

Navigating Uncertainty

The business impacts of tariffs and geopolitical shifts in the next six months



Erik.Peterson@kearney.com



Todd.Huseby@kearney.com

NACDS Live

April 8, 2025

KEARNEY



Is there still a magnetic north?



Imagine a world...

	THIS IS NOW...	THAT WAS THEN...
Geopolitical tensions	Middle East; Ukraine; South China Sea; Taiwan Straits; Korean Peninsula; other	Inter-war period. Rising tensions in Europe presaging outbreak of world war 13 years later.
Political transformations	2024 global election super cycle	Vietnam, Greece, Iran, Panama Canal. Coups d'état in Poland, Portugal.
Economic outlook	Low global growth rates and persistent high inflation	Low growth rates and hyper-inflation. Great Depression three years later.
Gov't role on economy	Sharp rise in gov't intervention—i.e., industrial policy, tariffs, national self-sufficiency	John Maynard Keynes, <i>The End of Laissez-Faire</i> , criticizing “unfettered capitalism.”
Populism, nationalism, mercantilism	Sharp rise in public distrust of institutions	National Socialist German Workers Party
Tech shocks	AI, quantum, CRISPR, other	Television, transatlantic telephone, liquid fuel rockets, other
“Super-empowered individuals”	Bezos, Gates, Musk	Carnegie, Ford, Rockefeller, Vanderbilt

Post-liberation

Trump Is Set to Unveil Expansive Global Tariffs

The president on Wednesday will announce sweeping tariffs that he says will restore fairness to the global trading system.

• LIVE

Stock Futures Slip as Looming Tariffs Keep Investors on Edge

At 4 p.m. ET, Trump is due to announce the contours of a sweeping tariff plan in a Rose Garden address. The fight has ignited worries about an economic slowdown.

- Analysis: How Tariffs Could Upend Pharma's Overseas Tax Strategy

Trump tariffs

Investors on edge as White House vows new tariffs 'immediately'

Fund managers avoid big bets as US president prepares to escalate trade war on 'liberation day'

AN HOUR AGO



To respond to Trump's tariffs, "it is urgent to deploy a credible economic defense arsenal"

Today is "Liberation Day": Donald Trump wants to overhaul global trade. Here's what you need to know

US President Donald Trump announced new tariffs on Wednesday. The trade dispute threatens to escalate, and the consequences are likely to be felt worldwide. Here are the key questions and answers.

Trump's Liberation Day

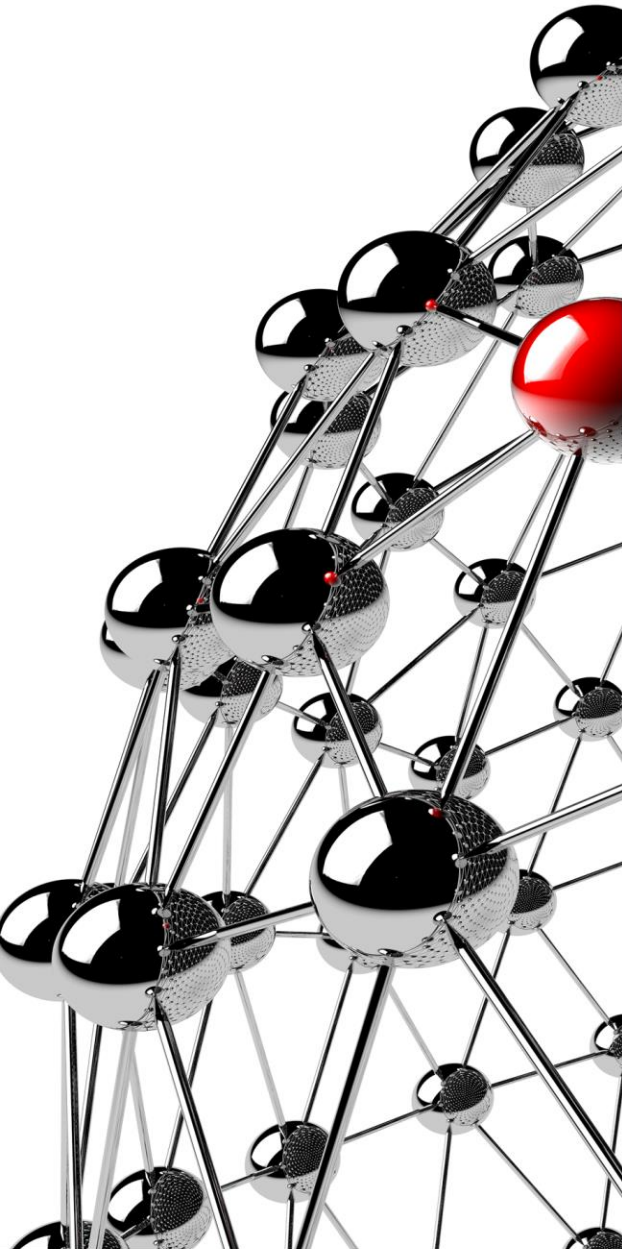
Lagarde warns of global damage from US tariffs

Trump plans to announce details of new punitive tariffs this evening. ECB President Christine Lagarde has already warned of the consequences of US tariff policy – and hopes for negotiations.

On a risky path

“Flooding the zone”: Massive and sudden consolidation of political power; sweeping **reset of domestic policy** together with **realignment of U.S. international security, political, and economic engagement**

- **Big Bet #1**: Offset loss of government revenues from tax cuts and deregulation with cuts in federal workforce, achieving higher government “efficiencies,” greater domestic energy production and exports, and increased tariffs
- **Big Bet #2**: Minimize inflationary effect of tariffs by passing losses to tariffed economies (Stephen Miran thesis) and avoid driving up the budget deficit and the stock of national debt
- **Big Bet #3**: Despite uncertainty on tariffs, U.S. economy will be able to attract investment
- **Big Bet #4**: After initial turbulence, drive the economic back into robust growth before the election mid-terms in 2026. Continue to capitalize on the populist domestic opposition to globalization and the hatred of the federal government.
- **Big Bet #5**: Force principal trading partners to the table to address U.S. dollar strength. Forge a Mar-a-Lago Accord on the precedent of the 1985 Plaza Accord.

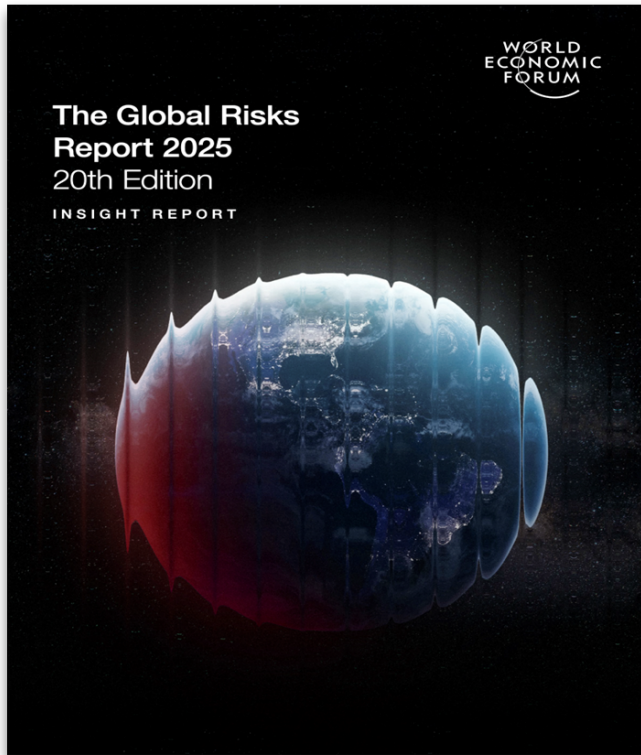


Widening the aperture

Big picture: We now stand at a historical moment the likes of which we haven't seen since the end of the second world war

- **End of long wave.** Centrifugal world ahead—marked by greater geopolitical instability, ever more dysfunctional international organizations and rules, anemic economic growth prospects, and the rise of populism and nationalism in many major economies. Tech disruption will fan the flames and speed the process. So will the rapidly mounting costs associated with environmental degradation.
- **Bracing for what's next.** For the past 30 years, business has capitalized on the remarkable political and economic liberalization that transformed—and stabilized—the global landscape. No longer. Business leaders must now prepare for a world characterized by far more unstable, more unpredictable, and more complex conditions.

The ever uncertain geopolitical outlook



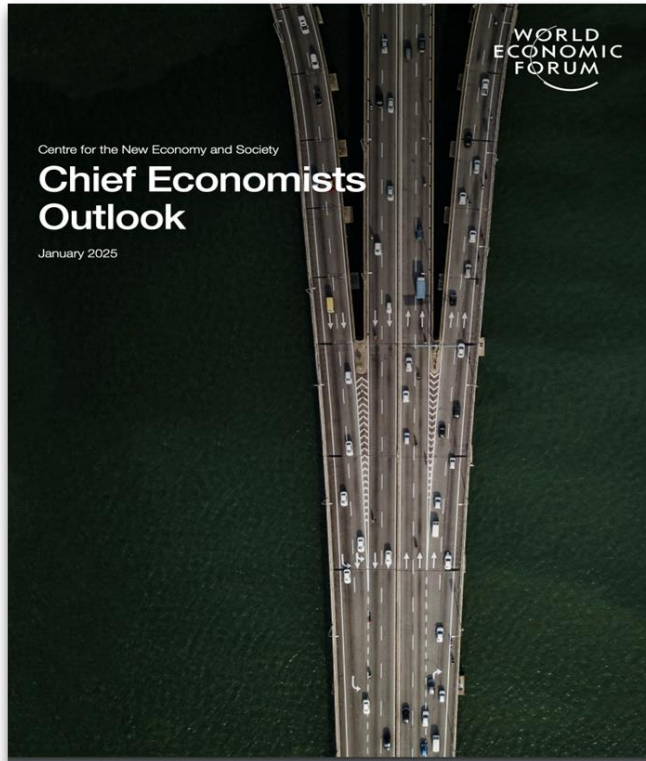
WEF The Global Risks Report 2025 (20th edition)

- of 33 risks ranked, “state-based armed conflict” (proxy wars, civil wars, coups, terrorism, etc.) was **by far the greatest risk for 2025**—with 23% of respondents anticipating a material global crisis.
- respondents also highlighted “**goeconomic confrontation**” as well as the technology-related concerns
- “cyber espionage and warfare” and “misinformation and disinformation” were risks linked to state-based armed conflict
- concern about geopolitical risks remains “alarming” on **two-year horizon**

Simultaneous inflections points for great powers

- **Europe**: Persistent historical challenge of forging a collective vision on how the region can and should maneuver in the world.
- **China**: Challenged with translating export growth into enhanced domestic demand.
- **India**: How will India position itself as the fastest growing major economy?
- **Japan**: Redefining regional role—including security.
- **Russia**: Declining strategic footprint.
- **United States**: Divisions undercutting capacity of leaders to define and pursue lasting national and international strategies.

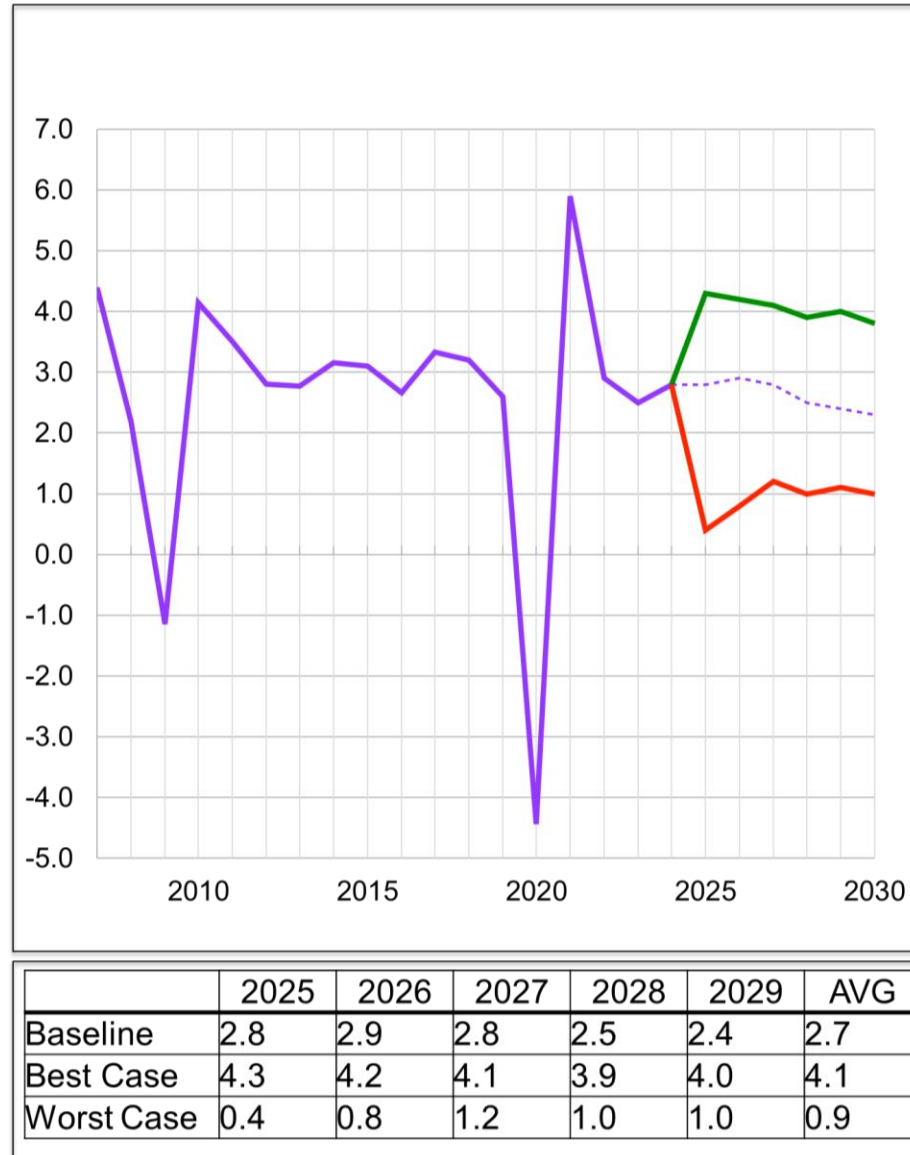
Increasing prospects for international fragmentation



WEF Chief Economists Outlook, January 2025

- “The global economic landscape is **increasingly fragmented**. This is particularly true for goods trade, where 94% of chief economists expect further fragmentation over the next three years.”
- “Significant majorities also expect **increased barriers to labour mobility and transfers of technology and data**.”
- “**Geopolitical rivalries and domestic policy choices are viewed as the key drivers** of current fragmentation trends, highlighting the growing importance of interactions between political and economic factors.”

The costs of “remaking” the global economy



- **Time to downgrade** projections; potential for recession
- What was already an anemic baseline projection for global economic growth now seems even more subdued
- **Lost decade?**
- Potential for best-case contingencies is declining rapidly, and there may be good reason to **downgrade further the worst-case**

Source: Kearney Global Business Policy Council, 1H Global Economic Outlook

Growing signs of public frustration



MUNICH SECURITY
CONFERENCE, Feb 16-18,
2024

“[P]eople in all G7 countries polled for the Munich Security Index ... expect China and other powers from the Global South to become much more powerful in the next ten years, while they see their own countries stagnating or declining.”

“As more and more states define their success relative to others, a vicious cycle of relative-gains thinking, prosperity losses, and growing geopolitical tensions threatens to unroll.”

“The resulting lose-lose dynamics are already unfolding in many policy fields and engulfing various regions.”

A low-angle shot of a roller coaster track against a sunset sky. The track features several loops and drops, with the sun setting in the background, creating a silhouette effect on the track and a warm glow on the horizon.

What about consumers?

5 Questions

1 Would you say that you are better off or worse off financially than you were a year ago?

- A. Better now
- B. Same
- C. Worse
- D. Don't know

2 Do you think that a year from now you will be better off financially, or worse off, or just about the same as now?

- A. Will be better off
- B. Same
- C. Will be worse off
- D. Don't know

3 Business conditions: In the country as a whole -- Do you think that during the next twelve months we'll have good times financially, or bad times, or what?

- A. Good times
- B. Good with qualifications
- C. Pro-Con
- D. Bad with Qualifications
- E. Bad times
- F. Don't know

4 Looking ahead, which would you say is more likely--that in the country as a whole we'll have continuous good times during the next five years or so, or that we will have periods of widespread unemployment or depression, or what?

(free response)

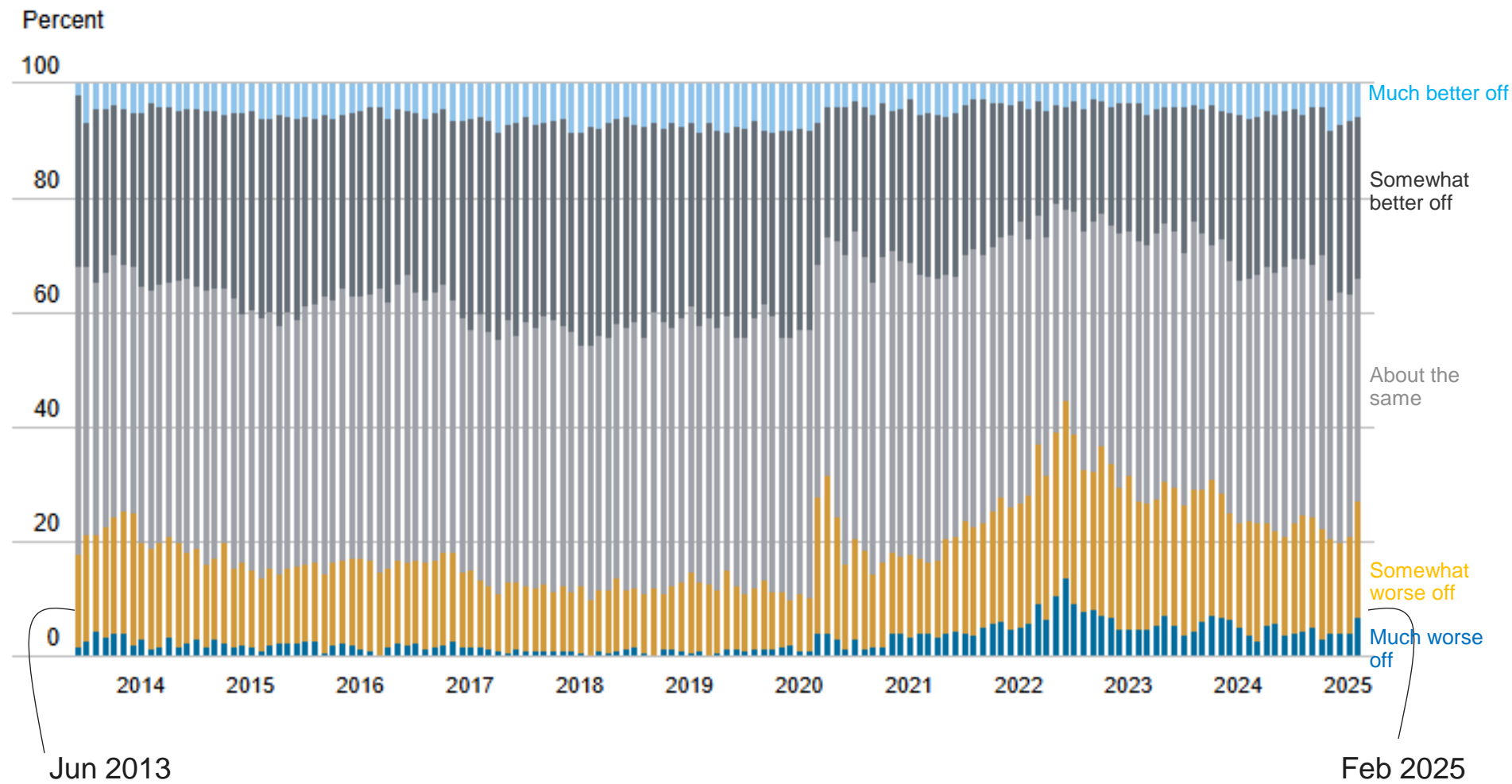
5 About the big things people buy for their homes--such as furniture, a refrigerator, stove, television, and things like that. Generally speaking, do you think now is a good or bad time for people to buy major household items?

- A. Good
- B. Pro-Con
- C. Bad
- D. Don't know

Source: University of Michigan
Surveys of Consumers

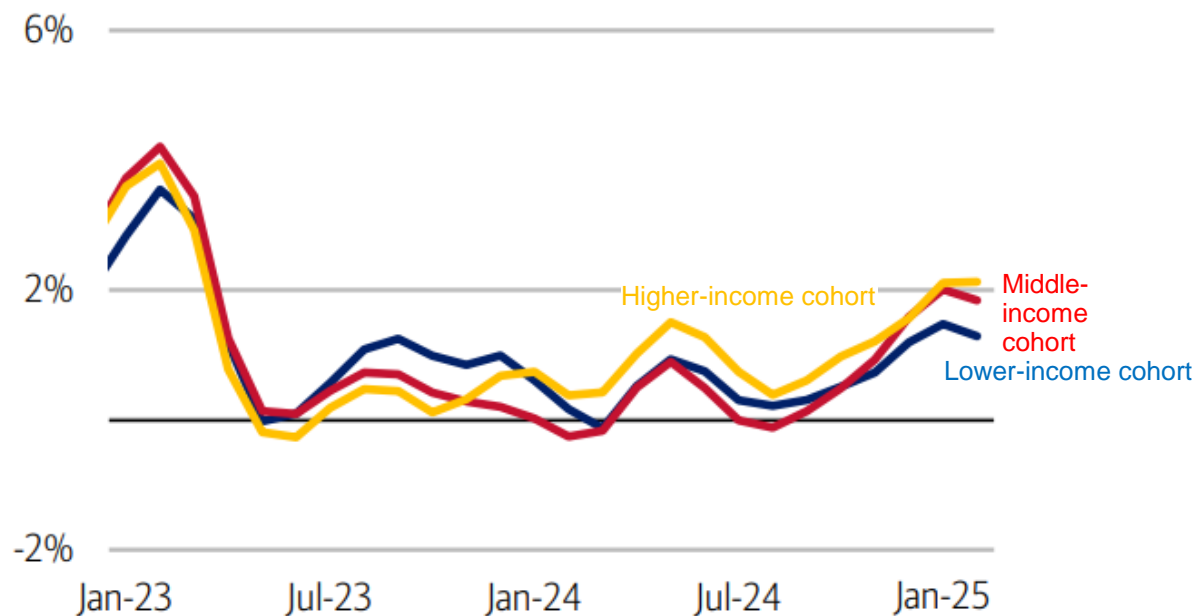
Through February 2025, consumers have been forecasting their 1-year financial situations to be fairly stable

Household Financial Situation: Year From Now



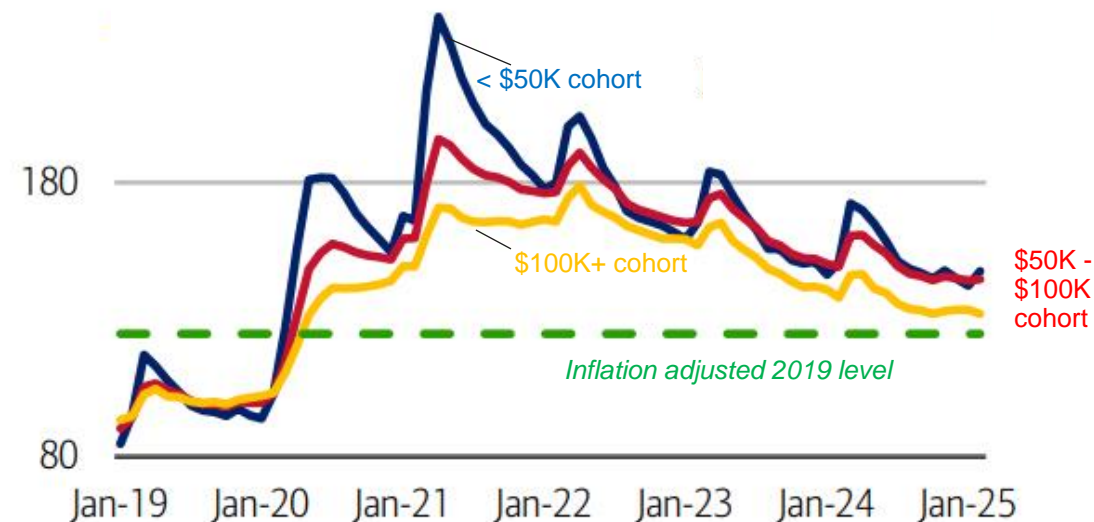
Through early March, consumers have continued to spend... but have used some savings

BofA reports that through early March '25, consumer spending growth has been slightly positive



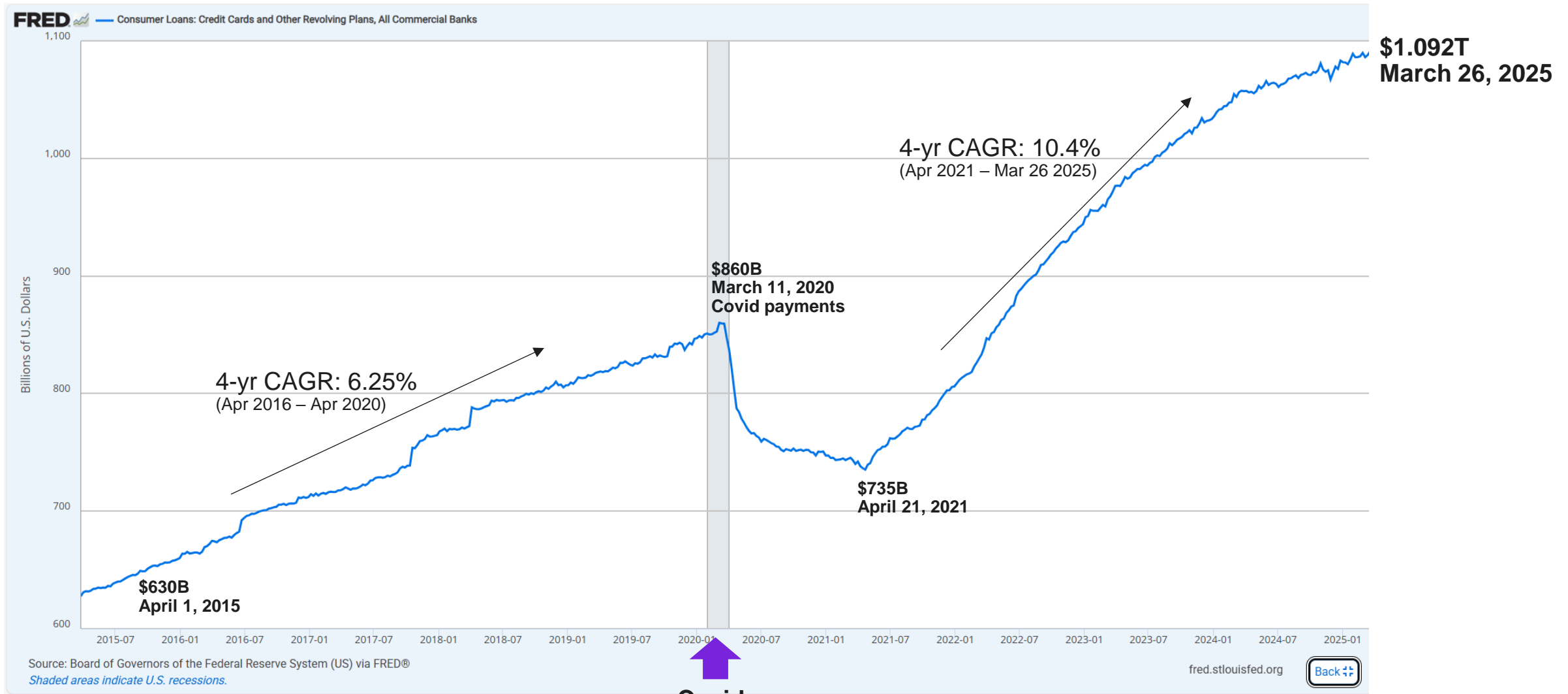
BofA reports that median checking and savings deposit balances have declined over past year, yet remain above inflation-adjusted 2019 levels

Index (2019 = 100)

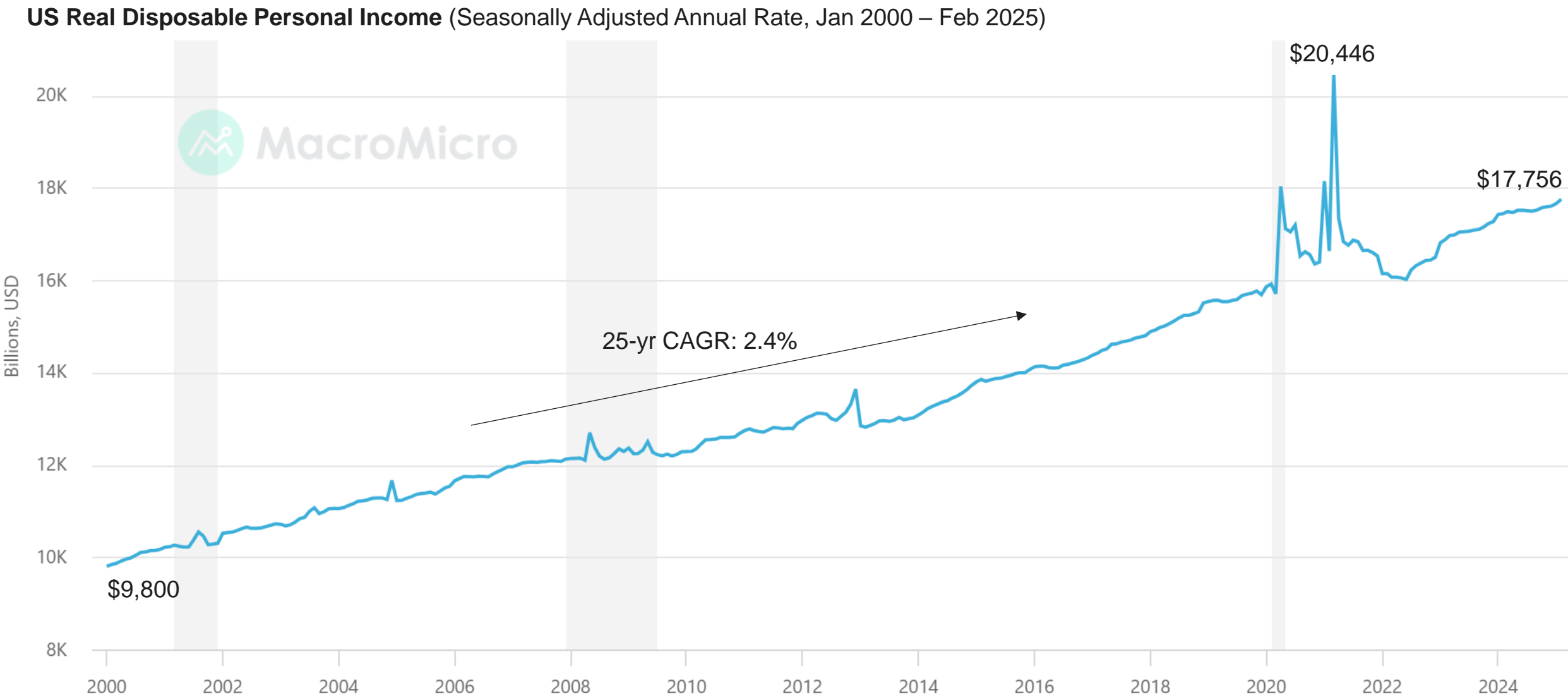


Through late-March, consumers continue to have and use credit... Consumer loans (e.g., credit card balances) continue to climb, up nearly 50% since April 2021

Consumer Loans: Credit Cards and Other Revolving Plans, All Commercial Banks (10 years: April 2015 – March 2025)

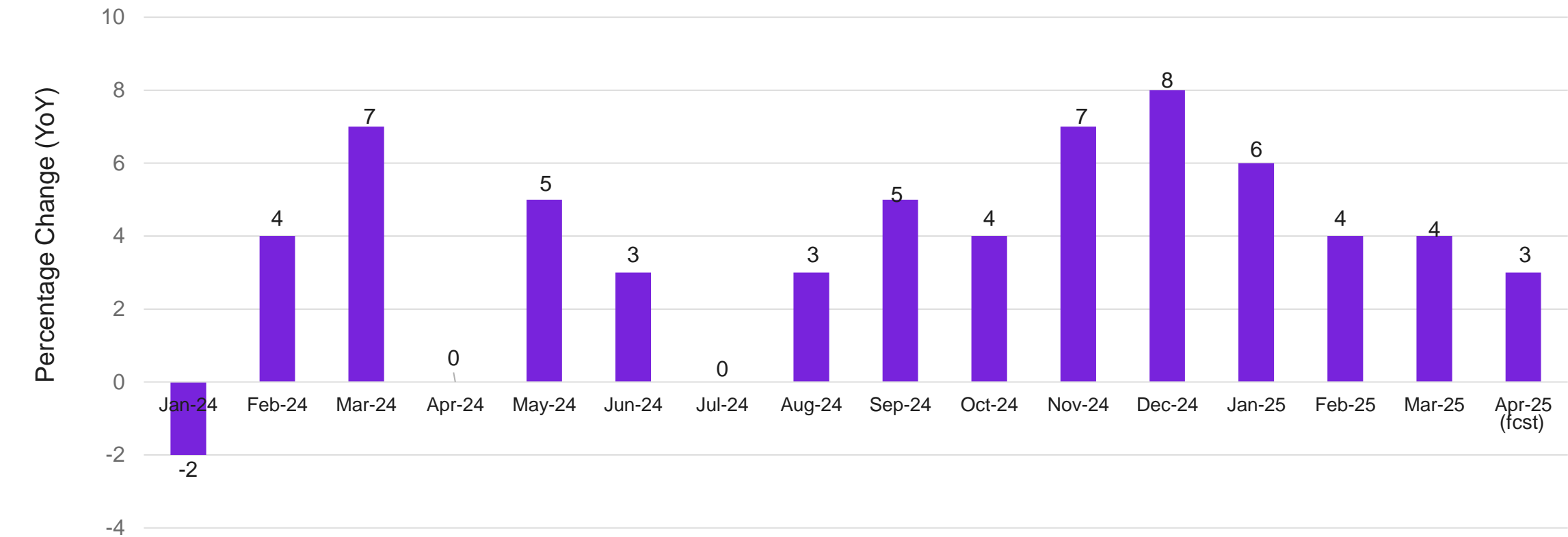


Consumers' disposable income is strong and has been growing at ~2.4% annually



Example of consumer experiences: Consumers continue to seek restaurant experiences

Change in Seated Diners (Monthly, Jan 2024 – April 2025)
(Index of news mentions of economic uncertainty)

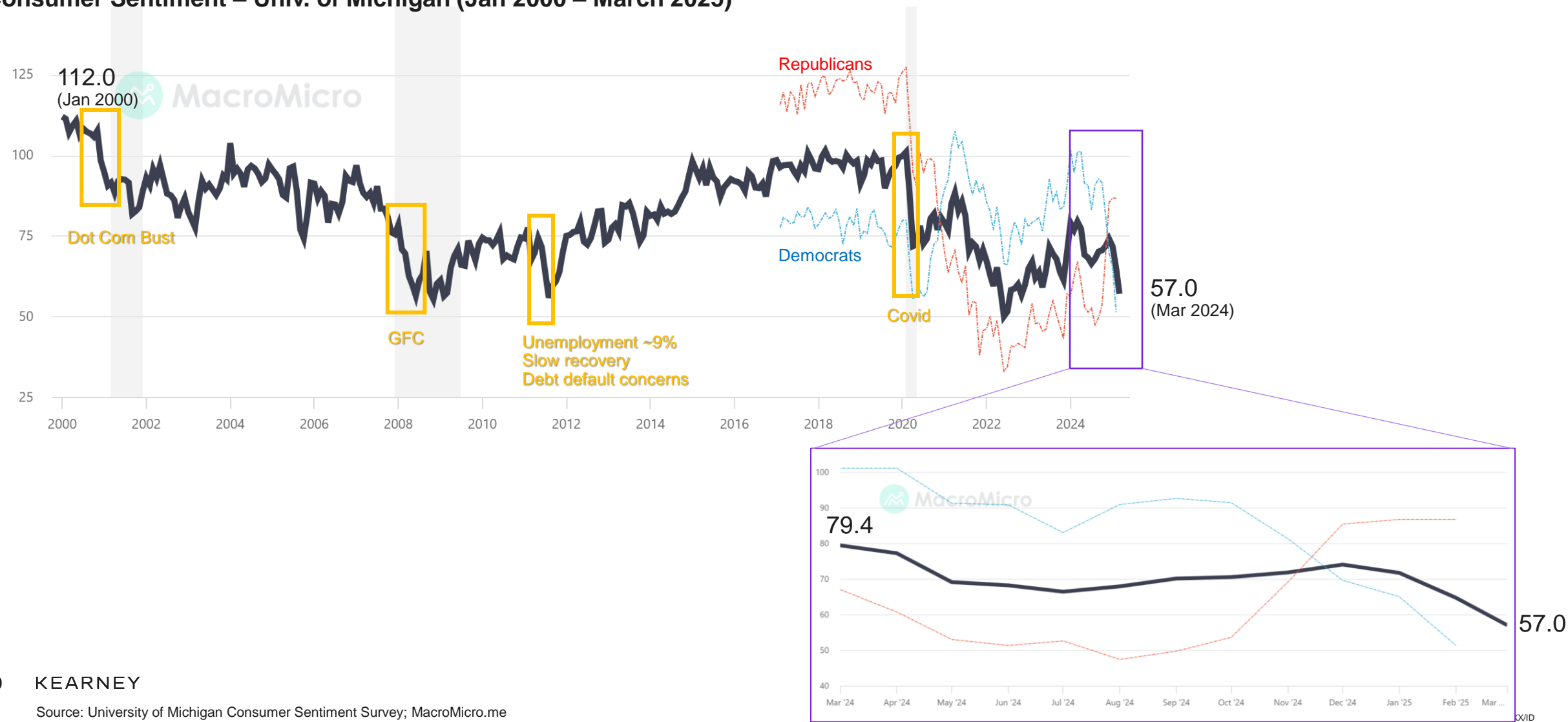


So what's the
problem?

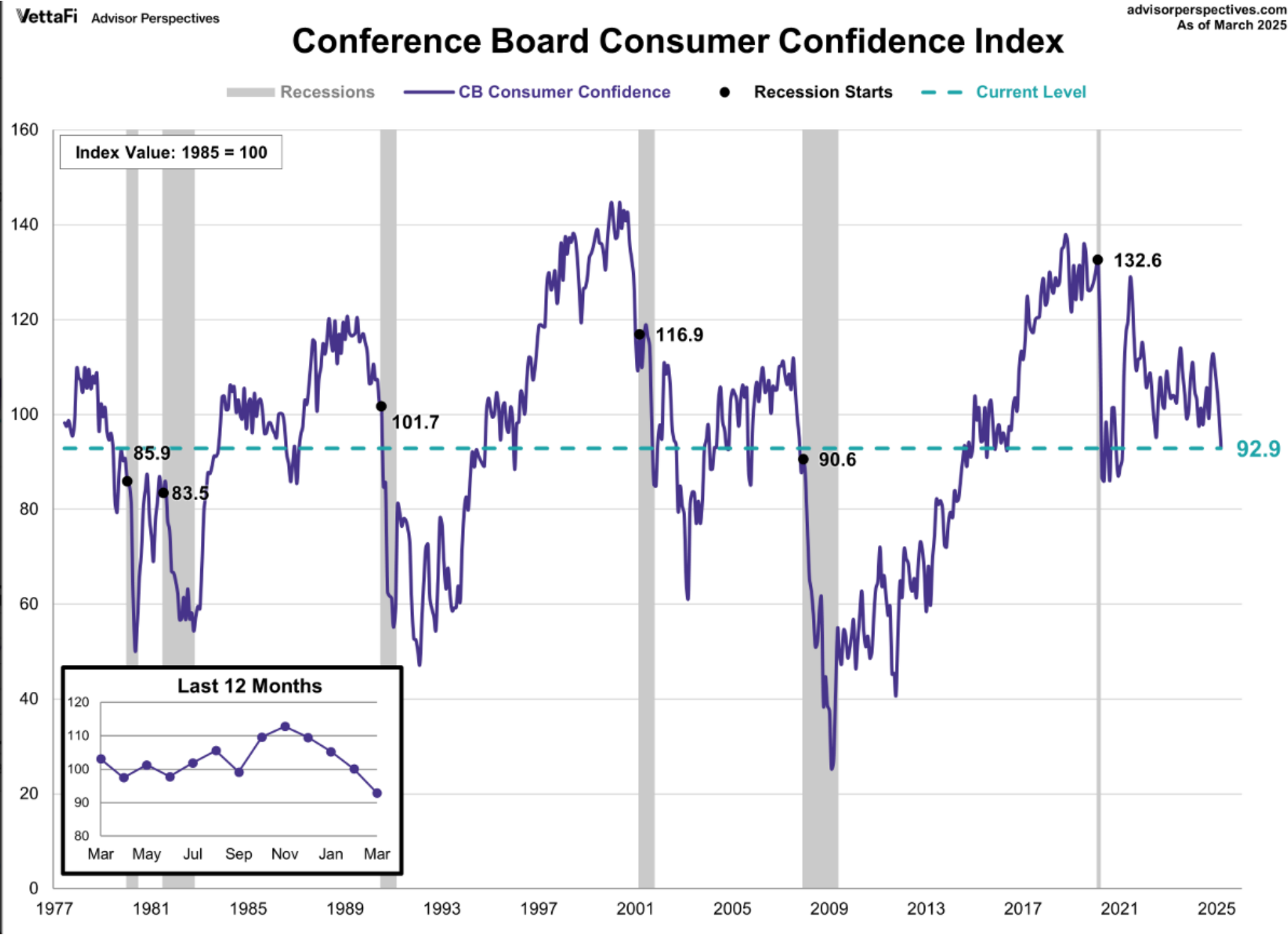


Consumer sentiment (U. Mich) is trending down... as it has (but not as much as) during other periods in the past 25 years

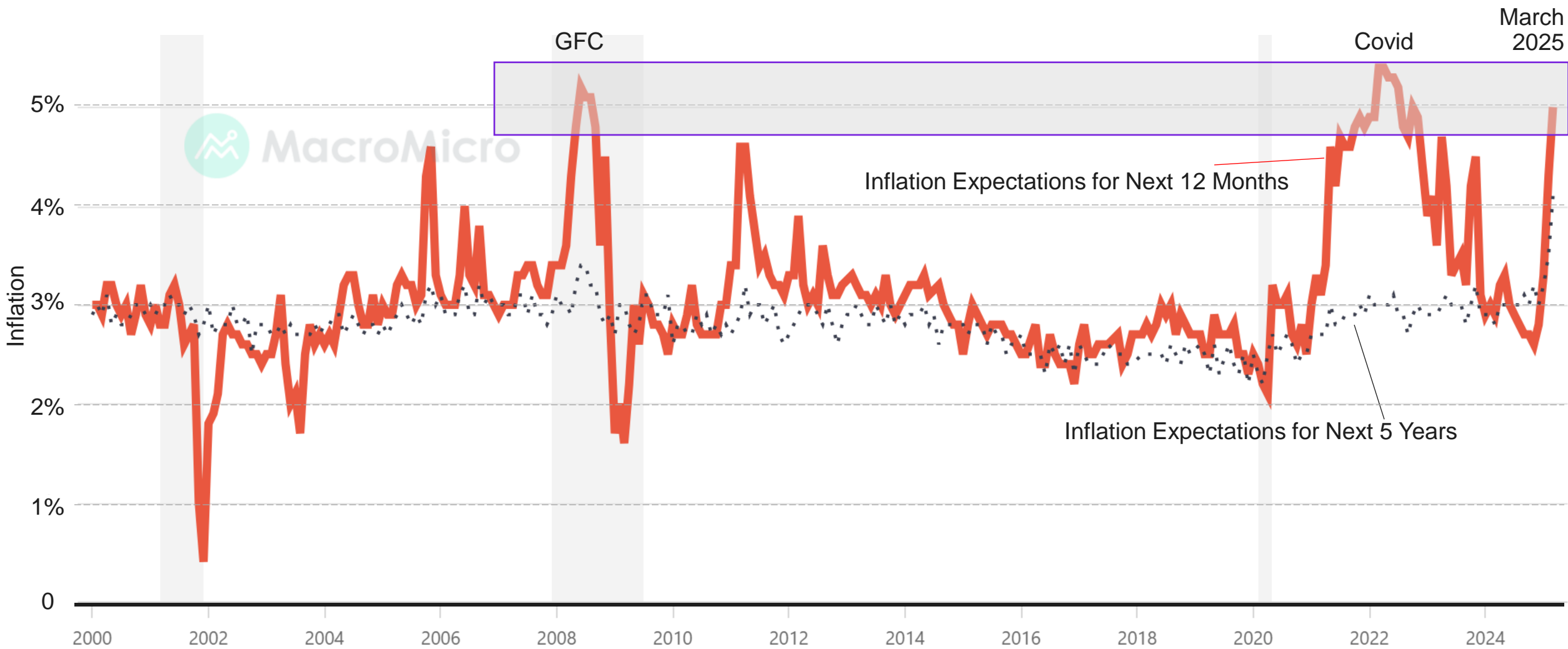
Consumer Sentiment – Univ. of Michigan (Jan 2000 – March 2025)



Consumer confidence (Conference Board) is trending down

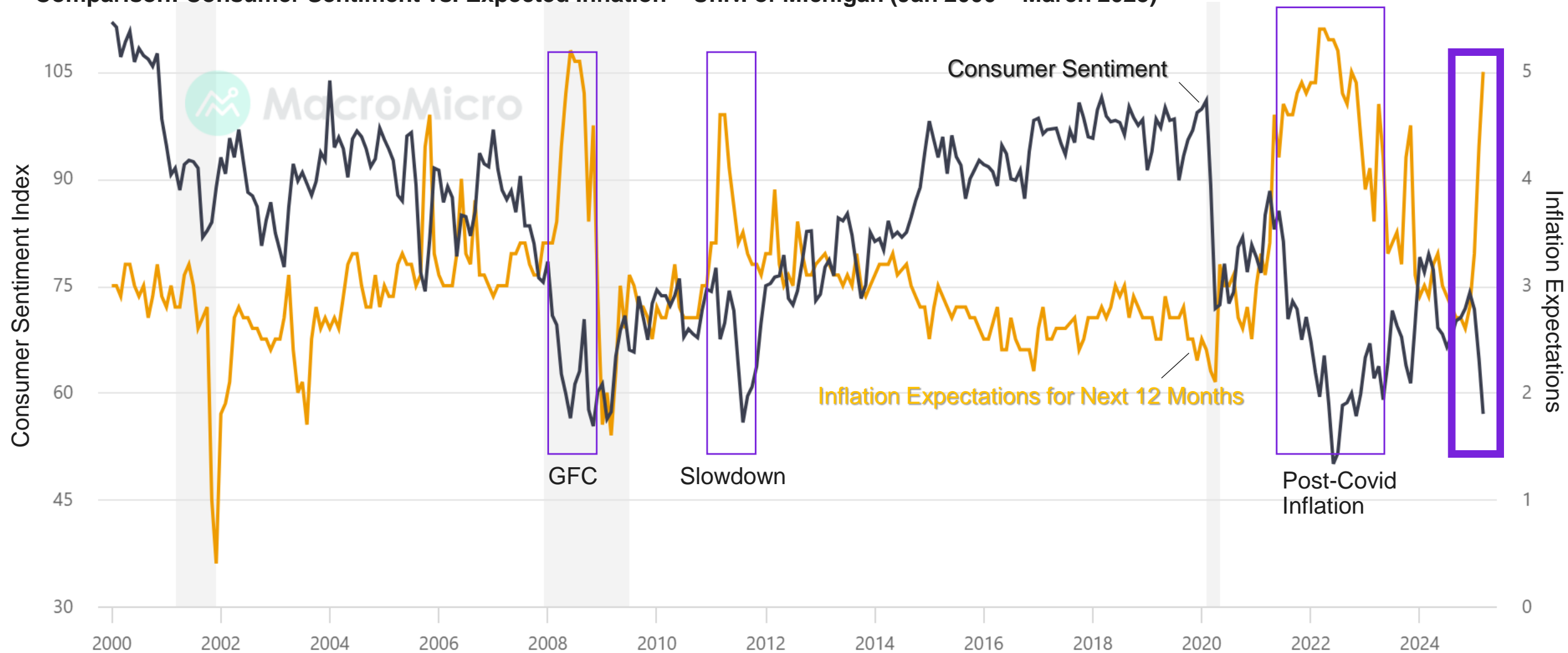


Inflation expectations: US Consumers are suddenly at peak levels of inflation expectation



We currently see sharp and sudden changes: upward inflation expectations along with downward consumer sentiment

Comparison: Consumer Sentiment vs. Expected Inflation – Univ. of Michigan (Jan 2000 – March 2025)

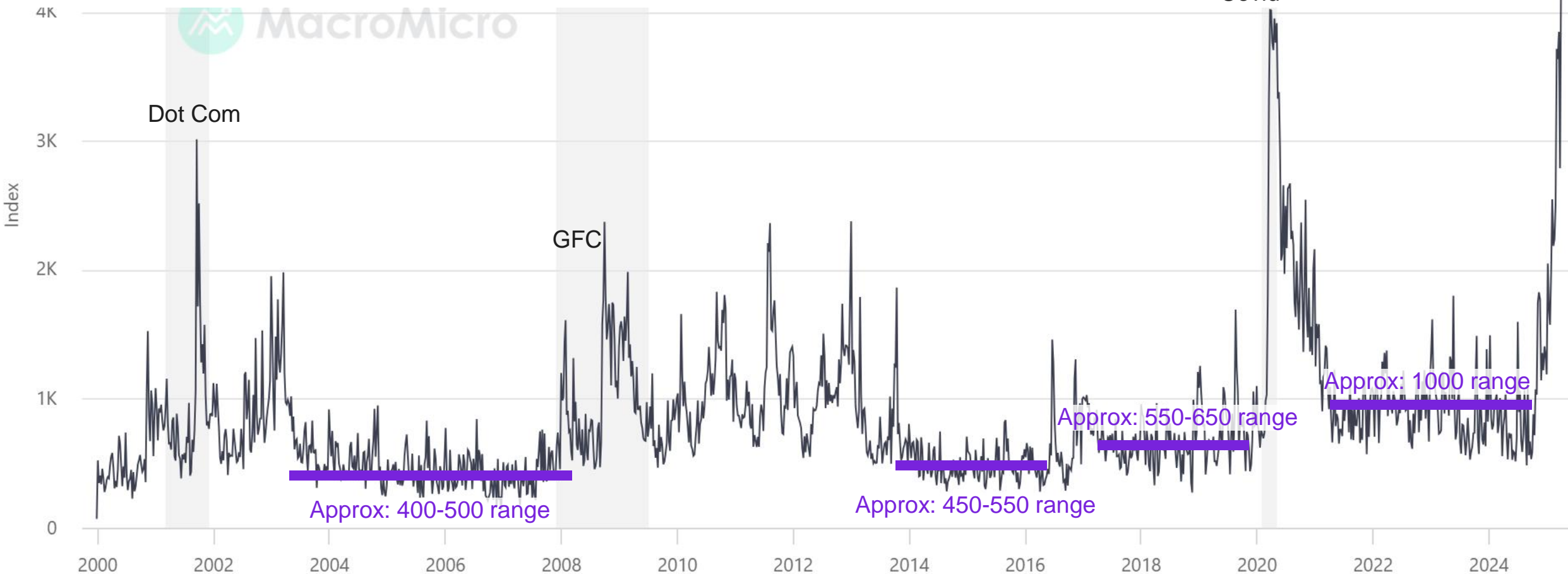


News reports of economic uncertainty are at peaks... likely affecting consumer psyches

Mar 30, 2025
4376

Economic Policy Uncertainty Index (Jan 2000 – Mar 2025)

(Index of news mentions of economic uncertainty)



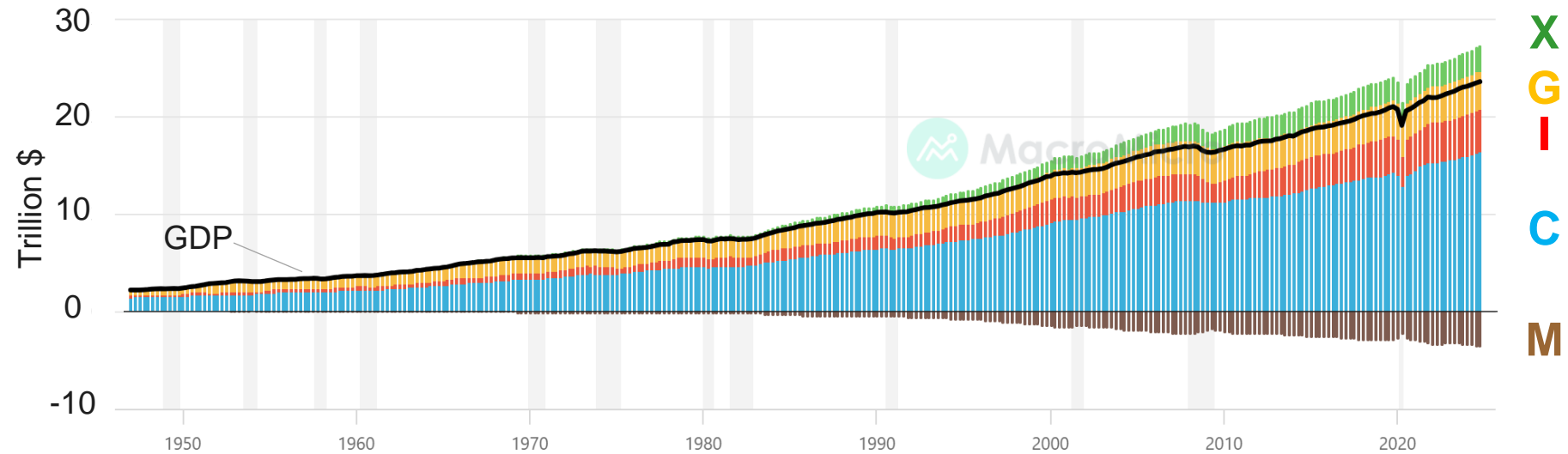
**So what does
this mean for the
US economy?**



US GDP...

... ~70%
consumer
spending

US GDP Over Time (with components)

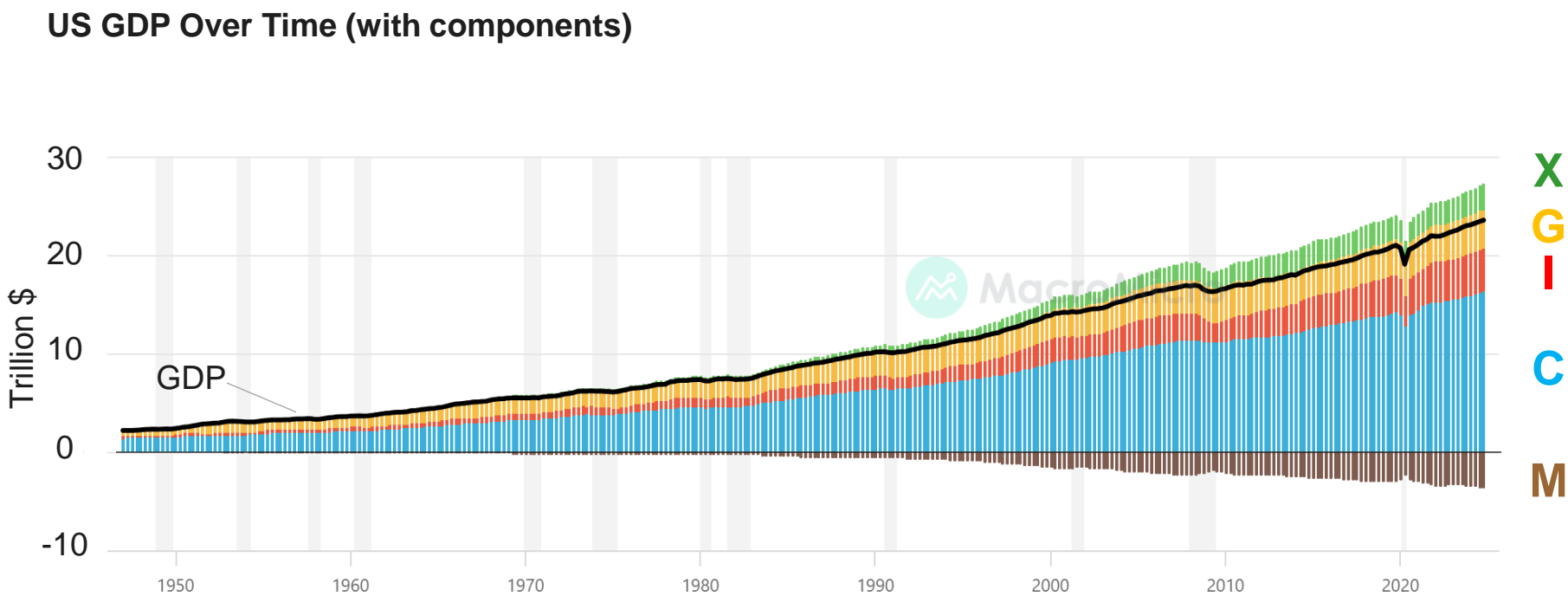


Gross Domestic Product = Consumption + Investment + Government + Exports - Imports

$$\text{GDP} = C + I + G + X - M$$

$$100\% = 69\% + 18\% + 17\% + 11\% - 16\%$$

What will happen in the coming months?



- Uncertainty
- Inflation
- Security
- Uncertainty
- Tariff negotiations
- DOGE
- Tariff negotiations
- USD

GDP = C + I + G + X - M

Possibilities –
Change from Trend
Next 6 months:



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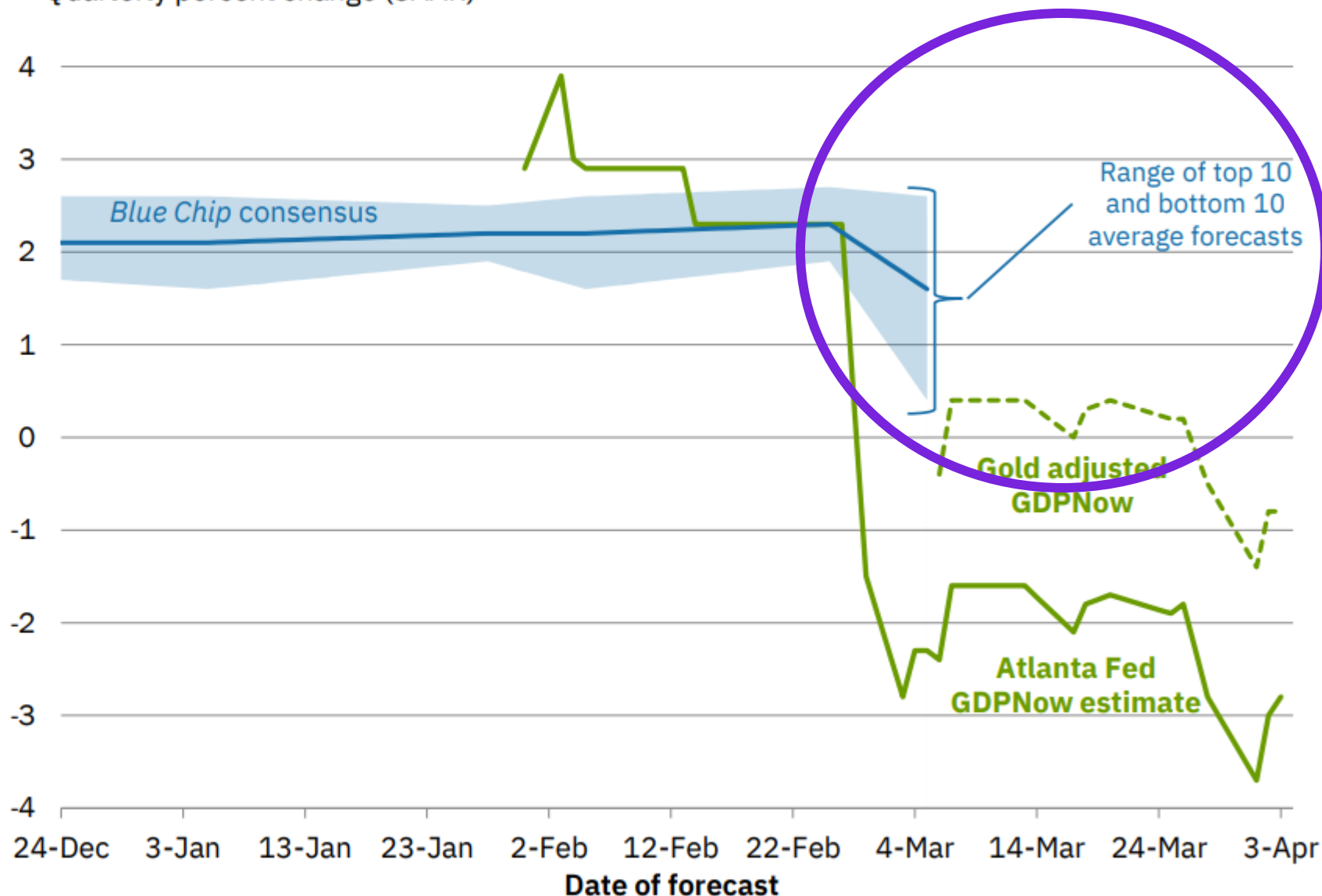
GDPNow™

GDPNow is not an official forecast of the Atlanta Fed. Rather, it is best viewed as a running estimate of real GDP growth based on available economic data for the current measured quarter. There are no subjective adjustments made to GDPNow—the estimate is based solely on the mathematical results of the model.

Source: Federal Reserve Bank of Atlanta (published April 3, 2025)

Evolution of Atlanta Fed GDPNow real GDP estimate for 2025: Q1

Quarterly percent change (SAAR)



Sources: Blue Chip Economic Indicators and Blue Chip Financial Forecasts

Note: The top (bottom) 10 average forecast is an average of the highest (lowest) 10 forecasts in the Blue Chip survey.

5 actions to consider

- 1 Anticipate shifting consumers' trade-offs –**
Budgets, basics, indulgences, deferrals...
- 2 Tear-down / redesign products for new constraints –**
Design for value, design for mfg flexibility, design for domestic sourcing
- 3 Reinvent pack sizes. Be budget conscious –**
Focus on value, trust, and smart consumers
- 4 Rebuild pricing / promo playbooks –**
Data, data, data → Test, tune, and target offers faster (AI opportunity?)
- 5 Hardwire flexibility into sourcing –**
Hedge geopolitical, tariff, currency risk... to scale up/down rapidly

Thank you



Erik.Peterson@kearney.com



Todd.Huseby@kearney.com

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