April Macro Brief: Special edition

Tariff distress

April 30, 2025

accenture

Macro Foresight

About this document

The monthly brief is intended to inform executive teams, boards and investors on the state of the economy. It has been prepared based on data as of April 28, 2025.

Each brief includes a summary of global business-relevant macroeconomic developments, and a set of indicators that track the overall health of the economy, business activity and consumers.

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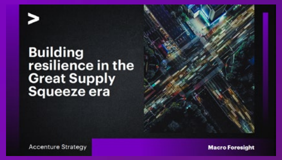

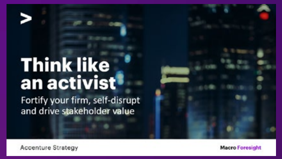

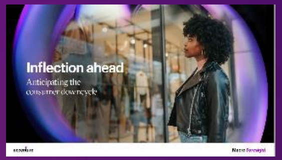

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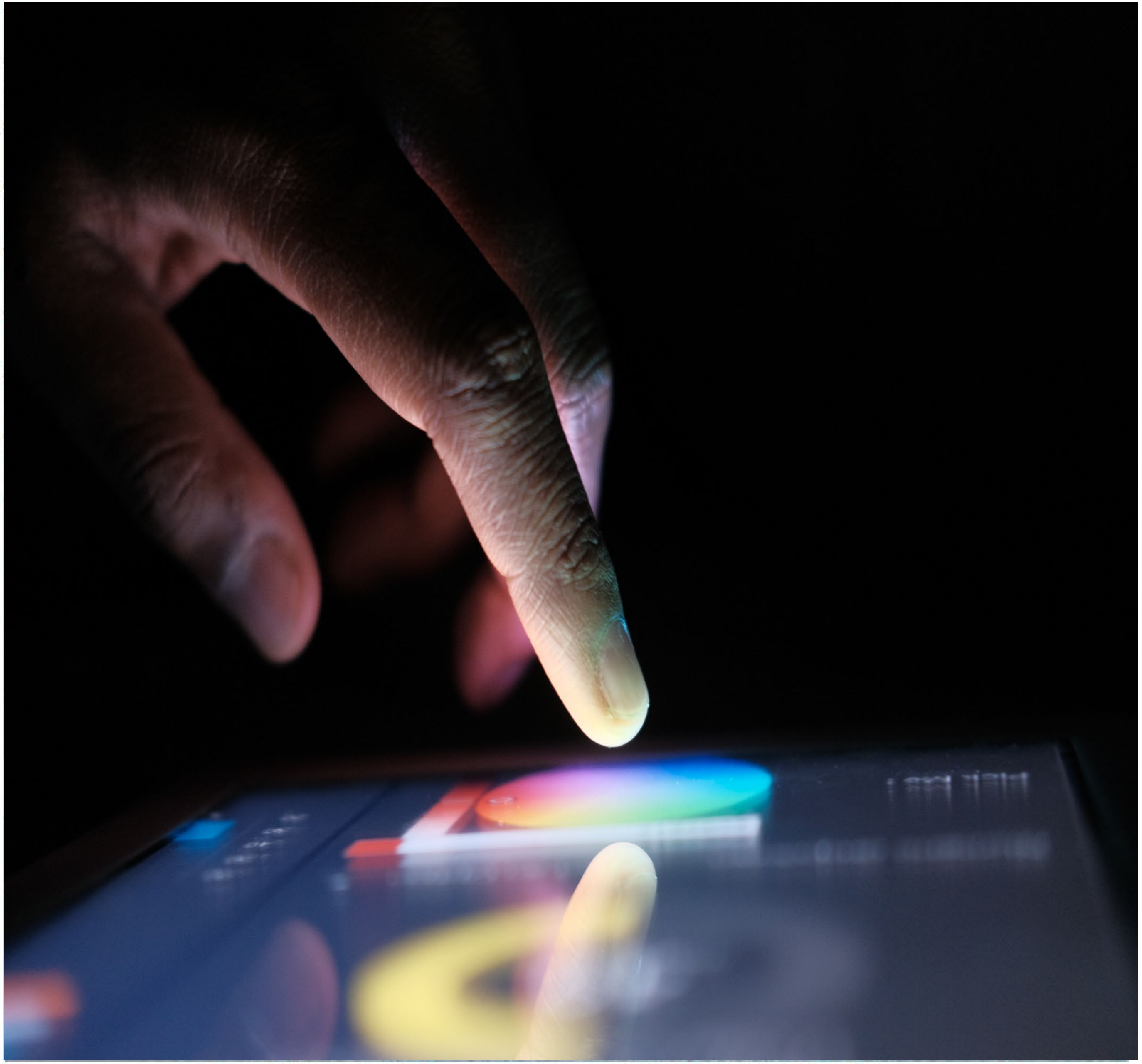

Executive summary

April 2025
Executive summary

Tariff developments

- **US tariff policies thus far in 2025 have been considerably more aggressive than during Trump's first term, threatening a significant slowdown in global economic growth as inflation expectations accelerate, consumer confidence drops, and business investment plans remain in flux:**
  - The US' effective tariff rate has risen dramatically from a mere 2.4% at the end of 2024 to an estimated 25%, its highest level since the early 1900s, highlighting the magnitude and velocity of the associated macroeconomic shock
  - Ongoing Section 232 investigations into pharmaceuticals, copper, lumber, semiconductors and critical minerals will likely lead to additional tariffs on these products, and could drive the effective tariff rate up another 13 p.p. or more
  - Recent data are showing some early impacts, with US Q1 real GDP down 0.3% due to frontloading of imports and weaker consumer spending
- **Going forward, uncertainty around the US' tariff trajectory and strategic objectives remains high, with three broad scenarios still in play:**
  - **Pragmatic de-escalation**, where reciprocal tariffs are negotiated down and the effective tariff rate increase is limited to 11-13 p.p.
  - **Holding the line,** where higher reciprocal tariffs are re-instated and the effective tariff rate increase remains in the vicinity of 25 p.p.
  - **Disorderly escalation**, where the effective tariff could rise by more than 40 p.p. and foreign retaliation is significant
- **As of the end of April, the trend is towards the de-escalation scenario (with stricter stance on China)**, but could revert to "holding the line" once the 90-day reciprocal tariff pause expires in July. A disorderly escalation is also still possible, should negotiations falter and more countries retaliate.

Regional impacts

Americas

- In the **US,** tariffs could raise US inflation by 1 to 3.4% over the next 12 months and reduce GDP by 0.4 to 4.6%, with a notable slowdown in spending among low-income households
- **Canada** is highly vulnerable to US tariffs given the economy's high reliance on trade and large share of exports to the US

Europe, Middle East and Africa

- Tariffs on **European** exports will likely drive a negative demand shock, particularly for the manufacturing intensive-economies with high exports to US, such as Germany
- Secondary impacts caused by lower consumer and business confidence will also weigh on regional consumption and investment in the longer run

Asia-Pacific

- **Within APAC, Vietnam** appears the most exposed to US tariffs due to its reliance on exports to the US, particularly in apparel and electronics
- In **China**, tariffs are expected to be a significant drag on the economy, particularly via RMB depreciation

Industry and business implications

- **Among the major goods-importing sectors in the US, many are facing a 30%+ increase in the cost of their foreign inputs**, with the bulk of impact coming from the reciprocal and country-specific tariffs:
  - Industrials and Chemicals stand to be the hardest hit due to heavily complex global supply chains and reliance on China for raw materials
  - Sectors that operate with high margins and are less reliant on goods, such as Software and Platforms and Banking, will likely be less impacted
- **Companies should focus on enterprise and financial resilience, leveraging scenario planning and AI in the process.** Strategic interventions must be triaged—i.e., focus on "no regret" moves now, with an eye towards more significant pivots and capital reallocation if tariff policies prove sticky.

Sources: Accenture Strategy analysis

Economic momentum remains mixed, with slowing services and still-weak manufacturing highlighting elevated uncertainty

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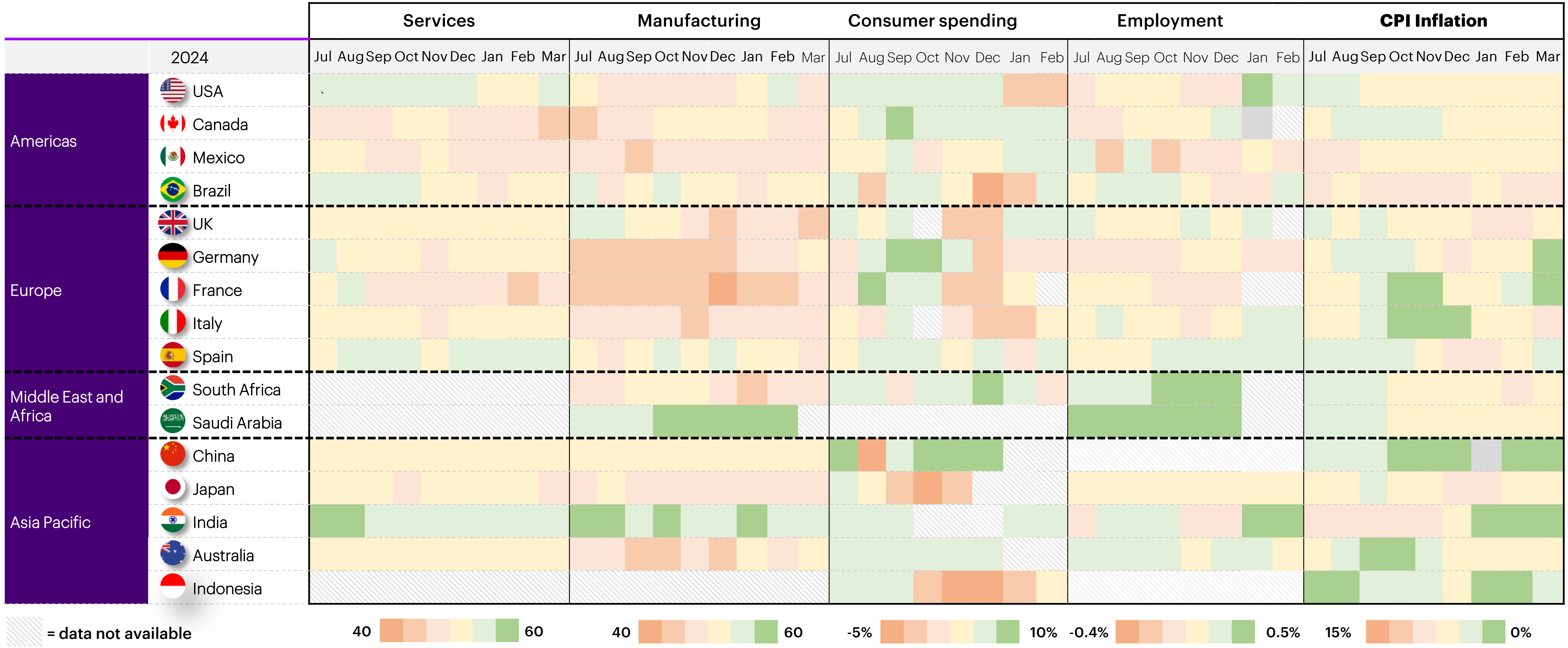
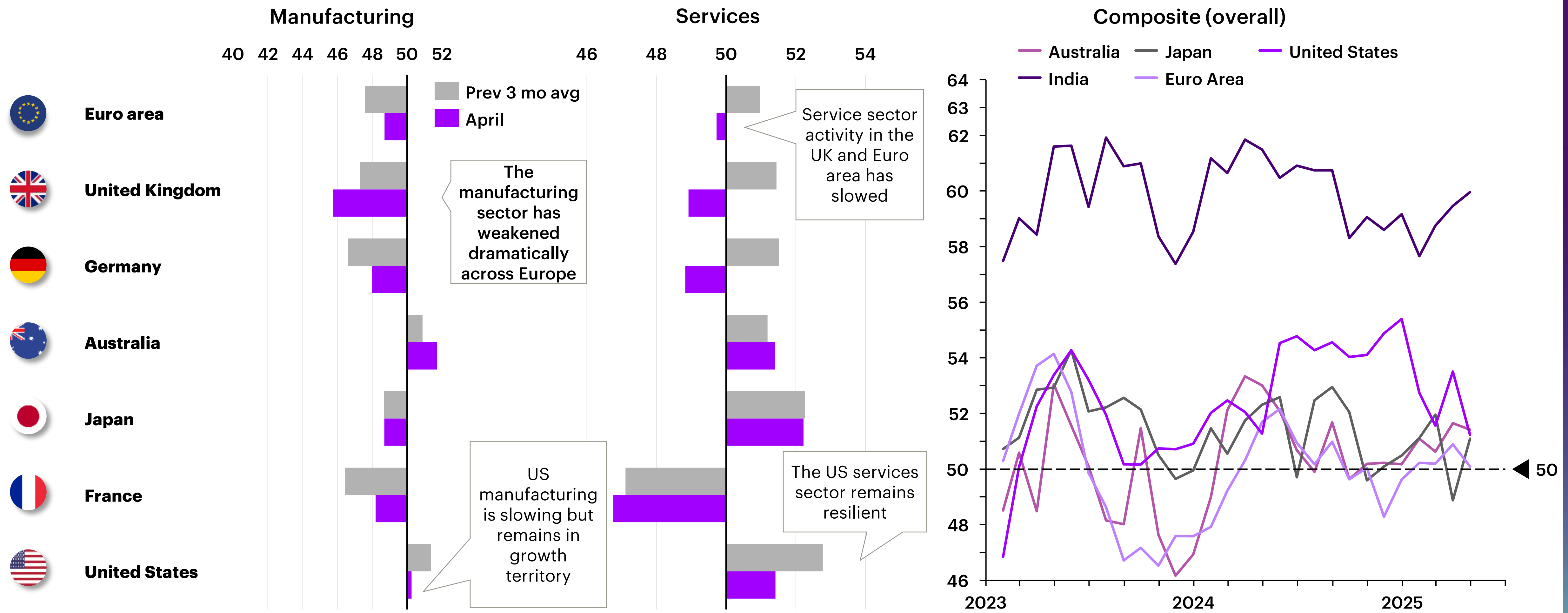


Notes: Services and Manufacturing metrics refer to PMI services activity and PMI manufacturing output as provided by S&P Global and may include preliminary “flash” figures, shading is based on most recent result. South Africa and Saudi Arabia manufacturing numbers refer to the whole economy. Mexico Services refers to Business Climate Index: Non-mfg. Consumer spending shading based on real retail sales growth 3MMA percent change except for Australia which is based on Q/Q % change and India which is based on 3MMA of Y/Y% change. Employment growth is derived from employment figures as provided by government authorities. CPI uses harmonized figures for Euro Area countries.

Sources: S&P Global, Haver Analytics, Accenture Strategy analysis

Tariffs are dampening both manufacturing and services activity in the US and exacerbating existing weakness across Europe

April Flash PMI Survey



Notes: A survey score above 50 indicates expansionary business activity and a score below indicates business activity contracted that month, most recent results may include preliminary flash figures

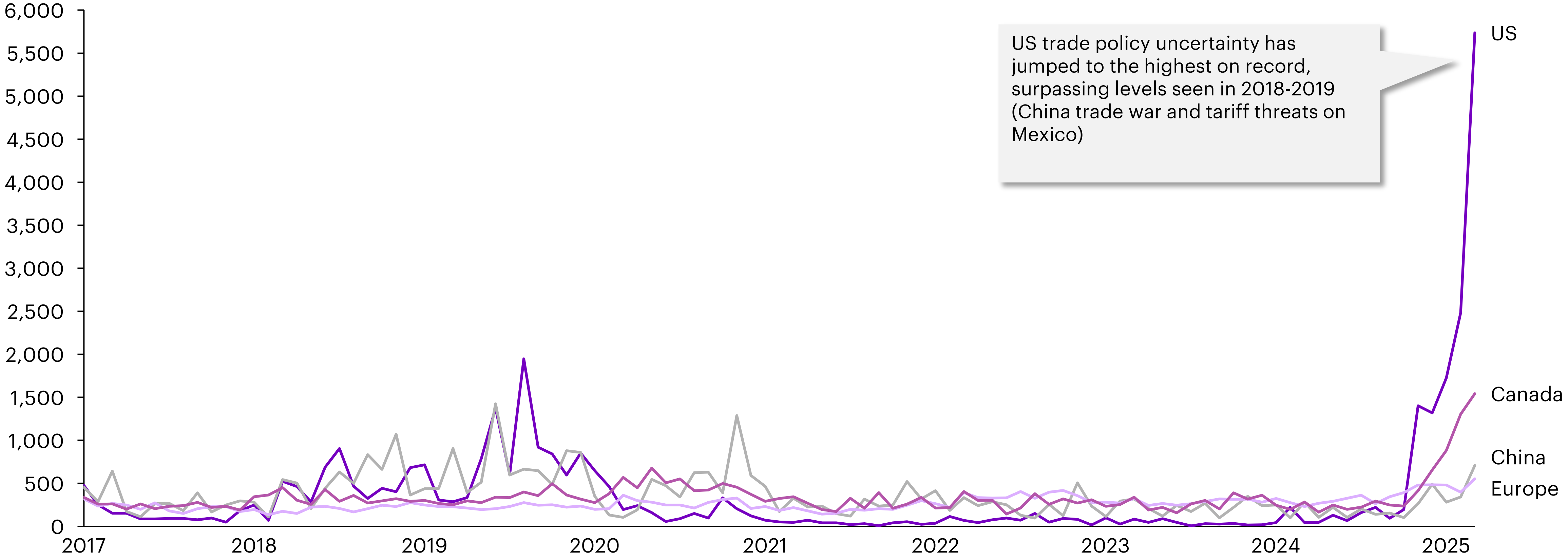
Sources: S&P Global, Accenture Strategy analysis

Elevated policy uncertainty and disrupted cross-border trade is likely to increase business costs and dampen confidence, ultimately impacting economic growth and corporate profitability

Trade policy uncertainty has skyrocketed

Global policy uncertainty

Index, 1985=100

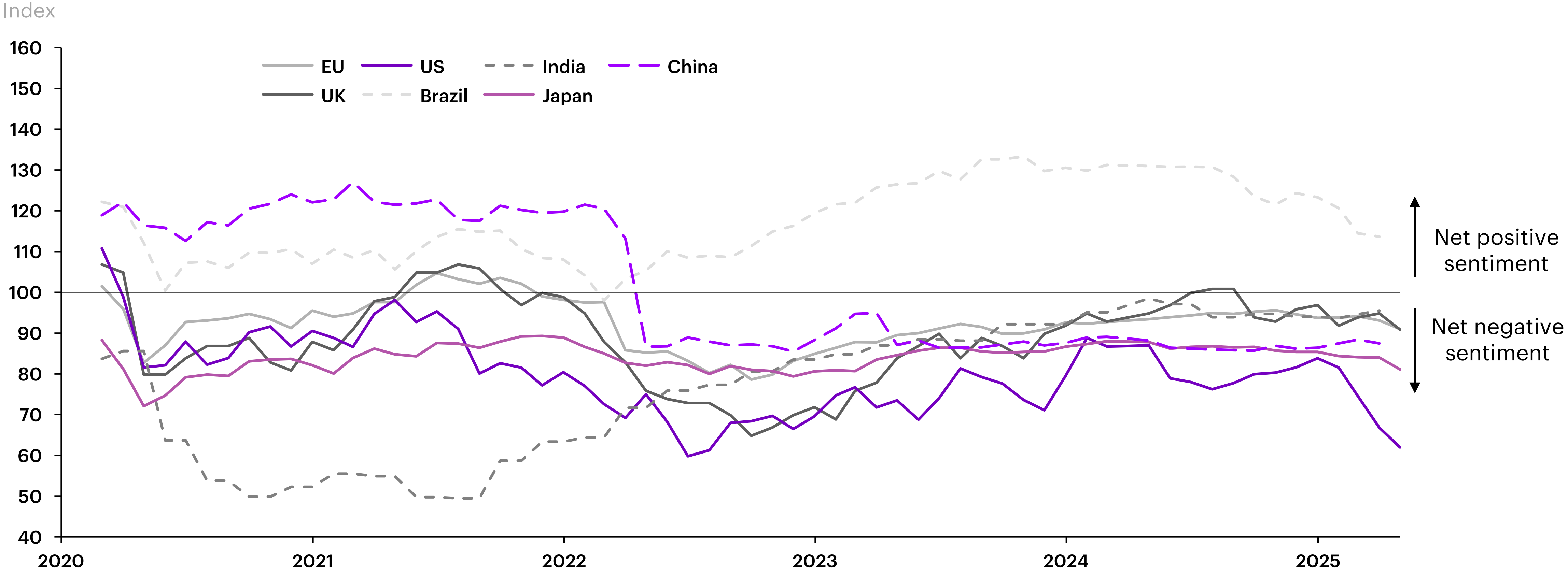


Sources: Economic Policy Uncertainty, Accenture Strategy analysis

Global consumer sentiment has fallen sharply in April, particularly in the US, amid tariff policy uncertainty and concerns around renewed inflation

Consumer sentiment across major economies

Indicators of overall consumer sentiment



Notes: All series have been rebased from their original reported levels to a central point of 100. UK data from GfK Survey. US data from Michigan Survey
Sources: EC Consumer Surveys, GfK Survey, University of Michigan Survey, Fecomercio, China National Bureau of Statistics, Reserve Bank of India, Japan Cabinet Office, WSJ, Accenture Strategy analysis

Slowing growth and renewed inflation is the base case for the US amidst tariff pressures, with continued stagnation most likely throughout Europe

Latest near-term economic outlooks: Americas and Europe

Region	Country	Key recent datapoints	Base case outlook	What to watch for
Americas	US	• Real GDP growth fell -0.3% in Q1 25, the first decline in 3 years, reflecting a surge in imports • CPI inflation slowed in March (pre-tariffs), with the headline at 2.4% and core at 2.8% • However, consumer inflation expectations surged in April to 6.5%, the highest since 1981	• Aggressive tariffs will likely lead to below-trend growth as business investment and consumer spending soften • Supply-side cost pressures and tariff increases keep inflation above target at 3-4% while the Fed dials back the pace of rate cuts	• The end of the 90-day pause and re-instatement of some reciprocal tariffs • A downshift in consumer spending due to depleted savings, cost of living pressures, and elevated uncertainty
	Canada	• Retail sales rebounded 0.7% in March, marking the first increase in 2025 • The Bank of Canada held rates steady in April due to tariff uncertainty and inflation concerns	• Escalating tensions with the US and structural issues will challenge growth, including cost-of-living, weak productivity, weak business investment, and housing undersupply	• US tariff threats materializing will weigh on growth • Newly-elected PM Mark Carney will have material implications for policy
	Brazil	• Inflation rose to 5.5% YoY in March, driven primarily by rising cost of groceries • Consumer confidence increased in April for the 2nd month in a row, but still below 2024 levels	• Growth deceleration is likely in 2025 amidst resurgent inflation and interest rate hikes • Possibility of a record agricultural harvest could provide an offsetting tailwind to growth	• Brazilian Real depreciation alongside higher inflation and interest rate hikes • Global trade conflict could weigh on commodity exports
Europe	UK	• Headline CPI moderated in March to 2.6% YoY while core CPI fell to 3.4% • The services PMI dropped to 48.9 in April, the first time below 50 since Oct 2023	• Growth remains the top priority for government policy but the outlook is challenging • Business investment could remain weak given the new tax increases	• The BoE's policy path is complicated by sticky inflation and sluggish growth • The impact of budget tax measures on business confidence and public investment
	Germany	• CPI ticked down slightly to 2.2% YoY in April, with core inflation rising to 2.9% • Consumer confidence increased for the 2nd month due to rising income expectations	• New fiscal stimulus (EUR 500bn) marks a major policy shift in support of economic growth, but near-term impact is limited amid weak sentiment and low private investment	• New government formation, stimulus details, ECB signals, and US tariff risks with EU retaliation measures will be key for sentiment and investment
	France	• Economic activity remains in contraction, with the composite PMI at 47 in April • CPI in Feb was stable around 0.8% due to steep declines in energy prices	• Economic growth is expected to be subdued, with tighter fiscal policy and global uncertainty dampening investment	• US tariffs may hurt exports, confidence, and investment, while rising interest rates could curb investment

Sources: Accenture Strategy analysis

Deceleration remains base case for China, while Japan's economy is expected to recover modestly and India to remain an outperformer

Latest near-term economic outlooks: Asia-Pacific

		Key recent datapoints	Base case outlook	What to watch for
Asia Pacific	China	• CPI fell for the 2nd straight month in March (-0.1% YoY) while PPI declined 2.5% YoY • The PBoC left policy rates unchanged for the 6th consecutive month, though tariff impacts could lead to rate cuts in Q2	• Growth is expected to decelerate as structural headwinds and tariff impacts outweigh near-term policy stimulus efforts • Weak consumer confidence and precautionary savings will limit domestic demand	• Additional policy stimulus could be announced if growth undershoots targets • Retaliatory policies in response to US tariff imposition
	Japan	• Headline inflation eased slightly to 3.6% YoY in March, while core inflation rose to 2.9% • The services PMI rebounded in April to 51.1, while manufacturing held below 50 for the 10th consecutive month	• Modest recovery in GDP growth in 2025 as wage gains balance against continued inflationary pressures • Risks persist amid continued consumer pessimism, an uncertain external environment, and cautious monetary policy normalization	• Degree of moderation in tourism and auto export growth, especially given the recent yen volatility • Growing optimism from business and consumers on domestic spending, supported by real wage growth
	India	• March CPI eased to 3.34% YoY, marking a 67-month low and well below the RBI's 4% target, driven by a sharp decline in food inflation • Composite PMI held firm at 58.6 in March, with manufacturing activity accelerating to an 8-month high	• Slight deceleration in growth due to tightening consumer credit conditions and moderating public investment • India should remain one of the fastest-growing major economies, propelled by favorable demographics and "friendshoring" FDI	• Resilience in domestic demand despite global headwinds • Extent of policy response if US tariffs reignite domestic inflationary pressure • Signs of manufacturers or other companies shifting supply chains
	Australia	• Manufacturing activity held steady in April above the 50-mark for the 4th straight month • The RBA held the cash rate steady at 4.1% in April, citing economic uncertainties, with potential rate cuts anticipated post-election	• Growth is likely to remain subdued, owing to Australia's export exposure to a China slowdown and ongoing pressures on consumers, though sentiment may improve as the central bank enters a rate cutting cycle	• Degree to which the labor market loosens and reduces pressure on prices • Extent of imported inflation as the Australian dollar continues to weaken
	Indonesia	• Bank Indonesia held rates steady at 5.75% in April, reaffirming its focus on currency stability • Manufacturing activity continued to strengthen, with PMI rising to 53.6, its highest level in a year	• Growth is expected to remain steady in 2025, driven by robust consumer spending and easing inflation pressures • Increasing headwinds from slowing external demand and tariff tensions	• Further monetary policy easing in 2025 as inflation stabilizes • Reallocation of government spending, including cuts to existing projects

Sources: Accenture Strategy analysis

Tariff developments

Tariff rollout thus far has been fast and furious, but with some backtracking and mixed messaging on the overall strategy

Key US trade policy developments so far in 2025

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It took more than a year into Trump's first term for tariffs to be rolled out, compared to only 10 days this time around

- **Jan 20: Inauguration Day** Issues the "America First Trade Policy," memo directing federal agencies to evaluate key aspects of U.S. trade policy
- **Feb 1:** Signs Executive Order to impose additional 25% tariffs on Canada and Mexico and additional 10% on China
- **Feb 4:** 10% tariff on Chinese imports goes into effect; tariffs on Canada and Mexico postponed
- **Feb 10:** Expands existing Section 232 tariffs on steel and aluminium, ending all exemptions. Also raises aluminium tariff from 10% to 25%, effective March 12
- **Feb 13:** Issues presidential memorandum to develop plan for tariffs in response to other countries' policies, with recommendations due April 1
- **Feb 19:** Announces intention to place 25% tariffs on autos, pharmaceuticals and semiconductors
- **Feb 25:** Launches Sec. 232 investigation into potential tariffs on copper
- **Feb 27:** Announces additional 10% tariff on China
- **Mar 2:** Launches Sec. 232 investigation into potential tariffs on lumber
- **Mar 4:** Additional 10% tariff on China goes into effect; across-the-board tariffs on Canada and Mexico initially also enacted but later postponed until April 2[1]
- **Mar 12:** Steel and aluminium tariffs take effect
- **Mar 25:** Announces intent to put 25% tariffs on imports from countries buying Venezuelan oil
- **Mar 26:** Issues Executive Order confirming 25% auto tariffs
- **Apr 2:** Announces 10% universal tariff and individualized higher reciprocal tariffs of 11% to 50% on 57 countries; auto tariffs go into effect
- **Apr 9:** Individualized reciprocal tariffs briefly go into effect, before being paused for 90 days[2]
- **Apr 11:** Announces reciprocal tariffs exemptions for selected consumer electronics
- **Apr 15:** Launches formal Sec. 232 investigations into potential tariffs on critical minerals, semiconductors and pharmaceuticals
- **Apr 29:** Announces some relief for auto industry via partial tariff rebates and no stacking with CA/MX tariffs

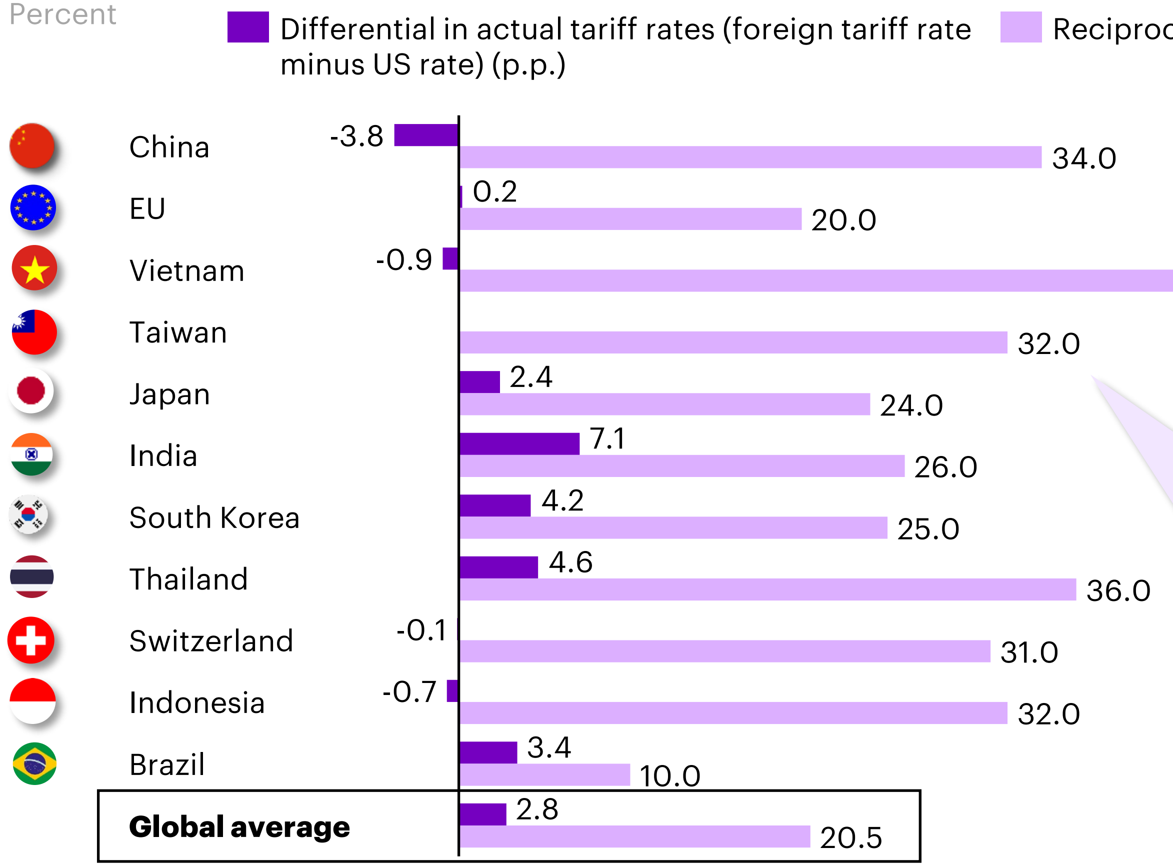
Notes: 1/ The postponement of tariff increases on Mexico and Canada was for goods complying with USMCA, which account for around 50% of imported goods from Mexico, and 38% from Canada; 2/ The pause was for all countries except China, which saw its reciprocal tariff increase to 125%; the baseline 10% universal tariff (which went into effect on April 5) was maintained.

Sources: USITC, World Bank, White House, Haver, Accenture Strategy analysis

The "Liberation Day" tariffs were much larger than expected and not truly reciprocal in nature, introducing a 10% universal tariff and even greater increases on countries with largest trade imbalances with US

Features of announced reciprocal tariffs

Tariff increases suggested by actual tariff rate differentials vs. those announced



- Tariff increases were not "reciprocal" in the sense that they far exceeded what would have been needed to equalize foreign tariff rates charged on US
- Instead, they were based on estimate of the tariff rate required to close US trade deficit with each country

Key elements of reciprocal tariff package

- Baseline 10% tariff increase on all countries (except Canada and Mexico)
- Larger increases (ranging from 11% to 50%) for 57 countries with which US runs biggest trade deficits
- Tariffs are additive to some already in place, e.g., existing 20% on China
- Tariffs applied only to non-US content of imported goods (unless product has <20% US content)
- Exemption for products already subject to 25% tariffs (autos, steel and aluminum) and those which may face new tariffs in the near future (semiconductors, copper, pharmaceuticals, lumber, energy products and certain critical minerals)
- Optionality to increase tariffs further if countries retaliate

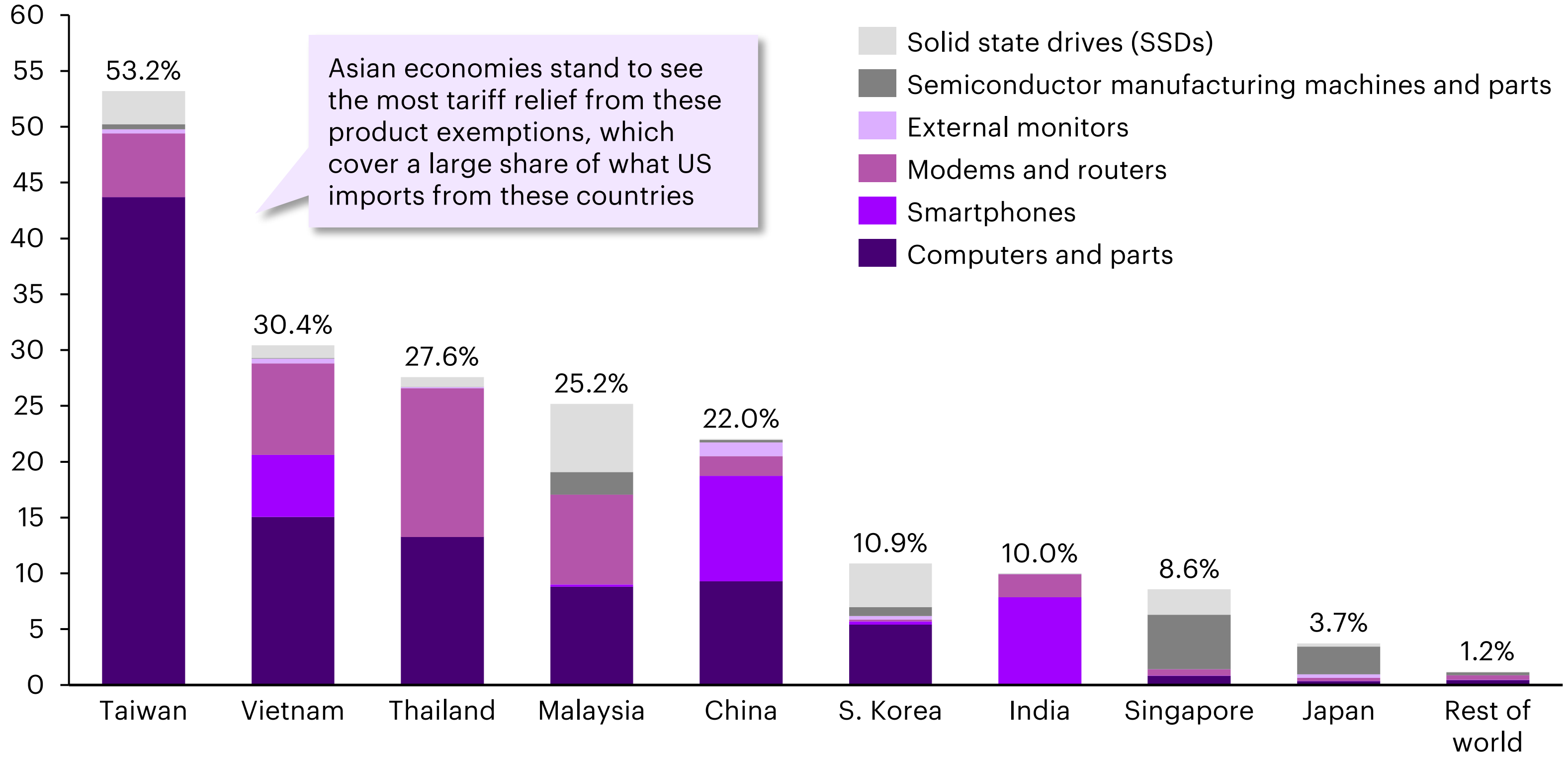
Sources: USITC, World Bank, White House, Haver, Accenture Strategy analysis

The 90-day pause on part of the reciprocal tariffs and additional exemptions for consumer electronics provide some short-term reprieve, but do not remove uncertainty around eventual future increases

Reciprocal tariff pause and additional product exemptions

US consumer electronics imports exempted from reciprocal tariffs, by country of origin

Percent of total US goods imports from trading partner



Commentary

- On April 9, the higher individualized reciprocal tariffs for 57 countries briefly went into effect, but were subsequently paused for 90 days for all countries except China, which saw its rate increase to 125%
- The 10% baseline tariff portion remains in effect
- On April 11, selected consumer electronics (accounting for USD 280 billion of US imports) were added to the list of products exempted from the reciprocal tariffs
  - **However, Administration has signaled that these products were carved out because they may be subject to separate product-specific (i.e. Section 232) tariffs, potentially at rates of 25% of more**
  - In this case, net impact could be a higher tariff burden on these products than if they had remained covered under the reciprocal tariffs

Sources: USITC, Accenture Strategy analysis

Collectively, the tariffs enacted to date have raised the US' effective tariff rate by 23 p.p., with an additional 13 p.p. still on the horizon

Scale and scope of announced tariff measures

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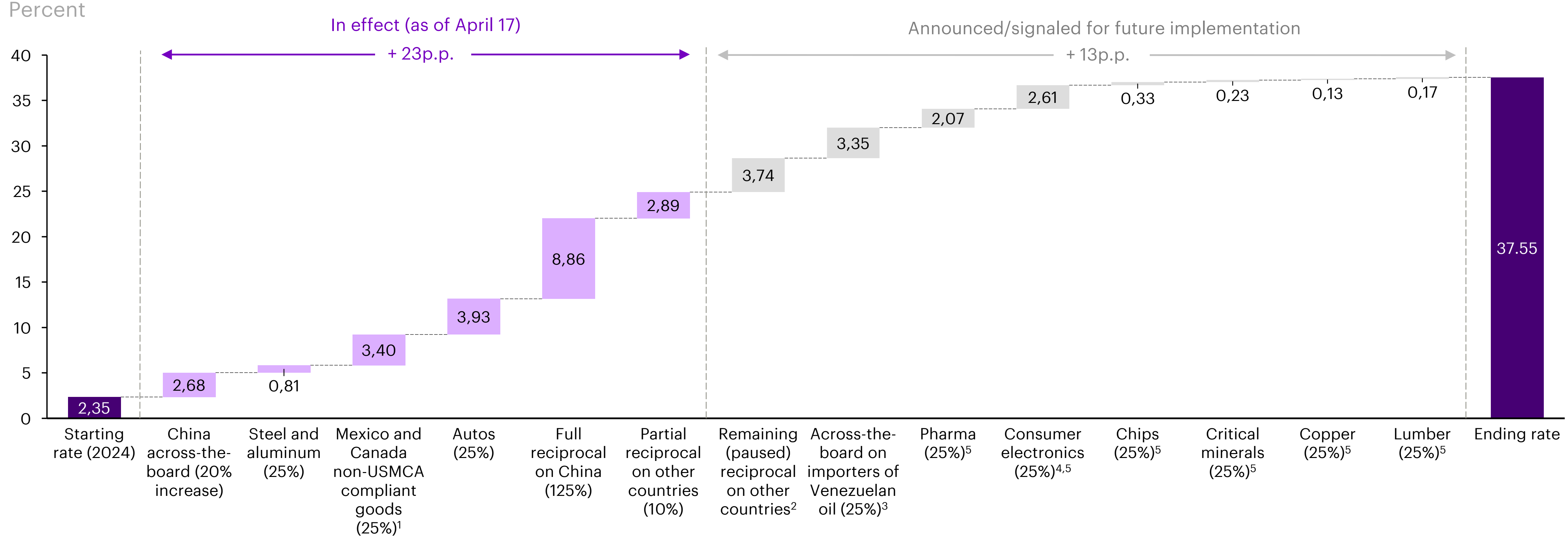
Estimated impact of announced measures on overall US effective tariff rate



Notes: 1/ Except for imports of energy resources (including critical minerals) and potash from Canada, which are subject to a 10% tariff; 2/ Paused for implementation until at least July 8, 2025; 3/ Includes China and Cuba, who are expected to continue importing Venezuelan oil after April 2; 4/ Goods using processed critical minerals as inputs, including smartphones, computers, magnetic drives; 5/ Prospective tariff rates on the products have not yet been signaled but are expected to be in line with the 25% for other products facing Section 232 tariffs.

Sources: USITC, Haver, Accenture Strategy analysis

Cost competitiveness of imports from Asia (particularly China) stands to be hardest hit by US tariffs, especially if paused portion of reciprocal tariffs is eventually re-instated

Country-specific effective tariff rates

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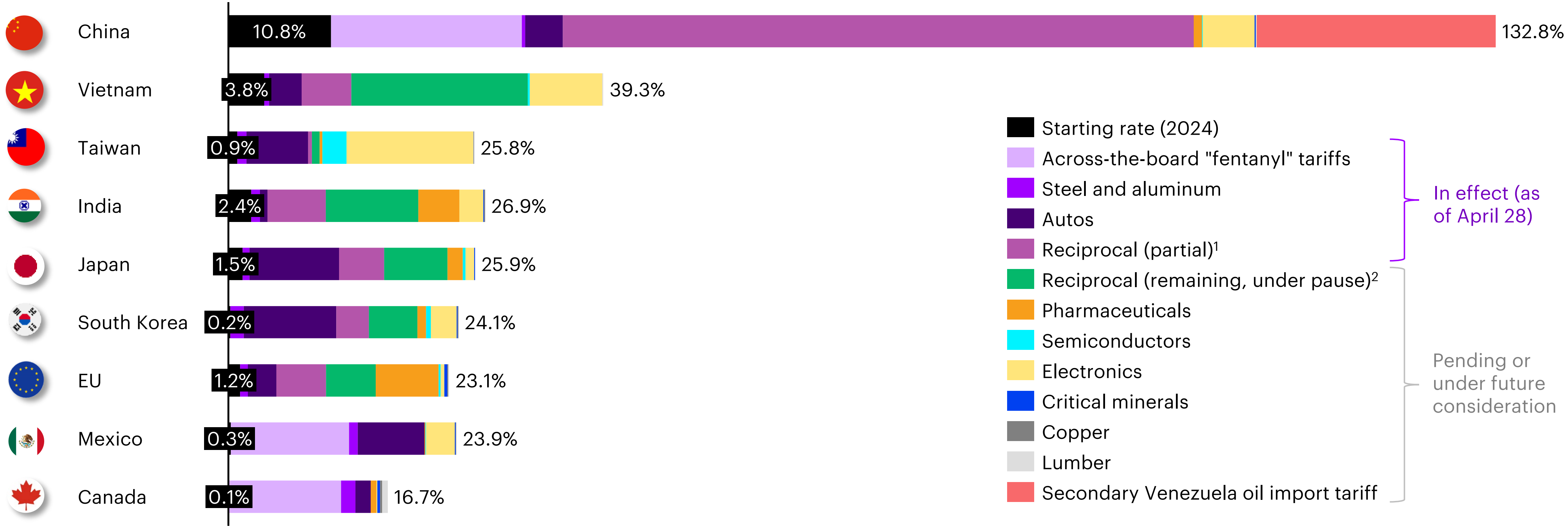
Impact of tariff packages on average tariff rates imposed on key US trading partners

Percent



Notes: 1/ Includes the full 125% reciprocal tariff on China, and the partial 10% tariff on all other countries (except Mexico and Canada); 2/ Includes the remaining portion of the individualized higher reciprocal tariffs on certain countries, implementation of which has been postponed until at least July 9.
Sources: USITC, Haver, Accenture Strategy analysis

Only China and Canada have retaliated to date, though EU has signaled potential countermeasures depending on how negotiations evolve

Retaliatory measures enacted or threatened in response to US tariffs

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	China	Canada	EU
Tariff rates levied	10-125%	25%	25%
Value of impacted US goods	• **USD 14bn** (Phase 1, in response to first 10% tariff increase) • **USD 21bn** (Phase 2, in response to second 10% tariff increase) • **USD 164bn** (Phase 3, in response to reciprocal tariffs)	• **USD 21bn** (Phase 1, in response to "fentanyl tariffs", enacted Mar 4) • **USD 21bn** (Phase 2, in response to steel and aluminum tariffs, enacted Mar 12) • **USD 25bn** (Phase 3, in response to auto tariffs, enacted April 9)	• **USD 22bn** (Tranche 1 , in response to steel/aluminum tariffs)—*on hold pending negotiations* • Signaled potential further tranche in response to auto and reciprocal tariffs
As % of goods imports from the US	100%	25%	7%
Impacted products	*First round:* • 15%: coal, liquified natural gas • 10%: crude oil, agricultural machinery, large-engine vehicles *Second round* • 15%: chicken, wheat, corn, and cotton • 10%: sorghum, soybeans, pork, beef, seafood, fruits, vegetables, and dairy products. *Third round:* • 125% on all products	*Phase 1* • 25%: beer, wine, bourbon, fruits and vegetables, clothing, appliances and furniture, lumber and plastics *Phase 2* • 25%: steel and aluminum, tools, computers and servers, sport equipment, cast-iron products *Phase 3* • 25%: Cars not compliant with USMCA, and US content of USMCA-compliant cars	*Tranche 1:* • 25% on range of agricultural, industrial and consumer products, including soybeans, meat, tobacco, iron, steel and aluminum, wood products, and motorcycles
Non-tariff measures	• Export controls on critical minerals • Antitrust and "Unreliable Entity" investigations into US firms • Export and investment restrictions on 25 US companies	• 25% surcharge on electricity sold by Ontario to New York, Michigan and Minnesota (paused) • Ban on Canadian alcohol distributors from selling US products (in Ontario)	• TBD, but likely to file a WTO legal challenge, as in the 2018-19 episode • Potential restriction on US services exports

Sources: Accenture Strategy analysis

Going forward, countries' response to US tariffs will depend on the nature and degree of trade relations with the US

Country exposure to full set of US tariffs and response considerations

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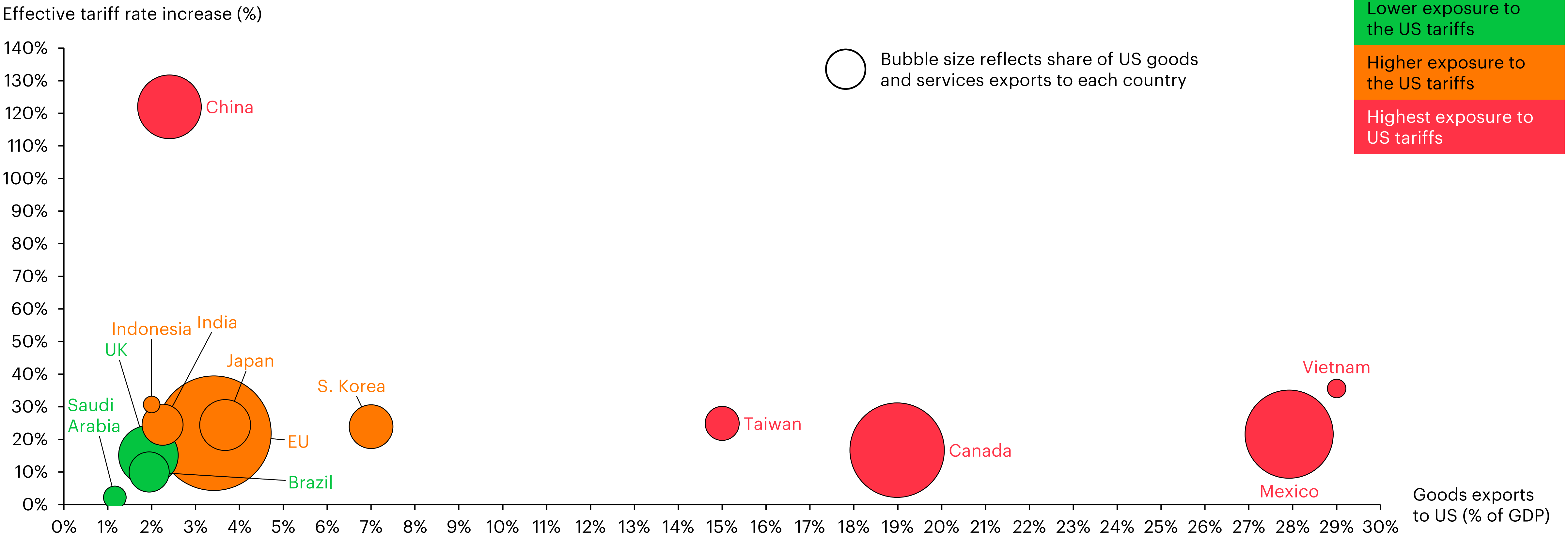
Country scores based on dependence on U.S. exports for economic growth and the increase in effective tariff rates[1]



Notes: Effective tariff rate shown includes all signaled future tariff packages, some of which have not yet been implemented. 1/The greater a country's dependence on US exports for economic growth, the higher the tariff increase faced, and the smaller its share of US exports, the more likely it is to make concessions rather than retaliate.

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Sources: US Bureau of Economic Analysis, Haver Analytics, USITC, IMF, Accenture Strategy analysis

Evolution of US tariff policies will depend on how Administration balances its different strategic objectives, its tolerance for inflation and economic disruptions, and degree of trading partner retaliation

Possible future US tariff scenarios

ILLUSTRATIVE

Increasing scope and magnitude of tariffs and retaliation

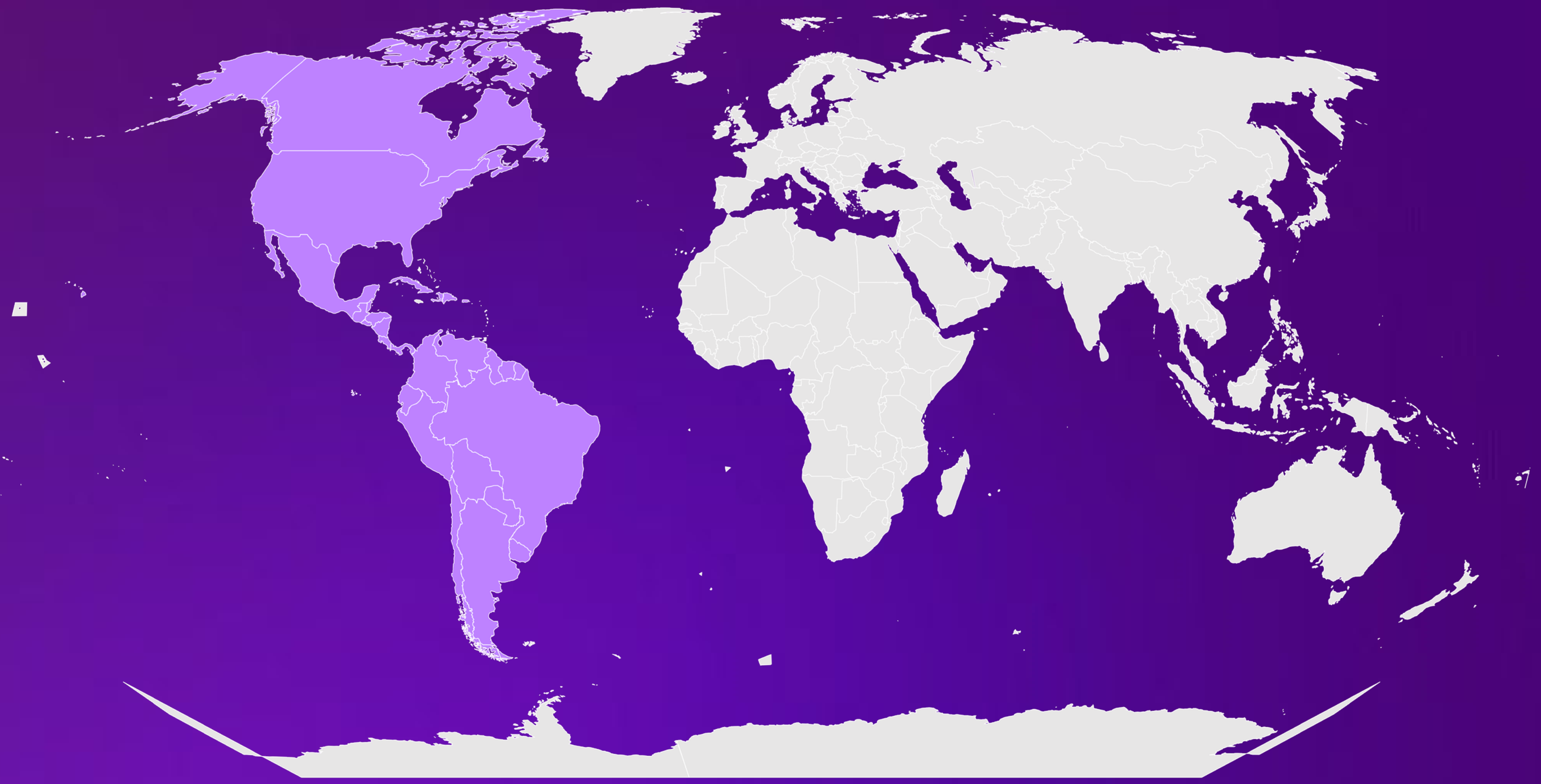
Scenarios	1. Pragmatic de-escalation	2. Holding the line	3. Disorderly escalation
Description	• Negotiated decreases in reciprocal tariffs for most countries in response to concessions and pressure to curtail domestic economic deterioration • 10% universal tariff "floor" maintained to support fiscal revenue objectives and limit tariff evasion via transshipment	• Doctrinal commitment to "long game" of re-industrialization and rebalancing trade overrides concerns about near-term economic disruptions • Planned higher reciprocal tariffs are ultimately re-instated, with few exceptions only for countries offering large concessions	• Disorderly trade war escalation that undermines efficacy of US tariffs and raises likelihood of both US and global recession • Trade war broadens beyond goods and affects range of services, technology, and investment flows
Scenario drivers and signposts	• Negative economic impacts and market reaction make sustaining high tariffs politically untenable • High willingness of affected trading partners to engage in negotiation and offer concessions • Legal challenges to tariffs	• High political tolerance for inflation pressures and economic disruptions • Hardline negotiating approach by the U.S. and a high bar for granting tariff relief • Wave of company re-shoring commitments and limited foreign retaliation emboldens US to "stay the course"	• Significant retaliation by affected trading partners • Breakdown of bilateral negotiations • Frontloading of US consumer spending gives illusion of tariff efficacy and economic resilience to trade war
Overall US effective tariff rate increase	• **11 to 13 p.p.,** depending on number of negotiation holdout countries	• **23 to 25 p.p.,** depending on number of countries securing reductions in their reciprocal tariff rates	• **40 p.p. or higher,** depending on how much US ratchets up reciprocal tariffs on retaliating countries

*** In terms of scenario likelihood, the coming weeks will be informative of how the US administration approaches country negotiations and concessions ***

Sources: Accenture Strategy analysis

Country/region impacts

Americas



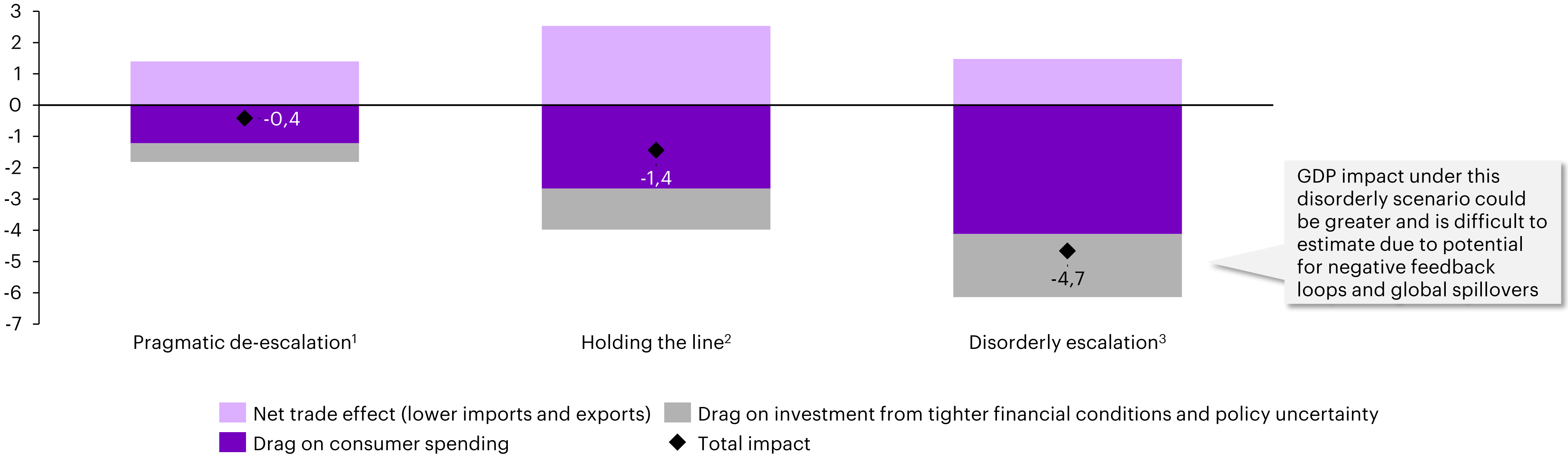
Even in a de-escalation scenario, the tariff-related hit to US GDP could be on the order of 0.5 p.p, putting the economy at growing risk of stagflation

Estimated tariff impacts on US GDP, by scenario

INDICATIVE ESTIMATES

Incremental impact to US real GDP under different US tariff scenarios

Incremental percentage point change in real GDP level (relative to a no-tariff counterfactual) over a 1-year horizon



Notes: 1/ Assumes affected trading partners retaliate with an effective tariff rate increase on US exports that is equivalent to 1/5th the tariff rate increase imposed by the US, in line with the 2018-19 trade war experience; 2/ Assumes affected trading partners retaliate with an effective tariff rate increase equivalent to 2/5ths the tariff rate increase imposed by the US, double the retaliatory inclination observed in 2018-19; 3/ Assumes tit-for-tat retaliation where affected trading partners fully match the effective tariff rate increase imposed by the US.

Sources: Accenture Strategy Analysis

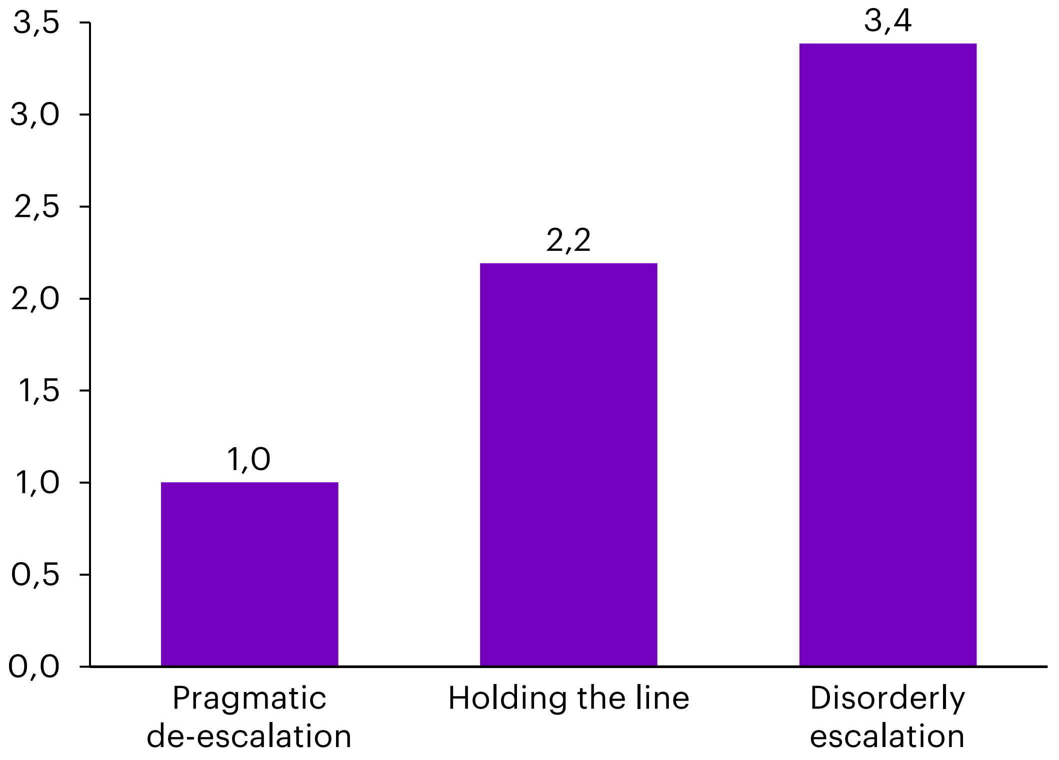
US consumer prices could increase by at least 1% and as much as 3.5%, with risk of additional second-round inflation impacts given consumers' rising inflation expectations

Estimated tariff impacts on US inflation, by tariff scenarios

INDICATIVE ESTIMATES

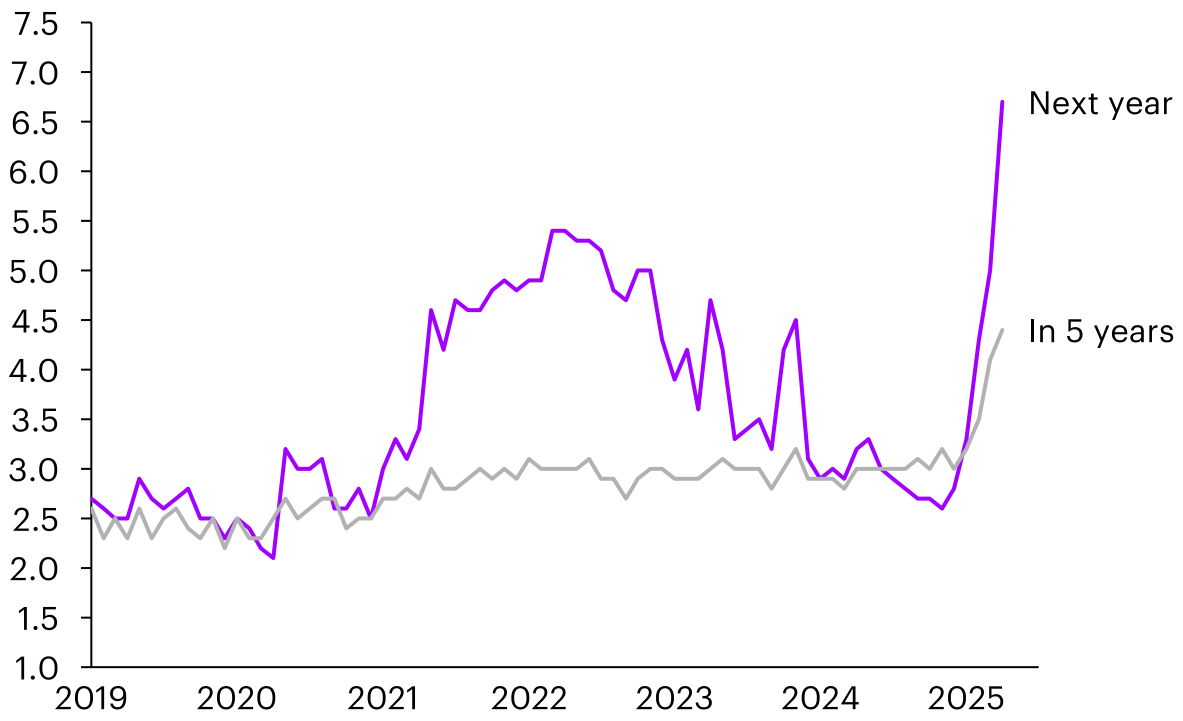
Increase in US consumer prices under different tariff scenarios

Percent change in CPI level (relative to no-tariff counterfactual) over a 1-year horizon



1- and 5-year ahead inflation expectations of US consumers

Year-on-year inflation rate, percent (based on survey)



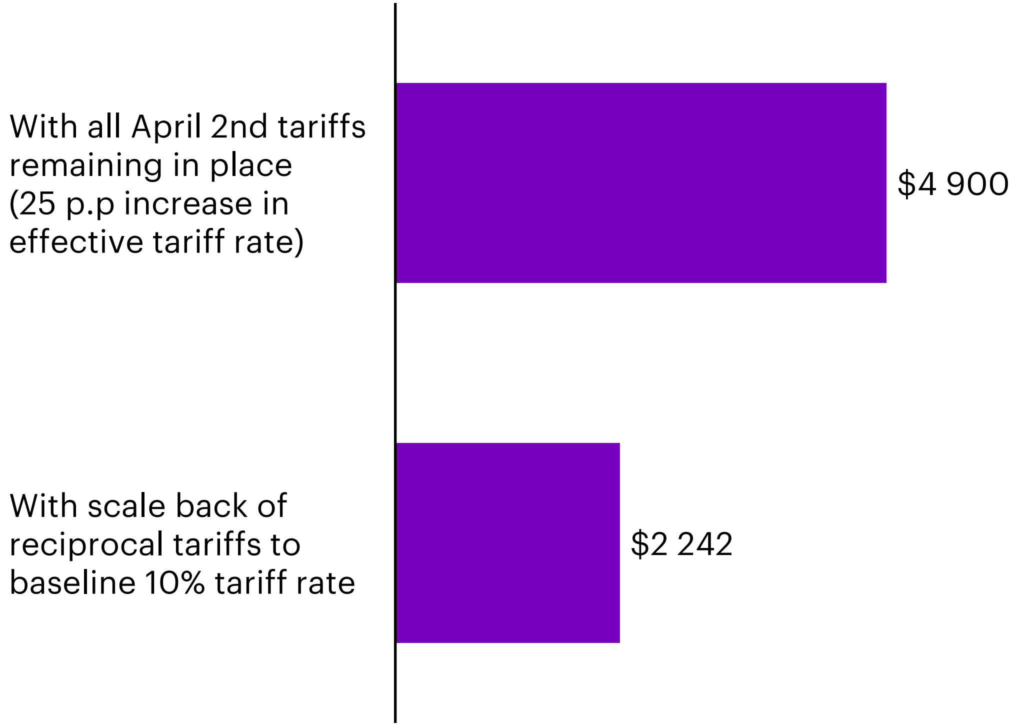
Sources: University of Michigan, Accenture Strategy analysis

US households could face an average annual cost increase of $2,200-$4,900, depending on the outcome of negotiations to reduce reciprocal tariffs, with lower-income consumers shouldering a larger burden

Estimated tariff impacts on US households

INDICATIVE ESTIMATES

Average annual cost per US household due to tariffs



Change in real disposable personal income, by income decile

Income decile	April 2nd reciprocal tariffs	With negotiation/reduction in reciprocal tariffs
1st *(Low earners, earning less than 90% of the population)*	*Insufficient data*	*Insufficient data*
2nd	-5.1%	-2.3%
3rd	-4.6%	-2.1%
4th	-3.8%	-2.7%
5th	-3.5%	-1.6%
6th	-3.3%	-1.5%
7th	-3.1%	-1.4%
8th	-2.9%	-1.3%
9th	-2.7%	-1.2%
10th *(High earners, earning more than 90% of the population)*	-2.1%	-1.0%

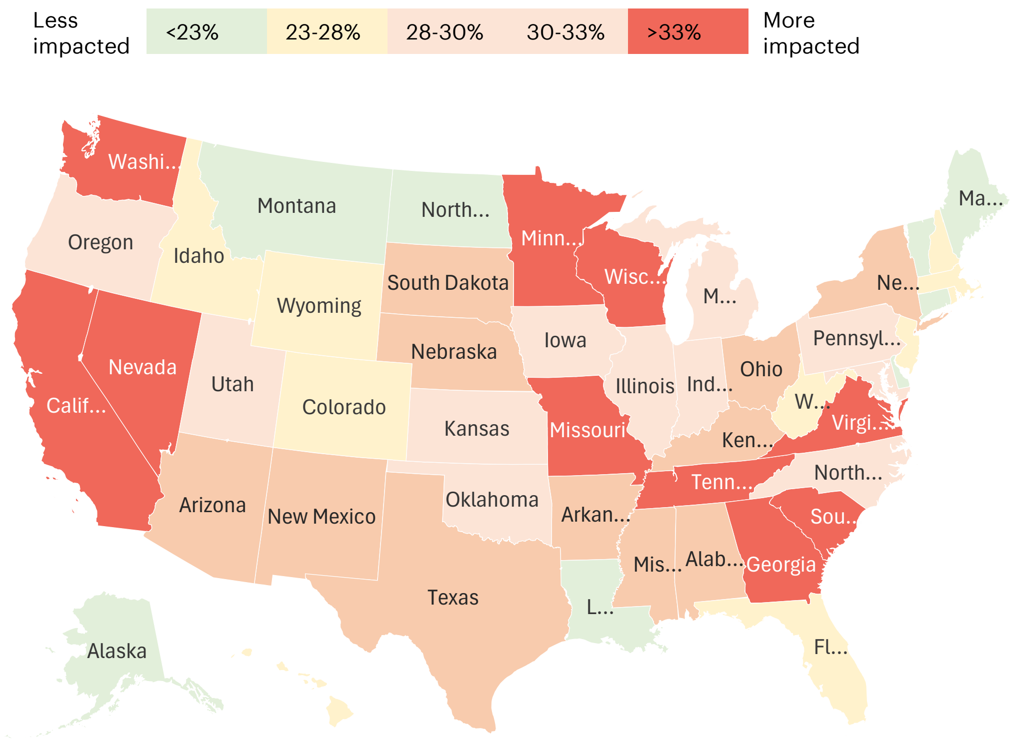
Sources: Yale Budget Lab, Accenture Strategy analysis

West Coast and Midwestern states stand to be most impacted by tariffs on account of their high China imports and auto industry exposure

US states exposure to import tariffs

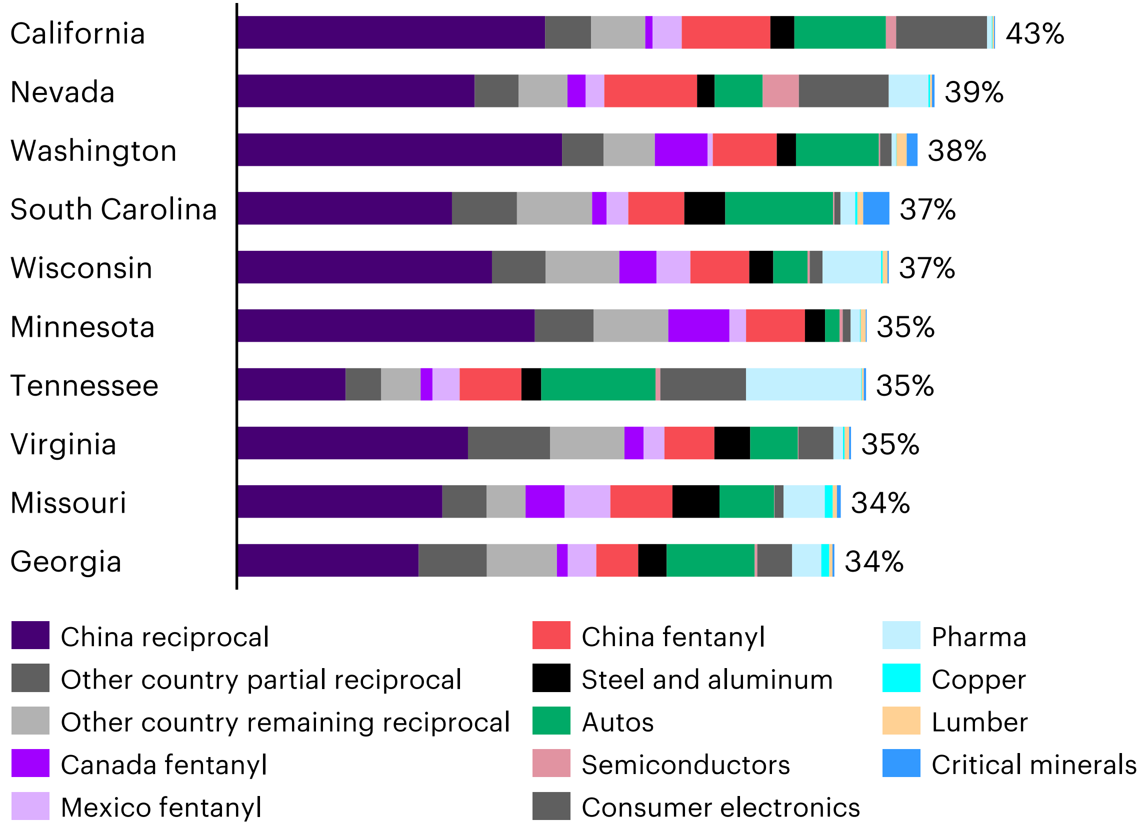
Projected tariff impact on US states

Increase in effective tariff rate on State-level imports[3]



Top 10 most tariff-exposed US states and sources of tariff exposure

Contributions to increase in effective tariff rate on State-level imports[3]



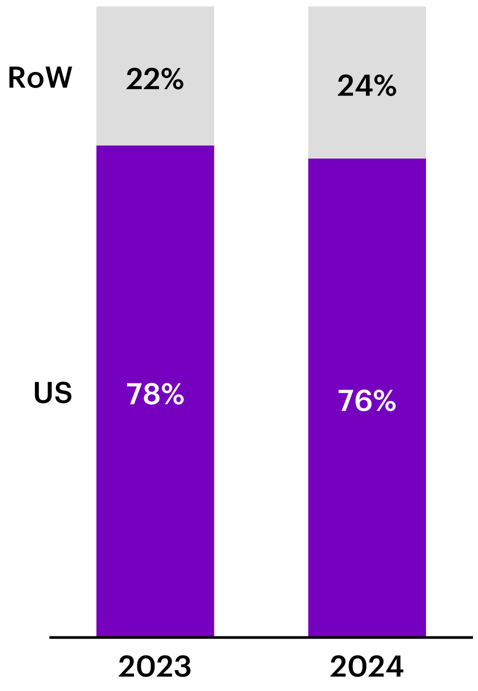
Notes: 1/ Excludes potential impact of secondary tariff on importers of Venezuelan oil.
Sources: US Census Bureau, USITC, Accenture Strategy analysis

If sustained, US tariffs will be a major headwind for Canada given its existing domestic economic struggles and high share of exports to US

Canada's economic exposure to US tariffs

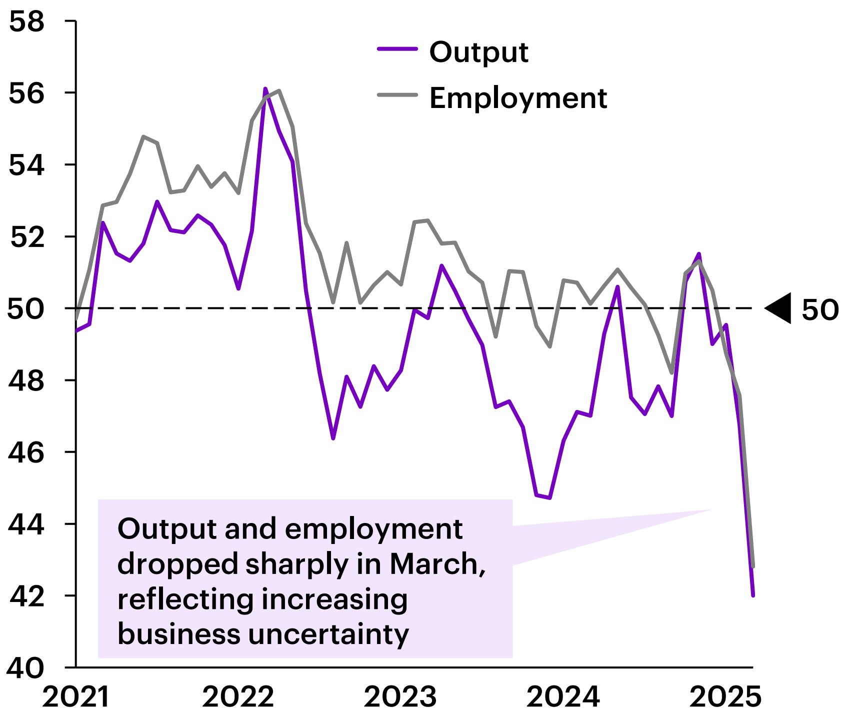
Composition of Canadian exports

Trade in goods



Canada PMIs

Index (>50=expanding)

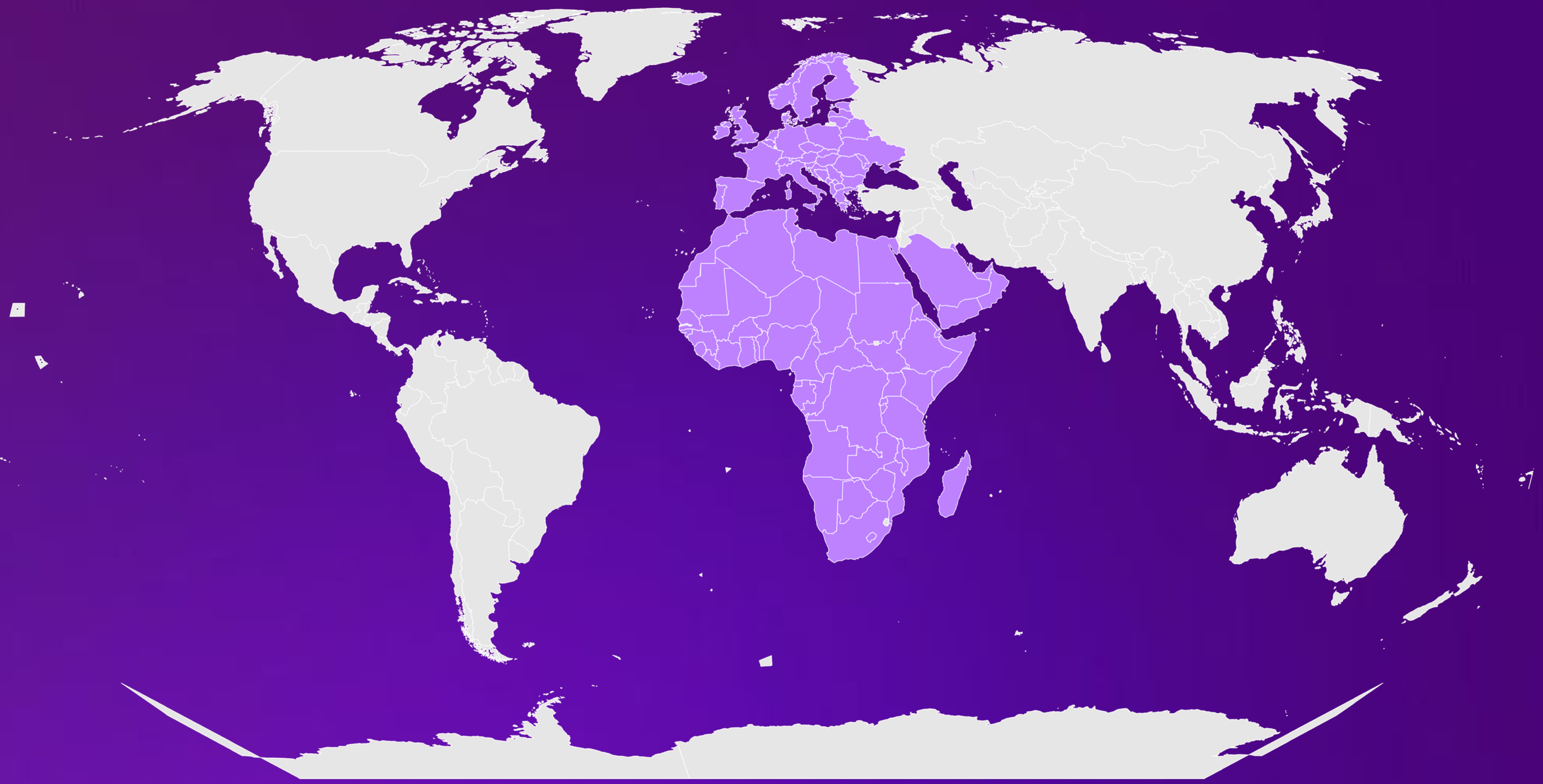


Commentary

- Canada is highly vulnerable to US tariffs given the economy's high reliance on trade and strong links with the US
  - Exports accounted for 33% of Canada's GDP in 2024
  - More than 75% of Canada's exports are to the US and highly concentrated in energy and manufactured goods
  - Vehicles represent 12% of exports while machinery represents 7%. Collectively, both contribute to nearly 20% of exports
- Dollar-for-dollar retaliatory tariffs, which Canada has already enacted and signalled it intends to continue to do, would also fuel domestic inflationary pressure
- The newly-elected PM, Mark Carney, appears ready to take a strict stance against Trump's tariffs to protect Canadian industries and growth prospects

Notes: Excludes railway and trams
Sources: US Department of Commerce, US International Trade Commission, Brookings Institute, UN Comtrade, Scotiabank, Haver Analytics, S&P Global, Accenture Strategy analysis

Europe, Middle East and Africa

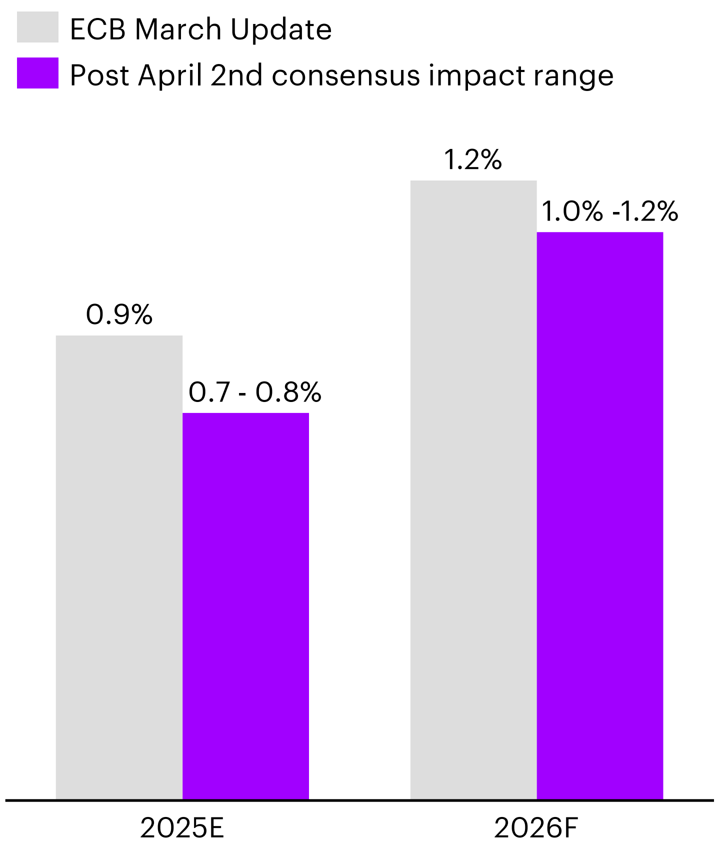


Consensus outlooks on Euro area GDP growth have become more bearish and uncertainty remains elevated given lack of clarity on US tariff implementation, EU responses, and trade flow recalibration

Estimated tariff impacts on European economic growth

Euro area GDP growth forecasts

YoY, percent



Considerations	Detail
European economic demand shock impact	• **US tariffs of 20%+ on European exports will likely drive a negative demand shock:** – Impacts will not be even, with certain countries more exposed, e.g., US exports account for 10.7% and 3.8% for Ireland and German GDP respectively – A weaker USD and falling consumer sentiment suggest a slowdown in US tourism going into the summer season, particularly impacting regions such as Spain, Italy, and Greece • **Uncertainty on the immediate economic impacts remains due to a lack of clarity** on: – US tariff implementation – US-EU trade negotiations – EU retaliatory trade measures • Secondary impacts caused by lower consumer and business confidence will weigh on regional consumption and investment in the longer-term
European government responses	• **European government have two key levers in responding to tariffs:** – Potential European Commission **fiscal support packages** targeted at the hardest hit sectors would reduce short-term US tariff impacts – **Retaliatory EU trade measures on EUR 22bn of US goods exports** have been identified but are currently on hold, pending the outcome of trade negotiations
Inflation and rates	• Despite retaliatory EU trade measures**, inflation expectations remain relatively muted** due to downward pressures from a demand shock weighing on economic activity as well as potential dumping from Asia as trade flows reconfigure which will drive down prices from increased European competition • **The ECB cut rates by 25bp at its April meeting**, citing deteriorating growth prospects. Markets are expecting the ECB to cut interest rates again in June

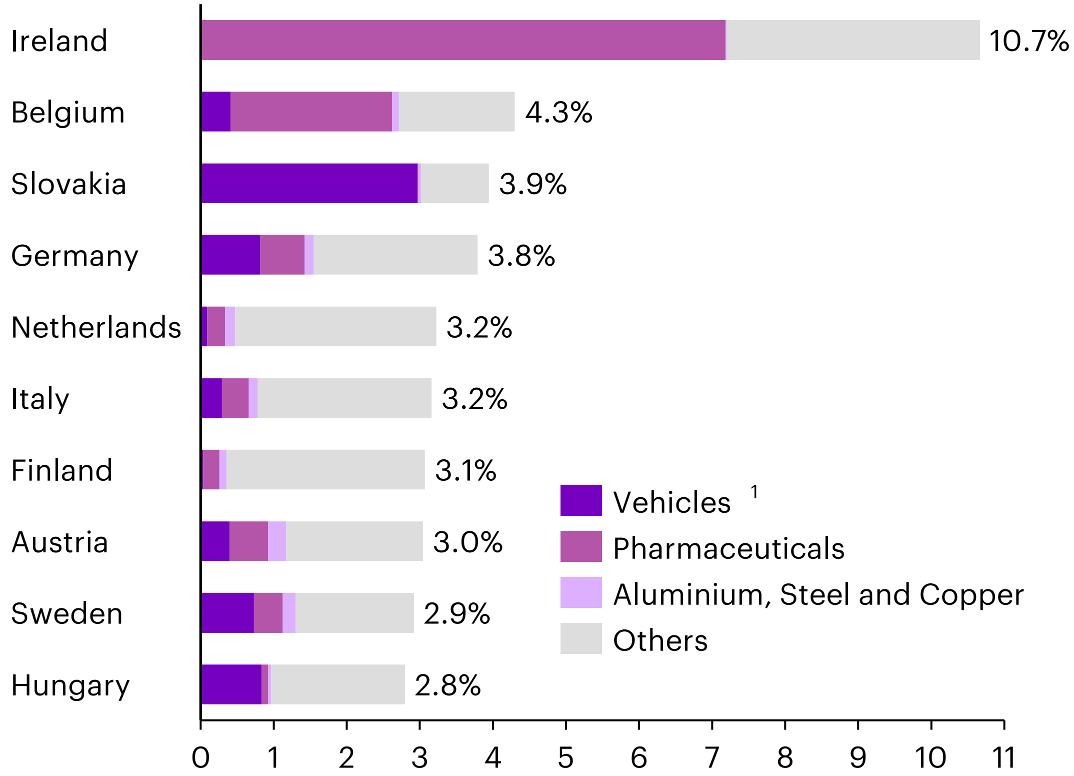
Sources: European Central Bank, IMF, Oxford Economics, ING, Financial Times, Accenture Strategy analysis

The impact of the 10-20% reciprocal tariff on the EU may be amplified by sector-specific tariffs affecting major pharmaceutical and automotive exporting countries

EU and US trade

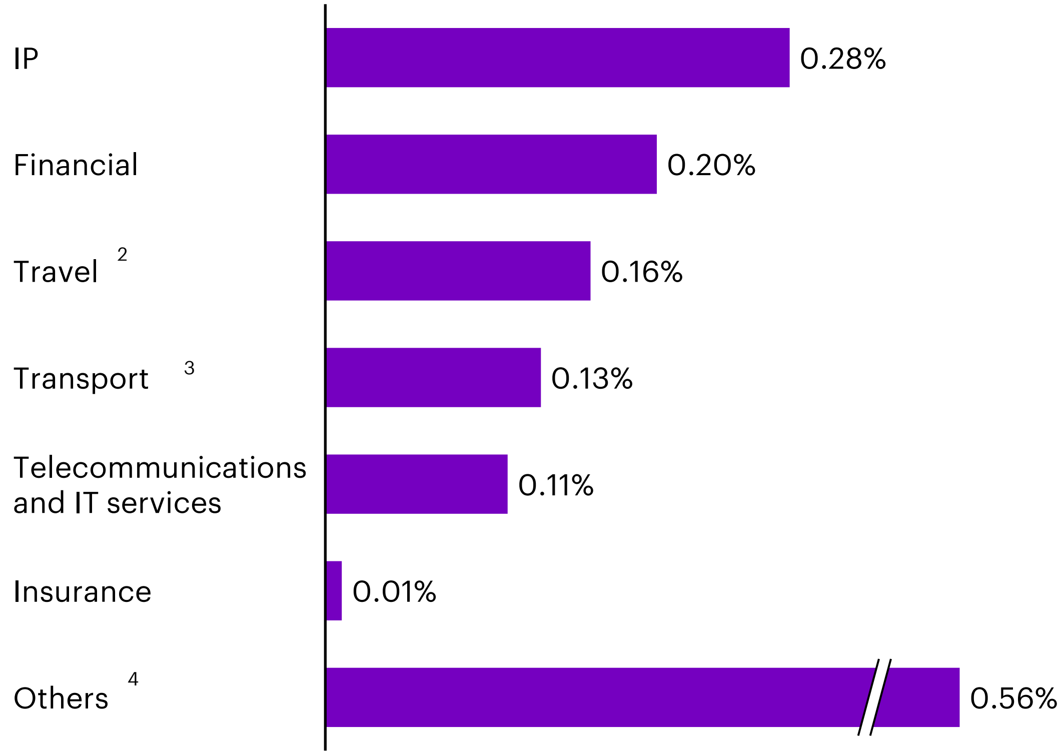
Top 10 biggest EU exporter to US

% of GDP, 2023



EU services imports from the US

% of European Union GDP, 2024



Notes(s): 1/ Exclude railway and trams; 2/ Includes all travel purposes including business; 3/ Includes air and sea transport; 4/ Includes construction, maintenance and repair services and business se3rvices

Source(s): US Department of Commerce, US International Trade Commission, UN Comtrade, BEA, Accenture Strategy analysis

The EU aims to negotiate with the US but could also implement broader retaliatory measures, including targeting US services exports

EU’s trade with the US and potential responses to reciprocal tariffs

EU responses

No immediate actions expected
Strategy is currently focused on negotiation

Negotiate
The US is expected to request intervention in the following areas:

- Food standards
- Big Tech regulations
- Green rules
- Digital services taxes, VAT

If unsatisfactory

Retaliate

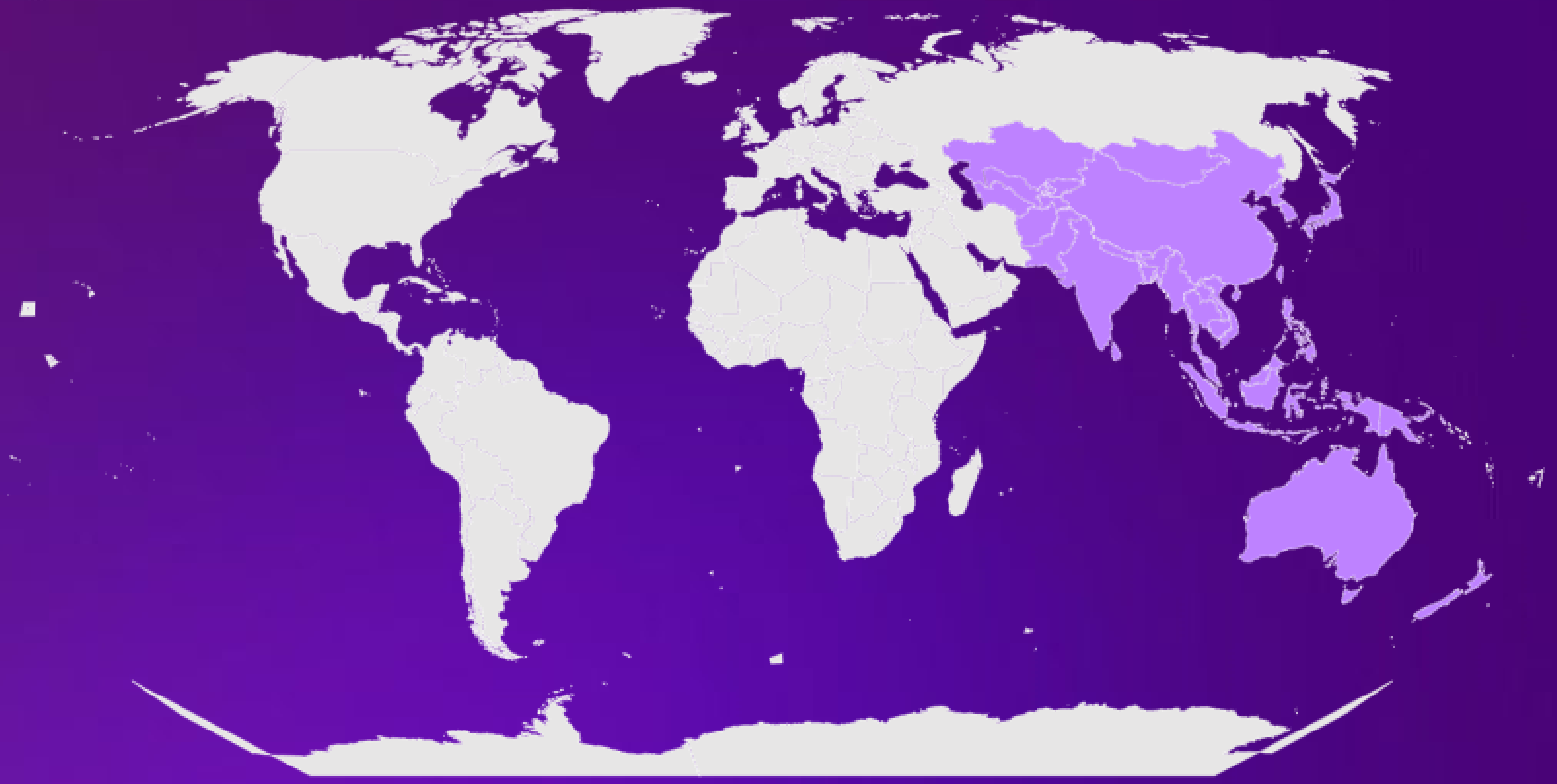
- Tariff on goods
- Tariff on services
  - Enforcement Regulation
  - Anti-Coercion Instrument

EU’s goods vs. services trade balance against US

EUR billion, 2024

Sources: European Commission, The Guardian, Accenture Strategy analysis

Asia Pacific



Consensus outlooks on APAC GDP growth have become more bearish amidst heightened uncertainty around how trade flows will recalibrate

	China	India	Singapore	Thailand	Indonesia	Japan	South Korea	Vietnam	Australia	New Zealand
Reciprocal Tariff Rate	34%	26%	10%	36%	32%	24%	25%	46%	10%	10%
Revision in GDP growth forecast for 2025 (%)	4.5 / 4.0	6.7 / 6.5	3.0 / 2.0	2.5 / 1.3	5.0 / 4.5	3.2 / 3.1	1.9 / 1.5	6.4 / 5.4	1.9 / 2.1	1.8 / 1.6
GDP forecast rationale	Export-driven economy with highest tariffs imposed	Less impact due to limited sectors exposed, except for pharma	Trade intensive economy, decline in manufacturing, wholesale trade and pharma	Significant manufacturing exports impacted	Impact exposure would be on non-oil & gas exports, textile & electronics	Significant auto-related exports exposure, but offset by ongoing strength in domestic consumption	Significant auto and chips export impact	Significant impacts on apparel and electronics exports	Low exposure to tariffs expected for mining sectors related to China	Expectation of limited impact from US tariffs

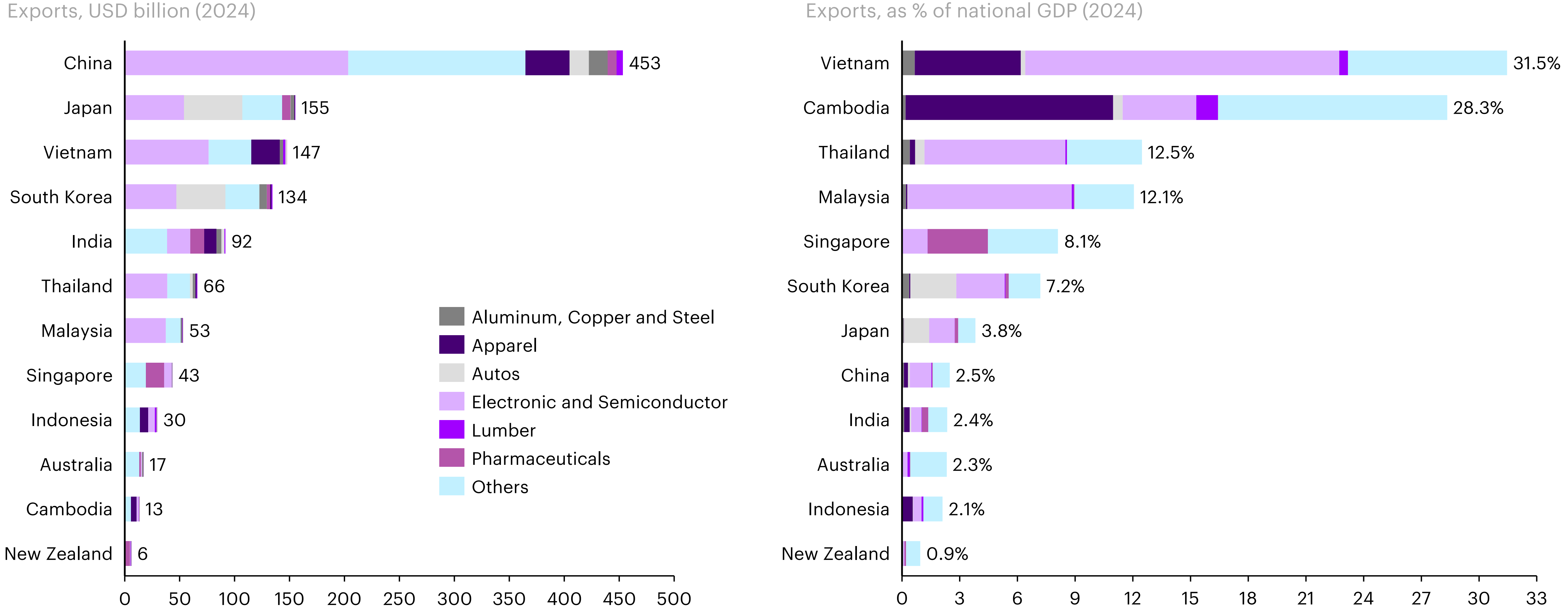
Initial GDP forecast / Post April 2nd consensus impact range

Sources: Bloomberg, CNBC, Press Information Bureau (India), Reuters, Ministry of Trade & Industry (Singapore), CNA, Bangkok Post, The Straits Times, Bank Indonesia, Japan Center for Economic Research, Bank of Korea, Ministry of Economy and Finance (South Korea), Maybank, National Australia Bank, HSBC, Wespac IQ, Accenture Strategy analysis

Within APAC, Vietnam appears the most exposed to US tariffs due to its reliance on exports to the US, particularly in apparel and electronics

Country exposure within APAC

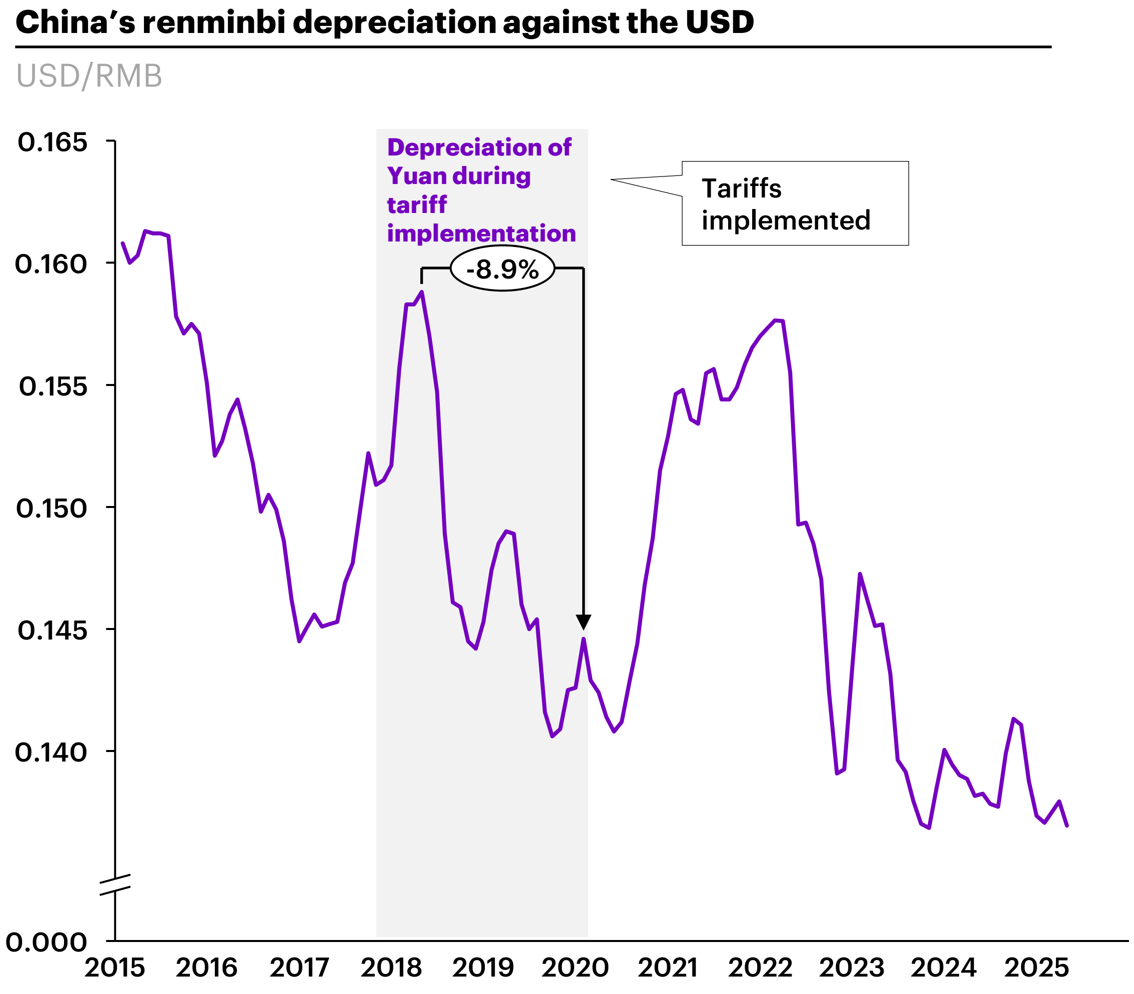
APAC exporters to US with high exposure to US tariffs



Sources: USITC, Haver Analytics, IMF, Accenture Strategy analysis

Tariffs are expected to be a significant drag on China's economy through various channels, not least of which is RMB depreciation pressure

Impact of tariffs across different areas in China



	Impact	Key factors	Policy implications
1. Stimulus policy		• Overall Chinese economic conditions • Debt constraints in local government and real estate	• More aggressive fiscal spending on infrastructure, real estate and high-tech sectors • Letting Yuan depreciation to counteract tariffs
2. Consumer and domestic demand		• Strength of Chinese consumer confidence • Competitiveness of local brands	• State support for domestic brands • Regulations on foreign brands
3. Trade diversification		• Degree of US restrictions on key industries • Effectiveness of regional trade agreements (e.g., RCEP)	• Investment in alternative markets • Acceleration of Yuan internationalization • Retaliation via non-tariff measures
4. Industrial strategy		• Scope of US restrictions • Effectiveness of China's self-sufficiency policies	• Massive state subsidies for high-tech industries • Vertical integration in supply chains

Sources: Department of Labor, Department of Commerce, Goldman Sachs Investment Research, Federal Reserve Board, Accenture Strategy analysis

Industry and business implications

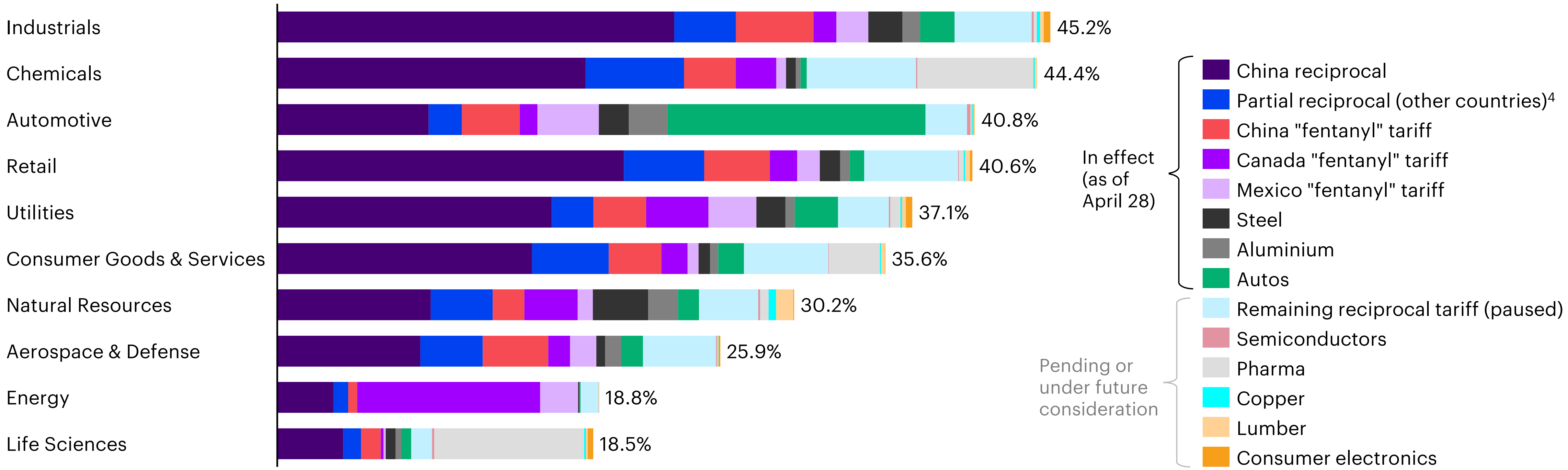
Among the major goods-importing sectors, many are facing a 30%+ increase in the cost of their foreign inputs, with the bulk of impact coming from the reciprocal and country-specific tariffs

Exposure of US industries to import tariffs (1/2)

ROUGH ESTIMATES

Projected tariff impact on cost of imported goods inputs[1,2]

Percent increase[3]



Notes: 1/ For each industry, we calculated the exposure of total imports of goods (excluding services) and applied the latest tariff rates to the relevant shares by country/product category; 2/ The analysis does not include the China Venezuela tariff, which would add an amplified version of the China "fentanyl" tariff; 3/ The percentage is expressed as the cost of the tariff relative to the industry's total imports of goods; 4/ This includes only the 10% baseline reciprocal rate, as the higher rates on all countries (except China) have been paused until July 8, 2025.

Sources: BEA, US Census Bureau, USITC, Accenture Strategy analysis

Even among labor-intensive services industries that rely less on goods inputs, the tariff impact on their cost base is expected to be material, particularly for CMT and High Tech

Exposure of US industries to import tariffs (2/2)

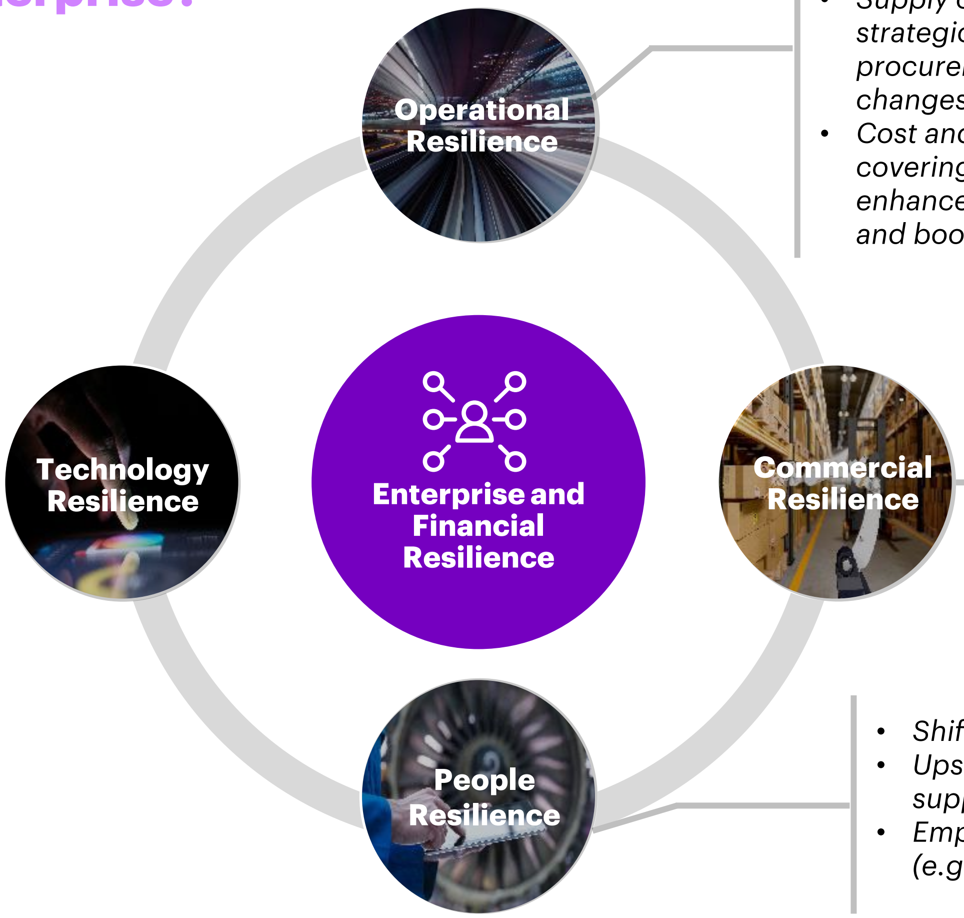
ROUGH ESTIMATES

Industry	Projected increase in cost base (intermediate inputs + labor)[1] due to tariffs	Share of labor in total costs	Import share of intermediate inputs
Automotive	13.1%	26%	43%
Chemicals	8.7%	21%	25%
Aerospace & Defense	7.8%	32%	69%
High Tech	6.4%	59%	53%
Consumer Goods & Services	5.5%	21%	20%
Life Sciences	5.0%	52%	56%
Energy	4.5%	5%	25%
Natural Resources	4.3%	26%	19%
Industrials	4.0%	34%	13%
Communications & Media	3.7%	33%	13%
Health	2.7%	55%	15%
Utilities	2.4%	29%	9%
Software & Platforms	2.3%	36%	9%
Retail	2.3%	41%	10%
Public Services	2.2%	59%	15%
Travel	1.9%	37%	8%
Capital Markets	0.8%	61%	8%
Insurance	0.2%	30%	1%
Banking	0.2%	47%	1%

Note(s): 1/ This cost base definition (which comes from the industry GDP accounts) is broadly equivalent to COGS + SG&A.
Source(s): BEA, US Census Bureau, USITC, Accenture Strategy analysis

Resiliency will be the key differentiator for companies who can navigate this uncertain economic and policy environment – this covers commercials, operations, people, and technology

What makes a resilient enterprise?



- *Supply chain resilience to drive strategic changes in sourcing and procurement, as well as potential changes to network strategy*
- *Cost and productivity reinvention covering spend and process enhancement to protect margins and boost productivity*

- *Embed autonomous AI agents across functions to continuously monitor real-time data and optimize decision making, e.g., flag risk exposure to new tariff codes*
- *Accelerate AI efforts to drive enterprise productivity*
- *Enable more secure processes given the risk of geopolitical and cyber threats*

- *Pricing and commercial strategy given tariff uncertainties where companies consider:*
  - *How much cost to absorb?*
  - *How much to pass on?*
  - *Commercial structures that enable these changes*
- *Thinking opportunistically about growth and M&A in a slower economic backdrop*

- *Shift in organizational structure*
- *Upskilling individuals across geographies (incl. to support re-industrialization agendas)*
- *Empowering multidisciplinary resilience squads (e.g., finance, legal. ops work together)*

Strengthen enterprise resilience through regular Scenario Planning exercises given the uncertain macro environment

Sources: Accenture Strategy analysis

Every company will need to excel in scenario planning, focus on building resilience in their supply chains, and driving productivity improvement efforts to offset potential margin impacts

How can companies ensure Rapid and Resilient Response?

	Enterprise and Financial Resilience	Operational Resilience	Commercial Resilience	People Resilience	Technology Resilience
Key questions to solve for?	• *What are the short and long-term risks to our business as a result of economic fragmentation?* • *How will we perform in a potential recession?* • *Has the long-term outlook fundamentally changed?*	• *What is the impact of tariffs on our COGS?* • *How must our network strategy evolve?* • *How can we better drive productivity to offset margin headwinds?*	• *How much cost can we pass on if our input costs rise?* • *Where is our customer risk?* • *What are potential growth opportunities in this environment?*	• *How will our workforce be impacted by this environment? How can we best support them?* • *What types of skills are needed if we see a wave of reindustrialization?*	• *How can we accelerate AI to improve productivity and offset margin headwinds?* • *Does our security posture need to change?* • *Will security risks go up?*
Key considerations	• Scenario planning must be done at an enterprise level • This needs to be done at an enterprise-level and factor in top- and bottom-line impacts	• Trade off between short term actions (e.g., increase inventory) vs strategic Capex changes in network • Have a continuous mindset on productivity improvement	• Customer risk becomes important if the economic environment slows • Pricing is critical, but many consumers are now more price sensitive in this cycle	• Inflation and job insecurity are pressuring employee morale and well-being • Labor needs are shifting as companies re-shore or restructure operations	• Leverage and integrate AI where possible. This is key if there are talent or workforce shortages • AI will also be key to offset potential margin impacts
How can technology help?	• Automate the monitoring of signals • Leverage AI to inform scenario planning and monitoring	• Data is critical to ensure supply chain resilience. Leverage digital twins to stress test the network • AI can accelerate rapid cost analysis in days now • Leverage AI to do rapid tariff impact assessments	• Use dynamic pricing to adjust prices based on changing cost structures • Leverage AI to monitor competitor actions on pricing and promo shifts • Leverage AI to monitor vulnerable customers	• Use AI to complement/augment employee skills • Deploy digital platforms to accelerate upskilling • Monitor employee sentiment in real time to strengthen engagement	• Use AI agents to dynamically adjust ops (e.g., procurement, logistics) based on trade policy changes • Be mindful of sovereign cloud strategies if geo-economic risks grow

Sources: Accenture Strategy analysis

Companies should ensure they have strong foundational capabilities while preserving flexibility in their corporate strategy to pivot as necessary

Key decisions for executives to consider

	No regret decisions	**No regret capability investment**	**Do – if recession unfolds**	**Do – if policies shift structurally**
Actions to take	✓ Increase inventory levels ✓ Diversify suppliers ✓ Set up interventions in contracts and suppliers to monitor price hikes ✓ Focus on design to value/product re-design ✓ Increase pricing (where possible) ✓ Conduct rapid productivity and vulnerability assessments	✓ Strengthen underlying data across suppliers, cost, and operations ✓ Strengthen monitoring and simulation capabilities ✓ Roll-out AI across key areas to enhance productivity ✓ Strengthen enterprise-wide scenario planning capabilities and governance	✓ Strengthen balance sheet if financial conditions tighten ✓ Opportunistic M&A / divest non-core ✓ Recalibrate products / services to a downturn ✓ Redesign process and workflow / operational model rehaul	✓ Restructuring manufacturing / network strategy ✓ Drive an end-to-end reindustrialization strategy ✓ Rethink global portfolios, e.g., “made in US” for US consumers ✓ Reconsider international footprints of markets to operate in
What you need to believe to be true	• *Do regardless*	• *Do regardless*	• Continued volatility in the market, e.g., policy shifts, supply shocks, trade war escalation • Consumer behaviors are shifting	• Risk of losing competitive advantage • Operational risk, i.e., right to operate • Inflation risk of reindustrialization and lack of capacity / skilled workers

Sources: Accenture Strategy analysis

About Accenture Macro Foresight

Accenture Strategy's Macro Foresight capability is focused on helping companies and investors understand major macroeconomic and geopolitical shifts in the global economy and what they mean for corporate strategic planning, investment planning and enterprise-wide transformation – helping clients distill complex macro trends into simple, pragmatic recommendations which drive value.

The team has hubs in Europe, the United States and Asia, and its members have prior experience working for governments, investment banks, asset managers, multilateral institutions and large corporates to bring a global, multi-disciplinary perspective to problem-solving.
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Accenture Strategy works with boards, CEOs and C-suite executives to create 360° value for all stakeholders by defining and answering their most strategic business questions—including growth, profitability, technology-driven transformation, mergers and acquisitions (M&A), operating models and sustainability—with insights from AI and data science, combined with deep industry and function expertise. Visit us at www.accenture.com/strategy.

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