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ECONOMIC UPDATE

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EXECUTIVE SUMMARY

ECONOMY: MANUFACTURING REENTERED EXPANSION EARLY IN 2026, while consumer and labor signals continued to soften, as the ISM Manufacturing PMI rose to **52.6 in January from 47.9 in December**, ending a year-long contraction. New orders climbed to **57.1**, production increased to **55.9**, backlogs moved into expansion at **51.6**, and prices rose further to **59.0**, while employment remained in contraction at **48.1**. Hard data remained supportive: **factory orders rebounded 2.7% in November**, durable goods demand was driven by a **97.6% surge in commercial aircraft orders**, and **core capital goods orders increased 0.7%** with shipments up **0.4%**, signaling continued equipment spending. Inflation stayed elevated, with **CPI up 0.3% in December and 2.7% over the past year**, while **core CPI rose 2.6% and producer prices advanced 0.5%** on the month, led by services and metals. Consumer conditions weakened as **Conference Board Consumer Confidence fell sharply to 84.5 in January**, with expectations dropping to 65.1, well below recession-signal territory. Housing activity cooled, with **pending home sales down 9.3% in December**, while **construction spending rose 0.5% in October**, driven by renovation activity rather than new single-family starts. Labor demand softened further, as **job openings declined to 6.5 million in December**, the lowest level in more than five years, and the **January employment report was delayed** amid a partial government shutdown.

STEEL: BIG-TICKET DEALS AND DECARBONIZATION MOVES STACKED UP, as Worthington Steel agreed to buy Kloeckner in a \$2.4B all-cash deal (targeting ~\$150M in synergies) while Algoma permanently shut Blast Furnace No. 7 to complete its shift toward an all-EAF future. In the U.S., Hyundai Steel's Louisiana plans advanced via a proposed \$2.9B capital raise for a 2.7M-ton plant, even as Alton Steel announced it will close its Illinois facility amid competition and consolidation.

AUTOMOTIVE: EV POLICY SWUNG WHILE THE SUPPLY CHAIN RE-SORTED, with Canada moving to reopen Chinese EV imports under a quota system at a 6.1% tariff and California floating a \$200M incentive program that requires automaker matching funds. At the same time, OEMs and suppliers adjusted to demand and risk—GM Canada cut about 500 jobs at Oshawa, Toyota recalled ~162,000 Tundra/Tundra Hybrid vehicles for a faulty multimedia display, and Indonesia signed a framework for a \$6B battery ecosystem buildout as Asia's battery footprint keeps expanding.

ENERGY: LNG BUILDOUT AND GRID STRAIN LED THE STORYLINES, as Cheniere filed for a major Corpus Christi Stage 4 expansion and Mitsubishi agreed to buy \$7.53B of Haynesville shale gas assets to strengthen Gulf Coast-linked supply. Reliability risks also jumped into view—PJM forecast record winter demand with congestion pushing wholesale prices above \$1,000/MWh in constrained zones—while policy moved in parallel with the U.S. proposing a March 9 lease sale across 5.5M acres of Alaska's NPR-A and Treasury rolling out draft rules for the 45Z clean fuel tax credit.

MEDICAL: DRUG PRICING PRESSURE AND BIG-PIPELINE BETS ACCELERATED, with the White House launching TrumpRx.gov as a discount access portal tied to "most-favored nation" agreements and Johnson & Johnson signing on for price cuts in exchange for tariff exemptions. Competitive heat in obesity care stayed intense—AstraZeneca struck an up-to-\$18.5B licensing deal with China's CSPC, while Hims introduced a \$49 compounded GLP-1 pill that sharpened the pricing fight—and public health policy tensions rose as the U.S. tied future Gavi funding to removing thimerosal-containing vaccines despite longstanding safety evidence.

AEROSPACE: DEFENSE MODERNIZATION AND SPACE SCALE KEPT MOMENTUM, highlighted by the UK's £453M radar upgrade contract for Typhoon jets and Taiwan completing its first underwater sea trial of an indigenous submarine as it pushes an eight-boat program. In the commercial/space arena, Starlink's growth narrative expanded with SpaceX signaling new offerings (direct-to-device connectivity and space-tracking services), continuing to position Starlink as a central driver ahead of future IPO discussions.

COMMODITIES: CRITICAL MINERALS AND SANCTIONED FLOWS SHAPED MARKETS, as the U.S. announced "Project Vault," a \$12B critical-minerals stockpile effort aimed at stabilizing supply for manufacturers and countering perceived price pressure. Supply-chain diversification efforts showed up in dealmaking and financing too—Serra Verde secured \$565M in U.S.-backed financing to expand rare earths output—and in oil, Chinese independent refiners pivoted toward discounted Iranian barrels as Venezuelan flows tightened under U.S. pressure.

OVERSEAS: TRADE REALIGNMENT AND THE ENERGY TRANSITION DOMINATED CROSS-BORDER MOVES, with EU power shifting to a 2025 milestone where wind + solar (30%) edged past fossil fuels (29%) and Brussels approving a €3.1B (~\$3.4B) Spanish CHP support scheme that requires hydrogen-ready capability for gas projects. China-EU friction rose on the bloc's Goldwind probe under the Foreign Subsidies Regulation, while sourcing patterns kept evolving—U.S. imports from China fell to \$287B (Jan–Oct 2025) but other Pacific Rim suppliers rose to ~\$599B, leaving total U.S. imports higher overall at ~\$3.1T.

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South Korea's Hyundai Steel is planning a \$2.9B capital increase to fund investment in a new U.S. steel plant in Louisiana, according to a regulatory filing, as part of a broader \$5.8B project led with affiliates and partners. The plant, announced last year, is expected to have annual capacity of 2.7 million tons and will be financed through a mix of equity and external borrowing, with ownership split among Hyundai Steel USA, POSCO-linked entities, and Hyundai Motor and Kia's U.S. units.

Mutares has acquired Ohio-based Greer Steel, completing the purchase of the cold-rolled steel strip processor in Dover, Ohio, that employs about 110 people and shipped roughly 18,000 tons in 2024, with about 60% of sales tied to the automotive sector. The Germany-based private equity firm said Greer generated about €34M (\$39.7M) in sales and will receive operational support including inventory optimization, ERP system integration, and targeted investments to strengthen its position in the U.S. steel processing market.

Worthington Steel has agreed to acquire Germany's Kloeckner & Co., valuing the metal distributor at \$2.4B and positioning the combined company as the second-largest steel service center operator in North America with more than \$9.5B in revenue. The Columbus, Ohio-based processor said the deal is expected to be substantially accretive within the first full year, identifying about \$150M in annual synergies, primarily in North America, and outlining an €11-per-share (\$11.95) all-cash offer for Kloeckner shareholders, with closing targeted for the second half of 2026 pending regulatory approvals.

Metallus and the United Steelworkers have reached a third tentative contract agreement, announcing a new four-year deal covering about 1,200 bargaining employees at the company's facility in Canton, Ohio, after two earlier agreements were rejected by union members. The specialty metals producer said the existing contract has been extended through February 12 to allow time for member outreach and a ratification vote, with both sides emphasizing job stability, continued operations without disruption, and a balanced resolution for employees and the company.

Algoma Steel has permanently shut down Blast Furnace No. 7, completing the final charge at its facility in Sault Ste. Marie, Ontario as the company transitions to fully electric-arc furnace steelmaking after 125 years as an integrated producer. The move marks the start of Algoma's all-EAF era, with one EAF already operating, a second expected online later this year, and the company projecting a reduction of about 3 million metric tons of CO₂ annually as it navigates the transition amid tariff-related financial pressures.

Warrior Met Coal has received federal permits to expand mining operations in Alabama, after the Bureau of Land Management approved leases tied to the company's \$46.8M purchase of roughly 14,050 acres containing about 53M short tons of metallurgical coal. The permits cover the Blue Creek Mine No. 1 and Mine No. 4 projects, which Warrior said could support more than 40 years of production and create 500 or more jobs, following streamlined federal leasing efforts tied to recent U.S. energy and mineral development directives.

Mitsubishi Corp is acquiring U.S. shale gas production and infrastructure assets in Texas and Louisiana for \$7.53B, marking the Japanese trading house's largest-ever deal as it looks to strengthen its natural gas value chain tied to the U.S. Gulf Coast. The transaction includes \$5.2B in equity and \$2.33B in debt and would give Mitsubishi a major position in the Haynesville shale, a key supply source for growing U.S. LNG export capacity. Mitsubishi said the assets offer high productivity and competitiveness and support its strategy of meeting rising U.S. gas demand while ensuring stable energy supplies for overseas markets, including Japan. Aethon Energy is expected to buy back up to a 25% stake within six months of closing, which is anticipated in the April-June period.

U.S. President Donald Trump has unveiled TrumpRx.gov, a new government-backed website aimed at lowering prescription drug costs for Americans who pay cash and lack insurance, positioning it as a key element of his drug pricing agenda. The platform does not sell medications directly but redirects users to discounted prices offered through partners such as GoodRx, following "most-favored nation" agreements with 16 major drugmakers including Eli Lilly, Novo Nordisk, Merck, Pfizer, AstraZeneca, and GSK. Under those deals, companies agreed to cut prices for Medicaid and extend lower prices to cash-paying consumers via TrumpRx, with GLP-1 weight-loss drugs expected to average roughly \$149-\$350 per month. While the administration says the site will save consumers significant money, health policy experts note the benefits may be limited for insured patients since purchases will not count toward deductibles, leaving questions about how much out-of-pocket costs will fall in practice.

The EPA has moved to reverse the Biden-era "Good Neighbor Plan," proposing to roll back federal emissions limits by approving revised air-quality implementation plans from eight states as part of a shift toward what the agency described as cooperative federalism. Steel trade groups including SMA and AISI praised the move, arguing the 2023 rule imposed costly nitrogen oxide requirements with limited environmental benefit and that returning authority to states would provide regulatory flexibility while supporting domestic steel production and jobs.

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Alton Steel is shutting down operations, announcing plans to close its Alton, Ill., special bar quality steel facility after nearly 25 years of production, citing aging infrastructure, intense competition, and industry consolidation. The privately held producer said continued operation had become economically unsustainable, with the closure affecting 253 employees as the company struggled to compete with larger, better-capitalized steelmakers.

GM Canada has laid off about 500 workers at its assembly plant in Oshawa, Ontario, reducing operations from three shifts to two as the facility adjusts production levels for Chevrolet Silverado pickups. The company said it is supporting affected employees with separation and retirement packages while continuing preparations to build the next generation of gas-powered full-size trucks, backed by a previously announced CA\$280M (\$210M) investment in the Oshawa plant.

SpaceX is expanding Starlink’s role as its primary growth engine, outlining plans that could include a Starlink-branded phone, direct-to-device satellite internet, and a new space-tracking service as the company prepares for a potential IPO. Starlink is driving an estimated 50%–80% of SpaceX revenue, with sources saying the company generated about \$8B in profit on \$15B–\$16B in revenue last year, while recent investments such as a \$19.6B satellite spectrum purchase and the launch of its Stargaze tracking service position the constellation for broader commercial and government use.

SpaceX has acquired artificial-intelligence startup xAI in a record-setting transaction, unifying Elon Musk’s space and AI ambitions in a deal valuing SpaceX at \$1T and xAI at \$250B ahead of a potential SpaceX IPO. The merger combines satellite, launch, and defense capabilities with AI development and data-center ambitions, surpassing the prior global M&A record and positioning the combined company to compete more directly with major technology rivals in advanced AI infrastructure.

President Trump has launched a strategic critical minerals stockpile, announcing a \$12B initiative known as Project Vault that combines a \$10B loan from the U.S. Export-Import Bank with \$2B in private funding to secure supplies of lithium, nickel, rare earths, and other key materials for U.S. manufacturers. The program is intended to counter what the administration views as Chinese price manipulation while stabilizing supply for automakers and technology companies without requiring firms to carry inventory risk on their balance sheets.

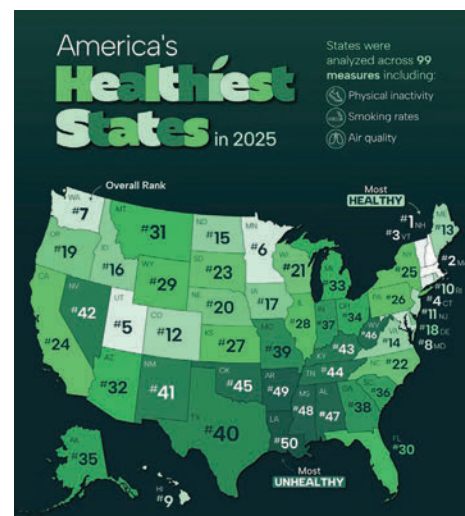
Hims and Hers Health has begun offering a \$49 compounded GLP-1 weight-loss pill, undercutting Novo Nordisk’s newly launched Wegovy pill by about \$100 and triggering a sharp selloff in Novo and Eli Lilly shares as pricing pressure intensifies in the U.S. obesity drug market. Novo has said it is considering legal action, arguing the compounded pill is not FDA-approved and differs materially from its proprietary formulation, while Hims says the move expands access for millions of Americans priced out of branded treatments.

The U.S. Treasury Department has issued a proposed rule outlining how biofuel producers can qualify for a \$1-per-gallon clean fuel tax credit for low-carbon transportation fuels, including sustainable aviation fuel. The rule governs the 45Z credit created under the Inflation Reduction Act and later amended in President Trump’s One Big Beautiful Bill, with changes that allow certain fuels made with Canadian and Mexican feedstocks and revised methods for calculating land-use impacts. Biofuel and farm groups welcomed the proposal as a step toward regulatory clarity, while noting that questions remain around climate modeling assumptions and restrictions on foreign feedstocks that could affect eligibility.

California is proposing a \$200M electric vehicle incentive program requiring automakers to provide matching funds, with rebates limited to first-time EV buyers and subject to vehicle price caps set by Congress. The plan follows the expiration of federal EV tax credits and comes as automakers face slowing EV sales and shifting federal policies, with Governor Gavin Newsom positioning the program as a state-level backstop to support adoption.

Health outcomes in the U.S. continue to show a strong regional divide, with Northeastern states dominating the top of the 2025 health rankings and Southern states a cluster

at the bottom. New Hampshire ranks as the healthiest state overall, followed closely by Massachusetts and Vermont, driven by low food insecurity, high education attainment, and strong preventive health behaviors. In



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contrast, Louisiana ranks last, alongside Arkansas and Mississippi, reflecting higher rates of economic hardship, lower physical activity, and elevated homicide and chronic disease risks, highlighting how social and economic conditions remain tightly linked to population health across the country.

Johnson & Johnson has reached an agreement with the U.S. government to cut drug prices in exchange for tariff exemptions under a deal with the Trump administration aimed at lowering prescription costs for Americans. Under the agreement, J&J will reduce prices for medicines sold through Medicaid and to cash-paying consumers, including participation in the TrumpRx.gov platform, though the company did not disclose which drugs are covered or the size of the price cuts. The deal follows similar agreements reached with other major drugmakers as the administration pushes to align U.S. drug prices more closely with those in other developed countries, where Americans often pay nearly three times more. In addition to the pricing commitments, J&J said it plans to build two new manufacturing facilities in North Carolina and Pennsylvania as part of its previously announced \$55B U.S. investment program, with the possibility of further domestic investments later this year.

The U.S. has told global vaccine alliance Gavi it must phase out thimerosal-containing vaccines as a condition of receiving future U.S. funding, according to U.S. officials and Gavi, escalating Washington's influence over global health policy. The Trump administration said it will withhold remaining pledged funding (about \$300M) as well as any new contributions until Gavi outlines and begins a plan to remove the mercury-based preservative, despite decades of scientific evidence showing no link between thimerosal and autism. Gavi said any such change would require approval from its board and guidance from scientific consensus, noting the preservative is widely used in low- and middle-income countries because it enables cheaper, easier-to-distribute multi-dose vaccines. The dispute comes as the U.S., previously contributing roughly 13% of Gavi's funding, continues to scale back multilateral health support while pushing for policies aligned with domestic vaccine standards.

Volkswagen will recall more than 44,000 electric vehicles in the U.S., after the National Highway Traffic Safety Administration said certain ID.4 models face potential battery-



related fire risks tied to overheating or misaligned battery cell electrodes. The automaker will update battery software and replace battery packs where necessary at no cost, covering roughly 43,900 vehicles from model years 2023–2025 and an additional 670 vehicles from 2023–2024.

Gatik has secured \$600M in contracted revenue, expanding fully driverless truck operations across multiple U.S. logistics networks as the autonomous trucking firm moves deeper into commercial deployment. Operating nearly 24 hours a day between distribution centers and stores, the company is leveraging AI-driven advances to cut delivery costs, boost frequency, and serve major retailers and consumer packaged goods customers despite ongoing regulatory scrutiny.

Mexico is seeking a way to send fuel to Cuba without triggering U.S. tariff reprisals, as officials hold ongoing talks with Washington to clarify whether humanitarian exemptions could allow deliveries to proceed, according to sources familiar with the discussions. Cuba, which imports roughly two-thirds of its fuel and has been hit by worsening power outages and transport shortages, has relied heavily on Mexican supplies since Venezuelan shipments stalled, but Mexico paused exports in mid-January amid U.S. pressure. While the Trump administration has warned of tariffs on countries supplying oil to the island, Mexican officials are weighing options that could classify fuel, along with food and other goods, as humanitarian aid, balancing the risk of trade retaliation against domestic political pressure and concerns over a potential humanitarian crisis in Cuba.

Cuba is preparing to roll out a fuel rationing plan as the U.S. moves to block oil supplies to the island by threatening tariffs on countries that provide fuel, worsening shortages that have already led to long lines, rising prices, and widespread blackouts. President Miguel Díaz-Canel said the government will announce temporary but restrictive measures in the coming days to prioritize essential services such as hospitals, schools, and public transportation, while asking citizens to reduce consumption. The pressure intensified after Venezuelan shipments halted and Mexico paused deliveries under U.S. warnings, leaving Cuba struggling to cover roughly two-thirds of its energy needs. While Havana says it is open to dialogue with Washington if sovereignty is respected, officials are also accelerating plans to expand solar power, boost domestic oil production, and seek alternative fuel supplies as the country braces for continued disruptions.

The Trump administration is set to auction drilling rights across roughly 5.5M acres of Alaska's National Petroleum Reserve on March 9, marking the first such sale in the region

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since 2019 and the first of at least five required under President Trump's One Big Beautiful Bill Act. The Interior Department said the Bureau of Land Management will offer more than 600 tracts as part of a broader push to expand domestic oil and gas production and roll back Biden-era drilling restrictions, with supporters arguing the move strengthens U.S. energy independence. Environmental groups pushed back sharply, warning that opening large portions of the reserve could harm sensitive ecosystems and nearby communities. Sealed bids will be accepted through March 5, with the auction livestreamed on March 9.

Cheniere Energy has submitted an application to U.S. regulators to build a major 24-million-tonnes-per-year LNG expansion at its Corpus Christi, Texas facility, a move that would significantly boost export capacity at one of the country's largest LNG hubs. The proposed Stage 4 project would add four new LNG processing trains and, if approved, eventually lift total Corpus Christi capacity to about 49 mtpa, with Cheniere targeting federal approval by May next year. The filing comes as U.S. LNG exports continue to surge and developers race to scale capacity, even as some analysts warn of potential global oversupply later this decade.

The U.S. Transportation Department is planning to roll back Biden-era fuel economy standards for heavy-duty pickup trucks and vans, saying the requirements were unrealistic and exceeded the agency's legal authority. The proposed move would unwind rules finalized in 2024 that aimed to push fleet-wide fuel efficiency toward roughly 35 mpg by 2035 through steep annual increases beginning in 2030, standards the Trump administration's NHTSA argues would raise vehicle costs and strain current technology and infrastructure. While the rollback is expected to lower upfront vehicle costs for manufacturers and buyers, federal estimates show it would significantly increase long-term fuel consumption and emissions, demonstrating a broader shift away from aggressive efficiency mandates in favor of easing regulatory pressure on commercial vehicle markets.

Boehringer Ingelheim has won U.S. FDA approval for the first drug shown to delay heart failure in dogs, after regulators cleared its chewable tablet Vetmedin for use in dogs with early-stage myxomatous mitral valve disease before symptoms appear. The approval follows three years of additional studies after a conditional clearance in 2022 and showed the drug can delay the onset of congestive heart failure or cardiac-related death by an average of about 15.6 months, marking the first time the FDA has fully approved an animal drug under its expanded conditional approval pathway.

Siemens Energy is planning a \$1B investment to expand U.S. power grid and gas turbine component production as surging data center construction strains the country's aging electricity system. The spending includes building a new power grid equipment factory in Mississippi, expected to be completed in 2028, which would become the company's largest such facility globally and add roughly 20% to its worldwide large-turbine production capacity. Siemens Energy said the U.S. has become its hottest electricity market, driven largely by AI-related data center demand, while the expansion also allows its European plants to focus more on customers in Europe and the Middle East.

President Trump said Eli Lilly plans to build six new manufacturing plants in the U.S., citing a conversation with the company's CEO during a White House cabinet meeting. The comments build on Lilly's previously announced commitment to invest at least \$27B to expand U.S. manufacturing capacity, including plants in Alabama, Virginia, and Texas, as the drugmaker works to scale production and strengthen domestic supply chains. A company spokesperson said Lilly has announced plans for nine new U.S. manufacturing sites since 2020, underscoring a broader push to localize pharmaceutical production.

Drugmakers are increasingly using AI to speed up clinical trials and regulatory submissions as pharmaceutical companies look for faster, more efficient ways to bring medicines to market, executives told Reuters. While AI has not yet delivered major breakthroughs in discovering new drugs, companies including Novartis, AstraZeneca, Pfizer, GSK, and Eli Lilly say it is already cutting weeks or months from trial site selection, patient recruitment, and the preparation of regulator-ready documents, helping reduce costs in a process that can take a decade and more than \$2B per drug. Executives noted that AI tools are proving especially valuable for handling thousands of pages of clinical, safety, and manufacturing data, improving trial enrollment efficiency, and accelerating late-stage development timelines, even as investors caution it may take another one to three years before the full impact of AI-driven productivity gains can be clearly measured.

Transmission congestion on the largest U.S. power grid is expected to surge as PJM forecasts record winter electricity demand, driving wholesale power prices sharply higher and increasing the risk of rolling blackouts across parts of the Midwest and Mid-Atlantic. PJM, which serves about 67 million people, expects more than 1,400 high-voltage lines to face restrictions averaging nearly 13 hours as extreme cold strains infrastructure, while constrained natural gas supplies are contributing to generator outages and price spikes that

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have pushed spot power prices above \$1,000 per megawatt-hour in some areas.

U.S. rooftop solar installers are cutting jobs and restructuring as a key homeowner subsidy expires, with the end of the 30% federal tax credit for residential systems at the close of 2025 triggering a sharp downturn in the most labor-intensive segment of the solar market. Installers including Enphase, Freedom Forever, and smaller regional players have announced layoffs, market exits, or bankruptcies as high interest rates and shrinking state incentives compound the impact, while industry forecasts now point to a roughly 20% drop in residential installations in 2026 and the weakest market since 2020. To offset the slowdown, many companies are pivoting toward third-party ownership and leasing models that still qualify for separate federal incentives, even as analysts warn the contraction could delay recovery until late in the decade and complicate efforts to meet rising U.S. power demand driven by data centers.

Toyota is recalling about 162,000 vehicles in the U.S. due to a faulty multimedia display, affecting certain 2024–2025 Toyota Tundra and Tundra Hybrid models where the screen can freeze on a camera view or go black, potentially failing to meet federal safety standards. The automaker said it will notify affected customers by late March and address the issue as part of the safety recall.

The U.S. government has agreed to a \$565M financing deal, providing Brazilian rare earths miner Serra Verde with funding via the U.S. International Development Finance Corporation and an option for Washington to take a minority equity stake. The financing supports production expansion and refinancing while advancing U.S. efforts to diversify critical-minerals supply chains away from China, with Serra Verde's heavy rare earth output positioning it to supply Western customers by late 2026.

EUROPE, AFRICA, & THE MIDDLE EAST:

TotalEnergies has signed long-term power supply agreements with Airbus, committing to deliver 3.3TWh of electricity to the planemaker's German and British sites—enough to cover about half of their power needs over the next decade. The contracts will draw on TotalEnergies' integrated portfolio of renewable and gas-fired assets, including 200 megawatts of new renewable capacity, with deliveries set to begin next year as Airbus works to expand its use of low-carbon energy.

Germany and Italy have unveiled a joint pro-industry alliance, pledging to coordinate within the EU to push regulatory simplification, strengthen industrial policy, and deepen cooperation on energy, defense, and supply chains as Europe's two largest manufacturers respond to rising competition from China and regulatory pressures at home. The plan calls for lighter EU rules, stronger single-market integration, and closer collaboration on critical raw materials and defense systems, signaling a tighter Berlin-Rome alignment as concerns grow that Europe is falling behind the U.S. and China on industrial competitiveness.

The UK has awarded a £453M (\$608M) contract to upgrade radar systems on its Typhoon fighter jets, funding ECRS Mk2 radar upgrades supplied by contractors including BAE Systems and Leonardo as Britain moves to strengthen air defenses amid heightened Russian threats. The investment is expected to support more than 1,500 UK jobs and aligns with London's broader push to lift defense spending to 2.6% of GDP from 2027 while sustaining domestic aerospace production and export competitiveness.

Ford and China's Geely are holding talks, exploring a potential manufacturing and technology partnership that could see Geely use Ford's European factory space, most likely in Spain, to build vehicles for the region while sharing technologies such as automated driving. The discussions, which have been underway for months and remain non-binding, reflect automakers' growing push to spread rising EV and software costs and could help Geely sidestep EU tariffs on China-made electric vehicles while giving Ford access to advanced Chinese vehicle tech.

Volkswagen has overtaken Tesla in Europe's EV market, becoming the region's top seller of fully electric vehicles in 2025 as Volkswagen brand BEV sales rose 56% to 274,278 units, led by strong demand for the ID.7. Tesla registrations fell 27% to 236,357 units amid an aging lineup, intensifying competition from European and Chinese rivals, even as overall European EV registrations jumped 29% year-over-year.

Stellantis is facing delays to key Peugeot EV launches after battery production issues at supplier Automotive Cells Co. slowed output of long-range batteries, pushing models like the Peugeot 3008 and 5008 back by as much as eight months. Bloomberg reported the battery maker is currently equipping only about 1,000 vehicles per month. This is well below target and highlights broader challenges in scaling European EV supply chains.

China's Chery is launching its Lepas SUV brand in the UK, introducing an export-only lineup of fully electric and plug-in hybrid vehicles as it expands in markets that have not imposed tariffs on Chinese-made EVs. The move positions

EUROPE, AFRICA, & THE MIDDLE EAST:

Britain as a key entry point for Chinese automakers in Europe as it builds on Chery's rapid UK growth, where its combined brands sold about 53,600 vehicles in 2025 and captured a 2.65% market share.

Bayer has reported late-stage trial results showing its experimental blood thinner Asundexian reducing stroke recurrence risk by 26%, marking a significant clinical win as the German drugmaker seeks to rebuild confidence after years of litigation and financial strain. The Phase III Oceanic-Stroke study, involving more than 12,000 patients, showed the therapy improved outcomes without increasing bleeding risk, prompting Bayer to say it plans to pursue regulatory approval as competition in next-generation anticoagulants intensifies.

Novo Nordisk has said it will launch an Ozempic-branded pill for type 2 diabetes in Q2 2026, introducing oral semaglutide tablets in 1.5 mg, 4 mg, and 9 mg doses following FDA approval. The Danish drugmaker said the move is aimed at improving patient and physician recognition of oral treatment options, with a regulatory decision on a higher 25 mg dose expected by the end of 2026.

The European Commission has approved a \$3.4B Spanish state aid scheme to support electricity generation from highly efficient power plants as part of the EU's broader push to cut greenhouse gas emissions. The program will back new and upgraded combined heat and power (CHP) facilities using natural gas, biogas, bioliquids, or solid biomass, with gas projects required to accommodate at least 10% renewable hydrogen to limit long-term fossil fuel dependence. Running for 10 years, the scheme will provide premiums to offset investment and operating costs for qualifying high-efficiency CHP installations, aligning with EU targets to cut emissions 55% by 2030 and reach climate neutrality by 2050.

Wind and solar power generated more electricity than fossil fuels in the EU in 2025 for the first time, according to data from energy think tank Ember, marking a major milestone in the bloc's energy transition. Wind and solar together accounted for 30% of EU electricity generation, edging past fossil fuels at 29%, with solar alone supplying 13% after growing more than 20% for a fourth consecutive year. Renewables overall made up 48% of the power mix despite weaker hydro and wind output due to unusual weather, and 14 EU countries produced more power from wind and solar than from all fossil fuels combined. Coal fell to a record-low 9.2% share, while gas use rose 8% because of reduced hydro generation, pushing EU gas import costs for power up 16% to about \$37B and contributing to higher wholesale electricity prices.

China has urged the European Union to halt an investigation after EU regulators opened a probe into whether Chinese wind turbine maker Goldwind received foreign subsidies that gave it an unfair competitive advantage in Europe. Beijing said the investigation sends a protectionist signal and warned against the EU's use of its Foreign Subsidies Regulation, arguing it undermines Chinese companies' investment confidence and distorts China-EU economic cooperation. The EU's action follows a broader effort to scrutinize subsidies for Chinese wind turbine suppliers as Brussels seeks to shield domestic manufacturers from lower-priced imports, a move China has repeatedly criticized as discriminatory.

Saudi Arabia will invest \$2B to build two solar farms in Turkey with a combined capacity of 2,000 megawatts, according to Turkey's energy minister, marking one of the largest foreign renewable energy investments in the country. The projects, signed during President Erdogan's visit to Riyadh, will be developed in Sivas and Karaman and are expected to meet the electricity needs of roughly 2.1 million households, with Saudi-backed solar and wind investments in Turkey ultimately targeted to reach 5,000 MW and financed entirely through external funding and international financial institutions.

Valneva has withdrawn its application for standard U.S. approval of its chikungunya vaccine after the FDA suspended the shot's license last year over safety concerns and placed related clinical trial applications on hold pending investigation of a newly reported serious adverse event. The French drugmaker said the event occurred outside the U.S. and that no active studies are currently vaccinating participants, adding it plans to continue post-marketing clinical activities following further discussions with regulators.

ASIA/PACIFIC, JAPAN, AUSTRALIA, & INDIA:

India and the United States are moving toward a formal trade agreement, with officials saying a deal is expected to be signed in March that would see Washington cut tariffs on Indian exports to 18% from 50% while New Delhi lowers duties on U.S. goods. Under the framework, India plans to purchase about \$500B of U.S. products over five years, including \$70–80B in Boeing aircraft and roughly \$100B in total aviation-related orders, while granting limited U.S. access to its agricultural market and maintaining key protections.

Hanwha Aerospace has signed a \$922M defense contract with Norway, agreeing to supply Chunmoo long-range rocket launchers and associated munitions as part of a

ASIA/PACIFIC, JAPAN, AUSTRALIA, & INDIA:

broader 19B Norwegian crown (\$2B) artillery modernization program. The South Korean firm said the remaining project value will fund local operations, training, and maintenance, with analysts noting Hanwha's faster delivery timelines and flexibility as key advantages despite European pressure to source weapons domestically.

Taiwan has completed the first underwater sea trial of its domestically built submarine, marking a major milestone in its indigenous program aimed at strengthening naval deterrence amid rising military pressure from China. The Narwhal submarine, priced at T\$49.36B (\$1.58B) and built with support from U.S. and UK technology partners, is part of a planned eight-vessel fleet as Taiwan accelerates asymmetric defense investments, including an additional \$40B in military spending announced for the coming years.

Volkswagen plans to shift most of its China-built vehicles to a new software-driven architecture by 2030, aiming to develop cars up to 30% faster and 40% cheaper using its China Electronic Architecture initially co-developed with Xpeng. The strategy is designed to help Volkswagen regain competitiveness in the world's largest auto market after losing share to domestic rivals like BYD and Geely, with production already underway and more than a dozen new models slated over the next two years.

An Australian scandium project backed by mining billionaire Robert Friedland expects to contribute to a planned \$12B U.S. critical minerals stockpile, the company's CEO said. The stockpile announced by President Trump would be backed by \$10B in U.S. EXIM Bank funding and \$2B in private capital, with Australia expected to play a key supplier role.

Nvidia CEO Jensen Huang said China is still finalizing approval for a license that would allow the company to sell its H200 artificial intelligence chips in the country. Huang made the comments after visiting customers, partners, and government officials in China, and said the company is waiting on a decision from Beijing despite U.S. export approval and strong demand from Chinese firms. The H200 chip remains a sensitive issue as China weighs the needs of its fast-growing AI sector against efforts to support its domestic semiconductor industry, leaving major customers unable to convert interest into confirmed purchase orders.

Hong Kong scientists have developed an AI weather-forecasting system that can predict thunderstorms and heavy rainfall up to four hours ahead, far beyond the 20-minute to two-hour range of current models. Built by researchers at the Hong Kong University of Science and

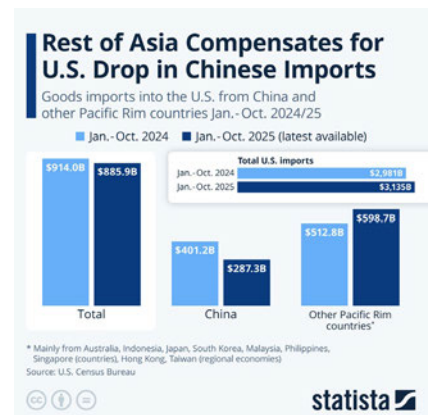
Technology, the system uses generative AI and satellite data to refresh forecasts every 15 minutes, improving accuracy by more than 15% and giving governments and emergency services more time to respond as extreme weather events become more frequent across southern China and the region.

Nippon Steel widened its full-year net loss forecast to ¥70B (\$446M) for the fiscal year ending in March, citing the impact of a fire at its Muroran blast furnace along with pressure from Chinese steel exports and weak domestic demand. The company swung to a loss for the nine months through December and said the Muroran outage alone would reduce earnings by about ¥40B; however, operations are expected to resume in March. U.S. Steel's performance is projected to improve in FY2026 as market conditions rebound, and its India business has begun recovering after bottoming out late last year.

Other Asian economies have largely offset the decline in Chinese exports to the United States, with U.S. imports from Pacific Rim countries dipping only slightly to about \$886B in January–October 2025 from \$914B a year earlier, even as imports from China fell sharply from \$401B to \$287B. Increased shipments from countries such as Japan, South Korea, Taiwan, Australia, Indonesia, Vietnam, and Thailand filled much of the gap, pushing imports from non-China Pacific Rim economies up from

roughly \$513B to nearly \$599B over the same period. Overall U.S. imports continued to rise, growing from about \$3.0T to \$3.1T, suggesting that while tariffs reshaped sourcing patterns, they did not meaningfully reduce total U.S. import volumes or trade deficits by late 2025.

Nippon Steel is considering a convertible bond sale of up to ¥500B (\$3.2B), which would be the largest such issuance in Japan, as the steelmaker looks to secure long-term funding while limiting immediate shareholder dilution, according to sources. The proceeds would support overseas expansion in markets such as the U.S. and India, fund decarbonization initiatives, and help refinance roughly ¥2T in bridge loans tied to its U.S. Steel acquisition, with the company favoring zero-coupon convertibles amid rising domestic interest rates. Shares fell 2% following the report, and sources said



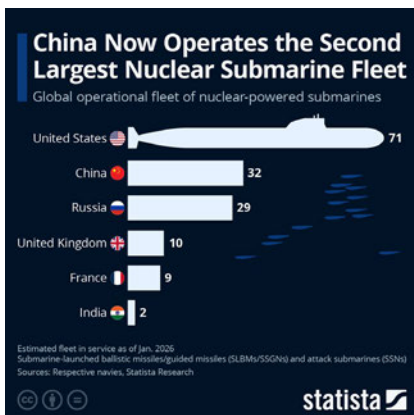
ASIA/PACIFIC, JAPAN, AUSTRALIA, & INDIA:

Japan Bank for International Cooperation is also weighing loans of about ¥1T (\$6.4B), though Nippon Steel said no final decisions have been made.

Chinese independent refiners are turning to discounted Iranian crude to replace Venezuelan oil shipments that have stalled following U.S. intervention in Venezuela's oil trade, according to sources. So-called “teapot” refiners, mainly in Shandong province, are drawing on Iranian oil stored in tanks and on ships because Iranian Heavy is currently the cheapest substitute, trading at discounts of about \$12 per barrel to Brent, compared with smaller discounts for Venezuelan or Russian alternatives. The shift has sharply reduced Venezuelan crude held in floating storage in Asia, while Iranian inventories are being drawn down as refiners prioritize sanctioned barrels with deeper price incentives.

U.S. memory chipmaker Micron plans to invest \$24B to build a new advanced wafer fabrication plant in Singapore as it ramps up capacity to address a global memory chip shortage driven by AI and data-intensive applications. The facility, expected to come online in the second half of 2028, will support growing demand for NAND memory, adding to Micron's already significant Singapore footprint, where it produces most of its flash memory and is also building a \$7B high-bandwidth memory packaging plant slated to begin production in 2027.

China now operates the world's second-largest nuclear submarine fleet, having surpassed Russia with more than 30 active nuclear-powered submarines as of January 2026, reflecting a rapid expansion and modernization of its undersea capabilities. While the United States maintains a clear numerical lead with roughly 70 operational nuclear submarines, China's fleet growth—anchored by advanced



attack submarines such as the Type 093 and the development of the next-generation Type 096 ballistic missile submarine—signals a strategic shift toward sustained and survivable nuclear deterrence patrols. Russia, now in third place with just under 30 vessels, continues to modernize its fleet, while the United Kingdom and France each maintain about 10 nuclear submarines, and India is gradually expanding its force, currently at two

but expected to double by 2027 with the completion of its Arihant-class program.

Vietnamese automaker Kim Long Motor plans to build a \$130M electric vehicle battery plant in central Vietnam through a partnership with China's BYD, aimed initially at supplying batteries for commercial EVs such as buses, trucks, and minibuses. BYD will provide technical and technology support while Kim Long funds construction, with the facility starting at 3 GWh of annual capacity and later expanding to 6 GWh, including battery production for electric passenger vehicles as Vietnam's EV market continues to scale.

Petronas has signed a 20-year LNG supply deal with QatarEnergy for 2 mtpa of liquefied natural gas, marking the first long-term supply agreement between Malaysia and Qatar as Petronas moves to secure imports amid declining domestic gas reserves. The agreement, signed in Doha, supports Malaysia's growing energy needs as power demand rises—particularly from data centers—even as the country remains a major LNG exporter. For QatarEnergy, the deal adds to long-term offtake commitments tied to its North Field expansion, which is set to significantly lift LNG output by 2027 and strengthen Qatar's position in global gas markets.

Australia's Berkeley Energia has filed a claim seeking \$1.25B in damages from Spain at the World Bank's arbitration tribunal, escalating a long-running dispute over its blocked Salamanca uranium project. The miner increased its claim from an earlier \$1B filing, arguing that Spain's refusal to grant final approval for the project breached its rights under the Energy Charter Treaty, after the mine received preliminary approval in 2013 but was denied final sign-off in 2021 and again in 2023. Spain now has until July 2026 to respond to the claim, according to Berkeley.

AstraZeneca has struck a deal worth up to \$18.5B to license weight-loss drug candidates from China's CSPC, agreeing to pay \$1.2B upfront with the remainder tied to development and sales milestones. The agreement gives AstraZeneca global rights, excluding mainland China, Hong Kong, Macau, and Taiwan, to multiple experimental obesity and weight-related therapies, including a once-monthly injectable candidate, while also expanding collaboration on additional programs using CSPC's drug-delivery and AI-driven discovery platforms. The deal deepens AstraZeneca's push into the fast-growing obesity market and builds on its broader investment strategy in China, while marking the largest out-licensing transaction in CSPC's history despite a post-announcement drop in the Chinese drugmaker's shares.

ASIA/PACIFIC, JAPAN, AUSTRALIA, & INDIA:

Canada and China have struck an initial trade deal to sharply reduce tariffs on electric vehicles and canola, marking a reset in bilateral relations during Prime Minister Mark Carney’s visit to Beijing. Canada will allow imports of up to 49,000 Chinese EVs at a 6.1% tariff—down from the 100% rate imposed in 2024—with the quota expected to rise to roughly 70,000 vehicles within five years, while China is expected to cut tariffs on Canadian canola seed to about 15% from 84% and remove punitive duties on other agricultural and seafood products. The agreement is expected to unlock nearly \$3B in Canadian export orders and includes commitments to resume high-level economic dialogue, expand trade and investment, and deepen cooperation in

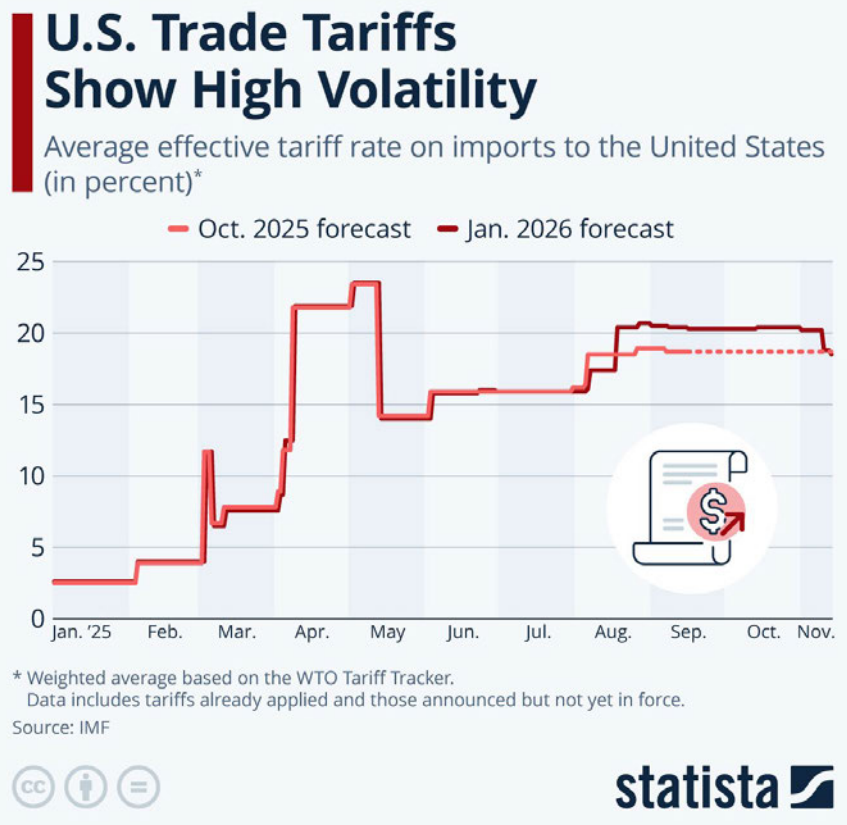
agriculture, energy, and green technology, even as the move diverges from U.S. trade policy and draws mixed reactions domestically.

Indonesia’s state miner Antam has signed a framework agreement to develop a domestic battery ecosystem, partnering with Indonesia Battery Corp and a consortium led by China’s Zhejiang Huayou Cobalt on a \$6B investment spanning nickel mining, processing, cathode materials, and battery cell production. The project, located in East Halmahera and West Java, is targeting 20 gigawatt-hours of capacity as Indonesia pushes to build an end-to-end EV battery supply chain.

ECONOMIC UPDATE: APPENDIX TO THE FEBRUARY 2026 ISSUE

ECONOMY: U.S. TARIFF RATES REMAIN ELEVATED AND VOLATILE DESPITE RECENT EASING

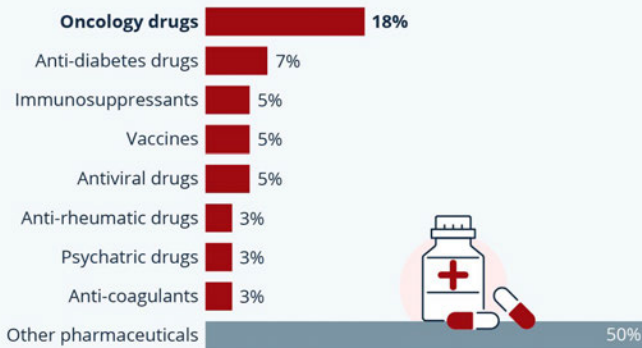
U.S. trade policy volatility over the past year drove sharp swings in the effective tariff rate on imports, with the average rate peaking at 23.5% in May 2025 as newly announced and pending measures were incorporated into forecasts. According to the IMF, the effective tariff rate has since eased to approximately 18.5%, reflecting selective tariff rollbacks, temporary bilateral agreements, and lifted duties on certain agricultural products. Despite this moderation, the overall tariff level remains broadly unchanged from IMF projections made in October 2025 and remains historically high, near levels last seen in the early 20th century. This underscores continued uncertainty for global trade flows and country-specific impacts.



MEDICAL: ONCOLOGY DRUGS ACCOUNT FOR NEARLY ONE-FIFTH OF GLOBAL PHARMA REVENUE

Cancer Drugs Drive Nearly One-Fifth of Pharma Sales

Estimated distribution of the global pharmaceutical market revenue in 2025, by drug type



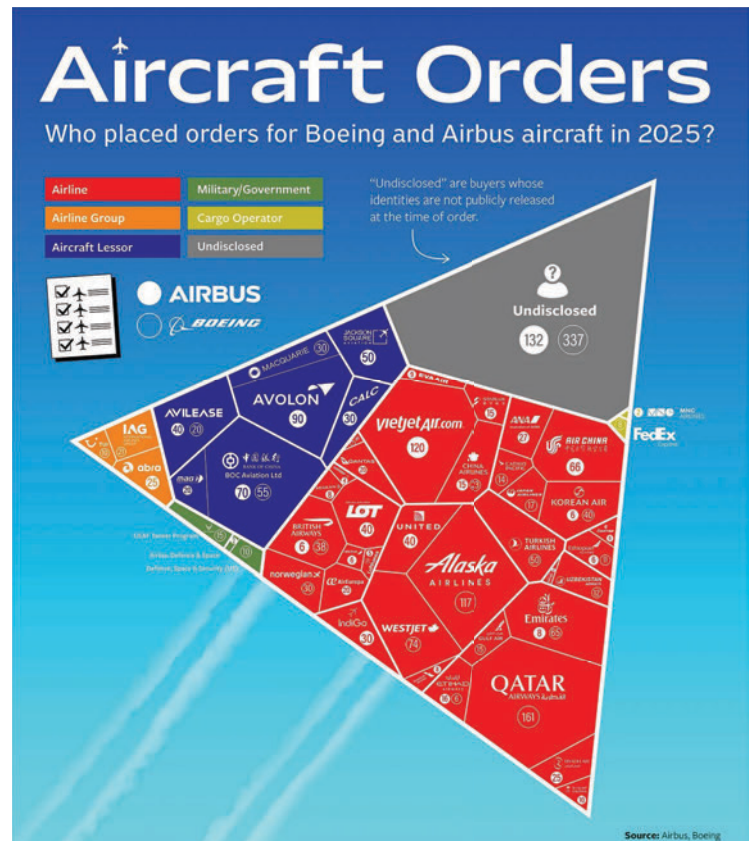
As of October 2025. Data encompasses B2B, B2G and B2C spending. Source: Statista Market Insights



Oncology drugs remained the largest therapeutic segment of the global pharmaceutical market in 2025, generating approximately \$217B in revenue and accounting for 18% of total industry sales, according to Statista Market Insights. Antidiabetic and obesity-related treatments ranked second at roughly \$85B in sales, representing 7% of global revenues, while immunology, vaccines, and antiviral therapies each contributed about 5%. The concentration of revenue in a small number of high-value drug classes reflects continued demand for specialty therapies, with leading products such as oncology immunotherapies and metabolic treatments driving a growing share of pharmaceutical industry growth.

AEROSPACE: AIRLINES AND LESSORS DRIVE GLOBAL AIRCRAFT DEMAND AS 2025 ORDERS SURGE

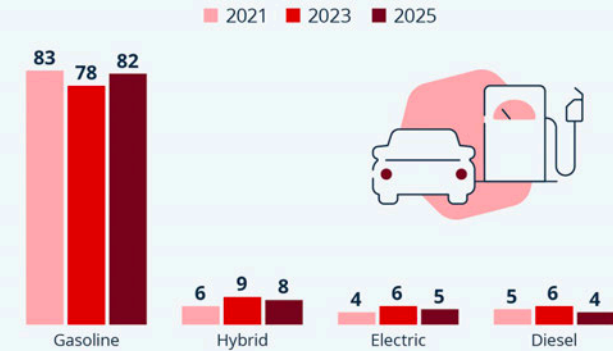
Aircraft orders in 2025 reflected strong global demand as airlines and aircraft lessors led purchases from Boeing and Airbus. Airlines accounted for more than 1,200 aircraft orders during the year, while aircraft lessors, including Avolon, BOC Aviation, and Macquarie, placed over 400 orders, showing their growing role as financial intermediaries in the aviation market. Among named buyers, Qatar Airways ranked first with 161 aircraft orders, though the largest single category overall remained “undisclosed” customers, totaling 469 aircraft, as manufacturers recorded demand tied to confidential leasing arrangements, regulatory timing, and strategic fleet planning amid continued air travel recovery.



AUTOMOTIVE: U.S. EV AND HYBRID ADOPTION LOSES MOMENTUM AS GASOLINE DOMINANCE PERSISTS

EV Progress Stalls in the U.S.

Share of respondents whose primary car had the following drive system (in percent)



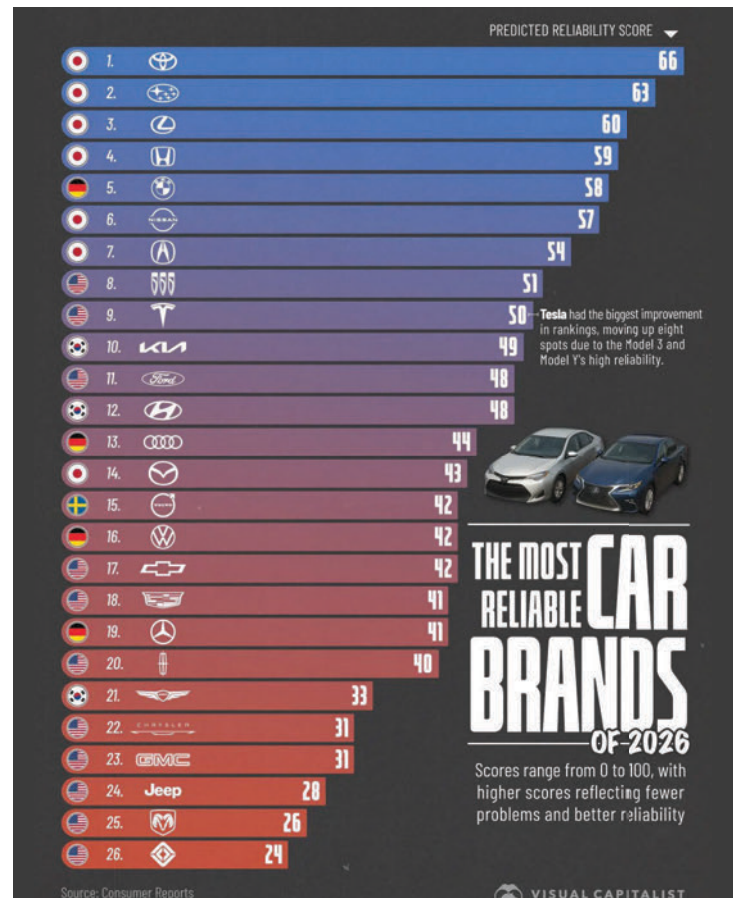
5,700-8,600 U.S. adults (18-64 y/o) with a car in their household surveyed per year. Excludes "Other"/"Don't know" answers. Source: Statista Consumer Insights



U.S. electric and hybrid vehicle adoption showed signs of stalling in 2025, with the share of households reporting a hybrid or electric primary vehicle slipping by one percentage point from 2023 levels, according to Statista Consumer Insights. Gasoline-powered vehicles continued to dominate, accounting for 82% of primary household vehicles, while hybrids represented 8%, electric vehicles 5%, and diesel vehicles 4%. The trend contrasts with Europe, where EV and hybrid adoption has continued to rise, and aligns with forecasts pointing to a 2.4% decline in total U.S. vehicle sales in 2026 and a projected 15% contraction in U.S. passenger EV sales, reflecting price pressures, tariff impacts, and weakening consumer demand.

AUTOMOTIVE: JAPANESE AUTOMAKERS LEAD 2026 RELIABILITY RANKINGS AS TESLA POSTS SHARP IMPROVEMENT

Consumer Reports' 2026 predicted reliability rankings placed Japanese automakers firmly at the top, with Toyota, Subaru, and Lexus occupying the first three positions and six of the top seven spots overall. Toyota led all brands with a score of 66, reflecting continued strength tied to conservative engineering, long product cycles, and proven powertrain designs. Tesla recorded the largest year-over-year improvement, climbing eight positions to ninth place as reliability scores for the Model 3 and Model Y improved, signaling incremental maturation in high-volume EV platforms. European brands clustered in the middle of the rankings, while several newer and performance-oriented manufacturers ranked lower, underscoring the reliability challenges often associated with newer vehicle architectures.



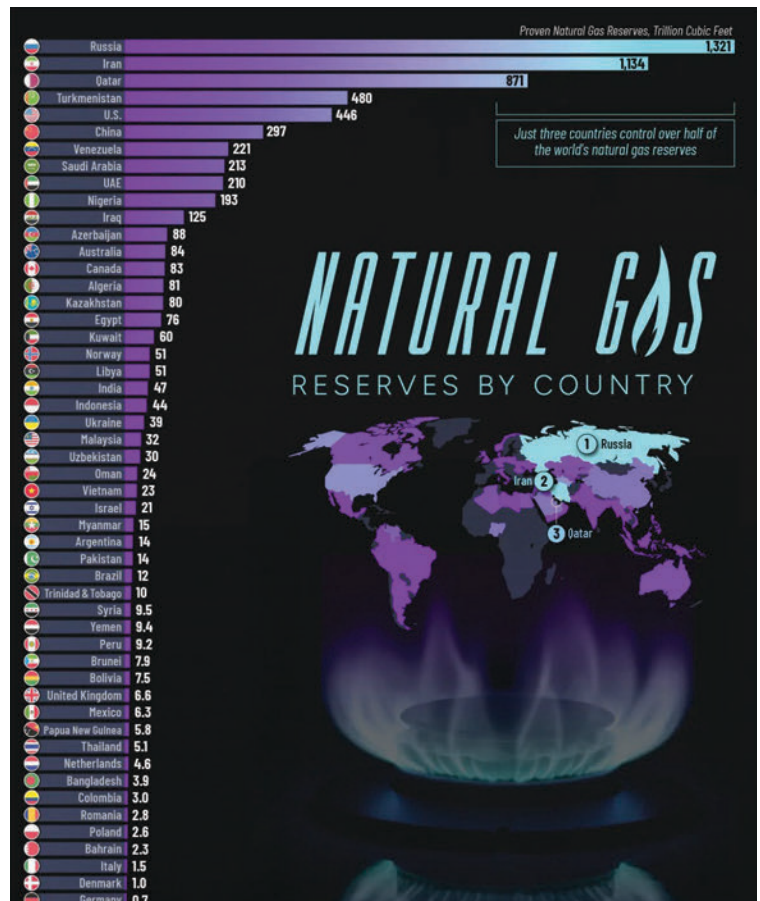
ECONOMY: GEOECONOMIC CONFRONTATION EMERGES AS TOP THREAT IN 2026



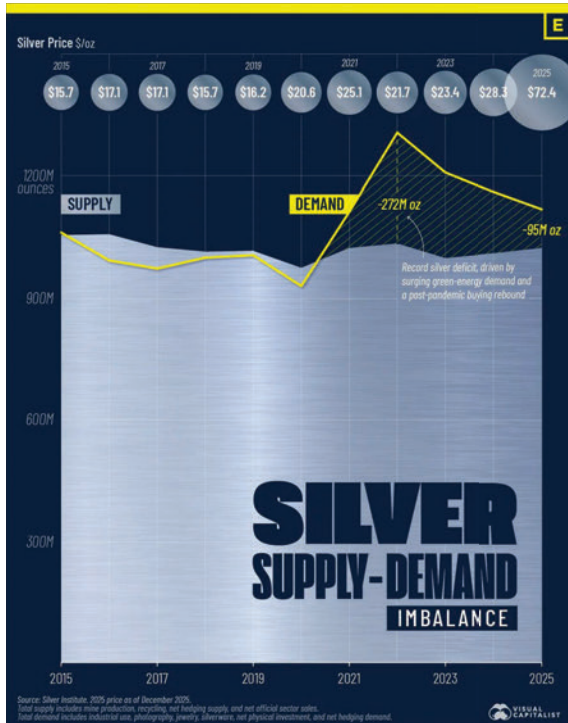
Geoeconomic confrontation was identified as the most significant global risk in 2026, selected by 18% of respondents in the World Economic Forum’s Global Risks Report, reflecting heightened tensions tied to great-power competition, trade friction, and geopolitical realignment. State-based armed conflict ranked second at 14%, amid a record number of active conflicts worldwide, while extreme weather events placed third at 8%, underscoring the growing economic and social costs of climate-related disruptions. Broader risks, including societal polarization, misinformation, economic downturns, and adverse outcomes from AI, highlight the increasingly interconnected nature of geopolitical, technological, and environmental pressures shaping the global outlook.

ENERGY: GLOBAL NATURAL GAS RESERVES HIGHLY CONCENTRATED AMONG A HANDFUL OF COUNTRIES

Global natural gas reserves remain heavily concentrated, with Russia, Iran, and Qatar together controlling more than half of the world’s proven reserves, according to data from the Energy Institute’s Statistical Review of World Energy 2025. Russia alone holds approximately 1,321 trillion cubic feet, making it the world’s largest holder, followed by Iran and Qatar with roughly 1,134 and 871 trillion cubic feet, respectively. Beyond the top three, reserves are largely clustered in the Middle East and Eurasia, reinforcing these regions’ strategic importance in global energy markets and liquefied natural gas exports. The United States ranks fifth globally, reflecting the long-term impact of shale gas development, while Europe’s comparatively limited reserves continue to shape regional dependence on imports despite diversification efforts since 2022.



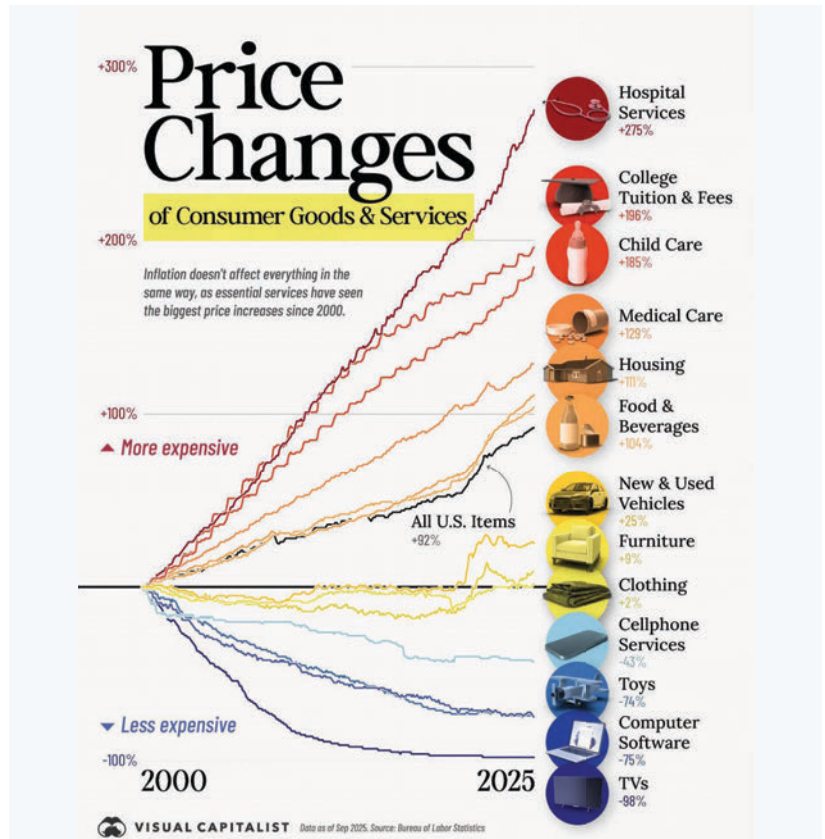
COMMODITIES: STRUCTURAL SILVER DEFICITS PERSIST AS INDUSTRIAL DEMAND OUTPACES SUPPLY



The global silver market has remained in a sustained structural deficit since 2021, as demand growth, driven primarily by industrial and green-energy applications, has consistently outpaced relatively flat supply, according to data from the Silver Institute. After flipping into deficit in 2021, the imbalance deepened sharply in 2022 when demand reached a record 1,306 million ounces, producing the largest deficit on record at 272 million ounces. Although deficits narrowed modestly through 2025, supply has continued to lag demand, reinforcing tight market conditions. Silver prices have closely tracked these fundamentals, rising from an average of \$15–\$17 per ounce prior to 2020 to above \$80 in 2025, reflecting constrained supply growth, export restrictions, geopolitical risk, and sustained investment and industrial demand.

ECONOMY: ESSENTIAL SERVICES FAR OUTPACE OVERALL PRICE GROWTH SINCE 2000

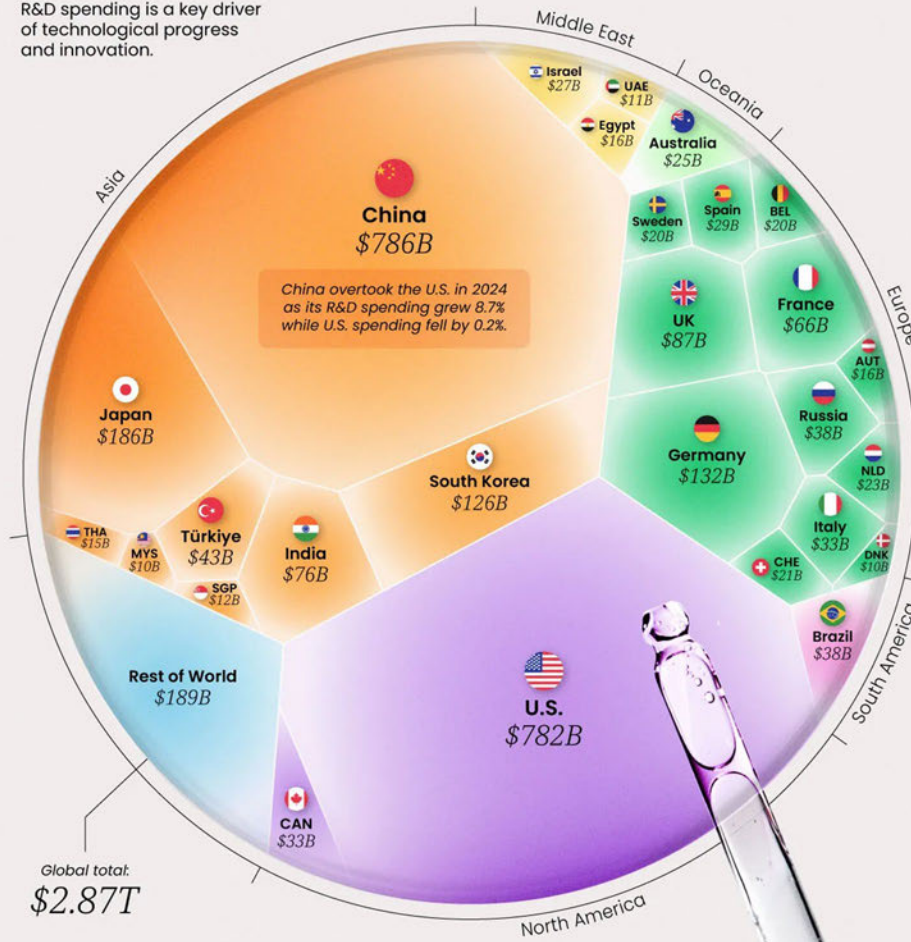
U.S. consumer prices rose 92% overall between 2000 and 2025, but inflation has been highly uneven across categories, with essential services seeing the steepest increases, according to Bureau of Labor Statistics data. Hospital services recorded the largest rise at 275%, followed by college tuition and fees (+196%), child care (+185%), medical care (+129%), housing (+111%), and food and beverages (+104%), all significantly outpacing headline inflation. In contrast, many technology-related goods experienced sustained deflation over the same period, with prices for software, toys, and televisions declining sharply as productivity gains, quality adjustments, and manufacturing efficiencies reduced costs. The divergence highlights persistent affordability pressures for households, particularly in healthcare, education, and housing, even as overall inflation has moderated in recent years.



TECHNOLOGY: CHINA SURPASSES U.S. AS WORLD'S LARGEST R&D SPENDER IN 2024

Research & Development Spending *by Country*

R&D spending is a key driver of technological progress and innovation.



Source: World Intellectual Property Organization. Values are constant 2015 U.S. dollars adjusted for purchasing power parity (PPP). Data for 2024, latest available as of Jan 2026. Figures rounded.

Global research and development spending reached approximately \$2.9T in 2024, with China emerging as the world's largest R&D investor for the first time, according to data from the World Intellectual Property Organization. China spent roughly \$786B on R&D, narrowly surpassing the United States at \$782B, as China's R&D investment grew 8.7% year-over-year while U.S. spending edged lower. Asia accounted for about 45% of global R&D activity, reflecting rising investment from China, South Korea, and India, while Europe and the U.S. saw a gradual erosion in global share. Together, China and the U.S. represented nearly 55% of total global R&D spending, showing the increasingly concentrated and competitive nature of global innovation leadership.

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