



# **Light industry in the Republic of Belarus**



NATIONAL AGENCY OF  
INVESTMENT AND PRIVATIZATION  
REPUBLIC OF BELARUS

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# 1. Current state of the industry

## 1.1 Key industry indicators

Traditionally, light industry consists of a set of sub-branches, including textile, clothing, leather, fur, footwear.

There are 4 such sub-sectors in our country — textile, sewing, knitting and leather and footwear (statistics). These sub-sectors form one type of economic activity — the production of textiles, clothing, leather and fur products. According to the level of consumption by the population, light industry products occupy the third place after food products and transport costs. Fabrics and textiles (46.5%), clothing (40.4%), shoes (9.8%), fur and leather products (3.3%) are mostly in demand. The general indicators of the industry development are given in the table below.

Indicators	2016	2017	2018	2019	2020
Number of organizations, units	1 889.0	1 927.0	1 933.0	1 952.0	1 941.0
The volume of industrial production, mln dollars	1 628.4	1 906.0	1 955.7	1 895.6	1 635.4
Volume of industrial production, mln dollars in 2015 pricesdollars	1 628.4	1 759.7	1 735.5	1 652.5	1 422.1
Industrial production volume, in % to 2015	104.7	110.0	114.4	111.8	112.2
The share of the type of economic activity in the total volume of industrial production, percent	4.0	3.9	3.6	3.4	3.4
Average number of employees, thousand people	85.5	86.0	85.2	83.4	76.3
The share of the average number of employees of the type of economic activity in the average number of industrial workers, percent	9.5	9.7	9.7	9.5	9.0
Nominal accrued average monthly salary of employees, mln dollars	260.0	305.7	327.0	350.2	327.8
Profit from the realization of products, goods, works, services, mln dollars	228.3	208.5	164.3	144.6	148.0
Net profit, mln dollars	103.0	100.4	73.6	113.1	81.7
Profitability of sales, percent	14.3	13.2	10.0	8.7	10.8

As of 2021, the industry has 1941 organizations (1.4% of all legal entities of the republic) with a total number of 83 thousand people employed. Half of the total volume of light industry goods in Belarus is produced by enterprises of the Belarusian State Concern of the production and sale of light industry goods (“Bellegprom” concern). This association today includes 71 organizations, occupying 3.66% of the total number of organizations in the industry.

The volume of production of light industry products is 3% of the total industrial production of the republic, which in terms of money equals to 1.8 billion US dollars. The share of the industry in the structure of the republic's manufacturing sector is 3.8%, and the contribution to the country's GDP is 1.2%. The average annual growth rate of the industry is 1.8% (calculated in US dollars). In terms of rubles, the growth in relation to 2020 in comparable prices amounted to 4.1%. The profitability of sales of enterprises ranges from 8 to 15%, the profitability of products sold from 10 to 20%. Despite such indicators, the percentage of unprofitable organizations over the past 3 years has varied from 17 to 21%, but mainly among micro, small and medium-sized enterprises. On the other hand, the number of unprofitable enterprises in the concern's system decreased by 35.3%.

Micro-organisations account for 63.8% of the total number of enterprises, small — 29.3%, medium - 4.0%, large ones— 2.9%. At the same time, the latter account for 64.1% of the industrial production of the industry, covering 54.5% of those employed in light industry. In turn, micro-organisations produce about 5.4% of the industry output, involving 7.4% of the employed.

Indicators	Large	Medium	Small	Micro
Number of organizations, %	2.90	4.00	29.30	63.80
Number of employees, %	54.50	13.50	24.60	7.40
Industrial production volume, %	64.10	11.30	19.20	5.40
The ratio of the volume of production and the number of employees	1.18	0.84	0.78	0.73
The ratio of the volume of production and the number of organizations	22.10	2.83	0.66	0.08





The ratio of the volume of industrial production and the number of employees allows you to see which size of the enterprise in the industry is the most effective.

The table shows that large enterprises are the most effective in the industry. For 1% of the employed, they produce 1.18% of the volume of industrial production. Moreover, 1% of large enterprises form 22.1% of the total output of light industry. This hides the fact that large enterprises mainly manufacture mass production goods. While small and micro-organisations are focused on the production of piece design products.

It should be mentioned that almost 93% of light industry organizations are private (about 3.7% of them with a share of state capital and about 5% with foreign capital). Private organizations account for almost 90% of industrial output, foreign — about 4.5%.

The nominal accrued average salary of employees in the industry is 453.4 US dollars, in the manufacturing industry as a whole — 705.5 US dollars (the difference is 252.1 dollars).

At the moment, the industry is affected by the consequences of the pandemic, foreign policy and foreign economic shocks. This forces light industry enterprises to look for new suppliers, new sales markets, new sales channels and mechanisms, new logistics chains and routes. To this is added both the forecasted decline in the purchasing power of the population and the intensification of competition in the main sales markets. Nevertheless, the eastern direction is actively developing, especially with countries such as Armenia, Azerbaijan, Kazakhstan, Turkey, Uzbekistan, Tajikistan. In the traditional market of the Russian Federation, the focus is shifting to working with consumers in the Trans-Urals, where work is underway to create two wholesale and retail centers. All this makes it possible to reorient the export of light industry products.

## 1.2 Legal environment

The industrial development strategy of the sector provides for the transformation of domestic production into a competitive complex that quickly and flexibly responds to the global environment and the needs of the domestic market.

According to the Program of socio-economic development of the Republic of Belarus for 2021-2025, approved by the Decree of the President of the Republic of Belarus dated July 29, 2021 No. 292, Belarus relies on the accelerated development of high-tech industries.

In order to increase the competitiveness of light industry organisations, increase exports, strengthen the position of industry enterprises in the market, create conditions for their technical re-equipment, develop new types of products, reduce the need for import, state, regional and sectoral scientific and technical programs for 2021-2025 are being implemented in the republic of Belarus ("Technologies and materials in light industry").

## 1.3 Research base

Belarus is one of the countries with a high level of scientific and technological development. This status is confirmed by the country's high positions in the Global Innovation Index (Global Innovation Index — 32.6: 62nd place out of 132 countries). Thus, according to the subindex "human capital and research" Belarus ranks 38th out of 132 countries, according to the subindex "knowledge and technological output" – 37th place, "training of specialists in science and technology" – 11th place in the world. The overall position of Belarus in this rating remains at an average level due to the lack of data on a number of parameters and a low rating on the "Institutions" subindex - 85.

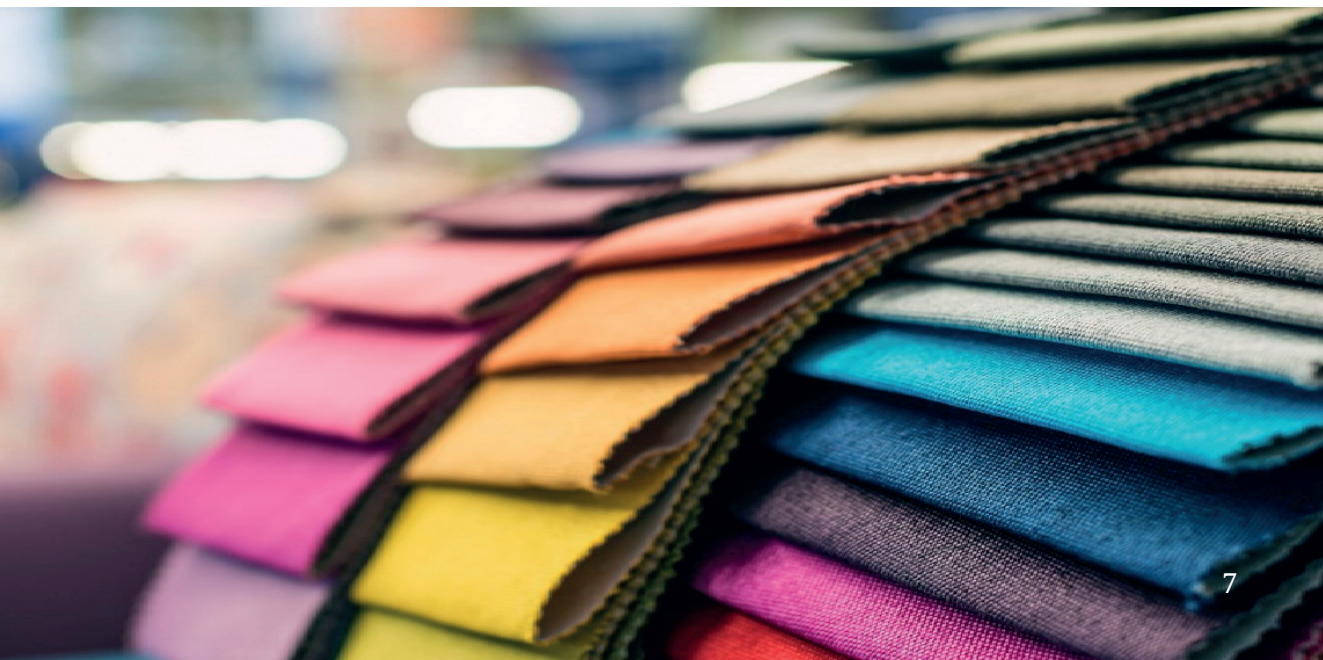
In 2020, 25.6 thousand people were employed in the sector of scientific research and development (R&D), which is 0.6% of the total number of employees of organizations in the country. Of this total, 16.7 thousand people are directly involved in research work.

Research activity in Belarus is concentrated mainly in large organizations – they account for 89.9% of all developments and 92.9% of all research. Geographically, most of the industry's employees work in Minsk – 18.8 thousand employees, or more than 70% of their total number. Outside the capital, most of the scientific workers are concentrated in Minsk (3047 people) and Gomel regions (2077 people). Other regions account for less than 8.7%.

The majority of researchers in Belarus are engaged in the field of technical and natural sciences – 79%. Least of all – in agricultural (5.6%), medical (4.8%), humanitarian (3.7%) research.

The scientific support of light industry is provided by the RUE "Center for Scientific Research of Light Industry", which is part of the Bellegprom concern. This enterprise is the only scientific organization in the Republic of Belarus, the main function of which is defined as scientific and scientific-technical support for the development of domestic light industry.

On the basis of the Center, in 2017, an Industry Research Laboratory of the textile industry was established and operates, whose activities are aimed at developing and deepening innovative processes in the textile industry through the development and introduction of new technologies into production, the creation of a modern scientific, experimental and educational base of the industry in order to reduce the cost of testing new technologies in production and increase the level of professional training of personnel in subordinate educational institutions.



## 1.4 Staffing

**Universities.** In 2020, the total number of students of higher education institutions in the field of engineering and technology was 54.9 thousand people (out of 254.4 – the total number of students), of which 12.7 thousand people were accepted in 2020 (58.3 – total new students in the country), the graduation of young specialists in 2020 was 10.3 thousand people (total graduates – 54.6). Postgraduate studies: a total of 5,093 people, 912 of them are technical sciences, only 1,272 new in 2020, 189 of them are technical, only 848 graduates, 192 of them are technical sciences. Doctoral studies: 705 in total, 88 of them technical, 219 accepted, 27 of them technical, 89 graduated, 14 technical.

Engineering specialists are trained both in technical universities of Belarus and in multidisciplinary ones. Out of 50 higher educational institutions of the country, 6 universities of technical orientation, 6 more multidisciplinary universities also train specialists in the field of engineering and technology.

### **Technical universities:**

1. Belarusian National Technical University
2. Brest State Technical University
3. Belarusian State University of Informatics and Radioelectronics
4. Belarusian State Technological University
5. Vitebsk State Technological University
6. Gomel State Technical University in honour of P. O. Sukhoi

### **Multidisciplinary universities:**

1. Belarusian State University
2. Gomel State University
3. Grodno State University
4. Polotsk State University
5. Baranovichi State University
6. Polessky State University

Belarusian State University



Belarusian National  
Technical University





The only higher educational institution that trains personnel for light industry is the Vitebsk State Technological University. VSTU is a unique educational, scientific and production complex, which includes 2 colleges, 5 academic buildings, a technopark, modern production and testing along with educational and scientific laboratories. The training of highly qualified specialists for textile, clothing and footwear industry enterprises is carried out at the Faculty of Production Technologies within the framework of two departments "Design and technology of clothing and footwear" and "Technology of textile materials". The faculty employs 85 teachers, including: 6 doctors of sciences, professors, 48 teachers have PhD degrees and associate professor titles.

**Secondary specialized institutions.** Out of 223 secondary specialized institutions in Belarus, about 30 train specialists in the field of engineering and technology, while each regional center of the Republic of Belarus has a polytechnic college. In the 2020/2021 academic year, only 39.7 thousand people major in engineering and technology (out of 110.4 total in the country), new ones were accepted – 12.3 (out of 37.1), graduation – 10.1 out of 33.4.

Specialists are trained for light industry by Minsk State Vocational College of Light Industry and Consumer Services, Minsk State College of Technology and Design of Light Industry, Vitebsk State Vocational College of Light Industry, Baranovichi State College of Light Industry named after V.E. Chernyshev, Pinsk State Vocational College of Light Industry.

Minsk State Vocational College  
of Light Industry and Consumer Services



Minsk State College of Technology  
and Design of Light Industry





## 1.5 Technologies

**Within the framework of the country's socio-economic development Program for 2020-2025 in light industry, the main development prospects are associated with the following areas:**

1. Increasing the depth of flax processing;
2. Increasing the depth of leather processing;
3. Introduction of robotic software and hardware complexes;
4. Development of production cooperation and specialization of the process of obtaining cottonine yarn from low-dimensional flax fiber;
5. Perfecting the production processes of compositional thermal insulation materials;
6. Perfecting the production processes of non-woven textile materials;
7. Improvement of the processes of leather production: the use of leather production waste to obtain protein shells, collagen and feed additives.

**At the moment, investment projects based on the following technologies have been implemented / are being implemented in the industry:**

1. Production of competitive fabrics with improved consumer characteristics, including business class (Super 100S, Super 120S); high-quality yarn for textile production of high numbers according to the combed spinning system in a wide range of linear densities (JSC "Kamvol").
2. Production of innovative multicomponent and singlecomponent yarn of new functional properties based on flexible technology using chemical fibers of a new generation (JSC "Slonimskaya KPF").
3. Production of new fabric-like knitwear (JSC "Polesie") — creation of the production of knitted fabrics of new structures combining the features of fabric and knitwear, mastering the technology of dyeing new types of plaited chemical fibers.
4. Production of shoes with the introduction of robotic software and hardware complexes (Belvest LLC).
5. Production of non-woven cotton fiber Spanlace from bleached flax fiber, cotton, viscose and other fiber similar in structure (Orsha Flax Factory). More
6. Organization of the application of special means to the fabric, which will give it protective special properties, including fabrics with antibacterial effect (Baranovich Cotton Production Association).
7. Production of cotonized flax fiber (JSC "Gronitex").
8. Production of laminated fabrics (JSC "Ruchayka").
9. Production of non-woven materials.

## 1.6 Industrial and territorial clusters

Light industry is one of the key industries of the republic. It is the main producer of such vital goods as clothing and footwear, as well as other household goods, ensuring the work of related economic sectors. The textile industry is rightfully considered a key sub-sector of light industry. It is a driver of the growth of clothing, leather and other light industry sub-sectors, while being a consumer of agricultural and chemical industry products.

In this regard, steps have been taken to form a cluster in the textile industry of the Vitebsk region on the basis of the Orsha Flax Factory and the Vitebsk State Technological University. At the moment, a roadmap for the future cluster has already been developed.

There are also potential clusters in the Brest region, for example, a sewing cluster based on: JSC "Brest Stocking Factory", LLC "Lentastil", JSC "BPHO" (Blakit), JSC "Polesie".

In general, the cores of potential innovation and industrial clusters can be the largest manufacturers and exporters of the industry - these are Conte Spa JLLC, RUPTP "Orsha flax factory", JSC "Vitebsk carpets", JSC "Mogotex", JLLC "Belvest", joint venture CJSC "Milavitsa", JSC "Baranovich Cotton Production Association", JSC "Polesie", JSC "Slonim worsted Spinning Factory", JSC "Worsted", JSC "Minsk Leather Production Association", JSC "Slavyanka", JSC "Brest Hosiery Factory", JSC "Lenta".

Moreover, free economic zones and technoparks are effective platforms for the development of light industry organisations.

There is also an opportunity to become a member of the Association of Light Industry Enterprises, which coordinates and protects the interests of participants.

**For reference.** The Association of Light Industry Enterprises was registered on February 8, 2021. The founders were representatives of large private businesses: the companies "Marko", "Furnitur-BY", "Solo-Pinsk", as well as the IPM Business School. Hundreds of enterprises of the country can become potential members of the organization - not only large players, but also small businesses.

## 2. Resource and raw material base

The resource and raw material base of light industry is the most important factor in the development of the industry. At the moment, 70% of the raw materials processed by the Belarusian light industry are imported (occupying more than 70% of the costs in the cost structure). Mainly used are combined fabrics, natural and synthetic such as acrylic, polyacrylonitrile, elastane (spandex or lycra), polyamide, polyester (made of polyethylene terephthalate), viscose, wool, cotton, linen.

Such share of imported components in the net cost of the final product creates a considerable pressure on the price offers of domestic producers. Nevertheless, by using existing technologies and methods of organizing production in light industry, this pressure is leveled out. As a result, the Belarusian consumer has the opportunity to buy a domestic product in an acceptable and affordable price-quality ratio.

This situation is not typical for all sub-sectors. In the leather and footwear sub-sector, the share of imported components is less. This is due to its own raw material base of leather (since 2019, the Minsk Leather Production Association has mastered the production of high-quality leather goods). Belarusian haberdashers and shoe makers use about 70% of domestic leather raw materials. The largest shoe manufacturers — "Marco" and "Belvest" are importing a large amount of leather. Imported components such as glue, dye, accessories are currently imported from Russia, China and Turkey.



Exclusively own raw material base — flax. Properly grown, it allows to provide the domestic market with high-quality fabrics and products, as well as serve foreign markets. But non-compliance with agricultural technologies, as well as processing of low-dimensional flax using outdated equipment, lead to the fact that the plants do not provide sufficient amount of long flax fiber. Therefore, a small part of such flax is imported.

## 3. Manufacturing infrastructure

### 3.1. Availability of industrial sites, buildings, facilities, offices

In order to accelerate the innovative development of the industry enterprises and improve the investment climate, free economic zones, industrial sites and technoparks have been created on the territory of Minsk and the regions of the country. Currently, there are 6 FEZs:

- FEZ “Brest”
- FEZ “Minsk”
- FEZ “Gomel-Raton”
- FEZ “Vitebsk”
- FEZ “Mogilev”
- FEZ “Grodnoinvest”.

The industrial park “Great Stone” is also a promising site.

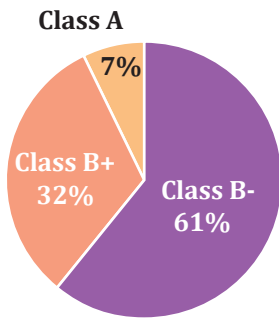
On the territory of the republic there are 17 technoparks with a total area of over 145 thousand m<sup>2</sup>. The number of residents of technoparks is over 200, jobs are almost 3000. The total volume of exports is \$ 53.6 million, the total profit is \$ 26.2 million, the total investment is \$ 14.7 million.

RIUP “Scientific and Technological Park of Vitebsk State Technological University” was created for the development of light industry. The total area of the park is 3763 m<sup>2</sup>, the average rental cost of 1 m<sup>2</sup> is 2.39 US dollars, the number of participants is 10, the total investment is 583 thousand US dollars. The main goal is to assist in the creation of production facilities with new technological processes or high-tech production facilities based on innovative technologies and producing high-tech products for sale on the market. The Park provides engineering and reengineering services to residents and enterprises of the region, development of design and technological documentation; design and manufacture of non-standard equipment; scientific research and development activities; processing of light industry waste.

The placement of innovative productions in technoparks allows to get various preferences and benefits.

## Commercial real estate (offices, buildings, structures)

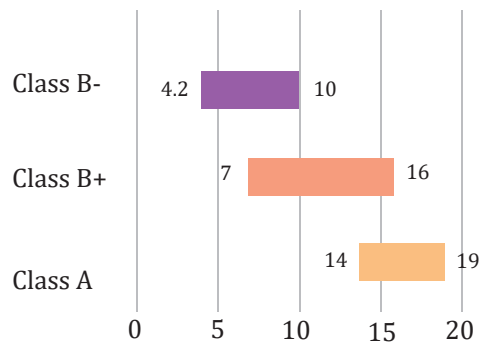
### Supply on the office market, sq.m.



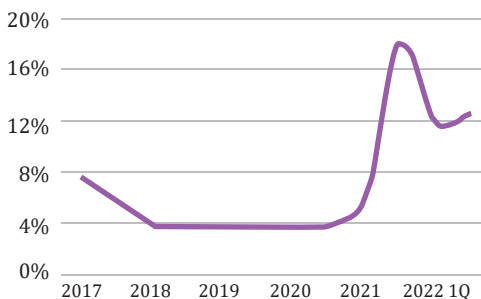
The classified market of commercial offices in Minsk is almost 1015 thousand sq. m. of rental space (GLA). The main volume of the offer, over 615 thousand m2, falls on the class "B-". The class of offices "B+" has about 325 thousand m2 of space. Class A offices are the least represented. It includes only 4 office facilities with a total rental area of 72 thousand sq. m.

Rental rates in terms of euro have a steady downward trend. There is a high probability that the rental rates for offices in euro terms in the market as a whole will be lower by 30-35% to the level of December 2021-January 2022.

### Ranges of rates by class at the moment, Euro per sq. m. per month.



### Percentage of vacant spaces in the office segment of commercial real estate

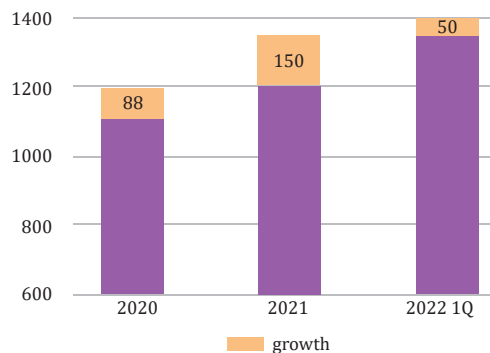


Since the beginning of 2022, there has been a slowdown in the dynamics of vacant space, since during the first quarter, both the release of offices and their absorption were mainly rotational in nature and could not have a significant impact on the current trend.



The supply on the warehouse market increased significantly in 2021, when almost 150 thousand sq. m. of new warehouses were put into operation in Minsk, its suburbs and the territories neighbouring to the capital agglomeration. This is one of the best commissioning volumes in the history of the development of the modern warehouse logistics market, the beginning of which dates back to 2008 (since the implementation of the Logistics System Development Program of the Republic of Belarus for the period 2008-2015).

**Dynamics of the growth of the supply of spaces in modern warehouses (logistics complexes), thousand sq. m.**



**Dynamics of rental rates for high-quality modern warehouses in Minsk and the suburbs, in euros per 1 sq. m.**



In a situation of consistently high demand, typical for 2021 and the first quarter of 2022, rental rates, even denominated in euros, remained at the same level. In the warehouse segment, there were significantly fewer appeals to owners with questions of revising rates and/or fixing the exchange rate at a certain level, which was typical for office and retail segments. Therefore, mainly in the market, the rates at the end of the first quarter of 2022 remained at a comparable level with the rates at the end of 2021. There will be no significant reduction in rates in the warehouse segment in the near future. It is predicted that the possible decrease will be a maximum of 8-10%.

## 3.2 Logistics capabilities

As of January 1, 2021, there were 58 logistics centers in the Republic of Belarus, which housed public warehouses (warehouses of responsible storage), owned and leased, received for operational management or economic management – 226 units, with a total area of more than 891.0 thousand m<sup>2</sup>. At the same time, 11 logistics centers provide priority transport and logistics services (with a total warehouse area of about 190.0 thousand m<sup>2</sup>), 17 perform wholesale and logistics (distributing) functions, the rest have concentrated their efforts on the provision of warehouse services and services for the processing of inventory items under the order. Of the 58 logistics centers, 17 have a state form of ownership or have more than 50% of the state's share (shares) in the authorized fund of a business company, 18 are multimodal (auto-railway, auto-air).

A number of logistics centers of the Republic of Belarus have reorganized their main activities or use their storage areas as buffer warehouses in trade and distribution networks.



## 4. Market review

### 4.1. Main trends

Light industry is quite vulnerable in terms of demand, especially non-price factors of its dynamics (fashion, consumer tastes and expectations). During the pandemic, consumption of light industry products decreased, due to the falling demand, turnover fell by more than 20 percent. Although the decline in volumes has begun even earlier. Among the reasons, experts name the flooding of the global market with cheap Chinese products made of artificial materials and textiles.

Now the global markets of the industry's products are beginning to show positive dynamics. For the domestic light industry, this is expressed in the growth of exports of Belarusian manufacturers and increased competition in foreign markets. The most popular items are linen fabrics, corset and hosiery, carpets, synthetic yarn, underwear, shoes with genuine leather uppers, cotonized flax fiber.

Markets have become very agile, customer interest is changing very quickly, which forces manufacturers to be very flexible not only in terms of updating assortment lines, but also in terms of expanding sales markets. Earlier, new markets for Belarus has opened — Nepal, Chile, Uruguay, Switzerland. There is a strengthening in the markets of the EAEU and the CIS. China is a key partner in the Asian region. Kazakhstan, Kyrgyzstan, Turkey, and India have high potential. The markets of Latin America and the Middle East also look promising.

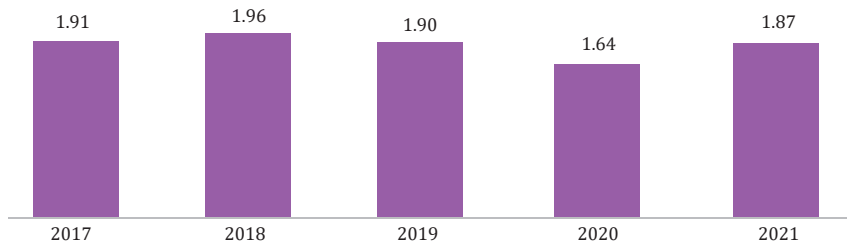
Taking into account the geopolitical situation and the crisis in global supply chains, there has been a change in logistics schemes and routes, business models have adapted to the current realities of procurement and supply of chemicals, components, materials, peculiarities of work in foreign markets.

Another feature of the work of light industry organisations was the development of marketplaces such as Ozon, Wildberries, Lamoda and leaving for online commerce in general, but mainly in the domestic market. Since the beginning of 2021, the multi-brand online store Vopratka has been operating, where many Bellegprom enterprises are represented.

## 4.2. Production

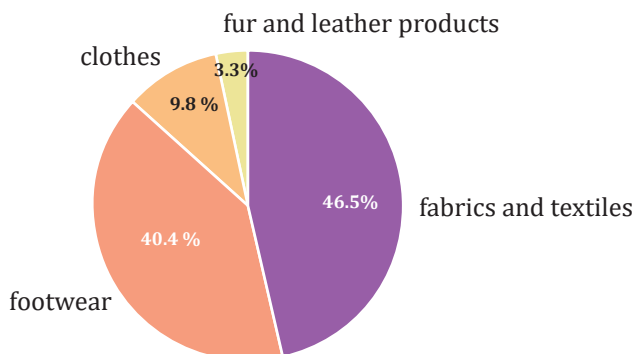
In 2021, the share of the production of textiles, clothing, leather and fur products in the manufacturing industry was 3.4%.

**Production of textiles, clothing, leather and fur products,  
billion US dollars**



In the structure of light industry production, more than 85% is occupied by fabrics and textiles, fur and leather products, the smallest share (3.3%) falls on fur and leather products.

**The structure of the production of textiles, clothing,  
leather and fur products in 2021**



In the product context, the structure of light industry production is represented by the following categories (according to the highest rates of consumption growth).

## Production of certain types of light industry products in 2021 (in percentage to 2015)



**+51.5%**  
Bags for women  
and men



**+34.2%**  
Toilet and  
kitchen linen



**+26.6%**  
Corset products



**+16.1%**  
Carpets and carpet  
products



**+10.2%**  
Knitwear



**+8.0%**  
Hosiery



**+7.8%**  
Linen fabrics



**+6.7%**  
Bed linen

**In aggregated form, in 2021, it was produced per 1 resident of the country:**



**15.7 sq. m.**  
of fabrics



**2.3 sq. m.**  
of carpets and  
carpet products



**4.5 pieces**  
of knitwear



**15.7 pairs**  
pairs of hosiery



**almost 1 pair**  
of shoes (0.7)

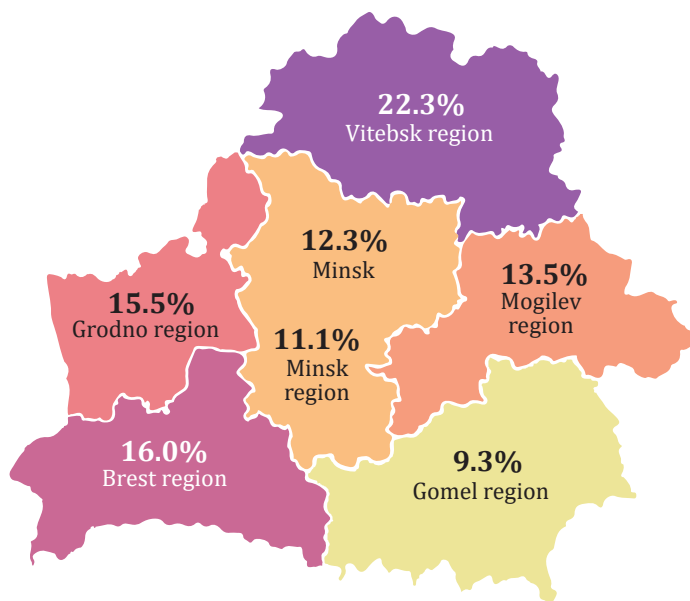
In general, in 2021, sales growth in all positions and groups of goods amounted to 128%.

Production in light industry is not concentrated in any particular area. Nevertheless, they can be ranked. Vitebsk region is the leader in terms of output. In general, more than half (53.8%) of light industry products are produced in Vitebsk, Brest and Grodno regions.

In the regional context, the contribution of the regions to the total output of light industry can be estimated from the infographics below.



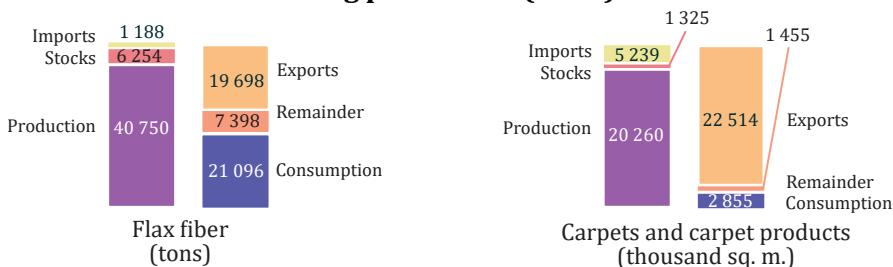
## The share of the regions and Minsk in the volume of light industry production in 2021 (in percentage to the total)



However, in terms of labor productivity, the Grodno region leads, followed by Gomel and Vitebsk in descending order. The Brest region has the lowest indicator in terms of the ratio of the industry's output to the number of people employed in the industry. If we consider the city of Minsk and the Minsk region, then they account for 23.4% of the output.

### 4.3. Consumption

#### Balances of commodity resources of textile and clothing production (2020)



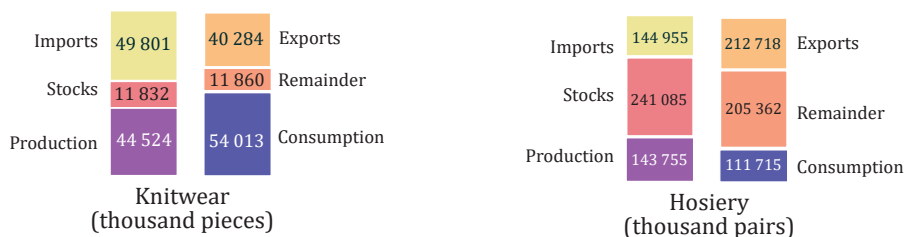
Consumption of light industry products can be traced by the balance of commodity resources.

In 2020, 40.8 thousand tons of flax fiber were produced and 1.2 thousand tons were imported, of which half is for domestic consumption, and half is exported. As for carpets and carpet products, a significant part (83.9% of the total resources) is exported and only 10.6% is consumed in the republic.

The consumption of knitwear in Belarus has exceeded production over the past 5 years, while the number of products consumed has increased by 10.6% compared to 2016, so the demand will be met by imports.

In 2020, 143 million pairs of hosiery were produced, approximately the same amount was imported. 21% of all available resources are consumed, and 40% are exported.

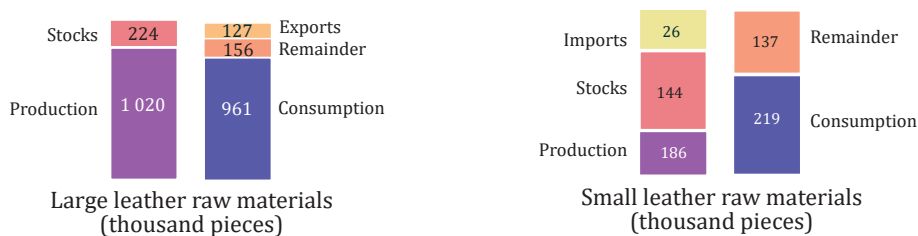
### Balances of commodity resources of knitted and hosiery products (2020)



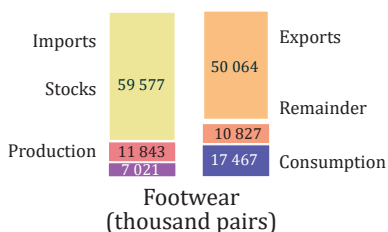
In 2020, 1 million pieces of large leather raw materials were produced. The available resources entirely cover consumption, a small part is accounted for exports and stocks at the end of the year.

Belarus does not export small leather raw materials, consumption is covered by production, imports and stocks at the beginning of the year.

### Balances of commodity resources of leather and footwear (2020)



As for shoes, 76% of the available resources are imported and only 9% are manufactured. At the same time, 64% of resources are exported, and 22% account for domestic consumption.

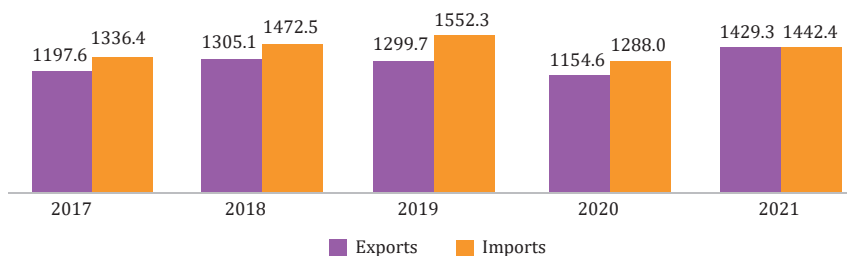


### 4.3. Foreign trade

The light industry of the Republic of Belarus is highly export-oriented. More than 80% of goods produced are exported to more than 110 countries. The task is to reduce dependence on import supplies of raw materials by increasing the production of flax fiber in the country, creating new types of chemical fibers and yarns, dyes, leather materials for footwear.

In 2021, exports of textile materials and textile products amounted to 1,429.4 million US dollars (+23.8% relative to 2020). In the same year, imports almost equaled exports and amounted to 1,442.4 million US dollars (+12.0% relative to 2020). The largest share of textile materials and textile products (72%) was exported to the EAEU countries.

**Foreign trade in textile materials and textile products, millions of US dollars**

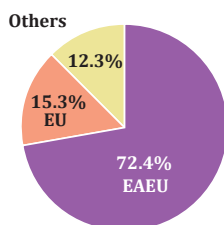


**Foreign trade in footwear, hats, umbrellas, million US dollars**

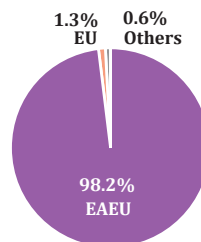


Exports of footwear, hats, umbrellas in 2021 amounted to 241.1 million US dollars (+15.0% compared to 2020). Almost all products (98%) are supplied to the EAEU market. Imports traditionally exceed exports, in 2021 the indicator was 358.9 million US dollars.

### Country structure of textile materials and textile products exports in 2021 (%)



### Country structure of exports of footwear, hats, umbrellas in 2021, (%)



In foreign markets, the main feature is the development of cooperative ties with the near and far abroad. Thus, the interaction of Bellegprom with Uzbektexilprom is intensifying. The framework of the agreements has already gone beyond the exclusive supply of cotton. JSC "Kamvol", Orsha Flax Mill (flax is a novelty in Central Asia, but the climate is just for linen clothes), JSC "Mogotex", etc. became interested in the Uzbek direction. And here Belarus can offer Uzbek partners quite a lot: firstly, fabrics are not only made of cotton, secondly, production facilities, and thirdly, specific industry competencies. There are prospects for the supply of demanded products. These are fabrics (primarily worsted, linen, synthetic and artificial with various characteristics), various types of yarn, pile fabrics, corset and hosiery.

### The main types of light industry products exported in 2021, million US dollars



**208.4**  
Footwear



**188.7**  
Textile clothing  
(without underwear)



**151.2**  
Fabrics



**103.9**  
Hosiery



**79.9**  
Non-woven  
fabrics



**43.6**  
Corsetry

Cooperation with Russian companies is also increasing. A Russian-Belarusian project on advanced processing of wool has been launched. The stages of the project are as follows: an increase in the volume of wool processing in Russia, the supply of wool for the production of yarn and fabrics to Kamvol, Polesie, Slonim worsted spinning factory. This will increase the supply of civilian fabrics to the Russian market.



The project of JSC "Kamvol" with the Russian company "Textile Avenue" has been implemented. By the order of the Russian company, the Belarusian side has already produced high-quality yarn made of 100% wool, which has no analogues on the Belarusian or Russian market. The next step will be the release of not only yarn, but also fabrics and clothing collections.

The fact that more than 80% of manufactured goods are exported to more than 115 countries of the world evidences to the strengthening of their presence in foreign markets. Exports in 2021 amounted to 1570.3 mln US dollars, which is 26.9% higher than in 2020.

These products mainly go to the Russian Federation, Ukraine, Lithuania, Poland, Kazakhstan. Here, domestic manufacturers face serious competition, including from Russian manufacturers.

If we consider light industry through the industrial prism of the EAEU, then in the context of the member states, the largest share of production falls on the Russian Federation - 60.2%. This is followed by the Republic of Belarus — 15.8%, the Kyrgyz Republic — 8.6%, the Republic of Armenia — 7.8% and the Republic of Kazakhstan — 7.6%.

In the CIS, Belarus occupies about 20% of the market. The emphasis in the EAEU space is shifted towards the production of sewing and knitwear, shoes, gloves and bags.

#### **4.4. Key players**

The goods of the Bellegprom participants are supplied to more than 50 countries of the world, which indicates that there is a stable demand for Belarusian products. Domestic goods – knitwear, linen, linen products and leather shoes – have long been a brand of Belarus. The enterprises of the industry are permanent exponents of international exhibitions of the CIS and abroad countries.



## Key players

Textile industry	Knitting industry
<div data-bbox="93 335 281 401"></div> <div data-bbox="300 331 579 421">JSC "Baranovich Cotton Production Association" (Blakit)</div> <div data-bbox="160 472 281 560"></div> <div data-bbox="300 503 546 536">JSC "Vitebsk Carpets"</div> <div data-bbox="100 593 281 678"></div> <div data-bbox="300 619 560 652">JSC "Rechitsky Textile"</div> <div data-bbox="89 711 281 782"></div> <div data-bbox="300 732 455 763">JSC "Kamvol"</div> <div data-bbox="142 821 281 909"></div> <div data-bbox="300 841 540 900">RUPTP "Orsha Linen Mill"</div>	<div data-bbox="779 322 942 376"></div> <div data-bbox="959 335 1172 364">Mark Formel LLC</div> <div data-bbox="765 418 942 486"></div> <div data-bbox="959 439 1165 470">JLLC "Conte Spa"</div> <div data-bbox="794 536 935 638"></div> <div data-bbox="959 578 1134 609">JSC "Svitanak"</div> <div data-bbox="709 696 942 753"></div> <div data-bbox="959 694 1187 753">JSC "Brest Hosiery Plant"</div> <div data-bbox="729 807 942 895"></div> <div data-bbox="959 835 1105 868">JSC "Alesya"</div>
Clothing industry	Leather and footwear industry
<div data-bbox="93 1097 294 1157"></div> <div data-bbox="311 1124 554 1156">JV CJSC "MILAVITSA"</div> <div data-bbox="93 1201 294 1274"></div> <div data-bbox="311 1222 482 1253">CJSC "Kalinka"</div> <div data-bbox="71 1322 294 1369"></div> <div data-bbox="311 1340 496 1371">JSC "Slavyanka"</div> <div data-bbox="86 1425 294 1477"></div> <div data-bbox="311 1421 564 1480">JSC "Sewing company "Juno"</div> <div data-bbox="65 1531 294 1574"></div> <div data-bbox="311 1536 561 1567">JSC "MSHF "NADEKS"</div>	<div data-bbox="738 1105 902 1157"></div> <div data-bbox="925 1117 1088 1147">Belwest JLLC</div> <div data-bbox="748 1190 889 1270"></div> <div data-bbox="925 1213 1113 1244">JSC "Galandeya"</div> <div data-bbox="744 1302 892 1355"></div> <div data-bbox="925 1314 1076 1343">CJSC "Otiko"</div> <div data-bbox="706 1388 898 1453"></div> <div data-bbox="925 1392 1264 1454">Holding "Belarusian leather and shoe company "Marko"</div> <div data-bbox="744 1506 889 1598"></div> <div data-bbox="925 1524 1137 1584">JSC "Grodno shoe factory "Neman"</div>

## 5. Investment potential and development prospects of the industry

### 5.1. Investment in the industry

Investments in fixed assets in light industry in 2020 was 63.26 million US dollars, which is 6.19% more than in 2019.

According to the data for 2021, there were 32 organizations that made expenditures on innovation, representing 7.48% of the total number of innovation-active manufacturing enterprises. 84.4% of this number carried out product innovations, 31.2% — business process innovations (15.6% carried out both product innovations and business process innovations).

The volume of shipped innovative products was 109.4 million US dollars, which amounted to 1.13% of the total volume of shipped innovative products of the manufacturing industry. Products worth 75.16 million US dollars were shipped outside the Republic of Belarus (i.e., exports amounted to 68.7% of the total volume of innovative light industry products shipped). There were shipped outside the Republic of Belarus products for 75.16 million U.S. dollars (i.e. export amounted to 68.7% of the total volume of shipped innovation products of light industry). The Russian Federation accounted for 62.6% of this export, and the rest - for the EAEU member states.

### 5.2. Investment prospects

The production of textiles, clothing, leather and fur products is a priority industry for investment, which is enshrined in the Decree of the Council of Ministers as of May 12, 2016 No. 372.

The main strategic objective of the industry for 2021-2025 is to increase the production efficiency of modern competitive goods that meet the needs of the population, the state and business entities in light industry goods, increase the share of presence in the domestic market and systematic diversification of export supplies in order to reduce dependence on the Russian Federation market while maintaining positions in the traditional market.

The Bellegprom Concern pays great attention to the development of innovations and their implementation. Mastering of developed technologies is carried out in strict accordance with the plans approved by the concern. According to the tasks

within the framework of scientific and technical programs over the past 5 years the production and sale of newly mastered products for a total amount of more than 9.6 million US dollars have been carried out.

In physical terms, the volume of new products was:



**590.28 tons**

knitting and weaving yarn



**5 779.94**

**thousand cubic meters**  
textile materials



**221.1 thousand units**

knitted goods

The average effectiveness ratio for the tasks of the scientific and technical program "New materials in light industry" was 15.43. The average production volume of one company in the industry is 933.62 thousand US dollars per year.

### 5.3. Export potential and development prospects

The export potential of the industry is based on an innovative approach. It is the development of product innovations, including the development of innovative technologies, that allows the industry to occupy a stable position in foreign export markets. The process of continuous innovation is embedded in the programs of socio-economic development of the country, as well as in the industry's scientific and technical programs of the industry.

The programs of Bellegprom Concern result in:

- 1) development of new technological processes for producing yarn, textile and knitted materials (including those with functional and special properties) based on modern polyamide and polyester fibers and threads;
- 2) in-depth processing of flax fibers through the use of biotechnologies for their preparation for spinning, innovative types of wool yarn according to a shortened spinning system;
- 3) development of technology for production of fancy yarn of new structures.

In total, within the framework of scientific and technical work over the past 5 years, more than 38 innovations have been created, which have been successfully introduced into the production of concern organizations: JSC "Gronitex", JSC "Polesie", JSC "Slonim KPF", JSC "BPHO", JSC "Alesya", JSC "March 8", JSC "Svitanak".

Also a serious stake is placed on the development of flax processing. This crop has strong investment potential. There is a problem with the so-called long fiber, which allows you to weave thinner premium products, but this problem is observed everywhere and is related to weather conditions. Solution of this problem will increase the export of linen-based products. For example, the products (mainly linen fabrics and home textiles) of the Belarusian Flax enterprise are exported to more than 40 countries of the world. About 65% of the company's export — 11 million linear meters — are imported to the markets of Europe and the USA. Linen products have recently entered the markets of Nepal, Uruguay and Chile.

Today about 40 farms (yielding about 10% of flax) and 25 flax factories are engaged in flax growing. The maximum profitability is 17%.

The popularity of linen products is evidenced by the facts of collaborations of the Orsha Flax Mill (Vilini brand) with major manufacturers and designers: together with the Lida Shoe Factory and the Luch shoe brand, linen shoes are produced, and bags are produced with the Galanteya brand. Such popularity is promoted by the company's technology of zero-waste production and recycling of secondary raw materials, which significantly reduces production costs. About 600 tons of secondary textile raw materials are processed annually, which allows saving up to 400 tons of primary fibers per year. In terms of its qualities, clothing is not inferior to products made from primary fiber, and the price it is more democratic.

An innovative project is being implemented in the leather and footwear sub-sector on the basis of the Belwest company. The main goal is the production of footwear using robotized hardware and software systems. The robots will perform the operations of leather goods defecting, cutting, roughening, spreading, sticking and others. It will allow to increase significantly the labor productivity and at the same time to boost the quality and decrease the production costs.

In the sphere of scientific, technical and innovative activities in 2021-2025, the implementation of sectoral scientific and technical programs and individual R&D aimed at the development and implementation of technological processes for the production of new light industry products will continue.



Taking into account the priority directions of scientific, scientific, technical and innovative activities for 2021-2025, defined in the Comprehensive Forecast of Scientific and Technological Progress of the Republic of Belarus for 2021-2025 and for the period up to 2040, it is planned to conduct sectoral research and development in the following directions:

- development of high-tech technologies for deep processing of domestic raw materials (chemical and natural fibers and threads, leather and fur raw materials) to create finished products with improved physical, mechanical, hygienic and consumer properties;
- development of new types of special materials with specified properties for the creation of light industry products for defense, medical and other purposes using chemical, plasma, nano- and biotechnologies;
- development of resource-saving technologies for the production of high-quality textile and knitted materials of export and import-substituting orientation using an innovative type of raw materials.

In the forecast period, it is planned to implement the sectoral scientific and technical program "Technologies and materials of light industry" (2021-2025), which currently includes 5 tasks. The executors of the tasks of the program are the RUE "Center for Scientific Research of Light Industry" and the Educational Institution "Vitebsk State Technological University".



## 6. Investment climate

### 6.1. Macro indicators

In general, the main macroeconomic indicators have positive dynamics. Thus, the GDP for 2021 at current prices amounted to \$68.23 billion. In comparable prices, GDP grew by 2.3% compared to 2020 and 6.1% compared to 2015. Labor productivity, respectively, amounted to 3.2% compared to 2020 and increased by 11.5% since 2015. The growth of industrial production in 2021 compared to 2020 amounted to 6.5%, compared to 2015 is 19.3%. The growth of exports of goods in 2021 compared to 2020 amounted to 32.5%, compared to 2015 is 49.9%. The growth of real wages in 2021 compared to 2020 was 4.4%, compared to 2015 is 40.8%. In 2021, the inflow of foreign investments into the economy of the Republic of Belarus amounted to USD 8.7 billion, of which 75.39% is direct, 0.05% is portfolio, 24.56% is other foreign investments. Foreign direct investment on a net basis (excluding debt to a direct investor for goods, works, services) amounted to 15.26%.

Indicator	2017	2018	2019	2020	2021
The amount of foreign investments received in the real sector of the economy of the Republic of Belarus, million US dollars	9 728.5	10 842.0	10 006.8	8 680.2	8 698.7
including:					
direct	7 634.2	8 537.1	7 233.2	6 006.0	6 558.0
portfolio	8.4	3.9	6.7	4.8	4.3
others	2 085.9	2 301.0	2 766.9	2 669.4	2 136.3
Foreign direct investment on a net basis (excluding debt to a direct investor for goods, works, services), million US dollars	1 246.8	1 634.9	1 327.2	1 414.8	1 327.4

In 2021, 21.1% of investments in fixed capital were directed to the manufacturing industry, which amounted to 1835.43 million US dollars. The main share (45%) was directed to Minsk and the Minsk region. In general, the share of investments in fixed capital in the republic is higher than in the rest of the EAEU countries. The share of investments in the manufacturing industry is also higher than the share of investments in fixed assets in the EAEU as a whole.

## 6.2. Ratings

Belarus is part of a group of countries with a very high level of human development, characterized at the same time by a relatively low level of labor costs. It ranks 53rd out of 189 countries.

The HDI published by the United Nations Development Programme evaluates 3 key indicators: life expectancy, expected and mean years of schooling, the value of gross national income per capita, purchasing power parity.

The average life expectancy of Belarusians is 74.8 years, the average duration of their education is 12 years, and the gross national income per capita, purchasing power parity is 18.55 thousand USD. At the same time, the nominal average monthly income in the Republic of Belarus remains one of the lowest in the region – 565 USD in 2021.

Place of Belarus in the Doing Business 2020 ranking is <b>49</b> out of 190	Lithuania <b>11</b>	Kazakhstan <b>25</b>	Russia <b>28</b>	Poland <b>40</b>
Registering property - <b>14</b>	4	24	12	92
Getting electricity - <b>20</b>	15	67	7	60
International trade - <b>24</b>	19	105	99	1
Starting a business - <b>30</b>	34	22	40	128
Enforcing contracts - <b>40</b>	7	4	21	55
Dealing with construction permits - <b>48</b>	10	37	26	39
Resolving insolvency - <b>74</b>	89	42	57	25
Protecting minority investors - <b>79</b>	37	7	72	51
Taxation - <b>99</b>	18	64	58	77
Receiving a loan - <b>104</b>	48	25	25	37

The rating indicates sufficient ease of registering property, trading across borders, starting a business.

### Belarus in the World Bank's WGI 2020 ranking

Indicator	Score (min=0, max = 100)
Political stability and absence of violence	56.67
Control of corruption	53.85
Government effectiveness	44.23
Regulatory quality	32.21
Rule of law	21.63
Voice of the population and accountability of government authorities	11.33

### Positions of Belarus in various ratings

Rating	Place
Global Innovation Index, 2020	64 out of 131
Prosperity Index, 2020	69 out of 167
Economic Freedom (The Fraser Institute), 2020	114 out of 162
Index of Economic Freedom, 2020	95 out of 178

Belarus ranks 95th out of 178 in the Index of Economic Freedom, while the Fraser Institute ranks Belarus 114th out of 162 in the competing rating "Economic Freedom".

In 2021, Belarus ranked 2nd in terms of fabric produced among the CIS countries, and 3rd in terms of shoe production.

### Fabric production in the CIS countries in 2021

Country	million sq. m.
Russia	7877.5
Belarus	148.1
Kazakhstan	124.2
Kyrgyzstan	41.6
Azerbaijan	33.8
Tajikistan	10.5
Armenia	0.02

### Footwear production in the CIS countries in 2021

Country	million pairs
Russia	100.4
Ukraine	13.6
Belarus	6.9
Kyrgyzstan	4.7
Kazakhstan	1.4
Moldova	1.3
Azerbaijan	1.2
Tajikistan	1.2
Armenia	0.2

## 6.3 Investor Roadmap



**Investment projects and PPP**  
>1000

**Manufacturing sites and  
real estate**  
>900

**Investment ideas**  
>700

**Land plots**  
>1000

**Concessions**  
9



[map.investinbelarus.by](http://map.investinbelarus.by)

More investment projects and ideas, as well as land plots and real estate objects for the implementation of investment projects can be found on the interactive portal "Investor's Roadmap"

## 6.4 The main preferential regimes for the implementation of investment projects in light industry

### Small and medium-size cities, rural territories

- ▶ tax on profits – 0%\*
- ▶ property tax – 0%\*
- ▶ exemption from import duties and VAT in respect of goods made to the statutory fund
- ▶ personal income tax – 0%\*
- ▶ exemption from state duty for the issuance of licenses

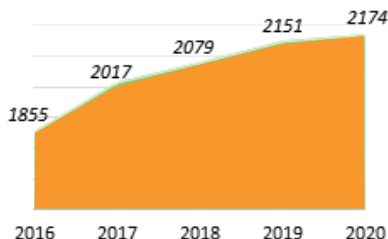
\* - within 7 years

### Southeastern region of the Mogilev region

- ▶ personal income tax – 10% (for 7 years)
- ▶ pension insurance for entities – 24%
- ▶ state financial support for the construction of engineering and transport infrastructure
- ▶ reimbursement to investors of up to 35% of the capital costs of investment projects in 2021 - 2025

### Investment agreement

- ▶ VAT deduction in full amount
- ▶ import customs duties on technological equipment, raw materials, materials – 0%
- ▶ land plot provision for lease without an auction



Number of concluded investment agreements

### Orsha district of Vitebsk region

- ▶ simplified taxation system rate – 1% or 2%\*\*;
- ▶ pension insurance – 24%;
- ▶ exemption from payment of duty for issuance of special permits for the right to engage in labor activity to foreigners;
- ▶ exemption from VAT on the import of foreign technological equipment and spare parts for it, for which the rate of import customs duty is set to 0.

\*\* - 1% in relation to revenue from goods of own production, 2% in relation to revenue from works (services) of own production



# National Agency of Investment and Privatization

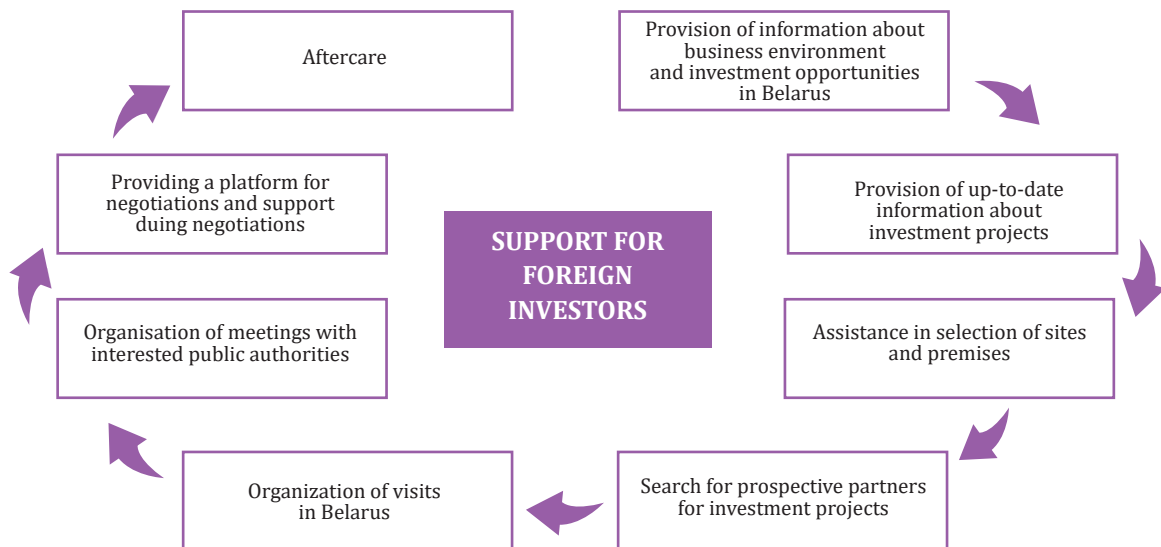
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REPUBLIC OF BELARUS