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How are US consumers and firms responding to tariffs?

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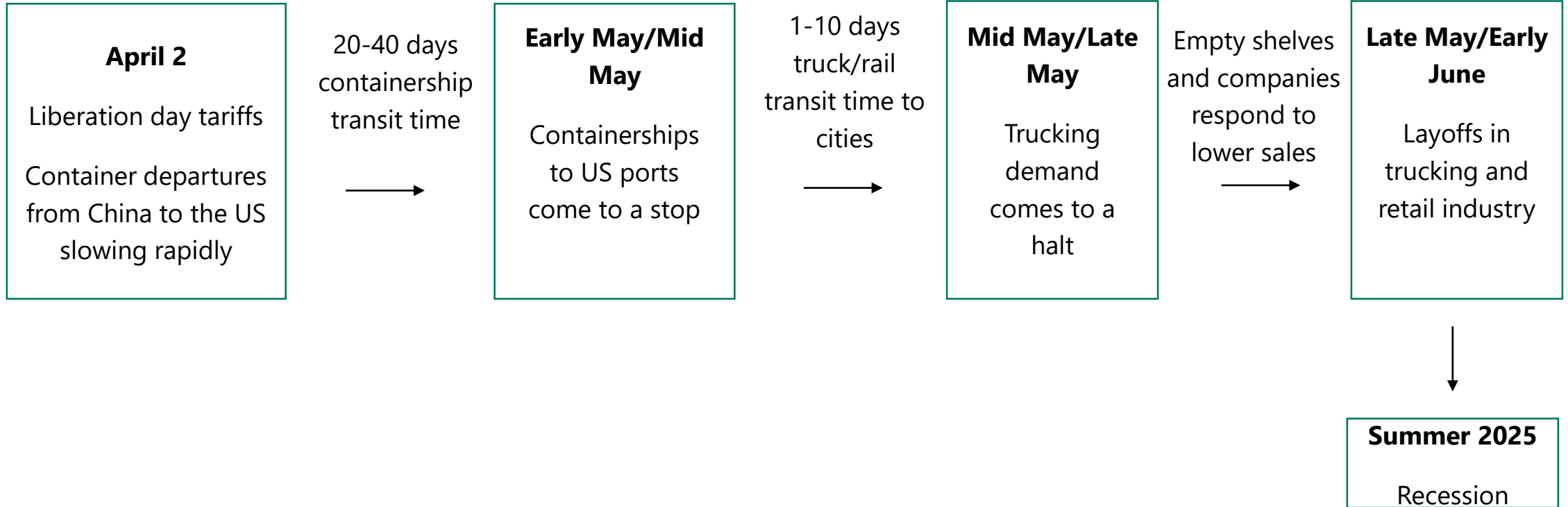
Anecdotes from this past week:

Southwest Airlines "I don't care if you call it a recession or not, in this industry that's a recession," CEO Robert Jordan.

Chipotle: "Saving money because of concerns around the economy was the overwhelming reason consumers were reducing the frequency of restaurant visits," CEO Scott Boatwright.

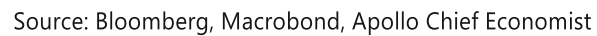
PepsiCo: "Relative to where we were three months ago, we probably aren't feeling as good about the consumer now," Jamie Caulfield, the chief financial officer of PepsiCo.

The Voluntary Trade Reset Recession



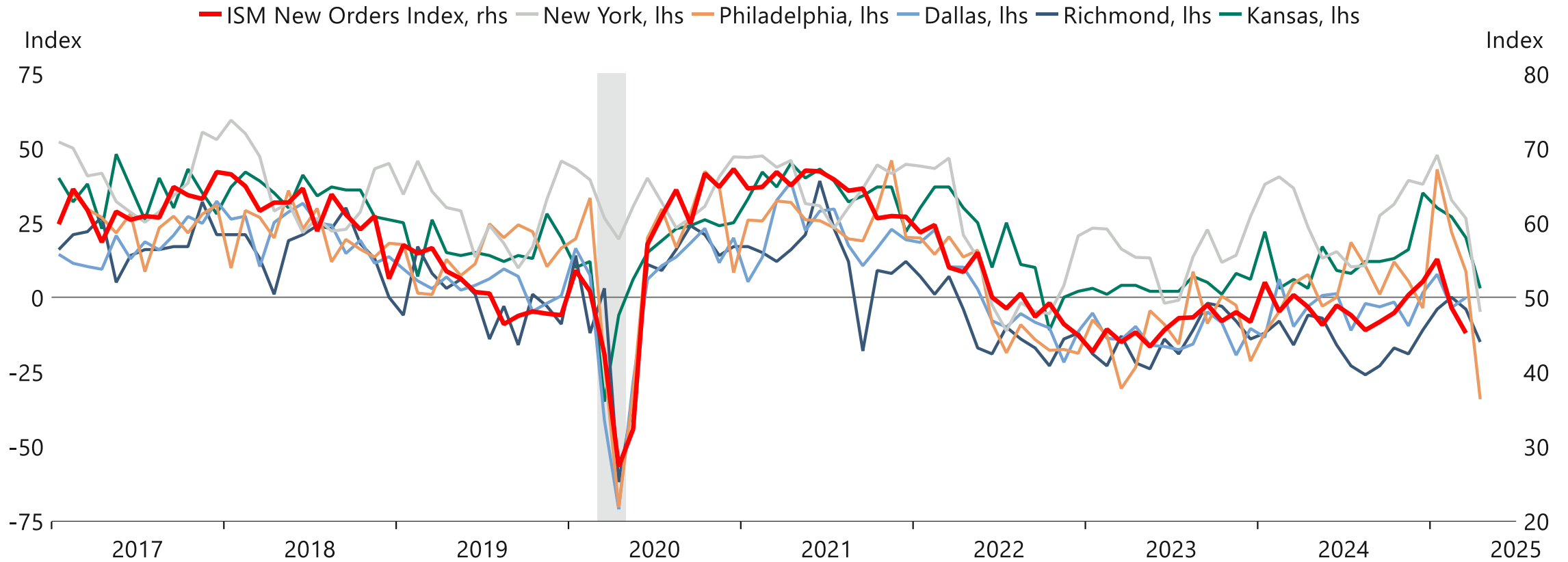
How are firms responding to tariffs?

- Rapid downward revisions to earnings expectations
- New orders falling, capex plans falling
- Inventories rising before tariffs



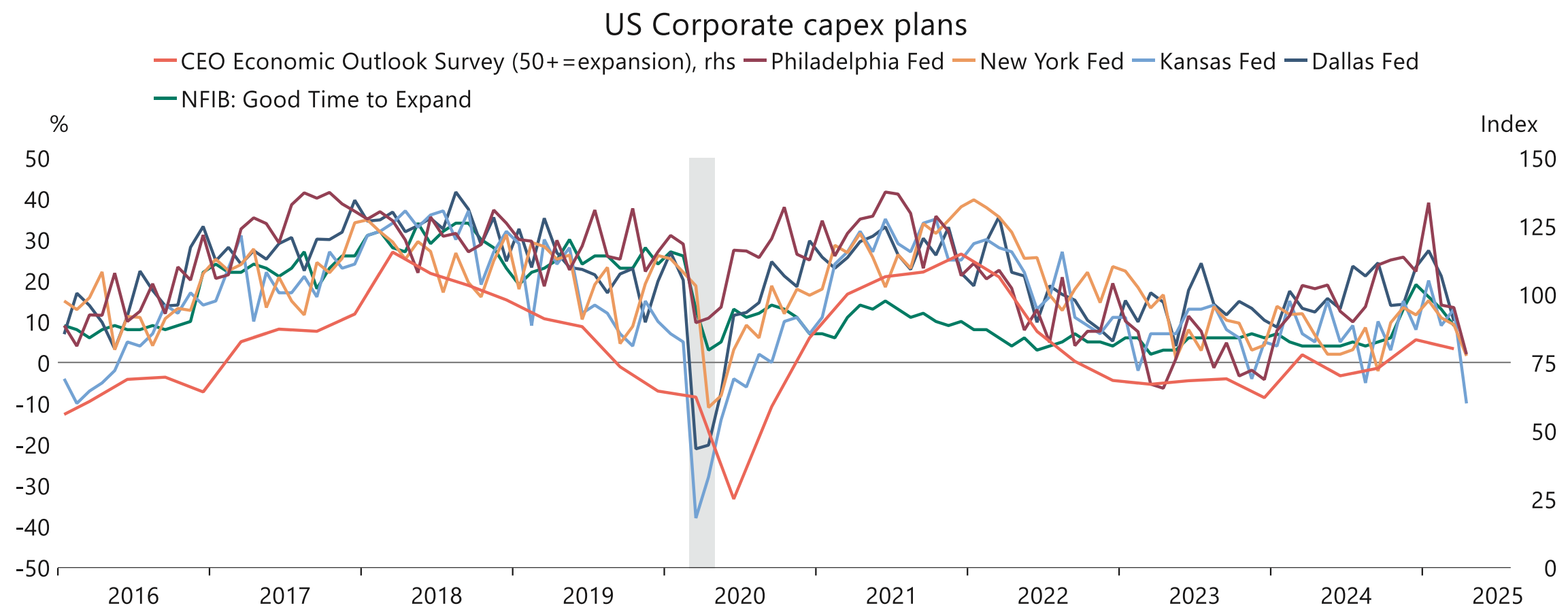
New orders collapsing

Manufacturing survey: new orders outlook



Source: Federal Reserve Bank of Kansas City, Federal Reserve Bank of Richmond, Federal Reserve Bank of Dallas, Federal Reserve Bank of Philadelphia, Federal Reserve Bank of New York, Institute for Supply Management (ISM), Macrobond, Apollo Chief Economist

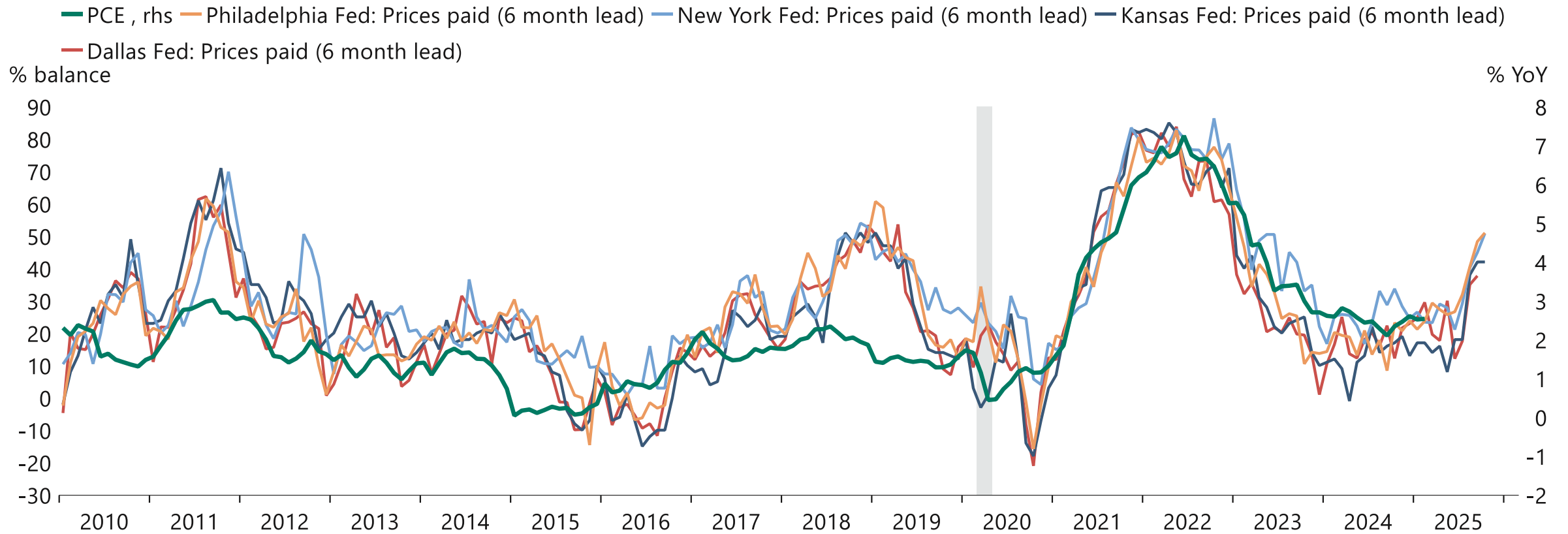
Sharp reversal in corporate capex spending plans



Source: National Federation of Independent Business, Federal Reserve Bank of Dallas, Federal Reserve Bank of Kansas City, Federal Reserve Bank of New York, Federal Reserve Bank of Philadelphia, Business Roundtable, Macrobond, Apollo Chief Economist

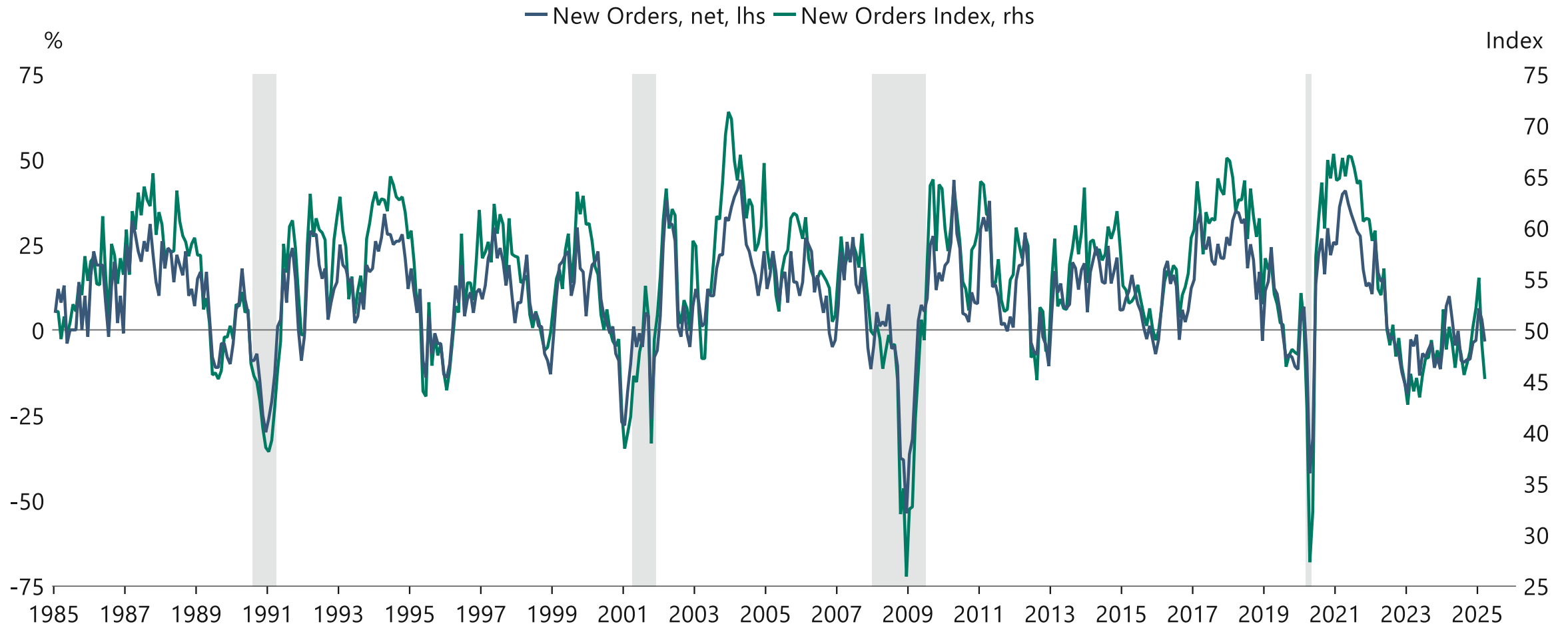
Costs pressures increasing: Prices paid rising

Fed Manufacturing Surveys Prices paid vs PCE



Source: Federal Reserve Bank of Dallas, Federal Reserve Bank of Kansas City, Federal Reserve Bank of New York, Federal Reserve Bank of Philadelphia, U.S. Bureau of Economic Analysis (BEA), Macrobond, Apollo Chief Economist

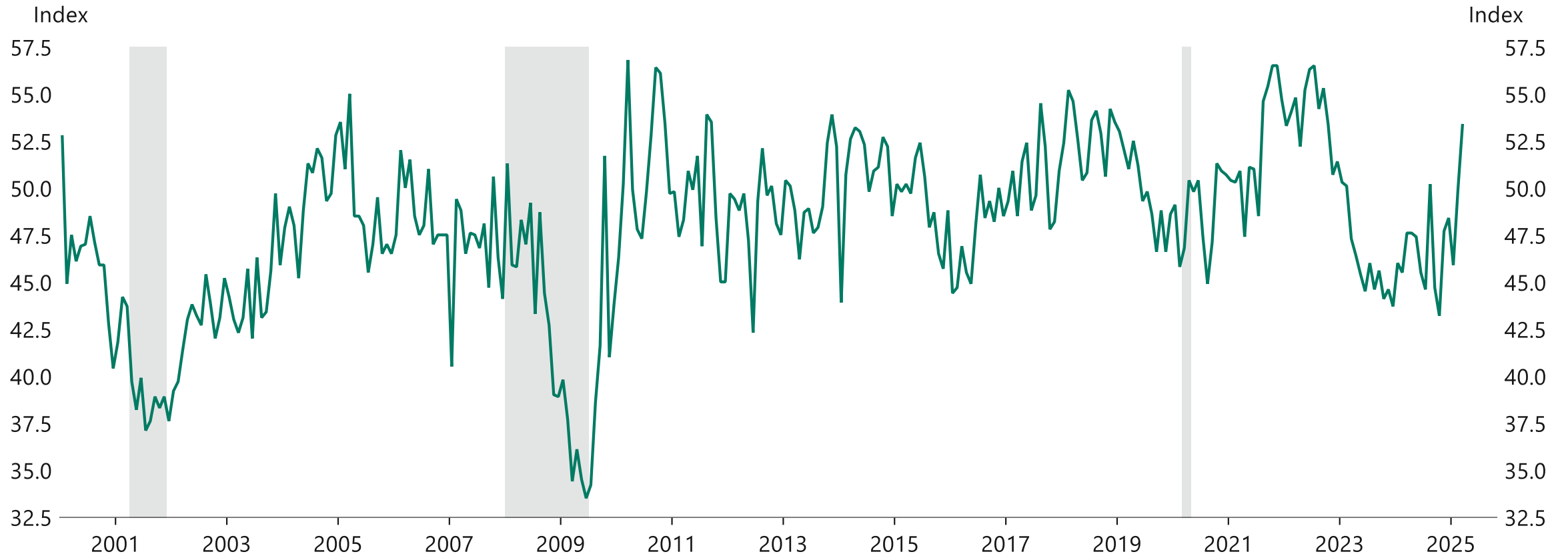
New orders in contraction territory in March. Will decline further in April.



Source: Institute for Supply Management (ISM), Macrobond, Apollo Chief Economist

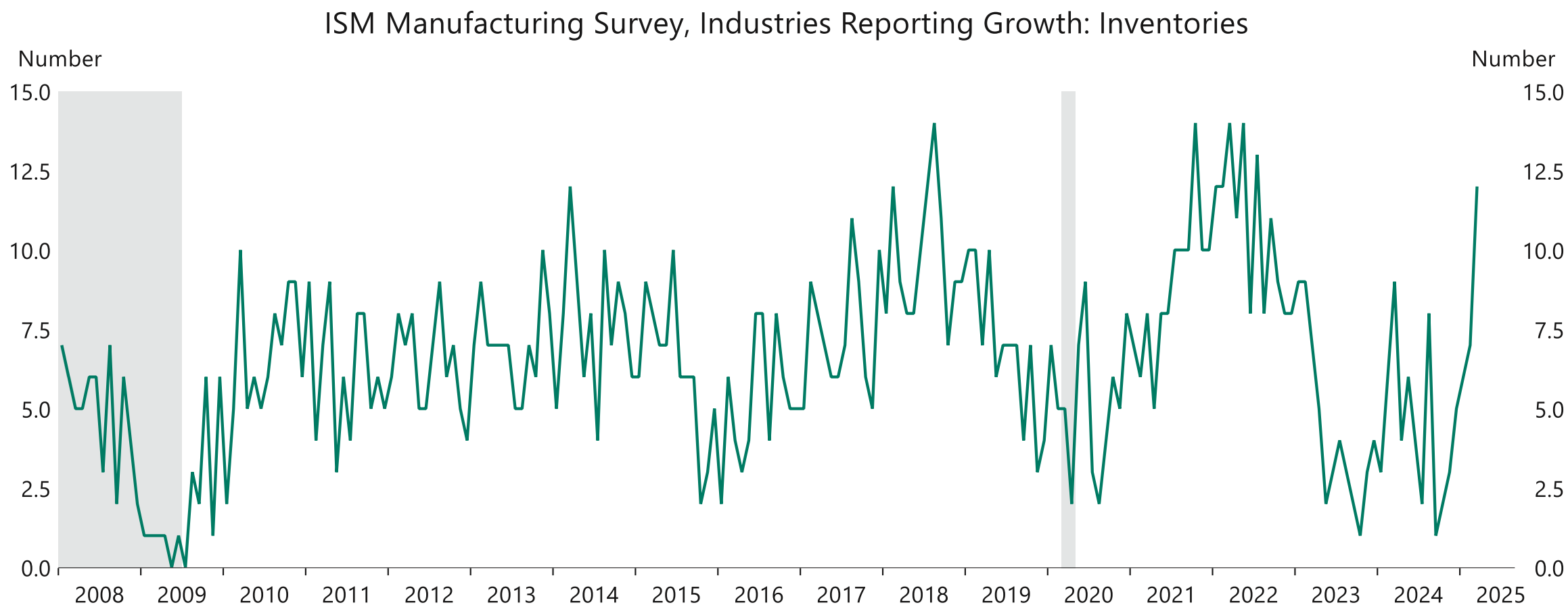
Inventories rising rapidly before tariffs took effect

ISM Manufacturing PMI: Inventories Index



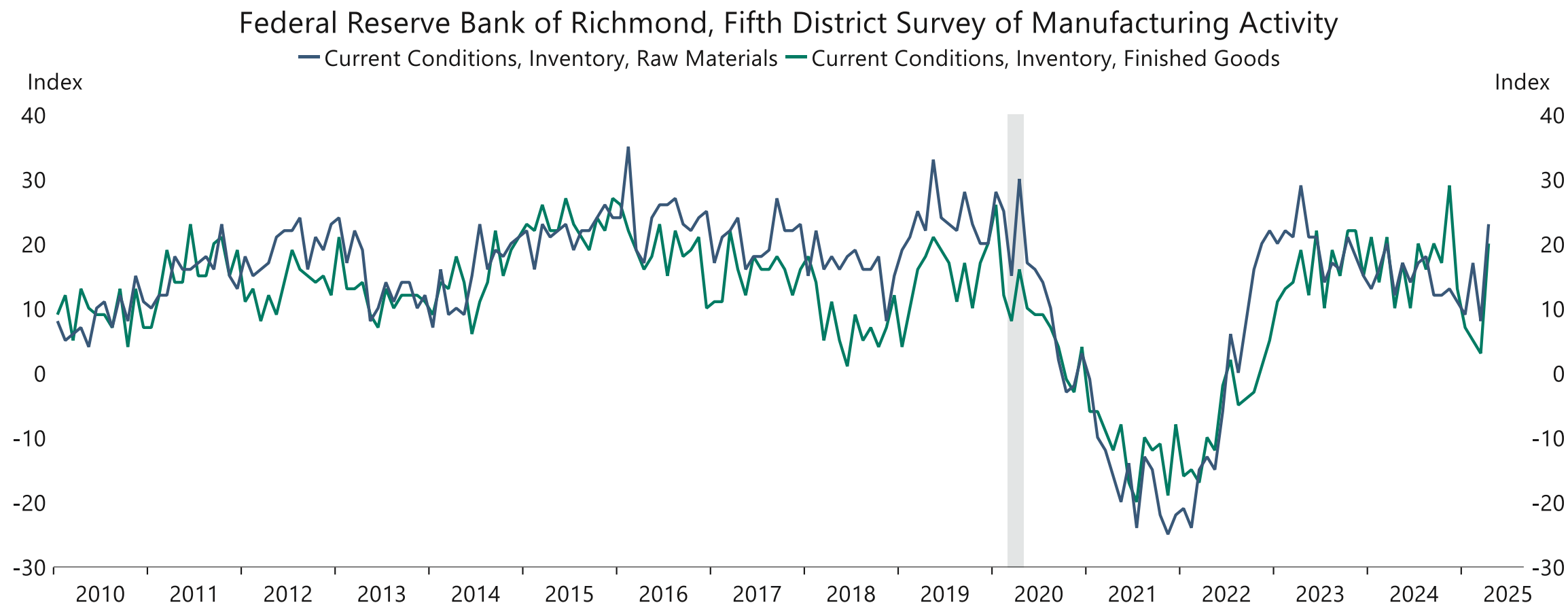
Source: Institute for Supply Management (ISM), Macrobond, Apollo Chief Economist

Inventories rising before tariffs took effect



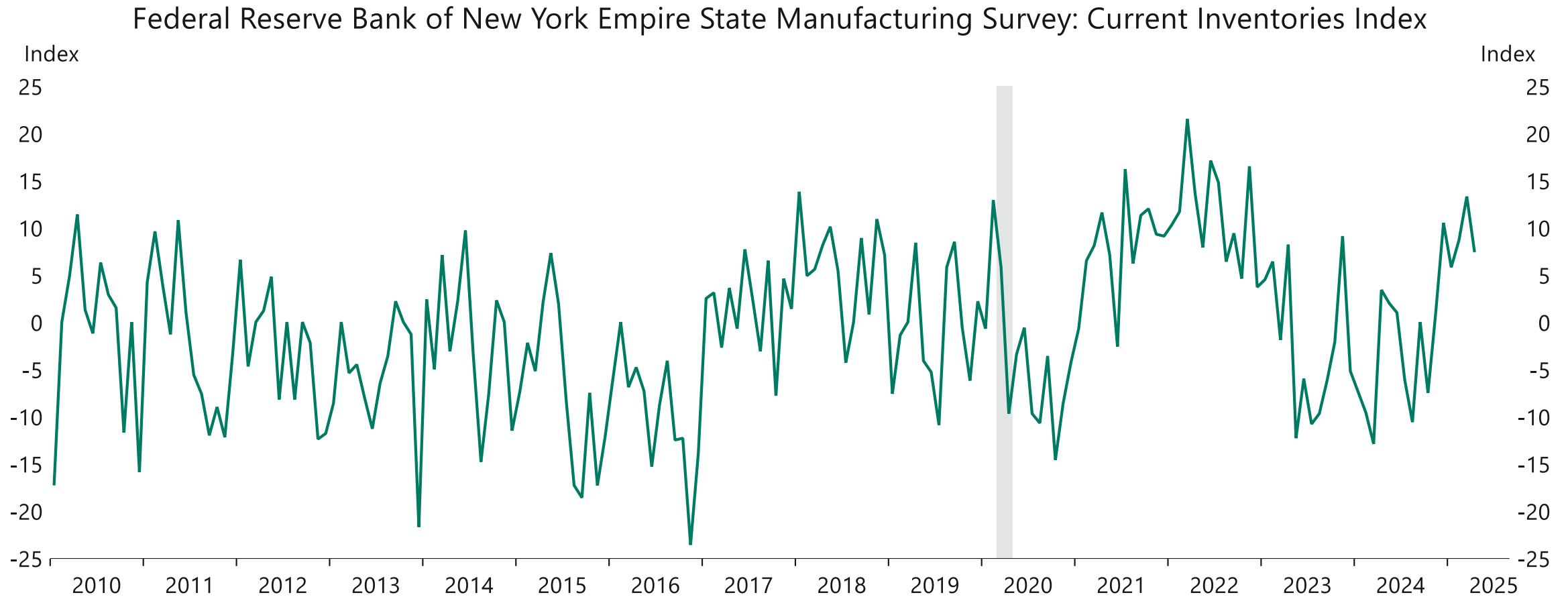
Source: Institute for Supply Management (ISM), Macrobond, Apollo Chief Economist

Inventories rising before tariffs took effect



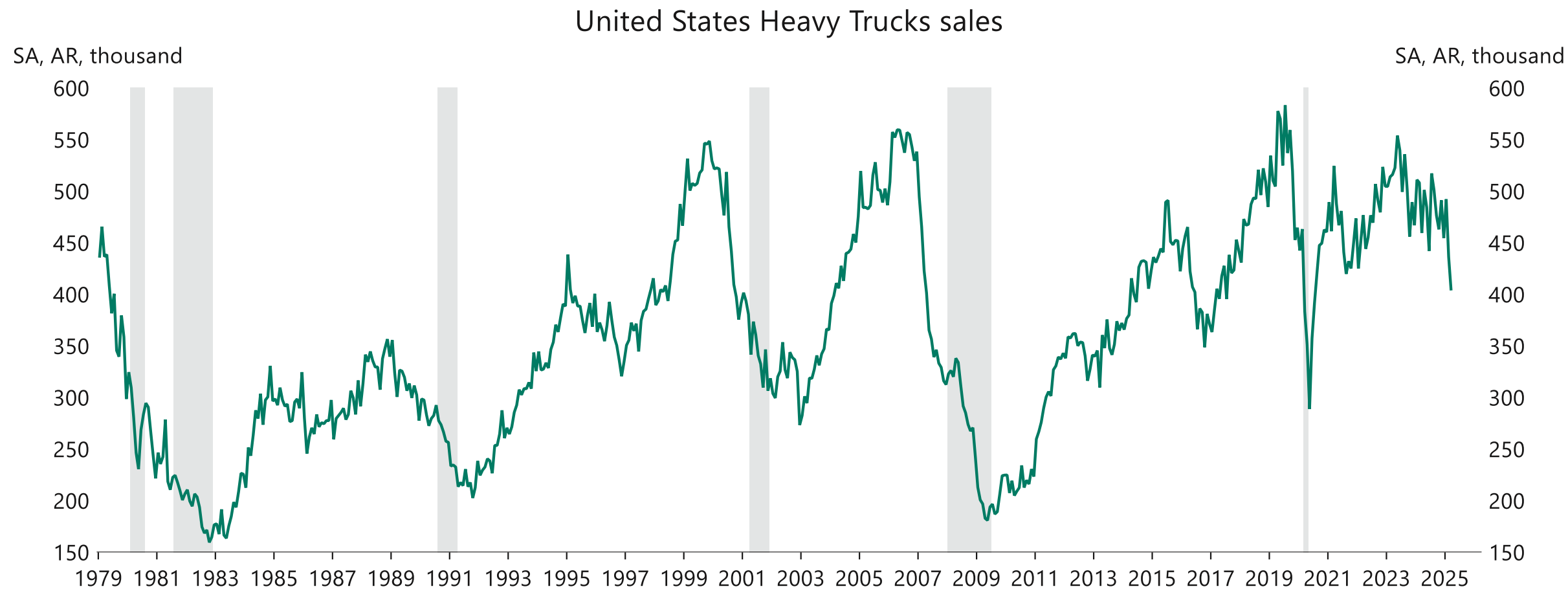
Source: Federal Reserve Bank of Richmond, Macrobond, Apollo Chief Economist

Inventories rising before tariffs took effect



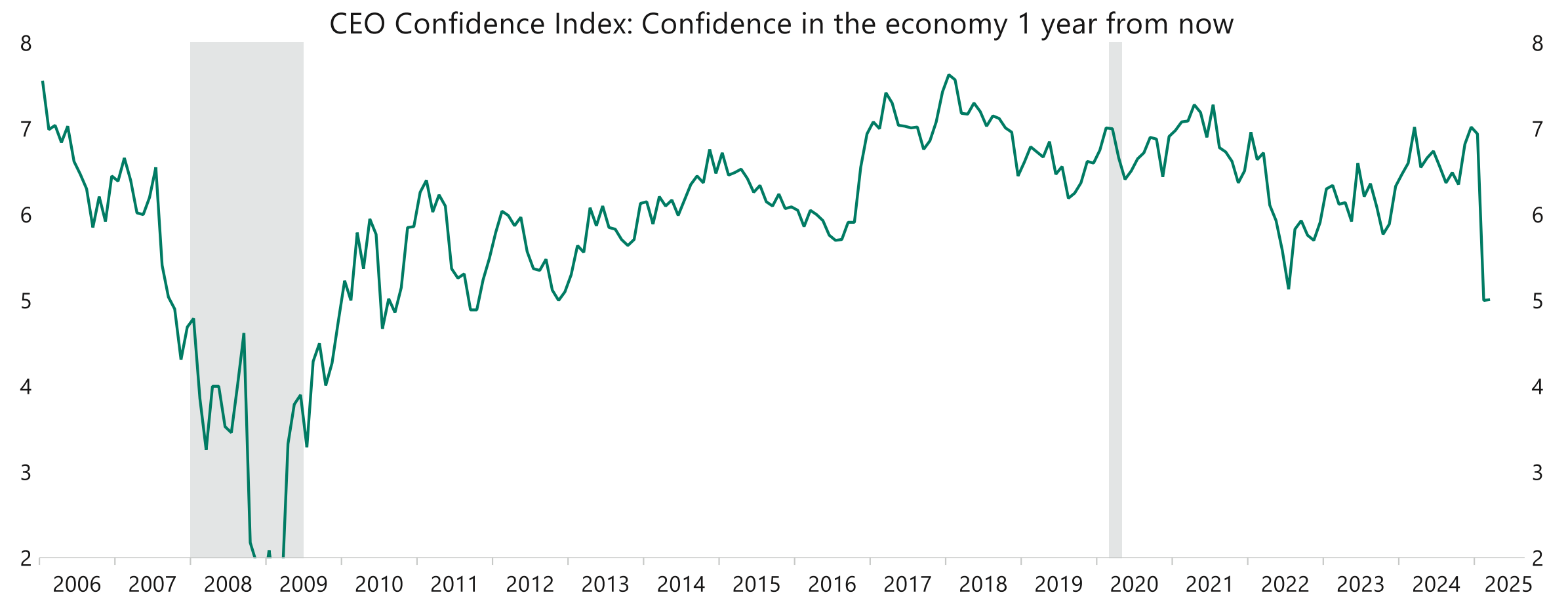
Source: Federal Reserve Bank of New York, Macrobond, Apollo Chief Economist

Truck sales down significantly in March



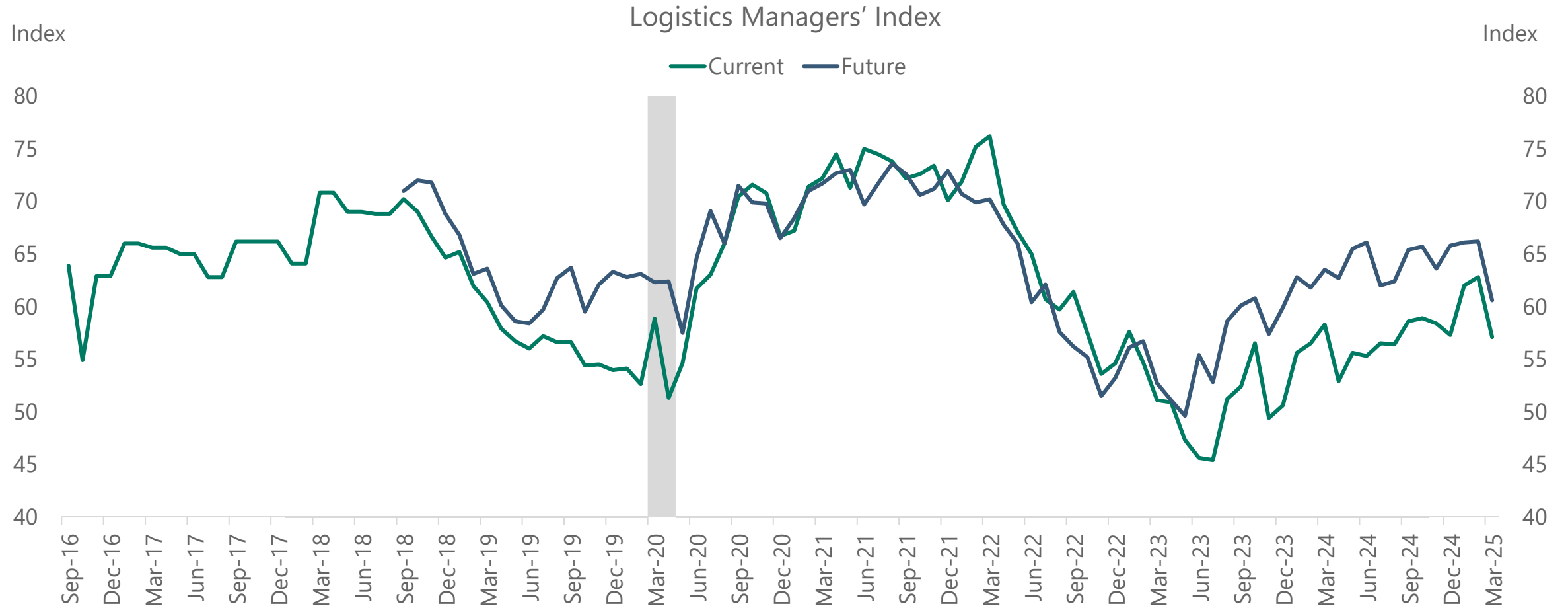
Source: U.S. Bureau of Economic Analysis (BEA), Macrobond, Apollo Chief Economist

CEO confidence declining



Source: Chief Executive Magazine, Bloomberg, Macrobond, Apollo Chief Economist

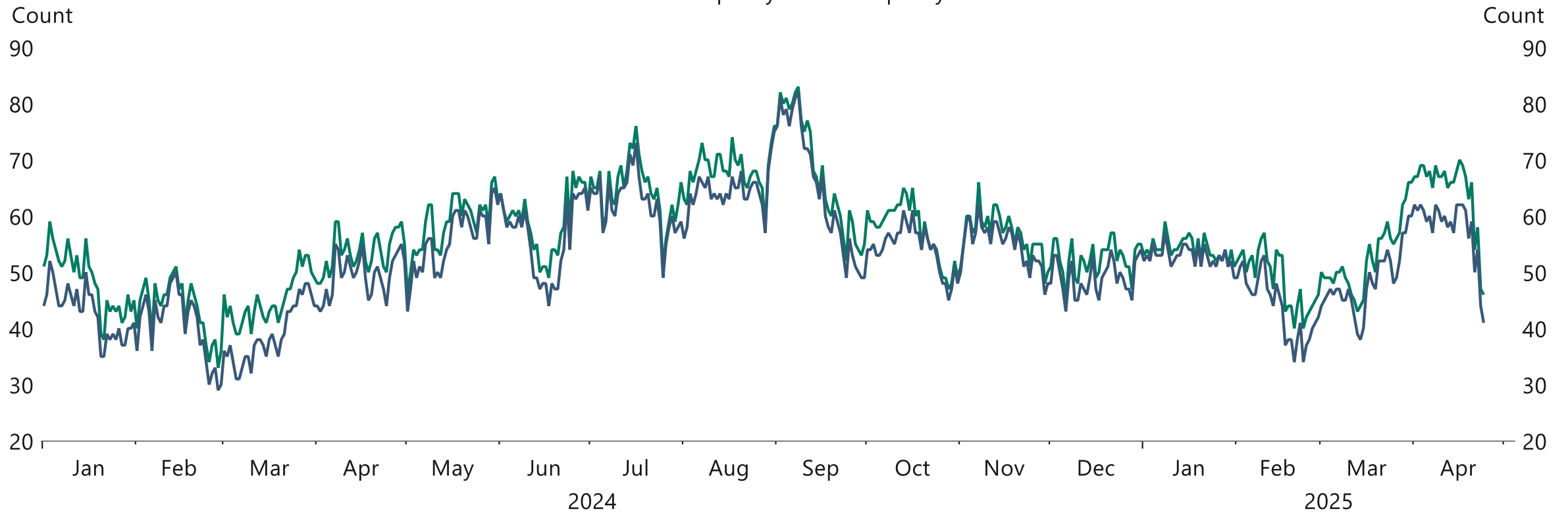
Logistics Managers' Index declining



China to US trade coming to a stop

Container Ship Count - Departures from China to the United States

— Used capacity — Total capacity



Note: Displays the estimated number of container vessels departing China for the United States, focusing on dry cargo ships. Aggregates data using a 15-day rolling average to reduce short-term volatility and provide a clearer view of broader trends in vessel activity. Source: Bloomberg, Macrobond, Apollo Chief Economist

China to US trade coming to a stop

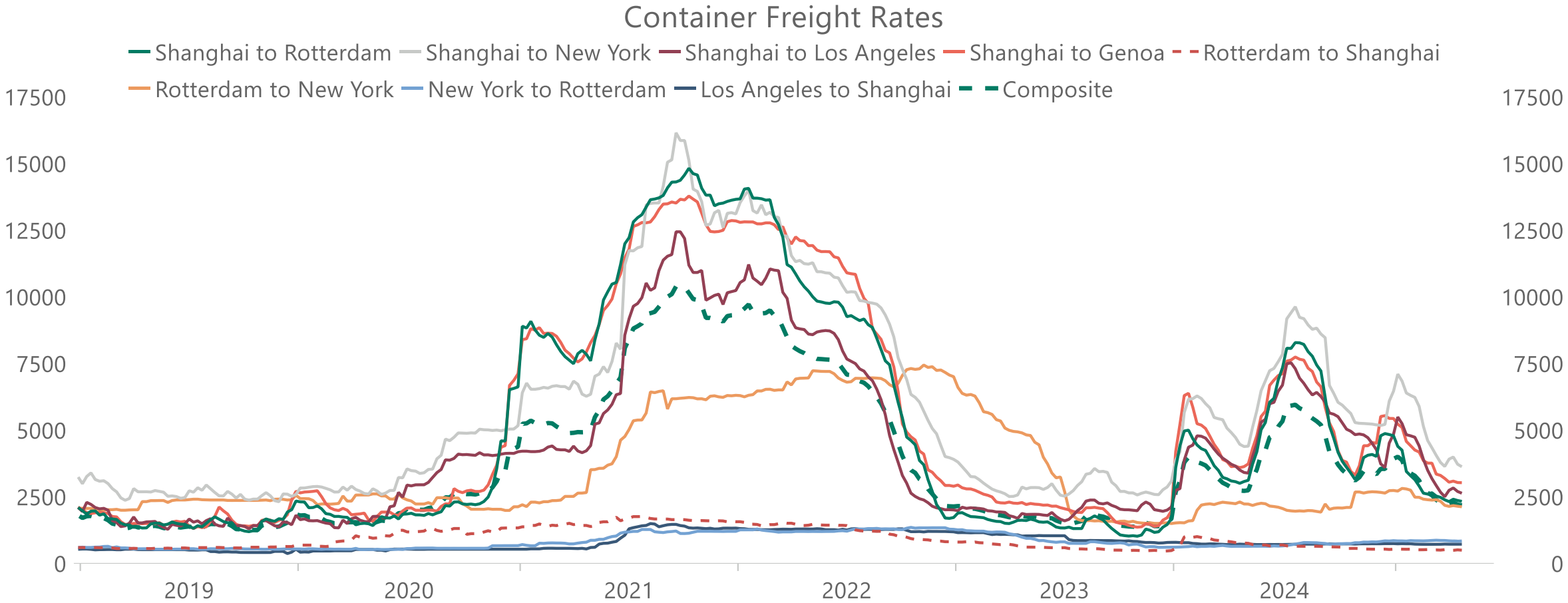
Container Ship Tonnage - Departures from China to the United States

— Total capacity — Used capacity



Note: DRepresents the aggregated container volume, measured in twenty-foot equivalent units (TEU), of vessels departing China for the United States over a 15-day rolling period. Accounts for the shipping capacity being utilized, irrespective of the number of vessels. Source: Bloomberg, Macrobond, Apollo Chief Economist

Container freight rates falling

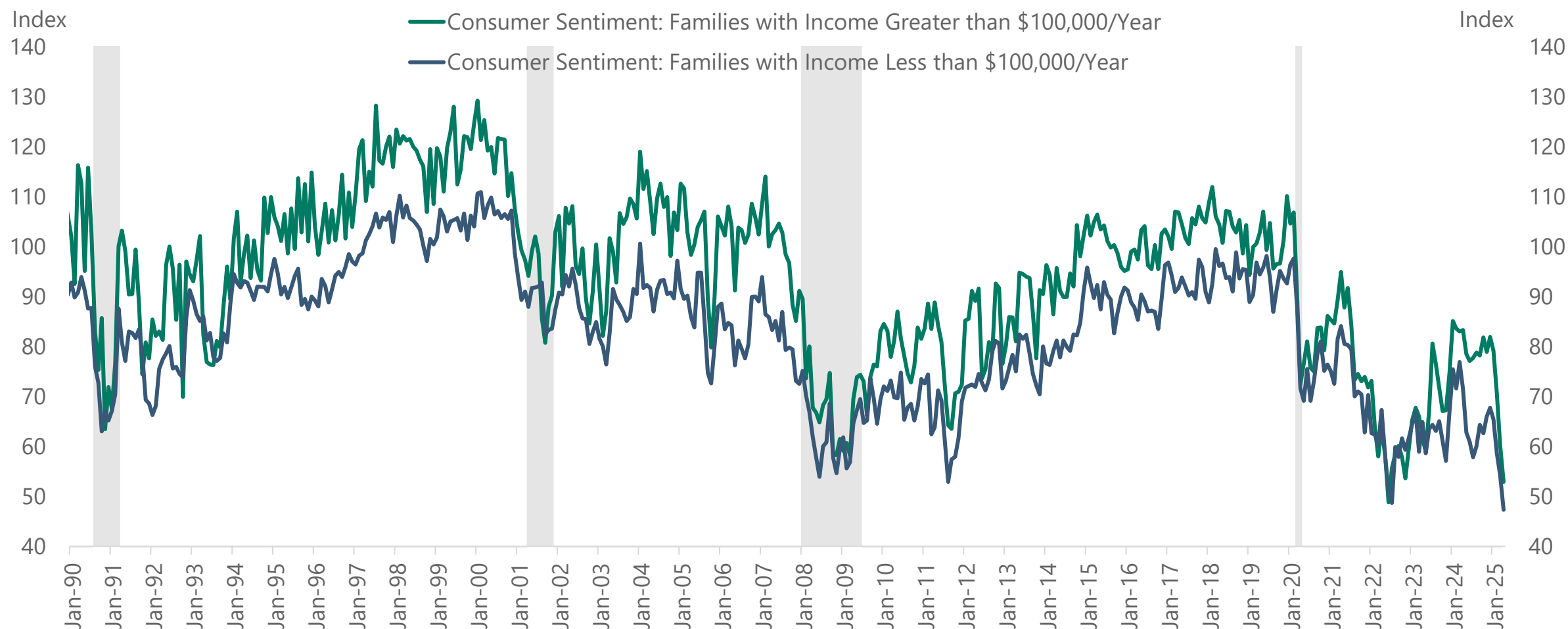


Source: WCI, Bloomberg, Macrobond, Apollo Chief Economist

How are consumers responding to tariffs?

- Consumer confidence at record-low levels
- Front-loading purchases before tariffs began
- Tourism slowing, in particular international

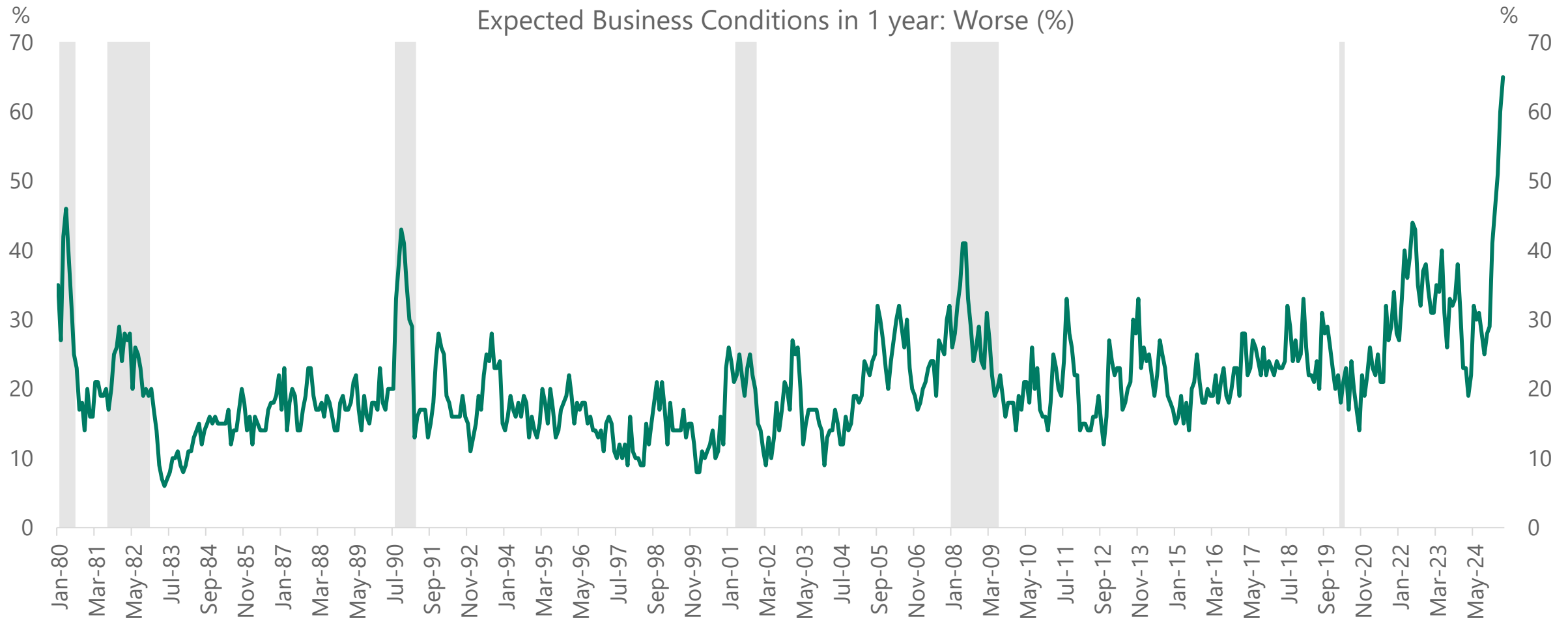
Consumer sentiment declining across income groups



Consumers very worried about losing their jobs

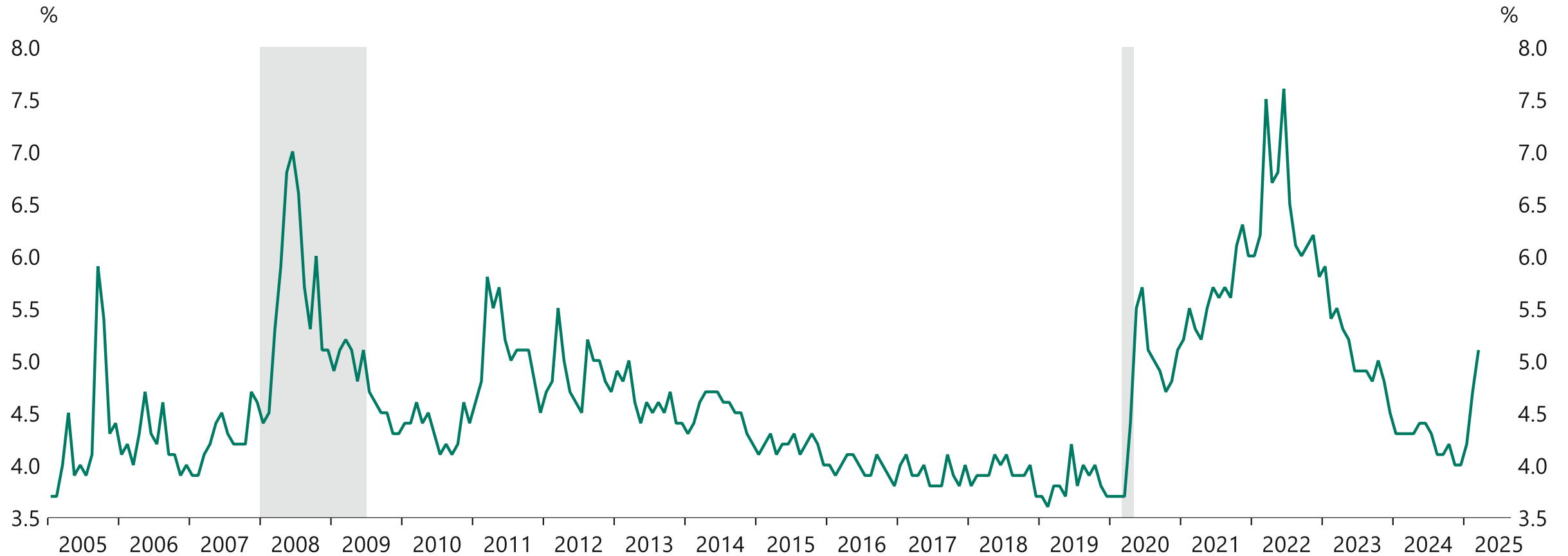


Record-high share of consumers think business conditions are worsening



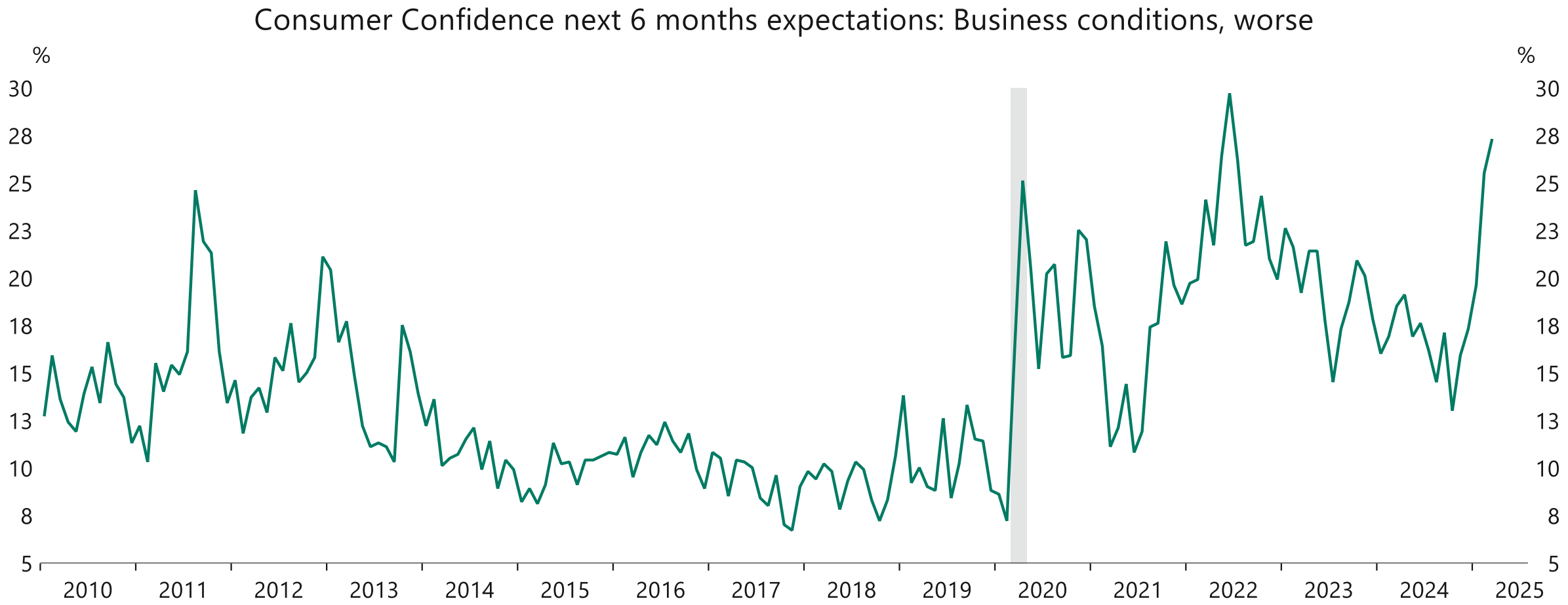
Consumer inflation expectations

Consumer Confidence next 12 months: Median inflation expectations



Source: Conference Board, Macrobond, Apollo Chief Economist

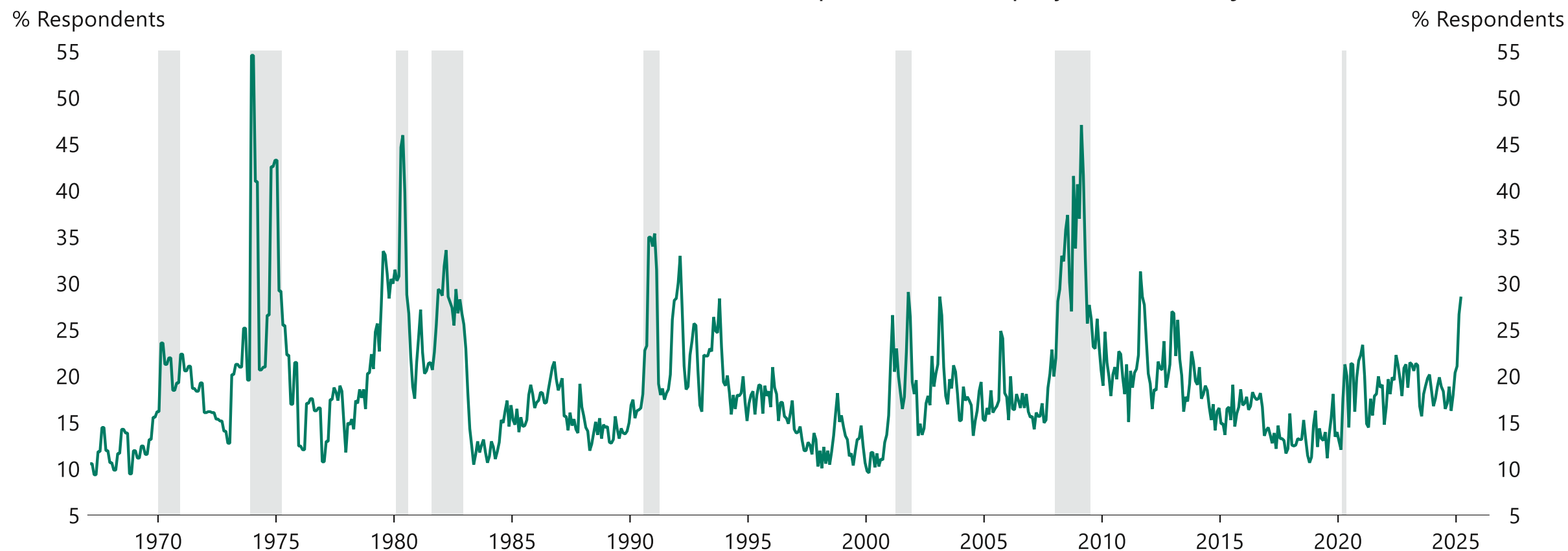
Consumer expectations to business conditions



Source: Conference Board, Macrobond, Apollo Chief Economist

Consumers getting more worried about their jobs

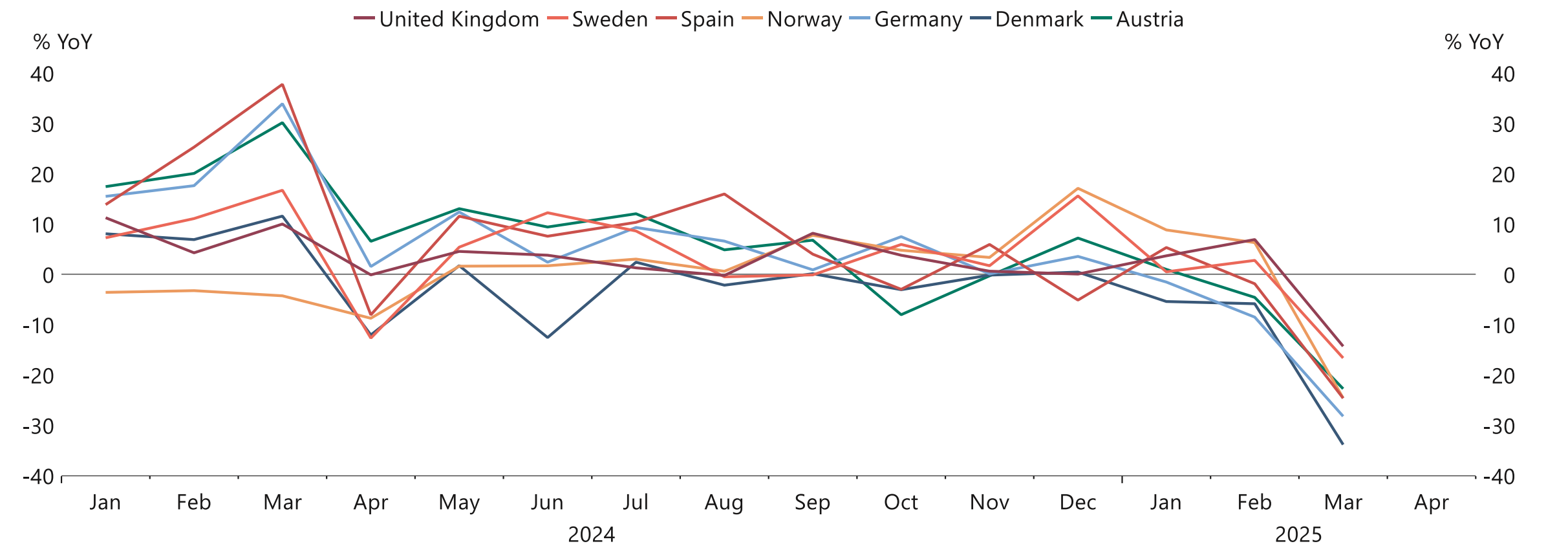
Consumer Confidence next 6 months expectations: Employment, fewer jobs



Source: Conference Board, Macrobond, Apollo Chief Economist

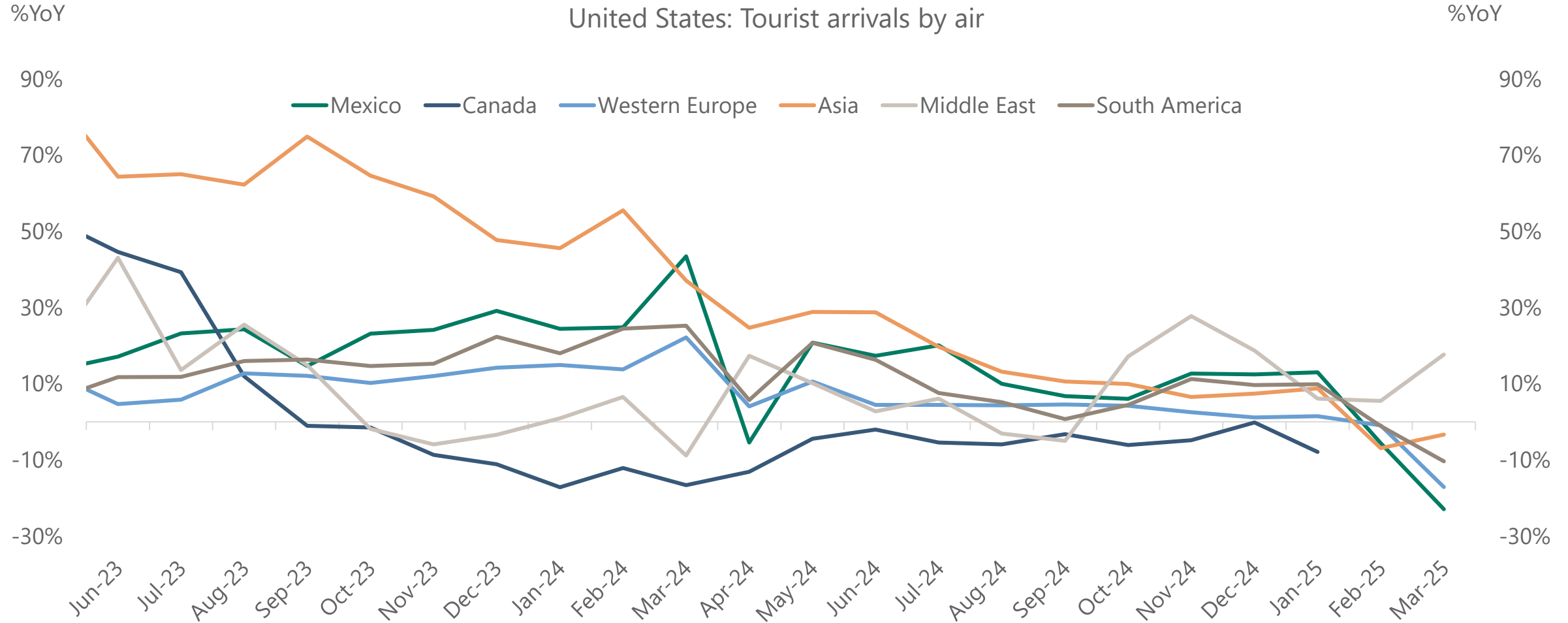
Fewer Europeans travelling to the US

United States: International Arrivals



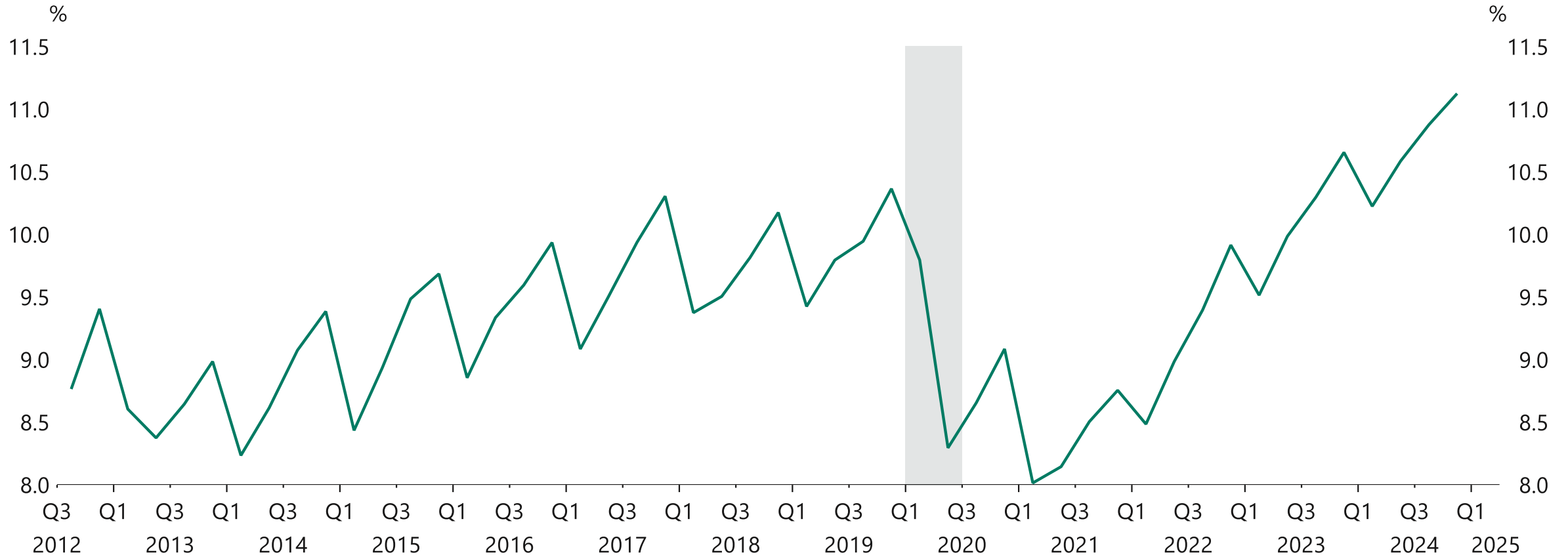
Source: National Travel & Tourism Office, Macrobond, Apollo Chief Economist

Foreign tourists declining



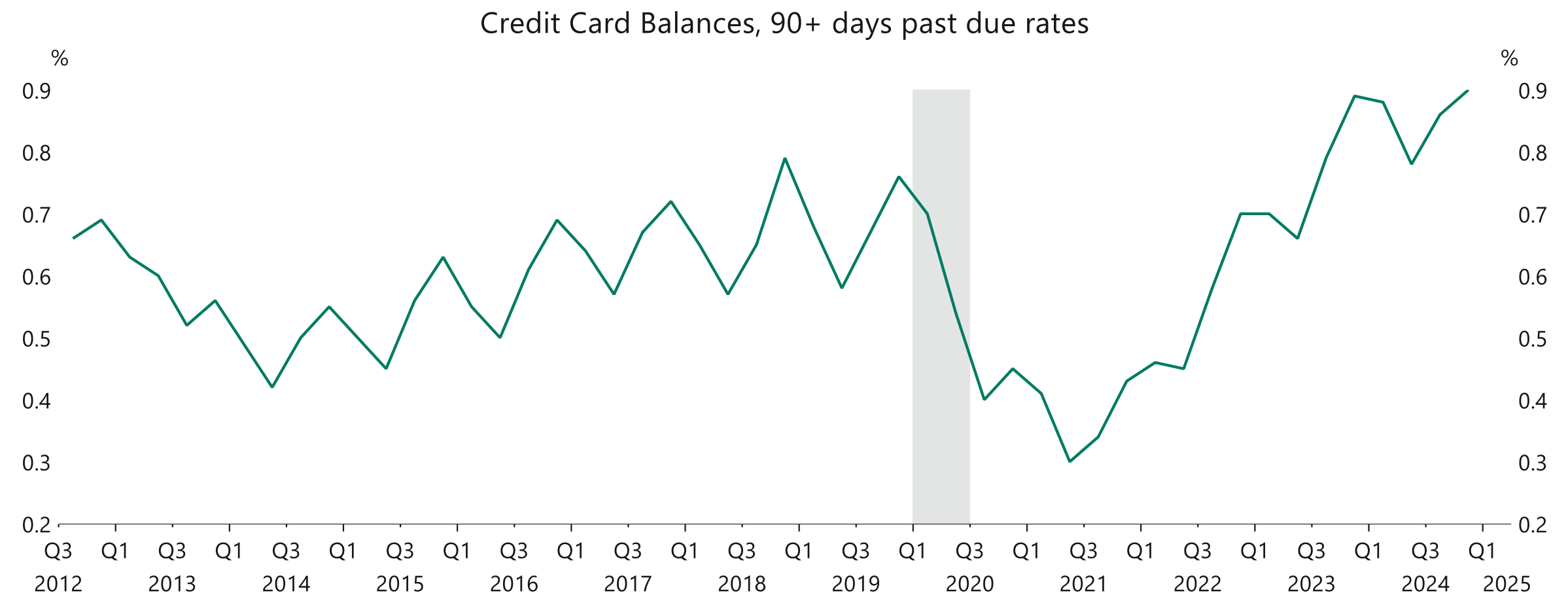
The share of credit card accounts only making the minimum payment is rising

Credit Card Balances, Share of accounts making the minimum payment



Source: Federal Reserve Bank of Philadelphia, Macrobond, Apollo Chief Economist

Delinquency rates rising



Source: Federal Reserve Bank of Philadelphia, Macrobond, Apollo Chief Economist

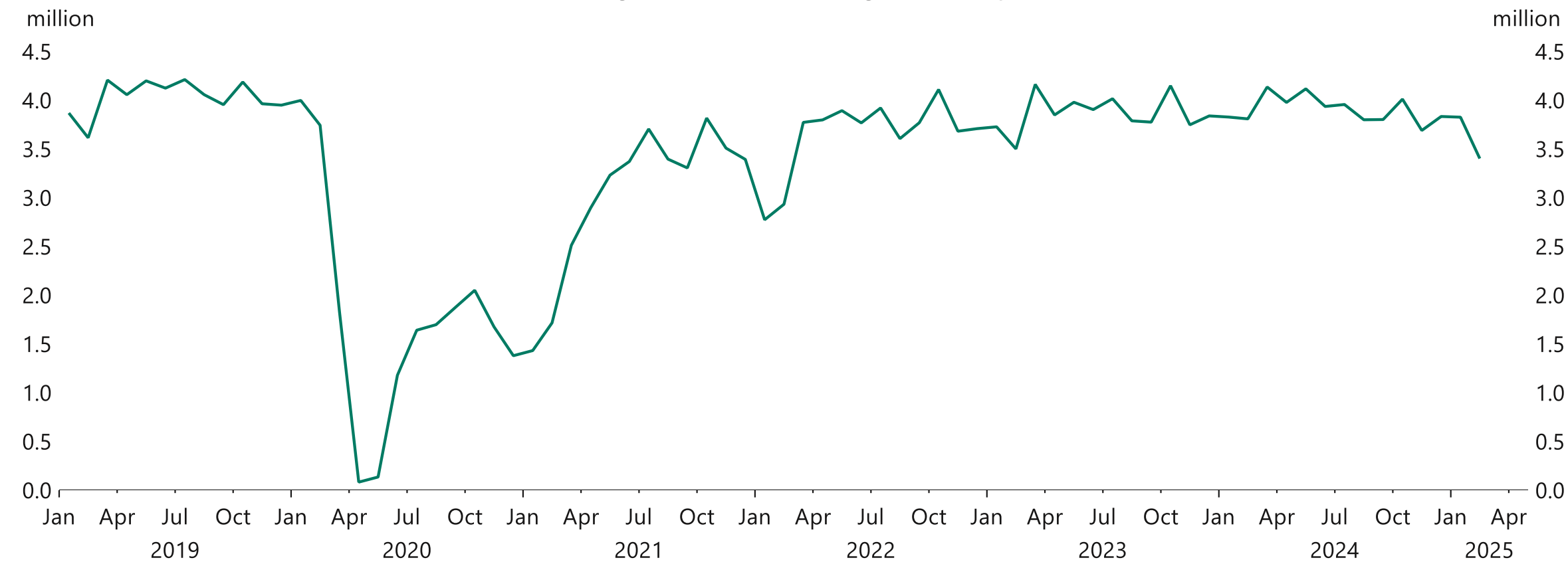
Las Vegas tourism declining



Source: Bloomberg, Macrobond, Apollo Chief Economist

Las Vegas room nights occupied

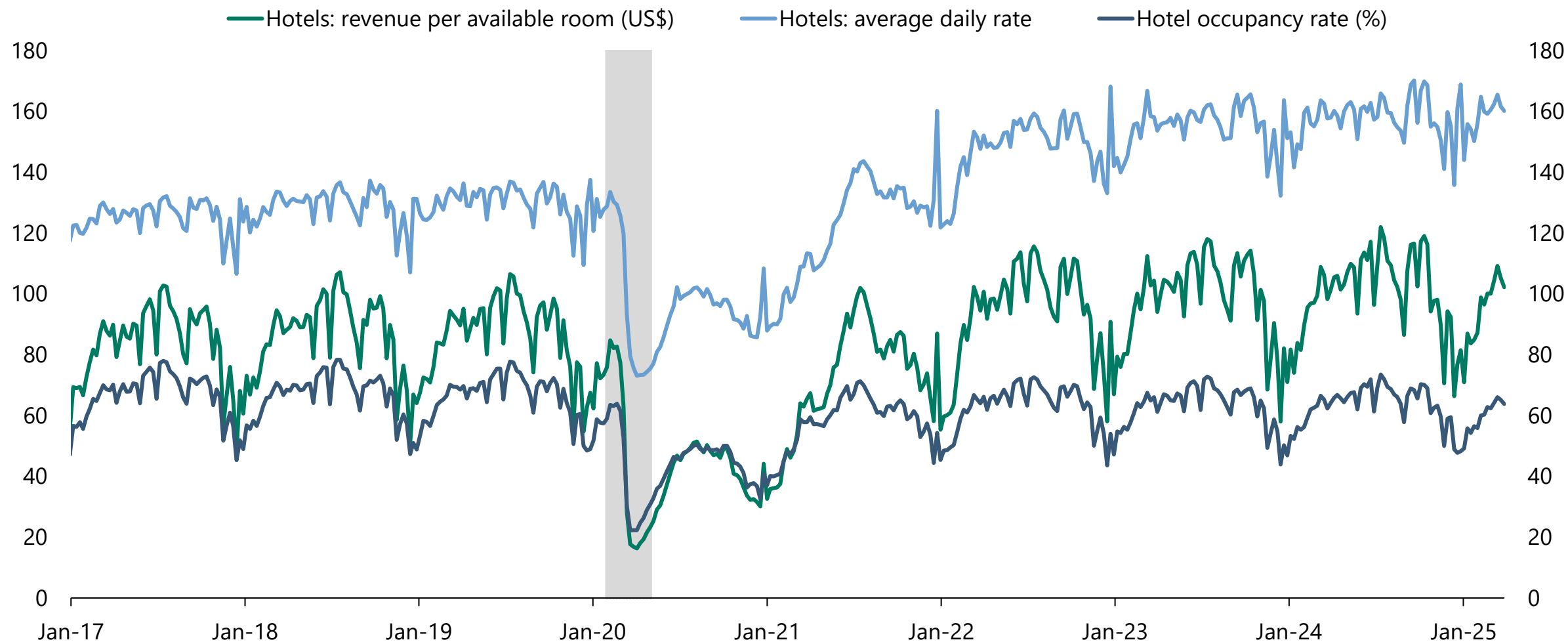
Las Vegas Total Room Nights Occupied



Source: Bloomberg, Macrobond, Apollo Chief Economist



Weekly data for hotel demand

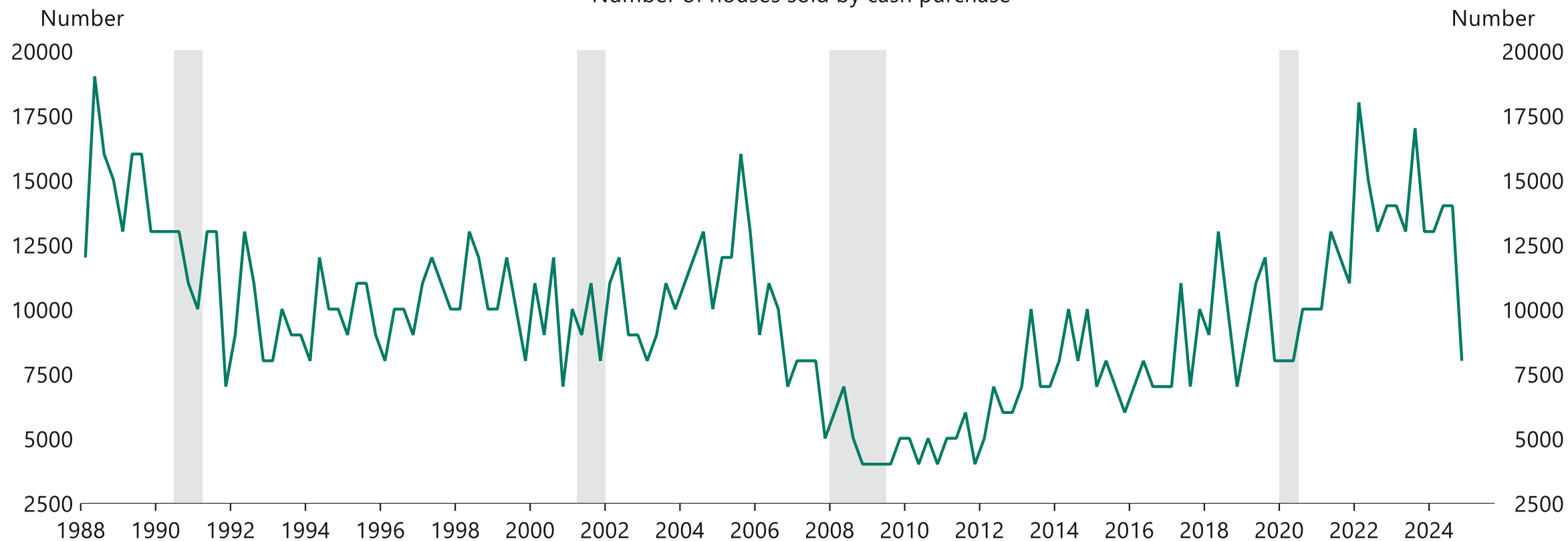


Source: STR, Haver Analytics, Apollo Chief Economist

Decline in cash purchases of homes

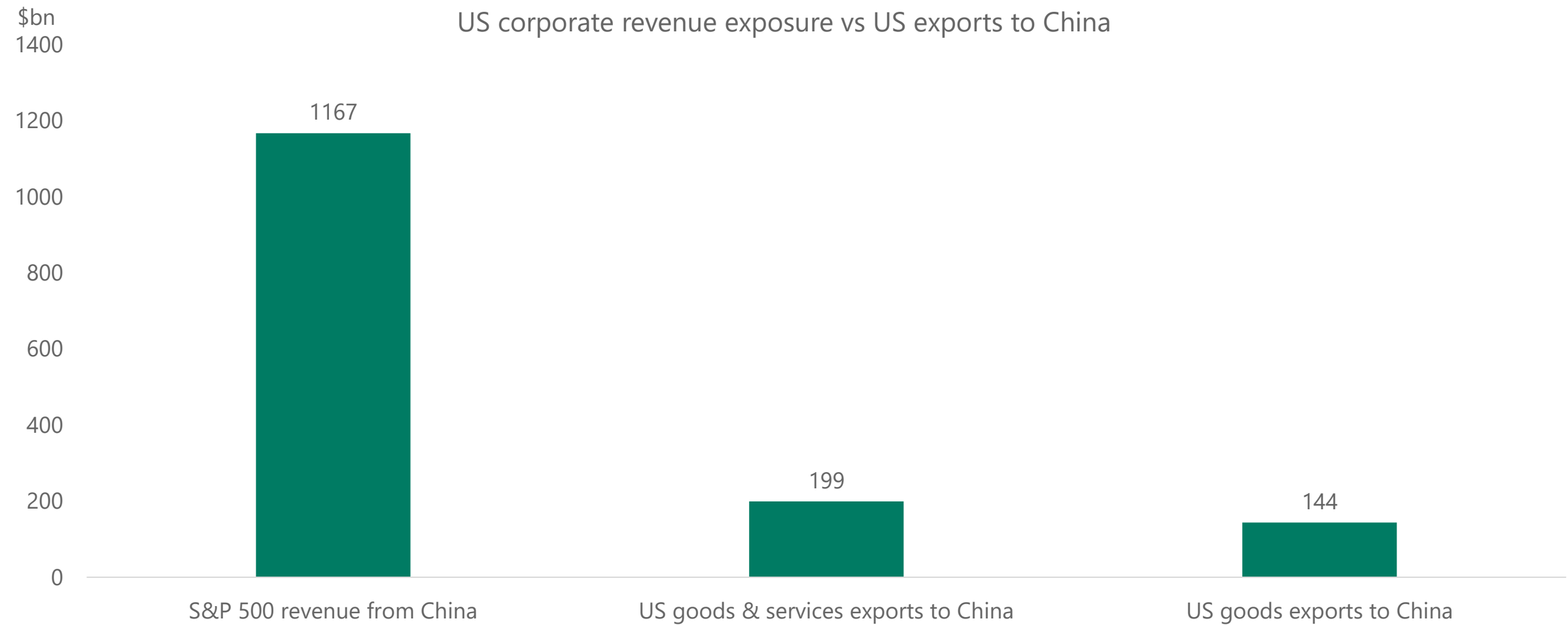
Houses sold by type of financing: cash

— Number of houses sold by cash purchase



Source: U.S. Census Bureau, Macrobond, Apollo Chief Economist

S&P 500 revenue from China roughly six times US exports to China



Source: Factset, Macrobond, Census Bureau, Apollo Chief Economist. Note: S&P 500 revenue is calculated as revenue exposure to China (6.7%) multiplied by LTM total revenue

Conclusion

A trade war is a stagflation shock





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Torsten Slok joined Apollo in August 2020 as Chief Economist and he leads Apollo's macroeconomic and market analysis across the platform.

Prior to joining, Mr. Slok worked for 15 years as Chief Economist at Deutsche Bank where his team was top ranked in the annual Institutional Investor survey for a decade, including #1 in 2019. Prior to joining Deutsche Bank Mr. Slok worked at the IMF in Washington, DC and at the OECD in Paris.

Mr. Slok has a Ph.D in Economics and has studied at the University of Copenhagen and Princeton University.