

Orders from Hugo Boss, Pierre Cardin and Nike less impressive than once thought

Belarusian firms have long been fulfilling international orders for big brands: Kobrin has made women's coats for Next, while Rechitsa's soft towelling robes have found their way to Armani and Grodno seamstresses have sewn for S. Oliver. Just short of 20 such famous labels are currently using Belarusian enterprises. However, although the work is prestigious, the profits are less enticing.

By Polina Kovalevskaya

Tolling (orders using imported raw materials provided by clients) began in the early 1990s, taking over from tradition orders from the USSR Ministry of Defence: providing a vital lifeline for post-Soviet enterprises. In 2005, more than 30 Bellegprom factories were fulfilling 80 percent of orders using raw materials provided by clients. Profits were modest but the orders kept such enterprises working, providing employment. However, volumes were not great and, despite the prestige of working for Armani and Adidas, goods were largely destined for sale abroad, rather than being oriented to the home market.

The Director of Bobruisk's Slavyanka JSC, Teimuraz Bochorishvili, is convinced that it's vital to produce goods for the domestic market, using just half of an enterprise's capacity for low-profit international orders. To become too dependent on such contracts is a mistake, which he likens to being 'drug addicted'. Of course, orders can be useful to keep factories busy during 'low-season' periods, when local sales volumes fall. Bobruisk enterprises have previously sewn clothes for such brands as Pierre Cardin, Sonia Rykiel, Hugo

Boss, Adidas and Nike but such co-operation has now ceased, as Mr. Bochorishvili explains. He tells us, "Eminent players have gradually left the CIS region in favour of South East Asia — due to cheaper pricing there."

Most European fashion houses have long sent their designs abroad for mass production, once the initial handmade samples have strutted the catwalks. China is the world leader in this respect, boasting hi-tech factories with modern equipment, low taxes and cheap labour.

The MT reference:

The following factories have, at various times, sewn items for well-known brands:

Slavyanka JSC (Bobruisk): Pierre Cardin, Sonia Rykiel, Hugo Boss, Adidas, and Nike.

Yuvita LLC (Grodno): Mexx, Promiss, Aust, Miss Etam, Voge, Makro, Sting, P&C, E5, Manor, Witteveen, S.Oliver, and Bonita.

Elema JSC (Minsk): Marks & Spencer, BHS, Next, Debenhams, Laura Ashley, and House of Fraser.

Rechitsa Textile JSC (Rechitsa): Armani.

Lona JSC (Kobrin): Adidas and Shani LTD.

Belarusian factories can hardly offer a mutually favourable price.

Mr. Bochorishvili admits that fulfilling international brand orders is time consuming (about six months to sew a seasonal collection of 50-100 items). Most of the fabrics and other components are imported from China and Korea and circulat-



At Bobruisk JSC Slavyanka's workshop

Economists note that companies which focus on external customers can lose their niche, since low-profit orders reduce circulating assets until the enterprise is no longer independent. Ukraine's light industry is now 85 percent dependent on overseas orders, with local manufacturing unable to compete with cheaper, yet poorer quality, consumer goods. Such firms are compelled to work at 1-2 percent profitability, resulting in modest salaries. Belarus is fortunate enough to have escaped this situation so far and the loss of eminent players may be a blessing in disguise. We have already gained prestige; it may be possible that domestic buyers will soon reap the rewards.

ing assets remain 'frozen' until final delivery. In fact, 80 percent of his factory's capacity is devoted to such orders: paying salaries and running costs, if not generating great profit. His ideal would be to reduce this to 50 percent, just so that his factory would be covered by any downturn in the home market.

Solid support for great intentions

The bank will also give money to help build the mining and processing factory at Sitnitskoe deposit, as well as reconstructing the P-23 Minsk-Mikashevichi highway.

The Development Bank is to give at least \$80m in domestic export aid in 2014. Mr. Rumas explains, "In the field of export financing, we lack a stable dynamic. Last year, we gave only one export loan to a non-resident: \$15m, which paid for 22 BelAZs to be shipped to Mongolia. However, we've set foundations and have

concluded the minimum necessary block of international contracts and procedures."

According to Mr. Rumas, after being transferred to the Development Bank, national leasing operator — Promagroleasing — has managed sell 3-fold more machinery to the external markets than during previous three years (worth almost \$63m). "We'll see where we can add improvement, helping Promagroleasing gain \$100m in export sales," notes the Chairman of the Development Bank.

Supporting small business

By Vladimir Semenov

BelVEB Bank and European Bank for Reconstruction and Development sign loan agreement

A \$30m loan will be used to finance small and medium-sized enterprises (SMEs) in Belarus, as well as projects in the production field, services and trade. "The EBRD's loan will allow us to strengthen support to SMEs, and thereby contribute to the development of this sector," stressed the Chairman of BelVEB Bank's Board, Pavel Kallaur, during the agreement signing ceremony.

From January 1st 2014, the share of loans to SMEs in the corporate loan portfolio of BelVEB Bank amounted to almost 33 percent. By early 2016, the bank plans to bring this figure up to 40 percent.

A similar agreement between the BelVEB Bank and the EBRD was signed in December 2010. That three-year collaboration with the EBRD helped BelVEB increase its credit portfolio and customer base. At present, the bank has 13 points on micro-crediting under the EBRD programme.

Capital takes the lead

In 2013, foreign investors injected \$15bn into Belarusian economy

Last year, most of the investors into our country's economy were from Russia (almost half of all investments), followed by the UK (around 20 percent), Cyprus, the Netherlands and Austria.

According to the National Statistical Committee of Belarus, FDI increased by 7 percent against the previous year, with over 70 percent coming into the capital.

Wind and sun at power engineer's command

The installation of a solar power station has started in Bykhov

The investment project on the production of electricity from renewed sources in Bykhov is being implemented by the Tycoon Company. The enterprise is using an area of 7 hectares, on which solar modules with a capacity of 230kW have been already installed. This year they plan to complete the first stage of construction and to launch the power station at 600kW, increasing capacity in 2015 up to the full 2.5MW.

The Tycoon Company is already a leader in the development of alternative energy in the region. Its employees have installed, and put into operation 8 wind power stations, five of them just last year. The company intends to construct five more wind power stations in Gorky District by the end of 2015.



By Sergey Ivanov

Development Bank to finance some major projects this year

The Development Bank of the Republic of Belarus is to participate in some major investment

projects, explains Sergey Rumas, Chairman of the Development Bank. "About \$2bn is being spent jointly on building a third metro line for Minsk and on infrastructure for the Belarusian-Chinese Industrial Park."