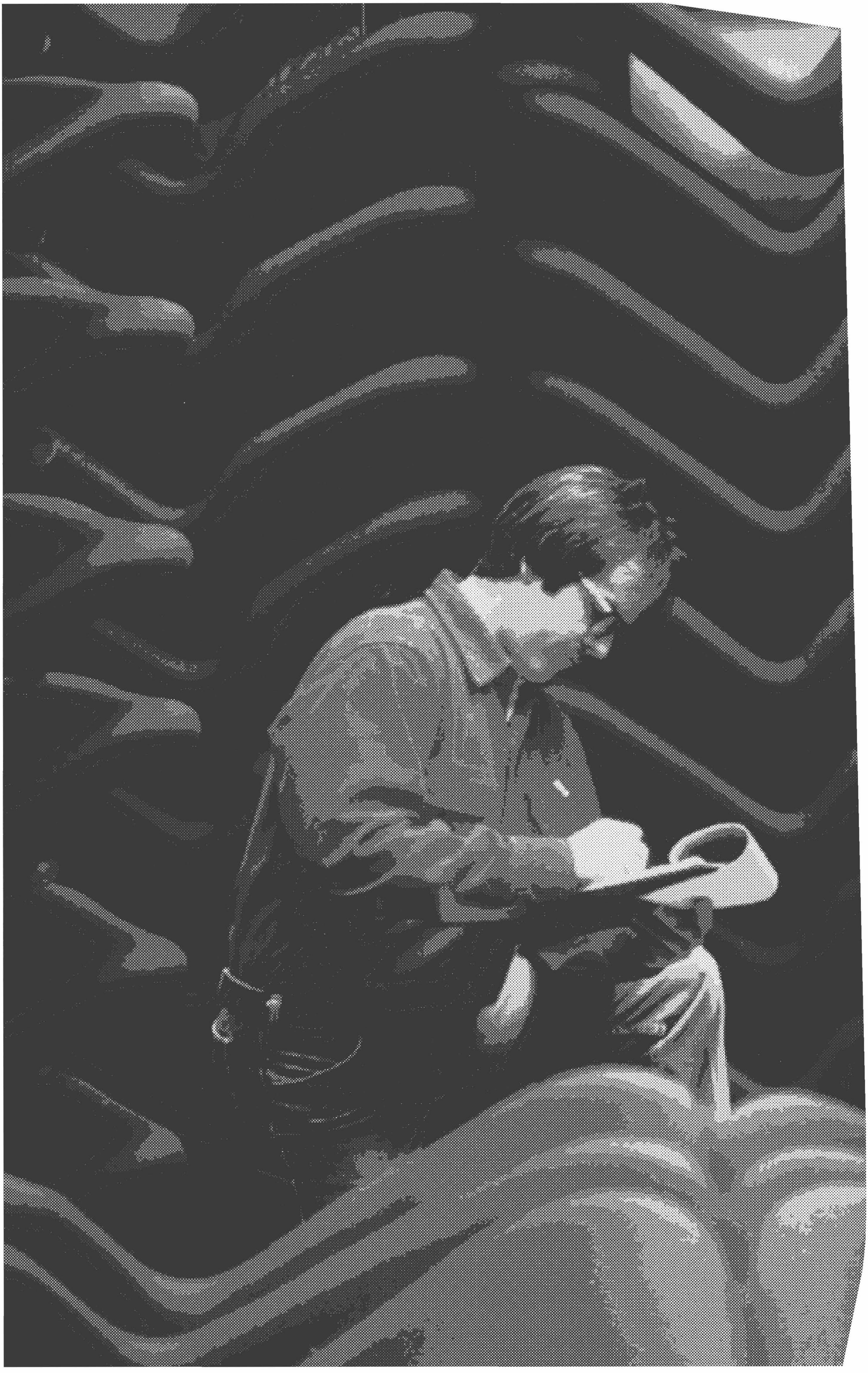
Furniture



Furniture industry

The EC furniture sector is composed of small or medium-sized processing industries working with a variety of materials: wood, steel, aluminium, plastics and composite materials.

Following a period of inactivity in the early 1980s, the sector has made progress since 1985 and in 1989 achieved a growth rate of 7% for the sector as a whole and 16% for office furniture.

The classic furniture sector needs restructuring, become more concentrated, and organise production, in order to improve productivity. The office furniture sector is particularly dynamic, accounting for 14% of the output of the sector as a whole and 8% of employment. The office furniture sector is sustained by high demand for system and office automation furniture. Productivity is almost twice as high as in the rest of the sector and major moves towards greater concentration are currently under way. Although it is positive, the EC external trade balance deteriorated from 1985 onwards, to increase again in 1989-1990. In the years ahead, this will depend largely on the situation in the Eastern European Countries, which is the main exporter to the EC, and the growing competitiveness of Far Eastern countries.

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Table 1
The furniture industry
Relative importance of the different types of furniture (¹)

(%)	
Domestic furniture	59
seating	23
living room	16
bedroom	13
bedding	7
Kitchens and bathrooms	28
Office furniture	7
Outdoor furniture	3
Organisations and schools	3

(¹) This breakdown by type of product is different from the breakdown based on firms' core activities shown in table 2
Source: FIRA estimate

Description of the sector

The furniture industry falls into category NACE 467, which includes the manufacture of wooden furniture and that of office furniture. The manufacture of metal furniture, is represented by the NACE code 316.6 (which also includes safes).

The sector's products are highly diversified depending on the materials (wood, metal, plastics, composite materials), and also the nature and intended purpose of the products.

Economic importance of the industry in the EC economy

In 1989, output of furniture amounted to 41,372 million ECU, 5,674 million of which was derived from office furniture. Following a decrease in the early 1980s, which did not affect office furniture whose growth rates remained positive, production levels for the industry as a whole recovered, increasing in value by 6.5% in 1987, 4% in 1988 and 7% in 1989.

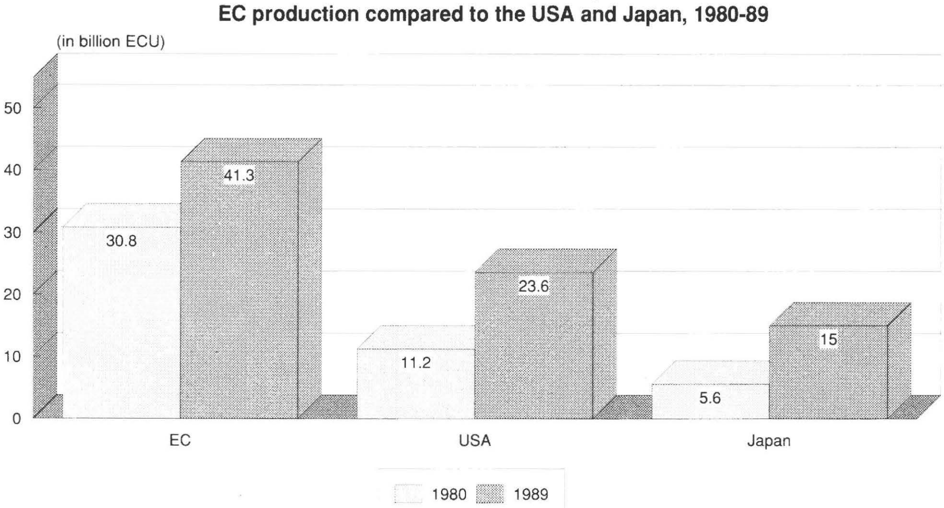
In 1989, the European furniture industry employed 760,000 people, making it the seventh-largest industry out of a total of 97. In the same year, the office furniture sector employed 61,000 people, most of them skilled workers.

In the United States and Japan, the furniture sector has expanded more rapidly since 1980 than in the EC.

In the United States there was a marked decrease in production from 1985 - 1987. In 1989, it stood at 23,583 million ECU, i.e. slightly less than in 1985. In Japan, the industry has experienced significant, steady growth over the past ten years and in 1989 output reached 15,009 million ECU.

In 1989, EC exports amounted to 4,531 million ECU; imports, meanwhile, amounted to 2,544 million ECU, giving a positive trade balance of 1,987 million ECU. Net exports increased between 1980 and 1985, but later deteriorated. This trend is expected to continue in the short term, but may well be modified depending on the ability of Eastern European countries to continue their exports.

Figure 1
The furniture industry
EC production compared to the USA and Japan, 1980-89



Source: Eurostat, DRI Europe

Structure of the industry

The sector comprises around 65,000 firms, most of them medium-sized. For technical and market-related reasons, a high degree of specialisation is required. Although the average size of firms in this sector has increased over the past thirty years, the industry is expected to remain fairly dispersed.

In 1989, the office furniture industry accounted for 13.7% of total output of furniture and 8.0% of employment. The industry is composed of a few hundred firms, mainly small or medium-sized, and has grown rapidly, due to buoyant demand for systems furniture.

Productivity and investment

The sector's productivity levels and value added showed little growth over the period 1980-1989, as a result of insufficient efforts to restructure and modernise production techniques.

Productivity in office furniture however is 82% higher than in the rest of the sector.

The total amount of investment is estimated at 900 million ECU per year in recent years, the main investors being West Germany (approximately 300 million ECU), Italy (approximately 200 million ECU) and the United Kingdom (approximately 150 million ECU).

Prospects

The furniture industry as a whole is extremely susceptible to short-term cyclical

Table 2
The furniture industry
Changes in and structure of production

(Million ECU)	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
Office furniture	2 073	2 136	2 342	2 492	2 820	3 278	3 716	4 183	4 867	5 674
Index	63	65	71	76	86	100	113	128	148	173
Other furniture	28 747	28 563	26 773	26 694	27 986	28 937	31 167	33 535	33 798	35 698
Index	99	99	93	92	97	100	108	116	117	123
Total	30 820	30 699	29 115	28 886	30 806	32 215	34 880	37 178	38 665	41 372
Index	96	95	90	90	96	100	108	115	120	128

Source: UEA, Eurostat, Sema Group

fluctuations in demand. This is true not only of domestic furniture (for which the demographic aspect of demand constitutes an important factor) but also office furniture.

The domestic furniture market is subject to a number of variables:

- population and number of new homes (effect of changes in the number of households and divorces);
- overall changes in household purchasing power;
- changes in the structure of the consumer budget which can vary in terms of its conduciveness to purchases of equipment (recent competition from expenditure on leisure) and, thus, vary in terms of its conduciveness to purchases of furniture (competition from cars, audio and video equipment);
- changing life styles and cultural aspects (furniture for young people, which is subject to the fashion and has a short life-span, is developing at the expense of traditional furniture, which tends to be regarded as a long-term investment);
- furniture renewal rate (between 10 and 20 years depending on the country);
- intensity of advertising and marketing which remains much less significant than in the other domestic equipment sectors (cars, domestic appliances, audio-video equipment).

One of the most significant changes in recent years has been the emergence of large distribution firms and dynamic purchasing co-operatives, which will undoubtedly become increasingly internationalised. National co-operatives, will also come to play an increasingly influential role on the furniture market.

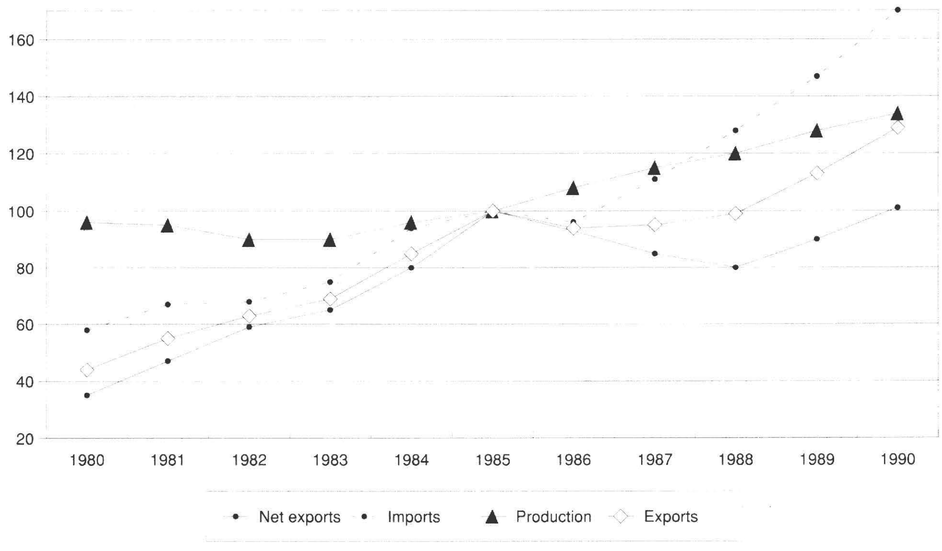
Total output of furniture should grow by approximately 3% (in value) over the next few years. A similar growth rate is expected for visible consumption, which should help to maintain a surplus on the external trade balance. Both imports and exports are expected to show a strong annual growth rate of between 13 and 15% until 1991.

For the office furniture industry, the prospects are more encouraging. In 1990, output is expected to grow by 10% in value, mainly due to exports. The new interest in ergonomic design and working conditions will help to ensure buoyant demand.

The opening up of the internal European market should lend impetus to the various trends already under way, i.e.:

- increase in intra-European trade with a tendency to increase production of "dec-

Figure 2
The furniture industry
trend in EC production and trade
(index 1985 = 100)



Source: Eurostat, DRI Europe, Sema Group Management Consultants

Table 3
The furniture industry
Changes in productivity and value added

(millions ECU per job)	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
Productivity (¹)										
in terms of value	52.6	50.1	46.5	46.6	48.7	46.6	51.3	47.4	46.8	47.3
as an index	113.0	108.0	100.0	100.0	105.0	100.0	111.0	102.0	101.0	102.0
Value added (²)										
in terms of value	10 781	10 025	9 370	9 482	9 225	9 053	9 127	9 475	9 979	10 357
as an index	119.0	111.0	103.0	105.0	102.0	100.0	101.0	105.0	110.0	114.0

(¹) at constant 1985 prices, output per employee
(²) at constant prices: excluding the Netherlands and Luxembourg; only NACE 467 taken into account
Source: UEA, Eurostat, Sema Group

Table 4
The furniture industry
1989 productivity per activity
(millions ECU in 1989 per employee)

	1989
Office furniture	93
Other furniture	51
Total	54.4

Source: UEA, Eurostat, Sema Group

orative" furniture in Italy, Germany and Spain, for seating in Italy and Spain and kitchens in Germany, Italy and France;

- the growing importance of distribution channels and in particular, large supranational distribution networks;
- the growth in the share of producers of brand products in order to control market sectors and reinforce their presence at distribution level.

The European furniture industry will have to face a number of challenges over the next few years:

- to retain a large share of the value added, by ensuring that it does not shift upstream to the more highly industrialised sectors (semi-finished goods, components, new materials, design) or downstream (distribution which is not controlled by producers' trademarks);
- to make the industry more concentrated and carry out the necessary restructuring, by encouraging investment within the EC;
- to co-operate successfully with Eastern Europe, which should now be regarded as more of an opportunity than a threat;
- to reinforce the organisation of production (sub-contracting, automation, design, design of components, flexible workshop for short-series, top-of-the-range products);
- to monitor the EC's trade surplus in relation to the rest of the world.

Table 5
The furniture industry
Projected changes in output and employment levels

	1989	1990	1991/90 %	1992/91 %	1994/92 %
Production (millions ECU)	41 372	43 026	3	1.5	2.6
Employment (millions of jobs)	760	760	750	730	N/A

Source: UEA, EUROSTAT, SEMA GROUP

Written by: DRI Europe
Revised by: Sema Group Management Consultants

The European furniture industry is a comparatively large manufacturing sector, employing over 750,000 people.
Due to the high elasticity of demand for furniture, the sector is very dependant on changes in the overall economic situation.
The completion of the single market should result in an accelerated internationalisation and in increasing cooperation in the concentration process.
Recent changes in Eastern Europe will bring a reduction in imports from the Comecon countries, and in the long term these will lose their competitive price advantage of low prices.

Description of the sector

The furniture industry includes NACE 316.6, which is the manufacture of metal furniture and NACE 467, which covers wooden furniture. NACE 467 is subdivided into domestic furniture (467.1), office and school furniture (467.2), chairs and other seats (467.3), upholstered and other seats (467.4), miscellaneous furniture (467.5), coffins (467.6), cane and wicker furniture (467.7), mattresses (467.8) and activities ancillary to the furniture industry (467.9).
Although this current NACE classification still subdivides furniture either as metal furniture or as wooden furniture, numerous other materials (e.g. glass, marble, textile, foams, leather etc.) are used in the construction of furniture either alone or in combination with other materials. This makes the distinction according to raw materials out-dated. In the proposed revision of the NACE code, a market orientated rather than a materials and products orientated division has been accepted, which classifies all furniture under NACE 36 without any distinction as to the materials used.

Current situation and industry structure

Although the making of furniture is one of the most ancient skills, furniture manufacturing is one of the younger industries.
In most European countries, production is already industrialised. It is only in Greece, Spain and Portugal that smaller firms of an artisanal character still predominate.
In the furniture industry as a whole, medium-sized enterprises predominate.
This applies both to the manufacture of domestic furniture in the narrow sense, and that of other furniture (fabrication of office furniture, laboratory furniture, contract furniture: furniture for public buildings such as airports, universities, schools, theatres, etc.). Large-scale enterprises are rare in this industry, but they do exist in nearly every European country.

The technology of furniture production obliges enterprises to specialize in certain products (e.g. upholstered furniture, kitchens, chairs and tables, office furniture) especially given the design factor in domestic furniture where the manufacturer produces modern or period style furniture. In some countries, manufacturers partly overcome this problem by subcontracting that part of their production in which they are not specialized, which further promotes the small scale enterprise. The furniture industry is also specialised in satisfying particular needs (e.g. the mass furniture market for the lower and medium income groups). Different equipment is needed to build veneered furniture or furniture with plastic surfaces.

Since 1950, the average size of companies has continuously increased. As the national and international environment becomes more competitive, companies had to use CN/CNC (computerised numerical controlled) manufacturing installations which require a certain business size to be profitable. A critical size is also necessary to compete successfully on national and international markets. Manufacturers selling only on local markets have a weak position in comparison with manufacturers selling at a national level; manufacturers only selling at national level have a weak position in comparison with their competitors selling to an international market.

This tendency is expected to be reinforced by the advent of the single market. Yet, depending on products and markets, the optimal company size could lie between 50 and 300 employees. The degree of concentration in the furniture industry remains relatively low, although some take-overs and mergers are taking place, and is expected to remain well below the average degree of concentration in other industries. The southern European countries are, in the most difficult position today, since they have to modernise their production structure and undertake large investments when competition in the sector is already stiff. Without undergoing a major restructuring, the furniture industries in Greece, Spain and Portugal, may not be able to sustain their positions in their own markets (and on the European market), even if the level of employee training in these countries is fairly high.

Employment

In the European furniture industry, the ratio of labour costs to total costs was high in the 1960's due to skilled manufacturing. This ratio usually exceeded 50%. Since then, it has fallen due to increased industrialisation, and nowadays it now amounts to about 30% in the most technically advanced furniture industries in Europe; in a few large factories, it is even below 20%, but such factories are and will remain the exception.

After a considerable decrease in the early 1980's due to adverse economic circumstances, the number of employees is now increasing again. In 1989 some 760 000 people earned their living in industrial furniture production, an increase of 3% over the previous year.

An additional 300.000 are employed in the furniture producing craft industries.

The technical restructuring due to the introduction of CNC manufacturing in the past few years has not led to job cuts for the following reasons:

- due to the market economics, demand for special furniture, produced in small series, has increased;
- working time is gradually decreasing;
- export orientation requires more staff not involved in the production process. Furniture industry employees are mainly skilled workers. Since natural resources (wood, leather, wool, stone) are still being used, basic skilled training is and will remain important. Clearly, many workers are not sufficiently qualified to handle electronic manufacturing. This partly results from a lack of training possibilities in many small and medium-sized industries.

Demand

Characteristics of the demand Furniture represents high-value, long-life goods, that demand a (relatively) important capital outlay from the consumer. In the industrialised countries with high living standards, households are well equipped and the market is saturated. It is estimated that only about one third of the demand will always be present due to the existence of births, the formation of new households or break-down of existing furniture.

The demand for furniture is an elastic demand. The elasticity of the demand toward disposable income has been close to 1.5. This means that very few sectors are as vulnerable to the changes in the economic situation as the furniture industry.

Influencing factors of the demand

The demographic situation: The different age classes and the creation of new households are more important than the number of inhabitants in a country.

The proportion of persons aged 20-35 years has never been larger in Europe as a consequence of the baby-boom (1955-70). For the years 1990-95, this will mean an increase of the number of births, even with a stationary fertility ratio, and an increase in the number of households. As a

Table 1
Furniture
Main Indicators, 1980-90

(million ECU)	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990(²)
Apparent consumption	29891	29433	27547	27141	28674	29547	32399	34904	36522	38964	40313.0
Net exports (¹)	929	1266	1569	1745	2131	2668	2481	2274	2143	1987	1770.0
Production	30820	30699	29115	28886	30806	32215	34880	37178	38665	41372	43026.0
Employment (thousands)	771	741	704	677	661	691	700	723	738	760	N/A

(¹) Excluding Greece for 1980 and 1988
(²) Estimates
Source: UEA, Eurostat (Comext)

consequence, the socio-demographic structure will be very favourable to the furniture industry in the period 1990-95.

The disposable income:

For the EC, forecasts indicate a real increase of GNP higher than 2% for the period 1990-95. The growth rate of the disposable income should be of the same order. Wealth and its distribution also have a considerable influence on demand for furniture. In countries where wealth is more evenly distributed, demand for furniture is more developed than in countries where wealth is more concentrated.

Production

Growth rates of furniture production in 1989 were highest in Portugal, but were very satisfactory in about all EC Member States. Overall EC production was well over 41 billion ECU 7% higher than in 1988. The kitchen industry and the manufacture of seating are the largest sub-sectors. Growth rates were highest in the office furniture industry.

External trade

Exports consistently grew more rapidly than production, but with a strong concentration towards intra EC trade.

Imports from the far East increased. Export restrictions on raw materials enforced by some countries (e.g. Indonesia on untreated rattan and half finished rattan furniture) strongly reinforce this evolution.

Some important manufacturers are switching from exporting to investing in local production. This is seen as the best chance of maintaining the relative advantages European furniture has in other continents.

Eastern Europe

The furniture industry in former DDR consists of 77 furniture factories that are combined in five so- called "Kombinaten". The "Kombinaten" are currently in dissolution. The individual factories are becoming independent, and they aim to create cooperations. In the 77 factories there are more than 40,000 employees. With an average employment of more than 500, these enterprises are very large.

Their productivity, however, is very low. Now that a monetary and economic union has been created in Germany, the DDR will very quickly lose its basic advantage of low wages. Indeed, it can be expected that the wage level based on the D-Mark will rise very rapidly. In general it is felt that, due to the great shortage of furniture in the DDR it will become an importation area for furniture.

With the current situation of its enterprises, the DDR cannot be internationally competitive. Enormous investments are needed, and the enterprises who wish to become independent, lack basic commercial structures. They do not have a proper buying service, because in the centrally organised state this was done through allotment. Neither do these enterprises have a sales department, nor can they calculate their real costs. The furniture deliveries that created so many problems in the Federal Republic of Germany and in the EC were done through a foreign trade organisation that was part of a Swiss holding which belonged to the DDR.

Furthermore the DDR has major delivery obligations based on long term contracts - apparently five year contracts - with Russia. These obligations amount to about half of the current DDR production.

According to press information, the government of the Federal Republic of Germany has promised that the reunited German state would honour the contractual obligations of the DDR.

This means that the DDR will not create any major changes in the next few years. Rather, one can assume that enterprises from the Federal Republic of Germany and probably also from other European countries - interest was expressed by some Swedish companies - will invest heavily in the East German furniture industry. This would then also result in an ap-

Table 2
Furniture - Current Ratios of Labour Costs in Relation to Total Costs

Furniture	
Belgique/België	30.0%
BR Deutschland	23.0%
France	31.0%
Nederland	30.8%
United Kingdom	37.9%

Source: ITC UNCTAD/GATT

Table 3
Furniture
Production

(million ECU)	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990([2])
Production in current prices											
EC	30 820	30 699	29 115	28 886	30 806	32 215	34 880	37 178	38 665	41 372	43 026
Index	95.7	95.3	90.4	89.7	95.6	100	108.3	115.4	120	128.4	133.6
USA ([1])	11 157	14 705	16 369	19 885	25 353	26 897	22 228	20 254	20 907	23 583	24 642
Index	41.5	54.7	60.9	73.9	94.3	100	82.6	75.3	77.7	87.7	91.6
Japan ([1])	5 563	7 021	7 227	8 476	9 016	9 886	10 299	13 083	14 059	15 009	N/A
Index	56.3	71	73.1	85.7	91.2	100	104.2	132.3	142.2	151.8	N/A
EC											
Production at constant prices	40 566	37 160	32 788	31 552	32 188	32 215	33 982	34 301	34 558	N/A	N/A
Index	125.9	115.4	101.8	97.9	99.9	100	105.5	106.5	107.3	N/A	N/A

([1]) Census of Manufactures and Eurostat estimates
([2]) Estimates
Source UEA, Eurostat (Comext)

preciable improvement in quality.

Up to a few months ago, disturbances in the market were mainly created by the Rumanian furniture production, from which deliveries took place at prices suspected of being "dumping prices". Similarly, the infrastructure and especially the electricity provision is very unsatisfactory, and at present almost no furniture comes out of Rumania. For the near future, it is not foreseen that the deliveries, that used to take place up to now, will continue, at least not in the same quantities nor at comparable dumping prices.

It is not possible that deliveries from Poland may increase. At least one major joint venture with a West German enterprise has already been created (Schieder). It is possible that Poland will take over at least part of the current deliveries from East Germany and from Rumania. In any case, the EC furniture industry will no longer have to face further competition based on price, as in Poland the wages are also increasing. The wage level, however, is far lower than in the industrial countries of the EC and may stay so for a few more years.

The situation in Hungary is similar. From this Comecon country also more furniture may be imported. Production capacity, however, is lower than that of Poland.

In conclusion, one can assume that, the overall imports from the Comecon countries will be reduced. However, the deliveries will continue to take place for considerable time at lower prices than those in the EC. Currently, both Poland and Hungary are only capable of producing lower quality goods.

Structural changes in furniture retail

The EC furniture industry has been working on an international level for a long time, although there are still large cross-country differences. The industry has an enormous international experience, as indicated by the high export figures already reached by some European furniture industries such as Italy, Denmark and Belgium. The Single European Act and the White paper have further accelerated international efforts. Large purchasers, i.e. so-called trade concerns and purchasing cooperatives (Regent Moebel, Musterring, G F M), are now able to react more quickly and more successfully.

Table 4
Growth Rates Furniture Industry 1989

Belgique/België	8.3%
BR Deutschland	6.9%
España	10.0%
France	7.7%
Italia	5.4%
Portugal	18.0%
Nederland	6.0%

Source: ITC UNCTAD/GATT

This leads to a considerable increase in cooperation as in concentration in purchasing and trade. It is much more difficult to establish cooperatives in the industry itself than in the furniture trade. A decisive factor is probably the fact that furniture trade companies within a cooperative do not usually compete with each other, because their activities are concentrated in local markets. Successful efforts to cooperate within the furniture industry are first and foremost to be found in Denmark, where companies have grouped while keeping a certain degree of independence, and in Italy, where medium-sized producers cooperate to a large extent without formal structures. In the export area as well, Scandinavians often cooperate.

Large trading companies are usually department stores, mail order companies and companies divided into branches.

With one major exception (IKEA), there are hardly any important branch companies on an international level.

Furthermore, among non-specialists, the

Table 5
EC Trade in current value (1)
Futur industruie

Furniture Industry (million ECU)	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990(2)
Exports extra-EC	1 934	2 418	2 742	3 039	3 745	4 388	4 131	4 188	4 347	4 531	5 638
Index	44.1	55.1	62.5	69.3	85.3	100	94.1	95.4	99.1	112.8	128.5
Imports extra-EC	1 005	1 152	1 173	1 294	1 614	1 720	1 650	1 914	2 204	2 544	2 926
Index	58.4	67	68.2	75.2	93.8	100	95.9	111.3	128.1	147.4	170.1
X/M	1.9	2.1	2.3	2.3	2.3	2.5	2.5	2.2	2	1.8	1.9
Intra-EC Trade	3 186	3 299	3 508	3 751	3 972	4 384	5 212	5 871	6 690	7 782	8 793
Index	72.7	75.3	80	85.6	90.6	100	118.9	133.9	152.6	177.5	200.5

(1) Excluding Greece for 1980 and 1988
(2) Estimates
Source: UEA, Eurostat (Comext)

Metro group is highly internationalised. Internationalisation of department stores is a likely development. This internationalisation will play a major role in the furniture market in the single European market in the second half of the 1990's at the latest. There is a North-South division as regards the stage of development of purchasing cooperatives. Cooperatives in Scandinavian countries are well developed, often based on franchising. In the Federal Republic of Germany, the degree of cooperation is probably the highest within the European furniture sector. It is also considerable in the Netherlands, but very low in Belgium. In the UK, franchising is much more important than cooperatives. In France, the number of cooperatives is more important than their market influence. Even less important for the market are such systems in Portugal, Spain and Italy, and they play nearly no role at all in Greece.

In conclusion, this means that in furniture purchasing, increasing internationalisation runs parallel with increasing concentration. The concentration process must also include the furniture industry.

Only a few industrial companies will be large enough or will have a strong enough brand name to be able to counterbalance the new company structures in trade and cooperatives, and most will be strongly dependent on these cooperatives especially in periods of economic downturn.

Selective sales systems including various kinds of franchising will become increasingly important. It is, however, a weakness that the number of brands in the European furniture industry as a whole is too low.

Table 6
The leading EC Furniture Retailers
(in million ECU)

Retailers	Country	Turnover 1987
Ikea	Sweden	2 331
Conforama	France	1 590
But	France	876
MFI	United Kingdom	768
Asko	BR Deutschland	735
Harris Queensway	United Kingdom	467
Mobilier Européen	France	458
R&C Kraft	BR Deutschland	426
Metro	BR Deutschland	426
Karstadt	BR Deutschland	400
Habitat	United Kingdom	329
Möbel Mann	BR Deutschland	266
Roche Bobois/Cuir Centre(1)	France	254
Mobilier de France	France	239
Jorn & Jensen(2)	Danmark	223
Ufem	France	222
Möbel Hess	BR Deutschland	202
Mobis	France	196
Courts	United Kingdom	193
Möbel Franz	BR Deutschland	159

(1) Estimation
(2) 1986
Source: UNIFA - Chiffres-Clés 1989

Regulatory environment

The technical CEN committee 207 Furniture met for the first time in November 1989, and work on the harmonisation of standards has been progressing satisfactorily. Safety is considered the first and most important aspect to standardise.

The EC Commission is working on a draft proposal for a directive on the fire safety of upholstered furniture, and this directive is necessary to eliminate barriers to trade within the EC. Design protection is one of the key elements of the success of the European furniture industry, and adequate protection of designs and models is essential to the industry. Together with the Commission of the EC and a number of other design oriented industries (clothing, toys, watches, etc.), the furniture industry is working towards the creation of a legislation that will safeguard the interests of the industry without hampering innovation.

Outlook

The outlook for the European furniture industry for the next year is favourable. Growth will be around 4%, and commercial exchanges within the EC will continue to grow at a multiple of that rate. In the medium-long term, East-Europe will increasingly become more important as a customer rather than as a supplier. The importance of standardisation will continue to increase specifically in relation to European regulations.

Table 7
Furniture Industry, Forecasts

(million ECU)	1989	1990	1991	90/89 (var %)	91/90 (var %)
Production at constant prices	41 372	43 026	44 748	4	4
Index	128.4	133.6	138.9	4	4

Source: UEA, Eurostat

UEA: Union européenne de l'ameublement/European Furniture Manufacturers' Association ;
Address: rue de l'Association 15,
B-1000 Brussels; tel: (32 2) 218 18 89; fax: (32 2) 219 27 01

Reviewed by: European Research Associates (ERA)

Office furniture

The European office furniture industry is one of the fastest growing industries in the European Community. The industry covers several hundreds of companies mostly small and medium sized, employing about 60 000 people. The estimated turnover of the European office furniture industry in 1989 was 5 674 million ECU. EC net exports amounted to 231 million ECU. Intra-EC trade increased by 27% in value in 1989 and reached 657 million ECU which represented 11% of the total production.

Description of the sector

The production of office furniture can be subdivided into two major types: seating and other types of furniture (such as desks, tables, cupboards and cabinets). Another distinction which is made is the one between wooden and steel office furniture, although this distinction is becoming less significant in the market of office furniture due to the increasing use of different components in the same product.

The increasing computerisation of office work has led to a considerable rise in productivity in the office. In order to accommodate the computer and to improve productivity further, the demand for systems furniture has risen considerably.

Since 1982-83 the number of new programmes of office furniture, that have come onto the market, has increased steadily. This systems furniture was created with attention to various points such as utility, design, ergonomics safety and standardisation. Most manufacturers have systems furniture in their programme.

The price of systems furniture is only a fraction of the cost of the work area, and a fraction of the cost of office staff. Calculations have shown that the 2 500 ECU investment required for a complete work station will be repaid in a few years, while the station itself will last up to 10 years.

Table 1
Office furniture
Main indicators, 1980-89

(million ECU)	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
Apparent consumption	2 031.2	2 003.6	2 191.8	2 357.8	2 679.4	3 018.0	3 465.9	3 969.2	4 664.5	5 443.4
Net exports	41.5	132.2	150.0	133.8	140.8	260.3	247.2	213.4	202.4	230.7
Production (¹)(²)	2 072.7	2 135.8	2 341.8	2 491.6	2 820.2	3 278.3	3 713.1	4 182.6	4 866.9	5 674.1
Employment (thousands) (¹)(³)	53.7	53.2	51.9	53.8	53.2	54.9	56.5	59.9	59.0	60.8

(¹) 1980-89 excluding Luxembourg; 1980-86 excluding Greece, Ireland; 1980-84 excluding Denmark
(²) 1989 Ireland estimated
(³) 1989 Belgium, Denmark, Greece and Ireland estimated
Source: FEMB, Eurostat (Comext)

Production

The total production of the European manufacturers of office furniture in 1989 amounted to 5 674 million ECU. This was an increase of 17,5% in value and a rise of 11,9% in volume compared with 1988.

The production of office furniture in the EC improved sharply during the 1980-89 period with a growth of 173% in value. The reasons for this growth can be found in growing white collar employment, the continuing expansion of office automation and the strong growth of the European economy as a whole.

Most EC member states had a rise in production value at the same high level, with the exception of France where production grew at a much lower rate.

In 1989, roughly one quarter of total sales can be attributed to seating. Sales of seating amounted to roughly 18% of total sales in 1980, indicating an increasing importance of seating, especially in value.

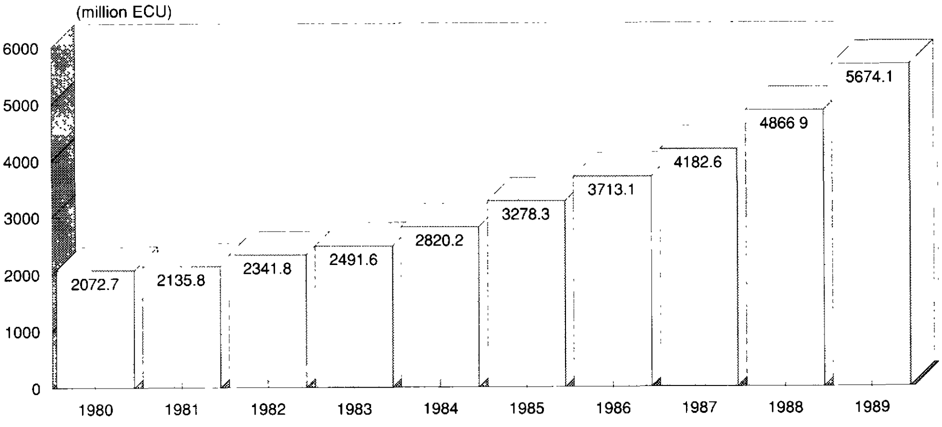
It can be estimated that the market share of wooden office furniture in the total office furniture market, amounted to 53% in 1989 for the EC as a whole compared to only 47% in 1980.

There are, however, considerable differences between the various countries. For instance, the market share of wood in Germany can be estimated at 74%, whereas it is only 15% in the Netherlands.

The European office furniture industry is concentrated in a few countries as shown in figure 2.

Four countries account for 76% of the total production (in value): Federal Republic of Germany, France, Italy and the U.K. If Spain is included, over 87% of the total production is covered.

Figure 1
Office furniture
Production in Europe, 1980-89



Source. FEMB, Eurostat

Employment in the industry is slightly less concentrated. The four major countries employ 73% of the total labour force.

Employment and productivity

As production in the industry increased considerably, it is not surprising that employment also increased. Employment in the office furniture industry grew by 13.2% over the 1980-89 period. It is estimated that employment grew by 3% during 1989. Total employment was estimated at 61 000 people in 1989.

Productivity in the European office furniture industry improved steadily between 1980 and 1989. Again, however, there are large cross-country differences, as shown in table 2.

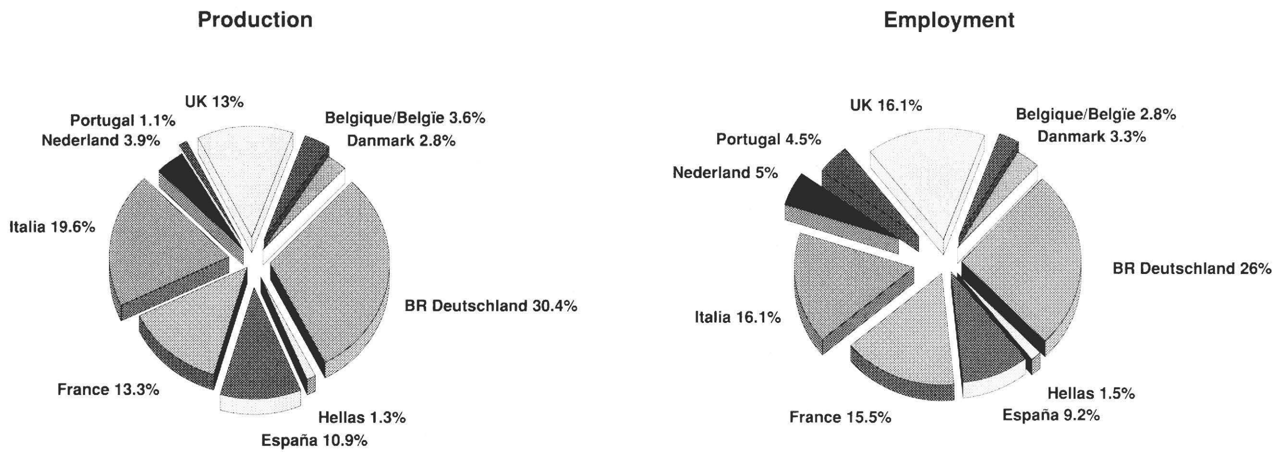
Trade

In general, the EC office furniture industry does not depend heavily on external trade. Extra-EC exports of the office furniture industry amounted to 379 million ECU in 1989.

Exports are concentrated in a few countries (especially in Germany and Italy especially, followed by Denmark, France and the United Kingdom).

Extra-EC imports were only 148 million ECU in 1989, giving net exports of 230 million ECU. This figure has stayed at the same level since 1985. The net exporters are Italy and Germany who account for

Figure 2
Office furniture
Production and employment by country, 1989



Source: FEMB

Table 2
Office furniture
Productivity by Country, 1989

EC	100
Belgique/België	128
Danmark	85
BR Deutschland	116
Hellas (¹)	90
España	117
France	85
Ireland	88
Italia	120
Nederland	79
Portugal	26
United Kingdom	83

(¹)Estimated
Source: FEMB

roughly 90% of the EC net exports. Intra-EC trade reached 657 million ECU in 1989 and its volume has multiplied by 2.5 since 1985.

Intra-EC trade accounts for 65% of total EC exports (intra and extra EC exports) and 81% of total imports. The main intra-EC exporters are Italy and Germany and the main intra-EC importers are France and the United Kingdom.

Outlook

The outlook for the office furniture industry in 1990 remains favourable. The continuing investments in office automation, the high level of investment in office buildings and the growth in the service sector will increase the demand for the office furniture industry. A growth of 11,5% in value is estimated for the year 1990. Exports will grow by a similar amount during 1990, underlining the growing interest in foreign markets and specialisation in the branch.

While it is difficult to anticipate developments in the long run, there is no doubt that attention, focused on the office workstation during the past few years, will continue to increase.

At the same time, the ergonomic principles as well as the working conditions in the office will place greater demand on office designers, so that much of the office furniture currently in use, will eventually be considered as obsolete.

All office furniture manufacturers operate more or less internationally within the EC-markets and all will attempt to strengthen their positions.

No great threat is perceived from Japan, USA or N.I.C. countries, firstly because transport costs are high, and secondly because the setting up of a distribution network/marketing organisation is extremely expensive.

There are presently no clear consequences to be seen in the many take-

Table 3
Office furniture
Exports and imports by country, 1989 (¹)

	Imports		Exports	
(million ECU)	Intra-EC	Extra-EC	Intra-EC	Extra-EC
EC	657.4	148.3	693.0	378.9
Belgique/België, Luxembourg	98.7	5.3	19.9	2.2
Danmark	7.9	10.2	44.0	38.0
BR Deutschland	69.9	36.2	259.6	139.4
Hellas	N/A	N/A	N/A	N/A
España	16.9	1.1	22.8	20.7
France	153.6	29.4	81.1	34.0
Ireland	16.2	1.0	4.0	0.3
Italia	20.6	5.0	145.7	111.3
Nederland	113.8	10.5	50.8	4.9
Portugal	6.6	0.4	4.8	1.7
United Kingdom	154.1	49.3	60.6	26.4

(¹) Imports and exports are defined as: CN 940310, 940330, 94013010
Source: Eurostat (Comext)

Table 4
Office furniture
EC Trade in current value, 1980-89 (1)

(million ECU)	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
Exports extra-EC	47.2	158.5	176.2	162.6	178.4	331.4	324.1	307.1	327.7	378.9
Index (2)	16.4	55	61.1	56.4	61.8	100.0	97.8	92.5	98.8	114.2
Imports extra-EC	5.7	26.3	26.2	29.2	37.6	71.1	76.9	93.7	125.4	148.3
Index (2)	9.3	42.7	42.5	47.4	61	100.0	108.2	131.4	176.0	208.0
X/M	8.3	6.0	6.7	5.6	4.7	4.7	4.2	3.3	2.6	2.6
Intra-EC Trade	N/A	N/A	N/A	N/A	N/A	261.1	321.1	393.2	515.1	657.4
Index (2)	N/A	N/A	N/A	N/A	N/A	100.0	123.0	146.7	192.2	245.3
Share of total (%)	N/A	N/A	N/A	N/A	N/A	46.7	52.2	56.5	62.4	64.6

(1) Imports and exports are defined as: CN 940310, 940330, 94013010; 1980-86 excluding Greece and Ireland;1980-84 excluding Denmark
(2) Taking into account changes in EC membership
Source: Eurostat (Comext)

Table 5
The main groups of
EC office furniture sector

Group	Examples of recent take-over or joint ventures
- Steelcase Strafor (F)	AF Sistemas (E) Gordon Russel (UK) Cassina (I) Danese (I) Artifort (NL)
- Samas (NL)	Sansen (F) Vickers-Roneo (UK-F)
-Scandinavisk (DK)	Vinco (F) Gesten (NL)

Source: Sema

overs, mergers and joint-ventures which have been initiated all over the EC.

This evolution has lead to the restructuring of the sector and the building for example of three major european groups, each of them having subsidiaries or plants in several EC countries.

The office furniture sector will continue to be sensitive to the general economic climate, although perhaps to a lesser extent than in the past.

European standards will also have an influence, but manufacturers are flexible enough to adapt quickly and efficiently.

Environmental constraints are not very predominant in this sector (air pollution by wood drying and water pollution in case of metal finishing, metal painting and wood treatment).

The service sector will continue to grow. In Germany there are 11 million people working at a desk; this means one desk, one chair and one storage-cabinet for every five inhabitants. Many European countries have not reached this figure yet.

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