

GTI-WOODBASED PANEL (GTI-WBP) REPORT

MONTHLY

GGSC-No. 07/2024

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, Ghana, Brazil, Mexico, and China. In 2022, the total production of woodbased panel in the nine countries mentioned above was 336 million cubic meters, accounting for **63.8%** 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.

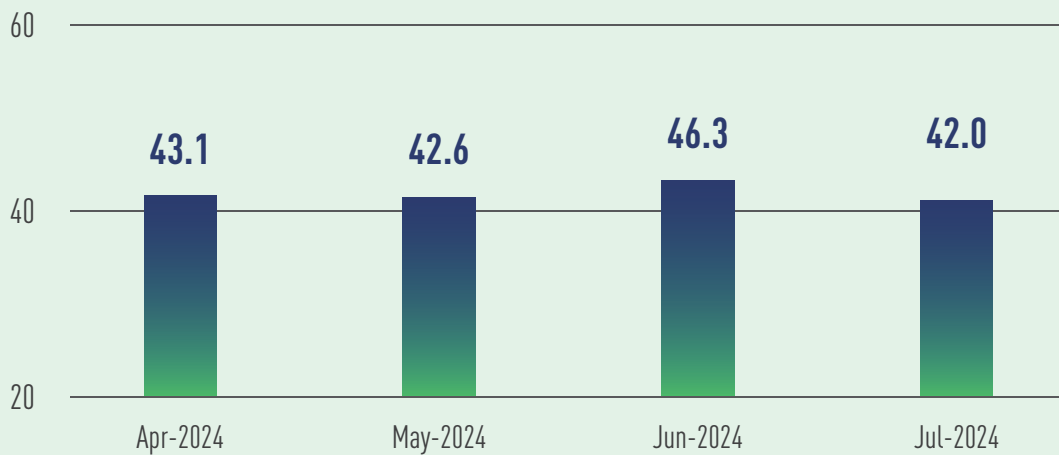
Index Representativeness

The pilot countries for the GTI-WBP index include Indonesia, Malaysia, Thailand, Gabon, Republic of the Congo, Ghana, Brazil, Mexico and China. In 2022, the total production of woodbased panel in the nine countries mentioned above was 336 million cubic meters, accounting for 63.8% of the total global production volume of woodbased panel.

GTI-Woodbased Panel Index in July 2024



GTI-WBP Comprehensive Index



In July, the GTI-Woodbased Panel (GTI-WBP) Index registered 42.0%, a decrease of 4.3 percentage points from the previous month, was below the critical value (50%) for four consecutive months, indicating that the business prosperity of wood-based panel industry represented by the index shrank from last month.

On the demand side, affected by the downturn in the global timber market, the demand for wood-based panels declined. This month, both the new orders index and the export orders index were below the critical value of 50%, recording 40.0% and 44.9%, respectively. Overall, the reduction in domestic orders for sample enterprises was significantly larger than the reduction in export orders.

On the supply side, the production index registered 39.1%, was below the critical value for four consecutive months, revealing that for the sample enterprises, the total production volume of wood-based panels continued to decline. The downturn in the global construction and real estate industries had, to some extent, restrained the willingness of enterprises to produce.

From a price perspective, the purchase price index for raw materials registered 57.6%, marking the third time in the past four months that it had been above the

critical value, and indicating an overall upward trend in raw material prices. The rise in transportation costs and the insufficient raw material inventory in some countries due to the rainy season had led to such trend of the purchase prices of raw materials.

In terms of market conditions and developments, the monitoring data from the Industrial Development Planning Institute under China's National Forestry and Grassland Administration shows that in the first half of 2024, the plywood and fiberboard industries in China had seen a decline in the number of enterprises and a contraction in total production capacity, indicating further industry restructuring. In contrast, the particleboard industry had shown a further increase in both the number of enterprises and the total production capacity. In June, Brazil's tropical plywood export volume remained stable compared to the same period last year, reaching 2,900 m³, and recently in the domestic market, the demand for plywood had shown signs of recovery. In the middle of June, the construction materials cost index released by the Statistics Malaysia indicated a slight increase in the prices of the country's building materials such as plywood.

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

	Apr. 2024	May. 2024	Jun. 2024	Jul. 2024	MoM	Performance
Comprehensive Index	43.1	42.6	46.3	42.0	-4.3 ↓	Contract
Production Index	47.7	40.8	43.3	39.1	-4.2 ↓	Contract
New Orders Index	38.6	40.4	48.5	40.0	-8.5 ↓	Contract
Export Orders Index	43.0	44.9	50.0	44.9	-5.1 ↓	Contract
Existing Orders Index	37.1	44.1	44.0	45.6	1.6 ↑	Contract
Inventory Index of Finished Products	50.8	48.5	52.9	43.9	-9.0 ↓	Contract
Purchase Quantity Index	44.1	39.0	46.4	44.1	-2.3 ↓	Contract
Purchase Price Index	52.9	51.2	46.2	57.6	11.4 ↑	Expand
Inventory Index of Main Raw Materials	37.3	40.8	53.9	38.4	-15.5 ↓	Contract
Employees Index	48.5	47.1	46.1	44.8	-1.3 ↓	Contract
Delivery Time Index	41.0	44.8	42.1	49.4	7.3 ↑	Contract



Main Challenges Reported by GTI-WBP Enterprises

- The freight rates for export rose. (Gabon)
- There was a lack of quality employees. (Thailand)
- Containers was insufficient and logistics was slow. (Brazil)
- Raw materials for wood production were insufficient, and heavy rains made transportation difficult. (Thailand)
- Dwindling forest resources increased log prices. (Ghana)
- The overdue payment by customers led to the shortage of funds for enterprises. (China)
- The wood processing company's export activities were still affected by the geopolitical turmoil and the war. (Indonesia)
- Although the exports increased this month, the global market conditions for plywood products were still unstable and tended to be sluggish, especially for the Japanese market. (Indonesia)



Main Suggestions from GTI-WBP Enterprises

- Develop the skills and expertise of the workforce. Upgrade the machinery to make it more modern. (Thailand)
- The company could opt for shipments on break bulk vessels to reduce dependence on containers and overcrowded terminals. (Brazil)
- Hope the government revise the current regulations on the export of forest products and support the sustainable development of upstream and downstream sectors. (Indonesia)
- Encourage and promote the marketing of plywood products and encourage the provision of incentives for SFM-certified or legal wood products from various certification schemes in the global and domestic markets. (Indonesia)



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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