

Fiserv Insights

July 2025

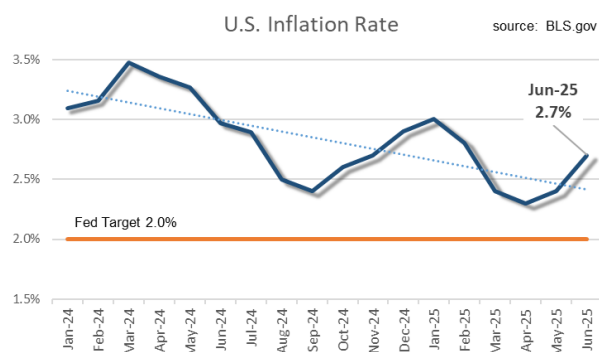
SPECIAL REPORT: Inflation and Tariff Impact Analysis – First Half 2025

As the first half of 2025 concludes, it has been five months since the initial announcement of major trade policy changes. To assess how these changes have affected U.S. small businesses, we analyzed small business performance using the [Fiserv Small Business Index®](#). The analysis covers January to June 2025, with a focus on sales, foot traffic and average consumer spending per transaction. While tariffs have drawn considerable attention due to the uncertainty they introduce, it is equally important to consider the ongoing effects of persistent inflation, which continues to shape the operating environment for small businesses.

What is happening?

- The headline inflation rate came down from 3.0% in January and stabilized around 2.3%-2.4% in early Q2 2025. However, the June inflation rate was 2.7%, an uptick of 30 basis points from May. This supports the signal from the data that average ticket sizes continuing to creep up in June is likely a result of pricing pressures from increased tariff rates and other market forces.
- Demand across small business has slowed from the momentum built up in March. Month-over-month trends reflect this pullback, with June sales declining -1.4% compared to May.
- Average ticket sizes have increased month-over-month since March for small business Food Services and Drinking Places (Restaurants) and Food & Beverage Retailers. But overall, spend per transaction has been mostly stable at Retail and across most services.
- Food Services and Drinking Places (Restaurants), which represent more than 15% of all small business spending, suffered a significant reduction in foot traffic from April to May (-5.6%), and again from May to June (-2.5%). All major segments within the subsector saw demand fall for three consecutive months, including traditional “sit down” dining experiences with waitstaff, bars/pubs/drinking places, and even quick service restaurants. Each of these areas also saw average ticket growth above +4.0% during the same period.

Inflation Overview



Over the last 18 months, the headline inflation rate decreased from a high of 3.5% in March 2024 to a low of 2.3% in April 2025. June's rate increased to 2.7%. The underpinnings of the inflation data suggest the pricing pressures burdening consumers are growing. Shelter, grocery store and some household appliances ticked upward. However, lower consumer demand may be what has limited many

businesses from raising prices thus far. It remains to be seen when or if that will change.

The monthly headline inflation rates for the first half of 2025 are detailed in the table below:

Headline Inflation Trend	Jan 2025	Feb 2025	Mar 2025	Apr 2025	May 2025	June 2025
YoY inflation rate	3.0%	2.8%	2.4%	2.3%	2.4%	2.7%
MoM basis point change	10	-20	-40	-10	10	30

Source: www.BLS.gov updated July 15, 2025

Small Business Performance – First Half 2025

From January to April, small businesses experienced solid performance with annualized sales growth consistently above +2.5% and foot traffic growth well above +4.5%. This suggests relatively stable consumer engagement across small business despite sticky inflation, which has kept the inflation rate above the Fed target of 2.0%. In fact, declines in average ticket size during this period suggest a focus on comparison shopping and bargain hunting. Ultimately, mounting tariff policy uncertainty starting in mid-Q1 triggered a short-lived surge in spending ahead of many new tariff rates that were expected to take effect in April. Continued uncertainty through June has accumulated into a slowdown nationally. New tariff rates have recently been announced to start on August 1 for several countries, including Mexico, Canada, Brazil and the EU. Additionally, a 50% tariff on all imported copper has also been proposed.

The table below shows the national small business annualized sales growth by month through June, along with foot traffic growth and changes in average ticket.

National – YoY Sales Growth by Month	Jan 2025	Feb 2025	Mar 2025	Apr 2025	May 2025	Jun 2025
Sales Growth YoY	5.0%	2.5%	5.6%	3.0%	3.0%	4.4%
Transaction Growth YoY (foot traffic)	6.7%	4.7%	7.3%	6.7%	3.6%	2.2%
Avg Ticket Growth YoY	-1.7%	-2.2%	-1.6%	-3.6%	-0.6%	2.1%
Inflation-adjusted sales growth YoY	1.9%	-0.3%	3.2%	0.7%	0.9%	1.7%

While March showed a surge in transaction activity, which was most likely influenced by tariff concerns (discussed in more detail below), the pace of foot traffic slowed over the next three months, and the average ticket downward trend reversed and jumped in June. Many factors can influence this change, such as the mix of goods and services being purchased, the average amounts being purchased per transaction, the individual price paid for each good or service, or merchants succumbing to pricing pressures and finally passing increases along to their customers.

A close look at month-to-month trends reveals that the shift across small businesses is more pronounced, even from an aggregated national perspective.



National – MoM Sales Growth by Month	Jan 2025	Feb 2025	Mar 2025	Apr 2025	May 2025	Jun 2025
Sales Growth MoM	0.5%	0.2%	1.8%	0.3%	-0.2%	-1.4%
Transaction Growth MoM (foot traffic)	1.2%	1.8%	2.5%	0.1%	-2.8%	-2.0%
Average Ticket Growth MoM	-0.7%	-1.6%	-0.8%	0.2%	2.6%	0.6%

Month-over-month foot traffic growth dropped sharply in May and continued to decline in June, even as average tickets increased significantly. Sales fell by -0.2% in May and declined further by -1.4% in June. In both months, the drop in foot traffic signaled a broader pullback in consumer demand.

A deeper dive into Q2 results reveals how sales and foot traffic have trended across the small business subsectors that typically experience high transaction counts or high price volatility. Listed in descending order of transaction volume, these 10 subsectors represent over 55% of all small business sales.

Month Over Month Shift in Momentum, April 2025 to June 2025 (selected subsectors)	Sales			Foot Traffic (Transactions)			Average Ticket		
	Apr 2025	May 2025	Jun 2025	Apr 2025	May 2025	Jun 2025	Apr 2025	May 2025	Jun 2025
Food Services / Drinking Places (Restaurants)	0.1%	0.1%	-2.6%	0.1%	-5.6%	-2.5%	0.1%	5.7%	-0.1%
Food and Beverage Retailers	0.3%	0.0%	0.9%	0.1%	-0.4%	0.0%	0.3%	0.4%	0.9%
Gasoline Stations and Fuel Dealers	1.5%	-2.2%	-1.3%	1.1%	-1.2%	-0.7%	0.3%	-1.0%	-0.6%
Professional, Scientific, and Technical Services	0.1%	0.2%	-1.0%	0.0%	-0.7%	-0.9%	0.1%	0.9%	0.0%
Ambulatory Health Care Services	0.4%	-0.7%	-3.3%	1.3%	-0.8%	-3.7%	-1.0%	0.1%	0.5%
Merchant Wholesalers, Nondurable Goods	1.6%	0.2%	-2.9%	1.4%	-0.9%	-0.3%	0.2%	1.0%	-2.5%
Merchant Wholesalers, Durable Goods	0.6%	1.4%	-2.7%	1.7%	0.0%	-3.6%	-1.1%	1.3%	0.9%
Clothing, Accessories, Shoe, Jewelry Retailers	-1.2%	0.5%	-4.2%	0.8%	-1.8%	-2.3%	-2.0%	2.2%	-1.9%
Specialty Trade Contractors	0.1%	-0.6%	-0.6%	2.2%	-2.3%	3.8%	-2.1%	1.7%	-4.3%
Motor Vehicle and Parts Dealers	0.3%	-2.9%	-2.3%	0.3%	-2.5%	-2.9%	0.0%	-0.4%	0.6%
Total Retail	-0.1%	-1.0%	-1.7%	0.1%	-0.6%	-1.0%	-0.1%	-0.4%	-0.6%
National (total small business)	0.3%	-0.2%	-1.4%	0.1%	-2.8%	-2.0%	0.2%	2.6%	0.6%

Tariff Impact

Prior to the planned implementation of tariffs in April, the small business sector was benefiting from expanding consumer demand. However, April marked an inflection point, initiating a shift toward slower foot traffic and higher average tickets. The following sections explore how tariff-related dynamics may be influencing these emerging trends.

The Shielding Effect of Service Dominance. Small business volume is dominated by services (70%), while retail and wholesale goods contribute the remaining 30%. The dominance of services helps shield the overall small business ecosystem from direct tariff pressures. Retail and

wholesale small businesses, which import goods from abroad, are likely to suffer direct and indirect price impacts from increased tariffs. Importantly, not all service providers are immune. Many must import products they need to perform services for their customers, like plumbers, electricians and HVAC contractors who rely on special building materials and air conditioning units that can only be sourced from abroad, or optometrists and other health providers who need testing equipment and other medical supplies that are manufactured overseas. Others face higher operational costs or are affected by economic ripple effects, such as changes in consumer spending that affect demand for their services.

Soft demand and cheap inventory kept prices low. Small business retailers may have been reluctant to raise prices at the start of Q2 because demand was clearly starting to taper. After a surge in February and March, foot traffic fell in Q2 through June. This same period also saw retailers forward-buy imported goods to hedge against expected higher prices later, resulting in cheaper inventories. Despite these factors, higher average tickets were observed in tariff-vulnerable subsectors, such as furniture, electronics and auto parts, during these months.

Tariff-induced price increases will take longer to be reflected in the consumer price index (CPI). Tariffs on intermediate goods (i.e., products used in the production of other goods and services) take longer to result in higher prices because they must work their way through production processes. Tariff-influenced price hikes will ultimately be reflected in inflation rates, but the timeline, duration and overall influence remain uncertain. Slowing demand complicates price hike decisions, as many businesses are currently unsure of how much of the price increase to pass on to customers. However, by June, it was clear that some businesses had started raising prices.

Some sectors find opportunities amid uncertainty. A few businesses have been able to find competitive advantage within the disruption and policy uncertainty. Retailers and wholesalers who purchased inventory ahead of expected price increases also required incremental services to move and store the product. As a result, small businesses specializing in transportation and warehousing have benefited from this increased demand.

Transportation and Warehousing	Jan 2025	Feb 2025	Mar 2025	Apr 2025	May 2025	Jun 2025
Sales Growth YoY	6.5%	6.4%	9.0%	4.5%	6.1%	14.1%
Transaction Growth YoY (foot traffic)	12.0%	15.7%	20.1%	3.2%	4.4%	7.4%
Avg Ticket Growth YoY	-5.5%	-9.3%	-11.1%	1.3%	1.7%	6.7%
Sales Growth MoM	1.2%	0.2%	4.4%	1.0%	4.3%	-0.6%
Transaction Growth MoM (foot traffic)	-18.1%	1.8%	8.0%	-1.9%	2.2%	2.1%
Average Ticket Growth MoM	19.3%	-1.6%	-3.6%	2.9%	2.2%	-2.8%

Conclusion

While inflation has stabilized despite remaining sticky and above the Federal Reserve's long-time 2.0% target, tariffs have introduced uncertainty during the first half of 2025. Small businesses, particularly those in service sectors, have shown resilience, but the slowdown in foot traffic and mixed performance across all subsectors highlight the challenges ahead. As the June trends show, the deceleration has continued for three months. Disruption creates opportunities for some, as seen with the growth in the Transportation and Warehousing sector. Monitoring these trends will be crucial for understanding the evolving landscape and supporting small business growth going forward.

About the Fiserv Small Business Index

The Fiserv Small Business Index is derived from point-of-sale transaction data, including card, cash, and check transactions in-store and online across approximately 2 million U.S. small businesses, including hundreds of thousands leveraging the Clover point-of-sale and business management platform. Benchmarked to 2019, the Fiserv Small Business Index provides a numeric value measuring consumer spending, with an accompanying transaction index measuring customer traffic. By measuring monthly activity across 16 sectors and 34 sub-sectors, the Fiserv Small Business Index provides a timely, reliable and consistent assessment of small business performance even in industries where large businesses dominate.

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