

# The European market potential for handwoven rugs

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Europe sources about two thirds of its handwoven rug imports from developing countries, making it an interesting market for you. For the production of handmade rugs, both environmental and social sustainability are highly relevant. You can further add a story to your products by using traditional techniques and designs, possibly with a more contemporary twist. As customisation and co-creation have become increasingly important, offering this possibility makes you more attractive as a supplier.

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## 1. Product description

Within the Home Decoration and Home Textiles (HDHT) sector, handwoven rugs are categorised under the 'home textiles' category. These handwoven textile floor coverings are produced all over the world under different names, like kilim, soumak, jajim and sotronji, or simply as hand- or flatwoven rug.

This study uses the following codes to indicate trade in handwoven rugs:

Table 1: Product codes

Harmonised System (HS)	Prodcom	Description
5702 10		Kelem, Schumacks, Karamanie and similar hand-woven rugs, whether or not made up
	13 93 12 00	Carpets and other textile floor coverings, woven

## Functionality

Most handwoven rugs are purchased to enhance the atmosphere of the home, making decorativeness their most important quality. Rugs can also serve to provide warmth and noise reduction. Given that they will be walked on, rugs must be durable. Some rugs are also used as wall decoration, but this is a relatively small part of the market.

## Material

Most handwoven rugs are made of wool or other fine animal hair like alpaca, llama or yak. They can also be made of cotton, silk or recycled materials. Blends of different fibres are possible as well, just as the use of materials like jute, hemp, viscose and (recycled) leather.

## Size

Sizes are usually provided in feet (1 foot = 30.48 cm). Typical sizes are:

- 2' x 3'
- 4' x 6'
- 9' x 12'
- 6' x 9'
- 3' x 3'
- 5' x 5'
- 10' x 14'
- 10' x 10'

For smaller rugs, the sizes are often indicated in cm. Ask your European buyers what specific sizes they may be looking for in the early stages of collaboration.

## Design

Handwoven rugs come in a wide variety of designs, styles and (woven) patterns, both traditional and contemporary. They can be colourful or plain, to match consumers' personal taste. You can also print on rugs to add pattern and colour.

The fineness of the weave is a key quality aspect, reflected in the fineness of the design. The finer the yarns, the higher the quality and sales price. The finishing is also important. A well-finished carpet lies flat and straight on the floor in a reasonably regular shape. It should not be unnaturally shiny or too bright and harsh, nor should colours fade or bleed.

Modern carpets with a vintage look are popular, meaning the fabric is stonewashed. A combination of printing first and then stonewashing also creates a popular vintage look. Stonewashed traditional carpets are in demand as well. However, you should avoid using acid to create the stonewashed look, as this process is not environmentally friendly.

### Tip:

For more information about carpets in general, see our study on [woven and knotted woollen carpets](#).

## 2. What makes Europe an interesting market for handwoven rugs?

Worldwide trade in handwoven rugs tends to fluctuate. European imports peaked in 2017. Two thirds of the import value is sourced directly from developing countries, making Europe an interesting market for you.

(!) The HS-code for handwoven rugs (570210) used in this study refers specifically to Kelem, Schumacks, Karamanie, and "similar handwoven rugs". Different types of handwoven rugs and mats, such as sotronjis, are often registered under other HS-codes that specify the materials used rather than whether they are handwoven or industrially produced.

European handwoven rug imports peaked in 2017 at €66 million. By 2020, they dropped to €48 million, which is comparable to the level of 2013. Because the actual market is fairly steady, this may suggest a switch from Kelem, Schumacks, Karamanie, and “similar handwoven rugs” to different types of handwoven rugs that are excluded from this HS-code. Worldwide handwoven rug imports showed a similar pattern, reaching €138 million in 2020. This means the European market accounts for about a third of the worldwide handwoven rug imports.

As European production of handwoven rugs is minimal, demand has to be met with imports from developing countries. After peaking in 2017, these imports added up to €31 million in 2020, which translates to a direct market share of 66% for developing countries. This makes Europe an interesting market for you, as an exporter from a developing country, despite its seeming fluctuations.

In 2021, the COVID-19 pandemic and the measures taken against it worldwide continued to affect international trade, and this is expected to carry on into 2022. At the same time, lockdowns have resulted in an increased focus on the home and trends like sustainability. This may (partially) compensate for the negative effects of the crisis. For more drivers of demand, see ‘which trends offer opportunities?’ below.

### Tip:

For more information on the short- and long-term impact of the COVID-19 pandemic on the sector, see our study on [how to respond to COVID-19 in the HDHT sector](#).

## 3. Which European countries offer most opportunities for handwoven rugs?

The larger Western and Northern European economies are the main importers of handmade rugs. However, importers in these countries generally sell their products across Europe. Your best strategy therefore is to focus on a particular segment, rather than a specific country.

Figure 2 clearly shows that handwoven rug imports tend to fluctuate per year and per country. This could well be caused by the strong influence large retail chains and their changing collections can have on this relatively small market.

In 2020, Germany remained Europe’s leading importer of handmade rugs with 19% of imports, followed by Denmark (14%) and the United Kingdom (12%). Switzerland (8.0%), France (7.6%) and Sweden (6.4%) complete the top six leading importing countries.

Be aware that European countries have different roles on the market. You can make a rough distinction between countries that are mainly importers and countries that are mainly manufacturers. Western European countries are mainly importers and re-exporters. Most Western European importers do not just sell their products in their own country, but they distribute them across the continent. This explains why in HDHT, small countries like Denmark and the Netherlands often import much more than the demand in their own domestic market.

In terms of marketing, you need to know that countries are not markets. In HDHT there are different market segments, ranging from low to high (also see our study on [market entry for handwoven rugs](#)). Every European country has these segments, although their size may vary per country. Therefore, it makes much more sense for you to identify a particular segment in your product group and connect to

the importers and distributors in that segment, instead of focusing on a specific country. These distributors will then sell in that segment across Europe.

## Real private consumption expenditure

An important indicator for growth in demand is real private consumption expenditure. The HDHT sector, which includes the bed textiles market, is sensitive to economic cycles. When economic circumstances and prospects are dim, consumers postpone buying non-essential items. The other way around, when economic conditions are favourable, private consumption expenditure and purchases of non-essential HDHT products tend to increase.

Until the COVID-19 outbreak, the leading European markets showed an annual growth in real private consumption expenditure of around 1-3%. Due to the pandemic, 2020 broke with this trend. However, because lockdowns increased consumers' focus on their home, the effect on the HDHT sector may have been limited. For the coming years, growth is expected to bounce back to positive figures.

## Germany continues to be the largest European importer

Germany is the largest economy in Europe, home to nearly a fifth of the European Union's population. The German economy is widely considered the stabilising force within the European Union. The *Economist* forecast [Germany to be the first major European economy to recover from the current crisis](#). This was based on both the country's healthy finances before the crisis and its large industrial sector, the reboot of which also benefits suppliers abroad. The European Commission indeed projects [German GDP to be back at pre-COVID-19 levels in 2021](#).

German imports of handwoven rugs decreased from €13 million in 2016 to €8.9 million in 2020, at an average yearly rate of -9.0%. However, after a considerable drop in imports in 2018, the market showed some recovery in 2019. Again, these fluctuations could well be caused by the influence of large retailers on a relatively small market.

Germany sources about 81% of its import value directly from developing countries, more than any other leading European market. These imports decreased from €11 million in 2016 to €7.2 million in 2020, at an average annual rate of -11%. They also slightly recovered in 2019, but dropped further in 2020. Germany's main supplier of handwoven rugs is India, followed by Iran, Pakistan and Turkey.

In addition to having a strong domestic market, Germany is also a key trade hub within Europe. Combined with a relatively large market for developing countries and the forecast economic recovery, this makes Germany an interesting market for you.

## Denmark is the home of Danish design

Danish imports of handwoven rugs increased from €6.1 million in 2016 to €6.6 million in 2020, with some fluctuations, at an average annual rate of 2.0%. Direct imports from developing countries fluctuated between €4.8 million and €6.1 million, representing 77% of the country's total handwoven rug imports in 2020. These are mainly sourced from India.

Denmark is a well-known player in the HDHT sector. Many of its companies outsource (part of) their production to developing countries, which could offer you opportunities. For example, [Massimo](#) produces rugs in India in cooperation with [Care & Fair](#).

Uncertainties like the COVID-19 outbreak affect both the Danish national market and the country's export markets. However, [the Danish economy is reported to be among the least affected by the COVID-19 pandemic](#). Denmark's GDP declined by just 2.7% in 2020, which is far less than the European average. Combined with its

relatively strong market for handwoven rugs, this could make Denmark a promising market for you.

## **Brexit may stimulate direct trade with the United Kingdom**

The United Kingdom's imports of handwoven rugs peaked at €9.2 million in 2017/2018. In 2020 it decreased to €5.6 million. This translated to an average annual decrease of -8.4% between 2016 and 2020. The country sources about two thirds of these imports directly from developing countries, which is average for Europe. Most of them come from India.

[The United Kingdom's withdrawal from the European Union](#) (Brexit) has led to [relatively low consumer confidence levels](#) since 2016. At the same time, Brexit may result in British buyers importin more directly from developing countries, rather than from European importers. This allows them to avoid additional fees now that they are no longer part of the European Union's single market. The decreased value of the British pound since the Brexit referendum also makes direct trade more attractive.

[British GDP decreased by -9.9% in 2020](#), a record decline. At the start of 2021, a *Financial Times* survey among leading economists projected the [British economy to be one of the last high-income economies to recover](#). Since then, however, the Bank of England governor Andrew Bailey has indicated he expects the economy to be [back to pre-COVID levels by the end of 2021](#). Considering this positive development and the potential increased interest in direct sourcing from developing countries, the United Kingdom could well offer you opportunities.

## **Switzerland becomes a leading importer**

Like Denmark, Switzerland increased its imports of handwoven rugs in 2020, when they reached €3.8 million. This translates to an average annual increase of 5.2% since 2016 and places Switzerland among the leading European importers. About two thirds of these imports come directly from developing countries, which is average for Europe. India is its main supplier of handwoven rugs, followed by Iran.

[Swiss GDP is projected to reach its 2019 level in 2022](#), which is just slightly behind the average forecast for the European Union. Combined with its relatively strong market for handwoven rugs, this could make Switzerland an interesting market for you.

## **France keeps its imports from developing countries relatively stable**

French imports of handwoven rugs decreased from €4.6 million in 2016 to €3.6 million in 2020, at an average annual rate of -5.9%. The imports from developing countries were relatively stable at €2-3 million. This adds up to a direct share of around 57% in 2020, which is relatively low, but a promising increase from the 49% of 2019. India, Morocco and Turkey are France's leading suppliers.

Economic growth in France had already slowed down before plummeting by -8.3% in 2020 due to the pandemic. Global uncertainties and the effects of social unrest weighed on consumer confidence and the consumption of non-essential products. However, [French GDP is expected return to its pre-pandemic level at the beginning of 2022](#). Considering the country's relatively stable market for developing countries, this suggests France could offer you opportunities.

## **Sweden is an interesting market for sustainable products**

Swedish imports decreased to €3.0 million in 2020, after peaking at €6.1 million in 2017. The country sources about two thirds of its handwoven rug imports directly from developing countries, matching the European average. These developing country imports also peaked in 2017. India is Sweden's leading supplier of handwoven rugs, followed by Denmark.

Sweden has a relatively strong economy and Swedish importers are well integrated in global value chains. Like in Denmark, [the economy in Sweden is among the least affected by the COVID-19 pandemic](#). The Swedish government focuses on the sustainable development of the country, making Sweden a particularly interesting market for sustainable products. For social sustainability, international rug industry-specific initiatives

GoodWeave and Care & Fair are an option besides [World Fair Trade Organisation \(WFTO\)](#) and [Fair For Life](#) certification.

### Tip:

Do not just focus on specific European countries. Instead, identify the appropriate segment and let your buyers distribute your products across Europe within this segment.

## 4. Which trends offer opportunities on the European handwoven rug market?

The market for handwoven rugs is shaped by various trends, often related to the [trends for HDHT](#) on a sector level. The main developments are outlined below, starting with the potential effects of the COVID-19 pandemic on the HDHT market.

### COVID-19 and trends in HDHT and handwoven rugs

An expected outcome of the COVID-19 pandemic is that people will be more focused on the home, having been in lockdown. A major factor in consumer spending will be the disposable income consumers may or may not have after the pandemic. The worry about this is expressed by consumer confidence, which continues to be relatively low. This makes consumers careful in spending beyond food, cleaning products, and other household essentials.

However, some areas / product groups could benefit:

- wellness / fitness at home
- working from home
- cooking

Spending a lot of time at home has also moved consumers towards:

- re-appreciating their homes and wishing to make them more pleasant, practical and comfortable overall
- bringing the outdoors inside and vice versa
- cleaning out clutter

This is partly a continuation of consumer trends that were already ongoing; some have been accelerated as a direct consequence of COVID-19 and subsequent lockdowns. In addition, the pandemic has demonstrated the fragile balance of the planet, highlighting the need to produce more sustainably, taking care of our resources, our people and the planet in general. These developments further emphasise the existing trends of both environmental and social sustainability in the handwoven rugs market.

### Environmental and social sustainability are key

European consumers and designers are shifting their preferences towards more sustainable choices, especially in the mid-high to high-end market segments. There is an increasing concern and awareness of the negative impacts of production and consumption. This is driving the popularity of sustainability labels and commitments in the textile industry.

Using natural materials such as wool as your main raw material fits in well with this trend. Another option is to use recycled fibres or leftovers from the production of other textile products. Natural dyes add an extra

sustainable feature to your rugs.

Figure 4: H&M Home – handwoven rugs of natural materials

Source: [H&M Home @ YouTube](#)

Social responsibility is another key aspect of sustainability, particularly in the production of handmade items. Banning illegal child labour is especially relevant in the carpet and rug sector.

The COVID-19 pandemic has further emphasised the importance of this trend. For most consumers (particularly the younger generations), [the COVID-19 pandemic has made it more important for both consumers and companies to improve their sustainability](#). In addition, [most people want significant change to make the world fairer and more sustainable after COVID-19](#).

Figure 5: West Elm – fair-trade handwoven rugs

Source: [West Elm @ YouTube](#)

### **Tips:**

Use natural, recycled or leftover raw materials and natural dyes.

Promote the sustainable aspects of your rugs as a premium and emphasise the story behind your product in your promotion strategy.

Do not use illegal child labour in the production of your rugs.

For more information, see our special study on [sustainability](#) and our webinar on [the sustainable transition in apparel and home textiles](#).

## **Traditional craftsmanship and design**

Ethnic motifs and traditional craftsmanship are popular in the European market. This is a long-term trend. Carpets and rugs in particular are known for their history. This matches well with consumers' increasing interest in the story behind the product, which adds to its uniqueness. Ethnic designs, often produced by the same peoples for centuries, are seen as 'floor art' in Europe. Some producers play into this trend by experimenting with traditional designs and reworking them in contemporary or westernised ways, including playing with the colours.

### **Tips:**

Promote your culture's traditional production method and design, adding a background story to your product. Make sure that it comes across clearly to the consumer, for example by including a card describing the product's unique story.



Consider experimenting with your traditional designs, reinventing them in a more contemporary manner.

## Co-creation

European buyers are increasingly trying to distinguish themselves from their competitors. To do so, they focus on their own image and design. They look for producers they can cooperate with to develop their own products, so-called 'co-creation'. This makes it extra important to showcase your special skills, production techniques and the variety of raw materials you work with.

Figure 6: Ethnicraft & Ashtari Carpets – traditionally handwoven kilim rugs with modern design

Source: [Ethnicraft @ YouTube](#)

### Tip:

Make sure your collection showcases the different materials and production techniques you have to offer.

## Smaller quantities and shorter lead times

European buyers change their collections at an increasing pace. As a result, they are looking for shorter lead times and lower minimum orders. This is a distinct advantage for small to medium-sized producers like you, since you are more flexible and can generally supply smaller quantities than larger manufacturers.

**Tip:**

If you are flexible in production and can supply smaller quantities, emphasise this in your promotion.

**Example company:**

[Classical Handmade Products](#) from Bangladesh is an example of a company that has successfully tapped into these trends. They specialise in handwoven carpets and rugs, made from natural and recycled materials. The company works via small production units in rural villages, allowing their employees (mostly women) to work close to home. This means they can spend their income on improving their quality of life and sending their children to school, in an excellent example of both environmental and social sustainability

This study was carried out on behalf of CBI by [Globally Cool B.V.](#) in collaboration with Remco Kemper.

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