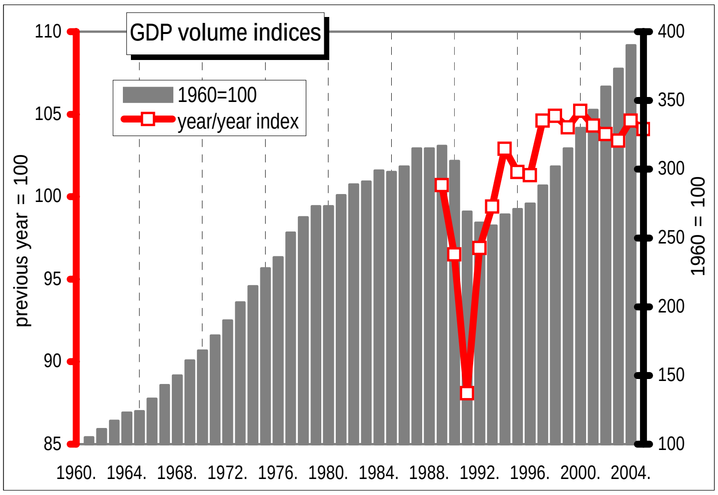
MAIN COUNTRY DATA AND TRENDS

The **territory** of Hungary is 93.000 km^2, of which 19,7% (1.836,4 thousand hectares) is covered by forests.

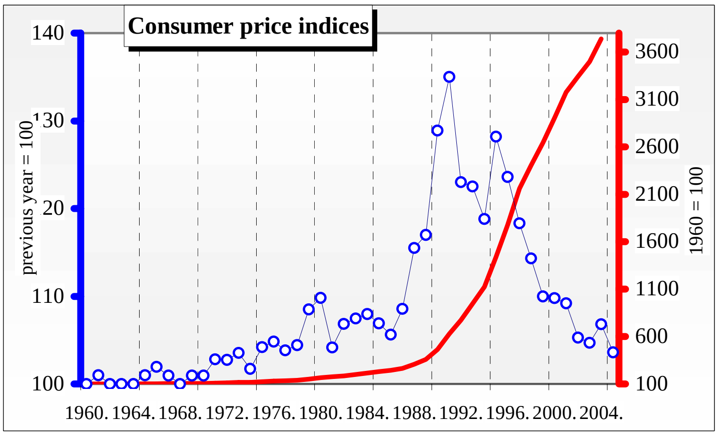
Number of **citizens** at the end of December 2005 was 10,1 million.

In the last years the growth of the **gross domestic product** (GDP) was higher than in the EU. In 2005 the GDP grew by 4,1%. The average in the EU-25 was 1,6% in the same period.



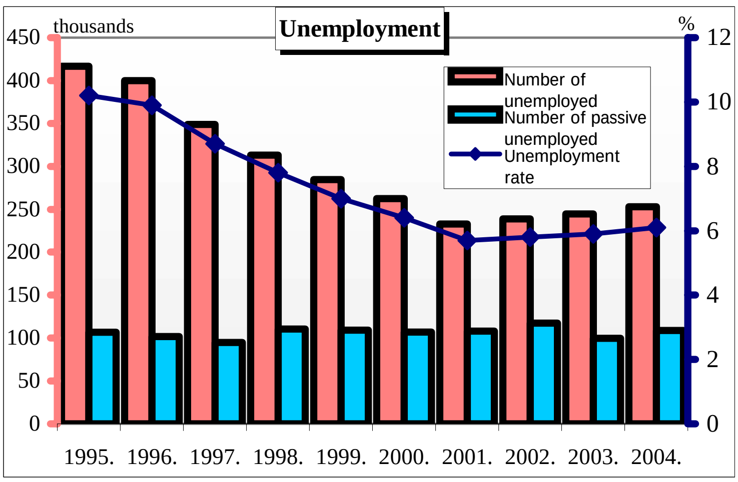
Source: HCSO (Hungarian Central Statistical Office)

The **inflation** in Hungary have been declining in the last ten years. In the year 2005 the rate of inflation was 3,6%. The average in EU-25 was 2,2% in 2005.



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 increasing since then. The number of employed is stagnating since the year 2000. The unemployment rate was 7,2% in 2005. The average in EU-25 was 8,7% in 2005.



Source: HCSO (Hungarian Central Statistical Office)

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

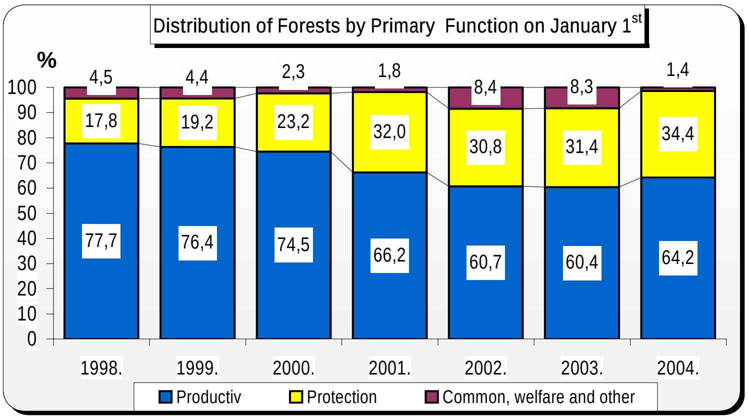
Area Assigned for forestry Use on 1 Janua	1998.	1999.	2000.	2001.	2002.	2003.	2004.
Forest area (lands covered by stand and earmarked lands which have to be forested)	1 748,4	175,7	1 773,3	1 787,4	1 803,9	1 823,4	1 836,4
Other lands supporting forestry (nurseries, alleys, forest access roads, permanent cleanings, etc.)	135,1	135,3	134,2	133,8	133,0	131,8	131,1
Total area assigned for forestry	*1 883,6*	*1 894,0*	*1 907,5*	*1 921,2*	*1 936,9*	*1 955,2*	*1 967,6*

Source: State Forest Service

On January 1st 2004 the forest area (incl. lands which have to be reforested) was 21,1% 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

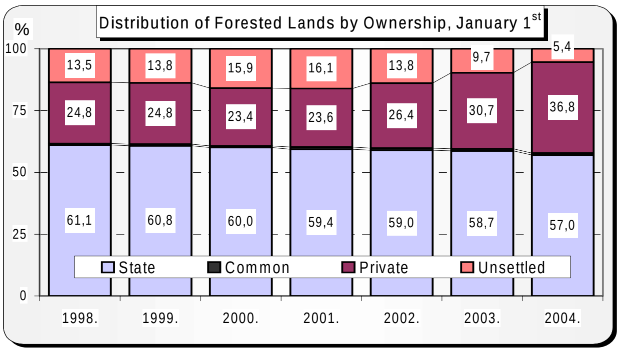
The 2/3 of the Hungarian forests is productive ones, while 1/3 is protection, common and other major function forests.



Source: State Forest Service

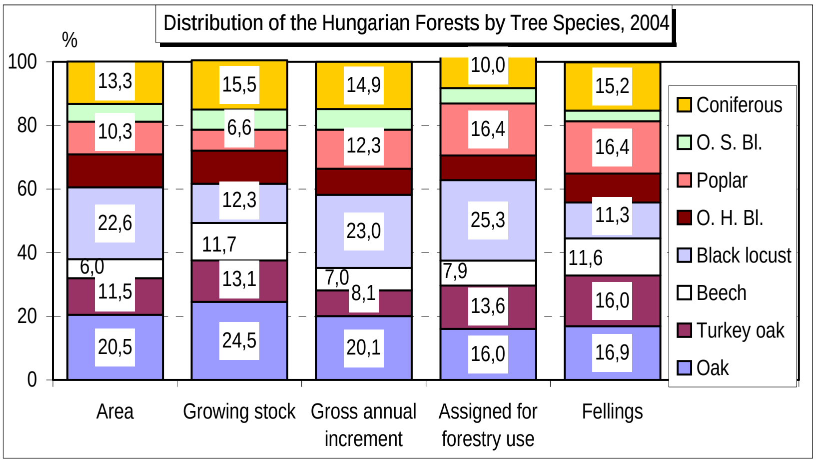
Ownership

Actually 94,6% of the forests are cultivated, while 5,4% of the forested lands are unsettled yet. Out of cultivated forests 57% is state owned and 36,8% owned by others, mainly private forest owners. Common (community) share is under 1%.



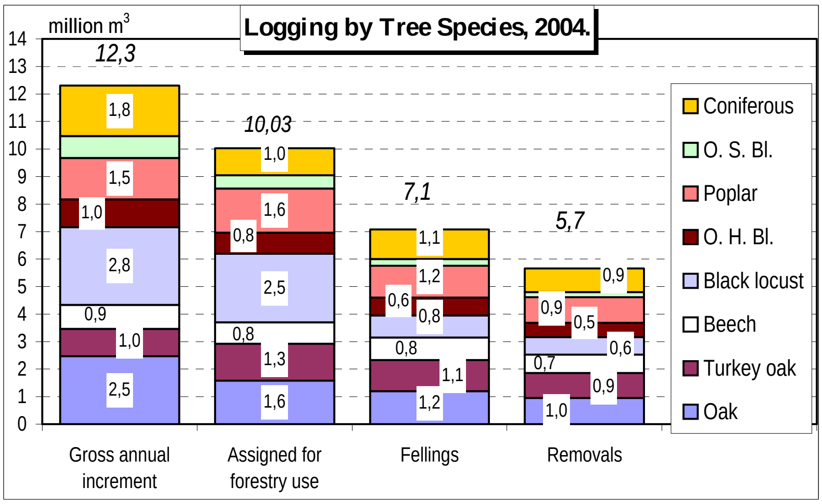
Source: State Forest Service

Species



Remarks: Source: State Forest Service + FAGOSZ estimation
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.



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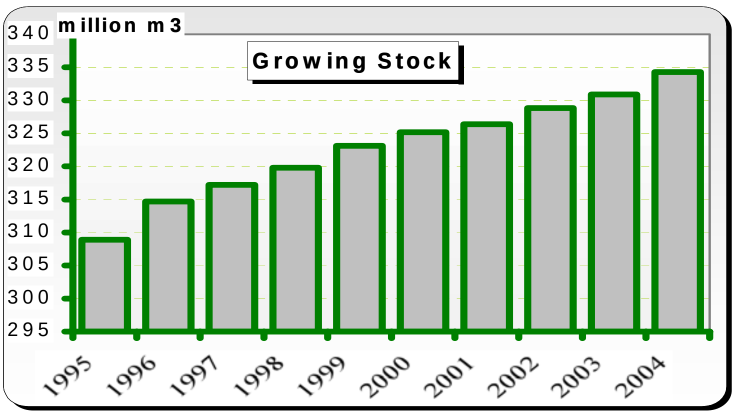
Poplar data of forest management plan and fellings contains data of willow too.

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

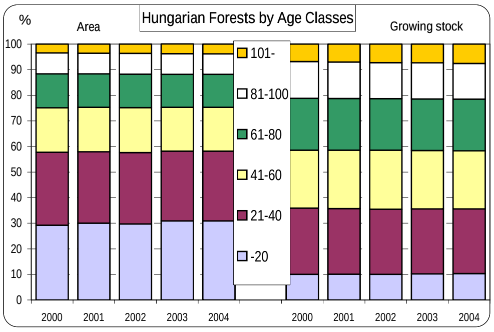


Source: State Forest Service

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

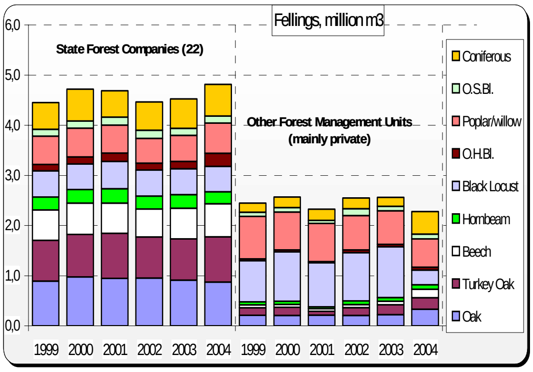
Age Structure

Thanks to the continuous afforestrations 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



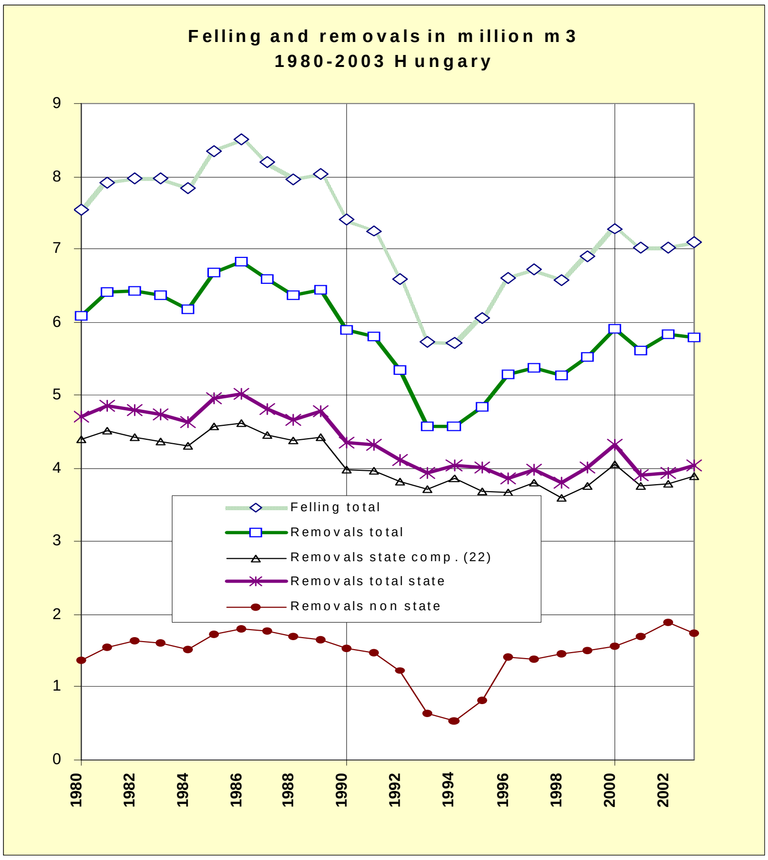
Source: State Forest Service + FAGOSZ estimate

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.

Branch	***TEÁOR No. = NACE Rev. 1.***
Industry	C+D+E (Mining + Manufacturing + Electricity, gas and water supply)
Manufacturing	D
Manufacture of wood and wood products	DD
Sawmilling	DD2010
Wood-based panels	DD2020
Building joinery prod-	DD2030
Packaging wood prod-	DD2040
Miscellaneous wood	DD2051
Manufacture of furniture	DN361

Commodity group	***SITC Rev.3.***
Cork and wood	II/24
Pulp and waste paper	II/25
Cork and wood manufactures	IV/63
Paper, paperboard and articles thereof	IV/64
Furniture and parts thereof	IV/82

Enterprises of the woodworking industry

According to the statistical data of 2004 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

Staff categories	**Wood & wood products, 2004**	**Furniture, 2001**
Number of enter-		
-9 employees	5.449	3.746
10-19 employees	320	134
20-49 employees	203	106
50-249 employees	66	69
250 employees +	11	16
Total	**6.049**	**4.071**

Source: HCSO

The share of enterprises of the woodworking industry with 5 or more employees within the industry's gross output was 1% in 2004, while from employment was 2,7%. The share of the furniture industry is less then 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	***2004***	***2000***	***2004***
2010	Sawmilling	0,2	0,2	0,7	0,7
2020	Wood-based panels	0,3	0,2	0,3	0,3
2030	Builders carpentry and joinery	0,4	0,4	1,0	1,0
2040	Wooden packaging	0,1	0,1	0,3	0,3
2051	Miscellaneous wood	0,1	0,1	0,4	0,4
2052	Cork and basket wares	0,0	0,01	0,0	0,0
20	***Wood industry***	***1,0***	***1,0***	***2,7***	***2,8***
3611	Chairs and seats	0,3	0,3	0,8	0,8
3612	Office and shop furniture	0,1	0,1	0,3	0,2
3613	Kitchen furniture	0,1	0,04	0,2	0,2
3614	Other furniture	0,3	0,2	0,9	1,0
3615	Mattresses	…	0,02	…	0,0
361	***Furniture industry***	***0,7***	***0,7***	***2,2***	***2,2***

Source: HCSO

The number of employees in wood industry decreased by 5% in 2005. The builders carpentry and joinery (38,0%) was the largest employer in wood industry, the second one is sawmilling (26,6%) and the third is miscellaneous wood (16,1%). The employment in furniture industry decreased by 4,4% in 2005. The greatest employers of the furniture industry are the manufacturers of other furniture (39,4%) and chairs and seats (39,9%).

Number of employees in the Hungarian wood industry
(Enterprises 5 persons and more)

NACE	Branches	Number of employ-ees, persons		Index previous year = 100	
		2000	*2004*	*2000*	*2004*
2010	Sawmilling	5.702	5.475	107,0	92,6
2020	Wood-based panels	2.425	1.998	95,2	87,1
2030	Builders carpentry and joinery	8.250	8.181	121,6	99,1
2040	Wooden packaging	2.387	2.184	109,1	84,4
2051	Miscellaneous wood	3.395	3.480	102,3	102,9
2052	Cork and basket wares	314	270	88,7	107,6
20	***Wood industry***	***22.473***	***21.588***	***109,5***	***95,2***
3611	Chairs and seats	6.525	6.743	125,4	105,7
3612	Office and shop furniture	2.478	1.938	118,5	116,0
3613	Kitchen furniture	1.270	1.239	99,9	96,4
3614	Other furniture	7.679	6.651	86,1	83,3
3615	Mattresses	…	298	…	91,1
361	***Furniture industry***	***17.993***	***16.869***	***101,7***	***95,6***

Source: HCSO

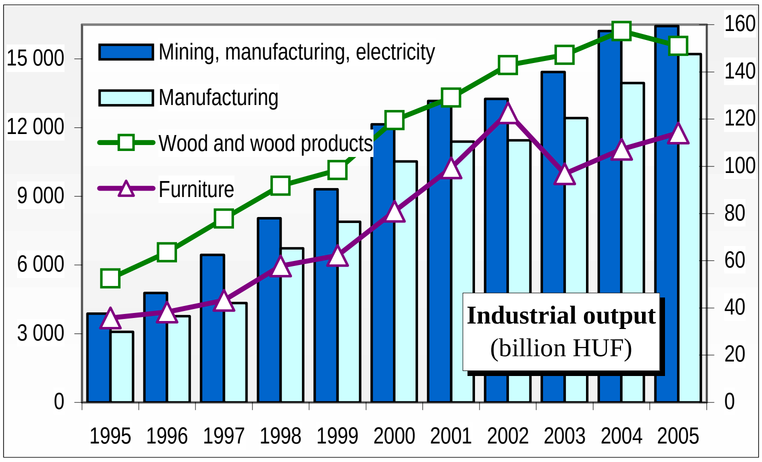
Production and Sales of Woodworking Industry

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)	2002.	1,1%	1,1%	1,1%
	2003.	1,0%	1,1%	1,1%
	2004.	1,0%	1,0%	0,9%
	2005.	0,9%	0,8%	0,8%
Furniture Industry (DN361)	2002.	0,9%	1,3%	0,6%
	2003.	0,7%	0,8%	0,5%
	2004.	0,7%	0,8%	0,6%
	2005.	0,7%	0,7%	0,6%
Total share from the Industry	**2002.**	**2,0%**	**2,3%**	**1,7%**
	2003.	**1,7%**	**1,9%**	**1,5%**
	2004.	**1,6%**	**1,8%**	**1,5%**
	2005.	**1,5%**	**1,5%**	**1,4%**

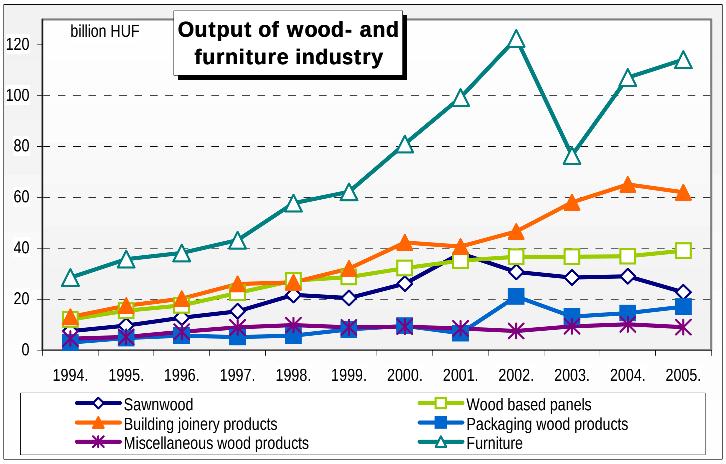
Source: HCSO

Gross output of industry grew by 7,3 in 2005 and was derived from exports. Exports of industrial products increased by 11%, while domestic sales were higher by 4,4%. The growth of production and sales of the Hungarian woodworking industry slowly decreased in 2005. The furniture industries showed a slightly lower increase then the industry as a whole.



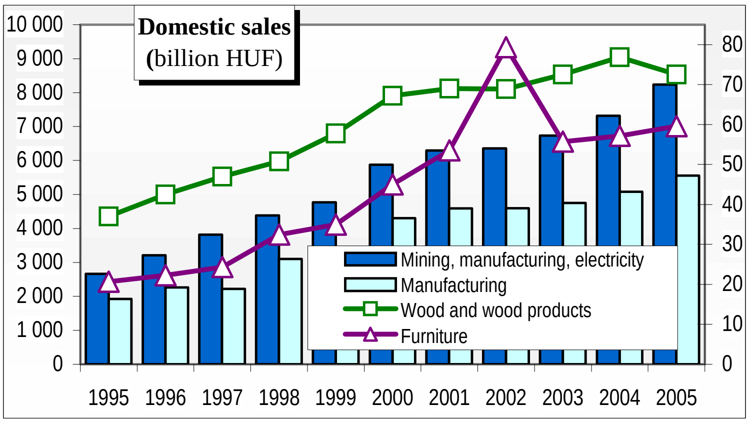
Source: HCSO

The growth of production of the sub-branches of *the woodworking industry* in 2005 was floating. The production grew in wood-based panel industry (+5,7%) and in the wooden packaging (+15,9%). There was considerable decrease in building's carpentry and joinery (-5,7%), miscellaneous wood products (-11,8%), the cork and basket industry (-22,6%) and in the sawn-wood production (-21,6%). The production of the *furniture industry* increased in 2005 by 5,0%. The output of other furniture increased by 11,6%, while production of chairs and seats by 6,9%. Gross output of all other sub-branches decreased between 3-11%.



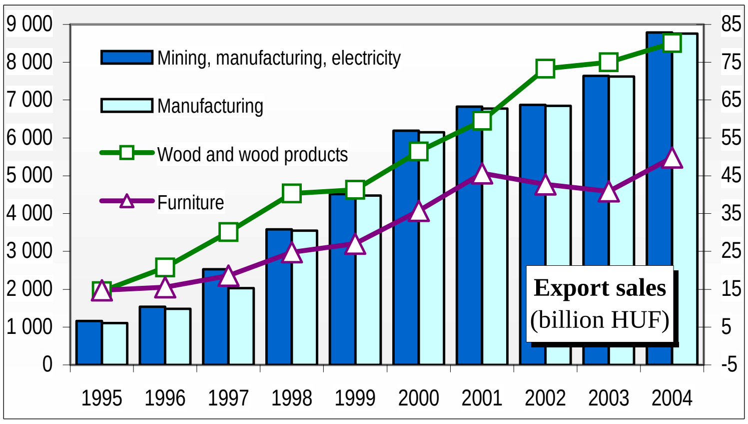
Source: HCSO

The tendencies of **domestic and export sales** are similar to that in production. The domestic sales of the woodworking decreased by 5,9% in 2005 related to 2004, in sub-sectors there were great differences. The domestic sales of wooden packaging increased by 15,8%. The domestic sales of other sub-branches of the woodworking industry decreased between 6-22%. Export sales of the branch decreased in 2005 by 3,9%, only the exports of wood based panel industry increased by 13,6% and of the wooden packaging by 6,1%. Export of all other sub-sectors decreased between 5-30%



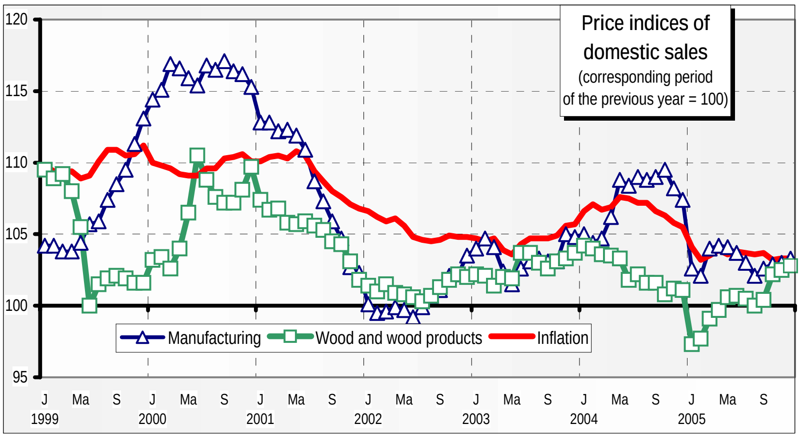
Source: HCSO

The volume of domestic sales of the furniture industry increased in 2005 by 2,6%. The export sales of the branch increased in 2005 by 8,7%.



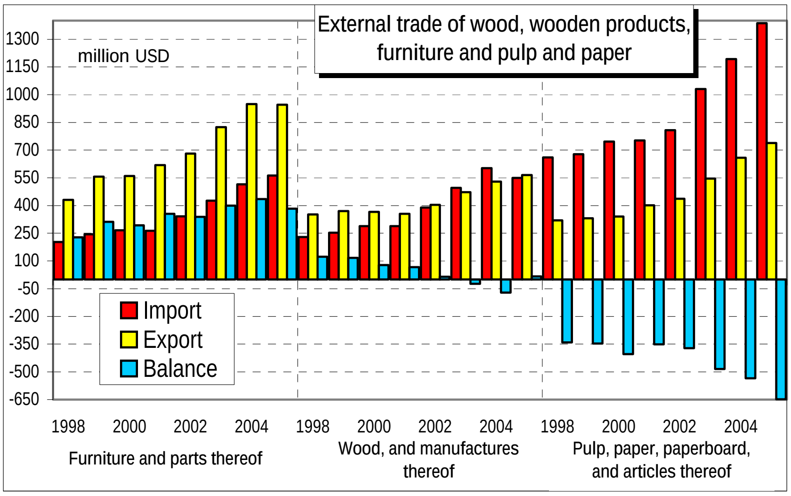
Source: HCSO

The growth of the **domestic sales price** of the Hungarian woodworking industry reached the level of inflation and the level of price indices of manufacturing.



Source: HCSO

The share of wood and wooden products from the total import of the country was about 0,8%, and from the total export was 0,9% in 2005. 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 1,5%. 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 exists, 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