



A flooring market update

With manufacturers struggling through these tough times, *Panels & Furniture Asia* gives an update on the trends observed internationally.

Trends seen at Domotex Europe

Feedback from flooring producers at Domotex in Europe earlier this year confirmed that Oak is the most popular timber species for flooring and that tropical species are losing more ground.

There was reported to be a clear trend towards 'used' Oak flooring. Oak can easily be treated in many ways and can be offered in light, dark and 'used' shades.

The light option remains very popular, but dark coloured Oak flooring is increasingly replacing tropical species for flooring so the 'used' look, as it is called, has been gaining popularity over the past couple of years.

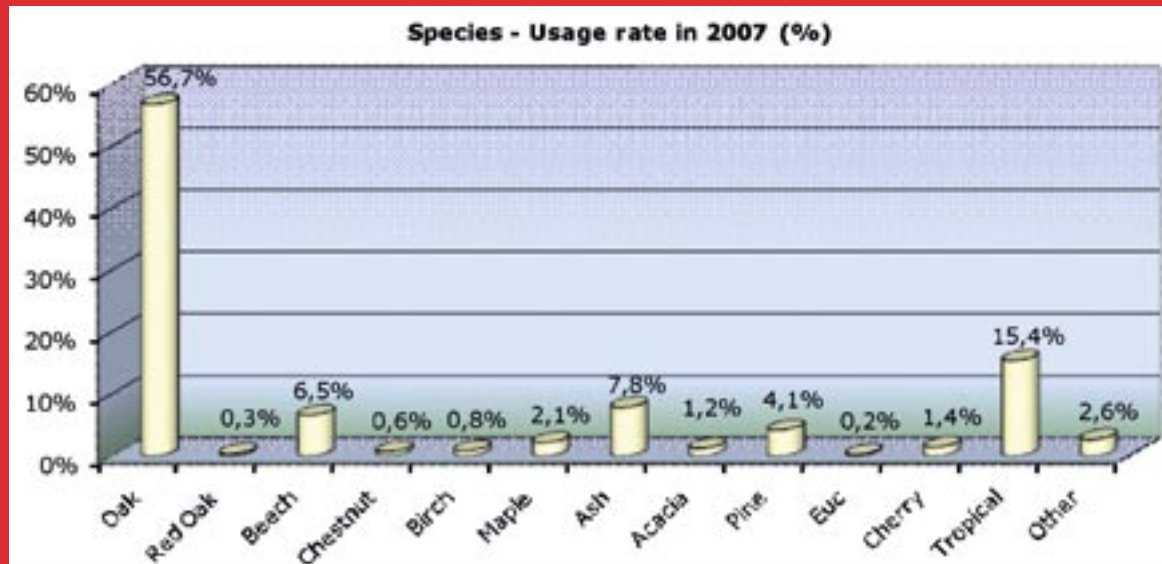
Oak, including red oak, now accounts for 57% of wood

flooring in the EU (see table 1).

According to one German journalist, "the trend of German flooring companies not to offer any tropical wood flooring is a marketing tool. It is said to be a very important marketing tool these days in Western countries, such as Germany, The Netherlands and the UK – countries that are sensitive about illegal logging and where NGOs are very strong. However, tropical wood flooring remains very popular in Southern European countries, such as Spain, Italy and Greece."

At Domotex, African timber species were reported as becoming more common in parquet flooring than Asian species with most flooring producers mainly offering Doussie, Jatoba and Wenge.

Table 1: Wood species used in EU flooring 2007 Source: FEP, 2008



One Portuguese flooring producer presented its flooring range under the brand name *ipowood* but its brochure still featured Kempas and Merbau, although there was reportedly very little demand for both timber species.

The company is using rubberwood for its multi-layer parquet flooring core material.

Spanish flooring producers also offered mainly African timber species as well as a range of Oak, Maple, Beech, Ash and Cherry.

Environmental issues at this European show were also very prominent in the promotional material of most flooring producers who allocated a great deal of space in their brochures to the subject – mainly attempting to demonstrate their position of responsibility in wood sourcing.

And whereas this used to be mainly a “Northern” European issue, it is notable that many Southern and Eastern European and even Russian companies are now claiming to be making an effort to source legal timber and, if possible, promoting FSC and PEFC certified products.

This even includes “Eco-decking” which makes use of thermo-treated European temperate species.

Endre Varga, Director of the European Federation of the Parquet Industry (FEP), is reported to have said “We shall witness a slower, but steady increase in future demand for certified wood. Regulatory measures to combat illegal wood products announced by the European Commission, and initiatives on greening public procurement, could lead to an increased demand for certified

products.”

Mr. Varga also suggests that whereas national certification schemes can certainly be a facilitator for the parquet flooring industry, FLEGT could potentially become an instrumental tool for barring illegal wood from the markets.

One spokesman for a large parquet producer was reported as saying that Domotex is superfluous for the timber trade.

Many of the main European flooring producers did not exhibit and an increasing number of Chinese manufacturers were exhibiting, trying to get into the European market after they lost their main export market in the USA.

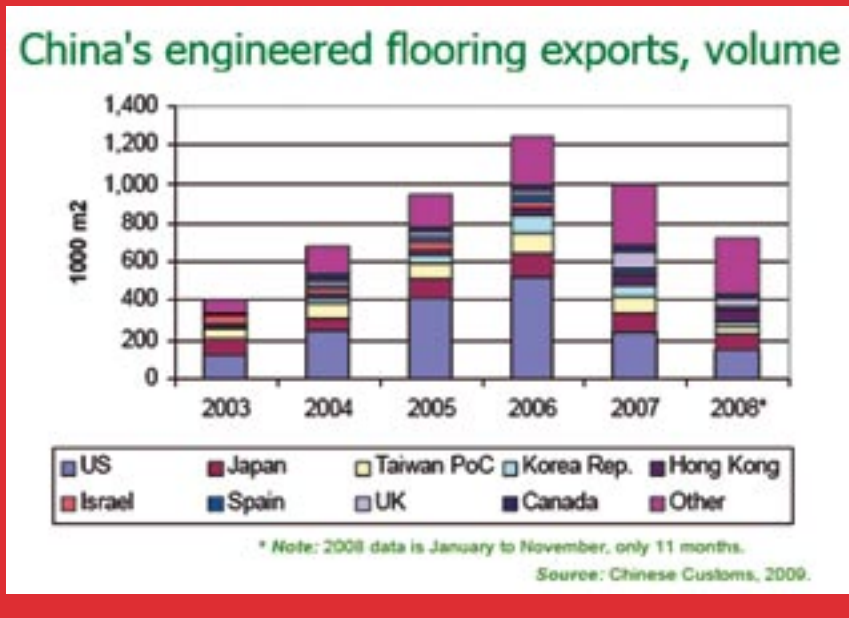
China flooring exports

“Domotex Asia/ Chinafloor 2009” (Domotex 2009) held its 11th show at the Shanghai New International Expo Centre from 24 – 26 March, 2009, and was divided into 4 major sections, i.e., Floortech Asia, China International Carpet Fair, Sports Arena and Lay-tech & Pro-tech Special Area.

The majority of the exhibitors were, not unexpectedly, Chinese companies with others from Thailand, Singapore, USA, Portugal, Germany and Malaysia. 37,000 visitors attended, comprising manufacturers, importers, distributors, retailers, architects, builders, professional consultants and contractors.

It is widely reported that flooring companies in China have been experiencing very tough times partly due to the sharp rise in prices of raw materials, a supply crisis, as well as unprecedented hikes in oil prices which had brought about spiraling transportation costs.

Table 2: Solid wood flooring exports from China 2003 – 2008*
 Source: Chinese Customs, 2009



Furthermore, the re-valuation of the Renminbi (RMB) and slump in the Chinese property market has led to a downturn in local demand for flooring.

Finally the global financial crisis has impacted negatively on the export of flooring as overseas orders reduced (see tables 2 and 3).

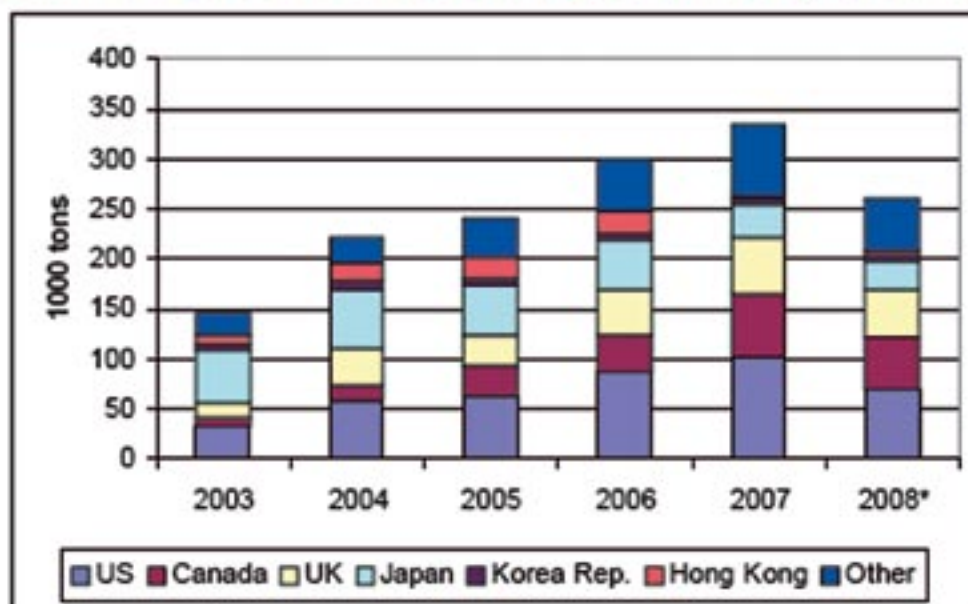
China's total production of flooring fell in 2008 for the first time in 12 years as a weak global economy continued to strain overseas demand.

Table 4 shows that annual total production of flooring in 2008 amounted to 344 million sqm, down by almost 5% compared to 2007.

Total production of laminated

Table 3: Solid wood flooring exports from China 2003 – 2008* *Source: Chinese Customs, 2009*

China's solid wood flooring exports, volume



* Note: 2008 data is January to November, only 11 months.

Source: Chinese Customs, 2009.

Table 4: China's Annual Total Production of Flooring 2004 – 2008

Source: China National Forest Products Industry Association

Product	2004	2005	2006	2007	2008	% Change 08/07
Laminated Flooring	150	190	200	220	198	-10.0
Engineered Flooring	33	46	60	75	78	4.0
Solid Flooring	70	50	45	44	42	-4.5
Bamboo Flooring & Others	5	6	25	22	26	18.2
Total	258	292	330	361	344	-4.8

(Unit: million sqm)

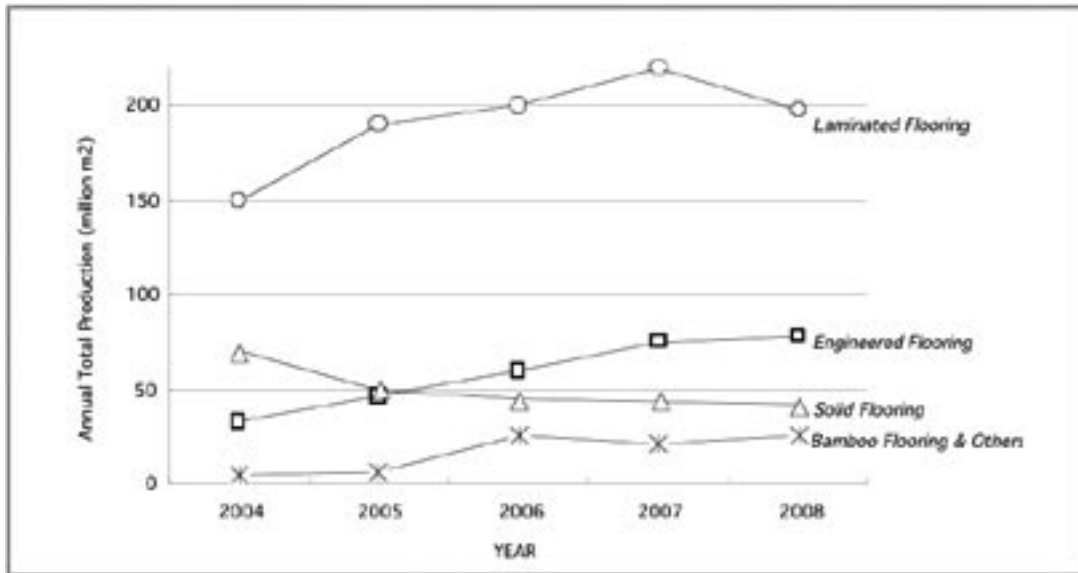
flooring and solid flooring dropped to 198 million sqm and 42 million sqm respectively, down by 10% and almost 5% compared to 2007.

Total production of engineered flooring and bamboo flooring and others in 2008 went up by 4% and 18.2% respectively as

compared to 2007.

From the graph in Table 5, it can also be seen that bamboo flooring is making a remarkable penetration in the solid wood and engineered flooring market with an annual growth of over 18% in 2008. (Unit: million sqm)

Table 5: China's Annual Total Production of Flooring 2004 – 2008
 Source: China National Forest Products Industry Association



European flooring production predicted to fall

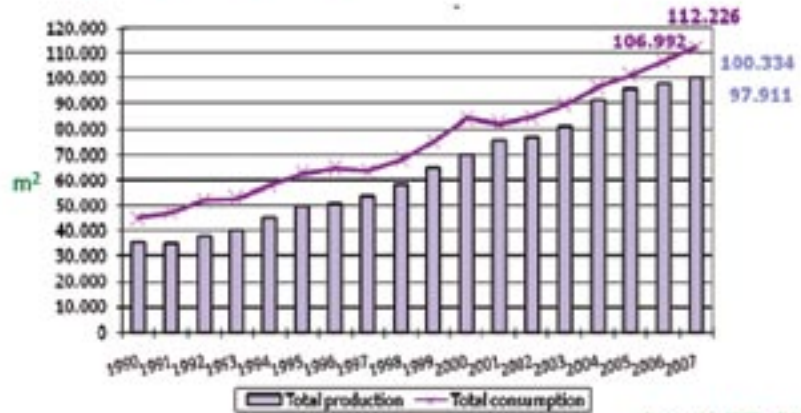
In Europe there are widespread reports of a reduction of production that has long been predicted, partly due to increased competition from imports, but now exacerbated by the severe downturn in construction and consumer demand in the current crisis.

This will represent a serious challenge for an industry that has enjoyed growth in production and consumption consistently since 1990 (see table 6).

In both EU and North America, where housing starts and completions have taken a dramatic downturn, a similar pattern may be emerging whereby 2009 is yet likely to produce a severe disruption to the wood flooring market. **PFA**

Table 6: EU wood flooring production 1990 – 2007
 Source: FEP, 2008

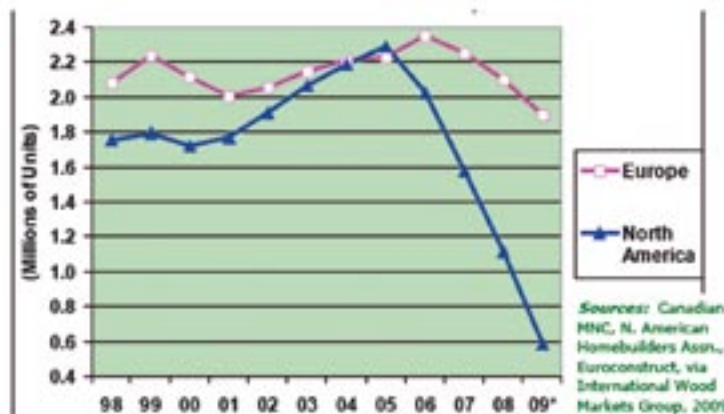
European parquet production and consumption



Source: FEP, 2009.

Table 7: Housing starts in North American & EU 1998 – 2009
 Source: various

Housing starts: N. America vs. Europe



Source: Canadian HNC, N. American Homebuilders Assn., Euroconstruct, via International Wood Markets Group, 2009.