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Prepared By: Kiet Vo

Approved By: Benjamin Petlock

Report Highlights:

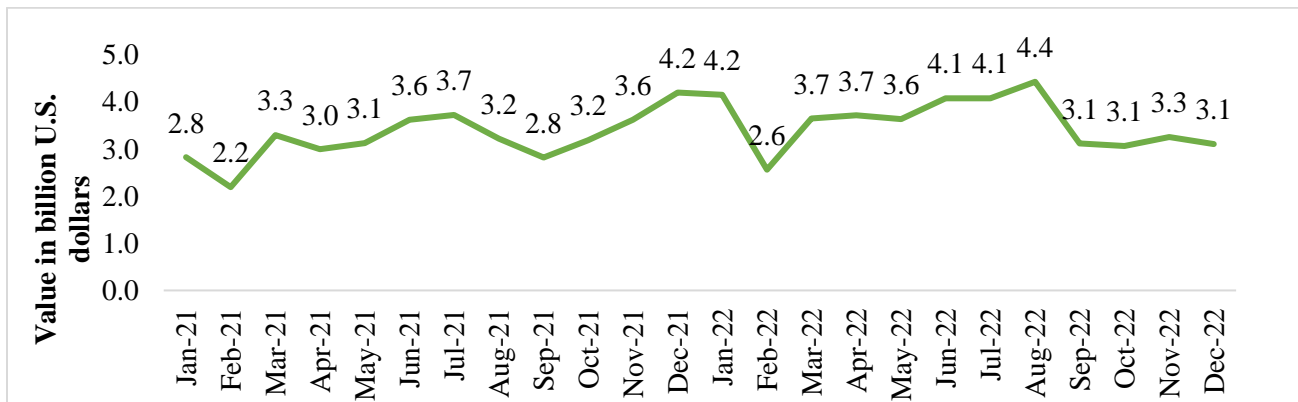
Post estimates that Vietnam cotton imports in marketing year 2022/23 (MY22/23) will decrease at least 5 percent year on year to nearly 6.3 million bales due to ongoing global low demand for textile and apparel products. U.S. cotton exports to Vietnam significantly dropped in the first half of MY22/23 and are forecast to plunge to their lowest levels since 2015 due to available and competitively-priced supplies from Australia and Brazil. Australia cotton exports to Vietnam gained a larger market share in the first half of MY22/23 and continue to grow due to availability, good quality, competitive prices, and proximity to Vietnam. Post forecasts Vietnam cotton imports for MY23/24 will rebound at 5 percent year on year to 6.6 million bales or over 1.4 million metric tons (MMT) based on the expectation that demand for cotton yarn will recover by final months of 2023.

SITUATION AND OUTLOOK

Textile Industry

Vietnam textile and apparel exports in calendar year 2022 (CY22) reached approximately \$43.4 billion¹, a 11 percent growth year on year, according to customs data. Although this figure looked positive, Vietnam textile and apparel exports have sharply declined in both orders and value since the fourth quarter of CY22 (Q4/22) due to weakening demand in key export markets, including the United States and the European Union (EU) (Figure 1).

Figure 1: Vietnam Textile and Apparel Exports*



Source: Post processing on Vietnam Customs data

* Exports in the last four months of CY21 rose from \$2.8 billion in September to \$4.2 billion in December while exports in CY22 significantly dropped from \$4.4 billion in August to \$3.1 billion in September, remaining at low levels for the next three months.

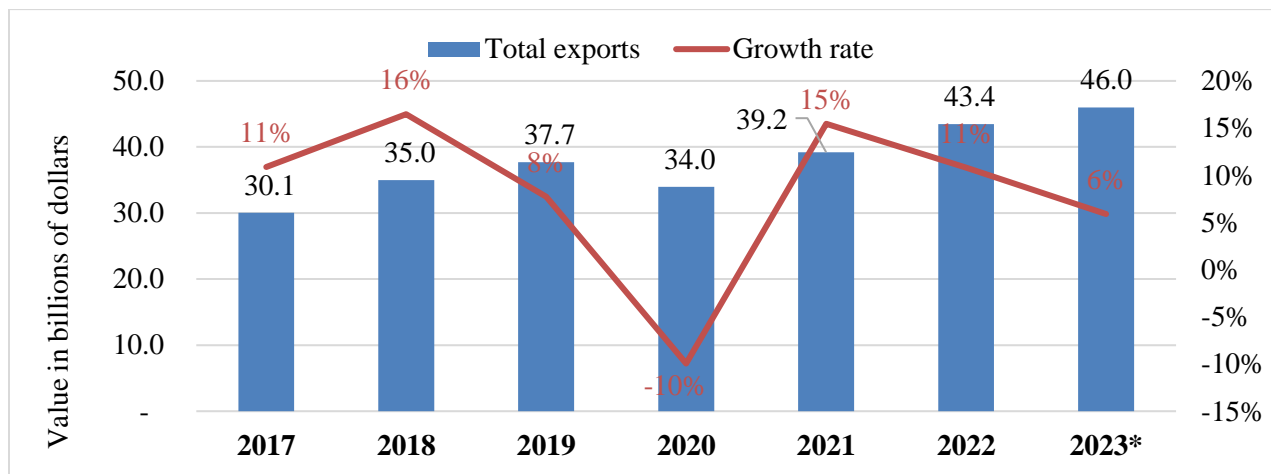
In addition to weak global demand, Vietnam textile and apparel producers also continue to struggle with other challenges to production and exports, including but not limited to 1) escalating costs of raw materials and logistics partly due to Russia's invasion of Ukraine and China's zero-COVID tolerance strategy, 2) world volatility in cotton fiber prices, 3) Vietnam's tightening monetary policies to control inflation, and 4) rising labor costs.

The Vietnam Textile and Apparel Association (VITAS) recently informed local media that orders for Q1/23 were down 25 to 27 percent over the same period last year. To cope with diminished orders, many Vietnam textile and apparel producers reduced operations, resulting in extensive layoffs. Industry contacts forecast that this downtrend will continue until Q3/23 and that any rebound will depend on economic recoveries in key export markets.

¹ Products in account include textile & apparel products, yarn of all types, and technical fabrics.

Despite the above constraints and challenges, VITAS has set positive export goals for CY23, valued from \$46 billion to \$48 billion, noting that this target is subject to a recovery in global demand (Figure 2).

Figure 2: Vietnam Textile and Apparel Exports Over Years



Source: Vietnam Customs, * Vietnam Textile and Apparel Association’s estimate

Yarn

New investments and expansions added approximately a hundred thousand additional spindles to the industry in CY22. The total number of spinning mills in Vietnam hovers around 110, with 50 percent located in the South, 40 percent in the North, and 10 percent in the country’s central region (Table 1).

Table 1: Vietnam Cotton Spinning Industry Overview

	Unit	2017	2018	2019	2020	2021	2022
Total number of spindles	Thousand	7,500	7,800	8,250	8,250	8,500	8,600
Total number of rotors	Thousand	93	97	138	138	138	138
Cotton yarn production capacity	TMT	2,050	2,250	2,500	2,500	2,600	2,700
All-type yarn exports	TMT	1,349	1,479	1,718	1,741	1,917	1,558
All-type yarn imports	TMT	876	1,035	1,105	1,047	1,089	1,040
Fabric imports	Billion USD	11	13	13	12	14	15

Source: Vietnam Customs, Trade Association and Post’s estimate

Vietnam yarn exports (all fibers) in CY22 dropped nearly 19 percent to around 1.6 million metric tons (MMT) with a value of \$4.7 billion, a 16 percent decrease year on year, according to Vietnam Customs. A slight increase in exports to Bangladesh did not offset sharp declines in China and South Korea (Table 2).

Table 2: Vietnam Yarn Exports (all fibers) to Global Market (value in thousand metric tons)

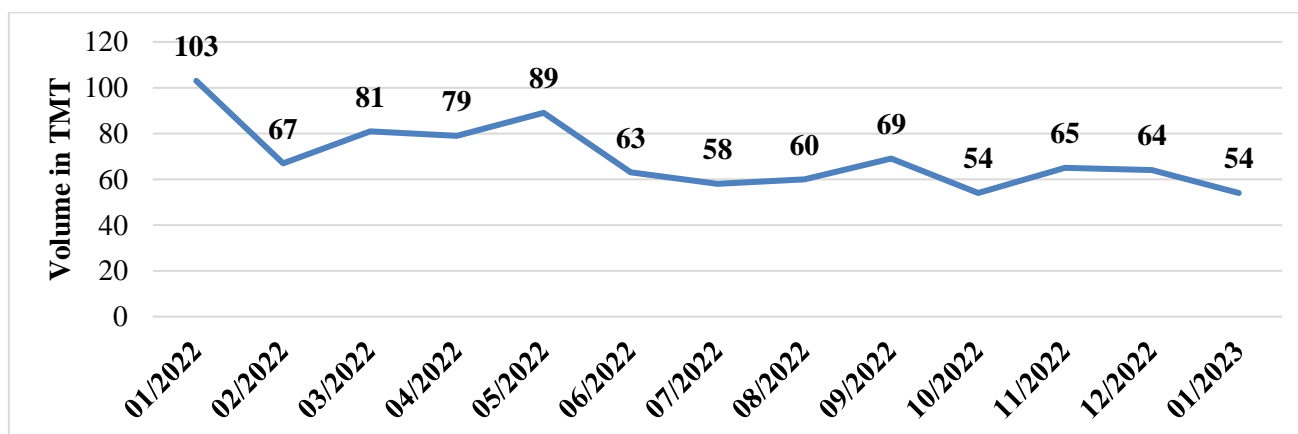
Reporting Country	Calendar Year					% change CY22/21
	2018	2019	2020	2021	2022	
Yarn exports*	1,479	1,718	1,741	1,917	1,558	-19%
China	787	963	957	1,028	711	-31%
Korea	163	148	152	178	145	-19%
United States	41	49	76	109	108	-1%
Bangladesh	23	20	20	44	47	5%
Taiwan	25	20	34	57	45	-22%
Others	439	519	502	500	503	1%
Cotton yarn exports**	939	1,104	1,062	1,137	866	-24%
% Cotton yarn/ total yarn exports	64%	64%	61%	59%	56%	

Source: * Vietnam Customs; ** Post calculation using reported countries' import data. Not all importers of Vietnamese cotton yarn are included.

Cotton yarn under harmonized system (HS) codes 5205 and 5206 is central to yarn exports, making up 56 percent of Vietnam all-type yarn exports in CY22. However, cotton-yarn exports in CY22 sharply declined 24 percent year on year to 866 thousand metric tons (TMT), valued at roughly \$2.9 billion, a 16 percent decrease year on year. Gains in exports over the first five months of CY22 did not offset decreases during the rest of the year (Figure 3).

Declining global demand for textile and apparel products has in turn reduced demand for materials including cotton fiber and cotton yarn. As a result, most of Vietnam spinning mills are running at 50 to 70 percent capacity due to a combination of fewer orders and lower cotton yarn prices, according to industry contacts. This downtrend is forecasted to continue in Q1/2023 with any turnaround dependent on a global market recovery.

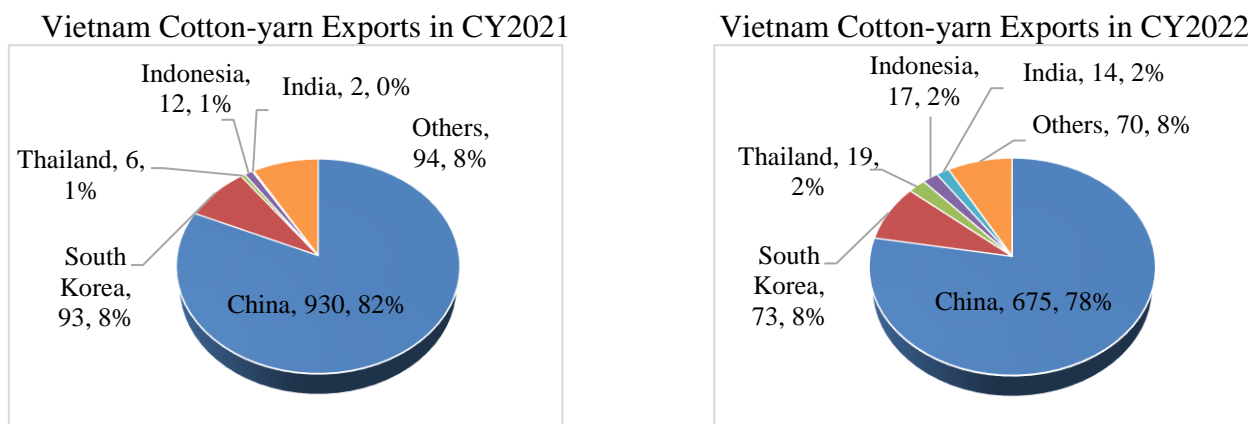
Figure 3: Vietnam Cotton-yarn Monthly Exports to Global Market



Source: Post calculation using reported countries' import data. Not all importers of Vietnamese cotton yarn are included.

China remains the largest market for Vietnam cotton yarn; with total imports in CY22 at 675 TMT, accounting for 78 percent of Vietnam’s total cotton yarn exports. China-invested spinning mills in Vietnam shipped a significant amount of this volume. South Korea, the second largest market, imported approximately 73 TMT, down 22 percent year on year. Turkey is no longer a major export market for Vietnam cotton yarn while Thailand, Indonesia, and India have emerged as potential markets (Figure 4).

Figure 4: Vietnam’s Cotton Yarn Export Breakdown (Volume in TMT)



Source: Trade Data Monitor LLC

Vietnam also imports yarn of various types for its weaving and knitting industry, most of which is synthetic yarn. Vietnam all-type yarn imports in CY22 decreased 5 percent year on year to roughly 1 MMT, of which 7 percent was cotton yarn. This small amount of cotton yarn imports reflects a strong capability of the country to supply cotton yarn for both local consumption and exports (see Table 3).

Table 3: Vietnam Imports of All Yarn from Worldwide Market (TMT)

Reporting Country	Calendar Year					% change 2022/2021	Market share in CY 2022
	2018	2019	2020	2021	2022		
Total yarn imports	1,035	1,090	1,047	1,092	1,040	-5%	
China	508	600	581	626	638	2%	61%
Taiwan	179	170	147	163	147	-10%	14%
Thailand	80	72	74	60	67	12%	6%
South Korea	85	76	70	67	59	-12%	6%
Indonesia	60	61	57	64	55	-14%	5%
Others	123	111	118	112	74	-34%	7%
Cotton yarn imports	110	107	100	117	76	-35%	
% cotton yarn/ total yarn imports	11%	10%	10%	11%	7%		

Source: Post's processing on Trade Data Monitor LLC and Vietnam Customs data

PRODUCTION

Vietnam remains a net importer of cotton. FAS/Vietnam estimates the domestic cotton supply at less than 1 percent of total market demand. For a further discussion on the decline in planted area, please see [GAIN Report VM7019: Cotton and Products Annual 2017](#).

TRADE

Cotton trade in Vietnam during marketing year 2022/23 (MY22/23) was chaotic. Many cotton orders were placed in MY21/22 when both cotton and cotton yarn prices steadily rose. However, this trend reversed starting in July 2022, when cotton yarn demand and prices both collapsed due to the plummet in global demand for textile and apparel products. This decline caused extreme hardships for many local spinning mills as cotton-yarn prices dropped close to or even lower than previously paid for or negotiated.

To limit damage caused by crashing cotton and cotton-yarn prices and reduced orders, local spinners either requested cotton suppliers to delay high-price cotton shipments or simply went ahead and directly cancelled orders altogether despite risks of being labeled as a defaulter. This ultimately reduced operating rates and cotton consumption.

Although Vietnam cotton imports for the first half of MY22/23 decreased 2 percent year on year to 611 TMT, Post still forecasts MY22/23 imports to contract by at least 5 percent to 6.3 million bales, given that local spinning mills will continue to struggle with weak cotton-yarn demand. Post forecasts Vietnam cotton imports for MY23/24 to recover to their MY21/22 levels at approximately 6.6 million bales or over 1.4 million metric tons (MMT), however this is dependent on a recovery in global apparel demand and China demand for Vietnam cotton yarn, as well as other geopolitical developments (Figure 5).

Figure 5: Vietnam's Cotton Imports by Marketing Year (TMT)



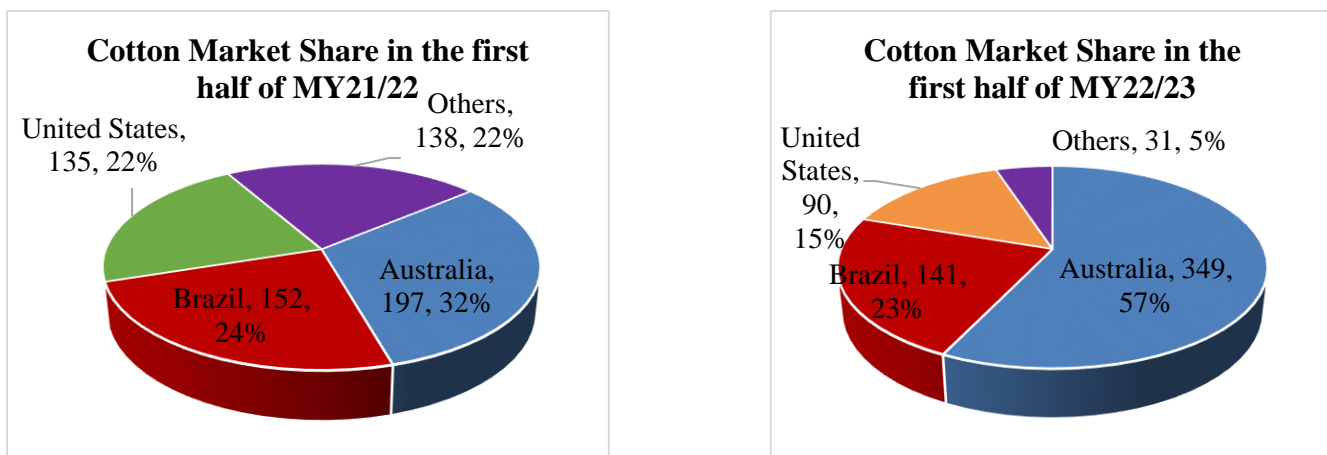
Source: Post's processing on Vietnam Customs data, * Post's estimate and **Post's forecast

Top Cotton Suppliers to Vietnam

Australia cotton exports to Vietnam in the first half of MY22/23 increased 77 percent year on year to 349 TMT, accounting for 57 percent of global cotton exports to Vietnam, mainly due to large supply and less shipments to China. Availability, good quality, competitive prices, and quick delivery are key advantages that have buoyed Australia cotton exports to Vietnam.

Brazil and the United States followed with cotton exports between August 2022 and January 2023 reaching 141 TMT and 90 TMT, down 7 percent and 33 percent year on year, respectively, due to major shipments to China. Market shares of top cotton suppliers to Vietnam have shifted remarkably as elaborated in Figure 6.

Figure 6: Cotton Market Share in Vietnam



Source: Trade Data Monitor LLC

CONSUMPTION

Vietnam cotton consumption, reflected by cotton imports and cotton yarn exports, will shrink in MY22/23 due to lower demand for cotton yarn from China.

According to Trade Data Monitor data, Vietnam cotton yarn exports to China in MY21/22 declined 20 percent year on year to 788 TMT and continued to fall 35 percent in the first half of MY22/23 to 280 TMT. Lower cotton yarn exports to China have increased Vietnam yarn stocks and reduced cotton consumption in the short term. Assuming global demand for textile and apparel products stays low until July 2023, Post estimates that Vietnam cotton consumption in MY2022/2023 will remain at 6.3 million bales or nearly 1.4 MMT, down 7 percent over MY 2021/2022. Post also forecasts that Vietnam cotton consumption for MY23/24 will stand at 6.5 million bales, an increase of 3 percent year on year (see Table 4).

PRICES

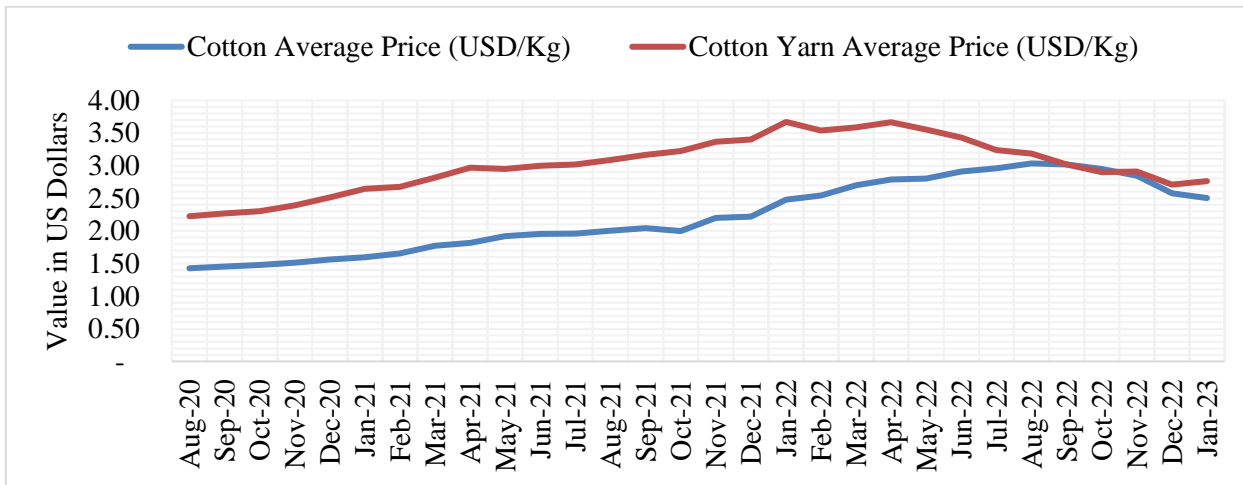
Average cotton import prices in Vietnam steadily decreased from \$3 per kg in August 2022 to \$2.5 per kg in January 2023, according to Vietnam Customs data (Figure 7). Meanwhile, cotton-yarn export prices also dropped at a faster pace than cotton-fiber import prices. (Figure 8).

Figure 7: Cotton Average Import Price (USD/kg)



Source: Post's processing on Vietnam Customs data

Figure 8: Cotton Price versus Cotton Yarn Price (USD/kg)



Source: Post's processing on Trade Data Monitor and Vietnam Customs data

STOCKS

Due to the negative effects mentioned in the Trade section, Vietnam spinning mills continue to minimize stocks. Cotton trade contacts note that cotton purchases from bonded warehouses, afloat or spot traded are prioritized. Post estimates stocks-to-use ratio in MY22/23 to remain at low levels (roughly 14 percent).

MARKETING/ POLICY

Tariffs on cotton

Cotton fiber (HS codes 5201, 5203) has a zero tariff, and a 5 percent value added tax.

Tariff on cotton yarn

Cotton yarn (HS codes 5204, 5205, 5207) has a 5 percent tariff, and a 10 percent value added tax.

Table 4: Production, Supply, and Demand Data Statistics

Cotton	2021/2022		2022/2023		2023/2024		
Market Begin Year	Aug 2021		Aug 2022		Aug 2023		
Vietnam	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post	
							(Units)
Area Planted	-	-	-	-	-	-	(1000 HA)
Area Harvested	1	-	1	-	-	-	(1000 HA)
Beginning Stocks	1,088	1,088	1,022	885	-	855	1000 480 lb. Bales
Production	3	-	3	-	-	-	1000 480 lb. Bales
Imports	6,631	6,597	6,300	6,270	-	6,580	1000 480 lb. Bales
MY Imports from U.S.	-	1,963	-	-	-	-	1000 480 lb. Bales
Total Supply	7,722	7,685	7,325	7,155	-	7,435	1000 480 lb. Bales
Exports	-	-	-	-	-	-	1000 480 lb. Bales
Domestic Use	6,700	6,800	6,300	6,300	-	6,500	1000 480 lb. Bales
Loss	-	-	-	-	-	-	1000 480 lb. Bales
Total Dom. Cons.	6,700	6,800	6,300	6,300	-	6,500	1000 480 lb. Bales
Ending Stocks	1,022	885	1,025	855	-	935	1000 480 lb. Bales
Total Distribution	7,722	7,685	7,325	7,155	-	7,435	1000 480 lb. Bales
Stock to Use %	15	13	16	14	-	14	(PERCENT)
Yield	653	-	653	-	-	-	(KG/HA)

Attachments:

No Attachments