FEDERLEGNOARREDO

PRESS

WOOD-FURNISHING, A POSITIVE FIRST QUARTER BUT AN UNCERTAIN AUTUMN IS ON THE CARDS
THE SALONE DEL MOBILE IS AN OPPORTUNITY TO LOOK AT NEW MARKETS AND
TAKETHE LEAD AS REGARDS SUSTAINABILITY

Feltrin: "Inflation could slow demand. The lack of wood has become pressing issue, we're working to resolve it with MISE and MIPAF"

On the eve of the 60th edition of the Salone del Mobile.Milano, the wood-furnishing sector is in good shape after a surprisingly better than expected 2021, with overall turnover of more than **49 billion euros, 18 billion derived from exports**, over **290,000 employees** and **70,000 businesses** (accounting for 7.7% and 15% of the national total respectively) a **balance of trade surplus** equal to **8.2 billion euros** and a **14%** increase in turnover compared **with 2019.**

These figures are testament to the healthy state of a sector built on companies, often small, that despite the challenges of the last two years, have continued to invest and look to the future with confidence, as also evidenced by the tremendous uptake for the Salone, finally back live and in its original format, demonstrating just how highly design entrepreneurs rate it as a crucial business tool.

Claudio Feltrin, President of FederlegnoArredo, had this to say: *"It will be a huge celebration and an opportunity for affirmation and gaining a foothold on new markets too, but it's pointless denying that our entrepreneurs and the sector as a whole are already looking to the second half of a year that began clouded by the uncertainty caused by the war in Ukraine, the consequences of which we fear may make themselves clear in early autumn. The results of the latest Monitor carried out by our Study Centre on a sample group of member companies, show that the* ***quarter January-March 2022 closed with sales performing well (+24.5%)****, along with the* ***domestic market (+27.2%) and exports (+21%).***
The ***furnishing macrosystem also saw 20% growth, both in domestic sales and in exports****: a positive variation that affected all sectors, although more markedly in the case of furnishing. Compared to 2021,*

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*early indicators even show a **steady recovery in the contract sector**, which was hit harder than others during the course of the two-year pandemic. However, there are too many variables at play to be sure that demand will remain as effervescent as it is now, which could be unrealistic. Plus the fact that it is still too early to see if, and to what extent, these results are real or the consequence of adjustments made to price lists to contain the effect of energy prices and those of raw materials.*

Looking beyond Italy, exports at the moment seem to be only marginally affected by the ongoing conflict, to the extent that the principal destination markets for our products have grown steadily: our third export market, the United States, has seen a 28.3%, rise, the United Kingdom a 30% rise and Switzerland 29.8% rise. Europe and our two main outlet markets, France and Germany, up 9% and 18.6% respectively, are also doing well. However, we are beginning to see small signs of slowdown, which need to be taken into account. On the domestic market, once orders already placed have been completed, companies are expecting the current trend to slow. The consequences of the inflationary cost of energy amongst other things, on the buying power of families and their spending propensity, should not be underestimated, and it's fair to say that these may well slow over the next few months."

This sentiment is also backed up by other economic indicators, firstly those processed by ISTAT, according to which, following the surge in exports to non-EU countries in January, the first signs of slowdown appeared in February and March, causing a drop from +30% to +20%. This phenomenon can be attributed to both the Russian market which accounts for 2.7% of our exports (down 7.3% in March) and to the Chinese market, which fell from +26.3% in January and +17.1% in February to +6% in March 2022.

This 2.7% of Russian exports includes businesses for which the market is one of their leading outlets, even though over the years, with the restrictions put in place since 2014, the companies have steadily differentiated their markets, thus curbing their dependence on that particular country, managing to offset their losses, in part at least.

"In this sense," Mr. Feltrin continued, *"the* ***Salone del Mobile really is an unmissable occasion precisely in terms of opening ourselves to new markets or gaining a foothold*** *in places in which we have hitherto had a marginal presence. I'm thinking of markets such as Africa, the Arab Emirates, India, Pakistan and Asia, excluding China which, thanks to the new lockdowns, is in danger of grinding to a halt."*

We can therefore say that **the effect of the war** is having a more contained effect in terms of exports, whilst it is impinging far more on the timber export front which, as in the case of birch, is almost exclusively sourced from these countries.

"In order to tackle this problem, which is in danger of causing serious difficulties throughout the sector, our country needs to become more autonomous and self-sufficient, opting for short supply chains hinged on ***responsible management of the forest heritage****, on valorising industries carrying out the first stage of timber processing, while helping to safeguard regions in environmental, employment and social terms. I would describe it as networking operation, which as a Federation we are already working on with both MISE [Ministry of Economic Development] and MIPAF [Ministry for Agricultural and Forestry Policy] in order to achieve* ***greater independence around the import of timber****. Not doing so would mean not being in a position to make most of the positive potential of a serious crisis such as the present.*

The data for the first quarter also show that, as a consequence of the ***hike in energy prices*** *that has intermittently caused some companies to halt production, their interest in investments in energy from renewable sources has grown. In other words, the increase in energy costs has spurred on the achievement of sustainability objectives no longer just in terms of products but also of processes. Despite the difficulties, the sectoral companies are firmly committed to* ***maintaining their leadership position when it comes to sustainability too****, and this is testified to by* ***FederlegnArredo's decision to make this a priority issue*** *going forward by drawing up the Code of Conduct, which was presented in November, the plan of action for which will be presented at the Board Meeting in Milan on 27th June."*

As research already bears out, the wood-furnishing sector is a **leader at European level when it comes to sustainability and recycling**, and the **Salone del Mobile is a unique showcase for demonstrating this.** The objectives we have already achieved are the result of a far-sighted investment strategy.

The findings of the Federlegno Arredo Study Centre show that the companies invested in green innovation, even during Covid. Of the **64% of firms that invested in improving their production processes**, 2/3 **cut production waste** and 44% implemented **water saving** measures. 50% of the companies within the sector are already complying with the issues of **cutting packaging**, product **recyclability** and driving down **energy consumption**, while 30% are working on repairability and reuse. In terms of access to resources, 74% of firms rely on **local raw materials**, in part at least, with a view to shortening supply chains.

EXPORT DISTRICTS

Overall production in the wood-furnishing sector accounted for more than **49 billion euros** in 2021 (4.7% of Italian manufacturing), of which 18 billion euros derived from exports, over **290,000 employees** and **70,000 businesses** (accounting for 7.7% and 15% of the national total respectively), a **balance of trade surplus** equal to **8.2 billion euros** and a 14% increase in turnover compared **with 2019.** The **furnishing and lighting macrosystem** was worth 26 billion euros, of which exports accounted for 13.5 billion euros and the domestic market 12.5 billion.
The bullishness of the Italian market helped determine the overall sectoral data **(+18.4% on 2019),** driven both by Government construction incentives and by the performance of exports **(+7.3% on 2019)**. In fact exports rose in all the Italian regions during 2021, confirming the dynamism of our districts: **Lombardy, Veneto, Friuli-Venezia Giulia and Emilia-Romagna accounted for 75% of the value exported to almost 200 countries, and of these, Friuli-Venezia Giulia saw the most consistent growth (+28.2% on 2020** and **+12.9% on 2019).**

Lombardy took the lead in Italy as regards sectoral **turnover,** equal to **9.6 billion euros, with a trade balance of 2.3 billion euros.** There were **8,999** businesses **and 51,533** employees in both the timber and the furnishing sectors: Lombardy also came out top in terms of the **value of sectoral exports, accounting for 29% of the total, for an export value equal to 4.3 billion euros in 2021, of which 3.8 billion euros derived from furniture and lighting**.

The province of **Monza and Brianza scored highest** as regards furniture production: **with 1,354 companies, 9,681 employees and a product turnover of around 2 billion euros.** The Brianza district is home to the largest number of Italian businesses devoted to the sector, and is capable of driving it, accounting for over 40% of the region's total turnover. The United States (13%), China (11%) and France (10%) were the 3 leading outlet markets for furniture produced in Brianza.

Veneto, with a turnover of around 7.3 billion euros, of which furnishing accounted for 5.2 billion euros, **6,842 businesses and 44,951 employees, was the second highest region as regards wood-furnishing sector exports (3.7 billion euros in 2021, of which 2.9 billion euros derived from furniture and lighting) with a trade balance equal to 2.2 billion euros.** Total exports grew 15.8% in 2021 compared with 2020, and also did **3.9% better than in 2019**. **France**, one of the top ten export destinations for furniture from Veneto, proved to be the leading reference market, up 24.8% on 2020 **and +9.9% on 2019. Exports to Germany, lying in second place**, continued to grow (+5% on 2020), although they failed to match the very positive trend **(+13.5%) in 2019. Veneto, with a 40.4% quota, is therefore the leading furniture supplier to this particular country.**
The United States were in third place, seeing **a 9.8 increase compared with 2019. Treviso was the leading province in terms of furniture export value, 1.8 billion euros in 2021, a rise of 8,9% compared with 2020 and 1.8% compared with 2019**.

The **Marches** were the fifth highest region in terms of furniture export values (593.6 million euros in 2021) up 13.2% compared with 2020 and 11.7% compared with 2019. **Total turnover** within the sector was equal to **3.6 billion euros (2,252 businesses and 19,143 employees), for a trade balance of 609 million**

euros. Meanwhile, that of the **furniture district (1,200 companies and 13,700 employees) was equal to around 2.8 billion euros** in 2021**, up 17.8% on 2019. 79% of the region's furniture turnover was due to the production of kitchens worth 2.2 billion euros,** a figure that at national level nudgesd2.6 billion euros.

France was the leading export destination for furniture made in the Marches, up 14.1%, while there was marked growth in exports to **Germany (+29.7%) and the United Kingdom (+37.3%).** The leading furniture export province was **Pesaro Urbino, which closed 2021 up 12.3% (+11.3% on 2019**), but it was Ancona that saw the most significant rise (+18.8% on 2020 and +18.1% on 2019).

In **Puglia,** wood-furnishing sector turnover was **over 1.5 billion euros**, of which furnishing accounted for 1.3 billion euros. With a trade balance of 234 million euros, the region had **2,918 businesses accounting** for a total **15,473 employees**, of whom 10,792 were employed in furnishing and 4,681 in timber. **40% of overall furniture production was destined for other countries, up 25.8% on 2019**. The **United States** was the **leading destination (+103.6% on 2019**), followed by the United Kingdom (+13.% on 2019), France (+8.2% on 2019) and China (+20.1% on 2019). **Bari** was the top province in terms of furniture exports: **411 billion euros** with 46.7% growth compared with 2020 and **26.4% up on 2019.**

FURNISHING AND LIGHTING MACROSYSTEM

The **furnishing and lighting macrosystem, with turnover equal to 26 billion euros, recouped 2019 levels overall**, **overtaking them to close 2021 with a +10.7% variation on 2019**. Sales performance on the domestic market in particular helped drive the recovery - at least partial - of losses sustained in 2020, thanks to the dynamism of the residential sector and the raft of tax incentives available to Italian families. According to data provided by the Ministry of Economy and Finance, **more than 1.5 million taxpayers** took advantage of the furniture bonus, from its introduction in 2013 to 2020, **almost 165,000 of them in 2020** alone, spending **9.56 billion euros** on furnishing. However, pre-Covid recovery was not seen in sectors most closely involved with the non-residential side, such as professional, commercial and office furniture.

With regard to **sales on the Italian market**, equal to 12.5 billion euros, the furnishing and lighting macrosystem saw a **12.3%** increase compared with 2019, and a trade balance of more than **9 billion euros**, 5.7 of which were in the furnishing sector alone, up 7.2% **on 2019.**

On the **export** front, 2021 closed with exports equal to **13.5 billion euros**, with a **9.3% variation on 2019**. Aside from the United Kingdom and Russia, which fell 1.3% and 4.7% respectively compared with 2019. of the top ten destinations, **France** was in first place with more than **2 billion euros** , accounting for 16.7% of total exports and notching up a **15.6% rise compared with 2019**. The United States, in second place with 1.5 billion euros, saw **33.7 growth compared with 2019**, while Germany was in third place with 1.3 billion euros, seeing a **14.1% rise compared with 2019. Russia was in 9th position (385 million euros), down 4.7 on 2019.**

FURNISHING SYSTEM

The furnishing system saw a more contained contraction, thanks to the central role of the home, also and especially after the start of the pandemic. Definitive data for 2021 confirmed the positive figures, with increased turnover in value terms, equal to a **14.5% increase compared with 2019**: the system therefore accounted for **16.2 billion euros**, almost half of which derived from foreign markets. A positive result both for foreign sales **(+13.3% on 2019**) and especially for domestic sales **(+15.7% on 2019).** Exports of furnishing system products in 2021 accounted for **7.9 billion euros** (49% of total turnover). France, the United States and, to a lesser degree, Germany, contributed to this rise.

France, the leading market at 1.34 billion euros and with a 17% quota of overall sectoral exports, saw a 21% increase compared with 2019, after a more contained contraction than average in 2020. The United States, accounting for 1.16 billion euros, was in second place (14.7% of the total), and also grew in 2021 (the country didn't regress in 2020 either), 41% up on 2019. Even for the foreseeable future, the US looks to be the market least affected by the war. **Germany, the third destination country (7.5% of the total)** at 591 million euros, after standing out amongst the top 10 countries in 2020 for its bullishness, also grew in value in 2021 **(+14.5% on 2019).**
After a difficult 2020, China also returned to positive ground as the fourth largest market, seeing a positive variation also **compared with 2019 (+11.3%).** The United Kingdom was in fifth place (+31.4% on 2020 and +**7% on 2019)**. Of the top 10 destination countries, **Russia alone failed to return to 2019 levels (-2.9%) in 2021**.

KITCHEN SEGMENT

The kitchen segment saw renewed growth in 2021 (+25% on 2020), **recouping 2019 levels (+13.1% in value),** after contracting in 2020, caused in particular by a slump in sales on the domestic market. Recovery was largely driven by the performance of sales on the domestic market **(+30.7% on 2020 and +16.8% on 2019**). Exports, which accounted for 34% of turnover in 2021, also rose compared with 2020 (+15%) and **overtook 2019 levels in value (+6.5%).** The trade balance also rose **7.2% on 2019.**

Accounting for almost 21% of total exports, France recouped its 2019 losses (+16.3%), and was the **leading destination** by far, ahead of the **United States** which shed a further 1.1% on top of the powerful contraction in 2020. Recouping their losses were Switzerland **(+12.9%), the United Kingdom (+2.6%) and Germany**, which hasn't ceased growing since 2018 **(32.3%).**

"2021 was characterised by a major recovery, especially on the internal market, and in any case the home has revealed just how important it is. Up till now, there have been concerns that growth would be driven down by price hikes, but entrepreneurs are used to investing in the future and our sector badly felt the need to show off its quality, its innovation and its creativity at the undisputed global showcase that is Salone del Mobile di Milano. EuroCucina will be a tremendous opportunity for us all to meet and discover the trends for the most convivial space in contemporary living," said **Edi Snaidero, Councillor of the Kitchen Group within FederlegnoArredo**.

BATHROOM SYSTEM

The bathroom system performed well, and thanks to its strong ties to the residential component, grew 22.5% compared with 2020, recouping pre-pandemic levels of value **(+11.5%).** This was due in particular to sales on the **Italian market (+14.1% on 2019**). **Exports** did well **(+8.5% on 2019)** despite seeing more contained growth, accounting for just under half of total turnover. As regards **exports** in 2021, Germany was the leading market (17% of total exports), seeing a positive variation compared with both 2020 (+13.5%) **and 2019 (+13%**). **France**, the second largest market, also performed well: +18.9% on 2020 and **+11.2% on 2019, while sales to the United Kingdom fell for the third year running (-9.3% compared with 2020 and -21.3% compared with 2019**). Lastly, Poland, which grew for the seventh year running, broke into the reference market TOP10: **+20.3% on 2020 and +78.2% compared with 2019.**

"After four years, our sector is making its return to the fairgrounds, in the prestigious setting of the International Bathroom Exhibition. It is the most keenly-awaited event, at which the companies will have a chance to showcase their many new achievements despite the pandemic years, buoyed up by keener consumer interest in the home and in the bathroom. The bathroom furniture companies have been investing in research and innovation for years and are up to speed on the pressing issues of today, such as sustainability, water saving and home comforts – the products presented at the Salone will be increasingly technological and green oriented".

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