

CBI MARKET SURVEY

The market for leather garments in Slovakia

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Introduction

This CBI market survey gives exporters in developing countries (DCs) information on some main developments on the leather garments market in Slovakia. The information is complementary to the information provided in the CBI market survey 'The market for leather garments 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.eu/marketinfo>.

1. Market description: consumption and production

Consumption

Consumer spending on leather garments in Slovakia amounted to almost € 34 million (including sales tax) in 2008, an annual increase of 3.5% during the period 2004-2008. 2.5% of spending on outerwear concerned leather garments in 2008.

Slovakia ranked 18th in EU leather garments consumption, behind Romania (16th) and Ireland (17th), and accounted for 0.6% of total EU consumption in 2008. Per capita expenditure on leather garments amounted to € 7.45 in 2008 which, despite a strong growth, was far below the EU average of € 13.75.

Table 1.1 Consumption of leather garments in Slovakia, 2004-2010, in € million

	2004	2006	2008	AAGR*	2010 forecasts
Total leather garments	29.7	33.0	33.8	+3.5%	33.0
Total outerwear	1,057	1,262	1,375	+7.5%	1,308
Consumption of leather garments in % of total outerwear	2.8%	2.6%	2.5%		2.5%

* Average annual growth

Sources: Derived from Eurostat (2009) and Euromonitor (2009)

The leather garments market in Slovakia is not insulated from the international financial and economic crisis: after a very good period 2004-2008, trade experts forecast a decline by 2.5% in the period 2008-2010.

Demand for leather garments is determined by several factors like type of product, demographics, economic developments and the attitude of consumers towards fashion. These factors are discussed below. Other more general factors are discussed in chapter 2 of the CBI market survey 'The market for leather garments in the EU'.

Type of products

A detailed breakdown of the different market segments for leather garments is not available and can not be derived from the available trade and production statistics, as explained in appendix A of the CBI market survey 'The market for leather garments in the EU'.

The increasing trend, away from formal wear (for daily use), favouring sales of casual and leisure wear, is also valid for Slovakia. It can be assumed that jackets and coats (between 85-90% of total expenditure on leather garments) remained by far the largest segment.

Demographics

The population size in the Slovak Republic grew very slightly from 5.38 million in 2004 to 5.39 million in 2008. Much of the minimal growth stems from immigration rather than natural increase. Like other EU countries, the Slovak Republic also has an ageing population in which over 65s account for 12% of the population. However, the situation is not as extreme as in some West European markets, because there is still a greater number of under-15s than over-65s. The younger age group is in decline: 17.6% of the population was younger than 15 years in 2004 against 15.8% in 2008.

Attitude of consumers towards fashion

The outerwear (including leather garments) market is, like many markets in Slovakia, somewhat polarised between a high quality/high-price segment, which is being driven by the arrival of international clothing retailers, and a low-price segment. A large number of low-price illegal imports on the market, available through street markets, is distorting the market. The prosperity of the Bratislava region in particular is creating a new class of more affluent and westernised consumers, who are driving demand for more expensive branded products.

The market is supplied by a combination of locally produced leather garments, and imported products, many of which are low-priced, but also some high-priced leather garments from countries such as Germany and Austria.

Economic developments

Until 2008, the Slovak economy was one of the fastest growing economies in the EU, driven in part by investment by foreign multinationals, attracted by the low cost of labour and low taxes. Real GDP growth increased from 5.2% to 10.6% in the period 2004-2007, despite the relatively high levels of unemployment. The growth lowered by 6.2% in 2008 and was contracted by 5.5% in 2009. Experts forecast that GDP will grow by 1.5% in 2010.

Trends

- Slovakia is one of the EU countries with a high growth rate in consumption; the per capita expenditure is increasing.
- Many Slovaks on lower incomes will continue to seek low-price clothes in a steadily growing discount sector. On the other hand, quality and convenience will become more important.
- The overall development of the market reflects the growing disparity between the different economic strata of Slovakia's society and the increasing number of poor, and relatively poor, Slovakian residents.

More general trends and fashion trends related to leather garments can be found in chapter 1 of the CBI market survey 'The market for leather garments in the EU'.

Production

According to Eurostat/Prodcom, production by the Slovakian leather garments manufacturers amounted to € 1.3 million in 2008. Based on export figures, production can be estimated at € 4.0 million in 2008, which was 6% lower than in 2006.

According to Atok, 235 companies, employing 30 thousand people, operated in the Slovakian clothing industry in 2008. SMEs constitute a significant part of Slovakia's clothing industry. Companies with not more than 20 workers employ more than 8,000 people. The number of leather garments manufacturing companies and employees has not been encountered.

Most leather clothing production is exported and accounted for 83% of sales in 2008. Clients buying leather garments came mostly (90%) from other EU countries.

The website of the national trade association <http://www.atop.sk> gives links to the websites of the major clothing companies. However, none of the members is active in the field of leather garments.

Opportunities and threats

- + The growing consumer expenditure on leather garments makes Slovakia an attractive market for foreign manufacturers, including DCs.
- + A further decrease in the number of manufacturing companies, as a result of growing imports from low-cost countries, is expected.

The same development or trend can be an opportunity for one exporter and a threat to another. Exporters should therefore analyse if the developments and trends discussed in the survey provide opportunities or threats. The outcome of this analysis depends on each exporter's specific circumstances.

More information on opportunities and threats can be found in chapter 7 of the CBI market survey 'The market for leather garments in the EU'.

2. Trade channels for market entry

The Slovakian leather garments market can be entered in several ways, of which the most interesting for exporters in DCs are: exports to wholesalers and (outerwear) manufacturing companies. Which channel will be chosen, depends on factors like (among others):

- Which type of leather garments producer (CMT, FOB, private label or own brand producer) tends to export to Slovakia. These types of producer are described in chapter 1 and 2 of the CBI survey 'Guidelines for exporting leather garments to the EU'.
- The resources available and the priority given to the Slovakian market.

Wholesalers can be found at the general websites of trade directories as mentioned in the CBI market survey 'The market for leather garments in the EU'.

In 2008, an estimated 4,100 outlets sold clothing and footwear in Slovakia. Until 2005, the relatively small size of the Slovak Republic meant that it did not attract the same levels of foreign retail investments as its larger neighbour, the Czech Republic. Factors like the strong economic growth nevertheless stimulated several international chains to start or to expand activities in Slovakia, like Hennes & Mauritz from Sweden (3 stores), C&A from Germany (4 stores), Orsay from Germany (12 stores), Kenvelo from the Czech Republic (40 stores), New Yorker from Germany (20 stores), Inditex from Spain (5 stores of four formulas), Mango from Spain (3 stores) and LPP from Poland (15 stores).

The leading domestic leather garments chain is K Cero (<http://www.kcero.sk>) operating through 19 specialized leather shops in Slovakia. One of the domestic clothing chains is Makyta (27 outlets; <http://www.makyta.sk>).

Non-specialised international multiples, mainly super- and hypermarkets, such as 79 Billa supermarkets (Rewe, Germany), 48 Tesco hypermarkets (UK), 5 Makro/Metro Cash & Carries (Germany), 22 Hypernova hypermarkets (Ahold, The Netherlands), 29 Kaufland hypermarkets and 41 Lidl discounters (both owned by Schwarz, Germany). Most of these chains have (either or not incidentally) outerwear in their assortment.

Variety store Marks & Spencers is active through six stores in Slovakia.

Non-specialised national multiples, mainly super- and hypermarkets, are the leading chain Coop Jednota Slovensko (2,360 outlets – <http://www.coop.sk>) and M-Market (200 outlets).

The main home shopping companies are the German Quelle Slovenika (<http://quelle.sk>) and Neckermann (<http://www.neckermann.sk>) search for 'kožený' (leather).

Margins

Different margins and prices apply in each trade channel, with multiples of 2.5 up to 3.0 of the manufacturer's or importer's price. Wholesalers' margins generally range between 30–40% of the CIF price, while retailers' margins are between 55–65%. More information can be found in chapter 3.2 of the CBI market survey 'The market for leather garments in the EU'. Price is an important selling factor, especially in the lower segments of the clothing market (hyper- and supermarkets and discounters), whereas in the higher segments, factors like quality and fashion are more important than price. An indication of differences in price levels by types of outlets has been given in chapter 1 of the same survey.

3. Trade: imports and exports

Imports

In 2008, Slovakia imported 739 tonnes of leather garments valued € 10.1 million. Total imports showed an average annual growth of 18% in terms of volume and 33% in terms of value, during 2004-2008.

Slovakia is the 16th largest importer of leather garments in the EU, behind the Czech Republic (14th) and Finland (15th), and accounted for 0.6% of EU total imports in 2008. Increasing imports led to a decline in production, which indicates that the import share of the leather garments market increased.

86% of total leather garments imports by Slovakia came from other EU countries in 2008. The Czech Republic remained the leading leather garments supplier to Slovakia. The Czech Republic had an import share of 41% in terms of value, followed by Germany (27%) and Austria (8%). Imports from countries outside the EU, concerned China (7%), Ukraine (3%), India (2%), Turkey and Pakistan (each 1%).

Total imports by Slovakia from DCs increased slightly in terms of value (+2%) in the period 2006-2008 to reach a share of 14% of total imports (16% in 2006). This growth was the result of growing imports from Ukraine (+20% in the review period), India (+231%), Turkey (+33%) and Pakistan (+93%) and despite lower imports from China (-24%).

Exports

Slovakia exported 33 tonnes of leather garments valued € 3.5 million in 2008. Total leather garments exports grew 21% per year in the period 2004-2008. Slovakia is the 14th largest exporter of leather garments in the EU, behind Poland (12th) and the Czech Republic (13th), and accounted for 0.3% of EU total exports in 2008.

Destinations were mainly (90% in value) other EU countries, like Italy (37% of total exports), the Czech Republic (25%), Austria (14%), Hungary and Poland (each country 6%). The leading destination outside the EU was Ukraine (10% of total exports).

Re-exports

The size of re-exports cannot be derived from the available trade statistics, but can be estimated as limited.

Opportunities and threats

- ± A decreasing share of Slovakian imports came from DCs and accounted for 14% in 2008, against 16% in 2006, which was far below the EU average of 61%.
- + Based on the value-for-money concept, the largest lower range market segment and, in the long term, the middle-range market segment, may offer good opportunities for exporters in DCs.
- ± During the period January-November 2009, imports of leather garments by Slovakia decreased 10.8% in terms of value (compared to the same period in 2008), which is almost equal to the EU average (-11.2%).

Useful sources:

- EU Expanding Exports Helpdesk - <http://exporthelp.europa.eu> → go to: trade statistics

- Eurostat – official statistical office of the EU - <http://epp.eurostat.ec.europa.eu> → go to 'themes' on the left side of the home page → go to 'external trade' → go to 'data – full view' → go to 'external trade - detailed data'
- Understanding Eurostat: Quick guide to easy Comext → http://www.eds-destatis.de/en/database/download/Handbook_Comext_Database.pdf
- Euratex bulletins - <http://www.euratex.org>

4 Price developments

Consumer prices

Inflation decreased sharply in Slovakia from 7.5% in 2004 to 2.8% in 2007. Slovakian inflation then accounted for 4.3% in 2008 on the back of strong domestic demand. An inflation rate of around 2.0% was forecast for 2009 and is expected for 2010.

Outerwear consumer prices fell -0.8% in 2005 and -0.1% in 2006, rose +0.8% in 2007 and fell again -1.1% in 2008. The enormous drop in Slovakian import prices in 2007 and 2008, caused mainly by low-priced imports from intra-EU trade (re-exports), did not lead to a corresponding fall in consumer prices.

According to a price level study by Eurostat, clothing prices in Slovakia were 12% above the EU average in 2008. This price level of clothing is similar to Belgium, the Czech Republic, Greece, Luxembourg and Slovenia.

The VAT rate in Slovakia for leather garments is 19%.

Import prices

Prices of imports into Slovakia decreased considerably as table 4.1 indicates, caused by much lower prices of imports from other EU countries as well as from DCs. Imports from DCs were much higher priced in 2008 than in 2007, mainly caused by much higher import prices from China.

The low prices from other EU countries are partly based on sub-contracting activities with Italy and Austria.

Table 4.1 Average import prices of leather garments in Slovakia (in € per kg.), 2006-2008

	2006	2007	2008	AAGR*
Total imports	22.19	19.76	18.05	-9.3%
Intra-EU	24.80	21.24	20.48	-8.7%
DCs	11.17	11.66	15.50	+19.4%

* Average annual growth

Sources: Eurostat (2009)

Useful sources:

An impression of average prices can be formed by browsing through the catalogues of home shopping companies on Internet. For websites, we refer to the previous chapter.

The website of Slovak National Statistics (<http://www.statistics.sk>) publishes harmonised indices of consumer prices, which includes the clothing sector.

5 Market access requirements

As a manufacturer in a DC preparing to access Slovakia, you should be aware of the market access requirements of your trading partners and the Slovakian government.

For information on legislative and non-legislative requirements, go to 'Search CBI database' at <http://www.cbi.eu/marketinfo>, select garments and Slovakia in the category search, click on the search button and click on market access requirements.

There are several aspects to the **labelling** of leather garments of which you should be aware:

- Basic information includes brand marking and sizing.
- Labelling has to be formulated in the Slovak language.
- Outer material and materials used for lining and, eventually, interlining must be mentioned separately.
- In the case of leather garments, labels of 'genuine leather' are found on most products.
- Country of origin labelling (compulsory).
- Care labelling, i.e. the inclusion of cleaning instructions. The recommendation 'special dry cleaning' has to be mentioned on a label to avoid claims. It is recommended to use Ginetex symbols, the system used throughout Europe (see: <http://www.ginetex.net>). Leather garment care can give information like storage, drying, cleaning, advice to prevent damage.

General information on **packaging** can be found at the website of ITC on export packaging: <http://www.intracen.org/ep/packaging/packit.htm>. More information about packaging of leather garments can be found in chapter 6 of the CBI market survey 'The market for leather garments in the EU'.

Information on **tariffs and quota** can be found at <http://exporthelp.europa.eu>.

6 Doing business

Information on doing business like approaching potential business partners, building up a relationship, drawing up an offer, handling the contract (methods of payment, and terms of delivery) and cultural differences can be found in CBI's export manuals 'Export Planner', 'Your image builder' and 'Exporting to the EU'. These can be downloaded from <http://www.cbi.eu/marketinfo> - go to search publications.

For more information on doing business in Slovakia, visit the following websites:

- <http://www.buyusa.gov/slovakia/en>.
- <http://www.sopk.sk> SOPK means the Slovak Chamber of Commerce.
- The Textile and Clothing Association of the Slovak Republic ATOP (Asociacia textilneho a odevneho priemyslu SR) can be reached at <http://www.atop.sk>.
- <http://www.modarevue.sk> and <http://www.textilzurnal.cz> are websites of trade magazine in the Slovakian language.

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

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