


INVESTMENT REPORT
**VIETNAM'S TEXTILE
& APPAREL INDUSTRY**

UP TO Q3/2021

TABLE OF CONTENTS

I.		
CURRENT STATUS OF TEXTILE AND APPAREL INDUSTRY IN VIETNAM		03
1.1/	Index of industrial production (IIP)	04
1.2/	Exportation of textile and apparel products	05
1.3/	Consumption index of textile and apparel products	07
II.		
INVESTMENT OF TEXTILE AND APPAREL PROJECT IN VIETNAM		09
2.1/	Textile and apparel FDI projects has been licensed up to Q3/2021	10
2.2/	Textile and apparel projects are planned to be formed in the near future of cities in Vietnam	12
III.		
POTENTIAL FOR INVESTMENT AND DEVELOPMENT OF TEXTILE AND APPAREL PROJECT IN VIETNAM		13



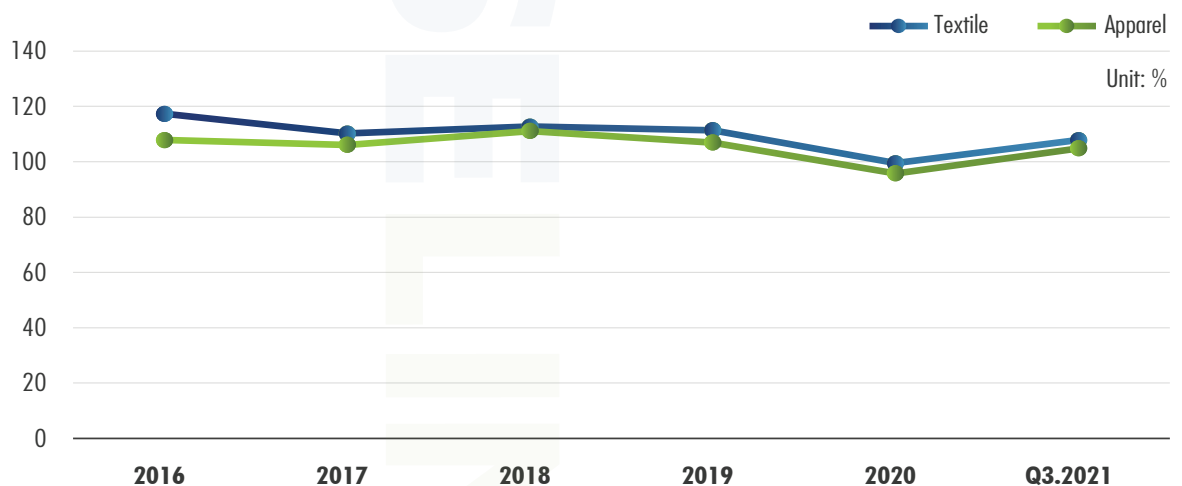


I/ CURRENT STATUS OF TEXTILE AND APPAREL INDUSTRY IN VIETNAM

1.1/ INDEX OF INDUSTRIAL PRODUCTION (IIP)

During 4 years (2016-2019), the IIP rate of Textile & Apparel industry always maintained an increase, on average, during this period, the index of Textile and Apparel industry increased by 12.9%, in which the highest increase recorded in 2016 was 17.3%. However, in 2020, due to the impact of Covid-19 pandemic, the Textile & Apparel industry in Vietnam faced many difficulties and challenges: (i) Disruption of the supply chain of raw materials (ii) Orders dropped because of social distancing policy and changes of consumption habits. Although the epidemic increases the demand for protective products and medical masks (both domestic and foreign), not too many companies benefit from this. This is evidenced by the decrease in IIP in 2020. However, in 2021, with a low rate recorded in 2020, the IIP up to Q3/2021 increased 7.8% in Textile and 4.8 % in Apparel compared with same period of last year.

IIP RATE (COMPARED WITH SAME PERIOD OF THE PREVIOUS YEAR)

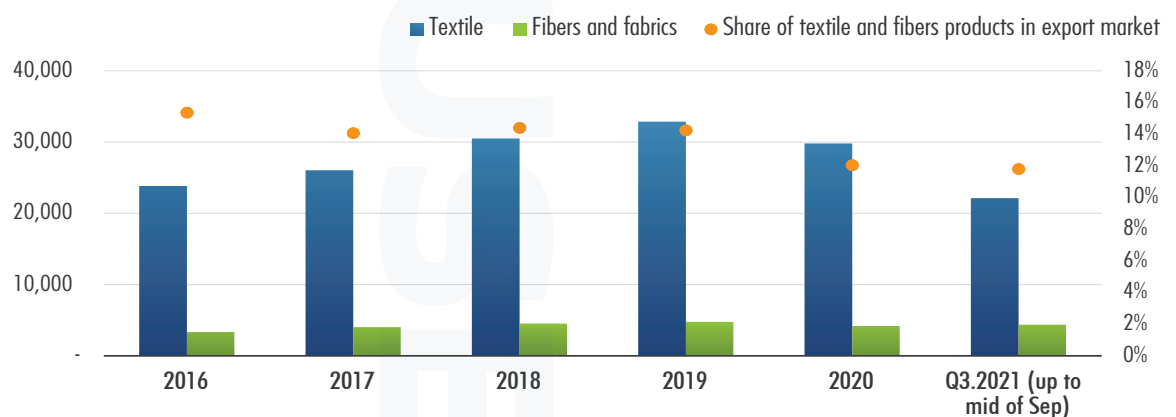


Source: GSO, HOUSELINK

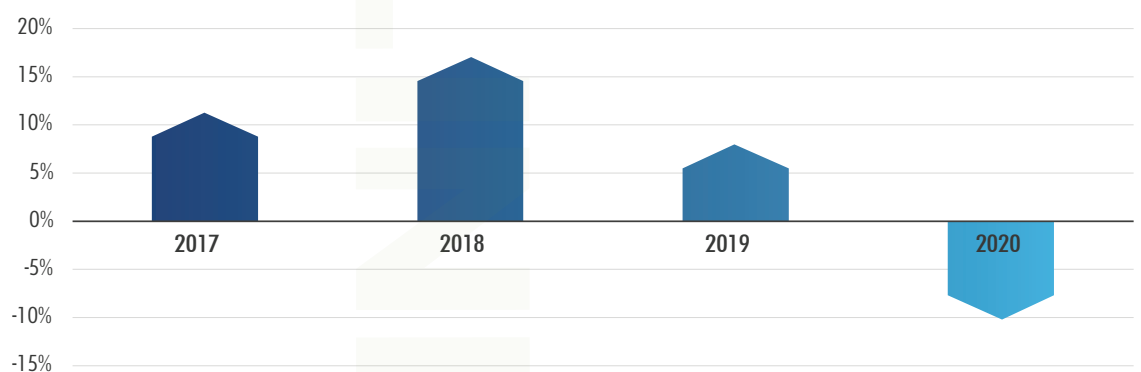
1.2/ EXPORTATION MARKET OF TEXTILE & APPAREL PRODUCTS

The exportation of Textile, Fibers and Fabrics products increased continuously in period 2016-2019. In which, the figure in 2019 recorded a biggest number with the exportation amount of about 38 billion USD. However, the Covid-19 epidemic caused Vietnam's textile & apparel exports to slow down in 2020, but recovered quickly from the last months of 2020 and made a strong breakthrough in the first 9 months of 2021 (up to mid of September). The exportation of these three products in textile & apparel industry up to Q3/2021 account for about 78% the one in 2020, it was higher than the exportation of same period of 2020, but it was still lower than the number in same period of 2019.

EXPORT TURNOVER OF TEXTILE AND FIBERS (MILLION USD)



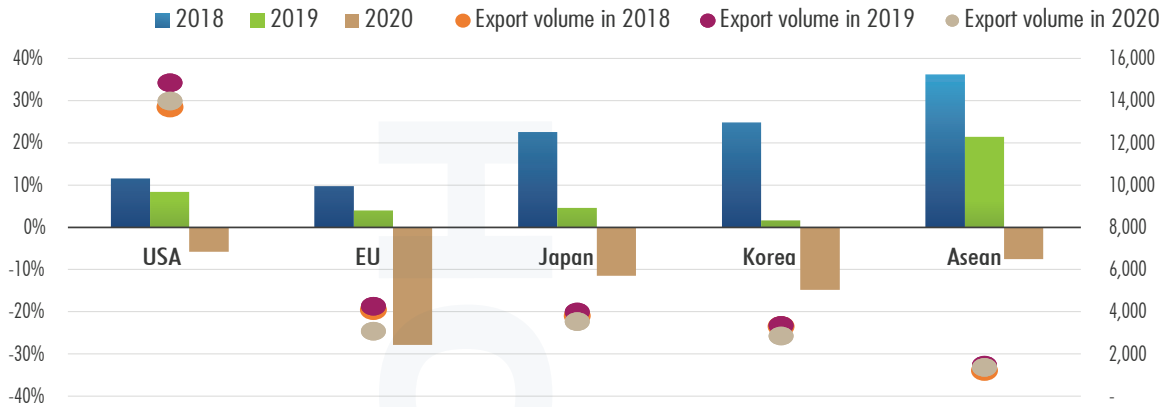
CHANGE IN EXPORT MARKET OF TEXTILE AND FIBERS, FABRICS (%)



Source: GSO, Customs, HOUSELINK

USA, EU, Japan, Korea and Asean are five (05) biggest export markets of the textile & apparel industry. In term of export volume, USA is the biggest market, but the growth in this market is quite small during period 2017-2020. The growth of exportation in 2019 was smaller than the one in 2018, but it was still positive. In 2020, the growth in these key export markets were negative due to the impact of Covid-19 in these markets.

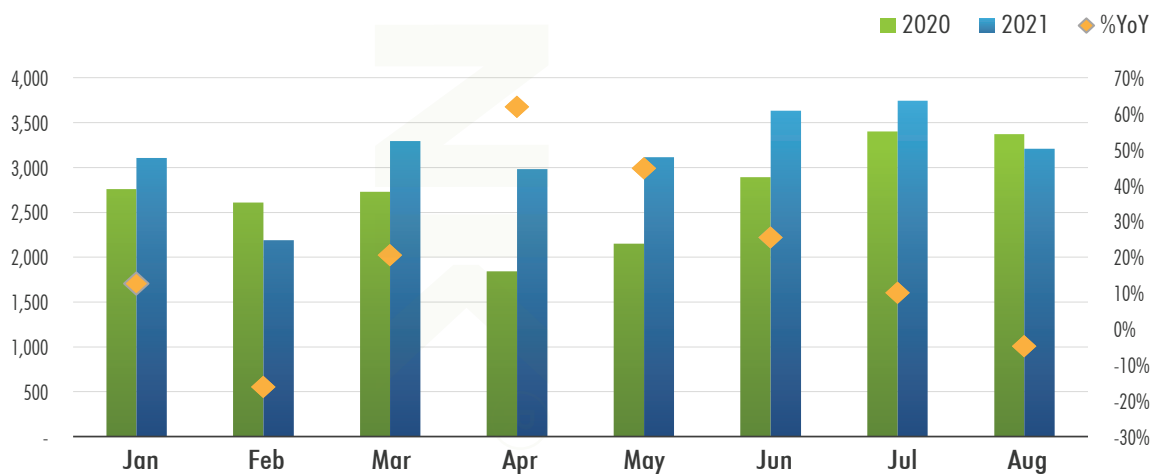
GROWTH IN KEY EXPORT MARKETS OVER THE YEARS



Source: GSO, HOUSELINK

In 2021, in general, the export turnover increased compared to the same period in 2020, most of the months in 2021 the export value of textile and apparel products is higher than the months in 2020. Several textile enterprises said that textile factories have orders until August 2021. This situation improved markedly compared to the same time last year when customers stopped placing new orders and old orders were canceled or delayed. With the impetus of vaccination campaign of countries around the world, the economy situation was improved step by step, especially the last months of the year are a high demand season. However, from the beginning of the third quarter of 2021 until now, it is an extremely difficult time for textile and apparel enterprises with the extremely complicated and prolonged development of the Covid-19 epidemic in Ho Chi Minh City and the southern provinces. Although many businesses in the southern provinces try to arrange production, they can only maintain about 10% to 30% of the workforce at a much higher cost than usual. The export volume in August of 2021 decreased slightly compared with July. And the export turnover in September is schedule to be decreased more.

EXPORT VOLUME IN FIRST 8 MONTHS OF 2021 AND 2020 (MILLION USD)

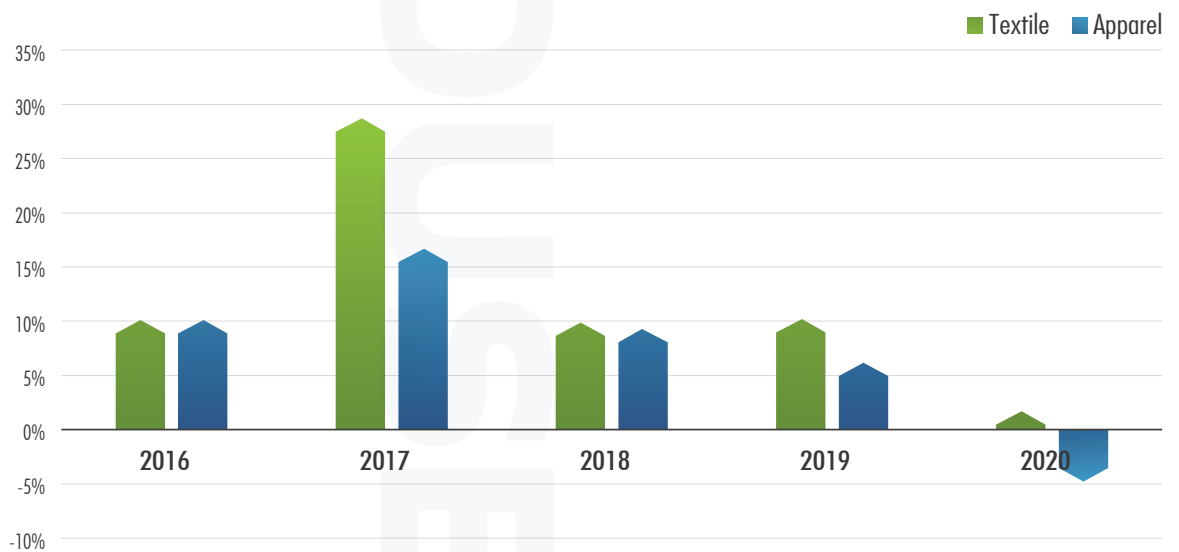


Source: GSO, Customs, HOUSELINK

1.3/ CONSUMPTION INDEX

The consumption index maintained an increase from 2016 to 2019 and reach the biggest number in 2017. However, in 2020 the consumption index of textile increased slightly compared with 2019, but the one of apparel decreased 5%.

CONSUMPTION INDEX (COMPARED WITH SAME PERIOD OF THE PREVIOUS YEAR) (%)



Source: GSO, HOUSELINK



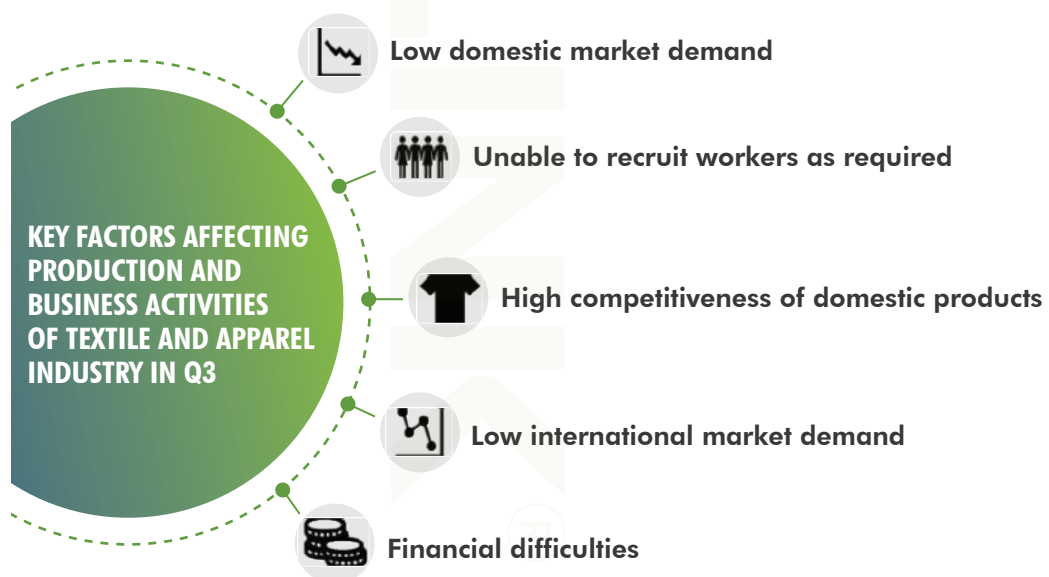
1.4/ HOW TO RECOVER THE PRODUCTION TO MAINTAIN ORDERS AND LABOR SHORTAGES ARE CONCERNS AND CHALLENGES OF MOST COMPANIES

Due to the serious impact of the Covid-19 epidemic, the textile and apparel industry in the Q.3/2021 was quite gloomy compared to the Q.2/2021. The targets of production volume, new orders, etc decreased in the Q.3 according to the surveys of textile and apparel companies conducted by the General Statistics Office of Vietnam (GSO). In the Q.4 of this year, there are still many difficulties in production due to the impact of the Covid-19 epidemic, especially the possibility of supply chain disruption because customers shift the orders to other places and shortage of labor because of their return hometown to avoid the epidemic, it is not easy to return immediately. However, according to data from the survey, the majority of enterprises still expect that with efforts to improve the production by authorities and enterprises, the economic picture for the textile and apparel industry will have positive signals in the last quarter of 2021.

FORECAST FOR THE Q4 OF 2021 COMPARED TO THE Q3 OF 2021

	Increase	No change	Decrease
Trend in production volume	46.6%	32.9%	20.5%
Trend in number of new orders	42.2%	37.6%	20.3%
Trend in number of new export orders	38.6%	40.8%	20.7%
Number of employees	23.8%	58.4%	17.8%
Overview of business trends	47.5%	29.7%	22.9%

Source: GSO, HOUSELINK



Source: GSO, HOUSELINK




New CC Construction Consultants Co., Ltd.

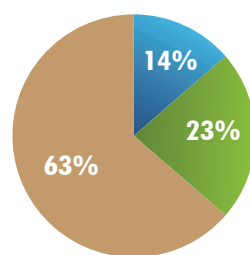
II/ INVESTMENT OF TEXTILE & APPAREL PROJECTS IN VIETNAM

2.1/ THE FDI PROJECTS HAVE BEEN LICENSED UP TO Q3/2021

In this report, we focus on new licensed projects with total registered capital of more than 2 million USD (equivalent to 46 billion Dong). More than 60% of projects located in the South of Vietnam, and they account for about 61% of total registered capital. Although the number of projects in the North is smaller than in the Central, the total registered capital is higher. In which the significant project in the North is Tinh Loi Garment 3-1B factory in Hai Duong with total registered capital of about 35 million USD. This data shown that the projects in the North have quite big scale compared with other region.

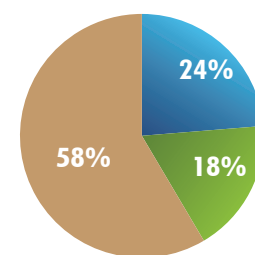
FDI PROJECT QUANTITY

■ North ■ Central ■ South



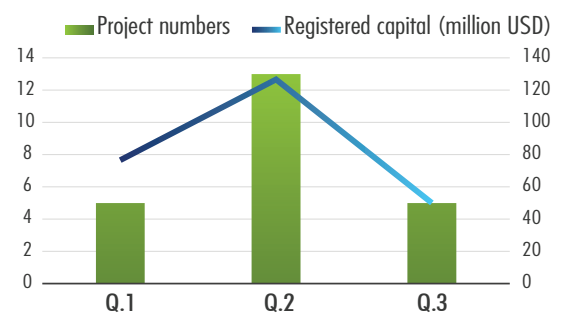
FDI REGISTERED CAPITAL (MILLION USD)

■ North ■ Central ■ South

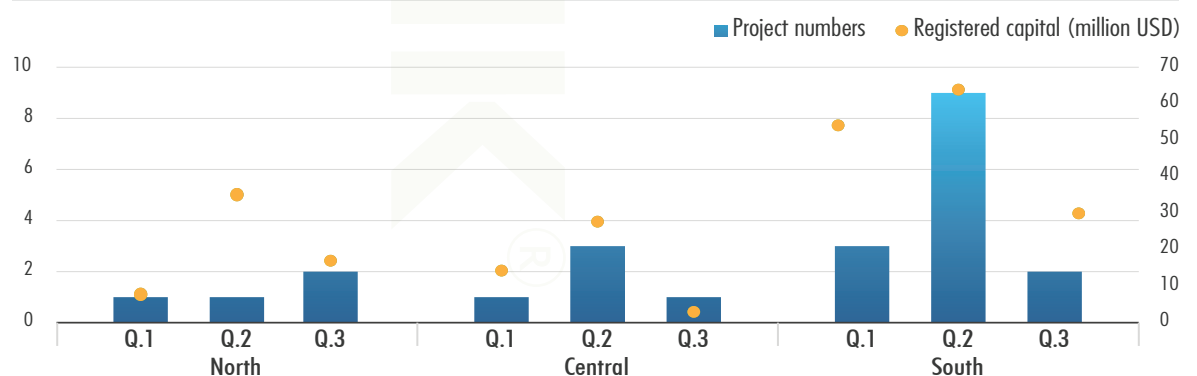


The number of FDI projects and total registered capital improved so much in Q.2/2021 but decreased sharply in Q.3/2021, especially in the South where more than 60% projects located in. The main reason is the great impact of the 4th Covid-19 pandemic wave, especially in the southern provinces with the prolonged lockdown policies. Especially the risk of serious shortage of labor resources and the costs incurred due to the prevention and compliance with anti-epidemic rules of authorities.

REGISTERED FDI PROJECTS IN THE FIRST THREE QUARTERS OF 2021



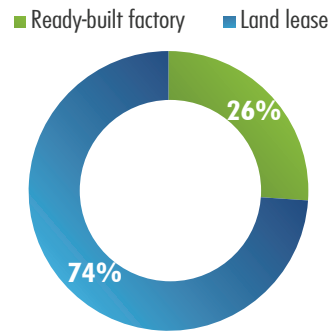
THE REGISTERED PROJECTS IN Q.3/2021 DECREASED SHARPLY



Source: HOUSELINK

Most of projects are land lease for construction (new or expansion). Although ready-built factory is trend of industrial projects in Vietnam now, for textile & apparel industry, the investors still prefer to rent the land area for construction of factory.

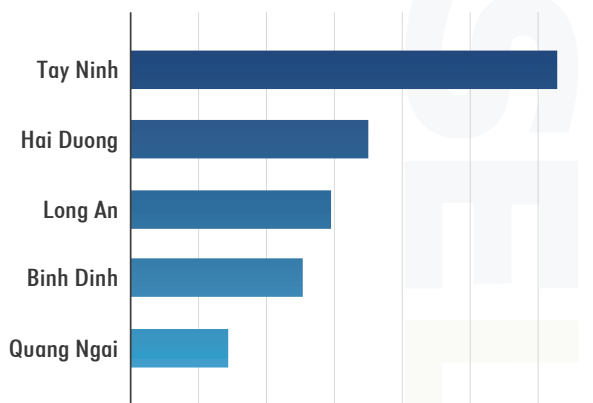
MOST OF PROJECTS ARE LAND LEASE FOR CONSTRUCTION



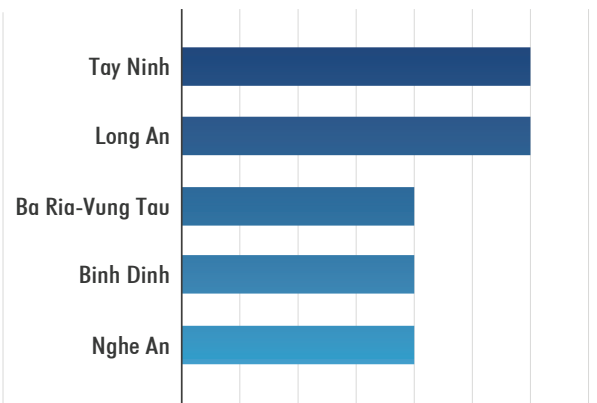
Source: HOUSELINK

Tay Ninh was provinces attracted the biggest capital amount and project numbers in textile and apparel industry in 9 months of 2021. Long An and Binh Dinh were also destinations to attract the investment. Most of provinces are in the South of Vietnam, however the North and the Central are also ideal destinations for investors in the industry with provinces in the top as: Hai Duong, Binh Dinh, Quang Ngai, Nghe An.

TOP 5 PROVINCES BY REGISTERED CAPITAL



TOP 5 PROVINCES BY PROJECT NUMBERS



Source: HOUSELINK

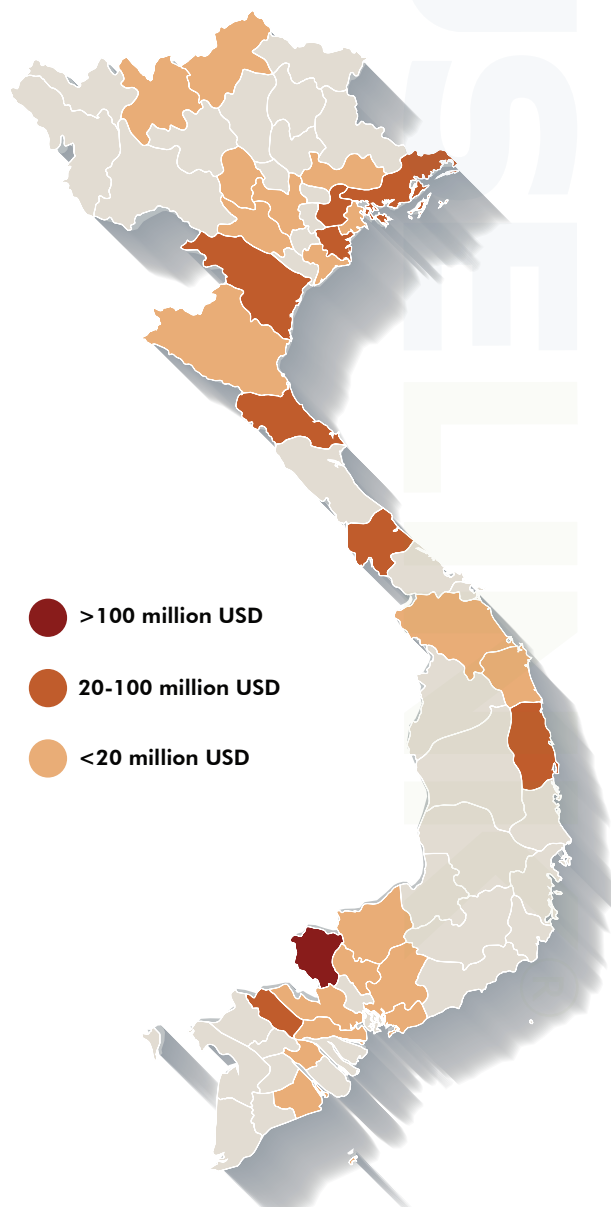
TOP 5 NEW LICENSED PROJECTS IN 9 MONTHS OF 2021 BY REGISTERED CAPITAL VALUE

Number.	Name of project
1	TOP SPORTS TEXTILE VIETNAM FACTORY
2	TINH LOI GARMENT 3-1B FACTORY
3	ALLMED TEXTILE AND FIBER PRODUCTION PROJECT
4	G-ONE INDUSTRIES FACTORY (HEROVAST)
5	TORAY INTERNATIONAL QUANG NGAI FACTORY

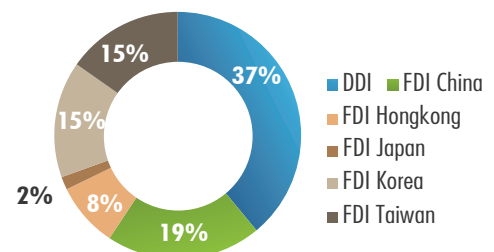
2.2/ TEXTILE AND APPAREL PROJECTS ARE PLANNED TO BE FORMED IN THE NEAR FUTURE OF CITIES IN VIETNAM

It can be seen that the projects are planned to be formed in the near future are still mainly evenly distributed in all 3 regions North-Central-South with not too big difference: North has 22 projects, Central has 15 projects, South has 25 projects. Large investment capital in upcoming projects is available in Tay Ninh, with a total approved investment capital of more than 260 million USD. It can be seen that the textile and apparel industry projects are spread quite evenly across Vietnam, especially the number of provinces with projects in the North of Vietnam is spread across a large area. But projects with larger investment capital tend to be concentrated in clusters in the South. Foreign direct investment capital for the textile and apparel industry in Vietnam is mainly from China, Korea, Taiwan and Hong Kong. The development potential for the textile and apparel industry Vietnam is clearly demonstrated with the proportion of 35% being newly formed projects, 65% being new expansion.

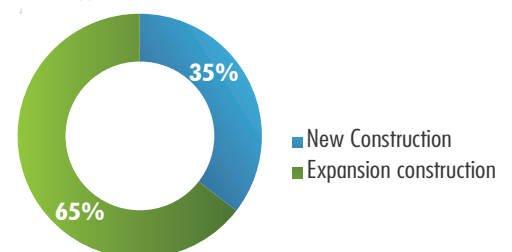
TEXTILE AND APPAREL PROJECTS ARE PLANNED TO BE FORMED IN THE NEAR FUTURE OF CITIES IN VIETNAM AS APPROVED INVESTMENT CAPITAL ABOVE 2 MILLION USD



INVESTMENT TYPE, BY NUMBER OF PROJECT



WORK TYPE, BY NUMBER OF PROJECTS





**III/
POTENTIAL FOR INVESTMENT
AND DEVELOPMENT OF TEXTILE
AND APPAREL PROJECT
IN VIETNAM**

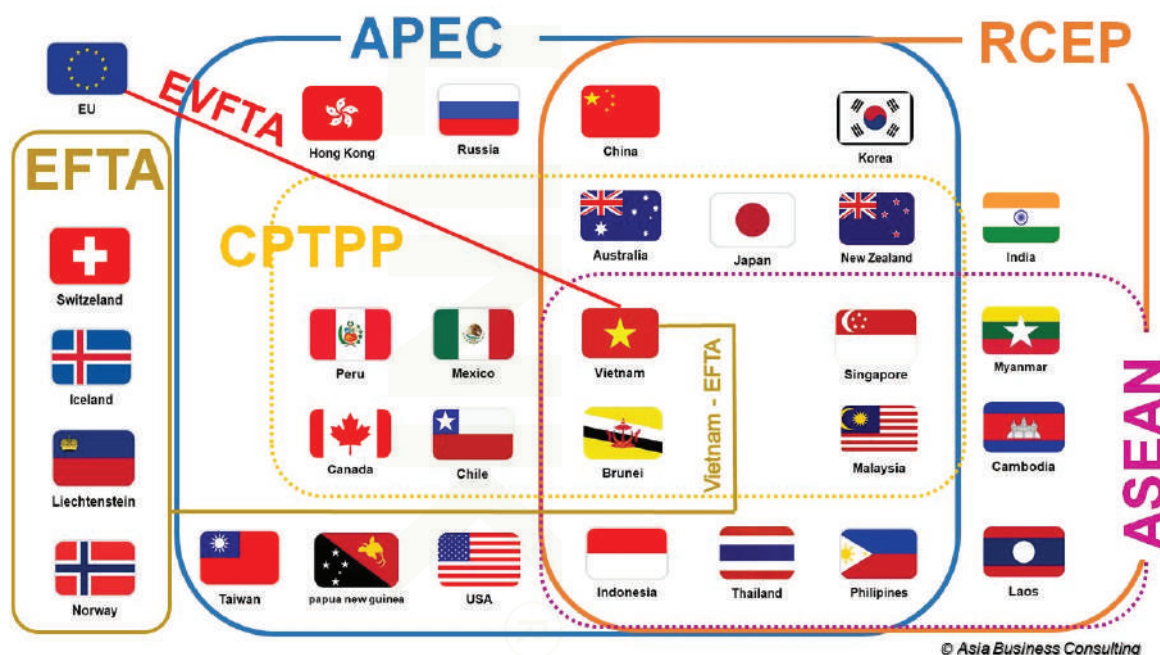
After the interview, **Mr. Nguyen Ngoc An, President of NewCC CONSTRUCTION CONSULTANTS CO., LTD** also agrees and made some valuable comments about the textile & apparel industry at the moment such as:

Despite facing difficulties and challenges that the Covid-19 pandemic affects in 2020 and 2021, such as: supply chain disruptions causing raw material prices rise, reduced orders, and labor shortage due to epidemic prevention, etc..., the Vietnamese government is always have quick actions to not disrupt production while ensuring the most effective epidemic prevention and control such as realizing the "new normal".

As soon as the pandemic is controlled, Vietnam's textile and apparel industry will be able to quickly regain the industry's development momentum, including: increased demand, increased proportion of export turnover to major markets steadily, EVFTA policies are promoted, promoting of industrial parks dedicated to textiles with separate wastewater treatment systems to ensure no waste water (which be a motivation for lots of cities), supply chain recovers, raw material costs decrease, labor and skill prices continue to be more competitive with regional rivals.

The most positive scenario is that Vietnam controls the epidemic and realizes the "new normal" from the beginning of October 2021, the export turnover is likely to reach about 37.5-38 billion USD. In the average scenario, if the epidemic situation is still complicated, there are still some localities and industrial zones that are blocked and isolated in November 2021, export turnover in 2021 is expected to reach about 36-36.5 billion USD.

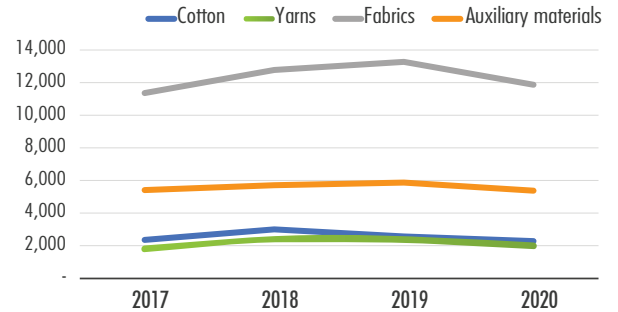
(Trade agreements that Vietnam has signed with countries around the world)



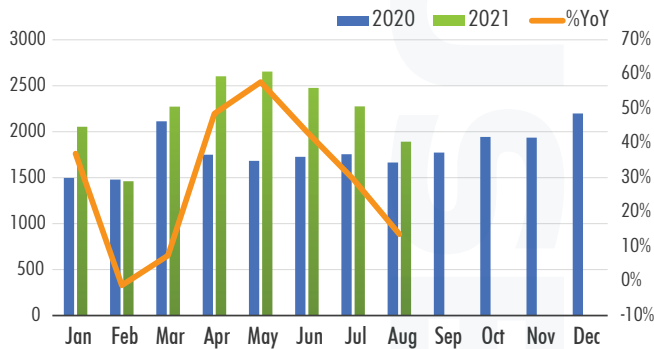
a. Materials

In 2021, textile & apparel enterprises do not face the problem of supply chain disruption. Because 59% of the value of textile materials is imported from China, when the epidemic broke out in early 2020 especially in China, the supply chain was affected, making it difficult for businesses to complete the orders. In 2021, the trade between the two countries has improved thanks to strict control of the epidemic, ensuring that raw materials are supplied continuously and on time.

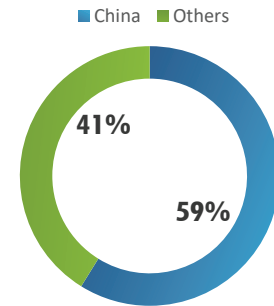
IMPORT TURNOVER OF TEXTILE & APPAREL INDUSTRY (MILLION USD)



IMPORT TURNOVER IN 2020 AND 2021 (MILLION USD)



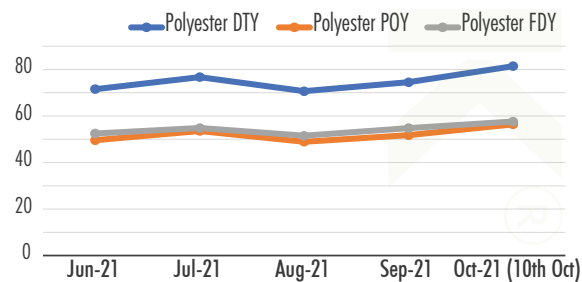
VIETNAM IMPORTED AUXILIARY MATERIALS, FABRICS, YARNS MAINLY FROM CHINA IN 2021



Source: GSO, HOUSELINK

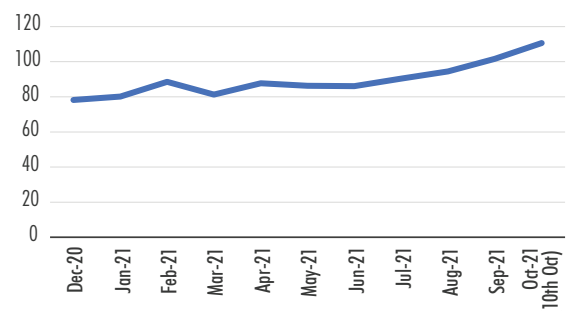
The yarn price index decreased in August 2021, but tend to increase again in the last months of 2021. The cotton prices also increase (by October 2021, cotton prices have increased by 41% compared to the end of 2020). This has caused the input costs of enterprises in the textile and apparel industry increase. And according to enterprises in the industry, the unit price has decreased somewhat due to the impact of the epidemic. In addition, many localities are not interested in textile dyeing due to concerns about environmental pollution, it has led to many difficulties and challenges for textile and apparel projects in Vietnam in the last months of 2021.

PRICE INDEX OF DTY, POY, FDY YARN (RMB)



Source: Sunsirs, HOUSELINK

COTTON PRICE (USD/LBS)



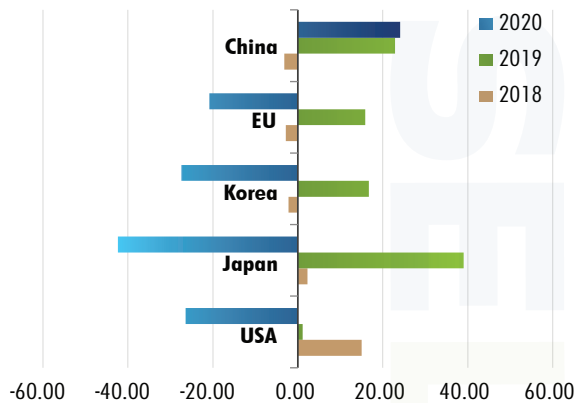
Source: Trading Economic, HOUSELINK

b. Demand

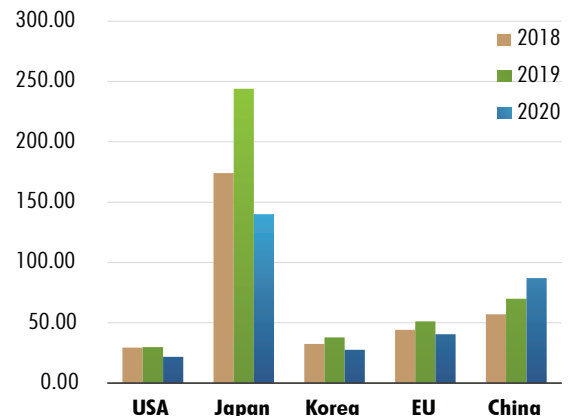
The main export markets of Vietnam's textile and apparel industry include Japan, China, the EU, Korea and the US. It can be seen that in 2019, which is the time before and at the beginning of the Covid-19 pandemic around the world, Vietnam's textile and apparel industry has extremely positive export turnover with an average YoY% approximately 20% equivalent to an average value of 87 million USD. But when the pandemic raged, not only Vietnam but also other textile and apparel in other countries were severely affected with the growth rate of the same period in 2020 being negative, many businesses that owned orders went bankrupt, supply chain disruption reduces ordering capacity, slow digestion. Orders from Myanmar and China are moving to Vietnam, but the price of raw materials at the end of the year for fiber, yarn and cotton has increased, leading to a decrease in unit prices.

But in the best scenario, when Vietnam quickly controls the epidemic by the end of this year, the performance will return to the normal level of 2019, it is forecasted that in 2022 Vietnam will regain its growth momentum.

VIETNAM TEXTILE & APPAREL EXPORT TO OVERSEAS YOY% IN 3 YEARS

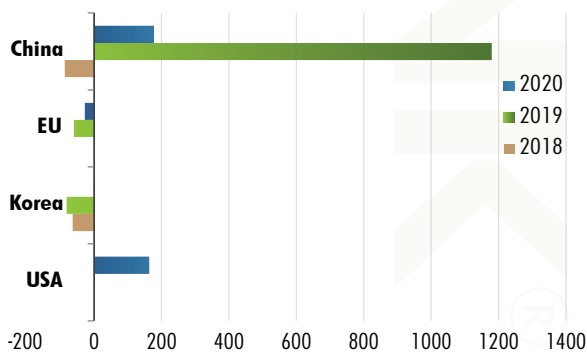


VIETNAM TEXTILE & APPAREL EXPORT TO OVERSEAS VALUE IN 3 YEARS (MIL USD)



Source: TrendEconomy, HOUSELINK

MYANMAR TEXTILE & APPAREL EXPORT TO OVERSEAS YOY% IN 3 YEARS



Source: TrendEconomy, HOUSELINK

The textile and apparel industry is one of Vietnam's key business and production industries, accounting for a large proportion of the country's export turnover. With such an abundant potential source, Vietnam's textile and apparel industry is always an advantageous destination for investors, especially foreign investors. For more detailed data and further analysis related to the textile industry (such as relevant supply chains, investment characteristics, ...) contact HOUSELINK to receive the next reports.

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