

# Trump's tariff threats create stress and uncertainty

Article

President-elect Donald Trump is determined to reshape global trade through tariffs—though the shape and structure of those tariffs remains uncertain.

**The lack of clarity around Trump's tariff threats is creating an uncertain environment that's tough for retailers, manufacturers, and consumers to navigate.** Over the course of a few days, reports swung from **Trump softening his pledge** to implement universal tariffs of up to

20% to his considering a **national economic emergency** that would let him slap tariffs on friend and foe alike.

**In the short term, retailers like Costco are rushing to import goods, driving up shipping costs.** It cost about \$6,000 to book a 40-foot container from Asia to the US West Coast on January 1, a 50% jump from December, per Xeneta data cited by Bloomberg. While some merchants might absorb those costs, many will likely pass them on to consumers, driving up prices. Over the longer term, merchants like grill-maker Traeger, fashion brand Steve Madden, and Academy Sports and Outdoors are shifting sourcing away from China.

**Consumers are also pulling spending forward.** Fears that steep tariffs will drive up big-ticket item prices spurred an **auto sales spike** in Q4. The same worry pushed a record 1 in 4 Americans to see it as a good time for major purchases—up from 1 in 10 a month earlier, per the University of Michigan’s December consumer survey.

**Trump’s still-evolving tariff strategy is already sending shockwaves worldwide.** Canadian Prime Minister Justin Trudeau resigned as the country scrambled to respond to Trump’s threats. India is mulling subsidies to lure consumer electronics manufacturers from China. Meanwhile, China’s policymakers are dusting off old strategies—like allowing the yuan to weaken—to blunt the impact of impending tariffs.

**Even if the final plan is narrower than a universal 20% duty, tariffs will upend the status quo.** Retailers need to brace themselves for a new era of protectionist trade policies that **drive up costs** and eat into consumers’ spending power, creating uncertainty for businesses and consumers alike.

***Editor’s note:*** This article is part of a series on how the incoming Trump administration will affect key sectors of retail, marketing, tech, and finance. Keep an eye out for the full report, publishing just ahead of Inauguration Day.

## 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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