Apparel Import Share Shifts as China Holds Steady and Ethiopia Expands

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Patterns of change are emerging in U.S. apparel imports, and market share is shifting more and more to non-traditional nations.

Textile and apparel imports to the U.S. rose 4 percent to 4.99 billion square meter equivalents (SME) in December compared to a year earlier, finishing off 2017 with a 3.2% gain for the year to 64.89 billion SME.

Among the Top 10 suppliers, China posted a 4.8% increase for the month and rounded out the year with a 5.4% gain over 2016, bouncing back from a 2.1% year-to-year decline in 2016, but still not in the ballpark from its heyday of 15 percent increases annually several years ago, according to data released Tuesday by the Commerce Department's Office of Textiles & Apparel.

India continued to show strength at No. 2, with a 2.7% increase in December from a year earlier and a 7 percent hike for the full year to 5.15 billion SME on top of a 5.7% hike in 2016. Vietnam's imports finished strong with a 9.5% year-to-year gain for the month and a 7.7% jump to 4.83 billion SME for the year, topping 2016's 2.5% gain.

The Asia story

Though still the most dominant apparel player, things in Asia are shaping up differently than they had in the past.

"We're in a period of consolidation amid a lot of uncertainty. China is still the dominant apparel supplier and Vietnam is No. 2 and the two of them combine for 55 percent of all apparel imports by volume," Julia Hughes, president of the U.S. Fashion Industry Association, explained. "The fact remains that they are essential to the industry, which really matters when it comes to the trade policy agenda and concerns over how aggressively the Trump administration will go after China, and the potential for trade skirmishes."

[Read more about China: China on the Move: Belt and Road Gets More Funding, Shanghai Gets New Shipping Hub]

Adding to that, Nate Herman, senior vice president of supply chain for the American Apparel & Footwear Association, said, "Despite the rising costs, China is still the best place to do business. It has access to raw materials and is reliable."

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Hughes noted that despite Trump's removing the U.S. from the Trans-Pacific Partnership trade talks—which was expected to fuel great growth for Vietnam—the Asian nation is still the fastest growing supplier.

"We're charging full duty on everything from China and Vietnam, but they still are strong suppliers because they clearly are meeting the needs of the retailers for product, price and on-time delivery," Hughes said, noting that China has likely also picked up market share from places like Cambodia and Bangladesh as they remain problematic and somewhat risky. "We've heard from some companies that China remains the safe haven…It might be a little bit more expensive, but they have the infrastructure and logistics to ensure prompt delivery."

Herman added of Vietnam, "The one trend that continues is that Vietnam has the biggest growth for any country or region right now."

When it comes to India, Hughes called it "kind of a sleeper" but said the country is still expanding as an apparel supplier and that growth will likely be ongoing.

Elsewhere in Asia, Pakistan, the No. 4 supplier to the U.S. for apparel and textiles, saw imports fall 5.6% in December, but pulled out a slim 1.7% rise to 2.52 billion for the year after falling 6.2% in 2016. Imports from Bangladesh, the No. 7 supplier, dropped 10.8% for the month and rose only 2.1% for the year to 2.24 billion SME after a flat 2016.

Indonesia's imports fell 7.7% in December and declined 6.3% in 2017, while South Korea, the eighth largest supplier, saw imports grow 12.5% in the month and 3.1% for the year to nearly 1.6 billion SME.

In the West

In the Western Hemisphere, Mexico, the No. 5 supplier to the U.S. for textiles and apparel held its own with a 4.5% gain in the month and 3.8% increase for the year to 2.51 billion SME. That's on top of a 2.6% increase the prior year despite threats from President Trump that he would terminate the North American Free Trade Agreement. Talks to renegotiate the trade pact are ongoing.

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Canada's imports jumped 14.4% in December and finished the year with a 1.7% increase to 1.08 billion SME, while Honduras saw its shipments dive 27.3% for the month and fall 3.9% to 1.07 billion SME in 2017.

Hughes said demand remains strong in Mexico and companies rely on the supply chain there —especially for the denim market.

"If there's a withdrawal from NAFTA, there will be a long-term shake out," she warned. "Mexico can be competitive with duties because they make a good product, but what happens when price becomes an issue?"

What happens, according to Herman, is that, "People are not going to invest in [Mexico] until they know what's going to happen."

Out of Africa

For apparel sourcing in Africa, Ethiopia appears to be the rising star.

"Ethiopia is everybody's go-to-spot right now," said Gail Strickler, president of Global Trade for Brookfield Associates. "The combination of VF and PVH making that determination, plus the fact that the government has liberalized things has made it a shining star."

Electricity in Ethiopia comes mostly from renewable resources like hydroelectric power, and the costs are quite low, said Strickler, who is doing work with the industry there to try and reesatablish polyester manufacturing, as the cotton supply chain is already fairly robust. Both the Ethiopian government and outside industry are investing in factories and industrial parks, as well as adding resources and training that can lead to growth in production for the country.

Ethiopia's imports to the U.S. rose a robust 45.53% year-on-year to 24.4 million SME in 2017, almost entirely in apparel.

Also of note for sourcing in Africa, Strickler said, "Kenya has continued to grow, Lesotho has a really nice business. On the other hand, Mauritius has seen its business dwindle due to increased costs," adding, "The exciting thing about West Africa is the transit time–nine days shipping to the East Coast of the United States."

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"The word from members is that there does seem to be a lot of interest in Ethiopia. It's a hot place to go. There's investment from China and elsewhere flowing in, it has duty free access under AGOA," Herman said.

Where goods are made is becoming more important to consumers—especially millennials—and in particular with e-commerce companies where a brand can tell a story and create an image.

"I think Haiti has a compelling story, with 100 percent of the factories are part of the Better Works program," Strickler offered by way of example. "So you can rest assured that if it has a Made in Haiti label on it that factory is not just inspected but it has training in how to treat people."

Haiti's imports, however, dipped 2.27% to 327.11 SME in 2017, all in apparel products.

For the Central American Free Trade Agreement countries–Honduras, Nicaragua, El Salvador, Guatemala, Costa Rica and the Dominican Republic–the uncertainly surrounding NAFTA, could prove beneficial, as could the expansion of inputs and the integrated supply chain there, notably in Honduras, which has made major investments in knit fabric production.

"In general, there are more sophisticated factories in Central America," Strickler said.

Imports from the CAFTA countries declined 3.1% to 3.1 billion SME last year.

Shifting market share map aside, 85 percent of apparel imports are coming from the top 10 suppliers, pointing to the need for a stable trade environment.

Of the growing areas, Ethiopia, Myanmar and other African countries are on the upswing, and Jordan and Eqypt have shown strength despite political uncertainty, Hughes noted.

Myanmar's imports to the U.S. jumped 90.2% to 43.55 million SME in 2017.

"Myanmar production is going gangbusters, but still from a very small base," Herman added.