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TEXTILE

SECTORIAL OVERVIEW SEPTEMBER 2016



TOP NEWS

A textile factory – Tibet moda - was opened in Ćuprija

A Turkish investment worth one million euros will employ 1,000 Serbian workers within a three year period.



GLOBAL MARKET

The price of cotton in the world, as well as the prices of other raw materials, has been declining since 2014

The current price of cotton, about 1.4 \$/kg, is somewhat lower than at the beginning of this year. This is mostly linked to the general drop in the economic activity in China, as one of the key players in the textile industry. The global drop in textile production of 4 % in the previous year has directly influenced a decrease in demand for basic inputs, pulling the price down.

The current geographic distribution of production facilities results from the search for lower labour costs

Despite a big increase in mechanisation in all phases of production, the textile industry has been and remained an example of a labour-intensive industry. Therefore, the geographic distribution of facilities manufacturing global brands indicates an increased concentration in the countries with cheap labour. These are mostly Asian countries: China, India, Bangladesh, Vietnam, Pakistan, etc. On the other hand, when speaking of Europe, the production in the textile industry has been moving more and more from the Western European countries to the countries of Central and Eastern Europe.

Two major textile players, China and Turkey, operate together to the mutual benefit

In order to get closer to the European market, China moved a large portion of its production to Turkey, whose benefit is in the fully secured sale of its cotton. Over two thirds of the global cotton production is concentrated in Turkey, India and Syria.

FUTURE EXPECTATIONS:

Textile industry is expected to grow in the future

The expected growth is forecast based on two components: a continuous growth in global population – the growth of 500 million people is expected by 2020, and a continuous increase in the purchase power of the population. The global GDP growth forecasts show the expected annual growth of 4 % by 2020.

Focus on sustainable development is noticeable in the textile industry, just like in other industries

Therefore, the most optimistic growth forecast scenarios refer to those parts of the textile sector implying production of eco-friendly products – products controlling or completely eliminating the use of poisonous chemicals, as well as recyclable products. An ever-increasing number of environmental conscious consumers and adopted regulations related to sustainable economic development, point to an expectable growth in organic cotton production. Organic cotton production is spread all over the world: the largest producers being Turkey, India and China, followed by Syria, Tanzania, U.S.A., Uganda, Peru, and Egypt. A much higher production growth rate is expected comparing to the currently achieved average annual growth rate of 50 %.



DOMESTIC MARKET

Sektor tekstila u srpskoj privredi je značajan i izvozno orijentisan sektor sa višedecenijskom tradicijom

The textile sector in the Serbian economy is a significant export-oriented sector with many decades of tradition

The textile industry depends on the import of primary inputs for production, but is export-oriented in terms of finished products. Geographically speaking, this sector exports most of its products to the EU market – nearly three quarters. Serbia's competitiveness in the textile sector reflects in the low labour costs, which is the key driver for foreign investments. In addition, foreign investors have recognized the following advantages: high quality of schools for clothes and footwear manufacturing, low taxes, and easy transport to many European destinations. This motivated them to move their production to Serbia. For example, Serbia now manufactures stockings and tights by the Italian companies Golden Lady and Calzedonia, and by the German company Falke.

Clothing industry, the core segment of the textile industry, shows a constant growth, so it is not surprising that Serbia is a net exporter of garments

In 2016, 12 % more clothes and footwear have been manufactured comparing to the previous year, while the foreign trade surplus has increased as well, reaching 164 million EUR this year. Furthermore, the total trade has increased. Export (15%) has grown more rapidly than import (13 %). Leaders in export products are finished garments, stockings and tights, underwear and leather footwear. Textile has accounted for 8 % of the total export of Serbia in 2016. The entire export in the textile sector – textile production, clothing manufacturing and leather industry – has increased their contribution to the total export from Serbia.

A higher level of trade is partially due to international agreements as well

Serbia is a party to the free trade agreement with the EU, and since the beginning of its implementation (2005), textile industry exports to the EU countries have more than doubled, recording a constant growth. Besides, what contributed to this was the signing of the Stabilisation and Association Agreement with the EU, bringing about the abolishment of customs duties and charges on import of industrial products. Moreover, the trade agreements with the CEFTA countries provided the textile industry with a potential for an ever increasing growth in the markets of these countries.

FUTURE EXPECTATIONS:

Global analysts forecast a growing textile industry production in Serbia

The average annual growth rate is expected to be 3% in the period 2016-2020.

Developments and trends in the textile industry on the global level confirm the expected growth for Serbia

First, the economic crisis and war conflicts in the North African countries started a trend of geographic shift of production to the countries in Europe. Moreover, a large number of production facilities follow the trend of withdrawal from remote Asian countries, finding cheap labour in the closer countries



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