

**European Fashion and Textile Companies focus on the Russian Market****The branch associations open alliance agencies in Moscow/ Chances in luxuries and technical textiles**

Moscow (bfai) – The Western European textile and clothing industry want to extend their market position in Russia. Therefore the Russian European textile alliance (RETA) was founded and presented at the end of June 2008 in Moscow. Especially German producers are hoping to enhance their sales and cooperation chances on the always more important Russian market. Russia offers much capability in textiles for the community health, the automotive industry and the building trade.

For the Western European fashion and textile companies Russia is one of the most important foreign markets for their products. There the economic status is rising very fast and so does the demand for luxuries and brand clothing, said Peter Pfneisl, President of the Industrial Union Textile Industry in Austria at the end of June 2008 in Moscow. Pfneisl sees especially well marketing potential concerning technical textiles for the industry or for the community health. In this domain there's barely no competitor from Asia and the Russian production capacities are limited.

His German counterpart Peter Schwartz agrees to the positive perspective. Russia today is besides the European Union (EU) the most important foreign market for the German textile and fashion industry. The export volume averaged at about 1.1 billion Euro in 2007, said the President of the German Textile and Fashion Industry Association (2005: 580 mio. Euro, 2006: 700 mio. Euro)

Currently German brand fashion sales well because the Russians try to catch up with European standard of living, explained Schwartz. But particularly he sees the future in technical textiles for road construction, the community health or the strongly growing automotive industry in Russia. The President of the association refers to the enormous research potential in Germany with 17 Institutes, which are exclusively puzzling on new products within the textile field. That way the textile industry for example is able to deliver artificial dermis.

Via cooperations Russian Enterprises who did barely invest in new developments should benefit from the German research scenery. In return German textile manufacturer could find new partners in Russia and also open up new channels of distribution.

This is also the concern of the Russian European Textile Alliance (RETA) which was found in April 2008 and is supported by the Textile Associations of Germany, Austria, Suisse and France. Market analysis concerning Russia are to be generated through the contact agency in Moscow, as well as the resolution of duty issues and help related to the certification processes. Besides that, the office manager Igor Salomachin wants to provide hints for the production facility buildup in nonstandard economy areas as well as for the registration of trademarks for technical standards (Ghost-R) and the consumer protection. "We want to make the specifics of the Russian market accessible for the companies", recapitulates the textile expert who used to work for the Triumph Concern in Russia among other things. In particular the offer is addressed to the small and medium sized trade association member companies.

A similar agency exists in Shanghai for 3 years. The local success shall now be repeated on the strongly growing Russian market. In doing so, the Western European manufacturers have to search for profitable niches to be able to resist against the Asiatic and Russian competitors. The Austrian Reinhard Backhausen explains that the niche for example could be the decorative, high quality textiles for interior equipment.

Backhausen has already supplied the Moscow Pusckin Museum, the Metropol Hotel or the Eremitage in Saint Petersburg and the well order situation subsists.

The chief executive from Backhausen Interior Textiles points out that "it is a big challenge to equip the many new buildings here in Moscow and in other Russian Cities". Western Europeans do have a competition advantage concerning the design compared to the competitors from overseas.

The Russian textile industry has clearly lost ground compared to the import goods in the last years . According to government information just one fifth of the market size barely derives from the domestic production. Currently a development programme for the branch runs which scheduled investments of 800 mio. US\$ until 2010.

The new Russian President Dmitri Medwedjew encouraged in the middle of June 2008 to form a "Textile Cluster" in the regions of Iwanowo, Wologda, Kostroma and Jaroslawl. The country calculates to have good market opportunities relating to reconstruct the linen production and the woolen material. According to Medwedjew the Russian global market share relating to linen has fallen from once 50 % to 14 % .

A big problem within the branch is the illegal import of textile products and with those local companies cannot compete in price, said the chief executive of the Kremlin when visiting Iwanowo. According to official evaluation, more than half of the total market is smuggled past the custom into the country to be sold at a loss on the open air markets. A majority of these types are counterfeits of branded products.

With annual expansion rates between 15 and 20 % , the Russian clothes market shows an impressive tempo. Following investigations of the Discovery Research Group, the size of the market computed roughly 40 Billion \$ in 2007 whereat 30 % account for the bottom and 55 % for the average price segment. These are fields where Western European manufacturers can barely compete with the Asiatic producers. The Moscow market investigator Step by Step rates the size of the market with 48 Billion \$ a bit higher (Structure: 46 % women's clothing, 31% mens apparel, 23 % children's wear). The Russian textile companies could recently and most of all extend their output for bed-clothes, socks and stockings as well as work clothing.

<b>Russias external trade regarding textile and fashion products</b>			
	2005	2006	2007
Import			
Cotton material, in Mio. qm	137	160	232
Cord and textile apparel, in Mio. US\$	965	1.691	3.092
Cotton fibres, not carded, in 1.000 t	310	296	255
Exports			
Cotton material, in Mio. qm	386	379	297

Source: Föderaler Statistikdienst

<b>Production capacity of the Russian textile and apparel industry</b>			
Product	2005	2006	2007
Sewing cotton, in Mio. Winding unit	301	341	376
.Cotton yarn e	159	188	228
.Silk yarns	142	153	147
Materials, in Mio. qm	2.734	2.805	2.735
.Cotton materials	2.237	2.211	2.143
.Woolen material	31	29	29
.Silk material	125	136	155

<b>Production capacity of the Russian textile and apparel industry</b>			
Product	2005	2006	2007
.Linen material	122	131	101
.stitch bonded fabric (not woven materials)	219	298	308
Silk net and curtains, in Mio. qm	9,0	7,3	5,8
Quilted blankets, in 1.000 pieces	467	610	823
Bedclothes, in Mio. units	36,2	51,3	56,5
Carpets and carpet products, in Mio. qm	13	34	31
Knitted goods, in 1.000 t	12,6	12,2	10,9
Socks and stockings, in Mio. Pair	283	312	327
Hosiery, in Mio. Unit	112	113	108
Overcoat, in Mio. Unit	1,4	1,1	0,9
Coats, in Mio. Unit	7,2	6,3	6,5
Suits, in Mio. Unit	6,4	6,7	6,6
Dresses, in Mio. Stück	3,0	2,7	3,4
Trousers, in Mio. Stück	15,5	14,9	15,3
Shirts, in Mio. Stück	3,1	3,6	3,7
Uniforms and any further special clothing, in Mio. Unit	12,7	15,2	18,8

Source: Förderaler Statistikdienst

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