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CSIL FORECASTS FOR THE FURNISHING SECTOR. FOCUS ON ITALY

CSIL presented two reports at its end of year appointment in Milan on 20 November: World Furniture Outlook 2016 and Forecast Report for the Furniture Sector in Italy, 2016-2018. The event attracted a panel of ten speakers and an audience of over 200 participants with representatives from firms, sector associations, public and private institutions, operators in the furniture-furnishings chain, economists and the press. The macroeconomic scenarios that provided the backdrop for the Reports were processed by Prometeia and were presented by Stefania Tomasini at the opening of the Seminar. Sara Colautti, Director Industry Studies CSIL, presented the forecasts for the furniture sector in 2016 and the scenario on the global markets.

During the in-depth Focus session entitled 'The Italy that invests', a panel of speakers selected from entrepreneurs, associations and institutions discussed various aspects of this subject. They talked about companies and networks of firms, widespread innovation, investments in technology, materials and new applications, innovative formats for furniture distribution, certification and the prospects on the Italian and international markets.

The audience heard testimonies from some Italian firms that had not only managed to respond effectively to the current market scenario, but were also willing to share this successful experience and the path of strategic investments made in the pursuit of growth.

The panel, coordinated by Massimo Florio, CSIL and Milan University, comprised: Gianmaria Balducci, Cefla Group - Alberto De Zan, VEDE Venice Excellence Design - Roberto Galli, Italserramenti - Mauro Mamoli, Federmobili - Gianni Meneghetti, Fulgor Milano - Fabrizio Pascucci, Feneal UIL, Filca CISL, Fillea CGIL - Davide Pettenella, FSC Italia.

The Seminar was made possible thanks to the collaboration of Federmobili and to the sponsors Designbest, Feneal-UIL, Filca-CISL, Fillea-CGIL, Fulgor Milano, IVM Chemicals and Trevira.



Over 200 participants attended the CSIL Forecast Seminar 2016

THE FURNITURE SECTOR IN ITALY IN 2016-2018

2015 finally saw an end to the fall in furniture consumption thanks to the continuation of the expansive policies provided for in the Stability Law (especially the bonus for furniture), to the control of inflation, the improvement in disposable incomes in real terms and in the climate of confidence among families. Exports continued to increase, thanks both to the European Union and non-EU markets, which had already begun to recover in 2014, recording decidedly faster growth rates than in 2014. The increase in foreign sales and the more or less stable sales on the domestic market led to an increase in total sector turnover of around 1.8% in 2015.

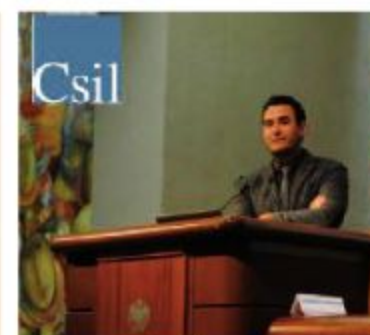
For the furniture industry in Italy 2016 will be a year of consolidation of the trends recorded in 2015. The domestic market will show the first signs of growth (+1.2% in real

terms) supported by the continued positive performance of sales on international markets, despite a slowdown in foreign demand. The Stability Law contains a number of elements to support consumption and, based on the information currently available, we may presume that it will pass parliamentary process relatively unscathed. The confirmation of the furniture bonus linked to renovation and the introduction of a bonus for young couples (up to a maximum value of 16,000 euro) will sustain furniture consumption, in addition to the positive trend of the other demand determinants. Families' disposable incomes are expected to grow by 1.6% in real terms, with inflation still under control and family spending recovering.

Furniture of foreign origin will also benefit from this positive climate, with imports forecasted to grow by roughly 8%.

Looking at exports, in 2016 the quasi-parity between the euro and the dollar, the ability of Italian firms to diversify their markets, and the

Opening Session (Stefania Tomassini, Prometeis and Sara Coleutti, CSIL).



maintenance of competitiveness in terms of price/quality ratio will have positive implications on the performance of furniture sales and will balance the probable slowdown in growth of the demand from non-European markets. Thus, in 2016 we can expect growth in exports to be 4% at constant prices. Sector production will consequently record further growth of 2%.

In 2017 domestic demand will benefit from a recovery in investments in residential construction, an improvement in credit conditions (starting in 2016) and a drop in the unemployment rate. At the same time foreign demand will continue along its positive growth path, resulting in another increase in production.

In 2018 the Italian economy will grow at a rate of around 1.3%. Domestic demand will be the driver of growth, while the balance of trade will remain basically stable. Wages will continue to grow and family spending will continue to increase at rates of over 1%. For the furniture sector further sustained growth is expected on

the domestic market, thanks not only to the elements mentioned above, but also to the good performance of the labour market, the recovery of the real estate market, and the need to substitute furniture that can no longer be postponed.

THE ITALY THAT INVESTS

Italian firms, like all other European firms in the sector, were badly hit by the crisis, by the contraction in the domestic market and by increased competition. The more forward-thinking managed to not stop investing and they organised themselves, with their ups and downs, so that they were prepared to capture the first signs of recovery. For the "Forecast Report" CSIL monitored the types of strategies implemented by Italian firms regarding both investments linked to the world of production and those involving sales and their direct presence in certain markets.

The more structured firms with a recognisable brand speeded up the rate at which they

opened direct sales outlets (showrooms, flagship stores, mono-brand shops) or increased the number of corners within multi-brand outlets both at home and abroad. In 2014 Italian firms also increased their investments in machinery to make their processes more efficient and to satisfy the demand from a market that is increasingly fragmented in terms of product modifications. The investments in R&D made by Italian sector firms, despite their erratic performances, were some of the highest in Europe, as regards both the total and the per capita amounts involved. The firms that took part in the panel of the Forecast Seminar are examples of some of the successful strategies implemented by the Italian entrepreneurial world in the complex scenario of today's markets.

Focus Session on 'The Italy that invests' with keynote speakers: Gianmaria Balducci, Cefla Group - Alberto De Zan, VEDE Venice Excellence Design - Roberto Galí, Italserramenti - Mauro Mamoli, Federmobili - Gianni Meneghetti, Fulgor Milano - Fabrizio Pascucci, FenealUIL, Filca CISL, Fillea CGIL - Davide Pettenella, FSC Italia, coordinated by Massimo Florio, CSIL and Milan University.

The "World Furniture Outlook 2016" Report (in English) contains analytical data on the furniture industry and forecasts for 2016 and 2017 for 70 countries. The "Forecast Report for the Furniture Sector in Italy, 2016-2018" (in Italian) provides forecasts for 2016-2018 for Italy plus a more in depth study and the end-of-year and expected balances for the following segments: upholstered furniture, kitchen furniture, home furniture and office furniture with provisional results for 2015 and forecasts until 2018 for production, exports, domestic consumption and imports, with a focus that analyses the investment strategies of Italian firms over the past five years. For more information about the reports and for online purchases go to: www.worldfurnitureonline.com

ITALIAN EXPORT OF FURNITURE BY COUNTRY OF DESTINATION (2014-2015)

COUNTRY	SHARE 2014	VARIATIONS 15/14 (JANUARY-JULY)
France	15,1%	1,8%
Germany	11,0%	4,1%
United Kingdom	9,3%	17,6%
United States	7,9%	26,0%
Russia	7,4%	25,2%
Switzerland	5,3%	2,9%
Spain	2,9%	20,4%
Belgium	2,5%	1,7%
China	2,5%	18,5%
Saudi Arabia	2,0%	45,8%
UE28	53,1%	6,6%
Extra UE28	46,9%	5,4%
World	100,0%	6,1%

Source: CSIL, processing on Eurostat data