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Philippines

Solid Wood Products

Furniture Industry Update

2007

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Report Highlights:

Philippine furniture exports in 2007 are likely to decline from the 2006 level as a result of softness of the global furniture market as well as the strong Peso. Although the industry is expected to focus on the local market, it is not expected to raise prospects for increased use of U.S. solid wood products.

Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
Manila [RP1]
[RP]

Philippine furniture manufacturers and exporters in the province of Cebu have been implementing design and product development programs as part of its international marketing strategy. Led by the Cebu Furniture Industries Foundation, Inc. (CFIF), these programs are also supported by the European Union Asia Invest, Canadian International Development Aide – Pearl 2, German Association of Industrial Designers and the Foundation of Economic Development and Vocational Training. Complementing these efforts are plans to promote the annual Cebu International Furniture and Furnishings Exhibition (CIFFE) overseas. The CIFFE is the major marketing event of export-oriented furniture makers in Cebu and is organized by the CFIF.

The 18th CIFFE, the most recent exhibit, was held in February 2007 and was attended by more than 7,000 visitors and guests, 1,483 of which were international buyers from 72 countries. The four-day event generated \$20 million in sales, down from the estimated \$26 million sales realized during last year's CIFFE. The majority of orders came from the Middle East (\$3.6 million), followed by North America (\$3.3 million) and Europe (2.7 million). Furniture manufacturers are focusing marketing efforts in Europe as they have been losing U.S. market share to its competitors, China and Vietnam.

Last year, overall furniture exports were valued at an estimated \$208 million, lower than the \$220 sales the previous year. The decline in sales orders in the 18th CIFFE seems to indicate another export decline this year, in overall furniture and interior exports from the 2006 level. Industry attributes the predicted decline to the softness of the global furniture market as a result of the expected slowdown of the U.S. economy. This is reflected by the reported year-on-year 7.6 percent contraction of overall factory output in March 2007, according to data from the National Statistics Office' (NSO). Softness in global furniture demand is also being enhanced by the continued appreciation of the Peso.

Early this month, the currency hit its highest level since early 2001 mainly as a result of the large inflows of remittances from overseas Filipinos workers (OFWs). This forced a group of exporters in the main island of Luzon, including the Chamber of Furniture Industries of the Philippines (CFIP), to sign a petition requesting for GRP intervention. The group claimed that the rapid Peso rise have forced some companies to close shop and others to resort to retrenchment of their laborers. The group requested the GRP to "effect an acceptable exchange rate favorable to exporters" within the P48 to P50 range. They likewise urged the GRP to study the possibility of a "dual exchange rate", regulate the prices of raw materials, subsidies for international promotions, and lower power rates. Trade and industry officials, however, asserted the GRP's policy in letting market forces dictate where the local currency is headed saying the government can only help exporters be more competitive.

President Arroyo signed in August 2006 Executive Order No. 554 (EO 554) eliminating fees and charges imposed on export clearances, inspections, permits, certificates and other documentation required for export to improve the country's export sector competitiveness. Under EO 554, all export clearance requirements for Philippine commodity exports are dispensed with except those required as a result of the existence of import quotas in other countries such as sugar, those covering items which are banned for export such as logs, copper and coffee, and those covered by international agreements. EO 554, however, is not enough, to turn around the predicted export decline and the local furniture industry will likely cater more to the domestic market as a result. Wooden furniture for the domestic market would require less superior hardwoods in terms of quality and craftsmanship, and is expected to face competition from furniture from its regional neighbors such as Malaysia.