



# From Turbulence to Traction

*Moving Forward Amid Global Disruption*

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April 2025

# Global uncertainty has deepened in 2025, as geopolitical fragmentation, inflation, and supply volatility continue to challenge economic stability...



## Rising Geopolitical Fragmentation



- Countries are **prioritizing domestic interests over multinational cooperation** (e.g., Brexit, U.S. tariffs)
- Cross-border investment is facing growing scrutiny, with **regulators increasingly delaying/blocking transnational M&A deals** (e.g., U.S. Steel/Nippon Steel, Microsoft/Activision Blizzard, Figma/Adobe)
- Multilateral institutions and trade frameworks (e.g., WTO) are losing influence as **nations pursue bilateral/regional deals**



## Stubborn Inflation



- **Persistent service-sector inflation** (e.g., healthcare, housing, insurance) is offsetting relief from declining goods prices, keeping overall inflation elevated
- Wage growth remains resilient in key sectors despite slower hiring, **contributing to demand-driven price pressures**



## Price & Supply Volatility

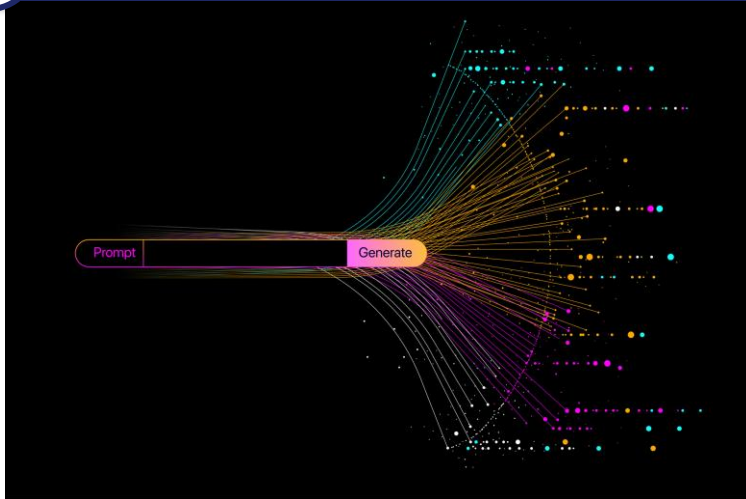


- **Global supply chains remain fragile**, with disruptions from geopolitical tensions, extreme weather, and regional conflicts driving unpredictable swings in input availability and costs
- **Commodity and energy markets are experiencing sharp price fluctuations**, amplifying cost uncertainty for manufacturers and consumers
- **Ongoing tariff regimes, reduced subsidies, and tighter trade policies** are increasing volatility in landed costs and eroding pricing predictability across sectors

...while accelerating GenAI usage is reshaping industries at a time when consumer sentiment is fragile and market outlooks remain unclear



### Increasing GenAI Adoption



- GenAI is **scaling faster than any prior enterprise technology**, with adoption rates outpacing cloud computing and mobile in their early years
- Organizations are **rapidly moving from experimentation to deployment**, integrating it into workflows across functions (e.g., marketing, IT)
- Unlike past tech waves, **GenAI adoption is top-down (strategic investment) and bottom-up (employee-driven use)**, accelerating org. learning curves



### Declining Consumer Confidence



- **Consumer sentiment is weakening** as economic uncertainty, inflation fatigue, and elevated borrowing costs weigh on household outlooks
- **Rising credit card delinquencies and softer big-ticket purchases** like autos point to growing financial strain among middle-income consumers
- Retail and consumer-facing CEOs (e.g., Walmart) are **signaling more cautious spending behavior ahead**



### Uncertainty in Financial Markets



- **Elevated interest rates and an entrenched inverted yield curve** are sustaining uncertainty across credit and equity markets
- Investor risk aversion is choking capital flows, with **debt and deal markets seeing prolonged slowdown** amid tighter lending conditions
- A **persistent gap between buyer and seller valuation expectations** is stalling transactions and dampening market liquidity (e.g., Klarna, StubHub delaying IPOs)



# Industry leaders are echoing the turbulence resulting from recent tariffs

## In the News

**Jerome Powell**

**Chair of the Federal Reserve**

*"While uncertainty remains elevated, it is now becoming clear that the tariff increases will be significantly larger than expected... The same is likely to be true of the economic effects, which will include higher inflation and slower growth."*

**Kelly Ortberg**

**Boeing CEO**

*"Free trade is very important to us. We really are the ideal kind of an export company, where we are creating U.S. jobs—long-term, high-value U.S. jobs. It's so important we continue to have access to that market, and we don't get in a situation where certain markets become closed to us."*

**Doug McMillon**

**Walmart CEO**

*"Some shoppers are running out of money before the end of the month and turning to smaller pack sizes for consumer goods. Walmart is seeing stress behaviors, and we worry about that."*

**Larry Fink**

**BlackRock CEO**

*"I hear it from nearly every client, every leader, nearly every person I talk to. They're more anxious about the economy than any time in recent memory. I understand why. But we have lived through moments like this before. And somehow, in the long run, we figure things out."*

## HPA Clients



**CEO of industry leading furniture company**

*"We import all our fabric from China... and we're already sending it to Mexico for cut, sew, and assembly. Now tariffs are going to wreak havoc on multiple fronts... it's totally unclear when, if ever, anything will happen. It's just impossible to pass through the double-hit to our customers."*



**PE owner of a mid-market consumer products company**

*"We'll have to dismantle our China-based supply chain and rebuild it in the U.S. That's a process that could take 12 to 18 months, just to maybe reduce tariffs. But how do we invest in that when tariffs might disappear tomorrow... or in six years?"*



**CEO of a leading automotive parts company**

*"We've had to put our geographic footprint expansion on indefinite hold just to see how tariffs play out across the industry... do new car prices go up? Used car prices? Are people going to hold onto cars longer, driving up aftermarket demand? How—and can—we pass through these tariff impacts?"*



**CEOs of two leading technology companies (one platform, one SaaS)**

*"We don't even have tariff-impacted products, yet we're seeing customer sectors slow down in real time. It's materially impacting us and forcing us to decelerate our own business."*



**CPO of a F500 consumer company**

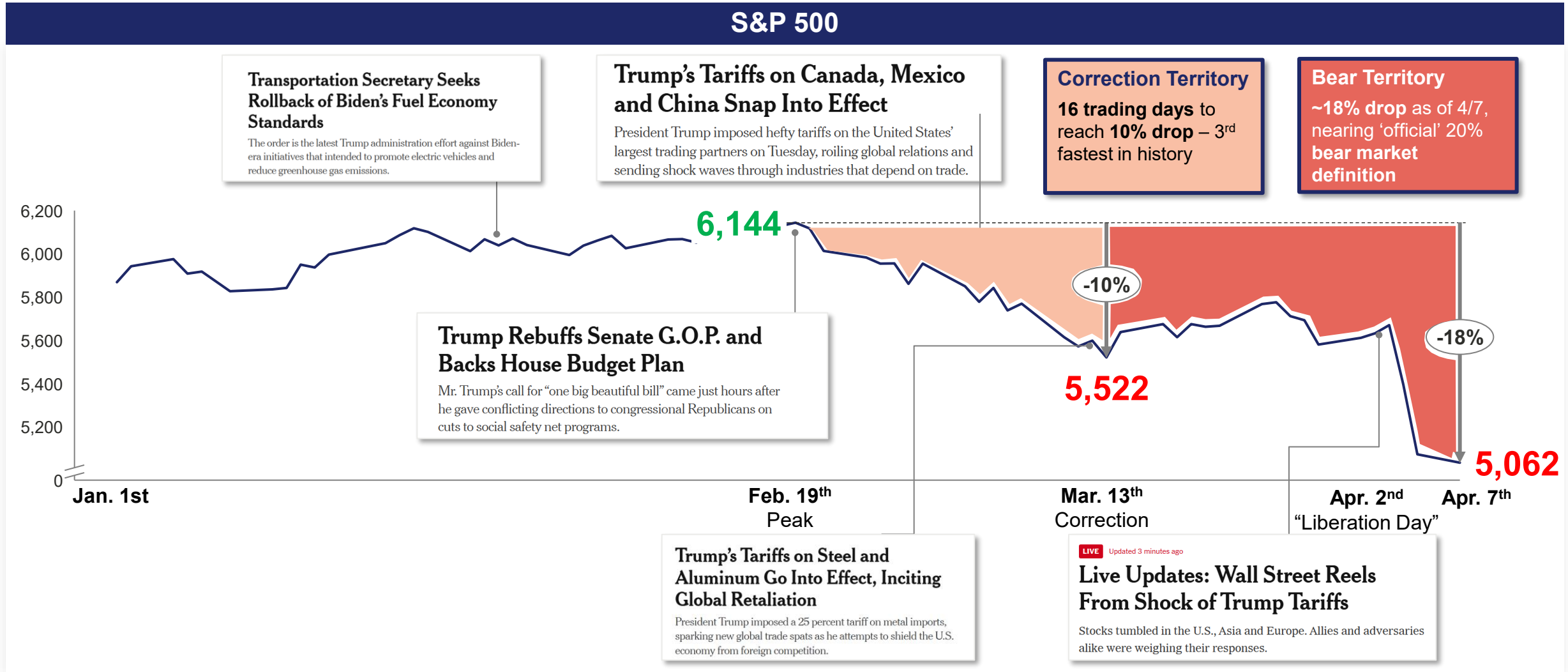
*"I'm spending all my time in Southeast Asia to accelerate moving vendors to India. We're already shifting some Chinese supply to Vietnam and trying to re-route flows to reduce exposure... all without knowing if it's even necessary or whether it'll be productive for the company long-term."*




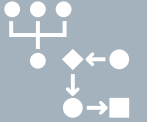



**COO of a leading food & beverage company**

*"We've immediately pulled back on planned expansion—new formats, new store concepts—it's all paused. For now, we're refocusing on core and operational efficiency until the market settles into some kind of 'new normal.'"*

# Each new headline has fueled swings in the stock market



# Amid the 'Turbulence', you must have 'Traction' on these questions

Functional area	Key questions
 <b>Operations</b>	<ul style="list-style-type: none"> <li>• What measures can we implement to <b>enhance operational efficiency and agility to</b> offset external cost increase?</li> <li>• How are we <b>reprioritizing operational improvements</b> that require investment but drive long-term resilience?</li> <li>• How prepared are our <b>operational systems to handle regulatory changes</b> and supply chain disruptions?</li> </ul>
 <b>Organization &amp; Process</b>	<ul style="list-style-type: none"> <li>• Is our <b>management team aligned</b> on key priorities, including where to invest and where to hold off?</li> <li>• How can we <b>redesign our hierarchy to improve decision-making</b> speed and accountability during turbulent times?</li> <li>• Do we have <b>contingency plans</b> in place to pivot quickly?</li> </ul>
 <b>Sales &amp; Marketing</b>	<ul style="list-style-type: none"> <li>• What is the <b>flow-through impact of tariffs</b> on our COGS &amp; margin?</li> <li>• What are we <b>willing to absorb</b>? What will we pass through?</li> <li>• How does this <b>impact our competitive position</b>, pricing, channel/marketing strategy, compensation structures, etc.</li> </ul>
 <b>Supply Chain</b>	<ul style="list-style-type: none"> <li>• How are we <b>mitigating vulnerabilities in our supply and manufacturing networks</b> amid ongoing uncertainties?</li> <li>• Can we quickly <b>scale production and adjust our supply footprint</b> as demand conditions shift?</li> <li>• How can we better <b>align CapEx and maintenance plans with partners</b> to boost agility and continuity?</li> </ul>
 <b>Strategy &amp; Finance</b>	<ul style="list-style-type: none"> <li>• Which <b>growth and investment plans</b> should we <b>scale back or pause</b> to protect core performance?</li> <li>• How do we <b>adjust our FY25/26 outlook</b> given prolonged inflation, tariffs, and demand shifts?</li> <li>• What <b>M&amp;A opportunities can we pursue</b> amid lower asset valuations?</li> </ul>



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