HUNGARIAN KNITTING INDUSTRY PROSPECTS

Karoly Lazar, President of the International Federation of Knitting Technologists, gave this overview at the last conference held in Budapest.

The origins of the Hungarian knitting industry date back to the latter years of the 19th century. Before that knitwear had been wholly imported. The first factories were established in 1885 and 1889. From 1910 and into the 1920's there was a big expansion with certain mills becoming well-known for exports (e.g. Silks and Woollens Factory Ltd that exported its products to England, the Netherlands and Scandinavian countries, even to the USA and Canada).

The emerging Hungarian knitting industry lost roughly a quarter of its capacity during massive damage sustained in World War II. Following nationalisation in 1948-49, small and medium-sized factories were either dissolved or incorporated into larger specialised enterprises established to make certain specified types of goods. A number of these operated more than one plant.

Altogether, counting knitting factories established by co-operatives and local authorities, there were 70-75 mills within the stage system.

Larger firms incorporated their own garment manufacturing; others knitted fabrics and maintained sewing plants in outlying villages. Only a few companies had their own dyehouses. Those that did carried out commission work for other companies.

Political and economic changes in Hungary at the end of the 80's and early 90's brought serious changes for the whole textile and clothing industry. The large state-owned companies were unable to adapt to the new economic environment. Even though many had invested heavily in technical development in the early 1980's they still found themselves producing quite uneconomically and went into liquidation. Newly established smaller private companies were able to exchange outdated old machines for more up-to-date second-hand models. Even so, success was not always assured and some of these succeeded while others failed.

Output has contracted a good deal. The worst period was 1992 when production of textiles was only 40.4 per cent that of 1985. For knitting it was 34.6 per cent. However, since then textile production 1998 improved 7 per cent over 1992 and clothing 50 per cent.

Today's knitting industry comprises only 8300 to 8500 people compared to nearly 19,000 in 1990.

Privatisation of the knitting industry is now more or less complete. State ownership represents barely 4 per cent and most companies are privately owned by Hungarian nationals. There are also a considerable number of joint ventures established with overseas investors. Overseas capital now accounts for more than a third of the total invested in the Hungarian knitting industry.

Investors, mainly German, Austrian and American have significantly updated these plants, introduced modern working practices, improved productivity and, by utilising existing contacts in the market, provided export potential for Hungarian companies.

As well as business ventures many private entrepreneurs deal with manufacturing textiles in some way – including knitwear. These units employ very few people.

Nearly 60 per cent of Hungarian knitwear is destined for export with a significant part being goods made in Hungary for international brands or large chains of international department stores. Target countries for exports are members of the EU, mainly Austria, Belgium, France, Germany, Italy, the Netherlands and Switzerland. Imports come from the same countries and from Belarus, China, the Czech Republic, India, Indonesia, Slovakia, Thailand, Turkey and the United Kingdom.

While domestic sales of garments, according to statistics are tending to fall and represent some 6 per cent of total

Fig 1.Ownership

	Textile and clothing Industry together %	Knitting Industry %	Entire Industry %
State ownership	8.,8	3,8	25,9
Domestic private ownership	42,9	60,8	30,7
Foreign ownership	48,3	35,4	43,4

Source: Central Statistical Office, Ministry of Economics

Fig 2 Knitting Industry Production Data

Year	Underwear, million pcs	Outerwear, million pcs	Stockings, tights, socks, million pcs and pairs, resp	Fabrics to be sold, Million m²
1990	31,1	18,8	78,6	66,3
1997	45,8	2,6	28,2	34,0
1998	42,8	2,3	16,3	23,0

Source: Central Statistical Office

consumption, this does not take into account the black market. Some estimates say that the black market in all forms of clothing represents one third of turnover with underwear 37 per cent and outerwear 30 per cent. I am convinced that consumption, measured in quantity, is not decreasing, only that many people by-pass the high prices of traditional retailers.

Commission work

While it does not represent the more than 90 per cent of the clothing industry some 35-40 per cent of knitwear exports comes from commission work.

The fact that the knitting industry is able to undertake commission work is a consequence of the relatively low level of wages. Wages are 7 to 8 times higher in Western Europe than in Hungary. However, additional on-costs and overheads are relatively high compared with other East European countries. For this reason, Hungarian knitting companies tend to establish subsidiaries in Slovakia, Romania or Ukraine or to enter into contracts to have commission work made there. This tendency may continue.

According to the Central Statistical office, the average gross salary in the knitting industry in 1998 was US $193 a month, with blue collar workers earning US$174 and white collar workers US$371. Unfortunately, wages in the knitting industry are some of the lowest in Hungary. This is why even unemployed workers are not enthusiastic about seeking work in the knitting industry.

Raw material costs in the knitting industry are about double labour costs but the ratio of labour to total cost are relatively high, due to the highly labour intensive sewing operations.

Yarn consumption

Yarns used in Hungarian knitting plants are supplied partly by domestic spinning mills and partly imported. Yarns within the outward processing system represent a considerable quantity and go back to the customer in the form of garments.

Local production of wool yarns was never enough for Hungary's textile business domestically and production has diminished in the last decade. Cotton and cotton-type yarns are in great part of domestic original although this production has again decreased. It was still 64,500 tons in 1985 but only 20,600 tons in 1995. In 1998, 14,100 tons of 100 per cent cotton yarns was recorded. To this can be added 4,000-5,000 tons of cotton blend yarns.

Man-made fibres and filament yarns for knitwear (polyamide 6 filament and acrylics) are made in Hungary by Zoltek Rt, an American-owned company. Zoltek has considerable polyamide and polyester texturising yarn capacity. Total domestic production of synthetic spun and textured yarns in 1998 was 9,900 tons with total production of 100 per cent synthetic and blended yarns coming in at 18,000 tons depending on the product mix. (polyamide 6 filament 3,000 tons). This company, on the other hand, is one of the world's largest producers of carbon fibres.

Fig 3 Production and sale of knitted fabrics and ready-made garments (at current prices, million US$)

	1997	1998
Production	82,3	83,1
Total sales	81,7	82,4
Home Market	37,5	34,2
Exports	44,2	48,2

Source: Central Statistical Office

Fig 4 Overseas Knitwear Trade

Products	Imports 1997	Imports 1998	Exports 1997	Exports 1998
Knitted fabrics m²	40,857,429	59,271,277	11,816,023	17,172,908
Knitted outerwear, tons	3,698	4,169	5,460	8,024
Knitted underwear, tons	9,144	9,154	10,085	11,944
Knitted babywear, tons	364	283	560	424
Knitted sportswear, pcs	2,465,815	3,204,309	1,419,699	2,344,792
Stocking, tights, socks, tons	3,275	4,494	1,509	1,650
Knitted gloves, pairs	3,207,064	4,722,093	7,057,986	9,946,955
Knitted accessories, tons	92	141	40	56

Source: Export-import statistics

Fig 5 Imports of fibres and yarns (in tons)

	1997	1998
Cotton fibres for yarn spinning	22,096	17,857
Cotton yarns (except sewing threads)	10,629	15,301
Flax for yarn spinning	2,851	2,398
Linen yarns	2,840	1,305
Hemp for yarn spinning	743	488
Hemp yarns	78	119
Jute yarns	1,005	817
Man-made fibres for yarn spinning	12,378	12,986
Yarns of man-made fibres	17,882	21,468
Sewing threads	1,177	1,402

Source: Import statistics

As usual in the European textile industry, imports of yarn have moved from Western Europe to Turkey, Far East, India, Pakistan and South America. However, in many cases the yarns pass though Western European trading houses. Liberalisation of yarn imports means great competition for domestic spinners.

Main products of the Hungarian knitting industry, made on V-bed flat machines, Cottons type machines and circular machines are circular knitting underwear, knitted gloves, socks, stockings and tights as well as laces and curtains. Unfortunately the previously important tricot capacity has contracted considerably. The latest figures for investment, after exceptional years in 1997 and 1998 show US $1.5 million for knitting and US$ 10.9 million for clothing.

One of our most severe problems is the level of dyeing and finishing capacity – a serious obstacle to high quality knitted goods production. The main reason is the high cost of dyeing and finishing machinery. For this reason the high level of investment made by both Hungarian and overseas investors is of the utmost importance to maintain good colour fastness, low shrinkage and an attractive fabric appearance.

The knitting segment is one component of the Hungarian industry gearing up to meet the challenge of the country's bid to become a member of the European Union. Intensive lobbying of Government and educational work and investment is being undertaken to meet the demands of membership. ■