

Trump's Tariffs Are Crushing the Small Businesses That Make Up the U.S. Manufacturing Base

In his inauguration speech, President Trump promised to make the U.S. “a manufacturing nation once again.” One year later, his administration’s policies are having the opposite effect. Since the start of Trump’s second term, the U.S. manufacturing sector has [lost](#) 102,000 jobs and factory construction has steadily [declined](#), with especially notable drops appearing after the April 2025 “Liberation Day” tariff announcements. President Trump’s actions have harmed the manufacturing sector overall, and the economic strain has been especially high for smaller manufacturers.

Most U.S. manufacturing firms are [small businesses](#), which can be ill-equipped to weather the impact of Trump’s complex and rapidly changing tariff policies, higher input costs, and other economic disruptions. Many of these small manufacturers have been forced to [lay off](#) workers, [scrap](#) expansion plans, and even [close their doors](#). In addition, Trump’s reckless war with Iran is likely to further drive up costs for manufacturers, as it has already disrupted the global supply of key manufacturing inputs like [aluminum](#) and [diesel fuel](#).

This Joint Economic Committee – Minority report details the impacts of Trump’s actions and their implications for the U.S. economy and national security. The report includes new Committee calculations and new testimonials that small manufacturers shared directly with the Committee. Key new Committee data in this report include:

- Small manufacturers’ profit margins were **11 percent lower** in the nine months that followed “Liberation Day” compared to the same period in 2024. That decline **brought their profitability to an even lower level than was seen during the pandemic**.
- Among small manufacturers, those focused on **durable goods like vehicles, equipment, and electronics saw their profit margins decline by 24 percent, likely because their inputs have been hit especially hard by tariffs**.
- Between 2024 and 2025, the manufacturing sector saw a nearly **18 percent decline** in applications to form the types of new manufacturing businesses that the Census Bureau identifies as [most likely](#) to hire employees.

The Committee’s findings demonstrate that the manufacturing sector is shrinking at a time when strategically the U.S. needs it to grow. Thus, our supply chains will be more vulnerable and the U.S. could cede leadership of the industries of the future to competitors like China.

Smaller manufacturers report significant financial stress, as tariffs on key inputs and equipment threaten their survival and growth

Small manufacturers are less able to absorb or avoid tariff-related cost increases, which can have severe impacts on their business. The Joint Economic Committee – Minority conducted outreach

to several smaller manufacturers throughout the country to get a better sense of the real-world impacts of the President’s tariff policy. Their responses include:

- A small New Hampshire manufacturer that supplies components to the aerospace and medical equipment industries noted that its sales **decreased by more than 20 percent in 2025 compared to the year before**. Large and unpredictable changes in the costs of specialty equipment from overseas have also made it impossible to solidify plans for an expansion that would significantly increase their annual revenue.
- Another New Hampshire manufacturer that mostly serves the defense sector shared that, while its sales have increased in recent months, prices for key inputs have become nearly impossible to predict – forcing them to update cost estimates after just a few weeks that previously would have lasted for six months.
 - The company leadership also noted that they’d be reluctant to expand their business even in the context of rising sales volumes, given general uncertainty about the economy and recent policy volatility. “I wouldn’t want to buy a building or make any major investments.”
- A third-generation Michigan auto supplier has seen business decline significantly as customers have delayed purchases because of tariffs and uncertainty. **The supplier expects to operate at a loss this year and has had to implement a hiring freeze**. This environment of uncertainty and higher costs means that while “2028 and 2029 should be big new vehicle launch years. . . we’re not seeing the demand we’d expect if that were the case.”

A November [survey](#) by the Federal Reserve Bank of Richmond found that manufacturing firms across the board were seeing significant impacts from tariffs. However, small and mid-size manufacturers were much more likely to have had to increase their prices and reported more uncertainty around their input costs. **Nearly 40 percent of small and mid-size firms reported having to cancel or delay capital expenditures in the wake of the tariffs.**

Recent cost data also show that the prices of key manufacturing inputs like aluminum and steel have risen substantially over the last year – outpacing overall inflation. Related tariffs have almost certainly contributed to these increases, which are making it more difficult for manufacturers to maintain and grow their businesses.

| The Prices of Key Manufacturing Inputs Soared Over the Past Year | |
|--|--------------------------------------|
| Product | Change from March 2025 to March 2026 |
| Manufacturing Inputs | |
| Prices for Copper and Brass Inputs | +21% |
| Prices for Steel Mill Products | +15% |

| | |
|--|------------|
| Prices for Aluminum Inputs | +34% |
| Prices for Semiconductor and Other Electronic Component Manufacturing | +18% |
| Producer Price Index (PPI) - Materials and Components for Manufacturing | +5% |
| Source: United States Bureau of Labor Statistics | |

Trump’s war with Iran is likely to further drive up costs for manufacturers as it has already disrupted the global supply of key inputs like [aluminum](#) and [diesel fuel](#), with the latter being especially important since it is used both to transport goods and in many industrial processes.

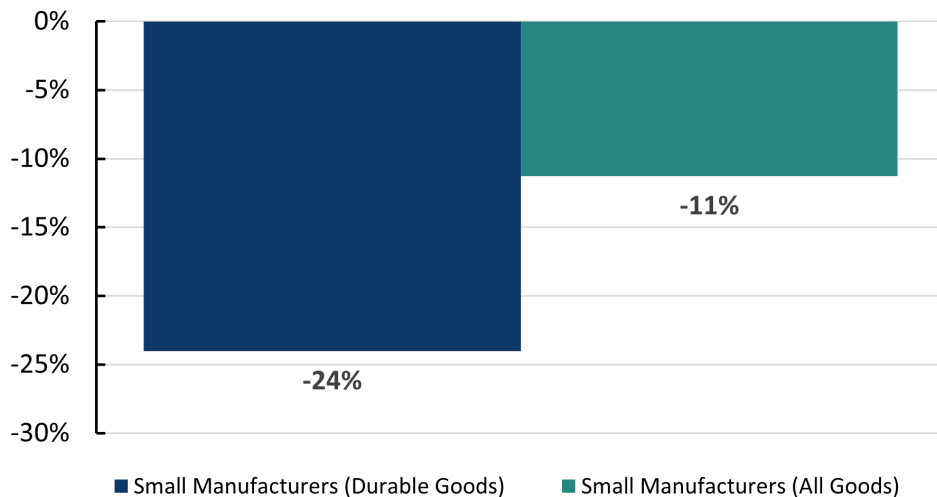
Recent financial data show that smaller manufacturers are facing significant headwinds, with profit margins for some firms down over 24 percent in the last three quarters of 2025 compared to the same period in 2024

Recent financial data from the Census Bureau confirms that these pressures are having a major impact on small manufacturers across the United States. Manufacturers with under \$10 million in assets (the smallest category in the data) saw their profit margins decline by more than 11 percent in the last three quarters of 2025 relative to 2024 – worse than the previous Q2-Q4 low during the pandemic. This decline was significantly greater – a 24 percent drop - for small manufacturers of durable goods (including complex products such as electrical equipment, machinery, and automobiles), which are the most [exposed](#) to trade and the effects of tariffs.

Small firms already operate on comparatively [thin](#) margins and typically have very [limited](#) reserves to help them weather major shocks. As a result, tariffs and uncertainty have immediate and devastating impacts on many manufacturers’ ability to sustain their business and plan ahead.

Small Manufacturers' Margins Are Shrinking Under Trump

Change in average quarterly profit margin (after taxes), Q2-Q4 2024 vs. Q2-Q4 2025



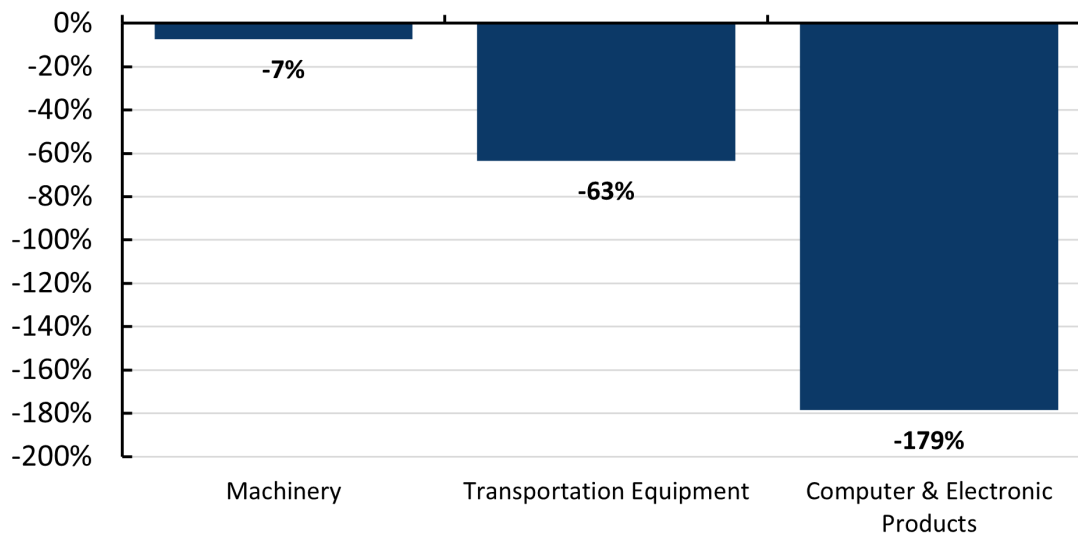
Source: Census Quarterly Financial Report, manufacturers with <\$10 million in assets.



Profit margins have fallen even further for smaller firms in certain industries within the manufacturing sector. In computer and electronic products manufacturing, profit margins plummeted by 179 percent in the last three quarters of 2025 compared to 2024. This massive drop meant that margins were *negative* for these small firms in this period, with the costs to produce goods exceeding what they earned. In the transportation equipment industry, small manufacturers' margins dropped by 63 percent, which left their margins barely above the breakeven point in the third and fourth quarter of last year.

Small Manufacturers in Tariff-Exposed Strategic Industries Are Especially Struggling

Change in average quarterly profit margin (after taxes), Q2-Q4 2024 vs. Q2-Q4 2025



Source: Census Bureau Quarterly Financial Report, manufacturers with <\$50 million in assets.



A [report](#) published in July of last year identified these same industries as among the most exposed to the impact of tariffs, noting that this posed particular concern given their importance to the U.S. national security strategy. The report further noted that even a small decline in profitability could potentially result in disruptions to production.

Recent data on employment and business formation similarly speak to worsening conditions in the sector. At the time of publication, the U.S. had [lost](#) 102,000 manufacturing jobs between December 2024 and March 2026, with the majority of those losses coming after Trump's April 2025 "Liberation Day" tariff announcement. This is a stark contrast to the 540,000 manufacturing jobs that the U.S. [added](#) between December 2020 and December 2024. Additionally, between 2025 and 2024, the Committee found that the manufacturing sector saw a nearly 18 percent drop in applications to form the types of businesses [most likely](#) to hire employees.

Ongoing damage to the manufacturing sector is a boon to China and other competitors, compounding U.S. economic and national security risks

Small manufacturers primarily produce [inputs](#) that are then used by larger manufacturing firms to assemble more complex products like cars and electronics. In some cases, these smaller firms may be the sole source for certain key components, meaning that these companies' financial difficulties could eventually lead to costly and dangerous production disruptions. A 2018 Defense Department [report](#) on risks to the defense industrial base noted, for example, that a single casting producer's bankruptcy in 2016 jeopardized DoD's ability to support Marine Corps expeditionary forces.

These supply chain vulnerabilities also extend to complex consumer products: a fire at a single Japanese chip manufacturer in 2021 took out a [third](#) of global microcontroller supply, which then contributed to a [drop](#) in U.S. car production and a spike in car [prices](#) for consumers. More recently, a GAO [report](#) documented the challenges U.S. aircraft manufacturers have faced in meeting customer demand in recent years, due in large part to insufficient production capacity among the roughly 700 components manufacturers in their supply chain.

The headwinds facing small manufacturers not only increase risks to near-term production – they also threaten the foundations of U.S. innovation and competitiveness. Many of the most economically significant innovations of the 19th and 20th century [originated](#) in the U.S. manufacturing sector, which still accounts for approximately [55 percent](#) of all U.S. private-sector research and development. As suppliers of components to larger firms, small manufacturers' investments in process improvements and better products can have a significant impact on the cost and quality of aircraft and other major U.S. exports. [Prior research](#) has also found that small firms patent novel technologies at a higher rate than large firms – which tend to focus more on incremental improvements to existing products – and generate more innovations per employee.

In addition to the economic strain on small manufacturers from Trump's tariff policies, the administration is also [denying](#) funding for the Manufacturing Extension Partnership, which helps small manufacturers boost productivity and innovation. These supports are crucial to help smaller firms sustain innovation that helps us outcompete China, which has provided significant [subsidies](#) to its own small firms as part of its ongoing effort to [dominate markets](#) for electric vehicles, solar cells, and [other](#) advanced technologies. By forcing small manufacturers to postpone investments, scale back their operations, and even close their doors – while discouraging others from starting out in the first place – President Trump's policies are jeopardizing the future of our economy and national security.