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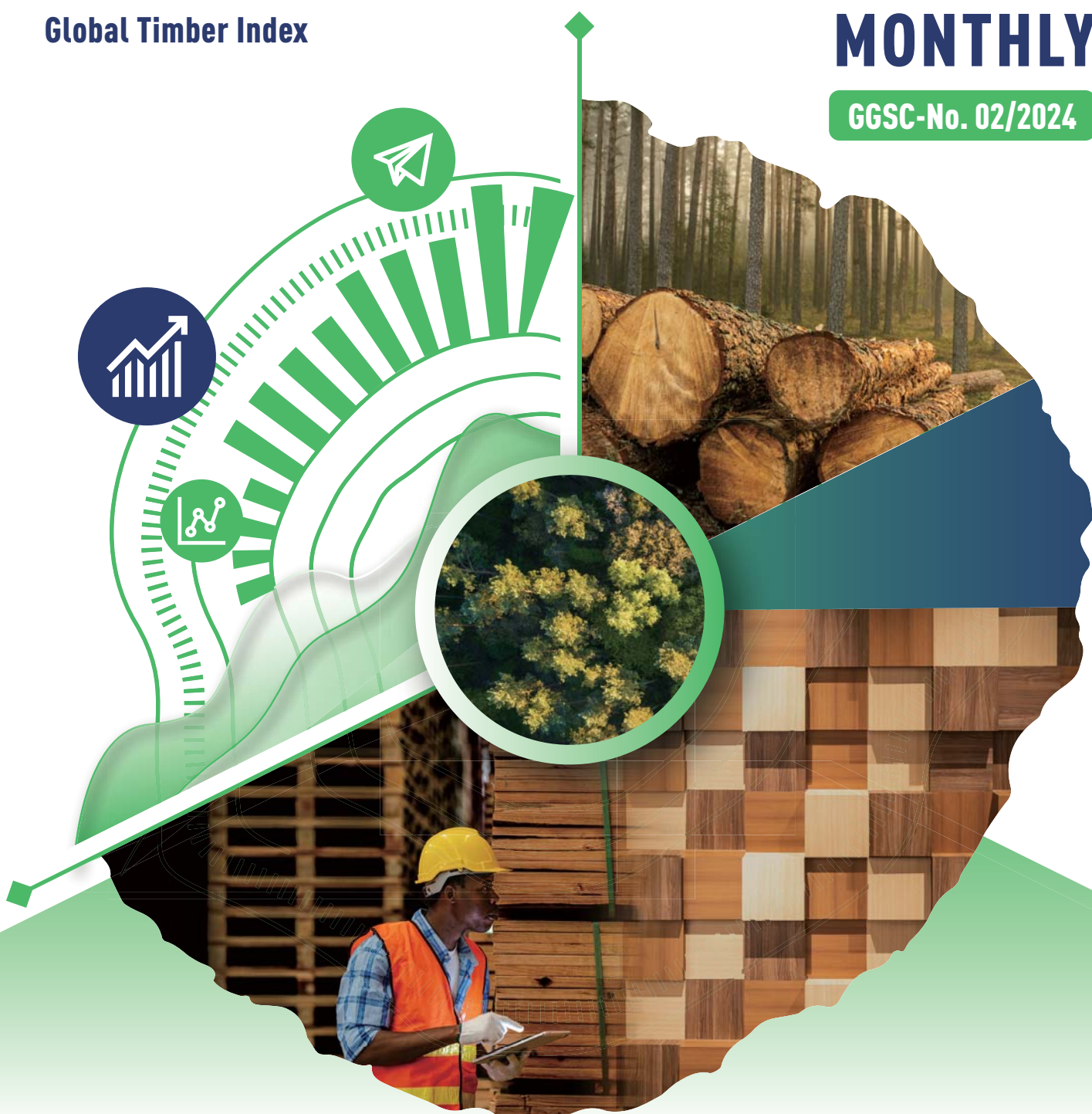
This report was prepared by GGSC, with support of ITTO and IPIM, and Focal Points of Indonesia, Malaysia, Thailand, Gabon, Republic of Congo, Brazil, Mexico and China.

GTI REPORT 2024

Global Timber Index

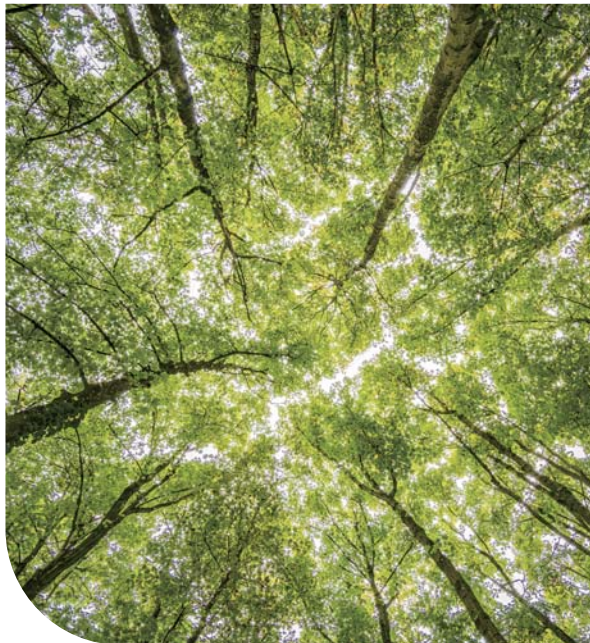
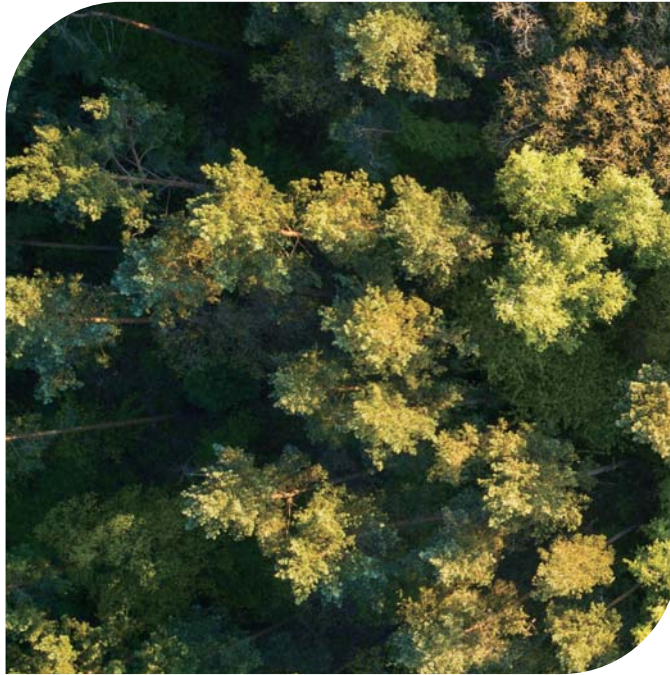
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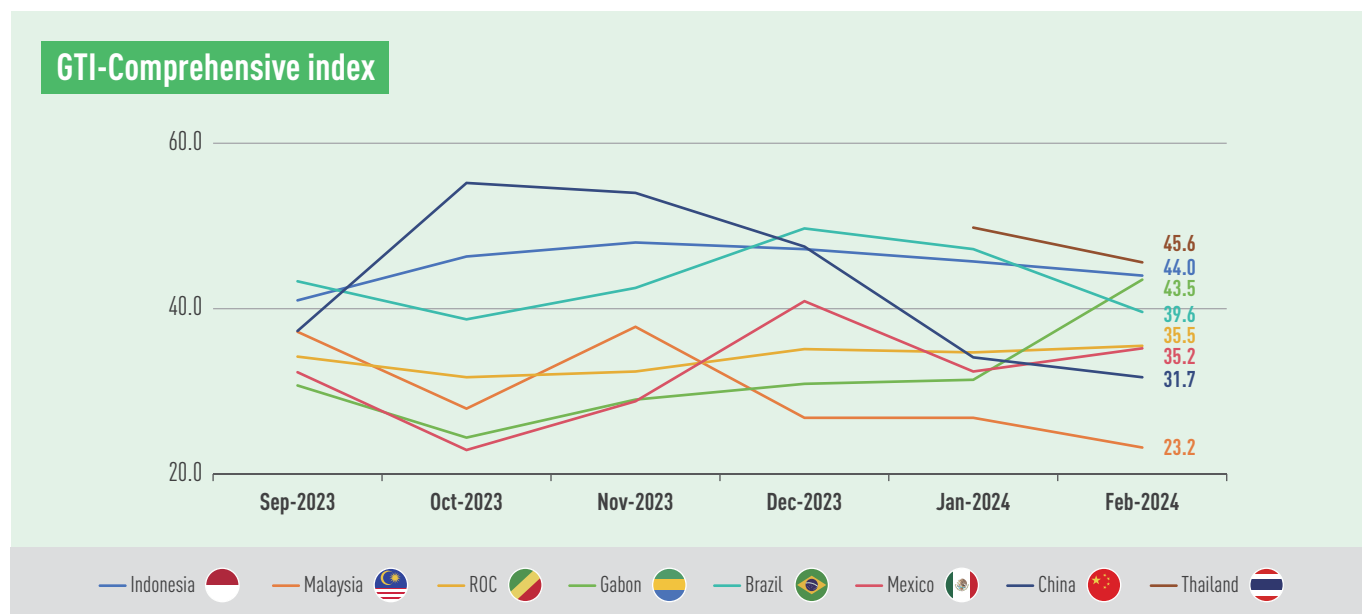


GTI REPORT 2024



Overview of the GTI Index

Brazilian wood product exports on the rise among other positive signals in some export markets



The Global Timber Index (GTI) Report for February 2024 revealed that the global timber market on the whole started the new year with continued lackluster performance. The GTI indexes for Indonesia, Malaysia, Thailand, Gabon, Republic of the Congo (ROC), Brazil, Mexico, and China were all below the critical value of 50%, registering 44.0%, 23.2%, 45.6%, 43.5%, 35.5%, 39.6%, 35.2%, and 31.7%, respectively.

With diminishing influence of factors such as holidays, the timber production and trading of various countries were returning to normal, and the timber market began to release positive signals. In February, Brazil saw an increase in export orders for wood products compared to the previous month, while Gabon's new orders held steady, Thailand's export orders remained at the same level as the previous month, and ROC's downward in export orders eased. This month, in celebration of the Chinese Spring Festival, factories halted production and operation for a holiday break that lasted nearly half a month, resulting in a significant reduction in timber production and trading activities, and it is expected to gradually pick up starting from late March. It is worth noting that the timber market had suffered a long period of downturn, and small timber enterprises were under great production and operation pressure.

This month, the GTI pilot countries had also made progress in promoting the legal and sustainable development of the timber industry, with some notable highlights and measures. In February, a new vocational training and education center at the Special Economic Zone NKOK in Gabon began its training for sawyers, peelers, joiners, sharpeners, and others, so as to provide skilled workers for NKOK and other places across Gabon. On February 9, the State of Mexico and the country's National Forestry Commission (CONAFOR) signed an agreement on sustainable forest development, aiming to strengthen forest conservation training, enhance community involvement, develop the forest industry, and improve the quality of life in local communities. Recently, the 2nd meeting of the Ad Hoc Joint Task Force (JTF) on the European Union Deforestation Regulation (EUDR) was held in Putrajaya, Malaysia. During the meeting, a representative of the Coordinating Ministry for Economic Affairs said that the Indonesian government is hoping for a concrete solution from the Ad Hoc Joint Task Force, such as delayed EUDR implementation. The European Commission (EC) stated that it will cooperate with Indonesia and Malaysia to ensure that smallholders in all relevant commodity sectors remain in the deforestation-free supply chains, and the EC welcomed the commitment of the two countries to develop a rigorous tracking system and strengthen their certification systems.

1. The Global Timber Index (GTI) is an index system that comprehensively reflects the overall trend of global timber production and trade. It is completed by the participation of major ITTO timber producers and consumers members. The survey covers timber harvesting, trade, manufacturing including production, orders, imports and exports, employees, inventory and raw material prices and other business indicators. It is of a great significance as a guide to business operations, industry investment, and will aid formulation of national policies.

2. The GTI index reflects the monthly prosperity trend of a country's timber market. It does not reflect the competitiveness of a country's timber market and is not suitable for comparing timber market trends between countries.



GTI-Indonesia Index in February 2024



GTI-Indonesia index



Statistics Indonesia (BPS) recently stated that Indonesia's goods trade balance in January 2024 experienced a surplus of US\$2.02 billion, marking the 45th consecutive month of surplus since May 2020. On February 2, the 2nd meeting of the Ad Hoc Joint Task Force (JTF) on the European Union Deforestation Regulation (EUDR) was held in Putrajaya, Malaysia. During the meeting, a representative of the Coordinating Ministry for Economic Affairs said that the Indonesian government is hoping for a concrete solution from the Ad Hoc Joint Task Force, such as delayed EUDR implementation. The European Commission (EC) stated that it will cooperate with Indonesia and Malaysia to ensure that smallholders in all relevant commodity sectors remain in the deforestation-free supply chains, and the EC welcomed the commitment of the two countries to develop a rigorous tracking system and strengthen their certification systems. On February 22, Indonesia's Minister of Environment and Forestry Siti Nurbaya Bakar stated that her ministry (KLHK) was considering other schemes to involve business actors in supporting funding for reducing greenhouse gas emissions and achieving the country's climate targets. Recently, Indonesian Furniture and Crafts Industry Association (HIMKI) said there were some steps to be taken to reach the US\$5 billion export target by 2024. In addition, Price stability is also a determinant of the competitiveness of the furniture and crafts industries. To meet the needs of

wood, at least 30% of the current needs are still coming from imports due to a lack of hardwood supply from forest areas in the country.

In February, the GTI-Indonesia index registered 44.0%, a decrease of 1.7 percentage points from the previous month, was below the critical value (50%) for 7 consecutive months, indicating that the business prosperity of the superior timber enterprises represented by the GTI-Indonesia index shrank from last month. This month, the harvesting volume in Indonesia increased significantly, however, the number of orders was insufficient and the domestic market remained sluggish.

As for the 11 sub-indexes, the harvesting index and the inventory index of finished products were above the critical value of 50%, the production index was equal to the critical value, while the remaining 8 indexes were all below the critical value. Compared to the previous month, the indexes for harvesting, export orders, existing orders, inventory of finished products, purchase quantity, and inventory of main raw materials increased by 6.5-43.9 percentage points. And the indexes for new orders, purchase price, employees, and delivery time declined by 1.7-4.7 percentage points.

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

	2023.09	2023.10	2023.11	2023.12	2024.01	2024.02	MoM	Performance
GTI-Indonesia Index	41.0	46.3	48.0	47.2	45.7	44.0	-1.7 ↓	Contract
Harvesting Index	50.0	47.4	56.3	54.2	26.1	70.0	43.9 ↑	Expand
Production Index	28.6	40.0	60.0	50.0	50.0	50.0	0.0	Stable
New Orders Index	43.5	58.3	39.7	51.6	46.7	44.0	-2.7 ↓	Contract
Export Orders Index	25.0	75.0	40.0	58.3	33.3	40.0	6.7 ↑	Contract
Existing Orders Index	48.4	50.0	34.5	40.3	36.7	48.0	11.3 ↑	Contract
Inventory Index of Finished Products	41.9	39.6	50.0	54.8	45.0	58.0	13.0 ↑	Expand
Purchase Quantity Index	40.9	62.5	44.4	55.0	27.3	44.4	17.1 ↑	Contract
Purchase Price Index	38.5	45.0	50.0	45.5	42.3	40.0	-2.3 ↓	Contract
Inventory Index of Main Raw Materials	50.0	50.0	68.2	59.1	38.5	45.0	6.5 ↑	Contract
Employees Index	40.3	37.5	37.9	38.7	46.7	42.0	-4.7 ↓	Contract
Delivery Time Index	51.6	41.7	44.8	37.1	40.0	36.0	-4.0 ↓	Contract





Brief on Indonesia Timber Industry



(1) In February 2024, log production from natural forest concessions and plantation forest concessions increased compared to January 2024 production, with log production from natural forests increasing by 266% and log production from plantation forests increasing by 41%. This condition was caused by the fact that in February, some concession companies had started working on the 2024 work plan that had been approved by the Government, while in January there was still a transition from the 2023 logging plan to the 2024 logging plan, where much of the 2023 log production had not been absorbed by the market / wood processing industry (especially natural forest logs), so the company tried to spend the 2023 production stock first.

(2) When compared on a year to year basis with February 2023, February 2024 log production from natural forests decreased by 22%, while plantation log production decreased by 39%.

(3) The price of logs from natural forests remains low (some below the cost of production), as a result of low demand from industry and sluggish markets (domestic and export). This condition has a significant impact on the performance of concession companies that produce logs and the wood processing industry. In

addition, Logs that are still preferred by buyers are Keruing (*Dipterocarpus* spp.), Bangkirai (*Shorea laevis*) and Kapur (*Dryobalanops* spp.).

(4) In February 2024, exporters of wood products from Indonesia still felt the impact of the increase in the cost of transporting ships for export (freight), although the increase was not as high as the previous threefold increase.

(5) The production and export of processed wood products (including plywood and furniture), did not experience much change, which had previously experienced a downward trend. As for pulp and paper products, conditions are relatively more stable. Besides, a potential challenge is the implementation of the European Union's EUDR policy, particularly for exports to EU member states.

Information provided by GTI- Indonesia Focal Point





Main Challenges Reported by GTI-Indonesia Enterprises

- The market for logs was sluggish and prices were low (even below production costs).
- Logs that were still sought after by buyers were those in the sinker category (e.g. Keruing, Kapur, and Mersawa), while Meranti logs in the floater category were more difficult to sell.
- The rainy weather conditions in the concession work area hampered operational activities in the field (including transportation of logs from felling plots to log yards).
- Some heavy equipment used for operational activities were still in the process of maintenance and replacement of spare parts.
- The processed wood market (especially in Japan) was still unstable and tended to be sluggish with declining demand in several major export destinations, especially for plywood products.
- Some local regulations at the provincial level prohibited the sale of logs outside the province, making it difficult for enterprises whose wood processing factories are located in different provinces.
- The weather conditions prevented the delivery of logs produced to buyers using pontoons. In addition, poor road infrastructure hampered the delivery of logs from the logging site to the wood collection point before being loaded onto the pontoon.
- The requirements demanded by buyers (quality, size and FM-FSC certified) were getting stricter, while the purchase price was not increasing and even tended to decrease.
- The export freight costs increased, especially for those destined for the European Union.



Main Suggestions from GTI-Indonesia Enterprises

- In order for field operations to run smoothly as planned, the companies may prioritize the maintenance of heavy equipment and replacement of spare parts.
- Support from various related parties is needed, as well as the need for support from government policies to strengthen the supply chain, value chain and marketing of Indonesian wood products in global and domestic markets.
- Remove obstacles from local regulations that hinder the circulation of timber between islands/provinces, so that industries can more easily meet their raw material needs.
- To overcome the low price of natural logs and the inability of the domestic wood processing industry to fully absorb them, it is necessary to make a breakthrough by relaxing the marketing policy of wood products by strengthening the market for wood products in the domestic market, and improving the supply chain of wood products.
- It is expected that the global market for plywood products will soon recover and stabilize, and before that, it may be advisable to encourage and promote or incentivize enterprises to obtain legality certifications for wood products, such as SMF or other certifications.
- Prioritize the completion of road infrastructure improvements and prepare options to provide additional pontoons to transport logs to buyers/industries.



GTI-Malaysia Index in February 2024



GTI-Malaysia index



Malaysia's gross domestic product (GDP) in 2023 grew by 3.7% compared to 2022, according to statistics released by Bank Negara Malaysia on February 16. This figure is lower than the previously predicted 3.8% by the Department of Statistics Malaysia. Recently, Malaysia's Plantation Industries and Commodities Minister Datuk Seri Johari Abdul Ghani said the overall performance of timber and wood products industry in Malaysia has declined over the past two years. However, the industry is expected to recover in 2024, following a surge in demand from the US market. This year, Malaysia's timber and wood products exports had indeed seen a "good start". Data from the Department of Statistics Malaysia showed that Malaysia's total foreign trade in January 2024 stood at RM234.7 billion, up 13.3% year-on-year. Of this, exports were RM122.4 billion, an increase of 8.7%. Petroleum, palm oil, natural rubber, timber and wood products were the main commodities that saw an increase in export. Another news is that the Malaysian International Furniture Fair (MIFF) was scheduled to be held in Kuala Lumpur from March 1 to 4 for showcasing a wide range of furniture products and innovative designs, and the event was expected to drive trading activities in the timber market.

In February, the GTI-Malaysia index registered 23.2%, a decrease of 3.6 percentage points from the previous month, was below the critical value (50%) for 16 consecutive months, indicating that the business prosperity of the superior timber enterprises represented by the GTI-Malaysia index shrank from last month. This month, the GTI-Malaysia enterprises reported low logistics volume as well as insufficient supply of raw materials (logs) for production, hoping to increase log production and reduce the export of wood chips.

As for the 11 sub-indexes, all of them were below the critical value of 50%. Compared to the previous month, the sub-indexes for harvesting, existing orders, inventory of finished products, and inventory of main raw materials increased by 5.0 - 8.3 percentage points. The delivery time index was unchanged from the previous month. And the sub-indexes for production, new orders, export orders, purchase quantity, purchase prices, and employees declined by 2.1 - 11.1 percentage points.

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

	2023.09	2023.10	2023.11	2023.12	2024.01	2024.02	MoM	Performance
GTI-Malaysia Index	37.2	27.9	37.8	26.8	26.8	23.2	-3.6 ↓	Contract
Harvesting Index	42.9	28.6	25.0	0.0	16.7	25.0	8.3 ↑	Contract
Production Index	35.0	22.7	50.0	20.0	27.8	16.7	-11.1 ↓	Contract
New Orders Index	36.4	29.2	30.0	22.7	30.0	15.0	-15.0 ↓	Contract
Export Orders Index	36.4	31.8	30.0	27.3	40.0	20.0	-20.0 ↓	Contract
Existing Orders Index	31.8	20.8	25.0	31.8	20.0	25.0	5.0 ↑	Contract
Inventory Index of Finished Products	50.0	37.5	45.0	40.9	35.0	40.0	5.0 ↑	Contract
Purchase Quantity Index	30.0	22.7	33.3	33.3	18.8	16.7	-2.1 ↓	Contract
Purchase Price Index	40.0	31.8	44.4	38.9	50.0	38.9	-11.1 ↓	Contract
Inventory Index of Main Raw Materials	35.0	27.3	33.3	25.0	16.7	25.0	8.3 ↑	Contract
Employees Index	36.4	33.3	40.0	36.4	40.0	35.0	-5.0 ↑	Contract
Delivery Time Index	45.0	27.3	33.3	35.0	33.3	33.3	0	Contract



Main Challenges Reported by GTI-Malaysia Enterprises

- Labor and orders were not enough.
- The demand in the timber market decreased.
- The logistics volume was low, and the supply of raw materials (logs) required for production was insufficient.



Main Suggestions from GTI-Malaysia Enterprises

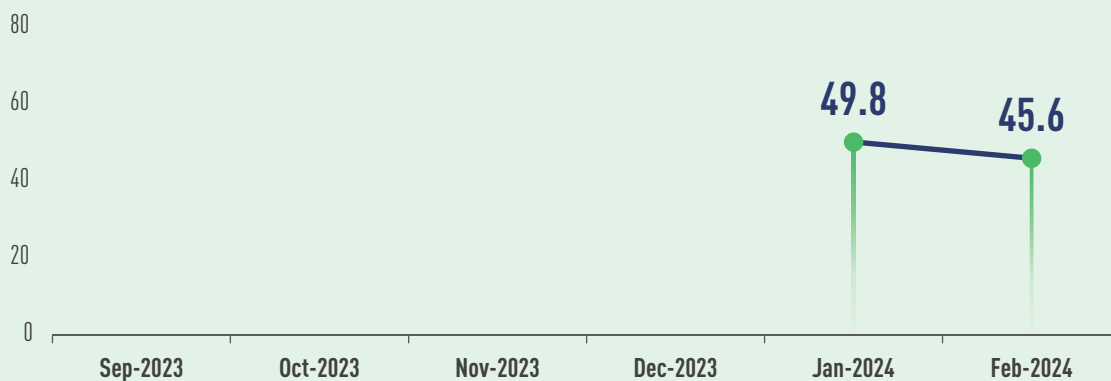
- Increase the production volume of logs.
- Reduce export of woodchips.
- Expand overseas markets for timber consumption, and seek labor force.
- The government may encourage the construction industry to increase the use of sawn timber.



GTI-Thailand Index in February 2024



GTI-Thailand index



Thailand's exports amounted to US\$22.6499 billion and imports hit US\$25.4078 billion in January, resulting in a trade deficit of US\$2.7579 billion. The kingdom had a total forest area of 162,909 sq.km. in 2023. Latest data from the World Bank indicates that 82% of Thailand's forests are primary forests while 18% are human-planted. Recently, a Ghana's delegation from the Forestry Commission research team and key industry stakeholders visited Thailand, where the field research revealed that companies in Thailand are very successful with processing and marketing rubberwood and acacia. On February 7, Bank for Agriculture and Agricultural Cooperatives (BAAC) of Thailand purchased 400 tons of carbon dioxide worth 1.2 million baht in the Ban Thalee and Ban Daeng tree bank communities of Khon Kaen province, marking the beginning of forest sector carbon-credit trading in Thailand. The purchase at 3,000 baht per tonne of carbon dioxide was made under the BAAC Carbon Credit project, and the bank planned to expand the project to cover its 6,814 tree bank communities.

In February, the GTI-Thailand index registered 45.6%, a decrease of 4.2 percentage points from 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-Thailand index shrank from last month. This month, Thailand's timber market shrank on the supply and demand sides, with the volume of harvesting and the number of new orders both declining.

As for the 11 sub-indexes, three indexes were equal to the critical value of 50%, including export orders, existing orders, and delivery time; seven indexes were below the critical value, including harvesting, production, new orders, inventory of finished products, purchase quantity, purchase price, and inventory of main raw materials; and only the production and management employees index was above the critical value. Compared to the previous month, the indexes for existing orders, inventory of finished products, purchase quantity, employees, and delivery time increased by 4.5-17.8 percentage points, while the indexes for harvesting, production, new orders, export orders, purchase price, and inventory of main raw materials declined by 4.2-22.6 percentage points.

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

	2024.01	2024.02	MoM	Performance
GTI-Thailand Index	49.8	45.6	-4.2 ↓	Contract
Harvesting Index	64.3	41.7	-22.6 ↓	Contract
Production Index	54.5	45.8	-8.7 ↓	Contract
New Orders Index	59.1	37.5	-21.6 ↓	Contract
Export Orders Index	62.5	50.0	-12.5 ↓	Stable
Existing Orders Index	45.5	50.0	4.5 ↑	Stable
Inventory Index of Finished Products	40.9	45.8	4.9 ↑	Contract
Purchase Quantity Index	27.3	33.3	6.0 ↑	Contract
Purchase Price Index	59.1	45.8	-13.3 ↓	Contract
Inventory Index of Main Raw Materials	50.0	45.8	-4.2 ↓	Contract
Employees Index	36.4	54.2	17.8 ↑	Expand
Delivery Time Index	40.9	50.0	9.1 ↑	Stable



Main Challenges Reported by GTI-Thailand Enterprises

- The Thai Baht had depreciated.
- Some factories for plywood were going out of business.
- There was a lack of staff with knowledge in woodworking.
- A decline in consumer purchasing power and decreased orders led to excess stock.



Main Suggestions from GTI-Thailand Enterprises

- Search for demand, and increase marketing efforts.
- The country may take more concrete measures to stimulate economic development.
- Accelerate the development of labor skills.
- Hedge against the risk of exchange rate fluctuations through forward contracts.
- Give priority to fast growth timber except from Rubber tree and Eucalyptus.
- Raise Thai people's awareness of wood product value and encourage them to embrace the use of natural wood.



GTI-Gabon Index in February 2024



GTI-Gabon index



A report released by International Monetary Fund (IMF) said that Gabon's economic growth is projected to stay at 3% in 2024, with non-oil sectors such as agriculture, forestry, mining and transportation as the major sectors that saw growth. The Transition Government of Gabon announced on February 21 that it plans to invest XAF1,293 billion (about US\$2.15 billion) between 2024 and 2026 to implement the National Transitional Development Plan. With the support and loans from an international organization, a vocational training and education center was built at the Special Economic Zone NKOK in 2023. This February, the first group of future sawyers, peelers, joiners and sharpeners began their training at the new center.

In February, the GTI-Gabon index registered 43.5%, below the critical value (50%) for 7 consecutive months. However, the index increased by 12.1 percentage points compared to the previous month, indicating that although the business prosperity of the superior timber enterprises represented by the GTI-Gabon index shrank from last month, the supply and demand sides of the timber market showed some improvements, including easing downward trend in both production volume and new orders.

As for the 11 sub-indexes, the purchase price sub-index was above the critical value of 50%, the sub-indexes for production, and new orders were equal to the critical value, while the remaining 8 sub-indexes were all below the critical value. Compared to the previous month, the sub-indexes for harvesting, production, new orders, export orders, existing orders, inventory of finished products, purchase prices, employees, and delivery time increased by 1.5 - 21.7 percentage points. And the sub-indexes for purchase quantity, and inventory of main raw materials declined by 6.0 - 11.1 percentage points.

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

	2023.09	2023.10	2023.11	2023.12	2024.01	2024.02	MoM	Performance
GTI-Gabon Index	30.7	24.4	29.0	30.9	31.4	43.5	12.1 ↑	Contract
Harvesting Index	32.1	15.9	23.9	32.5	35.7	37.5	1.8 ↑	Contract
Production Index	15.4	19.4	31.6	29.4	29.4	50.0	20.6 ↑	Stable
New Orders Index	30.0	19.6	28.3	30.0	28.3	50.0	21.7 ↑	Stable
Export Orders Index	34.6	22.5	30.6	28.1	28.1	45.5	17.4 ↑	Contract
Existing Orders Index	36.7	26.1	28.3	27.5	32.6	42.3	9.7 ↑	Contract
Inventory Index of Finished Products	36.7	30.4	30.4	42.5	37.0	38.5	1.5 ↑	Contract
Purchase Quantity Index	27.3	28.6	28.1	41.7	39.3	33.3	-6.0 ↓	Contract
Purchase Price Index	50.0	50.0	52.9	50.0	53.6	61.1	7.5 ↑	Expand
Inventory Index of Main Raw Materials	45.5	36.7	35.3	38.5	50.0	38.9	-11.1 ↓	Contract
Employees Index	36.7	23.9	26.1	27.5	28.3	34.6	6.3 ↑	Contract
Delivery Time Index	40.0	34.8	26.1	35.0	32.6	34.6	2.0 ↑	Contract



Main Challenges Reported by GTI-Gabon Enterprises

- Taxes on exports and forestry were high.
- The demand in international timber market declined, leading to a decrease in orders.
- Payments and deliveries in international sales were not completed in a timely manner.
- Diesel prices and transportation costs remained high, and the overall condition of the Ovan-Makokou national highway continued to deteriorate.



Main Suggestions from GTI-Gabon Enterprises

- Reduce various taxes on the business operation.
- Enhance connections with foreign customers to expand the international market.
- Relevant authorities may strengthen the maintenance of the Ovan-Makokou national highway.



GTI-ROC Index in February 2024



GTI-ROC index



In 2023, ROC's export volume of sawn timber declined significantly, with 5,300 cubic meters of tropical sawn timber to the United Kingdom, down 25% year-on-year, and 16,554 cubic meters of tropical sawn timber to the United States, down 23% year-on-year. Recently, the dry season in the northern regions of ROC facilitated expansion of harvesting activities. However, the southern parts were still experiencing a lot of rain that restricted harvesting activities. Another news is that ROC has recently launched CAAPP-Faune project which is led by the Congolaise Industrielle des Bois (CIB) and Nature+ asbl, with the aim of devising a standardized, broad-spectrum approach for wildlife monitoring.

In February, the GTI-ROC index registered 35.5%, an increase of 0.8 percentage point from the previous month, was below the critical value (50%) for 16 consecutive months, indicating that the business prosperity of the superior timber enterprises represented by the GTI-ROC index shrank from last month. This month, the downward trend in the country's timber production and supply and the decline in export orders had eased compared to the previous month, but the ROC-enterprises were still grappling with such persistent challenges as fuel

shortage and lack of available roads.

As for the sub-indexes, the indexes for production, export orders, existing orders, purchase quantity, purchase price, employees, and delivery time increased by 0.8 - 16.7 percentage point(s), when compared to the previous month. The sub-indexes for harvesting, new orders, inventory of finished products, and inventory of main raw materials declined by 3.3 - 10.0 percentage points.

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

	2023.09	2023.10	2023.11	2023.12	2024.01	2024.02	MoM	Performance
GTI-ROC Index	34.2	31.7	32.4	35.1	34.7	35.5	0.8 ↑	Contract
Harvesting Index	36.4	42.9	50.0	46.9	46.7	39.5	-7.2 ↓	Contract
Production Index	38.6	37.5	41.2	46.7	40.0	42.1	2.1 ↑	Contract
New Orders Index	27.3	26.3	28.9	34.2	35.3	32.0	-3.3 ↓	Contract
Export Orders Index	32.4	40.9	34.4	42.9	33.3	44.7	11.4 ↑	Contract
Existing Orders Index	29.5	26.3	15.8	34.2	32.4	34.0	1.6 ↑	Contract
Inventory Index of Finished Products	34.1	15.8	13.2	23.7	41.2	40.0	-1.2 ↓	Contract
Purchase Quantity Index	30.0	37.5	25.0	33.3	33.3	50.0	16.7 ↑	Stable
Purchase Price Index	33.3	50.0	33.3	16.7	45.8	50.0	4.2 ↑	Stable
Inventory Index of Main Raw Materials	41.7	75.0	50.0	50.0	50.0	40.0	-10.0 ↓	Contract
Employees Index	45.5	28.9	34.2	36.8	32.4	36.0	3.6 ↑	Contract
Delivery Time Index	20.5	7.9	10.5	5.3	17.6	28.0	10.4 ↑	Contract



Main Challenges Reported by GTI-ROC Enterprises

- Some factories faced a shortage of skilled labor.
- The global economy was in a downturn, and the market demand was decreasing.
- Fuel transport difficulties and inadequate supply had resulted in production uncertainty.
- The field operation time was reduced due to rainfall, resulting in decreased production volume.



Main Suggestions from GTI-ROC Enterprises

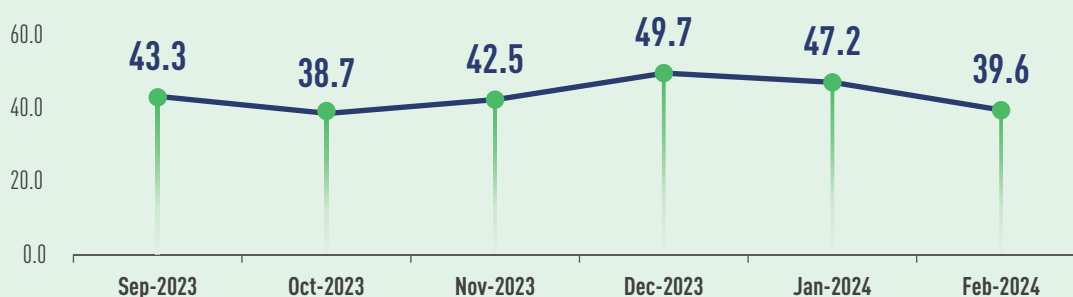
- Relax the export of forest products and explore new markets.
- Adjust fuel prices to alleviate the operating pressure on enterprises.
- The government may strengthen efforts for road maintenance and bridge building.
- Ensure fuel supply at the ports of Ouessou and Oyo.



GTI-Brazil Index in February 2024



GTI-Brazil index



Recently, the International Monetary Fund raised its growth projection for Brazil's GDP in 2024 from 1.5% to 1.7%, which was mainly attributed to factors such as increased domestic demand, lower interest rates, and more flexible fiscal policies. According to data released by Brazil's Amazon Institute for Mankind and the Environment (Imazon) on February 21, deforestation in the Amazon rainforest decreased by 60% in January 2024 compared to the same month last year, which marked the tenth consecutive month of such reduction. In terms of timber trade, Brazilian wood-based product exports, excluding pulp and paper, rose by 13.0% year-over-year in January, reaching US\$300.3 million compared to US\$266.6 million in January 2023. This indicated an overall sound trend of export and was mainly due to several proactive strategies adopted by Brazilian timber industry, including a focus on innovation, sustainable management, and participation in international events. However, factors such as international geopolitical conflicts still had a negative impact on the Brazilian timber industry. For example, in 2023, the State of Pará (the fourth largest exporter of wood in Brazil) saw a significant drop in wood export volume, namely, 39% less compared to 2022.

In February, the GTI-Brazil index registered 39.6%, a decrease of 7.6 percentage points from the previous month, was below the critical value (50%) for 16 consecutive months, indicating that the business prosperity of the superior timber enterprises represented by the GTI-Brazil index shrank from last month. This month, the demand side of the Brazilian timber market had shown some signs of recovery on the whole, due to an increase in export orders. However, domestic demand for timber remained relatively subdued as a part of the timber market was taken over by alternative products.

As for the 11 sub-indexes, the export orders index and the employees index were above the critical value of 50%, the delivery time index was equal to the critical value, while the remaining 8 indexes were all below the critical value. Compared to the previous month, the indexes for production, employees, and delivery time increased by 2.9-7.1 percentage points. The inventory index of main raw materials was unchanged from the previous month. And the indexes for harvesting, new orders, export orders, existing orders, inventory of finished products, purchase quantity, and purchase price declined by 7.6-18.8 percentage points.

Brief on Brazilian Timber Industry

- Currently, small-sized sawmills are going through a difficult situation in 2024 due to low development of the timber market, increased taxes, low government incentives and the increase in price of labor and fixed costs. As a result, some small local companies will have to close their doors.
- The biomass market is weak and worrisome in the short term in some regions of the state of Paraná, in the southern region of Brazil. In this scenario, some consumers report that, if necessary, they are considering using sugar cane bagasse and even elephant grass as an energy alternative to compensate for the low supply of biomass in the region.
- The prospect for the second half of 2024 remains positive, especially for eucalyptus log producers in the Minas Gerais region, in southeast of Brazil. The price of timber sold is expected to rise by at least 15% due to increased demand in the region.
- The market for sawnwood for civil construction increased in February, as did the foreign market for turned laminated veneer. The market for packaging, on the other hand, has shrunk significantly in recent months.

Information provided by GTI-Brazil Focal Point

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

	2023.09	2023.10	2023.11	2023.12	2024.01	2024.02	MoM	Performance
GTI-Brazil Index	43.3	38.7	42.5	49.7	47.2	39.6	-7.6 ↓	Contract
Harvesting Index	25.0	29.2	25.0	28.6	42.3	33.3	-9.0 ↓	Contract
Production Index	30.0	33.3	34.6	50.0	43.3	46.2	2.9 ↑	Contract
New Orders Index	37.5	39.3	39.3	53.3	56.3	42.9	-13.4 ↓	Contract
Export Orders Index	30.0	45.8	50.0	69.2	71.4	54.2	-17.2 ↓	Expand
Existing Orders Index	25.0	39.3	32.1	43.3	43.8	25.0	-18.8 ↓	Contract
Inventory Index of Finished Products	62.5	46.4	39.3	53.3	50.0	32.1	-17.9 ↓	Contract
Purchase Quantity Index	31.8	34.6	37.5	32.1	38.5	25.0	-13.5 ↓	Contract
Purchase Price Index	31.8	50.0	50.0	42.9	46.4	38.5	-7.9 ↓	Contract
Inventory Index of Main Raw Materials	37.5	46.2	45.8	36.7	25.0	25.0	0	Contract
Employees Index	54.2	42.9	50.0	50.0	50.0	57.1	7.1 ↑	Expand
Delivery Time Index	66.7	35.7	50.0	46.7	46.9	50.0	3.1 ↑	Stable



Main Challenges Reported by GTI-Brazil Enterprises

- Consumption in the timber market decreased.
- There was a lack of skilled technicians.
- The weather (a lot of rain) had an impact on field operations.
- Oversupply of wood products led to a decrease in domestic market prices.
- The volume of export orders slightly increased, but there was no clear rise in export prices.
- Loading difficulties at ports in the state of Santa Catarina required adjustments in the logistics sector.
- The release of cargo at the Port of Paranaguá was slow.
- The demand for wood products decreased due to replacement by other products, such as iron, aluminum and PVC.
- The logistics from Highway 470 to the Port of Navegantes in Santa Catarina state was slow.
- There was a lack of market recognition of new hardwood species such as Australian cedar (*Toona Ciliata*) and African mahogany (*Khaya Grandifoliola*).



Main Suggestions from GTI-Brazil Enterprises

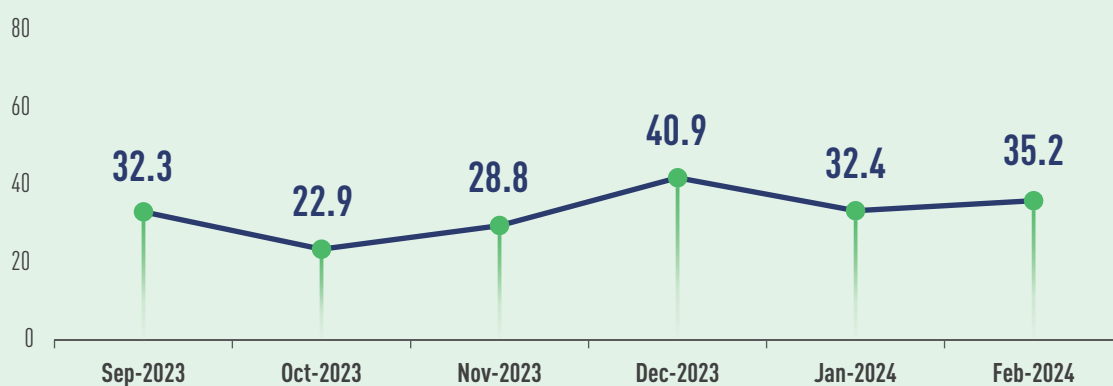
- Encourage starting logistics activities at other ports.
- Provide skill training for new employees.
- Set operational schedule according to the seasonal climate.
- Conduct an economic feasibility analysis for a change in shipping at the Port of Paranaguá.
- Consider the possibility of submitting documents for approval in the state of Mato Grosso. And after approval, send the timber to be exported to the port, where the Brazilian Institute of Environment and Renewable Natural Resources (IBAMA) will only carry out physical inspection of timber.
- Stay on top of orders that are necessary for the company's cash flow, process available stocks taking advantage of the rainy season in the region and wait for orders with better prices.
- Increase market recognition of new hardwood species such as Australian cedar (*Toona Ciliata*) and African mahogany (*Khaya Grandifoliola*).



GTI-Mexico Index in February 2024



GTI-Mexico index



Data released by the National Institute of Statistics and Geography of Mexico shows that the country's gross domestic product (GDP) expanded by 3.2% in 2023, slightly lower than the 3.9% in 2022; Industrial production increased by 3.5%, with the construction sector performing well at a growth rate of 15.6%. On February 9, the State of Mexico and the country's National Forestry Commission (CONAFOR) signed an agreement on sustainable forest development, aiming to strengthen forest conservation training, enhance community involvement, develop the forest industry, and improve the quality of life in local communities. In the field of timber production, Alberto Vázquez Mora, President of the Mexican Timber and Furniture Suppliers Association (AMPIMM), said at a meeting that Yucatan has become a major supplier of furniture for the national tourism industry, and the furniture production is expected to meet the needs of the southern United States and the entire Central America. News also said that the expansion project of Chinese Kuka Home's factory in Nuevo Leon, Mexico, with a total investment of US\$150 million, has been officially completed. In recent years, lots of Chinese home furnishing enterprises engaged in the production and sales of sofas, mattresses, flooring, cabinets, and more have expanded into Mexico. Research data from BBVA (a Spanish major bank) indicates that over 25%

companies in the Monterrey Industrial Park in Nuevo León, Mexico, are Chinese manufacturers.

In February, the GTI-Mexico index registered 35.2%, an increase of 2.8 percentage points from the previous month, was below the critical value (50%) for 16 consecutive months, indicating that the business prosperity of the superior timber enterprises represented by the GTI-Mexico index shrank from last month. This month, the timber markets in Mexico and abroad showed no signs of recovery, the supply of electricity and labor was not enough, and there was a significant decline in both the purchase quantity of raw materials and the harvesting volume of timber.

As for the 11 sub-indexes, the purchase price index was equal to the critical value of 50%, while the remaining 10 sub-indexes were all below the critical value. Compared to the previous month, the sub-indexes for harvesting, production, new orders, existing orders, purchase quantity, purchase prices, inventory of main raw materials, and delivery time increased by 0.3 - 12.4 percentage point(s), while the sub-indexes for export orders, inventory of finished products, and employees declined by 0.9 - 20.0 percentage point(s).

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

	2023.09	2023.10	2023.11	2023.12	2024.01	2024.02	MoM	Performance
GTI-Mexico Index	32.3	22.9	28.8	40.9	32.4	35.2	2.8 ↑	Contract
Harvesting Index	34.0	18.8	32.7	35.7	29.3	33.3	4.0 ↑	Contract
Production Index	31.0	18.2	25.0	43.8	24.0	36.4	12.4 ↑	Contract
New Orders Index	28.8	16.7	25.0	42.9	31.0	31.5	0.5 ↑	Contract
Export Orders Index	25.0	25.0	33.3	50.0	30.0	10.0	-20.0 ↓	Contract
Existing Orders Index	30.8	22.9	23.1	30.4	29.3	29.6	0.3 ↑	Contract
Inventory Index of Finished Products	61.5	39.6	46.2	32.1	37.9	37.0	-0.9 ↓	Contract
Purchase Quantity Index	35.7	26.5	31.3	44.7	26.3	37.5	11.2 ↑	Contract
Purchase Price Index	40.5	34.2	35.0	42.9	47.6	50.0	2.4 ↑	Stable
Inventory Index of Main Raw Materials	37.0	39.5	40.0	38.6	31.0	34.2	3.2 ↑	Contract
Employees Index	30.8	25.0	25.0	33.9	36.2	31.5	-4.7 ↓	Contract
Delivery Time Index	40.4	29.2	40.4	42.9	44.8	46.2	1.4 ↑	Contract



Main Challenges Reported by GTI-Mexico Enterprises

- The power supply was insufficient.
- There was a shortage of labor for some enterprises.
- The prices of wood products decreased.
- During the rainy season, the road conditions were poor, making it difficult to supply wood.
- The import of low-priced forest products had a significant impact on domestic goods.
- The timber markets at home and abroad showed no signs of recovery, and the demand remained low.
- Some enterprises had expired logging permits but were unable to receive the new logging permits on time, resulting in the inability to carry out production activities.



Main Suggestions from GTI-Mexico Enterprises

- Increase the import tariffs on forest products.
- Expedite the approval process of forestry documents.
- Adjust the operation time based on weather conditions.
- Promote the development of forestry-related sectors such as the construction sector.
- Increase media promotion of forest products to drive sales.
- Encourage consumers to purchase wood products that have been legally certified.
- The government may roll out policies to encourage consumers to prioritize domestic forest products.



GTI-China Index in February 2024



GTI-China index



In 2023, China's log imports totalled 38.03 million cubic meters and was valued at around US\$6.383 billion, a decline of 13% in volume and 25% in value year on year, while imports of sawn timber amounted to 27.77 million cubic meters and was valued at US\$6.84 billion, an increase of 4.9% and a decrease of 9.1%, respectively. Despite the sluggish global demand and the decline in country's imports of logs over the past year, China has made many efforts in supporting the digital development of forestry, cultivating carbon sink markets, and offering support for enterprises to go global. In the field of digital development, in 2023, Guangxi province allocated an industrial revitalization fund of 22.5 million yuan to support the technological transformation projects of distinctive industrial zones and enterprises in the industry of high-end green home furnishing, as well as to introduce intelligent equipment and other facilities, and promote enterprises to utilize CNC technology, sensing technology, laser ranging and robotics technology for production. In terms of carbon sink trading, on February 4, the State Council of China unveiled the Interim Regulations for the Management of Carbon Emission Trading, which is the first administrative regulation to explicitly outline the rules governing the operation of China's carbon emissions trading market. And for supporting enterprises to "go global", on February 29, Nankang (a famous furniture production area in China) made arrangements for the building

of the first overseas furniture warehouse in Indonesia, in an effort to help local enterprises expand the furniture market in Southeast Asia.

In February, the GTI-China index registered 31.7%, a decrease of 2.4 percentage points from the previous month, was below the critical value (50%) for 3 consecutive months, indicating that the business prosperity of the superior timber enterprises represented by the GTI-China index shrank from last month. This month, in celebration of the Spring Festival, most of the timber enterprises halted production and operation for a holiday break, resulting in a significant decrease of trading activities in the market.

As for the 11 sub-indexes, the purchase price index was above the critical value of 50%, while the remaining 10 sub-indexes were all below the critical value. Compared to the previous month, the sub-indexes for export orders, existing orders, purchase prices, inventory of main raw materials, and employees increased by 1.8 - 7.8 percentage points. The sub-indexes for production, new orders, inventory of finished products, purchase quantity, import, and delivery time declined by 1.2 - 8.9 percentage points.

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

	2023.09	2023.10	2023.11	2023.12	2024.01	2024.02	MoM	Performance
GTI-China Index	37.3	55.2	54.0	47.5	34.1	31.7	-2.4 ↓	Contract
Production Index	34.0	59.4	52.5	33.3	25.0	16.7	-8.3 ↓	Contract
New Orders Index	40.0	53.1	57.5	55.9	28.1	20.9	-7.2 ↓	Contract
Export Orders Index	50.0	38.5	35.0	55.0	37.5	39.3	1.8 ↑	Contract
Existing Orders Index	44.0	50.0	47.5	44.1	31.3	37.2	5.9 ↑	Contract
Inventory Index of Finished Products	38.0	43.8	50.0	35.3	46.9	41.9	-5.0 ↓	Contract
Purchase Quantity Index	30.0	50.0	57.5	47.1	43.8	34.9	-8.9 ↓	Contract
Purchase Price Index	48.0	62.5	45.0	50.0	53.1	58.1	5.0 ↑	Expand
Import Index	45.8	50.0	41.7	45.5	45.8	40.5	-5.3 ↓	Contract
Inventory Index of Main Raw Materials	32.0	56.3	55.0	52.9	43.8	48.8	5.0 ↑	Contract
Employees Index	32.0	56.3	47.5	41.2	37.5	45.3	7.8 ↑	Contract
Delivery Time Index	48.0	50.0	57.5	58.8	50.0	48.8	-1.2 ↓	Contract



Main Challenges Reported by GTI-China Enterprises

- There was a slight increase in shipping fees.
- Orders were not enough and it was difficult to receive the final payments.
- The production volume decreased compared with previous years, and the costs of equipment increased as a result of intermittent operations.
- China's timber market was sluggish due to a downturn in real estate transactions.



Main Suggestions from GTI-China Enterprises

- The country may strengthen the adjustment of industrial policies.
- Explore the Belt and Road markets.

About This Report

Survey Methodology

With the support of the International Tropical Timber Organization (ITTO), the Global Timber Index (GTI) platform has set up focal points in pilot countries of both timber producing and timber consuming countries. At present, focal points have been established in 8 countries, including Indonesia, Malaysia, Thailand, Gabon, Congo, Brazil, Mexico and China.

At the end of each month, focal points of the pilot countries organize the leading enterprises to fill out the GTI questionnaire, and then the Global Green Supply Chains Initiative (GGSC) Secretariat organizes experts to summarize and analyze the data, and write the report.

Based on the characteristics of the timber and timber products industry in different countries, the current GTI questionnaire is divided into three categories: timber producing countries, timber manufacturing countries and timber consuming countries. For the timber producing countries, the questionnaire focuses on the development of local timber harvesting and supplying, covering log, sawnwood, and veneer, etc. For timber manufacturing countries (like China), the questionnaire focuses on the development of local timber processing and manufacturing, covering floor, door, plywood, and furniture, etc. For timber consuming countries, the questionnaire focuses on the development of the timber products facing the end market.

Data and Interpretation

GTI index contains diffusion index and comprehensive index.

(1) The calculation of GTI diffusion index. GTI has 11 diffusion indexes (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, 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 (harvesting), new orders, inventory of raw material, employees, delivery time. The five diffusion indexes and their weights are determined according to their leading influence on the industrial economy.

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

Declaration

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

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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.



全球林产品绿色供应链倡议
GLOBAL GREEN SUPPLY CHAINS INITIATIVE

About GGSC

Global Green Supply Chains Initiative (abbreviated as GGSC), supported by International Tropical Timber Organization (ITTO), is a global service platform voluntarily established by enterprises, research institutes, industry associations, international organizations and other interested parties involved in forest products R&D, design, manufacturing, distributing, consuming and recycling, to implement "the Initiative to build a collaboration network of global green supply chain of forest products" jointly launched by industry sectors, associations, international organizations and research institutions all over the world who were participants of the International Forum on "Together Towards Global Green Supply Chains – A Forest Products Industry Initiative" held in Shanghai, China in October, 2019.

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