

Brazil's Furniture Industry Counting on Strong Dollar to Weather Crisis

Contributed by Newsroom
Tuesday, 03 February 2009

To invest in design and new markets is the best strategy for furniture producers to overcome the global economic crisis in 2009, generating business opportunities. This recommendation is by the president of the Brazilian Furniture Industry Association (Abimóvel), José Luiz Diaz Fernandez. Dismissals are not expected in the period. Labor in the furniture industry is considered lacking.

Tax and labor reforms are still desired by employees. The proposal for reduction of the Industrialized Product Tax (IPI) for sector products, which has already been approved by the Lower House and by the Senate, but was vetoed by Brazilian president Luiz Inácio Lula da Silva, still mobilizes furniture producers.

The first quarter of 2009 should be a special period for the furniture sector, forecasts Diaz Fernandez. From January to March, the Brazilian market should reveal, with greater objectiveness and precision, the level of impact of the global economic crisis on the wood and furniture productive chain.

Access to credit is the great challenge for businessmen early this year. It is a fundamental resource for company turning capital. The results reached by the sector last year are still being analyzed by Abimóvel.

The appreciated dollar, stabilized at between 2.10 and 2.20 reais for a dollar, should benefit the business, favoring exports this year.

In the period from February 10th to 15th, the Brazilian Furniture event will be promoted Las Vegas (US). It should serve as an indicator of how the American market, the main buyer of Brazilian furniture, is progressing. In August, the first Abimóvel Salon will take place in the city of São Paulo, boosting sector business as never before.

José Luiz Diaz Fernandez spoke about the impact, up to now, of the global economic crisis in the wood and furniture productive chain. The furniture sector is made up of 16,500 companies, being most micro and small. The activity generates 232,000 direct jobs and around 460,000 indirect jobs in the country.

The effects of the crisis are arriving in Brazil. Does this threaten the sector?

It all depends on the first half. I am no longer scared, but confident that it will be just one more crisis. It should not be as serious for Brazil.

How is the business doing early this year?

Many businessmen have orders on hold. Last September, we had reasonable stocks of raw materials. For this reason, the crisis has not affected our sector so much.

In October, you said that the prices of raw material and inputs were rising very much. Has the establishment of stocks been affected?

When the crisis blew up, last September, we were living a period in which stocks of raw material and inputs were full. Orders for the end of the year generally start arriving in August, for delivery in December. The crisis has compromised the number of orders, but we also did not have to worry about replenishing stocks.

Is it possible for there to be a reduction in labor in the furniture sector?

If there are dismissals, they should be few, as furniture sector labor is few and far between.

Have the measures already announced by the government improved access to credit?

The scenery of the first quarter should be the great challenge for 2009, as it will show how credit will be, mainly for turning capital. For the transformation industry, turning capital is very important and it depends greatly on credit. From the order to delivery of products it takes practically six months. Turning capital is crucial to our sector.

Credit is still very expensive and the guarantees required are abusive, around 120%. The bank's evaluation of the goods we offer as guarantees to the financing are generally much more valuable. Interest is very high. The government has been simplifying access to credit, but the problem has not yet been solved. It is still very hard, especially for small businesses.

What are the business perspectives for 2009?

We are going to turn ourselves mainly to exports, which are being favored by the appreciation of the dollar. The Abimóvel target for 2010 is to reach 10% company participation in the furniture export market. Business prospecting trips, this year, are already scheduled for Canada, Africa, India and Russia. We are going to seek new markets for Brazilian furniture with greater emphasis.

Is business in dollars the bet of furniture producers?

Appreciation of the dollar was abrupt and strong in the early stages of the crisis, generating great apprehension. Currently, deals in dollar are good for our sector. We believe that exchange rates should stabilize at between 2.10 and 2.20 Brazilian reais per dollar, and this should result in greater exports from now on, despite the markets abroad being greatly recessive. We are going to participate in the Brazilian Furniture event, in Las Vegas, from February 10th to 15th. We are going to feel the American market, the main market for our products.

How do you evaluate the position of Brazil in this crisis?

We are better prepared than in previous years. This crisis is being worse worldwide than in Brazil. Brazil is used to crises. We have always lived and survived crises of several kinds: economic, institutional and political, etc. We are more schooled than the rest of the world with regard to dealing with them.

What is the requirement of furniture producers with regard to the Industrialized Product Tax [IPI]?

Our proposal with regard to the IPI is reduction to 5%, especially for plush and metal furniture. The proposal was approved by the Lower House and by the Senate, but was vetoed by the president of the Republic. We are working alongside the Revenue Service, but things are not working out. This matter should have been solved two years ago. The greater span for payment of the ICMS, to ten days, announced by the federal government, due to the global crisis, is not enough. As is the case with some federal taxes that have been postponed.

Apart from prospecting trips abroad, how is the Abimóvel agenda for this year?

In August we are going to promote the First Abimóvel Salon in São Paulo, with participation of the largest number of companies that make furniture in Brazil. We should also have the largest furniture sector business roundtables ever promoted in the country with national and foreign companies. This event should generate orders for the end of the year. The first Furniture Salon should generate great leverage to the sector.

Sebrae