

Trump's tariffs threaten luxury sales in the US and China

Article

The insight: President-elect [Donald Trump's proposed tariffs](#) could exacerbate the global slowdown in luxury sales, particularly in the US and China.

The potential repercussions: Some luxury brands, including **Ralph Lauren** and **Tapestry**, are optimistic that their limited reliance on Chinese imports will mitigate the impact of tariffs on their businesses. But the reality is that tariffs will have a considerable impact on [consumers'](#)

buying power, not to mention their confidence—which could curb their desire and capacity to purchase luxury goods.

US consumers' buying power could decrease by \$46 billion to \$78 billion for each year the tariffs are in place, per a National Retail Federation analysis, as brands and retailers pass the costs onto customers in the form of higher prices.

- That would put luxury goods out of reach for more shoppers, particularly aspirational consumers.
- It could also exacerbate the decline in US demand that companies like Kering and Zegna Group are already experiencing.

The impact on China's luxury market may be even more severe.

- New tariffs on Chinese imports could deal a fresh blow to China's fragile economy and further dampen consumer sentiment—which is already at or near record lows, according to executives from **Richemont** and **LVMH**.
- That could lengthen the luxury sector's timeline for recovery, which **Bulgari** CEO **Jean-Christophe Babin** currently thinks could take as long as two years.

Our take: Higher tariffs will add to the challenges luxury brands and retailers are facing, and could drive them to focus more attention and resources on emerging markets like India and the Middle East to make up for sluggish demand in the US and China.

Trump's Tariff Plans Will Likely Drive Consumer Costs Up and Decrease Spending Power

% change in US consumer prices and billions in lost consumer spending power, by category and scenario, Nov 2024

	Scenario A*		Scenario B**	
	% change in consumer price	Lost consumer spending power	% change in consumer price	Lost consumer spending power
Toys	36.3%	\$8.8	55.8%	\$14.2
Household appliances	19.4%	\$6.4	31.0%	\$10.8
Footwear	18.1%	\$6.4	28.8%	\$10.7
Travel goods	13.0%	\$2.2	21.5%	\$3.9
Apparel	12.5%	\$13.9	20.6%	\$24.0
Furniture	6.4%	\$8.5	9.5%	\$13.1

Note: *Scenario A represents a 10% tariff on all imports and an additional 60% tariff on imports from China; **Scenario B is a 20% tariff on all imports and an additional 100% tariff on imports from China

Source: National Retail Federation (NRF), "Estimated Impacts of Proposed Tariffs on Imports: Apparel, Toys, Furniture, Household Appliances, Footwear, and Travel Goods" prepared by Trade Partnership Worldwide, LLC, Nov 4, 2024

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