German furniture industry will also hold its own in 2019

Domestic demand stagnating

Export business increasingly important for German manufacturers

Abroad appreciates furniture quality "Made in Germany

Kurth, Managing Director of the Association of the German Furniture Industry, explains at the press conference for imm cologne 2019 on 9 January 2019 in Cologne:

In a difficult market environment, the German furniture industry will continue to hold its own in 2019, which has just begun. This is mainly due to the following factors:

- The domestic market will remain stable against the backdrop of slightly positive consumer demand, rising net income and robust construction activity. German manufacturers will be able to defend their market shares despite strong competition from imports. All the more so when it is possible, in close cooperation with the retail trade, to place greater emphasis on the topics of living and furnishing "Made in Germany". This is our declared goal and this is also why we launched the campaign #zuhausesein (at home) in autumn.

- In addition, with the support of the association, the sector will consistently develop its export business further and capture additional market shares in defined target countries.

- Another successful imm cologne / Living Kitchen will provide important impetus and give a lasting boost to the furniture year. The dual fair is by far the most important industry event of the year.

Against this backdrop, we expect industry sales to remain at least stable or even grow slightly in 2019. In a cautious scenario, we expect the industry to move sideways. Such a cautious scenario includes the clear effects of an unregulated break with a 25 percent drop in exports by the German furniture industry to the UK. This would result in all other export growth being equalised. In a positive scenario, an overall increase in sales of 1.5 to 2 percent is possible if Brexit is regulated and a solid overall increase in exports of 3 to 5 percent is achieved.

The German furniture industry can look back on a difficult 2018. Although the bottom line is statistically a slight increase in turnover of around one percent, this cannot conceal the enormous challenges facing the industry and the different developments in the sub-sectors. The slight upturn that did not begin until late autumn was not sufficient to close the gap that had arisen, especially in the classic residential furniture segments. Only the kitchen and office segments were able to stand out positively from this development.

After three mixed quarters, partly due to the long heat period throughout Europe, the fourth quarter then got off to a positive start again in October with an increase in sales of 8.3 percent. After ten months - i.e. up to and including the end of October - the sector statistics now show a slightly positive result of 1.1 per cent with total sales of just under € 15 billion. For the full year 2018, we confirm our sales forecast of an increase in sales of one percent to around €18 billion. According to data from the Federal Statistical Office, this result is made up as follows for the first ten months of 2018:

After a decline in sales of 3.8 percent in the previous year, our kitchen manufacturers recorded a strong increase in sales of 6.2 percent to € 4.2 billion from January to October. This effect is primarily attributable to the very good foreign demand with an increase of 8.4 percent compared to the previous year as well as to redistributions in the market. The domestic market also developed positively with a plus of 4.8 percent.

According to official figures, the office, shop and contract furniture segment achieved sales of just under € 3.5 billion with an increase of 6.5 per cent. Office furniture manufacturers achieved a better performance than manufacturers of shop furniture and other contract furniture.

Mattress sales fell by 11.5 percent to just under € 640 million. This is certainly also due to the particularly tough price war and the strong import competition in this segment.

The official statistics for the upholstered furniture industry, which exclusively record developments at the German production sites, show a 5.7 percent decline in turnover to around € 760 million. This negative development basically applies to German production. Companies with their own production facilities abroad are less affected. According to an internal sector survey of market-dominating companies, the decline in incoming orders by the end of November was 1.7 percent.

The "other furniture" segment showed a decline in sales of 2.6 percent to just under € 6 billion. In the official evaluation, this largest sub-segment of the industry comprises living room, dining room and bedroom furniture as well as small pieces of furniture, non-upholstered seating furniture and furniture components.

The average number of furniture companies producing in Germany with more than 50 employees was 481 in the first ten months of the year - down slightly on the same period last year (-2.4 percent). Nevertheless, the number of employees increased by 0.7 percent to 84,500.

Domestic sales developed below average in the first ten months of 2018 with a nominal increase of 0.9 percent, while sales sold directly abroad increased by 1.6 percent.

The weak development in domestic demand is primarily attributable to the fact that we as the furniture industry as a whole did not succeed in scoring against other consumer goods: Travel, caravans and e-bikes are apparently more popular with consumers at the moment. In addition, the constant battle for discounts does not help to increase the desire for our products. Yet the topic of "living & furnishing" is actually very popular with German citizens. Our current Allensbach study shows that almost

19 million people would like to change their home furnishings. We have to pick them up and fulfil their desire for a shopping experience to a greater extent. So far, however, the furniture industry has benefited only insufficiently from low unemployment, rising incomes and the fundamentally high propensity to consume among German citizens.

On the other hand, the current development of foreign markets makes us much more positive. Exports by the German furniture industry rose by 2.8 percent between January and October 2018. In the first ten months of 2018, 32.6 percent of the furniture produced in Germany went directly abroad. The export ratio has never been higher. At the turn of the millennium it was still a comparatively meager 16.3 percent - its continuous increase is impressive proof of the high international esteem for German furniture. In addition, the high export ratio underscores the importance of foreign business as an important source of sales for our companies.

Almost all major non-European markets are currently in positive territory. Between January and October 2018, furniture exports to China alone increased by 21.8 percent compared to the previous year. German furniture exports to the USA also increased by 4.2 percent despite the increasingly protectionist trade policy of the USA. Sales of German furniture in Russia rose for the second year in succession in 2018 after a long period of weakness. Other important growth markets such as Japan, Canada and India also showed positive signs.

Within the EU, demand for furniture also increased significantly in 2018 compared with 2017. France was able to assert itself as the most important sales market for furniture "Made in Germany", with German furniture exports increasing by 6.1 percent. Other European markets such as the Netherlands, Belgium, Poland, the Czech Republic, Spain and Italy also developed positively. In view of the still unresolved Brexit issues, our main concern is the British market. With a volume of around € 700 million, this market still occupies fifth place in the ranking of the most important export markets of the German furniture industry. From January to October 2018, German furniture exports across the English Channel slumped by 6 percent.

Imports developed slightly negatively in the first ten months with a slight drop of 0.3 per cent to a total volume of € 10.6 billion. The decline in furniture imports is evidence of the current weakness in domestic demand in Germany. However, the trend varies from supplier country to supplier country. At 26.3 percent, more than a quarter of all imported furniture now comes from Poland - the import value here rose by 3.4 percent year-on-year to just under € 2.8 billion. At the same time, imports from China - currently in second place in the ranking of the most important supplier countries - fell slightly by 2.3 percent to € 1.6 billion.

Imports from the Czech Republic developed even more negatively with a minus of 3.9 percent to € 1.4 billion. Other important supplier countries such as Hungary, Romania, Austria, Slovakia, Switzerland, Vietnam and Denmark also lost market share in Germany. Besides Poland, the main beneficiaries of this development were Portugal and Spain.

Against the backdrop of slightly declining furniture imports, the import penetration of the German furniture market fell slightly in 2018 for the first time in years. According to VDM calculations, the proportion of furniture of foreign origin in German trade in the first ten months of 2018 was 64.9 percent, compared with 65.3 percent in the same period of the previous year.

Against the background of a weak domestic market, the success of our domestic furniture manufacturers in exports is existentially important for the long-term and sustainable growth of the German furniture industry.

The imm cologne 2019 as the world's leading trade fair for furniture and furnishings is therefore extremely important for our manufacturers, who come to the cathedral city with new ideas and innovations. We therefore expect imm 2019 to provide our sector with a clear boost.

Our manufacturers have the best prerequisites for this: their products are characterised by exceptional quality and outstanding design and enjoy a high level of recognition worldwide.