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05630

ID

Distr.
LIMITED

ID/WG.183/9
24 July 1974

ORIGINAL: ENGLISH

United Nations Industrial Development Organization

Seminar on the Furniture
and Joinery Industries

Lahti, Finland

29 July - 17 August 1974

THE FURNITURE INDUSTRY IN MALTA 1/

by

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id.74-4882

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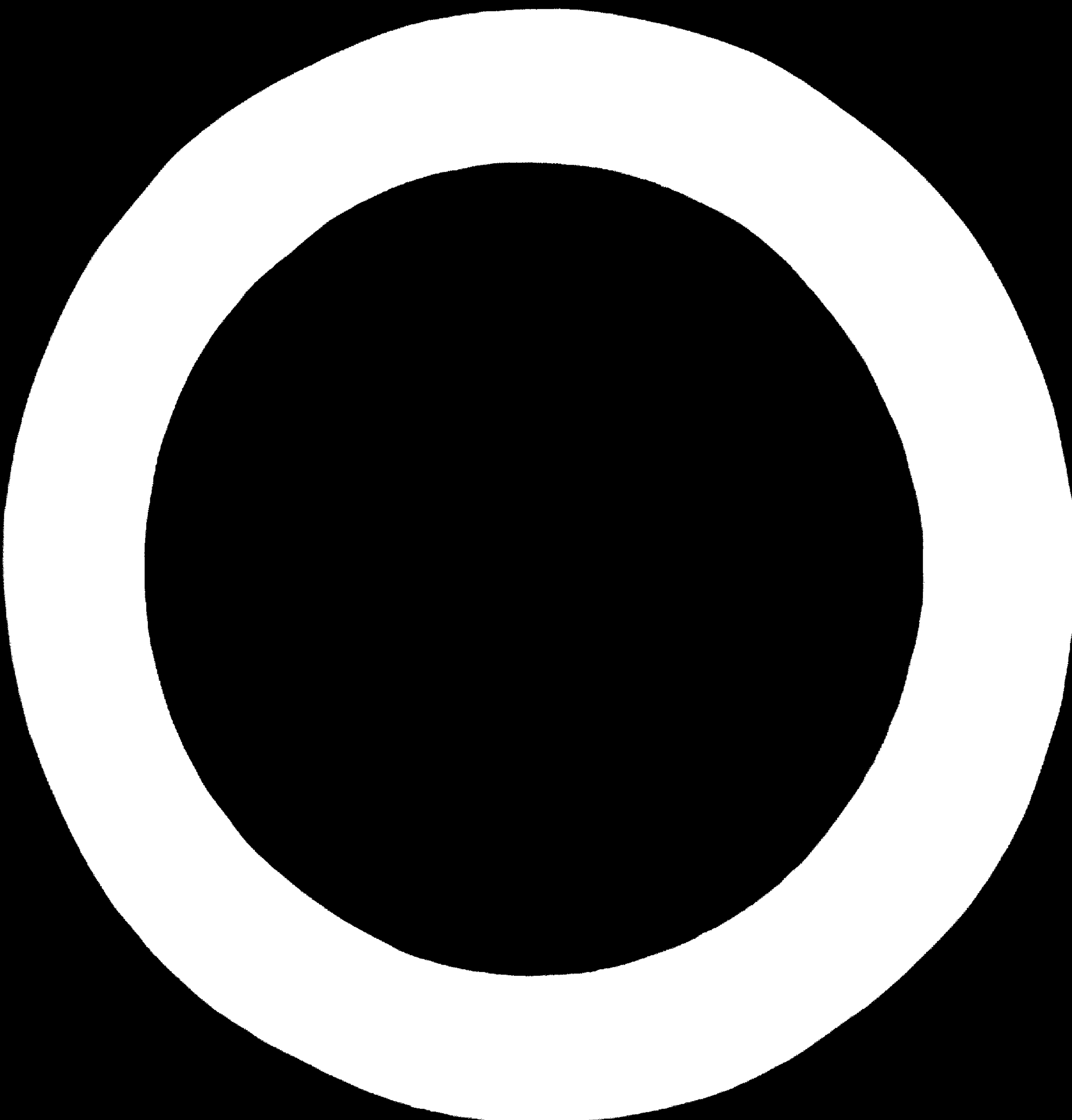

1. Statistical Background

There are approximately 400 firms (1967) engaged in furniture making in Malta. Of these, 21 employ ten or more workers.

18% of these firms produce 72% of the industry's turnover.

The number (1968) of gainfully employed persons in the industry was 1420 or just over 20% of the total employed in the private industry.

The average wage (1967) was £7 - 2s.

In 1968 exports and re-exports amounted to £M55,000 (less than 0.4% of the total exports and re-exports).

Imports (1968) totalled £318,000 (just over 0.6% of the total imports).

Total home production (1968) was estimated at £1,828,000 (just under 3% of gross domestic product).

The consumption per capita of furniture was approximately £6 - 3s. (1968)
(Sources: Metra Report, Annual Abstract of Statistics 1968)

2. The Furniture and Joinery Industry: An Introduction

2.1 Although it is possible to furnish a house fully, the styles available are limited. In contemporary furniture alone, much sought for by hotels, there is a shortage of different designs.

2.2 Because the majority of furniture produced in Malta is heavy, solid timber is still preferred to veneered chipboard and blockboard. Furniture made from board materials is cheaper to produce and is more suitable for centrally heated premises, e.g. hotels, because it is less liable to warp. There is no evidence in Malta as yet of the use of plastic materials in manufacture.

2.3 There is a shortage of skilled labour due mainly to past emigration and the rapidly increasing demand for furniture. This often has to be overcome by overtime work and poaching is sometimes resorted to. Unskilled labour is in reasonable supply but is slow-learning. Absenteeism is rife, especially in summer. Labour turnover is high because of the demand in other better paying industries e.g. construction.

2.4 The larger firms are highly mechanised, including a selection of automatic machines. The variety decreases as the size of the firm decreases so that a small manufacturer will have a few simple machines. The tendency here is to use a machine so long as it is operable even though it may be otherwise desireable and possible to replace it.

2.5 All firms in the industry appear to be family businesses. They are largely family managed and financed from within. Profitability runs high, making available a proportion of the capital needed, should expansion be contemplated.

2.6 With few exceptions premises are not designed for furniture manufacture. Some working spaces are cramped, some premises are multi-storing, creating unnecessary handling, and in most cases, the layout of machines impedes the steady flow of work.

2.7 Productivity in both furniture making and joinery is low, varying between 1/7 and 1/3 of corresponding industries in Western Europe. As the European per capita figures on which these ratios are based refer to firms employing more than ten persons, while the bulk of Maltese firms employ less than ten persons, the figures are not strictly comparable and the situation may in fact be more favourable.

3. Classification of Manufacturers

3.1 Standardized The production of a standard range of items made of components which can be used in different units. A few large firms fall into this category. They use modern machinery, effective production control systems and are market conscious.

3.2 Semi-Standardized This includes firms who do not produce completely standard items but who are attempting to move away from one-off production. The majority of manufacturers employing between twenty and forty persons are partially standardized.

3.3 Non-Standardized These manufacturing units make furniture to order. Quality depends on the skill of craftsmen. Repair work is also undertaken. Units of ten workers or less come under this heading.

3.4 Handicraft Firms which make simple furniture from wood, cane, wrought-iron, etc., or household items such as upholstery, cloths, etc.

3.5 Subsidiaries Examples are joinery businesses set up by property developers who found it difficult to contract out joinery work, contract furnishers employing craftsmen to supply expatriates and flat owners exclusively with simple furniture.

4. Home Demand

In general the demand for furniture in Malta at present is in excess of supply and this lessens the need for marketing information. However, as not all customers' requirements can be satisfied locally, manufacturers may find themselves out of touch with trends.

Furniture has a low replacement rate and is classified as a consumer durable, e.g. it competes with cars, washing machines and T.V. sets for consumer money.

The market can be broken into two main sectors, the domestic sector and the contract sector. Total home demand for furniture and joinery in these two sectors was estimated at £2,407,000 in 1969.

4.1 The Domestic Sector (Furniture Only)

4.11 Maltese Households Demand is difficult to determine. Traditionally a couple will buy most of their furniture at the time of their marriage. Estimates of this amount spent vary from a weighted average of £600 over all income groups to a more conservative average of £200 -350. With 2,000 marriages per year, this signifies an expenditure on furniture of £600,000 to £700,000 per year, increasing to about £800,000 by smaller additional demand. (32% of total home demand)

4.12 Expatriates Demand is virtually impossible to gauge. Most settlers bring out some furniture with them but questionnaire results show that they spend an average of £240 on more furniture within two years of settlement. With an estimated 400 families settling in Malta in 1969, this would have meant a maximum spending of £96,000 (4% of total home demand).

4.13 Owners of holiday flats and villas The furnishing of these premises is another important source of income. Metra investigated the average expenditure per bedroom and the approximate number of new bed spaces in 1969. Their results show £198 and 2,000 respectively, giving an estimated expenditure of £400,000 (16% of total home demand).

4.2 The domestic sector (Joinery Only)

This work is carried out mainly in new dwellings of which it was estimated that 1,700 were constructed in 1969. Joinery at an average value of £250 per dwelling brought total value to £425,000 (17% of total home demand). In addition it was reckoned that settlers spent £38,900 on occupation (2% of total home demand).

4.3 The contract Sector (Furniture and Joinery)

4.31 Hotels Total spending on this item was calculated to be £508,000 in 1969 (20% of total home demand), consisting mainly of initial furnishings (488,000). Most of this amount was spent abroad unlike maltese household spending. This was due mainly to duty-free concessions on imported furniture, the tendency for foreign architects to contact foreign furniture suppliers, and the inability for local manufacturers to meet sudden demand for a large number of units. A small amount (20,000 pounds) is estimated for annual furniture replacement.

4.32 Restaurants, Bars and Clubs Demand here was similar to that for hotels but much smaller (£50,000, 2% of total home demand). Again main orders were placed overseas.

4.33 Government Industry and Commerce The figure quoted for 1969 was estimated at approximately £170,000 (7% of total home demand).

Metra made a forecast of the future local furniture and joinery demand based on the total disposable income and the output of the construction industry. These two factors are not easily predicted and depend on the rate of growth of Malta's economy. The forecast is as follows:

YEAR	ESTIMATED DEMAND £M AT 1968 PRICES	REAL GROWTH %
1970	2.28	1.7
1971	2.31	1.3
1972	2.34	1.3
1973	2.38	1.7
1974	2.41	1.2

5. Export Prospects

The Mediterranean countries together with Western European countries, and North America can be considered as potential export markets.

The demand for furniture in North Africa and the Middle East, though not large, is expanding rapidly. These countries look towards Europe for their source. The oil producing countries are the major markets, their supplies coming mainly from UK and Germany. Except for Libya, the other Middle East oil states present transportation problems. Cyprus' furniture industry is still relatively underdeveloped and its demand is met mainly by inportation. With its expanding tourist industry, its demand is likely to increase.

Western Europe produces large quantities of high value furniture. 80% of the furniture import-export trade in Western Europe is between the countries themselves. In 1968 the EEC countries exported $445m and imported $354m of furniture. In the same year the EFTA countries exported furniture worth $165m, while imports amounted to $174m. If Malta could capture even a small percentage of those imports, the value of the earnings would be considerable.

The United States' furniture imports were $133m in 1968, some of this coming from Europe. As, however, the demand is for mass produced, relatively cheap furniture this is not considered as a suitable market for Malta.

6. The Future of the Industry

Home demand was predicted at £2.41m in 1974. This increase whould be met not by employing more labour but increasing productivity. The size of the firm is a relevant factor in determining the increase in productivity. If the large firms could increase their output by 50% it could reach £2.56m, leaving a surplus of £150,000, compared with the estimated shortfall of £300,000 in 1969.

6.1 Surplus This can be dealt with in a number of ways.

6.11 Reducing Imports Attempts should be made to meet part, though not all of the demand for the hotel sector. As this market is not a regular one care must be taken that there are other outlets for production which will justify the high capital cost of machinery necessary to execute large orders. Imports should not be stopped completely however, as they serve to show current trends, especially in contemporary furniture, and could help increase competitiveness amoung local producers, a quality missing in the present boom.

6.12 Increasing Exports Longer runs and increased mechanization should reduce unit costs and make prices competitive in the export market. The Libyan market should be explored fully, particularly for office furniture and contract work. Export to Western Europe should also be attempted. This should be done by concentrating on one market at a time, rather than dissipating effort over many. France appears to be the most favourably placed for a first attempt. Evidence shows that the style of furniture in demand is well within the possibilities and capabilities of the Maltese Industry. In 1968 France imported furniture worth over £53m. If 0.1% of this demand could be met in Malta, it would result in an earning of over £50,000. (One must not lose sight of tariffs in exportation. France, for example, has an import tariff of 10 - 15% plus a value added tax of 23%)

Cyprus and the Persian Gulf States are potential markets once the transportation problems have been overcome.

6.13 Personal Export This is another possibility. Some lines of furniture, e.g. leather back and seat winged chairs, small semi-circular wall tables are popular to Malta. If these could be redesigned to be dismantled and packed as hand luggage, advantage could be taken of the tourist trade for a new type of export.

7. Productionizing

Firms employing ten workers or less can do little in this direction. They can at most invest in the "universal" type of machine capable of performing several operations.

The medium-sized firms can increase their productivity by production aids. They should, however, retain their flexibility and produce a wider range of styles than at present. They may require assistance in the form of advice on how to organise themselves, particularly the layout of the workshops, the flow of work and the choice and use of machine tools. In some cases new premises may also be necessary.

The larger firms are generally geared to mass production. Their problem is that of being sure of a constant market for volume production of standardized items.

Maltese manufacturers are entitled to use the advisory service of the Furniture Industry Research Associations (Maxwell Road, Stevenage, Hertfordshire, UK).

8. Design

The industry is in need of some good modern designs if its full potential is to be exploited. The initial impetus for this must come from abroad because of the industry's lack of experience with contemporary styles of furniture. The services of a well-respected designer are desireable.

It would be a self-defeating exercise to obtain the services of a designer for the industry on a co-operative basis and it is therefore recommended that managers should be encouraged to travel frequently to Trade Fairs, etc. overseas in order to expose themselves to new trends in design.

Some of the larger firms might find it worthwhile to engage designers for themselves. This can only be done if chief executives of furniture firms are prepared to tr[illegible] to contact and engage suitable designers.

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