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# Weak Consumer Demand, Tariff Turmoil Set the Stage for 2026

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UNCERTAIN TRADE POLICY COULD RESHAPE THE SOURCING LANDSCAPE IN 2026. CHEUNGHYO / GETTY IMAGES



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Weakening consumer demand and uncertain trade policy are two of the biggest macro-level challenges the apparel industry faced in 2025, and the sector won't shake the specter of these issues in the new year, according to Dr. Sheng Lu.

According to the professor of fashion and apparel studies at the University of Delaware, the Trump administration's mercurial tariff strategy and deepening economic anxiety among shoppers will remain persistent thorns in the industry's side "amid sluggish economic growth and persistent inflationary pressures."

International Monetary Fund data from October 2025 indicated that global GDP growth in 2026 is slated to slow, declining from 3.2 percent to 3.1 percent year over year. United States GDP growth is projected to sink even lower to about 2.1 percent (down from 2.8 percent in 2024).

"Meanwhile, the trade policy environment facing the global fashion apparel industry could remain highly uncertain in 2026," Lu wrote in his research. "Notably, in addition to [tariffs](#), several [trade agreements](#) could create new uncertainties for fashion companies when sourcing from affected regions."

For one, the U.S.-Mexico-Canada Agreement ([USMCA](#)) will see its formal six-year review in July 2026, and tensions between the North American trading partners remain high. Meanwhile, the [African Growth and Opportunity Act \(AGOA\)](#) and the [Haiti HOPE-HELP](#) programs lapsed in September without concrete plans for a renewal (despite some efforts from Congress to spur a speedy reinstatement for both trade preference programs). The uncertain status of all of these trade statutes could further reshuffle the sourcing matrix in 2026, Lu believes.

Beyond legacy programs, new trade frameworks that were beginning to solidify in 2025 with a number of trade partners, including the [European Union](#) and potentially [China](#) and [India](#), will begin to be implemented and enforced—a phenomenon that "will warrant close attention," in Lu's estimation. Many details of these so-called deals are far from final, and the Trump administration's stated desire to crack down on fraudulent trade practices like transshipment will need to be elucidated.

According to Lu, "the impact could be significant for apparel sourcing if the Trump administration ultimately decides to revisit or set new rules of origin in these agreements to reduce the 'China content' in products imported into the United States." Insights from the Organization for Economic Co-operation and Development reveal that apparel exports from

many Asian countries like Vietnam and Cambodia contain 20 percent to 30 percent China content.

All 90 countries hit with tariffs will see more “visible and significant” impacts to their exports to the U.S. in 2026, though. Apparel as a category will be particularly hard hit by new duties, and Lu believes fashion firms “will face increased pressure to control their sourcing costs and protect their profit margins.”

With that scenario as a backdrop, fashion companies will likely turn to diversification to navigate market and trade policy uncertainties, he added. A 2025 Fashion Industry Benchmarking Study released by the U.S. Fashion Industry Association (USFIA) showed a record number of U.S. fashion brands and retailers (over 80 percent) were sourcing from 10 or more countries. Nearly 60 percent of them said their sourcing portfolios would continue to expand in 2026, and they’re looking for vendors with the ability to produce across multiple countries to mitigate risk.

That may result in companies moving more of their direct sourcing out of China, but that doesn’t mean the World’s Factory is going to give up its influence.

Lu said that from what he’s observed, Asian suppliers at large are concerned about the tariffs, but focused on creating a more integrated and resilient supply chain within the region. As the Asia supply chain continues to mature and advance, it is likely that it will remain the dominant textile and apparel production and export hub “with no near competitors” in 2026.

China’s leadership within the region is solid and “increasingly visible,” Lu said, as the country remains a vital partner to many and a source of investment with production offshoots across the globe. China is also justified in feeling confident in its place as an industry leader because other nations depend on it so heavily for inputs and materials, Lu believes.

Asked what other markets China is exploring when it comes to apparel exports now that it faces such high tariffs (47 percent) from the U.S., Lu told Sourcing Journal that the country has been diversifying its export markets since Trump first introduced his tariff scheme.

During the first 10 months of 2025, apparel exports to the U.S. dropped by 8.8 percent, according to World Trade Organization data. Throughout that time, China ramped up its exports to the EU by 4.5 percent and the United Kingdom by 5.1 percent from the year

prior. It also kicked apparel exports into overdrive across Asia, Africa and South America, shipping more clothing to Cambodia (up 64.4 percent), Indonesia (up 15.4 percent), Nigeria (up 29.7 percent), Kenya (up 31.5 percent), Tanzania (up 52.8 percent), Chile (up 18.8 percent) and Peru (33.8 percent).

“However, the surge of cheap Chinese imports has led to growing concerns from the local garment industry in these developing countries,” Lu said.

Even the EU’s mature, 27-member economy is tiring of the growing influx of goods from China—in particular, import-sensitive products like cars and steel. French President Emmanuel Macron has proposed new [tariffs on China](#) for undermining regional producers.

“Ultimately, I believe France and the EU’s tariff policy toward China will require careful calculation and balancing the needs of addressing ‘unfair’ trade practices, domestic politics, and their broader relationship with China,” Lu opined.

China’s supply chain may also be maturing beyond the apparel products it has a history of manufacturing to focus on advanced performance textiles and specialty materials that no other country on earth has the ability to make at scale.

“According to trade theories and historical trade patterns, a country will gradually evolve from producing and exporting labor-intensive garments to producing more capital- and technology-intensive textile products. China is not an exception,” Lu explained. Notably, while China’s market share of apparel exports has actually declined, it accounted for 42.9 percent of global textile exports in 2024 (including yarns, fabrics and industrial textiles)—a record high.

“In particular, China has been strengthening its position as a leading textile supplier to many apparel-exporting countries in Asia, such as Vietnam, Cambodia, Indonesia or even Jordan, accounting for 60 percent to 80 percent of their textile imports, much higher than a decade ago,” he added. This is why countries regard China as a critical source of raw materials and investment, as well as an important business partner.

By contrast, the academic believes China is “positioning itself not as a cheap source of imports, but as a key partner and reliable apparel supplier that can provide high-quality products, competitive costs, fast speed to market, flexibility, agility, and many other value-added services, such as product development and inventory management.”

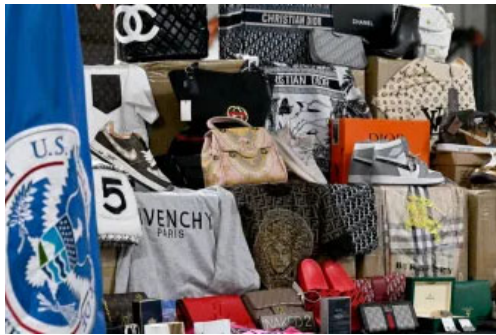
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