

ROMANIA – KNITWEAR SECTOR BRIEF, 2007

by FRD Center Romania

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Since 2000, FRD Center has been the trade consultant for the Irish agency for trade and technology, Enterprise Ireland.

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A. General considerations:

Situated in Central Eastern Europe, Romania has a territory of 237,500 sq km. The estimated current population is of about 22 million. A July 2006 estimation published by CIA shows a population of 22,303,552 inhabitants, while other estimations show smaller figures.

According to the National Statistics Institute, in 2004, 54.9% of the population were living in the urban areas. The capital, Bucharest, numbers over 2 million people and there are 10 cities with a population larger than 200,000 inhabitants, out of which 5 cities have more than 300,000 inhabitants. Some 14 other cities have a population of between 100,000 and 199,999 inhabitants.

The average gross salary in 2006 was of 1,077 RON (approx. 315 EUR), while in 2005 it was of 958 RON (approx. 270 EUR). It is expected that the average gross salary will reach 1,440 RON in 2009 (some 425 EUR).

B. Local production:

Knitwear production in Romania has a long tradition with large knitwear factories having been set in the industrial centres like Bucharest, Cluj-Napoca, Arad, Suceava, Iasi etc. as early as 1918.

Also, there is a strong educational system addressing knitting processes and technologies, with BA and Master's degrees in universities like "Gh. Asachi" Technical University, Iasi etc.

Currently, the knitwear market in Romania is quite fragmented, with many small companies active in the field.

Romanian production is quite well represented, with some 85 companies dedicated to the production of women knitwear only. Many of the Romanian knitwear companies manufacture for foreign clients in lohn system. Also, there is a considerable number of foreign-Romanian joint ventures in this sector, mainly exporting their local production to western Europe.

The producers of knitwear are represented by the Owners Association Tricontex. The professional associations are quite protective of the domestic producers' and encourage the development of the Romanian companies active in the field.

In regards to knitwear for women, the main locally manufactured products are:

- knitted anoraks, ski / wind blazers
- knitted jackets and vests
- knitted two-piece suits
- knitted clothing sets

According to the data provided by the National Statistics Institute, in 2004, the production of women knitted two-piece suits was of 70,682 pieces, with the total value of 2.7 million EUR. Information regarding the production in 2005 is not available.

In 2004, the production of women knitted clothing sets was of 354,743 pieces, with the total value of 1.4 million EUR. Information regarding the production in 2005 is not available.

After the denomination in 2005, the Romanian currency (RON) had a remarkable strengthening against the EUR. This had a negative effect on the business of many textile and knitwear companies that were mainly producing for the export.

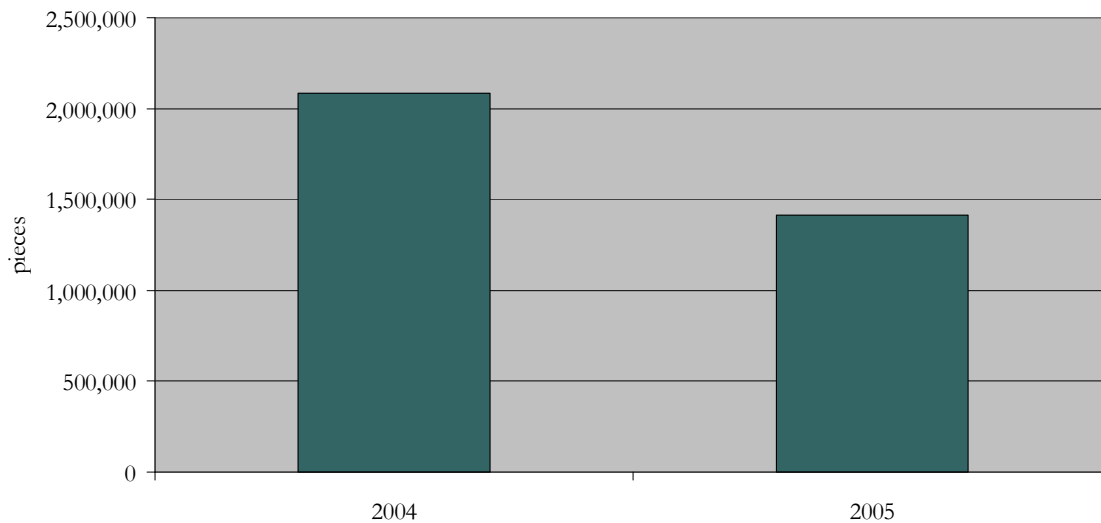
For instance, the turnover of Bucovina Tex Radauti, a leading knitwear producer in Romania, dropped 25% in 2005 due to a lack of orders from the company's traditional clients. Bucovina Tex's business is 98% export-based. Some of the Bucovina Tex's main clients in 2005 were Hennes&Mauritz (Sweden), Neckerman (Germany) and Texeurop (France).

According to the data provided by the National Statistics Institute, the production of women knitted anoraks, ski / wind blazers and similar products, had a strong decrease in 2005 compared to 2004, from some 2 million pieces to some 1.4 million pieces.

Production	2004		2005	
	Volume (pieces)	Value (mil EUR)	Volume (pieces)	Value (mil EUR)
Women knitted anoraks, ski / wind blazers and similar products	2,087,151	4.4	1,413,811	7.7

Source: National Institute of Statistics

**Production of women knitted anoraks,
ski / wind blazers and similar products**



Source: National Institute of Statistics

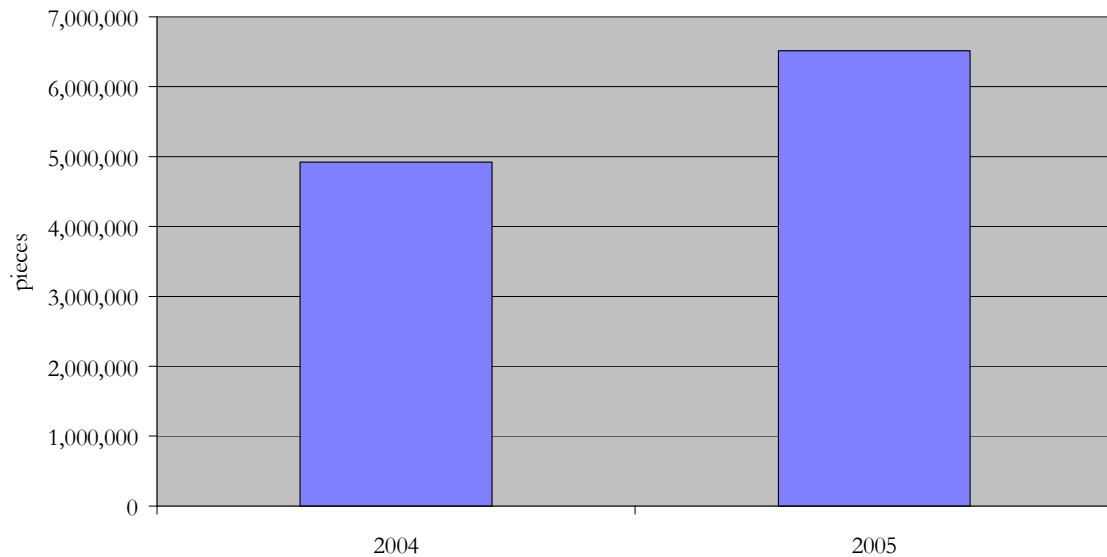
According to the Federation of the Light Industry Producers in Romania, FEPAIUS, during 2005, many local producers of knitwear have redirected their marketing strategy to target the local consumer. The domestic demand of goods has been constantly increasing, including in the knitwear and garments sectors.

According to the data provided by the National Statistics Institute, the Romanian production of ladies' knitted jackets and vests in 2005 reached some 6.5 pieces, showing an increase of 33% compared to 2004. The situation is presented below.

Production	2004		2005	
	Volume (pieces)	Value (mil EUR)	Volume (pieces)	Value (mil EUR)
Women knitted jackets and vests	4,915,093	53.3	6,520,102	64.0

Source: National Institute of Statistics

Production of women knitted jackets and vests



Source: National Institute of Statistics

With increasing opportunities for investment in technology and quality, the locally produced items become more competitive.

Main problems facing the local manufacturers are:

- the appreciation of the national currency
- the increase in wages and in utility prices
- the difficulties in finding workforce

C. Retail and international trade

The launching of the big retail networks starting with 2000 boosted the Romanian economy, having stimulated not only the consumption but also the production. Many Romanian brands had thus the chance to develop. However, the Romanian producing companies are still not ready to sustain the rhythm imposed by the consumption.

The retail market in Romania has the most dynamic growth in the CEE region and it could go over 100 billion EUR by 2010, should the average growth rate of 50% registered in the latest years is maintained. The Romanian retail market is already the second largest in CEE after the one in Poland.

According to a Deloitte analysis published in Romania, in 2006 the value of the retail market registered an estimated 33.5 billion EUR, in comparison with an estimated 21.5 billion EUR

in 2005. This growth in value is the highest in CE Europe, currently only the Polish market accounts for more.

The main factors that determined the expansion of the sales in the retaining sector in Romania are:

- the increase of the population purchasing power, due to salary increase
- easier access to the banking and consumer credits
- diminishing inflation
- better quality of locally produced goods and better packaging design
- stronger publicity campaigns
- increasing brand diversity

In 2005, almost a half of the sales at national level were done in small stores, this representing a decrease by 5% compared to 2000, while the sales in supermarkets recorded an increase by 12%, reaching to a share of 16%. In case of cash&carry stores, the sales reached a share of 7% in the total sales and 5% represented sales in open markets, this representing a decrease by almost 7%.

According to a survey developed by GfK Romania, in 2005 over 16% of the Romanian shoppers preferred shopping in the supermarkets rather than traditional stores, farmer-markets and proximity shops.

Many of the store brands present in the commercial centres and malls in Romania, sell locally produced knitwear items, as well as imported ones (e.g. Tina R, Flo&Jo). In most cases, the stores use their brands for all products and there are no producer's brands on the shelves.

Distributors of knitwear mainly have local providers. Hypermarket chains, like Cora, Carrefour, Auchan, use basically the same suppliers, some of which are also importers (e.g. Euro Post, Critom Impex) others are only distributors and aiming to become importers (e.g. MC Exim)

Importers and distributors of quality knitwear are relatively few and mainly dedicated to one brand only.

For instance, Azali Trading, owner of the Zara franchise in Romania, was set up in 2004 and in 2005 had a turnover of approx. 11 million EUR. Azali Trading is 89% held by the Lebanese Grupo Moda Offshore. All the products in the Zara stores in Romania, including the knitwear, are imported by Azali Trading directly from dedicated suppliers in the Middle

East and other locations. Zara currently numbers 3 stores and aims to expand to 42 locations by mid-2008.

Zara's local competition includes brands such as Promod, Castro, Mango, Marks & Spencer and BSB, all of which are currently operating in malls and shopping centres. They all operate on the same basis – using dedicated suppliers in Italy and other countries of origin.

Shelf prices of knitwear in such stores vary between 75 EUR and 12 EUR.

There are also importers and wholesalers of medium quality knitted products, mainly from countries like Asia and Turkey. These products are sold under no-name brands in smaller stores and bear no “importer/distributor label”.

Shelf prices of knitwear in such stores vary between 25 EUR and 3.5 EUR.

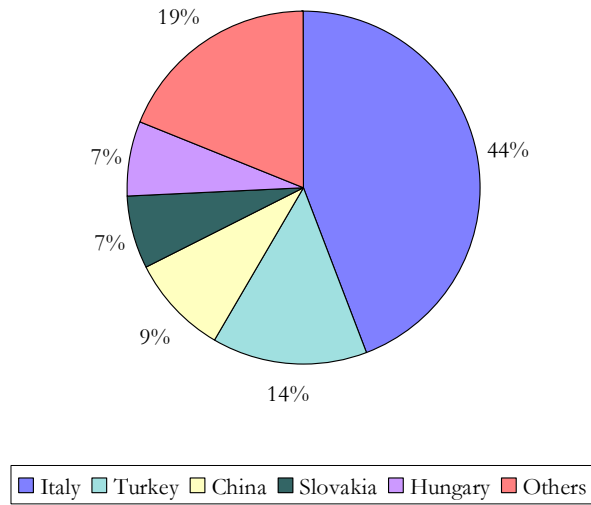
According to the data provided by the National Statistics Institute, the main countries if import, in regards to knitwear, are Italy, Turkey, China, Slovakia, Hungary and Germany.

The import of women knitted jerseys and similar products, made of wool during the period 2004 - 2005 is presented below.

Import of women knitted jerseys and similar products, made of wool	2004		2005	
	Volume (tonnes)	Value (thou EUR)	Volume (tonnes)	Value (thou EUR)
Italy	315	7,735	189	4,684
Turkey	99	78	19	84
China	65	72	29	197
Slovakia	49	1,111	28	631
Hungary	48	1,279	31	841
Others	135	3,542	165	4,383
Total	711	13,817	461	10,820

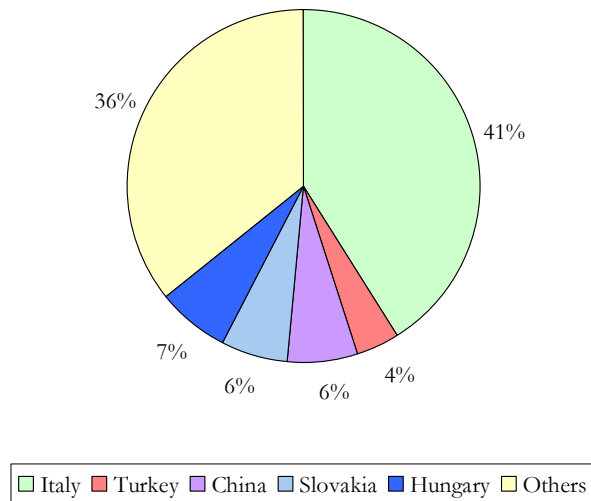
Source: National Institute of Statistics

Import of women knitted jerseys and similar articles, made of wool in 2004



Source: National Institute of Statistics

Import of women knitted jerseys and similar products, made of wool in 2005



Source: National Institute of Statistics

The import of women jerseys and similar products made of Casmir goat hair, during the period 2004 - 2005 is presented below.

Import of women jerseys and similar products, made of Casmir goat hair	2004		2005	
	Volume (tonnes)	Value (thou EUR)	Volume (tonnes)	Value (thou EUR)
Italy	34.579	2,843	34.914	3,170
China	0.077	2	1.018	30
Germany	0.050	0.2	0.650	2
Turkey	0.011	0.2	1.112	10
Others	0.032	6	0.489	41
Total	34.749	2,851	38.183	3,253

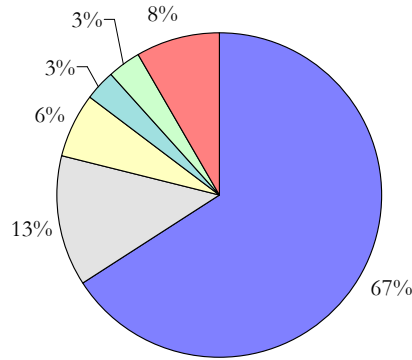
Source: National Institute of Statistics

The import of women jerseys and similar products made of other textile materials, during the period 2004 - 2005 is presented below.

Import of women jerseys and similar products, made of other textile materials	2004		2005	
	Volume (tonnes)	Value (thou EUR)	Volume (tonnes)	Value (thou EUR)
China	47.94	43	16.88	39
Italy	9.68	263	16.80	234
Turkey	4.66	25	15.42	102
Germany	2.11	7	2.17	6
France	2.41	25	1.61	11
Others	6.13	155	7.00	123
Total	72.93	518	59.88	515

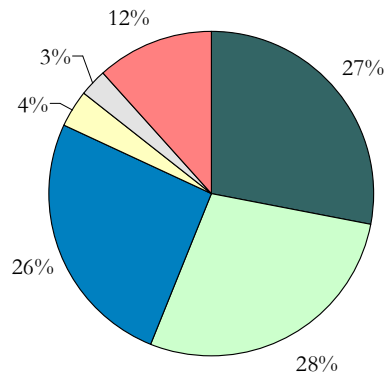
Source: National Institute of Statistics

**Import of women jerseys and similar products,
made of other textile materials in 2004**



Source: National Institute of Statistics

**Import of women jerseys and similar products,
made of other textile materials in 2005**



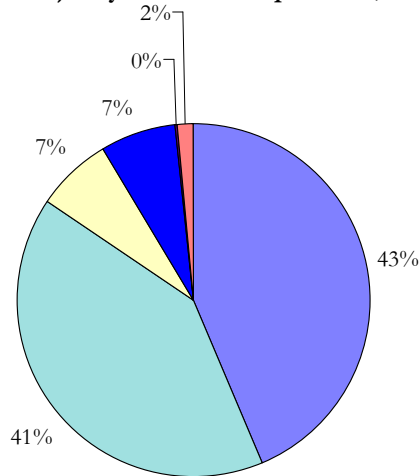
Source: National Institute of Statistics

According to the data provided by the National Statistics Institute, the main countries where Romanian knitwear is exported to are Hungary, Italy, France, Germany, Ireland. The export of women knitted jerseys and similar products, made of wool during the period 2004 - 2005 is presented below.

Export of women knitted jerseys and similar products, made of wool	2004		2005	
	Volume (tonnes)	Value (thou EUR)	Volume (tonnes)	Value (thou EUR)
Hungary	888	21,029	627	14,285
Italy	830	18,178	647	15,923
France	145	3,244	154	4,063
Germany	141	3,934	131	3,856
Ireland	2	9	8	47
Others	31	687	131	897
Total	2,037	47,081	1,698	39,071

Source: National Institute of Statistics

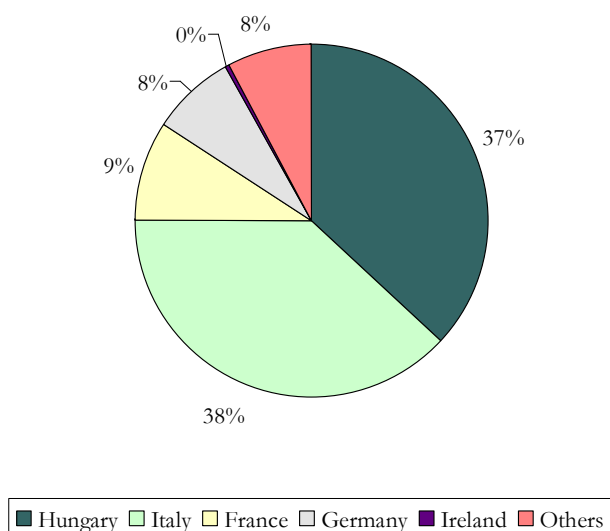
Export of women knitted jerseys and similar products, made of wool in 2003



■ Hungary ■ Italy ■ France ■ Germany ■ Ireland ■ Others

Source: National Institute of Statistics

Export of women knitted jerseys and similar products, made of wool in 2005



Source: National Institute of Statistics

The export of women jerseys and similar products made of Casmir goat hair, during the period 2004 - 2005 is presented below.

Export of women jerseys and similar products, made of Casmir goat hair	2004		2005	
	Volume (tonnes)	Value (thou EUR)	Volume (tonnes)	Value (thou EUR)
Italy	43.791	3,753.736	63.302	5,879.373
Hungary	1.253	19.539	0	0
France	0	0	2.728	26.050
Germany	0	0	2.013	15.998
Total	45.044	3,773.275	68.043	5,921.421

Source: National Institute of Statistics