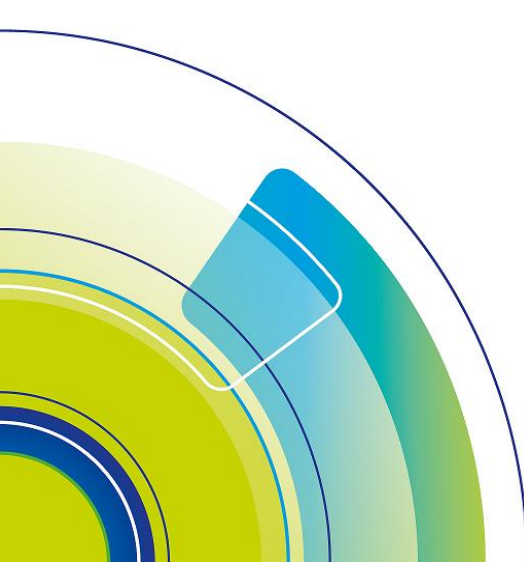




Flash Note – Textile & Garment Industry

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Sector Flash note

Textile & Garment Industry

Textile & Garment Industry and Supply Chain: Strengthening internal capabilities to turn challenges into opportunities.

On October 9th, 2025, Asia Commercial Bank (ACB) organized the seminar “Textile and Apparel Industry & Supply Chain: Solutions Amid Volatility” in Ho Chi Minh City. The event gathered representatives from the Vietnam Textile and Apparel Association (VITAS), logistics associations, and leading enterprises in the sector to discuss the risks and challenges facing Vietnam’s textile and apparel industry in the current global context.

Our key take-away are as below:

(1) Export performance in 9M2025 remains positive:

In 9M2025, Vietnam’s total textile and apparel export turnover reached nearly USD 34.7 bn, an increase of 7.7% YoY, compared to USD 18.7 bn in 6M2025 (+12,5% YoY). The VITAS projects that the industry’s total export value could reach USD 47 bn, +14,1% YoY, for the full year 2025.

Within the total, USD 27.8 bn came from apparel exports, and USD 6.9 bn from fabrics, materials, and technical textiles.

Vietnamese textile products are now exported to 138 countries, with the United States remaining the largest market, accounting for over 45% of total export value, while China continues to be the primary source of raw materials.

The industry faces significant opportunities but also formidable challenges amid ongoing global trade fluctuations.

(2) Opportunities from export market diversification and productivity enhancement

Vietnam has risen to become the second-largest textile exporter globally (USD 44 bn), following China (USD 301 bn) in 2024.

Although the U.S. remains the largest export market and China the principal supplier of inputs, Vietnam’s textile sector is actively pursuing market diversification. Vietnamese textile goods are currently present in 138 markets, supported by 16 free trade agreements (FTAs) already in effect, with the number expected to rise to 22 by 2027.

Vietnamese exporters are increasingly expanding into the Middle East, Africa, and Russia—previously overlooked destinations. Notably, the Russian market generated USD 1 bn in 2024 and USD 700 mil in the first 7M2025.

While average labor costs in Vietnam’s textile industry are 40–45% higher than in Indonesia or Myanmar, the productivity level of Vietnamese workers is proportionally higher, maintaining cost efficiency and competitiveness—especially for FDI enterprises.

Moreover, many textile firms are adopting advanced technologies and pursuing green transformation across their production chains. Vietnam currently ranks second only to China in the region in terms of production modernization,

strengthening its position in high-end markets with strict ESG compliance requirements.

(3) Challenges: Five major issues facing the textile sector

Supply chain dependence: Import turnover of raw materials remained high at USD 16 bn in 9M2025, of which USD 11 bn was for fabric alone, highlighting Vietnam's continued heavy reliance on foreign—especially Chinese—inputs.

Wage policy adjustment after provincial mergers:

Previously, Vietnam's minimum wage was divided into four regions:

Region I: VND 4,960,000/month (+43,7% compared to Region IV)

Region II: VND 4,410,000/month (+27,8% compared to Region IV)

Region III: VND 3,860,000/month (+11,8% compared to Region IV)

Region IV: VND 3,450,000/month

However, following administrative mergers, many areas previously classified as Regions III–IV were reclassified as Regions I–II, resulting in higher minimum wages and increased labor costs. According to VITAS, the average breakeven cost per worker is currently USD 32–35/day.

Compliance burden: Enterprises must comply with multiple certification frameworks and assessment criteria from various international organizations, each differing by market, straining corporate resources.

Capital requirements for modernization: Significant capital investment is needed to adopt automation and green manufacturing technologies, which many firms find difficult to finance.

High logistics costs: Domestic transportation and warehousing expenses remain elevated, with fragmented logistics networks reducing efficiency. These high costs directly erode competitiveness and profit margins, forcing companies to accept lower short-term returns despite strong order volumes.

Conclusion: Turning challenges into opportunities through internal strength

Vietnam's textile industry still holds substantial potential for sustainable growth. The sector can further develop its supply chain, enhance automation and green production, and shift toward higher value-added, branded, and technologically advanced products, while expanding into non-traditional markets.

In the short term, however, enterprises must find strategies to cope with rising logistics costs that threaten national competitiveness.

Crucially, continued support and commitment from the banking sector—through guarantees, working capital financing, and supply chain financial solutions—will play an essential role in helping textile enterprises access preferential credit packages for modernization and green transformation.

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BUY: prospective 12 month VND total return (including dividends) will be more than 20%.

OUTPERFORM: prospective 12 month VND total return (including dividends) will be 10% to 20%.

NEUTRAL: prospective 12 month VND total return (including dividends) will be -10% to 10%.

UNDERPERFORM: prospective 12 month VND total return (including dividends) will be will be -20% to -10%.

SELL: prospective 12 month VND total return (including dividends) will be lower than -20%.

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