

Furniture — can we live without it?

I think that we have been repeatedly reminded that the answer is no.

During the COVID-19 pandemic, we saw an increase in demand for furniture globally. The global furniture market is expected to grow from US\$564.17 billion in 2020 to \$671.07bn in 2021 at a CAGR of 18.9%. The growth is mainly due to companies rearranging their operations and recovering from the COVID-19 impact, which had earlier led to restrictive containment measures involving social distancing, remote working, and the closure of commercial activities that resulted in operational challenges. The market is expected to reach \$850.38bn in 2027 at a CAGR of 6%.

Asia-Pacific was the largest region in the global furniture market, accounting for 45% of the market in 2020. North America was the second largest region accounting for 21%. Africa was the smallest region in the global furniture market.

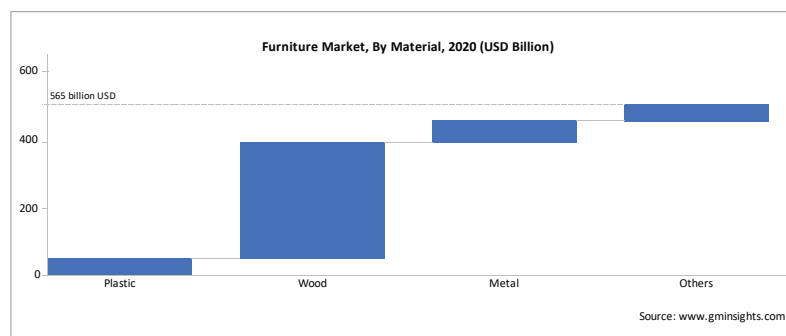
The outbreak of COVID-19 has acted as a massive restraint on the furniture manufacturing capacity in 2020 as supply chains were disrupted due to trade restrictions, and this has to some extent carried over into 2021. Global

supply chains still have not fully recovered. However, it is expected that the furniture manufacturing demand will recover from the shock across the forecast period, as it is a 'black swan' event and not related to ongoing or fundamental weaknesses in the market or the global economy.

Infrastructure expansion is the key factor prompting the economy of advanced and emerging countries. A country's growth affects its financial aspects, thus supporting efficiency and boosting construction development. The economic development among the global population is a vital aspect for infrastructure growth, followed by the increasing demand for residential and commercial space equipped with modern features.



Inspiring the next “material revolution” by creating sustainable and high-performance materials from oil palm waste, **Peter Fitch** together with IOI have set up IOI Palm Wood to commercialise this untapped potential.



The expansion of the hospitality and real estate sectors, coupled with increasing disposable incomes, specifically in urban areas, are fuelling the industry growth. Concurrently, leading global players have started to shift their production core to Asian countries such as India, China and Vietnam owing to inexpensive and skilled work forces. This shift is likely to positively influence the future growth in Asia-Pacific for furniture. The market size has already generated over \$270bn sales in 2020, propelled by the expansion and increasing disposable incomes. However, the abundance of low-cost and skilled workforce enables Asian countries to continue retailing their products in the international market at competitive prices. Population growth, environmental impacts and urbanisation have made it imperative for smart and sustainable infrastructure solutions. Growing building and construction spending due to the rising per-capita disposable income along with enhanced infrastructure in the Asia-Pacific region will augment well for the product demand outlook.

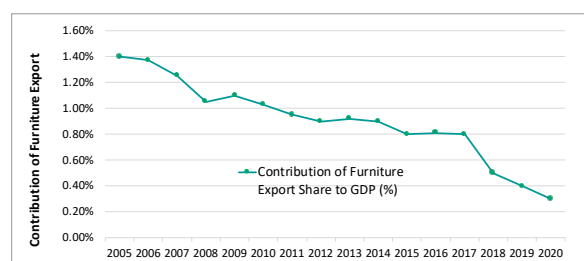
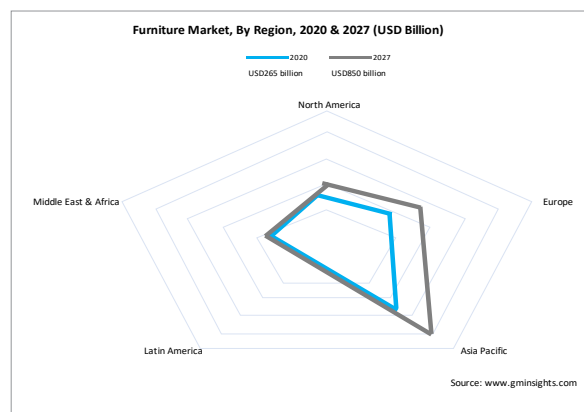
The furniture industry is highly fragmented owing to a large presence of industry players both at the regional and global levels. Numerous companies are involved in partnerships and collaborations to support their industry footprint. To capture a larger industry share, companies are anticipated to develop their supply chain network further to profit from being competitive producers. New streams for sales such as the online and digital market place will attract new entrants whom will be propelled by high-profit margins over the forecast timeframe to 2027. Mergers and acquisitions will be key strategies among industry players to enhance their market share.

Some of the key global players are Ashley Furniture Industries, Inter IKEA Group, Steelcase, Okamura Corporation, Herman Miller, Home Depot, La-Z-Boy, Godrej & Boyce Manufacturing, Urban Office Interiors, Kohler, and HNI Corporation.

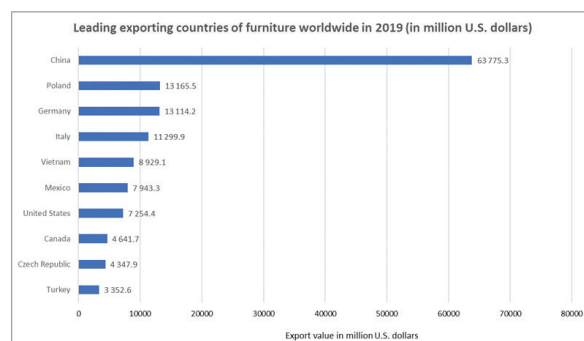
So globally, the outlook for the furniture industry is positive. This should be reason enough for Malaysia to look seriously as to how it should develop, promote and support the growth of industry players in this country. Current trends are not encouraging: Vietnam has furniture exports worth quadruple of Malaysia, and production in Thailand and especially Indonesia are increasingly challenging Malaysia, as they are not as constrained by raw materials and labour. These issues will need to be addressed by Malaysia.

Between 2008 and 2015, Malaysia is consistently ranked in the Top 10 Global Furniture Exporters, but by 2019 our ranking had dropped to 14 with \$2.3bn of sales. On the positive side, Malaysia ranking bounced back to eight in 2020 but with a reduced exports value of \$1.8bn. This was under the circumstances of a global slowdown due to the COVID-19 pandemic and multiple shutdowns. The mitigating circumstance was that Mexico, the Czech Republic and Turkey all dropped much further.

My challenge to the stakeholders in the Malaysian timber and furniture industry is, how are we going to maintain our top 10 global ranking? The challenges faced by the industry have remained the same for many years. It has been highlighted that the two most important challenges faced by the Malaysian furniture industry are as follows: one, an unsustainable raw materials supply, and two, a labour-intensive industry that is highly dependent on foreign contract workers. To alleviate the uncertainty in raw materials supply, it has been suggested to import raw materials, and to establish new plantation forests. Both of these options are costly and will take time to materialise, putting at risk immediate requirements. The issues associated with the labour-intensive nature of the furniture industry remains a huge challenge to productivity. The



Contribution of furniture export value share to GDP of Malaysia. (Source: Department of Statistics, Malaysia)



Source: UN Comtrade, Statista 2021. Additional information: Worldwide; UN Comtrade; 2019

over-dependence on foreign contract workers has created a low-wage economy that is unattractive to the local workforce.

The development of new sustainable, alternative sources of raw material such as palm wood will alleviate some of the short- and medium-term requirements for raw materials. Furthermore, the semi-finished, homogeneous nature of this exciting new material will make it easier for wood-based furniture manufacturers adopt automation and embrace the technologies of Industry 4.0. This will increase productivity and lessen the dependence on low-skilled foreign workers. **P**