

# GLOBAL TIMBER INDEX GTI REPORT MONTHLY

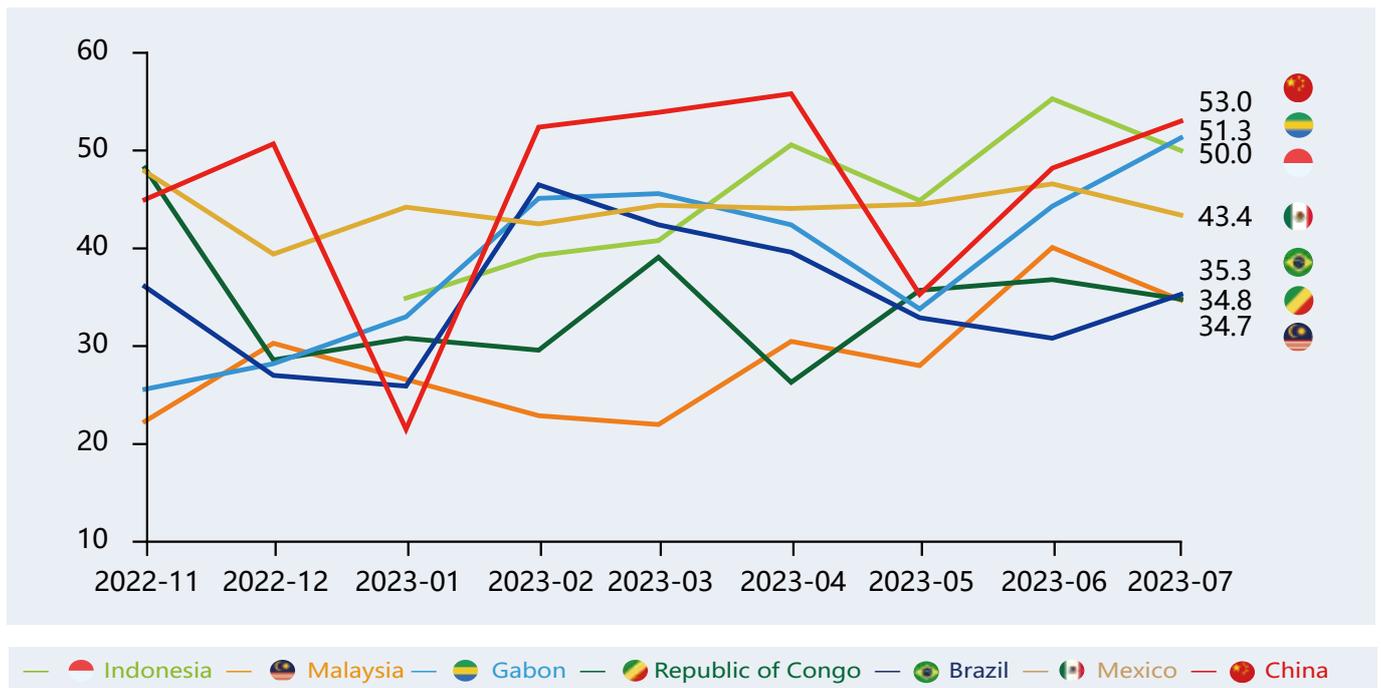
GGSC-No. 7/2023

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



# Overview of the GTI Index

## China's timber market showing signs of picking up under policy stimulus



The Global Timber Index (GTI) Report in July 2023 showed that the GTI-China Index registered 53.0%, up 4.8 percentage points from the previous month, indicating it rose above the critical value (50%) again after 2 months. Stimulated by policies aimed at boosting home furnishing consumption, the furniture and the timber consumption markets in China showed signs of expansion.

The GTI index also showed that the GTI-Gabon index increased by 7.0 percentage points to 51.3%, driven by several factors such as growing harvesting volume, increased number of production and management employees, and more active delivery. The GTI-Indonesia index decreased by 5.3 percentage points to the critical value (50%), indicating the overall level of timber

processing and manufacturing remained unchanged from the previous month. The timber harvesting in Brazil had gradually stabilized, and although the GTI-Brazil index (35.3%) remained in the contraction range, the decline had narrowed. The GTI indexes of Malaysia, ROC, and Mexico registered 34.7%, 34.8%, and 43.4% respectively, continuing their decline in the contraction range below 50%, which indicated continued sluggishness in the operation of the timber market.

Since the beginning of this year, timber-producing countries had been suffering setbacks in exports due to the continuous contraction of international market demand, and some Brazilian enterprises said they had put workers on furlough in

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response to the impact of reduced exports. The demand for sawn timber in Mexico was approaching saturation, leading to a decline in market prices, and meanwhile, enterprises in the country wanted to engage in more marketing activities to find potential customers and expected new policies to raise green purchasing awareness. In ROC, the production volume of logs fell due to the ban on log exports. Recently, there was a noticeable slowdown in demand for certain species such as Okoume and Ayous in the Asian markets (Chinese market in particular), and enterprises hoped the forestry authorities may provide more support and offer some tax exemptions to alleviate their pressure.

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**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:**

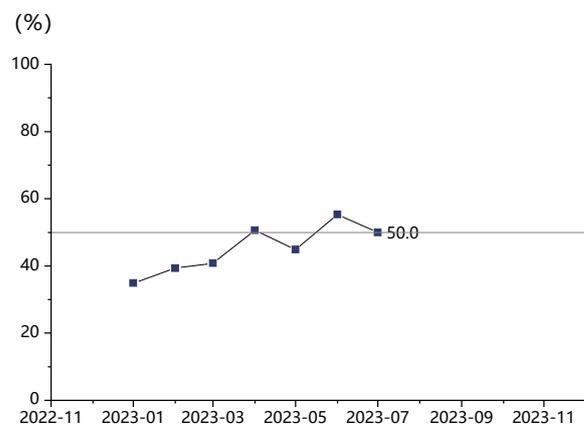
- The Secretariat of the Global Green Supply Chains Initiative (GGSC)

# GTI-Indonesia Index in July 2023

Data from the Statistics Indonesia (BPS) showed that the cumulative export value of Indonesia in the first half of 2023 reached \$128.66 billion, a decrease of 8.86% compared to the same period in 2022 when it stood at \$141.07 billion. The imports amounted to \$108.73 billion, showing a year-on-year decrease of 6.42%. Especially in June, Indonesia's exports dropped by 21.18% year-on-year, drawing widespread attention to the significant decline. In the forestry sector, people of all fields had been closely observing the European Union Deforestation Regulation (EUDR). The Indonesian Furniture Industry and Handicraft Association noted that the implementation of EUDR would increase the costs of both production and delivery, and if product prices would not rise, this regulation could ultimately weaken their competitiveness. Indonesia's Minister of Environment and Forestry presented a report to the House of Representatives regarding the deforestation rate in Indonesia in recent years. According to the statistics, the deforestation rate in Indonesia had been decreasing year by year, with the deforested area dropping from 1090,000 hectares in 2015 to 107,000 hectares in 2022. To monitor deforestation, the government had developed the National Forest Monitoring System (Simontana) to keep track of the country's forest conditions.

In July this year, the prosperity of Indonesia's wood

**GTI-Indonesia Index**



manufacturing industry remained relatively stable compared to the previous month. The feedback from GTI-Indonesia enterprises revealed that orders for logs exported to Japan decreased. Some enterprises reported that the buyers had put forward increasingly strict requirements for purchasing logs, including the demand for FSC certification, while purchase prices remained unchanged, putting more pressure on their costs. This month, the GTI-Indonesia index registered 50.0%, a decrease of 5.3 percentage points from the previous month, fell to the critical value (50%), indicating that the business prosperity of the superior timber enterprises represented by the GTI-Indonesia index remained unchanged from the previous month.

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## Main Challenges Reported by GTI-Indonesia Enterprises

- Orders for log production enterprises decreased, accompanied by low prices of logs. On the other hand, the high prices of fuel oil caused production costs to increase above the selling prices of logs, greatly affecting the performance of the enterprises.
- The plywood market remained sluggish,, especially in Japan, a major destination for plywood exports. Plywood enterprises using raw materials from logs produced by natural forest concession companies showed a decline in demand, further leading to reduced orders for logs.
- The buyer's requirements for purchasing logs were strict: super quality, no defects in logs, and FSC certified, but the price was the same as the previous price. Buyers also checked directly in the field before the logs were loaded and taken to the wood processing plant. Fulfillment of these strict timber quality requirements caused operations in the field to be slow.

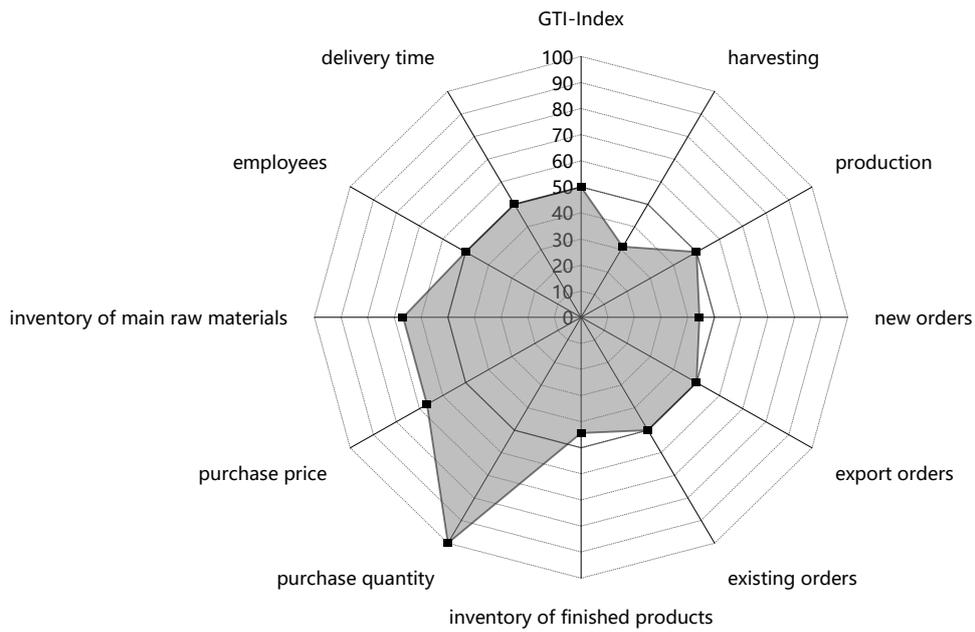
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## Main Suggestions from GTI-Indonesia Enterprises

- In response to reduced orders from the industry and low log prices, the enterprise may adjust its operations by reducing its production activities in line with industry demand. In addition, there is a need for government intervention to improve the supply and development status of domestic wood product markets and give incentives to enterprises that manage their forests sustainably.
- In addition to trying to find alternative log markets, the enterprise should continue to communicate with existing and potential buyers, and strive to increase efficiency in all activities.
- Improve the performance of the plywood industry by increasing sales through exports and developing the domestic market, which requires policy breakthroughs. In addition, promotion and incentivization of sustainable forest management and/or legality certified wood products are needed.
- The enterprise should strive to meet the increasingly stringent requirements demanded by buyers. For logs that do not meet the stringent requirements as raw material for plywood, the enterprise may sell and deliver them to the sawmill industry albeit at a lower selling price. To address the increasingly expensive fuel prices, the enterprise should make efficient use of heavy equipment that is strictly adjusted to the amount of production.
- For weather constraints, the enterprise may try to anticipate it from the beginning, so that it does not have too much impact on operational activities in the field.

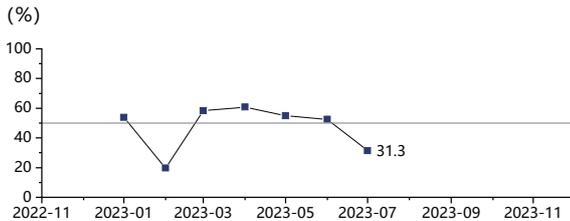
## GTI-Indonesia sub-index

As for the GTI-Indonesia sub-index, in July 2023, the purchase quantity index, purchase price index and inventory index of main raw materials were above the critical value, the production, export orders, existing orders, production and management employees, and delivery time indexes were equal to the critical value, while the remaining 3 sub-indexes were below the critical value.

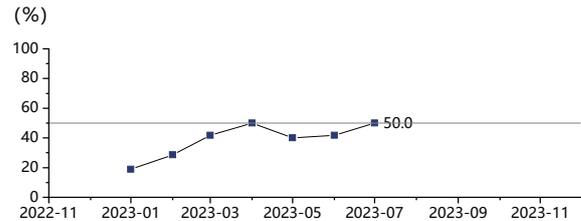


GTI-Indonesia sub-index

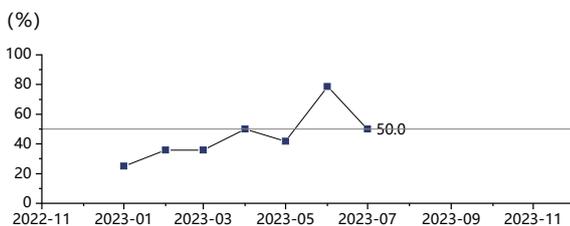
The harvesting index registered 31.3%, a decrease of 21.2 percentage points from the previous month, fell below the critical value, indicating that the harvesting volume of the superior timber enterprises represented by the GTI-Indonesia was less than that of last month.



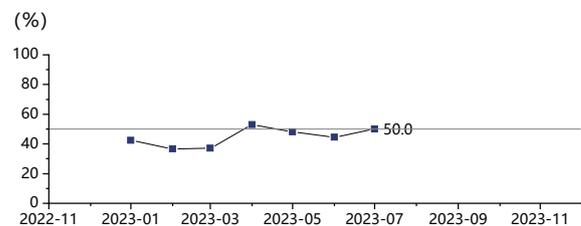
The export orders index registered 50.0%, an increase of 8.3 percentage points from the previous month, rose to the critical value, indicating that the number of export orders of the superior timber enterprises represented by the GTI-Indonesia was the same with that of last month.



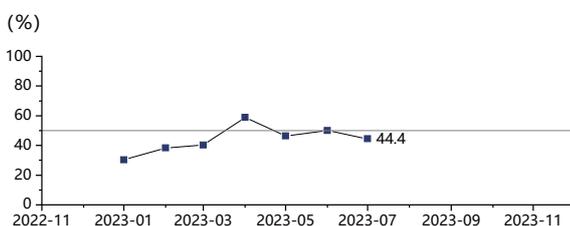
The production index registered 50.0%, a decrease of 28.6 percentage points from the previous month, fell to the critical value, indicating that the production volume of the superior timber enterprises represented by the GTI-Indonesia was the same with that of last month.



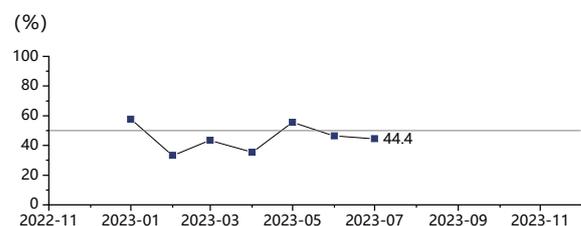
The existing orders index registered 50.0%, an increase of 5.6 percentage points from the previous month, rose to the critical value, indicating that the number of existing orders of the superior timber enterprises represented by the GTI-Indonesia was the same with that of last month.



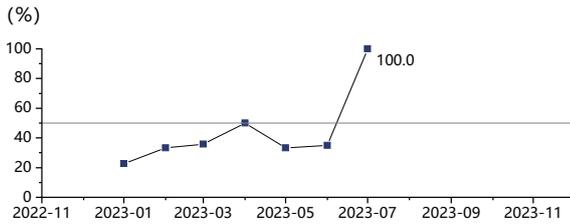
The new orders index registered 44.4%, a decrease of 5.6 percentage points from the previous month, fell below the critical value, indicating that the number of new orders of the superior timber enterprises represented by the GTI-Indonesia was less than that of last month.



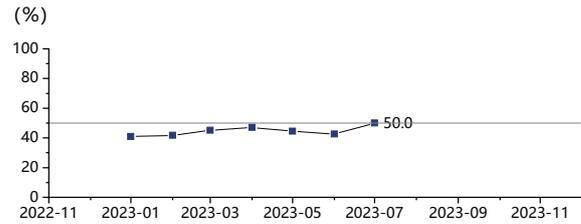
The inventory index of finished products registered 44.4%, a decrease of 1.9 percentage points from the previous month, was below the critical value for 2 consecutive months, indicating that the inventory of finished products of the superior timber enterprises represented by the GTI-Indonesia was less than that of last month.



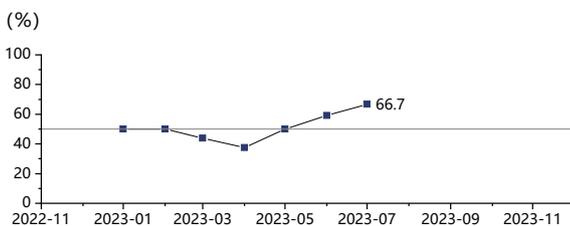
The purchase quantity index registered 100.0%, an increase of 65.0 percentage points from the previous month, rose above the critical value, indicating that the purchase quantity of the superior timber enterprises represented by the GTI-Indonesia was much more than that of last month.



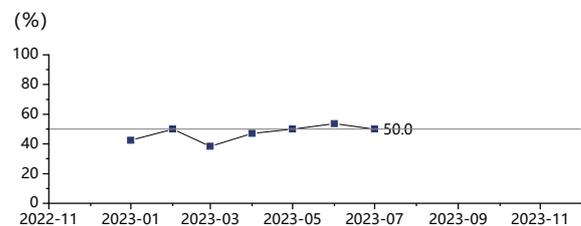
The production and management employees index registered 50.0%, an increase of 7.4 percentage points from the previous month, rose to the critical value after 6 months, indicating that the number of employees in the superior timber enterprises represented by the GTI-Indonesia was the same with that of last month.



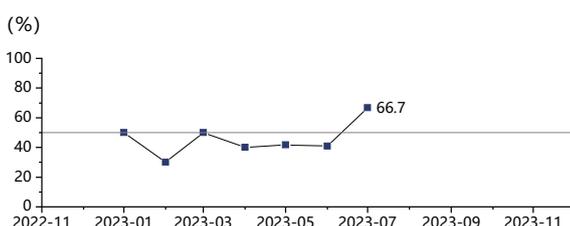
The purchase price index registered 66.7%, an increase of 7.6 percentage points from the previous month, was above the critical value for 2 consecutive months, indicating that the purchase price of the superior timber enterprises represented by the GTI-Indonesia was higher than that of last month.



The delivery time index registered 50.0%, a decrease of 3.7 percentage points from the previous month, fell to the critical value, indicating that the delivery time from the supplier to the superior timber enterprises represented by the GTI-Indonesia was the same with that of last month.



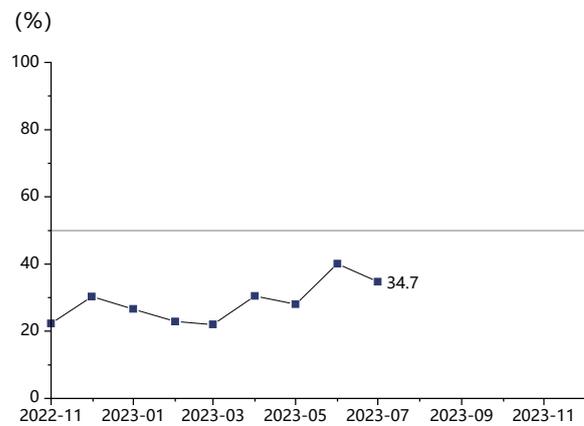
The inventory index of main raw materials registered 66.7%, an increase of 25.8 percentage points from the previous month, rose above the critical value, indicating that the inventory of main raw materials of the superior timber enterprises represented by the GTI-Indonesia was more than that of last month.



# GTI-Malaysia Index in July 2023

Data released by Malaysia's statistical authority on July 20th showed that in the first half of this year, Malaysia's total import and export volume was RM1288 billion, a year-on-year decrease of 4.6%. Among them, agricultural product exports decreased by 25.1% year-on-year, and manufacturing product exports decreased by 3%. In June, Malaysia's total import and export volume was RM222.1 billion, with exports dropping by 14.1% year-on-year, and imports declining by 18.9%, marking the largest decline this year. In the timber sector, the United States is the largest export destination of Malaysia's wooden furniture. However, its demand for wooden furniture decreased due to the impact of the US Federal Reserve's interest rate hikes on the housing market; Singapore is the second-largest export market of Malaysia's wooden furniture. At the beginning of 2023, Singapore increased its imports of wooden furniture, partially offsetting the impact of the decline in US imports on Malaysia's wooden furniture exports. According to a report by the Malaysian Timber Council (MTC), Malaysia's wooden furniture exports dropped nearly 40% in the first four months of 2023. To help enterprises seek export opportunities, the Malaysia External Trade Development Corporation (MATRADE), in collaboration with the Malaysian Timber Council (MTC), successfully matched 88 Malaysian producers of woodbased products with foreign buyers from 23 countries (e.g., the US,

**GTI-Malaysia Index**



Japan, and China), which captured RM147 million in export orders.

In July this year, the timber market in Malaysia remained sluggish, and GTI-Malaysia enterprises reported reduced overseas demand and low demand for building materials, leading to low timber prices and insufficient orders. This month, the GTI-Malaysia index registered 34.7%, a decrease of 5.4 percentage points from the previous month, was below the critical value (50%) for 9 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 expanded.

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### **Main Challenges Reported by GTI-Malaysia Enterprises**

- Not enough labor and orders.
- High cost of raw materials.
- Decreased sawn timber processing orders due to slow market growth.
- Less export orders.
- Low overseas demand and slow shipments.
- Decreasing plywood prices.
- Low market price due to low demand for building materials.

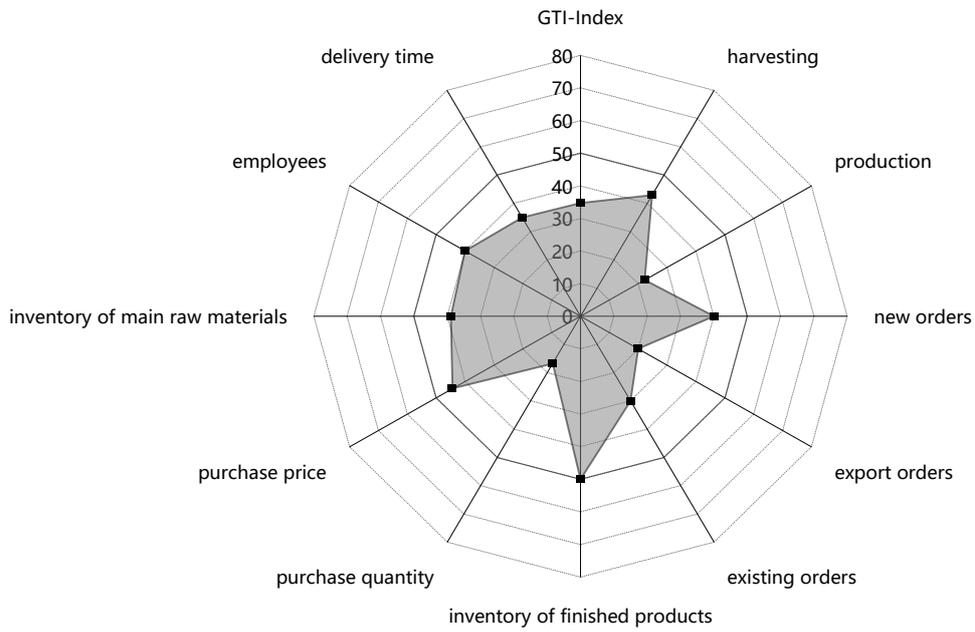
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### **Main Suggestions from GTI-Malaysia Enterprises**

- Open up new markets and seek labor force.  
Control production costs.
- The government increases spending on the construction of public building to increase demand in building materials and residential/office furniture.
- Work closely with customers to develop market for acacia sawntimber.

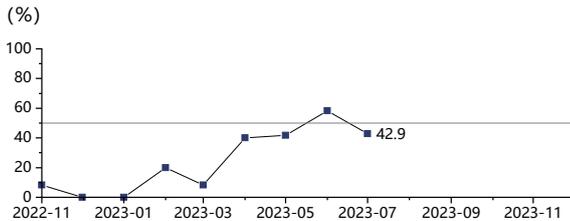
## GTI-Malaysia sub-index

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

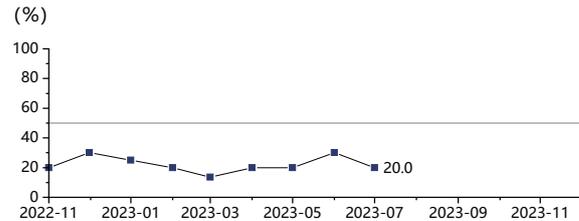


GTI-Malaysia sub-index

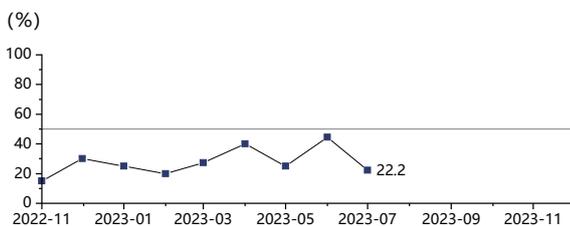
The harvesting index registered 42.9%, a decrease of 15.4 percentage points from the previous month, fell below the critical value, indicating that the harvesting volume of the superior timber enterprises represented by the GTI-Malaysia was less than that of last month.



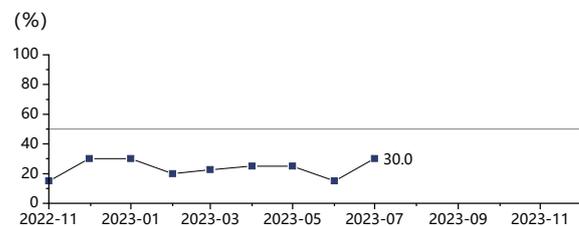
The export orders index registered 20.0%, a decrease of 10.0 percentage points from the previous month, was below the critical value for 9 consecutive months, indicating that the number of export orders of the superior timber enterprises represented by the GTI-Malaysia was much less than that of last month.



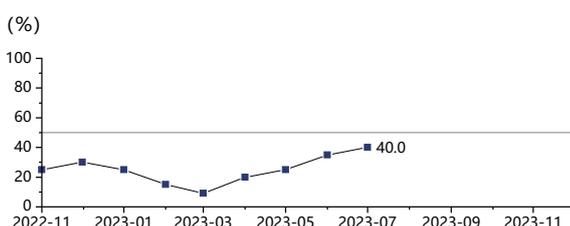
The production index registered 22.2%, a decrease of 22.2 percentage points from the previous month, was below the critical value for 9 consecutive months, indicating that the production volume of the superior timber enterprises represented by the GTI- Malaysia was much less than that of last month.



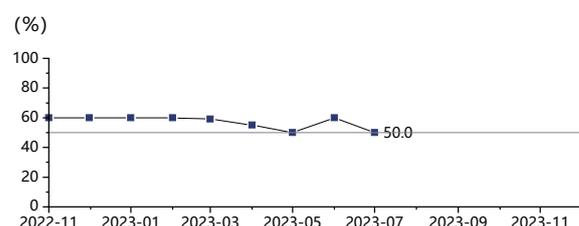
The existing orders index registered 30.0%, an increase of 15.0 percentage points from the previous month, was below the critical value for 9 consecutive months, indicating that the number of existing orders of the superior timber enterprises represented by the GTI-Malaysia was less than that of last month.



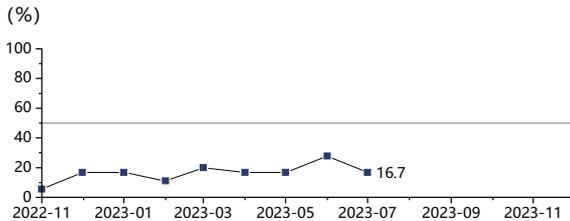
The new orders index registered 40.0%, an increase of 5.0 percentage points from the previous month, was below the critical value for 9 consecutive months, indicating that the number of new orders of the superior timber enterprises represented by the GTI-Malaysia was less than that of last month.



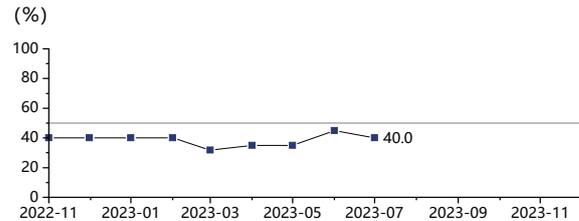
The inventory index of finished products registered 50.0%, a decrease of 10.0 percentage points from the previous month, fell to the critical value, indicating that the inventory of finished products of the superior timber enterprises represented by the GTI-Malaysia was the same with that of last month.



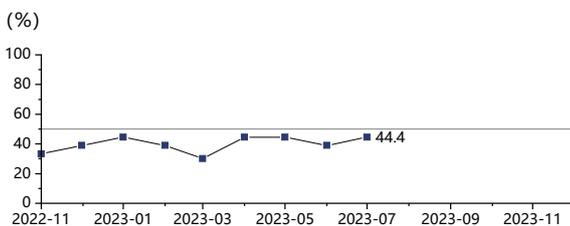
The purchase quantity index registered 16.7%, a decrease of 11.1 percentage points from the previous month, was below the critical value for 9 consecutive months, indicating that the purchase quantity of the superior timber enterprises represented by the GTI-Malaysia was much less than that of last month.



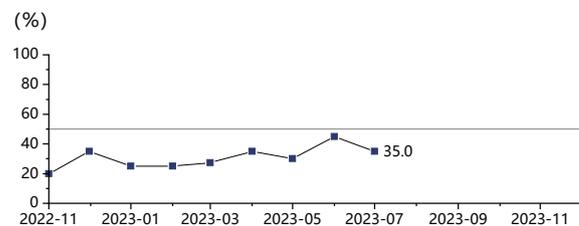
The production and management employees index registered 40.0%, a decrease of 5.0 percentage points from the previous month, was below the critical value for 9 consecutive months, indicating that the number of employees in the superior timber enterprises represented by the GTI-Malaysia was less than that of last month.



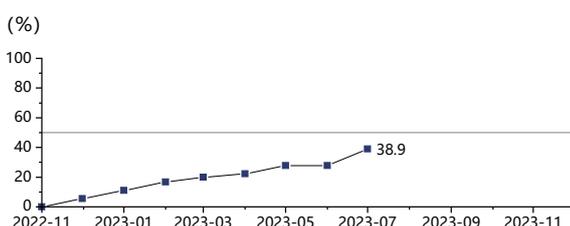
The purchase price index registered 44.4%, an increase of 5.5 percentage points from the previous month, was below the critical value for 9 consecutive months, indicating that the purchase price of the superior timber enterprises represented by the GTI-Malaysia was lower than that of last month.



The delivery time index registered 35.0%, a decrease of 10.0 percentage points from the previous month, was below the critical value for 9 consecutive months, indicating that the delivery time from the supplier to the superior timber enterprises represented by the GTI-Malaysia was shorter than that of last month.



The inventory index of main raw materials registered 38.9%, an increase of 11.1 percentage points from the previous month, was below the critical value for 9 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.

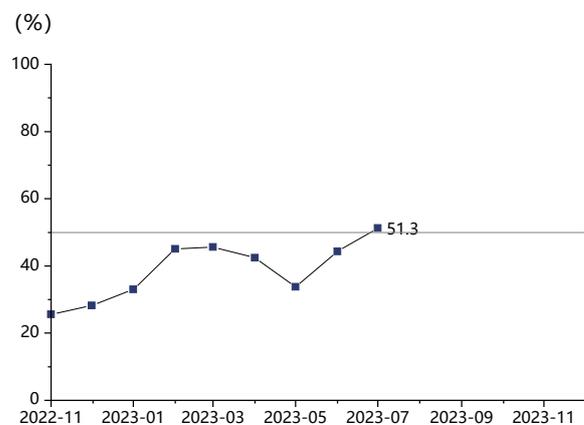


# GTI-Gabon Index in July 2023

In the first quarter of 2023, Gabon’s sales to its top ten export countries decreased by 13.4% compared to the fourth quarter of 2022. China remains Gabon's largest export destination, but in the first quarter, Gabon's exports to China decreased by 27.9% compared to the previous quarter, mainly due to a decline in manganese exports (-68.4%). Additionally, Gabon's exports of timber to China also experienced a significant drop. According to the data reported by China customs, in the first quarter of this year, China's imports of Gabon's timber amounted to 277 million yuan, a decrease of 36.09% compared to the same period in 2022, and a decline of 21.08% compared to the fourth quarter of 2022. Currently, Gabon has entered its dry season, and the goods transported by Gabon’s railway mainly include manganese and timber. It is reported that the Gabonese railway operator plans to purchase four more trains and 100 trucks used for timber transport, so as to expand the timber transportation capacity. Starting from June 19th, Gabon has stepped up inspections of truck overloading, and any vehicle detected with excess load at weighing stations will be impounded, with the costs borne by the offenders. Furthermore, Gabon has also banned heavy-duty trucks from operating during weekends and public holidays, which will somewhat affect timber transportation.

In July 2023, the Gabonese government

**GTI-Gabon Index**



accelerated the maintenance of roads and railways to support timber transportation. However, due to limited capacity of transportation, some enterprises still face difficulties in transporting raw materials, which has even pushed up the prices of raw material. The GTI-Gabon enterprises reported a decrease in market demand, resulting in reduced product sales and even products backlog. The enterprises are hoping to receive concrete support in terms of market expansion, streamlined administrative processes, and improved logistics efficiency. This month, the GTI-Gabon index registered 51.3%, an increase of 7.0 percentage points from the previous month, was above the critical value (50%) for the first time, indicating that the business prosperity of the superior timber enterprises represented by the GTI-Gabon index expanded from last month.

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## Main Challenges Reported by GTI-Gabon Enterprises

- Poor road and railway infrastructure leading to transportation difficulties.
- High land taxes.
- Significant increase in fuel prices, making it challenging for enterprises to bear the cost.
- Decreased market demand resulting in reduced product sales.
- Lack of transportation vehicles for raw materials, which caused an increase in the prices of such materials.
- Decrease in the number of export orders.
- Excessive administrative procedures.
- Shortage of labor in factories.
- Insufficient orders leading to products backlog.

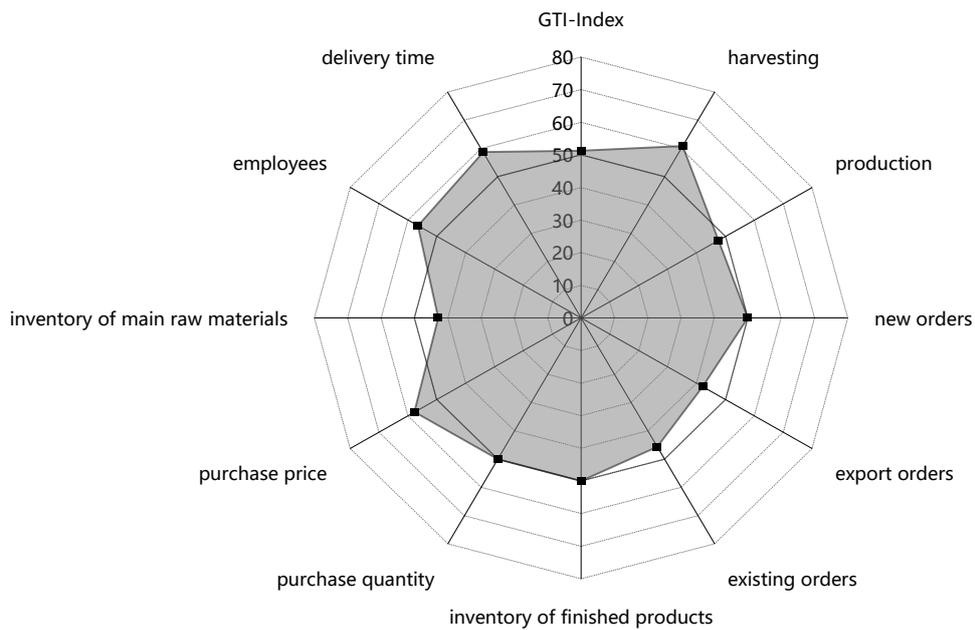
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## Main Suggestions from GTI-Gabon Enterprises

- Lower fuel prices.
- The government formulates and introduces policies to improve transportation facilities.
- Diversify products to enhance their competitiveness.
- Explore new markets, find potential customers, and consider using new tree species.
- The government increase financial support for road maintenance, which may be compensated through land taxes.
- Expedite goods receiving and sending in the customs process.

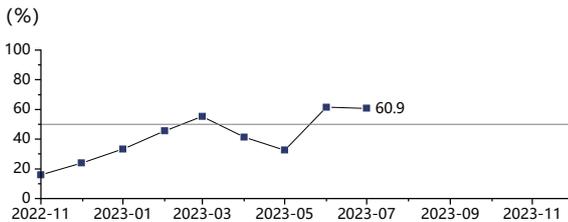
## GTI-Gabon sub-index

As for the GTI-Gabon sub-index, in July 2023, the harvesting, purchase price, employees and delivery time indexes were above the critical value, the new orders, inventory of finished products and purchase quantity indexes were equal to the critical value, while the remaining 4 sub-indexes were all below the critical value.

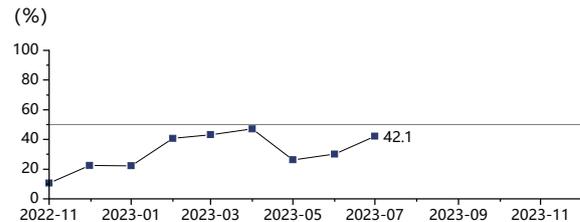


GTI-Gabon sub-index

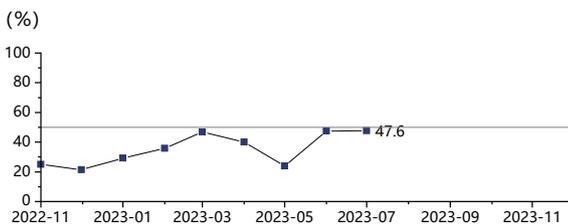
The harvesting index registered 60.9%, a decrease of 0.5 percentage point from the previous month, was above the critical value for 2 consecutive months, indicating that the harvesting volume of the superior timber enterprises represented by the GTI-Gabon was more than that of last month.



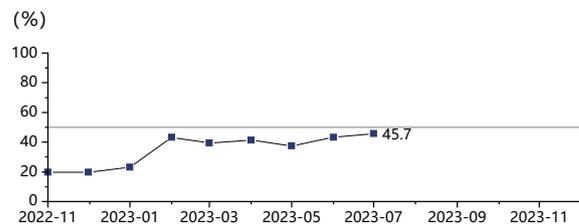
The export orders index registered 42.1%, an increase of 12.1 percentage points from the previous month, was below the critical value for 9 consecutive months, indicating that the number of export orders of the superior timber enterprises represented by the GTI-Gabon was less than that of last month.



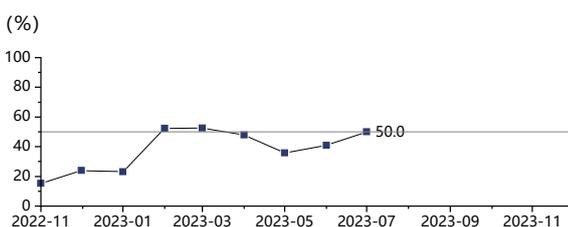
The production index registered 47.6%, an increase of 0.1 percentage point from the previous month, was below the critical value for 9 consecutive months, indicating that the production volume of the superior timber enterprises represented by the GTI-Gabon was less than that of last month.



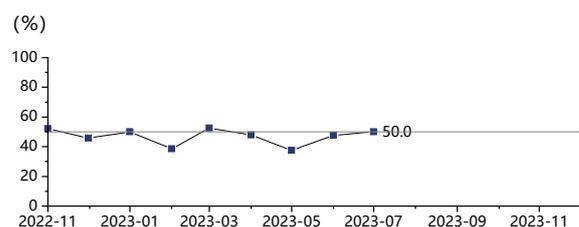
The existing orders index registered 45.7%, an increase of 2.5 percentage points from the previous month, was below the critical value for 9 consecutive months, indicating that the number of existing orders of the superior timber enterprises represented by the GTI-Gabon was less than that of last month.



The new orders index registered 50.0%, an increase of 9.1 percentage points from the previous month, rose to the critical value after 3 months, indicating that the number of new orders of the superior timber enterprises represented by the GTI-Gabon was the same with that of last month.

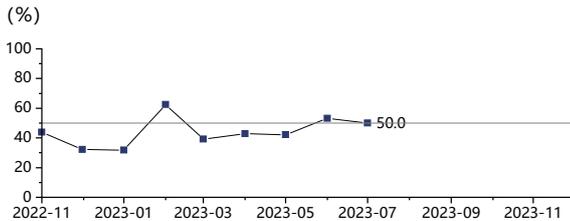


The inventory index of finished products registered 50.0%, an increase of 2.3 percentage points from the previous month, rose to the critical value after 3 months, indicating that the inventory of finished products of the superior timber enterprises represented by the GTI-Gabon was the same with that of last month.

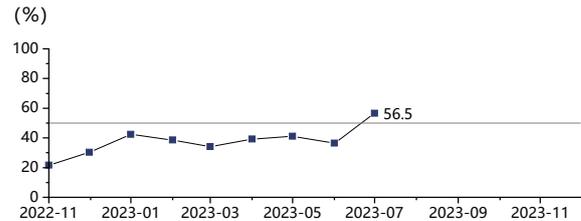




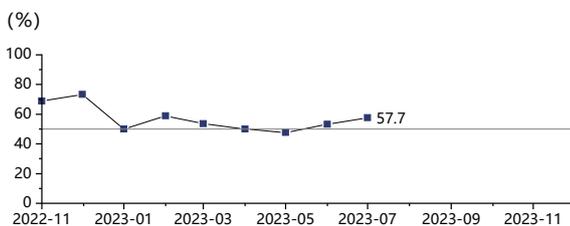
The purchase quantity index registered 50.0%, a decrease of 3.1 percentage points from the previous month, fell to the critical value, indicating that the purchase quantity of the superior timber enterprises represented by the GTI-Gabon was the same with that of last month.



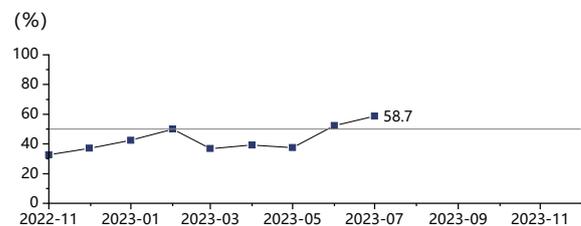
The production and management employees index registered 56.5%, an increase of 20.1 percentage points from the previous month, rose above the critical value after 8 months, indicating that the number of employees in the superior timber enterprises represented by the GTI-Gabon was more than that of last month.



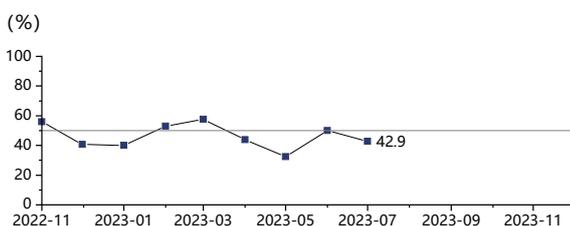
The purchase price index registered 57.7%, an increase of 4.6 percentage points from the previous month, was above the critical value for 2 consecutive months, indicating that the purchase price of the superior timber enterprises represented by the GTI-Gabon was higher than that of last month.



The delivery time index registered 58.7%, an increase of 6.4 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-Gabon was longer than that of last month.



The inventory index of main raw materials registered 42.9%, a decrease of 7.1 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-Gabon was less than that of last month.

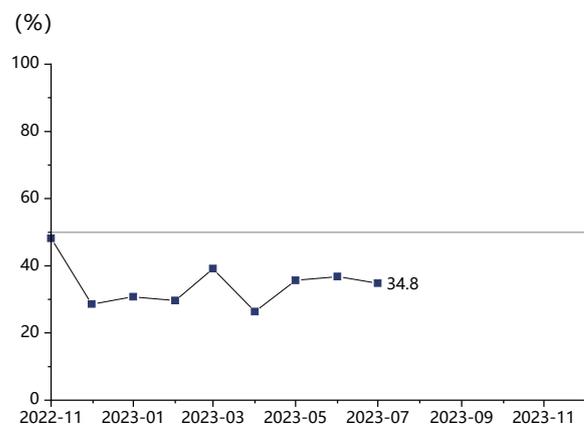


# GTI-ROC Index in July 2023

According to a report of the International Monetary Fund (IMF), there were challenges in the economic recovery of ROC due to falling oil prices and rising financing costs. Besides, additional fiscal adjustments were needed to compensate for past fiscal mistakes. On July 19th, the IMF Executive Board completed the third review of the economy programme under the arrangement of Extended Credit Facility for ROC and approved a disbursement of \$43 million. Against the background of high food prices, falling oil prices, and tightening financial conditions, this fund would be used to help the ROC government stabilize development policies, maintain macroeconomic stability, and strengthen economic recovery. In the forestry sector, there was a noticeable slowdown in demand for certain species such as Okoume and Ayous in the Asian markets (Chinese market in particular). Due to the ROC 's ban on log exports, China's imports of Okoume in June this year were only 2614 cubic meters, a decrease of 94.86% compared to the same period last year and a decrease of 89.92% compared to the previous month.

In July 2023, the main challenges reported by GTI-ROC enterprises include fuel supply, road tolls,

**GTI-ROC Index**



administrative procedures, etc. There was also feedback indicating the ban on log exports had led to decreases in both production volume of logs and cash flow of the enterprise. Enterprises hoped the forestry authorities may increase support to them and waive some taxes to ease their pressure. This month, the GTI-ROC index registered 34.8%, a decrease of 2.0 percentage points from the previous month, was below the critical value (50%) for 9 consecutive months, indicating that the business prosperity of the superior timber enterprises represented by the GTI-ROC index shrank from last month.

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## Main Challenges Reported by GTI-ROC Enterprises

- Inadequate administrative procedures.
- Difficulty in local fuel supply.
- High road tolls.
- Problems related to logistics speed and transportation facility.
- Problems related to harvesting qualifications for forest resources.
- Decreases in both production volume of logs and cash flow of the enterprise due to the ban on log exports.

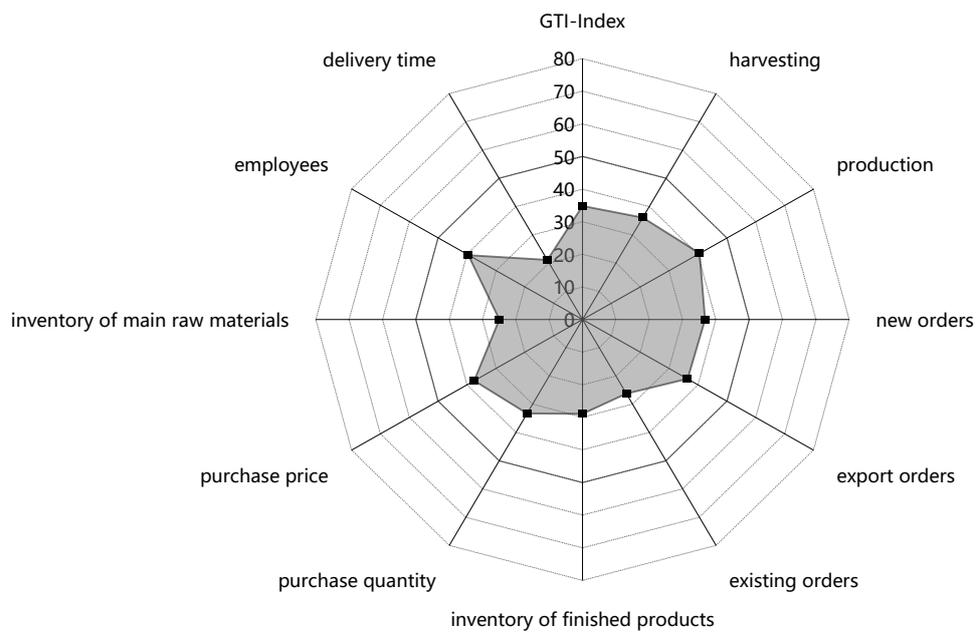
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## Main Suggestions from GTI-ROC Enterprises

- Hold talks with forestry authorities for more support.
- Ensure fuel supply at the provincial level.
- Compensate through certain tax exemptions.
- Promote the development of the tropical timber market in the Congo Basin.

## GTI-ROC sub-index

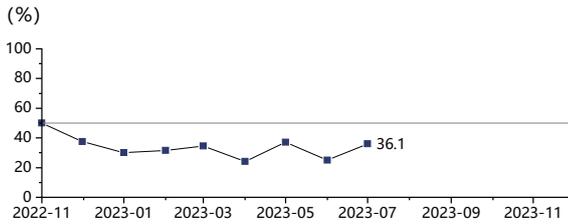
As for the GTI-ROC sub-index, in July 2023, the 11 sub-indexes were all below the critical value.



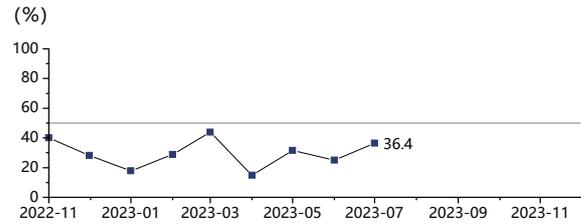
GTI-ROC sub-index



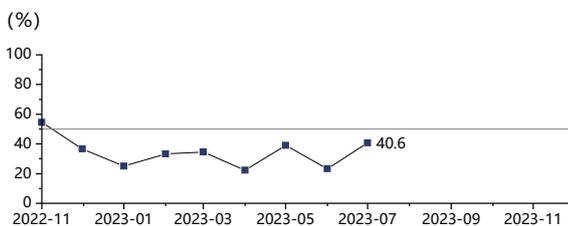
The harvesting index registered 36.1%, an increase of 11.1 percentage points from the previous month, was below the critical value for 8 consecutive months, indicating that the harvesting volume of the superior timber enterprises represented by the GTI-ROC was less than that of last month.



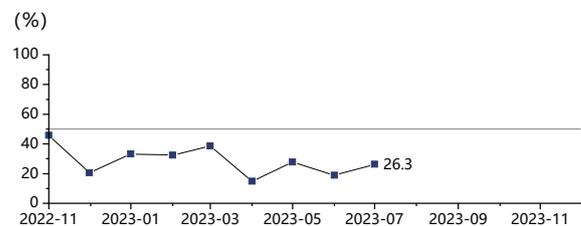
The export orders index registered 36.4%, an increase of 11.4 percentage points from the previous month, was below the critical value for 9 consecutive months, indicating that the number of export orders of the superior timber enterprises represented by the GTI-ROC was less than that of last month.



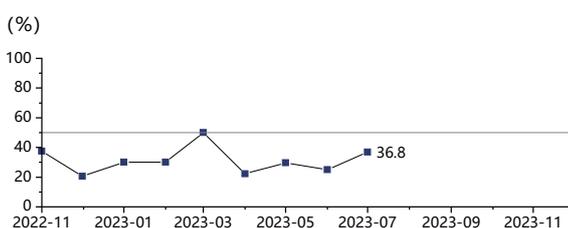
The production index registered 40.6%, an increase of 17.3 percentage points from the previous month, was below the critical value for 8 consecutive months, indicating that the production volume of the superior timber enterprises represented by the GTI-ROC was less than that of last month.



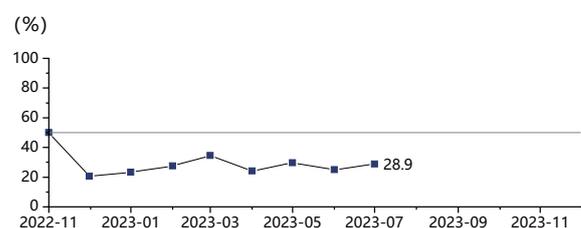
The existing orders index registered 26.3%, an increase of 7.5 percentage points from the previous month, was below the critical value for 9 consecutive months, indicating that the number of existing orders of the superior timber enterprises represented by the GTI-ROC was less than that of last month.



The new orders index registered 36.8%, an increase of 11.8 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-ROC was less than that of last month.

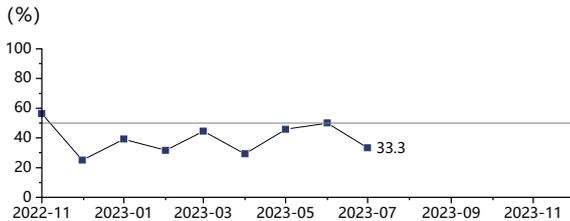


The inventory index of finished products registered 28.9%, an increase of 3.9 percentage points from the previous month, was below the critical value for 8 consecutive months, indicating that the inventory of finished products of the superior timber enterprises represented by the GTI-ROC was less than that of last month.

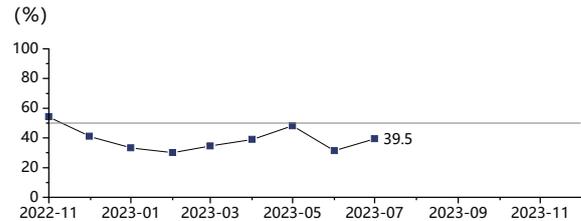




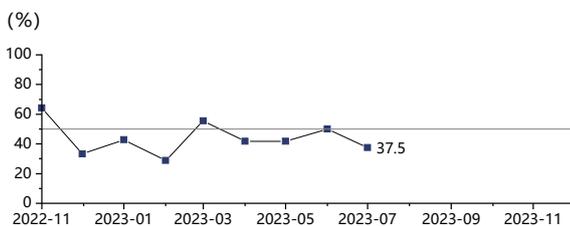
The purchase quantity index registered 33.3%, a decrease of 16.7 percentage points from the previous month, fell below the critical value, indicating that the purchase quantity of the superior timber enterprises represented by the GTI-ROC was less than that of last month.



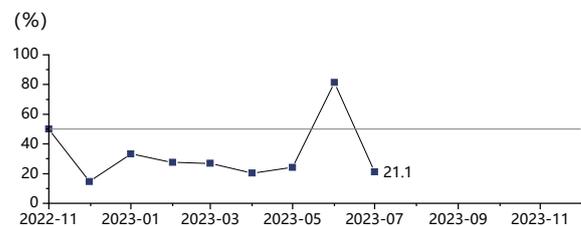
The production and management employees index registered 39.5%, an increase of 8.2 percentage points from the previous month, was below the critical value for 8 consecutive months, indicating that the number of employees in the superior timber enterprises represented by the GTI-ROC was less than that of last month.



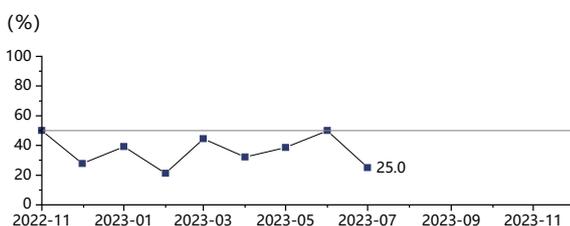
The purchase price index registered 37.5%, a decrease of 12.5 percentage points from the previous month, fell below the critical value, indicating that the purchase price of the superior timber enterprises represented by the GTI-ROC was lower than that of last month.



The delivery time index registered 21.1%, a decrease of 60.2 percentage points from the previous month, fell below the critical value, indicating that the delivery time from the supplier to the superior timber enterprises represented by the GTI-ROC was much shorter than that of last month.



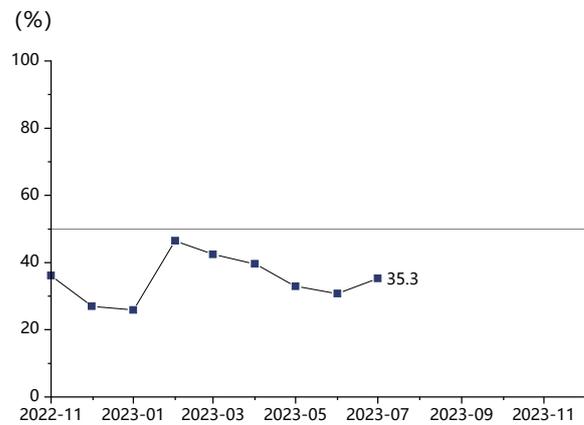
The inventory index of main raw materials registered 25.0%, a decrease of 25.0 percentage points from the previous month, fell below the critical value, indicating that the inventory of main raw materials of the superior timber enterprises represented by the GTI-ROC was less than that of last month.



# GTI-Brazil Index in July 2023

In June 2023, Brazil's total exports amounted to US\$30.094 billion, while imports reached US\$19.502 billion, resulting in a trade surplus of \$10.592 billion. However, the exports of both sawn timber and wood-based products declined sharply. Tropical sawnwood exports decreased 49% in volume, from 56200 cu.m in June 2022 to 28800 cu.m in June 2023, and in value, exports decreased 47% from US\$26.9 million to US\$14.4 million, over the same period; In June 2023, Brazilian exports of wood-based products (except pulp and paper) decreased 39% in value compared to June 2022, from US\$481.0 million to US\$292.0 million; As for wooden furniture, the export value dropped from US\$59.3 million in June 2022 to US\$45.5 million in June 2023, a 23% fall in the total exports of the product during the period. Recently, the potential negative impact of the European Union Deforestation Regulation (EUDR) on Brazilian timber products was discussed at a meeting of the Agriculture and Industry and trade committees of the Chamber of Deputies. The Ministry of Development, Industry and Foreign Trade stated that the Regulation will impact almost 35% of the products exported from Brazil to the EU.

**GTI- Brazil Index**



In July this year, GTI-Brazil enterprises still faced a shrinking trend in production and manufacturing. Some enterprises reported that factories had to put workers on collective vacations due to shrinking markets in Europe and the US. This month, the GTI-Brazil index registered 35.3%, an increase of 4.5 percentage points from the previous month, was below the critical value (50%) for 9 consecutive months, indicating that the business prosperity of the superior timber enterprises represented by the GTI-Brazil index shrank from last month, however, the contraction eased.

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## Main Challenges Reported by GTI-Brazil Enterprises

- Insufficient demand.
- Heavy rain impacting field operations.
- Collective vacations of the factory workers due to shrinking markets in Europe and the US.
- Delays in deliveries of some products due to adjustments to various manufacturing/production.
- Raw material costs in Brazil are very high. While prices have already fallen in the rest of the world, in Brazil prices are still the same levels as in 2021.
- Exchange rate appreciation, and low prices in Asia.
- Lack of market recognition of new hardwood species such as Australian cedar (*Toona Ciliata*) and African mahogany (*Khaya Grandifoliola*).

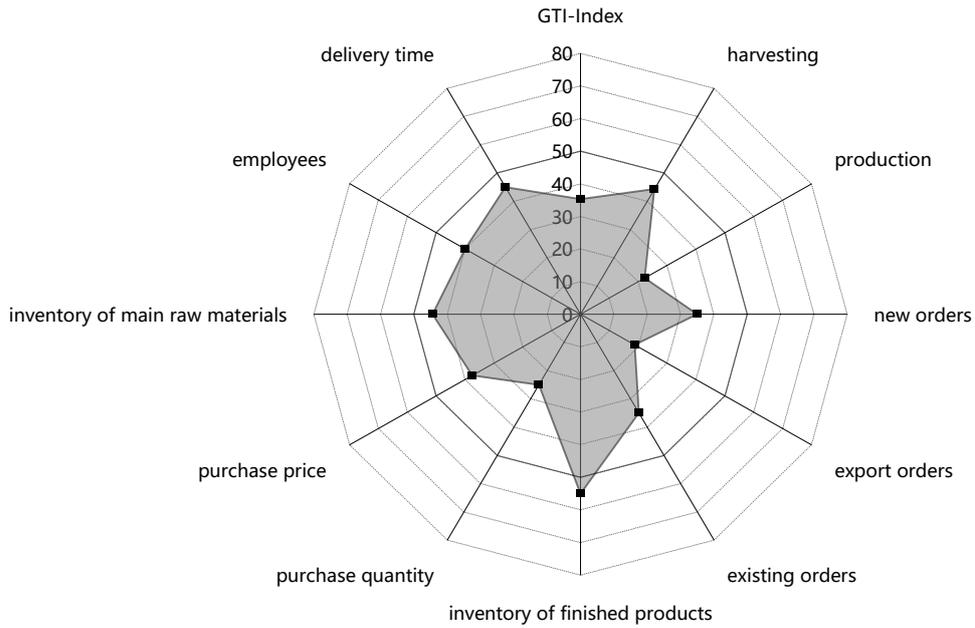
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## Main Suggestions from GTI-Brazil Enterprises

- Plan field operations according to the climatic seasonality.
- Reduce production to avoid further increases in raw material prices.
- Improve production planning by reducing machineries' set-up.
- Improve market recognition of new hardwood species such as Australian cedar (*Toona Ciliata*) and African mahogany (*Khaya Grandifoliola*).

## GTI-Brazil sub-index

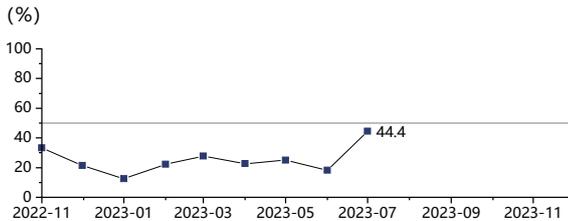
As for the GTI-Brazil sub-index, in July 2023, only the inventory index of finished products was above the critical value, while the remaining 10 sub-indexes were all below the critical value.



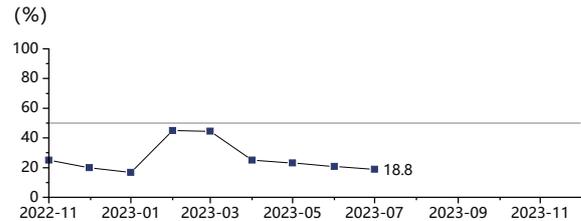
GTI-Brazil sub-index



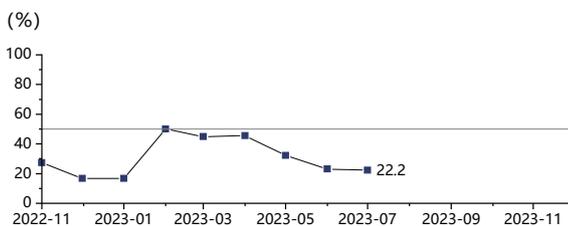
The harvesting index registered 44.4%, an increase of 26.2 percentage points from the previous month, was below the critical value for 9 consecutive months, indicating that the harvesting volume of the superior timber enterprises represented by the GTI-Brazil was less than that of last month.



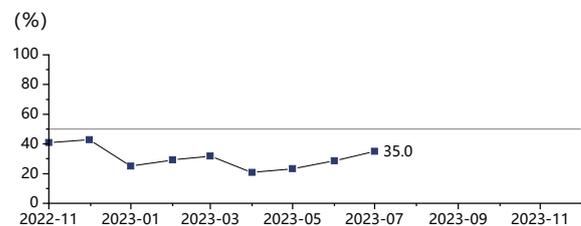
The export orders index registered 18.8%, a decrease of 2.0 percentage points from the previous month, was below the critical value for 9 consecutive months, indicating that the number of export orders of the superior timber enterprises represented by the GTI-Brazil was much less than that of last month.



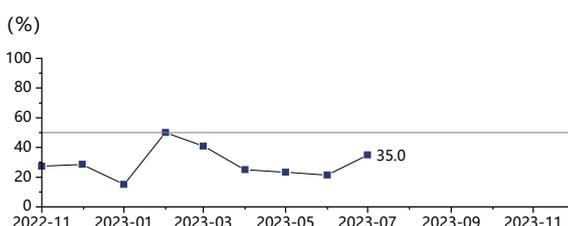
The production index registered 22.2%, a decrease of 0.9 percentage point from the previous month, was below the critical value for 5 consecutive months, indicating that the production volume of the superior timber enterprises represented by the GTI-Brazil was much less than that of last month.



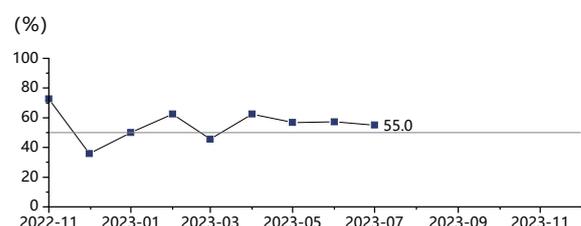
The existing orders index registered 35.0%, an increase of 6.4 percentage points from the previous month, was below the critical value for 9 consecutive months, indicating that the number of existing orders of the superior timber enterprises represented by the GTI- Brazil was less than that of last month.



The new orders index registered 35.0%, an increase of 13.6 percentage points from the previous month, was below the critical value for 5 consecutive months, indicating that the number of new orders of the superior timber enterprises represented by the GTI-Brazil was less than that of last month.

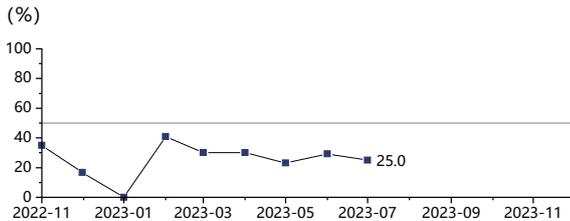


The inventory index of finished products registered 55.0%, a decrease of 2.1 percentage points from the previous month, was above the critical value for 4 consecutive months, indicating that the inventory of finished products of the superior timber enterprises represented by the GTI-Brazil was more than that of last month.

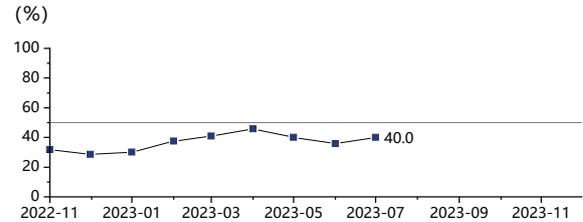




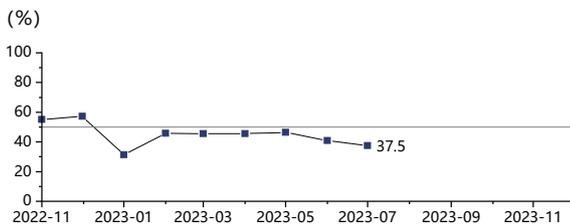
The purchase quantity index registered 25.0%, a decrease of 4.2 percentage points from the previous month, was below the critical value for 9 consecutive months, indicating that the purchase quantity of the superior timber enterprises represented by the GTI-Brazil was less than that of last month.



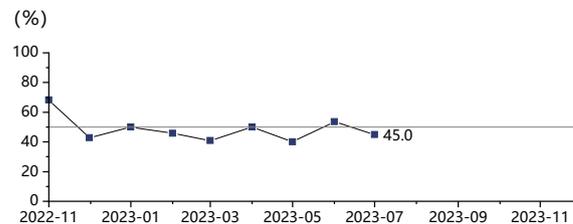
The production and management employees index registered 40.0%, an increase of 4.3 percentage points from the previous month, was below the critical value for 9 consecutive months, indicating that the number of employees in the superior timber enterprises represented by the GTI-Brazil was less than that of last month.



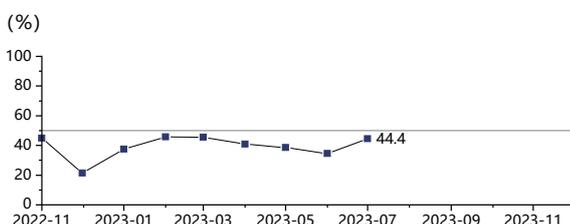
The purchase price index registered 37.5%, a decrease of 3.4 percentage points from the previous month, was below the critical value for 7 consecutive months, indicating that the purchase price of the superior timber enterprises represented by the GTI-Brazil was lower than that of last month.



The delivery time index registered 45.0%, a decrease of 8.6 percentage points from the previous month, fell below the critical value, indicating that the delivery time from the supplier to the superior timber enterprises represented by the GTI-Brazil was shorter than that of last month.



The inventory index of main raw materials registered 44.4%, an increase of 9.8 percentage points from the previous month, was below the critical value for 9 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.

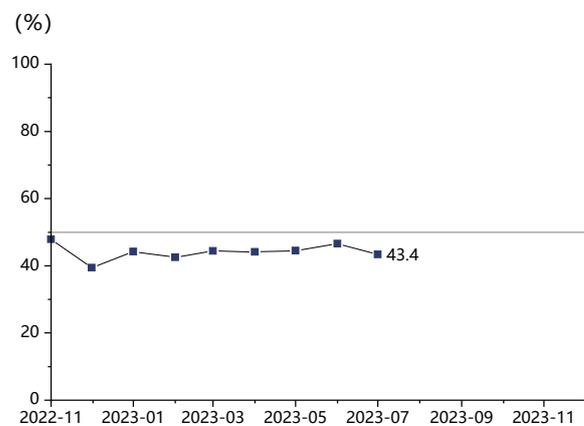


# GTI-Mexico Index in July 2023

A report released by Mexico's National Institute of Statistics and Geography (INEGI) said that Mexico's GDP growth rate in the second quarter met expectations, and there were two main factors that contributed to the growth: strong private consumption, and an increase in exports to its largest trading partner, the United States. In June 2023, the unemployment rate of the economically active population (individuals aged 15 and over who are either employed or seeking employment) in Mexico stood at 2.7%, a year-on-year decrease of 0.7%. Besides, the country's total tax revenue in the first half of 2023 reached 2.3 trillion pesos, a year-on-year increase of 3.9%, according to a report released by Mexico's Tax Administration Service (SAT).

In July, the GTI-Mexico enterprises reported a contraction in both domestic and international markets, and a tendency of demand saturation in the sawn timber market, which led to reduced product sales and declining market prices. The enterprises wanted to engage in more marketing activities to find potential customers and expected

**GTI- Mexico Index**



new policies to raise green purchasing awareness. Some enterprises also hoped for more support in areas such as training, financial assistance, and equipment maintenance. This month, the GTI-Mexico index registered 43.4%, a decrease of 3.2 percentage points from the previous month, was below the critical value (50%) for 9 consecutive months, indicating that the business prosperity of the superior timber enterprises represented by the GTI-Mexico index shrank from last month, and the contraction expanded.

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## Main Challenges Reported by GTI-Mexico Enterprises

- Mechanical failures in equipment. Lack of equipment and machinery to increase production.
- Contraction of the market and decrease in sales, accompanied by lower market prices.
- Too long time for processing reshipments due to the rainy season.
- Labor shortages and inadequate internal supply of wood.
- Saturated demand for sawn timber, necessitating new markets.
- Lack of documents to ensure the legal origin of forest raw materials.

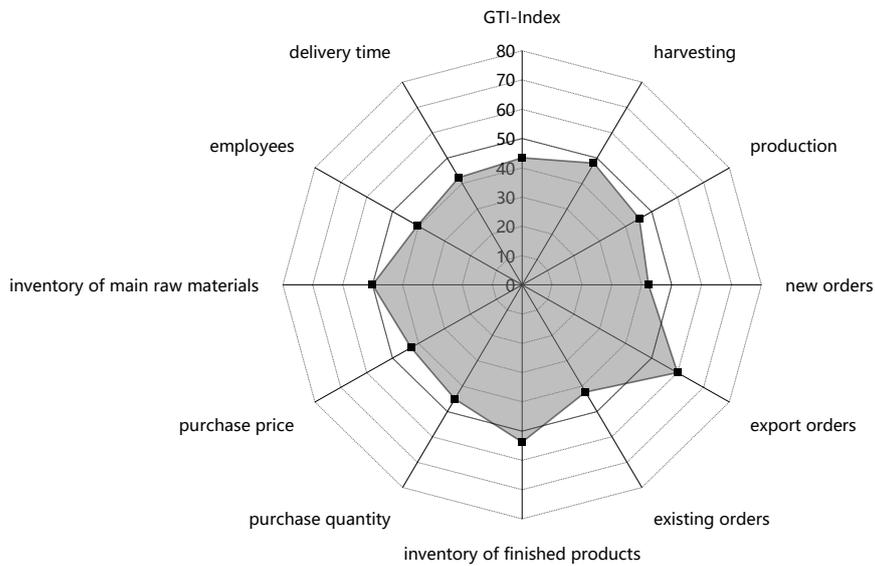
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## Main Suggestions from GTI-Mexico Enterprises

- Hire a specialist to repair the equipment. Find staff and train them.
- Propose a better product to compete.
- Lower prices of raw materials to be more competitive in product prices.
- Conduct marketing activities to find potential customers.
- Control the entry of timber products from other countries.
- The government provides financial support to timber enterprises..
- The government introduces new policies to raise awareness about green purchasing.
- The government helps to improve the national market.

## GTI-Mexico sub-index

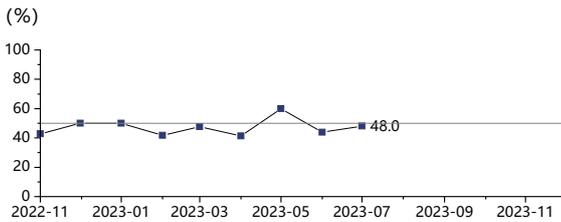
As for the GTI-Mexico sub-index, in July 2023, the export orders index and the inventory index of finished products were above the critical value, and the inventory index of main raw materials was equal to the critical value, while the remaining 8 sub-indexes were all below the critical value.



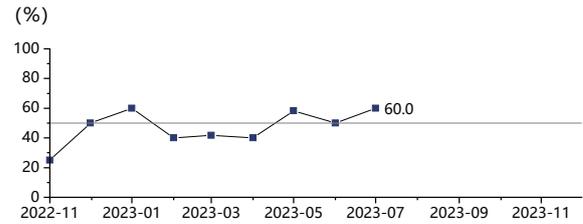
GTI-Mexico sub-index



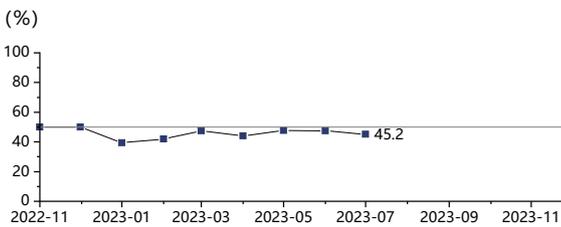
The harvesting index registered 48.0%, an increase of 4.2 percentage points from the previous month, was below the critical value for 2 consecutive months, indicating that the harvesting volume of the superior timber enterprises represented by the GTI-Mexico was less than that of last month.



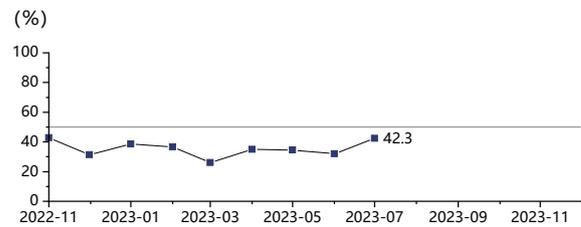
The export orders index registered 60.0%, an increase of 10.0 percentage points from the previous month, rose above the critical value, indicating that the number of export orders of the superior timber enterprises represented by the GTI-Mexico was more than that of last month.



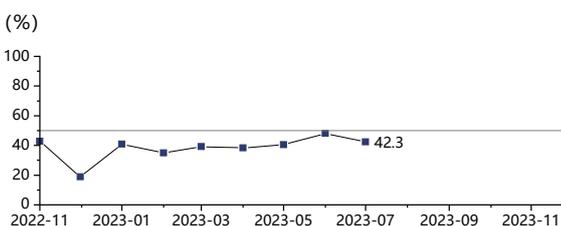
The production index registered 45.2%, a decrease of 2.3 percentage points from the previous month, was below the critical value for 7 consecutive months, indicating that the production volume of the superior timber enterprises represented by the GTI- Mexico was less than that of last month.



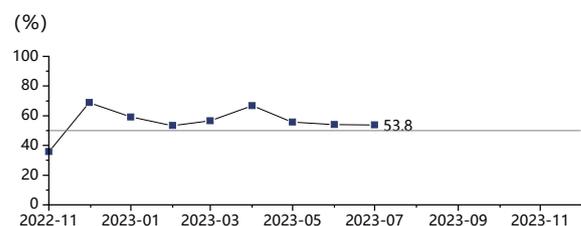
The existing orders index registered 42.3%, an increase of 10.3 percentage points from the previous month, was below the critical value for 9 consecutive months, indicating that the number of existing orders of the superior timber enterprises represented by the GTI-Mexico was less than that of last month.



The new orders index registered 42.3%, a decrease of 5.7 percentage points from the previous month, was below the critical value for 9 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.

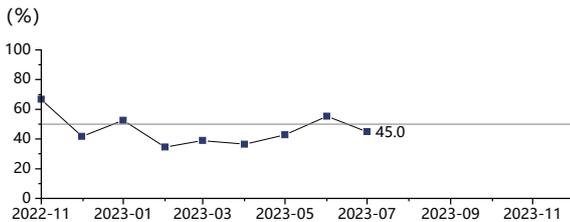


The inventory index of finished products registered 53.8%, a decrease of 0.2 percentage point from the previous month, was above the critical value for 8 consecutive months, indicating that the inventory of finished products of the superior timber enterprises represented by the GTI-Mexico was more than that of last month.

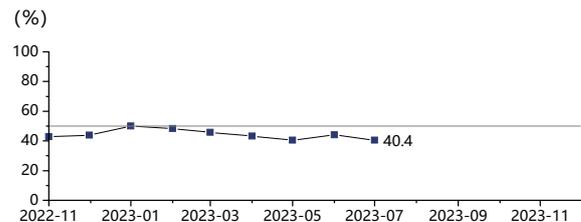




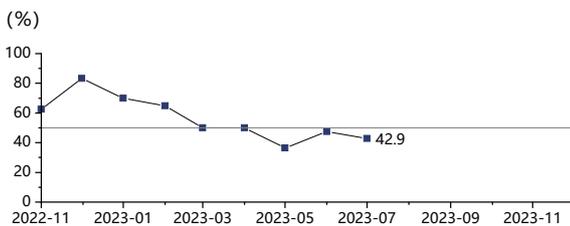
The purchase quantity index registered 45.0%, a decrease of 10.3 percentage points from the previous month, fell below the critical value, indicating that the purchase quantity of the superior timber enterprises represented by the GTI-Mexico was less than that of last month.



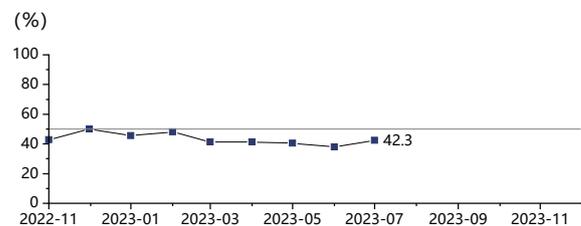
The production and management employees index registered 40.4%, a decrease of 3.6 percentage points from the previous month, was below the critical value for 6 consecutive months, indicating that the number of employees in the superior timber enterprises represented by the GTI-Mexico was less than that of last month.



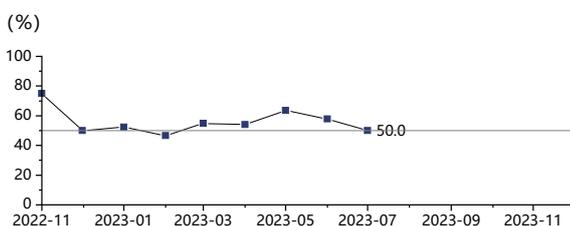
The purchase price index registered 42.9%, a decrease of 4.6 percentage points from the previous month, was below the critical value for 3 consecutive months, indicating that the purchase price of the superior timber enterprises represented by the GTI-Mexico was lower than that of last month.



The delivery time index registered 42.3%, an increase of 4.3 percentage points from the previous month, was below the critical value for 7 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 50.0%, a decrease of 7.9 percentage points from the previous month, fell to the critical value after 4 months, indicating that the inventory of main raw materials of the superior timber enterprises represented by the GTI-Mexico was the same with that of last month.

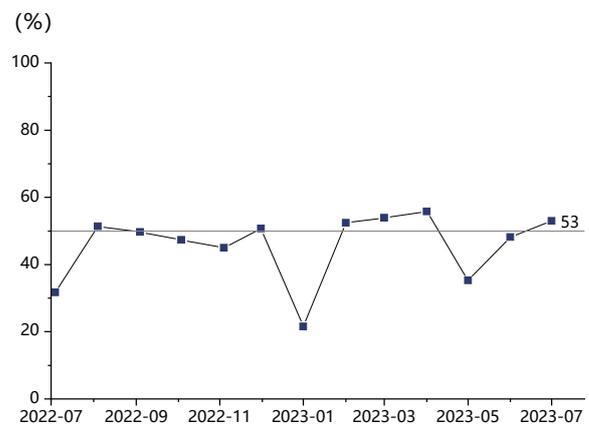


# GTI-China Index in July 2023

Data from the National Bureau of Statistics showed that China's GDP reached 59.3 trillion yuan in the first half of this year, with a growth rate of 5.5%. This demonstrated strong resilience amid a continuous decline of foreign trade in the post-pandemic period. The economic growth was primarily concentrated in the consumption sector, especially with significant growth in retail consumption, which increased by 8.2% year-on-year. In the first half of this year, China remained the world's largest importer of logs, importing 20.31 million m<sup>3</sup> of logs, a year-on-year decrease of 9.3%; meanwhile, it imported 14.31 million m<sup>3</sup> of sawn, a year-on-year increase of 11.4%. On July 12 this year, 13 departments including the Ministry of Commerce issued the Notice on Several Measures to Promote Home Consumption. Experts estimated that with the implementation of the notice, furniture and wood consumption markets were expected to pick up in the second half of this year.

In July this year, the timber and wood product market in China saw some recovery, but interna-

**GTI- China Index**



tional market demand remained at a low level. The number of new orders of GTI-China enterprises increased compared to the previous month, while the export order index slightly decreased. This month, the GTI-China index recorded 53.0%, an increase of 4.8 percentage points compared to that of the previous month, rose above the critical value after 2 months, indicating that the business prosperity of the superior timber enterprises represented by the GTI-China index expanded from last month.



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## Products in Short Supply

Oak in Single-Panel Structure.

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## Commodities with Price Increase in this Period

Poplar, Pine, White Oak, Waterproofing Agent, Methanol, Formaldehyde, Melamine, Urea.

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## Commodities with Price Decrease in this Period

Eucalyptus, Chinese Oak, Taun, Cumaru, Tree Fork, Paraffin, Formaldehyde Adhesive, Urea, Formaldehyde-Free Adhesive.

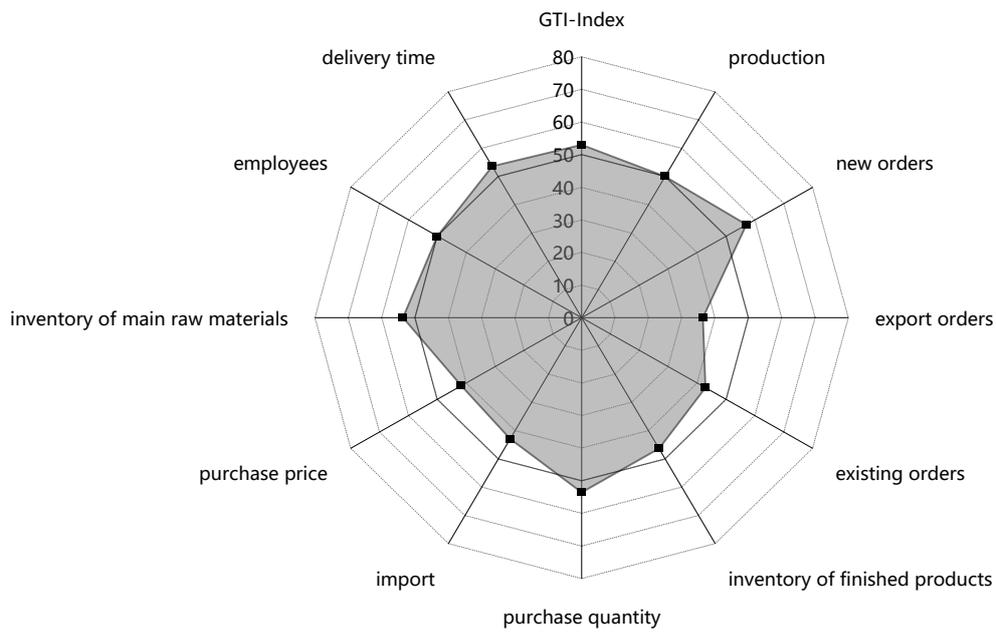
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## Main Challenges Reported by GTI-China Enterprises

- Difficulty in procuring high-grade oak in single-panel structure.
- Increased raw material prices and higher company costs during the off-season of wood supply.
- Much challenging procurement of raw materials for some special customization demands.
- Unpredictable delivery time and shipping schedule.

## GTI-China sub-index

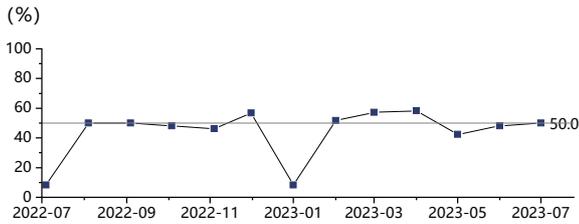
As for the GTI-China sub-index, in July 2023, the new orders, purchase quantity, inventory of main raw materials, and delivery time indexes were above the critical value, the production and the employees indexes were equal to the critical value, while the remaining 5 sub-indexes were all below the critical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



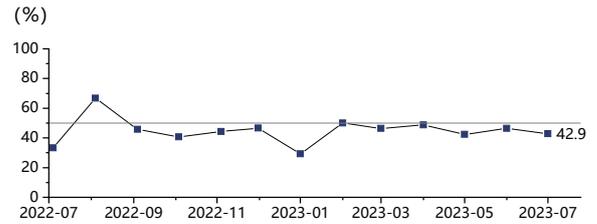
GTI-China sub-index



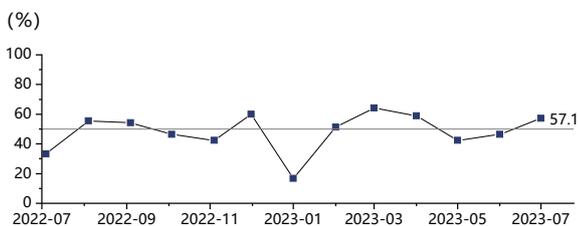
The production index registered 50.0%, an increase of 1.9 percentage points from the previous month, rose to the critical value, indicating that the production volume of the superior timber enterprises represented by the GTI-China was the same with that of last month.



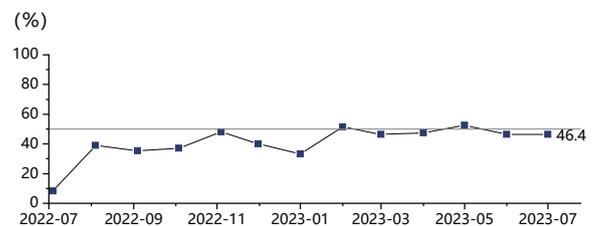
The existing orders index registered 42.9%, a decrease of 3.4 percentage points from the previous month, was below the critical value for 5 consecutive months, indicating that the number of existing orders of the superior timber enterprises represented by the GTI-China was less than that of last month.



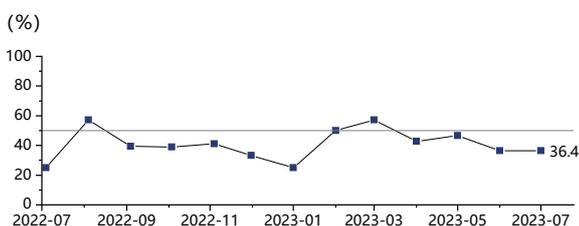
The new orders index registered 57.1%, an increase of 10.8 percentage points from the previous month, rose above the critical value, indicating that the number of new orders of the superior timber enterprises represented by the GTI-China was more than that of last month.



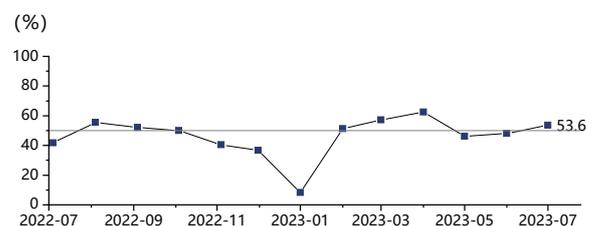
The inventory index of finished products registered 46.4%, an increase of 0.1 percentage point from the previous month, was below the critical value for 2 consecutive months, indicating that the inventory of finished products of the superior timber enterprises represented by the GTI-China was less than that of last month.



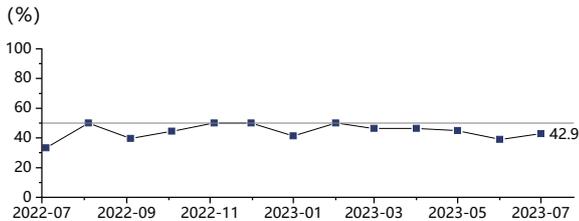
The export orders index registered 36.4%, same with the previous month, was below the critical value for 4 consecutive months, indicating that the number of export orders of the superior timber enterprises represented by the GTI-China was less than that of last month.



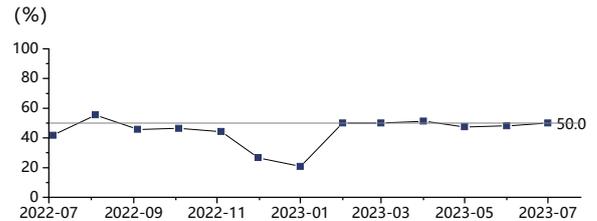
The purchase quantity index registered 53.6%, an increase of 5.5 percentage points from the previous month, rose above the critical value, indicating that the purchase quantity of the superior timber enterprises represented by the GTI-China was more than that of last month.



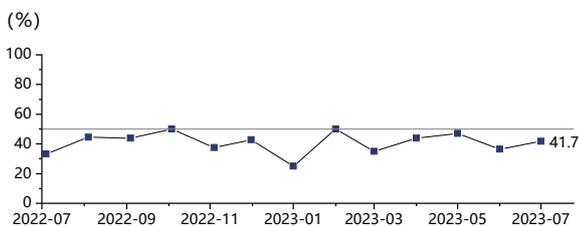
The purchase price index registered 42.9%, an increase of 4.0 percentage points from the previous month, was below the critical value for 5 consecutive months, indicating that the purchase price of the superior timber enterprises represented by the GTI-China was lower than that of last month.



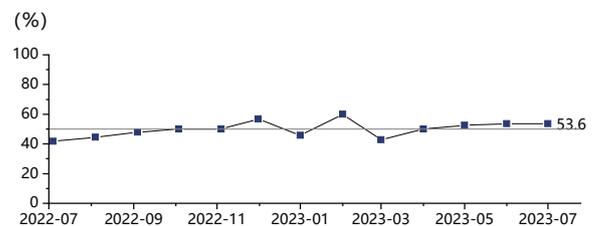
The production and management employees index registered 50.0%, an increase of 1.9 percentage points from the previous month, rose to the critical value, indicating that the number of employees in the superior timber enterprises represented by the GTI-China was the same with that of last month.



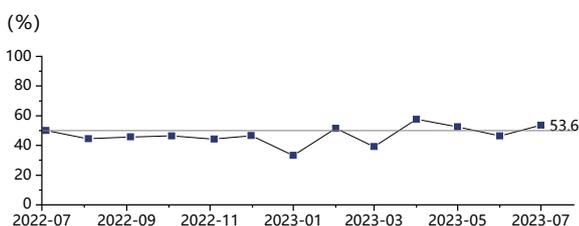
The import index registered 41.7%, an increase of 5.3 percentage points from the previous month, was below the critical value for 5 consecutive months, indicating that the import volume of the superior timber enterprises represented by the GTI-China was less than that of last month.



The delivery time index registered 53.6%, a decrease of 0.1 percentage point from the previous month, was above the critical value for 3 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 53.6%, an increase of 7.3 percentage points from the previous month, rose above the critical value, indicating that the inventory of main raw materials of the superior timber enterprises represented by the GTI-China was more than that of last month.



## Survey Methodology

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

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

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

## Data and Interpretation

GTI index contains diffusion index and comprehensive index.

(1)

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

(2)

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

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



### Declaration

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

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

### About ITTO

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

### About GGSC

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

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#### 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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