

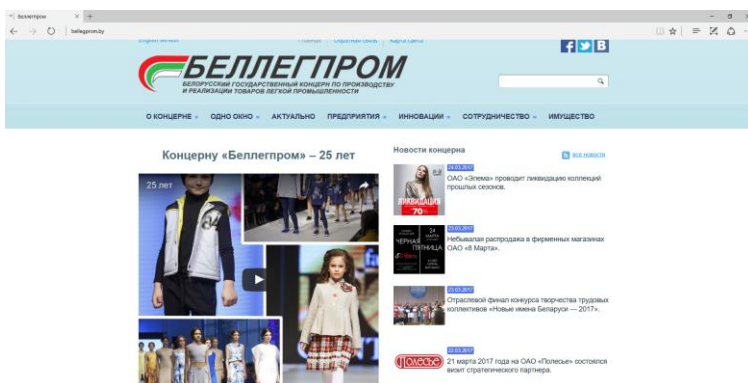
**BELARUS IS EXPANDING ITS TEXTILE AND CLOTHING INDUSTRY
PLANNED ABOLITION OF EU IMPORT QUOTAS ALLOWS MORE FOREIGN COMMITMENTS**



Minsk (GTAI) - The textile and clothing industry of the Republic of Belarus faces great challenges. It has to become more efficient, should produce more market-orientated and make greater use of its export potential. The sector has great hopes on the by the European Union planned abolition of quotas for Belarusian textiles and clothing

products. There are then more than ever good opportunities for the subcontracting finishing process.

The textile and clothing industry has traditionally been one of the most important sectors of the manufacturing industry in the Republic of Belarus. As a result of the sharp decline of the local purchasing power and of the main export market Russia, the sector has suffered a severe setback in the years 2013 to 2015. Since the second half of 2016 it is on an upswing again. According to preliminary data, the output has risen in 2016 by 4.6% to EUR 1.41 billion compared to 2015. Produced were 146.8 million sqm. of fabrics, 40.4 million pieces of knitwear, 147.0 million pairs of stockings and 19.9 million sqm. of carpet products.



Nevertheless the textile and clothing industry continues to suffer from a weak capacity utilization, an inadequate management and marketing as well as from a considerable backlog in the technological renewal of the equipment park. The implementation of an industry support program for the period from 2016 to 2020 should provide for a remedy. The program comes from the Belarussian State Group for production and sale of

goods of the light industry Bellegprom. (<http://www.bellegprom.by>).

Sector program shows planned projects until 2020

Under the umbrella of the State Group 17 textile, 12 knitting and 21 garment companies are ac-

tive. With an output of just under USD 0.9 billion, these manufacturers were involved with nearly three-fifths of the total output of the Belarusian textile and clothing industry in 2015. The companies have exported goods for nearly USD 500 million in 2015. The main customer was Russia (USD 357 million). The investments of the Bellegprom companies are expected to reach a volume of at least EUR 250 million in the years 2017 to 2020.

The envisaged projects for this period include:

- the continuation of the comprehensive modernization of the Orscha linen combine Orscha (production of linen yarn, -fabrics and finished products, processing of imported raw materials);
- technological renewal in the company OAO Mogotex, Mahiljou / Mogilew (spinning and textile finishing);
- the development and production of new competitive wool and wool blended fabrics in the company OAO Kamwol, Minsk;
- the expansion of the production of hosiery, including an enlargement of the assortment of medical hosiery in the company SOOO Conte Spa, Grodno;
- the commencement of production of seamless underwear in the company OAO Kupalinka, Salihorsk and
- Investment in the production of fine thread Ajour-fabrics in OAO Switanak, Shodsina.

Selected characteristic data of the Belarusian textile and clothing industry

	2010	2011	2012	2013	2014	2015
Number of companies ¹⁾	1,577	1,605	1,693	1,715	1,671	1,552
Number of employees (in 1,000 people) ¹⁾	104.2	102.5	100.3	94.9	87.2	75.5
Production (in Euro mio)	1,440.7	1,654.3	1,673.7	1,663.0	1,499.7	1,181.8
Real change compared to previous year (in %) ²⁾	13.5	6.8	1.4	-2.7	-2.4	-14.0
Share of production of the total manufacturing industry (in %)	3.8	3.4	3.2	3.6	3.4	3.2
Gross facility investment (in EUR mio)	103.8	114.0	96.4	125.2	177.6	76.1
Average monthly wage (Euro)	210.0	216.3	256.8	315.7	318.0	257.3
Production of selected products						
Fabrics, total (sqm. mio)	147.0	177.2	183.9	181.0	166.5	155.2
.Fabrics made out of chemical fibers	65.8	82.3	83.8	80.5	67.4	69.5
.Cotton fabrics	52.9	65.5	68.6	69.7	71.6	58.8
.Linen fabrics	24.3	25.3	27.4	26.8	24.6	25.0
.Woolen fabrics	4.0	3.2	3.1	3.5	2.5	1.6
Knitted goods (pieces mio)	63.7	64.2	62.8	61.2	51.1	42.2
Hosiery (pairs mio)	119.0	129.5	133.6	137.0	140.2	138.6
Carpets and floorcoverings (sqm. mio)	10.0	12.2	12.9	15.4	18.7	18.6

¹⁾ Without regard to micro- and other small enterprises; at the end of 2015 225 textile and clothing companies were active in Belarus, the average number of employees in these companies was 58,800 persons per year;

²⁾ in terms of the national currency of Belarussian Ruble

Source: National Committee for Statistics, calculations by Trade & Invest in Germany.

In order to create complete value chains, it is envisaged to set up joint ventures between manufacturers of fabrics as well as producers of finished products. The Bellegprom Group is keen to focus the expansion potential on the production of linen fabrics and high-quality finished linen products.

Belarus is one of the world's five largest linen producers. For 2017 a volume of 55,000 tons is expected. In the year 2016 29 companies have processed flax straw into fibers. Of the in these factories installed 54 processing lines only ten are considered to be highly productive. According to the administration of the Mahiljou region,

a Chinese investor wants to set up a factory in the region for the processing of flax for semi-finished and ready made goods in the near future.



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Abolition of EU quotas planed

The EU plans to abolish the since 2010 existing autonomous quotas as well as the contingents for passive finishing processing for Belarus. The restrictions currently apply to a variety of textile products, including cotton and linen yarn as well as garments made out of cotton and woolen fabrics.

Market observers agree: the abolition of the quotas with the related bureaucratic procedures would provide a solid basis for stimulating foreign investments in the Belarusian textile and clothing industry.

Belarus has many advantages: geographical proximity to the EU market, a well-developed infrastructure, long-standing industrial traditions, available production capacities, skilled labor and, last but not least, favorable labor costs. In a first phase of cooperation with Belarusian partners, the interest of foreign companies is likely to focus more on subcontracting. There are already successful projects that use the favorable framework conditions for this business model.



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The German Langheinrich Vertriebs GmbH, for example, produces high-quality table cloth and bed linen for the contract area in the small West-Belarusian town of Diwin (Kobryn district, Brest region). According to the director general of Langheinrich Konfektion GmbH, Walentina Paschkewitsch, the company, founded there in 2005, employs now between 90 and 120 employees depending on the order situation. Sales in 2016 amounted to around EUR 1 million. The in the company paid wages and the additional granted social packages are the guarantor of a very low fluctuation of the workforce. Among the companies from neighboring Lithuania, which are producing textiles and clothing in Belarus, the leading Baltic manufacturer of sportswear Audimas stands out.

Source: Uwe Strohbach, Germany Trade & Invest www.gtai.de

