CBI MARKET SURVEY

THE DOMESTIC FURNITURE MARKET IN ESTONIA

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Introduction
This CBI market survey gives exporters in developing countries information on some main developments on the domestic furniture market in Estonia. The information is complementary to the information provided in the CBI market survey 'The domestic furniture market in the EU' which covers the EU in general. That survey also contains an overview and explanation of the selected products dealt with, some general remarks on the statistics used as well as information on other available documents for this sector. It can be downloaded from http://www.cbi.nl/marketinfo

1. Market description: consumption and production

Consumption
- The domestic furniture market in Estonia is valued at € 89 million in terms of retail sales.
- This is the third smallest in the EU and is similar to a cluster of other countries, including Cyprus, Luxembourg and Latvia. Economic growth in Estonia is one of the highest of all EU countries and the furniture sector is benefiting from this.

Table 1.1 Consumption of domestic furniture in Estonia, 2001-2005, € million

	2001 €m	2003 €m	2005 €m	Population (million)	Consumption per capita €	Households (000's)	Occupants per h/h
Estonia	75	82	89	1.3	66	565	2.4

Source: National Trade Associations, Eurostat, Csil, Trade Estimates (2006)

- Consumption has been increasing rapidly since joining the EU. Further increases in consumption are likely in the next few years, and the market is expected to increase in value as Estonia prepares to join the Euro.
- In terms of the selected product groups, it is estimated that upholstered furniture is the largest group, accounting for 25% of sales; dining and living room furniture 22%; kitchen furniture 18%; bedroom furniture 12% and other furniture 23%.

Production
- Production of domestic furniture has been increasing particularly since joining the EU. It is valued at € 278 million, an increase of over 40% since 2001.
- According to Eurostat, the volume of Estonian production was 6.4 million items in 2003, of which 4.5 million were other furniture and 0.9 million living and dining furniture items.
- Much of this is for export, but the value of production is expected to increase at a healthy rate as more foreign investors take advantage of the natural resources of the country.
- Production of upholstered seating and wooden kitchen furniture has increased in particular.

Trends
- The trend to environmentally friendly furniture products that is apparent now in many Western EU countries is also an important determinant of purchase in the Estonian market.
- The other major consumer trend is the increasing popularity of Scandinavian design, which previously was unaffordable to many households.
- The location of Estonia makes it ideally suited to supply Western European markets as well as use materials from Russia to the east. This makes Estonia well placed to benefit from the forecast growth of markets to the east e.g. Russia, Ukraine and Belarus. The reputation of Estonia is also growing in terms of its international competitiveness.

Opportunities and threats
- Furniture production in Estonia is considered to be highly competitive in its price/quality ratio. This will provide a challenge for exporters from developing countries.
- However, consumers have not been exposed to many different furniture styles and may be interested to see new products on the market in the form of foreign imports. Most trade historically has been with its near neighbours.

Useful sources
- The Estonian Woodworking Federation – http://www.furnitureindustry.ee
- The Estonian Trade Council – http://www.etc.ee/furniture/?review
- Estonian National Statistics – http://www.stat.ee
- The Baltic Times – http://www.baltictimes.com
- Enterprise Estonia – http://www.investinestonia.com

2. Trade: imports and exports

Imports
- In 2005, Estonia's imports of domestic furniture were valued at € 51 million or 22,000 tonnes. Estonia was the second smallest EU importer by value and by volume. This is broadly the same level of imports as Latvia and Cyprus.
- Imports increased by 70% in value and 69% by volume between 2001 and 2005. Exports exceeded imports by more than threefold in value and in volume. Imports are increasing at a faster rate than exports, which have been static. Increases in both production and imports have been satisfying the growing domestic consumption.
- More than 13% of Estonia's imports valued at € 6.8 million (14% by volume) come from developing countries. The leading developing country suppliers are China (€ 4.5 million), Turkey (€ 0.6 million), Indonesia (€ 0.4 million), Vietnam (€ 0.4 million), Malaysia (€ 0.3 million) and Thailand (€ 0.2 million). Smaller suppliers are India and Mexico. Importers registering large increases were China, Turkey and Thailand. Malaysia registered decreases.
- Upholstered furniture was the largest product group with imports valued at € 9.9 million (19% of total by value and 13% by volume). Imports were up over the period, particularly in value terms. Other furniture was the largest group by volume (20%), valued at € 9.6 million. Dining and living room (€ 8.3 million), non-upholstered (€ 7.5 million), furniture parts (€ 7.1 million), bedroom (€ 4.6 million), kitchen (€ 2.5 million) and rattan (€ 1.3 million) were the value of imports of the other product groups.

Exports
- In 2005, Estonia's exports of domestic furniture were valued at € 171 million or 71,000 tonnes. Between 2001 and 2005 the value of exports increased by 5%. Volumes were at 2001 levels after increasing in 2003. Estonia exports more in value than its Baltic partner Latvia, but less in volume. Lithuania's exports are more than double.
- More than 85% of exports were intra-EU. Finland (32%) was the largest destination country, followed by Germany and Sweden. Re-exporting is not a major feature of Estonian exports, although strong links exist with Scandinavia.
- Around 27% of Estonian exports were of upholstered furniture.

Opportunities and threats
- Opportunities for exporters from developing countries exist as imports are growing at a faster rate than exports and domestic production. Imports from developing countries are increasing at a much greater rate than other imports.
- The greatest growth opportunities are in upholstered seating, followed by bedroom, dining and living room and other furniture. Domestic production of bedroom and other furniture is falling.

Useful sources

- EU Expanding Exports Helpdesk - http://export-help.cec.eu.int/
- Eurostat – official statistical office of the EU - http://epp.eurostat.cec.eu.int
- Estonian National Statistics – http://www.stat.ee

3. Trade structure

- Estonia has the most developed retail structure of the Baltic States. A number of Estonian furniture manufacturers also operate as importers. These present perhaps the best opportunities for developing country exporters along with the furniture retailers.
- Importers of furniture and furniture parts include http://www.korvipood.ee (wicker products); http://www.incognitofurniture.com (which has links to furniture boutiques such as http://www.ehituslex.ee), T&T Mang (http://www.mang.ee), Sanwood (http://www.sanwood.ee), Wermo, who supply IKEA (http://www.wermo.ee) and Dirolex (http://www.dirolex.ee).
- The main furniture retailers in Estonia are Isku (http://www.isku.ee), Skano (http://www.skano.ee), Common (http://www.common.ee) and Sotka (http://www.sotka.ee).
- The Estonian Chamber of Commerce provides a directory of furniture exporters (http://www.koda.ee and http://www.estonianexport.ee). The Estonian Woodworking Federation may have information (http://www.furnitureindustry.ee).

4. Prices

- In a recent EU survey on comparative furniture prices, prices in Estonia were the lowest of all EU countries. Prices are slowly increasing as foreign-owned retailers start to enter the market. There is still a two-tier price structure where local independents sell locally produced furniture at very competitive prices.
- For up-to-date furniture prices, see leading retailers Isku (http://www.isku.ee), Skano (http://www.skano.ee) and Common (http://www.common.ee).

5. Market access requirements

- Manufacturers in developing countries should be aware of the market access requirements of their trading partners and the country government. Requirements are demanded through legislation and through labels, codes and management systems. These requirements are based on environmental, consumer health and safety and social concerns.
- For more information go to 'Search CBI database' at http://www.cbi.nl/marketinfo

6. Business practices

- Business protocol is similar to other Northern European countries. Estonians are well-educated, open to outside interest and have strong historical trading links with Russia, Nordic and other Baltic countries. Next to Russian, English is increasingly spoken.
- Payment terms are quite conservative. Interest is charged on late payment.
- Estonia's Ideal Home Fair (http://www.fair.ee) takes place in May.
- More information on the business practices in the furniture trade in Estonia can be found at the Estonian Trade Council (http://www.etc.ee), at their online catalogue (http://www.estoniantrade.ee), and the Estonian Investment Agency (http://www.eia.ee). The Estonian Woodworking Federation (http://www.furnitureindustry.ee) and the Estonian Forest Institute (http://www.emtl.ee) have links and information on furniture.
- There is no specific furniture trade publication but the Baltic Times has some information on furniture (http://www.baltictimes.com).

This survey was compiled for CBI by ***Searce*** in collaboration with Mr. Johan Jonkers