



World Furniture Industry

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Abstract

Furniture manufacturing is one of the most important sectors of the world economy. The world furniture market is developing dynamically and has undergone significant transformations over the last decade. The globalization of markets has led to changes in the structure of international trade. International furniture trade has been growing steadily since 2014 till outbreak of the COVID 19 pandemic in 2019. Population growth, high level of urbanization, development of construction business, increase in the number of business establishments, tourism development, demand for educational institutions, expansion of the medical sector, regular usage of outdoor spaces and many other factors contribute to the ever-increasing demand for furniture. The furniture manufacturing sector is one of the largest capital and labor-intensive sector, accounting for 4% of world production and providing jobs for 3% of the working population. China, USA, Germany and Italy are the largest exporters of furniture in the world. In the study we will look at the leading countries in the world of furniture production and the largest furniture manufacturers.

Keywords: Furniture; Production; Manufacture; Development; Market; Export.

JEL Codes: M2, L11

Introduction

The furniture trade is one of the most important part of the world economy. Furniture manufacturing includes the production, distribution and sale of furniture for residential, commercial and non-commercial establishments. We can find furniture anywhere, be it homes, offices, schools, hotels, outdoor spaces or anything else. This market also includes additional products such as mattresses and home arrangement services. Global Furniture Market is a multi-billion dollar industry that employs lots of people all over the world.

The furniture market is segmented into areas of application - home, office, hotel and other furniture; By distribution channels - shopping malls, specialty stores, online and various sales channels and geographical regions - North America, Europe, Asia-Pacific, Middle East and Africa.

The world furniture market can be divided into four main categories. These are - Home furniture, office / corporate furniture, hotel furniture and furniture accessories. 65% of the total value comes on household furniture, 15% on office / corporate furniture, 15% on hotel furniture and 5% on furniture components.

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As we see the production of furniture for living space accounts for about 65% of world production, although it is projected that the demand for commercial furniture will increase and its production volume will reach 120 billion US dollars by 2025.

Furniture can be divided into wood, bamboo, metal, plastic, rattan and other materials according to the material used.

The Center for World Industrial Research (CSIL) analyzed the global furniture market and published the results of the study in the report "World Furniture Outlook 2021" - 2020 was a difficult year for the furniture sector due to the pandemic, both in terms of demand and supply. Lockdown has touched on different countries and industries at different time intervals and at different levels. According to estimates, world furniture consumption will be reduced by 10%. For the first time in decades, a negative rate of industry growth is observed in all regions of production.

Numerous company strategies have changed based on the changes. Most firms have switched to online sales, increasing the production of multifunctional, antibacterial furniture for home offices, and more.

In recent years, there has been a shift of enterprises from developed countries to developing countries, mainly due to cheap labor and low taxes.

China is the main manufacturer of furniture. It accounts for 41% of world production. There are other major manufacturers - the US, Germany and Italy. In 2011-2020, furniture production in Asia-Pacific increased by 11% and as a result, the share of world furniture production in the region was 54%.

The leading importing countries are the USA, Germany, France, Great Britain and Japan. It should be noted that until 2018, the growth of furniture imports in the US was one of the main drivers of growth in world furniture production.

Main text: The shrinking local markets and increasing internationalization of furniture production at the present stage determine the progress of both dynamics and structure of the international furniture trade. From 2002 to 2014, according to experts, the international trade in furniture was growing at least twice a year. And since 2014, the upward trend has been steadily increasing until the COVID-19 pandemic. This growth is due to the processes of globalization, the relocation of enterprises to Southeast Asia, Latin America, Eastern Europe and the steadily growing volume of exports.

The world furniture market, like other long-term usage goods markets, is developing in close connection with the general public conjuncture. As a result of the economic and financial crisis of 2009, the world trade in furniture decreased by 20%, although the volume of trade has been growing again since 2010. The annual growth rate exceeds 7%, which is a very good figure even considering the inflation rate.

In recent years, CSIL – so called evaluation of "openness" of furniture market become very actual. This figure is expressed in terms of the volume of furniture imports and consumption.

Today, the share of imports is 30% of world furniture consumption. This means that every third piece of furniture, sold in the local market is imported.

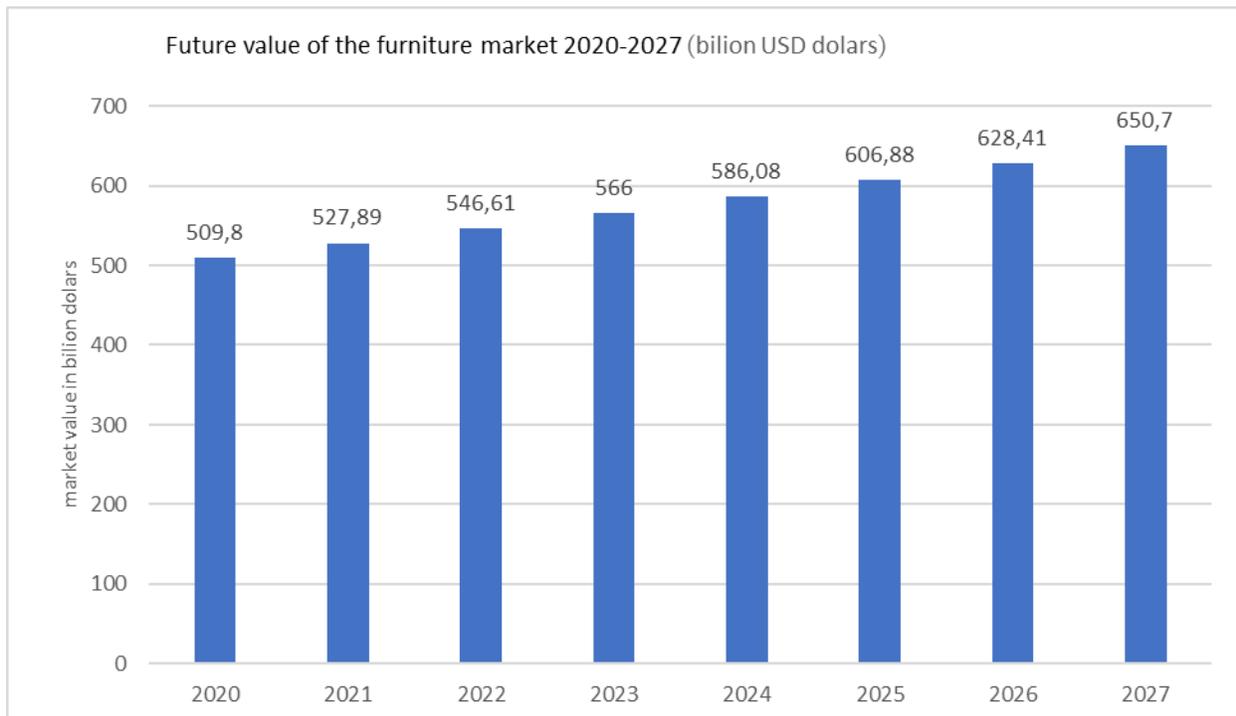
International trade is crucial for the world economy. The growth of international markets was facilitated by free trade and the globalization of production.

In recent decades, furniture companies in economically developed countries have been actively relocating to countries where production costs are much lower. Such are mainly Asian countries. The states that in the previous period were leaders in furniture production were removed from the list of leading exporters of furniture. For example we can cite the American market.

The opening of the markets has become a major structural revolution for the furniture manufacturing sector, which has played a defining role in its development in recent decades. External markets have been facilitated by factors such as the removal of tax barriers, reduction of customs duties, development of international distribution channels, introduction of production in developing countries, ability to cooperate with foreign suppliers and logistics companies, development of infrastructure, world economy and etc.

According to forecasts, the growth rate of furniture in 2020-2026 will average 5.4%. The rapid development of the construction industry and "smart cities" is expected to create new opportunities for the furniture industry, one of the most common parts of modern marketing activities is offering furnished homes to customers, which can be considered as one of the favorable factors for the development of the furniture market. Based on these calculations, the future estimate value of the world furniture market is calculated.

Figure 1 : Future value of the furniture market



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Globalization has allowed manufacturers to participate in shaping the world economy. Any developed or developing country aspires to foreign markets for economies of scale and production capacity, as well as future technological experience.

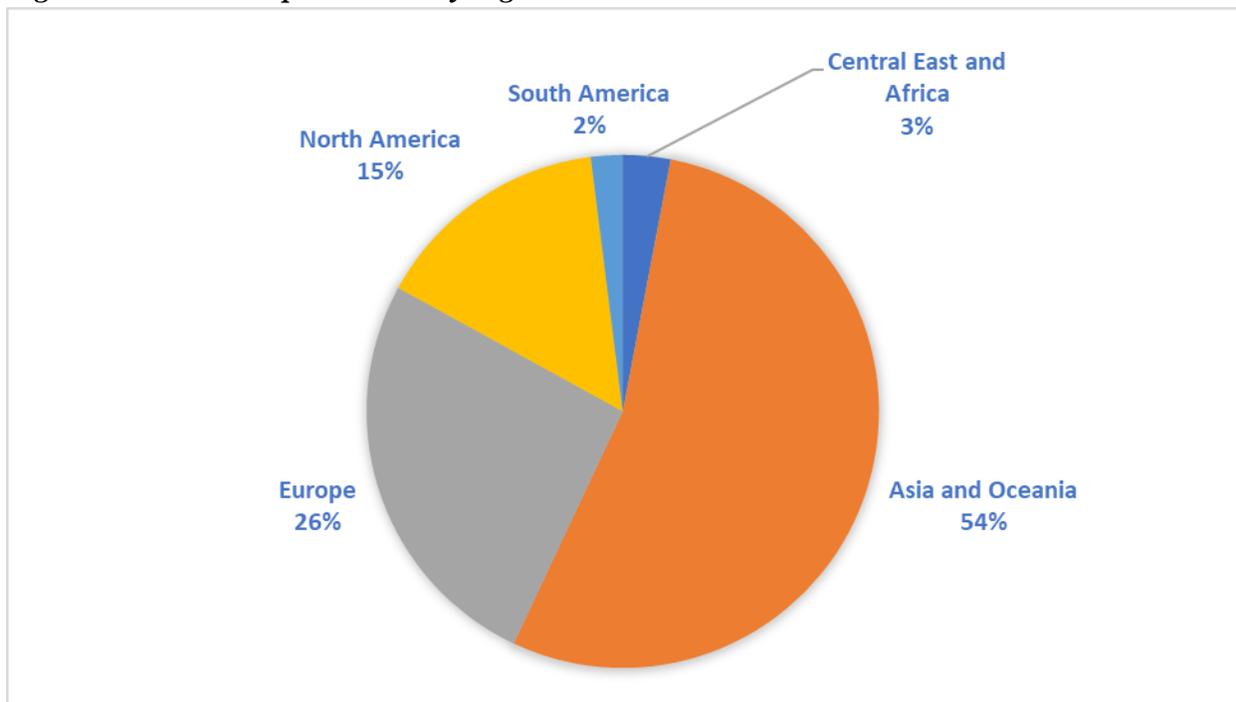
The recent crisis has further facilitated the relocation of furniture production from countries with developed market economies to Asian countries.

China is the undisputed leader in furniture production. Despite many fast-growing markets, it remains a non-competitive exporter of furniture, several times ahead of other advanced countries, and the volume of exports of its products is growing every year. In just 10 years (2000-2010), furniture exports from China increased from \$ 7 billion to \$ 50 billion, or 7 times. It took China very little time for Italy to take the lead, becoming the furniture leader exporter country. The aggressive export policy pursued by China has led to the so-called "Trade battles" in this more or less stable, balanced market. Along with China, Vietnam, Malaysia and Indonesia are the largest manufacturers of furniture in the Asian region. Leading companies in the Asian region often move to produce a certain range of products, for example, to produce low-cost, simple furniture.

The segmentation of the furniture manufacturing industry is mainly found in the regional context and the following main regions of production can be distinguished in the world market - North America, Europe, Asia-Pacific, Latin America, the Middle East, and Africa.

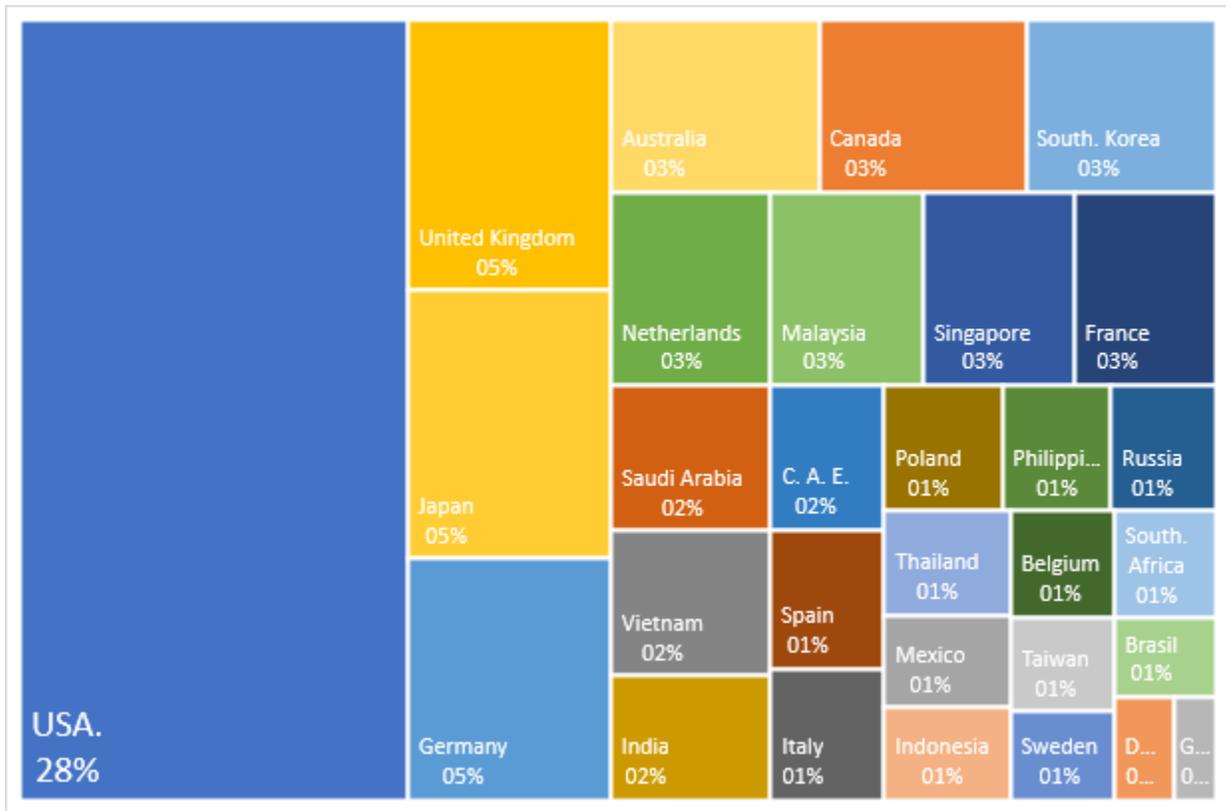
The main manufacturing centers in the North American region are the USA, Canada and Mexico; In the European region - Germany, Spain, England, Italy, France, Poland; Asia-Pacific region - China, India, Japan, Australia, South Korea, Vietnam, Bangladesh; In Latin America - Brazil. Central East countries - Turkey.

Figure 2 : Furniture production by regions



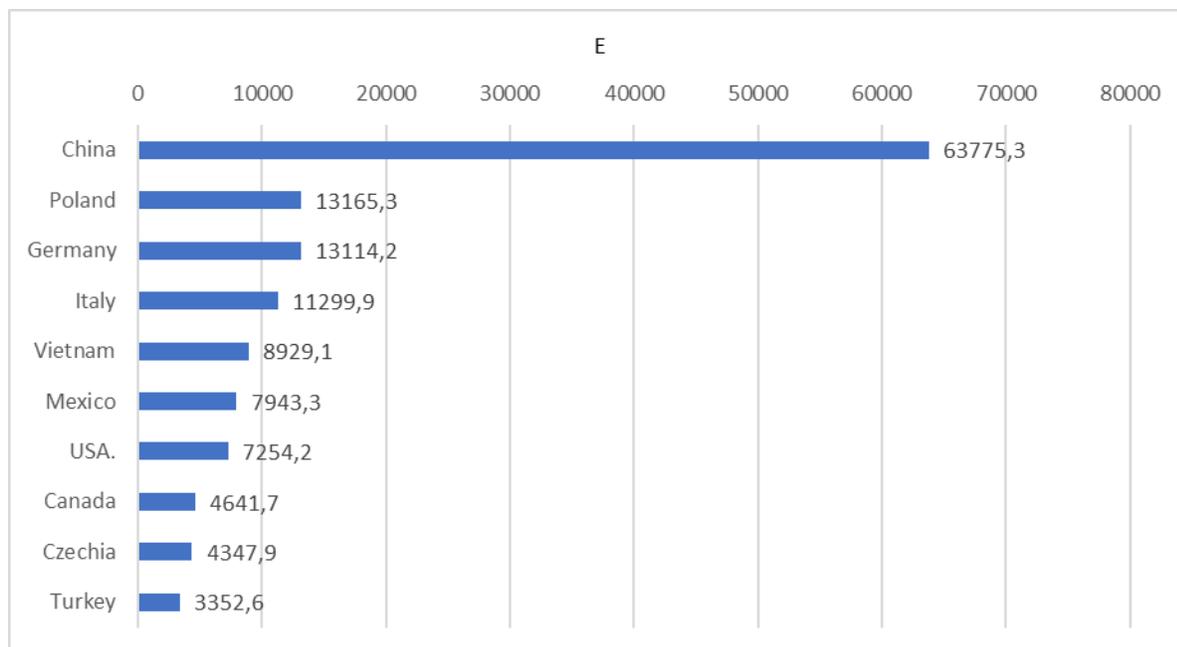
As can be seen from the diagram, most of the production comes from the Asian region. 41% of world furniture production is on China alone. Its products are sold all over the world and its main export points are as follows:

Figure 3 : Export countries of Chinese-made furniture



After China the 10 main furniture exporter countries of 2020, are follows:

Figure 4: Furniture Exporter 10 Advanced Countries (2020)



As we can see from the figure, after China Poland is on second position. One of the main reasons of this is relocation enterprises from developed to developing economic countries. As German, one of the largest exporter of the furniture, moved its production lines to Poland, country became leading furniture exporter in the world.

Vietnam is the second largest furniture exporter in the Asia region and the sixth largest in the world. There are about 1500 manufacturers in the country who export their products. Most of them are focused on the production of outdoor furniture. Recent economic upheavals and foreign direct investment are helping to build enterprises equipped with modern newest equipment. In 2018, the highest rate of furniture exports in Vietnam was recorded - 12%, resulting in 2.72% of world furniture exports.

Another major exporter of furniture from the Asian region is Malaysia. Although it lags behind other countries in the region in terms of exports, the number of direct investments is quite high.

The African region is becoming an important player in the world furniture market. In 2019, furniture imports exceeded \$ 5 billion. The continent's largest importers are Angola, Morocco, Libya, Nigeria, Algeria, Kenya, Egypt, Ghana and Sudan. The rapidly growing population and urban settlements, as well as the development of the economy, are the main reasons why the furniture market is on the rise. Despite the political instability, Africa is developing the infrastructure needed to produce furniture, increasing the population of the city, investing in real estate, paying attention to tourism and, consequently, culture and entertainment. All these factors contribute to the increase in demand for furniture.

In 2018, the volume of furniture production in South Africa reached almost 121 million US dollars. There are about 2,200 registered furniture companies in the region, employing 26,400 people. In 2018, South Africa was the largest exporter in Africa. Exports amounted to US \$ 31 million.

The South African region ranks second on the continent in terms of imports. 50% of the local market is produced by locally produced and 50% by imported furniture. The Republic of South Africa is the largest importer of Africa.

The European Furniture Market is the second largest market and manufacturing center after Asia. This market has modernized its production policy and made every effort to innovate in the use of materials, product quality and design. These changes include restructuring, technological progress, and business-model innovation. Despite that the Asian furniture market is a world leader in furniture manufacturing, the European market is a pioneer in new design, an environmentally friendly approach to production, the proper use of raw materials and the implementer of the latest modern technologies in production process.

The European furniture industry accounts a quarter of world furniture production. The European market competitiveness strategy lies in the innovation of production, ecological approaches, reducing of production deadlines, export of products to emerging markets and development of communication channels. In most European countries, furniture production accounts for 1% -4% of GDP, which is a fairly large share of the national economy. The small and micro 126,500 enterprises on the market employ approximately one million skilled workers. The largest producing countries in the EU are Italy and Germany, which in 2017 produced 43% of the furniture produced throughout the EU. Most of the companies operating in Germany have moved their enterprises to Poland, and in recent years Poland has become one of the top three countries in the European Union.

In the Middle East, the share of Turkish-made furniture in global furniture production is remarkable. Turkey is currently the 13th largest furniture exporter country in the world. The volume of furniture produced annually is steadily growing in accordance with the requirements of the world market. The growth coefficient reaches 4.3%. Turkey mainly exports furniture to European countries, the USA, Israel and Iraq. 2021 Turkish furniture exports reached \$ 4.3 billion. In 2022, their goal is to increase this figure to 6 billion dollars.

The US is one of the largest markets for furniture consumption. Lack of barriers to imports, high incomes, development of the construction sector and frequent repairs of houses are the main reasons why the demand for furniture in this region is steadily growing. The U.S. market has about 20,000 manufacturers, mostly concentrated in Michigan, Ohio, Illinois, North Carolina, Mississippi and Virginia. Canada and Mexico are major export markets for American manufacturers.

The furniture market is constantly evolving and aspires to offer customers the kind of products that suit the buyer with different tastes and lifestyles. Several factors contribute to market growth - changing lifestyles, consumer incomes, changes in the urban landscape, and other additional economic or social factors.

It should be noted that the largest share of furniture production comes from some of the largest companies, among which the top 10 places are distributed by the following companies: IKEA,

Ashley HomeStore, Restoration Hardware, Kartell, Williams – Somona, La-Z-Boy, Raymour & Flangin, American Signiture, Roche Bobois, Ethan Allen.

The peculiarity of the modern furniture market is reflected in the fact that the rapid change in demand contributes to the existence of small and medium enterprises in the sector with large manufacturers. As with any consumer goods market, small-scale furniture markets have become an integral part of large corporations. Small enterprises are mainly sub-suppliers of large enterprises, producing individual details of furniture.

This itself contributes to the growth of small and medium enterprises, which is one the most important factor in the development of any economy.

Conclusions

The world furniture market is constantly evolving, dynamic and growing, bringing huge revenues to the world's leading furniture manufacturers. The global furniture market is projected to reach \$ 586 billion by 2024, partly due to growing demand for furniture in the US region as one of the largest importers and exporters. Any change in this region will significantly affect the state of the world furniture market. Achieving this level means increasing the number of small and medium enterprises, more employees, more middle-income groups, filling the budget, strengthening the exchange rate of the national currency, raising awareness in international markets and many other positive results.

2021 year processes in the world, which is caused by COVID 19, have forced almost 58% of the population to stay at home. Due to the long period of isolation, population developed a desire to better arrange their living space, which prompted them to purchase furniture. For stores with virtual sales, this fact has become another factor in increasing sales.

Sales companies use a lot of marketing methods and offer customers a higher standard of service. Some brands use completely innovative approaches, such as "Create your home design without leaving home." With the help of the Internet, any customer can virtually complete a living space, office or other space and buy the desired furniture or accessories without going to the store.

The growing demand for small apartments in the cities by the population and young citizens, where, consequently, small-capacity and multifunctional furniture has become necessary, has created a new direction in the market, so-called "Tiny House Furniture".

The best brands of furniture manufacturers offer furniture which is called DIY type furniture group. For DIY type furniture IKEA is a leader company with billions and billions turnover. Low-cost furniture is the largest group of products that contributes to the growth of the market. The increase in demand for home furniture has ensured the dominance of sales of this type of furniture compared to other groups, it accounts for 2/3 of the entire furniture market.

In economically developed countries, the demand is constantly growing on luxurious, premium class furniture. Furniture companies of this type are almost always in the top ten of the best companies.

As we can see, the field is constantly evolving and stagnation is not considered even in the rather distant run. It also makes clear how important the sector is to improving the economies and social situation of developing countries. All the states where the furniture industry is quite developed are advancing internationally.

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