Commercial Banking

Supply Chain Finance

From factory to checkout:

The supply chain story you didn't know you were living

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Wells Fargo's 2025 Supply Chain Report reveals how tariffs, port delays, and cautious retailers may impact prices, inventory shifts, and early holiday shopping trends

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Containers, constraints, and clarity:

A deep dive into the 2025 supply chain

For many companies, the early part of 2025 provided an opportunity to ramp up orders in advance of possible tariffs later in the year. According to data from Wells Fargo, goods financed from foreign suppliers through April 2025 increased 13% from the same period in 2024.[1] This data indicates that many companies decided to be proactive with imports and orders in advance of tariff uncertainty and potential supply chain disruptions, which began on April 3, 2025.

Following the April 3 tariff announcement and subsequent pause in select tariffs, including the 90-day extension with China on May 12, 2025, U.S. Census Bureau and the Bureau of Economic Analysis show the U.S. goods and services deficit narrowed in June to **$86.0 billion**, down from **$96.4 billion** in May.[2] This narrowing deficit is the result of a wider drop in imports than exports in June, with imports decreasing to **$264.2 billion**, down **$11.5 billion** and exports falling to **$178.2 billion**, a decrease of **$1.1 billion**.[2] Exports likely weakened due to lower global demand and geopolitical uncertainty, while the drop in imports suggests a pullback in domestic demand or improved inventory management.

U.S. goods
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Sleigh the delays:

How retailers are racing the clock *(and the ports)*

Retailers proved cautious in their approaches to rebuilding inventory for the fall and holiday seasons. Many delayed purchases until tariff clarity emerged, then front-loaded orders of high-demand seasonal goods while avoiding overstocking lower-margin items.

Wells Fargo Retail Finance data shows minimal year-over-year inventory growth in early 2025, with a notable spike from March to May, likely reflecting orders placed in late 2024 and early 2025 in anticipation of tariffs.[3]

As goods arrive post-tariff hikes, companies are balancing higher costs with inventory levels and consumer demand forecasts. Retailers are evaluating their cost structures to avoid passing excess price increases on to consumers with the expectation for pricing adjustments to be methodical and specific to certain items versus a broad-brush approach as well as working closely with their vendors and manufacturers to absorb a portion of the incremental costs. Meanwhile other retailers are holding prices steady by cutting capital expenditures or freezing hiring. Although corporate margins cannot avoid compression due to the impact of tariffs, they remain above the trough last seen in 2021, which will allow retailers some room to absorb cost pressures.

Conversely, businesses with limited flexibility are at risk of stockouts or delayed restocking, especially for seasonal items (décor, apparel, etc.) which are largely sourced from China and have shorter shelf-life appeal due to a condensed selling period. The most important question now is what companies can be doing to get ahead of the holiday shopping season.

What retailers should do now

Flex inventory strategy

Retailers with agile supply chains are better equipped to avoid stockouts, especially in categories like toys and holiday décor, where 80–90% of inventory is sourced from China.

Order less, risk less

Many are ordering conservatively to manage working capital and avoid exposure to volatile import costs. According to Wells Fargo Supply Chain Finance, June data shows steady invoice financing volumes, suggesting cautious optimism. Interestingly, China trade volume through the first half of June 2025 nearly exceeded all of June 2024, suggesting that some companies are cautiously resuming sourcing from China but the overall scale does not reflect aggressive restocking.

Front-load shipments

According to the Global Port Tracker report tariffs are putting increased pressure on international trade with import cargo volume at the nation's major container ports tentatively expected to end 2025 5.6% below 2024 volume. This dip in cargo volume highlights the impact of tariffs, specifically on transportation and port levels. Meanwhile, the shift in volume from 58.1% ports on the West Coast in October 2024 to near parity (50/50) in May 2025 underscores the change in import patterns and the need for strategic planning.[4]

Retailers with agile supply chains are better positioned to respond to demand spikes or disruptions.

Diversify sourcing

China+1 strategies are gaining traction again. Retailers with agile supply chains, versus those with rigid sourcing models, are better positioned to respond to demand spikes or disruptions such as stakeouts, delayed restocking, or higher freight costs if product timing is accelerated (e.g., air shipment). Domestic production is rising, but meaningful impact is not likely to be near term.

Preserve cash flow

Supply chain finance programs are helping companies lengthen payment terms and preserve liquidity while managing inventory risk, helping suppliers maximize working capital.

The great inventory balancing act:

What's in, what's out, and what's next

When looking at tariff impacts, sometimes it helps to have a quick guide to see the impact across industries. For example:

Apparel and footwear

Apparel is a largely imported category

Since most apparel is imported from outside the U.S. this is a category that could be greatly impacted by tariffs. The good news is that these are generally lower cost items so even with increases in prices at retail, the consumer is still likely to purchase new items. However, we may see more price conscious consumers trade down in brand to find similar items at a lower price point or reduce quantity of items purchased in order to remain loyal to the brands they enjoy.

Tech

Smaller orders may remain in budget

Tariffs in 2025 have disrupted IT hardware and electronics. Microsoft Windows' October launch may revive activity, albeit with smaller orders, according to Canalys.[5] As Microsoft Windows 10 reaches its expiration date and the tariff situation starts to stabilize with key technology exporting markets, end user ordering activity is expected to increase with some possibly scaling back their order size to accommodate price increases to remain with original budgets.

Retail

Retail sales rose 0.6% after two months of decline

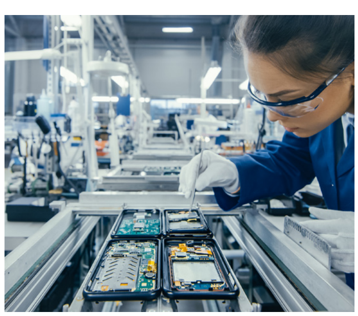
After two months of decline, retail sales rose 0.6% in June.[6] While online shopping remains sluggish, signs of "opportunistic buying" highlighted consumers' desire to spend cautiously and capitalize on savings during July promotions.

Auto

Popular vehicles models are shifting production to U.S. manufacturing

The 25% tariff on imported cars and parts is temporarily constricting supply chains, as many manufacturers are shifting production of their popular vehicle models to their U.S. manufacturing plants to reduce tariff impacts. It's important to note, many auto parts are exempt from these tariffs under the United States-Mexico-Canada Agreement (USMCA) helping maintain cross-border supply chain fluidity.

With a global supply chain, tariffs are no longer isolated to one sector or country of origin — they are reshaping the landscape across apparel, tech, retail, and auto. Understanding their ripple effects is essential for strategic planning, pricing, and supply chain resilience.

Out of stock and out of luck?

How the supply chain could play Grinch again

As businesses are navigating uncertainty, consumers should be equally diligent in planning and budgeting when it comes to big ticket items, celebrations, or holiday shopping. To avoid disappointment and overspending, consumers are advised to:

Start early

66% of shoppers plan to start earlier to avoid shipping delays, and retailers are encouraging early shopping to smooth out demand and reduce last-minute logistics pressure.[7]

Prioritize must-haves

Focus on toys, electronics, and apparel, categories most at risk of shortages. Consider pre-ordering or reserving items when possible.

Stay flexible

Brand availability may vary, so remember that store brands and recommerce options offer valuable alternatives.

Expect fewer deals

Promotions may be more targeted and limited due to tighter margins.

Go digital

Today, most consumers will shop online, with Gen Z and Millennials increasingly using social platforms like TikTok and Instagram.

66%
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Most consumers will shop online

From factory floors to front doors, the chain reaction of tariffs on supply chains is real and immediate. Businesses that invest in supply chain agility, diversify sourcing, and manage cash flow strategically will be best positioned to navigate the uncertainty ahead. For consumers, the message is clear: shop early, stay flexible, and expect a holiday season unlike any other.

Authors

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Adam Davis is a Managing Director in Wells Fargo's Retail Finance Division, where he develops asset-based lending solutions for consumer and retail clients across North America. With more than 20 years of industry experience, Adam has worked with many of the sector's leading brands and operators, delivering customized working capital strategies and financial products to support their growth and operational goals.

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Jeremy Jansen leads the global originations team at Wells Fargo Supply Chain Finance, overseeing sales, strategy, and product execution; working closely with clients across the bank to offer a range of traditional trade, structured trade, and working capital finance solutions to clients. Jeremy's career began at GE Capital in 1999 with the Financial Management Program. Until 2014, he advanced through various roles in sales, marketing, business development, and commercial leadership within GE Capital's leasing businesses and merger and acquisition teams. This included three years of international assignments in Tokyo, Japan, and London, England. From 2015 to 2021, Jeremy led the global motorsports vertical for Wells Fargo Commercial Distribution Finance. He then managed all originations and business development activities for several Wells Fargo Credit Solutions businesses from 2021 to 2024.

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