

Supplemental Survey Report

Strengthening Dollar Hampering Manufacturers

Supplementary questions to the October *Empire State Manufacturing Survey* and *Business Leaders Survey* focused on the effects of foreign exchange rates on business and on foreign trade more broadly. A similar, but not identical, set of questions was asked in January 2015, and also in February 2007 and February 2006.

In the current survey, manufacturers, on average, indicated that roughly 10 percent of revenues came from exports over the past twelve months—down noticeably from 14 percent in January. Service firms, on average, reported that 8 percent of revenues came from foreign customers—about the same as in January. Half of the service firms and 72 percent of manufacturers in our panel reported that at least some revenues came from abroad.

Respondents were also asked how large an effect exchange rate fluctuations in specific currencies (against the dollar) tends to have on their overall sales.

Among manufacturers, the most widespread potential effects on sales were seen as coming from the euro, followed by the Chinese yuan, and then the Canadian dollar (the currency that was seen as having the most effect in response to a similar question in January's survey). Among service sector respondents, the potential effects were seen as greatest from the euro, with only very modest effects reported from the other currencies listed. When asked how the dollar's value had changed against the currencies that most affect their businesses, not surprisingly, a sizable majority of firms in both surveys indicated that it had strengthened. Moreover, considerably more respondents indicated that they expect the dollar to strengthen than weaken in the year ahead—particularly in the manufacturing survey.

Businesses were also asked how changes in exchange rates—that is, the strengthening dollar—have affected various aspects of their business. A

majority of respondents in both surveys indicated no effects. As expected, of those indicating some effects, the reported effect on input prices was favorable, on balance, whereas the reported effect on foreign sales, as well as the prices they charge, tended to be unfavorable. Roughly 80 percent of panelists in both surveys indicated little effect on domestic sales; of the remaining panelists, more businesses indicated a negative than a positive effect on domestic sales. When asked about the bottom line, more than 30 percent of manufacturers noted an unfavorable effect, while just 12 percent indicated a favorable effect—a fairly dramatic shift from January, when slightly more manufacturers actually reported a favorable than an unfavorable effect. Service sector firms also reported a negative effect, on balance, in the current survey, but by a much narrower margin. Looking ahead to the next twelve months, respondents in both surveys expect essentially more of the same. ■

Supplemental Survey Report, *continued*


QUESTION 1

Approximately what percentage of your overall revenues came from exports/foreign customers over the past year?

Percentage of Revenues	Empire State Manufacturing Survey				Business Leaders Survey			
	Percentage of Respondents				Percentage of Respondents			
	October 2015	January 2015	February 2007	February 2006	October 2015	January 2015	February 2007	February 2006
None	28	20	23	20	50	48	51	74
1 to 4	23	17	15	18	15	15	16	10
5 to 9	16	20	21	19	10	8	8	4
10 to 19	18	16	21	25	12	15	15	7
20 or more	15	27	21	18	13	14	10	5
Average percentage of revenues from foreign customers	9.6	14.3	12.2	12.4	7.8	7.9	6.9	3.7

QUESTION 2

How large an effect would you say each of these currencies has on your business (bottom line)?

	October 2015				
	Percentage of Respondents				
	No Effect				Large Effect
Empire State Manufacturing Survey					
Canadian dollar	44.8	22.4	17.6	10.4	4.8
Euro	43.9	17.9	16.3	10.6	11.4
Japanese yen	68.0	11.2	13.6	4.0	3.2
Chinese yuan	58.9	11.3	10.5	12.9	6.5
Mexican peso	72.6	14.5	10.5	1.6	0.8
Business Leaders Survey					
Canadian dollar	71.7	13.3	10.8	3.3	0.8
Euro	61.3	9.2	13.4	10.1	5.9
Japanese yen	80.8	6.7	6.7	3.3	2.5
Chinese yuan	73.3	10.0	9.2	4.2	3.3
Mexican peso	88.3	7.5	2.5	1.7	0.0

Supplemental Survey Report, *continued*

QUESTION 3

Compared with the currencies that most affect your business, would you say that the dollar has gotten stronger, weaker, or stayed about the same over the past year?

	October 2015					January 2015				
	Percentage of Respondents					Percentage of Respondents				
	Weaker	←————→			Stronger	Weaker	←————→			Stronger
Empire State Manufacturing Survey	1.7	7.5	24.2	40.0	26.7	0.0	5.5	36.3	50.5	7.7
Business Leaders Survey	0.9	2.6	33.3	43.9	19.3	0.0	2.3	45.8	39.7	12.2

...and what are your expectations for the year ahead?

	October 2015				
	Percentage of Respondents				
	Weaker	←————→			Stronger
Empire State Manufacturing Survey	0.0	10.1	58.8	28.6	2.5
Business Leaders Survey	0.0	6.1	55.3	36.0	2.6

QUESTION 4

How favorable or unfavorable an effect has the change in dollar exchange rates over the past year had on each of the following components of your business?

	October 2015			January 2015		
	Percentage of Firms			Percentage of Firms		
	Unfavorable	No Effect	Favorable	Unfavorable	No Effect	Favorable
Empire State Manufacturing Survey						
Prices you pay for materials/inputs	13.0	55.3	31.7	6.5	71.7	21.7
Prices you are able to charge	24.2	69.4	6.5	14.1	80.4	5.4
Your sales to foreign customers	33.6	63.1	3.3	20.9	70.3	8.8
Your domestic sales	11.5	82.0	6.6	4.3	85.9	9.8
Overall net effect on your profits	31.4	57.0	11.6	11.1	75.6	13.3
Business Leaders Survey						
Prices you pay for materials/inputs	13.6	63.6	22.9	7.7	75.4	16.9
Prices you are able to charge	15.4	82.1	2.6	10.9	86.0	3.1
Your sales to foreign customers	19.1	78.3	2.6	12.5	82.0	5.5
Your domestic sales	11.4	79.8	8.8	1.6	91.4	7.0
Overall net effect on your profits	17.4	72.2	10.4	8.4	84.7	6.9

Supplemental Survey Report, *continued*

QUESTION 5

Looking ahead to the next twelve months, what effect do you think any changes in dollar exchange rates will have on each of the following components of your business?

	October 2015 Percentage of Firms			January 2015 Percentage of Firms		
	Unfavorable	No Effect	Favorable	Unfavorable	No Effect	Favorable
Empire State Manufacturing Survey						
Prices you pay for materials/inputs	18.5	58.9	22.6	—	—	—
Prices you are able to charge	22.8	69.9	7.3	—	—	—
Your sales to foreign customers	30.3	67.2	2.5	—	—	—
Your domestic sales	11.5	82.8	5.7	—	—	—
Overall net effect on your profits	29.3	61.8	8.9	13.2	62.6	24.2
Business Leaders Survey						
Prices you pay for materials/inputs	16.1	60.2	23.7	—	—	—
Prices you are able to charge	15.5	80.2	4.3	—	—	—
Your sales to foreign customers	17.5	79.8	2.6	—	—	—
Your domestic sales	8.8	79.8	11.4	—	—	—
Overall net effect on your profits	13.5	73.9	12.6	6.3	77.3	16.4