

**Russia's Textile Industry relies upon Niche Products and Innovative Fabrics****Russia's textile industry relies upon niche products and innovative fabrics  
Potentials in corporate wear and industrial textiles / Government supports investment in new machinery**

Moscow (bfai) – Russia's textile industry live through hard times. Meanwhile the demand for clothing, house and home textiles and technical textiles is increasing double-digit, the domestic industry reports a decline of production. The ministry of industry aims at making the sector more competitive by development programs. Niche products for the automotive and the furniture industry as well as special work wear is in demand. German suppliers of textile machinery realize new sales potential.

Over the past years the Russian textile industry had to face heavy losses. It's share in the domestic market is registered by 18% according to the figures of the ministry of industry. The majority of the demand comes from abroad. In comparison to 1999 the production volume has shrunked to one-fifth. Even in the expired year Russian manufacturers of yarns, fabrics and clothing could not reverse the trend: the production of textiles has shrunked from January to November 2007 by 2% in comparison to the period of previous year; the manufacturing of clothing simply increased by 1%. Especially heavy were the losses in commodity goods like jackets (-22 %), trousers (-14 %) or coats (-24 %).

While the domestic production remains static, the demand for fabrics and clothing in Russia increases between 10 and 15 % per year. Following the calculation of the ministry of industry the market volume for textile and tailoring products currently amounts to approx. 50 bn. US\$. The average Russian citizen spends approx. 140 \$ for textiles and 170 \$ for clothing every year. These amounts are by far below the Western European level.

In view of the enormous market potential the government wants to re-create a capable domestic textile and clothing sector. A development program between 2008 and 2010 provides more than 800 mill. \$, of which the companies will have to raise the bigger part. The share of the textile industry in the Russian industrial output shall increase from 1,1 % (2006) to 2,5 % (2010).

Following the conception of the government the sector should focus more on niche products like technical textiles with innovative nano coating including special and protection clothes for industrial workers. According to the industry paper "Promyschlenny eshenedelnik" the annual demand in such products obtains approx. 1,5 bn. \$ in Russia; the rates of increase reach between 15 and 30 %. 70 % of the national sales is allotted to 150 domestic manufacturers of special clothes. The most important companies in the sector are Wostok-Service (25% market share). Trakt and Ursus resp. (9% in each case)

Additionally the boom of foreign car mills let increase the demand in high tech fabrics for the automotive industry. Similar developments are observed concerning special fabrics for furniture production. Here are potentials far from textile commodity goods made in China and Turkey, and their pricing Russian manufacturers cannot compete.

Up to now Russian companies are not very well prepared for an international competition and for competitive products flowing into the country. The bigger part of the production equipment has been in usage for more than 20 years. Experts calculate the annual investment needs of the textile industry by more than 300 mill. \$. So far only one third of this amount has been invested in new machinery and mills, because the companies are short in financial capacity. Almost 50 % of all companies in the Russian light industry are in the red. However this enhances the national process of consolidation, as the market of cotton fabrics is practically controlled by six big companies.

Russian producers of bed linen have been successful in winning back market shares; the sales of bed linen are increasing double-digit and amount to 2.5 bn. \$ per year in the moment.

20% of the national sales in bed linen account for Aljans Russkij tekstil (ART, [www.textil.ru](http://www.textil.ru)), Nordtex ([www.nordtexco.ru](http://www.nordtexco.ru)) and Wolshskaja tekstilnaja kompanija (WTK, [www.volgatextil.ru](http://www.volgatextil.ru)). Together with TDL situated in Iwanowo ([www.atdl.ru](http://www.atdl.ru)) these three holdings belong to the biggest textile producers in Russia. The leading quartet is recording double-digit increases in sales each year and has most likely the financial capacity to invest in new manufacturing facility. Prospectively WTK will establish production capacities for 10 mill. sets in bed linen (2007: 2.2 mill.).

Russia's biggest textile holding ART with five factories has decided in favour of an IPO for 2009. Manufacturing cotton fabrics the company controls a share of 25% in the domestic market. In 2006 ART registered a business volume of 337 mill. \$ (2005: 323 mill. \$). The production volume achieved 38,000 tons of yarn and 450 mill. metres fabric.

Production volume of the Russian textile and clothing industry			
Product code	2005	2006	Year-on-Year Change (January – November 2007) in comparison the previous year (in %)
Sewing yarn, in mill. bobbins	301	341	13.6
..cotton yarn	159	188	27.9
..silk yarn	142	153	-3.3
Fabrics, in mill. sqm	2,734	2,805	-2.3
..cotton fabrics	2,237	2,211	-3.4
..wool fabrics	31	29	-1.2
..silk fabrics	125	136	15.5
..linen fabrics	122	131	-19.0
..Stitch-bonded fabric (non woven materials)	219	298	5.1
Tulle and curtains, in mill. sqm	9	7.3	-17.8

<b>Production volume of the Russian textile and clothing industry</b>			
Product code	2005	2006	Year-on-Year Change (January – November 2007) in comparison the previous year (in %)
Quilted blankets, in 1,000 pieces	467	610	14.6
Bed linen, in mill. sets	36.2	51.3	-0.4
Carpets and carpets products, in mill. sqm	13	34	-7.3
Knitted goods, in 1,000 t	12.6	12.2	-10.7
Socks and hosiery, in mill. pairs	283	312	-1.0
Knitwear, in mill. pieces	112	113	-4.1
Coats, in Mio. Stück	1.4	1.1	-24.0
Jackets, in mill. pieces	7.2	6.3	-22.2
Suits, in mill. pieces	6.4	6.7	-7.5
Dresses, in mill. pieces	3.0	2.7	6.9
Trousers, in mill. pieces	15.5	14.9	-14.1
Shirts, in mill. pieces	3.1	3.6	5.4
Work wear and other special clothes, in mill. pieces	12.7	15.2	12.7

Source: Federal statistical service

The government has taken measures to help the sector out of the crisis. Beginning in 2008 an annual budget of 12 mill. \$ will be allocated from the national finances to subsidise interest payments for the purchase of raw materials and equipment. Additionally most the textile machinery can be imported to Russia free of duty. German manufacturers belong to the most popular suppliers. During the first term of 2007 Germany was on pole position with machinery for spinning materials or felt and non-woven. Concerning weaving machinery Belgian companies lead the field, with circular knitting machines Italian machine builders.

<b>Russian import of textile machinery (in mill. US\$)</b>			
Machinery type / HS-Code	2005	2006	1st term 2007
Spinnerette spinning machine / 8444.0010	28.26	15.72	3.26

Russian import of textile machinery (in mill. US\$)			
Machinery type / HS-Code	2005	2006	1st term 2007
..from Germany	27.67	4.42	0.20
Card for preparation of spinning material/ 8445.1100	2.85	7.37	5.40
..from Germany	1.09	2.30	2.86
Speeder 8445.1300	2.88	2.77	1.28
.. from Germany	1.30	2.49	0.85
Machines for spinning of spinning material / 8445.2000	9.04	8.17	10.25
.. from Germany	8.24	0.39	7.12
Weaving machine / 8446	11.72	18.85	27.81
.. from Germany	3.05	2.14	1.90
Circular knitting machine / 8447.1	3.00	7.72	5.61
.. from Germany	0.08	1.34	0.71
Flat knitting machine, sew knitting machine / 8447.20	2.30	13.18	7.39
.. from Germany	1.05	2.93	5.60
Machines and Instruments for producing felt or non-wovens / 8449	7.31	6.27	2.24
.. from Germany	1.11	0.19	2.11

Source: Federal custom service Russia

Source:

Gerit Schulze

bfai Bundesagentur für Außenwirtschaft [www.bfai.de](http://www.bfai.de)