



How Trump's Tariffs Could Affect Consumers

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President Donald Trump's proposed tariffs on steel and aluminum imports have alarmed markets, suppliers, and manufacturers around the world, but U.S. consumers may not feel the impact until next year.

That's because it takes time for the higher cost of raw materials to work its way through the supply chain. But once those costs kick in, prices for big-ticket consumer items like autos and appliances could start rising as much as 10 percent next year, according to Bill Selesky, an analyst who covers Ford Motors at Argus Research, an investment research firm in New York City.

"There will be little effect for consumers in 2018, but they may begin to feel the impact in 2019 and 2020," Selesky says. "What would happen in the mid- to late term is that prices could rise from 5 percent to 10 percent, and these are numbers that make people open their eyes and take notice."

As a result, it might make more sense for consumers to buy a new car or big appliance this year.

"If you think you're in the market, then you might want to buy right away," says Dan Ikenson, director of trade policy studies at the Cato Institute, a libertarian think tank. "Demand for autos might be artificially inflated and drive up prices anyway."

The true impact, however, won't be known until the Trump administration releases details of the proposed tariffs sometime in the coming week. Trump has proposed a 25 percent tariff on steel imports and 10 percent on aluminum, but that could be watered down or more narrowly focused by the time the final plan is worked out.

"The word 'planned' is the operative term here," says Joseph Minarik, senior vice president and director of research at the Committee for Economic Development, a public policy group based in Washington, D.C. "The president's economic staff was unprepared, and exactly how this will take effect is still unclear."

Selesky agrees. "I don't think these are the final numbers," he says. "If something gets enacted, it will be modified."

Whatever tariffs end up being imposed, the impact on prices could take months to materialize.

“I think the countries involved would want to see how they will be impacted financially by these tariffs,” Selesky says. “If the tariffs stay the same after 12 months, I think countries will retaliate.”

Then there are supply-chain logistics that come into play.

Many U.S. manufacturers may have products that are waiting to be sold in lots and warehouses. They also may have raw materials such as steel and aluminum stockpiled.

“There are cars produced, cars in inventory,” Ikenson says. “There is steel in inventory, and a lot of the bigger carmakers are insulated by yearlong contracts, which has already been priced out.”

Still, there are plenty of unknowns when it comes to tariffs.

“Things that seem relatively trivial come into play, like do the tariffs impact products currently on the high seas or sitting in ports waiting to be processed through customs?” says Minarik, who worked in the Clinton administration’s Office of Management and Budget.

Tariffs also can have ripple effects on the rest of the economy, often with unforeseen consequences.

“Since steel and aluminum are used in autos, appliances, airliners, pipes, building infrastructure, beer cans, and soup cans, there could be price increases across the economy,” Ikenson says.

“Fleets of trucks could be impacted, the cost of travel, the cost of food, even the cost of your restaurant experience could go up,” he adds. “In an economy where you tax [steel and aluminum], you have a much larger ripple effect.”

In a statement to Consumer Reports, Ford Motors said, “Despite the fact that Ford buys the vast majority of its steel and aluminum for U.S. production in the U.S., this action could result in an increase in domestic commodity prices—harming the competitiveness of American manufacturers.”

The MillerCoors brewing company also warned of rising prices and the impact to American workers.

“Like most brewers, we are selling an increasing amount of our beers in aluminum cans and this action will cause aluminum prices to rise and is likely to lead to job losses across the beer industry,” the brewery says. “We buy as much domestic can sheet aluminum as is available. However, there simply isn’t enough supply to satisfy the demands of American beverage makers like us. American workers and American consumers will suffer as a result of this misguided tariff.”

Although the tariffs are meant to protect U.S. steelmakers, Ikenson says they can have harmful effects on the wider economy.

“For every one job in the steel industry there are 60 jobs in the steel-using industry,” Ikenson says.

Selesky agrees that the consequences can outweigh the benefits.

“Be careful what you wish for,” he says. “A potential trade war could create more problems than it initially solves.”