

GLOBAL TIMBER INDEX GTI REPORT MONTHLY

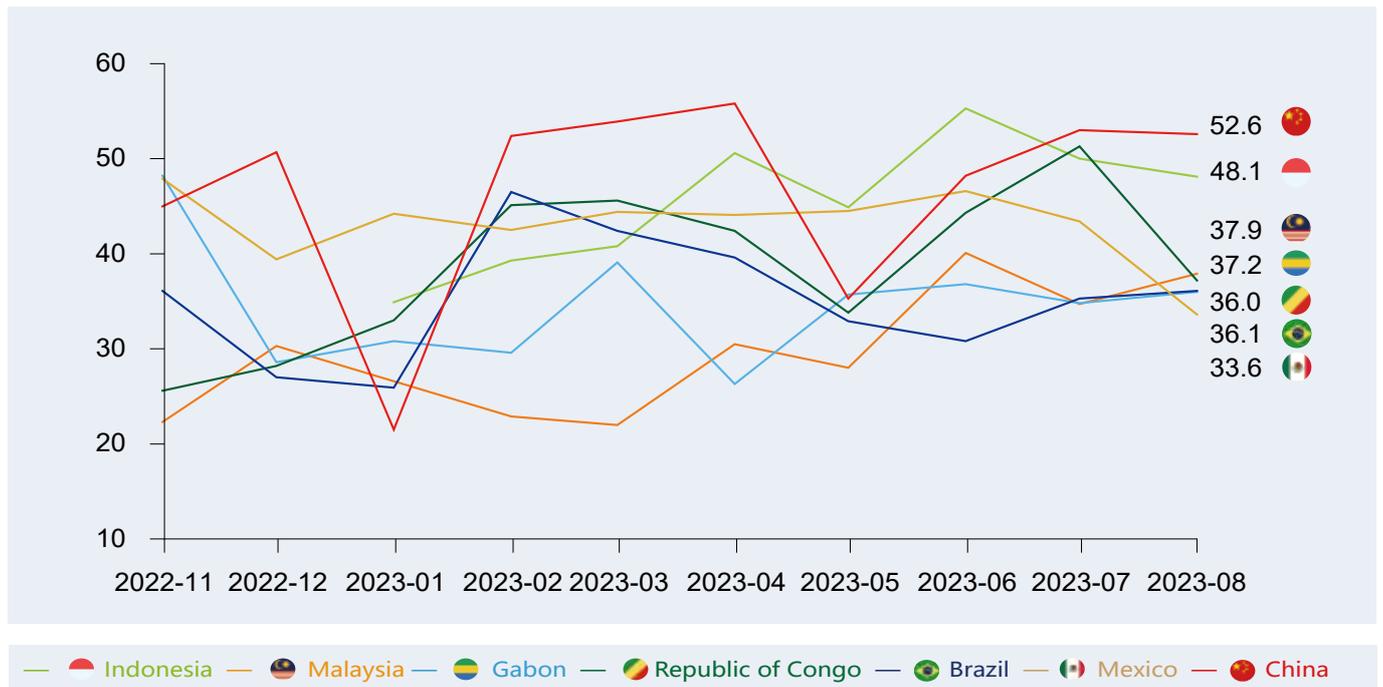
GGSC-No. 8/2023

This report was prepared by GGSC, with support of ITTO and IPIM, and Focal Points of Indonesia, Malaysia, Gabon, Republic of Congo, Brazil, Mexico, and China.



Overview of the GTI Index

China's timber market sustains expansion and sees policy boost for housing market



The Global Timber Index (GTI) report in August 2023 shows that the GTI-China Index registered 52.6%, down 0.4 percentage point from the previous month. This also indicates that the timber market in China was in a state of expansion for 2 consecutive months. With the release of a new national housing policy at the end of August, four major first-tier cities in China—including Beijing, Shanghai, Guangzhou, and Shenzhen — had announced families that own no property in the region, are to be treated as first-time homebuyers eligible for favorable mortgage conditions. The policy may also further drive the development of timber markets, not only in China, but also in some other places.

The GTI-Indonesia index saw a slight decline and stood at 48.1%, and the sub-indexes showed increased harvesting and production, relatively stable number of export orders, and slightly insufficient domestic demand. The GTIs of Malaysia, ROC, and Brazil rose slightly from the previous month, registering 37.9%, 36%, and 36.1%, respectively. In contrast, the GTIs of Gabon and Mexico fell sharply compared with the previous month, recording 37.2% and 33.6%, respectively.

Recently, the GTI pilot countries have been keeping a close watch on the implementation progress of the European Union Deforestation Regulation (EUDR). Indonesia, Malaysia, and the

European Union have established an Ad Hoc Joint Task Force (JTF) concerning the EUDR, and the Kick-off Meeting of the JTF was convened in early August, aiming to seek common interests between producing and consuming countries, and carry out dialogues to enhance mutual understanding on the implementation of the regulation. Besides, some enterprises expressed their concerns about potential trade discrimination under the EUDR. The potential negative impact of the EUDR on Brazilian timber products was discussed at a meeting of the Agriculture and Industry and trade committees of the Chamber of Deputies, which concluded that EUDR would impact almost 35% of the products exported from Brazil to the EU.

Thanks to the focal points from Indonesia, Malaysia, Gabon, Republic of the Congo, Brazil, Mexico, and China for their support and contribution to GTI.

Focal Points:**Indonesia:**

- Sustainable Forest Management of the Ministry of Environment and Forestry

Malaysia:

- Malaysian Timber Council (MTC)
- Special thanks to Ministry of Plantation Industries & Commodities (MPIC) and Sarawak Timber Association (STA)

Gabon:

- Ministry of Water and Forests, Sea and Environment, Responsible for the Climate Plan and Land Use

Republic of the Congo:

- Ministère de l' Economie Forestière

Brazil:

- STCP Engenharia de Projetos Ltda

Mexico:

- National Forestry Commission of Mexico/Comisión Nacional Forestal (CONAFOR)

China:

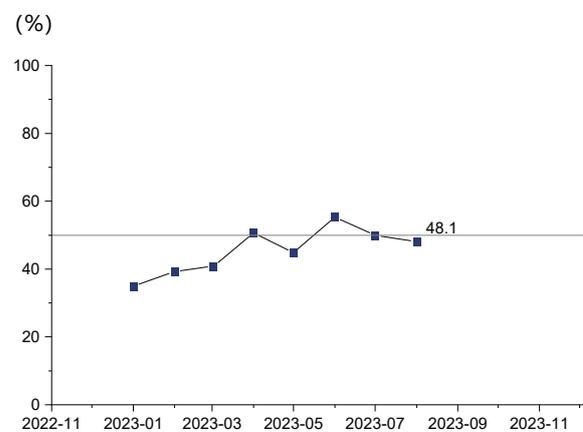
- The Secretariat of the Global Green Supply Chains Initiative (GGSC)

GTI-Indonesia Index in August 2023

According to data from Indonesia's Ministry of Environment and Forestry (Kementerian Lingkungan Hidup dan Kehutanan, KLHK), in the first half of 2023, Indonesia's exports of forestry products amounted to approximately US\$6.7 billion, slightly lower than the US\$7.03 billion in the same period last year. The exported forestry products mainly included paper, pulp, and plywood. Affected by the reduced demand from North America and Europe, plywood exports fell sharply, down 26% from the same period last year, with the exports totaling only US\$1.23 billion. In early August, the Kick-off Meeting of the Ad Hoc Joint Task Force (on European Union Deforestation Regulation) between Indonesia, Malaysia, and the European Union was convened, aiming to seek common interests between producing and consuming countries. Besides, Indonesia's smallholder union (SKPS) established a foundation to help farmers comply with European Union Deforestation Regulation. And recent news said that the foundation would support forest conservation and responsible deforestation-free practices that improve the welfare of smallholder farmers and rural communities.

In August this year, Indonesia's timber industry

GTI-Indonesia Index



remained relatively stable. However, insufficient plywood orders had become a prominent problem, which led to lower log prices and limited the production of concession companies. This month, the GTI-Indonesia index registered 48.1%, a decrease of 1.9 percentage points from the previous month, fell below the critical value (50%) after 2 months, indicating that the business prosperity of the superior timber enterprises represented by the GTI-Indonesia index shrank from last month.

Main Challenges Reported by GTI-Indonesia Enterprises

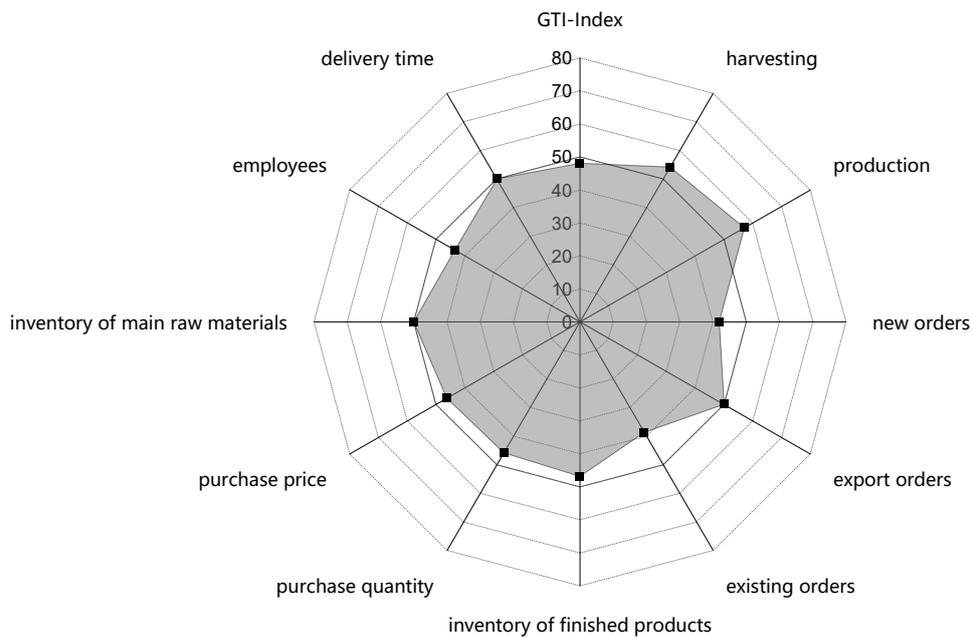
- Limited overseas orders for enterprises, directly resulting in reduced performance.
- Low prices of logs in the domestic market, as the logs produced by the concession company were mainly sold in the limited domestic market.
- Sluggish plywood market (especially Japan, the main export destination of plywood), leading to a significant decrease in log orders from the plywood industry.
- Not fully operational production activities, as some concession companies were still in the process of revamping and preparing infrastructure and the issuance of log transport permits from the government took time.
- A decline in river water levels during the dry season, making it difficult for companies to deliver logs to buyers via waterways.
- High fuel prices, which had greatly increased production costs that were even higher than the selling prices of products.

Main Suggestions from GTI-Indonesia Enterprises

- Roll out policies to encourage enterprises to engage in sustainable forest management and ensure the legal source of raw materials.
- For logs that do not meet the stringent requirements as raw material for plywood, the concession company may sell and deliver them to the sawmill industry albeit at a lower selling price.
- To cope with the problem of excessively low prices of logs in the domestic market, the government may establish reference prices for logs in the domestic market, so as to prevent further price decreases, and on the other hand, the enterprises should adjust production according to buyers' needs to maintain the balance between supply and demand of logs.
- To facilitate normal production activities, companies should improve their forest management systems and prepare the necessary infrastructure.
- There is a need for direct visits to buyers' premises to promote the recovery of the plywood market and increase plywood orders.

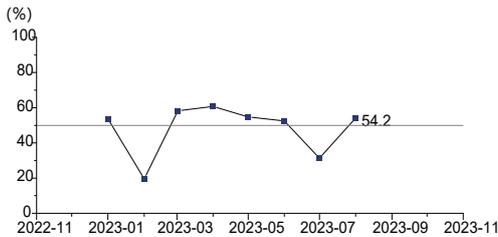
GTI-Indonesia sub-index

As for the GTI-Indonesia sub-index, in August 2023, the harvesting and production indexes were above the critical value, the export orders, inventory of raw materials, and delivery time indexes were equal to the critical value, while the remaining 6 sub-indexes were below the critical value.

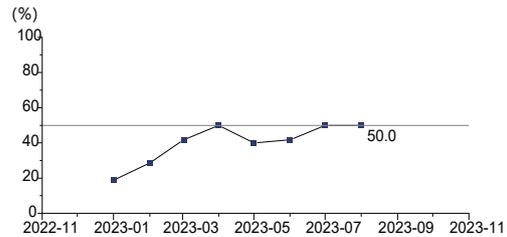


GTI-Indonesia sub-index

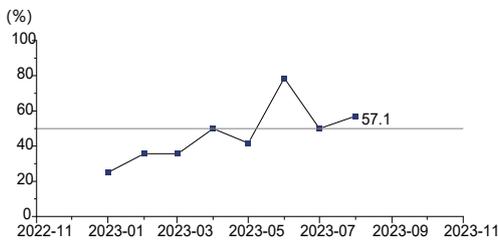
The harvesting index registered 54.2%, an increase of 22.9 percentage points from the previous month, rose above the critical value after 1 month, indicating that the harvesting volume of the superior timber enterprises represented by the GTI-Indonesia was more than that of last month.



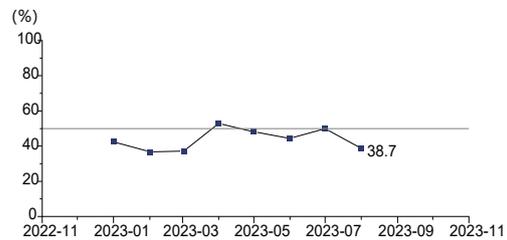
The export orders index registered 50.0%, same with the previous month, was equal to the critical value for 2 consecutive months, indicating that the number of export orders of the superior timber enterprises represented by the GTI-Indonesia was the same with that of last month.



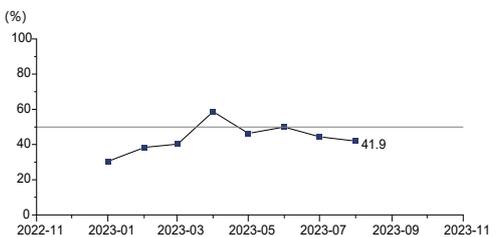
The production index registered 57.1%, an increase of 7.1 percentage points from the previous month, rose above the critical value, indicating that the production volume of the superior timber enterprises represented by the GTI-Indonesia was more than that of last month.



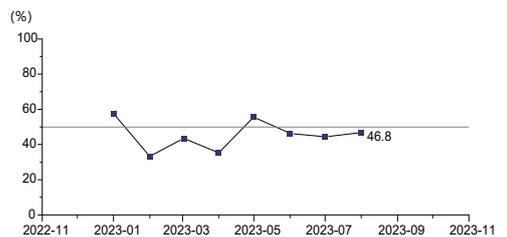
The existing orders index registered 38.7%, a decrease of 11.3 percentage points from the previous month, fell below the critical value, indicating that the number of existing orders of the superior timber enterprises represented by the GTI-Indonesia was less than that of last month.



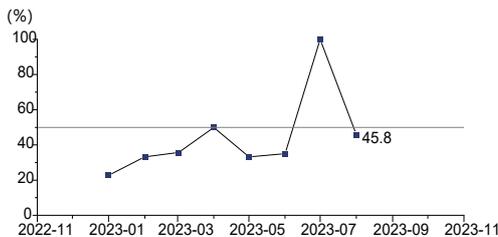
The new orders index registered 41.9%, a decrease of 2.5 percentage points from the previous month, was below the critical value for 2 consecutive months, indicating that the number of new orders of the superior timber enterprises represented by the GTI-Indonesia was less than that of last month.



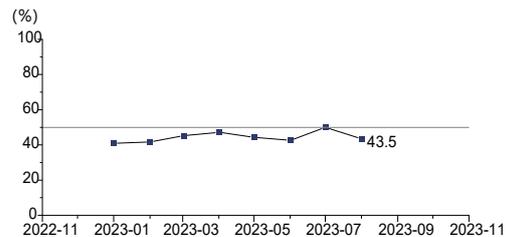
The inventory index of finished products registered 46.8%, an increase of 2.4 percentage points from the previous month, was below the critical value for 3 consecutive months, indicating that the inventory of finished products of the superior timber enterprises represented by the GTI-Indonesia was less than that of last month.



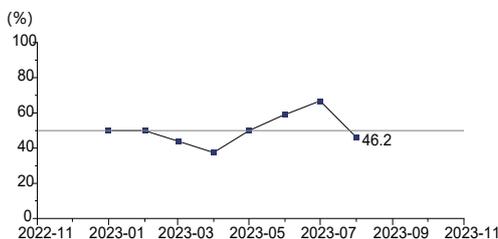
The purchase quantity index registered 45.8%, a decrease of 54.2 percentage points from the previous month, fell below the critical value after 1 month, indicating that the purchase quantity of the superior timber enterprises represented by the GTI-Indonesia was less than that of last month.



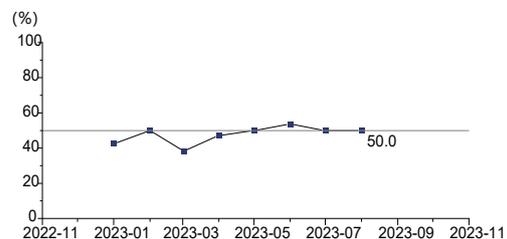
The production and management employees index registered 43.5%, a decrease of 6.5 percentage points from the previous month, fell below the critical value, indicating that the number of employees in the superior timber enterprises represented by the GTI-Indonesia was less than that of last month.



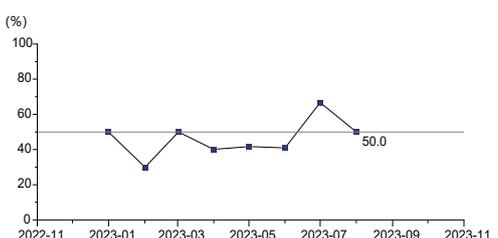
The purchase price index registered 46.2%, a decrease of 20.5 percentage points from the previous month, fell below the critical value, indicating that the purchase price of the superior timber enterprises represented by the GTI-Indonesia was lower than that of last month.



The delivery time index registered 50.0%, same with the previous month, was equal to the critical value for 2 consecutive months, indicating that the delivery time from the supplier to the superior timber enterprises represented by the GTI-Indonesia was the same with that of last month.



The inventory index of main raw materials registered 50.0%, a decrease of 16.7 percentage points from the previous month, fell to the critical value, indicating that the inventory of main raw materials of the superior timber enterprises represented by the GTI-Indonesia was the same with that of last month.

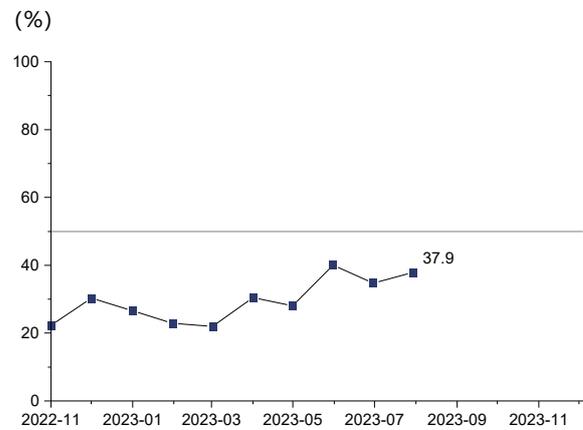


GTI-Malaysia Index in August 2023

Data released by Department of Statistics Malaysia on August 18 showed that Malaysia's GDP in the second quarter was about USD 96.929 billion, marking a year-on-year growth of 2.9%. However, this growth rate had decreased by 2.8 percentage points compared to the first quarter, making it the lowest growth rate in seven quarters. In terms of trade, Malaysia's total exports in July amounted to MYR 116.752 billion, and imports totaled MYR 99.661 billion, resulting in a trade surplus of MYR 17.091 billion. In the forestry sector, some timber enterprises in Sarawak and Sabah had closed their plywood plants or scaled down production due to shortages of logs and foreign labor. For example, Eksons Corp, a plywood manufacturer in Sabah, halted its core plywood production in January this year. To create greater economic value, the Sarawak Forestry Department issued a circular based on the "Revised Policy Directive on Industrial Tree Planting in Sarawak", encouraging not-for-timber interplanting in plantation, covering bamboo, rattan, herbs, medicinal trees, etc.

In August this year, Malaysia's timber market was still relatively sluggish. The GTI-Malaysia

GTI-Malaysia Index



enterprises reported low domestic demand for building materials, reduced overseas orders, low timber prices, and, rejection of logistics services due to small volume of exports and reduction of shipments. This month, the GTI-Malaysia index registered 37.9%, an increase of 3.2 percentage points from the previous month, was below the critical value (50%) for 10 consecutive months, indicating that the business prosperity of the superior timber enterprises represented by the GTI-Malaysia index shrank from last month, however, the contraction eased.

Main Challenges Reported by GTI-Malaysia Enterprises

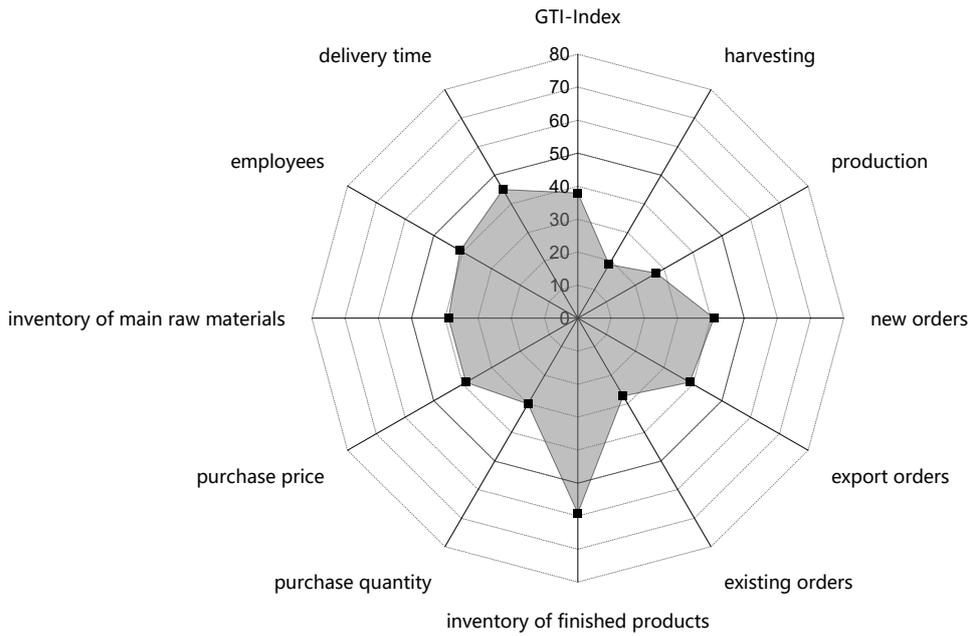
- Not enough labor & orders.
- High cost of raw material.
- Sluggish market leading to a decrease in sawn timber processing orders.
- Reduced export orders.
- Decreased overseas demand and slower shipments.
- Low demand for building materials contributing to low prices in the timber market.
- Rejection of logistics services due to small volume of exports and reduction of shipments.

Main Suggestions from GTI-Malaysia Enterprises

- Expand markets and seek labor force.
- Strictly control production costs.
- Government to increase spending on the construction of public building to increase demand for building materials and residential/office furniture.
- Work closely with customers to develop market for acacia sawn timber.
- Increase operations during sunny days.

GTI-Malaysia sub-index

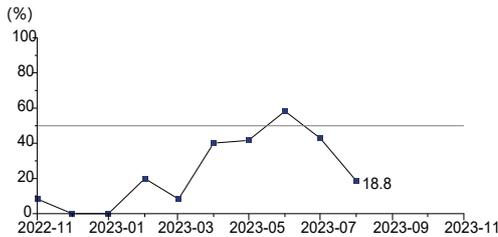
As for the GTI-Malaysia sub-index, in August 2023, only the inventory index of finished products was above the critical value, while the remaining 10 sub-indexes were all below the critical value.



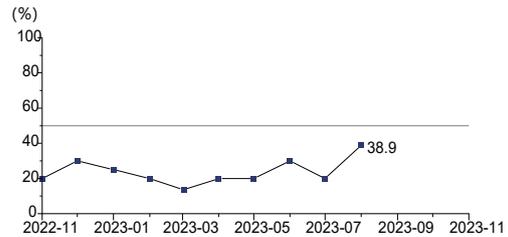
GTI-Malaysia sub-index



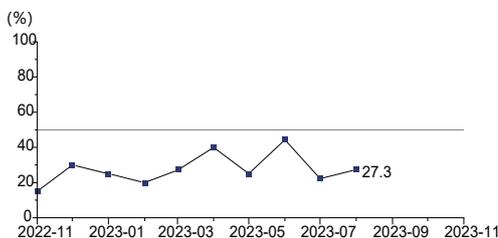
The harvesting index registered 18.8%, a decrease of 24.1 percentage points from the previous month, was below the critical value for 2 consecutive months, indicating that the harvesting volume of the superior timber enterprises represented by the GTI-Malaysia was much less than that of last month.



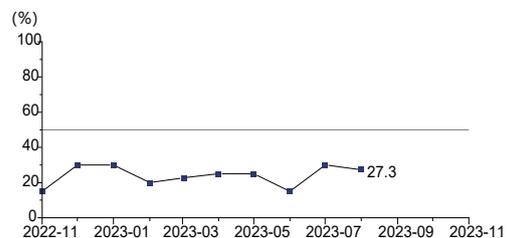
The export orders index registered 38.9%, an increase of 18.9 percentage points from the previous month, was below the critical value for 10 consecutive months, indicating that the number of export orders of the superior timber enterprises represented by the GTI-Malaysia was less than that of last month.



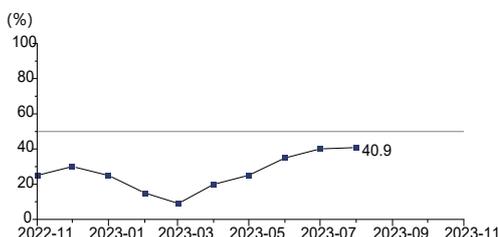
The production index registered 27.3%, an increase of 5.1 percentage points from the previous month, was below the critical value for 10 consecutive months, indicating that the production volume of the superior timber enterprises represented by the GTI-Malaysia was less than that of last month.



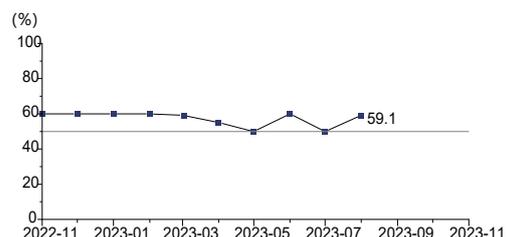
The existing orders index registered 27.3%, a decrease of 2.7 percentage points from the previous month, was below the critical value for 10 consecutive months, indicating that the number of existing orders of the superior timber enterprises represented by the GTI-Malaysia was less than that of last month.



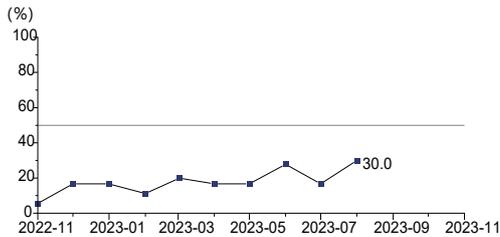
The new orders index registered 40.9%, an increase of 0.9 percentage point from the previous month, was below the critical value for 10 consecutive months, indicating that the number of new orders of the superior timber enterprises represented by the GTI-Malaysia was less than that of last month.



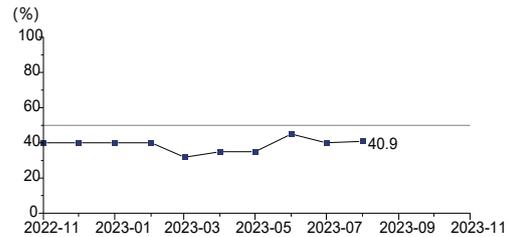
The inventory index of finished products registered 59.1%, an increase of 9.1 percentage points from the previous month, rose above the critical value, indicating that the inventory of finished products of the superior timber enterprises represented by the GTI-Malaysia was more than that of last month.



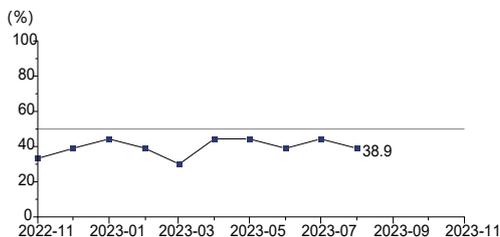
The purchase quantity index registered 30.0%, an increase of 13.3 percentage points from the previous month, was below the critical value for 10 consecutive months, indicating that the purchase quantity of the superior timber enterprises represented by the GTI-Malaysia was less than that of last month.



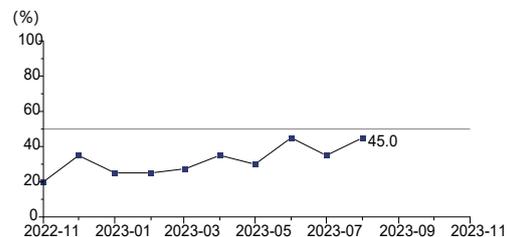
The production and management employees index registered 40.9%, an increase of 0.9 percentage point from the previous month, was below the critical value for 10 consecutive months, indicating that the number of employees in the superior timber enterprises represented by the GTI-Malaysia was less than that of last month.



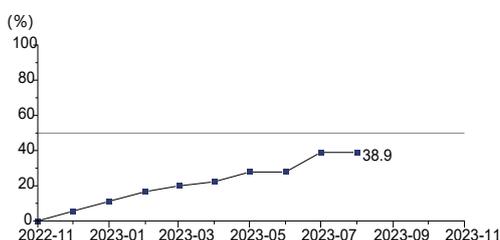
The purchase price index registered 38.9%, a decrease of 5.5 percentage points from the previous month, was below the critical value for 10 consecutive months, indicating that the purchase price of the superior timber enterprises represented by the GTI-Malaysia was lower than that of last month.



The delivery time index registered 45.0%, an increase of 10.0 percentage points from the previous month, was below the critical value for 10 consecutive months, indicating that the delivery time from the supplier to the superior timber enterprises represented by the GTI-Malaysia was shorter than that of last month.



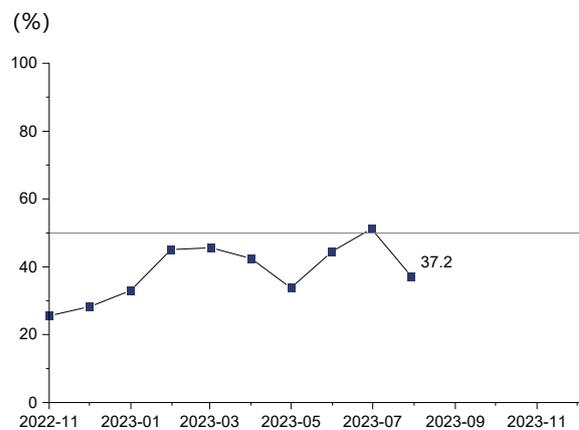
The inventory index of main raw materials registered 38.9%, same with the previous month, was below the critical value for 10 consecutive months, indicating that the inventory of main raw materials of the superior timber enterprises represented by the GTI-Malaysia was less than that of last month.



GTI-Gabon Index in August 2023

Data released by Gabon Customs showed that in 2022, Gabon's total imports and exports amounted to XAF 7,422 billion (approximately USD 12.4 billion); crude oil, processed timber, and manganese ore were the top three export products of Gabon; and processed timber accounted for approximately 10.7% of the total, with timber exports reaching XAF 610.9 billion (approximately USD 1 billion), marking a year-on-year growth of 24.4%. On July 31st, Gabon's Council of Transformation Acceleration Plan (CNPAT) held an achievement release conference, announcing that 30% of the projects outlined in the Transformation Acceleration Plan had been completed between March 2021 and July 2023, and 90% of the projects in the Plan were expected to be completed by the end of this year. In terms of the forestry sector, the Gabonese government had rolled out a series of measures to promote wood processing industry, including the construction of industrial platforms, the review of harvesting permits, and the establishment of a timber traceability system, etc., and the output value of the forestry sector had increased significantly, reaching XAF 477 billion (approximately USD 800 million) in 2022, constituting 61.2% of the total value target set by the Transformation Acceleration Plan.

GTI-Gabon Index



Currently, the dry season in Gabon provides favorable weather conditions for harvesting activities. However, the GTI enterprises reported slow timber transportation due to a lack of transportation vehicles. Besides, some enterprises encountered production delays caused by the presidential election activities. This month, the GTI-Gabon index registered 37.2%, a decrease of 14.1 percentage points from the previous month, fell below the critical value (50%), indicating that the business prosperity of the superior timber enterprises represented by the GTI-Gabon index shrank from last month.

Main Challenges Reported by GTI-Gabon Enterprises

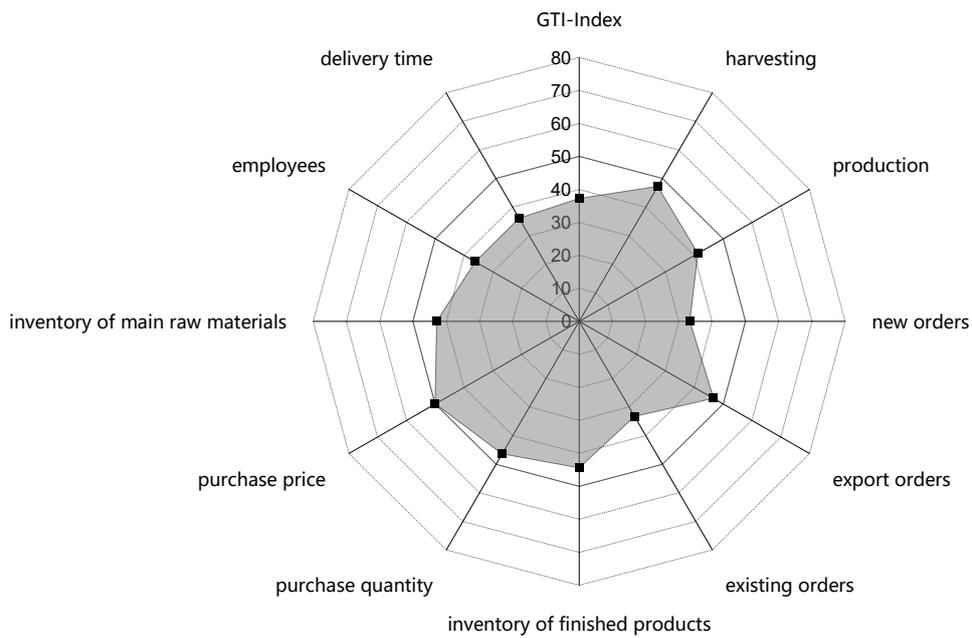
- Poor road and railway infrastructure leading to transportation difficulties.
- Lack of vehicles for the transportation of raw materials, resulting in rising raw material prices.
- Insufficient railway transportation vehicles leading to slow transportation of logs.
- Reduced export orders and slow destocking.
- Shortage of skilled workers in plant and inadequate supply of raw materials.
- Products backlog due to insufficient order quantities.
- Some production activities delayed by the presidential election.

Main Suggestions from GTI-Gabon Enterprises

- The government rolls out policies to improve railway transportation infrastructure and ensures the availability of carriages.
- Diversify products to enhance competitiveness.
- Explore new markets and seek potential customers.
- Increase enterprises' labor force and reduce procurement costs.
- Remove transportation restrictions.

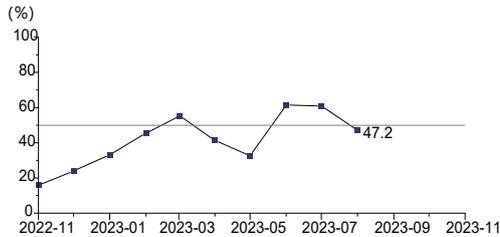
GTI-Gabon sub-index

As for the GTI-Gabon sub-index, in August 2023, only the purchase price index was equal to the critical value, while the remaining 10 sub-indexes were all below the critical value.

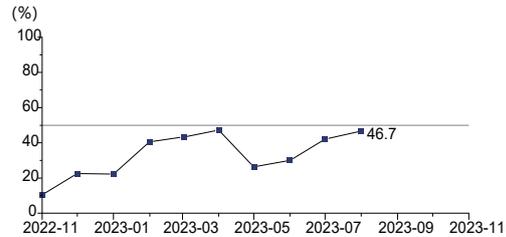


GTI-Gabon sub-index

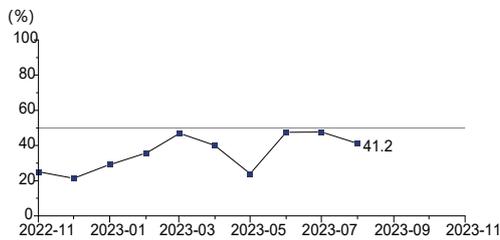
The harvesting index registered 47.2%, a decrease of 13.7 percentage points from the previous month, fell below the critical value, indicating that the harvesting volume of the superior timber enterprises represented by the GTI-Gabon was less than that of last month.



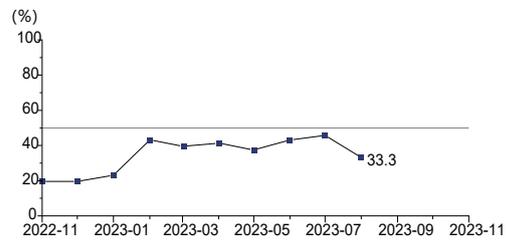
The export orders index registered 46.7%, an increase of 4.6 percentage points from the previous month, was below the critical value for 10 consecutive months, indicating that the number of export orders of the superior timber enterprises represented by the GTI-Gabon was less than that of last month.



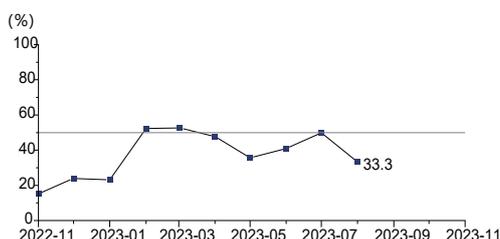
The production index registered 41.2%, a decrease of 6.4 percentage points from the previous month, was below the critical value for 10 consecutive months, indicating that the production volume of the superior timber enterprises represented by the GTI-Gabon was less than that of last month.



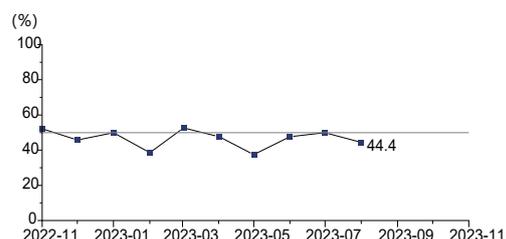
The existing orders index registered 33.3%, a decrease of 12.4 percentage points from the previous month, was below the critical value for 10 consecutive months, indicating that the number of existing orders of the superior timber enterprises represented by the GTI-Gabon was less than that of last month.



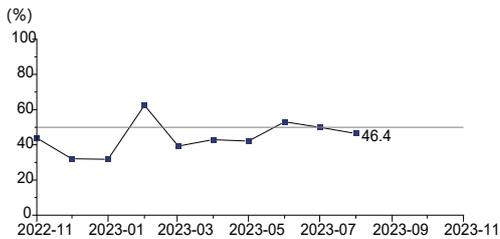
The new orders index registered 33.3%, a decrease of 16.7 percentage points from the previous month, fell below the critical value, indicating that the number of new orders of the superior timber enterprises represented by the GTI-Gabon was less than that of last month.



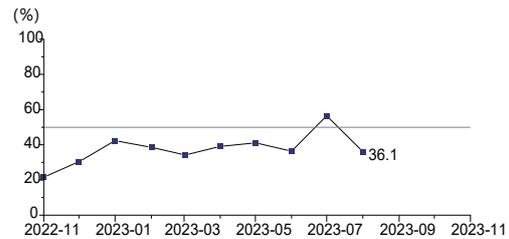
The inventory index of finished products registered 44.4%, a decrease of 5.6 percentage points from the previous month, fell below the critical value, indicating that the inventory of finished products of the superior timber enterprises represented by the GTI-Gabon was less than that of last month.



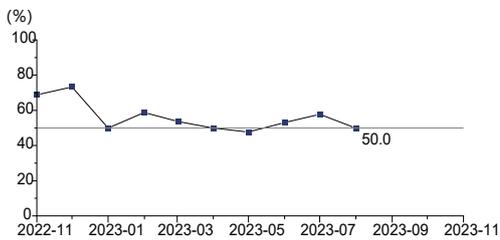
The purchase quantity index registered 46.4%, a decrease of 3.6 percentage points from the previous month, fell below the critical value, indicating that the purchase quantity of the superior timber enterprises represented by the GTI-Gabon was less than that of last month.



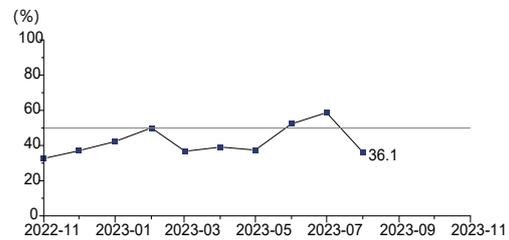
The production and management employees index registered 36.1%, a decrease of 20.4 percentage points from the previous month, fell below the critical value, indicating that the number of employees in the superior timber enterprises represented by the GTI-Gabon was less than that of last month.



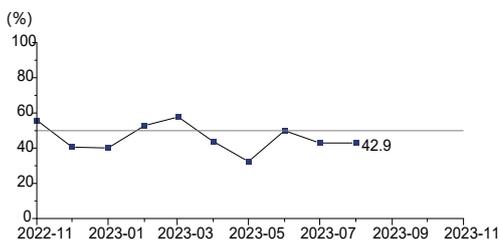
The purchase price index registered 50.0%, a decrease of 7.7 percentage points from the previous month, fell to the critical value after 2 months, indicating that the purchase price of the superior timber enterprises represented by the GTI-Gabon was the same with that of last month.



The delivery time index registered 36.1%, a decrease of 22.6 percentage points from the previous month, fell below the critical value after 2 months, indicating that the delivery time from the supplier to the superior timber enterprises represented by the GTI-Gabon was shorter than that of last month.



The inventory index of main raw materials registered 42.9%, same with the previous month, was below the critical value for 2 consecutive months, indicating that the inventory of main raw materials of the superior timber enterprises represented by the GTI-Gabon was less than that of last month.

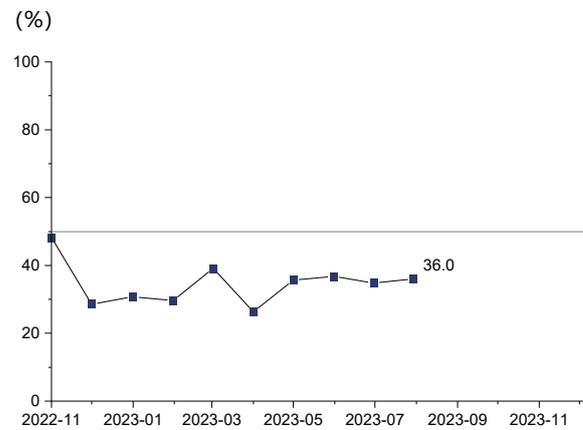


GTI-ROC Index in August 2023

In July this year, the Republic of Congo (ROC) and Kenya signed several bilateral agreements aimed at expanding their economic benefits. These agreements encompass partnerships in trade & investment, energy, information & communication technology, transportation, security, education, tourism, culture, agriculture, blue economy, and other sectors. Currently, most regions of ROC are in the dry season, which is favorable for timber harvesting. However, heavy rains in the northern areas have caused delays in production and hindered timber transportation. On the whole, the railway transportation system in ROC is relatively in good condition, and logs are transported by waterways to Brazzaville and then by rail to Pointe-Noire Port.

In August 2023, the challenges reported by GTI-ROC enterprises remained largely consistent with the previous month. The challenges mainly revolved around fuel supply, road transportation, administrative procedures, and the ban on log exports, which had led to decreased production and reduced cash flow for some enterprises. The

GTI-ROC Index



enterprises continued to call for actions from the forestry authorities, including increasing support to enterprises, waiving some taxes to ease their pressure, and enhancing road maintenance. This month, the GTI-ROC index registered 36.0%, an increase of 1.2 percentage points from the previous month, was below the critical value (50%) for 10 consecutive months, indicating that the business prosperity of the superior timber enterprises represented by the GTI-ROC index shrank from last month.

Main Challenges Reported by GTI-ROC Enterprises

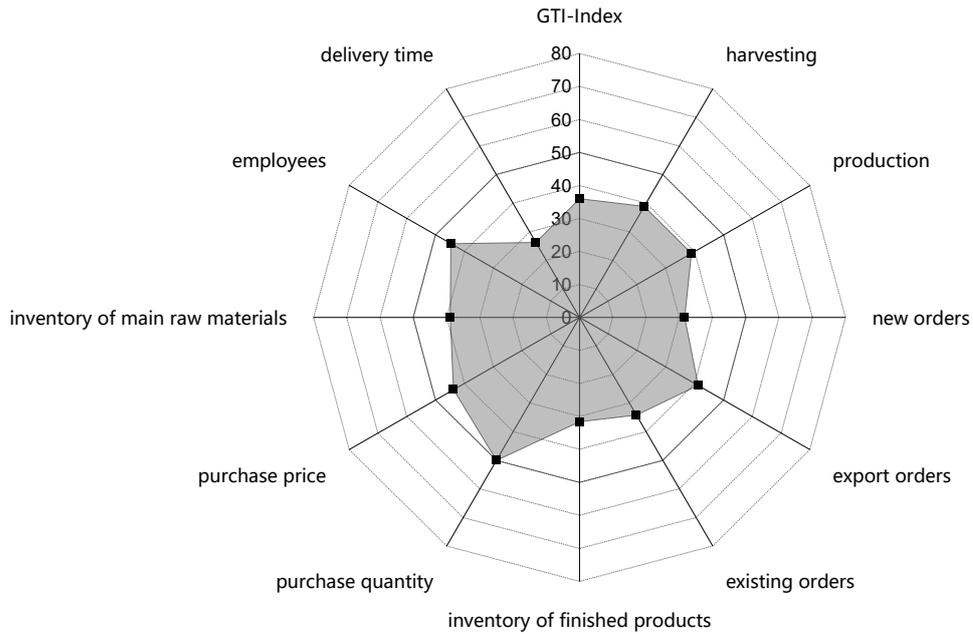
- Complex administrative procedures and a sluggish timber market.
- Insufficient supply of fuel and lubricants, along with rising component prices.
- Poor road conditions.
- Problems related to logistics speed and transportation facilities.
- Problems related to harvesting qualifications for forest resources.
- Decreases in both production volume of logs and cash flow of the enterprise due to the ban on log exports.
- Disrupted production activities due to heavy rains, and a lack of skilled labor.

Main Suggestions from GTI-ROC Enterprises

- Enterprises hold talks with the forestry authorities for more support.
- The forestry authorities promote the development of the tropical timber market in the Congo Basin, while showing greater concern for suggestions from enterprises.
- Ensure continuous fuel supply.
- Consider tax exemptions as compensation.
- The government assists in road maintenance, particularly for highways.

GTI-ROC sub-index

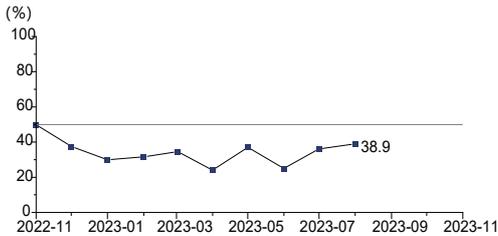
As for the GTI-ROC sub-index, in August 2023, only the purchase quantity index was equal to the critical value, while the remaining 10 sub-indexes were all below the critical value.



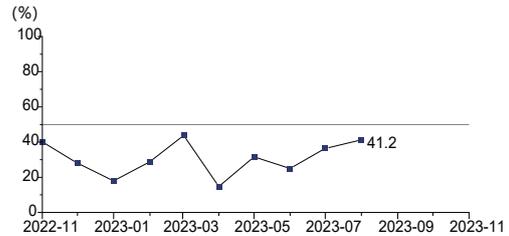
GTI-ROC sub-index



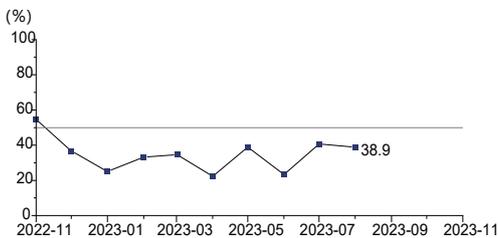
The harvesting index registered 38.9%, an increase of 2.8 percentage points from the previous month, was below the critical value for 9 consecutive months, indicating that the harvesting volume of the superior timber enterprises represented by the GTI-ROC was less than that of last month.



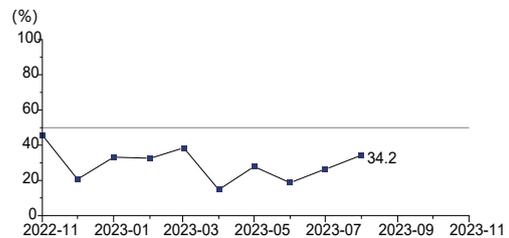
The export orders index registered 41.2%, an increase of 4.8 percentage points from the previous month, was below the critical value for 10 consecutive months, indicating that the number of export orders of the superior timber enterprises represented by the GTI-ROC was less than that of last month.



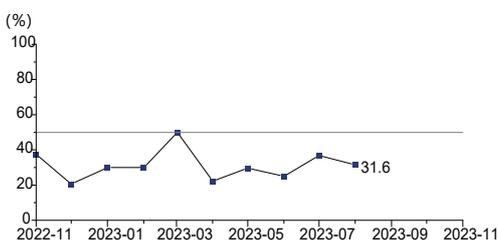
The production index registered 38.9%, a decrease of 1.7 percentage points from the previous month, was below the critical value for 9 consecutive months, indicating that the production volume of the superior timber enterprises represented by the GTI-ROC was less than that of last month.



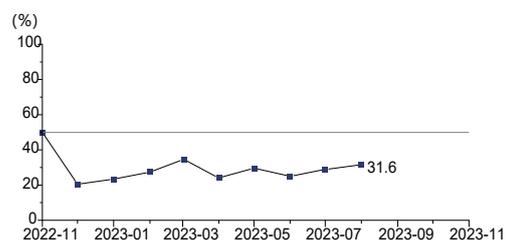
The existing orders index registered 34.2%, an increase of 7.9 percentage points from the previous month, was below the critical value for 10 consecutive months, indicating that the number of existing orders of the superior timber enterprises represented by the GTI-ROC was less than that of last month.



The new orders index registered 31.6%, a decrease of 5.2 percentage points from the previous month, was below the critical value for 5 consecutive months, indicating that the number of new orders of the superior timber enterprises represented by the GTI-ROC was less than that of last month.

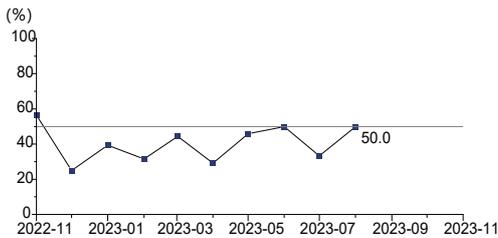


The inventory index of finished products registered 31.6%, an increase of 2.7 percentage points from the previous month, was below the critical value for 9 consecutive months, indicating that the inventory of finished products of the superior timber enterprises represented by the GTI-ROC was less than that of last month.

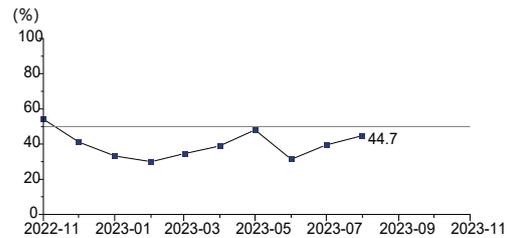




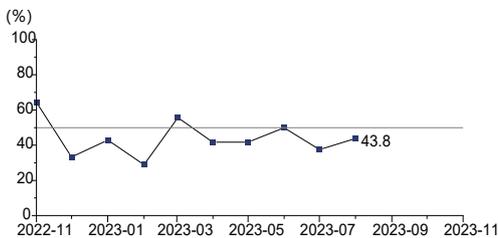
The purchase quantity index registered 50.0%, an increase of 16.7 percentage points from the previous month, rose to the critical value, indicating that the purchase quantity of the superior timber enterprises represented by the GTI-ROC was the same with that of last month.



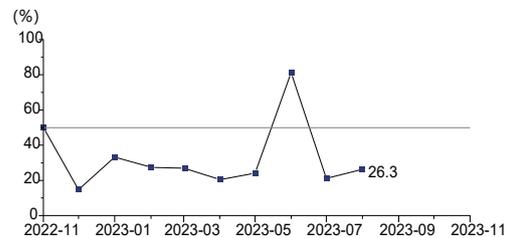
The production and management employees index registered 44.7%, an increase of 5.2 percentage points from the previous month, was below the critical value for 9 consecutive months, indicating that the number of employees in the superior timber enterprises represented by the GTI-ROC was less than that of last month.



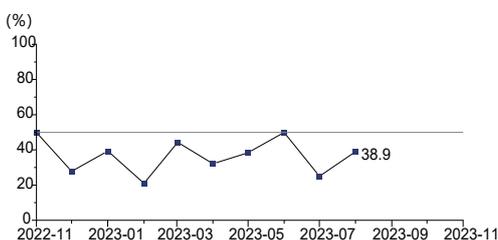
The purchase price index registered 43.8%, an increase of 6.3 percentage points from the previous month, was below the critical value for 2 consecutive months, indicating that the purchase price of the superior timber enterprises represented by the GTI-ROC was lower than that of last month.



The delivery time index registered 26.3%, an increase of 5.2 percentage points from the previous month, was below the critical value for 2 consecutive months, indicating that the delivery time from the supplier to the superior timber enterprises represented by the GTI-ROC was shorter than that of last month.



The inventory index of main raw materials registered 38.9%, an increase of 13.9 percentage points from the previous month, was below the critical value for 2 consecutive months, indicating that the inventory of main raw materials of the superior timber enterprises represented by the GTI-ROC was less than that of last month.

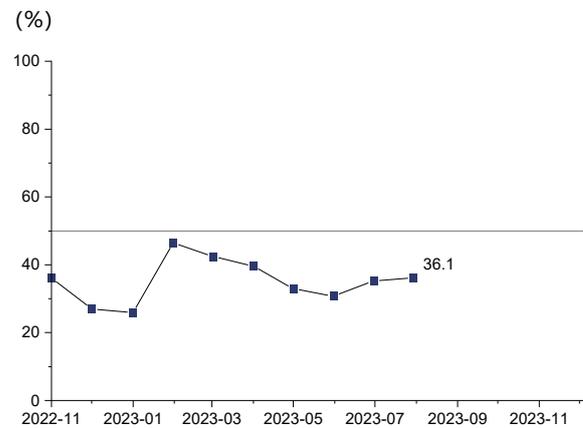


GTI-Brazil Index in August 2023

According to data released by the Brazilian government, Brazil's total exports in August amounted to US\$31.211 billion, up 1.4% year-on-year. Total imports stood at US\$21.444 billion, down 19.6% year-on-year. The trade surplus was US\$9.767 billion, slightly higher than market expectations of US\$9.75 billion. In August, Brazilian President Lula announced the launch of the Growth Acceleration Program (PAC), which was expected to invest a total of R\$1.7 trillion (US\$347.47 billion) across Brazil to boost the country's infrastructure construction and economic development. In the forestry sector, the Amazon Cooperation Treaty (ACT) conference convened in Belém (a northern city of Brazil) on August 8th resulted in a series of policy measures for regional cooperation, among which an alliance to combat deforestation will be formed, allowing countries to set their own goals to end deforestation.

In August this year, the GTI-Brazil enterprises as a whole remained in the contraction range, while higher prices of raw materials made products less

GTI- Brazil Index



competitive in the international market. The enterprises were hoping to increase production efficiency, through the improvement of production processes. This month, the GTI-Brazil index registered 36.1%, an increase of 0.8 percentage point from the previous month, was below the critical value (50%) for 10 consecutive months, indicating that the business prosperity of the superior timber enterprises represented by the GTI-Brazil index shrank from last month, however, the contraction eased.

Main Challenges Reported by GTI-Brazil Enterprises

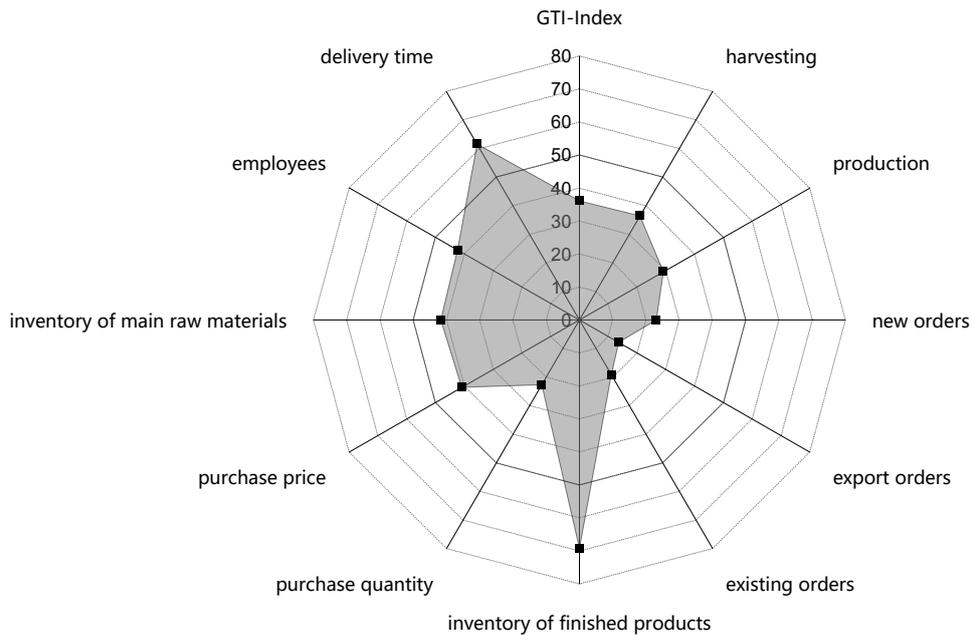
- Adverse effects of rainfall on outdoor operations.
- High raw material prices, putting pressure on product prices in the international market.
- Lack of skilled labor, coupled with insufficient new orders.
- Low market recognition of new hardwood species such as Australian cedar (*Toona Ciliata*) and African mahogany (*Khaya Grandifoliola*).

Main Suggestions from GTI-Brazil Enterprises

- Adjust production according to seasonal weather conditions.
- Increase production efficiency through the improvement of production processes, and provide new training for plant operators.
- Increase market recognition of new hardwood species such as Australian cedar (*Toona Ciliata*) and African mahogany (*Khaya Grandifoliola*).

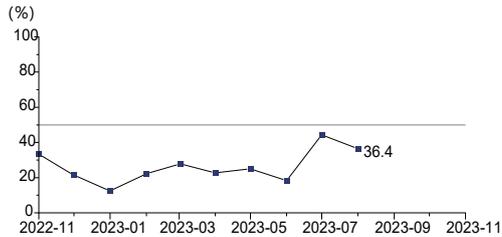
GTI-Brazil sub-index

As for the GTI-Brazil sub-index, in August 2023, only the inventory index of finished products and the delivery time index were above the critical value, while the remaining 9 sub-indexes were all below the critical value.

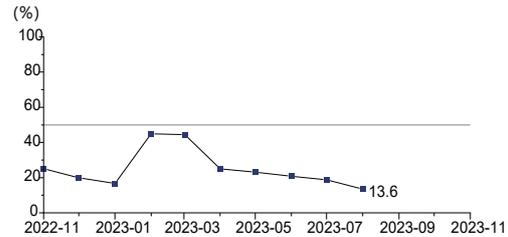


GTI-Brazil sub-index

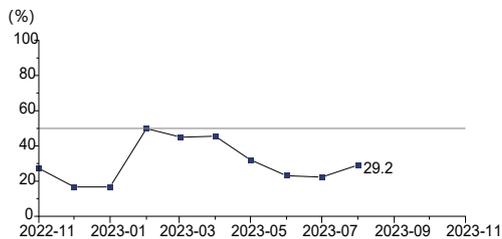
The harvesting index registered 36.4%, a decrease of 8.0 percentage points from the previous month, was below the critical value for 10 consecutive months, indicating that the harvesting volume of the superior timber enterprises represented by the GTI-Brazil was less than that of last month.



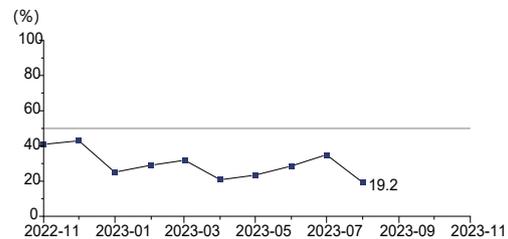
The export orders index registered 13.6%, a decrease of 5.2 percentage points from the previous month, was below the critical value for 10 consecutive months, indicating that the number of export orders of the superior timber enterprises represented by the GTI-Brazil was much less than that of last month.



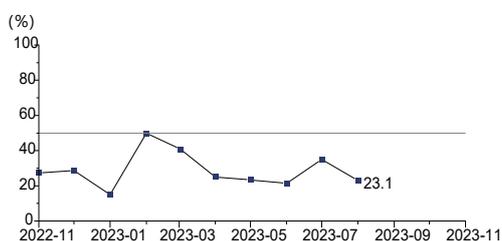
The production index registered 29.2%, an increase of 7.0 percentage points from the previous month, was below the critical value for 6 consecutive months, indicating that the production volume of the superior timber enterprises represented by the GTI-Brazil was less than that of last month.



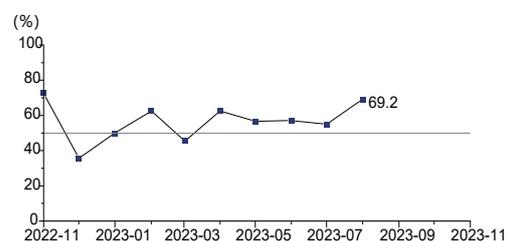
The existing orders index registered 19.2%, a decrease of 15.8 percentage points from the previous month, was below the critical value for 10 consecutive months, indicating that the number of existing orders of the superior timber enterprises represented by the GTI-Brazil was much less than that of last month.



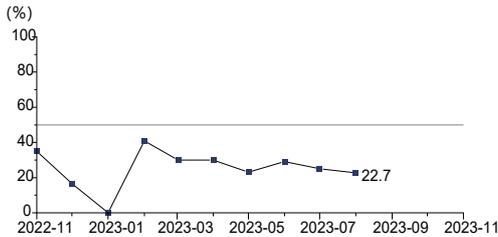
The new orders index registered 23.1%, a decrease of 11.9 percentage points from the previous month, was below the critical value for 6 consecutive months, indicating that the number of new orders of the superior timber enterprises represented by the GTI-Brazil was much less than that of last month.



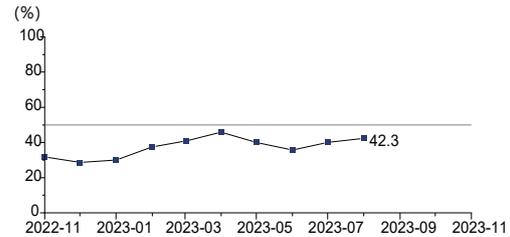
The inventory index of finished products registered 69.2%, an increase of 14.2 percentage points from the previous month, was above the critical value for 5 consecutive months, indicating that the inventory of finished products of the superior timber enterprises represented by the GTI-Brazil was more than that of last month.



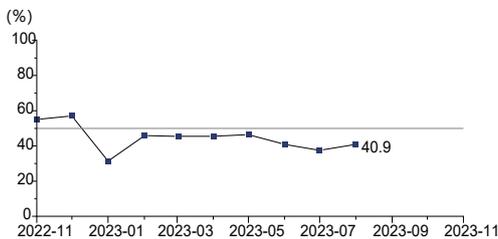
The purchase quantity index registered 22.7%, a decrease of 2.3 percentage points from the previous month, was below the critical value for 10 consecutive months, indicating that the purchase quantity of the superior timber enterprises represented by the GTI-Brazil was much less than that of last month.



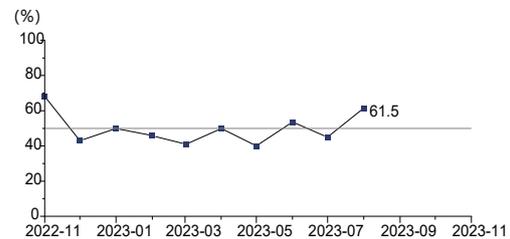
The production and management employees index registered 42.3%, an increase of 2.3 percentage points from the previous month, was below the critical value for 10 consecutive months, indicating that the number of employees in the superior timber enterprises represented by the GTI-Brazil was less than that of last month.



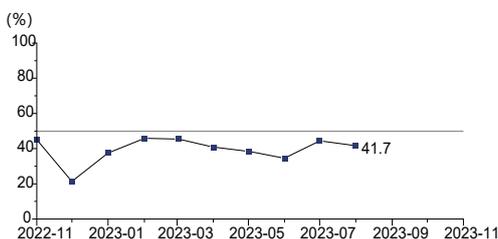
The purchase price index registered 40.9%, an increase of 3.4 percentage points from the previous month, was below the critical value for 8 consecutive months, indicating that the purchase price of the superior timber enterprises represented by the GTI-Brazil was lower than that of last month.



The delivery time index registered 61.5%, an increase of 16.5 percentage points from the previous month, rose above the critical value, indicating that the delivery time from the supplier to the superior timber enterprises represented by the GTI-Brazil was longer than that of last month.



The inventory index of main raw materials registered 41.7%, a decrease of 2.7 percentage points from the previous month, was below the critical value for 10 consecutive months, indicating that the inventory of main raw materials of the superior timber enterprises represented by the GTI-Brazil was less than that of last month.

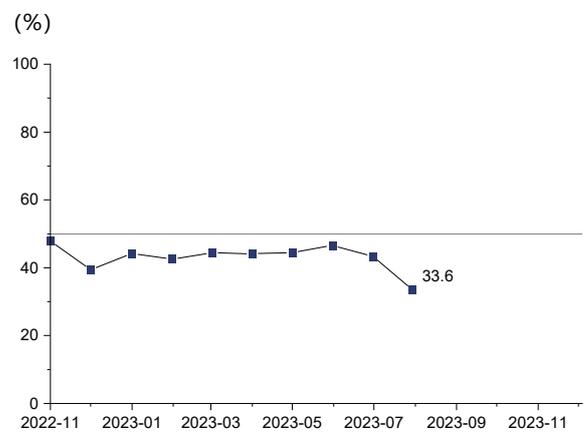


GTI-Mexico Index in August 2023

Since the beginning of this year, the Mexican government has rolled out a series of policy measures, for instance, supporting business innovation, reducing taxes and administrative barriers, and safeguarding the legal rights of workers. These efforts have yielded positive results, and the manufacturing sector has shown strong signs of recovery. In the second quarter of this year, Mexico's GDP grew by 0.9% compared to the first quarter and increased by 3.59% year-on-year. According to a report released by the Bank of México (Banxico) on August 30th, the expected economic growth rate for 2023 had been raised from 2.3% to 3% due to trade growth; similarly, the expected economic growth rate for 2024 had been adjusted from 1.6% to 2.1%; the Bank of México had also promised to maintain the interest rate of 11.25% to ensure a return to a normal level of inflation. In August 2023, the Mexican government announced 13 new conservation areas, including six national parks and seven flora and fauna conservation areas, covering a total area of 17,918 hectares.

In August this year, GTI-Mexico enterprises

GTI- Mexico Index



reported power shortages at sawmills limited the operation. With the rainy season approaching, timber transportation was expected to become challenging, and harvesting activities were about to enter the off-season. This month, the GTI-Mexico index registered 33.6%, a decrease of 9.8 percentage points from the previous month, was below the critical value (50%) for 10 consecutive months, indicating that the business prosperity of the superior timber enterprises represented by the GTI-Mexico index shrank from last month, and the contraction expanded.

Main Challenges Reported by GTI-Mexico Enterprises

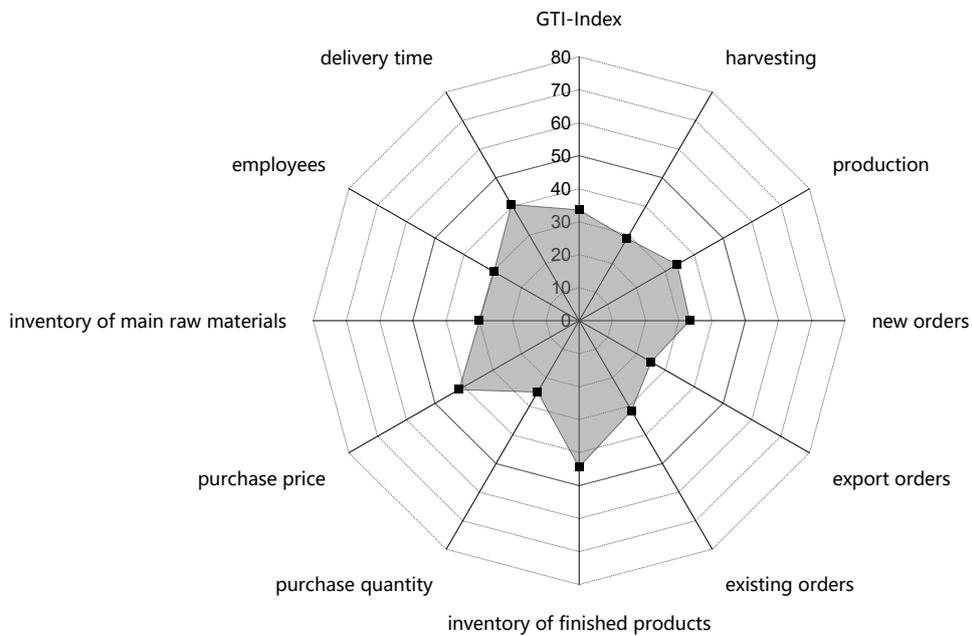
- The lack of competitiveness due to the entry of foreign wood.
- The power supply of the sawmill is insufficient, which limits the work.
- Lack of documents to ensure the legal origin of forest raw materials.
- Greater difficulties in transporting wood from forests with large transports as the rainy season approaches.

Main Suggestions from GTI-Mexico Enterprises

- Recommend that the Federal Electricity Commission (CFE) take measures to ensure uninterrupted power supply.
- Conduct road maintenance and increase harvesting during the dry season.
- Due to the falling prices of similar imported products, production costs are reaching the limit, so companies should reduce imports, prioritize domestically produced products, and increase product competitiveness.

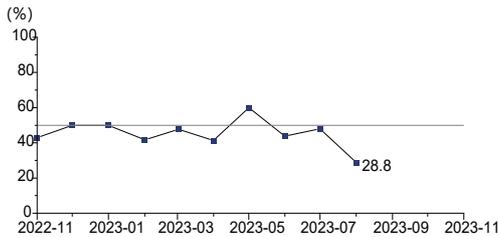
GTI-Mexico sub-index

As for the GTI-Mexico sub-index, in August 2023, the 11 sub-indexes were all below the critical value.

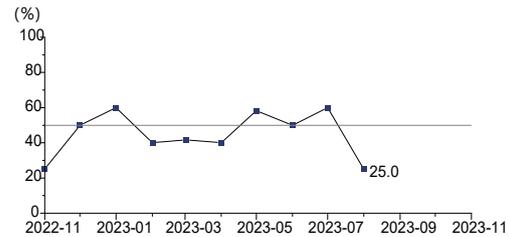


GTI-Mexico sub-index

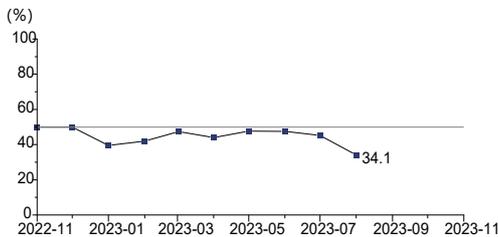
The harvesting index registered 28.8%, a decrease of 19.2 percentage points from the previous month, was below the critical value for 3 consecutive months, indicating that the harvesting volume of the superior timber enterprises represented by the GTI-Mexico was less than that of last month.



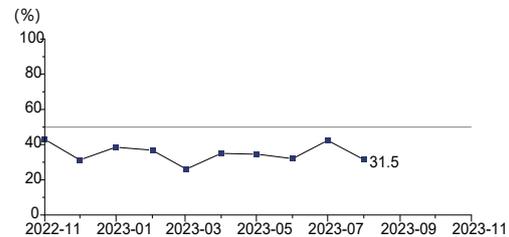
The export orders index registered 25.0%, a decrease of 35.0 percentage points from the previous month, fell below the critical value, indicating that the number of export orders of the superior timber enterprises represented by the GTI-Mexico was less than that of last month.



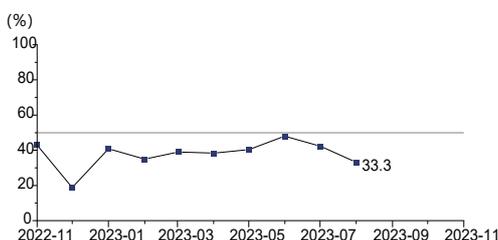
The production index registered 34.1%, a decrease of 11.1 percentage points from the previous month, was below the critical value for 8 consecutive months, indicating that the production volume of the superior timber enterprises represented by the GTI-Mexico was less than that of last month.



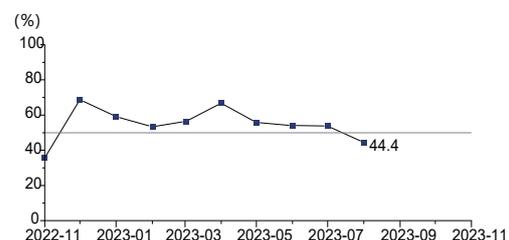
The existing orders index registered 31.5%, a decrease of 10.8 percentage points from the previous month, was below the critical value for 10 consecutive months, indicating that the number of existing orders of the superior timber enterprises represented by the GTI-Mexico was less than that of last month.



The new orders index registered 33.3%, a decrease of 9.0 percentage points from the previous month, was below the critical value for 10 consecutive months, indicating that the number of new orders of the superior timber enterprises represented by the GTI-Mexico was less than that of last month.

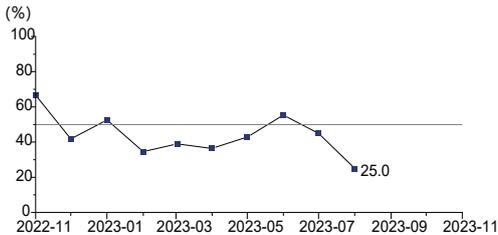


The inventory index of finished products registered 44.4%, a decrease of 9.4 percentage points from the previous month, fell below the critical value, indicating that the inventory of finished products of the superior timber enterprises represented by the GTI-Mexico was less than that of last month.

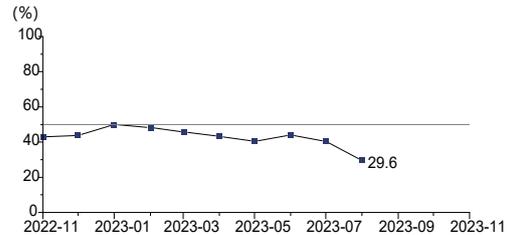




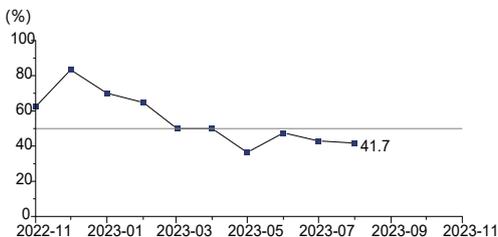
The purchase quantity index registered 25.0%, a decrease of 20.0 percentage points from the previous month, was below the critical value for 2 consecutive months, indicating that the purchase quantity of the superior timber enterprises represented by the GTI-Mexico was less than that of last month.



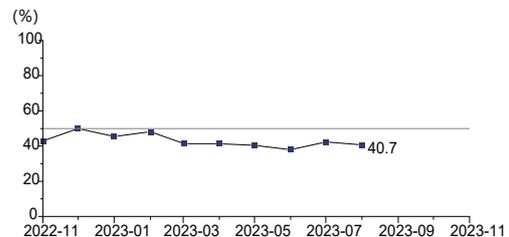
The production and management employees index registered 29.6%, a decrease of 10.8 percentage points from the previous month, was below the critical value for 7 consecutive months, indicating that the number of employees in the superior timber enterprises represented by the GTI-Mexico was less than that of last month.



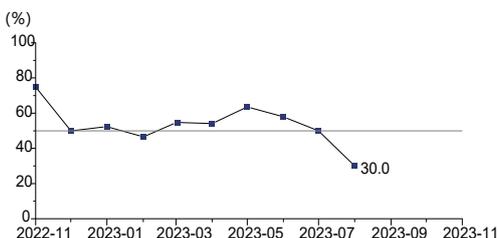
The purchase price index registered 41.7%, a decrease of 1.2 percentage points from the previous month, was below the critical value for 4 consecutive months, indicating that the purchase price of the superior timber enterprises represented by the GTI-Mexico was lower than that of last month.



The delivery time index registered 40.7%, a decrease of 1.6 percentage points from the previous month, was below the critical value for 8 consecutive months, indicating that the delivery time from the supplier to the superior timber enterprises represented by the GTI-Mexico was shorter than that of last month.



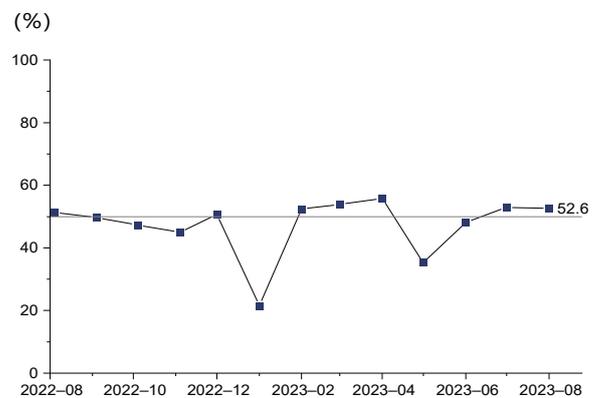
The inventory index of main raw materials registered 30.0%, a decrease of 20.0 percentage points from the previous month, fell below the critical value, indicating that the inventory of main raw materials of the superior timber enterprises represented by the GTI-Mexico was less than that of last month.



GTI-China Index in August 2023

The latest data released by the General Administration of Customs of the People's Republic of China shows that in the first seven months of this year, the total value of China's imports and exports reached 23.55 trillion yuan, a year-on-year increase of 0.4%. Among them, exports were 13.47 trillion yuan, an increase of 1.5%, while imports were 10.08 trillion yuan, a decrease of 1.1%. The trade surplus was 3.39 trillion yuan, up 10.3%. In August, the manufacturing sector in China continued to improve with increased prosperity, and production activities in industries such as food processing, chemical materials & chemicals, and auto became more active. With the release of "Circular on Optimizing the Criteria for the Recognition of Housing Units in Personal Housing Mortgage" by relevant authorities at the end of August, Beijing, Shanghai, Guangzhou, and Shenzhen, four major first-tier cities in China, had announced families that own no property in the region, are to be treated as first-time homebuyers eligible for favorable mortgage conditions. The optimization of the housing mortgage policy would help further alleviate the pressure on potential homebuyers and bring positive momentum to the real estate market, thus indirectly boosting the timber and furniture markets. In August this year, the timber and wood products

GTI- China Index



markets in China showed a steady recovery trend, but international market demand had not fully recovered, besides, there was still a high demand for raw materials of customized products. Data shows that the production volume and new orders of GTI-China enterprises increased compared to the previous month, but the number of export orders remained insufficient. This month, the GTI-China index recorded 52.6%, a decrease of 0.4 percentage point compared to that of the previous month, was above the critical value (50%) for 2 consecutive months, indicating that the business prosperity of the superior timber enterprises represented by the GTI-China index expanded from last month, however, the expansion eased.



Products in Short Supply

None.

Commodities with Price Decrease in this Period

Poplar, Oak, Urea, Methanol, Melamine, Paint.

Commodities with Price Increase in this Period

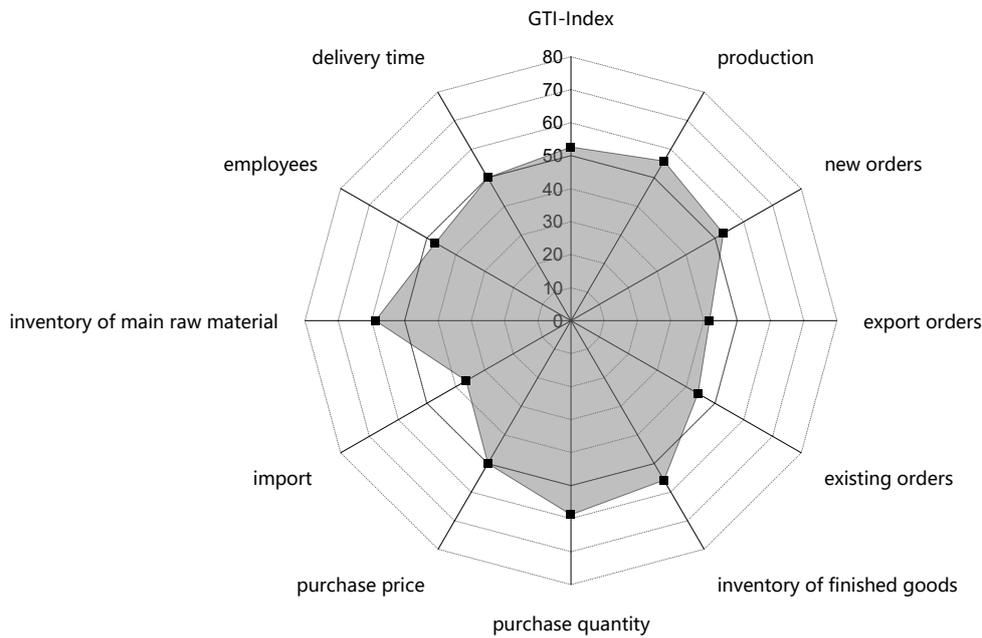
Eucalyptus, Paraffin, Waterproofing Agent, Brush Wood.

Main Challenges Reported by GTI-China Enterprises

- Diverse customization demands with limited supply of special materials.

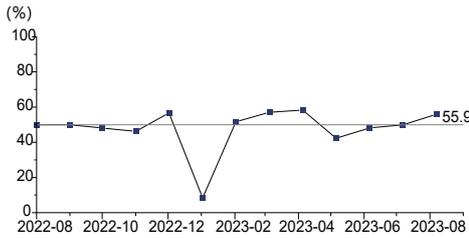
GTI-China sub-index

As for the GTI-China sub-index, in August 2023, 5 sub-indexes — production, new orders, inventory of finished products, purchase quantity and inventory of main raw materials — were above the critical value, the purchase price and the delivery time indexes were equal to the critical value, while the remaining 4 sub-indexes were all below the critical value.

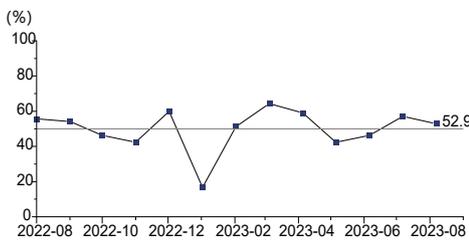


GTI-China sub-index

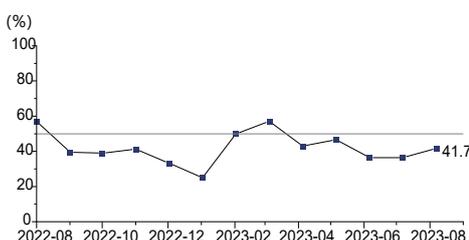
The production index registered 55.9%, an increase of 5.9 percentage points from the previous month, rose above the critical value, indicating that the production volume of the superior timber enterprises represented by the GTI-China was more than that of last month.



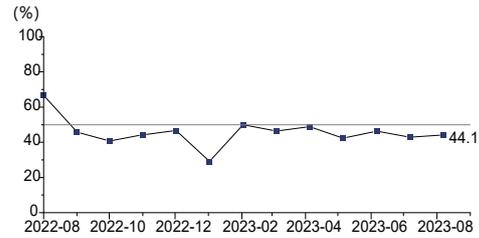
The new orders index registered 52.9%, a decrease of 4.2 percentage points from the previous month, was above the critical value for 2 consecutive months, indicating that the number of new orders of the superior timber enterprises represented by the GTI-China was more than that of last month.



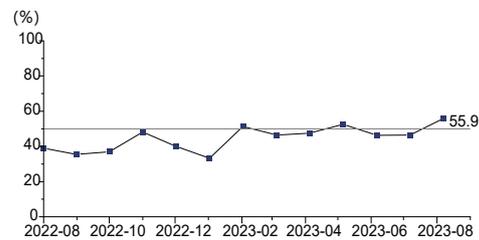
The export orders index registered 41.7%, an increase of 5.3 percentage points from the previous month, was below the critical value for 5 consecutive months, indicating that the number of export orders of the superior timber enterprises represented by the GTI-China was less than that of last month.



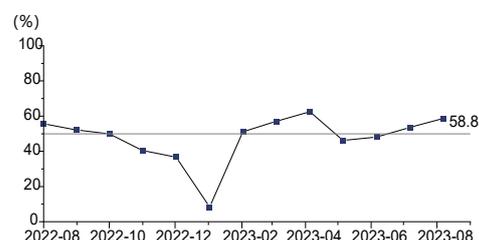
The existing orders index registered 44.1%, an increase of 1.2 percentage points from the previous month, was below the critical value for 6 consecutive months, indicating that the number of existing orders of the superior timber enterprises represented by the GTI-China was less than that of last month.



The inventory index of finished products registered 55.9%, an increase of 9.5 percentage points from the previous month, rose above the critical value after 2 months, indicating that the inventory of finished products of the superior timber enterprises represented by the GTI-China was more than that of last month.

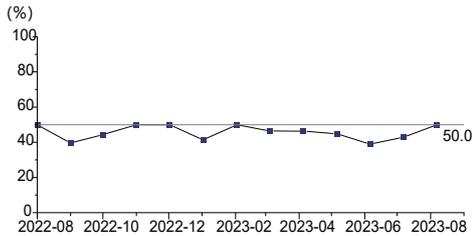


The purchase quantity index registered 58.8%, an increase of 5.2 percentage points from the previous month, was above the critical value for 2 consecutive months, indicating that the purchase quantity of the superior timber enterprises represented by the GTI-China was more than that of last month.

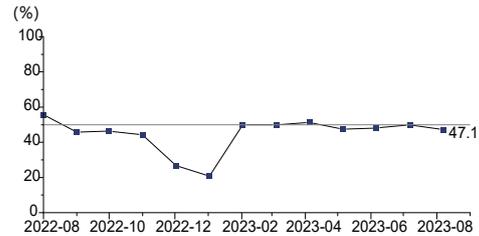




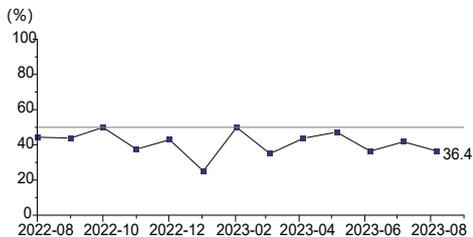
The purchase price index registered 50.0%, an increase of 7.1 percentage points from the previous month, rose to the critical value after 5 months, indicating that the purchase price of the superior timber enterprises represented by the GTI-China was the same with that of last month.



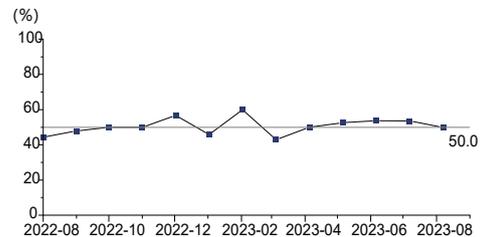
The production and management employees index registered 47.1%, a decrease of 2.9 percentage points from the previous month, fell below the critical value, indicating that the number of employees in the superior timber enterprises represented by the GTI-China was less than that of last month.



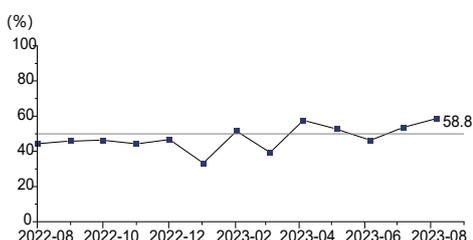
The import index registered 36.4%, a decrease of 5.3 percentage points from the previous month, was below the critical value for 6 consecutive months, indicating that the import volume of the superior timber enterprises represented by the GTI-China was less than that of last month.



The delivery time index registered 50.0%, a decrease of 3.6 percentage points from the previous month, fell to the critical value after 3 months, indicating that the delivery time from the supplier to the superior timber enterprises represented by the GTI-China was the same with that of last month.



The inventory index of main raw materials registered 58.8%, an increase of 5.2 percentage points from the previous month, was above the critical value for 2 consecutive months, indicating that the inventory of main raw materials of the superior timber enterprises represented by the GTI-China was more than that of last month.



Survey Methodology

The Global Timber Index (hereinafter referred to as GTI) is compiled based on the a survey of leading timber enterprises from the main timber producing and consuming countries. The questionnaire is disseminated to the timber enterprises monthly and the Secretariat of Global Green Supply Chains Initiative (hereinafter referred to as GGSC) organizes the experts to calculate and compile the GTI report, based on statistical analysis of the collected data and information.

With the support of the International Tropical Timber Organization (hereinafter referred to as ITTO), GGSC has set up focal points in the pilot countries from the timber producing and consuming countries. In the initial phase (2022), the GTI platform covered seven pilot countries: Indonesia, Malaysia , Gabon, Republic of Congo, Brazil, Mexico, and China. The questionnaires will be completed and collected by these focal points from 25th to 30th every month. The GTI reports will be regularly released to stakeholders of global forest products industry.

Based on the characteristics of the timber and timber products industry in different countries, the current GTI questionnaire is divided into two categories: the timber producer and the timber manufacturer. For the timber producing countries, the focus is the investigation on the development trend of local timber harvesting and supply, covering logs, sawn timber, plywood, etc. For the timber consuming countries (such as China), the focus is the investigation on the prosperity and development trend of local timber processing and manufacturing industry, covering wooden floor, doors and furniture, etc.

Data and Interpretation

GTI index contains diffusion index and comprehensive index.

(1)

The calculation of GTI diffusion index. GTI has 11 diffusion index (or called sub-indices) based on the data from 11 objective questions which covers production (or harvesting), new orders, new export orders, existing orders, inventory of products, purchasing quantity or import, purchasing prices of main raw materials, inventory of raw material, employees, and delivery time. The diffusion index is calculated by adding the percentage of enterprises with positive answers to half of the percentage with unchanged answers.

(2)

The calculation of GTI comprehensive index. GTI comprehensive index(GTI index for short) is calculated based on the diffusion indexes of five of the indexes with different weights: production , new orders, inventory of raw material, employees, delivery time. The five diffusion indexes and their weights are determined according to their leading influence on the industrial economy.

The value of the index is between 0-100%, and 50% is the critical value of the index. A GTI index reading above 50 percent indicates that the industry prosperity is generally expanding; below 50 percent indicates that it is generally declining.



Declaration

GTI report is compiled based on the data provided by the timber enterprises in the pilot countries. The data can not be used in investment decision-making, but can help to understand the timber industry trend.

The data and intellectual property in the reports are owned by ITTO and GGSC jointly. Without the permission from ITTO and GGSC , you shall not copy, download, stream, capture, reproduce, duplicate, archive, upload, modify, translate, publish, broadcast, transmit, retransmit, distribute, perform, display, sell, or otherwise use any content of the GTI report .

About ITTO

The International Tropical Timber Organization, ITTO for short, is an intergovernmental organization promoting the sustainable management and conservation of tropical forests and the expansion and diversification of international trade in tropical timber from sustainably managed and legally harvested forests. It’ s located in Yokohama, Japan. At present, there are 75 ITTO members. ITTO’ s membership represents about 90% of the global tropical timber trade and more than 80% of the world’ s tropical forests.

About GGSC

Global Green Supply Chains Initiative (GGSC), supported by International Tropical Timber Organization (ITTO), is a global service platform voluntarily established by enterprises, research institutes, industry associations, international organizations and other stakeholders involved in forest products R&D, design, manufacturing, distributing, consuming and recycling, to implement “the Initiative to build a collaboration network of global green supply chain of forest products” jointly launched by industry sectors, associations, international organizations and research institutions all over the world who were participants of the International Forum on “Together Towards Global Green Supply Chains – A Forest Products Industry Initiative” .

Vision

Connect foresters, live in natural and harmony.

Mission

Build a sustainable development ecology of the global timber industry, promote the transformation of corporate social and environmental responsibilities into competitive advantages, and serve the better life of mankind.

Values

Openness, Share, Greenness, Collaboration.

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