

# Furniture & Fixture – An Overview



# Industry Dynamics

- ◆ Largely unstructured with numerous small to medium sized players.
- ◆ Regulatory structure supports local manufacturers.
- ◆ Lack of local raw material due to depleted forest cover.
- ◆ Increase in use of alternative materials such as plastic, chipboard and metal etc.
- ◆ Growing presence of online furniture stores.
- ◆ Largely labor intensive although some players have shifted towards automation
- ◆ Industry divided into Residential and Institutional customer segments
- ◆ Increasing demand from both individual and institutional customers
- ◆ Growing influence of E-commerce on the industry

# Value Chain



## Design

- Household/ Residential
- Institutional Furniture
- Product Design
- Technical Specification

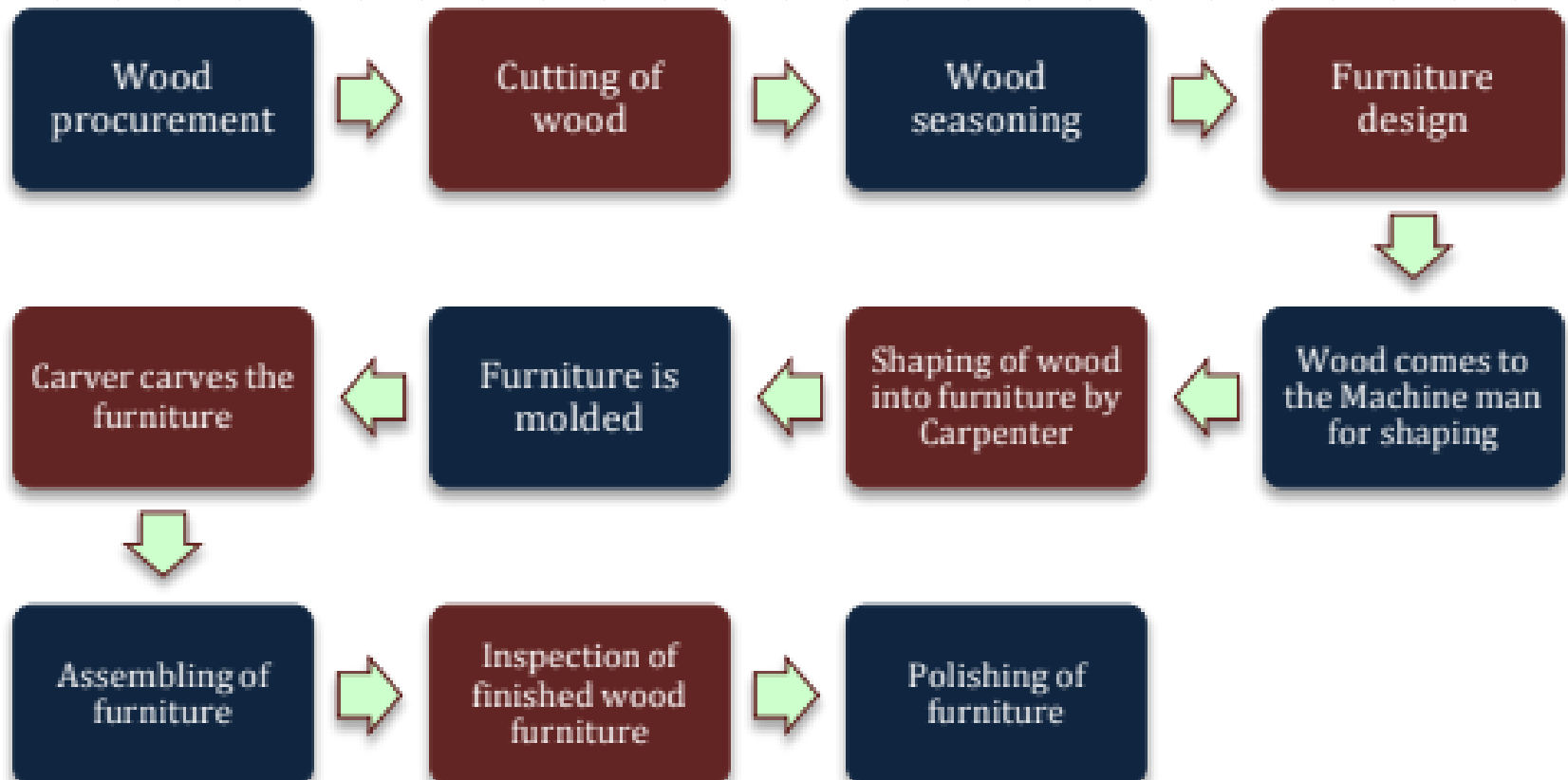
## Production

- Procurement of Raw Materials
- Grading, Seasoning, Cutting, framing, assembly, metal shop, Upholstery, polishing

## Logistics & Distribution

- Retail Sale
- Direct Sale ( Contractual )
- Wholesale

# Production Process | Wooden Furniture



# Segments

## Residential

- ◆ Influenced by changes in fashion and latest trends
- ◆ Demand from individuals is boosted by increase in disposable incomes and changing lifestyle

## Institutional

- ◆ The government makes up a significant portion of this segment
- ◆ Demand from the government depends on annual budgets
- ◆ Other institutional customers include schools, hospitals and businesses
- ◆ Demand depends on overall business activity and economic growth

# Types of Furniture

## Residential

- ◆ Kitchen, Bedroom, Living Room and Dining Room
- ◆ Beds, tables, chairs, sofas, wardrobes, doors etc.



## Institutional

- ◆ Office, Hotels, Hospitals and Schools
- ◆ Desks, work stations, chairs, cabinets, hospital beds, doors etc.



# Material Used

## Wood

Sheesham,  
Teak,  
Rosewood,  
Walnut,  
Oak,  
Plywood,  
Keekar



## Metal

Stainless  
Steel,  
Aluminum,  
Wrought  
Iron



## Others

Plastic,  
Cane





# Global Dynamics

| Exports                | 2012   | 2013   | 2014   | 2015   | 2016   | 2017   | 2018   |
|------------------------|--------|--------|--------|--------|--------|--------|--------|
| <b>Total (mln USD)</b> | 78,650 | 83,088 | 85,304 | 81,513 | 79,378 | 82,973 | 89,122 |
| <b>CAGR</b>            |        | 6%     | 4%     | 1%     | 0%     | 1%     | 2%     |

| Top 5<br>Exporting Countries    | mln USD<br>2018 | % Share<br>2018 |
|---------------------------------|-----------------|-----------------|
| <b>China</b>                    | 28,090          | 32%             |
| <b>Germany</b>                  | 7,993           | 9%              |
| <b>Italy</b>                    | 7,805           | 9%              |
| <b>Poland</b>                   | 5,311           | 6%              |
| <b>Vietnam</b>                  | 4,599           | 5%              |
| <b>Total of Top 5 Countries</b> | <b>53,798</b>   | <b>61%</b>      |

| Top 5<br>Importing Countries    | mln USD<br>2018 | % Share<br>2018 |
|---------------------------------|-----------------|-----------------|
| <b>United States of America</b> | 27,547          | 32%             |
| <b>Germany</b>                  | 6,138           | 7%              |
| <b>United Kingdom</b>           | 4,978           | 6%              |
| <b>France</b>                   | 4,629           | 5%              |
| <b>Canada</b>                   | 2,940           | 3%              |
| <b>Total of Top 5 Countries</b> | <b>46,232</b>   | <b>53%</b>      |

Source: Trade Map

HS Code: 9403 Furniture and parts thereof, n.e.s. (excluding seats and medical, surgical, dental or veterinary furniture)



## Furniture Industry Growth depends on:

- Population Growth
- Urbanization
- Increase in Disposable Income
- Economic growth rate & Business activity
- Budget allocation by government

## Key Statistics

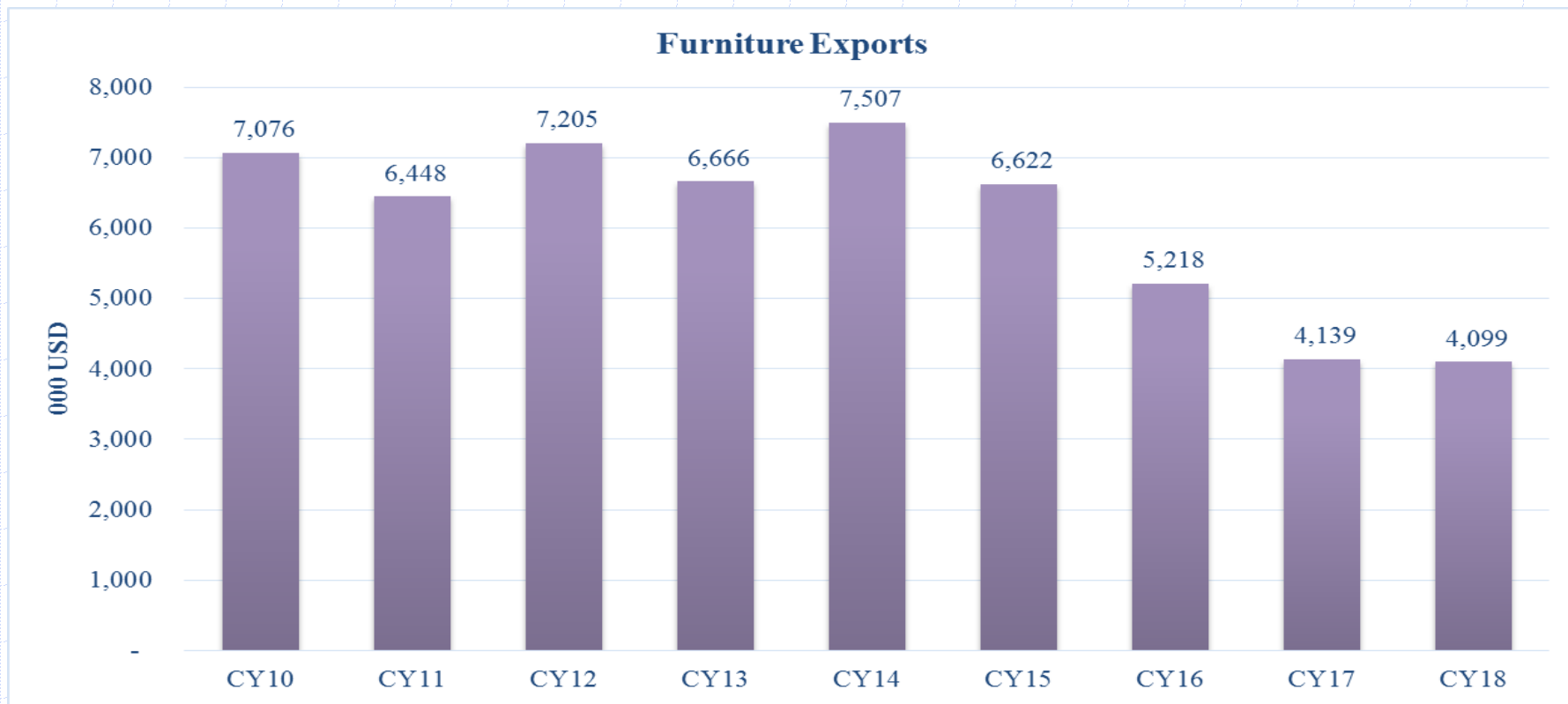
- Pakistan is the fifth most populated country in the world with an estimated population of ~212 million
- The average population growth rate is ~2.4 %
- Population in the Urban Sector has grown at an average of ~1%
- Per Capita Income has grown by ~6.3% in FY17/18
- Approximately ~2.7% of household income is spent on furnishing, household equipment and house maintenance.

# Industry Players

| Major Players                      | Number of Outlets |
|------------------------------------|-------------------|
| Chenone (Pvt) Ltd                  | 22                |
| Interwood Mobel (Pvt.) Limited     | 11                |
| Habitt Furniture                   | 6                 |
| Master Group (Celeste and OffiSys) | 6                 |
| Mohkam Furniture                   | 4                 |
| N.M. Furnishers                    | 4                 |
| National Furnishers (Pvt) Ltd      | 3                 |
| Gourmet Furnishers                 | 3                 |
| Heaven Furniture (Pvt) Ltd         | 1                 |
| Trendline Furnishers               | 1                 |
| Woodco Furniture                   | 1                 |
| Shelwood                           | 1                 |

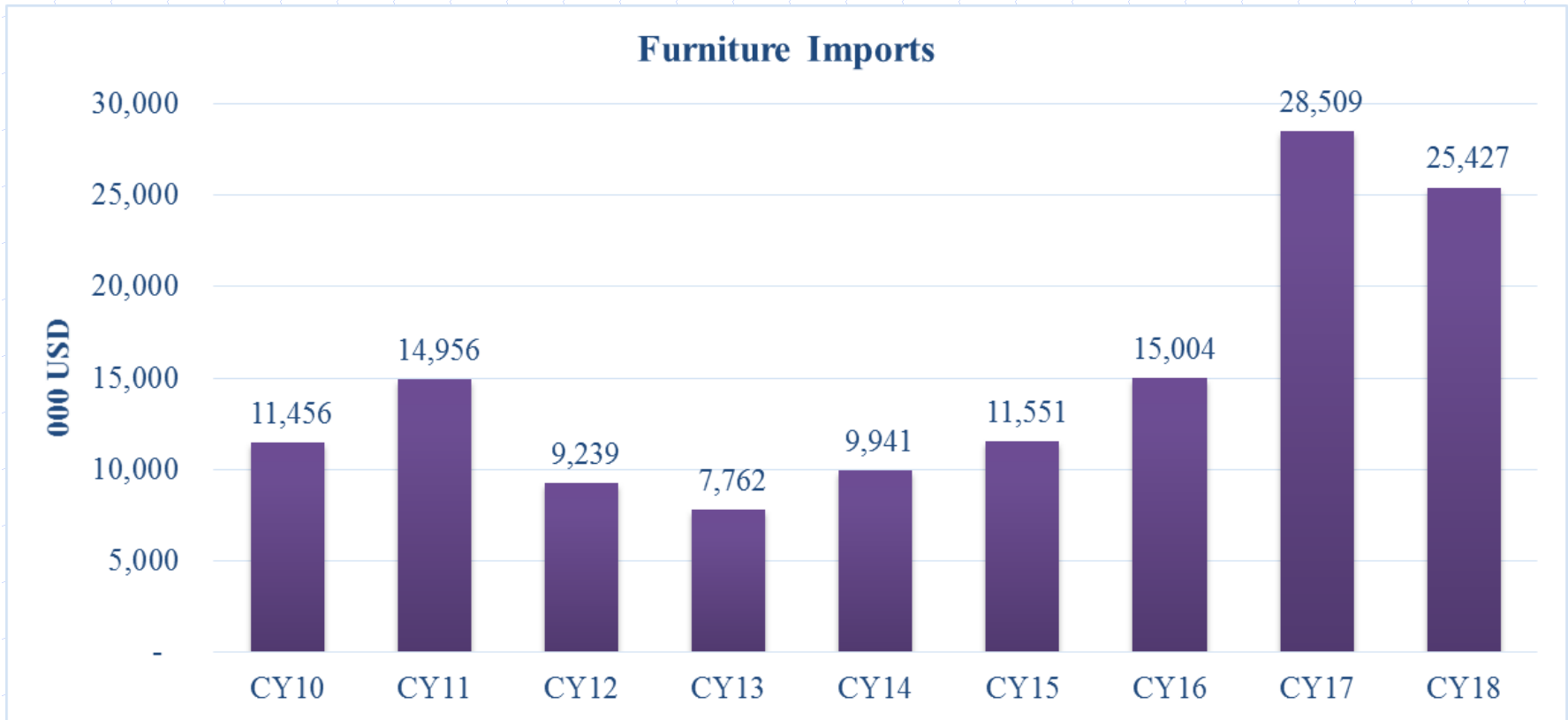
- ◆ Some large players also offer online shopping facility through their websites.
- ◆ E-commerce websites such as [apnafurniture.pk](http://apnafurniture.pk), [furniturehub.pk](http://furniturehub.pk) and [woodaction.com](http://woodaction.com) also offer competition to traditional furniture outlets.

# Pakistan



- *The Country's furniture exports stood at ~USD 4mln in CY18.*
- *Declining trend in furniture exports due to inconsistent quality and lack of local raw material.*
- *Highest level of exports to USA and UAE (~19% average)*
- *USA is largest importer of furniture from Pakistan observed to have an increasing share in exports jumping from ~10% in 2010 to ~27% in 2018.*
- *Pakistan also exports to countries such as UK, China, Canada & Afghanistan.*

# Pakistan



- *Total Furniture imports have registered a CAGR of ~10%*
- *~46% of Imports are from China*
- *Pakistan also imports from countries such as Italy, Turkey and Germany*
- *Imports from USA have seen an overall declining trend with a market share of ~14% in 2010 to ~1% in 2018*

# Pakistan's Imports of Key Raw Materials

| Wood sawn or chipped etc<br>(HS Code: 4407) | 2014           | 2015          | 2016          | 2017          | 2018           |
|---|----------------|---------------|---------------|---------------|----------------|
|   | -- '000 USD -- |               |               |               |                |
| United States of America                    | 22,376         | 19,047        | 21,201        | 25,933        | 24,525         |
| Germany                                     | 10,633         | 8,948         | 10,051        | 12,554        | 17,544         |
| Canada                                      | 13,263         | 17,510        | 16,760        | 18,337        | 16,133         |
| Austria                                     | 5,844          | 3,673         | 4,295         | 5,300         | 7,300          |
| Malaysia                                    | 5,120          | 5,978         | 6,739         | 5,884         | 5,941          |
| Rest of the World                           | 18,466         | 18,386        | 23,230        | 25,246        | 33,371         |
| <b>Total</b>                                | <b>75,702</b>  | <b>73,542</b> | <b>82,276</b> | <b>93,254</b> | <b>104,814</b> |

| Fiberboard of wood<br>(HS Code: 4411) | 2014           | 2015          | 2016          | 2017          | 2018          |
|---------------------------------------|----------------|---------------|---------------|---------------|---------------|
|                                       | -- '000 USD -- |               |               |               |               |
| Malaysia                              | 23,982         | 27,739        | 29,178        | 23,372        | 20,523        |
| Sri Lanka                             | 8,477          | 8,672         | 8,954         | 9,042         | 7,143         |
| China                                 | 2,632          | 5,099         | 8,173         | 9,675         | 7,143         |
| Thailand                              | 2,848          | 4,492         | 6,355         | 5,937         | 5,561         |
| Turkey                                | 161            | 121           | 447           | 687           | 764           |
| Rest of the World                     | 2,151          | 2,554         | 2,011         | 1,027         | 716           |
| <b>Total</b>                          | <b>40,251</b>  | <b>48,677</b> | <b>55,118</b> | <b>49,740</b> | <b>41,850</b> |

| Plywood, veneered panel & laminated wood<br>(HS Code: 4412) | 2014           | 2015         | 2016         | 2017         | 2018         |
|---|----------------|--------------|--------------|--------------|--------------|
|   | -- '000 USD -- |              |              |              |              |
| China   | 2,891          | 5,511        | 6,913        | 8,812        | 6,390        |
| Russia  | -              | -            | -            | 38           | 125          |
| Malaysia  | 185            | 132          | 100          | 144          | 55           |
| Turkey  | -              | -            | 2            | 14           | 50           |
| Vietnam   | -              | -            | 15           | 11           | 38           |
| Rest of the World   | 210            | 291          | 486          | 456          | 157          |
| <b>Total</b>  | <b>3,286</b>   | <b>5,934</b> | <b>7,516</b> | <b>9,475</b> | <b>6,815</b> |

| Sheets for veneering<br>(HS Code: 4408) | 2014           | 2015         | 2016         | 2017         | 2018         |
|---|----------------|--------------|--------------|--------------|--------------|
|   | -- '000 USD -- |              |              |              |              |
| China                                   | 2,774          | 3,024        | 3,442        | 3,239        | 3,742        |
| United States of America                | 79             | 41           | 44           | 37           | 91           |
| Spain                                   | -              | 9            | -            | -            | 81           |
| United Arab Emirates                    | 54             | 44           | 6            | 60           | 81           |
| Austria                                 | -              | -            | -            | 48           | 52           |
| Rest of the World                       | 103            | 154          | 245          | 6,091        | 157          |
| <b>Total</b>                            | <b>3,010</b>   | <b>3,272</b> | <b>3,737</b> | <b>9,475</b> | <b>4,204</b> |

| Paints and Varnish<br>(HS Code: 3208) | 2014           | 2015          | 2016          | 2017          | 2018          |
|---------------------------------------|----------------|---------------|---------------|---------------|---------------|
|                                       | -- '000 USD -- |               |               |               |               |
| China                                 | 4,203          | 4,301         | 6,511         | 7,555         | 7,181         |
| Taipei, Chinese                       | 2,083          | 2,852         | 3,539         | 3,452         | 2,809         |
| Switzerland                           | 1,646          | 1,616         | 1,117         | 2,989         | 2,400         |
| Italy                                 | 1,622          | 1,716         | 2,181         | 2,739         | 2,383         |
| United Arab Emirates                  | 1,313          | 2,172         | 1,954         | 2,309         | 2,195         |
| Rest of the World                     | 9,506          | 10,318        | 12,490        | 12,529        | 9,738         |
| <b>Total</b>                          | <b>20,373</b>  | <b>22,975</b> | <b>27,792</b> | <b>31,573</b> | <b>26,706</b> |

| Boards of wood<br>(HS Code: 4410) | 2014           | 2015         | 2016         | 2017         | 2018         |
|-----------------------------------|----------------|--------------|--------------|--------------|--------------|
|                                   | -- '000 USD -- |              |              |              |              |
| China                             | 44             | 234          | 65           | 240          | 461          |
| Thailand                          | 935            | 166          | 1,050        | 423          | 337          |
| Estonia                           | 109            | 71           | 253          | 200          | 263          |
| Malaysia                          | 269            | 523          | 671          | 447          | 260          |
| Germany                           | 18             | 57           | 118          | 75           | 113          |
| Rest of the World                 | 95             | 173          | 215          | 323          | 114          |
| <b>Total</b>                      | <b>1,470</b>   | <b>1,224</b> | <b>2,372</b> | <b>1,708</b> | <b>1,548</b> |

| Total Raw Material Imports<br>(000 USD) | 2014 | 2015           | 2016           | 2017           | 2018           |
|---|------|----------------|----------------|----------------|----------------|
|   |      | <b>144,092</b> | <b>155,624</b> | <b>178,811</b> | <b>195,225</b> |

# Regulatory Structure

| Customs Tariff  |         |           |          |          |
|---|---------|-----------|----------|----------|
| Description   | HS Code | 2019      | 2018     | 2017     |
|   |         | Duty      | Duty     | Duty     |
| Wood sawn or chipped lengthwise, sliced or peeled, whether or not planned, sanded or end- jointed, of a thickness exceeding 6 mm  | 4407    | 3%        | 3%       | 3%       |
| Sheets for veneering (including those obtained by slicing laminated wood), for plywood or for similar laminated wood and other wood, sawn lengthwise, sliced or peeled, whether or not planed, sanded, spliced or end- jointed, of a thickness not exceeding 6 mm | 4408    | 11%       | 11%      | 16%      |
| Particle board, oriented strand board (OSB) and similar board (for example, wafer board) of wood or other ligneous materials, whether or not agglomerated with resins or other organic binding substances.  | 4410    | 16%       | 16%      | 16%      |
| Fiberboard of wood or other ligneous materials, whether or not bonded with resins or other organic substances   | 4411    | 11% - 16% | 16%      | 16%      |
| Plywood, veneered panels and similar laminated wood.  | 4412    | 20%       | 20%      | 20%      |
| Paints and varnishes (including enamels and lacquers) based on synthetic polymers or chemically modified natural polymers, dispersed or dissolved in a non- aqueous medium; solutions as defined in Note 4 to this Chapter  | 3208    | 11%/20%   | 11%/20%  | 11%/20%  |
| Other furniture and parts thereof   | 9403    | 45%       | 35%      | 20%      |
| Seats (other than those of heading 94.02), whether or not convertible into beds, and parts thereof  | 9401    | 3% - 35%  | 3% - 35% | 3% - 35% |

- Sales Tax : 17%
- The duty on imported furniture has been increased from 35% to 45% in October 2018

# Opportunities

- ◆ Increasing population in urban areas leading to higher demand
- ◆ Growing disposable income of population
- ◆ Increasing E-commerce in the industry, providing opportunity to tap new customers and markets
- ◆ Regulatory duty structure provides support to local manufacturers
- ◆ Frequent changes in trends and fashion resulting in higher demand
- ◆ Higher automation to achieve consistent quality and efficiency gains



# Threats

- ◆ Lack of local raw material due to depleted forest cover
- ◆ Inconsistent quality and lack of international quality certifications, making exports difficult
- ◆ Large proportion of unorganized sector in the industry, resulting in competitive disadvantage for organized sector
- ◆ High level of competition from unorganized players
- ◆ Slower economic growth hinders demand in both individual and institutional segments
- ◆ Restraint in expenditure by the government due to fiscal pressures
- ◆ Higher interest rates result in subdued demand from institutional clients on discretionary expenditures on refurbishments

# Bibliography

1. Trade Map <https://www.trademap.org>
2. Pakistan Economic Survey 2018 – 19
3. Household Integrated Economic Survey (HIES) 2015 – 16
4. Pakistan Customs Tariff 2016-17; 2017-18 & 2018-19

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|-----------------|---|--|
| <b>Analysts</b> | <b>Ateeb Riaz</b><br><b>Supervising Senior</b><br><b>+92 42 3586 9504</b><br><a href="mailto:Ateeb.riaz@pacra.com">Ateeb.riaz@pacra.com</a> | <b>Insia Raza</b><br><b>Associate Analyst</b><br><b>+92 42 3586 9504</b><br><a href="mailto:Insia.raza@pacra.com">Insia.raza@pacra.com</a> |
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