TRENDS AND PROSPECTS ON THE TIMBER MARKET IN BELGIUM

Geneva, September 2005.

Timber Committee
Sixty- third Session

A. THE GENERAL ECONOMIC SITUATION

Indicator	Unit of measure	Actual 2001	Actual 2002	Actual 2003	Actual 2004	Estimate 2005
GDP	% +/-	0.6	0.7	1.1	2.7	1.5
Inflation (RPI)	% +/-	2.5	1.6	1.6	2.4	2.0
Unemployment NumberX.1000	% +/-	6.7	7.3	8.1	7.8	8
Industrial production	% +/-	-0.8	1.1	0	1.1	1
Housebuilding starts	000sa	40.8	37.6	41	45.8	49

The prospect towards which the trends of the fundamental indicators were pointing at the beginning of this year of an improvement of the economic environment for 2005 has melted away.

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 2005 GDP growth. Instead of a grow rate forecast of 2,2 per cent the most recent percentage is 1,5.

In reality economic prospects are being put under pressure by a fall in the export and this since the beginning of the year. So foreign demand isn't longer emerging as a strong stimulus of economic growth. This is particularly a result of the high degree of dependence of the Belgian economy on an European single market which is showing signs of fall.

Despite a downward movement in corporate investment domestic demand in general seemed to be more resilient. This resistance in private consumption expenditures is part of the rather strong purchasing power generated by a more expansionary fiscal policy and a low inflation rate which is expected to remain behind 2%.
Nevertheless a bleaker labour market prospect i.e. 8 per cent unemployment could again induce a tendency to save with the result private consumption could face a slowdown .

B. THE TIMBER OUTLETS

a. the building sector

New housing construction which accounts still for a large share of the annual consumption of lumber performed, - as communicated in September 2004 -, rather good in 2004. More over according to the latest surveys conducted amongst architects this trend could be maintained up to 2005 by achieving 49.000 units.

The good performances are in line with extremely low mortgage rate policy of banks.

From another side, “improvements and repairs of residential properties” sector, although marked by a stagnation, match still good levels and remain a sure component of timber consumption for all categories and species of wood taken together*.*

b. industrial production

The manufacture of **pallets** and of the other forms of containers was still performing at a high level but nevertheless somewhat below the previous years as a result of phytosanitary constraints regarding wooden packaging products, - ISPM 15 -, which could create a reorientation in the lumber supply area’s as well as in the timber products.

During 2004 **furniture** activity was a little better compared to 2003 above all as a result of an increasing local demand. Since the beginning of this year local demand generated a slight increase of the sector’s activity in spite of a fall in the export and an increase of imports especially from China.

Although undergoing a slight decrease manufacturing of **building components** remains rather satisfactory.

C. FORECASTS FOR 2006

Without undue pessimism a return to a more dynamic scenario is difficult to imagine short term, since general conditions remain under a cloud of uncertainty.

D. OTHERS

WOOD FUEL

As previously mentioned official initiatives are underway with the 2010 target 10% of electricity must be produced by alternative energies of wood. This will be decisive for use of bio-fuel and therefore also for wood fuel in the future. Combined with the oil crisis which generates a strong demand for firewood these developments led the Panel industry to express it strong concern about rising raw material prices and future availability.

CERTIFIED FOREST PRODUCTS

In spite of the fact that the Belgian trade continues to support strongly credible timber certificate schemes the battle against illegal harvesting and associate trade is now its main priority.
More over since the Belgian independent certification body has decided to give the green light for PEFC certification of forests in Wallonia more than 42% of these forests have been certified and 38 enterprises concerned got a CoC.

Finally at the federal level a proposal concerning its procurement policy is under development and in this connection it is highly probable that FSC and PEFC will be taken into account as sustainable and legal.