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Global economic crisis affects the forest products markets in the UNECE region

Total consumption of forest products in the UNECE region fell by 8.5% overall in 2008, the sharpest year-on-year decline since the first oil shock of 1973, but with marked differences between the three subregions: consumption fell by 12.7% in North-America and 5.9% in Europe but grew by 3.2% in the CIS.

Devastating impact

The global economic crisis has had a direct, devastating impact on the forest sector in the UNECE region in 2008-2009. The United States financial crisis was largely due to the main driver of forest products markets — housing construction. There were almost 2.2 million houses built in the United States as recently as 2006. However that dropped to under half a million this year. This is about a 75% drop in housing construction and that led to a crisis in the forest products sector also. Wood-frame construction for housing and non-residential buildings in the US has multiplier effects for higher-value wood products as well, since many other products also consume wood, such as interior decoration and furniture.

Some 42% of the global forests are in the UNECE region, and most of that is coniferous forests. The UNECE region is the world's largest producer (60% worldwide), consumer (57%), exporter (77%) and importer (70%) of wood and paper products, and forestry and forest industries are important providers of employment and tax revenues.



Reduced demand so reduced harvests

The wood and paper industries have rationalized production inline with reduced demand — some of the mills will not reopen, at least not soon. Forest landowners and managers have reduced harvests accordingly, and have sought alternative markets. The 116.9 million m³ reduction in consumption of forest products in the UNECE region, of which the majority, 80.9 million m³, occurred in North America between 2007 and 2008, has ramifications throughout the forest sector.



UNECE Executive Secretary takes over coordination role of the regional commissions

Ján Kubiš, UNECE Executive Secretary, assumed the role of coordinator of the five United Nations Regional Commissions on 1 August, for a period of one year.

This informal function, which rotates annually amongst the five Executive Secretaries, was established in the mid-1980s with a view to reinforcing the regional dimension, alongside the national and global ones, in all key issues dealt with by the United Nations.

It was also meant to foster cooperation and synergies amongst the five regional commissions. Over the years, this coordination function has indeed allowed the regional commissions to strengthen their cooperation, work on issues of common interest and launch joint initiatives.

Two of the most recent examples cover statistics measuring violence against women (via the project "Enhancing capacities to eradicate violence against women through networking of local knowledge communities" launched in May this year) and energy efficiency (via the Global Energy Efficiency 21 project launched in June).

Finally, it also offered a framework facilitating the representation of the regional commissions in the major United Nations Conferences and Summits as well as in internal UN bodies such as the Chief Executives Board for Coordination (CEB).

Ján Kubiš commented: "The five regional commissions are supporting their Member States in identifying and implementing concrete solutions to address the main challenges of our time: the financial and economic crisis, food security and climate change. Four months ahead of the Copenhagen Climate Change Conference (COP 15) in December, they are well-placed to assume an active role supporting actions mitigating climate change in their regions through their various programmes in energy, environment, transport, and, in the case of UNECE, timber." ■



Forest products markets (cont.)

Construction slowdown in Europe

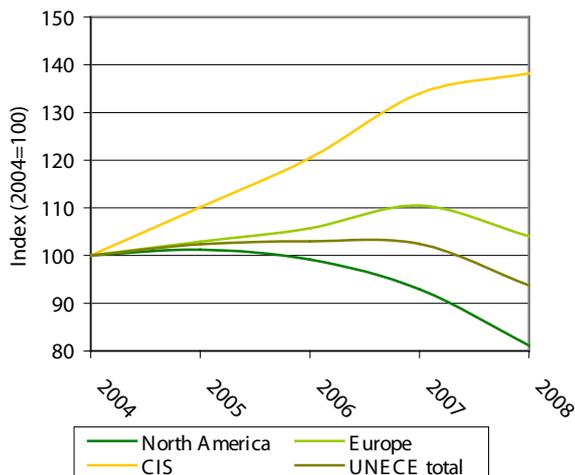
The crisis quickly spread to Europe, including Central and Eastern Europe. European construction, which uses considerably less wood compared to North America, but which is nonetheless an important demand driver, has slowed as well.

There is a fear that the housing crisis may be even more severe in Central and Eastern Europe. Russian housing construction has slowed, but individual houses (32% of the total surface area of construction) and timber-frame houses (10%) are increasing, according to Rosstat, the Russian statistical agency.



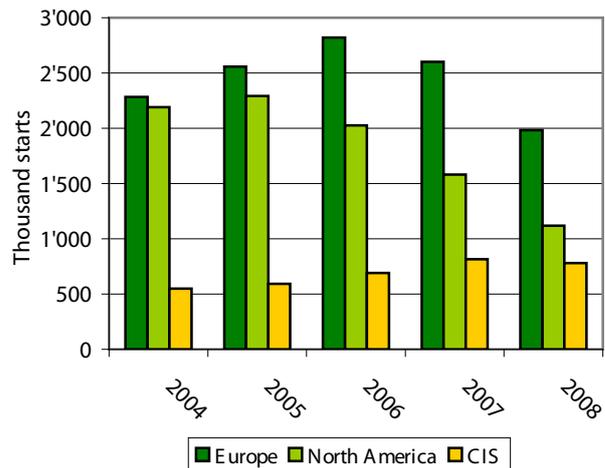
Wood fuel pellet production worldwide grew by 20% in 2008

CONSUMPTION OF FOREST PRODUCTS IN THE UNECE REGION 2004-2008



Note: Based on roundwood equivalent for sawnwood, panels and paper and paperboard.
Source: UNECE/FAO TIMBER database, 2009.

HOUSING STARTS IN THE UNECE REGION, 2004-2008



Note: For European countries outside Euroconstruct's 19 country region and CIS, 2008 is a forecast. Europe: Euroconstruct 19 countries plus Bulgaria, Croatia, Estonia, Latvia, Lithuania, Romania, Serbia, Slovenia and Turkey. North America: Canada and United States. CIS: Russian Federation and Ukraine.

Sources: US Census Bureau, Canada Mortgage and Housing Corporation, Euroconstruct, Rosstat, 2009.

Wood energy is surviving economic downturn

The wood energy sector seems to have been immune to the global economic crisis. Demand for renewable energy sources, including wood biomass, continues to grow steadily due to Governments' incentive policies fostering climate change mitigation efforts and energy security.

North America lags behind Europe in consumption of woodfuel which leads to shipments of considerable quantities of pellets across the Atlantic to meet rising demand for renewable energy in Europe. Driven by government policies for environmental reasons and energy security, wood energy is the one sector best surviving the economic downturn. World wood fuel pellet markets grew by approximately 20% in 2008 and are expected to double by 2012.

Forests' contribution to climate change mitigation

The forest sector has high expectations that the Copenhagen Climate Change Conference (COP 15) in December 2009 will finalize the international framework to pay for Reducing Emissions from Deforestation and Degradation (REDD), tentatively agreed upon in Bali in December 2007.

In the UNECE region, wood constitutes a secure, sustainable source of renewable energy. In addition, using wood as an energy source will help countries meet their carbon emission reduction targets since the CO₂ released when burning wood comes from trees' uptake of carbon during their life and emissions from burning will be captured in new growing trees. Wood can also be a substitute for non-renewable construction materials like plastics, steel or concrete. ■

Source: Chapter 1 (Overview), UNECE/FAO Forest Products Annual Market Review, 2008-2009, published on 4 August 2009.

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