

Tariff Buyer Guide

Consumer Goods

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Overview & Introduction

- Broader tariffs on all imports from nearly every country the United States trades with were announced in April but have been delayed until August 7, 2025. These tariffs will raise the fee on imports.
 - In July, many countries, such as Japan, Vietnam, Thailand, and South Korea, struck deals with the United States that would lower the tariffs on imports face from the announced rates.
- The United States imposed tariffs on all imports from Mexico and Canada, which went into effect in early March. Another executive order was issued granting tariff exemptions for USMCA-compliant goods imported from Canada and Mexico.
- Due to lower labor costs in China and Mexico and their highly developed manufacturing sectors, both are leading sources of imports for a wide range of consumer goods, such as appliances, furniture, and other manufactured products for consumer markets.
- Canada is also a notable source of imported consumer goods, consistently ranking among the top five sources of imported consumer goods in the United States.
- Consequently, increased tariffs on China, Mexico, and Canada are likely to increase the prices of most consumer goods by between 7.5% and 15.0% due to the United States' import reliance on these countries for manufactured products.

Country	Tariff Rate	Trade Deal Info	Start Date
China	54.9	No trade deal	In effect
Mexico	25.0	90-day pause	In effect
Canada	35.0	No trade deal	In effect
Vietnam	20.0	Signed	8/7/2025
Thailand	19.0	Signed	8/7/2025

Key Takeaways

- Consumer goods are predominantly manufactured abroad, mainly in China and Mexico, due to lower manufacturing labor costs in these countries.
- As a result, the consumer goods market and downstream markets are highly exposed to the potential impacts of tariff increases, such as higher prices, supply chain disruptions, and shortages.
- A high trade deficit in the consumer goods category indicates that domestic supply will be insufficient to meet consumer goods demand in the short term, limiting buyers' options for avoiding tariffs in this market.





- Additionally, tariffs may incentivize foreign consumer goods manufacturers to sell to other international markets, increasing lead times and reducing supply in the United States.

Risk & Import Assessment

- **Overall Risk Level: High**
- China and Mexico are both leading import sources across all significant categories of consumer goods, accounting for a combined 46.6% to 84.1% of total imports across the various categories.
- Canada is also a leading source of most consumer goods imports, though its import share is below 10.0% in all categories except for furniture and lighting fittings.
- The US trade deficit for these consumer goods categories is over \$100 billion, indicating that domestic suppliers will be unable to substitute the supply provided by countries targeted with tariffs.
- Vietnam accounts for about a fifth of furniture and lighting fitting imports, making it a strong sourcing alternative to avoid high tariffs in China. However, buyers will still face a 20.0% tariff, or 40.0% for consumer goods of Chinese origin transhipped through Vietnam.
 - South Korea and Thailand account for notable shares of kitchen appliance and air conditioner imports, respectively, making them plausible candidates for alternative sourcing in these markets. However, these imports will still face a 15.0% and 19.0% tariff, respectively.
- In many consumer goods markets, there are few alternatives to imports from China, Mexico, and Canada. Thus, buyers will be highly exposed to price increases and supply chain disruptions caused by tariff increases.





Share of US Consumer Goods Imports by Origin Country

Misc. Mfg. Goods – % of Total US Imports

Country	Import Share
China	54.6%
Mexico	11.1%
Canada	10.3%
Japan	3.3%
Germany	2.2%
Vietnam	2.2%
India	2.0%
France	1.6%
Italy	1.0%
Spain	1.0%

Kitchen Appliances – % of Total US Imports

Country	Import Share
Mexico	38.8%
China	28.4%
South Korea	11.3%
Thailand	6.3%
Canada	4.0%
Turkiye	2.0%
Italy	1.8%
Vietnam	1.6%
Japan	0.7%
Indonesia	0.7%

Furniture & Lighting – % of Total US Imports

Country	Import Share
China	27.7%
Vietnam	19.8%
Mexico	18.9%
Canada	8.2%
Italy	2.9%
Malaysia	2.3%
Indonesia	2.3%
Cambodia	2.0%
India	1.9%
Taiwan	1.8%

Air Conditioning Units – % of Total US Imports

Country	Import Share
Mexico	50.4%
China	19.2%
Canada	8.8%
Thailand	8.8%
South Korea	2.5%
Japan	2.5%
Germany	1.0%
Malaysia	1.0%
Italy	0.8%
Jordan	0.6%

Supply Chain Risk – Best Practices & Overview

Upstream Suppliers	Risk Before Tariffs	Risk After Tariffs	Tariff Impact
Plastic & Resin Manufacturers	Medium	High	• While domestic plastic production is relatively high, with the United States exporting more plastic than it imports, much of this plastic is sold to foreign manufacturers that create finished goods to be sold in the United States. • As a result, tariffs affecting consumer goods manufacturers are likely to weaken demand for US-made plastic as tariffs impact demand for the finished consumer goods, and possible counter-tariff measures increase the cost of importing plastic from the United States. • While this trend may enable domestic consumer goods manufacturers to replace foreign buyers in the plastics market, it will require a significant restructuring of existing supply chains, increasing risk in this market. • Additionally, domestic plastic producers may limit production in the short term to hedge against a demand slump from higher tariffs, potentially leading to shortages and increased lead times.
Electronics Manufacturers	Medium	High	• Household appliances and many other consumer goods are made with electronic components, often sourced from China, Mexico, and other international manufacturing hubs. • As electronic components are essential to the design and function of appliances and other consumer goods, the high reliance on imports in the electronics sector increases this market's exposure to tariffs. • For example, a US-based consumer goods manufacturer may have to pay tariffs on the electronic components it imports and pass these costs along to buyers. • Additionally, US electronics manufacturers are likely to experience a glut of demand following the implementation of tariffs, increasing lead times, and prices from such suppliers.

Risk levels are determined based on revenue volatility, reliance on imports, and the expected impact of tariffs on lead times and product availability.



Downstream Buyers	Risk Before Tariffs	Risk After Tariffs	Tariff Impact
Consumer Goods Retailers	Low	High	• Consumer goods retailers, such as supermarkets, department stores, and online retailers, are the primary final sellers of consumer goods, meaning they have the highest exposure to shifts in this market. • However, consumer goods retailers typically face relatively little risk due to predictable revenue from the consumer markets they serve. • Nonetheless, firms in this market will most likely be forced to pass increased costs from tariffs directly to consumers, which could weaken consumer demand. • Further, retailers commonly lack the additional inventory space required to stockpile goods, which could lead to more severe price volatility and shortages immediately following the implementation of tariffs.
Restaurants	High	High	• Restaurants and other foodservice operators are exposed to the consumer goods market because many of the tools, appliances, and dining wares used in this market overlap with the consumer goods market. • Thus, price increases and supply chain disruptions from tariff increases are likely to increase risk in the restaurant industry. • However, restaurants use these goods and capital input rather than selling them for revenue, meaning that their time horizons for purchases in the consumer goods market are longer than those of retailers. • This factor limits restaurants' exposure to the immediate impacts of tariffs. However, they will still experience increased operating costs in the long term due to tariffs affecting the consumer goods market.
Furniture Retailers	Medium	High	• As furniture is a key category of consumer goods and predominantly imported from low-cost foreign manufacturers, tariffs are likely to have a significant impact on pricing in this market. • Most low-cost furniture is manufactured abroad, meaning that increased prices from tariffs could



Downstream Buyers	Risk Before Tariffs	Risk After Tariffs	Tariff Impact
			significantly dampen consumer demand at the lower end of this market. • However, because inventory turnover is slower in furniture retail than in other retail businesses, this market will be less exposed to the immediate impact of tariffs than other retail markets.
Home Builders	Medium	High	• Household appliances, a key category of consumer goods, are common purchases for home builders as new or renovated homes are often installed with new appliances. • As residential construction operators are typically local or regional contractors, they have little leverage to negotiate lower prices on tariffed appliances. • Buyers face most of the risk from tariffs, as they are typically responsible for compensating builders for materials costs, such as the cost of appliances. • As a result, the final cost of residential construction projects will be increasingly unpredictable as appliances are often purchased near the end of a project, at which point the pricing impact of tariffs will be even less clear than in the present.

Risk levels are determined based on revenue volatility, reliance on imports, and the expected impact of tariffs on lead times and product availability.

Creative Procurement Strategies

- As relocating production facilities or working with different suppliers may not be a viable short-term strategy in this market, buyers should **consider restructuring contracts** with their suppliers to add tariff cost-sharing clauses.
 - Because the United States is a key export market for manufactured goods, tariffed suppliers may be willing to share some of the burden of the tariffs, particularly for buyers with large purchase volumes.
 - Tariffs are likely to reduce demand for the impacted manufacturers in targeted countries, which buyers may be able to leverage to negotiate new, more favorable contract terms with incumbent suppliers.
 - This strategy also minimizes operational impact as the buyer will continue to work with their current supplier. However, with this strategy, buyers will still need to pay a share of the tariff cost.



- Often, suppliers will have more insight into how tariffs will impact their operations and upstream supply chains than buyers, which can be invaluable to planning for and mitigating the impact of tariffs. Therefore, buyers should **establish a collaborative relationship with suppliers** to better plan for and react to tariffs.
 - Complex consumer goods, such as appliances or furniture, may include components imported from tariffed countries even if they are assembled in the United States. By establishing a collaborative relationship with suppliers, buyers can use increased transparency to better understand how prices will shift in response to tariffs and more effectively engage in price escalation negotiations.
 - Collaborating with incumbent suppliers enables buyers to minimize the risk of supply chain disruptions but is less likely to significantly reduce prices after tariffs have been implemented.
- Given the increased tariffs impacting this market, buyers should look to **diversify their supplier and sub-supplier networks** to improve their access to consumer goods imports that will not be tariffed.
 - Due to the comparative advantage China and Mexico have in manufacturing labor costs, domestically produced consumer goods may not be competitive with imports from these markets in terms of price and output quantity.
 - Thus, buyers' best option for avoiding tariffs on consumer goods is to purchase these goods from manufacturers.
 - Developing economies such as Vietnam and Thailand have comparable manufacturing labor costs to China and Mexico and have become increasingly important trade partners to the United States in recent years. Therefore, buyers may be able to find suitable suppliers in these regions to limit their exposure to suppliers in countries targeted by tariffs.
 - Buyers should monitor reciprocal tariff policy, as Vietnam and Thailand will still face 20.0% and 19.0% tariffs, respectively, on August 7, 2025.
 - However, contracting new suppliers will increase procurement costs, and global suppliers not affected by tariffs may have more leverage in price negotiations following the implementation of tariffs.
- Buyers can attempt to **redesign products** to rely on components not included in the tariff or that utilize more readily available local products. While this strategy may be more costly and time-consuming upfront, it can help limit potential impacts should tariffs remain in place for an extended period.





Contract Clauses

- **Implement price-adjustment clauses to account for tariff fluctuations:**
 - Buyers should include clauses that allow for price adjustments based on changes in input and component costs due to tariffs.
 - Price-adjustment clauses ensure that both parties have transparent expectations for cost fluctuations, protecting buyers from unforeseen expenses.
 - Adjustment clauses should outline clear thresholds for triggering price changes.
 - Price adjustment clauses provide a safety net against cost surges that result from tariff implementations. Clear additional clauses can help maintain financial stability.
- **Implement liquidating agreements to mitigate risk:**
 - Employing liquidating agreements enables businesses to mitigate liability linked to increases in costs due to tariffs.
 - Liquidating agreements offer a way for companies to minimize risk from escalating expenses by distributing the responsibility for these costs among all involved parties.
 - Through liquidating agreements, companies can handle claims without incurring undue financial strain, resulting in efficient resolution.
 - Clear and precise language is crucial for safeguarding companies, ensuring timely claims resolution, managing risks, and supporting seamless operations and continuous business activities.
- **Lock-in rates and prices with long-term agreements:**
 - To ensure stable pricing for essential materials, buyers are encouraged to enter into long-term agreements with suppliers, which can prevent sudden cost increases for both suppliers and manufacturers of final goods.
 - Fixed pricing can reduce the risks tied to market volatility, particularly during periods affected by tariffs.
 - Establishing long-term contracts can strengthen relationships with suppliers, resulting in improved service quality and priority access to crucial components that might be scarce due to global supply chain disruptions.





Negotiation Questions

1. How do current tariffs impact the pricing structure of your products?
2. What contingency plans do you have to manage supply chain disruptions caused by tariffs?
3. Can you provide a breakdown of what percentage of your components are sourced internationally, particularly those subject to tariffs? Are you planning to reallocate sourcing to different destinations? If so, where?
4. How are you managing inventory levels to ensure product availability despite potential delays from tariffs?
5. Are there any anticipated changes to your lead times due to tariffs, and how do you intend to communicate these?
6. Can you offer alternative sourcing options or product adaptations to minimize tariff impacts?
7. How do you manage currency fluctuations and tariff impacts when setting prices for contracts?
8. What are the terms and conditions for pricing adjustments if tariffs increase or decrease?
9. How are you assisting other clients in similar industries in adapting to tariff-related challenges?
10. What guarantees do you offer regarding quality and compliance amid changes in the supply chain due to tariffs?

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