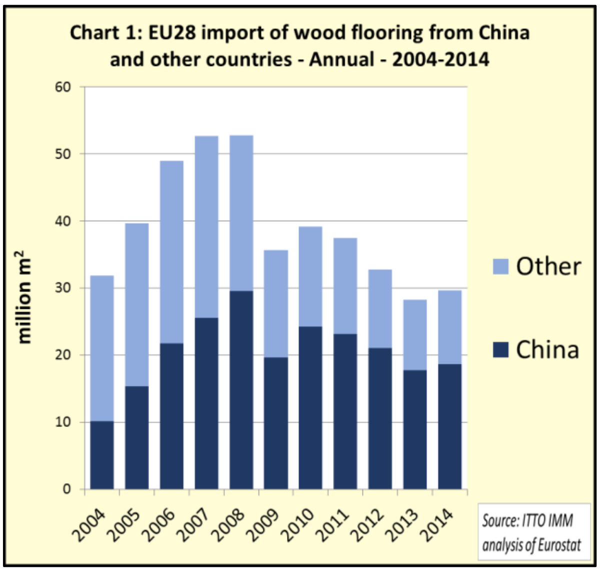
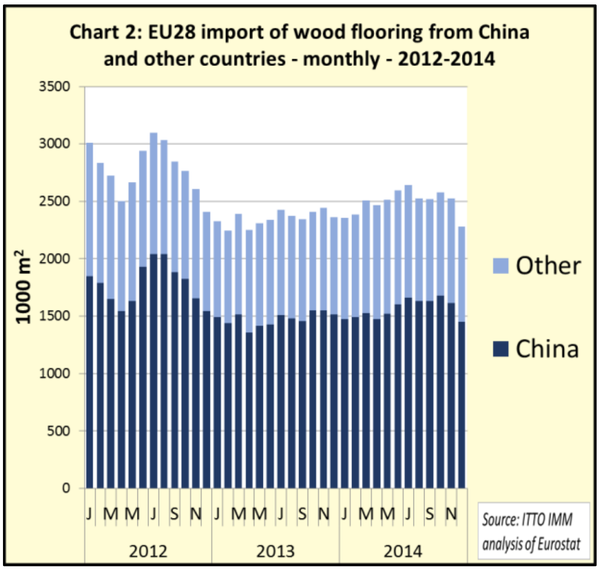
European wood flooring imports slow to recover

Imports of wood flooring into the European Union increased 4.9% to 29.7 million m2 last year, after declining steadily between 2010 and 2013. In 2014, wood-flooring deliveries from China, the single largest supplier, increased by 4.9% to 18.6 million m2. China accounted for 63% of total EU imports in 2014, exactly the same proportion as the previous year (Chart 1).

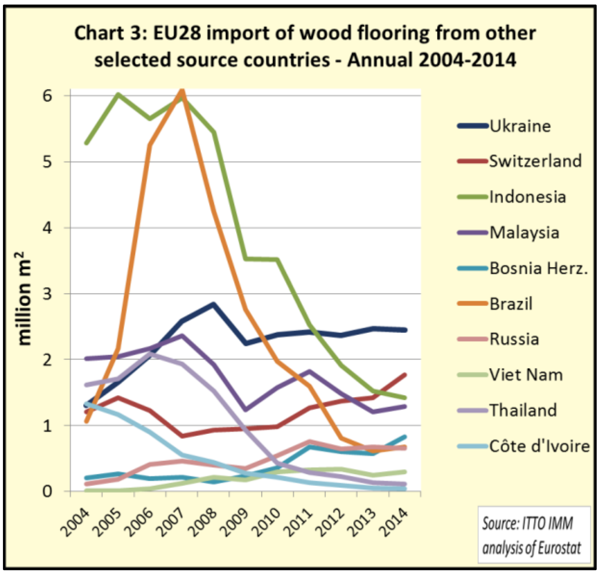


In spite of the recent growth, imports in 2014 were still well below the record levels achieved between 2005 and 2008. There has been no significant recovery from the slump during the financial crisis when imports plummeted from 52.8 million m2 in 2008 to just 35.6 million m2 in 2009.

While European wood flooring imports were up for the whole of 2014, they slowed towards the end of 2014, particularly from China (Chart 2).



Over the long term, EU imports of wood flooring from China have been more stable than from other supply countries (Chart 3). Of major tropical supplying countries, imports from Brazil, Indonesia, Thailand and Ivory Coast have fallen considerably in the last 5 years. Last year imports from Brazil recovered slightly (+9.2% to 678,000 m2), while imports continued to decline from Indonesia (-6.6% to 1.4 million m2) and Thailand (-17% to 111,000 m2). Imports from Ivory Coast fell a further 15% in 2014 and are now negligible. In contrast, EU imports from Malaysia have been rising in the last five years and increased again in 2014 (+6.5% to 1.3 million m2). Imports also increased by 20% from Vietnam in 2014, but from a small base.



Of temperate countries, EU imports from Switzerland and Bosnia-Herzegovina have been rising in recent years, and this trend continued in 2014. Imports from Switzerland were up 25% at 1.8 million m2, while imports Bosnia-Herzegovina increased 44% to 0.8 million m2 respectively. On the other hand, imports from the Ukraine were down by 0.8% to 2.4 million m2. Imports from Russia fell 2.6% to 680,000 m2.

Trends in wood flooring imports by individual EU Member States varied widely depending on economic conditions (Chart 4).

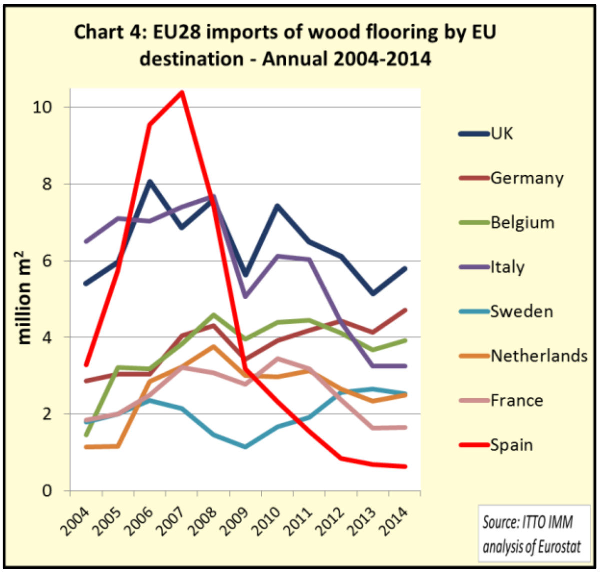


Chart 4: EU28 imports of wood flooring by EU destination - Annual 2004-2014

Imports from outside of the EU into the UK, where there was a robust recovery in construction sector activity last year, booked double-digit growth of 13% to 5.79 million m2 in 2014. Imports into Germany also increased strongly, by 14% to 4.72 million m2, while imports into Belgium rose 7% to 3.92 million m2. Imports into the Netherlands recovered to some degree in 2014 from the previous year's low, increasing 7% to 2.49 million m2. Imports into France also increased slightly in 2014, up 0.6% at 1.64 million m2. Imports into Italy were unchanged in 2014 at 3.25 million m2.

On the other hand, deliveries of wood flooring from outside the EU into Spain, which as recently as 2007 was the largest EU destination, fell again by 8% to just 630,000 m2 in 2014. This compares to Spanish imports of over 10 million m2 of wood flooring from outside the EU in 2007. Although construction activity is just beginning to pick up again in Spain, consumers are extremely cost conscious and are showing strong preference for cheaper laminate and other non-wood alternatives to real wood products.

Deliveries from wood flooring from outside the EU into Sweden also declined last year, by 5% to 2.53 million m2. However the decline was mainly due to a sharp fall in Swedish imports from Ukraine. Sweden's imports from China increased in 2014.

Wood flooring consumption falls again

While total EU wood flooring imports increased in 2014, the European Wood Flooring Federation (FEP) reports that consumption probably declined last year in many European countries. According to an FEP estimate published by the international parquet federation Global Flooring Alliance (GFA), European wood flooring consumption fell 3.8% in 2014, after slipping 2.6% the year before. Consumption was 82.7 million m2 in 2013 and is believed to have been around 80 million m2 in 2014.

Considering the various European countries, the negative trend identified by FEP in France and Italy in its September market review has apparently continued through the final quarter of the year. Wood flooring consumption in Germany and Austria was also slightly down from

2013 levels, after Germany had shown a positive trend in the early months of 2014. Swiss consumption was static last year, whereas Sweden and Hungary showed slight increases.

When it comes to wood species, the FEP sees a continuing dominance of oak in the overall sales mix, while the share of exotic woods has declined further. And where product specifications are concerned, wider boards and the “natural look” remains very popular, according to the FEP.

Looking forward, the FEP expects “a stabilisation in the European parquet business during 2015, even if competition with other flooring solutions will remain harsh, particularly from LVT (Luxury Vinyl Tiles)”.

Much oak on display at Domotex

The lasting trend towards oak flooring was also apparent at the Domotex flooring show in Germany during January. The show attracted 1.323 exhibitors from 63 countries, covering all sectors of the flooring industry. With a total of around 40,000, visitor numbers were slightly higher this year than at the comparable Domotex in 2013.

According to the American Hardwood Export Council (AHEC), oak accounted for around 80-90% of most Domotex wood flooring exhibitors’ product sales. During its visit to the show, AHEC also found that the “rustic oak look is still very much in fashion, and European oak is the preferred supply”. American white oak would primarily be used in the architectural sector. AHEC also witnessed a trend towards dark “smoked” oak.

In terms of product specifications AHEC noted that Europe seemed to continue to move more towards using engineered flooring instead of solid wood flooring.

Exhibitors also told AHEC that European wood flooring sales were not improving much, as Europe’s economy, especially in the Eurozone, remained very fragile. To compensate, many European flooring manufacturers are now seeking to expand export sales outside Europe.

Domotex organiser Deutsche Messe reported similar trends for wood and laminate flooring noting the emphasis on rough-sawn, brushed and used-look surfaces. In laminate flooring grey or blends of grey and beige – "greige" – surfaces are expected to remain the top sellers, while dark laminate floorings were less popular with buyers. Some companies also displayed a new generation of waterproof laminate flooring at Domotex.

European laminate flooring sales stagnate

European producers of laminate flooring sold 465 million m2 worldwide in 2014, compared to 463 million m2 the year before, according to statistics compiled by the European Producers of Laminate Flooring (EPLF) and published by GFA. This is a rise of just 0.4% over 2013 (Table 1).

Table 1: Global sales of laminate flooring by EPLF Members						
million m^2	**Year**					**% chng**
	2010	**2011**	**2012**	**2013**	**2014**	**2013-14**
W. Europe & Turkey*	302.0	299.4	297.7	290.0	280.0	-3.4
E. Europe	109.0	103.5	98.9	103.0	110.0	6.8
North America	41.0	26.8	23.4	28.0	30.0	7.1
Latin America	16.0	15.7	16.8	17.0	17.0	0.0
Asia	10.0	10.6	11.6	13.0	15.0	15.4
Other	8.7	11.9	11.2	12.0	13.0	8.3
Total	**486.7**	**467.9**	**459.6**	**463.0**	**465.0**	**0.4**

** For unknown reasons, Turkey is classified as "Western Europe" in EPLF statistics*

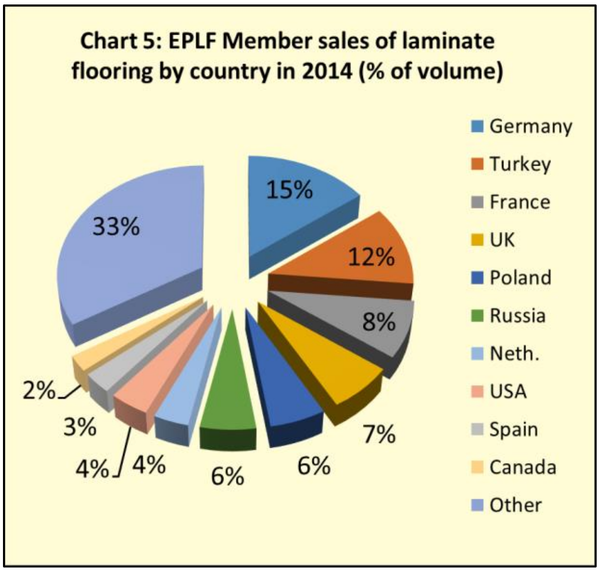
The regional markets showed contrasting trends in 2014, according to EPLF. Within Europe, Western European sales were slightly down compared to the previous year, whereas sales in Eastern Europe experienced an upturn.

Sales in the core Western European markets (including Turkey) declined by around 3.4% to 280 million m2 in 2014. Germany, the single-largest market for European laminated flooring, experienced renewed decline of around 4% to 69 million m2. EPLF believes that this was due to a loss of market share to LVT floors.

Sales in Turkey were affected by the economic slow-down combined with raw material shortages and temporary production shutdowns for maintenance purposes. Overall, sales in Turkey plummeted 18% to 54 million m2.

Sales in France remained stable at 39 million m2 during 2014 in spite of the economic difficulties and rather lacklustre building sector. The same is true for Spain, where 14 million m2 of laminate flooring were sold in 2014, the same as the previous year. This seems to confirm reports from the wood flooring sector that there is a growing preference for cheaper laminates over real wood floors in those markets particularly hard hit by the economic downturn.

Sales of laminate flooring in the UK increased by 10% to 32 million m2 in 2014 on the back of a growing housing sector and comparatively strong consumer confidence.



Rise in European laminate flooring exports

Total laminate flooring sales in Eastern Europe increased by 7% to 110 million m2 in 2014. Sales in Russia grew by almost 13% to 27 million m2 in spite of the political situation and adverse exchange rate trends. These growth in the Russian market actually increased towards the end of 2014. The rise in sales meant that the Russian market for European laminate flooring was as large as the Polish market, which also 27 million m2 last year, an increase of 8%. Sales in Romania and Hungary were also higher than the year before, while sales in the Ukraine fell by 11%.

Most overseas markets for European laminate flooring improved in 2014, with North America "showing significant improvement" and Asia "even greater growth", according to EPLF. Turnover in North America had started to rise as early as 2013 and this trend continued through last year. The market was particularly buoyant in the USA, where EPLF members boosted their sales by almost 19% to 19 million m2. Sales in Canada were stable at 11 million m2 last year.

In the Asia-Pacific region, European producers achieved sales growth of 15% to 15 million m2. Even stronger growth of 25% to 5 million m2 was witnessed in China, where EPLF members supply primarily the high value sector. In South America, EPLF members are reporting stable sales of 17 million m2 in 2014.

Market trends confirmed by company reports

The overall flat to slightly improving European market for wood and laminate flooring are confirmed by several companies' financial reports.

Tarkett reports solid performance in Scandinavia (with the exception of Finland, which turned negative in the second half) and good results in Germany and Eastern Europe. The company also says that "the upbeat momentum has been confirmed in Italy and Spain". However, the market in France remained negative due to a decline in both the new construction and renovation markets. In France, the company closed the former Parquets Marty parquet plant in Cuzorn in December 2014 due to continuing losses.

Tarkett's business in the CIS region suffered from instability in the Ukraine and the political crisis with Russia. Revenues in that region also came under pressure from the sharp devaluation of the rouble in the fourth quarter. While Tarkett's sales in Russia recovered ground towards the end of 2014, volumes in the Ukraine fell sharply in 2014,. Overall, the group's net sales declined by 4.1% last year.

The Swedish wood flooring producer Kährs Group boosted its sales by 6% last year, thanks to demand growth in all regions except Finland and the Baltic States. The company reports a particularly strong performance in the UK (+20%) as well as in Sweden and Norway, where the company believes it has won market share from competitors. Sales in Central Europe were up by 4%. In Russia, volumes increased strongly but the weak rouble affected sales in the fourth quarter.

The Bauwerk/Boen group also achieved growth in sales of 4% in the first half of 2014. The company saw positive trends on its core markets in Germany, Norway and Switzerland. Bauwerk/Boen also confirms the continuing trend towards wider boards with rustic surfaces.

Mohawk Industries' Laminate and Wood segment, to which the European companies Unilin and Pergo belong, booked a 2% fall in net sales for the fourth quarter of last year. The company's laminate flooring sales in Europe benefited from the market introduction of a new product range with enhanced surface texture and water repellency, according to the financial report. The company has also completed building a LVT plant in Belgium and says the start-up is focused on new product development.