What is the price impact

Price impact is the effect your transaction has on the price of the swap pair. This varies based on the pool size for an AMM. Due to the constant product formula. Let's say you wanted to buy Ethereum from an ETH-USDT pool. If the pool was unbalanced such that there was less ETH in the pool. Then you would need to put more USDT in the pool to purchase 1 ETH. This would mean you lose money due to the price impact. If there was more ETH in the pool, the price would be much lower which is an arbitrage opportunity.