



Furniture & Fixtures

Research Team

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Furniture & Fixtures

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Furniture & Fixtures

Introduction

- Furniture & Fixtures are objects used to make a room suitable for living or working. These include tables, chairs, beds, sofas and a variety of other items.
- Furniture & Fixtures can be segmented according to their uses:
 - Home:** It is greatly influenced by changes in fashion and latest trends. It can be further categorized according to rooms such as bedroom, living room, kitchen etc.
 - Office:** Organizations such as offices, schools, hospitals, hotels and restaurants require a bulk quantity of furniture with mostly homogenous designs. It includes items such as desks, chairs, cabinets etc.
- Furniture can be made from a number of materials. The most common are wood, board, metal and plastic. Wood furniture is most widely used with many varieties such as rosewood, oak and teak that each offer different properties and price ranges. However, with focus on sustainability and environment, other materials are also gaining more share.
- The Furniture & Fixture production process is as follows:



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Global | Overview

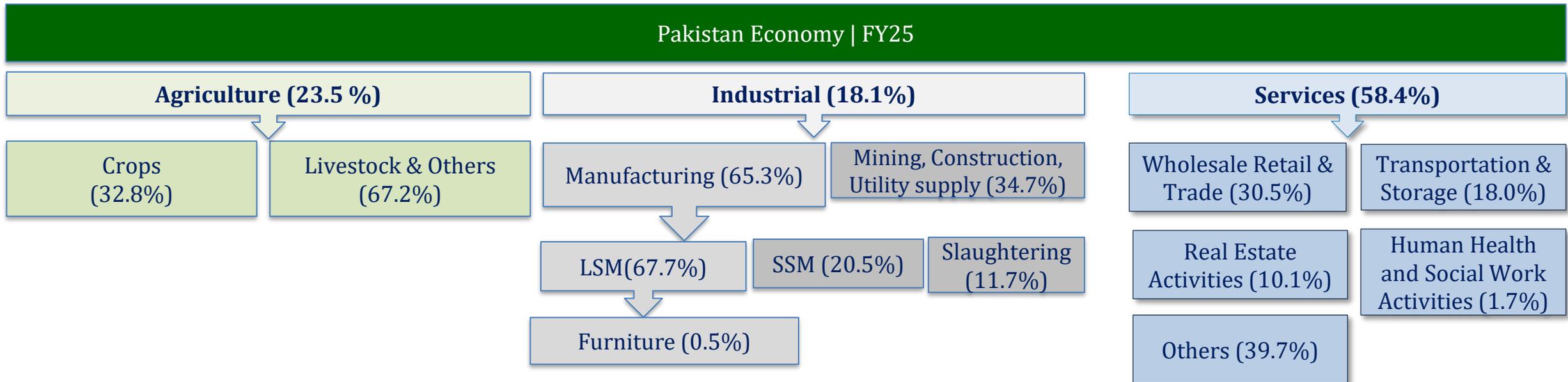
- **Size:** The global furniture market grew from USD ~768.4bn in CY24 to USD ~822.5bn in CY25 at a CAGR of ~7.1%. The furniture market is expected to grow to USD ~1,040.0bn by CY29 at a CAGR of ~6.6%.
- **Region-wise:** Asia-Pacific was the largest region in the furniture market in CY25, valued at USD ~265.0bn (~39.0% share). This regional market is expected to reach USD ~368.0bn by CY34. Europe (~28.0%), was the second-largest region, followed by North America (~22.0%), Latin America (~6.0%), and the Middle East and Africa (~5.0%).
- **Types (Material):** Wood as a raw material covers the largest share in the furniture market with ~41.0% share. Certain wood-based materials used in furniture manufacturing include wooden panels, plywood, and particleboard. The plastic segment is emerging as the fastest-growing material category, estimated to grow at a CAGR of ~7.7%, driven by rising demand for low-priced designer furniture.
- **Types (Usage):** In terms of usage, the home/residential furniture segment formed ~61.0% of the total furniture market while the remaining (~39.0%) comprised commercial/office furniture in CY24. The commercial segment is expected to grow at a faster CAGR of ~7.1%, fueled by demand from offices, hotels, and the hospitality sector.
- **Developments:** Ready-to-assemble and modular furniture continue to surge in popularity, led by IKEA, with AR technologies enabling customers to virtually preview furniture at home before purchase. Sustainability has become a key purchasing driver, with ~78% of consumers considering a sustainable lifestyle important. IKEA has committed to fully renewable or recyclable products by 2030. Smart furniture is an emerging high-growth niche, with the segment valued at ~USD 5.1bn in CY25 and projected to reach ~USD 9.6bn by CY31 at a CAGR of ~11.2%.



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Local | Introduction

- In FY25, Pakistan’s Real GDP recorded a growth of ~2.7%(SPLY ~2.4%) with GDP at current market prices increased to PKR ~114.7Tn (SPLY PKR ~105.1Tn), reflecting a 9.1% increase. Real GDP grew by ~ 3.7% in 1QFY26 and is projected to grow by ~ 4.8% in FY26.
- The furniture sector is classified as a Large-Scale Manufacturing (LSM) industrial component, with a weight of ~0.5% (SPLY: ~0.7%) in the Quantum Index of Manufacturing (QIM). During 9MFY25, furniture production contracted sharply by ~61.1%, reflecting significantly weaker output compared to the previous year. The decline was primarily driven by a slowdown in broader industrial segments, particularly construction activity, and by higher costs of imported raw materials, which collectively weighed on manufacturing performance.



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Local | Overview

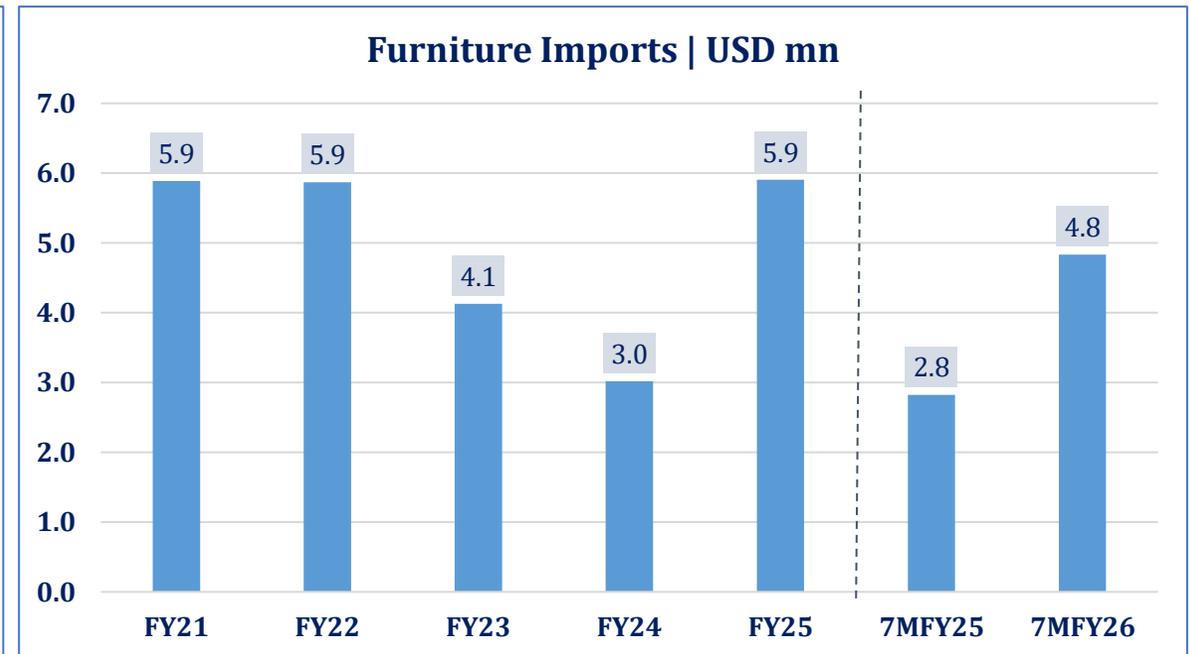
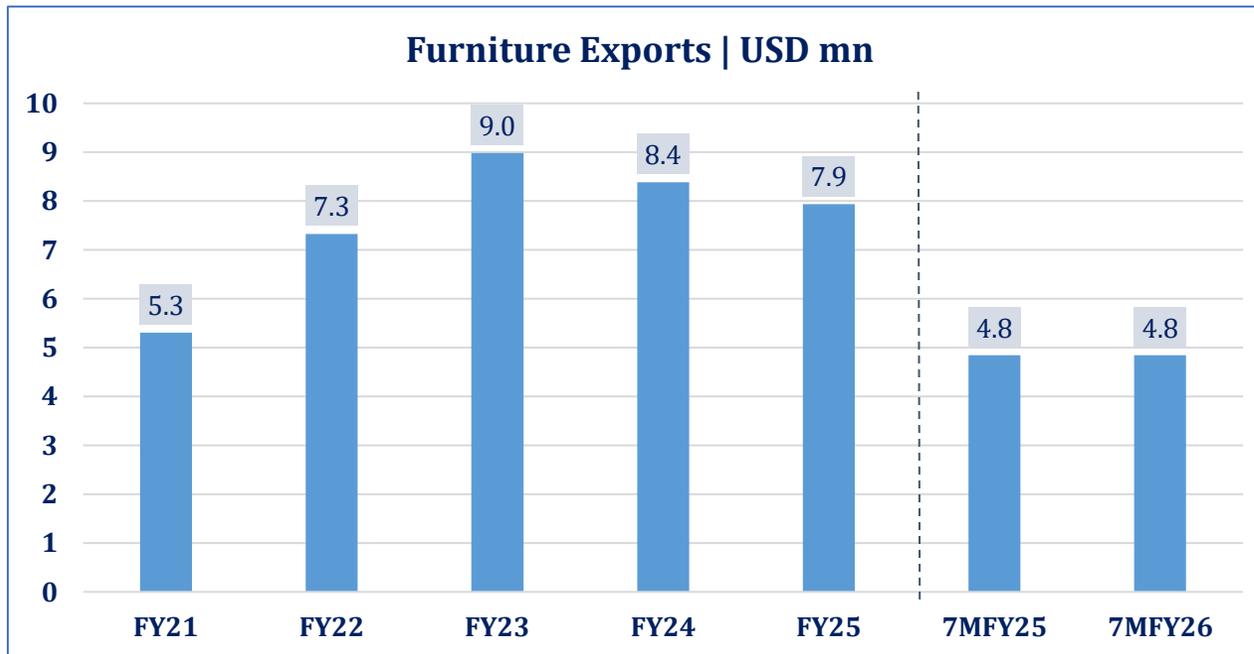
- Furniture sector in Pakistan is highly fragmented, consisting of numerous small and medium-sized players, which results in intense competition among market participants.
- The sector primarily serves the domestic market, with only small quantities dedicated to exports. However, recent data shows that exports fell by ~6.0% YoY in FY25. During 7MFY25 and 7MFY26, exports remained stable despite broader annual fluctuations.
- Local demand is mainly met through local production and some imports. Depreciation of PKR against USD in recent years has resulted in imported furniture becoming more expensive. Imports have continued to decline during FY20-FY24 but increased in FY25.
- The organized furniture segment consists mainly of players targeting high-end customers. They have strong brand identities and operate with large retail outlet chains. Some prominent players include Interwood Mobel, Habitt Furniture, National Furniture, and ChenOne.

Sector Overview	Unit	FY24	FY25	7MFY25	7MFY26
Players	No.	Fragmented with ~5-6 Large Players			
Furniture Imports	USD mn	3.0	5.9	2.8	4.8
Furniture Exports	USD mn	8.4	7.9	4.8	4.8
Association	All Pakistan Furniture Makers Association (APFMA) All Pakistan Furniture Exporters Association (APFEA)				

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Local | Exports & Imports

- Pakistan’s overall furniture imports nearly doubled in FY25 rising to USD~5.9mn (SPLY: USD ~3.0mn) marking a significant increase of ~96.7% YoY in USD terms.
- The increase in furniture imports during FY25 is likely driven by relaxation in import restrictions and stabilization of PKR relatively better domestic demand from residential construction and commercial developments,. This increases demand for ready-made and specialized furniture products not widely produced locally.
- In 7MFY26, the furniture exports remained the same as in 7MFY25, valued at USD~4.8mn. Export growth has been constrained due to limited scale, higher production costs, and competitiveness challenges faced by local manufacturers in the international market. During the same period, the import value rose by ~71.4% YoY to USD~4.8mn (SPLY: USD~2.8mn).



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Local | Export Destinations

- Pakistan's furniture exports are primarily focused on Germany and the USA, which cumulatively accounted for ~52.5% of Pakistan's total furniture exports in FY25. In 7MFY26, Germany surpassed USA to become Pakistan's leading furniture's export destination, as depicted below.
- Meanwhile, exports to the UK, UAE, and Canada constituted ~10.0%, ~6.3%, and ~4.3% shares, respectively, of the total furniture exports in FY25.

Export Destinations	FY21	FY22	FY23	FY24	FY25	7MFY25	7MFY26
U.S.A.	38.6%	26.1%	15.8%	29.5%	26.7%	23.6%	18.5%
Germany	15.9%	42.5%	41.4%	20.4%	25.8%	25.5%	27.5%
U.K.	9.4%	8.1%	7.0%	11.6%	10.0%	6.6%	16.7%
UAE	4.2%	3.2%	1.1%	4.3%	6.3%	9.0%	8.6%
Canada	2.5%	1.4%	2.6%	4.2%	4.3%	6.3%	3.0%
ROW	29.4%	18.6%	32.1%	30.1%	27.0%	29.0%	25.7%
Total	100%						

Note: Data is based on HS code: 9403.

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Local | Business Risk

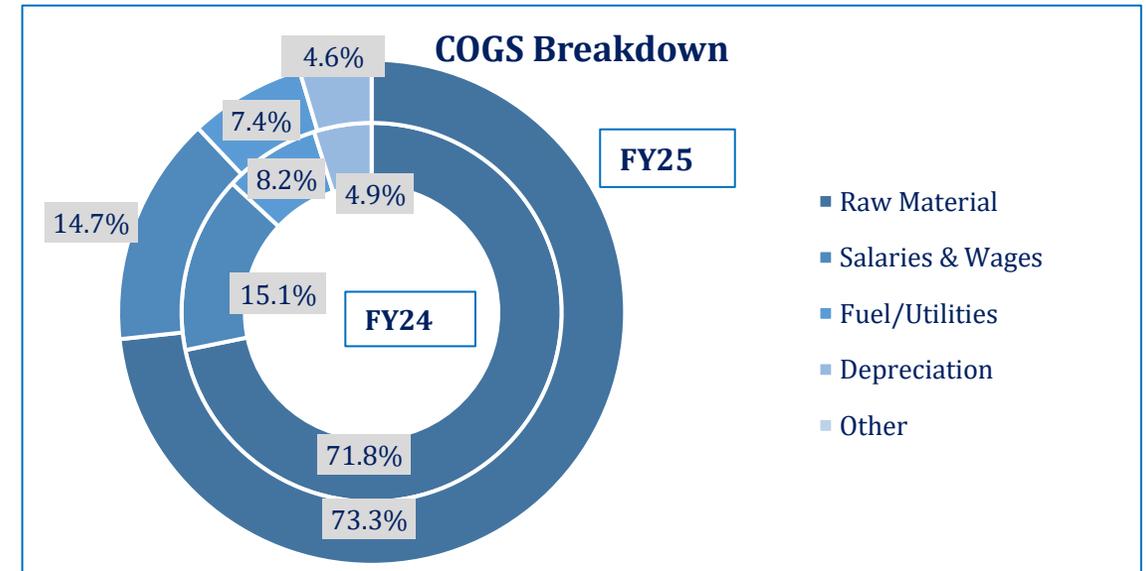
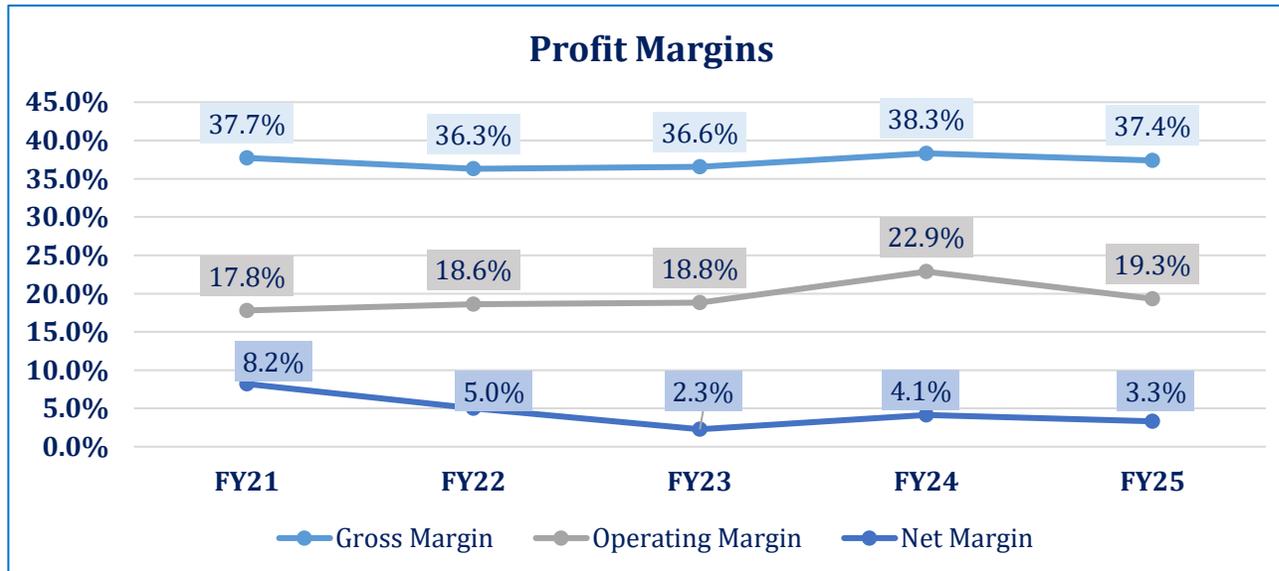
- Competition:** There is high level of competition due to the presence of a large number of small and medium-sized players offering customized furniture to the middle and upper-middle market, while a few large branded players dominate the high-end and office segments. Significant competition also exists for imported furniture, as many consumers prefer international brands for their quality and modern designs.
- Economic Contraction:** Demand for the local sector is linked with consumers' disposable income and replacement/new orders from businesses for office furniture. During FY25, average inflation stood at ~4.5% (SPLY: ~23.9%), while in 8MFY26 this was recorded at ~5.5% (SPLY: ~6.0%). Due to easing inflation levels, relatively better business sentiment and decline in the policy rate to ~10.5% in Jan'26, sector's overall revenue is expected to improve while lower finance cost and stable currency could lead to higher margins as well.
- Raw Material:** Pakistan's forest coverage currently stands at only ~4.8–5.7% and local raw material (mainly wood and derived products) has been depleted in recent years due to illegal deforestation. Moreover, reliance on alternative materials such chip boards, plastic and metal has also been increasing.



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Local | Business Risk

- The high-end players have strong gross and operating margins. In FY25, despite a ~9.7% YoY increase in net sales, gross margins declined slightly to ~37.4% (SPLY: 38.3%) as COGS increased by ~11.1% YoY.
- Similarly, the operating profit margins dipped ~19.3% in FY25 (SPLY: ~22.9%), due to increased marketing expenses. The net margin declined to ~3.3% in FY25 (SPLY: ~4.1%) due to higher taxation in FY25.
- The increase in the COGS was primarily due to a rise in the prices of raw materials that was mainly driven by higher contribution of imported inputs and increase in the cost of premium quality wood. Other components of COGS, including salaries & wages, fuel/utilities, depreciation, and other expenses, remained relatively stable, contributing minor changes to the overall COGS mix.

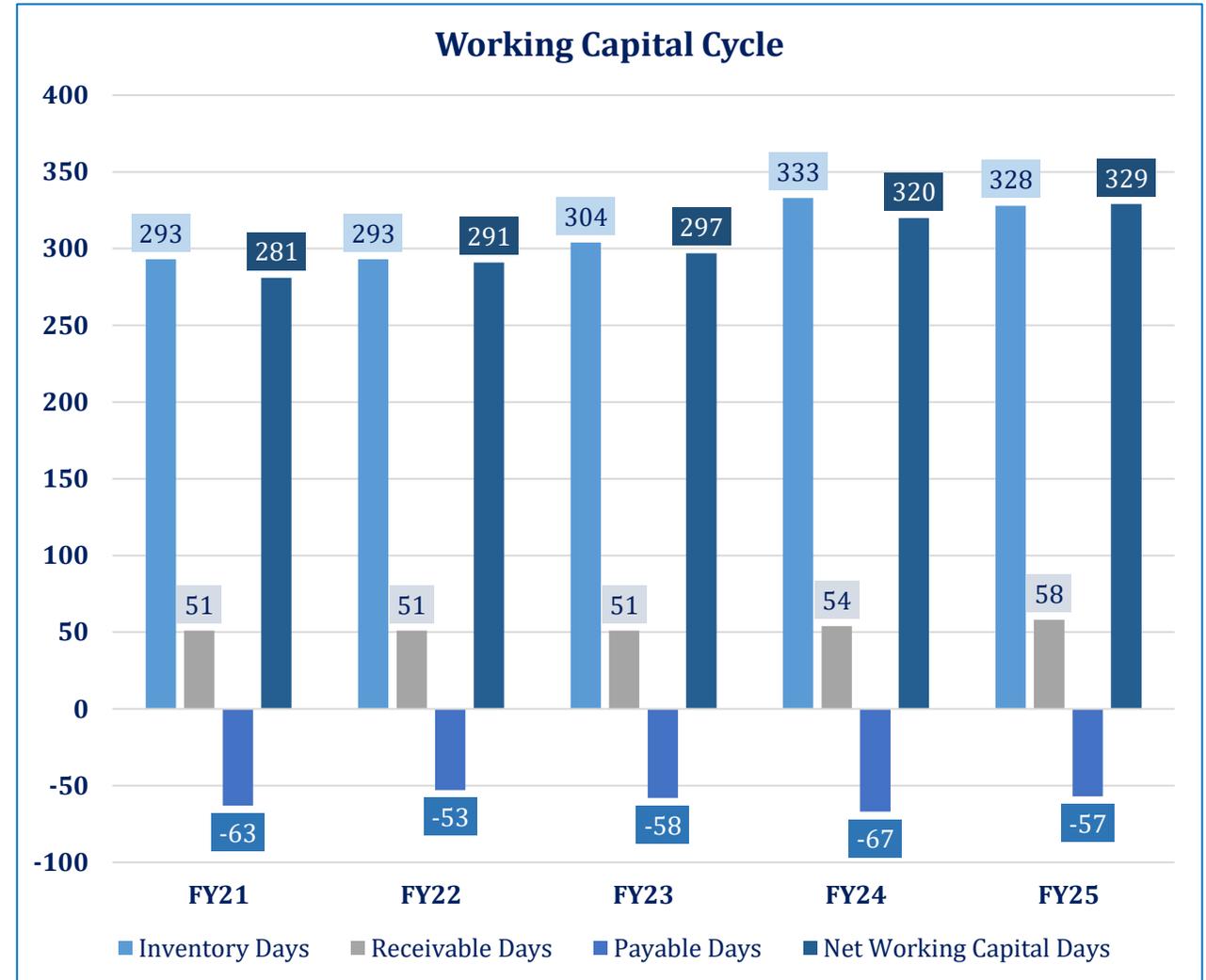


*Note: Margins and Cost Breakdown are based on PACRA-rated player. *representative of rated player.*

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Local | Financial Risk

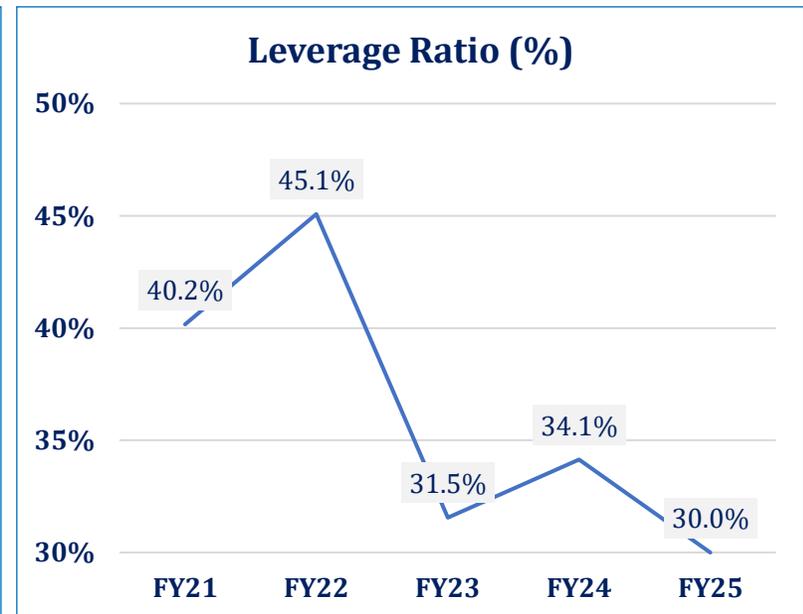
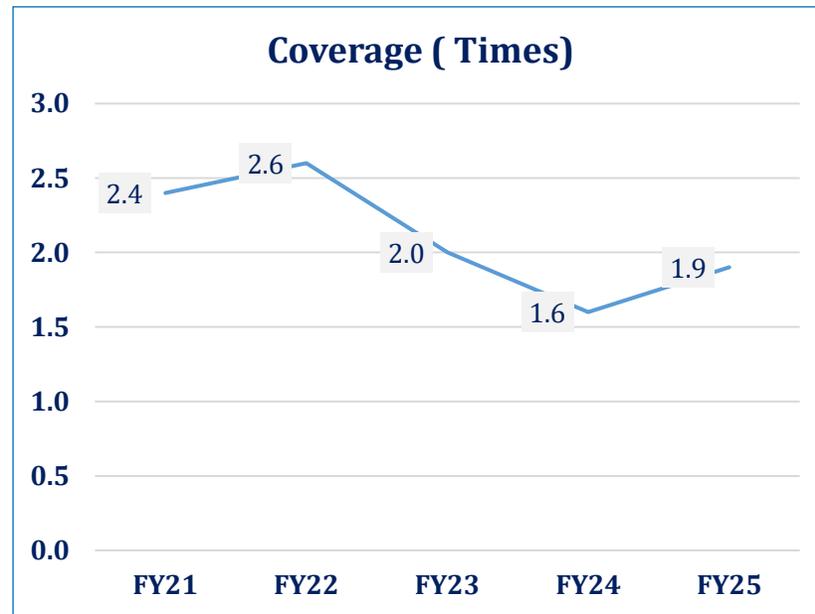
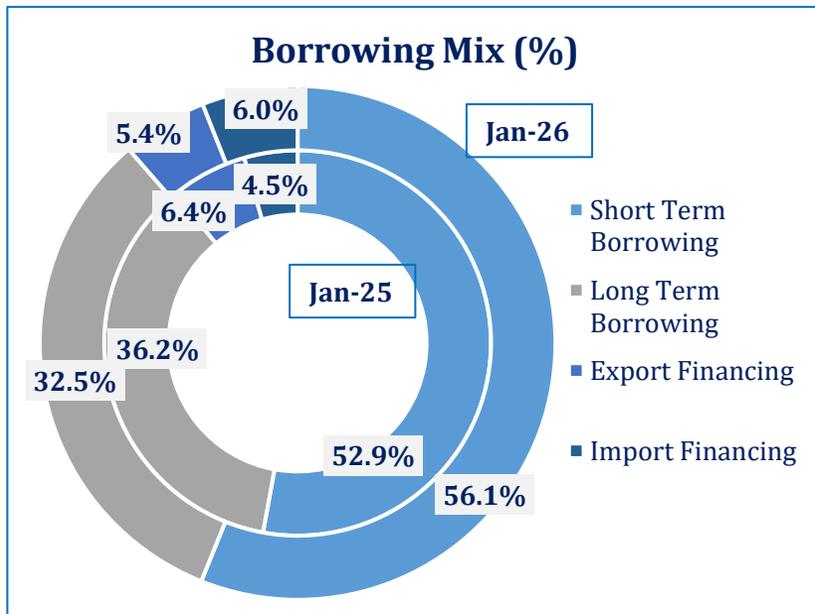
- The sector’s working capital is predominantly a function of inventories days as sufficient stock levels of various products must be maintained to cater to customer demand.
- Inventory days of the sector remained almost same at ~328 days during FY25 (SPLY: ~333 days), reflecting high inventory level and stock.
- The average collection period for receivables increased marginally to ~58 days in FY25 (FY24: ~54 days), driven by greater sales to institutional customers and longer credit arrangements. Sales to residential/individuals is generally cash based.
- Meanwhile, average payable days declined to ~57 days in FY25 (FY24: ~67 days), indicating relatively faster supplier payments during the period.
- Resultantly, average net working capital days increased to ~329 days in FY25 (FY24: ~320 days), suggesting slightly higher liquidity tied up in operations. However, working capital management has remained a constant phenomenon for the sector, primarily driven by high inventory days due to nature of business.



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Local | Financial Risk

- The sector’s total borrowings were recorded at PKR~9,206mn as of End-Jan’26, an increase of ~30.9% YoY. The short-term borrowings increased by ~39.0% YoY made up ~56.1% of the sector’s total borrowings (SPLY: STBs formed ~52.9% of the total borrowing).
- Import financing increased massively by ~76.7% , with higher imports and reduction in policy rate to ~10.5%. Long-term borrowings were up ~17.5% during the same period.
- The interest coverage for the sector improved slightly to ~1.9x in FY25 (FY24: ~1.6x), supported by a ~15.3% decrease in finance costs, despite falling operating earnings.
- Leverage ratio reduced to ~30.4% in FY25 (FY24: ~34.1%), indicating a slight improvement in financial flexibility and capitalization strength.



Note: Borrowing-Mix is based on SBP classification “Manufacture of Furniture”. Coverage Ratio is based on PACRA rated player.

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Regulatory Framework

- With respect to Income Tax, the furniture manufacturing industry is under the Normal Tax Regime (NTR). Further, the sector is also subject to Minimum Tax @ 1.5% of turnover, if tax liability under NTR is lower than minimum tax. However, the additional tax paid under minimum tax is adjustable against future tax liabilities for the next 2 years.
- The duty structure implemented by the government protects local manufacturers. In addition, sales tax of ~18% is also applicable on the Sector.
- In Jul'22, the SBP linked the policy rate to the Export Finance Scheme (EFS) and Long-Term Financing Facility (LTFF) rates by fixing the gap between the former and latter two rates at 500 basis points. At this time, the policy rate stood at 22.0% and LTFF and EFS rates were 17.0% each accordingly. In Jan'23, the SBP announced that the gap between the concessional borrowing rates and policy rate to be reduced to 300 basis points. Currently, SBP has reduced the policy rate to 10.5%, resulting in LTFF and EFS rates to record at 3.0% as of End-Jan'26.
- The Sector is represented by the All-Pakistan Furniture Makers Association (APFMA), which is registered with the Securities and Exchange Commission of Pakistan and is a member of the Federation of Pakistan Chamber of Commerce and Industry. Another organization, the All-Pakistan Furniture Exporters Association (APFEA) works to promote the sector's products in the international market.

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Duty Structure

PCT Code	Description	Custom Duty		Additional Custom Duty		Regulatory Duty		Total	
		FY25	FY26	FY25	FY26	FY25	FY26	FY25	FY26
44.07	Wood sawn or chipped lengthwise, sliced or peeled, whether or not planned, sanded or end- jointed, of a thickness exceeding 6 mm.	0%	0%	2%	0%	0%	0%	2%	0%
44.08	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.	0%	0%	2%	0%	0%	0%	2%	0%
44.1	Particle board, oriented strand board (OSB) and similar board (for example, waferboard) of wood or other ligneous materials, whether or not agglomerated with resins or other organic binding substances.	16%	15%	4%	2%	0%	0%	20%	17%
44.11	Fibreboard of wood or other ligneous materials, whether or not bonded with resins or other organic substances	11%	10%	2%	0%	5%	2.5%	16%	12.5%
44.12	Plywood, veneered panels and similar laminated wood.	16%	15%	4%	2%	0%	0%	20%	17%
32.08	Paints and varnishes (including enamels and lacquers)	11-20%	10-20%	2-6%	2-4%	5-10%	5-10%	17-36%	17-34%
94.02	Medical, surgical, dental or veterinary furniture	3-20%	10-20%	2-6%	4%	0%	0%	5%-26%	14-20%
94.03	Other furniture and parts thereof	20%	20%	6%	4%	45%	12-36%	71%	36-60%

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SWOT Analysis

- Growing urbanization and middle-class creating demand.
- Regulatory structure supports local manufacturers.
- Increasing in-house R&D and design department including robotic systems for coating and polishing.
- Brand distinction for organized brands associated with high quality products.



- Lack of local raw material due to depleted forest cover.
- Significant competition from unregulated players.
- Low automation and reliance on traditional method of furniture making, leading to inefficiencies.

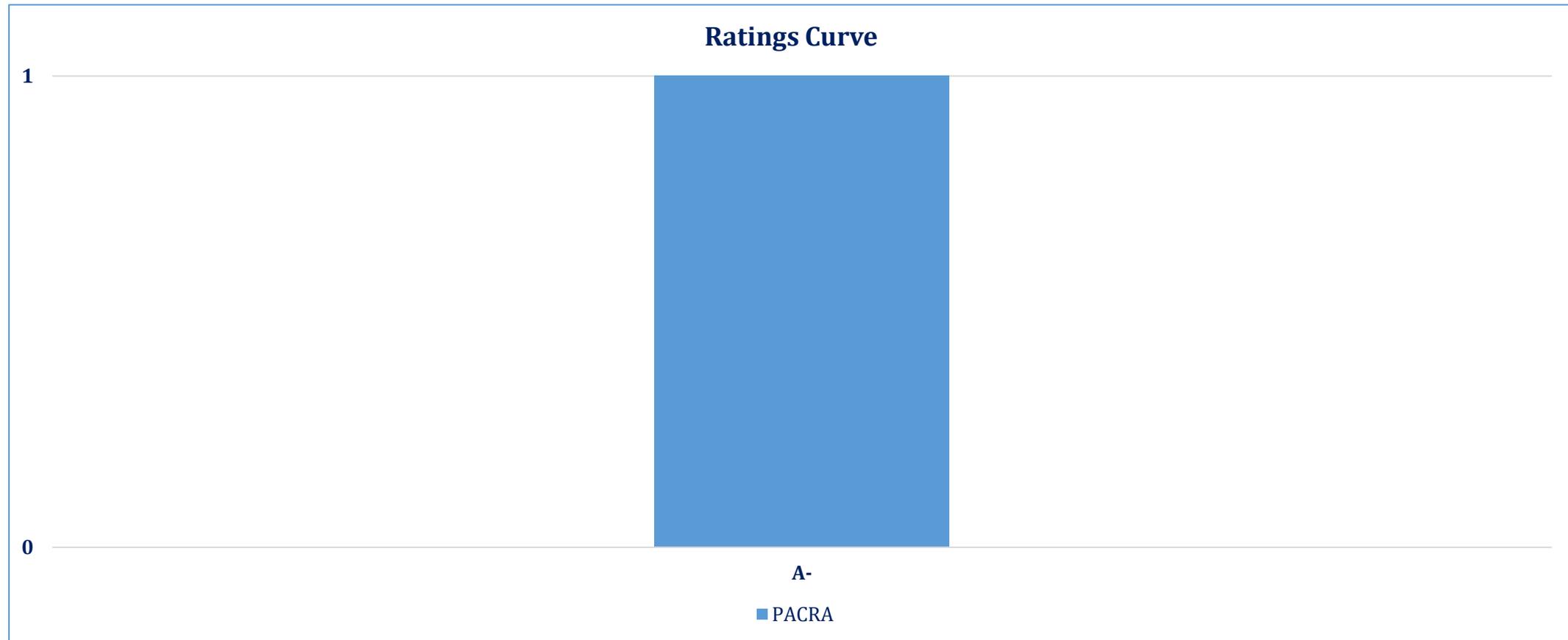
- Change in customer preferences could reduce demand for traditional furniture items.
- Increased influx of imported furniture with certain large international players eyeing Pakistan market.
- Shift from traditional materials and making techniques to other materials and machine making.

- Growing trend of online shopping creates extended outreach.
- Opportunity to increase efficiency and economies of scale through automation.
- New products made through sustainable methods for local and export markets.

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Rating Curve

- PACRA rates 1 entity in the furniture and fixtures sector, Interwood Mobel (Private) Limited.
- VIS rates 0 entities in the furniture and fixtures sector.



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Outlook: Stable

- Pakistan's economy posted a real GDP growth of ~2.7% in FY25 (FY24: ~2.4%). The average CPI Inflation for July–April 2025 was 4.7%, down from 26.0% in the same period last year.
- Long Scale Manufacturing (LSM) accounts for ~67.7% of the manufacturing sector, which in turn contributes nearly ~13.0% to Pakistan's GDP, making it one of the most critical engines of economic growth. During the first ten months of FY25 (July–May), LSM's growth remained negative, contracting by 1.21% year-on-year.
- The furniture sector experienced a notable contraction during FY25, declining by ~61.1% during July–March, primarily due to weak consumer purchasing power, declining activity in the construction sector, and elevated production costs. However, the sector showed signs of recovery in FY26, registering ~34.9% growth in December, though cumulative performance during July–December remained negative at ~5.7%, indicating a gradual recovery in production activity.
- The sector witnessed a decline in gross, operating, and net margins in FY25 to ~34.7%, ~19.3%, and ~3.3%, respectively. The compression in margins was primarily driven by higher COGS, increased marketing expenses, and higher taxation, despite finance costs declining during the period.
- In FY25, inventory built up remained high, as this is a necessity for the sector. Working capital days increased slightly, a consistent theme for the sector. However, the receivable days improved while the payables days came down, pretty much offsetting each other. The sector's interest coverage improved to ~1.9x, while the leverage ratio reduced to ~30.4%, reflecting better financial flexibility and relatively stronger capitalization. The sector's total borrowings increased by ~30.9% YoY due to a reduction in MPR to 10.5%.
- Organized players are focusing on exports and are looking to establish strategic partnerships to support future revenue growth through international market expansion and enhanced global brand presence.
- The Pakistan Furniture Council (PFC) has called for formal industry status for the furniture sector. Implementation of this policy is expected to improve access to financing and incentives, support productivity, competitiveness, and export growth.
- The PFC is also engaging stakeholders to submit budget proposals aimed at promoting technological upgradation, skill development, and dedicated furniture parks.

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