CBI MARKET SURVEY

THE OUTERWEAR MARKET IN LUXEMBOURG

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Introduction

This CBI market survey gives exporters in developing countries information on some main developments on the outerwear market in Luxembourg. 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

- Luxembourg has 455,000 inhabitants and is one of the smallest country in the EU. The population pyramid is comparable to the Belgian one, which implies, an equally greying population. Concerning demographic structure, Luxembourg has one in particular: 37% of inhabitants are of foreign origin. This is largely due to the many international organisations and companies which have registered offices in the country.
- Per capita expenditure on clothing is rather high in Luxembourg (€ 840), at the same level as Austrian consumers and only ranking behind UK consumers.
- Luxembourg ranked 22nd in outerwear consumption, it is in the countries Cyprus, Estonia and Malta that the market sizes are more limited.
- Prices for some goods are cheaper due to lower taxes and are attractive for Belgian, French and German shoppers.

Table 1 Consumer expenditure on clothing in Luxembourg in value, 2002-2007 (in € million)

	2002	2003	2004	2005 e)	2006 f)	2007 f)
Women's outerwear	173	174	181	187	193	202
Men's outerwear	90	91	91	93	96	99
Knitwear	42	43	43	43	44	45
Clothing accessories	14	14	15	15	15	16
Total outerwear	**319**	**322**	**329**	**338**	**349**	**362**
Total clothing	362	365	373	383	394	410
Yearly change in %	+ 1.4%	+ 0.8%	+ 2.2%	+ 2.7%	+ 2.9%	+ 4.1%

e) estimated f) forecasted
Source: Euromonitor and national statistics (STATEC)

Production

- According to Euratex, there are no data available concerning clothing production in Luxembourg. It can be assumed that output of clothing production is negligible.

Trends

- The Luxembourg consumer is classical in taste and prefers garments of good quality, in men's, women's and in children's clothing.
- Consumers in Luxembourg spend a high amount per capita on clothing and pay higher attention to clothing for special occasions (wedding, communion etc.) than in most of the other EU countries.
- Demand for clothing can be described as a mixture of the conservatism of Germany, the classical and stylish appearance of Belgium and price consciousness of The Netherlands.

- An increasing group of consumers is more critical about fittings and looking for better (greater) choice of fashion collections.

Opportunities and threats
- The growing expenditure on clothing, combined with the absence of domestic production, make Luxembourg an attractive export destination; however, the size of the market limits the possibilities.
- Clothing importers and wholesalers are looking for medium-priced, quality products to supply independent retailers, specialists shops and small retail chains.

Useful sources
- Euratex Bulletins (http://www.euratex.org); European Retail Handbook 2005/6, Retail Intelligence/Mintel (http://www.mintel.com); Euromonitor publications (http://www.euromonitor.com); national statistics and websites of organisations mentioned in this survey.

2. Trade: imports and exports

Imports
- In 2004, Luxembourg imported 11,000 tonnes outerwear valued € 233 million, consisting of € 144 million of woven outerwear, € 84 million of knitted outerwear and € 4 million leather garments. Total imports showed a fall of 2.7% compared to 2002.
- Imports of knitted outwear consisted of jerseys, pullovers etc. (38%); T-shirts (27%); sportswear (8%); trousers, shorts etc. (6%); blouses and shirts (5%).
- Imports of woven outerwear consisted of rubberised or impregnated overcoats (26%); trousers, shorts etc (24%); coats and outdoor jackets (9%); blouses and shirts (12%); indoor jackets (10%); suits and ensembles (5%); skirts (5%); sportswear (4%).
- Belgium remained the leading outerwear supplier to Luxembourg in 2004, with an import share of 30 percent in terms of value, followed by Germany (import share of 25%) and France (import share of 13%). Imports from China fell almost 25% in 2004 compared to the previous year to € 18.2 million. Other countries with increasing exports to Luxembourg were: The Netherlands, United Kingdom, Tunisia and Cambodia.
- Total imports by Luxembourg from developing countries decreased in terms of volume (- 12.6%) and value (- 13.4%) in the period 2003-2004. This fall can mainly be ascribed to the falling imports from China. Developing countries with growing imports, besides Tunisia and Cambodia, were Bangladesh, Pakistan and Turkey, while imports from India decreased. Outerwear imports into Luxembourg, coming from Belgium, Germany and The Netherlands included re-exports.

Exports
- Luxembourg exported outerwear valued € 99 million in 2004, consisting of € 89 million of woven outerwear, € 10 million of woven outerwear and € 0.3 million of leather garments.
- Total outerwear exports grew considerably by 10.4% in 2003, but fell back by 1.9% in 2004.
- The absence of local production means that exports can be considered as re-exports.
- Destinations were mainly (94% in value) other EU countries, like France, United Kingdom, Germany, Italy, Belgium and Spain. Leading destination outside the EU was Russia.

Opportunities and threats
- The share of developing countries in Luxembourg´s imports accounted for 13% in 2004, which is very low compared to other EU countries.
- Import shares from developing countries were higher than average for rubberised or impregnated overcoats (68%) while imports of the other product groups were (in total) less than 2%. These figures indicate huge opportunities.

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 buletins (http://www.euratex.org)

3. Trade structure

- Wholesalers and to a much lesser degree specialised chains are potential trade channels for exporters in developing countries.
- The majority of collections are sold in Luxembourg are purchased in Belgium. Some collections are bought in Germany or France. The market in Luxembourg is too small for it to develop its own profitable distribution channels.
- Retailers in Luxembourg are traditionally owners of small shops. However, the formerly important small, self-employed retailer is gradually losing ground, and chain stores are taking up more and more of the market share.
- In Luxembourg, statistical information does not exist. Roughly speaking, there are about 475 clothing stores. The large shopping centers are concentrated in the large cities such as Luxembourg City and Echternach.
- There are about 30 mass distribution stores scattered throughout the country, most of them come from abroad such as C&A (8 stores), H&M (7), Etam (5) and Z/Catimini (12). Most of these chains, however, include 1-3 stores like M&S Mode, Cool Cat, Promod, Orsay, Pimkie, Zara, Massimo Dutti, Adler, Kookai, Rodier and many others,
- The market shares of distribution channels are more or less the same as in Belgium.

4. Prices

- Retail sales in clothing increased by 6.6% in Luxembourg during the period 2000-2004, which is equal to the EU average. Import prices decreased by 12% during the same period, while consumer prices registered a growth of 5.6%. So, apparently, there is no direct link between price drops in imports, due to quota liberalisation, and a corresponding result in the consumer prices.
- The VAT rates for clothing are lower than in the neighbouring countries, namely 12/15% for clothing of adults and 3% for children's clothing. The low VAT rates, compared to neighbouring countries, resulted in cheaper consumer prices as discussed above.

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.
- For more information go to 'Search CBI database' at http://www.cbi.nl/marketinfo

6. Business practices

- In addition to being very competitive and sophisticated, language may be a factor when selling products in Luxembourg. Goods must be labeled in one of the three official languages: French, German, or Luxembourgish (Lëtzebuergesch).
- Foreign companies are advised to quote prices on a Cost Insurance Freight (CIF), based on the Belgian sea or airport basis. This is standard practice for most exporters since it facilitates comparisons with EU supplier prices, which need no further adjustment for import duties and are usually quoted on a delivered warehouse basis.
- There is no clothing trade association nor is there a trade fair in Luxembourg.

This survey was compiled for CBI by Fashion Research & Trends