Profile of the Textile and Clothing Industry in Lithuania

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SUMMARY

With only a small domestic market, Lithuanian textile and clothing firms are highly dependent on exports. After the collapse of their main market, the Soviet Union, in 1991, they were forced to turn to the European Union to survive. With low labour costs—which are comparable with many competitors in Asia—coupled with market proximity and a long established tradition of producing textiles and clothing, they quickly gained market share. Exports were given a boost in January 1998 when the EU removed all tariffs and quotas on imports of textiles and clothing from Lithuania. Many companies have also stepped up their exports to the USA.

The industry has benefited from the government's policy of privatisation and encouraging foreign firms to buy shares. As a result, many plants have been equipped with modern technology. Lithuania's low labour costs and proximity to the EU have attracted major players such Chargeurs of France, Marzotto of Italy and Tolarom of Singapore. Some foreign investors see Lithuania as a stepping stone to wider markets in the Baltic region and in former Soviet republics.

During 1995-2000 clothing exports grew by an average of 26.7% per annum—faster than exports from any other sector in Lithuania. Also, in 2001 Lithuania ranked among the EU’s leading ten suppliers of women's skirts. But the country is at a crossroads. EU membership in 2004 or 2005 should benefit the economy as a whole but will open up textile and clothing firms to greater competition. Lithuania’s tariff-free access to EU markets will continue to provide exporters with a competitive advantage over most Asian suppliers. But firms will find it harder to compete after 2004 when international quotas are eliminated and Lithuania’s quota-free access to EU markets ceases to be a competitive advantage.

GEOGRAPHICAL, ECONOMIC AND POLITICAL PROFILE

GEOGRAPHICAL LOCATION

Lithuania is situated on the eastern coast of the Baltic Sea. It covers an area of 65,300 km² and has 99 km of coastline.
Lithuania is the EU’s biggest clothing supplier in the Baltic States

In the EU market, Lithuania is the second biggest external supplier of textiles, after Estonia, among the Baltic States (Table 13). However, Lithuania is by far the biggest supplier of clothing, and hence the biggest supplier of textiles and clothing combined.

Table 13: EU trade in textiles and clothing with the Baltic States, 2000 and 2001 (Euro mn)

<table>
<thead>
<tr>
<th></th>
<th>EU exports</th>
<th>EU imports</th>
<th>EU trade balance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Value 2000</td>
<td>Value 2001</td>
<td>Value 2001/00</td>
</tr>
<tr>
<td>Lithuania</td>
<td>258.4</td>
<td>309.9</td>
<td>19.9</td>
</tr>
<tr>
<td>Estonia</td>
<td>153.3</td>
<td>163.0</td>
<td>6.3</td>
</tr>
<tr>
<td>Latvia</td>
<td>114.4</td>
<td>123.2</td>
<td>7.7</td>
</tr>
<tr>
<td>Clothing</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lithuania</td>
<td>86.2</td>
<td>99.5</td>
<td>15.4</td>
</tr>
<tr>
<td>Estonia</td>
<td>55.5</td>
<td>64.1</td>
<td>15.6</td>
</tr>
<tr>
<td>Latvia</td>
<td>47.9</td>
<td>52.9</td>
<td>10.5</td>
</tr>
<tr>
<td>Textiles and clothing</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lithuania</td>
<td>344.6</td>
<td>409.4</td>
<td>18.8</td>
</tr>
<tr>
<td>Estonia</td>
<td>208.8</td>
<td>227.1</td>
<td>8.8</td>
</tr>
<tr>
<td>Latvia</td>
<td>162.3</td>
<td>176.1</td>
<td>8.5</td>
</tr>
</tbody>
</table>

Source: Euratex.

Table 14: Lithuania: exports of light industry products by CN commodity group, 2000

<table>
<thead>
<tr>
<th>Product</th>
<th>Total exports</th>
<th>Exports to the EU</th>
<th>Trade balance with the EU</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Value (Lit '000)</td>
<td>Share (%)</td>
<td>Value (Lit '000)</td>
</tr>
<tr>
<td>41 Raw hides, skins and leather</td>
<td>151,289</td>
<td>4.9</td>
<td>84,863</td>
</tr>
<tr>
<td>42 Articles of leather</td>
<td>12,654</td>
<td>0.4</td>
<td>11,143</td>
</tr>
<tr>
<td>43 Fur skins and manufactures thereof</td>
<td>50,040</td>
<td>1.6</td>
<td>24,219</td>
</tr>
<tr>
<td>50 Silk textiles</td>
<td>705</td>
<td>0.0</td>
<td>432</td>
</tr>
<tr>
<td>51 Wool textiles</td>
<td>81,556</td>
<td>2.6</td>
<td>59,921</td>
</tr>
<tr>
<td>52 Cotton textiles</td>
<td>116,098</td>
<td>3.7</td>
<td>83,556</td>
</tr>
<tr>
<td>53 Textiles made from other vegetable fibres (including flax)</td>
<td>155,943</td>
<td>5.0</td>
<td>76,822</td>
</tr>
<tr>
<td>54 Man-made filament textiles</td>
<td>164,571</td>
<td>5.3</td>
<td>131,377</td>
</tr>
<tr>
<td>55 Man-made staple fibre textiles</td>
<td>117,086</td>
<td>3.8</td>
<td>64,419</td>
</tr>
<tr>
<td>56 Wadding, felt and nonwovens</td>
<td>61,380</td>
<td>2.0</td>
<td>5,489</td>
</tr>
<tr>
<td>57 Carpets and other textile floor coverings</td>
<td>2,834</td>
<td>0.1</td>
<td>721</td>
</tr>
<tr>
<td>58 Special woven fabrics, lace, tapestries</td>
<td>6,804</td>
<td>0.2</td>
<td>1,095</td>
</tr>
<tr>
<td>59 Impregnated, covered or laminated textile fabrics</td>
<td>4,432</td>
<td>0.1</td>
<td>1,159</td>
</tr>
<tr>
<td>60 Knitted or crocheted fabrics</td>
<td>14,160</td>
<td>0.5</td>
<td>3,586</td>
</tr>
<tr>
<td>61 Articles of apparel and clothing accessories, knitted or crocheted</td>
<td>563,668</td>
<td>18.2</td>
<td>508,407</td>
</tr>
<tr>
<td>62 Articles of apparel and clothing accessories, not knitted or crocheted</td>
<td>1,353,999</td>
<td>43.6</td>
<td>1,228,708</td>
</tr>
<tr>
<td>63 Other made-up textile articles</td>
<td>193,070</td>
<td>6.2</td>
<td>155,190</td>
</tr>
<tr>
<td>64 Footwear</td>
<td>51,652</td>
<td>1.7</td>
<td>35,362</td>
</tr>
<tr>
<td>65 Headgear</td>
<td>2,455</td>
<td>0.1</td>
<td>1,983</td>
</tr>
<tr>
<td>67 Articles made of feathers or of down</td>
<td>341</td>
<td>0.0</td>
<td>13</td>
</tr>
</tbody>
</table>

Total light industry | 3,104,737 | 100.0 | 2,478,465 | 79.8 | 960,942 |

* Exports to the EU minus imports from the EU.  * Combined Nomenclature (a standardised system of customs classification used in the European Union).

Source: Lithuanian Apparel and Textile Industry Association (Latia).
— and to install “Communication Platforms”

A third aim is to install “Communication Platforms”. This will enable participating associations in CEEC countries to operate as communication hubs, thereby enabling members to be linked electronically to data sources and information providers.

Seetex aims to facilitate adaptation to the regulatory climate of the single European market—

The objectives of Seetex are to:

— facilitate adaptation of the textile sectors in selected CEECs to the competitive and regulatory climate of the single European market;

— to help foster “environmental excellence”—

— provide support in fostering “environmental excellence” in the textile sectors of CEECs;

— to develop tools which will lead to sustainable economic growth—

— develop appropriate tools which will lead to sustainable economic growth in the textile sector without the need for “environmental or social dumping”; and

— and to assist in establishing a competitive, environmentally-friendly market

— assist in the establishment of a competitive textile market in Eastern Europe with more efficient, less hazardous and more environmentally-friendly processes and products.

OUTLOOK

STRENGTHS AND WEAKNESSES

The industry has recovered from rapid decline in the early 1990s

Like other sectors of the Lithuanian economy, the textile and clothing industry suffered from fairly rapid decline in the early 1990s. But since the mid-1990s it has recovered.

It has re-equipped and ensured that productivity growth has kept up with wage increases

The industry has managed to maintain its competitiveness in recent years by re-equipping its factories and ensuring that productivity growth has kept up with wage increases (Table 15). More than three quarters of the industry’s production facilities have been modernised over the past decade.

Table 15: Lithuania: labour productivity in light industry and its changes, 1995-2000

<table>
<thead>
<tr>
<th>Industry</th>
<th>Labour productivity&lt;sup&gt;a&lt;/sup&gt; (Lit '000)</th>
<th>Labour productivity&lt;sup&gt;a&lt;/sup&gt; (Euro '000)</th>
<th>Average annual % change (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Textile industry</td>
<td>49.59</td>
<td>11.04</td>
<td>15.7</td>
</tr>
<tr>
<td>Processing and spinning of textile fibres</td>
<td>63.73</td>
<td>14.19</td>
<td>18.9</td>
</tr>
<tr>
<td>Weaving</td>
<td>46.99</td>
<td>10.46</td>
<td>12.3</td>
</tr>
<tr>
<td>Textile finishing</td>
<td>53.20</td>
<td>11.84</td>
<td>103.2</td>
</tr>
<tr>
<td>Production of ready-made woven articles, excluding clothing</td>
<td>38.92</td>
<td>8.66</td>
<td>18.0</td>
</tr>
<tr>
<td>Production of other woven articles</td>
<td>86.53</td>
<td>19.26</td>
<td>44.9</td>
</tr>
<tr>
<td>Production of knitted and crocheted fabrics</td>
<td>75.95</td>
<td>16.91</td>
<td>34.3</td>
</tr>
<tr>
<td>Production of knitwear (knitted) and crocheted articles and products</td>
<td>41.79</td>
<td>9.30</td>
<td>17.1</td>
</tr>
<tr>
<td>Manufacture of wearing apparel, dressing and dyeing of fur</td>
<td>50.96</td>
<td>11.34</td>
<td>12.4</td>
</tr>
<tr>
<td>Other sewn garments and clothing accessories</td>
<td>51.97</td>
<td>11.57</td>
<td>13.0</td>
</tr>
</tbody>
</table>

<sup>a</sup> Annual output per employee; based on a weighted average for the years 1995-2000.
It cooperates on a CMT basis with several West European companies—Skalmantas cooperates on a CMT (cut, make and trim) basis with a number of West European companies. Export markets include Sweden, Denmark, the UK, Italy, Latvia and Germany.

—and is looking to establish a joint venture to produce equestrian goods—For the future, the company is looking to establish a joint venture for the production of equestrian goods.

TRYS SEZONAI

Trys Sezonai makes knitted underwear and light outdoor clothing—Trys Sezonai is a manufacturer of knitted underwear and light outdoor clothing based in Kaunas. The company, formerly known as Trikotazas, was established in 1935.

It employs 400-450 employees—Trys Sezonai has about 400-450 employees and an annual turnover of Euro3.5 mn.

—and boasts “old traditions of knitwear manufacturing” and experience—The company boasts “old traditions of knitwear manufacturing” as well as experience. It has separate departments for knitting, cutting, sewing and embroidery.

The company’s most popular garments are

underwear, nightwear, and sportswear—Trys Sezonai’s most popular garments are:

- underwear, including shirts, tank tops, briefs, pants, petticoats, underskirts and two-piece sets;
- nightwear, comprising nightdresses, negligees and pyjamas;
- light outerwear, including T-shirts, blouses, trousers and skirts; and
- sportswear, including jogging suits, trousers, jackets and shorts.

Fabrics are made from a variety of fibre types—The company uses fabrics made from a variety of fibre types, including cotton, polyamide, polyester, acrylic and elastane.

Exports account for 95% of output—Exports account for 95% of the company’s output. Leading markets include Sweden, Germany, Finland and Denmark.

UTENOS TRIKOTAZAS

Utenos Trikotazas was Lithuania’s 19th biggest company in 2001 and its largest knitwear manufacturer—Utenos Trikotazas, based in the eastern town of Utena, was Lithuania’s 19th biggest company with sales in 2001 of Lit127.68 mn. Moreover, it is the country’s second largest textile and clothing manufacturer and its leading knitwear producer. Products are sold into retail and wholesale markets.

The factory was established in 1967 to produce goods for export to the former USSR—Utenos Trikotazas was established in 1967. The factory was built to produce goods for export to the former USSR. In 1989 Utenos Trikotazas was the largest textile manufacturer in Lithuania. At the time it produced 19.4 mn items of knitted underwear and employed about 3,000 people. 30% of total production was sold in Lithuania while the rest was exported to Russia, Ukraine and Central Asia.

In 1993 Utenos Trikotazas was privatised—In 1993 Utenos Trikotazas was privatised and transformed into a public limited company. The EBRD took a 29.2% stake in the company.
Today Utenos Trikotazas consists of the parent company, Utenos Trikotazas, and three subsidiaries: Setrija, Utenos Trikotazo Prekyba, and Gotija.

In early 2002 the group had about 1,350 employees. Total sales of the company’s production in 2000 were worth Lit122.4 mn.

Utenos Trikotazas produces around 12 mn units per annum of knitted casual leisurewear, sportswear and underwear for men, women and children, as well as clothing for babies.

Production processes consist of knitting, finishing, drying, cutting, printing, sewing, embroidery, quality control and packaging. All processes take place under one roof.

Utenos Trikotazas is proud of the fact that it invests large amounts of funds annually in the purchase of new machinery—all production departments have recently been modernised with new technology. The company is also proud of its investment in the improvement of working conditions and job safety.

Utenos Trikotazas claims to have the best dyeing department in the Baltics and to be able to offer a state-of-the-art colour service using Datacolor and Orgatex systems and Thies dyeing machines.

In October 2001 Utenos Trikotazas became the first Lithuanian textile enterprise to obtain an ISO 14001 certificate for environmental management. The company implemented its environmental management system in order to help reduce the costs of raw materials and energy resources and raise its competitive advantage, particularly in West European markets.

As much as 88% of output is exported. Almost half of foreign sales are generated in Sweden (45%), Other buyers are in Spain (18%), Germany (17%), Denmark (9%), Finland (6%), Switzerland (3%) and the UK (2%).

Utenos Trikotazas also manages a network of 20 shops throughout Lithuania, Latvia and Ukraine through Utenos Trikotazo Prekyba, its retail and wholesale subsidiary.

Utenos Trikotazas’s forward strategy includes strengthening its position in existing markets, searching for new markets, and establishing cooperation agreements with fashion retailers.

Vilkma, based in Ukmerge, was established in 1967. Today the company has about 450 employees and an annual turnover of US$2.75 mn. The company specialises in the manufacture of men’s formal, dress and casual shirts and women’s blouses, and claims to be