CBI MARKET SURVEY

The natural stone and stone products market in Slovakia

Publication date: April, 2010

Introduction

This CBI market survey gives exporters in developing countries (DC) information on some main developments in the natural stone and stone products market in Slovakia. The information is complementary to the information provided in the CBI market survey 'The natural stone and stone products market in the EU', which covers the EU in general. That survey also contains an overview and explanation of the selected products dealt with, some general remarks on the statistics used, as well as information on other available documents for this sector. It can be downloaded from http://www.cbi.eu/marketinfo.

Note: In Chapter 1 Market description: consumption and production, the following product groups are addressed:
- blocks & slabs
- landscape design
- monumental and funeral

Monumental & funeral is an aggregate of flooring & cladding and funeral & other arts sub products groups which are disaggregated and dealt with separately in the Import/Export section. For more information about the product groupings, please refer to Appendix A in the CBI survey 'The natural stone and stone products market in the EU'.

1 Market description: consumption and production

Consumption

Slovakia is inhabited by 5.4 million people making it the 19th most populated in the EU. In Slovakia, 46 thousand tonnes of natural stone and stone products were consumed in 2008 of which 41 thousand tonnes of finished stone products, with a value of € 1.0 million. Slovakia is a the small market for finished stone products[1]. It consumes about 0.02% of the total EU consumption which makes it the smallest consumer in the EU, below Estonia (0.06%).

Table 1.1 Slovak consumption per product group, 2004 – 2008, € million / 1'000 tonnes

	2004		2006		2008		CAGR*
Product group:	**Value**	**Volume**	**Value**	**Volume**	**Value**	**Volume**	
Blocks & slabs	1.1	3.7	2.3	3.2	4.0	5.4	38%
Landscape design	0.1	n.a.	1.6	6.5	1.4	10	93%
Monumental & funeral	9.1	15	8.8	26	n.a.	31	n.a.

*CAGR: Compounded annual growth rate
Source: Eurostat (2009)

In 2008, Slovakian consumption of natural stone consisted of blocks & slabs (74%) and landscape design (27%). Because of the small size of the natural stone market not much can be said about the development of consumption. However from the figures it can be concluded that the consumption of monumental & funeral products increased however representing still a small market.

[1] Finished stone products are the sum of product groups landscape design, and monumental & funeral, and therefore excludes blocks & slabs.

In general, the natural stone market depends heavily on the construction. Even though Eastern European countries are the least affected by the economic situation, construction outputs are under pressure. In Slovakia, construction of non-residential buildings decreased by nearly 14% however construction of residential buildings and civil engineering projects increased by 7.1% and 18% from 2008 to 2009. This favours the demand for landscape design and flooring & cladding. DC suppliers that can provide these products at competitive prices might find market openings easier.

Overall, it is expected that the Slovakian economy will recover in 2011. In the mean time, the market will remain dependent on credit and consequently be dominated by a wait and see attitude. As a result of the economic situation only 4% of the Slovakians are planning to buy a new house in the near future. Renovation and retrofitting of houses is therefore the only market that is on the rise at the moment. A recent survey revealed that 50% of the respondents are planning to invest in their houses in the 12 months and 20% already had done so. The market for natural stone products in the low and middle price range that are used in and around the house is therefore interesting for DC exporters in coming years.

EU funding
Because Slovakia has recently joined the EU it is receiving many funds in the period 2007-2013 (http://www.finance.gov.sk/EN/Default.aspx?CatID=111) that are going towards improving infrastructure, medical and educational facilities etc. Usually these projects entail large quantities of flooring & cladding and landscape design. Orders for construction are allocated through tender processes. If you are interested you are advised to contact the relative municipalities and local contractors this year. After 2013 EU funding will go down drastically and the demand for natural stone will be strictly dependent on the actual demand of Slovakian consumers.

Market segmentation
The Slovakian market can be divided into the following segments:
- Building industry (construction): by far the biggest consumer of natural stone.
- Natural stone processing industry: a small industry that relies on imports of blocks and slabs, finished and semi-finished stones. The Slovakian Stone Association tries to represent the market but has not yet unified all players which tend to keep on acting individually.
- Funeral industry: a large retail sector selling funerary art, such as tombstones, gravestones and urns. Natural stone for funeral art is very common in Slovakia.
- Consumer market: other retailers including Do-It-Yourself (DIY) outlets, garden centres and tiles specialists continue to gain market share.

The segmentation is generally similar to the trade channels discussed in this survey. Therefore for more information regarding these segments in Austria please refer to chapter 2. For more information on market segmentation in the EU please refer to chapter 1 of the CBI survey 'The natural stone and stone products market in the EU'.

Consumer trends and developments
- ***Traditional and authentic taste:*** Slovakians have a varied taste. To accommodate therein one importer, Diastone (http://www.diastone.sk), and one producer, Novogranit (http://www.novogranit.sk), solely work on order from imported or self produced blocks and slabs. Price dominate in choice of product however there seems to be a demand for white or black polished granite stairs, white and green fireplaces, light beige, red and multicoloured gravestones and natural authentic (Tuhar) marble for garden pathways.
- ***Neighbouring countries:*** Slovakia has many bordering nations (Czech Republic, Poland, Hungary, Ukraine and Austria). Austrian and German companies however predominantly invest (for example Baumax is Austrian and Hornbach is German). This provides opportunities for DC exporters that are interested in supplying other countries as well.

- ***Alternatives:*** Cheaper alternative materials such as composite materials like quartz for tiles and kitchen are growing in popularity. The quartz market is dominated by two brands: Silestone and Caesarstone. Price predominates in choice.
- ***Ageing population:*** Slovakia's population is slowly ageing; more than 12% (0.7 million) now is over 65 years old. In contrary to Western Europe, elderly in Eastern Europe are generally not wealthy. However, in the long term there will be an increased demand for funerary art (tombstones and urns).
- ***Hot spots:*** The Slovak market is small with a low percentage of the population living in urban settings. There are however some large urbanized areas most notably the capital Bratislava (0.4 million), Kosice and Presov (both 0.2 million). It is in these areas where the average GDP per capita is highest and where most development and construction takes place. There lies the highest concentration of housing and highest purchasing power[2]. The best prospects for DC exporters are therefore in those urbanised areas.
- ***House ownership on the rise:*** It is forecasted that the market for natural stone products for in and around the house will continue to rise as social housing is giving way to home ownership. A similar trend is forecasted for commercial property driven by international developers and large infrastructural projects driven by EU subsidies in the hot spots.

Production
In Slovakia, about 4.6 thousand tonnes of monumental & funeral products were produced in 2008 worth € 6.6 million. Slovakia accounts for 0.1% of total EU production of finished products and ranks 19th above Slovenia (0.04%) and below Lithuania (0.1%).

Table 1.2 Slovak production per product group, 2004 – 2008, € million / 1'000 tonnes

	2004		2006		2008		CAGR*
Product group:	**Value**	**Volume**	**Value**	**Volume**	**Value**	**Volume**	
Blocks & slabs	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Landscape design	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Monumental & funeral	3.1	1.9	2.5	3.1	6.6	4.6	21%

*CAGR: Compounded annual growth rate
Source: Eurostat (2009)

Producers of monumental & funeral products have increased their output following increase in consumption.

Due to labour costs production is more expensive than importing products (incl. block and slabs) from DC. Time of delivery up to 12 weeks does not seem to be an issue.

Best known natural stone products from Slovakia are: Tuhar (marble) and Spis (travertine). Currently though, only one marble quarry is still actively mined. The marble however is not directly exported as the producer (Novogranit) does not believe in demand for this type of marble. Nevertheless, export does occur through other distributors.

Alternatives
If you offer natural stone that is similar to local stone you might be able to compete with local suppliers on price. Therefore it good to be well informed before approaching buyers. For more information about the natural stone types extracted in Slovakia visit the website of Graniteland (www.graniteland.com).

In the mean time the Slovakian natural stone industry is not able to meet the demand. As a result and because of price, DC exporters are expected to get a stronger hold on the Slovak market limiting the opportunities for domestic producers. As a result, production growth is

[2] Source: Wikipedia

expected to drop and focus on niche markets such as renovation of monumental buildings and sites that require natural stones that can handle the Slovakian weather conditions.

Similar, in time the added value of processing blocks and slabs imported from DC will not cover the costs. When this happens the demand for blocks & slabs will drop and (semi-) finished products will be in greater demand.

Opportunities and threats

+ Slovakia will continue to develop generating an increased demand for natural stone which the domestic nature stone industry cannot accommodate.
+ Due to labour costs, domestic production has become more expensive than DC imports.
± The economic situation has negatively influenced the demand for natural stone in the short term. In the long run, the Slovak market is expected to recover due to EU funds and revitalising development in surrounding countries.
- Due to its size Slovakia provides only limited market opportunities.

2 Trade channels for market entry

The Slovakian market is diverse. Companies act as producer, importer, wholesalers and distributors or a combination of any of these. Trade channels are mainly integrated into the Austrian, Czech Republic and Polish trade channels but also integrate with other East European trade channels including Ukraine. However most imports are direct from DC per container. Wholesaler/importers buy their natural stone directly from supplying countries. There are a large number of small companies that are spread out throughout Slovakia. Below examples of importers active on the Slovak market are listed:

- Slovak South Real - http://www.arvai.sk/real/marble/index.html - offers the full range of stone products from different natural materials and imports marble and granite
- Novo granit - http://www.novogranit.sk – processing, importer and wholesaler of granite, marble and sandstone
- Business information centre - http://sk.wlw.sk/en/ProductList/Default.aspx?search=Natural+stone – offers an overview of businesses active in the natural stone market.

Retailers like Do-it-Yourself (DIY) stores and tiles specialists buy mainly from wholesalers/importers, although the larger DIY outlets are also known for buying from exporters directly. Retailers mainly focus on the consumer market but some installers and contractors also get their material from retailers. DIY stores are very popular among Slovak households and small local construction companies.

- Prírodný Kameň - http://www.prirodnykamen.com – processor of natural stone (e.g. granite) that is used as building stone
- http://www.alacrastore.com/research/d-and-b/SLOVAKIA/DIY
- Baumex - http://www.baumax.sk - a Austrian DIY-chain with more 10 stores in Slovakia
- Hornbach – http://www.hornbach.sk - a German DIY-chain with more 10 stores in Slovakia
- Alacra store - http://www.alacrastore.com/research/d-and-b/SLOVAKIA/DIY -an overview of all DIY stores in Slovakia

The natural stone processing industry buys from wholesalers/importers, quarries its own stones or, depending on the size of the company, buys directly from supplying countries. The processing industry processes raw material and/or semi-finished products and supplies the retail market with their value added product. There are also processing companies that act as retailers. Below an example of a processing company active on the Slovak market is given:

- Mramor - http://www.mramor.sk - processor of marble products
- Alas - http://www.alas.sk – quarry owner and producer of aggregates of natural stone
- Kamenolomy **-** http://www.kamenolomy.sk/cachtice_cennik.htm - quarry owner and processor of natural stone

Independent buyers in Slovakia are mainly major international companies (e.g. building). Governmental order have to go through a tender process.

Slovakian partnerships
In to the slowdown in the Slovakian marketplace companies are seeking partnerships. Tenders are therefore most often responded upon by international coalitions. Tenders are listed at the B2B (http://tenders.abceu.eu/construction).

Price structure
Just one importer (Diastone) revealed margins of imported blocks and slabs from DC. After processing them they sell the finished stone products with a margin of 25%-35%. Because they only work on demand these margins can be larger than what is normal in the Slovakian market. For more information about price structure refer to chapter 3 of the CBI survey 'The natural stone and stone products market in the EU'. Also, output prices of the domestic and non- domestic market went down by 2.5% and 9.7% driven partially by the decreases in output prices for mining and quarrying (5.9% and 2.6% for the domestic market and 9% for the non-domestic market).

Useful sources
For other potential trading partners please use the following links:
- Zväz stavebných podnikateľov Slovenska - http://www.zsps.sk/web/index.php ➔ go to 'Katalóg členov' for an overview of construction entrepreneurs in Slovakia
- Dom expo - http://www.domexpo.sk/index_e.htm ➔ go to 'Exhibitors'
- Stone contact - http://www.stonecontact.com ➔ go to 'Companies' ➔ write down 'Stone' and press 'Search' ➔ go to the box that says 'All countries' and click on it to select Slovakia for a possible overview of a several natural stone companies
- Europages - http://www.europages.com – international directory that includes natural stone companies in Slovakia ➔ fill in 'natural stone' and select Slovakia

3 Trade: imports and exports

Imports
In the Slovak natural stone and stone products market, about € 20 million or 44 thousand tonnes of natural stone and stone products were imported in 2008. Slovak imports increased by an annual average of 26% in value between 2004 and 2008. EU imports in total increased at a slower pace (+4.7% per year). Slovakia is the 20th largest importer in the EU accounting for 0.5% of EU imports; just above Slovenia (0.5%) and just below Hungary (0.6%).

Table 3.1 Slovak imports per product group, 2004 – 2008, € million / 1'000 tonnes

	2004		2006		2008		CAGR*
Product group:	**Value**	**Volume**	**Value**	**Volume**	**Value**	**Volume**	
Blocks & slabs	1.1	4.3	2.7	3.4	4.5	5.6	42%
Landscape design	0.3	0.7	1.8	6.8	1.6	11	52%
Flooring & cladding	2.2	7.8	3.2	9.8	3.0	12	8.1%
Funeral & other art	4.3	6.1	7.8	13	11	16	27%
Total	**7.9**	**19**	**16**	**33**	**20**	**44**	26%

*CAGR: Compounded annual growth rate
Source: Eurostat (2009)

In 2008, Slovak import of natural stone consisted of funeral & other art (55%); blocks & slabs (22%); flooring & cladding (15%) and landscape design (8.2%). When comparing figures it can be presumed that the increase in volume of consumption of monumental & funeral products[3] (+5 thousand tonnes) has been meet by the increase in production, imports and from processing stone from imported blocks and slabs which successively increased by 1.5, 3 and 2.2 thousand tonnes. This also suggests that at least some natural stone is re-exported.

Imports from DC
Of the total percentage of imports, approximately 65% was imported from intra-EU countries, 0.1% from extra-EU countries and 35% from DC. The share of imports from DC has increased substantially over the years from 24% in 2004 to 35% in 2008. In 2008, China (42%) was the most important country exporting to Slovakia. Other large DC suppliers are India (15%), and South Africa (2.5%). DC market is high in the product groups funeral & other art (49%) and flooring & cladding (22%). In the other product groups DC market share is lower: blocks & slabs (16%) and landscape design (16%). The value of DC imports increased in the product groups funeral & other art (+74% per year) and blocks & slabs (+10%) but decreased in the group flooring & cladding (-4.6%). Overall imports from DC (+39% per year) have been developing faster than imports in general (+22%). The share of DC is therefore expected to keep developing in coming years.

Exports
In the Slovak natural stone market, about € 23 million or 2.1 thousand tonnes of natural stone and stone products were exported in 2008. Slovakia exports 0.6% of the total EU export. It ranks 15th under Sweden (0.7%) and above Bulgaria (0.4%).

Table 3.2 Slovak export per product group, 2004 – 2008 value in € million, volume in 1'000 tonnes

	2004		2006		2008		CAGR*
Product group:	**Value**	**Volume**	**Value**	**Volume**	**Value**	**Volume**	
Blocks & slabs	0.1	0.6	0.4	0.2	0.5	0.2	53%
Landscape design	0.2	0.7	0.2	0.4	0.2	0.7	-1.4%
Flooring & cladding	0.1	0.1	1.4	0.1	4.2	0.3	133%
Funeral & other art	0.3	0.3	3.3	0.1	18	0.9	181%
Total	**0.7**	**1.7**	**5.4**	**0.8**	**23**	**2.1**	136%

*CAGR: Compounded annual growth rate
Source: Eurostat (2009)

In 2008, Slovak exports consisted of funeral & other art (79%), flooring & cladding (19%), blocks & slabs (2.0%), and landscape design (0.9%). Exports have increased by 136% annually between 2004 and 2008. More than consumption and production and therefore strengthening the presumption that Slovakia is increasingly exporting natural stone products (possibly with added value after working the imported blocks and slabs).

With increasing exports of finished products from DC into the EU it is expected that the demand for Slovakian natural stone products will decrease. The main reason is that the price of Slovakian finished stone products is higher than that of stone from DC.

Opportunities and threats
+ DC exporters of funeral & other art have good chances on the Slovak market.
+ In the hot spots still many developments are planned however sometimes put on hold for as long as the difficult economic situation lasts.
+ There is a potential for increased market share when competing on price at the expense of Slovakian producers and stone masonries.
± The location of Slovakia could provide opportunities for DC to also enter other EU markets. Whether this is more beneficial than directly entering these markets should be investigated.
- Slovakia is still a relatively small importer of natural stone and stone products.

[3] Because production and consumption figures of other product groups are partly missing, conclusions can only be drawn for monumental & funeral products.

- Slovakia has no port. Products have to be transported by boat, train and truck.

Note that the above-mentioned developments and trends can be an opportunity for one exporter and a threat for another. Exporters should analyse the developments and trends discussed in the previous chapters to make their own analyses. Outcomes of this analysis depend on the specific situation of an exporter. For an example, please refer to Chapter 7 of the CBI market survey 'The natural stone and stone products market in the EU'.

Useful sources
- EU Expanding Exports Helpdesk - http://exporthelp.europa.eu
- Eurostat – official statistical office of the EU - http://epp.eurostat.ec.europa.eu
- Understanding eurostat: Quick guide to easy comext - http://epp.eurostat.ec.europa.eu/newxtweb/assets/User_guide_Easy_Comext_20090513pdf

4 Price developments

Import figures show that the average price of natural stone and stone products increased by 2% per year from 2004 to 2008 however with large differences between the different product groups. Prices for blocks & slabs increased (+32% per year) whilst prices for landscape design and flooring & cladding decreased (-20% and -2.6%) and the price for funeral & other art remained the same. Prices in the EU as a whole increased by 6.3% per year. Almost an equal increase as that from DC (+6.0% per year) and more than prices from within the EU (intra-EU: (+2.0%) or from other countries outside the EU (extra-EU -22%).

The fact that prices are going up is mainly due to the ongoing demand as well as increased incomes which allow for purchasing more expensive materials. The Slovak market however is threatened by increased competition from DC suppliers. In recent years technology and know-how have slowly transferred to low-wage countries. Some manufacturers of raw material in important supplying countries like China and India are now able to produce according to the quality demands of the Slovak market. These countries are also in the comfortable position of having the first pick of raw material giving them an important competitor advantage. As a result Slovakia will increasingly import cheap but quality stone.

Prices are usually available on request. Slovakian companies seem forward with sharing their price on their website. Find below several websites that include price data:
- Slovak South Real - http://www.arvai.sk/real/marble/index.html ➔ go to 'Price list'
- Alacra store - http://www.alacrastore.com/research/d-and-b/SLOVAKIA/DIY -an overview of all DIY stores in Slovakia of which most have prices listed in their brochures.
- Stone contact – http://www.stonecontact.com - go to 'Pricelist' ➔ write down 'stone' and press 'search' ➔ go to the box that says 'all countries' and click on it to select Slovakia.
- Stone source - http://www.stoneource.com ➔ go to 'stone selector' in the left side ➔ make a selection per material, price range or other criteria

5 Market access requirements

As a manufacturer in a developing country preparing to access Slovakia, you should be aware of the market access requirements of your trading partners and the Slovak government. For information on legislative and non-legislative requirements, go to 'Search CBI database' at http://www.cbi.eu/marketinfo, select natural stone products and Slovakia in the category search, click on the search button and click on market access requirements.

Detailed information on packaging can be found at the website of ITC on export packaging: http://www.intracen.org/ep/packaging/packit.htm.

Information on tariffs and quota can be found at: http://exporthelp.europa.eu/index_en.html

6 Doing business

Information on doing business like approaching potential business partners, building up a relationship, drawing up an offer, handling the contract (methods of payment, and terms of delivery) and cultural differences can be found in CBI's export manuals 'Export Planner', 'Your image builder' and 'Exporting to the EU'. These can be downloaded from http://www.cbi.eu/marketinfo - go to search publications. For more information on doing business in Slovakia, visit the following websites on the following page:

Trade associations
- Slovak Stone Association – email: 91@post.sk
- Constructors Alliance – http://www.slosmat.sk
- Slovak Chamber of Architects - http://www.archinet.sk/index.asp
- SKABA – http://www.skaba.sk - Slovak Association for Business Assistance
- Zväz stavebných podnikateľov Slovenska - http://www.zsps.sk/web/index.php - association of construction entrepreneurs in Slovakia

Trade fairs[4]
- Dom expo - http://www.domexpo.sk/index_e.htm - expo for building sector displaying a wide range of products for construction of apartments and houses held annually in Nitra: next event April 2010
- Coneco - http://www.incheba.sk/exhibitions/stavebn%C3%ADctvo_b%C3%BDvanie_energia/1469?lang=en - international building fair held every year in Bratislava: next show 23-27 March 2010
- For Arch Slovakia - http://www.bbexpo.sk/proarch/index-en.htm - international building fair held every in Banská Bystrica: next show April 2010

Trade press
- E-Trend - http://english.etrend.sk - E-magazine for business in Slovakia
- The Slovak Spectator - http://www.spectator.sk – Slovak newspaper

This survey was compiled for CBI by CREM BV

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[4] It is common that construction and construction-related companies cover both the Slovak and Czech markets and therefore attend exhibitions in both countries.