THE KEYSTONE GROUP

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MITIGATING THE FINANCIAL IMPACTS OF TARIFFS

MAY 2025 UPDATE

EVOLVING TARIFF LANDSCAPE

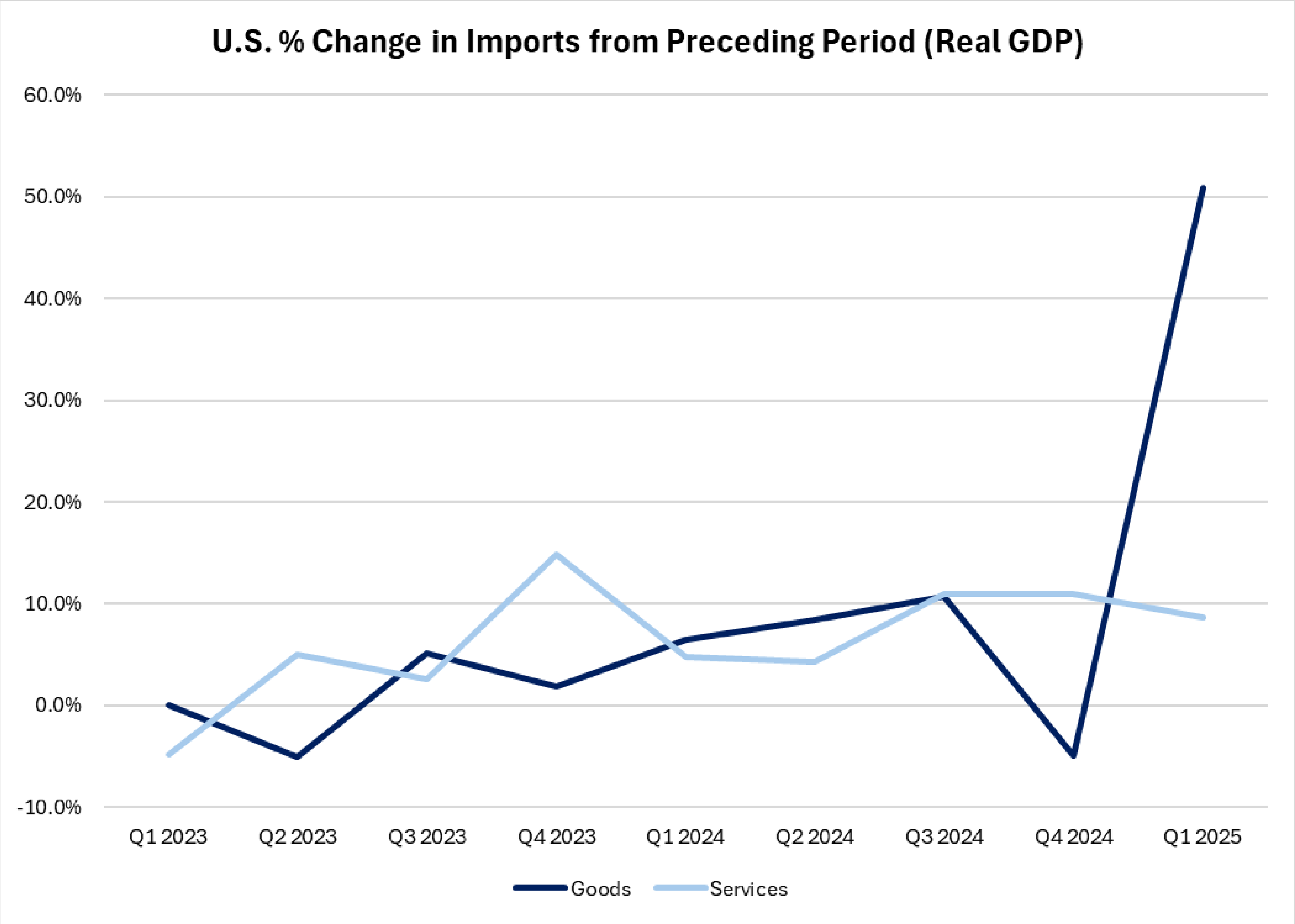
Tariff pauses provide breathing room, but risks and supply chain disruption remain

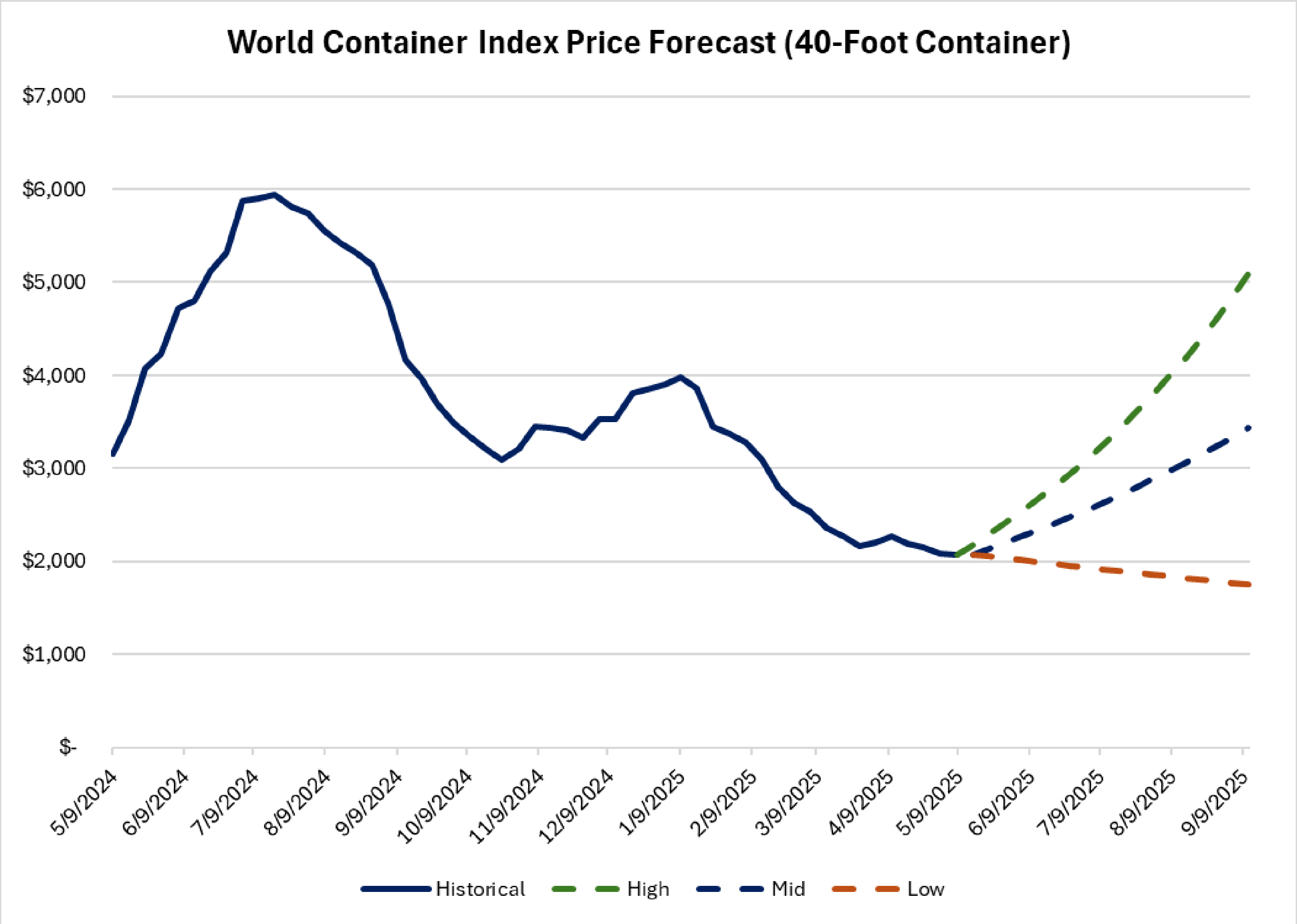
Timeline Recap

- **April 2nd 2025** - Major announcement from US administration to impose baseline 10% tariff on all countries, alongside higher targeted rates on a country by country basis
- **April 9th 2025** - China reciprocal tariff rate increases to 125% (145% including 20% IEEPA), while all other country reciprocal tariffs are set to 10% during a 90-day pause
- **April 29th 2025** - Executive Order relaxes 25% automobile and auto parts tariff to lessen the impact on vehicles assembled in US with foreign made components
- **May 12th 2025** - US announces 90-day pause on China reciprocal tariffs reducing the rate to 10% (30% including 20% IEEPA). The De Minimis Tariff on Chinese imports is reduced from 120% to 54% ($100 flat fee option remains)
- ***July 9th 2025 - The 90-day pause on international reciprocal tariffs is set to expire and return to rates proposed on April 2nd***
- ***August 12th 2025 - The 90-day pause on China reciprocal tariffs is set to expire and return to 34%***

The 90-day pause on reciprocal tariffs, now including China, provides additional time for companies to plan and prepare for longer term supply chain impacts

TARIFF IMPACT TO IMPORTS & FREIGHT





- US Imports of Goods increased by 50% in Q1 2025 as businesses pulled forward purchases ahead of the anticipated trade wars
- April saw a decline in US imports from China, which fell 21% year-over-year. Container bookings dropped by nearly 50% in the first week of April compared to the prior week

- Container prices rose following the election and during the increased volume of imports, but subsequently fell during the escalation of tariffs
- The 90-day pause will likely cause a dash for capacity, leading to higher prices. There is potential for prices to return to levels seen at the start of the year or higher

Sources: US Dept of Commerce, Drewry, AJOT, CEVA Logistics, Investor's Business Daily, Bertling, Reuters, WSJ, Xeneta, DHL, RailFreight, Freightos

IMMEDIATE ACTIONS TO TAKE

Leverage the 90-day pause to your advantage

01 Purchase Pull Forward

Take Advantage of the Pause
The lower tariff can provide relief for those that may have been holding up shipments over the last month. There is a very real possibility of a long-term China tariff rate over 30%, so this can provide an opportunity to build inventory on critical products.

02 Rapid Request for Quotes

Understand Hurdle Rates
Even at the lower "paused" China tariff rate of 30%, supply options throughout Southeast Asia and even domestically may provide competitive pricing. Use the pause to solicit quotes from new suppliers and understand your options once a longer-term tariff rate is determined.

03 Challenge Your Suppliers

Request Visibility
If you're not an importer of record, you may be at the mercy of your suppliers. Request visibility into their inventory positions and proof of duties paid to ensure price increases are aligned with actual costs incurred. Cost burdens need to be shared and spread across the supply chain.

04 Balance Duties and Freight Costs

Container Costs on the Rise
Carriers have increased blank sailings and shifted capacity away from China-US routes over the last month. The dash for containers will result in higher costs in the near term. Ensure you're factoring in any increased freight costs in your decision to place orders.

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