

RUSSIAN FEDERATION

Textile Industry Development

Textile Industry in Russia: Overview

The textile industry is regulated in Russia by the Strategy for the Development of the Manufacturing Sector up to 2024 and until 2035. The key objective of the consumer goods industry development is to ensure the sustainability and resilience of the industry while integrating into global economy.

Among the priority areas for the development of consumer goods industry are:

- 1) Finished goods production development;
- 2) National clothing and footwear brands development;
- 3) Integrated natural fibers production chain development (including cotton).

The core textile industry production facilities are located in the Ivanovo Region. The textile goods are also being produced in the Vladimir Region, the Republic of Chuvashia, the Moscow Region and several other regions and territories.

Regional Case: Ivanovo Region

The economic potential of the Ivanovo region is mainly based on enterprises **producing textile and sewing products**.

The largest enterprises **producing textile products** in the region include Shuisky Sitsy jsc, TDL Textile llc, Proteke llc, Nordtex Group of Companies, Textile Company Russkiy Dom, MIRTEX llc, Dylan Tekstile llc, Ultrastab llc, Untex Rodniki llc.

The leading enterprises engaged in the **clothing production** in the region include Istok-Prom llc, Biser Group of Companies, Valenti Group of Companies, Spetstekstil jsc, as well as small and medium-sized enterprises specializing in the production of knitted goods.

In the last few years, the government of the Ivanovo region has been extensively stimulating investment and business climate in the local textile industry. Here are most common policy tools it applies:

- Special economic zones (SEZs),

- Industrial parks (IPs),
- Single-industry towns – advanced socio-economic development zones.

- **Special economic zones (SEZs)**

In 2021, the Russian government established **the SEZ of the industrial production type called Ivanovo** on the territory of the cities of Ivanovo and Rodniki. This was a significant milestone for the Ivanovo region with a positive effect both on the development of the SEZ and on the investment climate in the region.

The SEZ Ivanovo consists of two parts with a total area of 153 hectares: 53.2 hectares in Ivanovo and 99.7 hectares in Rodniki. The residents of the SEZ have access to a number of significant advantages, including but limited to tax preferences, exemption from import duties and industrial infrastructure.

To date, four local textile enterprises, namely Knitwear Natalie llc, Untex Rodniki llc, Rodniki-Tekstil jsc and Surtex Rodniki llc, have gained the resident status in the SEZ Ivanovo.

- **Untex Rodniki llc** works as a resident of the SEZ Ivanovo on the investment project “Creating an enterprise for production and painting of unprocessed knitted fabric”. Overall investment volume is 75 million dollars (4.5 billion rubles).

- **Surtex Rodniki llc** implements the investment project “Creating an enterprise for painted knitted fabric production”. Overall investment volume is 35 million dollars (2.1 billion rubles).

- **Industrial parks (IPs)**

IPs are projects-drivers of industrial development in the Ivanovo region. They are aimed to provide resident enterprises with the industrial infrastructure necessary to launch new and expand existing production facilities. As of July 1 2022, four IPs operate in the Ivanovo region. The largest one is **the public-private IP called Rodniki**. As of July 1 2022, 57 residents work there, 2891 jobs have been created.

- On 20 June 2022 **Russia’s largest knitted fabric production enterprise Untex Rodniki** was launched the investment project in the IP Rodniki. The implementation of the project will increase the volume of Russia’s knitted fabrics production by a third and will allow to reduce import dependence. Modern production equipment has been installed here. Up to 60 tonnes of

finished goods per day are planned to be produced. The project will be realized in two years, investments amount might reach 65 million dollars (4 billion rubles).

- **Ivanovo Melange Combine llc (Private IP Melange)** specializes in ready-made fabrics production for overalls. Currently, the assortment of the enterprise includes more than 34 articles of cotton and cotton polyester fabrics with a variety of impregnations required in the overalls manufacture. The company has spinning, weaving and finishing production. In 2021, the company began investing in equipment modernization. Investments in the project amount to over 10 million dollars (600 million rubles). It is planned to create 42 jobs. A production site has already been prepared, equipment is planned to be installed.

- **Single-industry towns – advanced socio-economic development zones**

Advanced socio-economic development zones are a specific policy tool which may be applied to single-industry towns. The government of the Ivanovo region is among Russian regions that actively leveraging this tool. Among the economic activities to be carried out in these zones are textile and clothing production.

To date, two **single-industry towns Navoloki and Yuzha** have received the status of advanced socio-economic development zones. 15 residents have already implemented their investment projects in Navoloki and 13 residents in Yuzha.

Since 2018, Navoloki has attracted more than 14.5 million dollars (870 million rubles) and 1201 jobs have been created, while Yuzha has attracted 4 million dollars (238 million rubles) and 300 jobs have been created.

Center for the Development of Single-industry Town llc (resident of Navoloki) implements an investment project for the production of cotton fabrics for home textiles. Investments amount to 3.3 million dollars (194 million rubles), 147 modern high-performance jobs have been created. There are plans to increase the volume of investments to 5 million dollars (305 million rubles) and to create 176 jobs in the project as a whole.

- **Other projects in the Ivanovo region**

➤ In 2019, Shuisky Sitsy jsc began to implement a project to install technological equipment for making fabrics from high-number yarns and special-purpose

fabrics. The total investment in the project amounted to 37 million dollars (2.2 billion rubles).

➤ MIRTEX llc is implementing investment projects with support of the Ministry of Industry and Trade of the Russian Federation to expand the production of knitted fabric. The volume of investments in 2021 amounted to 4 million dollars (224.3 million rubles).

➤ The regional textile enterprises in the Ivanovo Region are actively engaging in recycling projects. The government of the Ivanovo Region signed an agreement with the Russian Environmental Operator (a key stakeholder in Russia's waste management ecosystem) aimed at the development of a circular economy in the region, the production of eco-materials and the development of environmentally friendly industries. Although recycling is a new direction for local companies, there are already some of them (e.g. Lout Recycling, LeaderTex, EcoMir and Red Branch) that have made progress in reusing secondary raw materials in their production processes.