

Prospect of Bangladesh As a Key Exporter of Wooden Furniture In The World Market



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Table of Contents

Section 1: Overview of The Global Wooden Furniture Market	3
1.1 Furniture Industry Overview by Application and Geographic Region	3
1.2 Types of Wood used to make wooden Furniture	6
1.3 Key Players in the Wooden Furniture Industry by Region	7
1.4 Key Firms/Companies in the Wooden Furniture Industry	9
Section 2:	
Research Methodology	9
Research Objectives	10
Section 3 Wooden Furniture Market Trade Analysis (Import – Export) by Region	11
3.1 United Kingdom and European Union	11
3.2 North America	19
3.3 Asia	24
3.4 Middle East	31
3.5 Australia and New Zealand	33
Section 4: Bangladesh Wooden Furniture Industry	36
4.1 Overview	36
4.2 Growth of the Wooden Furniture Industry	37
4.3 Value Chain Analysis	38
4.4 Trends and Industry Divers	39
4.5 Forecast for Domestic Demand of Timber	41
4.6 Foreign Export of Wooden Furniture by Bangladesh	42
4.7 Furniture Sales by Category	45
4.8 Types of Wood and its Sources	46
Section 5: Prospect of Bangladesh In The Export of Wooden Furniture in Terms Of Labor Wage and Productivity In This Sector	47
Section 6: Conclusion and Recommendation	50

Section 1

Overview Of The Global Wooden Furniture Market:

1.1 Furniture Industry Overview by Application and Geographic Region

This section provides a broad overview of the global wooden furniture market. This chapter provides a brief insight into the demand and supply of furniture in the world market. It gives an idea of the types of furniture that are in demand and the key exporting and importing countries of wooden furniture.

According to a report by Global Market Insights, on 2018 the size of the whole wooden furniture industry taking all countries into account is over 395 billion USD. This value is expected to significantly rise by 5.5% by the year 2025 to 580 billion USD.



Growth in commercial and residential infrastructural investment together with design innovation in production is propelling the furniture industry forward. In addition, increasing demand for modular and elegant wooden furniture is expected to push the global wooden furniture demand. Increasing consumer preference of E commerce channels for buying the products- owing to benefits including the option to avail discounts, customization options and quick delivery – is playing a vital role in fuelling the growth of the wooden furniture industry. Moreover, there is significant potential growth opportunity due to the increasing demand for luxurious wooden furniture for improving the home and office interiors.

The demand for wooden furniture products has increased and is predicted to keep on increasing thanks to growth in real estate investments all over the world. This increase in real estate investment has resulted in more commercial complexes, residential buildings and office spaces thereby boosting demand. In addition, rising disposable income coupled with improving living standards is strongly supporting the demand in the economy. Moreover, the need to create modern and state of the art designs for office interiors to make working conditions comfortable and productive is having a strong positive impact on the demand for wooden furniture products.

According to a website named prnewswire.com, a growing preference for compact and portable furniture for optimum space utilization is strongly supporting the demand in the industry. Industry players are constantly focusing on enhancing their product portfolio and upgrading their solutions to gain a competitive advantage and enhance their market share. For instance, in March 2019, Sauder announced the launch of four new lifestyle brands, Coral Cape, Vista Key, Nova Loft, and Urban Gardening, offering a wide range of wooden furniture for use across diversified business segments.

The residential segment accounted for around 65% of the market share of the wooden furniture industry. Consumers have been increasingly inclining towards purchasing luxury furniture home décor products with unique designs and this has increased demand for wooden furniture products from the residential side of the furniture market. Moreover, favorable government housing schemes and policies together with a rise in the number of single households that are looking for basic living, bedroom and kitchen configurations are expected to further enhance demand of wooden furniture from the residential aspect of the market.

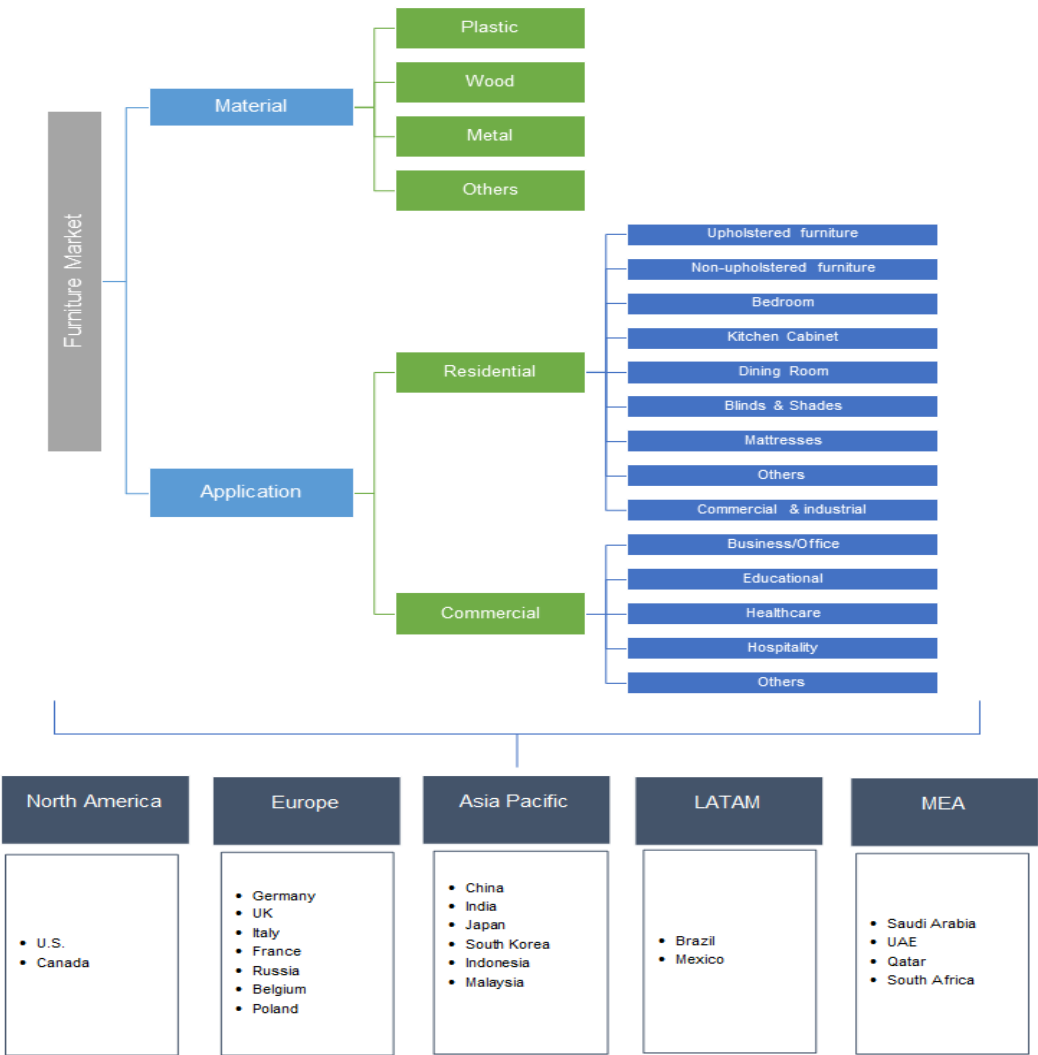
According to a report by global market insights, the commercial side of the wooden furniture market will witness CAGR at over 6% till 2025. Growing investments in construction and remodeling of hotels, commercial complexes, educational institutions, hospitals and offices will all contribute to the growth of the furniture industry.

Besides categorizing the world demand of wooden furniture into commercial and residential segments, it is also important to look into the demand of the furniture geographically. For instance, in 2018 Asia Pacific lead the wooden furniture market with a market share of 45% of the industry. Factors such as rising disposable income, increase in standard of living, and rapid urbanization all played a key role in increasing demand for wooden products in the region. Also, a boom in the tourism and hospitality industry has had a profound positive effect on the demand of wooden furniture in the Asia Pacific.

According to the website prnewswire.com, North America's wooden furniture market is expected to witness a CAGR of 5.5% from 2019 to 2025. Increasing demand for elegant and

modular furniture in the region owing to higher growth in the real estate sector has escalated the industry share. Presence of key players offering luxurious interior products coupled with high popularity of online distribution channels that offer convenience and timesaving will boost the regional growth.

The following figure further explains the categorization of the wooden furniture market by application and the key countries in various regions in the World that play a significant role in influencing demand and supply of the wooden furniture industry:



Although the wooden furniture industry is significant and has huge scope of growth, but we must keep in mind that this industry uses wood to make the furniture and in today’s world which is plagued with the concern of Global Warming, cutting down of trees is highly discouraged. This growing concern regarding climate change has resulted in an increase in

demand for eco-friendly furniture amongst the consumers. This is making the participants of the wooden furniture market diversify into making eco-friendly and adaptable products to gain the competitive edge in the world market. Thus, it is imperative to keep in mind for Bangladeshi furniture producers to diversify into eco-friendly materials to capture the share of the market that is concerned with climate change.

1.2 Types of Wood used to make wooden Furniture:

Furniture can be made from a lot of different materials like plastic, steel, bamboo etc. However, the most common and desired form of furniture are the ones made from wood. Naturally the question arises why do we use wood to make furniture and what kind of woods are used to make the furniture products.

To answer the first question, wood is a ubiquitous and easily workable material which can be made into furniture with minimal machinery. In addition, wood is very sturdy, strong and long lasting. Moreover, amongst all the materials with which furniture are currently being made, the wooden furniture are the most aesthetically pleasing and gives the office or home a more sophisticated look. Thus wood is preferred over all other materials for making furniture.

To answer the second question as of the kinds of wood that are used to produce furniture, there are basically three kinds of wood that are used in furniture:

1. Hardwood
2. Softwood
3. Man-made Wood

Hardwood comes from deciduous trees that have broad leaves, produces fruits or nuts and are generally inactive during winter. They are denser in structure than softwood. The most common types of hardwood are – Teakwood, Oak, Maple, Ash, Rosewood, Mango, Cherry etc.

Softwood comes from the coniferous trees. These woods are less expensive than hardwood but are similar in sturdiness. Some examples of softwood are – Pine, Fir etc.

Man-made Woods are instead what you get when you combine human creativity with the need to optimize production and lessen overall cost of materials. As evident in its definition, manmade 'wood' is a material constructed from the by-products of timber. Some of the main types of manmade wood are – Plywood, High or Medium Density Fiber Board (HDF/MDF), Chipboard, Block wood etc.

1.3 Key Players in the Wooden Furniture Industry by Region

Some of the most important countries which contribute significantly to the demand and/or supply of the wooden furniture industry are mentioned below:

- **North America**

- U.S.
- Canada

- **Europe**

- Germany
- UK
- Italy
- France
- Russia
- Belgium
- Poland

- **Asia Pacific**

- China
- India
- Vietnam
- South Korea
- Indonesia
- Malaysia

- **Latin America**

- Brazil
- Mexico

- **Middle East & Africa**

- Saudi Arabia
- UAE
- Qatar
- South Africa

1.4 Key Firms/Companies in the Wooden Furniture Industry

To put the wooden furniture industry under the microscope, one cannot overlook the dominance of some of the major contributing firms/companies in this industry such as IKEA, Ashley Furniture Industries, NITORI, Yihua Timber, Huafeng Furniture, Dorel Industries, La-Z Boy, Nolte Furniture etc. These are only the names of a handful few amongst many who dominate the international wooden furniture market.

Section 2

Research Objective

Global competitiveness and scope of the Bangladesh wooden furniture industry

For long Bangladesh has been heavily dependent on the Ready Made Garment (RMG) sector for export earnings and bulk employment. According to a report by The Dhaka Tribune, the export earnings from the RMG sector was \$20.21 billion in the fiscal year 2018 and rose to \$24.17 Billion in 2019. A whopping 83.4% (Source EPB) of total export earnings of Bangladesh comes from the RMG sector. Moreover, approximately 4.4 million people are employed in this sector of which 80% are women (Source WB). The data shows lack of diversity in production and export in Bangladesh.

Such heavy reliance on one particular sector has its drawbacks. If there is unrest amongst labors, then the whole country comes to a standstill. In addition, if there is a change in taste or demand in the world apparel market and the RMG sector cannot adjust to those changes then the country runs the risk of falling into an economic nosedive as there are not much other export alternatives currently in place. Thus, this paper looks into the scope, competitiveness and prospect of Bangladesh in the Wooden Furniture Industry as an upcoming significant export sector of Bangladesh.

This paper first looks into the demand and supply of the world wooden furniture market. Put the key players of the furniture market under the microscope and try to find if Bangladesh furniture market has what it takes to compete alongside the best and capture a significant market share.

the countries to be considered as a key trading nations are from North America and European Union. The paper would then expand the horizon of trade to Middle East and parts of Africa.

This paper would try to collect data on demand, supply, labor costs, and labor productivity of various competing countries such as China, India, Malaysia, Indonesia and Korea. Compare and contrast the data to find out the scope and prospects of Bangladesh wooden furniture industry in the world market.

After elaborating on the condition of the World furniture market and the factors that affect the demand for furniture products, the paper would then move on to analyzing the condition of the wooden furniture market of Bangladesh. This segment of the paper would put the Bangladeshi furniture industry under the microscope to find the feasibility and prospect of Bangladesh as one of the key exporters of wooden furniture.

Research Methodology

Research Approach:

Unearth the demand and supply data of the world wooden furniture market. Moreover, look deeply into the trends, fashion and other contemporary demand influencing factors which affect the demand for wooden furniture. This paper would look into the world market and the Bangladesh wooden furniture market to analyze if there is a possibility for Bangladesh to consider this industry as the next big export sector and create significant earnings and employment from this sector.

Methods of Data Collection:

The analysis is based mostly on secondary data from previous publications, journals, news articles and government websites of various countries. Although most of the work is based on secondary data, if required for certain segments of the paper a small questionnaire can be formed and some critical primary data can also be collected.

Selection of the Sample:

Sample would be the data of the wooden furniture industry of some of the key players in this industry such as North America, European Union, Parts of Middle East, Certain parts of Asia and data of Australia and New Zealand. These few regions and countries play the most significant role in the demand and supply of the furniture industry. Hence collecting data about the wooden furniture demand, supply, export, import and pricing should give us a clear understanding of the wooden furniture industry of the world.

Data Analysis:

As the paper is not a quantitative paper, there will be no econometric models or the need for data analysis with statistical software. However, the data collected from different sources for various countries needs to be sorted, organized and brought into a framework which would give the reader a clear understanding of the world furniture market and the scope of Bangladesh to become a major contributor and player in that market.

Section 3

Wooden Furniture Market Trade Analysis (Import – Export) by Region

This chapter focuses on the trade (Import-Export) of wooden furniture by some of the key players in the industry. This section looks deeply into the demand and supply of wooden furniture from various regions. Some of the key regions and countries mentioned in this section are:

1. United Kingdom
2. European Union
3. China
4. Vietnam
5. Indonesia
6. India
7. Malaysia
8. South Korea
9. Saudi Arabia
10. United Arab Emirates
11. Australia
12. New Zealand

3.1 United Kingdom and European Union

▪ *United Kingdom*

Overview

United Kingdom is a key integral part of the wooden furniture market. Total furniture manufacturing turnover for UK in the year 2016 was around 8.35 Billion Pounds. This turnover was made possible by 8390 companies employing over 118,000 individuals all across UK. On a wider spectrum, if specialist retail is included then another 50,000 VAT registered companies can be found linked to the furniture industry in UK which supports around 327,000 jobs.

Consumer Expenditure

Total UK consumer expenditure for the year 2016 was approximately 1216 Billion pound. According to a report by Furniture Industry Research Association (FIRA), the consumer

expenditure on furniture and furnishings for the year 2016 was 16.7 Billion, and this amount exceeded all other spending in the household goods sector. The report further mentions that the sales of furniture and furnishings continued to rise throughout 2017.

Industry Turnover

Total UK turnover for manufacturing furniture was 8.35 Billion pounds in the year 2016 which was estimated to be 4.5% higher than 2015. According to data collected from FIRA's report of 2016, 6223 UK furniture manufacturers employed around 88,000 individuals. Although the turnover from the furniture sector is only 1.6% of the total UK manufacturing sector but this sector employed around 3.47% of the total UK manufacturing personnel. This shows the potential of the wooden furniture market in the UK and its high demand.

International Trade

United Kingdom imported 5.8 Billion pound worth of furniture in 2016. This is equivalent to 42% of the total UK home furniture market. According to a report by FIRA, UK imported around 6.5 Billion pound worth of furniture on 2017. This equates to 1% of total UK imports of all manufactured goods. Thus, it can be observed that imports of furniture by UK have an increasing trend.

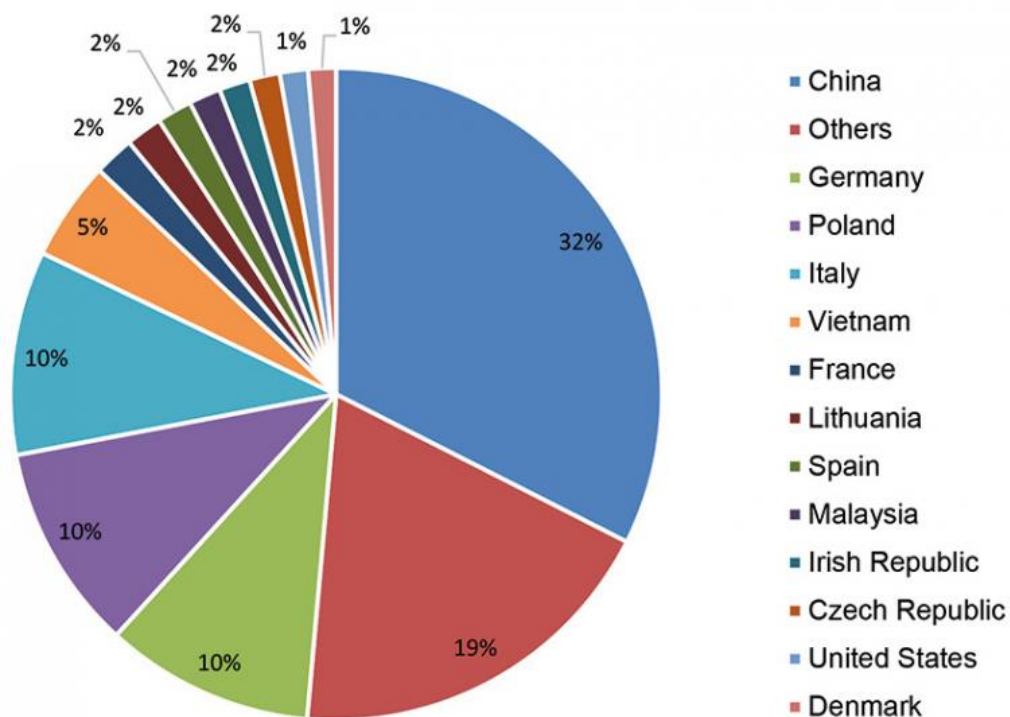


Fig: Top Furniture Imports into the UK in 2016 from various countries

As seen from the Pie Chart above, the majority of furniture import to UK comes from China. China has whopping 32% share of all furniture imports into UK, whereas the second highest share of imports comes from Germany, Poland and Italy with 10% share each. Apart from Vietnam (5%), all the other countries have a share less than or equal to 2% of total furniture imports into UK. The value of imports from European Community was 2.9 Billion pounds in 2016.

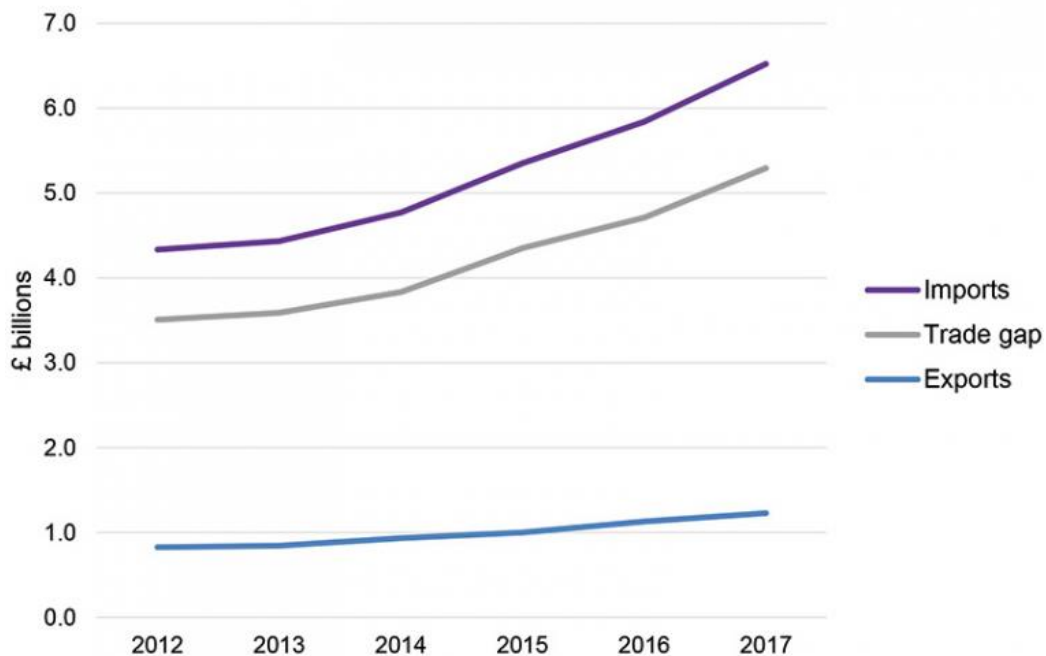


Fig: UK furniture trade figures, 2012 -17

Year	Import (Billions of Pounds)	Export (Billions of Pounds)
2012	4.2	0.8
2013	4.3	0.8
2014	4.8	0.9
2015	5.1	1.0
2016	5.6	1.1
2017	6.5	1.2

For long now, UK has not been a major exporter of furniture. However, Furniture exports did gradually increase from 0.83 Billion in 2012 to 1.13 Billion Pounds in 2017. Although exports did increase but it did not increase as much as imports. In pound sterling values, imports were more than triple than exports from 2012 onwards. Moreover, from 2012 to 2017, although export by UK increased, but it increased at slower rate than imports. Throughout this 6 year period, exports increased by 0.13 Billion pounds but on the other hand imports rose by a 0.48 Billion Pounds.

The main source of income from exports was from trade with the European nations summing up to around 63% of total furniture export earnings. The negative trade gap continued to widen with increases in imports outstripping the growth in exports. The gap between import and export of UK furniture market reached 5.3 Billion pound by the end of 2017.

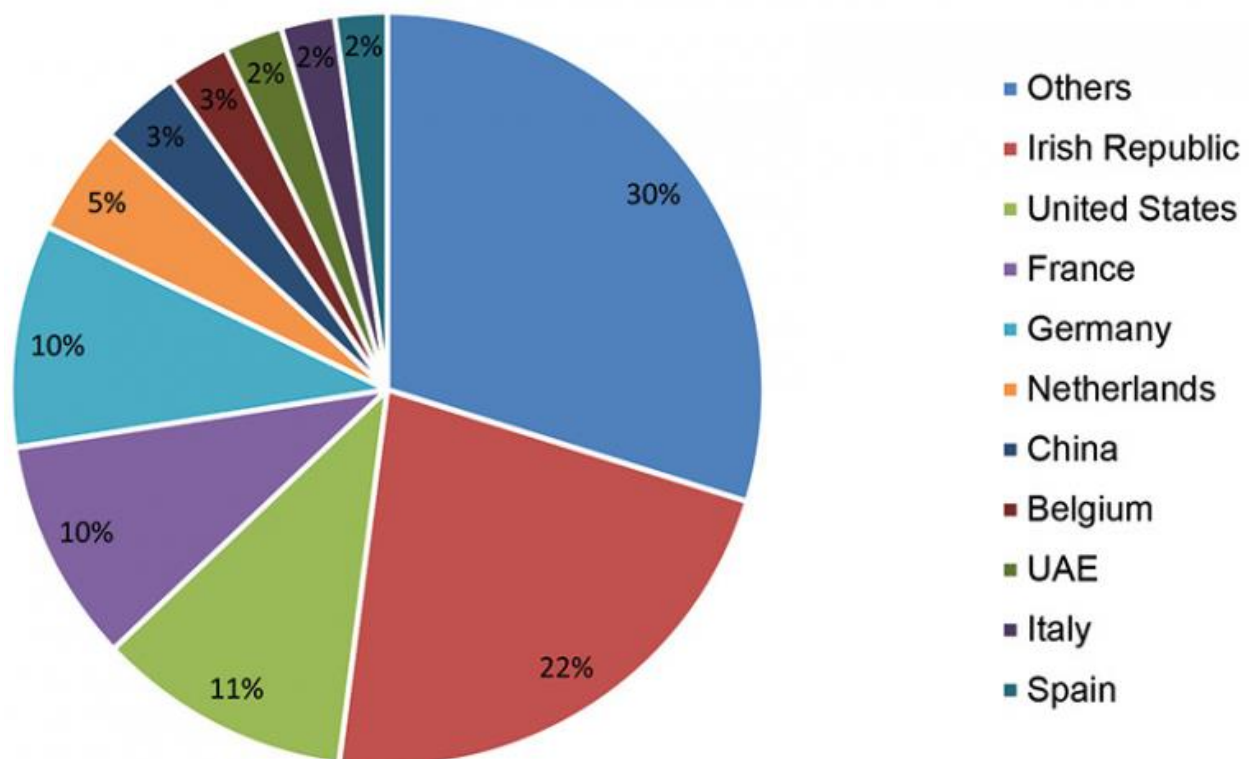


Fig: Furniture exports from the UK, 2016

It can be clearly seen from the chart above that the majority of export of furniture from UK was to the Irish Republic. Although Ireland had 22% of the share of exports, it was closely followed by USA, France and Germany with roughly 10% of share each. However, the reality is that, UK has been importing from furniture from these countries than they have been exporting to them. For instance, U imports from china 32% of their total imports, and exports to china only 3% of their total exports. This meant there is a negative trade gap for UK as UK imports more furniture and furnishings than they export. This is mostly due to high production cost and wages in UK compared to other European and Asian nations.

Conclusion

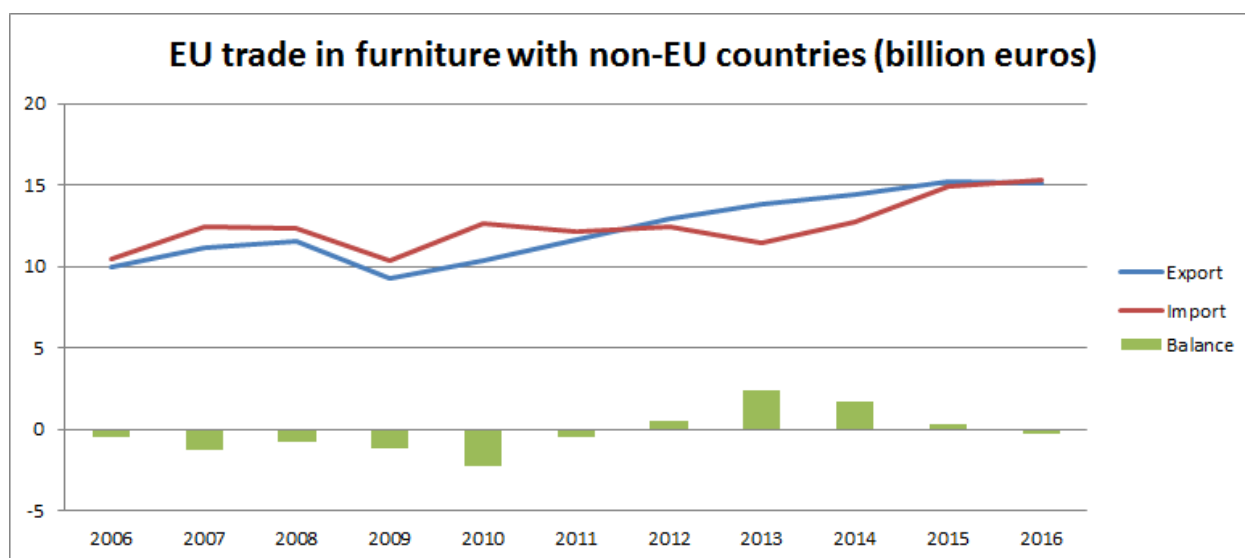
United Kingdom has a high demand for furniture products in their market. As cost of production is high in UK due to various factors, they import much of their furniture (42%

of total demand) from other foreign countries. This means, there is a scope for Bangladesh to swoop into the UK market as it can produce furniture at a cost nearly as cheap as China and possibly cheaper than Vietnam due to low cost labor.

▪ European Union (EU)

Overview

In 2015 and 2016 trade of wooden furniture by EU member states with non-EU members were balanced. The values of the EU's exports were closely matched by the values of imports. The following line graph gives details about EU's export and Import of wooden furniture and trade balance from the year 2006 to 2016.



Year	Import (Billion Euros)	Export (Billion Euros)
2006	10.5	10
2007	12.5	11
2008	12	11.5
2009	10.5	9
2010	13	11
2011	12.5	12.5
2012	12.5	13
2013	11.5	14
2014	12.5	14.5
2015	14.5	15
2016	15.1	15

According to the table and graph above, from the year 2006 till 2011, EU's trade of furniture with non EU countries had a negative trade balance (Imports>Exports). However, from 2012 till 2015 the EU enjoyed a positive trade balance (Export>Import) but near the year 2015 the gap between import and export was reduced significantly and by the year 2016 Import again exceeded export and EU faced a negative trade balance in the furniture sector.

In 2016 EU imported furniture worth of 15.1 Billion Euros and exported slightly less 15 Billion. Thus the trade balance was close to zero. The overall value of trade between EU and non-EU countries has risen over the ten year period. The trend gives the hint that EU is trying to become a key exporter of furniture and move away from being furniture importers.

Italy and Germany: main exporters

Italy (exported furniture worth 4.2 Billion euros in 2016 to non EU countries, or 28% of the total EU Member States exports) and Germany (€3.0 bn, 20%) were the top EU exporters of furniture. They were followed by a significant gap by the United Kingdom (€1.3 bn, 8%), Poland (€1.1 bn, 8%) and France (€1.0 bn, 7%).

EU's furniture sent mainly to the United States and Switzerland

When exporting to non-EU countries (€15.1 bn in 2016), EU furniture was sent primarily to the United States (€3.3 bn, or 22% of the total extra-EU exports of furniture) and Switzerland (€2.3 bn, 16%), followed by Norway (€1.3 bn, 8%), China (€1.1 bn, 7%), and Russia (€0.9 bn, 6%).

United Kingdom and Germany: main importers

The United Kingdom (imported furniture with 3.7 Billion Euros in 2016, or 24% of the total EU Member States' imports) and Germany (€3.2 bn, 21%) were the top importers of furniture from outside the EU. They were closely followed by France (€1.8 bn, which is 12% of total non EU imports), the Netherlands (€1.2 bn, 8%) and Spain (€0.8 bn, 5%).

EU's imports of furniture comes primarily from China

In 2016, according to a report by Eurostat, EU Member States imported furniture worth €15.3 billion from non-EU countries. More than half of these imports originated from China (€8.7 bn, 57%). The next largest shares of imports from non-EU countries were from Vietnam (€1.0 bn, 6%), Turkey (€0.9 bn, 6%), the United States (€0.6 bn, 4%) followed by Bosnia and Herzegovina (€0.4 bn, 3%).

The Following picture describes the current EU wooden furniture trade market with Non-EU countries very appropriately:

Import Data of Top 7 EU countries in the wooden furniture Market:

7 major EU countries play the most vital role in the import and export of wooden furniture products to and from EU respectively. Germany, Italy, France, UK, Netherlands, Belgium and Spain, these 7 countries account for a whopping 83% of all wooden furniture imports from non-EU countries. Thus it is imperative to put the trade statistics of these 7 countries under the microscope.

Table 1 External suppliers of wood furniture to the EU 2014-2017

Top 15 external wood furniture supply countries to the EU 2014-2017 (VPA partners in red)							
€ million	Year			Jan-Aug		% total EU	
	2014	2015	2016	2016	2017	2014-16	2017
China	2811.8	3153.1	3036.8	2029.4	2132.0	54.0%	49.8%
Viet Nam	596.3	725.0	717.8	506.4	521.9	12.2%	12.2%
Indonesia	296.5	316.1	299.5	218.4	225.4	5.5%	5.3%
Malaysia	171.7	191.4	183.8	125.3	138.9	3.3%	3.2%
Turkey	151.7	182.7	203.9	133.8	130.5	3.2%	3.1%
Bosnia	149.3	157.4	189.8	121.0	142.4	3.0%	3.3%
India	132.0	162.5	180.1	119.4	137.3	2.8%	3.2%
Switzerland	117.1	116.8	117.8	79.6	82.6	2.1%	1.9%
Brazil	105.9	122.4	118.7	83.2	75.5	2.1%	1.8%
Norway	104.2	104.7	106.8	69.6	63.5	1.9%	1.5%
Serbia	83.9	91.1	111.9	69.7	79.9	1.7%	1.9%
USA	49.2	66.7	61.6	43.2	97.7	1.1%	2.3%
Thailand	74.4	77.0	63.3	43.0	39.9	1.3%	0.9%
Ukraine	34.3	47.4	79.5	46.8	83.6	1.0%	2.0%
Belarus	32.5	39.5	69.8	43.2	59.9	0.9%	1.4%
Other	205.7	227.7	237.2	155.8	266.5	4.0%	6.2%
Total extra-EU imports	5116.4	5781.5	5778.3	3887.9	4277.4	100.0%	100.0%

As the table above clearly shows, the top 7 importing countries of EU imports their maximum amount of wooden furniture from China, followed by Vietnam which imports less than a quarter of the amount of China. On 3rd and fourth position are two more Asian countries namely Indonesia and closely followed by Malaysia. The only other Asian country in the top 10 of this list is India. From the table above, it can be deduced that, 5 of the top 10 countries which import to EU are Asian countries. All of whom have one thing in common, cheap labor cost and moderate labor productivity. Coincidentally, Bangladesh too has cheap labor and with proper training can reach an acceptable rate of productivity on this sector. Thus, although EU is looking to import less and export more, Bangladesh is still has a good chance of swooping into the EU market targeting these 7 high importing nations of EU.

An important concept to understand for trading with EU is “VPA”. What is VPA? The answer is, VPA or Voluntary Partnership Agreement is a legally binding trade agreement between the European Union and a timber-producing country outside the EU. The purpose of a VPA is to en-

sure that timber and timber products exported to the EU come from legal sources. The agreements also help timber-exporting countries stop illegal logging by improving regulation and governance of the forest sector. The countries marked with red on table 1 are countries which have signed the VPA with EU and thus get Trade benefit and preference whilst dealing with EU countries. Thus it is imperative that Bangladesh tries to achieve the VPA from EU so that it is easier for Bangladesh to trade with the European Union. Some trade statistics of VPA signed countries are given on the table below:

EU wood furniture imports from VPA countries							
€ million	Year			Jan-Aug		% total VPA	
	2014	2015	2016	2016	2017	2014-16	2017
Viet Nam	596.3	725.0	717.8	506.4	521.9	54.8%	56.2%
Indonesia	296.5	316.1	299.5	218.4	225.4	24.5%	24.3%
Malaysia	171.7	191.4	183.8	125.3	138.9	14.7%	15.0%
Thailand	74.4	77.0	63.3	43.0	39.9	5.8%	4.3%
Myanmar	1.3	2.2	2.5	1.9	1.7	0.2%	0.2%
Other	0.3	0.3	0.4	0.2	0.6	0.0%	0.1%
Total imports from VPA countries	1140.5	1311.8	1267.3	895.2	928.4	100.0%	100.0%
VPA country share of total EU trade	6.0%	6.5%	6.1%	6.5%	6.4%		
VPA country share of extra EU imports	22.3%	22.7%	21.9%	23.0%	21.7%		

As we can see from table 2, EU imports a significant amount of wooden furniture from VPA countries. Seven countries have so far signed the VPA with EU and 9 other countries are in processing and trying to get a VPA. Thus Bangladesh would do well if they are to try and get a VPA from the EU to become a significant trade partner with EU countries in the wooden furniture market.

3.2 North America

▪ United States of America

Overview:

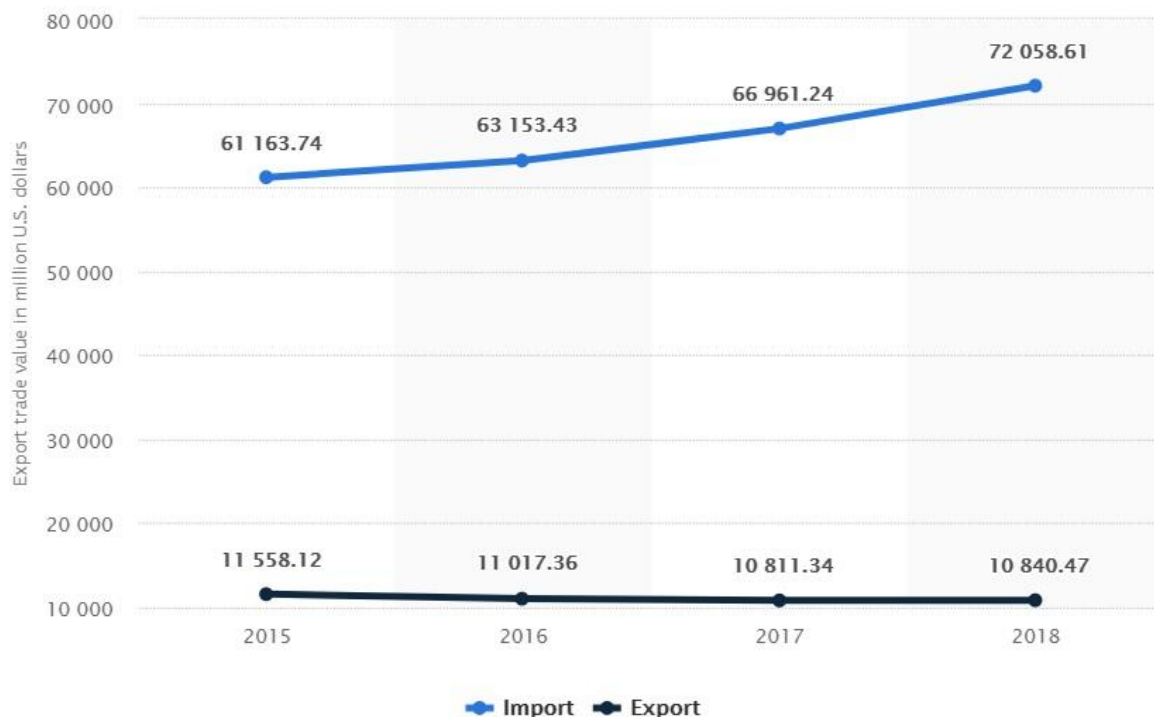
USA is a key player in all types of international trade more so in the furniture industry. The furniture industry is broken down into 5 categories – Retail stores, office furniture merchants, warehouse showrooms and specialty furniture. According to the US census bureau, there are roughly 87,000 furniture related establishments which brings in annual revenue of around \$120 Million a year. The whole furniture industry employs more than 500,000 people all across USA. According to Bureau of Economic Analysis (BEA), the US furniture market has been on a steady growth curve with consumer spending on furniture reaching USD 114.2 Billion in 2018.

In USA millennial is the largest consumer group and have become a key target market for furniture retailers. And retailers are shifting offerings to more effectively reach this group. E commerce as a means of shopping for furniture has become very popular, and hence companies such as Amazon and Wayfair have capitalized on this opportunity and have become strong players in the furniture market in USA.

Import and Export Data of USA Wooden Furniture Market:

Year	Import (Million USD)	Export (Million USD)
2015	61163.74	11558.12
2016	63153.43	11017.36
2017	66961.24	10811.34
2018	72058.61	10840.47

Source: <https://www.statista.com/statistics/944453/furniture-import-and-export-trade-value-us/>



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The graphs above depict the Import and export trend of the USA wooden furniture market from the year 2015 till 2018. The blue line represents Import and the Black line shows Export. The graph was obtained from Statista.com. It is evident from the graph that USA imports more wooden furniture than it exports. In 2015 USA imported 61163.74 Million USD worth of Furniture whereas on the same year they exported only 11558.12 Million USD worth of the product. The trade gap widened with time as imports by USA increased over the years. In 2018, USA imported 72058.61 Million USD worth of Furniture whereas on the same year they exported only 10840.47 Million Dollars' worth of wooden furniture. This data clearly reflects the tendency of USA to import wooden furniture and their high demand for foreign furniture products. This is a good sign for Bangladesh, as it can capture this advantage of high import propensity by USA.

Some Key statistics Of USA Wooden furniture Trade:

The following value of global furniture imports and market change illustrate the current trends of trading within the furniture industry.

1. China – \$6.5 billion (+16.7%)
2. Canada – \$1.3 billion (-5.0%)
3. Italy – \$526 million (-21.9%)
4. Mexico – \$653 million (+5.3%)
5. Malaysia – \$566 million (+9.5%)
6. Vietnam – \$604 million (+25.4%)
7. Indonesia – \$449 million (+4%)
8. Thailand – \$266 million (-7.8%)
9. Brazil – \$218 million (-25.5%)
10. Taiwan – \$200 million (-13.2%)

The following list of countries notably supply the US furniture market. Their industry value is outlined below.

1. China – \$7.6 billion
2. Canada – \$1.8 billion
3. Italy – \$848 million
4. Mexico – \$829 million
5. Vietnam – \$658 million
6. Malaysia – \$658 million
7. Indonesia – \$562 million
8. Thailand – \$391 million

- 9. Brazil – \$378 million
 - 10. Taiwan – \$293 million
- Consumer Demand

The top of the list of furniture in demand by consumers is listed below.

- 1. Cabinets and Shelves for the Living Room – 17.48%
- 2. Upholstery – 17.48%
- 3. Cabinets for the Bedroom – 15.35%
- 4. Bed or Mattress – 14.07%
- 5. Kitchen – 9.38%
- 6. Bathroom Furniture – 11.3%
- 7. Garden Furniture – 5.12%
- 8. Children Furniture – 5.97%
- 9. Home Office – 3.84%

Market Shares of Sales Channels

The following list illustrates the market share of the different sales channels within the furniture industry.

- 1. Co-Operative Furniture Retailers – 63%
- 2. Independent Furniture Retailers – 15%
- 3. BBO/PBS Specialized Retailers – 5.3%
- 4. Mail Order Companies – 4.3%
- 5. Building Materials Market – 3.5%
- 6. Direct Sales/Craftsmen – 3.4%
- 7. Non Furniture Retailers – 3.2%
- 8. Wholesale – 2.3%

■ *Canada*

	2014	2015	2016	2017	2018
Export	4362	5348	5952	5653	5163
Import	6514	7206	7736	8055	6996

Source: <https://www.ic.gc.ca/app/scr/tdst/tdo/crtr.html?lang=eng&hSelectedCodes=337&searchType=BL&productType=NAICS¤cy=CDN&runReport=true&grouped=GROUPED&toFromCountry=CDN&naArea=9999&timePeriod=5%7CComplete%2BYears&reportType=TI&countryList=ALL>

The table above portrays the import and export statistics of Canadian wooden furniture and related products for the years 2014 to 2018. All values are in Millions of Canadian Dollars. It's evident that there is a significant demand for wooden products in the Canadian market as they have been importing a significant amount of furniture each year. In addition, they are importing more than they are exporting which is a sign that their local production is not sufficient to meet the needs of local demand. Moreover, we can observe that the amount of furniture imported is increasing every year from 2014 to 2017 with a slight dip in 2018. This means, there is potential for Bangladeshi market to capture the Canadian market as they are importing a significant amount of furniture and have strong demand for the product in the economy.

To understand the Canadian wooden furniture industry a little better, the following tables will show the top 10 export and import destinations for Canada in the year 2017:

Top 10 Export Destination of Canada	Total Export (Thousands of CAD)
United States	5,445,605
Mexico	32,066
China	24,580
United Kingdom	15,228
Kuwait	11,634
Japan	10,160
Saudi Arabia	7,182
Colombia	6,084
Germany	5,806

France	4,923
Sub Total	5,563,267
Others	89,862
Total All Countries	5,653,129

*All values are in Thousands of Canadian Dollars

Top 10 Import Countries to Canada	Total Import (Thousands of CAD)
China	2,764,547
United States	2,506,404
Mexico	1,014,887
Vietnam	395,302
Italy	274,094
Poland	144,527
Taiwan	128,429
Malaysia	104,976
Germany	102,998
India	64,345
Sub-total	7,500,508
Others	554,630
Total All Countries	8,055,139

The highest amount exported by Canada is to the United States and predictably the highest amount of wooden furniture imported was from China for the year 2017.

3.3 Asia

▪ CHINA

Overview of Chinese furniture market

China is the largest furniture exporter in the world. Demand for wood furniture from China has grown considerably over the last five years. Wood furniture manufacturing made up the largest share of Chinese furniture manufacturing sector in 2012. Total revenue earned from this sector is over 120 Billion Dollars and is expected to grow at a CAGR of 8.7% for the next few years. It is natural that an industry earning over 120 Billion Dollars to employ a high number of employees and as expected China hires approximately a Million people in the production process of wooden furniture.

Trade Statistics:

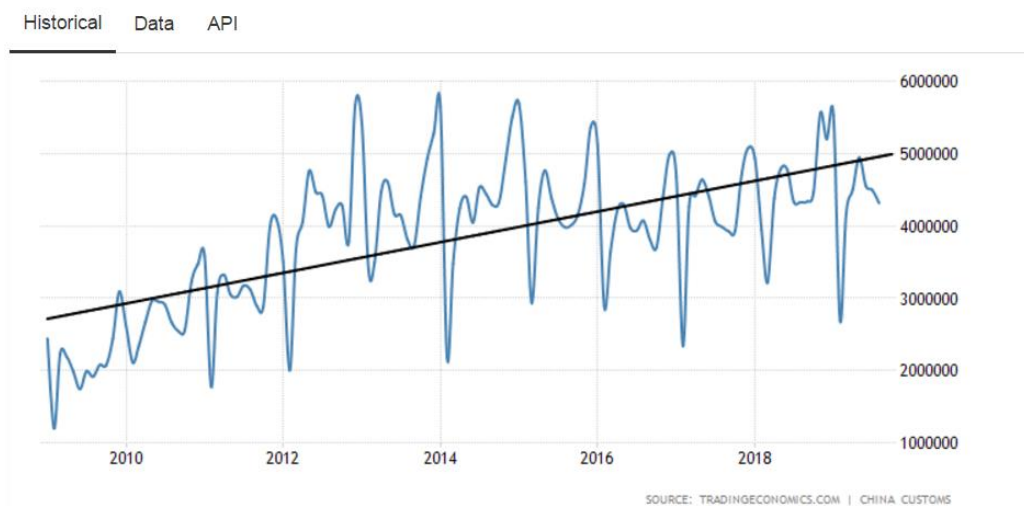
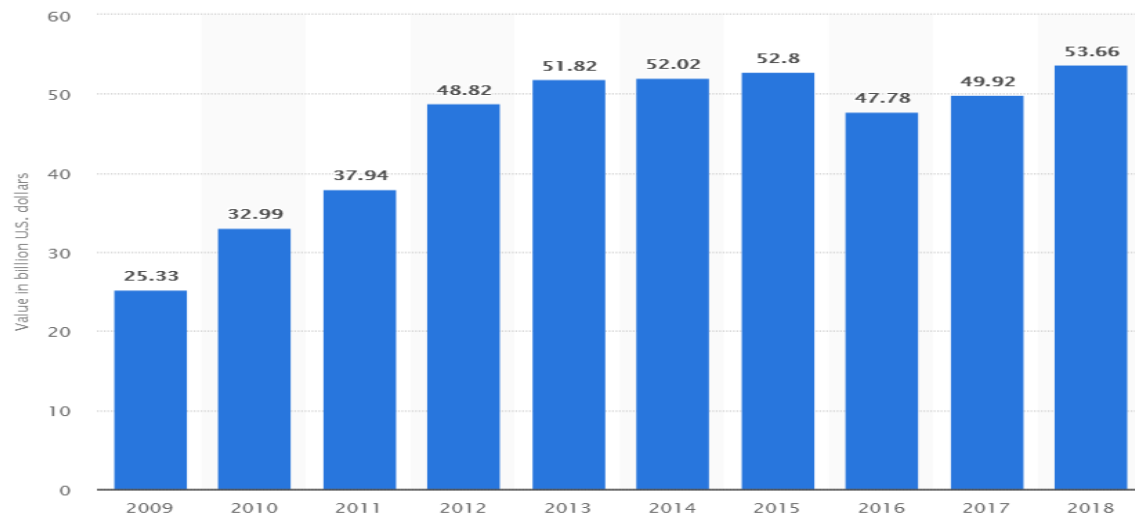


Fig: Graph showing Export of Furniture from China from the year 2009 till 2019

The above graph gives information regarding the export of wooden furniture by China over the past 10 years. Starting from 2009 till 2019 China has had an increasing trend in export of wooden furniture. Export of furniture and related products by China on average was 2144062.02 USD THO from 1996 till 2019.

Fig: Bar Chart showing the Export Data of Wooden Furniture from China from the year 2009 till 2019



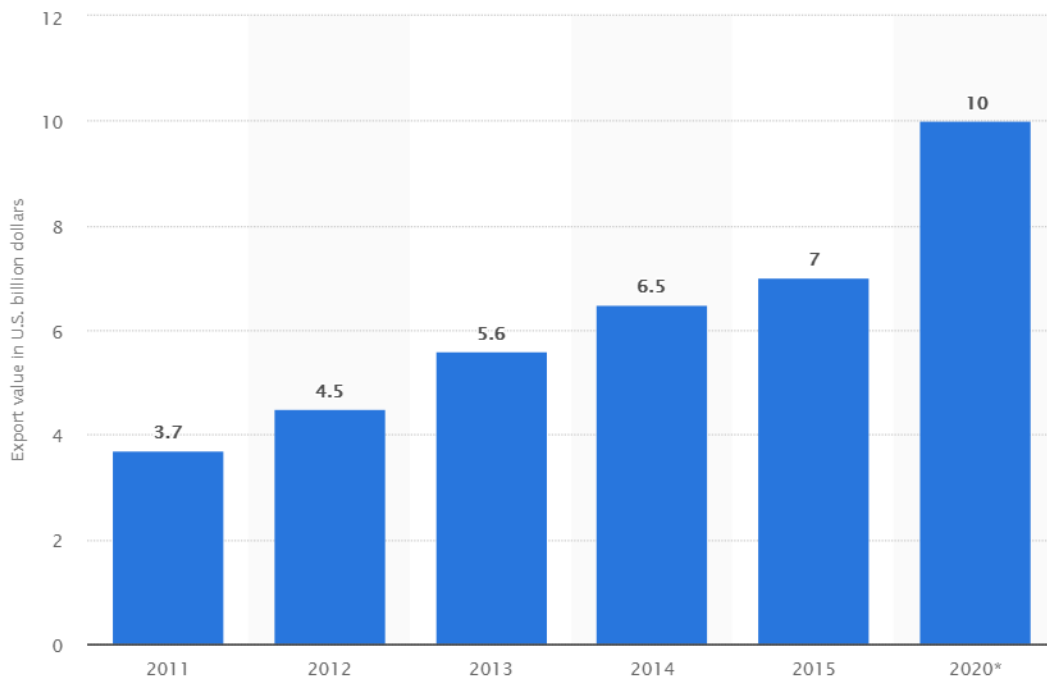
Source: <https://www.statista.com/statistics/225935/export-value-of-furniture-from-china/>

The above bar chart gives us a clear understanding of China's export of wooden Furniture. In the last decade, the lowest amount exported was in 2009 with a value of 25.33 Billion USD and on the contrary the highest amount of wooden furniture exported was on 2015 reaching a whopping 52.02 Billion USD.

These data helps us understand how big a market share China holds in the international wooden furniture industry. They are the biggest exporters due to cheap labor and availability of raw materials. Bangladesh also has cheap labor that can be trained to produce quality wooden products which can be used for export earnings.

■ **Vietnam**

Fig:Export Value of Wooden Furniture of Vietnam from year 2011 till 2015 and projected till 2020



© Statista 2019

Vietnam is currently one of the key exporters of wooden furniture worldwide. It was the second largest exporter of wooden furniture in the Asia Pacific region and 5th world wide in 2017. According to the chart above, Vietnam's export of wooden furniture has increased over time and is expected to keep increasing in the future. According to a report by sgs.com, in 2017 Vietnam exported 7.66 Billion USD worth of furniture and in 2018 the value rose to 8.66 Billion. This reflects the demand for wooden furniture worldwide and the ability of a country with cheap labor to capitalize on this scope. This means due to the availability of cheap labor in Bangladesh, they too have a good chance to become a significant player in the wood furniture industry.

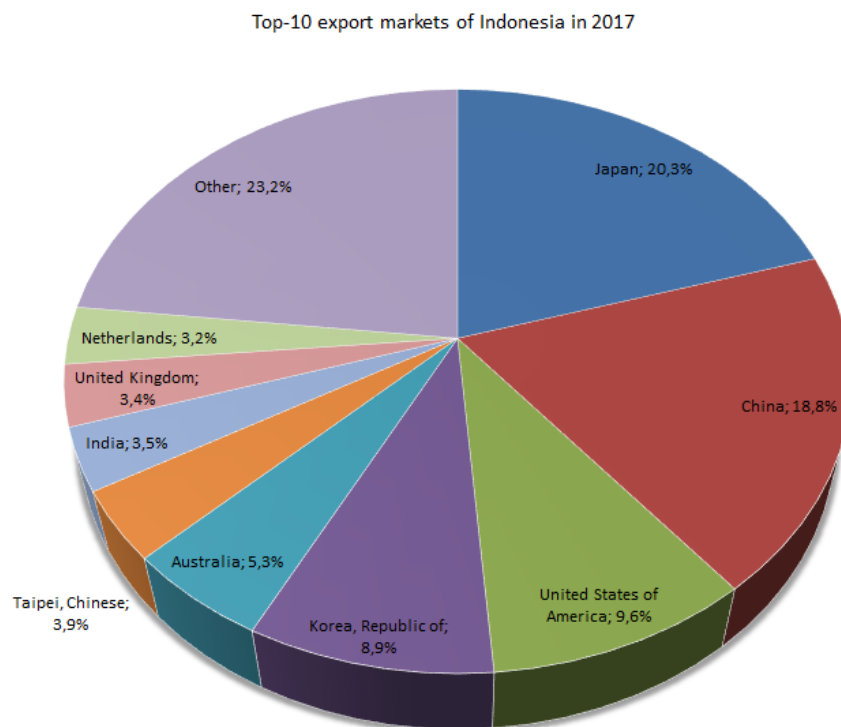
■ **Indonesia**

Trade overview

Indonesia earned USD 2531 Million revenue in 2019 from furniture and home ware sales. According to Statista.com, revenue is expected to grow annually at 24% for the next few years. It is expected that Indonesia will be earning nearly 5976 Million USD in revenue by the year 2023.

The export value of furniture reached 1.8 Billion USD in 2013. Since then Indonesian government has been proactive in supporting the local furniture industry through training, workshops and financial sponsorship to help the furniture industry grow and become more competitive in the world market.

The key recipients of the furniture exported are shown below on a pie chart:



Source: ITC (2018) *Main markets, in terms of export value, for the product '44 Wood and articles of wood, wood charcoal' exported by Indonesia in 2017*

From the pie chart above we can see that the lion's share of export of furniture from Indonesia goes to China, Japan and USA. Nearly 50% of the total furniture export from Indonesia goes to these 3 countries combined.

This export pattern of Indonesia could also give the Bangladesh wooden furniture industry a heads up on to look at options other than EU and North America and try to scope out the markets in Japan, China and Korea.

▪ ***India***

Wood Furniture imports have been a growing segment since 2 decades and the trend is continuing. Despite of make in India initiative, nothing big has turned in furniture making segment so far. Though the data of previous year underline the same where Furniture imports have noted an increase of 2.5% during FY 17-18. With a value increase Rs 11.5 crore the total furniture import has touched Rs 473.10 crore in FY 2018 from 461.63 crore in its previous year. The rising trend has been continued two years later. Last year it had shown a huge boost of Rs 85 crore reaching to Rs 461.63 crore from Rs 376,68 crore which accounts nearly 20% rise. The above data has been revealed by DGCI&S, Kolkata.

According to ministry of commerce, Government of India the wooden furniture exports also have seen a boost of nearly \$40 million (Rs 292.5 crore) from \$ 449.66 million in the year 2016-17 to \$ 533.10 million in the 2017-18. The press release issued by EPCH indicates that the exports of wooden handicrafts have registered a growth of 8.97% during the year 2017-18 with Rs. 4267.37 crore, however, during the first six months of 2018-19 [April – Sept.] exports of wooden handicrafts have registered a growth of 33.47% and stands at Rs. 2619 crore.

The industry conglomerates indicate that import of furniture is on the rise and it is going to stay for some time due to favorable market conditions. In recent years, the furniture market has attained a sizeable number to attract organized players, and more importantly there has been a steady growth in the imported furniture segment. Off late there are many brands that have arrived in India following rising demand for branded furniture. Although demand for local artisan furniture still exists, but the growth is in imports as consumers seek contemporary designs. All these have made India a net importer of furniture and furnishing products. India majorly imports from China, Vietnam, Indonesia, Italy and Thailand.

▪ ***Malaysia***

Blessed with a rich forest resource and an ample workforce, the furniture industry in Malaysia has grown from humble cottage-based beginnings to a multi-billion-dollar, export-oriented industry over the last three decades. The emergence of regional low-cost furniture producers, especially China and Vietnam, has put the Malaysian furniture industry under growing competitive pressure (Ratnasingam 2012). Being a large export-oriented furniture manufacturer, Malaysia exports 85% of its annual production volume to more than 160 countries throughout the world. Ranked the 9th largest furniture exporter in the world in 2017, with an export value of nearly 2.1 billion USD, Malaysia's main furniture export destinations are the USA, Japan, and Australia. Despite these achievements, the furniture manufacturing industry is regarded as a low-wage economy, with diminishing profitability attributed to lack of innovation and value-addition (Ratnasingam 2016, 2017).

The Malaysian furniture industry is currently an important socioeconomic sector in the country, contributing in excess of USD 2 billion annually in foreign exchange, while providing employment to almost 90,000 workers (Ratnasingam 2016). When the domestic market for furniture is taken into consideration, the net volume of furniture produced within the country exceeds the USD 3.2 billion per annum. Hence, the furniture industry has earned the accolade as being the fastest growing sub-sector within the overall Malaysian wood industry.

The following graphs illustrate the growth rate and export value of Malaysian wooden furniture respectively:

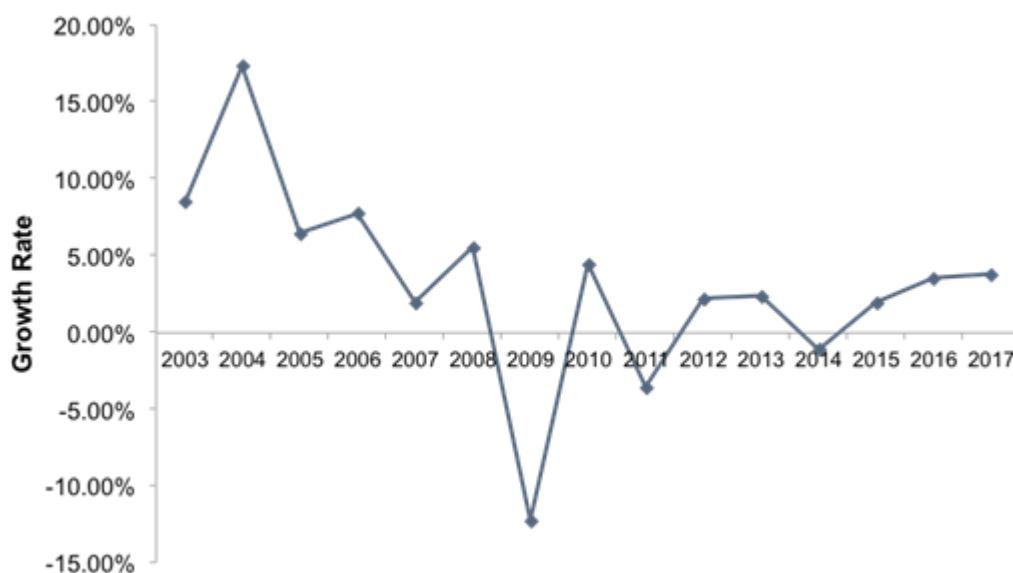


Fig 1: Annual Growth Rate of furniture exports in Malaysia (2003-2017)

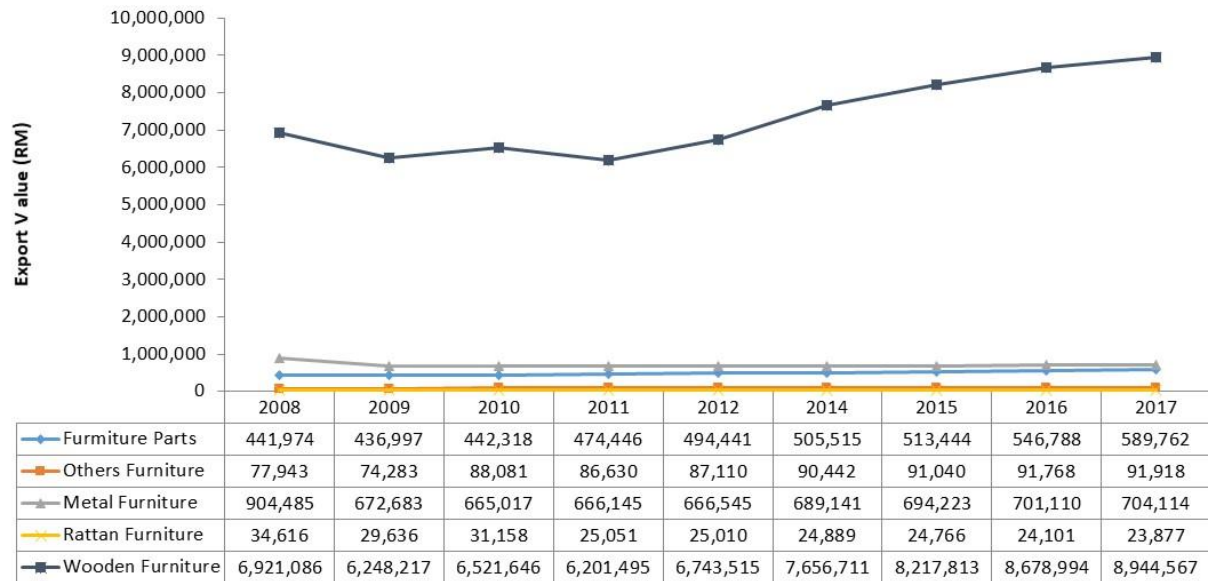


Fig 2: Types of Furniture export from Malaysia (2008-2017), Values are shown in RM Million

As seen from the figures above, the growth rate of Malaysian furniture export has had a decreasing trend within the period of 2003 to 2017. However, export value of wooden furniture has been on the rise from 2008 to 2017. This means the Malaysian furniture industry is still growing but at a decreasing rate. Thus, the Malaysian government has been taking initiatives which would effectively add value to the industry. Thus it is imperative to understand for Bangladeshi producers that innovation, e commerce and state of the art modern designs are incredibly important to stay competitive in this market.

■ **South Korea**

No Credible information about South Korea's Import and Export of Wooden Furniture was found on the internet.

3.4 Middle East

▪ Saudi Arabia

The Saudi Arabia furniture industry has become one of the most vibrant and fastest growing industries in the GCC region. The growing number of real estate development, and increasing demand for residential property along with the governmental initiatives to develop socio-economic infrastructure is driving the whole furniture industry in the Kingdom. The rising interest and investment of foreign players either to increase their presence or to expand in different emirates is further boosting the KSA furniture industry. Thus, it is anticipated that the demand in the furniture industry of the Kingdom will grow at a CAGR of around 11% during 2018-2024.

The Saudi Arabian home furniture industry has become one of the most vibrant and fastest growing industries in the GCC region. Some key facts about Saudi Wooden Furniture market is mentioned below:

- The growing number of real estate development and increasing demand for residential property, along with the governmental initiatives to develop socio-economic infrastructure, are driving the furniture industry in the country.
- Since the local manufacturers are facing a shortage of raw materials and parts required for manufacturing furniture products, the demand is met by importing furniture products.
- The rising interest and investment of foreign players, either to increase their presence or to expand in different emirates, are further boosting the country's home furniture industry.
- It is anticipated that in the future, the demand and supply gap may reduce with the expected decline in the import of furniture products.
- Rising internet penetration is increasing the demand for online furniture. Role of media has also played a pivotal role in increasing the demand for furniture products. Consumers get new innovative ideas on redecoration of houses from various TV programs and magazines, which cater to home furnishings. E-commerce has played an important role in advertising and promotion of furniture products across the country.

▪ ***United Arab Emirates (UAE)***

Overview

The furniture market in the UAE is at a mature state despite being hit by a recession in the real estate market and a decline in the oil prices in the recent past. Furniture is categorized into 3 segments at the UAE – Modern, Contemporary and Traditional. Each of these segments includes – tables, beds, chairs, cabinets, desks, headboards and dressers.

According to an article by Kenresearch.com, Dubai is the epicenter which generates the majority demand for modern style furniture. Located in Sharjah and Abu Dhabi are large number of small and medium sized companies which develop products by making use of a combination of materials. Some big furniture producers are also based in this region. Dubai on the other hand is also known for its designer and customized furniture products. The demand of furniture products made from MDF has seen a major growth. It was also observed that the demand for high end luxury furniture items has increased over the year.

Key Factors of the Furniture market at UAE

- **Growth of Real Estate Sector:** In 2017 alone there were 55,000 new homes and 40,000 new hotel rooms were constructed. According prnewswire.com, The demand for furniture is likely to go up in the near future as Dubai will add 40,000 new hotel rooms and service apartments to meet the growing demand of tourists following the "Expo 2020" in Dubai, which is for a period of 1 year from 2020 to 2021.
- **Development of Key Projects:** Development and completion of key projects such as Caesars Palace and Fairmont will lead to a boom in the tourism industry, which in turn will propel the demand coming from the hotel industry.
- **Increase in Expat Population:** According to Prnewswire.com, UAE will experience an increase in expat population owing to the stability in oil prices in near future. The increase in expat population will further lead to an increase in furniture retailers in the region.
- **Increase in Consumer Spending:** According to a report by mordorintelligence.com, people of UAE are increasing their spending on renovating homes and are investing in high quality products.
- **High Demand for High-End Luxury Furniture:** Research shows that the demand for high end luxury items at UAE has had an increasing trend. Furniture items with expensive timber, sophisticated leather and heavy fabric has a strong customer base in the region.

Considering the high demand for furniture in UAE, and the propensity of the consumers to spend big dollars on renovating and construction, this should give the Bangladeshi producers good hope and encourage the Bangladeshi producers to capture a significant portion of this market.

3.5 Australia and New Zealand

▪ *Australia*

Australian furniture market is expected to grow at 5% CAGR over the years 2018 to 2022. Booming construction market, increasing urban population and a rise in consumer spending is acting to grease the wheel of growth of the furniture industry in Australia. In addition, rise in E-commerce business such as online availability of furniture for permanent or rental use has been a useful tool for increasing the demand for furniture products throughout Australia.

According to a popular online news portal named Prnewswire.com, they identified 3 key points that is helping drive the demand for both home and office furniture upward:

- The number of households in Australia is projected to rise from 8,196.6 thousand in 2017 to 9,160.3 thousand by 2022, representing growth at a CAGR of 1.8% during the period 2017-2022. The residential sector generated most of the demand for furniture products in the country.
- Growth in establishments of economy and luxurious hotels in the country resulted in increased demand for beds, wardrobes and other furniture to be installed within the premises.
- Inflow of multinational companies in Australia has resulted in increasing demand for fully furnished offices in the country thus increasing the demand of office furniture.

Thus it is clear that there is a strong demand for furniture in Australia which the Bangladeshi producers can capitalize on.

▪ ***New Zealand***

NZ FURNITURE – MARKET SHARE						
Year Ended	Sales by Domestic Manufacturers \$ Million	Exports \$ Million	Imports \$ Million	Estimated Domestic Market \$ Million	Exports as a % of Sales %	Imports as a % of Total Market %
June 2010	999.4	74.8	366.6	1,366.0	7.0	26.8
June 2015	1,083.4	65.2	616.9	1,700.3	5.7	36.3*

Source: Business NZ

New Zealand is a major importer of furniture. As per the table above, New Zealand exported nearly 75 Million Dollar worth of furniture but imported more than 5 times that of export resulting in a value of 366.6 Million Dollars. Similarly in 2015, Export fell to 65.2 Million from 75 Million Dollar, and import rose to a whopping 617 Million Dollar from 366. In 2010, export was 7% of total sales but it fell to 5.7% in 2015. However, imports rose, in 2010 import as a total percentage of the furniture market was 26.8, but the value rose to 36.3% for the year 2015. This shows that New Zealand is a key importer of furniture and Bangladesh has scope and opportunity to cash in on this opportunity by exporting furniture to New Zealand.

Section 4

Bangladesh Wooden Furniture Industry

4.1 Overview

Furniture industry in Bangladesh used to be cottage based industry until 1990. Post 1990 Bangladesh transformed from cottage based industry to mechanized mass production of wooden furniture. From that time onwards Bangladesh started using modern machinery and incorporates innovative designs into the production process. Moreover, Bangladesh has started using different varieties of raw materials in the production process such as wood, processed wood, Medium Density Fiber Board (MDF), melamine board, steel etc.

In the past Bangladesh used to heavily rely on imported furniture from Malaysia, India and Thailand, however, now Bangladesh wooden furniture industry has grown enough to cater to the local demand and export to other countries. Today there are over 75,000 local enterprises engaged in the furniture industry employing over 2.5 million people. Bangladesh earns over 63.18 Million USD from export of wooden furniture. According the popular news daily The Daily Star, some of the key destinations of export are Australia, Canada, India, Nepal, Bhutan and the Middle East. This shows that the markets of North America, European Union, Africa, Russia and parts of Asia such as Japan as still there to broaden the horizon of export earnings.

The local furniture industry of Bangladesh has achieved a significant growth in the last one decade thanks to the rising disposable income of the consumers. According to The Daily Star, industry insiders believe the demand for home and office furniture hit Tk 25,000 crore in the year 2017, whereas, according to a report of the European Union the figure was only 6,700 Crore Taka. In an interview the president of Bangladesh Furniture Export Association (BFEA) Mr. KM Akhtaruzzaman said that “We actually have no official data on the market size of the furniture industry. But the figure would surely be over Tk 25,000 crore”. This is the earning from the domestic market alone, in addition if the export market is incorporated then all together Bangladesh has a furniture market which is estimated by databd.com to be nearly 68 Billion USD.

Furniture industry is a labor intensive and Bangladesh has a large low cost labor force which helps to produce the products at a cheap cost and make Bangladesh more competitive in the world market. However, labor is roughly 30% of the raw materials required, around 60% of the raw materials such as timber, wood coating, hardware and accessories, world class fabrics etc are imported from abroad. The government has imposed a high tax on these imports for which Bangladesh is losing out on the competitive edge in the world market. According to a report by the news daily The Independent, the president of the Bangladesh Furniture Export Association Mr. KM Akhtaruzzaman had said that the import duty on these raw materials are as high as up

to 104%. This doubles the cost of the imported raw materials and hence increases the price of the finished product significantly.

Although Bangladesh's progress on the furniture industry for the last two decades has been commendable, there are a few drawbacks that need to be put under the microscope. There is a serious scarcity of skilled manpower, the imported raw materials are very expensive, labor productivity is very low and the E-commerce segment of the Bangladesh wooden furniture industry needs to be developed significantly if they are to capture the North American and European Market.

4.2 Growth of the Wooden Furniture Industry

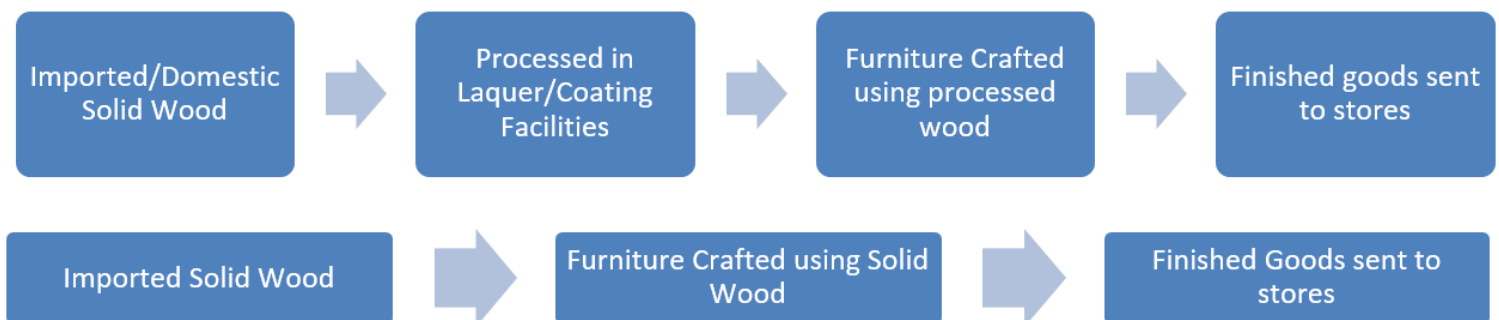
According to the EU Technical Report, the wooden furniture industry of Bangladesh is worth 67 Billion USD. Wealth of Bangladesh is no longer centralized only in Dhaka and Chattagram. According to a report by BCG, 36 cities have more than 100,000 in the Middle and Affluent Consumer (MAC) class, and this number is expected to rise to 63 cities within the year 2025. These middle and affluent consumers have the capability and desire to buy quality branded products. Thus such growth in income and boom in the economy is helping drive the demand up for wooden furniture in the domestic market.

Some major factors contributing to sustained growth of the furniture industry is provided below:

- **Growing Domestic Demand:** There are more than 12 million people in the middle and affluent class of Bangladesh and this number is expected to triple within 2025. This means a significant number of people have enough disposable income in their hands to afford luxury branded furniture. This rise in disposable income is pushing the curve of domestic demand for furniture upwards.
- **Access to Credit:** In Bangladesh there is more than 60 banks which are fighting against one another to capture the retail banking segment. Most banks offer credit cards and dispose loans for luxury durable items like furniture and cars. This has made it more convenient for the local people to buy furniture and evidently push the demand higher.
- **Improving Supply-side Capabilities:** Part of this growth can be attributed to a stylistic shift in the furniture design. The country's carpenters have recently begun incorporating styles from their foreign counterparts, increasing the range of options available for consumers, looking for one of a kind aesthetics. This is resulted in consumers regularly changing their furniture.

- **Inexpensive Labor:** The shift can also be attributed to the presence of inexpensive labor in the industry, an industry which is labor intensive. Laborers in most countries where furniture is produced are paid more than \$120 a month, while Bangladeshi laborers are paid between \$37-120 a month ([EU Technical Report](#)).
- **Backward Linkage:** According to the EU Technical Report, 40% of the raw materials used by the industry come from domestic sources. Forests in Chittagong Hills and the Sundarbans are the largest provider of quality timber in the country, with forests covering areas over 10,600 Sq. Km.

4.3 Value Chain Analysis



There are mainly two categories of wood are used in the production process namely Solid Wood and Processed Wood. Solid Wood needs to be processed for it to be strong and aesthetically appealing, however, there is very small number of processing plants in Bangladesh and the few that do exist are owned by specific furniture manufacturers and they do not allow others to use it. On the other hand, processed wood only needs a good laquer/coating facility. Such facilities are only available to mid to high tier manufacturers.

The main raw materials being used in the production of wooden furniture are wood, laminated board, processed wood, medium density fiber, particle board and rattan bamboo. However, most of these raw materials need to be imported. Amongst the woods - Tic, Gamar and Hardwood are imported from Africa, while Barmatic wood comes from Myanmar. The tariffs on these materials are prohibitively high. The import duties for all solid wood are at 10.72% while the duty on particle wood is at 92.3%. This pushes the price upwards making it harder for producers to provide affordable and competitive furniture for the world market.

Producers are reluctant to bring in processed wood from other countries due to the presence of high import tariff of 92.3%. The timber used for production can be found from the local natural resources such as the Sundarbans and Bandarbans, but due to an increase in reforestation policy and government enforced protective zones, the availability of local wood is becoming increasingly hard.

4.4 Trends and Industry Drivers

As the purchasing power of the consumers increase, this leads to a shift in tastes and preference. This change can be mostly found in two ways – one is in the material being used for production and the other is in change in design. Moreover, there are significant changes in other aspects such as a rise in E-Commerce based furniture sales and market expansion opportunities with connection to Construction/Housing and Ship Building Industry. This means, countries which have a strong demand for new housing and ship building, their demand for wooden furniture is also higher. The trend of the demand and design for wooden furniture industry in Bangladesh from late 1970’s till date is provided in the diagram below:

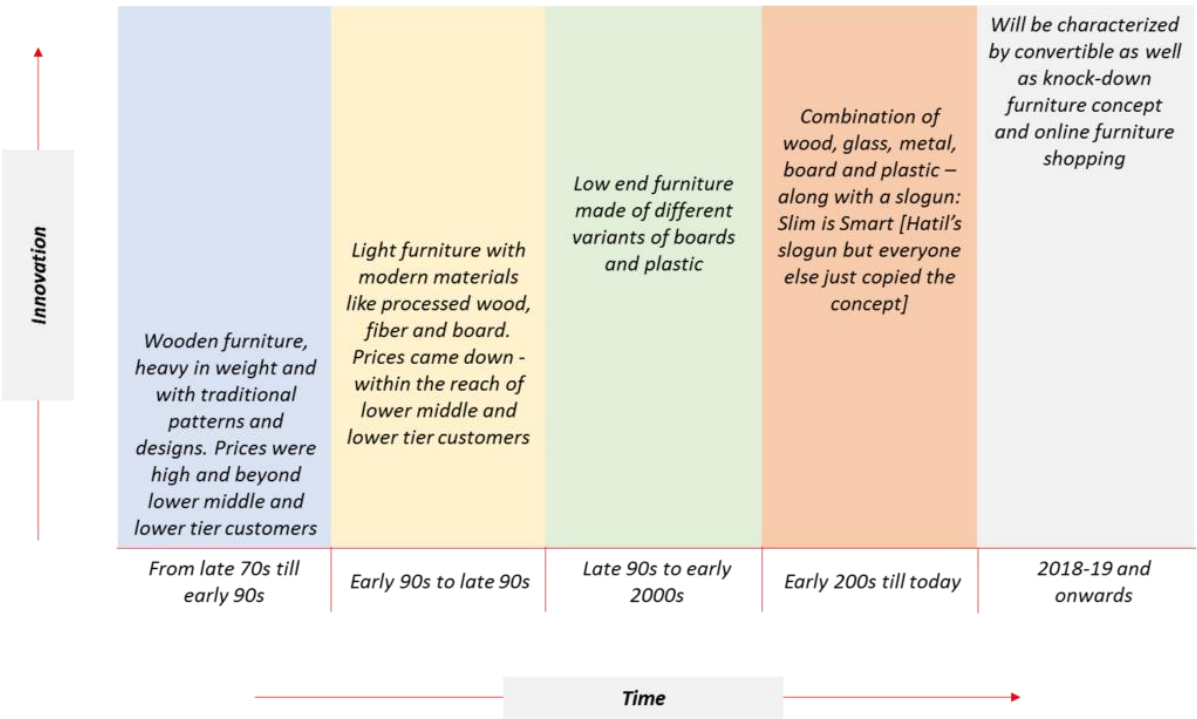


FIGURE: Trends in Bangladesh Furniture market / SOURCE: LCP Primary Research on Furniture Industry in Bangladesh, 2017

In the past, the only thing that was preferred by the Bangladeshi consumers were wood, especially Shegun Wood due to its perceived notion of value and quality. On the design front, most people preferred handcrafted designs which looked “Royal”. There were a few niche markets which catered to the customers who wanted Rattan Wood or Bamboo as raw materials instead of Shegun Wood.

Local furniture manufacturers are also expanding their reach in countries like Canada, Nepal, and Bhutan. This indicates that Bangladesh is making international-standard furniture, which caters to the taste and affordability of MAC (Middle and Affluent Class) population. Albeit around 90% of furniture demand in Bangladesh met locally, the industry has managed to export USD63.18 million worth of products in FY 2017 -18.

The following figure illustrates how timber is sourced for production in Bangladesh and its use:

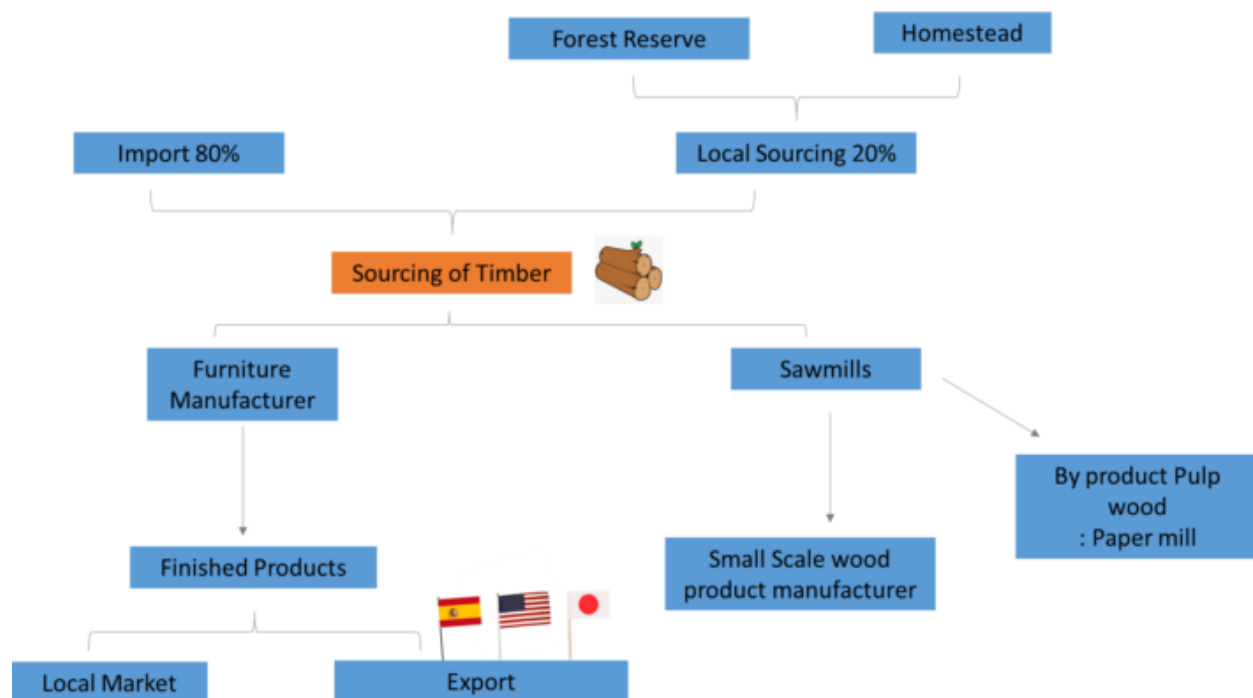


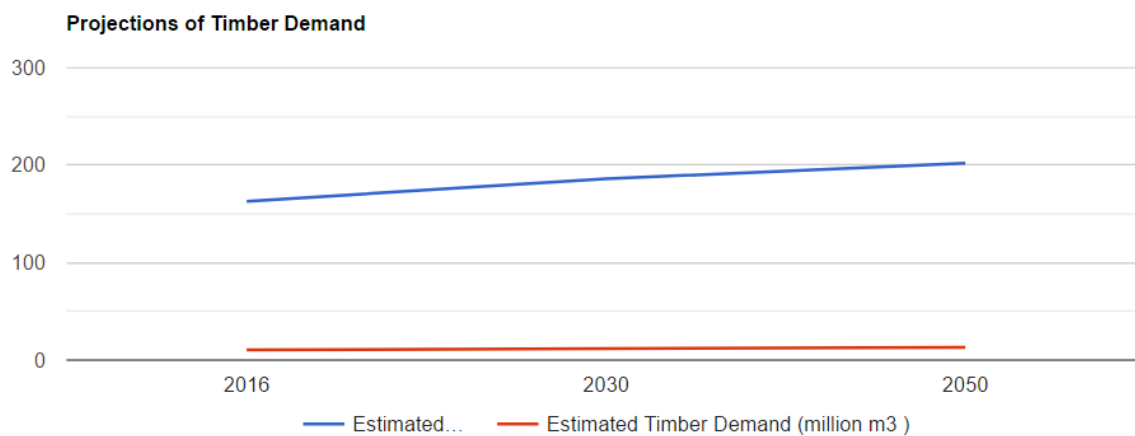
FIGURE: Timber Value Chain / SOURCE: Bangladesh Forestry Master Plan 2017-2036

From the figure above, it is clear that around 80% of timber is brought in as imports from other countries and only 20% of the wood required is sourced locally. Part of the timber goes directly to large manufacturers who produce furniture for both local and international markets.

Whereas some quantity of timber goes to sawmills from which some are used by small scale local furniture producers and other parts are used by paper mills.

4.5 Forecast for Domestic Demand of Timber

Demand for wood products is expected to grow due to factors such as – increasing disposable income, increase in population and due to a rise of the housing/construction industry. According to BBS (2014) the demand for industrial round wood (timber) may continue to rise in tandem with the growth in population. Accordingly, the demand for timber is likely to rise to 9.77 million cubic meter – by 2030 and 10.62 million cubic meters – by 2050, from current consumption of approximately 8.57 million cubic meters.

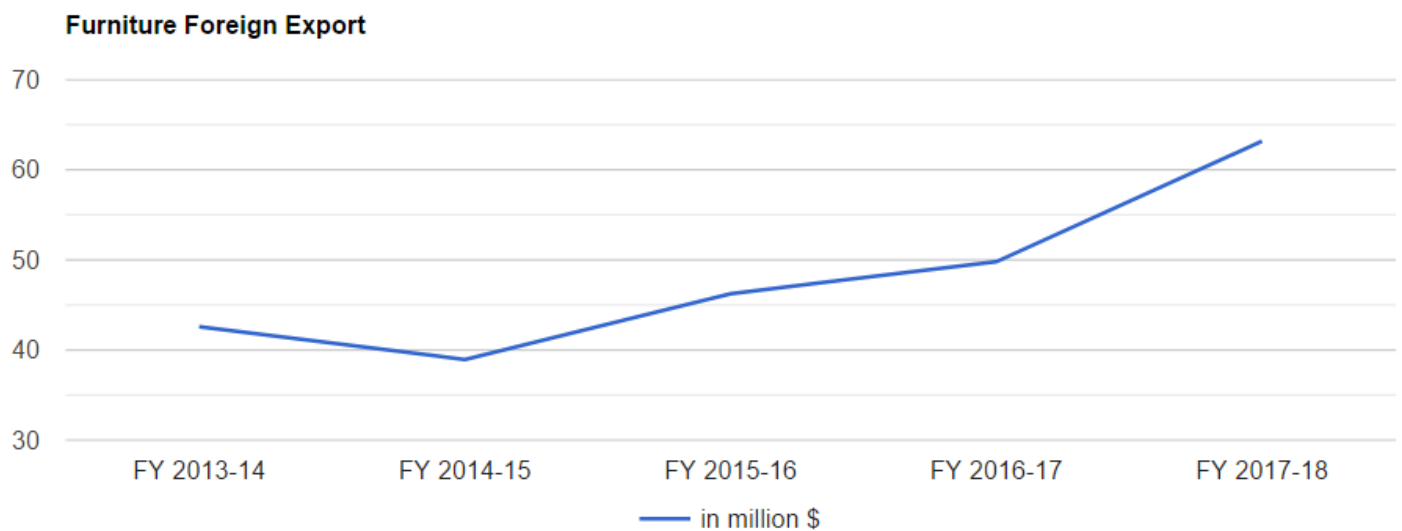


4.6 Foreign Export of Wooden Furniture by Bangladesh

According to Bangladesh Furniture Industries Owners' Association (BFIOA), the major destinations of export for Bangladesh are – US, Canada, Australia, UK, Middle East, Gulf Countries and some other Asian countries such as India, Japan, Taiwan and Singapore.

Following is a table formulated from data of Export promotion Bureau regarding the Export of Wooden Furniture by Bangladesh from the Year 2009 till 2018:

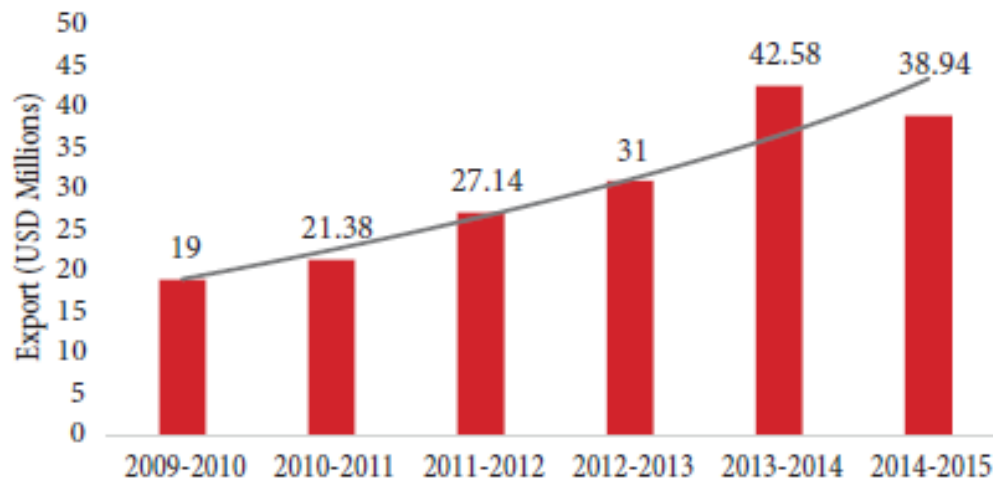
Year	Export (Million USD)
2009	19
2010	21.38
2011	27.14
2012	31
2013	42058
2014	38.94
2015	46
2016	49
2017	60
2018	63



Source: Export Promotion Bureau (EPB)

Bangladesh Furniture Export Trend

Source: EPB



Source: Export Promotion Bureau (EPB)

As we can see from the figures above, Bangladesh has had an increasing trend in the export of wooden furniture sector. Starting at 19 Million USD on 2009 to nearly 63 Million USD in 2018. This shows the tremendous prospect of the wooden furniture industry in Bangladesh. Although Bangladesh has been exporting to some major countries, the whole of European Union and much of Africa and South America still remains as a strong potential export market for Bangladesh.

A study by Centre for Industrial Studies (CSIL) showed that Bangladesh was successful in exporting 40 Million USD worth of furniture's and an additional 10 Million USD worth of accessories and soft furnishings in the year 2015 alone. The paper further goes on to predict that Bangladesh can earn more than 1 Billion USD from export of furniture by 2020 if Bangladesh increased labor productivity, market linkage and ensured compliance standards. This export potential can be materialized by using the low cost competitive labor of Bangladesh. As discussed in Chapter 1 of this paper, Bangladesh's hourly wage of labor is very low, as a matter of fact, it is even lower than that of China which is the largest furniture exporting country in the World. Thus it can be inferred that with slight policy reforms and increasing labor productivity, Bangladesh too can become one of the key exporters of wooden furniture in the world market.

According to the monthly business review of IDLC Finance Ltd, Industrialization is the only way forward for a developing country like Bangladesh. The paper further states that for Bangladesh to reach its goal of becoming a middle income country by 2021 Bangladesh should explore and commercialize new and existing industries. Though Bangladesh is mostly known for Garments and Textile industries, it is imperative to diversify to other industries which have the potential to capture the world market. According to the paper by IDLC, furniture industry is one such prospective industry for Bangladesh. The Bangladesh government had included the furniture industry as Special Development Sector in the Export Policy 2009-2012, and it was upgraded to Highest Priority Sector in Export Policy 2012-2015 due to its high export potential.

4.7 Furniture Sales by Category

**ENGAGED
ENTERPRISES**

75,000

**EMPLOYMENT
CREATION**

2.5 MILLION

**EXPORT
DESTINATIONS**

US, Canada, Australia,
UK, Middle East, Gulf
countries, and other
South Asian and East
Asian countries

CATEGORY	FURNITURE
HOME FURNITURE	
Bed	Bed as a single item holds the majority of the market share among all home furniture. Solid wood is the main raw material used to produce bed frames. Among other alternative materials, processed wood, metal, and cane are also used.
Sofa	The major raw materials used to produce sofas are solid wood (sometimes processed wood, cane or metal), upholstery fabrics and sponge-foams.
Cabinet	There are different types of cabinets used in a home scenario like, kitchen cabinet, show cabinet, dinner cabinet, cabinet for clothes, storage cabinet etc. The major raw materials used to produce cabinets are processed wood (sometimes solid wood), glass etc.
Table	Dining tables, side tables, center tables, study tables, dressing tables etc. The major raw materials used in table production are solid wood (sometimes processed wood), glass, mirrors, metal pipes etc.
Chair	The major raw materials used to produce chairs are solid wood (sometimes processed wood and metal pipes), padding materials (sponge-forms etc.), upholstery fabrics etc.
Accessories	Stools, hangers, wall shelves, shoe racks, mirror frames, bowls, showpieces etc. Solid and processed wood, metal pipes, mirrors, glasses, etc. are the main raw materials for production of such items.
OFFICE FURNITURE	
Tables	Office tables can be defined as different types like executive tables, working tables, work stations, conference tables, computer tables, etc., which are mostly produced using processed wood (sometimes solid wood), glass, locks, etc.
Chairs	Office chairs are mostly made out of metal pipes (sometimes solid and processed wood), padding materials (sponges, foams, etc.), plastic, upholstery fabric (sometimes PU), mechanical, adjusting device, etc.
Shelves and Cabinets	Shelves and cabinets used in office spaces are produced out of processed wood (rarely solid wood and metal pipes), glass etc.
Waiting lounge sofas	Used at offices and hotels; are made out of processed wood (sometimes solid wood and metal pipes), upholstery fabric or PU etc.
Factory Furniture	In the scenario of Bangladesh, the majority of the factory furniture consists of working tables, trolleys, and adjustable high stools.
Ship Furniture	Ship requires all kinds of furniture including the home and office range, furniture for hotels and restaurants.

Source: Monthly Business Review, August 2017, IDLC Finance Limited

Bangladesh broadly produces two kinds of furniture's – Home Furniture and Office Furniture. In the Home Furniture category, the highest selling item is the bed. Other high selling home furniture items are sofa, tables, chair and cabinets. Most home furniture's are made from solid wood and a high emphasis is put on their designs. On the other hand, Office Furniture's focuses mainly on tables, chairs, shelves, waiting lounge sofas and factory furniture.

4.8 Types of Wood and it Sources

Category	Product	Raw Material Source
Solid Wood Furniture	All sorts of domestic and office furniture made from Timber	Majority of the wood is imported from Myanmar, Ghana, Ivory Coast, Malaysia, USA, Canada, and a few other European countries. The import duty on wood is 10.22%.
Processed Wood Furniture	Medium density fibre board (MDF), plywood, melamine laminated board, veneered particleboard, etc	Except particle board, and melamine laminated board, all other processed wood is imported from different sources, like China, Malaysia, and India. The import duty on processed food is 92.30%.
Metal Furniture	Mostly office furniture made from Stainless Steel	Stainless Steel is imported from China.
Cane and Rattan Furniture	Home furniture, decorative	Obtained from both the local sources and imported sources (Indonesia and Malaysia).

Source: Monthly Business Review, IDLC Finance Ltd, August 2017

As we can see from the figure above, most of the raw materials are imported. These raw materials have high import duties imposed on them. The import tax on Processed Wood is a whopping 92.30% and the tax on import of Solid Wood is 10.72%. These high taxes are pushing the prices of the finished product up and are making Bangladesh lose its competitive edge in the World Market. Although the tax on Solid Wood is not too high at 10.72%, but due to availability and environmental reasons the furniture producers from all around the globe is moving away from the use of Solid Wood for the production of furniture and is focusing more on the use of processed wood and other substitute materials. Therefore the high tax of 92.30% on a major raw material like processed wood is cancelling out the competitive edge that Bangladesh would have gotten due to its low cost labor. Thus it is imperative to analyze the effect on the furniture industry and its trade with the rest of the World if the VAT on the import of raw materials were to be reduced to eradicate.

Section 5

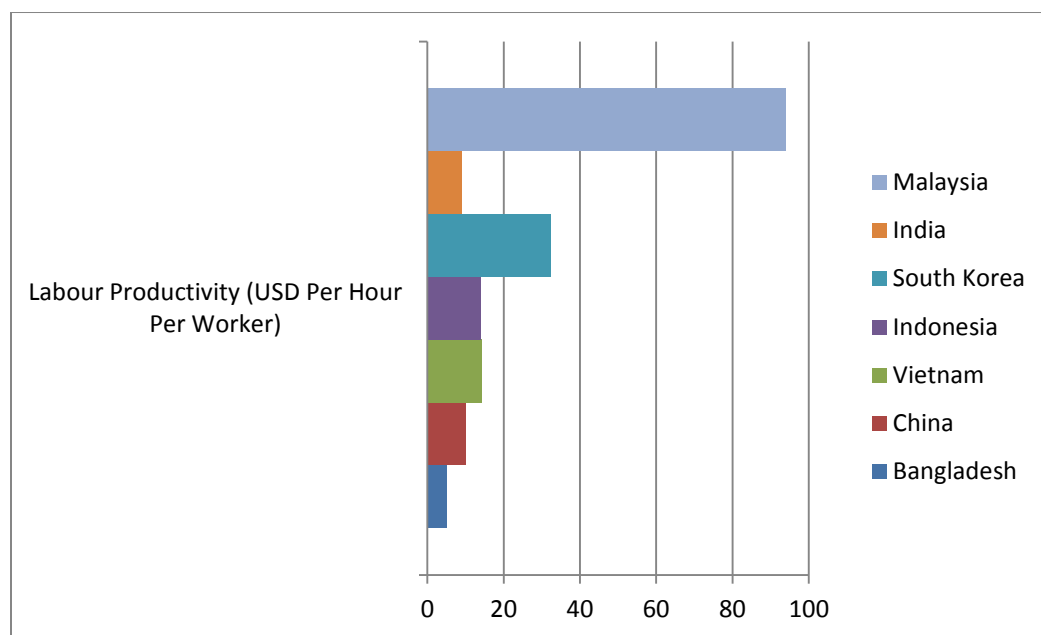
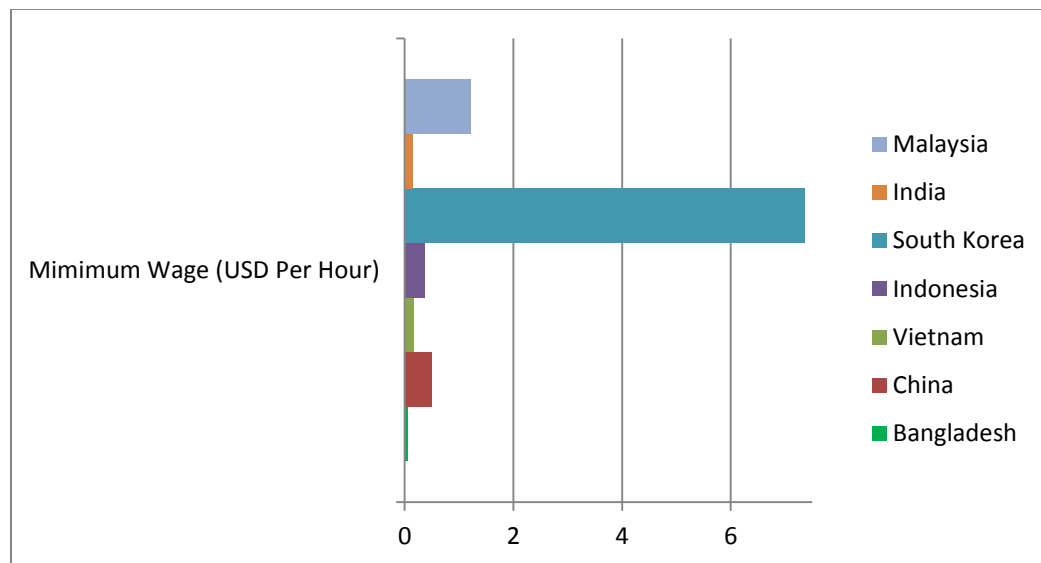
Prospect of Bangladesh In The Export of Wooden Furniture in Terms Of Labor Wage and Productivity In This Sector

The furniture industry in Bangladesh and most parts of the world is a labor intensive industry. This means it has the potential to employ high number of people if it were to become a prominent export sector of a country. This section explores the labor wage and productivity of some of the key exporters of wooden furniture market and compares the data with the labor wage and productivity data of Bangladesh to analyze the potential of Bangladesh in the wood furniture export market.

The wooden furniture industry is a multibillion dollar industry worldwide. Some of the key exporters in this sector are countries who have low wage level. As this industry is labor intensive, a low wage gives a significant advantage to the producers, enabling them to produce at a lower cost. This means they get a competitive advantage in the world market as they can offer products at a lower price. Hence it is imperative to analyze the data of labor wage and labor productivity in the manufacturing sector of the countries which are exporting high quantities of wooden furniture all over the world. This would give us a clearer understanding of the position Bangladesh is at to participate and potentially be a key player in the wooden furniture export market. THE following are the data of labor wage and labor productivity of some of the key players in the wooden furniture industry.

Country	Minimum Wage in Manufacturing/Timber Industry (USD per hour)	Labor Productivity in Manufacturing Sector (USD per hour per worker)
Bangladesh	0.06-0.40	5
China	0.50-0.75	10.16
Vietnam	0.17-0.25	14.2
Indonesia	0.361	14
South Korea	7.37	32.31
India	0.144-0.15	9
Malaysia	1.21	94

Source: (<https://www.statista.com/statistics/878170/indonesia-labor-productivity-per-hour/>)



As we can see from the tables and graphs above, Bangladesh has the lowest minimum wage levels in the manufacturing/timber industry amongst some of the key furniture exporting countries. This means Bangladesh has a critical advantage over those countries due to cheap labor. In other words, Bangladesh can afford to produce timber products at a relatively lower price, and if quality is maintained as of other nations', then Bangladesh has a chance to become a serious contender in the world wooden furniture market.

The minimum wage of Bangladesh is the lowest at a range of USD 0.06-0.40 per hour per worker. Even highly competitive countries like China and India have higher minimum wage in the manufacturing of wooden products industry at 0.50 and 0.144 USD respectively. This means Bangladesh has a strong

advantage over some of the major furniture exporting countries like China, Indonesia, Vietnam, Malaysia etc.

One concern is that, although labor wage is low, the labor productivity of Bangladeshi workers in the manufacturing sector is very poor. This means the amount of value that a labor adds per hour in the country's gdp is very poor of just 5 USD per hour. This is the lowest amongst all the countries that have been mentioned in the above data. Comparatively, China, Indonesia, Malaysia and Korea are far better than Bangladesh in this regard. This is mainly due to the training that their labors receive to become more productive, and a higher wage which encourages the workers to work harder and smarter and more efficiently. If Bangladesh is to compete in the furniture sector, although BD has a competitive advantage in the labor wage level, the country needs to improve labor productivity by means of training and a proper wage structure.

According to several news articles from some of the esteemed news agencies in Bangladesh like The Daily Star, Financial Express and The Independent, Bangladesh is doing exceedingly well in the export of wooden furniture industry. As per Bangladesh Furniture Industries Owners' Association (BFIOA) and Bangladesh Furniture Exporters Association (BFEA) Bangladesh is now earning Tk 25,000 Crore from this sector each year. According to the Export Promotion Bureau Bangladesh earned USD 63.18 Million in the year 2017-18. The wooden furniture industry in Bangladesh currently has more than 75,000 outlets (SME's) working directly or indirectly to produce wooden furniture. The wooden furniture industry although at its primitive stage, it is already employing 2.5 million people across Bangladesh and has the prospect to double the number of people employed in the coming years.

However, one major concern of all Bangladesh furniture exporters is that as Bangladesh Imports 60% of the raw materials needed to produce timber related products and as these imports have a high tax imposed on them, it is raising the price of the finished product and cutting the competitive edge of Bangladesh in the world market. If the furniture industry is to be considered seriously as the RMG sector, the government has to address the import duty on some of the raw materials that are essential in making the wooden products.

Overall, considering the current state of the furniture market of Bangladesh it is imperative to look deeper into the world wooden furniture market and analyze the scope and prospects of Bangladesh to increase their export to the rest of the world and become a key furniture exporting Nation of the World.

Section 6

Conclusion and Recommendation

After reviewing the world market for furniture, it can be understood that there is a strong demand for wooden furniture all across the World. Regions like North America, European Union, Middle East, Parts of Africa, Australia and UK are some of the key importers of Wooden Furniture. USA alone imported furniture worth of 72,058 Million USD in 2018. Similarly UK imported furniture worth 6.5 Billion Pounds in the year 2017 alone. Add to this the growing demand from the rich oil exporting countries of the Middle East and the Environmentally concerned European Union, the market for wooden furniture export for Bangladesh is Significant.

In the World market, there are a few key exporters of wooden furniture who are supplying the growing demand. Countries like China, South Korea, Vietnam, Malaysia, Indonesia, India etc are responsible for exporting a significant portion of the World's wooden furniture. China alone exported furniture worth 53.66 Billion USD in the year 2018. This shows the market share China holds in the furniture sector. On the contrary, Bangladesh exported furniture worth 63.18 Million USD in the year 2018. This gap in export earning shows the scope for Bangladesh to grow and the potential market to capture if cheap durable furniture is produced.

Bangladesh has grown significantly in the last two decades in the wooden furniture market. Starting off as a cottage based industry to transforming into mechanized mass production in a relatively short span of time. Bangladesh employs over 2.5 million people in this sector and 75,000 local enterprises are engaged in the furniture manufacturing sector of Bangladesh. According to an EU Technical Report, the whole of Bangladesh's furniture industry is worth 67 Billion USD as of 2018. One of the key reasons why Bangladesh is doing so well in the manufacturing of wooden furniture is cheap labor. As mentioned in the earlier chapters, Bangladesh's minimum wage in this field is 0.06-0.40 USD per hour. This rate is the lowest compared to all other key furniture exporting nations. China has a minimum wage of 0.50-0.75 USD per hour in manufacturing which is higher than Bangladesh. This depicts a clear picture that Bangladesh has a strong advantage over most of the key furniture exporting countries of the World.

Although Bangladesh's furniture industry has been growing in leaps and bounds over the past few decades, the country has not been able to capture as big a market share of the industry as China, India, Vietnam, Malaysia, Indonesia and other key exporting countries. This is due to a few impediments that hinder Bangladesh's progress even further in this sector. The following are some of the key points this paper proposes to help enable Bangladesh's wooden furniture market grow significantly larger and capture a greater share of the World market:

- I. **Lower Tax on Import of raw Materials:** 60% of the raw materials required for furniture production are brought from foreign countries into Bangladesh. Materials such as timber, wood coating, hardware and accessories, world class fabrics etc are all brought from abroad. The government of Bangladesh has imposed a high tax on these imports. Taxes on some of these raw materials are set at 104% of the original price. This is increasing the cost of production significantly. Thus the final product that is being produced is being produced at a high price which in turn is making Bangladesh lose the competitive edge in the World market. If this tax is lowered, then the price of raw materials would go down, this will reduce the cost of production and the final product can be sold at a much cheaper cost which would make Bangladesh more competitive in the world market and help gain a greater share of the market as more countries will be willing to buy from Bangladesh due to the lower price.
- II. **Higher Labor Productivity:** Although Bangladesh has very low hourly labor wage, it is counteracted by very poor labor productivity. Bangladesh's labors produce goods worth of USD 5 per hour where as China and Vietnam labors produce goods worth USD 10 and 14 respectively per hour. The gap between Bangladesh and other key exporting countries is significant. This has resulted in poor efficiency amongst labors in Bangladesh. However, the labor productivity of Bangladesh can be improved by proper specialized training and better machineries. Moreover, research has shown that a nice clean work environment also helps boost labor productivity and efficiency. Thus a combination of proper training, good work environment and better machineries can result in higher labor productivity which in turn will help Bangladesh produce better quality products in a shorter span of time. Thus it is imperative to improve the labor productivity to capture a greater share of the world wooden furniture market.
- III. **Modern Designs:** It is very important to stay updated with modern taste and fashion. If the appropriate type of furniture is not produced then no matter the quality or price it will never be sold. Most people of North America, European Union and Australia prefer light weight, compact and multipurpose furniture. However in the oil rich countries of the Middle East, there is still high demand for Royal, Heavy and Niche furniture. Thus it is very important to keep in mind the taste and fashion of a country or region while producing goods for that region. This is something Bangladeshi producers will have to be aware of whilst producing their products.
- IV. **Improvement in E-Commerce:** The World as we knew it is changing, people no longer wants to waste time going to shops and look for the best product, people prefer to

survey the market online and make payments digitally. Thus the E-Commerce section of the Bangladeshi furniture producers has to be state of the art for attracting new clients. The websites needs to be absolutely up to date, there needs to be multiple digital payment options such as Credit Card, Debit Card, Samsung Pay, I Pay, Bkash etc, there needs to be a review section for customers to leave comments and reviews for others to see and evaluate, there needs to be customer care hotline where people can call and get assistance 24/7. Such facilities related to E-Commerce is a norm by other countries and it has to be provided by Bangladeshi producers if they want to attract new customer and gain higher market share of the Wood Furniture Industry.

V. *Enlist as a VPA country to trade furniture with European Union:* Voluntary Partnership Agreement (VPA) is a legally binding trade agreement between the European Union and a timber producing country outside the EU. The purpose of the VPA is to ensure that the timber and timber products exported to EU comes from legal sources and maintain a certain level of quality. The VPA agreement also encourages wooden furniture exporting countries stop illegal logging by stating terms on the contract to improve regulation and governance of the forest sector. A country has to follow a few enlisted guidelines of the EU to be eligible for applying as a VPA country. Bangladesh should try to follow those guidelines and apply to become an enlisted VPA country as it would open up the huge European market for export of wooden furniture. Neighboring competitors such as Vietnam, Thailand, Malaysia, Myanmar, and Indonesia are all enlisted as VPA countries and hence are exporting high quantity of furniture to the European countries such as France, Spain, Italy, Germany etc. When and if Bangladesh does enlist as a VPA country, a whole new market for trade will open up and it would surely expand the horizon of trade for Bangladeshi furniture producers.

VI. *Produce Environment Friendly Products:* Today we live in challenging times, we live in an era where all production process must be mindful of Global Warming. As climate change is adversely affected by chopping down trees, the furniture industry specifically must be mindful of the quantity of trees being used to produce furniture. In recent times, there is strong demand for environment friendly furniture and thus producers are shifting to making furniture out of other substitute materials such as processed wood, medium density fiber (MDF), plastic boards, melamine board, steel etc. Bangladesh too has to be mindful of the fact that they should try to produce furniture in an environmentally friendly manner if they want to stay competitive in the World market.

Bangladesh government had named the furniture industry as Special Development Sector in the Export Policy 2009-2012, and this sector was upgraded to Highest Priority Sector in Export Policy 2012-2015 due to its high export potential. If the above 6 points are implemented, then the furniture industry of Bangladesh will be able to produce high quality products at a cheaper price and hence capture a larger share of the furniture market of the World. This would employ many workers in this sector and bring in export earnings for the country like the Garment Industry. The most important point of all, if the above policies are Implemented, Bangladesh's reliance on the RMG sector would reduce significantly and many more people would be employed all across the country which would in turn improve their living standards and push the GDP of the country upwards.

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