

Exposure to tariffs for midsize firms by country of origin and industry

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Trade policy has emerged as a significant economic issue of 2025. During February and March, the U.S. government announced tariffs on imports from Canada, China, and Mexico. On April 2nd, sweeping tariffs were announced on imports from nearly every country in the world, with rates ranging from 10 percent to over 100 percent on Chinese imports. On April 9th, some of these tariffs were paused for 90 days, though a 10 percent universal import tariff and a 145 percent tariff on Chinese imports remained in effect. Following negotiations between the U.S. and China, a tariff rate of 55 percent on Chinese imports was announced on June 11th. As we approach the end of the pause on many steep tariff hikes that were announced on April 2nd, it has become increasingly urgent to understand which firms are the most exposed to potential costs.

In a [companion report](#), we analyzed the potential direct costs of tariffs to midsize firms—also known as the middle market—and how these costs are dispersed geographically across the country. In this report, we extend that analysis, looking at the sources of variation in tariff costs to midsize firms across two dimensions: the countries imported from, and the industries of importing firms. As in the other report, we consider three different tariff regimes: the tariffs introduced in the first two months of 2025, the set of tariffs announced on April 2nd, and the tariffs as they currently stand.

Commonly defined to include firms with annual revenues between \$10 million and \$1 billion, the middle market is responsible for about one-third of U.S. private sector revenue and employment (Next Street 2023), and 48 percent of them import (National Center for the Middle Market 2016). While public trade data can be used to estimate tariff costs overall, our proprietary data allows us to estimate tariff exposure to this important segment of the corporate sector.

As in the other report, our estimation only concerns direct costs to firms that physically import goods and is based on trade volumes from 2022, the most recent year for which all data were available. Our analysis cannot account for substitution towards other imports or domestic goods that could reduce tariff costs to importers, nor can we account for domestic price increases that could help offset costs for some importers and benefits due to decreased international competition. Finally, as we do not have product-level data, our analysis cannot incorporate tariffs on specific products such as aluminum and steel, or exemptions such as potash or USMCA-compliant products from Mexico or Canada.¹ See the methodology section for more details on how we estimate tariff costs by industry.

¹ USMCA-compliant goods from Canada and Mexico are exempt from tariffs. Certain other products, such as potash and Canadian energy imports are subject to reduced tariffs. Our analysis cannot account for these exemptions, which could lead to an overestimate of direct tariff costs. However, this overestimate is materially offset by a corresponding underestimate due to our analysis not including product-level tariffs on steel, aluminum and auto imports, which generally apply on top of existing country-level tariffs. The overall impact on our total cost estimates due to these omissions is likely to be small, although it might affect the relative estimates of impacts to individual industries.

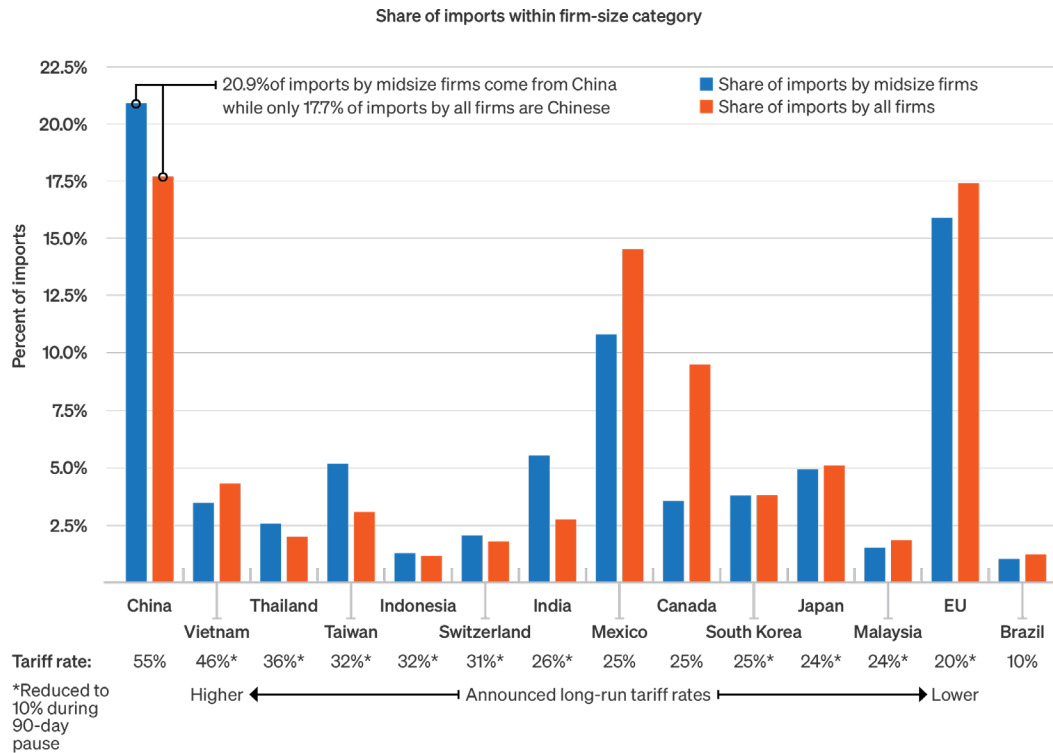
Finding 1: Midsize firms are overexposed to potential high-tariff countries.

In our other report, we showed that the tariffs announced on April 2nd implied a steep increase in direct costs to midsize firms, but that those costs were substantially lowered as many tariffs were temporarily reduced. Proposed tariff rates vary by country, which means that importing firms may have differential exposure based on the source of their imported goods. In Figure 1, we used data from the U.S. Census Bureau to show the share of 2022 imports by midsize firms that came from each of the largest trading partners of the U.S. and compared this to the share of imports by all U.S. firms coming from the same set of countries.² Countries in the figure are ordered from left to right according to the level of tariffs that has been imposed or announced on them, notwithstanding the subsequent temporary tariff reductions to some rates.

This figure illustrates why the tariff increases announced on April 2nd were particularly impactful for midsize firms. Relative to overall imports by all firms, midsize firms imported a much smaller share of their goods from Mexico and Canada, which were hit by tariffs of 25 percent in March. This meant that the impact of the initial tariffs on these two countries, though not insignificant, was relatively mild for midsize firms, on average. Conversely, midsize firms imported an outsized amount from the largely Asian countries that were hit hardest by the tariffs announced on April 2nd, shown towards the left side of the figure. While most of these tariff rates were temporarily lowered to 10 percent, many midsize firms could be vulnerable if the higher tariff rates do come into effect after the pause ends.

² Figure 1 is based on goods import data for 2022 and includes only imports that could be matched to a specific firm in Census statistics. Import shares for the “all firms” series may therefore differ slightly from other data sources that cover more recent years and do not match goods to individual firms. For instance, our dataset shows China as the largest supplier of imports to all U.S. firms, slightly ahead of the EU, but total imports in 2022, including imports that could not be matched to specific firms, were higher from the EU than from China (at \$553 bn and \$536 bn, respectively), though the next three countries in order were still Mexico (\$475 bn), Canada (\$418 bn), and Japan (\$147 bn) ([U.S. Census Bureau 2024](#), exhibit 13, pp. 27-31). In overall trade statistics since then, imports from China have declined to \$439 billion in 2024 ([U.S. Census Bureau 2025](#), exhibit 14, p. 39), while imports from the EU (\$605 bn) and Mexico (\$505 bn) have increased over the same period, and imports from Canada and Japan remained roughly flat. However, import data disaggregated by firm size are not available for 2024 yet. In order to allow for comparisons with midsize firms and to ensure consistency of all our data sources, we use data from 2022, the latest year for which all data in our analysis were available.

Figure 1: Midsize firms imported at higher rates from countries with higher announced tariff rates.



Note: Import shares are based on foreign trade data from the U.S. Census Bureau for 2022. We compute the share of imports separately for all firms and for midsize firms with 50-499 employees. The tariff rates listed under each trade partner ("Announced long-run tariff rates") are those that will apply after temporary pauses expire, barring any trade deals negotiated in the meantime.

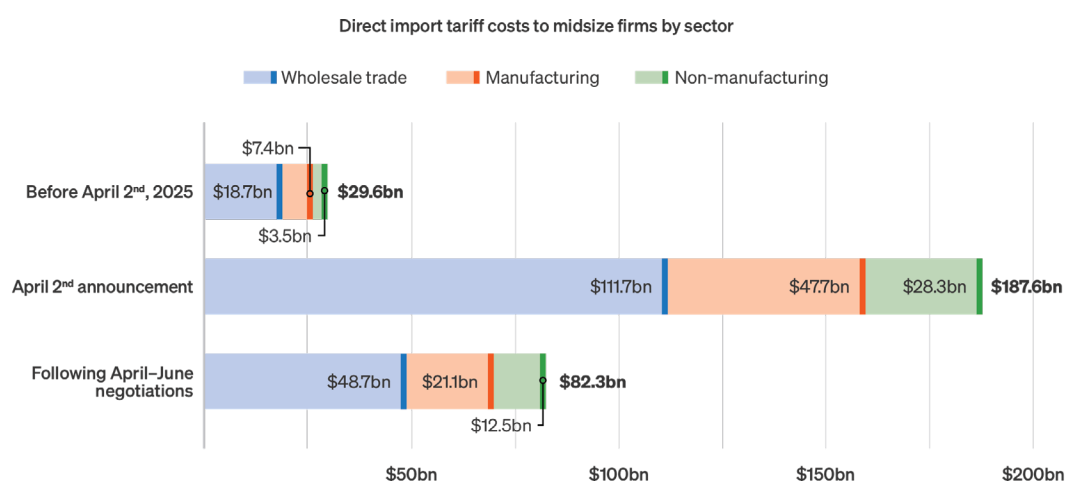
Source: U.S. Census Bureau

The largest share of 2022 imports came from China, which supplied 17.7 percent of total imports to all U.S. firms. After escalations following April 2nd, China initially faced prohibitively high tariff rates of 145 percent. Following trade negotiations, this rate has now been reduced to 55 percent. Although this is a significant decrease, it is still a higher tariff rate than has been announced on any individual country. Since midsize firms have an outsize reliance on Chinese goods, making up 20.9 percent of their total 2022 goods imports, a rate of 55 percent still leads to substantial costs for some segments of the middle market.

Finding 2: Wholesale and retail trade have the highest exposure to tariffs.

Next, we turn to the impact of tariffs on midsize firms by industry. We estimated direct tariff costs to midsize firms broken down by the sector and industry of the importing firm across the three major tariff regimes since the start of the year: the initially announced tariff rates of 20 percent on China and 25 percent on Canada and Mexico, the wide-ranging worldwide tariffs announced on April 2nd, and the current tariffs following the negotiation of a 55 percent rate on Chinese imports and temporary reductions on many other countries to 10 percent.

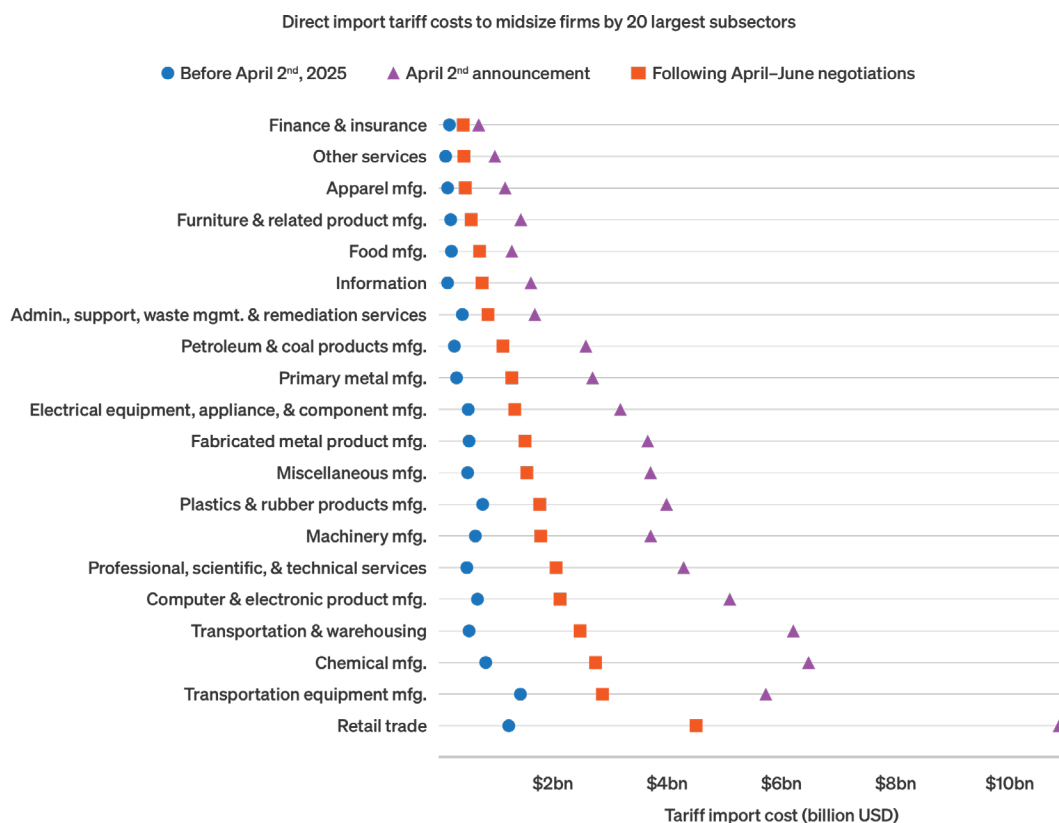
Figure 2: Wholesale trade accounts for over half of import tariff exposure.



Note: Cost estimates are based on the following tariff rates. Before April 2nd: 25 percent tariff on imports from China, 20 percent on imports from Canada and Mexico. April 2nd announcement: Pre-existing tariffs plus 10 percent universal import tariff rate with higher rates on selected countries, and a 145 percent tariff on China after additional retaliation. Following April-June negotiations: Universal tariff rate of 10 percent, higher rates on China (55 percent), Canada and Mexico (25 percent). This scenario reflects current and announced rates as of June 16, 2025.

Source: U.S. Census Bureau, JPMorganChase Institute

Figure 2 breaks aggregate tariff costs down by three top-level sectors: wholesale trade, manufacturing, and non-manufacturing (excluding wholesale). Overall, wholesale trade is the largest importing sector and therefore bears the majority of direct tariff costs in all three scenarios. Because wholesalers may operate on relatively thin margins, a large share of their costs may be passed on to the businesses that buy from them. Estimating the distribution of such indirect costs among industries is beyond the scope of this analysis. However, the large exposure of midsize wholesalers to import tariffs is also important in and of itself. If they raise prices, they may offset some of the tariffs, but doing so could cost them sales. Wholesalers that specialize in importing are especially at risk if their customers switch to domestic inputs. On the other hand, their expertise could also be valuable to clients navigating a volatile tariff environment—particularly midsize clients, who may lack internal resources.

Figure 3: Import tariff exposure varies substantially across the largest 20 subsectors.

Note: Cost estimates are based on the following tariff rates. Before April 2nd: 25 percent tariff on imports from China, 20 percent on imports from Canada and Mexico. April 2nd announcement: Pre-existing tariffs plus 10 percent universal import tariff rate with higher rates on selected countries, and a 145 percent tariff on China after additional retaliation. Following April-June negotiations: Universal tariff rate of 10 percent, higher rates on China (55 percent), Canada and Mexico (25 percent). This scenario reflects current and announced rates as of June 16, 2025.

Source: U.S. Census Bureau, JPMorganChase Institute

For each of the three scenarios we study, Figure 3 further breaks down projected direct tariff costs to manufacturing and non-manufacturing firms (except wholesale) according to subsectors. The figure focuses on the 20 most exposed subsectors out of a total of 39 industries.³ The direct costs of the initial tariffs on Canada, Mexico and China are represented by the blue circles. Under these tariff rates, the transportation equipment manufacturing industry was the most exposed subsector. Although midsize firms do not directly manufacture cars, they often serve as suppliers of parts to larger auto manufacturing firms in the U.S. and abroad.

³ The three top-level sectors are manufacturing (NAICS 31-33), wholesale (42), and everything else. Industries or subsectors are defined as 3-digit groups of NAICS codes for manufacturing and 2-digit groups for non-manufacturing. Due to lack of data, we exclude NAICS codes 92 (public administration), 55 (management of companies and enterprises), and 323 (printing and related support activities).

Forty-eight percent of imports by midsize firms in this industry originate in Canada, China, or Mexico, which explains the relatively high exposure prior to April 2nd.

The direct costs of the full tariffs announced on April 2nd are represented in Figure 3 by the purple triangles. Compared to the initial tariffs, direct costs increased steeply across nearly every industry, though the exact magnitudes varied. Under these higher tariffs, retail trade had the biggest cost exposure of any subsector. Like wholesalers, retailers may also pass on a significant share of costs to their customers. However, retailers typically trade in finished goods and sell to individuals rather than businesses. Any additional costs in this sector are therefore likely to lead to at least some increases to consumer prices. Other industries that would be particularly exposed under the full tariffs include the chemical manufacturing industry, which includes manufacturers of pharmaceuticals and cosmetics, as well as the transportation and warehousing, transportation equipment manufacturing, and computer/electronics manufacturing industries.

On April 9th, the higher tariffs announced a week prior on many countries were temporarily reduced to 10 percent. Tariff rates on imports from Canada and Mexico remained at 25 percent and, initially, 145 percent for China. On June 11th, after negotiations between the U.S. and China, this tariff rate was announced to be set at 55 percent. Projected costs to midsize firms following the temporary and longer-term tariff reductions since April 9th are represented by the orange squares in Figure 3. The reductions offered relief to many firms, though this temporary if some of the tariffs return to higher rates. We reiterate that our estimates do not account for product-level tariffs, so they do not include any cost increases due to the higher tariffs on steel and aluminum effective on June 4th.

Several of the manufacturing industries affected by tariffs are ones where midsize firms are likely to produce intermediate goods used as inputs by larger companies. These include car parts manufacturers in the transportation manufacturing industry, but also firms in the plastics and rubber, primary metal, and petroleum and coal product manufacturing industries, among others. While our analysis focuses on the increased costs these companies could face due to tariffs, the overall impact of tariffs is more ambiguous: As imported inputs become more expensive to larger firms, demand for these domestically produced intermediate goods could increase. For midsize manufacturers of intermediate goods with relatively low reliance on imported inputs, the net impact of tariffs could even be positive. On the other hand, midsize firms that plan to export their outputs may face difficulties if their sector is hit by retaliatory tariffs by foreign trading partners.

Conclusions and implications

Midsize firms are an important and often overlooked segment of the economy. Our findings highlight their exposure to imports from countries that may be subject to relatively high tariffs once the 90-day pause ends, as well as the industries with greater exposure to tariffs. As trade policy continues to evolve, our implications outline the challenges midsize firms face.

Rapid policy developments increase the importance of monitoring several data sources. Since the start of 2025, trade policy has often evolved quickly, with many tariffs being announced, implemented, and in some cases delayed on short notice. Since official economic data often release with a significant lag, alternative data sources may be helpful in spotting early signs of any effects on trade activity and financial health of midsize firms.

Robustness of supply chains is crucial. Our analysis reveals that a significant share of midsize firms exposed to tariffs operate in industries that produce intermediate goods as part of larger supply chains. For those firms, the tariffs may provide an opportunity to strengthen their position as domestic suppliers, provided that the benefits are not outweighed by the higher cost of imported inputs. If one firm cannot deliver intermediate goods, it may have ripple effects to other firms within the same supply chain. Policymakers should consider this when evaluating how tariffs might affect firms.

Business leaders should plan for a range of outcomes. The tariff rates that have been announced so far have varied widely from one country to the next, and we have seen that policy can shift quickly. For these reasons, it can be risky for businesses to rely heavily on imports from one country without an available alternative. Business leaders may want to plan for multiple contingencies and identify possible substitutes for essential imported inputs early on, in cases where this is possible.

Most affected sectors operate on thin margins. Wholesale and retail trade are the most tariff-exposed industries, and these firms often do not have much scope to lower their margins. Therefore, there is a risk that a significant share of costs will be passed on to other firms and to end consumers. This could be particularly painful for the lowest-income households, who are the most sensitive to rising retail prices (Minneapolis Federal Reserve 2024). Policies that support the purchasing power of these households in the face of inflation could both be helpful to the households themselves and help support continued U.S. growth.

As trade policy evolves, policymakers and business leaders should be aware of how midsize firms are exposed to shifts in policy and the role midsize firms play in the economy. Vulnerable midsize firms may need to adapt their business models, which could affect their customers, other businesses, and their regional economies.

Methodology

To quantify potential direct costs to midsize firms, we used a combination of 2022 data from the U.S. Census Bureau and proprietary international payments data for midsize JPMorganChase clients. To estimate direct tariff costs, we performed the following calculation:

$$I_{ic}^M \approx I_c^M \cdot \pi_{ic}^J \cdot \frac{\tau_i^{SM}}{\pi_i^J} \cdot \frac{\varepsilon_i^M}{\varepsilon_i^{SM}}$$

Here, I_{ic}^M is the quantity we estimated: imports by midsize firms (M) in a given industry (i) from a given country (c). To calculate this, we started with the nationwide imports by midsize firms from country c , I_c^M in the equation above, which is available from Census data. We then used our internal data to approximate the share of these imports that go to industry i . This was done through the quantity π_{ic}^J , which is the share of all outgoing transfers to country c by midsize firms in our data that comes from industry i . This term serves as a proxy for that industry's share of imports from country c , but it might be inaccurate if, for instance, JPMorganChase has a larger-than-representative middle market volume in industry i , or if the client base in that industry is more likely to trade than the typical midsize firm. To correct for this, we multiplied by the ratio τ_i^{SM}/π_i^J , where τ_i^{SM} represents the fraction of all U.S. imports by small and midsize firms that go to industry i , and π_i^J is the fraction of outgoing international payments by middle market firms in our data that comes from industry i . The ratio is less than 1 if industry i is overrepresented in our international payments data relative to their share of U.S. trade by small and midsize firms, thereby correcting the previous term downwards, and vice versa.⁴ Finally, we correct for the fact that due to data availability, the previous term included trade by small and midsize firms rather than just midsize firms. Since the relative share of small and midsize firms differs across industries, this could introduce bias if not corrected for: τ_i^{SM} could be small due to a lack of small firms in that industry, not because midsize firms import little. Therefore, we multiply by the fraction $\varepsilon_i^M/\varepsilon_i^{SM}$, where ε_i^M is the share of all U.S. employees at midsize firms that work in industry i , and ε_i^{SM} is the corresponding share of employees at small and midsize firms. If midsize firms are dominant relative to small firms in a given industry, this fraction will be greater than 1 and adjust the quantity τ_i^{SM} from the previous term upwards.

⁴ Note that the terms $\pi_{ic}^J \cdot \frac{\tau_i^{SM}}{\pi_i^J} \cdot \frac{\varepsilon_i^M}{\varepsilon_i^{SM}}$ are intended to estimate the share of imports from country c that go to industry i . Because these are shares, their sum across all industries should equal 1, but since the shares are estimated, the sum deviates slightly from 1. We therefore normalized the terms to sum to 1, ensuring that total U.S. goods imports from each country in our estimation are exactly equal to their true value from Census data.

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