The Business of Fashion
BOF

URL :http://businessoffashion.com/
PAYS :Royaume-uni
TYPE :Web International
JOURNALISTE :Joan Kennedy

► 9 juillet 2025 - 08:52

> Version en ligne

# What Trump's Latest Tariff Threats Mean for Fashion

US President Donald Trump shifted the deadline for tariffs to go into effect to Aug. 1, and turned up the heat with fresh rates and new threats. In some ways, it's Liberation Day, part two — but fashion needs certainty more than ever.

By Joan Kennedy


The Trump administration's game of tariff red-light, green-light isn't over yet.

On Monday, US President Donald Trump issued an executive order once again pushing back duties scheduled to go into effect on Wednesday until Aug. 1. The move gives officials three more weeks to negotiate permanent agreements with a host of countries that were slapped with steep new tariffs on April 2, or "Liberation Day," as the president called it. Deals have been reached with Vietnam – a key manufacturer of clothing and footwear for companies like Gap, Nike and Lululemon – and the UK. But negotiations are moving slowly with major trade partners including China, Japan and the European Union.

Even as he delayed implementation, Trump kicked up the heat, setting new rates for countries that hadn't yet inked deals — 25 percent for Japan and South Korea, over 30 percent for Indonesia, Thailand and Bangladesh. He also threatened an additional 10 percent tariff on the BRICS bloc, which includes Brazil, Russia, India, China and South Africa, and "any country aligning themselves with the Anti-American policies of BRICS," Trump announced on Truth Social on Sunday. A temporary agreement to pause 145 percent tariffs on China expires later in August.

Markets have stayed relatively stable compared with the nosedive they took when tariffs were first announced on April 2, suggesting that investors are becoming used to Trump's stop-and-go. They're also likely pricing in the possibility that Trump will reach agreements with most major trading partners, said UBS Wealth Management senior equity analyst Nadia Lovell on a July 8 media call.

Still, the return to threats and escalating tariffs once again leaves fashion in limbo, not knowing whether goods they order today for the critical holiday shopping season will be subject to punitive duties at the border.

Fashion businesses have been implementing a variety of temporary mitigation strategies: stockpiling merchandise, negotiating with vendors to shoulder some of the burden, setting up warehouses, diversifying production bases and in some cases, raising prices. Already ahead of this week's most recent updates, many started taking down their expectations for the year, with Abercrombie & Fitch, Calvin Klein-owner PVH and Gap Inc. expecting tens of millions in lost profits. Nike said tariffs could cost it $1 billion, on its earnings call in June.

What comes next could reshape the fashion industry and global economy at large. Brands will feel the impact to varying degrees, and much remains to be seen about how consumer sentiment and shoppies will hold up as price increases filter into the marketplace in the latter half of the year — but fashion needs to know where the official starting line is, ASAP.

"We need to have certainty. Companies can't make decisions on investment and shifting supply chains and so on with the rates constantly changing," said Aneesha Sherman, Bernstein US apparel and retail analyst. "And as it starts hitting demand it's going to be really important for the economy that we get clarity on it so that supply and demand can normalise."

## Fashion's Diversification Fixation

Even before Trump's Liberation Day, brands have long been reducing their reliance on Chinese manufacturing, as the political temperature rose and Covid-related issues added risk. Now brands are ramping up further.

Nike and Gap, for instance, both moved much of their manufacturing to regions including Vietnam, India, Indonesia and Bangladesh. In recent months, they have said they would further cut its reliance on China — to a "high single-digit percentage range" from 16 percent of shoe imports to the US by May 2026 for Nike, and to less than 3 percent for Gap.

But these shifts come at a price.

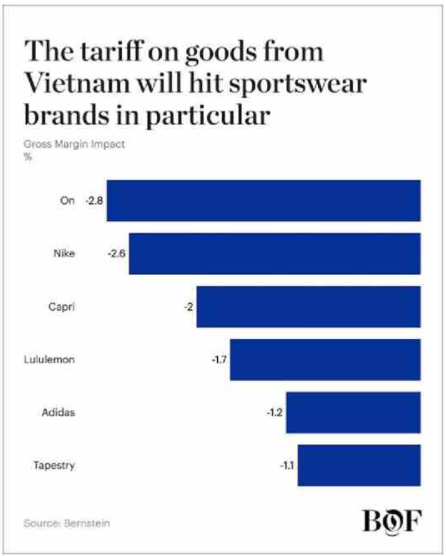
"Diversification isn't a free lunch, it's an expensive insurance policy. Every new source adds complexity, cost, and potential instability," said David Katz, executive vice president and chief marketing officer of Randa Apparel & Accessories, a manufacturer and distributor for brands such as Tommy Hilfiger and Guess, in an email to BoF.

There's risk pretty much everywhere. Brazil, for example, was thought to be a potential beneficiary because of its manufacturing prowess, proximity to the US and relatively low 10 percent rate. Now, with Trump's targeting of BRIC nations, it faces a new threat.

Plus, any added tariff is going to bring up costs from what they were six months ago. Vietnam, for instance, may be facing a better rate than was feared in April, "it's still a net increase from where it was," said Joanna Rangarajan, managing director at retail consultancy Alvarez and Marsal. Likely, athletic footwear brands in particular won't be able to diversify away from Vietnam, according to UBS.

Still, many will likely only see an hit of around 1 to 4 points on gross margin based on the raw impact of tariffs, argues Sherman.

"These companies are usually double digit margin earners, so taking a few points of gross margin headwind isn't great, but doesn't break the model," said Sherman. Highly exposed companies, such as On and Hoka which nearly exclusively produce in Vietnam, have more flexibility and have been able to start raising prices because they "aren't going for a penny pinching lower income consumer."




So far, tariffs' impact on pricing hasn't been universal. Ultra-cheap goods purveyors such as Shein and Temu have already hiked prices, while E.l.f Beauty, Hailey Bieber's Rhode, Lululemon, Ralph Lauren and Nike also announced upcoming price increases. Others, including Urban Outfitters, Gap and Abercrombie & Fitch and H&M, are opting to eat the margin hit and say they will use the next few months of pricing turmoil to gain market share.

"In these times of distress comes huge opportunities. Even if it's eating into our margin, we see it paying off," said Kris Avakian, founder of Canada-based shoe maker Black Suede Studio. Still, in this environment, the brand is also looking to supercharge growth outside the US — particularly in the Middle East. Earlier this month Brazilian fashion company Azzas 2154SA, owner of Beyoncé-beloved label Farm Rio, said it started scaling back exports to the US.

Tariffs have also exposed other supply chain risks. What capacity will look like as shipping companies temper their own expectations, following a dip after brands rushed to get goods into the US, is one concern, said Michael Prendergast, managing director at Alvarez and Marsal. Geopolitical tension — not just around already unsteady Iran, the Strait of Hormuz and Red Sea — is elevated around other important channels, including the Panama Canal and South China Sea.

"[Tariffs] highlight how fragile things are for many businesses," said Lexi Sydow, senior vice president of marketing and insights at Interos.ai, which uses AI to optimise supply chains. "There's a larger risk profile."

## The Clock is Ticking

"Wait-and-see" is not the most appealing strategy — but it's proven to be a safe bet when it comes to fielding Trump's unpredictable policy torrents. Some analysts have adopted the new theory of Taco — Trump Always Chickens Out — trade. Still, as the trade war rages on, there are fresh challenges for fashion to contend with.

The time for big concessions from suppliers may be running out, said Prendergast.

"Vendors were willing and open to negotiating price concessions on goods that were on the water when tariffs were announced," said Prendergast. But increasingly, "Vendors don't have the same appetite for negotiation."

Suppliers could start getting pickier about what products they'll produce, and brands on what they'll make, simplifying design components or opting only for higher margin products. (Hardware store Home Depot, for example, warned it may stop selling some products if increased costs make them unprofitable to sell.) With less negotiating and pricing power, smaller brands, in particular, would be impacted.

Problems "lurking in the deep supply chain," matter in this delicate environment, said Sydow. Experts say manufacturers don't have much room to help shoulder the burden.

"Supply chain margins are so slim, the only party that can pay for the tariffs is the American consumer," said Stanley Szetzo, executive chairman of apparel manufacturing firm Lever Style, which works with brands including Theory, Everlane, Vince and Allsaints.

Meanwhile, as recessionary fears are still swirling in the US and China, disruption in major industries could have a ripple effect. Tariffs, a "pretty material tax on [US] imports," have risen from a rated average of 2.5 percent last year, to 16 percent, which could shave 0.7 percentage points off of GDP growth this year, estimates Jonathan Pingle, chief US economist at UBS. Led by retail, which is now the most challenged sector in Europe, corporate distress levels climbed to their highest level in nine months in May, according to law firm Weil, Gotshall & Manges' European Distress index.

Should either economy falter, it would have a drastic impact on the rest of the world.

"The biggest impact of the trade wars won't be short-term profit margins, it will be long-term consumer confidence and a change in purchasing behaviors," said Katz.

How consumer sentiment shakes out for the rest of the year as higher prices filter into the market is still unknown. The Aug. 1 delay may have softened the blow for the holiday, as extra duties won't impact prices until much later, said UBS chief economist Paul Donovan in an interview with Bloomberg TV.

American shoppers, as they've done again and again in times of distress, might just keep shopping.

*Marc Bain contributed to reporting.*