How are the fashion sectors in Europe, Russia, Ukraine connected?

By Matthieu Guinebault - 7 March 2022

The invasion of Ukraine has taken the European and Russian textile and apparel industries by surprise. At a time when a large number of fashion labels and associations are signalling their support for the Ukrainian people, FashionNetwork.com has looked into the state of the textile sectors in Ukraine and Russia, analysing the impact the conflict is likely to have in terms of market opportunities and sourcing.

Ukraine Invest, the body that promotes the Ukrainian industrial sector, has indicated there are more than 2,500 companies operating in the country’s textile, apparel and footwear sectors, some 500 of which are active in textiles. In 2019, the industry accounted for 16,000 jobs in apparel/footwear, and 16,000 in fabric manufacturing. In the same year, the two sectors generated a revenue of respectively $850 million and $330 million.

Ukraine Invest listed Adidas, Zara, Esprit, Next, Mexx, United Colors of Benetton, Tommy Hilfiger and Hugo Boss among the main clients of local producers. According to government figures, exports account for 80% to 90% of the Ukrainian textile and apparel industry’s revenue.

The French Fashion Institute (IFM) told FashionNetwork.com that last year the EU and the UK combined exported to Ukraine €642 million worth of apparel (2.09% of total exports), and €727 million worth of textiles (3.09% of the total). Conversely, as reported by FashionNetwork.com, Ukraine is a marginal supplier to the EU, into which the country exported €347 million worth of apparel (0.40% of the EU’s total apparel imports) and €166 million worth of textiles (0.45% of the total) last year.

**Russian industry small but not negligible**

Textile and apparel is reportedly the second-largest industrial sector in Russia after agri-food, with a revenue of approximately RUB4.0 trillion (€32.7 billion at current exchange rates, after the rouble’s collapse). According to the
WTO, Russia accounts for only 0.2% of global apparel exports, but it accounts for 1.6% of the world's imports in the sector, compared for example to 4.7% for France. Over the past decade, Russia’s textile industry has reportedly lost the bulk of its workforce, with jobs plummeting from 400,000 to nearly 25,000 before the crisis.

In 2021, the EU exported €2.34 billion worth of apparel to Russia, equivalent to 7.60% of the European industry’s total exports. “Contrary to the image that Russia and its billionaires might suggest, [the country] does not account for a huge share of our luxury exports,” said Gildas Minvielle, director of the IFM’s Economic Observatory. However, he stated that the Russian market’s situation “could weaken the sector in Italy, which alone accounts for almost one third of apparel exports to [Russia].” On the textiles side, Russia is the destination for 3.7% of European exports, worth €860 million.

But what about Russian suppliers to Europe’s textile/apparel industry? Their market share, it appears, is even lower than that of their Ukrainian counterparts. Last year, Russia exported €39 million worth of apparel to Europe (equivalent to 0.05% of European apparel imports), and €98 million worth of textiles (0.27% of the total). Figures that seemingly paint a not quite so troubling picture of the war’s economic impact on the European industry. But the fact that they translate into a potential sourcing vacuum for European textile and apparel SMEs, which hardly expected a conflict would put them under pressure, must not be overlooked.

Energy, market and consumption crisis

On March 2, Euratex, the European Apparel and Textile Confederation, underlined one concrete consequence of the conflict which threatens the industry as a whole: rising energy costs. Gas and electricity prices have been increasing worryingly since the summer for the European manufacturing industry at large. A situation that is getting worse as the EU and Russia are at loggerheads, the latter being a key energy supplier for Central and Eastern Europe. The problem is so great that, according to Euratex, some textile manufacturers have indicated they might stop production, being unable to absorb fresh price rises.
In addition to manufacturers, labels and their retail clients are also facing serious challenges. Beginning with those that are selling in Russia. Local brands reportedly account for only about 20% of footwear and apparel products sold in Russia. The many foreign labels selling to Russian consumers are therefore facing tough choices. A number of major labels have announced they are withdrawing from the market, out of solidarity with Ukraine. But many labels aren’t in sound enough shape to be able to jettison Russian consumers. And this despite the uncertainties surrounding the latter’s purchasing power, now that the rouble is experiencing a major collapse.

More generally, European manufacturers are hoping that the war will not slow down consumption, and therefore orders. In France, the Alliance du Commerce (an association of fashion and footwear retailers) reported that orders in the last week of February had in fact dropped. The situation is especially worrying given that markets in Europe have not yet climbed back to their pre-Covid levels. “The atmosphere is fraught with anxiety, there is talk of World War Three. It is hard to imagine that all of this will not have a strong impact on consumption and manufacturing as a whole,” said Minvielle.

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