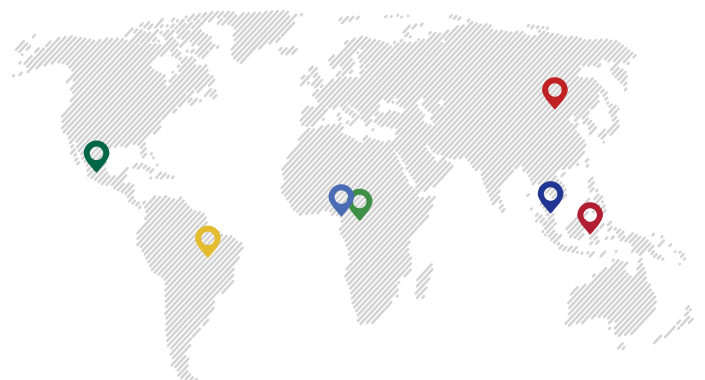


GLOBAL TIMBER INDEX GTI REPORT MONTHLY

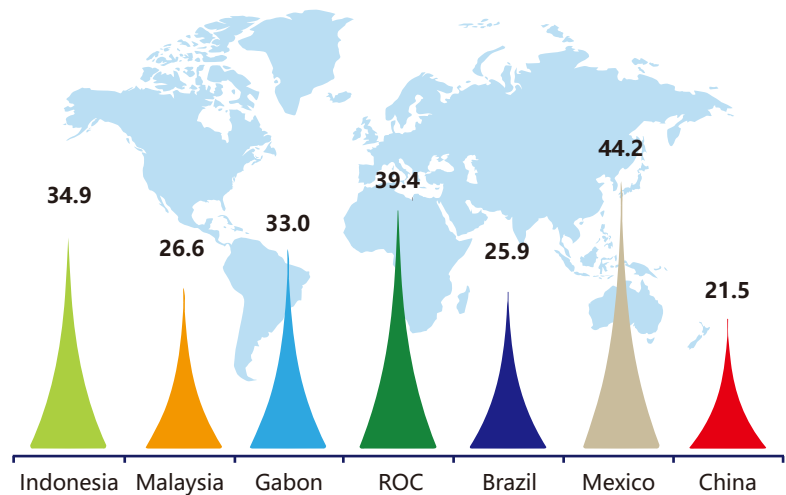
GGSC-No. 1/2023

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

In January 2023, the Global Timber Index (GTI) report shows that affected by New Year holiday and continuous rainy season, the GTI index of the timber producing countries like Indonesia, Malaysia, Gabon, ROC, Brazil, Mexico was all below the critical level (50%) this month, which represents that the prosperity of timber production and operation this month shrank from last month. The uncertainty in 2023 has brought great challenges for timber enterprises. ROC banned the export of logs from natural forests and plantation. The derailment of the trans-Gabon railway has affected timber transportation seriously. The decline in international market demand has affected every timber producing country.



The enterprises have feedback problems of the increased product inventory , lower sales price than cost, and long payment time for customers. China further optimized the prevention and control measures for the COVID-19 , introduced a package of policies to "stabilize the economy". Tourism, film, catering and other services showed a significant rebound. However, a large number of employees returned home for the New Year holiday, and the production and operation activities of timber enterprises slowed down. Detailed data and analysis were shown in the GTI report of pilot countries.

Acknowledgement

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 Sarawak Timber Association (STA)

Gabon:

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

Republic of the Congo:

- Ministère de l' Economie Forestière

Brazil:

- STCP

Mexico:

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

China:

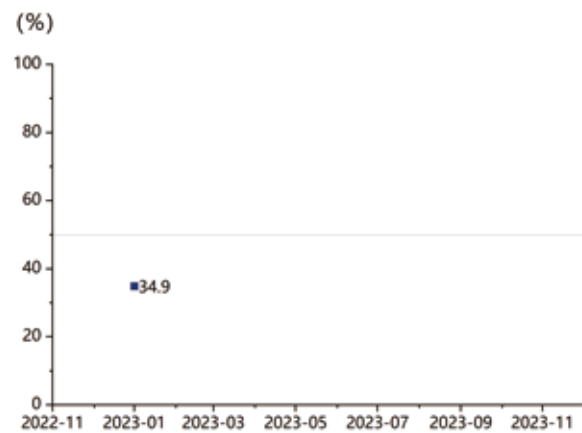
- Global Green Supply Chain Initiative (GGSC)

GTI-Indonesia Index in January 2023

On December 30, 2022, Indonesia cancelled all the other national measures for the prevention and control of COVID-19 epidemic except wearing masks indoors and in public transport. On the first workday in 2023, the President of Indonesia Joko Widodo expressed his hope that Indonesia would achieve more than 5% growth in 2023 when presiding over the opening ceremony of the country's stock exchange and inspecting the country's largest small commodity wholesale market. The minister of Coordinating Ministry for the Economy said that strong economic growth in 2022 would help it better cope with the challenges of a possible global recession in 2023. In 2022, Indonesia's economic growth achieved the best results in recent 10 years. According to the data released by Statistics Indonesia, GDP grew by 5.31% year-on-year in 2022, the highest growth rate since 2013 (5.56%), especially in the fourth quarter, which supported the annual economic growth.

In January 2023, Indonesia was in the rainy season, and the overcast and rainy weather slowed down the transportation of products. At the same time, due to the impact of rising fuel prices, falling log prices in the international

GTI-Indonesia Index



market and decreasing orders, the overall development of Indonesia's timber industry has slowed down, which has had an impact on the efficiency of enterprises. Enterprises hoped that the government will introduce incentive policies to revitalize the domestic and global wood products market. This month, the GTI-Indonesia Index registered 34.9%, was below the critical value (50%), indicating that the business prosperity of the superior timber enterprises represented by the GTI-Indonesia Index was declined from the previous month.

Challenges

- Rainy season affects business activities, lower log prices, fewer orders from buyers.
- Poor road conditions in rainy season hinder transportation efficiency, especially the long-distance transportation of wood and wood products.
- Sluggish global market for timber products, especially the Japanese market.
- Due to the downturn in the global wood processing market, the demand for wood processing exports has decreased and prices have fallen, which has impacted wood processing industry that provides raw materials.
- Adverse conditions in the global wood products market have led to lower orders and lower prices from buyers in Australia and New Zealand.
- The decline in foreign orders has led to a decline in the price of export wood products.
- The depressed plywood market and lower prices, which affects the log production.
- Fuel prices have risen sharply in a short period of time, and production costs have increased.
- The integrated industry has stopped or reduced production, which has had an impact on the operating efficiency of enterprises.
- There are operational and technical problems in the transportation of raw materials from the concession site to the factory.
- Long-term contracts for foreign plywood are not stable.
- Lack of raw materials for processing Merbau wood and long delays in delivery.
- The low market value of enterprises leads to a decline in production.

Suggestions

- Cooperate with the local government to improve the traffic road , in order to speed up the product transportation.
- Develop delivery plans for partners to adapt to weather conditions.
- Improve the global market for wood products and resume the import and export activities of wood products.
- Breakthrough policies are needed to revive the market for processed wood products at the domestic and global levels, as well as to promote and provide incentives for SFM and legality certified wood products.
- Evaluate vendors of transportation equipment, especially for transportation rental prices and plan to procure their own transportation equipment.
- Support and encourage the use of waste raw materials in natural forests to improve the efficiency of wood utilization.
- Develop diversified wood products and adjust business strategy according to the climate of the region.
- Restore the global market for wood products, stabilize fuel prices, and encourage the use of wood products with sustainable forest management certification and/or legality certification.

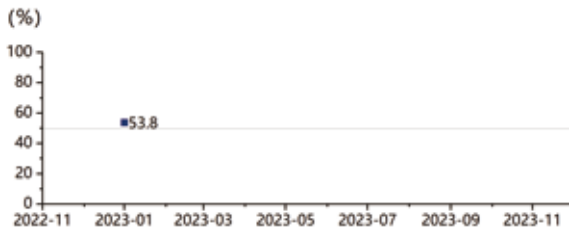
GTI-Indonesia sub-index

As for the GTI-Indonesia sub-index, in January 2023, harvesting index and inventory index of finished products were above the critical value (50%), purchasing prices index and inventory index of raw materials were equal to the critical value, while the remaining 7 sub-indexes were all below the critical value.

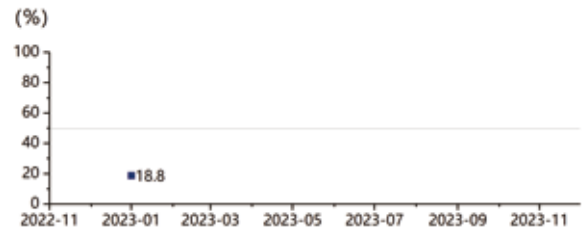


GTI-Indonesia sub-index

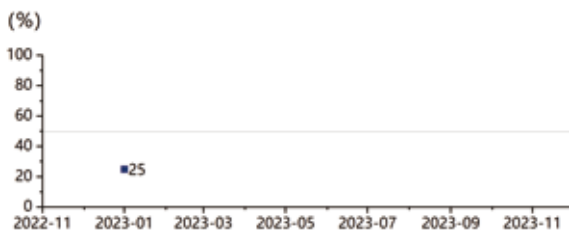
The harvesting index registered 53.8%, was above the critical value, indicating that the harvesting volume of the superior timber enterprises represented by the GTI-Indonesia was more than that of last month.



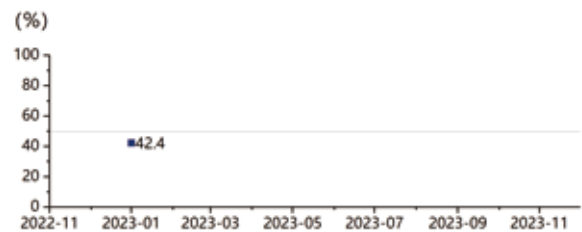
The export orders index registered 18.8%, was below the critical value, indicating that the ability to obtain the export orders of the superior timber enterprises represented by the GTI-Indonesia was weaker from last month.



The production index registered 25.0%, was below the critical value, indicating that the production volume of the superior timber enterprises represented by the GTI-Indonesia was less than that of last month.



The existing orders index registered 42.4%, was below the critical value, indicating that the quantity 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 30.3%, was below the critical value, indicating that the number of new orders of the superior timber enterprises represented by the GTI-Indonesia shrank from last month.

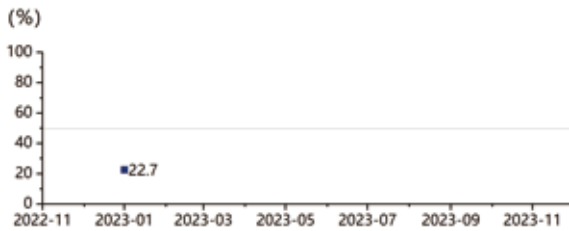


The inventory index of finished products registered 57.6%, was above the critical value, indicating that the inventory of finished products of the superior timber enterprises represented by the GTI-Indonesia was more than that of month.

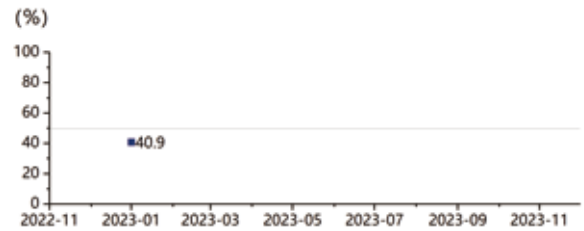




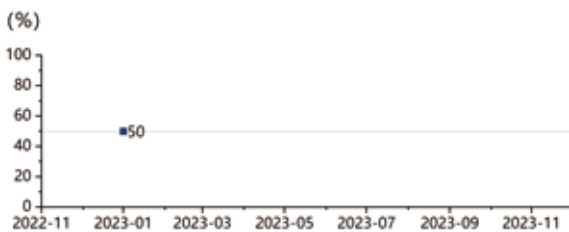
The purchasing quantity index registered 22.7%, was below the critical value, indicating that the purchasing quantity of the superior timber enterprises represented by the GTI-Indonesia was less than that of last month.



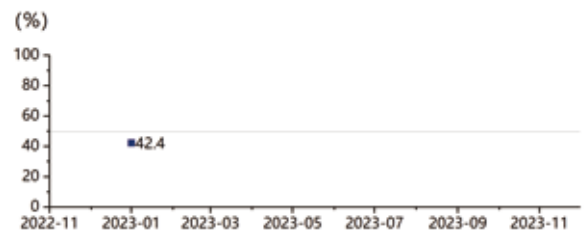
The production and management employees index registered 40.9%, was below the critical value, indicating that the number of production and operation employees of the superior timber enterprises represented by the GTI-Indonesia was less than that of last month.



The purchasing price index registered 50.0%, was equal to the critical value, indicating that the purchasing price of the superior timber enterprises represented by the GTI-Indonesia was same with last month.



The delivery time index registered 42.4%, was below the critical value, indicating that the delivery time from the supplier to the superior timber enterprises represented by the GTI-Indonesia was slower than last month.



The inventory index of main raw materials registered 50.0%, was equal to the critical value, indicating that the inventory of main raw materials of the superior timber enterprises represented by the GTI-Indonesia this month was same with last month.

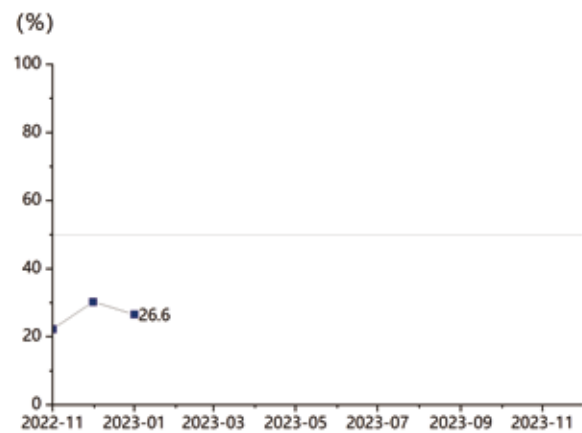


GTI-Malaysia Index in January 2023

In 2023, Malaysia will take boosting the economy as its top priority, focusing on green economy, digital economy and technological development, while vigorously developing tourism services and supporting the development of SMEs. The Prime Minister of Malaysia Datuk Seri Anwar said that special attention will be given to SMEs in 2023 budget. The Tourism, Arts and Culture Ministry (MOTAC) plans to attract 5 million Chinese tourists in 2023, which was 3.1 million in 2019. At the end of January, data released by Department of Statistics Malaysia Official Portal (DOSM) showed that Malaysia's total exports grew by about 25% in 2022, approaching 1.6 trillion Ringgit; The total import volume was close to 1.3 trillion Ringgit, breaking through the 1 trillion Ringgit mark for the first time. The development momentum of Malaysia's trade last year has laid a good foundation for the future.

In January 2023, Malaysia was still in the rainy season with frequent floods. As of January 27, more than 12000 people were reported to have been forced into flood relief centers in four regions. Affected by heavy rain, the cost of timber transportation has increased, the stock of logs has

GTI-Malaysia Index



gradually decreased, and the overall development of Malaysia's timber industry is still in a shrinking trend. At the same period, enterprises feedback problems such as insufficient orders and products, full warehouses at destination ports, and slowing demand. This month, the GTI-Malaysia Index registered 26.6%, a decrease of 3.7 percentage points from the previous month, was below the critical value (50%) for 3 consecutive months, indicating that the business prosperity of the superior timber enterprises represented by the GTI-Malaysia Index was declined from the previous month.



Challenges

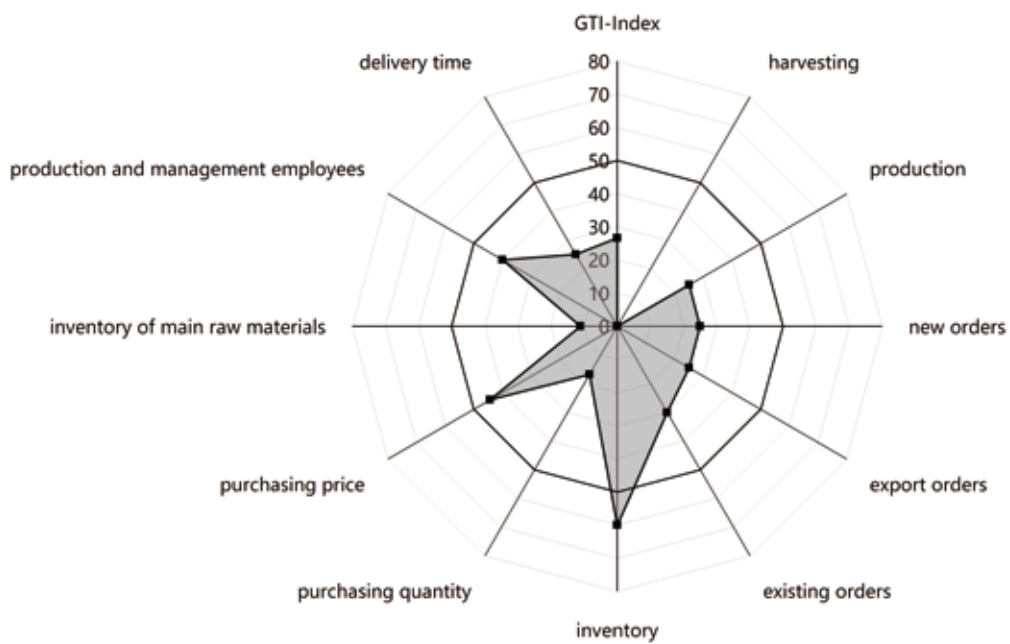
- Not enough labor & order.
- Shortage of workers and slow in demand.
- Shortage of order and volume, shipment decrease.
- Less export orders.
- Difficult to allocate shipment as the warehouse at the destination ports are fully occupied.
- Not enough of raw material.
- Rainy season causing low log stock.
- Increasing cost of raw material.

Suggestions

- To open for more sourcing countries for labor & market.
- Strict control on production cost.
- Wait for the passage a time.
- Reduce export of woodchips/Acacia, maybe can consider quota based.
- Government assistant in log supply.
- Increase harvesting of the plantation forest & improve yield of the plantation forest.

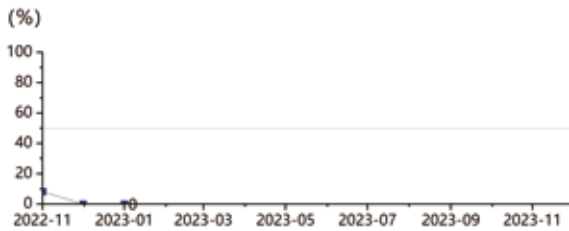
GTI-Malaysia sub-index

As for the GTI-Malaysia sub-index, in January 2023, only the inventory index of finished products was above the critical value (50%), while the remaining 10 sub-indexes were all below the critical value.

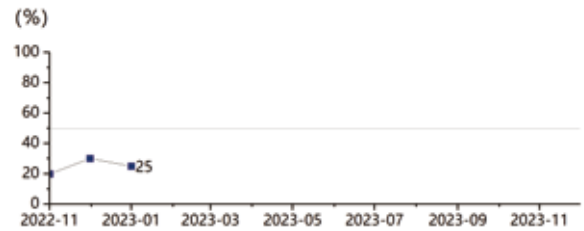


GTI-Malaysia sub-index

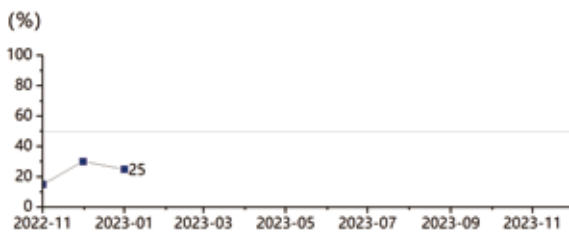
The harvesting index registered 0%, same with the previous month, was below the critical value for 3 consecutive months, indicating that the harvesting volume of the superior timber enterprises represented by the GTI-Malaysia was significantly less than that of last month.



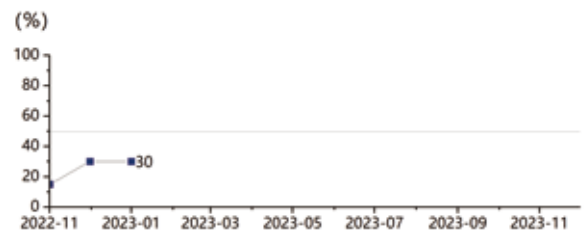
The export orders index registered 25.0%, a decrease of 5.0 percentage points from the previous month, was below the critical value for 3 consecutive months, indicating that the ability to obtain the export orders of the superior timber enterprises represented by the GTI-Malaysia was weaker from last month.



The production index registered 25.0%, a decrease of 5.0 percentage points from the previous month, was below the critical value for 3 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 30.0%, same with the previous month, was below the critical value for 3 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.



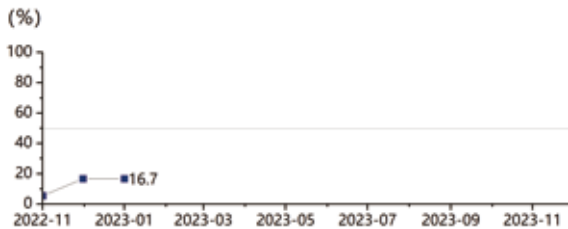
The new orders index registered 25.0%, a decrease of 5.0 percentage points from the previous month, was below the critical value for 3 consecutive months, indicating that the number of new orders of the superior timber enterprises represented by the GTI-Malaysia shrank from last month.



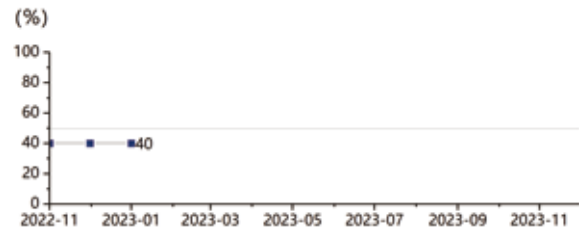
The inventory index of finished products registered 60.0%, same with the previous month, was above the critical value for 3 consecutive months, indicating that the inventory of finished products of the superior timber enterprises represented by the GTI-Malaysia was more than that of month.



The purchasing quantity index registered 16.7%, same with the previous month, was below the critical value for 3 consecutive months, indicating that the purchasing 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 40.0%, same with the previous month, was below the critical value for 3 consecutive months, indicating that the number of production and operation employees of the superior timber enterprises represented by the GTI-Malaysia was less than that of last month.



The purchasing price index is 44.4%, an increase of 5.5 percentage points from the previous month, was below the critical value for 3 consecutive months, indicating that the purchasing price of the superior timber enterprises represented by the GTI-Malaysia was lower than that of last month.



The delivery time index registered 25.0%, a decrease of 10.0 percentage points from the previous month, was below the critical value for 3 consecutive months, indicating that the delivery time from the supplier to the superior timber enterprises represented by the GTI-Malaysia was slower than last month.



The inventory of main raw materials index registered 11.1%, an increase of 5.5 percentage points from the previous month, was below the critical value for 3 consecutive months, indicating that the inventory of main raw materials of the superior timber enterprises represented by the GTI-Malaysia this month were less than that of the month.

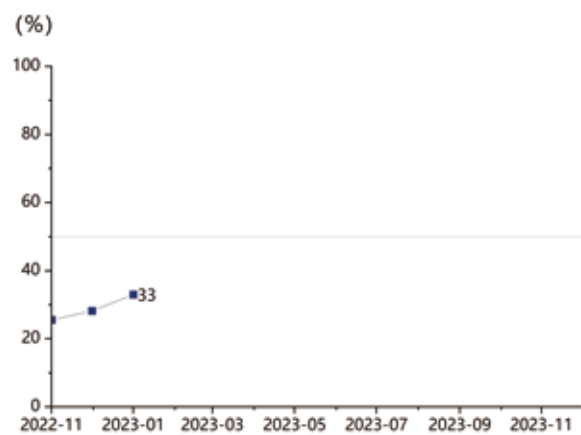


GTI-Gabon Index in January 2023

On January 9, 2023, Gabon issued a presidential decree appointing the Vice-President and the Prime Minister, the new Prime Minister announced the new government list. Murangi was appointed as the minister of the Ministry of Water and Forest. The new government will give priority to all efforts to improve the daily life of Canadians. In terms of infrastructure, 51 kilometers of the PK12-PK105 section of the first phase of the "Trans-Gabon Highway" project have been renovated, and the construction progress will be accelerated in 2023. On December 24 last year, the railway (Libreville-Franceville) derailed in PK333 sections (Overway-Bouvet) under the influence of heavy rains, which had a certain impact on industrial transportation.

Affected by rainy and holiday in January, the processing of Gabon's timber factories was still in the contraction trend of off-season. The enterprises reported that the fuel price was high, the customer's payment time was too long, the export order was small, and there was a problem

GTI- Gabon Index



of train derailment that had to extend the delivery time to the customer. This month, GTI-Gabon index registered 33.0%, an increase of 4.8 percentage points from the previous month, was below the critical value (50%) for three consecutive months, indicating that the business prosperity of the superior timber enterprises represented by the GTI-Gabon index was declined from the previous month.

Challenges

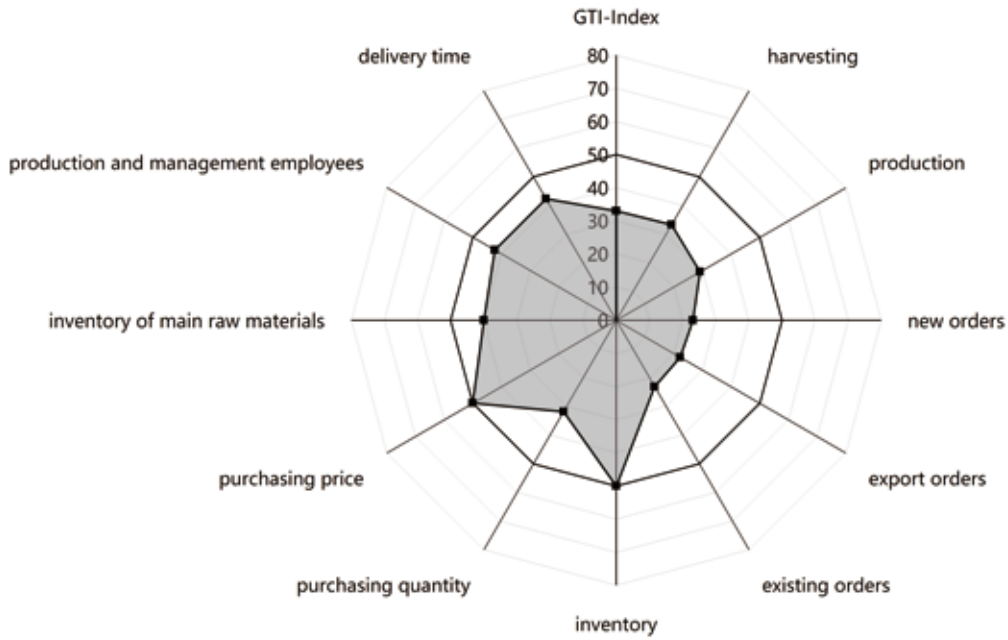
- Long payment period for customers.
- Not enough export orders.
- Holiday slowed down the production and caused higher fuel prices.
- Log supply, industrial diesel prices, and need drilling permit.
- Spare parts were rare on local market.
- Fuel cost slowed down the transport of products.
- Rainy season.
- Less business and problems in customs.
- No productions since Oct 2022 due to the holiday.
- Tree species such as Padouk, Acajou, Doussie have been newly listed in "the Convention on International Trade in Endangered Species of Wild Fauna and Flora" .
- Tight cash flow.
- In December, after the landslide of the railway, the railway was closed, resulting in the suspension of logging work, delays in the transportation of natural gas and fuel, and technical layoffs in the logging team.
- Declining timber market.
- It rained heavily at about every other time.
- The cutting tax verified by the administrative department is not standardized and cannot be delivered.

Suggestions

- Looking for more customers and markets. As a result of the derailment event, the log supply and delivery time may be delayed.
- Wait and adapt to market fluctuations.
- Obtain forestry license and reduce the price of industrial diesel.
- Review of fluctuations in emergency import procedures.
- Provide support to local custom resumed production through exploration.
- SETRAG: Prioritize the farthest distribution station, strengthen the forest product traction capacity of SETRAG, and develop an emergency product evacuation plan. Fuel: Reduce the manufacturer's tariff and increase the tariff to the same price as the public pump. State compensation to ease the burden on industrialists. SERTAG had to establish a timetable for the resumption of railway operations.
- Simplify the licensing process and provide convenience measures for CIETS-listed species, such as Padouk, Acajou, Doussie.
- Improve transportation infrastructure and complete supporting national policies to cope with rising costs.
- Enterprises may pay in advance even if in hard situation.
- Immediate repair of the railway line is a condition for effective resumption of activities.
- Maximize the operation of the economic park/zone in in peak season
- Lower fuel price.

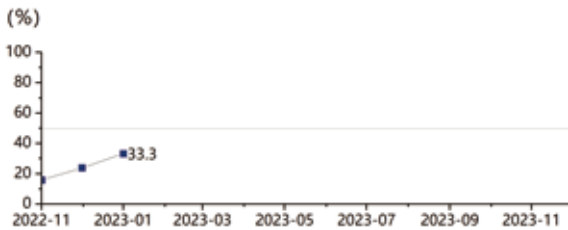
GTI-Gabon sub-index

As for the GTI-Gabon sub-index, in January 2023, inventory index of finished product and purchasing price index were above the critical value (50%), while the remaining 9 sub-indexes were below the critical value.

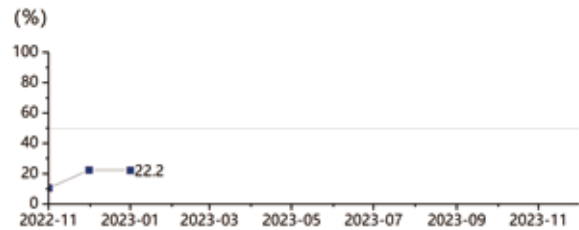


GTI-Gabon sub-index

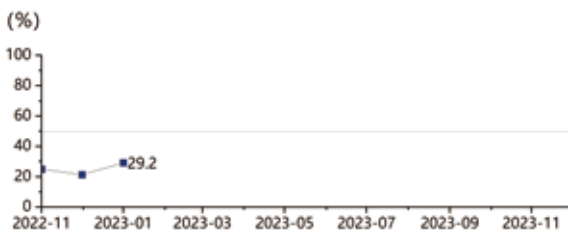
The harvesting index registered 33.3%, an increase of 9.4 percentage points from the previous month, was below the critical value for 3 consecutive months, indicating that the harvesting volume of the superior timber enterprises represented by the GTI-Gabon was less than that of last month.



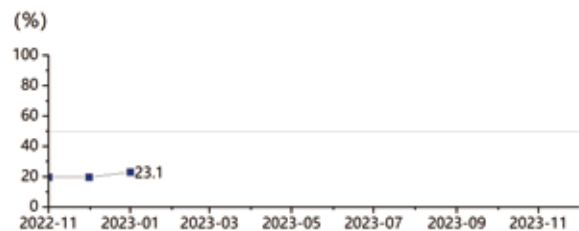
The export orders index registered 22.2%, a decrease of 0.3 percentage points from the previous month, was below the critical value for 3 consecutive months, indicating that the ability to obtain the export orders of the superior timber enterprises represented by the GTI-Gabon was weaker from last month.



The production index registered 29.2%, an increase of 7.8 percentage points from the previous month, was below the critical value for 3 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 23.1%, an increase of 3.5 percentage points from the previous month, was below the critical value for 3 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.



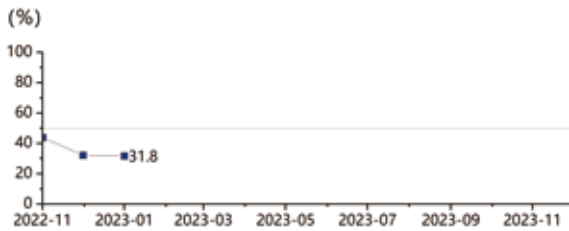
The new orders index registered 23.1%, a decrease of 0.8 percentage points from the previous month, was below the critical value for 3 consecutive months, indicating that the number of new orders of the superior timber enterprises represented by the GTI-Gabon shrank dramatically from last month.



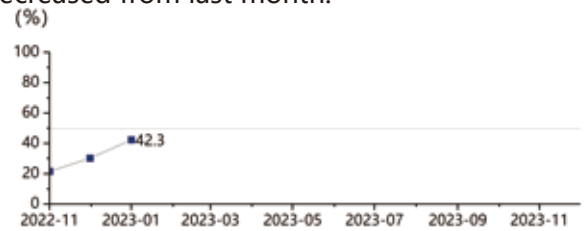
The inventory index of finished products registered 50.0%, an increase of 4.3 percentage points from the previous month, rose to the critical value, indicating that the inventory of finished products of the superior timber enterprises represented by the GTI-Gabon was same with last month.



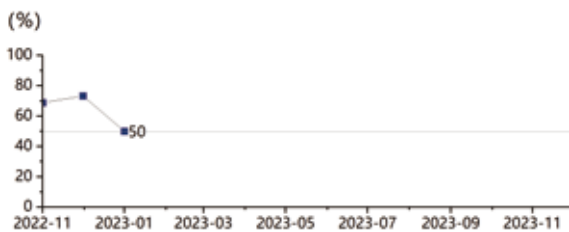
The purchasing quantity index registered 31.8%, a decrease of 0.3 percentage points from the previous month, was below the critical value for 3 consecutive months, indicating that the purchasing quantity of the superior timber enterprises represented by the GTI-Gabon was decreased from last month.



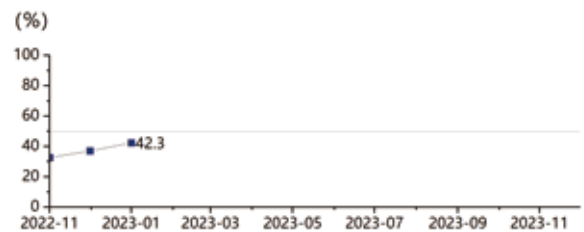
The production and management employees index registered 42.3%, an increase of 11.9 percentage points from the previous month, was below the critical value for 3 consecutive months, indicating that the number of production and operation employees of the superior timber enterprises represented by the GTI-Gabon was decreased from last month.



The purchasing price index registered 50.0%, a decrease of 23.3 percentage points from the previous month, fell to the critical value, indicating that the purchasing price of the superior timber enterprises represented by the GTI-Gabon was same with last month.



The delivery time index registered 42.3%, an increase of 5.3 percentage points from the previous month, was below the critical value for 3 consecutive months, indicating that the delivery time from the supplier to the superior timber enterprises represented by the GTI-Gabon was slower than last month.



The inventory index of main raw materials index registered 40.0%, a decrease of 0.6 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-Gabon this month was less than that of last month.

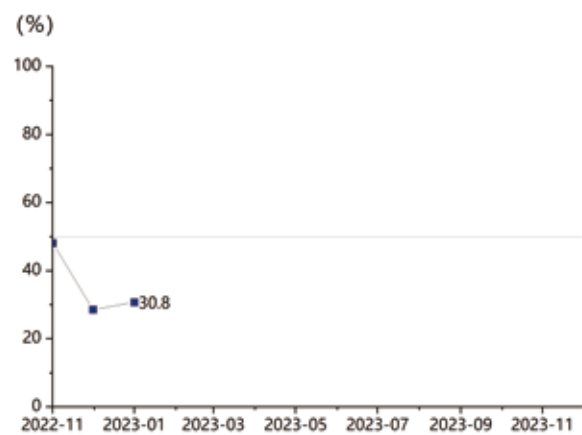


GTI-ROC Index in January 2023

In 2023, The Republic of Congo keeps promoting economic development by virtue of its natural resources. According to the joint report of the ROC government and the World Bank, the economic growth rate of ROC is expected to reach 3.7% in 2023, higher than 1.2% in 2022, benefiting from the growth of non-oil sectors. The World Bank recommends that ROC take four urgent measures: promoting agricultural development, improving labor productivity, establishing an warning system for diseases caused by climate change, and combating sea level rise in coastal areas. ROC banned the export of log in January, and its impacts on local timber industry still need further observation.

Affected by the rainy season, the timber production and operation activities in ROC continued to slow down in January 2023. The GTI-ROC enterprises feedbacked problems such as rising water level caused by rain, poor road conditions and mechanical failure have limited the production and operation of timber enterprises. The cost of local raw materials and transportation have also increased significantly, which has reduced the profit margin of enterprises.

GTI-ROC Index



Enterprise suggested that the local government may improve transportation conditions and provide supports in forest management and production equipment. This month, the GTI-ROC Index registered 30.8%, an increase of 2.2 percentage points from the previous month, was below the critical value for 3 consecutive months,, indicating that the business prosperity of the superior timber enterprises represented by the GTI-ROC index was declined from the previous month.

Challenges

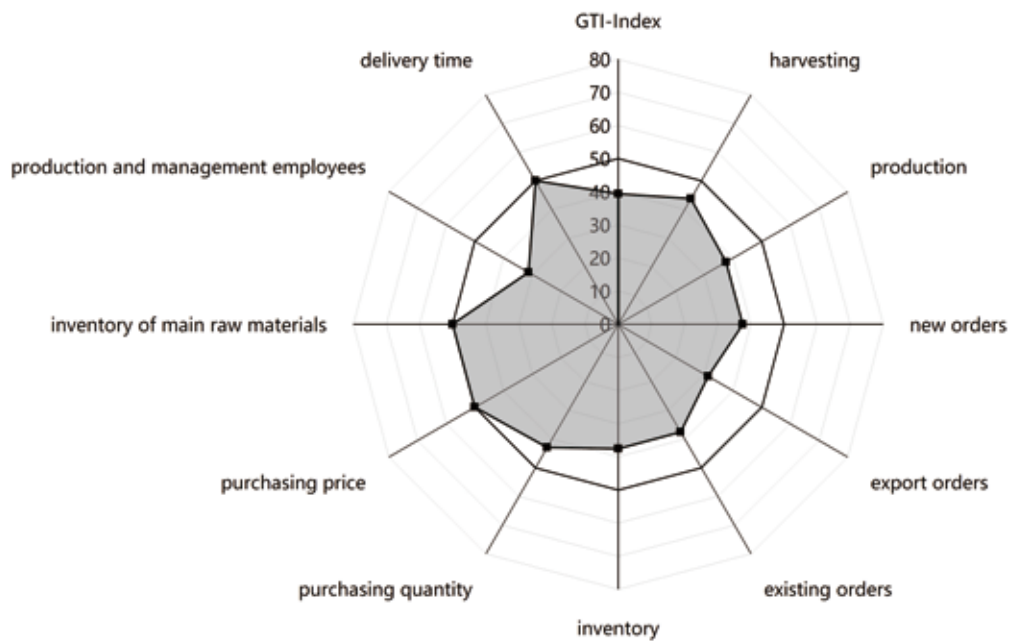
- Poor road condition, difficulties in transportation.
- Rising water level during rainy season.
- Rainy season and the breakdown of machinery and equipment affected the production and operation activities.
- Short supply of diesel across the country, higher prices of raw materials and ocean freight rates.
- Lower market demand, higher cost of raw materials and transportation.
- The operation area was far away from the industrial site and the port, and the operation cost was increased.
- Administration institutions in different regions were not efficient.
- Production was shut down since October, with machines breaking down and lack of operation permits.
- The operation department was shut down.
- The current forest policy was not suitable for domestic sustainable forest management.

Suggestions

- More production equipment.
- The state releases some policies to reduce transportation costs.
- The state gives some support for the forestry enterprises to maintain roads.
- Timber enterprises strengthen communication with relevant departments.
- Lower fuel prices.
- Enhance the reliability of forest concessions.
- Government coordinates forest management systems.

GTI-ROC sub-index

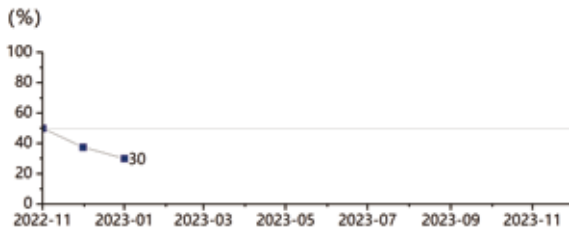
As for the GTI-ROC sub-index, in January 2023, 11 sub-indexes were all below the critical value (50%).



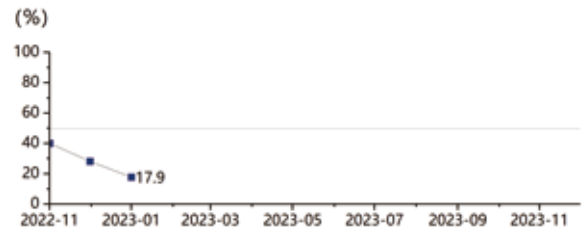
GTI-ROC sub-index



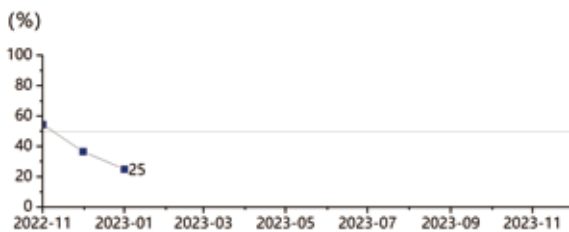
The harvesting index registered 30.0%, a decrease of 7.5 percentage points from the previous month, was below the critical value for 2 consecutive months, indicating that the harvesting volume of the superior timber enterprises represented by the GTI-ROC was less than that of last month.



The export orders index registered 17.9%, a decrease of 10.2 percentage points from the previous month, was below the critical value for 3 consecutive months, indicating that the ability to obtain the export orders of the superior timber enterprises represented by the GTI-ROC was weaker than last month.



The production index registered 25.0%, a decrease of 11.7 percentage points from the previous month, was below the critical value for 2 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 33.3%, an increase of 12.7 percentage points from the previous month, was below the critical value for 3 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 30.0%, an increase of 9.4 percentage points from the previous month, was below the critical value for 3 consecutive months, indicating that the number of new orders of the superior timber enterprises represented by the GTI-ROC shrank from the previous month.

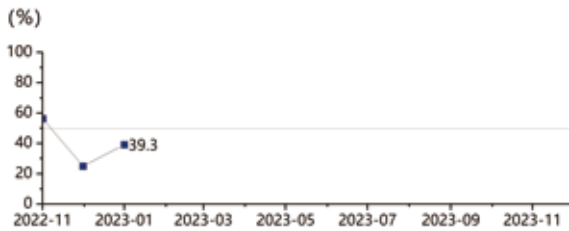


The inventory index of finished products registered 23.3%, an increase of 2.7 percentage points from the previous month, was below the critical value for 2 consecutive months, indicating that the inventory of finished products of the superior timber enterprises represented by the GTI-ROC was less than that of last month.

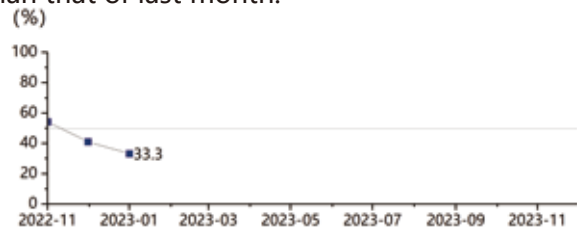




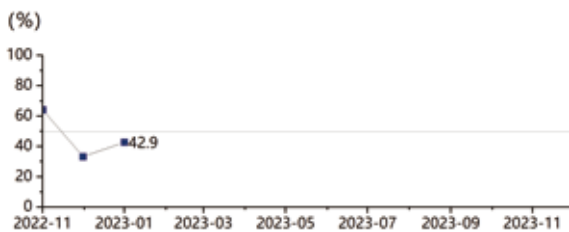
The purchasing quantity index registered 39.3%, an increase of 14.3 percentage points from the previous month, was below the critical value for 2 consecutive months, indicating that the purchasing quantity of the superior timber enterprises represented by the GTI-ROC was less than that of last month.



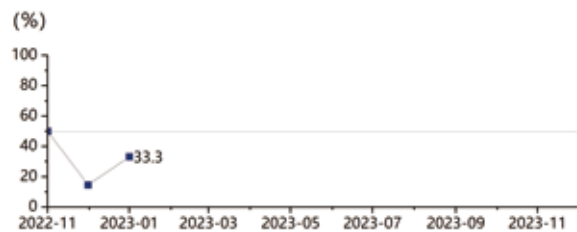
The production and management employees index registered 33.3%, a decrease of 7.9 percentage points from the previous month, was below the critical value for 2 consecutive months, indicating that the number of production and operation employees of the superior timber enterprises represented by the GTI-ROC was less than that of last month.



The purchasing price index is 42.9%, an increase of 9.6 percentage points from the previous month, was below the critical value for 2 consecutive months, indicating that the purchasing price of the superior timber enterprises represented by the GTI-ROC was lower than that of last month.



The delivery time index registered 33.3%, an increase of 18.6 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 longer than last month.



The inventory index of main raw materials registered 39.3%, an increase of 11.5 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 this month were less than that of last month.



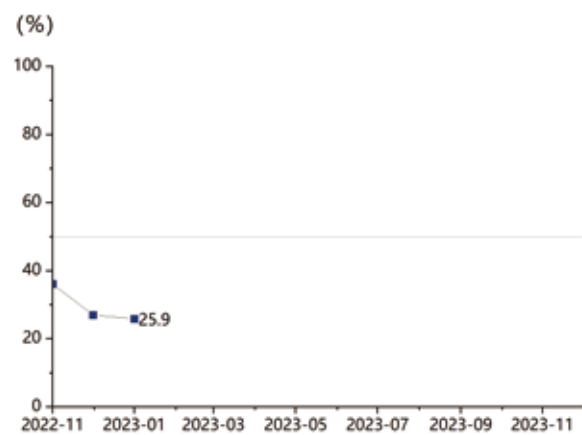


GTI-Brazil Index in January 2023

On January 1, 2023, the new President of Brazil Lula was sworn in and stressed in his inaugural speech that the new government would work for "unity and reconstruction", solve the crises and challenges in Brazil, and promote Brazil to return to the world's major economies. The Brazilian government is actively looking for measures to revive the economy, such as seeking to sign an agreement between the Southern Common Market (MERCOSUR) and EU by mid-2023, which can not hinder the industrialization of the region. By the end of January, the leaders of Brazil and Argentina said they were studying the launch of a common South American currency. Brazil's import and export data for 2022 showed a good development trend this month. According to the data released by the Ministry of Development, Industry and Foreign Trade, Brazil's total exports in 2022 were \$335 billion, an increase of 19.3% over the previous year; The total import volume was \$272.7 billion, an increase of 24.3% over the previous year. Brazil's trade surplus rose to \$62.3 billion that year, was the highest value since 1989, and the rise in international commodity prices was the biggest factor driving the trade surplus in 2022.

In January 2023, affected by the domestic political turmoil, declining demand for timber industry,

GTI- Brazil Index



holidays and rainy season, the production of Brazil' s timber industry continued to slow down, and enterprises reported problems such as unstable exchange rate, lower demand in Europe and North America, and lower sales prices than costs. Enterprises hope to reduce internal costs, look for new customers and strengthen product quality control. This month, the GTI-Brazil Index recorded 25.9%, a decrease of 1.1 percentage points from the previous month, was below the critical value for 3 consecutive months, indicating that the business prosperity of the superior timber enterprises represented by the GTI-Brazil Index shrank from the previous month.

Challenges

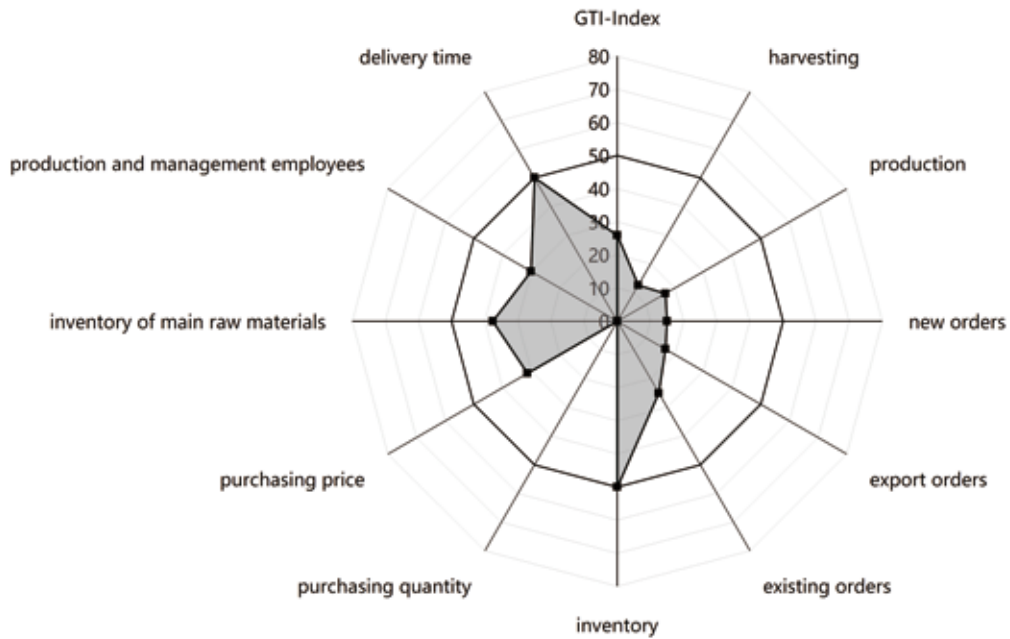
- Get prices that cover at least production costs.
- Vacation period, government and exchange rate instability.
- Product Quality
- Lack of demand in the domestic (internal) market. Export sales cost does not cover the cost of raw materials.
- Lack of demand to Europe and North America.
- The weather – a lot of rain – as we work directly in the forest, this has a direct impact on field operations.
- Shipping and Vacation Period.
- Reduction in wood processing orders.

Suggestions

- The manager imagines that the market will regulate itself from February onwards. Many companies have closed their doors for not being able to produce and supply will drop dramatically in January and early February. Therefore, he believes that with this reduction it will be necessary to look for companies that have not left the market and that prices return to normality.
- Expect and seek internal cost reduction to become more competitive.
- Increased quality control, correcting failures as they happen.
- Schedule operations according to this climatic seasonality, as already done.
- Seek new customers and offer discounts that guarantee our production.

GTI-Brazil sub-index

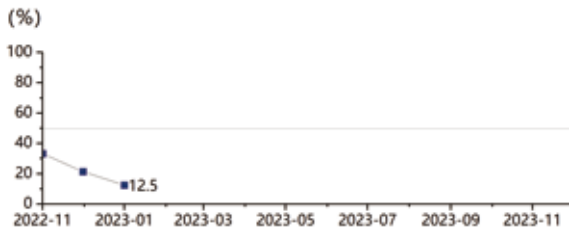
As for the GTI-Brazil sub-index, in January 2023, inventory index of finished products and delivery time index were equal to the critical value (50%), while the remaining 9 sub-indexes were below the critical value.



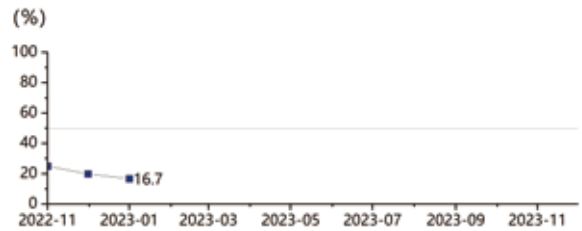
GTI-Brazil sub-index



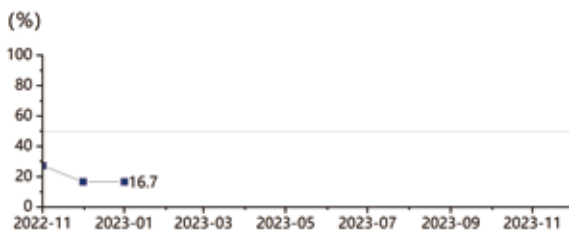
The harvesting index registered 12.5%, a decrease of 8.9 percentage points from the previous month, was below the critical value for 3 consecutive months, indicating that the harvesting volume of the superior timber enterprises represented by the GTI-Brazil was less than that of last month.



The export orders index registered 16.7%, a decrease of 3.3 percentage points from the previous month, was below the critical value for 3 consecutive months, indicating that the ability to obtain the export orders of the superior timber enterprises represented by the GTI-Brazil was weaker from the previous month.



The production index registered 16.7%, same with the previous month, was below the critical value for 3 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 25.0%, a decrease of 17.9 percentage points from the previous month, was below the critical value for 3 consecutive months, indicating that the number of existing orders of the superior timber enterprises represented by the GTI-Brazil was less than that of last month.



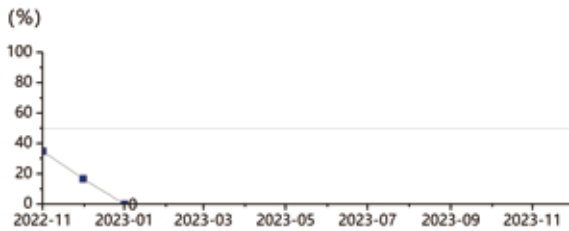
The new orders index registered 15%, a decrease of 13.6 percentage points from the previous month, was below the critical value for 3 consecutive months, indicating that the number of new orders of the superior timber enterprises represented by the GTI-Brazil shrank sharply from the previous month.



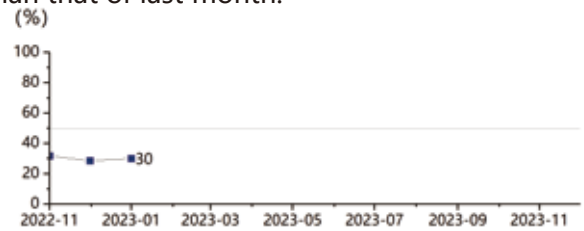
The inventory index of finished products registered 50.0%, an increase of 14.3 percentage points from the previous month, rose to the critical value, indicating that the inventory of finished products of the superior timber enterprises represented by the GTI-Brazil was same with that of last month.



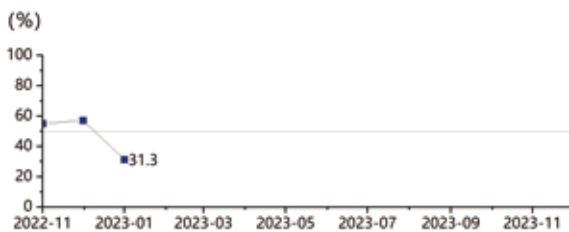
The purchasing quantity index registered 0%, a decrease of 16.7 percentage points from the previous month, was below the critical value for 3 consecutive months, indicating that the purchasing quantity of the superior timber enterprises represented by the GTI-Brazil was less than that of last month.



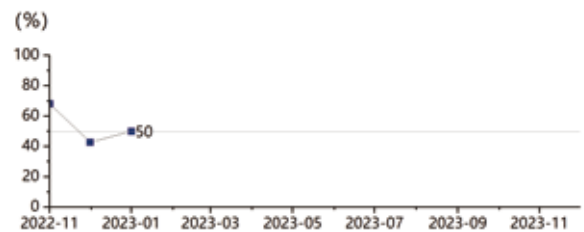
The production and management employees index registered 30%, an increase of 1.4 percentage points from the previous month, was below the critical value for 3 consecutive months, indicating that the number of production and operation employees of the superior timber enterprises represented by the GTI-Brazil was less than that of last month.



The purchasing price index is 31.3%, a decrease of 25.8 percentage points from the previous month, fell below the critical value, indicating that the purchasing price of the superior timber enterprises represented by the GTI-Brazil has declined from the previous month.



The delivery time index registered 50%, an increase of 7.1 percentage points from the previous month, rose to the critical value, indicating that the delivery time from the supplier to the superior timber enterprises represented by the GTI-Brazil was same with last month.



The inventory index of main raw materials registered 37.5%, an increase of 16.1 percentage points from the previous month, was below the critical value for 3 consecutive months, indicating that the inventory of main raw materials of the superior timber enterprises represented by the GTI-Brazil this month were less than that of last month.



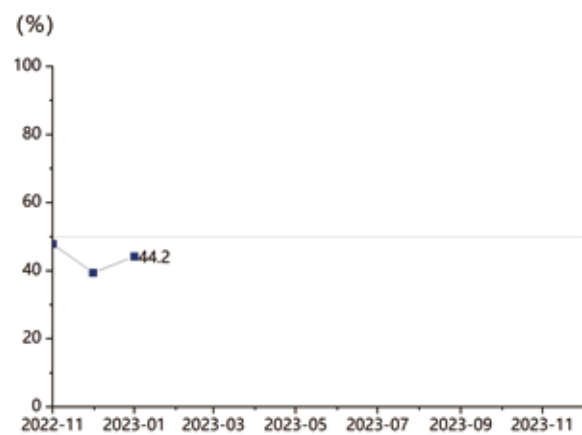


GTI-Mexico Index in January 2023

In 2023, Mexico's economic development has accelerated and continued to advance in attracting foreign investment and accelerating the development of manufacturing industry. On January 3, Mexico stated that it hoped to promote the unity and economic integration of all countries in the American continent, promote the common development of countries in the region, and solve the problems of development inequality and migration. Overall, Mexico's economy has continued to improve over the past two years. According to national statistics agency INEGI reported on Tuesday, Mexico's gross domestic product grew at a seasonally adjusted annual rate of 3 % in 2022, Mexico's manufacturing sector has outperformed agriculture and services throughout the year, registered as 3.2%. The agriculture and services sectors grew as 2.8% and 2.7%.

In January 2023, under the influence of unstable international market demand, government' s regulation on timber industry, and bad weather condition, enterprises reported that production costs were gradually increasing, imported products had a greater impact on domestic commodities, and there was a backlog of raw

GTI- Mexico Index



materials in warehouses. Mexican companies were looking to expand new markets to boost exports. Also, the enterprises feedback that the export audit process is cumbersome and takes too much time, hoping that the relevant departments can optimize the export process and release the stimulus policies. This month, the GTI-Mexico Index registered 44.2%, an increase of 4.8 percentage points from the previous month, and was below the critical value (50%) for 3 consecutive months, indicating that the business prosperity of the superior timber enterprises represented by the GTI-Mexico Index was declined from the previous month.

Challenges

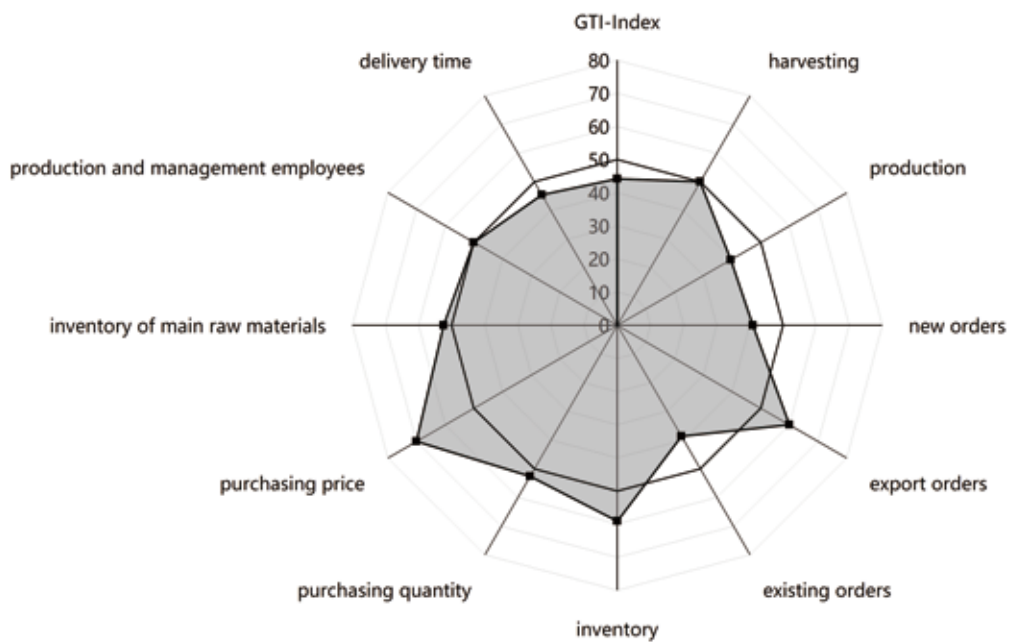
- Weather conditions.
- There are few sales of timber.
- Low demand due to increased imports and decreased demand in the construction industry. Increase in prices of wood and inputs.
- High production costs derived from the increase in the cost of raw materials.
- There is competition in the market.
- Response time of the authority to process documents of mobilization of wood.
- Demand in the labor market and high logistics costs for export.
- Economic instability and high roundwood prices.
- The industry has been suspended by Mexican authorities since 2022. This affects the production and employees generated by the industry.
- There are few sales of timber.
- Timber trade intermediaries hinder the processes of buying and selling roundwood.
- Difficulties in entering imported products.
- Lack of employees.
- A lot of raw material in storage warehouses and there are few sales.
- Lack of personnel, mechanical failures of the sawmill.
- Wood prices are declining and therefore there are adjustments in the company's jobs.
- Lack of issuance of documentation to protect the legal origin of raw materials by the Ministry of the Environment.

Suggestions

- Optimize the times of forestry procedures.
- Have a better infrastructure.
- Government promote programs to reactivate the country's economy.
- Promote the construction industry and economic activities of the country to increase the demand for forest products.
- Give tax incentives for this type of situation.
- Management training.
- Make use of electronic means to facilitate procedures.
- Initiatives for rules that apply tariffs to imports and development of cooperatives or government programs that support and provide benefits to the exporter.
- Regulate the import of wood and wood products.
- Stabilize roundwood prices.
- Request intervention from other agencies to solve this problem.
- Promote the export of timber.
- Start of activities, reporting procedures and new sale contracts.
- Achieve direct contact with interested customers to close the sale.
- Regulate imports.
- Improve the labor benefits that the company offers.
- Open markets to export wood and wood products.
- Give preventive maintenance to the equipment.
- Make an analysis of the competitions of the United States of America and Chile and with this make an offer of wood against the competition.
- It is necessary to reestablish an office responsible for issuing documents to protect the legal origin of raw materials in the City of Guachochi, Chihuahua.

GTI-Mexico sub-index

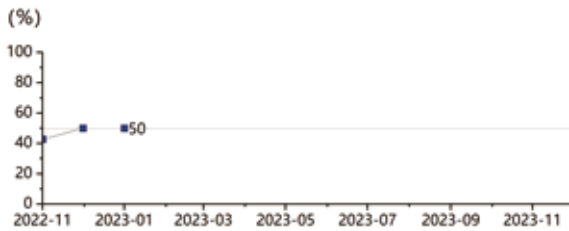
As for the GTI-Mexico sub-index, in January 2023, the export orders, inventory index of finished products, purchasing quantity, purchasing price index were above the critical value (50%); harvesting and employees index were equal to the critical value, while the remaining 5 sub-indexes were below the critical value.



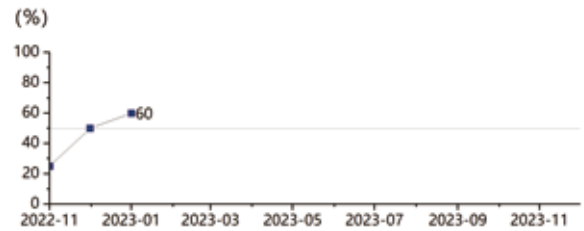
GTI-Mexico sub-index



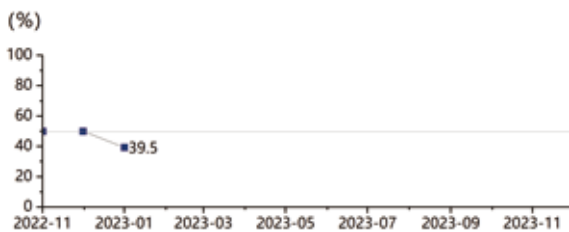
The harvesting index registered 50.0%, same with the previous month, still recording at the critical value, indicating that the harvesting volume of the superior timber enterprises represented by the GTI-Mexico was same as that of last month.



The export orders index registered 60.0%, an increase of 10.0 percentage points from the previous month, rose above the critical value, indicating that the export orders of the superior timber enterprises represented by the GTI-Mexico was more than that of last month.



The production index registered 39.5%, a decrease of 10.5 percentage points from the previous month, fell below the critical value, 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 38.6%, an increase of 7.3 percentage points from the previous month, was below the critical value for 3 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 40.9%, an increase of 22.1 percentage points from the previous month, was below the critical value for 3 consecutive months, indicating that the number of new orders of the superior timber enterprises represented by the GTI-Mexico was decreased from the previous month.

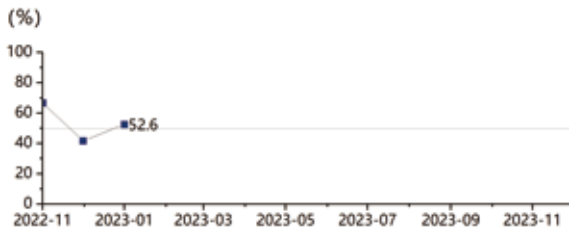


The inventory index of finished products registered 59.1%, a decrease of 9.7 percentage points from the previous month, was above the critical value for 2 consecutive months, indicating that the inventory of finished products of the superior timber enterprises represented by the GTI-Mexico was more than that of last month.

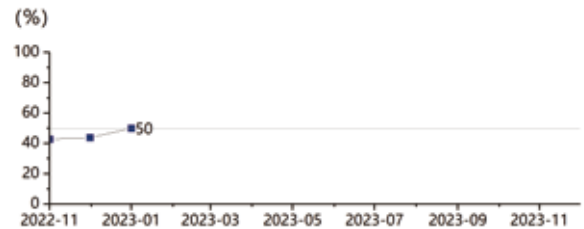




The purchasing quantity index registered 52.6%, an increase of 10.9 percentage points from the previous month, rose above the critical value, indicating that the purchasing quantity of the superior timber enterprises represented by the GTI-Mexico was more than that of last month.



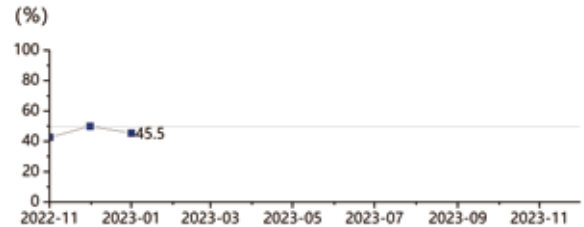
The production and management employees index registered 50.0%, an increase of 6.2 percentage points from the previous month, rose to the critical value, indicating that the number of production and operation employees of the superior timber enterprises represented by the GTI-Mexico was same with that of last month.



The purchasing price index registered 70.0%, a decrease of 13.3 percentage points from the previous month, was above the critical value for 3 consecutive months, indicating that the purchasing price of the superior timber enterprises represented by the GTI-Mexico was rising from the previous month.



The delivery time index registered 45.5%, a decrease of 4.5 percentage points from the previous month, was below the critical value, indicating that the delivery time from the supplier to the superior timber enterprises represented by the GTI-Mexico was slower than that of last month.



The inventory index of main raw materials registered 52.4%, an increase of 2.4 percentage points from the previous month, rose above the critical value, indicating that the inventory of main raw materials of the superior timber enterprises represented by the GTI-Mexico this month were more than that of last month.



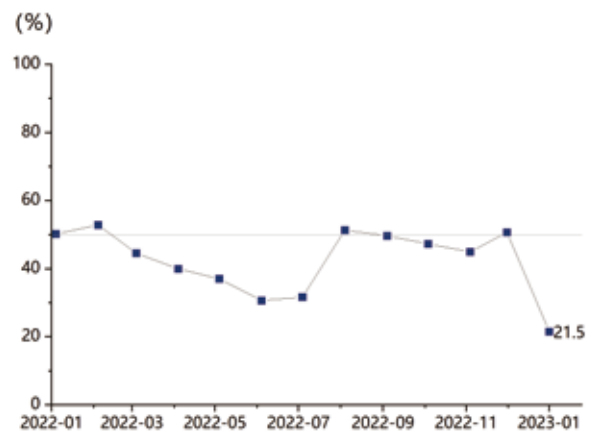


GTI-China Index in January 2023

In January 2023, with the extensive implementation of optimization measures for COVID-19 in China, and the release of many economic- stabilization policies, the domestic demand is rapidly increasing in the short term, the economy is steadily recovering in the new year. In late January, a large number of employees returned home to celebrate the Chinese New Year , and the utilization of capacity of manufacturing enterprises was affected to a certain extent. However, tourism, film, catering and other service industries have shown a marked recovery. During the Chinese New Year holidays, 308 million domestic tourists traveled and the box office of movies exceeded 6.7 billion RMB, indicating that China's economy has showed steadily rebounded and the positive trend.

The development of China's timber manufacturing industry in January showed significant off-season characteristics due to the New Year. Compared with the previous month, the number of workers in enterprises and factories

GTI- China Index



was decreased significantly, and the number of production volume and orders was declined significantly too. This month, the GTI-China Index registered 21.5%, a decrease of 29.2 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-China Index was declined from the previous month.



Challenges

- Hard to purchase high-grade raw materials.

Products in short supply

High-grade oak.

Commodity of which the price has been decreased

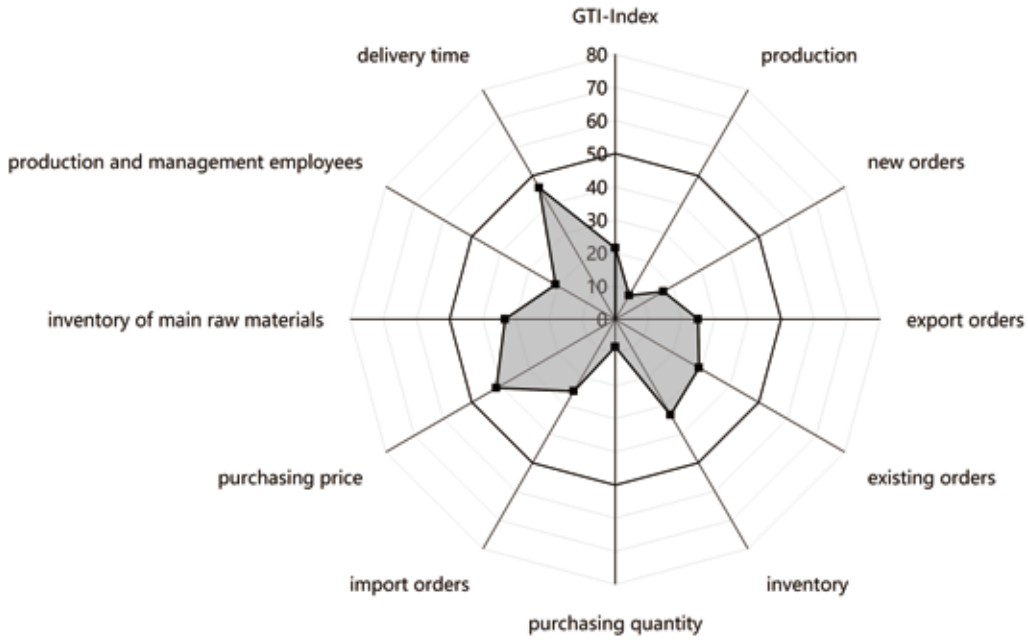
Urea.

Commodity of which the price has been increased

Methanol, melamine, paraffin.

GTI-China sub-index

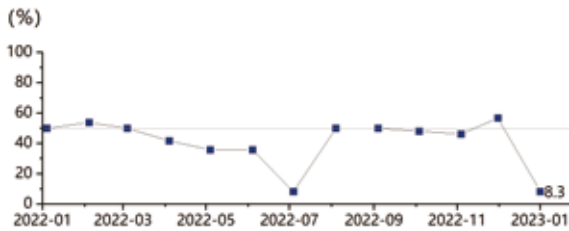
As for the GTI-China sub-index, in January 2023, the 11 sub-indexes were all below the critical value.



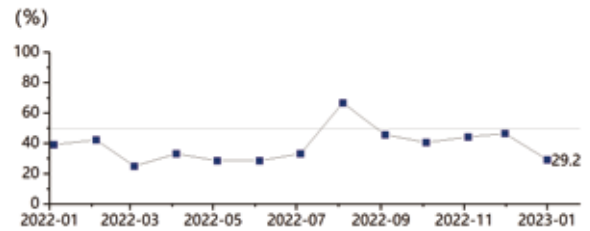
GTI-China sub-index



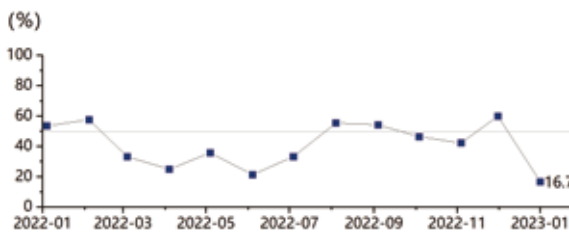
The production index registered 8.3%, a decrease of 48.4 percentage points from the previous month, fell below the critical value, indicating that the production volume of the superior timber enterprises represented by the GTI-China was less than that of last month.



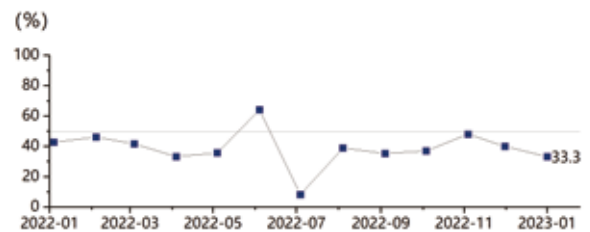
The existing orders index registered 29.2%, a decrease of 17.5 percentage points from the previous month, was below the critical value for 5 consecutive months, indicating that the number of existing orders of the superior timber enterprises represented by the GTI-China was less than that of last month.



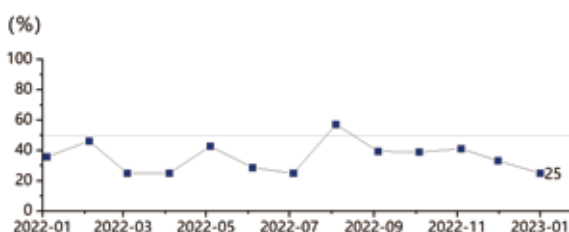
The new orders index registered 16.7%, a decrease of 43.3 percentage points from the previous month, fell below the critical value, indicating that the number of new orders of the superior timber enterprises represented by the GTI-China shrank sharply from last month.



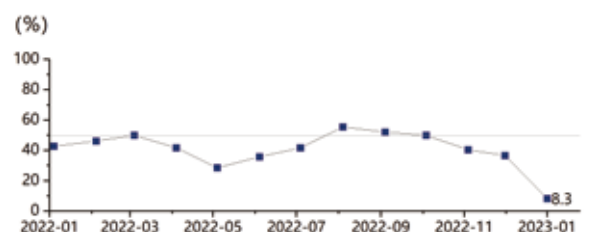
The inventory index of finished products registered 33.3%, a decrease of 6.7 percentage points from the previous month, was below the critical value for 6 consecutive months, indicating that the inventory of finished products of the superior timber enterprises represented by the GTI-China was less than that of last month.



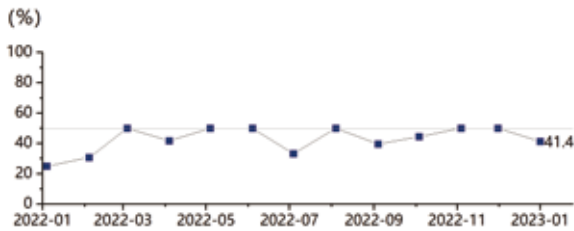
The export orders index registered 25.0%, a decrease of 8.3 percentage points from the previous month, was below the critical value for 5 consecutive months, indicating that the ability to obtain the export orders of the superior timber enterprises represented by the GTI-China was less than that of last month.



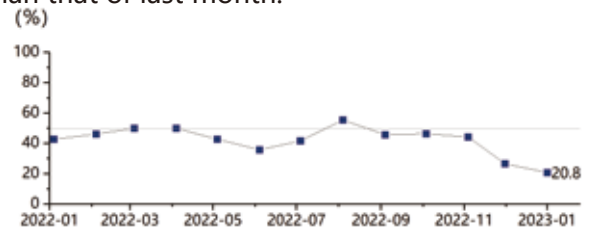
The purchasing quantity index registered 8.3%, a decrease of 28.4 percentage points from the previous month, was below the critical value for 3 consecutive months, indicating that the purchasing quantity of the superior timber enterprises represented by the GTI-China was less than that of last month.



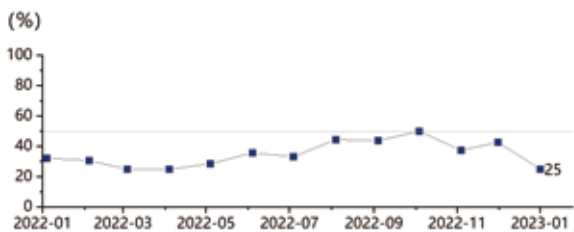
The purchasing price index registered 41.4%, a decrease of 8.6 percentage points from the previous month, was below the critical value, indicating that the purchasing price of the superior timber enterprises represented by the GTI-China was less than that of last month.



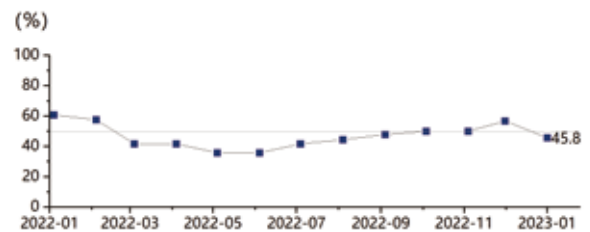
The production and management employees index registered 20.8%, a decrease of 5.9 percentage points from the previous month, was below the critical value for 5 consecutive months, indicating that the number of production and operation employees of the superior timber enterprises represented by the GTI-China was less than that of last month.



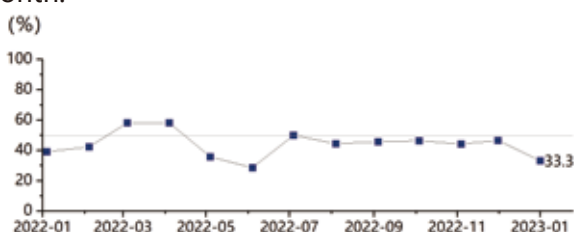
The import orders index registered 25.0%, a decrease of 17.9 percentage points from the previous month, was below the critical value for 3 consecutive months, indicating that the number of import orders of the superior timber enterprises represented by the GTI-China was less than that of last month.



The delivery time index registered 45.8%, a decrease of 10.9 percentage points from the previous month, fell below the critical value, indicating that the delivery time from the supplier to the superior timber enterprises represented by the GTI-China was slower than last month.



The inventory index of main raw materials registered 33.3%, a decrease of 13.4 percentage points from the previous month, was below the critical value for 6 consecutive months, indicating that the inventory of main raw materials of the superior timber enterprises represented by the GTI-China this month were less 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 Chain 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 will cover 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.

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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 Chain Initiative (abbreviated as 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” held in Shanghai, China in October, 2019.

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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GTI REPORT

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