

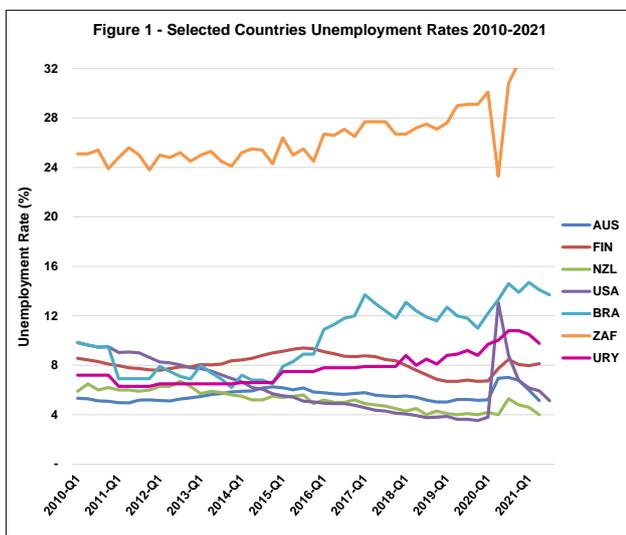
Timberland Market Update

Global Consulting Alliance

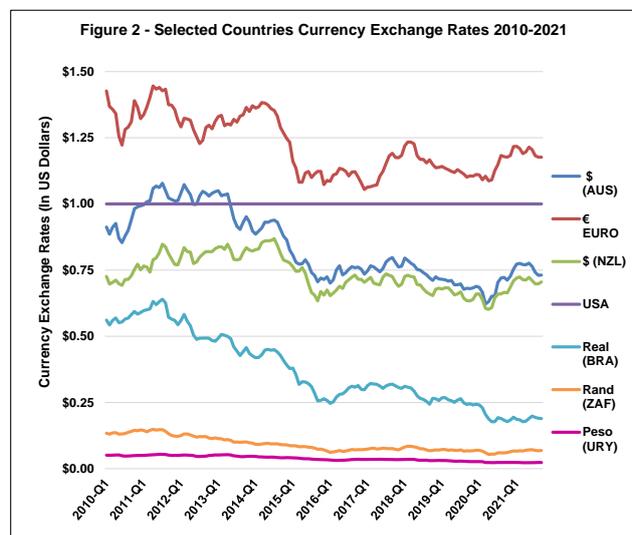
Quarterly Edition December 2021

ECONOMIC DASHBOARD

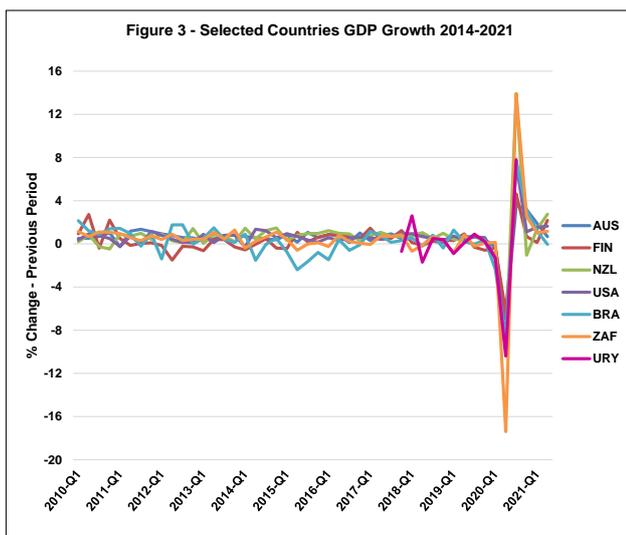
Figures 1 to 4 illustrate four key macroeconomic indicators as observed over the past decade, on a quarterly basis. These can be useful particularly to monitor the effects of the COVID-19 pandemic. Figure 4 rates are nominal.



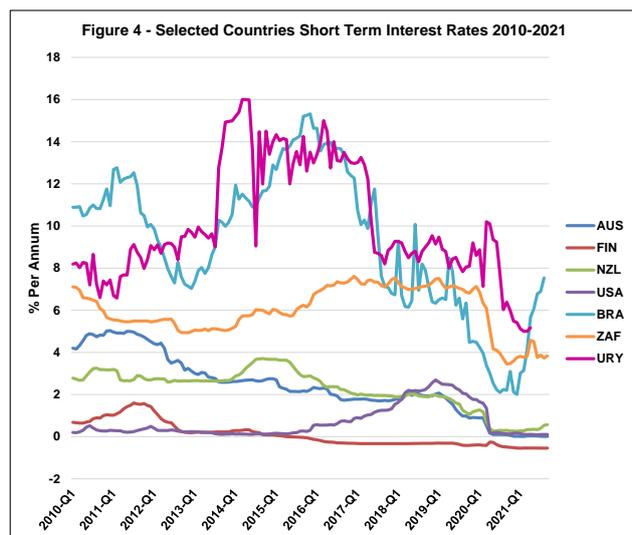
Sources: OEDC, Brazilian Institute of Geography and Statistics, macrorends.net (World Bank), Statistics South Africa



Source: Federal Reserve, Uruguay Statistics National Institute



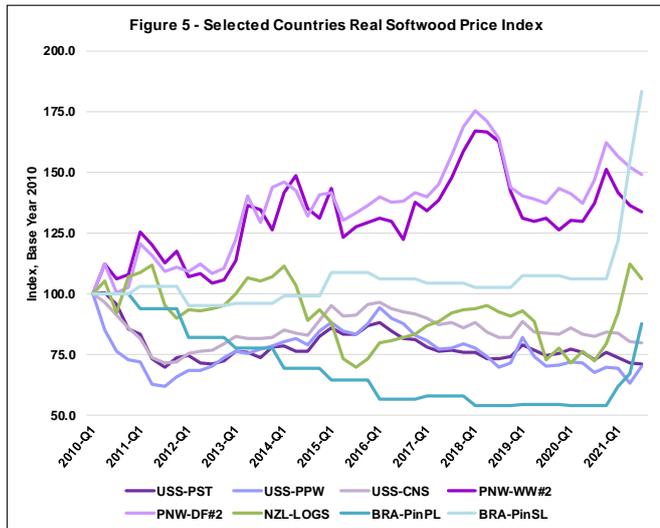
Source: OEDC



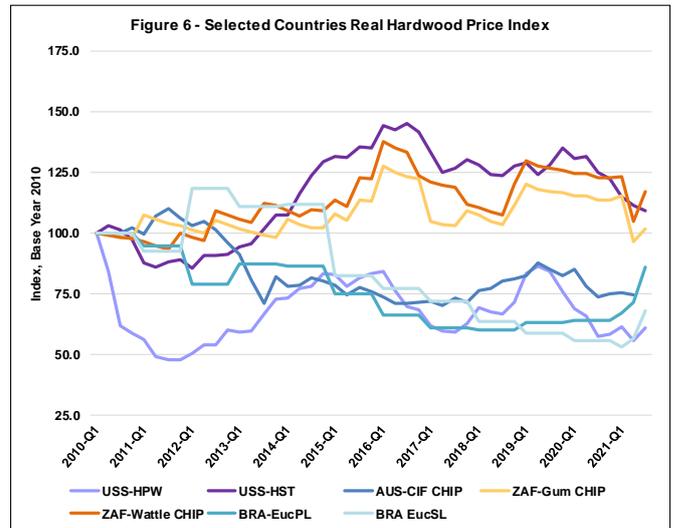
Source: OEDC, FRED - St. Louis Fed

Global Consulting Alliance Timberland Market Update

Figures 5 and 6 show indexed real pricing for select softwood and hardwoods – with Q1 2010 the base quarter-year.



Source: Timber-Mart South, RISI Log Lines, AgriHQ; USS = US South, PNW = US Pacific Northwest



Source: Timber-Mart South, RISI Log Lines, NCT; USS = US South

Legend:

USS-PST = US South Pine Sawtimber, USS-PPW = US South Pine Pulpwood, USS-CNS = US South Chip n' Saw, PNW-WW#2 = US Pacific Northwest Whitewood #2 Saw Avg. Columbia River, PNW-DF#2 = US Pacific Northwest #2 Saw Avg. Columbia River, NZL-LOGS = New Zealand Softwood Logs Composite, BRA-PinPL = Brazil Pine Pulplogs, BRA-PinSL = Brazil Pine Sawlogs.

USS-HPW = US South Hardwood Pulpwood, USS-HST = US South Hardwood Sawtimber, AUS-CIF CHIP = Australia Hardwood CIF Chip, ZAF-Gum CHIP = South Africa Gum CHIP, ZAF-Wattle CHIP = South Africa Wattle Chip, BRA-EucPL = Brazil Eucalyptus Pulplogs, BRA-EucSL = Brazil Eucalyptus Sawlogs.

ECONOMIC HIGHLIGHTS

Global

- The World Bank Group in its January 2022 Global Economic Prospects report sees forward global economic recovery decelerating significantly due to ongoing COVID-19 (Omicron variant) flare-ups, reduced policy support and persistent supply bottlenecks. It sees output in emerging and developing economies trend below pre-pandemic levels over the next two years.
- The Global Economic Prospects report sees global growth decreasing from 5.5% in 2021 to 4.1% in 2022 and 3.2% in 2023. It notes downside risks due to the possibility of de-anchored inflation expectations and financial stress due to record-high debt levels.
- US economic growth is expected to decelerate from 5.6% in 2021 to 3.7% in 2022 and 2.6% in 2023.
- Growth in China is expected to ease to 4.8% in 2022, down from 8.0% in 2021. The possibility of a sharp and extended downturn in China's highly leveraged property sector, with its potential effect on property prices, consumer spending and local government spending, presents downside risk to the outlook.
- The report sees forward recurring commodities price swings due to macro-economic developments, amplified by the transition away from fossil fuels.
- US GDP – forecasters have been steadily revising forecasts of real GDP growth to account for expected impacts of the COVID-19 pandemic, the associated fiscal and monetary policy responses as well as increased levels of

Global Consulting Alliance Timberland Market Update

inflation. The third estimate for Q3 2021 GDP growth from the Bureau of Economic Analysis showed that the economy grew at an annual rate of 2.3% over the preceding quarter. Waves of COVID-19 brought on by the successive variants Delta and Omicron caused labor disruptions as workers were sickened. GDP growth was hindered further by widespread supply chain issues. In December, two leading industry forecasters estimated real annual GDP growth would come in at 5.5% to 5.6% in 2021, and projected growth of 3.8% to 4.3% for 2022.

- US Unemployment – The Bureau of Labor Statistics reported that unemployment averaged 3.9% in December 2021, where, prior to the pandemic, the rate had hovered since 2017. However, the workforce participation rate remained 1.5% lower than in February 2020, before the pandemic began. One recent industry analysis estimated that unemployment will average 4.3% in 2022, 4.0% in 2023 and 3.7% in 2024.
- Brazil – According to the Central Bank’s FOCUS bulletin, the growth of the Brazilian economy will be around 0.25% in 2022, (growth was 4.5% in 2021), the exchange rate will remain stable, at ~5.6 USD/BRL, inflation will drop from the current 10%/a to 5%/a by year-end, and the base interest rate will increase from 9.25% to between 11% and 12%.

REGIONAL MARKET UPDATES

Asia Pacific

- Based on Consensus Economics’ January 2022 edition, Australia’s economy is expected to grow by 3.8% in 2022, moderating to 3.0% in 2023. Upbeat Q3 2021 economic performance extended in the final quarter of 2021 with the easing of lockdown restrictions and the reopening of the economy. Unemployment dropped to 4.6% in November 2021. The current COVID-19 Omicron wave presents substantial downside risks.
- The Reserve Bank of Australia (RBA) has left the national cash rate unchanged at 0.1% in December 2021 noting that inflation has increased but remains still low at 2.1%/a. It saw the headline CPI inflation rate for Q3 2021 at 3%/a affected by higher petrol prices, higher prices for newly constructed homes and disruptions in the global supply chains.
- Chinese trade restrictions on Australia continue affecting the export of roundwood but not woodchip. There is no expectation for improved diplomatic relations any time soon. Australian softwood log exporters have developed new opportunities in India and Vietnam, but export log volumes will remain restricted to a limited number of log grades. Overall, log supply remains tight due to softwood plantation losses in the 2019/20 Black Summer bushfires and high timber demand sparked by pandemic economic stimulus measures.
- Australia is continuing to experience high demand for timber for house construction following the government’s HomeBuilder stimulus grant program. HomeBuilder was designed to support the residential construction sector through the COVID-19 economic slowdown. Although the program ended on 31 March 2021, the effects are likely to be felt well into 2023. Shortages of sawn timber continue to cause construction delays. Substantial (>30%) increases in the price of timber and other building materials, trade shortages and supply chain disruptions have also contributed. Some construction companies who locked in fixed price contracts at the start of the pandemic are now falling into bankruptcy and leaving homes unfinished having not anticipated the significant increases in material costs.
- Chinese BHKP market pulp prices peaked in April 2021 at ~USD 758/ADt and since declined to ~USD 556/ADt. The expectation is that prices will hold above the USD 500/ADt level, but this level will be tested as new capacities come online during 2022. Until Q4 2021 Australian hardwood chip exporters continued to maintain prices but the declining hardwood pulp market prices in China can be expected to increasingly exert downwards price pressure going forward.
- In a move generally regarded as conservative, the New Zealand’s Reserve Bank raised the cash rate 25 basis points (bps) to 0.75% in its 24 November Monetary Policy Review. This represents the second increase in the strengthening cycle since 6 October. Top economists regarded this as overly conservative (one labeled it “birdbrained”) and a lost opportunity to head off rampant inflation and aggressive house price inflation. Several banks capitalized on the opportunity and again raised floating and flexible mortgage interest rates. In December, floating rates for new mortgages averaged 4.91%/a while two-year fixed rates averaged 4.73%/a,

Global Consulting Alliance Timberland Market Update

26 bps and 51 bps up from October 2021. Quotable Value reported a December quarter increase in housing prices of an alarming 7.8% and a 28.4% year-over-year change. This represents a 2.1% annual increase on the September year figures showing that tax changes and increases in mortgage rates have done nothing to rein in house price increases. The nation-wide average house price is now NZD 1.053 million (USD 0.721 million). As mentioned in the last TMU, pandemic induced supply chain issues affecting building products along with skilled labor shortages and Resource Management Act bottlenecks remain the major limitations to increased housing supply.

- Labor shortages throughout the NZ economy remain a key constraint with the official unemployment rate currently sitting at 3.4% as at November 2021 (Statistics NZ). Many horticultural crops have suffered without the usual influx of working holiday participants.
- The sharp decrease in prices and demand in China are now curtailing New Zealand's small owner production with November exports down 3.8% over November 2020. The decrease in China was only 0.8% with market share increasing from 27% in 2020 to 31% in 2021 while for Korea it was 50.6%, India 15.0% and Japan 2.5%. Interestingly, exports to other destinations increased 167%. The initial recovery in A-grade export prices post the July 2021 crash, reversed in December dropping USD 16/JAS m³ to USD 137/JAS m³. CFR prices are now at January 2021 levels. The alarming high shipping costs also reversed strongly in November and December from levels in some cases exceeding USD 70/JAS m³ to around USD 45/JAS m³. This along with a small decline in the exchange rate to around 0.68 provided a partial compensation for the reduction in prices.
- Despite the shortages of materials and delays in approvals, New Zealand building consents again increased in November 2021 to 5 186 from 4 451 in October while Domestic log prices remained stable. Many building contractors have resorted to over-ordering and stockpiling of building materials further exacerbating the shortages of supplies.
- New Zealand secondary carbon market prices spiked above NZD 68/NZU and remained at this level throughout December 2021. Interestingly, the EU carbon markets have been increasing even more aggressively to over EUR 80/EUA. NZU price trends tend to follow the EUA prices indicating the potential for further increases in the short-medium term. The high carbon prices are leading to substantial forest investment in both rotational forest and permanent carbon forests leading to high profile concerns with the farming community and anti-climate change elements.

Europe

- The wood market in the Nordics slowed towards the end of 2021 from the high levels earlier in the year. Despite the favorable conditions in almost all forest products markets, wood purchasing activity decreased especially in Finland due to high standing stocks in the forest in relation to wood consumption. Felling volumes remained at a high level driven by strong industrial demand. On the other hand, the Swedish producers were finally able to build up their wood inventories after a long period of tight wood supply.
- The wood prices in Finland have slightly declined throughout autumn despite record price levels experienced in most forest industry end-product segments. This imbalance is expected to gradually level out in 2022. Prices in the Baltics, especially for the marginal volumes balancing supply, have remained on a high level.
- The high demand for sawn timber continues and is mainly contributed by the boom in the construction sector which is expected to grow by a few percent a year in the near future. The prices have continued to increase which has generated profits for the industry and sawmills have allocated excess cash to investments. In Central Europe, the focus has been on increasing internal value-add, for example by investing to modernize equipment or enlarging cutting capacity. The strong M&A activity and consolidation of the Nordic sawmilling industry experienced in 2021 is projected to continue in 2022.
- Driven by strong demand in 2021, sawlog prices in Europe have experienced a significant increase. It was expected that this increase will stabilise by end of 2021 to early 2022, but late December recorded an upswing in demand, with the European Sawlog Price Index (ESPI) reaching EUR 103/m³ in Q4 2021, a new all-time high. Currently, Nordic sawmills enjoy the lowest sawlog costs globally as the Central European producers have been hit by more rapidly increasing wood prices.

Global Consulting Alliance Timberland Market Update

- The increase in prices also impacted the secondary wood products market, such as wood-based panels and engineered wood products. According to EUWID price watch, an increase of +22% for plywood, +69% for OSB, +65% for particleboard and +82% for glulam has occurred since the start of 2021.
- The effects of Russian's export ban (effective on 1 January 2022) are already visible as European shipments of logs to China, the number one export destination of Russian logs, sharply increased.
- Paper packaging markets continued having strong demand during the last quarter of 2021. After the paper scarcity that pushed containerboard prices up in the beginning of Q4, paper availability has improved towards the end of the year. Although, there was a new price peak in November-December due to increasing energy costs. Demand for corrugated boxes continued to increase and remains above the historical average rate. Pulp prices in Europe have also remained high, and a gradual recovery of printing and writing paper demand is supporting price increases for most paper grades as well.
- In early November 2021, the UN Climate Conference COP 26 took place in Glasgow. The conference featured several forest related announcement and pledges. The most significant was the Glasgow Leaders' Declaration on Forests and Land Use, in which 137 countries committed to collectively end the loss of forests and degradation of land by 2030. Latest information report that the endorsers are covering around 3.7 billion ha of forests, and it will receive a total funding of around GBP 14 billion (USD 19 billion) from different sources: GBP 8.8 billion (USD 12 billion) from public sources and GBP 5.2 billion (USD 7 billion) in private financing. Moreover, the Forest, Agriculture and Commodity Trade Roadmap was signed by 28 countries with the pledge to protect forests while promoting development. Among these were twelve companies with a major global market share in commodities (e.g., soy, palm oil, cocoa, and cattle), who also committed to halt forest loss associated with agricultural commodity production and trade.
- The EU taxonomy was approved in early December 2021 for the climate component. This will impact the terms and conditions under which companies may get finance for their investments in the future. The next step will be to discuss terms for the environmental component. The EU taxonomy will help the EU to scale up sustainable investments and implement the European Green Deal.
- Following quotas imposed by China concerning the supply of electricity and lack of liquidity among Chinese purchasers, many Chinese sawmills scaled back their cutting activities. Therefore, European wood exporters sharply reduced their supply to China in late 2021. However, since mid-December, a slight upturn in demand for European softwood logs has been experienced with Chinese sawmills already stating that they are prepared to pay higher prices after the Chinese New Year. This is due to several reasons, including the log export ban from Australia, the stronger phytosanitary requirement for USA deliveries, and the Russian roundwood export ban starting from 1 January 2022. It is feared that there will be a shortage of logs which will increase the competition for them in Europe and beyond, and lead to an additional upward pressure on prices.

North America

- US housing starts rose to 1.679 million units (SAAR) in November, up 11.8% from 1.502 million units in October and up 8.3% from 1.551 million units year-over-year. Starts in 2020 totaled 1.38 million units, which was an increase of 7.0% over the 2019 total of 1.29 million units. Total housing starts in 2021 are projected to be in the range of 1.56 million units to 1.58 million units. Some analysts believe that targets of 1.61 million were attainable if not for building supply and labor constraints and that housing fundamentals remain strong. Builder confidence slipped occasionally when monthly targets were missed but bounced back later. Starts are predicted to keep rising to 1.78 million units total by 2025.
- American pulpwood prices vary by region. Prices in the US South are expected to experience a modest correction in 2022 and 2023, with the return of more normal harvesting conditions, then increase to USD 10/GMt by 2025 for softwood pulpwood stumpage and USD 9.70/GMt for hardwood stumpage. Increased demand for OSB and wood pellets will promote rising prices, while higher availability of residuals from increased lumber production will apply downward pressure. In the US North-east, demand is projected to recover modestly, after capacity closures and shutdowns impacted demand in 2020 and 2021, with prices reaching USD 23.80/cord for hardwood and USD 16.40/cord for softwood by 2025. In the North-central region,

Global Consulting Alliance Timberland Market Update

prices are projected to continue to head lower in 2022. However, by 2023 through 2025 it is anticipated that demand will improve with increased consumption from panel mills, and prices reaching USD 35.40/cord for hardwood and USD 31.70/cord for softwood.

- Pacific North-west Douglas-fir log prices remained stable for the majority of 2021 despite robust demand in end-use products. Salvage logs from the enormous 2020 Labor Day fires have increased supply, while mill capacity is still suppressed due to pandemic-related labor issues. Price averages for 2021 were estimated at USD 791/MBF for West Coast Douglas-fir logs (+13% from 2020) and USD 567/MBF for Whitewood logs (+9% from 2020). West Coast Douglas Fir #2 logs are trading around USD 815/MBF, delivered, and whitewood logs are trading around USD 650/MBF. The US West region is expected to slightly increase exports of sawn timber logs to 0.89 BBF in 2022.
- The Framing Lumber Composite Price (Framing Lumber, Southern Pine, OSB, Structural Panels, Studs, Western S-P-F) experienced continuing price variance and volatility in Q4 2021 as demand rose much higher than supply due to COVID-19 labor related issues. Rising housing starts and a strong repair and remodeling sector were drivers of high demand. The Composite Price Index rose sharply from USD 494 the week of October 1st to USD 1038 the week of December 29th.
- US Hardwood lumber utilization 2021 total consumption increased 3.5% over 2020 to 7.589 BBF. Exports were up 10.2%, flooring 9.0%, millwork 5.1% and cabinets 2.7%. Imported cabinets rose 25.6% over 2020 due to shortages of lumber and labor, and high demand from rising housing starts and the repair and remodeling sector. Furniture consumption was down 3.6% from 2020 at year end, despite being up for the first 9 months of 2021. An increase in furniture imports of almost 32% probably dampened domestic production. Pallet consumption finally rose, 3.3% over 2020, due to record high shipments of durable goods. Consumption of railroad ties decreased 2.0% because of record-high lumber prices, and consumption of board road/mat timbers fell 12.1% due to US government emphasis on reduction of fossil fuel exploration.
- In 2021, wildfire activity was pervasive, and the nation remained at the two highest federal preparedness levels for a record fourteen weeks straight. An estimated 7.7 million acres burned in total, about 2.6 million of those in the state of California. Climate change and drought have been blamed for exacerbating wildfire conditions in the US West. The summer of 2021 was the hottest on record in the states of California, Nevada, and Oregon, while Washington state and Arizona experienced their second hottest. 80% of the US West was still categorized as being in severe drought at the end of November and half of the region was classified as in extreme drought. Meanwhile, in the eastern US, extremely wet weather from Atlantic and Gulf storms caused record economic damages. On December 10-11, a historic tornado event produced sixty-six tornadoes, two with astonishingly long tracks measuring 165.7 miles and 122.7 miles. The longest tornadoes were also the strongest, measuring EF4 and EF3. In total, the tornadoes caused damage across five states, devastating the town of Mayfield, Kentucky.
- US Timberland transactions were busy, and values were up in Q4 2021 due to strong fundamentals and some interest in carbon and ESG backed by plenty of capital to invest. Sentiment about carbon-related timberland investing ranges from exuberance to caution while the ultimate results are yet unknown. Housing demand is back after a decade of regression, timber supply out of British Columbia is expected to be cut significantly, major capital investments have been made in constructing new solid wood mills and investors are enthused about recent performance. Several large property deals are in progress or active and expected to fetch desirable sale prices in Q1 2022.
- The U.S. - Canadian lumber trade dispute continues to impact trade between the two countries. In November, the U.S. increased anti-dumping and countervailing duties on Canadian softwood lumber, raising average tariffs to 17.99%, more than double the rate imposed during the Trump administration. The move was met with consternation by the U.S. housing industry already faced with historically high lumber prices. The same month Commerce revealed its tariff plan, lumber hit a record price of \$1,650 per thousand board-feet, more than three times the level before pandemic supply shortages began. Across the border, the increase was widely disparaged as unfair and certain to lead to further job losses on both sides of the border.

- Meanwhile, in the same month, the British Columbia Forests Minister took another whack at the forest products industry by suspending logging in one-third of old-growth forests to allow time to work with First Nations on a long-term protection plan. The industry warns that the moratorium on logging on 2.6 million hectares of old-growth could close up to 20 sawmills, 2 pulp mills, and lead to thousands of job losses – far more than the 4,500 job losses predicted by the Forests Minister – if the protection is made permanent. About half of the coastal annual allowable cut is said to be old growth.

South America

Brazil

The following three bullets provide a summary of the 2021 forest sector context:

- The pine-based industries had an exceptional performance in 2021 due to building and construction trends ascribed to the COVID-19 pandemic.
 - Lumber, plywood, and molding exports in 2021 surpassed 2020 in quantity (5.3%) and USD revenue (56.4%) in actual terms. In the domestic market, packaging production stood out, with a growth of 10% in the last two years.
 - Due to the heated market, the consumption of pine wood in the last two years has exceeded the sustainable supply.
 - Due to the favorable market conditions, wood prices increased between 38% and 41%.
- Eucalyptus-based industries also had a remarkable performance in 2021.
 - Despite a slight quantitative expansion (0.5%), pulp export revenue in USD grew by 6.5% in real dollars.
 - Other wood product exports (logs, plywood, woodchips, and green-pig-iron) grew 8.1% in volume and 40.8% in USD revenue.
 - Due to the increase in demand, wood prices increased between 40% and 100%, meeting hurdle rates to attract new forestry investments.
- Contrasting the market gains, investment and production costs also increased significantly in 2021.
 - Forestry land prices rose between 20% and 40% on the back of appreciating agricultural commodities.
 - Leasing costs rose between 20% and 100% due to increased demand for leased land to plant new forests.
 - Forestry, harvesting, and transportation costs increased between 20% and 50%, mainly due to fuel, herbicides/insecticides, and fertilizers.

The following seven bullets present a short outlook for the forest sector:

- Forest-based industries should continue to have positive results, but with a downward bias against 2021. A drop in demand is expected in the domestic market, except for the packaging and bioenergy segments. Exports should remain robust in quantitative terms but with a decline in profitability.
- Industries must face challenges concerning the balance between supply and demand for wood in the Paraná/Santa Catarina, São Paulo, and Minas Gerais (MG) clusters. In the Mato Grosso do Sul (MS) cluster, this challenge will become noticeable from 2024 onwards with Suzano's new pulp mill.
- Large companies will intensify actions to ensure long-term wood supply, prioritizing forest purchase, supply contracts, and partnerships with forestry investors.
- In addition to forest expansion not keeping pace with demand growth, losses in standing stock and productivity due to adverse climate events are also a consideration, especially in the MG and MS clusters.
- The increase in forest-industry integration is expected to put at risk companies that rely on the spot market to source wood.
- Increased wood prices are likely to remain even if demand returns close to pre-pandemic levels, but profitability is expected to decline relative to 2021 due to increases in investment and production costs.

Global Consulting Alliance Timberland Market Update

- The 2022 primary question is “How to develop new clones to increase productivity and resilience in the face of a significant, uncertain and volatile climate scenario?”

Uruguay

- According to the CEPAL, the growth of the Uruguayan economy will be 3.9% in 2021, and 3.1% in 2022. Inflation during 2021 was 8.1%/a.
- Uruguayan exports of goods grew 43% in 2021, totaling USD 11.549 million. This is the biggest historical level in value since [Uruguay XXI](#) has collected this information, and implies a strong rebound compared to 2020 which was greatly affected by COVID-19. Likewise, exports grew 26% compared to 2019, which accounts for the increase compared to pre-pandemic levels.
- Beef was the product with the greatest impact on growth in 2021, both due to better prices and due to higher volumes exported. Sales of electricity and pulp also showed strong increases, in a context of higher export prices. Other products with a positive impact on the annual variation were wood, meat by-products, soy, and beverage concentrate.
- China was again Uruguay’s main trading partner in 2021, representing 28% of exports of goods, with USD 3.277 million exported. In second place was Brazil (16%), followed by the European Union (14%), Argentina (5%), the United States (5%), and Egypt (4%).
- For 2022, a more moderate performance of Uruguayan exports is expected. There will be no post-pandemic rebound effect, but some favorable conditions will remain. According to the estimates of Uruguay XXI, exports of goods would grow in the order of 5% in 2022, totaling over USD 12 million.
- A feasibility study was announced in 2021 in conjunction with China to evaluate the possibility of a Uruguay-China FTA. In late 2021 it was announced that in March 2022 Uruguay will also start discussions to negotiate a Uruguay-Turkey FTA.
- UPM’s second pulp mill project in the central region of Uruguay is proceeding according to plan, even though some delays in the construction of the railroad was experienced and again, labor disputes have occurred during 2021.
- Both UPM1 and the Montes del Plata (MdP) pulp mills operated at full capacity during 2021, consuming 5.2 million m³ and 6.4 million m³ of logs respectively. Both pulp mills consumed the highest annual volumes since they started operations. UPM2 is already buying wood from different regions.
- The first woodchip vessels exported during 2021, showed a decrease in FOB price close to USD 10/BDMt compared with 2020. During 2021, Uruguay exported 18 *Eucalyptus globulus* woodchip vessels to China (10 vessels) and Portugal (8 vessels), representing around 910 000 m³ of logs. Demand from Europe will probably increase during 2022, paying higher FOB prices.
- Total pine log export volume during 2021 was close to 2.6 million JAS m³, representing 74 vessels, (71% to China and 29% to India). Average FOB price for 2021 was around USD 84/JAS m³. During 2021, Uruguay loaded 5 Capsize vessels to China, with an average volume of 89 000 JAS m³ of pine logs per vessel.
- Uruguay’s eucalypt sawlog exports continued during 2021, with a total volume of 182 000 m³ and average FOB prices of around USD 132/m³. The main concern remains container availability and vessel capacity to load the containers, but the situation is improving.
- Only one plywood company in Uruguay is still operational. For 2021, demand is still high, but prices are lower than Q1 and Q2. Average FOB prices jumped from USD 290/m³ during 2020 to more than USD 550/m³ during Q2 2021. As of 2021, average prices were around USD 450/m³.
- Carbon credits from Uruguay’s forest projects are still in high demand, with prices higher than USD 8/CCBvcu (CCBvcu= Climate, Community & Biodiversity Verified Carbon Unit).
- As 2022 begins, and due to record heat waves, wildfires have consolidated as an important threat to Uruguayan forests, having already affected more than 15 000 ha, mainly located in the west region of Uruguay.

Africa

- The IMF estimated that economic growth in sub-Saharan Africa was a modest 3.7% in 2021, driven partially by resumption of tourism, a rebound of commodity prices and lifting of COVID-19 travel and business restrictions. The outlook for 2022 remains bleak with an estimated growth increase of between 0.1% to 3.8%.
- South Africa's medium-term economic outlook has improved slightly in 2021 due to improving global conditions but structural constraints and lack of investor confidence hampered economic growth. The South African Government's Medium-Term Budget Policy Statement released in November 2021 highlighted that electricity supply constraints "are a drag on growth" and "will continue to limit the speed and durability of the recovery, and long-term growth."
- Woodbois Ltd, a Gabon based global trader of African timber and timber product, indicated that in 2021 their revenue rose 15% to USD 17.5 million and gross profit rose to USD 3.3 million, from USD 1.2 million, but that its growth was constrained by sustained shipping and container difficulties.
- PG Bison signed a final contract in November 2021 with Siempelkamp for the construction of a new MDF plant in Mkhondo, South Africa. The plant will increase MDF manufacturing capacity from 420 m³/day to 1 200 m³/day and will come online in 2024.
- Angola's Institute for Forestry Development reported that the country exported about 12 000 m³ of sawn wood, valued at USD 72 million in 2021. The Ministry of Agriculture and Fisheries plans for the implement of five concessions for forest exploitation and conclusion of the construction of warehouses for forest products in 2022.
- In Malawi, the FDH Bank has adopted the Chingale Hills Forest in Zomba through a sponsorship of MWK10 million/a (~USD 12 000) for its sustainability drive. While perhaps a small amount in international terms, such private sponsorships could pave the way for the better management of government forest reserves in Africa.
- Tanzania adopted the National Engineered Wood Sector Development framework 2021–2031 (EWP) and an implementation plan in November 2021. The framework aims at stimulating local processing of wood products. A ban on the export of semi- and unprocessed timber products such as veneer sheets was announced with immediate effect but later suspended due to its impact on current business.
- A new regional forest certification scheme, the Pan African Forest Certification (PAFC) was launched in the Congo Basin. This initiative is supported by the Programme for the Endorsement of Forest Certification (PEFC) and the International Tropical Timber Technical Association (ATIBT), whose requirements guarantee international recognition.
- An investment partnership by CDC Group ("CDC"), Finnfund, Norfund and New Forests, a global investment manager focusing on sustainable landscapes, has been created to develop investment strategies designed to scale and transform the sustainable forestry sector in sub-Saharan Africa. This partnership will aim to raise USD 500 million over the next three to five years.
- More than 1.9 million Mt of woodchips were exported through the ports of Richards Bay and Durban in South Africa between January and November 2021. Over the same period nearly 900 000/ADt of chemical wood pulp were exported through these ports.

GLOBAL CONSULTING ALLIANCE LOCATIONS

BM2C

Address: Av. Cândido de Abreu, 70 - Centro Cívico, Curitiba - PR, 80530-000, Brazil

Tel: +55 41 98893 7338 | +55 41 3319 5967

bm2c@bm2consulting.com | <http://bm2consulting.com/>

Hägglom & Partners Ltd

Address: Oy Aleksanterinkatu 21 A, 5. floor, 00100, Helsinki

Tel: +358 40 555 9567 | Rainer Hägglom, Chairman | rainer.haggblom@haggblompartners.com

Tel: +358 40 758 8881 | Werner von Troil, COO | werner.von.troil@haggblompartners.com

<http://haggblompartners.com/>

Helsinki | London | New York | São Paulo | Singapore

Margules Groome Consulting Pty Ltd

Address: Level 4, 90 William St, Scottish House, Melbourne VIC, 3000, Australia

Tel: +61 3 8199 7937

info@margulesgroome.com | www.margulesgroome.com

Australia | New Zealand | Netherlands | South Africa | China

Mason, Bruce & Girard, INC | Natural Resource Consultants

Address: 707 SW Washington Street, Suite 1300, Portland, Oregon, USA

Tel: + 1 503-224-3445

info@masonbruce.com | www.masonbruce.com

PIKE & CO Consultora Forestal

Address: Costa Rica 1566, 11500 Montevideo, Uruguay

Tel: + 598 2605 6234 +598 2605 6235

info@pike.com.uy

