

# The path forward

Navigating tariffs and economic uncertainty



Tariffs have been around ever since countries have engaged in trade. Countries are well versed with the language of trade, and understand the importance of establishing and maintaining trade relationships with their key partners. In fact, every major region relies on imports for more than 25 percent of its consumption of at least one type of critical resource, manufactured good, or service<sup>1</sup>. Understandably, the upcoming changes to sector and country tariffs have heightened anxiousness and triggered negotiations, bringing trade alliances into greater focus.

With the buffer period before significantly higher tariffs could move into effect, businesses and economies are focused on evaluating their exposure to tariffs and mitigating the impact on their operations, liquidity and financial performance. The final impact of tariffs on businesses amongst other factors will depend on how deeply a business' supply chain is dependent on input materials from different countries.

## Business and country responses to changes to tariffs

Over the course of 2018 - 2023, the United States has focused on reducing its reliance on imports from China. Electronics, machinery, and textiles have seen the greatest diversification away from China to other countries in Asia, particularly ASEAN, and Mexico<sup>1</sup>. By 2024, Mexico became the largest supplier to the United States, with China and Canada following closely after, as seen by the chart on the right showing the top 10 trading importers to the US. Even with Mexico overtaking China as the leading supplier, China remains a critical trading partner.

Beyond the US/China relationship, diversification of supply chains has become a global trend. Since the pandemic, a vast majority of companies have been decentralizing their supply chains towards diversified and modular supply chain networks, enabling businesses to turn on or scale a network of suppliers across countries as needed. Apple, for instance, has built additional paths to manufacturing while maintaining its relationship with China as a key trading partner<sup>2</sup>. The result? In the near term, Apple is well-positioned to increase

iPhone supplies from India where tariffs are at 27% vs China where tariffs are at 145%. Typically, small adjustments to tariffs can often be absorbed through pricing adjustments but with the prospect of steeper tariffs ahead, this is a less attractive option where businesses run the risk of pricing themselves out of the market. Even

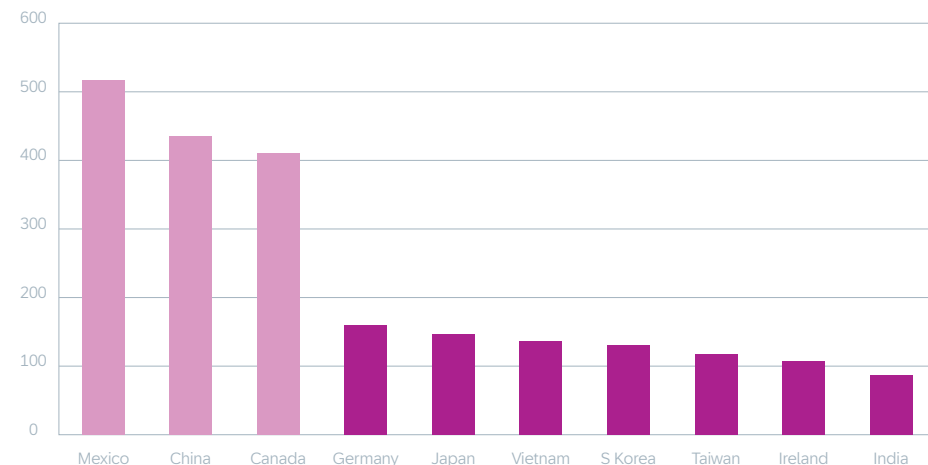
if the customer agrees to absorb some of the increase in price, they may only be agreeable to doing that in the short term. If so, businesses should use this time to evaluate their supply chain exposure by country and begin to source more from suppliers that are based in countries with lower tariffs.

<sup>1</sup> Seong, Jeongmin, et al. "Geopolitics and the geometry of global trade: 2025 update." McKinsey Global Institute, 27 January 2025, <https://www.mckinsey.com/mgi/our-research/geopolitics-and-the-geometry-of-global-trade-2025-update>

<sup>2</sup> MacLellan, Lila, et al. "Apple CEO Tim Cook: COO, supply-chain background gives him executive edge." Fortune, 9 April 2025, <https://fortune.com/2025/04/09/apple-ceo-tim-cook-coo-trump-tariff-test/>

## Mexico, Canada & China account for \$1.3tn of imports

Top 10 trading importer to the U.S. in 2024, \$bn



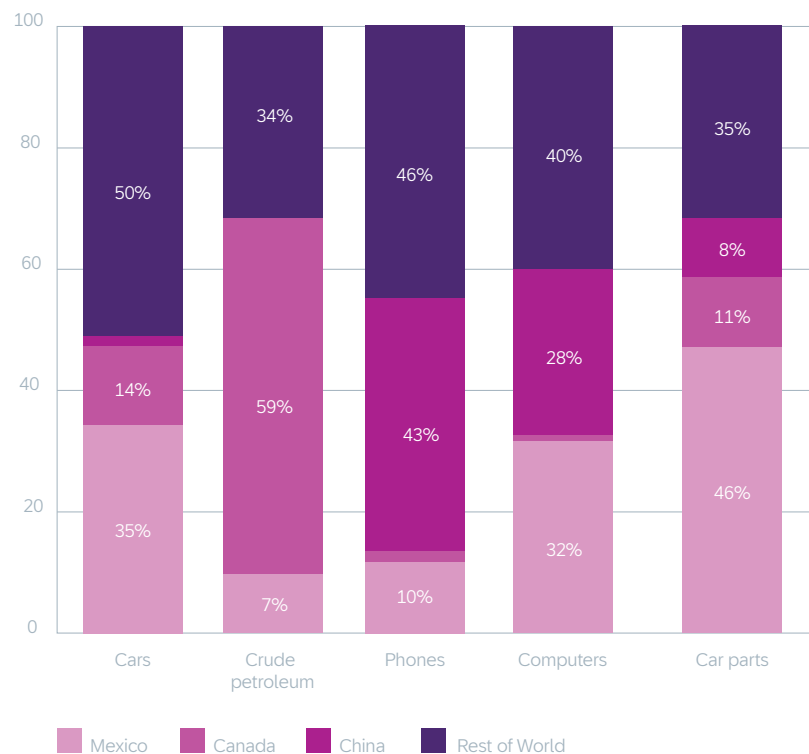
Source: U.S. Census Bureau, NBC, Data as of December 2024

# A guide to strategies and tactics for businesses in 2025

Machinery, electronics, chemicals & pharmaceuticals, and transport equipment are the top 4 import sectors for the United States<sup>1</sup>. When we look at US product imports by country as a percentage of total category imports, as shown by the chart on the right, it paints a slightly different picture. “If we look deeper into car parts and accessories manufacturing, we are seeing an uptick in companies in this category having to reconsider their overall supply chain network and financing because of a high level of country concentration. Previously, with linear supply chains, it was fairly simple for these companies to access capital markets in Asia or other locations. With tariffs, sector and country regulations on the move, there is liquidity contraction and increase in long-end bond yields which will increase the cost of borrowing. Companies are starting to prepare now for that possibility.” Ade Omisore, Head of Structuring, North America, SAP Taulia.

## Mexico, Canada & China all dominate various imports

U.S. product imports by country, 2024 as a % of total category imports



Source: U.S. Census Bureau, Haver Analytics, Data as of December 2024

Over the coming weeks, corporations that dominate their category with high country exposure to Mexico, China, and Canada will be involved in high stakes negotiations in an attempt to soften the impact of tariffs. Capital intensive sectors such as automotive and industrials are not the only sectors feeling the impact. The retail sector that operates with razor thin margins is reacting by doubling or tripling their spend with smaller US based suppliers. “We are seeing companies jump into action with urgency to protect their bottom line. Working capital and freeing up cash flow for liquidity management is now coming into immediate focus.” opines Andy Lee, Global Head of Receivables Finance, SAP Taulia. On the other end of the spectrum, companies that supply to large corporations but have a smaller proportion of the overall customer revenue may see a more pronounced impact from tariffs. With 71% of CFOs viewing the current economic environment as unfavorable to their business<sup>3</sup>, there are certain strategies and tactics that can help businesses navigate a challenging 2025, with an upside.

<sup>3</sup> Rathindran, Randeep. “How CFOs Are Responding to U.S. Policy Changes.” 10 April 2025  
<https://www.gartner.com/en/articles/how-cfos-are-responding-to-us-policy-changes#:~:text=Amid%20uncertainty%2C%20CFOs%20need%20a,an%20informed%2C%20effective%20action%20plan>

## Enhance customer relationships

For businesses of any size, enhancing customer relationships will come front and center. Customers assessing their exposure to tariffs are also studying their supply chain footprint. Preferential relationships will surface that benefit businesses providing a high quality of goods at a comparably lower tariff price point.

## Diversify the supplier base

Large companies are not the only ones who will continue to diversify their supplier base. Diversifying sources of material inputs is highly critical for mid-sized and small businesses due to smaller businesses having a higher supplier concentration.

## Flexible commercial contracts

We are likely to see contracts and terms of engagement being renegotiated. In this scenario, businesses that offer extended terms to their customers, in exchange for a larger share of the customer's spend, can differentiate themselves from the competition and emerge in a stronger position.

## Accelerate cash flow

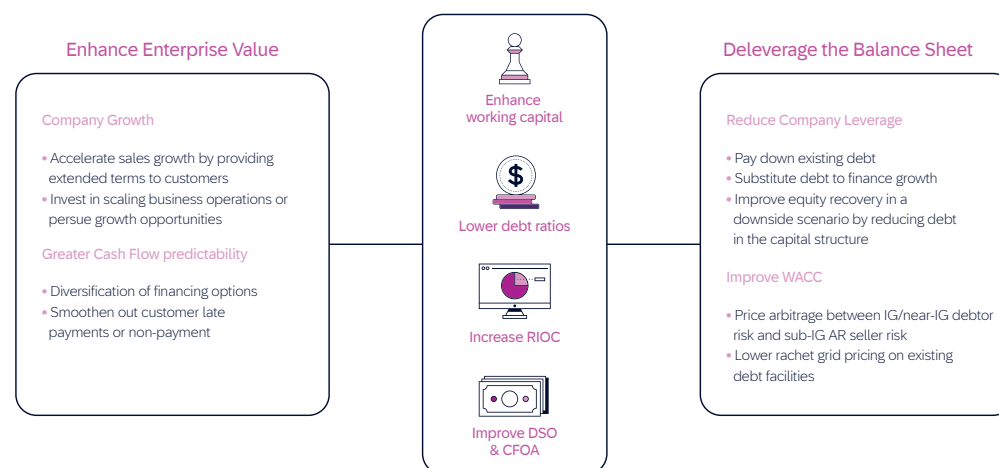
Assess balance sheet health and review the business' cash flow position with greater emphasis on finding ways to release cash that is sitting idle. With cost of funds expected to rise over the course of 2025 and a tightening pool of capital, alternate forms of financing will be crucial to ride the wave of economic uncertainty and a potential economic downturn.

## Mitigate risk of customer non-payment

When planning for different scenarios, consider the overall customer profile, look for trends or behaviors that indicate risk of non-payment or delayed payments. Take a dual approach by providing extended terms for preferential relationships and encouraging on-time payment for other customers.

# SAP Taulia as a strategic partner

The strategies that we have outlined revolve around a healthy balance sheet and predictable cash flow. Businesses typically rely on different sources of capital to build cash flow predictability. In the current economic environment with higher volatility and tightening credit, alternate forms of capital can serve companies more judiciously. A true sale of receivables program is one such mechanism that can enhance company value and deleverage the balance sheet simultaneously.



## SAP Taulia Receivables Finance

As an alternate avenue, SAP Taulia together with its funding partners offers fast and reliable financing at competitive prices. The key structural components of SAP Taulia Receivables Finance are designed to offer a simple and flexible program.

- True sale of receivables
- Select debtor program
- Non-recourse for obligor credit risk
- Typically undisclosed
- Evergreen term
- Up to 100% advance rate

The flexible structure of SAP Taulia Receivables Finance offers multiple benefits, providing businesses with liquidity at the right points in time.

### Rapid access to global capital markets

Secure competitive offers with quick market soundings from over 40 global financial institutions.

### Diversify funding sources

Access alternate pools of capital that diversify financing risk across funding sources, customers and geographies.

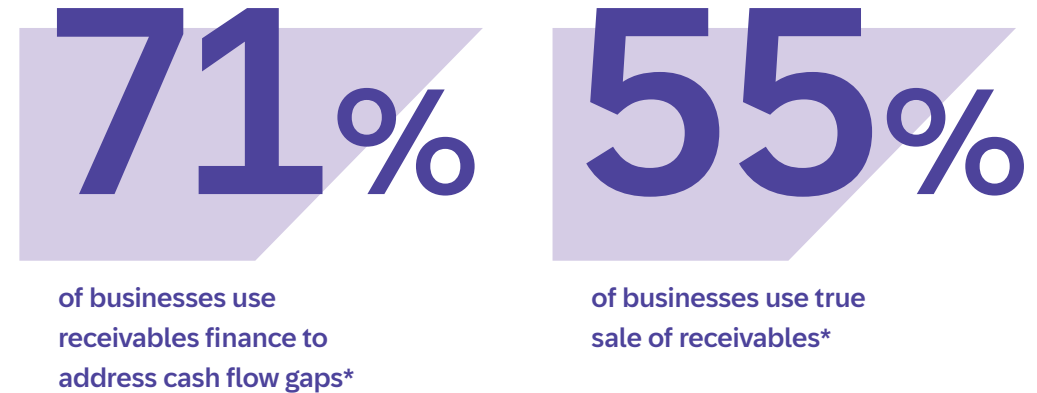
### Support growth without adding debt

A true sale of receivables program unlocks financing upfront to improve working capital, repay debt, or invest in growth opportunities, typically without burdening the balance sheet with additional debt and increasing leverage ratios.

### Scale your program, not your operational workload

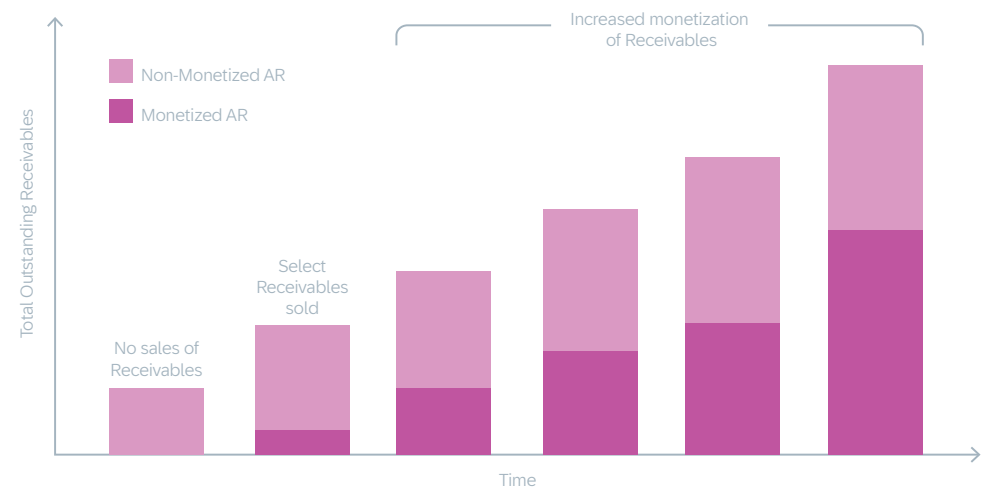
SAP Taulia provides a single technology integration that automates bi-directional data flows, trade execution, payment reconciliation, and auto-journal posting in near real-time, giving you the ability to eliminate manual touch points, streamline operational workload and easily scale the program across debtors to support business growth, as shown by the chart on the right.

With an expedited setup and funding model, we offer fast and reliable financing. Speak with us to learn more and unlock cash flow from outstanding receivables.



\*Source: Taulia Receivables Finance Survey 2024

### True sale of receivables program scales easily to support business growth



## Next steps?

To find out more, contact SAP Taulia via the link below.

Contact us