Some perspective on furniture imports

by Andrew Brod

A Brod View

Andrew Brod is the director of the University of North Carolina at Greensboro's Office of Business and Economic Research. You can reach him at (336) 334-4867 or AndrewBrod@uncg.edu. An archive of Dr. Brod's columns is available at www.uncg.edu/bae/ober.

Last month the American Home Furnishings Alliance released new data on domestic production of household furniture. AHFA tracks domestic shipments, using U.S. census data to benchmark its figures. When new census information came out, AHFA recalibrated its shipment data, and the results were grim.

According to the revised data, the value of U.S. household furniture production in 2006 was $21.2 billion, or 19 percent less than the previous estimate of $27.7 billion. For wood furniture, the correction was even greater, with the revised value nearly 37 percent less than the original estimate.

The new figures shed new light on imports of household furniture. It was previously estimated that imports accounted for about 51 percent of wood household furniture sold in the U.S. The new figures imply that 63 percent of wood furniture sold in 2006 was imported. Import penetration was 29 percent for upholstery and 67 percent for metal and other household furniture.

These figures are sobering for furniture manufacturers, though they're probably not surprising. I thought it'd be useful for us to gain some perspective on these import statistics. Imports have made dramatic inroads in furniture over the last decade or so, but imports have penetrated other industries by even more.

The U.S. International Trade Commission keeps track of import data by industry, and it calculates the ratio of imports to domestic consumption. The ratio doesn't account for changes in inventories, but it's a good way to compare import penetration across industries. For all furniture (not just household furniture), the import-to-consumption ratio was 31 percent in 2006, up from 24 percent in 2002.

But as the accompanying table shows, imports are a bigger factor in other industries. In fact, furniture's import-to-consumption ratio is one of the lowest among what USITC calls "miscellaneous manufactures." Also in that group is luggage and handbags, in which virtually all domestic consumption is imported. Other miscellaneous manufactures include toys (82 percent), bicycles (71 percent), costume jewelry (59 percent), and sporting goods (35 percent). The only industries in that group with lower import-to-consumption ratios are prefabricated buildings (2 percent), apparel fasteners (16 percent), and non-electric hair-grooming articles other than brushes (26 percent).

Similar stories can be told in other manufacturing industries. Imports account for over 90 percent of domestic sales of consumer electronics, televisions, and video monitors. Imports also loom large in the sales of computers, cameras, and motor vehicles. And lest anyone forget in this time of high energy prices, imports accounted for 60 percent of our crude oil consumption in 2006.

To be sure, this table shows only a subset of the many industries in the U.S. economy, and there are many industries in which domestic production dominates the domestic market. But the table does a good job of illustrating that the situation facing furniture is far from unique.

One of the biggest factors in the future will be the continuing weakness of the dollar, which makes imports cost more and exports cost less in foreign markets. American manufacturers in all industries have to love that. And sure enough, various figures indicate that the demand for furniture imports fell in 2007. Of course, the weak dollar isn't a good thing for a customer whose heart is set on a fancy Danish import — but it is altering the playing field in furniture manufacturing. NHFA

According to 2006 ITC data,

furniture has been less affected by imports than other industries.

Import-to-Consumption Ratios, Selected Industries, 2006

Industry	Ratio (%)
Consumer electronics (not televisions)	96.8
Televisions and monitors	91.7
Textile machinery	90.5
Toys	82.1
Apparel	74.8
Bicycles	71.3
Computers and peripherals	65.1
Cameras and photographic equipment	63.4
Crude petroleum	60.0
Household appliances	59.5
Costume jewelry	58.5
Motor vehicles	42.4
Semiconductors and integrated circuits	38.6
Sporting goods	35.0
Furniture	31.1
Farm and garden machinery	30.6
Forklifts and industrial equipment	27.9
Optical fibers and cables	19.2
Carpets and rugs	13.8
Prefabricated buildings	2.2

Source: U.S. International Trade Commission