# From High Point to the Tariff Line: Industrial Evolution and Policy Response in North Carolina's Furniture Sector

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**Abstract**

The long-term evolution of North Carolina's furniture industry illustrates how global competition, automation, and shifting trade policies reshape a historically dominant regional manufacturing cluster. While the state once produced 40% of U.S. furniture, offshoring accelerated a sharp decline in employment and local supplier capacity. Despite these losses, High Point remains an international hub for design and market coordination. This study estimates the potential short-run economic implications of the 2025 Section 232 tariffs using IMPLAN-based modeling of domestic import substitution and cost-push price effects. The sectors most exposed to import market share gains and the industries most sensitive to upstream cost inflation are identified. Results highlight the complexities of whether North Carolina manufacturers benefit fully from tariff protection, given continued reliance on imported intermediate inputs and limited regional supply chain depth.

## 1 Introduction

This study examines how North Carolina's furniture industry has been impacted by globalization and shifting trade policies, focusing on the implications of renewed protectionism. The state's historical dominance in furniture manufacturing—anchored in the Piedmont Triad and centered around the city of High Point—made it a prime example of the decline of traditional manufacturing in the United States (Mullin, 2020). Once home to hundreds of small and medium-sized producers, North Carolina accounted for roughly 40% of all U.S. furniture production by the late twentieth century (North Carolina History Online Resource, 2007). The Tarheel state's experience during the 1990s and 2000s exemplifies the "China shock" dynamic described by Autor et al. (2013, 2021), in which import competition triggered deep and persistent employment losses in localized manufacturing hubs. Between 1999 and 2009, North Carolina lost more than half of its furniture manufacturing jobs (U.S. Bureau of Labor Statistics and Federal Reserve Bank of St. Louis, 2025). Yet despite these losses, furniture production remains a culturally and economically important anchor for many Piedmont communities, with the High Point Market being the world's largest semi-annual home-furnishings trade show. The industry's combination of resource-based origins, cluster organization, and international exposure provides a case study for evaluating both the structural effects of offshoring and the potential domestic consequences of renewed protectionism such as the 2025 tariffs.

## 2 Historical Context and Policy Shock

### 2.1 Industrial Rise, Cluster Formation, and High Point's Evolution

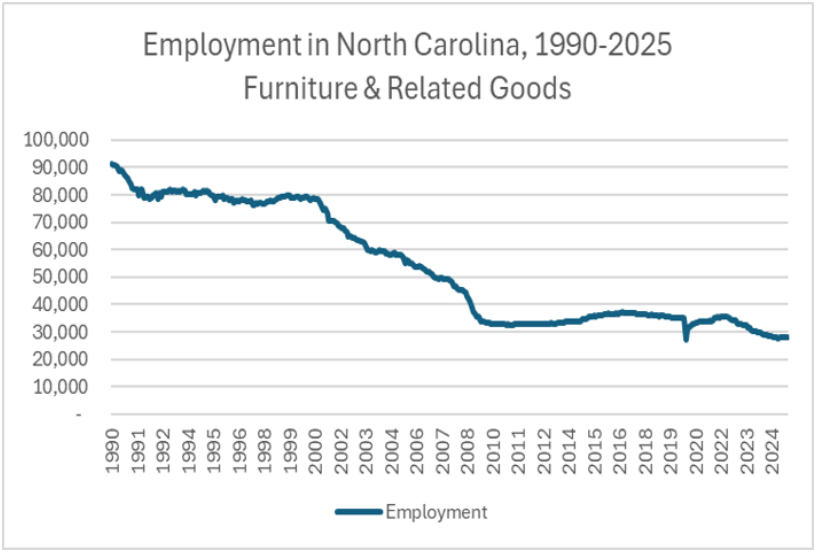
The origins of North Carolina's furniture industry trace to the late 1800s, when the convergence of natural resources, transportation infrastructure, and entrepreneurial initiative fostered a distinctive manufacturing cluster in the Piedmont region. Hardwood availability, rail connectivity, and a low-wage labor force enabled

entrepreneurs to establish a durable industrial cluster in the Piedmont Triad. By 1900, 44 factories operated around High Point, with production rising nearly tenfold in a decade (Mullin, 2020).

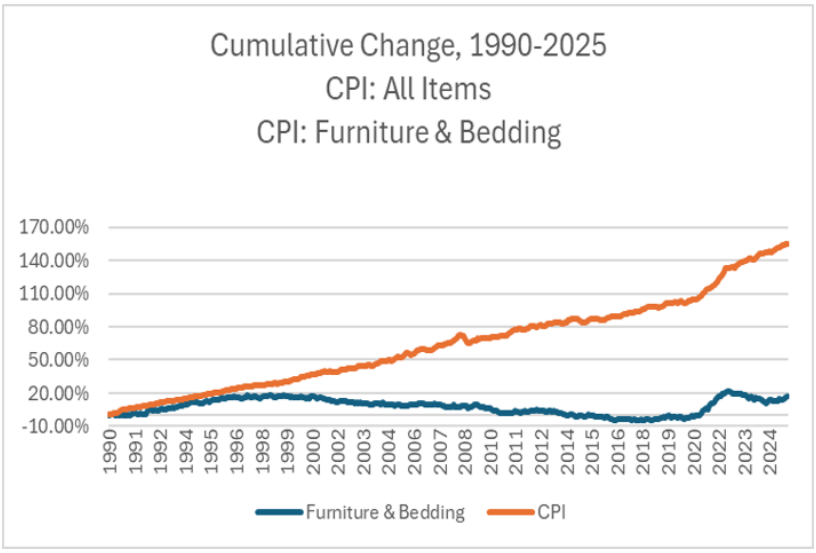
Through the mid-twentieth century, the sector became one of North Carolina's largest manufacturing employers, supported by vertically integrated inputs including sawmills, upholstery textiles, and finishing operations. High Point's twice-yearly furniture market, first held in 1909, evolved into a global hub attracting tens of thousands of buyers each season, functioning as a "knowledge-spillover network" linking designers, suppliers, and distributors (Debbage and Walcott, 2013).

The cluster reached peak employment in the late twentieth century. Production shifts to China, Vietnam, and Malaysia, as well as industry consolidation, led to a 69% workforce decline between 1990 and 2025 (see Figure 1). At the same time, prices for furniture and related goods increased at a lower rate than most consumer goods, also shown in Figure 1. From 1990 through 2024, the overall Consumer Price Index rose by a cumulative 154.9%, while the furniture & bedding component rose by 16.9%.

Figure 1: Employment and Prices.




(a) Employment




(b) Prices

*Source:* U.S. Bureau of Labor Statistics and Federal Reserve Bank of St. Louis.

### 2.2 Tariffs as a Renewed Policy Intervention

In September 2025, President Donald Trump invoked national-security authority to impose sweeping tariffs on imported wood products, explicitly including furniture and cabinetry, under Section 232 of the Trade Expansion Act of 1962 (19 U.S.C. § 1862). A presidential proclamation declared that imports of timber, lumber, and their derivative products were being brought into the United States "in such quantities and under such circumstances as to threaten to impair the national security" (The White House, 2025). Tariffs implemented in October 2025 included 10% on softwood lumber, 25% on upholstered wooden furniture, 25% on kitchen/bath cabinets and vanities, with scheduled increases to 30%–50% on finished furniture components in January 2026 absent negotiated agreements (EY Tax News, 2025; Robinson, C.H., 2025).

Media reports highlighted both industrial and political motivations, with High Point referenced symbolically as a target for revitalization (Furniture Today, 2025; PBS News Hour, 2025). Local executives voiced apprehension about limited domestic substitutes for wood, hardware, and fabric inputs, while others anticipated modest gains for niche suppliers. Small business owners reported difficulty passing higher costs to consumers, warning that input volatility could undermine cash-flow stability. Economists cautioned that structural constraints and decades of offshoring limit the tariffs' ability to restore large-scale employment, echoing mixed outcomes from previous U.S. tariff actions (Axios, 2025; Reuters, 2025). This heterogeneity aligns with earlier findings in industrial-cluster literature that policy shocks tend to redistribute rather than uniformly expand regional output (Delgado et al., 2014; Feser, 2002; Martin and Sunley, 2003; Porter, 1998). In short, the tariff intervention creates both short-run opportunities and renewed vulnerabilities, setting the stage for examining economic linkages in detail.

## 3 Analysis of Tariff Effects Through Backward and Forward Linkages

### 3.1 IMPLAN Framework

Before tariff policy changed, North Carolina's two largest furniture-related sectors were upholstered household furniture (IMPLAN sector 349) and wood kitchen cabinet and countertop manufacturing (IMPLAN sector 348). Data from the 2024 IMPLAN model were utilized (IMPLAN Group LLC, 2025). Industry contribution analysis (ICA) was used to estimate the total value of these sectors. Two sets of ICA models summed the backward linkages (demand-pull) and forward linkages (cost-push) contributions, with care taken to avoid double-counting direct effects (see Clouse, 2025 for a thorough description of the forward linkage approach). In 2024, the sectors combined supported over 36,000 jobs, generated $2.3 billion in labor income, $3.5 billion in value added, and $8.3 billion in output in North Carolina's economy.

As newly implemented tariffs raise the price of imported finished furniture, North Carolina manufacturers may respond by either replacing a share of imports through expanded production or increasing their own prices to match higher import costs. Two approaches to modeling the protectionist trade policy are presented. This analysis uses IMPLAN to estimate the short-run economic effects through both backward linkages (output expansion) and forward linkages (price increases), providing complementary perspectives on the immediate impacts.

Under the import-substitution mechanism, IMPLAN's backward-linkage model assumes fixed prices and quantifies the increase in domestic production required to displace imports. This approach isolates the production-side gains from tariffs while holding demand conditions constant. In contrast, the forward-linkage model is used to simulate tariff-driven commodity price changes. Under this mechanism, domestic firms maintain the same level of physical output but match tariff-induced price increases from overseas competitors.

The IMPLAN study region is the state of North Carolina, using 2024 IMPLAN data adjusted to 2025 dollars to reflect the tariff implementation year. The commodity sectors most directly impacted are wood cabinets and countertops (3348) and upholstered household furniture (3349). Secondary furniture industries are excluded not only to focus on the largest channels of tariff exposure but also because custom aggregation could not be implemented consistently across backward and forward linkage models. IMPLAN's domestic

trade-flow data were used to estimate the share of in-state demand met by local production versus imports, providing import-exposure levels to scale tariff impacts. As Table 1 shows, import exposure varies by commodity. Upholstered furniture imports represent 37.8% of commodity demand in North Carolina, compared to 7.0% for cabinetry, indicating that upholstered products face more intense foreign competition and thus have more potential to gain market share under tariff protection.

Table 1: Regional data on imports

| Industry | Foreign imports into region | Region output | Total Gross Commodity Demand | Foreign imports relative to region output | Foreign import share of commodity demand | Effective price change |
|---|---|---|---|---|---|---|
| Wood cabinets and countertops | $65,976,392 | $942,789,916 | $943,904,098 | 7.0% | 7.0% | 1.7% |
| Upholstered furniture | $225,130,018 | $3,264,101,168 | $596,252,027 | 6.9% | 37.8% | 9.4% |

## 3.2 Method A: Import substitution (Domestic market-share gain)

One possibility is that NC firms increase production to replace a share of imports after tariffs raise import prices. IMPLAN's traditional backward linkage capabilities were used to estimate an increase in output. Under an extreme scenario in which all foreign imports are replaced, domestic output would rise by $123.8 million for cabinetry and $420.3 million for upholstered furniture, supporting 563 and 1,833 additional jobs respectively (see Table 2). More realistic scenarios—substituting only 10% or 2% of imports—generate incremental economic gains. Industries most impacted include durable goods wholesalers, owner-occupied housing, truck transportation, and sawmills.

Table 2: Modeling Tariff Impact (Output substitution)

| | Total Jobs Supported | Total Output Effect | Total Value Added Effect | Total Labor Income Effect |
|---|---|---|---|---|
| **Scenario 1. Replace 100% of overseas imports** | | | | |
| Wood cabinets and countertops | 563 | $123,783,617 | $55,558,912 | $36,372,548 |
| Upholstered furniture | 1833 | $420,319,116 | $175,694,615 | $118,079,047 |
| **Scenario 2. Replace 10% of overseas imports** | | | | |
| Wood cabinets and countertops | 56 | $12,378,362 | $5,555,891 | $3,637,255 |
| Upholstered furniture | 183 | $17,569,462 | $42,031,912 | $11,807,905 |
| **Scenario 3. Replace 2% of overseas imports** | | | | |
| Wood cabinets and countertops | 11 | $2,475,672 | $1,111,178 | $727,451 |
| Upholstered furniture | 37 | $8,406,382 | $3,513,892 | $2,361,581 |

## 3.3 Method B: Price matching (Domestic margin increase)

IMPLAN's forward-linkage cost-push capability is used to simulate a price increase equivalent to the tariff amount, estimating how domestic prices rise even if production levels remain constant. Because the tariffs increase upstream costs per unit, dollar-value output increases without any change in real output. This creates a temporary price umbrella for North Carolina furniture producers. An offsetting effect for the state's economy is that the price increases are borne by downstream firms and consumers.

Table 3: Modeling Tariff Impact (Price matching)

| | Total annual cost increase of product | Annual direct cost increase to industries | Annual indirect cost increase to industries | Total cost increase to industries in NC |
|---|---|---|---|---|
| **Scenario 4. Maximum price change (tariff amount)** | **25%** | | | |
| Wood cabinets and countertops | $227,933,946 | $32,865,276 | $3,863,735 | $36,729,011 |
| Upholstered furniture | $791,408,078 | $1,262,768 | $87,041 | $1,349,809 |
| **Scenario 5. Mid-range price change** | **10%** | | | |
| Wood cabinets and countertops | $91,173,578 | $13,146,110 | $1,545,494 | $14,691,604 |
| Upholstered furniture | $316,563,231 | $505,107 | $34,816 | $539,923 |
| **Scenario 6. Low-range price change** | **2%** | | | |
| Wood cabinets and countertops | $18,234,716 | $2,629,222 | $309,099 | $2,938,321 |
| Upholstered furniture | $63,312,646 | $101,021 | $6,963 | $107,984 |

The maximum pricing effect would occur if both domestic and foreign competitors raised prices fully to match the 25% tariff, which represents the upper-bound estimate of potential gains. As shown in Table 3, this maximum price change could produce $227.9 million in annual product value gains for wood cabinets and countertops, with $36.7 million in total cost increases passed along to North Carolina industries purchasing those products. Similarly, under the 25% price umbrella, upholstered furniture manufacturers in the state could experience $791.4 million in increased dollar-value output, with a relatively small $1.35 million in additional costs borne by in-state businesses purchasing these goods. These estimates represent the upper limit of tariff-driven margin improvement for North Carolina producers, a doubtful outcome given competitive pressure. The St. Louis Federal Reserve's model explicitly flags furniture as one of the largest predicted movers; even then, the predicted pass-through on prices is 2% to 4% (Maximiliano et al., 2025). Table 3 provides alternatives to the maximum price umbrella, using 10% and 2% price increases for comparison.

At the most conservative estimate — the 2% effective price change implied by current import exposure — the wood cabinetry sector experiences $2.94 million in added annual cost burdens to North Carolina industries, while upholstered furniture generates $107,984 in added cost. The industries most affected under these moderate cases include construction (both single-family and other new residential structures), manufactured home (mobile home) manufacturing, and nonupholstered wood household furniture manufacturing — sectors that indirectly transmit rising furniture prices into retail and construction markets.

# 4 Discussion: Model Choice, Strengths and Limitations

This study provides a static, short-run assessment of furniture tariffs upon North Carolina's industry using IMPLAN's established price-constant input–output framework. The study also uses a newly available approach through its incorporation of IMPLAN's forward linkage modeling, estimating the impact of tariffs by adding a protectionist "price umbrella" method.

While the research captures immediate economic sensitivity through backward and forward linkages, it would benefit from enhanced modeling. Furniture manufacturers in North Carolina are themselves import dependent: foreign-sourced components—including upholstery fabric, foam, metal hardware, and cabinet parts—are a meaningful share of firms' non-labor costs. When tariffs raise input prices, the protective effect designed to improve output competitiveness is tempered by rising material costs. The lumber tariff, in

particular, contributes to cost-push inflation that the protected manufacturers experience.

Additional limitations relate to price elasticity parameters and supply responsiveness. IMPLAN models assume fixed production and input-output structure. Consumer behavior, dynamic retail margins, supply-chain substitution effects, and long-run adjustments are all outside of IMPLAN's modeling. Furniture demand is price elastic, as with other discretionary household purchases, implying that even modest tariff-driven price increases may suppress sales volumes. On the supply side, the long-term decline in textile mills, sawmills, and case goods production reduced domestic capacity to scale output; therefore, the short-run elasticity of supply is low, restricting firms' ability to replace imports even when tariffs expand the price umbrella. Future research could incorporate both demand and supply elasticities.

Finally, tariff policies affect government fiscal flows, including changes in tariff revenue and tax collections associated with employment and income. These dynamics are part of a complete regional analysis. A next step will be to evaluate how potential responses—such as retail margin adjustments, consumer substitution, and retaliatory tariffs—alter both baseline exposure and the durability of gains.

# 5 Conclusion

The short-run effects of the 2025 tariffs on North Carolina's furniture cluster reflect competing forces. Under an import substitution scenario, modeled through backward linkages, producers could expand market share if they replace foreign imports, generating measurable increases in output, employment, and income. In the most aggressive case—complete import substitution—North Carolina cabinet producers gain $123.8 million in total output and support 563 more jobs, while upholstered furniture producers gain $420.3 million in output and support 1,833 additional jobs. Under a price-matching scenario, modeled through forward linkages, firms may raise prices to match tariff-inflated import prices, resulting in up to $227.9 million in additional annual product value for wood cabinets and $91.4 million for upholstered furniture. At the same time, increased downstream costs of $36.7 million and $1.35 million, respectively, would be borne by North Carolina industries purchasing these goods.

These findings illustrate that the protective effect of the tariffs is tempered. They also suggest that tariff-related price increases may add to affordability concerns in construction and consumer markets. As tariff policy continues to evolve, timely state-level analysis will remain critical for evaluating exposure and identifying impacted firms. Will protectionist tariffs push North Carolina's furniture industry to a new high point?

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