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CENTAR ZA VISOKE
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TEXTILE

SECTOR OVERVIEW OCTOBER 2016



GLOBAL MARKET

The price of cotton in the world, as well as the prices of other raw materials, is decreasing since the beginning of 2014

However, the current price of cotton, about 1.7 \$/kg, is slightly higher at the beginning of the current year. This is mainly associated with the general decline in economic activity in China, as one of the key players in the textile industry.

After the result of Brexit, the British textile industry is faced with the greatest challenges in recent history

in 1980 the textile industry in the UK employed one million people. However, the opening of other markets and creation of conditions for investors - among other things, cheap labour forces, resulted in reduced number of plants in the country. It has further caused an increase in rent of production facilities by about 50%, for those who have their manufacturing operations performance continued in UK. Also, the labour force is trained to work in the textile sector in the UK, mainly the old, and now it amounts to about 100,000 persons. Some of Britain's leading brands have moved their operations to Eastern Europe, and there is the question of further survival of the industry, because in addition to the aging of the population trained to work in this sector, Britain has made the decision to exit the EU. It is possible that the decision will in the coming period incur additional costs for manufacturers due to higher commercial loads, and thus the performances of the sector will be jeopardized.

Congress of Global Service Providers in the textile industry convened for the first time in 15 years

Almost 90 managers from more than 50 companies from 12 different countries engaged in the services of laundry and ironing and other services in the sector, gathered at the beginning of November this year in Belgium. At the congress, it was discussed the linking of the companies from different countries and the experiences on strategies that promote connectivity companies will be exchanges.

A wave of anti-government investments in Ethiopia has negative effects on the textile industry because the factories in the textile industry are one of the targets of the attack

Thanks to the arrival of investment from abroad, Ethiopia is a country that had the fastest growing in the previous period. However, because of declaring a state of emergency due to the demonstrations, attracting foreign investment will be difficult. Protesters have targeted foreign investors, including the Turkish textile factory, and during the demonstration, this and other factories suffered damages in the amount of ten million dollars.

FUTURE EXPECTATIONS:

In the future, we expect the growth of the textile industry

The expected growth is forecasted due to two components: the continued rise in world population (it is expected to grow from 500 m inhabitants to 2020) and the constant growth of the purchasing power of the population (a growth of global annual GDP by 4% by 2020).



DOMESTIC MARKET

Textile sector in the Serbian economy is also significant export-oriented sector with decades of tradition.

Competitiveness of the Serbian textile sector is reflected in the low cost of labour, and this is the main driver for foreign investments.

In addition, foreign investors have recognized the following advantages: the quality of educational institutions in the field of clothing and footwear and easy transport to many European destinations. This motivated them to make their companies move production to Serbia. Thus, Italian companies Golden Lady, Calzedonia and German company Falke today produce socks in Serbia.

German senior advisers assist Serbian textile companies, teaching them to better plan production and return the invested money

Poor privatization had destroyed a large number of textile factories in the country. However, those that have survived urge the authorities to strengthen up the control of imported clothing. They argue that there occur increasingly illegal and uncontrolled imports - thus inflicting directly a damage to local fashion industry. A support to textile entrepreneurs to improve production and enhance business performance comes from Germany. Such a support means retired professionals the involvement of whom in developing countries is financed by the German government.



Half a century ago, a German expert on textiles Karl Elmar visited Taratex in Bajina Basta, which used to employ two thousand workers. He is again in Serbia, but that factory no longer exists. As one of the 12 thousand German pensioners-advisors, he transfers his experience and knowledge gained in the leading fashion houses around the world. He believes that Serbia has a high-quality workforce that can at no means be cheap. He and other seniors teach workers to better plan production and calculate how to return the invested funds as soon as possible.

For the second time this year textile cluster in Serbia hosted a London fashion house WGSN

In the premises of the FACTS Cluster in Belgrade, WGSN team held training and seminars for members of the FACTS Cluster and their design teams as well as our distinguished professors with FPU, VTSS DTM and TF Mihajlo Pupin. The training seminar is part of a cluster project to increase the competitiveness of member firms but also the fashion industry as a whole, which is supported and financed by the Development Agency of Serbia. The first training dealt with the topic of trends in children's fashion, and the second one dealt with the subject of women's fashion fall-winter 2017-18. Both trainings were followed by close to 80 participants - designers of our member companies, but also of educational institutions.

Manufacture of clothing, the most significant segment of the textile industry, has shown consistent growth, and it is not surprising that Serbia is a net exporter of clothing

Compared to the previous year, it was produced 7.6% more clothes, while foreign trade surplus increased in comparison to last year and amounted to EUR 179 m. In addition, it was increased the total trade. Exports (13%) grew more slowly than the imports (15%). Leaders of the export products are finished garments, socks, underwear and leather footwear. Textiles make up 4% of the total export of Serbia in 2016. The overall exports of the textile sector - textiles, clothing and leather industry, increased its contribution to total exports of Serbia.

FUTURE EXPECTATIONS:

World analysts are forecasting a growth of textile production in Serbia

It is expected an average annual growth rate of 3% in the period 2016-2020.

Events and trends in the textile industry globally confirm the expected growth in Serbia

Firstly, the economic crisis and wars in the countries of North Africa have launched a tendency of geographical shift of production towards the countries in Europe. In addition, a large number of production facilities follow the trend of withdrawal from very distant countries of Asia and find cheap labour forces in the neighbouring Balkan countries.





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