

Strategy for 2022 and Beyond

Wooden Furniture Exports from India



Where does India stand in Global Furniture?

The wooden handcraft is of importance to the Indian economy as it is one of the largest employment generators and account for a significant share in the country's export. The size of the furniture industry in India is about USD 5 billion, and currently employs around 3.5 lakh people. Some of the centers for these crafts are in Saharanpur, Nagina, Hoshiarpur, Srinagar, Amritsar, Jaipur, Jodhpur, Jagdalpur, Agra, Mumbai, Guwahati, Narsapur (A.P), Bangalore, Mysore, Chennapatna, Madras, Kerala & Berhampur (WB).

The state and regional clusters contribute significantly to handicrafts export. Exports from the sector aggregated to INR 25,500 crore. With furniture contributing to around \$1.5 billion, it amounts to only 0.5 per cent of Indian exports. There is a scope to further develop and increase furniture exports to an amount of USD 10 billion (about INR 71,000 crore) from the existing USD 400 million (about INR 2,800 crore) if market share grows to 1.2 per cent from 0.8 per cent and \$8 billion if the share touches 2.4 per cent. Indian domestic furniture market is expected to expand at a CAGR of 12.91% during the period of 2020-2024.

Global Furniture Trend: Way Forward for India

Furniture market size is estimated to surpass USD 750 billion by 2024. The residential furniture market is expected to expand at over 5% CAGR up to 2024 driven by socioeconomic development along with housing subsidies by governments along with increasing necessity to accommodate a rising population.



FURNITURE MARKET

REGIONAL INSIGHTS

Asia Pacific procured majority of global share in 2019 owing to rapidly growing construction sector coupled with abundance of raw material.

- 1 576.31 \$bn
- 2 5.5% growth 2019-26
- 3 886.83bn\$ in 2026



OUTDOOR FURNITURE MARKET



Outdoor Furniture Market size exceeded USD 18.15 billion in 2019 and will grow at a CAGR of over 4.8% from 2020 to 2026.

Moving beyond 2020: What product categories should India focus?

Wood segment held over 50% of outdoor furniture market revenue share in 2019 and is expected to witness 5.3% growth rate during 2020-2026. Manufacturers are turning towards ecofriendly materials such as MOSO bamboo, which is stronger and harder than oak. Wooden furniture is the most preferred material among its counterparts owing to natural appearances. Mahogany, redwood, teak, cedar, pine, eucalyptus, and composite materials are widely used for furniture making.

Wood segment likely to continue dominating the market share. Manufacturers are turning towards ecofriendly materials such as MOSO bamboo, which is stronger and harder than oak.

- High durability and strength along with availability in lower price variants and higher-end segment will proliferate the wood material demand over the next few years. Preference in green buildings will positively influence the product sales.
- Chairs is fastest growing product segment and is projected to expand at 6% CAGR through 2026. Chairs provide high comfort including materials and components used with waterproofing materials in the

making. The increasing popularity owing to the color blends and high comfort are primarily fostering market growth.

- Residential end use segment held approximately 65% market share in 2019. Improved income levels in several countries are fueling purchase trends for product in residential and non-residential spaces. Urbanization is among the key drivers in increased demand for the outer seating arrangements and other furniture components. The rapid development of the home office furniture segment is among the opportunities for manufacturers generated in these challenging times of pandemic.

- India should keep its focus on 940360 (Children's Furniture - 94036000), 950300 (Toys-Wooden - 95030010), 940350 (Bed Stead - 94035010) assuming the global demand will be highest for these products amongst furniture category by 2025.

- For HS code 940330 (Wooden Cabinet For Office - 94033001), which is also promising product from global demand standpoint, India needs to improve its supply capacities to cater to high import demand by 2025.
- For 940390 (Furniture - 94039000) it is expected that Indian Govt. should focus on increasing the growth rate and combating the global competitors in case we would like to exploit high demand in global markets.
- For HS 940389 (Leather Furniture - 94038900), Indian exports by 2025 would be not in sync with the world demand. For India the export value will be higher indicating our enhanced supply side capabilities, however the world demand is not expected to pick up those huge volumes.





Global Regional Analysis: Focus Products for 2025

Countries	HS Code	Product
USA	940350	Bedroom Furniture - 94035090
	940360	Children's Furniture - 94036000
	950300	Toys - Wooden - 95030010
EU	940350	Bedroom Furniture - 94035090
	940360	Children's Furniture - 94036000
	950300	Toys - Wooden - 95030010
Japan	940350	Bedroom Furniture - 94035090
	940360	Children's Furniture - 94036000
	950300	Toys - Wooden - 95030010
Latin America	940360	Children's Furniture - 94036000
	950300	Toys - Wooden - 95030010
CIS	950300	Toys-Wooden - 95030010
	940360	Children's Furniture - 94036000
	940390	Furniture - 94039000
Australia	950300	Toys-Wooden - 95030010
	940360	Children's Furniture - 94036000
	940350	Bedroom Furniture - 94035090
ASEAN	950300	Toys-Wooden - 95030010
	940360	Children's Furniture - 94036000
	940390	Furniture - 94039000

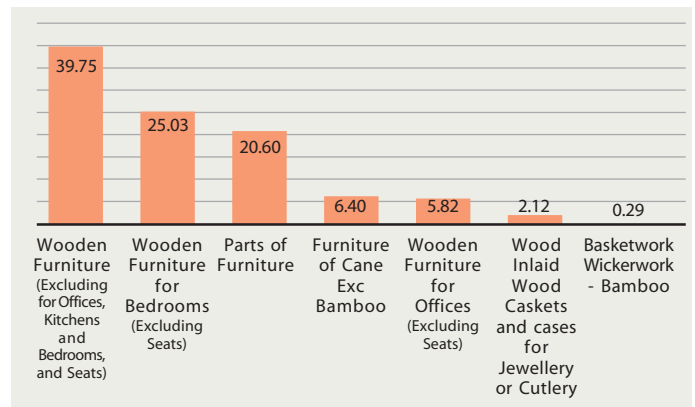
- For rest of the products including 442090 (Wood Marquetry - 44209010), 460212 (Rattan Basket - 46021200), 940382 (Bamboo Furniture - 94038200) And 460211 (Eco-Friendly Products - 46021100), India is expected to be in comfortable situation as that of the world.

Prospects for Indian Furniture across Global Markets

Several countries differ traditional and cultural trends, impacting the product demand. The U.S., China, Japan, India, and Brazil are among the potential countries for market growth. North America and Europe are among the major revenue generating regions owing to the higher product employment in gardens or outer spaces. North America and European countries have strong traditional houses with outdoor gardens and living spaces gardens. North America outdoor furniture industry valuation is anticipated to reach USD 6.4 billion by 2026.

United States of America

U.S. is the largest furniture importer globally, registered over USD 24.5 billion imports.



Wooden furniture for bedrooms for household purpose captures a maximum share of 40% in total US imports and is also the fastest growing segment in the US. There is a moderate scope for bamboo furniture and hardly any for basketwork and wickerwork.

Imports of Wooden furniture in USA: Strict competition from China

India is the ninth largest furniture exporter to the U.S. General furniture and furniture pieces (HS Code 9403) accounted for 45.5% of total furniture imports to the U.S.

	Value imported in 2019 (USD thousand)	Share in United States of America's imports (%)	Growth in imported value between 2015-2019 (% , p.a.)	Average tariff applied by USA (%)
China	2115916	32.3	-5	0
Viet Nam	1961836	29.9	17	0
Mexico	404687	6.2	9	0
Canada	343150	5.2	0	0
Indonesia	297258	4.5	5	0
India	276067	4.2	13	0

US imports from China has been declining due to US-China trade war. India needs to compete with Vietnam Furniture to sustain its hold in the growing market of USA.

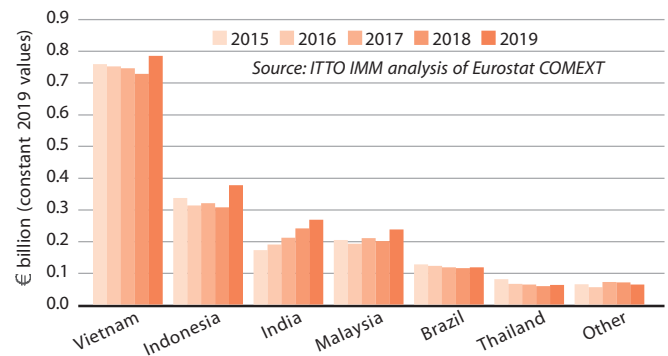
Business tip for Indian companies while targeting USA

China's fall has led to the rise of other countries, particularly Taiwan, Vietnam and Malaysia, who all saw huge gains. Indian exporters can also take advantage of this downfall. One significant consideration when importing furniture from China is the time it takes for your products to arrive from the other side of the world. Transit time alone is typically between two weeks to two months, and the entire process may take up to three months. If weather delays or other unexpected interruptions occur, importing furniture from China may take even longer. If lead times are controlled, Indian can enhance their share of imports into the USA considering the fact that tariff rates are not an issue.



European Union

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Furniture imports in EU to hit 178 bn by 2024. Markets to be tapped are Germany, Italy, Poland, and France. Vietnam and Indonesia drive 11% rise in EU wood furniture imports from tropical countries.

What is EU importing?

Code	Product label	2015	2016	2017	2018	2019	Trend
'940360	Wooden furniture (excluding for offices, kitchens and bedrooms, and seats)	8844179	8929955	9743599	10406236	10417213	
'940390	Parts of furniture	5321897	5372703	5956206	6447863	6438903	
'940350	Wooden furniture for bedrooms (excluding seats)	2707578	2844235	3080353	3293818	3508299	
'940330	Wooden furniture for offices (excluding seats)	945944	987422	1024254	1128684	1249502	
'940389	Furniture of cane exc bamboo	343740	368035	391325	395793	412997	
'442090	Wood inlaid wood; caskets and cases for jewellery or cutlery	266295	288826	321426	360377	367353	
'460211	Basketwork, wickerwork -bamboo	59723	58070	54921	53106	59653	

Business tip for Indian companies while targeting EU

Germany and France are the largest importers of wooden furniture within EU. However, Netherlands, Romania and Czech Republic are highest growing markets which Indian furniture exporters should target. Germany, UK and France have been a constant market amongst EU nations to absorb

highest amount of furniture import across all product categories including bedroom furniture, cane furniture and other parts of the furniture. Basketwork and wickerwork did not find any space as major import interest to any of the EU nations. Imports of tropical wood furniture into the Netherlands increased 14%, into Belgium were up 30%

Business tip for Indian companies while targeting LAC

- Mexico, Chile and Peru are the best shortlisted markets for wooden furniture imports within Latin America considering high absolute imports with lower import tariff rates. On the other hand, Indian exporters should avoid targeting Ecuador, Brazil and Argentina.
- For wooden furniture for residential use, best market for India turns out to be Chile. Mexico although is largest importer, however facing very high tariff rate of 11% and negative growth rate in imports for past 5 years. Markets to be avoided: Brazil, Ecuador, Guatemala and Peru.
- Chilean market is best for Cane furniture import with decent volume of imports and low rate of import duty. Indian companies can also explore Indo-Chile trade agreement. Markets to be avoided: Costa Rica, Brazil and Ecuador
- Latin American market is not promising for basketwork and wickerwork. Imports have been declining across all LAC with very high import duty rates. The only market worth considering is Peru.
- Chilean market is the best import destination for wooden casket. Considerable market Mexico and Brazil. Difficult market: Columbia, Ecuador, Argentina

Business tip for Indian companies while targeting CIS

- CIS members include Kyrgyzstan, Armenia, Kazakhstan, Turkmenistan and Belarus. The trade between India and CIS countries such as Russia and Ukraine is expected to touch \$ 30 billion by 2021 where wood and furniture products will play a key role to strengthen trade.
- Ukraine and Georgia are growing markets for wooden furniture with 0% tariff rate. Russia has been high on imports but declining level of imports clubbed by high import duty rate of 12% depicts a challenge of sustenance for India exporters for Russia.
- Indian exporters of wooden furniture for bedrooms should target CIS markets of Azerbaijan and Georgia, Ukraine with latter extending duty free entry.
- Cane furniture exporters from India should target Russia, Belarus and Tajikistan which are great on absolute level of imports along with low import duty and high on import demand.

- Ukraine and Georgia offers duty free access to cane furniture.
- Rattan furniture exporters from India will find market of classic rattan furniture due to high demand from buyer from Russia and other ex Uni Soviet countries such as Belarus, Ukraine, Armenia, Uzbekistan, Azerbaijan etc. Items such as Papasan, Mamasan, Agent Set or Kelek Set, Bahama Set, Rainbow Set, Swivel Rocker and Papasan Rocker are still best seller. Modifications from these models are also popular.

Business tip for Indian companies while targeting Japan

- Japan is currently witnessing a high demand for home furniture which includes the living room and dining room furniture, bedroom furniture and kitchen furniture. The country is witnessing expanded construction activity with new housing units being built across the country and an increase in the per capita disposable income on consumers which is increasing the demand for home furniture. Among imported furniture, wooden furniture occupies the largest proportion, followed by furniture accessories, metal furniture, plastic furniture, etc.
- The rise in the number of household units and population migration are also contributing to this growth. The current upward trend in the country is an increasing number of one-person households in the country which are driven by changes in culture and lifestyles, which is one of the major forces to influence furniture demand in the country.
- Single-person households are the fastest-growing household group in the country and will eventually become the largest such group in Japan. Singles need less space and hence furniture needs to be both pleasing and practical. Storage cabinets are popular among singles in small homes, and many other portable furniture may witness increased demand.
- There is potential for segments of the Japanese furniture market to grow, especially for competitively priced items designed for singles in small spaces, such as drawers, cabinets, fold-away dining tables and dining chairs which is expected to increase the demand for furniture products in the country.

Business tip for Indian companies while targeting ASEAN

- Highest imported furniture item in Singapore is wooden furniture for bedroom. However, import duty is zero across all furniture segments.
- Highest imported furniture item in Malaysia is wooden furniture for offices but excluding kitchen and home. Indian exporters should avoid inlaid wood products and basketwork.
- Indonesian market does not offer duty free access to any of the furniture products. The only segment that attracts minimum import duty of 4% growing at the rate of 21% is wooden furniture for office.
- Philippines market does not offer duty free access to any of the furniture products. The only segment that attracts minimum import duty of 9% growing at the rate of 10% is inlaid wooden caskets.
- Thailand does not offer duty free access to any of the furniture products. The only segment that attracts minimum import duty of 7.4% growing at the rate of 17% is furniture parts.
- The rise in focus towards attractive garden and lounge areas has perpetually driven the demand for aesthetic items such as chairs, tables, and other accessories. It is expected to have a positive impact upon market growth.
- Factors including the rise in consumer spending & traveling trends resulted in a rise in the number of tourists across ASEAN. These factors are mostly observed in tourist spots, beach sides, and hill stations, thereby leading to multiplying counts of motels, hotels, guest houses, resorts, open spaces, and public gardens.
- The rise in focus towards attractive garden and lounge areas has perpetually driven the demand for aesthetic items such as chairs, tables, and other accessories. It is expected to have a positive impact upon market growth.
- The shift in consumer spending towards better living backed by rise in per capita and disposable income has augmented the growth of outdoor furniture market.
- Renovations in old residential building along with new constructions have also channelized the demand for the better outdoor furniture facilities such as table, chairs or combination sets.

- In current era, consumers are looking out for outdoor furniture which offers the same level of comfort as that provided by the indoor furniture which has proliferated the demand for seating sets in the Asia Pacific outdoor garden furniture market.

A word of Caution

Wooden handicrafts from India sold abroad will soon carry unique barcodes with details of the wood used, an initiative of the textiles ministry to build confidence among overseas consumers on legal harvesting of trees.

So somebody buying a decorative wooden handicraft that is made in India will be able to know the origin as well as history of the wood used to make that piece. Exporters will be expected to do web barcoding of wood products so that your foreign buyers would know from which tree it has come and how harvesting was done.

The barcode will be in addition to the Vriksh (tree) certificate that the government issues on due diligence adopted by the exporters in procuring wood from legal sources for manufacturing handicraft articles and transporting them. The Vriksh shipment certificate is a standard norm designed to allow companies to avoid trading in illegally harvested wood. The certificate is required by all categories of exporters who ship goods containing sheesham or rosewood from India. Once implemented, the move to barcode wood products will make India the only country after Australia to put a tracing system in place for timber. The move follows enactment of tough laws against illegally harvested timber by several countries to deal with the globally widespread illegal logging.

CONCLUSION: Indian Woodware sector have huge demand across Japan, Latin America, ASEAN with various range of products wherein there are many countries in the regions where traffic duties are waived off or negligible. The producers also need to work on packaging, new designs & E-commerce.

The study is conducted by Indian Institute of Foreign Trade (IIFT) and sponsored by O/o DC(Handicrafts), Ministry of Textiles, available at <https://www.epch.in/iift-epch-study/Woodware.pdf> In case of any query, please write to us at policy@epch.com