



BULGARIA KNITS

With Bulgaria poised to join the EU on January 1 2007, Niki Tait takes a look at the Bulgarian knitwear industry.

With overall textile and apparel exports reaching €1.669 billion (more than US\$2 billion) in 2005 and growing at 4% per annum, 86% of all textile and apparel production is designed for export to the EU 25.

Clothing production in Bulgaria has more than doubled in the past five years at a time when production of clothing in the EU25 has declined by nearly 30%. Indeed, at the moment Bulgaria is Europe's most resilient market for the production of apparel and even at the most difficult time post quota, for the first six months of 2005, when compared to the same period one year earlier, only

China and India posted higher rates of growth in the value of apparel exports, ranking Bulgaria 3rd in the world and first in Europe. During this same period, production of clothing from the EU25 was down 9.3% from the same period just one year earlier. Bulgaria's textile and garments exports rose 6.8% in the first half of 2006, totalling 1.72 billion BGN for the first half year. The internal market has also risen by 10.2%

Between 2004 and 2005 exports to Finland have almost doubled, those to Poland have increased by 31% and to Sweden 18%. Other growing markets for Bulgaria are Croatia where exports have risen 84%, Russia +78% and Ukraine

+55%. Germany occupies the lead place as Bulgaria's major market of woven apparel production. Knitwear exports in 2005 equalled 821.10 BGN Million. The main customer for knitted garments is Greece, taking 42.5% of the export total. Italy took 12.5%, Germany 8.7%, Spain 8.3%, Romania 5.9%, Great Britain 3.9%, USA 3.8%, and France 3.3%.

The textile, knitwear and apparel industries between them employ over 177,000 people in around 2000 companies. Around 81% of these employees work in the clothing sector, and over 65% in small to medium sized enterprises with up to 250 workers. Around 31% of all those employed in

Bulgaria's manufacturing industry work within textiles and clothing. Overseas sales represent nearly 25% of Bulgaria's total foreign exports. Unlike other garment and textile categories the export of knitwear dropped temporarily post quota in 2005 by 12%, but this situation has changed and an 8% growth is expected by the end of 2006.

With the advantages offered by becoming a member of the EU in January 2007, further increases in knitwear exports are predicted for 2007 and onwards. Hold ups at customs and customs tax will be eliminated resulting in quicker deliveries combined with lower logistics costs. Corporate profit taxes are reducing as are the employers' social security responsibilities. Average gross monthly wage costs throughout Bulgaria in 2005 equated to 165, one of the lowest levels in all of Europe and its surrounding countries, and in clothing and textiles this averaged 115.

In an International Comparison of Garment Subcontracting Costs, March 1 2006, the labour cost per minute Bulgaria ranks lower than all current EU countries and lower than Albania, Romania, Sri Lanka, Indonesia and Russia, on a par with Bosnia, Egypt, Mexico, Eastern China and the Ukraine, only marginally ahead of Belarus, Serbia and Montenegro.

Although Bulgaria is not normally thought of as a major knitwear manufacturing country there are several very large fully fashioned companies employing between 1000-1500 employees using relatively new technology. During a recent trip to the country, we discovered that over the last five years, Shima Seiki, for example, have sold around 300 fully computerised compact machines into the country.

Knitwear firms

One of the most technically advanced and highest quality fully fashioned knitwear companies in Bulgaria is Brod and Co. Buying an old bankrupt woven clothing company in 1993, the President of Brod, Georgi Georgiev, decided to spread his risks by making more than one type of garment and diversify into pullover production at the same time as moving the garment quality up market and developing an export business.

Today 85% of the business is high quality, short run, fully fashioned knitwear with 95% of production exported: approximately 40% to Italy and 60% to Germany. 75% of its production is menswear, and 25% is for ladies. Customers include Navigare from Italy and Bogna, Zidensticker and Camel from Germany. Although some designs are chosen from Brod's own collection, normally the customer supplies the sketch with Brod developing the prototype and sourcing the yarn, normally from Italy or Germany. Like many others, the company is moving away from CMT production.

Approximately 350 people are employed producing around 30,000 pieces of knitwear a month; 13,000 pieces of 12G, 14 - 15,000 pieces of 7G and 2 - 4,000 pieces of 3/5G on 47 Shima Seiki compact machines. Style runs average between 500-1000 pieces.

A heavy investment has been undertaken since 2002 to replace all the older Mec-mor and Universal machines to improve the quality, productivity, style variation, flexibility and turnaround time of the knitwear production as well as to increase capacity. There are now 20 12G machines, 23 7G and four 3/5G plus a machine for producing seamless garments. The latest Shima Seiki pattern development software is used and there are five systems in total. With all the machine adjustments computerised as well as the style details, style change over has been reduced to thirty minutes, whilst the number of knitters and technologists has been more than halved.



Brod and Co has invested in 47 new compact Shima Seiki machines since 2002



Members of the Blue Rock Sock Company exhibiting at the recent BGate 2006 exhibition of Bulgarian fashion and textiles

To compliment the new machines, investment is currently taking place in new linking, sewing and finishing machines as well as employee training. Future investment will be more gradual but sustained with more emphasis on the pre-production and logistics aspects. The aim, once Bulgaria is a full member of the EU, will be to provide high quality European design, development, production and customer service. The company also makes over 6000 mainly woven jackets per month for German customers such as Kohler and Krenzer and Delmot with around 150 pieces per style making up an average production run.

Sock production

Since October 2006 several sock manufacturers situated in Sliven in East Bulgaria have been working together to form a cooperative capable of offering customers a far wider variety of produce

and provide much greater flexibility than any of the individual companies could on their own.

Since 1834 the mountainous region of Sliven has been a major sock manufacturing area. During the communist era over 110,000 people were employed in large state-owned factories producing socks for the Eastern Bloc countries under Soviet control. Since the political and economic changes in 1990/1991 these large companies no longer exist but around fifty new companies have sprung up in their wake. Fifteen of these have recently tied together to become the Blue Rock Sock Company. Some are large companies with computerised high tech knitting machines, and some are small specialist concerns. For example, Rosinik employs fifty people running 60 hosiery knitting machines on a 24/7 basis producing all types and styles of socks and panty hose. It exports around 15% of its production to Germany and Austria. Prestige, on the other hand, has 13 machines and six employees and has

not yet started to export.

The cooperative has been established specifically to target European export customers with the help of the local Regional Centre for Economic Development. The capacity of the Blue Rock Sock Company will initially be around 400,000 pairs of socks per month, but with so many other companies in the area, it is likely this will quickly increase. Collective marketing, sourcing, purchasing, etc, will be advantageous to the members, whilst the benefits to potential buyers mean all their hosiery products can be sourced from one place with merchandise offered at attractive prices. Quality will be ensured with certification of yarn strength, twist, fibre length etc, offered by local independent testing centres.

Circular knitting plant

The largest state-of-the art circular knit company within Bulgaria belongs to Miroglio Bulgaria, part of the Italian Moriglio Group, which between all its 36 productive companies produces 35

million kilograms of yarn, 100 million metres of fabric and 12.5 million garments globally per year.

Encouraged by Bulgaria's low cost and high quality of labour, its excellent location within the centre of the fastest growing garment manufacturing area of Europe, Miroglio started to invest directly in Bulgaria in 1998 and it now spans the textile chain through spinning, weaving, knitting, dyeing, printing and finishing. Its twisting, texturizing and knitting mill was established on a green field site in March 2002 with an investment of €22 million. With 180 employees it twists 240 tonnes per month, texturises 280 tonnes per month and knits 30 million metres per year.

Established in 1974, and employing 184 people in the production of men's,

women's and children's pullovers, ISO 9001:2000 certified Janitza exports 90% of its production. Customers include Neckermann Versand, Quelle, Mode&Preis, Karstadt and Otto of Germany, Carrefour, La Redoutte, E. Leclerc and Coude Mail of France and Creaciones Foque of Spain. A wide range of pure yarns and blends are used including 100% cotton, wool, acrylic, blends and fancy yarns, mostly imported from Italy, Germany, Spain and Turkey or sourced locally from the largest national yarn manufacturer Velbujd.

With its own design department, CAD system and sampling room, the company can either supply designs or make to the customers' own design. Operating a mixture of Universal, Stoll and Mec-mor machines of 5, 7, 8, and 10G, Janitza offer both true and mock linked make up as well as in house washing and dyeing.

Sassi Fashions is a company producing both fully fashioned and cut and sew knitwear on a full garment basis utilising well known and approved sub-contractors. Operating for six years and with only seven people in the company, including three technicians, Sassi undertake all the sourcing and financing of the yarns and fabrics, sampling and prototyping, quality control, planning and scheduling, logistics, customs clearance and dispatch.

The customers provide the sketch. Due to the use of between 10 and 17 subcontractors of different sizes and expertise, capacity and styling capabilities are very versatile and production very flexible. Around 85% of production is exported to Germany, where the main customers are C&A, Liegend, Ulla Popken and Camel Active.

The remaining production is exported to the UK and Greece, mainly to TK Maxx and Kronk. The average style run is 2500 pieces, though the company will make styles runs as low as 100 pieces. Some may be up to 30,000 garments per order for C&A. Capacity for fully fashioned knitwear averages around 70,000 pieces per month, though this is targeted to expand. T-shirt capacity averages around 200,000 pieces per month and most have considerable added value such as special finishes, embroidery, printing, etc.



Framing the sweater prior to automatic streaming and finishing - Brod and Co



True linking - Brod and Co

To compliment the knitwear, Sassi Fashions are also developing woven capacity of 30,000 garments a month to offer a full service for customers looking for a range of products.

Producing 1.5 million pieces of fully fashioned and half a million pieces of circular knitwear per year, and employing 1000 people, many of whom graduated as textile engineers, Knitex 96 is one of the largest knitwear companies in Bulgaria. The company says that 95% of all production is exported to Italy, Germany, Belgium, UK, Holland, Demark, Spain and France. The remaining production is sold under the company's own domestic label 'Choice'. Overseas customers include Tom Tailor, Esprit, Malagrida, Corte Anglais and S. Oliver. The company reveals that 10% of the production is made on a CMT basis with most made as full garment. The minimum order size is 200 pieces though the average style run equates to 5000. The aim of the company is to "produce high quality production, from a high capacity, using high quality yarn, and provide a high quality of service to the customer."

The company was established in 1969 as a state owned company and was privatised in 1993. It is now owned by a share holding group of management and employees of Knitex. Using 100% worsted and fine merino wool, 100% cotton, all combinations of wool/acrylic and cotton acrylic, viscose with Lycra, linen and fancy yarns such as chenille, the main products include sweaters, cardigans, skirts, trousers, dresses, and light garments such as ladies fancy fashion tops, t-shirts etc., the later in single or double jersey, fleece, jacquard, or rib. Fabric in 18 - 28G circular knitting is carried out on machines from Sulzer Morat, Terrot, Mayer and Orizio. Fully fashioned knitwear is produced in 3,5,7,8,10,12 and 21G on a mixture of machines from Shima Seiki, Stoll and Universal.

In asking the Chairman of the Bulgarian Association of Apparel and Textile Producers and Exporters, Mr Petko Shishkov, what the association believes is the future for its knitwear industry, he comments: "Producing in Bulgaria has many advantages. These

include quick response via fast delivery, competitive prices relative to the region, high quality, flexibility for both large and small orders, a highly-skilled labour force and consistent reliability.

"In the coming years, European retailers will be forced to import the majority of large order, commodity clothing from China in order to remain competitive. But remaining competitive for these firms will also mean reducing opportunity costs of lost sales resulting from mid-season stock-outs, particularly for higher quality items. China, due to its slow delivery and inability to ship in small quantities, will not be an option for retailers and buyers to respond quickly to forecast fluctuations in demand. We believe that European retailers must look closer to home for these solutions."

Bulgarian producers claim to be Europe's quick response solution. While this is debatable for certain markets, especially in the UK where Turkish companies have a solid foot-hold, it's clear Bulgarian firms are rapidly developing the internal capabilities to manage all aspects of their supply chains to European partners.

Nowadays this industry has its own sourcing, design, transport/logistics and more recently its own branding operations. These capabilities, combined with Bulgaria's strategically favourable location, could make working with Bulgaria an interesting component to a company's strategy. In short, Bulgaria is Europe's most reliable, capable and cost-effective solution for high quality, small orders that need to be there yesterday. **KI**



Rosi Nik's Sock Factory, part of the Blue Rock Sock cooperative 2



True linking - Brod and Co

Key facts about Bulgaria:

Bulgaria is situated in the South-East part of Europe.

Area: 110, 993.6 km².

Population: 7.97 million

Borders: To the north Bulgaria borders Romania. To the south - with Greece and Turkey. To the west - with Serbia and Montenegro and Macedonia. To the east - with the Black Sea.

Capital City: Sofia (population: 1,122,302)

Official language: Bulgarian

Alphabet: Cyrillic

Religion: East Orthodox Christians (85 %), Muslims (13%), Catholics (1%)

Exchange Rate: BGN is pegged to the Euro at the rate of BGN 1 per EUR 0.51129.

Time: GMT+2.00

Economics: Real economic growth was 5.3% in 2005 and 5.6% in 2004.

Annual inflation dropped from 5.8% at the end of 2002 to 5.0% at the end of 2005.