

CBI MARKET SURVEY

THE OUTERWEAR MARKET IN LATVIA

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Introduction

This CBI market survey gives exporters in developing countries information on some main developments on the outerwear market in Latvia. The information is complementary to the information provided in the CBI market survey 'The outerwear market in the EU' which covers the EU in general. That survey also contains an overview and explanation of the selected products dealt with, some general remarks on the statistics used as well as information on other available documents for this sector. It can be downloaded from <http://www.cbi.nl/marketinfo>

1. Market description: consumption and production

Consumption

- Changing to a market-led economy has benefited Latvia greatly. Since 2000, it has consistently enjoyed real GDP growth rates of 6-9% and joined the EU in May 2004.
- Clothing expenditure grew 23% during the period 2002-2005 to € 404 million, of which 90% outerwear. Latvia ranked 24th in outerwear consumption, it is only in Malta that the market size is more limited.
- Expansion by domestic and especially foreign clothing multiples will help to drive the clothing sector and it is expected that clothing expenditure by Latvian consumers will grow by an annual rate of approx. 7% over the period 2006-2009.
- Latvia's population has declined by 3.2% since 2000, reaching 2.3 million in 2005. In 2010 the population will have fallen to 2.2 million and is projected to fall further to 1.9 million by 2050.

Table 1 Consumer expenditure on outerwear in Latvia in value, 2002-2007
(in € million)

	2002	2003	2004	2005 e)	2006 f)	2007 f)
Women's outerwear	128	137	147	160	171	184
Men's outerwear	84	90	97	107	115	123
Knitwear	58	62	66	69	74	80
Clothing accessories	25	26	28	29	31	33
Total outerwear	295	315	338	365	391	420
Total clothing	329	350	376	404	430	461
Yearly change in %	+ 4.8%	+ 6.8%	+ 7.1%	+ 7.5%	+ 7.0%	+ 6.8%

e) estimated f) forecasted

Source: Euromonitor and national statistics (CSBL)

- Per capita consumption in Latvia is € 175, which is far below the EU average of € 601. Consumption will undoubtedly grow as incomes and spending patterns approach European norms, although this may still be several years away.

Production

- The share of Latvian clothing production in total EU turnover amounted to 0.2% in 2004. The first half of 2005 was not very favourable for the clothing industry, because the main markets are in the EU member states. Because of the weak demand in the EU countries and high competition in the sector, the Latvian producers were not able to expand outputs.
- A strength of the Latvian clothing industry is its competitive advantage in engineering, production and design, while its main weakness is low brand recognition in its main market.

- A list of 33 manufacturers including links to their websites can be found at the website of the chamber of commerce in Latvia: <http://www.latvijas-talrunis.lv/lcci-new/index.htm>.

Trends

- Riga, the capital of Latvia, is known as the Paris of the North. Latest trends in fashion, but also in other cultural sectors are booming in the city. The Riga Fashion Week is also a springboard for new and innovative designers. This has a great influence on the consumer behaviour of the young Latvian people.
- Brand names are therefore very popular and strong in this part of Europe. High fashion and casual/street wear are popular, especially among the youth.

Opportunities and threats

- Financial support by the EU to encourage economic development of this country will not be enough for Latvian companies to adapt European regulations in time and it is expected that many local shops will go bankrupt. This will open up opportunities for strong (West) European fashion brands in the higher segments and for exporters in developing countries in the mid and lower segments of the market.

Useful sources

- Euratex Bulletins (<http://www.euratex.org>); Central and Eastern Europe Textile Business Review (<http://www.textilemedia.com/25701.html>); Retail Intelligence/Mintel (<http://www.mintel.com>); Euromonitor (<http://www.euromonitor.com>); national statistics and websites of organisations mentioned in this survey.

2. Trade: imports and exports

Imports

- In 2004, Latvia imported 4,000 tonnes outerwear valued € 86 million, consisting of € 50 million of woven outerwear, € 33 million of knitted outerwear and € 3 million of leather garments. Total imports showed a growth of 4% compared to 2002. Total Latvian imports from developing countries increased in terms of volume (+ 27%) and decreased in terms of value (- 7%) in the period 2003-2004. This development can completely be ascribed to imports from China and Turkey: imports from these countries increased considerably in volume against much lower prices. Exports to Latvia from other developing countries were very limited (Bangladesh, India, Tunisia and Thailand).
- Imports of knitted outwear consisted of jerseys, pullovers etc. (31%); T-shirts (30%); sportswear (9%); clothing accessories (6%); blouses and shirts (5%).
- Imports of woven outerwear consisted of trousers, shorts etc (32%); coats and outdoor jackets (19%); blouses and shirts (11%); indoor jackets (8%); suits and ensembles (7%); skirts (5%); sportswear (5%).
- Italy became the leading outerwear supplier of Latvia, with an import share of 16 percent in terms of value, followed by Finland (import share of 12%), Estonia (import share of 9%) and China (fell 22% to an import share of 8%). Other countries with increasing exports to Latvia were: Turkey, Denmark, Lithuania, France and The Netherlands.

Exports

- Latvia exported outerwear valued € 145 million in 2004, consisting of € 90 million of woven outerwear, € 54 million of knitted outerwear and € 0.2 million of leather garments.
- Total outerwear exports grew considerably by 11% during the period 2002-2004.
- Destinations were mainly (93% in value) other EU countries, like Germany (27% of total exports), Denmark, Sweden, United Kingdom, Finland, Ireland and Estonia. Leading destination outside the EU was Iceland at distance followed by Russia and the USA.

Opportunities and threats

- A decreasing share of Latvian imports came from developing countries and accounted for 19% in 2004, which is low compared to other EU countries.

- Import shares from developing countries were higher in product groups like woven trousers and woven shirts and blouses, and lower than average in product groups like suits, indoor jackets and sportswear.
- Import prices fell sharply during the period 2003-2004. The decrease in average import prices will put further pressure on Latvian producers.

Useful sources

- EU Expanding Exports Helpdesk - <http://export-help.cec.eu.int/>
- Eurostat – official statistical office of the EU - <http://epp.eurostat.cec.eu.int>
- Euratex bulletins - <http://www.euratex.org>

3. Trade structure

- The Latvian market can be entered in several ways, of which most interesting for exporters in developing countries are: exports to wholesalers, manufacturing companies, either or not vertically organised, clothing multiples or hypermarkets.
- The distribution system in Latvia reflects the demographic, administrative and territorial characteristics of the country. Latvia is a centralised country. Approx. 675 specialised clothing retailers operate on the Latvian retail market.
- Domestic clothing chains are limited in size, such as: Bergs (Mode Plus) 2 stores, Balle (Neo Prim) 3 stores, MOS (Marco Group) 11 franchised fashion stores.
- Influence of foreign companies is enormous:
Estonian clothing manufacturer Baltika is active on the retail front with 10 stores and Klementi with 2 stores; Finnish retailer Stockmann entered the Latvian clothing market in 2003 and currently operates six Seppälä clothing storers and one department store in Riga; Varner from Norway: 18 stores of several formula (Bik Bok, Carlings, Cubus, Dressmann); Imitz from Lithuania 6 stores.
- Big hypermarkets and shopping centres have opened in the last few years, with corners dedicated to clothing, offering goods at competitive prices. Leading retailers in this field are: Rimi Baltic (joint venture of ICA from Sweden and Kesko Food); the Lithuanian chains VP Market, CBA Aibė and IKI.
- Information about wholesalers in clothing can be found at: <http://www.latvijas-talrunis.lv/lcci-new/index.htm>

4. Prices

- Analysis of clothing prices in 2004 relative to 2000:
Consumer prices + 5.5%
Import prices + 2.8%
- The Latvian market can be characterised by a relatively high increase in consumer prices, while import prices showed a slight increase.
- The VAT rate for clothing in Latvia is 18%.
- An impression of average prices can be formed by browsing through the catalogues of company websites, as mentioned above.

5. Market access requirements

- Manufacturers in developing countries should be aware of the market access requirements of their trading partners and the country's government. Requirements are demanded through legislation and through labels, codes and management systems. These requirements are based on environmental, consumer health and safety and social concerns.
- Mandatory labelling requirements in Latvia are valid for composition of textiles, origin marking, size marking and care-labelling/washing instructions (<http://www.ginetex.org>). Labelling has to be formulated in the Latvian language.
- For more information go to 'Search CBI database' at <http://www.cbi.nl/marketinfo>.

6. Business practices

Try the following for information on business practices:

- The Latvian Textile and Clothing Association (LATVIA) has no website and can be reached <mailto:stragu@latnet.lv>
- The yearly clothing trade fair Intertextil Balticum has an international character, more information can be found at: <http://www.rigaexpo.lv>.

This survey was compiled for CBI by Fashion Research & Trends.

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