CBI MARKET SURVEY

The Natural Stone and Stone Products Market in Hungary

Publication date: July, 2007

Introduction

This CBI market survey gives exporters in developing countries information on some main developments in the natural stone market in Hungary. 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 the chapters about consumption and production, we refer to 3 product groups:

- Blocks and Slabs
- Landscape design
- Monumental and Funeral

The last group (Monumental and Funeral) is an aggregate of 2 sub products groups that will be addressed separately in the Import/ Export section: Flooring and Cladding and Funeral and other arts. For more explanation about the product group segmentation, please refer to the Appendix A of the CBI survey 'The Natural Stone and Stone Products Market in the EU'.

1 Market description: consumption and production

Consumption and industrial demand

- In 2004 Hungary consumed approximately 1,777 thousand tonnes of natural stone, of which 939 thousand tonnes of finished products total worth of € 28 million. After a drop in 2003, consumption grew by €1 million in 2004.
- Hungary is a small consumer accounting for 2% of the total volume of EU consumption. Looking strictly at finished products, Hungary accounts for just 0.4% of the total consumption value of the EU 25 countries. The biggest consumers are: Italy (30%), Spain (19%), France (11%) and the United Kingdom (10%). Among the other new EU Member States, Hungary ranks second with only Poland (1%) consuming more.

Table 1.1 Hungarian consumption in 2004 split into product groups, value in € million; volume in 1,000 tonnes

Product group	Volume	Value
Blocks and Slabs	838	-
Landscape design	4	1
Monumental and funeral	935	27

Source: Eurostat (2006)

- The expectations for the Hungarian economy are positive. In 2007 an economical growth of 2.5% is expected which will accelerate to 3% in 2008.[1] The prospects for the construction sector, the largest consumer of stone in Hungary, are also looking good. Since joining the EU a lot of construction has been taking place in Hungary. For 2007 and 2008 and annual growth of 13-15% is forecasted.[2] It is therefore expected that there will an increased demand for stone in coming years.

[1] Source: The Economist
[2] Source: Euroconstruct

Production

- In 2004, the Hungarian production represented 1,717 thousand tonnes of which 909 thousand tonnes of finished products with a total worth of € 9 million (note: no value data for Blocks and Slabs).
- After a slight drop in 2003, consumption of finished products picked up again in 2004 increasing with € 3 million.
- Hungary is a small producer of finished stone products in the EU accounting for 2% of total produced volume of the EU 25 countries and just 0.1% total value. In comparison, Italy, Spain, France and the United Kingdom account for 44%, 23%, 7% and 6% respectively.
- In the product group Finished Products 99% of the produced value consisted out of Monumental and Funeral products. The remaining 1% consisted of Landscape Design products.

Opportunities and threats

+ Since joining the EU, Hungary has access to EU funds that go towards big building and construction projects. This is one of the reasons Hungary is expected to be one of the biggest growth markets of not only the new Member States but of the EU as a whole. This will likely have a large impact on the consumption of stone.

- Because of its limited market size, Hungary represents only limited market openings for importers.

Please refer to chapter 7 of the the CBI survey 'The Natural Stone and Stone Products Market in the EU' for more opportunities and threats.

2 Trade channels for market entry

The most important trade channels in Hungary are:

- Wholesaler/importers: buy their natural stone directly from supplying countries. The market is dominated by a few large companies.
    - Hungarian importer Weiss & Kutas: http://www.weisskutas.hu
- Retailers: mainly buy from wholesaler/importers; however large retailers are also known to buy from supplying countries directly.
    - Nature Stone Kft. Hungary: http://www.naturalstone.hu/
- Natural stone processing industry: processors that buy from wholesalers/importers, quarry their own stone or depending on the size of the company buy directly from supplying countries. After processing these companies mainly supply to retailers and consumers.
    - Dekor Stein: http://www.dekor-stein.hu
- Other: major companies (e.g. building) or governmental organisations buying directly from supplying countries for large building projects.
    - Vegyepszer (large construction company): http://www.vegyepszer.hu/

3 Trade: imports and exports

Imports

- In 2005, Hungary imported a total of € 82 million worth of intermediate and finished natural stone products which represented 83 thousand tonnes worth of natural stone products.
- Between 2004 and 2005 the value of imports increased by 26%. The growth in terms of volume was 37%. This shows that the average price of natural stone has gone down. Looking more closely however, it becomes clear that while the average price of finished products went down, that of intermediates increased.

Table 3.1 Hungarian imports in 2005 split into different product groups

Product group	Share %
Blocks and Slabs	24
Landscape design	4
Flooring and Cladding	12
Funeral and Other Art	60

Source: Eurostat (2006)

- The total value of imports of all product groups have gone up in 2005 when compared to 2004; Blocks and Slabs (38%), Landscape Design (144%), Flooring and Cladding (4%) and Funeral and Other Art (24%).
- Hungary is one of the smaller EU importers accounting for 1% of the total value of EU imports. The European top 5 importers in value are Italy (17%) of total EU imports of natural stones), Germany (16%), the UK (15%), France (13%) and Spain (9%).
- In 2005 Hungary, per quantity, imported 51% of all its stone products from developing countries (DC). On other hand DC accounted for 31% of the value of Hungarian imports.
- The overall market share of DC in terms of value increased by 7% in 2005. Moreover, the price of imported stone from DC has gone up.
- The most important DC exporting to Hungary are Croatia (14%), China (6%), Turkey (4%), South Africa (2%), India (1%) and Brazil (1%).

Exports

- In 2005, Hungary exported a total 2 thousand tonnes of natural stone for a value of € 1 million.
- Between 2004 and 2005, the total value of Hungarian exports increased by 15%. At the same time volume increased by 10%. In other words, the average price of exported natural stone has gone up.
- Hungarian exports in 2005 consisted of Blocks and Slabs (16%), Landscape Design (2%), Flooring and Cladding (26%) and Funeral and Other Art (56%).

Opportunities and threats

+ The growth in the Hungarian natural stone market is likely to continue and the role of DC is expected to grow in coming years
+ The price of stone from DC has gone up over the years.

Please refer to chapter 7 of the the CBI survey 'The Natural Stone and Stone Products Market in the EU' for more opportunities and threats.

Useful sources

- EU Expanding Exports Helpdesk:
  http://export-help.cec.eu.int/ ➔ go to: trade statistics
- Eurostat – official statistical office of the EU:
  http://epp.eurostat.cec.eu.int ➔ go to 'themes' on the left side of the home page ➔ go to 'external trade' ➔ go to 'data – full view' ➔ go to 'external trade - detailed data

4 Price developments

- The price of natural stone has been dropping globally because of more efficient extraction technologies and more suppliers being active on the global market. The Hungarian market market however shows a mixed image; the price of intermediates increased while at the same time that of finished products went the exact. Whether this has to do with changes in margins or quality is not clear. Nor it clear whether these developments will continue in years to come.
- Listed below are three general websites that include price data for the EU market:
  - http://www.findstone.com
  - http://www.stonesource.com
  - http://www.stone-network.com

5 Market access requirements

As a manufacturer in a developing country preparing to access Hungary, you should be aware of the market access requirements of your trading partners and the Hungarian 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 Hungary 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://export-help.cec.eu.int/

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 Hungary, visit the following websites:

Useful sources
- Decor Stone fair: (Hungarian fair for the natural stone industry): http://www.eventseye.com/fairs/trade_fair_event_3933.html
- Construma 2007 (fair for construction sector): http://www.construma.hu
- Stone expo in neighbouring country Slovakia: http://www.agrokomplex.sk/akcie/stonekomplex2007/en/

This survey was compiled for CBI by CREM BV