

Vietnam Textile and Apparel Industry Profile

These are exciting times for the garment and textile industry in Vietnam as 2009 saw it overtake crude oil and gas as the country's top export – though this was partly due to low oil prices. But changes in the world economy mean it may need to refocus where it ships its products.

A glance at the numbers reveals the industry's progress. Since 2000, the industry has achieved an annual growth rate of 20% and generated 2 million jobs, contributing 17% to the country's total export turnover.ⁱ Vietnam shipped just over \$9 billion in garments and textiles in 2009 to primarily the United States and Europe, only a 1.3% decline year-on-year during a period when many industrialized economies were in recession, as shown in Table 5.ⁱⁱ

Vietnam has about 2 million workers in its garment and textile industry, supplying about a 1.5% of the world garment and textile market. It is the United States' second-largest supplier behind China.ⁱⁱⁱ Europe and Japan make up most of the rest of Vietnam's export market, as shown in Table 2.

Wages have improved from 2006 to 2009 due to worker strikes, but at US\$0.30 to \$0.60 per operator hour it remains one of the lowest cost labor markets in the region, as shown in Table 1.^{iv}

Despite Vietnam's burgeoning population of 87 million and the government reporting of working age population of 44 million, labor supply continues to pose a challenge to the textile and apparel industry. Locals believe working in the industry means hard work and low income.

Effects of the 2008-2009 Global Financial Crisis

The worldwide downturn that started in the second half of 2008 had a massive impact on Vietnam's garment and textile industry. Companies reported 25-30% fewer orders at prices 10-15% lower than the previous year.^v This led to layoffs of 20,000-30,000 workers during that 18-month period and partial closure of some plants.

To combat weaker demand, the industry made some changes:-

- Many companies tried to reduce the cost of production and lowered their product prices to maintain clients.
- The industry trade group sent business delegations abroad to work directly with customers.
- The industry encouraged companies to turn to the local market.
- It asked the government to provide stimulus packages.^{vi}

Orders started to resume from the second quarter of 2009, helping Vietnam's economy report better than expected growth that year.

Strategy for the Future

The industry's current strategy reflects its attention to shifting markets, labor demographics, and the nature of today's business environment. In recent times it has been:-

- Restructuring textile production by moving out of cities and into industrial parks with wastewater treatment plants to protect the environment – although this calls for more foreign investment.
- Relocating the garment sector to rural areas where labor is readily available and less expensive.
- Encouraging big companies to establish and maintain long-term relationships with overseas importers and retailers.
- Adding value to products, such as design and branding to increase customer loyalty.
- Paying more attention to domestic markets.
- Improving industrial relations and training programs to minimize labor disputes and increase efficiency and job loyalty.^{vii}

In addition, in 2008 the government agreed to invest more in raw materials production to reduce reliance on imports. The industry aims to produce around 490,000 tons of cotton, man-made fiber and yarn by 2010, 750,000 tons by 2015 and 1.1 million tons by 2020 to help meet 50%, 60%, and 70% respectively of forecast domestic demand.^{viii}

Intra-ASEAN Integration

Trade between Vietnam and its ASEAN neighbors exploded between 2002 and 2009, growing tenfold for some of their most popular items. Its top export markets are Thailand, the Philippines, and Malaysia, and its top products are synthetic filament yarn, synthetic staple fiber yarn, and cotton yarn.

Vietnamese exports to ASEAN countries of synthetic filament yarn rose from \$3.6 million in 2002 to \$48.7 million in 2009. In the same period, synthetic staple fiber yarn exports rose from \$6.2 million to \$36.3 million, and cotton yarn rose from \$311,000 to \$33.3 million, as shown in Table 6.

Vietnam is also sourcing more of its garment and textile imports from the ASEAN region, with Thailand, Indonesia, Malaysia and Singapore its biggest suppliers. For example, ASEAN supplied just 11% (\$298,000) of Vietnam's synthetic staple fiber needs in 2001. By 2008, ASEAN had cornered 43% (or \$94.7 million) of the Vietnam market, as shown in Table 7. Vietnam's synthetic staple fiber imports from ASEAN had increased 300-fold over that seven-year period. Synthetic filament yarn imports almost doubled in the same period, from \$53 million to \$90 million as shown in Table 7. Cotton imports, uncarded and uncombed, increased almost 15-fold, from \$2.3 million to \$31.2 million, with most of this sourced through Singapore.



The Source ASEAN Full Service Alliance hopes to continue this robust intra-ASEAN trade by forming virtual vertical factories that pair downstream material suppliers with intermediate and upstream suppliers to emphasize speed to market and one-stop shopping for customers. The program aims to shorten lead times, as demanded by today's largest global apparel brands. Clients want products on the shelves as soon as possible after the designer sketches it.

Strengths, Weaknesses, Opportunities and Threats

The industry retains several strengths that should help it overcome whatever obstacles appear in the next few decades. Its main attribute is an abundant, skillful, quick-learning labor force available at a relatively competitive cost. In addition, many of its enterprises are well-organized and can make quality, complicated styles.

The industry also has a good relationship with major importers and retailers, especially in the US. And compared to many of its neighbors, Vietnam has a stable social, economic and political environment.

Holding the industry back is a lack of skilled workers with experience in technology, fashion, and management. The industry's trade group reports that too many exports depend on imported fabric and accessories, depressing the amount the country nets on each sale.

Furthermore, the development of home-grown brands remains stunted, so the sector is not selling as much value-added product as it could.^{ix}

Vietnam's entry in the World Trade Organization provides new opportunities for market access and foreign investment. Furthermore, trade pacts within the Association of Southeast Asian Nations (ASEAN) and between ASEAN and China offer the potential for production relocation to Vietnam.

The country's large domestic market provides a strong foundation for the industry. According to a survey by the industry's trade group, Vietnamese consumers spend \$9-30 a month on fashion products, accounting for 18% of their total monthly expenditure.^x For those 20-25 years old, clothing accounts for 46% of their expenditure.

Unfortunately, recent shifts in the world economy mean the days of export-led manufacturing for mid-sized countries may be ending as Western markets falter and competition from cheaper countries increases. For Vietnam's garment and textile industry, much of that competition is coming from China, India and Bangladesh.^{xi}

Another threat that comes with depressed economies is increasing international trade and technical barriers. But a positive signal occurred in late 2008 at the end of the Bush Administration's reign when the US government stopped monitoring Vietnamese apparel imports for dumping.^{xii}

As in many of its neighbors, corruption remains a significant issue in Vietnam. And the country has yet to show that it can allow private capital to operate freely.^{xiii}

All in all most analysts remain upbeat about the Vietnamese garment and textile industry's ability to thrive in the coming years.

Table 1: Recent Data on Vietnam Garments and Textiles

Category	Textiles and Garments
Total Workers	2 million
Vietnam Export Total (2008) % of World Market (2007)	\$9.082 billion total with 10-15% of that textiles 1.43%
Five most popular exports (2008)	Value and Market Share
Polo shirts/T-shirts	\$2.1 billion 23.1%
Pants	\$1.5 billion 16.4%
Jackets	\$1.2 billion 13.1%
Shirts	\$500 million 5.5%
Coats	\$475 million 5.2%
Average Wage	\$0.30-0.60 per operator hour

Source: Vinatex and South East Asia Textile Business Review 2009 (1st edition)

Table 2: Garment and textile exports by major markets 2004-2008 (US\$m)

	2004	2005	2006	2007	2008
USA	2,474	2,603	3,044	4,465	5,116
EU	762	882	1,243	1,489	1,704
Japan	531	604	628	704	820

Source: South East Asia Textile Business Review 2009 (1st edition)

Table 3: Vietnam's most popular apparel exports to world (US\$)

Product	Value in 2001	Value in 2002	Value in 2003	Value in 2004	Value in 2005	Value in 2006	Value in 2007	Value in 2008
Women's suits, jackets, dresses, skirts & shorts	84,116	243,611	411,277	634,455	832,195	939,007	1,355,028	1,445,550
Jerseys, pullovers, cardigans, knitted or crocheted	40,168	186,679	306,180	347,399	354,821	475,873	826,105	1,439,493
Men's suits, jackets, trousers & shorts	371,093	506,082	639,497	694,306	770,983	1,003,270	1,175,781	959,181
Men's overcoats, capes, wind-jackets	196,146	191,041	148,502	252,572	210,395	317,253	336,968	537,676
Women's overcoats, capes, wind-jackets	214,568	186,531	146,193	244,072	249,249	221,764	317,028	528,150
Women's suits, dresses, skirts, shorts, knit/crochet	16,591	93,643	280,573	297,064	333,312	323,846	445,412	479,030
T-shirts, singlets and other vests, knitted or crocheted	80,262	160,136	204,802	252,859	232,187	341,487	579,764	449,145
Men's shirts	162,008	225,323	249,852	330,585	324,261	358,604	373,897	418,442
Track suits, ski suits and swimwear; other garments	274,319	153,837	77,965	59,996	86,447	99,523	100,690	366,071
Men's shirts, knitted or crocheted	5,677	20,143	81,032	116,113	147,416	155,213	203,893	333,351

Source: UN Comtrade statistics

Table 4: Vietnam's most popular textile exports to world (US\$)

Product	Value in 2001	Value in 2002	Value in 2003	Value in 2004	Value in 2005	Value in 2006	Value in 2007	Value in 2008
Woven fabrics of synthetic filament yarn	13,370	34,025	46,071	68,075	75,244	115,054	159,426	162,168
Cotton yarn (not sewing thread) 85% or more cotton, not retail	6,902	7,487	26,500	22,567	22,152	34,569	46,814	97,442
Yarn of synthetic staple fiber, not put for retail sale	24,987	68,133	62,374	87,217	101,112	130,061	192,348	85,670
Synthetic filament yarn, not put up	33,054	14,561	6,789	12,933	32,552	67,455	83,172	85,351
Synthetic staple fibers, not carded	430	1,711	1,136	387	11,069	22,897	51,553	61,755
Knotted netting of twine, cordage/rope made up fishing nets	17,371	18,411	19,526	24,659	29,939	44,991	45,292	48,503

Source: UN Comtrade statistics

Table 5: Annual export turnover of textiles and apparel 2000-2009 (US\$b)



Table 6: Export value of textiles and apparel from Vietnam (US\$b) and % of total exports

2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
1.90	2.32	2.84	3.94	4.386	4.838	5.834	7.75	9.082	9.01
10%	11%	12%	13%	13%	14%	14%	15%	15%	17%

Source: South East Asia Textile Business Review 2009 (1st edition)

Table 7: Vietnam exports to ASEAN countries 2002-2009 (US\$'000)

Importers	2002	2003	2004	2005	2006	2007	2008	2009
Synthetic filam yarn, not put up								
ASEAN	3,595	828	604	2,352	18,224	27,426	39,491	48,703
'Thailand	1,264	4	52	1,190	14,550	20,201	35,009	41,799
'Indonesia	181	-	3	63	128	451	315	3,619
'Cambodia	311	366	179	409	1,569	1,957	2,214	1,762
'Malaysia	701	363	335	524	925	1,786	1,496	857
'Lao People's Democratic Republic	-	-	-	66	1	183	371	342
'Philippines	526	80	35	35	1,051	2,848	86	254
'Singapore	607	15	-	65	-	-	-	70
'Myanmar	5	-	-	-	-	-	-	-
Yarn of synth staple fibre,not put for retail sale								
ASEAN	6,216	12,607	13,513	20,449	22,086	35,165	61,551	36,330
'Philippines	1,144	808	1,793	6,348	10,033	15,103	29,215	17,634
'Malaysia	1,214	4,898	6,615	9,099	8,042	9,352	26,010	11,940
'Thailand	1,642	2,913	1,886	1,837	2,517	7,429	3,191	3,268
'Indonesia	339	423	154	59	-	945	2,138	3,061
'Cambodia	198	527	73	98	8	171	608	395
'Lao People's Democratic Republic	122	-	-	-	-	11	267	32
'Singapore	1,557	3,038	2,992	3,008	1,486	2,154	122	-
Cotton yarn (not sewing thread) 85% or more cotton, not retail								
ASEAN	311	1,074	3,050	4,496	9,105	15,531	12,116	33,276
'Malaysia	-	30	1,956	3,835	5,112	8,868	7,964	12,901
'Philippines	255	47	106	165	1,360	2,400	1,683	12,439
'Thailand	19	162	335	85	169	1,134	393	5,496
'Indonesia	-	1	98	-	166	652	724	1,259
'Singapore	37	123	438	277	2,257	2,434	1,277	909
'Cambodia	-	698	116	134	37	43	23	157

Importers	2002	2003	2004	2005	2006	2007	2008	2009
'Lao People's Democratic Republic	-	13	1	-	-	-	52	115
'Myanmar	-	-	-	-	4	-	-	-
Fabrics, knitted or crocheted, of a width of > 30 cm								
'Indonesia	-	-	-	-	16	3,848	6,556	16,367
'Cambodia	-	-	-	3	288	3,449	5,941	8,944
'Philippines	-	-	-	13	-	301	1,234	1,786
'Thailand	-	-	-	9	6	183	588	757
'Lao People's Democratic Republic	-	-	-	-	14	50	192	420
'Singapore	-	-	-	3	-	360	-	141
'Malaysia	-	-	-	19	66	38	66	136
'Myanmar	-	-	-	-	-	2	-	23

Source: UN Comtrade Statistics

Table 8: Vietnam imports from ASEAN countries 2001-2008 (US\$'000)

Exporters	2001	2002	2003	2004	2005	2006	2007	2008
Synthetic staple fibres, not carded								
'World	2,608	6,776	6,919	167,040	188,945	176,334	205,794	221,536
ASEAN	298	206	242	26,971	44,716	50,376	93,110	94,746
'Thailand	191	-	99	22,078	37,369	40,397	76,555	72,981
'Malaysia	53	-	-	4,025	4,376	4,207	5,727	10,957
'Indonesia	54	36	143	629	2,378	5,511	9,723	10,464
'Singapore	-	170	-	184	593	261	1,105	344
'Philippines	-	-	-	55	-	-	-	-
Synthetic filam yarn, not put up								
ASEAN	52,963	67,514	63,590	59,271	66,710	75,130	93,368	89,900
'Indonesia	13,231	13,377	17,327	15,873	19,900	19,687	25,201	30,784
'Malaysia	31,419	43,768	36,934	29,635	31,107	39,349	43,763	30,159
'Thailand	6,766	7,804	7,599	12,796	14,673	15,252	22,474	26,716
'Singapore	1,532	2,562	1,627	904	992	832	1,881	2,193

Exporters	2001	2002	2003	2004	2005	2006	2007	2008
'Philippines	15	-	79	63	38	10	49	48
'Myanmar	-	3	-	-	-	-	-	-
'Cambodia	-	-	24	-	-	-	-	-
Cotton, not carded or combed								
ASEAN	2,294	4,979	4,367	5,195	5,392	8,678	6,437	31,199
'Singapore	1,122	4,036	2,797	2,082	4,087	7,881	4,463	27,025
'Indonesia	1,129	366	1,212	1,756	893	605	1,604	3,698
'Malaysia	6	565	273	1,156	79	-	-	476
'Myanmar	-	12	-	-	-	-	-	-
'Lao People's Democratic Republic	-	-	-	-	-	-	147	-
'Cambodia	-	-	-	154	-	-	-	-
'Thailand	37	-	85	47	333	192	223	-
Woven cotton fabrics, less than 85% cotton, mxd with manmade fibers								
ASEAN	650	298	3,686	1,182	7,080	14,725	22,315	28,806
'Malaysia	505	153	2,352	93	3,089	7,504	9,652	12,960
'Thailand	88	94	597	785	2,662	5,815	7,715	9,036
'Singapore	44	2	64	100	394	562	3,259	5,300
'Indonesia	13	49	673	188	533	844	1,687	1,412
'Cambodia	-	-	-	16	400	-	-	78
'Philippines	-	-	-	-	2	-	2	20

Source: UN Comtrade Statistics

Table 9: SWOT Analysis

Strengths:	Weaknesses:
<ul style="list-style-type: none"> + Abundant, skillful, quick-learning workforce at relatively competitive cost + Well-organized enterprises that can produce quality, complicated styles + Good relationship with major importers and retailers, especially in the US + Stable social, economic and political environment 	<ul style="list-style-type: none"> - Lack of skilled workers with experience in technology, fashion and management - Too many exports dependent on imported fabric and accessories - Undeveloped branding - Weak national competitiveness
Opportunities:	Threats:
<ul style="list-style-type: none"> + Entry to WTO provides access to new markets and foreign investment + Tariff eliminations between ASEAN nations and new ASEAN trade pacts with China offer increased options within SE Asia and the possibility of plant relocations to Vietnam because of its cheap labor + Large domestic market of 87 million people 	<ul style="list-style-type: none"> - Economies of traditional Western markets stagnant - Fierce competition from China, India and Bangladesh - Increasing international trade and technical barriers - Corruption - Ability to allow private capital to operate freely

Source: Vinatex

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