UNECE/FAO TIMBER COMMITTEE, OCTOBER 2008

B E L G I A N M A R K E T R E P O R T

NATIONAL ECONOMY :

Indicators	**Unit of measure**	**Actual 2006**	**Actual 2007**	**Estimate 2008**	**Estimate 2009**
GDP	**% +/-**	**2.8**	**2.8**	**1.6**	**1.2**
Inflation (RPI)	**% +/-**	**2.2**	**1.8**	**4.7**	**2.7**
Unemployment NumberX.1000	**% +/-**	**8.3**	**7.5**	**6.8**	**6.8**
Industrial production	**% +/-**	**1.8**	**1.5**	**1.2**	**1.0**
Housing starts	**000sa**	**61.0**	**53.8**	**50.0**	**48.0**

Fresh indications given by economic research institutes confirm Belgian economy is further losing steam sufficient to prompt a downward revision to the official estimate of the 2008 GDP growth. With a grow rate forecast at about 1.6 per cent for 2008 economic expansion shows after the 2.8 % of 2007 and 2006 a hard downturn.

The weakness of private consumption expenditures is part of the strong tendency to save reflected in a lack of confidence on the part of the average citizen faced with a destabilization of the job market.

Foreign demand is under pressure and is consequently no longer a strong stimulus of economic growth. This is a result of the exceptional dependence of the Belgian economy on a particularly instable international economy : the three troublemakers e.i. the U.S. housing market, the financial markets and the commodity prices which are still very much at work almost a year on in the U.S. have, - since recently -, also contaminated the European economy.

After several years of growth it is now not looking as rosy.

OUTLET FOR TIMBER :

Building

The residential sector has been booming in 2006, led by new housing, but new construction growth slowed in 2007. According to the latest surveys new housing is expected to start pulling back modestly in 2008 because of the consumer's standard of living fall coupled with a more difficult access to loans.

Here it should be mentioned the increased share of timber frame houses in the total new housing construction and particularly the advent of massive timber frame houses or cross timber panel system.

Repair, maintenance and improvement sectors fell together in 2007 hardly 3% behind the 2006 results. This sector will now i.e. in 2008 take up some of the slack by providing a steadying influence to the more volatile new constructions and should achieve a 40% share of the overall activity in the building trade .

Industrial Production

Manufacturing of building components remains in line with the housing sector in general and consequently generates a weaker wood utilisation, - especially tropical -, in the flooring industry. Wooden terraces are monopolised by tropical species above all from South America where the supplying problems are more than ever significant.

Although stagnating, during 2007, the activity in the sector manufacturing of pallets and of other forms of containers remained at a high level. It is expected that for 2008 the sector will be slightly under pressure as a result of a weaker demand for packaging materials generally.

Concerning furniture activity, since mid-2007 the sector was performing better as a result of a light increasing local and E.U. demand while export towards markets outside the E.U. remains under pressure. More over the strong competition of Asian furniture, with China as leader, remains a disturbing factor. In general a decrease is forecasted for 2008.

There have been only minor changes concerning wood based panels. A reduction of production capacity must be noted as one of the factories has shut down its particle board unit.

Stocks / Prices

The dramatic downturn in US construction had ramifications throughout the European forest products market a.o. Belgium. Indeed, European sawn softwood producers, - notably Germany : Europe's largest producer -, having retreated in a large way from the US glutted our markets with relatively low value products because produced partially from windfallen wood.

At the end of 2007 stocks increased as well as for imported as for indigenous production as a result of a weaker demand especially during the last quarter creating an unbalanced situation between “demand – supply” and further a substantial price decrease in general which have fallen sharply during the first half year of 2008.
Presently the situation seems to be somewhat more balanced but at a lower level. In other words the sector is facing a more realistic situation putting an end to two years of high profitability.

As far as hardwood and especially tropical timber is concerned the market decline came later and is now also facing hard conditions.

CE-MARKING

The final implementation date of EN 14081 was deferred for the second time and this to 1 September 2009. Not al the operators concerned were enthusiastic with this delay given the time they spend and expenses they supported in order to ensure the implementation date of 1 September 2008 could be achieved.

The Timber Trade Federations concerned are closely following the development of the elaboration of the Construction Products Regulation that should be implemented in 2011. The CPR is likely to be more appropriate from an industrial (and a trade) point of view and with the result that the EN 14081 structural wood would be less abstract.

BIOMASS

The concerned policymakers are enclined as far as biomass for energy production is concerned to consider that wood will only be used in latest instance priority being given to production of high value products.

CLIMATE CHANGE

At governmental level, the impression is prevailing that a mechanism should be developed in the climate change negotiations to reduce emissions from deforestation to enhance carbon stocks throughout sustainable forest management the more this mechanism will have a positive impact on biodiversity.

CERTIFIED FOREST PRODUCTS

The area of Belgian forests certified for sustainable forest management continues to grow reaching 270.000 ha, -under the PEFC scheme -, in Wallonia and 10.000 ha FSC in Flanders.

Demand for certified products is now becoming more and more in correlation with the above mentioned certifying trend.

THE BATTLE AGAINST ILLEGAL LOGGING AND RELATED TRADE

The Commission initiative to elaborate, - at the request of the E.P. and the Council -, a proposal for a regulation concerning the placing on the market of timber products is supported by the Belgian authorities.

The same attitude is the one of the Belgian wood importers : it will be no longer tolerated that environment conscious operators or “good boys” were facing market disturbing effects and image erosion generated by “bad boys”.
But the legislation must be a practical tool and not a new ambiguous non-tariff barrier.

More over members of the Belgian Timber Importers Federation are also involved in the Timber Trade Action Plan or TTAP which was written as a direct response to the FLEGT programme.

PROMOTION / ECOLOGY :

The Belgian Ministry of Environment decided to negotiate with the regional authorities the harmonising of the Federal and Regional Responsible Public Procurements and further to support eventually, - after consultation of the wood sectors concerned -, the promotion of sustainably produced wood.

FORECAST :

The three trouble makers, - as mentioned before -, contaminating the European economy, the high crude oil price, the inflation threat and other major downside risks to growth must be taken into consideration. What it may be a decrease in the consumption and the import of wood in general compared to the two previous glorious years is a realistic approach.