

STRATEGIC MARKET SECTOR ANALYSIS

TEXTILE INDUSTRY & MARKET SLOVAKIA

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Date 7 December 2015

Contents

A. Key market/country facts	3
B. Market assessment report	5
1.1. Market size and potential – export, import statistics, local production volume.....	5
1.2. Domestic and foreign suppliers.....	10
1.3. Detailed company profiles of key textile producers	10
Bodet & Horst mattress ticking k.s.	10
1.4. Detailed company profiles of key textile wholesalers.....	15
1.5. Trade fairs, exhibitions and other events.....	18
1.6. Sector-specific organizations/associations.....	19
1.7. Useful contacts and sources of information.....	19
C. Analysis, Strategy and Conclusions	21
2.1. Overall market potential	21
2.2. Route to market	22
D. Summary	24

A. Key market/country facts

Country's full name: Slovak Republic (*Slovenská republika*)

Capital city: Bratislava (population: 431 thousand)

Population: 5.4 million; 85.8% of the population are Slovaks, 9.7% Hungarians and 1.7% of Roma and 0.8% of Czech origin. Other minorities include Poles, Germans, Rusyns and Ukrainians

Official language: Slovak

Currency: EURO = 100 Cents

Religion: 84% of the population professes some religion of which 69% are Roman Catholic, 6.9% Protestant and 4.1% Greek Catholic. 13% of Slovaks identify themselves as atheists

Area: 49.035 km²

Geography:

Climate: Continental climate with cold winters and mild summers. Average annual rainfall for the whole of Slovakia is 743 mm

Administrative divisions: 8 administrative regions (kraj) Bratislava, Trnava, Nitra, Trenčín, Žilina, Banská Bystrica, Prešov and Košice

Weights and measures: Metric

Time zone: GMT + 1 From March to September, a daylight saving scheme is in operation, two hours ahead of GMT.

International dialing code: 00 421

Slovakia has made significant economic reforms since its separation from the Czech Republic in 1993. The Slovak Republic is one of the most successful of the 'transition' economies of Central/Eastern Europe. Its economy is characterised by a strong automotive sector, skilled workforce, reasonable tax rates and favorable geographic location in the heart of Central Europe.

Slovakia is already home to three carmakers making the country the world's leader in car production per capita (relative to size of population), and now looks set to have a fourth assembly plant as Jaguar Land Rover (JLR) pursues a factory close to Bratislava. The success of its automotive industry has been the key aspect of Slovakia's economic prosperity.

Privatisation and deregulation have turned the country into an affluent, economically competitive market economy and a member of the WTO, NATO and the OECD as well as the EU.

Slovakia imports machinery and electrical equipment, mineral products, vehicles and aircrafts, base metals, plastics and chemicals.

The country features political & economic stability strengthened by the common European currency (which Slovakia was among the first to adopt in the CEE region), a competitive taxation system, good and continuously developing infrastructure and good innovation potential for R&D projects.

Currently the best investment opportunities are observed in the sectors of Design & Innovation, Technology Centers, R&D, ICT & SW Development, BPO - Regional

headquarters, High-Tech sectors and Tourism Centers. Additional opportunities can be identified in the traditionally strong sectors with the growth potential in Slovakia: Automotive, Electronics, Machinery & Precision Engineering, Metallurgy & Metal Processing and Chemistry & Pharmacy.

Economic indicators

Population (2015)	5.42 million
Unemployment rate (2015)	12%
GDP per capita (Euro) (2015)	29.21
GDP average growth rate (2015)	2.7%
Inflation rate (2015)	1.2%
Total exports (billion Euro) (2014)	59.97
Total imports (billion Euro) (2014)	55.28
Internet usage rate (2015)	71% of the population

Source: Eurostat

The Slovak economy is dynamic and flexible and has repeatedly ranked among the fastest growing markets – prior to the recent global financial crisis, Slovakia's 10.4% growth in 2007 was the fastest in the EU, 2008 growth reached 6.4% (second highest in the EU). GDP growth estimated for 2015 stands at 3.2%, according to the National Bank of Slovakia, and predictions are at 3.8% in 2016 and 3.5% in 2017. The Slovak gross average monthly income of EUR 941 is the third highest in the CEE region surpassing Poland and Hungary.

The main export partners are Germany 23.3%, Czech Republic 13.6%, Poland 8.8%, Hungary 6.6%, Austria 6.5%, UK 5.4%, France 5.2% and Italy 4.8%.

The main import partners are Germany 19%, Czech Republic 16.9%, Austria 9.3%, Russia 7.9%, Poland 6.2%, Hungary 6.2%, South Korea 4.2% and China 4%.

B. Market assessment report

1.1. Market size and potential – export, import statistics, local production volume

Production of textile in Slovakia already existed in the Middle Ages but more significant development in the production of textile started in the 1860s. In the past Slovakia was a country at the forefront in textile manufacturing . More than 200 years ago, it was the textile industry, which triggered industrialization in Slovakia.

Textile industry experienced a period of constant development at the end of the 19th and beginning of the 20th century, culminating after 1948 when old factories were reconstructed (Makyta Púchov, Odevné Závody Trenčín, Zornica Bánovce nad Bebravou) and equipped with "modern" technologies. In 1969 textile production in Slovakia was covered by a single company Slovakotex. In 1980 the textile industry employed around 95 thousand people.

Since 1989, the Slovak textile and apparel sector has undergone major restructuring as a part of the country's transition from centrally planned to market-driven economy. State owned apparel manufacturers were privatized which negatively affected mainly the traditional areas of domestic textile production, namely yarn production, textiles and apparel production.

In 1990 there were 18 textile production companies in the sector. This number has increased to 218 by now (86 units in the textile industry and 132 companies in the clothing industry with over 20 employees).

Since the late 1990s, the industry has been struggling due to uncontrolled inflows of goods mostly from Asia.

The globalization of the textile and apparel market and recent global economic crisis brought changes also in the textile industry. Pressure on Slovak textile manufacturers grew after liberalization of textile imports to the European Union in 2005. After increasing the import quotas for Chinese textile, the negative trend has even deepened.

Facts

- 1989 - decline in domestic textile production (cheap imports from abroad, market disintegration and decreased purchasing power of the population)
- Period 1990 - 1999 brought 30% decrease in the production and employment
- Stagnation, declining share of this sector on GDP
- Poor labor conditions of employees (still persisting)

- Only few top domestic producers remained (Makyta Púchov, Odeva Lipany, Ozeta Neo Trenčín)
- In recent years the sector has undergone several transformations i.e. inflow of foreign capital into the industry, declining importance of the sector within the Slovak economy
- A number of businesses are in crisis, or even on the verge of bankruptcy
- Chinese expansion, strong import growth and the pressure of cheaper, especially Asian garments and textiles (China, Thailand, India)
- The whole sector registers major losses. The least significant losses are recognized in the apparel segment
- Employment in the sector is highly female-dominated, with women accounting for about 85%–86% of total employment

Market size (in billion EUR)

	2012	2013	2014
Total market size	3.60	3.72	4.02
Total exports of textile	1.42	1.46	1.57
Total imports of textile	1.68	1.74	1.88
Total local production (exports + local production)	1.92	1.98	2.14

Source: Slovak Statistical Office

The table above indicates that trade in the textile sector is quite balanced although import slightly exceeds export. Local textile industry is re-export oriented. Total import grew by 8% in 2014 compared to 2013. The total market size registered up to 10.5% growth from 2012 to 2014, reaching EUR 4 billion. The size of the local market is hard to estimate due to the high volume of re-export.

Import of raw textile (in million EUR): selected HS codes

	HS Code	2012	2013	2014
Textile fabrics impregnated, coated, covered or laminated with plastics	5903	58.02	53.47	53.65
Nonwovens, whether or not impregnated, coated, covered or laminated	5603	69.35	74.75	79.10
Yarn (other than sewing thread) made of synthetic	5509	29.47	31.98	34.87
Synthetic staple fibers, carded, combed or otherwise processed for spinning	5503	31.84	36.57	39.81
Woven fabrics containing at least 85% of cotton	5208	28.76	28.91	30.99
Warp knit fabrics (including those made on	6005	11.01	28.08	27.29

galloon)				
Woven fabrics made of synthetic filament yarn	5407	23.55	22.65	25.04
Yarn made of wool or fine animal hair	5109	1.60	14,86	38.84

Source: Slovak Statistical Office

Import of raw textile (selected HS codes) recorded its peak in 2014, increase by 13.5% compared to 2013 and 30% increase compared to 2012. When comparing the same period, the most significant growth was identified in the category of wrap knit fabrics (HS Code 6005) and the category of yarn made of wool (HS Code 5109). Most import of raw textile in 2014 originated in Germany, China, Czech Republic, Poland and Italy.

Import of apparel (in million EUR): selected HS codes

	HS Code	2012	2013	2014
T-shirts (T-shirts), singlets and other vests, knitted or crocheted	6109	131.04	141.48	152.63
Women's or girls' slips, petticoats, panties, short and long nightdresses	6108	30.55	31.45	37.37
Men's or boys' suits, ensembles, jackets, blazers and trousers	6203	112.63	106.82	122.15
Women's or girls' suits, ensembles, jackets, blazers, dresses and skirts	6204	93.23	100.09	107.57
Pullovers, sweaters and vests (waistcoats) and similar articles, knitted or crocheted	6110	98.02	102.27	114.16
Babies' garments and clothing accessories, knitted or crocheted	6111	21.67	26.40	33.67
Women's or girls' suits, ensembles, jackets, blazers, dresses and skirts	6104	48.40	64.17	74.71
Men's or boys' shirts	6205	26.36	28.08	28.92

Source: Slovak Statistical Office

Local import of apparel in the selected categories has been steadily growing since 2012, recording 11.7% increase in 2014 y-o-y. In 2014 the category of babies garments and clothing accessories (HS Code 6111) recorded a 55% growth compared to 2012. The key countries importing apparel to Slovakia in 2014 were China, Bangladesh, Turkey, **India** and Pakistan.

Export of raw textile (in million EUR): selected HS codes

	HS Code	2012	2013	2014
Textile fabrics impregnated, coated, covered or laminated with plastics	5903	22.56	24.66	22.93
Synthetic filament yarn (other than sewing thread)	5402	85.26	77.23	79.83
Yarn (other than sewing thread) made of synthetic	5509	59.27	70.70	75.73
Twine, cordage, ropes and cables, whether or not plaited or braided and impregnated	5607	15.48	14.48	17.71
Textile products and articles for technical purposes: textile products in the piece or cut	5911	20.35	23.47	21.95
Warp knit fabrics (including those made on galloon)	6005	20.30	24.36	30.74
Other knitted or crocheted fabrics	6006	35.54	35.20	36.07
Yarn made of wool or fine animal hair	5109	0.26	15.32	28.70

Source: Slovak Statistical Office

In 2014 export of raw textile in the selected categories experienced constant growth. Export grew by 21% compared to 2012 and by 9.9% compared to 2013. The category of yarn made of wool (HS Code 5109) registered a record rise compared to 2012. In 2014 the category of synthetic filament yarn (HS Code 5402) saw a slight decline by 6.8%. In 2014 the top Slovak export partners in the selected categories of raw textile were Czech Republic, Germany and Poland.

Export of apparel (in million EUR): selected HS codes

	HS Code	2012	2013	2014
T-shirts (T-shirts), singlets and other vests, knitted or crocheted	6109	128.63	120.73	125.56
Women's or girls' slips, petticoats, panties, short and long nightdresses	6108	45.31	43.95	49.53
Men's or boys' suits, ensembles, jackets, blazers and trousers	6203	132.33	131.07	138.55
Women's or girls' suits, ensembles, jackets,	6204	83.74	82.92	90.91

blazers, dresses and skirts				
Pullovers, sweaters and vests (waistcoats) and similar articles, knitted or crocheted	6110	91.55	97.40	106.26
Panty hose, tights, stockings, socks and other products of this kind	6115	80.08	80.33	80.05
Women's or girls' suits, ensembles and jackets, blazers, dresses and skirts	6104	83.74	82.92	57.48
Men's or boys' shirts	6205	37.73	34.11	38.81

Source: Slovak Statistical Office

In 2014 export of apparel within the monitored categories recorded growth by 2% compared to 2013 and by 0.6% compared to 2012. In 2013 there was y-o-y decline by 1.4%. In 2014 the categories of T-Shirts (HS Code 6109), and Men's suits, jackets and trousers (HS Code 6203) were the best exporting categories within apparel totaling EUR 264 million. In 2014 the key Slovak export destinations in the selected categories of apparel were Poland, Czech Republic, Hungary and Germany.

1.2. Domestic and foreign suppliers

The domestic textile and clothing industry heavily relies on foreign capital. Eighteen out of top twenty producers of textile are funded by foreign capital. Based on the desk research and financial statistics 3 of top 5 domestic producers of textile are active in the production of hosiery (Belfein, Tytex and Linora) one in home textile (Bodet and Horst Mattress) and one company produces hi-tech textiles (Muller Textiles). According to available financial data the companies with domestic capital in the top twenty are Makyta ranking 13 and Ozex ranking 16, respectively.

Two of the top five distributors in the category of textile traders are also engaged in trade with protective clothing (Červa and Rempo). Eight distributors from the top twenty are active in the distribution of home textiles.

Provided below are profiles of top companies in the Slovak textile industry listed by turnover figures.

1.3. Detailed company profiles of key textile producers

COMPANY NAME	BODET & HORST MATTRESS TICKING K.S.
Address - street	J.Zigmundíka 1489
Address - city	Vrbové
Address - zip	922 03
Telephone	+421 337 984 111
Fax	+421 337 984 100
E-mail	kontakt@bodet-horst.sk
Web	http://www.bodet-horst.de/
PROFILE	Manufacturer of textile products and mattress covers.
Description	World's leading manufacturer of knitted fabrics and mattress covers, with production facilities located in Germany, China, USA and Slovakia. At the Vrbové factory site (Slovakia) they produce a large part of KNITTED PRODUCTS as well as finished MATTRESS and TRICOT COVERS. The range includes all types of knitted mattress and cover materials from a single jersey and terry premium material bonded fabrics as well as high quality materials. The company management was not forced to lay off during the crisis and the company's sales have remained stable. The production of the plant in Vrbové supplies more than 160 customers on all continents, thus ensuring a sufficient diversification. Bodet & Horst is not directly threatened by Chinese competition. The Chinese are not as strong in the production of furnishings and they are not

	able to supply coatings on a weekly basis, but in the horizon of months.
Year of establishment	2005
Contact persons	General Manager: Mr. Gerd-Hermann Horst Head of production: Mr. Durmus Dogan General Manager Slovakia: Ms. Apollonija Spela Honigsman
Ownership	Bodet & Horst mattress ticking Verwaltungs s.r.o. (100%)
Turnover	2014: EUR 39.8 million
Number of employees	600

COMPANY NAME	BELFEIN SLOVAKIA,a.s.
Address - street	A. Hlinku 3
Address - city	Čadca
Address - zip	02201
Telephone	+421 414 302 123
Fax	+421 414 302 113
E-mail	n/a
Web	http://belfein.webnode.sk/
PROFILE	Production of hosiery, knitwear, textiles and accessories.
Description	Belfein Slovakia is a private manufacturing company and 100% shareholder of the company is - Nur Die GmbH, Rheine. Belfein is one of the largest employers in the Kysuce region (northern part of Slovakia). The scope of activities includes manufacture of hosiery, retail sale and production and distribution of heat. At the manufacturing plant they currently employ approximately 500 workers, mostly women
Year of establishment	1999
Contact persons	General Manager: Mr. Robert Bunta Member of the Supervisory Board: Mr. Jozef Blomer Board Member: Mr. Jozef Benco
Ownership	Joint Stock Company
Turnover	2014: EUR 31.2 million
Number of employees	500

COMPANY NAME	Tytex Slovakia s.r.o.
Address - street	Chemlonská 1
Address - city	Humenné
Address - zip	066 01
Telephone	+421 577 763 318
Fax	+421 577 763 318
E-mail	sju@tytex.sk
Web	http://tytex.com/
PROFILE	Manufacture and sale of hosiery from natural and synthetic fibers, and medical textiles.
Description	Tytex A/S is the parent company, with sales divisions in Denmark, the US, Germany and Thailand and sales representatives covering the global markets. The production facilities are located in Slovakia. The company production has focused for 40 years on development, production and sale of textiles for special medical needs ranging from post-surgery care to incontinence and maternity care
Year of establishment	2001
Contact persons	Executive Manager: Mr. Nielsen Niels Frost Member of the Supervisory Board: Mr. Rudiger Morgens
Ownership	Tytex A/S Denmark (100%)
Turnover	2014: EUR 24 million
Number of employees	450

COMPANY NAME	MULLER TEXTILES SLOVAKIA, s.r.o.
Address - street	Poľná 15
Address - city	Humenné
Address - zip	066 01
Telephone	+421 577 712 172
E-mail	quality@muellertextil.de
Web	http://www.muellertextil.de/
PROFILE	Production of three-dimensional spacer fabrics for the automotive industry
Description	Nearly 100% of the company's production is exported mainly to Western Europe, but also to the USA and Asia. Müller Textiles develops and produces three-dimensional hi-tech textiles. They are a leading supplier of 3mesh spacer fabric. 39% of production is sold in the German market.

Year of establishment	2004
Contact persons	Executive Manager: Mr. Jan Tomko Executive Manager: Mr.Pavol Stranak
Ownership	Müller Textil GmbH (100%)
Turnover	2014: EUR 20.8 million
Number of employees	140

COMPANY NAME	LINORA s.r.o.
Address - street	Hencovská 289
Address - city	Hencovce
Address - zip	09302
Telephone	+421 574 880 856
E-mail	vsk@vignoni.net
Web	n/a
PROFILE	Production of knitted and crocheted stockings
Description	Linora ranks among renowned producers and distributors of stockings in the European market. The first company in the group was established in the town of Castel Goffredo in Italy, and produced the first hosiery brand Vignoni. In 2000 the company merged with a Slovak company Chemes a.s. Hencovce and an Italian real estate company VIP Srl. This merge gave rise to establishment of a joint venture with the brand name VSK s.r.o.. Until 2011 the company was registered under the name KALI AGRO s.r.o. and since then the company name has changed to LINORA s. r.o
Year of establishment	2004
Contact persons	General Director: Mr. Ondrej Milco Executive Manager: Ms.Daniela Vignoni
Ownership	EUROVI s.r.o. (100%)
Turnover	2014: EUR 17.4 million
Number of employees	230

Overview of other major textile producers

Company	Ownership	Plant Location	Type of production	Turnover (EUR million)
DIPEX spol. s r.o.	foreign	Sereď	technical textiles	14
Johnson Controls Slovakia, s.r.o.	foreign	Žilina	seat covers	13.5
Bonar geosynthetics, a.s.	foreign	Ivanka pri Nitre	technical textiles	11.5
Oppermann Industrial Webbing s.r.o.	foreign	Levice	technical textiles	11.1
Andritz Kufferath s.r.o.	foreign	Levice	weaving of textiles	9.4
Capital Safety Group - Banská Bystrica, s.r.o.	foreign	Banská Bystrica	home textile	9.4
TIMM SLOVAKIA, s.r.o.	foreign	Trenčín	textile for fishing industry	8.7
MAKYTA a.s.	local	Púchov	apparel	8
TWISTA, spol. s r.o.	foreign	Humenné	synthetic fibers	8
Eterna s.r.o.	foreign	Bánovce nad Bebravou	apparel	8
Ozex, s.r.o.	local	Prešov	apparel	8
Svittex s.r.o.	foreign	Svit	stockings	7.9
GEMOR Fashion s.r.o.	foreign	Prešov	apparel	7.8
KUFNER TEXTIL, s.r.o.	foreign	Kúty	textile for apparel	7.8
Spilatex, s.r.o.	foreign	Levice	textile fibers	7.8

Source: Finstat, 2015

1.4. Detailed company profiles of key textile wholesalers

COMPANY NAME	ČERVA Slovensko, s.r.o.
Address - street	Diaľničná cesta 2
Address - city	Senec
Address - zip	903 01
Telephone	+421 220 674 711
Fax	+421 220 674 751
E-mail	senec@cerva.com
Web	http://www.cerva.com/sk
PROFILE	Wholesale and retail of protective clothing
Description	Wholesaler of brands: Australian Line, Black Knight, CRV, Červa, Ear Defender, Electra, Free Hand, iSpector, KIXX, Panda, Raven, Spirotek, Vektorthe. The company also supplies several retail chains. Among the key partners are 3M, Ansell, Bátmetall Kft., Boots, DG Tachov, EMOS, HexArmor, JSP, Lanex, Lockweiler, Moleda, Okula, Petzl, Refil, SafeWay, SIOEN, Plum, DuPont and UVEX. The product portfolio includes gloves, shoes, clothing, eye protection, hearing aids, head and respiratory protection
Year of establishment	1996
Contact persons	Executive Manager: Mr. Jozef Paulen
Ownership	ČERVA EXPORT IMPORT a.s. (100%)
Turnover	2014: EUR 16 million
Number of employees	40

COMPANY NAME	REMPO, s.r.o.
Address - street	Stará Vajnorská 19
Address - city	Bratislava
Address - zip	832 45
Telephone	+421 249 232 339
Fax	+421 244 452 848
E-mail	gregusova@rempo.sk
Web	http://www.rempo.sk/
PROFILE	Wholesale and retail of protective clothing
Description	For more than 65 years Rempo has been a traditional supplier of protective and working equipment to a variety of sectors,

	industries and private companies. The company is a leader in the supply of protective clothing in Slovakia. Rempo has just opened a modern supermarket with an area of 2380 m ² in Bratislava and a sales warehouse with an area of 580 m ² in Banska Bystrica offering more than 7,500 items. The top clients of the company include the Ministry of Interior, Ministry of Defence, Slovak Post and Slovak Railways
Year of establishment	2001
Contact persons	Executive Manager: Mr. Stanislav Balaz
Ownership	Mr. Stanislav Balaz (50%), Ms. Klara Dvorecka (50%)
Turnover	2014: EUR 11.9 million
Number of employees	60

COMPANY NAME	Praktik Textil s.r.o.
Address - street	Zlievarenská 1
Address - city	Trnava
Address - zip	917 02
Telephone	+421 335 903 232
Fax	+421 335 903 212
E-mail	obchod@praktik.sk
Web	http://www.praktiktextil.sk/
PROFILE	Wholesale of home textiles
Description	Wholesale and retail of household and hotel textiles, blankets, bed sets, bathrobes, towels. The company operates 11 outlets throughout Slovakia and 3 distribution centers.
Year of establishment	2008
Contact persons	Executive Manager: Mr. Drahomír Migra
Ownership	Mr. Drahomír Migra (100%)
Turnover	2014: EUR 4.3 million
Number of employees	70

COMPANY NAME	NORTHFINDER a.s.
Address - street	Rastislavova 109
Address - city	Lužianky
Address - zip	951 41
Telephone	+421 376 558 121

E-mail	infocz@nfsport.com
Web	http://www.northfinder.sk/
PROFILE	Wholesale of sportswear
Description	Top distributor of sportswear. Retail and wholesale. The distributed range includes winter jackets, ski and snowboard clothing, trousers, jeans, sweatshirts, shirts with long sleeves and accessories. Brands distributed: Northfinder (NF), and OXBOW
Year of establishment	2005
Contact persons	Chairman of the Board: Mr. Anton Sakmár Member of the Supervisory Board: Mr. Jozef Durica
Ownership	Joint Stock Company
Turnover	2014: EUR 3.9 million
Number of employees	33

COMPANY NAME	UNIONTEX TRADE, spol. s r.o.
Address - street	Kubranská 8
Address - city	Trenčín
Address - zip	911 01
Telephone	+421 327 433 323
Fax	+421 327 433 323
E-mail	hotelovytexil@uniontex.sk
Web	http://www.uniontex.sk/
PROFILE	Wholesale of household and hotel textiles
Description	Wholesale of hotel linen, table mats, bed linens and bathroom, window decorations, congress and cocktail professional clothing. The top clients of the company include hotel chains Holiday Inn, Intercontinental, Radisson or Double tree.
Year of establishment	1995
Contact persons	Executive Manager: Mr. Milan Porubský Executive Manager: Ms. Jana Porubská
Ownership	Mr. Milan Porubský - (40%), Ms. Jana Porubská (30%), Ms. Jana Sladká (30%)
Turnover	2014: EUR 3.9 million
Number of employees	20

Overview of other major textile wholesalers

Company	Location	Distributed products	Turnover (EUR million)
Sofatex, s.r.o.	Topolčany	upholstery materials	1.7
Husky SK, s.r.o.	Trnava	sportswear	1.7
Galterra, spol. s.r.o.	Lazany	textile haberdashery	1.4
DANILL, a.s.	Levice	fabrics	1.3
Duotex, s.r.o.	Vranov nad Toplou	stockings	1.3
TEXART Bratislava, s.r.o.	Bratislava	apparel	1.3
Select, s.r.o.	Trenčín	home textile	1.1
AMJ Trade Slovensko s.r.o.	Púchov	ties and shirts	1.1
TEXTIL ŽILINA, a.s.	Žilina	home textile	1
Jimi Textil s.r.o.	Bratislava	home textile	0.9
BTA SR, s.r.o	Prešov	fabrics	0.9
Collection KOMÉKO s.r.o.	Bratislava	home textile	0.9
Inntex, s.r.o.	Bratislava	home textile	0.9
Ovitex s.r.o	Poprad	home textile	0.8
POLO TRADE s.r.o.	Bratislava	apparel	0.8

Source: Finstat, 2015

1.5. Trade fairs, exhibitions and other events

Sector-specific trade fairs in Slovakia, 2016

Month	Place	Dates	Name of the trade fair	Web	Focus
January	Bratislava	28.1. - 31.1.	GASTROPACK	www.incheba.sk	Gastronomy, catering and accessories
February	Bratislava	12.2. - 13.2.	SVADOBNÝ VEĽTRH	www.svadobnyveltrh.sk	Everything for wedding
February	Bratislava	12.2. - 13.2.	DIEŤA A RODINA	www.incheba.sk	Products and services for child and family
March	Nitra	8.3. - 13.3.	NÁBYTOK A BÝVANIE	www.agrokomplex.sk	Household accessories

Month	Place	Dates	Name of the trade	Web	Focus
			2016		
October	Bratislava	12.10 - 16.10	MODDOM	www.incheba.sk	Furniture, home furnishings and interior design
December	Bratislava	1.12 - 18.12	DNI VIANOC	www.incheba.sk	Consumer Goods Fair

Source: EasyLink

1.6. Sector-specific organizations/associations

Slovak Association of Textile and Clothing Industry

(Asociácia textilného a odevného priemyslu SR)

Address: Štefánikova 19, 911 60 Trenčín, Slovakia

Tel: +421 327 437 811

E-mail: atop@atop.sk, Web: <http://www.atop.sk/>

ATOP SR is a leading organization which associates nearly 200,000 workers in the textile, clothing and leather industry.

Slovak Trade Union of Workers in the Textile, Clothing and Leather Industries

(Slovenský odborový zväz pracovníkov textilného, odevného a kožiarskeho priemyslu)

Address: Vajnorská 1305/1, 831 04 Bratislava, Slovakia

Tel: +421 250 240 310

SOZ TOK is a trade union organization of the Slovak textile workers

1.7. Useful contacts and sources of information

During our research we contacted several institutions where we obtained highly professional responses to our questions and up-to-date information about the Slovak textile industry.

Information resources used to develop this report included business databases and directories (printed and electronic), company catalogues and profiles, internet magazines, sector specific catalogues, and the consultant's own market knowledge and contacts.

Institutions:

Slovak Ministry of Economy

www.mhsr.sk

Slovak National Bank

www.nbs.sk

Slovak Statistical Office

<http://slovak.statistics.sk/>

Eurostat

www.epp.eurostat.ec.europa.eu

Economic Chamber of the Slovak Republic

<http://web.scci.sk/>

SARIO

www.sario.sk

Internet magazines:

<http://diva.aktuality.sk>
www.pluska.sk/emma
www.femme.sk
www.ilovelingerie.sk
<http://oblecko-tip-top.webnode.sk/>
www.moda.sk
www.peknamoda.eu
www.stajl.sk
www.thestyle.sk

Databases and directories:

Kompass Slovak Republic
HBI company database
Finstat
Evropska databanka
Zoznam
Azet

www.kompass.sk
www.hbi.cz
www.finstat.sk
www.edb.sk
www.zoznam.sk
www.azet.sk

C. Analysis, Strategy and Conclusions

2.1. Overall market potential

Although the domestic textile industry is still on decline there are certain competitive advantages. In the increasingly competitive environment the Slovak textile industry must redouble its efforts to maintain its position in the international markets, take full advantage of new opportunities and respond to new market requirements so it can withstand the growing Asian expansion.

Apart from strong low-cost competition, there are also other threats, particularly the impact of globalization processes in the global economy, market liberalization, exchange rate developments as well as increased maintenance costs.

The foreign trade balance adversely affects illegal imports which represent about 60% of the market. The textile and clothing industries are moreover affected by the loss of the former Eastern markets. Asian countries, particularly China, export their cheap production to Europe, while completely unilaterally banning imports of textile (apparel) into their territories.

The Slovak textile sector has been rather undercapitalized by local financial institutions, which has led to existential problems for numerous local textile manufacturers. Therefore these companies have looked for financially strong foreign partners.

Enterprises with foreign capital and know-how have competitive advantage over Slovak companies. The largest share on the domestic production recovery has been taken by foreign manufacturers taking full advantage of high-quality and cheap domestic labor.

The Slovak foreign trade balance in the textile, clothing and leather industries as a whole is balanced but mostly as a result of re-export. The majority of domestic production ends in foreign markets. Despite the fact that the industry is export-oriented, its share in the total export balance of the country is only 7.8%.

According to the opinions of market experts, the future of the Slovak textile industry lies in production of high quality apparel and hi-tech textile especially for the automotive industry. Cheap and mid-range textiles and apparels are likely to be entirely supplied by imports. Due to cost advantages domestic producers outsource their production of low-cost items in Asia.

Slovak producers are dependent on imports of materials for the production of apparels and other textile products.

Based on the research there are significant market opportunities especially in the following categories.

Best sales prospects include (we provide also HS codes):

Products/categories	HS code
Textile fabrics	HS 5903
Nonwovens	HS 5603
Synthetic staple fibers	HS 5503
Woven fabrics	HS 5208
Yarn (made of synthetics)	HS 5509
T-shirts	HS 6109
Men's or boys' suits, ensembles, jackets, blazers and trousers	HS 6203
Women's or girls' suits, ensembles, jackets, blazers, dresses and skirts	HS 6204
Pullovers, sweaters and vests	HS 6110
Women's or girls' suits, ensembles, jackets, blazers, dresses and skirts	HS 6104

Source: Slovak Statistical Office, EasyLink

2.2. Route to market

There are excellent opportunities for foreign textile suppliers interested in selling their products. However, tapping into local supply chains can be both a costly and time consuming process.

The quickest way into the market is to find a distributor with an existing distribution network which may welcome a new product that supplements an existing line. The most successful distributors work with their foreign suppliers to develop strategies tailored to the nuances of the local Slovak market, drawing on the distributor's knowledge of local pricing strategies, promotion and marketing techniques, and competition. In most cases, one distributor can provide coverage of the entire country for a related line of products.

Larger Indian firms might want to consider establishing joint manufacturing facilities in Slovakia to provide Just-In-Time (JIT) inventory to large clients in the neighboring Hungary, Poland, and Czech Republic.

Due to the importance of personal relationships in the market, we recommend that an Indian company executives visit Bratislava through an individual matchmaking project or join a trade mission. It might be also convenient to visit other nearby countries in the Central European region, such as the Czech Republic, Poland, or Hungary and get acquainted with the local markets.

Foreign entities may operate in Slovakia either as a foreign company branch or as a standard Slovak company. A foreign company branch is not a legal Slovak entity, but acts only as a registered representative of a foreign enterprise. Once a branch office is established, a responsible representative has to incorporate the branch into the Commercial Register.

Another option is to establish a Slovak company. The three most common company structures are limited liability, joint-stock and partnership company.

Following the signing of the Articles of Association, which constitute a company, a notary has to be appointed to verify their authenticity. The company then has to register for a trade licence. For this, an authorised representative who will be responsible for ensuring compliance with the trade licence rules has to be appointed. An authorised representative must be designated for each activity performed by the company, and may cover all the trades of the company. He/she can but does not have to be the owner of the company. Foreign authorised representatives need to acquire a visa for doing business in Slovakia and must have an adequate knowledge of the Slovak language.

Next, the company has to register with the local Commercial Court in order to be incorporated into the Commercial Register. The company will also have to register with the tax, social security and health insurance offices. The whole procedure takes approximately 24 days.

D. Summary

- Traditionally strong sectors with the growth potential in Slovakia: Automotive, Electronics, Machinery & Precision Engineering, Metallurgy & Metal Processing and Chemistry & Pharmacy.
- Since 1989, the Slovak textile and apparel sector has undergone major restructuring as a part of the country's transition from centrally planned to market-driven economy.
- Since the late 1990s, the industry has been struggling due to uncontrolled inflow of goods mostly from Asia.
- The trade in the textile sector is quite balanced although import slightly exceeds export. Local textile industry is re-export oriented.
- Employment in the sector is very female-dominated, with women accounting for about 85%–86% of total employment.
- The domestic textile and clothing industry heavily relies on foreign capital . Eighteen out of top twenty producers of textile are funded by foreign capital.
- Two of the top five distributors in the category of textile traders are engaged in business with protective clothing. Eight out of top twenty distributors are engaged in distribution of home textiles.
- The foreign trade balance adversely affects illegal imports which represent about 60% of the market. The textile and clothing industries are further affected by the loss of the former Eastern markets.
- The majority of domestic production is exported to foreign markets. Despite the fact that the industry is export-oriented, its share in the total export balance of the country is only 7.8%.
- According to opinions of the market experts, the future of the Slovak textile industry lies in production of high quality apparel and hi-tech textile especially for the automotive industry.