

Exposure to tariffs for midsize firms by metro area

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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. Though tariffs might help encourage domestic investment and onshoring in the long run, the large magnitude and unpredictable nature of these announcements have generated widespread volatility in financial markets.

We estimated the potential direct costs of the recent tariffs to importing firms within an often-overlooked segment: midsize firms, also known as the middle market. This category can be defined in a variety of ways, with a common definition being firms with annual revenues between \$10 million and \$1 billion.¹ While public trade data can be used to estimate tariff costs overall, our proprietary data allows us to estimate total and metro-level tariff exposure to this important segment of the corporate sector. In a [companion report](#), we examine tariff exposure by country of origin and industry.

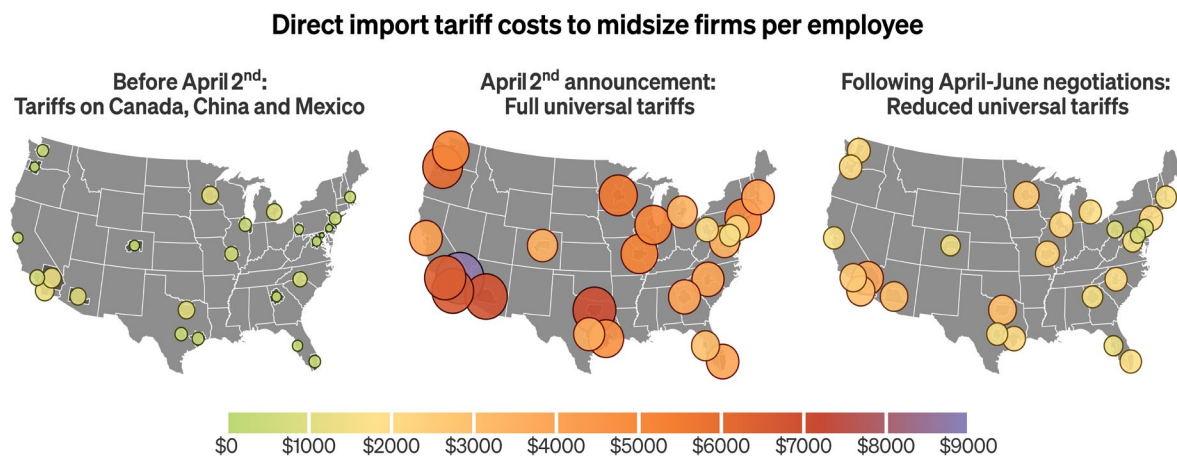
Midsize firms are responsible for about one-third of U.S. private sector revenue and employment (Next Street 2023), and 48 percent of them import (National Center for the Middle Market 2016). Our analysis estimated direct costs under three different policy regimes: the tariffs on China, Mexico and Canada that were in effect prior to April 2nd; the full set of tariffs introduced on April 2nd including further tariff increases on China in the following days; and the situation as it stands after some negotiations and temporary pauses to many tariffs, with current rates of 55 percent on China, 25 percent on Canada and Mexico, and 10 percent on most other countries. Circumstances have changed rapidly in the last few months and may continue to evolve. Our estimates are intended to provide a range of direct costs that midsize firms could face under various scenarios. Policymakers, business leaders, and other decision makers can use these estimates to gauge the relative cost magnitudes of announced policies and potentially interpret subsequent policies within this framework.

Our estimation explicitly considers direct costs, defined as costs to firms that physically import goods and pay the import tariffs, and is based on goods trade amounts from 2022, the latest year for which all data are available. Our estimation thus captures upfront tariff costs to physical importers, which are paid at the moment goods enter the U.S. The analysis does not account for the effect of tariffs on prices—direct importers might raise prices and thereby pass some of

¹ The U.S. Census Bureau categorizes firms by size, measured by the number of employees. In the context of those data, we defined midsize firms as those with 50-499 employees.

the tariff costs on other firms or consumers—nor does it account for any potential benefits that tariffs could generate for midsize firms by reducing international competition. Finally, as we do not have product-level data, our estimates can only account for country-wide universal tariffs, not tariffs or exemptions at the individual product level.² Our methodology section provides more details on our estimation.

Figure 1: Cost estimates for three tariff scenarios across U.S. markets



Note: The sizes of the bubbles represent the estimated annual direct costs to middle market firm of import tariffs per middle market employee in each metro area. Cost estimates are based on the following tariff rates. Before April 2nd: 20 percent tariff on imports from China, 25 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 10 percent, higher rates on China (55 percent), Canada and Mexico (25 percent) This scenario reflects current and announced rates as of June 16th, 2025.

Source: U.S. Census Bureau, JPMorganChase Institute

Figure 1 shows our cost estimates for these three scenarios across U.S. metro areas, expressed in terms of annual direct tariff costs to all midsize firms divided by the total number of employees at all midsize firms in that metro area.³ We use this per-employee measure to allow for a more direct comparison of impacts between metro areas of different sizes. The left panel of the figure shows the costs of the tariffs that had been imposed in the early months of 2025, prior to April 2nd: a 25 percent rate on imports from Canada and Mexico, and 20 percent on imports from China. Impacts from this initial round of tariffs were largest in areas near the border with Mexico and in the Midwest. Our estimate of total direct tariff costs to midsize firms in this

2 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 metro areas.

3 While the calculation of our cost estimates is partially based on data from JPMorganChase clients, we use Census data to scale these numbers to cover all midsize firms in each metro area and correct for sampling biases. Our dataset on the number of employees at midsize firms comes from the U.S. Census Bureau and therefore also covers all midsize firms, including non-clients of JPMorganChase, and including firms that do not import directly. Our estimates thus calculate total import costs per employee averaged across all midsize firms within each metro area, including non-importers.

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scenario are \$29.6 billion, meaning the average cost per middle market employee across the U.S. would be about \$750. At a local level, the cost per middle market employee ranges from around \$80 in Baltimore to \$1,310 in San Diego and Riverside, California.

The center panel illustrates the direct costs of tariffs following the announcement on April 2nd and additional increases on China in the days after. Total direct tariff costs to midsize firms grew more than sixfold to \$187.7 billion, or about \$4,740 per employee on average in the U.S. From Census data, we find average payroll per U.S. middle market employee of about \$66,000. An annual tariff cost of \$4,740 per employee means that midsize firms would, on average, face additional costs of over 7 percent of their payroll. Costs increased sharply nationwide, but increases were more pronounced in the Pacific Northwest and in the Northeast, which had little exposure to the initial tariffs. The spike in costs was driven by higher tariffs on China and the rest of Asia, which affected all parts of the country but with a slight overweight towards the West Coast. Tariff hikes on the EU also drove some additional costs, particularly in the Northeast.

The right panel shows our estimates of direct costs to middle market firms under the current set of tariffs, with a 10 percent universal tariff and higher rates of 55 percent on China and 25 percent on Mexico and Canada. If tariffs remain at these levels, direct costs to midsize firms are substantially lower than under the April 2nd tariffs: Total costs across the U.S. are estimated as \$82.3 billion, or \$2,080 per middle market employee, on average. This represents about 3.1 percent of the average annual payroll of a U.S. midsize firm. However, this is an estimate of the direct costs of tariffs averaged out over all midsize firms, including those that do not import—in practice, some firms are likely to incur higher direct tariff costs than this, while others will bear no direct costs at all. Note that our estimates show the direct costs that would apply if firms continued to import at 2022 levels and pay the associated tariffs. Importers may be able to mitigate the upfront costs in different ways, such as by raising sales prices or switching to suppliers subject to lower or no tariffs. However, doing so might still be costly, as alternative suppliers may charge higher prices. For certain specialized inputs, a viable alternative supplier may not exist.

Our results illustrate the wide range of direct tariff costs to midsize firms depending on policy outcomes. If paused tariffs go into effect again, they could generate major upfront costs for the middle market, while the impact may be modest if future trade deals lead to further tariff reductions from current rates. Though tariffs could stimulate domestic investment and benefit some firms due to reduced international competition, they would lead to significant cost increases for others. This means that midsize firms will have to consider their options carefully as trade policy continues to evolve; firms with suppliers in potential high-tariff countries may need to develop contingency plans for a range of outcomes, weighing short-term cost concerns and longer-term strategic considerations. Our results are also significant for regional policymakers: midsize firms often play a crucial role in regional economies and as part of larger supply chains. If they struggle, it may cause ripple effects for other businesses and their communities. Policymakers should be aware of how tariffs could impact their local economies and how this might affect tax revenues that fund local government services.

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 get an estimate of direct tariff costs, we performed the following calculation:

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

Here, I_{ic}^M is the quantity we estimated: imports by midsize firms (M) in a given metropolitan statistical area (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 MSA 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 MSA i . This term serves as a proxy for that MSA'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 MSA i , or if the client based in that MSA is more likely to trade than the typical midsize firm. To correct for this, we multiplied by the ratio $\varepsilon_i^M / \pi_i^J$, where ε_i^M represents the fraction of all U.S. middle market employees that work in MSA i , and π_i^J is the fraction of outgoing international payments by middle market firms in our data that comes from MSA i . The ratio is less than 1 if MSA i is overrepresented in our international payments data, thereby correcting the previous term downwards, and vice versa.⁴

Once we estimated middle market imports from each country to each MSA, we obtained our estimate of direct costs in each of the three scenarios by multiplying the import amount by the tariff rate that would apply to that country and summing up the ensuing costs of trade with all countries. Finally, we divided total tariff costs in an MSA by the number of middle market employees in that MSA, available in Census data, to obtain costs per middle market employee.

⁴ Note that the terms $\pi_{ic}^J \cdot \frac{\varepsilon_i^M}{\pi_i^J}$ are intended to estimate the share of imports from country c that go to MSA i . Because the shares are estimated, the sum deviates slightly from 1. We therefore normalized the terms to sum to 1, ensuring the 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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