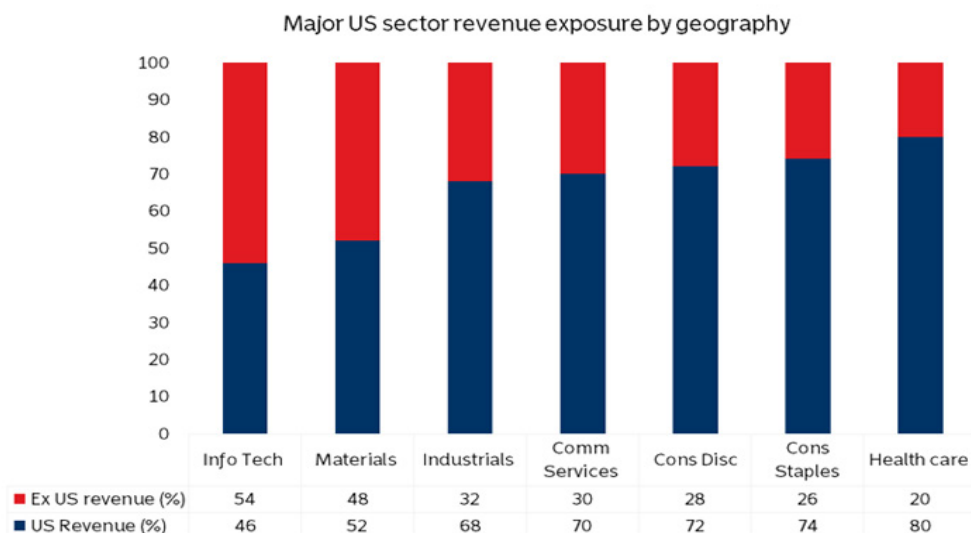


US Sector exposure to foreign revenue

By Simon Price

Chart of the Week



Source: Bloomberg Finance L.P., as at 31 December 2024.

What this chart shows

This chart provides a breakdown of major US equity sectors, not including mostly domestic focused sectors, and their revenue sources, distinguishing between domestic and international sources as of December 2024. In aggregate, more than 54% of the tech sector's revenue came from abroad in 2024, making it the most exposed sector to international demand in the S&P 500. Its largest non-domestic market is China, accounting for nearly 14% of sales. This was followed by the materials sector, then industrials and communications, mostly due to Meta and Alphabet. The most insulated sector with over 80% of its revenue earned domestically is Health care, followed by staples and discretionary.

Why this is important

President Trump's unveiling of his tariff package, which was substantially worse than expected, has brought tariff risks to the forefront for investors. There are significant concerns about the negative impacts on supply chains, consumer confidence, and corporate earnings. Tariffs are expected to slow down demand across various sectors due to increased costs being passed on to consumers. Companies may consider raising prices to offset these costs, which could reduce purchasing power and sales volumes. To mitigate the risks associated with tariffs, companies are exploring strategies such as diversifying supply chains, negotiating with vendors, adjusting product sourcing, and considering shifting manufacturing to manage costs and maintain competitiveness. Understanding industry structures within sectors, including the flexibility to shift production domestically, and pricing power is crucial in the investment decision-making process.

It is important especially in heightened risk environments, which now include increased tariffs to ensure that portfolios are resilient across various potential outcomes, rather than reacting to headlines.



Global Matters Weekly

14 April 2025

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