

UEA NEWSLETTER

CONTENT

- EDITORIAL
- EU FURNITURE IN THE WORLD
- TRENDS IN FURNITURE TRADE INDUSTRY IN 2006
- FIRST PROJECT
- RESTRUCTURING FORUM
- EU INDUSTRIAL POLICY
- UEA GENERAL COUNCIL
- PRODUCTIVITY MATTERS
- FIRE-RESISTANT UPHOLSTERY
- EURO-MEDITERRANEAN ISSUES
- UCIM
- ECO-LABEL
- INNOVAWOOD

Periodical October 2006

Uea Communications asbl.

Rue Royale 163

B - 1210 Brussels

www.ueanet.com

secretariat@uea.be

Publisher

Bart De Turok

Bodegemstraat 43A

B - 1000 Brussels

deturok@uea.be

Editorial Committee

Calixto Valenti

Pavlos Kimtsaris, Bart De Turok

EDITORIAL

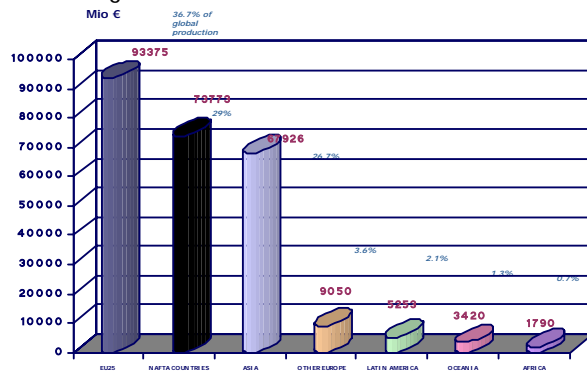
The UEA general council updated the strategic approach of the UEA. It gave itself a revised mission statement: **“To keep the furniture industry leading in the field of design, production and distribution by lobbying, cooperation and intensifying the European network.”** Acting within the activity area's of the UEA two strategic axes were defined, one offensive, to try and improve the competitiveness of the European furniture industry, and one defensive, to improve the defenses of the industry against imports. The r(e)new(ed) strategy will lead to a series of specific activities in the field of representation, communication, co-operation, and the promotion of research and development. The UEA will, among others, proceed with a reassessment of its position on the use and possibilities of a number of EU harmonization legislations such as information labeling for furniture, fire safety of upholstery, or on dangerous substances such as formaldehyde. Also in the areas of co-operation new activities will be initiated such as the creation of a co-operation database among European manufacturers as is planned in the restructuring project financed by the EC. Also the co-operation on international level will be increased and after an extensive evaluation of advantages and disadvantages both for the industry and for the UEA, the UEA general council decided to continue leading the creation of an international furniture manufacturers' organization. As I am personally very convinced of the impact co-operation can have on the competitive situation of our furniture companies, I look forward to the extension of our co-operation activities in the framework of a World Furniture Organization.

Calixto Valenti,
UEA President

THE FURNITURE INDUSTRY

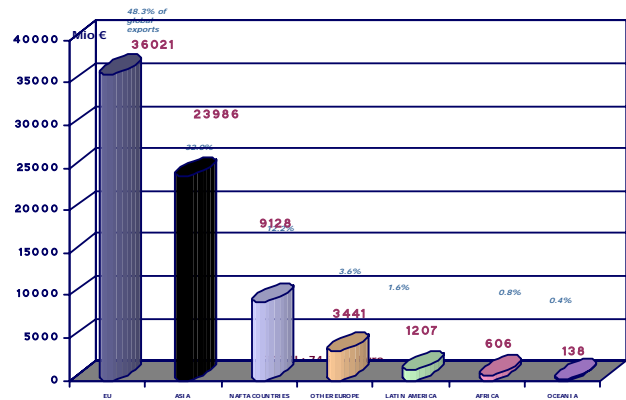
EU FURNITURE IN THE WORLD

The UEA has collected the figures of production values and of trade for the furniture industry at the world level for 2005. It appears that the EU25 is still the leading furniture producing region at the global level with 36.7% of the global production (93.4 billion Euros out of 254.6 billion Euros), followed by NAFTA countries (USA, Canada, Mexico - 73.8 billion Euros or 29%). Asia is the other major player with a production value of 68 billion Euros (26.7%) with China accounting for more than half of the production in the continent. In 2005, NAFTA countries recorded growth rates approaching 10% and Asian countries growth rates exceeding 20%.



The global furniture trade grew by 7.3% to 74.8 billion Euros. The EU25 furniture manufacturers were responsible of 48.3% of this trade (36 billion Euros, including intra-EU25 trade). With 24 billion Euros worth of furniture exports, Asian countries accounted for 32% of global trade (China represented two thirds of Asian totals). NAFTA countries exported 9 billion Euros worth of furniture. Main flows are between EU25 countries, from EU to USA, to EFTA countries and to Russia, from Asia to USA and to EU25 and between NAFTA countries. Top 5 exporting countries are China (21.3% of total), Italy (11.1%), Germany (7.5%), Poland (5.9%) and Canada (5.8%).

The EU25 apparent consumption amounted to 94.4 billion Euros or 210 Euros per inhabitant. In the NAFTA countries, it amounted to 90 billion Euros or 205 Euros per inhabitant. In Asia, it reached the value of 51.1 billion Euros or 16 Euros per inhabitant.



TRENDS IN FURNITURE PRODUCTION & TRADE IN 2006

From January to July 2006, the production value of furniture has recorded positive growth (compared to the same period of previous year) in many countries in Europe thanks to a buoyant domestic demand in almost all the countries. Exceptions were France, UK and Portugal that saw their production value decrease.

From January to April 2006, furniture exports to and imports from outside the EU25 rose respectively by 8.4% and 13.7% compared with the same period in 2005.

The growth rate of exports (3,094 million Euros) was even impressive for some emerging destinations and even to Norway and Russia (two-digit growth rates), two main export markets for EU manufacturers. However, EU manufacturers continue to lose market shares in the USA and Japan (strong Euro and competition from China). Once again, because of ever increasing imports from China (38% of total extra-EU imports), extra-EU25 imports reached record levels (3,958 million Euros, generating a deficit of 864 million Euros). China (+35%), Indonesia (stagnating imports) and Vietnam (+30%) are the outsourcing platforms outside Europe.

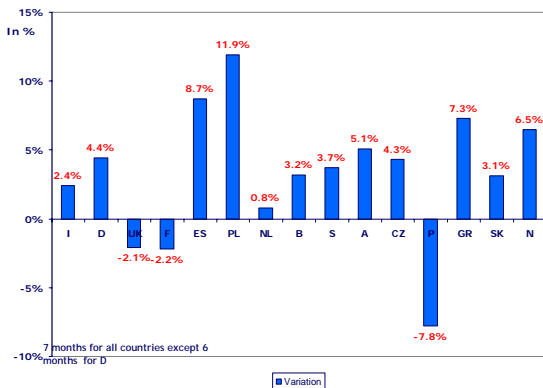
Preliminary figures from Eurostat (based on production volume indexes and production prices indexes - January to July 2007 and thus expressed in local currencies) show a different picture for the furniture industry from country to country. In Italy, the production value rose by 2.4% despite stagnating exports, the local demand driving this positive evolution.

In Germany, during the first half year of 2006, the production value reached 8.8 billion Euros (+4.4% compared with 2005). Highest growth rates were observed in the office furniture industry (+11.2%) and in the kitchen industry (+9%). Production of domestic furniture grew by 6.2%.

In the UK, the production value fell by 2.1% even if exports rose by more than 8%.

The French manufacturers are losing market shares in their domestic and export markets. Despite a growth of 2.5% in furniture consumption in the first part of 2006, the production value decreased by more than 2% with sectors such as the upholstery industry suffering decreases by almost 10%. The Spanish furniture industry recorded one of the highest growths among the various industries in Spain. With an increase of 8.7%, furniture manufacturers fiercely compete with growing imports but are also more aggressive on foreign markets. As usual Poland is above the 10% growth rate level (+11.9%). Polish companies are among the most competitive in the low end of the market in export markets and develop ambitious export plans. The Netherlands witnessed a slight increase in the furniture production (+0.8%). In Austria, the furniture industry is performing well thanks to growing local demand and exports to neighbour markets. Production rose by more than 5% in the first part of 2006. The Czech Republic (+4.3%), Belgium (+3.2%), Sweden (+3.7%), Slovakia (+3.1%) & Greece (+7.3%) are also surfing on a positive trends. Two Baltic states (Lithuania & Latvia) have also excellent results (+10% growth rates). In Portugal, the production value dropped by 7.8%.

2006 FURNITURE PRODUCTION IN SOME EUROPEAN COUNTRIES



FIRST PROJECT



In the past three years, the UEA has warned about the structural changes the furniture industry is undergoing specifically in the EU 15. The European Commission has

officially recognized the fact that the sector is undergoing structural changes and has made it a priority sector for a number of actions. DG (Directorate General) Enterprise is undertaking a competitiveness study of the furniture industry; DG Trade has moved up the importance of the market access for the furniture in the WTO

discussions; DG Research has made the furniture industry the pilot sector for its study to define the research needs for user centered innovation in manufacturing industry, centered around the product, not the material, DG Enlargement has put assistance for the compliance with the EU acquis in the furniture sector as a priority and now DG Employment has decided to fund a 1.6 million€ project of the UEA to study best practices and develop methodologies to help companies deal with the structural changes in the sector particularly by integrating co-operation in their operations. Partners in the project called FIRST (Furniture Industry in Restructuring: Solutions & Tools) are: MIP (Polytechnic University Milan), Aidima, (Spanish Furniture Research Center), BFM (British Furniture Manufacturers Federation), Medifa (French Furniture Manufacturers Federation), EIAS (Furniture Co-operation Consultancy) and EFBWW (European Federation of Building & Wood Workers). Companies that have passed through restructuring using co-operation, subcontracting or outsourcing and that are willing to share their experience with other companies, and companies that are interested in the methodology that will be developed can contact their national furniture manufacturers' organization or the UEA secretariat. (secretariat@uea.be)

THE "RESTRUCTURING FORUM" & THE UEA EXPERIENCE

The Commission has decided to annually organize a 'Restructuring Forum' focussed on specific aspects of restructuring (sectoral and territorial dimensions, the role of the Structural Funds, the link between innovation, skills, job creation and restructuring, the company level, etc.). The second session took place in Brussels on 18 July 2006 and was dedicated to the sectoral dimension of restructuring. The main themes were: the new integrated industrial policy and anticipation of change (i.e. the Commission's Communication on industrial policy) and the sectoral social dialogue and anticipation of change. 170 participants attended coming from the European institutions (members of the European Parliament, Committee of Regions, European Commission, ...), the Governments of the Member States, the social partners' organizations (more or less 35 for each side) and experts (universities, practitioners, etc.). Mr Vladimir Špidla, Commissioner for Employment & Social Affairs was also present. The UEA represented the furniture industry and M. Bart De Turck, UEA secretary general, was asked to be a speaker and to bring to light the experience and the potential of the sectoral social dialogue with regard to anticipating change and restructuring.

He stressed that the EU furniture industry is in a restructuring phase, facing strong competition from China and increasing concentration and dominance of the distribution. He declared: "Our organization believes that we should rather help the industry to regain and improve its competitiveness by any and all means and that also means in assisting the companies in restructuring efforts", because the size of companies in the sector is so small that they do not have sufficient means to do so. He recalled that thanks to an efficient lobbying, the European Commission recognized the structural problems of the sector in its Communication on industrial policy, and mentioned that "as a sector organization we look forward to participate in more new initiatives under the priorities identified by the Commission but also on increased co-operation between companies in the old and new and candidate Member States". In this framework, the FIRST project (see above) perfectly goes along with this approach.

THE NEW EU INDUSTRIAL POLICY

On September 15, the Alliance (a group of major industrial associations for which the UEA plans to apply for membership) and the Commission have organized a conference (in which participated the UEA -representing the furniture industry-, as well as other trade associations representatives, people from various industrial companies and high-level representatives from the European Commission & Parliament) to discuss the new EU industrial policy that is designed to provide the right framework conditions for enterprise development and to foster innovation, taking into account the specific characteristics of the various manufacturing sectors (including furniture). The need for coherent and mutually supportive competitiveness, energy and environmental policies was emphasized. The Internal Market has generated a business environment that has already contributed significantly to the growth of European industry. Nevertheless, it was stressed that further progress is urgently needed in such areas as innovation (including anticipation of changes and innovative management), better or less regulation, intellectual property rights (including protection of design) and fair participation in global markets.

UEA GENERAL COUNCIL IN DUBROVNIK



The Croatian association HUP (UEA member) hosted the meeting of the general council of UEA in Dubrovnik on October 7, 2006. Special

guests were the M. Cobankovic, Minister of Agriculture and Forestry (responsible for the furniture industry in Croatia), M. Svetina, president of HUP/Furniture and M. Beuk, president of Croatian Forest Federation. Main topics on the agenda were discussions on budgetary matters, the adoption of the updated strategy of the UEA, the social dialogue in the furniture sector at EU level and the advantages and disadvantages for UEA to become a founding member of the World Furniture Organization. The evening and the next morning were devoted to socializing including a dinner in the medieval old centre of Dubrovnik and a short cruise in a old wooden galleon.



PRODUCTIVITY MATTERS

In a global world where China seems to be responsible of the misfortune of certain ones, Swedwood (the industrial holding of IKEA with 35 factories in 9 European countries) has demonstrated that investment in Europe pays. The holding was created in 1991 and reached a turnover of 795 million Euros in 2005. Six countries out of the nine are EU members states (Germany, Hungary, Latvia, Poland, Slovakia, Sweden), one will be EU member state in 2007 (Romania) and the others are Russia and Ukraine (4% of turnover). The group employs more than 12,000 persons and its factories have to be as competitive as the other furniture global suppliers of IKEA, if not more. That is why, the productivity (turnover in Euros/employee) in the factories

	Swedwood	National	Difference
Germany	145349	129630	112%
Hungary	56000	42781	131%
Latvia	41966	22179	189%
Poland	64078	51311	125%
Slovakia	74398	52885	141%
Sweden	164733	98051	168%
Romania	36117	10555	342%
Russia	34134	9500	359%
Ukraine	13054	8120	161%

often exceeds by far the national averages, and the productivity in factories in some new

member states is approaching the EU25 average.

INTERNAL MARKET

FIRE-RESISTANT UPHOLSTERY

The French government is drafting a piece of legislation ("décret") related with the safety of upholstered furniture. It will be forbidden to

produce, import and sell upholstered furniture and mattresses (for private and contract uses) that are not fire-resistant. Acceptable upholstery must pass the test of resistance to flammability from a cigarette. This "décret" will be applicable 18 months after its publication in the Journal Officiel. The UEA is considering the feasibility and the acceptance of such legislation at the EU level.

EURO-MEDITERRANEAN ISSUES

The Industry Ministers of the EU and Mediterranean countries recently met and explored how to take advantage of the European Neighbourhood Policy (ENP) to foster economic integration and tackle globalisation. They agreed on deepening economic cooperation in particular in four areas: economic integration and market access, competitiveness and SMEs, innovation and investment. They also confirmed their commitment to establish a mutually beneficial Euro-Mediterranean Free Trade Area by 2010. The European Neighbourhood Policy (ENP) is in place since 2004. From 2007, the policy will be supported by a new EU financial mechanism, the European Neighbourhood and Partnership Instrument (ENPI). With a comfortable budget, the EU will increase its support to Mediterranean partners to back the implementation of the bilateral agreements and regional cooperation initiatives, such as support for investment promotion, regional economic integration and regulatory convergence.

ENVIRONMENTAL & TECHNICAL ISSUES

USER-CENTRED INNOVATION IN MANUFACTURING - UCIM



As announced in the previous issue, the Commission is considering furniture industry and its products as a priority sector for the next EU research & development program. In the framework of User-Centred Innovation in Manufacturing (UCIM), some experts are working on scenarios involving manufacturers and consumers. Three scenarios come out to enhance European furniture industry competitiveness through involvement of users in customization of their products. They illustrate different/contrasted concepts of "assisted creation", "customized finishing" or "adaptable leasing". "*Own sweet home*" allows a personal furniture solution, "*Customize & Carry*" could present an all range of ready-to-adapt furniture and "*Rent a piece*" proposes adaptable furnishing for leasing. The scenarios embrace, for the European

furniture manufacturers, multiple business opportunities made of combinations of these 3 concepts in order to meet trends in user demand towards more personalized products.

ECO-LABEL FOR FURNITURE



The European Commission has assigned AFNOR (French standardization body) a project to prepare a draft Commission Decision establishing ecological criteria for the award of the EU eco-label to *only* wooden furniture. CTBA (French furniture research institute) carried out the practical work. During the previous discussion for an eco-label for all types of furniture, considerable amount of work was done and contributions were collected from interested parties in an attempt to propose ecological criteria for furniture. Though this project did not come to a favourable conclusion (several member states did not accept some severe criteria for some materials before the Commission had to decide), it offers a strong information basis for the present project. In the present project the product group definition has been narrowed down to "wooden furniture" in an attempt to overcome some of the obstacles which made the previous project inconclusive. The prepared draft (that includes: product group name, definition and scope and a proposal and a justification of environmental criteria) is intended to serve as a discussion paper for the next meetings of the Ad Hoc Working group. The UEA participated in the first meeting (held on October 5, 2006) and presented the position of the furniture industry which is a neutral one as the system is voluntary when paying attention to a possible discrimination of materials.

INNOVAWOOD-SSA



Innovawood-SSA is a "Specific Support Action" project, funded under the EU the Sixth Framework Program. It tries to match industry needs and research capabilities through an integrated strategy for innovation in the European forestry-wood chain (FWC). It represents an integrated approach to bridge the gap between all actors involved in the innovation process of the extended FWC, that includes: the providing community, public authorities, industrial federations and associations, producers and end-users, and especially SMEs. The UEA is a partner and has stressed the needs of the furniture industry especially in topics such automation in small factories, surfaces treatment, ergonomics, design and furniture customization. More information on www.innovawood-ssa.net.