CBI MARKET SURVEY

The natural stone and stone products market in Bulgaria

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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 Bulgaria. 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

Bulgaria is inhabited by 7.6 million people making it the 17th most populated in the EU. In Bulgaria, 140 thousand tonnes of natural stone and stone products were consumed in 2008 of which 82 thousand tonnes of finished stone products, with a value of almost € 12 million. Bulgaria is a small market for finished stone products[1] in the EU. It consumes about 0.2% of the total EU consumption and is ranked 22nd based on consumption, just above Latvia (0.1%) and below Slovenia (0.2%).

Table 1.1 Bulgarian consumption 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.	2.8	51	2.8	58	n.a.
Landscape design	n.a.	n.a.	n.a.	n.a.	0.4	4.1	n.a.
Monumental & funeral	13	52	27	138	11	78	-4.1%

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

In 2008, Bulgarian consumption of natural stone consisted of monumental & funeral (77%), blocks & slabs (20%) and landscape design (2.7%).

The construction sector is the largest consumer of natural stone. In 2009, construction output fell by 23% compared to 2008. The decline in the building construction (with 62% the largest

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

sector) was 19%. On the residential market holiday homes are a prominent factor. This sector is severely affected by financial limitations. On the other hand, new dwellings for domestic use will continue to be build as social housing is giving way to home ownership. This is a positive development for the natural stone market as house owners are more likely to invest in their house than renters.

In the non-residential market many projects are postponed as foreign investors have withdrawn. For example, of 20 malls and shopping centres announced for Sofia, less than half are likely to be built. The two largest projects worth €700 million have already been cancelled. The situation is similar with regard to office building. Civil engineering also dropped however only by 2.8%. Growth is excepted in transport infrastructure. This is going especially going to affect the flooring & cladding market.

EU funding
Because Bulgaria has recently joined the EU it is receiving many funds in the period 2007-2013 (http://www.eufunds.bg) 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 and the demand for natural stone will be strictly dependant on the actual demand of Bulgarian consumers.

Overall, it is expected that the economy will not recover before 2011. Meanwhile, the market will remain dependent on credit and consequently be dominated by a wait and see attitude as economic confidence is low. Renovation of houses are the only exceptions. Do-It-Yourself (DIY) stores are therefore still doing well and are expected to do better in the future. Natural stone products in the low and middle price range that are used in and around the house are therefore interesting for DC exporters in coming years.

In the long run the demand for luxury products, such as natural stone is expected to increase significantly. Consumer spending of the middle 60% of the Bulgarian population is forecasted to soar from US $1,225 in 2000 to US $5,941 in 2012. Nonetheless for the time growth in expensive merchandise that targets consumers with somewhat above average incomes will be slower.

Market segmentation
The Bulgarian market can be divided into the following segments:
- Building industry (construction): by far the biggest consumer of natural stone.
- Natural stone processing industry: a traditional industry that focuses on domestic stones but increasingly imports semi-finished stones. The Bulgarian natural stone industry is unifying under the Bulgarian Natural Stone Association.
- Funeral industry: a large retail sector selling funerary art, such as tombstones, gravestones and urns. Natural stone for funeral art is very common in Bulgaria.
- 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 Bulgaria 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:*** In general Bulgarians are highly price sensitive, however favour foreign natural stone products that have a luxury look. For residential buildings, beige and brown with brushed finish for flooring and polished finish for cladding

dominate. Polished black, brown and beige are predominant for emerging international companies in the hot spots.

- ***Neighbouring countries:*** Bulgaria has many bordering nations. Greece, Turkey and Romania being the most important ones. Turkish companies are penetrating all natural stone sectors including tourism projects along the coast. However also Germany and Austria are investing in Bulgaria. The DIY stores Praktiker and Baumax are for example German and Austrian owned. This provides good opportunities for DC exporters that want to focus on other surrounding 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.
- ***Aging population:*** Bulgaria's population is slowly ageing; almost 15.5% (1.5 million) now is over 65 years compared to 13.9% in 2003. Elderly over 65 will have increased to more than 2 million in 2025 and will likely increase to 3 million by 2050. In the long term this will result in increased demand for funerary art (i.e. tombstones and urns).
- ***Hot spots:*** The Bulgarian market is relatively small with a low percentage of the population living in urban settings. There are however some large urbanized areas most notably Sofia (1.4 million), Plovdiv (0.4 million) and Varna (0.3 million). The average GDP per capita is also higher along the coast than in other areas; there lies the highest concentration of housing and highest purchasing power. The best prospects for DC exporters are therefore to be found in those urbanised areas.

Production

In 2008, 150 thousand tonnes natural stone products were produced in Bulgaria of which 58 thousand tonnes of finished stone representing a value of € 2.0 million. As such, Bulgaria accounts for 0.03% of total EU production of finished stone products and ranks 22nd just above Sweden (0.03%) and below Latvia (0.1%).

Table 1.2 Bulgarian 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.	5,8	61	6.0	92	n.a.
Landscape design	0.3	5.1	0.0	0.0	0.4	4.8	n.a.
Monumental & funeral	13	62	24	136	1.5	53	-42%

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

In 2008, Bulgarian production consisted of blocks & slabs (75%), monumental & funeral products (19%) and landscape design (5.3%). Bulgarian production of monumental & funeral products has gone down significantly (-42% per year) between 2004-2008.

Bulgaria has a variety of natural stones including marble, granite, quartz, dolomite, and limestone. Best known are the limestones Dionysos Vratza, Vratza Beige and Vratza Grey or Paradiso Grey.

Alternatives
For more specifics about the types of natural stone extracted in Bulgaria refer to the website of Graniteland (http://www.graniteland.com). If you offer similar stone you might be able to compete with local suppliers on price.

Bulgarian quarry owners and stone masons have benefitted from the favourable economic situation in Bulgaria and abroad up to 2008. From 2008 onwards however the industry has been put under pressure by the economic situation and competition with DC. Coming years production is expected to be slower as demand is dropping in Bulgaria as well as abroad and due to the increased market share of DC products in general. Over time it is expected that the Bulgarian natural stone industry will become more of a niche market to supply for monumental renovations, authentic Bulgarian and specialized high end constructions and products. For new projects therefore the Bulgarian market is open for foreign natural stone.

Moreover, due to reduced margins, the need to update natural stone processing equipment to become more efficient and in order to obtain new trade channels, Bulgarian companies are increasingly interested in different forms of cooperation. DC interested however should note that the Bulgarian natural stone market is volatile and partially dependent on EU subsidies. Because Bulgaria has not met reporting obligations however the subsidies have become conditional.

Opportunities and threats

+ There is a demand for many construction projects which will be realised when the necessary financial means have become available.
+ The increasing standard of living is making natural stone a more popular material for the business as well as the consumer market.
+ The Bulgarian construction and natural stone market does not have the capacity to meet the demand. Consequently, Bulgarian enterprises are seeking coalitions.
± The economic situation has resulted in a (temporary) slow down in the natural stone industry. This has reduced sales however may be an opportunity to obtain market share for when the economy recovers and hence demand increases again.
- Bulgaria partially depends on EU subsidies which have become increasingly conditional since the EU has warned Bulgaria on their reporting duties resulting in a volatile market. In the worst case Bulgaria will receive less EU funding resulting in a smaller demand for natural stone.
- Bulgaria is bordering Greece and Turkey which are important natural stones industries which adds to the increasingly fierce competition.

2 Trade channels for market entry

The Bulgarian market is diverse. Large companies can act as producer, importer, wholesalers and distributors. The trade channels in Bulgaria are for a large part integrated into the German and Turkish (with whom it shares the Black Sea) trade channels.

Wholesaler/importers buy their natural stone directly from supplying countries. The market is dominated by a few large companies. They often have good existing relationships with existing trading partners. The use the internet to find information and visit trade fairs to find new suppliers. Below examples of importers active on the Bulgarian market are listed:

- Bulgranit - http://www.bulgranit.com/index.php?lang=bg – processor and importer of natural stone from all over the world
- Geo-Car - http://www.geo-car.net – large processor and importer of marble and granite products that sources its products from China and Turkey and European countries
- Atig - http://www.atig.bg/en - importer of natural stone used in the building industry

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 Bulgarian households and small local construction companies.

- SKV http://en.skv.bg/naturalstone/index.html - retailer of products for interior design purposes including natural stone
- Mr. Bricolage Bulgaria (DIY building materials)- http://www.mr-bricolage.bg – large French DIY chain active throughout Europe including Bulgaria
- Praktiker - http://www.praktiker.ro/praktiker-international/html/en/869/index.html - large German DIY chain with 9 stores in Bulgaria.

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 Bulgarian market is given:

- Gretski Marmor - http://www.gretskimramor.com - production and processing of marble from raw into standardized products
- MGD - http://www.mgd.bg/index.php?lang=en – processor of a large variety of natural stone products

Independent buyers in Bulgaria are major (mainly international) companies which often buy directly from supplying countries for large building projects. Other main projects are generated through the Romanian government and have to undergo tender processes.

Bulgarian partnerships
In response to the intensifying competition and the economic situation many Bulgarian companies seek partnerships. Tenders are therefore most often responded upon by international coalitions. Tenders are listed at News Guide Bulgaria: http://news.guide-bulgaria.com/Search.aspx and governmental sites such as http://www.moew.government.bg.

For additional information on trade channels please consult the CBI market survey 'The natural stone and stone products market in the EU'.

Price structure

Unfortunately the Bulgarian companies contacted for the purpose of this survey were not willing or able to share their margins or prices. This shows that this topic should be dealt with in a sensitive manner. Hence, requests for margins and prices should not be made in the initial stages of making contact and negotiations. Before starting about prices and margins establish a relationship with your trading partner. Refer to the websites listed in Chapter 4 to get an idea of the prices Italian companies are asking for their natural stone products. Based on your findings you can determine whether you are able to offer a competitive price. For more information about price structure please refer to chapter 3 of the CBI survey 'The natural stone and stone products market in the EU'.

Useful sources

For other potential trading partners please use the following links:

- Bulgaria Building Week Expo - http://dev.bulgarreklama.com:8080/BRek/Main.do?siteKey=1742-13&lang=EN ➔ go to 'Exhibitors' ➔ go to 'List of exhibitors BBW 2009' or 'List of exhibitors BBW 2008'
- 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 Bulgaria for a possible overview of a several natural stone companies
- Europages - http://www.europages.com – international directory that includes natural stone companies in Bulgaria ➔ fill in 'natural stone' and select Bulgaria

3 Trade: imports and exports

Imports

In the Bulgarian natural stone and stone products market, about € 21 million or 82 thousand tonnes of natural stone and stone products were imported in 2008. Bulgarian imports increased by an annual average of 35% in value between 2004 and 2008. EU imports in total increased at a slower pace (+4.7% per year). Bulgaria is the 20th largest importer in the EU accounting for 0.6% of EU imports; just above Slovakia (0.5%) and below Hungary (0.6%).

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

	2004		2006		2008		CAGR*
Product group:	**Value**	**Volume**	**Value**	**Volume**	**Value**	**Volume**	
Blocks & slabs	1.6	35	2.0	44	1.9	26	4.2%
Landscape design	n.a.	n.a.	n.a.	n.a.	n.a.	0.1	69%
Flooring & cladding	1.5	6.1	2.4	11	5.3	15	38%
Funeral & other art	3.3	8.8	7.7	21	14	41	43%
Total	**6.4**	**50**	**12**	**75**	**21**	**82**	35%

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

In 2008, Bulgarian import of natural stone consisted of funeral & other art (65%); flooring & cladding (25%); blocks & slabs (9.1%); and landscape design (0.2%). When comparing figures it becomes clear that the increase in the consumption of monumental & funeral products[2] (-4.1% per year) between 2004 and 2008 benefitted only imports (+42%). Production decreased over the same period (-42%). This supports the assumption that Bulgaria is becoming more reliant on imported natural stone at the expense of Bulgarian processors.

Imports from DC

Of the total percentage of imports, approximately 34% was imported from intra-EU countries, 0.6% from extra-EU countries and 65% from DC. The share of imports from DC has increased substantially over the years from 46% in 2004 to 65% in 2008. The market share of DC in Bulgaria is higher than the DC share in the EU (53%). In 2008, China (45%), Turkey (12%) and India (3.4%) were the main suppliers. The DC market is especially high in the product groups funeral & other art (79%). In the other product groups DC market share is lower: flooring & cladding (43%), blocks & slabs (13%) landscape design (20%). DC imports especially increased in the product groups funeral & other art (+79% per year) and flooring & cladding (+43%). Overall imports from DC (+47%) have been developing faster than imports in general (+35%) per year between 2004 and 2008. The share of DC is expected to increase further in the coming years however will be affected by the temporary drop in demand in Bulgaria.

Exports

In the Bulgarian natural stone market, about € 15 million or 91 thousand tonnes of natural stone and stone products were exported in 2008. Bulgaria exports 0.4% of the total EU export. It ranks 16th under Slovenia (0.3%) and above Romania (0.1%).

Table 3.2 Bulgarian export per product group, 2004 – 2008 € million / 1,000 tonnes

	2004		2006		2008		CAGR*
Product group:	**Value**	**Volume**	**Value**	**Volume**	**Value**	**Volume**	
Blocks & slabs	5.4	50	5.0	54	5.1	60	-1.5%
Landscape design	0.3	5.6	0.3	3.1	0.1	0.8	-27%
Flooring & cladding	0.7	5.7	2.0	11	2.1	15	30%
Funeral & other art	4.0	19	5.4	19	7.6	16	17%
Total	**11**	**80**	**13**	**87**	**15**	**91**	9.1%

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

In 2008, Bulgarian exports consisted of funeral & other art (51%), blocks & slabs (34%), flooring & cladding (14%) and landscape design (0.6%). Bulgarian exports have been growing

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

steadily between 2004 and 2008 whilst Bulgarian production dropped. Moreover, DC market share has increased substantially (+10% per year) at the expense of EU market share (-13%). This indicates that Bulgaria is increasingly re-exporting DC natural stone products.

Opportunities and threats

+ DC imports have increased in all products groups most notably funeral & other art and flooring & cladding.
+ The location of Bulgaria provides opportunities for DC to enter other EU markets. However, whether this is more beneficial than directly entering these markets should be investigated.
± Imports from DC are increasing at a higher rate than the trade with other partners, however will also be tempered by the current economic situation.
± The Bulgarian market is increasingly dependent on imported stone. However, Bulgaria is still a relatively small importer of natural stone and stone products.
- Although prices for imported products from DC increased growth stayed behind in comparison to other countries (intra-EU and extra-EU). DC exporters are competing on price and therefore eventually put pressure on their own margins.

Note that the above-mentioned developments and trends can be an opportunity for one exporter and a threat for another. Therefore, exporters should analyse the developments and trends discussed in the previous chapters to make their own analyses. The outcome of this analysis depends on the specific situation of an exporter. For an example of such an analysis, 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_20090513.pdf

4 Price developments

Import figures show that the average price of natural stone and stone products increased by 19% per year. Prices increased in the following product groups: flooring & cladding (+11% per year) and blocks & slabs (+12%). Prices of funeral & other art (-2.8%) and landscape design (+20%) however dropped. Prices in the EU as a whole increased by 6.3% per year. In general prices of natural stone imported from DC (+2.0% per year) and intra-EU (+25%) increased while prices of products from extra-EU countries dropped significantly (+0.2%).

This could indicate a growth of competiveness, a logical result of a growing rate import from developing countries. Bulgaria increasingly imports its natural stone from DC due to lower prices, causing the value of import to decline. In order to compete with the cheap imports, European production companies therefore increasingly focus on the high-end of the market.

Prices are usually available on request. There are some companies that include them on their website. Find below several websites that include price data:

- 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 Bulgaria.
- Stone source - http://www.stoneource.com ➔ go to 'stone selector' in the left side ➔ make a selection per material, price range or other criteria
- DIY stores – for example: http://www.praktiker.bg and http://www.mr-bricolage.bg ➔ go to 'brochure' ➔ find the page on natural stones ➔ note prices and details.

5 Market access requirements

As a manufacturer in a developing country preparing to access Bulgaria, you should be aware of the market access requirements of your trading partners and the Bulgarian 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 Bulgaria 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.

Tariffs and quota
In general, products entering the EU are subject to import duties. For beneficiary countries under the Generalised System of Preferences (GSP), however, reduced tariffs, or no tariffs, are applied. The list of beneficiary countries is regularly updated. For natural stone and stone products, a zero-tariff applies for exports from beneficiary countries of the GSP. Information on the required value added tax (VAT), please consult the following website: http://ec.europa.eu/taxation_customs/common/about/welcome/index_en.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 Bulgaria, visit the following websites on the following page:

Trade associations
- Bulgarian Natural Stone Association – http://www.bgstone.net
- Bulgarian Building and Construction Chamber - http://www.ksb.bg/en

Trade fairs
- Bulgaria Building Week Expo - http://dev.bulgarreklama.com:8080/BRek/Main.do?siteKey=1742-13&lang=EN - most prestigious building fair in Bulgaria held every year in Sofia: next show March 2010
- Stone Tec - http://www.stone-tec.com – largest European trade fair held biennially in Nuremberg: next event 22-25 June 2011

Trade press
- Guide Bulgaria - http://news.guide-bulgaria.com/News.aspx?t=business – Bulgarian news and articles with daily updates including on construction and tenders (in English)
- The Pari Daily - http://www.pari.bg/en/default.aspx - Bulgarian business and finance news with daily updates (in English)
- Novinite - http://www.novinite.com/category.php?category_id=17 - Bulgarian news with daily updates (in English)
- Reporternet - http://www.reporternet.com/search?searchword=praktiker – Balkan business news in English with daily updates

This survey was compiled for CBI by CREM BV

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