



No turning back

2025 Outlook: midyear review

July 2025

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Our vision

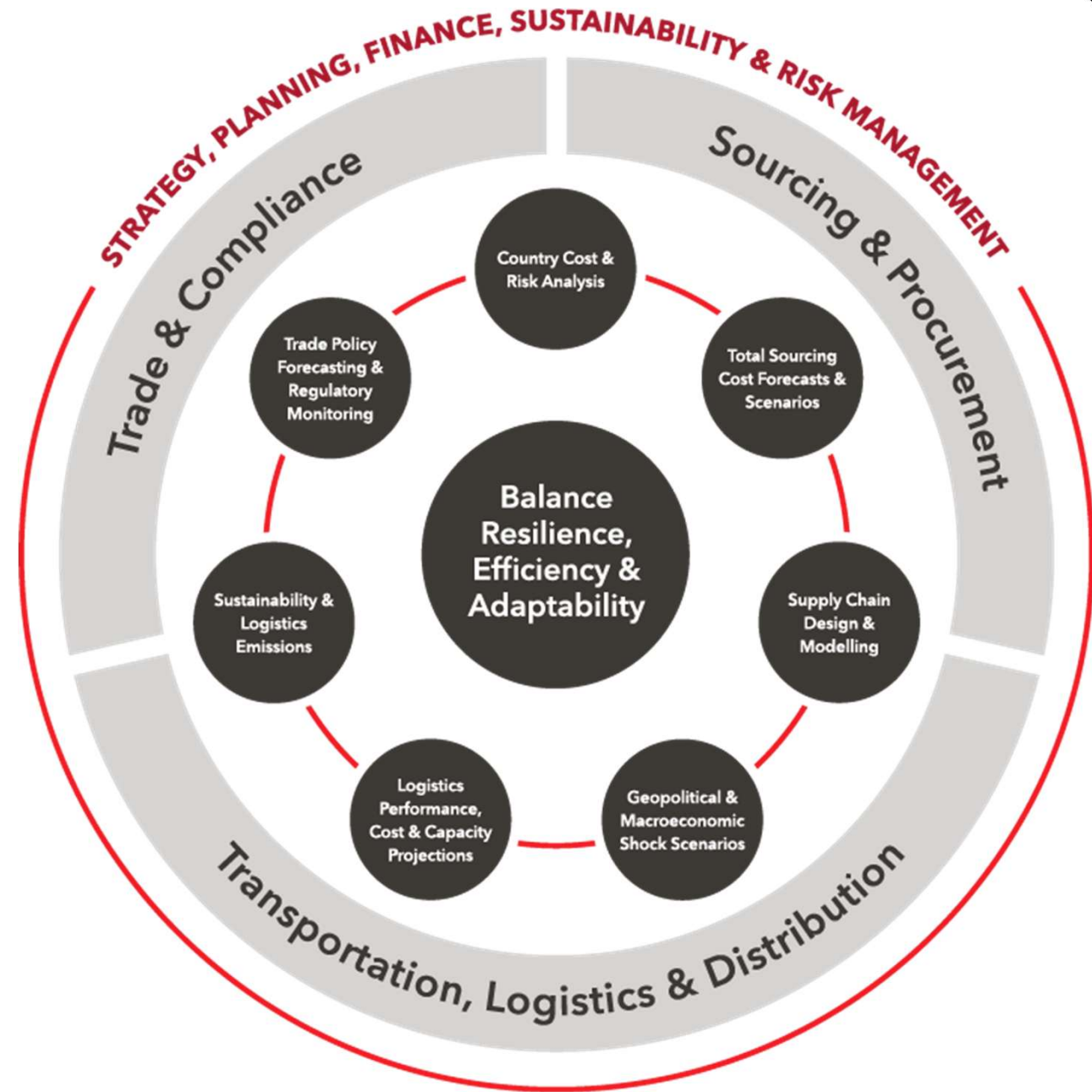
Help clients build more efficient, resilient and sustainable supply chains

.... focusing on geopolitical, regulatory, economic and operational disruptors

... through advisory engagements and insights

Our service lines

Bringing together actionable insights in service of global supply chains



2025 outlook: costs multiply

Global trade	Global geopolitics	Sourcing and production
A looming trade war	A new disrupted normal	A delicate return to growth Tariff impact uncertainties
Increasing costs	**Increasing costs**	**Increasing costs**



Section I



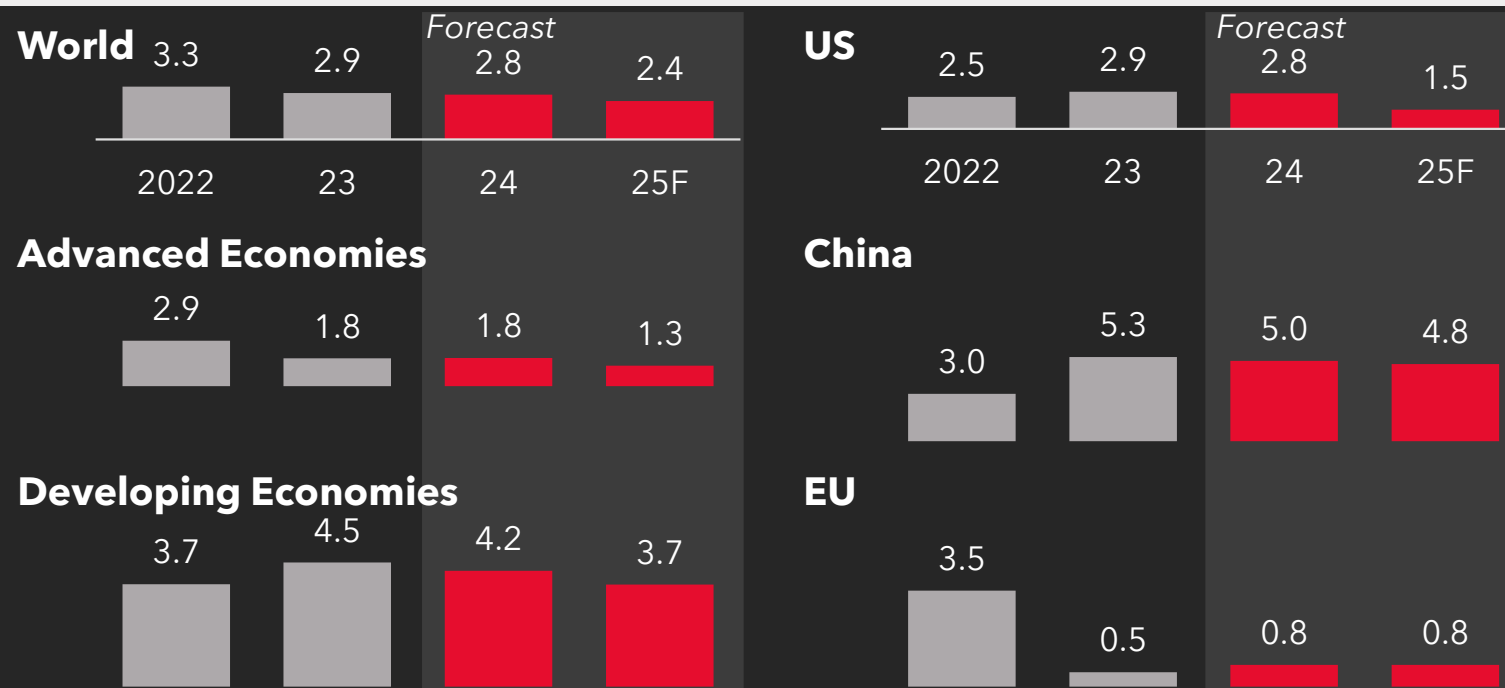
Economics and supply chains

Global economy in the early stages of a structural transformation

As US trade policy uncertainty eases, the effects of tariffs will hit in H2 2025

Global growth forecast

YoY % change in real GDP (in local currency)



Key points

What to expect in H2 2025...

- **Global growth** downgraded based on rising tariffs and slower growth in Advanced Economies
- **US** weakness in H1 from cyclical slowdown and peak policy uncertainty; tariff headwinds to hit in H2
- **China** pushing against multiple headwinds, requires continued stimulus to meet growth targets
- **Europe's** economy remains sluggish: Germany is stagnant and France's growth is sub 1%; military spending a marginal boost post-2025.

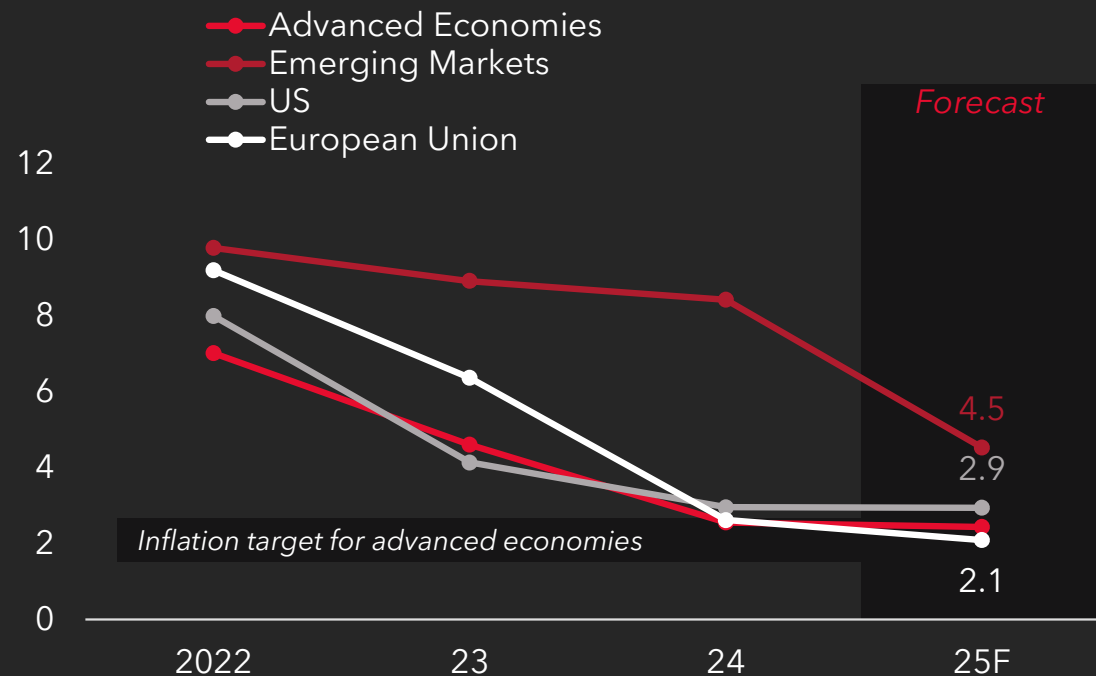
Source: Oxford Economics, Onyx

Tariffs create marginal upward pressure on US inflation

Slower global growth alleviates price pressure in emerging markets

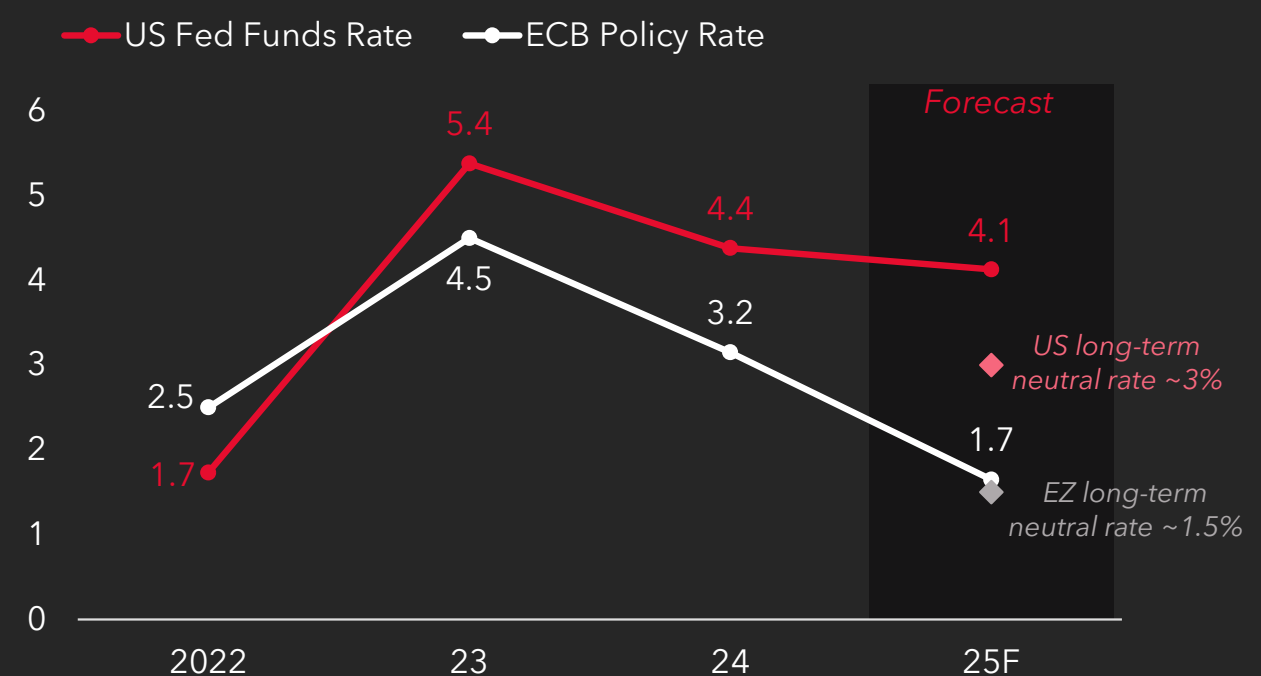
Consumer price inflation

YoY % change, Headline Consumer Price Index



Central bank policy interest rates

End of period (%)



Source: Oxford Economics, Bloomberg, Onyx

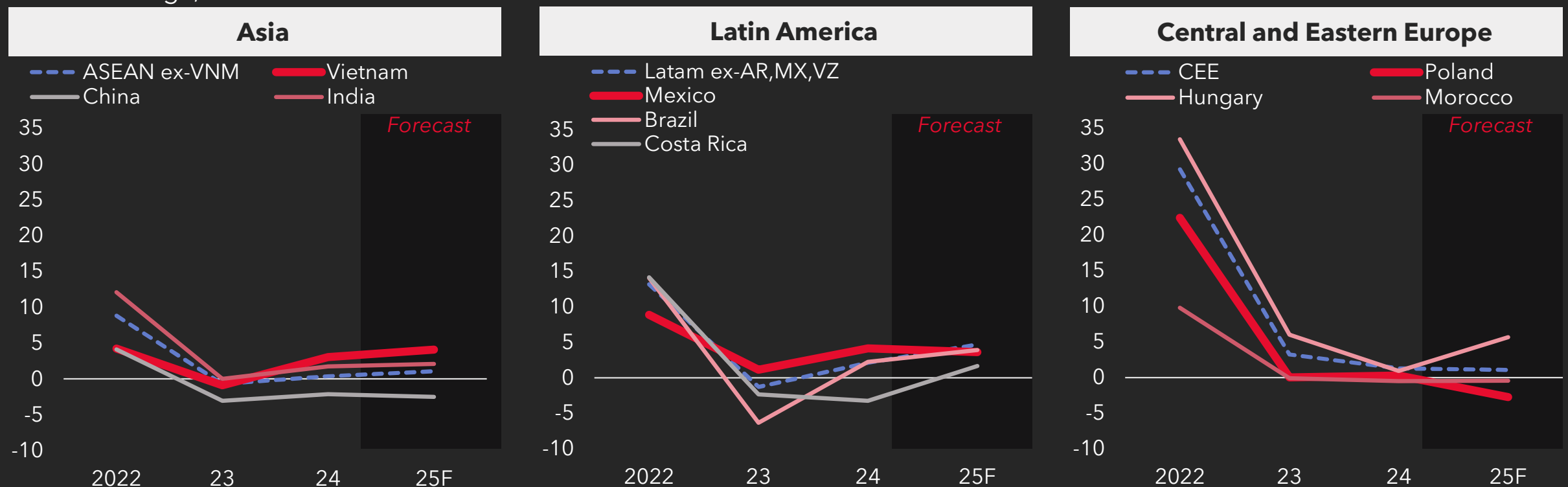
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Return of sourcing cost pressure in Southeast Asia and Mexico

China stuck in a deflationary cycle; Europe improving cost competitiveness

Producer price inflation

YoY % Change, Producer Price Index



Source: Oxford Economics, Onyx

Investment trends point to wide diversification in response

Inbound investments to China decline, Middle East a key focus

- 1

European investors diversify widely
- 2

Chinese investment diversifies
- 3

Nearshoring accelerating except China

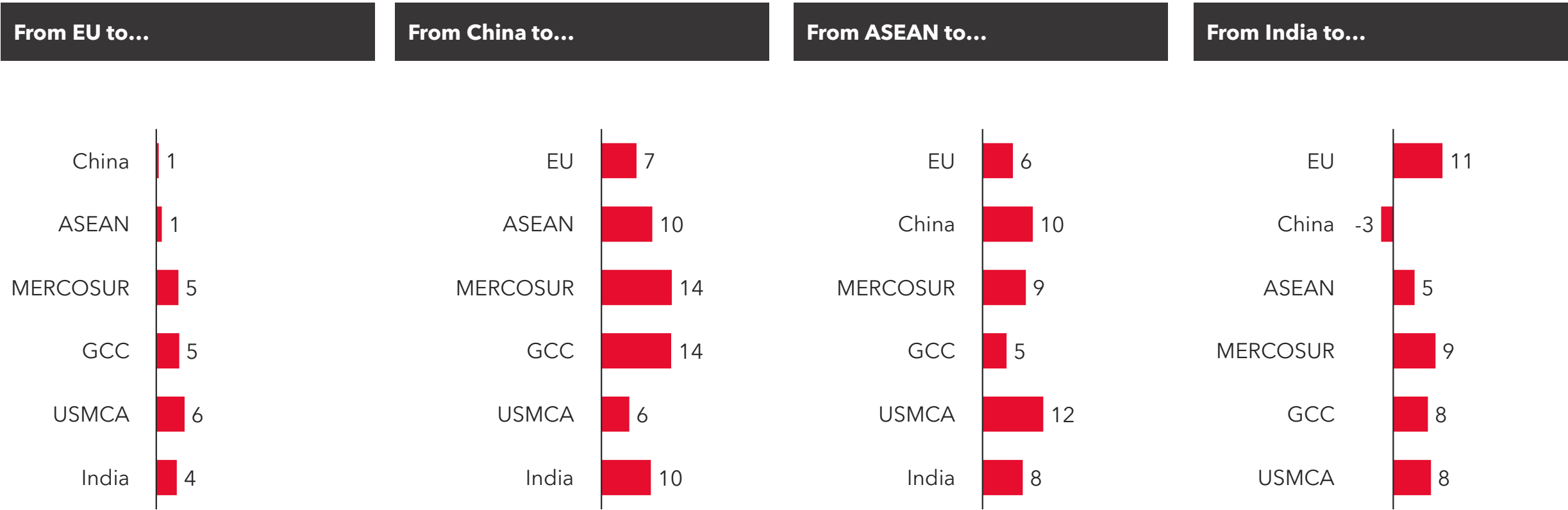
Investments by source and destination, % change in number of projects 2019-24									
		DESTINATION							
		US	Adv. Europe	Emerg Europe	Amer ex-US	China	Asia ex-China	ME & Africa	
SOURCE	US		-18	7	3	-55	23	65	
	Adv Europe	1	-7	21	3	10	-48	8	64
	China	2	-7	21	-29	64	3	-6	36
	Asia ex-China		-18	-1	5	32	-53	31	149
	ME & Africa		5	37	20	-1	139	-3	80

Source: GlobalData, Onyx

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Global trade already reflecting that diversification

Outbound by region, average % growth per year, 2019-24






Source: TradeMap, Onyx




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Geopolitics point towards looser air and ocean markets in H2

However, expect better capacity management and continued policy-driven volatility

 Tighter market
  Looser market
  Neutral

Air Market	Market Direction
Demand <ul style="list-style-type: none"> Consumer spending slowing in H2 due to cyclical trends and global trade war Tariff-induced volatility continues but less pronounced US de minimis policy changes reduce e-commerce growth EU regulation of Chinese e-commerce platforms Shein/Temu shifting business model to forward stock 	
Supply <ul style="list-style-type: none"> Global capacity is up 3% annually, with higher growth Europe-to-Asia Recovery of passenger business is bringing more belly-hold capacity into the market Dedicated freighters deployed on high-demand lanes Indefinite Red Sea closure 	
OVERALL: Market looks mostly balanced, slow demand growth and modest supply growth point towards more of the same through H2	

Ocean Market	Market Direction
Demand <ul style="list-style-type: none"> Atypical demand pattern in H1 replaced with weak demand in H2, led by slowing consumer spending in the US Container volumes expected to grow 2-3% in 2025, decelerating from 4.5% growth in 2024 Inventory drawdown after H1 build-up 	
Supply <ul style="list-style-type: none"> Capacity to increase 6% in 2025, down from 10.3% in 2024 Red Sea continues to absorb capacity, but this is unchanged New shipping alliances are expected to better manage excess capacity US fees on Chinese ships affects costs and routing 	
OVERALL: Market will experience global overcapacity through the end of H2	

Source: Onyx

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Section II

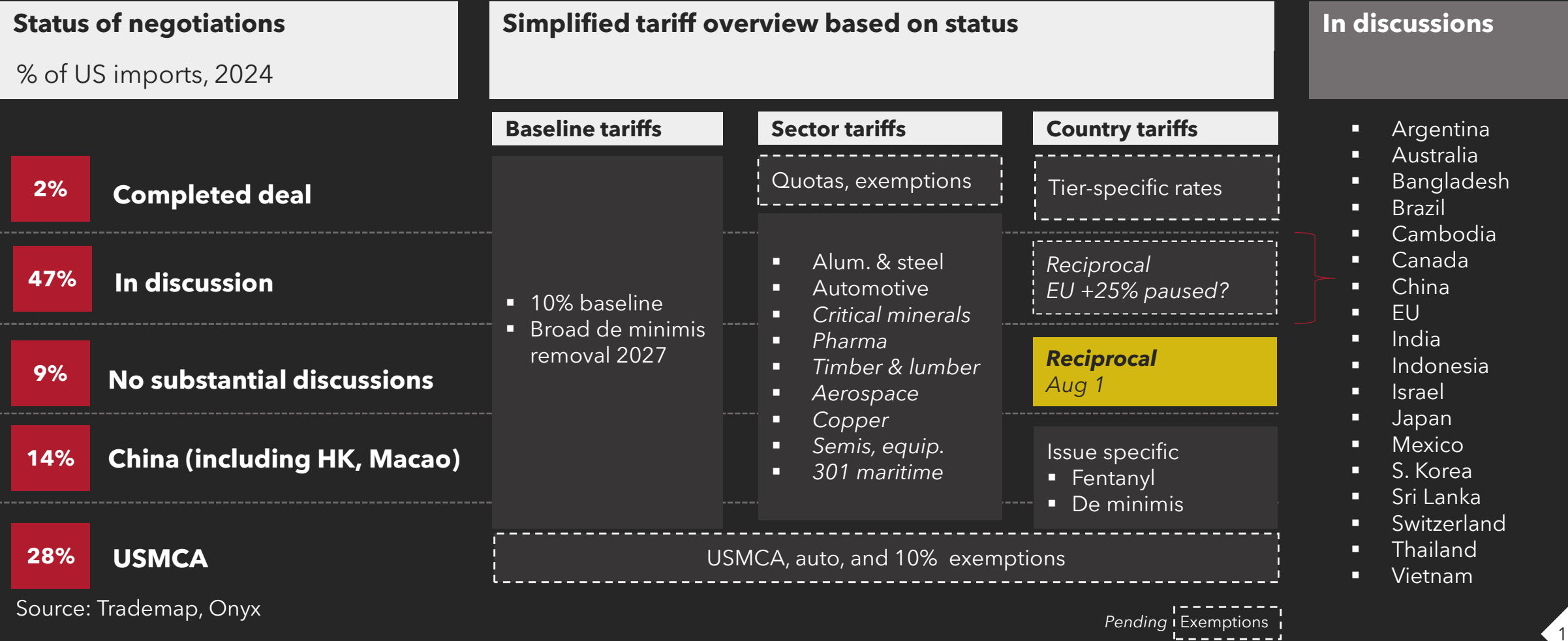
Global Trade

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Despite complexity, Trump admin continues to shore up protections

Economic security agreements at forefront of many discussions, likely looking to box out China



Source: Trademap, Onyx

A tiered strategy is emerging

Tier 1:

Trade and security, containing China
Export and investment controls



Tier 2:

Mostly trade
Containing China
Security guarantees?



Tier 3:

Arms-length
Unclear timeline



Source: Onyx

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High dependence on US leaves little room to maneuver

Both countries continue to push for product-specific relief in the run-up to 2026 USMCA discussions

Key priorities of Mexico and Canada

- Sector-specific exemptions
- Focus on China
- USMCA maintenance
- Diversification

Scope of negotiations

- Economic security
- Defense
- Non-tariff barriers
- Investment
- Border
- Protected industries
- Labor

Next steps

- Action vis-à-vis China
- Sector negotiations
- USMCA renegotiations

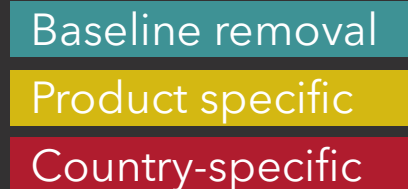
US role in trade



Role in US trade



Agreement in 2025



Onyx forecast



Source: Onyx



EU likely to agree to a baseline tariff, may face transshipment rate

Economic security and protectionism in politically important sectors may still cause escalation

Key priorities of the EU

- Defense commitments
- 10% tariff goal
- Sector-specific exemptions
- Strategic autonomy

Scope of negotiations

- Chinese investment
- Sector exemptions (e.g. steel)
- Digital service tax
- Purchases
- Defense

Next steps

- Framework w/ many unresolved issues
- Likely exemptions
 - Medical
 - Aircraft
 - Spirits

US role in EU trade



EU role in US trade



Agreement in 2025

Baseline removal

Product specific

Country specific

Onyx forecast

Likely

Mixed

Unlikely

Source: Onyx

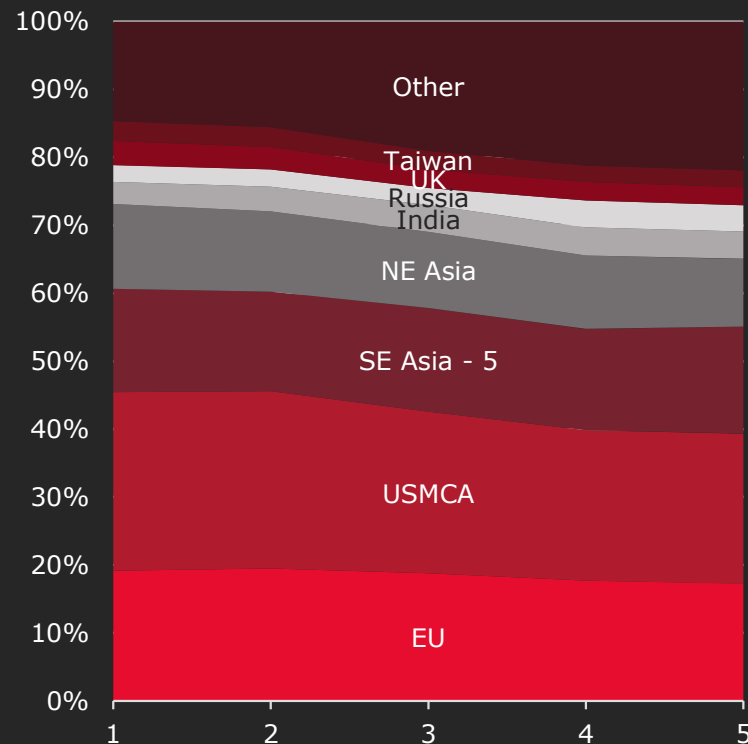


US leverage is substantially diminished without the EU

Broader strategic goals, including finding consumers and manufacturing, also hindered

Role of EU in Chinese exports

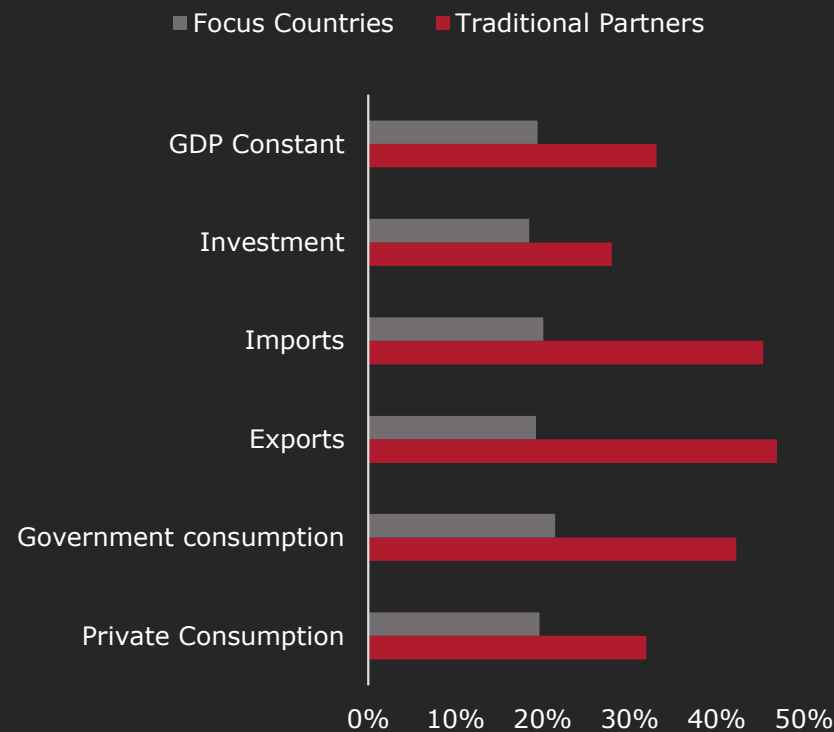
% of global share



Source: Onyx

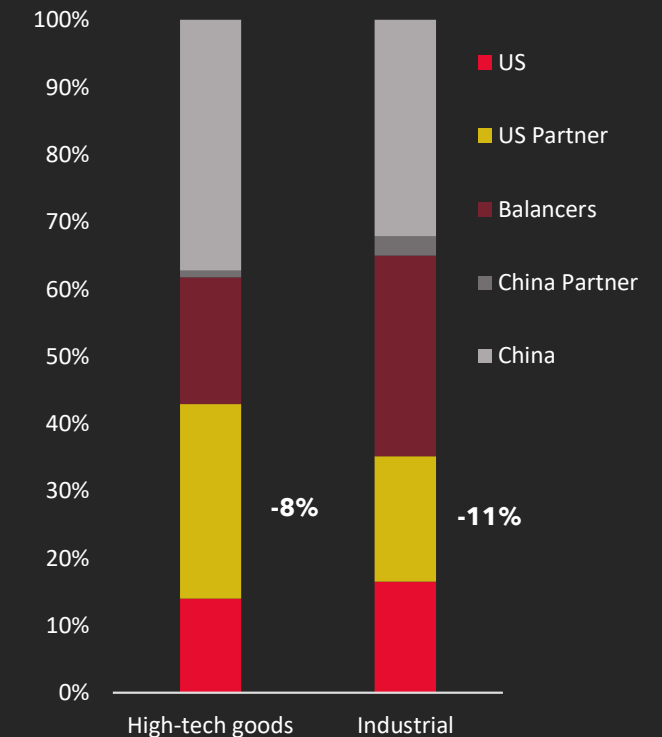
Scenarios - global economic strength

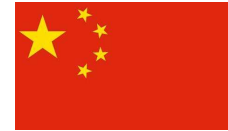
% of global share



Scenarios - industry labor supply

% of world, 2024





China and US in strategic pause, no sign of broader discussions

Both countries focus on shoring up “support” and positioning

Key priorities of China

- Slow US decoupling
- Prevent broader isolation
- Preclude extreme tariffs

Scope of negotiations

- Critical minerals
- Export controls (e.g. tech)
- Phase One commitments

Next steps and likelihood of agreement

- China reacts to US pressure with retaliations likely
- Risk of escalation, esp. post-Nov

US role in CH trade



CH role in US trade



Agreement in 2025

Baseline removal
Product specific
Country-specific

Onyx forecast

Likely Mixed Unlikely

Source: Onyx



SEA is unlikely to receive major concessions due to Chinese inputs

Trade imbalance, effort to stem trade diversions are major issues in discussion

Vietnam

Pending:*

- 20% all goods
- 40% trade diversion
- US duty free

* Awaiting official announcement, details

Malaysia

Scope:

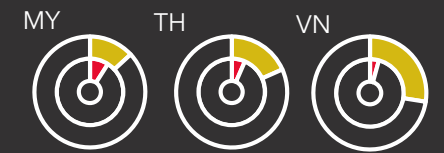
- Trade diversion
- Chinese investment
- Semiconductors
- Export restrictions
- Purchases
- Digital tax

Thailand

Scope:

- Trade diversion
- Chinese investment
- Agriculture, automotives, energy
- Purchases

US role in SEA trade



SEA role in US trade



Agreement in 2025

Baseline removal
Product specific
Country-specific

Onyx forecast

Likely

Mixed

Unlikely

Source: Onyx



India's high barriers leave it overall less exposed

Pharma exports and local value content are main sticking points

Key priorities of India

- Win US business from China
- Lower tariff level than regional peers
- Protect sensitive sectors

Scope of negotiations

- Chinese investment
- Agriculture, pharma
- Local value content
- Export restrictions
- Purchases

Next steps and likelihood of agreement

- BRICS +10%?
- Sector exemptions?
- Potential Aug 1 tariffs, but deal likely

US role in IN trade



IN role in US trade



Agreement in 2025

Baseline removal
Product specific
Country-specific

Onyx forecast

Likely Mixed Unlikely

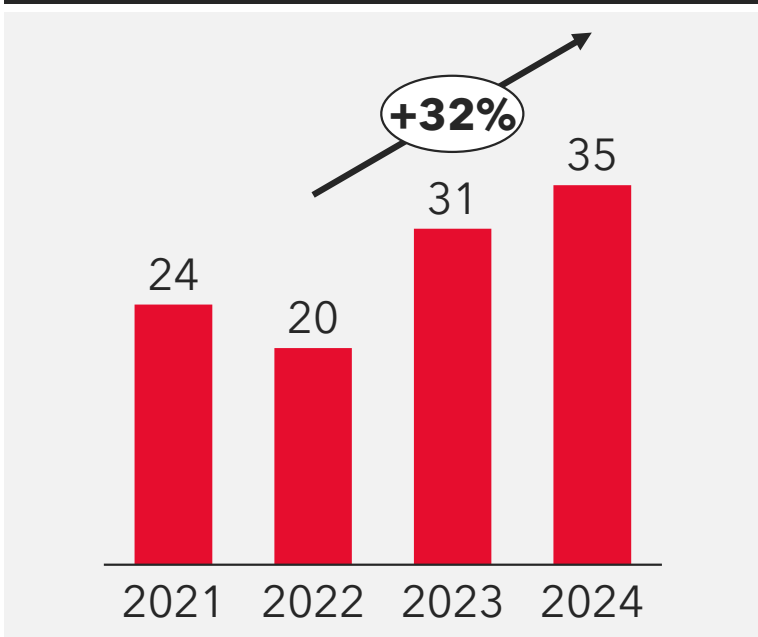
Source: Onyx

Partners are wary of both China and US

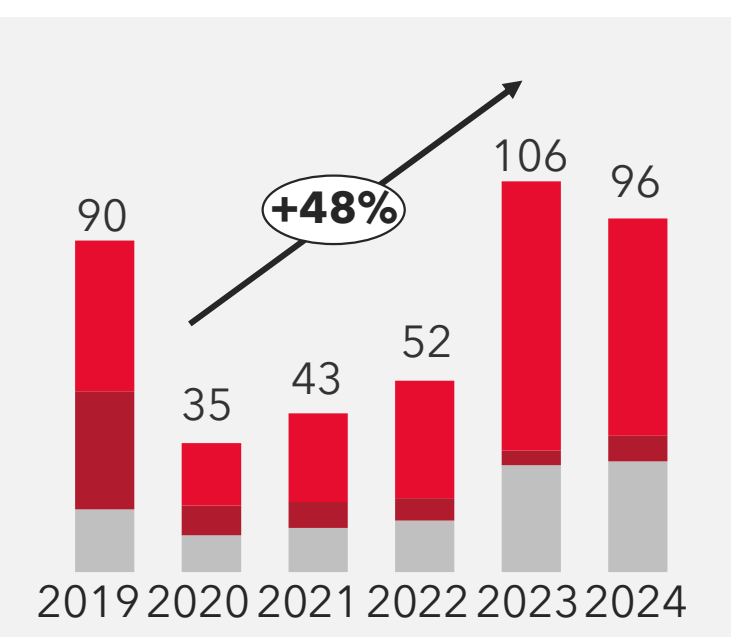
Attempts to force countries to “choose sides” is resulting in countries doubling down on diversification

■ ASEAN
 ■ India
 ■ Mexico

Anti-dumping v. China rising...
measures, non-cumulative



... but so is investment
Chinese FDI, # projects



And attempts to diversify

- Canada-EU
- EU-Japan
- EU-Mercosur
- EU collaboration with CPTPP
- Japan-South Korea

Source: WITS, Onyx

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Section III



Geopolitical shocks and supply chains: beyond 2025

Short- to long-term challenges from policy pressure

Strategic choices and customer focus

Immediate	Medium-run	Long-term
<div>Inventory prepositioning</div> <div>Bid management and renegotiations</div>	<div>Network redesign: new routes</div> <div>Inventory management</div> <div>Strategic compliance</div>	<div>"Regionalization" (FTAs)</div> <div>Reshoring</div>

Source: Onyx

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Emerging supply chain models


	STAY THE COURSE	SELF-CONTAIN REGIONS	GO FOR THE MIDDLE
What you must believe	<ul style="list-style-type: none"> ▪ Tariffs temporary ▪ Cost control 	<ul style="list-style-type: none"> ▪ Tariffs permanent ▪ Not just US 	<ul style="list-style-type: none"> ▪ Other regions will strengthen ties
Constraints	<ul style="list-style-type: none"> ▪ Price-sensitive demand 	<ul style="list-style-type: none"> ▪ Capex and lead times 	<ul style="list-style-type: none"> ▪ Geopolitical tensions

Source: Onyx

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Geopolitical fault lines worsening in the meanwhile

Stronger trend towards escalation

 Current trend

GEOPOLITICAL FAULT LINE	DE-ESCALATION	STATUS QUO	ESCALATION
RUSSIA-UKRAINE			<ul style="list-style-type: none">▪ One or both parties sees complete victory as a matter of survival▪ Balance of military resources tilts in favor of one of the parties
SOUTH CHINA SEA		<ul style="list-style-type: none">▪ Claims remain unresolved, but economic cooperation takes precedence	<ul style="list-style-type: none">▪ US security umbrella falters▪ One or more parties believes it can prevail with acceptable economic costs
CHINA-TAIWAN		<ul style="list-style-type: none">▪ Independence not pressed publicly	
ISRAEL-HAMAS			<ul style="list-style-type: none">▪ Israeli military aims include other countries in the region, esp. Iran, Lebanon, Syria▪ Conflict widens to include unresolved issues in other countries in the region

Source: Onyx

South China Sea/Taiwan: critical aspects for consideration

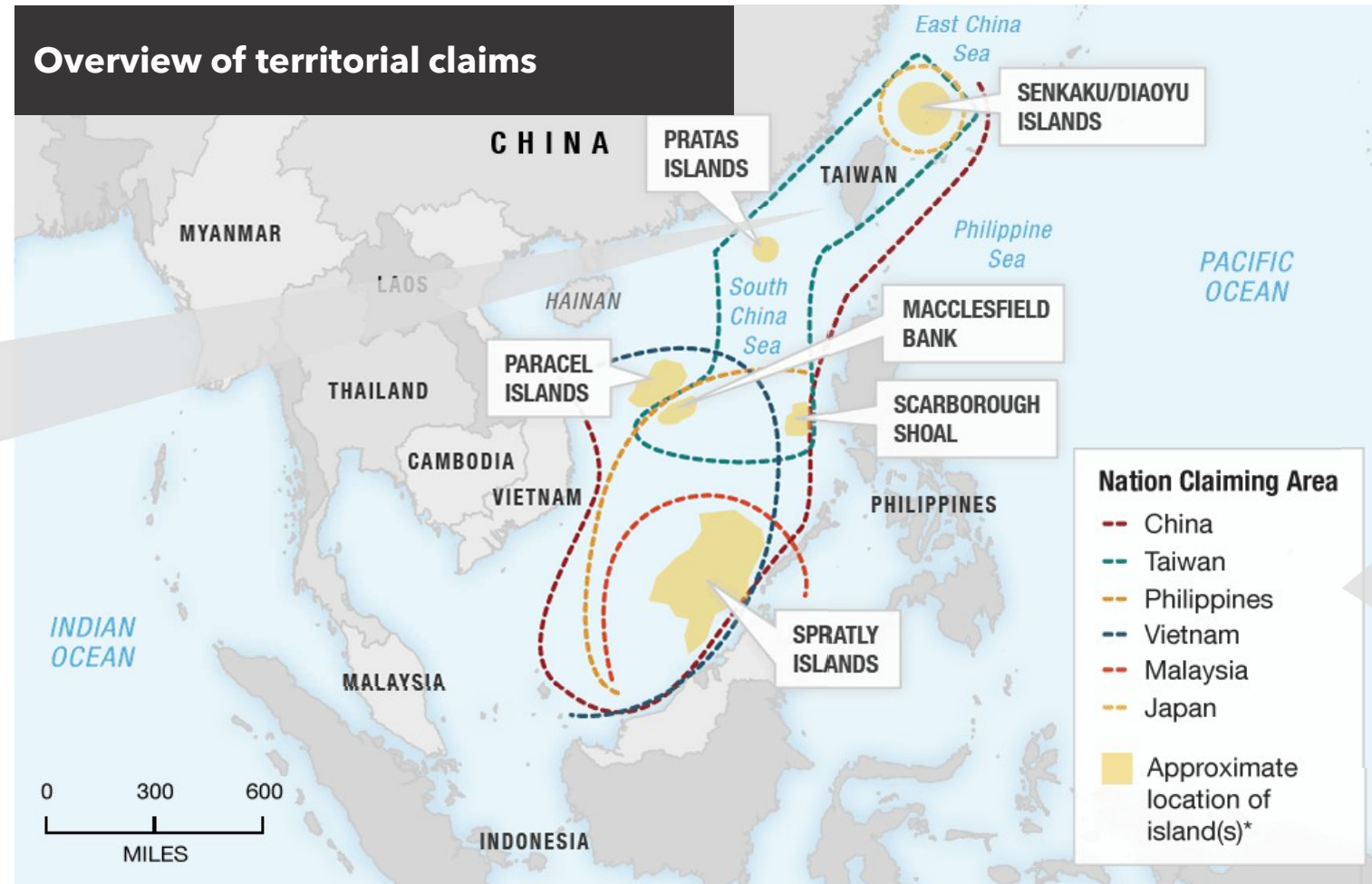
**Most analysts consider 2027
as the start of a period of
high likelihood of action**

**Recent experience in the Red
Sea shows that a mere
blockade would already
disrupt trade**

**US involvement is unclear -
willingness to concede on
Taiwan vs focus on keeping
trade lanes open**

But sanctions are probable

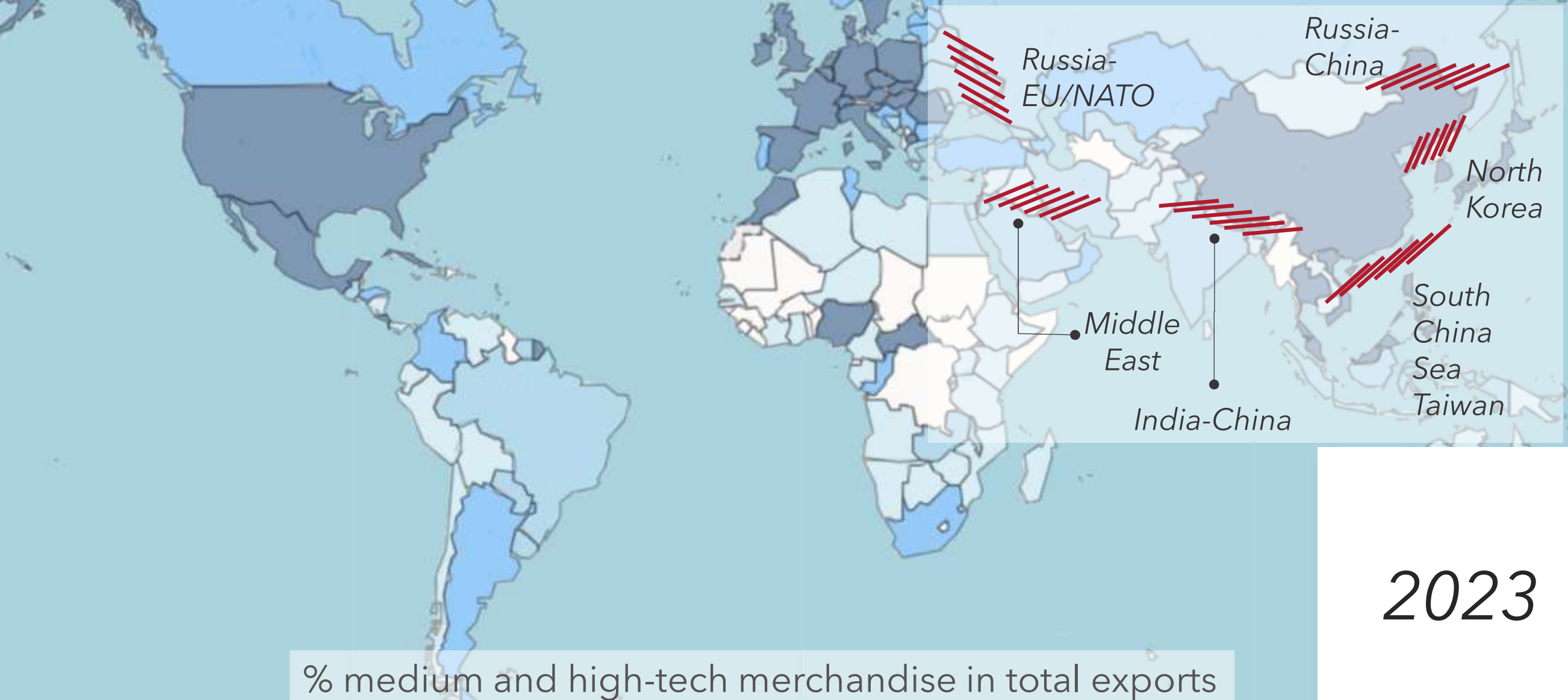
Recap: The South China Sea is a complex web of competing claims








Source: NPR, Onyx

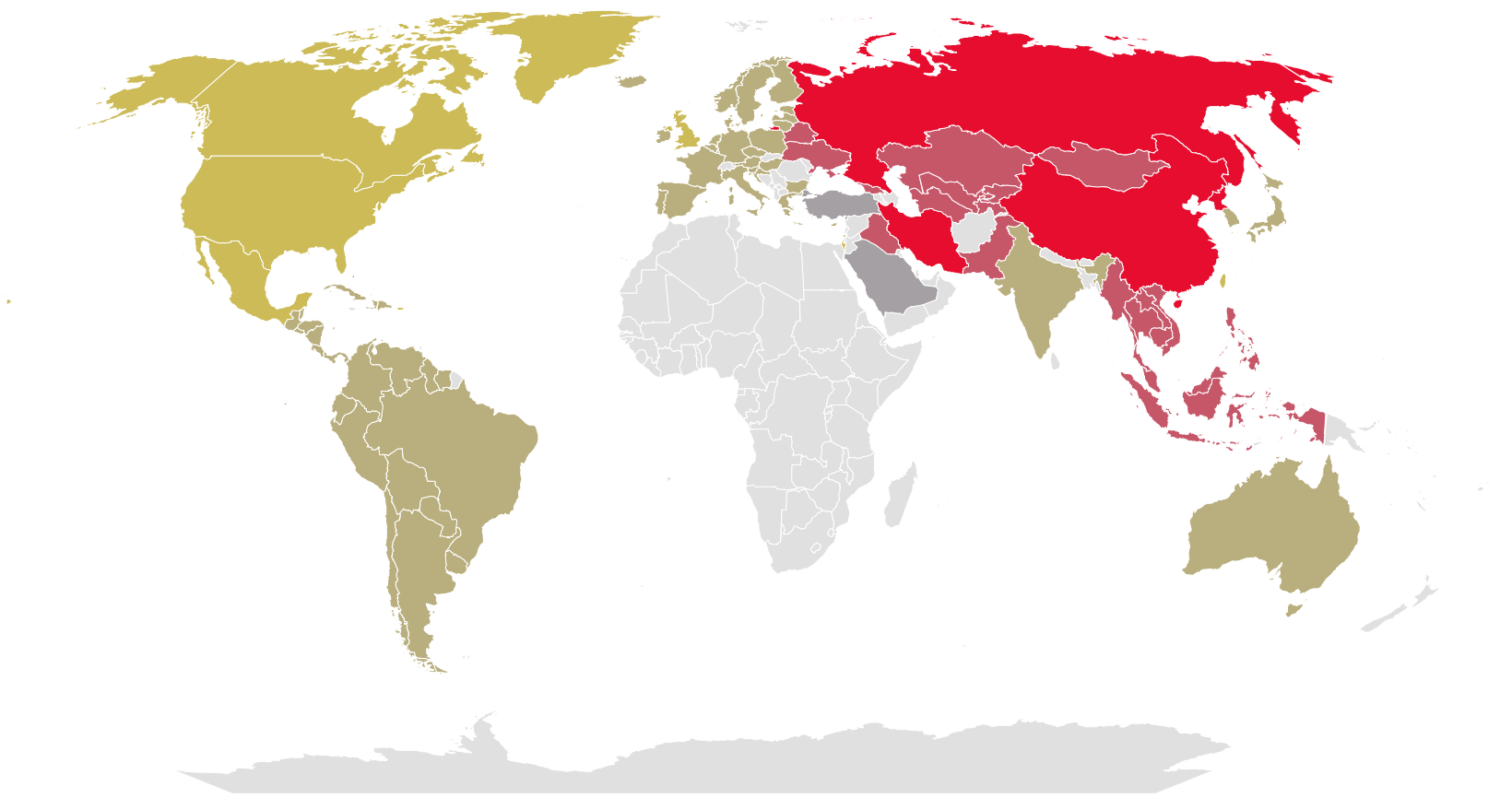
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Is de-risking really de-risked?



New spheres may limit global chains

-  US block?
-  US to non-aligned?
-  Other middle powers
-  China to non-aligned?
-  China block?



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