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Philippines

Solid Wood Products

Annual

2003

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Report Highlights:
Tropical hardwood lumber and plywood imports in 2002 significantly increased as the construction and furniture industries rebounded from the contraction the year before. While dwindling local forest products supply coupled with an aggressive housing construction policy should translate to increased wood and wood product demand in 2003, increased forest product imports are dampened by a nagging fiscal deficit and renewed weakness of the Peso. Forest product imports during the period are expected to continue to shift away from logs to lumber, veneer and plywood.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
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Executive Summary

Although official data on forest cover is not readily available, local wood supply is expected to continue declining, albeit at a slower rate compared to previous years, through 2004. The standing timber in the remaining Philippine forests will likely decline during this period and the number of local sawmills and wood processing facilities expected to decrease slightly, if not remain flat. Although tight domestic wood supplies coupled with the expected continued economic growth through 2004 represent positive prospects for increased forest product imports, imports are expected to remain fairly flat this year due to renewed weakness of the Philippine Peso.

Although the Philippine economy is in a fragile position, GRP emphasis and private sector involvement in the construction of residential housing units are likely to enhance growth of the industry. This expansion will likely trickle down to the furniture and interior industries which have shown indications of giving more attention to the domestic furniture market in view of the global economic slowdown. These two sectors hold the most promise for increased use of U.S. wood, in particular, lumber, veneer and plywood. Log imports are predicted to continue to decline through 2004 as sawmills further decline in number and the Peso continues to remain weak.

Production

The Department of Environment and Natural Resources - Forest Management Bureau (DENR-FMB) has yet to release its final 2002 forestry statistics, and the majority of the forestry numbers in this report are based on final 2001 estimates from the DENR-FMB and/or extrapolated estimates by Post.

Philippine forest cover is estimated at 5.20 million hectares in 2002 or slightly below 18 percent of the 30 million hectares total land area of the country. This figure remains unchanged from the previous annual reports (refer to GAIN RP2054 and GAIN RP1030), in view of an on-going assessment of the current status of Philippine forests being undertaken by the National Mapping and Resource Information Authority (NAMRIA). Certain doubts on the reliability of forest cover data have reportedly been expressed by no less than planners of the DENR-FMB who have emphasized the need for an updated inventory. The on-going assessment is estimated to take at least three years (2002-2004) to complete, assuming it is adequately funded. Pending results of the assessment, the type of forest (dipterocarp, old growth, etc.) and their corresponding areas are assumed to be same compared to their 2000 estimates.

Although forest area in 2002 is assumed to be equivalent to its 2001 level, the estimated volume of standing timber in commercial forests is expected to be lower on account of the continued and excessive cutting of trees. Provided below are post's estimates on standing timber in 2002, which represent a decline in standing timber in all forest types except those from old-growth or virgin forests. With no significant advances in reforestation efforts, this decline in timber is expected to extend through 2004.

VOLUME OF TIMBER IN COMMERCIAL FOREST - 2002					
(IN 1,000 CUM)					
Forest Type	Hardwoods	CFW*	Softwoods	Others	TOTAL
Dipterocarp					
Old-Growth	113,805	60,870	2,775	21,342	198,792
Residual	160,000	100,000	3,400	39,000	302,400
Pine	72	18	19,500	28	19,618

*Construction and furniture wood

Source: Post Estimates

A total of 31,400 hectares were reforested in 2001 according to data from the DENR-FMB with about 26,500 hectares or 84 percent of the total area reforested undertaken by the GRP. The balance were undertaken by the private sector during the year. Area reforested in 2002 is expected to decline compared to the 2001 level due to a significant GRP budget deficit that is likely to have limited reforestation efforts. Although data on current forest cover is yet to be finalized, the rate of deforestation is expected to exceed the reforestation rate. This trend is likely to continue through 2004.

AREA REFORESTED (IN HAS.)			
	GOP	Private	
Year	Agencies	Sector	TOTAL
1998	33,219	9,149	42,368
1999	31,184	10,983	42,167
2000	21,740	5,892	27,632
2001	26,524	4,920	31,444
2002	20,000	10,000	30,000
2003	15,000	5,000	20,000

Source: DENR -FMB and Post estimates

Data on the number of active and inactive logging concessionaires or Timber Licence Agreement (TLA) holders in 2000 and 2001, numbered 20, according to revised data from the DENR-FNB. The area covered by TLA holders remain unchanged from its 2000 level at 0.9 million hectares, although the annual allowable cut (AAC) dropped from of 0.8 million CUM in 2001 to 0.2 million CUM. For 2002 through 2004, the number of TLA holders as well as their coverage and their AACs are likely to register slight decreases or at best, stay flat..

Consistent with the reported decline in the volume of timber in commercial forests through 2002, roundwood production is also expected to decline during the period. According to data from the DENR-FMB, sawlog/veneer log production in 2001 declined to 319,000 CUM from 384,000 CUM the previous year. Post estimates sawlog/veneer log production in 2002 to decline to around 300,000 CUM. The drop in log production is expected to continue at a slower rate in the next 3-5 years as production reaches very low levels. As a result, sawmills and wood processing factories are likewise expected to marginally decline.

2000-2004 PHILIPPINE ROUNDWOOD SITUATION

(1,000 Has., 1,000 CUM)

Year	Forest Area	Roundwood Harvest
2000	5,200	384
2001	5,200	319
2002*	5,200	300
2003*	5,200	285
2004*	5,200	270

Source: DENR-FMB and Post estimates

Based on DENR-FMB data, in 2001, there were only 44 active sawmills left, down from 45 the previous year, with a daily rated capacity (DRC) of 2,119 CUM and an annual log requirement of 777,335 CUM. During the same year, veneer plants remain unchanged from the previous year at 19 factories with a DRC of 938 CUM and an annual log requirement of 559,400 CUM. Plywood plants, on the other hand, numbered 30 in 2001, up from 27 in 2000. The plywood plants had a combined DRC of 1,818 CUM requiring around 1.24 million CUM. Veneer and plywood processing plants are expected to remain flat through 2004 due to scarcity of domestic wood supplies.

Trade

Overall forest product imports increased last year from its previous year's level. Imports of logs, lumber, veneer and plywood reached 1.6 million CUM last year for a 59 percent increase from 998,000 CUM in 2001. In terms of value, imports in 2002 were valued at US$150.5 million, up 10 percent from the US$137.0 million import level realized the previous year.

Log imports declined by 22 percent from 542,300 CUM in 2001 to 425,000 CUM in 2002 with only temperate hardwood logs posting a modest increase (4 percent). Hardwood log imports contracted 23 percent from its 2001 level with tropical hardwood logs accounting for 99 percent of all hardwood logs imported during the year. New Zealand, the Solomon Islands and Malaysia 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 in 2002. Tropical hardwood log imports in 2002 were pared down based on official GRP data, while log production was raised for

2002 and 2003. Tropical hardwood log imports in 2003 are expected to remain flat compared to the previous year's level as a result of renewed weakness of the Peso, but will likely decline in 2004 as more imported wood products are expected to displace more log imports.

While overall log imports declined, sawnwood or lumber imports surged by 185 percent to reach 1.06 million CUM last year from 370,800 CUM in 2001. Most of the imported lumber in 2002 or 82 percent of all lumber imports originated from Malaysia, followed by New Zealand and Canada with shares of 6 and 5 percent, respectively. The majority of imported temperate hardwood lumber came from Canada which had a market share of 94 percent of all temperate hardwood lumber imports. Softwood lumber imports declined 7 percent while imports of hardwood lumber expanded by a dramatic 247 percent compared to last year's level. Lumber is expected to continue to be the largest forest product imported by the Philippines. Tropical hardwood lumber imports in 2002 rose from its 2001 level on account of the rebound and improvement by the furniture and construction sectors last year. Imports of tropical hardwood lumber this year are expected to remain fairly flat from its 2002 level, but expected to increase in 2004.

Veneer imports in 2002 slightly increased (2 percent) from last year's level of 77,000 CUM to reach 78,400 CUM. Hardwood veneer imports declined by 4 percent while softwood veneer imports more than doubled (110 percent). Temperate hardwood veneer imports in 2002 were minimal (2 percent) relative to total veneer imports although imports grew by a significant 233 percent from the 2001 level.

Plywood imports last year more than tripled to reach 25,000 CUM in 2002 likely as a result of the GRP's housing development program. Plywood imports grew from 8,200 CUM in 2001 to 24.900 CUM last year for a significant 202 percent increase. Plywood imports in 2002 were again dominated by Malaysia which accounted for 41 percent of all plywood imports. Indonesia followed Malaysia with a 32 percent share of all plywood imports.

PHILIPPINE IMPORTS OF WOOD PRODUCTS					
(in Cubic Meters)				% Change	
	2000	2001	2002	00/01	01/02
Total Logs	577,306	542,261	425,034	-6.07	-21.62
Softwood	41,420	53,404	49,737	28.93	-6.87
Hardwood	535,886	488,857	375,297	-8.78	-23.23
Tropical Hardwood	534,962	483,819	370,062	-9.56	-23.51
Temperate Hardwood	924	5,038	5,235	445.24	3.91
Total Lumber	359,766	370,809	1,056,834	3.07	185.01
Softwood	47,076	90,921	84,679	93.14	-6.87
Hardwood	312,690	279,888	972,155	-10.49	247.34
Tropical Hardwood	305,587	265,851	933,122	-13.00	250.99
Temperate Hardwood	7,103	14,037	39,033	97.62	178.07

Total Veneer	123,054	77,059	78,411	-37.38	1.75
Softwood	14,654	4,081	8,563	-72.15	109.83
Hardwood	108,400	72,978	69,848	-32.68	-4.29
Tropical Hardwood	107,739	72,512	68,295	-32.70	-5.82
Temperate Hardwood	661	466	1,553	-29.50	233.26
Total Plywood	4,872	8,242	24,875	69.17	201.81
Softwood	0	0	0	N/A	N/A
Hardwood	4,872	8,242	24,875	69.17	201.81
Tropical Hardwood	4,322	7,741	22,597	79.11	191.91
Temperate Hardwood	550	501	2,278	-8.91	354.69
Total Imports	1,064,998	998,371	1,585,154	-6.26	58.77

Source of Data: National Statistics Office

The decline in log imports and the increase in lumber, veneer, and plywood imports, are indicative of the continued decline in overall forest cover and the ensuing decline in domestic log production. Log imports in the next 3 - 5 years are expected to decline, displaced more by overall wood product imports.

Overall Philippine exports of wood products, on the other hand, decreased slightly (0.2 percent) for the 3rd consecutive year in 2002. Exports of logs and lumber declined 73 and 14 percent, respectively, while veneer and plywood exports increased by 112 and 221 percent, respectively. In terms of value, overall exports of wood products, on the other hand, reached US$23.1 million in 2002 for an 11 percent increase from the US$20.9 million export level the previous year. In general terms, wood product exports in 2002 are expected to remain flat compared to the previous year due to tight local forest products supply. Wood product exports next year and beyond, are likely to be more import-dependent. There remains no known export subsidies on Philippine wood product exports.

An export summary for logs, lumber, veneer and plywood from 2000-2002 is provided below while more detailed trade matrices are provided in the Statistical Section.

PHILIPPINE EXPORTS OF WOOD PRODUCTS					
(in Cubic Meters)				% Change	
	2000	2001	2002	00/01	01/02
Total Logs	93	5,366	1,426	5669.89	-73.43
Softwood	93	5,360	1,426	5663.44	-73.40
Hardwood	0	6	0	N/A	-100.00
Tropical Hardwood	0	6	0	N/A	-100.00
Temperate Hardwood	0	0	0	N/A	N/A

Total Lumber	120,484	105,102	90,610	-12.77	-13.79
Softwood	0	7,641	44	N/A	-99.42
Hardwood	120,484	97,461	90,566	-19.11	-7.07
Tropical Hardwood	120,484	97,461	90,566	-19.11	-7.07
Temperate Hardwood	0	0	0	N/A	N/A
Total Veneer	4,839	2,817	5,982	-41.79	112.35
Softwood	145	589	3,347	306.21	468.25
Hardwood	4,694	2,228	2,635	-52.54	18.27
Tropical Hardwood	4,694	2,228	2,635	-52.54	18.27
Temperate Hardwood	0	0	0	N/A	N/A
Total Plywood	136,014	6,834	21,909	-94.98	263.99
Softwood	0	0	0	N/A	N/A
Hardwood	136,014	6,834	21,909	-94.98	263.99
Tropical Hardwood	136,014	6,834	21,909	-94.98	263.99
Temperate Hardwood	0	0	0	N/A	N/A
Total Exports	261,430	120,119	119,927	-54.05	-0.16

Source of Data: National Statistics Office

Tariffs

Executive Order No. 164 (EO 164) approved January 10, 2003 modified MFN tariff rates for 2003 of certain wood products. In general terms, existing 2002 rates for certain wood products were extended through calendar year 2003. Specifically, wood products with 2002 rates of 7 and 15 percent, were carried over to 2003. Details are provided for in the following table. EO 164 supercedes all other orders relative to import tariffs. Wood product tariffs for 2004 have yet to be announced.

PHILIPPINE TARIFF SCHEDULE FOR SELECTED WOOD PRODUCTS				
HS Code	Description			EO 164
		2002	2003	2003
4401	Fuelwood	3	3	3
4403	Roundwood	Free	Free	Free
4404	Hoopwood for tool			
	handles, sticks, etc.	3	3	3
4405	Wood wool	1	1	1
4406	Railway ties/sleepers	3	3	3

4407	Sawnwood exceeding			
	6 mm (Tropical hardwood)	7	5	7
44071000	Coniferous sawnwood	3	3	3
4408	Veneer sheets less			
	than 6mm thickness	7	5	7
44081010 &	Coniferous and wood			
44089010	slats for pencils	3	3	3
4409	Mouldings	5	5	5
4410	Particleboard	15	10	15
4411	Fiberboard	15	10	15
4412	Plywood and other			
	wood panels	15	10	15
4413	Densified wood and	3	3	3
	wood blocks			
4414	Wooden frames for			
	paintings	7	5	7
4415	Packing cases, boxes,			
	pallets, etc.	7	5	7
4416	Casks, barrels, vats,			
	tubs, etc.	3	3	3
44160090	Others	5	5	5
44170010	Boot or shoe lasts	3	3	3
44170090	Others	7	5	7
4418	Builders joinery and			
	carpentry of wood	5	5	5
4419	Tableware/kitchenware	5	5	5
4420	Wood marquetry and			
	inlaid wood	7	5	7
4421	Other articles of			
	wood	7	5	7
44219010	Spools,bobbins, etc.	3	3	3

Source: Philippine Tariff Commission

As reported in previous GAIN reports, tariffs under the Common Effective Preferential Rate (CEPT) of the ASEAN Free Trade Agreement (AFTA) enhance overall competitiveness of ASEAN-wood supplying countries. The Philippine Tariff Commission, however, has yet to finalize and issue a comparative study on effective CEPT rates vis-a-vis MFN rates.

Market Segment Analysis

The Philippine economy appears to be less affected by the global slowdown than most of its neighbors, but its recovery has been hampered by slow growth, political uncertainty and the weakest currency in the region. According to the National Economic Development Authority (NEDA), GNP growth rate in 2002 was 5.2 percent, up from 3.4 percent in 2001, and was supported by increased remittances of overseas Filipino workers (OFWs) and good farm production. OFWs all over the world remitted around $8 billion last year, up by 15.5 percent from the previous years' level. Their annual remittances in 2002 almost equaled the total output of the agriculture, forestry and fisheries' sectors.

Good agricultural production in 2002, on the other hand, enhanced GDP's growth rate reaching 4.6 percent from the 3.2 percent growth rate in of 2001. The 2002 GDP growth rate exceeded the high end of the GRP's forecast and reportedly was the strongest performance since the 1997 financial crisis. Inflation rate was reported at 3.1 percent last year, down from the 6.1 percent rate in 2001.

For 2003, the GRP has forecast the domestic economy to grow at a slower rate of 4.2 - 5.2 percent with inflation at 4.5 to 5.5 percent. The slowdown was basically in anticipation of another El Niño dry spell and the ensuing drop in farm production. Rains, however, have started to become more frequent indicating that the expected weather disturbance was easing. The International Monetary Fund (IMF), on the other hand, has forecasted Philippine GDP at a lower 4.0 percent citing the country's fiscal situation as a risk to the outlook. The IMF sees Philippine inflation coming at 4.0 percent this year and through 2004.

For the first quarter of 2003, the Philippine economy performed strongly with a 5.6 percent growth in GNP, and GDP expanding by 4.5 percent, according to Socio-Economic Planning Secretary and NEDA Director-General, Mr. Romulo L. Neri. Mr. Neri replaced Dante Canlas as NEDA chief December 13, 2002 and is the author of "Plan 747", the new economic master plan of the Philippines. Plan 747 aims to attain at least a seven percent growth in the Philippine GDP for the next seven years starting 2004. The new economic plan replaces the Medium Term Philippine Development Plan launched in 2001. The economic plan gives emphasis to productivity and efficiency, with the private sector taking the lead. Industry-related measures under Plan 747 calls for the strengthening of small-and-medium scale enterprises, aggressive housing programs, and revival of the mining industry.

Sustained growth of the Philippine economy is endangered by fiscal constraints, however. Poor revenue performance and the worsening debt burden last year have resulted in high government expenditures resulting in a gaping budgetary deficit. Last year, the deficit was at P210.7 billion ($4 billion) or roughly 6 percent of GDP. This has a tremendous impact on the 2003 national budget. Of the P804 billion ($15.2 billion) national budget for this year, around 80 percent or P645 billion ($12.2 billion) is allocated for non-discretionary purposes which can not be aligned for other use. Only about 20 percent is what is left to fund economic services and developmental projects.

A. Construction

According to data from the National Statistics Office (NSO), the construction of residential and nonresidential structures, as well as structures that underwent additions/alterations last year posted double-digit growth, a sharp improvement from the 2.4 percent contraction in 2001. The number of units built/altered rose 17 percent while total floor area increased 12 percent compared to the previous year's level. Overall value of the constructed and altered buildings reached P85.9 billion ($1.6 billion) in 2002, up from P68.2 billion ($1.3 billion) in 2001.

NUMBER, FLOOR AREA, AND VALUE BY TYPE OF **BUILDING CONSTRUCTION:** (Value in billion Pesos, floor area in thousand sq.m.)												
	Residential			Non-Residential			Additions /Alterations			TOTAL		
	No.	Floor Area	Val.	No.	Floor Area	Va.	No.	Floor Area	Value	No.	Floor Area	Value
2000	47,911	4,989	24.60	7,647	5,115	37.11	14,878	517	8.16	70,436	10,620	69.86
2001	52,980	6,110	29.65	8,500	4,652	30.34	16,377	626	8.21	77,857	11,388	68.20
2002	63,516	7,080	36.38	10,441	5,090	40.38	17,514	611	9.16	91,471	12,781	85.92

Source of Basic data: National Statistics Office

The construction gains in 2002 are unlikely to continue this year as local property developers are still struggling with sluggish overall demand and an oversupply in the sector. A local credit rating agency reportedly expects medium term improvement in demand and prices, to be tempered by pockets of oversupply and weak purchasing power. While demand for office space have been declining since 1997, supply has continued to rise, gradually tapering off only in 2000. The decline in demand is due to companies which have either closed down or transferred, or existing occupants trimming office space. With newer buildings offering competitively-priced rents, transfers from older buildings to newer offices were encouraged. Vacancy rates and rentals have reportedly been easing as a result. Year-end vacancy at Makati City, the country's premiere financial district, though, reportedly remains substantial at about 15 percent, although this is an improvement from the peak of about 18 percent in 2001.

In the area of residential housing, demand for affordable residential condominiums appears to be healthy as developers enter into more projects catering to the middle-income market. Condominiums, however, are still considered a niche market and cater only to a small percentage of the country's population. Considerable demand for housing, however, exists as a result of the rapidly growing population and as mentioned earlier, housing is a key component of the Philippine economic master plan.

Responding to the call of the Arroyo Administration, two of the biggest real estate and housing industry associations in the country, the Chamber of real Estate and Builder's Association (CREBA) and the Subdivision and Housing Developers Association (SHDA), late last year pledged their support to the P250 billion ($4.7 billion) housing and urban development plan of the national government. The CREBA and SHDA reportedly committed to build 325,000 and 237,000 housing units, respectively, for completion at the end of President Arroyo's term in 2004. Housing and Urban Development Coordinating Council (HUDCC) Chairman, Michael Defensor, reportedly expects the project to reduce by at least 50 percent the current shortage of housing units estimated at five million by 2010.

While the majority of these housing units are of single-family design, they are often multi-family in use. The average Filipino family is close-knit and usually inclusive of in-laws and distant relatives. The residential structure itself is normally handed down from generation to generation which partly explains the Filipino's preference for permanency when it comes to housing. The average Filipino is also very price sensitive. Both these two traits make concrete and cement very popular as construction materials.

Recently, President Arroyo met with private bankers, the SHDA and members of CREBA to discuss how to facilitate completion of the housing project in view of constrained GRP finances. The President encouraged the bankers to offer more developmental loans to developers by providing more long-term funds for housing projects. Of specific concern of the developers were the 10 percent Value Added Tax (VAT) on housing loan interest payments and banking services, as well as bureaucratic delays in obtaining housing-related permits, particularly from the local government unit concerned. Although the proposed measures will ease housing finance requirements and are likely to boost private construction, some analysts expect the GRP's efforts to curb expenditures to arrest further expansion of the fiscal deficit, are likely to stifle any dramatic growth in the sector.

Despite this, Neri of the NEDA expects construction and tourism to be the two main drivers of economic growth starting the second semester of 2003. Neri, reportedly, based his prediction in particular, to the growth in construction material imports in 2003.

Ayala Land Inc. (ALI) is one of the largest property developer and operator of retail centers in the country accounting for an estimated 830,000 sq. meters of retail space including those of its subsidiaries and affiliates. The company's office buildings and hotels reportedly continue to survive and maintain above-market occupancy despite the competitive rental and room rates offered by other developers. These include include the SM Group of retail magnate Henry Sy, Robinsons Land Corp. (RLC) of tycoon John Gokongwei Jr., Filinvest Land Inc., Megaworld Corp., and C & P Homes, Inc.

RLC competes with ALI in most property segments and is pursuing aggressive expansion in shopping centers and residential buildings. Megaworld, on the other hand, is active in the market for affordable residential buildings, while SM continues to expand its chain of malls within and outside Metro Manila.

The country recently concluded the 8th Philippine World Building and Construction Exposition (WorldBex), the Philippines largest trade show of its kind. The 9th WorldBex will be held on

March 17-21, 2004 at the World Trade Center, Manila City, Metro Manila and will feature exhibits on: building materials, equipment and services; interior design and renovation; security and fire equipment; mechanical and electrical engineering systems; construction promotion; information technology and telecommunications; and other construction related concerns. Contact information of the organizers and more details on WorldBex may be obtained from:

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Retail prices of selected construction materials were generally lower in 2002 compared to its year-ago levels. Wood materials, in particular, lumber and plywood for construction, both registered price decrease last year as imports surged. Prices of construction materials are expected to stay flat, if not continue its downward trend in 2003 as a result of ample supply.

RETAIL PRICES OF SELECTED CONSTRUCTION MATERIALS			
CY 2001 vs. CY 2002			
Item	2001 Average	2002 Average	Price Change (%)
Rough Tanguile Lumber SD,42mmX52mmX3mm	23.00	22.50	(2)
S4S Tanguile Lumber SD,42mmX52mmX3m	24.00	23.50	(2)
Washed Sand or S1	350.00	350.00	0
Portland Cement	135.00	116.25	(14)
Plywood Ordinary,5mmX1.2mmX2.4m	245.00	237.50	(3)
Plywood Ordinary,10mmX1.2mX2.4m	510.00	465.00	(9)
Conc. Hollow Blocks(non-load)			
100mmX200mmX400mm	6.50	6.25	(4)

Source: Construction Industry Authority of the Philippines

Surging cement imports in 2002 resulted in the local cement industry petitioning the GRP for protection. Cement is the dominant construction material used in the Philippines and local cement manufacturers claimed that the market share of imported cement have increased significantly last year. This has resulted in increased losses as their capacity utilization has declined considerably. Responding, the GRP imposed temporary safeguard measures on imported cement in December 2001 with the Department of Trade and Industry (DTI) imposing a provisional duty of P20.60 per 40 kg. bag. Before the tariff relief, the Philippines imposed only 3 and 5 percent tariff on imported cement from ASEAN and non-ASEAN member-countries, respectively.

Philippine tariffs on imported cement, however, reportedly are still lower than in other countries. Malaysia levies a 50 percent tariff on imported cement; Vietnam, 40 percent; Bangladesh, as high as 100 percent. Prior to the relief measure, the Philippine cement market was considered by some construction companies as the most open in the region.

B. Furniture and Interior Sectors

Although data on the production of furniture is not readily available, production in 2002 likely increased from its 2001 level as manifested by the higher furniture exports last year. After declining in 2001, overall furniture exports in 2002 rebounded and rose 6.5 percent reaching $316 million from $297 million in 2001. The majority or 66 percent of all exported furniture last year were destined for the U.S. Japan and the U.K. were the second and third largest importers of Philippine furniture with market shares of 6 and 3 percent, respectively. The U.S. is expected to remain as the main destination of Philippine furniture exports through 2004.

PHILIPPINE EXPORTS OF FURNITURE BY DESTINATION				
FOB VALUE IN US$ MILLION				
				% Change
	2000	2001	2002	01/02
U.S.	225.41	184.49	210.03	13.84
Japan	54.32	26.97	20.06	-25.61
France	11.07	7.87	6.00	-23.74
Netherlands	10.86	7.08	5.61	-20.74
U.K.	10.03	9.06	8.67	-4.29
Australia	9.09	5.92	6.55	10.63
Spain	5.95	5.77	5.10	-11.67
Other	64.27	49.61	53.99	8.84
TOTAL	381.39	296.77	316.01	6.48

Source: Chamber of Furniture Industries of the Philippines, Inc.

Wooden furniture remains the dominant furniture-type exported accounting for 36 percent of overall furniture exports in 2002. Rattan, the second most widely used material, accounted for 29 percent of all furniture exports during the same year. Furniture made from metal was next with a share of 12 percent. Wooden furniture were valued at $122.5 million last year, up 7 percent from $114.9 million in 2001. Wooden furniture exports are expected to continue to increase through 2004 and remain as the dominant furniture-type exported.

PHILIPPINE EXPORTS OF FURNITURE BY MATERIAL TYPE				
FOB VALUE IN US$ MILLION				
				% Change
	2000	2001	2002	01/02

Rattan	118.02	91.98	96.94	5.39
Wood	143.30	114.85	122.53	6.68
Metal	49.44	39.84	40.94	2.76
Stone	9.09	8.67	11.85	36.69
Parts of Furniture	53.31	28.36	28.28	-0.29
Buri Furniture	0.46	0.16	0.20	25.78
Furnishings	1.71	5.80	7.02	21.04
Bamboo	3.18	2.92	3.34	14.49
Plastics	0.72	0.61	0.61	-0.16
Others	2.16	3.58	4.31	20.32
TOTAL	381.39	296.77	316.01	6.48

Source: Chamber of Furniture Industries of the Philippines, Inc.

For 2003, the Chamber of Furniture Industries of the Philippines (CFIP) has reported a targeted exports sales of $400 million as it undertakes aggressive marketing programs and raise efforts in improving operational efficiency. Even more ambitious is the CFIP's $1 billion export sales level target for 2004. By this time, according to CFIP President Jose Leo Caparas, the domestic furniture industry will be needing an estimated 2.14 million CUM of wood. However, current local wood supply is only around 730,000 CUM and wood imports are expected to increase for the next 2-3 years. According to Caparas, the local furniture industry needs government support in terms of sustaining raw material supply, facilitating financing, and improving marketing of Philippine furniture both internationally and domestically.

Even with enough raw materials, however, intense competition from other Asian countries make the export goal very difficult to achieve. China and Vietnam, in particular, are fast becoming serious and very aggressive threats. China, according to media reports, is no longer confined to the low-end market while investments to Vietnam's furniture industry reportedly have been surging as a result of a more positive political climate. Vietnam, reports noted, which started exporting furniture only three years ago, may overtake the Philippines in a few years time. Other ASEAN countries, notably Indonesia, Thailand and Malaysia reportedly are all exerting efforts to keep and even raise their position in the furniture trade. Furniture exports from each of the three ASEAN countries reportedly are over the $ billion level.

The domestic furniture industry is composed of two major furniture associations: the Chamber of Furniture Industries of the Philippines (CFIP) based in Manila and the Cebu Furniture Industries Foundation, Inc. (CFIF) located in Cebu. The CFIF traditionally accounts for 65 - 70 percent of all Philippine furniture exports but comprise only around 20 percent of the entire industry. There are less than 200 furniture manufacturing firms in the domestic furniture industry, mostly in the small and medium-scale category, but the largest furniture exporters operate in Cebu. The Cebu furniture industry reported employs directly over 40,000 workers and indirectly provide jobs to some 80,000 people. The CFIP, on the other hand, caters more to the domestic furniture market. Although export-oriented in general terms, with the GRPs housing program, there are indications that the domestic furniture industry will be giving more emphasis to the domestic market as the global economy continues to slowdown.

The CFIP and CFIF hold international shows annually. Called the Philippine International Furniture Show (PIFS), the CFIP will stage its 2004 furniture show on February 28 to March 2. The CFIF, on the other hand, will hold its exhibit next year on February 26 to 29. The Cebu show is called Cebu International Furniture and Furnishings Exhibition or "Cebu X" for short. Contact details of the two furniture chambers are provided below:

CHAMBER OF FURNITURE INDUSTRIES OF THE PHILIPPINES (CFIP)
President - Mr. Leo P. Caparas
Executive Director - Chit M. Ledonio
Unit H, 9/F, Strata 100 Bldg
Emerald Ave., Pasig
Tel.(632) 631-3428, 631-2834 and 632-9007
Fax (632) 631-2977
email:chitml@cfipnet.com

CEBU FURNITURE INDUSTRIES FOUNDATION, INC.(CFIF)
President - Mr. Ligaya Quisumbing
Executive Director - Ms. Ruby Babao-Saluten
3/F, LDM Bldg., Legaspi St. cor. MJ Cuenco Ave.
Cebu City 6000, Philippines
Fax: (63-32) 254-8246 and 253-7408
Tel: (63-32) 253-3091, 253-0274, 253-7408 loc. 106
email:ruby@furniturecebu.com

C. Materials Handling

Official statistics show that industry growth rate (manufacturing, construction and mining) improved last year to 4.1 percent compared to the 1.3 percent expansion the year before. The improvement was due to the performance of the mining and quarrying sub-sectors, which expanded by 49.2 percent from a 6.6 percent contraction in 2001. The substantial increase is attributed to the Malampaya Natural Gas Project. The NEDA expects industrial to grow through 2004 with the sector expected to grow by as much as 5.4 percent.

Manufacturing, which is considered the backbone of local industry, on the other hand, accelerated to 3.3 percent last year from the 2.9 growth rate in 2001. Basically export-oriented, the performance of manufacturing last year was the result of the resurgence of foreign demand for semiconductors and garments. Exports of semiconductors and garments in 2002 reportedly grew by 20 and 4 percent, respectively, from a contraction in 2001 while overall exports expanded by 3.3 percent during the same period. The GRP reportedly expects exports to grow 5 - 8 percent from the last year's level in 2003.

Asahi Glass Philippines (AGP) is terminating its local manufacturing operations for tempered automotive glass. AGP also decided to transfer its local operations to Thailand due to low capacity utilization of its local plants. AGP supplies about 80 percent of the tempered glass requirement of local automotive manufacturers and is a major softwood user in its glass packaging/frame operations.

Plastic pallets are also now being sold in the local market. COFTA monobloc plastic pallets are being sold reportedly to encourage the shift away from wooden pallets that are more expensive, unsanitary and easily worn out. The plastic pallets, on the other hand are being advertised as being termite proof, maintenance free, and with various load capacities and sizes. There are no known market development programs for the materials handling sector funded by foreign governments.

Statistical Information

Mainly due to delays and difficulty in obtaining current production data, production figures in the PSD tables are Post estimates and are adjusted mainly using import data.

PSD Table						
Country	Philippines					
Commodity	Tropical Hardwood Logs			1000 CUBIC METERS		
	2002	Revised	2003	Estimate	2004	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		01/2002		01/2003		01/2004
Production	175	300	170	250	0	200
Imports	484	370	490	360	0	350
TOTAL SUPPLY	659	670	660	610	0	550
Exports	0	0	0	0	0	0

Domestic Consumption	659	670	660	610	0	550
TOTAL DISTRIBUTION	659	670	660	610	0	550

Import Trade Matrix			
Country	Philippines		
Commodity	Tropical Hardwood Logs		
Time period	Jan. - Dec.	Units:	K CUM
Imports for:	2001		2002
U.S.		U.S.	
Others		Others	
New Zealand	214	New Zealand	139
Solomon Islands	124	Solomon Islands	136
Indonesia	75	Malaysia	39
Malaysia	33	PBG	39
PNG	25	Indonesia	6
		Australia	4
Total for Others	471		363
Others not Listed	13		7
Grand Total	484		370

PSD Table						
Country	Philippines					
Commodity	Tropical Hardwood Lumber		1000 CUBIC METERS			
	2002	Revised	2003	Estimate	2004	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		01/2002		01/2003		01/2004
Production	195	175	190	190	0	185
Imports	266	933	270	935	0	950
TOTAL SUPPLY	461	1108	460	1125	0	1135
Exports	90	91	85	85	0	85

Domestic Consumption	371	1017	375	1040	0	1050
TOTAL DISTRIBUTION	461	1108	460	1125	0	1135

Import Trade Matrix			
Country	Philippines		
Commodity	Tropical Hardwood Lumber		
Time period	Jan. - Dec.	Units:	K CUM
Imports for:	2001		2002
U.S.	35	U.S.	25
Others		Others	
Malaysia	193	Malaysia	838
Brazil	14	New Zealand	30
New Zealand	14	Brazil	18
Solomon Islands	6	Indonesia	9
Indonesia	2	Solomon Islands	5
Total for Others	229		900
Others not Listed	2		7
Grand Total	266		933

Export Trade Matrix			
Country	Philippines		
Commodity	Tropical Hardwood Lumber		
Time period	Jan. - Dec.	Units:	K CUM
Exports for:	2001		2002
U.S.		U.S.	
Others		Others	
France	83	France	54
Taiwan	6	Taiwan	11
China	4	Canada	8
Canada	3	China	6
		Singapore	4

		Malaysia	3
Total for Others	96		86
Others not Listed	1		5
Grand Total	97		91

PSD Table						
Country	Philippines					
Commodity	Hardwood Veneer			1000 CUBIC METERS		
	2002	Revised	2003	Estimate	2004	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		01/2002		01/2003		01/2004
Production	58	58	58	55	0	55
Imports	72	70	80	75	0	80
TOTAL SUPPLY	130	128	138	130	0	135
Exports	1	3	3	3	0	3

Domestic Consumption	129	125	135	127	0	132
TOTAL DISTRIBUTION	130	128	138	130	0	135

Import Trade Matrix			
Country	Philippines		
Commodity	Hardwood Veneer		
Time period	Jan. - Dec.	Units:	K CUM
Imports for:	2001		2002
U.S.		U.S.	
Others		Others	
Malaysia	71	Malaysia	55
Thailand	1	New Zealand	10
Total for Others	72		65
Others not Listed	1		5
Grand Total	73		70

Export Trade Matrix			
Country	Philippines		
Commodity	Hardwood Veneer		
Time period	Jan. - Dec.	Units:	K CUM
Exports for:	2001		2002
U.S.		U.S.	
Others		Others	
Australia	2	Australia	2
Total for Others	2		2
Others not Listed	1		1

Grand Total	3		3

PSD Table						
Country	Philippines					
Commodity	Hardwood Plywood			1000 CUBIC METERS		
	2002	Revised	2003	Estimate	2004	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		01/2002		01/2003		01/2004
Production	218	200	218	198	0	195
Imports	8	25	12	27	0	30
TOTAL SUPPLY	226	225	230	225	0	225

Exports	3	22	3	22	0	20
Domestic Consumption	223	203	227	203	0	205
TOTAL DISTRIBUTION	226	225	230	225	0	225

Import Trade Matrix			
Country	Philippines		
Commodity	Hardwood Plywood		
Time period	Jan. - Dec.	Units:	K CUM
Imports for:	2001		2002
U.S.		U.S.	
Others		Others	
New Zealand	3	Malaysia	10
Malaysia	2	Indonesia	8
Indonesia	1	New Zealand	4
Singapore	1	China	1
		Singapore	1
Total for Others	7		23
Others not Listed	1		2
Grand Total	8		25

Export Trade Matrix			
Country	Philippines		
Commodity	Hardwood Plywood		
Time period	Jan. - Dec.	Units:	K CUM
Exports for:	2001		2002
U.S.		U.S.	
Others		Others	
Japan	4	Japan	19
Taiwan	2	Taiwan	2
Total for Others	6		21

Others not Listed	1		1
Grand Total	7		22