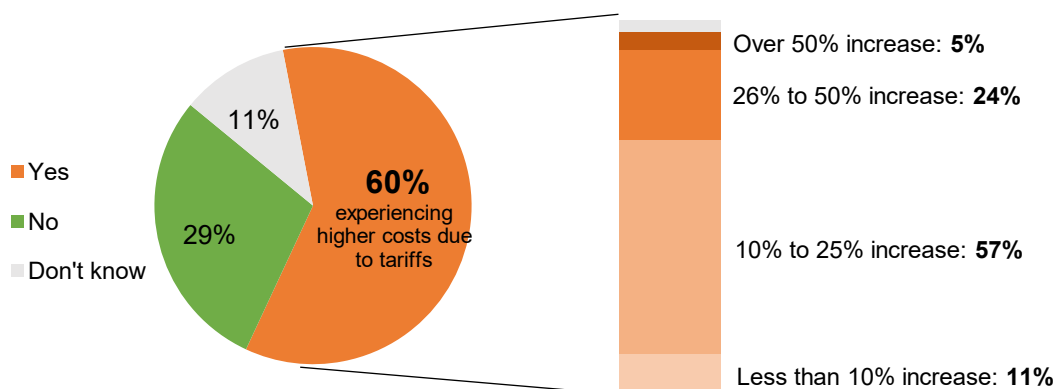


Small business owners say widespread tariffs are negatively impacting their operations

Small business owners have borne the brunt of volatile economic policies in recent months, including the onslaught of an ever-changing tariff landscape. While many small businesses boast American made and owned products, they still rely on international trade and supply chains to support their operations. Tariffs drive up costs for both small businesses and their consumers, leaving Main Street with fewer options to grow and thrive. Unlike large corporations that are more likely to be able to absorb tariff costs and renegotiate with suppliers, small businesses are facing an existential threat to their continued growth.

- In 2023, **of the nearly 250,000 U.S. importers, 92% were small businesses** with fewer than 100 employees. About half (48%) of these small businesses employed less than 50 employees. Altogether, U.S. imports were valued at \$2.7 trillion with small businesses accounting for \$0.6 trillion of that ^{1,2}
- At the start of the tariff uncertainty, our February 2025 polling found that more than **half (53%) of small businesses were concerned about tariffs** negatively impacting their business, and nearly 8 in 10 (77%) feared a negative impact on the U.S. economy. This came as business expenses have increased over the previous three months for 62% of small businesses.
- The share of **manufacturing businesses reporting higher prices for goods and services increased by 10 percentage points** from the last 6 months of 2024, to an average 46% in the first six months of 2025. Similar increases were seen for businesses in the wholesale sector (44% average in first half of 2025, up 11% points) and the retail sector (45% in 2025, up 7% points).³
- Our own July survey echoed these findings, with 67% of small businesses reporting higher expenses over the prior quarter. **60% noted higher costs due to recent increases in tariffs**, with 57% saying costs rose between 10-25%. A quarter of businesses surveyed import goods directly, while nearly half (45%) buy from U.S. suppliers who import from other countries.

Small business owners are experiencing higher costs for imported materials or goods due to recent increases in tariffs



- Only 36% of small business owners are optimistic about their business prospects over the next six months, down eight points from 44% in our April Voice of Main Street Survey. At the same time, there has been a **nine point increase in pessimism since last quarter**, with 46% of small business owners now pessimistic about their business prospects.
- **Tariffs continue to be a major worry this summer, with 81% of business owners concerned** about their impact on their business. Many are taking measures to offset rising costs, such as increasing their prices (31%) and delaying business growth or expansion (27%).

Entrepreneurs tell us how tariffs impact their business and hurt their bottom line

The following quotes from business owners demonstrate the disruptive impacts of tariffs.

"We're seeing tariffs impact about 50% of our invoices now, and some of the items we're purchasing have seen a pretty steep price increase. For example, a small item that cost us \$3.50 last year is now \$5 or more. Based on what I would have to charge on that item to make a profit, I'm not sure those items are even going to sell well enough to justify carrying them. There are also items that I normally would have ordered that I did not purchase recently because I just don't think I could justify the price increase needed to make up for the tariff. And while I would happily order true American-made toys, it's nearly impossible and often doesn't make sense for my business. This is partly because many items that say 'Made in the U.S.A.' often include components sourced internationally, making it almost unavoidable to have anything for sale that is fully escaping tariffs."

Megan Wyatt, Owner of Wit & Whimsy Toys in Granite Bay, California

"We're actively preparing for the impact of the upcoming tariffs on our business by ordering more products we already have contracts for. We're trying to lock in current pricing and ensure we have enough stock. The tariff changes have put significant pressure on current projects we haven't installed yet since they were priced a year ago. We will be installing when prices are significantly higher, which will impact our margins. One of the most challenging aspects has been the effect on government contracts. We were notified we had won several projects, but many have now been canceled or put on hold due to budget concerns tied to rising costs. The uncertainty around pricing and supply chains has made it difficult to forecast demand and secure necessary components. Many of our customers are more cautious about committing to new contracts, and we've implemented a hiring and compensation freeze until we see what happens. If we continue to lose projects, we'll have to let go of some employees."

Galina Kofchock, CEO of Osceola Energy in Albuquerque, New Mexico

"Purcell is a veteran-owned business that manufactures sustainable food dispensers, primarily for corporate campuses and grocery stores. Our manufacturing facility in China is the most cost-effective and efficient option for injection molding, therefore tariffs already have a significant impact on Purcell's operations. Onshoring production to the United States isn't feasible due to our specific manufacturing needs, and relocating to another country like Vietnam is too expensive and financially risky. Additionally, the ongoing uncertainty has made long term planning impossible. Any attempt to move our manufacturing could be undermined if tariffs are lifted from China or imposed on a new country without warning. Purcell is a financially lean company with very low overhead and little debt, so we rely solely on income from sales. Although we received a large product shipment in early March before the higher tariffs took effect, it will only last a few months. When our current inventory runs out, my business will not be viable under the current tariff structure."

David Conway, Co-Founder of Purcell in Santa Cruz, California

"There was simply no way to avoid passing virtually all of this cost on to the consumer because margins are already too narrow. Most toy, hobby, and game shops have net operating margins in the 3-7% range, which leaves very little room for retailers to absorb additional costs, so they get passed on to the consumer very quickly. In a fast-paced global economy, tariffs can actually help foreign rivals by making American companies less competitive. The proposed tariffs also have a negative impact on my cashflow, forcing me to raise the cost of goods just to stock my shelves. So, the negative effect of imposing tariffs is threefold: regressive tax on the consumer in the form of increased costs, plus a delayed cash flow on the part of the retailer, manufacturer, etc., and helping the foreign companies by making US-based companies less competitive. Those negative effects ripple all throughout the supply chain."

Mike Brey, Owner of Hobby Works in Laurel, Maryland

²A Profile of U.S. Importing and Exporting Companies, 2022 – 2023. The U.S. Census Bureau, Department of Commerce. <https://www.census.gov/foreign-trade/Press-Release/edb/edbre12023.pdf>

³ Small Business Majority analysis of the Census Bureau's Small Business Outlook and Trends Survey. <https://www.census.gov/hfp/btos/data>