CBI MARKET SURVEY

THE DOMESTIC FURNITURE MARKET IN HUNGARY

Publication date: September 2006

Introduction

This CBI market survey gives exporters in developing countries information on some main developments on the domestic furniture market in Hungary. The information is complementary to the information provided in the CBI market survey 'The domestic furniture 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 domestic furniture market in Hungary is valued at € 744 million in terms of retail sales.
- This is the ninth smallest in the EU and is similar to a cluster of other countries, including Ireland and the Czech Republic. Entering the EU resulted in price rises and market growth, albeit slightly lower than its neighbours. Consumption has been steadily increasing in recent years.

Table 1.1 Consumption of domestic furniture in Hungary, 2001-2005, € million

	2001 €m	2003 €m	2005 €m	Population (million)	Consumption per capita €	Households (000's)	Occupants per h/h
Hungary	630	658	744	10.1	74	4,250	2.4

Source: Euromonitor, Eurostat, Trade Estimates (2006)

- Further increases are likely in the next few years, fuelled by closer links with Western Europe and increasing affluence in the local population.
- In terms of the selected product groups, it is estimated that dining and living room furniture is the largest group, accounting for 23% of sales; upholstered furniture 22%; kitchen furniture 17%; bedroom furniture 13% and other furniture 25%.

Production

- Furniture production was valued at € 550 million in 2005, registering significant increases since joining the EU, similar to its Eastern European neighbours.
- Increases are forecast to continue, albeit at a lower rate, fuelled by production for export and a home building boom.
- According to Eurostat, the volume of Hungarian production was 9.5 million items in 2003, of which 6.7 million were other furniture and 1.3 million non-upholstered furniture items.
- As well as furniture parts, production of both upholstered and non-upholstered seating are important product groups. Production of dining and living room furniture is declining.

Trends

- The main drivers for the growth in demand have been a house-building boom and the growth of a middle class in Hungary.
- This has been accompanied by a demand for more personalised furniture items, rather than the standard items produced in previous times. For example, IKEA goods enjoy a premium while they are seen as good value entry-level products in Western Europe. Hungarians are aspiring to Western European furniture tastes and styles.

- The domestic furniture industry is continuing its rapid transformation since a market economy has been operating.
- There is less fragmentation and more polarization, and while price is still important, it is no longer the dominant requirement. The main producers have an export focus.

Opportunities and threats

- Hungary has close links with Germany and Austria and while it produces many parts and components for these countries, it also is an important export market for them.
- However opportunities exist for exporters from developing countries as the domestic market continues to grow.
- The greatest opportunities may be at the lower end of the market in the independent trade, as Western European retailers are strengthening their position in the high end of the market.

Useful sources

- The Hungarian Furniture Alliance - http://www.butorszovetseg.hu
- The Hungarian Central Statistical Office - http://www.ksh.hu
- Euromonitor International – http://www.euromonitor.com
- The Economic and Commercial Office of the Spanish Embassy in Budapest has produced a report on the furniture market in Spain (http://www.infurma.es).

2. Trade: imports and exports

Imports

- In 2005, Hungary's imports of domestic furniture were valued at € 370 million or 111,000 tonnes. Hungary was the ninth smallest EU importer by value and the tenth smallest by volume. This is broadly the same level of imports as Ireland, Finland, Greece, Slovakia and Slovenia.
- Imports increased by 41% in value and 26% by volume between 2001 and 2005. Exports exceeded imports by 83% in value but were similar in volume terms. Exports are increasing at a faster rate than imports. Production has been growing and this, together with rising imports has been satisfying the growing domestic consumption.
- Around 7% of Hungary's imports valued at € 25.4 million (12% by volume) come from developing countries. The leading developing country suppliers are China (€ 9.4 million), Turkey (€ 4.3 million), Indonesia (€ 3.9 million), Malaysia (€ 2.8 million), Vietnam (€ 1.5 million) and Croatia (€ 0.6 million). Smaller suppliers are Thailand, Brazil and India. Importers registering large increases were China, Turkey and Malaysia. Brazil and Indonesia registered decreases.
- Furniture parts was the largest product group with imports valued at € 200 million (54% of total by value and 21% by volume). Imports were up over the period, particularly in value terms. Dining and living room furniture was the largest group in volume terms (25%), valued at € 42.8 million. Other furniture (€ 47.6 million), upholstered (€ 26.5 million), non-upholstered (€ 21.7 million), bedroom (€ 16.1 million), kitchen (€ 9.7 million) and rattan (€ 5.6 million) were the value of imports of the other product groups.

Exports

- In 2005, Hungary's exports of domestic furniture were valued at € 679 million or 114,000 tonnes. Between 2001 and 2005 the value of exports increased by 50%. Volumes were up by 42%. Hungary still has higher valued exports than its neighbour Slovakia, but considerably lower volumes.
- Almost 93% of exports were intra-EU. Germany (66%) was the largest destination country, followed by Austria, the UK, Italy and Poland. Some re-exporting takes place with Germany and Austria.
- More than 73% of Hungarian exports were furniture parts.

Opportunities and threats

- The market in Hungary is very competitive. Although imports are growing, domestic production and exports are also growing. Exporters from developing countries however can find opportunities in certain product sectors.
- Imports from developing countries are increasing at a slower rate than imports from other countries based on value, but at a faster rate by volume.
- The best opportunities are in other furniture, where production is also down. Other opportunities exist in upholstered and non-upholstered seating.

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
- The Hungarian Central Statistical Office - http://www.ksh.hu

3. Trade structure

- The rapid growth of foreign retailers is changing the patterns of furniture distribution in Hungary. IKEA (Sweden) with 2 outlets in 2005, Sconto (Germany) with 2 outlets, Kika (Austria) with 3 outlets and KA International (Spain) are just some of them. Fragmentation is decreasing.
- The market is becoming polarised. The high-end market is small in volume terms but high in value. IKEA and other are in the middle, but at the bottom, there are many Hungarian-owned workshops producing furniture of questionable quality but very low price.
- Leading importers are Pergo Butor (http://www.pergobutor.com), Butorex (http://www.butorexkft.hu), Remi Butor (http://www.remibutor.com) and Ideal Butor (http://www.idealbutor.hu).
- IKEA is the leading furniture retailer, followed by Kika (http://www.kika.hu), Domus (http://www.domus.hu) and Sconto (http://www.sconto.hu).
- More information on trade structure can be found at the Hungarian Furniture Alliance (http://www.butorszovetseg.hu).

4. Prices

- Furniture prices are significantly lower than the European average, but less expensive than near-neighbours the Czech Republic, but slightly higher than Poland. The long-term trend is for prices to rise as more foreign retailers establish themselves as leading retailers and Hungary integrates more closely into the EU.
- For up-to-date furniture prices, see IKEA (http://www.ikea.hu), and retailers Kika (http://kika.hu) and Domus (http://www.domus.hu).

5. Market access requirements

- Manufacturers in developing countries should be aware of the market access requirements
- of their trading partners and the country 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

- Hungarian business culture is fairly formal. German is the most widely spoken foreign language, but English is the principle business language in Budapest.
- Letters of credit and cash in advance are common, although payment on open account terms is increasingly used once a trading relationship has been established.
- The Budapest International Fair, which includes many furniture items, takes place each September. Contact via http://www.bnv.hu. The Furniture World Fair is held each

October in the Budapest Exhibition Centre (http://www.butorvilag.hu).

- The Hungarian Furniture Alliance is the main point of contact for the furniture trade. Contact http://www.butorszovetseg.hu. The Hungarian Investment and Trade Development Agency may also be helpful (http://www.itd.hu).
- The Furniture Alliance publishes an online newsletter called Hirlevel. Other publications are Hirfa (http://www.hirfa.hu), Profifa (http://www.profi-fa.hu) and Butortrend (fax +36 1 266 7156).

This survey was compiled for CBI by *Searce* in collaboration with Mr. Johan Jonkers