CBI MARKET SURVEY

THE OUTERWEAR MARKET IN THE CZECH REPUBLIC

Publication date: April 2006

Introduction

This CBI market survey gives exporters in developing countries information on some main developments on the outerwear market in The Czech Republic. 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 deal 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

- Total consumer spending on clothing rose by 18.7% during 2002-2005 to reach € 1.9 billion including sales tax 2005. Around 90 percent of clothing expenditure concerned outerwear which is € 1.7 billion.
- The Czech Republic ranked 16th in EU consumption of outerwear, accounting for 0.8% of total EU consumption.
- The population size in the Czech Republic has been in decline since 1998, due in part to a high level of migration out of the country. The period 1998-2004 saw the population remaining at 10.2 million. Like other EU countries, the Republic also has an ageing population.

Table 1 Consumer expenditure on outerwear in the Czech Republic in value, 2002-2007 in € million

	2002	2003	2004	2005 e)	2006 f)	2007 f)
Women's outerwear	893	955	1,000	1,051	1,113	1,180
Men's outerwear	362	389	408	428	451	480
Knitwear	176	188	195	206	216	230
Clothing accessories	51	59	61	62	65	65
Total outerwear	**1,482**	**1,591**	**1,664**	**1,747**	**1,845**	**1,955**
Total clothing	1,633	1,756	1,842	1,939	2,054	2,175
Yearly change in %	+ 7.5%	+ 5.7%	+ 4.9%	+ 5.3%	+ 5.9%	+ 6.1%

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

Production

- Total sales by the Czech clothing manufacturers fell to € 376 million in 2004. The number of clothing producers dropped by 13% to 361 and employed 27,000 people, a decline of 6% compared to 2003. Preliminary figures for 2005 give no optimistic picture and the situation is unlikely to change for the better in 2006 and coming years.
- In 2004, the Czech clothing industry was faced with lower demand, caused by strongly increased imports. Exporters benefited from a strong Euro, however, the weak dollar made imports to the Czech Republic, also to strategic EU markets, cheaper, which led to a further loss of orders.
- Production growth was recorded for women's/girls' woven blouses and shirts in 2004, however, the production index for these product groups fell resp 8 and 25% during the period January-July 2005, compared to the equivalent period in 2004.
- In 2004, 70% of total Czech clothing production was exported, with the EU accounting for 96% of exports.

- The leading Czech clothing manufacturer is Odevni Podnik (http://www.op-profashion.cz/about , followed at distance by Otavan (http://www.otavan.cz) and Blazek (http://www.blazekpraha.cz). A list of clothing manufacturers in the Czech Republic including links to their websites can be found at http://www.atok.cz.

Trends

- Experts forecasts that clothing expenditure will continue to see robust growth in the period to 2009, boosted by the entry of more foreign, particularly European, fascias into the market.
- Generally spoken, Czech consumers are not loyal to a particular brand. Very often, for financial reasons, they choose to buy non-brand apparel at hypermarkets (such as Tesco and others) rather than in clothing shops where prices are much higher. It should be noted that young people increasingly prefer to wear clothes of foreign brands.
- Consumers in the Czech Republic will become more aspiring and 'western' in their outlook as prosperity increases and foreign investment in the country grows.
- Strongly growing imports from low-cost countries will lead to further reduction in the number of employees, cut-backs and closures in the Czech clothing industry, while a number of companies will focus themselves on workwear and hi-tech casual wear.

Opportunities and threats

- Demand for outerwear in the Czech Republic will continue to grow in the coming years. Czech consumer behaviour changed in recent seasons; the popularity of second-hand clothing declined in favour of buying clothing at hyper- and supermarkets and from mail-order companies.
- Younger people are more and more interested in brand name clothing, especially in casual and leisure wear. Influence of media such as Internet inspires youth by fashion trends and they are willing to spend more for (mainly) European brands.
- The Czech manufacturers mainly export clothes to other EU countries. This can be a threat to developing countries, because these manufacturers are often producing on short terms.

Useful sources

Euratex Bulletins (http://www.euratex.org); Clothing Retailing Europe and European Retail Handbook 2005/6, Retail Intelligence/Mintel (http://www.mintel.com); Euromonitor publications (http://www.euromonitor.com); Central and Eastern Europe Textile Business Review (http://www.textilemedia.com/25701.html); national statistics and websites of organisations mentioned in this survey.

2. Trade: imports and exports

Imports

- In 2004, the Czech Republic imported 63,000 tonnes outerwear valued € 701 million, consisting of € 414 million of woven outerwear, € 265 million of knitted outerwear and € 22 million of leather garments. Total imports showed an enormous growth of 51% compared to 2002. 29% of total outerwear imports came from outside the EU, which is lower than the EU25 average of 59%.
  The share of imports in the increased consumption grew, while production for the domestic market decreased.
- Imports of knitted outwear consisted of jerseys, pullovers etc. (43%); T-shirts (29%); sportswear (11%); blouses and shirts (5%); trousers, shorts etc. (4%).
- Imports of woven outerwear consisted of trousers, shorts etc (42%); coats and outdoor jackets (18%); blouses and shirts (11%); indoor jackets (6%); suits and ensembles (5%); skirts (5%); sportswear (3%).
- Germany remained by far the leading outerwear supplier to the Czech Republic in 2004, with an import share of 30 percent in terms of value, followed by France (import share of 13%). Imports from China fell almost 25% in 2004 compared to the previous year to € 18.2 million or 8%.

- Total imports of the Czech Republic 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.

Exports
- The Czech Republic exported outerwear valued € 464 million in 2004, consisting of € 334 million of woven outerwear, € 121 million of knitted outerwear and € 9 million of leather garments.
- Total outerwear exports grew by 2% during the period 2002-2004.
- Destinations were mainly (96% in value) other EU countries, like Germany (68% of total exports), United Kingdom, Slovakia, Italy, Austria, Poland and The Netherlands. Leading destination outside the EU was Switzerland (2% of total exports).

Opportunities and threats
It should be noted that for several statements, classified under opportunities and threats, it is a case of: an opportunity if you can respond, a threat if you can't!

- A further growth in imports can be expected in the coming years. The clothing trade deficit widened by 5% in the period January-July 2005, because clothing exports rose by 25% and clothing imports increased by 31%, a possible reason may be re-exports.
- 21% of imports into the Czech Rep. came from developing countries in 2004. This percentage was higher in the following product groups: T-shirts (37%), woven outdoor coats and jackets (33%), and lower for jerseys, pullovers etc. (14%), woven skirts (13%), woven suits (9%) and indoor jackets (5%).
- Import prices will remained under pressure and the decrease in average import prices will put further pressure on Czech producers and force them to pare margins.
- The rise in clothing imports contributed to a 12.5% reduction in the number of employees in the clothing industry during the first half year of 2005 compared with the same period in 2004. The rise has also resulted in a number of cut-backs and closures.

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

3. Trade structure

- The Czech market can be entered in several ways, of which most interesting for exporters in developing countries are: exports to importing manufacturers (either or not vertically organised), wholesalers or retail organisations (chains and hypermarkets).
- Specialist clothing retailers accounted for half the clothing market in 2005 of which an estimated 30% independent retailers and 20% clothing multiples. However, they face increasing competition from other channels, in particular from the super- and hypermarkets, including the market leader Tesco.
- A rapidly change towards more concentrated retailing structure resulted in the most sizeable price drops for clothing products.
- Domestic family clothing chains are among others: Kenvelo (operating through 213 stores in Europe, of which 62 in the Czech. Republic; http://www.kenvelo.com), OP Prostejev (134 stores in Eastern Europe, of which 105 in the Czech Rep.; http://www.op-profashion.cz), the SOS group, including SOS textil (98 stores and catalogue sales), Hak & Hak and Mega Markt (http://www.sostextil.cz); Centex; Hasso and Vesna. Foreign chains, active in the Czech Republic, are among others: C&A (15 stores and 6 Clockhouse shops), H&M, La Halle (Vivarte, France); Oray (Germany); New Yorker (Germany), IC Companys (Denmark) and Benetton.

- Non-specialists accounted for the other half of the clothing market in 2005, of which department and other general stores 20%, hyper- and supermarkets 20%, sports shops 5% and other channels like home shopping companies and street markets 5%.
- Department and other general stores are Prior (http://www.prior.cz) and Coop Morava (http://www.coopmorava.cz) and from abroad: Marks & Spencer (2 stores) and since 2004, Debenhams (both from the UK).
- Sportswear is mainly sold via chains like: Intersport (16 outlets, http://www.intersport.cz), Giga Sport (10 outlets, http://www.gigasport-cr.cz) and Drapa Sport (11 outlets, http://www.drapasport.cz).
- The Czech Republic has been a success story for many European hypermarket operators, who have found that their price-conscious offer has widespread appeal in the now liberated market. Examples are Tesco (25 stores), Belgium's Delhaize (90 Delvita stores), France's Carrefour (10 stores).

4. Prices

- Analysis of clothing prices in 2004 relative to 2000:
  Consumer prices - 10.5%
  Import prices - 11.7%
  The drop in import prices and to a lesser degree production prices, caused a drop in consumer prices and a corresponding strong growth in retail sales.
- Vat rate for clothing is 19%.
- An impression of average prices can be formed by browsing through the catalogues of home shopping companies on Internet. Comparisons can also be found in the prices given in catalogues from large multiples 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 the Czech Republic 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 Czech language.
- For more information go to 'Search CBI database' at http://www.cbi.nl/marketinfo.

6. Business practices

Try the following websites for information on business practices:
- The Association of Textile, Clothing and Leather Industry in the Czech Republic is ATOK (Asociace Textilniho Odevniho Kozedelneho prumyslu) and can be reached at http://www.atok.cz
- The international fashion fair Styl & Kabo (twice a year in Brno) would be a good place to make contacts. More information at http://www.bvv.cz/styl-gb.

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