WHAT KEEPS CFOs UP AT NIGHT

In recent years, we weathered a global pandemic and lockdowns that brought many economies to a standstill. This was followed by an uneven global recovery characterised by supply chain issues, cost of living increases, high inflation driving higher pricing, increased currency volatility, and Central Banks raising interest rates to try to temper inflation. Other extrinsic factors include extreme weather events, geopolitical challenges, wars and conflicts, and leadership changes across many jurisdictions, including the United States, where President Trump has sought to remake (some would say 'upend') the world economy in the first 100 days of his presidency with sweeping global tariffs.

Most of these issues are beyond the control of consumers and businesses trading internationally, arguably clouding and complicating business planning for the future.

Instead of gazing at crystal balls, or peering at the dregs of the morning cuppa, we're going to focus on our own empirical observations.

To get a sense of what is on CFOs' and financial teams' minds, we've spoken to clients and colleagues. We also examined long-term currency market trends and evaluated economic reporting, pored over our economics books and the business press, and drawn on our own experience with clients in the global currency markets.

We don't expect you'll be surprised by any of what follows. While the global economy is increasingly unpredictable, global business will likely go on finding ways to stay resilient –and discover and develop– opportunities for growth and innovation.

Our job is to help our clients mitigate risk on the journey toward P&L success, no matter what the world throws at them.

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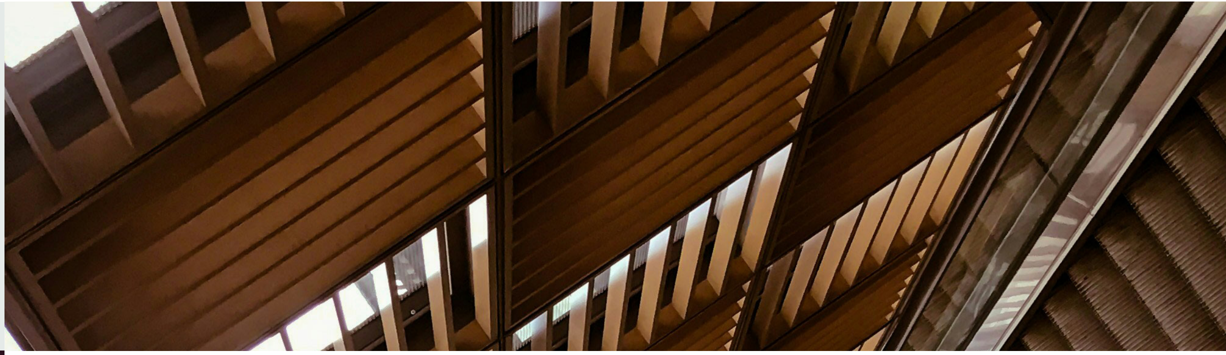


I. Global trade dynamics

1. **Tariffs, geopolitical tensions and trade wars.**
   Think of it as piloting a sturdy ship to weather stormy seas. A robust currency risk strategy begins with a thorough assessment of exposure to foreign exchange fluctuations. By understanding the potential impact on financial performance, companies can proactively devise strategies to mitigate risks. This could involve a mix of hedging instruments, diversification, and natural hedging.

2. **Rising international shipping costs.**
   The proliferation of carbon reduction schemes, the convergence of environmental regulations, geopolitical tensions, and economic sanctions has contributed to rising international shipping costs. While costs seem to be moderating, increased expenses are likely to be transferred at least partially to consumers, leading to higher prices for goods and services globally. US tariffs will weigh on costs as well.

   Businesses engaged in international trade will need to closely monitor these developments and may want to consider strategies to mitigate the impact of escalating shipping costs on their operations, as it comes to foreign exchange. According to Drewry's World Container Index, the average cost of a shipping a 40ft container via those major trade routes had moderated to US$2,091 (1 May 2025), from a high of US$5,937 (18 July 2024). On 1 May 2025, Drewry reported:

   "The average YTD composite index closed at $2,811 per 40ft container, $82 lower than the 10-year average of $2,893 (inflated by the exceptional 2020-22 Covid period)".

   Additionally, the European Union's Cleaner Marine Fuel Rules came into effect on January 1, 2025. These implemented regulations requiring commercial ships over 5,000 gross tonnage operating in EU ports to reduce CO2emissions or face penalties. The limited supply of alternative fuels, such as biodiesel and LNG, has led to increased shipping costs, with these expenses may well be passed on to consumers and businesses.

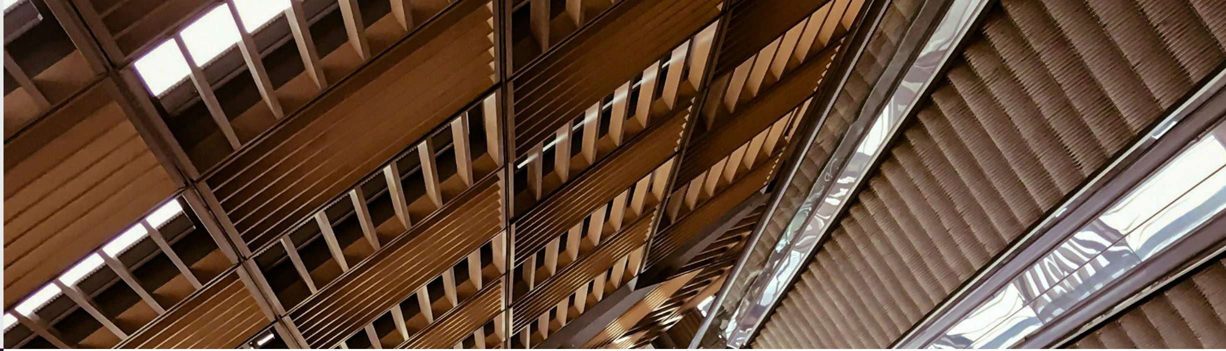
   Some parties have mooted the idea of 'pooling' credits for fleets operating a mix of biofuel and fossil-fuel powered vessels, or a 'marketplace' for shippers to buy and sell credits.

   In the meantime, many shippers may be looking at strategies that will help them hedge against higher pricing.

II. Global economic and market factors

3. **Currency volatility and continuing uncertainty.**
   CFOs exposed to USD might be reflecting on where they were placed just a few weeks ago, before the market volatility after "Liberation Day" at the start of April. More recent forecasts point to the USD slide continuing as the market cautiously observes and digests the Trump administration's next moves.

   International revenues and expense have been affected by more dramatic fluctuations in currency exchange rates, evidenced by factors such as the rising, further rising, and finally falling U.S. dollar in the space of a single week. While some analysts forecast that the US dollar strength may continue to fade against other fiat currencies as uncertainty continues, forward planning is ever more difficult for businesses operating globally.



It would be prudent to re-evaluate risk, and the cost of hedging, objectively over the short, medium and longer term. Strategies that build more flexibility into later months may allow businesses to re-evaluate positions and adjust accordingly.

4. **Uneven inflation.**
   Inflation has had an uneven impact across various sectors. After the COVID-19 pandemic (and lockdowns), supply chain disruption caused prices to rise as demand for goods began to increase or normalise. Some companies have faced genuine cost increases, while others kept prices high even as post-pandemic inflation eased.

   Inflation itself is explained in various ways; lax monetary policy; an imbalance of supply and demand; and real increases in costs due to geopolitical challenges and natural disasters. Central bankers have few levers to control inflation; raising interest rates is one lever that makes borrowing more expensive and that liquidity reduction can help keep an economy from overheating.

   Even as interest rates have begun to ease in many countries as inflation slowly abated, it can still take time for many consumers to feel some relief. Slowing the rate of additional inflation does not typically cancel the inflation that already accumulated before that slow down. Low unemployment and higher wages can be net positives but may also keep prices higher for longer through a wage price spiral. Tariffs –and more uncertainty about the levels– may cloud the picture still further

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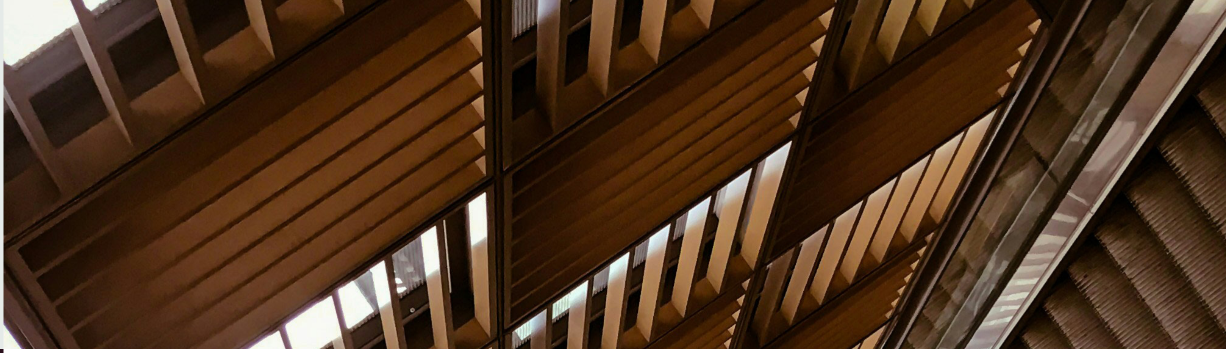
III. Technology and cyber security

5. **AI and technology.**
   Investment in artificial intelligence (AI) tools has boomed over the course the past couple of years. CB INSIGHTS reported that AI garnered 37% of venture capital funding in 2024; FDI Intelligence reported that half of all VC funding worldwide was captured by AI in the fourth quarter of 2024. Many governments are struggling with regulatory issues in such a fast-moving sector.

   AI and other emerging technologies are challenging –and changing– treasury management practices in Asia and across the world. Many CFOs and Finance teams are developing new strategies to navigate the changing tech ecosystem and the role of AI in FX and cross-border optimisation.

   AI can improve overall visibility across business operations, making it much easier for CFOs to identify unforeseen issues and quickly respond in real time before an issue has a significant negative impact on business performance. It can also help automate repetitive tasks, such as data entry, and help free teams up for more strategic work. Further, as many applications are effectively ‘trained’ to spot patterns, they can help detect errors and fraud, supporting compliance as well (despite the patchwork of regulations surrounding its use!).

   AI can be a powerful tool, but it is just that: a tool. Many businesses are developing and refining AI policies as they test applications and measure risks. Adding the human element –the ability to interpret and learn from findings–can support business growth.



6. **Cybersecurity.**

CFOs and finance departments are prime targets for cybercriminals due to their access to critical financial data, payment systems, and the potential for high-value fraud. Remote and hybrid teams complicate many companies' security enforcement efforts. The frequency and sophistication of attacks, and the targeting of financial systems, are on the rise. IBM's 2024 report on data breaches estimated the average global cost of an attack at US$4.88m, a 10% increase over 2023. The cost is even higher in the financial industry, which is widely reported as having the second-highest level of risk following healthcare.

New technologies, the digitalisation of data, and the advent of AI, have enabled faster processes for the global financial system, but have exposed the sector to greater risk of cyberattack (that's where the money is). The IMF's 2024 report cited that attacks on financial firms accounted for nearly one-fifth of the total, with the risk of extreme losses more than quadrupling since 2017.
The report also notes that more robust internal governance and monitoring of firms' and third-party providers' systems, coupled with international cooperation, is "imperative." Internal training, to increase staff awareness of risk, is also important: a recent IBM study found human error was the cause of 95% of breaches (Stanford University reported 88%).

While it may seem obvious, then, it would be prudent to ensure that any business partner who has access to your data (and by extension, your customers' data), including software and ERP providers and especially third-party financial services providers, has robust cybersecurity protocols in place and a rigorous monitoring programme. You're only as secure as their systems (and staff) are.

Choosing an enterprise-grade partner with a strong track record, a well-developed security infrastructure, and monitoring practice can help to protect your business.

These threats are not just IT issues; they are business-critical risks that can impact reputation, financial health, and customer trust.

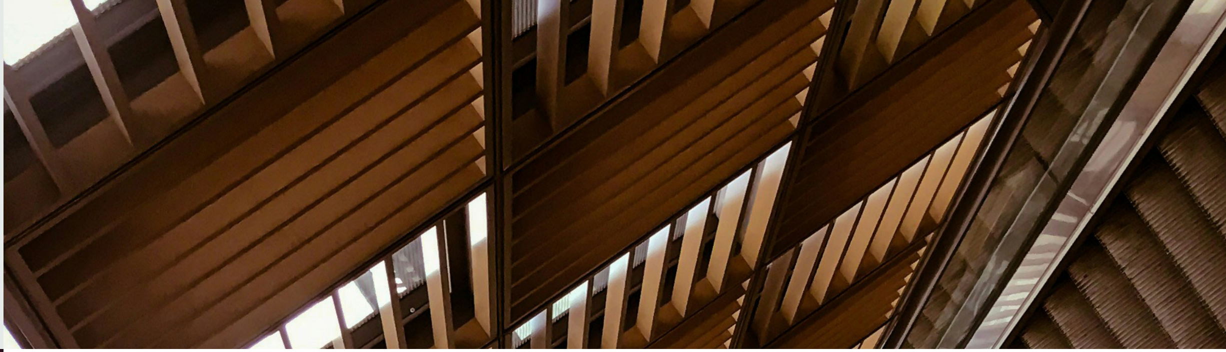
IV. Managing operational and financial challenges

7. **Addressing operational risks.**

In an unpredictable and changeable global economy, many businesses focus on extrinsic risks. A recent McKinsey survey of global business leaders cited geopolitical tensions as the risk foremost on their minds, though this is outside the control of businesses operating cross-border. Grant Thornton's Q1 2025 CFO survey indicated a sharp decline in economic optimism, especially with respect to the U.S. economy.

Many businesses are looking inward: evaluating their own operations and business processes to find ways to increase efficiency and resilience. Nearshoring has been a watchword for several years: moving operations closer to home can help lower transport costs and increase control and oversight of production.

Digitalising operations, exploring new supply partners and routes, and outsourcing some functions are other tactics—and may even result in new trade partnerships that enable expansion.



V. Staying a step ahead: developing resilience and managing volatility

8. Managing the financial challenges.

From a financial operations perspective, evaluating cash flows (in and out), and modelling different hedging scenarios can offer insights and perhaps present opportunities.
Many businesses, from small and medium-sized growth businesses to multi-nationals, may find themselves constrained by a lack of expertise in managing risks associated with the scope and complexity of the global economy.

It can feel like an 'all of the above' challenge: implementing digital transformation to streamline business processes and operations while targeting expansion and innovation.

Establishing relationships with trusted partners can help businesses bridge resource gaps, from raw materials sourcing, processing and manufacturing, to integrating technology tools and outsourcing necessary service functions.

Corpay can be a partner in that mix. We are a leading provider of global payments technologies and currency risk management tools. Our solutions are designed to help businesses simplify cross-border transactions and treasury management: from pre-trade analysis to balance sheet and cash-flow hedging to reporting and reconciliation, to help increase visibility and operational efficiencies for your team.

We aim to help your global payments feel as seamless as local payments, addressing and managing currency risk and market volatility, and ultimately helping you position your business to capture the opportunities our brave new world offers.

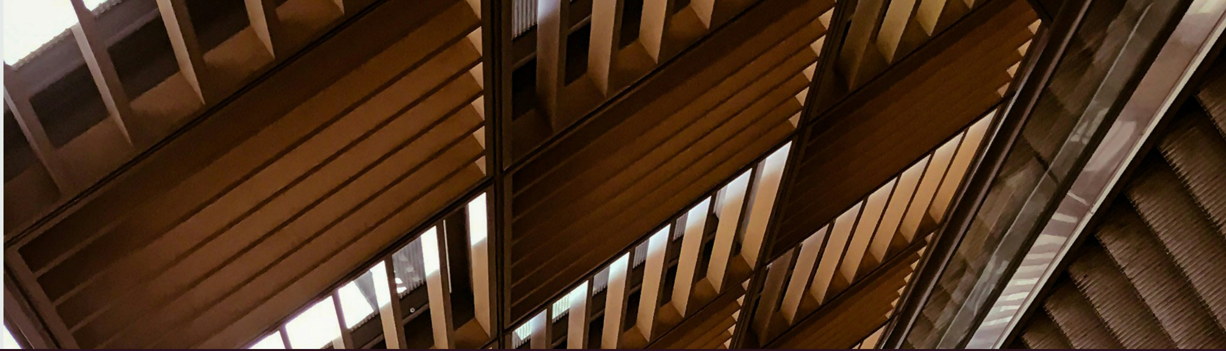
About Tony Crivelli:

As Global Product Manager of Treasury Solutions at Corpay Cross-Border Solutions, Tony leads the development, integration, and overall lifecycle of the treasury product suite on a global scale. These products meet the growing technology needs of the Finance office, helping CFOs to mitigate their foreign exchange (FX) risk and optimize their international cashflow. Tony has more than 25 years of experience in FX and Fintechs both in Asia and Europe, and holds an Executive MBA from the London Business School.

Tony shared some of the insights in this article at a panel discussion on "How Emerging Technologies are changing the Face of Treasury Management" at Money 20/20 Asia (April 2025) in Thailand.

About Corpay:

Corpay Cross-Border is a part of the Corporate Payments Group of Corpay, Inc. (NYSE: CPAY) a global S&P 500 company and a Fortune 1000 firm with a market capitalization of USD $23.6B (as of December 31, 2024). We partner with more than 100 correspondent banks and counterparty trading institutions on six continents, comprising a vast and efficient network of payment gateways and in-country processing networks.



NOTES AND RESOURCES

Tariffs and Trade Wars / Supply chains

Companies move to strengthen supply chains on Trump trade war fears: Financial Times (paywall), reuters, drewry.
From 1 April 2025:
Our detailed assessment for Thursday, 01 May 2025

- The Drewry WCI composite index decreased 3% to $2,091 per 40ft container, 80% below the previous pandemic peak of $10,377 in September 2021.
- The average YTD composite index closed at $2,811 per 40ft container, $82 lower than the 10-year average of $2,893 (inflated by the exceptional 2020-22 Covid period).

Currency Volatility

morningstar, reuters

Inflation

rba, marketplace, imf, theguardian, nature, gbm, rba, fivethirtyeight, greenstreetnews

AI

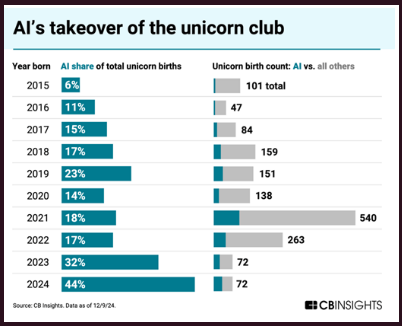
egs, deloitte, cledara

Cybersecurity

ibm, securityintelligence, imf, verizon, verizon, weforum, swp-berlin

Extrinsic and Intrinsic risks

mckinsey, grantthornton, logisticsbureau, CB INSIGHTS RESEARCH



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