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ECONOMIC UPDATE

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EXECUTIVE SUMMARY

U.S. MANUFACTURING ACTIVITY CONTRACTED IN AUGUST for the sixth consecutive month. **Consumer confidence edged down to 97.4 in August** from 98.7, as both the Present Situation Index (131.2) and Expectations Index (74.8) declined. **Manufacturing output stalled in July**, unchanged after a 0.3% gain in June, **while overall industrial production fell 0.1%.** **Durable goods orders dropped 2.8% in July** after a 9.4% plunge in June, though core capital goods orders excluding aircraft increased 1.1% and shipments rose 0.7%. **The Conference Board's Leading Economic Index slipped 0.1% in July to 98.7**, down 2.7% over the past six months. **The Consumer Price Index rose 0.2% in July** and 2.7% year-over-year, while the **Producer Price Index surged 0.9% in July** and 3.3% year-over-year. Retail sales climbed 0.5% in July, and core sales also rose 0.5%, while consumer spending advanced 0.5%. **New home sales fell 0.6% in July** to a 652,000-unit pace, and construction spending declined 0.1%. **Nonfarm payrolls grew by only 22,000 in August**, with June revised to a loss of 13,000 jobs, while **unemployment rose to 4.3% and job openings dropped to 7.18 million.** The U.S. trade deficit widened 32.5% to \$78.3B in July as imports surged 5.9% and exports edged up 0.3%. **Factory orders fell 1.3% in July**, following a 4.8% drop in June. **Business activity strengthened in August**, with the S&P Global Composite PMI rising to 55.4.

STEEL: U.S. COURT RULING CLOUDS TARIFFS AS CONSOLIDATION ACCELERATES, with Nippon Steel, U.S. Steel, Cleveland-Cliffs, and the USW dropping litigation tied to Nippon's \$15B acquisition. Varsteel expanded in Canada with the purchase of Reliable Tube and Spartan Metal, while Friedman Industries bought Century Metals to grow in the Southeast and Latin America. Merrill Steel announced a \$32M Arkansas facility, and Mill Steel is relocating its Houston operations.

AUTOMOTIVE: TARIFFS AND SAFETY ISSUES RESHAPE THE LANDSCAPE, as Ford invests \$2B to overhaul its Louisville plant for a low-cost EV pickup, part of a \$5B push creating nearly 4,000 jobs. Stellantis recalled nearly 92,000 Jeep Grand Cherokees over software defects, while Tesla faced scrutiny after proposing a record \$1T compensation package for CEO Elon Musk. Canada waived its 2026 EV mandate and offered \$3.6B in aid, while Trump signaled new restrictions on Chinese vehicle imports.

ENERGY: TRUMP TARGETS RENEWABLES WHILE SOLAR BUILDS RECORD PIPELINE, canceling \$679M in federal funding for offshore wind and moving to revoke approval for Avangrid's New England Wind project. The Commerce Department launched a national security probe into imported wind turbines, while biodiesel imports fell to decade lows after tax credit reforms. Still, developers are on track to add 33 GW of solar capacity this year, nearly half of all new U.S. power additions, with Texas leading. Canada pledged \$268M in biofuels incentives for canola producers, while the U.S. launched a solar imports probe into India, Laos, and Indonesia.

MEDICAL: POLICY SHIFTS PRESSURE HEALTHCARE AND AVIATION, as U.S. food groups push for tariff exemptions on imports like shrimp and produce, warning of higher costs and shortages. Canada unveiled a C\$5B aid package to help automakers and farmers offset U.S. tariffs, with biofuels singled out for priority support.

AEROSPACE: SPACE COMMAND RELOCATES WHILE PRIVATE SPACE ADVANCES, with Trump ordering U.S. Space Command headquarters to move from Colorado to Alabama, a costly shift criticized by defense officials. SpaceX's Starship completed its 10th test flight, deploying mock Starlink satellites and trialing new heat shield tiles for Artemis missions. NASA awarded Firefly Aerospace a \$176.7M contract for a 2029 Moon landing, and Australia's Macquarie AirFinance ordered 30 Boeing 737-8 aircraft. Meanwhile, Japan welcomed the UK's HMS Prince of Wales carrier in a historic port call.

COMMODITIES: TRADE AND SUPPLY CHAINS REALIGN AMID TARIFFS, as China boosted rare earth exports to a 15-year high and the U.S. imposed a 93.5% tariff on Chinese graphite. The White House reviewed EPA rules on refinery biofuel waivers, while Egypt secured a \$220M solar deal in the Suez Canal zone. India expanded renewable tenders to 5 GW, and Coal India pushed to diversify beyond coal. Global shipping firms scrambled to refinance Chinese-linked leases ahead of steep U.S. port fees, while commodity-linked energy storage projects advanced in Italy and Europe.

OVERSEAS: U.S. TARIFF PRESSURE RESHAPE GLOBAL TRADE FLOWS, with Canada dropping retaliatory tariffs on U.S. goods and suspending its EV mandate, while Brazil clashed with Washington over 50% duties tied to Bolsonaro's trial. Europe faced aluminum shortages as U.S. tariffs diverted scrap flows, while Brussels weighed new quotas and steel protections. China retaliated with anti-dumping duties up to 62% on EU pork, and the EU pledged to buy \$750B in U.S. energy. India saw tariffs double to 50% on its exports over Russian oil purchases, Taiwan's orchid exports slumped under U.S. levies, and Japan struck a \$550B U.S. trade deal to ease auto tariffs.

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Nippon Steel, U.S. Steel, the United Steelworkers, and Cleveland-Cliffs have ended all litigation tied to Nippon's \$15B acquisition of U.S. Steel. The parties dropped lawsuits and unfair labor practice charges that had accused union leaders and Cleveland-Cliffs' CEO Lourenco Goncalves of conspiring to block the merger. Statements from Nippon, U.S. Steel, and the USW emphasized that no financial consideration was exchanged, with all sides reaffirming their focus on steelmaking and collective bargaining. Goncalves said the dismissal "speaks for itself," while Cliffs noted that additional settlement terms remain confidential.

Varsteel Ltd. has acquired British Columbia-based Reliable Tube and Spartan Metal Processing, expanding its footprint and product range across Canada. Both companies will continue to operate as independent subsidiaries under their existing management teams. Varsteel said the move strengthens its coast-to-coast presence and enhances its ability to deliver structural steel products, processing services, and faster delivery timelines. The acquisitions are positioned as a strategic step to improve supply chain efficiency and meet rising customer demand.

Friedman Industries has acquired Century Metals and Supplies in an all-cash transaction that will operate as a fully owned subsidiary. The deal includes Century's Miami facilities, leased distribution and warehouse sites in Orlando and Tampa, equipment, and working capital. Friedman said the acquisition enhances its hot-rolled steel business while adding coil-slitting, cold-rolled, coated, stainless, and non-ferrous products to its portfolio. CEO Michael Taylor emphasized that Century's management team will remain in place, and the move strategically expands Friedman's presence in the southeastern U.S. and Latin American markets.

Merrill Steel will invest over \$32M to build a new facility in Osceola, Arkansas, creating 108 jobs over the next three years. The Schofield, Wisconsin-based fabricator said the site will complement its existing operations by supplying high-volume fabricated and coated structural steel to established clients. Hiring is set to begin in spring 2026, marking Merrill's first facility in the state. Arkansas officials welcomed the project, noting it will strengthen Mississippi County's position as a major U.S. steel-producing hub alongside U.S. Steel's Big River Steel operations.

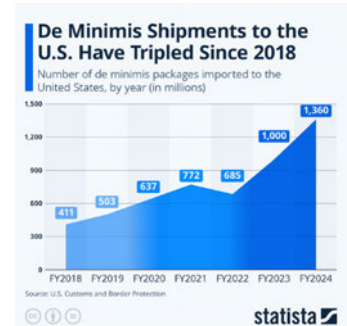
A U.S. appeals court has ruled that most of President Trump's sweeping tariffs are unlawful but allowed them to remain in place while the administration appeals to the Supreme Court. In a 7-4 decision, judges found Trump had exceeded presidential authority by using emergency economic

powers to impose broad levies without congressional approval. The ruling, if upheld, could undermine several trade agreements and remove a key revenue source that has offset tax cuts. Trump responded by emphasizing that the tariffs remain in effect, pledging to appeal, while the White House argued the measures are critical to U.S. economic and national security interests.

U.S. food industry groups are pressing for exemptions from Trump's sweeping tariffs, warning that products like seafood, fruits, and vegetables cannot be produced domestically in sufficient quantities. Imports make up about 20% of U.S. food consumption, including 90% of shrimp and large shares of fresh produce, leaving sectors heavily exposed to higher costs. Trade associations argue that tariffs risk raising menu prices, straining supply chains, and undermining consumer affordability, while calling for carve-outs similar to those granted for orange juice and Brazil nuts in recent tariff packages. Officials have suggested natural resources not grown in the U.S., such as coffee and mangoes, may be considered for relief, but no clear process for food exemptions has yet been set.

Canada is dropping billions of dollars' worth of retaliatory tariffs on U.S. goods, with Prime Minister Mark Carney announcing the removal of a 25% levy on many imports beginning September 1. The move, which keeps steel and aluminum duties in place, aims to ease trade tensions after months of tariff escalation between Ottawa and Washington. More than 85% of Canada-U.S. trade will now be tariff-free under USMCA, though officials noted Canada acted under U.S. pressure as the duties were harming domestic businesses. Trump welcomed the concession, saying he had a "very good talk" with Carney, while both sides signaled negotiations on broader trade and security issues will continue.

Postal services worldwide are suspending low-cost parcel deliveries to the U.S. after the Trump administration ended the long-standing "de minimis" tax exemption on packages under \$800. Effective August 29, duties on parcels will be charged at the country-of-origin tariff rate, prompting state postal operators and private carriers from Germany to Singapore to halt shipments due to unclear U.S. customs procedures. The exemption had fueled rapid growth in e-commerce imports, rising from 134 million parcels in 2015 to 1.36 billion in 2024, benefiting platforms such as Shein



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and Temu. European and Asian postal groups warned the policy shift will disrupt global trade flows, with some carriers already suspending services ahead of the deadline.

Brazil says it has reached an impasse with the U.S. over 50% tariffs, with Finance Minister Fernando Haddad stressing that Washington's demands regarding former president Jair Bolsonaro's trial are "constitutionally impossible." The levies, imposed after Trump accused Brazil of persecuting Bolsonaro, have strained relations and fueled nationalist rhetoric from President Lula, whose popularity has risen amid the dispute. Business leaders, however, warn of economic fallout as dialogue stalls; Haddad's planned meeting with U.S. Treasury Secretary Scott Bessent was abruptly canceled. Brazil is seeking to diversify trade, with officials hopeful the long-delayed EU-Mercosur agreement could be finalized by year-end.

Tesla's board has proposed a record \$1T compensation plan for CEO Elon Musk, the largest corporate pay package in history, as the company looks to cement his leadership during a pivot toward AI and robotics. The award could significantly increase Musk's stake if Tesla achieves ambitious targets, including reaching a \$8.6T market value within the next decade. The move comes as Tesla faces slowing EV demand and ongoing litigation over Musk's earlier \$56B pay plan. Shares rose 3% following the announcement, reflecting investor confidence in Musk's central role at the company.

Ford is investing \$2B to overhaul its Louisville, Kentucky plant, converting it into an EV-focused facility that will produce a midsize, four-door electric pickup starting around \$30,000. Built on a new universal EV platform, the pickup, due in 2027, will be part of a broader lineup of lower-cost models designed to compete with Chinese rivals such as BYD. Ford says the platform will use 20% fewer parts and enable a 15% faster assembly process, cutting production costs. The project, paired with a \$3B EV battery plant in Michigan, brings Ford's recent U.S. EV investment to \$5B and nearly 4,000 jobs. CEO Jim Farley called the initiative a "strong, sustainable and profitable" strategy aligned with Trump's domestic manufacturing push.

The bipartisan Congressional Recycling Caucus has been relaunched, with Rep. Haley Stevens (D-Mich.) joined by Reps. David Joyce (R-Ohio), Chellie Pingree (D-Maine), and Marinette Miller-Meeks (R-Iowa) as co-chairs. Founded in 2006, the caucus promotes policies to expand recycling access, strengthen U.S. leadership in the circular economy, and boost economic and environmental outcomes. Rep. Stevens noted the U.S. recycles only 21% of eligible materials, stressing the need for major investment to reach the EPA's

50% target by 2030. The Recycled Materials Association praised the relaunch, calling recycling a critical part of the manufacturing supply chain and U.S. economic resilience.

President Trump will relocate U.S. Space Command headquarters from Colorado to Alabama, reversing a Biden-era decision that had designated Colorado Springs as the permanent home. The move benefits Huntsville, already a major defense hub, but defense officials estimate the relocation could take up to four years and cost hundreds of millions of dollars. Trump cited concerns about Colorado's voting practices in announcing the decision, drawing criticism from Colorado's bipartisan congressional delegation, which warned the change would undermine readiness and waste taxpayer dollars. Space Command, created in 2019, oversees U.S. military operations in space and employs about 1,700 personnel.

Mill Steel Co. is relocating its Houston operations to a larger facility at the Port of Houston, expanding its service center capabilities with direct port access. The 100,000-square-foot site will feature a high-speed slitter, precision leveling, and the capacity to handle coils up to 72 inches wide, with gauges ranging from 0.015 to 0.250 inches. Mill Steel said the move will streamline logistics, shorten turnaround times, and enhance supply chain efficiency for customers in construction, agriculture, manufacturing, and other industries. Both the new and current Houston locations will operate simultaneously during the transition to ensure uninterrupted service.

Stellantis is recalling nearly 92,000 Jeep Grand Cherokee vehicles in the U.S. after the National Highway Traffic Safety Administration identified a software error in the hybrid control processor. Regulators said the defect could cause a sudden loss of drive power, posing safety risks to drivers. The recall covers 91,787 vehicles, with Stellantis expected to notify owners and provide free software updates to correct the issue.

The Trump administration has dropped a Biden-era plan requiring airlines to compensate passengers for delays, ending efforts to mandate cash payments of \$200 to \$775 for U.S. flight disruptions caused by carriers. The Department of Transportation confirmed it will withdraw the proposal, aligning with industry objections that such requirements would raise ticket prices. U.S. carriers currently must refund canceled flights but are not obligated to compensate for delays, unlike airlines in the EU, Canada, Brazil, and Britain. Trade group Airlines for America praised the decision, while critics argued the rule would have improved accountability and reduced disruptions.

Spirit Airlines has filed for bankruptcy protection for the second time in a year after a failed restructuring left the

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carrier unable to fix its cost structure or reverse mounting losses. The Florida-based airline reported a \$246M net loss in Q2 and drew down its \$275M credit facility before entering Chapter 11 in New York. Spirit said it will cut its fleet and scale back market presence to save hundreds of millions annually, while maintaining wages, benefits, and vendor obligations during the proceedings. Analysts note the airline's struggles create opportunities for rivals like Frontier, Southwest, and United to absorb routes and assets as Spirit seeks to stabilize its business.

Delta Air Lines will pay \$78.75M to settle a class action lawsuit, resolving claims over a 2020 fuel dump that contaminated tens of thousands of properties in Los Angeles and Orange counties. The incident occurred when a Boeing 777 bound for Shanghai was forced to return to LAX shortly after takeoff, prompting pilots to jettison about 15,000 pounds of jet fuel at low altitude. While several dozen people on the ground were treated for minor injuries, the FAA later cleared the pilots of wrongdoing. Delta denied liability but said the settlement avoids further litigation costs, with an estimated \$50.6M to be distributed among residents of roughly 38,000 properties.

SpaceX's Starship deployed its first batch of mock Starlink satellites, marking a key milestone in the rocket's tenth test flight after a string of earlier failures. The 403-foot system launched from Texas, successfully released eight dummy satellites using its new "Pez" dispenser, and tested upgraded heat shield tiles during a blazing reentry over the Indian Ocean. NASA has tapped Starship for its Artemis III moon mission, though analysts expect delays as SpaceX continues work on orbital refueling and lunar landing capabilities. The flight ended with the vehicle's planned destruction after landing in the ocean, but NASA hailed the progress as a step toward crewed missions.

The Trump administration is planning new restrictions on Chinese drone and vehicle imports, citing national security concerns tied to information and communications technology. The Commerce Department said rules could be issued this month targeting drones and medium- to heavy-duty vehicles over 10,000 pounds from China and other adversaries. Chinese manufacturers, led by DJI and Autel, account for the majority of U.S. commercial drone sales, raising the stakes for both consumers and industry suppliers. The measures follow earlier actions to phase out Chinese cars and trucks by 2026, as Washington seeks to bolster domestic manufacturing and reduce reliance on foreign technology.

Canada is waiving its 2026 EV sales mandate requiring 20% of vehicles sold to be emissions-free as part of an

aid package to help automakers offset the impact of U.S. tariffs. Prime Minister Mark Carney said the move will provide immediate relief and allow a 60-day review to cut costs linked to the rule, which industry groups had warned was unsustainable. Ottawa also announced a new C\$5B (\$3.6B) fund to support companies across sectors hit by tariffs, alongside a biofuel production incentive worth more than C\$370M for farmers. Carney added it was too soon to consider lifting Canada's 100% tariff on Chinese EVs, while China extended its probe into Canadian canola imports.

Canada is pledging C\$370M (\$268M) in incentives and regulatory reforms to support biofuels, aiming to bolster canola producers and renewable fuel makers struggling against cheaper U.S. competition and trade barriers. Prime Minister Mark Carney included biofuels as one of six priority areas in a new aid package, while Agriculture Minister Heath MacDonald said domestic firms need relief until Canada's clean fuels rules are amended. Imperial Oil's renewable diesel plant began operations in July, but other projects have stalled amid regulatory hurdles and tariff pressures from both the U.S. and China. Biofuels demand remains a key driver of global canola prices.

The Trump administration is planning to revoke federal approval of Avangrid's New England Wind project off Massachusetts, escalating its efforts to curb offshore wind development. A Justice Department court filing said the U.S. will move by October 10 to vacate approval of the Iberdrola-owned project, which was expected to power 900,000 homes. The decision follows a stop-work order on Rhode Island's Revolution Wind and a review of SouthCoast Wind, marking reversals of Biden-era approvals. Local opposition groups had sued, alleging environmental law violations. Avangrid and Iberdrola declined to comment.

The Trump administration has canceled \$679M in federal funding for 12 offshore wind projects, including \$427M for a Humboldt Bay terminal in California that was set to become the first Pacific coast offshore wind hub. Other cuts include \$47M for a Baltimore logistics hub, \$48M for a Staten Island terminal, and \$33M for a Salem, Massachusetts facility. Officials said the awards, issued under Biden, were a misuse of funds that could support U.S. maritime industries. California Gov. Gavin Newsom and Massachusetts Gov. Maura Healey criticized the move, citing job losses and energy supply setbacks. The cuts come as federal agencies review multiple Biden-era offshore wind approvals following recent cancellations.

The U.S. is moving forward with a solar imports probe after the International Trade Commission unanimously voted to investigate panels from India, Laos, and Indonesia. The case, brought by the Alliance for American Solar Manufacturing and Trade – which includes First Solar

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and Hanwha Qcells – alleges Chinese-owned companies in those countries are benefiting from subsidies and dumping products below cost. Imports surged to \$1.6B in 2024 from \$289M in 2022, raising concerns they are undermining billions in U.S. factory investment. The Commerce Department is continuing its review, with preliminary subsidy findings expected by Oct. 10 and antidumping determinations due by Dec. 24.

The White House is reviewing a draft EPA rule that could determine whether oil refiners must compensate for billions of gallons of waived biofuel blending obligations under the Renewable Fuel Standard. The proposal follows the agency's approval of more than 140 refinery exemptions dating back to 2016, sparking debate over whether larger refiners should make up for the lost volumes. Farm groups say full reallocation is vital to protect ethanol and biodiesel demand, while refiners warn it would raise compliance costs. A decision is expected ahead of the 2026–27 mandates due in late October.

Developers are on track to add 33 GW of solar power in the U.S. this year, representing about half of all new electricity generating capacity planned for 2025, according to the Energy Information Administration. If completed, the additions would set a record for large-scale solar projects, with battery storage capacity also projected to reach new highs. Texas leads the surge, accounting for more than a quarter of solar developed so far this year and nearly half of planned new capacity through December. The outlook is clouded by the Trump administration's rollback of federal solar incentives, raising uncertainty for future growth.

U.S. imports of biodiesel and renewable diesel slumped to a decade low in early 2025, after tax credit reforms eliminated incentives for foreign-produced fuels, according to the EIA. Imports averaged just 2,000 bpd of biodiesel and 5,000 bpd of renewable diesel – down sharply from last year – marking the lowest first-half levels since 2012. Consumption may rebound later to meet federal blending mandates, but imports are expected to remain suppressed.

The U.S. Commerce Department has opened a national security probe into imported wind turbines and components, a move that could pave the way for higher tariffs beyond the recently announced 50% duties on their steel and aluminum content. Imports supplied two-thirds of U.S. turbine value in 2023, led by Europe, Mexico, and India. Officials are seeking input on foreign subsidies and supply chain risks, while the wind sector faces cost inflation, project delays, and stalled licensing under the Trump administration.

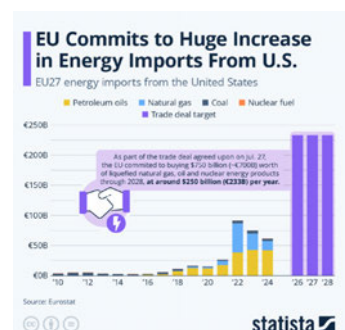
EUROPE, AFRICA, & THE MIDDLE EAST:

The EU is preparing emergency measures to protect its aluminium sector as U.S. tariffs drive up American prices and divert European scrap metal across the Atlantic. The \$43B industry, which directly employs 250,000 people and supports another 1 million jobs, is struggling as exports to the U.S. face a 50% levy while scrap shipments remain duty-free. Rising U.S. demand has left European recyclers short of feedstock, forcing some plants to shut capacity. Brussels is weighing options including a levy on scrap exports and quotas to shield domestic producers, though officials caution final decisions have not yet been made. Industry leaders warn the bloc has only “weeks” to act to prevent widespread closures.

Safran is exploring the sale of aircraft interiors assets worth up to \$1.76B, according to the Financial Times, as the French aerospace group seeks to shed lower-margin operations. The potential divestment would cover much of its interiors division, excluding the cabin seat business, and could attract interest from private equity firms and aerospace suppliers. Safran acquired the unit through its 2018 purchase of Zodiac Aerospace but has faced challenges in boosting profitability. The move aligns with its strategy to concentrate on higher-margin segments such as jet engines, co-produced with GE Aerospace, while maintaining momentum from stronger-than-expected first-half results.

China has imposed temporary anti-dumping duties of up to 62% on EU pork imports, in what is widely seen as retaliation for Brussels' tariffs on Chinese electric vehicles. The levies, ranging from 15.6% to 62.4%, will hit farmers in Spain, the Netherlands, Denmark, Germany, and Belgium hardest, according to industry groups. EU officials called Beijing's investigation “questionable” under WTO rules, while farm lobby Copa-Cogeca warned of “serious damage” to producers already struggling with falling prices and reduced exports. The measures come as the EU seeks to diversify pork markets through new trade deals with Mexico, Mercosur, and the U.S., but farmers fear being used as bargaining chips in wider trade disputes.

The EU is committing to buy €700B (\$750B) of U.S. energy, including liquefied gas, oil, and nuclear products over the next three years as part of the July 27 trade deal. The plan targets about €233B (\$250B) annually, though experts call it unrealistic given 2024 imports from the U.S. totaled just over €60B. Brussels says the deal will bolster energy security and replace Russian supplies, but critics warn



EUROPE, AFRICA, & THE MIDDLE EAST:

it could create overdependence on U.S. energy. Structural hurdles, such as long-term supplier contracts in Europe and limited export infrastructure in the U.S., make meeting the pledge unlikely.

Tesla's new car sales in Britain fell more than 45% year-on-year in May, with just 1,758 units sold compared to 3,244 a year earlier, according to preliminary data from New AutoMotive. Despite the decline, Tesla remains the UK's top-selling battery electric vehicle so far in 2025. Analysts link the slump to both intensifying competition and CEO Elon Musk's controversial political profile in Europe. Overall UK car registrations rose 4.3% in May, while battery electric sales surged 28%, with Chinese rival BYD more than doubling its sales to 1,388 units.

Italy has launched its largest EV battery-based energy storage system, with the "Pioneer" project unveiled at Rome's Fiumicino Airport by Enel and airport operator ADR. The 10 MWh system repurposes 762 used battery packs from Nissan, Mercedes, and Stellantis to store solar energy generated on-site, providing backup power equivalent to the daily consumption of 3,000 U.S. homes. Officials said the project will cut roughly 16,000 tons of CO₂ emissions over the next decade, supporting Italy's broader renewable energy transition and positioning Fiumicino as a hub for sustainable infrastructure.

European steelmakers are urging Brussels to impose U.S.-style tariffs on cheap imports, warning the sector faces collapse without emergency protections. Thyssenkrupp executive Ilse Henne said Chinese oversupply and Trump's 50% tariffs on EU exports risk flooding Europe's market, compounding weak domestic demand and high energy costs. France and 10 other member states support a 50% duty beyond certain quotas and a "melted and poured" rule to block Chinese steel routed through third countries. The European Commission has pledged new safeguard measures this quarter, but industry body Eurofer says the EU remains the "worst off" of all major economies as imports surged to 28 million tonnes in 2024, forcing thousands of job cuts.

The EU is pressing ahead with its digital rules despite President Trump's warning of retaliatory tariffs, saying it has the sovereign right to regulate economic activity within its borders. Brussels rejected U.S. pressure to soften its Digital Services Act and Digital Markets Act during trade talks, even as Washington argued the measures unfairly target American tech companies. The dispute comes weeks after the two sides finalized a trade deal that set 15% tariffs on most EU goods but left digital policy unresolved. EU officials said they expect further negotiations but will not view concessions

as an option, while Trump has threatened tariffs and export controls on countries adopting digital taxes or regulations that "discriminate" against U.S. firms.

President Trump is threatening new tariffs on European goods after the European Commission fined Google €2.95B (about \$3.2B) for anticompetitive advertising practices. The U.S. president called the penalty "very unfair" and said he may trigger a trade probe targeting the EU, raising transatlantic trade tensions despite a framework deal reached in July. Brussels ordered Google to end "self-preferencing" and warned structural remedies, including a possible divestiture of its Adtech business, may be required. Google said the fine was unjustified and confirmed it would appeal, while EU competition chief Teresa Ribera maintained that strong enforcement is necessary to curb market dominance.

Egypt is signing a \$220M solar project deal, partnering with investors from the UAE, Bahrain, and China to build a solar manufacturing and storage complex in the Suez Canal Economic Zone. The facility will have capacity to produce 2 GW of solar cells and 2 GW of solar panels, according to Egypt's cabinet.

ASIA/PACIFIC, JAPAN, AUSTRALIA, & INDIA:

President Trump has signed a trade deal with Japan that cuts U.S. auto tariffs to 15% from 27.5% and directs \$550B of Japanese investment into U.S. projects, formalizing a July agreement that provides relief to Japan's auto sector. The executive order ensures the levy will not stack on top of existing duties for certain goods and exempts commercial aircraft and parts, with implementation retroactive to August 7. A related memorandum gives Trump authority to select investment projects, with Japan required to fund them within 45 days or face reimposed tariffs; profits will be split evenly until repayment, after which the U.S. will take 90%. Tokyo also pledged to increase purchases of U.S. rice, soybeans, corn, defense equipment, and 100 Boeing planes. While Japanese automakers welcomed the clarity, South Korea is still awaiting a similar order for its 15% tariff arrangement, and analysts say the deal highlights the extraordinary lengths allies are going to secure tariff relief.

U.S. tariffs on India have doubled to 50% after President Trump imposed additional levies in response to New Delhi's continued purchases of discounted Russian oil. The move escalates tensions between the two countries, raising India's duties to among the highest in the world and threatening key exports such as textiles, gems, jewelry, shrimp, and carpets. Analysts estimate Indian shipments to the U.S. could fall from \$86.5B in 2025 to about \$50B in 2026,

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potentially cutting 1 percentage point from GDP growth and endangering hundreds of thousands of jobs. Trade talks have stalled amid disagreements over India's agricultural sector, while officials in New Delhi have turned to Russia and China for closer economic engagement.

Taiwan's orchid industry is warning of collapse under new U.S. tariffs, with growers in Houbi reporting shipments fell 20% between April and July after a 10% levy was imposed, followed by a 20% "reciprocal" tariff in August. The \$190M industry supplies more than 60% of U.S. orchid imports and employs 1,800 people in Houbi, but growers say the tariffs, combined with currency appreciation, are erasing profits and forcing buyers to cancel or scale back orders. Competitors in the Netherlands are expected to gain U.S. market share, while Taiwanese exporters are seeking relief through onshore cultivation in California and potential domestic energy subsidies. Although orchids represent just 0.04% of Taiwan's exports overall, the impact on Houbi's economy is severe.

China's homegrown robot makers are powering a wave of low-cost automation, enabling factories to expand exports even in labor-intensive industries despite rising wages. Domestic groups such as Chengdu CRP Robot Technology now supply about half of the 280,000 industrial robots installed annually in Chinese plants, often at 40% lower prices than Japanese or European rivals. Economists say this surge in automation explains why China has increased its global export share of products like toys, furniture, and small goods, defying the trend of wealthier nations losing low-end manufacturing. While the shift is cutting employment in labor-intensive sectors, it is also creating demand for "purple collar" robot technicians, aligning with Beijing's Made in China 2025 strategy to sustain competitiveness through advanced manufacturing.

India may build its first nuclear-powered aircraft carrier as part of a 15-year defense modernization roadmap that also includes deploying domestically built naval fighter jets for the first time. The plan emphasizes greater reliance on local defense companies and public-private partnerships to reduce dependence on foreign suppliers, while outlining the need for at least 10 nuclear propulsion systems to support future warships. India currently operates two carriers, one Russian-built and one home-built, and recently ordered 26 Rafale-Marine jets from France to bolster its fleet. The roadmap also highlights investment in drones, electromagnetic aircraft launch systems, and next-generation deck-based fighters as India seeks to expand its strategic reach in the Indian Ocean.

Indian Prime Minister Narendra Modi met Chinese Foreign Minister Wang Yi as the two countries worked to stabilize ties amid border tensions and strained relations with Washington. Talks covered the disputed Himalayan frontier,



river-sharing data, and trade. China exported \$125B in goods to India in 2023, dominated by electronics and machinery, while India sent just \$18.1B to China, mostly raw materials. India's trade deficit with China rose 106% from 2019 to 2023, reaching \$107B,

with total two-way commerce valued at \$143.1B. Observers suggest Delhi's cooling ties with the U.S. may have accelerated this outreach.

Australia's Macquarie AirFinance has ordered 30 Boeing 737-8 aircraft, expanding its commitment to more fuel-efficient, new-generation models. The global leasing arm of Macquarie Group said deliveries will run through 2032, though financial terms were not disclosed. The deal, Macquarie's second direct order with Boeing, brings its 737 MAX order book to 70 aircraft. Boeing highlighted that the 737 MAX family can cut fuel use and carbon emissions by 20% compared to older models, supporting airline fleet modernization worldwide.

Japan hailed its "unprecedented" security ties with Britain as the Royal Navy's HMS Prince of Wales aircraft carrier arrived in Tokyo on its first-ever port call by a foreign carrier. Defense Minister Gen Nakatani emphasized that Japan and the UK are now each other's closest security partners in Asia and Europe, with cooperation aimed at countering China's growing regional influence. The visit is part of a 12-nation strike group deployment with 4,000 personnel on an eight-month Indo-Pacific mission. At the center of bilateral defense collaboration is the Global Combat Air Programme, a joint effort with Italy to develop a next-generation fighter jet by the mid-2030s.

Global shipping companies are rushing to refinance Chinese-linked leases, aiming to sidestep steep new U.S. port fees set to take effect in October under Trump administration rules. The measures would classify vessels financed through China's \$100B "sale and leaseback" structures as Chinese-owned, subjecting them to charges starting at \$50 per net ton and rising to \$140, which could cost up to \$14M per visit for the largest crude carriers. Industry executives said even operators with no other Chinese ties are unwinding these

ASIA/PACIFIC, JAPAN, AUSTRALIA, & INDIA:

arrangements, while financiers in New York and Europe are stepping in with alternative funding. Analysts note the shift is also driven by improved shipping profitability and renewed appetite from Western banks, but the looming tariffs have accelerated the trend.

India's rollout of E20 ethanol-blended fuel is sparking a backlash as motorists worry it will hurt vehicle performance and older cars may not be compatible. The government, which removed lower ethanol blends at most of the country's 90,000 stations, says E20 reduces carbon emissions, though it concedes older vehicles may see "marginal" efficiency losses and require gasket replacements. Automakers have issued mixed guidance, with Skoda, Toyota, Renault, and others giving conflicting messages about compatibility. Public anger has led to litigation in India's Supreme Court, while some drivers are seeking out rare, more expensive non-ethanol fuel options.

Mitsubishi is exiting Japan offshore wind projects, citing soaring construction and operational costs that have more than doubled since bidding in 2021. The company is withdrawing from three sites in Chiba and Akita prefectures with a planned 1.76 GW capacity, originally scheduled to start between 2028 and 2030. Mitsubishi booked a ¥52.2B (\$354M) charge earlier this year, while partner Chubu Electric expects a ¥17B loss. Japan's government said the withdrawal undermines public trust and will delay efforts to reach its offshore wind targets of 10 GW by 2030 and 45 GW by 2040. The projects are set to be re-auctioned, though rising costs have deterred global developers such as Orsted and Shell from expanding in Japan.

China is the world leader in solar PV, accounting for 55% of total global installed capacity in 2024 after adding 329 GW, according to SolarPower Europe. The U.S. followed at



8%, adding 50 GW (+54% year-on-year), while India ranked third at 5% with 30.7 GW (+145%). Global solar capacity hit a record 597 GW, with the Asia-Pacific region contributing 70% of new additions. Analysts noted China installed more solar power at home in 2024 than it exported.

the supplies help balance global markets. President Trump imposed 50% tariffs on Indian goods, saying the imports fund Russia's war in Ukraine, while Commerce Secretary Howard Lutnick urged India to resume trade talks and back the dollar. Talks between Washington and New Delhi have stalled, with Modi aligning more closely with Moscow and Beijing.

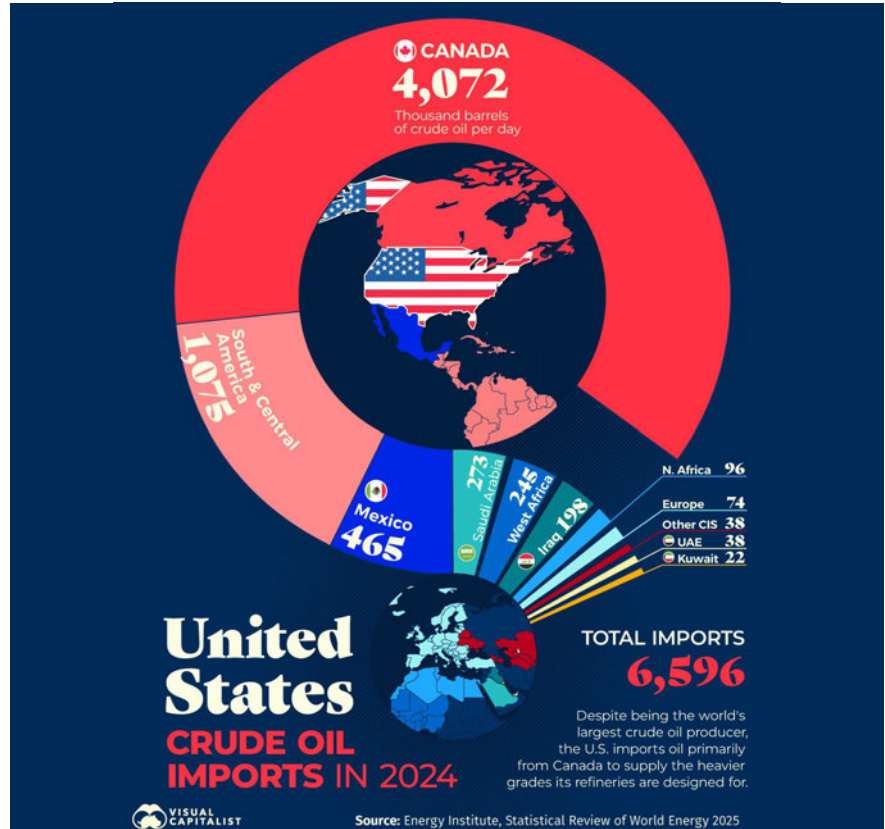
Coal India is issuing tenders for 5 GW of renewables, including 3 GW of solar and 2 GW of wind projects, marking its largest push yet to diversify beyond coal. The state-run miner, which produces three-quarters of India's coal, has seen output fall 3.5% in the first five months of FY2025-26. Coal India aims to expand its solar capacity from 0.2 GW today to 3 GW by 2028 and 9.5 GW by 2030.

India will continue buying Russian oil, Finance Minister Nirmala Sitharaman said, despite U.S. tariffs targeting New Delhi over its discounted crude purchases from Moscow. India has become the largest buyer of Russian seaborne oil, arguing

ECONOMIC UPDATE: APPENDIX TO THE SEPTEMBER 2025 ISSUE

ENERGY: CANADA DOMINATES U.S. CRUDE OIL IMPORTS IN 2024

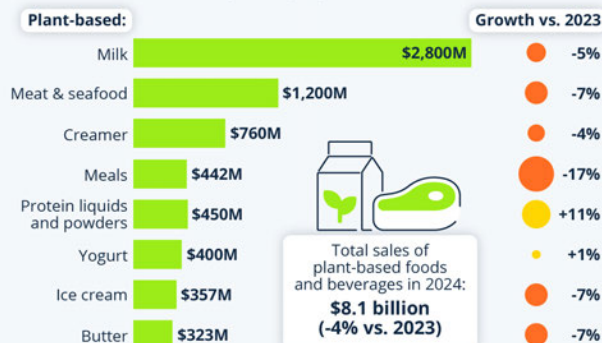
Despite being the world's largest crude oil producer, the United States imported 6.6 million barrels of crude per day in 2024, with Canada supplying 61.7% of the total. That equates to more than 4 million barrels per day – up sharply from just one-third of U.S. imports in 2013 – driven by expanded pipeline capacity, lower costs, and increased Canadian production. Mexico ranked a distant second with 465,000 barrels per day (7.1%), followed by Saudi Arabia (273,000; 4.1%) and Iraq (198,000; 3%). Imports remain essential because U.S. refineries are designed to process heavier crude grades not widely available domestically, blending them with lighter shale output for efficiency. Other contributors included South & Central America (16.3%), West Africa (3.7%), and smaller shares from Europe, North Africa, and the Middle East. Even with a petroleum trade surplus of roughly \$65B, the U.S. continues to rely on Canadian and Mexican imports to balance refinery operations and sustain output.



ECONOMY: U.S. PLANT-BASED FOOD SALES DECLINE SLIGHTLY TO \$8.1 BILLION IN 2024

Americans Spent \$8 Billion on Plant-Based Foods in 2024

Retail sales of plant-based food and beverages in the U.S. in 2024, by category



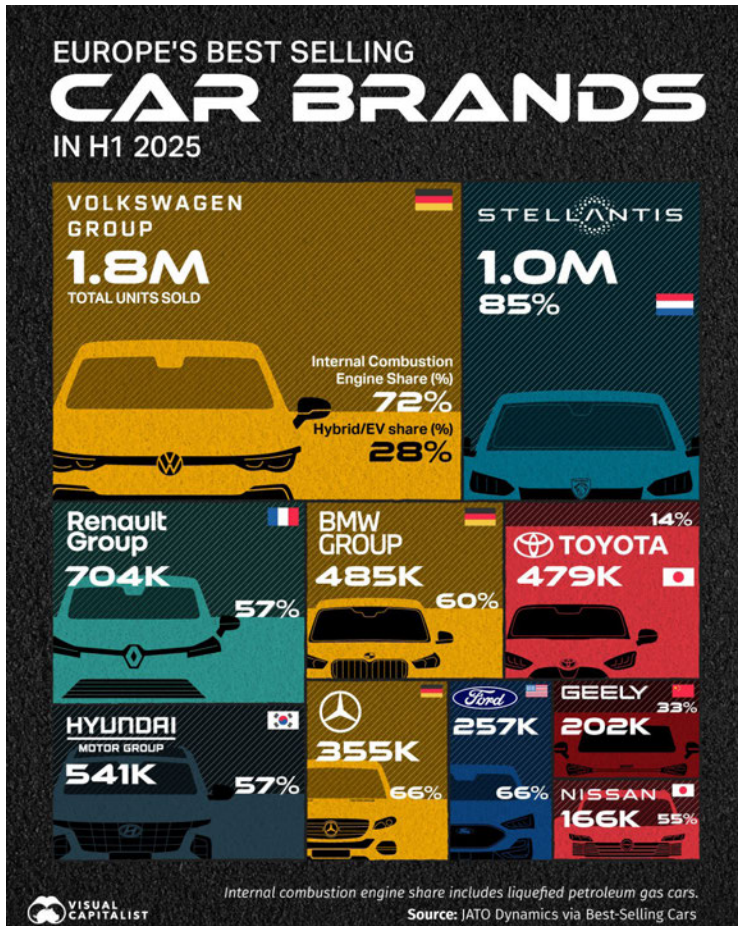
Sources: Good Food Institute, SPINS



statista

Americans spent \$8.1B on plant-based foods in 2024, down 4% from the prior year but still more than double the market size in 2017. Milk alternatives remained the dominant category at \$2.8B, followed by plant-based meat and seafood at \$1.2B. Despite their size, both segments saw sales declines amid broader food price inflation and consumer sensitivity to the premium costs of alternatives. Smaller categories such as plant-based meals (-17%), yogurt (+1%), ice cream (-7%), and butter (-7%) showed mixed results, while protein powders and liquids posted the strongest growth at +11%. Adoption remains uneven: 40% of U.S. households purchased plant-based milk in 2024, compared to just 13% for meat and seafood substitutes. Repeat purchases are also stronger for milk, with 76% of buyers returning. Industry analysts note that taste, price, and perceived health benefits remain the largest barriers to wider adoption, even as plant-based foods continue to expand in variety and accessibility.

TRANSPORTATION: VOLKSWAGEN LEADS EUROPEAN CAR SALES AS TOYOTA DOMINATES ELECTRIFICATION



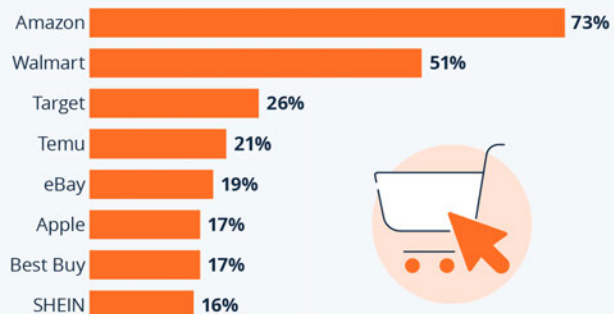
Volkswagen Group remained Europe's top car brand in the first half of 2025 with 1.8 million units sold, though 72% of those vehicles were still internal combustion engine models. Stellantis followed with 1.04 million sales, the highest reliance on combustion engines among major automakers at 85%. Renault (704,000) and Hyundai-Kia (541,000) placed third and fourth, each with 43% of sales coming from hybrid or electric vehicles. Premium brands are also shifting rapidly: BMW reported 40% electrified sales, while Mercedes-Benz and Ford each stood at 34%. Toyota, ranked sixth with 479,000 units sold, stood out with 86% of its sales being hybrid or electric, the highest share among all top brands. Chinese-owned Geely also gained traction, reaching ninth place with 202,000 sales and a 67% EV/hybrid mix. The data underscores Europe's gradual transition toward electrification, with legacy automakers expanding hybrid and EV offerings while newer entrants push aggressively into the market.

ECONOMY: AMAZON AND WALMART DOMINATE U.S. E-COMMERCE LANDSCAPE

Online shopping has become routine for most Americans, with 93% of adults making at least one online purchase in the past year. Amazon and Walmart continue to dominate the market, with 73% of consumers buying from Amazon and 51% from Walmart. Together, they far outpace other retailers, leaving competitors like Target (26%), Temu (21%), and eBay (19%) trailing at roughly half of Walmart's reach. Apple and Best Buy (17% each) and fast-fashion giant SHEIN (16%) round out the top eight. While Temu and SHEIN have rapidly gained market share in recent years, their momentum faces uncertainty as new U.S. tariff policies and the end of the de minimis exception on small packages may raise costs. Statista Consumer Insights notes that clothing, shoes, and groceries remain the most popular online shopping categories, underscoring how e-commerce has reshaped consumer habits across everyday goods.

U.S. E-Commerce: No One Comes Close to Amazon and Walmart

Share of respondents who bought something from the following online stores in the past 12 months



9,380 U.S. adults (18-64 y/o) surveyed Jul. 2024-Jun. 2025
Source: Statista Consumer Insights



statista

ECONOMY: SINGAPORE AND UAE LEAD WORLD IN CONTAINER TRAFFIC PER CAPITA

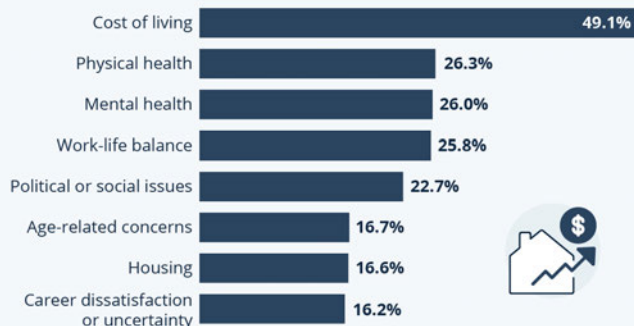
Container throughput per capita highlights which economies serve as global trade hubs rather than just meeting domestic demand. In 2022, Singapore ranked first worldwide, moving 37.3 million TEUs, equal to 6.62 containers per person, thanks to its role as a key transshipment hub for Southeast Asia. The UAE placed second with 20.3 million TEUs, or 2.15 per person, supported by Dubai's Jebel Ali Port and the surrounding Jafza free zone. Malaysia (0.80), South Korea (0.55), and Spain (0.36) followed, while major economies like the U.S. and China registered just 0.19 TEUs per capita despite handling the largest total container volumes globally. The analysis underscores how smaller nations with strategic port infrastructure can outperform larger economies on a per-capita basis, with hubs like Singapore and Dubai enabling trade flows that extend far beyond their own borders.



ECONOMY: COST OF LIVING REMAINS TOP CHALLENGE FOR AMERICANS IN 2025

Cost of Living Is the Biggest Challenge Americans Face

Share of respondents saying that these are the biggest challenges they currently face in their personal life



4,098 U.S. adults (18 - 64 y/o) surveyed Jun. 10 - Jul. 17, 2025; multipick
Source: Statista Consumer Insights



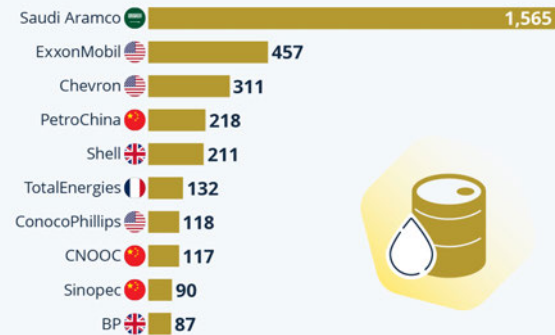
statista

Nearly half of U.S. adults (49%) say the high cost of living is the biggest challenge they face, according to Statista Consumer Insights. While inflation has cooled from its 2021 peak of 9% to 2.7% today, the cumulative effect of past price hikes continues to squeeze households. Since January 2021, overall consumer prices have risen 22.7%, with food costs up 25%, rents nearly 27%, and transportation up 28%. Wage growth of 21.8% over the same period has not fully offset these increases, leaving many Americans worse off. After cost of living, respondents cited physical health (26.3%), mental health (26%), and work-life balance (25.8%) as key challenges. The findings underscore how even as inflation slows, elevated price levels remain entrenched, reshaping household budgets and fueling ongoing financial stress.

ENERGY: SAUDI ARAMCO TOWERS OVER GLOBAL OIL COMPANIES BY MARKET VALUE

The Biggest Oil and Gas Companies in the World

Market capitalization of major oil companies in 2025 (in billion U.S. dollars)



As of Aug. 6, 2025
Source: companiesmarketcap.com



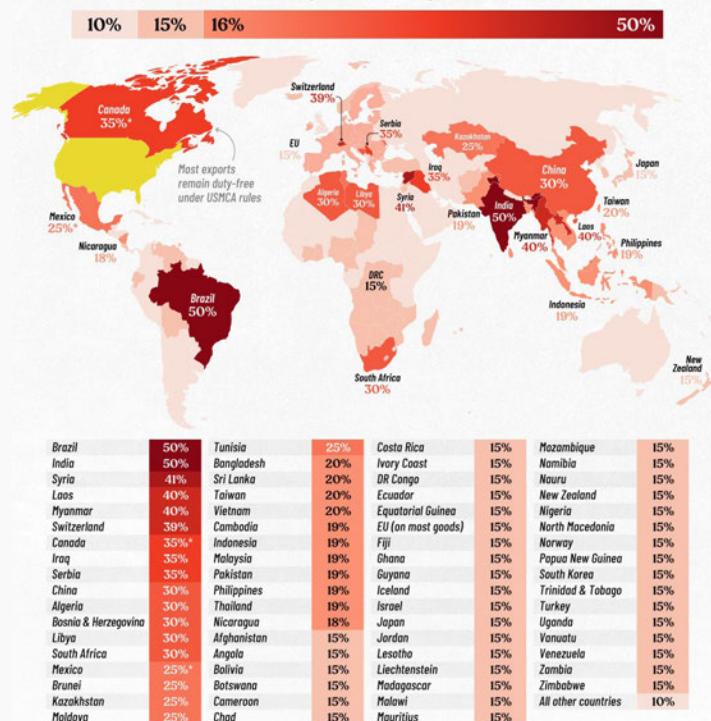
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While the U.S. leads global oil production with nearly 23 million barrels per day in 2024, Saudi Aramco remains the most dominant force in the industry by market capitalization. Valued at over \$1.5T as of August 2025, Aramco outpaces its closest competitor, ExxonMobil, more than threefold. The Saudi state-owned giant controls nearly all of the kingdom's oil resources and operates Ghawar, the world's largest oil field. Among the top ten oil companies by value, three are American – ExxonMobil (\$457B), Chevron (\$311B), and ConocoPhillips (\$118B) – while three are Chinese: PetroChina (\$218B), CNOOC (\$117B), and Sinopec (\$90B). European representation comes from Shell (\$211B), TotalEnergies (\$132B), and BP (\$87B). The rankings underscore the continued dominance of state-linked and integrated majors, with Aramco setting the pace for both scale and profitability in the global energy sector.

ECONOMY: TRUMP ADMINISTRATION IMPOSES NEW TARIFFS ON OVER 80 COUNTRIES

The Trump administration's latest tariff measures have reshaped U.S. trade policy, imposing rates between 10% and 50% on more than 80 nations. Brazil and India received the steepest tariffs at 50%, despite Brazil running a \$7B goods surplus with the U.S. Analysts note that beyond trade deficits, the move reflects political pressure; tariffs on Brazil coincided with tensions over former President Jair Bolsonaro's prosecution, while India was penalized for purchasing Russian oil and weapons. Other nations with large U.S. trade deficits, including Vietnam (\$123B), Taiwan (\$74B), and Japan (\$69B), faced tariffs in the 15–20% range. The European Union received a 15% tariff on most goods despite a \$236B deficit, while Canada's rate rose to 35% and Mexico's to 25% with exemptions under USMCA. The administration argues the measures are necessary to address persistent deficits and national security risks, but critics warn they may strain key trade relationships and raise costs for American consumers.

U.S. Tariff Rates by Country



VISUAL CAPITALIST

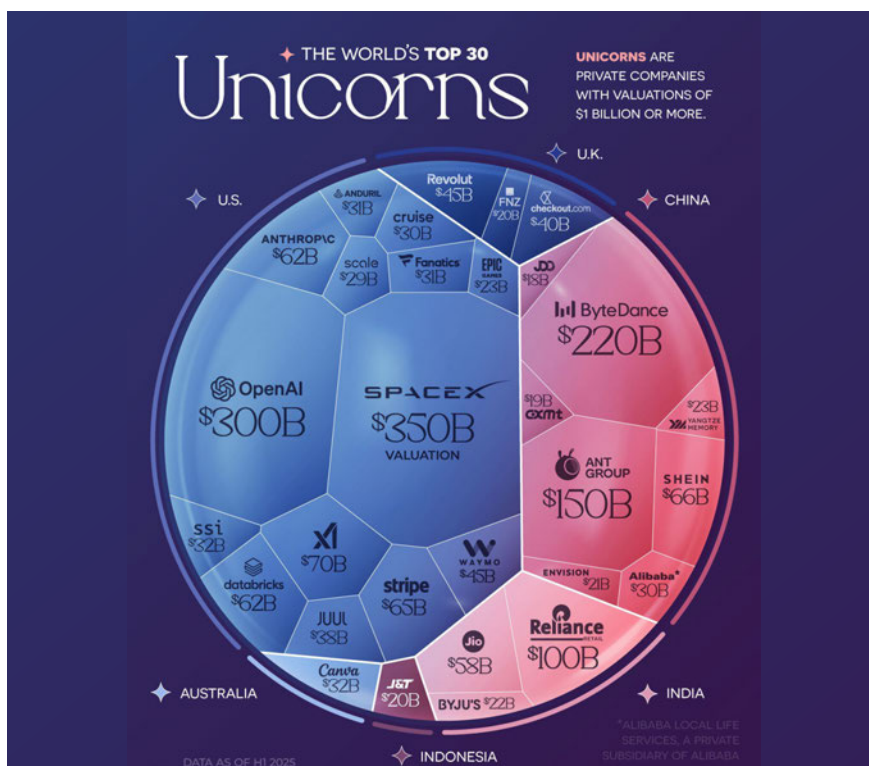
*On Aug. 1, President Trump raised tariffs on Canadian imports to 35% (excluding USMCA), while granting Mexico a 90-day extension before increasing its broad tariff rate. Most Chinese goods face a 30% tariff with some exemptions. Source: White House, US International Trade Commission, CNN

JOBS: SERVICES LEAD GLOBAL EMPLOYMENT, AGRICULTURE DOMINATES IN LOW-INCOME COUNTRIES

Employment patterns vary sharply by income level, according to World Bank data. Globally, services now employ 50% of the workforce, compared to 26% in agriculture and 24% in industry. In high-income nations, services dominate with 74% of employment, reflecting decades of industrialization, urbanization, and the shift toward knowledge-based economies. Agriculture accounts for just 3% of workers in these countries. By contrast, low-income nations rely heavily on farming, which employs 57% of their workforce, with services at 32% and industry at only 11%. Notably, industry is no longer the top employment sector in any country, whereas in the 1970s it represented nearly half of the U.K. workforce. The map highlights the global divide: advanced economies are service-driven, while agriculture remains central to livelihoods and food security in poorer regions.



TECHNOLOGY: SPACEX AND OPENAI TOP GLOBAL UNICORN RANKINGS IN 2025



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