



PERU: INVESTMENT OPPORTUNITIES TEXTILE AND APPAREL

Peruvian textile and apparel sector has a deserved international positioning as a flexible supplier of large global brands. This is the result of the quality of inputs, high development of the Peruvian textile capacity and the excellent level of local apparel workshops, which can produce with great efficiency even the most complex garments.

ADVANTAGES: Integrating the international fashion chains

POSITIONING AS PROVIDER OF MAJOR BRANDS

Peru has an efficient chain, specializing in comprehensive care, “full package”, of the leading brands in the global arena. The Peruvian textile and apparel exports peaked in 2008, exceeding U.S. \$ 2.000 million annually.

- Among the many international brands served by the Peruvian industry include: Armani Exchange, Calvin Klein, Donna Karan Inc., Guess and Lacoste, among others.
- The North American market in 2009 had more than 50% of the sector exports, but clients from various European, Latin American and Asian countries are also important.
- There is a specialization in knitted cotton garments, where the quality of long and extra long fibers that are grown in Peru can be appreciated.

- Furthermore, exports based on fine alpaca and vicuña hair are highlighted, in the case of thermal clothing.

BRANDS SERVED			
Abercrombie & Fitch	Izod	Armani Exchange	Levy Strauss and Co.
Ara Intersales	JC Penny	Nassino Dutti	Guess
Calvin Klein	Nautica	Donna Karan Inc	Oakley
New Balance	DKNY	Lacoste	Inditex/ Zara
Duck Head Appared	Kenneth Cole	Eddie Bauer	Palacio de Hierro
Polo Ralph Lauren	Ragman	Perry Ellis International	Reebok
The Gymboree Corp	Vanity Fair	Tommy Hilfiger	Saks Inc.

Source: PROINVERSION

HIGH VALUE CHAIN: The efficient production process of the Peruvian textile and apparel sector, ranging from cotton farming activities or vicuña and alpaca raising and shearing, to spinning, dyeing, weaving, tailoring and garment finishing.

- A strategic differentiator in the highest quality Peruvian clothing is the use of Pima cotton, a variety grown only in Peru, characterized by its extra long strand, soft and considered one of the world’s finest threads.



- Peruvian cotton is Tangüis with its long thread, while the hybrid Hazera of extra long thread is being introduced with great success.
- Peru is the first world's largest producer of the finest South American camelids fibers, where alpaca and vicuña fibers are found, being the latter higher than the cashmere fiber.
- For efficient and flexible care of international clients, most Peruvian exporters have integrated their production processes.
- There are also specialized service providers in each of the production stages.
- The geographical proximity and time zone makes it easy to provide service to the U.S. market.

- Also, the SENATI, National Service Training in Industry Work, offers several courses related to the textile sector through its specialty "Textile / Clothing", such as Textile Apparels, Textile Quality Controller, Textile Production Processes among others.



AVAILABILITY OF QUALIFIED LABOR

The long Peruvian textile tradition has fostered the professionalization and training of manpower, both for industrial processes and agriculture and clothing. There are even various educational offerings of universities, design and computer institutes where the new technicians in the country are trained.

- The textile sector is considered as one of the largest employers in the country, from several decades ago, having the Peruvian worker proved special organizational and manual skills for more complex garments.
- The National University of Engineering - UNI has the School of Chemical and Textile Engineering.

STATISTICS: A sector with value-added opportunities

- Exports up to U.S. \$ 2.000 million annually
- The textile-clothing sector has shown a strong upward trend, reaching its peak in 2008. Due to the international financial crisis during 2009 a slowdown in exports of approximately U.S. \$ 1.500 million was recorded. However, private sector sources projected a rapid recovery with an increase of about 15% by 2010.
- TEXTILE AND CLOTHING INDUSTRY SECTOR EXPORTS

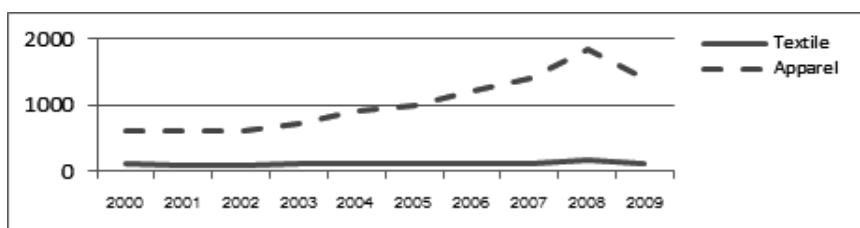
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US\$ million



APPAREL MAJOR FINAL MARKETS

In 2009, the main destination countries for the apparel sector continued to be the United States and Venezuela, with about U.S. \$ 583 and \$ 269 million, respectively. It should be noted that in both markets, there were significant reductions, in large part due to the international crisis. On the other hand, there were significant increases in exports to Argentina (23%), Italy (16%) and Germany (11%), among others. The case of Bolivia, is highlighted where the exports quadrupled and Costa Rica, a destination where exports increased from U.S. \$ 1.5 million in 2008 to over U.S. \$ 20 million in 2009.

Apparel Exports Main Destination Countries 2009

USA	51%
Venezuela	23%
Colombia	3%
Germany	2%
Italy	2%
Costa Rica	2%
France	2%
UK	2%
Argentina	1%
<i>Others</i>	12%

Source: PROINVERSION

TRENDS: The quality in the service to private label

GENERATION OF VALUE ADDED

The development of a textile-clothing industry that tends to increasingly involve the links in the productive chain should be in progress, as well as achieving the maximum efficiency and quality service in their current activities.

- The big brands are moving their foreign suppliers to other stages in design and production of garments, from the definition of the final cut to save materials, to the proposal of new collections.
- Many companies are installing internal design workshops, in addition to preparing samples for additional services offer and be able to react more quickly to changes in fashion trends.
- With competitors focused on large orders, Peru is competing for a demand for garments with complex designs, made in short periods of time and with replacement capacity within the same season.

It is expected new investments in relatively weak links in the chain, to renew the spinning capacity or specialized in extra-long fibers, and install more independent dyers.

DIVERSIFIED MARKETING STRATEGY

The Peruvian textile and apparel sector could develop diverse marketing strategies according to each target market:

- Local and Latin American Markets: Introducing products with competitive price in the market through the creation of local brands which positioning is based on openings store boutique format.
- European Market: Positioning the country as having a recognized quality in the textile and apparel sector through the supply of products "premium" for which consumers are willing to pay an additional price. Niche Market.



- U.S. Market: In addition to improving service to the biggest brands in this country, offer an own brand or special collections to importers that supply specialized stores or through catalog service.

Peruvian businessmen in trade fairs and world events such as Pret a Porter, Play Time, Ethical Fashion (France), Magic Las Vegas (USA) and Colombiamoda.

FAIR TRADE: MARKET NICHE

DEVELOPMENT OF THE PERUVIAN FASHION

The public sector seeks to support the internationalization of this important Peruvian productive sector, through the grant for participation in international fairs and the organization of the annual fashion event Peru Moda in Lima. It also seeks to achieve increased coverage of Peruvian fashion in the international magazines.

Fair Trade promotes the development of a differentiated product in the context of an alternative strategy to enter new markets.

- The consortium B & C SRL and CTM Altrmercato, in coordination with PROMPERU, is developing a pilot with 60 companies in the regions of Lima, Arequipa, Cusco, Piura and Junin.



Peru Moda is the biggest event of the Peruvian fashion industry and is considered one of the most important in Latin America.

- In Peru Moda 2010, negotiations are projected to reach over U.S. \$ 70 million.
- Representatives from leading global brands such as GAP, Armani, Custo Barcelona, Maison Simons, VF, La Martina and Palacio de Hierro, among others are expected to attend.
- Additionally, it promotes the participation of Pe-

- The pilot project is implementing a certification system in good practices, as well as in the development of a brand to certify the Peruvian textile cluster and assistance for the design and management in the sector.
- The market niche of Fair Trade in Europe, moves in Italy around 10 million Euros.
- In England, sales of organic cotton increased by 40% and sales of textiles and garments reached 100 million Euros in 2009.

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