

### **German trade shows highlight intensity of competition**

The European trade show season is now well underway, starting in Germany during January with the Domotex flooring show in Hanover and the IMM furniture show in Cologne. The shows provide good insights into European wood market prospects in the year ahead.

The shows in Germany have become increasingly influential over the years as the centre of gravity of European wood manufacturing has shifted from southern and western countries to northern and eastern countries and as German industry has built a formidable reputation as a leading innovator in the wood products and other material sectors.

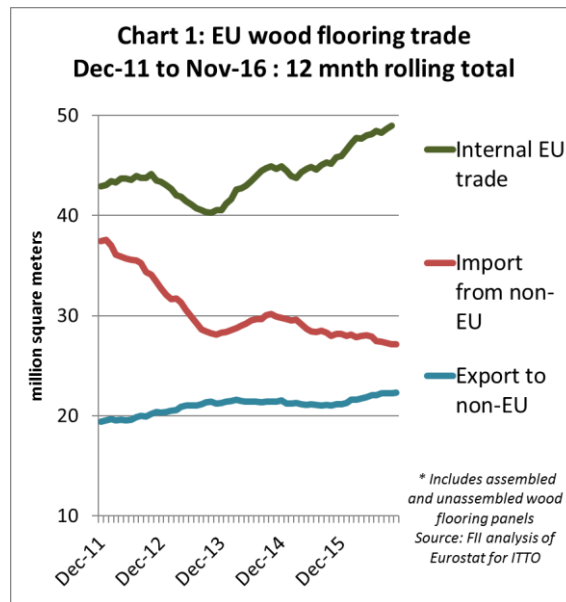
Both shows highlighted that there are now significant obstacles to tropical wood suppliers looking to increase market share in the European market. This is a market characterised by a rising number of suppliers offering an increasing variety of products chasing demand which is growing only slowly.

Wood continues to come under intense pressure from non-wood materials. Where wood is preferred, domestic manufacturers are very dominant, with a strong preference for local species (particularly oak which accounts for nearly 80% of European real wood flooring production).

On the other hand, the shows also highlight underlying trends in the European market with potential to offer significant new opportunities to manufacturers of wood products in the tropics. The desire for products which are “natural”, “authentic” and “individual”, and which are backed by a strong “narrative” could be turned to the advantage of tropical wood suppliers and manufacturers. While oak remains dominant, European buyers and manufacturers are constantly on the look-out for something new and different to give a market edge.

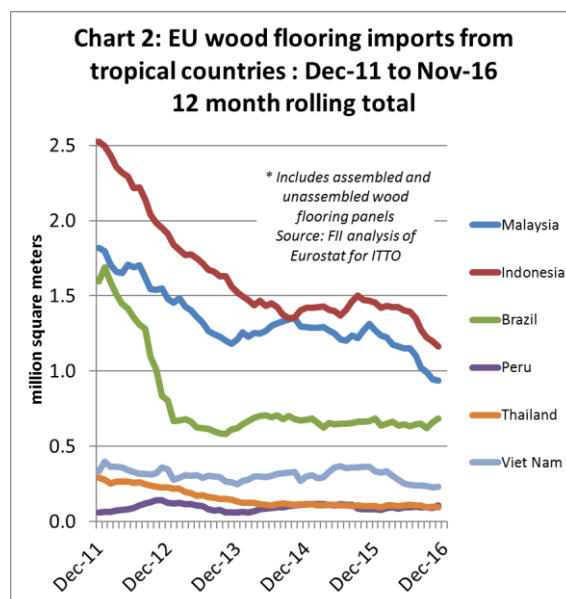
### **EU flooring manufacturers increase market share**

The trade background to the Domotex 2017 flooring show held in Hanover between 12 and 15 January is shown in Chart 1 which indicates that internal EU trade in wood flooring has been rising continuously since December 2013. This is due partly to improving consumption of wood flooring products manufactured in the EU, and to the increasing role of manufacturing facilities in lower cost Eastern European countries to supply wood flooring to other parts of the EU.



Meanwhile, the EU's large trade deficit in EU wood flooring that opened up before the financial crises, driven by the housing bubble and a flood of product from Asia, has narrowed sharply in recent years. Efforts by European manufacturers to improve competitiveness through innovation in products and marketing, aided by the relative weakness of the euro and other European currencies compared to the USD, contributed to rising EU exports of wood flooring products to other parts of the world last year.

At the same time imports from outside the EU continued to decline in 2016. Much of the decline in EU wood flooring imports is due to falling trade with China, by far the largest external supplier accounting for around 60% of total EU imports. EU imports of wood flooring from China were around 16 million m<sup>2</sup> in the 12 months to end November 2016, compared to 17.4 million m<sup>2</sup> a year earlier and over 21 million m<sup>2</sup> in 2012.



EU imports of wood flooring from tropical countries have also been declining in recent years (Chart 2). Imports from Indonesia in the 12 months to November 2016 were 1.16 million m<sup>2</sup> compared to 1.45 million m<sup>2</sup> a year earlier. Imports from Malaysia fell from 1.31 million m<sup>2</sup> to 0.94 million m<sup>2</sup> during the same period.

The data is particularly significant from an Indonesian perspective. The figures to the end of November represent the real baseline against which the immediate impact of the FLEGT licensing system can be judged. The first FLEGT licenses were issued in the middle of November and it will be interesting to monitor whether the recent slide in EU wood flooring imports from Indonesia can be reversed.

### **Considerable growth in DOMOTEX visitor numbers**

The intense and rising competitiveness of the European flooring sector is immediately apparent from the DOMOTEX 2017 show numbers which hosted 1409 exhibitors from more than 60 countries. The show was notable for considerable growth in the number of exhibitors this year and the total amount of space booked, and with an even higher percentage of exhibitors and visitors from abroad compared to previous shows.

Around 70% of DOMOTEX visitors this year were from outside Germany, with the majority (43%) coming from other EU countries. Total visitor numbers were slightly down on previous years, but there was a significant increase in visitors from the Near and Middle East (up 9%) as well as East and Central Asia (up 16%). Appreciably more visitors also came from the U.S. and the UK.

An insight into potentially significant innovations in the European flooring sector was provided by the prestigious Innovations@DOMOTEX display selected from products on show by a jury of experts from the fields of design, architecture, the media and interior design. Their choices implied strong interest in sustainable design and a preference for products with a natural look and feel, whose textures, materials, motifs and surfaces take their cues from nature.

### **Sustainability a strong theme in flooring design**

Sustainability was a strong theme in the wider show, with more wood flooring manufacturers communicating the origins of the woods they use through forest certification and other mechanisms.

Manufacturers of flooring in other materials were also exploiting the green image of wood. There was a very strong presence of laminate and designer flooring with surfaces of such deceptively natural appearance that they can hardly be discerned from real wood. Even the

carpeting sector was seeking to convey an environmental message through use of designs imitating tree bark and other natural surfaces.

As in previous years, the wood flooring on display at DOMOTEX 2017 was heavily oriented towards oak which was presented in a wide variety of colours, textures and finishes. However, some manufacturers were looking to differentiate from competitors by offering new types of wood. Particularly encouraging for the tropical wood sector was that two Peruvian flooring suppliers featured in the Innovations@DOMOTEX display.

### **Peruvian flooring manufacturers make an impact**

DOMOTEX show publicity highlighted the strong sustainability credentials of the two Peruvian companies, Amaz Floors and Maderera Río Acre. It notes that all their wood derives from FSC certified forests in Peru and that the companies also guarantee emissions reductions from degradation and deforestation (REDD) through VCS and CCB standards. Species on offer, such as Cumaru, Balsamo, Jatoba, Massaranduba, and Garapa, are still not widely used or known in the European flooring and decking sectors.

The DOMOTEX show publicity for Amaz floors also celebrated and made a virtue of “the patched-up knot-holes and uneven surfaces which create the raw aesthetic of ‘Antique Rustic Decking’” and the fact that the “tropical wood is worked manually in the country of origin, with the aim of securing jobs there”. In the case of Maderera Río Acre, the emphasis was on their "Munay Deck" product “manufactured from small wooden strips, which form an intriguingly structured surface and would otherwise end up as waste”.

Efforts such as these to introduce new timber species to the European flooring market were the exception rather than the rule, and most exhibitors were using other techniques to extend the look and feel of products. Exhibitors were more likely to create interesting visual effects by combining diverse colours, patterns, shapes and textures. There was a strong focus this year on longer and wider dimensions and on herringbone-patterned flooring.

### **Shades of grey and textured services**

Trend-spotters believe that grey or blends of grey and beige – "greige" – will remain the top sellers, while dark floorings are less popular with buyers. Textured surfaces are seen as “the next big thing” in wood and parquet flooring. There were a lot of "used" and grainy patterns and finishes on display - floorings designed to look brushed and often made from of reclaimed materials.

Vintage-look materials remain in fashion, along with knot holes, core splits and even traces of the saw blade or flakes of cement. This is true both of natural wood flooring and laminated wood flooring sector, the latter now exploiting increasingly sophisticated digital printing technology.

Various innovations were on display to improve service life of wood flooring in rooms such as kitchens and bathrooms where wood has not traditionally been widely used. For example French manufacturer Design Parquet was promoting their patented Navylam+ system comprising strips of tropical wood, favoured both for its look and natural durability, which are pre-oiled and with an integrated jointing system to ensure the floor is easy to install and remains completely watertight. The product is offered in a variety of woods, all tropical, including doussie, wenge, mutenye, teak, acacia and iroko.

Another highly innovative product designed to extend wood's range of applications even further was "Lambdafloor" by Poland's Prestige which boasts an aluminum layer between the wooden surface and the water-repellent base material, in this way augmenting the thermal conductivity for use with underfloor heating systems.

DOMOTEX 2017 highlighted that increasingly flexible and modular wood flooring products continue to be developed that are easier and less time-consuming to install and maintain, solvent free, better for indoor air quality and personal health and hygiene, and which offer other benefits in terms of durability and improved footfall dampening.

**Note report on IMM Cologne 2017 furniture show  
will follow in the next European market report**