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Polish Foreign Trade in Clothing Products

Abstract
Most clothing products sold in Poland are already delivered by manufacturers with predominantly Polish capital [3], hence the only way for them to boost sales is to increase export activity. To this end, the present competitive advantage must be maintained by ensuring consistently modern designs and high product quality. As the labour costs in Poland keep growing, greater imports of B2B (Business to Business) services involving the production of clothing and ready-made products can be observed. The purpose of the study is to show the status of Poland's foreign trade in textiles and clothing products in the years 2000−2012 by identifying relations between exports and imports, the suppliers of imports to the Polish market and export destinations. The foreign areas where the Polish clothing industry may expand into in the future are indicated too. The study is based on data published by the Central Statistical Office in Poland (GUS). A comparative analysis of the data allowed to formulate the conclusions presented in the last section of the article.

Key words: *clothing, B2B services, foreign trade, export, import.*

Introduction

In the last decade of the 20th c. the Polish clothing industry launched privatisation and restructuring processes. Some of their outcomes were less successful than expected. *The Statistical Yearbook of Industry* shows that the number of clothing manufacturers, which had decreased between 2002 and 2005 from 23,404 to 20,336, in 2012 amounted to only 13,246 [8]. Many companies collapsed because of their managers having low qualifications and lacking leadership qualities [10] (before the transition, people were promoted to executive positions because of their political choices). In companies that successfully went through restructuring the operating costs were lower than in Western Europe. This showed that the 'light' industries – the fur industry, the manufacture of textiles, clothing, leather and leather products – have a future. The most successful among these was the clothing industry, which was the first one to overcome recession caused by plunging exports to the CMEA countries (in the early 1990s) and by the remodelling of the Polish economy (after 1989). It expands fast, skilfully adapts to market needs, and its equipment is as good as that in the West." [6].

The above diagnosis was made many years ago, but the elapsing time has not questioned its being true with respect to the clothing industry, analysed in this article. Earlier studies by the same authors show [3] that the domestic product share of the Polish market is steadily increasing (in 2011 it was 77.6%). The Polish clothing industry has reached a point where expansion to foreign markets becomes a must. Considering these circumstances, the purpose of this study was to establish the situation of Polish foreign trade in clothing products by identifying relations between exports and imports, and the suppliers of imports to the domestic market and export destinations. Additionally the areas for further foreign expansion of the Polish clothing industry are indicated. The study spans the years from 2000 to 2012 and uses GUS data. The results of the data analysis are tabulated and explained.

Export and import of textiles and clothing products after 2000

Because privatisation and restructuring processes started in the Polish textile and clothing industry 25 years ago, it would be interesting to know how much they have contributed to the development of textile and clothing exports. Part of the analysis is performed for textiles and clothing together, because it was only in 2008 that the *Statistical Yearbook of Industry* separated the values of exported clothing and textiles. Accordingly all pre-2007 values (inclusive of that year) are presented in ***Table 1*** in the 'total' line. It is also worth noting that the data in ***Tables 1*** and ***2*** and in ***Figure 1*** are presented without the value of B2B services. B2B services involve the sale and purchase of clothing production services between companies. This issue is addressed in more detail by Ph. Kotler [4, 5].

Table 1. *Value of textiles and clothing exported after 2000 [PLN million];* ***Source****: numbers calculated by the authors based on the Statistical Yearbook of Industry, Wydawnictwo GUS, Warszawa 2013, 2010, 2008.*

Year	2000	2005	2007	2008	2009	2010	2011	2012
Textiles				5,572.2	5,395.8	6,115.3	6,792.7	7115.4
Clothing				8,122.5	9,728.8	10,255.1	11,574.9	11,880.7
Total	12,011.7	12,801.1	13,505.1	13,694.7	15,124.6	16,370.4	18,367.6	18,996.1
Textiles, %				40.7	35.7	37.4	37.0	37.5
Clothing, %				59.3	64.3	62.6	63.0	62.5

Table 2. *Value of textiles and clothing imported after 2000 [million PLN]; Source: numbers calculated by the authors based on the Statistical Yearbook of Industry, Wydawnictwo GUS, Warszawa 2013, 2010, 2008.*

Year	2000	2005	2007	2008	2009	2010	2011	2012
Textiles				11,044.1	10,812.2	11,395.0	12,641.6	12,565.6
Clothing				8,141.9	10,631.0	11,548.4	13,065.3	12,631.0
Total	12,718.3	15,646.2	18,427.2	19,186.0	21,443.2	22,943.4	25,706.9	25,196.6
Textiles, %				57.6	50.4	49.7	49.2	49.9
Clothing, %				42.4	49.6	50.3	50.8	50.1

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The data in ***Table 1*** show that the value of textile and clothing exports increased between 2000 and 2012 by 158.1%. Clothing exports alone increased in value from 2008 to 2012 by 146.3%. According to the last line in the table, clothing and textile exports accounted for, respectively. 62.5% and 37.5% of the total value of exports in 2012. This means that Poland was predominantly an exporter of textiles made into clothing.

According to ***Table 2***, the value of textile and clothing imports increased between 2000 and 2012 by 204.2%. With increasing wealth of domestic buyers, Poland imports more and more products, the unit prices of which are higher and higher. Data show that between 2008 and 2012 (before 2008 GUS did not report separately on clothing and textiles, see above) clothing imports increased in value by 155.1%. The last line of the table indicates that the 2012 imports of clothing and textiles accounted, respectively, for 50.1% and 49.9% of the total imports; hence Poland was an importer and exporter of clothing and textiles almost to the same degree.

Export of clothing and B2B services involving the production of clothing

The restructuring of the Polish clothing industry was based on the knowledge that in the 1980s and 1990s clothing manufacturers had gained as providers of B2B services. Having access to know-how about the most recent technologies and organisation of labour, as well as to high-skilled production workers and relatively inexpensive machinery and equipment, the domestic clothing industry soon became capable of competing with foreign brands in Poland. A natural next step was to expand into foreign markets. To be competitive abroad, Polish companies had to learn more about intercultural negotiations [1], to conduct market surveys, evaluate risks and adopt sophisticated trading concepts [9].

One of the engines driving the growth of Polish clothing companies was the increasing volume of exports. Two types of clothing products are exported from Poland: clothing itself and B2B services involving the production of clothing products. Cooperation with foreign customers confirms the high quality of workmanship and low production costs of Polish clothing compared with those incurred by western European companies. Other proof of it being so is the increasing value of clothing exports, which in the period 2010 - 2012 alone was estimated at 115.9% (2012 - PLN 11,880.7 million, 2010 - PLN 10,255.1 million, all values at current prices) [8]. As regards B2B services provided by Polish clothing companies, their buyers are foreign businesses that sell high-end apparel to people who are more sensitive to workmanship quality than to prices (other services were relocated to Asia).

One purpose of this research was to identify relations between clothing exports and imports.

As mentioned in the introduction, in recent years most clothing products on the Polish market have been made by Polish producers [3]. The "saturation" of the market was the main reason behind growing exports, the 2012 value of which was estimated at PLN 15,323.3 million, with B2B clothing production services accounting for only 22.4% of that value. It is worth noting that 87.0% of exports were sold in developed countries (84.1% in EU member states). These rates are consistent with the general trend, because domestic companies 'export' goods mainly to highly developed countries, particularly to the EU (see ***Table 3***). Most exported goods are 'labour intensive' [11].

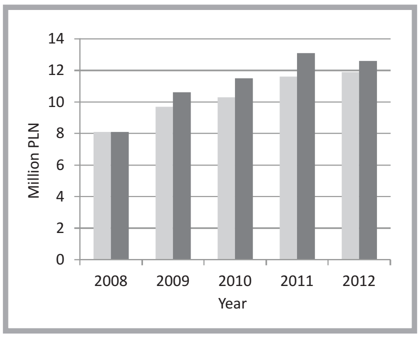

Figure 1. *Value of textiles and clothing: exported and imported in the years 2008 - 2012 [million PLN]; **Source**: prepared by the authors based on the Statistical Yearbook of Industry, Wydawnictwo GUS, Warszawa 2013, 2010.*

Table 3. *Exports in 2012 by destination (fixed prices [million PLN] and %); Source: numbers calculated by the authors and derived from the Statistical Yearbook of Industry 2013, Wydawnictwo GUS, Warszawa 2013, pp. 403, 412.*

Export	Total	All developed countries	of which EU	Central and Eastern European Countries	Developing countries
Production of clothing	3,442.6	2,953.5	2,826.5	372.0	117.1
Ready-made clothing	11,880.7	10,382.0	10,067.0	1,129.4	369.3
Total export of clothing	15,323.3	13,335.5	12,893.5	1,501.4	486.4
% share	100.0	87.0	84.1	9.8	3.2

Table 4. *Value of knitted clothing and underwear exported in 2012; **Source**: numbers calculated by the authors based on Foreign trade turnover by main commodities in 2012, Wydawnictwo GUS, Warszawa 2013.*

Major buyers	Value (thousand PLN)	Value (thousand €)	Share (%)
Total	**4,150,079.2**	**986,522**	**100.0**
Germany	1,794,814.5	426,128	43.2
The Netherlands	396,335.8	94,058	9.5
Ukraine	286,221.5	68,187	6.9
Czech R.	199,831.8	47,721	4.8
Sweden	190,070.9	45,087	4.6
Austria	162,737.3	38,672	3.9
Russia	153,322.2	36,433	3.7
Finland	133,199.7	31,746	3.2
Slovakia	101,676.7	24,285	2.5
Hungary	87,666.0	20,891	2.1
Romania	84,684.9	20,192	2.1
Switzerland	54,342.5	12,901	1.3
Denmark	52,356.1	12,431	1.3
UK	51,655.0	12,320	1.3
Latvia	48,755.7	11,641	1.2
Lithuania	45,434.2	10,825	1.1
Italy	42,769.9	10,143	1.0
France	40,791.7	9,677	1.0
Belgium	35,049.7	8,333	0.8

__Table 5.__ Value of clothing and underwear other than knitted exported in 2012; __Source__: numbers calculated by the authors based on Foreign trade turnover by main commodities in 2012, Wydawnictwo GUS, Warszawa 2012.

Major buyers	Value (thousand PLN)	Value (thousand €)	Share (%)
Total	**5,416,888.3**	**1,287,142**	**100.0**
Germany	2,628,884.5	624,133	48.5
The Netherlands	453,329.0	107,715	8.4
Austria	196,537.9	46,667	3.6
Czech R.	196,014.9	46,701	3.6
Sweden	168,551.5	39,959	3.1
Italy	167,052.4	39,648	3.1
Ukraine	158,637.7	37,836	2.9
Belgium	156,579.1	37,168	2.9
UK	142,665.0	33,945	2.6
Russia	139,604.1	33,307	2.6
France	118,065.9	27,918	2.2
Lithuania	111,2727	26,560	2.1
Finland	93,507.7	22,269	1.7
Slovakia	92,653.5	22,067	1.7
Romania	84,780.0	20,197	1.6
Hungary	81,897.5	19,496	1.5
Denmark	76,184.8	18,089	1.4
Switzerland	71,114.2	16,864	1.3
Spain	40,626.9	9,695	0.8
Norway	27,628.4	6,596	0.5

__Table 6.__ Imports by destination in 2012 (fixed prices [million PLN] and percentages); __Source__: numbers calculated by the authors based on Statistical Yearbook of Industry 2013, Wydawnictwo GUS, Warszawa 2013.

Import	Total	All developed countries	of which EU	Central and Eastern European Countries	Developing countries
Manufacture of clothing	1,766.9	1,421.3	1,342.4	9.9	335.7
Ready-made clothing	12,631.0	2,949.9	2,898.5	47.0	9,634.1
Total imports	**14,397.9**	**4,371.2**	**4,240.9**	**56.9**	**9,969.8**
Share, %	100.0	30.4	29.5	0.4	69.2

Let us now analyse countries that are the most important buyers of Polish clothing by the type of fabric used in the product (knitted fabric – ***Table 4***, woven fabric – ***Table 5***). To maintain the focus of the article, leather clothing, tracksuits, ski clothes and bathing suits have been omitted from the discussion.

The leading importer of knitted clothing and underwear from Poland is Germany. In 2012, Polish exports to Germany amounted to PLN 1,794.8 million, with the country's share of total exports being estimated at 43.2%. The second biggest customer, the Netherlands, had a share of only 9.5%. The shares of other countries are shown in the last column of ***Table 4***.

The main importer is Germany again. The value of clothing (mainly woven) exported to this country amounted to PLN 2,628.9 million, which gives Germany a share of 48.5%. With a share of 8.4% the Netherlands ranks second again. The other countries' shares are shown in the last column of ***Table 5***.

Import of clothing and B2B services for the production of clothing

For a full picture of foreign trade in clothing and B2B services involving the production of clothing to be obtained, it is necessary to juxtapose the volumes of exports and imports. ***Table 6*** shows that the 2012 value of clothing imports was PLN 14,397.9 million, in which B2B services had a share of 12.3%. Let us stress here that a significant proportion of imports (clothing and B2B services) came from developing countries (69.2%), where labour costs are low. Producers either outsource the production of clothing to these countries or purchase materials locally and then import finished products (the design and production technology are created in Poland). These different business strategies resulted in a gap (table 6) between the value of imported B2B services (PLN 335.7 million) and of finished products (PLN 9,634.1 million). The value share of clothing imported from developed countries (mainly high-end products designed by famous fashion creators) is high (30.4%). The value of imports is increased by high unit prices of high-end clothing.

Let us now analyse countries that are the biggest suppliers of clothing to Poland by the type of fabric used in the product (knitted fabric – ***Table 7***, woven fabric – ***Table 8***). To keep the article concise, tables for leather clothing, tracksuits, ski clothes and bathing suits will not be presented.

The main suppliers of knitted clothing and underwear to Poland are China (PLN 1,575.2 million and a share of 31.6%), Bangladesh (PLN 963.9 million and 19.3%) and Turkey (PLN 479.3 million and 9.6%). For a long time these countries have charged low prices for B2B services and clothing products, but the situation is quickly changing. Production costs in Chinese factories are rising steadily. In the region around the Pearl River Delta, where most clothing factories are based, the minimum wage has been significantly raised (by 12.9% in 2007). The yuan / USD exchange rate is also rising. Another problem for Chinese manufacturers is that their government has decided to gradually withdraw relief offered to exporters in order to reduce the high export surplus [2]. All these factors make it necessary to seek less expensive suppliers in Cambodia, India, Vietnam, Sri Lanka and other countries. As far as Polish imports of high-end knitted clothing and underwear are concerned, their major suppliers are Germany (PLN 349.2 million and a share of 7.0%), Italy (PLN 194.7 million and 3.9%), the UK (PLN 52.2 million and 1.0%) and France (PLN 29.8 million and 0.6%).

The statistical data highlight that the biggest suppliers of woven clothing and underwear to the Polish market (**Table 8**) are, again, China (PLN 2,319.4 million and a share of 44.2%), Bangladesh (PLN 666.6 million and 12.7%) and Turkey (PLN 333.0 million and 6.3%). The major exporters of high-end products to Poland are Germany (PLN 278.8 million and 5.3%), Italy (PLN 151.4 million and 2.9%), and the UK (PLN 42.1 million and 0.8%).

Comparative analysis of clothing exports and imports

Table 9 below was compiled from the data presented in Tables 3 and 6 to enable a comparative analysis of the export and import of clothing and B2B services involving the production of apparel. According to the data, the total value of Polish clothing exports exceeds that of imports. In 2012, the difference was PLN 925.4 million (106.4%). The gap is much bigger, however, when exports to and imports from developed countries are considered. In this case, the surplus with respect to exports is PLN 8,964.3 million (305.1%). In trade with developing countries the situation was different in 2012, because imports exceeded exports by PLN 9,483.4 million (204.9%).

The markets in Central and Eastern Europe (CEE) have been of minor importance for Polish producers of clothing so far. Exports to this part of Europe amounted to PLN 1,501.4 million and imports were as low as PLN 56.9 million. However, many companies interviewed declared that they were ready to increase their sales to Russia and other countries. The biggest producer of clothing in Poland, LPP SA, sells over half of its exports to the Russian market. It took quite a long time and considerable financial outlay for the company to enter into this market, as it decided to sell all its products through a chain of its own outlets. At the same time, 2012 exports from Poland to the CEE countries accounted for only 9.8% (***Table 3***).

Summary

There are two types of products that Polish clothing companies sell abroad: clothing and B2B services involving the production of clothing. The scale of trade in these products offers the following collusions:

- The value of clothing Poland exported in 2012 was estimated at PLN 15,323.3 million, in which B2B services accounted for 22.4% (tab. 3). Most clothing products were sold in developed countries (87.0%), the most important of which was Germany, importing 43% of knitted clothing and underwear and 48% of woven products (***Tables 4*** and ***5***).
- The biggest Polish producer of clothing, LPP SA, has positive experience in trade with the CEE countries. Before the company decided to enter into these markets, an analysis of the size of populations, their wealth, the political situation, etc. was performed. Considering that in 2012 exports to these countries accounted for only 9.8% of their total value (***Table 3***),

Table 7. *The value of knitted clothing and underwear imported in 2012;* ***Source****: numbers calculated by the authors based on data derived from the Foreign trade turnover by main commodities in 2012, Wydawnictwo GUS, Warszawa 2013.*

Major suppliers	Value (thousand PLN)	Value (thousand €)	Share, %
Total	**4,990,258.7**	**1,184,684**	**100.0**
China	1,575,192.8	374,371	31.6
Bangladesh	963,917.5	228,541	19.3
Turkey	479,282.0	113,632	9.6
Germany	349,159.8	82,992	7.0
Cambodia	278,398.6	65,828	5.6
India	212,416.0	50,405	4.3
Italy	194,704.6	46,286	3.9
Portugal	75,031.2	17,831	1.5
The Netherlands	70,169.7	16,638	1.4
Morocco	60,655.3	14,421	1.2
Indonesia	56,596.9	13,405	1.1
Vietnam	53,730.5	12,754	1.1
Denmark	52,851.5	12,463	1.0
UK	52,177.3	12,439	1.0
Sri Lanka	51,643.7	12,170	1.0
Bulgaria	43,499.3	10,295	0.9
Sweden	42,279.8	10,091	0.8
Egypt	36,350.7	8,651	0.7
Tunisia	31,688.8	7,540	0.6
Pakistan	31,451.2	7,460	0.6
France	29,798.2	7,125	0.6

Table 8. *Value of clothing and underwear* ***other than knitted*** *imported in 2012;* ***Source****: numbers calculated by the authors based on data derived from Foreign trade turnover by main commodities in 2012, Wydawnictwo GUS, Warszawa 2013.*

Major suppliers	Value (thousand PLN)	Value (thousand €)	Share (%)
Total	**5,250,988.6**	**1,247,710**	**100.0**
China	2,319,401.4	551,601	44.2
Bangladesh	666,583.6	158,265	12.7
Turkey	333,041.1	79,004	6.3
Germany	278,807.3	66,335	5.3
India	264,547.1	62,607	5.0
Pakistan	151,677.8	36,013	2.9
Italy	151,426.6	35,950	2.9
Vietnam	123,024.0	29,321	2.3
Morocco	115,921.3	27,568	2.2
Cambodia	95,343.0	22,588	1.8
Indonesia	71,398.5	16,990	1.4
Denmark	67,982.1	15,986	1.3
Romania	63,694.1	15,132	1.2
Sweden	61,705.5	14,679	1.2
The Netherlands	51,953.4	12,393	1.0
Tunisia	45,240.6	10,706	0.9
UK	42,071.8	10,036	0.8
Sri Lanka	37,524.7	8,894	0.7

Table 9. *The 2012 value of clothing exports and imports (PLN million; clothing and B2B clothing production services);* ***Source****: numbers calculated by the authors based on data from Statistical Yearbook of Industry 2013, Wydawnictwo GUS, Warszawa 2013.*

Specification	Total	All developed countries	of which EU	Central and Eastern European Countries	Developing countries
export	15,323.3	13,335.5	12,893.5	1,501.4	486.4
import	14,397.9	4,371.2	4,240.9	56.9	9,969.8
difference between exports and imports	925.4	8,964.3	8,652.6	1,444.5	-9, 483.4

there is a good chance of increasing their volume.

- The 2012 value of clothing and B2B services imported by Poland was PLN 14,397.9 million, of which B2B services accounted for 12.3% (***Table 6***). Most imports came from developing countries (69.2%), where B2B services are inexpensive. Developed countries, with a share of 30.4%, were a source of high-end products designed by fashion creators.
- The biggest suppliers of knitted clothing and underwear to Poland (***Table 7***) were China (PLN 1,575.2 million and a share of 31.6%), Bangladesh (PLN 963.9 million and 19.3%) and Turkey (PLN 479.3 million and 9.6%). The same countries were the major suppliers of woven clothing and underwear (Tab. 8): China (PLN 2,319.4 million and 44.2%), Bangladesh (PLN 666.6 millionand 12.7%), and Turkey (PLN 333.0 million and 6.3%).
- A comparative analysis of the data in ***Table 9*** (export and import of clothing and B2B services) shows that in 2012:
  - the total value of clothing exports from Poland exceeded that of imports by PLN 925.4 million (106.4%);
  - The export surplus over imports in trade with developed countries was PLN 8,964.3 million (305.1%); Polish products were competitive because of their high quality and relatively low production costs;
  - The import surplus over exports in trade with developing countries was PLN 9,483.4 million (204.9%); clothing and B2B clothing production services were purchased in these countries on account of low production costs.
- A comparative analysis of the data in ***Table 1*** (the values of textile and clothing exports) and ***Table 2*** (the values of textile and clothing imports) showed that:
  - between 2008 and 2012 clothing and textile exports increased in value by 146.3% and 127.7%,, respectively
  - the 2012 shares of clothing and textiles in total exports were 62.5% and 37.5%, respectively,
  - between 2008 and 2012 imported clothing and textiles increased in value by 155.1% and 113.8%, respectively,
  - the 2012 shares of clothing and textiles in total imports constituted 50.1% and 49.9%, respectively,

The value of clothing imports is rising faster in Poland because the volume of imports is expanding. This is coupled with stronger demand for high-quality apparel with higher prices. This implies that the development of foreign trade will depend on the wealth of Polish citizens (imports) and on the continued expansion of Polish clothing manufacturers into foreign markets (exports). Polish producers are competitive abroad because of the high quality of their products and fashionable designs, relatively low production costs, and the import of inexpensive B2B services and finished products in Asian markets, the designs, construction and technology of which are prepared in Poland.

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