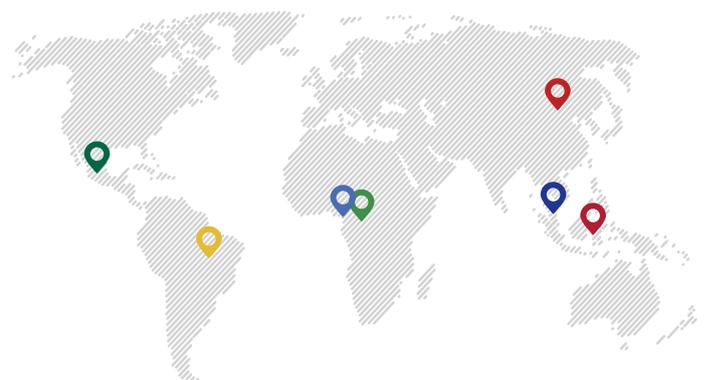


GLOBAL TIMBER INDEX GTI REPORT MONTHLY

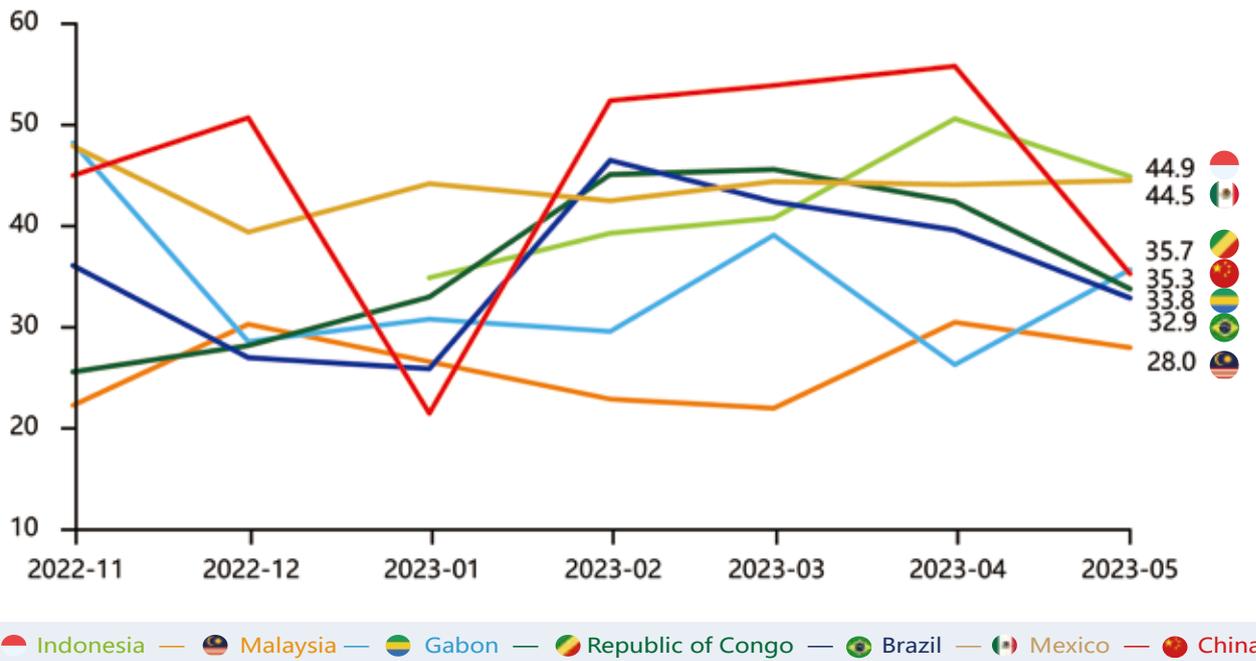
GGSC-No. 5/2023

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

Continued Weak Demand in the International Timber Market



In May 2023, the Global Timber Index (GTI) report shows that the GTI indexes of the seven pilot countries (Indonesia, Malaysia, Gabon, ROC, Brazil, Mexico, and China) were all below the critical value (50%). The contraction in international market demand continued to impact timber enterprises in the timber producing and processing countries.

The report shows that the GTI-Indonesia index recorded 44.9% in May, falling below the critical value again in one month. The production volume and order quantity of GTI-Indonesia enterprises decreased compared to that of the previous month, while the inventory of finished products increased, indicating insufficient recovery momentum on both the supply and demand sides. The GTI-ROC index and the GTI-Mexico index

recorded 35.7% and 44.5% respectively, below the critical value but showing an increase of 9.4 and 0.4 percentage point compared to that of the previous month, indicating that the downward trend of the countries' timber markets had eased. Gabon, Brazil, and Malaysia recorded 33.8%, 32.9%, and 28.0% respectively, with a continuous contraction trend for 7 consecutive months, meaning significant pressure on the survival and development of timber enterprises. The GTI-China index recorded 35.3%, a decrease of 20.5 percentage points compared to that of the previous month. After three consecutive months of increase, the number of new orders of GTI-China enterprises decreased this month, especially the significant decline in domestic

orders, indicating a decrease in purchasing enthusiasm among enterprises.

This month, the challenges reported by GTI enterprises focused on three main aspects: a decrease in market orders, rising costs such as fuel costs, and a decline in the selling price of logs. Gabon and ROC also faced challenges related to poor road and rail transportation conditions. GTI-Gabon enterprises suggested strengthening communication with foreign clients and enhancing cooperation with local governments. GTI-Brazil enterprises hoped to gain more market recognition of precious tree species such as *Toona Ciliata* and *Khaya Grandifoliola*. GTI-Indonesia enterprises wished for more support from the government in financing, export tariffs, international cooperation, and other aspects.

Recently, GTI pilot countries were paying attention to the progress of European Union Deforestation Regulation (EUDR). For example, the furniture industry in Brazil was concerned about the potential risks posed by EUDR. In Malaysia, the Sarawak Forestry Industry Association was calling for maximizing the use of timber from planted forests to produce high-value-added products such as wood based panel and furniture. And the Sarawak state government was taking proactive measures to ensure a sustainable and renewable supply of raw materials to meet the needs of the timber industry.

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)

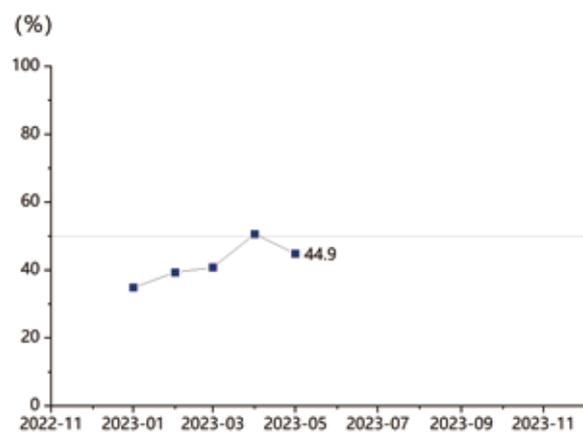
China:

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

GTI-Indonesia Index in May 2023

In April this year, Indonesia's exports amounted to \$19.29 billion, while imports totaled \$15.348 billion, resulting in a trade surplus of \$3.943 billion. The import and export scale showed a significant decline compared to March. In the first quarter of 2023, economy in Indonesia grew by 5.03% year-on-year. During the same period, the number of foreign tourists visiting Indonesia reached 2.24 million, showing a significant increase of 509% compared to the same period last year. However, it was still a 40% decrease compared to that of the same period in 2019 before the pandemic. The benchmark prices for timber exports in May, announced by Indonesia's Ministry of Trade, showed that the prices of veneer raw materials from planted forests and the processed timber products from mingled forests decreased by \$50 per cubic meter compared to that of the previous month. However, the price of veneer products from planted forests used for packaging boxes rose. Recently, the Indonesian government has decided to allow foreign entities to buy carbon credits from Indonesia, paving the way for multinational companies and institutions to tap into the country's large carbon trading potential. All entities participating in Indonesian carbon trading activities are required to register in the National Registry System and conduct transactions through Indonesia's Carbon Exchange. Indonesia and the Philippines are currently establishing a bilateral partnership for the reforestation project promoted by the ASEAN Business Advisory Council (ASEAN-BAC), so as to promote net-zero emissions

GTI-Indonesia Index



and the development of carbon markets in the ASEAN region.

In May this year, GTI-Indonesia enterprises saw an increase in harvesting volume, but a decrease in the quantity of orders (export orders in particular), and meantime, the market price of logs decreased, but fuel prices rose, putting significant pressure on the production and operations of timber enterprises. GTI-Indonesia enterprises hoped that the government would introduce policies to allow log export and provide more support to enterprises in financing, export tariffs, international cooperation, and other aspects. This month, the GTI-Indonesia index registered 44.9%, a decrease of 5.7 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-Indonesia index shrank from last month.

Main Challenges Reported by GTI-Indonesia Enterprises

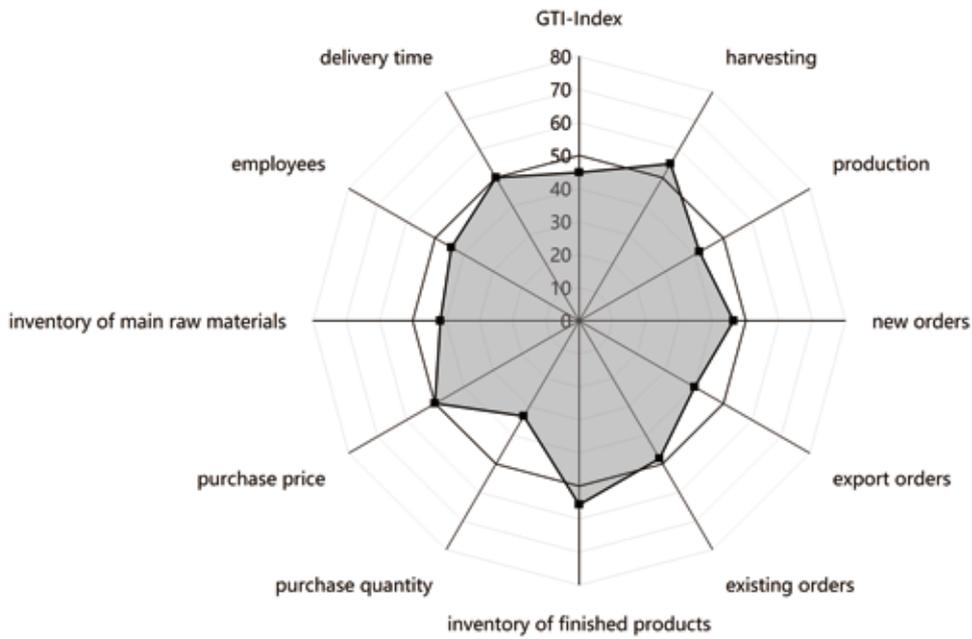
- Decrease in export order quantity.
- Decreased demand and price decline in the domestic and international log markets.
- Insufficient fuel supply and rising fuel prices.
- Continuous rainfall affecting outdoor operations.
- Reduced production due to decreased export.
- Sluggish plywood market.
- Change in land use.

Main Suggestions from GTI-Indonesia Enterprises

- Expand international market.
- Raise the selling prices of forest products.
- Ensure fuel supply and stabilize fuel prices.
- Adjust outdoor operations schedules during the rainy season.
- Encourage enterprise financing.
- Introduce policies to increase log export.
- Reduce export tariffs.
- Strengthen cooperation with the forestry authorities.

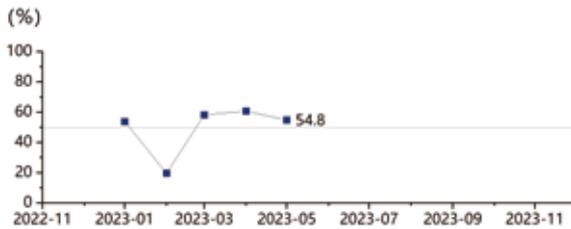
GTI-Indonesia sub-index

As for the GTI-Indonesia sub-index, in May 2023, the harvesting index, and the inventory index of finished products were above the critical value, the purchase price index and the delivery time index were equal to the critical value, while the remaining 7 sub-indexes were all below the critical value.

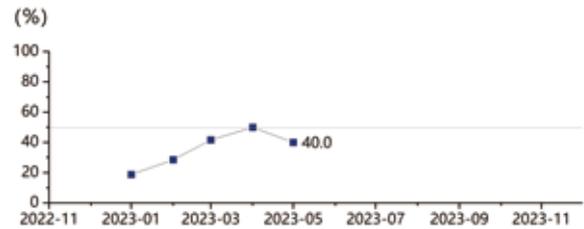


GTI-Indonesia sub-index

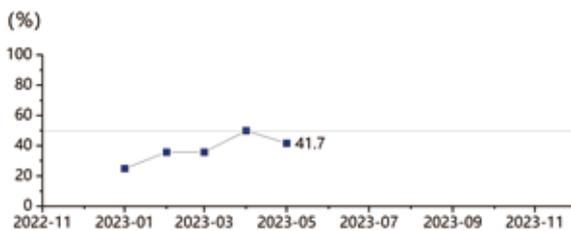
The harvesting index registered 54.8%, a decrease of 5.9 percentage points from the previous month, was above the critical value for 3 consecutive months, indicating that the harvesting volume of the superior timber enterprises represented by the GTI-Indonesia was more than that of last month.



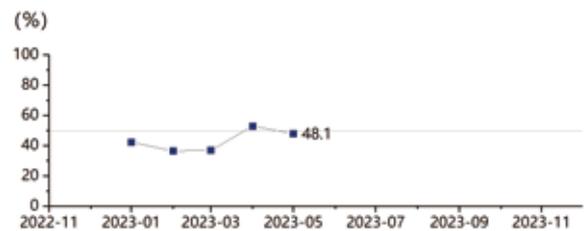
The export orders index registered 40.0%, a decrease of 10.0 percentage points from the previous month, fell below the critical value, indicating that the number of export orders of the superior timber enterprises represented by the GTI-Indonesia was less than that of last month.



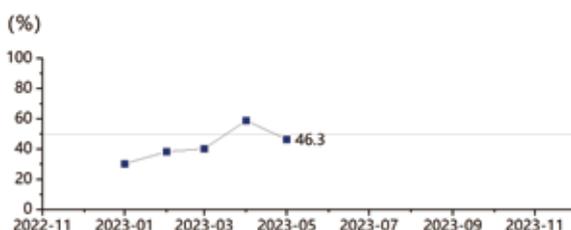
The production index registered 41.7%, a decrease of 8.3 percentage points from the previous month, fell below the critical value, indicating that the production volume of the superior timber enterprises represented by the GTI-Indonesia was less than that of last month.



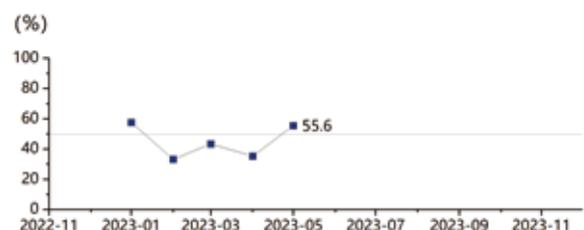
The existing orders index registered 48.1%, a decrease of 4.8 percentage points from the previous month, fell below the critical value, indicating that the number of existing orders of the superior timber enterprises represented by the GTI-Indonesia was less than that of last month.



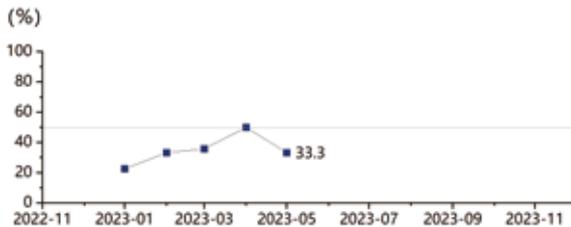
The new orders index registered 46.3%, a decrease of 12.5 percentage points from the previous month, fell below the critical value, indicating that the number of new orders of the superior timber enterprises represented by the GTI-Indonesia was less than that of last month.



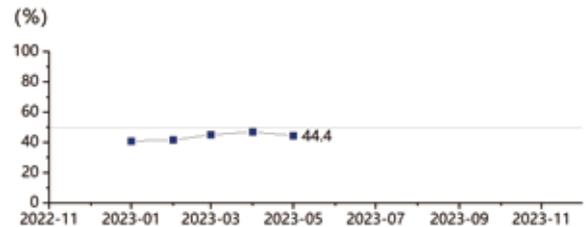
The inventory index of finished products registered 55.6%, an increase of 20.3 percentage points from the previous month, rose above the critical value, indicating that the inventory of finished products of the superior timber enterprises represented by the GTI-Indonesia was more than that of last month.



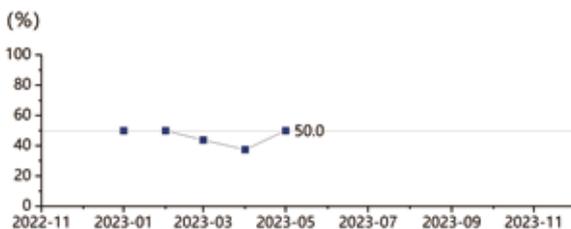
The purchase quantity index registered 33.3%, a decrease of 16.7 percentage points from the previous month, fell below the critical value, indicating that the purchase quantity of the superior timber enterprises represented by the GTI-Indonesia was less than that of last month.



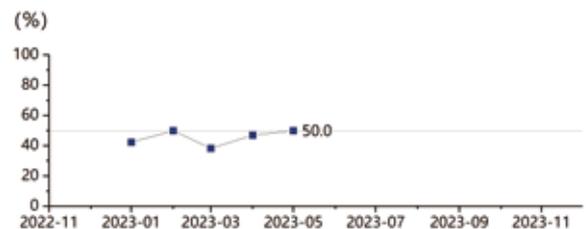
The production and management employees index registered 44.4%, a decrease of 2.7 percentage points from the previous month, was below the critical value for 5 consecutive months, indicating that the number of employees in the superior timber enterprises represented by the GTI-Indonesia was less than that of last month.



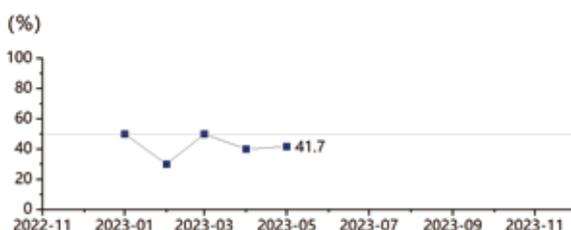
The purchase price index registered 50.0%, an increase of 12.5 percentage points from the previous month, rose to the critical value, indicating that the purchase price of the superior timber enterprises represented by the GTI-Indonesia was same with last month.



The delivery time index registered 50.0%, an increase of 2.9 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-Indonesia was same with last month.



The inventory index of main raw materials registered 41.7%, an increase of 1.7 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-Indonesia was less than that of last month.

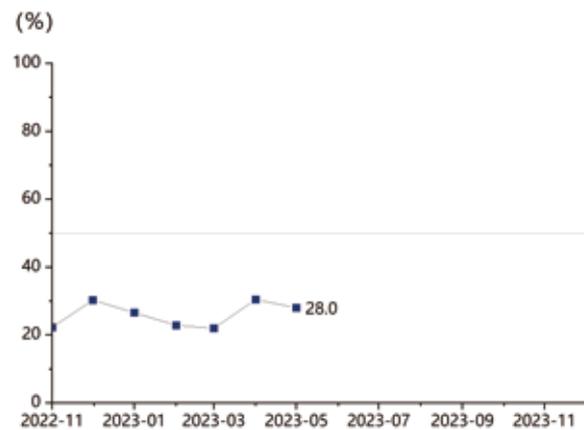


GTI-Malaysia Index in May 2023

On May 3rd, the Central Bank of Malaysia announced 25 basis points of interest rate hikes, raising the Overnight Policy Rate from 2.75% to 3%. The Central Bank forecasts that Malaysia's overall inflation rate and core inflation rate of this year will range between 2.8% and 3.8%, both lower than that of the previous year. In April, Malaysia's Purchasing Managers' Index (PMI) of the manufacturing sector was 48.8%, indicating a contraction in the manufacturing sector. During the same month, exports amounted to MYR 105.424 billion, imports totaled MYR 92.575 billion, resulting in a trade surplus of MYR 12.848 billion. The import & export scale showed a significant decline compared to March. In the forestry sector, the Sarawak Timber Association has called for maximizing the use of timber from planted forests to produce high-value-added products such as wood based panel and furniture. The Sarawak state government is taking proactive measures to meet the needs of the timber industry by ensuring a sustainable and renewable supply of raw materials. To achieve this goal, the government will collaborate with the private sector for forest plantation.

In May, the international market demand had not shown significant recovery, and the slowdown in

GTI-Malaysia Index



Malaysia's domestic construction industry had also impacted the production of timber enterprises. GTI-Malaysia enterprises reported facing the dual challenges of rising raw material prices and reduced order quantity. This month, the GTI-Malaysia index registered 28.0%, a decrease of 2.5 percentage points from the previous month, was below the critical value (50%) for 7 consecutive months, indicating that the business prosperity of the superior timber enterprises represented by the GTI-Malaysia index shrank from last month, and the contraction was expanded.



Main Challenges Reported by GTI-Malaysia Enterprises

- Insufficient order quantity.
- Labor shortage due to decreased market demand.
- Slow export shipments due to product surplus in importing countries .
- Decreased export orders.
- Declining price of plywood.
- Insufficient and expensive raw materials.
- Rising production costs.
- Sluggish demand for plywood due to a slowdown in the construction industry.

Main Suggestions from GTI-Malaysia Enterprises

- Expand markets and seek labor force.
- Strictly control production costs.
- Establish quotas for woodchips export.
- Government assistance in controlling production and logistics costs.

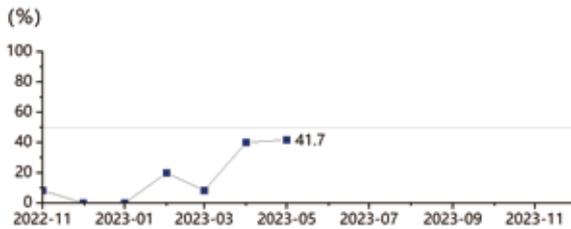
GTI-Malaysia sub-index

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

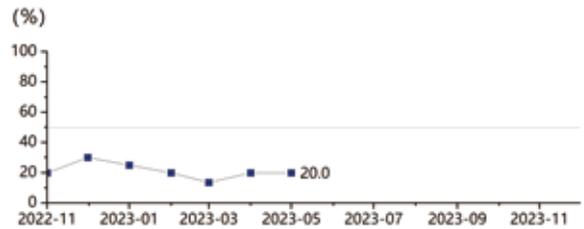


GTI-Malaysia sub-index

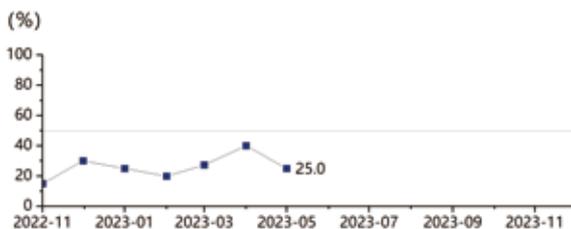
The harvesting index registered 41.7%, an increase of 1.7 percentage points from the previous month, was below the critical value for 7 consecutive months, indicating that the harvesting volume of the superior timber enterprises represented by the GTI-Malaysia was less than that of last month.



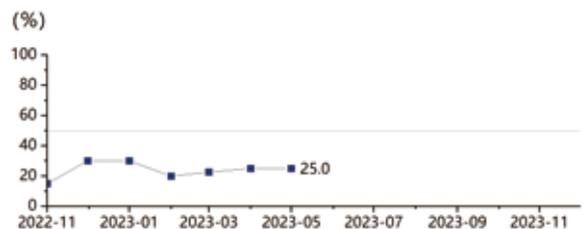
The export orders index registered 20.0%, same with the previous month, was below the critical value for 7 consecutive months, indicating that the number of export orders of the superior timber enterprises represented by the GTI-Malaysia was much less than that of last month.



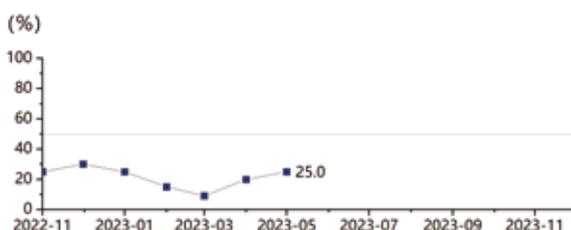
The production index registered 25.0%, a decrease of 15.0 percentage points from the previous month, was below the critical value for 7 consecutive months, indicating that the production volume of the superior timber enterprises represented by the GTI- Malaysia was less than that of last month.



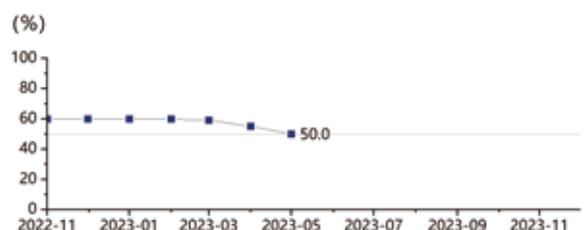
The existing orders index registered 25.0%, same with the previous month, was below the critical value for 7 consecutive months, indicating that the number of existing orders of the superior timber enterprises represented by the GTI-Malaysia was less than that of last month.



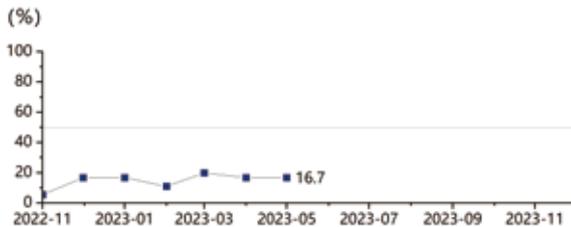
The new orders index registered 25.0%, an increase of 5.0 percentage points from the previous month, was below the critical value for 7 consecutive months, indicating that the number of new orders of the superior timber enterprises represented by the GTI-Malaysia was less than that of last month.



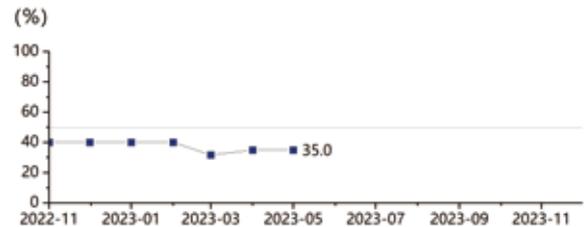
The inventory index of finished products registered 50.0%, a decrease of 5.0 percentage points from the previous month, fell to the critical value after 6 months, indicating that the inventory of finished products of the superior timber enterprises represented by the GTI-Malaysia was the same with that of last month.



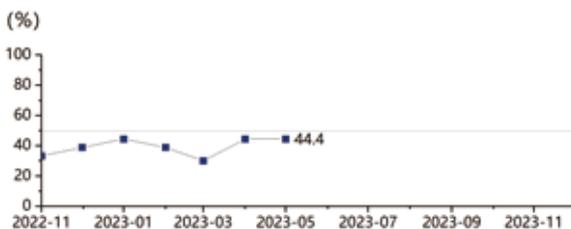
The purchase quantity index registered 16.7%, same with the previous month, was below the critical value for 7 consecutive months, indicating that the purchase quantity of the superior timber enterprises represented by the GTI-Malaysia was much less than that of last month.



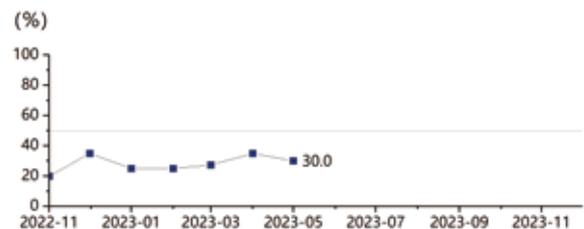
The production and management employees index registered 35.0%, same with the previous month, was below the critical value for 7 consecutive months, indicating that the number of employees in the superior timber enterprises represented by the GTI-Malaysia was less than that of last month.



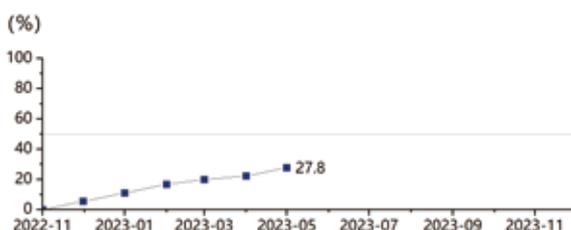
The purchase price index registered 44.4%, same with the previous month, was below the critical value for 7 consecutive months, indicating that the purchase price of the superior timber enterprises represented by the GTI-Malaysia was lower than that of last month.



The delivery time index registered 30.0%, a decrease of 5.0 percentage points from the previous month, was below the critical value for 7 consecutive months, indicating that the delivery from the supplier to the superior timber enterprises represented by the GTI-Malaysia was slower than last month.



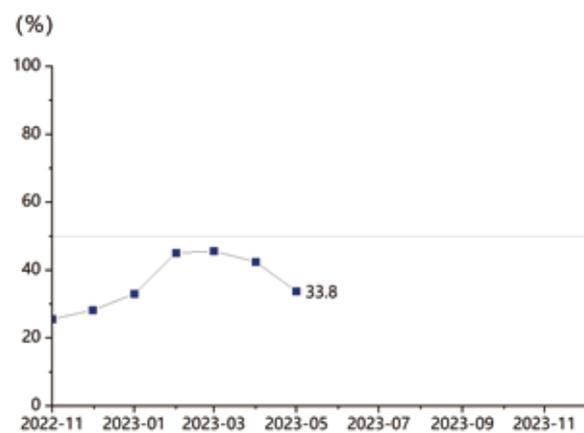
The inventory index of main raw materials registered 27.8%, an increase of 5.6 percentage points from the previous month, was below the critical value for 7 consecutive months, indicating that the inventory of main raw materials of the superior timber enterprises represented by the GTI-Malaysia was less than that of last month.



GTI-Gabon Index in May 2023

According to the African Development Bank's forecast, Gabon's GDP growth rate in 2023 is expected to be around 3%, with an expected inflation rate of 2.5%. With the rise of export prices of raw materials, Gabon's economy is expected to experience rapid growth in the future. According to data released by the Ministry of Economy and Recovery of Gabon on May 6th, in the fourth quarter of 2022, Gabon's log production decreased by 37% compared to the previous quarter, ending the continuous upward trend in the previous three quarters, but still grew by 16.1% compared to the same period last year. The Ministry of Economy and Recovery of Gabon analyzed that the decline in timber production could be attributed to two reasons: the increase in industrial diesel prices, leading to high operating costs, and a shortage of timber transportation tools. According to Gabon's 2023 fiscal bill, the country aims to expand timber production, especially by increasing sawnwood production, with an expected increase from 1.57 million cubic meters in 2021 to 1.7 million cubic meters. According to the comprehensive commodity price index published by Bank of Central African States, in the first quarter of 2023, the prices of timber products exported by countries of the Central African Economic and Monetary Community (Cameroon, ROC, Gabon, Chad, Central African Republic, and Equatorial Guinea) increased slightly by over 4%. The majority of the increase was observed in the prices of logs, which saw an average increase of 7%. Sawn timber prices also experienced a moderate increase of

GTI-Gabon Index



approximately 3.5%.

In May 2023, the rising fuel costs and inefficiencies in transportation continued to be the main obstacles reported by GTI-Gabon enterprises, while overall demand in the timber market decreased. The volume of timber harvesting, production, and orders all declined synchronously, and both the supply and demand sides were inactive. The enterprises expressed a strong expectation for strengthened road maintenance and reduced fuel costs. This month, the GTI-Gabon index registered 33.8%, a decrease of 8.6 percentage points from the previous month, was below the critical value (50%) for 7 consecutive months, indicating that the business prosperity of the superior timber enterprises represented by the GTI-Gabon index shrank from last month, and the contraction trend was expanded.

Main Challenges Reported by GTI-Gabon Enterprises

- Relatively high raw material costs and long delivery time.
- Decreased demand in the timber market.
- Price increases of gasoline and other fuels.
- Poor conditions of roads and railways, impacting product delivery.
- High forestry tax rates.
- Public holidays reducing efficiency of log transportation, leading to overstock of logs in the forest areas.

Main Suggestions from GTI-Gabon Enterprises

- Reduce raw material costs.
- Strengthen communication with foreign clients.
- Lower fuel costs.
- Enhance cooperation with local governments.
- Increase maintenance efforts for roads and railways.
- Increase the government's fiscal support for road maintenance to improve transportation infrastructure.

GTI-Gabon sub-index

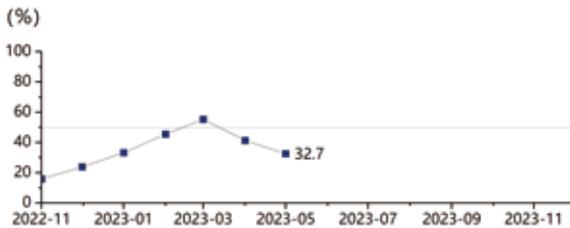
As for the GTI-Gabon sub-index, in May 2023, the 11 sub-indexes were all below the critical value.



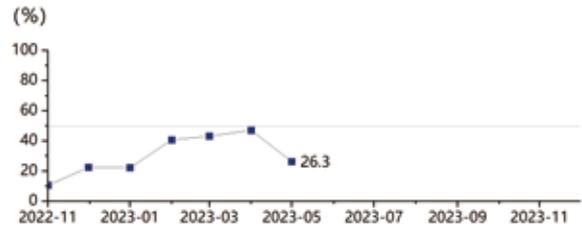
GTI-Gabon sub-index



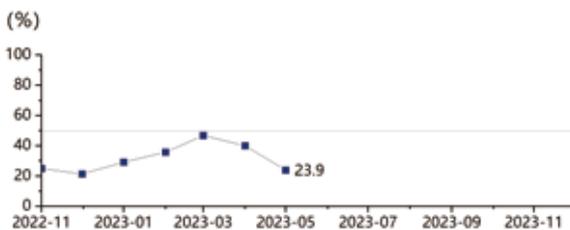
The harvesting index registered 32.7%, a decrease of 8.6 percentage points from the previous month, was below the critical value for 2 consecutive months, indicating that the harvesting volume of the superior timber enterprises represented by the GTI-Gabon was less than that of last month.



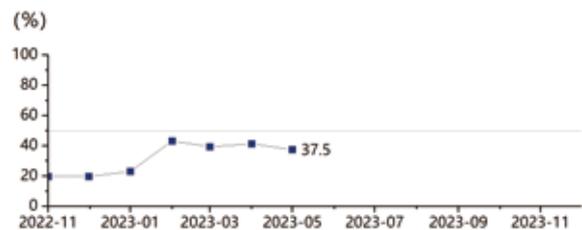
The export orders index registered 26.3%, a decrease of 20.8 percentage points from the previous month, was below the critical value for 7 consecutive months, indicating that the number of export orders of the superior timber enterprises represented by the GTI-Gabon was less than that of last month.



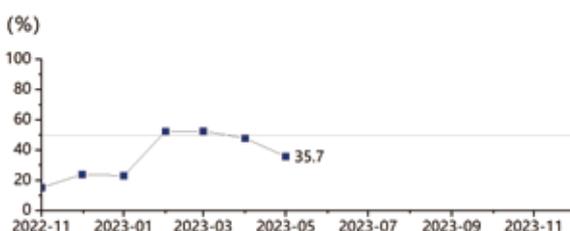
The production index registered 23.9%, a decrease of 16.1 percentage points from the previous month, was below the critical value for 7 consecutive months, indicating that the production volume of the superior timber enterprises represented by the GTI-Gabon was much less than that of last month.



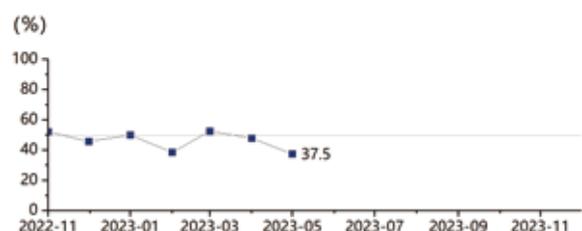
The existing orders index registered 37.5%, a decrease of 3.8 percentage points from the previous month, was below the critical value for 7 consecutive months, indicating that the number of existing orders of the superior timber enterprises represented by the GTI-Gabon was less than that of last month.



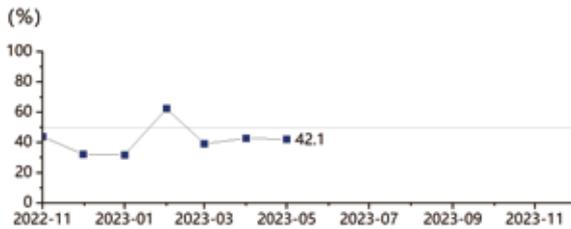
The new orders index registered 35.7%, a decrease of 12.1 percentage points from the previous month, was below the critical value for 2 consecutive months, indicating that the number of new orders of the superior timber enterprises represented by the GTI-Gabon was less than that of last month.



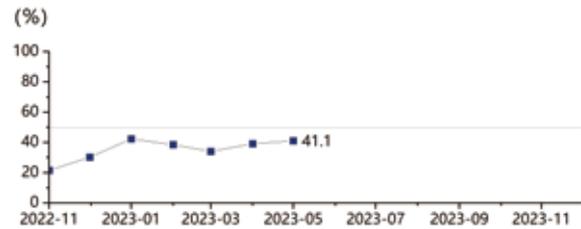
The inventory index of finished products registered 37.5%, a decrease of 10.3 percentage points from the previous month, was below the critical value for 2 consecutive months, indicating that the inventory of finished products of the superior timber enterprises represented by the GTI-Gabon was less than that of last month.



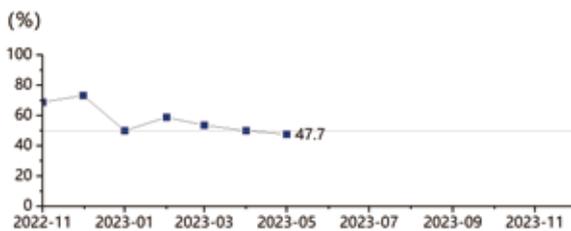
The purchase quantity index registered 42.1%, a decrease of 0.8 percentage point from the previous month, was below the critical value for 3 consecutive months, indicating that the purchase quantity of the superior timber enterprises represented by the GTI-Gabon was less than that of last month.



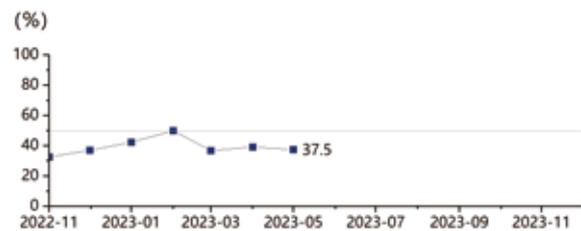
The production and management employees index registered 41.1%, an increase of 2.0 percentage points from the previous month, was below the critical value for 7 consecutive months, indicating that the number of employees in the superior timber enterprises represented by the GTI-Gabon was less than that of last month.



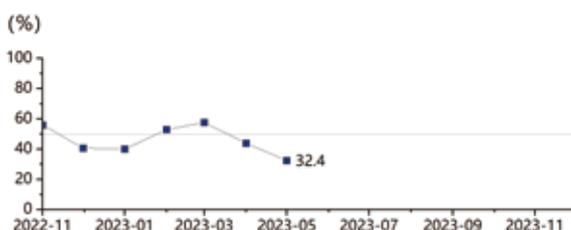
The purchase price index registered 47.7%, a decrease of 2.3 percentage points from the previous month, fell below the critical value, indicating that the purchase price of the superior timber enterprises represented by the GTI-Gabon was lower than that of last month.



The delivery time index registered 37.5%, a decrease of 1.6 percentage points from the previous month, was below the critical value for 3 consecutive months, indicating that the delivery from the supplier to the superior timber enterprises represented by the GTI-Gabon was slower than that of last month.



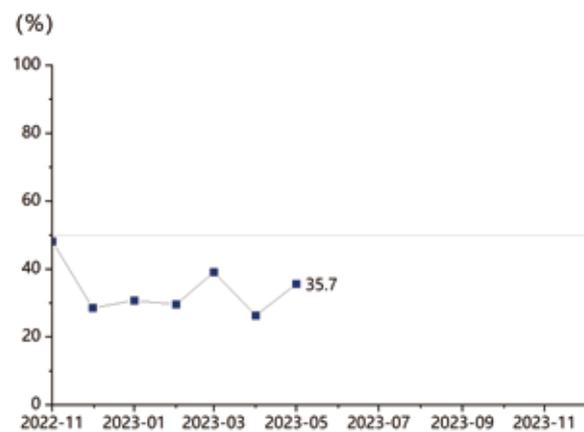
The inventory index of main raw materials registered 32.4%, a decrease of 11.4 percentage points from the previous month, was below the critical value for 2 consecutive months, indicating that the inventory of main raw materials of the superior timber enterprises represented by the GTI-Gabon was less than that of last month.



GTI-ROC Index in May 2023

In March this year, the monthly inflation rate of the Republic of the Congo was 0.4%, with the Consumer Price Index (CPI) reaching 110. The overall economic development prospects were positive. The African Development Bank has predicted that the GDP growth rate of ROC will be 3.2% in 2023, and the inflation rate is expected to rise to 3.1%. In order to implement a strategy of economic diversification, ROC plans to collaborate with the United Arab Emirates to construct a multimodal transport terminal in Pointe-Noire, the second-largest city of ROC. The terminal will be operated by the private company AD Ports Group. In the forestry sector, transporting timber in ROC has become very challenging due to heavy rains, especially in areas far from the ports, where timber transportation may experience further delays. Some operators transport timber to Pointe-Noire by trucks, while some others use waterways to transport it to Maloukou and then transfer it to Pointe-Noire by train. In addition, authorities in ROC have allowed the export of logs harvested before January 1, 2023, under strict supervision. However, it is expected that there will be no more inventory of logs available for export around June. In May 2023, due to rainfall and poor road infrastructure, GTI-ROC enterprises faced fuel shortages, which limited outdoor operations and log transportation. Some enterprises reported that

GTI-ROC Index



the local market management system was insufficient, calling for policies to stimulate the development of the timber market. This month, the GTI-ROC index registered 35.7%, an increase of 9.4 percentage points from the previous month, was below the critical value (50%) for 7 consecutive months, indicating that the business prosperity of the superior timber enterprises represented by the GTI-ROC index has shrank from last month, but the contraction trend has eased.

Main Challenges Reported by GTI-ROC Enterprises

- Insufficient fuel supply and high prices.
- Inefficient logistics and slow transportation.
- Financial constraints.
- Inadequate logistical support.
- Poor road infrastructure.
- Restrictions on outdoor operations and log transportation during the rainy season.
- Insufficient market demand, requiring policy incentives.
- Inadequate market management system.
- Suspension of log export.

Main Suggestions from GTI-ROC Enterprises

- Increase fuel supply and reduce fuel prices.
- Seek financing.
- Purchase transportation tools and production equipment.
- Strengthen the development of timber market of the Congo Basin.
- Enhance communication between forestry authorities and enterprises.

GTI-ROC sub-index

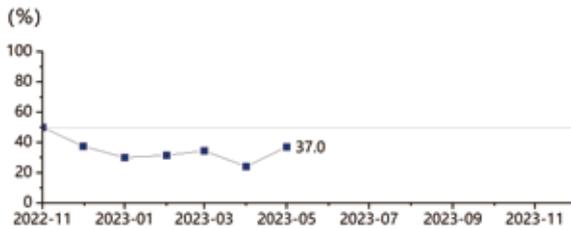
As for the GTI-ROC sub-index, in May 2023, the 11 sub-indexes were all below the critical value.



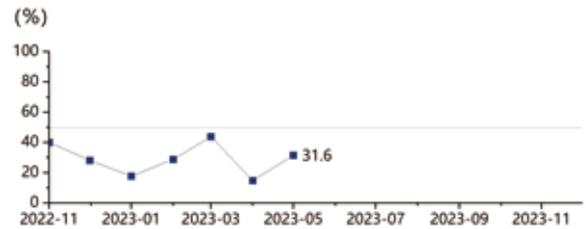
GTI-ROC sub-index



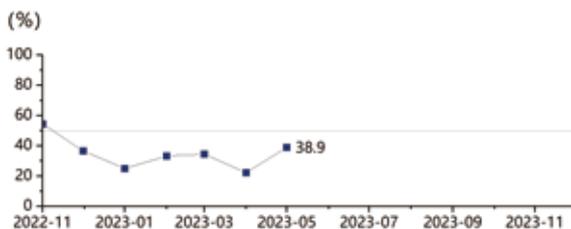
The harvesting index registered 37.0%, an increase of 12.9 percentage points from the previous month, was below the critical value for 6 consecutive months, indicating that the harvesting volume of the superior timber enterprises represented by the GTI-ROC was less than that of last month.



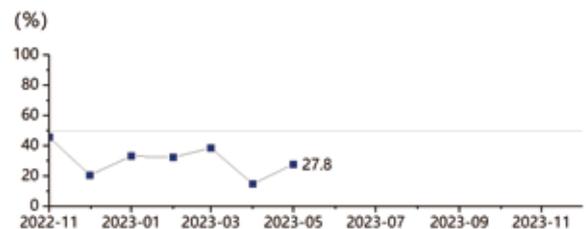
The export orders index registered 31.6%, an increase of 16.8 percentage points from the previous month, was below the critical value for 7 consecutive months, indicating that the number of export orders of the superior timber enterprises represented by the GTI-ROC was less than that of last month.



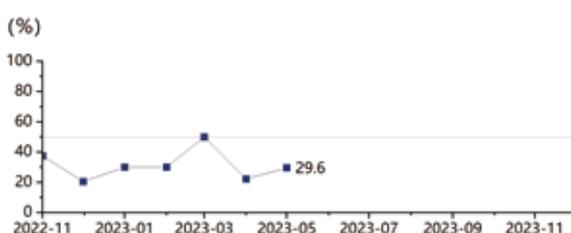
The production index registered 38.9%, an increase of 16.7 percentage points from the previous month, was below the critical value for 6 consecutive months, indicating that the production volume of the superior timber enterprises represented by the GTI-ROC was less than that of last month.



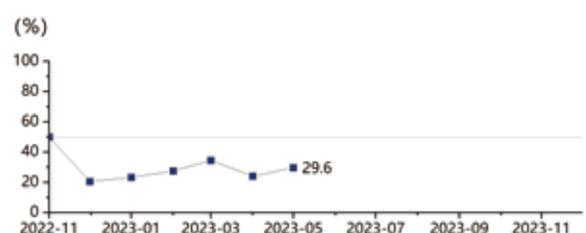
The existing orders index registered 27.8%, an increase of 13.0 percentage points from the previous month, was below the critical value for 7 consecutive months, indicating that the number of existing orders of the superior timber enterprises represented by the GTI-ROC was less than that of last month.



The new orders index registered 29.6%, an increase of 7.4 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-ROC was less than that of last month.

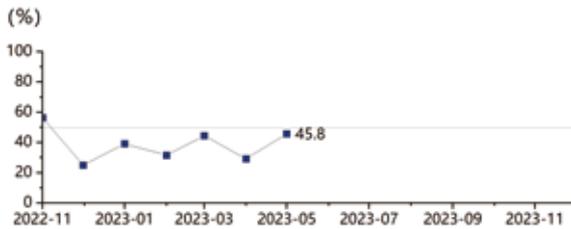


The inventory index of finished products registered 29.6%, an increase of 5.5 percentage points from the previous month, was below the critical value for 6 consecutive months, indicating that the inventory of finished products of the superior timber enterprises represented by the GTI-ROC was less than that of month.

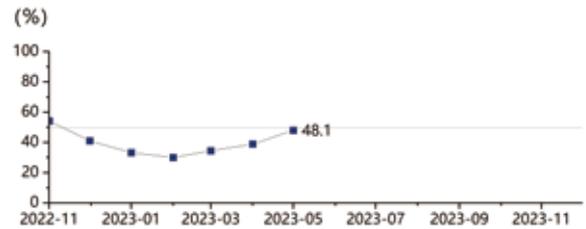




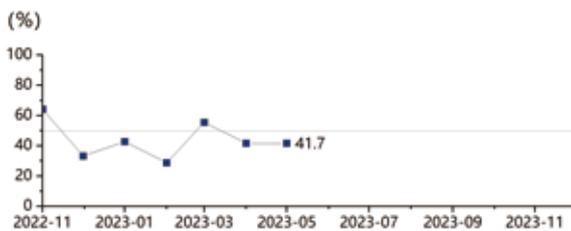
The purchase quantity index registered 45.8%, an increase of 16.6 percentage points from the previous month, was below the critical value for 6 consecutive months, indicating that the purchase quantity of the superior timber enterprises represented by the GTI-ROC was less than that of last month.



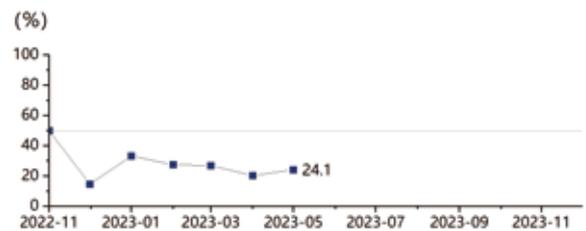
The production and management employees index registered 48.1%, an increase of 9.2 percentage points from the previous month, was below the critical value for 6 consecutive months, indicating that the number of employees in the superior timber enterprises represented by the GTI-ROC was less than that of last month.



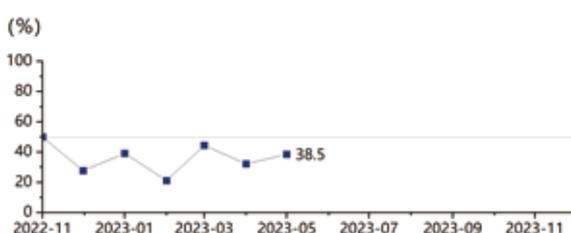
The purchase price index registered 41.7%, same with the previous month, was below the critical value for 2 consecutive months, indicating that the purchase price of the superior timber enterprises represented by the GTI-ROC was lower than that of last month.



The delivery time index registered 24.1%, an increase of 3.7 percentage points from the previous month, was below the critical value for 6 consecutive months, indicating that the delivery from the supplier to the superior timber enterprises represented by the GTI-ROC was much slower than last month.



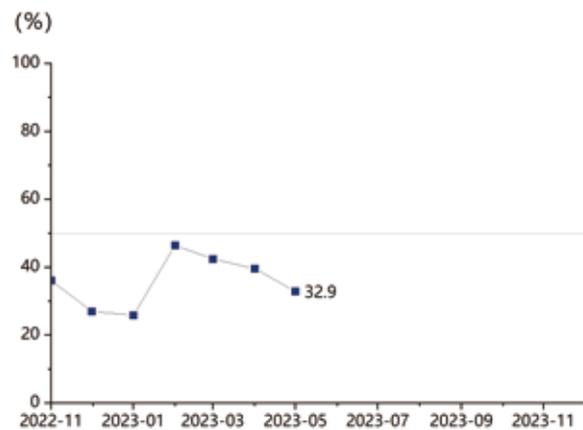
The inventory index of main raw materials registered 38.5%, an increase of 6.4 percentage points from the previous month, was below the critical value for 6 consecutive months, indicating that the inventory of main raw materials of the superior timber enterprises represented by the GTI-ROC was less than that of last month.



GTI-Brazil Index in May 2023

In April 2023, Brazil's export volume reached \$27.365 billion, the import volume was \$19.140 billion, and the trade surplus was \$8.225 billion. The import and export scale was significantly lower than that in March. Also in the same month, Brazil's broad consumer price index increased by 0.61%, mainly driven by the healthcare sector. The cumulative inflation rate over the past 12 months was 4.18%, showing a continuous decline since June of the previous year. In terms of the forestry sector, Brazil's furniture industry is concerning about the potential risks that European Union Deforestation Regulation may pose to enterprises. In March 2023, Brazil's exports of timber products (excluding pulp and paper) fell by 19% from March 2022, dropping from \$423.2 million to \$341.9 million. *Handroanthus* spp. and *Dipteryx odorata* were listed in Appendix II of CITES in November 2022. The Brazilian Institute of Environment and Renewable Natural Resources (IBAMA) has set November 2024 as the date for the implementation of the CITES export requirements for both species, thus following the maximum time frame allowed by CITES. CITES data showed that 469,600 cubic meters of *Handroanthus* spp. were legally exported from the Amazon during the period from 2017 to 2021, 96% of which came from Brazil.

GTI- Brazil Index



In May, GTI-Brazil enterprises reported that they were facing problems such as insufficient market demand, decreased orders, increased production costs and fallen selling prices, and there were raw materials in short supply. This month, the GTI-Brazil index registered 32.9%, a decrease of 6.7 percentage points from the previous month, was below the critical value (50%) for 7 consecutive months, indicating that the business prosperity of the superior timber enterprises represented by the GTI-Brazil index shrank from last month, and the contraction had expanded.

Main Challenges Reported by GTI-Brazil Enterprises

- Decreased orders and sharp decline in domestic timber market demand.
- Shortage of raw material supply and high prices.
- Lower international market demand and lower selling prices.
- High price pressure in Asian market.
- High production costs.
- Overstock of products causing lower selling prices.
- Rainfall affecting field work.
- Low market recognition of new precious species such as Australian cedar (Toona Ciliata) and African mahogany (Khaya Grandifoliola).

Main Suggestions from GTI-Brazil Enterprises

- Wait for market demand to rise.
- Develop markets and offer discounts to guarantee production.
- Adjust the field work schedule according to the climate.
- Adjust production for substitute goods.
- Adjust production process to achieve maximum capacity at all phases without compromising delivery times.
- Improve recognition of new precious species such as Australian cedar (Toona Ciliata) and African mahogany (Khaya Grandifoliola).

GTI-Brazil sub-index

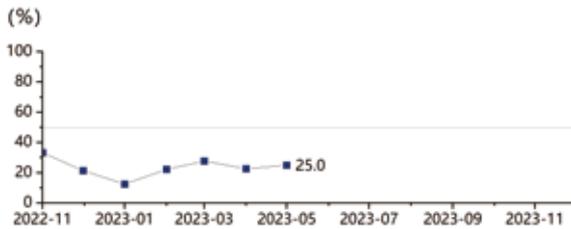
As for the GTI-Brazil sub-index, in May 2023, only the inventory index of finished products was above the critical value, while the remaining 10 sub-indexes were all below the critical value.



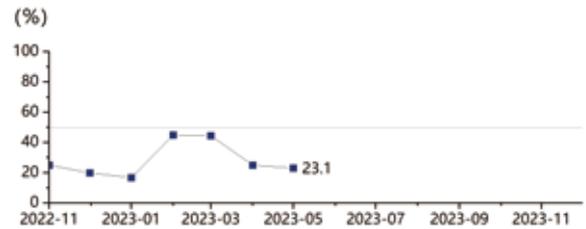
GTI-Brazil sub-index



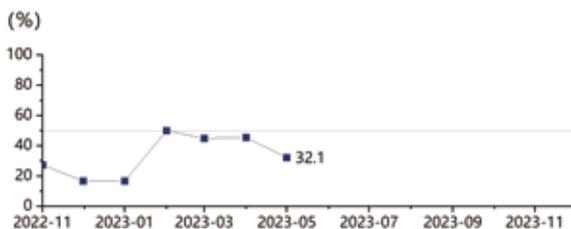
The harvesting index registered 25.0%, an increase of 2.3 percentage points from the previous month, was below the critical value for 7 consecutive months, indicating that the harvesting volume of the superior timber enterprises represented by the GTI-Brazil was less than that of last month.



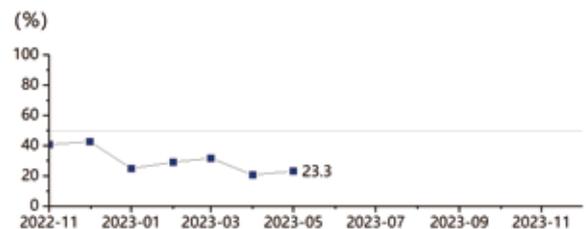
The export orders index registered 23.1%, a decrease of 1.9 percentage points from the previous month, was below the critical value for 7 consecutive months, indicating that the number of export orders of the superior timber enterprises represented by the GTI-Brazil was much less than that of last month.



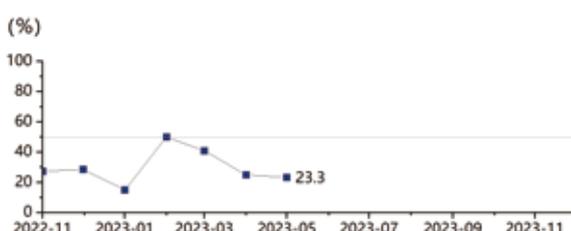
The production index registered 32.1%, a decrease of 13.4 percentage points from the previous month, was below the critical value for 3 consecutive months, indicating that the production volume of the superior timber enterprises represented by the GTI-Brazil was less than that of last month.



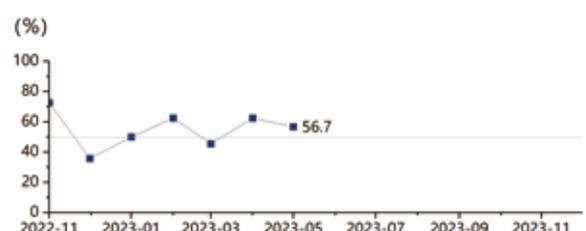
The existing orders index registered 23.3%, an increase of 2.5 percentage points from the previous month, was below the critical value for 7 consecutive months, indicating that the number of existing orders of the superior timber enterprises represented by the GTI- Brazil was much less than that of last month.



The new orders index registered 23.3%, a decrease of 1.7 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 was much less than that of last month.

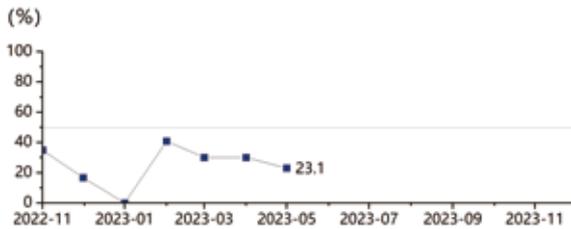


The inventory index of finished products registered 56.7%, a decrease of 5.8 percentage points from the previous month, was above the critical value for 2 consecutive months, indicating that the inventory of finished products of the superior timber enterprises represented by the GTI-Brazil was more than that of last month.

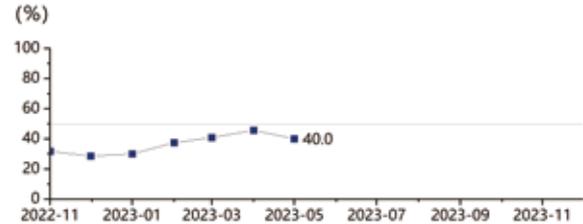




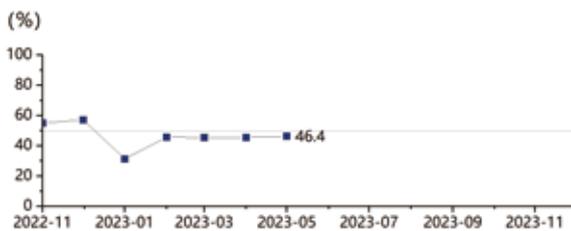
The purchase quantity index registered 23.1%, a decrease of 6.9 percentage points from the previous month, was below the critical value for 7 consecutive months, indicating that the purchase quantity of the superior timber enterprises represented by the GTI-Brazil was much less than that of last month.



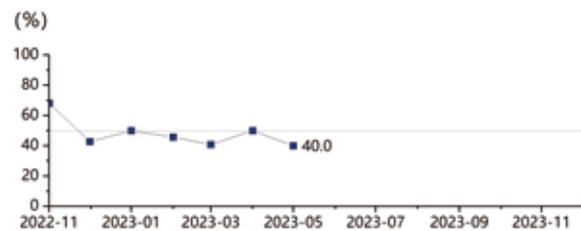
The production and management employees index registered 40.0%, a decrease of 5.8 percentage points from the previous month, was below the critical value for 7 consecutive months, indicating that the number of employees in the superior timber enterprises represented by the GTI-Brazil was less than that of last month.



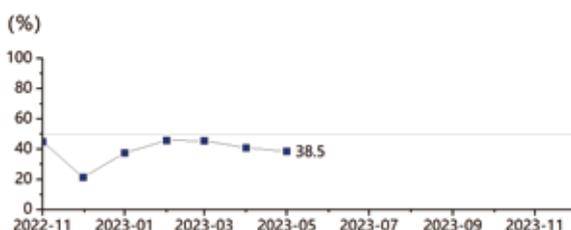
The purchase price index registered 46.4%, an increase of 0.9 percentage point from the previous month, was below the critical value for 5 consecutive months, indicating that the purchase price of the superior timber enterprises represented by the GTI-Brazil was lower than that of last month.



The delivery time index registered 40.0%, a decrease of 10.0 percentage points from the previous month, fell below the critical value, indicating that the delivery from the supplier to the superior timber enterprises represented by the GTI-Brazil was slower than last month.



The inventory index of main raw materials registered 38.5%, a decrease of 2.4 percentage points from the previous month, was below the critical value for 7 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.

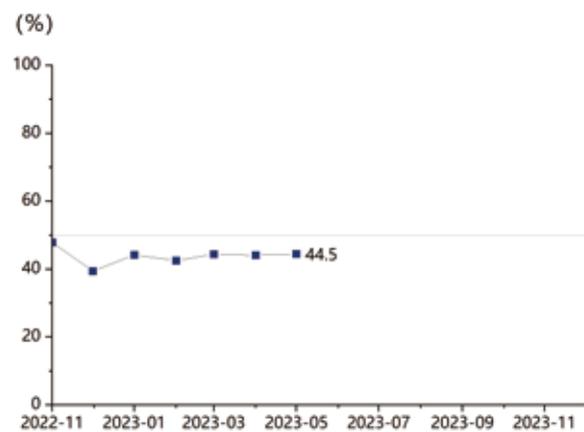


GTI-Mexico Index in May 2023

According to the data released by the National Institute of Statistics and Geography (INEGI) on May 18, Mexico's GDP growth rate in 2022 was 3.1%, while the Federal Ministry of Finance forecasted a growth rate of 3% for 2023. In April, Mexico's GDP grew by 0.4% month-on-month and 2.6% year-on-year. The annual growth rate of the secondary industry, including manufacturing, mining and construction was expected to be 1.7%. Its export volume reached \$53.558 billion, the import volume was \$52.389 billion, and the trade surplus was \$1.169 billion. MJB Wood Group of the United States is opening new factories in Mexico City and Puebla to meet the demands of Mexican and North American manufacturers to expand their markets in Mexico. Upon completion of the project, MJB will expand its operations in Mexico to six locations.

In May, domestic and foreign demand in Mexico's timber market remained weak, and international timber price competition became more intense. Some enterprises attributed the sluggish domestic market to the impact of imported goods, and even put forward the idea of restricting the import of forest products. GTI-Mexico enterprises hoped to promote the development of domestic enterprises

GTI- Mexico Index



by opening up international markets, raising selling prices of products, accelerating the development of construction industry, and increasing support for export tax exemption. This month, the GTI-Mexico index registered 44.5%, an increase of 0.4 percentage point from the previous month, was below the critical value (50%) for 7 consecutive months, indicating that the business prosperity of the superior timber enterprises represented by the GTI-Mexico index shrank from last month, but the contraction trend had narrowed.



Main Challenges Reported by GTI-Mexico Enterprises

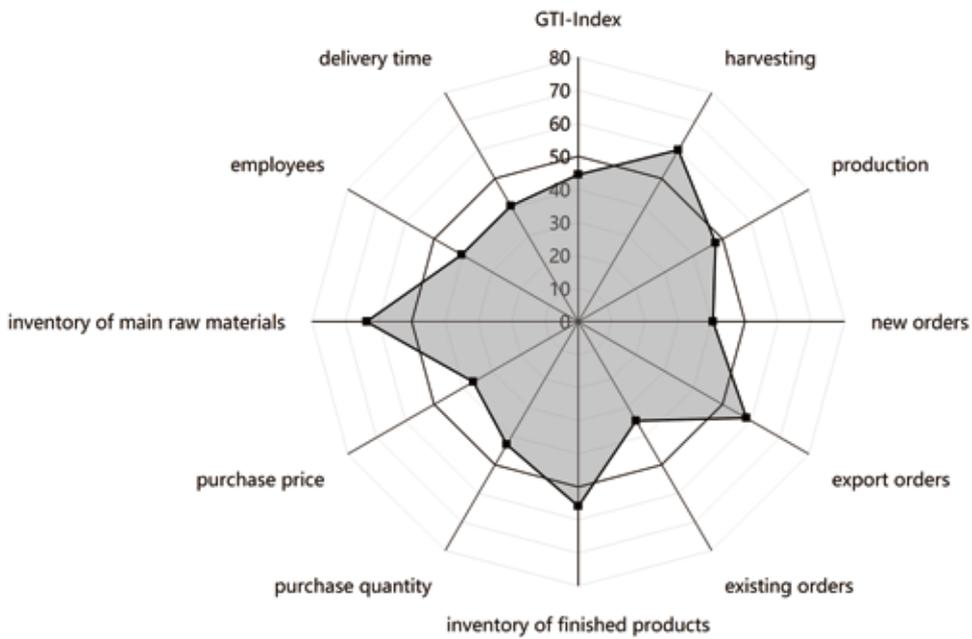
- Too much rain.
- Lower selling prices.
- Imported goods affecting domestic market.
- Unstable electricity support.
- Insufficient domestic and international demand.
- Change of land use.
- International competition of timber price .
- Decreased product sales and product backlog.
- Less orders.
- Lower demand for forest products.

Main Suggestions from GTI-Mexico Enterprises

- Limit the import of forest products.
- Increase selling prices.
- Open up the international market.
- Improve the competitiveness of products.
- Increase the budget of the environment authorities.
- Wait for the international economic situation to improve.
- Accelerate the development of the construction industry.
- Engage customers through social media.
- Increase government support for export tax exemption.

GTI-Mexico sub-index

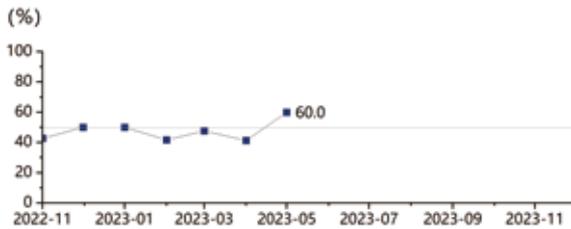
As for the GTI-Mexico sub-index, in May 2023, the harvesting, export orders, inventory of finished products and raw materials indexes were above the critical value, while the remaining 7 sub-indexes were all below the critical value.



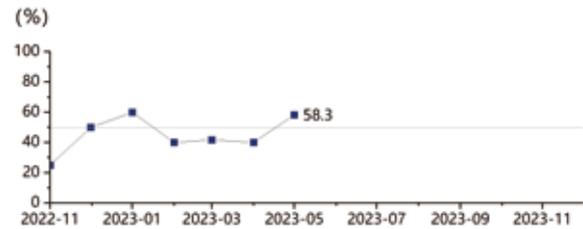
GTI-Mexico sub-index



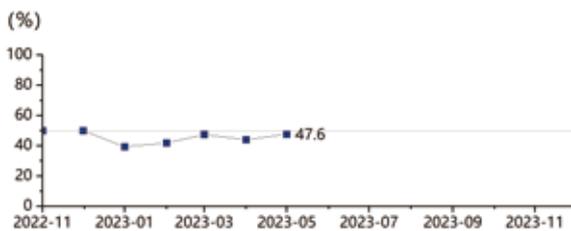
The harvesting index registered 60.0%, an increase of 18.6 percentage points from the previous month, rose above the critical value, indicating that the harvesting volume of the superior timber enterprises represented by the GTI-Mexico was more than that of last month.



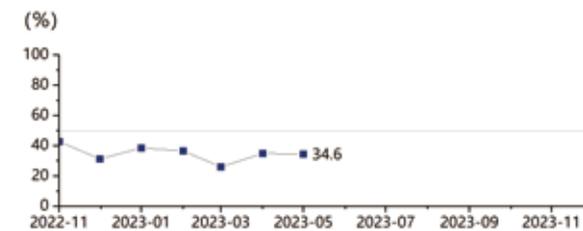
The export orders index registered 58.3%, an increase of 18.3 percentage points from the previous month, rose above the critical value, indicating that the number of export orders of the superior timber enterprises represented by the GTI-Mexico was more than that of last month.



The production index registered 47.6%, an increase of 3.6 percentage points from the previous month, was below the critical value for 5 consecutive months, indicating that the production volume of the superior timber enterprises represented by the GTI- Mexico was less than that of last month.



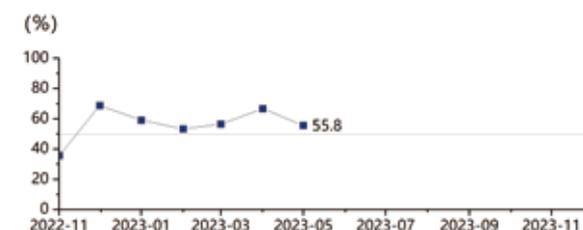
The existing orders index registered 34.6%, a decrease of 0.4 percentage point from the previous month, was below the critical value for 7 consecutive months, indicating that the number of existing orders of the superior timber enterprises represented by the GTI-Mexico was less than that of last month.



The new orders index registered 40.4%, an increase of 2.1 percentage points from the previous month, was below the critical value for 7 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.

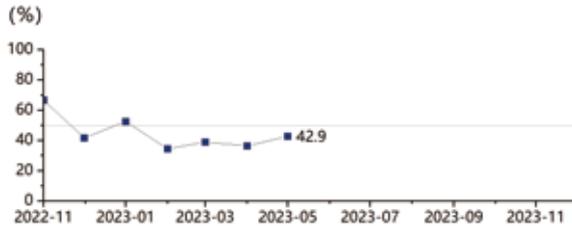


The inventory index of finished products registered 55.8%, a decrease of 10.9 percentage points from the previous month, was above the critical value for 6 consecutive months, indicating that the inventory of finished products of the superior timber enterprises represented by the GTI-Mexico was more than that of month.

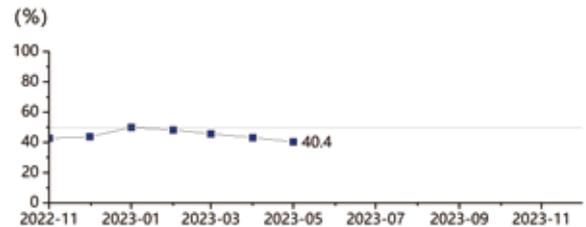




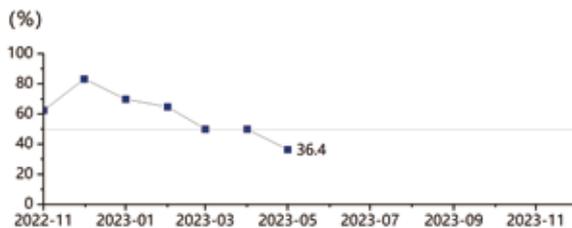
The purchase quantity index registered 42.9%, an increase of 6.5 percentage points from the previous month, was below the critical value for 4 consecutive months, indicating that the purchase quantity of the superior timber enterprises represented by the GTI-Mexico was less than that of last month.



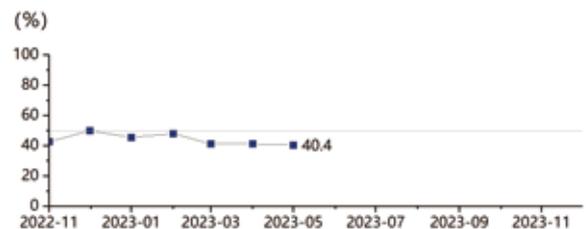
The production and management employees index registered 40.4%, a decrease of 2.9 percentage points from the previous month, was below the critical value for 4 consecutive months, indicating that the number of employees in the superior timber enterprises represented by the GTI-Mexico was less than that of last month.



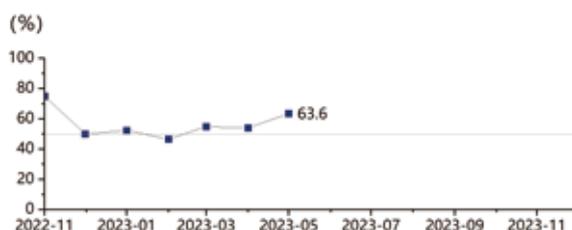
The purchase price index registered 36.4%, a decrease of 13.6 percentage points from the previous month, fell below the critical value, indicating that the purchase price of the superior timber enterprises represented by the GTI-Mexico was less than that of last month.



The delivery time index registered 40.4%, a decrease of 0.9 percentage point from the previous month, was below the critical value for 5 consecutive months, indicating that the delivery from the supplier to the superior timber enterprises represented by the GTI-Mexico was slower than last month.



The inventory index of main raw materials registered 63.6%, an increase of 9.6 percentage points from the previous month, was above the critical value for 3 consecutive months, indicating that the inventory of main raw materials of the superior timber enterprises represented by the GTI-Mexico was more than that of last month.

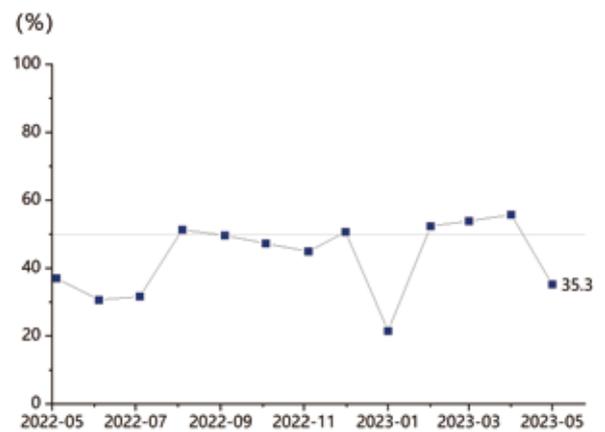


GTI-China Index in May 2023

The International Workers' Day this year was the first 5-day holiday in China after a smooth transition in COVID-19 pandemic prevention and control. According to data from Ministry of Culture and Tourism of PRC, a total of 274 million domestic tourists traveled during the holiday, generating domestic tourism revenue of 148.056 billion yuan, both surpassing the level before COVID-19. China's tourism, catering, hotel, and other service sectors were rapidly recovering. However, in the manufacturing sector, business confidence remained relatively weak, and production and operations activities were becoming more cautious. Insufficient international demand had also led to a decline in prices of some raw materials. From May 24th to May 29th, President Felix Tshisekedi of the Republic of the Congo paid a state visit to China, and the two countries established a comprehensive strategic partnership. China expressed its willingness to assist the ROC in implementing its digital transformation plan, continue to expand investment and financing cooperation, enhance mutually beneficial cooperation in processing and manufacturing to increase added value, and support the ROC in achieving autonomous and sustainable development.

In May 2023, under the influence of shrinking domestic and international demand, the upward

GTI- China Index



trend in the number of orders for GTI-China enterprises, which had lasted for three months, was reversed. This month, GTI-China enterprises experienced a slight decrease in orders compared to the previous month, and there was an increase in inventories of main raw materials and finished products, while the purchase prices of raw materials continued to decline for 3 consecutive months. GTI-China enterprises reported challenges such as a long period of raw material procurement and unstable sources of supply. In May, the GTI-China index recorded 35.3%, a decrease of 20.5 percentage points compared to that of the previous month, and it was the first time in the recent three months that the GTI-China index fell below the critical value (50%), indicating that the business prosperity of the superior timber enterprises represented by the GTI-China index had shrunk from last month.



Products in Short Supply

Mahogany, Oak, High-Grade European Oak.

Commodities with Price Increase in this Period

Solid Wood, Engineered Wood, Particle Board, Melamine Impregnated Paper, Paraffin, Formaldehyde-Free Adhesive, Waterproofing Agent, Adhesives, Leather.

Commodities with Price Decrease in this Period

South American Timber, European Timber, Russian Timber, Poplar, Base Materials of Joinery Board, Flooring Blank, Mixed Wood, Fir Wood Lath, Urea, Melamine, Methanol, Formaldehyde, Metals, Paint, Paper Board, Glue, Kraft Paper.

Main Challenges Reported by GTI-China Enterprises

- Long procurement period.
- Unstable sources of supply.
- Scarcity of oak materials.

GTI-China sub-index

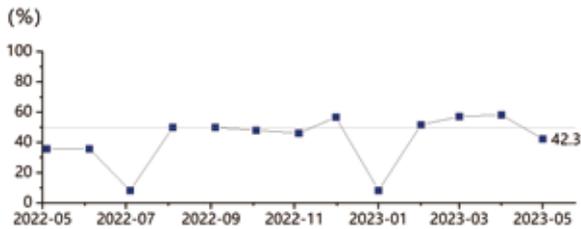
As for the GTI-China sub-index, in May 2023, the indexes like inventory of finished products, inventory of main raw materials and delivery time were above the critical value, while the remaining 8 sub-indexes were all below the critical value.



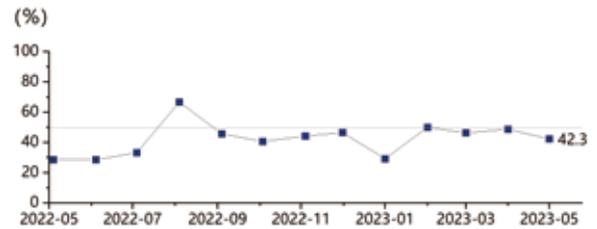
GTI-China sub-index



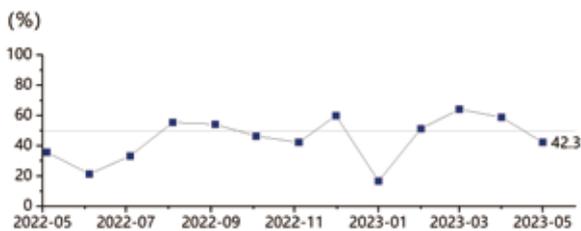
The production index registered 42.3%, a decrease of 16.0 percentage points from the previous month, fell below the critical value, indicating that the production volume of the superior timber enterprises represented by the GTI-China was less than that of last month.



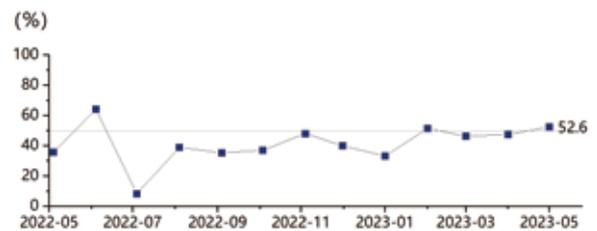
The existing orders index registered 42.3%, a decrease of 6.5 percentage points from the previous month, was below the critical value for 3 consecutive months, indicating that the number of existing orders of the superior timber enterprises represented by the GTI-China was less than that of last month.



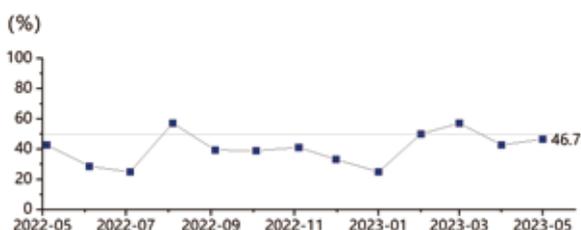
The new orders index registered 42.3%, a decrease of 16.7 percentage points from the previous month, fell below the critical value, indicating that the number of new orders of the superior timber enterprises represented by the GTI-China was less than that of last month.



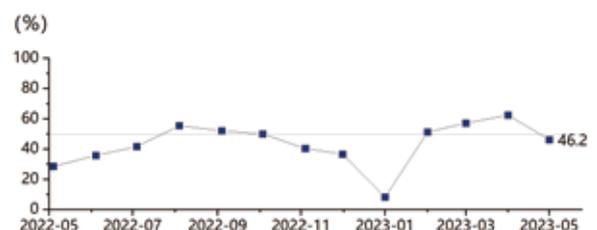
The inventory index of finished products registered 52.6%, an increase of 5.1 percentage points from the previous month, rose above the critical value, indicating that the inventory of finished products of the superior timber enterprises represented by the GTI-China was more than that of last month.



The export orders index registered 46.7%, an increase of 3.8 percentage points from the previous month, was below the critical value for 2 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.

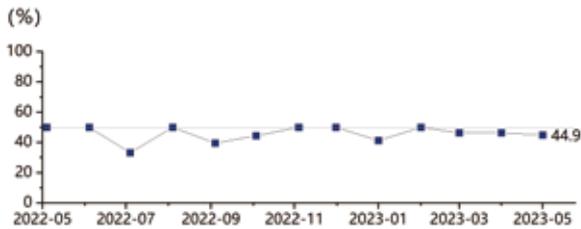


The purchase quantity index registered 46.2%, a decrease of 16.3 percentage points from the previous month, fell below the critical value, indicating that the purchase quantity of the superior timber enterprises represented by the GTI-China was less than that of last month.

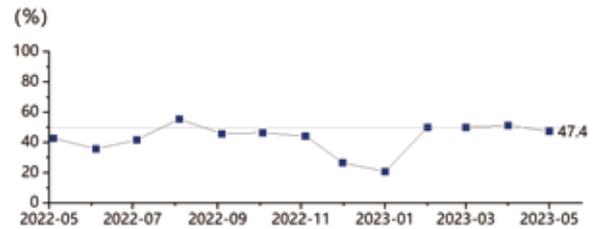




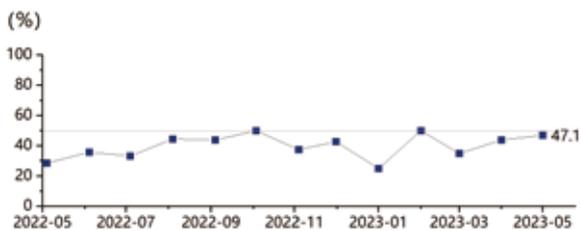
The purchase price index registered 44.9%, a decrease of 1.4 percentage points from the previous month, was below the critical value for 3 consecutive months, indicating that the purchase price of the superior timber enterprises represented by the GTI-China was less than that of last month.



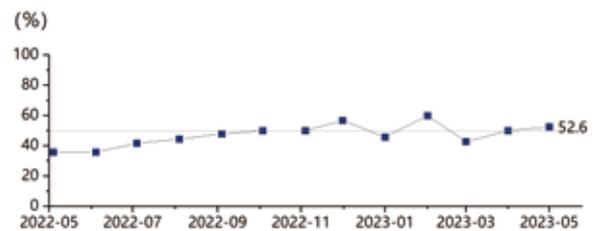
The production and management employees index registered 47.4%, a decrease of 3.9 percentage points from the previous month, fell below the critical value, indicating that the number of employees in the superior timber enterprises represented by the GTI-China was less than that of last month.



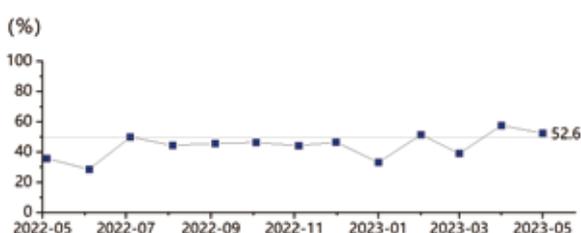
The import index registered 47.1%, an increase of 3.3 percentage points from the previous month, was below the critical value for 3 consecutive months, indicating that the import volume of the superior timber enterprises represented by the GTI-China was less than that of last month.



The delivery time index registered 52.6%, an increase of 2.6 percentage points from the previous month, rose above the critical value, indicating that the delivery from the supplier to the superior timber enterprises represented by the GTI-China was faster than last month.



The inventory index of main raw materials registered 52.6%, a decrease of 5.1 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,

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 . ITTO and GGSC hereby grant you a limited, revocable, nonsublicensable license to access and display on your individual device the GTI report (excluding any software code) solely for your personal, non-commercial use. 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 GTI report Content.

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 (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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