MarginFirst Advisors

Your First Move to Better Margins

Tariffs, Margins, and Market Shifts: What I'm Hearing From the Field

The new round of tariffs has sparked plenty of headlines — but what's actually happening on the ground? In recent conversations with industry peers, I've heard a range of perspectives that highlight both the immediate realities and the ripple effects still to come.

Steel and Country of Origin Pressures

For some companies, the impact is already clear. Tariffs on steel and country-of-origin rules are leaving very little room to maneuver. The result: higher costs on essential inputs with no easy substitute. At the same time, there's been an uptick in customers shifting sourcing stateside. That creates opportunity for U.S.-based suppliers and service providers, though it also brings its own challenges around capacity and pricing.

Inventory Buffers and the "Lag Effect"

Others haven't felt the full brunt of tariffs yet — but only because they're still drawing down inventories that were already in the U.S. before the tariffs took effect. Once that banked supply is gone, cost pressures will work their way downstream. Companies will face tough decisions: absorb the hit to margins, raise prices to customers, or some mix of both.

Margin Pressures and Global Competition

One theme that came up repeatedly is how uneven the playing field may become. Large multinational companies can leverage their international offices and supply chains to skirt tariffs, while smaller and mid-sized U.S. firms are left with fewer options. This dynamic will force many to revisit their pricing strategies to remain competitive against non-U.S. companies that can source at lower cost.

Strategic Hesitation in Long-Lead Industries

In capital-intensive sectors like semiconductors and data centers, the uncertainty around tariffs and shifting trade policy is already influencing investment decisions:

- **Project Delays:** Some data center developers are pausing or slowing projects as they reassess the cost impact of tariffs on steel, aluminum, and other core materials.
- **Equipment Bottlenecks:** Long-lead components such as transformers, switchgear, and cooling systems — often sourced globally — are becoming more expensive and harder to plan around.
- **Risk Management:** Advisors are urging companies to include tariff-related provisions in contracts and procurement strategies to avoid getting locked into unmanageable cost overruns.

The result is a climate of caution: even when projects aren't outright canceled, many are being held at the starting line until there's more clarity on costs and policy.

Wider Impacts & Emerging Risks

Beyond supply chains and margins, these dynamics are rippling into jobs and consumer markets. Some manufacturers are delaying hiring or scaling back expansion plans as they navigate cost uncertainty. Meanwhile, households may start to feel the pinch too — tariffs on goods like furniture, pharmaceuticals, and heavy trucks are expected to push prices higher once existing inventories run out.

Policy risk also remains elevated. New trade investigations are underway in areas such as medical devices, robotics, and industrial machinery. Additional tariffs have already been announced, with furniture and truck imports facing new duties starting October 1. For leaders trying to plan ahead, it's clear the list of impacted goods is expanding, not shrinking.

The Transitional Moment

For now, the economy is in a kind of holding pattern. Existing supplies are acting as a buffer, but once those run out, the effects will become much more visible. If tariffs remain in place long term, the market will adjust and normalize around a new baseline. In the short

term, though, we're likely to see pricing volatility, margin adjustments, and some hesitation around investment.

A Closing Thought

What strikes me most is how unevenly the impact is being felt. Some sectors are already under pressure, others are bracing for what comes next. In all cases, leaders are thinking hard about how to balance competitiveness, supply stability, and profitability.