

VIETNAM TEXTILE INDUSTRY

Fragmentation amid geopolitical volatility



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Industry rating – Maintain Neutral

Industry rating

- As the US reciprocal tariffs come into effect, we expect Vietnam textiles to maintain their competitive edge. Furthermore, recent geopolitical volatility might even provide some upside for the industry. However, a high-tariff environment is likely to dampen overall demand in the US market and lead to fiercer competition in other key regions. Given the interweaving of positive and negative macroeconomic factors, we maintain our Neutral rating for the Vietnam Textile Industry.

Key developments

- **Garment exports maintain steady growth, while fiber growth narrows:** Textile product exports demonstrated continued growth, albeit at a slower rate of 7% YoY, reaching a total value of US\$39.6bn in 2025. This marks a decrease from the 11.2% YoY growth recorded in 2024. By end-2025, Vietnam had successfully increased its market share in key garment export destinations: its US share grew to 21.1% (2024: 18.9%) and the Japanese share increased to 18.7% (2024: 17.9%). The South Korean market, however, saw a slight decline to 27% (2024: 29.2%). Conversely, China's share of the garment market continued to shrink in the US and Japan, although it expanded in South Korea. While the export value of finished textile products rose, the import growth of necessary raw materials, such as fabric (+1.9% YoY), cotton (-0.3% YoY), and fiber (+4.9% YoY), slowed in 2025.

- The fiber export segment struggled in comparison to garments. Despite a slight improvement in the rate of decline, the sector recorded a 2.1% YoY contraction (2024: +1.2% YoY), totalling US\$4.3bn in export value for 2025. In China, textile and garment manufacturing volume growth showed signs of bottoming out as of November 2025, but overall activity remained at a one-year low.

Domestically, the Index of Industrial Production (IIP) for apparel manufacturing continued its upward trend throughout 2025. Although growth weakened slightly after October, apparel IIP levels remained high. However, the domestic labor employment indexes for both the weaving and apparel segments continued to decline. The consistent low prices for cotton and crude oil at end-2025 suggest soft demand across the global textile supply chain.

- **Trade tension de-escalation, geopolitical conflicts remain:** As of early-2026, global trade tensions have begun to stabilize as the US and its primary trading partners reached a broad consensus on a new tariff landscape. However, this economic reprieve is overshadowed by intensifying geopolitical instability.
 - The Iranian regime is currently grappling with widespread domestic unrest and the threat of a coup, triggered by a historic national drought. The US has issued a stern warning, stating it is prepared to intervene should the crackdown on protesters turn more lethal. Meanwhile, the Israel Defense Forces (IDF) have been placed on high alert to respond to any regional spillover.
 - In Southeast Asia, the border conflict between Thailand and Cambodia has reignited, despite a ceasefire agreement signed in December 2025. Both nations have traded accusations of truce violations, and ongoing skirmishes show no signs of de-escalation.
 - Tensions surrounding Taiwan have reached a boiling point following Japanese Prime Minister Sanae Takaichi's suggestion that Japan could deploy its Self-Defense Forces if China were to invade the island. This statement has drawn a sharp rebuke from Beijing, causing diplomatic relations between Japan and China to deteriorate rapidly.
 - In a move that has shocked the international community, the US launched "Operation Absolute Resolve" on January 3, 2026. The mission resulted in the capture of Venezuelan President Nicolas Maduro, who was escorted to New York to face trial. Critics warn that this operation sets a dangerous precedent for international sovereignty.
- **Demand and confidence in major markets:** Major global brands reported mixed results for the final half of 2025; while inventory-to-sale ratios fluctuated, overall inventory levels remain high. Consumer sentiment is varied; although the US consumer confidence index climbed to 52.9 in December, it remains low. In contrast, Japan is seeing a gradual recovery in sentiment, while consumer confidence in South Korea remains robust.

Industry rating – Maintain Neutral

Prospects and risks

- **Tariff pass-through effects to come:** Rising price indicators suggest that reciprocal tariffs are already being passed on to US consumers. These higher price points, combined with low consumer confidence, are expected to dampen textile consumption through the first half of 2026. As the rates are implemented, the impact of tariffs is likely to intensify across the board.

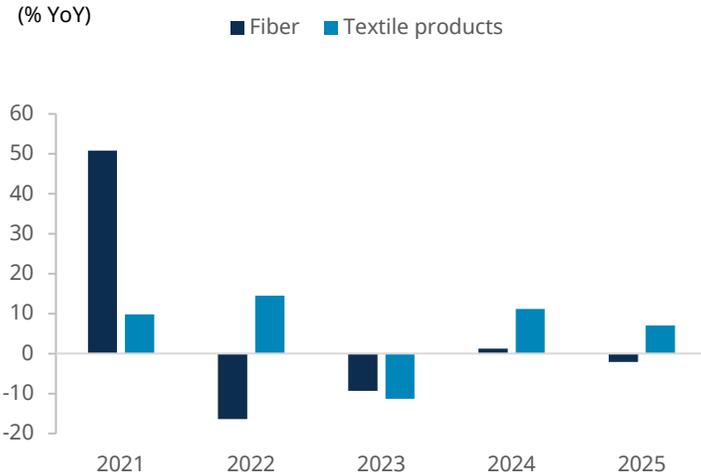
Furthermore, the Trump administration appears intent on forcing Russia to the negotiating table by targeting its oil revenue. To execute this, the US is currently applying pressure on India, with China likely next in line. Given the geopolitical weight of these measures, we do not expect a quick resolution to tariffs linked to Russian oil consumption. Ultimately, this tariff pressure will likely trickle down to US end-consumers, further suppressing demand for exports from these two nations.

Additionally, the introduction of sector-specific tariffs — primarily targeting high-tech and capital-intensive industries, like semiconductors, metallurgy, and shipbuilding — aims to preserve US industrial leadership, rather than target labor-intensive sectors like textiles. Nevertheless, the cumulative effect on general price levels will be significant, and overall US market demand is expected to suffer.

- **Competitive landscape in US market:** Although the specifics of tariff agreements have yet to be disclosed and negotiations are ongoing, even as the new rates come into effect, we believe Vietnam holds several key advantages over its major competitors:
 - **China:** Despite a recent trade deal, China's long-term stability in US market remains tenuous. As the primary economic and geopolitical rival of the US, further restrictions are inevitable. In 2025, China's garment market share continued its decline, falling below that of Vietnam. We expect this downward trend to persist, directly benefiting the Vietnamese textile sector.
 - **India:** India is currently facing a 50% tariff, due to its purchase of Russian oil. Even if this were reduced to 25%, India's competitive edge in textiles would be significantly eroded. Furthermore, as a BRICS member, India remains a frequent target of US president Trump's tariff threats. Continued border tensions with Pakistan also create a perceived risk for international buyers.
 - **Bangladesh:** While Bangladesh saw its US market share rise to 8.2% by late 2025, the country remains plagued by political instability, mass arrests, and civil unrest. Additionally, the conflict in neighboring Myanmar threatens border stability, posing a persistent risk to manufacturing reliability.
- **Competition in other key markets:** As US market becomes more challenging due to tariffs, global competition will intensify, leading to divergent performances for Vietnam across other regions:
 - **Korea:** Chinese producers are pivotally shifting toward alternative markets to offset US market share losses. Leveraging low prices and Seoul's desire to maintain trade ties with Beijing, Chinese textiles are expected to thrive in South Korea, presenting a headwind for Vietnamese exports.
 - **Japan:** Conversely, Japan represents a promising growth opportunity for Vietnam in 2026. While China still dominates, Vietnam's market share is steadily expanding amid shrinking China-Japan relations.
 - **Support from FTAs:** Vietnam's extensive network of FTAs provides a distinct advantage over rivals like Bangladesh and Pakistan, who lack similar deals with Japan and South Korea. Notably, under the EVFTA, most customs duties on Vietnamese textile products entering the EU are eliminated, further boosting Vietnam's global competitiveness.

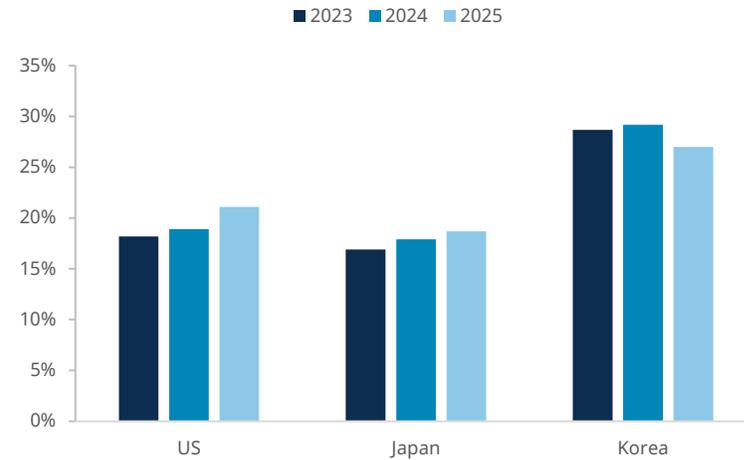
Prospects and risks

Vietnam textile export value growth



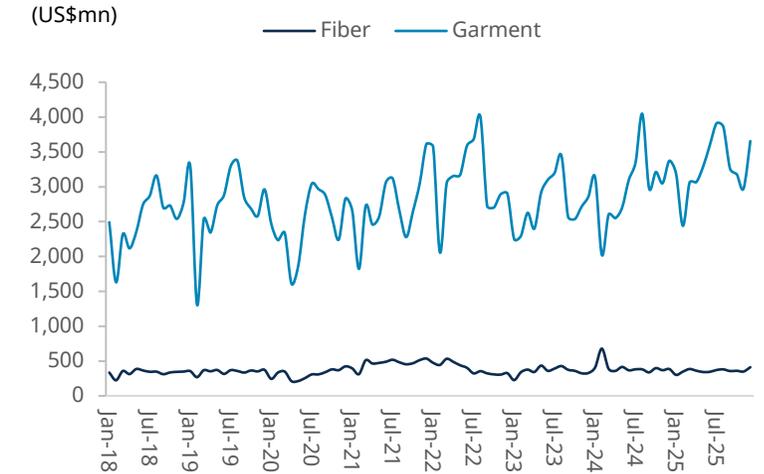
Source: GSO, Mirae Asset Vietnam Research

Vietnam garments' market share in selected major markets



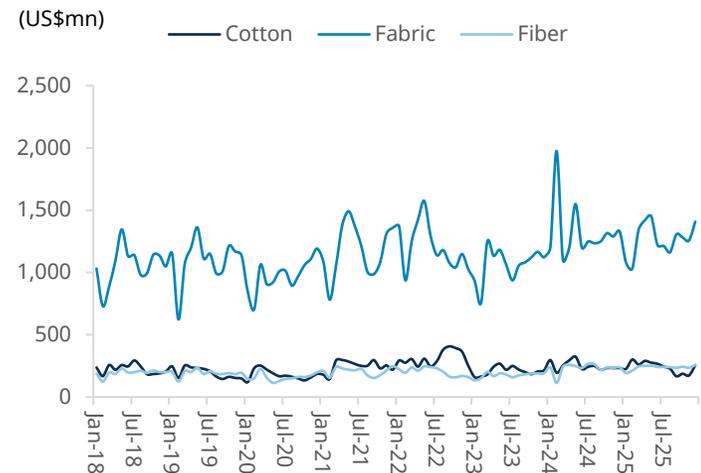
Source: Country statistics, Mirae Asset Vietnam Research

Monthly Vietnam textile exports



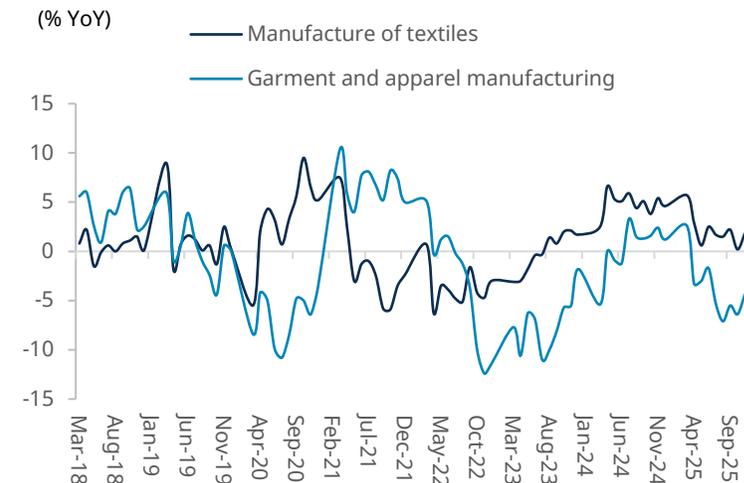
Source: GSO, Mirae Asset Vietnam Research

Monthly Vietnam textile input imports



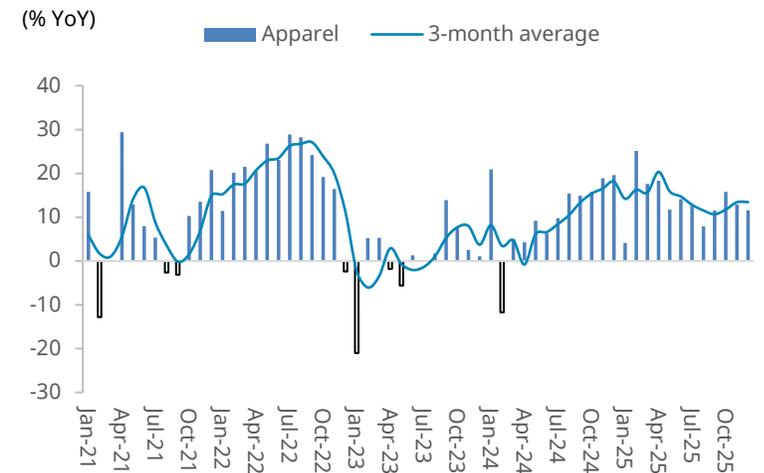
Source: GSO, Mirae Asset Vietnam Research

China textile production volume growth



Source: Bloomberg, Mirae Asset Vietnam Research

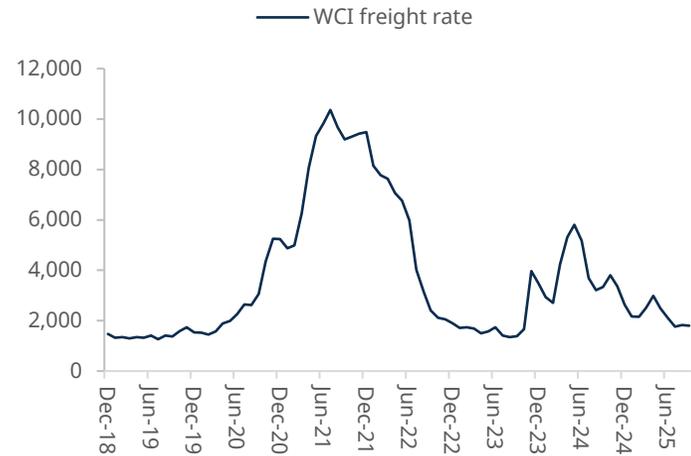
Vietnam garment IIP



Source: GSO, Mirae Asset Vietnam Research

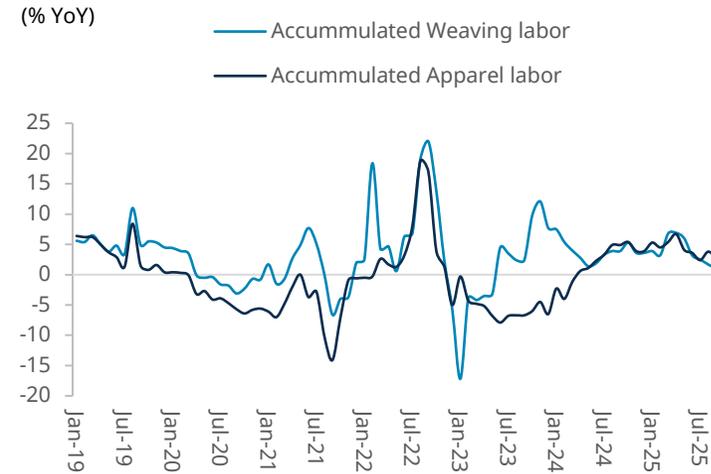
Prospects and risks

Shipping rate indexes



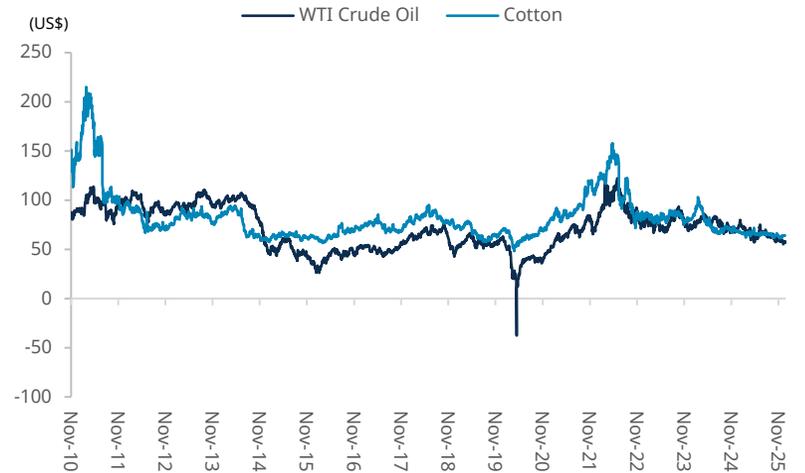
Source: Bloomberg, Mirae Asset Vietnam Research

Vietnam textile labor employment index



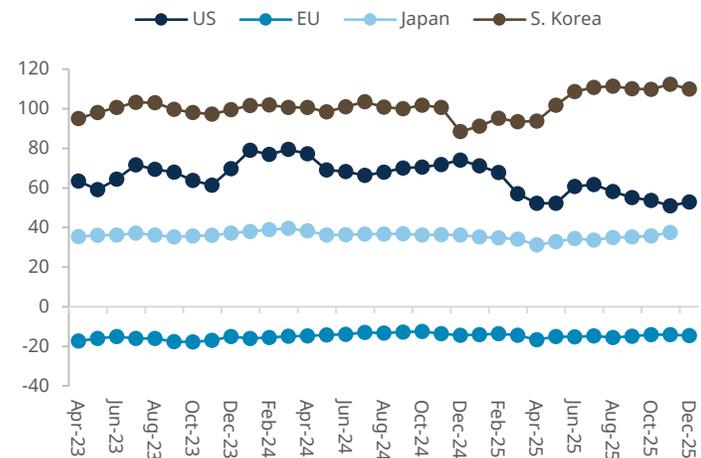
Source: GSO, Mirae Asset Vietnam Research

Textile input price



Source: Bloomberg, Mirae Asset Vietnam Research

Consumer confidence indexes



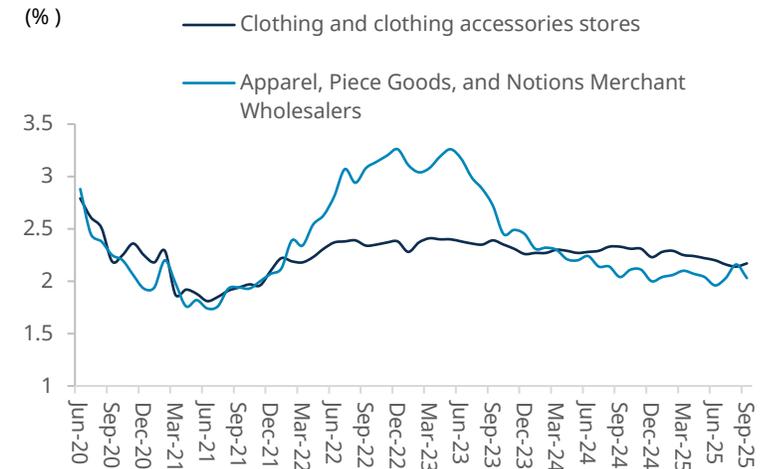
Source: Country statistics, Mirae Asset Vietnam Research

Average garment import price in US



Source: OTEXA, Mirae Asset Vietnam Research

US textile inventory/sales ratio



Source: Bloomberg, Mirae Asset Vietnam Research

Quarterly inventory of major brands

Nike



Source: Bloomberg, Mirae Asset Vietnam Research

Puma



Source: Bloomberg, Mirae Asset Vietnam Research

Adidas



Source: Bloomberg, Mirae Asset Vietnam Research

Inditex



Source: Bloomberg, Mirae Asset Vietnam Research

GAP



Source: Bloomberg, Mirae Asset Vietnam Research

H&M



Source: Bloomberg, Mirae Asset Vietnam Research

APPENDIX

Stock Ratings		Industry Ratings	
Buy	: Relative performance of 20% or greater	Overweight	: Fundamentals are favorable or improving
Trading Buy	: Relative performance of 10% or greater, but with volatility	Neutral	: Fundamentals are steady without any material changes
Hold	: Relative performance of -10% and 10%	Underweight	: Fundamentals are unfavorable or worsening
Sell	: Relative performance of -10%		

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