The ten apparel sourcing countries to watch in 2022 / Laura Husband – Just-style.com 17/12/21
Just Style has evaluated the scores within GlobalData's Apparel Intelligence Center to reveal the top ten apparel sourcing countries to watch in 2022.There's a real mix of likely and unlikely suspects in Just Style's top ten list of apparel sourcing countries to watch in 2022, including two intercontinental countries and two based in Central America.It's also worth noting that a number of key apparel sourcing countries did not make it into the top ten list for 2022 at all. Sri Lanka, for example, just missed out as it comes eleventh, Bangladesh takes the twelfth spot, and India is further down the list in sixteenth position, followed by Pakistan, which sits in eighteenth place.

Methodology
The scores of 27 of the world's leading apparel sourcing countries were taken from data that can be found exclusively in the GlobalData Apparel Intelligence Center.

It is based on a maximum score of 75 with each sourcing destination receiving a score out of five for the 15 main factors that would affect a supply chain executive's decision to use a country for apparel sourcing in 2022.

For each of the 15 factors, a score was given between one and five, with five equating to excellent, and the scores were then added together to create a final result for each country.

The total scores for each country were then added up and then ranked highest to lowest.

Just Style has focused on the top ten performing countries as well as those with the three lowest scores out of the total 27 countries measured, however, the full list of countries with their scores can be found at the end of this feature.

The 15 factors used to calculate the apparel sourcing results are:

Ability to provide Free/Freight on Board (FOB) – the most commonly used shipping agreement in garment exports
Price
Tariffs advantage
Compliance/sustainability
Production quality
Efficiency
Lead time
Reliability
Ability to create basic products
Financial stability
Vertical integration/ability to source new materials
Political stability
Flexibility of order quantity
Innovation and ability to develop products with buyers
Ability to create value-added products
The top ten
10. Thailand
Score: 49.5/75
Southeast Asia's Thailand takes tenth place in the list with a score of 49.5 out of 75. The country scored highly in seven out of the 15 factors within the scorecard data. Its highest scores were for its innovation and ability to develop products with buyers (4.5/5), ability to provide FOB (4/5), production quality (4/5), lead time (4/5), reliability (4/5), ability to create basic products (4/5), and vertical integration/ability to source new materials.

According to GlobalData, apparel accounts for 30% of gross domestic product (GDP) within the country and comprises 2,500 garment manufacturers with nearly a million workers. Thailand is committed to improving its competitive position in apparel by refining its value-added products, introducing more advanced technologies, and providing tax relaxation and import duty exemptions on machinery and inputs necessary for manufacture. The government is also said to be making its regulatory framework more efficient and transparent to attract investment and integrate the economy into the global marketplace, a move that will help to companies that participate in the Association of Southeast Asian Nation's (ASEAN) integrated textile supply chain.

9. Morocco
Score: 50.5/75

Africa-based Morocco sits in ninth place with a score of 50.5 out of 75. It achieved top marks (5/5) for its ability to create basic products as it remains a major producer of high-quality basics at a reasonable cost. The country's strategy for growth includes plans to exploit that niche and the country is focused on low value-added basic production, although it has high value-added capabilities.

Morocco achieved almost full marks (4.5/5) for its tariffs advantage, production quality and lead time.

Textiles and apparel manufacture is Morocco's largest export with GlobalData citing 1,200 factories and 190,000 workers being dedicated to apparel and providing a quarter (25%) of industrial employment. Three quarters (75%) of apparel exports are in formal and casualwear and the value per weight and volume is among the highest in the world.

Over the next few years, Morocco is expected to benefit from the International Trade Centre's Global Textiles/Middle East and North Africa Textiles (GTEX/MENTATEX) capacity-building programme for fast fashion, knitwear and denim.

8. Guatemala
Score: 51/75

Guatemala is placed eighth with a score of 51/75. The Central American country was awarded top marks for its ability to provide FOB (5/5), which includes cost, insurance, and freight (CIF); and delivering duty paid (DDP), mainly to the US.

The country also scored 4.5/5 for its tariffs advantage, lead time and its innovation and ability to develop products with buyers.

Apparel represents Guatemala's second-largest export (about 20%), and the country offers many benefits for retailers and brands ranging from quality and efficiency to vertical integration and multiple free trade agreements.

It is arguably one of the more surprising additions to the top ten list as the country faces significant problems, including deteriorating social stability. In fact, more than half of its population sits below the national poverty line, and the country suffers from ongoing labour disputes. On the plus side, the country's president who took office in January 2020, has pledged to continue improvements in healthcare, education, security, and infrastructure, although battling the pandemic continues to be a governmental priority.

7. Egypt
Score: 51/75

Egypt, which sits on the border between Africa and the Middle East, also scored 51/75 but was ranked higher than Guatemala as it scored two 'excellent' ratings as opposed to the Central American country's one.

Egypt was awarded excellent (5/5) for its lead time and ability to provide FOB for garments from formal wear and denim to cotton basics.

A major benefit of using Egypt as an apparel sourcing destination is it's average lead times range from 30-75 days. In fact, some products can be ready to ship in as few as 12 days, and samples can be ready in as little as a week. Shipping to countries within Egypt's region takes two to 18 days, to Europe from six to 12 days, and to the US from 12 to 30 days. Egypt has also improved its port processing speed, although labour unrest can lengthen load and sitting times.

Egypt has a moderate-sized garment industry with the EU and the US listed as its largest export markets. Textiles and apparel represent about 8% of exports, 27% of industrial production, and 10% of the country's working population. The apparel sector employs about 1.5m workers in 2,500 factories. However, outside Egypt's Qualified Industrial Zone, the industry is dominated by small and mid-sized companies, often not modernised or integrated into garment production.

Over the past few years, it has become easier to carry out business within the country and interest rates have fallen. Egypt has worked hard to increase sustainability, although workers' rights remain among the poorest, according to the annual report of the International Trade Union Confederation.

6. Mexico
Score: 52/75

Sixth place goes to Mexico with excellent marks (5/5) for both its ability to provide FOB and its tariff advantage. Mexico has a long history of offering FOB, which is widely available, although the prices of FOB products have increased over those of its Asian competitors.

The country scored highly on its tariff advantage as it applies strict rules of origin that curtail the use of non-United States-Mexico-Canada Agreement (USMCA) inputs. The agreement promotes US investment in Mexico's apparel industry, which enjoys tariff-free export to the US, accounting for 85% of its market. It has a large number of free trade agreements (12 with 46 countries), which means the Mexican market is one of the most open and competitive in the world. While the US is the largest import partner in textiles and apparel, China, India, Bangladesh, and Vietnam are growing as significant trading partners.

Apparel is an important contributor to the Mexican economy, employing about 400,000 workers in 22,000 factories. Apparel exports, depressed by the pandemic, are expected to rise by 8% through 2022. Mexico's position as a manufacturer for export should be strengthened by its continued fiscal and financial reforms, as well as attention to energy, violence, corruption, and infrastructure.

5. El Salvador
Score: 53.5/75

The fifth spot goes to Central America's El Salvador with a score of 53.5 and 5/5 for its ability to provide FOB with the country moving away from pure Cut, Make, Trim (CMT) to the full package.

The country also scored almost perfectly (4.75/5) for its vertical integration/ability to source new materials. It continues to integrate its well-established textile production with its cut-and-sew production and total integration is found in its apparel-producing clusters. Although the country relies heavily on imported materials for its cotton products, it produces synthetic fibres and fabrics and it has increased its focus on products using those materials such as the growing athleisure market. It is also importing high-tech equipment for the production of both fabrics and cut-and-sewn.

El Salvador trades under the Dominican Republic-Central America Free Trade Agreement (DR-CAFTA). It is a top ten supplier of textiles and apparel to the US, where over 70% of the sector's exports find their market. Apparel is one of the strongest export sectors for the country, accounting for about 30% of exports and employing 60,000 workers in 800 factories.

On the downside, El Salvador has one of the slowest-growing economies in Central America and faces severe challenges to economic growth due to the pandemic. To help its struggling economy, the government has introduced regulatory reforms.

4. China
Score: 54/75

China sits in fourth place with a score of 54 and an excellent score for its ability to provide FOB, which it can do at low cost because of its high level of integration. China does provide many other international commercial terms, including delivered duty paid (DDP), but FOB is considered the best option.

The global powerhouse also scored 5/5 for its vertical integration/ability to create new materials as it has a well-established vertically integrated apparel production system known for speed, efficiency, and reliability. China has internal, material, infrastructural, technological, and human resources that allow it to control supply, production, and value chains. As labour costs have risen, China has placed vertically integrated production in nearby trading/supply partner countries, using its resources and supply chain expertise. It has also enhanced integration with automation. The robustness of the system was demonstrated by the quick rebound of its manufacture after the peak of the pandemic.

China is the world's second-largest economy and largest apparel exporter. Its leadership position has been weakening, but no other country can match its supply base, its range of skills, quality levels, product variety, completeness of its supply chain, or has the capacity to absorb its business. In spite of the disruption of supply chains related to the pandemic and trade tensions with the US, the country continues to appeal to apparel buyers as rising wages are offset by efficiency and productivity gains through advanced manufacturing technologies.

In fact, China remained the largest apparel supplier to the US market in October 2021, according to data published by the US Department of Commerce's Office of Textiles and Apparel (OTEXA).

The emergence of China as one of the world's largest consumer markets may cause many of its export factories to switch to producing for its domestic market, but its role as a dominant player in global apparel sourcing is expected to continue for years to come. The government has adopted economic policies to try to mitigate the risks to the garment industry, including strengthening relationships with nearby Asian countries, as well as Africa and Central America.

It should be noted however, there are claims of forced labour within China's Xinjiang region and this has led many countries, including the US to ban the imports of Xinjiang-made cotton.

3. Peru
Score: 55.5/75

Peru is the only South American country to make it into the top ten list with a score of 55.5. The country did not receive any 'excellent' scores but it's overall high score comes from the fact it received almost top marks 4.5/5 and 4/5 for nine of the 15 factors.

The country achieved 4.5/5 scores for its tariffs advantage, production quality, lead time and its vertical integration / ability to source new materials.

This is not surprising as Peru is widely known for its high quality production and lead times that can be as short as 30 days, depending on the size and sophistication of the manufacturer.

Apparel is Peru's largest manufactured export with the majority going to the Americas. The industry employs about 130,000 workers and it attracts global brands, in part because of its rich heritage in textile craft and eco-friendliness. Before the pandemic, the industry enjoyed three successive years of growth with robust expansion in the US market. Peru's manufacturing and trade was hard hit by the pandemic, and the economy contracted sharply even though the country entered the crisis with strong fiscal policies and strong account balances. However, it is expected to remain attractive for foreign investment in 2022 as its ease of doing business remains among the best in the region.

2. Turkey
Score: 58/75

Turkey, which lies between Europe and Asia, is arguably one of the more notable apparel sourcing destinations to make it on the top ten list.

It scored 58 in GlobalData's Sourcing Scorecards data, which is only one point less than the country taking the top spot. Plus, it received top scores in six out of the 15 key factors, including:

Ability to provide FOB
Production quality
Ability to create basic products

Vertical integration/ability to source new materials
Innovation and ability to develop products with buyers
Ability to create value-added products
FOB is widely available in Turkey and the country wide-initiative to digitise its entire supply chain makes it a resilient option for companies concerned about the effects of the Omicron variant as we move into 2022.

Turkey has a highly skilled labour force and a history of fine workmanship. As Turkey has moved higher on the list of top exporters, the industry has felt additional pressure on price, value addition, and quality.

It has a wide range of manufacturing capabilities, including basics, which remain a large part of its apparel exports. Already a provider for many brands that focus on basics, Turkey is seeing growing interest from European brands. The country has also introduced technologies that will enhance its position in the low-end market.

Apparel and textiles are considered to be the backbone of the Turkish industry and are one of Turkey's largest exports. To boost manufacture and export, the government has targeted infrastructure improvements, such as adding new railways for easier shipping and increasing the number of logistics centres. These improvements should further shorten already speedy delivery to Europe in 2022 while mitigating in part the country's increasing labour and material input costs.

1 .Vietnam
Score: 59/75

The top spot and main apparel destination to watch in 2022 goes to Southeast Asia's Vietnam. It scored 59 and achieved 3/5 or above for all 15 factors with an excellent score for its political stability.

The country is the most continuously stable country in Southeast Asia and it is this history of stability that puts it at the top of most global lists. It honours its various international agreements, such as the EU-Vietnam free trade agreement, which demands compliance on issues such as intellectual property and human rights. Vietnam's willingness to cooperate with conditions in those agreements limits the threat of international destabilising pressures. The stability and independence of Vietnam has allowed it to pursue diverse economic, political, and military ties with regional powers such as Japan and India, and also with the US.

Since its transition to a market economy in 1986, Vietnam has developed one of the most vibrant economies in the region, emerging as a global power in its manufacture and export with apparel playing a significant role in the country's growth. Apparel, the second-largest export for Vietnam (19%) after electrical equipment, neared the US$60bn mark in 2019. The industry employs about 2.5m workers in 6,000 factories.

The labour market has become more flexible as the country shifts its economic focus from agriculture to manufacturing. Vietnam has started to reform state-owned enterprises through increased transparency and blended partnerships with foreign investors. Foreign direct investment has helped improve infrastructure and supported increasing knowledge transfer. Exports should continue to perform well, especially as the country signs more preferential trade agreements, such as the one with the EU, which took effect at the end of July 2020. Vietnam's agreements support a supply chain that requires foreign resources due to domestic inputs not keeping pace with increased production demands.

The three countries at the bottom of the list and facing the biggest challenges in 2022
The three sourcing destinations sitting at the bottom of the list and most likely to face real challenges in 2022 have all experienced political instability and uncertainty in 2021.

Here is Just Style's analysis of the three countries with the lowest scores as we move into 2022:

1. Myanmar -18.5/75

It is highly likely that Myanmar, which scored the lowest mark of 18.5/75 and zero in six of the 15 key factors, will have another challenging year in 2022, following the aftermath of its military coup in February.

The international backlash and investors' uncertainty has deeply injured an economy that had already slowed sharply due to the pandemic. The country will likely find itself unsupported by foreign aid programmes and ineligible for preferential trade agreements. In addition, it may face embargoes on its exports and imports. Moreover, the international tensions arising from human rights violations in Rohingya will likely re-emerge with greater force.

Myanmar had experienced continued economic growth, integration into the global economy, and foreign investment in the garment industry and other sectors.

Exports of apparel, meanwhile, had been growing each year until 2020. To sustain growth, the government had been modernising the financial sector and improving infrastructure and energy. To offset lost relations with Western nations, Myanmar's relationship with China will likely strengthen. The China-Myanmar Economic Corridor had already begun to increase China's trade with and investment in Myanmar, although the latter's military has voiced distrust of China.

Just Style reported in September, the Ethical Trading Initiative (ETI) was working with the Fair Wear Foundation to develop a human rights impact assessment of the evolving situation in Myanmar.

While earlier the same month, it was reported the IndustriAll Global Union and its Myanmar affiliate, the Industrial Workers Federation of Myanmar, was calling for a boycott of goods made in Myanmar as part of a wider campaign for comprehensive economic sanctions against the military junta.

2. Haiti – 25/75
This small Caribbean nation, which scored the second-lowest in the scorecards data, is widely regarded as the poorest country in the West, however it is almost entirely dependent on the apparel industry.

The country scored low in almost all of the 15 key factors, with high scores of 3.5/5 for its tariff advantage due to its trade with the US, and 3/5 for its ability to make basic products.

The country, which scored zero for political stability, suffers from severe and chronic political and institutional uncertainty, which, along with the pandemic, has roiled the nation for the past two years.

The country faces significant challenges to growth from disruptive social and political unrest, corruption, and organised crime. With some of the lowest grades on infrastructure, credit, and ease of doing business, the country sadly lacks the stability and resources for sustained improvement.

It also remains highly vulnerable to natural disasters and it takes many years for the country to recover from the aftermath of severe hurricanes, which are common in the Caribbean region.

Haiti recently accelerated its apparel production and reintroduced cotton growing to reduce cost and support vertical integration. The main inputs into Haiti's apparel industry are cotton fabrics, which are predominantly sourced from the Dominican Republic, and synthetic fabrics, mainly from China.

On the plus side, it was recently revealed that companion bills had been introduced in both the US Senate and House of Representatives to extend the HOPE (Haitian Hemisphere Opportunity through Partnership Encouragement) and HELP (Haitian Economic Lift Program) programmes until 2025. These trade preference schemes aim to improve opportunities for people in Haiti people through trade preferences designed to support manufacturing jobs in the apparel industry.5.

3. Ethiopia – 33/75
The East African nation scored the third-lowest in the scorecard data, which is unsurprising given the civil war that is continuing to plague the nation.

2022 is also likely to wreak havoc on the country's apparel sector in particular as the US has made the decision to suspend the country from the African Growth and Opportunity Act (AGOA) from January 2022.

AGOA gives Ethiopia duty-free access to the US market and Ethiopian clothing suppliers have warned that stripping the AGOA trade benefit will have a negative effect on the 50,000 jobs that were created thanks to the scheme.

Ethiopia, the 22nd largest supplier of apparel to the US market, has been an AGOA beneficiary country since its enactment in 2001 with 70% of the US$750m earned by the east African country's two dozen industrial parks since 2014, ending up in the US market under AGOA.

One clothing supplier told Just Style in an exclusive and anonymous interview that once the US pulls the benefit in January all of those workers will return to dire straits once more.

While, a statement by the Ethiopia ministry of trade and regional integration (MoTRI) made in November said the move would reverse significant economic gains and unfairly impact and harm women and children.

The country remains one of the poorest in the region, despite having one of the fastest-growing economies. In recent years, the government has sought to diversify its economy away from agriculture by prioritising the development of the export textile and garment industry. The sector has undergone rapid growth, promoted in part by foreign direct investments aimed at the European market. Low wages, which are set by the government, have helped expand the industry as well.

However, the challenges of the pandemic and civil conflict risk the country becoming less appealing to apparel suppliers in 2022 and beyond.

The full apparel sourcing countries list for 2022 based on GlobalData's sourcing scorecard data (listed from highest score to lowest)
Vietnam: 59
Turkey: 58
Peru: 55.5
China: 54
El Salvador: 53.5
Mexico: 52
Egypt: 51
Guatemala: 51
Morocco: 50.5
Thailand: 49.5
Sri Lanka: 49
Bangladesh: 48.5
Indonesia: 47.5
Madagascar: 46.5
Tunisia: 46
India: 45.5
Honduras: 44
Pakistan: 43.5
Cambodia: 43
Dominican Republic: 41.5
Jordan:- 40.5
Philippines: 39
Malaysia: 38
Nicaragua: 37
Ethiopia: 33
Haiti: 25
Myanmar: 18.5