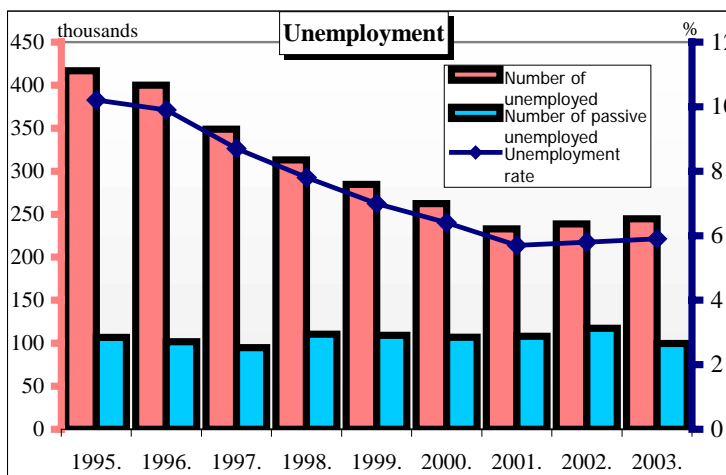
Source: HCSO (Hungarian Central Statistical Office)

The **inflation** in Hungary showed a declining tendency in the last nine years. In the year 2003 the rate of inflation was 4,7%. The average in EU was 2,1% in 2002 and 2% in 2003.



Source: HCSO (Hungarian Central Statistical Office)

The Hungarian **unemployment** also shows a declining tendency since 1993. In the second half of the year 2002 this tendency had changed, and the rate slowly increased, the rate was 5,8% in 2002 and 5,9% in 2003. The average in EU was 8% in 2003.



Source: HCSO (Hungarian Central Statistical Office)



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Published in
Forestry Directory
Hungary 2004,
and in
Wood Directory
Hungary 2004
catalogues.
www.fagosz.hu
www.fakat.hu
T +36-1-3556539
F +36-1-2026449
info@fagosz.hu

Forestry and Wood Business in Hungary

MAIN DATA OF THE HUNGARIAN FORESTRY

Notable milestones of Hungarian Forestry:

- 1791 The Parliament enacted the first forest act of feudal type.
- 1879 The first modern civil forest act was passed.
- 1920 As a result of the peace pact closing First World War Hungary lost 84% of her forests and the rate of forested lands decreased from 26% to 12%.
- 1935 With the announcement of the IV. Act of 1935, a forest act corresponding to the new geographical conditions of the country, as well as the first Hungarian law on nature conservation was promulgated.
- 1945 Private forest holdings exceeding 58 hectares were nationalised; properties of 6-58 hectares were taken into state management.
- 1959-60 Forest joint tenures were cut back; about 30% of the forests were assigned to agricultural co-operatives.
- 1961 Enactment of the VII. Act of 1961 on the forests and wildlife management based on the socialist ownership structure.
- 1990- There were re-established the interest representation, employer's and professional federations.
- 1996 As one of the results of the general system transition in Hungary, about 40% of the forests was privatised. In order to control the multiple-used and sustainable forestry with legislative tool, the Parliament passed the LIV. Act of 1996 on the forest and protection on the forests.
- 2000- Forest management units active on more than the half and almost 3/4 of the managed forests are certified by ISO 9002 and ISO 14001 qualification.

Some Facts about Forest Resources

Forest Area

Forest Area and Other Lands Supporting Forestry in thousand ha

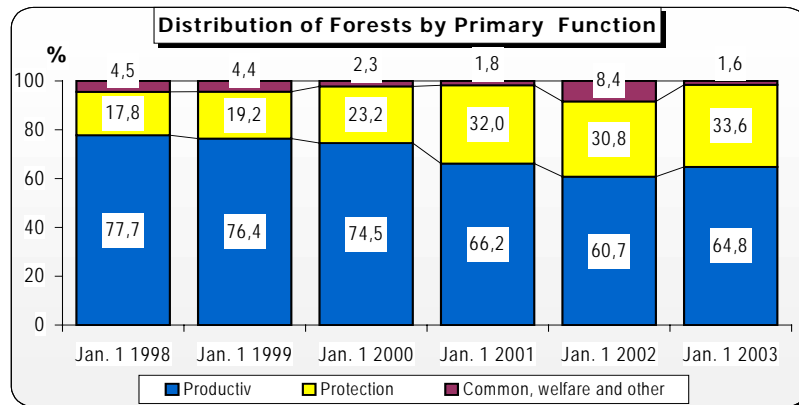
Area Assigned for forestry Use on 1 Janua	1998.	1999.	2000.	2001.	2002.	2003.
Forest area (lands covered by stand earmarked lands which have to be forested)	1 748,4	175,7	1 773,3	1 787,4	1 803,9	1823,4
Other lands supporting forestry (nurseries, alleys, forest access roads, permanent cleanings, etc.)	135,1	135,3	134,2	133,8	133,0	131,8
Total area assigned for forestry	1 883,6	1 894,0	1 907,5	1 921,2	1 936,9	1 955,2

Source: State Forest Service

On January 1st 2003 the forest area (incl. lands which have to be reforested) was 21% of the whole country. Forests are situated disproportionately in the country. The most forested county is Nógrád and the less one is Békés. 100% of the Hungarian forests have management plan made by State Forest Service.

Primary Function of Forests

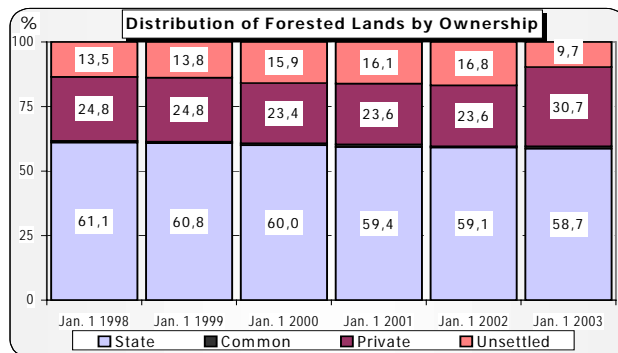
The 2/3 of the Hungarian forests is productive ones, while 1/3 is protection, common and other major function forests.



Source: State Forest Service

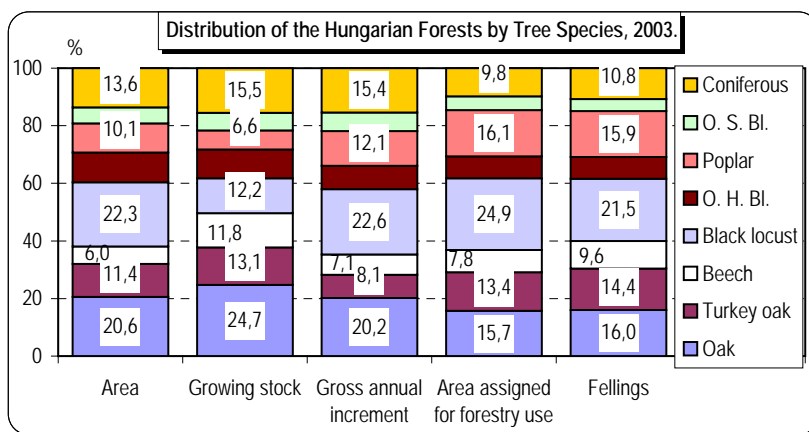
Ownership

Actually 90,1% of the forests are cultivated, while 9,7% of the forested lands are unsettled yet. Out of cultivated forests 58,7% are state owned and 31,4% by others, mainly private forest owners. Common (community) share is under 1%.



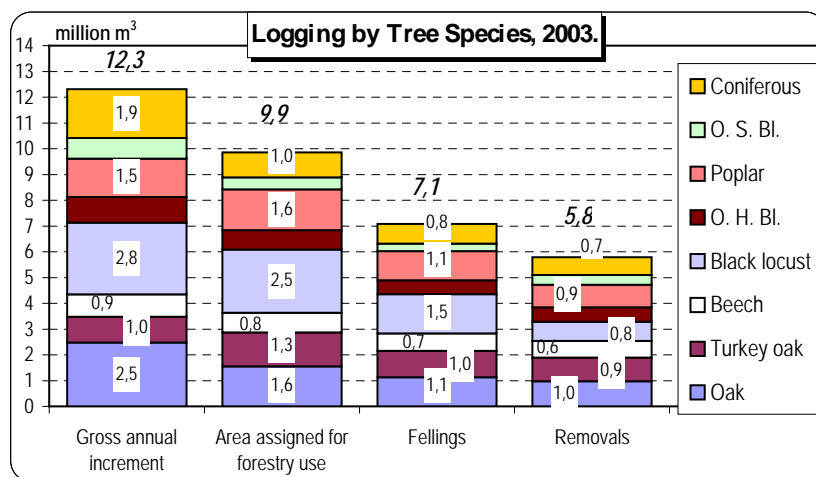
Source: State Forest Service

Species



Remarks: Source: State Forest Service
O.H.Bl. = Other Hard Broad-leaved; O.S.Bl. = Other Soft Broad-leaved
Data for area and growing stock are as of January 1st 2000
Forest manag. plan = 1 year average of Forest management plan prescription
Poplar data of forest management plan and fellings contains data of willow too.

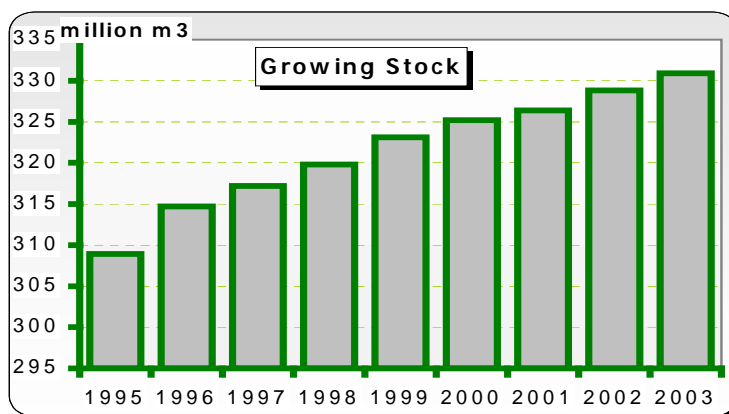
The distribution of tree species differs by variable according to their growth rate, age class structure and other factors.



Remarks: Source: State Forest Service + FAGOSZ estimate
O.H.Bl. = Other Hard Broad-leaved; O.S.Bl. = Other Soft Broad-leaved
Forest manag. plan = 1 year average of Forest management plan prescription
Poplar data of forest management plan and fellings contains data of willow too.

Gross annual increment and the management plan are considerably exceeding the real amount of felling and even removals, what is influenced by market situation and purposes of the owners. The same situation can be found in most European countries in the last years.

Growing Stock



Source: State Forest Service (*Estimate: FAGOSZ secretariat)

The volume of the Hungarian forests was growing steadily in the last years.

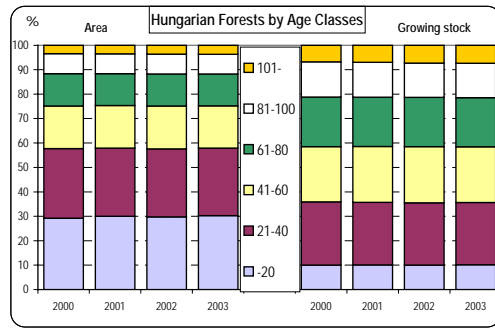


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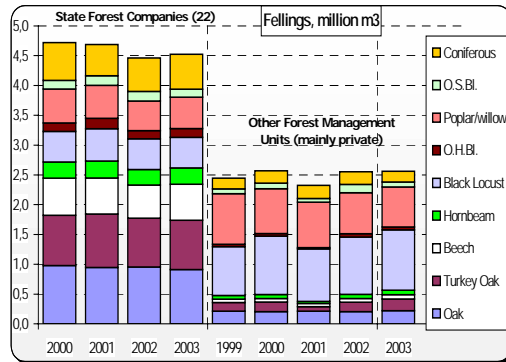
Age Structure

Thanks to the continuous afforestations the distribution of young age classes is high in the forest area. At the same time the main volume is represented by age classes over 40 of the growing stock. It is foreseen a steady growth of the growing stock in the next decades because of high rate of young forest area.



Source: State Forest Service

Fellings by owner groups



Source: State Forest Service + FAGOSZ estimate

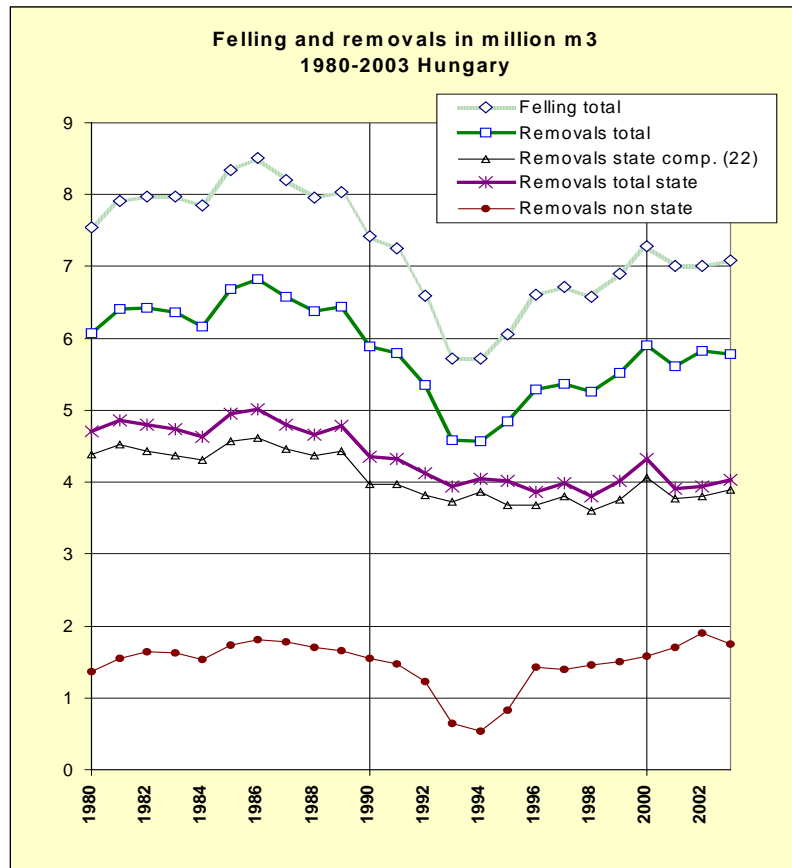
The species assortment differs at state forest companies (22) and at other (mainly private) forest management units. At second Poplar and Black Locust are the main species. In the first group Oak, Turkey Oak and Beech covers the half of total and conifers are as well in greater amount.

In this graph "other" contains production of other state, common, (community), cooperative, and (mainly) private forests.

O.H.Bl. = Other Hard Broad-leaved

O.S.Bl. = Other Soft Broad-leaved

In the '90s in line with the shift of the ownership structure fellings and removals fall back significantly, and increased by the end of this decade almost to the former level.



Source: State Forest Service, Stat. Dep. of Min. for Agri. and Rur.Dev. data, as well as Fagosz secretariat estimation.

WOODWORKING INDUSTRY

All value data that placed in the text below is at current prices in HUF or USD. Scope of statistical observation: the data for total industry refers to all enterprises classified to the industry. The data on branches and sub-branches refer to the enterprises with more than 5 employees (before 1998 enterprises with more than 10 employees). Enterprises having more than 49 employees are observed by full-scope survey, between 5-49 persons by sample survey and below 5 employees the data are estimated from administrative records. The data of enterprises having employees below 5 persons are estimated from the data on value added tax (VAT) of the last two years. Furthermore, the dependence of ratio between the export and domestic sales on the total sales and the actual number of working enterprises are also taken into account in the estimation.

Statistical data on industry are published according to the new classification of activities (TEÁOR '98), which is valid from the 1st January 1998 and in accordance with that of EU NACE Rev.1. From 1st January 2002 the HCSO register statistical units according to their principal activity, identified as the activity, which at factor cost contributes most to the total value added of the unit concerned. The commodity pattern of external trade has been prepared according to the main commodity groups of UN, the SITC Rev. 3. nomenclature. In our report wood used as wood and cork.

<i>Branch</i>	<i>TEÁOR No. = NACE Rev. 1.</i>	<i>Commodity group</i>	<i>SITC Rev.3.</i>
Industry	C+D+E (Mining + Manufacturing + Electricity, gas and water supply)	Cork and wood	II/24
Manufacturing	D	Pulp and waste paper	II/25
Manufacture of wood and wood products	DD	Cork and wood manufactures	IV/63
Sawmilling	DD2010	Paper, paperboard and articles thereof	IV/64
Wood-based panels	DD2020	Furniture and parts thereof	IV/82
Building joinery	DD2030		
Packaging wood	DD2040		
Miscellaneous wood	DD2051		
Manufacture of furniture	DN361		

Enterprises of the woodworking industry

According to the statistical data of 2001 the Hungarian enterprises were mainly micro (5-9 employees) corporations. The share of enterprises in the wood industry by staff categories is similar to the whole industry.

Structure of the Hungarian wood industry by staff categories in 2001

Staff categories	Wood & wood products	Furniture	Total
Number of enterprises			
-9 employees	7.222	3.746	10.968
10-19 employees	322	134	456
20-49 employees	198	106	304
50-249 employees	75	69	144
250 employees +	13	16	29
Total	7.830	4.071	11.901

Source: HCSO

The share of enterprises of the woodworking industry with 5 or more employees within the industry's gross output is 1%, while from employment is 2,7%. The share of the furniture industry is less than 1% from the industry's gross output and more than two percent from employment.

Share of the gross output and number of employees of the Hungarian wood industry from the total

(Enterprises 5 persons and more)

NACE	Branches	Gross output			Number of employees		
		share within the industry					
		2000	2001	2002	2000	2001	2002
2010	Sawmilling	0,2	0,3	0,2	0,7	0,7	0,6
2020	Wood-based panels	0,3	0,3	0,3	0,3	0,3	0,3
2030	Builders carpentry and joinery	0,4	0,3	0,3	1,0	1,0	1,0
2040	Wooden packaging	0,1	0,1	0,1	0,3	0,3	0,3
2051	Miscellaneous wood	0,1	0,1	0,0	0,4	0,4	0,3
2052	Cork and basket wares	0,0	0,0	0,0	0,0	0,0	0,0
20	Wood industry	1,0	1,0	1,1	2,7	2,7	2,6
3611	Chairs and seats	0,3	0,4	0,4	0,8	0,8	0,8
3612	Office and shop furniture	0,1	0,1	0,1	0,3	0,3	0,2
3613	Kitchen furniture	0,1	0,1	0,1	0,2	0,2	0,2
3614	Other furniture	0,3	0,3	0,3	0,9	0,9	1,1
3615	Mattresses	...	0,0	0,0	...	0,0	0,0
361	Furniture industry	0,7	0,8	1,0	2,2	2,2	2,3

Source: HCSO

Forestry and Wood Business in Hungary

The number of employees in wood industry declined by 4% in 2002. The builders carpentry and joinery was the largest employer in wood industry, the second one is sawmilling and the third is miscellaneous wood. The employment in furniture industry increased by 4,6% in 2002. The greatest employers of the furniture industry are the manufacturers of other furniture and chairs and seats.

Number of employees in the Hungarian wood industry

(Enterprises 5 persons and more)

NACE	Branches	Number of employees, persons			Index previous year = 100		
		2000	2001	2002	2000	2001	2002
2010	Sawmilling	5.702	5.429	5.259	107,0	95,2	96,6
2020	Wood-based panels	2.425	2.367	2.360	95,2	97,6	99,7
2030	Builders carpentry and joinery	8.250	8.566	8.066	121,6	103,8	94,2
2040	Wooden packaging	2.387	2.080	2.550	109,1	87,1	122,6
2051	Miscellaneous wood	3.395	3.493	2.853	102,3	102,9	81,7
2052	Cork and basket wares	314	266	242	88,7	84,7	91,0
20	Wood industry	22.473	22.201	21.330	109,5	98,8	96,1
3611	Chairs and seats	6.525	6.482	6.600	125,4	99,3	101,8
3612	Office and shop furniture	2.478	2.615	1.868	118,5	105,5	71,4
3613	Kitchen furniture	1.270	1.267	1.306	99,9	99,8	103,1
3614	Other furniture	7.679	7.488	8.788	86,1	97,5	117,4
3615	Mattresses	...	62	174	...	159,0	280,6
361	Furniture industry	17.993	17.914	18.736	101,7	99,6	104,6

Source: HCSO

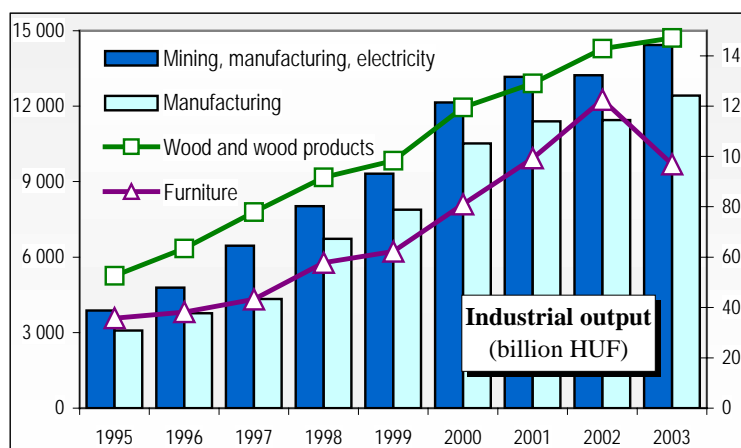
Production and Sales of Woodworking Industry

The share of the Hungarian woodworking and furniture industry within the total industrial **production**, **export** and **domestic sales** are shown in the next table:

Branch		Production	Domestic Sales	Export-Sales
Woodworking Industry (DD)	2001.	1,0%	1,1%	0,9%
	2002.	1,1%	1,1%	1,1%
	2003.	1,0%	1,1%	1,1%
Furniture Industry (DN361)	2001.	0,8%	0,8%	0,7%
	2002.	0,9%	1,3%	0,6%
	2003.	0,7%	0,8%	0,5%
Total share from the Industry	2001.	1,7%	1,9%	1,5%
	2002.	2,0%	2,3%	1,7%
	2003.	1,7%	1,9%	1,5%

Source: HCSO

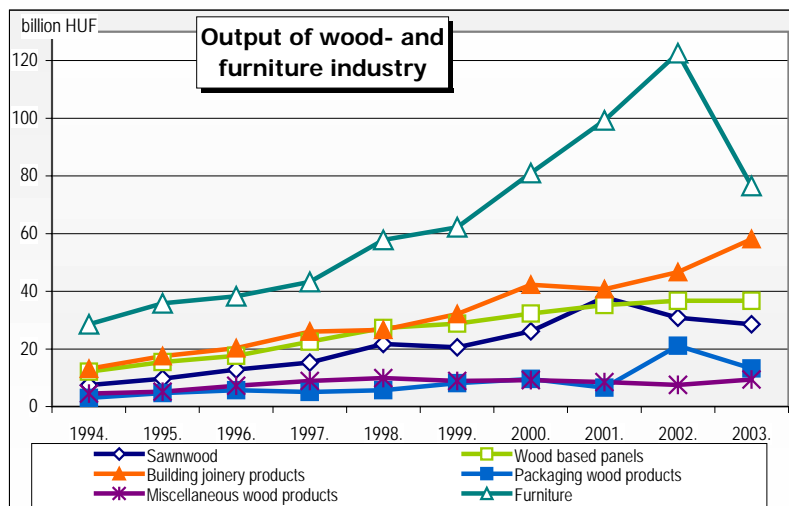
In the years 2001 and 2002 the **growth of industrial output** has slowed down steadily. In 2003 the output increased by 6,4% compared with the previous year. The main reason of the growing output was the steady increasing of export sales. The domestic sales also increased slowly from the second half of 2003. The general economic tendencies also dominated the Hungarian woodworking and furniture industries.



Source: HCSO

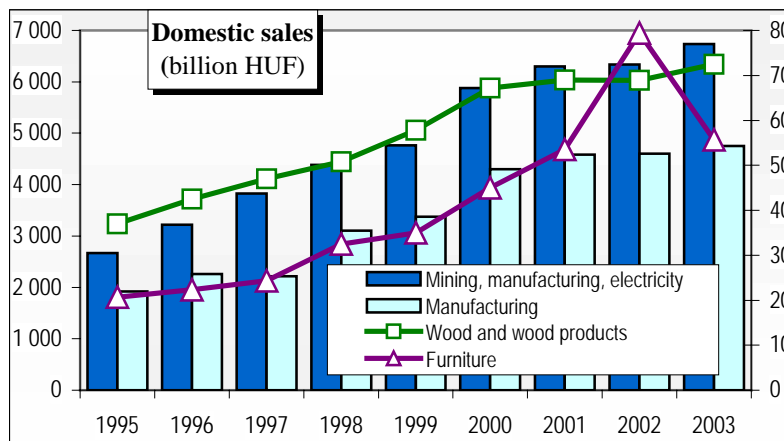
The growth of production of the sub-branches of *the woodworking industry* in 2003 was floating. The growth was considerable higher than the average in buildings carpentry and joinery (+28,7%), miscellaneous wood products (+50,7%) and the cork and basket industry (+24,8%). The production of sawmilling (-10,5%), wooden packaging (-32%) and wood-

based panel industry (-2,9%) decreased. in 2003 related to 2002. The production of the *furniture industry* decreased in 2003 to the level of 2001. Only the output of mattresses increased in the last year, production of all other sub-branches decreased between 12-40%.



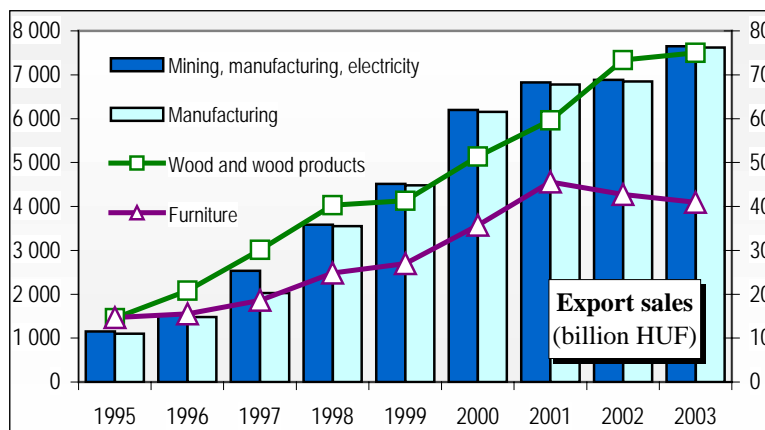
Source: HCSO

The tendencies of **domestic and export sales** are similar to that in production. The domestic sales of the woodworking increased by 10% in 2003 related to 2002, in sub-sectors there were great differences. The domestic sales of sawmilling (-9,3%) and wooden packaging (-30%) decreased. The sales of wood based panel industry for home market stagnated. The domestic sales of building joinery products increased significantly. Export sales of the branch stagnated in 2003, it increased only in miscellaneous wood products and building joinery products.



Source: HCSO

The volume of domestic sales of the furniture industry was growing in the period of 1995-2002, while in 2003 decreased by 30%. The decreasing of export sales continued in 2003.



Source: HCSO

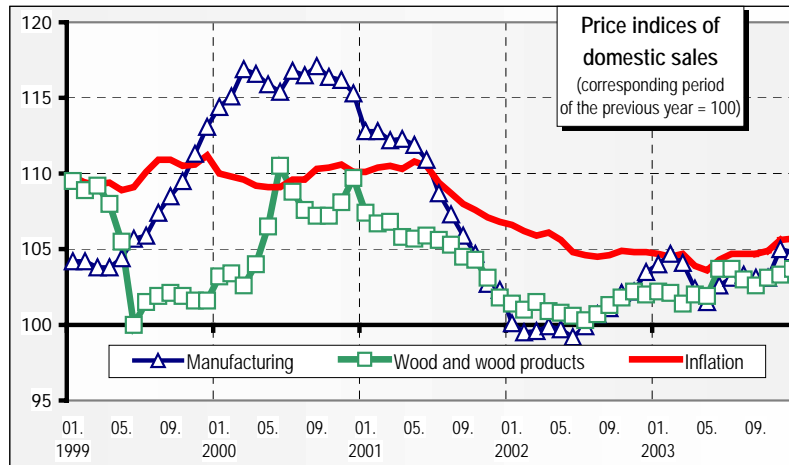
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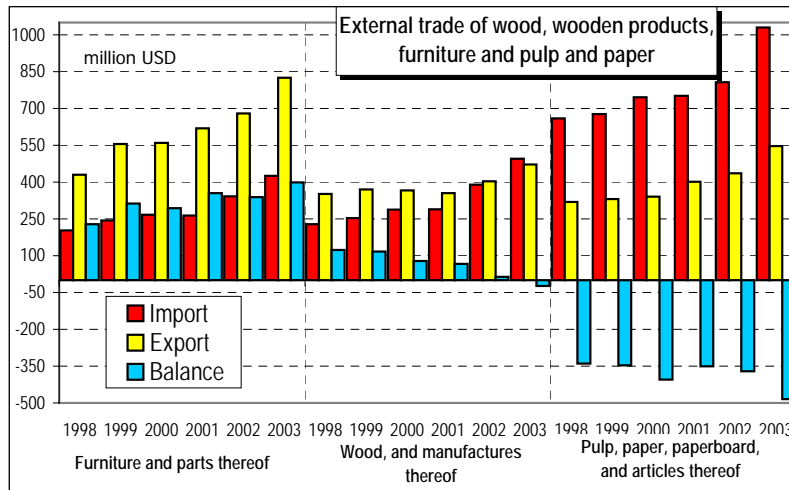
Forestry an Wood Business in Hungary

The growth of the **domestic sales price** of the Hungarian woodworking industry in the period of 1999-2003 did not reach the level of consumer prices, while the domestic sales price of manufacturing exceeded it in the period November 1999-June 2001. The increase of domestic sales prices in the period of January-May 1999 was higher in woodworking industry than in manufacturing. From May 1999 to December 2001 the growing of domestic sales prices of woodworking industry was much lower than that of manufacturing. In the year 2002 the tendency of previous years had turned. In 2003 domestic sales prices of the woodworking industry grew slower than the inflation.



Source: HCSO

The share of wood and wooden products from the total import of the country is about 1%, and from the total export is 1,1%. At the same time the share of furniture and parts thereof does not reach 1% from the total import, while its share from total export is 2%. The pulp and paper industry in Hungary usually is not a part of woodworking industry, but as world-wide it is, we present data concerning it. In Hungary chemical pulp production practically does not exist, therefore substantial part of the raw material demand of paper- and paperboard industry is satisfied through import. The import of paper and paperboard products is also considerable.



Source: HCSO