

April 11, 2025

What we Know

Since taking office in January, President Trump's economic policy has been focused on foreign trade and tariffs. While his initial tariff announcements focused on specific countries and goods, President Trump's April 2 executive order expanded tariffs to virtually all U.S. trading partners. As of the publication date, these tariff announcements had the following primary effects:

- A 25% tariff has been enacted on all foreign-made automobile (effective April 3) and auto parts (at a later date);
- A 10% "across the board" tariff applies to all imported goods (effective April 5);
- Incremental country-specific "reciprocal tariffs" have been paused for 90 days, except for China (effective April 9);
- Tariffs on goods imported from China have increased to 145% (effective April 10);
- Tariffs on steel and aluminum and aluminum derivatives increased to 25% (effective March 12) with additional tariffs threatened on other raw materials, including copper and lumber;
- Other countries and trading partners, including Canada, China, and the EU have announced and enacted retaliatory tariffs in response.

The extent and pace of new **tariffs have created tremendous uncertainty and compliance risk for nearly all businesses**. Even companies that are not directly impacted by the changes in will certainly be impacted by the macroeconomic fallout and retaliatory tariffs imposed by U.S. trading partners.

Tariff policies and guidance are evolving rapidly worldwide. CFGI will continue to update this publication as new policies and guidance are released.

Weighing on Capital Markets

While economic data remained strong through March, the tariff announcements created immediate volatility in the market. Within days of the tariff announcements on April 2, markets retreated dramatically and economists and industry analysts increasingly expect a recession during 2025.

The change in market sentiment primarily resulted from the size of the tariffs announced, not the tariffs themselves. For example, a March survey by Goldman Sachs indicated market expectations for an 8.6% increase in tariffs during 2025, while the April 2 tariff announcements (which were subsequently delayed in part) indicated a cumulative tariff increase of approximately 20%.

What should businesses expect for the remainder of 2025:

Headwinds in the IPO Markets

While IPO activity is up so far this year, the decline in the equities prices have created headwinds in the U.S. IPO market as several anticipated high-profile IPOs have reportedly delayed their offerings.

Stubborn Interest Rates

The Fed indicated that the increase in tariffs will likely exacerbate inflation, which reduces the likelihood of future rate reductions. While interest rates may hold steady or even decline, the pace of declines will almost certainly be slower than previously expected.

M&A Environment

While higher interest rates may stymie some acquisitions, expect a potential increase in M&A activity as companies and private equity sponsors take advantage of depressed valuations and continue to rely on transformational M&A to create value and keep pace with evolving technology. Slower than expected IPO markets may also encourage more businesses to pursue private credit to finance expansion and M&A activity.

How We Got Here

February 1 – President Trump authorizes tariffs of 10% on imports from China and 25% on imports from Canada and Mexico. Tariffs against Canada and Mexico are subsequently delayed by 30 days.

February 10 – Trump announces plans to increase steel and aluminum tariffs to a minimum of 25%, including aluminum derivatives and eliminating exceptions.

March 4 – 25% tariffs announced on imported goods from Canada and Mexico, with delays and carve-outs for energy, U.S. automakers, and USMCA compliant goods.

March 12 – Tariffs on steel and aluminum go into effect (25%). Retaliatory tariffs announced by the EU, Canada, and China.

March 26 – 25% tariff announced on all foreign-made automobiles and automotive parts

April 2 – Trump signs executive order for "reciprocal tariffs" derived from trade deficits relative to imports, including a base of 10% across the board.

April 3 – 25% tariff imposed on all foreign-made automobiles and automotive parts (announced March 26)

April 5 – Base tariff of 10% now applies to all imported goods.

April 9 – All country-specific "reciprocal tariffs" are paused for 90 days and set to a 10% baseline, except for China. Tariffs on goods imported from China raised to 125%.

April 10 – While "reciprocal tariffs" remain paused, the U.S. increases tariffs on goods imported from China to 145%.

Navigating Uncertainty

Stating that there is much uncertainty around the tariffs would be an understatement. Changes to existing tariff announcements and executive orders occur on a near daily basis. This uncertainty follows several years of disruption in regulations and the capital markets landscape.

Given the fluid nature of the current landscape, business leaders should emphasize flexibility and robust planning as they address the potential effects of tariffs.

- **Know your Time Horizon and Be Ready:** Markets often find equilibrium quickly after turbulent times. Typically, companies and sponsors take 18 to 24 months to prepare for an IPO. **The current volatility is unlikely to persist forever, and companies should not be caught unprepared.**
- **Plan for Multiple Scenarios:** Acknowledging the uncertainty of IPO markets, **Companies considering potential public offering are increasingly taking a “dual track” approach that plans for either an IPO and a private trade sale.** An extended slowdown in the IPO markets would likely trigger an increased likelihood of a private sale as investors seek liquidity on their investments. Overseas businesses anticipating a U.S. listing may also increasingly consider a listing in their home market.
- **Opportunities for Value Creation:** While daunting, the **changing tariff landscape will create significant opportunities for some companies.** Leaders should be mindful of re-oriented distribution channels and customer markets that may create competitive advantages or opportunities for strategic M&A.
- **Prioritize Profitability and Earnings Predictability:** After the burst of IPOs in 2020 and 2021, investors are increasingly demanding profitability from IPO candidates and addition to revenue growth. **Business leaders should continue to prioritize the steps required to evidence profitability as they consider a potential IPO.** Additional investments in technology, data, and forecasting expertise may also be required as companies struggle to predict the impact of tariffs on supply costs.

Refer to our other publications related to the 2025 U.S. tariffs below.

Supply Chain

Supply chain organizations should strap in and plan for continued uncertainty in U.S. trade policy. When navigating the uncertainty, leading organizations should prioritize investments in technology and data while remaining cognizant of their entire risk universe.

ESG

Leading organizations will continue to prioritize certain elements of their ESG programs, including those around value chain resiliency and supply chains, in addition to addressing potential gaps in their Board and leadership team composition.

Finance Operations

Agile financial planning and data resilience will be vital as leading finance organizations react to continued uncertainty in the international tariff and trade landscape. In the longer term, expect industry leaders to continue emphasizing investments in technology and supply chain diversification.

Accounting & Reporting

Companies should remain cognizant and consult with their auditor regarding the potential effects of tariffs on accounting policies and significant estimates, including estimates related to inventory valuations, impairments and income taxes, in addition to the potential effects of revenue contract modifications.

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