

READY TO WEATHER THE STORM

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- In the US, inventories are gradually depleting, we believe that the inventory replenishment process is starting and will be the main driver for the growth of Vietnam's textile exports in 2024.
- Low unit prices of textiles order remain a major challenge for Vietnamese textile companies due to the competitive advantage of costs lower than Bangladesh.
- Free trade agreements such as EVFTA, CPTPP, and RCEP will continue to create significant opportunities for Vietnam textile exports.
- Our preferred stocks are MSH and TCM, with potential upside of 24% and 26% respectively compared to the current price.

1. Looking back at 2023

In 2023, the textile industry in Vietnam faced numerous difficulties and challenges. By the end of 2023, the value of Vietnam's textile exports decreased by 11.3% YoY to USD 33.3 bn, specifically, exports to the US, Japan, the EU, and South Korea amounted to USD 14.5 bn (-16.7% YoY), USD 4 bn (-1% YoY), USD 3.8 bn (-1.5% YoY), and USD 3 bn (-7.9% YoY), respectively. Most textile companies experienced poor business performance due to a severe lack of orders, increasing inflation, and declining purchasing power. However, from the end of 4Q2023, we have seen some positive signs that brightened the picture for the Vietnamese textile industry:

- The inventory processing phase in the US is gradually coming to an end, we believe the inventory replenishment cycle is beginning which will drive an increase in orders.
- Retail growth in clothing and accessories in the US and Japan has shown significant improvement compared to the same period, and Consumer Confidence Index in the US have also improved compared to last year, partly shows that people are becoming more and more optimistic about their financial prospects. According to McKinsey, the US fashion industry is gradually returning to growth, with fashion sales expected to increase by about 2% - 4% YoY.
- Imports of raw materials for textile production are increasing, textile companies are actively expanding production to serve the gradually returning export orders.
- According to VITAS, in 2024, Vietnam's textile industry is expected to cautiously recover, with exports projected to increase by 9.2% YoY to USD 44 bn, based on the low base in 2023 and expectations of the inventory replenishment cycle starting from 2024.

2. Prospects for the Vietnamese textile industry in the future

In addition, the Vietnamese textile industry will continue to benefit in the long term due to:

(1) Prospects for gaining market share from China in the US due to concerns about US-China trade war and forced labor in China's Xinjiang region. Some US fashion companies have stated that the strategy of "reducing exposure to China" will continue, with other Asian suppliers such as Vietnam, Bangladesh, Cambodia, and Indonesia being their top choices