

GTI-WOODBASED PANEL (GTI-WBP) REPORT

MONTHLY

GGSC-No. 05/2024

Tracking and monitoring the global woodbased panel market trend.



The pilot countries for the GTI-WBP index include Indonesia, Malaysia, Thailand, Gabon, Republic of the Congo, Brazil, Mexico, and China. In 2021, the total production of woodbased panel in the eight countries mentioned above was 210 million cubic meters, accounting for **53.0%** of the total global production volume of woodbased panel.

Introduction to the GTI-Woodbased Panel

GTI-Woodbased Panel (GTI-WBP), a specialized prosperity index for woodbased panel industry, reflecting the development trend of woodbased panel industry in all GTI pilot countries.

Calculation Method

The GTI-WBP index takes leading woodbased panel enterprises in GTI pilot countries as the survey objects. Each month, the enterprises need to fill the GTI index questionnaire, including the information of production, orders and export, employees, logistic, etc. Then the GTI-WBP index will be calculated and analyzed, and the report will be released at the middle of the following month.

GTI-WBP index contains diffusion index and comprehensive index.

1. GTI-WBP diffusion index. There are 10 diffusion indices (or called sub-indices) based on the data from 10 objective questions which covers production, new orders, new export orders, existing orders, inventory of products, purchasing quantity, 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. GTI-WBP comprehensive index. GTI-WBP comprehensive index (GTI-WBP index for short) is calculated based on five diffusion 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 influence on the industrial economy.

Interpretation

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

Survey Method

With the support of The International Tropical Timber Organization (ITTO), the GTI platform has set up focal points in pilot countries, including timber producing and consuming countries.

At the end of each month, major leading woodbased panel enterprises are organized by focal points to fill out survey questionnaires. The questionnaire is usually filled out by the person in charge of production and operation or personnel from the statistics department. The Global Green Supply Chains Initiative (GGSC) organizes experts to analyze the collected data and prepare the GTI-WBP index report.

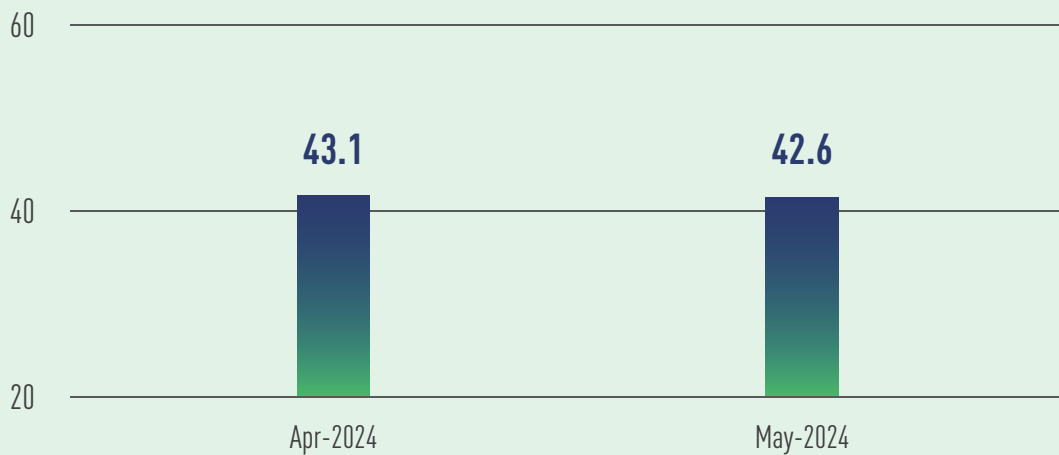
Index Representativeness

The pilot countries for the GTI-WBP index include Indonesia, Malaysia, Thailand, Gabon, Republic of the Congo, Brazil, Mexico and China. In 2021, the total production of woodbased panel in the eight countries mentioned above was 210 million cubic meters, accounting for 53.0% of the total global production volume of woodbased panel.

GTI-Woodbased Panel Index in May 2024



GTI-WBP Comprehensive Index



In May, the GTI-Woodbased Panel (GTI-WBP) Index registered 42.6%, and was below the critical value (50%) for 2 consecutive months, indicating that in the pilot countries, the business prosperity of wood-based panel industry represented by the index shrank from last month. The positive sign was that the downward trend on the demand side was slowing down.

On the demand side, although there had been a decline in the overall volume of orders for the wood-based panel industry in the pilot countries, the downward trend of new orders, export orders, and existing orders were all slowing down, with corresponding indexes of 40.4%, 44.9% and 44.1% respectively. Besides, most Indonesian GTI-WBP enterprises reported an increase in overseas orders when compared to the previous month.

On the supply side, the production index registered 40.8% in the contraction range, indicating that the overall production volume of wood-based panel in the pilot countries decreased from the previous month. Production activities reduced in most pilot countries (such as Brazil and Indonesia) due to frequent rains. The inventory index of finished products registered 48.5% (below the critical value), indicating that the industry was in the stage of "destocking". Additionally,

considering the slowdown of contraction in order performance, the relationship between supply and demand had shown signs of improvement.

From a price perspective, the purchase price index for raw materials registered 51.2%, still in the expansion range of more than 50%, indicating a rise in raw material costs and growing cost pressures for wood-based panel enterprises.

From the perspective of market developments: at the beginning of 2024, there were 58 particleboard production lines in China under construction, with a total annual production capacity of 20.06 million cubic meters, and industry insiders expect that the new production capacity will be about 15 million cubic meters in 2024, and by the end of 2024, China's annual particleboard production capacity will exceed 66 million cubic meters. Recently, an official said that the export value of Sarawak's timber and timber products in 2023 was RM3.14 billion, a year-on-year decrease of 20%, and the drop was largely due to the reduction in the export of plywood. In April, Brazil's tropical plywood exports were 2,600 cubic meters in volume and US\$1.5 million in value, respectively down 13.0% and 12.0% year-on-year.

Table: Overview of GTI-WBP Sub-Indexes (%)

	Apr. 2024	May. 2024	MoM	Performance
Comprehensive Index	43.1	42.6	-0.5 ↓	Contract
Production Index	47.7	40.8	-6.9 ↓	Contract
New Orders Index	38.6	40.4	1.8 ↑	Contract
Export Orders Index	43.0	44.9	1.9 ↑	Contract
Existing Orders Index	37.1	44.1	7.0 ↑	Contract
Inventory Index of Finished Products	50.8	48.5	-2.3 ↓	Contract
Purchase Quantity Index	44.1	39.0	-5.1 ↓	Contract
Purchase Price Index	52.9	51.2	-1.7 ↓	Expand
Inventory Index of Main Raw Materials	37.3	40.8	3.5 ↑	Contract
Employees Index	48.5	47.1	-1.4 ↓	Contract
Delivery Time Index	41.0	44.8	3.8 ↑	Contract



Main Challenges Reported by GTI-WBP Enterprises

- The processed wood market was still unstable (fluctuating orders) and tended to be sluggish with declining demand in several major export destination countries, especially for plywood products (for Merbau wood products there was a tendency to increase). (Indonesia)
- Demand for plywood products was still unstable, especially for the Japan market, the value of exports fell sharply. The demand of importers/buyers was low compared to normal conditions. (Indonesia)
- Compared to the previous month, although there was a slight increase in orders for some enterprises (especially from overseas), the overall volume of orders was still limited. Moreover, overseas orders of enterprises were affected by political environment abroad. (Indonesia)
- The rainy season led to the limited access to raw materials. (Thailand)
- The popularity of using wood had decreased, and the prices of wood products had also decreased. (Thailand)
- The industry was highly competitive. (Thailand)
- Production costs were rising. (Thailand)
- Customers delayed payment. (Thailand)
- Affected by the international situation, shipping was postponed and timber imports slowed down. (Thailand)
- Bad weather hindered the logistics of logs. (Brazil)
- Berthing windows at some ports were not enough. (Brazil)
- Product demand was low, which led to a decline in product prices. (Brazil)
- The market demand for products was low. (Mexico)
- Forest roads were not good. (Mexico)
- The supply of fuel was insufficient. (ROC)
- The domestic timber market was sluggish, with a decline in prices for wood products and a decrease in sales for some enterprises. (Gabon)
- Demand from Asian and European timber markets decreased, leading to a reduction in orders. (Gabon)



Main Suggestions from GTI-WBP Enterprises

- There is a need to revise regulations related to the export of forestry products in terms of type restrictions against cross-sectional area provisions, so as to support the sustainability of the upstream and downstream sectors. (Indonesia)
- To address the sluggish market conditions for processed wood products (especially plywood products), the wood processing company can increase the portion of veneer production for the export market. (Indonesia)
- Relax policies through tax and non-tax forms to help reduce the burden on enterprises during market downturns. (Indonesia)
- Expand sales channels. (Thailand)
- Raise consumer awareness of the value and benefits of wood and wood products. (Thailand)
- Find main raw materials from other sources. (Thailand)
- Hope that the government could find the solution to help reduce the costs. (Thailand)
- Develop a financial plan. (Thailand)
- Port infrastructure needs to be increased to ease the pressure on ports and handle the growing volume of exports and imports. (Brazil)
- Wait for the end of port workers' strike to improve services. (Brazil)
- Request the support of the government to solve the problem of roads. (Mexico)
- Wait for the timber market to pick up. (Gabon)
- Strengthen the maintenance of national highways. (Gabon)
- Strengthen communication between the government and enterprises. (Gabon)



ITTO
INTERNATIONAL TROPICAL
TIMBER ORGANIZATION

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 located in Yokohama, Japan. At present, there are 76 ITTO members countries. ITTO's membership represents about 90% of the global tropical timber trade and more than 80% of the world's tropical forests.



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About GGSC

Global Green Supply Chains Initiative (GGSC) is part of the Legal and Sustainable Supply Chains (LSSC) Programme, which was approved at the 53rd session of the International Tropical Timber Council for being included into the Biennial Work Programme (BWP) of International Tropical Timber Organization (ITTO). Launched in 2018 by leading Chinese enterprises in forest products industry, GGSC became an international initiative in 2019. Since then, GGSC has been acting as a global platform for serving the sustainable development of the forest products industry.

Declaration

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

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Contact Us

Ms. Sydney (Xuting) Gao

Director for Public Relations, GGSC Secretariat

✉ gaoxuting@itto-ggsc.org

Ms. Zuo Ping

Technical Assistant of Publicity Department, GGSC Secretariat

✉ zuoping@itto-ggsc.org