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ECONOMIC UPDATE

Number 77 • October 2026

EXECUTIVE SUMMARY

ECONOMY: MANUFACTURING HELD FIRM AND CONSUMER ACTIVITY REBOUNDED, WHILE JOB GROWTH AND CONFIDENCE WEAKENED, as the **ISM Manufacturing PMI registered 54.5% in September**, marking a ninth consecutive month of expansion. New orders rose to 55.3% and manufacturing employment improved to 52.7%, although the Prices Index climbed sharply to 77.9%. **Factory orders edged up 0.1% in August and were 6.8% higher year-over-year**, as strength in electrical equipment offset weaker commercial aircraft orders. Consumer spending strengthened, with **retail sales up 1.2% and core sales rising 1.4%**, while **construction spending increased 0.9% and new home sales jumped 6.4% to a 684,000 annualized pace**. Labor conditions softened in September as **nonfarm payrolls rose by just 29,000 and unemployment increased to 4.2%**, while wage growth eased to 3.0% year-over-year. Inflation remained elevated, with **CPI up 0.4% in August and 3.4% year-over-year**, while **PPI rose 0.4% and 5.4% year-over-year**. **Consumer confidence fell to 81.9 in September**, and the **Leading Economic Index slipped 0.1% to 99.5 in August**, pointing to a more uncertain growth outlook.

STEEL: TRADE POLICY AND MAJOR CAPACITY PROJECTS PUT STEEL INVESTMENT IN FOCUS, as the U.S. unveiled the Milwaukee Framework on global excess capacity and industry groups pushed to preserve 50% Section 232 tariffs. Mesabi Metallics announced a \$15B Iowa mill, while Louisiana approved up to \$1.3B in financing for the \$5.8B Hyundai-POSCO project. Overseas, Thyssenkrupp advanced major capacity and workforce reductions as India targeted 600 million metric tons of steelmaking capacity by 2047.

AUTOMOTIVE: AUTOMAKERS REWORKED PRODUCTION PLANS AROUND HYBRIDS, EVS, AND WEAKER DEMAND, with Honda considering up to \$2.53B for a new Ohio hybrid plant and Toyota planning a \$1.34B electrified-vehicle facility in Argentina. Renault committed more than €10B (\$11B) in France, while Volkswagen warned of €10B (\$11.5B) in one-off costs and Porsche planned around permanently lower volumes. China's passenger car market is expected to contract about 20% in 2026.

ENERGY: RISING ELECTRICITY NEEDS AND NEW SUPPLY ROUTES REDREW INVESTMENT PRIORITIES, as Google signed agreements for 3.59 GW of power from Constellation Energy, supporting more than \$4.3B in generation investment. Canada moved to fast-track a 1-million-bpd Pacific oil pipeline, while a drone attack temporarily shut Saudi Arabia's East-West pipeline carrying about 4 million to 5 million bpd. South Korea and India also announced major clean-energy and grid investment programs.

MEDICAL: U.S. EXPANSION PLANS AND LARGE DRUG DEALS DOMINATED THE MONTH, led by Becton Dickinson's \$19B U.S. commitment, including \$3B for manufacturing, and Bayer's \$2.2B Ohio pharmaceutical site. AstraZeneca added more than \$1B in Massachusetts, while Sanofi and Regeneron expanded their partnership in a deal worth up to \$8B. Chinese biotech firms also secured major licensing agreements with Novartis and Novo Nordisk.

AEROSPACE: DEFENSE ORDERS AND COMMERCIAL AIRCRAFT DEMAND ACCOUNTED FOR SOME OF THE SECTOR'S LARGEST COMMITMENTS, with Boeing winning a \$20B U.S. Navy fighter-development contract and Raytheon receiving missile awards worth up to \$45.1B combined. Boeing also secured a \$14.7B PAC-3 seeker contract, while Rolls-Royce committed £300M (\$397.9M) to U.K. manufacturing. Airbus expects Asia-Pacific to account for about 45% of roughly 42,000 new aircraft needed globally over the next 20 years.

COMMODITIES: MINERAL ACCESS AND TRADE RESTRICTIONS ADDED NEW PRESSURE TO GLOBAL MATERIAL SUPPLY, as Anglo American warned its Brazilian nickel business could close if EU regulators block a \$500M sale to MMG, citing implications for European stainless steel supply. China Rare Earth Group was reportedly pursuing further consolidation through Shenghe Resources, while Codelco continued dealing with stagnant copper output and rising costs. Europe also tightened protections around electrical steel and Chinese titanium dioxide.

OVERSEAS: ASIA'S TECHNOLOGY LEADERSHIP AND LONG-TERM CAPITAL SPENDING STOOD OUT ACROSS GLOBAL MARKETS, with China accounting for 74.2% of granted AI patents worldwide in 2024. Economic sentiment was also strongest in Saudi Arabia, China, and India among the countries surveyed, while Europe's share of global pharmaceutical R&D fell to 31%. Korean Air's \$36.2B Boeing order and major energy programs in South Korea and India added to the region's investment momentum.

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Hertha Metals has secured \$133.65M in Series A funding to build a high-purity iron facility in Conroe, Texas, including a \$65M equity investment from the U.S. government. The planned Hertha Chalyx facility is expected to produce 10,000 metric tons of steel-grade and magnet-grade high-purity iron, helping establish a domestic source for rare-earth magnet feedstock. Hertha said the project will support U.S. defense, aerospace, electric vehicle, and data center supply chains.

U.S. Steel has proposed a new five-year labor agreement to the United Steelworkers, offering wage increases totaling 19.3% through 2031, a \$4,000 signing bonus, and no healthcare premiums. The current contract is continuing on a rolling basis after its Sept. 30 extension deadline passed without a new agreement.

The U.S. Trade Representative has unveiled the Milwaukee Framework to address global excess steel capacity, with participating countries agreeing to consider anti-dumping, countervailing duty, safeguard, and other trade measures targeting excess capacity and circumvention. The American Iron and Steel Institute and Steel Manufacturers Association endorsed the framework, citing its focus on market-distorting subsidies and enforcement of steel trade measures. The plan also calls for greater coordination among member countries to identify and respond to trade circumvention in the steel sector.

The U.S. Department of Commerce has recommended keeping in place an anti-dumping duty suspension agreement covering cut-to-length plate imports from Ukraine, finding that ending the agreement would likely lead to renewed dumping at margins of up to 237.91%. The agreement, first established in 1997 and revised in 2008, requires Ukrainian producers to avoid selling covered plate in the U.S. below fair market value. Ukraine shipped just 1.7 metric tons of cut-to-length plate to the U.S. in 2025 and none so far in 2026.

Metallus has secured a five-year U.S. Defense Logistics Agency contract valued at up to \$995M, covering high-fragmentation steel for defense applications across the Army, Marine Corps, Navy, Air Force, and Space Force. The Canton, Ohio-based specialty metals producer received an initial delivery order worth about \$125M on Sept. 29. The contract supports Metallus' growing defense business and demand for domestically sourced specialty steel.

U.S. Steel is investing \$28.3M in upgrades at Great Lakes Works in Michigan, including a new fiber-optic laser beam welder and dual-entry shears for the facility's pickle line. The equipment will be installed during a 30-day outage beginning

in October and is intended to improve operating efficiency and production reliability. Great Lakes Works primarily finishes steel for automotive customers.

President Trump has announced a \$15B Mesabi Metallurgical steel project in Iowa, with planned annual capacity of 10 million tons and first production targeted for 2030. The plant would use iron ore from Mesabi's Minnesota mine and employ at least 1,750 people once fully operational. Lee County has been identified as the expected location, although local officials said no site commitment had yet been confirmed.

Stelco will indefinitely idle cold-rolling and coating operations at its Hamilton, Ontario, mill beginning Oct. 9, with parent company Cleveland-Cliffs shifting steel production to Lake Erie Works in Nanticoke. Total tonnage is expected to remain unchanged, but the product mix will move toward more hot-rolled steel. Stelco cited broader trade pressures on Canadian cold-rolled and coated products.

Alter Trading Corp. has acquired the operating assets of Iron and Metals Inc. in Denver, expanding its Rocky Mountain presence and bringing its network to 82 facilities. Alter plans to continue operating the 20-acre Denver site, while Iron and Metals' existing leadership team will remain in place. Terms of the transaction were not disclosed.

Several U.S. steel trade groups have urged President Trump to maintain 50% Section 232 steel tariffs, arguing that tariff certainty supports domestic investment, capacity expansion, and employment. Signatories included the Steel Manufacturers Association, American Iron and Steel Institute, Specialty Steel Industry of North America, and other industry groups. The current 50% steel tariffs took effect in June 2025 after being raised from 25%.

tk accelis has launched steelbuy USA, a new B2B marketplace for buying and selling steel and other metals, including flat-rolled carbon steel, coated steel, aluminum, and stainless steel. The Houston-based platform is already listing more than 54,000 short tons of material and is onboarding buyers and sellers nationwide. tk accelis said the launch supports its North American expansion and broader supply chain digitalization strategy.

Greenbrier received orders for 3,400 new railcars valued at about \$600M during its fiscal fourth quarter, up 55% from the previous quarter's 2,200 units. The total includes 780 railcars for Saudi Arabia Railways, with U.S.-steel tank cars already shipping from Greenbrier's North American operations in Mexico. Production for the order will take place in Arkansas, Mexico, Brazil, Poland, and Romania.

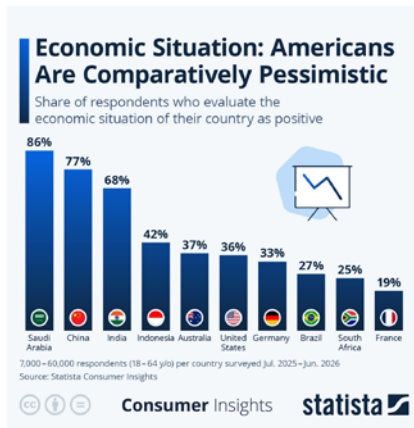
THE AMERICAS:

Louisiana has approved up to \$1.3B in bond financing for a proposed Hyundai-POSCO steel mill in Ascension Parish, including \$900M through the Louisiana Public Facilities Authority and \$400M through the Port of South Louisiana. The \$5.8B electric-arc furnace project is planned to produce nearly 3 million short tons of hot-rolled and cold-rolled coil annually. Operations are targeted to begin in 2029, with POSCO holding a 20% stake in the project.

Totten Tubes has opened a new steel tubing distribution and processing facility in Cedar City, Utah, expanding its Western U.S. network to six locations. The company said the site will increase distribution capacity and strengthen regional supply reliability. Totten Tubes also operates facilities in Los Angeles, San Diego, Northern California, Phoenix, and the Pacific Northwest.

Honda is reportedly preparing to invest 300B to 400B yen (\$1.90B to \$2.53B) in a new hybrid vehicle plant in Ohio, with production targeted to begin around 2030. Honda said no final decision has been made, while executives have tied future North American expansion to the outcome of USMCA negotiations. The automaker is nearing full production capacity in the region after suspending an \$11B Canadian EV project and canceling three planned U.S. EVs.

Only 36% of U.S. respondents rated their country's economic situation positively, according to Statista Consumer Insights surveys conducted from July 2025 through June 2026. Sentiment was considerably stronger in Saudi Arabia at 86%, China at 77%, and India at 68%, while Brazil stood at 27% and France ranked lowest among the countries shown at 19%.



The U.S. Transportation Department has finalized lower vehicle fuel economy standards through 2031, setting a fleetwide average of 34.9 mpg compared with 50.4 mpg under the previous rules. The department estimates the change will reduce automaker compliance costs by about \$1,289 per vehicle while increasing fuel consumption. The revised standards also reduce the pressure on automakers to expand EV production.

Toyota plans to invest \$1.34B in a new electrified-vehicle plant in Argentina, marking the country's largest single automotive investment to date. The project in Zárate is expected to generate \$1.28B in annual exports, with about 70% of production destined for foreign markets. Construction is projected to create more than 3,600 jobs, followed by more than 2,600 direct and indirect jobs once operations begin.

Ford is recalling 223,472 U.S. vehicles over fuel tank issues, including certain 2023–2027 F-150 models. Improperly secured or leaking fuel tanks could detach while driving, creating a crash hazard, while fuel leaks could increase the risk of stalling or fire. Dealers will inspect and replace fuel tank straps as needed at no charge.

Volkswagen is recalling 208,724 U.S. vehicles over a steering rack bolt defect, which could cause a loss of steering control and increase crash risk. Affected models include certain 2018 Tiguan, 2018–2019 Atlas, and 2019–2021 Audi Q3 vehicles. Dealers will replace the right-side steering rack mounting bolt at no charge.

Ford halted F-150 production for nearly a week at its Dearborn Truck Plant in Michigan, citing a supplier issue that also led to canceled shifts at its Kansas City Assembly Plant. Ford is still working to recover from earlier production losses, while U.S. vehicle sales were down about 10% year-over-year through August and F-Series sales fell 11%.

Chinese automakers are rapidly gaining share in Argentina's vehicle market, accounting for 10% of car and light commercial vehicle sales in August, up from about 2% late last year. A 2026 policy allows up to 50,000 electric and hybrid vehicles to enter tariff-free, helping expand competition from more than 20 Chinese brands. Overall Argentine vehicle sales are still down 13% year-over-year, however, as higher interest rates weigh on demand.

Becton Dickinson has pledged \$19B in U.S. investment under an agreement tied to future tariff relief, including \$3B for strategic manufacturing sites. Planned expansion would add about 5 billion essential medical consumables annually and raise the share supplied domestically to roughly 80%. BD also intends to manufacture all needles used in the U.S. domestically using American-made steel.

Bayer plans to invest \$2.2B in a new pharmaceutical manufacturing site in New Albany, Ohio, creating about 600 permanent jobs and 1,500 construction jobs. The facility is part of Bayer's effort to expand its U.S. business, where the pharmaceuticals unit now generates 35% of global revenue compared with 20% in 2018. Drug-substance manufacturing

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is expected to begin in 2031, followed by finished-product production in 2034.

AstraZeneca plans to invest more than \$1B in Massachusetts as part of a wider \$50B U.S. expansion, with the investment expected to increase its state workforce by more than 50%. A new 570,000-square-foot R&D center in Cambridge will focus on cancer, chronic and rare diseases, and cell therapies. Together with a nearby genomic medicine site, the Cambridge operation will house nearly 2,000 researchers and scientists.

All 50 states, Washington, D.C., and Puerto Rico have joined a new Medicaid drug-pricing program, which ties prices for participating medicines to those paid in other developed countries. White House estimates project \$27.6B in state savings and \$36.6B in federal savings over 10 years. More than two dozen drugmakers have signed pricing agreements under the initiative, while the pharmaceutical industry has raised concerns about potential effects on future investment and drug development.

McKesson and Clayton, Dubilier & Rice have agreed to acquire Option Care Health in a \$5.8B deal, taking the largest independent U.S. infusion therapy provider private. Option Care serves more than 308,000 patients annually across more than 197 locations, reflecting growing demand for home and ambulatory care. McKesson will invest about \$1.4B for a 49% stake, with the transaction expected to close in the first half of 2027.

GE HealthCare has agreed to acquire Sofie Biosciences for \$945M in cash, expanding its radiopharmaceutical manufacturing and distribution capabilities. The deal gives GE HealthCare U.S. rights to FAPI-74, an experimental PET imaging agent in late-stage testing for several cancers. Sofie also operates facilities that manufacture and distribute radioisotopes for hospitals, imaging centers, and other radiopharma companies.

Grail's Galleri multi-cancer blood test has moved closer to FDA approval after an advisory panel backed its benefits over its risks, potentially paving the way for more expansive insurance coverage. FDA approval could make the test eligible for Medicare coverage beginning in 2028, while analysts estimate widespread adoption could create a U.S. market worth up to \$60B annually by 2030. Questions remain over follow-up costs and whether multi-cancer screening ultimately reduces cancer deaths.

The U.S. government, Meta, and Google are joining Biohub in a \$1.8B effort to build biological datasets for AI

research, including \$300M from Meta, Google DeepMind, and Isomorphic Labs and more than \$500M from the Department of Energy. The Virtual Biology Initiative aims to generate large-scale cell data for predictive models that could shorten drug-development timelines. Biohub expects the first dataset within about a year, with a larger public release planned after limited early-access periods for private funders.

Boeing has won a \$20B contract to develop the U.S. Navy's next-generation F/A-XX stealth fighter, beating Northrop Grumman for a program that could grow to hundreds of billions of dollars over its lifetime. The award provides a major boost to Boeing's fighter operations in St. Louis as existing F/A-18 and EA-18G production winds down. First production F/A-XX aircraft are expected in the 2030s.

RTX's Raytheon has received two major U.S. defense contracts worth up to \$45.1B combined to expand missile production, including a \$24.4B Navy award for Standard Missile-6 interceptors and a provisional \$20.7B Pentagon contract for AMRAAM missiles. Both agreements are aimed at replenishing munitions inventories and supporting higher production capacity. Raytheon is expanding its workforce, supplier network, facilities, and automation, with annual AMRAAM output targeted at at least 1,900 missiles.

Boeing has received a seven-year contract from Lockheed Martin worth about \$14.7B to expand production of PAC-3 MSE missile seekers, a key guidance component used in Patriot air defense interceptors. The award will support a threefold increase in seeker production as Lockheed works to raise annual PAC-3 interceptor capacity to 2,000 units from about 600. Rising demand reflects efforts to replenish U.S. weapons inventories strained by conflicts in Ukraine and the Middle East.

Lockheed Martin has unveiled its next-generation AIM-260 air-to-air missile and a new agreement with the Pentagon to accelerate production, as the U.S. works to rebuild depleted munitions inventories. Designed for use on F-22 and F-35 fighters, the missile offers greater range than existing air-to-air weapons and is intended to counter advanced long-range threats. Lockheed will fund investments needed to expand output under a framework aimed at supporting future multiyear procurement.

Google has signed agreements for 3.59 GW of power from Constellation Energy, including a 20-year deal for 890 MW from upgraded nuclear plants and a 15-year agreement for another 2.7 GW on the PJM grid. Constellation plans more than \$4.3B in investment to expand generation capacity, with electricity from the first upgraded nuclear plant expected in

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2028. Rising data center demand has helped drive sharply higher capacity prices across the PJM market.

Canada plans to fast-track approval of a proposed 1-million-barrel-per-day crude oil pipeline to the Pacific coast, with Ottawa targeting completion of the federal review by Sept. 1, 2027. Alberta estimates the project could cost CA\$35.2B to CA\$43.7B, while the federal government projects more than CA\$20B in annual GDP and 140,000 jobs. The pipeline is intended to expand Canadian oil exports beyond the U.S., which currently receives more than 90% of the country's crude exports.

Anglo American says it could close its Brazilian nickel operation if EU regulators block a \$500M sale to MMG, arguing that the Hong Kong-listed miner is the only credible buyer identified for the business. EU officials have raised concerns that the transaction could redirect nickel supplies away from Europe and affect stainless steel producers. Anglo American has been working to exit its nickel business for more than two years.

Persistent rains have delayed the U.S. soybean harvest and tightened supplies for Midwest processors, prompting some plants to scale back crushing and offer steep premiums for immediate deliveries. USDA projects a record 2.78B bushels of soybeans will be processed this crop year, but dwindling old-crop inventories and slower harvesting have created near-term shortages. Soymeal supplies have also tightened as crushers struggle to secure enough soybeans.

Chile's state-owned copper producer Codelco says its restructuring plan may be delayed until the end of 2026, as the company works to address stagnant production and rising costs. Management is reassessing its nearly 77,000-person workforce, with sources indicating possible reductions of 5% to 20%, though no decision has been made. Copper output is now expected to remain around 1.3 million metric tons in coming years, below earlier targets of 1.7 million metric tons by the end of the decade.

EUROPE, AFRICA, & THE MIDDLE EAST:

Mercedes-Benz has warned that two German plants could close if production costs are not reduced, citing high labor costs and weak international competitiveness. The automaker said it wants to preserve its German manufacturing footprint but needs productivity improvements to do so. One assembly plant and one powertrain plant could be at risk, though Mercedes has not identified the facilities.

Renault plans to invest more than €10B (\$11B) in France over the next five years, focusing on electric vehicles and more affordable models. French production totaled 500,000 vehicles in 2025, and Renault expects output to rise at least 25% in 2026 as EV production increases. Electric vehicles accounted for a record 42% of new-car registrations in France in September.

Volkswagen has warned of €10B (\$11.5B) in one-off costs for 2026, with about €6B tied to weaker expectations for Porsche amid U.S. tariffs and declining Chinese demand. The automaker now expects a profit margin of no more than 1%, down from previous guidance of 4.0% to 5.5%. Volkswagen is also moving ahead with a wider restructuring that includes 50,000 job cuts and possible plant closures.

Porsche is restructuring around permanently lower vehicle volumes, targeting a future break-even point below 200,000 units compared with 279,449 deliveries in 2025. Global deliveries have fallen nearly 10% since 2022, while China's share of sales is expected to drop below 10% in coming years from 35% at the start of the decade. Porsche also plans to cut 9,000 positions by 2035 as it reduces costs and shifts further toward higher-end models.

Sanofi and Regeneron have expanded their drug-development partnership in a deal worth up to \$8B, covering four new immunology drugs and settling prior litigation between the companies. Sanofi will pay \$1B upfront and as much as \$7B in milestone payments, while development costs and future profits will be shared equally. The agreement is intended to strengthen Sanofi's pipeline ahead of the eventual loss of patent exclusivity for Dupixent.

European drugmakers are urging governments to increase pharmaceutical investment, speed clinical trials, and strengthen intellectual property protections, warning that the region risks falling further behind the U.S. and China. Europe's share of global pharmaceutical R&D has fallen to 31% from 43% in 1990, while its share of commercial clinical trials has dropped to 9%. Industry leaders also noted that about 40% of new therapies never reach European patients, adding to concerns over the region's competitiveness.

Thyssenkrupp Steel Europe is targeting a major profitability improvement as it restructures the business, with adjusted EBITDA expected to rise to at least €1.2B (\$1.4B) over the mid-term from about €400M in 2026. The plan includes cutting or outsourcing 11,000 jobs and reducing annual steelmaking capacity to 8.7 million to 9 million metric tons from about 11 million. Higher EU trade barriers on Asian steel are also expected to support the turnaround.

Roche is developing autonomous AI-driven laboratories to accelerate pharmaceutical research and development, as

EUROPE, AFRICA, & THE MIDDLE EAST:

the Swiss drugmaker expands the use of artificial intelligence across its pipeline. About 2B Swiss francs (\$2.41B) in R&D savings are being redirected toward development programs and productivity initiatives, while Roche aims to launch up to 20 new molecular entities by 2030. AI or computational tools contributed to 40% of recent pipeline decisions, and Roche expects its Target Nexus platform to support 80% of research portfolio decisions by the end of 2026.

Airbus delivered 72 commercial aircraft in September, bringing its year-to-date total to 547. Deliveries went to 37 customers, and the company recorded 17 gross aircraft orders during the month. Airbus is targeting approximately 870 commercial aircraft deliveries for 2026.

Saudi Arabia has resumed operations on its East-West oil pipeline after a drone attack temporarily shut the route in September. The pipeline has become an important alternative to the disrupted Strait of Hormuz, carrying roughly 4 million bpd toward Red Sea export terminals. Gulf oil flows recovered to about 81% of pre-war levels in September, although refined-fuel exports remained considerably weaker.

Norway says its gas export system is prepared to meet high European demand through the coming winter, after completing major maintenance work in September. Norwegian gas currently supplies about 30% of demand across the EU and Britain, with 2026 deliveries reaching 86.2 bcm so far, up 2.1 bcm year-over-year. European gas prices have more than doubled this year to about €73 per MWh amid tighter LNG supplies and below-average storage levels.

The European Union is imposing provisional import quotas and minimum prices on grain-oriented electrical steel and related products, with measures taking effect Sept. 25 while its broader investigation continues. Minimum prices will range from €2,800 to €3,400 per metric ton within quotas and rise to €3,500 per ton above them. China accounted for more than 50% of EU imports of electrical steel and downstream products in 2025.

Rolls-Royce plans to invest £300M (\$397.9M) in U.K. aerospace and defense manufacturing, including more than £140M for engineering and production facilities in Derby and over £150M across Bristol, Inchnin, Rotherham, and Ansty. Planned upgrades will expand manufacturing capacity and strengthen defense-related operations. Rolls-Royce has invested more than £3B in the U.K. since 2023 and spent over £2.8B with domestic suppliers in 2025.

Emirates Global Aluminium says the EU's decision to abandon a proposed 15% export duty on aluminium scrap

could affect its planned recycling expansion in Germany, where the company has proposed adding 110,000 tons per year of sorting capacity and 150,000 tons per year of melting and casting capacity. EGA has not yet made a final investment decision on the project, and its CFO described the policy reversal as a negative for the expansion.

Britain's trade watchdog has recommended new anti-dumping duties on imports of Chinese rutile titanium dioxide, after finding that dumped material poses an imminent threat to domestic producers. Rutile titanium dioxide is widely used in paints and paper, and the U.K. industry employs more than 570 people while supplying hundreds of downstream businesses. A final recommendation will follow a consultation period before the government decides whether to impose the duties.

The U.S. State Department has approved a potential \$24.3B sale of F-35 fighter jets to Saudi Arabia, including 48 aircraft, 49 engines, and related support equipment. Congressional approval is still required before the transaction can proceed. The purchase would significantly expand Saudi Arabia's air force modernization efforts and deepen U.S.-Saudi defense cooperation.

ASIA/PACIFIC, JAPAN, AUSTRALIA, & INDIA:

Volkswagen's China chief expects the country's passenger car market to decline about 20% in 2026, describing the contraction as comparable to the impact of the COVID-19 pandemic. China's domestic vehicle sales fell for an 11th consecutive month in August, while exports remained strong. Volkswagen continues to face falling deliveries and narrower profit margins in its largest market.

China's Abogen has signed an mRNA licensing deal with Novartis worth up to \$7.8B, giving the Swiss drugmaker exclusive rights to an experimental autoimmune therapy and options on additional RNA-based treatments. Abogen will receive \$575M upfront and could earn another \$7.2B tied to development and regulatory milestones. The agreement reflects growing interest among global drugmakers in licensing therapies from Chinese biotech companies.

China's Jiangsu Hengrui Pharmaceuticals has signed a deal worth up to \$2.6B with Novo Nordisk for rights to an experimental weight-loss pill, including \$300M upfront and as much as \$2.3B in milestone payments. Novo will gain development, manufacturing, and commercialization rights outside Greater China for the oral GLP-1 candidate HRS-1596. Nearly 250 GLP-1 drugs are now under development in China, reflecting the country's growing role in the global obesity-treatment pipeline.

ASIA/PACIFIC, JAPAN, AUSTRALIA, & INDIA:

Australia's CSL has entered a rare-disease drug partnership with Swiss firm Alentis Therapeutics worth up to \$1.6B, including a \$355M upfront payment and as much as \$1.2B in commercial milestones. The companies will co-develop and co-promote lixudebart, a potential treatment for rare kidney and liver diseases that is currently in Phase 2 testing. Global profits would be shared 55% to CSL and 45% to Alentis.

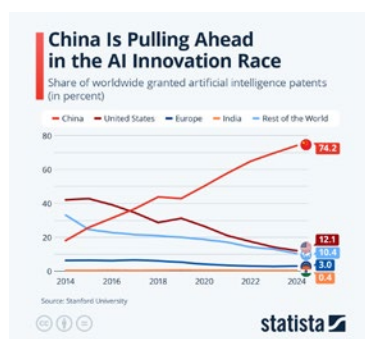
Australia's CSL is partnering with Amazon Web Services to expand the use of AI and cloud technology across its research pipeline, with tools aimed at identifying drug targets earlier and shortening development timelines. CSL also plans to use AWS technology for clinical protocol drafting, data management, and regulatory submission work. The collaboration is intended to connect laboratory and computational research more closely as the company looks to accelerate drug development.

Airbus says aircraft demand remains strong across Asia-Pacific despite geopolitical and supply-chain pressures, with deliveries up 9% year-over-year so far in 2026. The company expects the region to account for about 45% of roughly 42,000 new aircraft needed globally over the next 20 years, including 8,830 for China and 3,480 for India. India remains the fastest-growing air travel market in the region, with domestic traffic projected to rise 9.3% annually.

India's Akasa Air is reportedly in talks to order more than 200 Boeing 737 MAX aircraft, with a decision expected early next year and terms potentially finalized in the second half of 2027. Akasa currently operates 43 737 MAX jets and already has 226 aircraft on order as it targets a 30% capacity increase by March 2027.

Japan's Inpex will increase its stake in Australia's Ichthys LNG project to 68.555%, after exercising pre-emptive rights to acquire JERA's 0.735% interest. Ichthys has annual LNG production capacity of 9.3 million metric tons, and Inpex said the acquisition supports its strategy to expand upstream gas assets and strengthen energy security in Japan and the broader Asia-Pacific region.

China accounted for 74.2% of worldwide granted AI patents in 2024, up sharply from 18% in 2014 and well ahead of the U.S. at 12.1%. Europe represented 3.0% of granted AI patents, while India accounted for 0.4%. China overtook



the U.S. around 2017 and has continued widening its lead in global AI patent activity.

China Rare Earth Group is reportedly in talks to acquire a controlling stake in Shenghe Resources, a deal that would further consolidate China's rare earth sector under state ownership. Shenghe holds a 3% stake in U.S.-based MP Materials and owns Australia's Peak Rare Earths, giving the potential transaction implications beyond China. Shenghe has denied that its controlling shareholder plans to transfer control of the company.

India is targeting 600 million metric tons of steelmaking capacity by 2047 under a new national steel policy, up from about 220 million tons in fiscal 2026. The draft also calls for lower emissions intensity and greater access to iron ore and coking coal as domestic demand rises. India was a net importer of finished steel from April through August, with imports up 29.5% year-over-year to 3.5 million tons.

Australia's Northern Star Resources has rejected an A\$38.7B (\$27.1B) takeover proposal from South Africa's Gold Fields, saying the offer undervalues its portfolio and exposes shareholders to greater jurisdictional risk. A successful deal would create the world's second-largest gold producer, with annual output of about 4.1 million ounces. Gold Fields said it remains interested in engaging with Northern Star's board.

India's steel ministry is unlikely to seek new import restrictions in the near term, despite finished steel imports rising 29.5% year-over-year to 3.5 million metric tons from April through August. China supplied 31.8% of those imports, while domestic producers have sought stronger safeguards against low-cost material. Existing measures include an 11.5% safeguard duty on some grades and an anti-dumping investigation into hot-rolled steel from China, Japan, and Russia.

South Korea has unveiled a 1,000T-won (\$747B) energy transition and decarbonization strategy through 2035, combining government spending, climate finance, and private-sector investment. The plan targets 100 GW of renewable energy capacity by 2030 and supports industries including green steel, batteries, hydrogen, and small modular reactors. South Korea also aims to accelerate decarbonization in steel, petrochemicals, refining, cement, and semiconductors while developing domestic clean-energy supply chains.

India has approved a 1.86T-rupee (\$19.42B) renewable energy program to strengthen its power grid and expand

ASIA/PACIFIC, JAPAN, AUSTRALIA, & INDIA:

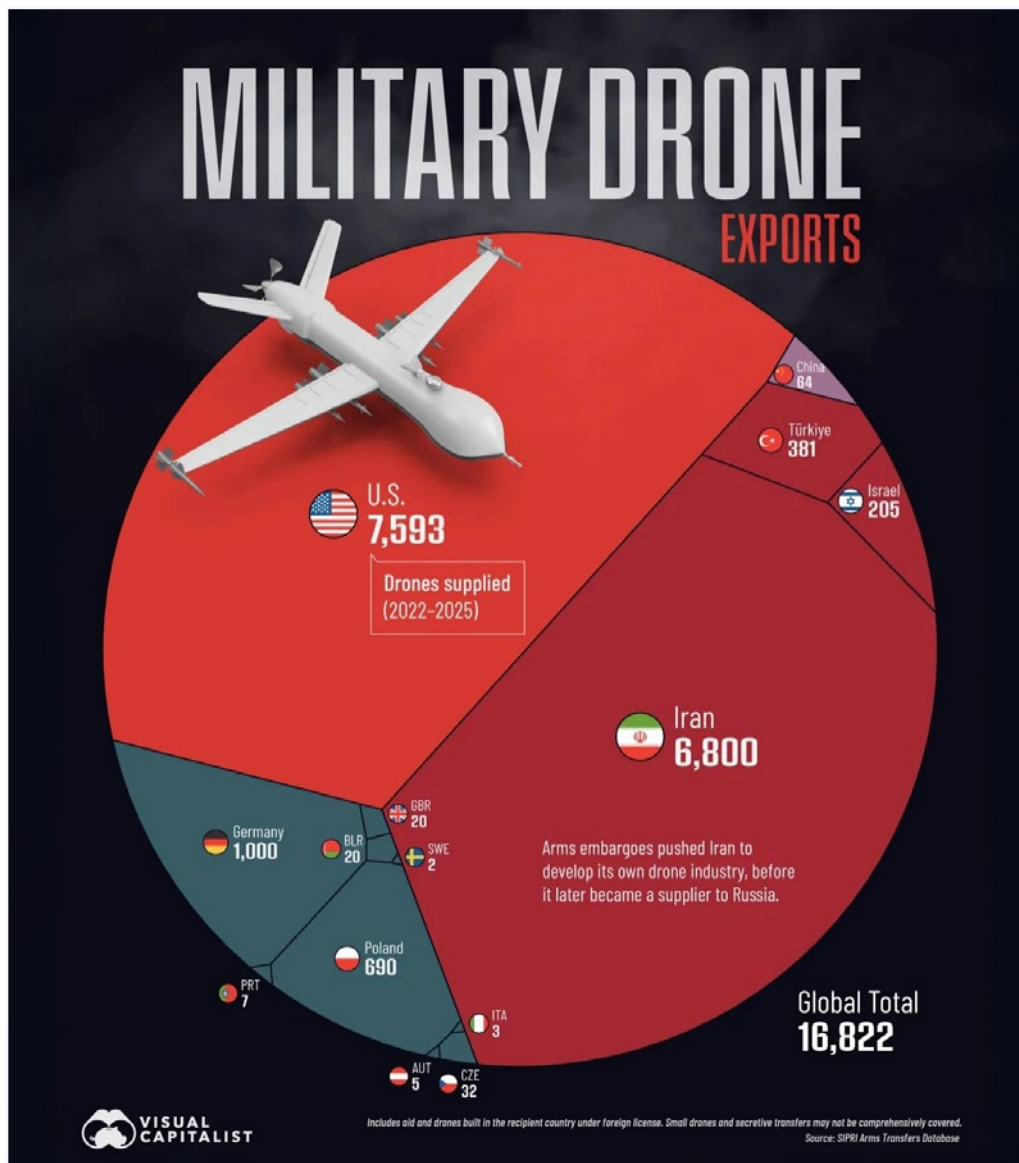
energy storage, including 1.36T rupees for transmission upgrades supporting up to 135 GW of clean energy. A separate 500B-rupee incentive will support installation of 50 GWh of battery storage capacity. India is targeting 500 GW of non-fossil-fuel power capacity by 2030, up from 304 GW currently.

Korean Air has finalized an order for 103 Boeing aircraft worth \$36.2B at list prices, including 20 777-9s, 25 787-

10s, 50 737-10s, and eight 777-8 Freighters. A broader \$44.8B package also includes \$8.6B for spare engines and a 15-year engine maintenance agreement. Korean Air said the investment will support fleet expansion following its integration of Asiana Airlines while replacing older aircraft with newer models.

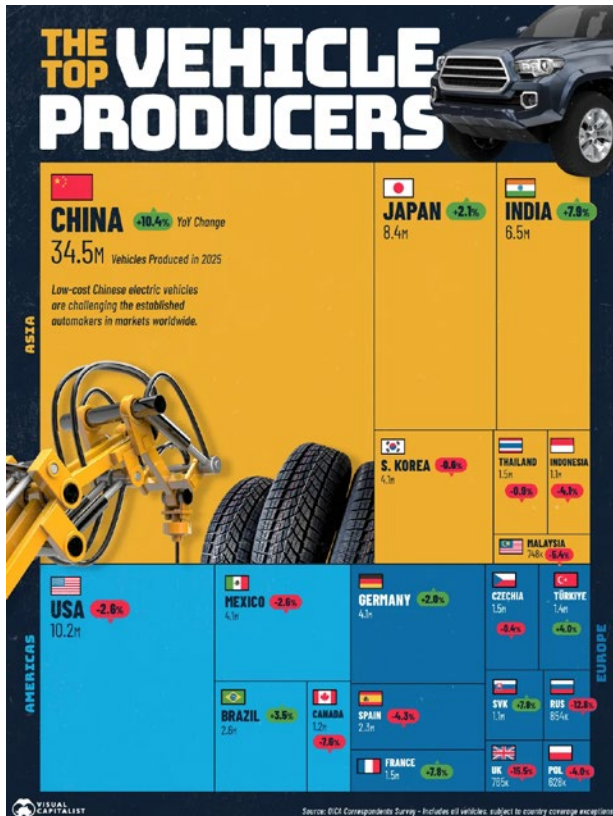
ECONOMIC UPDATE: APPENDIX TO THE OCTOBER 2026 ISSUE

AEROSPACE: U.S., IRAN DOMINATE GLOBAL MILITARY DRONE EXPORTS



The U.S. and Iran supplied 86% of the 16,822 military drones exported worldwide from 2022 through 2025, according to SIPRI data. The U.S. led with 7,593 drones, followed by Iran with 6,800, while Germany ranked a distant third at 1,000. Export patterns shifted sharply in 2025, when Iran delivered 2,002 drones compared with 402 from the U.S. Turkey exported only 381 drones over the four-year period but supplied 28 countries, more than any other exporter. One-way attack drones and loitering munitions accounted for 97% of the global total, underscoring how wartime transfers have driven export volumes.

AUTOMOTIVE: CHINA EXTENDS LEAD IN GLOBAL VEHICLE PRODUCTION



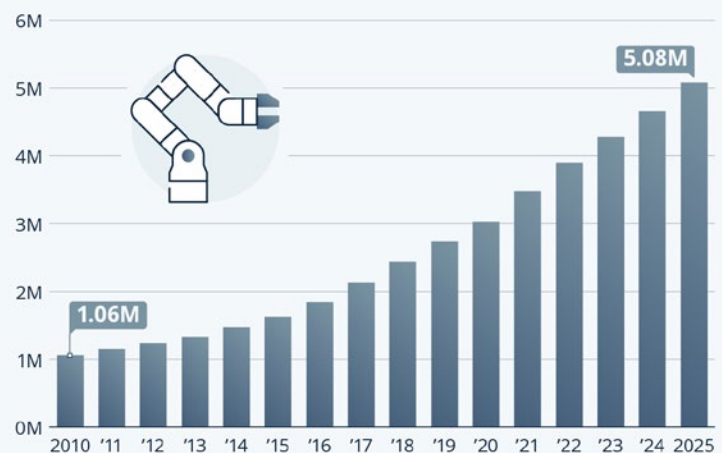
China produced 34.5 million vehicles in 2025, accounting for more than one-third of nearly 100 million vehicles built worldwide and more than triple U.S. output. Production in China rose 10.4% year-over-year, while India increased output 7.9% to nearly 6.5 million vehicles, the second-fastest growth rate among the top 20 producers. The U.S. remained the world's second-largest producer at 10.2 million vehicles, followed by Japan at 8.4 million. North American production weakened across the board, with output falling 2.6% in both the U.S. and Mexico and 7.6% in Canada. Combined production across the three countries declined by approximately 491,000 vehicles from 2024 as global output continued to grow.

TECHNOLOGY: GLOBAL INDUSTRIAL ROBOT STOCK SURPASSES FIVE MILLION

The global operational stock of industrial robots reached 5.08 million in 2025, up from about 1.06 million in 2010, according to the International Federation of Robotics. Asia accounted for 76% of new installations, reinforcing the region's lead in industrial automation. China alone installed more than 350,000 robots in 2025, representing 59% of the global total. Growth in robotics continues to express wider adoption of automated handling, welding, assembly, and other manufacturing processes.

Rise of the Robots

Global operational stock of industrial robots

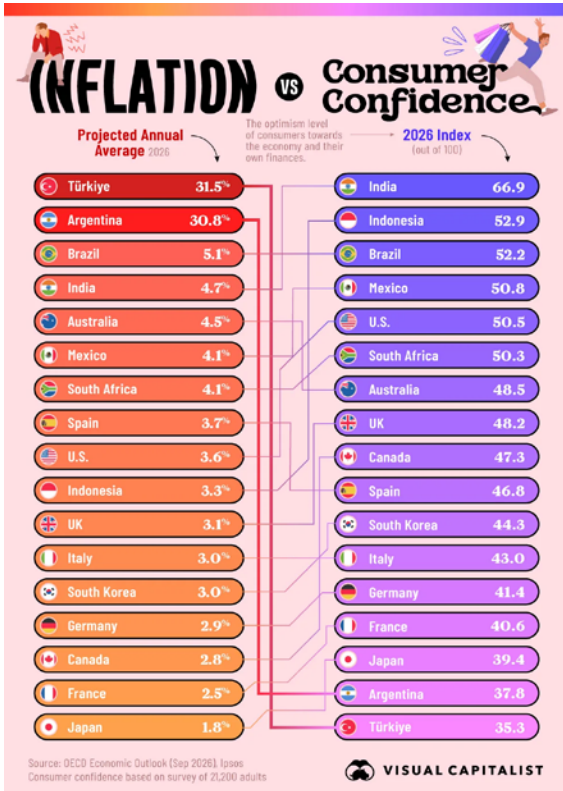


Source: IFR | World Robotics 2026



statista

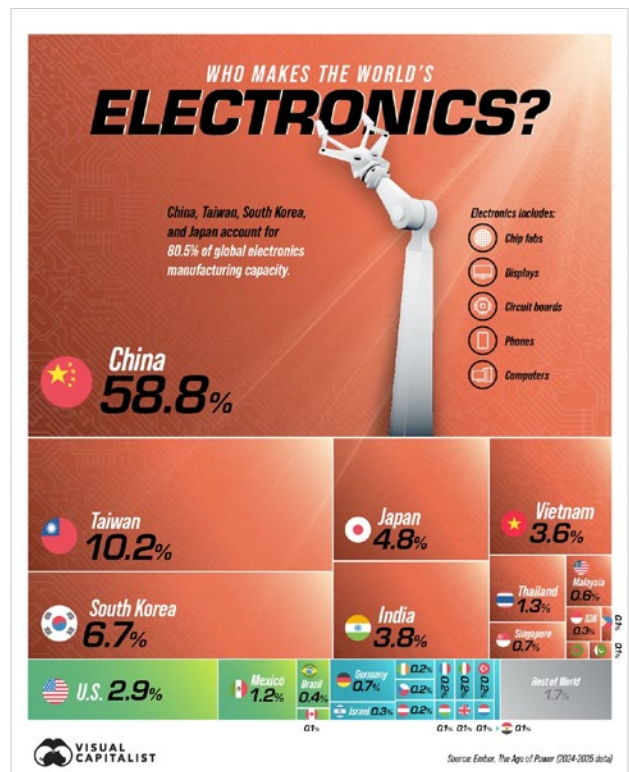
ECONOMY: INFLATION AND CONSUMER CONFIDENCE DIVERGE ACROSS MAJOR ECONOMIES



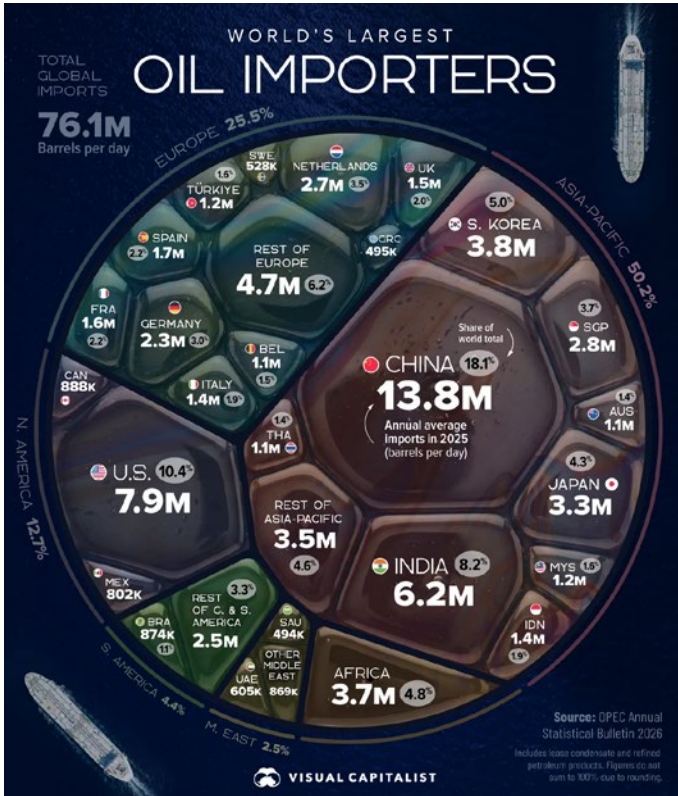
Turkey and Argentina are projected to post the highest average inflation rates among 17 major economies in 2026, at 31.5% and 30.8%, respectively. Excluding those two countries, projected inflation ranges from 1.8% in Japan to 5.1% in Brazil, while the U.S. has the highest rate among G7 economies at 3.6%. Consumer confidence tells a different story, with India leading at 66.9 despite projected inflation of 4.7%. Japan, meanwhile, combines the lowest inflation rate in the group with a confidence score of just 39.4. The contrast shows how sentiment also reflects wages, employment, and expectations beyond current price pressures.

TECHNOLOGY: ASIA DOMINATES GLOBAL ELECTRONICS MANUFACTURING CAPACITY

China accounts for 58.8% of global digital hardware manufacturing capacity, more than every other country combined. Taiwan, South Korea, and Japan add another 21.7%, bringing the four East Asian leaders to 80.5% of worldwide capacity across semiconductors, displays, circuit boards, smartphones, computers, and related electronics. India ranks fifth at 3.8%, followed by Vietnam at 3.6%, while the U.S. accounts for 2.9%. China is also targeting more than 30T yuan (\$4.5T) in operating revenue from strategic technology industries by 2030 as it continues expanding semiconductor and electronics capacity.



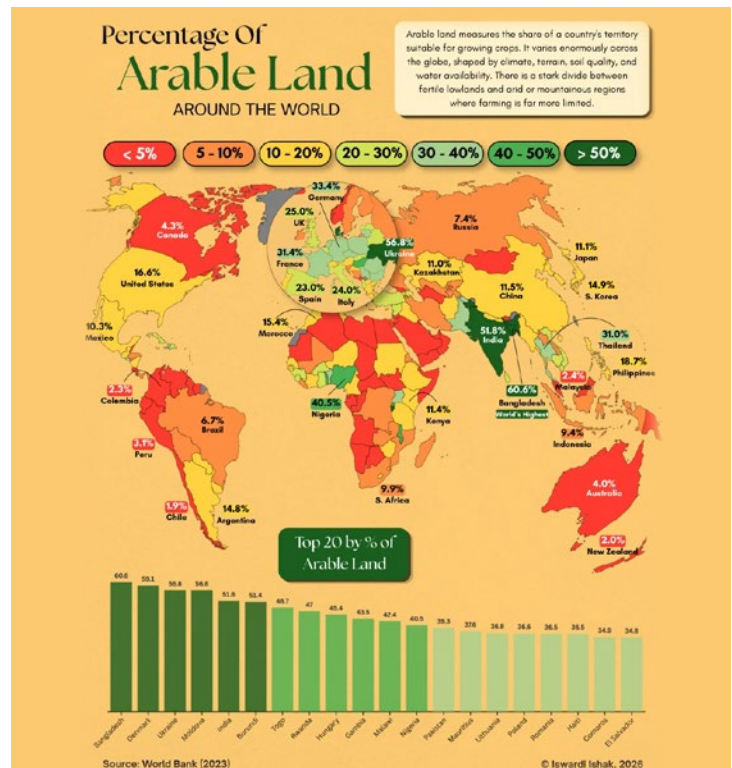
ENERGY: ASIA-PACIFIC ACCOUNTS FOR HALF OF GLOBAL OIL IMPORTS



Asia-Pacific imported 38.2 million barrels of oil per day in 2025, representing 50.2% of the global total. China led all countries at 13.8 million bpd, or 18.1% of worldwide imports, followed by the U.S. at 7.9 million and India at 6.2 million. South Korea and Japan ranked fourth and fifth at 3.8 million and 3.3 million bpd, respectively. The region's reliance on imported oil also leaves it particularly exposed to Strait of Hormuz disruptions, with Asian countries receiving 89.2% of the crude that passed through the strait in 2025. Singapore and the Netherlands also rank highly because their totals include oil imported for refining and subsequent re-export.

COMMODITIES: BANGLADESH, DENMARK LEAD IN SHARE OF ARABLE LAND

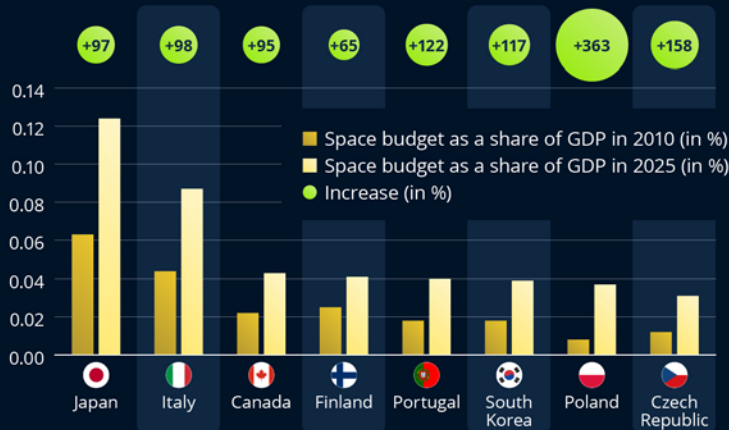
Bangladesh has the world's highest share of arable land at 60.6%, followed by Denmark at 59.1%, according to World Bank data. Ukraine and Moldova each stand at 56.8%, while India ranks fifth at 51.8%. Several African countries also place high, including Burundi at 51.4%, Togo at 48.7%, Rwanda at 47.0%, and Nigeria at 40.5%. Large economies often rank lower by percentage despite having substantial farmland, with the U.S. at 16.6%, China at 11.5%, and Brazil at 6.7%. Arable-land share reflects geography, climate, soil quality, and water availability rather than total agricultural output.



AEROSPACE: JAPAN, ITALY DOUBLE SPACE SPENDING AS SHARE OF GDP

Japan and Italy Invest More in Space Programs

Selected OECD countries where investments in space programs as a share of GDP grew between 2010 and 2025



Source: OECD The Space Economy at a Glance 2026

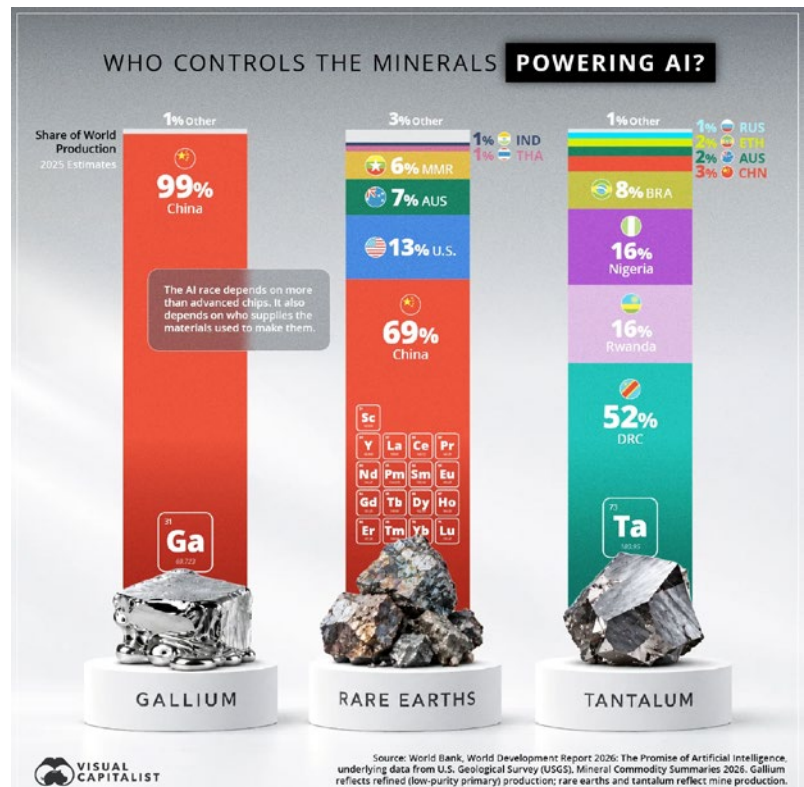


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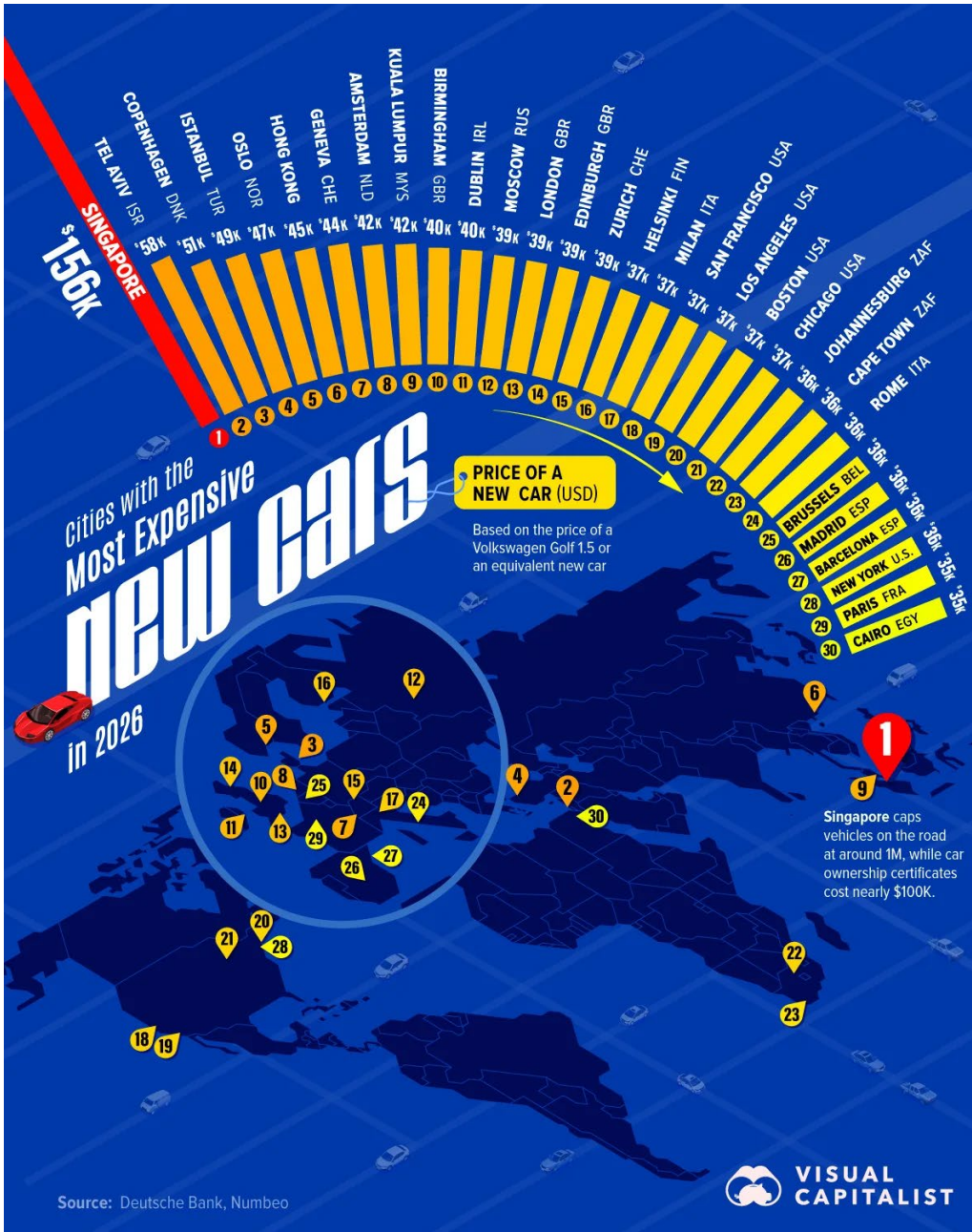
Japan and Italy nearly doubled their space budgets as a share of GDP between 2010 and 2025, reaching about 0.12% and 0.09%, respectively. Several smaller European economies recorded even faster growth, led by Poland with a 363% increase, followed by the Czech Republic at 158% and Portugal at 122%. South Korea increased its share by 117%, while Canada rose 95% over the 15-year period. The increases demonstrate broader investment in national and international space programs across much of the OECD.

COMMODITIES: CHINA DOMINATES KEY MINERALS USED IN AI HARDWARE

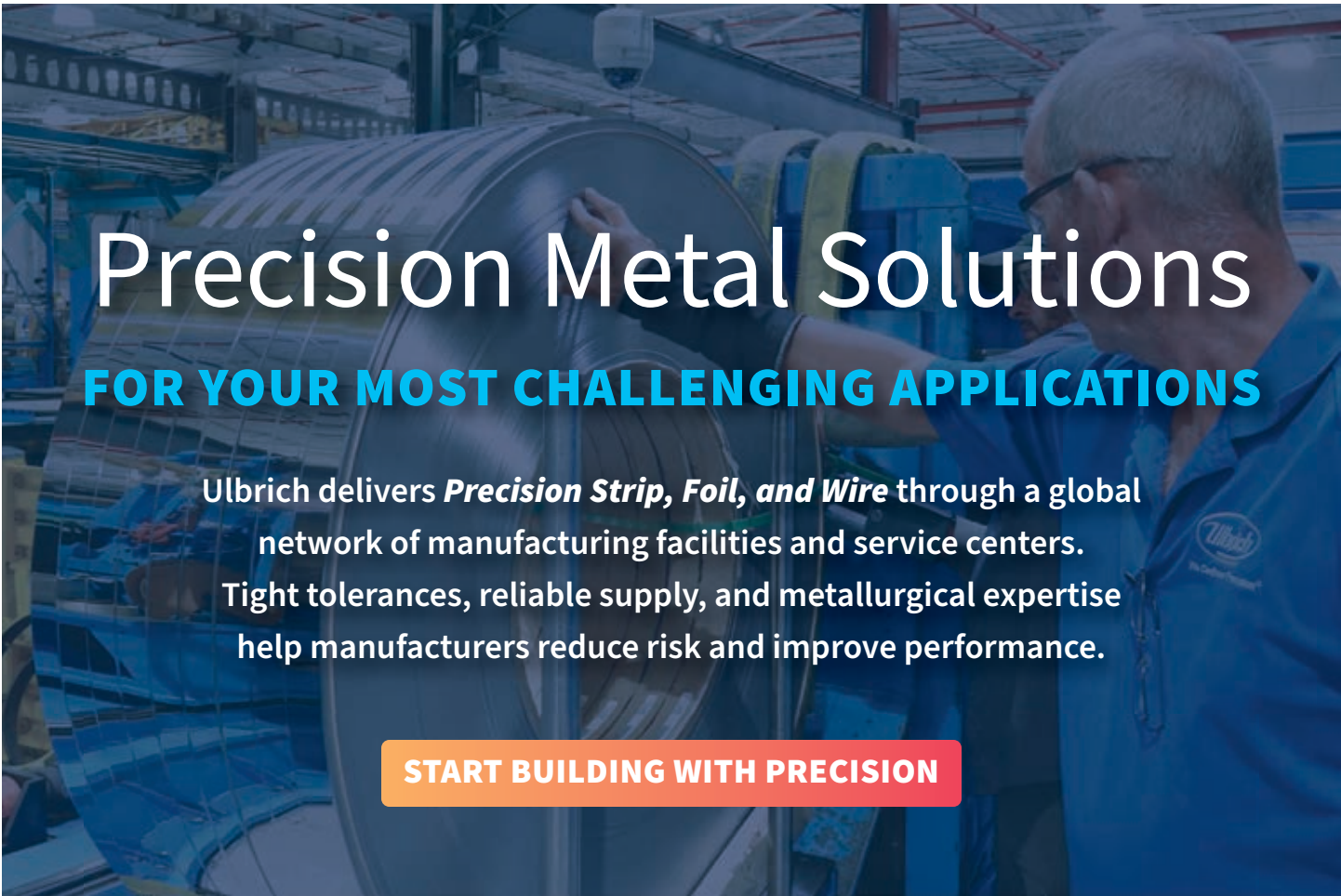
China accounts for 99% of estimated global processed gallium production and 69.2% of rare earth mine output, highlighting the concentration of materials used in semiconductors, magnets, and power electronics. The U.S. ranks second in rare earth production at 13.1%, followed by Australia at 7.4%. Tantalum has a different supply base, with the Democratic Republic of the Congo producing 52% of global mine output, while Rwanda and Nigeria contribute another 31.6% combined. Concentrated production leaves AI hardware supply chains exposed to export restrictions and other disruptions, particularly as demand for chips, servers, and data center power systems continues to grow.



AUTOMOTIVE: SINGAPORE LEADS GLOBAL CITIES IN NEW CAR COSTS



A new car costs about \$156,200 in Singapore in 2026, nearly three times the price in second-ranked Tel Aviv at \$57,900. Singapore's vehicle ownership policies are a major factor, with its Certificate of Entitlement alone approaching \$100,000. Copenhagen ranks third at \$51,300, followed by Istanbul at \$49,100 and Oslo at \$47,000. Prices across most of the 30 cities shown are far more compressed, generally ranging from about \$35,000 to \$50,000. U.S. cities including San Francisco, Los Angeles, and Boston fall near \$37,000, while New York is closer to \$35,000.



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