

CONTENTS

INDUSTRY AT A GLANCE	2
KEY DEVELOPMENTS	3
INDUSTRY STATISTICS	4
PRODUCT FOCUS	5
Chiffon	5
Outlook	6

INDUSTRY AT A GLANCE

- Vietnam textile and garment sector impeded by foreign supplies
- Demand for more equipment and new technologies by 2010
- Textile and garment sector sets US\$9.5bn export target
- Vinatex invests in growing 40,000 hectare of cotton
- Vietnam to become the second leading apparel supplier to the US
- Vietnam seeks to raise local contents in apparel products

KEY DEVELOPMENTS

Vietnam textile and garment sector impeded by foreign supplies

Vietnamese textile and garment sector innate weakness is dependence on foreign supplies of materials which is a major factor for the unstable development. Although the industry recorded significant average annual export growth rates of around 20% between 2001 and 2005, several obstacles may hinder sustainable development in the long term, especially given the nation's reliance on imported materials. Therefore local companies still focus on subcontracting for foreign partners. Five years after Vietnam implemented a strategy designed to boost production- including a goal of doubling the localisation rate to 50% between 2000 and 2005- production of woven fiber and cotton yarn has fallen short of targets, according to the industry.

Demand for more equipment and new technologies by 2010

Vietnam textiles and garments industry was ranked 16th out of 153 garment exporters worldwide in 2007, and 2008 it became the 10th largest garment exporter in the world. The country has envisaged an ambitious plan to achieve the export target of US\$10-12 billion a year by 2010. Vinatex and the Vietnam National Oil & Gas Group (PetroVietnam), the two giant groups jointly build a synthetic fiber plant in northern Hai Phong port city. The US\$200m plant is capable of turning out 500 tonnes of fiber per day.

Textile and garment sector sets US\$9.5bn export target in Vietnam by the end of 2008

Despite fluctuations in the global market, Vietnam's textile and garment sector has set an export target of US\$9.5 billion by the end of 2008. In the first half of the year, the sector had an export turnover of US\$4.2 billion, a YoY increase of 20%. The remaining US\$5.3 billion could be reached in the second half of the year as Vietnamese companies had won many contracts from importers. However, textile and garment enterprises are facing difficulties, including labour shortage and access to bank loans, both of which are being blamed for a drop in profits.

Vinatex invests in growing 40,000 hectare of cotton

The Vietnam Textile and Garment Group (Vinatex) is carrying out a programme to develop 40,000 hectare of irrigated cotton by 2015, with an estimated investment of more than VND3,650 billion. According to Vinatex Deputy General Director Tran Quang Nghi, domestic supply of cotton, the main material of the textile and garment industry, currently meets only 2% of the sector's demand. To meet 10% of the sector's demand, the country's cotton output must reach 40,000 tonnes by 2015. Vinatex has worked out a strategy focusing on developing models of cotton farms using irrigation systems and the application of scientific and technical advances to increase the yield and productivity of cotton farms.

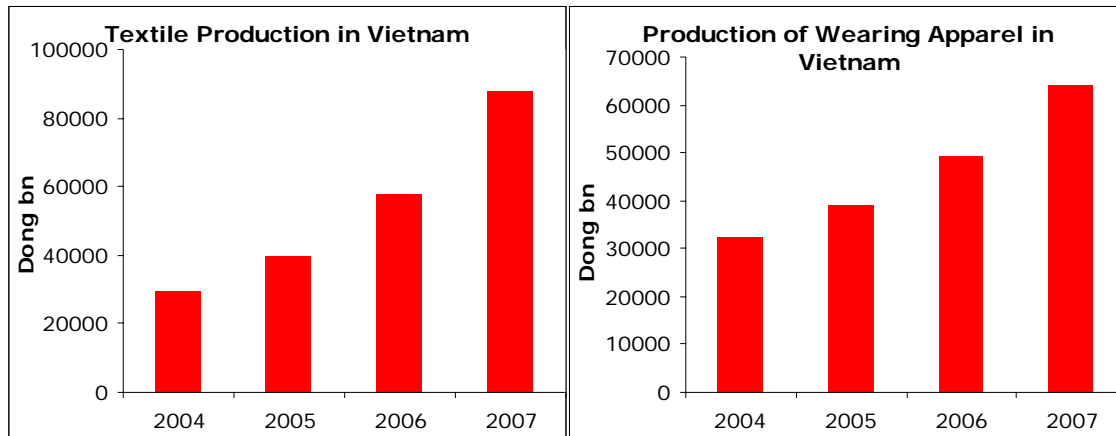
Vietnam to become the second leading apparel supplier to the US

Vietnam's new found strength was helped by a leap of almost 28% as US imports from the country hit US\$1.5 billion. Moreover, this increase occurred during a period when US imports as a whole declined by 3.7%. The 28% rise put Vietnam just behind China, which has dominated supplies to the USA for five years. Growth in US imports from Vietnam was remarkable even by comparison with other major suppliers. For example, US imports from Bangladesh, in sixth place and the second fastest growing supplier, rose by just 6.1% in the first four months of 2008. Imports from China, the leading supplier, actually fell by 6.8%. Vietnam appears to have taken market share from China.

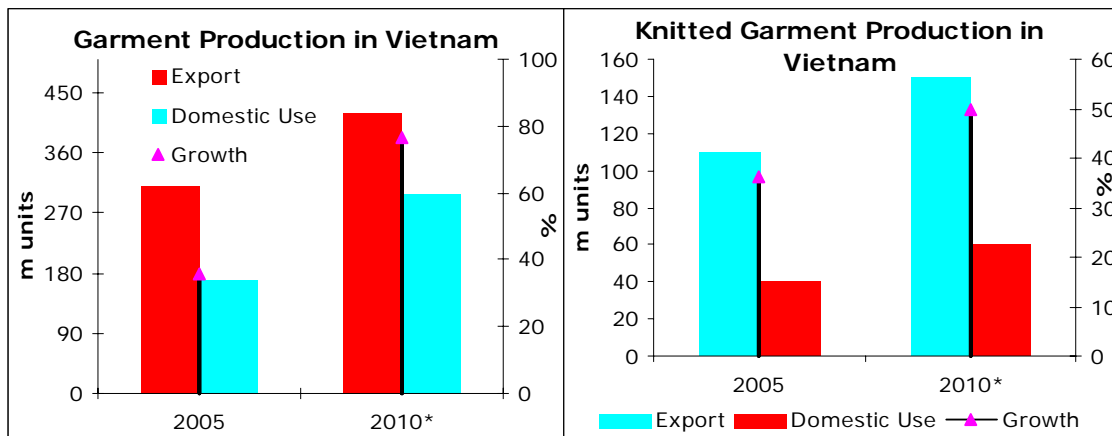
Vietnam seeks to raise local contents in apparel products

Vietnam will take measures to raise local contents in apparel products to 50% by the year 2010 in an effort to lessen reliance on imports. Boosting local production of apparel accessories is one of the most important strategies for the country's textile and garment industry in the coming years. Local contents in Vietnam's apparel products now stand at some 43% and the industry has also been pushing manufacturing to raise output to one billion metres of fabric in the next five years.

INDUSTRY STATISTICS



Source: General Statistics Office of Vietnam; Cygnus Research



Source: Vinatex; Cygnus Research *Expected

PRODUCT FOCUS

Chiffon

Chiffon is a flat crepe textured silk with a dull, soft finish. The fabric is a lightweight, balanced plain-woven sheer fabric woven of alternate S- and Z-twist crepe (high-twist) yarns. The twist in the crepe yarns puckers the fabric slightly in both directions after weaving, giving it some stretch and a slightly rough feel. Chiffon can be made from cotton, silk or synthetic fibers, but is usually associated with silk or nylon. The fabric is packaged as rolls, cartons, bales and other forms. Dyeing of the chiffon fabric to almost any shade is possible.



However, the fabric made from polyester is difficult to dye. Chiffon has see-through property due to its fine net or mesh like structure. The fabric is used for skirt, blouse, ribbons, scarves and lingerie. Due to this delicate nature, chiffon must be hand washed very gently. Since chiffon is a light weight fabric that frays very easily, bound or French seams must be used to stop the fabric from fraying. Some of the special varieties of chiffon include chiffon with cotton, satin chiffon and synthetic silk chiffon.

Major Chiffon Manufacturers

- Vinatex Corporation
- Viet Tien Garment
- Ao Xinh Company Ltd
- Navaront Ltd
- H&H Trading Co
- Lien A Chau Co
- Thai Tuan Textile Garment

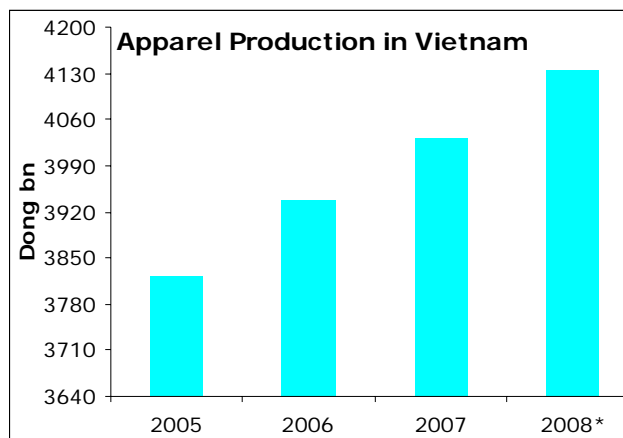
Source: www.alibaba.com; Cygnus Research

Vietnam produces a range of textile products including chiffon, satin, PVC, yarn, and a host of other textiles at competitive price. Major export markets for chiffon in Vietnam are USA, UK, and rest of Europe, Canada and Australia. Vietnam offers all kind of textile products from custom-made to general products. Most producers of chiffon offer a range of chiffon products such as silk chifcons, polyester chifcons and others. The products demand is also rising in the domestic market as well.

Vietnamese textile industry developing fast

Vietnamese textile industry is fast developing and exports form a large portion of revenue for the industry. The industry is facing stiff competition from cheap imports as tariffs and other restrictions against imports are reduced under policies of trade liberalisation. In Vietnam restructuring of the textile industry is in line with policies designed to reform the state-owned enterprises (SOEs) that produce nearly half of Vietnam's textile output in order to make them more competitive against imports and as exporters. Major components of trade liberalisation in Vietnam include

replacement of quantitative import controls with tariffs, and removing administrative barriers to exports. So far Vietnam has protected its textiles market from cheap imports and has developed its textile and garment exports significantly.



Source: www.gso.gov.vn; Cygnus Research

*Expected

Irrespective of tariffs on textiles, the sector presently averages at about 14% annually in terms of growth and would continue to do so till 2010. Textile industry now generates about 20% of Vietnam's total merchandise exports and 41% manufactured exports. The sector also employs over 22% of the country's manufacturing workforce. Textile and garment expenditure is expected to account for 6-8% of GDP per capita.

Outlook

Vietnam's textile and garment industry has achieved impressive success over the past decade. The sector has come all the way from a command economy to a market oriented strongly integrated one within the East Asian region. Vietnam plans to double the value of its textile and clothing exports from US\$4.8 billion in 2005 to US\$10 billion by 2010. At the same time it hopes to double the number of people working in the industry from 2m to 4m. Vietnam's textile and clothing industry plans to achieve these targets by streamlining production and thereby reducing unit costs to boost international competitiveness.

The Vietnamese government plans to shift the focus in garment manufacturing from Cut, Make and Trim (CMT) to Free On Board (FOB) production. The government also plans to increase the domestic content of garment production by investing in cotton production, and in spinning and weaving facilities. The government is planning to invest around US\$3 billion in developing the textile and garment sector during the run-up to 2010. It is envisaged that US\$180m will be spent on projects to expand raw material supplies, US\$2.27 billion on textile and dyeing projects, US\$443m on garment projects, and US\$200m on trade centres and personnel training.

Exports of textiles and garments are expected to rise as Vietnam is expected to sign a bilateral trade agreement with Japan in late September 2008 that will take effect 2009. It is expected that the textile industry will reach total revenue of US\$14.8 billion by 2010 and US\$31 billion by 2020.