

# Latvia

Latvia's textile industry is highly export-oriented with XX% of the sector's output being exported in 2006. Historically based on a small number of large enterprises, the sector has evolved into a virtual cluster with many newly emerged, flexible and specialised small and medium-sized enterprises (SMEs) focusing on exports to other EU member states.

The textile sector is the oldest branch of Latvian industry. Many enterprises were established after the abolishment of serfdom in the 19th century, and by 1854 there were four cotton manufacturers, XX wool producers, XX flax enterprises and XX silk producers, which together employed around XX people.

During the second half of the 19th century and the beginning of the 20th century, Latvia's textile industry developed further. In 1913, there were XX textile factories, which employed XX workers who produced XXm metres of cotton fabric, XXm metres of wool fabric and XXm metres of flax fabric. The first silk producers ceased to exist in 1885 and the production of silk was resumed only in 1932.

During the first Republic of Latvia (1918-40), the textile sector was one of the leading branches of Latvian industry. In 1938, production of cotton fabric reached XXm metres, double that of 1913. The maximum production of flax fabric was in 1935 when output reached XXm metres. At the same time, production of wool fabric never reached the level it achieved before the First World War. In 1938, the Latvian wool sector produced XXm metres of fabric — XX metres less than in 1913.

During the Soviet period, the production of textiles and textile articles experienced remarkable growth and Latvia became an important supplier of these goods to the whole Soviet Union. In 1990, the year when the Latvian government passed the declaration of independence, the textile industry produced XXm m<sup>2</sup> of cotton fabric, XXm m<sup>2</sup> of flax fabric and XXm m<sup>2</sup> of acetate silk and viscose fabric. However, during the era of central planning when there was a shortage of most goods, quality issues had been neglected. As a result, most of the textile products could not be sold on the global market.

Beginning in 1991 the textile industry went through a difficult period of restructuring and downsizing. State-owned enterprises were privatised and new entrepreneurial companies appeared. During the first years of independence the exports of Latvian textile companies were still almost entirely directed toward the markets of the CIS. However, the gradual worsening of the economic situation in the CIS forced these companies to look for other markets, in particular, that of the EU.

At present, there are around XX companies in Latvia's textile and clothing industry. In 2007, the production volume of the textile sector increased by XX% compared with the previous year, while output from the clothing sector fell by XX%. In 2006, the textile and clothing industry employed around XX people, of which more than XX were in the textile sector and almost XX in clothing manufacture.

In 2007, total textile and clothing exports were valued at LVLXXm (US\$XXm), compared with LVLXXm (US\$XXm) the previous year. The EU-25 accounted for XX%

of exports, with the main partners being Estonia, Germany, Denmark and Lithuania.

Total textile and clothing imports in 2007 were worth LVLXXm (US\$XXm) compared with LVLXXm (US\$XXm) the previous year. The EU-25 accounted for XX% of imports, with the main partners being Italy, Germany, Lithuania and Poland.

Latvia exported clothing worth LVLXXm (US\$XXm) in 2007, compared with LVLXXm (US\$XXm) in 2006. Clothing accounted for XX% of total Latvian exports last year, as against XX% of total exports the year before. Latvia imported clothing worth LVLXXm (US\$XXm) in 2007, compared with LVLXXm (US\$XXm) in 2006. Clothing accounted for XX% of total Latvian imports last year, the same figure as in 2006.

In 2007, the main exports by sector by value were: articles of apparel, not knitted or crocheted XX%; articles of apparel and accessories, knitted or crocheted XX%; synthetic fibre, thread and yarn XX%; knitted or crocheted fabric XX%; bed, table, bathroom and kitchen linen XX%; cotton thread and yarn XX%; and wool yarn XX%.

The Latvian Textile and Clothing Association predicts that over the next couple of years, imports and exports of Latvian textile companies will increase by XX%. However, production is expected to decrease by XX% with up to XX people losing their jobs in the sector.

### **Sector advantages**

The Latvian textile sector is already strongly export-oriented, but still has considerable potential for expansion in both Western and Eastern markets. The sector's main strengths are:

- a skilled and flexible workforce;
- experienced engineering and design staff familiar with the industry's newest trends;
- dedicated managers who have often become co-owners of the companies they lead;
- high-quality production and design equipment;
- substantial experience of working both in Eastern markets and with customers and partners from Western Europe.

Beyond pure manufacturing, a number of related subsectors, such as textile research and development and fashion design, are rapidly increasing their presence in domestic and export markets. Most often, these additional services are included in a complete product offer with manufacturing.

Latvian textile companies are known for offering short delivery lead times. The country's geographical proximity to its main markets ensures that deliveries can be made punctually. Some apparel companies and yarn spinners offer lead times as short as two weeks for small orders.

Some of the more prominent Latvian textile companies with increasing production and sales include XXX, XXX, XXX, XXX, XXX, XXX and XXX.

Many Latvian textile producers have already proven their ability to produce goods with

high value-added. Good examples are lingerie producers XXX, XXX and XXX, glass-fibre fabric producer XXX, and cotton yarn and fabric manufacturer XXX, which specialises in fine cotton yarn and lightweight fabric. Latvian designers also actively utilise state-of-the-art techniques in their work.

The majority of engineers and technologists possess degrees from Riga Technical University or other universities in the former Soviet Union, all of which provide technical education of high quality. Most production workers in the industry have completed vocational school or secondary school education.

As well as having skilled engineers and technologists, many companies have developed an impressive design capability. Local design facilities have been developed by lingerie producers XXX, XXX, XXX, XXX and XXX, apparel companies XXX and XXX, knitwear producers XXX and XXX, as well as plaid and blanket manufacturer XXX and home textiles producers XXX, XXX and XXX.

### **Brand names**

The largest textile companies, such as XXX, XXX, XXX, XXX and XXX, have brand names that enjoy high recognition and a good image in markets to the east of Latvia. Even smaller companies with a longer track record have managed to build a certain degree of brand recognition in Eastern markets.

After Latvia regained its independence in 1991, many companies chose to gradually break their relationships with customers in the CIS and switched to supplying Western markets. However, those companies that continued to work with the CIS, such as XXX, XXX and XXX, have accumulated substantial knowledge of local business conditions and practices, and have established a track record with reliable partner companies.

### **Wage trends**

Competition from South East Asian countries, as well as other countries with labour cost advantages over Latvia, are a threat to Latvian textile producers, in particular to cut make and trim (CMT) sewing companies whose competitiveness depends almost entirely on wage rates and the ability to meet delivery deadlines. As a result of this competition, some activities with lower value-added, such as sewing T-shirts, have already been abandoned by most Latvian companies.

Wage growth outpacing productivity growth is another threat to the industry, particularly given the increasing activities of trade unions. However, this threat is also mainly faced by CMT sewing companies that focus on activities with relatively low value-added. Companies in other sectors of the industry that have invested in modern equipment and focus on production with higher value-added are much less vulnerable.

**Latvia: production volume index<sup>1</sup>, 2003-07**

	2003	2004	2005	2006	2007
Textiles	XX	XX	XX	XX	XX
Apparel	XX	XX	XX	XX	XX
<b>Total</b>	<b>XX</b>	<b>XX</b>	<b>XX</b>	<b>XX</b>	<b>XX</b>

<sup>1</sup> 2000 = 100

Source: Central Statistical Bureau

**Latvia: textiles and textile products manufacturing, no. of employees, 2002-06**

('000)	2002	2003	2004	2005	2006	06/05 (%)
Textiles	XX	XX	XX	XX	XX	XX
Apparel	XX	XX	XX	XX	XX	XX
<b>Total</b>	<b>XX</b>	<b>XX</b>	<b>XX</b>	<b>XX</b>	<b>XX</b>	<b>XX</b>

Source: Central Statistical Bureau

**Latvia: sales of main textile and textile products, 2007**

	Volume ('000 pcs)	Value (LVL '000)
Curtains and interior blinds, curtain or bed valances, of woven materials ('000 m <sup>2</sup> )	XX	XX
Cordage, ropes or cables of PE, PP, nylon or other polyamides or of polyesters measuring >50,000 dtex, of other synthetic fibres, excl. binder or baler twine ('000 kg)	XX	XX
Knitted or crocheted hosiery and footwear, incl. socks, excl. women's full-length/knee-length hosiery, measuring <67 dtex, pantyhose and tights, footwear with applied soles ('000 pairs)	XX	XX
Men's or boys' jerseys, pullovers, sweatshirts, waistcoats and cardigans, of wool or fine animal hair, excl. jerseys and pullovers containing ≥50% of wool and weighing ≥600 g	XX	XX
Women's or girls' jerseys, pullovers, sweatshirts, waistcoats and cardigans, of wool or fine animal hair, excl. jerseys and pullovers containing ≥50% of wool and weighing ≥600 g	XX	XX
Men's or boys' trousers and breeches of cotton or man-made fibres, for industrial or occupational wear	XX	XX
Women's or girls' suits, not knitted or crocheted	XX	XX
Women's or girls' briefs and panties of knitted or crocheted textiles, incl. boxer shorts	XX	XX
Brassieres	XX	XX
T-shirts, singlets and vests, knitted or crocheted	XX	XX

Source: Central Statistical Bureau

<b>Latvia: sales of manufactured textile products, 2003-07</b>						
	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>07/06 (%)</b>
Woven fabrics (m m <sup>2</sup> )	XX	XX	XX	XX	XX	XX
Blankets and travelling rugs ('000 pcs)	XX	XX	XX	XX	XX	XX
Bed linen ('000 pcs)	XX	XX	XX	XX	XX	XX
Table linen ('000 pcs)	XX	XX	XX	XX	XX	XX
Pantyhose (m pcs)	XX	XX	XX	XX	XX	XX
Socks and stockings (m pairs)	XX	XX	XX	XX	XX	XX
Men's and women's jerseys, pullovers, waistcoats and cardigans ('000 pcs)	XX	XX	XX	XX	XX	XX
Men's and women's apron's, overalls ( '000 pcs)	XX	XX	XX	XX	XX	XX
Men's and boys' garments of knitted or crocheted textiles ('000 pcs)	XX	XX	XX	XX	XX	XX
Women's and girls' garments of knitted or crocheted textiles ('000 pcs)	XX	XX	XX	XX	XX	XX
Men's and boys' overcoats and car-coats, anoraks ('000 pcs)	XX	XX	XX	XX	XX	XX
Men's and boys' trousers ('000 pcs)	XX	XX	XX	XX	XX	XX
Women's and girls' overcoats and raincoats ('000 pcs)	XX	XX	XX	XX	XX	XX
Women's and girls' suits and ensembles ( '000 pcs)	XX	XX	XX	XX	XX	XX
Women's and girls' jackets and blazers of textiles ('000 pcs)	XX	XX	XX	XX	XX	XX
Women's and girls' dresses and skirts of textiles ('000 pcs)	XX	XX	XX	XX	XX	XX
Women's and girls' trousers ('000 pcs)	XX	XX	XX	XX	XX	XX
Men's and boys' shirts, under-shirts of textiles and of knitted or crocheted textiles ('000 pcs)	XX	XX	XX	XX	XX	XX
Men's or boys' underpants, briefs and pyjamas ('000 pcs)	XX	XX	XX	XX	XX	XX
Women's and girls' blouses, chemises ( '000 pcs)	XX	XX	XX	XX	XX	XX
T-shirts, singlets and vests ('000 pcs)	XX	XX	XX	XX	XX	XX
Sport suits ('000 pcs)	XX	XX	XX	XX	XX	XX

Source: Central Statistical Bureau

**Latvia: principal textile and textile products, exports by volume, 2003-07**

('000 t)	2003	2004	2005	2006	2007	07/06 (%)
Wool yarn	XX	XX	XX	XX	XX	XX
Cotton thread and yarn	XX	XX	XX	XX	XX	XX
Synthetic fibre, thread and yarn	XX	XX	XX	XX	XX	XX
Knitted or crocheted fabric	XX	XX	XX	XX	XX	XX
Articles of apparel and accessories knitted or crocheted	XX	XX	XX	XX	XX	XX
Articles of apparel, not knitted or crocheted	XX	XX	XX	XX	XX	XX
of which corsets and similar articles	XX	XX	XX	XX	XX	XX
Bed, table, bathroom and kitchen linen	XX	XX	XX	XX	XX	XX

Source: Central Statistical Bureau

**Latvia: principal textile and textile products, exports by value, 2003-07**

(LVLm)	2003	2004	2005	2006	2007	07/06 (%)
Wool yarn	XX	XX	XX	XX	XX	XX
Cotton thread and yarn	XX	XX	XX	XX	XX	XX
Synthetic fibre, thread and yarn	XX	XX	XX	XX	XX	XX
Knitted or crocheted fabric	XX	XX	XX	XX	XX	XX
Articles of apparel and accessories knitted or crocheted	XX	XX	XX	XX	XX	XX
Articles of apparel, not knitted or crocheted	XX	XX	XX	XX	XX	XX
of which corsets and similar articles	XX	XX	XX	XX	XX	XX
Bed, table, bathroom and kitchen linen	XX	XX	XX	XX	XX	XX
<b>Total</b>	<b>XX</b>	<b>XX</b>	<b>XX</b>	<b>XX</b>	<b>XX</b>	<b>XX</b>

Source: Central Statistical Bureau

**Latvia: textile and textile product exports, main partners, 2003-07**

(LVLm)	2003	2004	2005	2006	2007	07/06 (%)
Estonia	XX	XX	XX	XX	XX	XX
Germany	XX	XX	XX	XX	XX	XX
Denmark	XX	XX	XX	XX	XX	XX
Lithuania	XX	XX	XX	XX	XX	XX
Italy	XX	XX	XX	XX	XX	XX
Finland	XX	XX	XX	XX	XX	XX
Netherlands	XX	XX	XX	XX	XX	XX
Poland	XX	XX	XX	XX	XX	XX
<i>Total EU-25</i>	XX	XX	XX	XX	XX	XX
Russia	XX	XX	XX	XX	XX	XX
<i>Total CIS</i>	XX	XX	XX	XX	XX	XX
<i>USA</i>	XX	XX	XX	XX	XX	XX
<i>Other</i>	XX	XX	XX	XX	XX	XX
<b>Total</b>	<b>XX</b>	<b>XX</b>	<b>XX</b>	<b>XX</b>	<b>XX</b>	<b>XX</b>

Source: Central Statistical Bureau

**Latvia: textile and textile product imports, main partners, 2003-07**

(LVLm)	2003	2004	2005	2006	2007	07/06 (%)
Italy	XX	XX	XX	XX	XX	XX
Germany	XX	XX	XX	XX	XX	XX
Lithuania	XX	XX	XX	XX	XX	XX
Poland	XX	XX	XX	XX	XX	XX
Estonia	XX	XX	XX	XX	XX	XX
Sweden	XX	XX	XX	XX	XX	XX
Denmark	XX	XX	XX	XX	XX	XX
Finland	XX	XX	XX	XX	XX	XX
Netherlands	XX	XX	XX	XX	XX	XX
<i>Total EU-25</i>	XX	XX	XX	XX	XX	XX
Russia	XX	XX	XX	XX	XX	XX
<i>Total CIS</i>	XX	XX	XX	XX	XX	XX
<i>Other</i>	XX	XX	XX	XX	XX	XX
<b>Total</b>	<b>XX</b>	<b>XX</b>	<b>XX</b>	<b>XX</b>	<b>XX</b>	<b>XX</b>

Source: Central Statistical Bureau

**Latvia: principal textile and textile products, imports by volume, 2003-07**

('000 t)	2003	2004	2005	2006	2007	07/06 (%)
Textiles and textile articles	XX	XX	XX	XX	XX	XX
Synthetic fibre, thread and yarn	XX	XX	XX	XX	XX	XX
Articles of apparel and accessories knitted or crocheted	XX	XX	XX	XX	XX	XX
Articles of apparel, not knitted or crocheted	XX	XX	XX	XX	XX	XX

Source: Central Statistical Bureau

**Latvia: principal textile and textile products, imports by value, 2003-07**

(LVLm)	2003	2004	2005	2006	2007	07/06 (%)
Textiles and textile articles	XX	XX	XX	XX	XX	XX
Synthetic fibre, thread and yarn	XX	XX	XX	XX	XX	XX
Articles of apparel and accessories knitted or crocheted	XX	XX	XX	XX	XX	XX
Articles of apparel, not knitted or crocheted	XX	XX	XX	XX	XX	XX

Source: Central Statistical Bureau