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TEXTILE

SECTOR OVERVIEW NOVEMBER 2016



GLOBAL MARKET

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

This is for the most part related to general decrease of the economic activity in China, which is one of the key players in textile industry. However, the current cotton price, around 1.74 \$/kg is somewhat lower compared to the beginning of this year.

Chinese company invests in the South of the USA

The Chinese company "Tianyuan Garments CO" signed an agreement with the government of American country Arkansas with a value of 20 m \$ which will be invested in construction of a plant for the production of clothes and which will create 400 jobs. Above mentioned Chinese company produces annually around 10 million pieces of sport's and other clothes for different brands like Armani, Adidas and Reebok.

Increase of online production and service activities

Online fashion shop "Asos" announced employment of additional 1.5 thousand people in their main business unit in London which currently employs 2.5 thousand people. In the company they believe that by additional employment they will make a basis for profit increase with a value of 500 thousand pounds. New people will be employed in marketing and retail. The sales of this company increased in this year by as much as 25 % compared to the previous year, and further continuity of this tendency is expected through expansion of business.

The wave of antigovernment protests in Ethiopia has negative effects on textile industry

Factories in textile industry are one of the attack targets – foreign investors are on the target of protestors, including Turkish textile factory as well, so during protests, this and other factories had a damage with a value of 10 million dollars. Also, in order to curb protests, the government turned off the mobile internet in the country. However, big world's companies do not support this decision. The consultant for Asian textile producers in Ethiopia said that they still do not have damage assessment, but now when communication between the parent companies and their factories is difficult due to turning off the internet, it is thought that the companies lose a lot. Consulting house "Deloitte" estimates that turning off the internet costs Ethiopia 500 thousand \$ per day, which is significant to this country where GDP per capita is only 505 \$.

FUTURE EXPECTATIONS:

The increase of textile industry is expected in the future

Expected increase is forecasted thanks to two components, continued population growth in the world – growth of 500 million inhabitants by 2020 is expected, as well as continued growth of inhabitants' purchasing power. Global GDP growth forecasts show an expectation of annual growth of 4 % by 2020.



DOMESTIC MARKET

Textile sector in Serbian commerce is significant, attractive and export-oriented sector with decades of tradition

Serbian competitiveness is reflected in low labour cost, so this is the main reason for foreign investments. When it comes to investment projects and newly created jobs, textile industry is ranged highly on the list of attractiveness of individual production sectors – more than 25 investors came to Serbia, like Benetton, Calzedonia, Golden Lady, Pompea and many others.

In textile industry, Serbia produces and exports objects with high value level

Production of textile object takes place in a manner that Serbia imports textile and synthetic fiber, clothes and yarn, successfully produces garments, and sell them to a largest degree into EU countries.

Production activity of garments industry shows growth of 6 % in the last month compared to the last year

High growth rate of production and processing of leather, travel bags and handbags, belts and production of other clothes contributed to this.

Contribution of textile and garments production to total Serbian export is more and more significant and is 5.3% at the moment

The value of garments export, produced in Serbia, notifies surplus growth, which is 196 million Euros at the moment.

Observed through production, the leader at export performance of the sector is socks production with 9.2 million Euros

Then follow leather parts for shoe industry, women underwear, other shoes for men and women, as well as bags for packing for many purposes.

Textile industry is relatively concentrated when it comes to export markets

The most important 10 export markets make 86 % of total exports of the sector, from which only placement on Italian market makes as much as 40 % of total export value. Besides Italy, Serbia exported most in Germany, Russia, Bosnia and Herzegovina, Montenegro, Romania, Croatia, Slovenia, Macedonia and France.

The biggest contribution to Serbian textile industry export is owed to companies that are the result of foreign investments

In first ten month of this year the most significant exports are Fiorano Sombor (part of Calzedonia group), Benetton Nis, Valy Valjevo, Modital Zrenjanin (Pompea) itd.

When it comes to import, Serbia mostly allocates money for import of foreign sneakers and other shoes, as well as all kinds of input for textile industry

From input, neat's leather, knitted and crocheted fabrics, cloths and alike are mostly imported. By far it is the most imported from China, followed by Italy, Turkey, Belgium, Germany and Bangladesh.

EXPECTATIONS:

World's analysts forecast the increase of textile industry in Serbia

An average annual growth rate of 3 % from 2016 to 2020 is expected.

Events and trends in textile industry at the global level confirm expected increase in Serbia

Firstly, economic crisis and wars North African countries launched tendency of geographical turnaround of production to European countries. Besides, large number of production plants follows the trend of withdrawal from very distant Asian countries and finds cheap labour in surrounding Balkan countries.

Threats to textile industry refer mostly to business instability

Unstable geopolitical situation in the world forces companies to relocate production capacities. Besides, textile industry is reflected in high sensitivity on the input prices which are at the low level of substitution, which makes threats to this industry because of the instability of raw material prices.



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