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Levi’s slips as tariff costs cloud margin gains

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Levi Strauss & Co. saw its share price drop about **7% in pre-market trading**. Investors reacted sharply as the company warned of tariff-related margin pressure.

Strong demand, but margins under threat

Levi’s has benefited from renewed interest in loose, baggy fits, especially among younger consumers. It also raised its 2025 sales and profit forecasts.

However, the positive outlook is tempered. The company expects a **130 basis point hit** to its fourth-quarter gross margin due to tariffs.

Tariff burden in South Asia

Levi’s sources much of its production from countries such as Bangladesh, Cambodia, and Pakistan. These nations currently face higher U.S. tariffs since they lack favorable trade agreements.

Thus, costs of goods are rising. The added tariff burden is squeezing margins despite strong topline growth.

Analysts cautious, investors disappointed

Analysts at Barclays called Levi’s guidance “conservative.” Morgan Stanley noted that investors may see weaker visibility into the holiday quarter, especially on tougher year-on-year comparisons.

Overall, the stock move suggests market participants were disappointed.

Mitigation moves under way

To counter tariff pressure, Levi’s has taken several proactive steps:

- It locked in about **70% of its holiday inventory** early.
- It slightly raised prices to absorb part of the cost.
- It leaned more on full-price sales and controlled inventory tightly.

These strategies aim to offset weaker consumer sentiment and rising cost pressures.

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