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FASHION INDUSTRY IN UKRAINE: DEVELOPMENT AND PROSPECTS

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Abstract. *The purpose* of the article is to summarize and present the life cycles of the Ukrainian fashion industry, its origin and development within its period, and in particular, during the period of full-scale Russia's invasion of Ukraine. *Methodology*. The specifics of the study logically influenced its methodological foundations. As a result, the following methods were used: analysis, synthesis, analogy, comparative history and systematic approaches. This methodological framework allowed to compare the growth and development of the fashion industry in Ukraine and worldwide in historical, cultural and fashion discourses. The findings presented in this paper are based on research conducted with associations, agencies and retailers in Ukraine. *Results*. The study highlights the potential and direction of development of the Ukrainian fashion industry, as well as the economic situation and changes in consumer behavior during the years of Ukraine's independence and the war period. *Practical implications.* In times of war, the younger generation has higher income expectations than the market currently provides. The older generation, on the other hand, has shown greater caution and frugality, as well as lower income expectations. In such a situation, it is crucial to promote creative businesses that can provide high-paying jobs for the younger generation, as well as the garment industry that appeals to older workers. *Scientific novelty.* The concretization of the scientific novelty is represented in the understanding of the essence of the fashion business in Ukraine and its potential impact on the solution of socio-cultural, economic and environmental problems. The importance of further development of the fashion industry in Ukraine in the context of contemporary transformations is outlined.

Key words: fashion industry, art industry, designer brands, cultural brands, retail, international subcontracting, creative economy, relocation, changing the business line, investment, sustainable development.

JEL Classification: L67, L81, E30, N30

1. Introduction

Ukraine became an independent state at the beginning of the 1990s. The transition period, characterized by a difficult economic situation and political changes, had a significant impact on all processes related to the formation and development of the Ukrainian fashion industry.

The fashion industry as such did not exist in Ukraine during the first decade of the 1990s. There was a shortage of food and non-food items in stores due to high inflation. People waited in line for hours or even days to buy clothes. With the collapse of the Soviet Union, the government no longer had a monopoly on clothing production in Ukraine. As a result, a so-called "free market" was established, where goods were sold on spontaneous markets and prices were set by the sellers themselves. Typically, these goods were imported from neighboring countries such as Poland, Hungary, etc. At that time there was no clear and well-established economic form or specific legal standards for regulating these processes. However, over the next 5-10 years,

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Ukraine developed regulations for businesses, tax and customs systems.

Notably, Ukraine inherited the term "light industry" from the former Soviet Union. In turn, light industry serves as the oldest multisectoral industrial complex producing consumer goods.

This includes the manufacture of textiles, accessories, sewn and knitted clothing, footwear, leather and leather goods, accessories, and toys. Light industry enterprises also produce goods that can be used in production, such as cordage, ropes, synthetic leather, etc. According to the Classifier of Economic Activities, the light industry of Ukraine consists of 23 categories of economic activities, which are divided into three main groups.

At the time of the collapse of the Soviet Union, there were about five thousand garment factories on the territory of today's Ukraine. In 1991 the number of such enterprises was halved. Since the beginning of the 1990s, the production of light industry in Ukraine has decreased about 10 times. This was mainly due to the collapse of economic relations. The number of employees decreased from 750 thousand in 1990 to 72 thousand in 2015.

Almost all of the companies in this diversified complex have been privatized, leaving less than 1% in state ownership. Modern light industry is dominated by small and medium-sized enterprises, while women make up 90% of the workforce.

The professional infrastructure of clothing enterprises inherited from the Soviet Union became a prerequisite for the development of the Ukrainian fashion industry. In the 1930s, the first centers of the garment industry were established in Kharkiv, which was the capital of Ukraine until 1934. The Central Research Laboratory of the Clothing Industry, specializing in the design of industrial clothing patterns, was one of the first state institutions established in the city. The Kyiv House of Fashion Models (KHFM), the first model house in Ukraine, was founded in 1944 under the artistic direction of N. Lozovsky. The artists of the Lviv House of Models, founded in 1953, were the first to experiment in this field, and the Ukrainian theme later became one of the leading themes for many Ukrainian fashion designers.

At that time, Ukrainian clothing companies did not have enough goods of their own production. As a result, hard to find and expensive raw materials for the production of finished goods were a challenge for the majority of enterprises. This is one of the factors that contributed to the development of "clothing markets", where consumers could buy low-quality items of standard style. A difficult economic situation in the country, when the average income was 10 c.u. (conventional units), affected the consumption of fashion goods. In the 1990s, it was common to buy clothes in design studios and "model houses", where clothes were made to measure at relatively high costs. Simple, widely available, and inexpensive clothing became uninteresting; therefore, the typical consumer wanted to express himself through his clothing. Individuals typically purchased the textiles from which skilled seamstresses made customized garments. As a result, the consumption of one-of-a-kind goods outpaced that of commercially available goods. In addition to sewing, knitting and needlework became popular. This was the beginning of recycling, which is still practiced today.

The first step towards the establishment of the Ukrainian fashion industry was taken in 1997 by a group of like-minded professionals who wanted to organize a fashion week in Ukraine. This was the first step towards the creation of the Ukrainian fashion business. In an official letter to the French Fashion Chamber, Volodymyr Nechyporuk, Serhiy Byzov, Iryna Danylevska, Liliya Pustovit and Sonya Zabuga asked for regulations on the organization of a fashion week. Therefore, in 1997, these actions led to the creation of Fashion Seasons, and then, in 2006, the event was renamed Ukrainian Fashion Week. This ceremony was recognized as the first professional Ukrainian fashion platform, and it was at this time that the first Ukrainian designers or clothing manufacturers presented their collections in the prêt-à-porter segment. These designers often lacked the proper professional qualifications, but at the time they offered a completely fresh perspective on the world of fashion, breaking the patterns and aesthetics that prevailed during the Soviet Union. The first designers who formed the elite of Ukrainian fashion and the vector of its development were: Oleksii Zalevskyi, Serhii Yermakov, Liliya Pustovit and Serhii Byzov, Olena Vorozhbyt, Tetiana Zemskova, Angela Lysytsia, Diana Dorozhkina, Oksana Karavanska, Liliya Litkovska, Olena Serebrova, Mykhailo Voronin, Viktor Anisimov and others.

The next step in the development of Ukrainian Fashion Week (UFW) was the creation of initiatives such as Odessa Holiday Fashion Week, which ran from 2007 to 2017 and featured cruise fashion shows. In 2014, the projects New Names and Fresh Fashion (2003 and 2006) merged into a new initiative called New Generation Day. This event took place at UFW on the day when "emerging" Ukrainian designers showed their collections. In particular, with the help of the UFW, the National Fashion Award ("BEST FASHION AWARDS") was launched in 2010 to honor the personalities and leaders of the Ukrainian fashion industry who contribute to its development.

In 2005, the International Public Organization "Public Ukrainian Fashion Council" (UFC) was established to promote the development of professional activities of the fashion industry in Ukraine and worldwide. The core mission of the organization is to facilitate contacts between designers, government agencies, manufacturers, retailers and other members of the fashion community, both local and international. In addition, the organization develops initiatives to address the priorities of the industry.

For their part, the UFW and UFC organize and implement programs that promote the development and visibility of emerging designers. Key events include the Look into the Future competition for young designers, which has been held annually since 2000, and the International Young Designers Contest, which was initiated by the UFW in 2018 and has been held annually since then.

Before 2008, only Kyiv had a significant presence in the fashion industry. Since then, Lviv has joined the development of the fashion industry by launching Lviv Fashion Week.

In 2020, UFW has established itself as a national initiative in the global fashion industry. At Amazon Tokyo Fashion Week (Fashion Experiment 01) in 2018 and New York (New York Fashion Week), the following UFW residents presented their SS19 collections: Bobkova, Dzhus, Frolov, Ruslan Baginskiy, the COAT by Katya Silchenko, Valery Kovalska and Yelizavetta Volosovska.

Today, the fashion industry in Ukraine is growing at a moderate pace, with several nationally competitive fashion companies being established and expanding into international markets.

The impetus for the development of the Ukrainian fashion industry was an initiative called Kyiv Days Fashion in 2010. It was basically a platform competing with Ukrainian Fashion Week. Mercedes-Benz was the main sponsor of the event, which contributed to its worldwide reputation and naming as Mercedes-Benz Kyiv Fashion Days (MBKFD). In particular, Daria Shapovalova and Nina Vasadze were the main coordinators and motivators.

In addition to the fashion shows, MBKFD included a variety of other events, such as performances, installations, parties and educational sessions, where the leading authorities in the fashion industry gave their lectures. At the Mercedes-Benz Fashion Week event in Kyiv, the top representatives of the fashion business such as international buyers, fashion editors, fashion critics and bloggers were always present in the front rows. Mercedes-Benz Kyiv Fashion Days ended its activity in 2017, after a total of 15 seasons.

The Revolution of Dignity that took place in 2013–2014, which raised the national spirit, also contributed to the development and international recognition of the Ukrainian fashion industry. According to some experts, these events should have had a negative impact on the fashion business and set it back several years. However, these socio-cultural, political and economic changes, as well as the war with Russia, only boosted the spirits of designers, who united and worked extremely hard.

The sense of national dignity and patriotism permeated all aspects of Ukrainian society, including the fashion industry. Ukrainian fashion designers and well-known companies offered clothes inspired by Ukrainian culture. The collections were immediately popular. At the same time, they presented traditional Ukrainian clothing transformed into contemporary designs that were popular with international celebrities, who wore outfits with Ukrainian embroidery. Famous fashion houses also adopted similar themes, incorporating Ukrainian folk elements into their designs.

Since 2015, Ukrainian designers have been actively exporting their unique clothing designs, which have become popular among influential people like Bella Hadid, Emily Ratajkowski, Kim Kardashian, and others.

The Revolution of Dignity and the numerous initiatives of Ukrainian designers have changed the public's attitude towards Ukrainian goods. Instead of being associated with "Made in China", "Made in Ukraine" began to gain its own supporters. After all, the term "Made in China" compared to "Made in Ukraine" indicated the perception of Ukraine as a market with cheap labor and a fashion industry that could not produce high-quality and artistically interesting design products. However, inspired by Ukrainian identity, interesting collections by Ukrainian designers have radically changed this perception.

During this period some Ukrainian designers, including Svitlana Bevza, Artem Klimchuk, Elena Burenina, Lake Studio, Poustovit, Syndicate, Ksenia Schnaider, Nadya Dzyak, Litkovskaya and others, presented their collections in Paris and New York. Some foreign retailers such as Selfridges, Barneys New York and 10 Corso Como also sell some Ukrainian clothes created by Ukrainian designers.

From the early 1990s until about 2013, the majority of Ukrainian designers worked independently. The emergence of a new generation of designers has changed this situation. The market is characterized by fierce competition, which has led to the emergence of a large number of diverse collaborations that offer new opportunities and prospects. In the creative sphere, examples of such partnerships are the cooperation of Ukrainian designers with the FILM.UA Group, private logistics companies such as Nova Poshta, etc.

National and regional field business associations, including creative clusters, are currently being created in Ukraine: Ukrainian Fashion Week, Ukrlehprom Association, Kharkiv Fashion Cluster, Donbass Fashion Cluster, Kyiv Light Industry Cluster, Western Ukrainian Fashion Cluster, New Fashion Zone PO, Union of Small and Medium Exporters PU, etc.

Thus, given the geographical, economic and political situation in Ukraine, the fashion industry has been developing since the 1990s. These life cycles of the Ukrainian fashion industry can be studied in a systematic way by looking at how the different stages and life cycles relate to each other. In this part, the COVID-19 pandemic and other global economic and social conditions have brought Ukraine to this point.

2. International subcontracting

In Ukraine it is possible to differentiate between companies that act as international subcontractors, brands and companies that act as designer brands. The pricing policy is developed according to this classification. However, many Ukrainian companies are currently focused on promoting their own products rather than their cheap labor, which could be dumped.

Ukrlehprom, the Ukrainian Association of Textile and Leather Industry Enterprises, was founded in 2000. It is a voluntary association of 257 major enterprises of the garment industry, which together produce more than 60% of the total volume of goods produced in Ukraine. In order to promote the development of garment and footwear producers, the Association represents their interests before government bodies. According to the Ukrlehprom association, at present, the Ukrainian garment industry concentrates much more on international orders (International Subcontracting or Offshore Assembly or Production) (recycling or production abroad). According to the Ukrlehprom Group, these products account for 80 to 90 percent of the clothing industry. Prominent foreign companies, especially fast fashion names, produce their goods in Ukrainian textile factories. The largest importers of garment products (usually made-to-order) from Ukraine among EU countries are Germany (21.1% of imports), Italy (19.4%), Poland (10.4%), the United Kingdom (9.5%), etc. The majority of Ukrainian garment factories employ specialists with a high level of expertise. This allows them to reach both the Ukrainian domestic market and international customers.

Santa-Ukraina was the first company to master international subcontracting, signing an agreement with the German company Kaiser in 1993 for the production of men's trousers. After Ukraine's independence, the company's customer base grew to include Next, Mexx, Laura Ashley, BCBG, Grossa Moda and Dolce & Gabbana, as well as a dozen other European and American brands. It is even more paradoxical when these clothes return to Ukraine under recognizable brand names.

In the 1990s, the Chernihiv Elegant clothing factory received its first global subcontracting orders. It was a cooperation with consumers from the United States, for whom the factory produced coats. Now the enterprise is able to produce 300 thousand pieces of ready-made clothing with the "Made in Ukraine" label. During the year, 99% of the factory's services are provided by partners from the Netherlands, Germany, France, Poland, Lithuania, etc. Before the war, the factory spent several years modernizing its operations at its own expense. Since 2014 about 60% of the material and technical base has been modernized.

Ukrainian light industry enterprises have a wide geographical spread. Some Ukrainian garment manufacturers have worked or continue to work under the international subcontracting model. The largest of them include: "Trembita", "Volodarka", "Elegant" (Zaporizhzhia Oblast), "Elegant" (the city of Chernihiv), "Stritex" Stryi Garment Factory, "Halychyna", "Luha", Berdychiv Clothing Factory, CLOSED JOINT-STOCK COMPANY "Vesna-Zahid", TOV "Vaise-Styl", TOV "VD one", "Mira 2007", "Olteks", "Polstar", "Astra Lux", Arber Fashion Group, the "Tekstyl kontakt"[1]. The majority of clothing companies continue to operate despite the war in Ukraine.

Since 2016, when the EU-Ukraine Association Agreement IV on a Deep and Comprehensive Free Trade Area came into force, it has become easier to establish business relations under the international subcontracting model.

Hugo Boss, Douglas, Mario Dessuti, Bexley, Kaiser, Roi Robson, Pierre Cardin, Dress Master, Mark Spenser, New Trend, Mantex, Benetton, Kappahl, Formens, Nigitex, Walker, Polaris, Sandro, De Fursac, Marc Jacobs, Comma and many others are just some of the well-known brands that are customers of Ukrainian garment factories.

It should be noted that smaller companies are more flexible and adaptable to social, economic and other changes. While it is easier for large companies to meet their responsibilities to suppliers and creditors, smaller companies are also capable of doing so. By buying in bulk, companies can get better deals on raw materials. Large companies can invest more in modern technologies. Working together under the international subcontracting model offers additional benefits. The client companies often invest in the modernization of their enterprises by purchasing equipment and

[1] «Трембіта», «Володарка», «Елегант» (Запорізька обл.), «Елегант» (м. Чернігів), «Стрітекс» Стрийська швейна фабрика, «Галичина», «Луга», «Бердичівська швейна фабрика одягу», ТОВ «Весна-Захід», ТОВ «Вайсе-Стиль», ТОВ «Відіван-Україна», «Міра 2007», «Олтекс», «Полстар», ПрАТ «Астралюкс», компанія «Арбер Фешн Груп», компанія «Текстиль контакт»

installing modern technologies that meet all contemporary standards.

3. Local companies with international representation

During COVID-19, a number of Ukrainian apparel companies that had previously focused on the global market began to reorient themselves toward the domestic market. Arber Fashion Group, "Zhiva" and "VD one", among others, are some of the manufacturers that focus on the domestic market and enter the European market with their products. The production unit of Arber Fashion Group, for example, produces more than 2 million items per year. "Zhiva", which began its activity as an international subcontractor, now operates a clothing factory that produces about 3,000 units of high-quality goods per month. The company produces products for the mass market. "VD one" initially produced uniforms for British police officers and Dutch postal workers. Currently, the company only fulfills its own orders.

4. Socio-economic indicators of the fashion industry in Ukraine

In Ukraine, the economic practice of business entities that are important players in the fashion industry market, i.e., those that truly serve as fashion designers, often differs from international practices. As already mentioned, the classification of Ukrainian enterprises reflects the historically created clothing industry, which included model development as a component (design as a creative component). According to this system (the Classification of Economic Activities, 2010), enterprises are registered, pay taxes, and carry out their activities in accordance with current legislation.

The current leaders of the Ukrainian fashion industry are registered as companies in the following industries 13 – textile manufacturing, 14 – clothing manufacturing, 15 – leather, leather products and other materials manufacturing, 46 – wholesale trade, except motor vehicles and motorcycles, 47 – retail trade, except motor vehicles and motorcycles, 74 – design (creative industries).

For a comprehensive analysis of the Ukrainian fashion industry market, despite the legal registration of items 13, 14 and 15 of the Classification of Economic Activities, all elements that actually perform these activities were considered.

In 2017, the Cabinet of Ministers of Ukraine approved a list of enterprises classified as creative industries according to their activities. These included "Specialized design activities" (74.10).

5. Socio-economic indicators: exports and imports

Several factors have influenced the development of the Ukrainian fashion industry, including geopolitical, economic, COVID-19, global digitization, and, of course, the war related to the Russian aggression against Ukraine that began in 2013 and the full-scale invasion of Ukraine on February 24, 2022.

In recent years, Ukrainian fashion brands have become more recognizable on the global stage. The activities of Ukrainian companies in the international market have attracted the attention of fashion experts all over the world. This shows that Ukrainian designers are capable of developing a suitable brand idea and making it physically distinctive. This is relevant not only for local customers, but also for international influencers.

Since the beginning of the Revolution of Dignity in 2013, Ukrainian designers have expressed in their collections a synthesis of national cultural heritage and consumers' desire for self-identification and originality. Although there have been great changes, there is still a problem with the stereotype that everything foreign is better than domestic. However, today Ukrainian brands offer high quality products with interesting designs and reasonable prices.

In addition, there are obstacles to the development of Ukrainian designers and businesses, many of which are related to the lack of a defined business and marketing strategy, lack of public financial support, problems with customs, and the country's dependence on foreign raw materials.

According to the research conducted by Ukrlehprom, during the Revolution of Dignity in 2014, the production of light industry decreased by 2.7% compared to 2013, and the number of employees decreased by 6.6 thousand.In January-November 2015, imports exceeded exports by USD 947,151 thousand (2.35 times).Imports decreased by USD 664,296 thousand (-28.7%), while exports decreased by USD 332,287 thousand (-32%) compared to the same period in 2014. USD (-32.3%).

In 2017, imports exceeded exports by USD 1,162.6 million (or almost 2.1 times). Imports increased by USD 243.4 million (112.8%) compared to 2016 and amounted to more than USD 2.25 billion, while exports increased by USD 135.4 million (114.2%). USD (114.2%) and reached about USD 1.1 billion. Exports increased by $135.2 million (114.2%) and reached over $1.1 billion.

During the first month of the war in Ukraine in 2022, businesses suffered greater losses than during the two-year pandemic. The extent of the damage is currently impossible to assess as the fighting in the country continues (February 2023). Most of the

Analysis of imports and exports of light industry goods								
	January-November 2014, thousands USD		January-November 2015, thousands USD		January-November 2016, thousands USD		January-November 2017, thousands USD	
	exports	imports	exports	imports	exports	imports	exports	imports
Knitwear	110 955	207 043	75705	128 665	75705	128 665	105469,8	158741,9
Textile clothing	377 556	277339	202 978	168 797	355078,5	176740,4	378801,7	187916,2
Used clothing	462	96594	93	87278	33,6	127720,2	120,1	154399,5

Commodity structure of foreign trade in light industry of Ukraine in 2019				
	Exports		Imports	
	thousand USD in % by 2018	thousand USD in % by 2019	thousand USD in % by 2018	thousand USD in % by 2019
Light industry	1184636,2	97,1	3129621,0	117,6
Clothing and clothing accessories, knitwear	123988,1	91,0	398458,3	152,9
Clothing and accessories, textiles	391699,3	96,9	370227,1	152,9

surviving businesses continue to operate despite the war, looking for non-standard solutions such as changing the business line, relocating, etc. There are difficulties with logistics, shortages and lack of raw materials for businesses.

Design as a subcategory of the Classification of Economic Activities (74.10 Specialized design activities) shows rapid growth from 2013 to 2018. The total value added in the design industry in Ukraine in 2018 amounted to 921.4 million UAH, which represents about 37% of the total value added in the creative industry of Ukraine in 2018. During the period of full-scale war, the creative industry of Ukraine decreased by more than 40%, and 20% of its specialists left the country.

According to the statistical report "Creative industries in the first quarter of 2022" of the Ministry of Culture and Information Policy of Ukraine, the volume of declared income in this industry decreased by 41% compared to the first quarter of 2021, while the total number of taxpayers decreased by 60%. The income from design was reduced by 54%. This indicates the loss of employment (37%), the relocation of personnel abroad, etc. At the same time, 39% of creative businesses report a decrease in orders and sales. About a quarter of creative businesses report a drop in turnover of more than 90%.

In October and November of 2022, the Federation of Employers of Ukraine conducted a survey on the current needs of the labor market. The survey included 836 companies from all industries and economic sectors in 23 regions of Ukraine. According to the study, the majority of companies have reduced production volumes; about 60% of companies need additional investments in recruitment, sales markets, equipment, and so forth; while 33% of companies had vacancies during this period, mainly for specialists with vocational training.

6. Retail

Nowadays Ukrainian consumers have become more rational and moderate. The buyer will appreciate the uniqueness of things that can be inherited.

The majority of Ukrainian enterprises currently consider e-commerce, collaboration, investment and international expansion as the most effective anti-crisis business strategies.

In 2020 and 2021 Ukrainian Fashion Week introduced the concept of "No Season". This allowed designers to show collections out of season. UFW offered to present their collections in a variety of formats, both traditional and digital. Virtual shows had been held in the past within UFW, but they did not generate much interest. In today's society, however, digitalization has already had a significant impact on fashion. The fourth industrial revolution will dictate how products are created, presented and sold. For example, online commerce continues to influence the appearance of objects, including their color, pattern, cut, etc.

Before the pandemic and the full-scale war, the Ukrainian market was seen as a market with great potential for well-known European brands. This is due to the country's geographical location and relatively large customer base. The fact that many European retailers have not yet entered the Ukrainian market is also significant.

As of 2019, only 28% of all well-known global brands were present on the clothing market. Such brands as H&M, Zara Home, DeFacto, and Koton, among others, entered the Ukrainian market in 2018. In addition, American brands such as Ralph Lauren, Trussardi, Karl Lagerfeld, Steve Madden, The Kooples, etc. are also available on the market.

The appearance of these important companies indicates that the local Ukrainian market continues to expand.

Despite the appearance of foreign brands on the local Ukrainian market, Ukrainian brands are gaining popularity as they can match or beat the prices of European competitors. In addition, the majority of Ukrainian designers offer products with a national identity, which is in the interest of consumers. These characteristics are reflected in the cut, fabrics and decoration of products made using folk craft techniques.

However, there is practically no high-quality Ukrainian retail that would represent the interests of national designers. There are a few examples, such as "TSUM Kyiv" (Ukraine's only department store with a classic layout), "Vsi. Svoi", etc. The Ukrainian market needs to create a platform, including an online platform, as well as communities, groups and partnerships that can unite the interests of numerous designers.

According to a study conducted by Ukrainian Fashion Week in cooperation with the Ukrainian Fashion Council, sales of designer brands in March-April 2020 were 77% lower than in March-April 2019. The situation with employees was even more discouraging, as 43% of employees in design companies were on unpaid leave.

It is undoubtedly true that the situation caused by the epidemic has forced some Ukrainian designers to return to the domestic market. This includes designers who already have their own shops outside Ukraine. Under these circumstances, designers placed their expectations on the support of society, which had the potential to give preference to Ukrainian producers. As it happened after the Revolution in 2013, when people were inspired by the national spirit, they preferred Ukrainian brands to those made in other countries.

Before the war, most of the goods were sold on the local market. During the war, sales declined and savings were exhausted, so clothing manufacturers re-profiled and developed a strategy for exports and cooperation with foreign partners. Two months after the start of the war, when the market needed to resume operations, Ukrainian retailers gradually reduced the number of closed stores. Chernivtsi, Ivano-Frankivsk, Uzhhorod, Dnipro, Kyiv, Poltava, and other Ukrainian cities were the first to open their stores again. Today, despite all the aggravating circumstances, the majority of Ukrainian retail stores have resumed their operations and adapted to the new working conditions. A survey of RAU member retail chains shows that after 10 months, 15,190 out of 16,415 retail outlets are functioning. The percentage of active facilities is 93%, while the percentage of closed facilities is only 7%. However, it is the emigration of Ukrainians abroad that has had the most negative impact on the country's economy. There are over 7 million Ukrainians living abroad, but the tendency to return is growing.

Since the outbreak of the war in Ukraine, the vast majority of foreign retailers have ceased operations there, citing "security protocol" as the reason for their decision. These brands include: Zara, Inditex, H&M and Supreme, as well as other popular mass-market labels. As a result, more clothing from Ukrainian stores remains on the market.

7. Sustainability

Obviously, fashion is influenced not only by digitalization, but also by environmental issues, which are increasingly reinforced by economic factors. Digitalization is also a component. If the idea of sustainability was more of a trend before the pandemic and full-scale war, it is now an essential need. When Russia attacks Ukraine, the terrorist country is actually harming the environment.

Environmental destruction and pollution is a very serious problem for Ukraine. In particular, there are no recycling plants for garbage, garment waste (textile waste), etc.

Some Ukrainian brands such as Ksenia Schnaider, Rcr Khomenko and Yana Chevinska present themselves as sustainable fashion brands.

The Ukrainian association Ukrlehprom is currently discussing with representatives of the European Commission ways to further develop industrial cooperation in the field of textile production. By 2023, the textile products currently being manufactured must meet the following requirements: they must be durable, recyclable, and produced in compliance with environmental standards and social rights. These textiles will be predominantly made from recycled fibers that are free of potentially hazardous components.

O. Sokolovsky, one of the founders of UFW and the owner of the Tekstyl-Kontakt network of companies, is developing a promising investment project in this region. The project proposes the creation of the HEMPY UA Industrial Park, a center for cutting-edge technology in hemp cultivation and processing. The plant will produce industrial hemp fabrics, yarns, twines, ropes, tarpaulins and burlap. According to the owner of the company, the factory will produce more than 200 different products. The estimated total cost of the park construction is 200 million euros.

The industry currently relies heavily on imported raw materials, mainly from China, Turkmenistan, Turkey, Uzbekistan and Italy. Nevertheless, currently there are textile materials manufacturing companies operating in Ukraine:

"Tekhnofiltr", "Cheksil" worsted and cloth company, Berezanka cloth factory, "Sumykamvol", "Vladi", "Yaroslav", and the Tekstyl-Kontakt group of companies.[2]

8. Fashion industry during the war in 2022: forecasts and prospects

In the context of the war, Ukraine is facing unprecedented challenges. As a result of Russia's military aggression, the country's economy is experiencing one of the most difficult periods in its history.

Intellectual and creative professionals find it easier to leave and continue work in a relatively safe place. Manufacturing firms are geographically tied, so their mobility is limited. Nevertheless, apparel companies relocate to safer locations and often change their line of business.

According to the Chairman of the Board of Ukrlehprom Specialized Association, during the war in Ukraine in February 2022 – February 2023, a large number of enterprises were destroyed or damaged, and more than half of the clothing industry was destroyed. The majority of these enterprises are located in the occupied territories or in the war zone. Before the war, there were 1,600 garment manufacturers in Ukraine. Many production facilities were located in the northeastern part of Ukraine; Sumy, Chernihiv, and Kharkiv were among the first regions to be attacked by the enemy. Several plants in the Kyiv region were also damaged; in the southeast, plants in Kherson, Zaporizhzhia, and Luhansk remain destroyed, occupied, and looted.

Currently, about 60% of the companies are either closed or operating on a temporary basis. This is the result of both damage and lack of orders. It is obvious that the majority of foreign partners who once placed orders with Ukrainian garment manufacturers have terminated their partnerships. Faced with this situation, many enterprises are relocating their facilities, looking for investments, etc.

In particular, the Tekstyl-Kontakt group of companies sets an excellent and dynamic example. In the first days of the war, the company's factory in Chernihiv was destroyed. Now the reconstruction works have started. In addition, the company is preparing a new investment project for the Rivne Oblast. This is an automated sewing line for which Ukraine currently has no analog. Its production is expected to be competitive with China and other Southeast Asian countries in terms of productivity. In addition, Ukraine's geographic location makes logistics more efficient in terms of both pricing and delivery times. The company is now negotiating with investors on the financial indicators of the post-launch readiness. The required investment is approximately 7.8 million EUR.

During this time of war, there is a serious shortage of freight transport and drivers in the country, which poses a problem for companies that need to relocate their operations. The relocation of production facilities is made possible in part by the government's Business Relocation Program. The main carriers under this program are the Ukrainian Railways and Ukrposhta, the Ukrainian national postal service. The transportation costs are partially covered by the compensation provided by this system.

The decision to relocate garment factories to the West and Southwest of Ukraine is also due to the fact that investors and insurers may not be willing to take risks and invest in enterprises even after the end of the war if they are located near the border with Russia and the former front line. In this case, the Lviv, Ternopil, Ivano-Frankivsk and Zakarpattia oblasts are given priority. These are the factors that will influence the geographical distribution of apparel companies in the near future. Ukraine is also witnessing the merging of production facilities between local and relocated companies. For example, companies from Ivano-Frankivsk are helping some destroyed Kharkiv garment manufacturers to create a whole new line of clothing. At the beginning of the war, the Kharkiv garment factories that had been evacuated ordered embroidery from local producers, but after the resumption of work, the entrepreneurs offering embroidery services in Kharkiv resumed cooperation with their former partners. This indicates the moral aspect of supporting local enterprises and possible plans of enterprises to resume their work in the occupied territories or in those that were on the front line.

However, not all factories follow the strategy of relocation. Some of them, such as one of the Tekstyl-Kontakt factories, the TK-Style clothing factory, and the Elegant clothing factory in Chernihiv, plan to stay, because business is about restoring the city and its ecosystem, which is a moral component of business.

The Tekstyl-Kontakt group of companies, which includes the TK-Korosten clothing factory and the TK-Style clothing factory, which resumed operations during the war, was able to increase the number of employees, maintain output at the level of the year 2021, and increase production. The latter uses a global subcontracting model. In addition to maintaining relations with existing customers,

[2] ПрАТ «Технофільтр», Камвольно-суконна компанія «Чексіл», «Березанська суконна фабрика», «Сумикамволь», «Vladi», «Ярослав», група компаній «Текстиль-Контакт».

the company was able to start working with new customers.

Nowadays, especially clothing companies are entrusted with the strategic task of ensuring the defense capability of the state. Many Ukrainian garment enterprises have changed their business and started fulfilling orders from government agencies, ministries and departments, such as the Armed Forces of Ukraine, the Territorial Defence Forces and the National Guard of Ukraine. Thus, the garment factories began to produce items for special clothing and personal protection equipment against various types of damage. This change in the line of business is not only an effort to save businesses and support the economy, but also a reflection of the struggle on the home front. Most of them are conscientious, proactive companies that set market trends.

The relocation and the change of the business sector are supported by the state to a certain extent at the legislative level. For example, the tax and administrative burden on companies has been significantly reduced, and tax incentives have been introduced to provide the state with essential goods during the war.

At the beginning of the war, the Ukrainian Fashion Week team launched the Support Ukrainian Fashion initiative. They sent a letter to the global fashion community asking for support for Ukrainian democracy. As a result, 43 Ukrainian designers collaborated to show their collections at fashion weeks in Berlin, Copenhagen, Madrid, Vienna, Budapest, Los Angeles, Malta, Romania, and many others. These events were not only a way to support the brands, but also an opportunity to talk about the war in Ukraine. Fashion has always reflected social and cultural attitudes, historical events, and economic and environmental issues. Ukrainian brands are using all available means to inform the world about the war in Ukraine. They initiate charity fundraisers, provide clothing to the army, create charity NFT projects, offer interviews to the international press, and participate in exhibitions, fashion weeks, and film festivals. The following festivals have shown Ukrainian fashion films: La Jolla International Fashion Film Festival, Roma International Fashion Film Festival, Pink Apple Film Festival and others.

For fashion brands, the priority is to support the country's economy by preserving and creating jobs in the fashion industry. The Frolov Heart initiative, for example, has helped recruit three times as many embroiderers. Frolov Heart is a limited-edition clothing line featuring an anatomical heart embroidered with thread or beads, which serves as the brand's logo. Frolov Heart is a limited-edition series of clothing featuring an anatomical heart embroidered with threads or beads, which serves as the brand's emblem. Currently, the Litkovskaya brand has resumed operations in Lviv to provide employment opportunities for its workers and forced migrants.

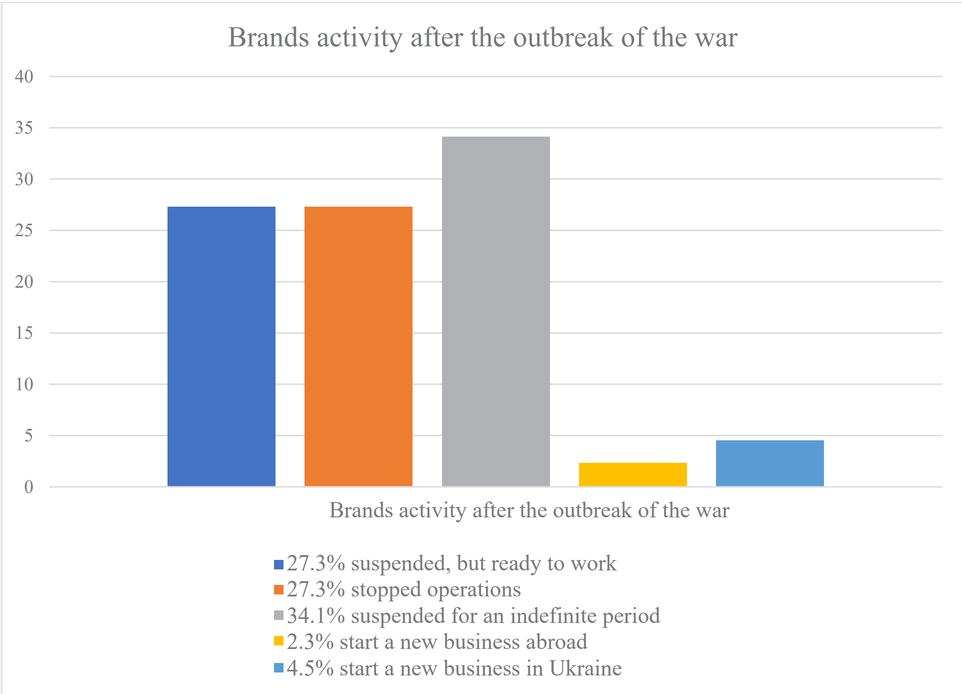
Some of the brands that have reprofiled or additionally loaded their production are Frolov, Pilsok, MustHave, Vorozhbyt&Zemskova, Keepstyle, Andre Tan, Kachorovska, Ruslan Baginskiy, Poustovit, COAT by Katya Silchenko, FROLOV, Bevza and GEPUR. These brands are currently engaged in the process of sewing uniforms in non-standard sizes for the Armed Forces of Ukraine. They produce uploading vests, balaclavas, clothing and footwear. The IDol brand, for example, has started the production of a wide range of different products, including camouflage nets and other goods. Of course, this is not the first experience of Ukrainian brands in this area. For example, the Frolov brand had the opportunity to support the people of the Maidan during the Revolution of Dignity by participating in a voluntary project to provide bulletproof vests to the people there.

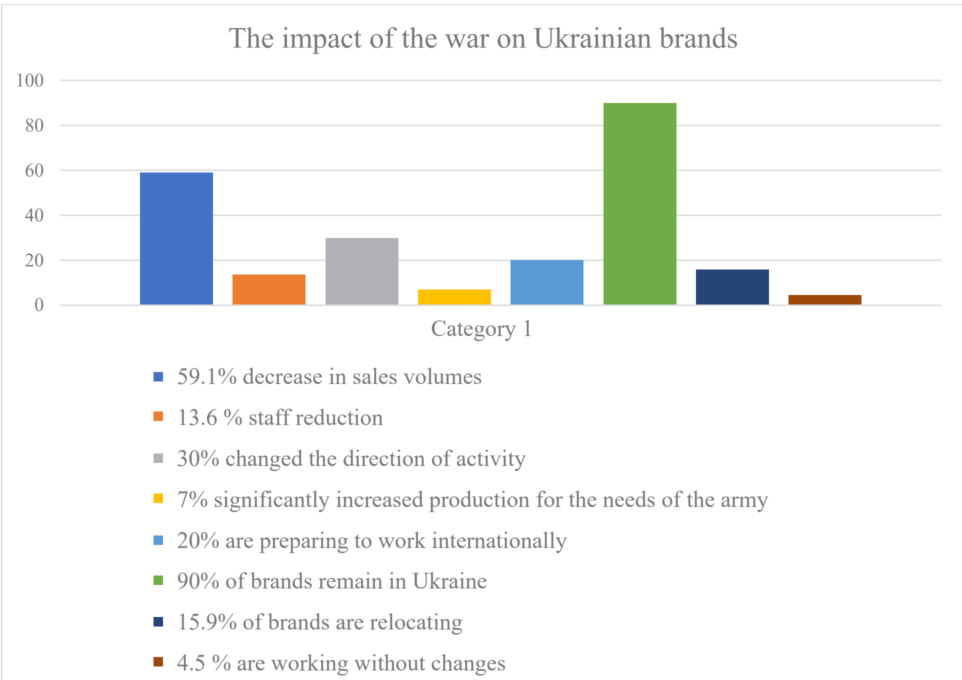
Today Ukrainian designers are trying to introduce Ukrainian products, cultural heritage and traditions to the world. This is true for the fashion business as well as for the whole creative industry. Designers working in the newly formed Ukrainian fashion industry are increasingly interested in incorporating elements of traditional Ukrainian clothing into their collections. These elements include the use of traditional Ukrainian cuts, silhouettes, fabrics and techniques such as embroidery, padding and embroidery with gold (or silver) (the COAT (SS23 collection), LITKOVSKA, BEVZA, etc.). This makes it possible to create things that tell a story and will be a kind of reinterpretation of the code of the Ukrainian nation that can be transmitted through fashion. In particular, this approach to making things can be combined with the principles of sustainable fashion, helping to preserve both culture and jobs. However, excessive use of cultural traditions in clothing and accessories can leave the handicrafts and decorative and applied arts segment behind. Contemporary clothing concepts of Ukrainian designers are dominated by yellow and blue palette pieces with Ukrainian symbols (national flag, emblem of Ukraine, viburnum and wheat ears), slogans and expressions ("Freedom", "Glory to Heroes", "Mariupol", "Bucha"). The number of patriotic collections will increase in the near future. However, it is important to convey the Ukrainian cultural code with more depth and consideration. Therefore, new fashion will incorporate national codes and customs into its design elements and the DNA of brands. The war has awakened national consciousness and strengthened the understanding of one's own identity, and this should be a turning point and a strong impetus for the development of a new Ukrainian culture.

At the beginning of the war, the BUD v UA platform conducted a survey among Ukrainian designers. According to the survey, before the full-scale invasion, brands were making a stable profit, and after the tragic events, only a third of brands returned to work. Some have stopped working, but plan to resume their work.

Creative industries, including design, will also play an important role in the country's recovery. Investment in the creative economy will significantly accelerate the country's development. The creative economy will promote digital transformation, which will bring transparency to processes at all levels, help bring back Ukrainians who were forced to go abroad by providing them with high-paying jobs, and more.

According to recent estimates, a significant percentage of Ukrainian brands will cease operations, particularly due to the COVID-19 outbreak and Russia's full-scale war against Ukraine. This could





happen despite the huge expansion of e-commerce and online services.

Both large and small businesses are working to find new approaches to solving problems during the war. Currently, many companies have launched websites with high quality content and online services. In order to update and reorganize their production facilities, companies are looking for funding. Now companies are taking effective measures to survive, but all these efforts, including popularizing brands in Europe and focusing on overseas consumers, are also temporary, as all brand activities should be focused primarily on the Ukrainian consumer after the war ends. Consumers will need affordable, quality clothing. Therefore, it is crucial to establish a strong and robust economic, legislative and logistical framework that will allow brands to thrive in both the local and global markets.

9. Conclusions

In summary, the Ukrainian fashion industry dates back to the 1990s. The creation and development of the fashion industry was influenced by geopolitical, social and economic factors, as well as Russia's war against Ukraine.

In the 20s of the 21st century Ukraine's production potential became attractive for foreign companies.

However, the most important strategic goal for Ukraine is to move from "Made in Ukraine" to "Design in Ukraine", from a country that provides raw materials or a favorable environment with cheap labor to a country that develops its own high-quality product.

During the war, only the strongest brands that had financial backing and the most flexible ones that were able to quickly adapt to the new reality will remain on the Ukrainian market. The majority of brands will evaluate their expenses and look for alternative sales channels.

The economic crisis will not subside immediately after the end of the war. Obviously, the consumer's approach to the consumption of goods will become more reasonable and balanced. Therefore, in this situation, it is important to maintain an emotional connection with customers and offer a product at a reasonable price.

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