

GLOBAL TIMBER INDEX GTI REPORT MONTHLY

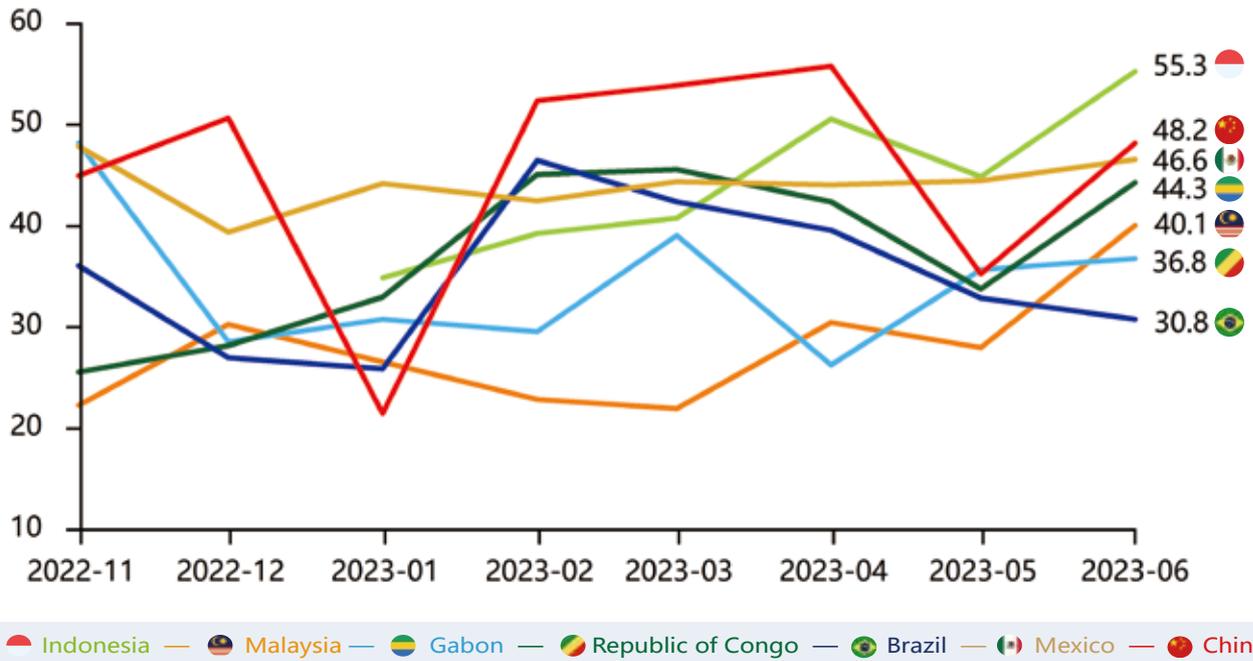
GGSC-No. 6/2023

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

Signs of Stabilization and Recovery of Indonesia’s Timber Market in Spite of Insufficient International Orders



The Global Timber Index (GTI) report in June 2023 showed that the GTI-Indonesia index reached 55.3%, an increase of 10.4 percentage points from the previous month. This was the second time since April this year that the GTI-Indonesia index rose above the critical value (50%), indicating a positive trend of stabilization and improvement in the Indonesia’s timber market. In the coming months, it is necessary to continuously observe and evaluate the recovery momentum of its timber industry. The GTI indexes of Malaysia, Gabon, ROC, Brazil, Mexico, and China were all below the critical value (50%), indicating that the levels of production and operations of the timber industry went down in all these countries.

Specifically, the GTI indexes of Malaysia, ROC,

Gabon, Mexico, and China registered 40.1%, 36.8%, 44.3%, 46.6%, and 48.2% respectively. Although they were below the critical value (50%), the values had risen compared with the previous month, indicating a reduction in the extent of sustained contraction in the timber industry of these five countries. The GTI-Brazil index registered 30.8%, a decrease of 2.1 percentage points from the previous month, indicating continued sluggishness in the production and manufacturing of timber in the country. This could also be discerned from the feedback of GTI-Brazil enterprises, which reported this month that the appreciation of the Brazilian real against the US dollar was unfavorable for the exports of timber and timber products, and the Asian market

showed a preference for Russian products, resulting in lower sales volume of Brazilian products and a significant decline in international orders.

The European Union Deforestation Regulation (EUDR) officially entered into force on June 29th, and some countries had taken proactive measures for it. Malaysia and Indonesia sent a joint trade mission to Belgium, urging the European Commission to recognize their efforts in protecting environment and avoiding deforestation with regard to palm oil production. The International Tropical Timber Technical Association (ATIBT) launched a training program on timber legality and traceability and held two training sessions respectively in Ouessou (April 3) and in Pointe-Noire (May 2), aiming to strengthen the private sector's capacity in terms of timber legality and traceability.

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:

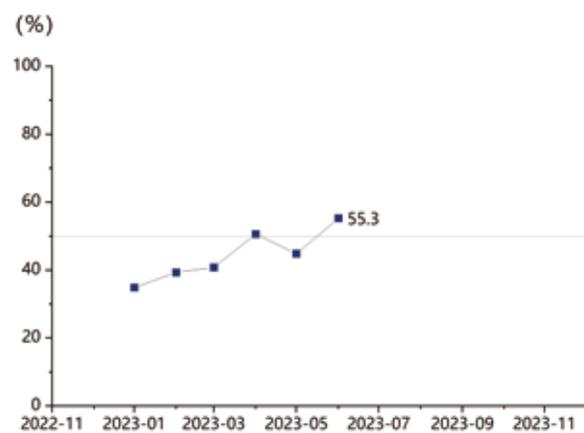
- The Secretariat of the Global Green Supply Chains Initiative (GGSC)

GTI-Indonesia Index in June 2023

According to the data from the Statistics Indonesia (BPS), Indonesia's GDP reached \$332.949 billion in the first quarter of 2023, achieving a growth rate of 5.9% and making it the highest GDP among the six Southeast Asian countries. The timber industry is one of Indonesia's pillar industries. Recently, the Department of Trade announced the benchmark prices for timber exports from May 1 to 31, 2023. The prices of veneer raw materials from planted forests and the processed timber products from mingled forests fell by \$50 per cubic meter compared with the previous month. However, the prices of veneer products from planted forests used for packaging boxes rose. The Ministry of Environment and Forestry is developing the Benchmark Price Information System (SIPATOK) for forest products to generate fair Non-Tax State Revenue (PNBP) for the State. Currently, the SIPATOK system is being tested in four provinces, aiming to simplify the process of collecting data and information on forest products and setting benchmark prices as well as providing access to business actors to directly convey the real selling prices of forest products based on sales documents and invoices and other sales documents.

In June this year, Indonesia's timber manufacturing industry showed signs of stabilization and recovery, with feedback on an increase in orders

GTI-Indonesia Index



for plywood from enterprises. Meanwhile, log orders of GTI-Indonesia enterprises were insufficient, and production costs for logs that were higher than the selling prices in some enterprises. Besides, some enterprises reported that buyers were getting stricter in their requirements for logs, demanding FSC certification without increasing the purchasing price, resulting in greater pressure on the enterprises. This month, the GTI-Indonesia index registered 55.3%, an increase of 10.4 percentage points from the previous month, rose above the critical value (50%), indicating that the business prosperity of the superior timber enterprises represented by the GTI-Indonesia index expanded from last month.

Main Challenges Reported by GTI-Indonesia Enterprises

- The prices of logs were low while enterprises experienced a lack of log orders. On the other hand, the high prices of fuel oil caused production costs to increase above the selling prices of logs.
- Rainy weather continued in the working areas of enterprises, which hampered logging and transportation activities.
- The requirements for purchasing logs requested by buyers were getting stricter, namely super quality, log diameter of 60 cm or more (only 5% of the amount purchased with 50 cm diameter), no defects in the logs, and with FSC certifications, but the price was the same as the previous price (no increase in the purchase price from buyers).
- For some plywood industry enterprises, the export sales were not smooth, even though orders were starting to increase.
- Overseas orders for wood processing enterprises decreased, and purchase prices of products from overseas buyers were low.
- The ports used for transportation were undergoing renovation and maintenance, so production activities were still not running normally.
- The sluggish Japanese plywood market restricted the operations of some plywood enterprises with Japan as the export destination.

Main Suggestions from GTI-Indonesia Enterprises

- To overcome the problem of low log prices, government intervention and policy breakthroughs are needed, so that log production from natural forests can be absorbed by the market.
- The enterprises continue to communicate with existing and potential buyers, in addition to trying to find alternative log markets.
- Government intervention is needed to strengthen the marketing of Indonesian timber in domestic and foreign markets. In addition, there is also a need for policies that encourage the use of domestic timber certified by sustainable forest management.
- In response to reduced orders and low log prices, the enterprise adjusted its operations by reducing its production activities in line with industry demand.
- For logs that do not meet the strict requirements as raw materials for wood veneer and plywood, the enterprise may sell and deliver them to the sawmill industry despite of the lower selling prices.
- To expedite and increase export sales, efforts are needed to facilitate the marketing of wood products and international access, cooperate in investment, reduce tariffs in international trade, maximize the use of digital technology, and reduce taxes in export trade.
- To ensure normal production activities, the plantation concession enterprise needs to improve its forest management system and prepare the necessary infrastructure.
- The enterprise may reduce the purchase of raw materials, so that raw materials do not accumulate.
- There is a need for direct visits to buyers' premises to promote and encourage the opening of plywood orders.

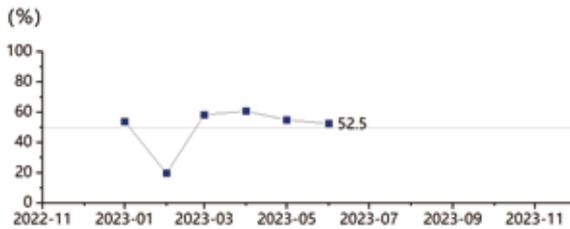
GTI-Indonesia sub-index

As for the GTI-Indonesia sub-index, in June 2023, the harvesting, production, purchase price, and delivery time indexes were above the critical value, and the new orders index was equal to the critical value, while the remaining 6 sub-indexes were all below the critical value.

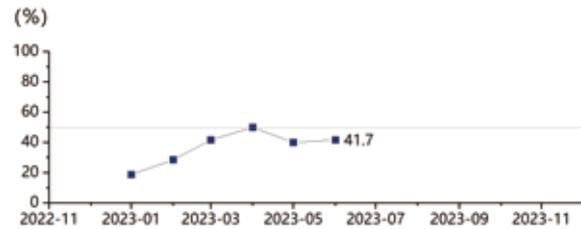


GTI-Indonesia sub-index

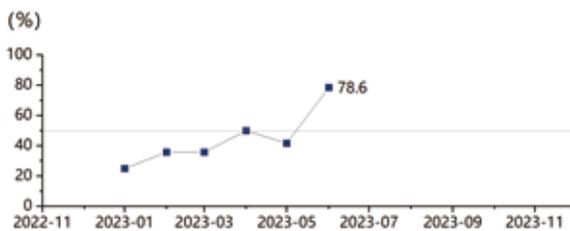
The harvesting index registered 52.5%, a decrease of 2.3 percentage points from the previous month, was above the critical value for 4 consecutive months, indicating that the harvesting volume of the superior timber enterprises represented by the GTI-Indonesia was more than that of last month.



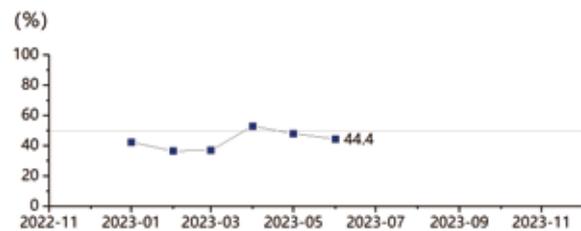
The export orders index registered 41.7%, an increase of 1.7 percentage points from the previous month, was above the critical value for 2 consecutive months, indicating that the number of export orders of the superior timber enterprises represented by the GTI-Indonesia was less than that of last month.



The production index registered 78.6%, an increase of 36.9 percentage points from the previous month, rose above the critical value, indicating that the production volume of the superior timber enterprises represented by the GTI-Indonesia was much more than that of last month.



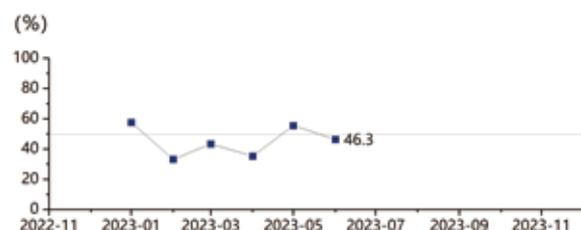
The existing orders index registered 44.4%, a decrease of 3.7 percentage points from the previous month, was below the critical value for 2 consecutive months, indicating that the number of existing orders of the superior timber enterprises represented by the GTI-Indonesia was less than that of last month.



The new orders index registered 50.0%, an increase of 3.7 percentage points from the previous month, rose to the critical value, indicating that the number of new orders of the superior timber enterprises represented by the GTI-Indonesia was same with that of last month.

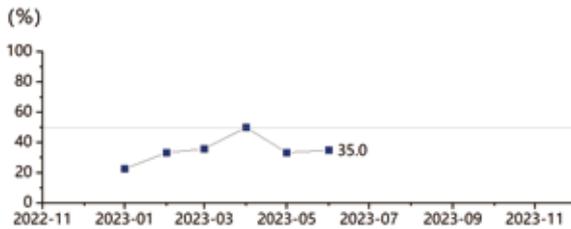


The inventory index of finished products registered 46.3%, a decrease of 9.3 percentage points from the previous month, fell below the critical value, indicating that the inventory of finished products of the superior timber enterprises represented by the GTI-Indonesia was less than that of last month.

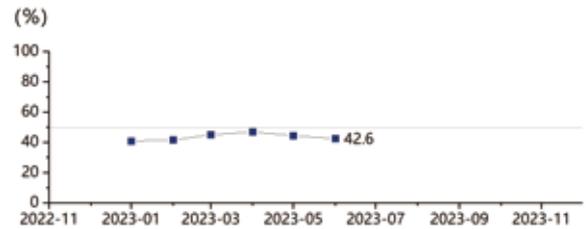




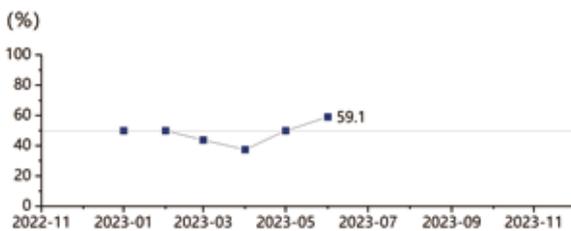
The purchase quantity index registered 35.0%, an increase of 1.7 percentage points from the previous month, was below the critical value for 2 consecutive months, indicating that the purchase quantity of the superior timber enterprises represented by the GTI-Indonesia was less than that of last month.



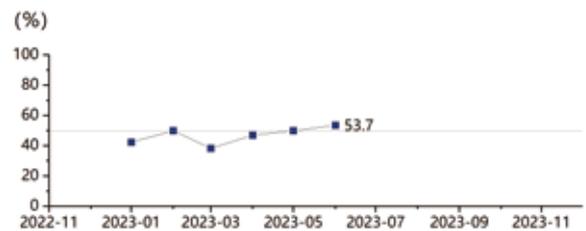
The production and management employees index registered 42.6%, a decrease of 1.8 percentage points from the previous month, was below the critical value for 6 consecutive months, indicating that the number of employees in the superior timber enterprises represented by the GTI-Indonesia was less than that of last month.



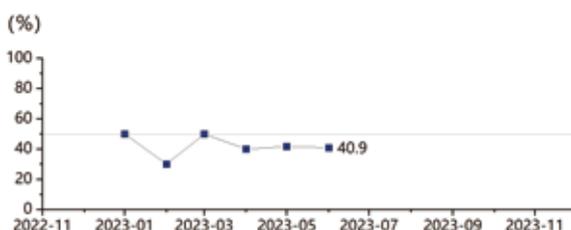
The purchase price index registered 59.1%, an increase of 9.1 percentage points from the previous month, rose above the critical value, indicating that the purchase price of the superior timber enterprises represented by the GTI-Indonesia was higher than that of last month.



The delivery time index registered 53.7%, an increase of 3.7 percentage points from the previous month, rose above the critical value, indicating that the delivery time from the supplier to the superior timber enterprises represented by the GTI-Indonesia was longer than that of last month.



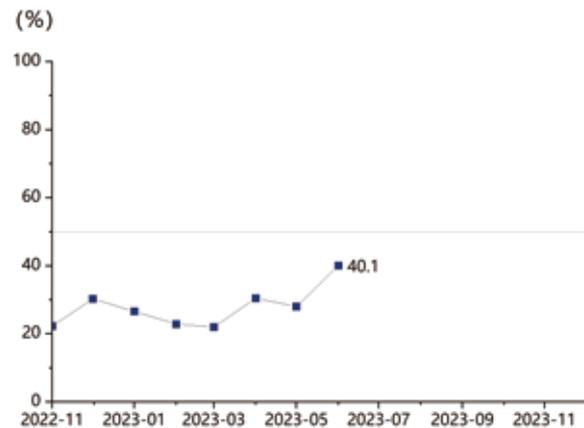
The inventory index of main raw materials registered 40.9%, a decrease of 0.8 percentage point from the previous month, was below the critical value for 3 consecutive months, indicating that the inventory of main raw materials of the superior timber enterprises represented by the GTI-Indonesia was less than that of last month.



GTI-Malaysia Index in June 2023

On June 19th, Malaysia’s Prime Minister Anwar announced several measures to stimulate the capital market, including lowering the stamp duty rate on share trade to 0.10% from the current 0.15%, subject to a maximum cap of RM1000 per contract, entering into force in July this year. Meanwhile, the Malaysian government will take multiple measures to simplify corporate listing process, promote investment, and support startups, aiming to stimulate the Malaysian capital market and enhance its competitiveness. In the forestry sector, Malaysia and Indonesia sent a joint trade mission (under the Council of Palm Producing Countries) to Belgium, urging the European Commission to recognize their work on environmental protection and avoiding deforestation with regard to palm oil production, stating that it aligns with the United Nations’ Sustainable Development Goals. The Sarawak Forest Department has recently enhanced the Sarawak Logs Tracking and Forest Revenue System (REVLOG), a system used to monitor the movement of logs along the log supply chain and for the collection of forest tax revenue, to allow timber licensees to submit relevant applications online. Besides, the Ministry of Science, Technology and Innovation (MOSTI), through the Malaysian Space Agency (MYSA), inked a memorandum of understanding (MoU) with the Sabah Forestry Department to collaborate on the use of remote sensing for the management of forest resources, including using space technology to monitor and map forest areas

GTI-Malaysia Index



throughout Sabah.

In June this year, Malaysian Timber Council (MTC) organized a Seminar on Global Timber Index (GTI), to discuss the index analysis, benefit of the findings to the stakeholders. This month, Malaysia’s timber industry remained sluggish, with feedback from GTI-Malaysia enterprises indicating reduced demand for plywood due to a downturn in the construction industry, resulting in a decrease in plywood prices. This month, the GTI-Malaysia index registered 40.1%, an increase of 12.1 percentage points from the previous month, was below the critical value (50%) for 8 consecutive months, indicating that the business prosperity of the superior timber enterprises represented by the GTI-Malaysia index shrank from last month, but the contraction eased.



Main Challenges Reported by GTI-Malaysia Enterprises

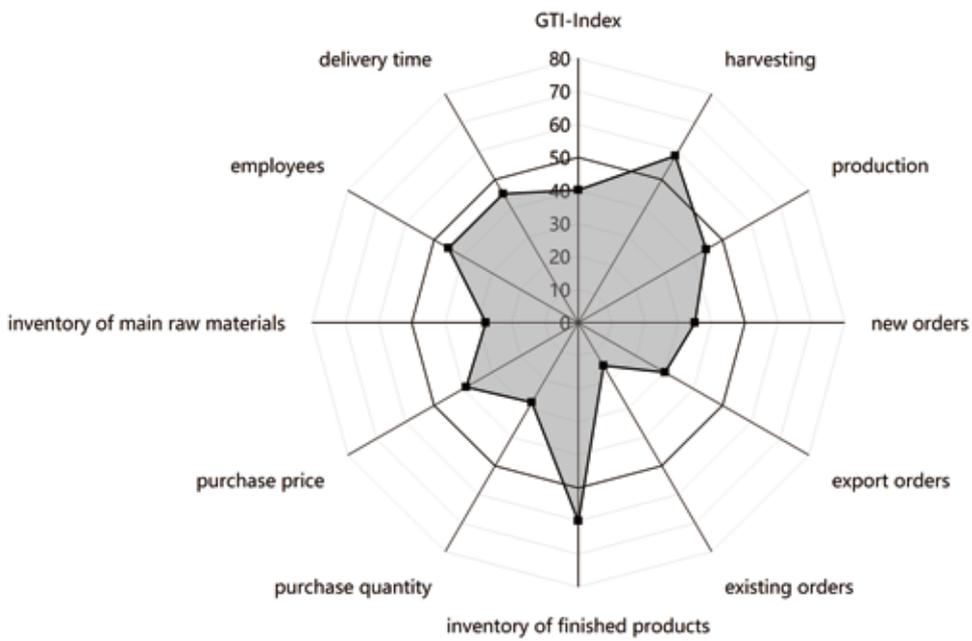
- Insufficient labor force and orders.
- Slow market growth.
- Decreased market demand.
- Reduction in export orders.
- Decreased overseas demand and slower shipping speed.
- Insufficient supply of raw materials and higher costs.
- Decrease in plywood prices.
- Reduced demand for plywood due to a downturn in the construction industry.

Main Suggestions from GTI-Malaysia Enterprises

- Expand markets and seek labor force.
- Control production costs.
- Reduce woodchip exports.
- Government assistance in reducing production and logistics costs.
- Increase the harvesting volume of planted forests, and improve the quality and yield of such forests.

GTI-Malaysia sub-index

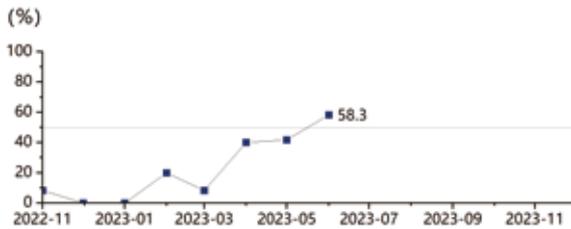
As for the GTI-Malaysia sub-index, in June 2023, only the harvesting index, and the inventory index of finished products were above the critical value, while the remaining 9 sub-indexes were all below the critical value.



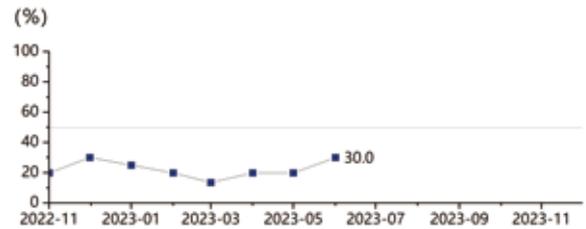
GTI-Malaysia sub-index



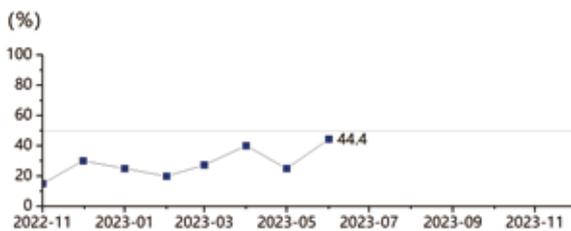
The harvesting index registered 58.3%, an increase of 16.6 percentage points from the previous month, rose above the critical value, indicating that the harvesting volume of the superior timber enterprises represented by the GTI-Malaysia was more than that of last month.



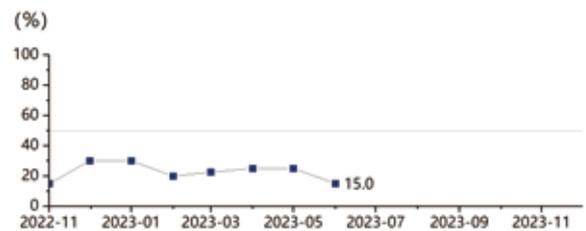
The export orders index registered 30.0%, an increase of 10.0 percentage points from the previous month, was below the critical value for 8 consecutive months, indicating that the number of export orders of the superior timber enterprises represented by the GTI-Malaysia was less than that of last month.



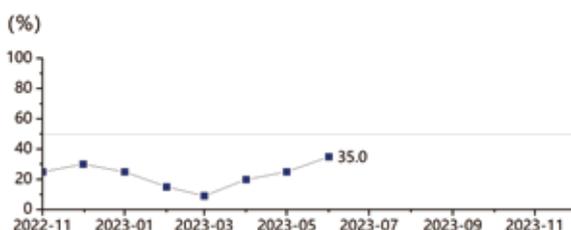
The production index registered 44.4%, an increase of 19.4 percentage points from the previous month, was below the critical value for 8 consecutive months, indicating that the production volume of the superior timber enterprises represented by the GTI-Malaysia was less than that of last month.



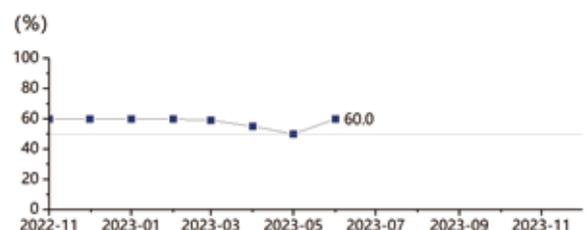
The existing orders index registered 15.0%, a decrease of 10.0 percentage points from the previous month, was below the critical value for 8 consecutive months, indicating that the number of existing orders of the superior timber enterprises represented by the GTI-Malaysia was much less than that of last month.



The new orders index registered 35.0%, an increase of 10.0 percentage points from the previous month, was below the critical value for 8 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.

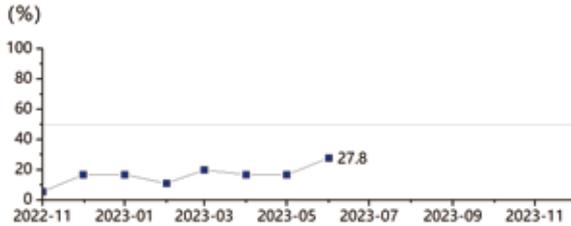


The inventory index of finished products registered 60.0%, an increase of 10.0 percentage points from the previous month, rose above the critical value, indicating that the inventory of finished products of the superior timber enterprises represented by the GTI-Malaysia was more than that of last month.

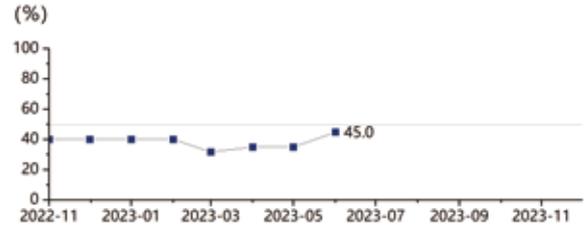




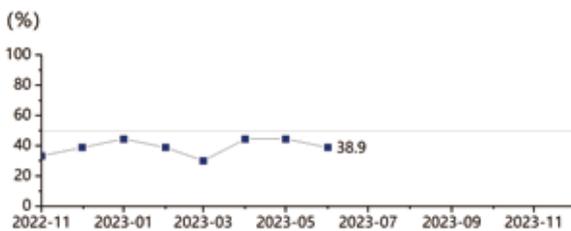
The purchase quantity index registered 27.8%, an increase of 11.1 percentage points from the previous month, was below the critical value for 8 consecutive months, indicating that the purchase quantity of the superior timber enterprises represented by the GTI-Malaysia was less than that of last month.



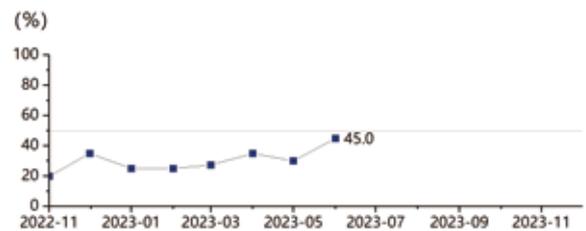
The production and management employees index registered 45.0%, an increase of 10.0 percentage points from the previous month, was below the critical value for 8 consecutive months, indicating that the number of employees in the superior timber enterprises represented by the GTI-Malaysia was less than that of last month.



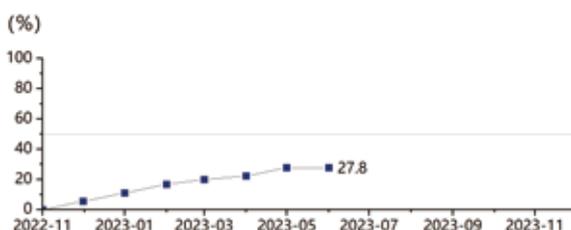
The purchase price index registered 38.9%, a decrease of 5.5 percentage points from the previous month, was below the critical value for 8 consecutive months, indicating that the purchase price of the superior timber enterprises represented by the GTI-Malaysia was lower than that of last month.



The delivery time index registered 45.0%, an increase of 15.0 percentage points from the previous month, was below the critical value for 8 consecutive months, indicating that the delivery time from the supplier to the superior timber enterprises represented by the GTI-Malaysia was less than that of last month.



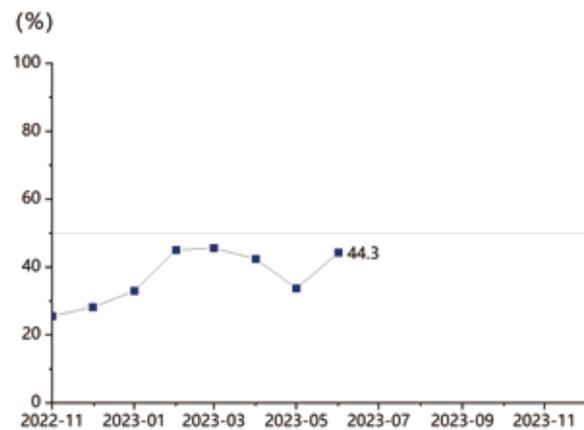
The inventory index of main raw materials registered 27.8%, same with the previous month, was below the critical value for 8 consecutive months, indicating that the inventory of main raw materials of the superior timber enterprises represented by the GTI-Malaysia was less than that of last month.



GTI-Gabon Index in June 2023

On June 25th, the Chairman of the National Electoral Commission of Gabon announced that the country's presidential, legislative, and local elections would be held on August 26th. Recently, a report titled "Contribution of the Timber Sector to Gabon's Economy in 2022" jointly authored by the accounting firm Ernst & Young and the socio-economic study firm Mays Mouissi Consulting highlighted that forest operators, and timber processing industries operating within and outside Gabon Special Economic Zone, are the main components of Gabon's timber sector. From 2010 to 2022, the timber sector in Gabon saw a 226% increase in its contribution to GDP, leading to a 49% growth in forestry employment. The turnover of Gabon's timber sector increased from XAF 184 billion in 2014 to 704 billion in 2022 when it became the sixth largest producer of veneer sheets in the world and the first in Africa. Gabon's newspaper L'UNION reported that the Ministry of Public Works of Gabon signed a partnership agreement with the financial services institution BGFI Bank on June 23 to jointly promote road maintenance and construction, with the loan reaching XAF 60 billion. The Minister of Public Works of Gabon stated that this project is an effective measure to implement the "Accelerated Transformation Plan", and the funds will be used for road maintenance and new construction

GTI-Gabon Index



projects spanning over 2000 kilometers within Gabon.

In June 2023, Gabon entered the dry season and enterprises increased timber harvesting. However, market demand remained sluggish, and rising fuel costs and inefficient transportation were still among the main challenges reported by GTI-Gabon enterprises. This month, the GTI-Gabon index registered 44.3%, an increase of 10.5 percentage points from the previous month, was below the critical value (50%) for 8 consecutive months, indicating that the business prosperity of the superior timber enterprises represented by the GTI-Gabon index shrank from last month, however, the contraction eased.

Main Challenges Reported by GTI-Gabon Enterprises

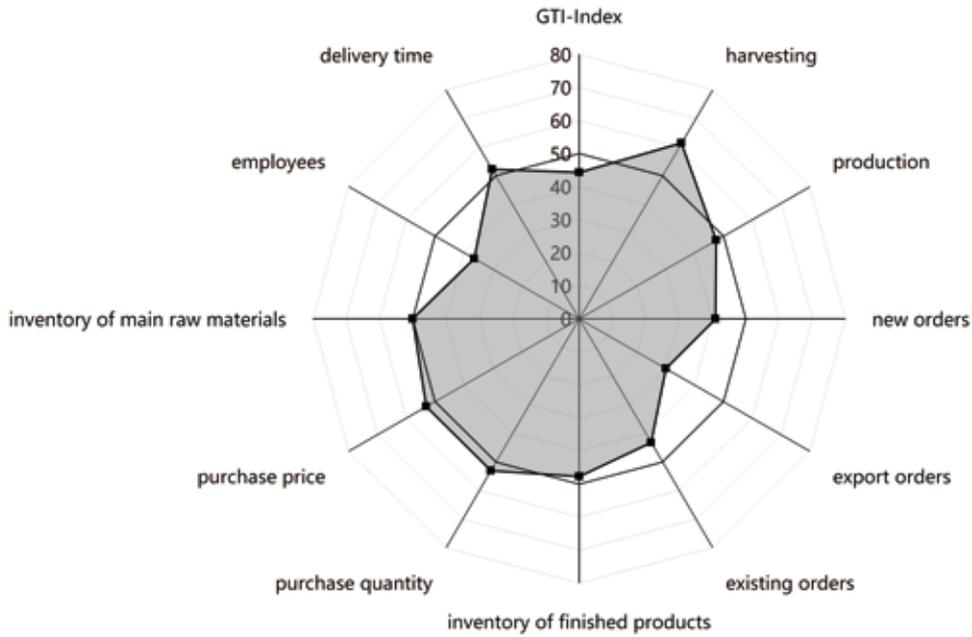
- High fuel costs, increasing production costs.
- Poor road conditions leading to difficulties in goods transportation.
- Significant reduction in export orders.
- Decrease in domestic orders.
- Slow customs logistics resulting in delayed cross-border deliveries.
- Poor road and railway infrastructure.
- High raw material costs.
- Challenges related to labor and raw material supply.
- Slow recovery of the timber market.

Main Suggestions from GTI-Gabon Enterprises

- Reduce fuel costs.
- Lower raw material costs.
- Lower product prices.
- The government formulate policies to support forest operators.
- Increase financial support from the government for road maintenance (which may be compensated through land taxes) and lower fuel prices.
- Ensure stable flow in customs logistics.
- Enhance communication with overseas clients.
- Strengthen railway management and improve road transportation facilities connecting Libreville.
- Strengthen the construction of transportation infrastructure, and at the national level, introduce supporting policies.
- Obtain support from transportation authorities.
- Increase workforce and procure at lower costs.
- Obtain tax exemptions.
- Restructure operations teams.

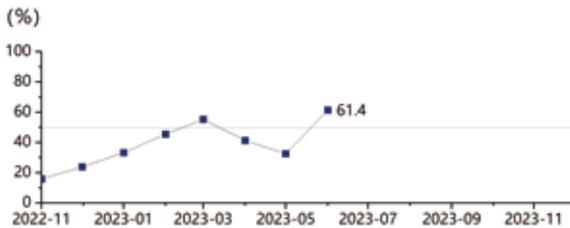
GTI-Gabon sub-index

As for the GTI-Gabon sub-index, in June 2023, the harvesting, purchase quantity, purchase price and delivery time indexes were above the critical value, the inventory index of main raw materials was equal to the critical value, while the remaining 6 sub-indexes were all below the critical value.

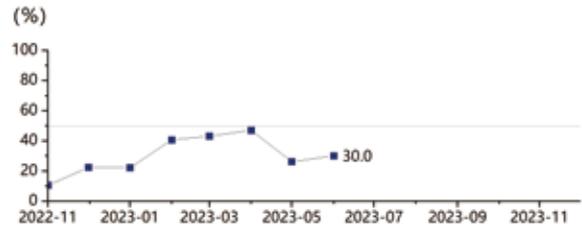


GTI-Gabon sub-index

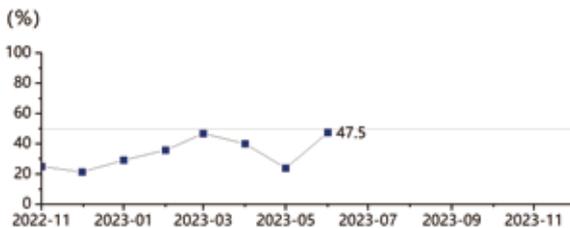
The harvesting index registered 61.4%, an increase of 28.7 percentage points from the previous month, rose above the critical value after 2 months, indicating that the harvesting volume of the superior timber enterprises represented by the GTI-Gabon was more than that of last month.



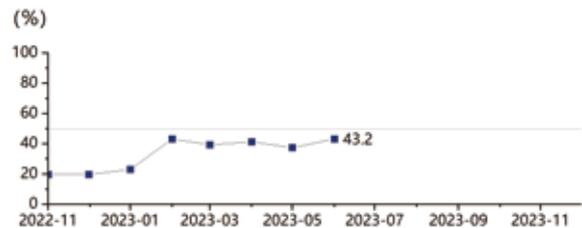
The export orders index registered 30.0%, an increase of 3.7 percentage points from the previous month, was below the critical value for 8 consecutive months, indicating that the number of export orders of the superior timber enterprises represented by the GTI-Gabon was less than that of last month.



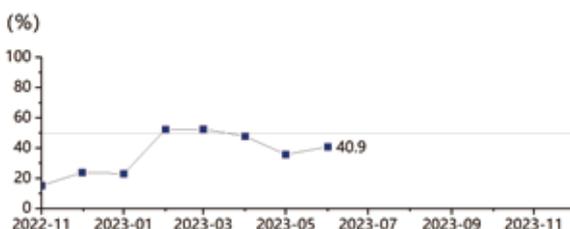
The production index registered 47.5%, an increase of 23.6 percentage points from the previous month, was below the critical value for 8 consecutive months, indicating that the production volume of the superior timber enterprises represented by the GTI-Gabon was less than that of last month.



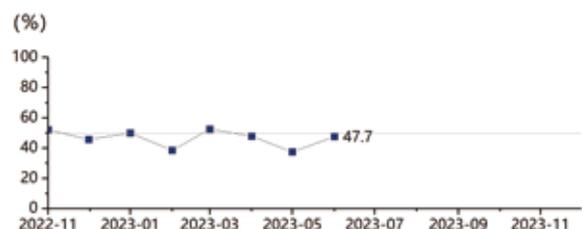
The existing orders index registered 43.2%, an increase of 5.7 percentage points from the previous month, was below the critical value for 8 consecutive months, indicating that the number of existing orders of the superior timber enterprises represented by the GTI-Gabon was less than that of last month.



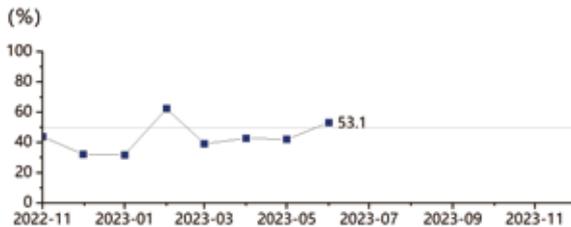
The new orders index registered 40.9%, an increase of 5.2 percentage points from the previous month, was below the critical value for 3 consecutive months, indicating that the number of new orders of the superior timber enterprises represented by the GTI-Gabon was less than that of last month.



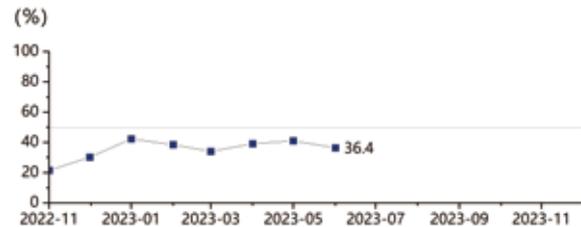
The inventory index of finished products registered 47.7%, an increase of 10.2 percentage points from the previous month, was below the critical value for 3 consecutive months, indicating that the inventory of finished products of the superior timber enterprises represented by the GTI-Gabon was less than that of last month.



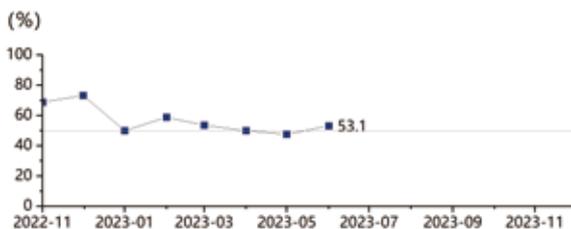
The purchase quantity index registered 53.1%, an increase of 11.0 percentage points from the previous month, rose above the critical value after 3 months, indicating that the purchase quantity of the superior timber enterprises represented by the GTI-Gabon was more than that of last month.



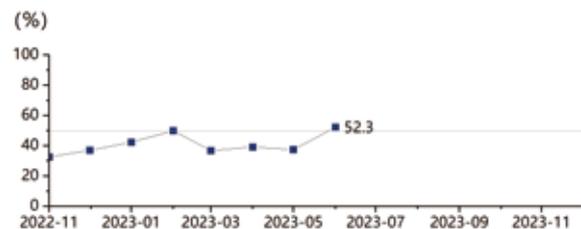
The production and management employees index registered 36.4%, a decrease of 4.7 percentage points from the previous month, was below the critical value for 8 consecutive months, indicating that the number of employees in the superior timber enterprises represented by the GTI-Gabon was less than that of last month.



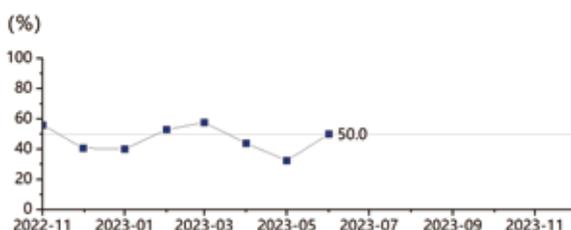
The purchase price index registered 53.1%, an increase of 5.4 percentage points from the previous month, rose above the critical value after 1 month, indicating that the purchase price of the superior timber enterprises represented by the GTI-Gabon was higher than that of last month.



The delivery time index registered 52.3%, an increase of 14.8 percentage points from the previous month, rose above the critical value after 3 months, indicating that the delivery time from the supplier to the superior timber enterprises represented by the GTI-Gabon was more than that of last month.



The inventory index of main raw materials registered 50.0%, an increase of 17.6 percentage points from the previous month, rose to the critical value after 2 months, indicating that the inventory of main raw materials of the superior timber enterprises represented by the GTI-Gabon was the same with that of last month.

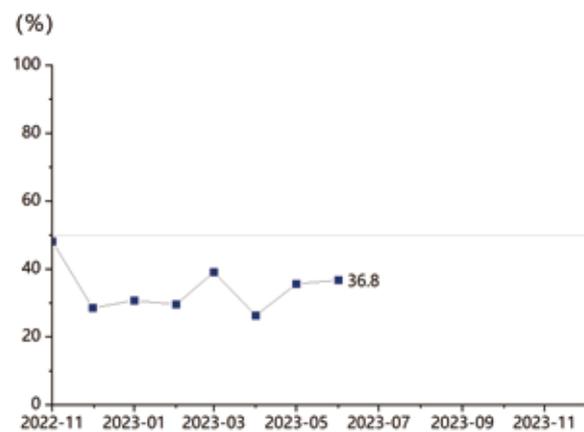


GTI-ROC Index in June 2023

According to the forecast of the African Development Bank, the economic development prospect of ROC in 2023 is generally positive. It was expected that the GDP growth rate of ROC in 2023 will be 3.2%, and the inflation rate will rise to 3.1%; the public debt was expected to continue to decline slightly, accounting for 83.6% of GDP. From May to June, the weather in the Congo Basin was relatively unstable. Although it was about to enter the dry season, there was still a lot of rainfall, resulting in delays in outdoor forest operations and product transportation. International Tropical Timber Technical Association (ATIBT) launched its timber legality and traceability training programme with two training sessions, respectively in Ouessou on 3 April and Pointe-Noire on 2 May, aimed at strengthening private-sector forestry enterprises' capacity in timber legality and traceability, and finally enhancing their participation in the implementation of the FLEGT VPA project in ROC.

In June 2023, as a result of heavy rains, GTI-ROC enterprises faced significant reduction in harvesting & production scale. GTI-ROC enterprises also reported major challenges such as incomplete forestry management procedures, insufficient fuel supply, and high logistics costs.

GTI-ROC Index



The enterprises expected more flexibility of the policy and increasing the oil supply in Ouessou and Oyo areas. This month, the GTI-ROC index registered 36.8%, an increase of 1.1 percentage points from the previous month, was below the critical value (50%) for 8 consecutive months, indicating that the business prosperity of the superior timber enterprises represented by the GTI-ROC index shrank from last month, however, the contraction eased.

Main Challenges Reported by GTI-ROC Enterprises

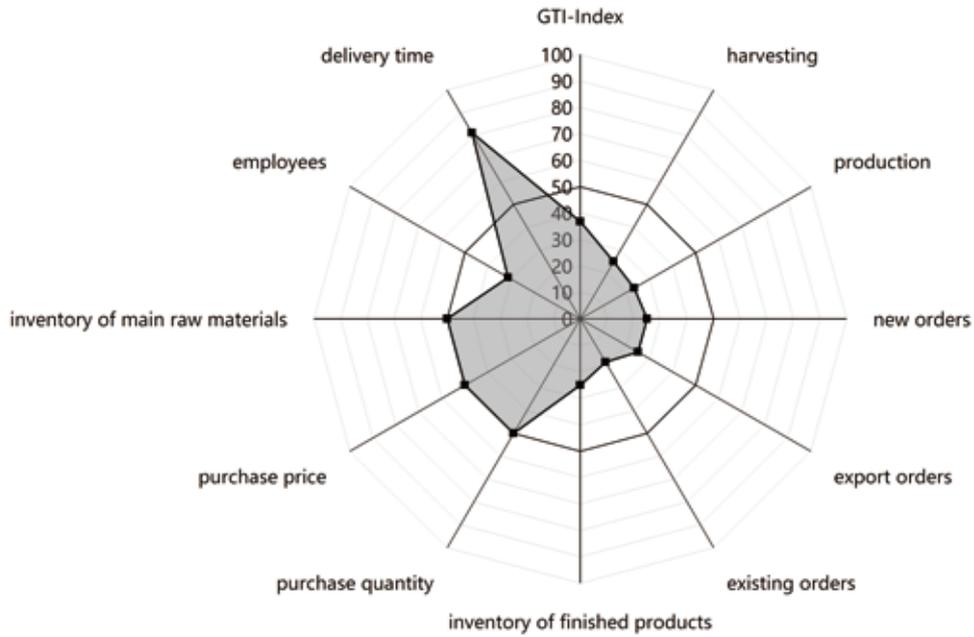
- Inadequate administrative procedures.
- The production and operation activities were greatly affected by the rainy season, and the fuel supply was difficult.
- Insufficient market demand and poor forest management.
- Road tolls were higher.
- Problems about logistics speed and transportation equipment.

Main Suggestions from GTI-ROC Enterprises

- Increase the flexibility of forestry policies in the Tsiaki area.
- Increase the supply of oil products in Ouesso and Oyo areas.
- Ensure the consistency of forest management, adapt to the market environment and promote the development of tropical timber market.
- Carry out forest tax compensation.
- Repair production and transportation equipment.

GTI-ROC sub-index

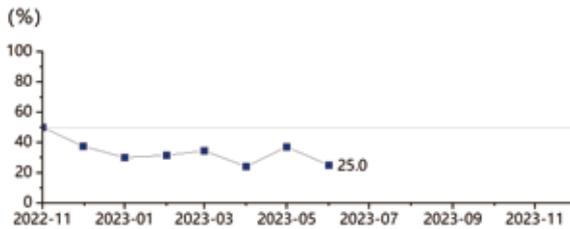
As for the GTI-ROC sub-index, in June 2023, the delivery time index was above the critical value, the purchase quantity, the purchase price and the inventory of main raw material indexes were equal to the critical value, while the remaining 7 sub-indexes were all below the critical value.



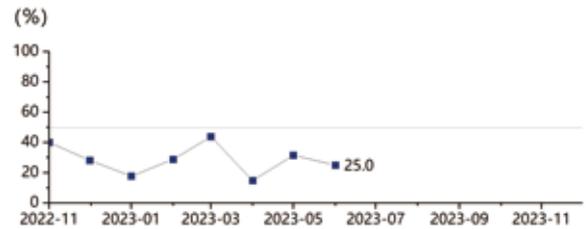
GTI-ROC sub-index



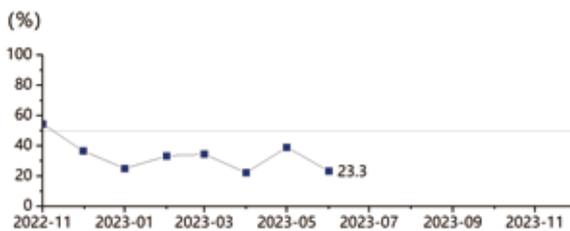
The harvesting index registered 25.0%, a decrease of 12.0 percentage points from the previous month, was below the critical value for 7 consecutive months, indicating that the harvesting volume of the superior timber enterprises represented by the GTI-ROC was much less than that of last month.



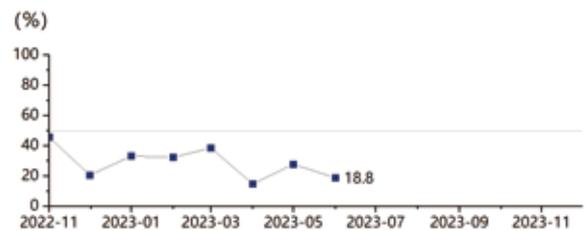
The export orders index registered 25.0%, a decrease of 6.6 percentage points from the previous month, was below the critical value for 8 consecutive months, indicating that the number of export orders of the superior timber enterprises represented by the GTI-ROC was less than that of last month.



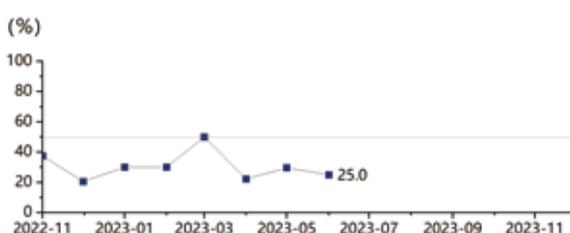
The production index registered 23.3%, a decrease of 15.6 percentage points from the previous month, was below the critical value for 7 consecutive months, indicating that the production volume of the superior timber enterprises represented by the GTI-ROC was much less than that of last month.



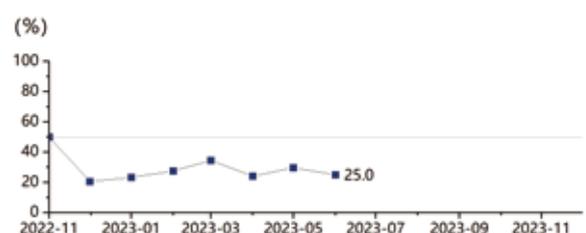
The existing orders index registered 18.8%, a decrease of 9.0 percentage points from the previous month, was below the critical value for 8 consecutive months, indicating that the number of existing orders of the superior timber enterprises represented by the GTI-ROC was much less than that of last month.



The new orders index registered 25.0%, a decrease of 4.6 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-ROC was less than that of last month.

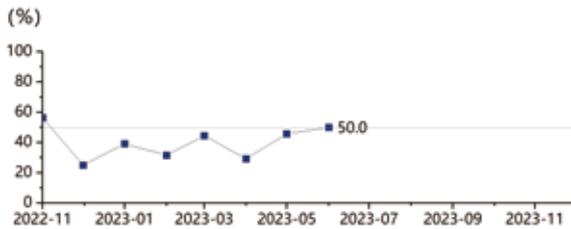


The inventory index of finished products registered 25.0%, a decrease of 4.6 percentage points from the previous month, was below the critical value for 7 consecutive months, indicating that the inventory of finished products of the superior timber enterprises represented by the GTI-ROC was less than that of last month.

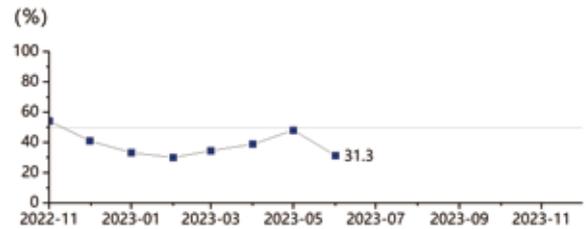




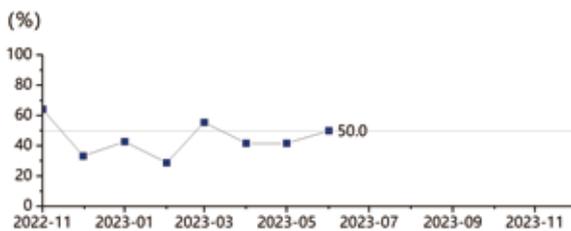
The purchase quantity index registered 50.0%, an increase of 4.2 percentage points from the previous month, rose to the critical value after 6 months, indicating that the purchase quantity of the superior timber enterprises represented by the GTI-ROC was the same with that of last month.



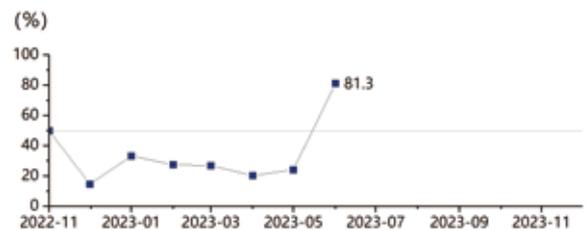
The production and management employees index registered 31.3%, a decrease of 16.8 percentage points from the previous month, was below the critical value for 7 consecutive months, indicating that the number of employees in the superior timber enterprises represented by the GTI-ROC was less than that of last month.



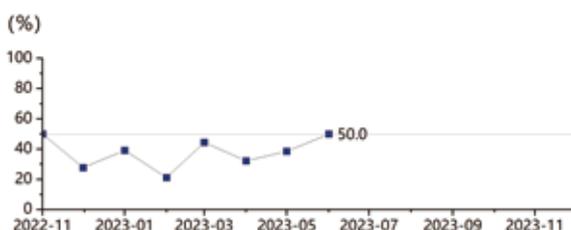
The purchase price index registered 50.0%, an increase of 8.3 percentage points from the previous month, rose to the critical value after 2 months, indicating that the purchase price of the superior timber enterprises represented by the GTI-ROC was the same with that of last month.



The delivery time index registered 81.3%, an increase of 57.2 percentage points from the previous month, rose above the critical value after 6 months, indicating that the delivery time from the supplier to the superior timber enterprises represented by the GTI-ROC was much longer than that of last month.



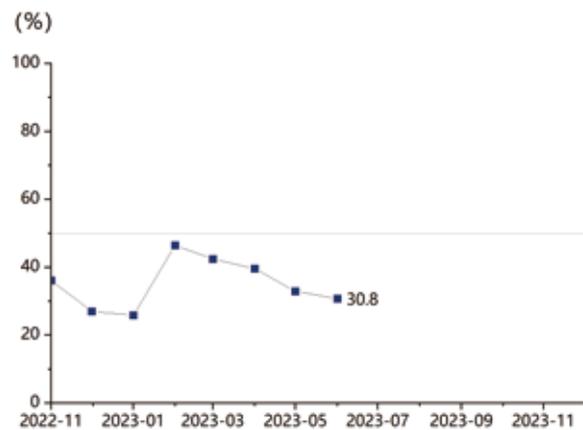
The inventory index of main raw materials registered 50.0%, an increase of 11.5 percentage points from the previous month, rose to the critical value after 6 months, indicating that the inventory of main raw materials of the superior timber enterprises represented by the GTI-ROC was the same with that of last month.



GTI-Brazil Index in June 2023

On May 30th, the South American Leaders' Summit was held in Brasilia, with the participation of leaders from 10 South American countries, including Argentina, Chile, Colombia, Ecuador, Venezuela, Bolivia, Guyana, Uruguay, Paraguay, and Suriname. The meeting adopted the "Brasilia Consensus", stating that regional integration should become an important means for addressing common challenges such as climate change. On June 12th, Ursula von der Leyen, the president of European Commission, announced that the European Union would invest €2 billion (approximately BRL 10.5 billion) in Brazil to develop green hydrogen, in an effort to enhance the efficiency of this energy industry. In the forestry sector, Brazil's total exports of timber products (excluding pulp and paper) in May this year decreased by 35% compared to that of the same period last year, declining from \$50.33 billion to \$32.92 billion. Specifically, the export volume of tropical plywood decreased by 46% year-on-year, from 5900 cubic meters to 3200 cubic meters, and its export value decreased by 44%, from \$3.4 million to \$1.9 million. The Brazilian government has issued Law No. 14.590/23, modifying the rules for public forest management through concessions. This law allows for carbon credit trading and permits biodiversity development within concession areas, which was previously

GTI- Brazil Index



prohibited.

In June, the Brazilian currency Real appreciated against the US Dollar, which was unfavorable for the export of timber and timber products. Meanwhile, GTI-Brazil enterprises saw a significant decline in international orders, and they reported Asian market's preference for purchasing Russian products, resulting in lower sales of Brazilian products. This month, the GTI-Brazil index registered 30.8%, a decrease of 2.1 percentage points from the previous month, was below the critical value (50%) for 8 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 expanded.

Main Challenges Reported by GTI-Brazil Enterprises

- The Asian market showed a preference for purchasing Russian products, resulting in lower sales of Brazilian products.
- Low demand for raw materials and delayed delivery to customers.
- Unfavorable exchange rate and cheap products from Asia.
- High stocks and low prices.
- Sharp drop in international sales, and appreciation of the Brazilian currency Real against the US Dollar.
- For enterprises that carried out the main activities in the forests, excessive rainfall was a difficulty because it directly affected field operations.
- Sharp decline in demand, along with fulfillment of existing orders.
- Low market recognition of new precious species such as Australian cedar (*Toona Ciliata*) and African mahogany (*Khaya Grandifoliola*).

Main Suggestions from GTI-Brazil Enterprises

- Expand into new markets.
- Ensure sufficient production to meet monthly sales volume.
- Align Brazilian forest product prices with global prices, as the current prices lack competitiveness internationally.
- Wait for the market to heat up, and look for cheaper raw materials.
- Try to stockpile raw materials whenever possible.
- Increase production with workers working overtime.
- Depend on the market to purchase raw materials.
- Schedule operations according to the climate seasonality.
- Improve recognition of new precious species such as Australian cedar (*Toona Ciliata*) and African mahogany (*Khaya Grandifoliola*).

GTI-Brazil sub-index

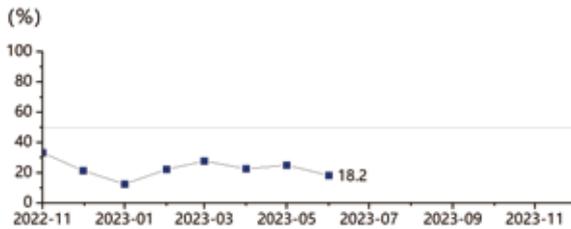
As for the GTI-Brazil sub-index, in June 2023, the inventory index of finished products and the delivery time index were above the critical value, while the remaining 9 sub-indexes were all below the critical value.



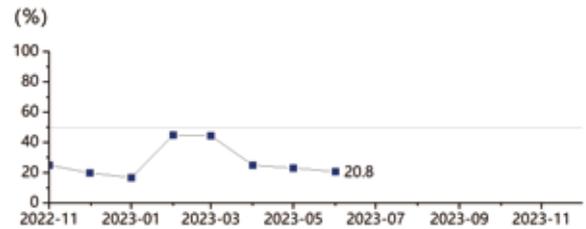
GTI-Brazil sub-index



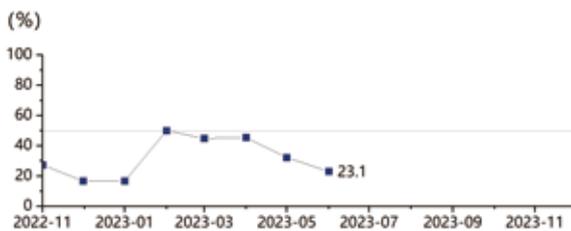
The harvesting index registered 18.2%, a decrease of 6.8 percentage points from the previous month, was below the critical value for 8 consecutive months, indicating that the harvesting volume of the superior timber enterprises represented by the GTI-Brazil was much less than that of last month.



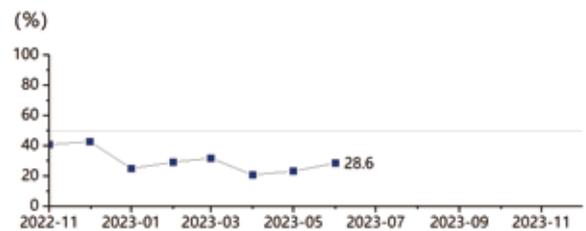
The export orders index registered 20.8%, a decrease of 2.3 percentage points from the previous month, was below the critical value for 8 consecutive months, indicating that the number of export orders of the superior timber enterprises represented by the GTI-Brazil was much less than that of last month.



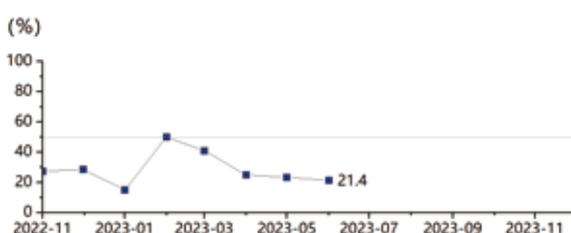
The production index registered 23.1%, a decrease of 9.0 percentage points from the previous month, was below the critical value for 4 consecutive months, indicating that the production volume of the superior timber enterprises represented by the GTI-Brazil was much less than that of last month.



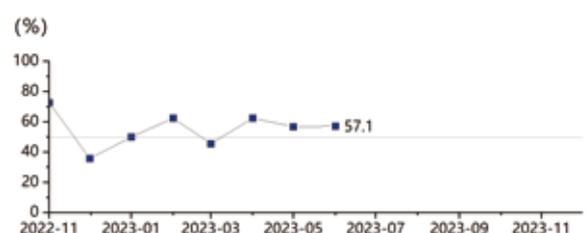
The existing orders index registered 28.6%, an increase of 5.3 percentage points from the previous month, was below the critical value for 8 consecutive months, indicating that the number of existing orders of the superior timber enterprises represented by the GTI- Brazil was less than that of last month.



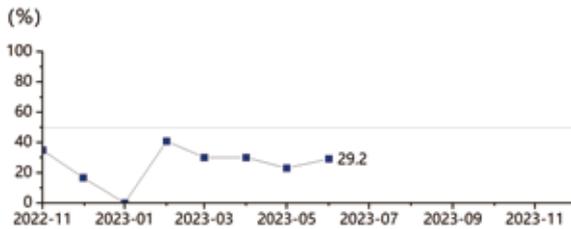
The new orders index registered 21.4%, a decrease of 1.9 percentage points from the previous month, was below the critical value for 4 consecutive months, indicating that the number of new orders of the superior timber enterprises represented by the GTI-Brazil was much less than that of last month.



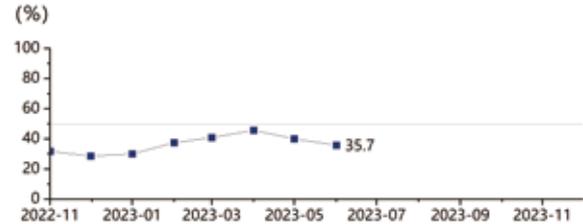
The inventory index of finished products registered 57.1%, an increase of 0.4 percentage point from the previous month, was above the critical value for 3 consecutive months, indicating that the inventory of finished products of the superior timber enterprises represented by the GTI-Brazil was more than that of last month.



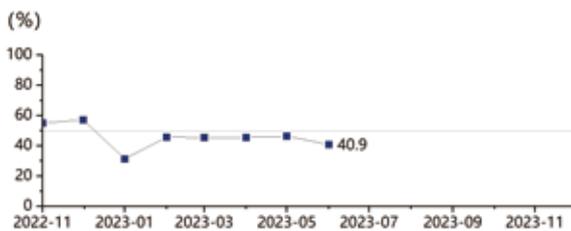
The purchase quantity index registered 29.2%, an increase of 6.1 percentage points from the previous month, was below the critical value for 8 consecutive months, indicating that the purchase quantity of the superior timber enterprises represented by the GTI-Brazil was less than that of last month.



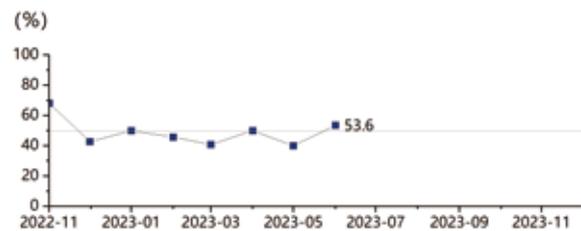
The production and management employees index registered 35.7%, a decrease of 4.3 percentage points from the previous month, was below the critical value for 8 consecutive months, indicating that the number of employees in the superior timber enterprises represented by the GTI-Brazil was less than that of last month.



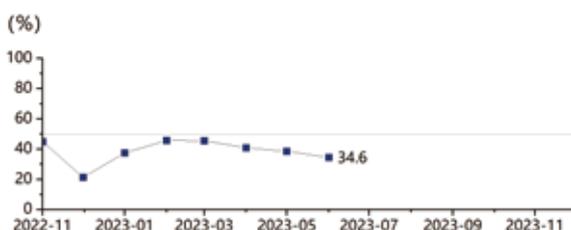
The purchase price index registered 40.9%, a decrease of 5.5 percentage points from the previous month, was below the critical value for 6 consecutive months, indicating that the purchase price of the superior timber enterprises represented by the GTI-Brazil was lower than that of last month.



The delivery time index registered 53.6%, an increase of 13.6 percentage points from the previous month, rose above the critical value, indicating that the delivery time from the supplier to the superior timber enterprises represented by the GTI-Brazil was longer than that of last month.



The inventory index of main raw materials registered 34.6%, a decrease of 3.9 percentage points from the previous month, was below the critical value for 8 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.

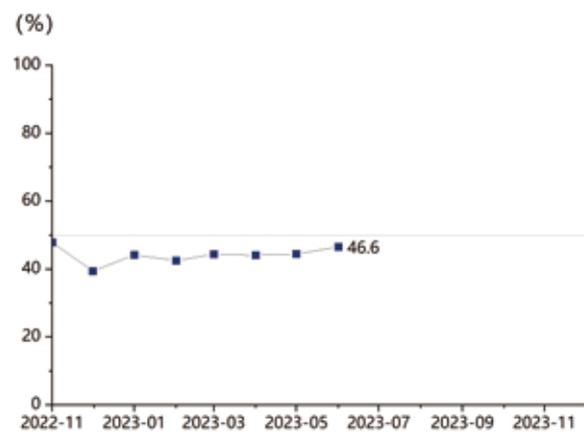


GTI-Mexico Index in June 2023

In May 2023, Mexico's annual inflation rate was 5.84%, a decrease from 6.25% in April, reaching its lowest level since August 2021. The manufacturing purchasing managers' index (PMI) registered 50.5%, lower than 51.1% in April, indicating a continued expansion in Mexico's manufacturing industry. Due to recent interest rate hikes by the Mexican central bank, the peso yield increased, attracting continued inflow of funds into Mexico, and the peso is expected to remain strong. However, the exchange rate of the Mexican peso against the US dollar showed a stronger tendency, from 19.50 pesos/1 dollar last year to around 17 pesos/1 dollar, making Mexican exports more costly. In May, Mexico's total exports amounted to \$46.224 billion, while imports reached \$47.733 billion, resulting in a trade deficit of \$1.509 billion. In the forestry sector, US cabinet manufacturer Rev-A-Shelf had opened a new timber products factory in Huares, Mexico, involving 54 timber products, with plans to further expand production in 2024.

In June, GTI-Mexico enterprises reported a significant decline in market demand. Despite a decrease in timber prices, Mexico's timber market saw higher cost compared to the Central and

GTI- Mexico Index



South American regions. Meanwhile, GTI-Mexico enterprises faced challenges such as delay in the delivery of forestry documents, old equipment, and slow cargo transportation. This month, the GTI-Mexico index registered 46.6%, an increase of 2.1 percentage points from the previous month, was below the critical value (50%) for 8 consecutive months, indicating that the business prosperity of the superior timber enterprises represented by the GTI-Mexico index shrank from last month, however, the contraction eased.

Main Challenges Reported by GTI-Mexico Enterprises

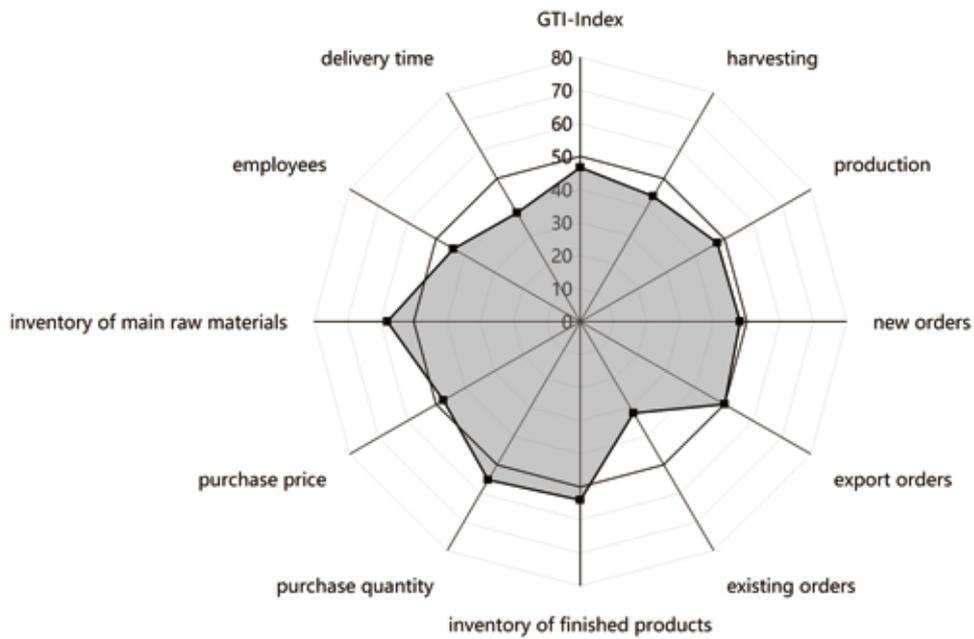
- Delay in the delivery of forestry documents by the corresponding institution.
- As the process with environmental authorities PROFEPA had not been resolved, some enterprises were still unable to work in the area of timber harvesting.
- Timber production was halted because the operator became ill.
- The fall of prices in the market, and high logistics costs in Mexico vs Central and South America.
- Decreased demand for timber products, and low demand for sawn products.
- Old work equipment affected the productive part.
- Entry of wood panels from other countries.
- Slow processes for processing reshipments.
- Increased inventory and low sales.
- Significant decrease in market demand.
- Bad weather and fire.

Main Suggestions from GTI-Mexico Enterprises

- The corresponding institutions comply with the established times.
- Try to be competitive with the rest of the timber industry.
- Request that inspection and resolution processes be more streamlined in PROFEPA offices.
- Train staff in all areas to avoid production stoppages.
- Request support from commercial partners.
- Do not allow the entry of products from other countries, which are of very low quality.
- Obtain greater financial support to be able to renew the equipment.
- The government introduces policies in favor of the country's forest communities.
- Increase the budget to SEMARNAT for the evaluation of requests for referrals.
- Regulate the entry of wooden boards.
- Municipal, state and federal governments provide support for the early opening of the market.
- The government provide subsidies.
- Incorporate tariffs on timber entering from other countries.
- Revitalize the construction industry.

GTI-Mexico sub-index

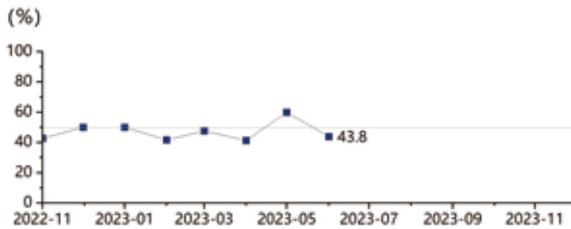
As for the GTI-Mexico sub-index, in June 2023, the inventory of finished products, purchase quantity, and the inventory of main raw materials indexes were above the critical value, and the export orders index was equal to the critical value, while the remaining 7 sub-indexes were all below the critical value.



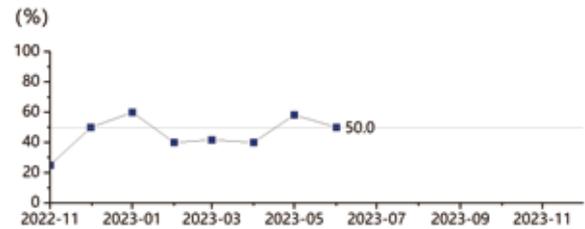
GTI-Mexico sub-index



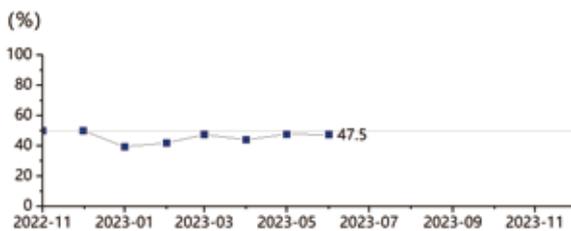
The harvesting index registered 43.8%, a decrease of 16.2 percentage points from the previous month, fell below the critical value, indicating that the harvesting volume of the superior timber enterprises represented by the GTI-Mexico was less than that of last month.



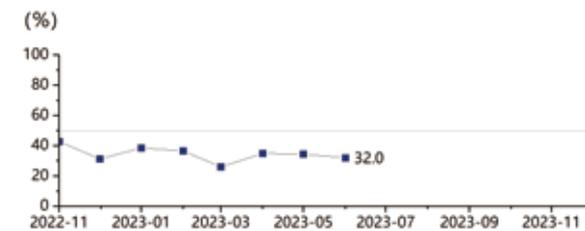
The export orders index registered 50.0%, a decrease of 8.3 percentage points from the previous month, fell to the critical value, indicating that the number of export orders of the superior timber enterprises represented by the GTI-Mexico was the same with that of last month.



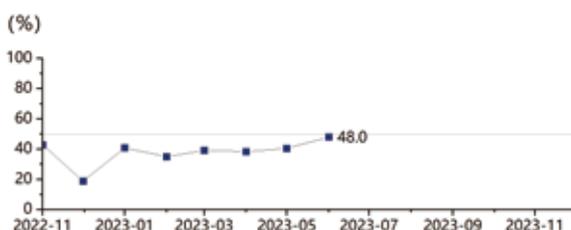
The production index registered 47.5%, a decrease of 0.1 percentage point from the previous month, was below the critical value for 6 consecutive months, indicating that the production volume of the superior timber enterprises represented by the GTI- Mexico was less than that of last month.



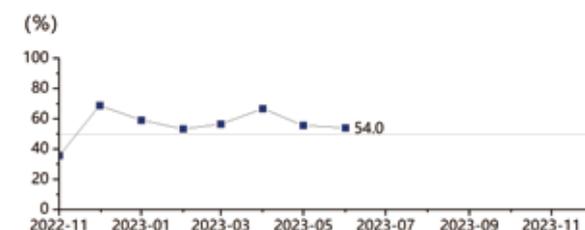
The existing orders index registered 32.0%, a decrease of 2.6 percentage points from the previous month, was below the critical value for 8 consecutive months, indicating that the number of existing orders of the superior timber enterprises represented by the GTI-Mexico was less than that of last month.



The new orders index registered 48.0%, an increase of 7.6 percentage points from the previous month, was below the critical value for 8 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.

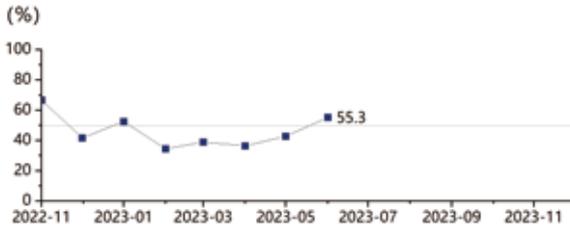


The inventory index of finished products registered 54.0%, a decrease of 1.8 percentage points from the previous month, was above the critical value for 7 consecutive months, indicating that the inventory of finished products of the superior timber enterprises represented by the GTI-Mexico was more than that of last month.

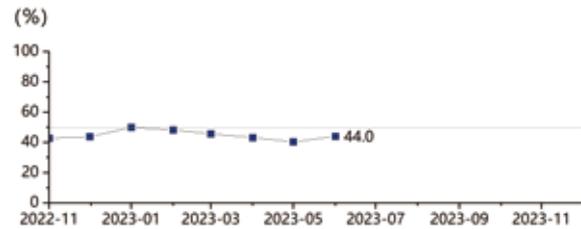




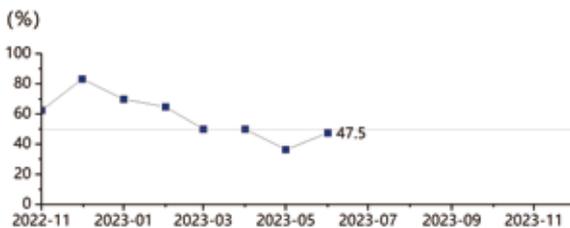
The purchase quantity index registered 55.3%, an increase of 12.4 percentage points from the previous month, rose above the critical value after 4 months, indicating that the purchase quantity of the superior timber enterprises represented by the GTI-Mexico was more than that of last month.



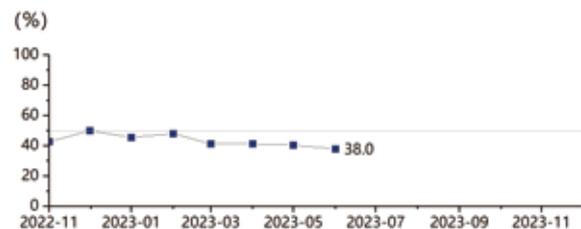
The production and management employees index registered 44.0%, an increase of 3.6 percentage points from the previous month, was below the critical value for 5 consecutive months, indicating that the number of employees in the superior timber enterprises represented by the GTI-Mexico was less than that of last month.



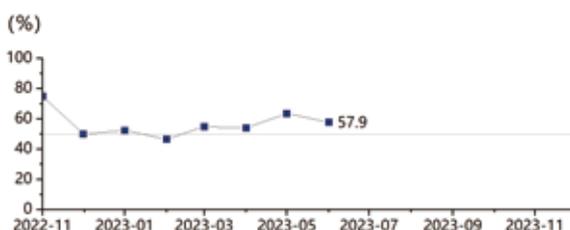
The purchase price index registered 47.5%, an increase of 11.1 percentage points from the previous month, was below the critical value for 2 consecutive months, indicating that the purchase price of the superior timber enterprises represented by the GTI-Mexico was less than that of last month.



The delivery time index registered 38.0%, a decrease of 2.4 percentage points from the previous month, was below the critical value for 6 consecutive months, indicating that the delivery time from the supplier to the superior timber enterprises represented by the GTI-Mexico was shorter than that of last month.



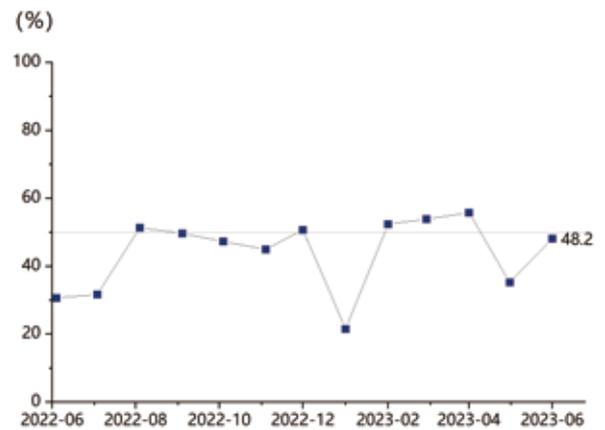
The inventory index of main raw materials registered 57.9%, a decrease of 5.7 percentage points from the previous month, was above the critical value for 4 consecutive months, indicating that the inventory of main raw materials of the superior timber enterprises represented by the GTI-Mexico was more than that of last month.



GTI-China Index in June 2023

In June this year, after experiencing consecutive slowdowns in April and May, the economic recovery momentum in China began to stabilize. The decline in market demand slowed down, but enterprises still strongly felt the insufficiency of market demand, especially facing continuous contraction in overseas demand. On June 29th, the Standing Committee of State Council reviewed and approved "Several Measures to Stimulate Home Furnishing Consumption". The meeting pointed out that home furnishing consumption has the characteristics of many fields involved, long upstream and downstream chains, and large scale. The Chinese government will take more precise measures to boost the furnishing consumption, namely policy coordination and synergistic efforts between promoting home furnishing consumption, renovating old residential areas, reconstructing housing for the elderly, constructing convenient living circles, and improving the recycling network of waste materials, so as to generate a concerted effort to promote consumption. In addition, on June 28th, the Third Session of the Standing Committee of the 14th National People's Congress voted and decided to establish August 15th as National Ecological Day, aiming to transform ecological civilization into a belief for the entire nation and a conscious action for all industries, and to jointly build a beautiful China.

GTI- China Index



In June 2023, as the weather became hot, the timber and timber products industry in China gradually entered the off-season, coupled with incomplete recovery of market demand. Orders and production of GTI-China enterprises decreased compared to the previous month, inventory reduction of raw materials and finished products was still in progress, and market prices remained in a downward trend. In June, the GTI-China index recorded 48.2%, an increase of 12.9 percentage points compared to that of the previous month, was below the critical value (50%) for 2 consecutive months, indicating that the business prosperity of the superior timber enterprises represented by the GTI-China index shrank from last month, however, the contraction eased.



Products in Short Supply

Mahogany, Oak.

Commodities with Price Decrease in this Period

Tree Fork, Urea, Melamine, Formaldehyde-Free Adhesive, Kraft Paper.

Commodities with Price Increase in this Period

Paraffin, Waterproofing Agent, European Oak Veneer.

Main Challenges Reported by GTI-China Enterprises

- Unstable supply of goods.
- Long procurement cycles.

GTI-China sub-index

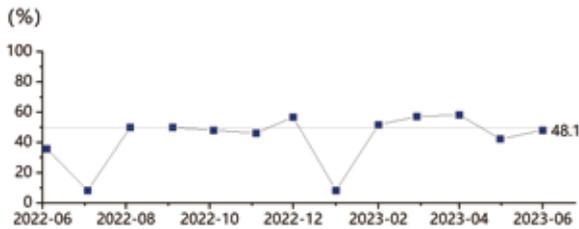
As for the GTI-China sub-index, in June 2023, only the delivery time index was above the critical value, while the remaining 10 sub-indexes were all below the critical value.



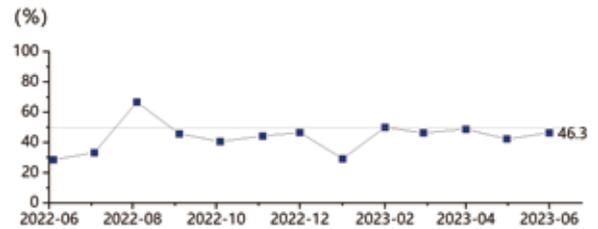
GTI-China sub-index



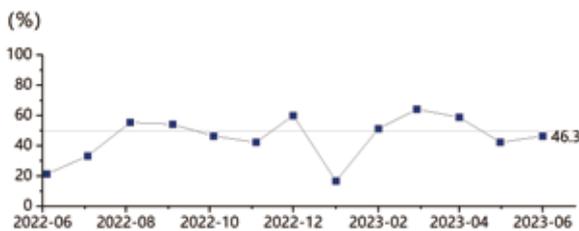
The production index registered 48.1%, an increase of 5.8 percentage points from the previous month, was below the critical value for 2 consecutive months, indicating that the production volume of the superior timber enterprises represented by the GTI-China was less than that of last month.



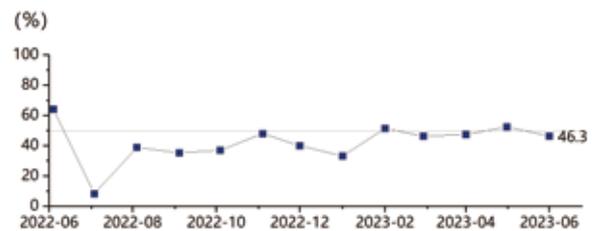
The existing orders index registered 46.3%, an increase of 4.0 percentage points from the previous month, was below the critical value for 4 consecutive months, indicating that the number of existing orders of the superior timber enterprises represented by the GTI-China was less than that of last month.



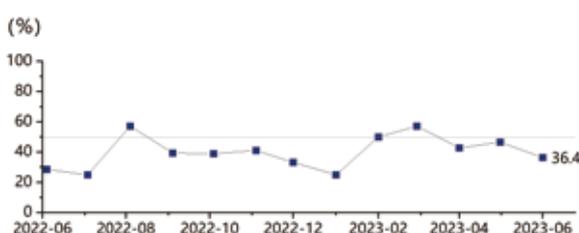
The new orders index registered 46.3%, an increase of 4.0 percentage points from the previous month, was below the critical value for 2 consecutive months, indicating that the number of new orders of the superior timber enterprises represented by the GTI-China was less than that of last month.



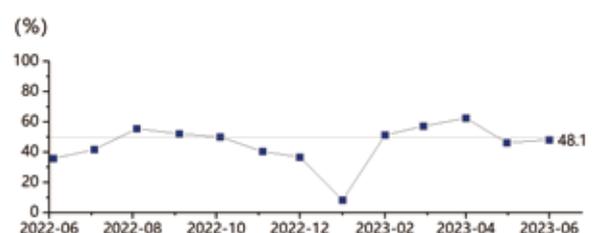
The inventory index of finished products registered 46.3%, a decrease of 6.3 percentage points from the previous month, fell below the critical value, indicating that the inventory of finished products of the superior timber enterprises represented by the GTI-China was less than that of last month.



The export orders index registered 36.4%, a decrease of 10.3 percentage points from the previous month, was below the critical value for 3 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.

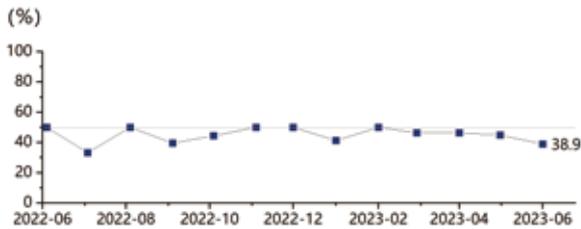


The purchase quantity index registered 48.1%, an increase of 1.9 percentage points from the previous month, was below the critical value for 2 consecutive months, indicating that the purchase quantity of the superior timber enterprises represented by the GTI-China was less than that of last month.

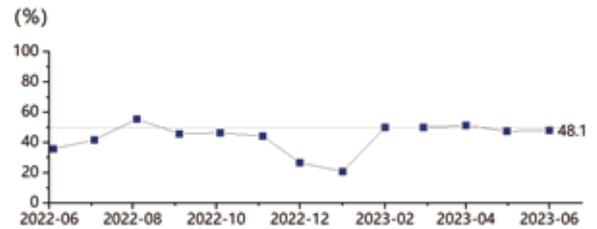




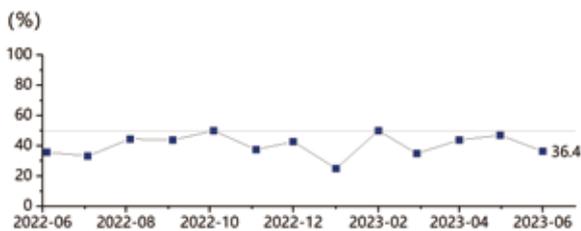
The purchase price index registered 38.9%, a decrease of 6.0 percentage points from the previous month, was below the critical value for 4 consecutive months, indicating that the purchase price of the superior timber enterprises represented by the GTI-China was less than that of last month.



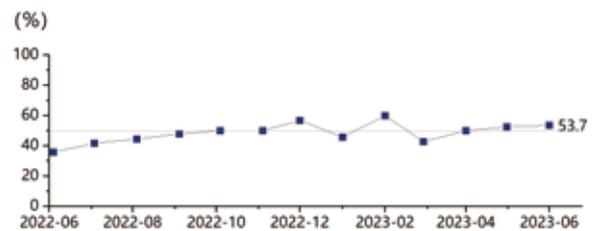
The production and management employees index registered 48.1%, an increase of 0.7 percentage point from the previous month, was below the critical value for 2 consecutive months, indicating that the number of employees in the superior timber enterprises represented by the GTI-China was less than that of last month.



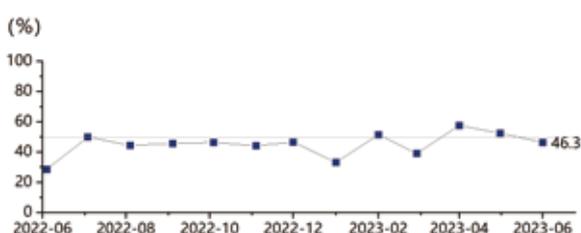
The import index registered 36.4%, a decrease of 10.7 percentage points from the previous month, was below the critical value for 4 consecutive months, indicating that the import volume of the superior timber enterprises represented by the GTI-China was less than that of last month.



The delivery time index registered 53.7%, an increase of 1.1 percentage points from the previous month, was above the critical value for 2 consecutive months, indicating that the delivery time from the supplier to the superior timber enterprises represented by the GTI-China was longer than that of last month.



The inventory index of main raw materials registered 46.3%, a decrease of 6.3 percentage points from the previous month, fell below the critical value, indicating that the inventory of main raw materials of the superior timber enterprises represented by the GTI-China was 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 Chains Initiative (hereinafter referred to as GGSC) organizes the experts to calculate and compile the GTI report, based on statistical analysis of the collected data and information.

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

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

Data and Interpretation

GTI index contains diffusion index and comprehensive index.

(1)

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

(2)

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

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



Declaration

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

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

About ITTO

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

About GGSC

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

Vision

Connect foresters, live in natural and harmony.

Mission

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

Values

Openness, Share, Greenness, Collaboration.

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GTI REPORT

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