

Pakistan’s Textile Industry at a Crossroads: Navigating U.S. Tariff Changes

IIS Research
research@ismailiqbal.com
(+92-21) 34302184

Sweeping Tariff Hikes Announced

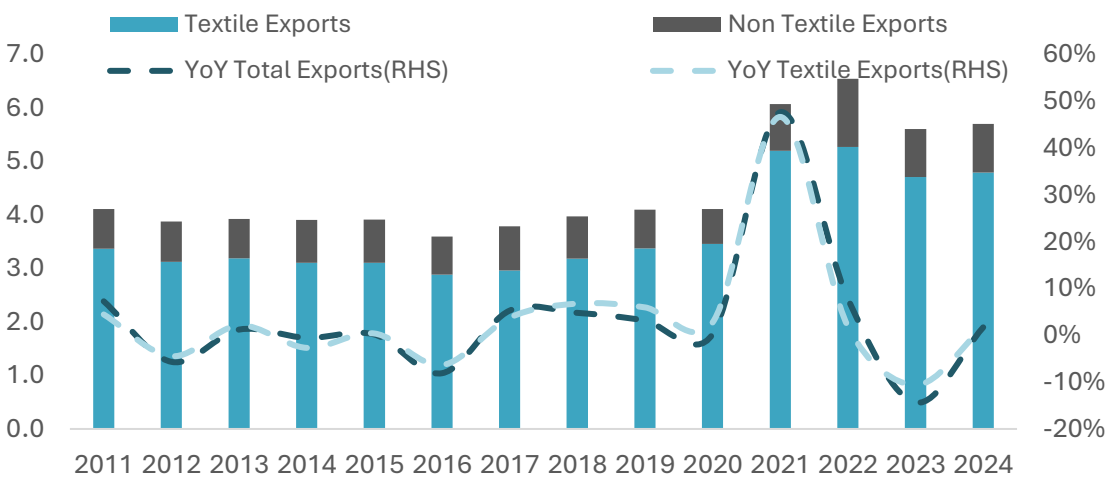
April 4, 2025

On April 2, 2025, U.S. President Donald Trump announced a new set of tariffs aimed at reducing trade imbalances and protecting American industries. Starting April 5, a 10% tariff will apply to all imports into the United States. In addition, much higher tariffs will be imposed on certain countries, including a 34% tariff on Chinese goods and a 20% tariff on European Union exports, beginning April 9. The U.S. government believes these actions will help bring back manufacturing jobs and reduce its trade deficit. However, the move has caused strong reactions from affected countries like China and the EU, who have promised to take countermeasures. Global markets have already reacted negatively, with Asian stock markets falling sharply and U.S. and European futures showing losses. Experts are warning that these tariffs could increase inflation, raise production costs, and slow down economic growth both in the U.S. and worldwide.

Implications for Pakistan’s Economy

For Pakistan, this situation presents both challenges and possible advantages. In 2024, Pakistan exported around \$5.7 billion worth of goods to the U.S., and 80–85% of that was textile-related products such as garments, home textiles, and fabrics. Pakistani textile exports will face a 29% tariff in the U.S., which is high compared to many other countries. However, with the U.S. now increasing tariffs even more on countries like China, Vietnam, and Bangladesh—Pakistan’s main competitors in textiles there could be a window of opportunity. If U.S. buyers look for cheaper alternatives to avoid higher tariffs on Chinese and Vietnamese goods, Pakistani products may become more attractive.

Pakistan Exports to US



US country wise trade deficits/import exports

Rank	Country	Exports	Imports	Deficit (\$B)
1	China	\$144bn	\$439bn	-295
2	Mexico	\$334bn	\$506bn	-172
3	Vietnam	\$13bn	\$137bn	-123
4	Ireland	\$17bn	\$103bn	-87
5	Germany	\$76bn	\$160bn	-85
6	Taiwan	\$42bn	\$116bn	-74
7	Japan	\$80bn	\$148bn	-68
8	South Korea	\$66bn	\$132bn	-66
9	Canada	\$349bn	\$413bn	-63
10	India	\$42bn	\$87bn	-46

Source: SBP, US Census Bureau

Uncertainty and Potential Risks

April 4, 2025

Still, the overall situation is uncertain. The average tariff rate in the U.S. has jumped from 2.5% in 2024 to 22% in 2025, the highest in over a century. This suggests a shift toward more protectionist trade policies that could hurt global trade volumes. If American consumers start buying less due to higher prices, or if supply chains get disrupted, Pakistan’s export earnings could be affected despite having a relative advantage. Also, Pakistan’s exports are heavily concentrated in a few sectors, with textiles making up over 60% of total exports globally, not just to the U.S. Any major shift in demand patterns or global slowdown could have a ripple effect on jobs, foreign exchange reserves, and industrial growth back home.

US Textile Import Country Wise

Country	2023 Value (USD Billion)	New Tariff (%)	Previous Tariff (%)
China	\$40.5 B	34%	NA
Vietnam	\$18.2 B	46%	5%
India	\$10.3 B	26%	5%
Bangladesh	\$9.8 B	37%	15%
Mexico	\$7.5 B	25%	0%
Indonesia	\$6.2 B	32%	5%
Pakistan	\$5.6 B	29%	8%
Honduras	\$4.1 B	10%	0%
Turkey	\$3.8 B	10%	5%
Italy	\$3.5 B	20%	3%
Cambodia	\$3.2 B	10%	12%
South Korea	\$2.9 B	25%	3%
Canada	\$2.7 B	25%	0%
Thailand	\$2.5 B	36%	5%
Germany	\$2.3 B	20%	3%
Sri Lanka	\$2.1 B	44%	8%
Malaysia	\$1.9 B	24%	5%
El Salvador	\$1.7 B	10%	0%
Japan	\$1.6 B	24%	25%
Peru	\$1.4 B	10%	0%

Source: US ITA

Pakistan’s Textile Export

Categories	8MFY25	% of Export
Bed and Table Linen, Toilet and Kitchen Linen	714	18%
Men's or Boys' Suits, Ensembles etc, Not Knitted etc.	640	16%
T-Shirts, Singlets and other Vests Kn/Cr	245	6%
Made-Up Articles of Textile Materials NES	242	6%
Sweaters, Pullovers, Vests etc. Kn/Cr	190	5%
Panty hose, Socks and other Hosiery Kn/Cr	175	4%
Gents Suits, Ensembles, Jackets etc. Kn/Cr	156	4%
Gents Shirts, Knitted or Crocheted	142	4%
Mattress Supports, Articles of Bedding etc	127	3%
Articles of Apparel and Accessories of Leather	119	3%
Medical, Surgical and Dental Instruments etc.	83	2%
Women's or Girls' Suits, Ensembles etc. Not Kn/Cr.	83	2%
Revolvers and Pistols Designed to Fire Live Ammo	67	2%
Woven Cotton Fabrics, Cotton more than 85% Wt < 200 g/m2	64	2%
Carpets and other Textile Floor Coverings, Knotted	63	2%
Polyesters, Epoxides and Polyesters, Primary Forms	61	2%
Others	839	21%
Total	4010	100%

Source: SBP

Contact Us

Branch Office:

C-94, Main Karsaz Road,
KDA Scheme 1, Karachi, Pakistan

Stock Exchange Office:

407 Karachi Stock Exchange Building
Stock Exchange Road, Karachi, Pakistan

Executives

Ahfaz Mustafa	Chief Executive Officer	(92-21) 3430 2182-4	Ext: 101	ahfaz.mustafa@ismailiqbal.com
---------------	-------------------------	---------------------	----------	-------------------------------

Equity Research Team

Saad Hanif	Head of Research	(92-21) 3430 2184	Ext: 203	Saad.hanif@ismailiqbal.com
Mohammad Bilal Ejaz	Research Analyst	(92-21) 3430 2184	Ext: 203	Mohammad.Bilal@ismailiqbal.com
Sumeran	Research Analyst	(92-21) 3430 2184	Ext: 203	Sumeran@ismailiqbal.com
Hamza Anwar	Data Analyst	(92-21) 3430 2184	Ext: 203	Hamza.anwar@ismailiqbal.com

Equity Sales Team

Nazim Abdul Muttalib	EVP– Head of Broking	(92-21) 3430 2176	nazim.silat@ismailiqbal.com
Jawwad Aboobakar	EVP– Head of Business Development	(92-21) 3430 2177	jawwad@ismailiqbal.com
Fakhar Z. Khan	VP Sales	(92-21) 3246 1659	fzkhan@ismailiqbal.com
Adnan Hussain	Equity Dealer	(92-21) 3430 2173-9	adnan.hussain@ismailiqbal.com

Disclaimer

Ismail Iqbal Securities (Pvt.) Limited does not warrant the timeliness, sequence, accuracy or completeness of this information. In no event will Ismail Iqbal Securities (Pvt.) Limited be liable for any special, indirect, incidental, or consequential damages without limitation which includes lost revenues, lost profits, or loss of prospective economic advantage resulting from the use of the information or for any omission or inaccuracies resulting from the use of information from this market.

Disclosures

Ismail Iqbal Securities (Pvt.) Limited, hereinafter referred to as IISPL, acts as a market maker in the security(ies) mentioned in this report. IISPL, its officers, directors, associates or their close relatives might have financial interests in the security(ies) mentioned in this report, including a significant financial interest (1% of the value of the securities of the subject company). IISPL is doing business, or seeking to do business, with the company(ies) mentioned in this report, and therefore receives/has received/intending to receive compensation from these company(ies) in a non-research capacity.

IISPL has previously or might in the future trade or deal in the subject company in a manner contrary to the recommendation in this report, due to differences of opinion between the research department and sales desk or traders, and investment time period differences.

The analyst associated with the writing of this report either reports directly to the research department head or is the department head. The department head in turn reports directly to the Chief Executive Officer of IISPL. The analyst's compensation is not determined by nor based on other business activities of IISPL.

Research reports are disseminated through email or mail/courier to all clients at the same time. No class of client or internal trading person gets this report in advance of other clients. Due to factors outside of IISPL's control including speed of the internet, some clients may receive the report before others.

Monetary compensation of research analysts is neither determined nor based on any other service(s) that IISPL offers, and the compensatory evaluation is not influenced nor controlled by anyone belonging to a non-research department. Further, the research analysts are headed by the Head of Research, whose reports' recommendations are based on the following conditions:

Condition	Stance
Total Return > 18%	BUY
Total Return > -10% & <=18%	HOLD
Total Return <-10%	SELL

Investors should carefully read the definitions of all ratings used within every research report. In addition, research reports carry an analyst's independent view and investors should ensure careful reading of the entire research reports and not infer its contents from the rating ascribed by the analyst. Ratings should not be used or relied upon as investment advice. An investor's decision to buy, hold or sell a stock should depend on said individual's circumstances and other considerations.

Valuation Methodology

To arrive at our period end target prices, IISPL uses different valuation methodologies including:

Discounted cash flow (DCF, DDM)

Relative Valuation (P/E, P/B, P/S etc.)

Equity & Asset return based methodologies (EVA, Residual Income etc.)

Analyst Disclaimer

The author(s) of this report hereby certifies that this report accurately reflects her/his/their own independent opinions and views as of the time this report went into publication and that no part of her/his/their compensation was, is or will be affected by the recommendation(s) in this report.

The research analyst or any of her/his/their close relatives do not have a financial interest in the securities of the subject company aggregating more than 1% of the value of the company and the research analyst or their close relatives have neither served as a director/officer in the past 3 years nor received any compensation from the subject company in the past 12 months. The Research analyst or her/his/their close relatives have not traded in the subject security in the past 7 days and will not trade for 5 days post publication of the report.