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TEXTILE

SECTOR OVERVIEW DECEMBER 2016



GLOBAL MARKET

Cotton price in the world shows gradual but definite recovery after reaching the minimum from the beginning of 2014

Since the beginning of its recovery cotton price, irreplaceable raw material in textile industry, has been growing by 1.5 percent. The current cotton price, of 1.75 \$/kg, confirms positive nine months trend.

An extent of hard receivable debts in Italy is reduced by 2 billion \$, and the decrease in textile industry debts was the most important contributor

Hard receivable debts are significantly reduced in the current year compared to the last year. The amount of bad debts in textile industry is reduced by 15 % in the current year compared to the last year, which is above an average decrease of hard receivable debts in the whole industry, which is 11 %. The decrease of the amount of hard receivable debts is the result of slow but positive recovery of economic activity in the country.

Newly elected president of the USA, Donald Trump, tries to return the outsourced production in his county, which should reduce dependence on production in China

Due to that, Taiwanese companies already consider the possibility of creating production plants in the USA. Namely, the biggest company for clothes production from Taiwan (Exlat Textile) decided to step out of production on Chinese market. According to the heads of this company, the reason for that are unfavorable business conditions in China. Workers in china are not ready anymore to work in clothes factories. Taiwanese company that extends its production capacities in Vietnam and northeast Asia, also considers possibility of investing in the USA, due to the new way of economic policy in this country. The heads of company are currently following the conditions that Trump's policy offers. They point out that the chances for removing their intensive working activities in the USA are low, but that there is a certainty that automatic activities like sewing will be removed to that country.

Further expectations:

The growth of textile industry is expected in the future

The growth is expected thanks to two components: continuous population growth in the world – the growth of 500 m citizens is expected by 2020, and thanks to the continuous growth in buying power of citizens. Growth forecasts of the global GDP show expectation of annual growth of 4 % by 2020.



DOMESTIC MARKET

Finished products prices on the Serbian market are in a slight increase


Average monthly prices of the overall bundle are 0.1 % lower compared to the last month. However, according to index of consumer price, retail prices of clothes and shoes are 0.3 % higher compared to the last month. This is in accordance with the culmination of the trade season which near the end of the year, and all in accordance with holidays, count on high traffic and sales with certainty. An increase in citizens' consumption, which is related to products belonging to textile products and shoes, is under an influence of this season's component.

Textile industry sees the increase in the number of employees

According to the latest data, there is 57.800 workers engaged in clothes and shoes production. The biggest contribution to the absolute growth compared to the last year is made by the production of clothes and textile which opened around 3.400 new jobs in 2016.

The foreign trade surplus of the total textile industry, and leather and leather products industry, is significantly higher compared to the same period last year, equalling 40 million Euros today

Textile industry increases its significance in the overall international Serbian trade – the share in the total country's import is increased and is now at the level of 5.6 %, as well as the share in the total country's export – standing now at the 7.6 %. Looking by subsectors, production of



textile is the one that records a multi-month deficit. That is explained by the fact that production of this segment in Serbia is to a large degree defined by an import of raw materials – cotton, synthetic and other fiber, without which finished products in the shape of clothing products of different types cannot be produced. Women's socks and underwear stand out in the share of exports. The total industrial production of clothing products during 2016 was 7.9 % higher compared to 2015, so it is not surprising that the value of exported products was 13% higher in 2016 compared to the same period of the last year.

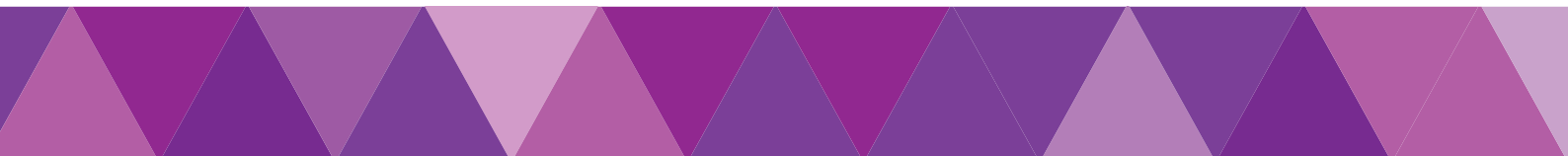
Expectations:

Retail prices of clothes and footwear, both on the domestic and global market will show a decreasing trend in the first three months of 2017

It is expected that personal expenses for consumption of this group of products will be lower, due to the higher amounts spent on this category during holidays season in the previous period (New Year's and Christmas holidays).

Textile industry is expected to make contribution to the balanced regional development in Serbia, as well as to the reduction of inequality of the distribution between the sexes

Registered trend from the last decade shows that the fashion industry in Serbia transformed from the classical domestic processing industry to export-oriented trade branch. In accordance with it, based on the general strategy of Serbian trade development, further influx of foreign capital can be expected, which will create new production facilities. A positive contribution to the regional development in Serbia is expected, due to creating of textile facilities in various parts of Serbia. Unlike many other industries, textile industry does not have a tendency of geographical concentration in Belgrade region. Also, besides the fact that textile facilities employ local citizens, they also employ female population to a large degree. Quality staff, as well as newly trained young women, get employed, therefore contributing to the local GDP.





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