

Howl at the Moon

The Gray Wolf Financial Market Update

2025 Tariff Effects on IT Purchasing

Thursday, April 3, 2025

The recent imposition of tariffs on IT hardware will most likely send ripples through the tech industry, significantly increasing costs for businesses and consumers alike. These tariffs, aimed at reducing reliance on foreign manufacturing, have led to price hikes, supply chain disruptions, and longer lead times for essential IT equipment.

The Impact of Tariffs on IT Costs

Industry analysts predict price increases of 10-25% or more, depending on how vendors adjust their pricing and supply chain strategies. For businesses, this means higher procurement costs, potential delays in acquiring new equipment, and challenges in maintaining operational efficiency.

Affected IT Products and Services

1. **Hardware:** Laptops, smartphones, and other consumer electronics are likely to see price increases due to tariffs on components and finished goods imported from China.
2. **Networking Equipment:** Routers, switches, and other networking devices may face higher costs, affecting both enterprise and consumer markets.
3. **Cloud Services:** While less directly impacted, cloud providers might experience increased costs for hardware infrastructure, potentially leading to higher subscription fees.
4. **Managed IT Services:** Providers may adjust pricing to account for increased costs in hardware and software procurement.

Vendors Responding to Tariff Challenges

Several IT vendors have already announced price increases in response to the tariffs:

1. **Apple:** Known for its reliance on Chinese manufacturing, Apple may face challenges in maintaining competitive pricing for its devices. While not explicitly mentioned in recent announcements, Apple has historically adjusted its pricing to account for increased costs due to tariffs and supply chain challenges.



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2. **Dell and HP:** Both companies could see increased costs for laptops and desktops due to tariffs on components. These major players have diversified their supply chains to reduce reliance on Chinese manufacturing. However, they are not immune to the effects of tariffs and may adjust their pricing accordingly. Gray Wolf has heard that Dell may raise prices as soon as the week of 4/7/25.
3. **Cisco:** As a major player in networking equipment, Cisco will most likely adjust pricing very soon.
4. **Microsoft and Amazon:** Cloud services like Azure and AWS could experience indirect impacts through increased hardware costs.
5. **Puget Systems:** This custom PC builder has stated that while it may absorb some of the initial tariff costs, it will inevitably pass these costs on to clients. Graphics cards and accelerators are expected to see the largest price hikes, with rates potentially jumping to 45% by June. Other components like network and storage controllers, chassis, and power supplies are also facing significant increases.

Like Dell, other vendors may apply tariff-related price increases retroactively to existing inventory to offset the financial impact of tariffs on future imports.

Mitigating Risks

- **Stock Up Before Tariff Changes** - Purchase inventory in bulk before tariffs take effect. This ensures competitive pricing for months ahead. This, of course, adds additional challenges around storage and management of the additional inventory, so all of this must be weighed.
- **Negotiate with Suppliers** - Collaborate with suppliers to share costs or adjust payment terms. Open conversations about the tariff landscape can lead to creative solutions.

Looking Ahead

The tariffs on IT hardware underscore the importance of a proactive approach to supply chain management and cost optimization. By staying informed and adopting strategic measures, businesses can mitigate the financial impact of these trade policies and continue to thrive in a challenging economic environment.

Gray Wolf will continue to monitor how the market reacts to the tariffs and work to help our customers mitigate the effects.

