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United States forest products market crash impacts UNECE region markets

Just released is the UNECE/FAO Forest Products Annual Market Review, 2007-2008, providing an up-to-date analysis of markets and policies in the UNECE member States which is crucial for sustainable development in the forest sector. Some of the study's findings are:

- In 2007, United States housing construction continued its sharp decline, having severe impacts on the entire UNECE region's forest products markets, as well as world markets (see graph 1).
- Green building systems are a driver of wood products markets, but also a constraint when they discriminate against some sources of wood.
- UNECE region consumption of wood and paper products fell in 2007 for the first time in six years due to the downturn in North American forest products markets, despite a rise in consumption in European and CIS markets (see graph 2).
- High oil prices are stimulating substitution by wood-based biofuels and policies to mobilize more wood from forests and other sources.
- Certified forest area rose to over 300 million hectares worldwide by mid-2008, with most in the UNECE region, driven by green building systems and public procurement policies.
- China's trade with countries in the UNECE region continues to increase: its roundwood imports profit the region's exporters, but compete for local sawlog processors; its exports of finished and semi-finished products benefit consumers with lower-cost wood products, but compete with manufacturers in the UNECE region (see graphs 3 and 4).
- Russian Federation export taxes on roundwood are disrupting supply for trading partners' sawmills, panel mills and pulpmills; roundwood trade patterns are changing as a consequence.
- Due to the downturn in North American markets, some European market sectors exceeded their North American counterparts for the first time in 2007, with production of sawn softwood and consumption of panels and paper and paperboard greater than that of North America.



Promoting a healthy and transparent real estate market

New UNECE advisory body now operational

The sub-prime mortgage crisis almost brought the United States real estate market and banking systems to their knees. Markets worldwide, including in UNECE countries in Europe from West to East, are being strongly affected by the domino effect of the resulting financial shockwaves.

While the "sub-prime phenomenon" might not happen again, there are many other risks facing young and expanding real estate markets. For instance, valuation standards and methodologies require improvement, and stronger rules must be promoted for effective fiscal policies. Building better quality and energy efficiency into both new and existing housing should be encouraged by providing incentives and stimulating sustainable investment. Increased transparency of market systems is also essential to better facilitate the exchange of information.

This last issue is particularly important since the transparency of the real estate market should be a prime objective for those countries which have only recently introduced property and land rights and are trying to develop comprehensive systems of land administration.

In order to promote market transparency and a healthy real estate market, the Real Estate Market Advisory Group (REM) was created in early 2008 to support the work of the UNECE Working Party on Land Administration. REM, which is now fully operational, is comprised of experts with extensive experience in the sector and a thorough knowledge of current realities in the UNECE region.

Its main areas of work include improving the environment for real estate investment, finance and regulations; stimulating the interest of local and international investors in individual countries; assisting countries with capacity-building in the real estate and land administration sectors; acting as experts in workshops and UNECE housing and land administration reviews; and promoting cooperation between the private and public sectors.

As Mr. Brian Emmott, current Chairperson of the Group, explained, "It is our intention, when requested, to provide member States with practical advice and expertise to make sure



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that the real estate market becomes a tool for sound development, avoiding pitfalls and speculations.”

The focus will be on different solutions for a healthy market, including for instance suggestions on how to start and make use of microfinance projects in this area. “Contrary to what might be imagined”, Mr. Emmott added, “there is less risk in lending money to the weaker strata of the population than in any activity regarding ordinary credit. Housing is a primary necessity of many people in the region, and programmes in this direction should be promoted.”

In the coming year, REM intends to develop guidelines on the management and regulation of the real estate market.

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Website: <http://www.unece.org/hlm/welcome.html>.

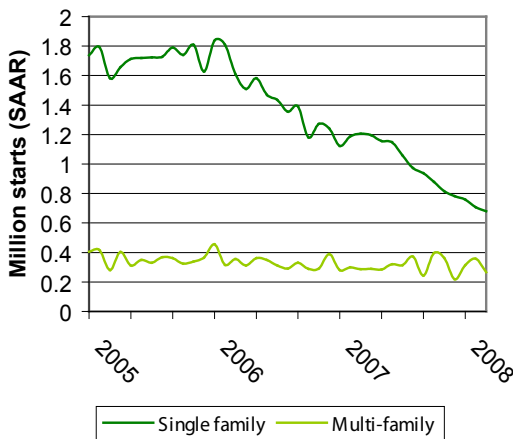


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The Forest Products Annual Market Review begins with an overview of forest products markets and policies, followed by a chapter on government and industry policy issues impacting forest products markets. The third chapter describes economic factors affecting the forest and forest industries sector, with a focus on demand for wood products from construction. The following statistics-based chapters analyse markets of sawn softwood, sawn hardwood, wood-based panels, paper, paperboard and woodpulp, wood raw materials and tropical timber. Additional chapters highlight the key developments in wood energy, forest products certification, as well as value-added wood products, e.g. furniture. Electronic annexes provide supplementary statistical information and the Review's database is available on the website below.

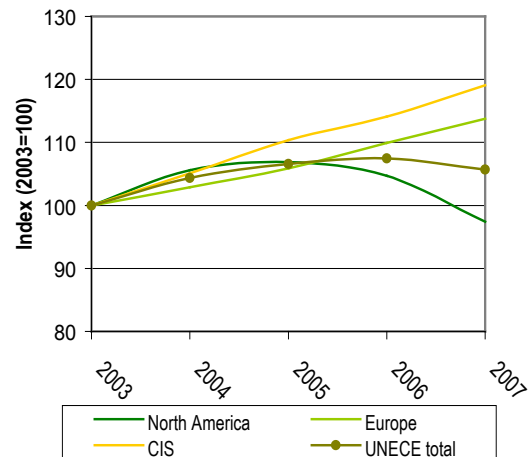
Available from the UN Publications, Sales and Marketing Section (unogbookshop@unog.ch) or from the homepage of the UNECE Timber Committee and the FAO European Forestry Commission, at <http://www.unece.org/trade/timber>.

Graph 1. United States housing starts, 2005-2008



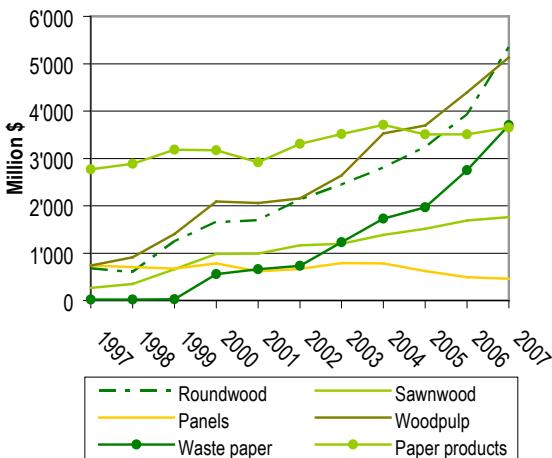
Note: SAAR = Seasonally adjusted annual rate.
Source: US Census Bureau, 2008.

Graph 2. Consumption of forest products in the UNECE region, 2003-2007



Source: UNECE/FAO TIMBER database, 2008.

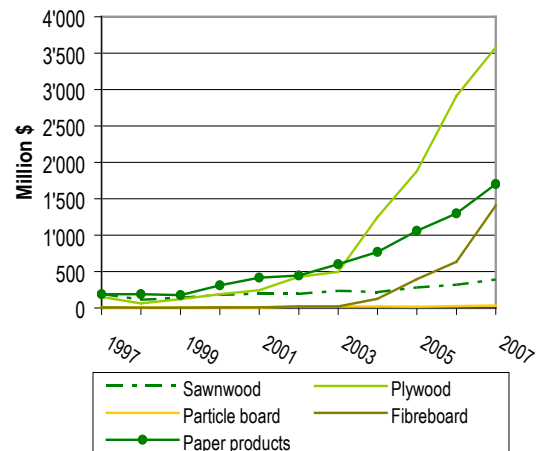
Graph 3. Chinese forest products imports, 1997-2007



Note: 2007 woodpulp, waste paper and paper products imports are secretariat estimates.

Source: International WOOD MARKETS Group, 2008.

Graph 4. Chinese forest products exports, 1997-2007



Note: 2007 paper products exports is a secretariat estimate.

Source: International WOOD MARKETS Group, 2008.