

World Furniture

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REPORT FROM EFE, KUALA LUMPUR

From 9th to 12th March 2019, the Kuala Lumpur Convention Centre (KLCC) hosted the 15th edition of EFE (Export Furniture Exhibition). The exhibition was presented by the Malaysian Furniture Council (MFC) and organized by MFC wholly owned company EFE Expo Sdn Bhd.

The event is supported and endorsed by the Malaysian Ministry of Primary Industries and Malaysia External Trade Development Corporation (MATRADE).

The show covered an area of 35,000 sqm and showcased the new product ranges of Malaysian furniture producers, including also exhibitors based in China, Indonesia, Singapore, South Korea, India, Vietnam and Thailand. There are plans to further enlarge the fair in the next editions, once KLCC's expansion of its exhibition space will be completed, within this year.

During the opening ceremony, the speakers outlined the current status and perspectives of the Malaysian timber and wooden furniture industry. The guest-of-honour YB **Datuk Seri Shamsul Iskandar**, Deputy Minister of Primary Industries on behalf of YB Pn. Teresa Kok, Minister of Primary Industries, started his speech reminding that the local industry currently employs over 240,000 workers. Among the objectives that the industry should pursue in order to keep and further improve its competitiveness, Mr Iskandar stressed the need to increase automation, and the opportunity to reduce the dependence on foreign labour through investments in technology, including 4.0 industry approach. Significantly relying on



foreign workers (mainly from Bangladesh, Vietnam, Indonesia), the Malaysia timber and furniture industry doesn't constitute an exception to the shortage of skilled workforce, that seems to affect the global furniture sector - of course with different intensity in different countries. Mr Iskandar also mentioned some key measures adopted by the Malaysian government to sustain the industry. Among them, he indicated the restriction on the export of rubberwood, set in July 2017 to address the shortage of raw materials faced by the Malaysian furniture industry. Some interviewed exhibitors reported, that this measure contributed to stabilize the price of rubberwood. Currently, about 80% of Malaysian furniture production is made of this type of wood. The Import Assistance Programme (IAP), an off-shore

sourcing programme for timber raw materials established by the Malaysian Timber Council, also aims at improving the availability of raw materials for the timber sector.

LABOUR AND RAW MATERIAL SHORTAGE

Labour and raw material shortages were also mentioned as current challenges for the industry by Mr. **Chua Chun Chai**, President of the Malaysian Furniture Council (MFC), during the opening ceremony. Mr Chai indicated a further improvement in service, reliability, research and development, design among the key measures that manufacturers should embrace to keep their path of growth. Efforts in this direction would contribute to achieve the target of RM12 billion furniture exports in 2020, set in the National Industry

Timber Policy. Although a decrease of the Malaysian furniture export in value in 2018 with respect to 2017 was reported, Mr. Chua is confident that the target can still be reached. The importance to keep improving product development and design emerged in discussions with key industry stakeholders. The Malaysian Industry started to move years ago from OEM to ODM model of production, and the process is still underway.

Interviewed by CSIL, Mr **Richard Yu** - CEO of MTC (Malaysian Timber Council) - stressed the relevance of this process. The progressive development of ODM will allow manufacturers to be somewhat less dependent from the market contingent demand, and to be able to provide a more 'niche' offer.

The Professional Designers

Programme (PDP) is a major initiative to foster design advancement in the Malaysian furniture industry, supported by the Minister of Primary Industries, in collaboration with Malaysian Timber Industry Board (MTIB). Within the frame of the program, international designers are collaborating with local ones to design furniture pieces for international markets. Pieces of past PDP collections were exhibited at Hall 8 of the fair.

Deep Furniture is one of the companies participating in the program, that was a precious chance to meet and collaborate with European designers, as reported by its managing director **Candice Lim**. In particular, Deep has developed several products with the Italian designer Manolo Bossi. Showing a double digit growth in 2018, the company mainly addresses to exports markets (for example Europe and Japan), and focuses on rubberwood furniture. Deep was among the winners of the Malaysian Furniture Creativity Awards (the company was shortlisted for 3 product categories). The Awards are one of the key events of the fair, to which CSIL has been honoured to participate as a judge. The competition is primarily aimed at encouraging the development of local furniture design. Talking with producers, the conversation often touched the development of the tariffs set by the US administration on products imported from China, and the possible consequences for the local Malaysian industry. The US are by far the first market for the Malaysian furniture



industry, which overall exports about 60% of its furniture production, in value.

Malaysian industry is a strict competitor of China (provided that the size of the Chinese industry is much larger), for which the US are the largest export market too. The current barriers to the Chinese export could potentially be beneficial for Malaysian exporters. Indeed, as mentioned by Mr Richard Yu, some companies are ready to step up. Some exhibitors report a substantial increase in their sales to the US in the last months, in line with the increasing number of enquiries from US visitors during the fair. However there is some cautiousness concerning this point. Not all companies have the production capacity needed to provide the large volumes potentially demanded by some US customers. On the other hand, carrying out investments in order to increase capacity would entail some risk, as it is uncertain how long the tariffs currently in place will last.

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