Just-in-time becoming the norm in the UK

The TTJ's recent hardwood market report highlights the extent to to which the UK has shifted during the recession away from speculative purchasing towards just-in-time ordering. Hardwood traders are having to act "more than ever as the customer's stock-holder" as manufacturers and merchants have responded to tight credit and uncertainty over future consumption by reducing their own stocks. The TTJ speculates that this effect is long term and that for many, especially smaller companies, today's just-in-time approach may be the new norm.

TTJ also reports that market conditions for sawn hardwood in the UK have improved slightly in the second quarter of the year and there is cause for cautious optimism. Although the new-build market is still very slow, sales for repair, maintenance and improvement (RMI) have been improving.

But nobody is getting too excited yet as the improvement in demand could be temporary. According to the TTJ, the recent market uptick is probably partly due to a "catch-up after the appalling winter". Demand from the public sector may also have been boosted as many government organisations were getting to the end of budget periods and were rushing to spend money allocations.

The TTJ notes that although sapele remains the dominant tropical hardwood in the UK, short supply, particularly in 63mm, is boosting sales of alternatives such as sipo and bossé. Demand for framire and iroko is steady, while demand for ipe and bangkirai decking has risen with improving spring weather. Meranti, however, is losing out to beech and yellow poplar/tulipwood in paint-grade applications.

Despite slow consumption, the TTJ highlights that concerns are mounting about the supply side of the equation. Lead times for tropical hardwood species are now very lengthy, extending into the last quarter of this year for African species. Even for American hardwood species, which buyers have been accustomed to receive within a couple of weeks, lead times may extend to 2 months. American shippers are tending to offer available supplies to their most reliable long-term customers first.

UK CIF prices quoted in GBP for most hardwood species have risen significantly over recent weeks. The TTJ suggests that while some UK distributors are still selling stock at well below replacement cost, the price rises are beginning to filter down the distribution chain as grounded stocks run increasingly thin.

Despite the long lead times, the weakness of the GBP against other international currencies in recent weeks has been a further discentive to UK buyers to enter the forward market. By mid May, the economic problems in Greece and uncertainties over the outcome of the UK election were contributing to particularly high levels of uncertainty in foreign exchange markets.

At present, the GBP is strengthening slowly against the euro, but both the euro and the GBP are weakening rapidly against the US dollar. For the UK buyer, this means that CIF prices for tropical hardwood products from the Far East (quoted in dollars) have increased dramatically, while prices for African hardwoods (quoted in euros) have eased slightly.

Newly elected UK government commits to Lacey-style legislation

The agreement reached between the Conservative and Liberal parties to form a coalition government following the UK Prime Ministerial election on 6 May includes a commitment to impose “Measures to make the import or possession of illegal timber a criminal offence”.

The implication is that the UK is now commited to the introduction of legislation similar to the US Lacey Act which will provide an added incentive to UK wood product importers to avoid any wood at risk of being derived from an illegal source. This law is now very likely to be introduced in the UK irrespective of the outcome of current EU deliberations on proposed legislation that would place mandatory requirements on all European wood importers to introduce “due diligence” systems.

The commitment to Lacey-style legislation by the newly elected coalition government comes alongside a wide range of other environmental commitments, particularly related to moves to a low carbon economy, which suggest there will be no let-up in UK market interest in green building and sustainable materials.

EC forecast only a very gradual recovery

Based on a comprehensive review of economic conditions across the EU, the European Commission issued its Spring 2010 forecast on 5 May. The report concludes that recovery is underway in the EU, albeit a gradual one.

Continent-wide GDP started to grow again in the third quarter of 2009 (up by 0.3% quarter-on-quarter), ending the longest and deepest recession in the EU's history. However, growth eased somewhat in the fourth quarter (to 0.1% q-o-q), as the impact of some temporary factors started to fade, including the exceptional crisis measures put in place across the globe to sustain demand. Inventory adjustments were also important in shaping short-run growth in the EU.

Looking ahead, the report suggests that EU is likely to benefit from a stronger-than-expected turnaround in the global economy, particularly in Asia, which has improved financial-market conditions and should assist Europe’s export growth. The report also notes that “survey data have recovered firmly over the past year, especially in the manufacturing sector.”

On the other hand, the EU faces “headwinds on a number of fronts that are set to restrain domestic demand for years to come”. These include: the downsizing of the construction sector which is still ongoing in a number of Member States; weak private consumption growth as disposable income is held back by weak wage and employment growth; heightened risk aversion that will weigh on private investment; and government deficits which have tripled in total across the EU in recent years and which will greatly restrict potential for further public spending.

The report notes that “tensions in the sovereign-debt markets in early 2010 illustrate well the high uncertainty that continues to surround economic projections [in the EU]”. A key concern is that the risk premium may increase in some Member States, leading to higher financing costs for firms and households and thereby further hampering prospects for recovery.

Overall, EU GDP growth is expected to remain rather subdued during the first three quarters of 2010, and to regain ground only by the end of the year. Among the largest economies, the upturn is set to be stronger than average for Germany and France this year (at 1¼%), while Spain is projected to remain in recession. The recovery in the United Kingdom is expected to gather momentum during 2010, suggesting that its annual GDP growth could rise from 1¼% this year to about 2% next. By 2011, all EU countries, with the exception of Greece, are expected to have returned to positive economic growth.

Optimism following successful Milan furniture show

The Milan Saloni 2010 furniture show during the 6 day period from 14 April proved to be a huge success, both in terms of numbers of visitors and exhibitors. The signs are that European furniture designers and manufacturers remain confident about their long-term future despite the economic downturn.

The show hosted 1,493 exhibitors, up 9% on the previous year, with a total exhibition area of 151,000 square meters in 14 pavilions. It welcomed 329,563 visitors, up 7% on the 2009 show, with 56% coming from outside Italy. The numbers were particularly impressive given that the show coincided with the chaos caused by the grounding of planes across Europe due to volcanic eruptions in Iceland.

Although the global recession has softened this year and many commentators at Milan confirmed that furniture consumption has improved, the market is still considerably weaker than in its glory days before the credit crunch. While the show itself seems to have risen above the challenges of the economic downturn, it was clear from the diplays that designers and manufacturers are being forced to adapt to the changed economic landscape.

Before the downturn companies were showing any number of prototypes, experimental designs and extravagant installations many of which would never go into commercial production. Increasing numbers of pieces came in limited editions, with hefty price tags conceived primarily to land on magazine covers. This year companies introduced far fewer new products than usual and made them less technically ambitious. Instead, exhibition halls were loaded with furniture that consumers might actually want in their living rooms: thoughtful, practical and, in some cases, less expensive.

The show reflected a new situation in which furniture buyers are much more careful and want products whose value matches the pricetag. As the population of consumers has dwindled, designers have increasingly focused on producing furniture smart enough to sell by the thousands. So there were dining tables with beautifully designed camouflaged extensions and chairs that looked high-end but with upholstery that could be removed for dry cleaning.

Sustainability at the heart of furniture design

Other design trends identified at the 2009 show were reinforced at this year’s show. Concern for sustainable consumption – in part a reaction to the excessive consumerism of the boom years - is now very much at the heart of contemporary design. Eco-friendly furniture is "the only way forward," said Jukka Lommi, designer for Finnish company Punkalive. Punkalive's furniture is labelled with the amount of carbon dioxide emitted during production. Prominent French designer Philippe Starck, a leading light in the New Design school, went so far as to say that "design is useless. There are already millions of chairs....Ecology, that's where we can still express ourselves".

The sustainability theme presented itself in a wide variety of ways in Milan. There was, for example, widespread use of reclaimed and recycled materials, including wood, metals, glass, and plastics. Some designers chose to make very direct references to nature, such as in Vappellini's tulip-shaped chairs and chairs by Sicis evoking four-leafed clovers. Other designers focused on “dematerialisation”, minimising the use of all materials in their designs, a concept linked to a growing fashion for simplicity in furniture design.

The show suggested a decided shift away from the temporary and transient in favour of furniture with a more durable and timeless appeal. Much of the furniture on display was in simple classic designs. Designers in the classical mould - Jacobsen, Saarinen, Ponti, Eames and Joe Colombo – are now “on trend”.

The focus on simplicity also reflects a desire to reduce development costs and improve production times in the industry during these difficult times. According to Tom Dixon, one of Britain's most successful designers interviewed in the UK’s Independent newspaper, "Italian companies still take five years to make a new chair but I want to produce things in five weeks." Dixon was only showing four new products – all them available to buy there and then.

The Independent newspaper comments that bypassing the prototype stage and introducing products for immediate sale is a good way to circumvent and reduce plagiarism which has become an increasing problem in the global furniture industry.

Wood makes a robust comeback

The emphasis on sustainability and simplicity was essentrially good news for wood. In their post-show publicity, show organisers Cosmit highlight that “wood appears to be making a robust comeback”.

A leading advocate for wood at this and previous Milan shows was the Italian manufacturer Riva. Riva’s efforts to engage famous designers in the use of wood were taken forward this year through the ‘Le Briccole di Venezia’ project. 22 designers and artists were asked to work the ‘Briccole’ - oak posts taken from the Venetian lagoon - into objects. A particularly impressive example was a table by Matteo Thun in which the massive wooden planks corroded by tides turned a simple everyday object into a narrative piece of history.

One of the most vivid illustrations of the shift to wood was provided by a collaboration between US aluminium chair company and British designer Michael

Young. Foregoing their usual practice of producing only 100% aluminium chairs, Emeco launched its Lancaster collection at the show which combines aluminium with ash wood. Other companies were exploring possibilities to use wood in new and interesting ways, by combining with other materials and in new 3D curvaceous designs. A good example of the latter was provided by Wogg's "50" chair where the wood backrest is bent into an encircling curve.

The vast majority of the wood on display at the show was in temperate hardwood, unsurprising given the focus on European manufacturers of quality interior furniture and the close association many designers consider exists between sustainability and local sourcing. While oak has come to dominate the European interiors sector in recent years, at this show there were indications that the interest in simplicity is linked to a return to fashion of some plainer species such as beech and birch.

Tropical wood under pressure in the outdoor furniture segment

Design trends apparent in Milan were generally working less well for tropical wood. The fashion towards combining furniture for indoor and outdoor use – first identified at last year's show – has intensified. High profile designers previously associated with interior furniture see the cross-over between the outdoor and indoor sectors as a new arena in which to explore ideas and develop new markets. Unfortunately this seems to be associated with a significant shift to materials considered lighter-weight than tropical wood.

In fact all of the buzz in the outdoor furniture sector in Milan was around non-wood products. French designer Philippe Starck's new outdoor chairs comprising curves of polyethylene made a particular impact. Starck claimed the chairs' are environmentally friendly because they may be made locally and therefore reduce the need for exotic imports. In addition, contemporary riffs on traditional cane and woven seating - linked to an expanding range of outdoor upholstery fabrics - were abundant throughout the show. Modern minimalist designs of metal and plastic outdoor stacking chairs were common, with manufacturers explicitly contrasting this "new look" with "chunky wood".

At least the show suggested new possibilities for the marketing of tropical hardwoods to the European furniture sector, even if the signs are that these are yet to be fully exploited. The show indicated growing interest in design references from outside Europe, including from South East Asia and Africa. Furthermore many furniture designers are very keen to exploit the narrative associated with the materials they use, particularly where there is a strong sustainability message. With appropriate packaging and communication, the extraordinary back-story associated with the sustainable management of tropical hardwoods could be a major selling point amongst European designers in the future.