



Sector: Textile and Clothing

May 2012

Prepared by the Danish embassy in Sofia

Keywords: Bulgaria, Sofia, Furniture, Clothing and Design sector, Clothing and Textile sector

Abstract:

Quality clothing and design retailers have experienced dynamic growth in the last few years. Rising disposable incomes, greater variety in terms of product assortments and better leasing schemes making products affordable for more consumers has propelled growth in the sector. Bulgarian companies are heading towards mid and upper-mid price segments of the European confection market. These are the positions that the Bulgarian apparel producers are targeting and expect to explore further in the years to come. This further illustrates that Bulgaria represents an opportunity for producers and exporters of quality clothing and design.

Introduction

Bulgaria is a small-sized textile and clothing producer, with a good reputation for quality in its garments sector and consists of many small and medium-sized producers.

Market indicators

In 2006 Bulgaria registered a growth in export of 6.1 per cent against 3 per cent in the EU-25. The reason for the growth in the textile production in Bulgaria the years before the economic crisis was mainly due to the fact that Bulgaria delivered high quality products at competitive prices.

With its population of 7.6 million people, and the accession to the EU together with Romania, 1st of January 2007, the years from 2000-2007 looked as if Bulgaria would take over Romania's role as the biggest eastern European apparel supplier to markets in Western Europe. Exports in EU started falling in 2008, and it also did in Bulgaria, but latest figures show that there has been a growth the last year in the Textile and Clothing industry (T&C industry) in Bulgaria.

In Bulgaria the export in the textile sector peaked in 2007 at EUR 1.9 million of which EUR 1.7 million was apparel. In 2009 the overall Bulgarian T&C industry fell by 9.1%, reflecting very difficult international economic conditions. The industry's trade performance also reflects the especially difficult international economic situation. Total exports decreased by 23% in 2009 and imports by 33%.

According to the website of "Global apparel and textile industry news" the textile industry accounts for 12.6% of total Bulgarian exports. Textiles and apparel is therefore still a pillar of the Bulgarian economy.

At present many Bulgarian clothing companies are involved in cut-and-sew operations, with less of a presence in more lucrative areas such as design, distribution, marketing and sales. It is clear, however, that the immediate focus is on how to respond to the slump in demand – some companies have already had to close and workers have been laid off.

Bulgarian apparel producers have a good reputation for producing trousers, suits, overcoats and shirts.



Export

The entire amount of export in T&C industry from January to November 2011 was EUR 1534.7 million, and grew on an annual basis with 14.7%.

The biggest share in the export of textile and clothing are: suits, sets of clothing, jackets, dresses, skirts, skirt-trousers which in the period of January to November 2011 reached almost EUR 510 million (33.2%). This is a growth on an annual basis of 16.7%. The smallest share in the export is other knitwear goods which consist of 1% of the export.

The list of goods forming 85% from the entire export of textile, clothing and knitwear in the period of January to November 2011 from Bulgaria is plotted in the table below.

Item	Export in million EUR	% from the entire export	% Changes compared to 2010
Suits, sets of clothing, jackets, dresses, skirts, skirt-trousers, trousers etc.	509.9	33.2	16.7
Shirts, Shirts, with short sleeves, blouses, shirt-blouses, chemisettes	192.9	12.6	3.0
T-shirts with sleeves, T-shirts without collars, T-shirts, Sweaters, Cardigans, vests and other similar articles	174.0	11.3	4.8
Yarn of worsted wool, not available for retail sales	128.8	8.4	26.4
Coats, cloaks, anoraks, overhead blouses and other similar articles for ladies and girls	114.0	7.4	15.4
Briefs, nightwear, pyjamas, bathrobe, wrappers and other similar articles	59.9	3.9	8.5
Sportswear, overalls, ski and beach wear	53.8	3.5	27.5
Tights, socks and other similar articles	41.7	2.7	7.8
Bed linen, table linen, toilet linen and kitchen linen	17.8	1.2	14.4
Other Knitwear goods	15.0	1.0	19.9

The major countries that Bulgaria exports to in the textile and clothing industry are Italy, Germany, Greece, France, Great Britain, Spain, Austria, Romania, Belgium and Turkey, where Bulgaria exports the most to Italy. Half of Bulgarian export is taking from the three countries Italy, Germany and Greece. There is a tendency that the textile and clothing products in Bulgaria are exported more to the EU countries and less to the Balkan countries.

The below table presents the leading countries that Bulgaria exports to in the T&C industry.

Country	Export in million UR	% from the entire export	% Changes compared to 2010
Italy	388.1	25.3	17.6
Germany	363.2	23.7	15.3
Greece	177.5	11.6	-2.6

France	154.9	10.1	24.6
Great Britain	66.8	4.4	27.9
Spain	48.0	3.1	4.2
Austria	41.2	2.7	16.2
Romania	37.4	2.4	42.6
Belgium	36.9	2.4	14.3
Turkey	32.4	2.1	7.6

Import

From the period January to November 2011, the import from the leading groups of goods formed 85% of the Bulgarian textile and clothing industry and amounted EUR 141,6 million, which is a growth of 15,2% compared to the same period in 2010.

The data below shows the major groups that form 85% of the entire import in Bulgaria from January to November 2011.

Item	Import in million EUR	% from the entire import	% Changes compared to 2010
Woven fabrics of yarns of synthetic and cotton fibres	389.1	30.9	18.7
Other Knitwear goods	166.0	13.2	15.1
Suits, sets of clothing, jackets, trousers	86.1	6.8	-2.9
Woven, fine or coarse hair, worsted etc.	75.0	5.9	69.6
Synthetic and cotton yarns	64.9	5.1	25.5
T-shirts with sleeves, without collar	58.1	4.6	-1.0
Other ready to wear accessories for clothing	55.3	4.4	15.7
Shirts, Shirts with short sleeves, blouses, shirt-blouses, chemisettes	51.1	4.1	-9.4
Man-made filaments	46.5	3.7	8.4
Non-woven textile materials, whether or not impregnated, coated, covered or laminated	39.0	3.1	27.2
Tights, socks and other similar articles	27.4	2.2	1.2
Coats, cloaks, anoraks, overhead blouses and other similar articles	16.6	1.3	24.9

The data above shows a high concentration in several groups, and this trend is similar to the export.

Companies

In 2011 there were about 5400 companies in the sector, of which more than 4700 produce apparel. The textile sector in the country has been fully privatised and presently the predominant part of the apparel producing companies in the country is small and medium-sized enterprises (SMEs) with no more than 250 employees.

The majority of the companies in the sector are producing on CMT basis (materials supplied by the customer) and their production is mainly export oriented.



A number of Bulgarian companies from the textile sector are working on orders for a number of internationally popular brands from both the high-price segment (Gianfranco Ferre, Cerruti, Calvin Klein, Hugo Boss) and the mid-price segment (Zara, H&M, Esprit, etc.).

Bulgarian producers have started to focus on developing their own apparel production and development of own brand, rather than working upon client's request. The number of producers, including small enterprises, which are registering their own brands or they have already been established on the market, is increasing.

Labor cost

Although Bulgaria is an EU member state, the labour cost is still very low. According to Werner International's labour cost comparison 2008, the average cost per labour hour in Bulgaria textile mills was US\$1.85 (or 11% of the US cost). Bulgarian textile labour cost is therefore cheaper than Lithuania (US\$4.28) and Slovakia (US\$4.58).

Bulgaria is also very price-competitive as a CM/CMT producer of garments. According to KSA's Global Sourcing Reference 2009, the total cost of producing clothing in Bulgaria is lower than Belarus, Albania, Slovakia and Ukraine.

In June 2010 the Bulgarian standard minute cost (EUR0.08-0.09) was lower than other East European countries like Poland (EUR0.10-0.12), Czech Republic (EUR0.12-0.14) or Croatia (EUR0.15) according to German consultant Weis Associates.

The average number of employees in the textile and clothing industry in 2011 was 97,380 persons. This is a decrease of 14% compared to the number of employees in 2010.

SWOT-Analysis: Status of the Bulgarian Textile Industry

<i>STRENGTHS</i>	<i>WEAKNESSES</i>
<ul style="list-style-type: none">• EU membership since 1st Jan 2007• Competitive labour costs• Favourable geographic position in terms of market access to the EU market compared to Asian competitors• 95% of the companies are small and medium-sized that are quite flexible in reacting to client demands for quick delivery and responding to new standards for quality and production	<ul style="list-style-type: none">• The majority of the companies are dependent on very few key customers.• A relatively small share of the companies in the sector is marketing their own trade mark.• Insufficient quality of higher and middle management in terms of control, marketing, distribution, total quality management.• Need for investment, safety improvement and better working and health conditions.

<p>organization</p> <ul style="list-style-type: none"> • Well-functioning sector associations that support the business • A well-trained and experienced work force • Liberal international trade regime which has contributed to the improvement of market access and competitiveness of the sector • Very good and comparatively new technology in the factories • Experience in working with Western customers 	<ul style="list-style-type: none"> • The sector is undervalued by the Bulgarian government • Strong competition I the international markets • Difficult access to financing, especially from the EU
<p><i>OPPORTUNITIES</i></p> <ul style="list-style-type: none"> • The predominantly EU export oriented textile companies, as well as the data for moderate growth of the annual turnover and the number of the employees implies the existence of resources which could be utilized with a view to the future strategic development of the producers from the sector. • Intensified transfer of capital, know-how, technologies and design to Bulgaria in regard to the EU membership of the country • Increased market demand of apparel in small series • Higher quality and design expectations by the domestic consumers 	<p><i>THREATS</i></p> <ul style="list-style-type: none"> • Possibility of considerable number of company liquidations due to the cut of CMT orders • Dumping imports from China and Asian countries • Import of fake brands on the EU market on low price levels mainly from Asian producers.

Market trends

In the coming years, European retailers will be forced to import the majority of large order, commodity clothing from Asia in order to remain competitive. But remaining competitive for these firms will also mean reducing opportunity costs of lost sales resulting from mid-season stock-outs, particularly for higher quality items. Asia, due to its slow delivery and inability to ship in small quantities, will not be an option for retailers and buyers to respond quickly to unexpected fluctuations in demand. European retailers must look closer to home for these solutions.

Bulgaria is Europe's quick response solution. Bulgarian firms are rapidly developing the internal capabilities to manage all aspects of their supply chains to European partners, including sourcing, design, transport/logistics and own branding. These capabilities, combined with Bulgaria's strategically favourable location, make working with Bulgaria a critical and valuable component to your company's strategy.

The predominant part of the companies is export orientated. Bulgarian textile companies have specialized in the production of high quality apparel in relatively small series.

The Bulgarian fashion industry has experienced positive developments during the years before the economic crisis - constant increase in production, winners at design competitions, awards and distinctions at prestigious foreign forums and participation in fashion weeks in the world capitals of style. The industry has experienced low production levels in 2009 however the years after are of stabilization.

Conclusions and recommendations

Presently, Bulgaria is Europe's most resilient market for the production of apparel. The local companies are developing their production taking into consideration specific niches of international markets where demand is characterised with preference to smaller series of apparel products with a complex design. At the same time, Bulgarian companies are heading towards mid and upper-mid price segments of the European confection market. These are the positions that the Bulgarian apparel producers are targeting and expect to explore further in the years to come.

One of the major advantages of Bulgarian apparel and textile producers is the ability to make fast deliveries to the European market. Compared to the industry in China and India, Bulgarian companies are able to respond in a shorter time frame to unexpected fluctuations in the demand. Moreover Bulgarian textile producers have already specialized in production of high quality products, implementing orders for famous international brands, which give them advantage in this segment of the world textile market.

Ministry of Foreign Affairs of Denmark

Embassy of Denmark
The Trade Council
Dondukov Blvd. 54
Sofia

Phone no: (+359) 2 917 01 00
Fax: (+359) 2 980 99 01
E-mail: sofamb@um.dk
www.bulgarien.um.dk

The Trade Council is a part of the Ministry of Foreign Affairs and is the official export and investment promotion agency of Denmark. The Trade Council benefits from around ninety Danish Embassies, Consulates General and Trade Commissions abroad. The Trade Council advises and assists Danish companies in their export activities and internationalisation process according to the vision: Creating Value All the Way.

The work in the Trade Council follows specific procedures and quality guidelines. In this way our customers are secured the best possible quality under the varying working and market conditions at any given point of time.