



Tariffs and Policy Uncertainty Dampen 12-month Economic Outlook for U.S. Businesses

September 3, 2025

While business decision makers express increased confidence in the U.S. and their local economy, rising tariff impacts create challenges for growth

DES MOINES, Iowa--(BUSINESS WIRE)--Sep. 3, 2025-- U.S. business confidence remains near historic survey lows according to new [Principal Financial Well-Being IndexSM](#) research, despite a modest rebound from a post-pandemic low reported in April 2025. The Index climbed to 6.80 out of 10 in August, up from 6.02 in April, but remains far below the 8.08 recorded a year ago, as policy changes and new tariffs continue to dampen expectations for the year ahead.

While the Index saw a modest uptick, driven by improved optimism in both the national and local economies, expectations for individual business growth held relatively steady at 58% in August, compared to 56% in April. At the same time, uncertainty remains high: nearly half of businesses (46%) now feel cautious or pessimistic about the economic outlook for the year ahead, a sharp increase from just 29% in July 2024. For many decision makers, general uncertainty due to policy unpredictability continues to be the leading factor influencing growth outlooks.

Tariff impacts begin to materialize

As businesses navigate an evolving policy landscape, the effects of new tariff policies are starting to take hold. More than half of U.S. businesses (58%) report higher tariffs are negatively impacting their operations, with retail (70%) and manufacturing (69%) industries reporting very substantial impacts. Sixty-eight percent of businesses say they have either already raised consumer prices (33%) or plan to do so within the next year in response to tariffs (35%).

Small and mid-sized businesses (SMBs) are increasingly absorbing more of these higher costs due to tariffs as compared to larger businesses. The gap between small and large businesses passing costs on to consumers has widened - from 9 percentage points in April to 12 points in August - underscoring the growing strain on SMBs.

"We've seen businesses continue to adapt since the April tariff announcements," said Amy Friedrich, president, Benefits and Protection at Principal. "But today, business owners are striking a fragile balance — they've absorbed what they can and are now feeling the full weight of new tariffs. An unpredictable economic landscape continues to impede their planning, and the path to sustained growth still feels uncertain."

Labor market remains resilient despite economic pressures

Despite ongoing uncertainty, most businesses remain committed to maintaining their workforce. Nearly half (48%) say they would only consider staff reductions as a last resort, and seventy percent would never, or only as a last resort, reduce or eliminate the employee benefits they offer. In the last three months, half of businesses (50%) have increased staffing while only 13% have reduced it, holding steady with the prior quarter.

"The labor market has shown resilience, despite rising cost pressures," Friedrich said. "Business owners are adapting to tougher conditions and treating layoffs as a last resort. Their priority is keeping teams intact so they're ready to capture growth opportunities when uncertainty lifts."

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¹ As of June 30, 2025

² *Ethisphere*, 2025

³ *Pensions & Investments*, 2023

About the Principal Financial Well-Being IndexSM

[The Principal Financial Well-Being IndexSM](#) (WBI) Wave 2 (July 14-July 25, 2025) is recurring research used to track sentiment

around repeated financial health measures and timely issues relevant to businesses. Business owners, decision makers, and business leader participants who represent companies with between 2 to 10,000 employees (n=1,000) provide information by completing a 15-minute online survey. Access to sample is provided by ROI Rocket, a third-party research panel provider.

In 2025, the WBI added a formal index. The index number in the WBI is calculated by taking responses from 6 perceptual measures evaluating current financial health, financial comparisons year over year, and future projections for business and economic outlook. The percentages of respondents who answered positively for each measure are averaged and standardized to a 0-10 scale, with perceptions of business / company, local economic, and U.S. economic growth weighted 60%, 20%, and 20% respectively within their aggregate measure.

Small businesses = 2–499 employees Large businesses = 500–10,000 employees

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