

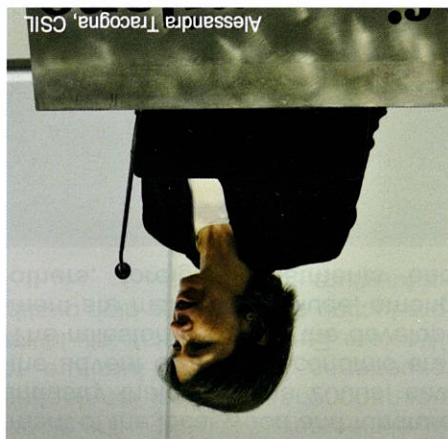
# CSIL INSIGHTS ON THE GLOBAL FURNITURE SECTOR DEVELOPMENT

The 17th edition of CSIL World Furniture Outlook seminar took place on April 10th 2019 at Salone del Mobile in Milan. Addressing the global furniture sector players, this CSIL meeting was organized in the consolidated format of one hour and half focused discussion, with a panel of qualified speakers from different countries, providing market insights to an audience of over 100 participants (furniture manufacturers, suppliers, representatives from associations and institutions, international press).

The seminar was chaired by Giovanna Castellina, CSIL international marketing director. After her opening remarks, the presentation of Alessandra Tracogna, CSIL senior partner, providing an analysis of the global dimension of the furniture sector.



Giovanna Castellina, CSIL



Alessandra Tracogna, CSIL



Meeting room Aquarius at FieraMilano Congress Centre

As illustrated in the data processed by CSIL, the production geography has changed substantially in the last decades, with the furniture industry progressively becoming a global industry. This process took years and it was mainly driven by the comparative

advantages of Asia in terms of production costs. Attention was pointed to the fact that the globalization trend has recently curbed. This was due to several concurrent factors impacting on the scenario, including the continuous reduction in the gap between Chinese and US/European production costs, the reduction of labor intensity due to the progressive advent of technology, the development of regional value chains and productive systems integration led by industry 4.0 and finally the increasing demand for product customization and shorter time to market, which are favoring proximity of the industry to its clients. The chaotic status of international trade regulations was also mentioned as a factor causing uncertainties, which, in turns, impact on expectations of exports and competitiveness of countries.





Giulia Taveggia, CSIL

The second presentation given by **Giulia Taveggia**, CSIL partner, focused mainly on the impact of the global scenario on the way companies formulate their strategies, particularly in relation to the different drivers of investments abroad. Taking the sample of the Top 200 furniture manufacturers analyzed by CSIL, it was highlighted that around half of them operate manufacturing plants outside their headquarter country. Several examples were reported in a background where strategies operated are in continuous development (see also article on pages 37-38).

The global picture emerged also from the views of the speakers invited, who delivered to the audience interesting insights on the furniture

industry features and perspective in their countries.

**Asia Pacific** still proves to take the lion's share in the global context.

**Linda Tu**, Vice Secretary General of CNFA - China National Furniture Association and Vice Chairman and Secretary General of CAFA - Council of Asia Furniture Associations, provided figures for 2018 of the **Chinese** furniture sector, including those showing a sustained growth of both exports and domestic sales, with a continuous development of the retailing channels, including the trend towards digitalization and online trade. She also illustrated the investment strategies of Chinese companies mentioning several examples of partnership in Europe aimed at adding high-end and mid-high-end brands in their product portfolio as well as investments aimed at increasing productive capacity outside China, particularly in Vietnam.

The importance of Vietnam as a global player emerged from the speech of **Nguyen Chanh Phuong**, Vice Chairman/General Secretary of HAWA, Vietnam Handicraft and Wood Industry Association, who illustrated the process of development of the local wood and furniture industry that, after the 2000s, saw the advent of a new economic era. The milestones driving the development are many and include, among others, foreign investments and



Nazzareno Mengoni, EFIC

strong support for the Vietnamese government, which identified the sector as one in the target of priorities. Particular attention is devoted to certification and sustainable forestry management, policies for human skills development and the reinforcement of the country international role through the development of trade agreements. All of this, under the motto "Vietnam to become the Global Woodwork Hub".

**Europe** is a leading player in the furniture industry, being the second largest producing region in the world. According to CSIL estimates presented at the seminar, the region in fact accounts for around one quarter of the total sector output.

The importance of the European Furniture industry was illustrated by **Nazzareno Mengoni**, Member of the Board of EFIC - European Furniture Industries Confederation - which recapped some key sector figures: the sector employs over 1 million workers in almost 120,000 companies, mainly SMEs, generating a total turnover of around Euro 100 billion. It was highlighted that the future path of the EU furniture industry should follow a long term planning in order to keep the industry competitive in the global context. EFIC identified several priority areas for intervention including: digitalization, harmonization and trade barriers reduction, as well as circular economy.

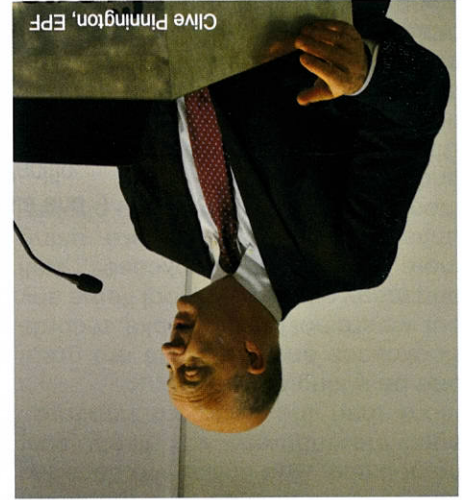


Linda Tu, CNFA

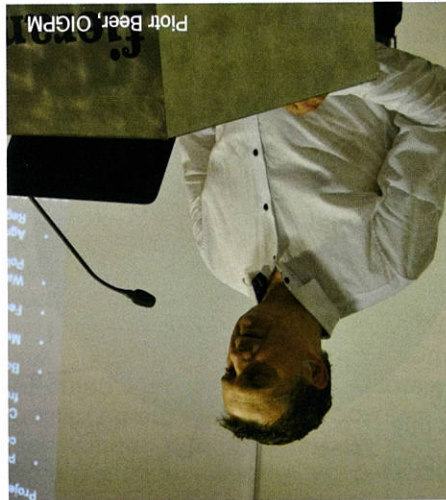


Nguyen Chanh Phuong, HAWA





The importance of circular economy was also stressed by **Clive Pinnington**, Managing Director of EPF-European Panel Federation. In his passionate speech, he emphasized the long term goal of having a Clean Planet for all and thus the need of having a European strategic long term vision for a prosperous, modern, competitive and climate neutral economy. Specific factors in the area of wood sourcing, such as sustainability in the forest management, the cascade use of wood as well as factors linked to the market development (with wood based panels production growing



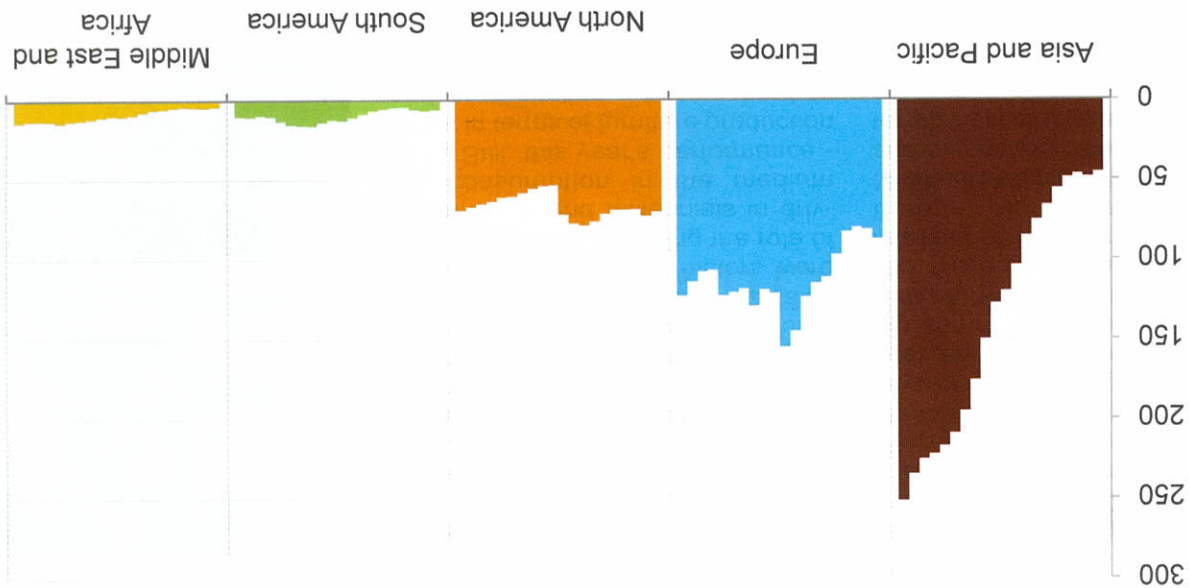
Poland is one of the fast growing furniture producers in Europe. As explained by **Piotr Beer** and **Sylvia Oleńska** from OIGPM, Polish Chamber of Commerce of Furniture Manufacturers, the Polish industry (made by over 27,000 companies with 160,000 workers) has progressively increased its role in the global scenario thanks to a longlasting experience in trading furniture to Western Europe, its relatively lower production costs and the high quality of furniture supplied.



Nowadays, the main identified challenges relate to the implementation of new technology for furniture manufacturing, reinforcement of brands, cooperation with designers to increase the added value of production. A particular attention is also paid to the development of human skills, with specific initiatives aimed at reducing entry barriers and increasing sector attractiveness for young workers.

Outside the EU borders, an important player in Europe is **Russia**, where the furniture sector seems to show signals of recovery.

Source: CSIL



WORLD FURNITURE PRODUCTION, 1999-2018. CURRENT US\$ BILLION





As illustrated in the presentation of **Artem V. Vasiliev**, Head of Development & International Relations of Mebelny Biznes magazine and President of IAFP, International Alliance of Furnishing Publications, import figures started growing again not only from China but also from Germany and, to a less extent, from Italy. The Russian retail landscape is in continuous development. (see also article on pages 16-17).

Moving to **North America**, an area that has performed positively in the period, an interesting and exclusive contribution was provided to the

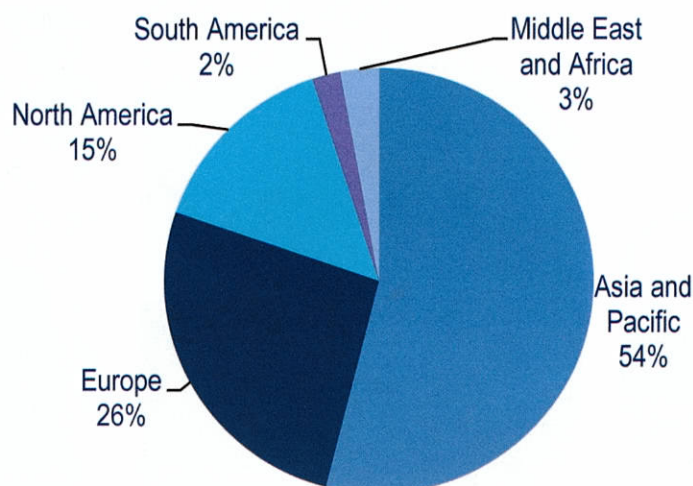
audience by a written note sent in occasion of the seminar by **Jerry Epperson**, MAE, Mann, Armistead & Epperson Ltd. As stated in his release: "The global economic slowdown has forced many U.S. factories to slow down production which has had an impact this year. Of course the trade war with China has also had an impact". Other factors were also mentioned, including the role of Ecommerce and Millennials in driving consumption in the medium term. Still, this year's performance - either in terms of furniture production and consumption - seems hard to predict, due to many factors potentially weighting on the current situation. (see also article on page 15).



A contribution from **South America** was provided by **Candida Cervieri**, executive director of Abimovel, Brazilian Association of Furniture Manufacturers, who focused on the keywords of design, competitiveness and sustainability. After providing some figures proving the large size of the Brazilian furniture sector, she drew the attention to the target markets of Brazilian exports both in Europe, North America and the Middle East, presenting the ongoing and planned initiatives aimed at fostering the internationalization process.

Looking at **the market side**, the picture presented by CSIL experts was positive in terms of global furniture consumption, expected to grow at a 3% yearly rate (in real terms) in the coming years, with the fast run of Asia Pacific, but also within a context that remains positive in all the other main areas. The seminar concluded with a final remark by Giovanna Castellina, who recapped the global dimension of the furniture sector, as a playing field where companies look for opportunities and face challenges, and where the key driver of market development goes along with competitive advantages, technology, investments and product development.

FURNITURE PRODUCTION BY GEOGRAPHICAL REGIONS, 2018. % IN VALUE



Source: CSIL