

The Belgian furniture industry in 2018: Entrepreneurial confidence persists despite difficult market conditions

The Belgian furniture industry

Key figures (2017)

- **807 companies**
- **10,784 employees**
- **Turnover: 2.1 billion euros**
- **Export share: 57%**
- **Share in total turnover of Belgian wood and furniture industry: 44%**

Summary of developments in the first half of 2018

- Turnover: 1,098 billion euros, -2.7% compared with the first half of 2017
- Investment volume: 52 million euros (+19.9%)
- Production capacity utilisation rate: 80%
- Exports in first half -0.3% compared with the same period in 2017. France, Germany and the Netherlands remain the major markets
- Imports in first half -2.8% compared with the same period in 2017

Belgian consumer confidence was positive throughout most of 2017. However, this did not translate into positive purchasing behaviour of furniture. In the first half of 2018, consumer confidence fell slightly, just like in Europe in general.

General comments

The Belgian furniture industry is faced with difficult market conditions. After a turnover decrease of roughly 6% in the year 2017, this is set to continue in the first half of 2018, based on provisional figures (- 2.7% compared to the first half of 2017).

While the decline in 2017 manifested itself in all product groups, especially in residential, office and retail furniture (-7.7 to -8.4%), these groups tempered the further loss somewhat in the first half of 2018 (-5.6% and -2.7% respectively). Kitchen and bedroom furniture did recover slightly in the first half of 2018 (+2.5% and +0.1% respectively).

This development seems to be part of a generally more difficult situation for all interior-related sectors. Possible explanations can be found in the uncertainty and caution among consumers due to the increased energy and fuel costs, higher living expenses, and due to (international) political developments that lead to a postponement of larger purchases. In addition, the further breakthrough of e-commerce is also bound to play a role.

First semester of 2018: Decrease in turnover of domestic furniture; kitchen and bathroom furniture resume growth

Evolution of turnover in the furniture industry by product group							Sales prices
In million EUR	2016	2017	17/16	6 m 2017	6 m 2018*	6 m 18/17*	6 m 18/17
Chairs and seating, dining room, sitting room, bedroom, garden and patio furniture	1,086.4	1,002.7	-7.7%	546.9	516.1	-5.6%	+0.9%
Office and shop furniture	381.8	349.6	-8.4%	177.2	172.5	-2.7%	+3.0%
Kitchen furniture	413.7	399.4	-3.5%	205.6	210.8	+2.5%	+0.4%
Mattresses and bases	398.3	392.3	-1.5%	198.5	198.7	+0.1%	+3.7%
Total furniture industry	2,280.2	2,144.0	-6.0%	1,128.2	1,098.1	-2.7%	+1.9%

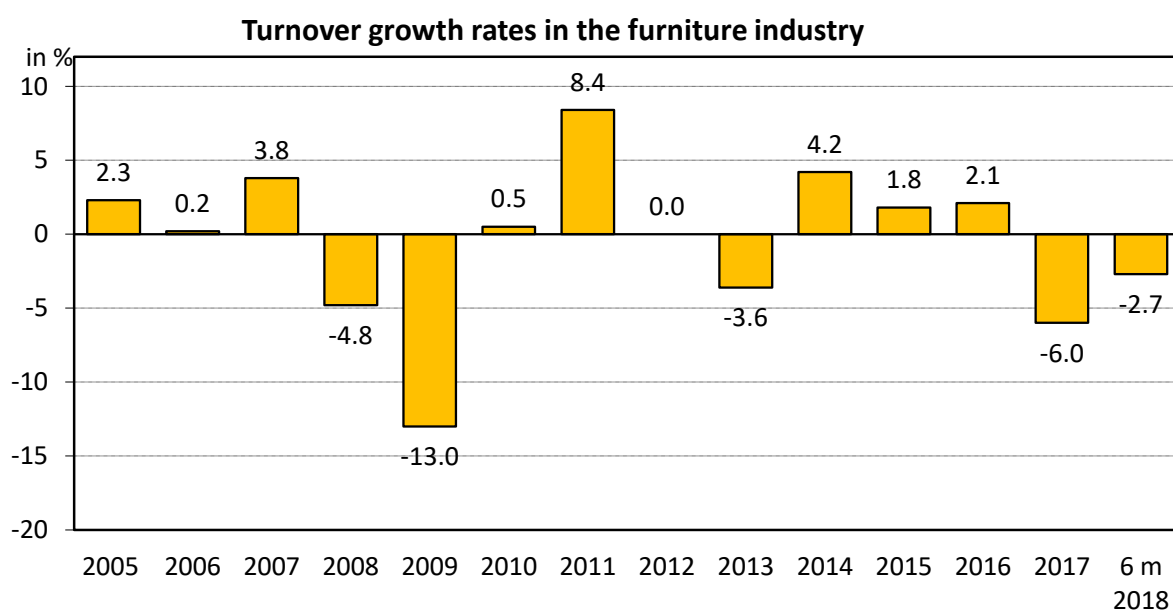
Source: FPS Economy, VAT returns

* Provisional data

The **turnover** of the Belgian furniture industry amounted to EUR 1,098.1 million in the first half of 2018, representing a 2.7 % decrease compared to the first half of 2017. This unfortunately continues the decline in turnover that started in 2017 (-6% compared to 2016). In 2017, the third quarter was particularly disappointing. Taking into account the sales price development, the decrease in volume amounted to -4.6 % during the first half of 2018.

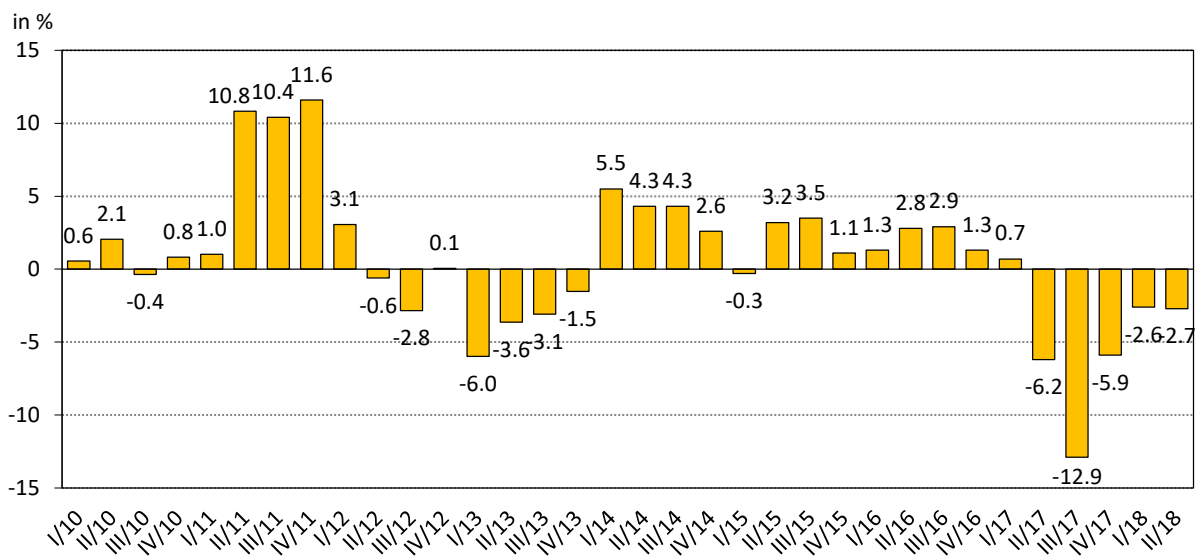
The decrease is particularly striking in the largest market segment: **domestic furniture**, which also already experienced a sharp decline in 2017. The lower visitor numbers in the Belgian furniture trade, still the most important market for many Belgian producers, in conjunction with a changing consumer consumption pattern, certainly plays a role in this. This development is also present but less pronounced in the area of **bedding** (mattresses and bases). Turnover there stabilised in the first six months, the volume dropped by 3.6%.

Kitchen and bathroom furniture seem to recover after a dip in 2017.



Source: FPS Economy, VAT returns

Turnover growth rates in the furniture industry (per quarter)



Source: FPS Economy, VAT returns

Investments and production capacity utilisation rate

During the first half of 2018, the Belgian furniture industry invested EUR 51.9 million, i.e. an increase of 19.9% compared to the same period in 2017. The investments increased in all product groups with the exception of the subsector office and shop furniture. The increase in investments follows a year of lower investments. This indicates that companies have started to catch up and thus confirm their confidence in the future.

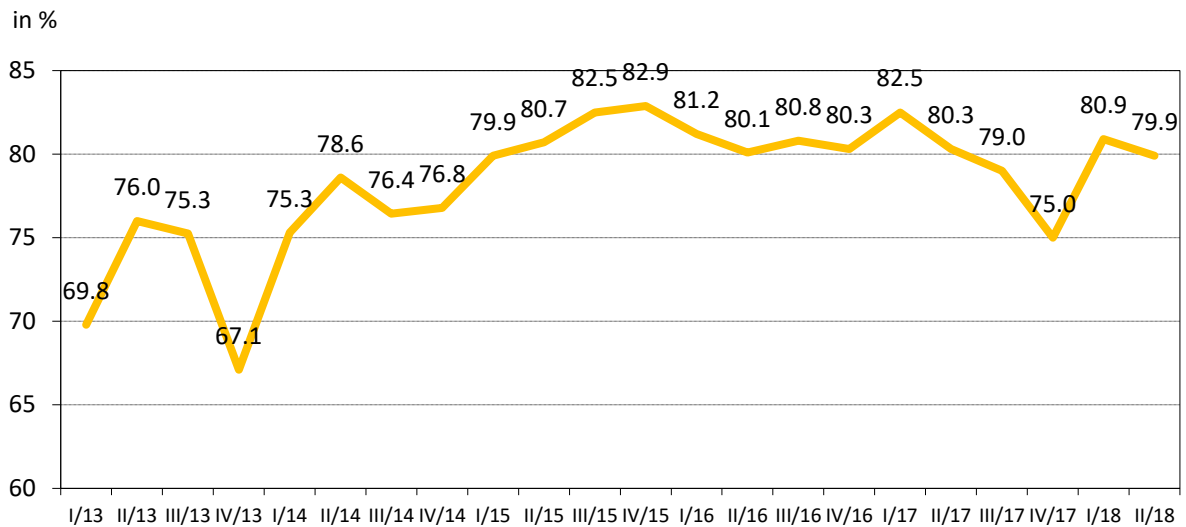
Evolution of investments in the furniture industry						
in million EUR	2016	2017	17/18	6 m 17	6 m 18*	6 m 18/17*
Chairs and seating, dining room, bedroom, garden and patio furniture	45.2	43.3	-4.2%	24.1	26.8	+11.2%
Office and shop furniture	13.9	10.4	-25.2%	5.2	4.4	-15.4%
Kitchen furniture	24.5	20.0	-18.4%	10.4	12.0	+15.4%
Mattresses and bases	8.4	7.7	-8.3%	3.6	8.7	+141.7%
Total furniture industry	92.0	81.4	-11.5%	43.3	51.9	+19.9%

Source: FPS Economy, VAT returns

* Provisional data

The capacity utilisation rate in the Belgian furniture industry in the first half of 2018 was just above or around the 80% limit. The fall to 75% at the end of 2017 is striking. This had not happened in the past three years.

The Belgian furniture industry's production capacity utilisation rate



Source: National Bank of Belgium

Employment levels are holding up

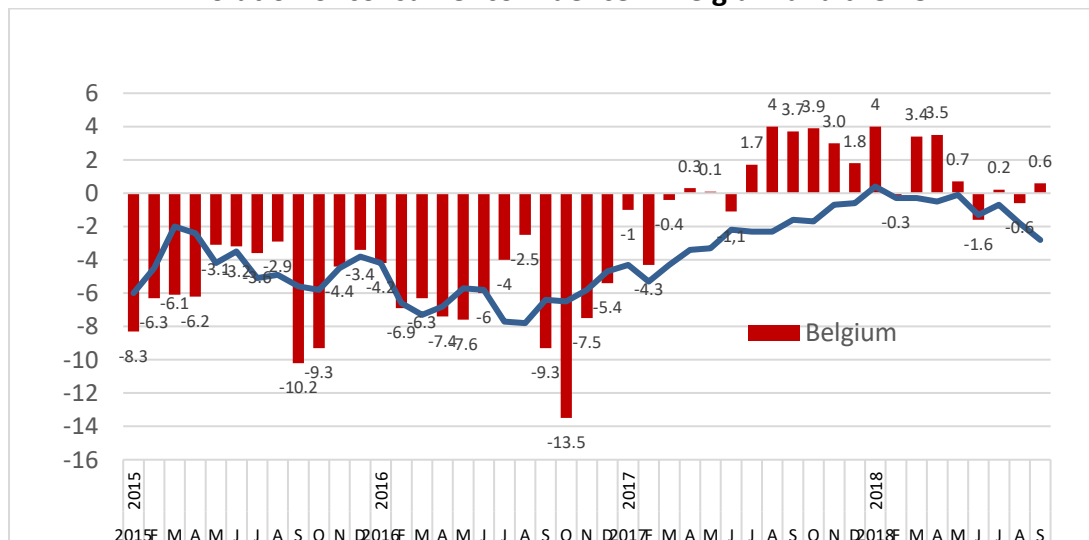
Employment in the Belgian furniture industry amounted to 10,874 people in 2017, spread over 807 companies. Compared to 2016, this means a slight decrease of the workforce by 200 persons. For the current year, it can be assumed that employment will stabilise or decrease slightly. Overall, employment in the furniture sector is holding up well.

Consumer confidence: trend reversal

Since April 2017, we have had positive consumer confidence in the Belgian market for more than a year. However, since June 2018 the trend has been negative again, although we are still above the European average, which is also declining.

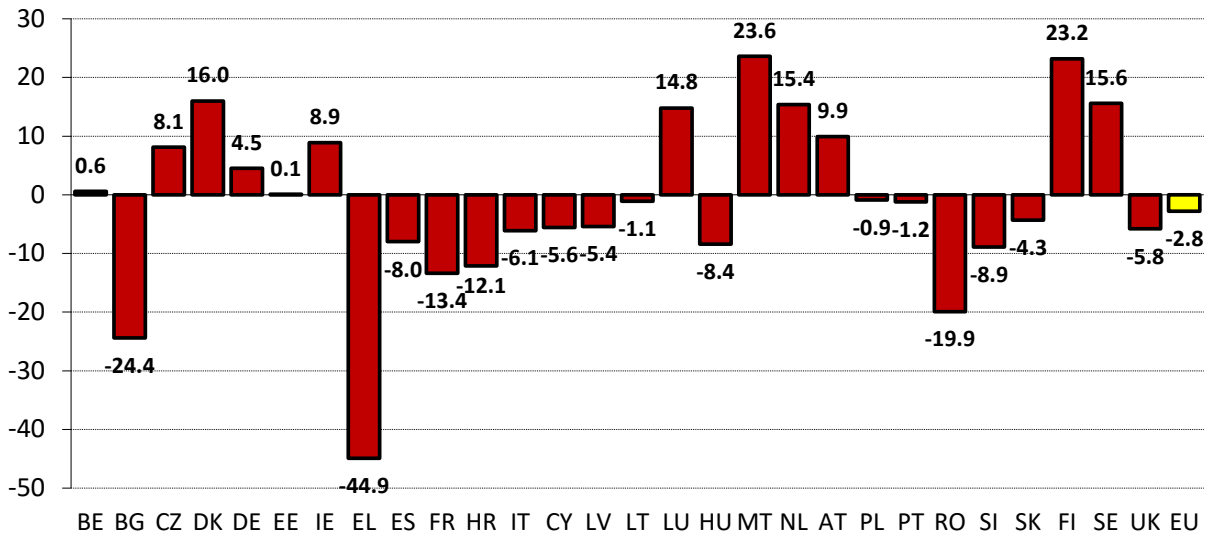
The correlation between positive consumer confidence and good sales in the furniture trade has been missing for some time now, though, which leads us to believe that this is no longer a good indicator for activity in the sector.

Evolution of consumer confidence in Belgium and the EU



Source: European Commission

Consumer confidence in the European Union – September 2018

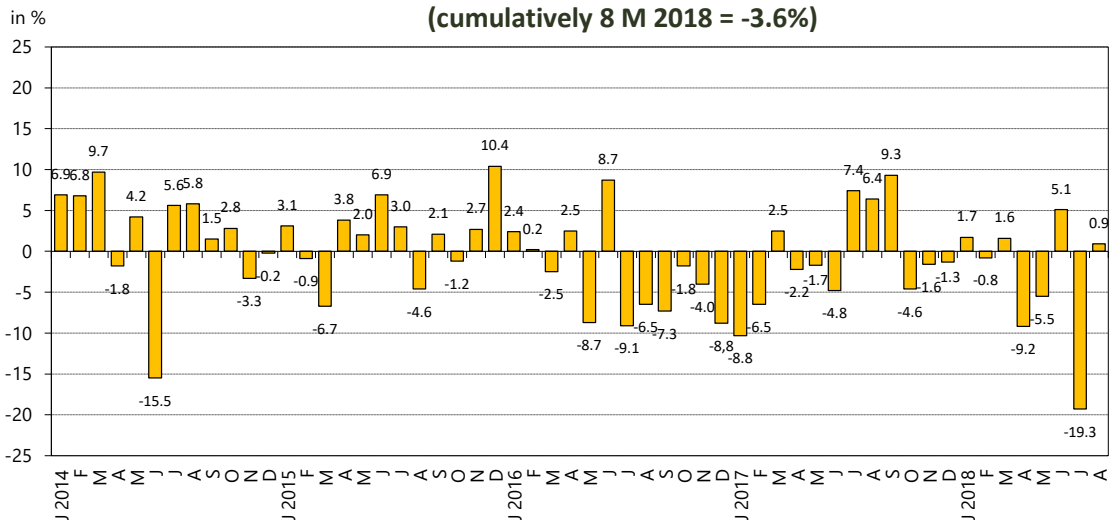


Source: European Commission

Declining order levels in the furniture trade!

According to the monthly survey of the National Bank of Belgium, orders received in the Belgian furniture trade decreased by 3.6% altogether during the first 8 months of 2018. The 19.3% drop in orders in July 2018 was very striking, after the months of April and May also showed negative figures. The exceptionally good weather probably played its part in this.

Furniture industry orders received over time (cumulatively 8 M 2018 = -3.6%)



Source: National Bank of Belgium

Foreign trade: continued growth

In 2017, Belgian furniture manufacturers' **exports** increased by a total of 5.0%, mainly due to good performances in neighbouring countries and within the EU28, with the exception of the United Kingdom.

Overall, in the first 6 months of 2018, there was a slight decrease of 0.3% compared to 2017. Belgium exported furniture for a total value of EUR 725 million. While exports to the EU countries increased by 0.5%, mainly due to exports to less traditional markets such as Italy, Denmark, Sweden, Latvia and Hungary and a striking 5.1% increase in exports to the Netherlands, exports to countries outside the EU decreased.

The 2.7% drop in exports to France, traditionally the most important foreign market for Belgian producers, was rather surprising. However, the country still accounts for an export share of 40.6%. The more positive results on the Dutch market enabled this country to increase its share to just under 30% (29.8%). Germany's share dropped slightly to 8.4%. 91.7% of furniture exports from Belgium go to EU countries.

For exports to other European countries, the increase to Iceland (+108%) and the sharp drop (-21.2%) to Switzerland are striking at first glance. Exports to Norway, which rose sharply in 2017, stabilised.

North America, especially Canada, certainly offers opportunities for increased sales in the future. In the context of the CETA trade agreement, attention will be focused more strongly on this market. Exports to China rose by no less than 28.7% in the first half of 2018.

Imports of furniture fell by 2.8%. Imports from the European Union fell by 1.7% to EUR 822 million. This represents a share of 71.3%. The lion's share of furniture from the EU comes from Germany, the Netherlands and Poland. Strong increases in the first half of 2018 came from Denmark (+25%), Greece (+27.7%), Luxembourg (+99.2%), Finland (+246.1%) and Slovenia (+28.9%).

China's share of imports dropped slightly to 17.8% (-7.4% in the first half). However, the country remains the main foreign supplier. Imports from Vietnam fell by a quarter.

Foreign trade in the furniture industry (incl. metal and plastic)									
	Belgian imports				Belgian exports				Percentage of cover 6 m 2018 (Exp/imp)
	Share 6 m 2018 in %	6 m 2017 1,000 EUR	6 m 2018 1,000 EUR	6 m 18/17	Share 6 m 2018 in %	6 m 2017 1,000 EUR	6 m 2018 1,000 EUR	6 m 18/17	
France	6.1	66,541.6	70,481.9	5.9	40.6	302,449.4	294,170.1	-2.7	417.4
Netherlands	15.6	177,343.3	180,267.8	1.6	29.8	205,866.4	216,273.3	5.1	120.0
Germany	16.2	195,415.4	187,149.4	-4.2	8.4	64,664.9	60,905.2	-5.8	32.5
Italy	7.2	81,222.8	82,643.1	1.7	1.7	10,342.0	12,149.9	17.5	14.7
United Kingdom	0.9	11,052.1	10,077.0	-8.8	2.3	17,898.9	16,438.4	-8.2	163.1
Ireland	0.0	103.5	308.8	198.5	0.1	1,606.1	899.2	-44.0	291.2
Denmark	0.9	8,337.2	10,424.9	25.0	0.5	2,122.3	3,350.5	57.9	32.1
Greece	0.0	87.2	111.4	27.7	0.1	722.9	889.8	23.1	798.8
Portugal	0.3	3,966.6	3,192.7	-19.5	0.5	3,348.4	3,427.4	2.4	107.4
Spain	0.8	10,909.3	9,544.8	-12.5	1.5	10,377.9	11,219.7	8.1	117.5
Luxembourg	0.1	397.9	792.7	99.2	1.9	13,155.9	13,417.4	2.0	1,692.7
Ceuta	0.0	0.0	0.0	-	0.0	35.1	49.6	41.1	-
Mellila	0.0	0.0	0.0	-	0.0	71.8	14.7	-79.5	-
Sweden	2.5	32,370.5	28,819.9	-11.0	0.8	3,801.9	5,713.0	50.3	19.8
Finland	0.2	611.5	2,116.3	246.1	0.2	1,063.7	1,129.6	6.2	53.4
Austria	0.2	2,544.3	2,490.3	-2.1	0.6	4,762.8	4,391.3	-7.8	176.3
Malta	0.0	0.1	0.2	217.2	0.0	337.5	322.6	-4.4	175,333.7
Estonia	0.1	1,142.3	684.2	-40.1	0.1	703.4	685.7	-2.5	100.2
Latvia	0.0	151.8	217.1	43.0	0.0	103.0	170.8	65.8	78.7
Lithuania	1.1	10,032.6	12,211.7	21.7	0.1	656.0	614.8	-6.3	5.0
Poland	9.8	100,481.5	113,290.8	12.7	1.5	8,908.2	10,758.5	20.8	9.5
The Czech Republic	2.6	64,163.6	29,605.2	-53.9	0.3	3,059.4	1,824.6	-40.4	6.2
Slovakia	1.2	11,973.7	13,812.6	15.4	0.1	819.3	938.0	14.5	6.8
Hungary	1.2	12,253.8	13,437.5	9.7	0.3	1,450.6	2,428.5	67.4	18.1
Romania	3.6	36,272.5	41,345.6	14.0	0.2	2,641.3	1,754.1	-33.6	4.2
Bulgaria	0.3	2,678.5	3,069.2	14.6	0.0	324.2	294.5	-9.2	9.6
Slovenia	0.3	3,111.5	4,012.0	28.9	0.0	186.8	228.8	22.5	5.7
Croatia	0.2	2,974.1	1,795.3	-39.6	0.0	219.8	213.9	-2.7	11.9
Cyprus	0.0	2.9	0.7	-77.0	0.1	171.9	369.5	115.0	56,323.8
European Union	71.3	836,142.0	821,903.1	-1.7	91.7	661,871.8	665,043.2	0.5	80.9
Iceland	0.0	10.2	0.2	-98.5	0.1	466.3	969.8	108.0	646,564.0
Norway	0.0	44.5	43.3	-2.7	0.3	2,159.2	2,226.8	3.1	5,146.0
Switzerland	0.3	4,520.9	3,663.0	-19.0	1.3	12,031.8	9,486.1	-21.2	259.0
Turkey	2.9	31,983.8	33,135.4	3.6	0.1	285.8	743.7	160.3	2.2
Bosnia-Herzegovina	0.1	1,442.4	1,407.2	-2.4	0.0	13.4	12.5	-6.5	0.9
Serbia	0.5	4,083.0	5,325.5	30.4	0.0	138.4	122.4	-11.6	2.3
Russia	0.0	33.2	113.3	241.3	0.1	2,102.2	785.8	-62.6	693.7
United States of America	0.4	3,253.1	4,723.5	45.2	1.9	14,060.4	13,898.3	-1.2	294.2
Canada	0.0	183.2	180.4	-1.5	0.2	1,458.3	1,429.8	-2.0	792.4
Brazil	0.0	452.2	512.1	13.2	0.2	1,388.4	1,782.7	28.4	348.1
Morocco	0.0	308.2	299.0	-3.0	0.1	1,429.0	1,002.6	-29.8	335.4
Algeria	0.0	0.0	0.0	-	0.0	553.2	145.9	-73.6	-
Egypt	0.0	646.9	526.4	-18.6	0.0	173.3	138.0	-20.4	26.2
Ghana	0.0	0.0	1.1	-	0.1	1,060.7	792.6	-25.3	72,851.2
Congo. D. R.	0.0	0.0	2.1	-	0.2	1,791.7	1,514.3	-15.5	70,663.4
Lebanon	0.0	0.0	64.5	-	0.1	1,837.0	838.8	-54.3	1,300.7
Israel	0.2	3,210.9	2,366.1	-26.3	0.4	3,262.8	2,655.9	-18.6	112.2
India	0.6	6,844.5	6,860.4	0.2	0.0	398.4	250.7	-37.1	3.7
Thailand	0.4	4,078.2	4,739.6	16.2	0.1	761.3	808.6	6.2	17.1
Vietnam	1.2	18,605.1	13,942.6	-25.1	0.0	30.5	53.2	74.4	0.4
Indonesia	2.3	26,952.3	26,035.0	-3.4	0.1	319.5	369.3	15.6	1.4
Malaysia	0.4	4,995.9	4,534.6	-9.2	0.0	21.0	93.1	343.0	2.1
China	17.8	221,404.0	205,113.4	-7.4	0.5	2,965.6	3,816.6	28.7	1.9
Japan	0.3	3,166.0	3,355.3	6.0	0.1	912.9	947.0	3.7	28.2
Taiwan	0.1	1,363.0	931.8	-31.6	0.1	452.6	386.4	-14.6	41.5
Australia	0.0	28.8	109.0	278.3	0.4	2,481.5	2,760.8	11.3	2,532.1
Total other countries	1.1	11,978.5	13,151.2	9.8	1.7	13,010.2	12,055.1	-7.3	91.7
Total	100.0	1,185,730.9	1,153,039.1	-2.8	100.0	727,437.3	725,130.2	-0.3	62.9

Prospects: economic growth slowdown due to fear of trade disputes and hard Brexit

The developments on the Belgian furniture market in July, combined with doubtful consumer confidence, indicate a stagnation in demand for furniture. Other indicators also point to a slowdown in growth.

The Federal Planning Bureau expects the euro zone economy to grow less rapidly this year (+2.1%) and also in 2019 (+1.8%) than in 2017. In the first half of 2018, economic growth in the euro zone lost momentum due to higher oil prices and a decline in consumer and producer confidence, caused in part by fears of trade conflicts. An escalating trade war would stifle the growth of the global economy. Nor is there yet any clarity about the trade relations between the UK and the EU once the Brexit is completed.

The less favourable European economic climate and the particularly weak growth of world trade in the first half of 2018 are weighing on the volume growth of Belgian imports and exports. Belgian economic growth is expected to slow slightly to 1.5% in 2018, mainly as a result of the slowdown in export growth. Domestic demand growth should also slow down in 2018, with the modest increase in private consumption partly offset by temporarily higher public investment. While exports and domestic demand should pick up in 2019, import dynamics should stabilise economic growth at 1.5%.

Real disposable income of private individuals is expected to increase by 1.8% and 1.9% respectively in 2018 and 2019. In the first half of 2018, the decline in consumer confidence put a brake on private consumption, which only increased by 0.9% for the year as a whole. In 2019, consumption is supposed to grow 1.6% more in line with purchasing power. For the first time in nearly 10 years, purchasing power is said to grow faster than consumption, increasing the savings ratio of private individuals to 12.1% in 2019. Investments in residential buildings are expected to grow by 1% in 2018 and 1.2% in 2019. Business investment should continue to grow by 3.3% and 3.7% respectively in 2018 and 2019.

In view of the above, a slight increase in furniture activity can be expected at most globally for 2018.

Source: Fedustria

Fedustria is the Belgian federation of the textile, woodworking and furniture industries. In Belgium, we represent some 1.850 companies (more than 90% of which are SMEs), which together create 38.240 direct jobs and generate a turnover of 9.6 billion euros, of which about 70% from exports.

Taken separately, the Belgian furniture industry accounts for a turnover of 2.1 billion euros and employs around 11.000 people.

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