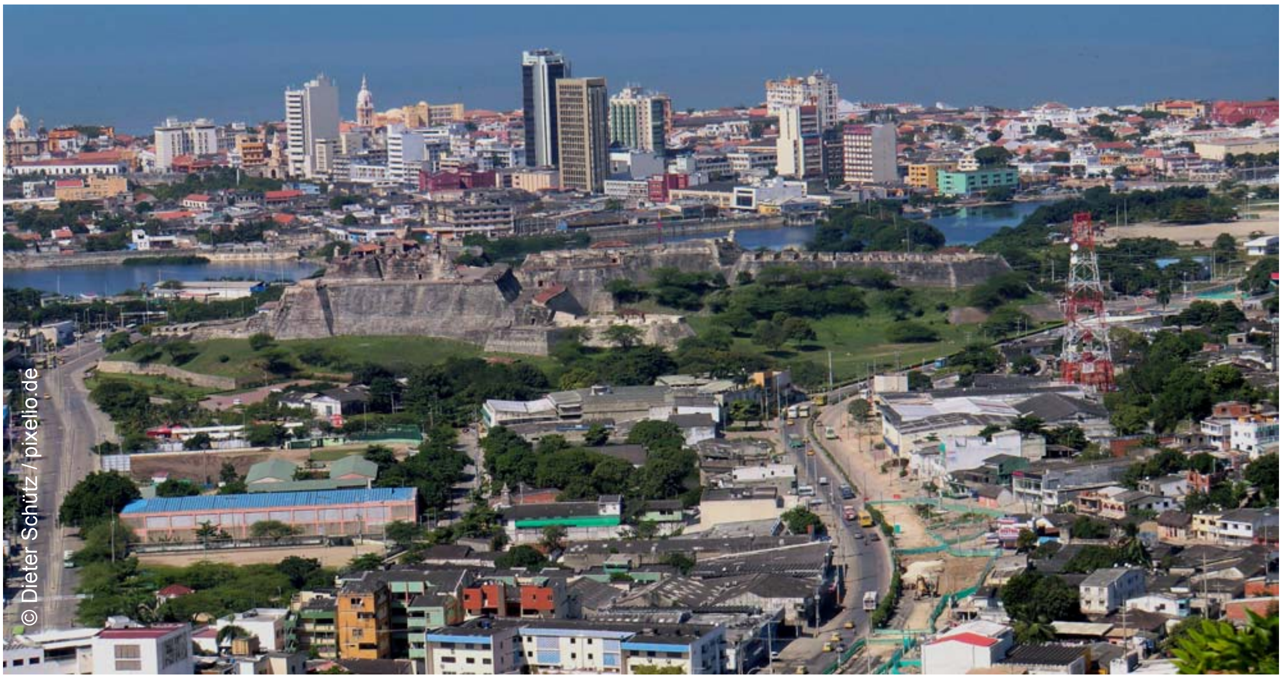
TEXTINATION NEWSLINE **12-17-2013**

COLOMBIA'S TEXTILE INDUSTRY IS AN IMPORTANT INDUSTRY

COMPETITIVE PRESSURE FROM ASIA CAUSES DIFFICULTIES / INDUSTRY WANTS TO DIFFERENTIATE THROUGH QUALITY AND DESIGN

Bogotá (gtai) - Colombia's textile sector has a long tradition and is a major employer. The sector is export-orientated, while in addition to the production of textiles particularly the production of clothing - even for well-known international brands – plays a dominant role. Colombia wants to differentiate through high quality and design and flexible production lines from the Asian competition. Modernization measures like these are opening up opportunities for suppliers of machinery.

The textile sector is an important pillar of the Colombian economy. In 2012 the production of textiles, clothing and leather products reached a volume of about USD 3.6 bn, representing an increase of 2.9% over 2011. Of this amount, USD 666 m. were in textiles, USD 2.3 bn in clothing and USD 640 m in leather goods. With this the textile industry has a share of 12% of the industrial production of the country and 1.4% of the gross domestic product (GDP).



Sector provides Opportunities for Machine Manufacturers

The sector continues to offer good opportunities for German textile machinery manufacturers. To be able to produce more efficiently, it will be invested in modern machinery, mostly in import facilities. At this time the companies are taking advantage from the current strength of the peso. Imports of textile and garment machinery increased in 2012 by 16.5 % to USD 283.2 m. Deliveries from Germany increased by 43.3% to USD 19.8 m and achieved a market share of 7.0%.

Imports of Textile and Clothing Machinery (in 1,000 US$)

HS-Position	2011	From Germany	2012	From Germany	German share in % *)
8444 Ductspinning machines	646	213	1,980		
8445 Spinning machines	4,039	563	4,936	888	18.0
8446 Looms	6,459	500	28,042	7,161	25.5
8447 Knitting machines	17,368	4,106	18,400	3,099	16.8
8448 Auxiliary machines	12,925	4,766	12,610	3,802	30.1
8449 Machines for felts and nonwovens	328	9	1,238	381	30.7
8451 Cleaning, dyeing and ironing machines	23,954	1,515	28,592	2,945	10.3
8452 Sewing machines	34,368	1,917	37,998	1,394	3.7
8453 Leather processing machines	6,166	240	5,716	136	2.4
Total	243,201	13,827	283,239	19,809	7.0

*) in 2012

Source: UN Comtrade

Medellín is an important production base for international brands

Colombia has 450 textile manufacturers and around 10,000, mostly small clothing manufacturers. Half of the companies have between 20 and 60 sewing machines. The sector generated 650,000 jobs and stands for a-round 20% of the country's workforce.

The few large manufacturers operate internationally, while a variety of small businesses are serving the local market. The textile sector is focused on the two main metropolises Medellín and Bogotá, with a share of 44 % and 36 % of production each.

The sector produces mainly clothing made of cotton fabrics (25%), clothing made of artificial or synthetic fibers (11%), fabrics of artificial and / or synthetic fibers (9.5%), fabrics of cotton (9.2%), knitted cotton clothing (8.8 %) and synthetic fiber (5.7%).

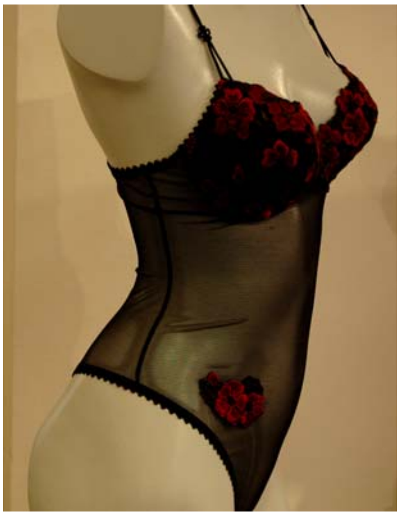
Major companies in Colombia's textile industry (sales in kol$ *)

Company	Turnover 2011	Turnover 2012	Sector
Fabricato	639.7	545.5	Textiles
Manufacturas Eliot	569.4	544.7	Clothing
GEF	380.8	410.8	Clothing
Studio F	292.7	378.2	Clothing
Comercializadora Arturo Calle	n.v.	363.3	Clothing Trade
Leonisa	78.9	328.1	Clothing
VD El Mundo a sus Pies	292.6	296.5	Shows
Permoda	258.7	295.1	Clothing
Nalsani (Totto)	251.6	282.6	Bags and luggage
Adidas Colombia	210.5	262.4	Clothing Trade

*) average currency rate at Centralbank 2012: 1 USD = 1.798,23 kol$
Source: La Nota Económica, Vademecum de Mercados 2013

The traditional clothing industry counts about 10,000 mostly small and medium-sized enterprises, with the exception of industry giants such as Manufacturas Elliot, Studio F or Leonisa. Headquarters are in Medellín and Bogotá. A third production center is Bucara-manga in the east of the country with about 60 % of the production of children's clothing.

The sector has positioned itself as an attractive procurement market for U.S. companies to which good business and entertainment relations are being maintained. So the supplier C. I. Jeans sells 85% of its produced jeans to U.S. brands like Levi's and Polo Ralph Lauren. C. I. Jeans is thereby supplied among others by the local manufacturer Fabricato with denim fabrics. Other examples of well-known international brands, which let produce in Medellín, are Esprit, Diesel, Chevignon, Tommy Hilfiger and DKNY.



Colombia is the second largest production location for Lingerie in Latin America after Brazil. This segment includes 250 producers, the largest among them is Leonisa with an annual turnover of USD 174 million in 2012. Lingerie is also produced for brands like Victoria's Secret and is exported mainly to the U.S. and the EU.

Exports of the textile sector benefit from free trade agreements

The Colombian textile industry is highly export-oriented. In apparel, around 57 % of the production is exported. Main customers are the Andean region, the United States, Central America and the EU. Main products are jeans and lingerie. Exports of clothing, textiles and leather products amounted to USD 1.4 billion in 2012. Free Trade Agreement with the United States, Canada the EU and the Pacific alliance with the countries of Mexico, Chile and Peru let expect even higher future exports of the textile sector in these countries.

Exports of Colombian textile and apparel industry by country (2012, in millions of USD, FOB)

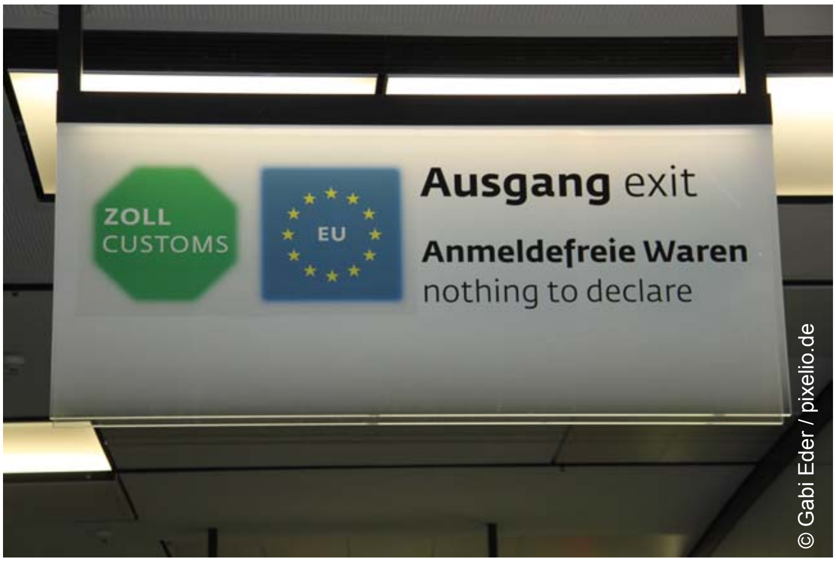
Country	Leather products	Textiles	Clothing
USA	58,0	20,9	212,1
Venezuela	25,5	96,0	187,4
Peru	6,7	48,1	38,5
Ecuador	29,5	104,2	82,7
Mexico	12,9	38,2	71,2
EU	44,7	4,1	47,2
Total	297,8	375,9	773,2

Source: Bureau of Statistics DANE

The Colombian textile company went in the last few years through a convoluted development. High cotton prices and the appreciation of the Colombian peso have undermined the competitiveness of the sector. Above all, the Chinese competition continued to put the Colombian producers

in foreign markets under pressure. For example, the exports to the important U.S. market fell significantly, what Colombia was able for a while to compensate with exports to neighboring Venezuela. But after some political disagreements Venezuela stopped temporarily the Colombian imports completely.

Also in the domestic market, the sector receives more and more competition from Chinese cheap imports, as well from the market entry of large foreign companies such as Inditex. The government Santos introduced in early 2013 a protective tariff of 4 USD / kg on imports of clothing and footwear to protect the domestic producers. The smuggling of goods however is causing since then increasingly problems.



The growing competition at home and abroad has caused that larger Colombian -sized companies have joined together to form larger and more competitive units. But some companies where unable to survive in this process, some companies have perished. The left companies want to differentiate their quality and design from the Asian competition. Also well educated workforces, flexible production lines and "social responsibility" are competitive advantages nowadays of the Colombian textile industry.

The most important trade fairs for the industry are the Colombiatex with a focus on clothing manufacturering including technology, materials and equipment and the clothing exhibition Colombiamoda. Both exhibitions are being held in Medellin and are organized by Inexmoda, a private organization that also offers support in terms of research, development, marketing and internationalization.

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Colombiatex (textile fair; next date: Januar 2014)
Internet: http://colombiatex.inexmoda.org.co/es/

Colombiamoda (fashion fair; next date: Juli 2014)
Internet: http://colombiamoda.inexmoda.org.co/es/

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