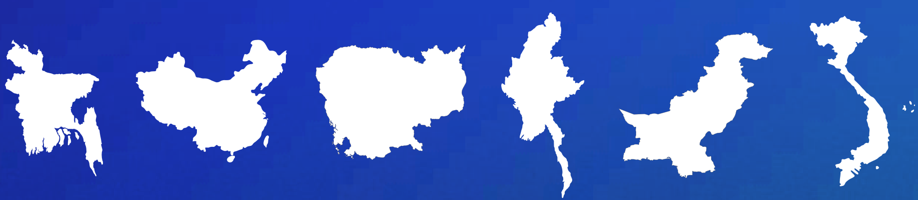
STAR
Sustainable Textiles of the Asian Region

The STAR Network proudly presents our

Quarterly Roundup

Q2 2026



A snapshot of key developments & trends across the Garment & Textile industries of the STAR member countries

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FOREWORD

Mr. Fazlee Shamim Ehsan

Chairman, STAR Network

Dear friends of the STAR Network. We are happy to share with you our latest quarterly roundup! This is a product of collaboration of the 9 STAR association in knowledge sharing, and crucial dialogue. Together, we continue to build stronger connections for a stronger STAR.

Dr. Xiaohui Liang

Vice-Chairman, STAR Network

The Quarterly Roundups of the STAR Network is a testament to the interconnectedness of STAR members, and highlights what is possible when we all work together as one. STAR is proud to present this report as the first of many more knowledge product to come. Together for a united textile and garment industry!

EDITOR'S NOTE

Mr. Sovichea "Vic" Saron

Head of Secretariat, STAR Network

Dear readers, the STAR Network is honoured to share with you our newest Quarterly Roundup. This report underlines the soft power of knowledge sharing, and lays foundations for real collaboration towards change. Because pursuing sustainability in our increasingly polarized world means being resilient, being informed, and more importantly, being connected.
I hope you find this report informative, and comprehensive.

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EXECUTIVE SUMMARY

Q2 2026 saw a gradual recovery in trade conditions across Asia's textile and garment sector, with the US tariff landscape stabilizing into a predictable multi-track regime following Q1's Supreme Court ruling. Export performance improved sequentially, though a pronounced divergence emerged between upstream suppliers benefiting from rising raw material prices and midstream manufacturers facing margin compression. Sustainability compliance accelerated its transition to market access requirements, with EU CBAM and Digital Product Passport frameworks shaping investment decisions. Workforce shortages and skills mismatches remained binding constraints across the region, while Vietnam and India advanced discussions on supply chain integration to reduce raw material dependence. Regional cooperation deepened, with industry associations playing increasingly central roles in policy engagement, skills development, and sustainability initiatives to help members navigate the complex trade environment.

Key Takeaways

Trade Policy Stabilization Enables Order Flow Recovery

Q2 saw the US tariff landscape stabilize into a predictable multi-track framework following the Supreme Court ruling, enabling improved order flows and sequential recovery. China's apparel exports surged 66.35% year-on-year in February, Vietnam's grew 9.95%, while Bangladesh saw a marginal 1.07% decline. Pakistan's Q1 FY26 textile exports rose 5.7% to US$4.79 billion. However, the Section 122 surcharge expiration on July 1 adds uncertainty, while mid-quarter tariff resets impacted margins by approximately 300 basis points for some manufacturers.

Upstream-Downstream Divergence Shapes Sector Performance

A defining characteristic of Q2 was the divergence between upstream and downstream segments. Upstream suppliers benefited from rising global raw material prices (cotton, wool, chemical fibers), with China's textile exports growing 3.5% to US$73.01 billion while garment exports declined 0.6%. Midstream manufacturers faced margin compression from higher input costs and softer brand order volumes. In June, shoe manufacturers saw revenue declines while apparel manufacturers outperformed.

Cautious Demand Outlook Amid Mixed Market Signals

Global apparel demand is forecast to grow approximately 3% in 2026, lower than 2025's 6% increase. US retail growth is moderating with cautious ordering patterns, while the EU shows mixed performance with sustainability requirements increasingly shaping competition. Emerging markets including Russia, Central Asia, and Africa offer growth opportunities as Chinese enterprises accelerate diversification. Competition is increasingly a market share battle rather than mutual growth, with brands sustaining pricing pressure particularly in the US market.

Vietnam-India Cooperation Signals Strategic Supply Chain Realignment

Vietnam and India deepened cooperation in apparel, textiles, and footwear during Q2, driven by cost pressures and sourcing diversification. Vietnam imports approximately 65% of raw materials while India is a major supplier of cotton, yarn, and synthetic materials. Vietnam's textile exports reached US$46 billion in 2025 while India's leather and footwear exports to Vietnam reached US$92 million in FY2024-25. Deeper integration could reduce raw material dependence, enhance cost competitiveness, and strengthen sustainability compliance across the region.

Sustainability Transitions to Market Access Requirement

Sustainability accelerated its transition to binding market access requirements in Q2, with EU CBAM and Digital Product Passport frameworks shaping investment decisions. The ban on unsold textile destruction took effect in July 2026. Bangladesh added four LEED-certified factories (total 290), Pakistan advanced its US$615 million green financing initiative, Cambodia planned a regional DPP workshop, and Vietnam's VITAS focused on ESG implementation. Compliance costs are rising, making green financing critical for manufacturers' transition to sustainable production.

U.S. Reciprocal Tariffs – Updated for August 2026

The first half of 2026 was defined by a landmark Supreme Court decision that fundamentally reshaped the U.S. trade landscape, invalidating the reciprocal tariff regime that had defined the previous year. On February 20, the Court ruled in Learning Resources, Inc. v. Trump that the President lacked authority under the International Emergency Economic Powers Act (IEEPA) to impose tariffs, striking down the baseline duties and country-specific rates that had been a structural feature of Asia's sourcing environment. However, rather than marking the end of tariff escalation, the ruling triggered a rapid pivot to alternative legal authorities. As of August 2026, the transition is complete: the temporary Section 122 global surcharge expired on July 24, and finalized Section 301 country-specific tariffs now form the backbone of the new enforcement regime.

Country	Tariff Rate	Status
Cambodia	10% - 15%	Faces a 10% Section 301 duty with a critical exemption: designated volumes using U.S.-origin cotton and fibers are exempt from the tariff. This provision reinforces Cambodia's competitive position, and garment exports to the U.S. reached over $7 billion in the first half of 2026, up nearly 30% year-on-year.
Vietnam		Faces the highest Section 301 tariff tier among major Asian garment exporters at 12.5%, creating a significant cost disadvantage relative to Cambodia and Bangladesh. Textiles, footwear, and seafood bear the full duty burden. Vietnamese manufacturers are accelerating market diversification and automation investments to reduce U.S. dependency.
Myanmar		The voiding of the 40% IEEPA tariff provided significant relief, but Myanmar now faces a 10% Section 301 duty. The forced labor investigation remains an active risk, with potential for additional restrictions. Exporters continue pivoting toward ASEAN and EU markets to reduce U.S. reliance.
China		Faces a 10% Section 301 tariff on textiles, layered with 25% Section 232 national security duties on semiconductors and industrial goods. The strategy of shifting final assembly offshore and investing in automation continues, reflecting permanent stacked tariff exposure.
Pakistan		Faces a 10% Section 301 duty with no exemption mechanism for U.S.-origin inputs. Pakistan's large domestic spinning and weaving sector helps absorb some cost pressure, but the lack of an input exemption reduces its competitiveness relative to Cambodia and Bangladesh, which benefit from preferential treatment.
Bangladesh		Faces a 10% Section 301 duty with a significant advantage: designated volumes using U.S.-origin cotton and fibers are exempt. The forced labor investigation risk has now resolved with manageable final duties, though buyers continue to increase compliance monitoring and sustainability certification requirements.

The U.S. has completed its transition away from voided IEEPA tariffs, replacing them with a permanent structure that now heavily differentiates between garment-exporting nations. The Section 122 global surcharge expired on July 24, 2026, and was immediately replaced by finalized Section 301 country-specific tariffs that create clear winners and losers across Asia's textile supply chain.

What the New Tariff Powers Mean for Asian Textile and Garment Exporters (August 2026)

Rather than a single tariff rate per country, garment exporters now face a differentiated structure that is reshaping sourcing decisions. Understanding these layers is critical for supply chain planning.

1. The Global Surcharge (Section 122) – [EXPIRED]
This temporary, uniform 10% tariff expired on July 24, 2026, and was not renewed. For the textile and garment sector, this removes the across-the-board cost pressure that existed since February. However, it has been immediately replaced by country-specific Section 301 duties that now create significant competitive disparities.

2. Country-Specific Textile Tariffs (Section 301) – [FINALIZED & ACTIVE]
These tariffs, which took effect July 24, 2026, are now the primary differentiator between Asian garment suppliers. The U.S. Trade Representative imposed two tiers based on findings regarding forced labor import restrictions:

- 10% tariff applies to 17 countries including Cambodia, Bangladesh, Indonesia, Malaysia, Pakistan, and India.
- 12.5% tariff applies to countries including Vietnam and Thailand.

Critical Textile Exemption Mechanism: A special provision allows designated volumes of textile and apparel exports from Bangladesh, Cambodia, Indonesia, and Malaysia to be exempt from Section 301 duties if they use U.S.-origin cotton and fibers. This is designed to incentivize sourcing of American textile inputs while reducing reliance on supply chains with potential forced labor risks. Cambodia's garment exports to the U.S. reached over $7 billion in the first half of 2026, up nearly 30% year-on-year, and this exemption reinforces its competitive position.

India faces a 10% Section 301 tariff with no exemption mechanism, putting its textile exporters at a disadvantage compared to peers in Bangladesh and Cambodia. Industry participants note that while peak tariff levels were once around 50%, the current 10% additional duty still adds meaningful cost pressure.

Vietnam faces the higher 12.5% rate, although electronics and machinery exports remain exempt—textiles, footwear, and seafood continue to bear the full tariff burden. Vietnamese businesses have responded by accelerating market diversification and automation investments to reduce U.S. dependency. Vietnam's initial reciprocal tariff of 46% announced earlier was reduced to 20% through negotiation, but the final Section 301 outcome still places it at a disadvantage relative to Cambodia.

3. National Security Tariffs (Section 232) – [PERSISTENT & EXPANDING]
This authority continues to affect textile-adjacent sectors. Steel and aluminum remain at 50%. Critically, on August 19, 2026, a 50% tariff under Section 338 of the Tariff Act of 1930 will take effect on a wide range of Canadian products—including clothing and textiles under HTS Chapters 50-63—in response to Canada's dairy and auto trade policies. This applies even to USMCA-origin goods, removing preferential treatment and creating new supply chain risks for U.S. yarn mills that export inputs to Canadian apparel manufacturers.

What This Means for Textile and Garment Exporters Right Now (August 2026)
Competitive landscape reshaped: Cambodia, Bangladesh, Indonesia, and Malaysia have a clear tariff advantage over Vietnam and Thailand, with the added benefit of exemption mechanisms for U.S.-sourced cotton. India faces the 10% duty without exemptions, eroding its competitive edge.

- **Supply chain transparency is now a tariff variable:** The Section 301 tariff tier depends on U.S. findings regarding forced labor import restrictions. Countries with stronger enforcement and traceability frameworks received lower rates.

- **Cotton sourcing matters:** The exemption for U.S.-origin cotton creates a direct financial incentive for garment manufacturers in Cambodia, Bangladesh, Indonesia, and Malaysia to source American textile inputs, potentially reshaping global cotton trade flows.

- **North American supply chain disruption:** The 50% tariff on Canadian apparel imports, effective August 19, threatens integrated U.S.-Canada textile production, potentially reducing demand for U.S. yarn and fabric exports to Canadian manufacturers.

- **Ongoing cost pressures persist:** Beyond tariffs, geopolitical tensions have pushed up cotton prices, international shipping costs have risen to two to three times pre-conflict levels, and dyeing/printing expenses continue to climb.

Regional Energy Landscape

From our latest STAR Renewable Energy Position Paper, the STAR member countries exhibit a diverse array of energy landscapes, characterized by varying levels of installed capacity, energy mix, and consumption patterns.

The following table provides a snapshot of key energy indicators, including total installed capacity, energy mix, and electricity generation.

Indicators/ Countries						
Total Installed Capacity (MW)	32,659 MW (2025, official)	~4,945 MW (2023-2025 estimates)	3,402,000 MW (2025)	6,357 MW (2025 estimate)	46,605 MW (2025)	94,200 MW (2025)
Total Electricity Generation (GWH)	~88,000–95,000 GWh (est. 2025)	~24,000 GWh (projected 2025)	~9,350,000 GWh (2025 estimate)	~17,319 GWh (2023, no recent official data)	90,145 GWh (2025)	347,500 GWh (2025 target, official MoIT)
Approximate Energy Mix	**Gas:** 43% **Coal:** 25% **Oil:** 24% **Hydro:** 2% **Imports:** 16% **Solar:** 1.3% **Other RE** <2%	**Hydro:** 32-38% **Coal:** 28-30% **Oil**: ~13% **Solar:** ~10% **Imports:** 20-23% **Biomass/Wind** <2%	**Coal:** 55% **Hydro:** 14% **Solar:** 11% **Wind:** 7% **Nuclear:** 2% **Other Thermal:** 11%	**Hydro:** ~52% **Gas:** ~38% **Others:** 10% with RE targets rising	**Thermal:** 55.7% **Hydro:** 24.4% **Nuclear**: 7.8% **Renewable**: 12.5%	**Coal:** 47% **Hydro:** 34% **Solar**: 8% **Wind & Other RE:** 11%

Quarterly Roundup

Bangladesh

বাংলাদেশ

Q1 2026

Country Profile

Bangladesh is a global leader in garment manufacturing, with the sector forming the backbone of its export economy and employing millions. Known for its competitive labor costs and extensive manufacturing base, the country has built a reputation for producing a wide range of apparel products for major international brands. The garment industry drives economic growth and social development, particularly empowering women through employment opportunities. Challenges include maintaining compliance with evolving international labor and environmental standards, improving supply chain sustainability, and navigating trade policy shifts. Bangladesh continues to invest in infrastructure and skills development to enhance productivity and retain its position in global apparel value chains.

Population
National Population as of 2025:
~175 Million

Median Age (Years)
26.0

Minimum Wage
Approx. USD 105

Key Sectors
Key Pillars of the Economy:
Garments
Textiles
Agriculture

Ready-Made Garment Export (USD)
39.35 Billion
(2025)
2nd largest global apparel exporter

Total Workforce in GFT
~4 Million

% Women in Workforce
~60%

Top Export Destinations

Key Trade Agreements
Notable Trade Agreements include:
EU EBA | SAFTA | APTA | BB-PTA

Installed Capacity
~32,000 MW
*Including Captive Power, off grid Renewable Energy & Off grid HFO

Energy Cost (US Cents/kWh)
~6 - 10 Cents / kWh

U.S. Section 301 Tariff
10%
+ MFN (Most-Favoured-Nation) Duty
Effective July 24th, 2026

GDP (USD)
475.01 Billion
(2025, IMF)

GDP Growth Estimate (%)
4.8%
(2026, WB)

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Politics

Government Retains Export Cash Incentives to Support RMG Competitiveness

In July 2026, the government announced that export cash incentive rates for 43 sectors, including the ready-made garment industry, will remain unchanged for FY2026-27, providing continued policy support amid growing global competition. SMEs within the RMG sector will continue to receive an additional 3% cash incentive, while a 0.3% special cash incentive has been designated for the overall RMG sector. Exporters entering new products or new markets (excluding the USA, Canada, EU, and UK) will continue to receive 2% cash support. The continuation of the incentive scheme provides policy certainty for exporters at a time when Bangladesh's apparel industry is navigating an evolving global trade landscape.

Government Raises Cash Incentive for Textile Manufacturers to Strengthen Backward Linkages

In a significant policy move, the government increased the cash incentive for export-oriented domestic textile manufacturers from 1.5% to 5% for FY2026-27. The enhanced incentive is intended to encourage greater use of locally produced textile inputs, increase domestic value addition, and strengthen backward linkage industries that supply the RMG sector. To qualify, exporters must submit documentary evidence proving that they sourced raw materials from domestic producers. Industry leaders have welcomed the move, noting that higher incentives are necessary to maintain competitiveness as Bangladesh prepares for graduation from least developed country status.

BGMEA and BKMEA Sign Agreements with EPB to Train Over 22,800 Industry Professionals

In June 2026, the Export Promotion Bureau (EPB) signed separate agreements with BGMEA, BKMEA, and BGMEA University of Fashion and Technology (BUFT) to strengthen the skills of workers and professionals in Bangladesh's RMG sector. Under the initiative, a total of 22,815 workers, employees, and mid-level officials will receive training over the next three fiscal years. BGMEA and BKMEA will conduct five-day training programs for workers, while BUFT will offer six-month Post Graduate Diploma courses for officials. BGMEA President Mahmud Hasan Khan noted that training curricula should be updated to incorporate emerging industry needs, including circular machinery operations and compliance requirements.

BKMEA Explores Regional Alliance for Apparel Decarbonization

In July 2026, BKMEA held a meeting with the Swaniti Initiative to discuss advancing sustainability and decarbonization through regional collaboration. The discussion explored the proposed establishment of a South Asia-focused platform, tentatively titled the Indo-Bangla Textile Decarbonization Alliance (IBTDA), aimed at accelerating supply chain decarbonization through strategic partnerships. The proposed alliance would facilitate peer-to-peer knowledge exchange among industry associations, support the development of bankable green projects for multilateral development banks, and strengthen capacity building and technology collaboration. The participants reaffirmed their shared commitment to building a more sustainable and globally competitive apparel industry.

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Exports

RMG Sector Accounts for 80.36% of Export Earnings in Q2 FY26

The RMG sector continued to occupy the dominant share in Bangladesh's export basket during the October-December quarter of FY26, accounting for 80.36% of total export earnings. According to the Bangladesh Bank's Quarterly Review of Readymade Garments, exports during this period reached $9.75 billion. The top destinations for Bangladesh's RMG exports during the quarter, including the United States, Germany, the United Kingdom, Spain, France, the Netherlands, Italy, Canada, and Belgium, represented a 70.07% share of total shipments. The central bank noted that strengthening logistics, enhancing productivity, and expanding into higher value apparel segments will be critical for maintaining competitiveness.

RMG Exports Record Marginal Decline to $19.34 Billion in H1 2026, Woven Segment Shows Resilience

Bangladesh's ready-made garment exports recorded a marginal year-on-year decline of 0.63% to $19.34 billion during the first half (January-June) of 2026, according to Export Promotion Bureau data. A sector-wise breakdown shows contrasting trends: woven garments posted a slight positive growth of 0.68%, generating $9.20 billion, while knitwear saw a minor correction of 1.80%, bringing in $10.14 billion. Mohiuddin Rubel, founder and chief executive of Bangladesh Apparel Exchange, stated that the latest export figures reflect a resilient yet volatile landscape, underscoring the sector's adaptability and strength in maintaining stable export volumes despite fluctuating global market dynamics.

Bangladesh Bank Reports Cautiously Moderate Outlook for RMG Sector

The near-term outlook for the RMG sector will remain "cautiously moderate," reflecting a combination of external demand uncertainty and emerging opportunities in key export markets, according to Bangladesh Bank's quarterly report. The central bank noted that RMG export performance in the coming quarters will largely depend on the pace of economic recovery in major importing countries, stabilisation of global supply chains, and the sector's ability to diversify products and markets. The report also highlighted that the RMG sector contributed 8.52% to Bangladesh's nominal GDP during FY25.

Garment Exports to Key Markets Show Resilience Despite Global Headwinds

While exports to the European Union fell 3.29% in FY26 to $19.06 billion, other major markets showed resilience: garment exports rose 2.63% to the US, 0.91% to the UK, and 3.2% to Canada last financial year, reaching $7.74 billion, $4.39 billion, and $1.34 billion respectively. Overall garment export earnings for FY2025-26 stood at $38.70 billion. BGMEA President Mahmud Hasan Khan noted that while an average of three to four factories are shutting down each month, new factories continue to open, helping maintain overall export volumes.

Employment & Wage

BGMEA and BKMEA Training Initiative to Skill Over 22,800 RMG Workers and Officials

The EPB's partnership with BGMEA, BKMEA, and BUFT represents a significant commitment to workforce development in the RMG sector. The three-year initiative will provide five-day training programs for workers and six-month Post Graduate Diploma courses for officials, focusing on boosting productivity, facilitating efficient use of modern machinery, and increasing awareness of compliance requirements and Rules of Origin regulations in major export destinations. BKMEA Executive President Fazle Shamim Ehsan expressed optimism that the programme would benefit stakeholders at all levels, from factory workers to senior officials, and help develop a pool of skilled local professionals.

BGMEA and BKMEA Engage on Workforce Stability and Industry Development

The BGMEA and BKMEA have been actively engaged with government stakeholders on workforce development and industry stability. BGMEA President Mahmud Hasan Khan noted that while some factories have faced challenges, new factories are also being established, which has helped maintain overall export performance. BKMEA President Mohammad Hatem has emphasized the sector's focus on producing high-value products, innovation, and research and development, and has called for governmental policy support in this regard. Both associations have been working with the government to support industry modernization and employment generation.

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Other/Legal

Bangladesh Adds Four More LEED-Certified RMG Factories, Strengthening Global Green Leadership

Bangladesh's RMG industry has added four more Leadership in Energy and Environmental Design (LEED)-certified factories, further strengthening the country's position as the global leader in green garment manufacturing. The newly certified factories include Canvas Garments Pvt. Ltd. (Platinum), Matrix Sweaters Ltd. (Platinum), Karim Textiles Limited (Gold), and Karim Tex Limited (Silver). With these additions, Bangladesh now has 290 LEED-certified RMG factories, including 125 Platinum-rated and 145 Gold-rated facilities. The country also accounts for 53 of the world's top 100 highest-scoring LEED-certified factories, underscoring its leadership in sustainable apparel manufacturing.

BKMEA Explores Indo-Bangla Textile Decarbonization Alliance

The meeting between BKMEA and the Swaniti Initiative explored the establishment of a regional platform to accelerate supply chain decarbonization through strategic partnerships. The proposed Indo-Bangla Textile Decarbonization Alliance (IBTDA) would facilitate peer-to-peer knowledge exchange among industry associations, support the development of bankable green projects for multilateral development banks, and strengthen capacity building and technology collaboration. This initiative reflects the industry's commitment to advancing sustainability and building a more globally competitive apparel sector through regional cooperation.

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Quarterly Roundup

China

中国

Q1 2026

Country Profile

China is the world's largest textile and garment producer and exporter, with a highly diversified and vertically integrated industry. It supplies a broad spectrum of products ranging from basic apparel to high-end fashion, supported by advanced manufacturing technologies and extensive domestic raw material production. The sector benefits from a vast skilled workforce and strong infrastructure but faces rising labor costs and environmental regulations. China is shifting towards higher value-added products and sustainable manufacturing practices, while also expanding its global trade partnerships. Its garment industry plays a crucial role in global supply chains, balancing cost competitiveness with innovation and quality.

Population
National Population as of 2025:
1.43 Billion

Median Age (Years)
40.1

Minimum Wage
USD 250-400

Key Sectors
Key Pillars of the Economy:
- Electronics
- Garments
- Services

Garment & Textile Export (USD)
267.8 Billion
(2025)
The largest global apparel exporter

Total Workforce in GFT
+10 Million

% Women in Workforce
~50-60%

Top Export Destinations

Key Trade Agreements
Notable Trade Agreements include:
RCEP | CAFTA | Bilateral FTAs

Installed Capacity
~3,790,000 MW
Government source

Energy Cost (US Cents/kWh)
8.8 Cents / kWh

U.S. Section 301 Tariff
12.5%
+ MFN (Most-Favoured-Nation) Duty
Effective July 24th, 2026

GDP (USD)
19.4 Trillion
(2025, IMF)

GDP Growth Estimate (%)
4.4% (2026, WB)

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Politics

Three Ministries Issue Joint Action Plan for Textile Industry Optimization Through Standards (2026-2028)

In March 2026, the Ministry of Industry and Information Technology, the Ministry of Ecology and Environment, and the State Administration for Market Regulation jointly issued the "Action Plan for Standards-Led Optimization and Upgrading of the Textile Industry (2026-2028)." The plan follows the principle of "fill gaps, raise low standards, and prioritize implementation," aiming to build a comprehensive standards system that supports high-quality industry transformation. By 2028, the initiative targets the development and revision of over 300 standards covering diversification, digital transformation, green and low-carbon development, and health and safety. It also aims to establish or revise 10 international standards and maintain the international standards adoption rate above 85%, enhancing the industry's global competitiveness.

CNTAC Deepens International Cooperation on Trade and Standards

CNTAC has been actively engaging in international cooperation to strengthen China's position in global textile trade. In May 2026, CNTAC led a high-level delegation to Moscow for a series of B2B meetings with Russian industry representatives, facilitating cooperation between Chinese textile enterprises and the Russian light industry sector. The meetings, organized under the support of Russia's Soyuzlegprom, involved 26 Chinese companies showcasing products ranging from functional fabrics to ready-made garments. The initiative aligns with China's broader efforts to diversify export markets and deepen trade ties with Belt and Road partner countries.

Government Strengthens Policy Support for Textile Industry Upgrading

The Chinese government has reinforced its policy commitment to textile industry modernization through fiscal and regulatory measures. The national strategy emphasizes alignment of standards with industrial policies, integration of technology and standards development, and enhanced implementation of voluntary certification schemes such as green product certification and carbon footprint labeling. These initiatives aim to provide consistent policy guidance for enterprises transitioning toward higher value-added and sustainable production models.

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Exports

Textile and Garment Exports Reach USD 146 Billion in H1 2026, June Shows Strong Recovery Momentum

China's textile and garment exports reached USD 146.01 billion in the first half of 2026, growing 1.4% year-on-year, according to GTF data. June 2026 recorded particularly strong performance with monthly exports of USD 29.27 billion, an increase of 7.2%. The textile segment (fibers, yarns, fabrics, and made-ups) contributed USD 73.01 billion, up 3.5%, while garment exports reached USD 73.0 billion, a slight decline of 0.6%. June saw notable acceleration with textile exports growing 12.2% and garment exports turning positive at 3.2% growth.

US Market Drives Export Growth with 12.5% Increase in First Half of 2026

The United States emerged as the strongest major market for Chinese textiles and garments during H1 2026, with exports growing 12.5% to the US market. June 2026 showed particularly strong performance with exports to the US increasing 16.8%, and knitted and woven garment exports rising 18.6%. In contrast, exports to ASEAN declined 0.5% (though yarn and fabric exports to the region grew 4.4%), while exports to the EU remained flat with a 0.1% increase, and exports to Japan declined 0.3%. Exports to Belt and Road partner countries reached USD 81.81 billion, accounting for 56% of total exports but declining 1.5% year-on-year.

Export Performance Shows Divergence Between Textiles and Garments

A notable pattern in H1 2026 export data is the divergence between textile and garment performance. While textile exports (including yarns, fabrics, and industrial textiles) recorded consistent growth of 3.5% overall, garment exports remained slightly negative at -0.6%. On a volume basis, however, all four major categories (yarn, fabric, home textiles, and garments) showed positive volume growth, with declining unit prices in fabrics, home textiles, and garments, suggesting that China is maintaining market share through competitive pricing while investing in higher-value textile products.

Employment & Wage

CNTAC and IOM Partnership Addresses Labor Mobility and Social Responsibility

CNTAC's formal cooperation framework with IOM, established in early 2026, represents an important step in addressing workforce challenges in China's textile industry. The partnership focuses on labor mobility, supply chain social responsibility, and capacity building, particularly as the industry undergoes significant transformation toward higher-value production. With the textile industry employing millions of workers, this cooperation aligns with broader national efforts to improve working conditions and strengthen China's competitive advantage through responsible business practices.

Textile Industry Absorbs Workforce Shifts Amid Structural Transformation

As China's economy continues its transition toward innovation-driven growth, the textile sector has been absorbing workers transitioning from lower-value manufacturing segments while maintaining a skilled workforce for advanced production. The industry's workforce development efforts are being supported through standardization initiatives under the 2026-2028 Action Plan, which provides technical training and skill development frameworks to support upgrading and modernization. Enterprises are increasingly focusing on improving productivity and worker skills to maintain competitiveness amid rising labor costs and automation trends.

Other/Legal

Textile Industry Climate Index Returns to Expansionary Territory in Q2 2026

According to survey data from the China National Textile and Apparel Council's Industry Department, the textile industry climate index for Q2 2026 stood at 53.7, up 2.2 points from Q1, remaining in expansionary territory. Production index improved significantly to 56.7, up 11.0 points from Q1, reflecting a recovery in industrial activity after the Lunar New Year effects dissipated. The raw material purchase price index remained elevated at 72.5, though it declined 15.9 points from Q1 as international oil prices softened following de-escalation of the US-Iran conflict. However, new orders showed a slight decline, with the new orders index at 54.2 (down 1.1 points), while foreign orders showed modest recovery to 47.9 (up 3.2 points).

Industry Outlook Shows Cautious Sentiment with Concerns Over Order Demand

Despite Q2's improvement in production, business confidence for Q3 2026 appears cautious, with the expected industry climate index at 48.7, below the 50 expansion threshold. While the production sub-index remains at 50.7 in expansionary territory, new orders, foreign orders, sales prices, and finished goods inventory sub-indices are all expected to fall into contractionary territory. Enterprises are adopting a wait-and-see approach amid geopolitical uncertainties and slower-than-expected recovery in global demand, signaling the need for continued policy support and market diversification.

Raw Material Cost Pressures and Upstream-Downstream Dynamics Shape Sector Performance

A key trend affecting China's textile and garment sector in H1 2026 is the divergence between upstream and downstream segments. Rising global raw material prices—particularly for Australian wool, cotton, and chemical fibers—have driven inventory appreciation and margin expansion for upstream manufacturers. Meanwhile, midstream manufacturers have faced margin pressure from higher input costs and softer apparel brand order volumes, notably from Nike and other major athletic brands which have experienced sales fluctuations. Downstream brands, however, are benefiting from a low base effect and steady domestic retail growth, with the outdoor apparel and premium fashion segments showing particularly strong performance.

Industry Supply Chain Adaptation to Sustainability and New Technology Requirements

China's textile industry is actively adapting to global sustainability and technology trends, with the 2026-2028 Standards Action Plan prioritizing green development, digital transformation, and health and safety standards. Key areas include carbon footprint measurement standards, recycled fiber and biodegradable material standards, and digital passport and traceability systems. These initiatives are designed to align Chinese manufacturing standards with international requirements, particularly the European Union's evolving regulations on textile sustainability and circular economy. Enterprises are being encouraged to adopt cleaner production technologies, invest in automation and smart manufacturing, and improve resource efficiency.

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Quarterly Roundup

Cambodia

កម្ពុជា

Q1 2026

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Country Profile

Cambodia's garment sector is a vital pillar of its economy, contributing significantly to exports and employment. The industry primarily operates on a cut-make-trim (CMT) model, assembling imported fabrics into finished garments for global markets. Cambodia benefits from preferential trade agreements that provide duty-free access to key markets, though it faces pressure to develop more local textile production to maintain these benefits. Competitive labor costs and political stability attract foreign investment, while challenges include supply chain dependency on imported inputs and the need to improve productivity and working conditions. The sector is gradually adopting sustainability initiatives and compliance frameworks to meet international buyer expectations.

Population
National Population as of 2025:
17.18 Million

Median Age (Years)
26.7

Minimum Wage
USD 210
(For GFT Sector)

Key Sectors
Key Pillars of the Economy:
Garments & Footwear
Tourism
Agriculture

Garment, Textile, Footwear Export
15.6 Billion
(USD)
Garment sector largest employer; dependent on preferential trade agreements

Total Workforce in GFT
~1 Million

% Women in Workforce
~80%

Top Export Destinations

Key Trade Agreements
Notable Trade Agreements include:
Preferential Trade Treatment: EU, UK, Canada, Japan, ANZ.
FTAs: CPTPP, Cam-China, Cam-S.Korea, Cam-UAE, ASEAN FTA

Installed Capacity
~5,044 MW

Energy Cost (US Cents/kWh)
13.7 Cents / kWh

U.S. Section 301 Tariff
10%
+ MFN (Most-Favoured-Nation) Duty
Effective July 24th, 2026

GDP (USD)
48.8 Billion
(2025, IMF)

GDP Growth Estimate (%)
4.3% (2026)

Politics

Better Factories Cambodia Charts Path to Local Ownership as Donor Funding Shifts

The Ministry of Labour and Vocational Training convened the Program Advisory Committee (PAC) meeting for Better Factories Cambodia (BFC). The session highlighted BFC's operational footprint and its strategic financial shift toward non-donor funding, supported by increased local contributions from the Ministry of Labour and Vocational Training (MLVT) and the Textile, Apparel, Footwear and Travel Goods Association in Cambodia (TAFTAC). In line with International Labour Organization (ILO) guidance and national milestones—such as Cambodia's impending LDC graduation—participants emphasized a phased, country-led transition to local service ownership. To secure long-term sustainability, discussions focused on tripartite collaboration among government, employer, and worker representatives to build local capacity, enforce rigorous quality assurance, and embed a robust compliance culture across the garment and travel goods sectors.

USTR Introduces Section 301 Forced Labour Tariff; Cambodia Secures Favorable 10% Rate with Cotton Incentive Mechanism

Following the expiration of the temporary U.S. Section 122 Global Tariff, the Office of the United States Trade Representative (USTR) has introduced a new Section 301 Forced Labour Tariff. Rather than directly penalizing domestic labor practices within exporting countries, this U.S. policy evaluates whether trading partners maintain strict regulatory measures to block forced-labor goods and materials from entering their domestic supply chains. In alignment with these global trade requirements, the Royal Government of Cambodia has instituted a Joint Ministerial Regulation prohibiting the import of any products manufactured using forced labor. Under the new framework, Cambodia faces a relatively favorable 10% tariff rate and may benefit from a proposed U.S. tariff-rate quota mechanism linked to the import of U.S. cotton and textile inputs once detailed implementation guidelines are finalized.

TAFTAC Urges Cambodia to Build on GFT Foundation in Draft Industrial Development Policy 2026–2035

In its official feedback on Cambodia's Draft Industrial Development Policy 2026–2035, the Textile, Apparel, Footwear & Travel Goods Association in Cambodia (TAFTAC) welcomed the government's focus on structural challenges like logistics, skills, and the business environment, while stressing that national economic diversification must build upon—rather than sideline—the country's core Garment, Footwear, and Travel Goods (GFT) sector. TAFTAC urged policymakers to view the GFT industry as an evolving foundation for higher-value manufacturing and outlined key recommendations to boost national competitiveness. These include building a complete domestic upstream supply chain by 2029, lowering industrial electricity costs, simplifying rooftop solar regulations, enforcing measurable public service standards through a National Industrial Service Guarantee, and conducting impact assessments to eliminate costly overregulation. TAFTAC reaffirmed its commitment to supporting Cambodia's industrial vision through transparent, solution-oriented public-private dialogue and performance-driven implementation.

TAFTAC Seeks Stronger Customs Cooperation to Support Upstream Industry Growth*

In April 2026, the Textile, Apparel, Footwear and Travel Goods Association in Cambodia (TAFTAC) paid a courtesy call to H.E. Kun Nhim, Director General of the General Department of Customs and Excise (GDCE), to reinforce collaboration and support the development of upstream industries. TAFTAC President Mr. Enjoy Ho outlined the association's priorities for attracting upstream investment, particularly in the production of raw materials and the import of modern machinery. The association expressed appreciation for GDCE's longstanding support over more than three decades, including training programmes on Post Clearance Audit (PCA) that have helped member companies better understand and comply with regulatory requirements. Both sides agreed to establish a regular communication forum to improve coordination and address emerging challenges.

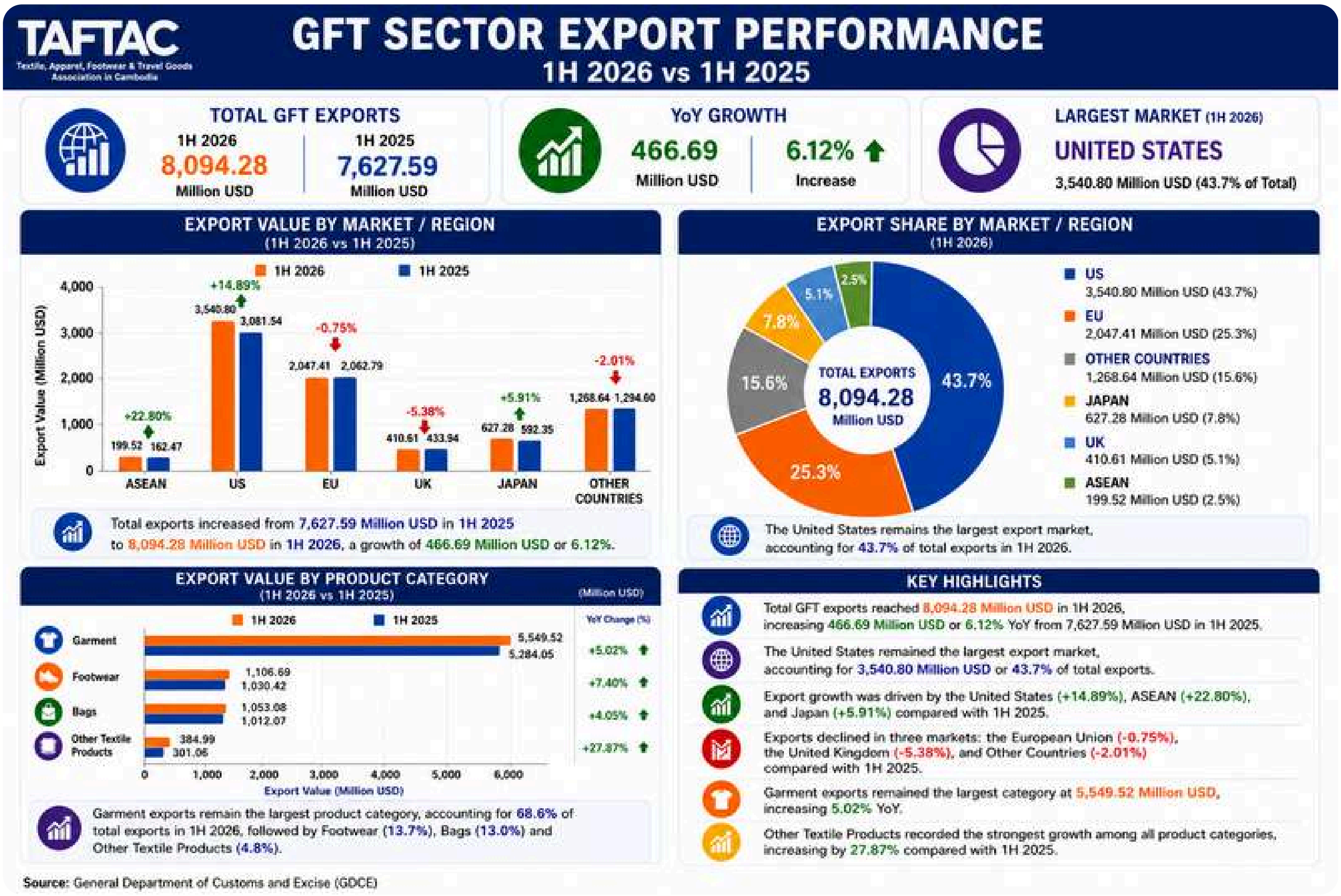
TAFTAC Co-Hosts Cambodia Textile Summit 2026 with ILO, GIZ and EuroCham

On 16 June 2026, TAFTAC, the International Labour Organization (ILO), Better Factories Cambodia, and GIZ co-hosted the Cambodia Textile Summit 2026 at Raffles Hotel Le Royal in Phnom Penh, convening over 200 leaders and experts from government institutions, international organisations, and industry stakeholders. The one-day national forum featured a high-level regulatory keynote address alongside strategic panel discussions on skills development for LDC graduation, supply chain resilience, circularity and textile waste management, and social compliance including the new Occupational Safety and Health (OSH) Law and heat stress management. The summit aimed to advance sustainability, sectoral development, and innovation within Cambodia's GFT industry.

Exports

Cambodia's GFT Exports Rise 6.12% to USD 8.09 Billion in First Half of 2026, Led by U.S. and ASEAN Demand

Cambodia's GFT sector maintained positive export momentum during the first semester of 2026, with total exports increasing by 6.12% to USD 8.09 billion compared with the same period in 2025. Export growth was driven primarily by increased shipments to the United States, ASEAN and Japan, while exports to the European Union, the United Kingdom and other markets declined slightly. Garments remained the largest export product category, while other textile products recorded the strongest year-on-year growth.



Trade Agreements and Market Diversification Drive Export Performance

The positive export performance has been attributed to Cambodia's participation in the Regional Comprehensive Economic Partnership (RCEP) and bilateral free trade agreements with China, South Korea, and the United Arab Emirates, which have significantly improved market access and strengthened supply chain integration. Dr. Thong Mengdavid, Deputy Director of the China-ASEAN Research Centre at CamTech, noted that the growth indicates Cambodia's market diversification strategy has achieved positive results. The sector currently comprises over 1,800 factories and branches, employing approximately 1.1 million workers, with the majority being women.

Employment & Wage

Government Affirms Commitment to Worker Welfare with Minimum Wage Increase and Support Measures

In April 2026, the Royal Government of Cambodia reaffirmed its commitment to safeguarding worker livelihoods, pledging continued social protection and wage support despite mounting global economic uncertainty. Effective January 2026, the minimum wage for workers in the textile, garment, footwear, and travel goods sectors was raised to US$210 per month. To further mitigate rising living costs, the government introduced a temporary US$2.50 monthly travel allowance co-funded by employers, supplementing existing housing and transport benefits. Including mandatory benefits and the temporary allowance, workers now take home a net income between US$229.50 and US$240.50 per month. The government also continues to stabilise retail fuel prices amid global energy volatility.

TAFTAC Introduces Cambodia Skills Framework to Strengthen Workforce Capabilities

During the Cambodia Textile Summit 2026, Dr. Ken Loo, Secretary General of TAFTAC, introduced the newly developed Cambodia Skills Framework, an industry-led initiative aimed at strengthening workforce capabilities and establishing clearer career pathways within manufacturing facilities. The framework is expected to improve productivity while supporting manufacturers in moving toward higher value-added production as Cambodia's preferential trade advantages gradually decline following LDC graduation in 2027. The initiative aligns with the industry's focus on workforce development to maintain Cambodia's position within global supply chains.

Industry and Government Partnerships Focus on Skills Development and Worker Protection

The Cambodia Textile Summit 2026 featured a panel discussion on "Skills for Transition: Building a Future-Ready Workforce Amid Cambodia's LDC Graduation," addressing the need for continued investment in technical skills and management capabilities. With the GFT sector currently employing approximately 1.1 million workers, industry stakeholders emphasised that workforce development is critical for maintaining competitiveness. The Royal Government has placed high priority on improving workers' living standards, with ongoing social protection measures and initiatives to stabilise living costs amid global economic uncertainty.

Other/Legal

TAFTAC and GIZ Plan Regional Workshop on EU Digital Product Passport

In August 2026, TAFTAC and GIZ Cambodia will convene a closed-door FABRIC-STAR Network Regional Workshop on the Digital Product Passport for the Textile and Apparel Sector, bringing together industry stakeholders from Cambodia, Bangladesh, Vietnam, and Pakistan. The workshop will exchange practical approaches on data readiness, traceability, and compliance pathways aligned with emerging EU requirements, particularly the new framework prohibiting the destruction of unsold clothing and footwear that took effect for large enterprises in July 2026. These initiatives reflect the industry's proactive adaptation to global sustainability and circular economy trends.

EuroCham Garment Committee Focuses on Textile Waste Management and Renewable Energy

The EuroCham Cambodia Garment and Manufacturing Committee has been actively engaged in advancing sustainability initiatives, focusing on textile waste management and the development of Renewable Energy Certificates (RECs) in close coordination with relevant ministries and institutions. The committee is preparing a structured action plan for 2026 to address the sector's most pressing challenges and strengthen Cambodia's regional competitiveness within the garment and textile supply chain. These efforts are being supported through consultation platforms such as the Public-Private Sector Dialogue and industry brand meetings.

Rooftop solar power system capacity		Compensation rate	
Small size	Not more than 10 kWac	No need to pay compensation	
Medium size	More than 10 kWac to 50 kWac	0.037 $/kWh	148 Riels/kWh
	More than 50 kWac to 100 kWac	0.047 $/kWh	188 Riels/kWh
Large size	More than 100 kWac to 200 kWac	0.052 $/kWh	208 Riels/kWh
	More than 200 kWac to 500 kWac	0.055 $/kWh	220 Riels/kWh
	More than 500 kWac to 1,000 kWac	0.058 $/kWh	232 Riels/kWh
	More than 1,000 kWac	0.060 $/kWh	240 Riels/kWh

Subject to Compensation Tariff (refer to table in official documents)

STAR
Sustainable Textiles of the Asian Region

Quarterly Roundup

Myanmar

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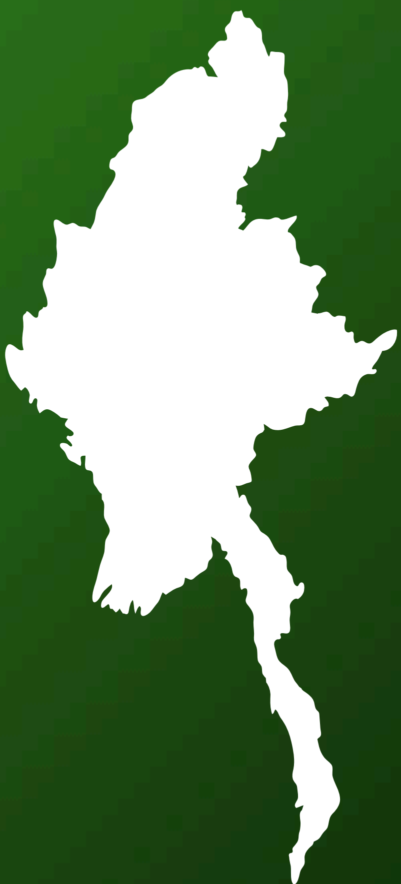


Q1 2026

Country Profile

Myanmar's garment industry is an emerging sector with growing importance for exports and employment. It offers competitive labor costs and a young workforce, attracting foreign manufacturers seeking alternatives in the region. The sector is predominantly export-oriented, focusing on assembly and CMT operations, with limited upstream textile production. Infrastructure and political uncertainties pose challenges, along with the need to improve labor standards and factory compliance. Efforts to diversify markets and integrate more sustainable practices are underway as Myanmar seeks to strengthen its role in regional and global apparel supply chains.

Population
National Population as of 2025:
54.8 Million

Median Age (Years)
30.1

Minimum Wage
~USD 87

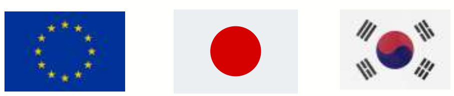
Key Sectors
Key Pillars of the Economy:
Mining
Garments
Agriculture

Garment & Textile Export (USD)
2.1 Billion
(2025)
8.6% year on year growth from 2024

Total Workforce in GFT
~463K

% Women in Workforce
87%

Top Export Destinations



Key Trade Agreements
Notable Trade Agreements include:
AFTA | RCEP | ASEAN + 1 | BIPAs

Installed Capacity
~7,100MW

Energy Cost (US Cents/kWh)
~14.4 Cents / kWh

U.S. Section 301 Tariff
12.5%
+ MFN (Most-Favoured-Nation) Duty
Effective July 24th, 2026

GDP (USD)
60.46 Billion
(2025, IMF)

GDP Growth Estimate (%)
3%
(2026, WB)

STAR Sustainable Textiles of the Asian Region

Politics

MGMA Issues Guidance on Import Licensing Procedures to Streamline Raw Material Imports

In June 2026, the Myanmar Garment Manufacturers Association (MGMA) notified member companies and factories to seek CMP import licences before the arrival of raw materials. Obtaining a CMP import licence takes approximately two weeks, and the MGMA screens recommendations on behalf of the CMP Import-Export Supervisory Sub-Committee. Applications are processed through the Ministry of Commerce's Tradenet 2.0 online system, with the association advising traders to strictly adhere to regulations and ensure consistency in CIF value, fabric quantities, and CMP-FOB value as stated on invoices and sale contracts

Exports

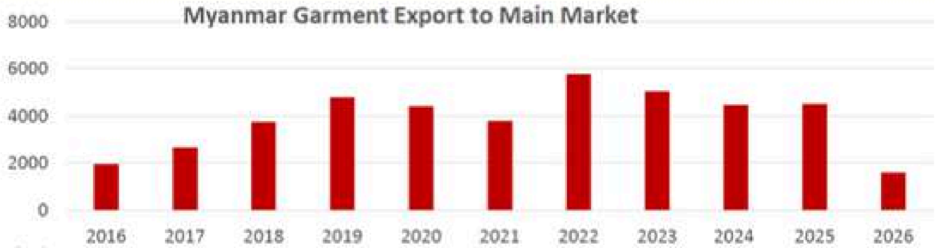
Myanmar Garment Exports Show 4% Growth in Q1 2026 to US$1.585 Billion

According to MGMA data, Myanmar's garment exports (aggregated HS61 and HS62) reached approximately US$1.585 billion from January to April 2026, a 4% increase compared to US$1.524 billion during the same period in 2025. The European Union remained the largest market, accounting for 47% of exports (US$750 million), followed by Japan at 33% (US$518 million), South Korea at 10% (US$153 million), the United States at 4% (US$68 million), and the United Kingdom at 3% (US$47 million). Other markets including China, Singapore, Thailand, and Russia contributed an additional 3% (US$49 million)

(Myanmar Garment Export to Main Market based on importing countries data)

(Unit: Million USD)

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026 (Jan to Apr)
EU	664	1143	1810	2470	2301	1982	3288	2700	2356	2130	750
Japan	652	714	911	1038	959	677	1077	1223	1104	1318	518
South Korea	344	351	412	447	320	320	472	426	451	471	153
United States	73	135	183	275	334	296	376	278	233	268	68
United Kingdom	141	207	281	329	254	277	462	307	161	156	47
Other(China, Singapore,Thai,Russia)	80	100	141	229	239	235	96	100	158	168	49
Total	**1954**	**2650**	**3738**	**4788**	**4407**	**3787**	**5771**	**5034**	**4462**	**4511**	**1585**



(Source) Global Trade Atlas)

CMP Garment Industry Remains Central to Myanmar's Export Economy

Myanmar's garment sector operates primarily under the Cut-Make-Pack (CMP) production model, where international brands provide raw materials and designs while local factories handle processing and packaging. The sector ranks among Myanmar's top export earners alongside agricultural products, with major export destinations including the European Union (approximately 60% market share), Japan, South Korea, the United States, and China. The garment industry employs roughly 500,000 workers across more than 500 factories, predominantly women, and has been identified by the MGMA as a key driver for the country's economic diversification strategy

Employment & Wage

MGMA Emphasises Workforce Development Through International Exposure

MGMA continues to facilitate industry learning and workforce development through participation in international trade events, including the 2nd Asia Sourcing Show 2026 in Bangkok and Apparel Sourcing Paris 2026. These platforms enable Myanmar garment professionals to stay updated on global fashion trends, industry developments, and best practices, supporting workforce development and industry modernisation. The association has identified the development of a skilled workforce as critical for the sector's long-term competitiveness.

CMP Industry Faces Growing Operational Pressures Amid Regulatory Tightening and Order Declines

In Q2 2026, Myanmar's CMP garment factories faced mounting operational pressures as global orders declined and raw material import licensing requirements were tightened. Industry sources reported that the sector's approximately 65% Chinese-owned factories continue to receive most orders from Chinese brands, while non-Chinese factories face greater difficulty securing orders. Administrative delays in import licensing have made international buyers reluctant to place orders with Myanmar-based manufacturers, with industry warnings that further deterioration could lead to massive factory closures and job losses.

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Sustainable Textiles of the Asian Region

Others/Legal

Central Bank Forex Intervention Supports CMP Sector Stability

In July 2026, the Central Bank of Myanmar injected over US$64 million into the foreign exchange market, purchasing from CMP garment manufacturers that earn foreign exchange through exports. The intervention aims to curb currency instability and maintain market stability, providing indirect support to the garment sector's operational environment.

MGMA Issues Guidance on Import Licensing Procedures

In Q2 2026, MGMA continued to support member companies and factories in navigating CMP import licence requirements. Obtaining a CMP import licence takes approximately two weeks, and the MGMA screens recommendations for CMP import licences on behalf of the CMP Import-Export Supervisory Sub-Committee. Applications are processed through the Ministry of Commerce's Tradenet 2.0 online system, supporting smoother importation of raw materials for garment production.

Myanmar Identifies Potential for Garment Sector Growth to US$15 Billion

Industry stakeholders have identified significant growth potential for Myanmar's garment sector, with estimates suggesting the industry could scale from its current value of approximately US$4.5 billion annually to US$15 billion over the next decade. Achieving this would require expanding the workforce from approximately 500,000 to between 1.2 and 1.6 million workers, highlighting the critical importance of workforce development and industry modernisation initiatives. The sector remains one of Myanmar's most promising export-oriented industries despite current challenges.

STAR
Sustainable Textiles of the Asian Region

Quarterly Roundup

Pakistan

پاکستان

Q1 2026

Country Profile

Pakistan's textile and garment industry is a cornerstone of its economy, with textiles accounting for a large share of exports and industrial employment. The country benefits from a well-established raw material base, including cotton production, and a vertically integrated supply chain. Pakistan's garment sector is evolving to meet international quality and compliance standards, while also expanding into value-added apparel products. Challenges include energy supply constraints, infrastructure bottlenecks, and competition from regional neighbors. Continued investment in modernization, workforce skills, and trade facilitation is key to enhancing competitiveness and market access.

Population
National Population as of 2025:

~255 Million

Median Age (Years)
22.8

Minimum Wage
USD 141

Key Sectors
Key Pillars of the Economy:

- Textiles
- Garments
- Agriculture

Garment & Textile Export (USD)
~17.93 Billion

(2025)

Figure from PTEA report, growth of 2.81%

Total Workforce in GFT
~20 Million

% Women in Workforce
~25%

Top Export Destinations


Key Trade Agreements
Notable Trade Agreements include:

GSP+ | China FTA | SAFTA | Bilateral FTAs | TPA-OIC |

Installed Capacity
~46,605 MW

Energy Cost (US Cents/kWh)
~12.8 Cents / kWh

U.S. Section 301 Tariff
10%

+ MFN (Most-Favoured-Nation) Duty

Effective July 24th, 2026

GDP (USD)
410.5 Billion

(2025, IMF)

GDP Growth Estimate (%)
3.6%

(2026, IMF)

STAR Sustainable Textiles of the Asian Region

Politics

Government Finalizes Comprehensive Textiles and Industrial Policies to Strengthen Export Competitiveness

In June 2026, Federal Commerce Minister Jam Kamal Khan announced that a comprehensive Textiles and Apparel Policy and a five-year National Industrial Policy are being finalized to position Pakistani manufacturers for regional competitiveness. The textiles strategy focuses on lowering production costs, raising resource efficiency, streamlining processes, and promoting research and market diversification. The national blueprint will also tackle cross-cutting bottlenecks affecting manufacturers, covering energy, tariffs, taxation, financing, and economic zones. The minister emphasized that the administration will consult stakeholders at every step to revive and accelerate export momentum.

Finance Minister Engages Textile Sector on Budget 2026-27 Proposals

In May 2026, Finance Minister Senator Muhammad Aurangzeb held an extensive meeting with a high-level delegation representing Pakistan's textile and apparel sector on Budget 2026–27. The delegation comprised leading chambers, associations, exporters, and industry stakeholders, presenting comprehensive proposals on taxation reforms, energy affordability, export facilitation, industrial modernization, and liquidity management. The Finance Minister reaffirmed the government's commitment to maintaining regular consultations with the business community and invited the textile sector to cooperate on digital monitoring mechanisms to promote transparency and documentation.

Commerce Minister Shares Regional Insights, Urges Learning from Neighbors

During the high-level meeting at the Ministry of Commerce, Minister Jam Kamal Khan shared insights from his recent visit to Dhaka, where he observed Bangladesh's progress in garment manufacturing and outbound shipments. He urged Pakistan to learn from neighboring successes and stressed that, for the first time, government and private-sector representatives are aligned in their determination to revive and accelerate export momentum. Special Assistant to the Prime Minister on Industries and Production Haroon Akhtar Khan described the forthcoming industrial framework as broader than a few selective sectors.

PTEA and PHMA Engage Government on Budget and Export Policy Reforms

In June 2026, PTEA welcomed the federal budget as "balanced and growth-oriented," specifically appreciating the abolition of Super Tax for incomes up to Rs 500 million and reduction in tax collection on export proceeds from 2% to 1.25% . PHMA, alongside other textile associations, participated in a high-level Ministry of Commerce consultative session in February, presenting a detailed briefing on key challenges including upfront taxes, elevated energy tariffs, pending refunds, and repeated policy shifts that curtail export expansion .

Exports

Textile Exports Record Marginal Growth to US$17.93 Billion in FY26

According to Pakistan Bureau of Statistics data, textile exports witnessed an increase of 0.26% during FY2025-26, reaching US$17.932 billion compared to US$17.887 billion in the previous fiscal year. Key performers included cotton yarn, with exports growing by 12.40% to US$765.124 million, and readymade garments, which increased by 3.87% to US$4.288 billion. Raw cotton exports also showed significant growth of 199% to US$2.606 million.

PTEA Highlights Strong July Export Performance

PTEA reported that Pakistan's exports rose 10% to USD 2.96 billion in July 2026, with textile exports up 9% to USD 1.83 billion, accounting for approximately 62% of total exports. The association described this as "a healthy start and one worth building on" while cautioning that structural challenges remain

Textile Asia 2026 Exhibition Opens in Lahore, Attracts International Participatio

The 32nd edition of Textile Asia International Exhibition opened at the Lahore Expo Centre in July 2026, bringing together leading textile manufacturers, technology providers, investors, and buyers from around the world. Delegations from China, Türkiye, Germany, Italy, Japan, South Korea, Malaysia, Russia, and several other countries attended, highlighting Pakistan's growing importance in the global textile industry. More than 2,000 international brands and over 425 companies showcased their latest products. Investors, particularly from China, expressed strong interest in expanding cooperation in Pakistan's textile sector.

Cotton Arrivals Surge 77% Indicating Improved Crop Prospects

Pakistan recorded a strong start to the 2026-27 cotton season, with cotton arrivals at ginning factories surging by 77.3% compared to the corresponding period last year. As of July 15, 527,900 bales had reached ginning factories compared to 297,751 bales during the same period last year. Punjab recorded 201,497 bales (up 38.87%), while Sindh posted 326,403 bales (up 113.82%). The Pakistan Business Forum noted that the substantial increase in cotton arrivals reflected a revival of the cotton sector and would help ensure greater availability of raw material for the textile industry.

Employment & Wage

Textile Sector Engages Government on Workforce Development and Modernization

During the May 2026 meeting with Finance Minister Aurangzeb, the textile delegation emphasized the sector's vital contribution as a major source of employment generation and foreign exchange earnings. The delegation highlighted that improving the operating environment would support industrial expansion and enable businesses to allocate greater resources towards workforce development. The Finance Minister reaffirmed the government's commitment to maintaining consultations with the business community to support industrial modernization and job creation.

ILO Partners with TMA on Labour Standards and Compliance

In April 2026, the International Labour Organization signed a Memorandum of Understanding with the Towel Manufacturers Association (TMA) to support sustainable growth across Pakistan's textile sector. The collaboration, supported through the ILO Better Work Programme, aims to enhance labour standards, improve workplace practices, and promote decent work frameworks with a focus on gender equality and strengthened social dialogue

PTEA Co-Hosts Industry Roundtable on Due Diligence and Sustainability

In June 2026, PTEA, in collaboration with the Green Button certification label, the STAR Network, and the Sustainable Terms of Trade Initiative (STTI), hosted a roundtable for textile manufacturers in Faisalabad to discuss trade shifts, due diligence, purchasing practices, and provide input on the Green Button's standard revision

PRGMEA to Lead Decarbonization Efforts Through ATTI Partnership

Under the ATTI agreement, PRGMEA will contribute institutional resources, staff capacity, and member participation to support the design and delivery of the National Chapter and its Transformation Plan. ATTI will work with PRGMEA on an initial needs assessment, development and implementation of sector-specific transformation plans, and arrangement of necessary funding. Dr Ayyazuddin, Head of PRGMEA's Decarbonization Committee, stated that joining ATTI marks a pivotal step for Pakistan's garment and textile sector to build on existing success and scale solutions.

Others/Legal

Industry Calls for Reforms to Punjab Industrial Estate Policy for Relocation Support

The Pakistan Hosiery Manufacturers and Exporters Association (PHMA) urged the Punjab government to revise its industrial estate policy to enable existing manufacturers to relocate with their installed machinery rather than requiring new investments. PHMA welcomed the government's proposed Rs13.3 billion plug-and-play garment factory parks but noted the project would succeed if manufacturers are allowed to shift without replacing functional machinery. Industry representatives also called for stronger compliance support, labor facilities, and enforcement against speculative use of industrial plots.

Eco Textile Conference Highlights Sustainable Manufacturing Trends

A major attraction of Textile Asia 2026 was the Eco Textile Conference 2.0, where industry experts and business leaders discussed sustainable manufacturing, renewable energy, the circular economy, and emerging global trends shaping the future of the textile industry. The event, supported by the Special Investment Facilitation Council (SIFC), is expected to encourage foreign investment, accelerate technology transfer, boost exports, and create new opportunities for the country's industrial development.

Quarterly Roundup

Vietnam

Việt Nam

Q4 2025

Quarterly Roundup

Vietnam

Country Profile

Vietnam has rapidly emerged as a major global garment manufacturing hub, driven by competitive labor costs, trade agreements, and a growing infrastructure network. The sector is characterized by strong export orientation, producing a wide range of apparel products for top global brands. Vietnam benefits from participation in multiple free trade agreements, facilitating market access and investment. The industry is increasingly focused on sustainability, compliance, and technological upgrading to maintain growth amid rising labor costs. Vietnam's garment sector plays a critical role in the country's economic development and integration into global value chains.

Population

National Population as of 2025:

~100 Million

Median Age (Years)

32.5

Minimum Wage

USD 142 - USD 204

Key Sectors

Key Pillars of the Economy:

Electronics

Garments

Agriculture

Garment & Textile Export (USD)

46 Billion

(2025)

Total Workforce in GFT

~3.5 Million

% Women in Workforce

~70-80%

Top Export Destinations

Key Trade Agreements

Notable Trade Agreements include:

CPTPP (Comprehensive Progressive Trans Pacific Partnership) | *RCEP* | *EU Bilateral FTAs*

Installed Capacity

87,600 MW

Energy Cost (US Cents/kWh)

~8.0 Cents / kWh

U.S. Section 301 Tariff

12.5%

+ MFN (Most-Favoured-Nation) Duty

Effective July 24th, 2026

GDP (USD)

484.73 Billion

(2025, IMF)

GDP Growth Estimate (%)

6.1% (2026, WB)

Politics

VITAS repositions its operating model with four strategic committees

At its second Executive Committee meeting of Term VII (2025–2030) on 3 July 2026, VITAS approved a restructuring of its operating model, establishing four thematic committees tied to the industry's strategic pillars: Fashion; International Enterprises; Sustainable Development; and Technology, Innovation & Digital Transformation. Seven foundational governance documents were also adopted, including a Code of Professional Ethics. The committees begin pilot operation in Q3 2026, signalling a shift from scale-based growth toward higher value, self-sufficiency in raw materials and green/digital transformation.

Government pushes double-digit growth; textiles urged to unlock the raw-material bottleneck

On 25 June 2026, at a Ministry of Industry and Trade conference chaired by Permanent Deputy Prime Minister Pham Gia Tuc, VITAS identified domestic raw-material development as the sector's biggest bottleneck as the Government targets double-digit economic growth for 2026–2030. With the industry still importing roughly 60–70% of raw materials, VITAS recommended incentives to attract high-technology projects into weaving, dyeing and finishing, VAT relief for domestic materials entering export chains, a one-stop mechanism for investment/construction/environment/fire-safety procedures, and faster ASEAN–Canada and Vietnam–EAEU FTA negotiations.

US Section 301 forced-labour probe places Vietnam in the higher tariff tier

On 2 June 2026, USTR issued findings across 60 Section 301 forced-labour investigations and proposed additional tariffs of 10% or 12.5%. Vietnam falls in the higher 12.5% group; stacked on the existing 20% pact rate, combined exposure reaches roughly 32.5%. A proposed textile-and-apparel mechanism would allow a reduced rate tied to a country's purchases of US-origin cotton and fibres. Public comments closed 6 July with hearings on 7 July 2026, and a determination is expected before 24 July 2026. Vietnam also faces a separate Section 301 investigation into intellectual-property practices after being named a "Priority Foreign Country".

Exports

H1 2026 textile & garment exports reach USD 22.20 billion, up 1.7% year-on-year

Per VITAS data, Vietnam's textile and garment exports were estimated at USD 22.20 billion in the first half of 2026, up 1.7% year-on-year, with a trade surplus of nearly USD 10 billion. June alone reached USD 4.22 billion, up 10.9% on May and up 2.5% year-on-year. By segment: garments USD 17.25 billion (-0.3%); fibre & yarn USD 2.29 billion (+10.0%); fabric USD 1.48 billion (+8.9%); accessories USD 775 million (+10.8%); and nonwoven fabric USD 402 million (+5.5%). Raw-material segments grew 5.6–10.6% while finished garments edged down on weak demand.

The US remains dominant; the EU is the bright spot while Japan and Korea soften

On VITAS five-month market data, the US remained the largest market at USD 6.81 billion (+1.3%), about 45% of total exports. The EU was the standout at USD 1.94 billion (+8.8%). Japan fell 6.2% (USD 1.62bn) and the Republic of Korea 8.9% (USD 1.06bn) as purchasing power stayed weak in North Asia. China (USD 0.52bn, +10.5%) and Canada (USD 0.46bn, +0.9%) posted gains off a smaller base.

Vietnam holds share in a contracting US market

In US textile and apparel imports over the first four months of 2026, Vietnam was the single largest supplier at USD 5.74 billion, an 18.66% share, and one of the few origins to grow (+3.04%) while the overall US import market fell 12.06%. By contrast, China dropped 43.2%, India 27.9% and Bangladesh 10.9%. Vietnam's average unit price eased 4.92%, indicating growth came alongside sharper price competition and thinner margins.

Full-year target of USD 48 billion requires over USD 4 billion per month in H2

Having reached USD 22.20 billion at the half-year mark, VITAS states the industry must sustain average monthly exports above USD 4 billion to hit its full-year target of around USD 48 billion. Priorities include adapting to global brands' new purchasing methods, developing domestic raw materials, diversifying markets and products, and managing Section 301 legal risk.

STAR Sustainable Textiles of the Asian Region

Employment & Wage

Textile & garment workforce of about 1.84 million; sector employs over 3.3 million

As of 31 December 2025, Vietnam counted 7,527 textile and garment enterprises with 10 or more workers, employing about 1.84 million people, of whom 71.65% are women. Sector-wide, textiles and apparel provide jobs for more than 3.3 million workers, making it one of the country's largest employers and a mainstay of social welfare.

Competition for labour intensifies as the sector shifts to higher productivity

VITAS flagged growing competition for labour with emerging industries, alongside rising market requirements on greening, traceability and digitalisation. The Association is steering members toward higher labour productivity, higher-value FOB/ODM models and design capability rather than pure cut-make-trim, in order to protect employment and competitiveness over the long term.

Regional minimum wage raised 7.2% from 1 January 2026 (Decree 293/2025/ND-CP)

Under Decree 293/2025/ND-CP, Vietnam's regional minimum wage rose by an average of 7.2% (VND 250,000–350,000/month) effective 1 January 2026: Region I VND 5.31 million (~USD 204), down to Region IV VND 3.7 million (~USD 142). The Ministry of Home Affairs estimates labour costs in labour-intensive sectors such as textiles and footwear rise by roughly 1.1–1.2%, with a further ripple onto social, health and unemployment insurance contribution bases.

New Personal Income Tax Law exempts overtime and night-shift pay from 1 July 2026

The Personal Income Tax Law No. 109/2025/QH15 took effect on 1 July 2026, cutting the progressive schedule from seven brackets to five and expanding tax-exempt income categories from 14 to 21. Notably, the premium portion of night-shift and overtime pay above the normal daytime rate, plus salary for untaken annual leave, is now tax-exempt — directly increasing take-home pay for garment workers who work overtime.

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Others/Legal

Green transition and traceability become a condition for retaining denim orders

At the 8th Denimsandjeans Vietnam exhibition (24 June 2026, Ho Chi Minh City), VITAS stressed that the ability to meet strict traceability rules, use recycled materials and adopt circular production has become the key condition for keeping US and EU orders. This aligns with EU Digital Product Passport (DPP) and Ecodesign for Sustainable Products Regulation (ESPR) requirements now reshaping the export denim segment.

Digital transformation and smart-factory adoption accelerate; “no standard data, no digital shift

VITAS is running member-connection activities on digital transformation. A June visit to PPJ Group showcased a five-stage roadmap (data standardisation, ERP, data warehouse/BI, automation, AI), with the lesson that internal data capability is becoming a compliance condition, not a deferrable investment. Separately, Jack Technology introduced its “1+3+N” whole-factory automation model to nearly 500 firms, positioning data-driven production as a prerequisite for holding position in the global supply chain.

Sustainability investment deepens across the value chain

New VITAS members reflect a broader green shift: Suntar (Singapore) supplies membrane-based wastewater-reuse systems (UF, MBR, RO) for the textile and dyeing sector, while MHK2 C&N Vina targets a “zero carbon factory” certification by 2028 with a blockchain-based traceability system. Domestic producers such as XDD Textile report water-reuse rates up to 85% via RO systems alongside solar and biomass energy, signalling a maturing renewable-energy and circular-economy mix in wet processing.

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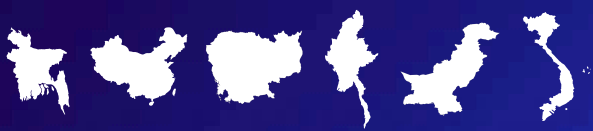
THANK YOU!

We hope you've found useful industry insights from this report!



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