

Garment, textile industry starts to warm up

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Many garment processing enterprises for export in Ho Chi Minh City said that in the fourth quarter of this year, some orders, especially from the US market, have started to increase again. This is good news for the industry in the context that the Covid-19 pandemic still develops complicatedly in many traditional markets of Vietnam.



Preliminary processing of yarn at Phong Phu Corporation. (Photo SGGP)

Stable consumption until the third quarter of 2021

According to Fly High Garment Co., Ltd. in Go Vap District, in the last months of this year, it has been confirmed by customers specializing in exporting fashion products to the US to re-sign orders that are enough for production until the third quarter of next year. However, the current difficulty is that raw materials are scarce with an increase of about 20 percent in their prices, so the company has to recalculate processing unit prices with partners.

Many other enterprises also reflected that not only have materials in the garment industry been scarce, and have the prices of raw materials increased but some symbiotic sectors, such as packaging, adhesive tapes, and chemicals, have also risen by 15-20 percent, causing production costs to climb, leading to lower profits. Revenues of some enterprises are even just enough to cover expenses and labor costs.

Up to now, Vietnam has signed free trade agreements (FTAs) with many countries around the

world so it can use raw materials from the members of these FTAs. However, Vietnamese enterprises have mainly used raw materials imported from China for a long time. When orders increase again, they become passive in organizing production because they did not have a timely forecast to prepare raw materials.

Figures from the Vietnam Textile and Apparel Association (VITAS) show that Vietnam's garment and textile industry has a huge two-way trade relationship with China. Noticeably, garment and textile raw materials, including yarn, fabric, and auxiliary materials, are mainly imported from China. Of which, fabric imports accounted for nearly 60 percent of the total imports of US\$13.5 billion in 2019, and fiber imports accounted for 55 percent.

To limit the negative impacts on production and business, from the outbreak of the Covid-19 pandemic, VITAS recommended and requested member enterprises to discuss with customers and focus on exploiting domestic raw materials and auxiliary materials, or from other countries to replace raw materials imported from China to maintain production and business.

Many enterprises have also been studying raw materials and auxiliary materials from markets, namely India, South Korea, and Europe, to be active in raw material supply to maintain production in the current situation. However, they had to admit that only Chinese raw materials meet the quality and price.

More support policies needed

According to information from the VITAS, the demand of Europe and the US in 2020 decreases by 45 percent and 40 percent, respectively, for garments, and 27 percent and 21 percent for footwear. However, Vietnam's garment and footwear industries also have many opportunities in the context that global trade has changed. When China reduced its total exports by up to 50 percent for some items, Vietnam's garment exports still kept their prices and expanded market share in the US market, mainly thanks to hard-to-make items with high value.

In June, Vietnam supplanted China to become the largest garment exporter to the US. In the European market, with the EU-Vietnam Free Trade Agreement taking effect from August 1, it is expected that footwear exports will surge by 50 percent, and textile exports will soar by 67 percent by 2025. Meanwhile, garment and textile enterprises said that the global demand would decline next year, but not much. Especially, in the US market - the main export market of Vietnamese textile and garment products - will be the headquarter of fashion products with densely-worldwide experienced distributors.

Importantly, Vietnamese products need to improve their competitiveness compared to those of countries, such as India and China. Besides the self-efforts of each enterprise in the industry, such as market expansion, technology, and administration innovation, the role of the State in setting up mechanisms and policies is greatly important.

"In the short term, the Government of Vietnam should consider having specific and practical support packages for enterprises. Taking the example of the support package of Taiwan (China), after enterprises have export orders to the US and their customers confirm to have received enough goods and set the payment time, which currently is six months, they just need to send the confirmation to the State Bank of Taiwan to be given loans with interest rate at zero percent. My company still operates well through the pandemic and does not have to cut factory workers in Vietnam, thanks to these policies," said a representative of Taiwanese company Fly High Garment.

According to Mr. Vu Duc Giang, Chairman of VITAS, in the coming time, besides the advantages, Vietnam's garment and textile industry will also face many difficulties and challenges when the supply of raw materials is inadequate and imbalanced, and there is a blockage in the phases of weaving and dyeing.

VITAS proposes the Government to direct provinces with suitable infrastructures to build some large garment and textile parks with an area from 500 hectares to 1,000 hectares and centralized wastewater treatment systems to attract investors into the phases of weaving and dyeing; strengthen cooperation and linkages among enterprises producing raw materials and accessories and sewing ones to establish regional chains. On the other hand, the State needs to reform administrative procedures and import-export procedures to reduce time and costs for enterprises.

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