

# Survey: Impact of Tariff Hikes on U.S. Economy

## Businesses Express Widespread Concern Over Proposed Tariff Hikes on Sales and Economic Outlook

Our flash survey finds a sizeable percentage of small and mid-sized businesses actively considering changes to their operating model in response to proposed hikes in Chinese import tariffs.

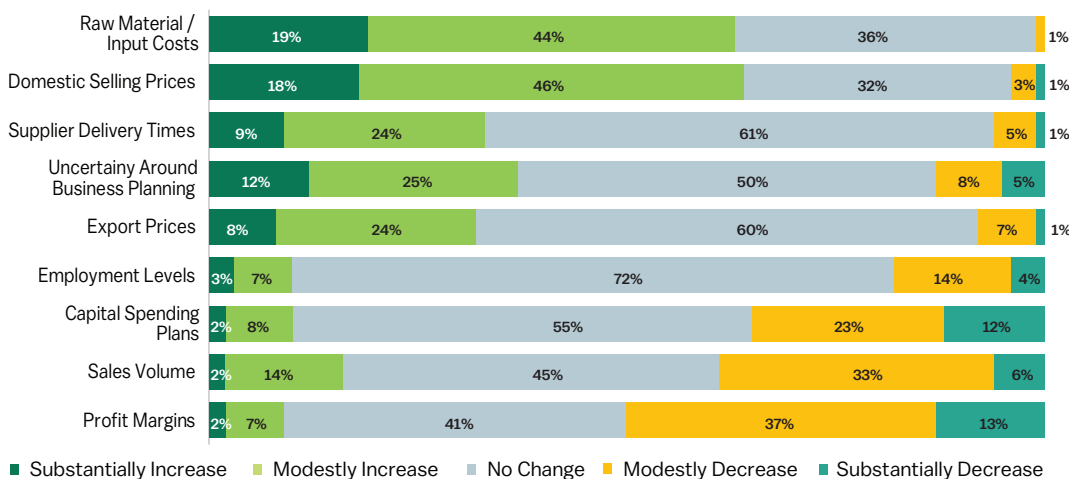
- 77% of respondents expect tariff-related cost increases will have a negative impact on the U.S. economy over the remainder of 2019, and 55% expect a direct negative impact on their business
- 33% expect a modest reduction in sales volume, while 8% foresee significantly lower sales
- 13% expect profit margins to substantially decrease as a result of tariff hikes, while an additional 37% expect a moderate decline in profits
- 27% expect to absorb most or all tariff cost increases, while 38% plan to pass most or all cost increases along to customers

In response to the proposed tariffs, 31% of firms have already raised selling prices and 33% are actively considering this option. A majority of firms are also implementing or considering changes to supply chains and vendor agreements to offset tariff cost increases.

What impact do you feel proposed new import tariffs with China will have on the following aspects of your business over the remainder of 2019?

### SALES AND MARGINS UNDER PRESSURE FROM HIGHER IMPORT TARIFFS

A majority of respondents expect tariff hikes to increase input costs and selling prices, putting significant strain on profit margins, sales revenue and capital investment plans



41%

Expect reduced sales revenue over the remainder of 2019 as a result of proposed tariffs

35%

Expect to reduce capital spending and 18% plan to cut employment levels

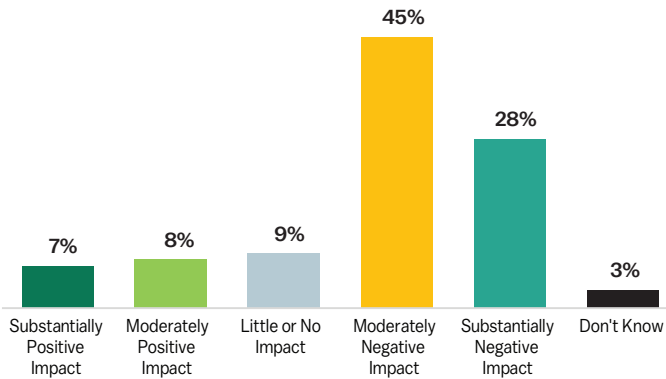
21%

Have already implemented changes to supply chains and an additional 31% are considering it

What impact do you feel proposed new tariffs with China will have on the U.S. economy over the remainder of 2019?

**Widespread Concern About Impact of New Tariffs:**

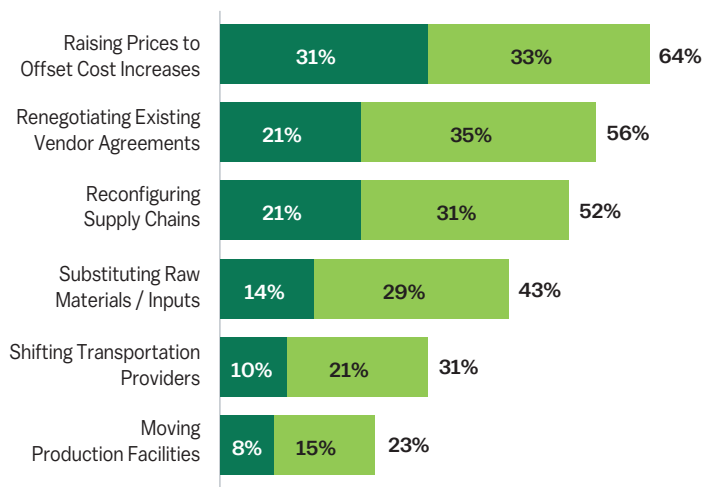
Three quarters of survey respondents expect proposed tariff hikes will have a negative impact on the U.S. economy



What actions has your company already taken or considering in response to the proposed new tariffs with China?

**Companies Scramble to Adjust to Price Shock:**

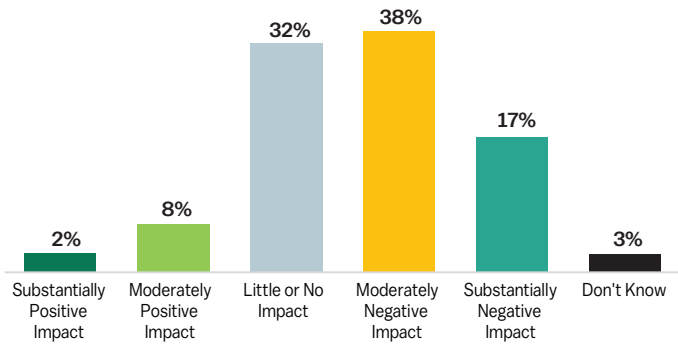
Many firms are considering raising prices, reconfiguring supply chains, and renegotiating vendor agreements



What impact do you feel proposed new tariffs with China will have on your own business in 2019?

**Many See Tariffs Hampering Their Business:**

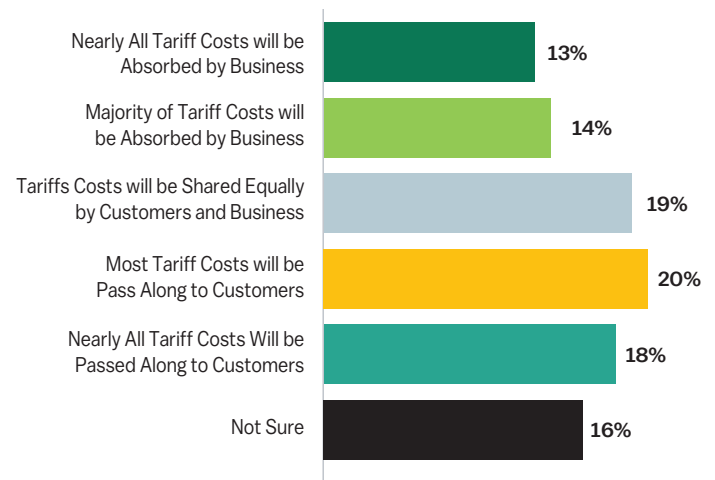
By a 5-to-1 margin, respondents expect proposed new tariffs to have a negative impact on their business over the remainder of 2019



To the extent that proposed new import tariffs with China will impact your business, how do you expect to handle the cost increases?

**Mixed Outlook For Price Increases:**

1-in-4 firms expect their business to shoulder incremental cost increases, while 4-in-10 expect most costs to be passed along to customers



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**SURVEY METHODOLOGY:** An Internet survey was conducted by M&T during May and June 2019 among senior managers and owners of small to mid-sized businesses located throughout the Bank's geographic footprint. A total of 288 responses were received, consisting of 125 Commercial enterprises (annual sales \$10 million to \$500 million), and 163 Business Banking customers (annual sales <=\$10 million).

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