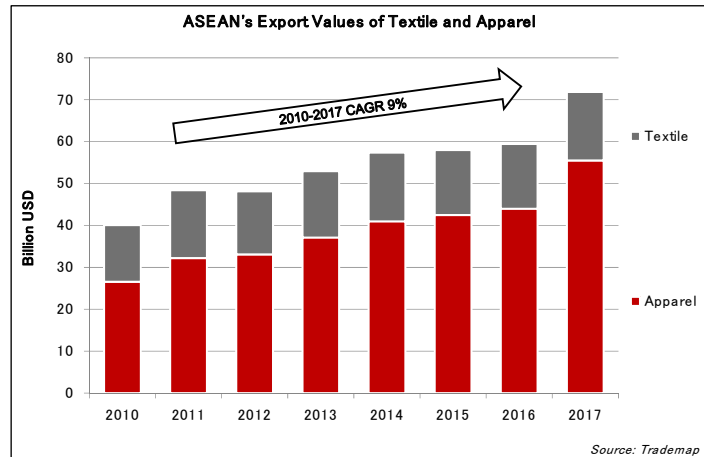


Textile Industry in Thailand

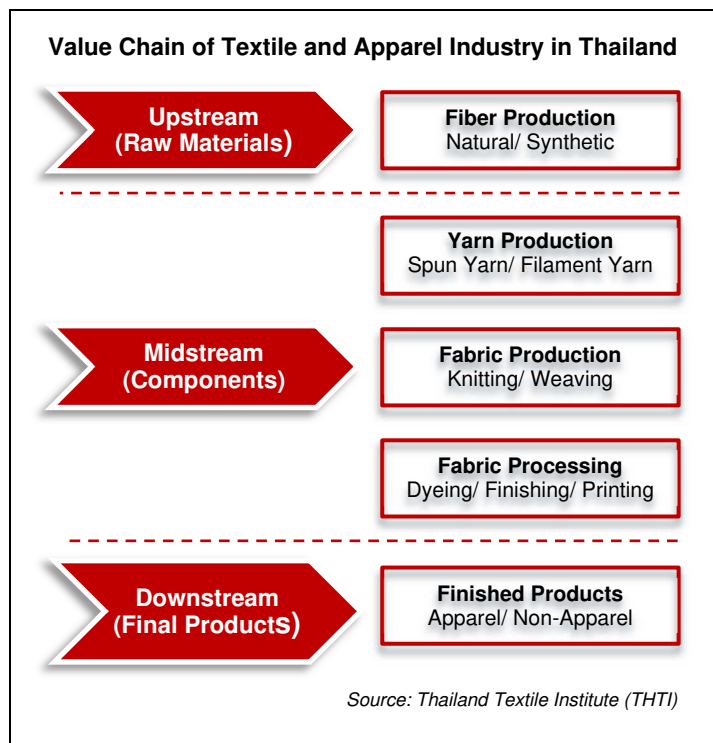
1. Industry Overview

- As the textile and apparel industry is being recognized as highly labor-intensive, Southeast Asian countries have been one of the major production bases for the global textile and apparel market with exports being the growth driver.
- Thailand is one of a few countries with market presence across the entire value chain of the textile industry. Based on the stages of production, it can be broadly classified into three sectors; upstream, midstream, and downstream as follows:



Upstream Sector

- Fibers are the basis of all textiles. They can be made from natural sources like cotton, linen, silk, and wool, or produced entirely from chemicals like polyester, nylon, acrylic and rayon.
- Supported by a strong downstream petrochemical industry, most fiber production in Thailand is synthetic or man-made fibers, with polyester on top out of all synthetic fibers with the largest production volume.
- Thai textile industry relies heavily on imported cotton. A gradual decrease in cotton planted areas and marginal production due to high maintenance costs and unattractive returns when compared to other field crops have made Thailand one of the largest



- made Thailand one of the largest cotton importers in the region, especially from China, Japan, and the United States.
- Synthetic fibers and textiles have been gaining popularity over the last few decades. They are highly preferred due to their properties, e.g. durability, flexibility, weight, and prices.
- Because advanced technology is required in the production process, the upstream sector is the most capital-intensive sector out of the three.

Midstream sector

- Production of yarn can be categorised into two types; staple or spun yarn that are made from short length fibers, and filament yarn which are the products of long, continuous length fibers.
- Figures from the THTI show that Thai manufacturers produce over 800,000 tons of yarns per year for the past couple of years, with some being used as raw materials to make fabrics, some for clothes sewing. Fabrics are then made through the two most common methods; weaving and knitting, before being sent for further dyeing and/or printing processes.
- This part of the value chain can be either labor- or capital-intensive depending on the production technology. According to the report from the Thailand Board of Investment (BOI), more companies are now shifting their production lines toward advanced automation with heavy investments in research and development (R&D).

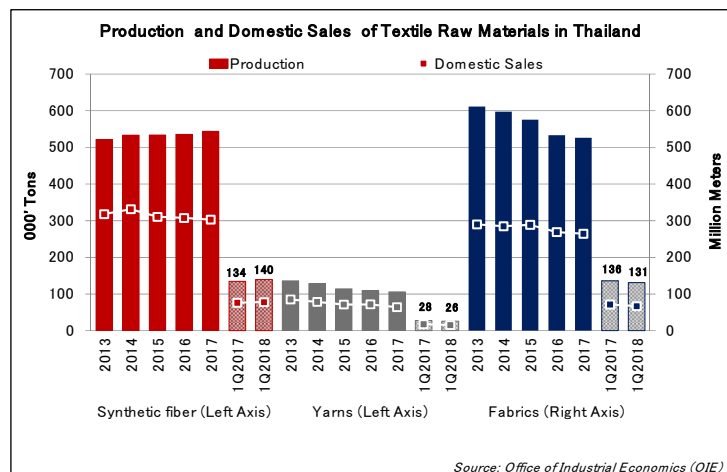
Downstream Sector

- Thailand is known as one of the top destinations for OEM production in the global market. Many outsource their manufacturing to Thailand thanks to its abilities to offer high quality products and skilled labor with competitive costs.
- However, an introduction of the national minimum wage rate in 2013 and a recent increase in 2017, coupled with huge competition from other countries with lower labor costs like Vietnam, Cambodia, and Bangladesh, have made Thailand a less competitive player in this market as the downstream textile sector is the most labor-intensive part of the value chain.
- To keep up with the market, related institutes, the government, and the manufacturers themselves have been transitioning their positions by not being only OEM manufacturers, but also creating their own brands as well as adopting higher value-added product strategies.
- Expanding focus into non-apparel, particularly the functional textiles market is another approach that Thailand has attempted to utilise to reboot the Thai textile and apparel industry. Examples of functional textiles are mobile textiles (seatbelts and airbags); medical textiles (bandages, hospital gowns and gloves), sport textiles (sport wear and sport equipment), protective textiles (bulletproof vests and firefighter uniforms), and specialized textiles with unique and innovative features such as anti-bacteria, water-repellant, or temperature regulated textiles.

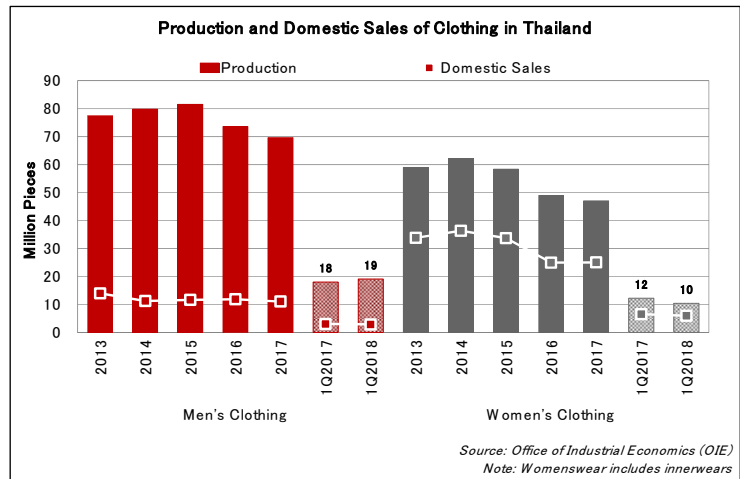
Market Overview

Production and Domestic Sales:

- According to the latest data provided by the Office of Industrial Economics (OIE), the production of raw materials for textiles, namely synthetic fibers, continued to show a steady growth both in 2017 and 1Q2018 thanks to their favorable properties, which created a higher demand in a number of end-use industries such as home textiles and technical textiles, while production of yarns and fabrics saw a decline due to the stagnation in the apparel sector.



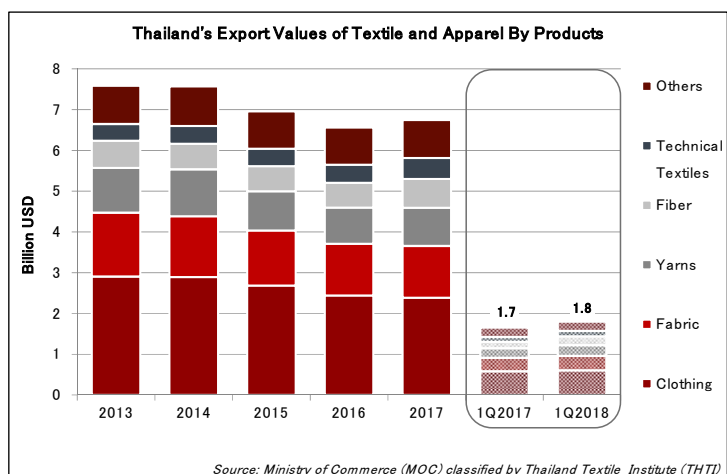
- Overall production of apparel fell slightly by 2.6% y-o-y to 29.5 million pieces during the first quarter of 2018. Higher production volume of men's clothing was supported by increased orders in sportswear for export markets following the FIFA World Cup 2018, the world's largest football event. The passing of His Majesty King Bhumibol Adulyadej, Rama IX, had also partly contributed to weak



- domestic sales in both men and women's clothing markets as Thais put off their purchase of colorful clothing and were more careful of their expenditure during a slow growth recovery of the Thai economy.
- The Thailand Textile Institute (THTI) estimated domestic sales of the textiles and apparel to reach over 200 billion baht or 6 billion USD in 2017 and expand roughly 10% at the end of 2018, boosted by the health and fitness trend. A report from the Thailand Board of Investment (BOI) commented that even though men are the core consumers of sportswear, sales of female sportswear is soaring.
- Updates from the global market research company Euromonitor revealed that the Japanese clothing brand Uniqlo (Thailand) Co., Ltd. and the Thai wholesaler and distributor of consumer products including men and women's apparel, I.C.C International Pcl., were the leading players in both Thai menswear (Uniqlo 4.9%; ICC 4.7%) and womenswear (Uniqlo 3.7%; ICC 3.0%), based on the retail values in 2017. Meanwhile, Adidas and Nike continued to be the dominant players in the Thai sportswear market with market shares of 10.5% and 6.1%, respectively.

Exports and Imports

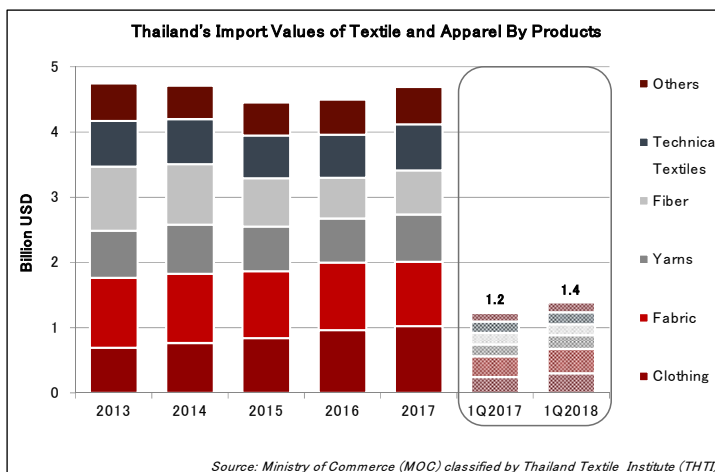
- Thailand's textiles and apparels industry relies quite a lot on exports. The sector has shown steady improvement since 2016 with an impressive growth of 2.8% y-o-y to almost 6.8 billion USD in 2017 and 8.7% y-o-y to 1.8 billion USD in 1Q2018 driven by the export expansion of most products.
- Being two of the major exporting markets for Thai textiles and apparel products, Vietnam's fast-growing textiles and apparel market, together with a better economic outlook for the United States and a surge in demand for sportswear were said to help drive this growth.



- Clothing products made up the largest portion of Thailand's export values of textiles and apparel with the United States (34%), Japan (18%), and Belgium (7%) being its major exporting markets during the first three months of 2018. As for textile products, major producers of garments, namely

Vietnam (10%), Japan (9%), China (9%), Indonesia (7%), and Myanmar (6%) were Thailand's main destinations for textiles exports.

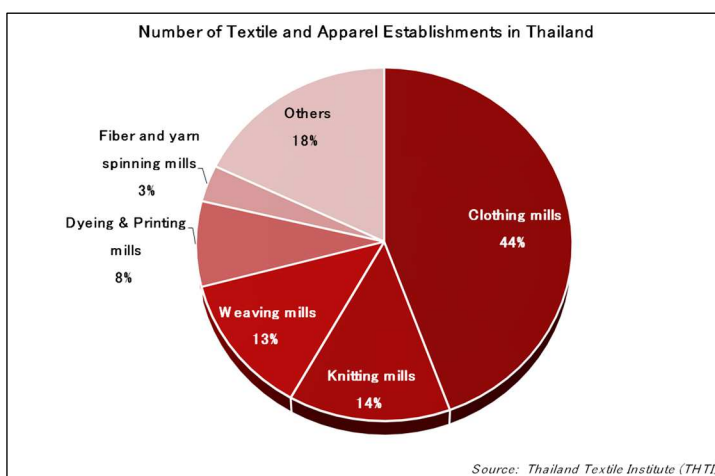
- Imports of textiles and apparel products to Thailand has been increasing over the last couple of years with a growth of 4.3% y-o-y to 4.7 billion USD in 2017 and 13.2% y-o-y in 1Q2018. Like the exports sector, clothing was the number one imported product, whilst fiber was the least imported product due to high import duties to protect the Thai petrochemical industry against foreign competition.



- Noted that the proportion of export and import products has changed over time. Thailand exported fewer garments and imported more over the past few years. One of the reasons for these changes is the relocation of local manufacturers to other emerging markets where labor costs are lower, such as Cambodia and Vietnam. Additionally, competitive prices and explosive growth of the e-commerce market has made it easier for consumers to make purchases abroad, resulting in an increase of imported clothing products.
- China is Thailand's largest supplier for both textile and apparel products, accounted for 36% and 51% of import values during the first three months of 2018. Other main suppliers include Taiwan (9%) and Japan (7%) for imported textile products, whilst Cambodia and Vietnam were the main markets for imported apparel products, each making up around 7% of the imported value.
- The Thailand Textile Institute (THTI) projects a positive and higher growth for export values of the textiles and apparel industry at 5-6% y-o-y in 2018, driven by an increase in the exports of sportswear due to the 2018 FIFA World Cup and the rising health consciousness. Exports of textile products is also anticipated to expand thanks to fast-growing major garment producers in the region.

Major Players

- As of March 2018, there were a total of 4,804 companies operating in the Thai textiles and apparel industry.
- Clothing manufacturers accounted for almost half of the number of establishments in the industry.
- Key players in the upstream sector, producing synthetic fibers include Indorama Polyester Industries, Thai Rayon, Thai Toray Synthetics, Thai Polyester, and Polyplex (Thailand).



- Luckytex (Thailand), Jong Sitt, Nan Yang Knitting Factory, Kangwal Textile, and Chiem Patana Textiles lead the group as major producers of textiles in the midstream sector, while Central Trading, Jaspal, Thai Wacoal, Nanyang Garment, and Hi-Tech Apparel are some of the biggest manufacturers for apparel in Thailand, based on their latest revenues.
- Examples of Thai brand producers and designers that have successfully created brand awareness on a global scale are NaRaYa, Jaspal, Sretsis, Disaya, Vatanika, Flynow, DoiTung, and Sirivannavari, a clothing line of HRH Princess Sirivannavari, the only daughter of Thailand's King Maha Vajiralongkorn.

Concluding Remarks

- Even though Thailand's textiles and apparel industry was originally known as a labor-intensive market, strong market competition combined with wage increases have urged the country to adapt and undergo a transition, shifting towards high-tech and value-added products.
- Support from the Thai government and related institutes such as the Thai Textile Institute in developing innovative products and promoting small- and medium-sized companies to grow bigger through various tax incentives and schemes would help strengthen the industry to create sustainable growth throughout the entire value chain in the future.
- The Office of Small and Medium Enterprise Promotion (OSMEP) commented that to gain advantage of its ability to produce high-quality textile products, the country should give importance to the midstream sector, especially the production of functional textiles like automotive and medical textiles, which are forecasted to also exhibit steady growth in addition to the sportswear market.
- According to the Thailand Board of Investment (BOI), Thailand is considered as an ideal destination to produce automotive textiles as the country is the world's 12th largest and ASEAN's largest automobile producer with almost 2 million units in 2017.
- Being one of the top destinations for medical tourism, the Thai government sets out to make Thailand a hub of wellness and medical services in the Southeast Asian region. As a result, huge domestic demand in hygiene and healthcare products are expected.
