

# SERBIA TEXTILE INDUSTRY

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Competitive Manufacturing & Tradition

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# ABOUT SERBIA

## 1

A PERFECT PLACE FOR ALL TYPES OF MANUFACTURING

Serbia is located in the central part of the Balkan Peninsula, occupying an area of 88,407 square kilometers. The length of Serbia's border is 2,364.40 kilometers (land border 1,570 km, river border 751.1 km and lake border 43.3 km) which it shares with Bulgaria to the east, Romania to the northeast, Hungary to the north, Croatia and Bosnia-Herzegovina to the west, Montenegro to the southwest and Albania and Macedonia to the south.

Serbia is positioned on the most important route linking Europe and Asia and is often referred to as the cross-roads of Europe. International roads and railways passing down along its river valleys make up the shortest link between western and central Europe on one side, and the Middle East, Asia and Africa on the other. Corridor No. 10 is the shortest land route (highway) connecting western, central and eastern Europe with Greece, Turkey and the near east countries. It runs the full length of Serbia separating into two routes near the city of Nis - one route towards Thessaloniki while the other leads to Sofia and Istanbul.

Serbia's rivers belong to the basins of the Black, Adriatic and Aegean Seas where the Danube (water corridor VII) is a natural connection between the Middle East, central Europe and the developed countries of western Europe. The country is also linked to the Adriatic Sea and Montenegro via the Belgrade-Bar railway.

## 2

ON THE EU PATHWAY

EU accession is one of the top priorities of the Serbian Government. After the European Commission recommended Serbia to receive EU candidate status in October 2011, Serbia officially became an EU membership candidate on March 1st, 2012 and in late June 2013, EU leaders decided accession talks with Serbia should begin by January 2014. Based on the National Program for EU Integration, the country's regulatory framework is well underway to be fully harmonized with *Acquis Communautaire*. Regardless, once negotiation talks commence, it would take several years to fully adjust the system to EU regulations.

## 3

FAST FORWARD

Over the past several years, the Serbian economy has experienced growth due to strong foreign investment and continuous improvement of its business environment, even during the crisis and recession of 2009. In 2011, the economy grew by 1.6% (Source: National Bank of Serbia, [www.nbs.rs](http://www.nbs.rs)) and Serbia was the leader in CEE in attracting FDI with €2.2 billion of inbound investments.

This growth was interrupted in 2012 as a result of the recession in the Euro area, Serbia's main export partner, however, success in attracting FDI continued according to the Ernst & Young's attractiveness survey for 2013 (Source: [www.ey.com](http://www.ey.com)) and Serbia was one of the countries with the greatest capacity to attract large job-intensive projects, both in terms of number of projects and number of jobs created. The country attracted 78 projects in 2012, up by 16.4% year-on-year, creating 10,302 jobs, which placed Serbia in sixth place in Europe in FDI job creation. Serbian projects were among the most labor intensive in Europe, creating on average 132 per project. Nearly 90% of projects in Serbia came from European companies. Italian firms provided more than half of the new jobs, with German and Austrian companies also proving to be big investors, mostly in manufacturing of automotive components, machinery and equipment as some of the leading divisions.

It is estimated that increased net exports will further boost gross domestic product in the following years, largely due to the impending realization of agreed investments, notably in the automotive industry. The World Bank estimates that Serbia's economic growth in 2013 will exceed 2%.

Furthermore, even though public revenues declined, taxes did not increase until 2012 and real wages and contributions related to salaries were reduced. Specific actions were taken to strengthen fiscal responsibility and improve transparency of policies and administration. This remains a key priority for the future. Major reforms in the pension and social system are on the Government's agenda, whose aim is to increase incentives for employers and decrease taxation on wages. In 2013, the Government reduced the sales tax rate to 10% to further relieve businesses.



temperature is continental, with a gradual transition between the four seasons of the year



Central European Time zone (GMT + 1)



Major Cities: Belgrade: 1.6 million;  
Novi Sad: 0.34 million; Nis: 0.26 million



88,361 km<sup>2</sup>



7,186, 862<sup>1</sup> (excluding Kosovo-Metohija)



Serbian



RSD 113.13<sup>2</sup>



RSD 88.12<sup>3</sup>

**GDP  
2012**

€ 29,933 million<sup>4</sup>

**GDP pc  
2012**

€ 4,133.7<sup>5</sup>

**Real GDP growth  
2012**

-1.7 %<sup>6</sup>

**Annualized inflation  
rate (2012)**

12.2%<sup>7</sup>

**Unemployment  
rate 2012**

22.4 %<sup>8</sup>

**Trade**

**Exports (2012):** 8.8 billion EUR

**Imports (2012):** 14.8 billion EUR<sup>9</sup>

**Main export products**

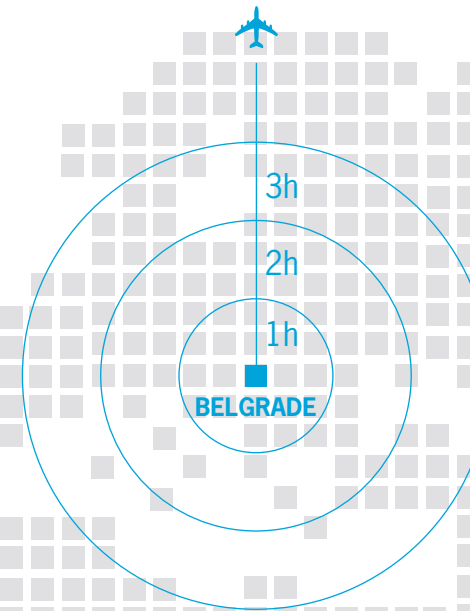
Cereals and cereal products, electrical machines and appliances, non-ferrous metals, road vehicles, fruits and vegetables. These five fields account for 30.7% of overall exports.

**Main import products:**

oil and oil derivatives, natural gas, road vehicles, electrical machines and appliances, medical and pharmaceutical products. These fields together account for 29.8% of overall imports.

**Major export partners** (listed by value in exports) **are:**

Germany (€1.0 billion, 11.6% of total exports), Italy (€933.2 million, 10.6% of total exports), Bosnia and Herzegovina (€842.6 million, 9.5% of total exports), Romania (€727.6 million, 8.2% of total exports) and the Russian Federation (€675.8 million, 7.6% of total exports). On the import side, top five major partners are: the Russian Federation (€1.6 billion, 10.9% of total imports), Germany (€1.6 billion, 10.9% of total imports), Italy (€1.4 billion, 9.7% of total imports), China (€1.1 billion, 7.3% of total imports), Hungary (€728.2 million, 4.9% of total imports)



<sup>1</sup> Statistical Office of the Republic of Serbia, Census of 2011

<sup>2</sup> National Bank of Serbia

<sup>3</sup> National Bank of Serbia

<sup>4</sup> Ministry of Finance and Economy

<sup>5</sup> Ministry of Finance and Economy

<sup>6</sup> National Bank of Serbia

<sup>7</sup> National Bank of Serbia

<sup>8</sup> Ministry of Finance and Economy

<sup>9</sup> Serbia Investment and Export Promotion Agency (SIEPA)

# TRADE UNLIMITED

SERBIA IS A MANUFACTURING HUB WHICH ENABLES DUTY-FREE EXPORTS TO MARKETS WITH A TOTAL OF ALMOST A BILLION PEOPLE

The free trade of textile products to EU was instituted in 2005.

Although Serbia has exported freely into the EU since 2001 under granted trade preferences, free trade was further instituted by the signing of the Stabilisation and Association Agreement with the EU in 2008. As a result of the Agreement, Serbia has also been gradually eliminating import customs duties for industrial and certain agricultural products from EU countries. All these duties will be completely removed by 2014.

Outside the Commonwealth of Independent States, Serbia is the only country with a Free Trade Agreement with Russia. Serbia has also signed free trade agreements with Belarus and Turkey.

In 2006, Serbia signed the first

exclusive Agreement on free trade in south-eastern Europe. CEFTA member states include Albania, Bosnia and Herzegovina, Macedonia, Moldova, Montenegro, Serbia and Kosovo.

Free Trade Agreement with member countries of the European Free Trade Association (Iceland, Lichtenstein, Norway and Switzerland) was signed in December 2009.

Moreover, the duty-free export regime with the United States applies to approximately 4,650 products, including mostly finished and semi-finished goods and select agricultural and primary industrial products.

In April 2011, the Euro-Mediterranean convention on preferential rules of origin was adopted by the Council of the European Union. The contracting

parties to the Convention were the EU, the Faroe Islands, EFTA states (Iceland, Lichtenstein, Norway and Switzerland), the participants of The Barcelona Process (Algeria, Egypt, Israel, Jordan, Lebanon, Morocco, PLO, Syria, Tunisia and Turkey) and participants of the EU Stabilization and Association Process (Albania, Bosnia and Herzegovina, Croatia, Macedonia, Montenegro, Serbia and Kosovo).

WTO compliance negotiations are in the final stage. Serbia is working hard to resolve technical details with a few countries (Brazil, Panama, Ukraine and the United States) and expects to join the WTO soon.

Existing FTAs all encompass textile products, enabling efficient access to various markets.

# FAVORABLE TAX SYSTEM

SERBIA'S TAX REGIME IS HIGHLY BENEFICIAL FOR DOING BUSINESS.

The corporate profit tax, which is paid at a uniform rate of 15%, is one of the lowest in Europe, while the VAT is among the most competitive in central and eastern Europe. The tax base is the taxable profit shown in the tax balance sheet.

Capital gains are recognized for the purpose of corporate income tax assessment and are generated by the sale or transfer of real-estate, rights related to industrial property, as well as shares, stocks, securities, and specific bonds.

Withholding tax is calculated and paid at a rate of 20% on various forms of

income (dividends, shares in profits, royalties, interest income, capital gains, lease payments for real-estate, and other assets) by non-residents.

To avoid unnecessary tax burdens, Serbia has double taxation treaties with more than 40 countries.

To encourage new investments, the Government also provides a range of tax breaks, exemptions and reductions of up to 40% of the investment amount in fixed assets.

Serbia has one of the most price-competitive industries in Europe with a respectable tradition and vast supply of skilled workforce.



# TEXTILE INDUSTRY IN SERBIA

## 1 SECTOR OVERVIEW

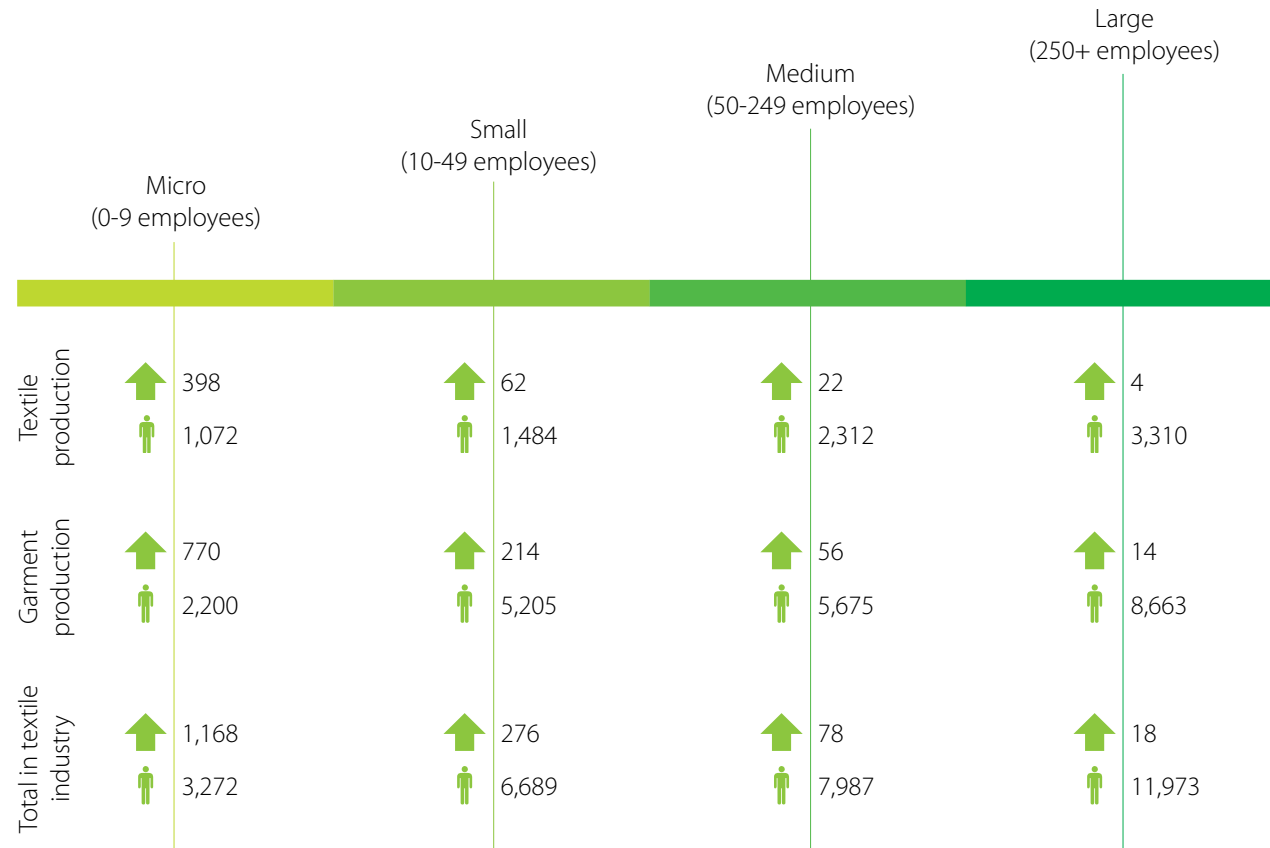
Textile and garment production has a long history and admirable tradition of fruitful collaboration with foreign partners. Before the disintegration of Yugoslavia, textiles were one of the leading exports, with annual industry export revenues of around US\$1 billion. Over 70% of the export revenues originated from the western European market. The majority of these textile companies were located on the territory of Serbia. During the eighties of the last century, Serbian companies produced garments for a wide range of US and western European companies. Production was mostly conducted on a cut-make-trim (CMT) basis; where the materials are imported and only labor is added before re-export. Over the last 10 years, the Serbian fashion industry has evolved from a domestic, manufacturing-based industry into a design-oriented sector operating in the global marketplace. Over 1,500 companies employing 30,000 personnel operate in the Serbian textile industry which includes garment, textile and leather production. This is nearly 2% of the total number of companies and 2.9% of the total number of employees in Serbia, or 8.7% of employees in the manufacturing sector. The companies in the textile and garment production generate 0.7% of Serbia's turnover.

Basic indicators of textile industry enterprises in Serbia (2010)

	Total	Manufacturing	Textile production	Garment production	Textile industry <sup>10</sup>
Enterprises					
	87,787	17,282	486	1,054	1,540
Employees					
	1,024,796	345,719	8,178	21,743	29,921
Turnover	6,303,515	1,880,400	15,734	32,822	48,556

<sup>10</sup> subtotal of textile production and garment production

### Number of enterprises and employees within textile industry enterprises classified by size (2010)



Serbia's strong tradition of textile manufacturing and exports yielded business-minded companies with highly skilled workforce. Companies have proven they have experience in maintaining customer relations and meeting customer requirements according to international standards. This was substantiated by the stable number of employees within the industry during the period 2010-2012, following the initial contraction in 2010 which resulted from the global economic downturn.

### Number of employees in textile industry in the period 2009-2011



Source: Statistical Office of the Republic of Serbia

The textile industry in Serbia boasts a highly qualified labor force on account of on its educational system, including both high-school and university levels. Tailors and technicians are educated in specialized high schools evenly spread throughout the country. Higher levels of education at specialized university departments offer post-graduate education in related fields. Design experts are educated in numerous secondary schools, colleges, and universities.

### Educational programs for garment are organized at:

- Faculty of Technology, Leskovac  
[www.tf.ni.ac.rs](http://www.tf.ni.ac.rs)
- Faculty of Applied Arts, Belgrade  
[www.fpu.edu.rs](http://www.fpu.edu.rs)
- Technical Faculty "Mihajlo Pupin", Zrenjanin  
[www.tfzr.uns.ac.rs](http://www.tfzr.uns.ac.rs)
- The College of Textile – Design, Technology and Management, Belgrade  
[www.vtts.edu.rs](http://www.vtts.edu.rs)
- High Vocational Textile Technical School, Leskovac  
[www.vsstle.edu.rs](http://www.vsstle.edu.rs)
- Vocational Technical School Zrenjanin  
[www.tehnickazr.edu.rs](http://www.tehnickazr.edu.rs)
- Vocational Technical School, Arilje  
[www.ahilije.znanje.info](http://www.ahilije.znanje.info)
- Vocational School for Textile Design, Belgrade  
[www.skolazadizajntekstila.edu.rs](http://www.skolazadizajntekstila.edu.rs)
- Vocational School, Sombor  
[www.ss-svetisava.edu.rs](http://www.ss-svetisava.edu.rs)
- Vocational Textile and Leather School, Ruma  
[www.sssbr.edu.rs](http://www.sssbr.edu.rs)
- Vocational Textile, Technical and Agricultural School, Smederevo  
[www.despot.edu.rs](http://www.despot.edu.rs)
- Vocational Technical School, Prijepolje  
[www.tsprijepolje.edu.rs](http://www.tsprijepolje.edu.rs)
- Accademia del Lusso School of Fashion, Belgrade  
[www.accademiadellusso.com](http://www.accademiadellusso.com)

# 2 EXTERNAL TRADE

THE TEXTILE INDUSTRY IS AN IMPORTANT ECONOMIC SECTOR IN SERBIA, EXPORT-ORIENTED, AND LABOR INTENSIVE WITH TRADITION ON THE EUROPEAN AND GLOBAL MARKETS. EXPORTS REACH US\$660 MILLION, 70% ABSORBED BY THE EU MARKET.

Export and import of Serbian textile industry in 2012 (in million US\$)

	Export			Import			Balance
	Jan - Dec 2011	Jan - Dec 2012	Index	Jan - Dec 2011	Jan - Dec 2012	Index	Jan - Dec 2012
Manufacturing	10,904.5	10,526.8	97	16,274.1	15,397,1	95	- 4,870.3
Textile production	370.7	411.2	111	651.1	607,9	93	- 196.7
Garment production	256.1	251.6	98	261.6	257,8	99	- 6.2
<b>Total for textile industry</b>	<b>626.8</b>	<b>662.8</b>	<b>106</b>	<b>912.7</b>	<b>865,7</b>	<b>95</b>	<b>- 202.9</b>

Source: Chamber of Commerce and Industry of Serbia

In 2012, exports from the Serbian textile industry were valued at US\$662.8 or 6% of total manufacturing exports. It increased by 6% compared to the same period in 2011. The textile production generated US\$411.2 million and the garment industry generated US\$251.6 million in export in 2012. The most dominant export products from the textile industry are: hosiery, leggings, bras, cotton vests, polyethylene bags and sacks, gimped yarns, tarpaulins, woven roofs, tents, sails, camping goods, shorts from synthetic fibers, rubberized fabric, women's sweaters, women's dresses from synthetic fibers, men's cotton shirts, men's trousers, knit shirts, men's sweaters and pullovers, men's jackets and blazers.

Major export markets, Italy and Germany, absorb more than 50% (51.7%) for an annual value of nearly US\$350 million in exports in the last three consecutive years (2010-2012). These figures demonstrate consistent cooperation and client satisfaction. Other key export markets including Belgium, Bosnia and Herzegovina, Croatia, France, Montenegro, Romania, Russia, and Slovenia contribute to another 35.4% share of Serbian exports. Significant growth can be noted in exports to the Slovenian market with a 270% growth over the same three year period, while Romanian and Russian markets indicated a growth of 120%. As a whole, in 2012, the Serbian textile industry imported about US\$866

million in textile goods, which is 5% lower than the import of the same items in 2011. The textile industry contributed to 5.6% of total imports for the purpose of production. Textile production imported US\$607.9 million, which is 7% less than in 2011. At the same time, the garment production imported goods in the amount of US\$257.8 million, 1% less than in 2011. Main import products from the textile industry are: hosiery made from synthetic fibers, single yarn, dyed cotton materials, cotton undershirts, gimped yarn, nylon textured yarn, quilts, impregnated fabric, polyurethane fabric, bras and parts for bras, knitted fabric, denim fabric, women's sweaters, women's

jackets, men's jackets, women's cotton trousers, men's cotton trousers, men's cotton shirts, etc.

The most significant imports originate from Italy (23.0%, US\$199 million), China (18.9%, US\$163 million), Turkey (13%, US\$113 million) and Germany (8%, US\$69 million).

The leading import countries mainly provide materials such as:

- clothes, integral parts of textile products, ribbons and leather (Italy),
- clothes, bags, different kinds of fabrics, yarns and fiber (China),
- yarns, fibers and fabrics (Turkey),
- yarns and fabrics (Germany).

Other imports are distributed among a greater number of importing countries with a maximum percentage of 3.3%, individually. Some leading import countries from this group are Romania, Bangladesh, India, Slovenia, Belgium and the UK (2012).

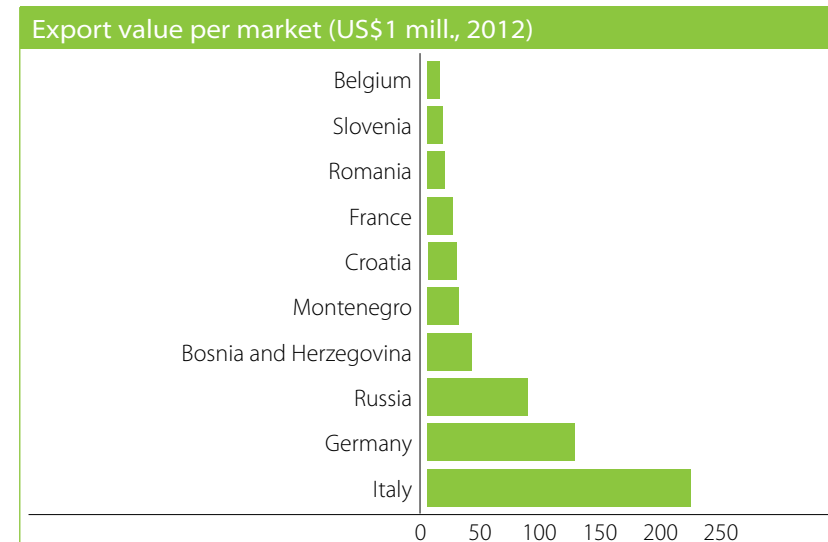
More than 60% of the textile industry imports arrived from EU member states, mostly covering various types of yarns and fabrics.

The foreign trade exchange within the textile industry has had a constant growth starting from 2005, ever since the free trade agreement was signed between the EU and the Republic of Serbia.

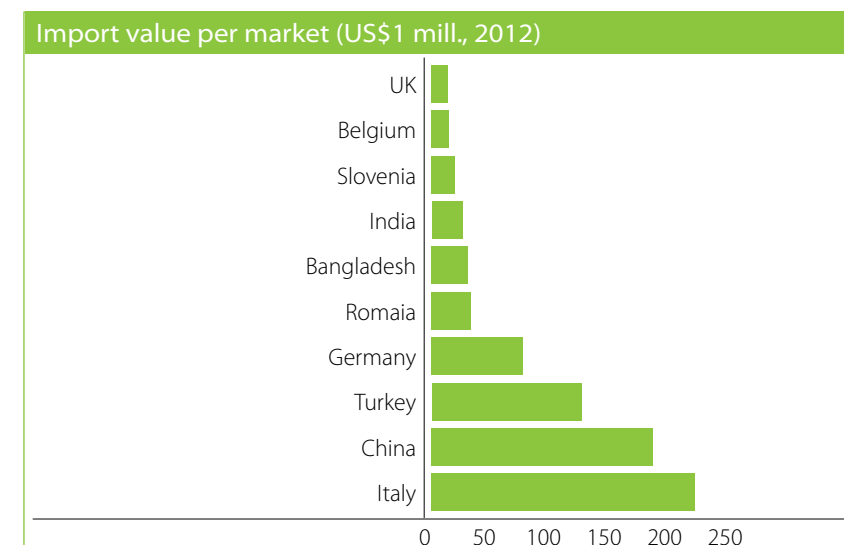
Nevertheless, the foreign trade balance of textile products still remains negative as it amounted to US\$202.9 million in 2012.

Exports covered only 76.6% of imports. This was mainly a result of a large scale of imports in goods such as yarns and fabrics, while 90% of raw materials from the textile industry were imported.

On the other hand, when considering clothing items, the foreign trade balance is positive. In 2012, the surplus was made by producers of clothing, underwear and hosiery indicating that the textile industry is ahead of the primary industry.



Source: Chamber of Commerce and Industry of Serbia



Source: Chamber of Commerce and Industry of Serbia



# 3

KEY  
COMPETENCES

TRADITIONALLY, SERBIAN COMPANIES PROVIDE QUALITY CM AND CMT SERVICES AND HAVE DEVELOPED THEIR OWN BRANDS WHICH HAVE A STRONG PRESENCE ON THE REGIONAL MARKETS.

Traditionally, Serbian companies provide the following types of products and services:

- quality CM and CMT services provided by Serbian companies is well known internationally, confirmed by the presence of renown global brands (Pompea Spa, Italy; Dolce&Gabbana, Italy; Patricia Pepe, Italy; Schiesser, Germany; Schoffel, Germany; EK Denim, Slovenia; Glitz, USA; Lisca, Slovenia; Modea Nova, Croatia; GST sri, Italy; Tex Zeta, Italy; Fipko trade, Macedonia; Dimitri, Greece; Nasta Kids, Belorussia; Toprey, Turkey; Country Line, Germany; Habitex, Belgium; Brothers and friends, Germany; Leon Street Design, Germany); CMT (cut-make-trim) or CM (cut-make) are typically mode of cooperation where a manufacturer produces garments for a customer by cutting fabric provided by the customer and sewing the cut fabric into garments following customer specifications, while not being involved in the actual design.
- Original Equipment Manufacturer (OEM) services are provided to a

lesser degree than CM and CMT services, however, there is a potential interest from Serbian companies to extend their services toward OEM (Concordia, Belgium, Bikkembergs, Belgium; Decathlon, France; Click Fashion, Poland; Benetton, Italy; Armani, Italy; HIS, Germany; Pionir, Germany; Karolina vanity, Germany; Atair, Germany; Nikolis, Greece; Fipko trade, Macedonia; Garesnica, Croatia; Ivancica, Croatia; Labod, Slovenia; Olala, Slovenia; Velana, Slovenia; Trinity Yoga Wear, Netherlands; Exit, Poland; Euro-style, Russia; Mango, Russia; Penti, Turkey; Metro, Europe); OEM-related cooperation with foreign partners, which typically consists of manufacturing according to customer design and specifications, in many cases, also includes the use of raw materials also specified by the customer.

- Brands – majority of Serbian brands are perceived as brands of good quality available at competitive prices. Traditionally, Serbian brands have had a strong presence on the regional markets, while leaders in this sector have a stronger international

presence including the EU, USA, post-Soviet states, Turkey and other markets.

Existing Serbian brands are the following: AMC, Exterra, Bisa, Azzaro, Guiseppa Leva, Legend World Wide, Infinito, Moda Futura, Ivko, Jagger, Extreme Intimo, Extreme Collection, Line X, Girl X, Boz X, Jasnil, Kooi-knit, Leonardo, Luna, Exit, Maxers, Mona, Nicola's, Passage, Stig, Sonka, Slonk, TFY Production, TFY Jr, TFY, Todor, Intima, VR Couture, Zekstra, P...S...Fashion, Martini Vesto, St George, Evolution, Beba Kids, Ramax, Bros, ClassX, BRUG, DenisStar, Big Boys, Nesal, Exact Jeans, Bennelli Jeans, Casaba, Amibo, Astra Socks, Elipsa, Bramy, Gloster, Kassker, Modus, Taboo, Valentino, Endi Knit, Moda trikotaza, Onicelli, G.O.P, Conto Bene Exelit, Allegra, Balasevic, Fratelli, Kodzic.

In addition to the above mentioned brands, there are also a large number of small companies which produce their own collections. They primarily sell their products to the local, i.e. Serbian market, as they are not export-oriented.

## SERBIAN TEXTILE INDUSTRY HAS THE STRONGEST CAPACITY IN:

- primary textiles and cotton fabrics
- men, women and kids clothing
- cotton sportswear
- knitwear
- hosiery
- underwear
- home and technical textiles
- leather processing and leather clothing

# GEOGRAPHICAL OF TEXTILE AND PRODUCTION IN

# DIVISION GARMENT SERBIA

## CAPACITIES FOR TEXTILE AND GARMENT PRODUCTION EXIST IN ALL PARTS OF SERBIA

SERBIAN TEXTILE COMPANIES ARE CAPABLE OF OFFERING CM OR CMT SERVICES AS WELL AS THE OEM BUSINESS MODEL OF COOPERATION. THEY PRODUCE DIFFERENT PRODUCTS: BLOUSES – CHEMISE; TROUSERS – SKIRTS; DRESSES; SUITS – BLAZERS; COATS – JACKETS; JEANS – CASUAL WEAR; SPORTSWEAR; T-SHIRTS, SWEATSHIRTS; KNITWEAR; SOCKS; UNDERWEAR; WORK WEAR. THEY POSSESS THE EQUIPMENT FOR PROCESSES SUCH AS: CUTTING, SEWING, PRESSING, SPECIAL FINISHING, WASHING, DYEING, PRINTING, EMBROIDERY, KNITTING AND HOSIERY PRODUCTION.

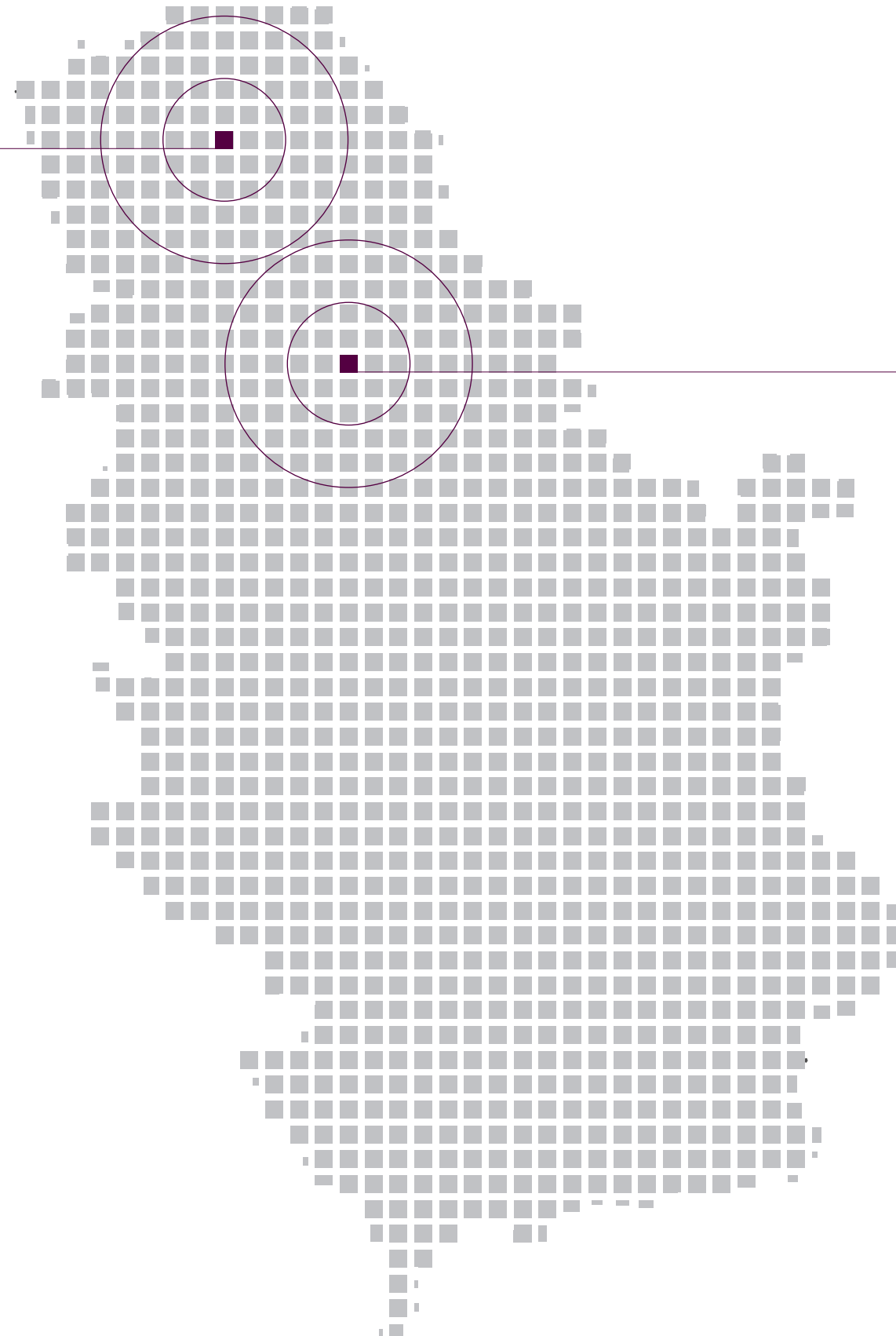
CAPACITY FOR GOOD TEXTILE AND GARMENT PRODUCTION CAN BE FOUND IN ALL PARTS OF SERBIA, HOWEVER, THE INDUSTRY HAS SEVERAL KEY CENTERS. TEXTILE SUB-SECTOR HUBS WITH A HIGH CONCENTRATION OF SPECIALIZED MANUFACTURERS ARE LOCATED IN NORTHERN SERBIA, ADA MUNICIPALITY; CENTRAL SERBIA, ARILJE MUNICIPALITY AREA AND SOUTHWEST SERBIA, NOVI PAZAR MUNICIPALITY.

## NORTHERN PART OF SERBIA

### KNITWEAR MANUFACTURERS

The Ada Municipality is situated in the northern part of Serbia (Autonomous Province of Vojvodina) close to the Hungarian border. On the territory of the Ada Municipality there are a significant number of enterprises from the agriculture, metal and textile industry (mostly knitwear). The garment producers from this area are generally small and medium-sized, family-owned businesses focusing on knitwear production.

Useful links: [www.ada.org.rs](http://www.ada.org.rs) - Municipality of Ada



## CENTRAL PART OF SERBIA

### LIGHT AND READY-MADE CLOTHING ITEMS SYNTHETIC YARNS KNITTED UNDERWEAR WORK WEAR

### COTTON YARNS AND FABRIC PRODUCERS/ SPORTS COTTON WEAR ITEMS

The larger producers of light and ready-made clothing are situated in the central part of Serbia. Belgrade boasts many significant private textile and garment companies. These companies enable greater flexibility in operations and quick adaptation to current fashion trends.

Useful links: [www.clusterfacts.org.rs](http://www.clusterfacts.org.rs) - Fashion Apparel Cluster in Serbia 'FACTS'  
[www.lzoteks.rs](http://www.lzoteks.rs) - Cluster of Textile Producers (producers of work-wear)

## WESTERN PART OF SERBIA

### JERSEY KNITWEAR

**Arilje** is a town located in the western part of Serbia; in the Zlatibor District. In 2002, the town's population was 6,733, while the municipality had a total 19,784 citizens. Arilje is famous for their large raspberry plantations where many locals are employed. In addition to the agricultural sector, approximately 100 companies operate within the apparel sector, particularly in the production of underwear, T-shirts and sweat shirts.

Useful links: [www.arilje.eu](http://www.arilje.eu) - Entrepreneurs Association of Arilje

## SOUTHERN PART OF SERBIA

### JEANS WEAR KNITTED UNDERWEAR COTTON AND SYNTHETIC YARNS

Southern Serbia is also known for its cotton and synthetic yarns manufacturers. There are two large public enterprises surviving on lohnveredelung (CM/CMT) businesses as well as on public procurement contracts with Prvi maj and Yumco, both from southern Serbia. Also, one large enterprise (Niteks) has been purchased by Benetton.

Useful links: [www.astex.rs](http://www.astex.rs) - Association of textile producers (predominantly jeans wear producers)  
[www.nistextil.com](http://www.nistextil.com) - Textile Cluster of Nisava District  
[www.startupclusternis.co.rs](http://www.startupclusternis.co.rs) - Textile Startup Cluster

**Novi Pazar** area leading in jeans and sportswear manufacturers, is situated in the southern part of Serbia. With production capacities of about 19 million meters per year, the textile industry is now the main industry in Novi Pazar. Approximately 40 percent of production in Novi Pazar is for export purposes. The main export markets are Bosnia and Herzegovina, Croatia, and Montenegro. The large firms have their own brands but also manufacture for international companies.

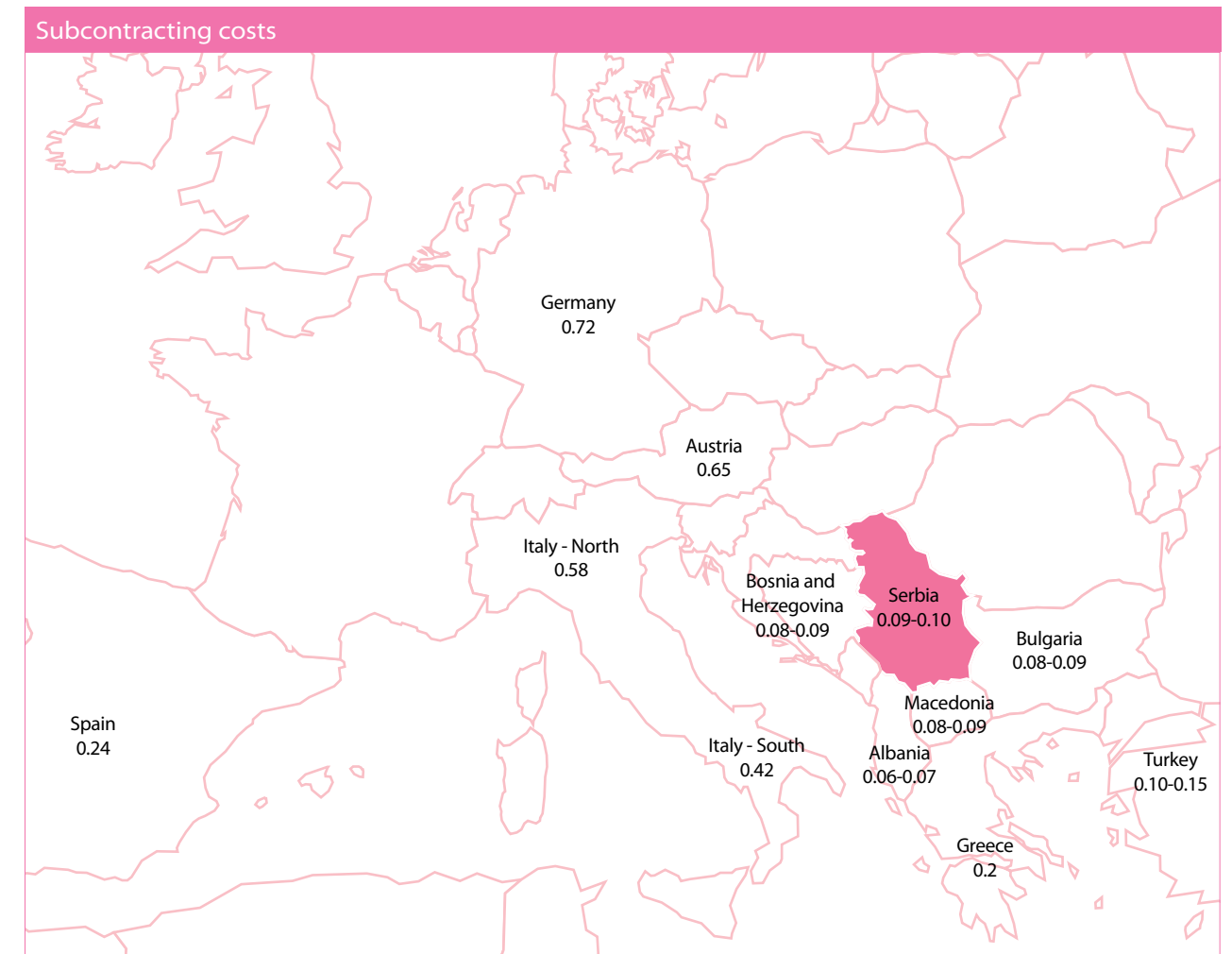
# KEY STRENGTHS

## WHY SERBIA:

- VALUE FOR MONEY - COMPETITIVE COST FOR HIGH QUALITY PRODUCTS AND SERVICES
- SHORT DELIVERY TIMES AND FLEXIBILITY IN MINIMUM ORDER QUANTITIES
- TRANSPORT ADVANTAGES DUE TO CLOSE PROXIMITY WITH EU MARKET AND SUPPLIERS
- FLEXIBLE, RELIABLE AND QUICK DELIVERY TAILORED TO CUSTOMER NEEDS
- BUSINESS OPPORTUNITIES IN YARN, FABRIC, AND READY-MADE GARMENT PRODUCTION
- GOOD GEOGRAPHIC LOCATION AND FAVORABLE ECONOMIC SITUATION
- FAVORABLE TRADE AGREEMENTS WITH EU, RUSSIA, USA, CEFTA
- SOLID CONDITIONS FOR COMPLETE BUSINESS OPERATIONS/COMMISSION PROCESSING
- LONG TRADITION IN PROVIDING SERVICES TO GLOBAL INDUSTRY LEADERS

## THE SUBCONTRACTING COSTS IN SERBIA ARE AMONG THE LOWEST IN EUROPE

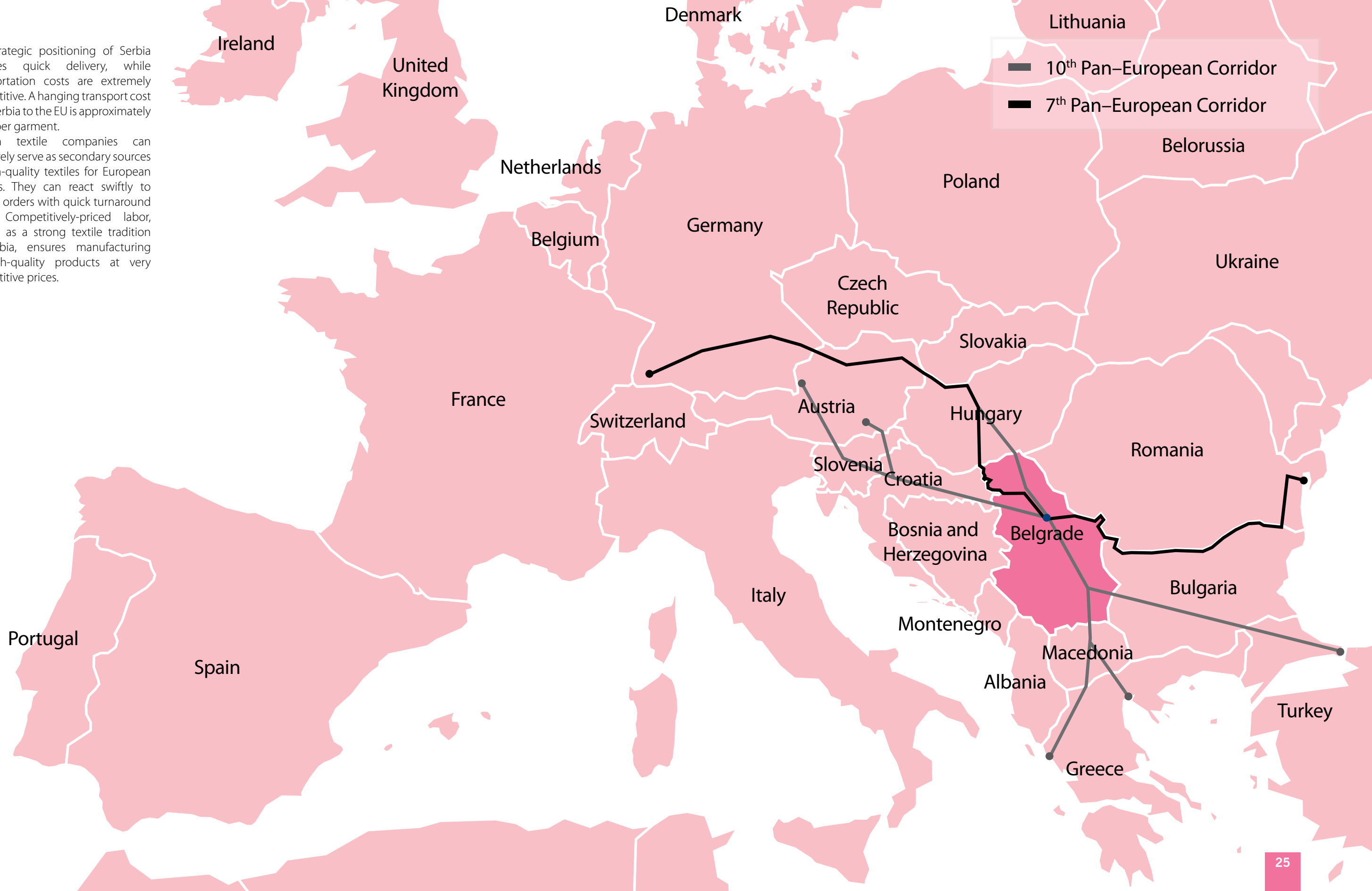
Garment production in Serbia has relatively low subcontracting costs of 0.09 – 0.10 EUR/minute, with even lower rates in southern Serbia of €0.07 – 0.08 per minute.



Source: Weis Consulting Assoc. GmbH

The strategic positioning of Serbia provides quick delivery, while transportation costs are extremely competitive. A hanging transport cost from Serbia to the EU is approximately €0.23 per garment.

Serbian textile companies can effectively serve as secondary sources of high-quality textiles for European retailers. They can react swiftly to smaller orders with quick turnaround times. Competitively-priced labor, as well as a strong textile tradition in Serbia, ensures manufacturing of high-quality products at very competitive prices.



## BUSINESS AND INVESTMENT OPPORTUNITIES

### TEXTILE INDUSTRY IN SERBIA PROVIDES NUMEROUS BUSINESS OPPORTUNITIES, PRIMARILY IN YARN, FABRIC AND READY-MADE GARMENT PRODUCTION.

There are significant capacities in production of certain raw materials and other integral parts for textile production such as:

- leather
- cotton fabrics, different types of yarns, fiber and fabrics
- integral parts of textile products (labels, shoulder pads, other)

On the other hand, insufficient capacities in the production of yarns, fibers and different types of fabrics is compensated with imports from China, India, Italy, Spain, Turkey and Slovenia.

Due to the complexity and variety of materials and other parts integrated into textile products, a number of products which belong under the category of integral parts of textile products are also imported from China, Germany, Italy and Romania.

The fact that the textile industry is highly dependent on imported materials creates extensive opportunities for investment in this field. In order for Serbian textile producers to benefit from the existing agreement with the EU, it is required that all raw materials used in the production of textiles and garments are of either Serbian or EU origin. Since importing raw materials

from the EU raises the price of the final product, it would be significantly more cost-efficient for the raw materials to be of Serbian origin. Any investment which would be made into the production of domestic raw materials would have a quick return, as any raw materials produced locally would almost guarantee the sale of these items.

Many business opportunities can be found in the production of ready-made garment.

The industry has large capacity for CMT with quality and delivery times which can appease even the most demanding clients. Serbia has traditionally cooperated with many foreign partners and has been one of the leading garment manufacturers for luxury brands. Fashion industries of France, Germany and Italy intensively used production capacities in the country together with highly qualified and low-priced labor. Clients have included Gucci, Hugo Boss, Valentino, Dolce&Gabbana, Benetton, Tommy Hilfiger and many more.

Moreover, Serbian companies' competitive advantages include design, full-package and private label capabilities, as well as the ability to offer collections to customers, with reliable and high-quality production. Compared to other countries in the region, Serbia is well known for large number of domestic companies which have their own brands. These companies are able to set-up an OEM model of cooperation with foreign companies which includes taking responsibility for material sourcing, logistical coordination and can provide all the production services such as finishing and packaging for final delivery to retailers. Those Serbian companies which have developed

their own brands are quite interested in the OEM model of cooperation, in particular with those markets where they do not sell their own products. The great offer of the OEM model is the competitive advantage of Serbian garment production in comparison with other countries from the region.

### MORE THAN 25 INVESTORS HAVE ALREADY TAKEN ADVANTAGE OF THE OPPORTUNITY TO INVEST IN SERBIA'S TEXTILE INDUSTRY.

In terms of the number of investment projects and jobs created, the textile industry ranks quite high on the list of sector attractiveness. Companies such as Benetton, Calzedonia, Golden Lady, Pompea and many more are extensively using their production facilities as secondary manufacturing sites for the production of high-quality garments.

The largest foreign direct investment, when it comes to textiles, was recorded in hosiery production, primarily due to the status of the Most-Favored-Nation, granted to Serbia by the US in 2004/2005. As a result, tariff rates for hosiery made in Serbia are lower than tariff rates for EU hosiery towards the US market. It is for this reason, that Italian hosiery firms such as Golden Lady and Calzedonia as well as Germany's Falke, are produced in Serbia today.

# SERBIAN APPAREL

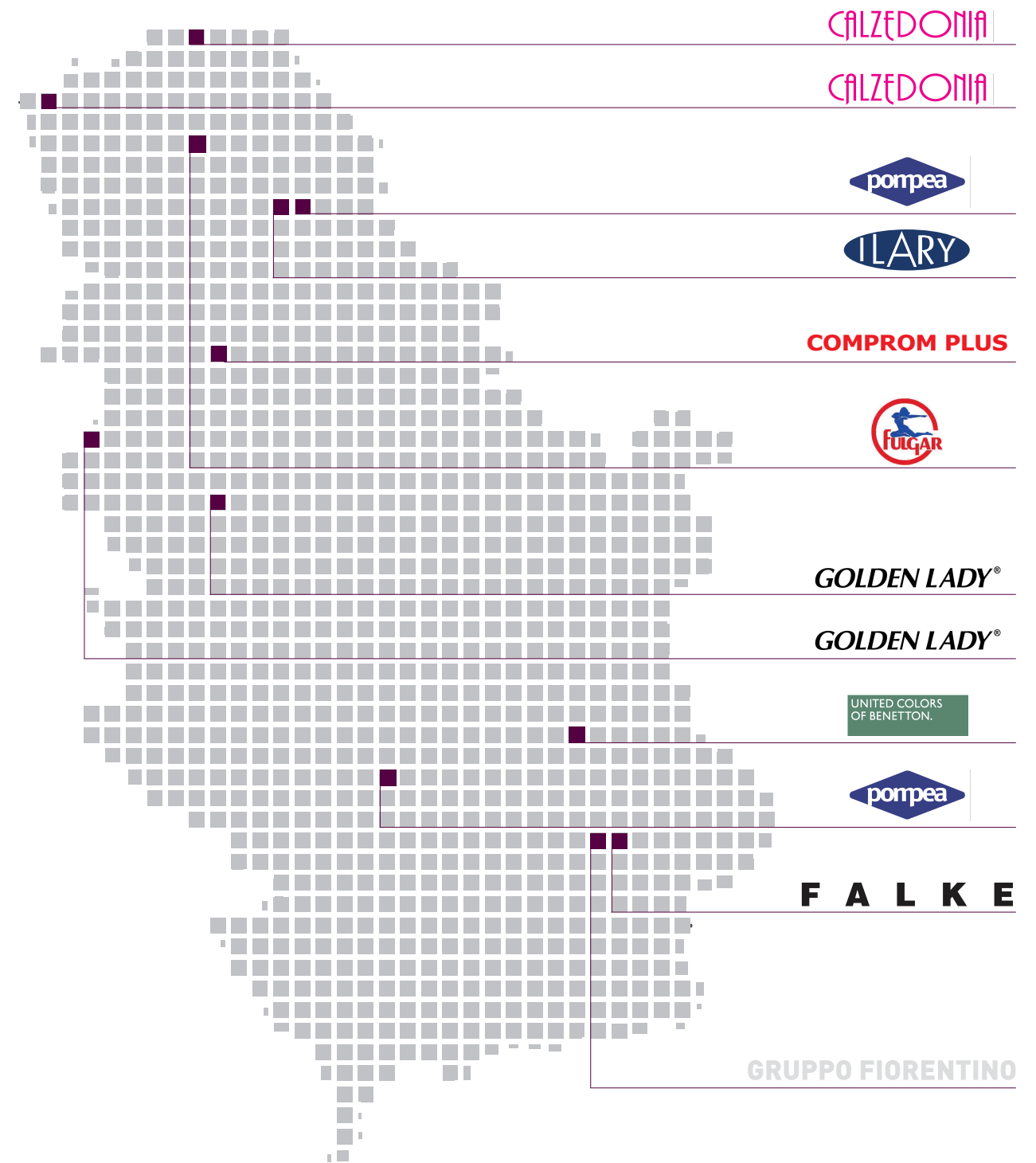
COMPETITIVE MANUFACTURING & TRADITION

For more information about Serbian manufacturers, fashion labels and designers please search our **DATABASE**



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# CLOTHING AND TEXTILE INDUSTRY FDI







# SERBIA INVESTMENT AND EXPORT PROMOTION AGENCY

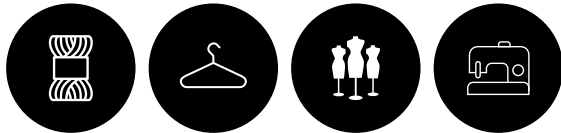
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Serbia Investment and Export Promotion Agency (SIEPA) was established more than a decade ago and entrusted with the mission to support foreign companies seeking to set up or expand their presence in Serbia and Serbian companies doing business abroad. Today, a staff of nearly 50 multilingual employees handles projects from and to all over the world. We provide professional services to companies interested in setting up business operations in Serbia, focusing on all relevant issues in their decision making process. Our staff is ready to offer

information on the general investment environment, as well as targeted legal and industry-specific advisory services. Our network of contacts provides links to all levels of government, as well as private service providers. By administering the financial incentives program offered by the government, we have supported opening of more than 40 thousand new jobs since the launch of the program in 2006. At the same time, we have technically and financially supported thousands of Serbian companies in increasing their

competitiveness at global markets. SIEPA's work is widely recognized, with World Bank's MIGA ranking SIEPA among the top five IPAs of developing and countries in transition topping the list of our international acknowledgements. The list of our clients includes Fiat, Benetton, Panasonic, Bosch and many other global and regional industry leaders. We invite you to contact our expert staff which is ready to assist you in developing your business in Serbia. Working with us is simple, easy, and still costs nothing.

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Competitive Manufacturing & Tradition



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