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EGYPT TO BRIDGE THE FUTURE

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The furniture industry, employing about one million workforce in Egypt, is considered one of the most flourishing industrial sectors in the country and can count on an ancient tradition of craftsmanship that spans for centuries. Besides its strong traditional roots, the furniture industry seems to be everything but a static one and the resolute aim of reaching new markets and segments seems to mirror the growing figures recorded both from production and exports.

The Egyptian furniture sector experienced a deep transformation process in order to reach foreign markets. Until a few years ago exporters produced almost exclusively classic furniture, while currently Egyptian producers are starting to offer contemporary design furniture, which is a key opportunity to differentiate Egyptians from low-cost producers. Moreover, many firms are working with European designers, through a combination of classic forms with exotic materials and ancient Egyptian themes.

ADVANTAGES AND WEAK POINTS

The Egyptian furniture industry has some competitive advantages like the large number of skilled artisan workshops with a long tradition in carving wood and the low cost of blue collars (from 60 Euro for unskilled per month, from 150 to 300 for skilled workers) compared to the Asian market. Another comparative advantage is the location on the Mediterranean Sea. This allows producers to purchase affordable wood from Europe, whereas the proximity to targeted markets (European Union, North African and Middle Eastern countries) makes Shipping Cost lower if compared to the Asian region.

Despite the improvement recorded in recent years, some weaknesses remain, with the furniture industry still lagging behind foreign competitors. According to some operators, the sector features major constraints as regards technology and management techniques, although the diffusion of modern equipment in production plants is increasing.

As for raw materials, one weak point is the almost total reliance of local manufacturers on imported components. The dependence on foreign supplies makes the industry highly vulnerable to rising international prices and currency fluctuations, both of which have a serious impact on end prices.

Efforts of integration of Egypt within the area are noticeable. A number of bilateral Agreements with foreign countries have been signed (AGADIR, Creation of a free trade area among Egypt, Jordan, Morocco, Tunisia; TIFA, Egypt-USA Trade and Investment Framework Agreement; PAFTA, "Pan Arab Free Trade Area" among Egypt, United Arab Emirates, Bahrain, Jordan, Tunisia, Saudi Arabia, Sudan, Syria, Iraq, Oman, Palestine, Qatar, Kuwait, Lebanon, Libya, Morocco, Yemen; TURKEY, The Free Trade Agreement between Egypt and Turkey; the COMESA Agreement "Common Market for East and South Africa".

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SUPPORTING EXPORT STRATEGY

Egypt's increase in the furniture exports/production ratio (measuring the export propensity) was really impressive between 2000 and 2008, rising from 3% in 2000 to 26% in 2009. Currently the major markets of destination are the Gulf countries and, to a lesser extent, Europe.

As previously mentioned, in 2009 the impact of the global economic crisis limited export growth to 2%. Despite the 2009 slowdown, growth in furniture exports was impressive in the last decade, also due to the supportive policies adopted by the government with the aim to build an internationally recognised furniture design and production industry in Egypt.

MEETING POINT FURNEX

The International Furniture and Home Furnishing Fair **"Furnex"** is a good example. Thousands of global and local buyers and contractors gathered in Cairo from 3 to 7 June 2010 to attend the 7th edition of the fair, which hosted around 230 Egyptian manufacturers on its 21,000 sqm floor space and showcased Egypt as a global sourcing destination. Around 800 customers out of total 75,000 visitors, came from around the world, including architects, designers, retailers and wholesalers. The fair was organized by **Expolink**, the Egyptian Exporters Association which aims to promote Egyptian industry abroad, funded through the **IMC**, the Industrial Modernization Centre, an independent body to implement and coordinate the modernization of Egyptian industry and managed by **EFEC**, the Egyptian Furniture Export Council, an independent body to support the furniture sector as one of the very fast developing industrial sectors in Egypt.
"Focussing on design started 3 years ago - said Omneya El Maghraby, Executive Director at EFEC - and many initiatives were created since then".

The business climate was good and many interviewed managers spoke about plant openings, new projects forecoming, flourishing export activity and two-digit growth rates in sales. Craftmanship and hand-carving in cooperation with leading international designers was the key of success of **Fayek**, a leading Egyptian furniture manufacturers in its fourth generation, who furnishes houses and leading hotel chains such as Hilton, Four Seasons and now in Cairo the "Maison de Charme" project. Ancient tradition was also the key of success of **Nadim**, with almost 900 workers offering a wide range of products, from furniture to wall cladding, special flooring and parquet, decorative ceiling, doors and windows. The company is now focussing more and more on the high end of the market (A class, both hotels and villas) and moving to the modern/design segment.

DESIGN INPUTS

This year's Furnex coincided with **"+20 Egypt Design"**, the first urban design event for the region. An initiative supported by the Ministry of Trade and Industry and the Ministry of Culture and committed to DesignPartners from Italy. The event used the culturally and aesthetically rich backdrop of three historical Cairo buildings to draw on the expertise of local manufacturers and designers alongside with leading global brands.

This event is part of a long-term project for the country heading to place Egyptian design and Cairo onto the international design map.

L Lounge Seat
by Karim Mekhtigian.

Margo Table
by Cherif Makram
(Photo Ahmed Zaatar)

And the design environment is particularly lively in Cairo. Karim Mekhtigian, chief designer at **Alchemy** is intensifying cooperations with companies in Egypt and, in addition to its two showrooms in Cairo, the company recently expanded its scope of action through the opening of a showroom in Bahrain. Designers and brothers, Cherif Makram and Ramy Makram also take on a family business creating a new brand, **&Cairo**. Products exhibited at Furnex meant to reflect each designers' personal relationship with the city of Cairo, through the choice of typical textures, colors and materials. **Designopolis** is stretched over an area of 850 meters directly on the Cairo–Alex desert road gathering over 200 retail stores and 100 world known brands aiming to be more than just a shopping centre, but a comprehensive design beacon in the region.

OPPORTUNITIES ON THE DOMESTIC MARKET

Despite its focus on the export markets, the furniture industry seems not loosing track of the vast growing local market in terms of new real estate communities under construction, satellite cities, mega projects, and touristic developments. **Meuble El Chark** combines a flourishing export activity with the production for the local market, investing in machinery and producing 200 seats per day. Focussed on upholstered and non upholstered chairs, the company benefits from the economic growth of the domestic market and boasts booming export activity in Saudi Arabia, Iraq, Sudan. **SIRO** is growing fast and gaining more and more market share. The mother company is in Austria and the Egyptian company was established in the '80s. Company vision is "to provide modern furniture at affordable prices" and it is true both for the local market (hotels in the B and C range) and abroad (a US$ 5 million project for a University in Saudi Arabia). **Pinocchio** is located in the Damietta cluster (once focussed only on classical style, and now also approaching the design market) selling to the domestic market. The company registered a two-digit growth in the last 2-3 years and declared that the crisis was not perceived so hard in the country.

The future seems to be promising as well. According to CSIL forecasts, Egypt is expected to perform a +3% growth (in real terms) for the years to come. Opportunities are mainly concentrated in the contract segment. Particularly in the tourism sector, Egypt has a huge potential as one of the major emerging African market.
According to sector experts, the hotel capacity of over 190,000 rooms in 2007 is still limited and doesn't match the demand; currently around 150,000 rooms are under construction. The government's objective is to reach 14 million visitors by 2011.