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Supply Chain Financing

Durable Global Trade in the Age of AI

Citi Institute

In collaboration with Citi Services

Global Perspectives & Solutions

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Foreword

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Disruption is no longer a bug in global trade – it's a feature

The global trade landscape of 2026 is based on the new norm of trade incentives and barriers, geopolitical shocks and policy uncertainty that have created a markedly different environment. Trading relationships are being reassessed, supply chains are being reconfigured, and assumptions about efficiency, resilience, and risk rewritten.

However, what stands out the most is not what has been disrupted – it's what has proven durable.

New trade corridors have taken shape, but the system overall endures. The near-term impact of tariffs, while meaningful for individual sectors, has been relatively contained.

This durability did not emerge overnight. The pandemic and subsequent supply chain crises forced a rapid shift from optimization toward flexibility. Diversification and redundancy, once seen as costs, are now strategic assets. As this report shows, significant supply chain changes have been taking shape over the last five years. Firms are now executing long-term plans rather than reacting tactically to each new policy shock.

Our surveys of both large and middle market corporates in the capacity of suppliers and buyers of goods and services reinforce this picture of resilience. While tariffs have been resource-intensive to manage, the business impact has been limited so far. Some investment has been delayed but rarely abandoned. Instead, regionalization is now an established strategy, and global trade flows are being rewired, with emerging Asia, Latin America, and the Middle East playing larger roles in a more multipolar system.

At the same time, a powerful new force – AI – is reshaping trade. The scale of capital expenditure associated with AI – data centers, energy and advanced manufacturing – is boosting

cross-border flows of goods, components and services, even as questions remain about longer-term monetization. And AI is modernizing supply chains themselves. Companies are using machine learning to predict port congestion weeks ahead, dynamically reroute shipments and detect supplier stress.

AI and other advanced technologies are also changing how trade is financed. Digitization, tokenization, and data-driven risk assessment are helping to reduce friction in processes that for centuries relied on paper and offered limited transparency. These innovations do not remove risk or uncertainty, but they do equip companies and financial institutions with better tools to manage them at speed and scale.

The picture that emerges from this report is neither complacent nor alarmist. Geopolitical tensions remain high, policy uncertain and the long-term effects of tariffs and technology shifts will unfold over years, not quarters. Yet having absorbed a pandemic, conflicts and now a highly fragmented policy environment, global trade is not in retreat – it is evolving, supported by innovation, investment and operational agility.

This report explores that evolution in detail – from macroeconomic conditions and shifting trade corridors to the practical realities of working capital, financing and technology adoption.

Long-standing assumptions have been turned upside down, power is shifting, and the world is changing and AI will accelerate changes. For those ready to seize it, there are large opportunities for growth.

Our aim in this report is to provide a clear-eyed, forward-looking perspective on how global trade is being reshaped, and why its capacity to survive, and to thrive, should not be underestimated.

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Durable Global Trade in the Age of AI

The 2026 edition of Citi's Supply Chain Financing report aims to look back at a dynamic year in global trade and assess the real outcomes of shifts in tariff policy and the rapid proliferation of artificial intelligence. Against a backdrop of volatility, global trade continues to endure.

Global trade and geopolitics are closely intertwined with one another and 2025 reaffirmed that bond remains intact. Export growth from North and East Asia has shifted towards more emerging economies in efforts to diversify customers while the United States appears to have increased its imports from other regions faster than it has from North and East Asia.

Technology – in particular artificial intelligence and blockchain – has also had a profound impact on trade and supply chains. Survey data shows a sharp increase in the number of treasurers using AI to manage a wide array of treasury functions and new applications of technology only continue to emerge.

Overall, this year's Supply Chain Financing report encapsulates the state of global trade and how it may continue to evolve in 2026.

Shahmir Khaliq, Head of Services, Citi

Citi Global Supply Chain Pressure Index

 Source: Citi Research, Bloomberg

Key Takeaways

1. For four years running, the economy has shaken off prevailing challenges as evidenced by growth in trade flows and our surveys of corporates; in each case, global growth has continued at a solid pace.

2. As the administration's policies have been digested, shipping levels have returned to a more normal range and provide evidence of supply chains' inherent resilience and adaptability.

3. From 2019-2024, global trade significantly reorganized due to geopolitics, supply chain diversification, and new production centers, preceding 2025 tariffs.

4. In some sectors, earnings were being sustained by price increases, but the ability to further implement price hikes has largely diminished.

5. AI leaders previously relied on cash or traditional debt financing to fund data centers; the transition to data centers optimized for AI workloads has fundamentally altered both the scale of investment required, and the cost structure.

6. Tokenization of trade finance instruments may improve access to liquidity; Citi, in partnership with PwC and Solana, is exploring ways a bill of exchange could be transformed into digital asset in a tokenized format.

7. Small and medium enterprises (SMEs) remain underserved in trade finance; AI can shift this cost curve by automating the analysis of SME information, supporting more dynamic underwriting.

$7.75tn

Citi Research estimates for global capex related to AI demand by 2030.

36%

Percentage of survey respondents saying they were using artificial intelligence.

46%

Percentage of respondents who said they planned to rationalize inventory holdings to relieve cash constraints and release liquidity – up from 16% in 2023.

Global Trade: A Roller-Coaster Ride Towards Resiliency

This section uses external sources and Citi's proprietary payments data to explore the macro drivers reshaping global and regional trade relationships, the evolving nature of globalization, and the current state of supply chain resiliency.

Global supply chains and trade are vital to the international economy, yet they typically capture headlines only during crises. This was the case in the first half of 2025, when an unprecedented series of measures from the Trump administration sparked initial concern and uncertainty due to their speed, scale, and unpredictability. Relatively quickly, however, calm began to return to markets.

One key reason is that while the tariffs in April imposed dramatic hikes on some of the 195 targeted countries, many have since been suspended or significantly reduced following negotiations. Although several sector-specific tariffs have been announced subsequently, most remain unimplemented. As a result, while the effective U.S. tariff burden on imported goods has risen to about 16.8% from 2.4% before President Trump's inauguration, it is lower than many businesses initially feared.[1]

The long-term impact on global trade and foreign direct investment (FDI) remains uncertain. The final tariff structure for key sectors like semiconductors is still taking shape. Additional uncertainty stems from the imposition of tariffs for non-economic goals – such as curbing fentanyl exports from China – and from the imprecise nature of many recently signed trade agreements, which could lead to future tensions.

However, to the extent that it can be predicted, the longer-term effect appears likely to extend existing trends: a continued pivot from pure efficiency toward resiliency, with companies seeking more diversified supply chains via nearshoring or friendshoring to guard against disruptions. This broadly aligns with one stated aim of the administration's trade and industrial policy.

Another key U.S. administration objective remains unmet. Tariffs have failed to prevent China from increasing its goods trade surplus: it reached a record of over $1 trillion in the first 11 months of 2025.[2] While Chinese exports to the U.S. have dropped sharply since the tariffs, exports to Southeast Asia are growing at nearly double the pace of the past four years. Many experts believe a significant share of these goods are ultimately re-exported, often to the U.S.

A Shift Toward a Multipolar, Asia-Centric Trade Network

Stepping back from the turbulence of 2025, an assessment of goods flows from 2019–2024 (figure 1) reveals a complex reorganization of global trade. This realignment, driven by geopolitical tensions, supply-chain diversification, and new production centers, has reshaped trading relationships.

Figure 1. 2019 to 2024 % Change in Flow of Goods

Source: UN Comtrade, Citi Global Data Insights

Export growth from North & East Asia (including China) has shifted toward emerging markets, with strong gains to Latin America (up 59%), the Middle East & Africa (up 52%), and South Asia & ASEAN (up 44%). In contrast, flows from North & East Asia into the U.S. rose a more modest 32%, reflecting a diversification of China's customer base and a repositioning within global supply networks.

At the same time, the U.S. has increased imports from nearly every major region faster than its direct imports from North & East Asia. Shipments from South Asia & ASEAN rose 50% and from Latam 43% – both exceeding the 32% growth from North & East Asia. This points to a concerted effort among U.S. companies to diversify sourcing and reduce single-region dependence. To this end, there has been a continued expansion of assembly, packaging, and finishing capacity in South Asia and Mexico (See China Demonstrates Its Agility and Dynamism).

More broadly, several structural trends emerge:

- South Asia & ASEAN has emerged as one of the largest winners of realignment, with a 44% increase in shipments from North & East Asia to the region and a 57% rise in flows from South Asia & ASEAN to Latam.
- Latam has emerged as a vital supplier of critical minerals for Asia's electronics industry, as well as an alternative to the U.S. for agricultural products such as soybeans. It is also becoming more deeply integrated into Asia- and North America-linked supply chains, with exports to North & East Asia up 39% and exports to North America 43% higher. Latam's 82% surge in flows to South Asia & ASEAN is the single largest increase on the chart.
- Europe remains a central but stable node. Although it enjoyed a 37% increase in exports to North America, and a 13% increase in exports to North & East Asia, imports from both North and South Asia have risen significantly.
- The Middle East & Africa shows strengthening connections with both Europe and Asia, including a 52% increase in shipments from North & East Asia and a 27% rise in flows to Europe. China has been particularly active in deepening relations with Saudi Arabia in recent times.[3]
- Oceania has also become more tightly linked to the Asia-Pacific network, with a 40% growth in flows from North & East Asia to Oceania and a 50% increase in exports from South Asia & ASEAN to Oceania.

Together, these patterns indicate a more distributed and multipolar trade landscape. The fastest-growing corridors run through Asia, with both China and the U.S. relying on a broader set of partners – though trans-shipments may obscure underlying dependencies. The data suggests not a simple decoupling, but a complex rewiring, with new regions emerging as production bases, logistics hubs, and strategic intermediaries.

Digging Deeper Into Countries' Export Growth

To better understand shifts in global trade, we examined export growth across the world's 20 largest economies from 2019–2024.[4] This analysis reveals seven core themes driving much of the world's export expansion: energy, transport, mining, agriculture, luxury goods, pharmaceuticals, and electronics. While broad, these categories highlight critical trends – such as the automotive sector's transformation via electric vehicles (EVs) and soaring energy demand to power artificial intelligence (AI).

A key observation is that several countries' export booms have been overwhelmingly energy-driven. The U.S. presents the most extreme case, where its three largest export increases are all hydrocarbons. The absence of advanced technology or machinery as drivers of export growth underscores the scale of the challenge in reindustrializing the largely services-driven U.S. economy.

Canada, Brazil, the Netherlands, and Saudi Arabia show similar profiles, with crude or refined oil occupying top slots. South Korea and Australia also posted significant jumps in refined fuels or gas. Notably, all these gains occurred despite extreme energy price volatility from 2019–2024, which included the pandemic-driven oil price collapse followed by a spike after Russia's invasion of Ukraine.

In contrast, China's largest export increases are all in sophisticated manufactured goods, reflecting its decades-long economic transformation. Its single biggest growth category – passenger vehicles, at about $82 billion – is not only substantial but dwarfs gains seen elsewhere (such as Germany's $27 billion). Given Germany's historic auto dominance, China's surge signals a rapid reconfiguration of global automotive supply, aligned with the rise of Chinese brands abroad. It is also striking that China's other two big increases are integrated circuits and batteries – both core inputs to EVs and electronics.

Elsewhere, Mexico and Poland stand out as automotive manufacturing winners. Mexico's top three export growth areas are all vehicle-related, highlighting the nearshoring of North American production and the potential headwinds caused by U.S. tariffs. Poland shows a similar, though more electronics-leaning pattern, with strong growth in batteries, vehicle parts, and goods vehicles. Its battery export rise is particularly significant, suggesting Central and Eastern Europe are evolving into key nodes for the EV and energy-storage supply chain.

Pharmaceuticals and vaccines fueled major export growth for several countries. For Germany, they rank second and third behind cars; for Italy, pharmaceuticals are the top category. In Spain and the Netherlands, they are the second-largest source of export growth. Europe's pharma success, however, may face pressure from announced – though not yet implemented – U.S. tariffs. Outside Europe, India's large generic drug industry was its second-greatest source of export growth.

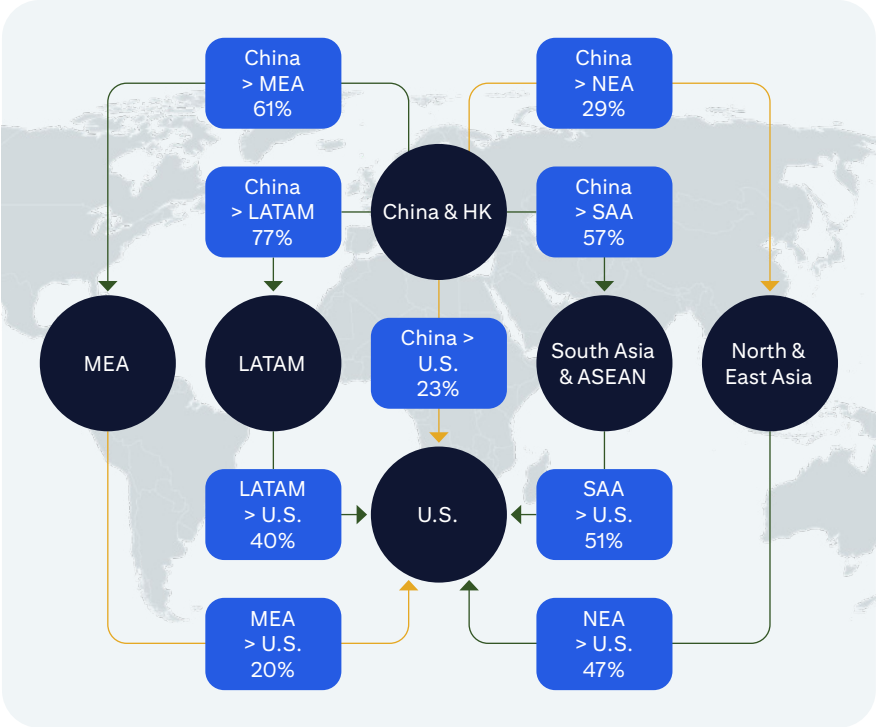
Several countries experienced an export boom tied to food and agricultural inputs during 2019–2024. While always central to global trade, the importance of staples and fertilizers has been elevated by climate change-related extreme weather and growing population demand. For Brazil, soybeans and sugar are key growth areas. India benefits from strong rice exports (though domestic needs led to export restrictions in 2022–2023) and in May 2025, India and the United Kingdom entered into a bilateral trade pact aimed at reducing tariffs on the majority of goods within a decade.[5] Saudi Arabia leveraged its energy base to make fertilizers its third-largest export growth category – a sector where prices soared after Russia's invasion of Ukraine disrupted natural gas supplies and exports from key producers.

Overall, the 2019–2024 period appears to have sharpened national specializations rather than fostered convergence. Energy powers deepened their focus on hydrocarbons, manufacturing hubs advanced in autos and electronics, and several economies doubled down on finance-related exports (like the UK and Japan in precious metals) or high-value niches (like France, Italy, and Turkey in luxury goods).

China Demonstrates Agility and Dynamism

In recent years, the composition of China's trade has shifted significantly. Yet its overall export performance has remained resilient, thanks to strategic pivots in both target markets and priority sectors.

Figure 2. China to U.S. Export Value % Change 2019–2024



Source: UN Comtrade, Citi Global Data Insights

Figure 2 illustrates that China is actively diversifying its export destinations, reducing reliance on the U.S. while expanding aggressively into emerging regions. In March 2025, China, Japan and South Korea agreed to launch formal negotiations on a trilateral free trade agreement.[6] Latam and the Middle East & Africa, in particular, are becoming major demand centers. In other words, even amid political tensions, China did not retreat globally – it rerouted its growth.

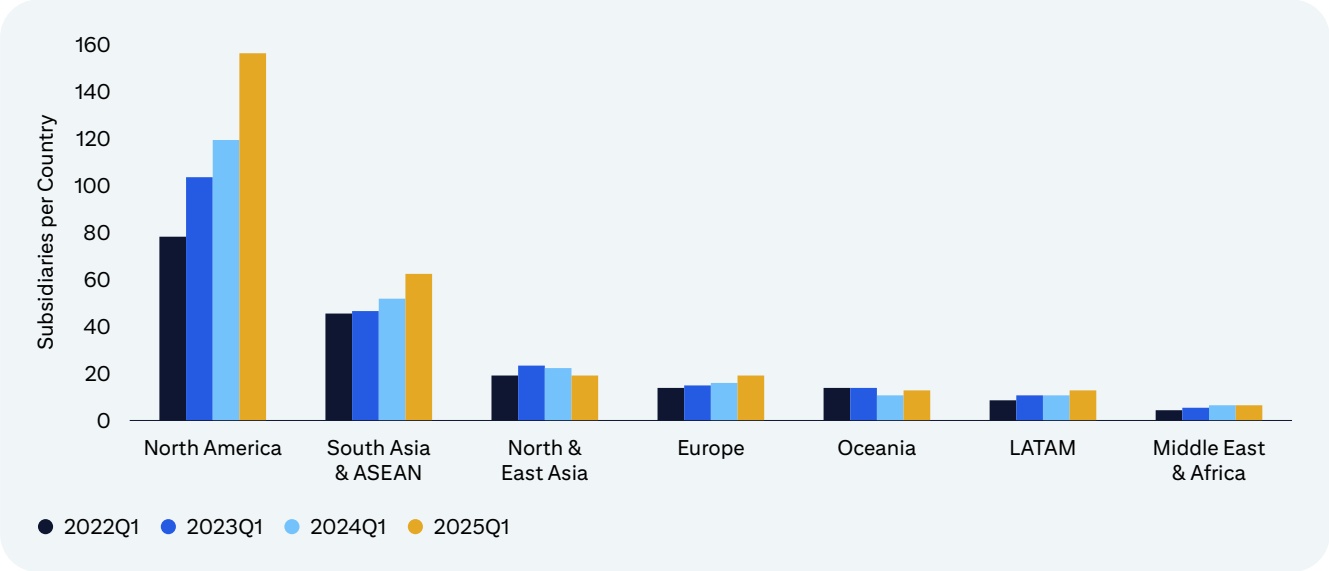
At the same time, U.S. import growth is stronger from nearly every region except China. This underscores a broad U.S. diversification away from direct Chinese sourcing. Increased imports from ASEAN, India, Vietnam, Mexico, Korea, and Japan point to a wide reconfiguration of supply chains.

Critically, the regions with the highest export growth into the U.S. – South Asia & ASEAN (up 51%) and Latam (up 40%) – are also the same regions that China is exporting to more (up 57% and 77%, respectively). This strongly suggests that supply chains are being rerouted through intermediary countries – often with more favorable trade terms with the U.S. – to facilitate continued Chinese exports. This phenomenon, first examined in our Supply Chain Financing 2025 report, appears to be increasing.

Using Citi's proprietary payments data, we have identified a pronounced trend of strategic subsidiarization by Chinese corporates. To navigate U.S. trade, companies are leveraging cheap manufacturing and beneficial trade policies in Asian countries like Malaysia and Vietnam despite relatively high U.S. tariffs (19% and 20% respectively[7]), as well as shorter supply chains from North American neighbors such as Mexico. These overseas subsidiaries also help diversify operations, offering a buffer against sudden changes in country-specific trade policy.

As shown in figure 3, Chinese parent companies have notably increased their subsidiary presence in North America and in South Asia & ASEAN. While Latam overall has a lower concentration of subsidiaries than other regions, Mexico alone now hosts three times as many active Chinese subsidiaries than it did in 2022.

Figure 3. Locations of Chinese Subsidiaries



Note: LATAM includes Mexico.
Source: Citi Services, Citi Global Data Insights

Becoming a Global High-Tech Superpower

As noted earlier, Chinese exports have shifted visibly toward higher-value products like EVs and advanced electronics. Once seen primarily as a low-cost manufacturing hub reliant on external technology, China is now an undisputed economic superpower with market-leading positions in a series of technologies critical to future growth and the energy transition.

To take one example, China has offered targeted subsidies and infrastructure support to develop its EV sector since the early 2000s. By leveraging its vast home market – which has spurred competition and accelerated innovation – it has built an ultra-competitive EV industry that now accounts for nearly two-thirds of global sales and over 70% of production.[8]

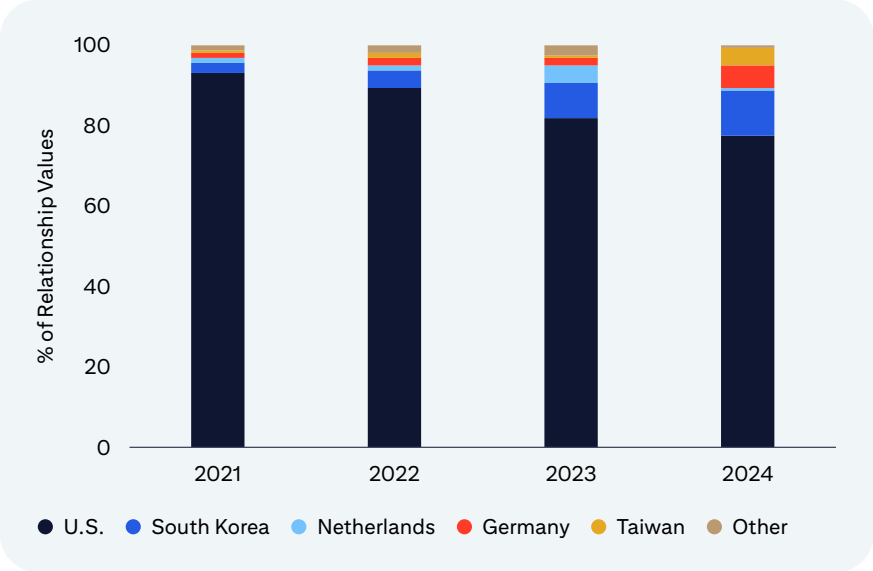
Some Chinese carmakers have made major inroads internationally, with both ranking among the world's top ten automakers by volume.[9] Their international revenue growth has been supported by policies in many countries to phase out internal combustion engines. For example, the UK – which has among the most ambitious targets globally – requires that 80% of new cars and 70% of new vans sold be zero-emission by 2030, rising to 100% by 2035.[10] Manufacturers that miss their targets must trade certificates with others or face fines of £15,000 per car.[11]

Critically, China exerts significant control over much of the electronics and EV value chains. In the politically sensitive area of rare-earth metals – essential for everything from EVs and smartphones to defense systems and renewable energy – the U.S. relied on China for 70% of imports between 2020 and 2023.[12] This is a matter of significant concern for the U.S.

This dominance has been leveraged by Beijing in trade negotiations; in October 2025, China expanded its export control regime to cover not only rare-earth elements, but also related technologies and production equipment. Companies reliant on these materials or equipment from China now face heightened supply risks and a greater compliance burden.[13]

The U.S. has sought to use its dominance in advanced AI chips similarly, introducing further sales restrictions in October 2025[14] that created shortages of advanced semiconductors in China. In response, the Chinese government directed supplies from the country's top chip maker, SMIC, to help Huawei develop competitive AI chips.[15] By December, the U.S. appeared to partially rescind its restrictions, but China signaled it might limit access regardless, possibly to spur domestic development.[16] In any case, the achievements of China's DeepSeek suggest that competitive GenAI may be feasible even using less sophisticated export-controlled chips.

Figure 4. Semiconductor Suppliers to Chinese Companies by Relationship Value



Source: Bloomberg, Citi Global Data Insights

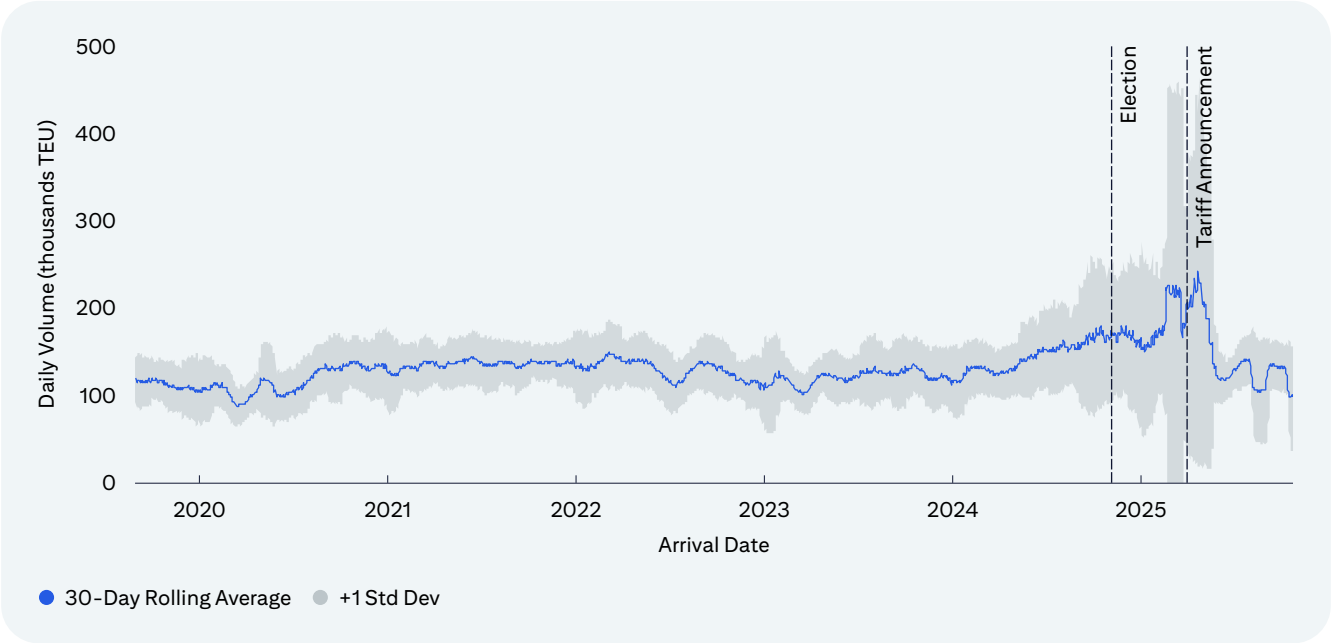
Figure 4 highlights both the continued importance of U.S. semiconductor companies to China and the ongoing diversification forced by U.S. restrictions. The dominant position of U.S. suppliers declined steadily from 2021 through 2024, falling from well over 90% of relationship value to roughly 75% by 2024. Over the same period, South Korea, the Netherlands, Germany, and Taiwan each expanded their share. South Korea shows the most notable rise, with a meaningful step-up beginning in 2023, while the Netherlands and Germany also gained modest but tangible ground, reflecting increased engagement in higher-value equipment and components.

What Shipping Data Can Tell Us

The global shift toward resilient supply chains has been tested over the past year by the U.S. administration's rapidly changing trade policies. Examining maritime shipped imports to the U.S. in figure 5 illustrates the extent of the impact. In anticipation of new trade restrictions, there was a marked surge in shipped import volumes ahead of the initial implementation of raised tariffs. Container volumes jumped 28%, with significantly higher volatility in the first half of 2025 compared to the same period in 2024.

Since this initial shock, shipping levels have returned to a more normal range, as trade agreements and exemptions alleviated some of the pressure. The speed of this adjustment provides evidence of supply chains' inherent resilience and adaptability. However, the long-term effects are still unfolding, and this initial front-loading of goods may be masking deeper, systemic changes as supply chains continue to realign.

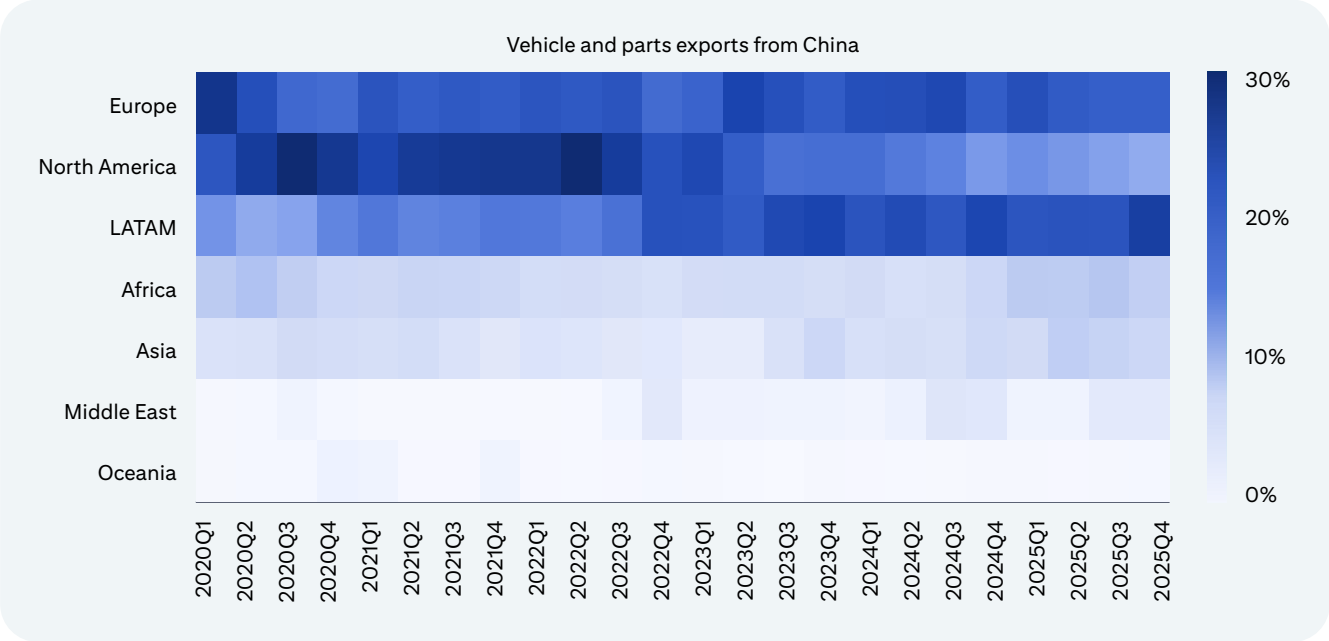
Figure 5. U.S. Shipped Import Volume



Source: Dun & Bradstreet, U.S. Customs and Border Protection, Citi Global Data Insights

Latam has been a notable beneficiary of this realignment, thanks to its pre-existing trade agreements with the U.S. and its strategic importance to China for minerals and agriculture. Beyond geographical proximity, Latam countries make up 11 of the 20 comprehensive free trade agreements with the U.S.,[17] allowing for significant exemptions from tariffs and easier access to the world's largest importer.

Figure 6. Vehicle and Parts Exports from China



Source: Dun & Bradstreet, Citi Global Data Insights

As shown in figure 6, the share of China's shipped vehicle and parts exports destined for North America peaked in 2022, before suffering a multi-year decline. Latam shows almost the opposite trajectory. Its share starts moderately in 2020, increases significantly in 2021 and 2022, and continues rising into 2023 and 2024. By 2024–25, Latam is one of the strongest growth destinations, with exports more than 200% higher than in 2019.[18]

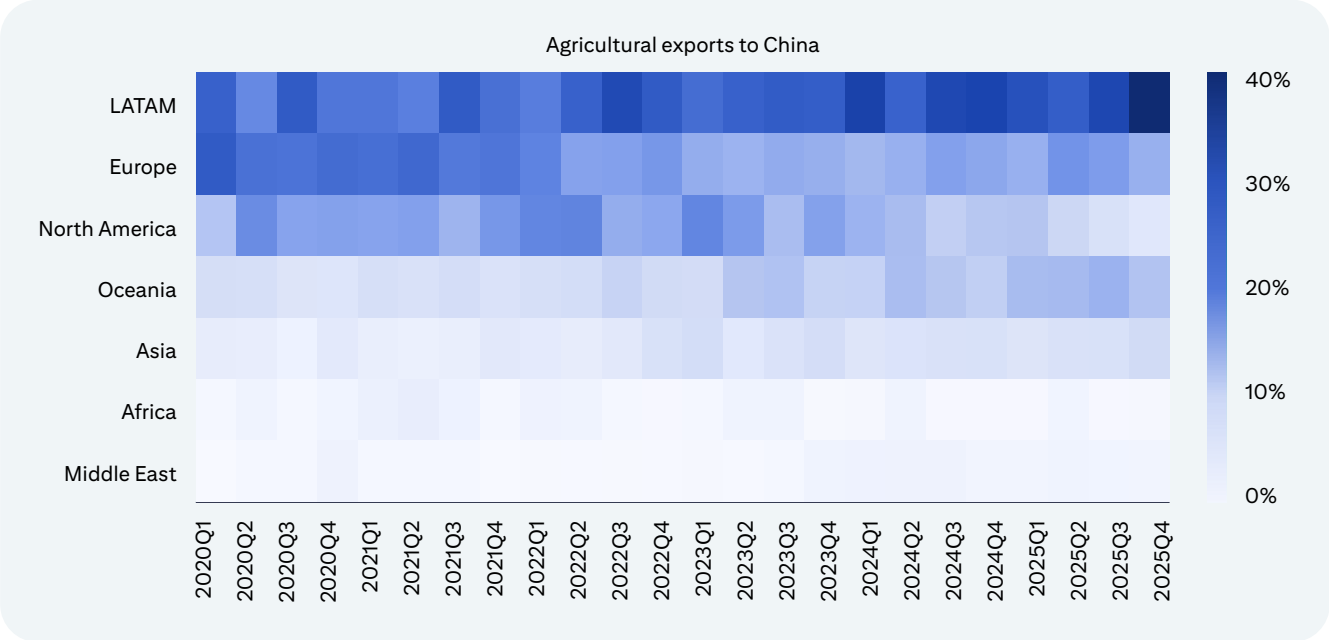
These contrasting patterns – a declining export share to North America and a growing share to Latam – suggest a potential substitution or reorientation effect. As conditions in the North American market become less favorable, China's vehicle and parts exporters are increasingly directing shipments towards Latam.[19] This may reflect stronger regional demand growth or strategic shifts by automakers to maintain volume and navigate changes in the trade environment.

China's agricultural sourcing shows a clear shift toward Latam (figure 7). Its share not only remains high but strengthens further around 2022–23 and again in 2024, with repeated peaks indicating that China is leaning more heavily on the region for core commodities such as soybeans, meat, and other bulk agricultural products.

Europe holds a relatively stable but gradually declining share, while North America – which started the period with a meaningful share, weakens over time. Periods of recovery – for example, in parts of 2022 and 2023 – were not sustained. By 2024–25, North America's presence is noticeably lighter than in 2020–21, suggesting China increasingly substituted away from U.S./Canadian agricultural exports.

Taken together, the pattern suggests a structural shift toward Latam as China's preferred agricultural supplier. Europe and North America both lose ground, though North America appears to decline more sharply. The relative movements imply that higher Latam shares often coincide with lower shares from Europe and North America, which is consistent with China reallocating import volumes toward Latam as price, availability – and especially geopolitical considerations – favor that region's producers.

Figure 7. Agricultural Exports to China



Source: Dun & Bradstreet, Citi Global Data Insights

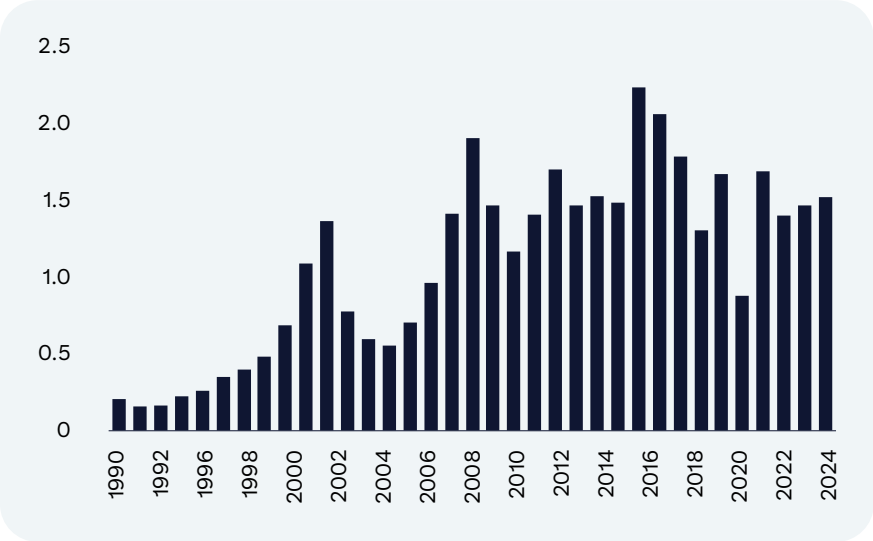
Future trends are likely to depend on further political developments, however. In November 2025, following a meeting of President Trump and Chinese President Xi Jinping in South Korea, the U.S. President announced that China would resume buying farm products in large quantities, including 12 million tons of soybeans by year end. To date, a handful of shipments of wheat and sorghum have been shipped.[20]

Foreign Direct Investments

Over the past 35 years, global foreign direct investment (FDI) inflows have undergone three distinct phases (figure 8). A long, gradual upswing was followed by a sharp mid-2000s boom, fueled by strong cross-border M&A activity, rapid globalization, and robust corporate balance sheets. This was followed by a steep contraction during the 2008–2009 financial crisis, mirroring a broad retreat in investment appetite and credit availability, and retrenchment by multinationals.

Although FDI recovered from 2010 onward and reached subsequent highs, it has been noticeably more volatile than in earlier periods. This likely reflects heightened sensitivity to economic uncertainty and global policy shifts. More recent steady gains – though 2024 inflows remain over 30% lower than the 2015 peak – may reflect trends like the reshoring and friendshoring of supply chains, rising geopolitical fragmentation and stricter investment screening regimes.

Figure 8. Global Foreign Direct Investments – Inflows in $ Trillion



Source: UNCTAD, Citi Global Data Insights, at current prices

Renewed geopolitical and trade tensions when the new administration took office led to some investor caution. As indicated in figure 9, global FDI fell by 3% during the first half of 2025, a decline likely reflecting a postponement of some investment plans rather than a reversal of long-term strategy. The drop was driven primarily by developed economies, where cross-border M&A fell by 18%. Europe saw the largest FDI decrease during the period at 25%, mainly due to a 35% reduction in international project finance compared to the average half-year in 2024.

Figure 9. Global Investment Trends: 1H 2025 vs. 2024 half-year average

REGION	FOREIGN DIRECT INVESTMENT (FDI)	GROWTH RATE (%)			
		FDI	GREENFIELD PROJECTS	INTERNATIONAL PROJECT FINANCE	CROSS-BORDER MERGERS AND ACQUISITIONS (M&AS)
World	737	-3	+7	-8	-23
Developed economies	303	-7	+48	-32	-18
Europe	82	-25	+28	-35	-1
North America	176	+5	+79	-36	-23
Other developed economies	45	-7	+23	-12	-52
Developing economies	434	0	-37	+21	–
Africa	28	-42	-58	+1	–
Latim America and the Caribbean	93	+12	-15	+23	-254
Asia	322	+7	-20	+29	-67

Source: UNCTAD, based on information from The Financial Times, fDi Markets (www.fdimarkets.com) and LSEG Data & Analytics

Turning to the largest greenfield projects announced in 1H 2025, tariffs appear to be making an impact, as three out of the top four announced projects are in the U.S., attracting almost $140 billion in capital investments. As noted earlier, AI is a key theme across all countries. As well as a Korean project in the U.S., companies from the UAE and Canada have announced major data centers in France (though all are dwarfed by OpenAI, Oracle, and SoftBank's $500 billion multi-site Stargate project in the U.S.).

As is well known, AI uses vast amounts of power – a typical chatbot query uses 10 times more energy than one performed by a traditional search engine.[21] Analysis by McKinsey indicates that of the expected $6.7 trillion in data center capital expenditure to 2030, around $400 billion will be spent on power infrastructure.[22] After coal – which is used largely in China – renewables are the second largest source of electricity for AI data centers,[23] so demand for solar panels, wind turbine blades and related components could be expected to grow sharply.

Figure 10. Largest Greenfield Projects Announced in 1H 2025

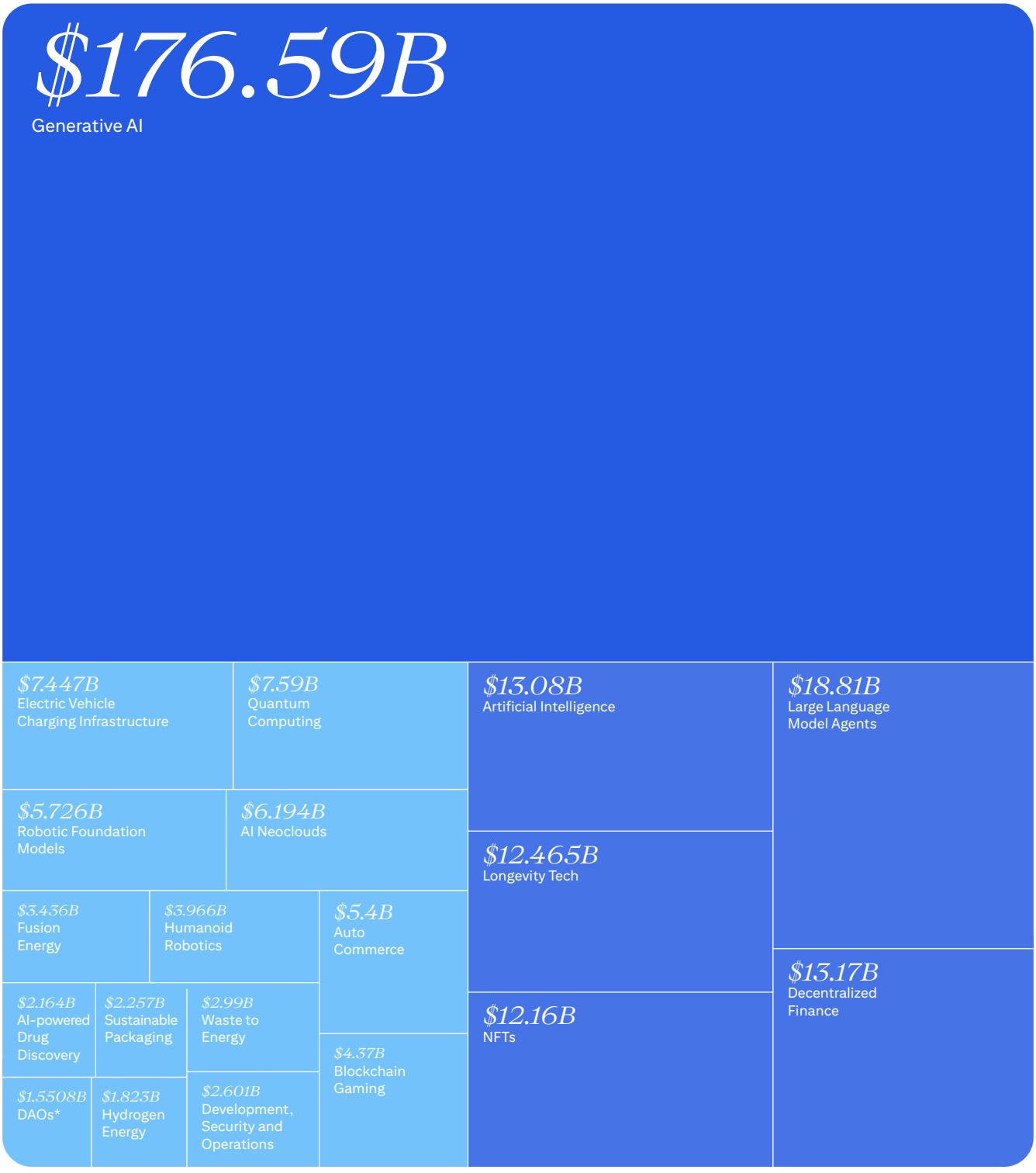
HOME ECONOMY	INDUSTRY SEGMENT	HOST ECONOMY	PARENT COMPANY	ESTIMATED CAPITAL EXPENDITURE (MILLIONS OF DOLLARS)	ESTIMATED JOBS CREATED
Taiwan, Province of China	Semiconductors	United States	Taiwan Semiconductor Manufacturing	100000	18000
United Arab Emirates	Data centers	France	MGX Fund Management	43436	3000
Spain	Renewable energy	United States	Iberdrola	20000	1158
Australia	Coal, oil & gas	United States	Woodside Energy (Woodside Petroleum)	17500	2156
Canada	Data centers	France	Brookfield Asset Management	16263	3000
China	Metals	Kazakhstan	East Hope	12000	3000
United States	Data centers	Republic of Korea	Stock Farm Road	10000	3000

Source: UNCTAD, based on information from The Financial Times, fDi Markets (www.fDimarkets.com)

Emerging Trends – Private Market Investment Flows

For this edition of the report, we examine trends in private markets. These have become a steadily more important part of the financial universe in recent years, as companies choose to list later – or not at all – and as banks have retreated from certain types of lending in response to regulatory changes following the financial crisis.

Figure 11. Private Capital Invested (US$ Billions), 2020 – October 2025



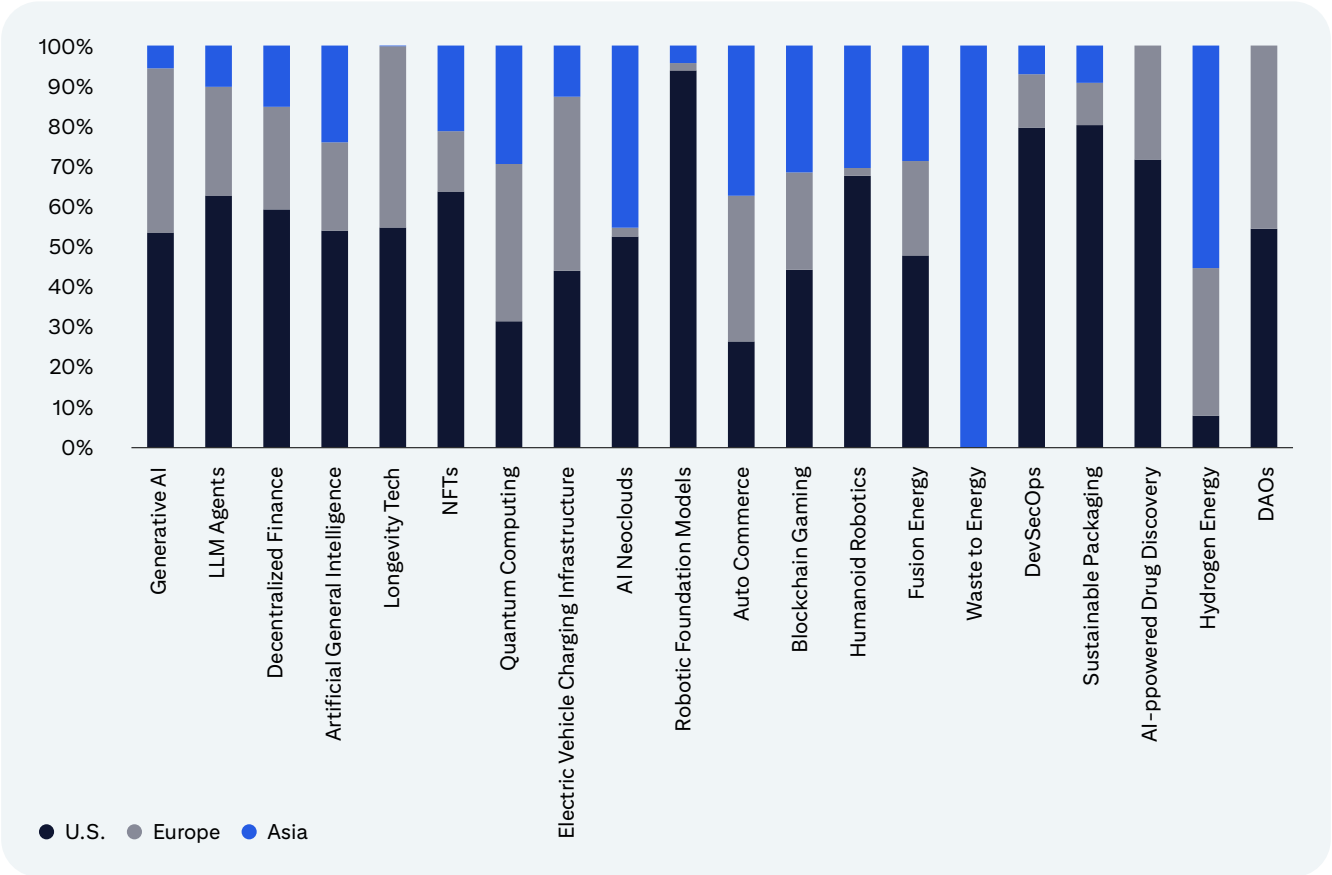
Source: Pitchbook, Citi Global Data Insights

Unsurprisingly, AI-related themes have attracted the lion's share of private investments over the past five years. Generative AI attracted $176.6 billion – far exceeding any other category – underscoring the belief in its potential to transform productivity, industry structures, and value creation across the economy. Closely linked themes such as agentic AI and artificial general intelligence also rank as key investment targets, alongside blockchain/DeFi, smart contracts, and quantum technologies. EV and alternative energy themes also feature prominently.

Looking at regional investment, private capital flows from 2020 to October 2025 reveal a tri-polar innovation landscape, with each region leveraging distinct structural strengths. The U.S. dominates foundational AI and frontier technologies such as robotics and fusion energy. Europe has few areas of outright dominance but is strong in several sustainability and industrial-transition categories, including EV charging and longevity tech. Asia leads in EV charging infrastructure, automotive commerce, and hydrogen and waste-to-energy technologies.

Only a handful of categories – such as quantum computing and automotive commerce – show broadly uniform global participation. This pattern suggests that the next decade of innovation will be shaped more by regional specialization than by a single global center of gravity.

Figure 12. Regional % Breakdown of Private Capital Invested



Source: Pitchbook, Citi Global Data Insights

What is Happening in Global Flows?

Globally, Citi's Services business processes in excess of $5 trillion in payment flows daily. Payment and receivable flows through the Citi payment network reveal that despite the uncertainty tariffs represented in the first portion of the year, global trade flows remained strong in 2025, with several regions and sectors showing signs of growth year-on-year.

Payment Flows 2025 versus 2024

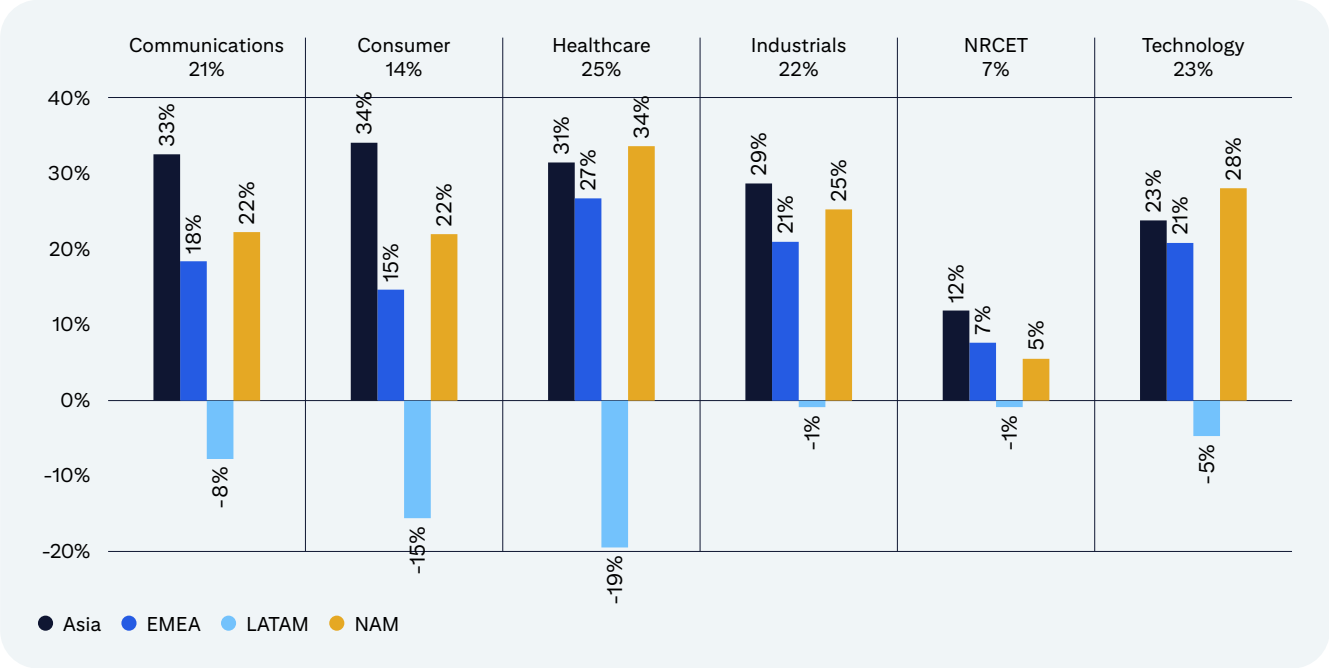
Overall payment flows in 2025 increased by 17% compared to 2024. On percentage basis, growth can be seen across all sectors, however some sectors grew more substantially than others. The healthcare sector posted the largest growth YoY (25%), while natural resources only increased by 7%. As global inflation continued to stabilize in 2025, the increase in payment flows for the healthcare sector in 2025 may be emblematic of some corporates having accelerated imports in advance of tariffs. Natural resources' more modest 7% growth came during a year when global oil prices reached their lowest levels since the first half of 2021.

Technology flows increased 23%, with North American flows up nearly 28%. The tailwind in the technology sector could potentially be a sign of surging investment in artificial intelligence. Growth in flows both domestically and into the United States (26%) as well as domestically and into Taiwan (22%) were responsible for a significant portion of the sector's overall growth. Growth in the industrials sector was spread across Asia, EMEA, and NAM with increases in domestic flows being the primary drivers of growth in each region.

Communications posted 21% growth, led by 33% growth in Asia, which may largely be attributed to strong growth in Hong Kong to Singapore flows as well as strong growth in domestic flows within Hong Kong and Singapore. Rounding out the sectors is consumer with 14% growth, driven primarily by growth in domestic flows in the United States but also supported by strong domestic flows in Hong Kong, Romania, and Brazil.

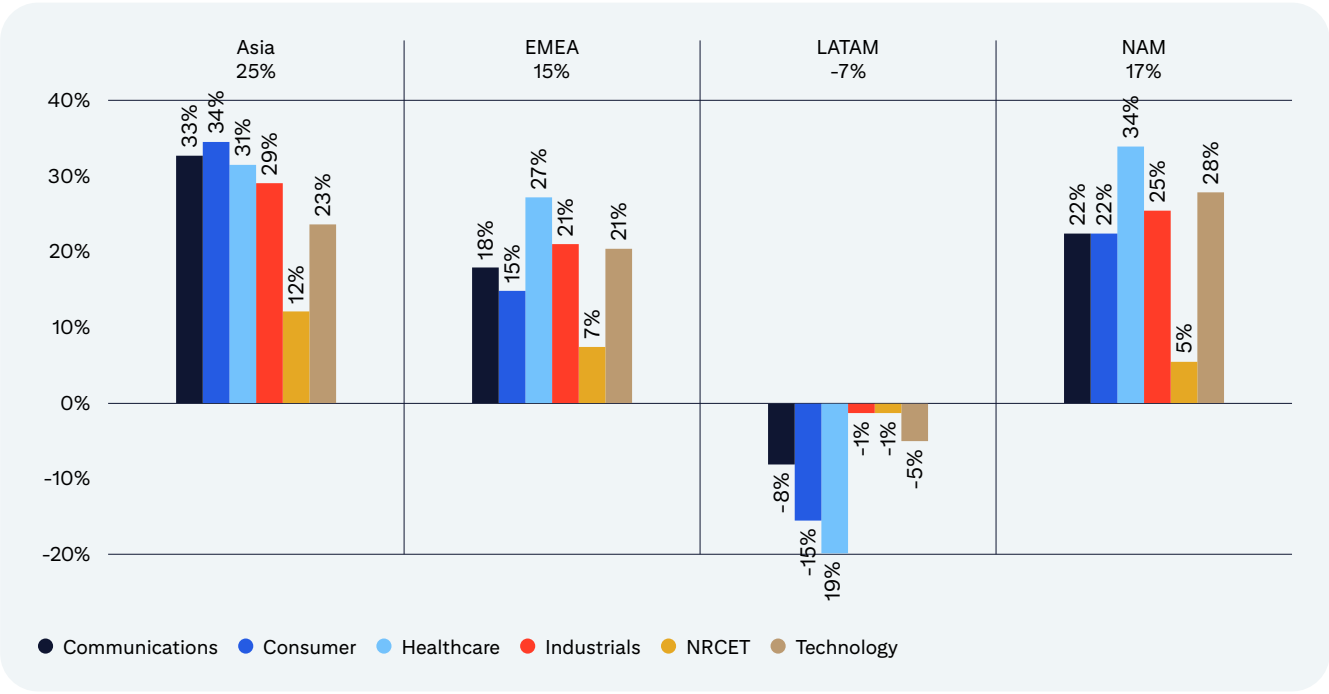
Payment flows increased for all regions – Asia (25%), EMEA (15%), NAM (17%) – except for Latam (-7%). Despite a net decrease in Latam flows, strong growth in Brazilian domestic flows can be see across all sectors.

Figure 13. Supply Chain Shift Analysis by Sector (% Change in Payment and Receivable Flows YTD 2025 vs. YTD 2024, as of September 2025)



Source: Citi Services

Figure 14. Supply Chain Shift Analysis by Region (% Change in Payment and Receivable Flows YTD 2025 vs. YTD 2024, as of September 2025)



Source: Citi Services

Quarterly Analysis (Q4 2025 versus Q3 2025)

From Q3 to Q4 2025, communications flows grew by 7%, followed by 5% growth in industrials and 4% growth in technology. Healthcare was flat at 0% growth while natural resources and consumer decreased by 1% and 5% respectively.

4% growth from Q3 to Q4 in the technology sector is particularly noteworthy given the total value of flows involved. Growth in domestic Hong Kong flows is primarily responsible for the quarter-on-quarter growth in the sector, followed by growth in U.S. to Taiwan flows.

Conclusion: A System Redefined by Resilience, Realignment, and Regionalization

The evidence across trade flows, export patterns, investment trends, and corporate behavior shows a global system undergoing structural realignment. The forces reshaping global trade – from geopolitical tensions and tariff volatility to technological competition and evolving energy demand – are driving a more distributed form of globalization. These macro drivers are redefining global and regional trade relationships, with Asia, Latam, South Asia, and ASEAN emerging as increasingly important nodes in diversified supply chains.

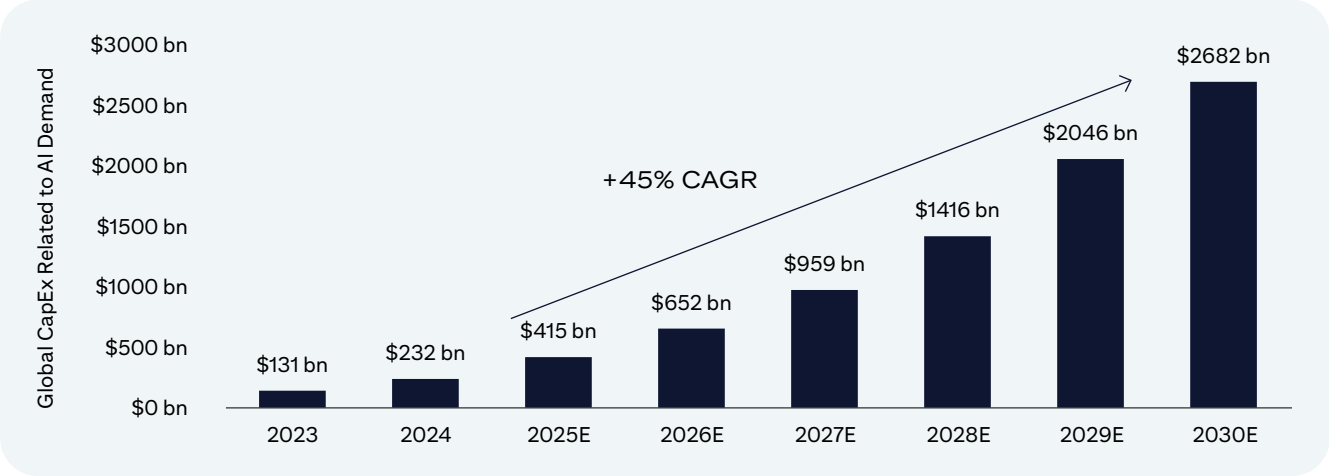
China's continued dynamism, the United States' policy-driven adjustments, and Europe's steady but pressured position illustrate how major economies are repositioning within this landscape. Supply chains have demonstrated notable resilience, responding quickly to policy shocks while continuing to reconfigure around new production centers, regulatory incentives, and risk considerations.

Taken together, these trends point to an international trading system that is not retreating but evolving. Globalization is becoming more multipolar and adaptive, shaped by strategic choices, regional specialization, and the need to manage geopolitical and operational risk. Understanding these drivers is essential for assessing current supply chain resiliency and anticipating the next phase of global trade realignment.

Trade Financing and the AI Boom: A Data Center Story

The data center world is undergoing a once-in-a-generation capital expenditure supercycle, driven by the explosive growth of artificial intelligence (AI). Citi Research estimates, in a piece published in Oct last year, that global capex related to AI demand to reach $7.75 trillion by 2030. To meet demand, the industry needs to construct at least twice the total data center capacity built since 2000 – within less than a quarter of the time.[24]

Figure 15. Expecting $7.75T in global capex related to AI demand over 2026 – 2030 (Estimate)



Note: 2026 includes sovereigns and others.
Source: Company Reports, Citi Research Forecasts, Citi Research

Until recently, the U.S.-based hyperscalers and major technology companies in China that are at the forefront of the AI boom relied on balance sheet cash or traditional debt financing to fund data centers. However, the transition from data centers that act primarily as storage facilities to data centers optimized for AI workloads has fundamentally altered both the scale of investment required, and the cost structure.

As a result, many companies are increasingly turning to non-traditional sources of capital to fund these projects. Trade finance is already playing an important role in AI data center finance, with a broad range of solutions deployed – from letters of credit and bills of exchange to supply chain finance (SCF) and credit-insured accounts receivable programs – to meet the evolving needs of ecosystem participants.

Who Does What in the Data Center World?

The data center ecosystem involves myriad players, some of which play overlapping roles, increasing complexity.

Manufacturing

- From a hardware perspective, chip design is dominated by a small number of manufacturers and chip fabrication is largely concentrated in Taiwan.
- Other components, including memory and non-GPU elements, involve suppliers from Korea and the U.S.

Assembly & Integration

- Components are assembled by midstream manufacturers or branded original equipment manufacturer (OEMs) which build the final servers and racks.

Data Center Operators

- Servers are sold to data center operators, which integrate them into facilities that require substantial investment in land, buildings, power supply, cooling systems, water infrastructure, and grid connectivity.
- Colocation data center operators typically lease compute or storage capacity to hyperscalers who may also build out data centers for their own use

Service Providers & Users

- Large hyperscalers are key cloud-service providers. However, there are also a wide range of other technology or financial services firms that require high-performance computing to run proprietary algorithms.

What Does a Project Lifecycle Look Like – And What Are the Risks?

Typical construction timelines for AI-focused data centers range from 18 to 36 months, though they can be much longer depending on geography, permitting processes, and infrastructure readiness. Data centers are built in locations where there is access to reliable and affordable energy, water (for cooling) and land. While training AI models can be performed in remote locations, user-facing applications often require proximity to end demand to minimize latency.

Perhaps the defining feature of AI data centers is that they are capital-intensive. GPUs and associated servers can account for approximately 30%–40% of total project costs (excluding land). Overall, as much as 80% of the project costs typically relate to equipment procurement.

This challenge is compounded by the relatively short economic life of GPUs – estimated at around three years – before newer generations render them less competitive. This creates significant cash flow and financing strain for data center operators.

A central question in the AI investment world is whether the cost of GPUs can be recouped within their relatively short lifespan. However, the implications of this uncertainty are not shared across the data center ecosystem.

For hardware manufacturers, demand remains robust and highly profitable. For data center operators, the economics and commercial risk are also generally attractive because investment decisions are typically underpinned by long-term contracts with highly-rated hyperscalers. These operators will not deploy capital unless they have visibility on committed demand.

In contrast, hyperscalers must ultimately generate enterprise and consumer demand for AI-enabled services to justify their capital outlays. It remains unclear whether the application layer will generate sufficient monetization to justify massive AI investments.

A key dynamic in the ecosystem is the need to ensure that mid-tier operators have access to sufficient capital. Hardware manufacturers have a vested interest in maintaining the financial health of these operators to sustain GPU sales. This has led to strategic investments and partnerships across the value chain – a move some observers believe could heighten risks should demand for AI services fail to meet expectations in the short term.

How Do Data Center Operating Models Vary?

Just as there is an intricate web of companies involved in the various elements of data centers, so there are several data center operating models, involving companies of very different types:

- Pure colocation providers supply land, buildings, power, and cooling, while customers install and operate their own servers. These firms often resemble real estate companies that have expanded into data centers to generate long-term annuity-style revenues.
- Some operators provide fully integrated solutions, owning both the physical infrastructure and the servers, and lease compute capacity directly to customers. This model carries higher risk because the operator owns the GPUs. Operators may own GPUs but lease physical space.
- Hyperscalers may vertically integrate by owning land, buildings, and equipment.
- Neo-Cloud providers, many of which originated from adjacent businesses such as cryptocurrency mining, are becoming increasingly important. These firms often may have weaker balance sheets but significant demand for GPUs.

An Evolving Range of Financing Options

Data centers today sit at the intersection of infrastructure, real estate, and technology.

Historically, infrastructure or real estate-style investments relied heavily on traditional project finance structures. While those routes remain relevant, the magnitude of current investment requirements has pushed companies to explore alternative forms of financing, including trade finance.

While land acquisition generally falls outside the scope of trade finance, it plays an active role across most other components of the data center ecosystem given its ability to support procurement-heavy cost structures and staggered cash flows.

Trade finance often supports ancillary infrastructure, particularly energy and cooling. Energy has become a critical constraint and opportunity, with significant investment flowing into power generation, grid connectivity, and alternative energy solutions. Financing structures increasingly cover energy supply contracts, power equipment, and cooling solutions, including emerging models such as cooling-as-a-service.

Trade finance can play an especially critical role in helping companies to manage working capital and bridge funding gaps during construction and ramp-up periods. During construction, for instance, trade finance can ensure that suppliers are paid promptly on shipment while allowing data center operators to defer payment for six, 12, or even 18 months. This improves return on capital by reducing the need for equity or long-term debt during the build phase.

Once a data center is operational and backed by long-term contracts with hyperscalers, operators often seek to refinance using cheaper, longer-term funding. Trade finance can support this phase by monetizing contracted receivables, effectively converting future payments from highly rated customers into immediate liquidity.

On the procurement side, trade finance can be structured in multiple ways. In a traditional SCF model, an OEM sells servers to a data center operator with extended payment terms, while the bank pays the OEM upfront. The operator then repays the bank over the agreed tenor. Alternatively, GPUs and servers may be leased rather than sold, aligning payment profiles with the three-year economic life of the equipment. In these cases, banks may finance the OEM's receivables from lease contracts.

Banks may underwrite data center exposures directly for strong counterparties such as large telecom or infrastructure firms. While a significant portion of risk typically remains on bank balance sheets, increasingly it is syndicated across large networks of partner banks. For trade finance banks, AI data centers offer an attractive opportunity as traditional trade finance margins have become compressed, and data center financing offers larger ticket sizes and improved returns.

For larger or riskier exposures, banks may seek credit enhancement through export credit agencies (ECAs), credit insurers, or private credit providers. Private credit players typically command higher returns and are more willing to assume risk associated with less-established operators, while credit insurers and ECAs tend to support stronger credits or specific export mandates.

ECAs generally require a link to their country of origin if they are to provide support, although some have introduced untied financing structures. ECA involvement in GPU financing remains limited, partly due to relatively short tenors and the fact that GPU demand is so great that additional support is not required.

There are significant regional differences in the financing strategies deployed by ecosystem players. In markets with developed capital markets, operators may rely more on bonds or securitization. In emerging markets, where capital controls or repatriation challenges exist, trade finance offers an attractive way to deploy capital without tying up equity. Governments also play a direct and indirect role through incentives, tax holidays, or strategic support, reflecting the national importance of data center infrastructure.

Trade Finance in Practice Across the Value Chain

Original design manufacturer (ODM) to OEM Flows

- An OEM procures the majority of server components upfront and supplies them to the ODM for assembly. The ODM manufactures the finished servers and delivers them to the OEM, issuing an invoice for the completed goods on extended payment terms.
- Trade instruments are being developed to allow the ODM to extend payment terms to the OEM while still receiving liquidity. Such arrangements have the potential to help bridge the working capital gap created by upfront component purchases and delayed cash inflows, potentially improving cash flow efficiency for both parties without materially changing the underlying commercial relationship.

ODM to Hyperscaler Flows

- Hyperscalers are increasingly bypassing OEMs, working directly with ODMs to manufacture their custom equipment for their own data center use.
- This approach eliminates OEM markups and allows hyperscalers to tailor hardware precisely to their workload requirements at scale. However, it also shifts responsibility for product lifecycle management, maintenance, and support to the hyperscaler, with no standard warranties and limited ability to source interchangeable replacement parts.
- From a trade perspective, the flow creates significant receivables and working capital pressure for ODMs, making SCF and receivables-based solutions particularly relevant.

OEM/Distributor to System Integrator (SI) Flows

- OEMs sell servers to distributors on standard payment terms, after which distributors resell the servers to SIs on extended terms. SIs, in turn, only receive payment from their end clients at a later date, creating a timing mismatch between payables and receivables.
- SCF structures enable distributors to extend payment terms to SIs without materially increasing balance sheet strain, while maintaining timely settlement with OEMs. The structure supports liquidity across the chain and accommodates varying go-to-market and distribution strategies across OEMs and geographies.

OEM/Distributor to Data Center Operator Flows

- OEMs sell servers to distributors on standard payment terms, distributors on-sell to data center operators on extended terms, and the data center operators only recognize revenues from their end clients at a later stage.
- This timing mismatch creates a working capital gap for data center operators, particularly given the scale and frequency of multi-country server procurements.
- Trade working capital loans, receivables financing, and SCF structures are used to extend payment terms and mitigate performance and liquidity risk, allowing operators to fund server acquisitions while preserving cash for ongoing operations and expansion.

System Integrator to End Client Flows

- SIs procure or lease servers from OEMs or distributors, install and integrate the infrastructure for the end client, and only receive payment over an extended period, often aligned to long-term project milestones or service contracts.
- This creates a significant working capital gap for SIs, as cash outflows for equipment and installation precede inflows from clients.
- Long-tenor trade working capital loans and receivables-based financing structures are used to bridge this gap, enabling SIs to fund upfront costs while matching financing tenors to the underlying client contracts.

Colocation Data Center Operator to End Client Flows

- Data center operators typically secure one or more anchor clients under long-term agreements, alongside a portfolio of smaller enterprise customers. Customer charges may include fixed and variable components, with rebates or penalties for downtime, which can delay or reduce cash inflows.
- At the same time, operators face immediate and recurring outflows for power, utilities, maintenance, and periodic infrastructure upgrades. This mismatch creates a persistent working capital gap.
- Trade working capital loans and long-tenor receivables financing, often focused on the fixed portion of contracted receivables, are used to provide liquidity while accommodating existing project finance structures and security over receivables.

Hyperscaler Cloud Provider to End Client Flows

- Hyperscalers provide consumption-based cloud services with a significant variable fee component, making it difficult for end clients to forecast monthly costs accurately.
- Enterprises may therefore seek extended payment terms, particularly when usage spikes unexpectedly. This creates a working capital and cash flow management challenge for clients rather than for the hyperscaler itself.
- Trade working capital loans and receivables-based solutions enable end clients to smooth payments and manage variability in cloud spend, while allowing hyperscalers to continue operating on standard commercial terms without disrupting their billing or revenue models.

Conclusion: Financing the Next Phase of AI Data Center Growth

AI data centers sit at the crossroads of infrastructure, real estate, and advanced technology, and their rapid expansion is reshaping how large-scale digital assets are financed. The capital intensity of GPU-heavy deployments, combined with short equipment lifecycles and long construction timelines, is pushing operators and hyperscalers beyond traditional balance sheet and project finance models. Trade finance and related working capital solutions are therefore becoming integral to aligning cash outflows for equipment and construction with contracted inflows from highly rated customers.

As the ecosystem matures, effective risk allocation and access to flexible capital will be critical to sustaining growth across the value chain, particularly for the mid-tier operators that increasingly underpin capacity expansion. Banks, insurers, private credit providers, and strategic partners all have a role to play in ensuring capital flows efficiently from hardware manufacturing through to end users. In this environment, financing structures that reflect the hybrid nature of AI data centers will be a key enabler of continued investment and long-term resilience.

Reengineering Trade Finance With AI: From Processing to Insight

Artificial intelligence (AI) is poised to transform trade finance by addressing longstanding operational inefficiencies and risk management challenges. This revolution is only just beginning. But many institutions are already deploying sophisticated AI solutions that enhance document processing, fraud detection, and transaction execution while fostering greater ecosystem collaboration.

Intelligent Document Processing: Moving Beyond OCR

Trade digitization has long relied on optical character recognition (OCR) to extract data from scanned documents such as letters of credit, bills of lading, and commercial invoices and turn it into an input for downstream workflows.

While valuable, the limitations of OCR outputs are well known. Traditional OCR is trained to recognize specific information in specific fields within a document template. When formatting (or anything else) changes, that training needs to be updated, often by technical specialists. Even after years of tuning, OCR accuracy is around 65%–70%, hampering straight-through processing, and requiring manual validation.

AI, in the form of the large language models (LLMs) we are all familiar with in our everyday lives, transforms this process.

Accuracy is not the only operational benefit. AI also changes the way rules are expressed and maintained. Instead of hard-coding extraction logic and validations as formulaic rules, teams can express business requirements using natural language prompts. The model interprets these rules and applies them to extracted data, which reduces dependence on specialized engineers for incremental changes. Intelligent document processing is a combined capability – extraction, validation, and output generation – rather than just a process of digitization.

Take the example of letter of credit (LC) initiation. Today, clients often pull information from a purchase order or sales contract and retype it into an application form, which the bank then checks. With AI, the client can upload the underlying commercial agreement; the model extracts the relevant fields, drafts the LC, and the client approves it before bank credit and compliance checks. If the inputs are complete, issuance can be accelerated from a standard timeframe of up to 24 hours (or longer when information is missing) to just minutes for standard cases.

Compliance and Fraud: Scaling Judgment, Not Just Screening

Trade compliance is not a single task. It includes objective controls (for example, sanctions list screening) and more subjective assessments (for example, whether activity is plausible given the goods, routes, counterparties, quantities, and pricing). AI is particularly well-suited to the latter: synthesizing diverse contextual signals to identify anomalies that a human reviewer might miss, especially given time pressures and high volumes.

One of the highest-impact use cases is invoice risk. Over-invoicing and under-invoicing are well-known mechanisms for trade-based money laundering, but invoices are difficult to monitor systematically because they frequently contain line-item detail across multiple pages. For large importers, invoices can run to 30–40 pages, making it impractical for an operator to extract and compare data consistently.

AI changes the mechanics of that process. Models can extract all line items, group them meaningfully, and aggregate them into structured datasets. AI agents can then source comparable pricing from open sources and generate alerts when unit prices deviate materially from expected norms, bringing a human into the loop only when the signal warrants it. AI therefore could empower compliance teams to be more consistent, across far more activity, and with better auditability.

Shipment and vessel monitoring highlights a similar dynamic. A bill of lading may list a vessel, ports of loading and discharge, and container numbers – the information may appear complete and fully compliant. However, it cannot reveal whether a vessel stopped at a sanctioned port en route, or whether a specific container was unloaded. If a violation is identified later, the bank can still be held liable for information it processed, even if the issue was not realistically detectable through manual review. AI can augment this by extracting vessel and container data from documents and cross-checking against external sources (for example, vessel intelligence and container data feeds at Lloyd's of London) to flag risk indicators quickly.

Building Transaction Memory for Predictive Risk and Better Financing Outcomes

A less visible but highly strategic benefit of AI-driven extraction is that it creates structured historical data – a transaction memory – that many trade ecosystems do not have today. Once trade documents are reliably converted into structured datasets, banks can detect behavioral changes over time, not just single-transaction anomalies.

This matters because trade is typically recurring. When an applicant and beneficiary have maintained consistent volumes and business types for years and then suddenly show a material deviation, AI can flag that shift and assign an elevated risk score. This moves risk management from reactive exception handling to earlier intervention based on pattern recognition.

Predictive models also extend into cash-flow forecasting and default prevention, especially in receivables finance where banks can analyze payables, receivables, ERP feeds, and account statements to anticipate liquidity gaps.

Financial Inclusion: Making SME Underwriting Scalable

Small and medium enterprises (SMEs) remain structurally underserved in trade finance. One reason is that the manual work required to underwrite an SME is not proportionally smaller than the work required for a large corporate, even though facility sizes and revenue opportunities differ.

AI can shift this cost curve by automating the ingestion and analysis of SME information, including transaction histories, social media presence, and supply chain relationships. This allows banks to assess an SME's portfolio, identify concentration risks (for example, reliance on a single buyer), and assess related counterparty credit signals more efficiently.

Over time, the technology could also support more dynamic underwriting. Rather than reviewing facility size and pricing annually, AI-enabled monitoring can support more frequent reassessments – potentially even deal-level risk and return analysis – which can reward improving SMEs with better access and more responsive pricing. AI-powered platforms can also match buyers and suppliers across global markets, identifying optimal trading partners based on compatibility scores derived from historical performance data.

Ecosystem Interoperability: Reducing Mapping, Discrepancies, and Rework

Trade workflows encounter problems not only because of document complexity, but also because participants often use a slightly different data language. Traditional integration requires detailed mapping, file-format specifications, and repeated coordination each time a counterparty's output changes. That work is slow, costly, and vulnerable to errors or miscommunication.

AI introduces a more flexible approach using dynamic mapping and interpreting data in whatever form it is presented (so long as the content is sufficient). This can reduce the need for rigid file formats and can materially lower the time spent resolving discrepancies caused by missing, incorrect, or inconsistently formatted data. The practical benefit is faster reconciliation and fewer exceptions, which directly improves client experience and reduces operational overhead.

By integrating AI with technologies such as blockchain, it is possible to create immutable audit trails while simultaneously providing predictive insights into counterparty reliability, strengthening trust within trade finance ecosystems.

Architecture and Partner Strategy: Hybrid by Necessity

Trade is regulated, global, and data-sensitive. In many jurisdictions (in Egypt or China, for example), regulators restrict what data can be processed in the cloud. As a result, hybrid architectures – combining on-premises controls for sensitive data with cloud-based AI services for scalability – are likely to remain standard. In some cases, organizations may also pursue smaller, internally controlled language models tuned to their own data and accessible only within their environment to reduce data leakage risk.

Similarly, organizations need to take a pragmatic approach to implementation. No single institution will be able to build everything. Practical implementation requires a case-by-case approach to determine what capabilities are strategic to own, what can be sourced, and where ecosystem collaboration (including federated learning approaches) can improve outcomes without forcing data pooling that violates confidentiality constraints.

Operating Model Realities: A Strategic Roadmap for AI Implementation

For trade leaders, the challenge is no longer whether AI can add value, but how to deploy it in a way that is scalable, auditable, and commercially viable. Effective implementation entails several key elements:

- **A robust data foundation:** AI performance depends on the quality and consistency of underlying data. Institutions should prioritize converting unstructured trade documents into standardized, reusable datasets with clear taxonomy and metadata. This foundation supports immediate efficiency gains while enabling longer-term predictive and analytical capabilities.
- **A methodical approach to safety:** Addressing hallucination risk is key to operationalizing generative AI safely. Consistency must be demonstrated through repeatable performance, not a single impressive run.
- **An auditable decision trail:** Every time the model is asked for an answer, it must be able to vouch for each single data element and decision made, creating a transparent record.
- **Continuous monitoring:** Model performance needs to be evaluated over time, including drift detection as document formats and trade patterns evolve; formal escalation paths must be put in place.
- **Embedded governance and rigorous training:** Prompt discipline is critical, because prompt changes are effectively model changes in production.
- **Cost and performance discipline:** AI redistributes operational costs rather than eliminating them. Cost control is key to governance. Repeated runs consume tokens, compute, and energy. As organizations scale, they need explicit design decisions around when to re-run models, what to store, and how to balance accuracy, latency, and operating cost.

Conclusion: Focus on Speed, Control, and Client Enablement

AI in trade is not primarily about replacing people. It is about freeing trade teams from the friction created by documents so they can focus on moving goods and services efficiently, with stronger risk controls and better client outcomes. The near-term winners will likely be organizations that treat AI as an operating capability – with data foundations, model governance, auditability, and cost discipline – rather than as a collection of pilots.

The market is still early in adoption, and trust will be earned through consistency, transparency, and careful human-in-the-loop design. But the direction is clear: as trade data becomes structured in near real time, the industry can shift from manual processing to delivering actionable insights that create durable value.

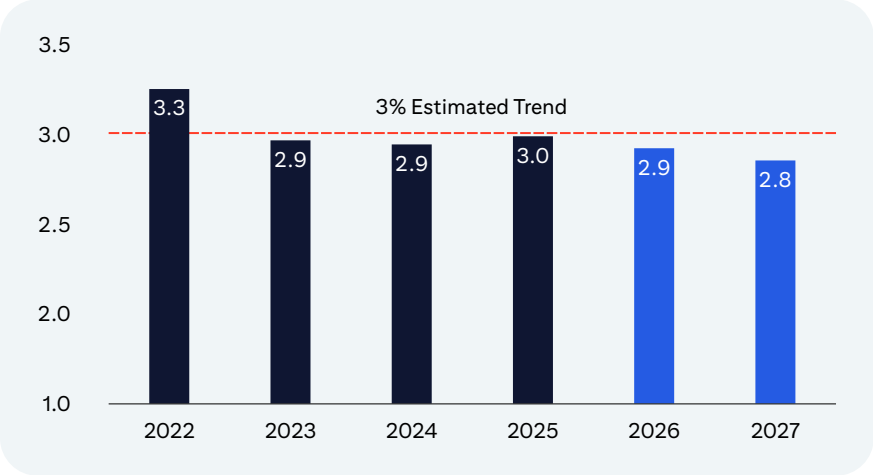
Global Supply Chains: The Economic Backdrop

The global economy continues its solid performance. We judge that growth in 2025 will come in at 3.0%, matching our estimate of trend (figure 16). Going forward, growth looks poised to edge down to only a notch or so below 3.0% this year and next, as the tariffs continue to gradually work their way through the global economy.

This section was authored by Citi Research Economists.

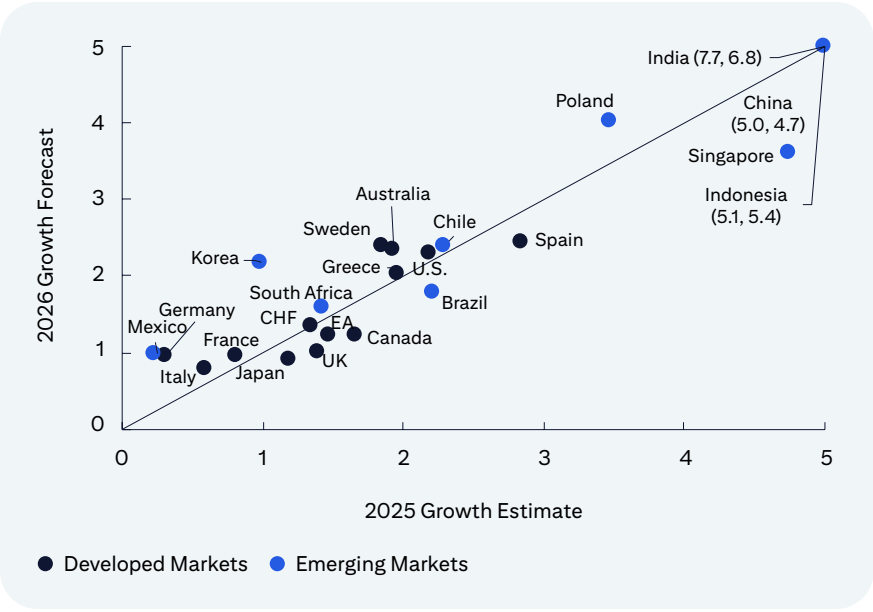
At a country level, we see growth in China, Singapore, Spain, and Brazil as likely to soften this year, while Poland, Australia, Sweden, and Korea should see somewhat stronger growth (figure 17). In aggregate, we expect growth to hold steady in DMs at 1.9% and ease modestly in EMs from 4.3% to 4.1%.

Figure 16. Global Real GDP Growth (Annual Average)*



*Light blue bars indicate Citi forecasts.
Source: Citi Research

Figure 17. Citi Growth Forecasts: 2025 vs. 2026

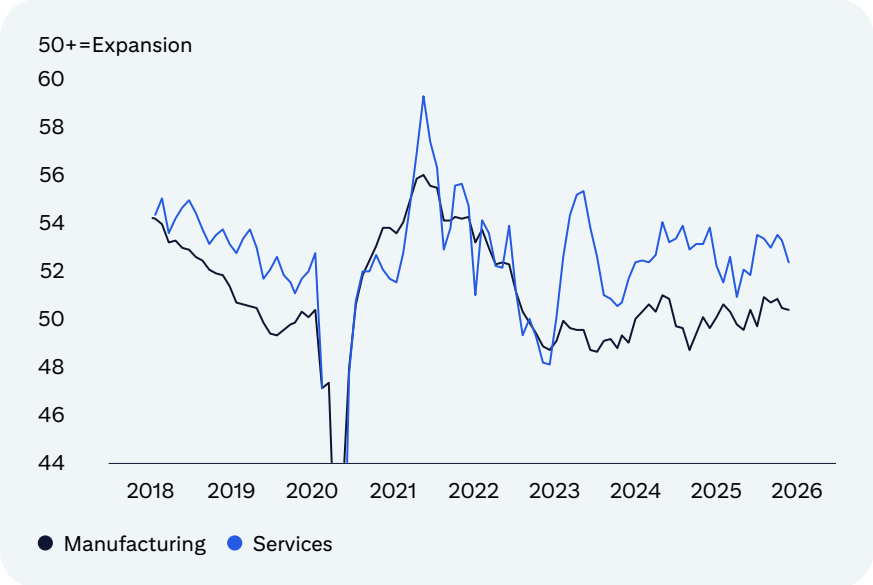


Source: Citi Research

The global PMIs broadly echo this story (figure 18). The services PMI retreated in December but remained in comfortably expansionary territory. The manufacturing PMI has shown sustained softness relative to services, but it continued to cycle near the 50 breakpoint between expansion and contraction. Taken together, these PMIs are consistent with our forecast of solid (but not spectacular) global performance.

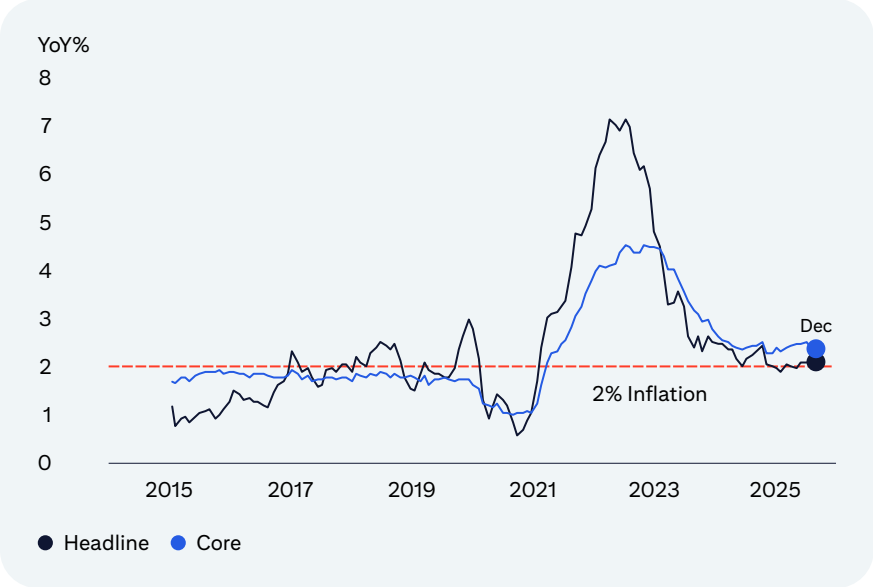
Global inflation meanwhile has in recent years retreated back toward pre-pandemic levels. Over the past year, headline inflation has hovered near 2% (figure 19). Global core inflation has run just a notch higher, at around 2.5%, as global services inflation has declined only gradually. Looking ahead, we are comfortable that global inflation will remain subdued. Global growth, although solid, is unlikely to be sufficiently strong to stoke pressures on resources. In addition, our Citi Global Supply Chain Index points to muted pressures on global goods prices (figure 20).[25] Finally, we expect that global oil markets will generally be well supplied, with Brent falling back to $62 per barrel through the second half of the year. Even so, as recent events highlight, the oil market tends to take the brunt of geopolitical shocks, so oil prices will likely remain volatile.

Figure 18. Global Purchasing Managers' Index



Source: Citi Research, S&P Global

Figure 19. Global Inflation*



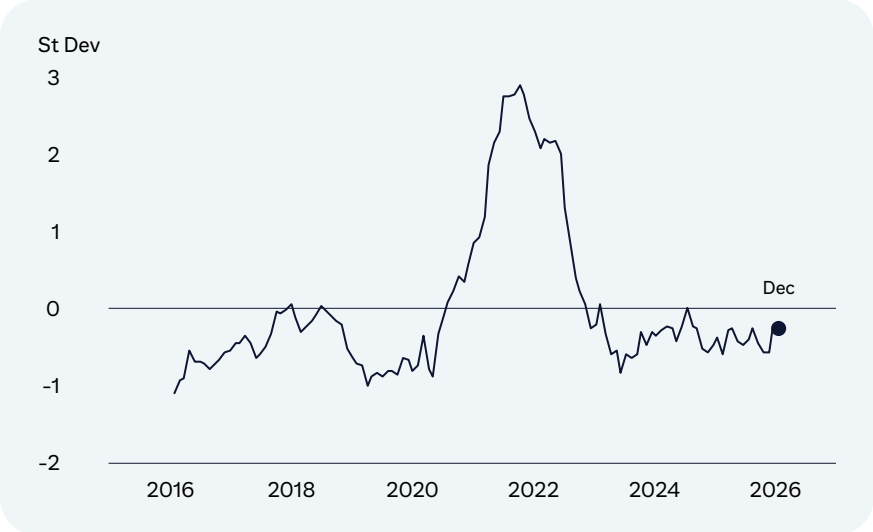
*Headline and core cover 15 economies.
Source: Citi Research, Haver Analytics

The story for U.S. inflation, however, is somewhat more challenging as the tariffs have put upward pressure on U.S. goods prices. U.S. core goods inflation on a CPI basis, for example, is up roughly 1.5 percentage points since the start of the year while a similar measure for the rest of the world is up a modest 0.2 percentage points. All told, we see core U.S. inflation as likely hovering close to 3% to start this year. Still, as tariffs gradually play through, U.S. inflation should start to moderate and land at 2.5% or below by end-2026.

Along with the decline in inflation, many central banks have cut policy rates. Across 27 major central banks, only the central banks in Brazil and Japan hiked rates last year, and 22 were actively cutting. In 2026, we expect 16 of these central banks to cut rates (including the Federal Reserve, the Bank of England, and the Bank of Mexico), eight to be on hold (including the ECB and the Reserve Bank of India), and just three to hike (figure 21).

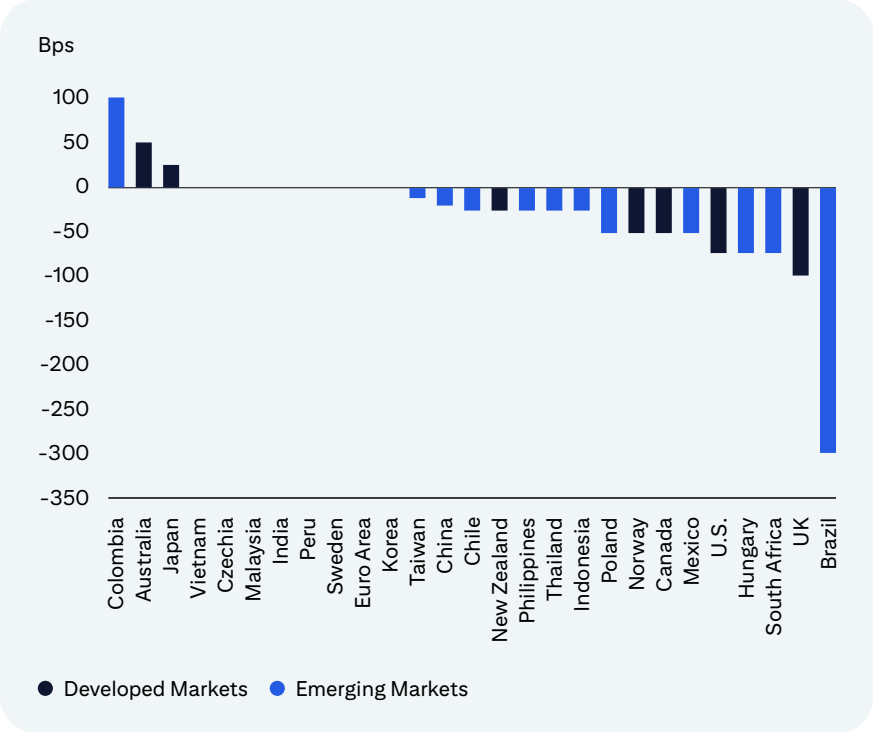
All told, the combination of resilient global growth and generally restrained inflation points to "Goldilocks" performance. Certainly, there are ample risks. These include the possibility of a retrenchment in the AI sector, challenges from high public debt levels in many countries, pressures on Federal Reserve independence (and U.S. longer-term rates) as Jerome Powell's term as chair draws to an end, and stresses from ongoing geopolitical tensions. In addition, softness in the U.S. labor market could deepen and create broader headwinds. These challenges loom large in our thinking. Even so, they strike us as no more imminent or severe than those faced in recent years, which the global economy has successfully shaken off.

Figure 20. Citi Global Supply Chain Pressure Index



Source: Citi Research, Bloomberg

Figure 21. Policy Rates: 26Q4 Less Current (Citi Forecast)



Source: Citi Research, National Statistical Sources, Haver Analytics

In the next section, we explore the outlook for U.S. tariff policy as well as the global economy's ongoing adjustment to high U.S. tariffs. We then conclude with a discussion of some of the longer-term considerations for global supply chains including the potential for an AI-led transformation.

Tariffs and Supply Chain Pressures

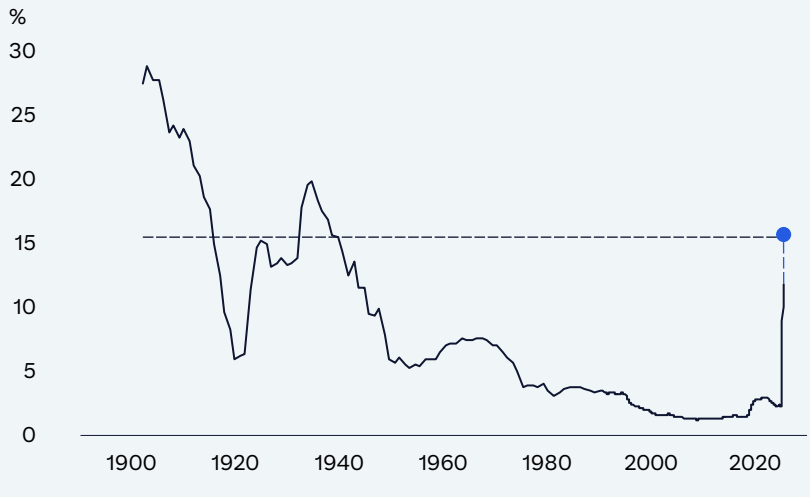
While global growth has held up well and global supply chain pressures have remained fairly moderate through the past year, high U.S. tariffs have still had some notable economic effects that are worth reviewing.

At present, the U.S. tariff rate is running near 15%, up from 2.5% when President Trump took office in January (figure 22). One clear takeaway is that U.S. tariffs are now at their highest levels in over 80 years, and we are learning in real time how modern economies adjust to abrupt changes in goods prices. This tariff level is not as high as feared even several months ago but is still sharply higher than we expected at the start of the year.[26]

It is worth noting that where tariffs will ultimately land remains an open issue. President Trump has signaled that more sectoral tariffs on areas such as pharmaceuticals and electronics could still be in the pipeline. On the other hand, the administration has shifted its focus onto "affordability" or the high cost of living where the policies to address these challenges may include tariff relief. Along these lines, the administration has already loosened its tariff policy around some agricultural products given concerns about elevated food prices.

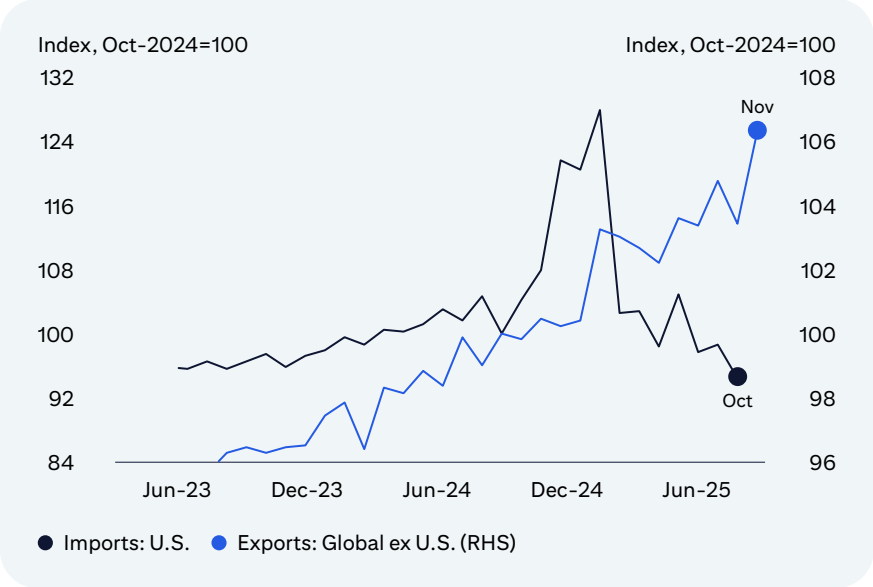
Even as the U.S. tariffs have been larger than we expected a year ago, the economic effects have been relatively contained. A key reason is that frontloaded U.S. spending, as households and firms sought to get ahead of the tariffs, has supported U.S. imports and global exports through much of the year (figure 23). The latest U.S. trade data suggests that we were finally starting to see some payback for this spending.

Figure 22. U.S. Effective Tariff Rate on Goods Imports*



*Calculated using 2024 import shares.
Source: Citi Research, S&P Global, Haver Analytics

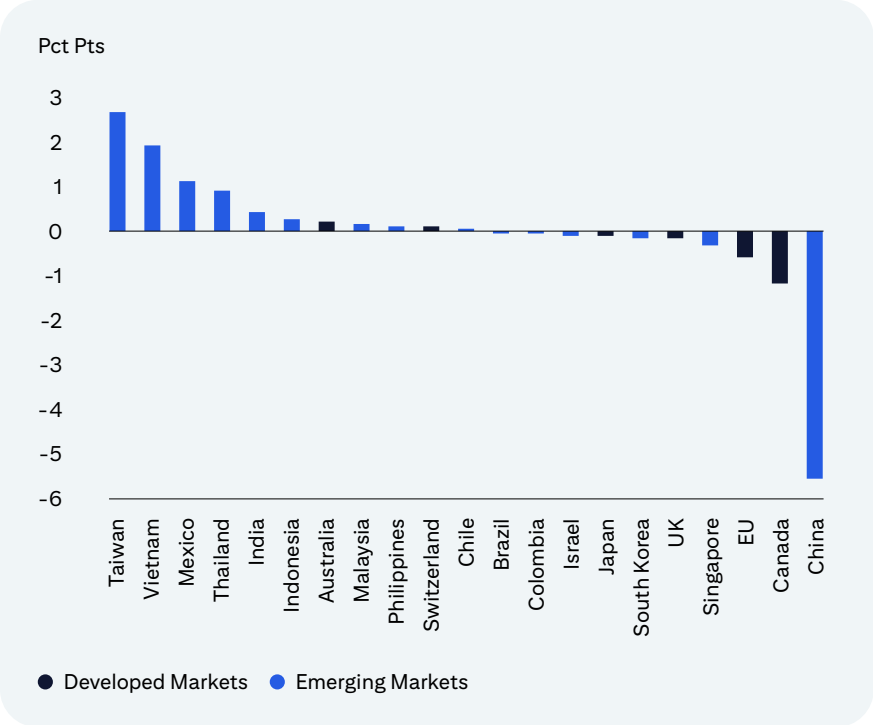
Figure 23. U.S. Imports & Global ex U.S. Exports (Volumes)



Source: Citi Research, Census Bureau, CPB, Haver Analytics

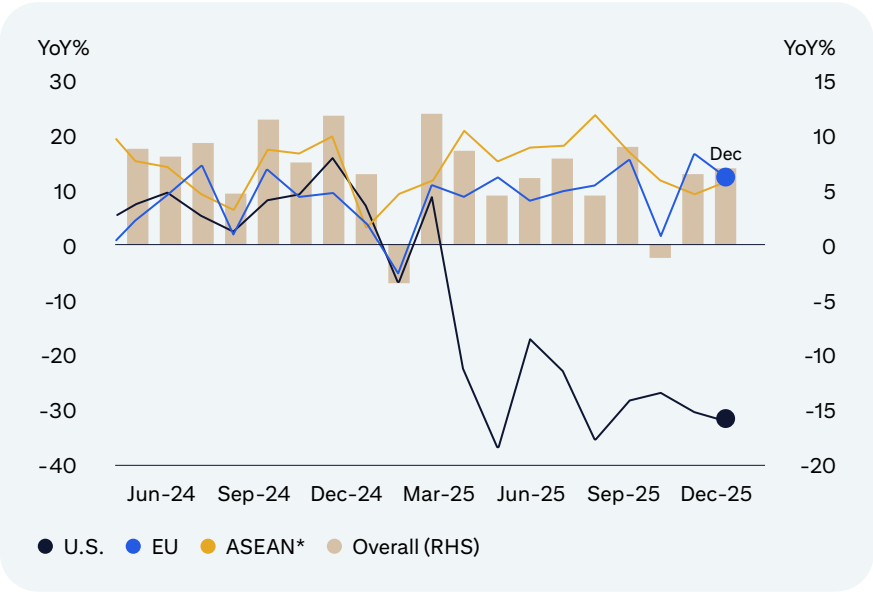
As a related point, the tariffs have triggered a marked rebalancing of U.S. trade. As shown in figure 24, China's share of U.S. imports has fallen 5ppts over the past year (and over 10ppts since 2018). Alternatively, the share of U.S. imports from China, which peaked in 2018 at over 20%, has now fallen to just 8%. The two economies are clearly decoupling. As China has lost U.S. market share, Taiwan, Vietnam, Mexico, and Thailand have been winners. For Taiwan, we see this as mainly reflecting surging AI investment. But the other three countries look to be picking up share at China's expense. That said, some of these gains likely manifest China's efforts to re-export through these countries, despite the administration efforts to police such behavior.

Figure 24. U.S. Imports Shares: 2025 less 2024 (May-Oct)



Source: Citi Research, Census Bureau, Haver Analytics

Figure 25. China Exports by Trading Partner



*Data are seasonally adjusted by Citi using Haver's toolkit.
Source: Citi Research, China Customs, Haver Analytics

Mexico's gains highlight its geographical proximity to the U.S. and still favorable access to the U.S. market. In contrast, Canada's relatively poor performance hints that U.S. firms have found ways to move production to the U.S. side of the border despite Canada also experiencing generally favorable market access. The bottom line is that Mexico can substitute more cleanly for Chinese production – Canada is still a relatively expensive country to produce products.[27]

On this note, we expect that the renegotiation of USMCA will be an issue of increasing focus through the year ahead. Our sense is that the deal is likely to be renewed. That said, we judge that Mexico enters the negotiations holding better cards than Canada. On top of the trade shifts noted above, President Sheinbaum has also dexterously handled the U.S. relationship while Canada's leadership has had a rockier road.[28]

For China, despite sharply reduced access to the U.S. market, its overall exports this year have shown surprising strength (figure 25). Lost U.S. share has been more than offset by stronger exports to ASEAN, the European Union, and elsewhere. The key question regards the sustainability of this reorientation. This story may just be an echo of the upsurge in trade driven by U.S. frontloading. Alternatively, China may be successfully diversifying its trade given headwinds with the U.S.

While tariffs have pushed up U.S. goods inflation over the past year, there have also been some important surprises. Given the size of the tariffs, the pass-through to U.S. inflation has been slower and less pronounced than we would have expected. By our reckoning, less than half of the tariffs have been passed through to consumers. Most of the burden has been absorbed by U.S. firms – import prices into the U.S. have been fairly flat this year, suggesting that foreign suppliers are absorbing very little if any of the tariff costs. While large U.S. corporates have not signaled inordinate pressures on their margins, we judge that there are greater tensions among small and medium-size firms. These firms report a significant increase in business uncertainty, and their hiring has fallen off sharply in recent months.

Accordingly, we'll be watching closely for increased signs of tariff pass-through to consumer prices. Given that many firms operate on annual pricing cycles, with increases typically assessed early in the year, this issue will be especially front and center during the first quarter of 2026. Still, given the experience over the past year, we are doubtful that the tariffs will – at this stage – deal a disruptive blow to global growth or inflation.

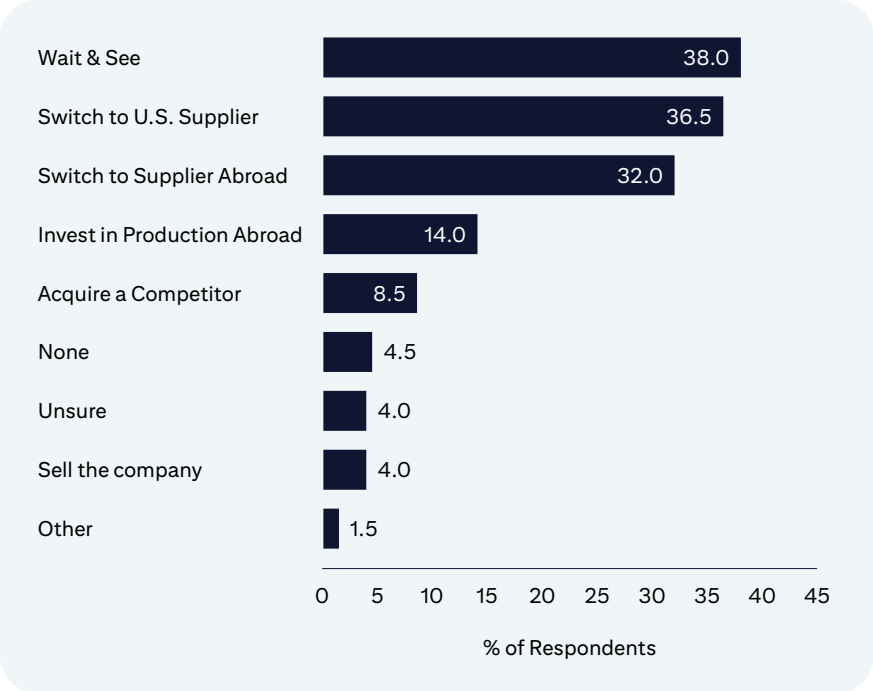
Longer-term Considerations for Supply Chains

In the years before the pandemic, supply chain management was predicated on the beliefs that supply chains were robust, reliable, and cost effective and goods demand would be relatively smooth and predictable. The challenges faced by manufacturers in recent years have upended these assumptions. As a result, supply chain practices have been adjusting to incorporate the lessons of this cycle.

One of the important considerations is where to house production. Our own survey of large U.S. companies shows that the tariffs are likely to lead to changes in global supply chains, but the responses were diverse (figure 26). Roughly 1/3 of respondents noted that they would switch suppliers to the U.S., but a sizable portion are also looking to move suppliers to other countries – likely ones with relatively low tariffs. The most common response though was that companies have been waiting for the dust to settle to see where tariffs ultimately land, highlighting some of the challenges suppliers have faced planning in this environment.

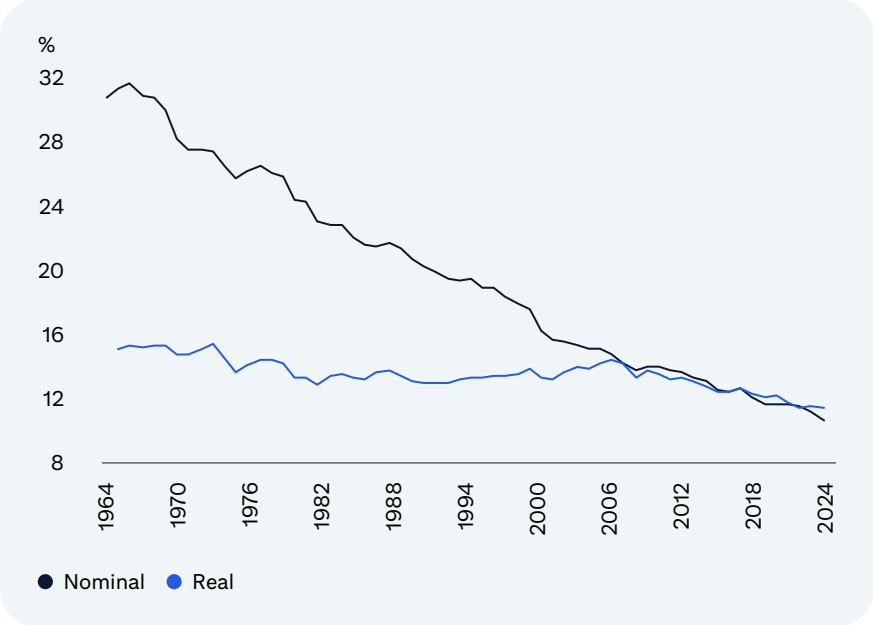
All told, whether the tariffs specifically will be a driving force that brings more production back to the U.S. remains an open issue. In addition, a range of indicators for U.S. manufacturing such as output and employment in the sector do not suggest the tariffs have changed the course of the sector this year.[29]

Figure 26. Supply Chain Plans: Post U.S. Tariffs (Citi Survey)*



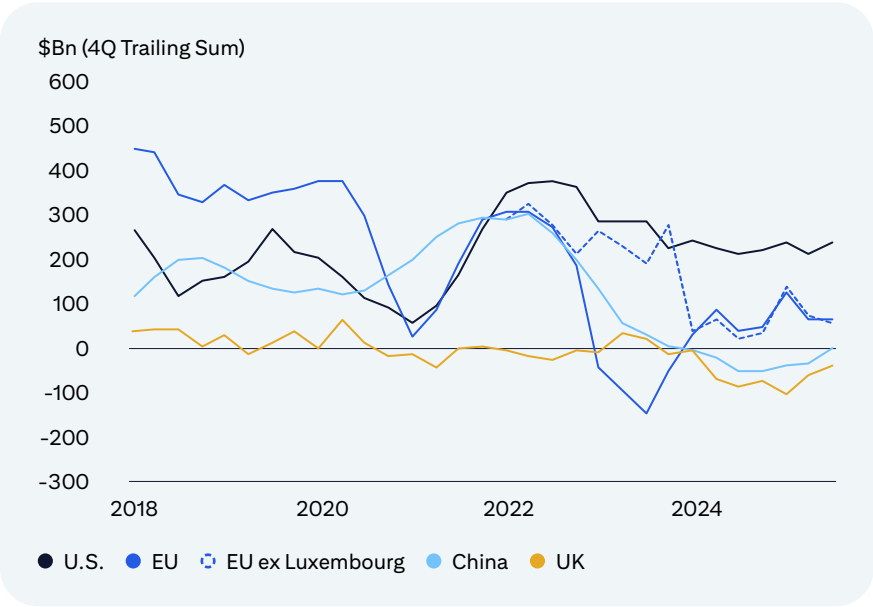
*Citi survey of 200 U.S. companies; conducted from Dec 12-22, 2025.
Source: Citi Research

Figure 27. U.S. Manufacturing Share of Private GDP*



*Data for 2025 are through Q3.
Source: Citi Research, Census Bureau, BLS, Haver Analytics

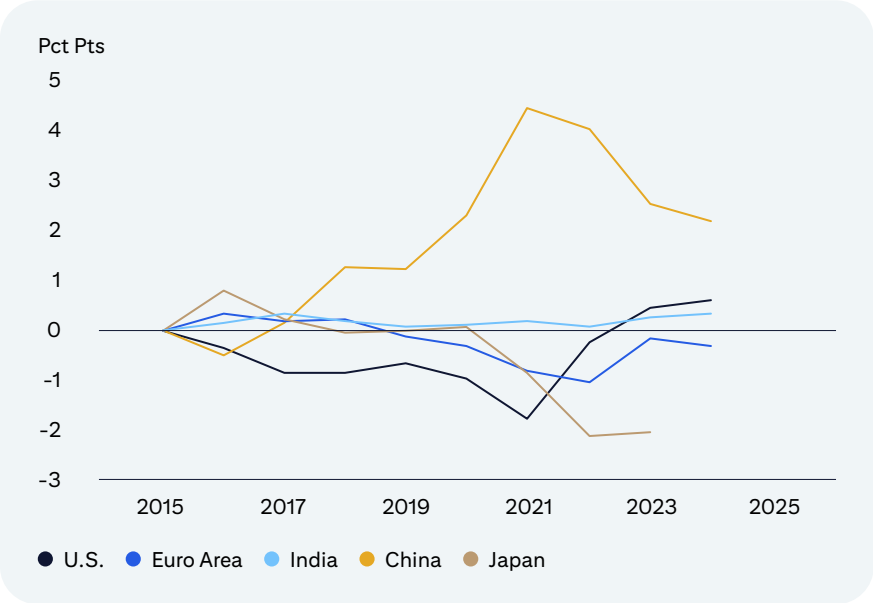
Figure 28. Country FDI Inflows



Source: Citi Research, OECD

This being said, even before the tariffs were put in place, the stresses during the pandemic – which highlighted the risks of overly concentrated supply chains – were leading to a reconfiguration of global production. These lessons were only reinforced by ongoing trade tensions between the U.S. and China since the China-plus-one.

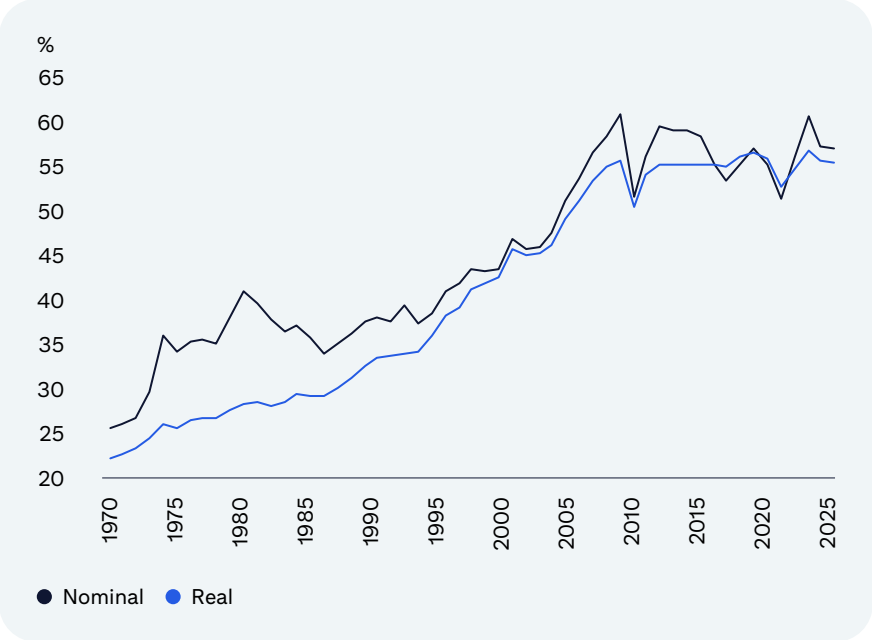
Figure 29. Global Manufacturing Shares: Change Since 2015



Source: Citi Research, World Bank, Haver Analytics

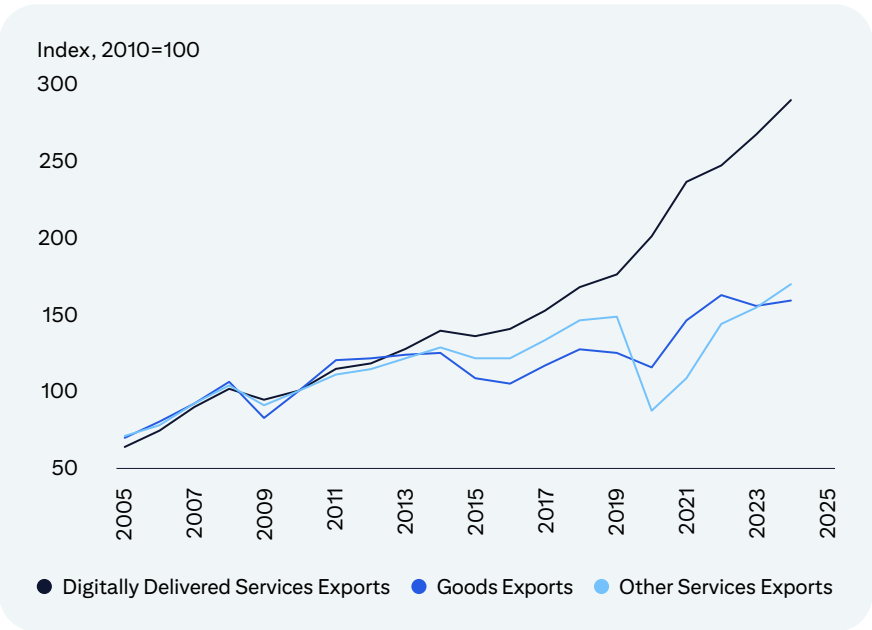
This theme of reorientation can be seen in global foreign direct investment flows (figure 28). These flows have moved away from China toward other destinations such as the U.S. and several EMs including India, Mexico, and Vietnam. The latest readings, which cover 2025:Q2, also do not show much change to U.S. FDI flows due to U.S. tariffs, but the stability in U.S. FDI levels at the same time is consistent with our prior work that the U.S. has many structural benefits that make it attractive for global investment.[30] As another read on these themes, while China remains the number one hub for global manufacturing, its share of this space looks to have peaked a few years ago and is gradually declining (figure 29).

Figure 30. Global Trade (Share of GDP)*



*Trade is exports plus imports of goods and services.
Source: Citi Research, World Bank, Haver Analytics

Figure 31. Global Nominal Exports by Type



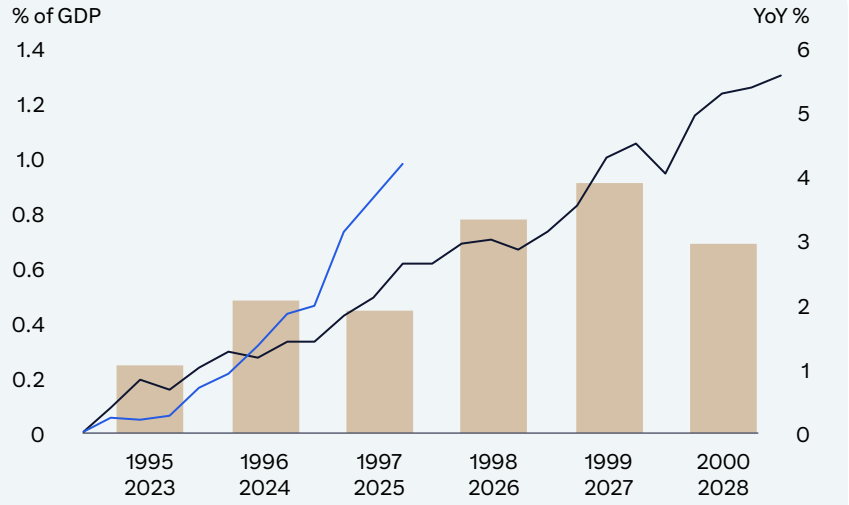
Source: Citi Research, WTO, Haver Analytics

Another key consideration is whether globalization is reversing or is likely to reverse given high U.S. tariffs, geopolitical tensions, and reshoring trends. We do not subscribe to the view that the world is de-globalizing on a large scale. Global trade to GDP, for example, has failed to gain upward momentum in recent years, but it still running on par with levels observed in recent decades (figure 30). In addition, certain aspects of trade have continued to grow and proliferate – particularly high-tech services (figure 31). Rather than de-globalization, we see a reprofiling of globalization to be more services-oriented and in some respects less heavily concentrated on China.

More broadly, while globalization does face some headwinds from the factors noted above, ongoing globalization is also supported by a range of strong tailwinds. Improvements in technology, rising consumer incomes, efforts by firms and investors to increase efficiency and profits, and the desire of human beings to explore and improve their lives have all been historical drivers of globalization. None of these forces are likely to be easily blunted.[31]

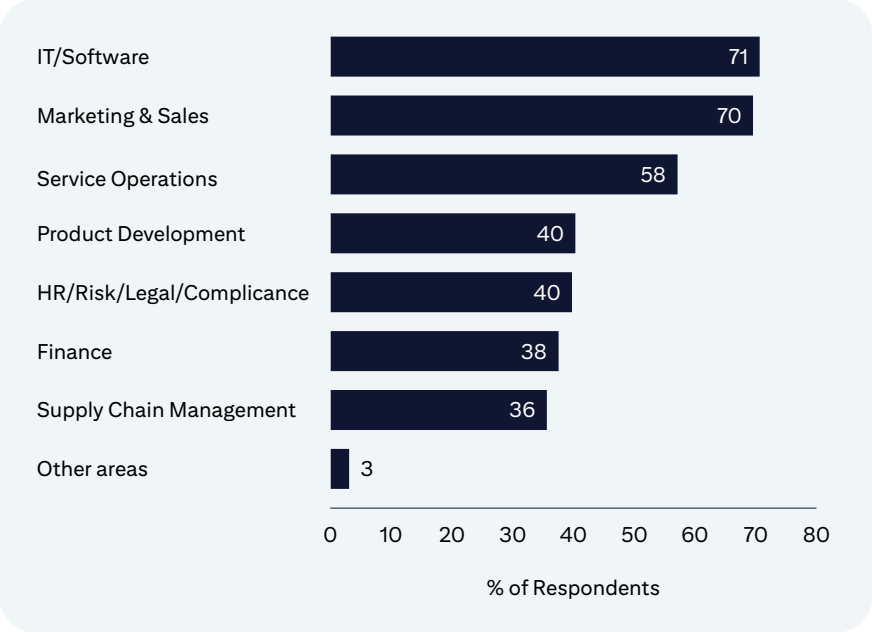
Finally, AI technologies are likely to help propel further growth in digital trade, but they will also likely play an increasingly important role for monitoring, maneuvering, and maintaining supply chains. Firms are likely to continue to collect and analyze more data at each stage of their supply chains. The scope for improvements is vast and may include better tracking of goods in transit, improving warehouse operations, and choosing suppliers more effectively. AI will also likely lead to better route optimization and more effective risk management done in real time.

Figure 32. AI vs. Internet Investment & Productivity Growth



*Investment in hardware and software.
Source: Citi Research

Figure 33. Firm Departments Adopting AI (Citi Survey)*



*Citi survey of 200 U.S. companies; conducted from Dec 12-22, 2025.
Source: Citi Research

In the U.S., we have seen significant investments in AI on par or even somewhat faster than what was observed during the internet boom in the 1990s (figure 32). This pattern suggests that the U.S. economy could start to see an acceleration in productivity due to AI in several years' time.[32] AI also has the potential to be productivity-enhancing for other economies that adopt and harness these technologies as well. In our own survey, a sizable portion of respondents saw AI as an applicable tool in supply chain management – highlighting some of the global reach of these technologies (figure 33).

Still, how much AI will transform supply chains, and the global economy more broadly, remains to be seen as it is still early days. In the Citi survey noted above, we also found that only 5% of large U.S. companies had a fully scaled AI program. In addition, a recent Gallup poll found U.S. employees that say they use AI at work daily is still only 10%. We are watching adoption rates closely, and the evolution of AI will undoubtedly be one of the biggest stories shaping discussions around global supply chains for many years to come.

Navigating The New Normal: A Strategic Approach to Working Capital

Working capital management has always been central to how companies run their businesses efficiently, fund growth and deliver returns. However, recent shifts in the macro environment have elevated its importance. A confluence of persistently higher costs for inputs and materials, new barriers to cross-border trade, and a strategic shift by many corporates post-COVID to more conservatively manage inventory have pushed working capital to the forefront of the treasury agenda.

Treasury teams are being asked to dig deeper to unlock cash trapped in inefficient processes and terms of trade, uncovering incremental value in areas that might once have been considered marginal. As a result, companies are looking for ways to better utilize their working capital toolkit and, in many cases, are rethinking what good looks like.

A Challenging Environment for Earnings and Cash Flow

The macro backdrop continues to be difficult. Inflation has driven costs higher for corporates while consumer buying power has eroded. In the consumer sector, earnings for many were being sustained by price increases. With consumers under pressure, the ability to further implement price hikes has largely diminished. Forward earnings are now stagnant or declining, and many food, beverage, and consumer companies are experiencing depressed equity valuations. Similarly, healthcare companies have seen profitability impacted given tariff-driven incremental costs and a need to quickly reorganize manufacturing and supply chains.

With reduced pricing power – or political pressure to quickly reduce prices and absorb costs – companies must explore alternative levers to achieve earnings per share (EPS) targets and enhance shareholder value. Simultaneously, elevated borrowing costs have significantly increased costs of capital. While companies have largely adapted to this new reality, their focus remains intensely on margin preservation.

In this environment, working capital is a unique lever that can support margins, reduce leverage and free up cash for capital allocation priorities. Initiatives that may not have looked compelling when rates were near zero – or when top-line growth was plentiful – are now in the spotlight.

Tariffs Take Trade to the Boardroom

Tariffs have added a new layer of complexity to companies' calculations when it comes to working capital. Firms that successfully managed through the recent period of inflation now face structurally higher input costs as some goods that were once cheap have become expensive. Tariffs are not just a profit and loss issue. They influence how and where companies source, manufacture and sell, elevating supply chains to a C-suite imperative.

It will likely take time to unravel the complexity of supply chains, which have been built up over decades. Rather than completely rewiring such complex, regulated supply chains, a dual-track model is emerging domestic manufacturing to serve the U.S. market alongside non-U.S. manufacturing for the rest of the world. Nevertheless, this transition is capital intensive and brings working capital and cash generation to the fore.

There is also pressure on companies that have historically relied on a single low-cost hub, often in China. Diversification remains the name of the game. Apparel and footwear brands often work with a network of factories across Asia, for instance, and many had already begun diversifying away from single-country exposure after the supply chain crisis of 2022. New tariffs have accelerated that trend and strengthened the case for diversified supply chains that can adjust quickly as tariff regimes evolve.

Inventory: From Safety Buffer to Strategic Asset

On top of macro-pressures, COVID's legacy looms large in how it has changed working capital management. During the pandemic and subsequent supply chain crisis, many companies' manufacturing hubs were incentivized to produce as much as possible and hold it on the balance sheet to create large stockpiles in the event of shortages of components sourced from impacted regions.

In orthopedics, for instance, "trunk stock" – a colloquial term referring to the inventory a salesperson would keep in the trunk of his car – has become more like "truck stock." To not lose a sale, you would need to carry a product in every configuration.

Other companies have strategically built-up inventory. For example, mass production of a new product before launch – a huge working capital investment.

Across much of the S&P 500, payables and receivables ratios have drifted back toward pre-pandemic norms. In many sectors, inventory has not. Companies have become used to holding what is effectively "lazy" inventory. The broader trend from "just in time" to "just in case" has proved sticky.

Inventory ties up capital that could otherwise be used to de-lever, invest in capital or capacity expansions, or fund mergers and acquisitions (M&A). To release this capital, the first step is to calculate the appropriate inventory level given service requirements, tariff risk, product launches and supply chain design. The second step is financial: determining how to fund inventory that is truly strategic.

Historically, banks could help identify inventory problems but had few tools and limited appetite to help in a cost-effective manner. Banks readily financed receivables and payables, but not raw materials or finished goods. That is changing. Inventory finance structures are emerging as a third pillar alongside payables and receivables solutions to bolster working capital. Market-traded commodities inventory finance is more straight forward and non-market-traded inventories can be financed as well. Purchase-order finance provides liquidity to support suppliers that are asked to hold more inventory.

In healthcare, these structures can fund large pools of finished goods held off balance sheet. In consumer sectors with major commodity exposures – such as coffee or cocoa – they can support earlier, larger purchases to hedge costs and secure supply. In some cases, banks, specialist trade houses or fintechs even intermediate the inventory, allowing buyers to lock in supply without absorbing the full working capital burden up front.

Inventory finance solutions require careful decisions around balance sheet treatment, cost, flexibility, pledged versus unpledged assets and the mix of committed and uncommitted funding. The difference today is commercially driven. Corporates need to have more inventory on hand to remain competitive. Corporates facing large, sticky inventory balances could be more open to inventory finance solutions, and banks have more robust platforms and risk distribution capabilities.

Re-Examining Payables, Terms and Supplier Finance

Payment terms harmonization remains a core lever in improving working capital, but the way companies approach it is changing.

Many companies have established standard payment terms. Periodic review of payment terms for all and particularly new suppliers, ensuring they are in line with company standards, can unlock substantial value. New suppliers may be onboarded on legacy terms; terms shortened during crises may never be reset; and supplier importance may change without appropriate adjustments to payment structure. Benchmarking terms against industry peers provides objective reference points of where company standards should be and supports conversations with suppliers.

However, term extension is not cost-free. Suppliers' cash conversion cycle is important, and their funding costs tend to be relatively high; they may push back on longer terms or seek to recover the cost with higher pricing. Procurement teams, already navigating tariffs, input costs and the need for supplier diversification, have limited bandwidth for parallel debates about terms.

Internal alignment – across procurement, treasury, finance and senior leadership – is therefore essential. Often times a 15-day term extension that unlocks cash can create more economic value than a negotiated 2% price reduction. Procurement, treasury and finance must balance liquidity goals with supply resilience. The conversation has evolved from "longer is always better" to "what mix of price, terms and financing is optimal by supplier segment."

Many companies have established supply chain finance programs to support suppliers' access to efficient early payment option. Supply chain finance can formalize the trade-off between terms and discounts, leveraging the buyer's credit rating to reduce supplier funding costs while improving both cost of goods sold (COGS) and days payable outstanding (DPO).

Dynamic Discounting: An Opportunistic Margin Lever

Dynamic discounting has existed for years, often as a niche solution in jurisdictions where companies held excess cash. Now, companies are starting to look at dynamic discounting more holistically as part of an integrated working capital strategy.

Dynamic discounting offers COGS reduction in a margin-pressured environment. It also provides flexibility. Once a platform is in place, companies can opportunistically increase or decrease discount offers depending on cash availability and strategic priorities.

In retail and apparel particularly, companies have historically valued cash while supporting return of capital through dividends and buybacks. But given the macro volatility, management teams are increasingly more thoughtful on decisions between investment, return of capital, and preserving liquidity.

Dynamic discounting provides an additional flexible, tactical tool for deploying surplus liquidity. Programs can focus on smaller "tail" suppliers who may not participate in supply chain finance, or on categories where cost reductions are most valuable. Discount curves can be adjusted closely with cash cycles – for example, offering a 10% discount in high-liquidity periods and dialing down to 8% as conditions change.

Structured Receivables and Sales Finance Go Mainstream

On the receivables side, structured accounts receivable (AR) and sales finance solutions – including securitization-style structures – are moving into the mainstream.

Historically, AR securitization was associated with sectors that had large working capital swings, such as distribution, commodities or industrials. Many investment-grade corporates viewed it as unnecessarily complex or perhaps even more associated with non-investment grade corporates.

That perception is shifting. Companies are looking for structural solutions to improve Days Sales Outstanding and unlock liquidity. The question now is less "Should we securitize?" and more, "What structured AR model fits our customer base?" Bespoke structures can address the needs, and the profile of receivables of the corporate, whether concentrated with a small number of large investment-grade clients, or customers are more fragmented, lower rated or globally distributed, or a mix.

Banks have helped this shift by improving platforms, analytics and distribution, offering customized programs that balance cost, complexity and control.

Working Capital as a Strategic Funding Source

Working capital's strategic value goes beyond day-to-day liquidity. More efficient working capital supports deleveraging, which is increasingly important as companies pursue acquisitions or large-scale transformation.

Recent M&A deals illustrate the point: acquisitions add leverage but also create scale. With scale comes a larger, more diverse portfolio of receivables, payables and inventory, which in turn supports more powerful working capital tools. Mature securitization platforms, inventory finance programs and supply chain solutions deliver better economics when they are larger, creating a virtuous circle where M&A and working capital optimization reinforce each other.

Internally generated cash is the cheapest capital a company has – and working capital sits at the center of that equation.

Of course, companies that manage their cash conversion cycles, and broader working capital effectively also tend to deliver stronger shareholder returns. By improving liquidity, lowering financing costs and freeing up resources for strategic priorities, they create a more durable foundation for performance.

Analysis by Citi's Financial Strategy Group highlights this pattern clearly. From 2010 to 2022, companies that consistently shortened their cash conversion cycle (CCC) generated 143% sector-adjusted total shareholder returns (TSR) – an 8% compound annual growth rate (CAGR) – compared to a 3% CAGR for those that lengthened their CCCs. CCC improvers also posted a 0.4% increase in average return on invested capital, while companies that extended their CCCs saw a 0.4% decline. Median annualized sales growth followed the same trend, with CCC reducers growing at 7.4% versus 5.9% for CCC lengtheners.

An Evolving Toolkit for a Moving Target

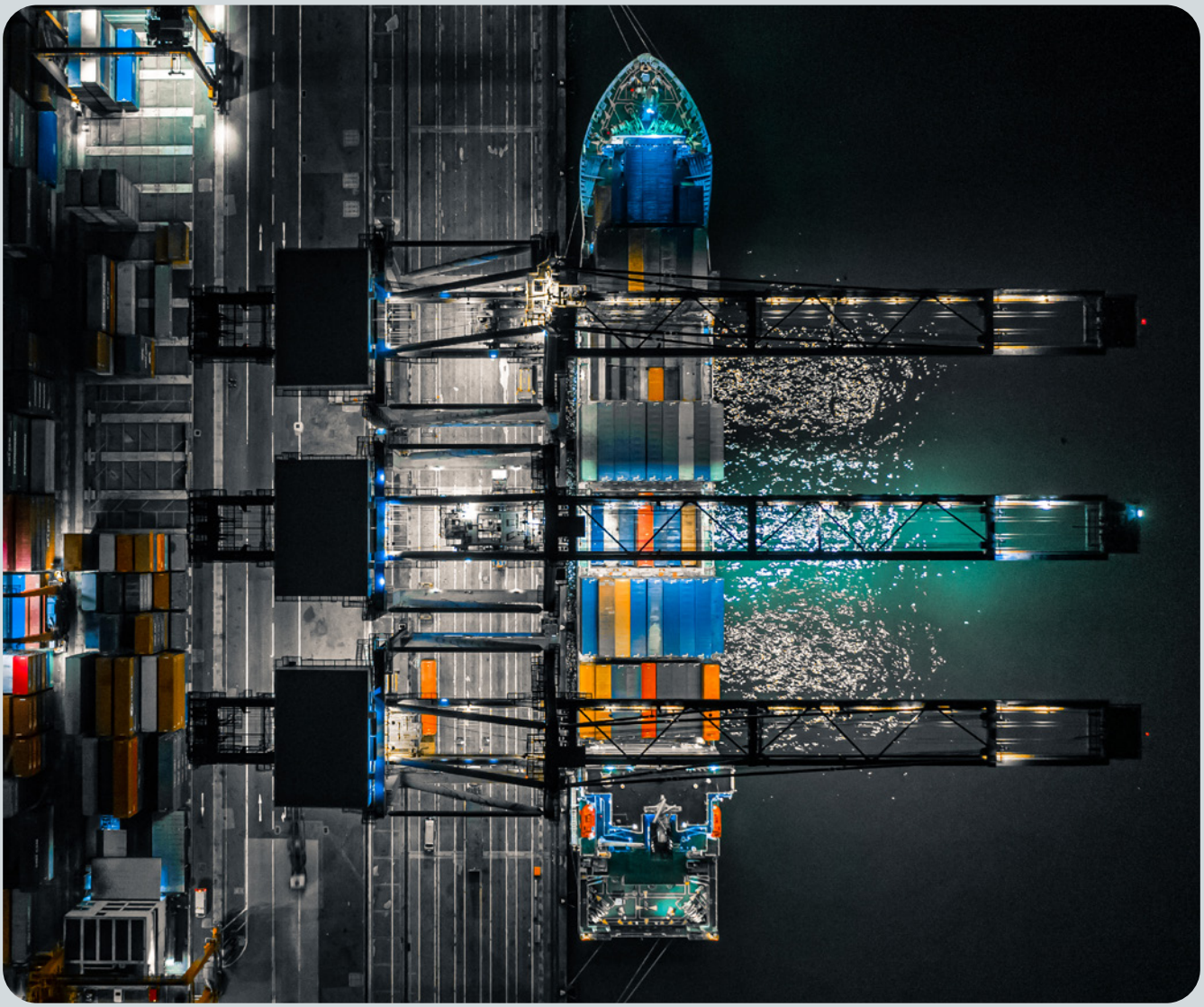
The last few years have shown that businesses do not stand still – and neither should their working capital strategies. Tariffs, inflation, changing consumer behavior, and geopolitical risk have reset supply chains. Customer and supplier portfolios have evolved. Hurdle rates and the cost of capital have also shifted materially since 2020. Projects and financing tools that did not make sense in a near-zero-rate world may now be attractive. Meanwhile, banks and fintechs have expanded what is possible across payables, receivables and inventory finance.

Re-evaluating the options available in this new environment – taking into account the relative importance of leverage and interest expense, margins, growth and resilience at any given time – can reveal a path to unlocking funds to facilitate other strategic priorities.

The most effective approach is both holistic and tactical. Holistic in aligning treasury, procurement, finance and leadership on objectives and trade-offs. Tactical in choosing the right mix of tools – term extension, supply chain finance, dynamic discounting, structured AR, inventory finance – for each segment of suppliers, customers and balance sheet needs.

Across all industries, as the cost of cash rises, free cash flow and working capital metrics are rightly becoming a more important performance metric in executive scorecards.

Working capital will always be one piece of the bigger strategic puzzle to create economic value in an organization. But in an environment where labor, capital and technology are becoming steadily more expensive, companies need to redouble their efforts to uncover opportunities to make incremental improvements.



Digital Innovation: Tokenized Bills of Exchange

Global trade finance has long been the backbone of cross-border commerce, yet its processes often seem to belong to another era. Paper documents, courier services, limited operating hours and manual checks create friction in a world where supply chains strive to react instantly. At the same time, new legal frameworks and digital technologies are converging to offer a credible alternative: tokenized trade instruments that combine the legal enforceability of paper with the speed and desired 24/7 availability of a digital execution.

Why Trade Finance Is Ready for a Rethink

Global trade finance has historically lagged other parts of financial services in terms of digitization. Processes are often manual and time-intensive, and many key instruments are still governed by laws that require paper-based documentation. This reliance on paper introduces potential risks and inefficiencies.

Geography adds another layer of complexity. Buyers and suppliers often sit in different time zones with limited overlap in working hours, so even simple actions can be delayed by days. This is increasingly out of step with supply chains that need to reconfigure rapidly and corporates that face tight working capital constraints. Many companies are looking for ways to make it easier and safer for customers to buy from them, while freeing up their own liquidity as quickly as possible.

Against this backdrop, digital assets solutions offer compelling value drivers from manual processes – faster settlement, reduced manual handling, enhanced security and the ability to create new forms of liquidity.

Bills of Exchange 101

A bill of exchange is a negotiable instrument designed to protect payment between trading partners; in various forms they have been used for centuries. They are initiated by the party that will receive payment; the seller drafts a bill stating that the buyer must pay a specific amount on a future date, then sends it to the buyer for review. If the buyer agrees, they sign and return the document. That signed bill gives the seller a legal right to claim payment if the buyer does not pay as agreed. In many jurisdictions, bills of exchange enjoy one of the strongest types of legal protections. In an insolvency scenario, for example, the holder of a valid bill of exchange is often at the front of the line when proceeds are distributed.

The challenge is that, in their traditional form, bills of exchange are overwhelmingly paper-based. Typically, they must be physically drafted, signed and transported between parties, often across borders. This makes them slow, operationally complex and increasingly mismatched to the speed and transparency corporates expect from their financial infrastructure.

Law Catches Up with Technology

One of the main reasons trade documents have remained paper-based is that the legal frameworks underpinning them generally do not recognize digital equivalents. That is now changing.

In the U.S., the adoption of Article 12 of the Uniform Commercial Code in New York introduces the concept of controllable electronic records (CERs). It provides a legal framework for governing ownership and transfer, enforcing rights and determining priority for certain types of digital assets. In the UK, the Electronic Trade Documents Act 2023 grants electronic trade documents the same legal status as their paper counterparts, provided certain conditions are met. Other jurisdictions are exploring similar approaches.

These laws and regulations are critical enablers. However, they do not simply indicate that digital documents are acceptable; they set specific requirements for a digital record to carry the same weight as traditional paper. This creates an environment in which technologies such as blockchain and tokenization can be used not only for efficiency, but also with robust legal enforceability.

Turning Paper Bills into Tokens

Citi Trade and Working Capital Solutions is exploring ways to test how a bill of exchange could be transformed into a digital asset in a tokenized format. Working with PwC and Solana, Citi has completed an internal proof of concept (PoC) that represented a bill of exchange as a token on a blockchain and executed the entire lifecycle – issuance, financing, distribution, and settlement – in a simulated environment to study how Citi could translate a concept to reality.

The exercise used a private/permissioned blockchain and had no client involvement; fictitious clients were created for different roles such as buyer, seller and investor bank. In addition, the PoC used synthetic data rather than real client transactions, though the data was designed to mimic real-world transactions.

In the model, a token functions as a unique digital asset on a blockchain, similar in concept to a non-fungible token. The supplier, as the party expecting payment, inputs the bill of exchange details into the system. The platform generates a digital token containing the relevant information – including the amount, counterparties, and maturity date – and sends it to the buyer via an online platform. The buyer reviews the terms and, if agreeable, signs electronically. Ownership of the token then passes to the supplier, who now holds a digitally native, legally enforceable tokenized bill of exchange.

Because bills of exchange are often used to obtain financing, the next step is to bring a bank into the picture. With a token that confirms the buyer will pay $10,000 on a given date, the supplier can sell that asset to a bank at a discount. The bank pays the supplier – perhaps $9,500 – and receives the tokenized bill of exchange, acquiring the legal right to collect the full $10,000 at maturity from the buyer. If the bank later wants to distribute the risk, it can transfer the tokenized bill of exchange to another institution just as easily. Ownership moves with the token, and settlement automatically directs repayment to whoever holds it at maturity.

What the Proof of Concept Demonstrated

The PoC did more than simply put a document on a blockchain. It demonstrated that the lifecycle of a bill of exchange discounting transaction may be replicated efficiently and securely on blockchain by creating, storing, and transferring the operative documents in digital form. The PoC also showed that smart contracts (i.e.,digital contracts stored on a blockchain that are automatically executed when predetermined terms and conditions are met[33]) may be effectively leveraged to govern the timing and business logic for issuance, acceptance, financing, and repayment, and that the payment legs at the back end of the process, may be settled using tokenized funds, thus eliminating the need for manual reconciliation or batch processing.

The result was a workflow that could operate 24/7 and be completed in minutes. Processes that previously required couriered documents, wet signatures and multiple back-office handoffs may now be reduced to a series of automated steps. The PoC also showed how digitization can remove environmental costs associated with paper and shipping and reduce operational costs and error rates to near zero by essentially eliminating manual interventions.

Importantly, Citi's design integrated issuance and settlement into a single, efficient digital flow. While others in the market may be exploring different digital trade solutions, Citi Trade and Working Capital Solutions believes the concept of combining tokenized instruments, tokenized funds, and smart contracts across the full lifecycle could be a "game changer" in the journey towards a truly digital trade finance infrastructure.

By making issuance, acceptance, and financing largely automated, tokenization reduces friction for both buyers and sellers. It also provides clearer, real-time visibility across the lifecycle of a transaction, which should support better risk management and more informed decision-making across the supply chain.

Unlocking New Liquidity and Market Access

Tokenization does more than streamline existing manual processes. It can expand market capacity and improve access to liquidity. In the traditional world, distributing exposure to bills of exchange is possible but cumbersome. Paper-based transfers are often slow and operationally intensive, which limits the number of banks or investors that are even willing to participate.

In a tokenized model, transferring ownership becomes as simple as moving a token to another wallet. This could open the door to a broader investor base and the creation of more dynamic marketplaces for short-dated, low-risk assets, with banks and institutional investors able to buy and sell exposure more easily, and corporates can benefiting from deeper pools of liquidity.

Building Blocks for a Digital Trade Ecosystem

The exploration of tokenized bills of exchange by Citi Trade and Working Capital Solutions is not an endpoint. It should be a foundational step toward a broader trade digital assets ecosystem in which many different instruments – such as invoices and other receivables – could be tokenized using similar models. Once the infrastructure for securely issuing, transferring, and settling tokenized obligations is in place, it can be extended across multiple elements of the supply chain.

For a tokenized bill of exchange to be truly effective, widespread adoption across all participants in the trade finance ecosystem – buyers, sellers, banks and others – is necessary. Hesitation from stakeholders to embrace new technology and a lack of understanding of its benefits could slow progress. Unlike Citi's PoC, it will therefore be important for solutions to operate on public blockchain infrastructure and support interoperability across banks and platforms – a single-bank closed system cannot deliver the network effects that make trade finance so powerful. The aim is to create something that other market participants can integrate with and build upon, so that tokenized trade assets can essentially move as freely as the goods and services they support.

Other potential hurdles could also stand in the way of tokenized bills of exchange gaining traction in a commercial environment. While new legislation like UCC Article 12 in the U.S. and the Electronic Trade Documents Act 2023 in the UK are critical enablers, they are still relatively new. The interpretation and application of these laws to specific tokenized instruments, especially across different jurisdictions, will likely evolve and face challenges. Moreover, the pace of adoption of new legal frameworks varies across states and countries. This can create legal uncertainties for cross-border transactions involving tokenized bills of exchange, as a security interest perfected in one jurisdiction might not be enforceable or might be subordinated in another that has not adopted similar provisions.

Despite these challenges, the convergence of regulatory advances and digital asset technology has created a rare window to modernize the trade finance ecosystem at scale. Citi Trade and Working Capital Solutions' tokenized bills of exchange proof of concept illustrates what that future could look like – legally robust instruments, processed in real time, with automated settlement and global distribution, comprehensively delivered through an integrated digital experience.

Large Corporate Survey: The Influence of AI and Tariffs on Supply Chains

Artificial intelligence's transformation into a mainstream technology continued in 2025, with some comparing its significance to the internet revolution of the early-mid 1990s.

About The Survey

The Large Corporate Survey is a primary voice-of the-corporate research study focused on the challenges, resilience and futures of large corporates supply chains. For the fourth year, Citi collaborated with East & Partners, a global B2B financial markets research firm.

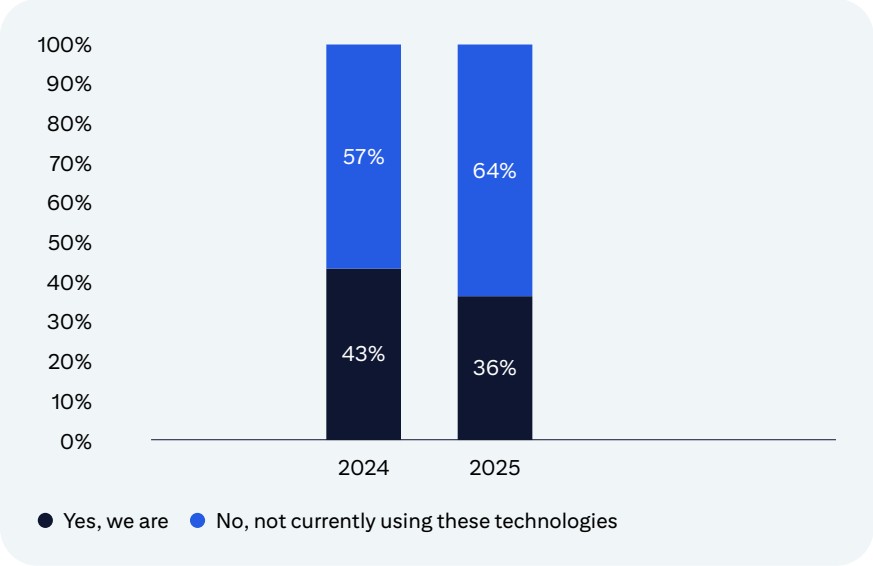
This year's survey received 710 responses from the world's largest and most complex organizations operating in all corners of the world. The goal of the Large Corporate Survey is to not only better understand the challenges business face but to shed light on what the future may hold and how they plan to capitalize on opportunities.

Last year, the promise of declining interest rates in the West and government stimulus in the East arguably led to a sense of optimism in global trade. In 2025, shifts in U.S. tariff polies created new uncertainty for corporates active in global trade while artificial intelligence has quickly redefined business-as-usual supply chain management practices. Resiliency continues to be key for many working capital strategies, but as the impacts of tariffs and AI continue to be better understood, opportunity remains present.

The Continued Rise of AI

In 2024, AI technologies still felt nascent; in 2025, AI reached a new level of maturation with commercial applications seemingly appearing overnight, including within global trade. This year, 64% of respondents indicated they were using some form of new technology in global trade, with 36% saying they were using AI, an increase of nearly 18% on the previous year.

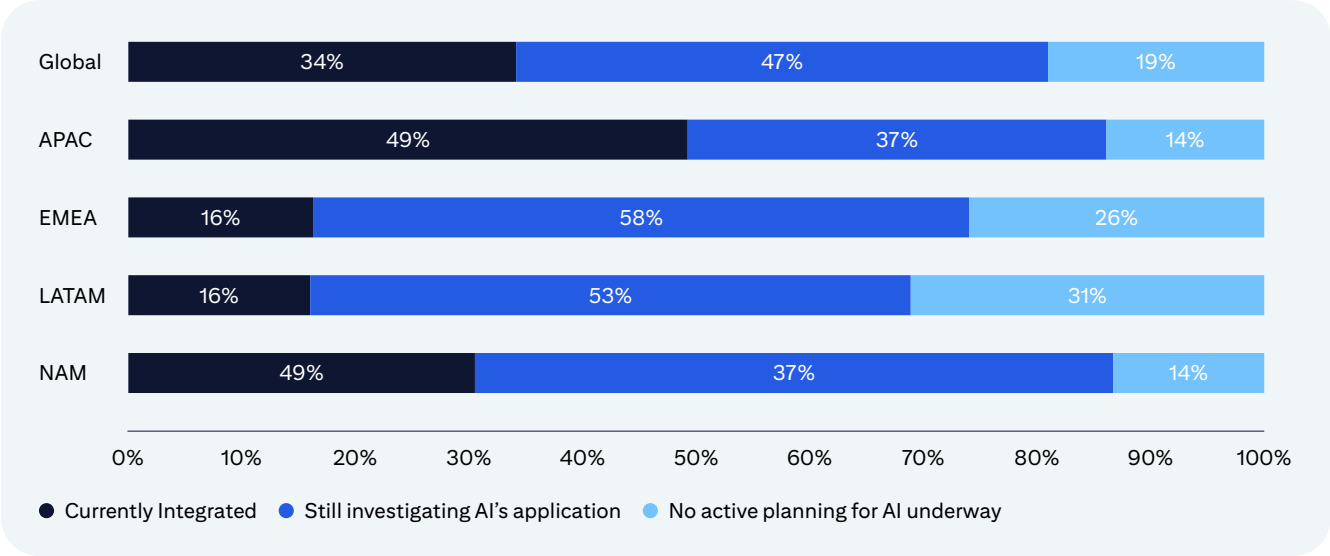
Figure 34. Are you using new digital technologies for Trade such as Blockchain, DLT, Marketplaces?



Source: East & Partners Large Corporate Survey 2025, Citi Services

In our Large Corporate Survey, we asked respondents how they have applied AI to help manage treasury and finance functions. About 47% of respondents indicated that they were still investigating AI's application, while 19% of those who had already integrated AI said they used it for supply chain optimization. Another 16% noted its use to automate data-intensive tasks.

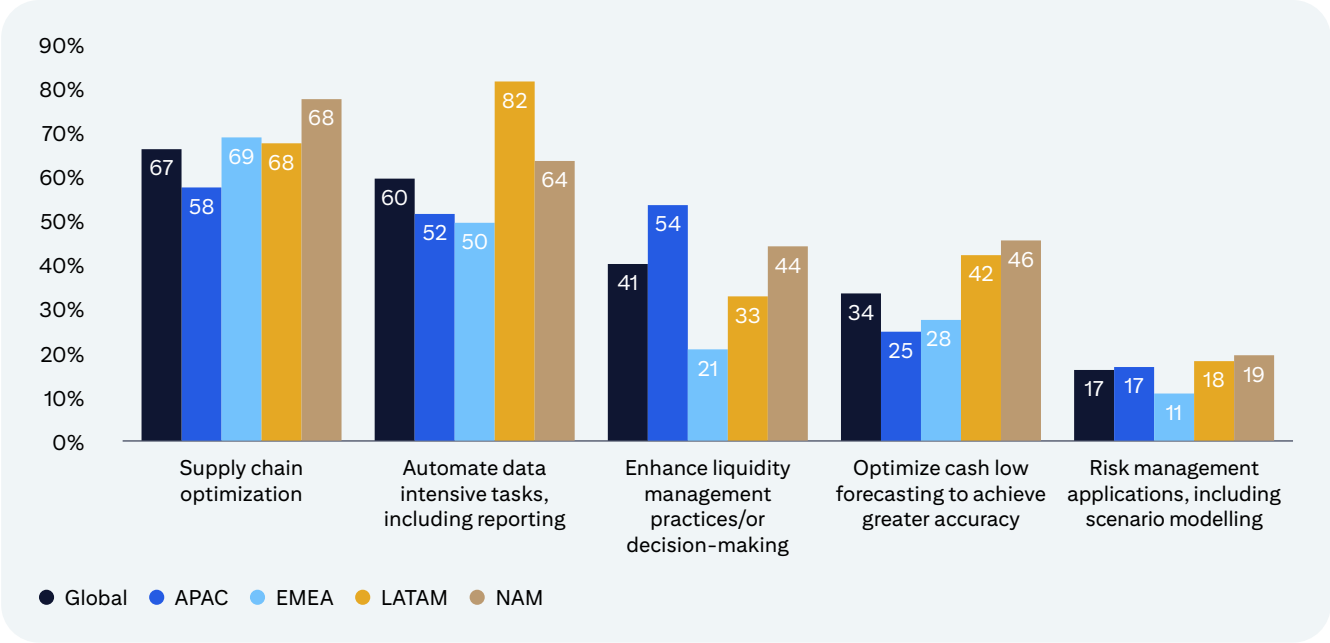
Figure 35. How have you integrated AI into helping you manage treasury/finance functions?



Note: Responses sum to over 100% due to multiple responses being enabled.
Source: East & Partners Large Corporate Survey 2025, Citi Services

For respondents still investigating AI's applications, 67% noted they too would like to utilize AI capabilities for supply chain optimization purposes, while 60% also noted they were looking to automate data-intensive tasks. Only 8% of those already using AI and 17% of those still investigating AI's applications noted their interest in using it for risk management purposes.

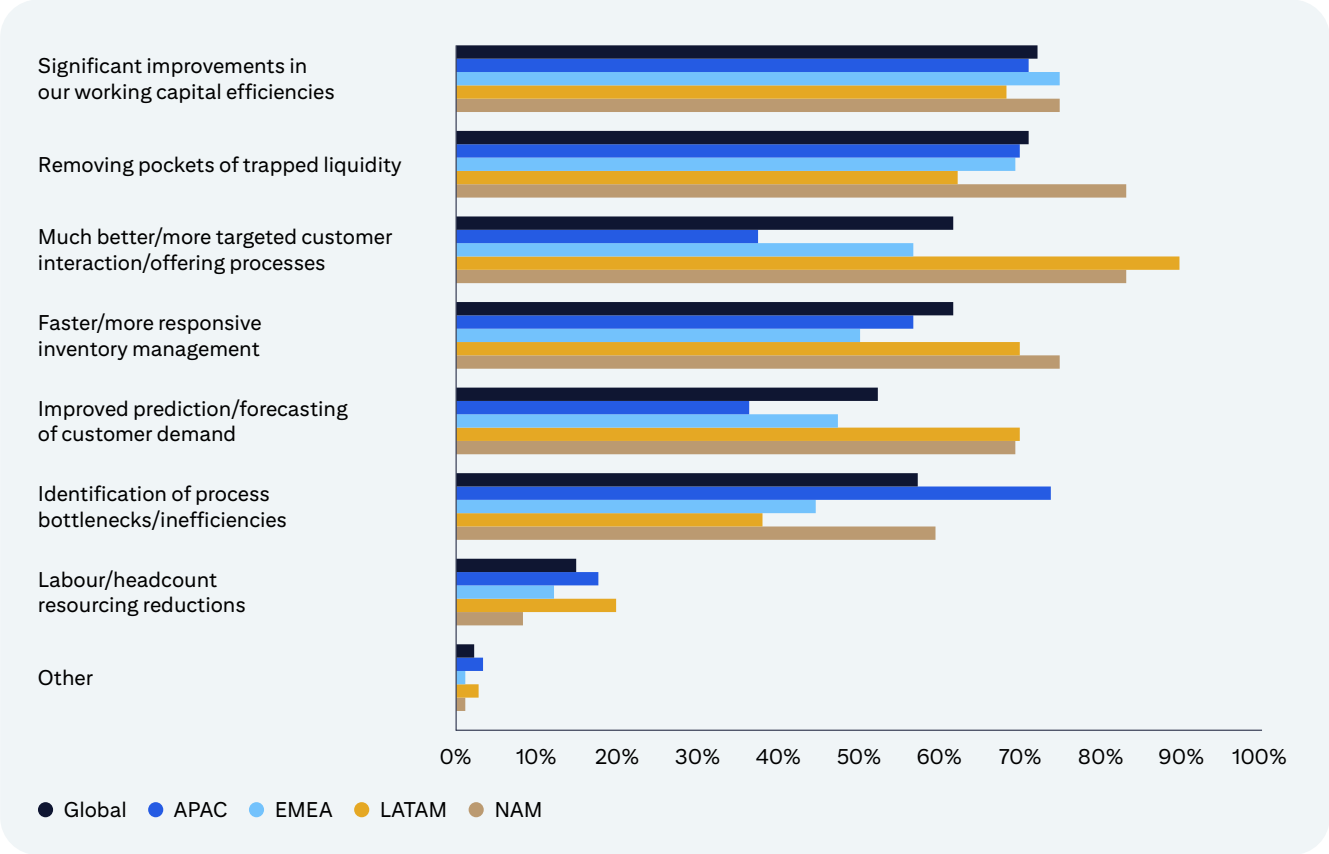
Figure 36. How are you planning on integrating AI into helping you manage treasury/finance functions?



Note: Responses sum to over 100% due to multiple responses being enabled.
Based on respondents who answered "Still investigating" in figure 20.
Source: East & Partners Large Corporate Survey 2025, Citi Services

With many finally starting to better understand AI's commercial applications, leaders are increasingly interested in discovering how the technology can benefit their organization. When respondents were asked what benefits they hope to realize with the adoption of generative AI, only labor/headcount reductions (15%) received a muted response. All other responses received over 50%, led by significant improvement in working capital efficiencies (72%) and removing pockets of trapped liquidity (71%) – both centering on maximizing existing cash within the organization.

Figure 37. What benefits are you hoping to realize with the adoption of generative AI?

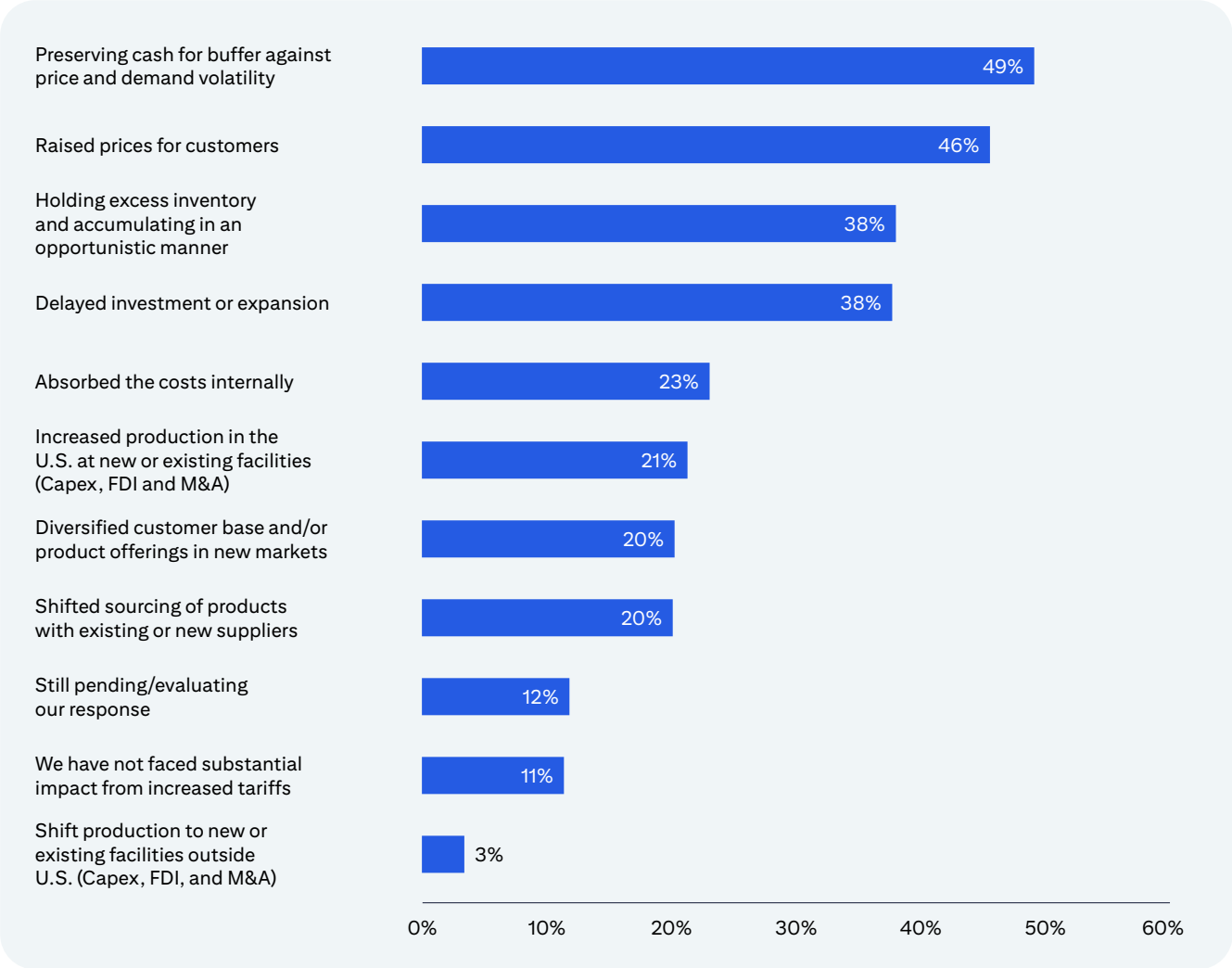


Note: Responses sum to over 100% due to multiple responses being enabled.
Based on respondents who answered "Still investigating" in figure 20.
Source: East & Partners Large Corporate Survey 2025, Citi Services

Tariffs Made a Comeback in 2025

It remains to be seen whether tariffs have resulted in any capex being deployed to fund new manufacturing destinations. Instead, when asked how their companies have responded to tariffs, corporates were more likely to provide answers that centered around managing costs, liquidity and inventory.

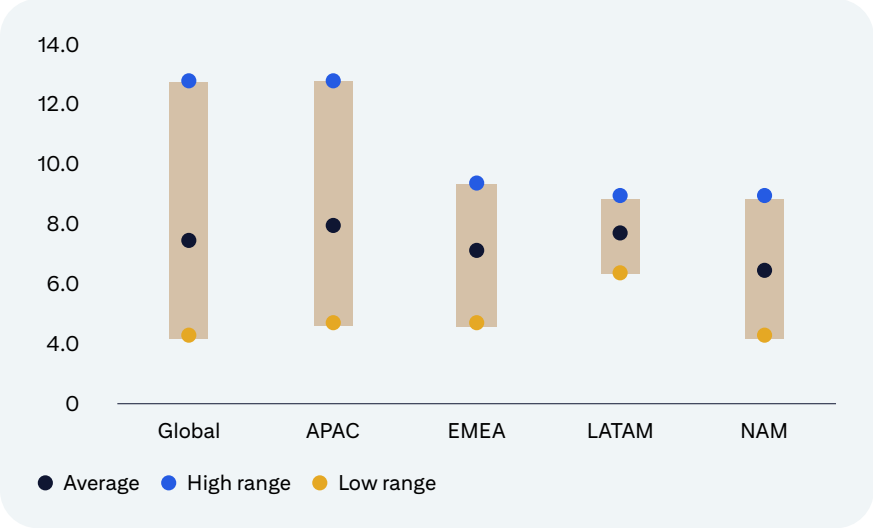
Figure 38. How has your company responded to increased tariffs?



Note: Responses sum to over 100% due to multiple responses being enabled.
Source: East & Partners Large Corporate Survey 2025, Citi Services

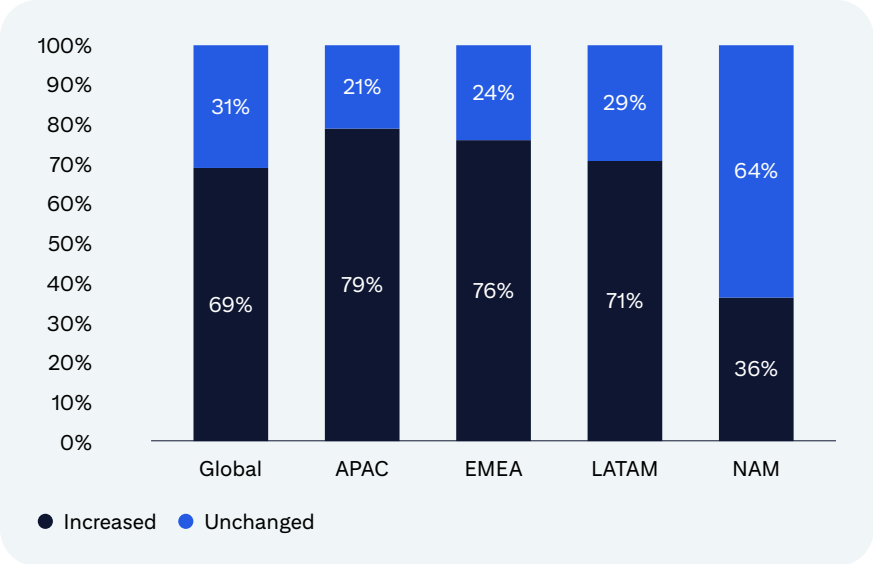
49% of global respondents said that they were preserving cash to buffer against price and demand volatility. This response is consistent with other periods of stress in supply chains when corporates seek to maximize working capital to preserve future flexibility. On average, respondents noted that 6.3% of their working capital was tied up in funding tariff costs. 69% of respondents noted that this figure has increased from one year prior and for those noting an increase, on average this has increased by 120%.[34]

Figure 39. What percentage of your working capital is directly related to funding tariff costs?



Note: Excludes respondents who answered "No impact" in figure 16.
Source: East & Partners Large Corporate Survey 2025, Citi Services

Figure 40. How has this figure changed compared to one year ago?



Note: Excludes respondents who answered "No impact" in figure 16.
Source: East & Partners Large Corporate Survey 2025, Citi Services

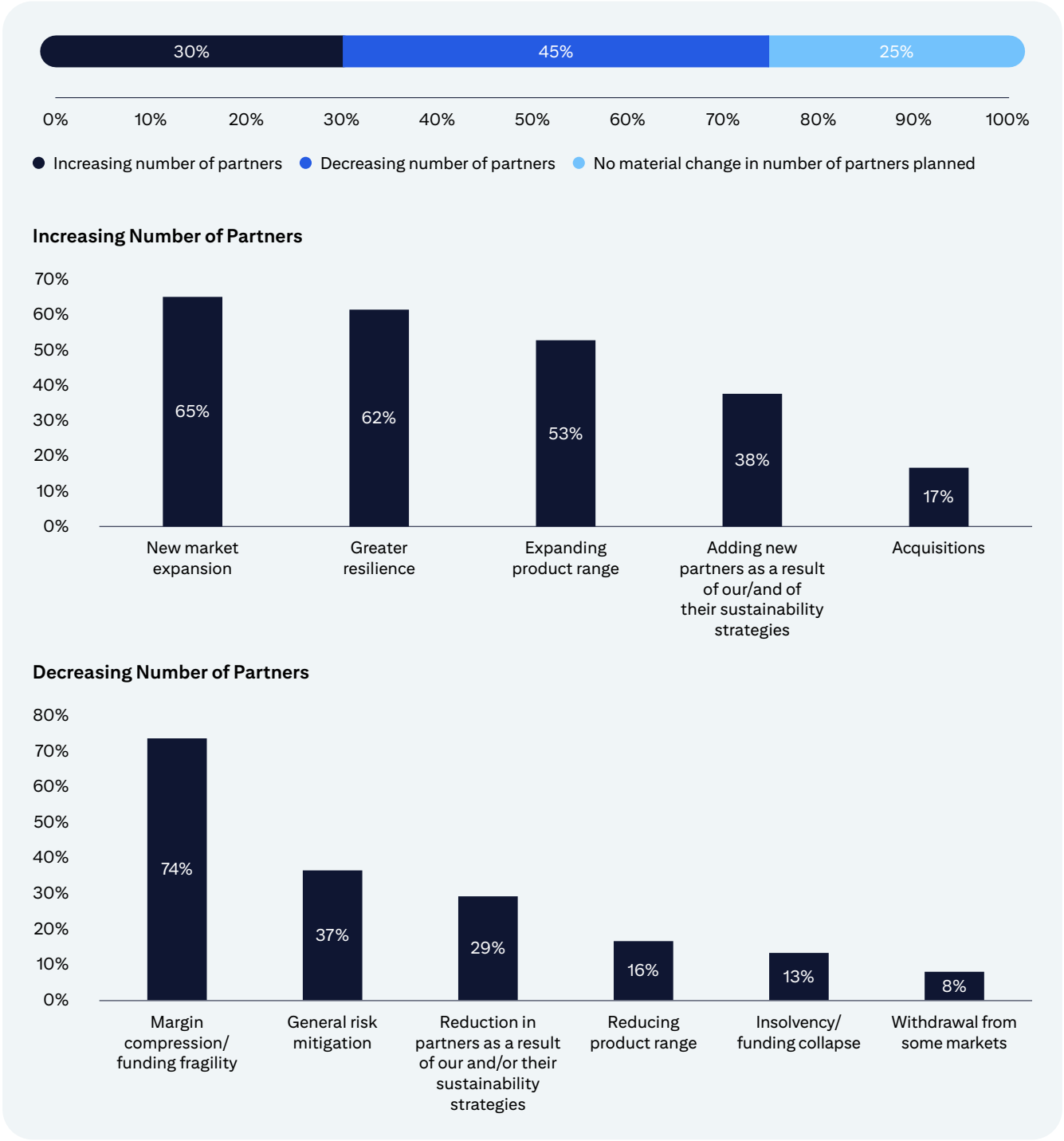
Supply Chain Configuration

The reconfiguration of global supply chains has been a popular theme in recent years as corporates find new reasons to examine the shape and reach of their supply chains. Increased protectionism between countries had previously been a key driver of reconfiguration discussions; in 2025, shifting tariff policies dominated the conversation.

Although global inflation is thought to have continued to stabilize in 2025, more favorable commercial terms (payment terms) (57%) and price/cost savings (56%) were the two most cited reasons for allocating order flow to one supplier over another. This highlights the potential challenges, such as margin pressure, that corporates continue to face when doing business. Respondents also focused on superior product offerings/industry expertise (more than 50%), as many corporations rely on single or niche suppliers for critical inputs. Long-standing personal relationships only received 35% of votes globally. However, this was a more important factor for APAC-based respondents (43%) than other regions.

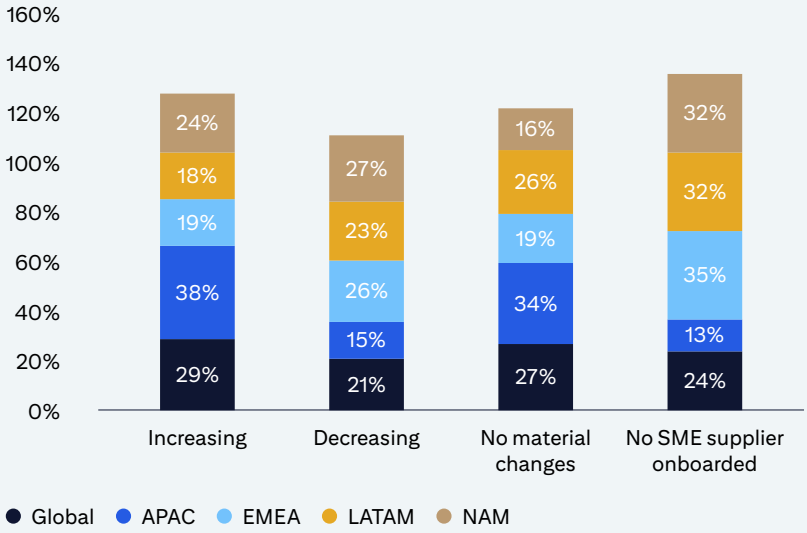
Overall, supply chains appear to have shrunk from 2024 to 2025 in terms of number of customer and supplier relationships. In 2024, respondents on average maintained 395 customer relationships[35] and 346 supplier relationships.[36] In 2025, these numbers decreased to 386 and 325 respectively. 30% of respondents noted that they were increasing their number of supply chain partners, most frequently citing new market expansion (65%) and the need for greater resilience (62%). 45% of respondents said they were decreasing the number of supply chain partners, with an overwhelming majority ascribing it to margin compression/funding fragility (74%). Globally, 29% of respondents indicated that they were increasing the number of small to medium-sized enterprises (SMEs) in their supply chain, with 21% decreasing the number.

Figure 41. Specifically, why are you planning to increase/decrease the number of supply chain partners in your network?



Note: Responses sum to over 100% due to multiple responses being enabled.
Source: East & Partners Large Corporate Survey 2025, Citi Services

Figure 42. Are you increasing, decreasing, or making no material changes to the proportion of SMEs in your supply chain?



Source: East & Partners Large Corporate Survey 2025, Citi Services

Reshoring: Energy

Countless factors help shape global supply chains but as technology continues to advance and geopolitical factors affect procurement strategies, the last few years have given corporates plenty of reasons to reexamine their strategies. "Reshoring" has become a recurring theme as supply chain disruption and political fragmentation raise the question of whether it now makes sense to move operations closer to home.

In 2024, 21% of respondents said cheap natural gas/energy was a key consideration for reshoring operations.[37] In 2025 this increased to 33% for respondents globally as energy demands continue to surge in the era of AI. Lower labor costs/flexibility (38% globally) was respondents' primary concern when considering reshoring operations, up from 31% in 2024.[38] Diversification away from China (33% globally) was another common response, albeit down from 39% in 2024.[39]

When considering shifting supply chains to a new country, responses were evenly distributed across two themes: managing risk and managing costs. Where risk management is concerned, 31% of respondents globally saw benefit in improving proximity to end consumers, especially in Latam, where 44% noted this was a consideration. Similarly, diversification to limit supplier risk (35% globally) was a key concern, especially in EMEA and NAM (both 44%). In terms of managing costs, tariffs were dominant: 36% of respondents globally noted that reducing tariff exposure was a key consideration. However this was not evenly distributed across regions: it was a major consideration in APAC (44%), EMEA (48%) and Latam (38%), but significantly less so in NAM (2%). Similarly, managing tariff exposure in anticipation of future changes to tariffs, also ranked high in APAC (38%), EMEA (32%), and Latam (38%) compared to just 13% in NAM.

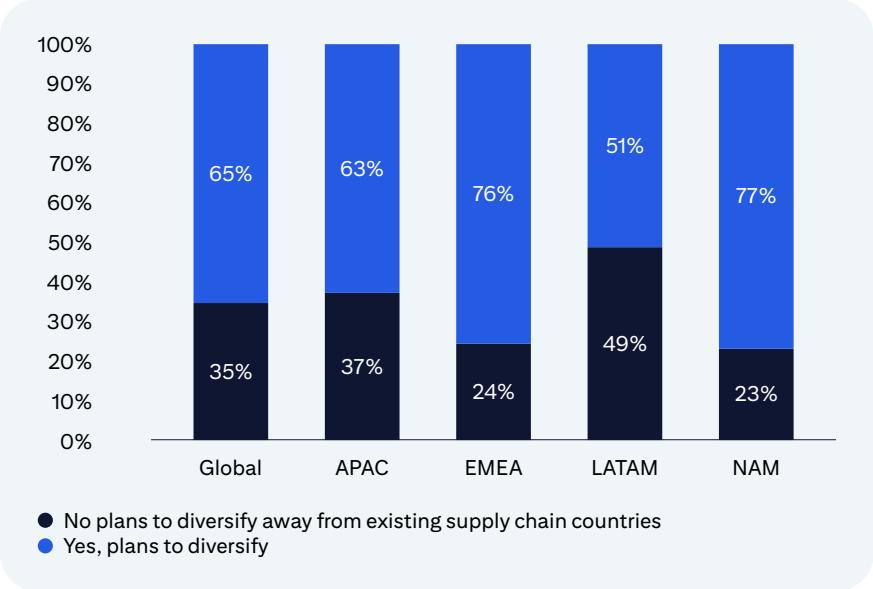
Figure 43. What are your key motivations for shifting or considering a shift of your supply chains to a new country?

	GLOBAL	APAC	EMEA	LATAM	NAM
Closer to major suppliers	35%	24%	44%	45%	47%
Diversification to limit supplier risk	35%	27%	44%	38%	44%
Reduce tariff exposure	36%	44%	48%	38%	2%
Proximity to end consumers	31%	27%	25%	44%	31%
Managing our tariff exposures	32%	38%	32%	38%	13%
Cheaper labour/production costs	29%	29%	4%	43%	43%
Securing fiscal incentives	25%	17%	31%	31%	34%
No plans to diversify our supply chains to new countries	26%	30%	15%	26%	23%
Diversification to limit country risk	24%	26%	21%	29%	16%
Access to lower carbon energy sources	19%	22%	7%	22%	17%
Access to new technologies/AI	10%	12%	10%	10%	7%

Note: Responses sum to over 100% due to multiple responses being enabled.
Source: East & Partners Large Corporate Survey 2025, Citi Services

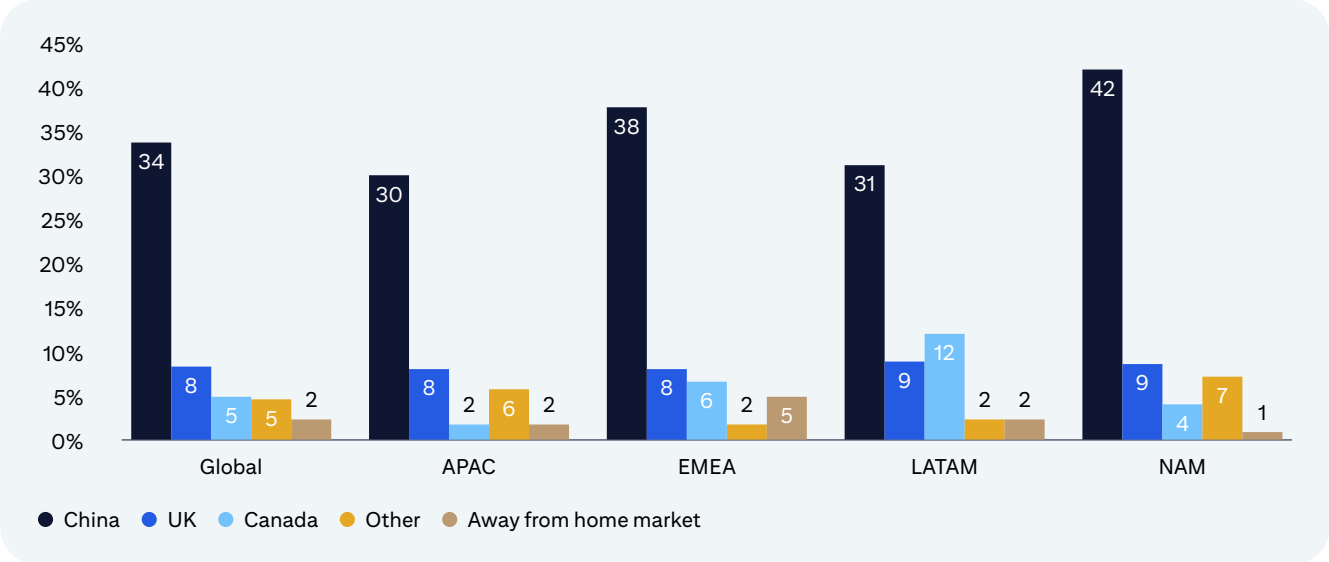
Following the Covid-19 pandemic, some global corporates began contemplating a China-plus-one (or more) strategy to limit concentration risks associated with relying on a small number of suppliers. 65% of global respondents indicated that they were diversifying their supply chains away from one or more countries, of which 34% was attributed to diversifying away from China. Globally, 25% indicated that they were pivoting to Vietnam and 17% to Thailand. Utilizing FDI can help corporates tap potentially significant growth opportunities in new or distant markets but the runway to realizing a return on investment is not short: on average respondents indicated it takes 2.2 years to see benefit from their FDI, up slightly from 2 years in 2024.[40]

Figure 44. Is your organization diversifying its supply chains in one or more country?



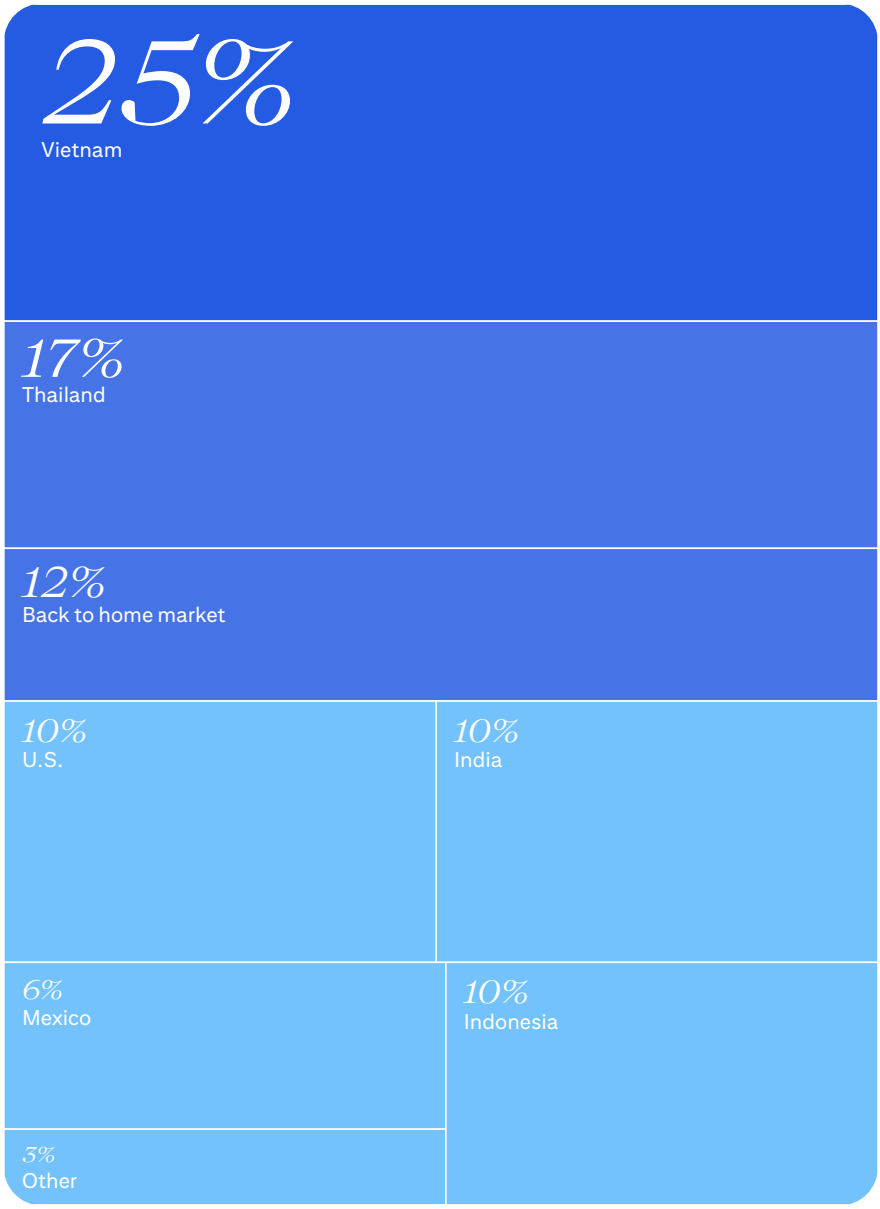
Source: East & Partners Large Corporate Survey 2025, Citi Services

Figure 45. Which countries are you diversifying away from?



Note: Responses sum to over 100% due to multiple responses being enabled.
Source: East & Partners Large Corporate Survey 2025, Citi Services

Figure 46. Which countries are you diversifying to?



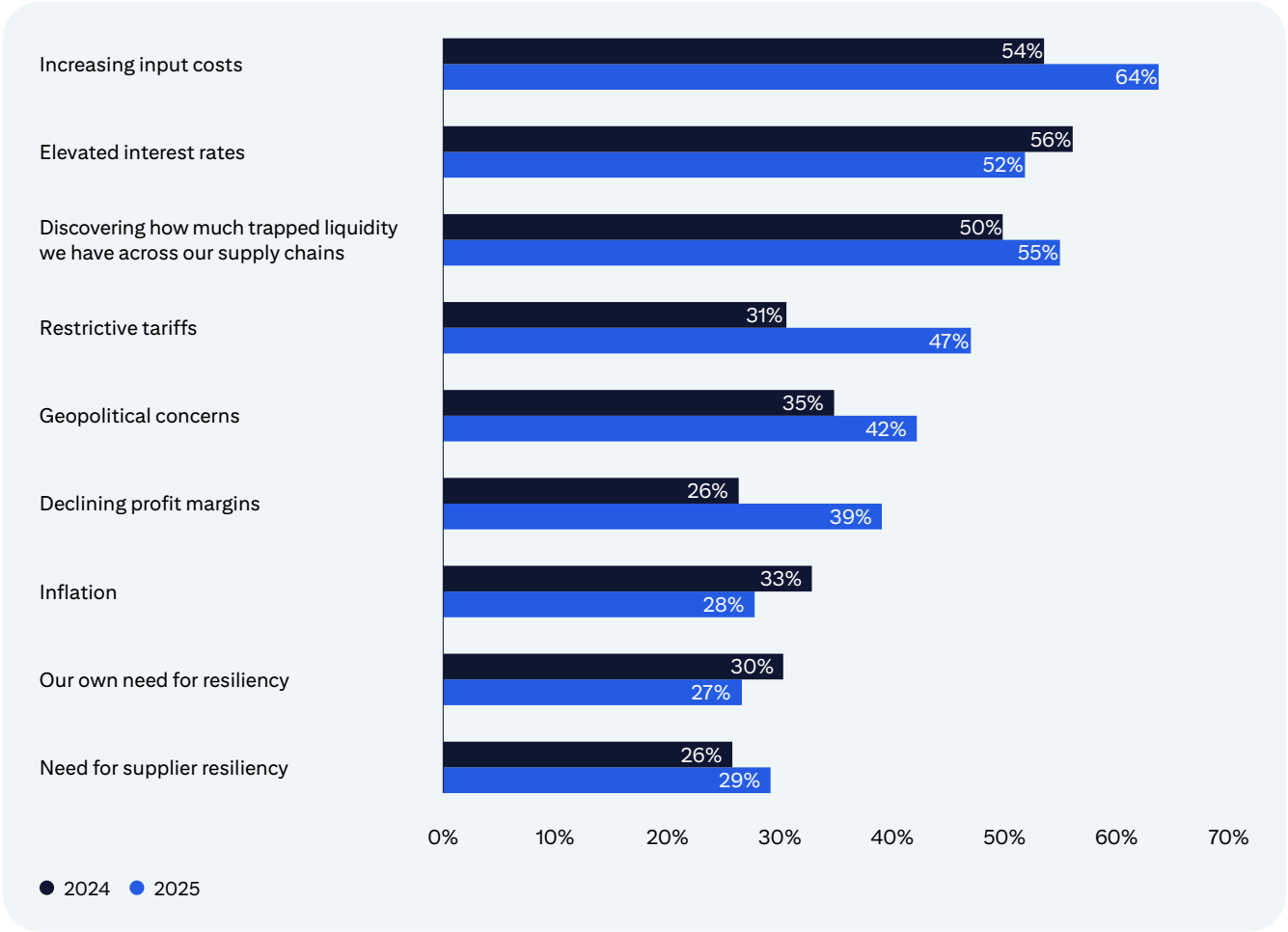
Note: Responses sum to over 100% due to multiple responses being enabled.
Source: East & Partners Large Corporate Survey 2025, Citi Services

Working Capital and Liquidity Management

Working capital is critical to sustaining business operations and funding global trade. In 2024, increasing input costs (54%) was second only to elevated interest rates (56%) – a year later it captured the top spot with 64% of global responses. This comes at a time when shifting U.S. tariff policies made for frequent headlines around the world.

Discovering how much trapped liquidity they have across their supply chain is also a key concern for 55% of global respondents. It comes at a time when corporate treasurers are increasingly being asked to drive value for their organizations, underscored by the fact that 66% of global respondents cited releasing trapped liquidity as the key strategic initiative for the next 12 months.

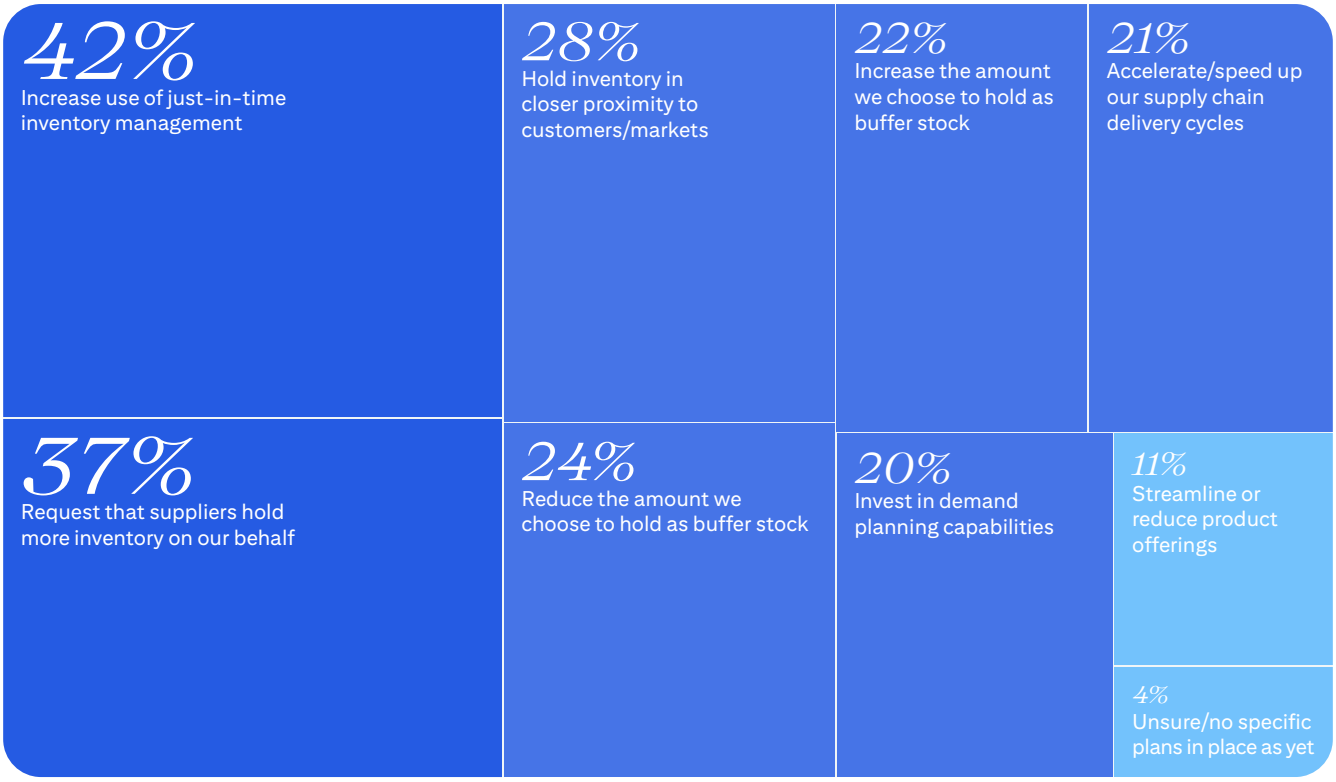
Figure 47. What factors have had the biggest impact on your attitude towards working capital management?



Note: Responses sum to over 100% due to multiple responses being enabled.
Source: East & Partners Large Corporate Survey 2025, Citi Services

Once area where working capital management may be particularly challenging for corporates is inventory management as many factors can complicate the challenge of finding the inventory level that works for corporates' near-term as well as in the future. Just-in-time inventory management was common practice before the pandemic, but supply chain disruptions and newly enacted tariffs gave some corporates reason to favor resiliency in favor of efficiency. Unsurprisingly, 42% of respondents said they would increase use of just-in-time inventory management when asked what steps they were taking to optimize inventory management. Also noteworthy, is that 37% said they would request that suppliers hold more inventory on their behalf, a strategy favored by industries such as the automotive and technology sectors, where inputs are more difficult to substitute, and demand may be volatile.

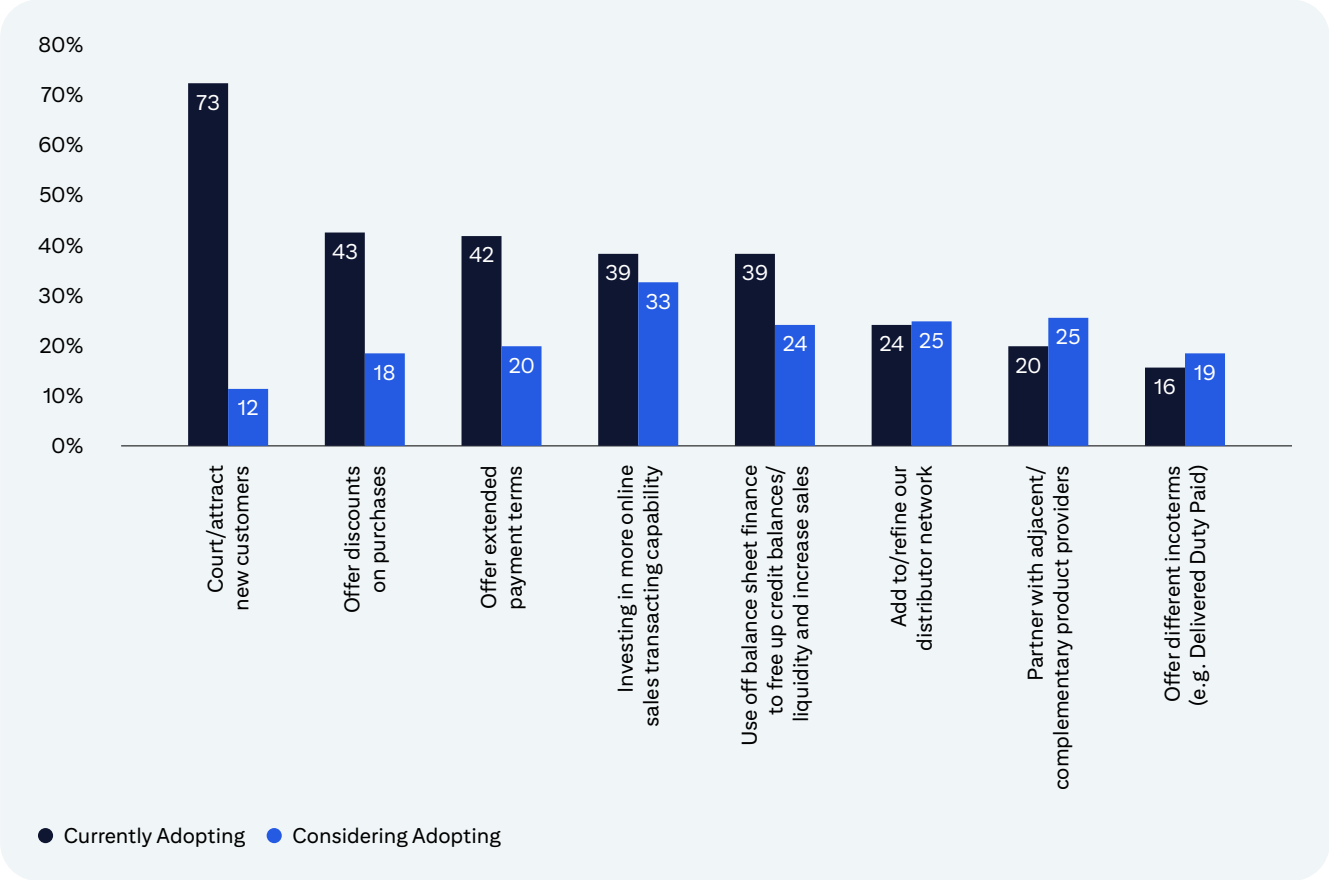
Figure 48. What steps are you taking to optimize inventory management?



Note: Responses sum to over 100% due to multiple responses being enabled.
Source: East & Partners Large Corporate Survey 2025, Citi Services

To balance out inventory demands by achieving greater customer order flow, respondents indicated that they were already using some traditional tactics to spur sales growth as well to were also considering some techniques that could perhaps be looked at as more strategic. 43% of global respondents noted they were already offering discounts on purchases and 42% were offering extended payment terms. Interestingly, 33% were considering investing in more online sales transacting capabilities, 25% were considering their distributor network and 25% were considering partnering with adjacent/complimentary product providers.

Figure 49. Are you currently or considering adopting any new strategies to facilitate increased customer order flow?

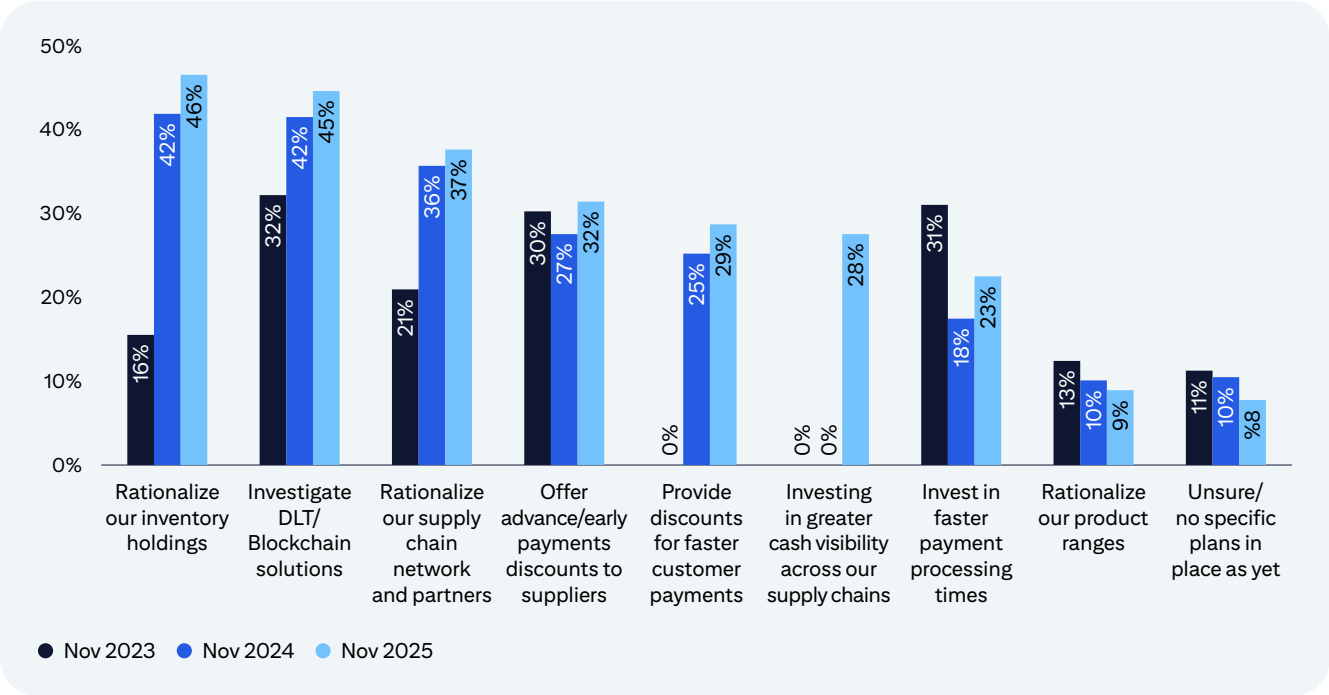


Note: Responses sum to over 100% due to multiple responses being enabled.
Source: East & Partners Large Corporate Survey 2025, Citi Services

The amount of working capital corporates have tied up in the different stages of the cash conversion cycle has remained relatively consistent from 2024 to 2025. Globally, DIO levels show little change year-on-year. EMEA respondents still lead all other regions in terms of respondents with 40% or more of their working capital tied up in DIO. Telecommunication firms have been able to maintain relatively low levels of DIO with 75% having 40% or less of their working capital tied up in DIO.[41] In terms of DPO, all regions show little change year-on-year with the exception of Latam, which the percentage of respondents with less than 40% of their working capital tied up in DPO increased from 47% in 2024[42] to 53% in 2025. This is the first year the survey has included days sales outstanding (DSO) when considering how much working capital is tied up in the different states of the cash conversion cycle. APAC respondents led all other regions with 24% saying 60%plus of their working capital was tied up in DSO. Given the level of manufacturing that occurs within the region, it is important to note that one-way corporates seek to grow sales is by offering customers extended payment terms. Similarly, 60% of technology firms reported having 40% or more of their working capital trapped in DSO.[43]

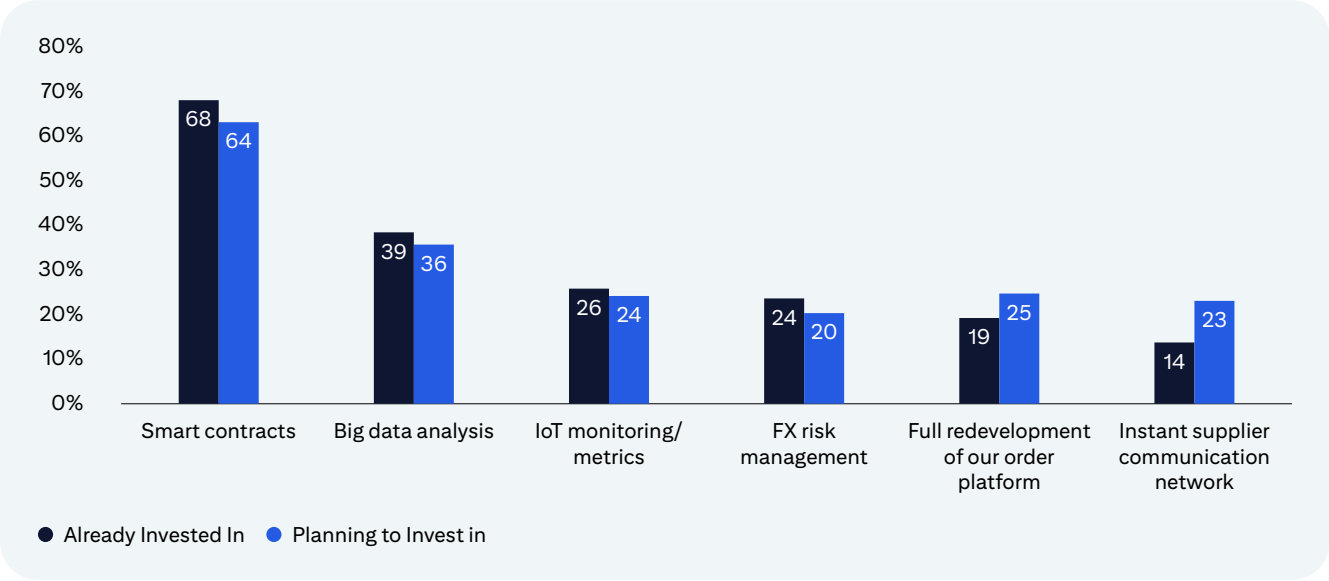
Inventory management can be challenging for corporates, and when asked how they were planning to relieve cashflow constraints, 46% of global respondent said they planned to rationalize their inventory holdings, up from just 16% in 2023. Trade finance's legacy is built upon many paper-intensive processes; however, excitement continues to grow regarding applying technology to global trade. 45% of respondents indicated they were investigating DLT/blockchain solutions to relieve cashflow constraints, up from 32% in 2023. Furthermore, 68% have already invested in and 64% said they were planning to invest in "Smart contracts," which leverage DLT/Blockchain solutions, to improve real-time supply chain funding and visibility.

Figure 50. What measures are you planning to undertake to relieve cash flow constraints/release trapped liquidity in the next 6–12 months?



Note: Responses sum to over 100% due to multiple responses being enabled. "Provide discounts for faster customer payments" not prompted for in 2023, "Investing in greater cash visibility across our supply chains" not prompted for in 2023 or 2024.
Source: East & Partners Large Corporate Survey 2025, Citi Services

Figure 51. What real time supply chain funding/visibility functionality have you or are you planning to invest in over the next 6–12 months?



Note: Responses sum to over 100% due to multiple responses being enabled.
Source: East & Partners Large Corporate Survey 2025, Citi Services

Supplier Survey: Resilience, Restraint, and Selective Optimism

At the beginning of 2025, there was a high degree of uncertainty about how the year would progress, particularly given the intensity of tariff-related discussion.

About the Survey

Each year, Citi Services conducts a survey with suppliers that actively participate in Citi Supplier Finance (CSF) programs. Given the scale and global reach of these programs, the survey provides valuable insights into the challenges and opportunities faced by suppliers.

Between November 5 and December 17, 2025, Citi Research, in partnership with the Citi Innovation Lab, conducted an online survey of more than 800 Citi supply chain finance suppliers to understand their perspectives on past, present, and future supply chain challenges and opportunities.

Surveys were included as part of earlier editions of this report; Supply Chain Finance: Uncertainty in Global Supply Chains Is Going to Stay and The Future of Global Supply Chain Financing and Supply Chain Financing: Resilience, Opportunity and the Shifting Winds of Trade, enabling comparison and analysis of trends over time.

A Year Defined by Volatility, Not Surprise

At the beginning of the year, there was a high degree of uncertainty about how the year would progress, particularly given the intensity of tariff-related discussion. In anticipation of potential tariff rises, many suppliers experienced a front-loading of orders, with demand shifting rapidly across regions and buying destinations. These shifts made forecasting especially difficult.

Meanwhile, interest rates – although high compared to the prolonged period before 2022 – were perceived as relatively steady and, in some cases, beginning to trend downward. This helped ease access to financing and made it somewhat easier for suppliers to absorb large, one-off orders. “Prohibitive financing costs” were identified as a challenge by fewer respondents to the 2025 survey than the 2024 survey (22% versus 26%), and there was a significant increase in respondents’ willingness to “borrow somewhat more”, from 19% of respondents in 2024 to 28% in 2025.

At the same time, the market was still adjusting to the widespread China-plus-one reconfiguration. Many suppliers were still building out new manufacturing locations and forming new relationships with a view to increasing resilience and adaptability.

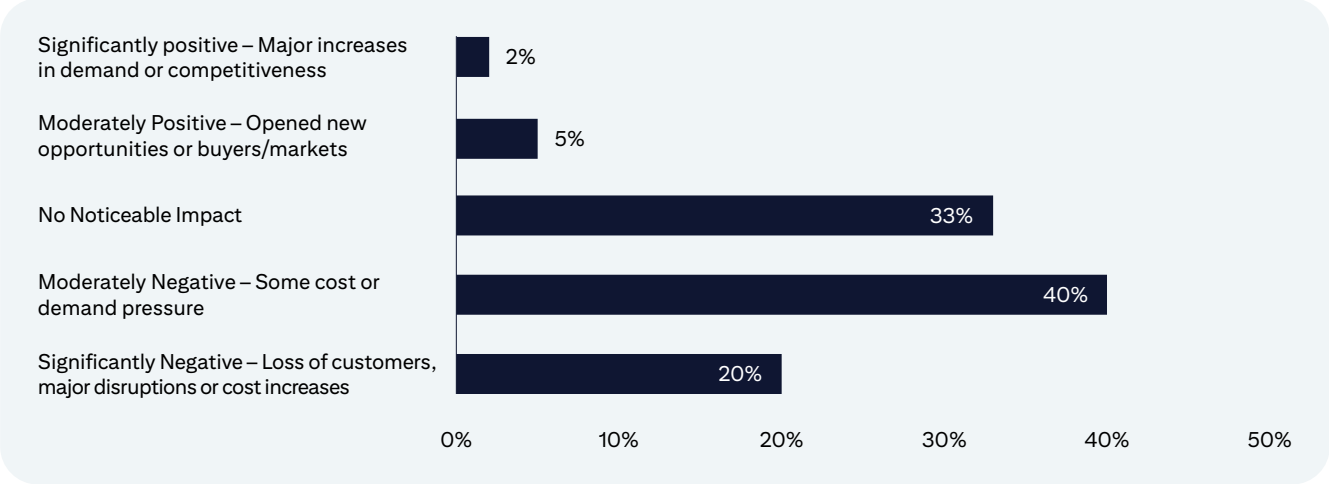
While it is difficult to point to precise survey data to quantify the impact, there is a general sense that this prior restructuring helped, at least marginally, to manage the volatility experienced during the year. However, the benefits were uneven. In some cases, suppliers that relocated production found themselves exposed to tariffs in their new locations as well; countries that had been perceived as likely to be exempt from new measures, such as Mexico, were also subject to additional tariffs, underscoring the unpredictability of trade policy outcomes.

Tariffs: High Effort, Mixed Outcomes

Tariffs were the biggest trade news story of the year. Unsurprisingly, they rank as the second most frequently cited supply chain challenge for suppliers, with almost a third of respondents identifying them as a key concern.

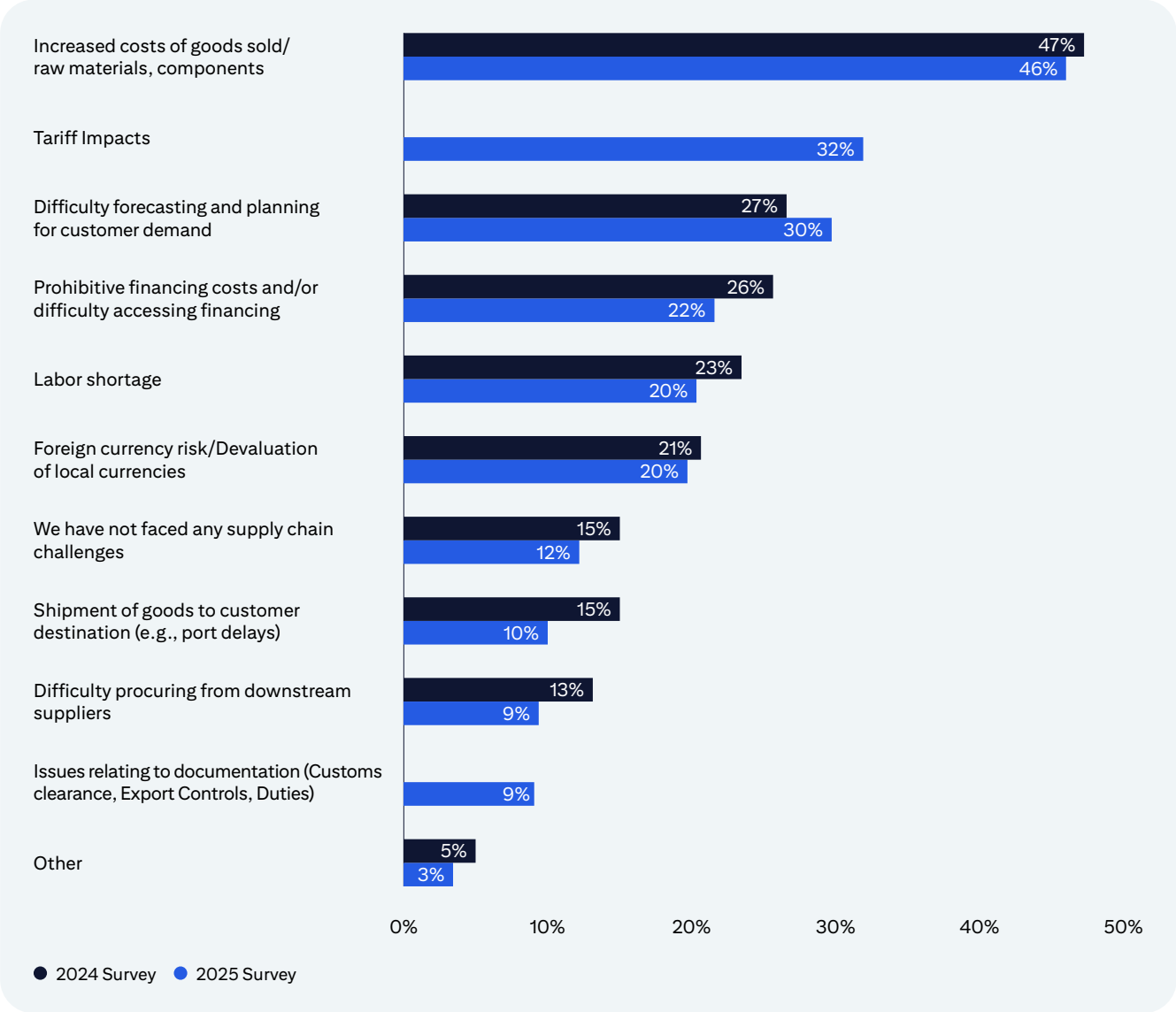
Yet it is notable that almost three-quarters of suppliers reported only moderate or no noticeable effect on their businesses as a result of tariffs, while just 20% cited a significant impact, including loss of customers, major disruptions, or cost increases (below).

Figure 52. How has tariff changes impacted your business operations?



Source: 2025 Citi Supply Chain Finance Supplier Survey, Citi Services

Figure 53. What challenges has your organization faced in the year?



Source: 2025 Citi Supply Chain Finance Supplier Survey, Citi Services

One explanation for this apparent contradiction lies in the distinction between operational burden and end impact. Although the survey does not provide specific insights on this issue, Citi believes that while many suppliers spent considerable time monitoring, modeling, and managing tariff exposure throughout the year, they were able to successfully mitigate the final outcome through price pass-throughs, margin adjustments, or negotiated changes. In other words, tariffs were highly salient and resource-intensive, even when the net financial impact proved manageable.

This aligns with the results of the large corporate survey. It showed that respondents have been keenly focused on managing costs, liquidity, and inventory – goals that have become more challenging as a result of tariffs. The measures introduced by the Trump administration have resulted in some repositioning of supply chains in terms of deployed capex to fund new manufacturing destinations: 21% of large corporate respondents said they had increased production in the U.S. while just 3% said they had shifted production to facilities outside the U.S.

Cost Pressures Appear Structural

Turning to cost pressures, rising costs of goods sold remain the dominant challenge, essentially unchanged from the prior year, with 46% of respondents citing this issue. This persistence suggests a structural rather than cyclical problem.

While the survey does not isolate specific drivers in detail, likely contributors include higher labor costs, elevated input prices, and the indirect effects of tariffs being pushed down the supply chain.

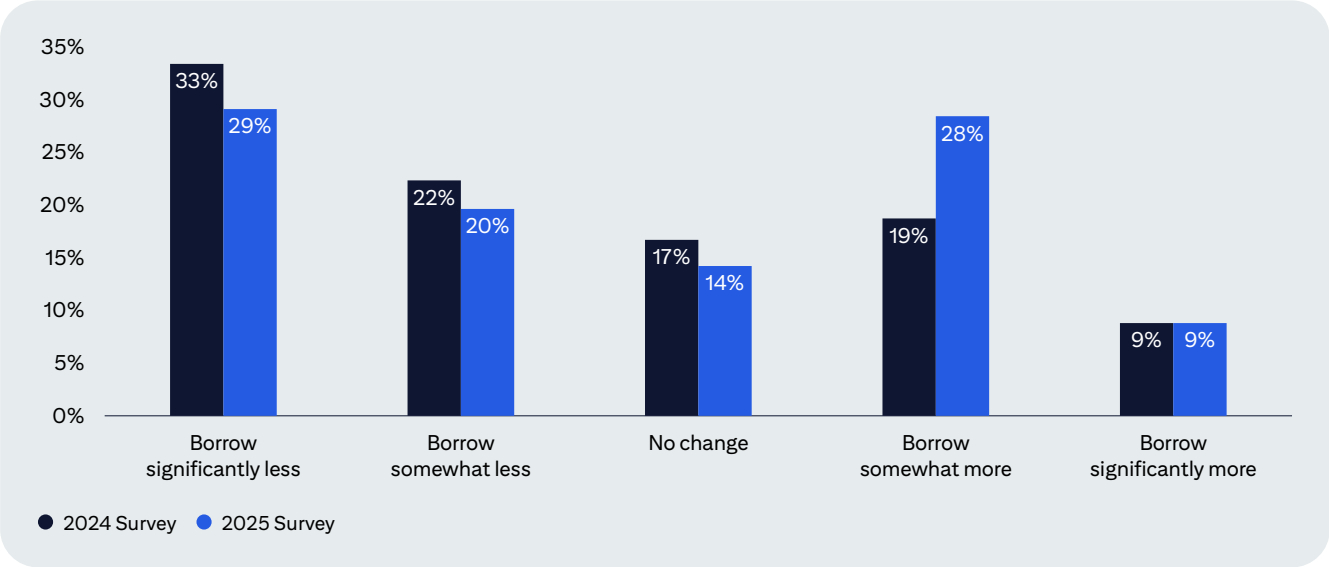
Although energy costs have eased in some regions, this has not been sufficient to offset broader inflationary pressures. Importantly, this concern is global in nature: around half of respondents in Asia, Western and Eastern Europe and North America highlight input costs as their most important challenge; a notable exception is the Middle East, where just 6% of respondents in share this view.

Borrowing Reflects Changing Costs – and Tentative Confidence

Financing conditions show a nuanced shift. Responses indicate that borrowing appetite has stabilized or even improved relative to last year. This suggests that suppliers perceive that financing conditions have eased, and are reassessing the role of working capital more constructively.

More broadly, suppliers' willingness to borrow also implies a degree of optimism and a belief that investment and liquidity deployment remain economically rational, even if pricing remains a key consideration.

Figure 54. How has prohibitive financing costs impacted your willingness to borrow (in general) compared to last year? Select one

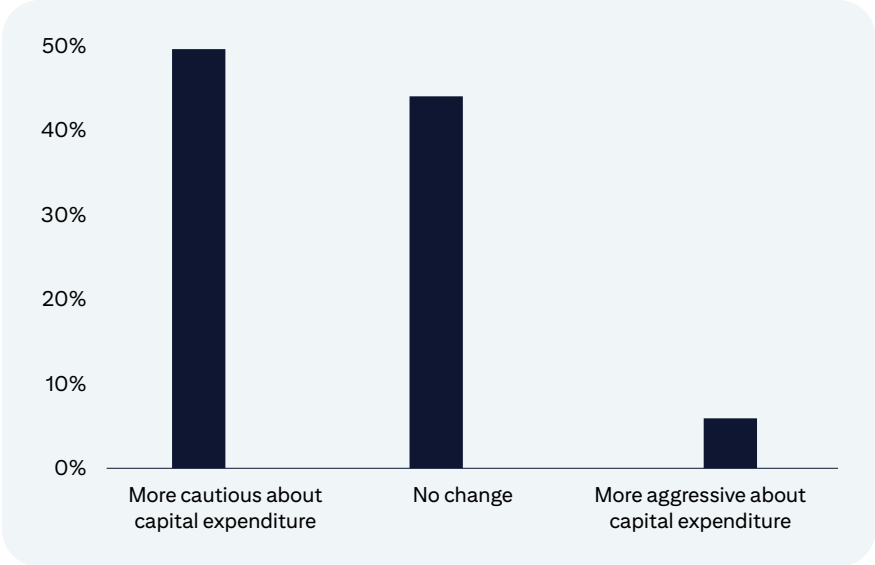


Source: 2025 Citi Supply Chain Finance Supplier Survey, Citi Services

Capital Expenditure: Delayed, Not Abandoned

On capital expenditure, tariff uncertainty has led primarily to caution rather than retrenchment.

Figure 55. Has the recent tariff-related policy changes and macroeconomic environment influenced your company's capital investment decisions?



Source: 2025 Citi Supply Chain Finance Supplier Survey, Citi Services

Half of the survey respondents report being more cautious, while a similar share indicate no change at all. This aligns with broader market behavior, where companies have delayed or frozen investment decisions rather than pursuing aggressive expansion or wholesale restructuring.

The prevailing theme is postponement rather than reversal, reflecting skepticism about the durability of policy regimes and an awareness of the speed with which conditions can change.

Regionalization Is Already Embedded

Regionalization presents another area where perception and reality diverge. Despite extensive public discussion around nearshoring and onshoring, survey responses show virtually no year-over-year change in the extent to which suppliers are pursuing these strategies.

This suggests that the major shifts occurred earlier, with suppliers now focused on executing longer-term plans rather than reacting tactically to tariffs. Consistent with this view, many suppliers report no material change in logistics and transportation costs, reinforcing the view that regionalization is not currently accelerating in response to new trade pressures. Equally, the limited drive to nearshore or onshore could reflect the fact that many suppliers are small and medium-sized enterprises and do not operate globally. Their ability and need to nearshore/onshore is necessarily different to that of large global corporates.

Large corporates, by contrast, continue to diversify their supply chains away from particular countries: 34% specifically cite the goal of reducing reliance on China. This is not necessarily contradictory to suppliers' views. Instead it reflects the differing vantage points of buyers and sellers. Corporates are still actively deciding and reallocating. In contrast, Citi believes that suppliers are largely executing against decisions made earlier and therefore may perceive change as incremental rather than dynamic.

Resilience Over Efficiency

Resilience rather than efficiency continues to be a priority for many suppliers. As in previous years, respondents were asked to rank a range of supply chain-related decisions and themes on a scale from one (most important) to five (least important). Just-in-case versus just-in-time inventory remained the top priority in 2025, as it was in 2024 and 2023.

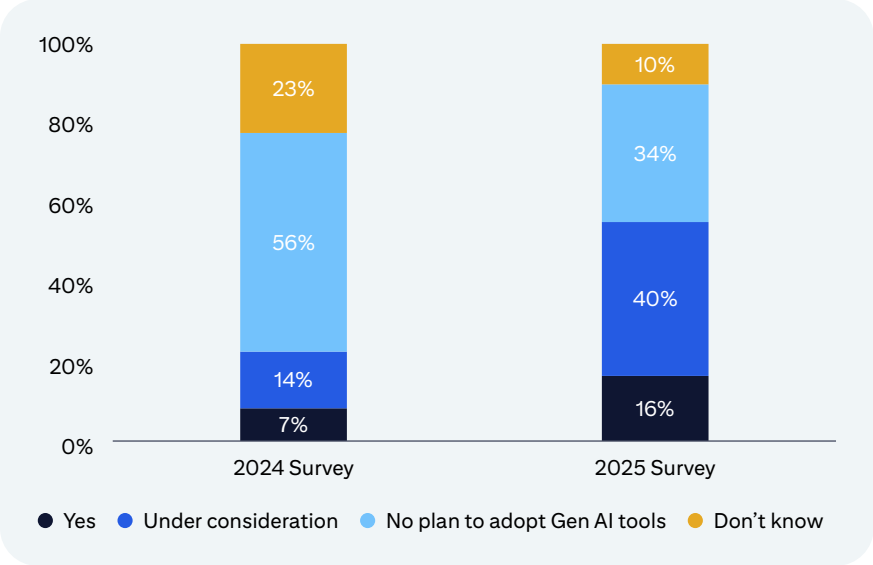
At the same time, reduced concern around future disruptions suggests that suppliers feel better prepared than they did in the immediate post-pandemic period, having already invested in buffers, diversification, and contingency planning.

Although the large corporate survey indicated some renewed openness to just-in-time practices, this does not contradict the supplier view. Instead, it reflects an ecosystem-level balance in which resilience is often pushed downstream, with suppliers absorbing volatility so corporates can cautiously re-optimize efficiency.

The AI Imperative Gains Momentum

One of the most pronounced changes in the survey is the sharp increase in generative AI adoption and consideration.

Figure 56. Has your organization adopted any Generative Artificial Intelligence (AI) business tools?



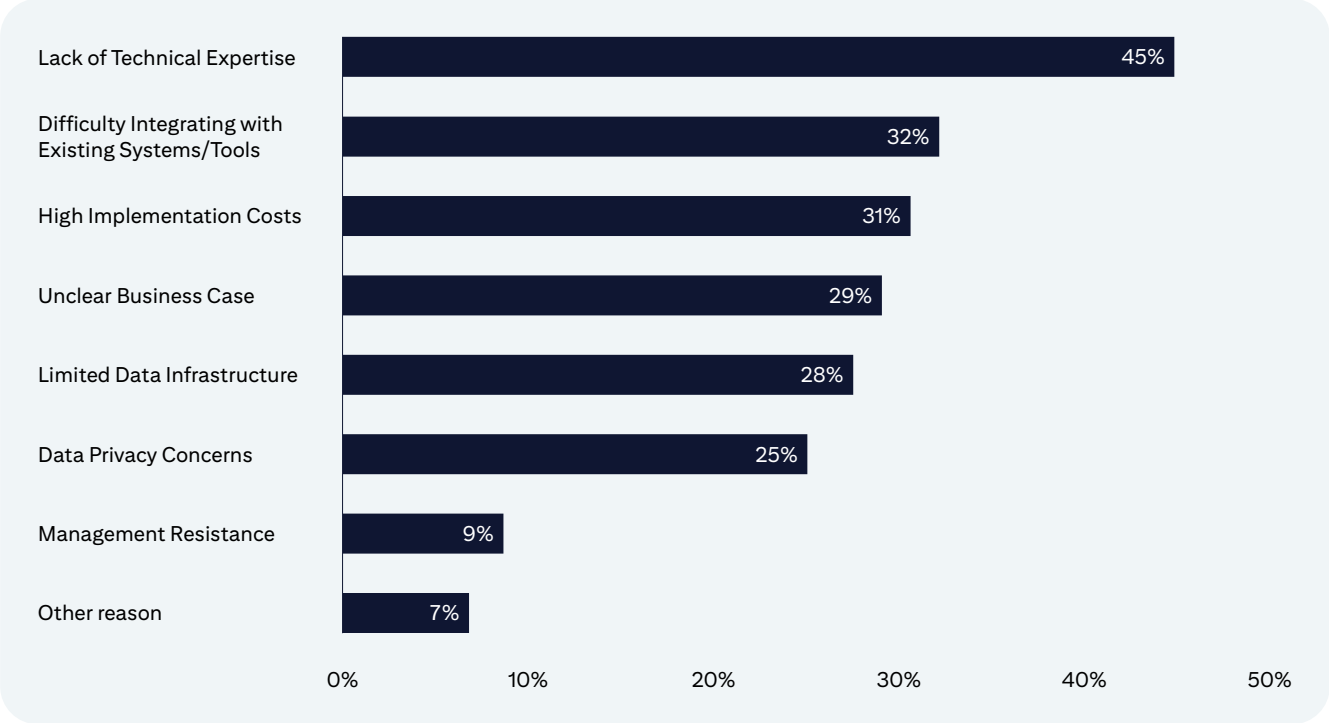
Source: 2025 Citi Supply Chain Finance Supplier Survey, Citi Services

Compared with 2023, when usage was negligible, AI has rapidly become embedded in supplier strategy discussions. This year, 56% of suppliers reported that they had either adopted generative AI or were considering it, compared with 21% in 2024 and 14% in 2023.

Adoption is uneven, however, with larger suppliers and certain regions, notably India, standing out.

Barriers for smaller firms center on lack of technical expertise, system readiness and cost rather than resistance to the concept itself.

Figure 57. Please indicate the reasons why your company has not implemented or don't plan to implement AI in your operations

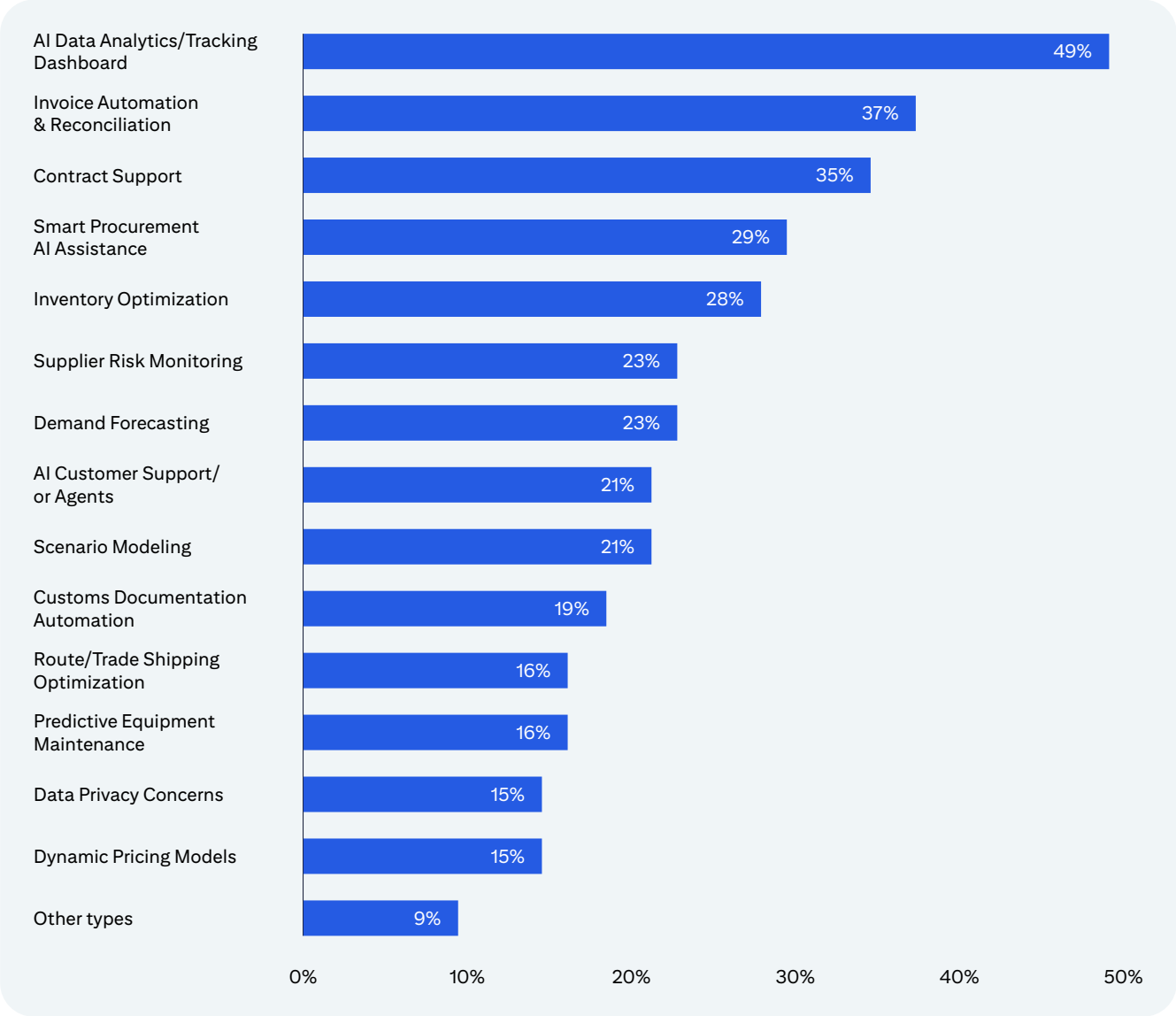


Source: 2025 Citi Supply Chain Finance Supplier Survey, Citi Services

As a result of their scale and the necessary resource commitment, most suppliers expect to adopt AI through embedded solutions provided by existing platforms rather than by developing bespoke solutions.

The survey shows that AI use cases suppliers value most are practical and operational, including data analytics, invoice automation, inventory management, and contract support.

Figure 58. What types of AI features do you look for/benefit your operations the most?



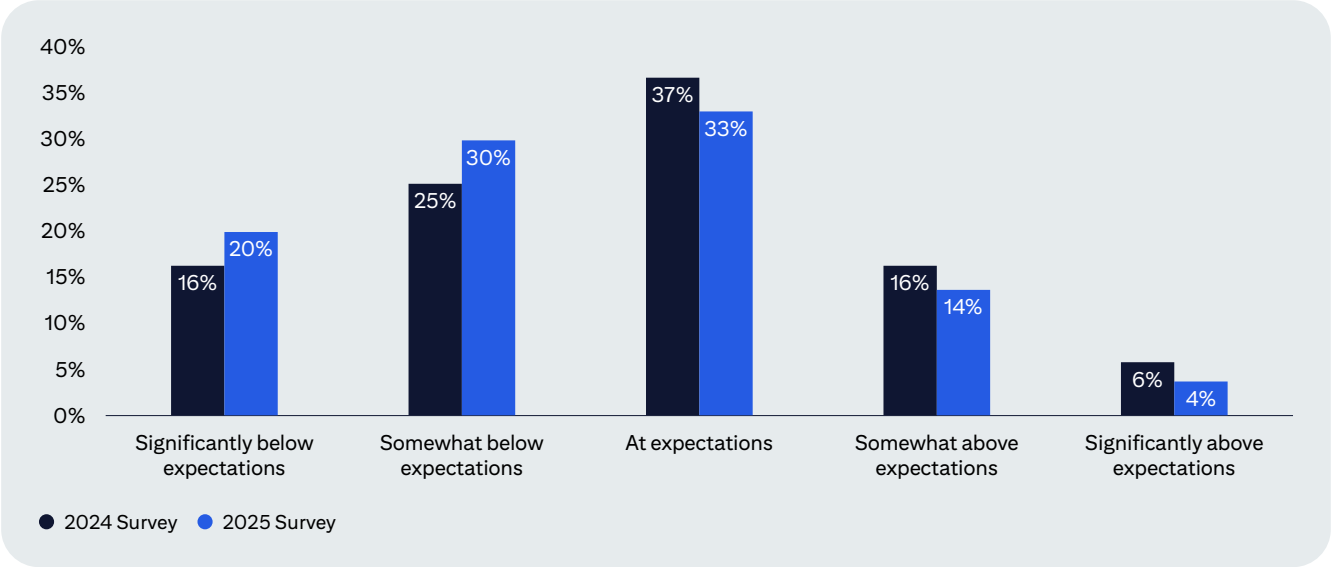
Source: 2025 Citi Supply Chain Finance Supplier Survey, Citi Services

These applications directly support the cash conversion cycle and working capital efficiency. More advanced uses, such as AI-driven risk management, remain lower priorities, consistent with findings on the buyer side.

Sales Outlook Looks Tepid

Sales performance presents a cautious signal. A significant share of suppliers report order volumes below expectations, reflecting earlier front-loading of demand and elevated inventory levels.

Figure 59. How does new sales order volume from your customers year-to-date compared to your expectations?



Source: 2025 Citi Supply Chain Finance Supplier Survey, Citi Services

This may serve as a leading indicator of softer conditions ahead, particularly if consumer demand weakens outside AI-driven sectors. As the chapter of this report by Citi's economists notes, payback from earlier front-loading is now beginning to unwind, implying softer import demand going forward. Importantly, while this is expected to weigh on trade activity and remain persistent, its impact should be manageable.

The vast majority of respondents report no meaningful increase in new customers or order volumes from countries or regions where they historically do not do significant business. However, a meaningful minority report new customer growth from regions where they previously had limited exposure, particularly across parts of Asia-Pacific and Africa.

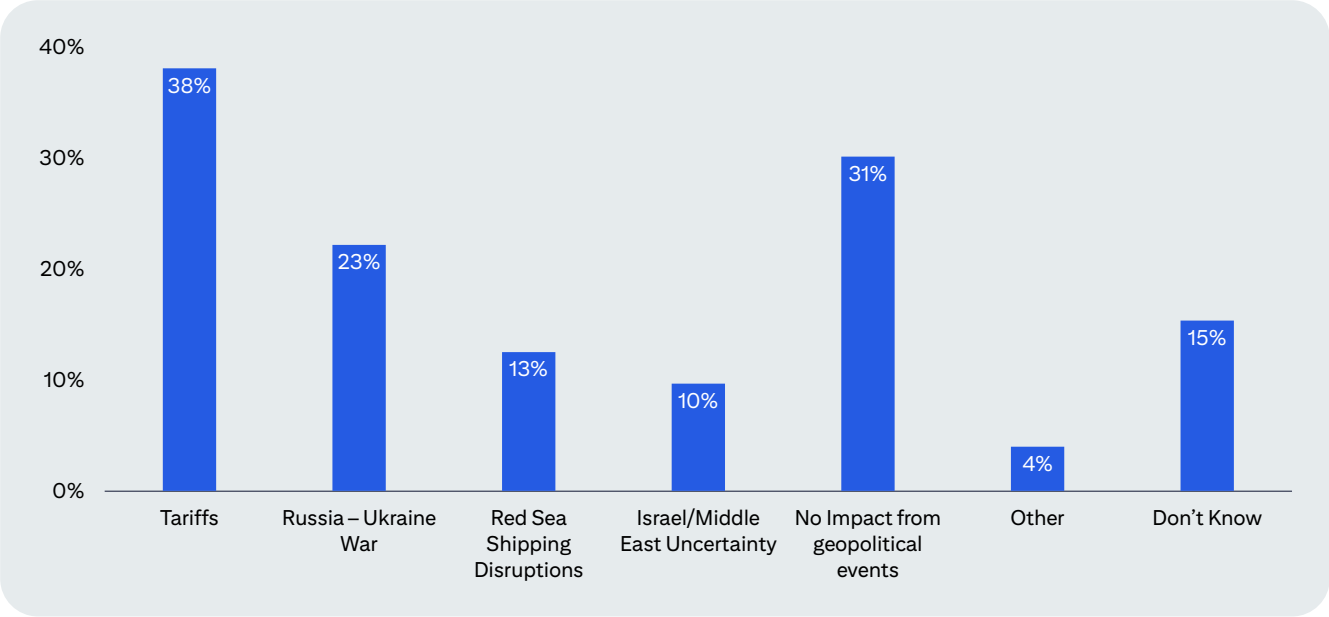
This diversification of demand may partially offset geopolitical concentration risk and suggests that suppliers are finding growth opportunities even in a fragmented global environment.

Large corporates, while acknowledging demand volatility, appear to be focusing more heavily on strategic initiatives to stimulate order flow, such as discounts, extended terms, and channel investment, according to the survey. This divergence highlights a classic timing gap: suppliers are closer to realized demand, while corporates are more oriented toward strategies to grow future sales.

Geopolitical Risk: Increasingly Normalized

Geopolitical risks beyond tariffs, including the Russia–Ukraine war, Middle East tensions, and Red Sea disruptions, are acknowledged by survey respondents but appear increasingly normalized. Suppliers generally view these risks as manageable rather than acute.

Figure 60. Has your organization been impacted by geopolitical events?



Source: 2025 Citi Supply Chain Finance Supplier Survey, Citi Services

Sustainability

Recent geopolitical shifts underscore the growing importance of regionalized sustainability strategies. Navigating challenges and harnessing opportunities requires an understanding of low-carbon energy availability, industrial electrification and complex supply chain dependencies to optimize natural resources and power generation mixes, all against a backdrop of increasing energy security concerns.

Post the 2024 U.S. elections, shifts in trade, energy, climate and social policies are influencing corporate sustainability agendas. Despite these headwinds, private-sector long-term net-zero commitments persist, driven by global competitiveness in a low-carbon global economy and rising climate adaptation needs.

Elsewhere, regulators and governments increasingly acknowledge that streamlining processes is crucial for achieving sustainability goals. Initiatives like the EU's Omnibus Proposal aim to simplify regulations while overseeing corporate strategies for emissions, environmental impact and human rights.

Sustainable finance can be seen as a critical transmission mechanism between geopolitics and supply chains. Capital allocation, procurement policies and disclosure rules can guide investment towards resilient, low-carbon networks. Geopolitics also impacts pricing, capital access and transparency on sustainability.

Citi Services 2025 survey highlights a sustainability landscape shaped by geopolitical change and increasing regional differentiation. While large corporates often frame sustainability around external perception and regulatory risk, it increasingly influences supplier selection and business allocation. Suppliers primarily view it as a growth opportunity, and as a means of strengthening supply chain resilience. Medium-term targets for 2030 now seem to be within the C-suite's five-year planning horizon.

Our survey analyzes four key sustainability themes for corporates and suppliers to consider in 2026:

- The evolving dynamic between large corporates and suppliers on sustainability.
- Shifts in the rationale behind companies' focus on sustainability.
- Priority sustainability focus areas for corporates and suppliers, particularly in the U.S.
- Key obstacles hindering sustainability progress across corporate supply chains.

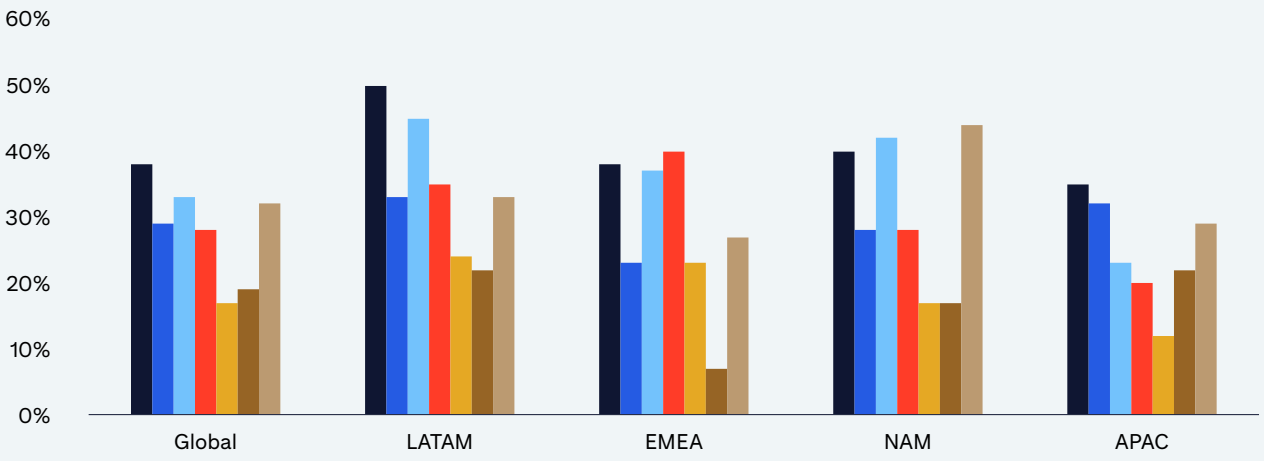
Buyer–Supplier Dynamics: Sustainability in Evolving Supply Chains

Sustainability is a material consideration in supplier selection and order flow, although not always dominant. North American companies lead in using sustainability for allocating business to existing suppliers, and are second only to Latin American companies in using it to select new suppliers.

Globally, 38% of respondents are adding new partners due to sustainability strategies, either their own or those of their suppliers, a trend most pronounced in Latin America (50%) and North America (40%), followed by Europe, Middle East and Africa (38%) and Asia Pacific (35%). Conversely, 29% of companies are reducing partners for sustainability reasons, showing minimal regional variation. Overall, 94 companies reduced suppliers for sustainability reasons, compared with 80 that added them.

When allocating business to existing suppliers, 32% of companies worldwide consider sustainable offerings and practices, with NAM leading at 44%, followed by Latam at 33%, APAC at 29%, and EMEA at 27%.

Figure 61. Supplier Selection Dynamics



Question 1 Specifically, why are you planning to increase/decrease the number of supply chain partners in your network?	● Adding new partners as a result of our and/or their sustainability strategies ● Reduction in partners as a result of our and/or their sustainability strategies
Question 2 What are your primary considerations when considering re-shoring operations?	● Cheap natural gas/energy ● Lower emissions (access to renewable energy, etc) ● Other sustainability issues (broader environmental impacts, access to water, etc)
Question 3 What are your key motivations for shifting or considering a shift of your supply chains to a new country?	● Access to lower carbon energy sources
Question 4 What determines which of your supplier you allocate more significant order flow to intead of others?	● Sustainable offerings/sustainable practices

Source: East & Partners Large Corporate Survey 2025, Citi Services

50% of suppliers are “sometimes” asked about their environmental, social, and governance (ESG) goals and practices by customers, an increase from 47% in 2024, while 20.3% are “never” asked, up from 19.1%. Of those that are never asked, notable increases were in Utilities (11% to 45%), Healthcare (8% to 40%), and Transportation (17% to 45%), with declines in Natural Resources (19% to 5%) and Technology, Media, and Telecoms (26% to 15%).

Suppliers were also asked about their resources dedicated to sustainability, which may affect their responsiveness to customer requests, as well as longer-term sustainability strategy development. In 2025, 64% reported dedicated sustainability resources, a slight increase from 63% in 2024, yet nearly one in five still lack any resource. A quarter now have a dedicated sustainability team, up from 23% in 2024. Suppliers primarily supporting the Utilities sector lead in team establishment at 40%, a significant jump from 14% in 2024, while Healthcare shows the lowest adoption at 10%, a sharp decline from 25% in 2024. Natural Resources suppliers more frequently rely on contractors (16% against an 8% average). Geographically, suppliers in APAC (excluding China, India, South Korea, ANZ) are most likely to have dedicated teams (37%), followed by Sub-Saharan Africa (34%) and China (33%). Conversely, NAM continues to have the highest proportion of suppliers without dedicated ESG resources at 49%, while China remained the lowest at 3%. Overall, North America saw modest growth in dedicated teams (8% to 11%) and single full-time roles (4% to 12%) year-on-year.

While sustainability is a factor in supply chain relocation, it rarely serves as the main impetus. Factors like low labor costs (38%), diversification away from China (33%), and tariffs (33%) typically take precedence. However, lower emissions enabled by access to renewable energy are cited by 28% as a relocation driver, with other sustainability-related considerations like broader environmental impacts and water access influencing 17%. Separately, but closely linked to energy sourcing rather than sustainability per se, 33% cited access to cheap natural gas or energy.

Regional differences are pronounced. Latam companies demonstrated greater focus on sustainability when relocating supply chains, with 35% citing lower emissions and 24% citing other sustainability issues, against global averages of 28% and 17%, respectively. EMEA showed a similar pattern, with 40% citing lower emissions and 23% other sustainability issues. NAM aligned with global averages, while APAC placed less emphasis on sustainability in re-shoring decisions, with 20% citing lower emissions and 12% other sustainability issues.

Furthermore, 19% of companies consider access to lower-carbon energy sources when relocating suppliers, with Latam and APAC reporting 22%, NAM 17% and EMEA significantly lower at 7%.

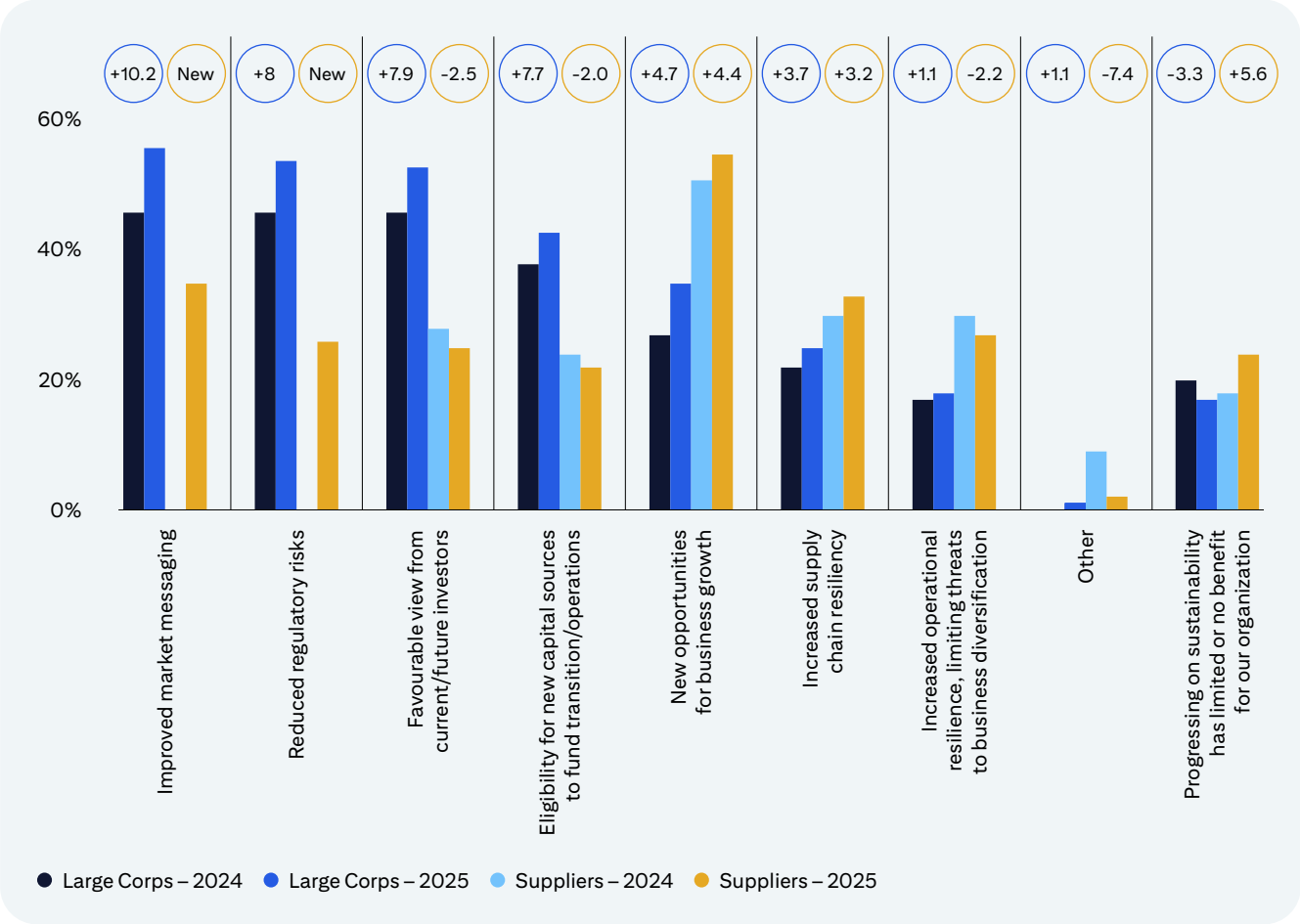
Why Sustainability Matters

The perceived benefits of sustainability strategies differ between large corporates and their suppliers, with some areas of alignment. Large corporates, many of which have public net-zero commitments, primarily view sustainability as a tool for enhancing external perception. Improved marketing, cited by 55.6% of respondents, attracting investors (53.4%), and mitigating regulatory risk (54.2%), remain the top drivers, broadly consistent with 2024.

Suppliers across regions and industries, in contrast, predominantly view sustainability as a business growth opportunity.

Both large corporates and suppliers recognize additional benefits, including greater operational resilience, and enhanced visibility into deeper supply chain exposures.

Figure 62. What are the benefits you see in progressing a sustainability strategy?



Source: East & Partners Large Corporate Survey 2025, 2025 Citi Supply Chain Finance Supplier Survey, Citi Services

Across sectors, large corporates tend to prioritize sustainability for reputational, regulatory and capital access, with emphasis varying by industry. Natural Resources companies, due to high physical climate risk exposure, strongly focus on reduced regulatory risk (94%) and marketing benefits (65%), and citing operational resilience more frequently than any other sector. Technology and Healthcare sectors primarily prioritize investor sentiment and access to capital for transition and operations, alongside marketing.

Resilience motivations differ between large corporates and suppliers. Large corporates in Natural Resources frequently cite operational resilience due to climate risks. Supply chain resilience is crucial for Industrials and Natural Resources, and for suppliers, it has surpassed operational resilience since 2024, indicating a growing awareness of deeper supply chain risks.

Sustainability's role as a growth lever also diverges between large corporates and suppliers. For large corporates, new business opportunities are typically a mid-tier priority, most cited by Technology, Natural Resources, Industrials, and Consumer, but least by Healthcare. Conversely, for suppliers, it is the top motivation across sectors, particularly strong with suppliers serving the Services industry (61%, up from 55% in 2024), and for suppliers in Eastern Europe (76%) and India (73%).

Despite broad recognition of benefits, 16.5% of large corporates still report seeing no benefit from sustainability (down from 19.8% in 2024). This skepticism is highest in APAC (21%) and lowest in EMEA (8.1%).

Key Sustainability Focus Areas

For large corporates, the three most material sustainability issues in supply chains remain emissions, cited by 48.2% of respondents, energy consumption, usage and efficiency at 43.9%, and pollution and waste at 40.3%.

Globally, energy consumption, usage and efficiency gained prominence between 2024 and 2025, overtaking pollution and waste, although this trend reversed in NAM. Other issues, including deforestation and biodiversity loss and social concerns, maintained their relative rankings.

A declining percentage of large companies (16.9% in 2025, down from 19.8% in 2024) consider sustainability issues irrelevant to their supply chains.

The most significant increase in importance since 2024 was observed in energy consumption, usage and efficiency, rising from 29.9% to 43.9%. In 2024 the category emerged from verbatim responses under the "Other" category, and was largely driven by NAM firms (40.8% against a 25%-30% range for other regions). In 2025 it was separated from the "Other" category, which may have influenced the increase in EMEA (from 25.2% to 46.8%) and APAC (28.2% to 41.7%).

Despite increased politicization of climate policy, including multiple policy rollbacks, NAM responses remain relatively consistent. Emissions continue to be the most material issue, at 60.9% (from 61.6% in 2024), with rising attention for pollution and waste (49.6% to 54.7%), energy consumption, usage and efficiency (40.8% to 51.6%), and water-related issues (24.0% to 26.6%), the latter coming in a year that saw significant wildfires in water-challenged areas of California, and concerns about the growing demands of data centers for water. NAM remains the region citing equality most frequently, at 23% (24% in 2024), and a declining share now view sustainability as irrelevant to their supply chains, at 14.1% (from 17.6% in 2024).

In EMEA, emissions remain the top priority at 65%, followed by pollution and waste at 48% and energy efficiency, 47%. It leads in focus on human rights, cited by 27%.

Latam places the greatest emphasis on water-related issues, at 50%, followed by energy efficiency at 39%, emissions at 37%, and deforestation and biodiversity loss, 27%.

In APAC, the focus is on energy efficiency and emissions, both 41%, followed by pollution and waste, 37%, human rights (8%) and other social concerns (3%) receive lower emphasis.

Across most sectors, emissions and energy efficiency dominate, although Healthcare and Consumer place additional emphasis on pollution and waste. Deforestation and biodiversity loss are key for Natural Resources and Consumer sectors, while human rights concerns are cited most by Natural Resources, Industrials, and Consumer. Equality is most prominent in Technology and Telecoms.

Buyer–Supplier Alignment

Alignment between corporate and supplier sustainability priorities is critical for the successful implementation of sustainability strategies. Globally, 50% of suppliers agree that their customers' priorities align with their own material issues; 11% disagree, with a slight increase in strong disagreement, from 4% in 2024 to 6% in 2025.

Sector-Level Alignment:

- Materials and Natural Resources had the highest level of alignment, with 82% of suppliers agreeing (47% strongly, 35% somewhat), significantly above the global average of 50%.
- Utilities also demonstrated high alignment (44% strongly agree) and were least likely to disagree.
- Services showed weak alignment, with only 4% strongly agreeing.

Regional Alignment:

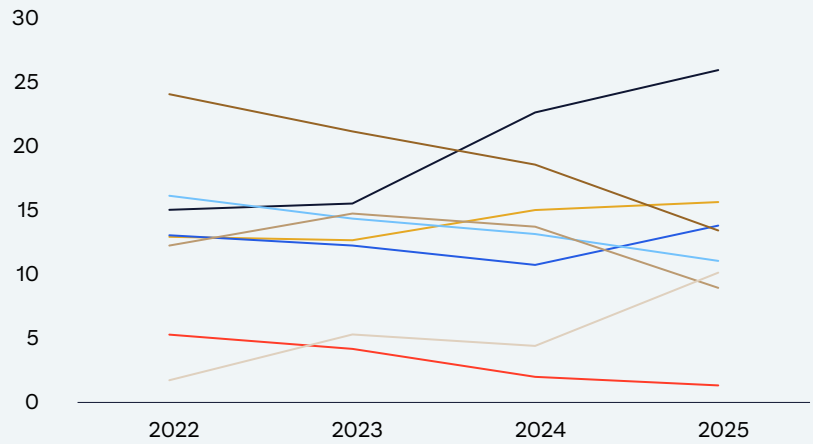
- Highest "Strongly agree" responses came from Other Asia (APAC excluding Australia and New Zealand, China, India, South Korea, 32%), Sub-Saharan Africa (32%), and China (30%).
- Lowest "Strongly agree" responses were NAM (4%) and South Korea (0%), and highest "Strongly disagree" responses were from Australia and New Zealand (25% vs 6% average), North Africa (20%), and NAM (17%).

Obstacles to Sustainability Progress

The barriers to integrating sustainability into supply chains are shifting, as mature sustainability strategies evolve from planning and disclosure towards implementation across value chains. Fewer companies now cite foundational issues such as unclear definitions or uncertainty about where to begin. Instead, the cost of compliance on goods production has emerged as the primary impediment.

This new phase will bring changes in both challenges and opportunities, as companies delve into the work of embedding sustainable business practices across business lines, fostering greater engagement among value chain partners.

Figure 63. What is the main issue preventing greater integration of sustainability measures across your supply chain?



Source: East & Partners Large Corporate Survey 2025, Citi Services

Key trends over the past four years include:

- **Increased focus on cost of compliance:** Cost impact on production became the top obstacle in 2024 and increased its lead in 2025 (from 23% to 26%). NAM (31%) and APAC (29%) companies feel the greatest pressure, whilst in 2024 APAC companies felt it the most. This issue is most acute in Industrials (33.9%) and Natural Resources (28.0%).
- **Declining definitional problems:** Previously the biggest issue in 2022, the lack of workable or consistent definitions has gradually fallen to become the fourth-ranked obstacle in 2025, cited by 13% of companies, with greater prevalence in EMEA (20.2%), followed by Latam (15.2%), NAM (14.8%), and APAC (9.6%).
- **Growing supplier resistance:** Cited by 14% of companies (up from 11% in 2024), led by EMEA (19%) and APAC (14%)
- **Persistent regulatory complexity:** Remains an obstacle for 16% of large companies, with notable regional divergence, reflecting differing public policies. Sensitivity is highest in EMEA (19%) and saw a rise in Latam (14%). However, NAM perception slightly decreased (20% from 22%), and APAC was unchanged (13%). The EU's Omnibus Proposal aims to simplify regulations, but this has not yet filtered through to companies.

Other Developments:

- **Increased Implementation success:** 10% of companies report facing no issues and having fully implemented sustainability measures – a significant rise from 4.4% in 2024. Success is notably higher in APAC (growing from 4.5% to 13.2%) and EMEA (up from 4.7% to 11%), and by sector in Telecoms (21.9%) and Healthcare (12.9%).
- **Reduced internal hurdles:** The lack of internal buy-in or cooperation as an obstacle decreased to 9% (from 14% in 2024). Latam companies struggled with this more (17%, though down from 22%), while it was a minimal obstacle in EMEA (4%) and NAM (5%).
- **Fewer concerns about complexity:** A smaller proportion of companies (11%, down from 13%) find sustainability processes too complicated or are unsure where to start. Latam companies found complexity the biggest obstacle (18%, unchanged), while other regions saw decreases.
- **Strong customer demand:** Just 1.3% of companies (down from 5.3% in 2022) report no customer demand for sustainability, underscoring its role as a key driver.
- **Progress on frameworks:** The decline in definitional problems coincides with companies developing and leveraging frameworks – like product carbon footprints (PCFs; for example the World Business Council for Sustainable Development's Partnership for Carbon Transparency) – and collaborating on standards (for example, the Carbon Measures coalition, launched in October 2025).

Considerations for the Year Ahead

The survey offers options for corporates and suppliers to consider in 2026.

- **NAM:**
  - **Corporates:** Engage suppliers on sustainability, given the region's lowest level of supplier alignment.
  - **Suppliers:** Leverage sustainability as a competitive differentiator, particularly in emissions, energy efficiency, and pollution and waste. This is critical, as 40% of U.S. respondents use sustainability to add new partners and 44% consider it for business allocation.
- **EMEA:**
  - **Corporates:** For companies facing supplier resistance (19% of our survey respondents), proactive engagement is essential. Consider using financial tools like sustainable supply chain finance to incentivize supplier progress.
  - **Suppliers:** Anticipate continued focus on emissions, pollution, waste, energy efficiency, and human rights. Build capabilities for transparent disclosure to meet evolving expectations.
- **Latam:**
  - **Corporates:** Prioritize internal alignment, as 17% cite lack of internal buy-in as an obstacle (versus 4% in EMEA and 5% in NAM). Our 2024 report, Sustainable Transitions, details steps to improve alignment and facilitate sustainable finance tool adoption.
  - **Suppliers:** Strengthen partnerships by highlighting sustainability credentials. Latam corporates are highly likely to add new partners (50%) and allocate business (33%) based on sustainability. Focus on transparent disclosure for a broad spectrum of environmental issues:
    - Water-related issues (50% see this as a key issue in their supply chains)
    - Energy consumption, usage, and efficiency (39.2%)
    - Emissions (36.8%)
    - Deforestation and biodiversity loss (27.2%)
    - Other environmental issues (13.6%)

- **APAC**
  - **Corporates:** Aligning sustainability initiatives to commercial priorities and cost savings could accelerate sustainability practices where cost is a barrier.
  - **Suppliers:** Communication with large buyers to understand the need for compliance, versus the opportunity to leverage sustainability for growth; APAC was the lowest region (35%) to add partners based on sustainability, and the second highest to reduce partners for sustainability reasons (32%).
  - **APAC-based suppliers:** Dedicated sustainability resourcing can be a competitive enabler (37% in our survey have dedicated teams).
  - **All Parties:** Given regional misalignments between buyer and supplier priorities, proactive engagement between sustainability and procurement teams is encouraged.
- **Cross-Regional Insights**
  - **Corporates:** Aligning sustainability initiatives with commercial priorities and cost savings could expedite supplier adoption of sustainable practices, especially where cost is a barrier. This can be further supported by involving financing partners to improve capital access. Proactive supplier engagement is essential for understanding priorities and compliance hurdles. Awareness of supplier resource limitations is also key.
  - **Suppliers:** Evaluating and aligning sustainability resourcing strategy with key customer needs is vital for long-term competitive positioning.

Endnotes

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2 Financial Times, China's Trade surplus tops $1trn for first time 2025

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10 Gov UK, Pathway for zero emission vehicle transition by 2035 becomes law, 2024

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21 Bloomberg, AI Wants More Data, More Chips, More Power, More Water, More Everything, 2024

22 McKinsey, The data center balance: How US states can navigate the opportunities and challenges, 2025

23 IEA, Energy supply for AI, 2025

24 https://www.mckinsey.com/industries/technology-media-and-telecommunications/our-insights/ai-power-expanding-data-center-capacity-to-meet-growing-demand

25 Our index is built from three categories of data: global PMIs, inventories, and shipping costs. For more detail regarding the construction of the index see Global Economics – Global Supply Chains – How Intense Are the Pressures?

26 Our tariff rate is based on all announced policies and 2024 import shares. The collected tariff rate (i.e., actual tariff revenue over imports) is a fair amount lower – a notch above 10% – in part due to ongoing implementation and monitoring issues

27 The latest figures show that average manufacturing wages in Canada (which are still lower than U.S. wages) are more than 2.5 times higher than wages in Mexico

28 For more details, see “USMA: A (Bumpy) Renewal is Likely” in the recent Must C report: Investing in 2026: Themes and Trades

29 We examined the potential for a manufacturing renaissance in the U.S. prior to the recent administration. For more details, see Citi GPS: Global Trade in Flux

30 For more details, see Foreign Direct Investment: Global Implications of “America First” Policies

31 See: Global Economics – Globalization vs. Deglobalization: What’s Next?

32 For more details, see Productivity & the AI Revolution: Implications for the Economy and Markets

33 IBM, What are smart contracts on blockchain?, 2025

34 East & Partners Large Corporate Survey 2025, Citi Services

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IMPORTANT DISCLOSURES

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