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# ECONOMIC UPDATE

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## EXECUTIVE SUMMARY

**U.S. MANUFACTURING ACTIVITY CONTRACTED** in May, with the ISM Manufacturing PMI falling to 48.5%, its lowest level since November 2024. Production, new orders, and employment all remained in contraction, despite modest month-over-month improvements. Supplier deliveries continued to slow, driven by tariff-related delays and strained logistics, while inventories fell as pull-forward activity tapered off. Prices remained elevated, with the **Prices Index** registering 69.4%, reflecting ongoing cost pressures across the value chain. **Consumer confidence** rebounded sharply in May following a partial pause in tariffs, but purchasing behavior showed signs of caution, with retail sales inching up just 0.1% and core capital goods orders plunging 1.3%. **The Leading Economic Index** fell 1.0%—its steepest drop since early 2023—signaling further economic softening. **Construction spending** declined for the second straight month, weighed down by single-family housing. Meanwhile, inflation showed mixed signals, with the **Consumer Price Index** up 2.3% and the **Producer Price Index** rising 2.4% year-over-year, though core PCE inflation rose just 0.1% on the month.

**STEEL: U.S. STEEL TARIFFS ARE NOW AT 50%**, with President Trump doubling Section 232 duties on steel and aluminum imports, excluding the UK. The move has drawn backlash from Canada and Mexico, both threatening retaliation. U.S. steel imports fell sharply in April but partially rebounded in May. Meanwhile, the Department of Energy has designated metallurgical coal as a critical material to support domestic steelmaking. Nippon Steel's proposed acquisition of U.S. Steel remains under review, with the U.S. government potentially taking a "golden share" stake to secure strategic oversight.

**AUTOMOTIVE: TARIFF UNCERTAINTY IS WEIGHING ON NORTH AMERICAN AUTO OUTPUT**, with 2025 production forecasts down 800,000 vehicles. Ford and Volvo have paused guidance and announced layoffs, and Cleveland-Cliffs has idled its Dearborn Works facility due to weakening demand. India, meanwhile, is drafting incentives to localize rare earth magnet production—critical for EV motors—in response to Chinese export restrictions that have disrupted auto supply chains globally. Nissan plans to cut 20,000 jobs and consolidate factories amid rising tariff and production costs.

**ENERGY: U.S. SHALE SPENDING IS FALLING** as low oil prices and rising input costs prompt producers to idle rigs and cut capex by \$1.8B. Oil production is now expected to decline in 2026 for the first time in a decade outside of pandemic years. Meanwhile, Shell has greenlit the Aphrodite gas project in Trinidad to help offset LNG shortfalls. A \$27B UK-Norway gas supply deal also signals Europe's ongoing energy dependency.

**MEDICAL: THE U.S. FDA HAS APPROVED MULTIPLE BREAKTHROUGHS** this month, including Moderna's new mRNA COVID-19 vaccine, the first at-home cervical cancer test by Teal Health, and Gilead's Trodelvy-Keytruda breast cancer treatment combo. Amgen's Imdelltra showed 40% improved survival in lung cancer patients, while CAR-T trials for glioblastoma also yielded promising results. Pharma firms are expanding U.S. manufacturing capacity in anticipation of potential tariffs, with March imports surging 160% year-over-year.

**AEROSPACE: BOEING AND SPACEX REMAIN IN FOCUS**, with Boeing stabilizing 737 MAX production after quality concerns and receiving a three-year FAA ODA extension. Starship's Mars timeline remains ambitious, targeting late 2026. The FAA is addressing severe air traffic control staffing shortages—128 towers are below threshold—with a multibillion-dollar modernization plan now underway. Meanwhile, Etihad's \$14.5B order for GE- and Boeing-powered aircraft highlights continued export demand for U.S. aerospace.

**COMMODITIES: U.S. IMPORTS OF PHARMACEUTICALS HIT RECORD HIGHS** in March as companies stockpiled ahead of anticipated tariffs. Meanwhile, cocoa supplies from West Africa are expected to rebound following years of shortages, offering relief to global markets. China's AI data center emissions are now under scrutiny, with operational CO<sub>2</sub> output from major tech firms up 150% since 2020. Lastly, the U.S. remains the second-largest global carbon emitter, trailing only China, which now produces more electricity than the U.S., EU, and India combined.

**OVERSEAS: GLOBAL TRADE TENSIONS REMAIN HIGH**, with tariff-driven disruptions affecting supply chains from Vietnam to India. Europe is bracing for Chinese steel dumping, while the EU phases out Russian imports and plans sweeping customs reforms. President Trump's Middle East trip produced over \$230B in arms and aviation deals. India's economy continues expanding with branded hotel growth and aviation investment, though concerns linger over rare earth supply chains. In Asia, manufacturing activity is faltering amid tariff pressure, while the military imbalance in the Taiwan Strait continues to draw U.S. scrutiny.

## THE AMERICAS:

**President Trump has signed a proclamation doubling Section 232 tariffs on imported steel and aluminum** from 25% to 50%, with the exception of imports from the United Kingdom, which will remain at the original rate. The increased tariffs also apply to the steel and aluminum content in downstream goods such as tools and appliance parts. The move follows recent trade announcements and has drawn praise from U.S. steel producers while sparking criticism from allies including Canada and the EU.

**Canada's metals industry has warned of layoffs and lost sales** following the U.S. decision to double steel and aluminum tariffs to 50%, prompting Prime Minister Mark Carney to prepare potential reprisals if negotiations with Washington fail. Industry leaders say the new tariffs threaten exports, with some firms already losing access to the U.S. market. Union group Unifor called for immediate retaliation and cautioned that job losses could extend beyond steel to the auto and aerospace sectors.

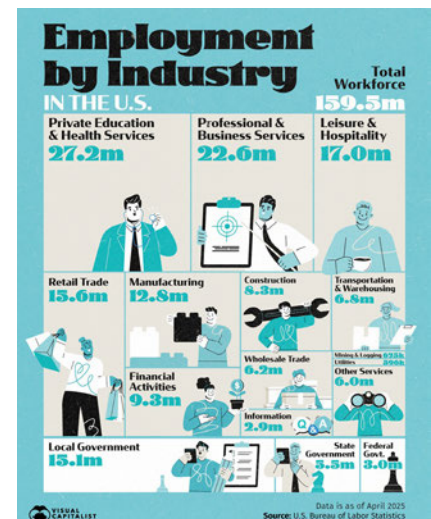
**Mexico's steel trade group Canacero has condemned** the U.S. decision to double tariffs on steel and aluminum imports from Mexico, calling the move unjustified and damaging to regional trade. The group warned the real threat comes from subsidized Asian producers and emphasized that Mexican steel complements U.S. supply. Canacero expressed confidence in Mexico's Ministry of Economy and hinted that retaliatory measures may follow.

**U.S. steel imports fell to a five-month low in April before partially recovering in May**, according to Commerce Department data. April imports totaled 2.08 million short tons (st), down 17% month-over-month and the third-lowest monthly rate in more than two years. May license data shows a 14% rebound, bringing imports back to late 2024 levels. Finished steel fell 12% in April and rebounded to 1.75 million st in May, while semi-finished imports dropped 31% before recovering 38%. Notably, galvanized imports in May hit a 12-year low, and cold-rolled coil imports continued to decline. Canada, Brazil, South Korea, and Mexico were the top suppliers.

**The U.S. Department of Energy has designated metallurgical coal a "critical material"** under the Energy Act of 2020, citing its essential role in domestic steelmaking. The move follows an executive order from President Trump and aligns with his policy focus on bolstering American industrial strength. DOE Secretary Chris Wright emphasized that met coal supports steel production in blast furnaces, reinforcing the manufacturing sector. While 70% of U.S. steel is made in electric arc furnaces using anthracite, met coal remains vital for traditional steelmaking.

**Nippon Steel and the Trump administration have requested an 8-day extension** to a court-ordered pause in litigation over Nippon's proposed \$14.9 billion acquisition of U.S. Steel, signaling a resolution may be near. As part of the deal under discussion, the U.S. government could acquire a "golden share" granting veto power over key decisions such as production cuts and board appointments. President Trump has described the arrangement as a form of partial ownership controlled by the United States. To bolster approval, Nippon Steel is also reportedly considering a new \$4 billion mill as part of an \$11 billion investment into U.S. Steel's infrastructure through 2028. The proposals are designed to address national security and political concerns related to foreign ownership. U.S. Steel and Nippon have not commented publicly on the developments.

**Private education and health services lead U.S. employment in 2025**, accounting for 27.2 million workers, or 17.1% of the workforce, according to April data from the Bureau of Labor Statistics. Professional and business services follow with 22.6 million, while leisure and hospitality, retail trade, and local government each employ over 15 million people. Service-providing industries make up more than 70% of the U.S. non-farm labor force, underscoring the nation's shift away from goods-producing sectors like manufacturing and construction. Government employment remains significant, with 24 million combined across local, state, and federal levels. Despite monthly job growth, the unemployment rate rose to 4.2% in April, with long-term unemployment affecting nearly a quarter of jobless workers.



**SunCoke Energy has acquired Phoenix Global for \$325 million**, expanding its reach into electric arc furnace operations and international markets. The deal, funded through existing cash and an undrawn credit facility, includes all common units of Flame Aggregator LLC. SunCoke CEO Katherine T. Gates called the acquisition a strategic fit that broadens the company's customer base and strengthens its industrial service offerings for steelmakers. The deal is expected to close in the second half of 2025.

## THE AMERICAS:

**Ford has recalled nearly 64,000 compact pickup trucks** due to concerns that airbag indicator lights on certain 2025 Maverick models may be loose or dislodged, making them invisible to occupants. The National Highway Traffic Safety Administration said dealers will install retaining clips to secure the lights. In a separate action, Ford is also recalling over 492,000 Explorer SUVs for potential B-pillar door trim detachment while driving.

**Elon Musk has projected SpaceX revenue of \$15.5 billion for 2025**, highlighting the company's growing dominance in commercial space and satellite services. SpaceX's reusable rockets, including the Falcon 9 and Falcon Heavy, have cut launch costs and enabled a record-setting pace—134 launches in 2024 with a goal of 170 in 2025. Much of its revenue now stems from Starlink, its global satellite internet service, which Musk says may go public. The company is also developing the massive Starship rocket and remains a key player in U.S. defense initiatives.

**The FAA has extended Boeing's authority to perform certain delegated safety tasks** under the Organization Designation Authorization (ODA) program for another three years, citing improvements in most areas. The renewal comes amid heightened scrutiny following a 2024 mid-air emergency involving an Alaska Airlines 737 MAX 9. Boeing, still under a production cap and increased oversight, said it will continue strengthening internal processes. The FAA emphasized it will maintain close supervision throughout the renewal period.

**Elon Musk has projected a first uncrewed SpaceX Starship mission to Mars** by late 2026, aligning with a rare planetary window for efficient travel between Earth and Mars. The announcement follows a failed Starship test flight, one of several recent setbacks in the rocket's development. Musk said the timeline depends on resolving key technical challenges, including in-orbit refueling. Future Mars flights would begin with robotic "Optimus" prototypes, with human crews to follow. NASA continues to target a 2027 lunar landing using Starship as part of its broader deep space program.

**Boeing is working to stabilize 737 MAX production at 38 planes per month** as internal safety and quality metrics show improvement, following a year of heightened scrutiny and financial losses. The FAA imposed a production cap after a January 2024 mid-air incident, and Boeing must maintain consistent output before seeking to lift that limit. Employee-reported safety concerns surged 220% year-over-year, reflecting increased vigilance, while new machine learning tools are helping detect supply chain quality issues early.

**Air traffic control shortages remain a critical issue for the U.S. aviation sector, with 128 of the FAA's 290 towers operating below the 85% staffing threshold as of late 2023.**

The most understaffed, Rochester Tower, is at just 47.8%. While ATC shortfalls were ruled out as a cause in this year's



deadly Potomac crash between a commercial plane and a military helicopter, the incident has intensified scrutiny. Training bottlenecks, high attrition, and a mandatory retirement age have all contributed to the crisis, pushing some controllers into 60-hour weeks. In response, the U.S.

is launching a multi-year overhaul of its air traffic control system, including radar, telecom, and control center upgrades, with tens of billions in planned investment. Congress is expected to finalize funding later this year.

**North American auto growth is projected to slow in 2025 due to tariff uncertainty**, with CRU Group revising its production forecast down by 800,000 vehicles to 14.7 million. Ford suspended its full-year guidance citing significant risks, including supply chain disruption and evolving tariff policies. Volvo announced layoffs across three states, and Cleveland-Cliffs is idling its Dearborn Works due to declining automotive demand. Tariff adjustments under the USMCA framework offer partial relief, but overall market conditions remain volatile. Some automakers, including Mercedes-Benz and Hyundai, are beginning to shift production to the U.S.

**U.S. shale producers are cutting capital expenditures and idling rigs** as low oil prices and rising input costs threaten a decade of output growth. Analysts project a 1.1% decline in U.S. oil production in 2026—the first non-pandemic annual drop in over 10 years—due to falling crude prices, OPEC+ oversupply, and trade-related inflation in steel and aluminum costs. Despite President Trump's calls to "unleash" U.S. energy production, executives from Devon, Occidental, and Diamondback say \$61/barrel prices are unsustainable, with break-even closer to \$65. The rig count has fallen, capex is down \$1.8 billion, and shale producers are prioritizing dividends and share buybacks over new drilling. Trump's tariffs have exacerbated cost pressures, particularly on well



**THE AMERICAS:**

casing. If oil falls to \$50, production losses could exceed 300,000 barrels/day. Executives warn this may mark the end of the shale boom, as U.S. producers struggle to compete with Saudi Arabia's renewed push for market share.

**US groups raced to stockpile pharmaceuticals ahead of tariffs**, importing a record \$53 billion of pharma and medical products in March—up 160% year-over-year—as companies prepared for potential trade restrictions under a Trump administration review. While tariffs on the sector have not yet been announced, companies like Eli Lilly, Johnson & Johnson, Biogen, and Pfizer are boosting domestic manufacturing to hedge against risk. Ireland, a major supplier, accounted for over half of March's imports. European firms like AstraZeneca and GSK are also ramping up U.S. investments in anticipation of policy shifts.

**Gilead Sciences' cancer drug Trolvelvy, combined with Merck's Keytruda**, reduced the risk of disease progression by 35% in a major trial for advanced triple-negative breast cancer. Gilead, a U.S.-based biopharmaceutical company, reported median progression-free survival of 11.2 months versus 7.8 months for the chemotherapy plus Keytruda group. Experts expect the combo to become a new front-line standard of care, pending further survival data.

**Amgen's lung cancer drug Imdelltra** cut the risk of death by 40% versus chemotherapy in a Phase 3 trial of patients with extensive-stage small cell lung cancer that progressed after initial treatment. The U.S. biotech company reported median overall survival of 13.6 months with Imdelltra, compared to 8.3 months with chemo. Serious side effects were less frequent with Imdelltra (27%) than with chemotherapy (62%), and the data is expected to confirm the drug's earlier FDA accelerated approval.

**The U.S. FDA has approved Moderna's next-generation COVID-19 vaccine, mNEXSPIKE**, for adults aged 65 and older, and for individuals 12–64 with at least one CDC-defined risk factor. This marks the first approval since new regulatory rules limited boosters to at-risk populations. The mRNA-based vaccine, which can be stored in refrigerators, offers improved distribution potential, especially for developing countries, and demonstrated strong efficacy in late-stage trials. Moderna expects the shot to be ready for the 2025–2026 season.

**The U.S. FDA has launched Elsa**, a generative AI tool designed to streamline internal operations and accelerate scientific reviews. Elsa is already in use to speed up clinical protocol evaluations, summarize adverse events, and support decision-making for drug approvals, all while maintaining

strict data privacy. The agency plans full AI integration by June 30 as part of broader efforts to modernize regulatory processes.

**Bristol Myers Squibb has agreed to pay up to \$11.1 billion to co-develop and commercialize BioNTech's experimental cancer immunotherapy, BNT327**, in a major push to challenge Merck's Keytruda. The deal includes \$3.5 billion in guaranteed payments and up to \$7.6 billion in milestones. BNT327, which uses a dual-action mechanism targeting both immune response and tumor blood supply, is in trials for small cell and non-small cell lung cancer. The agreement reflects growing industry confidence in next-generation PD-1/VEGF bispecific antibodies.

**Gilead's CAR-T cell therapy shrank tumors in 62% of patients** with recurrent glioblastoma in an early-stage trial, offering rare hope for a cancer that typically has few effective treatments. The dual-target therapy, developed by Gilead's Kite unit and the University of Pennsylvania, was injected into spinal fluid and showed tumor shrinkage in 8 of 13 patients with measurable disease. While responses were largely temporary, some patients lived over a year, and the team is working on a third target to improve durability. A trial in newly diagnosed patients is planned.

**GLP-1 diabetes drugs like Ozempic may modestly reduce the risk of obesity-related cancers**, especially colorectal cancer, according to a study of over 85,000 patients with type 2 diabetes and obesity. Those taking GLP-1 drugs—including Ozempic, Trulicity, and Victoza—developed fewer obesity-linked cancers than those using DPP-4 inhibitors like Januvia. The protective effect was most evident in women and included a 16% drop in colon cancer and 28% in rectal cancer. However, researchers caution the observational data does not establish causation.

**The FDA has approved the first at-home cervical cancer screening test**, developed by Teal Health. The Teal Wand allows women to self-collect samples to screen for HPV—the primary cause of cervical cancer—and mail them to a lab, offering an alternative to in-clinic Pap smears. A study of 600+ women showed the at-home test performs as well as clinician-collected samples. Teal Health expects to launch the test in June for women aged 25 to 65 and is working with insurers to secure coverage.

**Brazil's state-run oil company Petrobras aims to make Africa its primary exploratory region outside of Brazil**, CEO Magda Chambriard said, citing geological similarities and expanding partnerships in Ivory Coast, Nigeria, Angola, and Namibia. The company, formally known as Petr leo Brasileiro

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S.A., is also pursuing offshore exploration in India and plans to drill in São Tomé and Príncipe this year. The strategy comes as Petrobras faces delays obtaining environmental permits for drilling off the Amazon coast. Domestically, it plans to restart fertilizer plants in Sergipe and Bahia by year-end and is seeking greater control over petrochemical firm Braskem, citing misalignment with current management.

**Shell has approved development of its Aphrodite gas project offshore Trinidad and Tobago**, with production expected to begin in 2027 and peak at 18,400 barrels of oil equivalent per day. The project will help offset natural gas shortfalls at the country's Atlantic LNG facility, where Shell holds a 45% stake. The decision follows the revocation of a license for the Dragon gas project in Venezuela. Aphrodite will expand Shell's presence in the East Coast Marine Area, where its other major gas fields are located.

**A coalition of nearly 250 U.S. companies and labor groups is urging Senate Republicans to preserve a key hydrogen fuel tax credit**, warning that terminating it could drive investment abroad. The 45V credit, part of the Inflation Reduction Act, is slated to end for new projects after 2025 under the House version of President Trump's tax bill. The coalition, which includes the American Petroleum Institute, DuPont, and IBEW, is pushing to extend the construction deadline to 2029, arguing that hydrogen is essential for decarbonizing heavy industry and maintaining U.S. competitiveness.

**Europe already has tools to mitigate Trump-era tariffs and Chinese steel overcapacity**, including ending remaining Russian steel imports, according to Thyssenkrupp board member Ilse Henne. Speaking at a Brussels conference, Henne emphasized the importance of deploying existing EU trade defenses to protect the region's steel industry. The EU has already phased out some Russian steel following the Ukraine invasion and recently tightened steel import quotas by 15%. Ongoing trade talks with India have also raised concerns about potential market dumping. The European Commission is working on new import safeguards as current measures expire in 2026.

**EUROPE, AFRICA, & THE MIDDLE EAST:**

**Zimbabwe has issued permits to cull at least 50 elephants** from the Save Valley Conservancy, where elephant numbers exceed sustainable levels by more than threefold. Wildlife officials cited overpopulation and increased human-wildlife conflict, exacerbated by climate change, as key factors behind the decision. Meat from the cull will be distributed

to local communities, while ivory will be transferred to the parks authority. Zimbabwe, home to one of the world's largest elephant populations, last authorized a large-scale cull in 2024.

**Mali has suspended artisanal gold mining activities** during the June–September rainy season to prevent deadly landslides, citing heavy rainfall forecasts and worker safety. The mines ministry announced the decision as part of broader efforts to regulate the sector following fatal accidents earlier this year. Artisanal mining, which contributed around 6 of Mali's 57 metric tons of gold output in 2024, remains widespread but risky due to unregulated practices and growing demand.

**Norway has converted part of a pandemic-era loan into a 6.37% stake in Norwegian Air**, while the airline repaid the remaining half of the convertible loan issued in 2021 during its financial restructuring. The government said Norwegian is now stable enough to meet its obligations and noted that any future divestment of the state's equity will depend on market conditions and company performance.

**Spanish tech firm GMV has launched a GPS-style lunar navigation system called LUPIN**, designed to provide real-time positioning for astronauts and rovers on the moon. Developed in partnership with the European Space Agency, the system uses satellite signals to address the limitations of current Earth-based navigation methods. Field-tested in Spain's Canary Islands, LUPIN aims to support future lunar missions, including scientific research, mining, and human settlement, with long-term potential to assist Mars exploration.

**Nigeria is importing dairy cattle from Denmark** in an effort to double domestic milk production within five years and reduce a \$1.5 billion annual dairy import bill. Despite having over 20 million cattle, most are low-yield breeds. The initiative includes intensive breeding programs, new pasture development, and a national strategy supported by the FAO. Officials aim to increase annual milk output from 700,000 to 1.4 million tonnes to meet rising demand.

**Astronomers in South Africa have raised concerns** that Elon Musk's Starlink satellites could interfere with the country's SKA-Mid telescope, one of the world's most powerful radio observatories. Scientists are lobbying for licensing conditions that would protect sensitive frequency bands from signal distortion, warning that satellite interference could blind critical space observations. The debate comes amid regulatory tension over Starlink's entry into South Africa and broader efforts to preserve "quiet skies" for global astronomy research.

## EUROPE, AFRICA, & THE MIDDLE EAST:

**Italy has launched its largest EV battery-based energy storage system** at Rome's Fiumicino airport, aiming to cut carbon emissions and support renewable energy use. Developed by Enel and airport operator ADR, the 'Pioneer' system repurposes 762 used battery packs from automakers including Nissan, Mercedes, and Stellantis into a 10 MWh storage unit. It will store solar energy produced onsite and is expected to reduce CO<sub>2</sub> emissions by 16,000 tons over ten years.

**President Trump has announced a \$14.5 billion deal between Boeing, GE Aerospace, and Etihad Airways** for 28 wide-body aircraft, including Boeing 787s and next-generation 777X models powered by GE engines. The planes will begin delivery in 2028 as part of Etihad's broader fleet expansion strategy. The agreement is part of a larger \$200 billion set of deals between the U.S. and UAE, reflecting deeper commercial aviation ties and support for American manufacturing and exports.

**Britain's Space Forge has raised nearly \$30 million in funding** led by the NATO Innovation Fund to advance its satellite development and space-based materials manufacturing. Founded in 2018, the Cardiff-based company aims to produce high-value materials in space for use in sectors like semiconductors. The investment underscores growing interest in space tech as global competition accelerates. The NATO fund supports innovation tied to Europe's supply chain resilience and space access, though NATO itself does not direct investment decisions.

**Saudi budget airline flynas is launching an IPO to raise up to \$1.1 billion**, marking the first Gulf airline public offering in nearly 20 years. Backed by Prince Alwaleed Bin Talal's Kingdom Holding Company, flynas is offering a 30% stake, targeting a valuation of up to \$3.6 billion. The offering supports Saudi Arabia's broader strategy to diversify its economy and expand tourism. About one-third of net proceeds will fund the airline's growth, while the rest will support general corporate purposes and partial shareholder exit.

**More than 500 jobs in Italy are at risk** after Stellantis dropped local oil brand Selenia, owned by Malaysia's Petronas, in favor of France's TotalEnergies, according to the Uilm union. The decision ends a 112-year supply relationship tied to Fiat, impacting 450 workers in Turin and 70 in Naples. The contract shift was the result of a competitive tender, and union leaders warned it adds stress to Italy's already strained auto supply chain, with Stellantis production at historic lows.

**Britain's two bioethanol plants are facing closure** after the UK agreed to lift tariffs on U.S. ethanol under its new

trade agreement with Washington. The May 8 "prosperity deal" signed with President Trump grants U.S. producers a 1.4 billion litre tariff-free quota—equal to total UK annual demand—prompting fears of market collapse for domestic producers Ensus and Viverno. Industry groups warn closures would jeopardize UK supplies of CO<sub>2</sub> and high-protein animal feed, cost farmers up to £200 million annually, and weaken confidence in the UK's biofuel and sustainable aviation fuel ambitions. While the UK secured some tariff relief for its auto exports, officials now face urgent calls to deliver a support package before the end of June to preserve domestic infrastructure and arable farming stability.

**The EU plans to impose a €2 handling fee on billions of low-cost parcels shipped directly to consumers** primarily from China, in a move aimed at Temu, Shein, and similar e-commerce platforms. Items sent to warehouses would face a reduced €0.50 charge. The new levy is intended to offset customs costs and fund the EU budget and comes alongside broader customs reforms, including the elimination of the bloc's €150 "de minimis" exemption, which will require VAT registration and increase importer accountability. The policy mirrors recent U.S. actions under the Trump administration to remove similar exemptions, signaling a growing international pushback against unregulated cross-border e-commerce. EU member states are expected to fold the fee into sweeping customs modernization efforts amid pressure to generate new revenue streams.

**President Trump's recent Middle East tour resulted in major arms and aviation deals** totaling over \$230 billion, including a record-setting \$142 billion U.S.-Saudi defense agreement and Qatar Airways' \$96 billion order for Boeing jets. The trip, which excluded a stop in Israel, reflects shifting regional ties and coincided with the lifting of U.S. sanctions on Syria. In 2024, the U.S. conducted \$141.7 billion in goods trade with MENA nations, led by Israel (\$37B), the UAE (\$34.4B), and Saudi Arabia (\$25.9B). The U.S. trade surplus with the region reached \$19.1 billion, a 39.8% year-over-year increase.

### Who Trades Most with the U.S. in the Middle East?

Top bilateral trading partners with the United States in the MENA region in 2024, by total goods trade



**Indirect carbon emissions from leading AI-focused tech firms surged 150% between 2020 and 2023**, according

## EUROPE, AFRICA, & THE MIDDLE EAST:

to a new UN report. The International Telecommunication Union cited Amazon, Microsoft, Meta, and Alphabet as major contributors due to the massive energy demands of AI data centers. Amazon's operational emissions rose 182%, Microsoft's 155%, Meta's 145%, and Alphabet's 138% over the period. While many companies have pledged sustainability goals, the report noted that emissions reductions have not yet materialized at scale. It also warned that AI-related emissions could reach 102.6 million tons of CO<sub>2</sub> equivalent annually.

**Britain's Centrica has signed a \$27 billion deal with Norway's Equinor to import gas over 10 years starting in 2025**, replacing an earlier supply contract set to expire. The agreement will cover about 10% of UK gas demand, supplying roughly five million homes annually. Despite efforts to reduce fossil fuel reliance, gas remains central to UK heating and electricity. Norway currently accounts for half of Britain's gas imports. The deal includes a future option to transition to hydrogen. Centrica also warned that its Rough gas storage site may shut down without government support.

## ASIA/PACIFIC, JAPAN, AUSTRALIA, & INDIA :

**China has approved over 11 GW of new coal power capacity in Q1 2025**, already surpassing the total approved in the first half of 2024, according to Greenpeace. The uptick follows a sharp decline in coal approvals last year and raises concerns about overcapacity and increased transition costs. Despite long-term goals to phase down coal starting in 2026, the country has approved 289 GW of new coal projects during its current five-year plan, nearly double the prior cycle.

**Global automakers have warned that China's rare-earth export restrictions** could halt vehicle production within weeks, as delays in licensing have disrupted the supply of essential magnets used in numerous automotive components. Industry groups representing major carmakers including GM, Toyota, and Volkswagen raised concerns in a letter to U.S. officials, urging faster resolution. China controls over 90% of global magnet processing and halved exports in April following new licensing rules, prompting fears of shutdowns across U.S. and Indian plants.

**The U.S. Department of Commerce has raised the preliminary anti-dumping margins** on Vietnamese coated flat-rolled steel (CORE), following the correction of ministerial errors identified by domestic petitioners including SDI, Nucor, and U.S. Steel. Hoa Sen Group's margin jumped from 59% to 132.1%, while the Vietnam-wide rate rose from 88.12% to 178.89% (with a 136.57% cash deposit rate after subsidy

offsets). Final determinations are expected in August, with ITC injury rulings in October.

**Chinese auto dealers have urged automakers to halt aggressive inventory dumping** amid ongoing price wars that are straining dealer finances and forcing store closures. The China Auto Dealers Chamber of Commerce called for more reasonable production targets, shorter payment cycles, and protections against forced exits from sales networks. The appeal follows government calls to ease discounting pressures and comes as major EV dealer networks, including BYD's, face mounting losses and shutdowns.

**India's new surveillance rules have shaken the CCTV industry** by requiring hardware, software, and source code testing in government labs, measures driven in part by fears of Chinese spying. The rules, now applied to all internet-connected cameras, have disrupted imports, delayed approvals, and drawn backlash from global manufacturers, including Xiaomi, Motorola, and Hanwha. With 80% of CCTV components sourced from China, the policy reflects growing national security concerns and is poised to reshape a \$7B market projected by 2030.

**Branded hotel chains are expanding rapidly in India**, with cities like Dehradun (+67.5%) and Navi Mumbai (+34.4%)

seeing the biggest year-over-year growth in rooms between fiscal years 2022/23 and 2023/24. Other fast-growing locations include Agra, Jaipur, and Udaipur—all popular tourist destinations. While tier 1 cities still lead in occupancy rates (73.6%), nearly

half of new hotel development through fiscal year 2028/2029 is expected in tier 3 cities. India's total branded hotel room count is projected to grow from 180,500 to nearly 250,000 over that period, with northern and western India accounting for most of the expansion.

**Indonesia has unveiled a \$1.5 billion stimulus package** to support consumer spending and counter slowing growth, driven by falling commodity prices and global trade tensions. The plan includes transport and toll road discounts, wage subsidies, and social aid for vulnerable groups. President Prabowo Subianto's broader economic strategy also includes a \$28 billion free meals program, but analysts doubt the current stimulus will restore 5% growth. Indonesia, recently





## ASIA/PACIFIC, JAPAN, AUSTRALIA, & INDIA :

hit by a paused 32% U.S. tariff, continues negotiations with Washington to ease trade pressure.

**Apple's launch of AI services in China in partnership with Alibaba** has stalled as Beijing regulators delay approval amid heightened U.S.–China trade tensions. The Cyberspace Administration of China has not cleared their co-developed AI products, citing growing geopolitical uncertainty. The rollout is part of Apple's broader Apple Intelligence initiative, but the hold-up is exacerbating Apple's market share losses to Huawei and other domestic rivals. The delay comes as the U.S. and China negotiate tariff reductions and scrutinize tech ties more closely.

**India's aviation sector is poised for long-term growth**, with passenger traffic expected to triple by 2045 and ambitions to expand from 157 to 400 airports. However, industry leaders at the IATA conference in New Delhi warn that Modi's aviation goals face major headwinds. Infrastructure gaps, tax burdens, maintenance backlogs, and geopolitical constraints, such as detours around Pakistan, are raising costs and straining growth. India currently accounts for 17.8% of the global population but just 4.2% of global air passengers. While the government aims to make India a major aviation hub, industry experts say reforms and investment are critical to realizing that potential.

**The U.S. Department of Defense has underscored China's significant military advantage over Taiwan** in the Taiwan Strait, as tensions in the Indo-Pacific remain high. Speaking at the Shangri-La Dialogue in Singapore, U.S. Defense Secretary Pete Hegseth described China as a "real" and potentially "imminent" threat, warning of credible military preparations aimed at altering the region's balance of power. The latest data shows China vastly outnumbers Taiwan in ground forces, airpower, and naval assets, including fighters (800 vs. 350), bombers (300 vs. 0), and submarines (39 vs. 4). While Taiwan maintains parity in amphibious landing vessels, the overall strategic imbalance favors China.

**Air India is in talks for another major aircraft purchase**, potentially adding 200 or more single-aisle jets to its fleet as

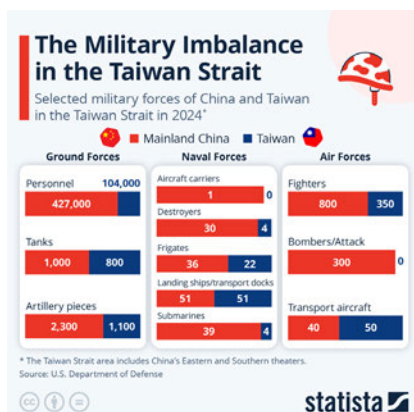
part of an aggressive modernization plan. The move builds on Air India's record 2023 order of 470 planes and reflects rising demand in the world's fastest-growing aviation market. Boeing is reportedly leading negotiations on wide-body aircraft, while Airbus remains a key contender. Supply chain delays and pricing remain challenges, but the Tata-owned carrier is determined to revamp operations after years of underinvestment under state ownership.

**Shares of Toyota Industries fell 12%** after Toyota Motor announced a ¥4.7 trillion (approximately \$33 billion USD) offer to take the company private, sparking criticism that the price undervalues Toyota Industries, especially its real estate assets. The offer of ¥16,300 per share is below market expectations, and governance experts say it disadvantages minority shareholders while consolidating power under the founding Toyoda family. The move is part of a broader effort to unwind cross-shareholdings and realign Toyota Group's capital structure.

**Chinese tech giants are shifting AI development to domestic chips** amid tighter U.S. export controls on Nvidia processors. Alibaba, Tencent, and Baidu are testing local alternatives like Huawei's Ascend chips to offset dwindling Nvidia inventories and prepare for long-term restrictions. The companies expect supply disruptions and steep costs as they port AI training infrastructure away from Nvidia's CUDA to domestic software frameworks. Most firms are adopting hybrid models—retaining Nvidia chips for training while using Chinese chips for inference. While Huawei leads the domestic effort, other players like Cambricon and Hygon are also in the mix, as demand for AI processing surges in China.

**India is offering significant tariff cuts on select U.S. goods** as it races to finalize a trade agreement and avoid steep U.S. import duties. In negotiations with the Trump administration, India has proposed reductions on non-sensitive products like almonds, oil, and gas, while insisting on maintaining high tariffs on core agricultural goods such as rice, wheat, and dairy. The move is part of efforts to prevent a proposed 26% blanket tariff on Indian exports starting July 9. In exchange, India is pushing for U.S. concessions on tariffs for labor-intensive exports like textiles and jewelry, and for social security exemptions for Indian workers on short-term visas. The talks mirror India's recent deals with the UK, but U.S. officials say the current offer falls short of expectations.

**Apple supplier Foxconn will invest \$1.5 billion in a display module plant near Chennai**, expanding the tech giant's manufacturing presence in India amid political pressure from the U.S. to reshore operations. The facility—approved by the Tamil Nadu government and confirmed in a stock exchange filing—is expected to support iPhone display production and create 14,000 jobs. Apple's shift from China to India has accelerated in recent years, with India accounting for 18%





## ASIA/PACIFIC, JAPAN, AUSTRALIA, & INDIA :

of global iPhone production in 2024 and projected to reach 32% in 2025. While the move aligns with India's "Make in India" goals, it has drawn criticism from President Trump, who warned Apple against expanding overseas rather than returning production to the U.S. Despite the political friction, Apple continues to diversify its supply chain to mitigate geopolitical and logistical risks.

**China has suspended chicken imports from Brazil**, following the detection of avian flu on a commercial farm—the first such case in the South American poultry giant. The virus was found in Rio Grande do Sul, prompting a 60-day trade ban from China, Brazil's largest poultry buyer. Officials hope to lift restrictions sooner if the outbreak is contained. The move threatens Brazil's recent advantage in the global market, as it had previously remained untouched by the avian flu sweeping the U.S. and Europe. Brazil exports nearly a quarter of the world's poultry, with China accounting for 14% of that volume.

**Nissan plans to cut 15% of its global workforce, eliminating 20,000 jobs** and reducing its number of factories from 17 to 10

in a drastic cost-cutting move. The restructuring comes amid a ¥670bn (\$4.5bn) annual loss and an estimated ¥450bn in added costs from U.S. tariffs, of which only 30% can be offset. The overhaul highlights the pressure Japanese automakers face from both Donald Trump's trade policies and Chinese competition. Nissan is also seeking a new anchor shareholder after scaling back its alliance with Renault and is exploring U.S. production partnerships to mitigate tariff effects.

**India is drafting a plan to incentivize domestic production of rare earth magnets** in an effort to reduce reliance on China, which controls 90% of global processing. The government is considering fiscal incentives to offset the cost gap between Indian-made and Chinese magnets and is expected to meet with industry officials soon to finalize the scheme. Supply concerns were heightened after China curbed rare earth exports in April, triggering production halts at firms like Suzuki. While India holds the third-largest rare earth reserves globally, most of its output is limited and unprocessed. Officials are also exploring tariff exemptions on manufacturing equipment to boost local magnet production.

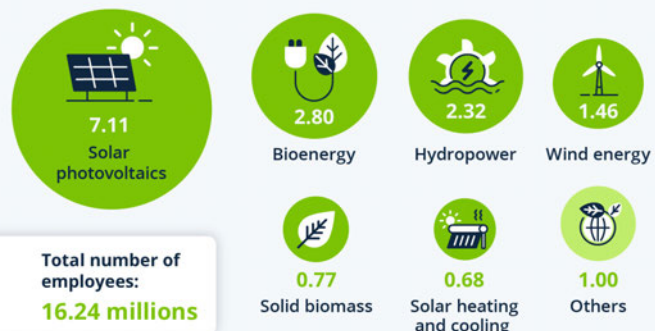
## ECONOMIC UPDATE: APPENDIX TO THE JUNE 2025 ISSUE

### ENERGY: GLOBAL RENEWABLE ENERGY EMPLOYMENT TOPS 16 MILLION

The global renewable energy sector now employs over 16 million people, more than doubling from 7.3 million in 2012, according to the International Renewable Energy Agency. Solar photovoltaics account for the largest share, with 7 million jobs, followed by bioenergy (3.6 million), solar thermal (680,000), and hydropower (2.3 million). China leads globally with 7.3 million renewable energy workers, while Brazil and the EU follow with 1.6 million and 1.8 million, respectively. The figures reflect growing investment and expansion across clean energy technologies worldwide.

### More than 16 Million People Work in Renewable Energy

Number of employees in the renewable energy sector in 2023, by branch (in millions)



Source: International Renewable Energy Agency



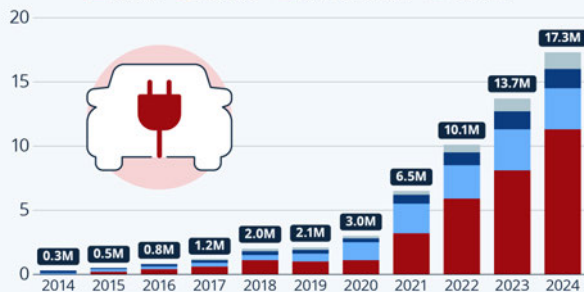
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## AUTOMOTIVE: GLOBAL ELECTRIC CAR SALES SURGE AS NEW MARKETS EMERGE

### Global Electric Car Sales Nearly Triple in Three Years

Global registrations of electric vehicles (incl. plug-in hybrids), by region\*

■ China ■ Europe ■ United States ■ Others



\* Incl. passenger cars and light commercial vehicles (vans, light trucks)  
Source: EV-volumes.com via IEA



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Electric vehicle (EV) sales nearly tripled worldwide between 2021 and 2024, climbing from 6.5 million to 17.3 million, according to data from EV-volumes cited by the International Energy Agency. China drove much of this growth, with a 250% increase, while Europe and the U.S. saw more modest gains. Although China, Europe, and the U.S. still account for over 90% of global EV sales, emerging markets are catching up. In 2024, sales in Asia and Latin America rose by over 60% to nearly 600,000, fueled by gains in Southeast Asia. Persistent barriers include affordability, critical mineral supply, and trade policy uncertainty.

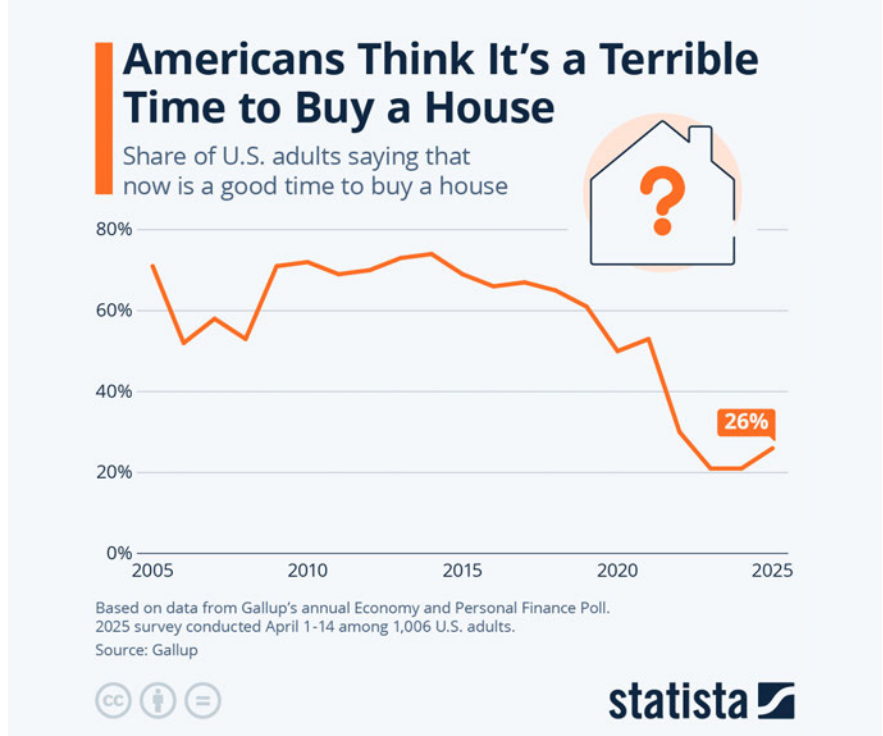
## AEROSPACE: ATLANTA, DUBAI, AND NEW DELHI LEAD WORLD'S BUSIEST AIRPORT RANKINGS

Global air travel hit a record 9.5 billion passengers in 2024, and Atlanta's Hartsfield-Jackson once again ranked as the world's busiest airport, handling 108 million travelers. Dubai came in second with 92 million, reflecting its strategic role connecting Europe, Asia, and the Middle East. Notably, New Delhi soared from 28th to 7th in just five years, while Shanghai's Pudong Airport posted the largest annual growth, rising 41% to claim the 10th spot. The top 10 airports together accounted for 855 million passengers—9% of total global traffic—as aviation continues its post-pandemic rebound despite persistent operational challenges.

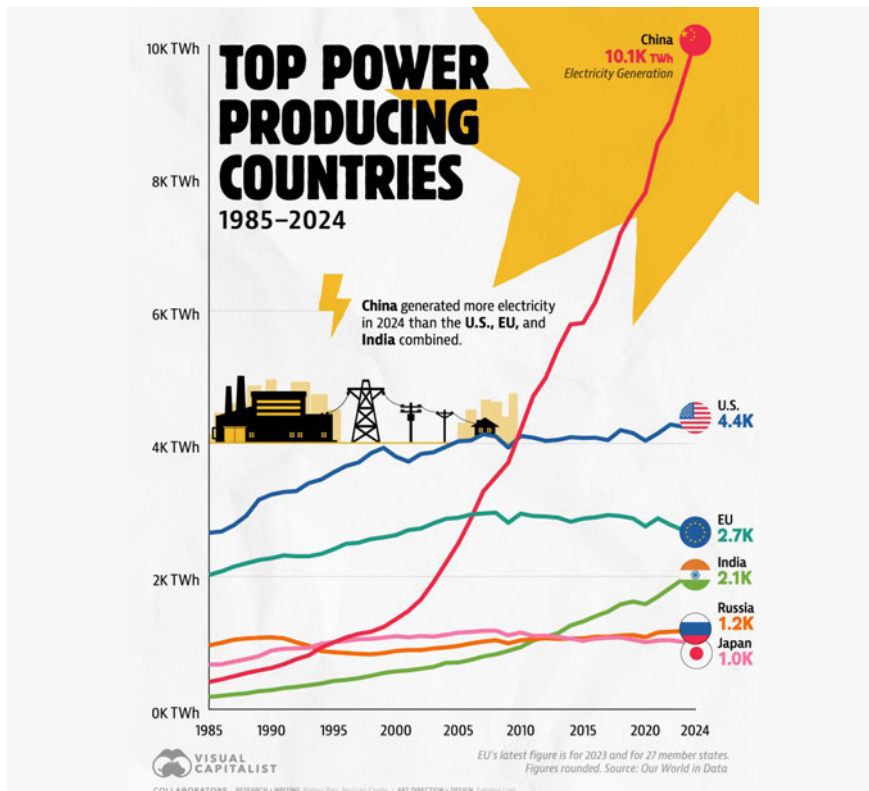


## HOUSING: AMERICANS' CONFIDENCE IN HOME BUYING HITS HISTORIC LOW

Just 26% of U.S. adults believe it's a good time to buy a home, according to Gallup's April 2025 survey—the lowest share since the question was first asked in 1978. Despite slight relief from cooling inflation and softening prices, sky-high housing costs and mortgage rates remain major obstacles, compounded by post-inflation savings depletion and economic uncertainty from tariffs. The outlook stands in stark contrast to pre-pandemic confidence levels, when over half of Americans felt optimistic about buying. Even the 2008 housing crisis didn't push sentiment this low.



## ENERGY: CHINA OUTPACES U.S., EU, AND INDIA COMBINED IN ELECTRICITY PRODUCTION



In 2024, China produced over 10,000 terawatt-hours (TWh) of electricity—more than the combined output of the U.S., EU, and India. While electricity generation often tracks economic growth, China's industrial-heavy economy consumes far more energy than the U.S., where residential demand dominates. Nearly 60% of China's electricity is used by industry, compared to 38% for U.S. households. Although China's dual-control energy policy curbs excess output and promotes renewables, its role as the world's largest electricity producer underscores its manufacturing dominance and shifting energy priorities.



## LABOR: HEALTHCARE AND TECH DOMINATE 2025'S BEST U.S. EMPLOYERS LIST



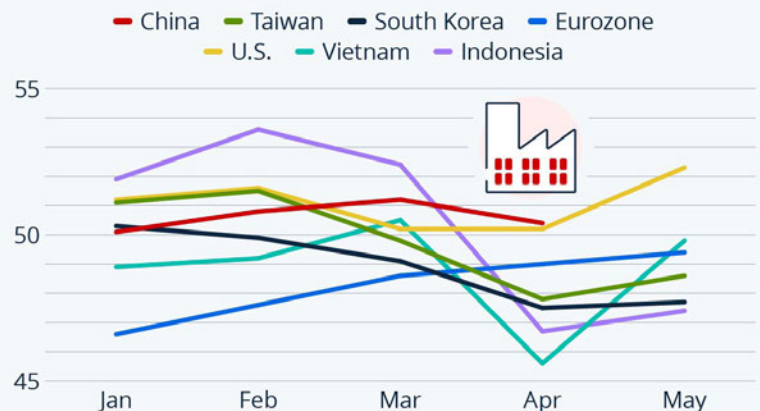
Forbes' 2025 ranking of America's best large employers highlights the dominance of the healthcare and tech sectors. Nineteen of the top 50 employers operate in healthcare, including Houston Methodist, St. Jude Children's Research Hospital, and Mayo Clinic. Tech giants Nvidia, Google, and Microsoft also scored high for workplace culture, compensation, and innovation. Consumer-facing companies like Trader Joe's and In-N-Out ranked well for employee satisfaction, while education and finance also made strong showings. The University of Notre Dame claimed the top spot overall. The list reflects growing worker priorities around purpose, flexibility, and meaningful benefits.

## ECONOMY: FACTORY ACTIVITY SLOWS IN ASIA WHILE U.S. AND EUROPE EDGE UP

As of May 2025, global manufacturing data shows a divergence in performance, with factory activity softening across Asia while indicators in the U.S. and Europe have improved. Purchasing Managers' Indices (PMIs) for Taiwan, South Korea, Indonesia, and Vietnam showed modest rebounds from earlier lows but remained below the 50-point mark that signals growth. China's April data neared stagnation, with May figures still pending. In contrast, the Eurozone's PMI climbed to 49.4—still contracting but less sharply—while the U.S. maintained expansion throughout the year, supported by resilient domestic demand. U.S. tariffs are cited as a key factor behind Asia's ongoing factory challenges.

### Factory Activity Weakens in Asia, Rises in U.S. & Europe

Selected purchasing managers indices for manufacturing in 2025



Index value below 50 indicates contraction, above 50 indicates expansion

Sources: S&P Global, Caixin, Trading Economics

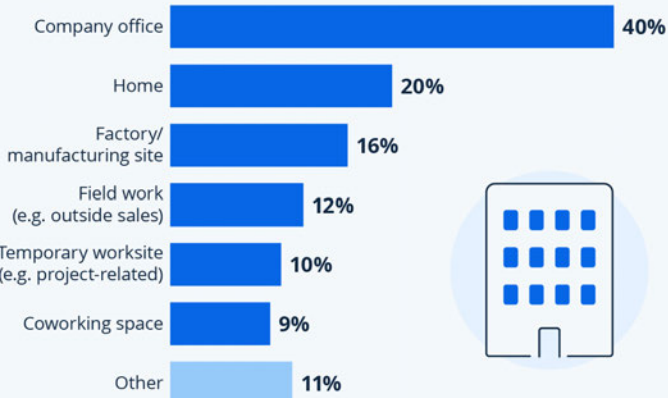


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## LABOR: HYBRID MODELS DOMINATE POST-PANDEMIC WORK TRENDS IN THE U.S.

### Where Americans Work

Share of U.S. adults who regularly work at the following places in 2024/2025



36,992 U.S. adults (18-64 y/o) who are part of the workforce surveyed Apr. 2024-Mar. 2025  
Source: Statista Consumer Insights



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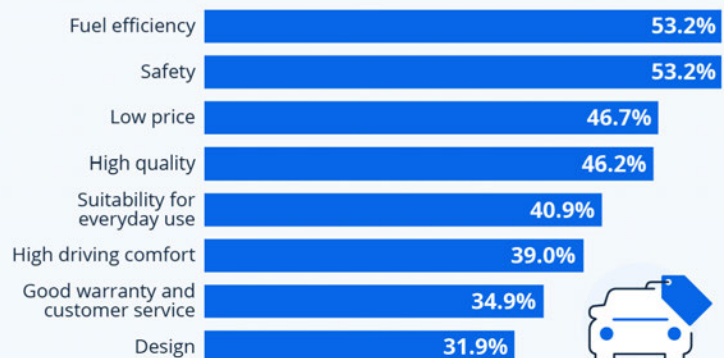
Five years after the COVID-19 pandemic reshaped workplace norms, American employment patterns have settled into a hybrid model that blends remote and in-office work. According to Statista Consumer Insights, 20% of U.S. employees regularly work from home, while 40% primarily operate from company offices. The shift reflects both the enduring appeal of remote work—flexibility, reduced commuting, and improved work-life balance—and the advantages of office environments, including collaboration and structure. As employers seek to balance productivity with employee satisfaction, hybrid arrangements have become a favored solution in the evolving American workplace.

## AUTOMOTIVE: FUEL EFFICIENCY AND SAFETY TOP U.S. CAR BUYERS' PRIORITY LIST

According to Statista Consumer Insights, Americans planning to purchase a car in the next year rank fuel efficiency and safety as their most important considerations, each cited by 53% of respondents. Price and quality follow closely at 47% and 46%, while everyday usability matters to 41% of buyers. In contrast, vehicle design ranks lower in importance, with only 32% prioritizing aesthetics. As home ownership becomes less attainable, car purchases remain a major financial decision—one driven more by function than form.

### The Most Important Factors When Buying a Car

Share of prospective car buyers in the U.S. saying that these characteristics are especially important to them



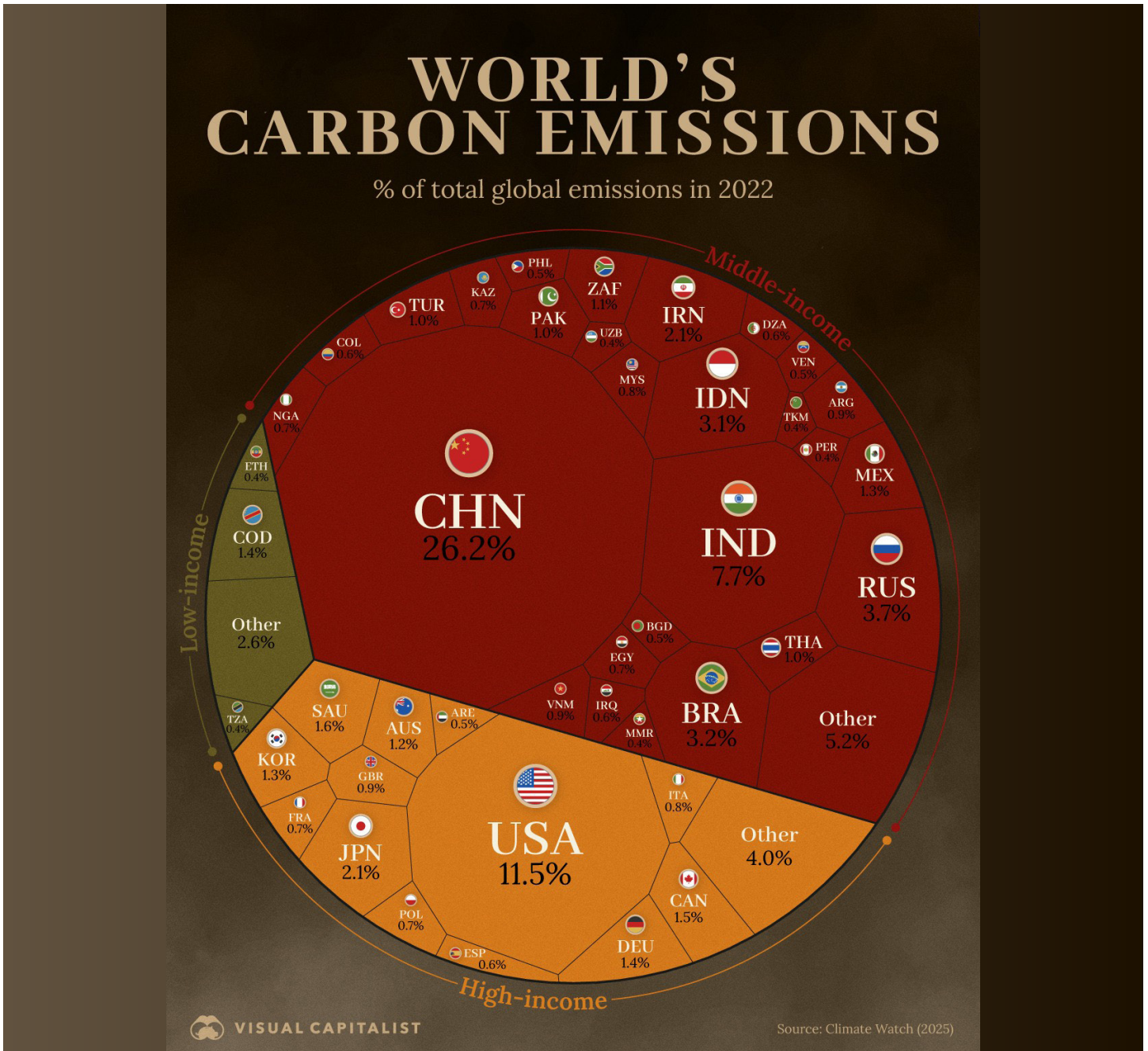
4,826 U.S. adults (18-64 y/o) who plan to buy a car in the next 12 months surveyed Apr. 2024-Mar. 2025  
Source: Statista Consumer Insights



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**ENVIRONMENT: CHINA AND U.S. ACCOUNT FOR 38% OF GLOBAL CARBON EMISSIONS**



New data from Climate Watch shows China and the United States together produced 38% of global carbon emissions in 2022, with China contributing 26.2% and the U.S. 11.5%. China emitted 12.7 billion metric tons of CO<sub>2</sub>, more than the combined output of the U.S., EU, and India, largely due to its industrial-heavy economy. On a per capita basis, the U.S. emitted nearly twice as much as China. While most top emitters are populous nations, countries like Canada, Iran, and Saudi Arabia also rank highly. The analysis also highlights the growing role of middle-income countries in driving emissions, as manufacturing continues to shift away from high-income economies.



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