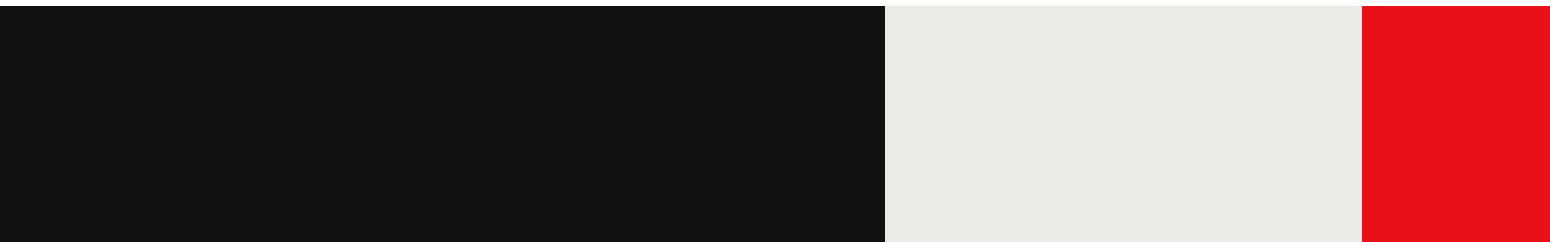



3 key questions for retail in 2025

Article



The current status: By most measures, the economy is looking good. Consumer spending is trending up, [inflation](#) is trending down, and the labor market is solid.

But several factors could alter that trajectory in the new year—**here are three questions we'll be watching to get a sense of what retailers should expect in 2025.**

What does Trump do? The Trump administration comes into office promising mass deportation and across-the-board tariffs, which will likely cause [inflation to accelerate](#).

- Deporting more than 1 million workers, as President-elect Donald Trump proposes, could lead to stagflation—slower economic growth with rising inflation.
- His tariff policies would severely hurt retailers that rely on overseas suppliers. Grocers would face higher costs on items like coffee and avocados, as would retailers selling apparel, electronics, and other products. These tariffs would reduce retailers' profits, and the increased costs would be passed on to consumers. Retaliatory tariffs from other countries could also harm US exports.

Will the housing market thaw? Record-high home prices and elevated mortgage rates have created one of the most unaffordable housing markets in a generation. Only 2.5% of US homes changed hands in the first eight months of 2024, the lowest rate in at least 30 years, per [Redfin](#).

- That's had a trickle-down effect on retailers and brands ranging from **Home Depot** to **Wayfair** to **Sherwin-Williams**.
- So far, the US Federal Reserve's interest rate cuts have done little for mortgage rates, which more closely track yields on 10-year Treasury bonds.
- That reflects investors' concerns about Trump's economic proposals, which would increase the federal budget deficit by \$7.75 trillion over the next decade, per the nonpartisan Committee for a Responsible Federal Budget. As the government issues more bonds to finance that spending, investors could demand higher yields, pushing mortgage rates higher.

What about antitrust regulation? Retailers are preparing for looser oversight under the incoming Trump administration, which could unlock a wave of mergers and acquisitions in the retail industry. Where President Joe Biden's administration was focused on how consolidation affects consumer prices, a Trump presidency is more likely to view M&A as beneficial to market competition.

- Rather than bring high-profile suits and test novel legal arguments, a Trump FTC will likely adopt a narrower remit and favor settlements over lengthy court cases.
- But for all of Trump's pro-business talk, he has given key roles in his administration to outspoken opponents of Big Tech and corporate consolidation. Vice President-elect **J.D. Vance** is a vocal supporter of FTC Chair **Lina Khan** and her approach to antitrust enforcement.

- While Trump’s presidency will undoubtedly be friendlier to large mergers like the **Kroger-Albertsons** deal, that doesn’t mean retailers should expect a cakewalk given some of his more aggressive stances on antitrust during his first term and Vance’s potential influence on policy.

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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