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WORLD MATTRESS INDUSTRY: TRENDS OF LAST 10 YEARS AND INSIGHTS IN THE FIRST HALF OF 2020

The world mattress consumption, production, and trade have grown in the last ten years recording different performances among the geographical areas. During the first half of 2020, the outbreak of Covid-19 has brought strong effects worldwide, affecting the furniture and the mattress markets both from the demand and the supply side. The consequences on mattress consumption are still uncertain and may vary widely from country to country depending on the severity of the contagion, the length of the lockdown, the status of the economy in early 2020, and the ability to use resources to assist in the recovery. CSIL recently processed sector forecasts (2020 and 2021) for major markets (and geographical areas) providing some insights in the sector's development in the first half of 2020 included in the report "The World Mattress Industry" (see box).

A CLOSER LOOK AT THE MARKETS

Globally, mattress production confirmed growth in 2019 over the last decade: the value of mattresses produced worldwide increased by 44% since 2010 reaching nearly US$ 30 billion. The global mattress production is highly concentrated in a few countries (about 70% of world mattress production is made in only five countries). The fastest growing area was Asia Pacific which almost doubled its production value compared to 2010, increasing its weight mainly to the disadvantage of Western Europe. The trend for Europe is positive with the new European countries experiencing good results and increasing the production value by over 60% in the last ten years, driven by Poland, the largest producer across the area. The role of exports in driving European mattress production has been growing but the industry remains concentrated on the European market.

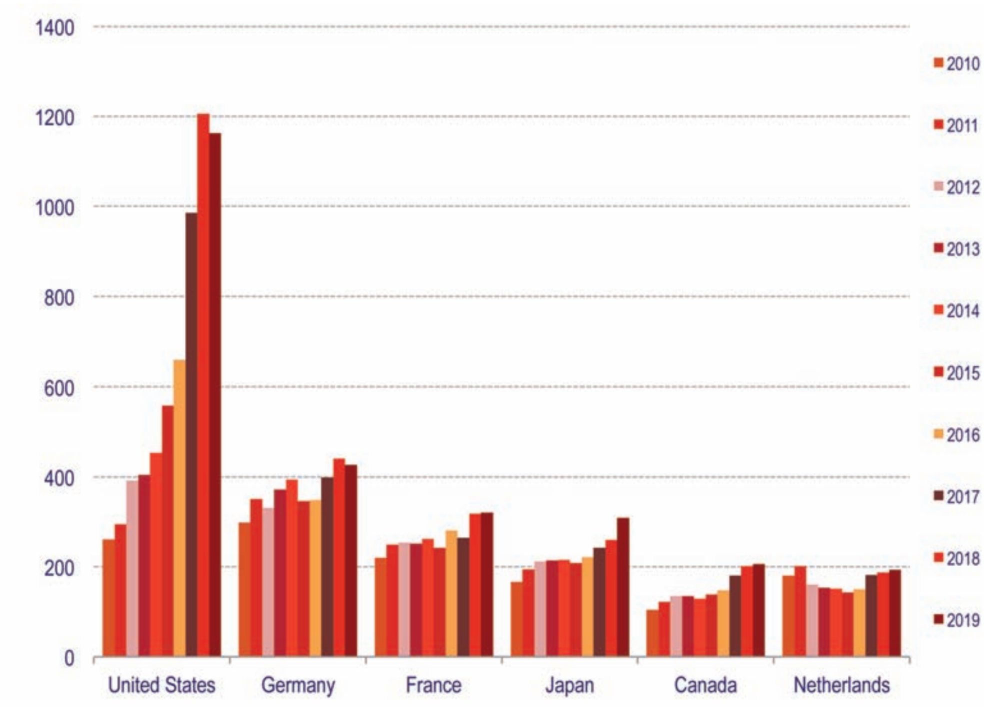
Asia Pacific is not only the largest production and export base for the global mattress industry, but it also became the largest and fastest growing market in the last ten years. China and India are the first and the third mattress markets worldwide, respectively, and have shown a remarkable increase in terms of mattress consumption in the last decade, mainly driven by a fast urbanization process, increasing purchasing power of an expanding middle class and overall improving living conditions. The hospitality sector gave an important stimulus to the growth of the market in both countries.

A good performer is also North America, driven by the United States, world's first mattress market, which increased the consumption value by 6% yearly in the period 2010-2019.

The US is also the largest mattress importing country. In the last decade, imports from China grew considerably, mainly due to the increasing demand for bed-in-a-box mattresses addressed to bedding e-tailers and retailers offering this product both online and in their brick-and-mortar stores. This trend changed dramatically in 2019, when the US adopted protective measures (the imposition of tariffs on Chinese imported mattresses and the antidumping petition) in favor of domestic production, causing a sharp decrease in imports from China.

However, imports from other South Asian countries, in particular

MATTRESS IMPORTS, 6 MAJOR IMPORTING COUNTRIES, 2010-2019. US$ MILLION



Source: CSIL processing of official data

Vietnam, Malaysia, and Indonesia, more than compensated the decrease in imports from China. These countries together exported mattresses for a value of US$ 770 million (four times higher than in 2018), of which over 75% destined to the US market.

Some leading Chinese mattress manufacturers are strategically and quickly responding by re-aligning their production locations to minimize the impact. Large export-oriented manufacturers are trying to diversify their manufacturing and logistics locations (not only to other Asian countries Vietnam, Thailand, Malaysia, but also in the US and Europe) to increase the flexibility and minimize the overall costs including production, tariff, and transportation.

AFTER THE OUTBREAK

These were among the major structural trends that shaped the global mattress industry in the last ten years. The outbreak of Covid-19 has posed different challenges to the industry. From the end of January 2020 almost all China's retail stores closed (eg. Red Star Macalline, the largest furniture chain in China, closed its 337 malls from end January until March and the same occurred for the 30 IKEA stores across the country). One month later, almost all countries have been affected by the spread of the pandemic and were forced to start periods of lockdown. In many countries, retail and production activities have been suspended. Different lenght of the lockdown and degree of restrictions have been applied across countries and geographical areas and, in some cases, they are still ongoing.

This resulted in a worldwide decrease in retail sales, especially for brick-and-mortar stores. However, there are some aspects to take into consideration.

A SHIFT TO ONLINE SALES

The online channel, which in recent years eroded offline shares among the global mattress retail markets, is partially compensating the sharp decrease of brick-and-mortar stores' sales. A fast increase in online sales is recorded among the largest home furniture and mattress retailers during the first semester. Most retailers have shifted their focus to online sales and achieved encouraging results during the first half of 2020 compared to the same period of 2019. This could be an opportunity for both mattress retailers and manufacturers to invest in new or already launched projects to increase their online presence into the market and to integrate online and offline channels, thus moving closer to final consumers.

Some mattress (and upholstered furniture) producers, during the period of lowest demand, relocated part of the production to medical devices (like face masks) and medical mattresses, which have been largely in demand. In particular, the hospital sector could be seen as an opportunity in a market niche, which is estimated to increase in the near future.