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INNOVATIONS IN FOREST INDUSTRY AND
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STATE AND TRENDS IN THE DEVELOPMENT OF THE WORLD, EUROPEAN
AND BULGARIAN FURNITURE INDUSTRIES

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ABSTRACT

The present article focuses on the important furniture production and consumption data in the world, Europe and Bulgaria, data about the main exporters in the world and regionally and furniture import. Main conclusions related to world production, consumption, export and import of furniture are drawn. Analysis of the Bulgarian furniture production and the market development have been made. Main trends in furniture market development in the following years globally are given. The information is based on data provided by CSIL (Centre for Industrial Studies, Italy), including official statistical data about the 100 most important countries in the world where the population amount to 6.6 billion, representing 85% of the total population on earth, Eurostat, Bulgarian Chamber of Woodworking and Furniture Industry and the National Statistical Institute.

Key words: furniture world market, furniture world consumption, furniture world export, furniture world import, furniture industry.

INTRODUCTION

Furniture industry has changed considerably, both globally and regionally, over the past three decades. The changes that have occurred, over the past ten years in particular, illustrate significant dynamics in the redistribution of world markets due to the growing consumer spending, as well as the increase in furniture manufacturing in certain regions. Consumer behaviour, design and furniture requirements have also changed greatly.

**1. FURNITURE PRODUCTION
AND THE MARKET AROUND
THE WORLD, EUROPE AND
THE BALKANS**

1.1. FURNITURE PRODUCTION

Furniture production around the world reached nearly US\$ 450 billion in 2017 and

it is expected to reach some US\$ 460 – 465 billion in 2018. As comparison, the global furniture production in 2003 amounted to US\$ 223 billion and in 2008 - US\$ 278 billion. In just 15 years furniture production doubled and over the past 10 years it marked growth by 61%.

With its lion's share of US\$ 170 billion China ranks as the biggest furniture manufacturer in the world (Fig. 1) way ahead of the USA (US\$ 55 billion) and Germany (US\$ 20.5 billion). Among the top 6 countries we have India (US\$ 19.5 billion), Italy (US\$ 18.4 billion) and Poland (US\$ 12.6 billion).

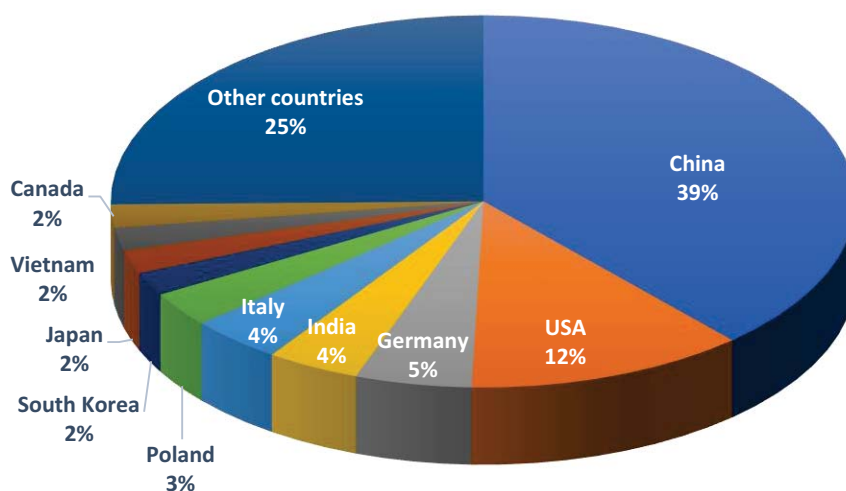


Figure 1: World furniture production by country (in percentage)

Another interesting fact is that over the past 15 years furniture production has moved from countries with high standard of living to countries where it is low or average (Finzi and Pelizzari 2018). In 2003 the highly developed countries manufactured 75% of all furniture globally, whereas as of 2010 they have been lastingly ousted by countries with average and low standard of living. One reason is the need for meeting demand on domestic markets which have developed over the past years (China, Brazil, India, Indonesia etc.) and the other one is the considerable investment made by developed countries aiming to stimulate furniture manufactured for export (China, Poland, Vietnam etc.).

Europe has lost its leading position in furniture manufacture over the past 10 years. In 2008 European companies owned 42% of the world market, while in 2017 – just 26% with total production volume of US\$ 115 billion. The top three countries in Europe are Germany (US\$ 20.5 billion), Italy (US\$ 18.4 billion) and Poland (US\$ 12.6 billion) manufacturing 12% of all furniture around the world. Then rank Great Britain and France with US\$ 7.9 billion each and Turkey with US\$ 5.7 billion. According to statistics pro-

vided by Eurostat 57% of the furniture manufactured in the 28 EU member countries is made from wood and wood materials, 20% is upholstered furniture, 12% metal furniture and 11% is the furniture from other materials such as plastic, bamboo, rattan, reed, glass etc.

The situation on the Balkans is as follows: Turkey is the indisputable leader in furniture production (US\$ 5.7 billion), followed by Romania (US\$ 2.5 billion), Slovenia (US\$ 660 million), Bosnia and Herzegovina (US\$ 644 million), Serbia (US\$ 496 million), Croatia (US\$ 459 million), Bulgaria (US\$ 439 million), Greece (US\$ 410 million), Macedonia (US\$ 196 million) and others.

1.2. FURNITURE CONSUMPTION

The consumption of furniture globally has also changed considerably over the past 10 – 15 years. In 2008 Europe's share was 42%, while in 2017 it was 26%. This is compensated by Asia and Pacific whose furniture production jumped from 26% to 44%. North America has lost 2% of its share of furniture consumption. The biggest furniture consumer in the world in 2017 was China (US\$ 122 billion), followed by the USA

(US\$ 87 billion), Germany (US\$ 22.9 billion), India (US\$ 19.5 billion) and Japan (US\$ 14.5 billion). Globally, the average furniture consumption per capita is US\$ 66.

In Europe in terms of consumption Germany is followed by France (US\$ 13 million), Italy (US\$ 10 million), Spain (US\$ 6.1 million), the Netherlands

(US\$ 5.7 million), Russia (US\$ 4.7 million) etc. The situation on the Balkans is as follows: Turkey (US\$ 4.3 billion), Romania (US\$ 797 million), Greece (US\$ 631 million), Croatia (US\$ 438 million), Bulgaria (US\$ 252 million), Serbia (US\$ 207 million), Bosna and Herzegovina (US\$ 148 million) etc.

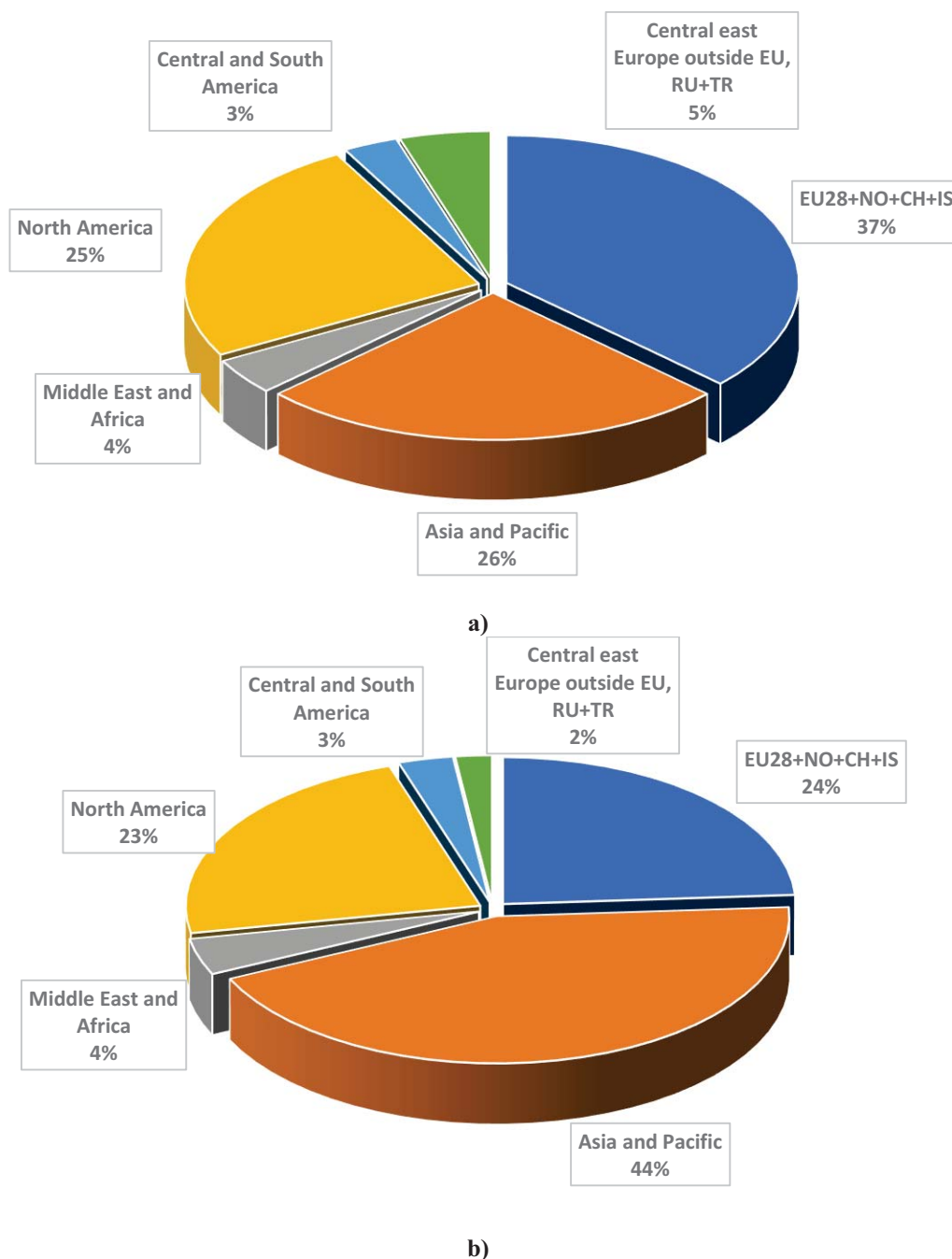


Figure 2: Furniture consumption in percentage by areas and continents in 2008 (a) and 2017 (b)

1.3. FURNITURE EXPORT

The five biggest countries-furniture exporters in the world are China (US\$ 50.5 billion), Germany (US\$ 11 billion), Italy (US\$ 10.6 billion), Poland (US\$ 10.5 billion) and Vietnam (US\$ 8.4 billion). While Germany and Italy have kept their position as top exporters during the past 5 years, China has generated growth, which is not constant, however (in 2016 export decreased by 8%). Poland has marked a continuous growth in export with the exception of 2015. Only one country among the top 5 countries has witnessed continuous growth in export and that

is Vietnam. In just 5 years export increased from 4.5 billion to nearly 9 billion. Vietnam outpaced USA in terms of export over the past 5 years.

The profile of the 5 biggest furniture exporters shows that their export has different targets and destinations (Table 1). China and Vietnam have considerable sales on three continents, Italy – on two and Germany and Poland – mostly in Europe. This means that these countries are differently oriented and have different development potential respectively.

Table 1: Top 5 exporting countries – destinations of their export (Finzi and Pelizzari 2018)

No	Country	Furniture exports, USD million	Destination 1	Share	Destination 2	Share	Destination 3	Share	Destination 4	Share
1	China	50 508	USA	34%	Japan	6%	UK	5%	Hong Kong	5%
2	Germany	11 032	France	13%	Switzerland	11%	Austria	10%	Netherlands	10%
3	Italy	10 619	France	16%	Germany	10%	USA	10%	UK	10%
4	Poland	10 539	Germany	36%	Czech Rep.	8%	UK	7%	France	6%
5	Vietnam	8 423	USA	60%	Japan	8%	UK	5%	Canada	3%

In 2008 Europe accounted for 56% of the world export, but in 2017 it had only 44%. At the same time Asia and Pacific recorded growth from 34% to 47% and became the world leader. Next to the biggest exports like Germany, Italy and Poland we have the Netherlands (US\$ 2.5 billion), Romania and France with US\$ 2.3 billion, Turkey (US\$ 2.0 billion) etc.

The undisputed export leader on the Balkans is Romania. It is followed by: Turkey (US\$ 1.97 billion), Slovenia (US\$ 939 million), Bosnia and Herzegovina (US\$ 589 million), Serbia (US\$ 461 million), Bulgaria

(US\$ 356 million), Croatia (US\$ 349 million), Macedonia (US\$ 194 million), Greece (US\$ 70 million) etc.

1.4. FURNITURE IMPORT

This is the only indicator by which China falls back considerably. The biggest furniture importers are the USA (US\$ 36.3 billion), Germany (US\$ 13.4 billion), Great Britain (US\$ 7.6 billion), France (US\$ 7.4 billion), Canada (US\$ 5.8 billion), Japan (US\$ 5.2 billion) and others. The first six countries belong to the club of G7 which generate 65% of the world GDP. Italy is the only country that does not belong to this group of importers and where typically people purchase mostly domestic production rather than

imported products. An indicative fact is that Chinese import is of US\$ 2.6 billion at the expense of consumption of US\$ 122 billion. This is an indicator of the huge import potential on this market.

In terms of furniture import in Europe Germany, Great Britain and France are followed by: The Netherlands (US\$ 4.5 billion), Switzerland (US\$ 3 billion), Spain (US\$ 2.9 billion), Belgium (US\$ 2.6 billion), Italy (US\$ 2.3 billion) etc.

On the Balkans Slovenia (US\$ 617 million) is the country with the highest import of furniture, followed by Romania (US\$ 606 million), Turkey (US\$ 506 billion), Croatia (US\$ 328 million), Greece (US\$ 292 million), Bulgaria (US\$ 170 million) etc.

1.5. MAIN CONCLUSIONS RELATED TO WORLD PRODUCTION, CONSUMPTION, EXPORT AND IMPORT OF FURNITURE

The brief overview of production, consumption, export and import of furniture on a global scale presented above leads to the following conclusions:

- Asia and Pacific are the world leaders in terms of production, consumption and export of furniture whereas China is the sole leader globally by these indicators. The increase in production and export is due to the high industrialization and the relatively low labour cost and consumption is due to the increased standard of living in some of the countries in this region.
- Over the past 10 years the global market has opened considerably as a result of the simplified trade regime, the lower duties, taxes and fees, the emergence of global players and others. North America is a furniture import

leader. However, there are still markets with great potential, Russia, for example, which are still relatively closed.

- “Global trade” is primarily typical of Asian countries (China, Vietnam, Malaysia etc.). They sell their production not only in Asia, but also in Europe and North America, where the three biggest markets are to be found.
- The European manufacturers mostly focus on the domestic (European) market.
- Countries with high incomes per capita and high labour costs find it more difficult to sell their production abroad and have favourable trade balance in terms of furniture manufactured for the local market (Germany, France, USA, Japan and Great Britain).
- Italy has even trade balance which is due to the well-structured furniture industry and the popular image of the Italian design.
- After Vietnam, Malaysia and Indonesia are to become the new global players in the area of furniture manufacturers around the world.
- Furniture consumption in Asia is expected to grow continuously. The expected growth in the following years is between 5 and 7% per year. This makes the Asian market especially attractive.
- The ongoing trade war between China and the USA may impact the global furniture market and to lead to redistribution of shares.

2. FURNITURE PRODUCTION AND ITS MARKET IN BULGARIA

The past three decades are characterized with considerable changes in the structure

and ownership in the Bulgarian furniture industry. Generally, they can be defined as follows:

- Until 1989 – planned economy with 100% state ownership and structure. Twenty-six state-owned plants and one Technological Institute for Furniture and Furnishings. Furniture enterprises had good infrastructure and equipment, qualified engineer and technical staff. Resources allocation was planned and met the needs of production.
- From 1990 till 1997 – chaos, privatization and closure of many state-owned production enterprises. This is the period when Bulgaria experienced several economic catastrophes and the Bulgarian lev devalued completely. During these processes a lot of the machinery and the remaining resources and materials were sold, taken abroad, i.e. stolen, scrapped, the premises were rented out. Private business was at its beginning, starting from scratch without investment opportunities, without material equipment and with no machinery and instruments. The market was chaotic and there were no key players. During this period a lot of Greek furniture companies made attempts to develop their own business in Bulgaria.
- From 1998 until 2006 – the start of the real private furniture sector. New companies were founded which started a well targeted investment process. There appeared new players on the furniture market in Bulgaria, for example, importers of Polish and Chinese furniture.
- From 2007 until 2018 – Bulgaria joined the European Union. The furniture industry developed drastically.

The first peak in furniture production was seen in 2008 when a lot of players entered the industry accidentally seeing opportunities for fast turnover during the construction boom. Bulgaria's membership in the European Union provided access for Bulgarian firms to European funding which was the great chance for modernizing and new investments in the sector. In 2009 furniture industry in Bulgaria was hit by the global financial crisis which once again caused redistribution of markets. The random players dropped out.

Today, according to official data, Bulgaria has some 2 300 furniture companies and some 22 270 people employed in this sector. Most of them have high technological equipment and have capacity to conquer new markets. The main problem the sector faces, however, is the lack of qualified professionals – engineers and technicians which is the greatest challenge for the industry.

According to data for 2017 Bulgaria has the following furniture production, export, import and consumption profile.

2.1. FURNITURE PRODUCTION IN BULGARIA

Furniture production in 2017 amounted to US\$ 439 million in 2017. In 2008 it was US\$ 524 million, which in absolute terms is more, but recalculated in euros, which has a fixed exchange rate to the BGN, we can draw the conclusion that after the 2008 boom furniture industry recovered to the 2015 levels and marked growth of 9% in the following years. The decline caused by the crisis is considerable – 25%, but the very next year Bulgarian furniture industry started to recover (Fig. 3). Bulgaria ranks 63rd globally, 26th in Europe and 7th on the Balkans.



Figure 3: Furniture production in Bulgaria for the 2008 – 2017 period in US dollars (source: Finzi and Pelizzari 2018) and recalculated in euros

2.2. FURNITURE EXPORT FROM BULGARIA

Bulgarian furniture export in 2017 was US\$ 356 million. This is an indicator by which the Bulgarian furniture industry marked long-lasting and considerable development. After the slight drop in 2009 export doubled by 2017 (Fig. 4). By this indicator Bulgaria is among the 40 biggest furniture exporters in the world and ranks 38th. Bulgaria is followed by countries like Estonia (US\$ 353 million), Croatia (US\$ 343 million), Russia (US\$ 314 million), Norway (US\$ 257 million), Latvia (US\$ 229 million), Macedonia (US\$ 194 million), Finland (US\$ 163 million), Australia (US\$ 78 million),

Greece (US\$ 70 million) etc. The countries with larger export than Bulgaria are: Serbia (US\$ 461 million), Bosna and Herzegovina (US\$ 589 million), Slovakia (US\$ 769 million), Slovenia (US\$ 939 million), Hungary (US\$ 1089 million), Czech Republic (US\$ 1098 million), Lithuania (US\$ 1709 million), Turkey (US\$ 1968 million), Romania (US\$ 2284 million) and others.

The markets of utmost importance to the Bulgarian furniture industry are: Germany with 11.7% share, the Czech Republic – 10.9%, France – 9.9%, Italy – 7.7%, Great Britain – 6.0% and the Netherlands – 5.9%.

In terms of furniture export Bulgaria ranks 21st in Europe and 6th on the Balkans.

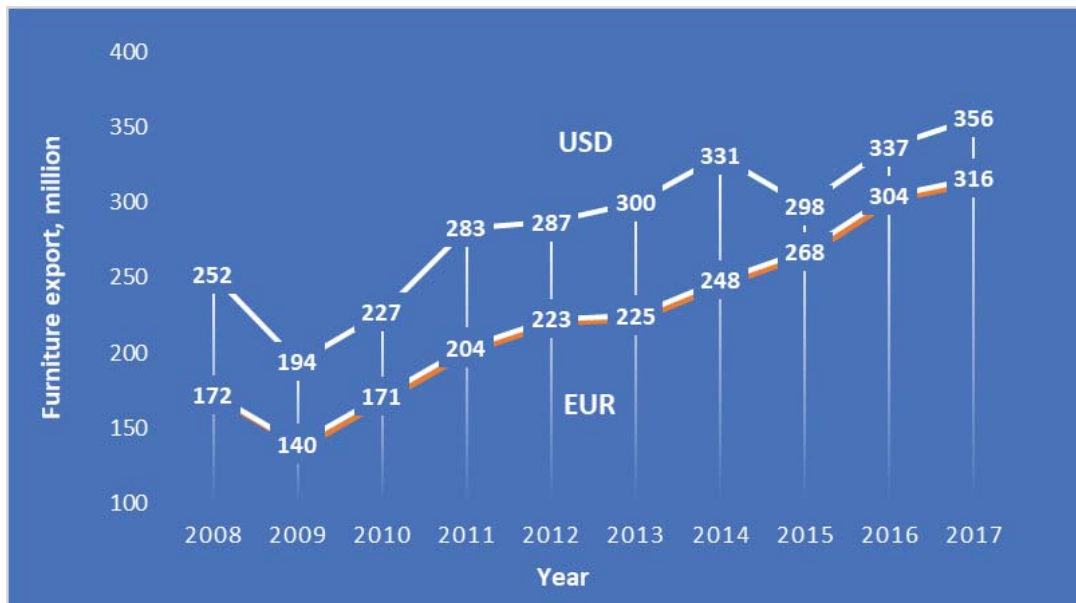


Figure 4: Furniture export from Bulgaria for the period 2008 – 2017 in US dollars (source: Finzi and Pelizzari 2018)) and recalculated in euros

2.3. FURNITURE IMPORT IN BULGARIA

In 2017 the value of furniture imported in Bulgaria amounted to US\$ 170 million. The analysis of 2008 – 2017 period data show that the pre-crisis volumes were not reached (Fig. 5). The reason for that can be found partially in the preferences of the Bulgarian consumer for local production, but a much more likely reason is the saturation of the market

with very expensive furniture, due to which there was significant growth until 2008. Bulgaria ranks 66th in terms of furniture import in the world, 29th in Europe and 6th on the Balkans. A positive fact to be mentioned is that Bulgaria has more than two times higher furniture export than import. The furniture imported in Bulgaria come from: China with 18.2%, Poland – 17.6%, Germany – 16.6%, Turkey – 9.7%, Italy – 9.7% etc.

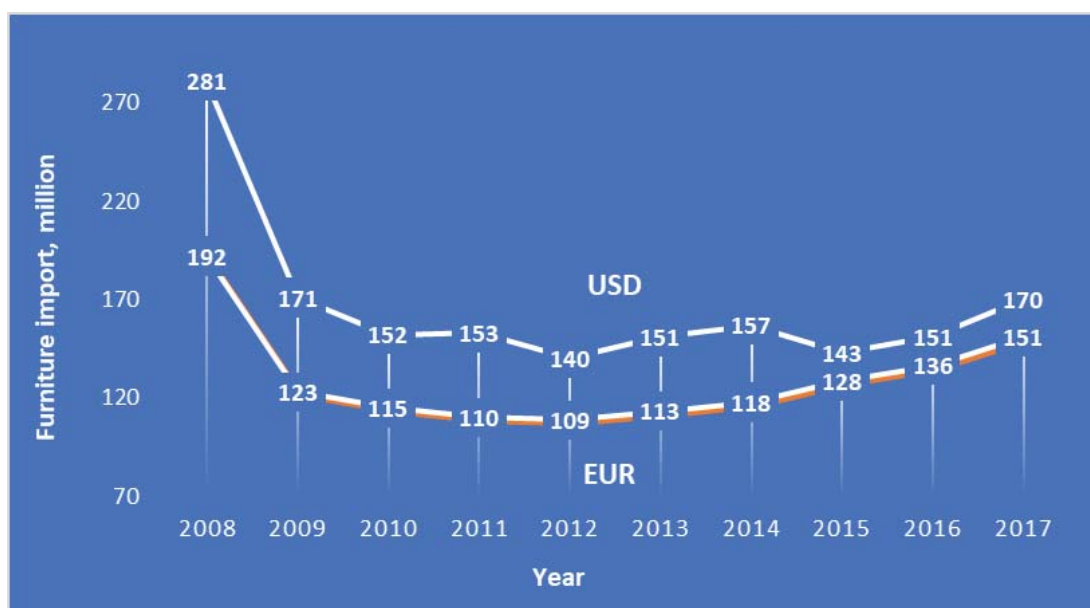


Figure 5: Furniture import in Bulgaria for the 2008 – 2017 period in US dollars (source: Finzi and Pelizzari 2018)) and recalculated in euros

2.4. CONSUMPTION EXPENDITURE ON FURNITURE IN BULGARIA

The consumption expenditure on furniture in Bulgaria in 2017 amounted to US\$ 252 million. The drop-in comparison to 2008 is nearly 55% with the lowest level of consumption in 2015 – US\$ 244 million. According to consumption data 67% of furniture sold in Bulgaria in 2017 is imported while domestic production sold on Bulgarian markets amounted to US\$ 82 – 83 million, which means that every Bulgarian firm sold on average in Bulgaria furniture to the amount of 5 500 BGN per month – turnover based on 1 – 2 sold kitchens, for example. This poses two questions:

1. Is the statistical data related to consumption expenditure correct?
2. Does officially reported turnover reflect actual consumption expenditure?

The average amount of money spent on furniture per capita in Bulgaria is US\$ \$36, which is way above the average in the world – US\$ 66. Bulgaria ranks 75th in terms of consumption in the world. The consumption forecast in Bulgaria for the next 2 years is for growth of 2–3%.

3. MAIN TRENDS IN FURNITURE MARKET DEVELOPMENT IN THE FOLLOWING YEARS GLOBALLY

The dynamics in the development of the political and economic life, the increased migration of people and capital, the challenges faced by natural resources and the protection of the environment in the world will lead to a number of new trends and requirements to the furniture market. Here are some of the most important:

- Increasingly more people rent their housing – this means that more cost-efficient furnishing is needed. Most

often this is furniture that tenants will use for a period of 3 – 5 years. People purchase small, single piece furniture appropriate for furnishing relatively small rented places and at increasingly lower prices.

- Different generations have different standard of living, respectively different tastes and needs which change continuously.
- Online furniture trade is growing and will be a key factor in market distribution. This requires excellent organization not only of deliveries but also of supply, packaging, installation etc.
- The more expensive property and the desire to have their own home will introduce the use of multifunctional furniture which will meet the requirement for more functions in a smaller space.
- “The circular economy” will gain popularity. It introduces new principle for manufacture of goods and services aiming to reduce consumption and to optimize the utilization of resources, water and energy sources. The circular economy imposes a new economic model, which, unlike the linear one, functions on the basis of the “closing the circle” principle, the product life cycle, services, waste, materials, water and energy. The furniture industry will experience trends and legal regulations for using not only harmless materials but also of renewable, recyclable and reusable materials. This will probably lead to new challenges faced by furniture industry such as taking back or buying back old furniture, their restoration, if possible, and offering them on the market as recycled furniture, second use of part of the materials, separation of materials to make their recycling possible.

- Innovative design and construction optimization in order to facilitate transportation, moving, assembling and disassembling will gain importance.
- High quality furniture with longer life will become a priority, especially in the developed countries since due to legal regulations it will become very expensive to throw away furniture.

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