

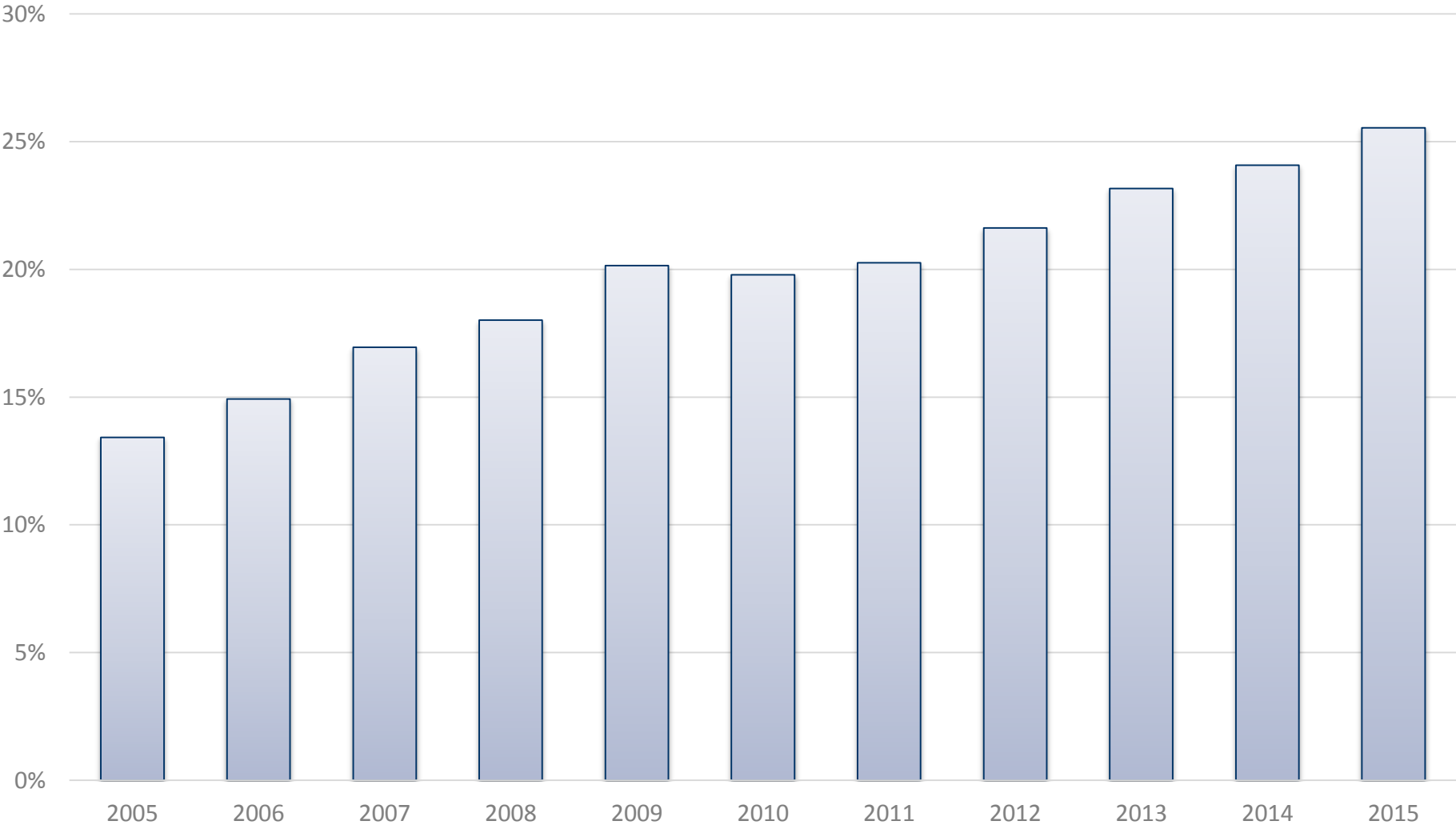
Impact of Tariffs on U.S. Manufacturing

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China Dynamics are Changing

China's Share of Value Added in U.S. Manufacturing Imports Continues to Increase

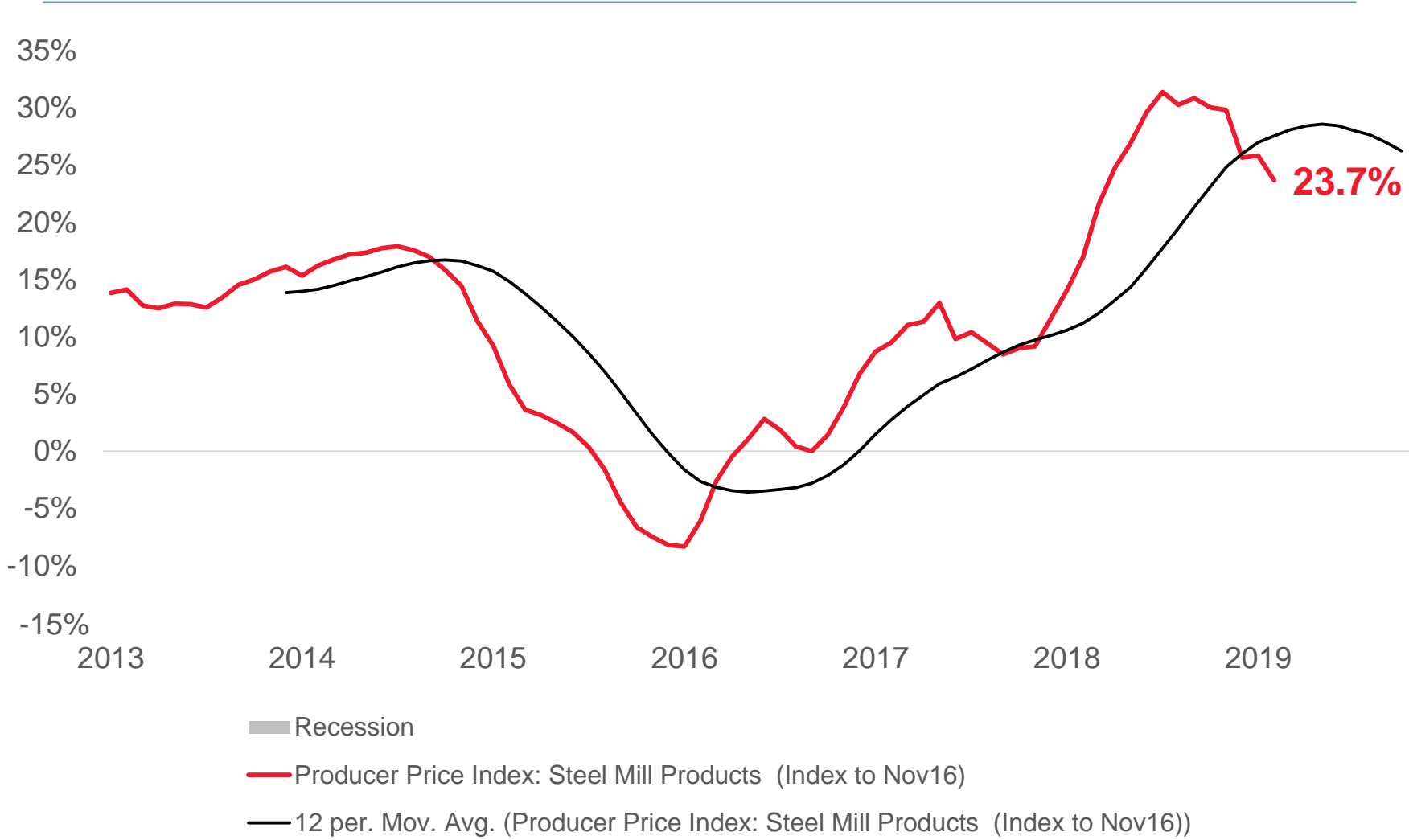


US Manufacturing Not Highly Dependent on Chinese Inputs

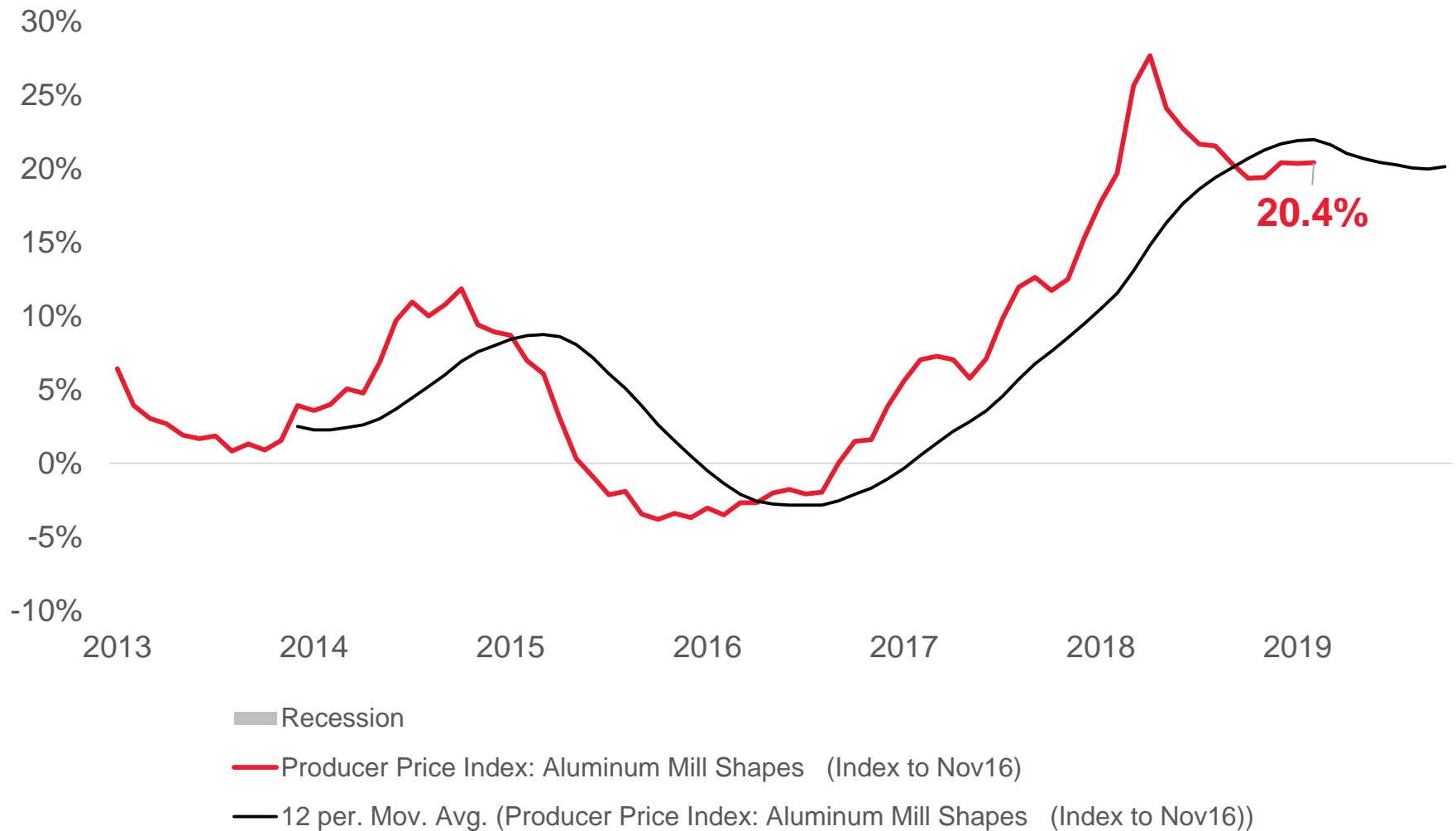
Manufacturing Sector	Percent of Chinese Inputs in U.S. Production	Percent of Chinese Inputs in Mexican Production
Manufacture of computer, electronic and optical products	5.7%	13.6%
Manufacture of machinery and equipment n.e.c.	3.3%	4.1%
Manufacture of electrical equipment	3.2%	6.6%
Manufacture of other transport equipment	2.9%	3.1%
Manufacture of motor vehicles, trailers and semi-trailers	2.8%	3.7%
Manufacture of rubber and plastic products	2.3%	2.3%
Manufacture of furniture; other manufacturing	2.0%	4.4%
Manufacture of textiles, wearing apparel and leather products	2.0%	4.8%
Manufacture of chemicals and chemical products	1.9%	1.4%
Manufacture of basic pharmaceutical products and pharmaceutical preparations	1.9%	2.5%
Printing and reproduction of recorded media	1.7%	1.5%
Manufacture of fabricated metal products, except machinery and equipment	1.6%	2.6%
Manufacture of paper and paper products	1.5%	1.3%
Manufacture of other non-metallic mineral products	1.4%	1.2%
Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials	1.3%	1.1%

Tariffs (Read: Price Increases) Have Been a Storyline Since the Beginning

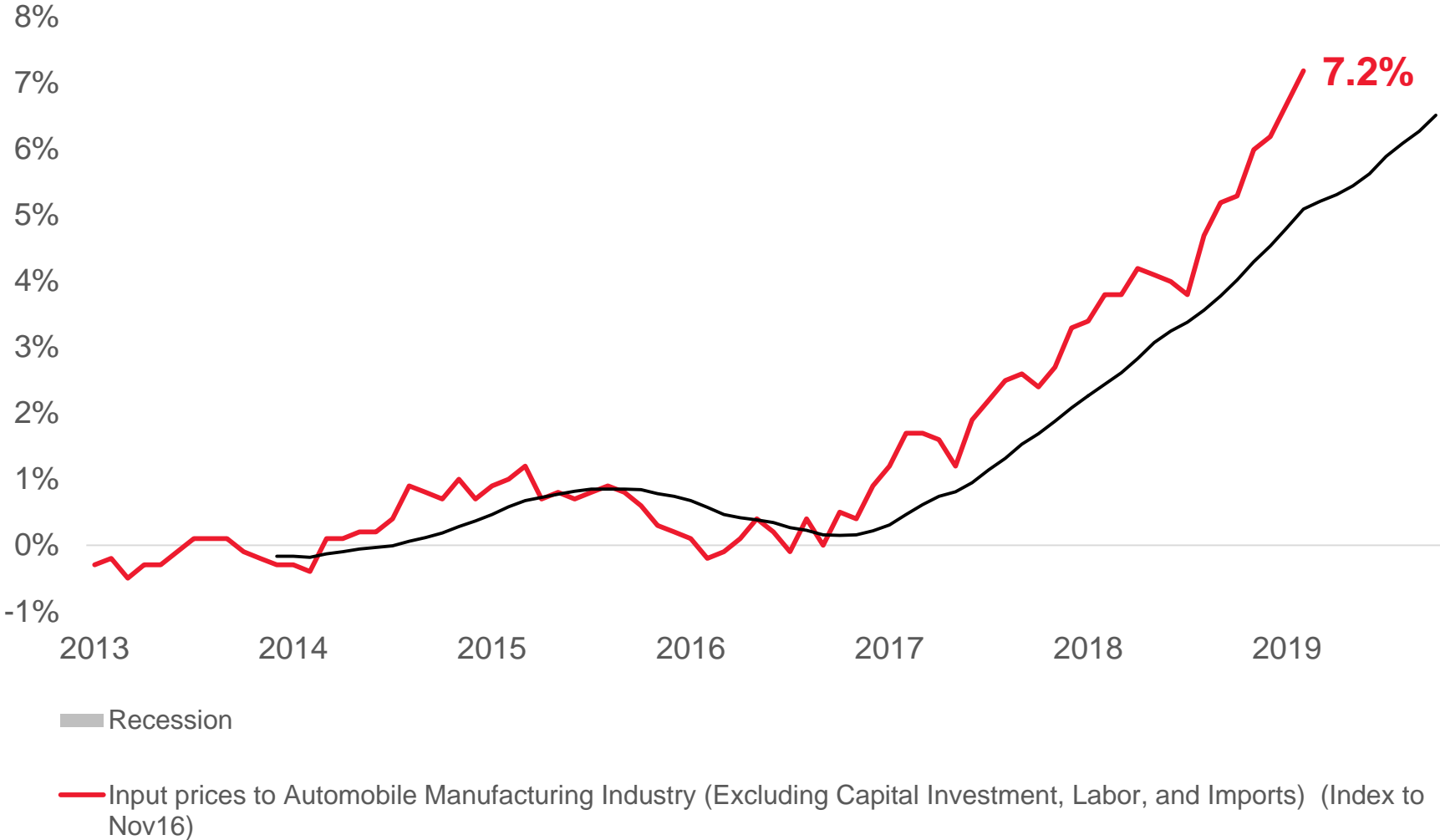
Steel Prices Up 20%+ Since November 2016



Aluminum Prices Up 20%+ Since November 2016

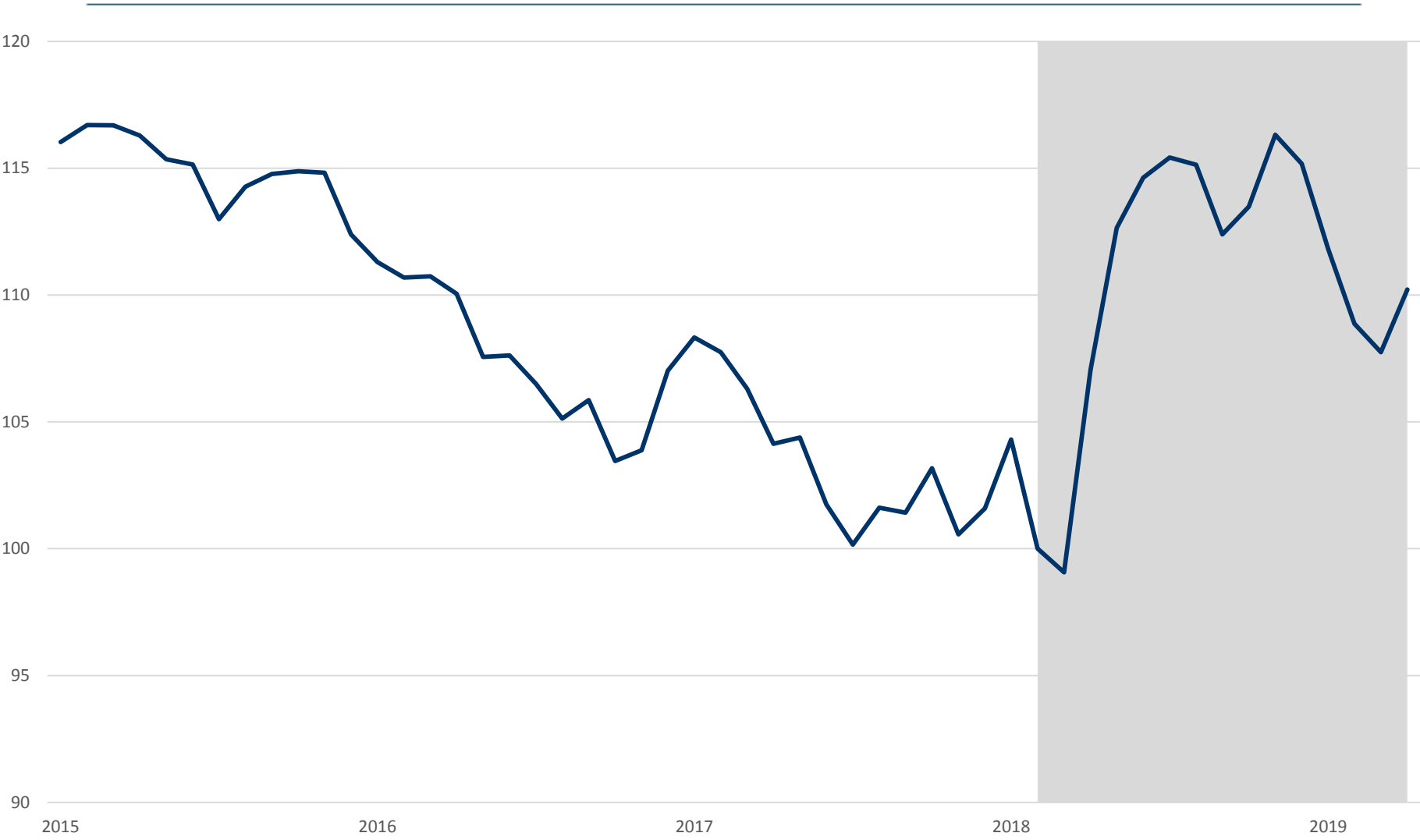


Input Prices for the Auto Industry up 7%

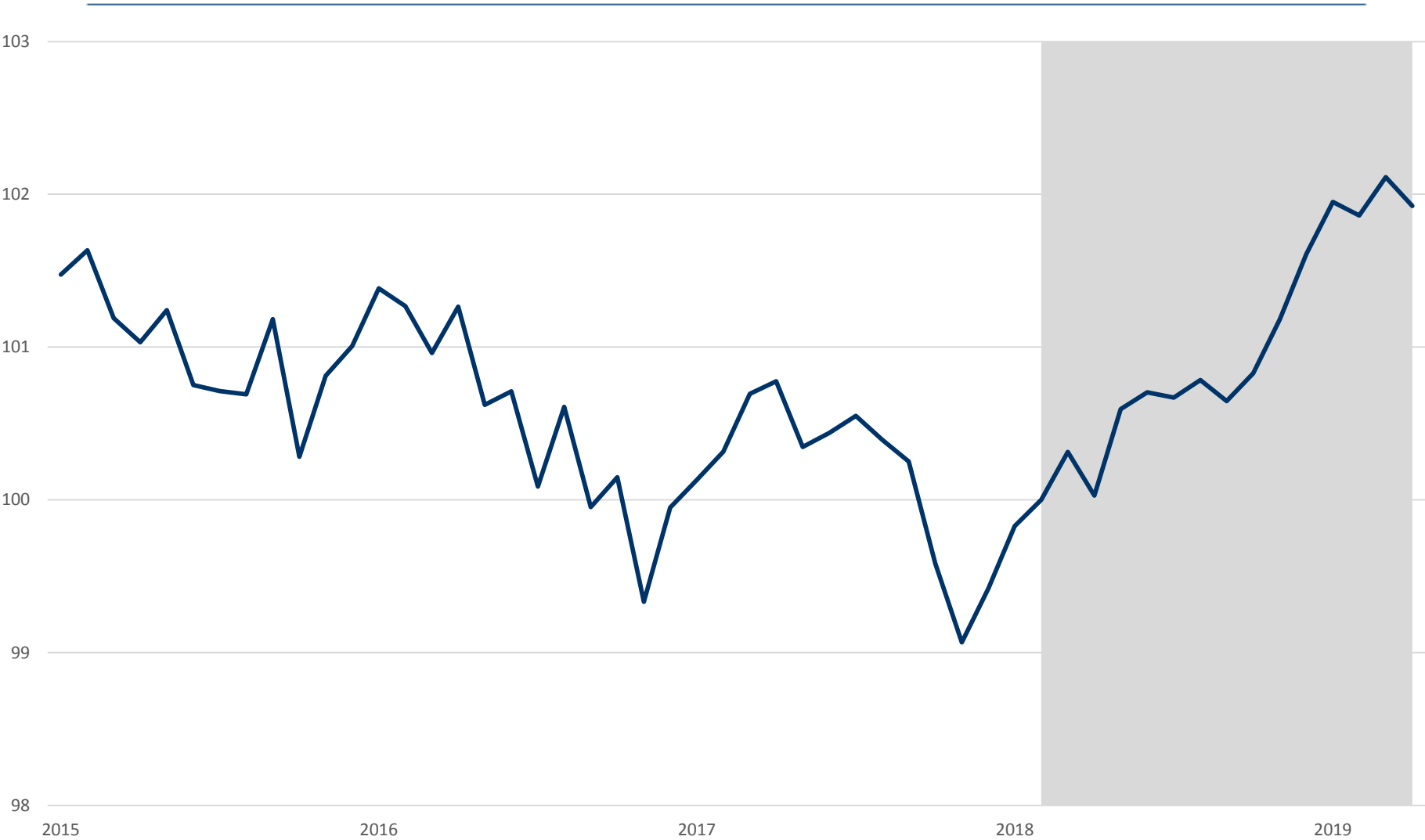


Prices Showing-up at Retail

CPI for Washing Machines up 10% Since February 2018



CPI for Motor Vehicle Parts and Equipment Trending Up



What's Next

Additional Tariffs on Remaining Chinese Imports Will Hit Consumer Goods

HTS	Description	2018 Imports from China (USD)	Share of all imports
8517.12	TELEPHONES FOR CELLULAR NETWORKS OR FOR OTHER WIRELESS NETWORKS	44,779,291,837	79%
8471.30	PORTABLE DIGTL AUTOMATIC DATA PROCESSING MACHINES, WEIGHT NOT MORE THAN 10 KG, CONSISTING OF AT LEAST A CENTRAL PROCESSING UNIT, KEYBOARD & A DISPLAY	38,692,215,865	94%
8517.62	MACHINES FOR THE RECEPTION, CONVERSION AND TRANSMISSION OR REGENERATION OF VOICE, IMAGES OR OTHER DATA, INCLUDING SWITCHING AND ROUTING APPARATUS	23,862,818,587	50%
8473.30	PARTS AND ACCESSORIES FOR AUTOMATIC DATA PROCESSING MACHINES AND UNITS THEREOF, MAGNETIC OR OPTICAL READERS, TRANSCRIBING MACHINES, ETC., NESOI	16,083,122,437	60%
9503.00	TRICYCLES, SCOOTERS, PEDAL CARS AND SIMILAR WHEELED TOYS; DOLLS' CARRIAGES; DOLLS; OTHER TOYS; ETC	11,928,003,475	84%
9504.50	VIDEO GAME CONSOLES AND MACHINES, OTHER THAN THOSE OF SUBHEADING 9504.30	5,366,412,119	98%
8504.40	ELECTRICAL STATIC CONVERTERS; POWER SUPPLIES FOR ADP MACHINES OR UNITS OF 8471	5,034,604,224	50%
8528.52	OTHER MONITORS CAPABLE OF DIRECTLY CONNECTING TO AND DESIGNED FOR USE WITH MACHINES OF HEADIN 8471	4,649,044,639	84%
9401.61	SEATS WITH WOODEN FRAMES, UPHOLSTERED, NESOI	4,134,800,026	67%
9403.20	METAL FURNITURE, NESOI	4,106,259,631	71%
9405.40	ELECTRIC LAMPS AND LIGHTING FITTINGS, NESOI	3,258,300,727	71%
4202.92	CONTAINER BAGS, BOXES, CASES AND SATCHELS NESOI, WITH OUTER SURFACE OF SHEETING OF PLASTICS OR OF TEXTILE MATERIALS	3,214,365,828	71%
8544.42	ELECTRIC CONDUCTORS, FOR A VOLTAGE NOT EXCEEDING 1000 V, FITTED WITH CONNECTORS, NESOI	3,182,906,272	56%
6404.19	FOOTWEAR, WITH OUTER SOLES OF RUBBER OR PLASTICS AND UPPERS OF TEXTILE MATERIALS, NESOI	3,038,639,493	70%

Impact on Supply Chains...It Depends

- Temporary Change => Grin and Bare it
- Permanent Change => Adjust Sourcing Relationships, Facility Locations
 - Does this result in a second-best outcome?
- What's the opportunity cost?

Questions

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