

Textiles

Sector Update

July 08, 2026

Coverage Universe

Name of the Company	Rating	CMP (INR)	TP (INR)
Pearl Global Industries	Accumulate	1,961	2,274

Zero-duty UK access to boost Indian textile exports

Quick Pointers

- India-UK CETA to come into force on 15th Jul'26
- Will bring Indian textile exporters on level playing field with Asian peers having zero-duty access
- Expected to serve as long-term catalyst for textile exports

The India-UK Comprehensive Economic and Trade Agreement (CETA), which will come into force on 15th Jul'26, is a significant milestone in bilateral trade. The agreement will provide duty-free access across ~99% of India's tariff lines. For India's labor-intensive sectors (textiles, apparels, leather, and marine products, in particular), the agreement removes the longstanding 8-12% import duty disadvantage, putting Indian exporters on equal footing with regional competitors such as Bangladesh and Vietnam in the ~GBP20bn UK apparel market. The parallel rollout of the India-UK Double Contributions Convention will give services and professional mobility a meaningful lift, extending the dual social security contribution exemption for IT and engineering professionals posted in the UK, from 3 years to 5. With the fastest signature-to-implementation timeline among deals of this size, CETA's structure brings a strong degree of operational predictability, which should encourage large, compliant vendors to consolidate their supply chains within the corridor and support India's deeper integration into global trade over the longer term. This report provides a brief overview of how the UK's textile and apparel market has been shaping up over the past few years, including clothing import trends, and delves into the potential opportunities opening up for Indian apparel/clothing exporters with the implementation of CETA.

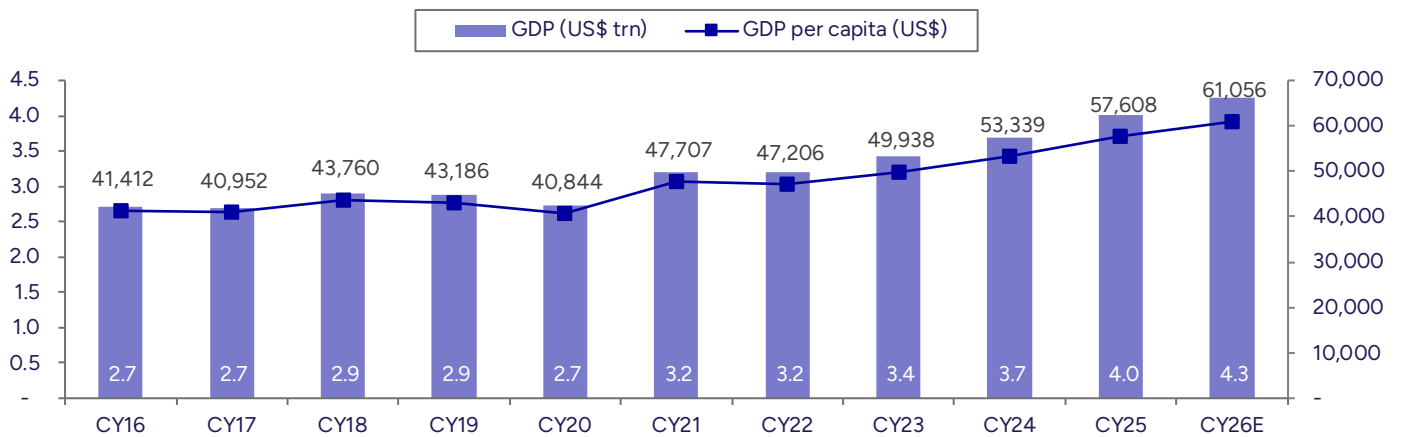
India aims to double its UK textile market share: The India-UK CETA supports India's long-term aspiration of achieving US\$100bn in textile and apparel exports by CY30. The National Technical Textiles Mission, PM MITRA Parks, Production Linked Incentive scheme and multiple free trade agreements (FTAs) are collectively aimed at improving manufacturing competitiveness, attracting investments, and expanding export opportunities. The CETA complements these initiatives by offering duty-free market access to a key developed economy, thereby creating a structural growth opportunity for India's textile and apparel industry while accelerating the country's journey toward its ambitious export target. The agreement will act as a catalyst for the government's broader economic goal of achieving US\$100bn in global textile exports by CY30 and doubling its share in the UK textile market within the next 3-5 years.

UK – A resilient high-income economy driven by consumer demand

The UK is the 6th largest economy in the world with a nominal GDP of ~US\$4.0trn for CY25 and a population of ~69mn. Its nominal GDP stood at US\$2.7trn in CY16, thus registering 4.4% CAGR over CY16-25, and is estimated to reach ~US\$4.3trn by CY26 as per IMF. As a high-income economy, the UK enjoys strong purchasing power with GDP per capita of ~US\$57,608 as of CY25, which has grown 3.7% CAGR over CY16-25 from ~US\$41,412 in CY16. The country's diversified economic structure, stable regulatory framework, and well-developed financial markets continue to make it one of the world's most attractive consumer markets.

Over the past decade, the UK economy has demonstrated resilience, despite facing multiple macroeconomic shocks such as Brexit, Covid-19, Russia-Ukraine war, increasing inflation, political instability, and the recent energy price shock from the Middle East tension. The economy had been hit hard by the pandemic with nominal GDP falling ~10% in CY20, before rebounding strongly over CY21-22. Growth has since moderated amid elevated inflation, higher interest rates, and weaker consumer confidence. Inflation decreased to 3.4% in CY25, from 9.1% in CY22. Inflation has cooled down further in the first 5 months of CY26 (2.8% in May'26).

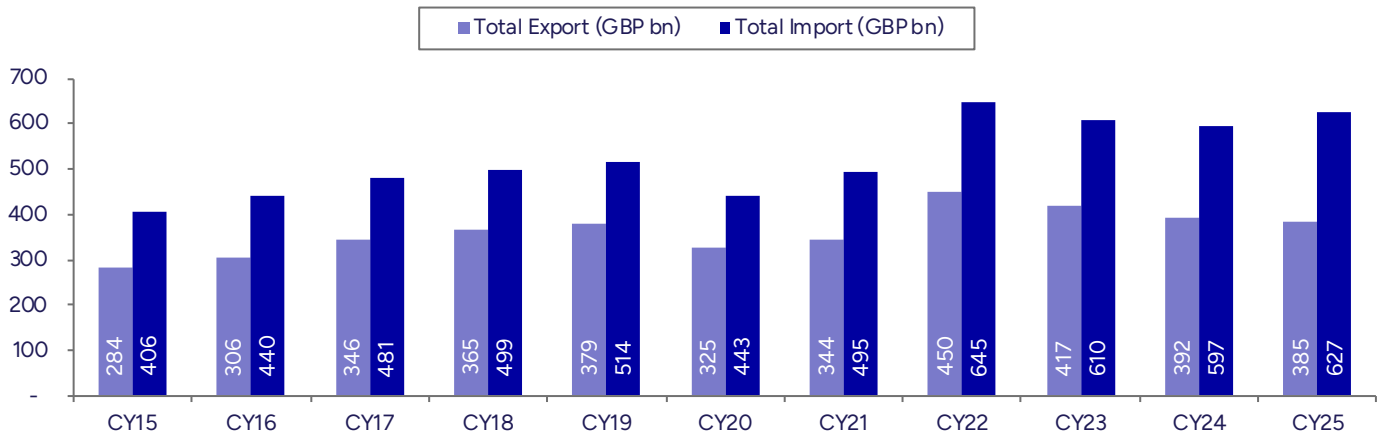
Exhibit 1: Resilient GDP growth post-Covid



Source: IMF DataMapper, PL

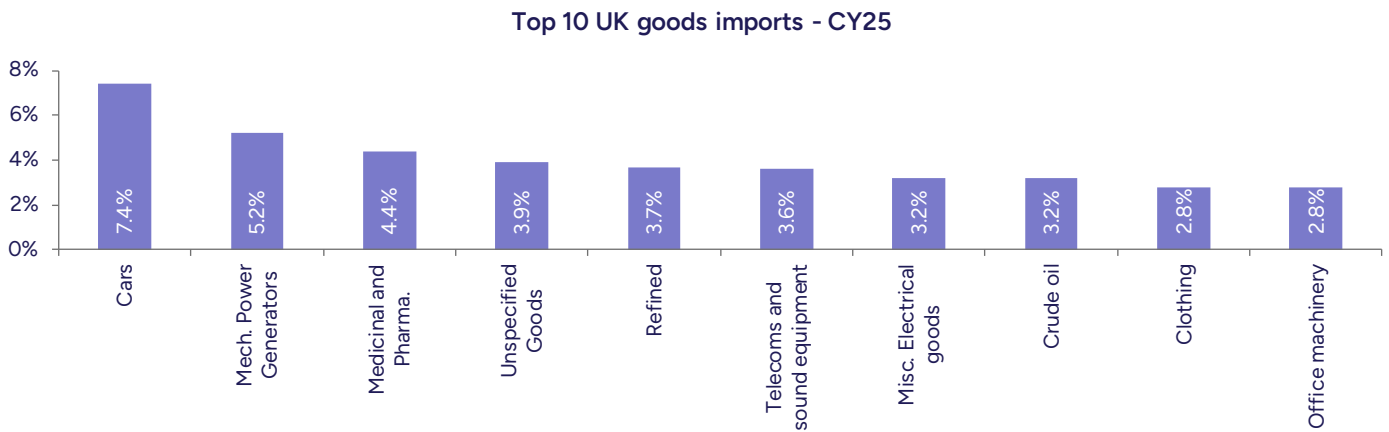
Household consumption is the cornerstone of the UK economy, accounting for ~60% of GDP. The country's high per capita income, mature retail ecosystem, and well-developed digital commerce infrastructure have fostered a large and resilient market for discretionary consumer goods, including apparels, footwear and home textiles. Moderating inflation, easing energy prices and sustained wage growth have begun to restore real purchasing power, while a resilient labor market continues to support consumer confidence. As inflationary pressures recede and monetary conditions gradually ease, household spending is expected to recover, providing a favorable demand environment for imported consumer goods.

Exhibit 2: Strong import demand continues to outpace exports



Source: ONS UK, PL

Exhibit 3: Clothing amongst top 10 UK goods imports in CY25, accounting for 2.8% of total imports



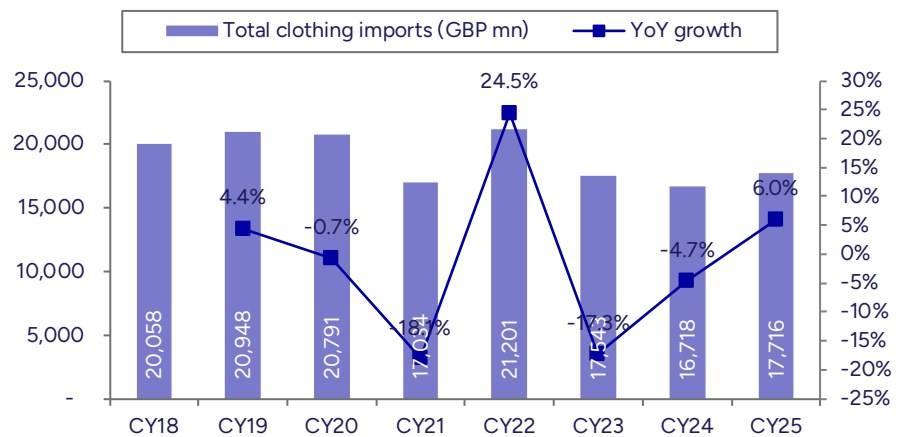
Source: ONS UK, PL

UK's textile & apparel market

Clothing imports remain below the pre-Covid levels

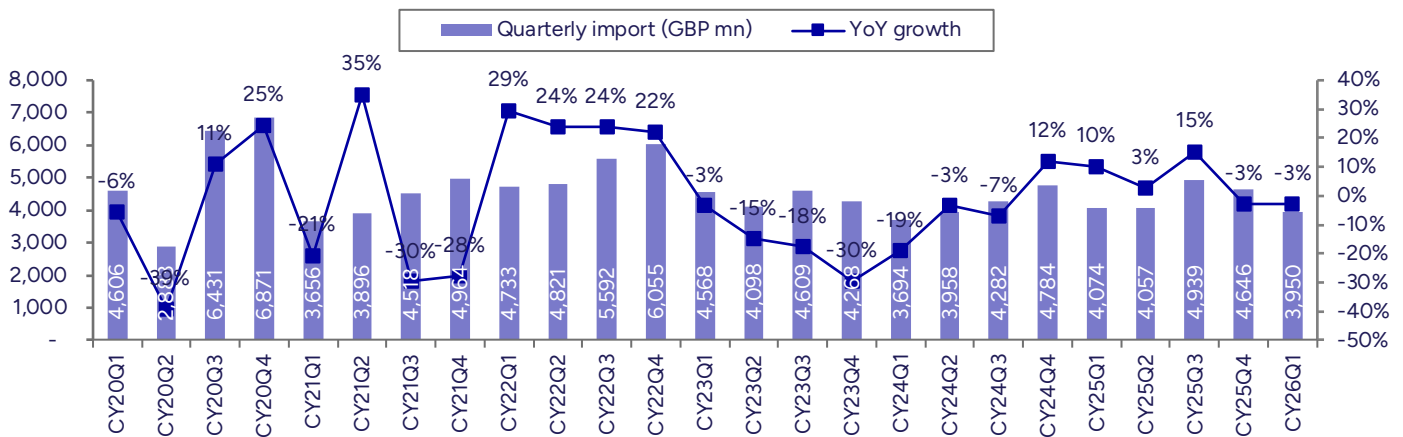
The UK is among Europe's largest markets for textiles and apparels, supported by a sizable consumer base, high disposable incomes, and a well-developed retail ecosystem. Demand is driven by a combination of established high-street retailers, global fashion brands, supermarket clothing labels, and rapidly growing e-commerce platforms. The market spans value, mid-market and premium segments, providing opportunities across a broad spectrum of textile and apparel products

Exhibit 4: UK annual clothing imports increase in CY25 after 2 years of decline



Source: ONS UK, PL

Exhibit 5: Quarterly clothing imports showing a weak trend for last couple of quarters



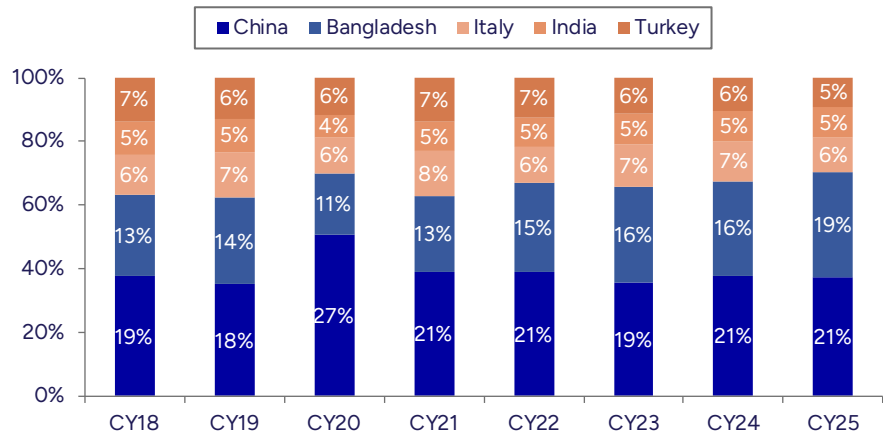
Source: ONS UK, PL

Diversification reshaping the UK's clothing supply chain

The UK's clothing sourcing strategy is characterized by a diversified supplier base. Countries such as China, Bangladesh, Turkey, Pakistan, Vietnam and India account for a significant share of textile and apparel imports, each leveraging distinct competitive advantages in terms of cost, product specialization, and manufacturing capabilities.

- In CY25, the UK imported US\$17.7bn worth of clothing; China was the largest contributor with ~21.0% market share, followed by Bangladesh at ~18.6%.
- India was the 4th largest clothing exporter to the UK in CY25 with a market share of 5.4%.

Exhibit 6: Bangladesh – Biggest beneficiary of China+1 strategy



Source: ONS UK, PL

India-UK CETA to deepen bilateral economic ties

A landmark agreement for Indian exporters

The CETA, one of India's most comprehensive bilateral trade agreements with a developed economy, is aimed at strengthening economic integration and enhancing market access across goods, services and investments. The FTA provides preferential market access by eliminating or substantially reducing tariffs across a wide range of products while also addressing non-tariff barriers, customs facilitation, services trade, investment protection and professional mobility.

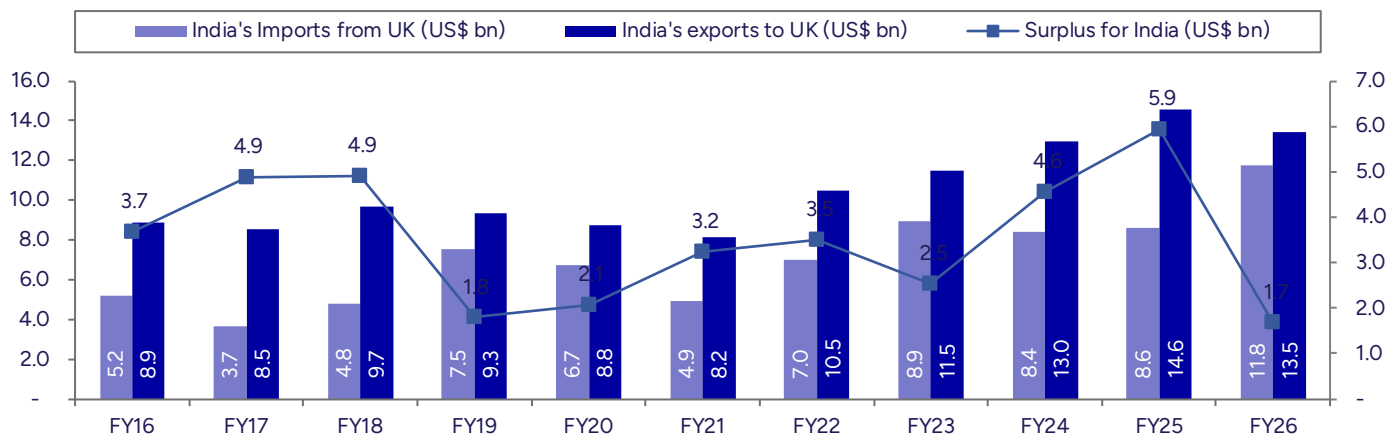
Indian exporters will benefit from the complete elimination of UK tariffs across several key sectors. Tariffs of up to 70% on processed food products, up to 21.5% on marine products, up to 18% on engineering goods and auto components, up to 16% on leather and footwear products, up to 12% on textiles and clothing, and up to 8% on chemicals and pharmaceutical products, will be reduced to zero with the implementation of CETA.

Exhibit 7: India-UK CETA: Key milestones



Source: Industry, PL

Exhibit 8: India maintains trade surplus with UK



Source: PL, Company

CETA to improve competitiveness of Indian textile players

Indian textile and apparel sector is expected to be one of the largest beneficiaries of the agreement. Currently, Indian textile exporters are subject to 8-12% import duty that reduces their price competitiveness relative to countries such as Bangladesh and Pakistan, which benefit from preferential tariff arrangements. Elimination of tariffs/duty is expected to improve India's competitive position in the UK market.

CETA will enhance India's attractiveness as a sourcing destination at a time when UK retailers are actively diversifying their supplier base to improve supply chain resilience and reduce concentration risk. While China continues to be a leading supplier of textiles and apparels to the UK, with ~21% market share, the China+1 strategy continues to create opportunities for alternative sourcing destinations. Bangladesh's market share has increased from ~13% in CY18 to ~19% in CY25 due to preferential duty-free access. With the implementation of CETA, Indian textile exporters will be in a better position to capture incremental share in the UK's textile market.

Exhibit 9: India to be on level playing field with its Asian peers in textiles

Country	UK import duty
Bangladesh	0%
Pakistan	0%
Turkey	Preferential
Indonesia	12%
Vietnam	0%
India (pre-CETA)	8-12%
India (post-CETA)	0%

Source: Industry, PL

Ample headroom for Indian textile exporters to gain market share

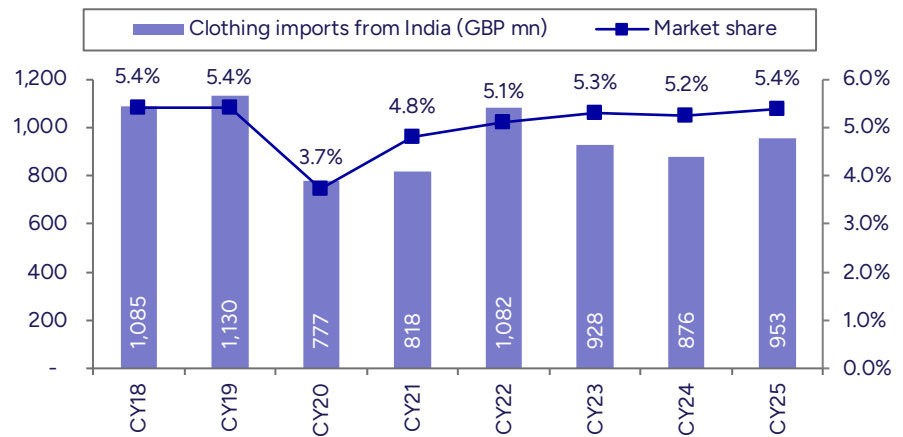
India's overall textile exports in FY26 stood at ~US\$35.7bn with ready-made garments (RMG) accounting for 44%, followed by yarn and fabrics at 32% and man-made yarn, handicrafts and others accounting for the remaining 24%. While the UK's total textile imports stood at GBP21.8bn in CY25, India accounted for only GBP1.33bn of these imports. This indicates a clear export potential gap that the FTA can help bridge, enhancing India's presence in one of the world's most lucrative import markets. India's integrated textile value chain, abundant raw material availability, strong manufacturing ecosystem, and growing emphasis on sustainable production position it favorably to capture incremental sourcing orders across RMG, home textiles, cotton products and selected man-made fiber segments. As global brands increasingly prioritize supplier diversification, resilience and traceability, it is an ideal time for Indian suppliers to build on their strengths and capture market share from other Asian countries.

Exhibit 10: HS code-wise changes in import duty post-CETA

Segment	HS chapters	Import duty pre-CETA	Import duty post-CETA
Fiber	50-55	0-4%	0%
Yarn	50-55	0-4%	0%
Fabric	52-60	6-8%	0%
Home textiles	61-62	8-12%	0%
RMG	63	12%	0%

Source: Industry, PL

Exhibit 11: India's share in UK clothing imports broadly steady since CY22



Source: Company, PL

With RMG constituting a major part of India's global textile exports, it is well placed to gain from this agreement. Despite being one of the world's largest integrated textile producers, India accounted for only 5.4% of the UK's clothing imports in CY25, ranking behind China (~21%), Bangladesh (~19%) and Turkey (6%). This modest market share highlights substantial untapped opportunity for Indian garment exporters, particularly as UK retailers continue to diversify their sourcing base. While India still has considerable ground to cover to achieve its textile export ambitions, CETA provides a meaningful catalyst for that journey.

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1	Pearl Global Industries	Accumulate	2274	2015

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BUY	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
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