

TEXTILES AND WEARING APPAREL SECTOR IN LITHUANIA

Baltic States are one of the most rapidly growing regions in terms of consumption with textile and apparel industry being one of the most important industries:

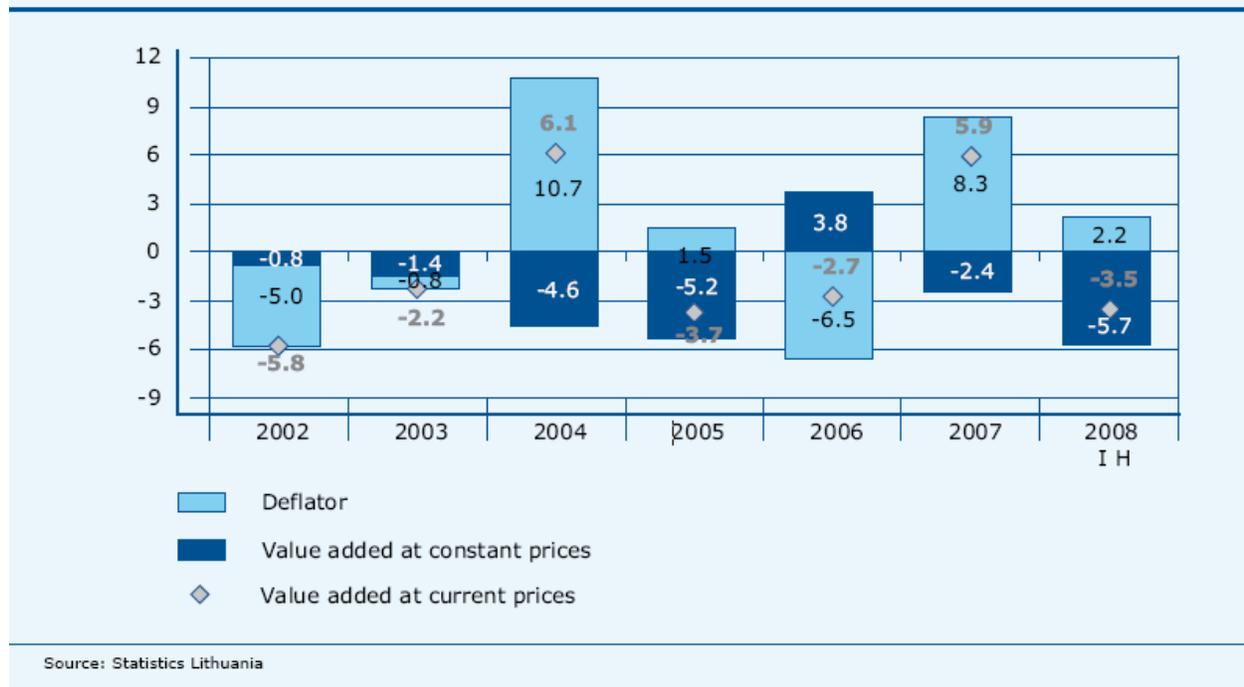
- One of the few regions in EU with the growing clothing production industry sector during the period 2000- 2007: growth by 50,0% in Latvia, 24,7% in Lithuania and 22,2% in Estonia
- One of the few regions in EU with the stable situation in textile production industry sector during the period 2000- 2007 (reduction by 0,7 %)
- Very fast growing internal market and purchasing power during 2000 – 2007: retail sales in Textiles, Clothing, Footwear and Leather goods during the above mentioned period have increased by 382,5% in Estonia, 399,2% in Latvia and 476,6% in Estonia.

Lithuanian textile and apparel industry's strengths are of in terms of high quality of production, flexibility of manufacture, favorable geographical location.

This sector, also called the *light industry*, covers the manufacture of textiles, dressmaking as well as leather and footwear industry. Rising labour costs make it increasingly harder for companies operating in the industry to compete with cheap products from Asia. In 2002–2007, the sector's growth has been declining except for a single year (2006). Last year, value added at constant prices generated by the industry fell by 2.4% from the previous year and went down by 5.7% in the first half of this year (see Diagram 1).

Diagram 1.

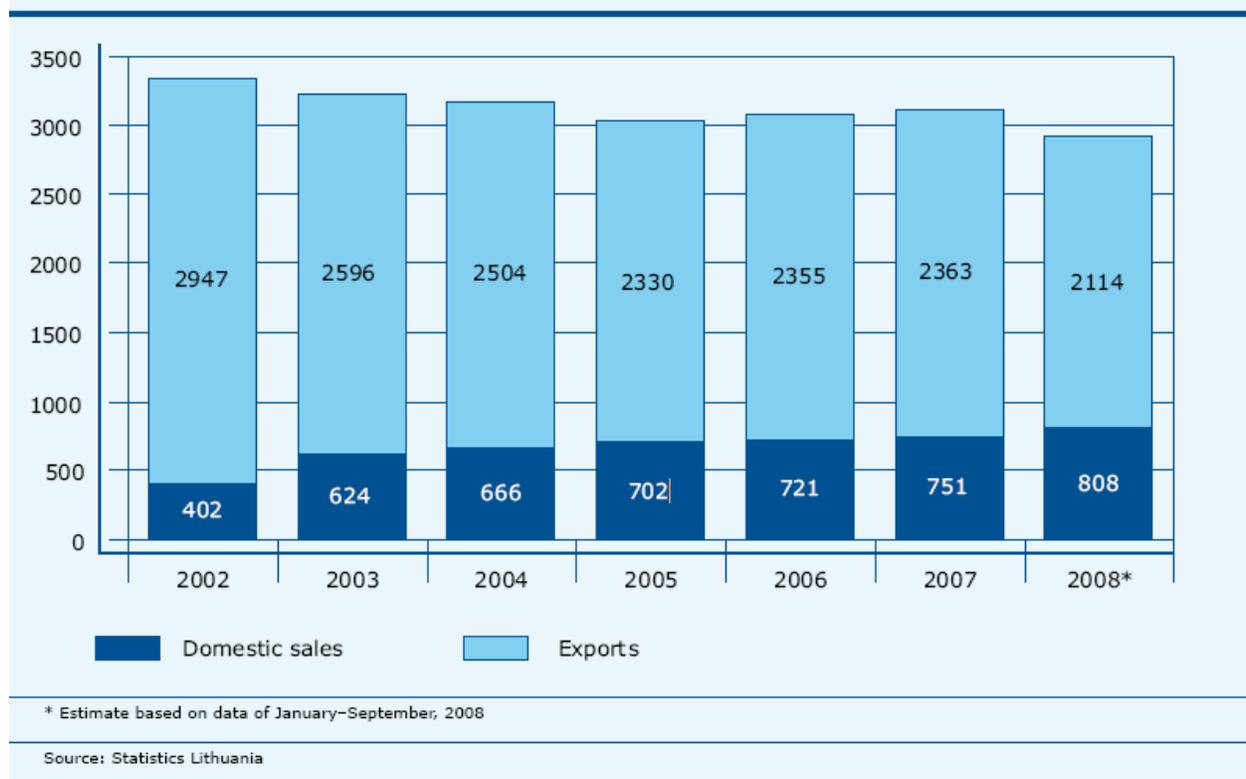
Value added created by manufacture of textiles, annual change, %



As a result of higher product prices, the aggregate turnover of companies operating in the sector increased in 2007 but then fell again year-on-year in the period from January to September 2008 (see Diagram 2). Last year, the volume of exports remained virtually the same and fell by 10.5% this year. Meanwhile, domestic sales gained positive momentum and rose by about 10% year-on-year in the first nine months of this year (see Diagram 2). Last year, the share of exports in turnover shrank by a fraction, and preliminary estimates indicate that the share will contract by 4 percentage points in 2008 to 72.5%.

Although it is encouraging to see that apparel and textile companies are taking advantage of the opportunities in the local market, domestic consumption is limited and will not increase in the coming years as the country is moving towards recession. The overall indicators will continue to depend on sales abroad, where they are set to decline beyond any doubt as the increasing number of companies are losing the competitive battle with Asian manufacturers. Therefore, the light industry is the only MI sector reviewed in this publication which generated less value added at the then prices in 2007 compared to 2001, when the maximum was reached. By comparison, the indicator of the entire manufacturing industry almost doubled in that period.

Diagram 2.
Sales of apparel and textiles, LTL Mio



The sector's share in the structure of MI's value added has declined continuously since 1999, when it was above 20% and close to the relative weight of food industry, the largest sector. In the first half of this year, this share stood at a mere 8.3%. And although the number of textile and sewing companies that are expanding their activities is still high in the country, it does not seem that the "bottom" has been reached yet as the importance of the light industry is likely to decline in the coming years. The sector has also lost its position as the largest employer. For several consecutive years, the relative number of workers has been declining and stood at 38,000 in the first half of 2008, down 1.7 times from 2002. It is

an ominous sign considering that unemployment is becoming a serious macroeconomic problem. The government should pay more attention to this industry which has long traditions and some scientific potential in the country. The light industry in Lithuania has not lost its opportunity to become a production sector of higher value added. If these opportunities are not taken advantage of, this will affect our foreign trade balance in the long run as textiles remain to be one of few product groups with a positive trade balance.

Unfortunately, recent investment and profit indicators of the sector do not infuse any optimism (see Table 1). In 2006, investments in fixed assets increased slightly but fell by 40% last year. In the first half of this year, they nearly halved compared to a year ago and stood at just 3% of generated value added. Pre-tax profits of last year were cut by half compared to 2006 and profitability was below 2% and even entered a negative territory in the first half of this year. Although investments by light industry companies were relative lower compared to the whole manufacturing industry in the last few years, total financial liabilities of companies have grown rather strongly. As a result, the debt ratio is now close to the MI's indicator and rose to 0.52 in the middle of this year.

Table 1.

Key statistical indicators of textiles manufacture							
	2006	2007	2007 I H	2008 I H	Ratio to the manufactur- ing indicator, %	Annual growth rate, %	
					2007	2007	2008 I H
Value added (at constant prices), LTL Mio	1563	1526	754	711	10.1	-2.4	-5.7
Value added (at current prices), LTL Mio	1526	1616	800	772	9.7	5.9	-3.5
Total production, LTL Mio	3076	3114	1557	1489	7.0	1.2	-4.4
Exports, LTL Mio	2355	2363	1210	1100	9.5	0.3	-9.1
Labour productivity, LTL thou*	35.4	42.5	19.8	23.3	55.6	20.0	17.3
Number of persons employed, thou	43.1	38.0	40.3	33.2	17.4	-11.7	-17.7
Average monthly earnings, LTL	1131	1345	1270	1503	74.2	18.9	18.3
Fixed investments, LTL Mio	162	98	43	22	3.1	-39.6	-48.6
Foreign direct investments (end of period), LTL Mio	434	451	477	436	3.6	3.9	-8.6
Sales of goods and services, LTL Mio	2310	2375	1181	1110	5.2	2.8	-6.0
Gross profit, LTL Mio	473	478	254	200	5.6	1.0	-21.3
Operating profit, LTL Mio	105	73	59	10	2.8	-29.7	-83.8
Profit before tax, LTL Mio	86	42	46	-3	1.6	-50.9	-107.6
Assets (end of period), LTL Mio	1915	1950	2072	1991	6.0	1.8	-3.9
Liabilities (end of period), LTL Mio	919	982	1073	1027	5.8	6.8	-4.3
Return on sales, %	3.71	1.77	3.89	-0.31	31.9	-	-
Return on assets, %	4.50	2.08	4.50	-0.34	24.9	-	-
Debt ratio (end of period), %	0.48	0.50	0.52	0.52	97.4	-	-

* Value added per employee at current prices

Source: Statistics Lithuania

In summary, statistics of the apparel and textile industry indicate that the outlook for the sector is deteriorating in Lithuania. The reversal of unfavourable trends requires decisivestrategic decisions, close cooperation between the industry's association and scientific institutions as well as the support from the Cabinet.

There are several prospective ways to develop the light industry. One of them was identified a long time ago by *ECG* which, unfortunately, does not report on its operating results. The company was reorganised into a clustertype group and tries to focus on the design of products, logistics and management of clothing manufacture rather than on manufacture itself. In Lithuania, only the makers of high-quality and special clothing can survive since it is impossible to compete against the countries with cheap labour costs in mass production. It is reasonable to concentrate all efforts on the manufacture of products that are given priority and promised protection by the EU. These products include articles from biodegradable materials, protective clothing, technical textile products, etc. It is necessary to adopt new technologies and shift to the development of final products, while the majority of light industry companies in the country operate as subcontractors.

The preliminary unaudited profit before taxes (including VAT) of the leader of retail apparel market in Lithuania and the Baltic States *Apranga Group* in 2007 was LTL 30.0 million (EUR 8.7 million), or 42.7% more than in 2006. The retail chain turnover (including VAT) of the *Apranga Group* has made LTL 437.4 million (EUR 126.7 million) in 2007, or 46.1% more than in 2006.

In 2007 *Apranga Group* belonging to the holding group MG Baltic Investment has implemented the biggest expansion program in company's history. There were 25 new stores opened, 6 reconstructed, and 7 stores closed during the year. The trading area possessed by *Apranga Group* has increased by 15.5 thousand sq. m., or by 40% during 2007. Due to rapid expansion number of employees of the company has increased from 1170 to 1637 - by 467 people. *Apranga group* has invested LTL 38.9 million (EUR 11.3 million) to expansion of retail chain. Also *Apranga Group* has twice expanded the area of central logistic centre in 2007.

In 2007 *Apranga Group* has surpassed retail merchandise turnover plan by 0.5% and by 7.6% missed profit before taxes target. Due to strained conditions in the labour market, high demand for employees for newly opened stores, and unexpectedly rapid increase of salaries in services sector, *Apranga Group* has increased salaries for store personnel on average by 25% in October and November - almost twice more than it was planned.

Apranga Group plans to reach LTL 580 million (EUR 168 million) retail chain turnover (including VAT) in 2008 and to earn LTL 39.5 million (EUR 11.4 million) consolidated profit before taxes in 2008.

Although the results across the sector vary from company to company, the aggregate figures highlight the deteriorating situation in the sector. The number of companies reporting layoffs, bankruptcy or going out of business has increased substantially lately, and many of them are representatives of the sector concerned. The bankruptcy proceedings initiated against *Lino Audiniai* were widely publicised. As a result, the *Linus* group projects it will incur a loss of LTL 13 million in 2008. The bankruptcy of *Kauno Drobė*, one of the oldest companies in Lithuania founded in 1920, was especially painful. Last year, turnover of the maker of wool fabrics reached about LTL 70 million but the plant failed to cut losses which have been accumulating since 2000, even though the Kaunas-based company cooperated for several years with high-end clothing marker *Hugo Boss* and was one of its key suppliers. The company's premises and equipment was leased to *Ruslana* this summer, and the

majority of the *Drobė* workforce moved to this Russian-capital company. The new company will develop the manufacture of high-quality clothes. It hopes to take over public orders placed with *Drobė* by Russia.

The results of the largest company in the sector are also discouraging. Last year, turnover of the *Utenos Trikotažas* group fell by 16% to LTL 138 million and the group incurred a loss of LTL 8 million. This year, sales continued to decline and the loss of the first half of the year was about LTL 6 million. The parent company employs more than 1,000 people.

Sportswear and leisurewear maker *Audimas* expected to boost its last year's income by 7% but turnover stayed at the level of 2006 and comprised LTL 111 million. The company has outsourced some of its production to Belarus, China and Vietnam but has no plans to remove all manufacturing activity from Lithuania. Although upholstery maker *Audėjas* invested over LTL 18 million into modernisation of production in 2005–2006, the company's sales changed fractionally last year and stood at around LTL 50 million, while profit was slender. *Audėjas* exports about 85% of its products but this year the number of orders has declined. It may be related to the standstill in the real estate market which negatively weighs on the demand for furniture.

Last year, both sales and profit of clothing maker *Lelija* changed by a small margin and stood at LTL 61 million and LTL 0.5 million respectively. Because of the shortage of labour, the company is not optimistic about its future and has no plans to invest into production development.

At the same time, knitwear maker *Garlita* plans to expand. The company focuses on more complex articles, i.e. clothes with antibacterial and antistatic properties and began working in the field of technical textiles. Having invested LTL 1.7 million into equipment, it plans similar volumes for this year as well. *Garlita* makes clothes under orders placed by NATO and European countries and is also eyeing other markets. In 2007, the company's turnover increased by 14% and a 20% growth is expected this year.

Last year, a strong growth was recorded by Lithuanian-Swedish maker of quilts and pillows *Interscalit*, knitwear maker *Omniteksas*, one of the renowned garment manufacturing companies in Lithuania and clothing maker *Rožė*. *Omniteksas* is known to constantly innovate eco-friendly clothing in keeping its commitment towards the environment. In 2007 *Omniteksas* launched the production of underwear based on Thermowave technology last year. Now *Omniteksas* supplies Thermo-wave products to Lithuanian troops serving in Afghanistan and Iraq. It is now experimenting with thinner Thermo-wave fabrics. It also offers the mass market a clothing line under the Natali Silhouette label. *Dainava* and Plungė-based *Linų Audiniai* fell considerably. The latter company abandoned some of its production and laid off 70% of its workers because farmers no longer harvest flax in Lithuania.

Although many analysts are sceptical about the future of the light industry, business manages to find new ideas which inject life into the industry. Little-known *Antanta*, *Foritas* and other companies are announcing plans to build new plants. Therefore, to paraphrase Mark Twain, the rumours of the sector's death in Lithuania have been greatly exaggerated.

Sources:

"Lithuanian Economic Outlook 2008", DnB Nord Bank Lithuania.
Baltic Business News, <http://www.balticbusinessnews.com>
Fibre2fashion, <http://www.fibre2fashion.com>

Table 2.

Biggest Lithuanian textile and apparel sector companies by sales results, 2007

Position	Company name	Sales revenue, thous. euro		Profit before taxes, thous. Euro		Main activity	Residence	CEO	
		2007 / 2006	2007 / 2006	2007 / 2006	2007 / 2006				
1	2	Utenos Trikotažas	39.834	47.287	2.252	1.283	Knitted fabrics	Utena	Nerijus Vilūnas
2	3	Audimas, grupė	32.139	32.100	n/a	n/a	Clothes	Kaunas	Eglė Gruodienė
3	6	Linas, grupė	18.658	14.700	196	-1.300	Fabrics & sewing	Panevėžys	Martynas Jasinskas
4	5	Lelija, UAB	17.751	17,692	130	124	Clothes	Vilnius	Gėnė Zaveckienė
5	8	Audėjas, AB	16.041	14.447	248	133	Textile articles, fabrics & yarns	Vilnius	Jonas Karčiauskas
6	7	Vilnika, UAB	14.856	14.666	183	223	Textile articles	Vilnius distr.	Laima Petrauskienė
7	10	Vernitas, AB	13.058	14.130	706	1,7	Yarns	Marijampolė	Kęstutis Liubinas
8	13	Interscalit, UAB	8.849	6.905	5,8	406	Coverlets, pillows, mattresses	Šiauliai	Petras Andriuška
9	-	Liteksas, AB	7.511	7.685	656	648	Textile articles	Kaunas	Virgilijus Varža
10	15	Skinija, UAB	6.632	6.401	n/a	n/a	Socks, tights	Kaunas	Tadas Rimkevičius
11	19	Visatex, UAB	6.267	6.614	39,7	237,8	Clothes	Visaginas	Andreas Nuchting
12	25	Omniteksas, UAB	5.941	3.731	737	33,6	Knitted fabrics	Kaunas	Audronė Pocienė
13	16	Neaustima, UAB	5.410	5.933	n/a	n/a	Non-woven fabrics	Šiauliai	Raimondas Lukauskas
14	20	Klasikinė tekstilė	5.257	5.195	n/a	n/a	Clothes, home textiles, fabrics	Kaunas	A. & R. Baumila
15	21	Vilkma, AB	5.233	5.063	15,9	270	Clothes	Ukmergė	Acting CEO Giedrė Plačiakytė
16	17	Siūlas, Biržų AB	5.180	5.713	-349	3,8	Linen fabrics, sewed products	Biržai	Vidmantas Gražinys
17	23	Kauno Baltija, AB	4.675	4.616	640	618	Upper garments	Kaunas	Raimundas Živatkauskas
18	22	Sparta, AB	4.293	4.995	n/a	87,8	Knitted fabrics, socks	Vilnius	Zenonas Janavičius
19	14	Linų audiniai, AB	3.831	6.428	n/a	-546	Linen fabrics	Plungė	Alvidas Vitkevičius
20	27	Paliūtis, UAB	3.559	3.090	4,1	16,2	Footwear	Vilnius	Artūras Stelionis
21	34	Kirptė, UAB	2.956	1.182	207,4	84,9	Clothes for sport and work	Alytus	Algirdas Grabys
22	24	Dainava, AB	2.766	4.063	n/a	n/a	Upper garments	Alytus	Regina Morkuvienė
23	-	Rožė, UAB	2.273	1.520	198	-57,9	Ladies' wear	Vilnius	Tatjana Treščenkova
24	-	Švytis, UAB	1.845	3.963	n/a	n/a	RE rent. Manufacture of clothes.	Tauragė	Antanas Stankus
25	30	Verpstas, AB	1.345	2.055	-334	181	Knitted fabrics	Šiauliai	Gintautas Martinaitis

Source: "Verslas 2009. Lietuvos cerslo lyderiai", UAB "Verslo žinios"

INNOVATIVE PRODUCTS AND TECHNOLOGIES IN THE LITHUANIAN APPAREL AND TEXTILE INDUSTRY

Odour-proof fabrics, household linen textiles with Teflon finish, linen garments with a special aromatic finish, hand-made carpets with original artistic decorations, waterproof products for mattress and pillow protection, laminated foams, self-adhesive products, multifunctional materials for various applications, anti-microbial fabrics and knitted materials, electrically conductive materials, underwear that ensures optimal body temperature, smart work wear, textiles for allergy-sensitive people, sweaters that are antistatic and provide protection against radiation, UV waves, and bacteria – these are just a few of the innovative products and technologies that Lithuanian apparel and textile producers offer.

Companies are skilfully producing a new generation of internationally competitive products by using Lithuanian scientific potential and the long-time experience of partners.

THE BEST EXAMPLES

ODOUR-PROOF FABRICS

New fabric finishing technologies neutralize bad odours (smoke, food, perspiration, pets, etc.) from the surroundings. Fabrics with this finish are perfect for hotels, restaurants, and apartments. Odour-neutralizing finish can be applied to most fabrics without changing their look, softness or technical features.

JSC AUDĖJAS e-mail : audėjas@audejas.lt, www.audejas.lt

HAND-MADE CARPETS WITH ORIGINAL ARTISTIC DECORATIONS

An innovative vision in which carpets became an important artwork uniting different kinds of art in the creation of interior design. These are carpets with original artistic decorations of glass, silver and leather.

JSC KILIMAI e-mail : kilimai@kilimai.lt, www.kilimai.lt

HOUSEHOLD LINEN TEXTILES WITH TEFLON FINISH

Rucostar EEE (fluorocarbon resin with polymer) technology was used to treat linen to make it water, oil, dirt and stain resistant. This fabric is used to produce tablecloths, napkins, and other household textile articles.

KLASIKINĖ TEKSTILĖ, A.R.Baumilų TŪB e-mail: info@k-t.lt, www.k-t.lt

LINEN GARMENTS WITH SPECIAL AROMATIC FINISH

Micro-encapsulated finishes with various aroma granules are used to treat linen. These finishes mask manufacturing malodour, enhancing garments made of this fabric and giving them an extremely pleasant fragrance.

KLASIKINĖ TEKSTILĖ, A.R.Baumilų TŪB e-mail: info@k-t.lt, www.k-t.lt

WATERPROOF PRODUCTS FOR MATTRESS AND PILLOW PROTECTION

This breathable soft cotton or soft cellulose fibre textile has a polyurethane film that is waterproof, natural and ecological to keep your mattresses and pillows safe.

JSC IMTEKSO KOMERCIJA e-mail: info@imteksas.lt

LAMINATED FOAMS

The production of technical textiles in Lithuania has been limited. Lamination enables the development of a wide range of technical textiles. JSC Vita Baltic International has been providing lamination service for four years. A variety of materials – foams, knitted fabrics, non-woven fabrics, paper, wood, foils, films, etc – can be glued together using the most up-to-date powder lamination technology for use in household and in a variety of other applications such as upholstery, apparel, healthcare, footwear, the automotive and construction industries, etc.

JSC VITA BALTIC INTERNATIONAL www.vivatbaltic.lt

SELF-ADHESIVE PRODUCTS

New products that can be used in a variety of applications: sealing, sound absorption, vibration dampening, packing, footwear, construction, etc. The materials used for the production of these products include foams, rebound foams, films and foils, reinforcement fibres, and pressure-sensitive films.

JSC VITA BALTIC INTERNATIONAL www.vivatbaltic.lt

MULTIFUNCTIONAL MATERIALS FOR VARIOUS APPLICATIONS

Multifunctional materials create greater added value, which, as a result, enhances the competitiveness of end products and expands their market. Multifunctional materials are used in household textiles, work and sports clothing, etc. Their main properties include moderate weight, waterproofing, water vapour permeability (i.e. "breathing"), etc. Raw materials: polyester, polyamide, and polyurethane membrane.

LIETUVOS TEKSTILĖS INSTITUTAS e-mail: lti@lti.lt, www.lti.lt

ANTIMICROBIAL FABRICS AND KNITTED MATERIALS

This is an assortment of materials made of new biodegradable fibres that ensure permanent antimicrobial performance throughout the entire period of use and cause no allergic reaction even to the most sensitive people. They are used for baby and children's clothes, bed linens, underwear, and textiles for bathhouses and other damp environments. Raw materials: naturally dyed cotton, soy and bamboo fibres.

LIETUVOS TEKSTILĖS INSTITUTAS e-mail: lti@lti.lt, www.lti.lt

ELECTRICALLY CONDUCTIVE MATERIALS

These materials are protective and enhance the quality of life. Spheres of application: comfortable antistatic clothing that protects against the influence of electromagnetic fields in computer equipment rooms and clothing for fire-fighters, electricians and welders. Raw materials: special structure yarn – polyester/metal, wool/metal.

LIETUVOS TEKSTILĖS INSTITUTAS e-mail: lti@lti.lt, www.lti.lt

UNDERWEAR COLLECTION THAT ENSURES OPTIMAL BODY TEMPERATURE

“Thermowave” is your best choice because it guarantees a new dimension of total comfort. Maintaining the ideal temperature in every circumstance is the key to comfort. When the rhythm of life becomes more intense, you need “Thermowave”. Direct contact of “Thermowave” with skin eliminates perspiration, leaves the skin dry and odourless, and assures a perfect equilibrium between temperature and relative humidity even in the most extreme conditions. These garments are very soft and light, do not irritate your skin, and assure you freedom of movement.

JSC OMNITEKSAS e-mail: omniteksas@omniteksas.lt, www.omniteksas.lt

SWEATERS WITH ELECTROMAGNETIC PROTECTION

Sweater made from yarn No 28/2, 92% merino wool, 8% inox.

This yarn contains stainless steel fibres. Because the steel fibres are thinner than a human hair, there is virtually no risk of irritation to the skin. The steel fibres give these textiles electrostatic and electromagnetic shielding qualities. Advantages: High shielding properties. High conductivity. Antistatic. Comfortable. Permanent effect

JSC GARLITA e-mail: garlita@garlita.lt, www.garlita.lt

SWEATERS WITH UV PROTECTION

Protects above all fair-skinned people against too strong UV radiation with simultaneously good wearing comfort. Don't have bad effect with skin. Have sun protection. 50% wool, 50% acrylic. Wool gives a high UV protection. The yarn corresponds to Oeko-tex Standard 100.

JSC GARLITA e-mail: garlita@garlita.lt, www.garlita.lt

ANTI-BACTERIAL SWEATERS

These garments have anti-bacterial qualities and can be worn by people who spend time in areas where there are a lot of bacteria. It is comfortable to wear and it is safe for your skin.

JSC GARLITA e-mail: garlita@garlita.lt, www.garlita.lt

COLLECTION PRESENTING MODERN GARMENT DESIGN TECHNOLOGIES

Collection of clothing and accessories created by using modern technologies in the sewing industry, i.e. software and hardware for pattern construction, automatic cutting equipment, sewing machines, laser equipment, and the latest embroidery techniques and software possibilities. This collection presents a wide range of services provided by JSC Nortijos grupė, from design creation and implementation to installation of modern machines for the sewing industry.

JSC NORTIJOS GRUPĖ e-mail: nortija@kaunas.omnitel.net, www.nortija.lt

CONTINUOUS WORKING REDUNDANCY MACHINE C 400/700

Machine constructed- belt-oriented, continuous operation. Redundancy zone- open from one side, working redundancy width 400 mm, working zone width 700 mm. connection voltage 230 V, power 2,5 kW. The heating block uses electric energy saving technologies; original belt cross control knot, automatic shutdown and cooling having reached 50°C, redundancy pressure is specified smoothly up to 1 kg/cm².

Machine measurements: 0,83 × 0,78 m; weight- 80 kg.

GTK-W.GRUNDLER IM BALTICUM e-mail: info@grundler.lt, www.grundler.lt

KNOW-HOW IN TEXTILE AND CLOTHING INDUSTRY

Comprehensive knowledge about methods and means to investigate, evaluate and predict the properties and qualities of textiles, clothing, and polymer products. Information concerning the structure and properties of up-to-date textiles and polymer materials. Ability to design clothing and polymer products and manufacturing technologies and to solve production and management problems.

KAUNO TECHNOLOGIJOS UNIVERSITETAS DIZAINO IR TECHNOLOGIJŲ FAKULTETAS
e-mail: eugenija.strazdiene@ktu.lt, www.ktu.lt

Source: Lithuanian Apparel and Textile Industry Association, <http://www.latia.lt>