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## **Philippines**

### **Solid Wood Products**

#### **Annual**

#### **2001**

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**Report Highlights: The slow down of the Philippine economy in 2001 will dampen demand for wood and wood products during the year. Coupled with renewed depreciation of Peso, imports of logs, lumber, veneer and plywood will decline compared to their 2000 levels. A slight recovery is expected in 2002 as the economy improves.**

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Includes PSD changes: Yes  
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## Executive Summary

Local wood supply will continue to decline in 2001 and beyond due to the shrinking forest cover of the Philippines. While tight domestic wood supply represent positive prospects for increased wood product imports, the expected slowdown of the Philippine economy in 2001 will result in the slowing of the major wood consuming sectors. This coupled with the renewed weakness of the Peso is expected to dampen demand and consequently reduce wood imports this year but are expected to recover slightly and increase in 2002 as a result of a slight improvement in the economy.

Philippine construction industries, the largest wood consuming sector, is expected to remain in the doldrums in 2001. A significant public sector deficit and weak private bank lending activity will limit construction spending this year and even with the slight improvement in the economy next year, the sector's recovery will likely be apparent starting only in 2003. This is on account of the existing vacancy rate of available office space indicative of an oversupply situation. The entry and use of non-wood construction materials in buildings and residential houses is also expected to displace the already declining use of wood by the sector.

Local furniture demand in 2001 will slowdown compared to its year ago level due to the virtual standstill of the construction sector. Furniture exports, on the other hand, will be negatively affected by the current Peso depreciation as well as the slowdown of the top two export destination of Philippine furniture exports - U.S. and Japan. In addition, furniture exporters also have to contend with increased competition from other Asian furniture makers and exporters notably China and Vietnam. Furniture exports may recover in 2002 as the Peso rate stabilizes and the U.S. And Japanese economies improve.

The decline in export growth and the ensuing slowdown in industrial output are likely to reduce wood use in the material handling and export sectors this year. Likewise the use of wood in the utilities sector will contract mainly as a result of the GOP's austerity program in the light of a huge public sector deficit. While the economy is expected to slightly improve in 2002, no dramatic increase in wood use in these sectors is expected. There are indications that the aforementioned sectors will be slowly moving away from the use of wood in favor of other wood alternatives in the strategic term.

## Production

The Department of Environment and Natural Resources - Forest Management Bureau (DENR-FMB) has yet to release its final 1999 forestry statistics and the majority of the numbers reported are based on unofficial and preliminary 1999 estimates from the DENR-FMB and/or extrapolated figures by Post.

Philippine forest area is estimated to be at 5.20 million hectares in 2000 or slightly below 18 percent of the 30 million hectares total land area of the Philippines. Total forest area is expected to continue declining into 2001 by which time Philippine forest areas will comprise an estimated 5.15 million hectares. Of the total Philippine forest area in 2000, dipterocarp forests are estimated to cover around 3.25 million hectares of which 805 thousand hectares are old growth or virgin forests. Virgin forests are expected to remain unchanged from the previous year due to a logging ban imposed on all old-growth forest areas since 1992. Residual forests are estimated to be around 2.4 million hectares in 1999, to go down to 2.3 million hectares in 2001.

In 1999, under the Industrial Forest Plantation Management Agreement (IFMA) and the Industrial Tree Plantation Lease Agreement (ITPLA) schemes, there were around 188 agreements covering 508,000 hectares

according to DENR-FMB data. IFMA and ITPLA agreements are expected to further decrease in 2000 onwards. Unconfirmed press reports indicate that the DENR will soon release stricter rules governing the establishment of industrial tree plantations. Newly installed DENR Secretary Heherson T. Alvarez will reportedly sign new rules which will abolish IFMA contracts. IFMA's are contracts granted by the DENR to companies that intend to establish and run commercial tree plantations. Currently there are 2 types of IFMA's: one allows companies to plant and harvest trees in denuded areas while another allows firms to cut trees in partially denuded areas prior to plantation establishment. The new rules intend to stop the latter as some unscrupulous holders of the second type of IFMA use capital from the sale of their illegally cut logs to finance establishment of their plantations.

Around 99 percent of all Philippine forests are government owned and all private forests are located in titled lands. The country has a network of around 70 parks, reserves and protected areas. The estimated volume of standing timber in commercial forests is provided below:

<b>VOLUME OF TIMBER IN COMMERCIAL FOREST (1,000 CUM) - 2000</b>					
Forest Type	Hardwoods	CFW*	Softwoods	Others	TOTAL
Dipterocarp					
Old-Growth	113,805	60,870	2,775	21,342	198,792
Residual	175,000	115,000	4,500	50,000	344,500
Pine	90	25	22,000	40	22,155

\*CFW - Construction and furniture wood

Source: Post Estimates

A total of 42,000 hectares were reforested in 1999 according to preliminary data from the DENR-FMB. About 31,000 hectares or 74 percent of the total area reforested were planted by the government while 11,000 hectares were planted by the private sector; of this 63 percent was planted by logging concessionaires. Area reforested in 2000 is expected to surpass the 1999 level but will likely decline in 2000 because of government budget limitations.

<b>AREA REFORESTED ( Has.) - 1999 to 2002</b>			
	GOP	Private	
Year	Agencies	Sector	TOTAL
1999	31,000	11,000	42,000
2000	35,000	12,000	47,000
2001	25,000	12,000	37,000
2002	25,000	12,000	37,000

Source: DENR -FMB and Post estimates

The number of logging concessionaires or Timber Licence Agreement (TLA) holders in 1999 remain unchanged

from the previous year. They numbered 20, covering an area of 0.9 million hectares, with an annual allowable cut (AAC) of 0.5 million cubic meters. For 2000 through 2002, the number of TLA holders as well as their coverage are likely to decrease resulting in the expected decline in the AAC.

<b>PHILIPPINE ROUNDWOOD SITUATION</b>		
(1,000 Has., 1,000 CUM)		
	Forest	Roundwood
Year	Area	Harvest
2000	5,200	573
2001	5,175	570
2002	5,150	568

Source: Post estimates

Figures in the above table are Post estimates and are based on the expected decline in forest area through year 2002. Roundwood production basically consists of tropical hardwoods and softwoods and there are no commercial temperate hardwood plantations in the country. Sawlog/veneer log production in 1999 surprisingly reached 568,000 CUM due to harvests of plantation trees planted in Mindanao island several years ago. Post estimates sawlog/veneer log production in 2000 to decline to around 500,000 CUM.

Based on preliminary DENR-FMB data, in 1999, there were only 51 active sawmills left, down from 55 the previous year, with a daily rated capacity (DRC) of 3,000 CUM and an annual log requirement of 955,000 CUM. The number of sawmills are expected to continue to decline through 2001 due to the expected decline in roundwood harvests as well as decreased forest product imports. Production of processed wood products likewise continued to decline in 1999. Veneer plants numbered 19 in 1999 and are expected to decline in the coming years in view of increasing veneer imports and the decline in local lumber supply. Plywood plants which numbered 31 in 1999 are likewise expected to decline through 2002. During this period existing plywood plants are also likely to rely more on veneer imports. Increasing power costs as a result of recent oil price hikes and tight forest products supply are major deterrents in increased investments in wood-based panel plants.

## Trade

After growing 35 percent in 1999, imports of forest products contracted in 2000 mainly due to renewed depreciation of Peso starting the second semester of the year. Imports of logs, lumber, veneer and plywood reached 1,065,000 CUM during the year for a marginal decline (1 percent) from 1,075,000 CUM in 1999. Imports in 2000 were valued at US\$148 million, down 16 percent from the US\$176 million import level realized the year before.

The volume of exports, on the other hand, increased by 58 percent from 86,000 CUM in 1999 to 136,000 CUM in 2000. In terms of value, exports reached US\$27 million in 2000 for a 77 percent increase from the US\$16 million export level the previous year.

An import summary for logs, lumber, veneer and plywood are provided below while more detailed trade matrices are provided in the Statistical Section.

<b>PHILIPPINE IMPORTS OF WOOD PRODUCTS: 1998 - 2000</b>					
(in Cubic Meters)				% Change	
	1998	1999	2000	98/99	99/00
Total Logs	429,914	544,600	577,306	26.68	6.01
Softwood	10,856	25,911	41,420	138.68	59.85
Hardwood	419,058	518,689	535,886	23.78	3.32
Tropical Hardwood	413,133	514,311	534,962	24.49	4.02
Temperate Hardwood	5,925	4,378	924	-26.11	-78.89
Total Lumber	296,147	380,978	359,766	28.64	-5.57
Softwood	28,420	45,508	47,076	60.13	3.45
Hardwood	267,727	335,470	312,690	25.30	-6.79
Tropical Hardwood	251,117	322,416	305,587	28.39	-5.22
Temperate Hardwood	16,610	13,054	7,103	-21.41	-45.59
Total Veneer	69,162	146,414	123,054	111.70	-15.95
Softwood	5,684	7,534	14,654	32.55	94.50
Hardwood	63,478	138,880	108,400	118.78	-21.95
Tropical Hardwood	63,016	138,322	107,739	119.50	-22.11
Temperate Hardwood	462	558	661	20.78	18.46
Total Plywood	4,673	4,879	4,872	4.41	-0.14
Softwood	0	0	0	n/a	n/a
Hardwood	4,673	4,879	4,872	4.41	-0.14
Tropical Hardwood	3,018	4,522	4,322	49.83	-4.42
Temperate Hardwood	1,655	357	550	-78.43	54.06
Total Imports	799,896	1,076,871	1,064,998	34.63	-1.10

Source: National Statistics Office

Log imports increased by 6 percent from 545,000 CUM in 1999 to 577,000 CUM in 2000. Imports of softwood logs during the latter year significantly increased (60 percent) while hardwood log imports grew slightly (3 percent) from their 1999 level. Tropical hardwood logs accounted for almost 100 percent of all hardwood logs imported and 93 percent of all imported logs in 2000. The New Zealand, the Solomon Islands and Papua New Guinea were the three most dominant sources of tropical hardwood logs ranked in that order while New Zealand continued to be the top supplier of softwood logs.

Sawnwood or lumber imports contracted by 6 percent from 380,000 CUM in 1999 to 360,000 CUM in 2000 mainly due to increased log imports during the year. Of all lumber imported in 2000, 62 percent originated from Malaysia which dominated lumber imports. The U.S. had the second largest share accounting for 11 percent of

all lumber imports. Temperate hardwood lumber imports in 2000 mostly came from Canada which had a market share of 77 percent of all temperate hardwood lumber imports. Softwood lumber imports increased by 3 percent while hardwood lumber shrank by 7 percent from last year's level.

Veneer imports in 2000 contracted by 16 percent from last year's level of 146,000 CUM to 123,000 CUM. Hardwood veneer imports declined by 22 percent while softwood veneer imports grew by a significant 95 percent. Temperate hardwood veneer imports remains insignificant (0.5 percent) relative to total veneer imports.

Plywood imports in 2000 marginally declined (0.1 percent) from the previous year's level. Plywood imports during the year were assumed to be all hardwoods in cases that trade data did not specify the face veneer. Plywood imports during the year were again dominated by Malaysia which accounted for 47 percent of all plywood imported.

In general terms, imports of forest products are predicted to decline in 2001 due to the economic slowdown but are likely to slightly increase in 2002 as the Philippine economy improves. The current weakness of the Philippine peso will be burdensome for wood importers this year and is expected to stabilize in 2002.

#### Tariffs

Import duties remain unchanged as reported in RP9030 and duties for 2001 have not yet been established therefore, existing tariffs will continue to be in effect. The comparatively faster reduction in duties under the Common Effective Preferential Rate (CEPT) schedule under the ASEAN Free Trade Agreement (AFTA) significantly hamper increased U.S. wood sales to the Philippines and some local industries have voiced their opposition to the faster reduction in tariff protection.

The domestic plywood manufacturers, in particular, have urged the GOP to defer the inclusion of the industry from the tariff reduction program of the AFTA agreement. Duties on plywood and its substitutes would be reduced from 20 percent to 5 percent by 2003 under the AFTA's CEPT scheme. The tariff rate was provided for under Executive Order No. 287 (EO 287) issued in 1995. EO 287 imposes the phasing in of plywood into the CEPT schedule wherein the duty was lowered to 20 percent in 1998 until it reaches the uniform rate of 5 percent by 2003.

Besides the corresponding tariff, a 10 percent VAT is collected on forest product imports. There are no known export taxes or exports subsidies for Philippine forest and wood products. As mentioned in RP0038, certain companies may import forest products as a raw material duty and VAT free.

Expected to impact trade significantly is the renewed volatility of the foreign exchange rate. In 1999, the US\$ was equivalent to P39.09; in 2000 it was P44.19; for the first quarter of 2001 it rose to P49.48. While the conversion rates in this report uses P50 to a dollar, its value is currently hovering in the vicinity of P53 to a dollar. At this point, the Philippine Peso would have depreciated by around 100 percent from its pre-regional financial crisis value (of 1997) of P26 to a US\$.

### **Market Segment Analysis**

The GOP under the Arroyo Administration initially had targeted a GDP growth of 3.8 to 4.3 percent this year after achieving a 3.9 percent GDP growth in 2000. After a weak first quarter economic performance estimated

at 2.5 percent and the slow down of the Japanese and U.S. economies, the GOP has opted for the lower end of the targeted range. Upon review, however, the International Monetary Fund (IMF) believes a GDP target of 3.3 percent is more realistic while the Asian Development Bank (ADB) believes that GDP will even be lower at 3 percent this year. Provided below are projections for selected economic indicators for 2001 from the Embassy. For 2002, government analysts place GDP growth at 4.5 percent while the ADB predicts 4 percent.

<b>PROJECTIONS FOR SELECTED ECONOMIC INDICATORS - 2001</b>						
				1999	2000	2001*
GDP Growth (Year-on-year, %)				3.3	3.9	2.7 - 3.2
GNP Growth (Year-on-year, %)				3.7	4.2	2.9 - 3.5
Ave. Year-on-Year Inflation				6.6	4.4	6.3 - 6.7
Ave. Forex Rate (Peso/US\$)				39.04	44.19	50.50 - 51.50

\*Embassy Projections as of May 2001

Note: Indicators for 1999 and 2000 are final estimates.

Sources: National Economic and Development Authority and Bangko Sentral ng Pilipinas,  
Bureau of Treasury

According to the National Economic and Development Authority (NEDA) areas of concern include the impact of the slowdown of the U.S. economy on manufacturing, the soft labor market, the slow bank lending and the weak performance of the construction sector. Containing the considerable public sector deficit is also expected to pose as the most significant challenge to the Arroyo Administration. Without adequate resources, cut backs on government spending will have to be implemented and this will affect its ability to provide basic services and infrastructure. Recent events have likewise magnified problems of corruption that will require reforms in government procurement systems before investor confidence returns.

#### A. Construction Sector

The real estate industry has been at a standstill since the last quarter of 2000. This is the observation of representatives from the marketing, appraising, and the development sectors of the real estate industry who agree that there is a slump on the rate of development and sales. The real estate boom peaked in the years 1990-1997 but has dwindled since then. It is currently characterized by an oversupply as indicated by the high vacancy rates of offices. Industry estimates the vacancy rate at the end of 1999 at 9.9 percent. It is predicted to be at 12.3 percent in late 2000.

As a result, and with the quality of new and modern office space at discounts reaching 35 percent late last year, some multinational companies have upgraded and relocated offices. Rents have continued to soften across office grades. Colliers Jardine reportedly estimates that price for Premium Grade office space have hit its low value of an average P70,000 (\$1,400) per square meter in the last quarter of 2000.

According to data from the National Statistics Office (NSO), last year there were 70,000 buildings newly constructed or underwent additions/alterations or an 11 percent decline from the units built or repaired the previous year. During the year, a total of 47,900 new residential units were built while 7,600 units were non-residential structures. In 2000, 14,900 buildings underwent additional construction/alterations. The buildings

constructed and altered in 2000 had a total floor area of 70.4 million square meters made at an estimated value of P70 billion (\$1.4 billion).

<b>BUILDING CONSTRUCTION: 1998-2000</b>												
(Value in million Pesos, floor area in thousand sq.m.)												
CY	Residential			Non-Residential			Additions & Alterations			TOTAL		
	No.	Flr.	Val.	No.	Flr.	Val.	No.	Flr.	Val.	No.	Flr.	Val.
		Area			Area			Area			Area	
1998	59,059	5,486	25,278	7,984	5,367	36,990	15,928	639	6,894	82,971	11,492	69,163
1999	53,454	5,814	26,880	8,728	5,122	35,864	16,687	575	6,845	78,869	11,510	69,589
2000	47,911	4,989	24,597	7,647	5,115	37,108	14,878	517	8,157	70,436	10,620	69,863

Source: National Statistics Office

In a year end report, the Housing & Urban Development Coordinating Council (HUDCC) former Chairperson Lenny de Jesus reported that from July 1, 1998 to the end of October 2000, the previous Administration provided shelter security to 327,111 households. The Estrada Administration had set a target of 350,000 housing units per year up to 2004. Funding constraints, however, had limited construction activity and the backlog of housing units is currently estimated at 3.9 million. The HUDCC's housing program primarily involves low-cost housing units that utilize minimal wood. They are very affordable costing as low as P180,000 (\$3,600) at 9 percent interest payable in 30 years. They reportedly also can be obtained through a rent-to-own scheme. While the new Arroyo Administration has reaffirmed its commitment to make its shelter program the centerpiece of the government, a significant public sector deficit will constrain construction investments and activity.

Mainly due to less bank financing for new construction projects due to non-performing loans, the construction industry is likely to contract in 2001 as indicated by the 10.6 percent decline in the first quarter of this year. The decline is attributed to the tight government finances magnified by weak private sector activity. Last year or in 2000, construction spending contracted by 5.4 percent. The slump of the sector is expected to extend through 2002.

Retail prices of selected construction materials for December 2000 and March 2001 are provided below. Prices were relatively flat for the specified period.

<b>RETAIL PRICES OF SELECTED CONSTRUCTION MATERIALS</b>						
<b>December 2000 vs. March 2001</b>						
				2000	2001	Price
	Item			December	March	Change
						(%)
	Rough Tanguile Lumber SD,42mmX52mmX3mm			25.00	25.00	0

S4S Tanguile Lumber SD,42mmX52mmX3m	26.00	26.00	0
Washed Sand or S1	350.00	350.00	14
Portland Cement	130.00	125.00	10
Plywood Ordinary,5mmX1.2mX2.4m	230.00	230.00	(6)
Plywood Ordinary,10mmX1.2mX2.4m	480.00	480.00	(4)
Conc. Hollow Blocks(non-load)			
100mmX200mmX400mm	6.50	6.50	0

Source: Construction Industry Authority of the Philippines

The entry of non-wood construction materials continues and their use have become very popular in the country due to competitive pricing and claimed durability. Kubota Agro-Industrial Machinery Phils., Inc. introduced recently Kubota Roof Materials manufactured by what is called "the dry process". The roofing material reportedly are made up of selected cement and fiber made into fine roof shingles which conform to Japanese Industrial Standard.

In the area of market liberalization, the domestic construction industry is pushing for the implementation of necessary safeguards prior to further liberalization of the construction market as the present practice is deemed favorable to foreign contractors. The Construction Industry of the Philippines (CIAP), in a briefing paper submitted to the Economic Mobilization Group (EMG) late last year, said the same tax and non-tax privileges must apply to all. The CIAP noted some contentious issues affecting foreign funded government infrastructure projects which reportedly are in favor of foreign contractors. These issues include the following:

- 1) Only foreign contractors are allowed to have their contracts denominated in foreign currency allowing them to be VAT exempt.
- 2) Foreign contractors are allowed to change the commodity classification codes of imported materials so as to avail of lower tariffs.
- 3) Only foreign contractors are allowed to import construction equipment under a reexport bond and covered by a deferred duty payment scheme when in fact, none of these equipment are ever re-exported.

Among the safety nets being proposed include the imposition of joint venture requirements for effective transfer of technology, use of locally produced construction materials, use of Filipino professionals and labor, importation of equipment, and Civil Code provisions on 15 years liability period to protect public, local partner and owner.

## B. Furniture and Interiors Sector

Philippine furniture production likely increased in 2000 as evidenced by the increase in furniture exports during the year. Furniture exports increased 8 percent from \$353 million in 1999 to \$381 million last year reinforcing its claim as a major dollar earner for the country. Wooden furniture maintained its dominance over all other furniture materials accounting for 38 percent of all furniture exports in 2000 and likewise grew by 8 percent from its previous year's level. Of all materials used for furniture production, only stone and those classified as "others" registered negative growth rates. Industry contacts estimate that around 70 percent of all exported

furniture originated from the province of Cebu.

<b>PHILIPPINE EXPORTS OF FURNITURE - 1998 - 2000</b>					
FOB Value in US\$ Million					
				%CHANGE	
	1998	1999	2000	98/99	99/00
Rattan	108.26	112.89	118.02	4.28	4.55
Wood	128.33	132.67	143.30	3.38	8.01
Metal	35.58	43.95	49.44	23.52	12.49
Stone	15.33	13.46	9.09	-12.20	-32.49
Parts of Furniture	26.34	42.22	53.31	60.29	26.27
Buri Furniture	1.76	0.25	0.46	-85.80	83.25
Furnishings	2.52	1.45	1.71	-42.46	18.17
Bamboo	1.90	2.67	3.18	40.53	19.12
Plastics	0.53	0.49	0.72	-7.55	47.95
Others	2.91	2.9	2.16	-0.34	-25.46
<b>TOTAL</b>	<b>323.46</b>	<b>352.95</b>	<b>381.40</b>	<b>9.12</b>	<b>8.06</b>

Source: Chamber of Furniture Industries of the Philippines

Most of the exported furniture (59 percent) in 2000 was U.S. bound followed by Japan and France with market shares of 14 percent and 3 percent, respectively. The current slow down of the U.S. and Japanese economies, however, do not bode well for the furniture industry in 2001 and in response furniture manufacturers are exerting efforts in penetrating the European and other markets. The industry likewise is expecting more and stiffer competition from China and Vietnam in the immediate future. Furniture exports during the year will likely slow down compared to their 1999 levels.

<b>PHILIPPINE EXPORTS OF FURNITURE BY DESTINATION - 1998 -2000</b>					
FOB Value in US\$ Million					
				% CHANGE	
	1998	1999	2000	98/99	99/00
U.S.	185.33	204.15	225.41	10.15	10.41
Japan	33.62	43.02	54.32	27.96	26.27
France	12.87	11.55	11.07	-10.26	-4.16
Netherlands	11.66	11.19	10.86	-4.03	-2.95
U.K.	11.38	10.45	10.03	-8.17	-4.02
Australia	11.06	10.37	9.09	-6.24	-12.34
Germany	6.51	7.49	4.67	15.05	-37.65
Belgium	6.46	6.22	4.94	-3.72	-20.58
Spain	5.21	5.39	5.95	3.45	10.39

Other	39.36	43.12	45.06	9.55	4.50
TOTAL	323.46	352.95	381.4	9.12	8.06

Source: Chamber of Furniture Industries of the Philippines

Tight raw material supply continues to be the number one problem of the industry which is more and more becoming import dependent for their raw material requirements. Scarce raw materials for furniture production have also forced manufacturers to be more innovative in their material utilization. The use of variety or combination of several raw materials (wood and iron, wood and glass, etc.) and solid wood substitutes (plastics, fiberglass, etc.) is becoming a common practice among furniture makers. This practice is expected to be strengthened by the renewed weakness of the Peso as wood product imports for furniture making this year will likely remain flat compared to its 2000 level.

### C. Utilities Sector

About 20 percent of the country's villages, known as barangays, still have no electricity according to the Department of Energy (DOE). More than half of these barangays or about 5,000 villages are too isolated, either by mountains or because they are on small islands, to be connected to any electricity grid. Residents in these far flung areas or at least those who can afford them have diesel-powered generators but the majority rely on dry-cell batteries to run their radios, car batteries to run small appliances and kerosene and candles for everything else. Former President Joseph Estrada had targeted electrification of all barangays by 2004. Fund availability, however, are major constraints and under the newly installed Arroyo government, the National Electrification Administration (NEA) reportedly has announced its plan to secure by early next year a \$180 million new loan from the ADB to finance the government's electrification program.

Last year, there were about 120 electric cooperatives nationwide, according to a former official of the NEA. The majority of these cooperatives, however, are not profitable due to mismanagement, graft and corruption, inferior materials and equipment, etc. In a recent wood pole supply project, some employees of the NEA were accused of irregularities and were charged in the reported disappearance of cash deposits amounting to millions of pesos.

Imports of wooden utility poles contracted from 39,000 CUM valued at \$3 million in 1999 to 10,500 CUM valued at \$ 1.6 million last year. The majority of these wooden poles came from New Zealand which had a 41 percent market share. There were no wooden poles imported from the U.S. in 2000. No dramatic increase in imports of wooden utility poles are expected for the next 3 years due to current economic difficulties. There are indications that a shift from wooden poles in to concrete alternatives is being entertained by the NEA but this will likely not occur in the immediate the future.

### D. Material Handling Industry

The industrial sector grew by 3.6 percent in 2000, an improvement from the weak 0.5 percent expansion in 1999. For the first quarter of 2001, the industrial sector barely moved with the 0.1 percent year-on-year growth and was hardest hit among the economic sectors. The decline stemmed mainly from the poor showing of the construction sector for the first three months of the year as well as the manufacturing's sector slowed expansion (2.4 percent from 6.0 percent during the same period last year). Recent oil price increases are expected to further stifle manufacturing operations and prospects for the remainder of 2001 remain dim. Information on pallet

production and recycled pallets, however, is unavailable and preference between the two is mainly price determined.

As mentioned in RP0038, the use of wood for handling of materials has noticeably decreased in the last decade. Recently, non-wood alternatives such as plastic pallets for warehouse, supermarkets, department stores and other industrial uses have penetrated the market and are now being sold commercially. Pallets for these purposes are of the closed design and are priced at P1,100 each (\$22). The open type pallet or those used by exporters or for cargo handling are being sold at P700 (\$14) each. These plastic pallets are being sold under the brand name of Armstrong Plastic Pallets by the Calypso Plastic Center Company.

#### E. Export Sector

Philippine merchandise trade surplus widened from \$5 billion in 1999 to \$6.9 billion in 2000. For the first time since 1992 export growth slowed to a single-digit pace last year (9 percent). The export slow down mainly mirrored the slower growth in exports of electronics and telecommunications parts and equipment - the biggest contributor to merchandise export earnings. About 60 percent of total export receipts come from shipments of electronic equipment and parts. After expanding by a significant average annual rate of 30 percent since the mid 1990's, this category slowed to 4.8 percent in 2000. Exports are expected to further slow down in 2001 as global demand for electronics and world economic growth eases. A slight recovery may occur in 2002 if both external and internal economic factors improve harmoniously.

### Statistical Information

Mainly due to the delay in updated information on the Philippine forestry statistics, forest and wood products production numbers in the PSD tables are all Post estimates while trade figures are official preliminary GOP numbers from the National Statistics Office (NSO).

PSD Table						
Country	Philippines					
Commodity	Tropical Hardwood Logs				1000 CUBIC METERS	
	Revised	2000	Preliminary	2001	Forecast	2002
	Old	New	Old	New	Old	New
Market Year Begin		01/2000		01/2001		01/2002
Production	170	190	150	180	0	180
Imports	650	535	750	500	0	550
TOTAL SUPPLY	820	725	900	680	0	730

Exports	0	0	0	0	0	0
Domestic Consumption	820	725	900	680	0	730
TOTAL DISTRIBUTION	820	725	900	680	0	730

Import Trade Matrix			
Country	Philippines		
Commodity	Tropical Hardwood Logs		
Time period	Jan-Dec	Units:	K CUM
Imports for:	1999		2000
U.S.		U.S.	
Others		Others	
Solomon Islands	158	New Zealand	174
PNG	148	Solomon Islands	142
New Zealand	147	PNG	83
Malaysia	50	Malaysia	65
Guyana	3	Indonesia	43
Gabon	3	South Africa	6
		Australia	5
		Australia	5
		Singapore	4
		Brazil	3
Total for Others	509		531
Others not Listed	5		4
Grand Total	514		535

PSD Table						
Country	Philippines					
Commodity	Tropical Hardwood Lumber				1000 CUBIC METERS	
	Revised	2000	Preliminary	2001	Forecast	2002
	Old	New	Old	New	Old	New
Market Year Begin		01/2000		01/2001		01/2002
Production	275	210	280	200	0	190
Imports	300	306	320	270	0	300
TOTAL SUPPLY	575	516	600	470	0	490

Exports	50	120	60	100	0	110
Domestic Consumption	525	396	540	370	0	380
TOTAL DISTRIBUTION	575	516	600	470	0	490

Import Trade Matrix			
Country	Philippines		
Commodity	Tropical Hardwood Lumber		
Time period	Jan - Dec	Units:	K CUM
Imports for:	1999		2000
U.S.	35	U.S.	27
Others		Others	
Malaysia	233	Malaysia	212
Brazil	34	Brazil	30
Singapore	9	Sarawak	16
Australia	3	New Zealand	10
Taiwan	2	Australia	4
Thailand	2	Sabah	3
Sarawak	1	PNG	2
Sabah	1		
Hongkong	1		
Total for Others	286		277
Others not Listed	1		2
Grand Total	322		306

Export Trade Matrix			
Country	Philippines		
Commodity	Tropical Hardwood Lumber		
Time period	Jan-Dec	Units:	K CUM
Exports for:	1999		2000
U.S.	1	U.S.	1
Others		Others	
France	65	France	108

Taiwan	2	Taiwan	4
		Canada	4
		Japan	1
		Malaysia	1
Total for Others	67		118
Others not Listed	1		1
Grand Total	69		120

PSD Table						
Country	Philippines					
Commodity	Hardwood Veneer				1000 CUBIC METERS	
	Revised	2000	Preliminary	2001	Forecast	2002
	Old	New	Old	New	Old	New
Market Year Begin		01/2000		01/2001		01/2002
Production	70	65	70	60	0	70
Imports	145	108	150	100	0	110
TOTAL SUPPLY	215	173	220	160	0	180

Exports	15	5	15	4	0	5
Domestic Consumption	200	168	205	156	0	175
TOTAL DISTRIBUTION	215	173	220	160	0	180

Import Trade Matrix			
Country	Philippines		
Commodity	Hardwood Veneer		
Time period	Jan-Dec	Units:	K CUM
Imports for:	1999		2000
U.S.		U.S.	
Others		Others	
Malaysia	127	Malaysia	85
Sarawak	9	Sarawak	18
New Zealand	1	Sabah	2
		Solomon Islands	1
Total for Others	137		106
Others not Listed	1		2
Grand Total	138		108

Export Trade Matrix			
Country	Philippines		
Commodity	Hardwood Veneer		
Time period	Jan-Dec	Units:	K CUM
Exports for:	1999		2000
U.S.		U.S.	
Others		Others	
Australia	3	Australia	2

		Taiwan	1
Total for Others	3		3
Others not Listed	1		2
Grand Total	4		5

PSD Table						
Country	Philippines					
Commodity	Hardwood Plywood				1000 CUBIC METERS	
	Revised	2000	Preliminary	2001	Forecast	2002
	Old	New	Old	New	Old	New
Market Year Begin		01/2000		01/2001		01/2002
Production	420	230	430	220	0	240
Imports	8	4	10	4	0	5
TOTAL SUPPLY	428	234	440	224	0	245

Exports	15	11	17	5	0	5
Domestic Consumption	413	223	423	219	0	240
TOTAL DISTRIBUTION	428	234	440	224	0	245

Import Trade Matrix			
Country	Philippines		
Commodity	Hardwood Plywood		
Time period	Jan-Dec	Units:	K CUM
Imports for:	1999		2000
U.S.		U.S.	
Others		Others	
Malaysia	2	Malaysia	2
Indonesia	2	Hongkong	1
		Singapore	1
		Taiwan	1
Total for Others	4		4
Others not Listed	1		1
Grand Total	5		5

Export Trade Matrix			
Country	Philippines		
Commodity	Hardwood Plywood		
Time period	Jan-Dec	Units:	K CUM
Exports for:	1999		2000
U.S.		U.S.	
Others		Others	
Japan	5	Japan	6
Taiwan	4	Taiwan	2

France	2	Australia	1
Total for Others	11		9
Others not Listed	1		2
Grand Total	12		11