



## Brands regroup as the US and China reach a trade deal

After negotiations, President Trump announced that China tariffs will land at 55 per cent. But does this actually offer a path forward?

By Madeleine Schulz



Brands may finally have clarity on the cost of Chinese imports after President Trump's tariff tête-à-tête has roiled the market. On 11 June, Trump confirmed that, after talks with China's Xi Jinping, goods entering the US from China will be subject to a 55 per cent tariff — though he did acknowledge that Jinping still needs to give his final approval.

This final percentage, which follows two days of negotiations in London, includes President Trump's worldwide 10 per cent global reciprocal tariff on imports, a 20 per cent "fentanyl trafficking" tariff and a 25 per cent pre-existing tariff on China. Goods entering China from the US will be taxed 10 per cent. Trump posted on Truth Social on Tuesday: "We are getting a total of 55 per cent tariffs, China is getting 10 per cent. Relationship is excellent!"

The news comes ahead of the 1 August deadline for the two global superpowers to reach a trade agreement. This was set on 12 May, when the two countries agreed the Trump administration's reciprocal tariffs on China would decrease from 145 per cent to 30 per cent; and China's retaliatory tariffs on the US from 125 to 10 per cent.

The resulting agreement significantly slashes the previous 145 per cent tariff on China-made goods. Still, the news comes as a blow to the fashion industry, which imports many of its materials and products from the region, and previously did so with duties on par with the rest of the world. (These were already high: US apparel imports in 2024 faced a near record average effective tariff rate of 14.6 per cent, which is more than fivefold that of all other US imports, according to the American Apparel & Footwear Association).

Certainty is the main benefit, says Neil Saunders, managing director and retail analyst at Globaldata. "While the tariff rate is very high, knowing the settled level is helpful for retailers as it will allow them to plan," he says. "This is, of course, that the deal sticks and is not subject to knee-jerk revisions."





What the deal actually entails is still murky, says American Apparel & Footwear Association (AAFA) CEO Stephen Lamar. Unanswered questions include whether the 55 per cent is on top of existing rates and exactly how it applies to each good, he says. “We’re closely watching for more details, but the reality is this: nearly all clothes and shoes sold in the US are now subject to elevated tariff rates. These costs will hit American families hard, especially as they get ready for back-to-school shopping and the holiday season.”

## Pile on

The final figure comes as brands have begun to hike prices, and consumers are growing increasingly wary of the rising costs of their fashion and beauty products. Elf Beauty announced that, from 1 August, it will raise prices by \$1 across its entire product line globally. Approximately 75 per cent of the brand’s products are manufactured in China, making it vulnerable to the high China tariffs. (This is down from almost 100 per cent in 2019, CEO Tarang Amin told investors during the brand’s 29 May earnings call.)

Steve Madden has been raising prices this year (between 10 and 20 per cent), but is now planning to move production almost entirely out of China, CEO Edward Rosenfeld told investors in May’s earnings call. It’s unclear if the latest tariff rate will change brands’ plans, but Saunders says it’s still a significant increase on operations versus before.

Per the new agreement, there’s no change on the decision to end the de minimis exemption, meaning fast fashion companies shipping to the US are likely to see through with proposed price increases. Shein announced price increases for US customers in April 2025.

“It’s still early, but we’re already seeing the ripple effects. The biggest immediate impact isn’t sticker shock at the register yet, but it’s panic and early buying,” he says. “Brands have been rushing to purchase and pack inventory during tariff pauses, which has temporarily helped absorb some major cost increases and delay price hikes for consumers.”

The impact will also depend on how brands approach their strategies now things are clearer. The relatively secure 55 per cent tariff rate is likely to push those who were holding off, taking a ‘wait-and-see’ approach, into action, experts agree. “I am sure this will push more fashion retailers to look elsewhere to source and manufacture,” Saunders says. But ongoing uncertainty outside of China remains, as brands await the 8 July deadline when ‘Liberation Day’ tariffs are likely to take effect. “The slight issue [for planning] is that we don’t yet have a settled tariff policy for the rest of the world,” Saunders adds.

The current buffer won’t last, AAFA’s Lamar cautions. “With key tariff deal deadlines hitting this summer right as back-to-school and holiday buying ramps up, whatever shock absorption existed is going to run out,” he says. “As new tariff rates get negotiated into new costing and contracting, those costs will get passed along, too. So while it’s been calm before the storm, the real consumer impact is just around the corner.”

*Comments, questions or feedback? Email us at [feedback@voguebusiness.com](mailto:feedback@voguebusiness.com).*

