

Supplemental Survey Report

Tariffs and Trade Policy Seen To Be Pushing Up Prices and Reducing Profits

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. These questions had previously been asked in August 2018, and some of the questions were also posed in earlier surveys.

In the current survey, 72 percent of manufacturers and 45 percent of service firms indicated that at least some revenues came from foreign customers over the past year. On average, manufacturers indicated that 11 percent of revenues had come from foreign customers, while the corresponding figure among service firms was 8 percent. All these figures were moderately lower than when this question was posed in last August's survey.

When asked where these revenues were coming from, the average manufacturer noted that 42 percent came from Canadian customers, followed by

18 percent from European customers, and 13 percent from Asia—not much different than in last August's survey. For the average service firm, Canada jumped to the top of the list, representing 37 percent of revenues, on average—up from 29 percent last year—leapfrogging Europe which accounted for 22 percent of revenues (down from 31 percent). Asia accounted for 18 percent (little changed), while Latin America represented 9 percent (up from 7 percent).

When asked how much, if at all, recent increases in tariffs have raised input costs—either directly or indirectly—79 percent of manufacturers and 60 percent of service firms said at least slightly, with 14 percent and 12 percent, respectively, characterizing the increase as substantial. The data illustrate a considerably more widespread effect of higher input costs among service firms than in last year's survey.

Businesses were also asked how they saw changes in trade policy affecting the

prices they pay, their selling prices, and other measures in 2019 and in 2020. For both years, roughly two-thirds of manufacturers saw an upward effect on prices paid, and roughly 45 percent saw an upward effect on selling prices. Among service-sector respondents, the numbers were somewhat lower but up noticeably from last August's survey: for the current year, 60 percent saw an upward effect on prices paid (up from 49 percent in the 2018 survey), and 39 percent reported an upward effect on their selling prices (up from 32 percent last year). Both manufacturers and service firms said they see a modest 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, results are not much different than those in last year's survey: among manufacturers, 51 percent perceive a negative effect in 2019, and 47 percent anticipate a negative effect in 2020; for service firms, the proportions are just under 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	Empire State Manufacturing Survey	Business Leaders Survey
	August 2019		August 2018	
	Percentage of Respondents		Percentage of Respondents	
None	28.0	55.3	22.9	45.2
Under 10 percent	34.7	19.4	33.6	27.1
10 to 25 percent	24.0	16.5	29.0	14.8
More than 25 percent	13.3	8.8	14.5	12.9
Average percentage of revenues	11.0	7.7	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	Empire State Manufacturing Survey	Business Leaders Survey
	August 2019		August 2018	
	Average Percentage of Foreign Revenues		Average Percentage of Foreign Revenues	
Canada	42.1	37.4	46.0	28.7
Latin America	9.1	9.4	10.4	6.5
Caribbean	0.8	0.9	1.7	2.0
Europe	17.6	22.3	16.8	31.1
Asia	13.1	17.9	13.0	17.3
Rest of the World	17.3	13.4	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 2019 than you did in 2018?

	Empire State Manufacturing Survey		Business Leaders Survey	
	Percentage of Respondents Reporting		Percentage of Respondents Reporting	
	Fewer	More	Fewer	More
Canada	2.2	11.1	5.1	9.4
Mexico	4.5	9.0	1.5	5.1
Other Latin America	3.8	5.3	2.2	4.4
Caribbean	3.8	4.6	2.2	1.5
Great Britain	6.1	7.6	2.2	8.0
Other Europe	5.3	9.1	1.5	10.4
China	6.8	6.1	3.7	5.2
India	4.5	6.8	3.0	5.9
Japan	3.8	5.3	4.5	3.0
South Korea	2.3	6.1	3.0	1.5
Other Asia	2.3	4.6	3.0	6.7

QUESTION 4

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

	Empire State	Business Leaders	Empire State	Business Leaders
	Manufacturing Survey	Survey	Manufacturing Survey	Survey
	August 2019		August 2018	
	Percentage of Respondents Reporting		Percentage of Respondents Reporting	
Not at all	21.4	40.1	32.0	56.3
Slightly	41.4	32.5	30.5	27.2
Moderately	23.6	15.3	21.9	11.3
Substantially	13.6	12.1	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 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	1.4	10.8	18.0	51.8	18.0
Selling prices	1.4	8.6	47.5	35.3	7.2
Your sales to foreign customers*	2.2	20.6	69.9	5.9	1.5
Your sales to domestic customers	2.9	23.7	52.5	16.5	4.3
Overall net effect on bottom line	6.5	44.9	33.3	11.6	3.6
Business Leaders Survey					
Prices you pay	1.9	3.7	34.2	45.3	14.9
Selling prices	1.3	2.5	57.5	33.1	5.6
Your sales to foreign customers*	2.6	8.4	85.7	1.9	1.3
Your sales to domestic customers	3.1	18.2	59.7	16.4	2.5
Overall net effect on bottom line	2.6	35.3	50.0	10.3	1.9

* 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 2020?

	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	1.4	10.1	23.7	48.9	15.8
Selling prices	1.4	7.2	46.0	38.8	6.5
Your sales to foreign customers*	4.4	17.5	70.1	5.1	2.9
Your sales to domestic customers	0.7	23.2	52.2	18.1	5.8
Overall net effect on bottom line	6.5	40.3	36.7	12.2	4.3
Business Leaders Survey					
Prices you pay	1.9	4.3	30.4	52.8	10.6
Selling prices	1.9	5.0	54.1	35.2	3.8
Your sales to foreign customers*	2.6	10.9	82.1	4.5	0.0
Your sales to domestic customers	3.2	19.0	57.6	19.6	0.6
Overall net effect on bottom line	4.5	34.4	48.4	12.1	0.6

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