

Furniture Industry



“

...the global furniture market is expected to grow at a CAGR of 5.1% from 2018 to 2025, reaching \$715.6 billion by 2025...

”



Fig 1: Global Furniture Market 2017-2025



Global Market

According to a report by Grand View Research (“GVR”), the global furniture market is expected to grow at a CAGR of 5.1% from 2018 to 2025, reaching \$715.6 billion by 2025. The market is driven by various factors such as rising disposable incomes, growth of real estate and hospitality industries and demand for luxury and premium furniture from certain consumer sections. Additionally, increasing government investments in infrastructural development is contributing to demand for furniture in both the residential and commercial sectors.



Regional Segmentation

The Asia Pacific furniture market currently accounts for over 40% of the overall revenue share. This growth can be accredited to rising disposable income of the upper- and middle-class population and a booming real estate industry coupled with government-initiated housing projects. The residential segment in Asia Pacific is anticipated to attain a market size exceeding \$90 billion by 2025. Moreover, rapid urbanisation coupled with the growth of the IT industry is expected to positively impact demand.

Europe is projected to expand at a CAGR exceeding 5% over the forecast period ascribable to the rising tourism industry driving the hospitality sector, ultimately creating demand for luxury furniture. Europe is one of the major regions where the furniture export ratio is higher than that of imports. Italy, Germany and France are the primary countries in the European furniture industry due to the concentration of major industry players in these countries.



Continued Demand for Wooden Furniture

GVR’s report revealed the wooden furniture segment held the largest market share and is expected to expand at the highest CAGR over the forecast period. This growth is expected to accelerate as wood is one of the raw materials naturally available in abundance and can be used in production of almost all types of furniture products.



Furniture Trends

Theme-based home decor and conducting regular home renovations are on-going trends seen in middle and upper-middle class urban consumer populations. These consumers tend to look beyond the basic functionality of furniture for additional attributes such as style and comfort. As a result, glass is one of the materials expected to witness significant growth over the forecast period owing to its rising adoption in luxury furniture which adds elegance and sophistication to the decor.



E-Commerce Furniture Market

The global online furniture market is expected to grow by \$84.3 billion from 2020 to 2024, according to a market research report by Technavio. The emergence of new opportunities for customers to shop through network marketing and increasing purchase volume of new mobile devices has increased the significance of mobile commerce. Alibaba and Amazon are some of the major retailers that maintain their own mobile applications.

Furniture Industry



“

...in March 2020, the monthly retail sales volume fell sharply by 5.1%; the largest fall since the series began as many stores ceased trading from 23 March...

”

These factors are boosting online furniture sales. The trend of shopping online for furniture is expected to continue to evolve due to the availability of 24/7 customer support, online shipment tracking, cheaper costs and a wide range of merchandise offered online.



Eco-Friendly Furniture

Sustainability has become an important topic in many different industries, and the furniture market is no exception. Furniture manufacturers are increasingly being influenced by business and consumer interest in green products and an increased focus on sustainability.

To reduce environmental impact, many furniture manufacturers are using recycled materials or more sustainable woods such as acacia, bamboo or reclaimed wood. This coupled with the increased interest of consumers in sustainable furniture is expected to result in ever increasing demand for eco-friendly furniture in the coming years.



UK Retail Sales

According to latest figures from the ONS, in March 2020, the monthly retail sales volume fell sharply by 5.1%; the largest fall since the series began as many stores ceased trading from 23 March following official government guidance during the coronavirus (COVID-19) pandemic. In March 2020, clothing store sales saw a sharp fall when compared with the previous month, at negative 34.8%.

Food stores and non-store retailing were the only sectors to show growth in the monthly volume series in March 2020, with food stores seeing the strongest growth on record, at 10.4%. In the three months to March 2020, retail sales volume fell by 1.6% when compared with the previous three months, with strong declines in non-food stores and fuel.

Online sales as a proportion of all retailing reached a record high of 22.3% in March 2020 as consumers switched to online purchasing following the pandemic.



Consumer Spending

The most recent consumer spending data from the ONS showed in Quarter 4 2019, household spending (adjusted for inflation) growth was 0.0% compared with Quarter 3 2019. Current price spending decreased by negative 0.1% in Quarter 4 2019 compared with Quarter 3 2019.

The largest negative contribution to growth was from net tourism, which fell by negative 13.2% compared with Quarter 3 2019. While the largest positive contribution to growth was from housing, water, gas, electricity and other fuels, which increased by positive 0.6% compared with Quarter 3 2019.

Economic Impact of Coronavirus

The spread of COVID-19 has left businesses around the world counting costs, with many investors fearing the spread of coronavirus will pose an insurmountable challenge to the economic growth of all major countries across the globe. Almost every industry has been affected, with governments scampering to somehow arrest the economic decline. Central banks in more than 50 countries, including the US Federal Reserve and the Bank of England

Furniture Industry



“

...daily footfall fell by more than 70% in the US and Italy on March 18 compared with the same day the year before, and by more than 20% in the UK and Sweden...

”

have cut interest rates to try to strengthen their economies. Moreover, an increasing number of countries are now announcing stimulus in the hopes of reviving their economy.

Manufacturing and Services

In China, where the coronavirus first appeared, industrial production, sales and investment all fell in the first two months of the year, compared with the same period in 2019. China makes up a third of manufacturing globally and is the world's largest exporter of goods. Like China, factories in many other economic powerhouses like the US, UK and Germany have been shut, resulting in a decline in manufacturing output at perhaps unprecedented levels.

Likewise, services sectors around the world including IT, IT enabled Services ("ITeS") and banking have also taken a hit, and perhaps the biggest hit has been the travel sector, with many companies in this sector now facing an existential crisis.

Effect on Global Demand

Restaurants, cinemas and shops around the world have emptied, while flights, road traffic and energy use have fallen steeply. Oil is at its lowest price in almost 20 years.

Retail sales are following a similar pattern, according to data from Springboard, a global retail research company. daily footfall fell by more than 70% in the US and Italy on March 18 compared with the same day the year before, and by more than 20% in the UK and Sweden.

It is clear now that the spread of coronavirus is leading to a decline in global consumer spending, the heart of global economic activity. Moreover, many countries have seen employee layoffs on a large scale, which will result in more people being vulnerable to a pullback in consumer spending.

UK Retail Industry

British retailers suffered their biggest fall in sales since the 2008 financial crisis in the first half of April as the coronavirus kept shoppers at home and forced store closures, according to the Confederation of British Industry.

Together with official figures for March and an earlier survey from the British Retail Consortium, numbers released in April last week showed the sector was on track for a historic decline, as an earlier boost from the stockpiling of food fades.

"The lockdown is hitting retailers hard. Two fifths have shut up shop completely for now," CBI chief economist Rain Newton-Smith said.

Britain's total economic output could fall by more than a third in the second quarter of this year due to measures to slow the spread of COVID-19 that have closed most non-essential stores, the government's budget forecasters have said.

The CBI distributive trades survey's retail sales balance dropped to -55 in April from -3 in March, matching the series' record low set in December 2008. The expected reading for May is a record low -54.

Two thirds of all retailers said the coronavirus had hurt sales, and 44% said they had laid off staff temporarily, while 8% had made permanent job cuts.

Furniture Industry



“

The Organization for Economic Cooperation and Development (OECD) on March 2, 2020, lowered its forecast of global economic growth by 0.5% for 2020 from 2.9% to 2.4%...

”

When Could Retail Stores Reopen?

Retail stores in England may start to reopen in June according to the government's phased plan to ease lockdown restrictions. UK Prime Minister Boris Johnson has said shops will reopen from the start of June "at the earliest", provided that infections and the reproduction rate of the disease, known as the R value, remain low.

He said: "In step two – at the earliest by June 1 – after half term – we believe we may be in a position to begin the phased reopening of retail stores.

Some cafes or restaurants with outdoor space, and places of worship and socially distanced cinemas, could return to business from July, although specific details have not yet been given.

However, the leaders of Scotland, Wales and Northern Ireland are not replacing the "Stay Home" message with Johnson's new "Stay Alert" slogan. These current guidelines for the easing of lockdown restrictions only apply to England, including the reopening of stores.

However, furniture retailers have reopened with homewares chain Dunelm reopening seven stores in the Midlands on 12 May after it said the government had given it the go-ahead. This was made possible after the government subtly clarified its definition of "essential" retailers on 13 May to say homeware stores were included, rather than its earlier definition of "home and hardware" stores. Industry insiders said retailers had also held back on reopening because of concerns about how to safely operate deliveries of large items, such as sofas, which require two people. Like Dunelm, many other furniture retailers are planning to reopen soon.

Global Economic Forecast

The economic situation remains highly fluid. Uncertainty about the length and depth of the health crisis-related economic effects are fueling perceptions of risk and volatility in financial markets and corporate decision-making. In addition, uncertainties concerning the global pandemic and the effectiveness of public policies intended to curtail its spread are adding to market volatility.

Compounding the economic situation is a drop in the price of crude oil that reflects the global decline in economic activity, prospects for disinflation, and contributes to the decline of the global economy through various channels. On April 29, 2020, US Federal Reserve Chairman Jay Powell stated that the Federal Reserve would use its "full range of tools" to support economic activity as the Commerce Department reported a 4.8% drop in U.S. GDP in the first quarter of 2020. In assessing the state of the U.S. economy, the Federal Open Market Committee released a statement indicating that, "The ongoing public health crisis will weigh heavily on economic activity, employment, and inflation in the near term, and poses considerable risks to the economic outlook over the medium term."

The Organization for Economic Cooperation and Development (OECD) on March 2, 2020, lowered its forecast of global economic growth by 0.5% for 2020 from 2.9% to 2.4%, based on the assumption that the economic effects of the virus would peak in the first quarter of 2020. However, the OECD estimated that if the economic effects of the virus did not peak in the first quarter, which is now apparent that it did not, global economic growth would increase by 1.5% in 2020. That forecast now seems to have been highly optimistic.

Labeling the projected decline in global economic activity as the "Great Lockdown," the IMF released an updated forecast on April 14, 2020. The IMF concluded that the global economy would experience its "worst recession since the Great Depression, surpassing that seen during the global financial



MARKET SECTOR INSIGHTS - JUNE 2020

Furniture Industry



crisis a decade ago.” In addition, the IMF estimated that the global economy could decline by 3.0% in 2020, before growing by 5.8% in 2021; global trade is projected to fall in 2020 by 11.0% and oil prices are projected to fall by 42%. This forecast assumes that the pandemic fades in the second half of 2020 and that the containment measures can be reversed quickly. The IMF also stated that many countries are facing a multilayered crisis that includes a health crisis, a domestic economic crisis, falling external demand, capital outflows, and a collapse in commodity prices. In combination, these various effects are interacting in ways that make forecasting difficult.

A valuable strategic partner through every stage of the business lifecycle.

Key contacts



GORDON TITLEY
Director

E: gtitley@eurovals.co.uk
M: 07734 388785



DAN EDGAR,
Director

E: dedgar@eurovals.co.uk
M: 07827 999332



JOHN LAWRENCE,
MRICS Director

E: jlawrence@eurovals.co.uk
M: 07775 444796



ANDREW DUNBAR
Director

E: adunbar@eurovals.co.uk
M: 07967 302675

LONDON OFFICE

5 Willoughby Street,
WC1A 1JD

0207 048 0184

BIRMINGHAM OFFICE

67 Newhall Street,
Birmingham, B3 1NQ

0121 236 9992

MUMBAI OFFICE

Centre Point Jb Nagar
Vijay Nagar Colony, J B Nagar,
Andheri East, Mumbai
Maharashtra 400047, India

Email address
info@eurovals.co.uk

TRUSTED VALUED REPORTING



A valuable strategic partner through every stage of the business lifecycle.

Across virtually every sector of the economy, at every stage of the business lifecycle, EV helps companies in transition understand and realise the maximum value of their assets. With more than 100 years of combined experience, our team of trusted professionals offers unparalleled expertise at assessing the value and managing the sale of assets.

We bring clarity to the process and improve our clients' business intelligence, capital position and confidence.



Appraisals & Valuations

A deep understanding of our clients' industries, sectors and specific businesses helps us deliver accurate achievable valuations. We perform appraisals & valuations on all asset classes and have significant expertise and experience across all major industries & sectors.

- Plant & Machinery
- Stock/Inventory
- Accounts Receivable
- Business Valuations
- Intellectual Property

Field Exams – Audits / Surveys

EV conducts due diligence for asset-based lenders across the UK, Europe, and the United States. Our team has experience in collections and insolvency, which lends to unique insight into the potential value of accounts receivable and stock in distressed situations.

Asset Dispositions / Sales

Whether the result of an insolvency, merger or acquisition, loan default, restructure or simply executing a sales promotion, EV has more than 35 years of expertise providing:

- Auctions
- Private Treaty Sales
- Retail Store Closures
- Orderly Liquidations
- Strategic Disposition Programmes

