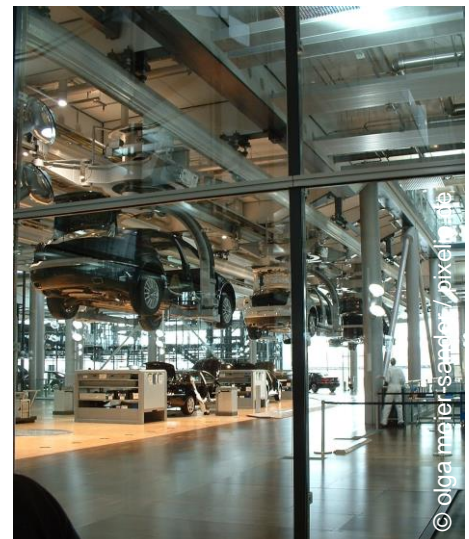


CZECH TEXTILE INDUSTRY CONTINUES ITS UPSWING
SALES ARE INCREASING SINCE FOUR YEARS / DEVELOPING OF UP NEW MARKETS ABROAD


Prague (GTAI) - Czech textile and clothing manufacturers are among the winners of the good economic situation. The trend towards domestic products and the rising purchasing power are inspiring the companies. At the same time they benefit from a growing demand from abroad. According to the association ATOK the turnover of the sector rose to Kc 53,5 billion (just under EUR 2 billion) in 2016. It was the fourth year of growth in a row.



An important growth driver of the Czech textile industry is the automotive sector. The largest sales are achieved with technical textiles, and these are mostly used in the over 1.3 million passenger cars, which are rolling in the Czech Republic off the assembly lines every year. The German automotive supplier Borgers is therefore the second largest textile manufacturer in the country. The company produces textile trims for trunks, passenger compartments or underfloor at four locations in the Plzen region. About 200,000 parts leave the factory every day for VW, BMW, Mercedes, Porsche, Bentley and Rolls Royce. The largest textile company in 2016 was the company Juta with productions of geotextiles, insulation materials and packaging material.



The positive dynamism of textile manufacturers is continuing in 2017. According to statistics from January to May the production index rose by 3% and the value of new orders even rose by 5%. On the other hand the garment manufacturers have to announce sales reductions following the strong year before. Future growth could be curbed by rising wages, the appreciation of the national currency and a lack of staff.

Sales development of the Czech textile and clothing industry

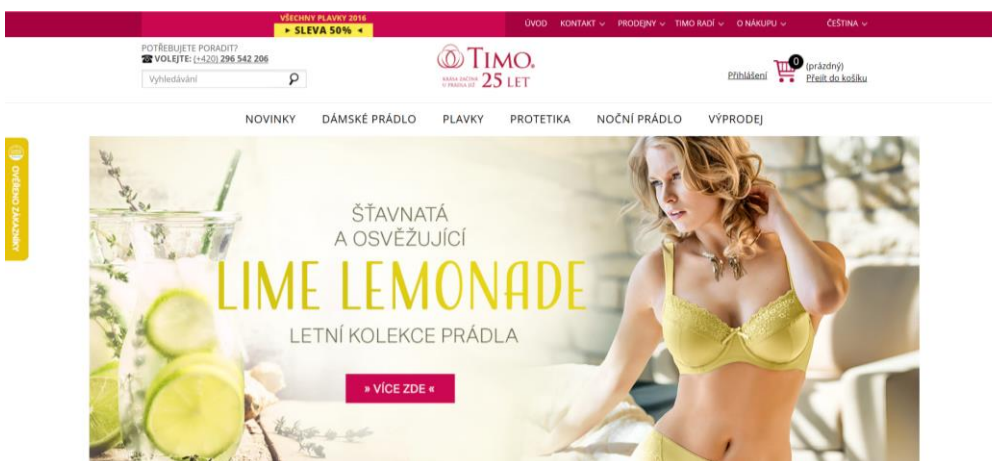
Year	Sales in Kc billion	.Thereof Textiles in Kc billion	.Thereof Clothing in Kc billion	Change total sales in comparison to previous year in %
2013	47.1	40.7	6.4	2.6
2014	51.0	44.6	6.4	8.3
2015	52.4	45.4	7.0	2.7
2016	53.5	46.2	7.3	2.1

Sources:

Association of the Textile, Garment and Leather Industry (ATOK), Calculations by Germany Trade & Invest

Even more dynamically than the sector's profits the foreign trade has developed in 2016. Since the Czech Republic is being used as a transit and logistics location by international trading companies, the volume of exports is significantly higher than the total turnover of the domestic manufacturers. According to the ATOK association, in 2016 textiles were exported for Kc 63.8 billion (EUR 2.36 billion) and clothing for Kc 47.2 billion (EUR 1.74 billion). This was an increase of 5% for textiles and 31% for clothing. Import of textiles rose by 6% to Ks 59.3 billion (EUR 2.19 billion), import of garment rose by 20% to Kc 67.9 billion (EUR 2.51 billion).

This has somewhat reduced the trade deficit in clothing. In the major fashion chains however foreign goods still dominate. Czech vendors have little chance of coming to the shelves and taking part in the fast fashion cycles and fast fashion changes. The association ATOK estimates that they have a market share of a maximum of 20% in clothing retailing.

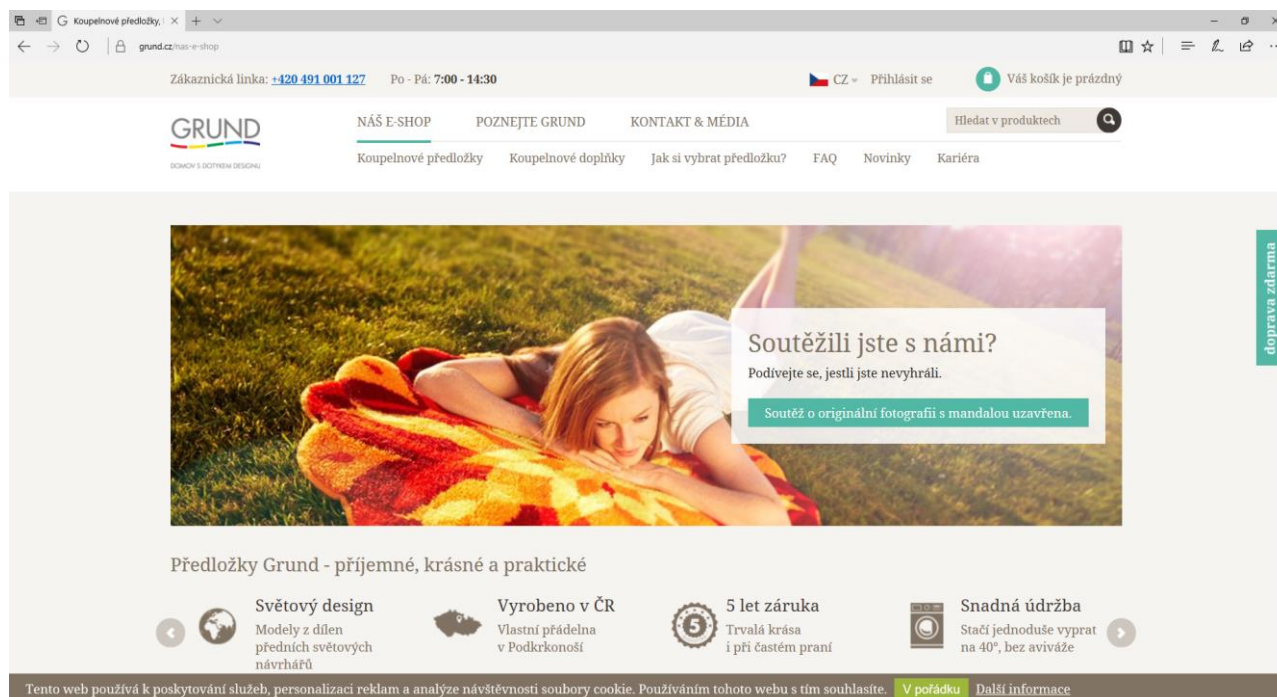


As a result, domestic manufacturers are increasingly focusing on direct selling, either via internet shops or through their own sales outlets. They also strengthen the building of their own brands, after

having carried out commission work for international fashion groups for many years. Customized products are in the trend also. Some companies that have hitherto mainly served the home market are now looking increasingly at foreign markets. The swimwear and underwear producer Timo from Litomerice, for example, wants to supply to Germany also in the future, reported by the economic newspaper Hospodarske noviny.

Textile companies invest more and more abroad

The East Bohemian specialist for bathroom textiles, Grund, already has a sales company in Lower Saxony. The carpet manufacturer is now planning to build a factory in the south of the USA and intends to invest more than USD 1 million.



The screenshot shows the Grund website interface. At the top, there is a navigation menu with links for 'NÁŠ E-SHOP', 'POZNEJTE GRUND', and 'KONTAKT & MÉDIA'. Below the menu is a search bar and a list of categories: 'Koupelnové předložky', 'Koupelnové doplňky', 'Jak si vybrat předložku?', 'FAQ', 'Novinky', and 'Kariéra'. The main content area features a large banner image of a woman lying on a colorful rug in a field. A text box on the banner asks 'Soutěžili jste s námi?' and 'Podívejte se, jestli jste nevyhráli.' Below the banner, there are four key features highlighted: 'Světový design', 'Vyrobeno v ČR', '5 let záruka', and 'Snadná údržba'. At the bottom of the page, there is a cookie consent notice.

Silon from South Bohemia, which is one of the largest manufacturers of polyester fibers in Europe, is building a manufacturing plant for plastic compounding in the USA in order to reduce the delivery time for raw materials and to be closer to the customer.

There are interesting developments in the research area. The institute VUTS from Liberec, has developed, together with Taiwanese scientists, a pneumatic loom that can produce 3D fabrics made of high-strength polyester silk. The material can be used for boat building or flood protection. The machine should be presented for the first time at a trade fair in 2019. Until then the textile manufacturer Veba from Broumov wants to have developed a new 3D fabric. It is intended to reinforce matrices.



The screenshot shows the VUTS Liberec website. The header features the VUTS Liberec logo and the tagline 'VÁŠ PARTNER PRO VÝZKUM, VÝVOJ A INOVACE'. Below the header is a large banner image of a modern industrial building with the text 'VIZE NEZNÁ HRANIC'. A navigation menu is located below the banner, with links for 'O nás', 'Kontakty', 'Výstavy a veletrhy', 'Kariéra', 'Výběrová řízení', and 'SW komunikace'. At the bottom of the page, there are three featured sections: 'APLIKACE A REALIZACE', 'CENTRUM ROZVOJE STROJNĚKÉHO VÝZKUMU', and 'LASEROVÉ APLIKAČNÍ CENTRUM'. Each section has a 'PŘEJÍT NA' button.

After the extra economy in 2015 due to the last-time levy of EU funds from the old funding period, investments in the textile industry had shrunk in 2016. According to the Ministry of Economic Af-

fairs the manufacturers invested some Kc 2.78 billion (around EUR 100 million), a sixth less than in the previous year. On the other hand, investments in the garment sector were up by a quarter to over Kc 850 million (around EUR 31 million).

The development was also reflected in the import figures for textile machines. At the beginning of the year 2017 imports rose again in some product groups, thus opening up sales opportunities for finishing manufacturers. German suppliers account for roughly half of the machinery supply for the textile industry.



In April 2017 the Moravian nonwoven fabric manufacturer Retex had issued a tender for a production plant for over EUR 7 million. In Zatec near Usti nad Labem Unifrax wants to build a production plant for silicate fabrics. Juta is currently investing around EUR 13 million in the production of grids and plans to get the plant expansion at Dvur Kralove into operation in autumn 2017. The Japanese Toray Textiles is expanding its factory for airbag fabrics and printing plates in Prostějov over the next four years. The North Moravian supplier of outdoor clothing, Tilak, is also expanding its production facilities in Sumperk.

Import of selected textile machinery to Czech Republic (1,000 Euro)

Machinery group / HS-item	2015	2016	January to May 2017	Change *)
Jet-spinning machines / 8444	15,369	5,502	842	-81.2
.thereof from Germany	9,829	4,509	20	-99.5
Spinning machines / 8445	8,838	15,858	1,922	-51.1
.thereof from Germany	5,017	6,743	164	-91.1
Weaving looms / 8446	12,860	4,277	1,882	-17.5
.thereof from Germany	2,247	687	36	n.a.
Knitting machines / 8447	11,965	6,737	2,672	14.7
.thereof from Germany	6,092	1,979	1,632	54.5
Auxiliary machines / 8448	73,358	88,360	42,830	27.9
.thereof from Germany	52,601	54,897	26,823	16.2
Nonwoven and felt machines / 8449	19,628	2,676	846	-45.8
.thereof from Germany	6,741	1,313	245	-79.0
Cleaning, dyeing and pressing machines / 8451	108,080	105,410	44,762	26.1
.thereof from Germany	50,325	47,580	17,714	1.7
Sewing machines / 8452	17,895	20,056	8,172	10.1
.thereof from Germany	6,340	6,353	2,081	-12.2
Machines for fur, leather processing or shoe production / 8453	4,386	2,626	1,056	12.9
.thereof from Germany	347	198	68	25.9
Total	272,379	251,501	104,984	14.2
.thereof from Germany	139,540	124,260	48,783	-4.0

*) January to May 2017 / January to May 2016 in%
Source: Czech Statistical Office

Source: Gerit Schulze, Germany Trade & Invest www.gtai.de