

Supplemental Survey Report

Tariffs and Trade Policy Changes Seen Lifting Prices

Supplementary questions to the August *Empire State Manufacturing Survey* and *Business Leaders Survey* focused on the effects of recent changes in trade policies—and specifically tariffs—on businesses in the region. A couple of these questions had been asked in surveys conducted in August 2017 and earlier.

In the current survey, 77 percent of manufacturers and 55 percent of service firms indicated that, during the past year, at least some of their revenues had come from foreign customers. On average, manufacturers indicated that nearly 12 percent of revenues had come from foreign customers, while the corresponding figure for service firms was 10 percent. These figures were up modestly from the 10 percent and 8 percent figures, respectively, reported in last August's survey.

When asked where these revenues were coming from, the average manufacturer noted that 46 percent came from Canadian customers, followed by 17 percent from European customers, and 13 percent from Asia. For the average service firm, Europe led, representing 31 percent of revenues; Canada followed, accounting for 29 percent; and Asia was next, at 17 percent.

When asked how much, if at all, recent increases in tariffs had raised input costs—either directly or indirectly—68 percent of manufacturers and 44 percent of service firms said at least slightly, with 16 percent and 5 percent, respectively, characterizing the increase as substantial. Businesses were also asked how they saw changes in trade policy affecting the prices

they paid, their selling prices, and other measures in 2018 and in 2019. For both years, roughly three in four manufacturers saw an upward effect on prices paid, and roughly half saw an upward effect on selling prices. Among service-sector respondents, the numbers were somewhat lower, with about a third projecting an upward effect on selling prices in both 2018 and 2019. As for sales, both manufacturers and service firms said they saw a negative effect, on balance, on sales to foreign customers but little or no effect on domestic sales. In assessing the overall effect of trade policies on the bottom line, 51 percent of manufacturers perceived a negative effect in 2018, while 44 percent anticipated a negative effect in 2019. Among service firms, the corresponding proportions were roughly 40 percent for both years. ■

Supplemental Survey Report, *continued*

QUESTION 1

Over the past twelve months, approximately what percentage of your overall revenues came from foreign customers (for example, from exports, services to customers outside the United States, and tourists from abroad)?

	Empire State Manufacturing Survey	Business Leaders Survey
	Percentage of Respondents Reporting	
None	22.9	45.2
Under 10 percent	33.6	27.1
10 to 25 percent	29.0	14.8
More than 25 percent	14.5	12.9
Average percentage of revenues	11.6	9.9

QUESTION 2

If some of your revenues came from foreign customers, roughly what percentage of these foreign revenues came from each of the following parts of the world?

	Empire State Manufacturing Survey	Business Leaders Survey
	Average Percentage of Foreign Revenues	
Canada	46.0	28.7
Latin America	10.4	6.5
Caribbean	1.7	2.0
Europe	16.8	31.1
Asia	13.0	17.3
Rest of the World	12.0	12.0

Supplemental Survey Report, *continued*

QUESTION 3

Are you devoting more or fewer resources to selling/marketing in each of these areas of the world in 2018 than you did in 2017?

	Empire State Manufacturing Survey		Business Leaders Survey	
	Percentage of Respondents Reporting		Percentage of Respondents Reporting	
	Fewer	More	Fewer	More
Canada	3.2	6.4	3.6	5.0
Mexico	8.0	8.8	5.1	3.6
Other Latin America	8.1	4.9	5.1	5.9
Caribbean	8.9	1.6	6.6	1.5
Great Britain	4.9	10.6	6.5	8.0
Other Europe	4.1	10.6	4.3	11.6
China	8.3	9.9	5.1	9.4
India	9.8	4.9	6.5	6.5
Japan	9.0	3.3	5.8	5.1
South Korea	4.1	6.5	5.1	4.4
Other Asia	4.9	5.7	4.4	5.1

QUESTION 4

To what extent, if any, have recent increases in tariffs raised your input costs—either directly or indirectly?

	Empire State	Business Leaders
	Manufacturing Survey	Survey
Percentage of Respondents Reporting		
Not at all	32.0	56.3
Slightly	30.5	27.2
Moderately	21.9	11.3
Substantially	15.6	5.3

Supplemental Survey Report, *continued***QUESTION 5**

What effect do you see changes in U.S. trade policies having on each of these components of your business in 2018?

	Percentage of Respondents Reporting				
	Significant Downward Effect	Slight Downward Effect	No Effect	Slight Upward Effect	Significant Upward Effect
Empire State Manufacturing Survey					
Prices you pay	1.6	3.2	19.8	49.2	26.2
Selling prices	0.0	6.3	45.2	42.1	6.3
Your sales to foreign customers*	8.4	26.3	55.8	7.4	2.1
Your sales to domestic customers	0.8	15.9	65.9	15.1	2.4
Overall net effect on bottom line	7.1	43.7	36.5	11.9	0.8
Business Leaders Survey					
Prices you pay	2.6	4.6	44.1	35.5	13.2
Selling prices	0.0	5.3	62.5	27.0	5.3
Your sales to foreign customers*	3.8	22.5	68.8	5.0	0.0
Your sales to domestic customers	1.3	17.1	65.8	14.5	1.3
Overall net effect on bottom line	3.4	35.8	49.3	11.5	0.0

* Based only on respondents indicating at least some revenue from foreign customers in Question 1.

QUESTION 6

What effect do you *expect* them to have on each of these in 2019?

	Percentage of Respondents Reporting				
	Significant Downward Effect	Slight Downward Effect	No Effect	Slight Upward Effect	Significant Upward Effect
Empire State Manufacturing Survey					
Prices you pay	2.3	2.3	23.4	46.1	25.8
Selling prices	0.0	3.9	44.1	44.9	7.1
Your sales to foreign customers*	10.4	24.0	55.2	6.3	4.2
Your sales to domestic customers	2.4	13.4	65.4	14.2	4.7
Overall net effect on bottom line	10.9	32.8	42.2	10.9	3.1
Business Leaders Survey					
Prices you pay	2.0	4.0	36.4	43.7	13.9
Selling prices	0.0	6.7	58.7	31.3	3.3
Your sales to foreign customers*	8.8	23.8	61.3	6.3	0.0
Your sales to domestic customers	6.0	14.6	62.3	16.6	0.7
Overall net effect on bottom line	9.4	30.9	48.3	11.4	0.0

* Based only on respondents indicating at least some revenue from foreign customers in Question 1.