

CBI MARKET SURVEY

THE OUTERWEAR MARKET IN CYPRUS

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Introduction

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

- The relatively small population of Cyprus (almost ¾ million) limits the size of the domestic market. Cyprus' apparent consumption shows a high import penetration, which has slowly risen as from 2000.
- Total consumer spending on clothing rose by 12% during 2002-2005 to reach € 341 million including sales tax. Around 90 percent of clothing expenditure concerned outerwear.
- Cyprus's population is increasing at a steady rate, from 690 thousand in 2000 to 749 thousand in 2005. In 2010 the population will be 0.8 million and is projected to grow further to 0.9 million in 2020.
- The proportion of people aged 0-15 decreased in the last decade, while the group aged 15-24 increased.

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

	2002	2003	2004	2005 e)	2006 f)	2007 f)
Women's outerwear	132	136	140	142	148	155
Men's outerwear	100	103	106	108	112	117
Knitwear	29	30	31	33	34	36
Clothing accessories	22	23	23	26	27	28
Total outerwear	283	292	300	309	321	336
Total clothing	304	317	328	341	355	371
Yearly change	+ 4.1%	+ 4.2%	+ 3.6%	+ 3.8%	+ 4.0%	+ 4.6%

e) estimated f) forecasted

Source: Euromonitor and national statistics

- Per capita expenditure in clothing is about € 455, which is the highest of the new EU member states.

Production

- Cyprus' clothing production saw a spectacularly declining employment, production and export in the last decade. Employment plummeted from 16,000 workers in 1994 to 2,500 workers in 2004.
- The remaining 140 clothing manufacturers have relocated most of their production to countries like Romania, Bulgaria, Syria, Jordan and Egypt and are specialised in managerial aspects like CMT, JIT and niche marketing. Furthermore this trend is likely to continue.
- Developments in clothing production for the coming years are negative, because of aspects like rising cost levels, absence of raw materials, high number of independent SMEs and a small domestic market.

Trends

- Young consumers (aged 15-24) make up the consumer group with the highest per capita spend on clothing. They follow fashion trends more closely than other age groups and, as this group expands, they will be one of the main drivers of the clothing market in the years ahead.
- Influences of fashion developments from the UK and Italy are important.
- Foreign brands became more popular than domestic brands among the Cypriots.

Opportunities

- Demand for outerwear will grow in the coming years for several reasons such as demographic developments, growing interests of consumers in fashion, especially younger people and expected growth in consumer expenditure.
- The strong decrease in production in Cyprus has led to a further sourcing of products in low-cost countries and, probably, of products with a higher design content. Besides the traditional lower range market segment, the largest middle range market segment may also offer good opportunities for exporters in developing countries.
- The limited size of the market restricts reduces the possibilities of exports to Cyprus.

Useful sources

- The Cyprus Chamber of Commerce and Industry (<http://www.ccci.org.cy>) gives information about the leading manufacturers and/or importers of clothing.

2. Trade: imports and exports

Imports

- In 2004, Cyprus imported 6,000 tonnes of outerwear, valued € 175 million, consisting of € 117 million of woven outerwear, € 56 million of knitted outerwear, and € 2 million leather garments. Total imports showed a growth of 1% compared to 2002.
- Only 4 EU countries (Lithuania, Estonia, Latvia and Malta) imported less outerwear (in terms of value) than Cyprus in 2004.
- Imports of knitted outerwear consisted of T-shirts (29%); jerseys, pullovers etc. (26%); blouses and shirts (14%); sportswear (11%); babies' garments (8%).
- Imports of woven outerwear consisted of trousers, shorts etc (32%); blouses and shirts (30%); suits and ensembles (8%); indoor jackets (7%); skirts (7%).
- Greece remained the leading outerwear supplier to Cyprus in 2004, with an import share of 33 percent in terms of value, followed by Italy (import share of 17%). Imports from other major countries varied strongly: UK (booming imports: +175%), China (fell 38%) and Spain (grew 55%).
- Total imports from developing countries decreased in terms of value (-37%) in the period 2003-2004, mainly caused by sharply decreased imports from China. Other countries, of which imports fell were: Thailand, India, Morocco, Sri Lanka and Indonesia, while imports from Bangladesh grew.

Exports

- In 2004, Cyprus exported € 17 million, consisting of € 11 million of woven outerwear, € 6 million of knitted outerwear and € 0.3 million of leather garments.
- Total outerwear exports fell by 41% during the period 2002-2004.
- Destinations were mainly (75% in value) other EU countries, like Greece (29% of total exports), United Kingdom, France, Ireland and Spain. Leading destination outside the EU was Jordan (10% of total exports) at distance followed by the USA and Switzerland.

Opportunities and threats

- In 2004, 17% of Cypriot imports came from developing countries, this percentage was higher in the following leading product groups: knitted sportswear (37%), T-shirts (26%) and woven trousers (21%) and lower for jerseys, pullovers etc. (14%) and woven shirts (12%).

- Cyprus' trade deficit decreased by 2% in the first half year of 2005. Imports from developing countries fell again (mainly: China, Thailand and Bangladesh) while imports from Greece, United Kingdom and Spain increased strongly.

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

- Wholesalers and importing manufacturers are potential trade channels for exporters in developing countries.
- Just like in Greece, the domestic retailers compete with foreign chains mainly from the UK, such as (franchised) Marks & Spencer (<http://www.marksandspencer.com>) and formula of the Arcadia Group (<http://www.arcadiagroup.co.uk>); and also from Italy: Terranova.
- The Arcadia Group operates with 6 formula through 16 stores, of which Evans (4) and Dorothy Parkins (5) are the most important. Other multiples are the Zako (<http://www.zako.com.cy/>) formula of 38 stores including 33 franchised, owned by the Ermes Group. Multiples in the higher segments are, besides Zako, Timinis in the higher segments with 6 stores.
The Ermes Group (<http://www.dart.com.cy/ermes/en/index.html>) operates with 9 Ermes (and Debenhams) department stores and the variety store Marks & Spencer with 9 stores, too.
- Leading home selling company is the German-based Otto. (<http://www.otto.com/>)

4. Prices

- Analysis of clothing prices in 2004 relative to 2000:
Consumer prices - 11.6%
Import prices - 23.2%
- The drop in import prices in Cyprus caused a drop in consumer prices and a corresponding strong growth in retail sales.
- The VAT tariff for clothing (adults and children) is 15%.
- An impression of average prices can be formed by browsing through the catalogue of Otto on Internet. Comparisons can also be found in the prices given in catalogues from large multiples, department stores or from 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 Cyprus are: the composition of textiles and the care-labelling/washing instructions. Country of origin and size marking are optional labels. Labelling is in the Greek language (other languages of the EU are optional).
- For more information go to 'Search CBI database' at <http://www.cbi.nl/marketinfo>

6. Business practices

- Cypriots prefer face-to-face meetings rather than doing business by telephone or in writing, which are regarded as too impersonal. Under no circumstances should you ever let someone think that you do not trust them, since trust and personal relationships form the cornerstone of business.

- Contracts are crucial and will be followed to the letter. It has to be noted that Cypriots are skilled negotiators, so expect a great deal of bargaining. Opening bids should leave a great deal of room for negotiation and concessions on both sides.
- Usual terms of payment are 30-60 days open account, however, an LC (letter of credit) is advisable.
- There are no clothing or fashion trade fairs organised in Cyprus, Clothing trade publications come from abroad, fashion forecasts from Italy and information about production, trade etc. from Greece and the United Kingdom.
- The clothing trade organisation in Cyprus, named Cyprus Clothing Association (CCA) can be reached by an E-mail to: <mailto:ccia@cytanet.com.cy>

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

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