

# The German furniture industry in the Corona crisis

## What to do now

Friday, 27.03.2020



Photo: Rauch

***Michael Stiehl (photo), President-in-Office of the Association of the German Furniture Industry (VDM), calls for partnership-based action and solidarity in dealing with the Corona crisis:*** "The furniture trade in Germany and in important European sales markets has been closed for a week and a half, and thus the central sales channel of the furniture industry was brutally cut. Even though our manufacturers are still largely deliverable, the economic situation in the industry will worsen drastically in the next few weeks. Since no one can yet foresee how long this shutdown will last, securing the liquidity is now of central importance for the entire industry. This applies equally to industry and trade. Against this serious background, partnership and solidarity are required. The necessary protection of one's own liquidity must not be carried out on the back of the other side of the market. Contracts must also be kept in the crisis. Unilateral cancellation of orders, extension of payment terms or additional conditions undermine the necessary relationship of trust and harm the industry. Ultimately, industry and trade together produce the products that design and beautify people's private retreat in a rough and confusing world. This is a value that we should focus on together in view of the post-crisis period."

In terms of politics, the VDM, together with the organization of the German timber industry HDH,

advocates additional protection for commercial credit insurance. As in the 2008/2009 financial crisis, as part of the current state aid to support the economy, an increase model with state guarantees should step in if private credit insurers can no longer cover part of the bad debt risk due to the crisis. Such state protection of reinsurers provides both the trade and the supplying industry with adequate financial security, regardless of the sector, and could help to keep the flow of goods still functioning in many places.

## **What to do now**

### **Management summary**

The German furniture industry in the Corona crisis What to do now March 27th, 2020 Michael Stiehl (photo), President-in-Office of the Association of the German Furniture Industry (VDM), calls for partnership-based action and solidarity in dealing with the Corona crisis: "The furniture trade in Germany and in important European sales markets has been closed for a week and a half, and thus the central sales channel of the furniture industry was brutally cut. Even though our manufacturers are still largely deliverable, the economic situation in the industry will worsen drastically in the next few weeks. Since no one can yet foresee how long this shutdown will last, securing the liquidity is now of central importance for the entire industry. This applies equally to industry and trade. Against this serious background, partnership and solidarity are required. The necessary protection of one's own liquidity must not be carried out on the back of the other side of the market. Contracts must also be kept in the crisis. Unilateral cancellation of orders, extension of payment terms or additional conditions undermine the necessary relationship of trust and harm the industry. Ultimately, industry and trade together produce the products that design and beautify people's private retreat in a rough and confusing world. This is a value that we should focus on together in view of the post-crisis period. " In terms of politics, the VDM, together with the organization of the German timber industry HDH, advocates additional protection for commercial credit insurance. As in the 2008/2009 financial crisis, as part of the current state aid to support the economy, an increase model with state guarantees should step in if private credit insurers can no longer cover part of the bad debt risk due to the crisis. Such state protection of reinsurers provides both the trade and the supplying industry with adequate financial security, regardless of the sector, and could help to keep the flow of goods still functioning in many places.