CBI MARKET SURVEY

THE DOMESTIC FURNITURE MARKET IN SLOVAKIA

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Introduction

This CBI market survey gives exporters in developing countries information on some main developments on the domestic furniture market in Slovakia. 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 Slovakia is valued at € 344 million in terms of retail sales.
- This is the eighth smallest in the EU and is isolated in size, ahead of Lithuania and Slovenia, but well behind Hungary and Ireland. Joining the EU has caused prices to rise but increasing affluence and improved communication links with the rest of the EU has stimulated demand.
- The market is relatively small but sales increased well ahead of the European average.

Table 1 Consumption of domestic furniture in Slovakia, 2001-2005, € million

	2001 €m	2003 €m	2005 €m	Population (million)	Consumption per capita €	Households (000's)	Occupants per h/h
Slovakia	270	305	344	5.4	64	2,245	2.4

Source: Euromonitor, Eurostat, Csil, Trade Estimates (2006)

- Further sales increases are likely in the next few years, fuelled by a developing housing market and new products available through new international retailers that have recently entered the market.
- In terms of the selected product groups, it is estimated that dining and living room furniture is the largest group, accounting for 22% of sales; upholstered furniture 22%; kitchen furniture 17%; bedroom furniture 13% and other furniture 25%.

Production

- Production of domestic furniture in Slovakia has grown at the fastest rate of any EU country between 2001 and 2005.
- Valued at € 640 million, large increases in production are underpinned by significant export growth, particularly to other members of the EU such as Germany, Austria and Italy.
- These increases are forecast to continue at a high rate. The biggest increases have been in the production of upholstered seating and dining and living room furniture.
- According to Eurostat, the volume of Slovakian production was 18.2 million items in 2003, of which 17.3 million were other furniture and 0.7 million upholstered furniture items.

Trends

- Foreign investment in Slovakia for furniture production continues to increase due to its relatively low labour costs and active encouragement of new investment.
- The process of disengagement from the Soviet past was longer for Slovakia as it also had to deal with the issues of starting a new republic. The country is catching up quickly and is now one of the most dynamic parts of the EU.

- There is a developing middle class that are asking for more sophisticated furniture styles but this sector is still relatively small.
- Certification of wood in Slovakia has been slow to develop but this is growing in terms of production. Consumers as yet are not demanding certified furniture products.

Opportunities and threats

- Although the furniture industry is very export oriented, it still has the capacity to supply domestic demand.
- However, opportunities do exist for exporters from developing countries who can demonstrate that they can supply products that are currently not available on the Slovak market.
- At the moment most opportunities appear to be in the lower priced parts of the market.

Useful sources

- The Slovakian Furniture Association - http://www.zsdsr.sk
- Slovak Investment and Trade Development Agency – http://www.sario.sk
- Statistical Office of the Slovak Republic – http://www.statistics.sk
- The information portal for the wood industry – http://www.e-wood.biz

2. Trade: imports and exports

Imports

- In 2005, Slovakia's imports of domestic furniture were valued at € 272 million or 69,000 tonnes. Slovakia was the seventh smallest EU importer by value and by volume. This is broadly the same level of imports as Slovenia, Finland and Hungary.
- Imports increased by 31% in value and 38% by volume between 2001 and 2005. Exports exceeded imports by almost double in value and five times in volume. Exports are increasing at a faster rate than imports. Production has also been growing significantly, so rising imports and production have been satisfying the growing domestic consumption.
- Nearly 2% of Slovakia's imports valued at € 6.1 million (4% by volume) come from developing countries. The leading developing country suppliers are Malaysia (€ 1.9 million), China (€ 1.9 million), Mexico (€ 0.5 million), Turkey (€ 0.4 million), Croatia (€ 0.3 million) and Thailand (€ 0.1 million). Smaller suppliers are the Philippines, India, Vietnam and Indonesia. Importers registering large increases were Malaysia, Mexico and Turkey. India registered decreases.
- Furniture parts was the largest product group with imports valued at € 167 million (61% of total by value and 30% by volume). Imports did not move significantly over the period. Other furniture was the next largest group, valued at € 32.2 million. Dining and living room (€ 24.9 million), upholstered (€ 22.8 million), non-upholstered (€ 7.8 million), bedroom (€ 7.7 million), kitchen (€ 7.4 million) and rattan (€ 3 million) were the value of imports of the other product groups.

Exports

- In 2005, Slovakia's exports of domestic furniture were valued at € 511 million or 391,000 tonnes. Between 2001 and 2005 the value of exports doubled. Volumes were up by 150%.
- Slovakia has become a significant supplier and assembler of furniture for Germany and Austria. Around 87% of exports were intra-EU. Germany (31%) was the largest destination country, followed by the UK, France and Austria.
- Nearly 57% of Slovakian exports were furniture parts or other furniture.

Opportunities and threats

- The Slovakian market is growing rapidly but is quite competitive for exporters from developing countries. Domestic production is increasing rapidly and exports exceed imports. However opportunities for importers can be found.
- Imports from developing countries are low, but small opportunities exist in the upholstered seating and dining and living room furniture sectors.

- Previously a large proportion of developing country exports to Slovakia were furniture parts, but most of this market has been lost.

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
- Statistical Office of the Slovak Republic – http://www.statistics.sk

3. Trade structure

- Small independent furniture retailers are still the dominant sales channel in Slovakia where over 1,200 outlets sell furniture. Large multinationals are moving into Slovakia but they still represent a very small part of the market. This will change in the years ahead.
- Exporters from developing countries should approach importers such as http://www.meuble.sk, http://www.woodher.sk, http://www.abcinterior.sk and http://www.nabaz.sk
- IKEA (http://www.ikea.sk) and Kika (http://www.kika.com) are the main foreign furniture retailers in the market. The German Furniture buying group Europa Mobel has also arrived (http://www.europamobel.sk). Nabytek Bodnar is an independent home furnishings chain with 11 outlets in 2005.
- More information on trade structure can be found at the Slovakian Furniture Association (http://www.zsdsr.sk).

4. Prices

- Furniture prices in Slovakia are amongst the lowest in Eastern Europe, lower than their neighbours the Czech Republic, probably for geographical reasons. The economy is picking up and the general trend of furniture prices will be to increase. Foreign-owned retailers, particularly from Austria and Hungary are entering this market, further driving prices up.
- For up-to-date furniture prices, see IKEA (http://www.ikea.sk), retailer Kika (http://www.kika.com) and buying group Europa Mobel (http://www.europamobel.sk).

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

- Slovak business customs tend to be formal. English is becoming more popular, but more people speak either Hungarian, German or Russian. Hence it is advisable to use a translation service on first introduction.
- Principle payment methods are letter of credit or cash in advance. Take care if offering credit.
- The Furniture & Lighting Fair takes place in March at Nitra. Contact http://www.agrokomplex.sk.
- More information on business practices in the furniture trade can be found at http://www.zsdsr.sk (Slovakian Furniture Association). More general information can be found at http://www.doingbusiness.sk.
- The furniture trade publication Stolarsky (also published in the Czech Republic) has a Slovak edition (http://www.stolmag.com).

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