

THE EXPORT AND IMPORT POTENTIAL OF THE REPUBLIC OF MOLDOVA FOR FURNITURE AND FURNITURE ITEMS

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Abstract:

The present study describes the mechanisms and the commercial tools of the Republic of Moldova regarding the furniture sales volume, with a special emphasis on the requirements of trade with the European Union countries. We also present a statistical analysis on the furniture export and import in the Republic of Moldova. The key market players presented are: “Viitorul” Furniture Factory, “Stejaur”, and ICAM.

Keywords: *export, import, players, enterprises, furniture industry, statistical data, customers, manufacturers.*

The European Union represents the main marketplace for the furniture produced by the local manufacturers. In the previous year, Moldovan companies had exported to EU furniture amounting to 76 million USD, or about 72 percent of the total exports of furniture. During the last three years, Moldovan exports of furniture rose by 27%, totaling 105 million USD. However, Moldovan furniture manufacturers complain that in the recent years they have to face massive furniture imports. The illegal furniture imports from the Ukraine represent the biggest problem for the growth of Moldovan furniture industry. In 2013, the imports of furniture reached 70.6 million MDL, slightly more than half of what had been exported.

As players in the furniture industry of the Republic of Moldova, along with the local enterprises, which belong to the Furniture Manufacturers Association (mentioned in the chapter above), 469 companies were active in

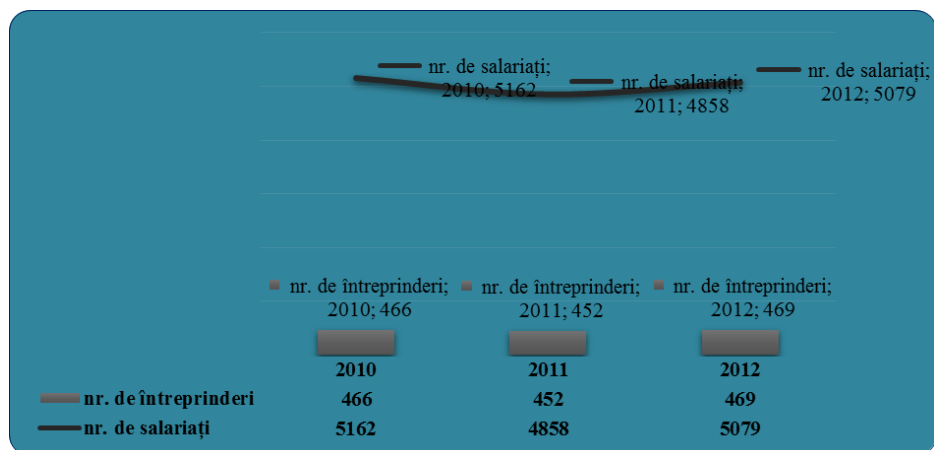
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2012, with a total of 5079 employees. But, although a relatively significant number of companies is active on the market, the furniture industry is quite fragmented, having only a few leading players.

It may be noted that a few main players dictated on the furniture industry. According to the data presented by the Statistics Bureau, in 2012, only 5 companies drive the market, producing 42% of the total of the furniture market, which in nominal values entails 344.9 million MDL. SC “Creator Iu. Bors” LLC, which currently has a number of approximately 300 employees, is found among the market leaders. The following models are comprised in its product portfolio: upholstered furniture, wall furniture, bedrooms and kitchens.

Figure 1: Evolution of the number of companies and employees

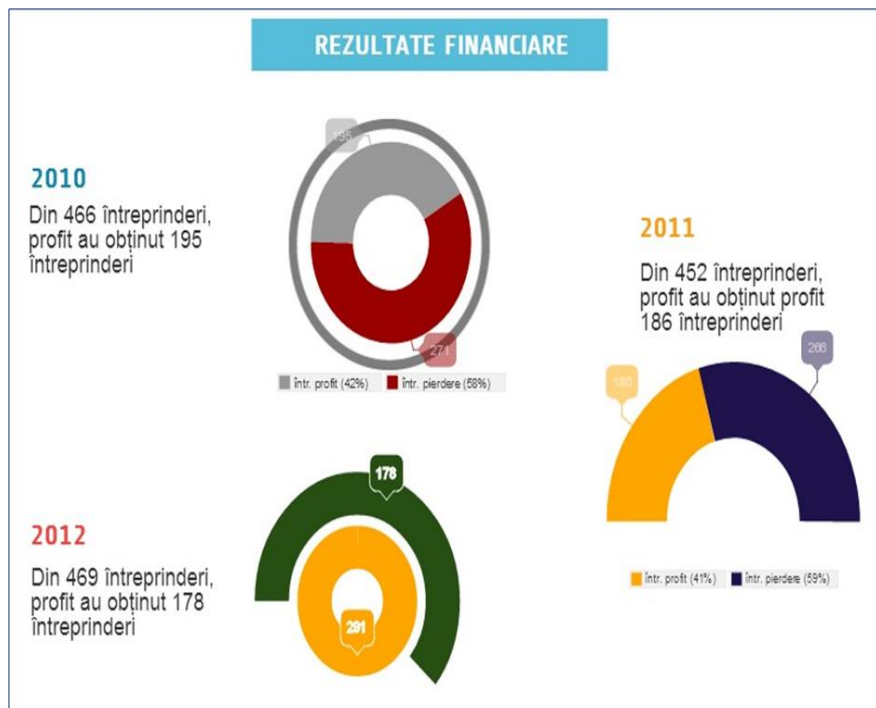


Source: Calculated by the authors based on the data of the National Bureau of Statistics [1]

We note a direct proportion between the evolution of the number of companies in the furniture industry and the number of employees involved in this sector. Both, the number of employees and the number of companies, experienced a significant decrease in 2011, with a sudden revival in 2012. In this context, the last reference period indicates a share of only 0.92% of the number of enterprises operating in the furniture industry in the total of national economy enterprises for the year of 2012. At the same time, being a relatively fragmented sector, and, facing the fact that consumer preferences are

oriented towards the export products, for the period of 2010-2012, less than half of the enterprises working in the industry have made a profit.

Figure 2: The profitability of companies in the furniture industry



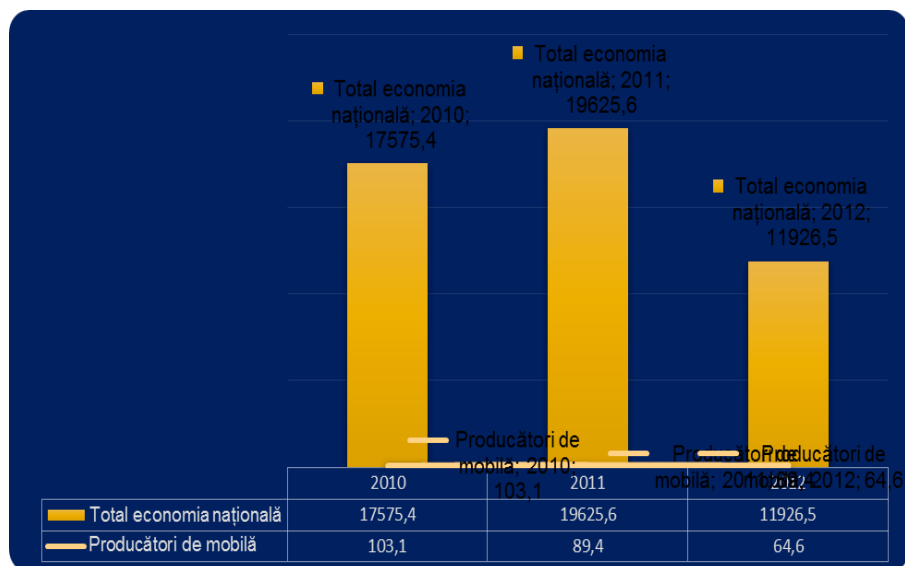
Source: Elaborated by the authors based on the data from the National Bureau of Statistics

For the analyzed period of 2010-2012, the financial results of enterprises that registered an income are in a continuous decline and are directly proportional to the reduction in the number of companies that registered profit. This phenomenon has been caused by the fact that consumers prefer the imported furniture (according to the study made by USAID CEEDII in 2012), while the local manufacturers face the problem of the competitiveness.

A significant decrease of the profit, registered by the companies in the field of furniture, is present indifferently of the fact that in the economy, in

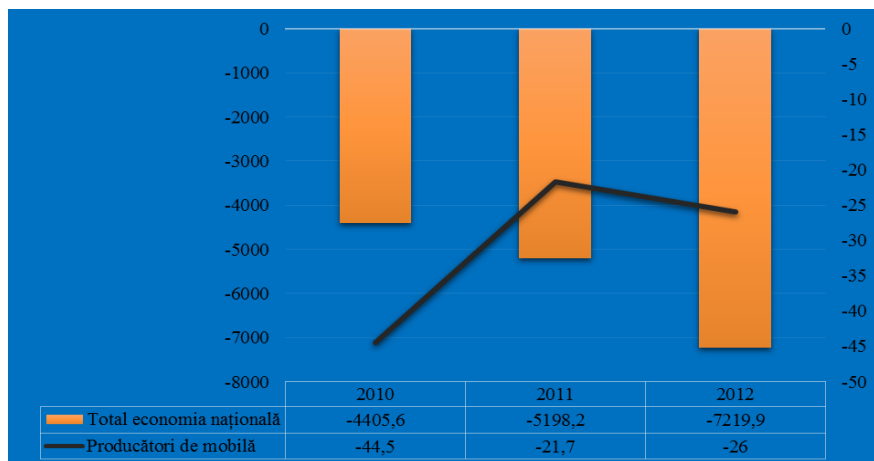
generally, the situation is cyclical, where, in the periods 2010-2012, there has been registered a revival of business activities within the national economy, of the fund of partial dissolution, as effects of global crisis. Concerning the 255 enterprises in 2010, the 248 enterprises in 2011 and, the 274 enterprises in 2012, is mentioned the losses of enterprises, the situation is represented in the Figure 4.

Figure 3: The financial results of the companies with profit, million, MDL



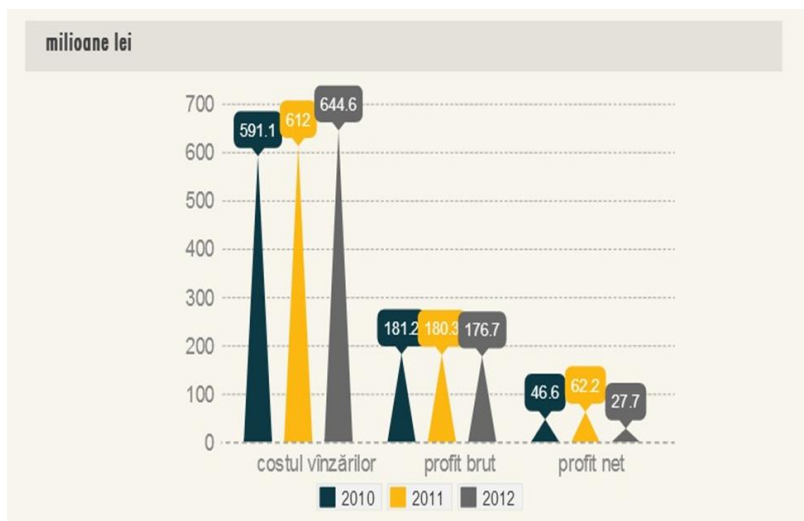
Source: elaborated by the authors based on the data from the National Bureau of Statistics

Figure 4: Financial results of companies that have suffered losses, million, MDL



Source: elaborated by the authors based on the data of the National Bureau of Statistics

Figure 5: The financial results of economic entities whose main activity is related to the furniture production



Source: elaborated by the authors based on the data from the National Bureau of Statistics

According to a study conducted by Natalia Ciuvaga in 2014, which can also be found on the www.eco.md website, we can note the following facts about some of the key players in the market:

1) *„Viitorul” Furniture Factory*

A good example is the case of the “Viitorul” JSC Furniture Factory. Although it is one of the biggest furniture manufacturers in the country, during the last four years this factory, based in Chisinau, has registered only losses. However, last year the company managed to reduce its losses from over one million MDL in 2011, to only 150 thousand MDL. Even if the profit seem to remedy somehow, the sales of the furniture factory are stagnating. In 2013, the company’s turnover has slightly increased, totaling about 7.22 million MDL. Currently, „Viitorul” JSC, run by Anatol Ivanov, deputy in the first Moldovan parliament, has the total assets of 22.57 million MDL.

2) *„Stejaur” Furniture Factory*

Neither the factory Stejaur, which is another great furniture manufacturer from the country, can return to profit. The same as a year earlier, the furniture factory ended the year of 2013 with losses over 350 thousand MDL. In fact, during the last seven years, „Stejaur” has registered income only in 2009 and 2011, the accumulated losses of the company in this period totaling nearly four million MDL. Despite the suffered losses, the sales of furniture manufacturer have increased by over 67% last year to 12.8 million MDL. It seems that the sales of „Stejaur” factory return to the numbers it reached before the financial crisis of 2009, during which they fell by half.

3) *ICAM Furniture Factory*

The ICAM furniture factory, located in Chisinau, has registered poor results as well. Last year, it has increased its losses by nearly ten times and reached 4.5 million MDL. Unlike other Moldovan furniture manufacturers, ICAM’s affairs have come to go wrong in the last two years, until then, the factory constantly reported significant profits, from two million to eight million MDL. The strange thing is that even though the company’s losses have increased in recent years, the sales have continued to grow. Thus, at the end of last year, the turnover of ICAM exceeded 26.8 million MDL, increasing by 47% compared to 2012. [2]

Although there are many problems in the development of the furniture industry in the Republic of Moldova, USAID CEED II is one of the projects initiated in this regard.

The main objective of the Competitiveness Enhancement and Enterprise Development Project II (CEED II), funded by USAID, is to support the Moldovan companies' ability to compete successfully in the local and foreign markets, thus helping to develop the main national industries by increasing sales and investments. CEED II complements and supports the Government's strategy to increase competitiveness and exports. The project aims at increasing the competitiveness of the target industries by enhancing the productivity, increasing the trade and investment, and improving the public-private dialogue to improve the business environment.

CEED II will focus on the following sectors: fashion accessories, furniture and home accessories, information technology (IT), textiles and clothing, wine and tourism. The duration of the project is from December 2010 to December 2014, being implemented by Chemonics International Inc. and Dexis Consulting Group.

Among its priority actions, CEED II Project will provide technical assistance, training and any other necessary support to the implementation of the activities in the following nine areas, within the target industries:

- Technologies and business processes optimization;
- The development of labour force capacity;
- The development of the service providers capacity and the other value chain actors in the sector;
- The improvement of the quality of products and services offered by companies;
- The positioning and promotion of products and services on the strategic markets;
- Improving the access of firms to financing and investments; [3]

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