austrian furniture industry

Press conference with Mr. Markus Wiesner

Chairman of the Austrian furniture industry, 8 June 2009 in Vienna

The Austrian furniture industry continues to regard the state of their industrial sector and the prospective business situation as critical

After a 0.4 percent decline of the economic performance in the fourth quarter 2008 in Austria in relation to the previous quarter, the GDP even decreased by 2.8 percent at the beginning of the new year (source: WIFO, the Austrian institute of Economic Research). Therefore the Austrian economy is now officially in a recession. Export oriented areas show an above-average decline. The domestic goods were produced 8.8% less in the first quarter of 2009 than in the previous quarter. According to Statistik Austria, the furniture industry is also severely affected by this downturn, but the full effects will not be felt until 2009. The following numbers refer to the full year of 2008 (industry/55 companies + trade/approx. 9.300 companies). These numbers are preliminary and are subject to change for the final analyses. Source: Statistik Austria.

Production volume declining to 2.67 billion in 2008

According to Statistik Austria, the production volume was 2.67 billion. This is a low value, compared to the total numbers from 2007 (3 billion Euros) but the production data cannot be compared directly to the previous year as the composition of the product groups changed due to a new classification scheme of ÖNACE 2008 and the corresponding CPA 2008. However a decline in production can be derived from these numbers. The top years regarding production volume were 2006 with 2.95 billion and 2007 with 3 billion Euros.

2.5% decline in exports in 2008

Parallel to the drop in production, the export business suffered a 2.5% decline with a value of 1.55 billion Euros. The reasons for this are developments on the international markets which showed a significant decrease in trading volume. Serious declines in the building industry as well as consumer reticence regarding furniture purchases were also important indicators for this negative development.

Primary export markets

EU: EU exports decreased by 1.3% to 1.21 billion Euros.

The most important export countries are Germany (+2.2%, 596 billion Euros) and Italy (-5.5% 168 billion Euros). In the EU, the UK is the third biggest export market, but with a significant decline by 27.5% to 62 billion Euros, especially in office furniture (metal furniture -7.2% and wooden furniture -41.9%).

EFTA region: this region had a 2.4% downturn to 145 million Euros. Switzerland remains the third biggest export market for Austrian furniture manufacturers (+0.4%, 134 million Euros).

Outside the EU: Russia (+4.1%) and Croatia (+2.5%) are the most important trade partners for the Austrian furniture industry.

Asia: the decline in furniture exports to Asia continued in 2008, with a total value of 84 million Euros and an 8.3% decrease. Especially Japan, the most important target market, showed a -9.7% decrease to 38 million Euros.

American market: a significant decrease in exports with -32.3% to 21 million Euros. 36.8% less furniture "Made in Austria" was exported to the US. Canada also had a -27.8% decrease to 5 million Euros.

Export figures by industry sections

The export business developed differently for the individual industry sections.

<u>The decline in exports affected the following three areas</u>:

Shop fitting: the most significant decline affected the shop fitting industry with a -12.7% decrease to 157 million Euros, with -15.2% exports to the EU (114 million Euros).

Kitchen furniture: had a -9.8% decrease to 157 million Euros, with -12.7% exports to the EU (26 million Euros). The biggest losses came from the export business with Germany (-15.7% to 18 million Euros) and Switzerland (-16.2% to 12 million Euro).

Mattresses and bedsteads: these were exported 7.6% less than last year (76 million Euros). The decline in the German market was -5.7% to 47 million Euros and -11.5% in the Swiss market to 6.8 million Euros.

<u>The following industry sections increased their export business</u>:

Seating furniture: seating furniture – including swivel chairs - with a total value of 381 million Euros (+1.2%) was exported. The biggest part (320 million Euros) was delivered within the EU (+0.9%). The EFTA region showed a 4.4% decrease (to 26.4 million Euros), as well as the Asian market with 12.2 million Euros.

Office furniture: exports increased 6.7% (143 million Euros). The office furniture share of the total furniture export volume was 9.2% (wood and metal, excluding seating furniture). 109 million Euros (-0.3%) worth of office furniture were exported to the EU (9% of the total volume). The export volume to Germany was approximately 60 million Euros (+10.3%), 10.1% of the total export volume. Exports to Switzerland were increased 47% to 6.7 million Euros, resulting only in a 5% share of the total export volume. This is a low result when compared to exported household furniture which has a 22.7% share (30.5 million Euros).

Household furniture: the total export quota increased 6% with a total value of 232 million Euros. Also within the EU the export quota increased 13.8% resulting in 177 million Euros. Exports to Germany went up to 90 million Euros (+11.8%). Exports to Switzerland increased slightly with +2.7% (30.7 million Euros).

Furniture imports to Austria decrease slightly in 2008

As in 2007, furniture imports exceeded the exports. The total import volume was 1.71 billion Euros with a slight decrease in comparison to the previous year.

Import figures by industry sections

<u>The decline in imports affected the following sections</u>:

Seating furniture: has the biggest share of the total import volume with 32.9% with an import decrease of 4.4% (to 562 million Euros).

Household furniture: has a 27.9% share of the total import volume and showed a decreased of imports of 1.6% (to 476 million Euros).

Shop fitting: 14.1% of all imported furniture comes from the shop fitting section (-1.5% to 241 million Euros).

The following industry sections increased their import business:

Office furniture: 6.0% increase (to 64 million Euros), with a 3.8% share of the total import volume. 7.2% were imported from the EU, with a total value of 57 million Euros. The primary importer is Germany with 35 million Euros (+9.0%).

Kitchen furniture: Imports increased 4.5% (to 122 million Euros), with 109 million Euros from Germany (+3.4%).

Mattresses/bedsteads: Imports increased 5.6% (to 68 million Euros). Imports from the EU increased 6.7% (to 64 million Euro), with 29 million Euros from German products.

Import trends by regions

From the EU: furniture imports decreased 1.0% to 1.47 billion Euros in 2008. The primary importer remains Germany with 841 million Euros (-0.1%). Germany is followed by Italy with 147 million Euros (-2.5%)

Furniture imports from the **EFTA** region decreased in general, with a 7.0% decrease (to 43 million Euros) for the most important EFTA trade partner – Switzerland.

Outside of the EU Turkey is the biggest furniture importer to Austria with 14 million Euros (+25.5%), followed by Croatia with 11 million Euros (+4.8%).

Asia: The strong import trend from Asia continued in 2008, with a 15.5% increase and a total volume of 127 million Euros. China is the biggest importer with 95 million Euros and a remarkable 32.6% increase.

America: Contrary to the Asian development, the American market had a 30.6% decline, with a total volume of 17 million Euros.

The furniture industry regards the state of their business sector in the second quarter of 2009 still as critical

According to WIFO surveys, the majority of the furniture industry already expected a decline at the end of last year. The order back logs, which have been rated ‘above-average’ since 2006, changed significantly. Most companies reported a production decrease in the first quarter of 2009. These companies remained critical towards the production potential and the future business situation, due to the current financial and economic crisis. According to the WIFO’s economy test of the furniture industry for the second quarter of 2009, which was participated by 32 companies, the situation remains as critical as in the previous quarter, but no significant additional decline is expected. The entire order situation decreased in relation to the previous quarter and remains below the long term average. Excess inventories can be reduced. Significantly more companies continue to report production decreases, but most companies assume that this level will hold in the coming months. A drastic decrease of retail prices is expected. Estimations for the prospective business situation remain negative as well as estimations regarding the number of employees – a reduction of employees could become necessary, due to a low capacity utilization of 78%.

Conclusions

Even though several industry segments developed positively in 2008 one can expect the negative economic trend to continue in 2009, according to reports from furniture manufacturers. It is unlikely that the high productivity and export ratio of previous years will be met. The further development of the world economy and therefore the development of international target markets for the furniture industry, especially CEE and GB, will play an essential role. Leading economic research institutes in Germany project a GDP decline of 6% in 2009 – the biggest decline since the foundation of the federal republic. This decline will most likely have an impact on the export volume to the primary market of the Austrian furniture industry. Tax reforms should stimulate private consumption in Austria, starting in April. So far, these tax reforms had no significant impact on the Austrian furniture industry.

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