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The impact of tariffs on manufacturing in Veneto

The same manufacturing companies in the sample used for economic monitoring, as mentioned above, were asked a series of questions to understand the impact of tariffs. 1,994 companies with at least 10 employees responded, of which 51% were exporters and 49% operated exclusively on the domestic market. **Within this universe, 39% of the total sample exports to the United States, while the remaining 61% has no direct exposure to that market.** This first figure already indicates significant heterogeneity in exposure to the tariff shock, which will then be reflected in the distribution of the observed effects.

Focusing on **companies exporting to the United States (776 units)**, it is clear that the direct **impact of tariffs has been far from uniform**. The largest share, equal to 66% of the subgroup (26% of the overall sample), reports no impact. However, a significant fraction of 30% of US exporters (12% of the total) report negative effects, mainly in the form of an actual reduction in orders. Other effects included, to a lesser extent, the postponement or cancellation of new contracts (5% of the subgroup) and more complex dynamics linked to the anticipation of demand when the tariffs were announced (4%). The positive effects, on the other hand, are marginal, accounting for around 1% of the subgroup.

A particularly significant factor concerns the **strategies adopted by companies in response to the shock**. Again, considering only companies directly exposed to the US market, two distinct behaviors can be observed: among those that do not report negative effects, a large majority (83%) **do not even feel the need to change their strategy in any way**, probably aware of a competitive advantage that makes them less sensitive to the tariff barrier. The situation is reversed among companies that report negative effects: 60% of them adopt adjustment strategies, mainly by diversifying into other foreign markets or strengthening their domestic market. The situation is reversed among companies that are experiencing negative effects: 60% of them are adopting adjustment strategies, mainly by diversifying into other foreign markets or strengthening their commercial position in the Italian or European Union market. Even within this group, however, 40% of companies remain inert and do not change their strategy: a target that needs to be understood, whether it is simply a wait-and-see approach (hoping that this is a temporary and not a systemic shock) or whether it is because they are doing nothing because they do not have the tools to react.

Similar considerations emerge when **analyzing pricing policies**. The most frequent response in both subgroups is **no change in prices**: this applies to 87% of companies without negative effects and 44% of those affected. Among the latter, however, there is a greater variety of strategies: 18% absorb the costs by reducing margins and 27% adopt combinations of measures affecting prices, efficiency, and margins. Only a limited proportion, 9%, pass on the burden of the duties to sales prices. This picture highlights how the adjustment mechanism takes place mainly within the company, rather than through *pass-through* to the final markets.

While the direct effects appear to be limited, the indirect effects are more widespread and

cross-cutting, especially among companies that do not export to the US: 36% of this subgroup report having suffered consequences in terms of *'greater uncertainty that has slowed down commercial or investment decisions'* (17%), *'reduced demand from customers who are themselves exposed to the US market'* (12%), *"increased costs along the supply chain"* (10%), *and "revision of prices or margins"* (8%). Applying these results to the overall sample, it can therefore be said that approximately 18-20% of all manufacturing companies in Veneto are indirectly affected by the tariffs.

Analysis of the **characteristics of the affected companies** helps to further clarify the nature of the shock. Companies reporting **direct negative effects are on average larger** (65 employees per company compared to 61 in the overall sample) and more concentrated in medium-high turnover classes. Companies reporting direct negative effects are on average larger (65 employees per company compared to 61 in the overall sample) and more concentrated in medium-high turnover classes: 50% have a turnover of more than €5 million, compared to 34% of the overall sample. Forty-one percent belong to the intermediate goods sector, 35% to consumer goods, and 24% to investment goods. However, a comparison of this distribution with the sectoral composition of the overall sample shows that the companies most sensitive to tariffs are those in the industrial machinery sector (16% compared to the average weight of 9%), followed by those in the wood and furniture sector (12% compared to the average weight of 8%), suggesting greater vulnerability in sectors linked to more cyclical demand that is sensitive to international conditions.

On the contrary, the **indirect effects** seem to affect **companies that are on average smaller** (48 employees compared to 70 among those not affected) and more integrated into global value chains as suppliers, as evidenced by the high incidence of intermediate goods (54% compared to the average weight of 47% in the overall sample), with particular reference to companies operating in the metal carpentry and wood-furniture sectors that operate in the components sector. Other sectors that show significant exposure to the indirect effects of tariffs include the fashion industry, industrial machinery, and electrical equipment.

Overall, the data paints a complex picture in which the direct effects of tariffs are relatively concentrated, while the indirect effects are more widespread through production and trade links. At the same time, there is significant heterogeneity in the ability of companies to react, with some areas showing inertia or a wait-and-see attitude, while others show clear signs of adaptation among the most exposed businesses.

2. Summary for the press

The survey of nearly 2,000 manufacturing companies in Veneto highlights how US tariffs have had a **differentiated** and, overall, **more indirect than direct impact** on the regional production system.

Approximately 39% of the companies surveyed export to the United States, but only 30% of these report direct negative effects, equal to 12% of the entire sample. Most exporters (66%) report that they have not experienced any significant impact. **When present, the**

negative effects are mainly manifested through a reduction in orders (20% of US exporters) and, to a lesser extent, through the postponement or cancellation of new contracts.

The indirect effects are more significant, extending even to companies not directly exposed to the US market. In fact, 36% of companies that do not export to the US report consequences related to tariffs, mainly in the form of **greater uncertainty** (17%), reduced demand along the supply chain (12%), and increased costs (10%). This data highlights how the tariff shock has spread along value chains, affecting a wider range of companies.

From the point of view of **strategic reactions, cautious behavior prevails**: even among the affected companies, 40% have not changed their strategy. However, a significant proportion have initiated adaptation processes, through **diversification into other foreign markets (39%) and strengthening the European market (27%).** On the pricing front, most companies have chosen not to pass on the higher costs to customers, absorbing them internally or improving efficiency.

Analysis by company characteristics also shows that the **direct effects mainly affect medium-large companies** focused on investment goods, while the indirect effects mainly affect **smaller companies** integrated into production chains and positioned in the intermediate goods sector.

Overall, the results indicate that the tariffs have had a limited but not negligible impact, especially through indirect and uncertainty channels, confirming the central role of global value chains in the transmission of trade shocks.