CBI MARKET SURVEY

THE DOMESTIC FURNITURE MARKET IN PORTUGAL

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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 Portugal. 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 Portugal is valued at € 1,441 million in terms of retail sales.
- This is the twelfth largest in the EU and is similar to a cluster of other countries, including Sweden, Greece, Finland and Denmark. The introduction of the Euro has caused price rises and demand has been weak but has not been as adversely affected in the last few years as some other EU countries.

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

	2001 €m	2003 €m	2005 €m	Population (million)	Consumption per capita €	Households (000's)	Occupants per h/h
Portugal	1,240	1,410	1,441	10.5	137	3,800	2.8

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

- Further sales increases are likely in the next few years, fuelled by consumer interest in home decoration and renovation and the increased concentration of retail distribution.
- In terms of the selected product groups, it is estimated that dining and living room furniture is the largest group, accounting for 25% of sales; upholstered furniture 20%; kitchen furniture 16.5%; bedroom furniture 10% and other furniture 28.5%.

Production

- Production of furniture in Portugal is valued at € 1,014 million in 2005, a small increase after falls of recent years.
- Increases in exports have accounted for production increases. This is the basis of expecting production to continue to increase in coming years.

Table 1.2 Production of domestic furniture by Portugal, 2001- 2005, € million

	2001 value	2003 value	2005 value*	Average % change in value	Number of companies 2004	Number of employees 2004
Portugal	1,005	985	1,014	+1.0	4,500	25,000

Source: UAE
*estimated

- According to Eurostat, the volume of Portuguese production was 13.4 million items in 2003, of which 8.9 million were other furniture and 0.9 million upholstered furniture items.

- The major increases are in the furniture parts, which are the largest sector. This has resulted in proportional falls in other product groups.

Trends

- Lower priced products are being made to higher quality standards. Consequently the market for custom-made and high-priced furniture is becoming more of a niche market as it struggles to differentiate itself in terms of quality.
- Foreign companies are relocating production to Portugal serve the Southern European markets. IKEA is investing heavily in Portugal and is building a factory in Ponte de Lima to supply Portugal, Spain and France.
- In addition, Portuguese manufacturers are adopting a more aggressive exporting stance and looking at new markets in Russia and China over and above the traditional European exporting partners.

Opportunities and threats

- There are some opportunities for exporters from developing countries in the Portuguese market. There has been limited choice in the domestic market, and the Portuguese are now more outward looking and receptive of new styles and designs.
- There is currently a wide gap between high and low-priced products that could be filled by innovative new products by new suppliers.

Useful sources

- The Portuguese Furniture Industry - http://www.apima.pt
- Euromonitor International – http://www.euromonitor.com
- National Statistical Institute – http://www.ine.pt
- Trade fair websites often have information on the furniture market – http://www.exporthome.exponor.pt

2. Trade: imports and exports

Imports

- In 2005, Portugal's imports of domestic furniture were valued at € 407 million or 132,000 tonnes. Portugal was the thirteenth largest EU importer by value and fourteenth largest by volume. This is broadly the same level of imports as Ireland, Greece, Hungary and Finland.
- Imports increased by 33% in value and 69% by volume between 2001 and 2005. Exports exceeded imports in value by over 50%, but imports exceeded exports in volume by a similar proportion. Exports are increasing at a faster rate than imports. Production has started to grow, so rising imports and production have been satisfying the growing domestic consumption.
- Nearly 5% of Portugal's imports valued at € 20.2 million (7% by volume) come from developing countries. The leading developing country suppliers are China (€ 9.8 million), Indonesia (€ 2.7 million), Vietnam (€ 2.7 million), Brazil (€ 1.7 million), India (€ 0.9 million) and Thailand (€ 0.5 million). Smaller suppliers are Malaysia, Turkey, Argentina, the Philippines and Egypt. Importers registering large increases were China, Vietnam and Brazil. Morocco, Mexico and South Africa registered decreases.
- Furniture parts was the largest product group with imports valued at € 151 million (37% of total by value and 29% by volume). Other furniture was the next largest group, valued at € 91.5 million. Imports were up over the period, particularly in volume terms. Upholstered (€ 43.9 million), non-upholstered (€ 33.5 million), dining and living room (€ 32.4 million), bedroom (€ 25.5 million), kitchen (€ 22.9 million) and rattan (€ 6.7 million) were the value of imports of the other product groups.

Exports

- In 2005, Portugal's exports of domestic furniture were valued at € 634 million or 85,000 tonnes. Between 2001 and 2005 the value of exports increased by 60%. Volumes were up by 25%. Portugal is becoming a reasonably large furniture exporter in the EU.

- Around 94% of exports were intra-EU. France (40%) was the largest destination country, followed by Spain, Sweden and Germany. Some re-exporting takes place with Spain and France.
- Almost 68% of Portuguese exports were furniture parts.

Opportunities and threats

- Portugal exports half of its production. This strong domestic market poses a challenge for exporters from developing countries. Imports have been increasing but at a slower rate than exports. Imports from developing countries have been increasing at a similar rate to imports from other countries.
- Opportunities exist in upholstered and non-upholstered seating, as well as other furniture. Bedroom furniture is a small sector but imports are increasing while production is declining.

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
- National Statistical Institute – http://www.ine.pt

3. Trade structure

- The Portuguese furniture trade is dominated by independent specialist retailers, accounting for 80% of the market. However, larger multiples are arriving on the scene, in particular foreign-owned retailers. Limits on the size of large outlets in urban areas has restricted this growth, bit it is expected to continue. The continuing strength of independents is because they continue to be seen as the source of advice for the market.
- A good Portuguese portal for furniture contacts is http://www.portuguesefurniture.com. Other contacts for developing country exporters are http://www.estofolar.com and http://www.atrium-furniture.com (this site also provides a list of the agents they use).
- Leading retailers in Portugal include Moviflor (http://www.moviflor.pt), Casa (http://www.casashops.com), Conforama with 5 outlets in 2005 (http://www.conforama.pt), Habitat (http://www.habitat.net) with 3 outlets and Roche Bobois (http://www.rochebobois.com). IKEA currently has one outlet in Portugal.
- More information on trade structure in Portugal can be found at the site of the Portugese Furniture Industry (http://www.apima.pt) and the association of Portugese Furniture retailers (mailto:apcmobiliario@mail.telepac.pt).

4. Prices

- Generally speaking, furniture prices in Portugal are amongst the lowest in Western Europe, but they have been increasing in recent years, especially since Portugal joined the Euro. Interestingly, competitive pricing is not seen as a reason for consumers to buy furniture here. Many prices are benchmarked against Spanish prices.
- For up-to-date furniture prices, see IKEA (http://www.ikea.pt), Moviflor (http://www.moviflor.pt) and Casa (http://www.casashops.com).

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

- The Portuguese tend to be quite reserved and traditional. The influence of family is strong. Punctuality is not taken too seriously but try not to be late. Use a translator if you can. It will be appreciated as not everyone in business speaks English.
- Credit is important. Many companies work on 90-120 days.
- The main trade fair is Expomovel at Porto in April. Contact via http://www.expomovel.exponor.pt. Also Export Home in February at http://www.exporthome.exponor.pt
- The Portuguese Furniture Industry (http://www.apima.pt) will have information on business practices in the furniture trade, as will the Association of Portuguese Retailers (mailto:apcmobilario@mail.telepac.pt)
- The principal trade publication is Mobilario (mailto:mobilarionoticia@mail.telepac.pt)

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