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OPORTUNIDADES DE INVERSIÓN Y COOPERACIÓN EMPRESARIAL

Oficina Económica y Comercial
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Textile, Leather, Fur, Footwear and Tailoring Industry in Bulgaria

ICEX

Textile, Leather, Fur, Footwear and Tailoring Industry in Bulgaria

This market report has been elaborated by NEWTON Finance Bulgaria AD under the supervision of the Spanish Economic and Commercial Office of the Spanish Embassy in Sofia

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TEXTILE, LEATHER, FUR, FOOTWEAR AND TAILORING INDUSTRY IN BULGARIA

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1 • INTRODUCTION

The territory of Bulgaria covers an area of 110 993.6 km². Situated in the southeast of the Balkan Peninsula, it is bordered by the Danube River and Romania to the north, the Black Sea to the east, Turkey and Greece to the south, and Serbia and FYROM to the west. The area is strategically placed between north and south Europe and between Europe, Asia and the Middle East. The total length of its boundaries is 2245 km, of which – 52.6% land areas, 30.6% river areas, and 16.8% sea areas. The country is divided into 28 regions.

With the exception of the Danube lowlands to the north and the Thracian plain in the south, the country is dominated by mountain ranges. It offers a rich diversity of landscapes, from mountainous terrain to rich farmland in the Danube Valley and 130 km of beaches along the Black Sea. Bulgaria is one of the fastest growing tourist destinations in Europe and aside from the summer resorts on the Black Sea coast and winter skiing resorts in the mountains, it offers a range of other attractions including mountain scenery, history and wildlife.

According to the latest census taken in 2001, the population of Bulgaria towards 01.03.2001 was 7 932 984 inhabitants. More than one half (51.6%) is concentrated in 40 towns with more than 25 000 inhabitants. 32.3% of the population lives in the largest towns of Bulgaria with more than 100 000 inhabitants, which is approximately one third of the whole population. There are nine Bulgarian towns with population of more than 100 000 inhabitants: Sofia, Plovdiv, Varna, Burgas, Russe, Stara Zagora, Pleven, Sliven and Dobrich. Sofia is the capital of the country, with population of 1 173 988 inhabitants, followed by Plovdiv (338 302), Varna (320 668), Burgas (209 479), Russe (178 435), Stara Zagora (167 708), Pleven (149 174), Sliven (136 148) and Dobrich (100 000). The average density of the country's population is 71.5 inhabitants per km². The regions of Sofia, Plovdiv and Varna are the most urbanized ones.

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1.1. THE BULGARIAN ECONOMY

Since 2001 the economic growth of Bulgaria has been stable. Bulgaria has maintained a high degree of macroeconomic stability with strong economic growth, relatively low inflation and falling unemployment, but the external deficit remains high. GDP in 2004 compared to 2000 rose 20.5 percent. The increase was lowest in 2001 (4.1%). Boosted by strong domestic demand and high investment, real GDP grew at 5.6% in 2004 which was the highest rate since the start of transition. GDP per capita in purchasing power standards increased to 30.8% of the EU-25 average. In the first half of 2005, economic performance continued to be strong with a GDP growth rate of 6.2%.

Main economic indicators

№	Indicators	2000	2001	2002	2003	2004
1	Gross Domestic Product (BGN m)	26 753	29 709	32 335	34 547	38 008
	Indexes					
	2000=100	100	104.1	109.2	114.1	120.5
	Previous year=100	100	104.1	104.9	104.5	105.6
2	Inflation (CPI-100, %)	10.3	7,4	5,8	2,4	6,2
3	Investment (BGN m)	4 206	5 415	5 909	6 694	7 957
	Investment/GDP (%)	15.7	18.2	18.3	19.4	20.9
4	Unemployment (%)	16.4	19.5	16.8	13.7	12.0
5	Employed (thousands)	2 980	2 940	2 979	3 166	3 236
6	Foreign trade					
	Export - FOB (BGN m)	10 274	11 176	11 858	13 042	15 617
	Import - CIF (BGN m)	13 857	15 897	16 451	18 797	22 726
	Balance (BGN m)	-3 583	-4 721	-4 593	-5 755	-7 109
	Balance/GDP (%)	-13,4	-15,9	-14,2	-16,7	-18,7

Source: BNB

Investment activity speeded up. From 2000 to 2004 the value of the investments (gross fixed capital formation – GFCF) almost doubled with its share in the GDP rising by 5.2 points from 15.7% to 20.9%. Since the beginning of 2003, progress has been made in the privatization of several large enterprises, including shipbuilding and telecommunications:

- ♦ In October 2003, 75% of the Varna shipyard was sold to the Bulyard shipbuilding company, a US / Bulgarian joint venture company.
- ♦ In June 2004, Bulgaria finalized the sale of a 65% stake in the Bulgarian Telecommunications Company (BTC) to a private equity consortium led by Advent International, for EUR 230 mln. The estimated investment commitment for the next five years is EUR 700 mln. Until recently BTC was the dominant operator in land line telecommunications but this has recently changed with the government issuing licenses to a number of companies, increasing the total number of BTC's rivals to 11. Some will offer a full range of services whilst others will provide access to other networks.
- ♦ Five of the Bulgarian district heating companies have been prepared for sale and an international adviser has been appointed for the privatization of five of the country's thermal power plants.
- ♦ The main failure of the privatization program has been in the tobacco industry, where the proposed sale of key factories collapsed after BAT withdrew due to the

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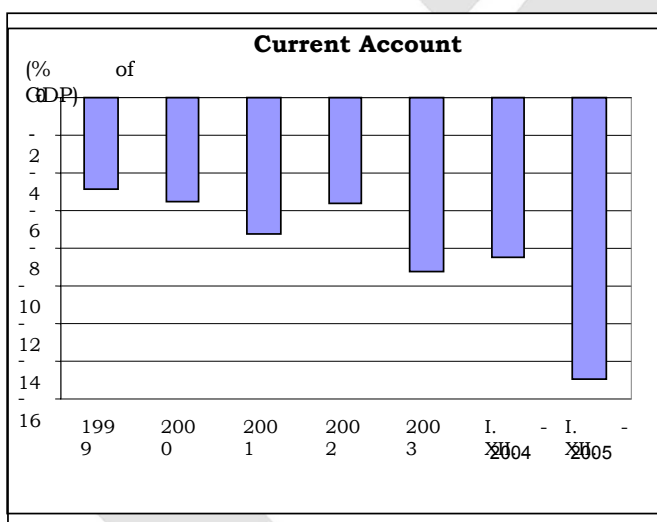
restrictions being placed on the deal. This was blamed on the June 2005 parliamentary election, with the Movement for Rights and Freedoms, largely backed by ethnic Turks who are a dominant worker group in the tobacco industry, unable to support the proposed sale.

Since 2001 employment has increased and unemployment has shrunk. The employed people in 2004 compared with 2000 grew by 256 000 or nearly 9%. The unemployment rate fell by 4.4 points from 16.4% to 12.0%.

Inflation in the country was continuously decreasing until 2003. Compared with 2000 it fell over four times. In 2004, however, as compared with 2003, it was 2.5 times higher. This adverse to the economic development of the country trend continued in 2005 when, compared to 2004, the average annual consumer prices jumped 6.5%.

Foreign Trade

After a temporary improvement in 2004, the current account deficit increased again considerably in 2005. According to preliminary January – December 2005 data from the Bulgarian National Bank (BNB), the current account deficit was EUR 3.163 bln (14.9% of GDP), against a deficit of EUR 1.648 bln (8.5% of GDP) for 2004. In case of a continued deterioration, additional corrective measures may become necessary. Without the possibility for active monetary and exchange rate policies within the currency board arrangement, tight fiscal and wage policies are critical for maintaining internal and external stability.



Source: BNB

Bulgaria's economic growth has been hampered by the continuously increasing foreign trade deficit. According to preliminary January – December 2005 data from BNB, the trade deficit amounted to EUR 4.083 bln (19.3% of GDP), and the deficit increased by EUR 1.354 bln compared to 2004 (a deficit of EUR 2.729 bln, 14% of GDP). Despite a better than expected export performance mainly due to favorable developments in commodity prices, the trade balance deteriorated further in 2005 because imports surged even more strongly. According to BNB, in January – December 2005 exports (FOB) amounted to EUR 9.454 bln and were up by 18.4% compared to January – December 2004. In 2005 imports (FOB) increased by 26.3% compared to 2004, reaching EUR 13.537 bln.

The trade deficit and the current account deficit widened considerably in 2005 also because of the increase in oil prices.

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Structural Reforms

According to the annual EC Monitoring Report 2004, structural reforms have been further deepened in all areas. Reforms of product and capital markets have continued and are broadly in line with key objectives of the Lisbon agenda. Privatization has been completed in many sectors. Good progress was made in the sale of remaining enterprises, for example in the energy sector, although not without setbacks and delays as regards for example the failed privatization of the tobacco company or the cancellation of the privatization process for a thermal power plant. Company restructuring in the network industries has been triggered by the privatization of companies and the increasing liberalization of markets.

Preparations for the unbundling of the National Electricity Company have started with the separation of accounting systems for different units. The implementation of the national program for restructuring the steel industry, adopted in March 2004, is to be completed by 2007. Progress in its implementation in the last year included the closure of some steel mills, staff reductions and further investments. In coal mining, three more coal pits were privatized during the reporting period and preparations for the privatization of one of the two remaining state-owned mines are under way.

Prices for energy, gas and telecommunication have been fully aligned with costs. Some cross-subsidization still exists with regard to electricity and heating energy for households, but should be phased out in 2006. Following tariff increases for rail passenger services, the gap to full cost recovery levels has been reduced. Market entry of new firms has been dynamic, but both market entry and exit continues to be hampered by relatively costly, complex and time-consuming procedures.

Although further reform is required, structurally the Bulgarian economy has developed considerably. Greater macroeconomic stability has improved in the business environment and the agricultural sector's contribution to GDP has halved since 1997, with the service industry now dominating.

Financial Sector

The currency board arrangement pegging the Bulgarian lev (BGN) to the euro continued to contribute to macroeconomic stability. Bank credits to households and non-financial enterprises expanded again at almost 50% in 2004 fuelling domestic demand and import growth. The Bulgarian National Bank (BNB) took additional measures in April 2005 to curb bank credit growth by imposing de facto ceilings on the extension of new credits. Partly in anticipation of these measures, credit growth increased again at record levels in the first quarter of 2005, but cooled down significantly to under 40% until the end of July. Fiscal policy remained stability-oriented. Due to better than expected revenues, the general government balance ended with a surplus of 1.3% of GDP in 2004 (based on EU accounting standards, ESA 95) contributing to the reduction of general government debt to below 40% of GDP in 2004.

Financial mediation has been further deepened both in the banking and non-banking sector. Due to the high credit growth rates, bank credits to non-financial private corporations and households have increased by almost 10 percentage points to 35% of GDP until the end of 2004. In line with credit expansion, the ratio of deposits to GDP increased by more than 10 percentage points to over 50%. Despite the high credit growth, bank performance indicators do not show any obvious deterioration in the financial situation of banks. The share of substandard and non-performing loans stood at 3.5% at the end of 2004 down from 4.2% at the end of 2003. The capital adequacy ratio declined from 22.0% at the end of 2003 to 16.1% at the end of 2004 but is still well above the legal minimum of 12%. A new regulation on the capital adequacy of banks entered into force in July 2005. The role of the

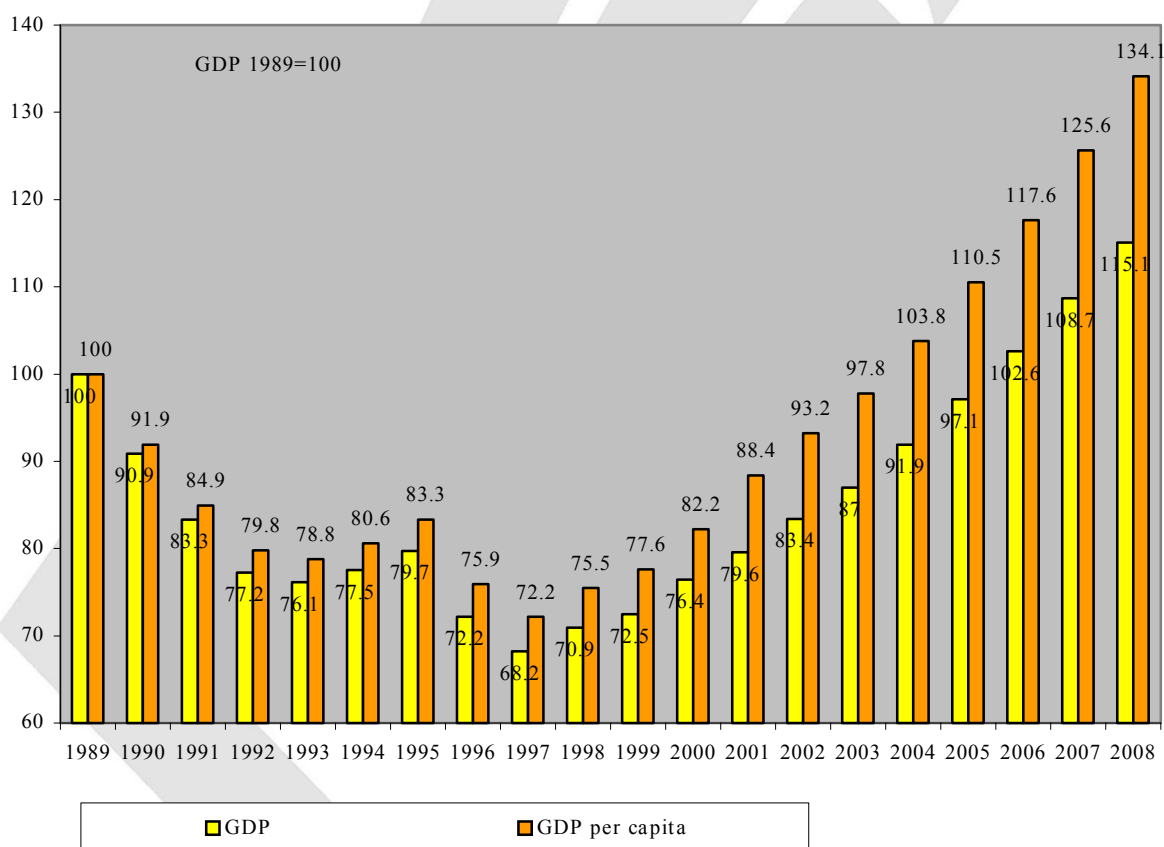
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non-banking sector in financial mediation remains limited but continues to increase. Stock market capitalization has increased as a share of GDP from 7.9% at the end of 2003 to 21.5% at the end of June 2005. The assets of pension funds have also further increased from 1.5% of GDP to 2.4% over the same period.

1.2. PROSPECTS OF THE BULGARIAN MARKET

In 2004, the economy approached by another 4.9 percentage points its 1989 GDP level, which, according to the Agency for Economic Analysis and Forecasting (AEAF) at the Ministry of Finance, will be reached in 2006. Concerning the GDP per capita indicator, the 1989 level was already reached in 2004. The share of the private sector in gross value added increased by three percentage points compared to the previous year, and reached a value of 76.5%. This was due both to the higher participation rate, and to the continuing privatization processes.

Gross Domestic Product Development



Source: NSI, AEAF

During the first half of 2005, the Bulgarian economy continued developing at high rates. For the first six months GDP increased by 6.2% in real terms, and its nominal value reached EUR 9.4 billion. This is the highest growth rate of the physical volume of the indicator for the first half of the year for the last seven years and it creates a good basis for the realization of an annual growth rate of about 5.7% in 2005. For the period 2006 - 2008 the Agency for Economic Analysis and Forecasting expects

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that the positive development of the Bulgarian economy will be maintained, with forecasted growth rates of about 5.7-5.9% annually. The factors underlying the forecasts are the dynamic exports developments and the increasing volume of investments in the economy.

Both the recent political stability of Bulgaria and its prospective accession to the EU have underpinned strong recent growth. One of the key factors driving this has been a credit driven boom which has accelerated since the privatization of the banking sector. Inflation has increased as a result but it remains in single digits and below the regional average. Inflation is forecast to fall back to around 4% this year.

One area of obvious risk, however, is that if domestic demand grows at a stronger than expected rate, then a more strict fiscal and monetary policy will be required to avoid deterioration in the deficit. Otherwise the sustainability of the currency board might be jeopardized.

Bulgaria has a lower level of GDP per capita than the average for the last wave of accession countries, although this is balanced to some extent by a lower than average level of living costs. In nominal terms for example, Bulgarian GDP (in 2003) stood at 39% of the level of the last EU accession countries. In terms of GDP at Purchasing Power Parity (PPP), which takes account of differences in living costs, Bulgarian GDP is however 60% of the average of the last accession countries.

Private consumption per head has risen rapidly since 1999 as income growth has recovered and real wage growth is expected to increase further in the short term, with plans by the current government to increase minimum wages by 25%. The taming of inflation has been a further positive boost to consumers and the main area of downside risk comes from the effect of a weak labor market, although unemployment is easing down slowly.

Average monthly incomes increased by 6.3% to BGN 306 in 2004 but average household spending surged ahead by 14% in the same period. Retail spending grew at a rate of 13.3% on the year, with household goods and appliances seeing particularly strong growth (25.2%). Spending has slowed in 2005 but at over 10% remains very robust.

Key indicators	2003	2004	2005	2006	2007	2008
Real GDP growth (%)	4.3	5.6	4.5	4.7	4.5	4.3
Consumer price inflation (avg %)	2.3	6.1	4.1	3.8	3.6	3.3
Budget balance (% of GDP)	0	1.7	1.1	0.3	-0.3	-0.5
Current-account balance (% of GDP)	-9.3	-7.5	-7.2	-7	-6.6	-6.2
Short-term central interest rate (avg %)	2	1.9	2.3	2.7	3.5	3.8
Exchange rate BGN: USD (avg)	1.73	1.57	1.43	1.4	1.45	1.51
Exchange rate BGN: EUR (avg)	1.96	1.96	1.96	1.96	1.96	1.96

Source: AEAf

With a recent agreement for the potential adoption of the Euro in Bulgaria in 2009 or 2010, thereby reducing exchange-rate risks, trade integration with the EU is expected to increase. Legislation is planned to allow parallel use of both the Euro and Bulgarian Lev in cash transactions as of 2008, whilst prices will be quoted in both currencies a year before the changeover.

GDP per capita in Bulgaria is expected to rise by 40% in purchasing power parity (PPP) terms between 2002-2007 and by 70% in nominal US dollar terms. Even following this rise, the country will still have some way to go to get in line with Central & Eastern European averages. It is believed, however, that the current GDP gap is overstated with Bulgaria's "grey" economy suggested to be the largest in the region; it

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is currently estimated at around 30% of GDP. The share of the grey economy is expected to decline over time as the economy develops and tax administration improves.

In addition to the EU accession negotiations and NATO membership from 2004, Bulgaria is also a member of the Central European Free Trade Agreement (CEFTA) and has negotiated bilateral agreements with each member state. This has significantly changed the trade flow from Bulgaria. Export growth is expected to slow in the near term in light of the relative weakness in demand within Europe as a whole.

Bulgaria enjoys easy access to the 132 mln-strong markets of the 10 countries of the Balkans Region, most of which are undergoing a dynamic transition towards being market economies. A population of over 60 million lies within 500 km of Sofia and while local road infrastructure is in urgent need of improvement, a network of international motorways cross the country, allowing access to Western Europe, the Adriatic, the Black Sea Coast, as well as Russia and Asia.

1.3. APERTURE TO FOREIGN INVESTMENT

Bulgaria ranks first in the world by investment to gross domestic product (GDP) ratio for 2005. As regards 2005 overall investments, the money has been invested in construction of supermarkets, hotels, industrial enterprises, power engineering, telecommunications, and transport.

According to preliminary January – December 2005 data from the Bulgarian National Bank (BNB), the foreign direct investments (FDI) in Bulgaria amounted to EUR 1.876 bln (8.9% of GDP) against EUR 2.278 bln (11.7% of GDP) attracted in 2004.

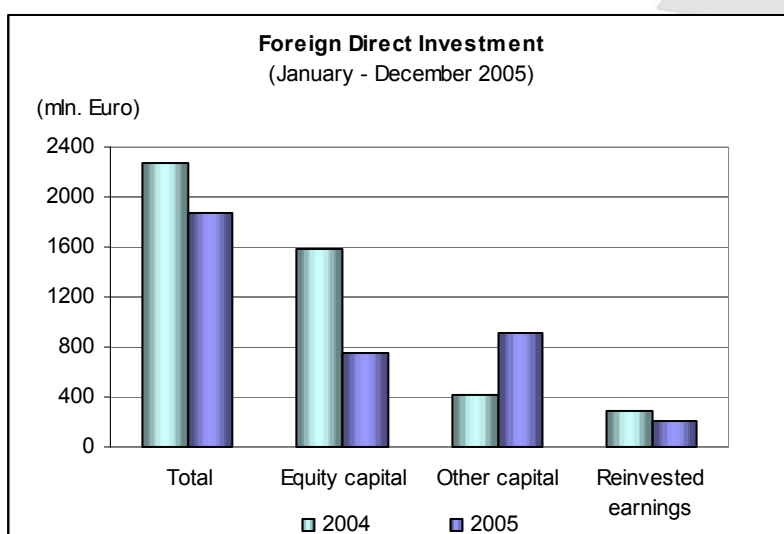
Foreign direct investment in Bulgaria, EUR million

	2004					2005					Growth 2005– 2004
	Q1	Q2	Q3	Q4	total	Q1	Q2	Q3	Q4	total	
Direct investment, net	380.2	707.8	-572.5	1281.5	1797.1	353.5	322.2	600.8	327.5	1604.0	-193.1
Direct investment abroad	-12.3	-4.5	-5.1	190.3	168.3	-15.2	-10.2	-215.3	-15.9	-256.5	-446.8
Foreign Direct Investment	392.6	532.3	262.1	1091.2	2278.2	368.6	375.7	506.8	624.9	1876.0	-402.2
Equity capital, incl.	105.5	283.1	110.8	1080.0	1579.4	125.6	117.7	259.4	255.0	757.7	-821.7
From privatization	46.0	197.1	0.0	693.2	936.3	0.0	0.0	0.0	0.0	0.0	-936.3
Non-privatization flows	59.5	85.9	110.8	386.8	643.0	125.6	117.7	259.4	255.0	757.7	114.6
Other capital	213.5	177.0	77.5	-55.2	412.9	200.1	200.8	175.4	332.8	909.1	496.3
Reinvested earnings	73.6	72.2	73.8	66.4	286.0	42.9	57.2	72.0	37.2	209.2	-76.7
Mergers and acquisitions, net	-	180.0	-829.5	-	-649.5	-	-43.3	309.3	-281.6	-15.5	-
Receipts	-	180.0	270.5	-	450.5	-	-	1548.3	-	1548.3	-
Payments	-	-	-1100.0	-	-1100.0	-	-43.3	-1239.0	-281.6	-1563.9	-

Source: BNB

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The attracted equity capital (acquisition/disposal of shares and equities in cash and in kind by non-residents in/from the capital and reserves of Bulgarian enterprises) reached EUR 757.7 million for the reporting period. Its relative share in the foreign direct investment for the reporting period amounted to 40.4%. It decreased by EUR 821.7 million compared to that attracted in 2004 (EUR 1,579.4 million, of which EUR 936.3 million from privatization deals).



Source: BNB

In January–December 2005 there was no equity capital on privatization deals with non-residents attracted. The attracted equity capital on non-privatization deals totaled EUR 757.7 million for the reporting period, increasing by EUR 114.6 million compared to EUR 643 million for 2004.

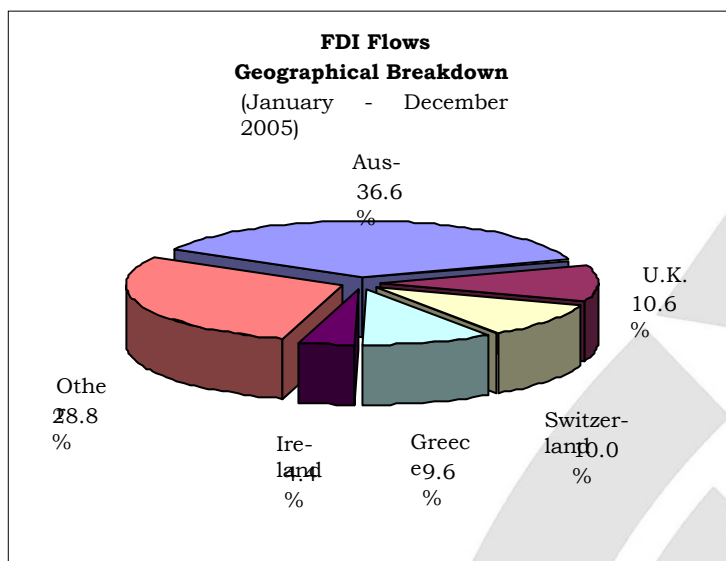
Foreign direct investment in Bulgaria by years

Year	Privatization	Greenfield + Expansion
	%	%
2000	36.5	63.5
2001	2.4	97.6
2002	15.0	85.0
2003	16.9	83.1
2004	47.8	52.2
Sept 2005	0.0	100.0

Source: InvestBulgaria Agency

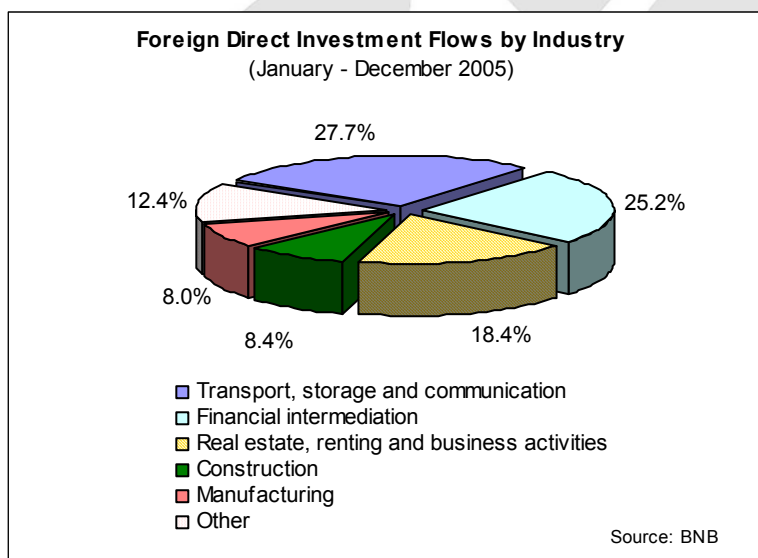
By countries, the largest investments in Bulgaria for the reporting period were those of Austria (36.6% of the total foreign direct investment), Great Britain (10.6%) and Switzerland (10%).

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Source: BNB

By branch, the largest investments for January - December 2005 were in Transport, storage and communication (EUR 519.2 million), Financial intermediation (EUR 472.7 million), Real estate, renting and business activities (EUR 344.6 million), Construction (EUR 156.7 million) and Manufacturing (EUR 150.3 million). The total amount of the expected investment in 2006 is EUR 6.1 bln. EUR 3.8 bln will come from domestic and EUR 2.3 bln from foreign investors.



Source: BNB

Some of the largest investments in 2005 include Mobiltel's capital increase through Telekom Austria's buy out of the Bulgarian company, Lukoil's investments in Neftochim Bourgas, and financial institutions increasing their capital for loans to small and medium sized businesses. Among the largest investors were Sofia Med, Sisecam, Kremikovtsi, Dundee Precious Metals, Asarel Medet, and Festa hotels.

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Investments in 2005 were relatively equally spread throughout all sectors and from all countries, whereas last year's bulk of investments was in the energy and bank sector.

In 2005, InvestBulgaria Agency certified 10 projects as first class investments and 2 projects as third class investments. InvestBulgaria Agency (IBA) expects the total volume of investments in 2006 to be EUR 6.1 bln of which EUR 3.8 bln will be domestic investments and EUR 2.3 bln will be foreign investments. These figures do not include privatization deals. According to InvestBulgaria Agency, investments in 2006 will have emphasis on high technologies and telecommunications sectors. Estimates indicate that the predicted investments will be distributed in the following manner: 25% in manufacturing, 20% in services, 20-25% in the energy sector and the rest in the transportation, and mining and quarrying sectors.

The underlying factors behind the increased level of green-field investment in Bulgaria include:

- ◆ Political and economic stability - Bulgaria is perceived to be the most stable country in the Balkans;
- ◆ GDP growth - commentators believe growth of circa 5% will be sustained over the medium term;
- ◆ Strategic geographic location;
- ◆ Significantly lower labor costs than the European average;
- ◆ Competitive tax regime - corporate tax and VAT among the lowest in Central and Eastern Europe;
- ◆ Duty-free movement of goods and services within a market of 550 million consumers. Bulgaria has free trade agreements with the EU, EFTA, CEFTA, Turkey, FYROM, Croatia and Israel;
- ◆ 55 double tax agreements and 52 on the mutual protection and promotion of foreign investment;
- ◆ Investment by foreigners receives equal treatment to investment by Bulgarian residents;
- ◆ Significant potential for hi-tech and Research and Development related ventures;
- ◆ The Bulgarian Lev will remain pegged to the Euro until it can join EMU (2009 at the earliest).

Looking ahead, in 2005 the Bulgarian Ministry of Economy retained Deloitte & Touche to prepare a report on the country's investment strategy. Three economic sectors were chosen by the consultant to target attracting investment: ICT (incl. electronics), outsourcing, and manufacturing of machines and electrical equipment.

Deloitte made a research among investors and determined the factors for taking a decision to attract investments in the three target sectors. The research indicated that Bulgaria has some important weaknesses and should address them as much as possible. It is expected that making commitments to effect these improvements and achieving an observable progress will be awarded with a sustainable increase of foreign direct investment.

The measures to overcome the competitive shortcomings of Bulgaria can be grouped as follows: education and training, infrastructure, management reforms, and incentives.

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Education & training. Bulgaria's labor force has qualities in some key areas that are important for outsourcing, ICT and/or engineering sectors. The improved knowledge and skills of the laborers (present and potential) in these sectors will make Bulgaria more attractive for potential investors. Stepped up and more comprehensive training could additionally enhance the investors' interest in Bulgaria. Priority in the field of training could be given to areas such as: foreign languages (especially English and German), ICT (esp. IT maintenance, networks, telecommunications, and software), management (esp. directed towards ICT and outsourcing).

Infrastructure has improved significantly for the last 5 years and there are plans to continue building it in the near future. Nevertheless, infrastructure is a main constraining factor for the investors in industry sectors. Both international transport connections and many local roads and utilities need improvement.

Reform of the managerial/administrative environment. Investment climate in Bulgaria as a whole is similar or better than that of Croatia and Romania, but not as good as that in the five countries of Central Eastern Europe, showed the research among investors. Foreign investors are not satisfied with the level of administrative services and the level of transparency. It is necessary for the pace of administrative reform in Bulgaria to at least correspond to those in the neighboring countries, otherwise there is a danger for the country to be perceived as a difficult place to develop business.

Incentives. It is recommended to develop the system of incentives in such a way as to achieve two comprehensive goals: "compensating the investors for shortcomings" in Bulgaria and encouraging investments in target sectors. "Compensating the investors for shortcomings" in Bulgaria supposes focusing on financial incentives. Currently, Bulgaria has one of the lowest corporate tax tariffs in Europe. Since this is an area of competitive advantage, the incentives should be aimed somewhere else. They must be directed towards improving and ensuring the infrastructure. Subsidies, grants or credits under better terms could be given to companies that want to enhance the qualification of their employees, etc.

The report contains also an analysis of the countries that have made substantial investments in Bulgaria in the past and that are potential sources of investment in the three target sectors. The target countries - sources of investment are: Greece, Italy, the USA, Germany, Belgium, Austria, Great Britain, Switzerland, and France.

2. OVERVIEW

2.1. DEFINITION AND DESCRIPTION OF TEXTILE, LEATHER, FUR, FOOTWEAR AND TAILORING SECTORS

The textile industry is a part of the light industry together with shoe and leather industry, the wood processing industry, the furniture industry and the glass-and-china industry. The textile industry in Bulgaria is further divided into knitted-and-woven fabrics industry and sewing industry.

2.1.1. DEFINITION AND DESCRIPTION OF TEXTILE SECTOR

The textile industry includes:

Fabrics made of wool and other animal fibers

- ◆ Fabrics made of tweed wool or tweed fine hairs
- ◆ Fabrics made of worsted wool or worsted fine hairs
- ◆ Fabrics made of coarse hairs or hairs from crest/tails

Fabrics made of cotton and other plant fibers

- ◆ Fabrics made of silk or silk wastes
- ◆ Cotton fabrics containing at least 85 percent cotton, or weight under 200g/sq.m
- ◆ Cotton fabrics, containing at least 85 percent cotton, or weight over 200 g/sq.m.
- ◆ Cotton fabrics, containing under 85 percent cotton, mixed mostly or only with synthetic or artificial fibers with weight, under 200 g/sq.m.
- ◆ Cotton fabrics, containing under 85 percent cotton, mixed mostly or only with synthetic or artificial fibers with weight under 200 g/sq.m.
- ◆ Cotton fabrics, containing under 85 percent cotton, mixed mostly or only with synthetic or artificial fibers, with weight over 200 g/sq.m.
- ◆ Other cotton fabrics
- ◆ Fabrics made of linen
- ◆ Fabrics made of jute or other textile bast fibers from -53.03
- ◆ Fabrics made of other plant textile fibers, fabrics made of paper yarns.

Fabrics made of synthetic materials

- ◆ Fabrics made of yarns from synthetic fibers, incl. fabrics obtained from the products from -54.04.
- ◆ Fabrics made of yarns from artificial fibers, incl. fabrics, obtained from the products from -54.05.
- ◆ Fabrics made of synthetic staple fibers, containing at least 85 percent synthetic staple fibers
- ◆ Fabrics made of synthetic staple fibers, containing at least 85 percent of these fibers, mixed mostly or only with cotton, with weight under 170 g/sq.m.

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- ◆ Fabrics made of synthetic staple fibers, containing under 85 percent of these fibers, mixed mostly or only with cotton, with weight over 170 g/sq.m.
- ◆ Other fabrics made of synthetic staple fibers.
- ◆ Fabrics made of artificial staple fibers

2.1.2. DEFINITION AND DESCRIPTION OF LEATHER, FUR AND FOOTWEAR SECTOR

The leather fur and footwear industry includes

- ◆ Clothes and accessories by fur (without hats)
- ◆ Footwear with rubber, plastic upper part or with upper part of artificial leather, different from sandals, slippers, sports shoes and from shoes with protective metal toe-cap
- ◆ Men's footwear (including boots) with upper part of genuine leather (without the waterproof and these with protective metal toe-cap)
- ◆ Ladies' footwear (including boots) with upper part of genuine leather (without the waterproof and these with protective metal toe-cap)
- ◆ Children's footwear (including boots) with upper part of genuine leather (without the waterproof and these with protective metal toe-cap)
- ◆ Footwear with upper part of textile, with rubber, plastic or leather soles (without sports shoes and slippers)

2.1.3. DEFINITION AND DESCRIPTION OF TAILORING Sector

The tailoring industry includes

Men's apparel

- ◆ Coats, hooded cloaks, capes, anoraks, blouses and similar products, men's or boy's, excl. the products from 62.03.
- ◆ Men's costumes, suits, jackets, trousers, trousers with shoulder straps and chest yokes, short trousers and shorts /different from bathing trunks/, men's or boy's.
- ◆ Shirts and short-sleeved shirts, men's or boy's.
- ◆ Underbodices, slips, underpants, night shirts, pyjamas, bath towels, dressing gowns and similar products, men's or boy's.
- ◆ Apparel, ready-made from products, classified in: 56.02,56.03,59.03, 59.06 or 59.07
- ◆ Outer sportswear, slips and suits for skiing and swimming suits; other clothing.

Lady's apparel

- ◆ Lady's overcoats, hooded cloaks, capes, anoraks, blouses and similar products, lady's and girl's, excl. products from - 62.04.
- ◆ Lady's costumes, suits, jackets, dresses, skirts, divided skirts, trousers, trousers with shoulder straps and chest yokes, short trousers and shorts /different from swimming suits/, lady's and girl's.
- ◆ Shirts, blouses, blouse-shirts and shirtwaists, lady's and girl's.
- ◆ Underbodices and shirts, slips or dress linings, petticoats, panties, nightgowns, pyjamas, house clothing /dishabille/, bath towels, dressing gowns and similar products, lady's and girl's.
- ◆ Clothing, ready-made from products, classified in: 56.02,56.03,59.03, 59.06 or 59.07
- ◆ Outer sportswear, slips and suits for skiing swimming suits; other clothing.

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Children's apparel

- ◆ Clothes and clothing accessories, baby's.

Workclothes

- ◆ Men's costumes, suits, jackets, trousers, trousers with shoulder straps and chest yokes, short trousers and shorts /different from bathing trunks/, men's or boy's.
- ◆ Lady's costumes, suits, jackets, dresses, skirts, divided skirts, trousers, trousers with shoulder straps and chest yokes, short trousers and shorts /different from swimming suits/, lady's and girl's.
- ◆ Outer sportswear, slips and suits for skiing and swimming suits; other clothes.

Other tailoring products

- ◆ Clothes, ready-made from products, classified in: 56.02,56.03,59.03, 59.06 or 59.07
- ◆ Brassieres, ribbed belts, corsets, suspenders, garters, welts and similar products and their parts, even from knitwear.
- ◆ Handkerchiefs.
- ◆ Shawls, scarves, kerchiefs, mufflers, mantillas, veils and small hat veils and similar products.
- ◆ Neckties, butterfly-neckties and scarf-neckties.
- ◆ Gloves, mittens and mitts
- ◆ Other made up clothing accessories parts of garments or of clothing accessories, other than those of heading 62.12

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2.2. GENERAL OVERVIEW OF TEXTILE, LEATHER, FUR, FOOTWEAR AND TAILORING INDUSTRY

For the purposes of the comparison we will give the overall state of the companies in the non-financial sector of the Bulgarian economy, so that we can compare the indicators of the companies in the textile, leather, fur, footwear and tailoring industry.

- ◆ In 2004, the local companies operating in the non-financial sector generated total profits of BGN 3.2 bln, up by nearly BGN 3 bln compared with 2000.
- ◆ The indebtedness of the companies operating in the sector at the end of 2004 exceeded BGN 55 bln, up by nearly BGN 29 bln from 2000. The changes in the debt ratio were insignificant – from 1.435 in 2000 to 1.418 in 2004.
- ◆ Profitability grew. In 2004 compared with 2000, the return on sales was 2.7 percentage points higher, return on debt capital – 5.3 points higher and return on owners' equity – 6.8 points higher.
- ◆ Changes in the companies' liquidity in 2004 were insignificant. In 2004, compared with 2000, the ratios were higher – total liquidity by 0.195 points, fast liquidity – by 0.072 points, and immediate liquidity – by 0.021 points.

Indebtedness, profitability and liquidity of the companies in Bulgaria (non-financial sector)

		2000	2001	2002	2003	2004
1	DEBT RATIO	1.435	1.577	1.494	1.302	1.418
	Incl. to banks	0.247	0.282	0.222	0.229	0.274
2	Return (%)					
	Sales	0.469	0.353	2.144	3.400	3.180
	Owners' equity	1.402	1.067	6.302	7.238	8.170
	Debt capital	0.206	0.637	4.325	5.556	5.490
3	Liquidity					
	Total	1.100	1.068	1.094	1.143	1.295
	Fast	0.672	1.067	0.689	0.747	0.744
	Immediate	0.181	0.637	0.181	0.202	0.202

Source: Bulgarian Enterprises Information System (BEIS)

2.2.1. Textile General Features

Bulgaria is one of the biggest manufacturers and exporters of fabrics and tailoring products to the EU per capita.

Manufacturing of fabrics is a major sector of the processing industry in the country. The research of the trends in its development shows that in recent years both production and sales have been growing at accelerated rates. In 2004 compared with 2000 the increase was more than twofold. This rate is nearly twice higher than the average in the manufacturing industry, which lifted its share up to 2,4 percent in 2004.

Exports account for as much as 60 percent of the production of fabrics in the country in 2004. Most of the exports however are made with materials supplied by the

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clients using only the workforce, and the re-export (return of temporary import in changed condition) accounts for 80 percent of the total export.

Import of fabrics accounts for 2.3 percent of the total import of the country. The export however stands at 0.5 percent of the total export as most of the imported fabrics are processed in the tailoring industry.

Over the period 2000–2004 the import of fabrics has increased by 24 percent and the export – 2.4 times.

Financial state of the companies operating in the sector “Manufacturing of fabrics”

Indebtedness, profitability and liquidity of the companies operating in the sector “Manufacturing of fabrics”

	2002	2003	2004
1 Debt ratio	1.576	1.487	0.934
Incl. to banks	0.093	0.100	0.056
2 Return (%)			
Sales	2.053	7.419	5.80
Owners' equity	2.659	11.333	7.12
Debt capital	1.688	7.623	7.62
3 Liquidity (ratio)			
Total	1.616	1.394	1.748
Fast	0.708	0.718	0.819
Immediate	0.041	0.192	0.070
Absolute	0.041	0.191	0.063

Source: Bulgarian Enterprises Information System (BEIS)

- ◆ In 2004 the indebtedness of the companies operating in the sector was significantly lower than the average in the non-financial sector.
- ◆ Return on sales in the sector is nearly twice higher, and return on debt capital – by more than 2 percentage points. Return on owners' equity however is lower by about 1 point, which shows that the share of the owners' equity in the liabilities of the companies in the sector is bigger.
- ◆ The total liquidity ratio is higher by 0.453 points. The difference comes chiefly from the inventory which is more than the average for the economy by 0,378 points. However, the difference between the immediate liquidity ratios is negative (–0.132 points), which shows that the companies at the end of 2004 had relatively less cash.

2.2.2. Leather, fur and footwear products

General Features

In the past few years (2001–2004) the leather, fur and footwear industry has developed with variable trend. Until 2003 the sector reported growth but in 2004 production fell about 8 percent. Compared with 2000, the increase of nearly 40 percent was

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smaller than the average for the processing industry by 15 percentage points. As a result, the sector's share in the processing industry shrank significantly – from 1.21 percent in 2001 and 1.41 in 2002 to 1 percent in 2004.

Most of the leather, fur and footwear products are made with materials supplied by the clients. In 2004 re-export (return of temporary import in changed condition) accounted for about 82 percent of the exports.

Import of leather, fur and footwear has developed with a trend similar to the development of production. Until 2003 it grew every year but in 2004 fell by 1.4 percent. The share in the total import of the country in 2001 was 1.33 percent, and in 2003 – 1.53 percent, but in 2004 it slumped to 1.25 percent. Leather for production of footwear and other leather products for re-export accounts for about 63 percent of the imports.

Export has developed downwards. In 2004 it sank by 3 percent bringing its share in the export of the country down to 1.84 percent from 2.64 percent in 2001. Footwear holds over 60 percent of the export.

Financial state of the BG-companies operating in the sector “Manufacture of leather, fur and footwear products”

Indebtedness, profitability and liquidity of the companies operating in the Sector Manufacture of leather, fur and footwear products

No	Ratio	2004
1	Debt ratio	2.565
	Incl. to banks	0.095
2	Return (%)	
	Sales	0.74
	Owners' equity	3.32
	Debt capital	1.29
3	Liquidity (ratio)	
	Total	0.8908
	Fast	0.5242
	Immediate	0.1334
	Absolute	0.1334

Source: Bulgarian Enterprises Information System (BEIS)

- ◆ In 2004 the indebtedness of the companies operating in the sector was 1.8 times higher than the average in the non-financial sector. Liabilities to banks however were nearly 3 times smaller.
- ◆ Profitability was considerably lower: return on sales – 4.3 times, return on owners' equity – 2.5 times, and return on debt capital – 4.3 times.
- ◆ The liquidity of the companies in the sector was also lower. The total liquidity ratio was lower by 0.404 points, fast liquidity – by 0.22 points and immediate liquidity – by 0.069 points.

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2.2.3. Tailoring

General Features

Tailoring industry is a principal sector of Bulgaria's light industry. It has been developing very intensively. Production of clothes and other tailoring products doubled over the period between 2000 and 2004.

In 2004 clothes and other tailoring products accounted for more than a half of the light industry production with their share in the processing industry reaching nearly 6 percent.

The accelerated development of the tailoring industry has been spurred by the production of clothes with materials supplied by the clients. In 2004 re-export (return of temporary import in changed condition) accounted for over 90 percent of the output. The share of the clothes and other tailoring products in the total exports of the country in 2004 was 10 percent, up by 36 percent from 2001. Imports of clothes and other tailoring products have also increased intensively. In 2004 they accounted for 1.1 percent of the total import in the country, up by 80 percent from 2001.

Financial state of the companies operating in the sector "Manufacture of clothes and other tailoring products"

Indebtedness, profitability and liquidity of the companies operating in the Sector Manufacture of clothes and other tailoring products

		2000	2001	2002	2003	2004
1 Debt ratio		2.841	3.258	2.292	2.169	1.787
	Incl. to banks	0.536	0.570	0.270	0.336	0.346
2 Return (%)						
	Sales	-1.14	0.61	4.92	-1.04	1.91
	Owners' equity	-5.80	3.36	21.34	-3.70	6.05
	Debt capital	-2.04	1.03	9.31	-1.71	3.38
3 Liquidity (ratio)						
	Total	0.9466	0.9465	0.9794	0.9365	1.0599
	Fast	0.6918	0.6927	0.6776	0.6612	0.7108
	Immediate	0.1440	0.1489	0.1673	0.2069	0.2004
	Absolute	0.1436	0.1486	0.1658	0.2065	0.2000

Source: Bulgarian Enterprises Information System (BEIS)

- ◆ Indebtedness of the companies in the sector in 2004 was higher than the average in the non-financial sector. Debt ratio was higher by 0.369 points, including to banks – by 0.072 points.
- ◆ Profitability was lower: return on sales – by 1.27 points, return on owners' equity – by 2.12 points, and return on debt capital – by 2.11 points.
- ◆ The total liquidity ratio was lower by 0.235. The difference comes from the inventories. The fast and immediate liquidity were practically at the average in the non-financial sector of the economy.

3. POLICIES AND LEGAL FRAME FOR FOREIGN INVESTMENT

Legal and International Guarantees for Foreign Investment

◆ **National Treatment**

The Bulgarian Constitution and the Encouragement of Investment Act provide national treatment to foreign investors which means that foreign investors are entitled to perform economic activity in the country under the same provisions applicable to Bulgarian investors except where otherwise is provided by law. In particular this principle covers the whole range of economic and legal forms of activities for accomplishing entrepreneurial businesses. The national treatment to foreign investors includes the participation in the process of Privatization and acquisition of shares, debentures, treasury bonds and other kinds of securities.

◆ **Most Favored Nation Status**

Bulgaria is a signatory to a system of bilateral treaties on promotion and mutual protection of foreign investment which provide, further to the national treatment regime, for the most favored nation status of the investment made by entities and individuals from one of the contracting countries on the territory of the other contracting country.

◆ **Priority of International Treaties**

When international treaties to which Bulgaria is a party provide for more favorable terms and conditions for foreign investment, these terms have precedence over the local rules. This guiding principle finds expression in the treaties for protection of foreign investment and especially in the agreements for abstaining of double taxation regulations. The international treaties on mutual protection of foreign investment always include an extended concept of a foreign direct investment, and the application of this concept shall be prior to the Bulgarian legislation.

◆ **Legal Guarantees against Adverse Changes in the Law**

The Encouragement of Investment Act stipulates the principle that foreign investment made prior to the adoption of amendments in law imposing statutory restrictions only with regards to foreign investment, shall not be affected by these restrictions.

The sense of the law provides for that foreign investment shall be guaranteed against subsequent legislative changes.

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♦ Protection against Expropriation

The Bulgarian Constitution allows forcible expropriation of property in the name of the state or for municipal needs only if effected by virtue of a law provided that these needs cannot otherwise be met, and after a fair compensation has been ensured in advance.

Expropriation under Bulgarian law is governed by the State Property Act and Municipal Property Act.

3.1. GOVERNMENT POLICIES AND REGULATIONS FOR FOREIGN INVESTMENTS IN THE TEXTILE, LEATHER, FUR, FOOTWEAR AND TAILORING SECTOR

Bulgaria in the process of joining the EU

Focused on joining the EU, as scheduled on 1 January 2007, Bulgaria's currently active legislation, reflecting the Government policy, offers quite a large number of opportunities for investments in the country.

According to the European Commission Bulgaria is generally meeting the commitments and requirements arising from the accession negotiations in the areas of **capital movements and payments and payment systems** and is expected to be in a position to implement this acquis from accession. Some legislative alignment is still needed as regards the Social Insurance Code and in the area of cross-border payments in Euro, financial collateral arrangements and concerning the requirement for system operators to be established in Bulgaria. Minor adjustments are also needed in the field of redress procedure for the settlement of disputes between banks and customers.

In order to complete preparations for membership, Bulgaria must align with the revised recommendations of the Financial Action Task Force on money laundering and terrorist financing, and notably ensure that legislation in this area is fully and effectively enforced and that proven cases of money laundering are prosecuted.

Bulgaria is also generally meeting the commitments and requirements arising from the accession negotiations in the fields of **company law and accounting**, but some adjustments are still needed. Upon accession, Bulgaria is expected to be in a position to implement this acquis, as well as the Regulation replacing the Brussels Convention and the provisions of the Rome Convention.

Regarding the **competition policy** Bulgaria is generally meeting the commitments and requirements arising from the accession negotiations in the fields of anti-trust and state aid, and is expected to be in a position to implement this acquis from accession. In completing preparations for membership, particular attention must be paid to fine-tuning and updating legislative alignment, continuing to strengthen administrative capacity and, most importantly, continuing the development of a track record of proper application and enforcement of both anti-trust and state-aid legislation.

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In a way to provide equal opportunities for all the investors Bulgaria adopted **uniform corporate tax – 15 percent** for the profits and incomes of both local and foreign companies. The earnings and the incomes gained from capitals invested in Bulgaria are considered as profits and incomes of national origin regardless of the capital origin.

In the investment services sector, still important parts of the acquis remain to be transposed. Further alignment is needed as regards the acquis on market abuse and prospectuses, as well as the newly adopted acquis on securities markets (markets in financial instruments). The acquis on capital adequacy remains to be transposed. Bulgaria has been granted a transitional period until the end of 2009 as regards the investor compensation scheme, at the end of which it should reach the minimum level of coverage set out in the acquis.

3.2. POLICIES FOR THE PROMOTION OF INVESTMENTS

The main documents, which define government's investment policy, are:

- ◆ The new **Encouragement of Investment Act** / adopted on 23.04.2004/ regulates the terms and procedures for encouraging investment in the country, the activities of the state authorities in the field of investment encouragement, as well as the protection of investments.
- ◆ The **Rules and Regulations** for its implementation were adopted with Decision of the Council of Ministers No. 213 from 11.08.2004, promulgated in the State Gazette No. 74, 24.08.2004, in force since 24.08.2004.
- ◆ The **National Investment Promotion Strategy** /NIPS/, elaborated under coordination of the Investment Policy Directorate. The new Encouragement of Investment Act regulates the terms and procedures of investing in Bulgaria.

The National Investment Promotion Strategy is a horizontal strategy, involving all the relevant ministries. Experts from the relevant ministries, institutes and NGO's participated in its elaboration under the coordination of the Investment Policy Directorate, within the Ministry of Economy. Although it is not a national industrialization strategy, it is developed in line with the major priorities from the National Plan for Economic Development (up to the year of 2006) and the National Plan for Development (2007 - 2013).

The NIPS contains measures, which are grouped in seven lines, each of them aiming at improving the business climate in Bulgaria and providing better conditions for foreign investors

- ◆ Improvement of the general administrative and legal environment;
- ◆ Development of the infrastructure;
- ◆ Labor quality improvement;
- ◆ Regional investment promotion policy;
- ◆ Support for investments in innovations and hi-technologies;
- ◆ Investment marketing;
- ◆ Improvement of the financial environment for the investors.

The Encouragement of Investment Act

Under the Encouragement of Investment Act, foreign investors are:

- ◆ legal persons which are not registered in Bulgaria;
- ◆ partnerships which are not legal persons and are registered abroad;

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- ◆ foreigners with permanent residence abroad.

Foreign investment is any investment or increase of investment of foreign persons or their branches in:

- ◆ stock or shares of trade companies;
- ◆ title to buildings and limited property rights over real estates;
- ◆ title and limited property rights over goods and chattels, having the nature of non-current tangible assets;
- ◆ title to unbundled parts of commercial companies with more than 50 percent state or municipal interest in their capital within the meaning of the Privatization and Post-Privatization Control Act;
- ◆ securities, including bonds and treasure bills, as well as instruments derivative therefrom, issued by the state, the municipalities or other Bulgarian corporate entities, with time remaining to due date not less than 6 months;
- ◆ credits, including in the form of financial leasing for a period not shorter than 12 months;
- ◆ intellectual property – subject to copyright and its related rights, patentable inventions, utility models, trademarks, service marks and industrial design;
- ◆ rights under concession contracts and contracts for commissioning of management.

3.3. IMPLEMENTATION METHODS

The Encouragement of Investment Act regulates the terms and procedures for investing in Bulgaria. **The Minister of Economy** is the leading executive authority that shall perform the state policy in the investment sphere. In the implementation of this activity the Ministry of Economy prepares a strategy for encouraging investment in cooperation with other authorities of the executive power. In compliance with this strategy and the regional development strategies **regional Governors** shall develop investment encouragement programs for the respective region and coordinate their implementation.

The Encouragement of Investment Act sets forth preferential treatment measures for investment meeting certain criteria specified in the said law as follows:

- ◆ the investment to be in fixed assets acquisition with the purpose of creating new or enlarging or modernizing existing production of goods and/or services;
- ◆ new jobs to be created;
- ◆ the investment project to be implemented within 3 years;

The measures, however, do not apply to investment in banks, non-banking financial institutions, insurance companies, investment companies and companies with special investment purposes, managing companies, pension funds, health insurance companies, gambling companies and investment made under privatization agreements.

The measures are differentiated according to the class of the investment, as the latter are grouped in three classes, depending on the investment project value. The value thresholds are set forth in the Rules on the Enforcement of the Encouragement of Investment Act as follows:

- ◆ first class - investment over BGN 70 million.
- ◆ second class - investment from BGN 40 million to BGN 70 million, and
- ◆ third class - investment from BGN 10 million to 40 million;

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General preference applied to all classes of investment is shortening the time limits for provision of administrative services to certified investors for realization of their investment plans. On presentation of a certificate for investment class, central and territorial executive authorities, and local self-government authorities shall provide administrative services within time limits by one third shorter than the ones provided for in the legislation.

For 3rd-class investment InvestBulgaria Agency provides information services to investors as follows:

- ◆ pre-developed information materials;
- ◆ information about potential partners in the country;
- ◆ information about all administrative procedures concerning the implementation of the investment project.

For 2nd-class investment InvestBulgaria Agency provides investors with:

- ◆ information services as mentioned above
- ◆ individual administrative servicing with respect to all central and regional bodies of the Executive.

Investors have the opportunity to authorize officials of the Agency to obtain from the corresponding competent bodies on investors' behalf and on investors' account any documents necessary for implementation of the particular investment project as may be required under the existing legislation.

For 1st-class investment, the InvestBulgaria Agency assists investors as follows:

- ◆ individual informational and administrative services
- ◆ assistance with real estate "titling" issues
- ◆ infrastructure building support.

On the request of the 1st-category investor the Agency may propose to the corresponding authorities to transfer ownership rights or establish a limited ownership right over real estate (private - state or municipal property) without a tender or free of charge.

Where the technical infrastructure networks and facilities of the transport, water-supply, sewerage, communication, and other systems are public property, their construction will be financed from the state budget, or by the corresponding municipality on a decision by the Municipal Council; in all other cases they shall be on account of the managing operation company.

3.4. RELEVANT ADMINISTRATIVE BODIES

3.4.1. Government Organizations

3.4.1.1. Customs Agency

The Agency is a centralized administrative structure to the Minister of Finance. The Agency is a legal entity – a secondary budget allocation institution to the Minister of Finance. The Agency is structured into a Central Customs Directorate and Regional Customs Directorates in Bourgas, Varna, Plovdiv, Russe, and Sofia. The activity of the Customs is regulated by the Customs Act. As of 1 January 2003 by amendments to the Law on VAT and the Law on Excise VAT and excise on the import of goods are paid into accounts of the customs administration.

3.4.1.2. Chief Labor Inspectorate

The Inspectorate inspects the observance of labor legislation in ensuring occupational safety and health and in accomplishing legal labor relations. Realizes a specialized control of observation the Law for stimulation of the occupation and the other acts concerning the occupation and unemployment, where this is strictly fore-sighted. Gives information and technical advice to the employers and employees about the most effective methods for complying with labor legislation. Informs the competent bodies about omissions and defects of the labor legislation, which is in force.

3.4.2. Non-Governmental Organizations

3.4.2.1. Branch Chamber of Garments Making Industry

The Branch Chamber of Garments Making Industry includes manufacturers of women's, men's, children's and sports clothing, of official and top fashion clothes.

3.4.2.2. Bulgarian Branch Union of Knitwear Industry

The Bulgarian Branch Union of the Knitwear Industry is a voluntary organization whose essential activities are as follows:

- ◆ to take part in the implementation of the national policy for the branch development;
- ◆ to make analyses and develop concepts on the basis of an up-dated information database;
- ◆ to consult investments by Bulgarian and foreign companies for reconstruction and modernization of facilities aimed at the application of a modern technology in a technically safe and ecologically clean environment;
- ◆ to assist the process of demonopolization of the production and trade structures as well as the branch economy privatization;
- ◆ to adopt initiatives and participate in the development of legislation regarding the sector;
- ◆ to assist the realization of efficient social partnership through participating in tri-

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partite co-operation;

- ♦ to assist the development of professional training programs for specialists and participate in national and international forums.

3.4.2.3. Bulgarian Association of Apparel and Textile Producers and Exporters

The Bulgarian Association of Apparel and Textile Producers and Exporters in Bulgaria (BAATPE) is a noncommercial organization founded in 1998. BAATPE promotes Bulgarian Clothing and Textile sector in and outside the country and advances co-operation in those areas among the members and between members and their clients and suppliers as well.

Working on the international field BAATPE offers business solutions and guides companies from other countries when relocating their production abroad and seeking production opportunities in countries such as Bulgaria. In addition, BAATPE collects, verifies and updates information and distributes it among its affiliates. In this way, BAATPE helps companies optimize their day-to-day business operations.

Members of the Association are 145 export-oriented companies, individuals and organizations related to the apparel and textile manufacturing.

Leather, Fur and Footwear

3.4.2.4. Branch Union of Leather, Furrier's, Footwear and Haberdasher's Industry

The Branch Union LFFHI is the only national representative body of the companies of the leather-processing, haberdashery and footwear industry. The Union's major aims are to:

- ♦ unite, represent, and defense the economy, trade and social interests of its members and the sectors at local, regional, national, and international level
- ♦ to develop practical measures for increasing companies' competitiveness
- ♦ to prepare the companies for operation in the condition of Bulgaria's membership in the EU
- ♦ to create modern industry's infrastructure
- ♦ to protect the domestic market, local manufacturers and consumers
- ♦ to held raising foreign investments

4. PRACTICAL ASPECTS OF THE INVESTMENTS

4.1. MAIN COSTS FOR INVESTMENTS IN THE SECTOR

4.1.1. Labour costs

4.1.1.1. AVERAGE MONTHLY WAGES AND SALARIES OF THE EMPLOYEES UNDER LABOUR CONTRACT BY ECONOMIC ACTIVITY IN 2005 * (BGN)

Economic activity	I quarter	II quarter	III quarter	IV quarter	IV quarter inc. annual bonuses
Total	299	314	317	326	339
Agriculture, hunting, forestry and fishing	223	235	244	243	245
Mining and quarrying	504	520	520	537	542
Manufacturing	275	288	292	299	305
Electricity, gas and water supply	536	566	566	585	591
Construction	244	268	277	278	283
Trade, repair of motor vehicles and personal and household goods	219	222	224	231	234
Hotels and restaurants	196	203	203	202	204
Transport, storage and communication	374	385	404	403	432
Financial intermediation	696	745	716	765	826
Real estate, renting and business activities	285	294	297	306	317
Public administration; compulsory social security	430	446	453	480	558
Education	307	346	342	350	362
Health and social work	339	372	373	386	394
Other community, social and personal service activities	231	237	240	244	258
Budget sector	328	352	354	366	399
Self-financing organizations	292	304	308	316	324

Published on 10.02.2006

Source: NSI

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4.1.1.2. Structure of Labor Costs in 2004 (%)

Economic activity groupings	2004					
	Total	Wages and salaries	Employers' imputed social contributions	Employers' actual social contributions	Other social expenses and benefits	Taxes paid by the employer
Total	100.00	69.16	1.73	24.05	4.22	0.84
Agriculture, hunting, forestry and fishing	100.00	72.98	1.28	24.09	1.38	0.27
Mining and quarrying	100.00	60.63	2.92	27.37	7.50	1.58
Manufacturing	100.00	69.64	2.13	24.12	3.42	0.69
Electricity, gas and water supply	100.00	57.60	2.84	24.87	12.23	2.45
Construction	100.00	71.55	1.66	24.61	1.82	0.36
Trade, repair of motor vehicles and personal and household goods	100.00	74.26	0.77	23.58	1.15	0.23
Hotels and restaurants	100.00	72.20	1.23	24.14	2.05	0.38
Transport, storage and communication	100.00	59.49	2.00	21.97	13.77	2.77
Financial intermediation	100.00	69.54	1.32	21.49	6.40	1.25
Real estate, renting and business activities	100.00	72.41	1.35	22.59	3.04	0.61
Public administration; compulsory social security	100.00	71.92	1.62	25.44	0.87	0.15
Education	100.00	71.49	1.53	25.44	1.31	0.24
Health and social work	100.00	73.76	1.25	24.18	0.68	0.13
Other community, social and personal service activities	100.00	73.53	1.08	23.60	1.49	0.30

Source: NSI

4.1.2. Taxation

The Bulgarian tax regime can be classified in two main categories:

Direct Taxation:

- ◆ Corporate income tax
- ◆ Personal income tax
- ◆ Withholding taxes

Indirect Taxation:

- ◆ VAT
- ◆ Excise Duties

4.1.2.1. Corporate Income Tax

Under the Corporate Income Tax Act (CITA) all companies and partnerships (including non-incorporated partnerships), carrying out business in the country, are liable to a corporate income tax at a rate of 15%. Bulgarian resident entities are taxed on a worldwide basis. Foreign entities are taxed on their Bulgarian-source income. Companies are considered to be tax residents if they are registered in Bulgaria. Companies that are non-residents in Bulgaria, but operate in Bulgaria through a branch, office, agency or other form of a permanent establishment are only liable to tax on the profits generated through their Bulgarian establishment.

Annual profit must be declared no later than 31 March of the year following the taxable year. Generally, the taxable profit is determined in accordance with the financial result reported in the Profit and Loss Account ("P&L") adjusted for tax purposes. De-

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preciation is calculated by systematically applying the straight-line depreciation method. Depreciation norms should not exceed the following rates:

Category of assets	Assets description	Annual depreciation norms (%)
I	steady buildings, facilities, communication devices, electricity carriers, communication lines	4
II	machinery, manufacturing equipment, apparatus	30 – 50*
III	transportation vehicles, excluding automobiles; coverage of roads and airplane runways	10
IV	computers, software and right of using software	50
V	automobiles	25
VI	all other depreciative assets	15

*Possibility to be 50% when new investment is made and the equipment is new and purchased after January 1, 2005

4.1.2.1.1 Tax exemption for manufacturing business

Manufacturing companies enjoy 100% exemption of the corporate income tax for investment in depressed regions, in case they meet the following conditions:

1. All the sites and assets (except for cash in bank accounts and equity) of the company are entirely located within the administrative boundaries of a depressed region.
2. The company does not have any due tax or obligatory social security liabilities. Under CITA “depressed regions” are municipalities with unemployment exceeding 50% the average of the country and enumerated in a list annually approved by the Minister of Finance.

The exemption could be enjoyed if the amount of the tax credit is invested for acquiring fixed assets, necessary for the manufacturing activity, within a period of three years, following the year in which the tax credit was used. The value of the intangible assets (licenses, patents and know-how) should not exceed 25% of the value of the tangible assets. At least 25% of the value of the assets must be financed by company’s own funds, including loans. The ownership of the acquired assets can not be transferred for a period of 5 years as of the date of their acquisition, except for in cases of reorganization of the company in compliance with the Commercial Law.

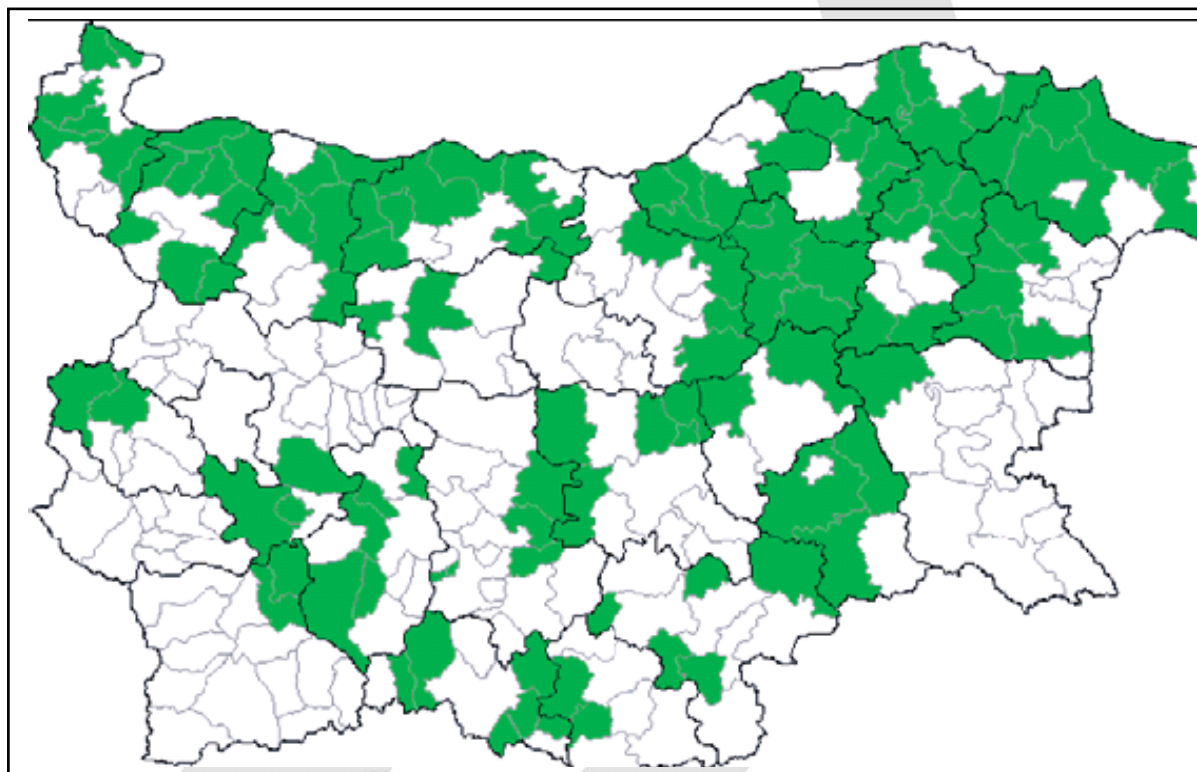
The company, which enjoys the exemption, could exercise it for a period of 5 subsequent years, even if as a result of decreased unemployment, the municipality is excluded from the above mentioned list.

4.1.2.1.2 Tax credit for investment in depressed regions

Companies investing in depressed regions enjoy **reduction of the corporate tax by 10%** of the amount invested in acquisition, modernization or reconstruction of fixed assets including buildings, equipment, transmitters, electricity networks, telecommunication lines, machines, production facilities, transportation facilities, (excluding personal cars), road cover, computers and peripheral devices, software and the right to use software. The cost of intangible assets should not exceed 25% of the acquisition costs of the fixed assets. The acquired assets could not be disposed for a period of 5 years, except in cases of reorganization of the company. The tax credit can be used for a period of 5 years.

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High unemployment municipalities providing opportunities for corporate tax breaks in 2005 (in green)



4.1.2.2. Personal income tax

Under Personal Income Tax Act (PITA) tax liable persons are individuals - residents and non-residents, and corporate entities explicitly enumerated therein. Residents are considered individuals who reside in Bulgaria longer than 183 days for each 365 days period. Residents are liable for their world-wide income. Non-residents are considered those individuals who do not fit the above criteria for residents. Non-residents are liable only for their income derived from Bulgarian sources. Local entities with annual turnover for the preceding year up to BGN 50 000 are taxed by a final annual (patent) tax for income resulting from sources in Bulgaria. Incomes derived under an employment contract are taxed on a monthly basis as follows:

Monthly income	Tax
up to BGN 180	non-taxable
from BGN 180 to BGN 250	20% on the excess over BGN 180
from BGN 250 to BGN 600	BGN 14 + 22% on the excess over BGN 250
above BGN 600	BGN 91 + 24% on the excess over BGN 600

(As of 01.01.2006)

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The annual taxable base is the sum of all taxable incomes received during the calendar year. The total annual income is subject to some adjustments and is then taxed in accordance with an annual progressive scale as follows:

Annual income	Tax
up to BGN 2,160	non-taxable
from BGN 2,160 to BGN 3000	20% on the excess over BGN 2,160
from BGN 3,000 to BGN 7,200	BGN 168 + 22% on the excess over BGN 3,000
above BGN 7,200	BGN 1092 + 24% on the excess over BGN 7,200

(As of 01.01.2006)

4.1.2.3. Withholding Taxes

Certain types of income from sources in Bulgaria and payable to non-resident legal entities (if not generated through a permanent establishment) or individuals are subject to withholding taxes. The types of income are defined in CITA as:

- ◆ dividends and liquidation quotas
- ◆ interest, including such under finance leases
- ◆ royalties
- ◆ technical services remuneration
- ◆ rents
- ◆ payments under operating leases, franchising and factoring
- ◆ remuneration under management contracts
- ◆ capital gains from transfer of shares in local companies, securities issued by the State, a municipality or a local entity and local real estate

The withholding tax rate is 7% on dividends and liquidation quotas and 15% on the other types of taxable income. The withholding tax rate may be reduced under an applicable double tax treaty.

4.1.2.3.1 Withholding tax exemption for EU citizens

Dividends and liquidation shares, distributed by a local person in favor of a foreign natural or legal person, local for an EU member-country, are not subject to withholding tax under the conditions that:

1. According to the tax legislation of the respective EU member-country the person is considered as local of this country for tax purposes and by force of an agreement for avoiding the double tax levying with a third state is not considered as local person of a state out of the EU
2. The person is levied with corporate tax, without having right of choice or exemption from levying with this tax
3. The person is the actual possessor of the income and holds at least 20% of the shares/stocks of the local entity
4. By the moment of calculating of the dividends or the liquidation shares the person has owned the shares/stocks of item 3 continuously for a period not less than one year.

4.1.2.4. VAT

The Value Added Tax Act (VAT Act) currently in force is effective as from 1 January 1999. Although Bulgaria is not a member of the European Community, the VAT legislation in many aspects follows the provisions of the Sixth Council Directive 77/388/EEC on the common system of VAT and the uniform basis for its assessment.

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The standard VAT rate is 20%. Zero rate of VAT applies to exports of products, certain eligible exports of services, as well as to some other transactions.

4.1.2.4.1 VAT Registration

Bulgarian and foreign businesses which carry out taxable transactions with a place of supply in Bulgaria and have a taxable turnover of at least BGN 50,000 during the preceding twelve months is obliged to register for VAT purposes. Non-residents, except for branch offices, are registered for VAT through a VAT representative. Voluntary VAT registration is limited to some specific cases such as:

- ◆ if the business performs both VAT taxable transactions and zero-rated transactions (i.e. export) and has a turnover of at least BGN 50,001 (as of the 1st of April, 2006 the required turnover drops to BGN 25,001);
- ◆ if a company incorporated in Bulgaria has a registered and paid up share capital of at least BGN 500,000.

There are special rules for the VAT registration in some cases of commercial companies' transformation and acquisition.

4.1.2.4.2 VAT Credit Refund

The VAT credit to be refunded can be set off against the VAT due, as well as against other liabilities to the state. The offsetting takes place during a 3-month term following the month in which the VAT credit occurred. If after this term there is still VAT to be refunded, the taxpayer may request a refund or continue offsetting it in the following months. Within three months as of the date of submitting the request for refund the tax authorities have to refund the remaining VAT after setting it off against any outstanding tax liabilities (there are indications that the second 3-month term may be reduced to 45 days).

4.1.2.4.3 Special preferential VAT regime for imports

As of 1 January 2003 VAT on the import of goods can be charged by the VAT registered importer if he holds a permit issued by the Minister of Finance and imports goods (with the exception of excise goods) according to a list approved by the Minister of Finance.

The importer shall exercise his right by:

- ◆ declaring in the filed customs declaration that he will use this regime;
- ◆ declaring that at the time of the import he is registered for VAT and has no outstanding tax liabilities and liabilities to the obligatory social and health insurance.

Where the importer has exercised his right, the customs authorities shall admit lifting the goods **without effective payment or securing of the VAT**.

The above special import regime is applicable to a person who simultaneously meets the following requirements:

- ◆ realizes an investment project approved by the Minister of Finance;
- ◆ is registered for VAT;
- ◆ has no outstanding tax liabilities and obligatory social and health insurance liabilities;
- ◆ has obtained a permit by the Minister of Finance;
- ◆ the project should be eligible for state aid for regional development.

The investment project shall be approved by the Minister of Finance in compliance with the following requirements:

- ◆ term of fulfillment of the project – up to two years;

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- ◆ size of the investment – over BGN 10 million for a period not longer than two years;
- ◆ opening of more than 50 new jobs;
- ◆ the possibilities of the person to finance the project, as well as to construct and maintain sites providing its fulfillment.

The permit shall be issued for a period of up to two years on the grounds of a written request, to which the document designates by the law are enclosed.

4.1.2.5. Excise Duties

Excise duties are levied on goods and services listed in the Excise Duties Tariff, which are:

- ◆ subject to transactions performed in Bulgaria, or
- ◆ subject to cross-border transactions from abroad to Bulgaria.

Subject to excise duties are:

- ◆ Spirit drinks, including beer and wine
- ◆ Tobacco products
- ◆ Fuels
- ◆ Some types of automobiles
- ◆ Gambling machines and other casino facilities
- ◆ Coffee and tea

The Excise Duties Act provides for reimbursement of excise duties upon exportation of goods, when excise stickers have been paid but not used by producers, etc

Countries that have Double Taxation Treaties with Bulgaria:

Albania; Armenia; Austria; Belarus; Belgium; Canada; China; Croatia; Cyprus; Czech Republic; Denmark; Egypt; Finland; France; Georgia; Germany; Greece; Hungary; India; Indonesia; Ireland; Italy; Israel; Japan; Kazakhstan; Korea North; Korea South; Kuwait; Lebanon; Luxembourg; FYROM; Malta; Moldova; Mongolia; Morocco; Netherlands; Poland; Norway; Portugal; Romania; Russia; Singapore; Slovakia; Slovenia; Spain; Sweden; Switzerland; Syria; Thailand; Turkey; Ukraine; Vietnam; Yugoslavia; Zimbabwe; United Kingdom.

4.1.3. Property Taxes

Profits from rental income are treated as taxable and are based on the gross income less tax-deductible, property related expenses and depreciation. Such expenses include repairs, maintenance, renovation and other similar costs and interest on loans used for the acquisition of the property or related expenses. A 10% municipal tax is charged on the taxable sum, which is then taxed at a flat corporate rate at 15%. Capital gains from the sale of property are treated as general income.

Land is not subject to a depreciation allowance but any immovable property is, provided it is used for the business activities of the company and is considered a fixed asset. Depreciation for tax purposes is at 4% pa and is calculated using the straight line method. Real estate acquired and then sold is considered to be an investment and can not be depreciated but is subject to an annual re-valuation to market value. In practice however, it can be unclear when a property should be treated as an investment property or a fixed asset.

4.1.4. Labor and Social Security Legislation

Employers and employees from the Sector are observing the general provisions of Bulgaria's Labor Code, concerning employment, collective labor contracts, length of workweek and workday rests and leaves. The Social Security Code (SSC) stipulates

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the obligation to pay social security, where the social security payments are shared between the securer and the secured person, as follows:

- ◆ 2006 - 65 (securer):35 (secured person);
- ◆ 2007 - 60:40;
- ◆ 2008 - 55:45;
- ◆ 2009 and the years after - 50:50.

Taxation

Individuals, operating in the tailoring, leather, furrier and knitting industry, who have generated a turnover of up to BGN 50 000 for the previous financial year, are subject to fixed annual (patent) tax, in amounts fixed in the zones and groups stipulated in the Personal Income Tax Act, as follows:

For Sofia municipality - zone/BGN

I	II	III	IV
840	840	840	840

Group/BGN

I	II	III	IV, V	VI, VII, VIII
540	390	240	110	40

4.2. MAIN BARRIERS TO INVESTMENTS

4.2.1. General barriers to investments

The legal system in Bulgaria is based on the constitution of July 1991. The legislative and regulatory framework in general corresponds to international requirements and standards. However, it has been identified by the EU as an area which needs further reform. Judicial decisions can be subject to delays, sometimes resulting from corruption and inefficiency. The government is presently in the process of reviewing existing permit and licensing regimes to remove these obstacles to developing new businesses.

Following successive reports by the European Commission stressing the need for reform, some fundamental steps were taken in December 2003. The parliament passed important constitutional amendments which reduced the security of tenure and immunity from prosecution for judicial and prosecution officials.

In addition to the slow pace of judicial reform, corruption and bureaucracy are identified as another problem which could disrupt the timetable for Bulgaria's accession to the EU. The privatization process, including the sale of some of the state's major assets, has been viewed as being subject to political influence by some observers. Despite the fact that the government made corruption a leading issue and have taken visible steps to tackle it, some observers don't believe that adequate progress has yet been made.

Despite this, Bulgaria has been one of the most progressive transition countries as defined by the EBRD. Bulgaria has been identified as a country with a high level of compliance in respect of international insolvency standards, for example, together with countries such as Romania and Croatia.

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The *European Commission 2005 Report* confirmed the findings of its 2004 Report that the business environment, in particular the efficiency of the administrative and judicial system as well as regulatory procedures, should be further improved to increase Bulgaria's attractiveness for investment.

Efforts to improve the business environment have continued, but many obstacles remain and some reforms have been delayed or still need to be fully implemented. Despite some improvements, business surveys indicate that procedures for market entry and exit as well as contract enforcement still tend to be very time-consuming, costly and complex. Some first steps have been taken to streamline business registration with the adoption of the long-awaited Law on the Bulstat registry on 27 April 2005 and the ensuing adoption of a government strategy for the actual establishment of a central register of legal entities and of an electronic register of Bulgaria. The aim is to unify the registration of businesses with the Registry Agency under the Ministry of Justice, to turn business registration from a court procedure into a purely administrative procedure, and to introduce a single Bulstat number for tax and social security purposes. These measures will be important for making business registration simpler and more transparent, but still need to be fully implemented.

The Tax and Social Security Procedural Code which will provide for the integration of the collection of taxes and social security contributions and thereby lay the basis for the functioning of the National Revenue Agency also still needs to be adopted in this context.

The project for the modernization of the land registration system has encountered delays, although some progress in the functioning of the Cadastre Agency has been made especially at regional level. Hardly any progress has been made to improve the efficiency of bankruptcy procedures. Moreover, further planned amendments to the insolvency legislation are still only in the process of preparation.

Further efforts have been made to improve the functioning of the administration and to streamline existing regulation in line with the Law on the Restriction of Administrative Regulation and Control on Business Activity of December 2003. The review of existing licensing, registration and authorization regimes with a view to alleviate or lift these regulations has continued, as well as the introduction of one-stop shops. A majority of administrative units have tried to strengthen their service-orientation by adopting clients' charters and by increasing the availability of e-government services. The Law on Investment Promotion was also amended in April 2005 lowering the thresholds for potential investors to receive preferential treatment. However, the extent to which these measures lead to tangible improvements in the conditions for doing business is not always clear. A more systematic and comprehensive assessment of the business impact of existing as well as new legislation beyond the review of regulatory regimes mentioned above, including regulations at local level, would be important to further improve the business environment especially for SMEs.

While the Law on the Restriction of Administrative Regulation envisages the introduction of regulatory impact assessments, this needs to be implemented more systematically. The same holds for the introduction of 'silent consent' as a general principle in administrative procedures.

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Some steps were taken to improve the functioning of the judicial system, but major challenges remain. Judicial reform made some progress but improving the functioning of the judicial system remains crucial for providing a transparent, stable and reliable legal framework for doing business and enforcing property rights. Delays have occurred in the adoption of the Administrative Procedure Code and the revision of the Civil Procedure Code which will be important for speeding up legal procedures, facilitating the review of administrative acts and providing greater clarity and legal certainty. A Law on Mediation as an alternative out-of-court procedure for conflict resolution entered into force in December 2004. The enforcement of judgements by private bailiffs has in principle been facilitated by a law adopted in May 2005. Both measures still need to be fully implemented, but should help improving the functioning of the judicial system and in particular the conditions for contract enforcement.

4.2.2. Specific barriers to investments in the sector

Textile, Leather, Fur, Footwear and Tailoring Special treatment of the sector

The currently effective Bulgarian legislation settles the relations within the sectors in details. The current study outlines some more specific moments, which have direct impact on the local textile industry.

Production buildings requirements

Regulations, stipulated by the currently effective legislation are observed in the process of building industrial buildings on the territory of Bulgaria. Constructions are permitted only if they are executed in accordance with the Spatial Development Act. They are designed and executed following the legislative requirements for design, building, and healthy and safe labor conditions. Building investment projects are subject to coordination and approval and serve as grounds for the issuing of construction permit, as well as for the assigning of building projects under the Public Procurements Act. Construction permits are issued by the chief architect of the municipality, and for towns of regional division – by decision of the municipal council – by the region's chief architect.

Safety, labor hygiene and fire safety requirements should be observed in the process of research and design involved in the building of new facilities and the modernization, reconstruction and restoration of existing ones.

Social requirements

According to the Labor Code the minimal age of the employees is 16 years. Persons, under the age of 16, should not be employed. The persons aged from 16 to 18 should not be hired for the implementation of hard, harmful or dangerous works. The standard working week in Bulgaria is a 5-day one, with standard length of the weekly working time of up to 40 hours. Normally the working day is 8 hours long.

Safety in the workplace is subject to a series of legislative regulations. They are applied in all enterprises and places, where people work or are being trained, regardless of the type of organization, type of property or the grounds on which the work or on which the training takes place. Each employer should issue an order in writing, depending on the character of their operations, for the establishment of a labor safety organization, stipulating the types of instructions, their range, duration, subject-matter, and programs, as well as the functionaries responsible for their imple-

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mentation. Instructions may be introductory; held on the workplace; periodical; daily; extraordinary.

Ordinances regulate the minimum health and labor safety requirements for each workplace and for the use of work equipment.

- ◆ Working premises and workplaces should be designed so as to guarantee safety labor conditions and the health of the workers. When the minimum requirements for work and health safety are being implemented, the specific characteristics of the workplace and activities should be taken into account, as well as the specific circumstances and dangers involved.
- ◆ The providing of natural light should be a priority in work premises.
- ◆ During work hours, the temperature in the work premises in which there is constant human presence, should meet the set standards, and should be consistent with the applied work methods and physiological requirements.
- ◆ An employer, who has hired 20 women and above must equip rooms for personal hygiene and premises, where pregnant women could rest. The temperature in the rest rooms, duty premises, changing rooms, bathrooms, lavatories, WCs, cafeterias and first aide rooms, should be suitable for their use. The women's personal hygiene rooms and rest rooms for pregnant women should be next to each other. They should be situated in premises not exposed to industrial damages and pollution, and the heating and light in these premises should meet hygiene standards.
- ◆ An employer with more than 50 workers and employees is obliged to provide annually workplaces suitable for vocational rehabilitation of people with reduced labor efficiency, as a percentage of the total number of workers and employees depending on the branch of economy. This percentage should not be lower than:
 - ◆ Textile and knitwear industry – 6 percent;
 - ◆ Leather, furriers and shoe industry – 6 percent;
 - ◆ Tailoring industry – 8 percent.

Safety measures should be applied with a view of preventing the risk of occupational accidents. In case of such accidents, the victim, his/her immediate head or witnesses of the accident should immediately inform the director of the insurer or the official authorized by him/her. Immediately after he/she is informed about the accident, the director of the insurer or the official authorized by him/her must organize an investigation of the circumstances around the accident.

Textile

Market requirements

Labeling and names of the textile products is set in a special ordinance, which regulates the requirements for textile products labeling, names, and the methods of quantity analysis of fibers. The rules should be applied for all the textile products, launched on the market before or during their industrial processing, as well as in each phase of their distribution. When labeling the textile products only the textile fiber names listed in appendix 1 of the ordinance should be used. When labeling a textile product composed of two or more fibers, one of which is at least 85 percent in the structure, the label should read:

1. the name of the fiber, followed by its percentage in the entire structure, or
2. the name of the fiber followed by the words "minimum 85 percent ", or
3. the entire structure of the product in percent.

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The traders that launch textile products on the market should label them. When labeling the textile products, purposed for sale, the information provided should be available in Bulgarian language.

The textile products, which structure includes two or more different fibers, should provide information about the percentage consistence of each component.

Bulgaria's legislation stipulates some requirements to the second-hand clothes for sale or humanity aid, as well as for the blankets, carpets, counterpanes, curtains, covers, bedding and towels. Second-hand clothing are already used clothes suitable for further usage, which may be used for the purpose they were made after additional processing. The trade in second-hand clothes for babies aged up to 1 year, as well and second-hand underwear, swimming suits, shoes and toys, is forbidden. The stores, offering second-hand clothing should meet the requirements set in the Act on Health. The traders should inform the Regional Inspectorate on Protection and Control of the Public Health. The stores should have a sign saying in Bulgarian language that the clothes offered there are second-hand. The clothing should be:

1. cleaned and disinfected;
2. without any evident defects and stains;
3. good wearing.

The importer of second-hand clothes should present to the Bulgarian Customs authorities a document for disinfecting issued by the company performed the disinfecting.

Leather, Fur and Footwear

Market requirements

There are some requirements set for the persons that launch footwear on the market, and for the materials used in the footwear main parts. The footwear launched for sale on the market should label the products following the requirements set in the special ordinance. They should provide compliance of the information provided with the used materials. The traders should sell only footwear labeled following the ordinance.

The information should be provided for each part of the footwear:

- ◆ upper part;
- ◆ lining and insole;
- ◆ outsole.

The label should provide information about the materials that form at least 80 percent of the surface of the upper part or of the lining and the insole and at least 80 percent if the volume of the outsole. If none of the materials forms 80 percent the information should be provided for the two predominant materials.

Tailoring

The Labeling requirements are the same as in the textile products

Production requirements

Special requirements are set for children wear. The regulations concern clothes for children up to 14 years. The fibers should be light, soft and not causing any mechanical friction on the skin. The products should be in light colors, and the underwear for children up to 1 year should be not colored at all. The fibers, allowed for production of children's wear, are listed in the special ordinance.

The children's clothes should meet some requirements as well. They should be made in the standard sizes, and the weight should be distributed a way that the greater

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part to be carried by the shoulders. The seams should not form pressing border. For the outerwear made for children up to 1 year should not have bottoms and zips in the back.

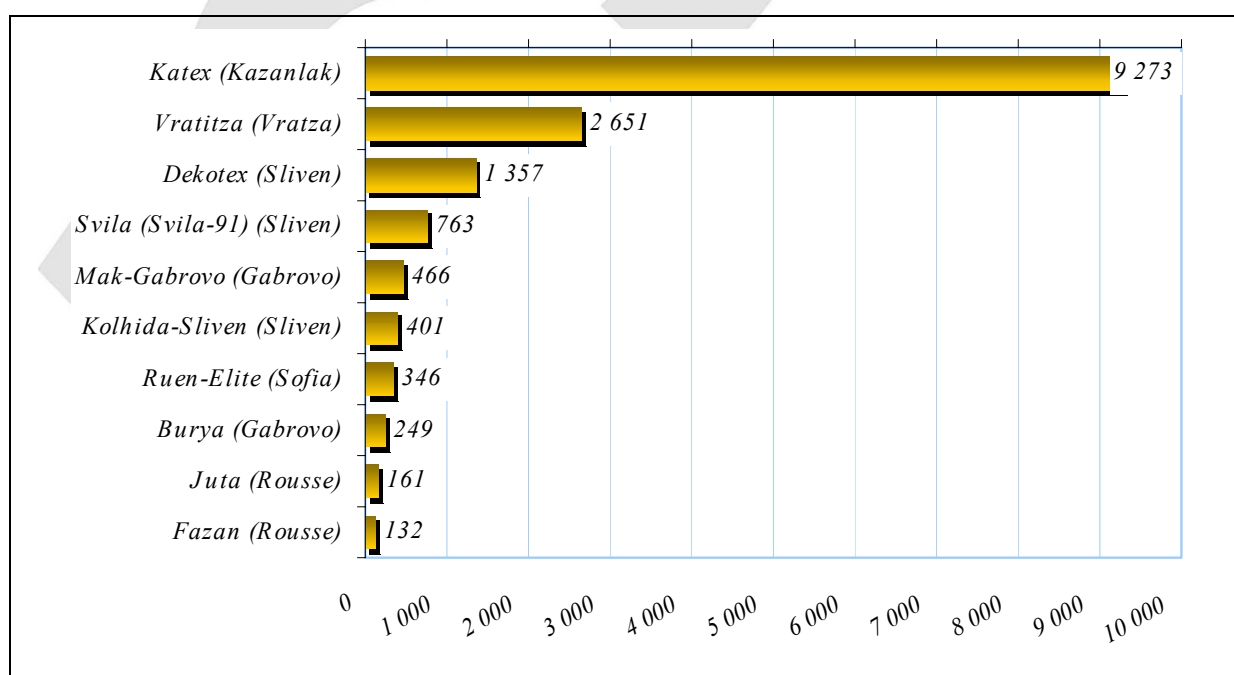
4.3. SEARCHING FOR A PARTNER. ASPECTS TO BE CONSIDERED WHEN NEGOTIATING A CONTRACT

Top 10 companies by profit (thousand BGN) for 2003

Manufacture of textile and textile products, without apparel

	Company	Profit' 2003
1	Katex (Kazanlak)	9 273
2	Vratitza (Vratza)	2 651
3	Dekotex (Sliven)	1 357
4	Svila (Svila-91) (Haskovo)	763
5	Mak-Gabrovo (Gabrovo)	466
6	Kolhida-Sliven (Sliven)	401
7	Ruen-Elite (Sofia)	346
8	Burya (Gabrovo)	249
9	Juta (Russe)	161
10	Fazan (Russe)	132

Source: BEIS



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ISO-certified Companies

Manufacture of footwear	Town	Certificate
Vihren-BL JSC	Blagoevgrad	ISO 9001
Mercury – Prodanovi, Penevi & Co.	Gabrovo	ISO 9001
Promenad Ltd.	v. Lesidren	ISO 9001
Record-Gabrovo JSC	Gabrovo	ISO 9001
Techi - Grozdan Stoyanov SP	Gabrovo	ISO 9001

Manufacture of outer garments, excl. workclothes	Town	Certificate
Riton-P JSC	Panagyurishte	Certificate ISO 9001
Ropotamo JSC	Bourgas	Certificate ISO 9001
Karina JSC	Karnobat	Certificate ISO 9001
MVMA JSC	Levski	Certificate ISO 9001
Texan JSC	Sandanski	Certificate ISO 9001
Vegea SP Ltd.	Gabrovo	Certificate ISO 9001
PAKO-50 Production Corporation for Vocational Rehabilitated Persons	Pazardjik	Certificate ISO 9001
Mir-Haskovo JSC	Haskovo	Certificate ISO 9001
Sineta - Elena Yankova SP	Sopot	Certificate ISO 9001
Intendatnsko Obsluzhvane SP JSC	Sofia	Certificate ISO 9002
ST-Konfekcia SP Ltd.	Pleven	Certificate ISO 9002
Manufacture of workclothes		
Eva Commerce SP Ltd. Sofia	Sofia	Certificate ISO 9001
Manufacture of other clothing and clothing accessories, not classified elsewhere	Town	Certificate
Elit-I Sie SP Ltd.	Gabrovo	Certificate ISO 9001
Manufacture of shirts, blouses and other underwear	Town	Certificate
Natalia JSC	Stara Zagora	Certificate ISO 9001
Intertop Ltd.	Tryavna	Certificate ISO 9001
Stil-21-Tzanov Ltd.	Sofia	Certificate ISO 9001
Bel Mod Ltd. Belene	Belene	Certificate ISO 9001

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Top 10 companies operating in the sector "Manufacture of other clothing and clothing accessories" by Net sales' 2004, BGN*

	Company	Net sales'2004, BGN
1	Kabile (Yambol)	17 955 000
2	Kontex Druzhba (Sofia)	14 216 000
3	Demo Bulgaria (Darios) (Sofia)	13 617 000
4	Druzhba-style (Varna)	13 435 000
5	Creations (Gabrovo)	13 384 000
6	Mizia-96 (Pleven)	13 155 000
7	Supply Service (Sofia)	11 197 000
8	Votan (Sofia)	10 793 000
9	S. U. P. - Bulgaria (Pernik)	10 437 000
10	Rodina-Popovo (Popovo)	10 053 000

*Based on data from the Bulgarian Enterprises Information System (BEIS)

Practical guide

- ◆ Contact as many companies as possible.
- ◆ Immediately exclude the ones who do not answer in reasonable time. The same problems will most probably persist all through your business relationship.
- ◆ Do not go for the lowest price. It often indicates low level of expertise. These might be non-professional easy-money hunters.
- ◆ Do not save money on trips and other communication. The risk you are going to take once your materials are in the hands of the producer costs usually around 75% of the price of the final products.
- ◆ Do not save money on insurance. The best case is if there are insurance companies or agencies in your country that will offer you specific product to cover most of your risk in this operation. Also find out if the producers have insured their plants and equipment.
- ◆ Do not push the people who work for you too hard on the prices. You would like them to stay on the market and to help you make more profit in the future. On the opposite, don't give them too much. You will spoil them.
- ◆ Do not hesitate to contact a local advisor if there is the slightest sense of problems. It will pay later.

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4.4. FOREIGN AND SPANISH INVESTMENT IN THE SECTOR. MAIN SUCCESSFUL CASES OF IMPLEMENTATION IN BULGARIA

Foreign direct investments in non-financial enterprises by economic activity groupings on cumulative basis as of 31.12.2004 (thousands U.S. dollars)

Economic activity groupings	Foreign direct investments as of 31.12.2000	Foreign direct investments as of 31.12.2001	Foreign direct investments as of 31.12.2002	Foreign direct investments as of 31.12.2003	Foreign direct investments as of 31.12.2004
Manufacture of textiles and textile products	77 986.4	127 827.4	156 061.6	231 174.3	316 348.4
Manufacture of leather and leather products	3 200.2	3 517.0	3 403.9	5 203.5	5 527.5
Manufacture of chemical products and man-made fibers	120 582.8	120 806.7	225 313.2	315 764.1	328 100.6

Foreign direct investments in non-financial enterprises are collected from annual statistical survey of NSI.

Major foreign investment

Textile & Knitwear	Apparel
Alt Group (Germany)	Blue Point (Greece)
Coats (UK)	C&A (Germany)
Dewavrin Group (France)	Kosmos Textile (Greece)
Maser Holding (Turkey)	Pangaea (Greece)
Miroglio (Italy)	Rollmann & Partners(Germany)
Safil (Italy)	Sara lee / Lovable (Int.)
Stambouli Enterprises (Cyprus)	

Source: InvestBulgaria Agency

The Miroglio Success Story

Investor Company: Miroglio SpA Italy;

36 companies - 7 in Italy and 29 abroad;

Annual revenues: EUR 750 mln;

Production and R&D: Great variety of articles spanning the entire spectrum of the textile sector, from yarns and unbleached fabric to finished fabrics and transfer paper;

Employees: 7,000 (2001)

Miroglio in Bulgaria

Start: 1998

Investment: EUR 153 mln (up to 2003)

\$11 mln in 2003; EUR 50 mln investment in technology

The investments are operated with 100 % foreign participation

Production: cotton, viscose and polyester, wool and wool blends fabrics

Net sales: EUR 40 million (2002)

Employees: 1,700 (2003)

Production capacity: 5 mln. m textile

Plants size: 5 plants, total area 73 000 sq. m

Dyeing-Printing factory in Elin Pelin (Sofia region) for production of printed fabrics in viscose, cotton and polyester;

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Wool factory in Sliven for spinning, weaving, dyeing and finishing of wool and wool blends fabrics;

Weaving factory in Sliven of viscose and polyester fabrics;

Spinning-twisting factory in Nova Zagora

“Miroglio Lana” – textile factory in Sliven /Greenfield investment 2003/

Certificate ISO 9001

In 2002 Miroglio acquired 70% share of Interpret Business and Convention Center in Sofia

Address: Miroglio Bulgaria AD

Industrialen kvartal, PK 161, 8800 Sliven

Phone: + 359 44 312 423

Web site: www.mirolio.com

Rollmann - Pirin Tex

Rollmann - Pirin Tex Ltd. is one of the leading manufacturers for men's garments in the high quality sector in Europe. The company was established in 1993. Until today investments in two production buildings and machinery of about USD 19 mln have been realized. Due to the increase of capacity and staff in the last three years Pirin Tex belongs to the biggest employers in south west of Bulgaria. The production with 4 lines is placed on 25 000 sq.m.

Pirin Tex Ltd. is working in two shifts with a staff of about 2 000 employees for clients like Hugo Boss, Strellson, Joop and Regent. The service provided to clients is mainly based on CM and CMT. The pre-production process is served by CAD facilities in Goce Delchev and Sofia. More than 90 percent of the production is sold to Germany, Switzerland and Greece.

In the last two years a retail chain with shops for higher quality men's fashion in Sofia, Plovdiv, Bourgas and Varna was established. The factory outlet in Goce Delchev operates since 1996. For the Bulgarian market all goods are sold under the brand name 'Rollmann'.

Huge investments were done to educate, to skill and to train people just to meet the requirements of quality and business. The process is ongoing.

The management of Pirin Tex truly believes that with ongoing training of staff and replacement investments in technical equipment business will be strengthened over the next years.

All shares of Pirin Tex Ltd. are held by Rollmann and Partner Fashion Managements LTD Germany.

Contact Information

Pirin Tex Ltd.

Drama 50, 2900 Goce Delchev

Tel: 00359751 5113

Fax: 00359751 23511

E-mail: spendel@pirintex.com

The **Dewavrin Group from France** specialized in wool trade and yarn production and trade is present in Bulgaria through its local subsidiary ADF Bulgaria EOOD that is active in wool processing of temporarily imported material. It has 80 permanent employees.

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Address: ADF Bulgaria OOD
80, Knyaz Boris I Street, 4270 Parvomay
Phone: +359 336 31 95
E-mail: adfbg@dewavrin.com

Vesticonfex International OOD is a Bulgarian legal entity established by investors from Portugal. The company is specialized in manufacturing of trousers and has a monthly capacity of 2500 pieces per day of classic models and additional 1500 pieces per day of sports models. It has 200 permanent employees. The company exports nearly all its production to Western Europe.

Address: Vesticonfex International OOD
Iztochna industrialna zona, PK 107, 5500 Lovech
Phone: +359 68 600 735, +359 68 600 713
E-mail: vestoconfex@hotmail.com

Maser Holding is a Turkish industrial group that has successfully privatized Sofia based textile enterprise Nitex -50 AD. The company is a producer of woolen fabrics, yarns and apparel. The initial investment of Maser totaled \$1.2 million. The company employs over 500 people.

Address: Nitex-50 AD
5010 Street, Gara Iskar, 1528 Sofia
Phone: +359 2 987 11 69, +359 2 987 86 81, +359 2 987 09 84

Modernotex OOD is a Bulgarian company founded by Turkish investors. It is located in the South of the country, close to the border with Turkey. The company is producing knitted ware – blouses, pullovers, jackets etc. and has monthly capacity of 12 000 pieces. The company currently employs 56 people.

Address: Modernotex OOD
105 A Belemorski Blvd., 6600 Kardjali
Phone: +359 361 628 12, 628 13

Demo Group from Greece is active through its Bulgarian subsidiary Demo Bulgaria AD. This tailoring company has own annual production capacity of 2,5 million pieces. It works also with about 30 sub-suppliers – smaller CMT producers. The company employs 450 people.

Address: Demo – Bulgaria AD
14, Urcha Street, PK 21, 2300 Pernik
Phone: +359 76 649 534, +359 76 649 518
E-mail: demo_bg@orbitel.mail.bg
Web site: www.demofashion.com

5. ANALYSIS OF THE MARKET OFFER

5.1. DOMESTIC PRODUCTION AND MAIN PRODUCERS

5.1.1. Textile Production

The upward trend of development in Bulgarian textile industry, which started in 2002, continued in 2004. According to preliminary data, Bulgarian enterprises have sold products, goods and services worth some BGN 597 million in 2004, which represents an over 12 percent growth from 2003, at comparable prices. The physical volume of sales (at comparable prices) is almost 2 times bigger compared with 2000.

Incomes from sales by enterprises, operating in the textile industry – 2004, in thousand BGN at current prices

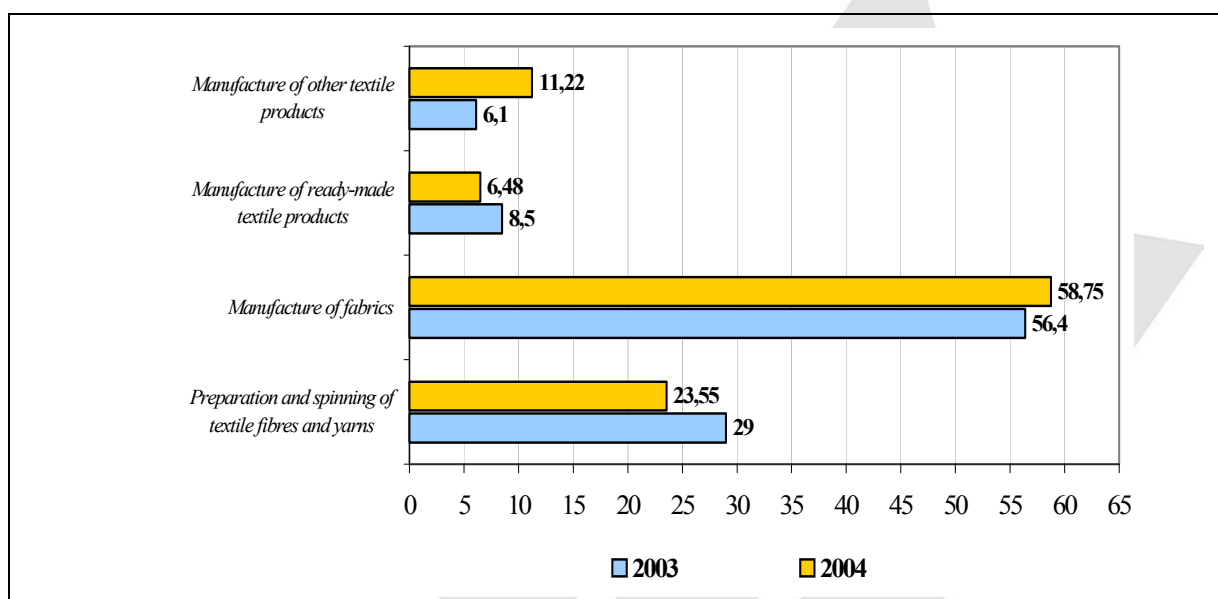
	Current prices (thous. BGN)	Index
Manufacture of textile and textile products	596 656	112.3
Incl.: Preparation and spinning of textile fibers and yarns	140 628	104.6
Manufacture of fabrics	350 858	123.6
Manufacture of ready-made textile products	38 678	70.5
Manufacture of other textile products	66 492	144.0

Source: BEIS

The biggest growth rate was registered in enterprises, manufacturing other textile products – 44 percent, and fabrics – 24 percent.

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Sales of the textile industry (2003-2004), by main activities - %



Source: BEIS

The share of fabrics-producing enterprises in sales generated by the textile industry reached almost 59 percent, which represents a 2.4 point growth from 2003. The share of enterprises, manufacturing other textile products is quite large as well – almost two fold (6.1 points).

The share of enterprises, operating in the field of preparation and spinning of textile fibers and yarns has shrunk by over 5 points. The share of enterprises, manufacturing ready-made textile products, is also smaller by 2 points.

Studies of the product structure of textile industry over the period 2001-2003 by main product groups have shown a constant increase of the production of: washed wool, textile products for the household, fabrics made of synthetic and artificial fibers, woven velvets, pile and chenille fabrics, non-woven textile products, weight more than 150 g/sq.m., and knitted fabrics.

Manufacture of textile products (2001-2004), by main categories

Category	Unit	2001	2002	2003	2004	Index 2001=100		
						2002	2003	2004
Washed wool	ton	4 945	5 015	7 631	9 994	101.42	154.32	202.10
- tweed or worsted	ton	3 931	3 290	6 336	8 839	83.69	161.18	224.85
- other	ton	1 014	1 725	1 295	1 155	170.12	127.71	113.91
Cotton, carded or combed	ton	2 493	3 315	1 085	*	132.97	43.52	
Yarn made of wool for other use	ton	1 307	3 473	1 204	1 147	265.72	92.12	87.76
Yarn made of non-carded cotton for fabrics	ton	17 972	16 237	13 605	15 741	90.35	75.70	87.59
Silk fabrics	thous. sq.m	17 062	18 235	16 822	*	106.87	98.59	
Woolen fabrics	thous.sq.m	7 981	9 261	7096	9 231	116.04	88.91	115.66
- tweed for apparel	thous.sq.m	2 055	5 527	2 032	3 679	268.95	98.88	179.02
Cotton fabrics	thous.sq.m	66 195	62 237	57 208	53 106	94.02	86.42	80.23
incl. for: - bedroom linen	thous.sq.m	28 464	23 974	25 192	31 251	84.23	88.50	109.79

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Category	Unit	2001	2002	2003	2004	Index 2001=100		
						2002	2003	2004
- other textile products for the household	thous.sq.m	5 309	8 864	9 818	10 881	166.96	184.93	204.95
- wearing apparel	thous.sq.m	5 429	15 160	13 888	10 974	279.24	255.81	202.13
Fabrics made of synthetic or artificial fibers with high strength	thous.sq.m	5 570	4 147	946	2 486	74.45	16.98	44.63
Fabrics made of yarns from synthetic fibers for apparel	thous.sq.m	3 415	5 394	6 398	6 405	157.95	187.35	187.56
Fabrics made of yarns from artificial fibers for apparel	thous.sq.m	6 392	7 962	8 487	6 694	124.56	132.78	104.72
Woven velvets, pile and chenille fabrics	thous.sq.m	44	242	367	97	550.00	834.09	219.37
Fabrics made of synthetic staple fibers for production use	thous.sq.m	742	642	1299	751	86.52	175.07	101.28
Non-woven textile products, weight more than 150 g/sq.m	thous.sq.m	1 997	2 079	2 895	3 201	104.11	144.97	160.30
Knitted fabrics not classified elsewhere	thous.sq.m	5 546	11 856	17 989	22 433	213.78	324.36	404.48

* Data is confidential.

Source: BIA

In 2004, the production of the following product categories is smaller as compared with 2001:

- ◆ Cotton fabrics - by 13 089 000 sq. m
- ◆ Yarn made of wool - by 160 t
- ◆ Cotton carded yarns – by 2 231 t
- ◆ Fabrics made of synthetic or artificial fibers – 3 084 000 sq.m.

For the main producers – see point 4.3

5.1.2. Leather, Fur and Footwear Production

Production in leather and fur industry over the period 2001–2004 developed with unstable trend. Until 2003 it constantly increased. However the data of the NSI for 2004 show a decrease of 8 percent compared to 2003. For the four years the increase compared to 2000 is 40 percent.

Production of leather industry (2001-2004)

	BGN thousand (current prices)				Index (previous year = 100)				Index 2004/2000
	2001	2002	2003	2004	2001	2002	2003	2004	2004
Total	207 037	225 482	263 270	220 989	108.9	111.8	125.7	91.7	140.3
Manufacture of leather clothes	9 359	4 928	6 176	5 360	117.7	51.6	133.3	100.2	81.2
Tanning and dressing of	37 776	21 456	42 225	12 018	80.4	59.3	226.7	33.8	36.5

TEXTILE, LEATHER, FUR, FOOTWEAR AND TAILORING INDUSTRY IN BULGARIA

	BGN thousand (current prices)				Index (previous year = 100)				Index 2004/2000
	2001	2002	2003	2004	2001	2002	2003	2004	2004
leather									
Manufacture of luggage, handbags and the like, saddlery and harness	15 624	29 411	31 025	27 776	111.5	195	122.3	95.6	254.2
Manufacture of footwear	144 278	169 687	183 844	175 835	118.9	116.4	115.7	102.4	163.9

Source: BIA

Compared to 2000 the greatest increase was in the manufacture of products for traveling, saddlery and harness. The increase in footwear production compared to 2000 reached 64 percent.

There was a considerable decrease in the tanning and dressing of leather – about 64 percent. The production of clothes by upper leather was also down but the decrease was smaller – about 19 percent.

After a certain increase of the share of leather industry in the manufacturing industry in 2004, it fell to 0.95 percent. The decrease compared to 2003 was 0.46 points. In 2004 the share of the leather industry in the added value of manufacturing industry is 1.27 percent. Compared to the share of production, it is bigger with 0.32 points.

The analysis of the prices of the goods sold by the companies shows that in 2002 the average prices were 10 percent lower than the previous year. This trend continued both in 2003 and 2004 when the decrease was 7 percent and 9 percent respectively. In the three years as a whole they were lower by about 24 percent.

The development of the production of the main products is characterized by:

- ♦ reduction of the production of leather;
- ♦ unstable trend in the footwear production;
- ♦ growth in the luggage and bag production.

The biggest decrease was the one in pig leather production, while the produced suitcases, sandals, pig leather, goat leather were considerably less. The production of cattle leather was down 40 percent.

In 2003 compared to 2001 the production of handbags, men's, ladies' and children's footwear in Bulgaria was greater.

Production of leather and leather goods (2001-2003)

Lines	Measure	2001	2002	2003	Index 2001=100	
					2002	2003
Leather of cattle	thous. dm ²	90 245	68 793	47 467	76.2%	52.6%
incl. only tanned	thous. dm ²	52 020	27 212	31 815	52.3%	61.2%
processed in other way	thous. dm ²	16 085	10 347	15 652	64.3%	97.3%
Sheep leather	thous. dm ²	750		
Goat leather	thous. dm ²	4 930	5 695	4 232	115.5%	85.8%
Pig leather	thous. dm ²	80 033	41 573	6 948	51.9%	8.7%
Suitcases, bags	number	58 055	23 356	8 807	40.2%	15.2%
Handbags	number	245 119	967 088	677 294	394.5%	276.3%
Men's footwear	pair	996 629	891 169	1 208 116	89.4%	121.2%
Ladies' footwear	pair	801 752	804 700	1 330 123	100.4%	165.9%

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Lines	Measure	2001	2002	2003	Index 2001=100	
					2002	2003
Children's footwear	pair	150 838	845 075	337 342	560.3%	223.6%
Sandals	pair	273 878	176 426	124 399	64.4%	45.4%

Source: BIA

The production of footwear in the examined period has been developing with upward but unstable trend.

Compared to 2000, the production was in:

- ♦ 2001 – by 582,000 pairs or 10 percent less
- ♦ 2002 – by 2,040,000 pairs or 36 percent more
- ♦ 2003 – by 1,560,000 pairs or 27 percent more.

Production of leather goods in 2004

Category	Measure	Quantity	Index 2003 = 100
Clothes and accessories by fur (without hats)	Unit	3 966	65.2
Footwear with rubber, plastic upper part or with upper part of artificial leather, different from sandals, slippers, sports shoes and from shoes with protective metal toe-cap	Pair	93 726	50.3
Men's footwear (including boots) with upper part of genuine leather (without the waterproof and these with protective metal toe-cap)	Pair	2 674 566	228.7
Ladies' footwear (including boots) with upper part of genuine leather (without the waterproof and these with protective metal toe-cap)	Pair	2 625 095	314.0
Children's footwear (including boots) with upper part of genuine leather (without the waterproof and these with protective metal toe-cap)	Pair	924 487	111.2
Footwear with upper part of textile, with rubber, plastic or leather soles (without sports shoes and slippers)	Pair	317 973	154.7

Source: BIA

In 2004, 21 870 people worked in the production of leather, fur and leather products (without leather clothes). This is 3.3 percent of the employees in the manufacturing industry. Compared to 2003 the workforce was by 1 627 people or 8 percent more. The average monthly salary of the employees in 2004 (BGN 216) was one of the lowest compared to the other sectors of the manufacturing industry. Compared to 2003 it was 18 percent higher but in comparison to the average salary in Bulgaria it was by BGN 150 or 41 percent lower.

For the main producers – see point 4.3

5.1.3. Tailoring

Production

The upward trend of development in tailoring industry continued in 2004. Over the review period, local companies, operating in this branch have sold production, goods and services worth a total of BGN 1 345 mln. Their physical volume (at comparable

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prices) is up 12 percent from 2003. The growth rate is lower as compared with previous years. The difference with 2003 is 12 points.

In the structure of the sales in 2004, the share of the outsourced production (re-export – processing and finish processing of temporary import and return in changed condition) is more than 90 percent.

Production of tailoring products (2003-2004), thousand pieces¹

	2003	2004	Index
Workclothes	2 845 067	3 622 602	127.33
Men's or boys' apparel	3 609 610	11 243 117	311.48
Lady's or girls' apparel	7 966 119	16 921 992	212.42
Shirts and blouses	8 869 642	29 206 980	329.29
Total	23 290 438	60 994 691	261.89

Source: BIA

In the structure of tailoring product output in 2004, 48 percent are shirts and blouses and 28 percent are lady's and girls' apparel.

Compared with 2003, the share of the lady's and girls' apparel is 6 points lower. The share of the shirts and blouses is bigger by 10 points.

5.1.3.1. Workclothes

In the structure of workclothes production, 48 percent are occupied by suits made of cotton, men's or boys', and 40 percent – by trousers made of cotton, men's. Compared with 2003, the share of men's trousers has grown by 6.3 points, while the share of women's trousers has increased by 3.1 points. The share of men's suits made of cotton is smaller by 7.3 points, men's suits made of synthetic and artificial fibers – by 1.1 points, and lady's suits made of cotton – by 0.7 points.

5.1.3.2. Men's or boys' apparel

In the structure of production over the review period, 47 percent are occupied by trousers made of synthetic and artificial fibers, and 39 percent – by trousers made of cotton. Compared with 2003, the share of trousers made of synthetic and artificial fibers is bigger by 7 points, and the share of costumes made of other textile materials – by 3.7 points. The share of trousers made of cotton is smaller by 4.7 points, the share of jackets is smaller by 3.5 points, and the share of woolen costumes is smaller by 2.5 points.

5.1.3.3. Lady's or girls' apparel

In 2004, 28 percent of the product structure were occupied by trousers made of cotton, 26 percent – coats, overcoats, hooded cloaks made of wool; 23 percent – woolen jackets; 16 percent – woolen skirts. Compared with 2003, the share of products from the group Coats, overcoats, and hooded cloaks is larger by 6.4 percent; the share of cotton trousers has increased by 4.1 points, and the share of woolen skirts has swollen by 1 point. The share of woolen jackets is smaller by 6.6 points; a drop was also registered in the share of costumes made of other materials – by 3 points, costumes

¹ Figures do not include products the information about which is confidential.

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made of wool – by 1.2 points; skirts made of wool – by 1 point; dresses made of synthetic and artificial fibers – by 0.7 points.

5.1.3.4. Shirts

In 2004, 65 percent of the total production output consisted of shirts made of cotton, men's or boys', and 31 percent – of shirts and blouses made of artificial and synthetic fibers, lady's or girls'. Compared with 2003, the share of shirts and blouses made of artificial or synthetic fibers is 2.5 points bigger. The share of shirts made of cotton, men's or boys' is smaller by 1.3 points, and the share of shirts and blouses made of cotton, lady's or girls' is smaller by 1 point.

For the main producers – see point 4.3

5.2. FOREIGN PRODUCTION AND MAIN SUPPLIERS

5.2.1. Textile and tailoring

Trade balance

There are many categories of textile products which come to Bulgaria as temporary imports for processing and finish-processing in the tailoring industry and return as reverse export in changed condition. Therefore the current report studies at the same time the balance of textile products foreign trade and the balance of tailoring products foreign trade.

Bulgaria is a net exporter of textile and tailoring products.

Balance of trade of textile and tailoring products (2001–2004), thousand EUR

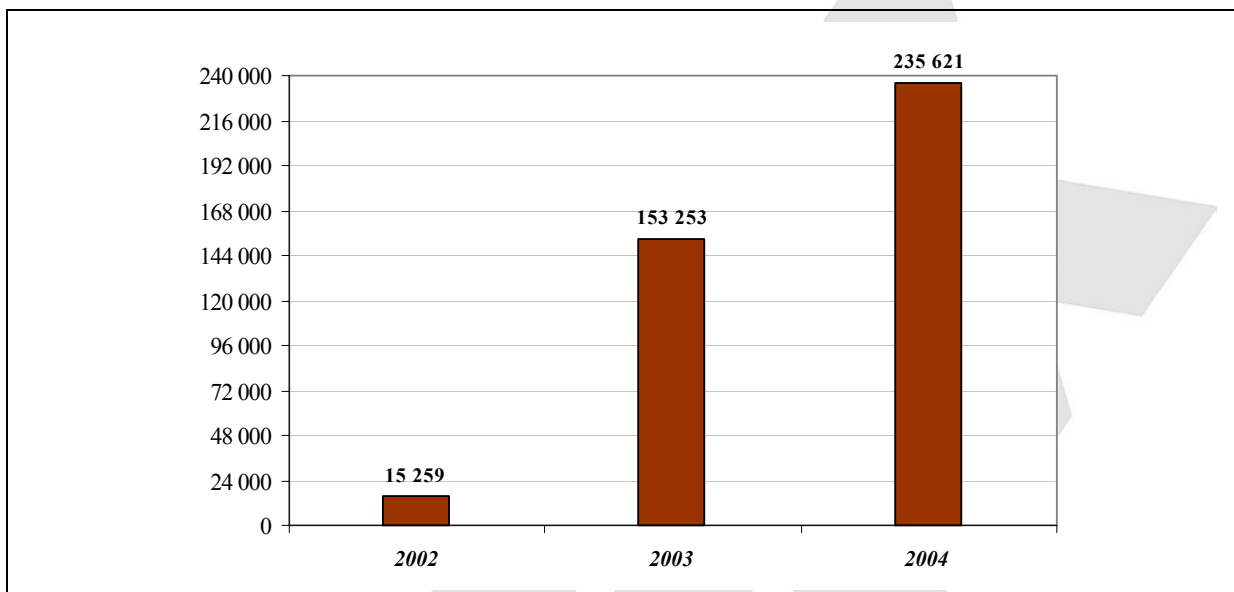
	2001	2002	2003	2004
Export	656 029	671 287	809 281	891 649
Textile	59 771	64 786	77 176	82 902
Tailoring	596 257	606 501	732 105	808 748
Import	503 446	506 099	592 683	637 037
Textile	436 222	420 067	486 063	515 869
Tailoring	67 225	86 033	106 620	121 168
Balance	152 582	165 188	216 598	254 612

Source: NSI

In 2004, exports of textile and tailoring products reached EUR 892 mln. Compared with 2001, this represents a 36-percent increase.

TEXTILE, LEATHER, FUR, FOOTWEAR AND TAILORING INDUSTRY IN BULGARIA

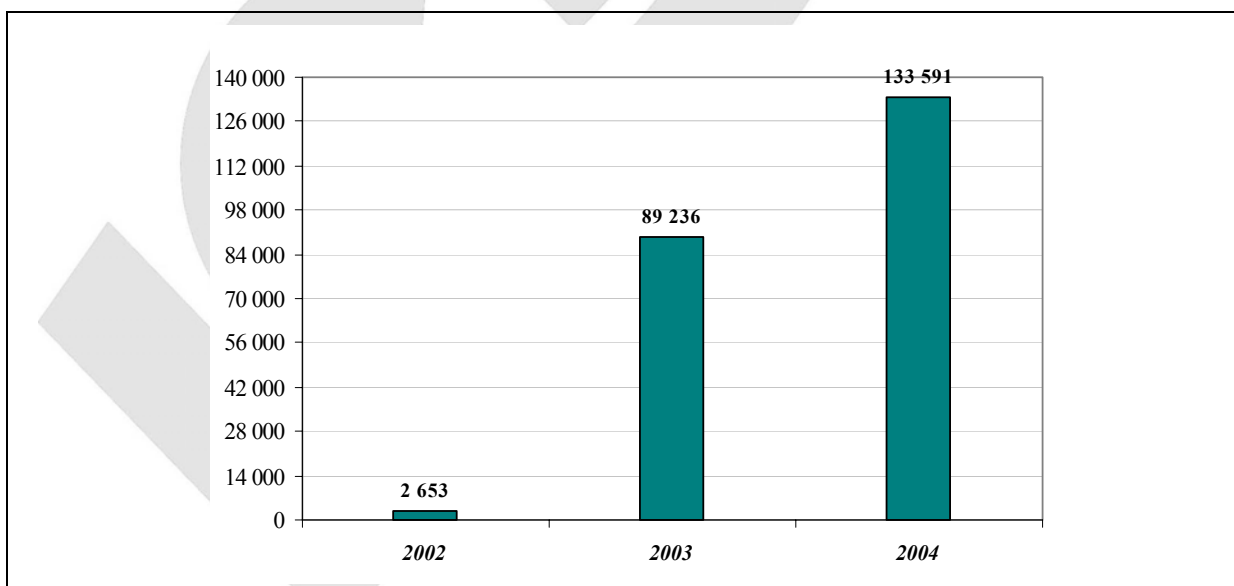
Growth in the export of textile and tailoring products, thousand EUR (from 2001)



Source: NSI

Imports of textile and tailoring products in 2004 exceeded BGN 637 mln. Compared with 2001, this is a 27-percent increase.

Growth in the import of textile and tailoring products – thousand EUR (from 2001)

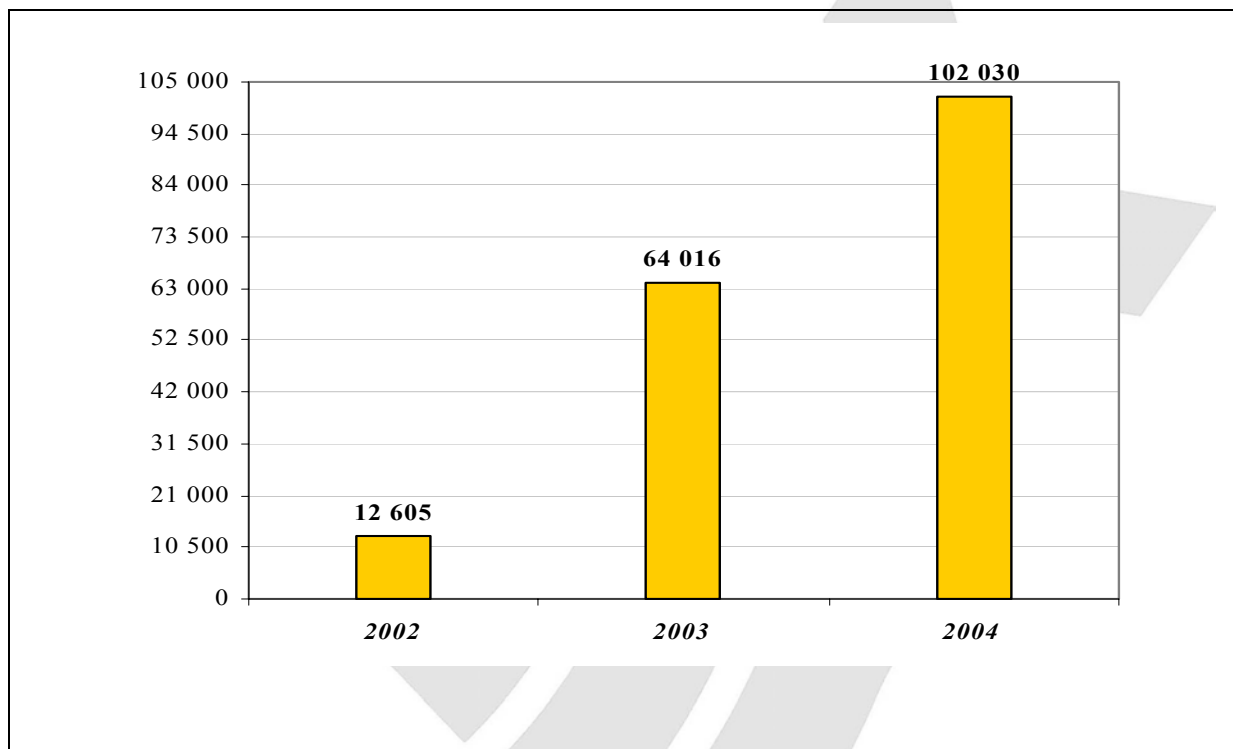


Source: NSI

The macroeconomic efficiency of the trade in textile and tailoring products is growing constantly.

TEXTILE, LEATHER, FUR, FOOTWEAR AND TAILORING INDUSTRY IN BULGARIA

Growth in the foreign trade balance of textile and tailoring products, thousand EUR (from 2001)



Source: NSI

The positive trade balance was almost 1.7 times bigger in 2004 as compared with 2001.

Import

Over the period 2001-2004, imports of fabrics developed with an **unstable, but still upward trend of increase**. In 2004, a total of over 297 000 sq.m worth EUR 516 mln were imported. Their relative share in the country's total imports stood at 2.3 percent.

Some 30 percent of the products imported in 2004 consisted of regular import for consumption in the country. Temporary import for processing and finished processing and return in changed condition as reverse export of textile and tailoring products accounted for 70 percent of imports. In foreign currency, the share of regular import stood at 9 percent, while temporary import accounted for 91 percent.

Import of fabrics (2001-2004), by main product groups

Product	2001		2002		2003		2004	
	Thousand sq.m	Thousand EUR	Thousand sq.m	Thousand EUR	Thousand sq.m	Thousand EUR	Thousand sq.m	Thousand EUR
Fabrics made of silk or silk waste	355	2 821	274	2 100	571	3 605	626	3 562
Fabrics made of wool	15 113	73 919	13 028	65 261	14 498	75 203	18 878	100 291
Fabrics made	92 950	138 600	82 059	143 123	96 296	171 601	108 399	174 861

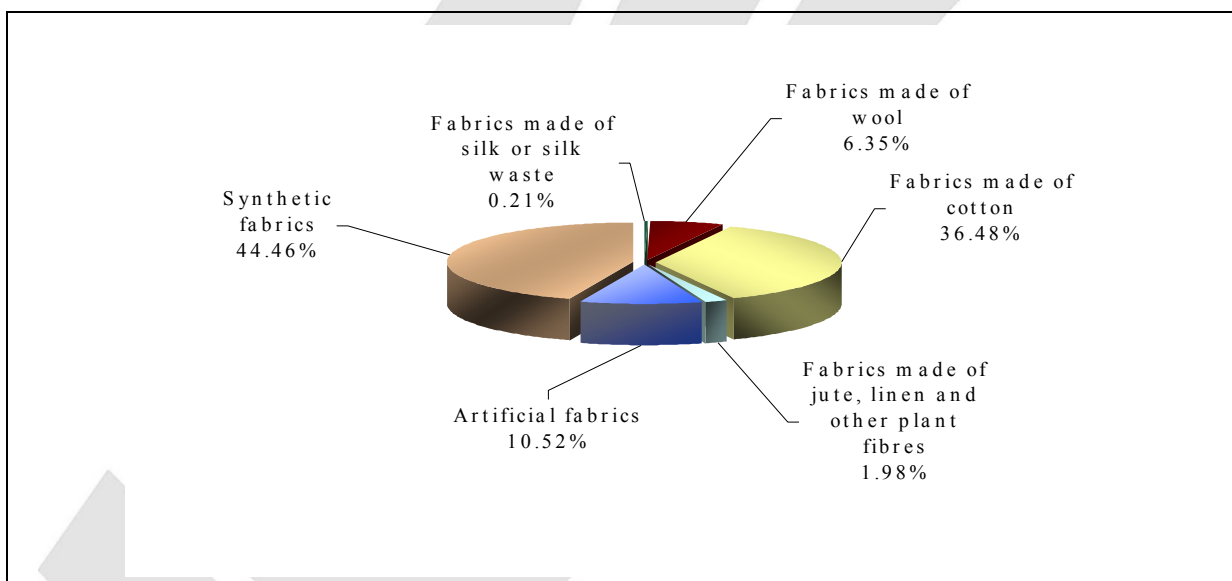
TEXTILE, LEATHER, FUR, FOOTWEAR AND TAILORING INDUSTRY IN BULGARIA

Product	2001		2002		2003		2004	
	Thousand sq.m	Thousand EUR	Thousand sq.m	Thousand EUR	Thousand sq.m	Thousand EUR	Thousand sq.m	Thousand EUR
of cotton								
Fabrics made of jute, linen and other plant fibers	5 418	19 836	5 380	16 579	9 284	19 805	5 870	18 932
Artificial fabrics	31 804	62 514	28 577	54 636	41 774	55 340	31 253	52 225
Synthetic fabrics	92 673	138 531	93 346	138 368	112 828	160 509	132 090	165 998
Total	238 313	436 222	222 665	420 067	275 251	486 063	297 116	515 869

Source: NSI

In the product structure of imports in 2004, nearly 45 percent are occupied by products from the group Synthetic fabrics.

Import of fabrics in 2004, by main product groups - %



Source: NSI

Compared with 2001, the following changes are observed in the products structure:

- ◆ The share of artificial fabrics has shrunk by 2.8 points; the share of cotton fabrics is smaller by 2.5 points; the share of fabrics made of linen, jute and other textile fibers – by 0.3 points.
- ◆ The share of synthetic fabrics has increased by 5.6 points, and that of fabrics made of wool has grown by 0.1 points.

5.2.1.1. Silk fabrics

Very small amounts of silk fabrics are imported. Compared with 2001, their import has increased 1.8 times, but their share is only 0.2 percent.

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5.2.1.2. Woolen fabrics

In 2004, 18 878 000 sq.m worth a total of EUR 100 291 000 of fabrics made of wool were imported. Compared with 2001, this represents an increase of 3 765 000 sq.m or 24 percent.

Import of fabrics made of wool (2001-2004), by main product categories

Product	2001		2002		2003		2004	
	Thou- sand sq.m	Thou- sand EUR	Thou- sand sq.m	Thou- sand EUR	Thou- sand sq.m	Thou- sand EUR	Thou- sand sq.m	Thou- sand EUR
Total	15 113	73 919	13 028	65 261	14 498	75 203	18 878	100 291
Fabrics made of tweed wool or tweed fine hairs	8 228	38 373	7 000	32 116	6 079	27 836	7 318	34 772
Fabrics made of worsted wool or worsted fine hairs	6 863	35 471	6 012	33 120	8 390	47 303	11 491	65 369
Fabrics made of coarse hairs or hairs from crest/tails	22	75	17	25	29	63	69	150

Source: NSI

In the overall product structure, 61 percent are occupied by fabrics made of worsted fine hairs, and 39 percent – of tweed wool.

The average prices of the imported products are gradually increasing.

Average prices of the imported fabrics made of wool (2001 – 2004), by main categories

	2001	2002	2003	2004	Index 2001=100
Fabrics made of tweed wool or tweed fine hairs	4.66	4.59	4.58	4.75	101.89%
Fabrics made of worsted wool or worsted fine hairs	5.17	5.51	5.64	5.69	110.06%
Fabrics made of coarse hairs or hairs from crest/tails	3.33	1.51	2.16	2.18	65.52%

Source: NSI

The growth in foreign currency in 2004, as compared with 2001, reached EUR 26 372 000, which represents an increase of 36 percent. Compared with the growth in the imported amounts, foreign currency growth is 11 points bigger.

5.2.1.3. Cotton fabrics

In 2004, the import of fabrics made of cotton exceeded 108 mln sq.m, and the foreign currency used for their purchase reached almost EUR 105 mln.

Import of fabrics made of cotton (2001-2004), by main product categories

Product	2001		2002		2003		2004	
	Thou- sand sq.m	Thou- sand EUR	Thou- sand sq.m	Thou- sand EUR	Thou- sand sq.m	Thou- sand EUR	Thou- sand sq.m	Thou- sand EUR
Total	92 950	138 600	82 059	143 123	96 296	171 601	108 399	174 861

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Product	2001		2002		2003		2004	
	Thousand sq.m	Thousand EUR	Thousand sq.m	Thousand EUR	Thousand sq.m	Thousand EUR	Thousand sq.m	Thousand EUR
Cotton fabrics containing at least 85 percent cotton, or weight under 200g/sq.m	36 472	48 078	35 804	54 220	39 075	61 848	52 309	66 319
Cotton fabrics, containing at least 85 percent cotton, or weight over 200 g/sq.m	29 133	50 160	21 118	51 720	30 410	63 592	26 325	61 462
Cotton fabrics, containing under 85 percent cotton, mixed mostly or only with synthetic or artificial fibers with weight, under 200 g/sq.m	17 416	18 645	9 622	20 699	13 945	26 878	11 911	24 151
Cotton fabrics, containing under 85 percent cotton, mixed mostly or only with synthetic or artificial fibers with weight over 200 g/sq.m	5 144	17 560	4 325	11 621	4 448	12 054	5 528	16 216
Other cotton fabrics	4 785	4 157	11 190	4 863	8 419	7 229	12 326	6 713

Source: NSI

- ◆ In the product structure, 48 percent are occupied by cotton fabrics containing at least 85 percent cotton, or weight under 200g/sq.m
- ◆ Cotton fabrics, containing at least 85 percent cotton, or weight over 200 g/sq.m – 24 percent.
- ◆ Cotton fabrics, containing under 85 percent cotton, mixed mostly or only with synthetic or artificial fibers with weight, under 200 g/sq.m – 11 percent.
- ◆ Cotton fabrics, containing under 85 percent cotton, mixed mostly or only with synthetic or artificial fibers with weight over 200 g/sq.m – 5 percent.
- ◆ Other cotton fabrics – 12 percent.

Compared with 2001, 15 449 000 sq.m or 17 percent more products from this group were imported.

Their average prices in 2004, as compared with 2001, are 8 percent higher.

Average prices of the imported fabrics made of cotton (2001 – 2004), by main categories

	2001	2002	2003	2004	Index 2001=100
Fabrics containing at least 85 % cotton, or weight under 200g/sq.m	1.32	1.51	1.58	1.27	96.18%
Fabrics containing at least 85 % cotton, or weight over 200 g/sq.m	1.72	2.45	2.09	2.33	135.61%
Fabrics, containing under 85 % cotton, with weight under 200 g/sq.m	1.07	2.15	1.93	2.03	189.39%
Fabrics, containing under 85 % cotton, with weight over 200 g/sq.m	3.41	2.69	2.71	2.93	85.93%
Other fabrics of cotton	0.87	0.43	0.86	0.45	51.72%

Source: NSI

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The amount of foreign currency used for the purchase of the products above in 2004 is bigger by EUR 36 261 000 (26 percent) as compared with 2001. Compared with the volumes, the growth is 13 points higher.

5.2.1.4. Fabrics made of linen, jute and other textile fibers

In 2004, a total of 5 870 000 sq.m worth EUR 18 932 000 of these products were imported.

Import of fabrics made of jute, linen and other plant fibers (2001-2004), by main product categories

Product	2001		2002		2003		2004	
	Thousand sq.m	Thousand EUR	Thousand sq.m	Thousand EUR	Thousand sq.m	Thousand EUR	Thousand sq.m	Thousand EUR
Total	5 418	19 836	5 380	16 579	9 284	19 805	5 870	18 932
Fabrics made of linen	4 728	19 318	3 681	15 449	5 006	18 759	4 562	18 282
Fabrics made of jute and other textile bast fibers from - 53.03	599	295	1 680	1 088	2 139	895	1 252	460
Fabrics made of other plant textile fibers, fabrics made of paper yarns	92	223	19	42	2 138	151	56	190

Source: NSI

In the product structure, 78 percent are occupied by linen fabrics, 21 percent – by jute, and 1 percent – by fabrics made of other plant textile fibers

In 2004, as compared with 2001, imports was bigger by 450 000 t or 8 percent.

The average prices of the products imported in 2004, as compared with 2001, are 5 percent lower.

Average prices of the imported fabrics made of linen and jute (2001-2004), by main categories

	2001	2002	2003	2004	Index 2001=100
Fabrics made of linen.	4.09	4.20	3.75	4.01	98.07%
Fabrics made of jute	0.49	0.65	0.42	0.37	74.53%

Source: NSI

The amount foreign currency used for the purchase of the products in 2004, as compared with 2001, was smaller by EUR 904 000 or 5 percent.

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5.2.1.5. Artificial fabrics

In 2004, a total of 31 253 000 sq.m of artificial fabrics worth EUR 52 225 000 were imported.

Import of artificial fabrics (2001-2004), by main product categories

Product	2001		2002		2003		2004	
	Thousand sq.m	Thousand EUR	Thousand sq.m	Thousand EUR	Thousand sq.m	Thousand EUR	Thousand sq.m	Thousand EUR
Total	31 804	62 514	28 577	54 636	41 774	55 340	31 253	52 225
Fabrics made of yarns from artificial fibers, incl. fabrics, obtained from the products from -54.05.	14 730	27 262	13 671	24 031	28 200	24 949	18 609	26 239
Fabrics made of artificial staple fibers	17 075	35 252	14 906	30 605	13 574	30 391	12 643	25 986

Source: NSI

In the product structure in 2004, 60 percent are occupied by fabrics made of artificial fibers, and 40 percent of staple fibers.

Compared with 2001, in 2004 imports were smaller by 551 000 sq.m or 1.7 percent. The average prices in 2004, as compared with 2001, are lower by some 15 percent.

Average prices of the imported artificial fabrics (2001-2004), by main categories

	2001	2002	2003	2004	Index 2001=100
Fabrics made of yarns from artificial fibers, incl. fabrics, obtained from the products from -54.05.	1.85	1.76	0.88	1.41	76.18%
Fabrics made of artificial staple fibers	2.06	2.05	2.24	2.06	99.55%

Source: NSI

The amount of foreign currency used for the purchase of these products in 2004, as compared with 2001, was smaller by EUR 10 289 000 or 16 percent. The growth is smaller by 14 points, compared with the imported amounts.

5.2.1.6. Synthetic fabrics

In 2004, a total of 132 090 000 sq.m worth EUR 165 998 000 were imported.

Import of synthetic fabrics (2001-2004), by main product categories

Product	2001		2002		2003		2004	
	Thousand sq.m	Thousand EUR	Thousand sq.m	Thousand EUR	Thousand sq.m	Thousand EUR	Thousand sq.m	Thousand EUR
Total	92 673	138 531	93 346	138 368	112 828	160 509	132 090	165 998
Fabrics made of yarns from	39 688	64 375	49 962	60 564	60 874	73 272	71 876	73 494

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Product	2001		2002		2003		2004	
	Thou- sand sq.m	Thou- sand EUR	Thou- sand sq.m	Thou- sand EUR	Thou- sand sq.m	Thou- sand EUR	Thou- sand sq.m	Thou- sand EUR
synthetic fibers, incl. Fabrics obtained from the products from -54.04.								
Fabrics made of synthetic staple fibers, containing at least 85 percent synthetic staple fibers.	14 710	14 717	9 040	12 026	7 589	12 214	7 151	12 021
Fabrics made of synthetic staple fibers, containing under 85 percent of these fibers, mixed mostly or only with cotton, with weight under 170 g/sq.m	3 442	5 132	4 621	6 008	6 038	8 433	5 727	7 782
Fabrics made of synthetic staple fibers, containing under 85 percent of these fibers, mixed mostly or only with cotton, with weight over 170 g/sq.m	3 780	6 859	4 357	8 629	6 599	9 284	6 642	10 432
Other fabrics made of synthetic staple fibers.	31 054	47 448	25 366	51 141	31 728	57 307	40 694	62 269

Source: NSI

In the product structure, 54 percent are occupied by fabrics made of synthetic fibers, 6 percent – by fabrics containing at least 85 percent synthetic staple fibers, 4 percent – fabrics containing under 85 percent of synthetic staple fibers with weight under 170 g/sq.m, and 31 percent – by other fabrics made of synthetic staple fibers. Compared with 2001, in 2004 the amount of imported synthetic fabrics was bigger by 39 417 sq.m or 43 percent.

The average prices are gradually going down. In 2004, as compared with 2001, they were about 15 percent lower.

Average prices of the imported synthetic fabrics (2001-2004) – by main categories

	2001	2002	2003	2004	Index 2001=100
Fabrics made of yarns from synthetic fibers, incl. fabrics obtained from the products from -54.04	1.62	1.21	1.20	1.02	63.04%
Fabrics made of synthetic staple fibers, containing at least 85 percent synthetic staple fibers	1.00	1.33	1.61	1.68	168.02%
Fabrics made of synthetic staple fibers, containing at least 85 percent of these fibers, mixed mostly or only with cotton, with weight under 170 g/sq.m	1.49	1.30	1.40	1.36	91.13%
Fabrics made of synthetic staple fibers, containing under 85 percent of these fibers, mixed mostly or only with cotton, with weight over 170 g/sq.m	1.81	1.98	1.41	1.57	86.56%
Other fabrics made of synthetic staple fibers	1.53	2.02	1.81	1.53	100.15%

Source: NSI

The amount of foreign currency used for the purchase of these products in 2004, as compared with 2001, was bigger by EUR 27 467 000 or 20 percent. Compared with the amounts, the growth is smaller by 23 points.

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5.2.2. Leather, Fur and Footwear

Foreign trade balance

The foreign trade in 2004 amounted to EUR 291 mln. Compared to 2001 it was by EUR 33 mln or 13 percent bigger.

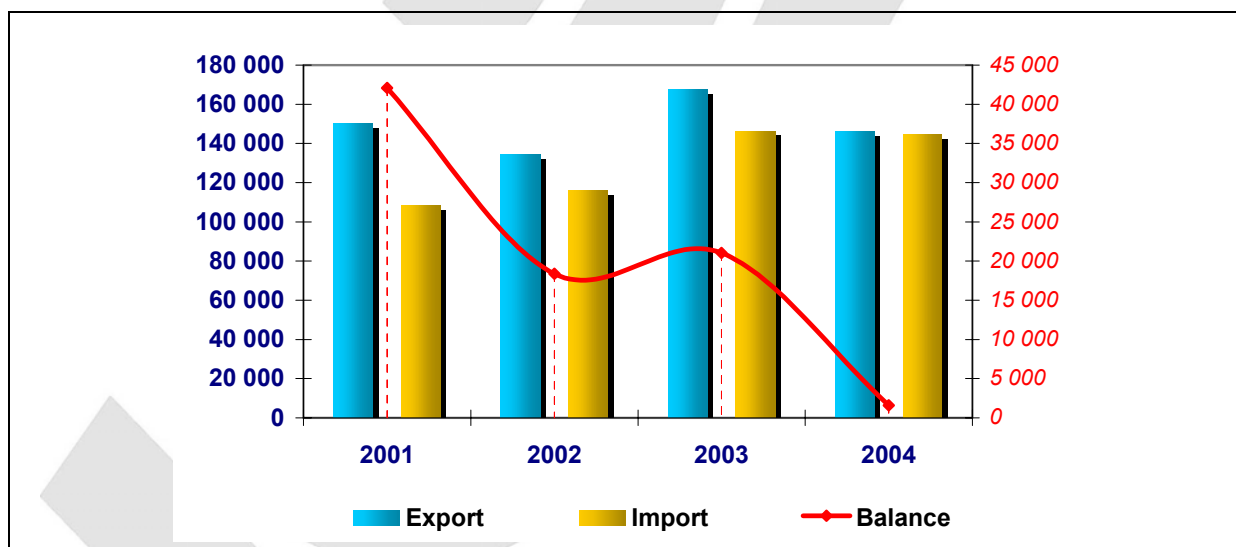
Foreign trade in leather, fur and leather products (2001-2004), thousand EUR

	2001	2002	2003	2004
Export	150 283	134 368	167 523	146 099
Import	108 191	115 999	146 483	144 486
Balance	42 092	18 369	21 040	1 613

Source: NSI

The balance was positive. However the export in 2004 was lower than in 2001, and the import was greater, and the balance fell from EUR 42 mln to EUR 1.6 mln.

Foreign trade balance from the trade in leather, fur and leather products (2001-2004)



Source: NSI

Import

The import of leather, fur and leather products constantly increased until 2003. In 2004 it was over EUR 144 mln, 1.4 percent down from 2003.

Import of leather, fur and leather products (2001-2004), thousand EUR

	2001	2002	2003	2004
Total	108 191	115 999	146 483	144 486
Leather and fur	86 553	81 853	99 030	90 346
Leather products	7 880	10 176	13 853	14 472
Footwear	13 758	23 969	33 600	39 668

Source: NSI

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The decrease in 2004 compared to 2003 came from the leather, the import of which was down by EUR 8,684,000 or 9 percent. The import of footwear was up 18 percent, and of leather products – by 4 percent.

Compared to 2001 more products were imported in:

- ♦ 2002 – by EUR 7 808 000 or 7 percent more
- ♦ 2003 – by EUR 38 292 000 or 35 percent more
- ♦ 2004 – by EUR 36 295 000 or 34 percent more

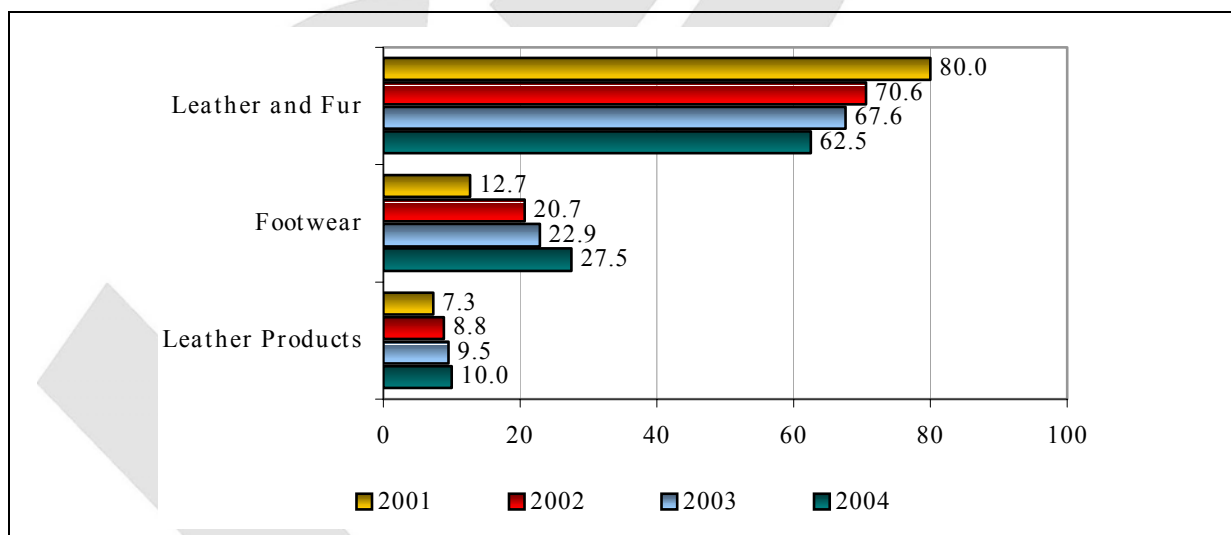
About 67 percent were temporary import for finish processing and processing in the country with materials supplied by the clients. The share of the import of leather, fur and leather products in the total import of the country increased until 2003.

Share of the import of leather, fur and leather products in the total import of the country

Year	%	Increase from 2001, points
2001	1.33	-
2002	1.38	0.05
2003	1.53	0.20
2004	1.25	- 0.08

Source: NSI

Value structure of leather, fur and leather products import



Source: NSI

The import of leather and fur was the biggest. However compared to 2001 its share decreased. The increase of the footwear import was more significant.

5.2.2.1. Import of leather

During the period under review the import developed with variable trend.

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Import of leather by main types (2001-2004), thousand EUR

	2001	2002	2003	2004
Total	86 553	81 853	99 030	90 346
Raw hides and skins of bovine or equine animals	903	681	1 544	632
Raw skins of sheep or lamb	1 621	1 797	1 043	514
Other raw hides and skins	524	264	135	213
Tanned or 'crust' cattle leather	76 520	43 463	34 277	29 282
Tanned or 'crust' sheep leather	1 779	996	707	191
Tanned or 'crust' leather of other animals	998	1 433	942	531
Tanned or 'crust' cattle leather additionally processed	2 739	28 072	50 271	47 895
Tanned or 'crust' sheep leather, additionally processed		140	1 063	1 078
Tanned or 'crust' leather of other animals, additionally processed		2 390	4 130	4 332
Chamois	795	1 870	3 999	5 001
Restored leather, cuttings and other waste	674	747	919	678

Source: NSI

Compared to 2001 in:

- ◆ 2002 the import was by EUR 4,700,000 or 5 percent less
- ◆ 2003 the import was by EUR 12,477,000 or 14 percent more
- ◆ 2004 the import was by EUR 3,793,000 or 4 percent more.

About 85 percent of the imports were cattle leather.

Compared to 2001 the share of raw hides and skins was 2 points down.

In comparison with 2001 the import of additionally processed cattle leather was 17 times bigger and its share reached 53 percent starting from 3 percent. The share of leather of other animals was about 5 points bigger. The import of cattle leather without additional processing was 2.6 points less and its share decreased by 6 points.

5.2.2.2. Import of footwear

Footwear import during the period developed with a clear upward trend, as in 2004 alone the total amount of the import reached EUR 40 mln.

Import of footwear by main types (2001-2004), thousand EUR

	2001	2002	2003	2004
Total	13 758	23 969	33 600	39 668
Men's footwear	1 401	1 705	2 769	3 765
Ladies' footwear	2 183	3 272	4 494	4 441
Children's footwear	223	637	901	613
Other footwear	5 770	8 374	11 576	14 969
Sports footwear	2 602	5 755	7 810	7 987
Sandals	765	2 495	4 194	5 321
Slippers	415	1 096	1 156	1 422
Protective footwear	400	635	698	1 150

Source: NSI

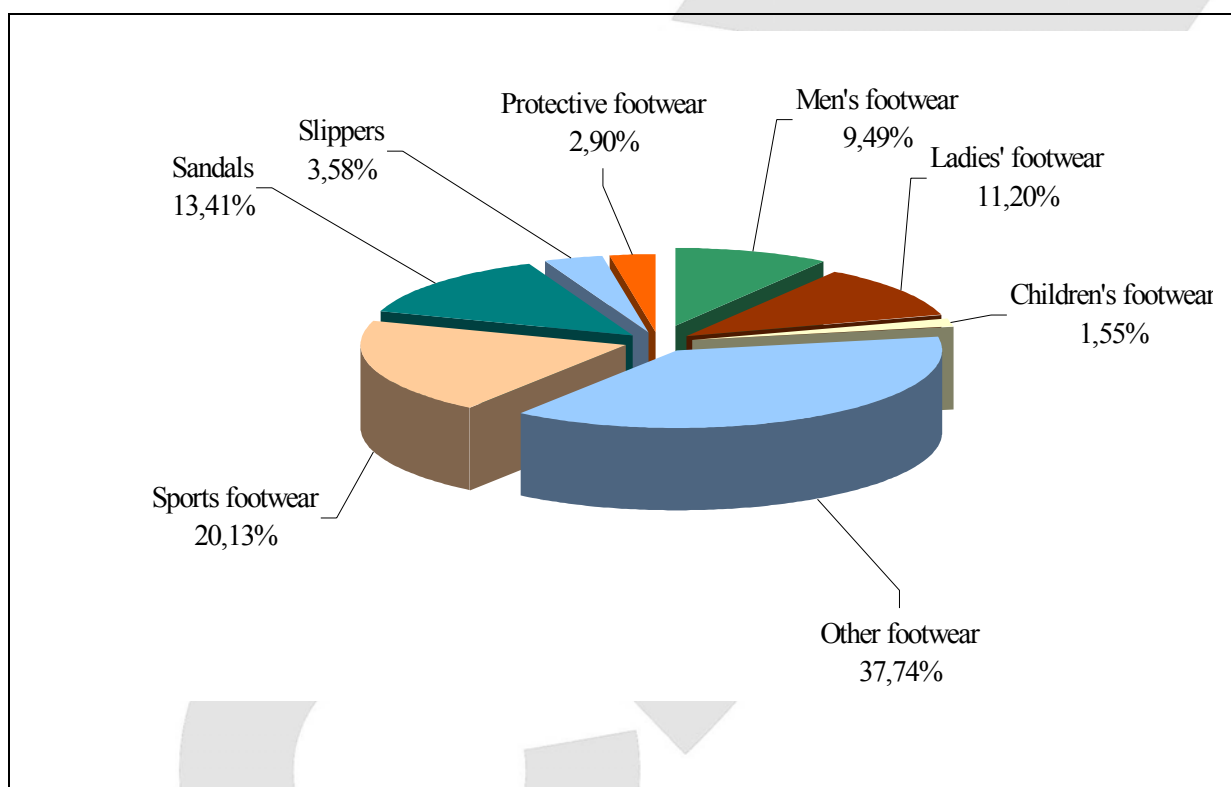
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Compared to 2001 the import is bigger in:

- ◆ 2002 – by EUR 10,211,000 or 74 percent
- ◆ 2003 – by EUR 19,842,000 or 2.4 times
- ◆ 2004 – by EUR 25,910,000 or 2.9 times

In the value structure of the import the group of other footwear occupied the biggest share.

Value structure of the import of footwear (2004)



Source: NSI

Compared to 2001 the share of ladies' footwear was by 5 points smaller, of men's footwear – by 0.7 points, of other footwear – by 4 points. The share of sandals was 8 points bigger.

The changes in the footwear import in quantitative terms follow the changes in its value.

Import of footwear by main types (2001-2004), thousand pairs

	2001	2002	2003	2004
Total	8 774	15 216	17 710	26 259
Men's footwear	211	275	360	434
Ladies' footwear	374	793	484	520
Children's footwear	103	225	233	175
Sandals	757	2 737	4 294	11 649
Other	7 329	11 185	12 339	13 481

Source: NSI

Compared to 2001 the increase was in:

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- ◆ 2002 – 6,442,000 pairs or 73 percent
- ◆ 2003 – 8,936,000 or two times
- ◆ 2004 – 17,485,000 or three times.

The average prices are comparatively low. The highest prices are those of ladies' and men's footwear and the lowest prices are those of other footwear and sandals.

5.2.2.3. Import of leather products

The import of leather products has increased significantly. In 2004 its value reached almost EUR 14.5 mln.

Import of leather products by main types (2001-2004), thousand EUR

	2001	2002	2003	2004
Total	7 880	10 176	13 853	14 472
Suitcases	841	1 063	1 704	1 980
Handbags	3 562	4 484	5 079	4 483
Other bags and products (+ cases for music instruments)	1 214	1 866	2 651	3 243
Accessories for bags	243	400	782	905
Gloves	485	662	897	1 064
Clothes of genuine leather	414	909	1 681	1 620
Belts and accessories for leather clothes	1 121	793	1 060	1 178

Source: NSI

Compared to 2001 the increase was in:

- ◆ 2002 – EUR 2,296,000 or 29 percent
- ◆ 2003 – EUR 5,973,000 or 76 percent
- ◆ 2004 – EUR 6,592,000 or 84 percent.

The import of bags was the biggest in terms of value.

5.2.2.4. Import of machines and devices for the leather, fur and footwear industry

The import of machines and spare parts for the leather and footwear industry in 2004 was by EUR 1 mln less than in 2001.

Import of machines and devices for the leather, fur and footwear industry (2001-2004)

	2001		2002		2003		2004	
	number	thous. EUR	number	thous. EUR	number	thous. EUR	number	thous. EUR
Total	5 896	2 624	26 901	1 492	1 959	1 488	1 937	1 605
Machines and devices for preparation, tanning or processing of leather	118	684	58	123	36	92	71	253
Machines and devices for production and repair of shoes	5 540	1 395	2 141	1 084	1 797	979	1 666	1 054
Other machines and devices	238	286	24 702	141	126	191	200	298

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	2001		2002		2003		2004	
	number	thous. EUR	number	thous. EUR	number	thous. EUR	number	thous. EUR
Parts	-	259	-	145	-	225	-	209

Source: NSI

In terms of value, the machines and devices for production and repair of shoes took up about 66 percent.

The leading countries-importers of leather, fur and leather products, machines and spare parts for leather industry, are given in Appendix 1.

5.2.3. Tailoring

For the trade balance figures see point 5.2.1.

Import

In 2004, the trend of increasing imports of clothes and tailoring products in Bulgaria was interrupted. A total of 86 436 000 pieces worth EUR 121 168 were imported. Their share in the country's total imports stood at 1.1 percent.

Some 28 percent of the products imported in 2004 consisted of regular import for consumption in the country. Temporary import for processing and finished processing and return in changed condition as reverse export of tailoring products accounted for 72 percent of imports. In foreign currency, the share of regular import stood at 30 percent, while temporary import accounted for 70 percent.

Import of clothes and tailoring products (2001-2004)

Product	2001		2002		2003		2004	
	thous. pcs	thous. EUR	thous. pcs	thous. EUR	thous. pcs	thous. EUR	thous. pcs	thous. EUR
Men's and boys' apparel	6 152	12 652	9 991	20 005	11 293	31 158	11 055	34 969
Lady's and girls' apparel	4 998	13 557	7 187	20 676	7 561	25 250	6 721	23 419
Clothing and clothing accessories, baby's	1 180	991	1 592	1 004	934	645	625	599
Outer sportswear, slips and suits for skiing and swimming suits; other clothes	1 131	2 223	2 575	4 140	28 427	5 045	2 552	4 629
Shirts	3 900	14 804	8 133	16 349	8 246	19 275	6 621	19 895
Ready-made clothing accessories	65 006	18 422	83 347	17 453	107 956	16 925	46 241	27 931
Other tailoring products	7 998	4 576	21 508	6 405	16 322	8 321	12 622	9 726
Total	90 364	67 225	134 334	86 033	180 739	106 620	86 436	121 168

Source: NSI

Compared with 2001, import is:

- ◆ In 2002 – larger by 43 970 000 pieces or 49 percent
- ◆ In 2003 – larger by 90 375 000 pieces or 2 times
- ◆ In 2004 – smaller by 3 928 000 pieces or 4 percent

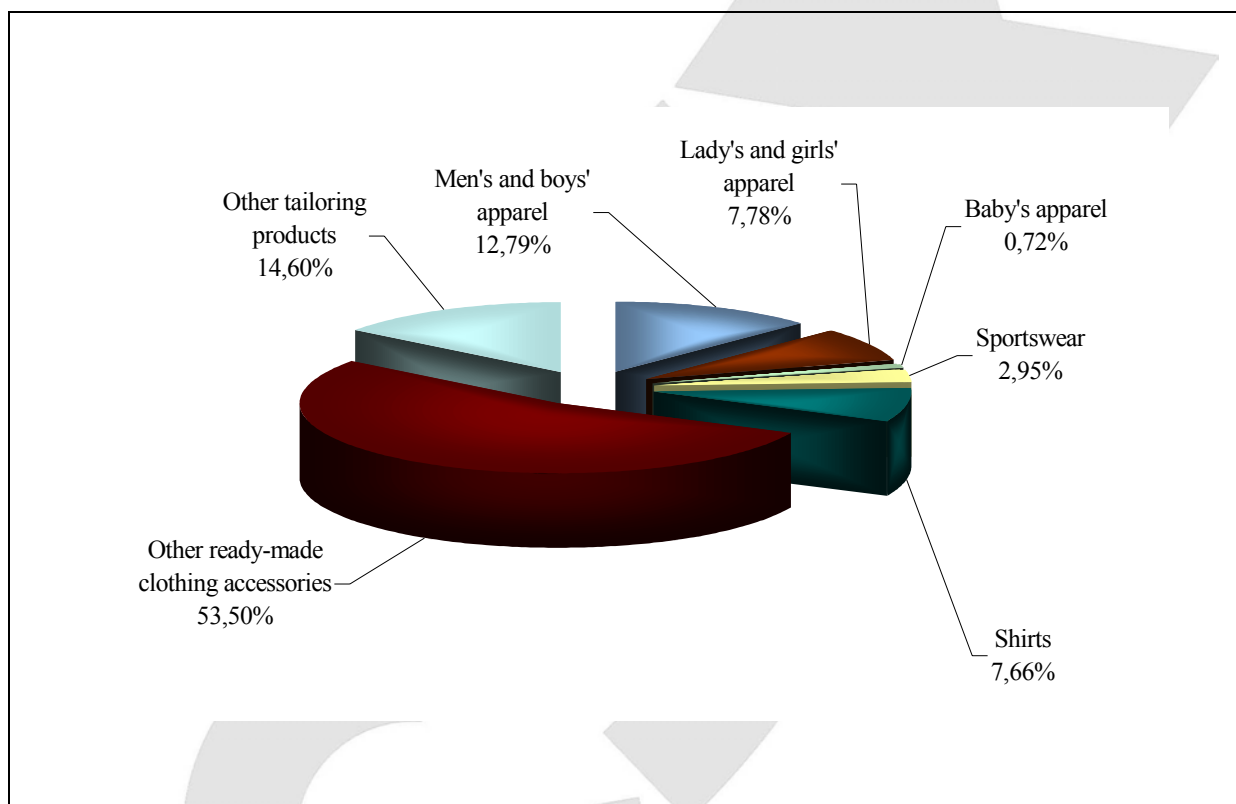
In 2004, tailoring products were imported in Bulgaria at higher prices. Compared with 2001, their average price was 1.9 times higher. As a result, the trend of increas-

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ingly higher amount of import value continued. Compared with 2001, this amount is bigger in:

- ♦ 2002 – by EUR 18 808 000 or 28 percent
- ♦ 2003 – by EUR 39 395 000 or 59 percent
- ♦ 2004 – by EUR 53 943 000 or 80 percent

Import of tailoring products (2004)



Compared with 2001, the share of men's and boys' apparel has increased by 3.4 points; lady's and girls' apparel by 2.3 points; outer sportswear – by 1.7 points. A reduction is observed in the share of ready-made clothing accessories – by 18.4 points, as well as in the share of baby's clothes – by 0.6 points.

In the structure of import in 2004, 29 percent are occupied by men's or boys' apparel, 23 percent – by ready-made clothing accessories, 19 percent – by lady's or girls' apparel, and 16 percent by shirts.

5.2.3.1. Men's and boys' apparel

In 2004, a total of 11 055 000 of these products worth EUR 34 969 000 were imported.

Import of men's apparel (2001-2004)

Product	2001		2002		2003		2004	
	thous. pcs	thous. EUR	thous. pcs	thous. EUR	thous. pcs	thous. EUR	thous. pcs	thous. EUR
Total	6 152	12 652	9 991	20 005	11 293	31 158	11 055	34 969
Coats, hooded cloaks, capes, anoraks, blouses and similar products, men's or boy's, excl.	865	1 783	1 109	2 093	1 184	3 692	1 546	4 933

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the products from 62.03								
Men's costumes, suits, jackets, trousers, trousers with shoulder straps and chest yokes, short trousers and shorts /different from bathing trunks/,men's or boy's	5 287	10 868	8 881	17 912	10 109	27 466	9 509	30 036

Source: NSI

In the structure of imports in 2004, 86 percent are occupied by costumes, jackets, trousers, and 14 percent – by coats. Compared with 2001, imports was bigger by 4 903 000 pieces or 80 percent. The average prices of imports in 2004 were 53 percent higher than in 2001.

Average prices of the imported men's apparel (2001-2004), EUR/piece

Product	2001	2002	2003	2004
Coats, hooded cloaks, capes, anoraks, blouses and similar products, men's or boy's, excl. the products from 62.03	2.06	1.89	3.12	3.19
Men's costumes, suits, jackets, trousers, trousers with shoulder straps and chest yokes, short trousers and shorts /different from bathing trunks/,men's or boy's	2.06	2.02	2.72	3.16

Source: NSI

The growth of import in 2004, compared with 2001, is by EUR 22 317 000 or 76 percent. Compared with the growth in terms of volume, the increase in foreign currency is smaller by 4 points.

5.2.3.2. Lady's and girls' apparel

In 2004, a total of 6 721 000 pieces of these products worth EUR 23 419 000 were imported.

Import of lady's apparel (2001-2004)

Product	2001		2002		2003		2004	
	Thous . pcs	Thous . EUR	Thous . pcs	Thous . EUR	Thous . Pcs	Thous . EUR	Thous . pcs	Thous . EUR
Total	4 998	13 557	7 187	20 676	7 561	25 250	6 721	23 419
Lady's overcoats, hooded cloaks, capes, anoraks, blouses and similar products, lady's and girl's, excl. products from - 62.04.	271	1 316	313	2 305	577	3 621	704	3 769
Lady's costumes, suits ,jackets, dresses, skirts, divided skirts ,trousers ,trousers with shoulder straps and chest yokes, short trousers and shorts /different from swimming suits/, lady's and girl's	4 727	12 242	6 873	18 372	6 984	21 628	6 017	19 651

Source: NSI

In the structure in 2004, 89 percent are occupied by costumes, jackets, dresses and skirts, and 11 percent – by overcoats.

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In 2004, as compared with 2001, imports of these products was larger by 1 733 000 pieces or 35 percent. The average prices continued to increase, and in 2004 they were 28 percent higher than in 2001.

Average prices of the imported lady's apparel (2001-2004), EUR/piece

Product	2001	2002	2003	2004
Lady's overcoats, hooded cloaks, capes, anoraks, blouses and similar products, lady's and girl's, excl. products from - 62.04.	4.86	7.35	6.28	5.35
Lady's costumes, suits ,jackets, dresses, skirts, divided skirts ,trousers ,trousers with shoulder straps and chest yokes, short trousers and shorts /different from swimming suits/, lady's and girl's	2.59	2.67	3.1	3.27

Source: NSI

The increase in import value in 2004, as compared with 2001, is by EUR 9 862 000 or 74 percent. Compared with the growth in terms of volume, the increase in import value is higher by 38 points.

5.2.3.3. Baby's apparel

In 2004, a total of 625 000 pieces worth EUR 599 000 were imported.

Import of baby's apparel (2001-2004)

years	Thous. pcs	Thous. EUR	avg. prices EUR/piece
2001	1 180	991	0.84
2002	1 592	1 004	0.63
2003	934	645	0.69
2004	625	599	0.96

Source: NSI

In 2004, as compared with 2001, imports of these products was smaller by 555 000 pieces or 47 percent. The average price was higher by 14 percent. The import value, compared with 2001, is smaller by EUR 392 000 or 40 percent.

5.2.3.4. Sportswear

In 2004, a total of 2 552 000 pieces worth EUR 4 629 000 were imported.

Import of sportswear (2001-2004)

Year	Thous. pcs	Thous. EUR	Avg. prices EUR/pcs
2001	1 131	2 223	1.97
2002	2 575	4 140	1.61
2003	28 427	5 045	0.18
2004	2 552	4 629	1.81

Source: NSI

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Compared with 2001, the amount of import was bigger by 1 421 000 pieces or 2.3 times. The average price in 2004, as compared with 2001, was 8 percent lower. The growth in import value is by EUR 2 406 000 or 2.1 times.

Compared with 2003, a big drop is observed in the amount of imports in terms of volume – by 25 875 pieces. Imports in 2003, however, were at a 10-times lower average price and its major increase is of sporadic nature.

5.2.3.5. Shirts

In 2004, a total of 6 621 000 pieces worth EUR 19 896 000 were imported.

Import of shirts (2001-2004)

Product	2001		2002		2003		2004	
	thous. pcs	thous. EUR	thous. pcs	thous. EUR	thous. pcs	thous. EUR	thous. pcs	thous. EUR
Total	3 899	14 805	8 133	16 349	8 246	19 275	6 621	19 896
Shirts and short-sleeved shirts ,men's or boy's	1 899	9 429	2 280	8 679	2 400	11 923	2 451	13 479
Shirts, blouses, blouse-shirts and shirtwaists, lady's and girl's	2 000	5 376	5 853	7 670	5 846	7 352	4 170	6 417

Source: NSI

Around 63 percent of the import in 2004 consisted of shirts, blouses, blouse-shirts and shirtwaists, lady's and girl's. Compared with 2001, imports was bigger by 2 722 000 pieces or 70 percent. The average price in 2004 was 20 percent lower.

Average prices of the imported shirts (2001-2004), EUR/piece

Product	2001	2002	2003	2004
Shirts and short-sleeved shirts ,men's or boy's	4.96	3.81	4.97	5.5
Shirts, blouses, blouse-shirts and shirtwaists, lady's and girl's	2.69	1.31	1.26	1.54

Source: NSI

The growth in import value is by EUR 5 091 000 or 34 percent.

5.2.3.6. Ready-made clothing accessories

In 2004, a total of 46 241 000 pieces worth EUR 27 931 000 were imported.

Import of ready-made clothing accessories (2001-2004)

Year	thous. pcs	thous. EUR	avg. prices EUR/pcs
2001	65 006	18 422	0.28
2002	83 347	17 453	0.21
2003	107 956	16 925	0.16
2004	46 241	27 931	0.6

Source: NSI

In 2004, as compared with 2001, the amount of imports is smaller by 18 765 000 pieces or 29 percent.

The average price, however, is 2.1 times higher. The growth in import value is by EUR 9 509 000 or 52 percent.

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Compared with 2003, imports are smaller by 61 535 000 pieces. The average price in 2003, however, is 3.8 times lower. This comes to indicate that in this product category too, the big amount of imports registered in 2003 is of sporadic nature.

5.2.3.7. Other tailoring products

In 2004, a total of 12 622 000 pieces worth EUR 9 726 000 were imported.

Import of other tailoring products (2001-2004)

Product	2001		2002		2003		2004	
	thous . pcs	thous . EUR	thous . pcs	thous . EUR	thous . pcs	thous . EUR	thous . pcs	thous . EUR
Total	7 998	4 576	21 508	6 405	16 322	8 321	12 622	9 726
Underbodices, slips, underpants, night shirts, pyjamas, bath towels, dressing gowns and similar products, men's or boy's	2 719	946	8 967	1 161	3 692	1 273	1 902	738
Underbodices and shirts, slips or dress linings, petticoats, panties, nightgowns, pyjamas, house clothing /dishabille/, bath towels, dressing gowns and similar products, lady's and girl's	283	391	2 037	777	1 616	1 056	1 312	691
Clothing, ready-made from products, classified in: 56.02,56.03,59.03, 59.06 or 59.07	34	121	69	116	312	535	253	1 097
Brassieres, ribbed belts, corsets, suspenders, garters, welts and similar products and their parts, even from knitwear	3 763	2 790	7 194	3 817	7 863	4 866	6 734	6 510
Handkerchiefs	235	4	1 096	28	1 426	30	801	14
Shawls, scarves, kerchiefs, mufflers, mantillas, veils and small hat veils and similar products	419	117	1 345	173	375	157	905	309
Neckties, butterfly-neckties and scarf-neckties	62	102	116	119	210	132	110	165
Gloves, mittens and mitts	483	104	684	213	827	272	605	202

Source: NSI

In 2004, the biggest import was of:

- ◆ Brassieres, ribbed belts, corsets... - 53 percent
- ◆ Underbodices, slips, underpants ... - 15 percent
- ◆ Underbodices and shirts, slips ... - 10 percent
- ◆ Shawls, scarves, kerchiefs ... - 7 percent
- ◆ Handkerchiefs - 6%
- ◆ Gloves, mittens and mitts - 5%

In 2004, as compared with 2001, the amount of imports was bigger by 4 624 000 pieces or 58 percent.

The average prices are 35 percent higher than in 2001.

Average prices of other tailoring products (2001-2004), EUR/piece

Product	2001	2002	2003	2004
Underbodices, slips, underpants, night shirts, pyjamas, bath towels, dressing gowns and similar products, men's or boy's	0.35	0.13	0.34	0.39
Underbodices and shirts, slips or dress linings, petticoats,	1.38	0.38	0.65	0.53

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Product	2001	2002	2003	2004
panties, nightgowns, pyjamas, house clothing /dishabille/, bath towels, dressing gowns and similar products, lady's and girl's				
Clothing, ready-made from products, classified in: 56.02,56.03,59.03, 59.06 or 59.07	3.54	1.7	1.72	4.34
Brassieres, ribbed belts, corsets, suspenders, garters, welts and similar products and their parts, even from knitwear	0.74	0.53	0.62	0.97
Handkerchiefs	0.02	0.03	0.02	0.02
Shawls, scarves, kerchiefs, mufflers, manitllas, veils and small hat veils and similar products	0.28	0.13	0.42	0.34
Neckties, butterfly-neckties and scarf-neckties	1.65	1.02	0.63	1.5
Gloves, mittens and mitts	0.22	0.31	0.33	0.33

Source: NSI

The growth in import value is by EUR 5 150 000 or 2.1 times.

5.3. GEOGRAPHIC DATA

The factories and small enterprises engaged in textiles and apparel production are scattered all over the country. The highest degree of concentration is in the biggest towns - Sofia, Plovdiv, Varna, Russe and Bourgas – and also in the smaller towns and villages close to the borders with Turkey, FYROM and Greece – Pernik, Blagoevgrad, Petrich, Gotse Delchev, Kardjali, Haskovo etc. Given the huge number of enterprises, the dynamic development of the sector and the low organizational level of the branch, it is not possible to present consistent data as e.g. quantitative level of concentration in different regions, number of employees, production capacity etc.

6. ANALYSIS OF THE MARKET DEMAND

6.1. GENERAL CONSUMPTION TRENDS

6.1.1. Textile

Export

The export of fabrics over the period 2001–2004 developed rapidly. In 2004, almost 150 mln sq.m worth EUR 83 mln were exported. The share of the textile industry in Bulgaria's total export last year stood at 0.5 percent.

In 2004, 23 percent of the exported products were regular export, while 77 percent were reverse (return of temporary import in changed condition). In foreign currency, the share of regular export stood at 55 percent, and that of reverse export – at 45 percent.

Export of fabrics (2001-2004) by main product categories

Product	2001		2002		2003		2004	
	Thousand sq.m	Thousand EUR	Thousand sq.m	Thousand EUR	Thousand sq.m	Thousand EUR	Thousand sq.m	Thousand EUR
Fabrics made of silk and silk waste	33	156	21	61	22	72	18	56
Fabrics made of wool	4 942	14 122	4 407	12 140	4 231	13 105	4 890	16 638
Fabrics made of cotton	37 845	23 862	48 368	25 225	82 768	33 881	118 308	30 909
Fabrics made of jute, linen and other plant fibers	342	676	516	524	723	1 944	855	2 973
Artificial fabrics	6 881	7 581	9 274	10 894	15 428	10 595	10 990	10 341
Synthetic fabrics	11 978	13 375	17 975	15 941	15 352	17 579	14 401	21 985
Total	62 022	59 771	80 560	64 786	118 525	77 176	149 462	82 902

Source: NSI

Compared with 2001, exports were bigger in:

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- ♦ 2002 – by 18 530 000 sq.m or 30 percent
- ♦ 2003 – by 55 503 000 sq.m or 91 percent
- ♦ 2004 – by 87 440 000 sq.m or 2.4 times

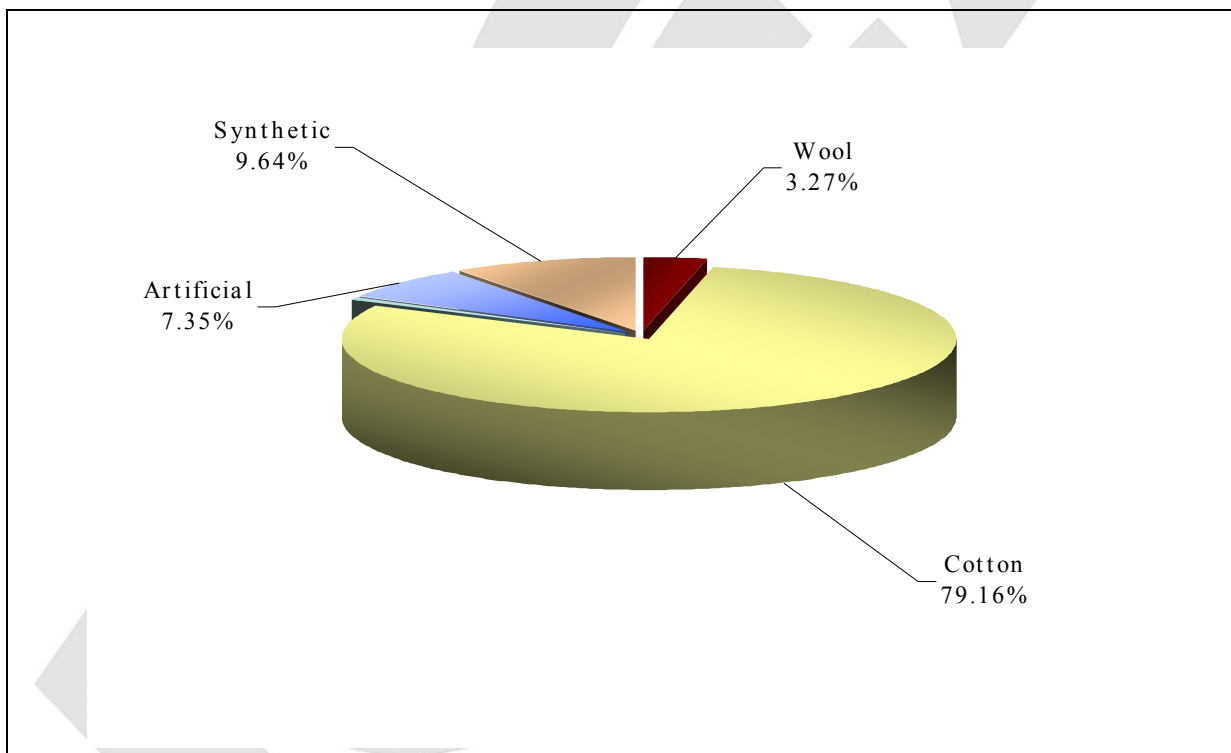
The average prices of the exported products are gradually going down. In 2004, as compared with 2002, they were lower by some 43 percent. The biggest drop was registered by the average prices of cotton fabrics (around 59 percent). The share of this group has been growing over the review period.

Compared with 2001, the growth foreign currency from the sold products is in:

- ♦ 2002 – by EUR 5 015 000 or 8 percent smaller
- ♦ 2003 – by EUR 17 405 000 or 29 percent bigger
- ♦ 2004 – by EUR 23 131 000 or 39 percent bigger

In 2004, in the product structure of exports, almost 80 percent of the goods were from the group cotton fabrics.

Export of fabrics in 2004 – by main product groups - %



Source: NSI

Compared with 2001, the following changes were observed in the structure:

- ♦ the share of cotton fabrics has grown by 18 points
- ♦ The shares of the other fabrics have dropped by: synthetic – 9.7 points; woolen – 4.7 points; artificial – 3.7 points.

6.1.1.1. Silk fabrics

The export of silk fabrics in 2004 is symbolic – 18 000 sq.m, which is 45 percent less than in 2001. Their share in total exports is only 0.01 percent.

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6.1.1.2. Woolen fabrics

In 2004, a total of 4 890 000 sq.m of woolen fabrics worth EUR 16 638 000 were exported.

Export of woolen fabrics (2001-2004) by main product categories

Product	2001		2002		2003		2004	
	Thousand sq.m	Thousand EUR	Thousand sq.m	Thousand EUR	Thousand sq.m	Thousand EUR	Thousand sq.m	Thousand EUR
Total	4 942	14 122	4 407	12 140	4 231	13 105	4 890	16 638
Fabrics made of tweed wool or tweed fine hairs	3 014	8 801	2 961	8 203	2 492	6 715	2 613	8 384
Fabrics made of worsted wool or worsted fine hairs	1 928	5 321	1 445	3 937	1 739	6 390	2 277	8 254

Source: NSI

In the product structure, 53 percent are occupied by fabrics made of tweed wool, and 47 percent – by fabrics made of worsted wool.

Compared with 2001, the share of fabrics made of worsted wool is 8 points bigger.

Compared with 2001, the export of woolen fabrics in 2004 is smaller by 52 000 sq.m or 1 percent.

The average prices in 2004, as compared with 2001, are 19 percent higher.

Average prices of the exported woolen fabrics (2001-2004) – by main categories

Product	2001	2002	2003	2004	Index 2001=100
Fabrics made of tweed wool or tweed fine hairs	2.92	2.77	2.69	3.21	109.93%
Fabrics made of worsted wool or worsted fine hairs	2.76	2.72	3.67	3.63	131.52%

Source: NSI

The amount of foreign currency, gained from the products sold in 2004, is bigger by EUR 2 516 000 or 18 percent. The growth in comparison with the volumes is 17 points higher.

6.1.1.3. Cotton fabrics

In 2004, a total of 118 308 000 sq.m cotton fabrics worth EUR 30 909 000 were exported.

Export of cotton fabrics (2001-2004) – by main product categories

Product	2001		2002		2003		2004	
	Thousand sq.m	Thousand EUR	Thousand sq.m	Thousand EUR	Thousand sq.m	Thousand EUR	Thousand sq.m	Thousand EUR
Total	37 845	23 862	48 368	25 225	82 768	33 881	118 308	30 909
Cotton fabrics containing at least 85 percent cotton, or weight under 200g/sq.m	15 885	8 062	29 355	11 750	63 063	19 734	66 466	19 878
Cotton fabrics, containing at least 85 percent cot-	18 629	12 070	17 367	11 671	17 865	11 672	50 931	9 079

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Product	2001		2002		2003		2004	
	Thou- sand sq.m	Thou- sand EUR	Thou- sand sq.m	Thou- sand EUR	Thou- sand sq.m	Thou- sand EUR	Thou- sand sq.m	Thou- sand EUR
ton, or weight over 200 g/sq.m								
Cotton fabrics, containing under 85 percent cotton, mixed mostly or only with synthetic or artificial fibers with weight, under 200 g/sq.m	2 342	2 640	1 370	1 408	1 220	1 399	510	951
Cotton fabrics, containing under 85 percent cotton, mixed mostly or only with synthetic or artificial fibers with weight over 200 g/sq.m	325	606	94	186	311	873	282	802
Other cotton fabrics	664	484	182	209	310	203	119	199

Source: NSI

In the product structure in 2004, about 57 percent are occupied by cotton fabrics containing at least 85 percent cotton, or weight under 200 g/sq.m; 43 percent – by fabrics containing at least 85 percent of cotton, or weight over 200 g/sq.m. Compared with 2001, the share of cotton fabrics containing at least 85 percent of cotton or weight under 200 g/sq.m is bigger by 14 points.

Compared with 2001, the export of cotton fabrics over the review period is bigger by 80 463 000 sq.m or 3.1 times.

The average prices of the products exported in 2004, as compared with 2001, are 59 percent lower.

Average prices of the exported cotton fabrics (2001-2004) – by main categories

	2001	2002	2003	2004	Index 2001=100
Fabrics containing at least 85 percent cotton, or weight under 200g/sq.m	0.51	0.4	0.31	0.3	58.82%
Fabrics containing at least 85 percent cotton, or weight over 200 g/sq.m	0.65	0.67	0.65	0.18	27.69%
Fabrics containing less than 85 percent cotton, or weight under 200 g/sq.m	1.13	1.03	1.15	1.87	165.49%
Fabrics containing less than 85 percent cotton, or weight over 200 g/sq.m	1.87	1.98	2.81	2.84	151.87%
Other cotton fabrics	0.73	1.15	0.66	1.67	228.77%

Source: NSI

The growth in foreign currency gained from the products exported in 2004, as compared with 2001, is by EUR 7 047 000 or 30 percent. Compared with the growth in volumes, the growth in foreign currency is many times smaller.

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6.1.1.4. Fabrics made of linen, jute and other textile fibers

In 2004, a total of 855 000 sq.m of these products worth EUR 2 973 000 were exported.

Export of fabrics made of jute, linen and other plant fibers (2001-2004) by main product categories

Product	2001		2002		2003		2004	
	Thousand sq.m	Thousand EUR	Thousand sq.m	Thousand EUR	Thousand sq.m	Thousand EUR	Thousand sq.m	Thousand EUR
Total	342	676	516	524	723	1 944	855	2 973
Fabrics made of linen	335	664	217	424	706	1 938	854	2 972
Fabrics made of jute and other textile cork fibers from – 53.03	6	10	298	73	16	5	*	*
Fabrics made of other plant textile fibers, fabrics made of paper yarns.	1	1	1	28	0.31	1	1	1

Source: NSI

In 2004, exports in this group consisted almost completely of linen fabrics. Compared with 2001, it is 2.5 times bigger.

The average prices in 2004 were 1.8 times higher compared with 2001.

Average prices of the exported fabrics made of linen and jute (2001 – 2004) by main categories

	2001	2002	2003	2004	Index 2004 2001=100
Fabrics made of linen	1.98	1.95	2.75	3.48	175.76%
Fabrics made of jute	1.72	0.24	0.33	*	

Source: NSI

The growth in foreign currency gained from the sale of these products in 2004 was by EUR 2 297 000 or 2.2 times, as compared with 2001.

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6.1.1.5. Artificial fabrics

In 2004, a total of 10 990 000 sq.m of artificial fabrics worth EUR 10 340 000 were exported.

Export of artificial fabrics (2001-2004) by main product categories

Product	2001		2002		2003		2004	
	Thousand sq.m	Thousand EUR	Thousand sq.m	Thousand EUR	Thousand sq.m	Thousand EUR	Thousand sq.m	Thousand EUR
Artificial	6 881	7 581	9 274	10 894	15 428	10 595	10 990	10 341
Fabrics made of yarns from artificial fibers, incl. fabrics, obtained from the products from -54.05.	5 120	6 359	8 260	9 842	14 297	8 845	9 692	8 790
Fabrics made of artificial staple fibers	1 761	1 222	1 014	1 052	1 131	1 750	1 298	1 551

Source: NSI

In the product structure in 2004, 88 percent are occupied by fabrics made of artificial fibers, and 12 percent - of staple fibers. Compared with 2001, in 2004 exports is bigger by 4 109 000 or 60 percent.

The average prices of the products exported in 2004 are 15 percent lower compared with 2001.

Average prices of the exported artificial fabrics (2001-2004) - by main categories

	2001	2002	2003	2004	Index 2001=100
Fabrics made of yarns from artificial fibers, incl. fabrics, obtained from the products from -54.05.	1.24	1.19	0.62	0.91	73.39%
Fabrics made of artificial staple fibers	0.69	1.04	1.55	1.2	173.91%

Source: NSI

The amount of foreign currency gained from the export of these products in 2004 is EUR 2 760 000 or 36 percent bigger compared with 2001. The growth in foreign currency, compared with the exported amounts, is 24 points smaller.

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6.1.1.6. Synthetic fabrics

In 2004, a total of 14.401 mln sq.m of synthetic fibers worth EUR 21.985 mln were exported.

Export of synthetic fabrics (2001-2004) by main product categories

Product	2001		2002		2003		2004	
	Thou- sand sq.m	Thou- sand EUR	Thou- sand sq.m	Thou- sand EUR	Thou- sand sq.m	Thou- sand EUR	Thou- sand sq.m	Thou- sand EUR
Total	11 978	13 375	17 975	15 941	15 352	17 579	14 401	21 985
Fabrics made of yarns from synthetic fibers, incl. fabrics obtained from the products from -54.04.	4 607	3 757	8 444	4 761	9 991	4 760	8 394	5 411
Fabrics made of synthetic staple fibers, containing at least 85 percent synthetic staple fibers.	294	240	1 529	537	131	210	137	332
Fabrics made of synthetic staple fibers, containing at least 85 percent of these fibers, mixed mostly or only with cotton, with weight under 170 g/sq.m	3 533	1 588	4 240	1 515	816	432	381	258
Fabrics made of synthetic staple fibers, containing under 85 percent of these fibers, mixed mostly or only with cotton, with weight over 170 g/sq.m	97	188	56	75	228	359	243	389
Other fabrics made of synthetic staple fibers.	3 447	7 601	3 707	9 054	4 186	11 818	5 247	15 594

Source: NSI

In the product structure, 58 percent are occupied by fabrics made of synthetic fibers, 1 percent – by fabrics containing at least 85 percent of staple fibers, 3 percent – fabrics containing under 85 percent of staple fibers and under 170 g/sq.m, 2 percent – fabrics containing under 85 percent of staple fibers and over 170 g/sq.m, and 36 percent – other fabrics made of synthetic staple fibers

Compared with 2001, in 2004, the exported amounts are bigger by 2 423 000 sq.m or 20 percent.

The average prices in 2004 are 37 percent higher than in 2001.

Average prices of the exported synthetic fabrics (2001-2004) – by main categories

	2001	2002	2003	2004	Index 2001=100
Fabrics made of yarns from synthetic fibers, incl. fabrics obtained from the products from -54.04.	0.82	0.56	0.48	0.64	78.05%
Fabrics made of synthetic staple fibers, containing at least 85 percent synthetic staple fibers.	0.82	0.35	1.6	2.43	296.34%
Fabrics made of synthetic staple fibers, containing at least 85 percent of these fibers, mixed mostly or only	0.45	0.36	0.53	0.68	151.11%

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	2001	2002	2003	2004	Index 2001=100
with cotton, with weight under 170 g/sq.m					
Fabrics made of synthetic staple fibers, containing under 85 percent of these fibers, mixed mostly or only with cotton, with weight over 170 g/sq.m	1.94	1.35	1.58	1.6	82.47%
Other fabrics made of synthetic staple fibers.	2.2	2.44	2.82	2.97	135.00%

Source: NSI

The growth in foreign currency in 2004, as compared with 2001 is by EUR 8 610 000 or 64 percent, while the increase in foreign currency compared with volumes is 44 percent bigger.

Exports destined to Italy and Turkey account for 82 percent. 97 percent of exports were destined to the first ten countries.

6.1.2. Leather, Fur and Footwear

Export

During the period under review the biggest export of leather, fur and leather products was in 2003, and the smallest – in 2002. The difference in the export in the two years is EUR 33,155,000 or 25 percent.

Export of leather, fur and leather products (2001-2004), thousand EUR

	2001	2002	2003	2004
Total	150 283	134 368	167 523	146 099
Leather and fur	28 669	23 465	21 921	19 394
Leather products	27 387	29 238	36 431	36 136
Footwear	94 228	81 665	109 171	90 568

Source: NSI

In 2004 about 82 percent of the total export was re-export (returning of temporary import after active improvement with implementation of deferred payment system).

Compared to 2001 the changes were as follows:

- ◆ in 2002 – decrease by EUR 15,915,000 or 10 percent
- ◆ in 2003 – increase by EUR 17,240,000 or 12 percent
- ◆ in 2004 – decrease by EUR 4,184,000 or 3 percent.

The share of the sector in the country's export continues to fall.

Share of the export of leather, fur and leather products in the total export of the country

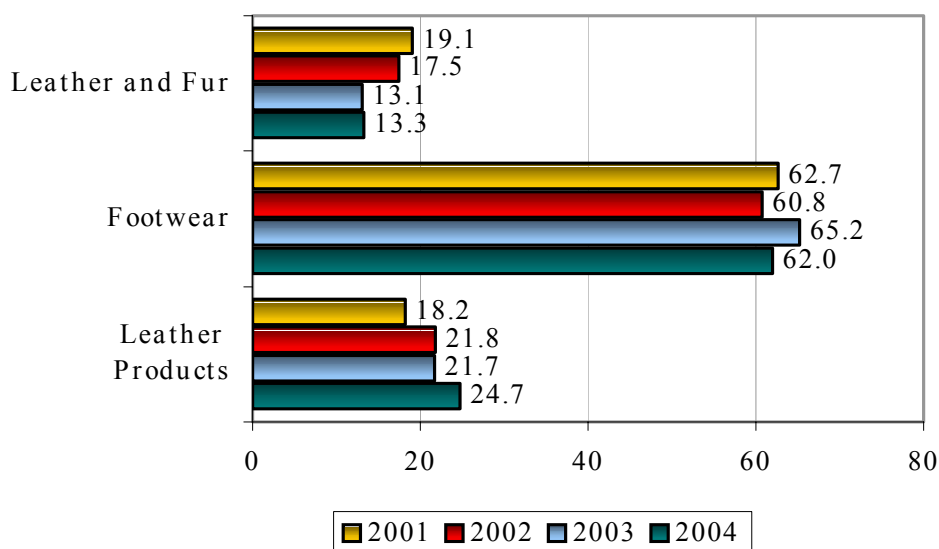
Year	%	Reduction from 2001, points
2001	2.64	
2002	2.22	0.42
2003	2.56	0.08
2004	1.84	0.80

Source: NSI

In the value structure of the export of leather, fur and leather products in 2004 62 percent were footwear.

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Value structure of leather, fur and leather products export



Source: NSI

The decrease in the total export in 2004 came from the decrease of the leather export.

6.1.2.1. Export of leather

During the past few years the leather export from Bulgaria gradually decreased.

Export of leather by main types (2001-2004), thousand EUR

	2001	2002	2003	2004
Total	28 669	23 465	21 921	19 394
Raw hides and skins of bovine or equine animals	4 033	4 011	5 073	4 943
Raw skins of sheep or lamb	7 325	8 398	6 918	5 720
Other raw hides and skins	1 212	1 279	1 469	1 317
Tanned or 'crust' cattle leather	9 521	4 257	3 023	3 123
Tanned or 'crust' sheep leather	135	7	10	11
Tanned or 'crust' leather of other animals	101	2 823	3 163	2 780
Tanned or 'crust' cattle leather, additionally processed	6 012	1 143	1 328	725
Tanned or 'crust' sheep leather, additionally processed		67	179	52
Tanned or 'crust' leather of other animals, additionally processed		1 141	392	432
Chamois	265	163	280	206
Restored leather, cuttings and other waste	65	175	87	87

Source: NSI

Compared to 2001 the decrease in 2004 reached EUR 9,275,000 or nearly one third. About 93 percent of this decrease was due to the tanned leather.

In terms of value 62 percent of the leather export in 2004 was raw hides and skins.

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Compared to 2001, the share of the tanned leather was by 10 points smaller.

6.1.2.2. Export of footwear

Compared to 2001 the value of footwear export from Bulgaria was bigger only in 2003.

Export of footwear by main types (2001-2004), thousand EUR

No	products	2001	2002	2003	2004
	Total	94 228	81 665	109 171	90 568
1	Men's footwear	10 402	16 153	17 069	15 700
2	Ladies' footwear	16 486	13 479	14 279	16 718
3	Children's footwear	677	1 178	691	1 646
4	Other footwear	37 962	20 119	31 435	11 214
5	Sports shoes	16 760	11 236	20 811	24 950
6	Sandals	6 724	12 867	14 722	8 860
7	Sleepers	3 729	5 012	5 210	5 272
8	Protective shoes	1 488	1 620	4 954	6 209

Source: NSI

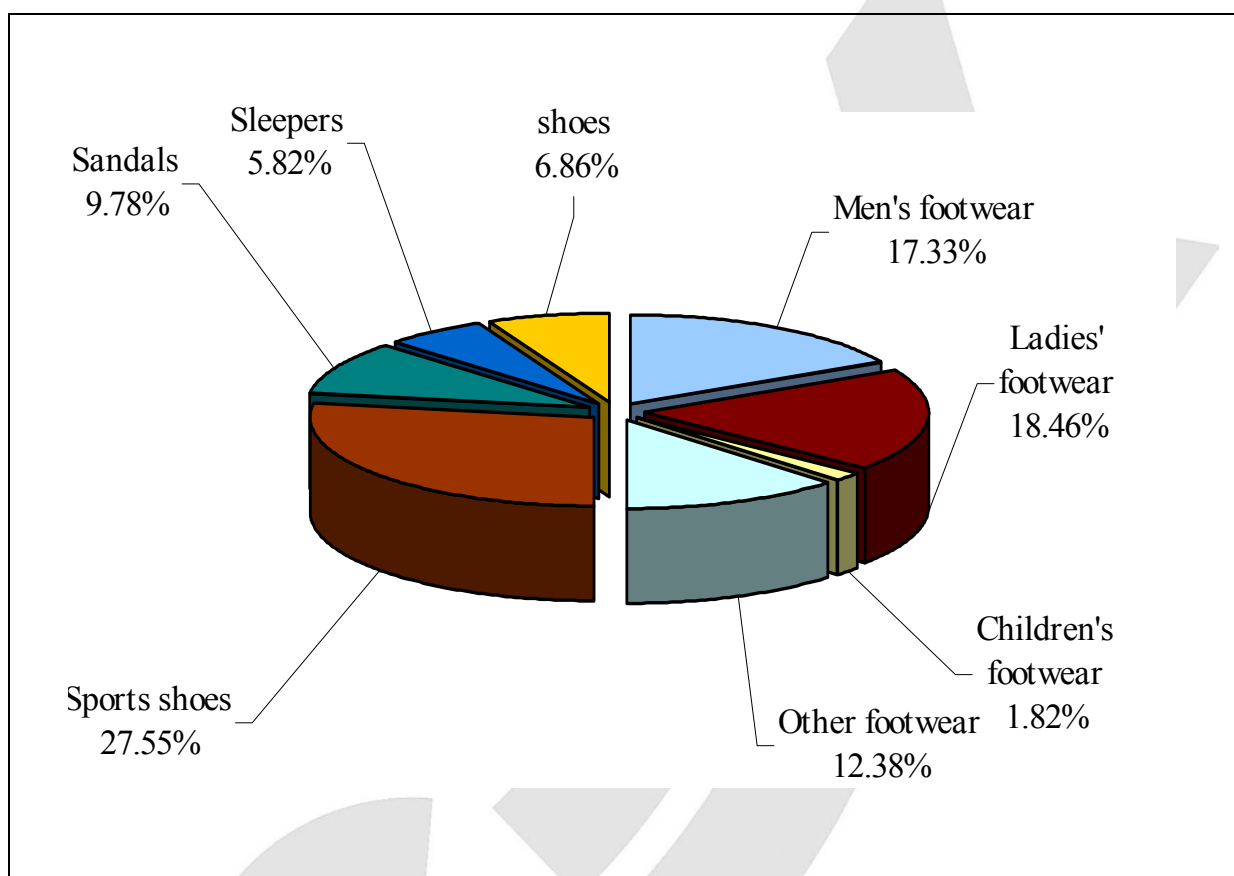
Compared to 2001 the changes in the value of the exported footwear were:

- ◆ 2002 – decrease by EUR 12,563,000 or 13 percent
- ◆ 2003 – increase by EUR 14,943,000 or 16 percent
- ◆ 2004 – decrease by EUR 3,660,000 or 4 percent

In the value structure the sports shoes had the biggest share.

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Value structure of the export of footwear in 2004



Compared to 2001, the share of the following items was bigger – sports shoes – by 10 points, men's footwear – by 6 points, protective footwear – by 5 points, sandals – by 3 points, sleepers – by 2 points, ladies' footwear – by 1 point.

The share of the products from the group of other footwear was by 28 points smaller.

In terms of quantity the export increased only in 2003.

Export of footwear by main types (2001-2004), thousand pairs

	2001	2002	2003	2004
Men's footwear	901	1 280	1 399	1 361
Ladies' footwear	1 419	1 185	1 185	1 484
Children's footwear	216	234	86	301
Sandals	1 239	1 765	2 174	1 428
Other	7 561	5 977	7 670	5 981
Total	11 336	10 441	12 514	10 554

Source: NSI

Compared to 2001 in:

- ◆ 2002, the export was by 895,000 pairs or 8 percent less
- ◆ 2003 – by 1,178,000 pairs or 10 percent more
- ◆ 2004 – by 782,000 pairs or 7 percent less

Again the highest average prices in 2004 were those of ladies' and men's footwear.

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6.1.2.3. Export of leather products

Compared to 2001, the import in all the other years was bigger. In 2003 the increase was EUR 9,044,000 or 33 percent, and in 2004 – EUR 8,769,000 or 32 percent.

In the value structure of the export in 2004, 87 percent were bags. Compared to 2001, the share of the bags was 7 points bigger. The share of the suitcases was by 5 points smaller and the share of the clothes by genuine leather – by 2 points smaller.

Export of leather products by main types (2001-2004), thousand EUR

	2001	2002	2003	2004
Total	27 387	29 238	36 431	36 136
Suitcases	1 854	1 036	480	821
Handbags	13 449	15 535	19 075	20 062
Other bags and products (+cases for musical instruments)	8 429	9 325	13 100	11 292
Accessories for bags	938	849	700	1 070
Gloves	259	521	479	449
Clothes by genuine leather	2 421	1 945	2 553	2 382
Belts and accessories for leather clothes	37	27	43	60

Source: NSI

6.1.2.4. Export of machines and devices for the leather, fur and footwear industry

The export of machines and spare parts for the leather, fur and footwear industry is relatively small. In 2001 it was EUR 270,000. The biggest export was in 2003 – EUR 550,000. In 2004 it was bigger than in 2001 only by EUR 10,000.

Export of machines and devices for the leather, fur and footwear industry (2001-2004)

	2001		2002		2003		2004	
	number	thous. EUR	number	thous. EUR	number	thous. EUR	number	thous. EUR
Total	108	270	527	401	503	550	310	280
Machines and devices for preparation, tanning or processing of leather	18	59	51	216	78	176	77	106
Machines and devices for production and repair of shoes	69	180	473	176	411	100	224	131
Other machines and devices	21	13	3	2	14	174	9	15
Parts	-	17	-	7	-	100	-	28

Source: NSI

In the value structure about 47 percent are machines and devices for production and repair of shoes and 38 percent – machines and devices for preparation, tanning or processing of leather.

The calculations made on the basis of production, import and export data show that the footwear supplied on the domestic market in 2002 and 2003 are nearly equal.

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Footwear supplied on the domestic market, thousand pairs

	Thousand pairs	
	2002	2003
Total	14 546	14 488
Men's	1 888	2 173
Ladies'	2 415	2 632
Children's	2 838	2 487

Source: BIA

According to preliminary data in 2004 it was about 17.5 mln pairs. The increase compared to 2003 is about 20 percent. The increase is due to the bigger import.

6.1.3. Tailoring

Export

In 2004, the trend of increasing exports of clothes and tailoring products continued. A total of 119 709 000 pieces worth EUR 808 748 000 were exported. The share of the export of these products in the country's total exports is comparatively big – 10 percent.

Around 13 percent of the products exported in 2004 consisted of regular export. Reverse exports (return of temporary import in changed condition), accounted for 87 percent. In export value, the share of regular export is 6 percent, and of reverse – 94 percent.

Export of clothes and tailoring products (2003-2004)

Product	2001		2002		2003		2004	
	thous. pcs	thous. EUR	thous. pcs	thous. EUR	thous. pcs	thous. EUR	thous. pcs	thous. EUR
Men's and boys' apparel	16 895	188 405	17 288	182 969	19 340	236 474	20 594	273 382
Lady's and girls' apparel	33 279	258 278	32 631	262 882	39 084	310 608	40 401	341 452
Clothing and clothing accessories, baby's	1 361	1 641	1 240	2 080	720	2 279	375	1 808
Outer sportswear, slips and suits for skiing and swimming suits; other clothes	3 063	24 297	3 908	26 591	5 215	34 103	4 998	32 027
Shirts	20 062	95 739	21 008	105 213	22 689	117 249	21 608	122 328
Ready-made clothing accessories	13 388	1 466	13 138	1 301	11 915	1 207	10 945	2 103
Other tailoring products	16 412	26 432	15 612	25 465	19 185	30 186	20 787	35 648
Total	104 462	596 257	104 826	606 501	118 147	732 105	119 709	808 748

Source: NSI

The amount of exports is constantly growing. Compared with 2001, it is bigger by:

- ◆ 2002 - by 364 000 pieces or by 0,3 percent
- ◆ 2003 - by 13 685 000 pieces or by 13 percent
- ◆ 2004 - by 15 247 000 pieces or by 15 percent

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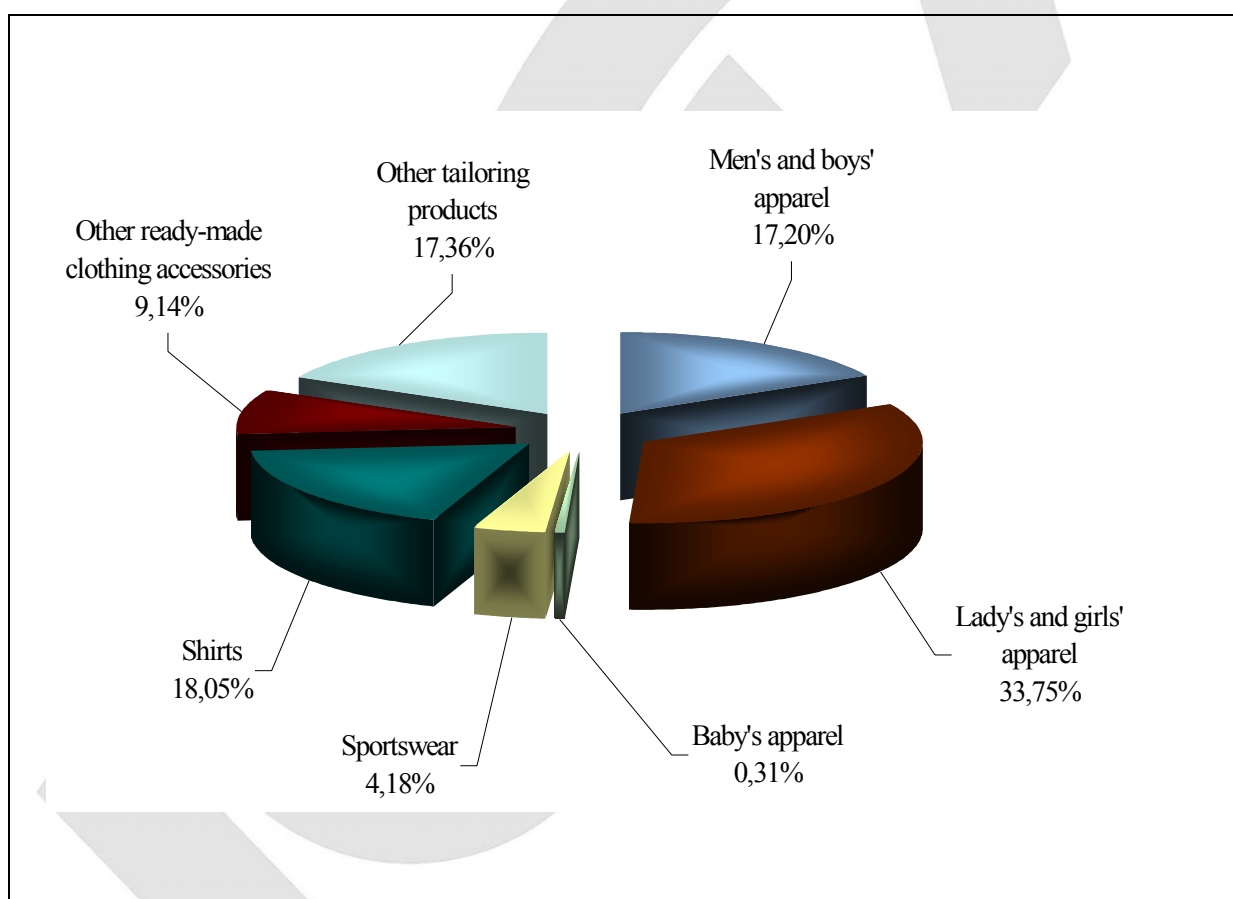
The average prices of the exported products are constantly growing. In 2004, as compared with 2001, they are almost 20 percent higher. **The trend of increasing export value is developing even more intensively.**

Compared with 2001, the export value is bigger in:

- ◆ 2002 – by EUR 10 244 000 or 1.7 percent
- ◆ 2003 - by EUR 135 848 000 or 23 percent
- ◆ 2004 - by EUR 212 491 000 or 36 percent

In 2004, its increase compared with the amounts in terms of volume is 21 points bigger.

Export of tailoring products (2004)



Compared with 2001, the following changes occurred in the structure of exports:

- ◆ the share of lady's and girls' apparel increased by 1.9 points; the share of other tailoring products – by 1.2 points; outer sportswear – by 1.3 points; men's and boys' apparel – 1 point; shirts – 3.4 points;
- ◆ The share of ready-made clothing accessories decreased by 3.7 points; the share of shirts shrunk by 1.2 points, and the share of baby's clothes was reduced by 1 points.

In terms of value, the share of lady's and girls' apparel exports was 42 percent, and that of men's and boys' apparel – 34 percent.

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6.1.3.1. Men's and boys' apparel

In 2004, a total of 20 594 000 pieces of men's and boys' apparel worth EUR 273 382 000 were exported.

Export of men's apparel (2001-2004)

Product	2001		2002		2003		2004	
	thous . pcs	thous. EUR	thous . pcs	thous. EUR	thous . pcs	thous. EUR	thous . pcs	thous. EUR
Total	16 89 5	188 40 5	17 28 8	182 96 9	19 34 0	236 47 4	20 59 4	273 38 2
Coats, hooded cloaks, capes, anoraks, blouses and similar products, men's or boy's, excl. the products from 62.03	1 665	29 454	1 113	19 795	1 385	25 183	1 236	23 154
Men's costumes, suits, jackets, trousers, trousers with shoulder straps and chest yokes, short trousers and shorts /different from bathing trunks/, men's or boy's	15 230	158 95 1	16 175	163 17 4	17 95 4	211 29 1	19 35 8	250 22 7

Source: NSI

94 percent of the exported men's apparel consisted of costumes, jackets, trousers. Compared with 2001, the amount of exports in terms of volume was bigger by 3 699 000 pieces or 22 percent.

The average prices in 2004, as compared with 2001, are higher by 19 percent.

Average prices of the exported men's apparel (2001-2004), EUR/piece

Product	2001	2002	2003	2004
Coats, hooded cloaks, capes, anoraks, blouses and similar products, men's or boy's, excl. the products from 62.03	17.69	17.78	18.18	18.73
Men's costumes, suits, jackets, trousers, trousers with shoulder straps and chest yokes, short trousers and shorts /different from bathing trunks/, men's or boy's	10.44	10.09	11.77	12.93

The export value of these products in 2004, as compared with 2001, is bigger by EUR 84 977 000 or 45 percent. Compared with the growth of amount in terms of volume, the growth registered by export value is 23 points higher.

6.1.3.2. Lady's and girls' apparel

In 2004, a total of 40 401 000 pieces of lady's and girls' apparel worth EUR 341 452 000 were exported.

Export of lady's apparel (2001-2004)

Product	2001		2002		2003		2004	
	thous . pcs	thous. EUR	thous . pcs	thous. EUR	thous . pcs	thous. EUR	thous . pcs	thous. EUR
Total	33 27 9	258 27 8	32 63 1	262 88 2	39 08 4	310 60 8	40 40 1	341 45 2
Lady's overcoats, hooded cloaks, capes, anoraks, blouses and similar products, lady's and girl's, excl. products from -	1 697	33 399	1 644	34 574	1 913	41 361	2 644	58 610

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Product	2001		2002		2003		2004	
	thous. . pcs	thous. EUR	thous. . pcs	thous. EUR	thous. . pcs	thous. EUR	thous. . pcs	thous. EUR
62.04.								
Lady's costumes, suits ,jackets, dresses, skirts, divided skirts ,trousers ,trousers with shoulder straps and chest yokes, short trousers and shorts /different from swimming suits/, lady's and girl's	31 582	224 880	30 988	228 307	37 171	269 247	37 756	282 842

Source: NSI

Costumes, jackets, dresses, trousers, account for 94 percent of exports.

Compared with 2001, in 2004 exports in terms of volume is bigger by 7 122 000 pieces or 21 percent.

The average prices in 2004, as compared with 2001, are 9 percent higher.

Average prices of the exported lady's apparel (2001-2004), EUR/piece

Product	2001	2002	2003	2004
Lady's overcoats, hooded cloaks, capes, anoraks, blouses and similar products, lady's and girl's, excl. products from - 62.04.	19.68	21.04	21.62	22.16
Lady's costumes, suits ,jackets, dresses, skirts, divided skirts ,trousers ,trousers with shoulder straps and chest yokes, short trousers and shorts /different from swimming suits/, lady's and girl's	7.12	7.37	7.24	7.49

Source: NSI

The export value of these products in 2004, as compared with 2001, is bigger by EUR 83 174 000 or 32 percent. Compared with the growth of amounts in terms of volume, the growth registered by export value is 23 points higher.

6.1.3.3. Baby's apparel

In 2004, a total of 375 000 pieces of baby's apparel worth EUR 1 808 000 were exported.

Export of baby's apparel (2001-2004)

Year	thous. pcs	thous. EUR	avg. prices EUR/pcs
2001	1 361	1 641	1.21
2002	1 240	2 080	1.68
2003	720	2 279	3.17
2004	375	1 808	4.82

Source: NSI

In 2004, as compared with 2001, export was smaller by 986 000 pieces or 72 percent. The average price of the exported goods was 4 times higher, and the export value of these products was bigger by EUR 167 000 or 10 percent.

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6.1.3.4. Sportswear

In 2004, a total of 4 998 000 pieces of sportswear worth EUR 32 027 000 were exported

Export of sportswear (2001-2004)

Year	thous. pcs	thous. EUR	avg. prices EUR/pcs
2001	3 063	24 297	7.93
2002	3 908	26 591	6.8
2003	5 215	34 103	6.54
2004	4 998	32 027	6.41

Source: NSI

In 2004, as compared with 2001, exports of these products was bigger by 1 935 000 pieces or 63 percent. The average prices were lower by 19 percent. The export value of these products was bigger by EUR 7 730 000 or 32 percent.

6.1.3.5. Shirts

In 2004, a total of 21 608 000 pieces of shirts worth EUR 122 328 000 were exported.

Export of shirts (2001-2004)

Product	2001		2002		2003		2004	
	Thous . pcs	Thous . EUR	thous . pcs	thous. EUR	thous . pcs	thous. EUR	thous . pcs	Thous. EUR
Total	20 062	95 738	21 008	105 213	22 690	117 249	21 608	122 328
Shirts and short-sleeved shirts ,men's or boy's	8 621	44 332	8 776	49 711	9 506	54 587	8 460	60 135
Shirts, blouses, blouse-shirts and shirtwaists, lady's and girl's	11 441	51 406	12 232	55 502	13 184	62 662	13 148	62 193

Source: NSI

In 2004, 61 percent of the export of shirts consisted of shirts, blouses and blouse-shirts, lady's and girls'.

Average prices of the exported shirts (2001-2004),EUR/piece

Product	2001	2002	2003	2004
Shirts and short-sleeved shirts ,men's or boy's	5.14	5.66	5.74	7.11
Shirts, blouses, blouse-shirts and shirt-waists, lady's and girl's	4.49	4.54	4.75	4.73

Source: NSI

The average price in 2004, as compared with 2001, was higher by 19 percent, and the export value of these products was bigger by EUR 26 590 000 or 28 percent.

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6.1.3.6. Ready-made clothing accessories

In 2004, a total of 10 945 000 pieces of ready-made clothing accessories worth EUR 2 103 000 were exported.

Export of ready-made clothing accessories (2001-2004)

Year	thous. pcs	thous. EUR	avg. prices EUR/pcs
2001	13 388	1 466	0.11
2002	13 138	1 301	0.1
2003	11 915	1 207	0.1
2004	10 945	2 103	0.19

Source: NSI

Compared with 2001, the amount of exports in 2004 was smaller by 2 443 000 pieces or 18 percent.

The average price, however, was higher by 73 percent, and the export value of these products was bigger by EUR 637 000 or 43 percent.

6.1.3.7. Other tailoring products

In 2004, a total of 20 787 000 pieces of other tailoring products worth EUR 35 651 000 were exported.

Export of other tailoring products (2001-2004)

Product	2001		2002		2003		2004	
	Thous. pcs	Thous. EUR	thous. pcs	thous. EUR	thous. pcs	thous. EUR	thous. pcs	thous. EUR
Total	16 412	26 432	15 612	25 465	19 185	30 186	20 787	35 651
Underbodies, slips, underpants, night shirts, pyjamas, bath towels, dressing gowns and similar products, men's or boy's	818	3 515	872	2 642	1 195	3 277	883	2 715
Underbodies and shirts, slips or dress linings, petticoats, panties, nightgowns, pyjamas, house clothing /dishabille/, bath towels, dressing gowns and similar products, lady's and girl's	2 915	4 120	2 267	3 000	2 786	4 693	2 953	5 348
Clothing, ready-made from products, classified in: 56.02,56.03,59.03, 59.06 or 59.07	7 691	8 123	7 721	8 401	9 440	8 767	10 020	9 061
Brassieres, ribbed belts, corsets, suspenders, garters, welts and similar products and their parts, even from knitwear	3 833	10 316	4 286	11 160	5 252	12 975	6 283	17 938
Handkerchiefs	687	5	156	2	73	10	89	8
Shawls, scarves, kerchiefs, mufflers, manitllas, veils and small hat veils and similar products	182	243	77	145	186	339	228	433
Neckties, butterfly-neckties and scarf-	155	52	29	25	166	59	252	70

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neckties								
Gloves, mittens and mitts	132	58	206	92	87	66	79	78

Source: NSI

In 2004, some 48 percent of exports in this group consisted of ready-made clothing, 32 percent – of brassieres, ribbed belts, etc.; 14 percent of underbodices and shirts, etc.

In 2004, as compared with 2001, the amount of exports was bigger by 4 375 000 pieces or 27 percent.

The average price in 2004, as compared with 2001, was 7 percent higher.

Average prices of the exported other tailoring products (2001-2004), EUR/piece

product	2001	2002	2003	2004
Underbodices, slips, underpants, night shirts, pyjamas, bath towels, dressing gowns and similar products, men's or boy's	4.3	3.03	2.74	3.07
Underbodices and shirts, slips or dress linings, petticoats, panties, nightgowns, pyjamas, house clothing /dishabille/, bath towels, dressing gowns and similar products, lady's and girl's	1.41	1.32	1.68	1.81
Clothing, ready-made from products, classified in: 56.02,56.03,59.03, 59.06 or 59.07	1.06	1.09	0.93	0.9
Brassieres, ribbed belts, corsets, suspenders, garters, welts and similar products and their parts, even from knitwear	2.69	2.6	2.47	2.86
Handkerchiefs	0.01	0.01	0.14	0.09
Shawls, scarves, kerchiefs, mufflers, manitllas, veils and small hat veils and similar products	1.34	1.87	1.82	1.9
Neckties, butterfly-neckties and scarf-neckties	0.33	0.85	0.35	0.28
Gloves, mittens and mitts	0.44	0.45	0.76	0.99

Source: NSI

The export value of these products in 2004, as compared with 2001, was bigger by EUR 9 219 000 or 35 percent. Compared with the growth of amounts in terms of volume, the growth registered by export value is 8 points higher.

6.2. CONSUMER PROFILE

Leading brands of exports

Jeans	Espirit (GE), Levi Straus (BE), S.Oliver (GE), Diesel (ITA), Sixty (ITA), Cisalfa Sport (ITA), Giacomelli Sport (ITA), Simint (ITA), Basicnet (ITA), Pepper Industries (ITA)
Multiproduct	Benetton (ITA), Triumph (SWI), Etam (FRA), Cortefiel (SPA), Burberrys (UK), Dewhirst (UK), Steilman (GE), Alexon Group (UK), IT Holding (ITA), Mexx (NED)
Ladies' clothing	Max Mara (ITA), Vivarte Groupe (FRA), Escada (GE), Mango (SPA), Prada (ITA), Vestebene (ITA), Garry Weber (GE), Brandtex (DEN), Camaieu (FRA)
Men's clothing	Zara (SPA), Marzotto (ITA), Armani (ITA), Hugo Boss (GE), Brinkman Gruppe (GE), Burberrys (SPA), Strellson (SWI), Brice (FRA), Brioni Roman Style (ITA)

Source: InvestBulgaria Agency

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6.2.1. Textile

Sales on the domestic market

In 2004, textile producers sold fabrics, yarn and blankets worth almost a total of BGN 250 mln on the domestic market. The increase from 2003 is about 10 percent.

Sales of textile products on the domestic market in 2001-2004 by main categories

Category	Unit	2001	2002	2003	2004	Index 2001=100		
						2002	2003	2004
Washed wool	Ton	1 217	1 173	3 311	4 049	96.38	272.06	332.70
- tweed or worsted	Ton	1 041	1 075	3 257	3 753	103.27	312.87	360.52
Cotton, carded or combed	Ton	1 569	3 735	1 539	*	238.05	98.09	
Yarn made of non-carded cotton for fabrics	Ton	1 469	1 656	2 829	3 681	112.73	192.58	250.58
Woolen fabrics	Thous. sq.m	1 504	1 228	7 230	7 898	81.65	480.72	525.16
- tweed for apparel	Thous. sq.m	647	670	1 991	2 894	103.55	307.73	447.34
Cotton fabrics	Thous. sq.m	10 754	10 626	24 655	23 055	98.81	229.26	214.38
-incl. for: bedroom linen	Thous. sq.m	4 679	3 034	11 446	9 764	64.84	244.62	208.68
- other textile products for the household	Thous. sq.m	780	1 648	4 750	6 045	211.28	608.97	775.03
- wearing apparel	Thous. sq.m	3 365	4 020	8 428	7 246	119.47	250.46	215.32
Fabrics made of synthetic or artificial fibers with high strength	Thous. sq.m	3 167	2 005	1 024	865	63.31	32.33	27.30
Fabrics made of yarns from synthetic fibers for apparel	Thous. sq.m	1 784	1 043	4 329	4 714	58.46	242.66	264.23
Fabrics made of yarns from artificial fibers for apparel	Thous. sq.m	1 714	1 631	5 403	5 035	95.16	315.23	293.78
Fabrics made of synthetic staple fibers for production use	Thous. sq.m	845	636	1 059	707	75.27	125.33	83.62
Blankets made of wool and fine hairs	Thous. pcs	47	40	159	83	85.11	338.30	177.26
Non-woven textile products, weight more than 150 g/sq.m	Thous. sq.m	1 727	1 557	5 998	3 059	90.16	347.31	177.12
Knitted fabrics not classified elsewhere	Thous. sq.m	418	970	8 597	9 930	232.06	886.29	2 375.6 1

* Data is confidential.

Source: NSI

Compared with 2000, sales in 2004 grew significantly. Only the sales of fabrics made of synthetic or artificial fibers with high strength and the sales of fabrics made of synthetic staple fibers for production use were down.

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6.2.2. Tailoring

Sales on the domestic market

In 2004, local producers sold a total of 6,325,000 clothes and other tailoring products. Compared with 2003 sales dropped by about 41 percent.

Sales of tailoring products on the domestic market (2003-2004) – thousand pieces²

	2003	2004	Index
Workclothes	1 505 057	1 067 536	70,93
Men's or boys' apparel	1 097 263	996 616	90,83
Lady's or girls' apparel	3 971 405	2 420 411	60,95
Shirts and blouses	4 093 555	1 840 684	44,97
Total	10 667 280	6 325 247	59,30

Source: NSI

In 2004, about 38 percent of the sales consisted of lady's or girls' apparel and 29 percent of shirts and blouses.

6.2.2.1. Workclothes

In 2004, 55 percent of sales consisted of suits made of cotton, men's or boys', and 23 percent – of trousers made of cotton, lady's or girls'.

Compared with 2003, the structure of sales has changed dramatically. The share of trousers made of cotton, lady's or girls, is larger by more than 23 percent, the share of suits made of synthetic or artificial fibers, men's or boys' has increased by 4 points, and the share of suits made of synthetic and artificial fibers, lady's or girls' was up 1 point. The share of trousers, men's or boys, is smaller by some 15 points; suits made of cotton, men's or boys – by 13 points; and suits made of cotton, lady's or girls' – by 2 points.

6.2.2.2. Men's or boys' apparel

Around 66 percent of sales in 2004 consisted of costumes made of other textile materials, 25 percent – of costumes made of wool, and 5 percent – of trousers made of synthetic and artificial fibers

Compared with 2003, the share of costumes made of other textile materials is bigger by 11.4 points. The share of jackets made of wool is smaller by 6.3 points; the share of trousers made of cotton was down 3.3 points; the share of trousers made of synthetic and artificial fibers has shrunk by 2.2 points.

² Figures do not include products the information about which is confidential.

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6.2.2.3. Lady's or girls' apparel

In 2004, sales of cotton trousers accounted for 77 percent of total sales, and sales of costumes made of other textile materials – 18 percent. Compared with 2003, the share of trousers made of cotton is smaller by around 14 percent. The share of costumes made of other textile materials is bigger by around 11 percent, and the share of jackets made of wool is up by almost 2 points.

6.2.2.4. Shirts and blouses

In the structure of sales in 2004, 95 percent were occupied by shirts made of cotton, men's or boys'. Compared with 2003, sales of shirts, blouses and shirtwaists, lady's or girls', were smaller by 3.7 points; and sales of shirts, men's or boys', dropped by 3.3 points.

World trade – tailoring products

6.2.2.4.1 World exports of lady's blouses and shirtwaists

China is the undisputed world leader in exports of lady's blouses and shirtwaists (code 6206). In 2003, the country reached about 15 percent of the total amount of exports of these products. Together with the other leading countries exporters of these products – India (10.40 percent), Hong Kong (7.36 percent), Germany (5.61 percent), and Romania (4.64) percent, it accounted for almost 44 percent of the total value of exports of lady's blouses and shirtwaists in the world.

(Appendix 3)

6.2.2.4.2 World imports of lady's blouses and shirtwaists

USA continues to be the world's biggest market of tailoring products, including lady's blouses. In 2003, about 32 percent of the world total imports of lady's blouses and shirtwaists were destined to the USA. Together with the other major markets of these products – Germany, Great Britain, Japan, and Hong Kong, they reached about 66 percent of the total amount of imports of lady's blouses and shirtwaists (in value).

6.3. GEOGRAPHIC LOCATION OF MAIN MARKETS

6.3.1. Textile

Export of textile products in 2004 – by countries

	Country	Thousand sq.m	Share
1	Italy	65 285	43.86%
2	Turkey	56 681	38.08%
3	Germany	5 696	3.83%
4	Great Britain	4 543	3.05%
5	Serbia and Montenegro	4 455	2.99%
6	Romania	3 306	2.22%

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	Country	Thousand sq.m	Share
7	Spain	1 748	1.17%
8	Greece	1 060	0.71%
9	Russia	762	0.51%
10	FYROM	574	0.39%
	Other	4 748	3.19%

Source: NSI

The prices of exports destined to the ten countries are higher than the average prices of total exports.

- ◆ Russia – 4.4 times
- ◆ Spain – 5.2 times
- ◆ Romania – 2.6 times
- ◆ Greece – 2.3 times
- ◆ FYROM – 2.1 times
- ◆ Germany – 1.8 times
- ◆ Great Britain - 14 percent

The average prices of exports destined to Serbia and Montenegro, Turkey and Italy are lower.

In foreign currency, the share of the ten countries with biggest exports in 2004 is 87 percent.

Export of textile products in 2004 – by countries

	Country	Thousand EUR	Share
1	Italy	29 937	36.17%
2	Turkey	17 722	21.41%
3	Germany	5 676	6.86%
4	Great Britain	2 924	3.53%
5	Serbia and Montenegro	1 726	2.09%
6	Romania	4 881	5.90%
7	Spain	5 110	6.17%
8	Greece	1 380	1.67%
9	Russia	1 862	2.25%
10	FYROM	680	0.82%
	Other	10 858	13.12%

Source: NSI

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6.3.2. Leather, Fur and Footwear

Leading countries for which Bulgaria exports leather, fur and leather products and machines and spare parts for the leather industry - 2004

Leather

No	country	2004	
		thousand EUR	% EUR
1	Turkey	8 538	44.02%
2	Italy	5 825	26.57%
3	Spain	991	4.52%
4	Czech Republic	907	4.14%
5	Poland	547	2.50%
	Others	2 586	11.80%

Leather products

No	country	2004	
		thousand EUR	% EUR
1	Italy	20 722	57.35%
2	Belgium	10 592	29.31%
3	Greece	1 685	4.66%
4	France	1 060	2.93%
5	Germany	929	2.57%
	Others	1 148	3.18%

Footwear

No	Country	2004	
		thousand EUR	% EUR
1	Italy	56 289	62.15%
2	Austria	13 304	14.69%
3	Germany	5 179	5.72%
4	France	4 805	5.31%
5	Holland	2 462	2.72%
	Others	8 529	9.42%

Machines and devices for preparation, tanning and processing of leather

No	Country	2004			
		Thous. number	Thous. EUR	%number	%EUR
1	Russia	46	10	59.74%	9.63%
2	Italy	20	46	25.97%	42.95%
3	RSA	4	6	5.19%	5.53%

TEXTILE, LEATHER, FUR, FOOTWEAR AND TAILORING INDUSTRY IN BULGARIA

No	Country	2004			
		Thous. number	Thous. EUR	%number	%EUR
4	Indonesia	3	30	3.90%	27.83%
5	Greece	2	0	2.60%	0.26%
	Others	2	15	2.60%	13.81%

Machines and devices for production and repair of footwear

No	Country	2004			
		Thous. number	Thous. EUR	%number	%EUR
1	Italy	215	122	95.98%	92.98%
2	Czech Republic	4	6	1.79%	4.57%
3	Greece	4	1	1.79%	0.60%
4	Germany	1	2	0.45%	1.84%

Other machines and devices for the leather industry

No	Country	2004			
		Thous. number	Thous. EUR	%number	%EUR
1	Italy	9	15	100.00%	100.00%

Spare parts

No	Country	2004	
		Thousand EUR	%EUR
1	Italy	16	57.46%
2	Austria	12	40.83%
3	Others	0.5	1.71%
4	Italy	1	11.48%
5	Spain	0	0.34%

Source: NSI

6.3.3. Tailoring

Export by countries

In exports in 2004, again Germany occupies the biggest share – 24 percent, i.e. the same as in imports. This is due to the outsourcing production of tailoring goods (reverse export of temporary import in changed condition).

Export of tailoring products (2004), by countries

	Country	thous. pcs	%
	Total export	119 434	100.00%
1	Germany	28 658	23.99%
2	Greece	18 757	15.71%

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	Country	thous. pcs	%
3	France	16 841	14.10%
4	Italy	13 975	11.70%
5	Great Britain	6 337	5.31%
6	Spain	5 963	4.99%
7	USA	5 526	4.63%
8	The Netherlands	3 417	2.86%
9	Turkey	2 894	2.42%
10	Canada	2 290	1.92%
	Other	14 775	12.37%

Source: NSI

The share of the top 10 countries in total exports is 88 percent, where the smallest share is that of Canada – 1.92 percent.

The average prices of exports by countries vary significantly. The highest are those for products exported to USA (an excess of 38 percent); for Turkey the excess is by 24 percent; Netherlands – 15 percent; France – 14 percent; Germany – 13 percent.

The average prices of exports destined to Greece and Canada are lower by respectively 46 and 37 percent.

Due to the differences in the average prices, the participation of the top 10 countries in the structure of export value differs from their shares in the structure of volumes.

Export of tailoring products (2004), by countries

	Country	thous. EUR	%
	Total export	809 460	100.00%
1	Germany	218 873	27.04%
2	Greece	69 121	8.54%
3	France	129 735	16.03%
4	Italy	102 348	12.64%
5	Great Britain	43 996	5.44%
6	Spain	41 796	5.16%
7	USA	51 653	6.38%
8	The Netherlands	26 640	3.29%
9	Turkey	24 328	3.01%
10	Canada	9 826	1.21%
	Other	91 144	11.26%

Source: NSI

In export value, compared with volumes, the share of Germany is bigger by 3.05 points; France – 1.93 points; USA – 1.75 points.

The shares of Greece and Canada are smaller by respectively 7.17 and 0.71 points.

TEXTILE, LEATHER, FUR, FOOTWEAR AND TAILORING INDUSTRY IN BULGARIA

6.4. PERCEPTION OF SPANISH PRODUCTS

6.4.1. Textile

In 2004, almost 80 percent of the products were imported from 10 countries, where the smallest share in imports stood at 3.14 percent.

Import of textile products in 2004 – by countries

	country	Thousand sq.m	Share
1	Turkey	59 160	19.91%
2	Italy	47 146	15.86%
3	China	25 777	8.67%
4	Germany	25 566	8.60%
5	France	20 526	6.91%
6	Great Britain	16 111	5.42%
7	India	13 771	4.63%
8	Spain	12 236	4.12%
9	Greece	10 650	3.58%
10	Indonesia	9 340	3.14%
	Other	56 906	19.15%

Source: NSI

The prices of the products, imported from these ten countries in 2004, are higher than the average prices for the total import.

- ◆ Italy – 2 times
- ◆ France – 1.8 times
- ◆ Spain – 1.6 times
- ◆ Germany – 26 percent
- ◆ Greece – 11 percent

Imports from Indonesia and India came at lowest average prices. They are lower than the prices of the total import by respectively 11 percent and 13 percent.

The share of the ten countries with biggest import, measured in foreign currency equivalent, is 82 percent.

Import of textile products in 2004 – by countries

No	Country	Thousand EUR	Share
1	Turkey	57 022	11.05%
2	Italy	160 040	31.02%
3	China	13 947	2.70%
4	Germany	56 309	10.92%
5	France	63 350	12.28%
6	Great Britain	14 761	2.86%
7	India	3 038	0.59%
8	Spain	33 104	6.42%
9	Greece	20 308	3.94%
10	Indonesia	1 888	0.37%

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No	Country	Thousand EUR	Share
	Other	92 079	17.85%

Source: NSI

It is seen that Spain takes 8th place in terms of import of textile products or 4.12% share. According to the prices of imported textiles Spain takes 6.42% share, which means that the quality is better and the prices of imported from Spain textiles are higher.

6.4.2. Leather, Fur and Footwear

Leading countries from which Bulgaria imports leather, fur and leather products and machines and spare parts for the leather industry

Leather

No	Country	2004	
		thousand EUR	% EUR
1	Italy	80 273	88.85%
2	Turkey	3 079	3.41%
3	Greece	1 398	1.55%
4	Indonesia	675	0.75%
5	France	614	0.68%
	Others	4 307	4.77%

Leather products

No	Country	2004	
		thousand EUR	% EUR
1	China	6 126	42.33%
2	Italy	3 055	21.11%
3	Turkey	1 907	13.18%
4	Germany	657	4.54%
5	India	439	3.03%
	Others	2 288	15.81%

Footwear

No	Country	2004	
		thousand EUR	% EUR
1	China	20 749	52.31%
2	Turkey	6 426	16.20%
3	Italy	4 493	11.33%
4	Vietnam	944	2.38%
5	Spain	758	1.91%
	Others	6 299	15.88%

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Machines and devices for preparation, tanning and processing of leather

No	Country	2004			
		number	Thous. EUR	% number	%EUR
1	Italy	33	199	46.48%	78.43%
2	Czech Republic	14	4	19.72%	1.39%
3	Germany	11	7	15.49%	2.64%
4	Greece	9	4	12.68%	1.54%
5	Turkey	4	41	5.63%	16.00%

Machines and devices for production and repair of footwear

No	Country	2004			
		number	Thous. EUR	% number	%EUR
1	Italy	410	630	24.61%	59.83%
2	Germany	321	62	19.27%	5.89%
3	Korea	208	93	12.48%	8.85%
4	China	181	50	10.86%	4.79%
5	Austria	162	66	9.72%	6.25%
	others	384	152	23.05%	14.39%

Other machines and devices for the leather industry

No	Country	2004			
		number	Thous. EUR	% number	%EUR
1	Italy	119	204	59.50%	68.46%
2	Germany	28	40	14.00%	13.29%
3	Turkey	20	1	10.00%	0.29%
4	Cyprus	9	3	4.50%	1.13%
5	Czech Republic	8	2	4.00%	0.64%
	others	16	48	8.00%	16.20%

Spare parts

No	Country	2004	
		Thousand EUR	%EUR
1	Italy	174	83.40%
2	Czech Republic	10	5.00%
3	China	8	3.66%
4	Turkey	4	1.69%
5	Portugal	3	1.54%
	Others	10	4.71%

Source: NSI

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6.4.3. Tailoring

Import by countries

In 2004, the biggest imports came from Germany – 24 501 000 pieces or 24 percent. Some 94 percent of the total import came from the top 10 importing countries, where the smallest share was that of the Czech Republic – 0.77 percent.

Import of tailoring products (2004), by countries

No	Country	thous. pcs	%
	Total import	101 879	100.00%
1	Germany	24 501	24.05%
2	Greece	18 749	18.40%
3	China	14 068	13.81%
4	Italy	12 802	12.57%
5	Turkey	12 204	11.98%
6	France	7 020	6.89%
7	Spain	2 619	2.57%
8	Belgium	1 793	1.76%
9	Great Britain	1 627	1.60%
10	Czech Republic	785	0.77%
	Other	5 710	5.60%

There are significant variations in the average prices of imports from these countries. The highest average price was of the products imported from Italy, which is 43 percent higher than the overall average price. The average price of imports from Greece and France is 32 percent higher than the overall average, and that from Turkey – 22 percent.

The lowest average price of imports was from Belgium – 75 percent lower than the overall average price; Germany – 56 percent lower; Czech Republic – 55 percent lower; China – 28 percent; Spain – 11 percent; Great Britain – 6 percent.

Due to the variations in the average price, the participation of the top 10 countries in the overall structure of import value is different from their shares in the structure of volumes.

Import of textile products (2004), by countries

No	Country	thous. EUR	%
	Total import	121 403	100.00%
1	Germany	12 772	10.52%
2	Greece	29 390	24.21%
3	China	12 096	9.96%
4	Italy	21 792	17.95%
5	Turkey	17 720	14.60%
6	France	10 987	9.05%
7	Spain	2 770	2.28%
8	Belgium	513	0.42%
9	Great Britain	1 822	1.50%

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No	Country	thous. EUR	%
10	Czech Republic	415	0.34%
	Other	11 127	9.17%

Source: NSI

The biggest excess in the share of volumes, compared with the share of import value, was registered by imports from Germany – 13.53 points, China – 3.85 points. The biggest excess in the share of import value was registered by imports from Greece – 5.81 points, and Italy – 5.38 points.

7 . OPPORTUNITIES AND RISKS FOR SPANISH COMPANIES

Importance of the sector

- ◆ Textile and clothing industry represents about 24% of the total export of the country
- ◆ Above 85% of the production is being exported
- ◆ The strong growth in production volumes in textile & clothing industry from the past few years continues

Bulgarian opportunities

- ◆ Long-lasting traditions in textile and clothing manufacturing
- ◆ Correspondence of good quality and reasonable prices
- ◆ Highly skilled and educated workforce
- ◆ Network of high schools and technical colleges to train people in the skills needed by modern textile and apparel producers
- ◆ Flexible companies offering small and large quantity orders
- ◆ Lots of companies working on CM and CMT basis with foreign partners thus constantly improving their know-how and services
- ◆ Proximity to Europe and major fabric producers in the Euro-Mediterranean zone incl. countries such as Italy, Turkey and Egypt
- ◆ No impediments to the import of raw materials necessary for textile and apparel
- ◆ No quotas to EC and availability of sufficient quotas to the USA and Canada for a variety of textile, knitting and garment products
- ◆ 15% corporate tax – one of the lowest in Central and Eastern Europe
- ◆ The lowest operating cost in a European market economy
- ◆ Existing Double Taxation Treaty with Spain

Main risk factors

The main risk factors for the producer (but also for the clients) are the **quality** of his output and the observation of the delivery schedule. In the first case the client may lose a lot of money and the producer may not get its remuneration at all. If there is a quality problem especially in the case of customer brand products there is almost nothing to be done with the goods with no proper quality. In some cases arrangements are made that the producer takes back the products for reprocessing but this is very rare as the second condition – the **delivery schedule** – enters the stage. In

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the second case (good quality but poor delivery timing) the best what might happen to the producer is to pay a fine to the client in order to cover the additional expenses generated by the delay (rescheduling of the final quality control at the place of delivery, rescheduling of the distribution and arrangement of the products etc.).

The local supervising companies are trying to keep balance between the two extreme cases - getting fully involved in the production or providing only supervision and administration of the process. The first have to invest considerable amount of money in order to secure the complexity of the services including the highly qualified personnel (the monthly remuneration of an individual supervisor ranges between 1000 and 2000 BGN after taxation). On the other hand they are quick to place the orders as they may expedite their technological preparation and provide storage facilities for the raw material and the final products. The second have rather limited ability for complex services but than the overall risk in their case is quite limited. In fact they are selling mainly their expertise and some additional administrative services.

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- ◆ Deloitte Investment Marketing Report, 2005. Summary.
- ◆ Center for Economic Development. Bulgaria's Economy Report, October 2005.
- ◆ Agency for Economic Analysis and Forecasting (www.aeaf.minfin.bg). National Development Plan 2007 – 2013, December 2005 Draft.

ANNEXES

IMPORTANT ADDRESSES

◆ **Council of Ministers**

1194 Sofia
1 Dondukov Blvd.
Tel.: (+359 2) 940 29 99
Fax: (+359 2) 980 20 56
Web: www.government.bg

◆ **Ministry of Finance**

1028 Sofia
102 G. S. Rakovski Str.
Tel.: (+359 2) 9 85 91
Fax: (+359 2) 987 20 53
Telex: 22 727
Web: www.minfin.government.bg

◆ **Ministry of Labor and Social Policy**

1051 Sofia
2 Triaditsa Str.
Tel.: (+359 2) 8119 443
Fax: (+359 2) 986 13 18, 988 44 05
E-mail: mlsp@mlsp.government.bg
Web: www.mlsp.government.bg/en/index.htm

◆ **National Customs Agency**

1000 Sofia
47 G. S. Rakovski Str.
Tel.: (+359 2) 9859 40 01
Web: www.customs.government.bg

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♦ Non-Governmental Organizations on the Internet

Branch Chamber of Garments Making Industry	http://b2b.bia-bg.com/biasite/branch/clothing-ind.htm
Bulgarian Branch Union of Knitwear Industry	www.b2b.bia-bg.com/biasite/branch/knitwear.htm
Bulgarian Association of Apparel and Textile Producers and Exporters	www.bgtextiles.org

♦ Leather, Fur and Footwear

Branch Union of Leather, Furrier's, Footwear and Haberdasher's Industry	www.leatherandshoes.org
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♦ Tailoring

Balkan Gate Apparel and Textile Exhibition	http://textileexpobg.com/eng/
Bulgarian Fashion and Style Directory	www.bgfashion.net/

TEXTILE, LEATHER, FUR, FOOTWEAR AND TAILORING INDUSTRY IN BULGARIA

MAIN TEXTILE PRODUCERS

Katex AD, Kazanlak

Address: 6100 Kazanlak, 4 M. Stainov str.
Tel: +359 (431) 63-581,
Fax: +359 (431) 63-054
Website: www.katex.com

Vratitza AD, Vratza

Address: 3000 Vratsa, 7 Industrialna str.
Tel: +359 92 48520, +359 92 60289, +359 92; +359 92 66 02 87,
Fax: +359 92 66 15 12
Website: www.vratitza.com

Dekotex AD, Sliven

Address: 8800 Sliven, 43 Hadzji Dimitar str.
Tel: +359 44 66 27 60; +359 44 662380;
Fax: +359 44 662591 +359 44 662561
Website: <http://www.decotex.org/>

Svila AD, Haskovo

Address: 6300 Haskovo, 58 Caedinenie blvd.,
Tel: +359 38 665168 ;+359 38 665063;+359 38 624293;
Fax: +359 38 665064
Website: <http://svila.hit.bg/>

Mak AD, Gabrovo

Address: 5300 Gabrovo, 9 Treti mart blvd.
Tel: +359 66 801261; +359 66 801252; +359 66 801264; +359 66 801 244
Fax: +359 66 801243; +359 66 801246
Website: www.mak.bg

Kolhida - Sliven AD

Address: 8800 Sliven, kv. Industrialen
Tel.: +359 44/ 62 23 95
Fax +359 44/62 40 19
Website: www.kolhida.com

Ruen - Elite AD, Sofia

Address: 1220 Sofia, 3 Iliensko shose str,
Tel: +359 2 813 10 34

Burya AD, Gabrovo

Address: 5300 Gabrovo, 7 Treti mart blvd, BOX 70
Tel: +359 66 25 130;
Fax: +359 66 27 086;
e-mail buria@mbox.stemo.bg

Juta AD, Russe

Address: 7012 Rousse, 40 Treti mart str., East Industrial Zone

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Tel: +359 82 / 82 06 94; +359 82 / 82 06 96; +359 82 / 82 06 87

Fax: +359 82 / 82 26 98

Website: www.yuta-jsc.com

Fazan AD, Russe

Address: 7000 Rousse, 5, "Treti Mart" Blvd.,

Tel: +359 82 820731; +359 82 820725; +359 82 822960

Fax: +359 82 820718

Website: <http://www.fazansocks.com/>

Manufacture of footwear

Vihren-BL AD, Blagoevgrad

Address: 2700 Blagoevgrad

Tel: +359 73 29398

Fax: +359 73 21077

Website: <http://www.vihrenbl.com/eng/index.htm>

Record-Gabrovo AD, Gabrovo

Address: 5300 Gabrovo, 7 General Nikolov Str.,

Tel.: +359 66 800 446

Fax: +359 66 800 459

<http://www.record.bg/>

Techi - Grozdan Stoyanov SP, Gabrovo

Address: Gabrovo, Brojkata, 6 Baba Zara str. - North industrial zone

Tel.: +359 66 2 00 86 ,

Tel/fax: +359 66 3 30 57

Manufacture of outer garments, excl. workclothes

Riton-P AD, Panagyurishte

Address: 4500 Panagyurishte, 30 Krastio Geshanov str.

Tel: +359 35 73136; +359 35 73522

Fax: +359 35 72050

Website: <http://www.ihdoverie.com/textile.html#m3>

Ropotamo AD, Bourgas

Address: 8000 Bourgas, North Industrial Area, Ropotamo AD

Tel. +359 56 880151 ; +359 56 880153 ; +359 56 880155

Fax. +359 56 800065 ; +359 56 880157 ;

Website: www.ropotamo.bg

Karina AD, Karnobat

Address: 8400 Karnobat, 12 Moskva str.

Tel.: +359 559 22210, +359 559 22223

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Fax: +359 559 7103

MVMA AD, Levski

Address: 5900 Levski, 4 Svoboda sqr.

Tel. +359 6502090

Texan OOD, Sandanski

Address: 2800 Sandanski, 51 Svoboda blvd,

Tel. +359 74626358

Vegea SP Ltd., Gabrovo

Address: Gabrovo 5300, 157 Stoletov Blvd.

Tel: +359 66 800 188

Fax: +359 66 800 187

Mobile: +359 888 314 642

Sofia - warehouse

Sofia 1000, 127 Alexander Stamboliiski Blvd., fl. 1

Tel: +359 2 92 92 952

Website: <http://www.vegea-bg.com/>

Mir-Haskovo JSC , Haskovo

Address: 6300 Haskovo, 1 Dimitrovgradsko shosse str.

Tel: +359 38 66 20 08 ; +359 38 62 43 36

fax: +359 38 66 20 61 +359 38 66 21 61

Website: <http://www.mir.bg/>

Manufacture of workclothes

Eva Commerce SP Ltd. Sofia

Address: 1359 Sofia, 12 Zahari Stoyanov str.

Tel/Fax: Tel: +359 2 927 57 74

Manufacture of shirts, blouses and other underwear

Natalia JSC , Stara Zagora

Address: 6000 Stara Zagora, 167 Tzar Simeon blvd.

Tel: +359 42 863 137;

Fax: +359 42 866 042

Website: <http://www.natalia-sz.com/>

Intertop Ltd. , Tryavna

Address: 5350 Tryavna, 8 Vassil Levski str.

Tel.: +359 677 3409; +359 677 2263; +359 677 3439;

Fax: +359 677 2133;

Website: <http://www.intertop.bg/>

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SOME EXHIBITIONS:

Leather and Fur Fashion

Specialized exhibition for leather clothes, leather handbags, suitcases, shoes and accessories.

- ◆ **Organized by:** Bulgarreklama
- ◆ **Place:** Sofia - National Palace of Culture
- ◆ **Date:** 08.03.2006 - 12.03.2006

Intertextile Spring 2006

International Specialized Exhibition for Textile, Fashion, Accessories.

- ◆ **Place:** Sofia - National Palace of Culture Bulgarian
- ◆ **Organized by:** Bulgarian Chamber of Commerce and Industry
- ◆ **Date:** 09.03.2006 - 13.03.2006

Yearly events

There are several Bulgarian traditional yearly events where the textile and apparel producers have the opportunity to present their products and services – the Spring International Fair in Plovdiv (www.fair-plovdiv.com), the Spring and the Autumn Contractual Exhibitions organized again by the International Fair in Plovdiv and the exhibitions Intertextile Spring and Intertextile Autumn organized by the Bulgarian Chamber of Commerce and Industry (www.bcci.bg).

◆ **International Plovdiv Fair Plc**

4003 Plovdiv, 37 Tsar Boris III Obedinitel Str.

Tel.: (+359 32) 90 20 00

Fax: (+359 32) 90 24 32

E-mail: mailbox@fair-plovdiv.com

Web: www.fair-plovdiv.com

TEXTILE, LEATHER, FUR, FOOTWEAR AND TAILORING INDUSTRY IN BULGARIA

USEFUL LINKS

- ◆ **www.bia-bg.com** – Bulgarian Industrial Association
- ◆ **www.textilebg.com** – Textile Bulgaria
- ◆ **www.apparesearch.com** – ApparelSearch.com
- ◆ **www.euratex.org** – The European Apparel and Textile Organization
- ◆ **www.iafnet.org** – International Apparel Federation
- ◆ **www.textileportal.com** – TextilePortal.com
- ◆ **www.fibre2fashion.com** – A Complete e-solution for Garment – Textile – Fashion Industry
- ◆ **www.etsa-europe.org** – E.T.S.A. – the European Textile Services Association
- ◆ **www.texere.u-net.dk** – Association TEXERE – Textile Education and Research in Europe
- ◆ **www.textileconnexion.com** - Texcon