

# Will New Tariffs Create a Taxing Holiday Season?

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**O**n Monday, the proposed \$250 billion in tariffs on over 6,000 categories of Chinese goods became reality. China promptly retaliated with a tariff on \$60 billion worth of US imports.

With the holiday shopping season looming, it's still uncertain how much these tariffs **will affect holiday sales**, but also consumer perception and marketing campaigns.

Will we see tariff-related messaging and promotions from retailers? Not yet, though Joann Fabrics and Crafts made waves in August when it texted customers urging them to sign an anti-tariff petition.

Articles have been published urging US consumers to buy big ticket items like cars, appliances and flat-screen TVs (as well as umbrellas and sneakers) ahead of potential price increases. We expect **tariffs will affect consumer electronics, apparel and furniture** disproportionately.

Despite the uncertainty of the effect of tariffs, consumer sentiment has been strong. According to a monthly index published by the **University of Michigan** in September 2018, consumer sentiment was at the second-highest level since 2004. Concerns about tariffs negatively affecting the US economy were mentioned unprompted by roughly 30% of consumers surveyed in the past three months, up from 20% in the prior four months.

The potential effects of a trade war has been weighing more heavily on manufacturers and retailers. The [US-China Business Council](#) (UCSBC) surveyed its members in June 2018 and 73% of companies polled said they had been affected by trade tensions. Lost sales due to tariffs (13%), lost sales due to customer unease about supply (13%) and changing suppliers due to uncertainty of continued supply (11%) were among the results cited.

The [National Retail Federation's](#) Global Port Tracker saw import records set for June, July and August 2018. Last month, imports of containers grew 4.8% year over year for an estimated 1.92 million units. This implies retailers are stockpiling products in an effort to stave off immediate price increases.

eMarketer principal analyst Andrew Lipsman concurs. “While tariffs are one of the risk factors for the holiday season, right now we expect them have a negligible impact. Many retailers have built up inventories for products likely to be affected by tariffs, and even those who haven’t are unlikely to pass on cost increases to consumers during the holiday season.”

eMarketer still forecasts strong growth for 2018 US retail ecommerce holiday sales. We estimate a 16.2% increase over 2017 to reach \$123.39 billion.

### US Retail Ecommerce Holiday Season Sales, 2015-2018

billion, % change and % of total retail holiday season sales



Note: sales are for Nov and Dec of each year; includes products or services ordered using the internet, regardless of the method of payment or fulfillment; excludes travel and event tickets, payments such as bill pay, taxes or money transfers, food services and drinking place sales, gambling and other vice good sales  
Source: eMarketer, Aug 2018

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This isn't to say sales won't take a hit next year. The 10% tariff enacted Monday will increase to 25% in 2019. "The consumer impact is much more likely to materialize in 2019 than over the next few months," Lipsman said.