

## CBI MARKET SURVEY

# THE OUTERWEAR MARKET IN HUNGARY

Publication date: April 2006

### Introduction

This CBI market survey gives exporters in developing countries information on some main developments on the outerwear market in Hungary. The information is complementary to the information provided in the CBI market survey 'The outerwear 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.nl/marketinfo>

## 1. Market description: consumption and production

### Consumption

- Consumer spending on outerwear in Hungary amounted to € 1.7 billion in 2005, an increase of 12% after a modest growth in the previous year. Spending on clothing increased by 39% between 2000 and 2004, behind an overall consumer spending growth of 46% for the same period.
- Hungary ranked 17<sup>th</sup> in clothing consumption after Finland (15<sup>th</sup>) and the Czech Republic (16<sup>th</sup>).
- Hungary's sparsely populated population is declining. During the period 2000-2004 the population fell by 1.0%. The main cause of this decline is a higher rate of deaths than births resulting in fewer young people aged 0-14 than mature citizens aged 60 or over. In 2004 those of retirement age accounted for 21% of the population as opposed to young children aged 0-14 (16%). The burden of responsibility is therefore left with Hungarians aged 15-59 who in 2004 constituted nearly two thirds of the population.

**Table 1 Consumer expenditure on outerwear in Hungary in value, 2002-2007**  
(in € million)

	2002	2003	2004	2005 e)	2006 f)	2007 f)
Women's outerwear	671	717	739	828	924	1,017
Men's outerwear	471	500	512	569	633	693
Knitwear	138	149	152	168	183	200
Clothing accessories	58	69	74	89	97	110
<b>Total outerwear</b>	<b>1,338</b>	<b>1,435</b>	<b>1,477</b>	<b>1,654</b>	<b>1,837</b>	<b>2,020</b>
Total clothing	1,616	1,734	1,782	2,002	2,234	2,458
Yearly growth in %	+6.4	+ 7.3	+ 2.7	+ 12.3	+ 11.6	+ 10.0

e) estimated f) forecasted

Source: Euromonitor and national statistics

- Euromonitor forecasts, that between 2005 and 2009, clothing expenditure will continue to show year-on-year uplifts of between 7% and 12%, bouncing back from a dip in growth levels in 2004.

### Production

- Hungary's clothing industry is shrinking and moving towards the East and the Far East, due to the lower costs in these regions.
- The value of clothing production was € 710 million in 2004, of which around 71% was exported and 29% was sold locally.
- Clothing manufacturers saw their production fall by 12.7% in the first half of 2005. Their overall sales were 10.4% lower, including 13.5% lower sales on the domestic market and 9.5% lower sales on export markets.

### Trends

- Hungary retains its strengths in tailoring, in spite of well-publicised factory closures, and has maintained the volume of its sales to the EU better than most other new EU members
- Younger consumers prefer shops selling fast fashion, which implies clothes based on one-season trends (and therefore inferior technical quality) for a low price.
- European brands are popular in Hungary, for each type - from teenage till elegant - of women. Family stores selling a broad assortment including accessories are very strong in the market of Hungary.

### Opportunities and threats

- Local importers, wholesalers and retailers are continuously looking for new products. However, the global problem of price sensitivity is present in Hungary. Prices have been depressed by cheap Asian imports.
- Clothing importers and wholesalers are looking for medium-priced, quality products to supply independent retailers, specialists shops, small retail chains and hypermarkets.

### Useful sources

- Euratex Bulletins (<http://www.euratex.org>); Central and Eastern Europe Textile Business Review (<http://www.textilemedia.com/25701.html>); Retail Intelligence/Mintel (<http://www.mintel.com>); Euromonitor (<http://www.euromonitor.com>); national statistics and websites of organisations mentioned in this survey.

## 2. Trade: imports and exports

### Imports

- In 2004, Hungary imported 49,000 tonnes outerwear valued € 495 million, consisting of € 219 million of woven outerwear, € 268 million of knitted outerwear and € 8 million of leather garments. Total imports fell 7.7 percent (in terms of value) compared to 2003.
- Imports of knitted outerwear consisted of jerseys, pullovers etc. (55%); T-shirts (23%); sportswear (5%); trousers, shorts etc. (5%); blouses and shirts (3%).
- Imports of woven outerwear consisted of trousers, shorts etc (32%); blouses and shirts (19%); indoor jackets (10%); coats and outdoor jackets (7%); suits and ensembles (5%); skirts (4%); sportswear (4%).
- Romania remained by far the leading outerwear supplier to Hungary in 2004 with an import share of 26 percent in terms of value, followed by Italy (import share of 12%), Germany (import share of 8%), Slovakia (import share of 7%), and China (fell 16% to an import share of 6%). Countries with increasing exports to Hungary were: Austria, Ukraine, Bulgaria, France and Poland.
- Almost a quarter of Hungarian imports came from developing countries in 2004. Total Hungarian imports from developing countries decreased in terms of value (- 22%) in the period 2003-2004. This fall can for more than half be ascribed to the decreasing imports from Turkey and China. Other developing countries with falling imports to Hungary were India, Bangladesh, Pakistan, Thailand, Morocco and Tunisia.

### Exports

- Hungary exported outerwear valued € 859 million in 2004, consisting of € 507 million of woven outerwear, € 344 million of knitted outerwear and € 8 million of leather garments.
- Total outerwear exports fell sharply by almost 14% during the period 2002-2004.
- Destinations were mainly (87% in value) other EU countries, like Italy (38% of total exports), Germany (19%), France (8%), Austria (6%) and the UK (6%). Leading destinations outside the EU were Romania (4%), Ukraine (1%) and the USA (1%).

### Opportunities and threats

- A decreasing share of Hungarian imports came from developing countries and accounted for 19% in 2004, which is low compared to other EU countries. The enormous growth of imports from Germany indicated that an important share includes re-exports.

- Import shares from developing countries was higher than average in product groups like T-shirts (33%) while imports of product groups like jerseys, pullovers etc. (10%) were much lower.
- Hungary's clothing imports increased during the first half of 2005, meanwhile clothing exports and domestic sales dropped during the same period caused, by intensified competition in international markets from low labour cost countries.
- Based on the value-for-money concept, the traditional lower range market segment, but also the largest middle range market segment, may offer good opportunities for exporters in developing countries.

#### Useful sources

- EU Expanding Exports Helpdesk - <http://export-help.cec.eu.int/>
- Eurostat – official statistical office of the EU - <http://epp.eurostat.cec.eu.int>
- Euratex Bulletins (<http://www.euratex.org>)

### 3. Trade structure

- The Hungarian outerwear market can be entered in several ways, of which most interesting for exporters in developing countries are: exports to wholesalers, manufacturing companies domestic clothing chains or hypermarkets. Choice of strategy depends on the resources available and the priority given to the Hungarian market.
- Specialist clothing retailers account for the bulk of the clothing market (67% in 2004 of which 49% independent retailers and 18% clothing multiples).
- The Hungarian clothing market has traditionally been heavily fragmented and dominated by independents and local operators. The number of international operators in the market has increased markedly in recent years, as the country has opened up.
- C&A (<http://www.c-and-a.com>) leads the specialist sector by 7 stores, followed by the domestic chain Aranypók (27 outlets; <http://www.aranypok.hu>). Aranypók is market leader in bodyfashion, but also sells shirts, polos and pullovers. Internationally operating chains, active in Hungary, are: Marks and Spencer (4 franchised stores, UK); La Halle, Orsay and Promod (France); Benetton (Italy); Springfield and Mango (Spain); New Yorker (Germany) and since end 2004 Zara (Spain) and since 2005 H&M (Sweden).
- Non-specialists accounted for 33% of the clothing market in 2004, of which 17% department and other general stores, 13% hyper- and supermarkets and the remaining 3% includes market stalls, mail-order and sports shops.
- The two major department stores in the sector are Skála and Centrum, which are operated as a joint entity by the Skála Coop business. Skála is one of the most significant clothing retailers in the Hungarian market by turnover. Two other key players are the large Corvin store in Budapest and the more than 50 strong chain of variety stores operated by Co-op Hungary (<http://www.coop.hu>).
- The number of super- and hypermarkets grew very fast in Hungary, of which hypermarkets from two in 1996 to 65 in 2004. Leading retailers are Metro/Makro Cash& Carry (13 hypermarkets), Tesco (33), Auchan (9). The hypermarkets took an important share in the Hungarian clothing market and are, as usual, focused on price-competitive clothing.

### 4. Prices

- Analysis of clothing prices in 2004 relative to 2000:  
 Consumer prices                      + 10.6%  
 Import prices                           - 4.9%
- Retail sales increased vastly (+32%) in Hungary during the period 2000-2004, while consumer prices increased rapidly; at the same time import prices decreased and were below the EU average.
- The VAT rate for clothing is 25% in Hungary.
- An impression of average prices can be formed by browsing through the catalogues of large multiples, department stores or from other company websites. For websites we refer to the previous chapter.

## 5. Market access requirements

- Manufacturers in developing countries should be aware of the market access requirements of their trading partners and the country's government. Requirements are demanded through legislation and through labels, codes and management systems. These requirements are based on environmental, consumer health and safety and social concerns.
- Mandatory labelling requirements in Hungary are valid for composition of textiles, origin marking, size marking and care-labelling/washing instructions (<http://www.ginetex.org>). Labelling has to be formulated in the Hungarian language.
- For more information go to 'Search CBI database' at <http://www.cbi.nl/marketinfo>

## 6. Business practices

Try the following organisation for information on business practices:

- The Association of Hungarian Light Industry (AHLI) includes the clothing sector. There is no website available, the association can be reached by E-mail (<mailto:mksz2@axelero.hu>), by phone (00 36 1 2660694) or by fax (00 36 1 2661625).

This survey was compiled for CBI by Fashion Research & Trends.

Disclaimer CBI market information tools: <http://www.cbi.nl/disclaimer>