



Global trade dynamics: Empowering your business with opportunities

Navigating tariffs together with KPMG



Thriving amid trade barriers

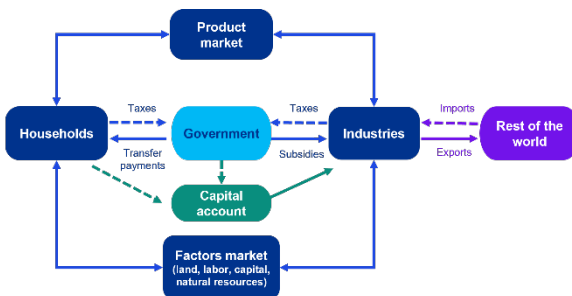
At KPMG LLP, we recognize that the changing global trade policy landscape offers both challenges and opportunities for businesses. In this complex environment, data-driven insights are crucial for strategic decision-making. Our proficiency in global economywide trade models enables us to assess the impacts of tariffs and trade policies, offering a broad view across industries around the world.

By integrating your financial, trade, and supply chain data with our models, we provide a customized approach to evaluate tariff impacts, helping businesses adapt to policy shifts effectively. Our global economywide, model-based framework considers direct financial impacts and broader economic changes, offering insights into medium-and long-term implications on your business in the US and affiliates abroad. With the support of KPMG, you can transform challenges into opportunities.



KPMG comprehensive economic modeling

- **Global and regional coverage:** Economywide models describe an entire economy and its interactions in regional and global framework.
- **Multisector and multiregional:** Our models include firms, households, governments, and international trade.
- **Behavioral equations:** Our models predict how producers and consumers respond to economic changes.
- **Market equilibrium:** Our models account for price changes in goods, services, and inputs.
- **Policy analysis:** These models estimate the effects of policies on production, consumption, and trade.
- **Future projections:** Our models help understand economic linkages and project future scenarios.

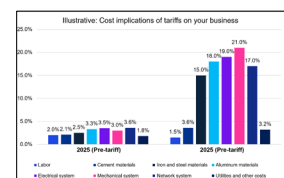
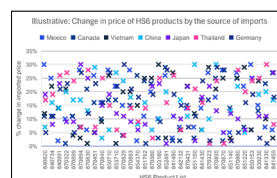


Circular flow of income and expenditure in a global economy-wide model



Benefits to your business

- **Financial impact and scenario planning:** Leverage the KPMG global economywide trade model to understand how tariffs affect costs and revenues both in the US and globally, aiding in strategic financial planning and cost management.
- **Decision support:** Help anticipate market changes and provide insights into adjusting your pricing models to maintain and enhance profitability.
- **Supply chain diversification and risk mitigation:** Gain insights into supply chain disruptions and cost increases, and diversify suppliers to mitigate tariff-related risks.
- **Cost component analysis:** KPMG can evaluate pre- and post-tariff costs for various imported and domestic goods, identifying cost mitigating opportunities.
- **Consumer response:** Includes household spending behavior in response to tariff driven price & disposable income changes capturing substitution and income effects.



Value to your business



KPMG approach and value-add to your business

Our approach

- **Cross-functional team:** KPMG teams work alongside you and relevant KPMG specialists (e.g., Trade & Customs, Transfer Pricing, Performance Transformation) to provide value to your business.
- **Economic framework:** Model interactions among households, businesses, and governments, considering prices and technology to assess industry and business impacts.
- **Database:** Global trade database comprising industry, macro-economic, international trade and protection data for 160 countries/regions and 76 sectors in the economy. In addition, we obtain your trade transactions data from US Customs & Border Protection and financial statements from S&P Capital IQ.
- **Powerful analytical tool:** The global economywide trade model-based approach provides comparative static and dynamic futuristic scenario-based industry level impacts on prices, costs, demand, supply, exports, imports, and company financials.

Impacts to your business



Scenario-based guidance: KPMG provides insights on potential price fluctuations and exposure to tariff changes, helping businesses understand and mitigate risks.



Source mix insights: Insights on import/domestic mix to highlight high dependence on imports, cost implications, and potential diversification of suppliers.



Our methodology

Run baseline or business-as-usual scenario



Develop baseline macro-economic projections under existing tariffs

Run a tariff policy scenario



Re-estimate based on potential or announced tariff policies of the US as well as retaliatory tariffs from trading partners

Produce model outputs



Calculate new changes in prices of inputs and outputs for every industry; wage impacts; and changes in production, imports, exports, and consumption

Estimate financial impacts



Apply expected changes in the economy to company's financial data estimating impact on costs, capital expenditures, operating expenditures, and revenues.

An illustrative table on costs breakdown by input type:

No.	Cost components	Source	Pre-tariff cost	Post-tariff cost	Change in cost/revenue	Source mix (import/domestic)	Insights (scenario based)
1.	Metals and alloys	Domestic: Imported	\$100 \$200	\$105 \$260	\$5 (+5%) \$60 (+30%)	60% import	High dependence on imports, consider diversifying suppliers (%)
2.	Electrical components	Domestic: Imported	\$150 \$250	\$157 \$300	\$7 (+5%) \$50 (+20%)	75% import	Potential price fluctuations, as determined by global demand (%)
3.	Refrigerants, plastics, insulation	Domestic: Imported	\$120 \$180	\$126 \$220	\$6 (+5%) \$40 (+22%)	50% import	Highest exposure due to tariff changes (%)
4.	Other inputs (filters, fasteners, etc.)	Domestic: Imported	\$230 \$310	\$240 \$375	\$10 (+4%) \$65 (+21%)	60% import	Moderate exposure (%)
5.	Labor (wage bill)	Domestic	\$200	\$205	\$5 (+2.5%)	Domestic	No tariff risk, wage pressure (%)
6.	Capital	Domestic	\$80	\$84	\$4 (+5%)	Domestic	Interest rates for reshoring (%)
Total costs			Domestic and imported	\$1,820 \$2,072	\$252 (+14%)	Domestic and imported	Higher costs due to imports
Revenue			Domestic and imported	\$2,184 \$2,125	\$(59) (-2.7%)	Domestic and imported	Revenue pressure due to lower sales
Gross margin			-	\$364 \$53	\$(311)	Overall	Tariffs squeezing the margins

Let's turn tariff challenges into strategic opportunities, supporting your business's continued success and resilience in the global market.

Contact us: Economic & Valuation Services

Erkan Erdem, PhD

Principal

Tyson's Corner

T: 571-596-4690

E: erkanerdem@kpmg.com

Uma Radhakrishnan, PhD

Principal

Tyson's Corner

T: 703-286-8726

E: uradhakrishnan@kpmg.com

Pierre B. Vilain, PhD

Managing Director

New York

T: 212-872-6660

E: p.vilain@kpmg.com

Dileep K. Birur, PhD

Manager

Short Hills

T: 973-467-9650

E: dbirur@kpmg.com

Some or all of the services described herein may not be permissible for KPMG audit clients and their affiliates or related entities.

Learn about us:



[kpmg.com](https://www.kpmg.com)

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act upon such information without appropriate professional advice after a thorough examination of the particular situation.

© 2025 KPMG LLP, a Delaware limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved. USCS030824-1A

The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organization.