Brussels, 2 November 2016

The Belgian furniture industry in 2016: armed for the future, but caution advised

The Belgian furniture industry

Key figures for 2015

- **844 companies**
- **11,150 staff**
- **Turnover: 2.4 billion Euros**
- **Export share: 57 %**
- **Share of total turnover in Belgian wood and furniture industry: 47 %**

Summary of progress in the first half of 2016

- Turnover: 1.26 billion Euros, +3.2 % compared with the first half of 2015
- Investment volume: 44.7 million Euros (+8.1 %)
- Production capacity utilisation rate: >80 %
- Export in first two quarters +1.8 % compared with the same period in 2015. France, Germany and the Netherlands remain the major markets.
- Imports in first two quarters +0.9 % compared with the same period in 2015

Consumer confidence declined considerably in September and furniture order levels remain variable. Order levels declined by -2.1 % in the first 8 months.

General commentary

The Belgian furniture industry generated an increase in turnover of +3.2 % in the first half of 2016, compared with the first half of 2015. This follows 2015, a year of only limited growth at a rate of +1.8 %, and in which poor results were seen particularly during the last quarter. The question remains whether this positive evolution will be kept up in the coming months. Indeed, the production capacity utilisation rate is encouraging and investment levels are good, however the Brexit is also causing a certain unease in the industry and the financial markets, and consumer confidence and furniture order levels are in the red.

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The first half of 2016, a positive evolution in all segments

Evolution of turnover in the furniture industry by product group							**Sales prices**
in million EUR	2014	2015	15/14 in %	6 m 15	6 m 16*	6m 16/15 in %	6m 16/15 in %
Chairs and seating, dining room, bedroom, garden and patio furniture	1,032.7	1,058.1	**+2.5 %**	554.6	572.0	+3.1 %	+1.0 %
Office and shop furniture	528.6	547.5	**+3.6 %**	269.5	273.6	+1.5 %	+1.9 %
Kitchen furniture	409.6	403.9	**-1.4 %**	204.3	214.6	+5.0 %	+0.8 %
Mattresses and bases	382.7	387.4	**+1.2 %**	194.2	201.5	+3.8 %	-1.4 %
Total furniture industry	**2,353.6**	**2,396.9**	**+1.8 %**	**1,222.6**	**1,261.7**	**+3.2 %**	**+1.2 %**

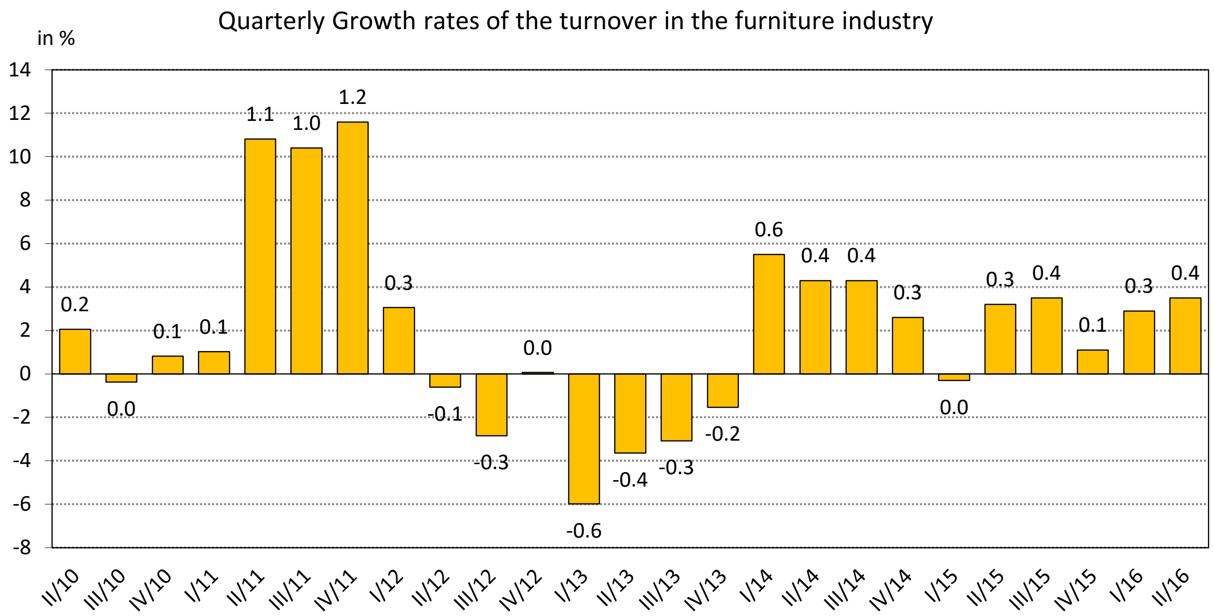
* Provisional data

The Belgian furniture industry generated a turnover of 1,261.7 million Euros in the first half of 2016, a rise of 3.2 % compared with the first half of 2015. This means that 2016 has begun better than the previous year, which was considered more a year of stabilisation. Taking the increase in market prices into consideration, the true increase in volume amounted to 2 %.

Although the turnover increased by 2.9 % during the first quarter, it continued to grow at a rate of 3.5 % in the second quarter. Although this did not reach the quarterly levels achieved in 2014, it is certainly more encouraging than in 2015.

One definite positive is also that the residential furniture sector (chairs and seating, dining room, bedroom, garden and patio furniture), which represents 45.3 % of the Belgian furniture industry, saw a 3.1 % rise in turnover in the first half of 2016 compared to the same period in the previous year.

After a weaker year in 2015 kitchen furniture returned to growth (+5 %). The turnover in mattresses and bed frames also continued growing.

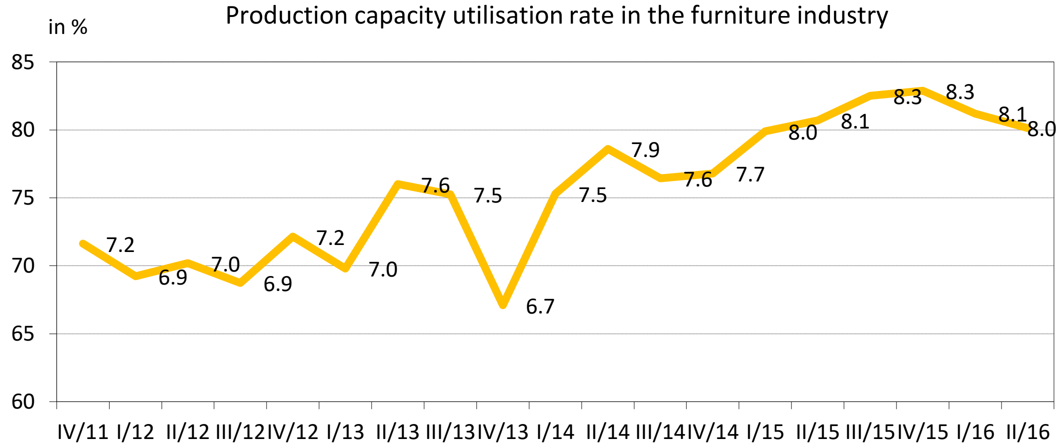


Investments and production capacity utilisation rate

During the first half of 2016, the Belgian furniture industry invested 44.7 million Euros, which is 8.1 % more than in the same period last year. In this way the trend in increased investment that began last year was continued. It were mainly the manufacturers of kitchen furniture who were seen to invest heavily (+67.5 %). Meanwhile investments in home furnishings and office and shop furnishings declined during the first 6 months of 2016 compared to the equivalent period in 2015.

Evolution of investments in the furniture industry						
in million EUR	2014	2015	15/14 in %	6 m 15	6 m 16*	6m 16/15 in %
Chairs and seating, dining room, bedroom, garden and patio furniture	42.8	44.0	+2.8 %	23.2	21.6	-6.9 %
Office and shop furniture	8.9	14.9	+67.4 %	6.2	5.5	-11.3 %
Kitchen furniture	18.9	19.4	+2.6 %	8.0	13.4	+67.5 %
Mattresses and bases	7.4	6.5	-12.2 %	4.0	4.2	+5.0 %
Total furniture industry	**78.0**	**84.8**	**+8.7 %**	**41.4**	**44.7**	**+8.1 %**

The Belgian furniture industry's production capacity utilisation rate has now exceeded 75 % for 10 quarters in a row, and has been above 80 % for 5 quarters in a row. A slight decline has been visible over the last two quarters. This is probably influenced by the heavy decline in the rate of furniture orders.



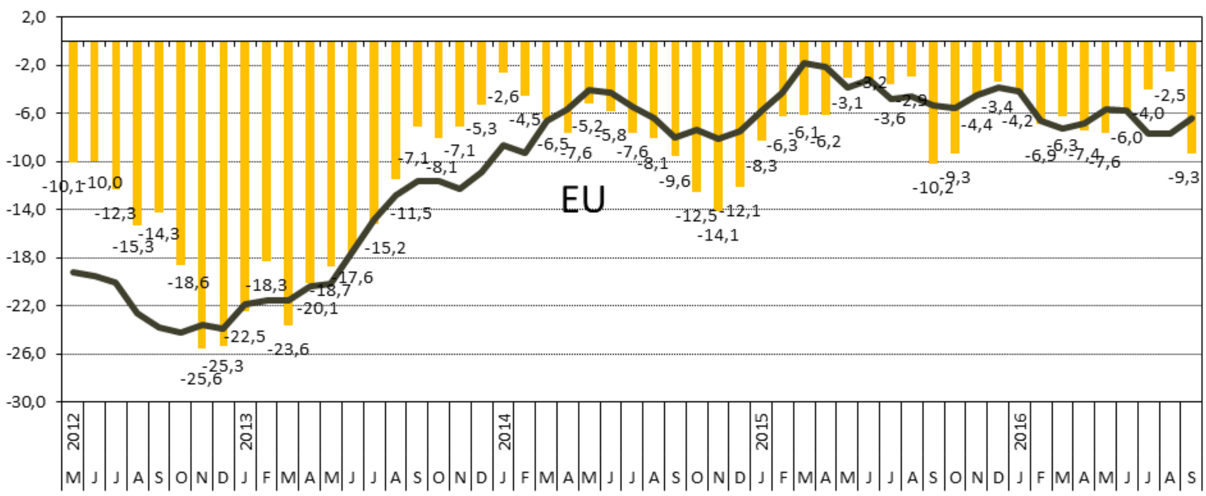
Employment levels are being well maintained

Employment in the Belgian furniture industry stood at 11,150 staff across 844 companies in 2015. This represented a decrease of 181 employees, equivalent to -1.6 %. No big changes have been identified during the first half of 2016. In other words: employment in the Belgian furniture industry is being well maintained.

Consumer confidence: a positive summer, decline in September

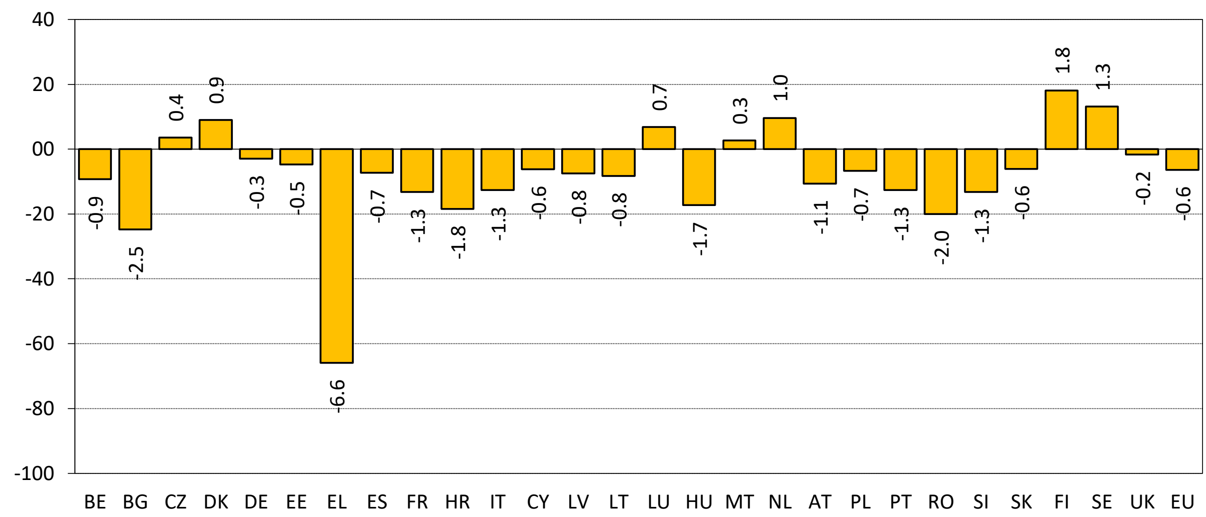
After some ups and downs in the first months of the year, consumer confidence took a positive turn from the month of June, even exceeding the European average in the months of July and August. September, however, then came as a shock, with a strong decline of up to -9.3, during which the European average grew.

This was probably caused by the many reports of redundancies in the banking sector and in a number of large companies across various industries. However there is no reason to panic; consumer confidence also dropped heavily in September last year, but improved considerably towards the end of the year.



The only distinctly positive figures from September 2016 are among the northern EU member states, most particularly in Denmark (9.0), Sweden (13.1), Finland (18.1) and the Netherlands (9.6), which is comparable with 2015.

Consumer confidence in the European Union (September 2016)



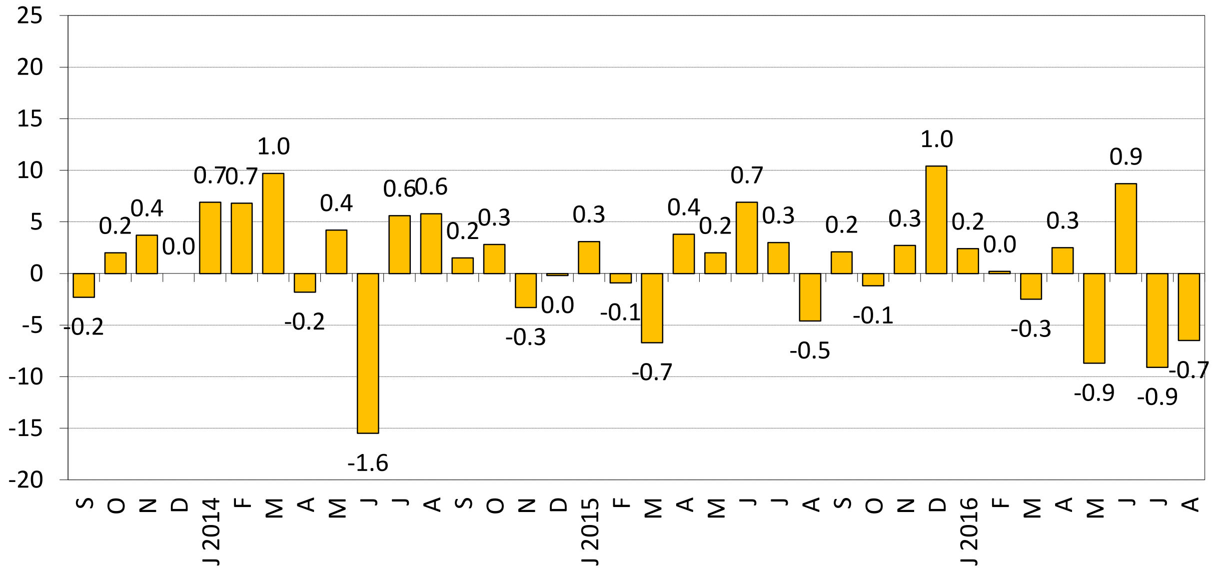
<u>Declining order levels in the furniture trade!</u>

According to the monthly survey by the National Bank of Belgium, the orders received in the Belgian furniture trade in the first eight months of 2016 declined cumulatively by 2.1 %. The only ray of hope after a poor start came in the month of June, but the rate then dropped down considerably during the summer months, leading to a poor discounted sales period.

In any case the strong volatility seen in recent years continues.

in %

Furniture industry orders received over time
(cumulative 8 M 2016 = -2.1 %)



Foreign trade: moderate growth

2015 was a good year for Belgian furniture exports, with a global increase in exports of 5.5 %, primarily thanks to the good export levels to other EU countries, the Middle-East and North America.

Despite continued growth being evident in the first 6 months of 2016 the actual result of +1.8 % is considerably more moderate. Within the EU, exports have grown by 3.7 %, with a light increase to France (+1.5 %), the Netherlands (+3.4 %) and Germany (3.7 %), these being our top-3 export markets by far. More significant increases in percentage terms, but limited in absolute figures, are exports to Italy (+25.4 %), Spain (+38.1 %), Sweden (+74.2 %) and Romania (+52.1 %). Exports to the United Kingdom - somewhat surprisingly - decreased slightly by 1.6 %. Significant losses were felt in e.g. Ireland (- 42 %).

There may well be considerable changes in the exports to the United Kingdom as a result of the Brexit. This is likely to depend heavily on the product. There is already a direct impact due to the strong decline in the value of the British pound, which in turn puts pressure on the margins and/or volumes of those exporting. This should already start to show in the figures for the 2nd half of 2016.

France, with a share of 41.6 %, remains the top export market for the Belgian furniture sector by a long way. The positive news is that our exports to France cover all different sectors within the industry, including the segments “grande distribution ameublement” and also “ameublement milieu de gamme” and bedtime comfort ("literie"). After France, the Netherlands (26.5 %) and Germany (9.9 %) remain our second and third most important export markets.

Following the strong results in North America in 2015, exports to the US declined in the first 6 months of 2016 by 14.3 %. Similarly it was not possible to keep up the good results to the Middle East and these dropped off by 49.4 %. Nonetheless the sector continues to work hard in its aim to turn these regions into stable export markets for Belgian furniture products.

On the import side we see the opposite trend, with a slight increase of 0.9 % in the first 6 months. Imports from EU countries grew by a total of 2.4 %.

China's exports to Belgium declined by 4.4 % in the first six months of 2016 but it retained its position as the biggest foreign supplier. Germany and the Netherlands remain in second and third place. China's market share in Belgian furniture imports has now reached 18.9%.

Foreign trade in the total furniture industry (incl. furniture made of metal and plastic)									
	Belgian imports				Belgian exports				Percentage of cover
Countries	Share 6m2016 in %	6m2015 1000 EUR	6m2016 1000 EUR	6m 16/15	Share 6m2016 in %	6m2015 1000 EUR	6m2016 1000 EUR	6m 16/15	6m2016 (Exp/imp)
France	6.1	65,478.7	69,096.1	5.5	41.6	280,691.2	284,902.5	1.5	412.3
Netherlands	14.9	168,391.4	169,701.5	0.8	26.5	175,552.7	181,438.7	3.4	106.9
Germany	17.5	184,109.4	198,540.4	7.8	9.9	65,248.0	67,685.1	3.7	34.1
Italy	6.4	74,277.8	72,117.9	-2.9	1.4	7,842.6	9,835.1	25.4	13.6
United Kingdom	1.1	12,191.2	12,192.6	0.0	3.1	21,798.6	21,459.4	-1.6	176.0
Ireland	0.0	482.8	200.9	-58.4	0.3	3,219.0	1,853.8	-42.4	922.6
Denmark	0.6	6,585.1	7,078.4	7.5	0.4	1,891.8	2,487.3	31.5	35.1
Greece	0.0	26.4	242.2	816.1	0.2	1,010.4	1,296.9	28.4	535.4
Portugal	0.7	9,000.1	7,565.9	-15.9	0.5	2,613.4	3,541.1	35.5	46.8
Spain	0.7	9,677.0	8,019.6	-17.1	1.6	7,705.0	10,640.5	38.1	132.7
Luxembourg	0.0	873.6	452.6	-48.2	2.0	13,881.2	13,371.2	-3.7	2,954.3
Ceuta	0.0	0.0	0.0	–	0.0	41.7	34.7	-17.0	–
Melilla	0.0	0.0	0.0	–	0.0	57.7	5.3	-90.9	–
Sweden	2.3	25,898.7	26,595.6	2.7	0.6	2,341.4	4,079.3	74.2	15.3
Finland	0.0	663.0	506.4	-23.6	0.1	813.0	968.7	19.1	191.3
Austria	0.3	2,928.8	3,323.2	13.5	0.7	4,196.9	4,625.7	10.2	139.2
Malta	0.0	0.0	0.0	–	0.1	277.0	445.5	60.8	–
Estonia	0.1	552.5	922.5	67.0	0.1	877.1	813.4	-7.3	88.2
Latvia	0.0	99.2	229.0	130.8	0.0	145.4	280.8	93.1	122.6
Lithuania	0.7	8,831.8	7,514.0	-14.9	0.1	429.8	479.4	11.5	6.4
Poland	8.2	83,537.5	93,509.0	11.9	1.2	6,942.6	8,244.6	18.8	8.8
Czech Republic	4.4	50,584.5	50,437.2	-0.3	0.3	1,573.4	2,170.5	37.9	4.3
Slovakia	1.1	12,222.0	12,579.6	2.9	0.1	558.0	803.1	43.9	6.4
Hungary	1.2	9,915.9	13,679.0	38.0	0.2	1,667.9	1,492.3	-10.5	10.9
Romania	2.2	34,791.0	24,467.9	-29.7	0.4	1,702.1	2,588.8	52.1	10.6
Bulgaria	0.2	2,194.8	2,653.0	20.9	0.0	395.0	293.3	-25.7	11.1
Slovenia	0.3	3,917.5	3,270.1	-16.5	0.0	198.3	213.0	7.4	6.5
Croatia	0.2	1,505.0	2,313.6	53.7	0.0	246.0	141.2	-42.6	6.1
Cyprus	0.0	10.5	0.8	-92.5	0.0	186.6	218.1	16.9	27,859.6
Total EU	69.3	768,746.1	787,209.1	2.4	91.5	604,103.9	626,409.3	3.7	79.6
Norway	0.0	37.6	10.8	-71.3	0.2	1,341.1	1,165.7	-13.1	10,801.8
Switzerland	0.4	4,920.7	4,778.1	-2.9	2.0	11,766.7	13,379.8	13.7	280.0
Turkey	3.8	33,516.4	42,878.7	27.9	0.1	473.2	621.7	31.4	1.4
Bosnia-Herzegovina	0.1	1,339.0	956.5	-28.6	0.0	1.5	14.0	806.6	1.5
Macedonia	0.1	960.6	1,296.7	35.0	0.0	63.4	80.7	27.3	6.2
Serbia	0.3	3,103.6	3,659.2	17.9	0.0	116.7	112.8	-3.3	3.1
Ukraine	0.4	1,259.9	4,227.1	235.5	0.0	546.0	267.5	-51.0	6.3
Russia	0.0	52.9	34.0	-35.8	0.2	1,868.0	1,634.1	-12.5	4,809.2
USA	0.3	5,117.8	3,966.8	-22.5	1.8	14,531.8	12,446.9	-14.3	313.8
Canada	0.0	946.2	401.5	-57.6	0.1	792.4	808.8	2.1	201.4
Mexico	0.0	398.5	125.3	-68.6	0.1	168.7	663.4	293.3	529.4
Brazil	0.0	885.4	342.0	-61.4	0.1	863.8	824.5	-4.6	241.1
Morocco	0.0	294.3	261.0	-11.3	0.3	1,167.1	1,805.3	54.7	691.7
Algeria	0.0	0.0	0.1	–	0.1	472.0	977.2	107.0	814,327.5
Egypt	0.1	847.7	693.0	-18.2	0.0	266.9	126.8	-52.5	18.3
Senegal	0.0	24.7	78.3	216.8	0.1	521.5	585.8	12.3	747.8
Cameroon	0.0	0.1	0.0	-100.0	0.1	1,041.8	972.2	-6.7	–
D.R. Congo	0.0	7.2	2.4	-67.1	0.2	2,301.8	1,656.6	-28.0	70,077.5
Lebanon	0.0	0.7	9.0	1,160.7	0.1	784.7	705.7	-10.1	7,861.8
Israel	0.4	2,307.5	4,487.6	94.5	0.3	2,273.1	1,949.9	-14.2	43.5
Saudi Arabia	0.0	0.8	0.4	-51.0	0.1	5,898.1	470.5	-92.0	122,201.3
Qatar	0.0	0.0	22.9	–	0.1	942.6	811.2	-13.9	3,540.1
UAE	0.0	55.9	32.4	-42.1	0.2	1,212.0	1,525.0	25.8	4,711.5
India	0.4	5,204.9	4,506.1	-13.4	0.0	147.1	179.9	22.3	4.0
Thailand	0.4	6,937.2	4,564.1	-34.2	0.1	421.8	459.7	9.0	10.1
Indonesia	2.4	29,546.3	27,169.4	-8.0	0.0	312.2	149.5	-52.1	0.6
Malaysia	0.5	6,583.2	5,909.2	-10.2	0.0	39.4	76.8	94.8	1.3
China	18.9	224,272.7	214,515.3	-4.4	0.2	2,120.3	1,500.6	-29.2	0.7
South Korea	0.0	4.6	180.3	3,843.3	0.2	1,978.9	1,429.9	-27.7	792.9
Japan	0.3	4,111.3	3,434.2	-16.5	0.1	893.4	912.5	2.1	26.6
Taiwan	0.1	1,491.6	1,225.7	-17.8	0.1	496.0	720.5	45.2	58.8
Hong Kong	0.1	1,027.5	682.7	-33.6	0.1	882.2	377.6	-57.2	55.3
Australia	0.0	14.1	14.1	-0.5	0.3	2,153.8	1,720.7	-20.1	12,229.3
Total other countries	1.6	21,706.0	18,022.2	-17.0	1.0	9,328.9	7,112.0	-23.8	39.5
General Total	100.0	1,125,723.0	1,135,696.0	0.9	100.0	672,292.9	684,654.9	1.8	60.3

Forecast: Caution is advised, the consequences of Brexit are hard to predict

The Federal Plan office anticipates that, after two years of moderation, the world economy will grow slightly in 2017, led by the US and emerging countries. Economic growth in the eurozone, as the most important export market for the Belgian furniture sector, is also likely to remain moderate due to uncertainty around the consequences of the Brexit. Economic growth in the eurozone should slow from 1.5 % in 2016 to 1.3 % in 2017. The Belgian economy is estimated to grow by 1.4 % in 2016 and slow to 1.2 % in 2017. In 2016 Belgian exports will benefit from a slight improvement in competitiveness, as a direct result of measures aimed at limiting employment costs. In 2017 the export growth is likely to be restrained by the European economic downturn.

Private real disposable income should increase in 2016 by 1.4 %. Purchasing power is anticipated to remain limited to 1% in 2017, linked to the somewhat slower economic growth. A slower uplift in purchasing power could also affect consumer confidence levels. This is less positive news for furniture sales. On the other hand, private consumption should start to catch up in 2017, growing by 1.4 %, after an increase of only 0.9 % in 2016. Investments in residential buildings grew considerably in 2016 (+6.5 %) and should continue to increase in 2017 by 2.1 %, partly thanks to the ongoing attractive financing terms. So, increased private consumption and dynamic residential building activity is once again good news for the furniture industry.

Taking all these elements into consideration we still expect a slight growth in furniture activity in 2017. However, caution is advised.

Source: Fedustria

Fedustria is the federation of the Belgian textile, woodworking and furniture industry. These sectors represent a total turnover of 11.1 billion Euros and employ 38,446 staff.

Taken separately, the Belgian furniture industry represents a total turnover of 2.36 billion Euros and provides 11,150 jobs.

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